OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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February 3, 2006

Re: Our file number LR 05-178 Supplemental; Income Tax - Small Business Capital Formation Incentive Act and Rural Venture Capital Formation Incentive Act

Dear

This is in response to your inquiry of January 19, 2006 wherein supplemented the facts to the ruling requests relating to the Small Business Capital Formation Incentive Act (68 O.S. § 2357.60 et. seq.) and Rural Venture Capital Formation Incentive Act (68 O.S. § 2357.70 et. seq.) - LR05-178. Following is a restatement of the additional facts outlined in your letter, the supplemental ruling requested and our response thereto.

SUPPLEMENTAL FACTS:

Paragraph 15 of the Ruling Request is deleted in its entirety and the following is substituted in its place

15. The Capital Company will make investments in Portfolio Companies. The investment will be in the form of Portfolio Company Stock. The funds from the investment in the Portfolio Company Stock will be deposited by the Portfolio Company in its corporate accounts. *If required by the Bank, a Portfolio Company may be required to escrow a portion of the proceeds from the investment in a lender controlled account to secure the Venture Funds indebtedness.* The funds from the investment in the Portfolio Company Stock will typically be used by the Portfolio Company for specific budgeted items or for working capital and the extent to which such funds may be used by the Portfolio Company for such purposes will be subject to covenants and restrictions which will vary for each Portfolio Company, depending upon the Portfolio Company's business plan and objectives, requirements of the Capital Company's lenders and general industry standards.

SUPPLEMENTAL RULING REQUESTED AND OKLAHOMA TAX COMMISSION RESPONSE:

requests that the Oklahoma Tax Commission confirm that the additional facts presented herein do not alter any of the specific rulings issued in the letter from the Oklahoma Tax Commission to me dated November 23, 2005 regarding the availability of tax credits under the Small Business Capital Formation Incentive Act (68 O.S. § 2357.60 et. seq.) and Rural Venture Capital Formation Incentive Act (68 O.S. § 2357.70 et. seq.) to investors in the Venture Funds.

The additional facts presented do not alter any specific rulings issued under LR05-178 dated November 23, 2005.

This response applies only to the circumstances set out in your request of January 19, 2006. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

Please also be advised that the issuance of this ruling does not preclude the Oklahoma Tax Commission from conducting an audit or examination under 68 O.S. § 206 , any direct or indirect investors, or any member of these LLC's regarding the transactions outlined in this letter ruling. The Commission further reserves the right to issue any assessment, correction, or adjustment authorized under 68 O.S. § 221.

If I can be of further assistance, please feel free to call me at (405) 521-3133.

Sincerely,

FOR THE OKLAHOMA TAX COMMISSION

Michael C. Kauffmann
Tax Policy Analyst