OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

May 13, 2010

[redacted]

RE: LR-09-228 Supplemental Ruling [redacted]

Dear [redacted]:

This letter ruling is in response to your letter ruling request dated May 6, 2010, wherein you posed a supplemental ruling request relating to the Small Business Capital Formation Incentive Act (68 O.S. §2357.60 et seq.) and the Rural Venture Capital Formation Incentive Act (68 Okla. Stat. § 2357.70 et seq.). Following a restatement of the facts outlined in your letter, is the specific ruling requested and our response thereto.

The Oklahoma Tax Commission issued Letter Ruling LR-09-228 on December 31, 2009 (the "Original Ruling"). We respectfully request a supplemental letter ruling confirming the Original Ruling and the items referenced below. Capitalized terms used in this letter and not otherwise defined herein have the meanings provided in the Original Ruling, as modified below.

The Original Ruling was issued to [redacted] (the "Capital Company"), among others, and states that, pursuant to Commission Rule 710: l-3-73(e), it "may be generally relied upon only by the entity to whom it is issued and its investors, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law." [redacted], [redacted], an Oklahoma limited liability company (the "New Fund") intends to become an investor in the Capital Company, which will issue additional series of units to the New Fund and invest the proceeds from the issuances in one or more Businesses. The New Fund will be a separate entity and will not be a series of the Fund referred to in the Original Ruling; however, the New Fund will be managed by the Manager, which also manages the Fund and the Capital Company. The New Fund intends to offer common units and preferred units in a structure substantially similar to the structure of the Fund described in the Original Ruling with the following differences.

1. The New Fund will be capitalized with preferred units and one or more classes of common units. The New Fund will invest in one or more classes of units of the Capital Company. Each class of units of the Capital Company will correspond to an investment in a particular Business and each class of common units of the New Fund will correspond to an investment in a particular class of units of the Capital Company. All the preferred units of the New Fund will be owned by the Investors, who will be accredited investors in the New Fund. The common units of the New Fund will be owned by one or more special purpose entities managed by the Manager but owned by the corresponding Business and/or owners or principals of that Business (each, a "Special Purpose Entity"). Each Special Purpose Entity will contribute approximately $10,000 for its common units. All Tax Credits to which the Fund is entitled will be allocated to the Investors, as owners of the preferred units of the New Fund, and no Tax Credits will be allocated to any Special Purpose Entity, as an owner of common units of the New Fund or otherwise. None of the Investors will be the Businesses invested in by the Capital Company or owners or principals in the Businesses.

2. The Preferred Return will consist of distributions of cash or property and/or allocations of Tax Credits to the Investors. It is anticipated that a substantial portion of the Preferred Return will be satisfied with the allocation of Tax Credits to the Investors and that the remaining portion of the Preferred Return will be paid to the Investors with cash distributions from the New Fund, as proceeds are received by the Capital Company and distributed to the New Fund. The Operating Agreement of the New Fund will provide that at any time after the last to occur of (a) the date that the Investors have received the Preferred Return, and (b) January 1, 2012, the New Fund may redeem or repurchase its preferred units for an aggregate redemption price of 0.5% of the amount initially invested in those preferred units.

3. It is anticipated that, in connection with the Project Loans, (a) each Special Purpose Entity will obtain a loan which may have a guaranty issued by USDA Rural Development and which may be further guaranteed by the applicable Business and secured by the assets of that Business, (b) the Special Purpose Entity will use the proceeds of that loan to make a Project Loan that refinances the portion of the Investor Loans that relates to the Capital Company's investment in the applicable Business, and (c) the Project Loan would be repaid to the Special Purpose Entity by the Investors as distributions are received from the New Fund.

4. A Business will be required to pay a one-time program fee to the Capital Company of not more than 10% of the total Qualified Investment in that Business. We understand that payment of this program fee by the Business will not be considered an expenditure for the acquisition of tangible or intangible assets or for working capital for purposes of the expenditure requirements in the Acts but that the amount of the Qualified Investment will not be reduced by the amount of this fee.

We respectfully request your confirmation that, under the specific facts indicated above, the Original Ruling is confirmed and remains in effect. We further request your

confirmation that the New Fund and each of its investors, along with the Capital Company, and the Manager may rely upon this ruling.

It is the ruling of the Tax Policy Division of the Oklahoma Tax Commission that under the specific facts indicated above, the Original Ruling is confirmed and remains in effect.

This response applies only to the circumstances set out in your request dated May 6, 2010. 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 and its investors, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

Please be advised that the issuance of this ruling does not preclude the Oklahoma Tax Commission from conducting an audit or examination under 68 Okla. Stat. §206 of any report or return claiming a credit for the transactions outlined in this letter ruling. The Commission reserves the right to issue any assessment, correction, or adjustment authorized under 68 Okla. Stat. §221.

Sincerely,

OKLAHOMA TAX COMMISSION

Dawn Elizabeth Cash

Dawn Elizabeth Cash, Director
Tax Policy & Research Division