



REI OKLAHOMASM

REI New Markets Investment, LLC



Overview of NMTC Program

- Enacted on December 21, 2000, as part of the Community Renewal Tax Relief Act of 2000
- Creates a tax credit for “Qualified Equity Investments” (QEIs) in Community Development Entities (CDEs)
- Substantially all of the equity investment must be used to provide loans to, or make investments in, “low-income communities”



Credit Amount

- Credit taken over a 7-year period
- Credit rate:
 - 5 %in each of the first 3 years
 - 6 %in each of the final 4 years
- Equals 39% of amount of original investment



Key Concepts of NMTC

- Investor must make “Qualified Equity Investment” (QEI) in REI New Markets Investment, LLC
- Substantially all of QEI must be used to make a loan to, or investment in, a “Qualified Active Low-Income Community Business”



Qualified Equity Investment

- QEI must remain invested in the same CDE for a 7-year period
- Investors may claim credits as of the date a QEI is initially made

Investing in QALICBs

QALICB Criteria

- At least 50% of the total gross income is from the active conduct of a qualified business in low-income communities; and
- At least 40% of the use of the tangible property of the business is located in low-income communities; and
- At least 40% of the services provided by the employees are performed in low-income communities

NOTE: The gross income test is deemed met if either the tangible property, or the services test, is at 50% or higher



What is “low-income”

Generally, “low-income communities” are:

- Census tracts with at least 20% poverty, or
- Census tracts where the median family income is at or below 80% of the area median family income.



Investment Criteria

- 100% of the QLICI's must be on flexible terms
- 75% of the QLICB's must be located in areas of higher distress



Flexible Terms

100%



Must meet 1 of the following:

- Equity
- Interest rate <50% of prevailing rates

OR meet 5 of the following:

- Subordinated debt
- Below market interest rate
- Lower than standard origination fee
- Longer than standard period of interest only
- Higher than standard loan to value ratio
- Longer than standard amortization period
- Non traditional forms of collateral
- Lower than standard debt service coverage ratio
- Loan loss reserve requirements less than standard



NMTC – Higher Distress

75%



One of the Following:

- Poverty rate $> 30\%$
- Unemployment $1.5x$ national average
- Median Family Income $\leq 60\%$ of Statewide Median Family Income



OR at least TWO of the following:

- Poverty rate >25%;median family income <= 70% of statewide median family income or Unemployment 1.25x national average
- Federally designated Empowerment Zone, Enterprise Community, or Renewal Community
- SBA Hubzone
- Federally designated Native American Land
- Federally designated medically underserved
- FEMA “major disaster declaration” eligible for assistance



Example

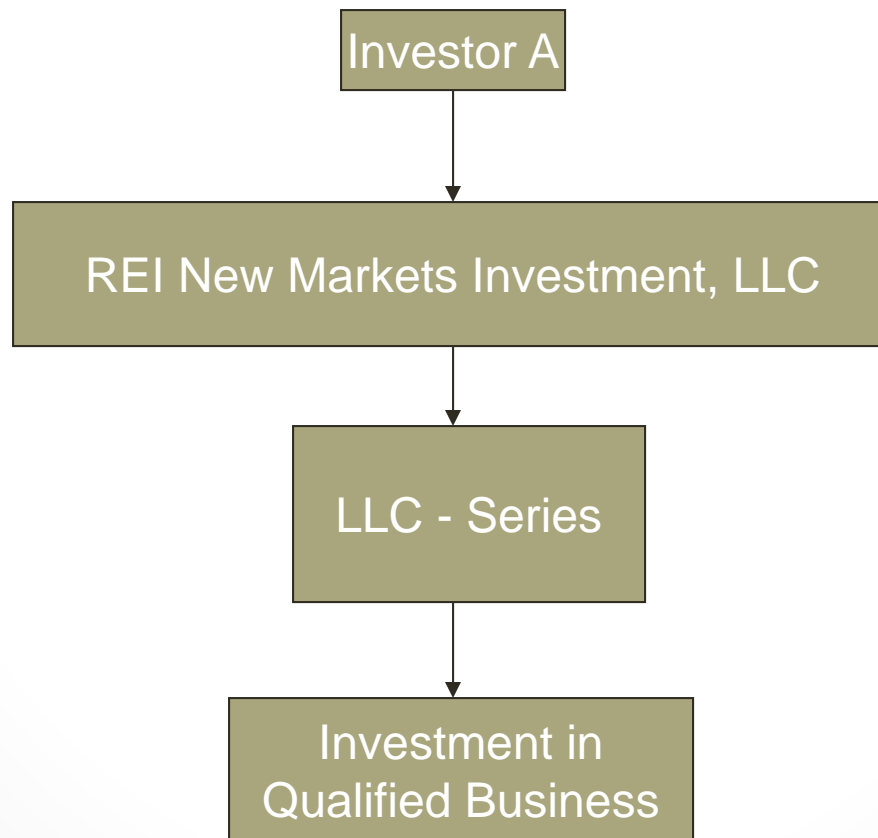
\$1,000,000 Investment =

Year 1 -	5% -	50,000	tax credit
Year 2 -	5% -	50,000	
Year 3 -	5% -	50,000	
Year 4 -	6% -	60,000	
Year 5 -	6% -	60,000	
Year 6 -	6% -	60,000	
Year 7 -	6% -	60,000	

Total Tax Credit \$390,000



Structure



Mapping Website

www.cohnreznick.com/nmtc-mapping-tool

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