Opportunity Zone SuperConference

Pairing QOZ with other Incentives

Opportunity Zone SuperConference

Panelists

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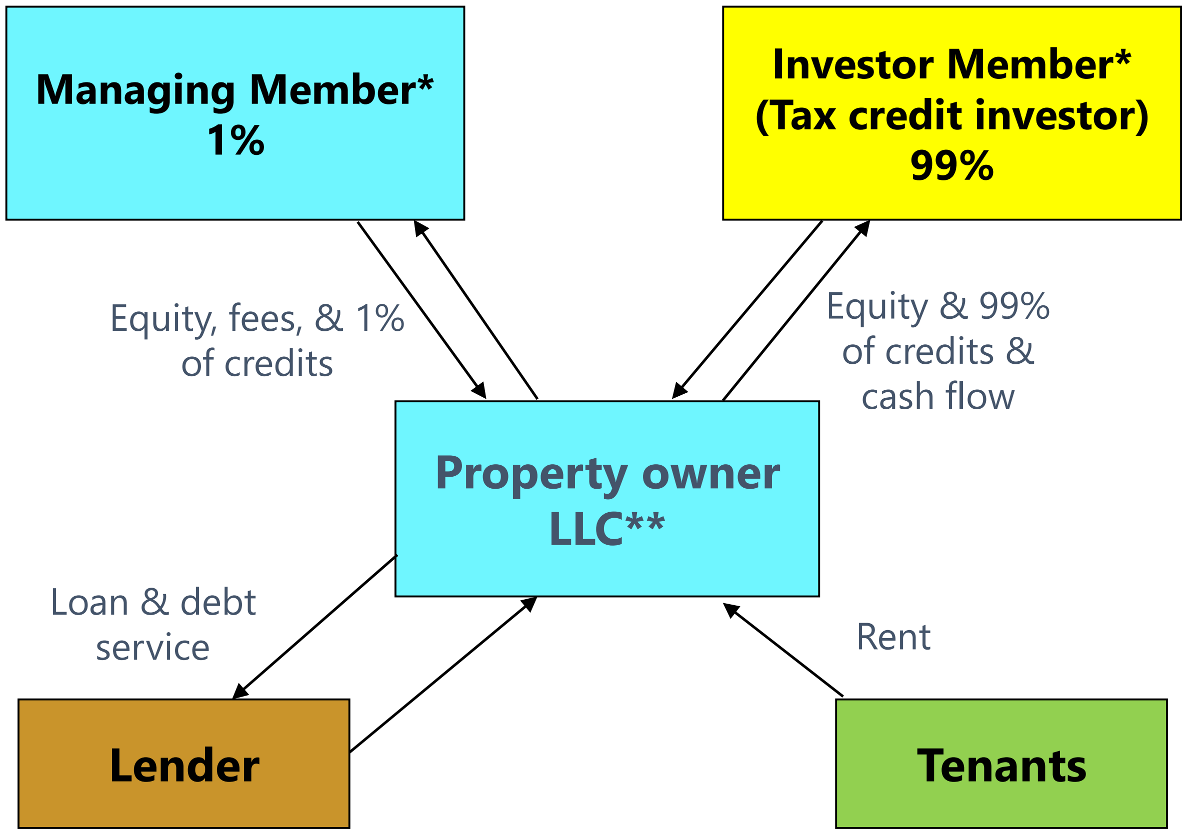
Historic Tax Credits

Structures

HTC Syndication: Single-entity structure

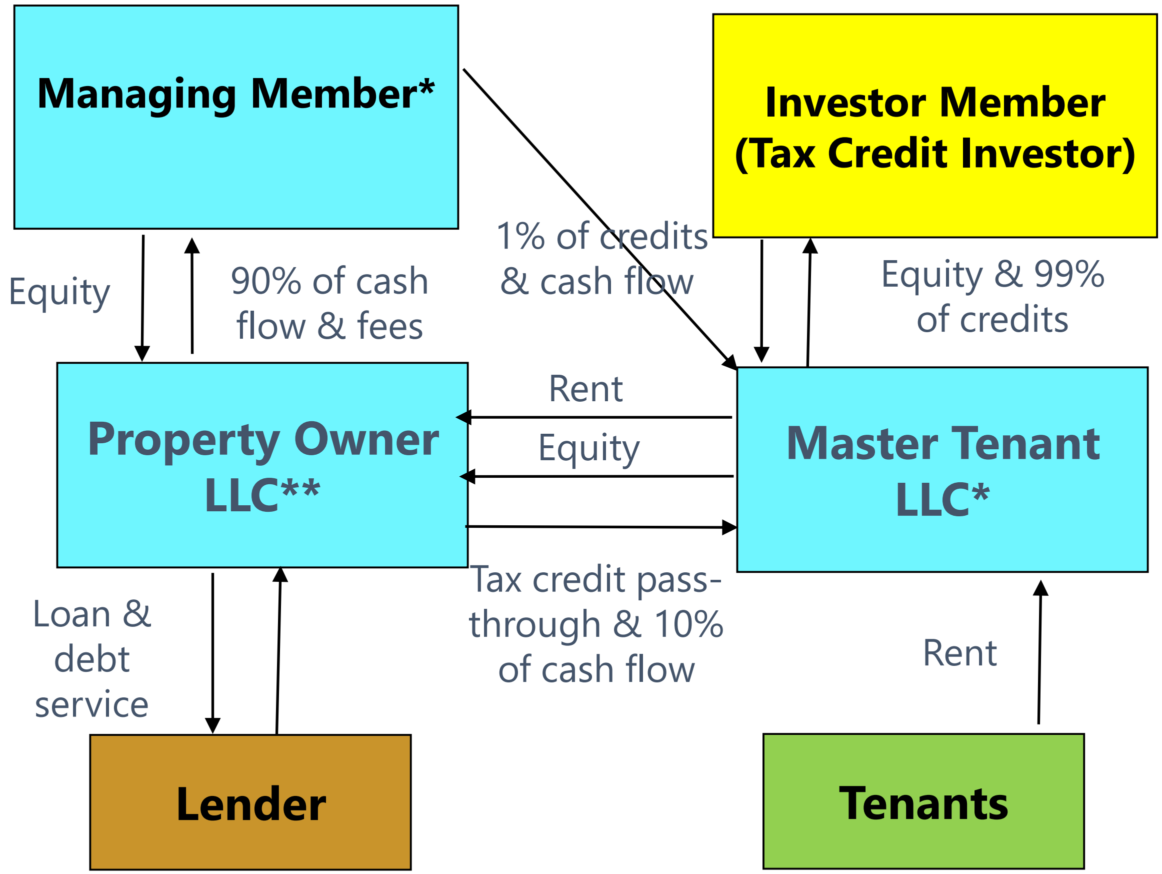


* Can be Qualified Opportunity Fund (QOF)

** Can be either Qualified Opportunity Fund or Qualified Opportunity Zone Business

Note: QOF cannot own another QOF

HTC Syndication: Master tenant structure



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Opportunity Zone and HTC Twinning Considerations

Importance of 12/31/17 Cutoff

- HTC: 1 year vs. 5 year credit
- OZ: QOZBP considerations (incl. improvements to ineligible property)

Timing considerations

- HTC 5 year compliance period vs. OZ 10 year investment horizon
- Timing of capital contributions

Development fees – QOZBP and economic considerations

Preferred return – HTC investor and QOF investor

Direct vs. indirect Ownership of QOZBP

- Working Capital Safe Harbor
- 70% vs. 90% test
- 50% gross income active conduct test – Triple net leases
- Sin business and Nonqualified financial property restrictions

New Markets Tax Credits

Structures

New Markets Tax Credits

Overview

Businesses looking to expand, build or re-equip a facility in a low income community can use New Markets Tax Credit ("NMTC") to obtain a portion of the funding needed for the project from Community Development Entities ("CDE") that have been given the right by U.S. Treasury to select qualifying projects. Projects must be located within a low-income census tract and have community impacts.

Opportunity

Taxpayers can receive approximately $2.8 million in a "forgivable" loan for every $10 million of capital expenditures in certain low-income or rural areas. Maximum cash benefit is typically $7-15 million.

How NMTCs are Used

Loan Proceeds are typically used for real estate development, equipment, or working capital.

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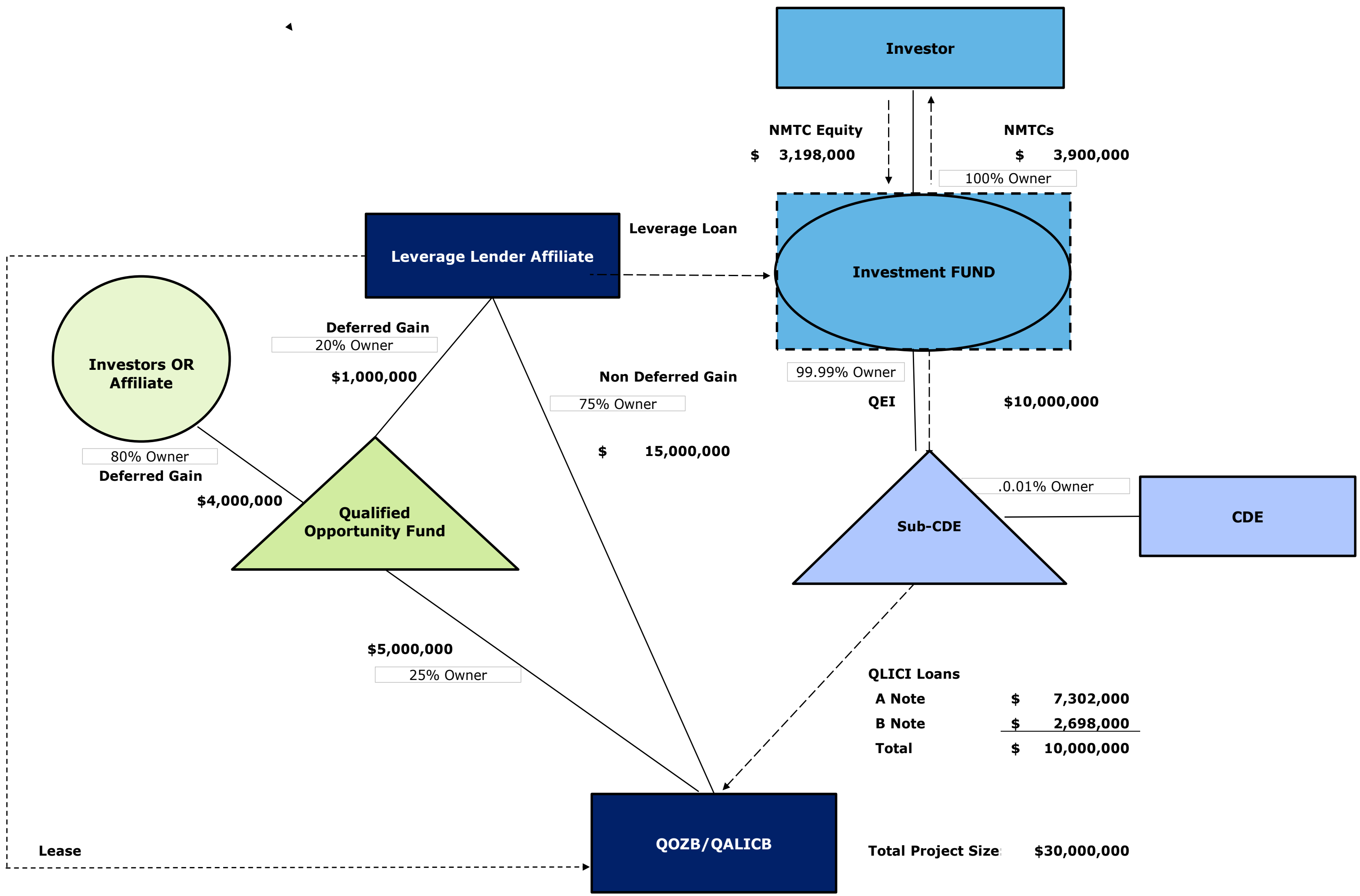
New Markets Tax Credits



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New Markets Tax Credits

NMTC and QOZ General Considerations

- NMTCs are limited to $3.5 billion per year and is competitive for projects to secure.
- NMTCs are typically loans vs QOZ equity.
- Related party rules.

Timing Considerations

- NMTCs typically exit after a 7-year time period.
- QOZ equity before NMTC debt.

QALICB vs QOZB

- QALICB can satisfy 50% gross income test by passing 50% tangible property test or 50% services test. QOZB requires 70% tangible property test.
- QALICB cannot be or lease to a "sin" business while QOZB is only limited to not being a "sin" business.
- QALICB require less than 5% of the aggregate unadjusted cost basis of the QALICB's assets be attributable to collectibles.
- QALICB cannot be solely residential rentals, predominantly intangible business, or farming.

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Low Income Housing Tax Credits

Structures

Combining LIHTC & Opportunity Zones

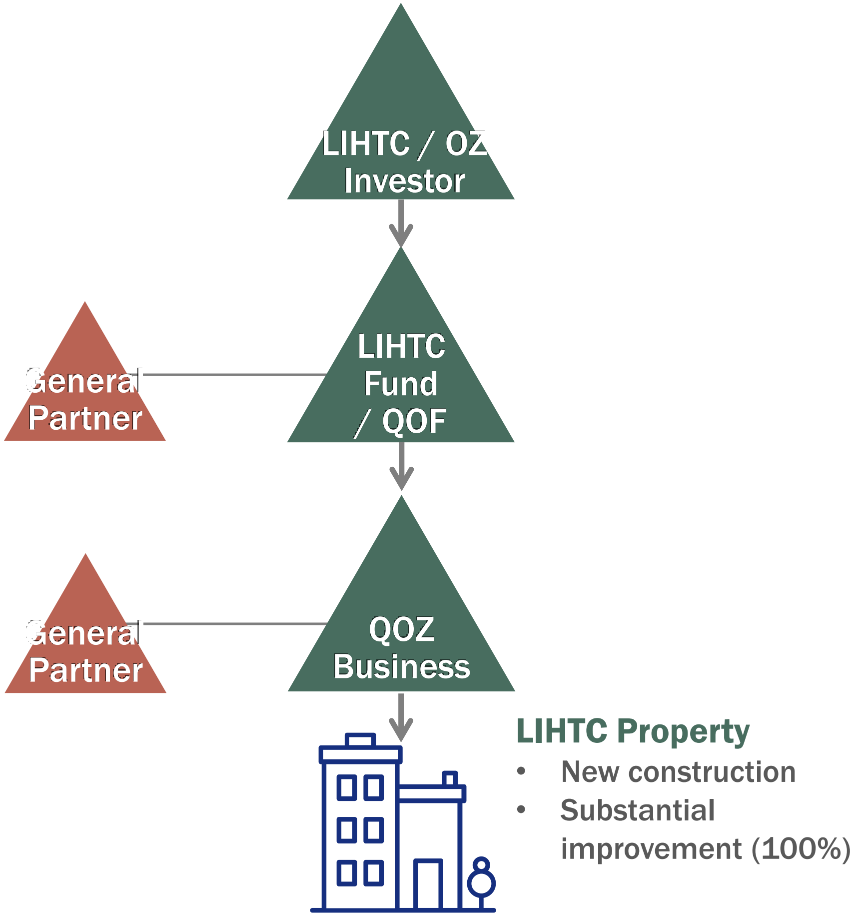
Pros

- Maximizing Opportunity Zones Incentives = at least 10 years
  - LIHTC investments = 15 year holding period
- Housing credit projects in low to median income communities
  - Estimate >500 housing credit properties will be developed in qualified opportunity zones this year
- A negative tax capital account and federal capital gains taxation?
- Reduced investor FMV at 12/31/26
- GP back-end gain elimination?

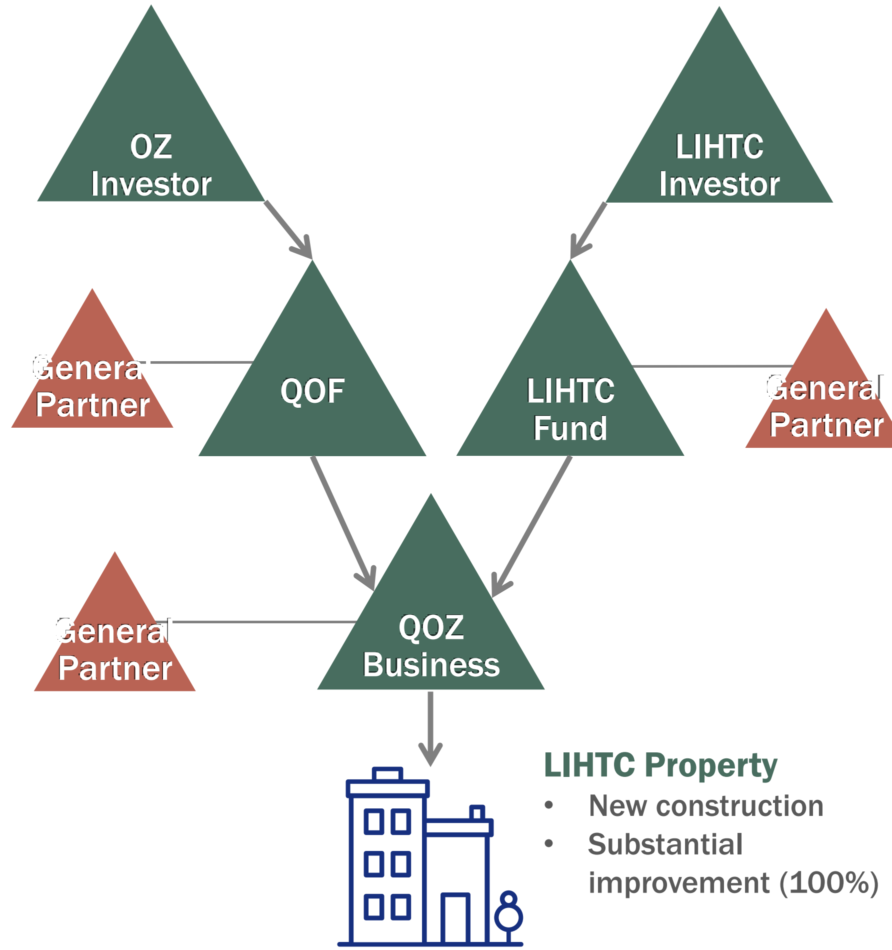
Cons

- 80-85% of LIHTC equity market comes from commercial banks
  - Disallowed equity investments = less capital gains
- Public company deferred tax provisions (stock price impact)
- Acquisition and rehabilitation of existing properties and "substantial improvement" test

Twinned Structure



Parallel Structure



OZ benefit for a $10,000,000 investment – Elimination of Gain at December 31, 2026

Original income tax basis	$0
Additions to basis after seven year hold	$1,500,000
Adjusted tax basis	$1,500,000
Less: lower of deferred gain or 12/2026 FMW	($3,200,000)
Taxable capital gain as of 12/31/2026	$1,700,000
Capital gains tax at 4/15/2027 at 21% tax rate	$357,000*

**Versus $2,100,000 at 4/15/19*