OPPORTUNITY ZONES

Douglas Bystry
President / CEO
Clearinghouse CDFI

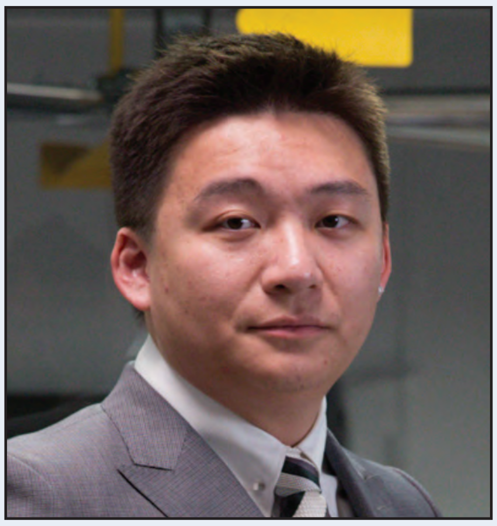
Mark Foster
Counsel
Snell & Wilmer

Jeff Hipshman
Tax Partner
HMWC

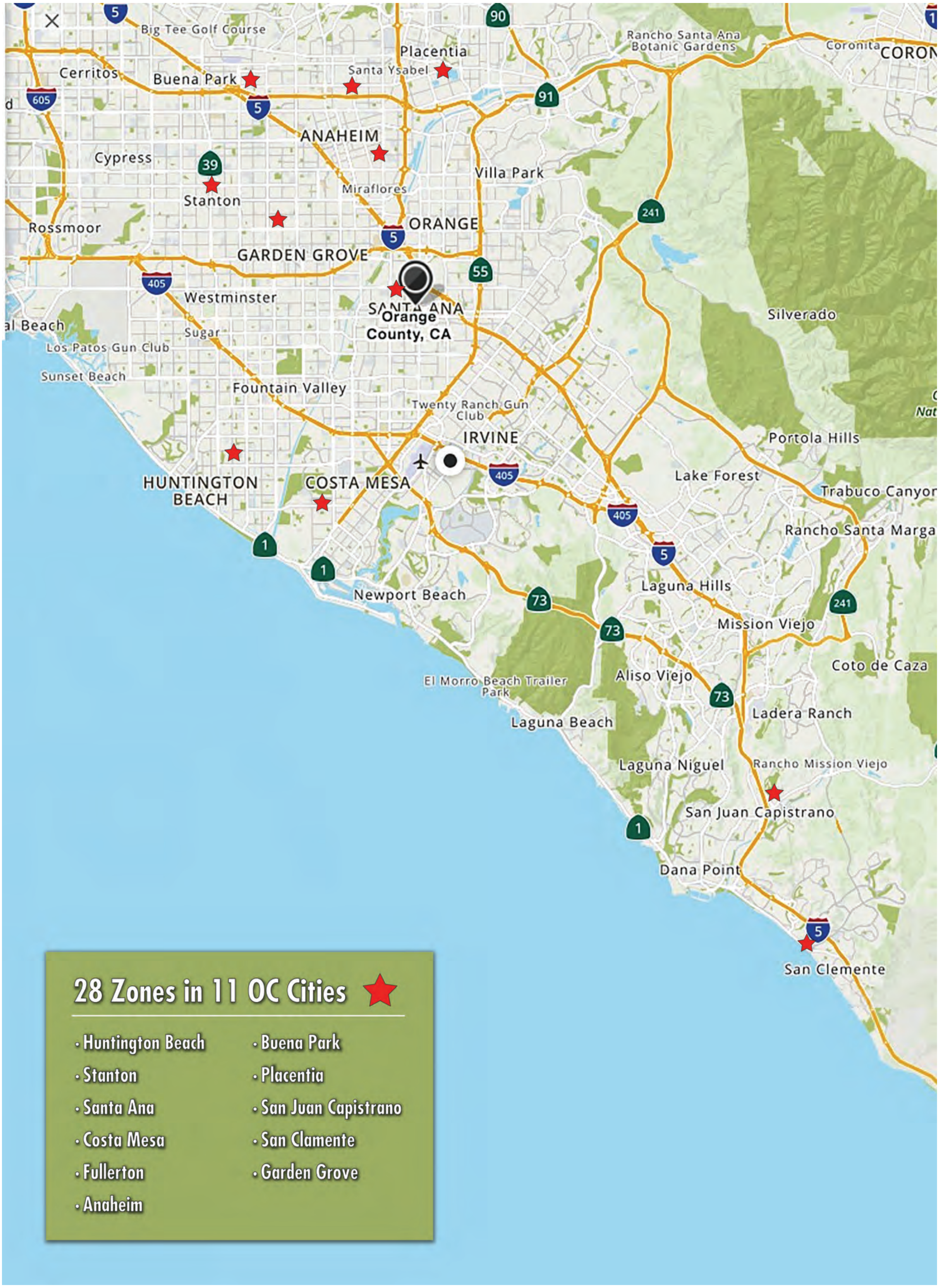
Jackie Matsumura
Tax Partner
BPM

Kevin Kim
Partner, Corporate & Securities
Geraci Law Firm

Miguel Pulido
Mayor
City of Santa Ana



Johnney Zhang
Chief Executive Officer
Primior


28 Zones in 11 OC Cities
· Huntington Beach
· Stanton
· Santa Ana
· Costa Mesa
· Fullerton
· Anaheim
· Buena Park
· Placentia
· San Juan Capistrano
· San Clamente
· Garden Grove
Big Tee Golf Course
Placentia
Santa Ysabel
Rancho Santa Ana Botanic Gardens
Coronita
Cerritos
Buena Park
ANAHEIM
Cypress
Stanton
Villa Park
Miraflores
Rossmoor
ORANGE
GARDEN GROVE
Westminster
SANTA ANA
Orange County, CA
Silverado
Sugar
Los Patos Gun Club
Sunset Beach
Fountain Valley
Twenty Ranch Gun Club
IRVINE
Portola Hills
HUNTINGTON BEACH
COSTA MESA
Lake Forest
Trabuco Canyon
Newport Beach
Laguna Hills
Mission Viejo
Coto de Caza
El Morro Beach Trailer Park
Aliso Viejo
Laguna Beach
Ladera Ranch
Laguna Niguel
Rancho Mission Viejo
San Juan Capistrano
Dana Point
San Clemente

WITH OVER 2,300 ACRES IDENTIFIED AS OPPORTUNITY ZONES IN THE CITY OF LONG BEACH, NOW IS THE BEST TIME TO INVEST IN OUR DIVERSE AND FAST-GROWING URBAN COMMUNITY FOR YOUR NEXT REAL ESTATE VENTURE

WHY WE'RE THE RIGHT FIT:

- Business-friendly: One of the most business-oriented cities in the U.S.
- Large Market: Population of 470,000+ on the California Coast
- Prime Location: Ideally situated between L.A. and Orange County, with direct access to the nation's largest port complex
- Expansive Opportunity: Numerous development sites available
- Faster Processing: Streamlined pre-development and entitlement process
- Forward-Thinking: Innovation and responsiveness in service delivery

CITY OF LONG BEACH

LONG BEACH Economic Development

FOR MORE INFORMATION

(562) 570-6129

www.limitlesslongbeach.com

QOZ: Tax Savings for Investing in 'Opportunity Zones'

Investors are always seeking new tax strategies to maximize their investments. In 2018, the Tax Cuts and Jobs Act created the Qualified Opportunity Zone program or "QOZ Program". It has become the most talked about investment topic since EB-5. This program allows investors to defer capital gains by investing in eligible businesses and waives all new capital gains if the investment is held for ten years. It has become a beacon for real estate developers, business owners, and investors to pursue impact investing with a significant tax savings strategy.

Qualified Opportunity Fund Formation
To participate in this newly formed program, investors must create a Qualified Opportunity Fund ("QOF") or invest in a third-party fund. A Qualified Opportunity Fund is an investment vehicle that is either a partnership, LLC, corporation for investing in eligible business assets that are located in a Qualified Opportunity Zone.

The assets and the Qualified Opportunity Fund must be formed after December 31, 2017, as either a corporation, LLC, or partnership to invest in QOZ properties or businesses. Pre-existing entities may be eligible if they otherwise meet the 90% asset testing requirements of the program.

Certification
The QOF must self-certify by completing and attaching Form 8996 ("Qualified Opportunity Fund") to its federal tax returns.

The proposed regulations indicate that the following investors can defer capital gains under the QOZ statute:

- Individuals
- Corporations (REITs and RICs)
- Partnerships
- S corporations
- Common trust funds
- Qualified settlement funds
- Disputed ownership funds
- Designated settlement funds
- Trusts
- Estates

Opportunity Zone Designations
QOZ locations are generally economically distressed population census tracts where job growth and income have fallen behind national averages. These sites were determined by each state and were announced on June 14, 2018, by the Treasury Department and IRS. There are a total of 8,762 different zones identified in all 50 states, the District of Columbia, and five U.S. territories. The current designations will remain in effect until December 31, 2028.

Asset Testing
QOFs must ensure that ninety percent (90%) of its assets must be QOZ Property: Business Property, Stock, LLC Interests, or Partnership Interests. QOZ Business Property is defined as (1) any tangible property; (2) used in a trade or business; (3) acquired after 2017, from an unrelated party; (4) qualified by its "original use" or "substantially improved" in the zone. This is where compliance with the program becomes highly complex. Substantial improvement requires the improvements to the property exceed the adjusted basis of the property at acquisition. For example, if a building was purchased at $100,000, you would need to make improvements of $100,000 within a 30-month period to be eligible as a QOZ property. This gets ever more complex with land. The substantial improvement test does not require improvement to the land.

QOZ Businesses are just as complex. To qualify as a QOZ Business, substantially all (90%) of the tangible assets must be owned or leased in a QOZ and at least 50% of the gross income must be derived from active trade or business.

Thankfully, a QOF has the option of creating a two-tier investment platform, allowing a subsidiary of a fund to hold only 70% of that subsidiary's assets in QOZ property. This statute provides relief by allowing a fund to qualify under the asset threshold with a minimum of only 63% of its assets are comprised of qualifying opportunity zone business property. According to proposed regulations, the 90% testing is performed on the last day of the first six-month period of a QOF's taxable year, as well as on the last day of a QOF's taxable year.

Timeline
This new law also puts significant time constraints on when a person can invest in QOFs. They use this timeline as a way to move money quickly into struggling areas identified as Opportunity Zones. For an investor selling a capital asset, you must reinvest your invested capital gains into a QOF within 180 days after realizing those gains. The IRS understood that there would likely be delays for deploying capital, and thus it created a 30-month safe harbor for working capital. This safe harbor requires the QOF to establish a clear written plan and schedule as to the use of proceeds, which must be strictly followed.

Tax Benefit
An investor can elect to defer the gain from the sale or exchange of property with an "unrelated party" in a QOF within the 180 days beginning on the date of the sale or exchange. Meaning they can invest in eligible properties or businesses located in a QOZ or invest in a QOF. Unlike 1031 exchanges, an investor can invest its capital gains only as opposed to the entire proceeds of the sale.

If an investor holds a QOZ Investment for at least 5 years, 10% of the deferred gain is permanently forgiven. Moreover, if that investor holds their QOZ Investment for at least 7 years, an additional 5% (for a total of 15%) of the deferred gain is permanently forgiven. By keeping capital gains in a QOF investment for a minimum of 10 years, you pay no tax on any and all appreciation derived from your QOF Investment.

It is important to note that the initial capital gains invested must be paid no later than upon sale of the QOZ investment or December 31, 2026, whichever is sooner.

Recent Developments
Recently, the Treasury announced a second round of proposed regulations further refining the program. These regulations resolved a lot of concerns that sponsors and investors had associated with qualifying with the QOZ program.

This second round of regulations created a new safe harbor to meet the fifty percent (50%) gross income requirement such that it could be met by services performed, amounts paid for such services, or essential managerial and operational functions that were needed to generate the income.

It also provided some clarity to the working capital safe harbor. It established that multiple safe harbors can be stacked. However, it did not account for extensions in the event of acts of god and unforeseen circumstances.

Another significant new addition in this second round of regulations is the ability to reinvest QOZ property within a "reasonable time" of twelve (12) months. This development is a significant addition for diversified qualified opportunity funds with multiple assets.

Securities Considerations
This program is meant to foster investments in low-income communities designated "opportunity zones". All investments require strict compliance with state or federal security laws. QOZ investments will typically rely on federal securities exemptions like Regulation D or Regulation A.

Further, because QOZ investments have an additional layer of risk, it's important to contact a securities attorney familiar with the program to ensure offering memoranda are properly drafted to disclose the unique risks associated with the QOZ program.

Geraci LLP's corporate and securities team is at the forefront of advising and forming qualified opportunity funds throughout the United States. Whether you are a real estate developer, investor, or operating business, if you are interested in creating a qualified opportunity zone investment, please contact Geraci LLP at (949) 379-2600 or k.kim@geracillp.com.

Kevin Kim
Kevin Kim is an experienced corporate and securities attorney with Geraci Law Firm, dedicated to providing reliable and innovative legal solutions. Kevin focuses his practice on private placements and other alternative investments for private lenders, real estate developers, and other real estate entrepreneurs. Kevin has advised and prepared hundreds of securities offerings including mortgage funds, structured debt offerings, real estate syndications, crowdfunding offerings, EB-5 projects, and Qualified Opportunity Funds.

Kevin is also the lead instructor for the American Association of Private Lender's Certified Fund Manager Courses, teaching hundreds of mortgage fund managers throughout the United States about securities regulations, fund design and fund compliance.

BPM

New Opportunities for Qualified Opportunity Funds

Background
The Tax Cuts & Jobs Act of 2017 (TCJA) created a new tax incentive designed to encourage development and investment in economically distressed communities known as Qualified Opportunity Zones (QOZ). These QOZ are nominated by the individual states and then certified by the Secretary of the Treasury.

The intent of these new tax provisions is to spur economic development by providing tax benefits to investors. An investor can temporarily defer tax on his/her gains on the sale of assets by reinvesting in a Qualified Opportunity Fund (QOF). These gains are deferred until the earlier of the date on which the QOZ investment is sold or December 31, 2026. Additionally, if the investor holds the investment for at least 10 years, the appreciation in value of the investment can be excluded from income

Proposed Regulations and IRS Guidance
Initially, the statute providing these new tax benefits raised a myriad of questions which caused paralysis in the creation of QOFs. However, in October 2018 and April 2019, the Treasury Department and the IRS issued proposed regulations and additional guidance regarding these provisions which paved the way for the creation of QOFs.

From the Investor's Perspective
The taxpayer/investor may elect to exclude from gross income any capital gain on the sale of property if the gain is reinvested in a QOF within 180 days from the date of sale ("gain deferral election"). Eligible investors include individuals, C corporations, REITs, RICs and pass-through entities. There are special rules related to the 180 day period for flow-through entities and IRC Section 1231 gains.

The deferred gain will be triggered the earlier of the date on which the QOF investment is sold or December 31, 2026. In addition to taxable sales, there are "inclusion events" which trigger gain recognition: certain gifts, charitable contributions, distributions in excess of basis and reorganizations of a QOF corporation. A transfer to an estate upon the death of an investor or gift to a grantor trust is not an inclusion event. There are about 20 different events that would cause income recognition of the gain deferred under the QOZ rules.

There are basis adjustments that decrease the amount of taxable gain if the investor holds the QOF investment for at least 5 years and an additional basis adjustment if it is held for at least 7 years. Furthermore, if the value of the investment is greater than the original amount invested, and the "gain deferral election" is made, the gain on the appreciation of the QOF investment is not recognized if it is held for at least 10 years and if an election is made to use the fair market value as the basis in the QOF investment. If an investor invests amounts in excess of eligible gains, the QOF investment is treated as two separate investments, i.e., to the extent the investment comes from deferred gains, it will qualify for QOZ benefits. Any additional investment will not qualify for these benefits.

What is a Qualified Opportunity Fund (QOF)?
QOFs are investment vehicles that hold at least 90% of their assets in QOZ property. There are testing dates to ensure compliance with these requirements. These funds must be organized as a partnership or corporation. QOZ property includes 3 items:

• newly issued stock
• newly issued partnership interest
• business property

QOZ business property means tangible property used in a trade or business of a QOF if such property:

• was acquired after 2017
• the original use begins with the QOF **or** is substantially improved by the QOF
• substantially all of the use of such property was in a QOZ during the holding period.

Cash does not qualify under the asset test as it is not tangible property. However, a 31-month working capital safe harbor is available in certain tiered structures, whereby, as long as there is a written plan in place identifying the working capital as being held for the acquisition, development or improvement of property, and there is a written plan or schedule reflecting how the working capital will be spent over a 31 month period. The final requirement is that the business has to comply with these written plans/schedule. The 31-month requirement to execute the plan can be extended if there is a delay due to government action on the application that is submitted within the 31-month period.

QOZ business property will be viewed as substantially improved if during the 30-month period after acquisition, the cost of the improvements made to the property exceeds an amount equal to the adjusted basis of the property at the beginning of the 30 month period.

Leased property qualifies as a qualified opportunity zone business property if:

• the lease is entered into after 2017
• the terms of the lease are market rate at the time the lease is entered into

If there was a plan, intent or expectation for the real property to be purchased by the QOF for an amount of consideration other than the fair market value of the real property determined at the time of the purchase, without regard to any prior lease payments, then the leased real property is not QOZ property. There are additional rules for a lease from a related person.

Improvements made by a lessee to leased property satisfy the original use requirement and are considered purchased property for the amount of the unadjusted cost basis of such improvements.

If real property is both within the QOZ and outside the QOZ, and if the square footage located within the QOZ is substantial as compared to the square footage outside of the QOZ, and the real property is contiguous, then all of the property would be deemed to be located within a QOZ.

A QOF self-certifies that it qualifies by filing a Form 8996 with its timely filed tax return. Pre-existing partnerships and corporations are not precluded from qualifying as a QOF as long as the entity meets the requirements of a QOF. To note, QOZ businesses cannot include certain activities, e.g., golf course, massage parlor, casinos, racetracks, liquor stores, etc.

The IRS continues to seek comments on the proposed regulations. Further guidance will continue to be developed and released during months ahead.

Summary
We are seeing an increase in the number of QOFs being formed. The structuring options vary depending on the size of the project, capital requirements and investor pool. Careful analysis is required to make sure that the statutory requirements are met, tax consequences from the investor's perspective are considered, and at the same time, the long term plan is in line with the business strategy that is in place regardless of the QOZ benefits.

Jackie Matsumura is a partner and the real estate industry group co-leader at BPM. Contact Jackie at jmatsumura@bpmcpa.com or 925-296-1035.

Greg Dresdow is a senior real estate tax advisor at BPM. Contact Greg at gdresdow@bpmcpa.com or 925-296-1088.

Snell & Wilmer
LAW OFFICES

Opportunity Zones: Helping Communities or Wealthy Taxpayers? The Ups and Downs of an Evolving Tax Efficient Investment Strategy

By Mark E. Foster, Counsel

Every decade or so a new tax incentive program is introduced that leverages the insatiable desire of taxpayers to minimize tax liability to stimulate investment in programs prioritized by the Federal Government. (Think low income housing tax credits, renewable energy tax shelters, etc.) The Investment in Opportunity Act is the latest and potentially the most accessible and lucrative of such tax incentive programs.

Where did the Opportunity Zone program come from?
The Investment in Opportunity Act was passed in December 2017 as part of Tax Cuts and Jobs Act with the goal of encouraging private capital investment in economically distressed areas or Opportunity Zones.

What is an Opportunity Zone?
Opportunity Zones are low-income communities based upon census tract data that were nominated by the Governor of each state. In Orange County, Opportunity Zones can be found in parts of Fullerton, Placentia, Stanton, Santa Ana, Anaheim, Huntington Beach, Costa Mesa, San Juan Capistrano and San Clemente. There are 879 census tracts certified as Opportunity Zones in California (see https://opzones.ca.gov/oz-map for a statewide map) and over 8,700 nationwide.

What is an O-Fund?
To be eligible for the tax benefits under the Opportunity Zone program, investors must re-invest their unrealized capital gains into a dedicated Qualified Opportunity Fund (O-Fund), which in turn invests in a qualified business or real estate project located in an Opportunity Zone. O-Funds cannot invest in golf courses, country clubs, massage parlors, hot tub facilities, liquor stores, race tracks, gambling establishments or suntan facilities. Provided that an O-Fund meets certain program requirements (i.e., creates jobs and/or meets certain investment thresholds), investors can defer and potentially reduce taxation on capital gains. O-Funds are self-certified with the IRS and are subject to bi-annual testing to confirm compliance with program investment parameters.

What are the Tax Benefits?
The primary tax benefits to Opportunity Zone investors are: (1) temporary deferral of eligible capital gain realized from the sale or exchange of any property to an unrelated party until December 31, 2026, (2) partial reduction of deferred gain based upon how long the funds are invested in an O-Fund (five year hold results in a 10 percent increase in basis; seven year hold results in a 15 percent increase in basis), and (3) full forgiveness of additional gain applicable to the appreciation in the O-Zone investment if held for at least 10 years.

For example, if a taxpayer invests a capital gain of $100,000 in an O-Fund, after a five year hold the taxpayer would only have to pay taxes on $90,000. After a seven year hold the taxpayer would only have to pay taxes on $85,000. Moreover, if the taxpayer holds the investment for 10 years and sells the investment for $300,000, the $200,000 of appreciation would be free from capital gains tax.

Who Should Invest?
Taxpayers with significant capital gains who could hold an investment in an O-Fund for the long term should consider investing in O-Funds. Eligible taxpayers include individuals, corporations, partnerships (LLCs and LPs), REITs and trusts and estates. An O-Fund investment must be made within 180 days from the sale or exchange that gave rise to the capital gain and investors may invest in multiple funds. Based upon the current regulations, an investment in an O-Fund must be made by December 31, 2019, to take full advantage of the seven-year hold benefit since capital gains are only deferred until December 31, 2026.

What Can Go Wrong?
The Department of Treasury regulations related to O-Funds have been evolving over the past 18 months with the most recent update in April 2019. There remain unanswered questions relative to the O-Fund rules. As a result, investors should invest only in O-Funds that have been formed and have the appropriate criteria in place to avoid losing the O-Fund status. This can best be accomplished by engaging accounting and legal professionals who are up to date on the current regulations and the trends surrounding the program. A foot fault relative to O-Fund formation or administration can impose unanticipated tax liability on investors and undermine the significant tax benefits of the program. In addition, the relatively long hold period necessary to take full advantage of the program means that early withdrawal of investments could significantly reduce the tax benefits.

What types of investments are best for O-Funds?
To take advantage of the Opportunity Zone program, O-Funds must invest in business opportunities located in Opportunity Zones that are intended to improve and/or expand such businesses. The most qualified projects are; typically, real estate development in an Opportunity Zone that involves significant rehabilitation, opening a new business in an Opportunity Zone, acquiring an existing business and relocating it with expansion to an Opportunity Zone, or large expansion of businesses already located in an Opportunity Zone.

How are O-Funds impacting Opportunity Zones?
Although the Opportunity Zone program is relatively new, its effects are being felt throughout the Opportunity Zones in California. The most pronounced is the fact that O-Fund buyers are frequently able to pay a higher price for qualified businesses and/or real estate located in Opportunity Zones than their competition. This means that any existing business or real property owner located within an Opportunity Zone may find the highest bidder is an O-Fund.

The Opportunity Zone program continues to evolve as new regulations are adopted and investors and their advisors better understand the benefits and pitfalls of this tax incentive program with a social agenda. It remains to be seen whether the Opportunity Zone legislation will translate to large scale improvement in the quality of life for the low-income residents currently living in Opportunity Zones. There is no question, however, that many O-Fund investors will see a real tax benefit because of the program.

For more information about Opportunity Zones and Opportunity Funds services, contact Mark at 714.427.7435 or mfoster@swlaw.com.

Mark Foster
Mark Foster concentrates his practice on the representation of institutional owners, operators and developers in connection with joint venture formations, acquisitions and dispositions, leasing, and real estate-related lending. Mark's practice also includes zoning, land use planning, real estate entitlements, and special-use permitting on behalf of real estate developers, telecommunication providers, and other end users. His previous experience as in-house corporate and real estate counsel to major investment and development companies has provided him with unique insight into anticipating and addressing client needs with respect to their operational and real estate matters.


Because
differences matter.™

The Opportunity Zone Program – It's More Accessible Than You Think

By Jonathan Smeragliuolo, Tax Manager, HMWC CPAs & Business Advisors

One of the most significant tax deferral (and savings) tools for investors introduced with the Tax Cuts and Jobs Act is the Qualified Opportunity Zone (QOZ), as described in §1400Z-2 of the Internal Revenue Code. Now it wouldn't be a new tax law without caveats and complexities, but our team of experts and professionals have the skills and knowledge to advise you in taking advantage of this new program efficiently and effectively.

The way a QOZ investment will generally work is you have a capital gain. Rather than recognizing and paying tax on that amount, you can invest that amount into a Qualified Opportunity Zone Fund (QOF) to defer the tax on the original gain and, more importantly, eventually qualify to eliminate future gain on the investment. The best part is this program is more accessible than you may think. It's not only for large fund managers, but also for single property investors.

The first thing to identify is the original capital gain that you are electing to defer. This can be either a short or long term capital gain. The type of gain when eventually recognized (more on that later) will remain the same – a deferred short term gain will remain short-term when recognized. To defer the gain into a QOF, the investment must be made within 180 days of the sale. If the gain is coming from a pass-thru entity, then you are able to use either 180 days from the date of the sale within that entity, or 180 days from the end of that entity's tax year. The amount to invest in the QOF is the actual gain amount, not the proceeds from the sale.

The next item to consider is the fund itself. In order to qualify as a QOF, the investment vehicle (either organized as a corporation or partnership) must hold at least 90% of its assets in Qualified Opportunity Zone Property (QOP). The QOF is a self-certified entity – meaning you disclose it on your tax return rather than being required to receive government approval beforehand.

QOP is generally tangible property within a QOZ used in a trade or business, such as a building, which was purchased by the QOF and is either originally used by the QOF or is substantially improved. Certain corporate stock and partnership interests can also qualify, but we won't delve too deeply into that here. One key qualification for QOP is the original use or improvement requirement. Original use is self-explanatory, such as the QOF purchases a newly constructed building. To have the property qualify as Substantially Improved, there is a dollar requirement and a time requirement. The improvements to the property must equal at least the original basis in the property (not including land), and must be done within 30 months from acquisition of the property. For example, the QOF purchases land with an existing building for $1,000,000, and allocates $400,000 to the land and $600,000 to the building. In order to meet the Substantially Improved requirement, you must add at least $600,000 in improvements to the building within the 30-month period.

Now that we have identified our gain to defer, our investment into the QOF, and the QOP that is held by the fund, we turn to when you eventually recognize the deferred gain, as well as the elimination of potential future gain. The originally deferred gain will be recognized in income at the earlier of when the investment is sold *or* on December 31, 2026, whichever comes first.

The amount of income that you recognize at December 31, 2026 will depend on how long you hold the QOF investment. If you hold the investment for at least 5 years, you only recognize 90% of the deferred amount as income at December 31, 2026; if held for at least 7 years, you only recognize 85% as income. If you hold a QOF investment for less than 5 years by December 31, 2026, you will recognize 100% of the deferred amount at that time. Meaning you will need to invest in a QOF before the end of 2019 to recognize 85% of the income at December 31, 2026; and will need to invest in a QOF before the end of 2021 to only recognize 90% of the income.

There is a provision of the new code to help mitigate the risk of the QOF investment. The amount of gain taxed at December 31, 2026 is the *lesser of* the originally deferred gain or the fair market value. If you defer a $1,000,000 gain into a QOF which, unfortunately, decreases in value to only $800,000 – you are only taxed on the $800,000 rather than the original $1,000,000.

The most significant provision of the QOZ kicks in if you hold the investment for at least 10 years. If a QOF investment is held for at least 10 years, your basis in that investment is increased to fair market value when sold – you will not recognize a gain when the investment is sold.

This creates a tremendous possibility for tax savings. For example, let's say you have a capital gain of $1,000,000 in 2019. You can invest that amount into a QOF before the end of 2019 (as long as you are in compliance with all other requirements) and defer the gain until December 31, 2026 – where you only pay tax on $850,000. You hold the investment for at least 10 years, thereby meeting the requirement to receive the basis adjustment to fair market value. You then sell the investment when worth $2,000,000, with $0 recognized gain. So over the course of 10 years, you eliminated $1,150,000 of taxable gains.

The QOZ program is set to end December 31, 2047. This allows some leeway for selling the property after meeting the 10 year holding requirement to qualify for the gain elimination. You will not need to rush to sell the property to take advantage of the tax benefit.

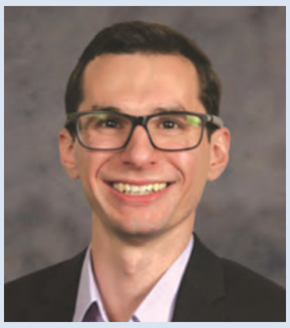
There are Opportunity Zones available in various areas of Orange County including:

San Juan Capistrano	Garden Grove
Santa Ana	Stanton
San Clemente	Anaheim
Costa Mesa	Placentia
Huntington Beach	Fullerton

This was only a brief overview of the requirements and benefits to utilizing the Qualified Opportunity Zones. If you are interested, or merely have questions, we'd welcome a time to discuss your options to take advantage of this new planning opportunity.

HMWC CPAs & Business Advisors specializes in serving the financial and tax needs of privately-held businesses and their owners. Industry concentration includes healthcare-medical, healthcare-dental, real estate, and construction. For more information contact us at (714) 505-9000 or visit us online at hmwccpa.com.

Jonathan Smeragliuolo is a Tax Manager who has broad-based experience in tax compliance and planning for organizations and individuals, as well as foreign disclosure and multi-state issues. He serves clients in various industries including real estate, construction, manufacturing, and high net worth individuals. Jonathan can be reached at jonathan.smeragliuolo@hmwccpa.com.



Jeff Hipshman is a Partner and leads the firm's Real Estate practice. For more than 35 years he has specialized in family wealth planning for high net worth individuals, as well as business and tax planning for the closely held business and its owners. Jeff can be reached at jeff.hipshman@hmwccpa.com

Clearinghouse CDFI

Clearinghouse CDFI Opportunity Fund
Profits For Investors, Benefits For Communities

Many markets in America's distressed and overlooked communities possess enormous untapped economic potential. The Opportunity Zone incentive has been designed to tap into that potential while providing benefits to investors with deferment, forgiveness, cash flow, and appreciation. For investors, having the right partner is critical to achieving economic, community and reputational success. Clearinghouse CDFI is that partner.

Clearinghouse CDFI (Clearinghouse) has been at the forefront of providing financing and investments in distressed communities for over 22 years. Clearinghouse was established and has been operating in Orange County since 1996. Clearinghouse is a for-profit Community Development Financial Institution (CDFI), that generates market-rate returns while serving low-income and disadvantaged areas. The company's total lending volume, including New Markets Tax Credits transactions, exceeds $1.7 billion.

As an experienced Opportunity Fund manager, Clearinghouse finds qualified eligible projects and structures transactions that provide maximum economic benefit to the investor. As a direct lender, Clearinghouse can leverage debt in Opportunity Zone projects and increase the IRR to the investor. Further, Clearinghouse has in-house construction management, fund control, and loan servicing capability, as well as extensive experience in underwriting projects in low-income communities. The Company is qualified and authorized to acquire, develop and manage "Qualified Opportunity Zone" projects in Southern California and throughout the United States.

Clearinghouse will establish multiple single-purpose entities to facilitate capital gains investments. A strong pipeline of economically viable real estate projects throughout Southern California and the United States has already been established. These projects deliver solid returns to Opportunity Fund investors while positively impacting communities. Existing projects include multi-family, commercial, industrial, community facilities, and retail investment opportunities.

Clearinghouse is well-suited as a "Qualified Opportunity Zone" manager:

- The company bridges the gap between traditional investors and community needs by identifying and structuring financially feasible projects.
- Expertise in compliance and reporting obtained through New Markets Tax Credits and Historic Tax Credit asset management experience.
- Long history of underwriting and managing ground-up construction and rehab projects with a long-term investment focus.
- Clearinghouse has its own capital gains which will be deployed into its projects along with investors' resources.

Clearinghouse is ultra-selective with its acquisitions, seeking to preserve capital and generate solid returns. The Company identifies projects that are viable on their own but can also benefit from enhanced returns with Opportunity Fund incentives. Clearinghouse chooses catalytic investments in strategic locations that spur growth and property appreciation in Opportunity Zones. Clearinghouse's Fund is currently seeking investors for several projects, including a multi-family ground-up construction and a historic re-use commercial project, among many others.

Through Qualified Opportunity Zone projects, Clearinghouse will create direct and lasting impacts in severely distressed areas while generating positive returns and capital gains deferments for its investors.

For additional information, contact:
Chris McMartin, CCDFI Opportunity Zone Manager at chrism@ccdfi.com or 949-525-4976.

Why Clearinghouse CDFI for Opportunity Zones:

- **Experienced** and **knowledgeable** Opportunity Zone practitioners
- **$650 million** in total assets under management
- Over **$1.7 billion** in loans in low-income or distressed communities
- **19 consecutive** years of profitability
- S&P rated (investment grade)
- Certified **B Corporation**

Clearinghouse CDFI Opportunity Fund

PROFITS FOR INVESTORS, FINANCING FOR **COMMUNITIES**

DEFER AND REDUCE CAPITAL GAINS TAXES

ADVANTAGES TO INVESTING CAPITAL GAINS INTO AN OPPORTUNITY FUND:

DEFER

Payment of existing capital gains before Dec. 31, 2026

REDUCE

Tax burden by 10% the first 5 years or 15% after 7 years

PAY **ZERO**

Tax on gains earned from the Opportunity Fund if the investment exceeds 10 years

WHY **INVEST** WITH **CLEARINGHOUSE CDFI**

- **Experienced** in deploying capital in Opportunity Zones
- **$650 million** in total assets under management
- **$1.73 billion** in cumulative lending since inception
- **19 Consecutive Years** of **Profitability**
- S&P Rated (Investment Grade)
- Strong reputation and a **22-year history** providing capital in underserved markets
- New Markets Tax Credit Asset Management Experience
- Certified **B Corporation**

A for-profit financial institution providing qualified Opportunity Zone investments and community development lending throughout the U.S.

Clearinghouse CDFI

Based in Orange County

OPPORTUNITY FUND CONTACT INFO

(949) 525-4976 oppfund@ccdfi.com www.oppzoneusa.com

PRIMIOR

Opportunity Zones Offer Attractive Option for the Right Investor

by Johnney Zhang, CEO, Primior

The Opportunity Zone program was created by the 2017 Tax Cuts & Jobs Act to revitalize economically distressed communities through long-term private investment as opposed to taxpayer dollars. Opportunity Zones have now been designated in all 50 U.S. states, the District of Columbia and five U.S. possessions.

Currently, there are 879 Opportunity Zones in the state of California. A study by CA FWD and Golden State Opportunity indicates a potential for $745 million to $1.2 billion in new economic activity in Opportunity Zones this year.

Investors in a Qualified Opportunity Zone can benefit from substantial federal capital gains tax incentives available exclusively through the program. Moreover, in comparison to other programs that encourage private investment in low-income areas through tax advantages, the Opportunity Zone program is less restrictive, costly or reliant upon government agencies.

Regulations and Guidelines Continue to Emerge
Although the program has been in place for about two years, regulations and guidelines have emerged over the course of that period and continue to do so. That's one reason it is important to work with a knowledgeable partner when it comes to evaluating and investing in an Opportunity Zone fund. At Primior, we are closely monitoring the progress of these regulations and guidelines in order to provide the best counsel to potential investors.

Currently, the tax benefits of such investments apply to federal capital gains tax obligations only. However, many states (including California) are debating the potential for applying these incentives at the state level as well.

"Opportunity Zones provide an excellent opportunity to revitalize low-income areas in California," said Lenny Mendonca, chief economic and business advisor to Governor Newsom. "In order to move the economic needle for millions of Californians who are struggling, attracting investment in areas where they live is sound policy that can help us meet our objective of making California's economy more sustainable and inclusive."

Momentum Builds with Clear Advantages
As the program has become clarified, it has gained strong momentum in recent months with attention from investment managers and individual investors looking for a reliable means of sheltering previous capital gains as well as taxes on real estate investment income.

The bottom line is that taxes on capital gains invested in an Opportunity Zone fund are progressively reduced by a total of 15% over a 7-year period, while taxes on gains from earnings associated with the fund are not taxed at all if the investment stays in place for a10-year period.

Is an Opportunity Fund the Right Fit?
While the fundamental benefits of Opportunity Zone investing are fairly straightforward, the next question is whether the program makes good sense for all investors. The answer to that query, as with any potential investment, is "it depends."

Opportunity Zones may not be the best option for traditional real estate investors who are used to investing in projects with a three- to five-year horizon or who typically plan to reinvest gains from a property sale into another or additional properties via something like a 1031 exchange.

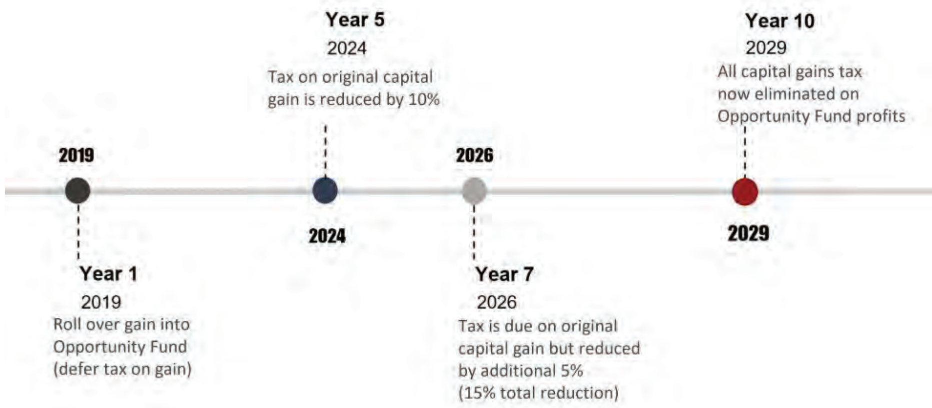
The fundamental consideration here is that Opportunity Zone investments must remain in place for a span of 10 years in order to derive the full tax advantages. In other words, it is akin to a 401(k) or a "buy and hold" strategy where the investor should be prepared for the time commitment required.

That said, of course, earnings from the investment will accrue on a regular basis. But, again, the investment must endure over the 10 years for gains tax on those earnings to be waived.

Another aspect to consider is the requirement that the rollover of gains into an Opportunity Zone fund must be made within six months. That can be a challenge for many investors. Primior addresses this issue by being the developer of properties that are then ready for Opportunity Zone fund investment.

Our approach also helps address another consideration, which is the requirement that existing properties in an Opportunity Zone must be substantially improved within 30 months or have their original use commence with the opportunity fund in the opportunity zone.

If these parameters are a good fit for an investor's strategy and needs, an



Opportunity Zone fund can be a solid option for deferring and reducing capital gains taxes from the sale of a range of assets including real estate, a business, artwork and so on.

Localized Expertise and Community Involvement
It is also very important that the developer be knowledgeable and experienced in collaborating with local governmental entities to help ensure that projects are located and designed in ways that benefit the community.

Primior currently has two Opportunity Zone projects underway in Santa Ana:

First Harbor Plaza. Mix of retail, dining and office use in 40,129 sq. ft. in a pedestrian friendly design consistent with the goals of the North Harbor Specific Plan. Groundbreaking is set for June 26, 2019.

Westfair Plaza. Within walking distance to Santa Ana College, a 10-minute driving from Orange County Outlets, and 6.5 miles from Disneyland.

An Integrated Approach
As we've noted, the investment in an Opportunity Zone fund requires a 10-year commitment to derive its full tax benefits. In addition, the potential ongoing earnings from the fund investment should also be an important criteria.

Primior develops its own Opportunity Zone projects with a uniquely integrated suite of services tailored to expedite the process and reduce costs. Our experience in real estate finance and management, coupled with our development knowledge and experience, gives us a deep understanding of what it takes to make projects successful.

Our in-house services include architecture and design, development management, construction management, asset management, property management, leasing, acquisition and sales, and financing. This strategy enables us to maximize returns while minimizing risk.

Plus, we also offer other investment programs such as traditional real estate development projects, REITs, and EB-5 projects for foreign investors.

About Primior
Primior is a strategic real estate development firm offering a uniquely integrated suite of services and resources to maximize returns for its investors. The full-service firm with a uniquely integrated suite of capabilities is focused on generating attractive, risk-adjusted returns for investors over the long term. Its deep expertise, professional team and cutting-edge technology combine to deliver superior levels of value, income generation and return on investment. www.primior com

Johnney Zhang
Primior Founder and CEO Johnney Zhang focuses on maximizing the income potential of real estate properties to grow the firm's client portfolios quickly and with minimal risk. Zhang's unique expertise in real estate development and investment management spans high-end commercial properties, luxury custom homes and multi-family properties. He leverages that expertise to formulate a distinctive portfolio for each client.

First Harbor Plaza

First St. and Harbor Blvd., Santa Ana
Groundbreaking June 26

Real Estate Development from Start to Finish

When you consider opportunities for making an investment in real estate, make sure you choose a partner with the capabilities to provide the support you need for strong returns and minimized risk.

Primior offers the flexibility of several investment options surrounded by a unique set of end-to-end, in-house capabilities and resources. Our goal is to deliver sound investment strategies that perform and meet the individual needs of each investor.

Investment Management

Development Funds
REITs
Opportunity Funds
EB-5 Projects

Integrated Services

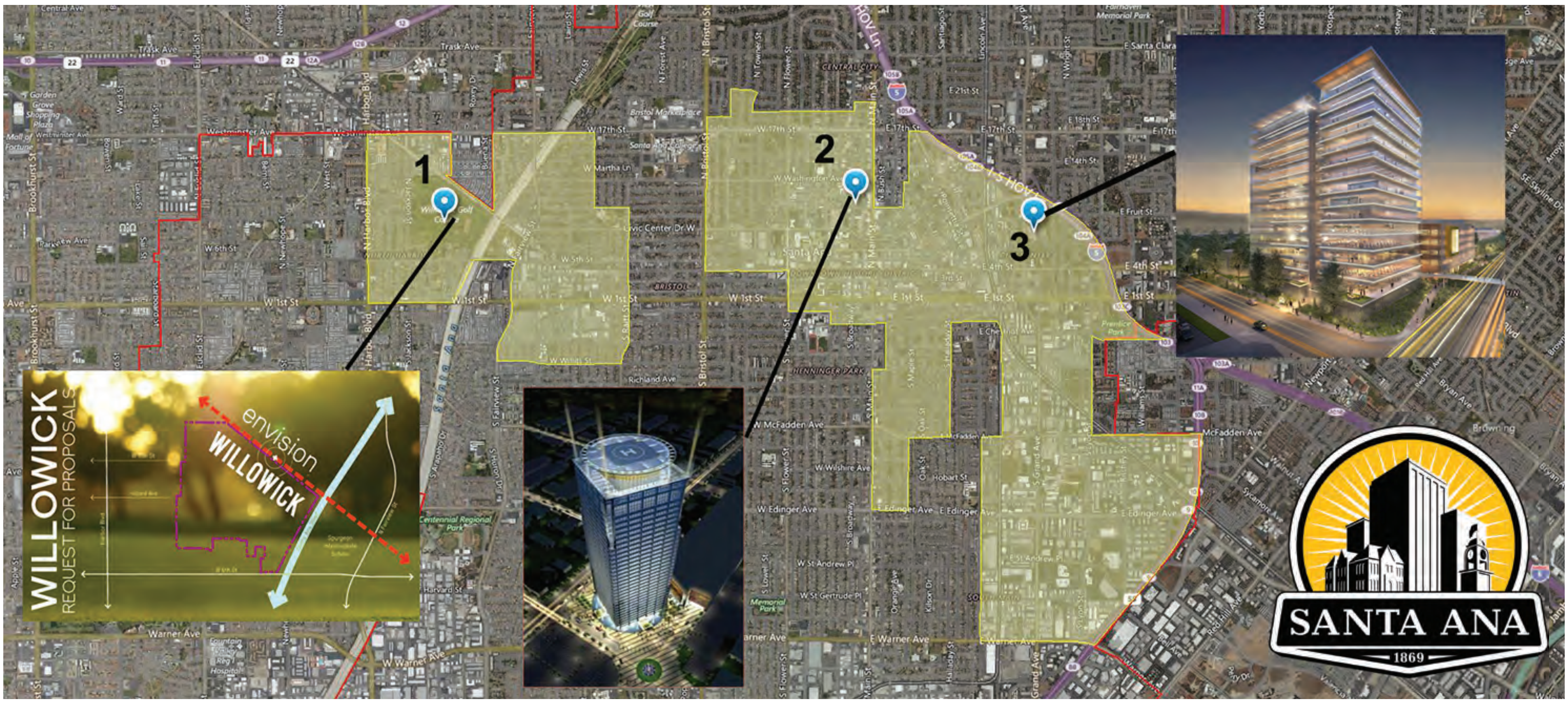
Architecture & Design
Development Management
Construction Management
Asset Management

Property Management
Leasing
Acquisition & Sales
Financing

PRIMIOR

www.primior.com
800-735-9973

Santa Ana .... Opportunity Starts Here



Santa Ana……Opportunity Starts Here
Welcome to Santa Ana, the heart of Orange County, California. Home to Fortune 500 company First American Title Corporation, MainPlace Mall, and the Santa Ana Auto Mall, the City boasts many other high profile businesses employing over 156,000 people in the region. Santa Ana ranks as the 2nd highest employment generating cities in all of Orange County with some of the lowest cost investment opportunities with the highest rate of return available.

With over 3,800 acres of qualified land designated as an Opportunity Zone in the city, Santa Ana is looking for future investment that will provide a substantial economic return for its business and resident community.

Highlighting Current Development Opportunities

(1) Willowick Golf Course
The Willowick Golf Course is an unparalleled 100-acre development opportunity and is one of the largest greenfield development opportunities in Southern California. This Opportunity Zone designated property is ripe for investment. For more information on the Request for Proposals for the site, please visit: https://ggcity.org/willowick.

(2) One Broadway Plaza
One Broadway Plaza is a 37-story shovel ready office tower project right in the heart of Downtown Santa Ana. This 1.7 million square foot office development is actively looking for joint-venture equity investors to fund this project located in the Santa Ana Opportunity Zone.

(3) 625IVE (625 N Grand Ave)
625IVE will be a 20-acre mixed use transit-oriented redevelopment of the Orange County Register site in the heart of Orange County. This freeway adjacent, city-block redevelopment project is conceived as a game-changing urban live/work/play project that will provide the downtown with a true urban core.

Come invest in the City of Santa Ana, where opportunity awaits.
For more information on developable sites in the City's Opportunity Zone, please call Marc Morley, Economic Development Specialist at (714) 647-6588 or mmorley@santa-ana.org.

OPPORTUNITY

IN THE HEART OF ORANGE COUNTY

SANTA ANA
1869

WWW.SANTA-ANA.ORG/OPPORTUNITYZONE

The Poster Child of the Opportunity Zone Initiative Nationwide: "The One"

What started as a needle in a haystack, two pages in the enormous 2017 Tax Cut and Jobs Act Law, has now burgeoned into an industry within the Commercial Real Estate community. The municipalities that have been left behind in the latest economic expansion are finally seeing investment funnel their way. Those two pages gave the framework for the most talked about subject, the Opportunity Zone.

LEE & ASSOCIATES COMMERCIAL REAL ESTATE SERVICES | OFFICE ADVISORY GROUP

The Opportunity Zone tax benefits are as follows: When you sell *anything* that triggers a capital gain you can purchase a property or business and defer the tax on the capital gain. Your gain will be reduced by 10% if you hold the Qualified Opportunity Zone property or business for 5 years, and 15% if you hold it for at least 7 years. Additionally, if you hold the Qualified Opportunity Zone property or business for 10 years or more you will not have a capital gains tax on the appreciated value of the asset when you sell it.

The first round of regulations was published in November of 2018 and focused on real estate investments as the policy makers thought real estate could provide an immediate impact. And, they were right.


Orville

The Opportunity Zone regulations have evolved since then with the second round, published in April 2019, which dramatically eased restrictions on the properties that qualify and further helped define a Qualified Opportunity Zone business. This truly surprised, in a good way, all investors and business owners in the space. We understand the final round will be published by the end of 2019.

For those of us in California, there were investors hesitant to invest due to the mindset that CA was not going to conform with the Federal Law. Fiona Ma attended the first OZ Expo in Los Angeles in January of this year and assured the crowd the governor was adamant about changing the perception that California is not business-friendly, which was greeted with applause from the crowd. Moreover, the latest revisions to the California budget not only conform to the Federal Law they are looking to layer their own provisions to further investment in the Opportunity Zones to help affordable housing and green technology projects get off the ground. The bipartisan support of the Opportunity Zone provision gives great confidence to everyone that the Opportunity Zone is here to stay.

Members of the Lee & Associates Office Advisory Group, Marshal Vogt and Matt Orville, joined Caribou Industries' pioneer, Mike Harrah, the largest landlord in Santa Ana on a trip to D.C. to meet with the White House to confirm the projects they were working on conform to the regulations. THE ONE, which will be detailed further in the article below, not only conformed to the regulations, the White House labelled the project: "The Poster Child of the Opportunity Zone initiative Nationwide". All in attendance were elated to see a project of such grandeur with permits ready to go provide a beacon for the initiative nationwide.

At the meeting, the White House confirmed the regulations are not going to get tighter, as they do not want to pull the rug out on developers and businesses currently working through the current regulations. In speaking with the Treasury Department and the Executive Office of the White House, we understand they only want to bring more properties and businesses that are currently on the fringe of qualifying into compliance. Comments are due July 9th and the Treasury Department along with the Policy heads of the Executive Office of the White House will consider all the comments with the goal of finalizing the initiative by the end of 2019.

The Poster Child of the Opportunity Zone Initiative Nationwide is THE ONE, a shovel-ready project that will be an iconic, 37-story superstructure, LEED-certified Class A office development, that features a helipad on the roof, two iconic restaurants on the top floor, and an 8-story parking garage. The urban core of Orange County is once again going to flourish in Santa Ana. All the small businesses in the area are optimistic knowing that when THE ONE is constructed all ships will rise with the rising tide.

THE ONE could only take off with the perseverance of an owner, Mike Harrah, who worked on permitting for the last 17 years, and has spent over $80M in the process. Couple this with the Opportunity Zone initiative, which is providing the fuel through incentives to wealthy investors, those looking to diversify out of the stock market, and opportunity funds looking for iconic projects that will provide a return to everyone involved and the surrounding community.

THE ONE is 614,000 leasable square feet. The Office Advisory Group of Lee & Associates-Orange is the exclusive leasing agent for the building. There has been great interest in leasing space in the most iconic building in Orange County. Companies that have always looked to Silicon Valley, Silicon Beach, Los Angeles or San Diego now have an option in Orange County as they require an urban feel, abundant amenities and access to public transportation for their workforce at a substantially lower price than competitive markets.

Public transportation is unparalleled at THE ONE and makes this a true Transit Oriented Development. The City recently funded a $400M light rail connecting the cities of Santa Ana and Garden Grove. THE ONE will be two light rail stops from the Metro Link and Amtrak station allowing tenants to hire in both Los Angeles and Orange County and still have an easy commute to the office.

The light rail will connect THE ONE with another innovative project owned by Mike Harrah, The 625IVE. The 625IVE is the prior OC Register site, and it sits on 20 acres adjacent to the Amtrak and 5 FWY. The total scope of this project will have two high-rise residential towers, a hotel, a brand-new office building and retail to provide amenities to the campus.

Tenants leasing at THE ONE now have their housing issues answered too. 888 Main is the first adaptive re-use project in the city of Santa Ana. 888 Main was a 110,000-sf office building and Mike Harrah is currently adapting the building into a 148-unit apartment complex with 13'6" ceilings, modern finishings, ocean views on the upper floors, a gym, coffee shop, and live-work concepts on the first two floors. 888 Main will be the coolest spot to live in Santa Ana and draw in a younger, professional crowd to the local retailers during the evenings and weekends. As an added benefit, the most recent opportunity zone regulations state that buildings vacant for 5 years or more circumvent the substantial completion requirement for a Qualified Opportunity Zone property. The 5-year timeline was commented on and this timeline could be reduced in the final round of regulations with further easing.

Opportunity Zones seem to be here to stay, and the Santa Ana community is ready to reap the benefits of the new Opportunity Zone initiative and Caribou Industries' steadfast, pioneering spirit.

Please contact me with any questions regarding any of the projects or the Opportunity Zone regulations. We have the network and can point you in the right direction.

For more information contact Matt Orville, Principal at Lee & Associates-Orange at morville@lee-associates.com or (714) 564-7145.