OPPORTUNITY ZONES

GAIN DEFERRAL AND ELIMINATION

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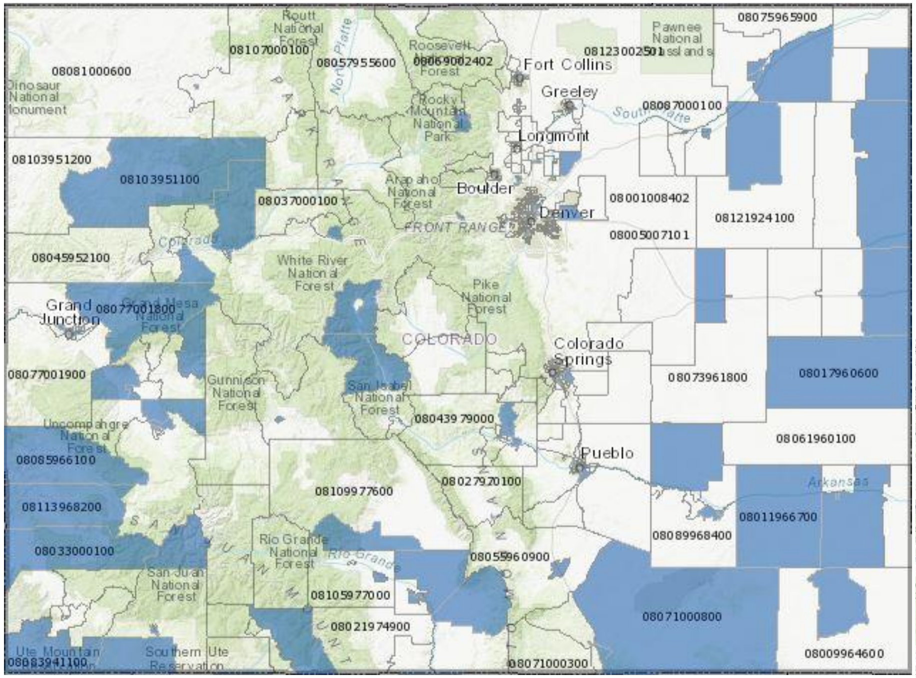
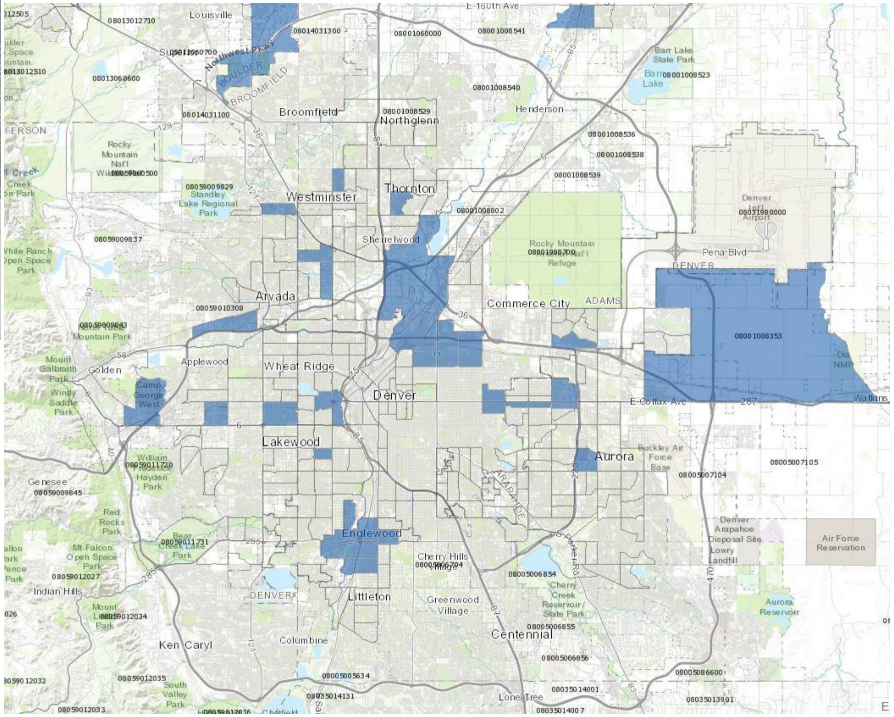
COLORADO OPPORTUNITY ZONES

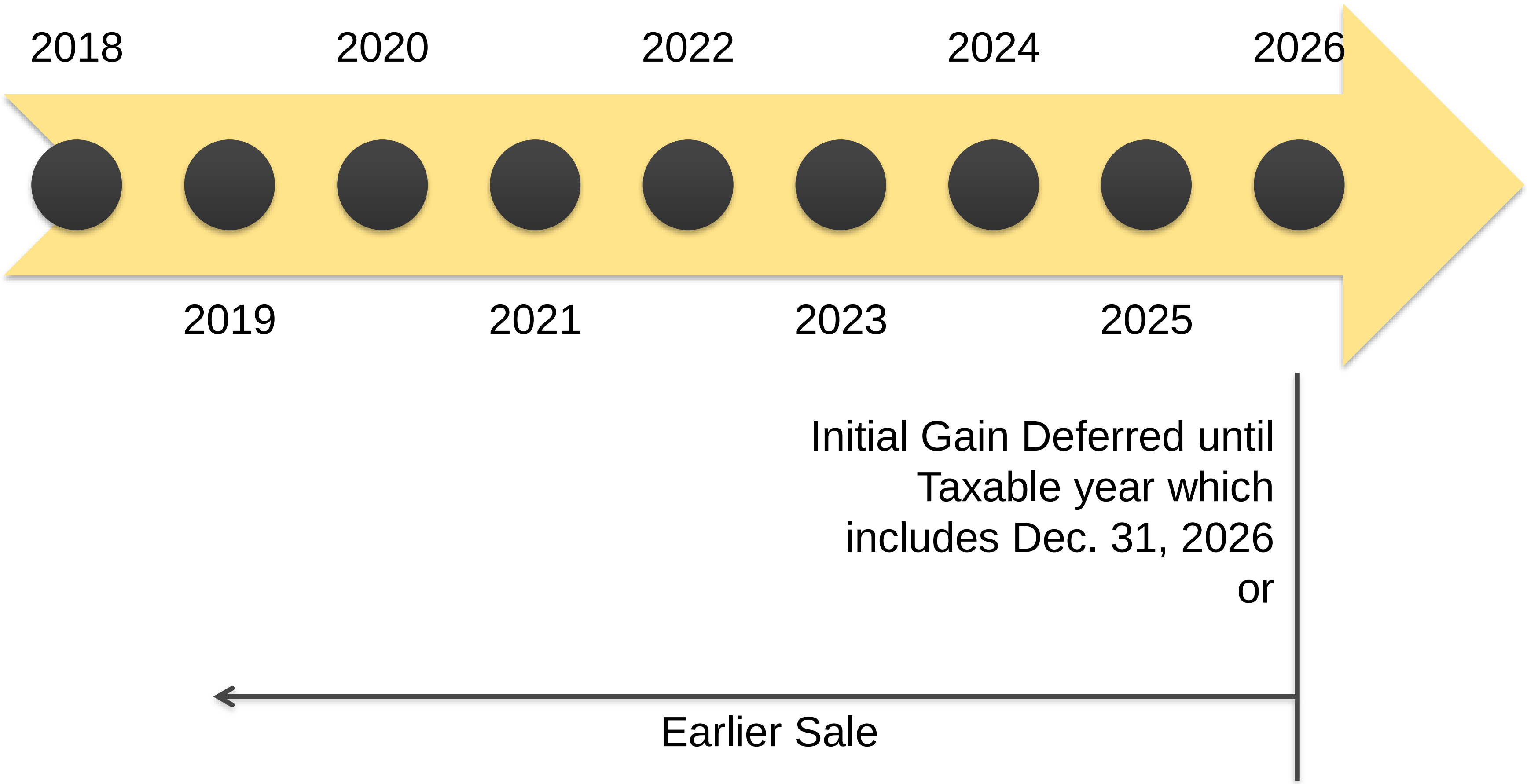




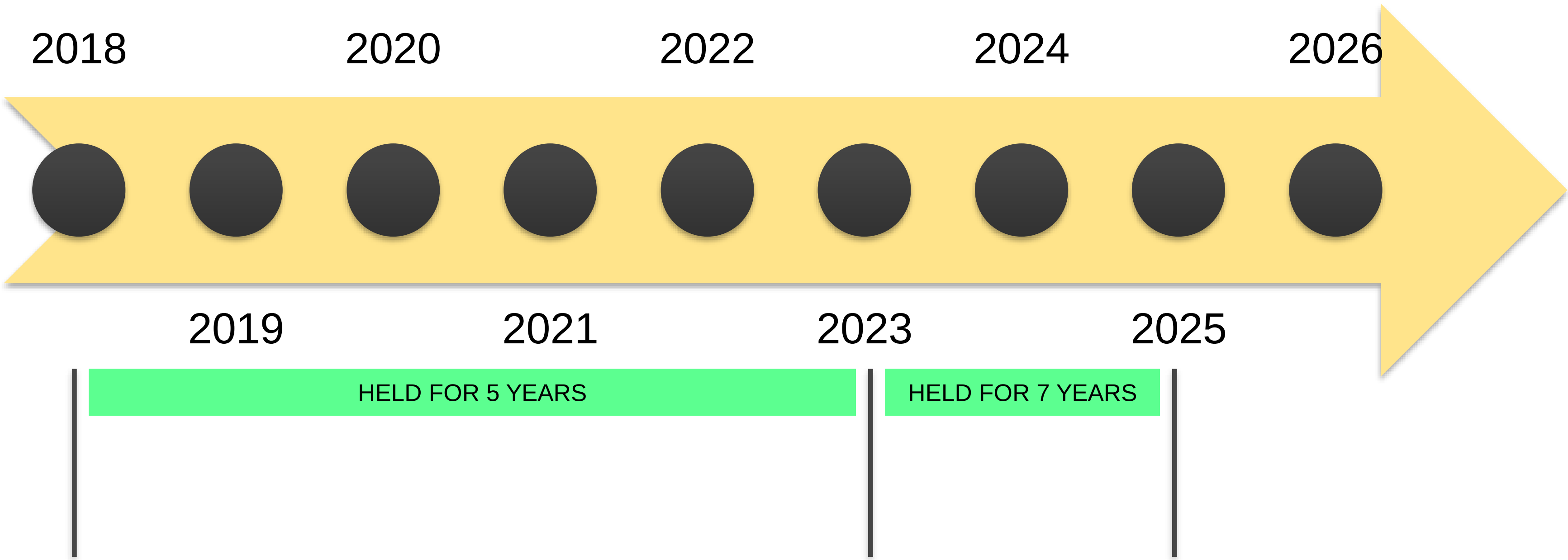
OPPORTUNITY ZONE BENEFITS

1. Initial Gain Deferral
2. Initial Gain Reduction
3. O-Zone Gain Elimination

GAIN DEFERRAL



INITIAL GAIN REDUCTION

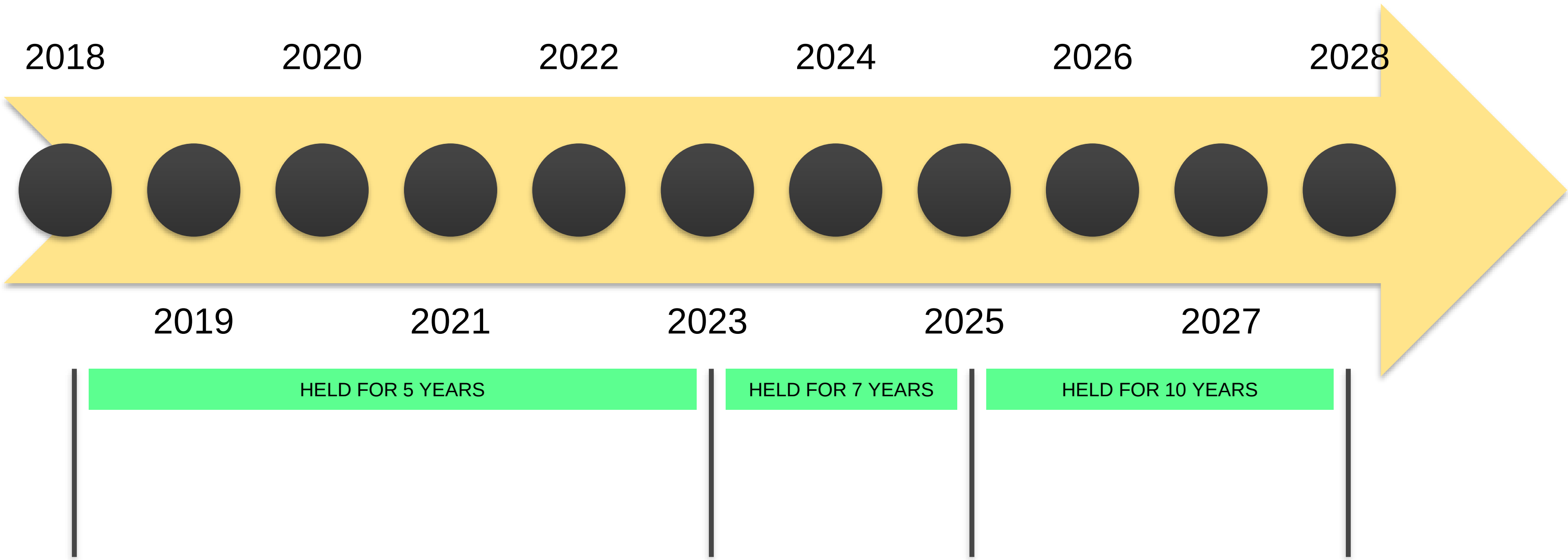


Gain from Initial Investment
&
Investment in O-Zone
(zero basis)

Basis in
O-Zone Investment
Increased by 10%
of Deferred Gain
(90% left to be taxed)

Basis in
O-Zone Investment
Increased by 5%
of Deferred Gain
(85% left to be taxed)

O-ZONE GAIN ELIMINATION



Gain from Initial Investment
&
Investment in O-Zone
(zero basis)

Basis in
O-Zone Investment
increased by 10%
of Deferred Gain
(90% left to be taxed)

Basis in
O-Zone Investment
increased by 5%
of Deferred Gain
(85% left to be taxed)

At sale,
basis in
O-Zone Investment
increased to Fair Market Value
of O-Zone Investment
(with election)

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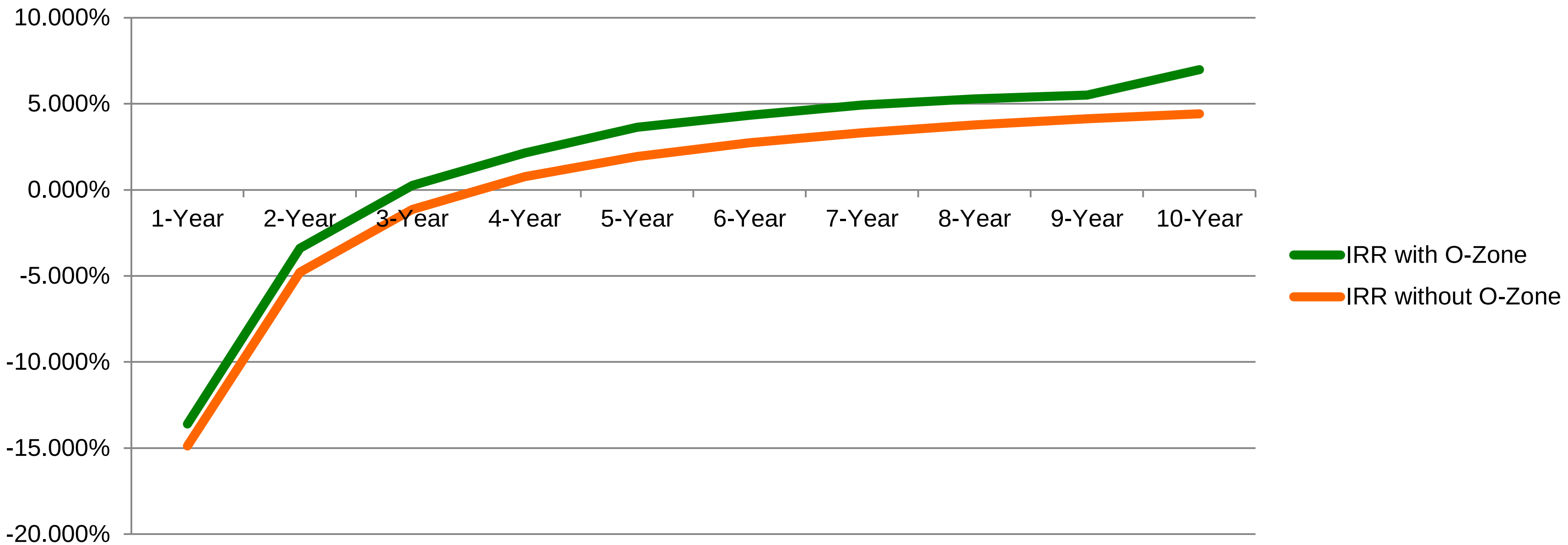
NUMERIC EXAMPLE

- Nov. 15, 2018 - Sell Stock with basis of $10 and FMV of $110 (i.e., $100 LTCG)
- Nov. 30, 2018 - Buy into O-Zone for $100 (basis in O-Zone investment is $0)
- Nov. 30, 2023 - Held for 5 years (basis in O-Zone investment is $10)
- Nov. 30, 2025 - Held for 7 years (basis in O-Zone investment is $15)
- Dec. 31, 2026 - Gain deferral ends (2026 tax return includes $85 LTCG from sale of Stock in 2018 & basis in O-Zone investment is $100)
- Dec. 31, 2028 - Sell O-Zone investment after 10 year hold for $220 (2028 tax return includes $0 LTCG because basis in O-Zone investment at sale is $220)

OPPORTUNITY ZONE INCREMENTAL BENEFIT



IRR Comparison	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	9-Year	10-Year
IRR with O-Zone	-13.600%	-3.397%	0.258%	2.139%	3.633%	4.325%	4.932%	5.289%	5.502%	6.979%
IRR without O-Zone	-14.880%	-4.784%	-1.138%	0.759%	1.930%	2.730%	3.317%	3.768%	4.127%	3.283%
IRR Improvement	1.280%	1.386%	1.396%	1.380%	1.703%	1.594%	1.614%	1.521%	1.375%	3.695%

Assumes LTCG tax rate of 20%; tax paid on sale of investment to fund new investment in first year; 8% pre-tax YOY return

COMPARISON TO 1031

Benefit	O-Zone	1031
Deferral	Until 2026	Until Replacement Property Sold
Gain Elimination	10% at Year 5 5% at Year 7	None
Investment Gain Elimination	100% at Year 10 if sell QOF	None (unless further 1031)
Gains Eligible	Capital Gain only	Real Property gains/income only
Investment Required for Full Deferral	Gain Only	Entire Investment in relinquished property
Limitation on Location	O-Zone Only	Anywhere
Cash Tracking	Not Required	Required
Construction Allowed	31-months	Parking Transaction required

STATUTORY REQUIREMENTS

- Invest in “Qualified Opportunity Fund” (QOF)
- “Gains” invested
- During 180-day period
  - Begins on date of sale/exchange
- Not for sales/exchanges after Dec. 31, 2026
- Only applicable to gains for which election made
  - Investments in QOF without election or not within 180-day period or without “gain” is a separate investment (and no basis step-ups [e.g., no gain elimination])

PROPOSED REGULATIONS

- “Gains” = “treated as capital gains” (Proposed Regulations)
  - LTCG
  - STCG
  - 1231 Gains
  - 1256 capital gain net income
  - No straddles (1092 or otherwise)
  - No ordinary income (e.g., 1245/1250 recapture)
  - Cannot arise from transaction with related party
  - Of passthrough entity or (if entity does not elect) of owner
    - For owner, transaction also cannot be with related party
  - Each gain can be taken apart (i.e., deferral is on portion invested)

- 180-day period begins on date of recognition for tax
  - Regular-way stock trade = trade date
  - REIT/RIC dividend = dividend paid date
  - Undistributed REIT/RIC capital gains = end of REIT/RIC year
  - Partner in partnership = end of partnership year (or, electively, when partnership recognizes)

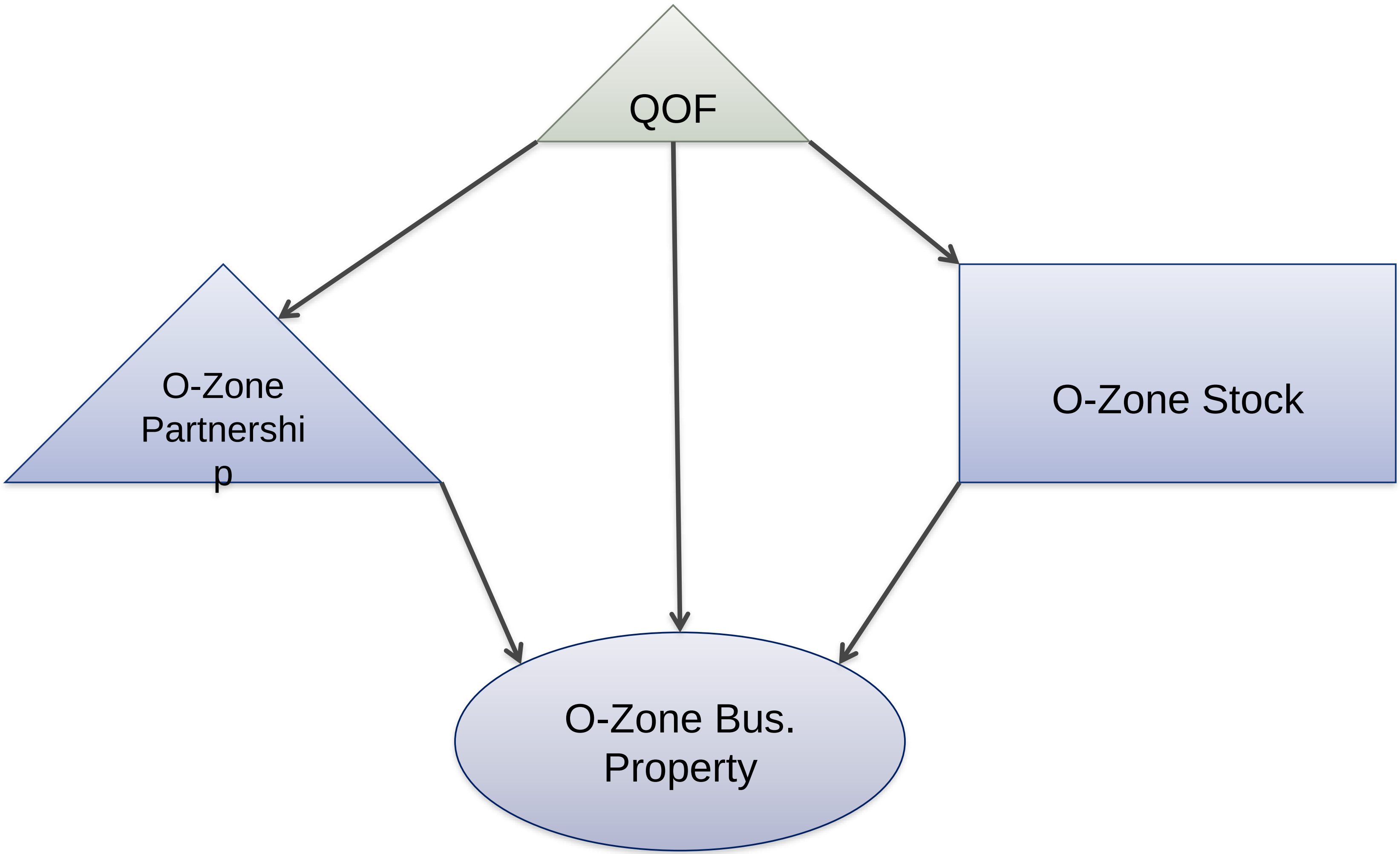
STATUTORY REQUIREMENTS

- "Qualified Opportunity Fund" (QOF)
  - Organized as (entity treated as) corporation or partnership
  - Purpose = investing in Qualified Opportunity Zone Property (but not another QOF)
  - Assets = at least 90% in Qualified Opportunity Zone Property
    - Average percentage held:
      - on last day of first 6-month period of QOF's taxable year; and
      - on last day of QOF's taxable year
    - Proposed Regulations: must use value in "applicable financial statements" or, if none, cost
  - Certification
    - Self certification when files timely federal income tax return for the year (including extensions)

STATUTORY REQUIREMENTS (cont'd)

- Qualified Opportunity Zone Property (O-Zone Property)
  - Qualified Opportunity Zone Stock (O-Zone Stock)
  - Qualified Opportunity Zone Partnership Interests (O-Zone Pship Interest)
  - Qualified Opportunity Zone Business Property (O-Zone Bus. Property)

STRUCTURE OF REQUIREMENTS



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STATUTORY REQUIREMENTS (cont'd)

- O-Zone Stock
  - Acquired after Dec. 31, 2017
  - At initial issue from the corporation (or underwriter)
  - For cash
  - At issuance, corporation was Qualified Opportunity Zone Business (or, for a new corporation, organized for purpose of being such)
  - During substantially all of holding period, corporation was a Qualified Opportunity Zone Business
  - No IRC § 1202(c)(3) redemption

STATUTORY REQUIREMENTS (cont'd)

- O-Zone Pship Interest (capital or profits)
  - Acquired after Dec. 31, 2017
  - From the partnership
  - For cash
  - At issuance, partnership was Qualified Opportunity Zone Business (or, for a new partnership, organized for purpose of being such)
  - During substantially all of holding period, partnership was a Qualified Opportunity Zone Business

STATUTORY REQUIREMENTS (cont'd)

- O-Zone Business
  - Trade or business
    - Substantially all tangible property owned or leased is O-Zone Bus. Property
      - Proposed Regulations: "substantially all" = 70%
      - If the property ceases to be O-Zone Bus. Property, continues to be treated as O-Zone Bus. Property for lesser of 5 years or date O-Zone Business no longer holds
    - Satisfies IRC § 1397C(b)(2), (4) and (8)
      - At least 50% of total gross income must be derived from active conduct of business
      - Substantial portion of intangible property must be used in the active conduct of business
      - Less than 5% of average aggregate unadjusted basis of the property attributable to nonqualified financial property
        - » Debt, stock, partnership interests, options, futures contracts, forward contracts, warrants, notional principal contracts, annuities and similar property (but not including reasonable amounts of working capital held in cash, cash equivalents or 18-month or shorter debt instruments and not including accounts or notes receivable acquired in the ordinary course of for services rendered or sale of stock in trade or inventory or property held primarily for sale to customers in the ordinary course)
        - » Proposed Regulations: If (1) designated in writing for acquisition, construction and/or substantial improvement, (2) written schedule consistent with ordinary startup to spend within 31 months and (3) actual use substantially consistent with #1 and #2
    - Not described in IRC § 144(c)(6)(B)
      - providing (including the providing land for) any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises

STATUTORY REQUIREMENTS (cont'd)

- O-Zone Bus. Property
  - Tangible property
  - Used in a trade or business of QOF
  - Acquired by purchase (per IRC § 179(d)(2) [using 20% related party rules])
  - After Dec. 31, 2017
  - Original use in O-Zone commences with QOF or QOF substantially improves
    - "Substantially improves" if, during 30-month period beginning on acquisition, additions to basis exceed basis at beginning of the 30-month period
      - Proposed regulations: land value not counted for beginning basis
  - During substantially all QOF's holding period, substantially all use in O-Zone

PROPOSED REGULATIONS (cont'd)

- O-Zone Bus. Property
  - Land Value not counted for "substantial improvement"
    - If buy property for $1000 and land is worth $400, to substantially improve, must spend additional $600 on the building
- O-Zone Investment "not impaired" solely because zone designation expires
  - Only for dispositions before January 1, 2048
- If QOF is partnership, 752 basis is not a separate investment

NONCOMPLIANCE PENALTY

- If QOF fails to meet 90% requirement
  - Penalty for each month equal to
    - 90% of its aggregate assets over amount of O-Zone Property

    multiplied by
    - IRC § 6621(a)(2) underpayment rate
      - Federal short-term rate plus 3% (currently 5%)

COMPARISON OF REQUIREMENTS

Requirement	Direct Investment	Indirect Investment
% of QOF asset in O-Zone Bus. Property	90%	N/A
% of QOF in O-Zone Stock or Pship Int.	N/A	90%
% of QOF that can be in cash or other assets	10% (no safe harbor for working capital)	10% at QOF + 5% at Issuer (plus reasonable working capital)
% of QOF in intangible property	10%	10% at QOF + unlimited at Issuer if used in business
% of QOF in tangible property	90%	No minimum
% of Gross Income from O-Zone	None	50%
Ineligible Businesses	No	Yes

PROPOSED REGULATIONS (cont'd)

- If multiple "fungible interests" in QOF
  - FIFO used to determine which disposed of
  - If FIFO results in multiple investments in QOF made on same day treated as sold, use pro rata method
- Example
  - Invest STCG to buy 10% interest in QOF
  - Invest LTCG later to buy additional 10% interest in QOF
  - Sell 50% of 20%, recognize STCG

COMBINING TAX INCENTIVES

- Other incentives that can combine with Opportunity Zones
  - Low-Income Housing Tax Credit
  - New Markets Tax Credit
  - Historic Tax Credit
  - Renewable Energy Tax Credits
  - Small Business Stock Gain Exclusion (1202)
  - Like Kind Exchanges (1031)

FUTURE PROPOSED REGULATIONS

- "Substantially all" in other parts of statute
- What triggers deferred gain
- "Reasonable period" for reinvestment by QOF
- Results from failure to meet 90% req't
- Information reporting