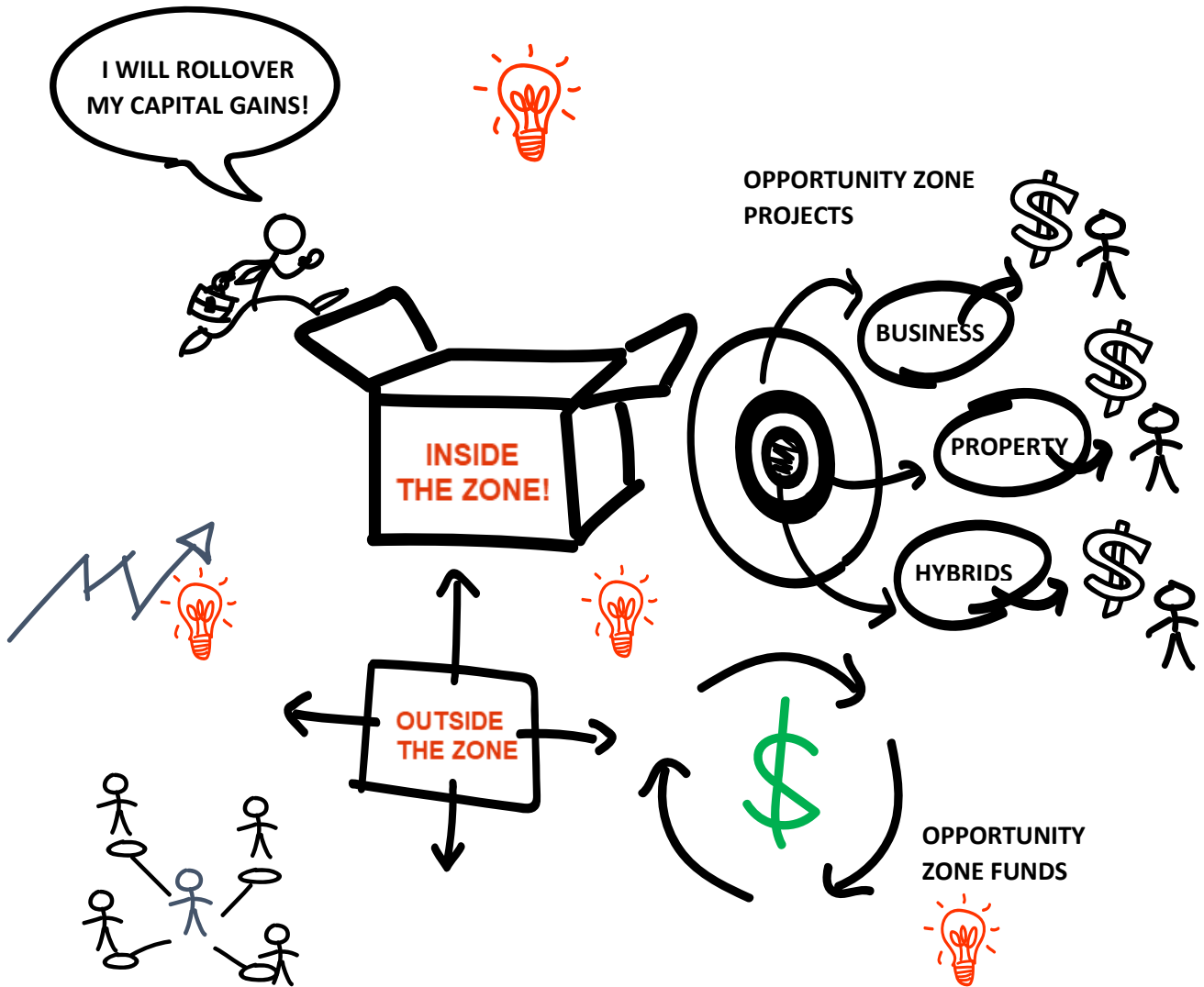


OPPORTUNITY ZONES MEETUP

JUNE 6, 2019

MATCHING INVESTORS WITH OPPORTUNITIES



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Nate Pressnall, Legal Extern

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The Opportunity Zones Meetup is sponsored by

DAKIN CAPITAL

Karl Dakin, CEO
Dakin Capital LLC
7148 S. Andes Circle
Centennial, CO 80016
720 296 0372
kdakin@dakincapital.com



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GUIDE

This Guide is part of a series of publications developed to assist individuals, communities, businesses and property developers and Opportunity Zone investors in understanding how Opportunity Zone investments may benefit by rolling over capital gains into communities to address local challenges.

Programs, guides and video recordings of the Opportunity Zones Meetup group may be found at:

<https://www.meetup.com/Opportunity-Zones/>

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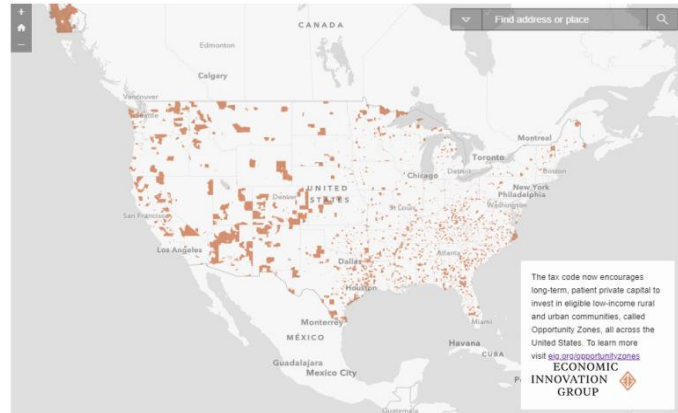
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PART 1: OPPORTUNITY ZONES

The Tax Cuts and Jobs Act passed in December of 2017 authorized tax incentives for investments into businesses and properties located within designated geographic areas –Opportunity Zones. The incentives are intended to influence investors to provide capital to distressed economic communities to generate jobs and aid the local economies. The IRS is completing the rules and regulations governing Opportunity Zone investments, but the opportunity to invest in and obtain investments within an Opportunity Zone is available now.



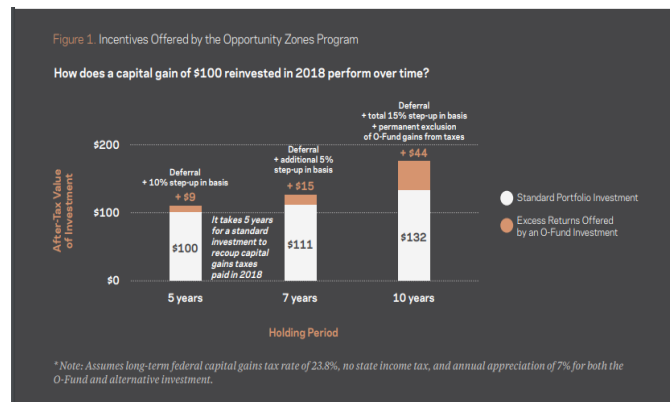
An investor who holds capital assets (stocks, real estate and other forms of property) with an appreciated value over the original purchase price may sell those assets and roll over their gains within 180 days into one or more Opportunity Zone Funds. The Funds re-invest the money into Opportunity Zone Businesses and/or Properties. The payment of taxes on the capital gains is deferred until the earliest of 2026 or the date when an investor sells their investment in the Fund. If an investment in a Fund is held for 5 to 7 years, the tax liability is decreased. The greatest benefit is that if the investor leaves their investment in the Fund for 10 years or more, all gains on the Opportunity Zone Fund investment are tax free.

Analysis by different investment advisors project that an investment in an Opportunity Zone Fund will earn 3% more money after taxes than an investment in a standard stock portfolio. Investments in successful businesses and property developments will realize even greater tax savings.

An Opportunity Zone Fund may be structured as a single investor, single purpose fund where an

investor places their money to place their money with a specific Opportunity Zone Business or Property. A Fund may also be a multiple investor, single or multiple purpose fund in the form of a private equity or hedge fund. A Fund may participate in a syndicate of Funds on large projects. A Fund may also be collaboration with local, state or federal government agencies or districts as part of a community improvement project.

All existing laws governing the sale and purchase of securities apply to investment in Opportunity Zone Funds with standard restrictions on the participation of non-accredited investors, publication of the offerings and regulatory reporting.



8,700 Opportunity Zones have been certified in each of the fifty States and United States territories. A national map of Opportunity Zones and the history of the legislation may be obtained from the Economic Innovation Group at: <https://eig.org/opportunityzones>. Additional information with local maps and projects may be obtained from the economic development offices of each state. Local communities have been advised to create a 'prospectus' of Opportunity Zone investment opportunities within their local areas.

As proven by the JOBS Act and investment crowdfunding, a business seeking investment through an Opportunity Zone Fund must recognize that the establishment of a new capital source does not automatically result in an investment. An investor will not simply make an investment because of the new tax advantages. To gain the greatest benefits, an investment in an Opportunity Zone Fund is a long term investment that requires 'patient capital'. Many investor candidates may be unwilling to place their money into a business or property development for this period.



The Opportunity Zone Business or Property Developer must be 'ready to receive capital' by developing a capital campaign where it clearly communicates its potential to qualified investor candidates that have a high interest in the success of the Business or the Property. This Opportunity Zone Business or Property may be able to obtain money from a large Opportunity Zone Fund or it may be necessary for it to create its own Fund as a pass-through vehicle for its own use.

An Opportunity Zone Business or Property must compete for investment money by making itself more attractive than other investment opportunities. In addition to all the common activities that may make an investment more attractive, some actions that may enhance the appearance of the opportunity and reduce the perception of risk include:



- Investments that include land, buildings, equipment or other capital assets that serve as collateral
- Quantification of social metrics representing 'impact' benefits to a community or a cause
- Joining with other Opportunity Zone Businesses or Properties where the investor is investing into a pool of investments
- Participating in an economic development project where part or all the risk may be shifted to a government agency, foundation or other organization

Interest in Opportunity Zones is growing quickly as investors with capital gains seek to reduce their taxes and businesses, property developers and communities position themselves to raise money from this source. A variety of programs are being launched to help make this type of investment happen.

PART 2: TECHNIQUES AND TOOLS

Stakeholders Analysis

This is a suggested analysis to be done of who will benefit if the project is funded and succeeds. This analysis is best to start with all those outside of the actual investor. The idea is to see all the different groups that have a desire to see this project succeed beyond just the investor. This exercise helps illuminate the different levels of each group's investment.

It is important to understand that some investors will exclusively be evaluating investment based on the bottom-line. This means their main goal is to get a substantial ROI. This is an understandable metric to care about, but it is important for both parties to understand this when evaluating their best match.

These investors also care about ROI but may have a higher degree of focus on whether the investment helps a greater social cause of some sort. This could be a conservation, environmental, social justice, or a combination of goals that give certain investors a higher degree of motivation to invest relative to individuals searching for exclusively monetary gains. If an opportunity helps address an issue a social cause investor focuses on, then it may increase the likelihood that their venture would be a match.

These investors along with a healthy ROI prioritize the way the investment or opportunity affects their local community. They may focus on projects that have the highest potential benefit for the people of their community. With this focus they tend to lean towards ventures that have whole host effects. Opportunities that provide affordable housing or jobs in their area may affect their judgment in where to invest. It is also a factor to consider when conducting a stakeholder analysis.

State of Colorado

Colorado has been very proactive with opportunity zones, and with it they launched their own matchmaking tool on the Office of Economic Development and International Trade's web page. Here they allow people to post properties for potential sale within opportunity zones, and for people with a need for investment to look for those investing in those zones.



<https://www.colorado-invest.com>

Angel's List

This website aims to connect investors to startups, and those interested in working for startups to those companies. They strive to democratize the investment process and help startups with their challenges in fundraising and talent acquisition. They continue to allow startups to raise money without taking a fee.

Here opportunity zones may have the potential to help investors put their money into a project in a way to fully take advantage of their potential tax benefits and help infuse money into a struggling community.



Signal

Signal is a free tool that aims to make the Founder-Venture Capital network more visible and actionable. Their network's purpose is to allow a founder to shorten the list of prospects and introductions with the right potential investors. Privacy is a concern they strive to maintain for the founder from the start of this project, and they want to make finding the right investments and investors easier for both parties.



PART 3: FORUM

A discussion was held with attendees of the Opportunity Zones Meetup on the subject of challenges and solutions to matching Opportunity Zone investors with projects.

Local Economic Development Commissions

One point that was developed is that each county in Colorado have economic development commissions that are often looking for different investment options within their counties. Many counties across Colorado also have opportunity zones in one part or another. Most will know what opportunity zones are, but some may still need to be made familiar with their potential use. Going to these boards and people may encourage growth an investment opportunity. They tend to know the local politics, and what type of projects they themselves would be able to help expand. These commissions may be a great place to start when considering different zones across the counties of Colorado.

Enticing the Investor

There was a discussion with the variety ways to get the attention of potential investors into opportunity zones. The education and approval of CPAs, Private Wealth Management groups, and tax lawyers all can help instigate matches. For CPAs there is a potential to avoid brokers and give more distance for the investor. In general, all these groups can evaluate the potential utility of opportunity zones and help sway their client's interests.

Pitfalls of Current Matching Services

The current system in place to match investors to investment was discussed with some mixed reviews. One member pointed to a recent match that was attained using the state of Colorado's matching service, but others did point out that there was not as much detail on its matching service as they would have liked to see. Here they pointed out how the information provided on the land for sale was often very vague. There is potential room for improvement within this area that may have to be addressed by other external matchmaking methods.

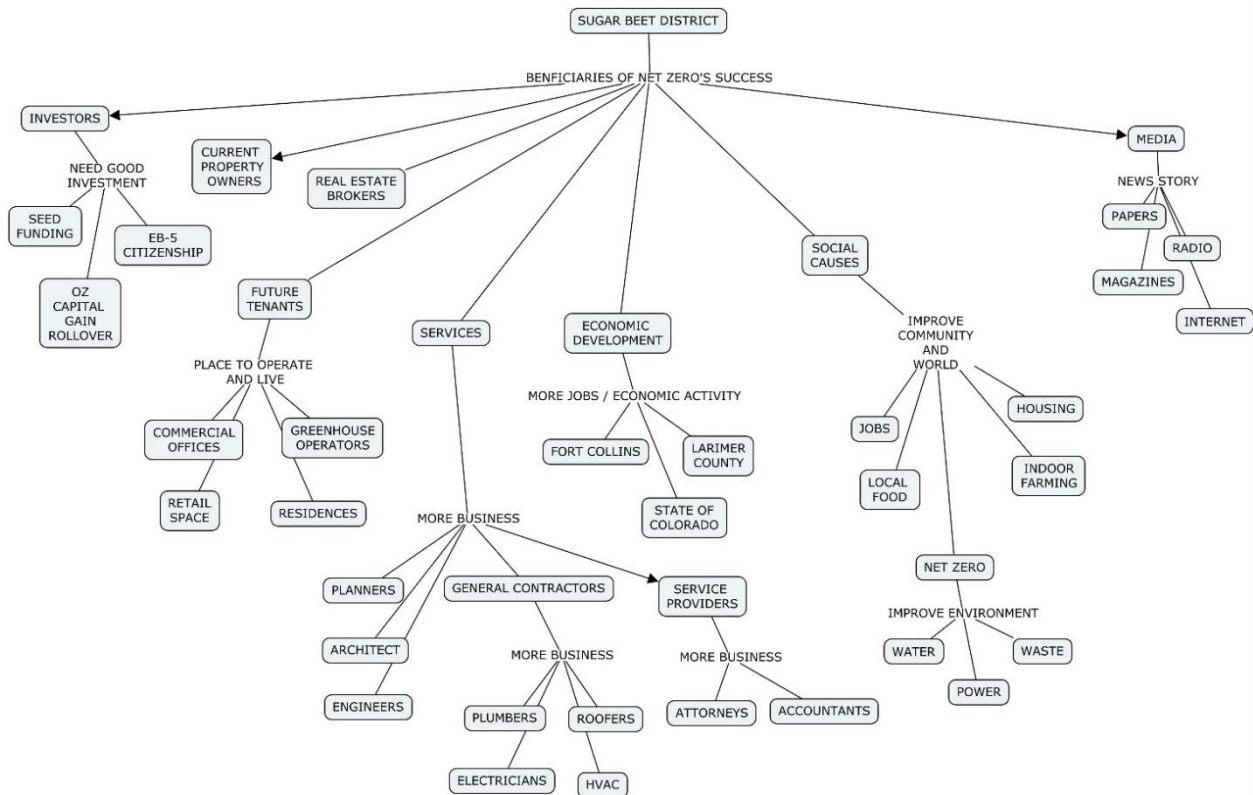
Part 3 – Forum

The Opportunity Zones Meetup event on June 6th included a forum where attendees were invited to share information on challenges and solutions to matching investors with Opportunity Zone projects.

Stakeholder Analysis

Karl Dakin shared a matching technique called 'Stakeholder Analysis'. Any individual, business, organization or government program that may benefit from the success of a project without making an investment is identified. The nature and extent of this benefit enables prioritizing those investor candidates that may need to make an investment to achieve their own goals. Karl refers to this as "figuring out who loves a business more than it loves itself".

Karl shared the Stakeholder Analysis for the Sugar Beet District Project, an Opportunity Zone project that is in staging.



As shown in the chart, key beneficiaries include future tenants, possible contractors for services and property development, economic development programs and a number of social causes.

[NOTE: This visual diagram was created with CmapTools which can be downloaded for free at <https://cmap.ihmc.us/cmptools/cmptools-download/>.
 State of Colorado

The State of Colorado, Office of Economic Development and International Trade, has established an online matching service - <https://www.colorado-invest.com> – primarily to facilitate matching of Opportunity Zone investors and projects, although it is open to any Colorado project.

It was suggested that this platform may be improved by adding more data fields to allow users to conduct more refined searches.

This website is framed as offering information only and requires any project seeking investment to conform with all applicable state and federal laws regarding publication and disclosure.

Angel List, Signal and other Investor Matching Services

There are multiple web platforms targeted to angel investors to help them identify investment opportunities, to gather information in a due diligence review and facilitate communications.

Examples include:

- Angel List
- Signal

Regulatory Deadlines

One challenge to matching OZ investors with projects is the multiple deadlines to be met in rolling over capital gains into an OZ Fund. Legislation requires that an investor must make a cash investment into a Fund within 180 days from the date that the capital gain is recognized. Rules have interpreted this date as January 1 for pass through tax entities who sold a capital asset at a gain in the prior year. Since investment projects evolve on their own timelines, each investor has their own issue in matching up with a project.

Economic Development Centers

Greg Thomason, the Director of the Economic Development Center for Morgan County, Colorado observed that one of the groups that is most aware and most interested in the success of Opportunity Zones were people leading economic development programs like himself. He stated that he had been contacted by many investors about OZ investment opportunities.

PART 4: WHAT'S NEXT?

The question was presented to the attendees of the Opportunity Zones Meetup as to what action, if any, could be taken to improve matching Opportunity Zone investors with projects.

Status quo

The current methods of connecting investors to opportunities is still not enough to satisfy the desired amount of investment into opportunity zones. The potential for improvement is not a detrimental fact by any means. It will require the methods utilized to be updated and be ready for an upgrade.

Build New Platform

There is a potential to create a match making service from scratch. An Australian Company Hunted Hive Pty Ltd. has a proven matchmaking software called "CNXION". This creates 'matching' solutions for any type of application domain in which there are two partners, an 'offeror' and a 'demander'.



Creating an app such as this may help ease matchmaking by allowing investors and opportunities to filter out matches based on their criteria. This could help reduce the amount of time wasted that inevitably happens when two noncompatible potential partners meet. If there is a way to get past the first few steps, then there may be a higher rate of success. The benefits to the communities within opportunity zones would be better served with an increase of successful matches.

Add info from Hunted Hive

RESOURCES

State of Colorado

The State of Colorado has launched a matchmaking tool on the website for the Office of Economic Development and International Trade:

<https://www.colorado-invest.com/>

The State of Colorado also provides information on a variety of resources regarding Opportunity Zones including an interactive map of all Zones within the State.

<https://choosecolorado.com/opportunity-zones/>

Economic Innovation Group

This organization helped engineer the tax legislation authorizing Opportunity Zones. This site has a national interactive map of Opportunity Zones.

<https://eig.org/opportunityzones>

Internal Revenue Service

Frequently Asked Questions - <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>

Proposed Regulations - <https://www.irs.gov/newsroom/treasury-irs-issue-proposed-regulations-on-new-opportunity-zone-tax-incentive>

Opportunity Zones Meetup

Programs, video recordings and guides on different Opportunity Zone projects and challenges with links to other sources of information.

<https://www.meetup.com/Opportunity-Zones/>

SPONSORSHIP

This Guide is intended to supplement the Opportunity Zones Meetup events with additional information. I appreciate all feedback on how to make this publication of greater value to the Members of the Opportunity Zones Meetup group.

Sponsorship is sought to cover the cost of presenting, recording, broadcasting and promoting the Opportunity Zones Meetup. A business, government organization, or foundation may sponsor a single event, a group of events or the entire 2019 program. Sponsors will be recognized at the events, in the videos and guides and in other promotional efforts.

With sponsorship, I am interested in expanding the Opportunity Zones Meetups to host events in additional cities across the United States.

Questions concerning this Opportunity Zones Meetup Guide, sponsoring the Opportunity Zones Meetup or hosting Opportunity Zones Meetups in other cities should be directed to:

Karl Dakin
Dakin Capital LLC
7148 S. Andes Circle
Centennial, CO 80016
720 296 0372
KDakin@DakinCapital.com

SHOWCASE

Opportunity Zone Funds, Properties and Businesses are invited to make a presentation at an upcoming Opportunity Zones Meetup. Presenters have five minutes to showcase their opportunity which is included in the video recording of the event as well within this Guide as a handout. To arrange a presentation of your opportunity, contact Karl Dakin at Dakin Capital LLC: kdakin@dakincapital.com

The Gravitas Fund



This fund has been set up by Sebastian Partners. It seeks to develop land within an opportunity zone around 64th and 56th Avenues East of Denver. Here they seek to acquire up to 100 single family homes to own and rent as income properties starting in June 2019 in multiple tranches. Here they intend to take advantage of the full 11 years of savings from capital gains. They are targeting a net investor IRR of 20.3%. This IRR is a discount rate where the present value of future cash flows of an investment is equal to the cost of the investment. This net IRR is a modified IRR value that takes into consideration management fees and any carried interest.

The Gravitas Fund also desires to utilize the opportunity zone to its full potential. They would like to create a mix-used entertainment district to combine with parts of the land used for residential purpose. The combination would allow for a diversification of investment, and a greater potential of impact for the local community.

The Gravitas fund may serve as a model going forward where an opportunity zone fund itself may work to split up between multiple projects. Five different funds all tagged towards different, but related projects may be the best way to utilize space and land that falls into opportunity zones. It also allows a variety of investors to put assets towards different types of projects. An example of a multi-use facility or entertainment district can be seen to the right in Irving, Texas. Here multiple different projects have come together to form an entertainment district. A version of this could have the potential to enhance the area and the value of the land, and the use of opportunity zones funds may make such a project even more feasible.



Challenges:

There have been several challenges that face the fund. One prominent one is the lack of a complete set of regulations from the federal government. This requires a bit of restraint in some technical areas. If these potential issues are not addressed, then there may be too much uncertainty to fully develop some of these projects. The next challenge is working with local governments to gain the necessary approvals. Here, this project has gained traction with the local officials, but remains a slow-moving process. The

final issue is one that plagues most Qualified Opportunity zone funds: ensuring that the investor fully understands. Opportunity zones are so new that most investors may be hesitant initially to invest before they attain more information. This is a process that is still developing, but the more groups that develop education tools for people the better.

Learn more at gravitas-fund.com

CASE STUDY

The Opportunity Zones Meetup is working to secure examples of Opportunity Zone projects with all documents to be published as a catalog. If you have an Opportunity Zone project and would like to share it, please contact Karl Dakin at Dakin Capital LLC: kdakin@dakincapital.com

Sugar Beet District Project

Documents, charts, illustrations, contracts, etc.

SLIDE DECK

A Match?

What makes a project and an investor the right match? This question is the largest one facing most opportunity zone enthusiasts. There are several factors such as timing, placement, and the people interested that must all be weighed in order to determine if the match is right.

Timing:

Here the project itself must fit the timeline set out in the rules for disbursing money into the opportunity zone. Both the investor and the project will have a need to get their funds distributed in a timely manner. Like all things in life timing matching up is key for any successful relationship. In an opportunity zone this is true as well. The entrepreneur may need the funding in a certain timeframe to get their project going. This could be paramount to their project if it relies on a certain timetable to begin production such as planting hemp or hops. The Investor also will want to disburse their funds in a timely manner to take advantage of the tax savings in the most effective manner.



Place:

The location of the project is also a factor that both sides will consider. An investor may have a certain area in mind for their investment to be disbursed. This could vary based on a desire to help develop a certain area out more than another or a pre-conceived idea of where a project would be best placed. An entrepreneur also may focus on certain areas more than others depending on their project's goals and needs. If both parties come together towards a common agreement, then the project may have a higher likelihood of success.

People:

There is always a factor to consider of whether the investor and the entrepreneur themselves have a compatible enough personality and goals. Here this factor is a common one that can end many different types of relationships. If the investor and the entrepreneur have a similar understanding and goal, beyond just financial success, the relationship and the project itself may be better off. The fortification of an opportunity zone project requires trust and synergy between both parties.

Investor Criteria:

The criteria an investor must consider when looking at whether the project is a right match is varied, but in general the main aims will be making profit. The secondary purpose may vary by investor as some may choose to address certain social issues or problems that may plague these various opportunity zones. In general, the purpose of the tax incentives is to allow people with capital gains to reinvest in struggling communities in the hopes of helping the people in those zones.

Types of Businesses:

An investor may be biased towards or against a certain project from the start. This could be beneficial to the entrepreneur if their project is within the desired field of investment of the investor. However, it is ultimately an important factor to know when trying to match an investor to an opportunity. If the business is not in their desired field, then it would benefit both the investor and the opportunity to know this before even discussing the potential investment.

Return On Investment:

Another factor that every investor must consider is the potential return on their investment from the project itself. This measure tries to directly measure the amount of return on a particular investment, relative to the investment's cost. Depending on the investors desire ROI the project itself may or may not be an ideal match. In most deals a ROI of 10% or higher is an ideal investment, but opportunity zones allow investments that may normally have a lower ROI reach more ideal levels because of the nature of the potential capital gains tax savings.



Location:

Again, where the investment is made may be a factor that investors care about. There is potential they may have only a desire to invest in certain states or regions. The investor may also want the investment to be close to insure they can monitor the progress of the project.

Maturity:

Investors enjoy a certain level of security that the investment they are pursuing is worthy, but also that it is a project that has been well thought out. If an investment has a mature history of success, then it may be more appealing for some investors. There are however other investors, such as angel investors, who prefer new and fresh companies. They may see a higher potential of reward if they start early on

with a young company. Overall, how to properly match up investors with different opportunities will depend on their preferences.

Management:

Investors care about how the project they are investing in is managed. An ideal investment would have a strong management team or person. The likelihood of success of a project depends heavily on the work that the management puts in. If a company is poorly managed it may not make the right deadlines or provide the best quality of work. Investors may also prefer certain types of management structures too, and they may have a desire to co-manager or oversee the project's efforts. If a project has two feuding entrepreneurs or former partners there is a chance that such a schism may deter investors from working this that opportunity. A system that would evaluate the structure of opportunities or one that would show desired management styles would benefit investor's evaluation.

Opportunity Characteristics:

As important as it is for the investor's desires to be met it is equally important that the opportunity itself has its needs matched with the investor. Opportunity Zones generally require cooperation between both sides of the Opportunity Zone Fund. If an opportunity is going to work the entrepreneur will need to have its own criteria met.



Management:

Similarly, to what Investors look for, an opportunity will want its management style to be allowed to behave as it requires. There is potential that the opportunity will want guidance from the investor and welcome their input on certain managerial points. However, an opportunity may also not want much interference from the investor in how they manage the nuts and bolts of their venture. An understanding must be met between the two parties with what they can expect from each other.

Track Record:

A strong track record or success is an attractive indicator for any investor. An opportunity that has this will find that their ability to find funding may be easier than a company with a poor record of following through. The opportunity also must do due diligence on the investor and their record of providing the funding. The past investments and how they fared is a useful indication for opportunities to consider.

Market (Now and in 10 years):

For an opportunity to find the right investor it will be key to show that there is a strong market for their service now of investment, but also that there is going to be a market for their project for the next ten years. This is especially useful because of the way opportunity zone funds can be utilized to their full potential after ten years of investment. The market is important for both the investor and the opportunity to be aware and for both to examine thoroughly as they seek to invest or get investment.

Other Money:

An opportunity may seek to gain investment from various means. If they seek investment and get it from other sources this may strengthen their ability to show that they are a worthy investment. It may also be harmful if they have too much outside investment to discourage the full utility of an opportunity zone investment. This may vary because of the requirement of the opportunity to remain largely within the designated opportunity zone, and to have the investment from an opportunity zone fund attached to this project.

Community Support:

This factor cuts to the core purpose of opportunity zones. They seek to work with the community to help develop it up economically. If their project already has support from the local community then it will make their project more attractive to investors. It would signal they have a greater chance to impact the surrounding community. Opportunities may prefer the investors be connected to the community that they seek to invest in.