

**BLACK PEARL INVESTMENTS**

**Qualified Opportunity Zone Fund  
New York City**

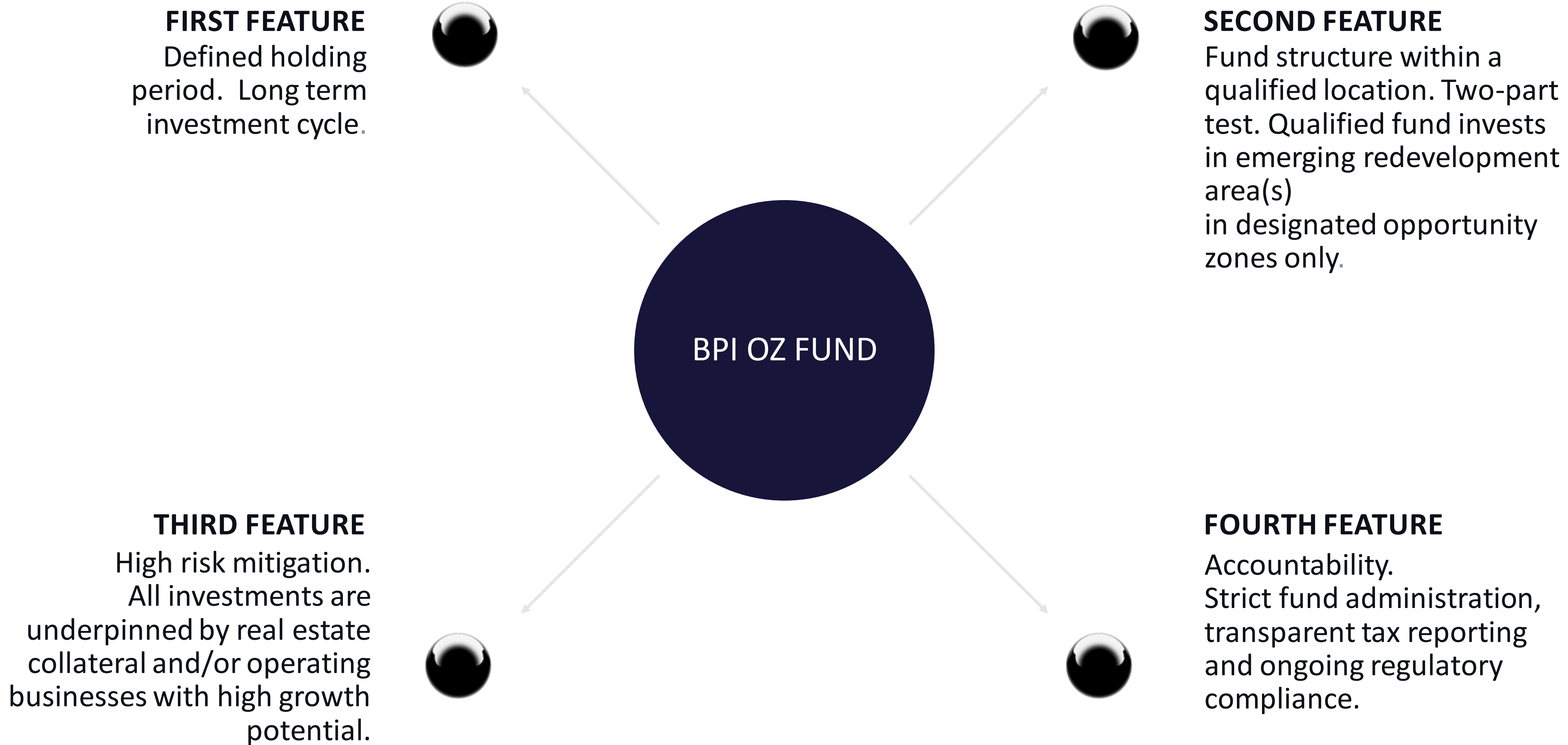
## Qualified Opportunity Zone (QOZ) Fund Program

The U.S. Department of the Treasury and the Internal Revenue Service (IRS) in 2019 designated Opportunity Zones in 18 States. The Tax Cuts and Jobs Act created Opportunity Zones to spur investment in distressed communities throughout the country. New investments in Opportunity Zones can receive preferential tax treatment.

Under the Tax Cuts and Jobs Act, States, D.C., and U.S. possessions nominate low-income communities to be designated as Qualified Opportunity Zones, which are eligible for the tax benefit.

The qualified Opportunity Zones is designed to incentivize long-term capital investments in low-income communities nationwide. All of the underlying incentives relate to the tax treatment of capital gains, and all are tied to the longevity of an investor's stake in a qualified Opportunity Fund, providing the most upside to those who hold their investment for 10 years or more.

# Key Investment Aspects of our QOZ Fund



# QOZ Fund's Main Objectives

-  Take advantage of the window and financing gap that currently exist in the real estate market to invest in redevelopment areas. **1** 
-  **2**  Provide both solid financial and liquidity solutions to new commercial real estate development projects and its businesses.
-  Investment niche within the mezzanine and co-sponsor tranches of the capital stack of real estate and its businesses. **3** 
-  **4**  Provide above market investment rate of returns to qualified Investors and/or tax incentives and/or tax forgiveness.

## Key QOZ Fund Benefits

### **Interacts well with federal, state and local tax incentive or subsidy programs:**

- EB-5 Program
- New Markets Tax Credits
- Section 42 (LIHTC)
- ITC (Solar)
- State
- County/City

### **Co-leveraged with various government-sanctioned financing:**

- Brownfields cleanup (EPA- federal, state and local)
- Infrastructure bonds (IDB)
- Net leased financing
- GSE loans (FHA, Fannie Mae, Freddie Mac)
- Tax-exempt bonds
- SBA business loans

# Case Examples with Operating Businesses

## Technology company

**A technology company has large amounts of unrealized capital gains due to market appreciation of their stock post-IPO:**

- Create O-Fund corporation for the purpose of investing in technology and company growth within an O-Zone
- Harvest gains and roll over into O-Fund via purchase of O-Fund stock tax due on capital gain deferred
- O-Fund uses 90% of its assets to finance new data center or set up spinoff technology business located in O-Zone
- Sell O-Fund stock in year 6, which is before 2026
- O-Fund sale year: Pay tax on the deferred capital gain with benefit of 10% tax bill reduction
- O-Fund sale year: Pay tax on the profits of sale of O-Fund stock

## Financial service industry – bank

**A bank has created a large amount of capital gains due to trading desk activities:**

- Identify a properly created O-Fund corporation
- Harvest gains and roll over into O-Fund via purchase of O-Fund stock tax due on capital gain deferred
- O-Fund uses 90% of its assets (cash only) to purchase stock in a domestic corporation that has substantially all of its tangible property located/ used within O-Zone
- Sell O-Fund stock in year 9, which is after 2026
- 2026: Pay tax on the deferred capital gain with benefit of 15% tax bill reduction
- O-Fund sale year: Pay tax on the profits of sale of O-Fund stock

## Family fund – e.g., large estate, trust, personal holdings

**A family recently sold company stock which they acquired at near zero basis, triggering large capital gains tax due:**

- Create O-Fund partnership for purpose of investing in mixed-use developments within O-Zones
- Use capital gain from sale of company stock to purchase O-Fund partnership interest tax due on capital gain deferred
- O-Fund uses 90% of its assets (cash only) to buy an existing building that will be substantially improved
- Exchange O-Fund partnership interest in year 10, which is after 2026
- 2026: Pay capital gains tax on deferred gain with benefit of 15% tax bill reduction
- Exchange year: Pay no tax on proceeds from O-Fund partnership interest exchange

# Our QOZ Addresses Gaps in Today's Market

## GREAT PIPELINE

- Pre-vetted real estate development projects valued at over US \$2 Billion
- Master planned development projects in Shreveport LA and Sacramento CA
- Infill project in Newark, NJ
- Projects are “as of right” or defined pathway for approvals with infrastructure in place
- Ability to curate and identify other projects that meet our investment criteria and narrative

## SOUND STRATEGY

- Site control via secured LOI and/or PSA
- Land basis are at or below the current market value or work with startup firms (pre-IPO)
- Many sites requiring brownfield remediation >>> Sponsor works with experienced firms
- Business owner or tenant relocation >>> Work with major CRE brokerage firms
- Structured finance >>> Private or institutional investor for debt and mezzanine capital

## SPONSOR IS A NATURAL FIT

- Leveraging top tier contacts and strategic relationships for solid project execution
- Firm has over US \$5 Billion in origination, acquisition and development project experience
- Taping the opportunity zone fund program for higher leverage and lower cost of capital
- Multi-tranche layering with quasi-public financing (HUD, LIHTC, NMTC, EB-5, ITC)
- Implement LEED/Green building and sustainability to optimize building performance



## A QOZ Fund built on Value with Tax Incentives

TOP TIER



Focus on huge market potential (US \$6 Trillion) of unlocked long-term capital assets.

ACCESS



Identified sponsored projects on key deals with the decision makers.

"ZERO" RISK



Fully structured financing underwritten by an experienced team on a pre-commitment basis.



## Who is the Fund Sponsor?

Since 2009, Black Pearl Holding Company (“BPHC”) is a sophisticated holding company of multi-family offices focused on the acquisition and development of institutional quality affordable and workforce housing and its associated commercial real estate assets, providing superior risk-adjusted returns through its various entities utilizing private-public partnerships as a powerful catalyst to effect revitalization and economic change.

It’s subsidiary, Black Pearl Investments (“BPI”) is a capital advisory and financial intermediary firm involved as a fund administrator and correspondent lender involved in arranging debt, mezzanine and equity including agency loans, tax credits and bond financing.

BPI has been involved in over US \$5B in real estate assignments, financing and development projects. It also provides specialized capital advisory services including licensing agreements, JV, M&A, LBO, PIPE and REIT strategies to private, foreign and institutional clients in banking, technology, bio-pharma and e-commerce sectors.

# Qualified OZ Fund Specifics

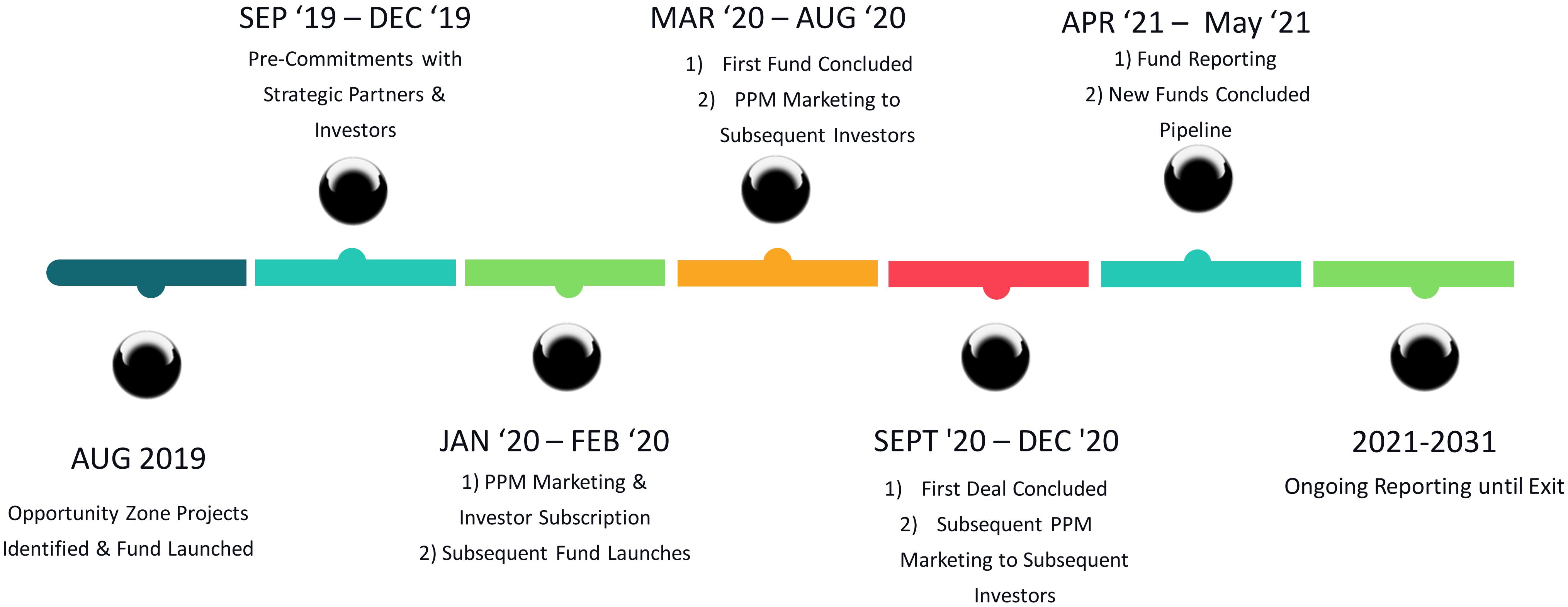
## INVESTMENT FOCUS AND MODEL

- Fund sponsor headquartered in New York City
- Investments in key redevelopment markets in NY, CA, LA and throughout the U.S.
- A premier opportunity zone fund dedicated to real estate and technology firms with huge potential
- Leveraging top-tier contacts and strategic relationships for robust execution
- Stable and solid investment returns and after-tax incentives for the right investors

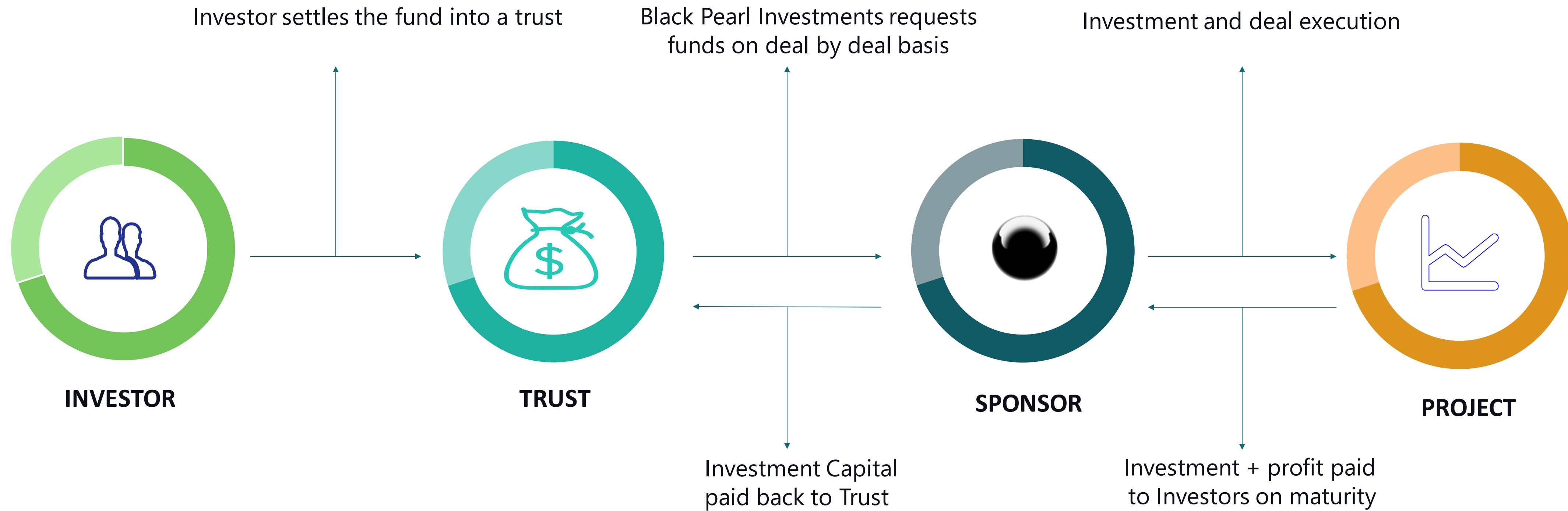
## OVERVIEW OF FUND STRUCTURE

Total Fund Size	\$50M-500M
First Close	\$100M (March 2020)
Base Return	6.0%-6.5%
Asset Management	1.5% fee
Performance Fee	~20% above 6.5% delivered to Investors
Typical Commitment	\$5M - \$25M

# Project Milestones



# QOZ FUND RECAP



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