



CapStone Fund I, LP  
Prospectus v.1

June 28, 2021

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## Overview/ Summary of Company

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### -Mission Statement

Our mission at CapStone Fund is to facilitate progress and improvement in opportunity zones within our own neighborhoods and throughout the country. Our goal is to invest in the education and development of opportunity zones, providing benefits for all: investors, people, and communities. We desire to create businesses and job opportunities that will redefine social equity and provide a return for our investors whilst doing “what is right and what needs to be done.” CapStone Fund will employ capital rather than it going to the Federal or State government. Invest for you. Invest for your community. Invest for the future.

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### -Qualified Opportunity Fund Description

Qualified opportunity funds were created in the Tax and Jobs Act 2017 (section 1400Z-2). It is an investment incentive located within opportunity zones. Opportunity zones are typically low-income or distressed communities and are designated by the government. Opportunity Funds are used to improve and bring jobs and capital to distressed communities within opportunity zones. They provide tax benefits and allow the deferral of capital gains taxes.

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### -Investment Objective

Our fund’s investment objective is to raise \$2.1 million in capital and take advantage of favorable bank financing to increase the fund size and opportunities. Our target investments are real estate, technology start-ups, biotechnology, and other start- up businesses.

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## -Fund Fees & Expenses

Annual Administration Fee of approximately \$40,000- \$50,000.

Operating fees and fund income will cover the cost of utilities, maintenance, taxes, insurance, and loan repayment,

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## -Investment Strategy

CapStone Fund I specializes in long term investments with maximum tax benefits occurring at 10+ years. Our main focus is on earning fund income from long real estate and start-up company investment.

## **Management Portfolio**

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### **-CapStone Fund Team**

#### **Chris Stone**

Chris is the Managing Partner of the Capstone Fund. Chris recently was the CEO of Ascend Illinois and the founder and CEO of HealthCentral Illinois, one of the leading vertically integrated cannabis operations in Illinois. Previous to his foray into cannabis Chris founded Lucy Place, a VGT retail operation with over 50 locations throughout Illinois. Chris currently owns and manages over 600,000 square feet of commercial real estate and is the managing member of a government affairs and business consulting business. Chris has six children and resides in Springfield, IL with his wife and of 26 years Erin. He attended Arizona State University and John Marshall Law School.

#### **Frank Kopecky**

Frank is a licensed CPA and founder of Kopecky Accounting. He provides accounting, tax, audit and forensic accounting services for a wide range of industries in central Illinois. Frank is also a partner in a real estate development business that owns and operates commercial office and commercial retail spaces in central Illinois. He attended the University of Illinois and resides in Springfield, Illinois with his wife Julie and his two kids.

#### **Tom Pavlik**

Tom is a partner at Delano Law Offices in Springfield, Illinois. He specializes in banking, mergers and acquisitions, zoning and complicated business transactions in a wide variety of industries. Tom is a graduate of the University Notre Dame and the University of Notre Dame Law School and is recognized as one of the leading attorneys in Springfield. Tom practices with his wife Sara and resides in Springfield, Illinois.

#### **Megan Britton**

Megan Britton is an employee of the CapStone Opportunity Fund. Megan is in charge of business and opportunity fund/zone research. Her goal is to promote the opportunity fund program to improve communities and inform investors of the tax benefits available to them. She graduated from University of Missouri and currently resides in Kentucky with her husband and two children.

## **Risk Disclaimer**

CapStone Fund I LP, “CapStone”, cannot guarantee projected statements, performances, achievements, rates, market conditions, and etc outlined in this document. Actual performance of the fund may differ from projected outcome. All figures and statements made in this document are reasonably calculated according to current conditions and expectations. Lack of historical data and performance for the opportunity zone program limits the fund’s ability to foresee all unknown risks. CapStone cannot provide absolute assurance this document’s predictions will prove correct. CapStone and it’s affiliated entities are not liable for any damages, including but not limited to: compensatory damages, loss of income/profit, property damages, third party claims, etc. The reader assumes responsibility for any misuse of this document. This document is for informational purposes only. As such, CapStone reserves the right to make any changes to this document without prior notice. If unforeseen risks arise, changes may need to be made to the financial structure of the fund. CapStone is not liable for any changes made to the Opportunity Fund/Zone program by the federal or state government that may result in changes to projected outcome. All prospective investors should consult legal and financial counsel to ensure investing in this opportunity fund is the correct investment for them.

## **Fund Pricing and Structure**

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### **-Fund Pricing**

CapStone Fund I, LP will be raising a total of \$2,000,000, with a minimum participation level of \$400,000.00 per investor.

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### **-Number of Investors**

CapStone Fund I, LP is limited to a maximum number of seven investors.

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### **-Number of Shares Available**

CapStone Opportunity Fund is offering shares in CapStone Fund I LP .

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### **-LP or LLC**

CapStone Fund I LP is organized as a limited partnership.

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### **-Fund Managers**

CapStone Fund I is managed by Chris Stone and Megan Britton.

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### **-Fund Finance Structure**

Expenses 2% or less of the fund's assets with expected annual net returns of 11% or greater to our investors.

## Investment Structure

### CapStone Investor Breakdown

	Payment of Capital Gains Tax	Investment in QOF
<b>Original Capital Gain</b>	\$1,600,000.00	\$1,600,000.00
<b>Capital Gain Tax Rate</b> <i>(20% Capital Gains; 4.95% IL State)</i>	24.95%	24.95%
<b>Capital Gains Tax Due</b> <i>(2021)</i>	\$399,200.00	Deferred
<b>Investment Amount</b> <i>(Net Taxes)</i>	\$0.00	\$399,200.00
<b>Compounded Annual Return</b> <i>(Beginning Q4-2026)</i>	0%	11%
<b>Appreciation</b> <i>(Beginning Q4-2026)</i>	\$0.00	\$686,795.00
<b>Tax on Appreciation</b> <i>(2031)</i>	\$0.00	\$0.00
<b>Capital Gains Tax Due</b> <i>(2027)</i>	\$0.00	\$359,280.00
<b>Net Gain from Original Investment</b>	\$0.00	\$327,515.00
<b>Net Annual Dividend</b> <i>(50% net income of fund + 11% dividend over 5 years; after year 5)</i>	\$0.00	\$48,104.00
<b>Bonus Asset Value*</b> <i>(2031)</i>	\$0.00	\$542,944.00
<b>Total Gain on investment</b> <i>(Net Gain Original Investment + Property Sale + Net Income Dividend)</i>	\$0.00	\$1,110,979.00

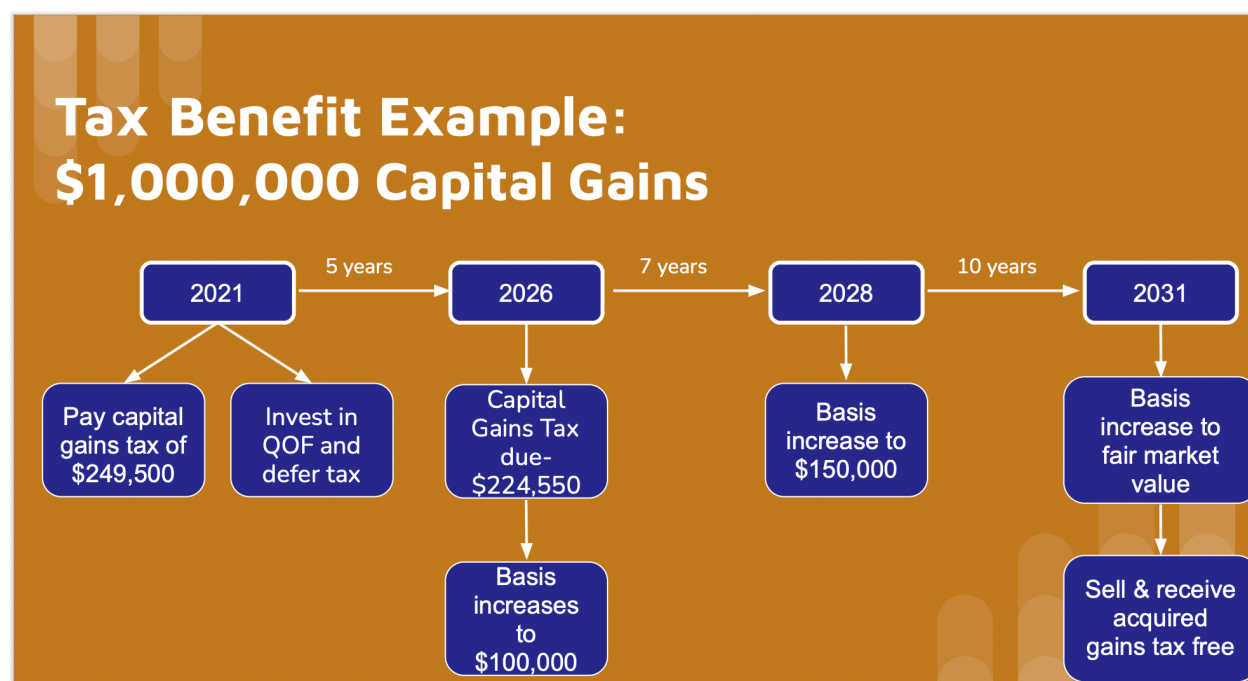
\*Original Property value \$350,000. Est. 5 year- \$2,582,964, 10 year- \$2,714,721



## Qualified Opportunity Fund Tax Benefits

### -Tax Benefits

Opportunity funds allow for an investor to defer capital gains taxes as long as the capital gains are invested within 180 days of being recognized. After the investment has been held for five years, investors receive a 10% deduction in capital gains and a 10% increase in the basis. After the investment has been held for seven years, the investor receives an additional 5% decrease in capital gains and increase in basis for a total of 15%. When the investment has been held for 10 years, investors can elect to increase the basis to fair market value resulting in zero taxes paid on gains acquired through the investment. Capital gains taxes are due on December 31, 2026 or after an inclusion event: merger, liquidation, gift/transfer, distribution in excess of investor



adjusted basis, reorganizations, and changes to entity classification.

\*Assuming Capital Gains Tax of 24.95% (20% Federal; 4.95% IL State).

## **Dividend Policy**

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### **-Dividend Policy and Timeline**

Our projected timeline for distributing dividends begins in Q4 2026. Dividends will consist of annual 11% return on investment and 50% of the fund's income. In years one through five 100% of the fund's income will be reinvested into the fund. This allows for compounded interest returns for the investor.

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### **-Taxes on Dividends Received from QOF**

Dividends must be less than the amount invested in order to avoid an inclusion event resulting in the investor paying taxes on their deferred capital gains. Estimated time for inclusion event is year 8.

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### **-Use of Proceeds**

All income for the fund will be reinvested into the fund to pay for expenses and to increase compounded returns for the investor. Beginning in year five, 50% of the income will be reinvested into the fund. After 10 years, or upon selling, there is a possibility of additional proceeds being given to investors, such as gain from the property sale.

## **Additional Tax Information**

Investors have 180 days from recognizing their capital gains to invest in the opportunity fund. The capital gains cannot be from a related persons/party transaction. Capital gains must be recognized by January 27, 2027.

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### Tax forms

[\[Form 8997\]](#)

[\[Form 8949\]](#)

[\[Schedule D/ Form 1040\]](#)

## Additional QOF Financial Information

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### -Rules

**90% Investment Rule:** A opportunity fund must, according to the IRS website, “satisfy the standard of investing 90% of its assets in Qualified Opportunity Zone property. This is determined by the average of the percentage of Qualified Opportunity Zone property held in the Qualified Opportunity Fund as measured on: (1) The last day of the first 6-month period of the tax year of the Qualified Opportunity Fund, and (2) The last day of the tax year of the Qualified Opportunity Fund.”

**50% income rule:** The IRS website states, “Each taxable year, a QOZ business must earn at least 50 percent of its gross income from business activities within a QOZ. The regulations provide three safe harbors that a business may use to meet this test. These safe harbors take into account any of the following: (1) Whether at least half of the aggregate hours of services received by the business were performed in a QOZ; (2) Whether at least half of the aggregate amounts that the business paid for services were for services performed in a QOZ; or (3) Whether necessary tangible property and necessary business functions were located in a QOZ.

**30 month rule:** The property must be substantially improved within 30 months after the property has been acquired,

**Original use property:** “Original use of tangible property occurs when the property is first placed in service in a manner that would start depreciation or amortization if the property were being used in a trade or business. The original use of tangible property is in a QOZ if the property has not previously been placed in service in the QOZ. Thus, tangible property that had been placed in service outside of the QOZ (that is, used property) can be original use property if the QOF or QOZ business is the first to place it in service in the QOZ.”([IRS.gov](https://www.irs.gov))

**Substantial improvement:** “Property is substantially improved if, during any 30-month period beginning after the property is acquired, additions to the basis of the property exceed an amount equal to the adjusted basis at the start of the 30-month period.”

([IRS.gov](https://www.irs.gov))

Capstone Fund I, LP 400-426 N. 5th Street, Springfield, Illinois Five Year Operating Budget Logic Worksheet for Building																				
Property: Leasable Area: For the Years Ending	34700	Prepared: 6/1/20 Beginning Period: 1/1/22																		
		Jan-22	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27	Jan-28	Jan-29	Jan-30	Jan-31									
		Jan-22	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27	Jan-28	Jan-29	Jan-30	Jan-31									
<b>RENTAL INCOME</b>																				
IDPH - 6676 (12,858 sf) (\$12.30 sf)	\$	118,620.00	\$	158,150.00	\$	161,313.00	\$	164,539.26	\$	167,830.05	\$	171,186.05	\$	174,610.38	\$	178,102.59	\$	181,664.64	\$	185,297.93
LOTTERY 6741 (13,166 sf) (\$12.30 sf)	\$	121,460.00	\$	161,940.00	\$	164,369.10	\$	166,834.64	\$	169,337.16	\$	171,877.21	\$	174,455.37	\$	177,072.20	\$	179,728.29	\$	182,424.21
CAPSTONE - INCUBATOR (62,50 sf, \$10.50 sf)	\$	65,625.00	\$	66,937.50	\$	68,276.25	\$	69,641.78	\$	71,034.61	\$	72,455.30	\$	73,904.41	\$	75,382.50	\$	76,890.15	\$	78,427.95
Annual Income	\$	305,705.00	\$	387,027.50	\$	393,958.35	\$	401,015.67	\$	408,201.81	\$	415,519.16	\$	422,970.16	\$	430,557.29	\$	438,283.07	\$	446,150.09
<b>ADMINISTRATIVE EXPENSES</b>																				
Admin Expense	\$	9,171.15	\$	9,354.57	\$	9,541.66	\$	9,732.50	\$	9,927.15	\$	10,125.69	\$	10,328.20	\$	10,534.77	\$	10,745.46	\$	10,960.37
<b>MAINTENANCE EXPENSES</b>																				
Janitorial Services/Supplies	\$	24,750.00	\$	25,492.50	\$	26,257.28	\$	27,044.99	\$	27,856.34	\$	28,692.03	\$	29,552.79	\$	30,439.38	\$	31,352.56	\$	32,293.14
Elevator	\$	9,000.00	\$	9,450.00	\$	9,922.50	\$	10,416.63	\$	10,939.56	\$	11,486.53	\$	12,060.86	\$	12,663.90	\$	13,297.10	\$	13,961.95
Lawncare/Landscaping	\$	4,000.00	\$	4,120.00	\$	4,245.60	\$	4,370.91	\$	4,502.04	\$	4,637.10	\$	4,776.21	\$	4,919.30	\$	5,067.08	\$	5,219.09
Professional Services	\$	3,000.00	\$	3,090.00	\$	3,182.00	\$	3,278.81	\$	3,376.26	\$	3,474.32	\$	3,573.09	\$	3,672.50	\$	3,773.10	\$	3,874.20
Snow Removal	\$	3,000.00	\$	3,090.00	\$	3,182.00	\$	3,278.81	\$	3,376.26	\$	3,474.32	\$	3,573.09	\$	3,672.50	\$	3,773.10	\$	3,874.20
Alarm, Fire Maintenance and Monitor	\$	4,200.00	\$	4,326.00	\$	4,455.78	\$	4,589.45	\$	4,727.14	\$	4,868.95	\$	5,015.02	\$	5,165.47	\$	5,320.43	\$	5,480.05
Exterminating	\$	8,000.00	\$	8,240.00	\$	8,487.20	\$	8,741.82	\$	9,004.07	\$	9,274.19	\$	9,552.42	\$	9,838.99	\$	10,134.16	\$	10,438.19
HVAC/Maintenance	\$	6,000.00	\$	6,120.00	\$	6,240.00	\$	6,360.00	\$	6,480.00	\$	6,600.00	\$	6,720.00	\$	6,840.00	\$	6,960.00	\$	7,080.00
Repairs/Maintenance	\$	15,000.00	\$	15,300.00	\$	15,600.00	\$	15,912.12	\$	16,236.48	\$	16,561.21	\$	16,897.44	\$	17,234.89	\$	17,574.89	\$	17,926.39
Phone/Cable/Trash	\$	5,400.00	\$	5,508.00	\$	5,618.16	\$	5,730.52	\$	5,845.13	\$	5,962.04	\$	6,081.28	\$	6,202.90	\$	6,326.50	\$	6,453.50
Contingency	\$	18,342.30	\$	18,709.15	\$	19,083.33	\$	19,465.00	\$	19,854.30	\$	20,251.38	\$	20,656.41	\$	21,069.54	\$	21,490.93	\$	21,920.75
<b>UTILITIES</b>																				
Electric	\$	8,800.00	\$	8,932.00	\$	9,065.98	\$	9,201.97	\$	9,340.00	\$	9,480.10	\$	9,622.30	\$	9,766.64	\$	9,913.13	\$	10,061.83
Gas	\$	2,700.00	\$	2,740.50	\$	2,781.61	\$	2,823.33	\$	2,865.68	\$	2,908.67	\$	2,952.30	\$	2,996.58	\$	3,041.53	\$	3,087.15
Water & Sewer	\$	900.00	\$	913.50	\$	927.20	\$	941.11	\$	955.23	\$	969.56	\$	984.10	\$	998.86	\$	1,013.84	\$	1,029.05
<b>TAXES &amp; INSURANCE</b>																				
Property Taxes	\$	8,910.00	\$	36,660.00	\$	37,393.20	\$	38,141.06	\$	38,903.89	\$	39,681.96	\$	40,475.60	\$	41,285.11	\$	42,102.82	\$	42,953.03
Insurance	\$	20,000.00	\$	12,000.00	\$	12,360.00	\$	12,730.80	\$	13,112.72	\$	13,506.11	\$	13,911.29	\$	14,328.63	\$	14,758.49	\$	15,201.24
<b>Expense Before Debt Service, Income Tax, Depreciation</b>																				
Service, Income Tax, Depreciation	\$	178,173.45	\$	201,826.22	\$	206,934.10	\$	212,187.89	\$	217,576.87	\$	223,090.57	\$	228,555.86	\$	234,277.41	\$	240,160.06	\$	246,208.80
<b>Net Operating Income before Debt Service, Income Tax, Depreciation</b>																				
Service, Income Tax, Depreciation	\$	127,531.55	\$	185,201.28	\$	187,024.25	\$	188,832.78	\$	190,624.94	\$	192,458.59	\$	194,414.30	\$	196,279.87	\$	198,123.01	\$	199,941.29
<b>Debt Service</b>																				
\$2.15M, 20Y, 5Y Lock at 3.25% (Mortgage-Interest)	\$	109,570.00	\$	146,340.00	\$	149,640.00	\$	149,640.00	\$	149,640.00	\$	149,640.00	\$	149,640.00	\$	149,640.00	\$	149,640.00	\$	149,640.00
<b>Expenses Total</b>																				
	\$	287,743.45	\$	348,166.22	\$	356,574.10	\$	361,822.89	\$	367,218.87	\$	366,210.57	\$	371,775.86	\$	377,497.41	\$	383,380.06	\$	389,428.80
<b>NET INCOME</b>																				
	\$	17,961.55	\$	38,861.28	\$	37,384.25	\$	39,197.78	\$	40,984.94	\$	49,308.59	\$	51,194.30	\$	53,059.87	\$	54,903.01	\$	56,721.29
<b>INVESTMENT</b>																				
	\$	2,000,000.00	\$	2,220,000.00	\$	2,464,200.00	\$	2,735,262.00	\$	3,036,140.82	\$	2,000,000.00	\$	2,000,000.00	\$	2,000,000.00	\$	2,000,000.00	\$	2,000,000.00
	\$	228,980.78	\$	263,630.64	\$	289,754.13	\$	320,475.21	\$	354,467.96	\$	246,529.94	\$	247,451.51	\$	248,360.65	\$	249,271.76	\$	250,182.91
<b>ANNUAL RESERVE</b>																				
	\$	8,980.78	\$	19,430.64	\$	18,692.13	\$	19,596.39	\$	20,492.47	\$	26,529.94	\$	26,529.94	\$	27,451.51	\$	28,360.65	\$	29,271.76
<b>VALUE OF THE PROPERTY</b>																				
	\$	350,000.00	\$	2,507,000.00	\$	2,532,070.00	\$	2,557,390.70	\$	2,582,964.61	\$	2,608,794.25	\$	2,634,882.20	\$	2,661,231.02	\$	2,687,843.33	\$	2,714,721.76

NOTES

1. Property Sale - Year 10 - Tax Free
2. Distributive per year income tax free - 12%
3. Full Return on investment tax free - Year 7
4. Return on initial investment - Year 10 - Tax Free
5. Tax liability 11/26 will be 15% of original amount
6. This investment tool only uses capital gains tax liabilities
7. Total return on investment - Year 10 - 175% - Tax Free