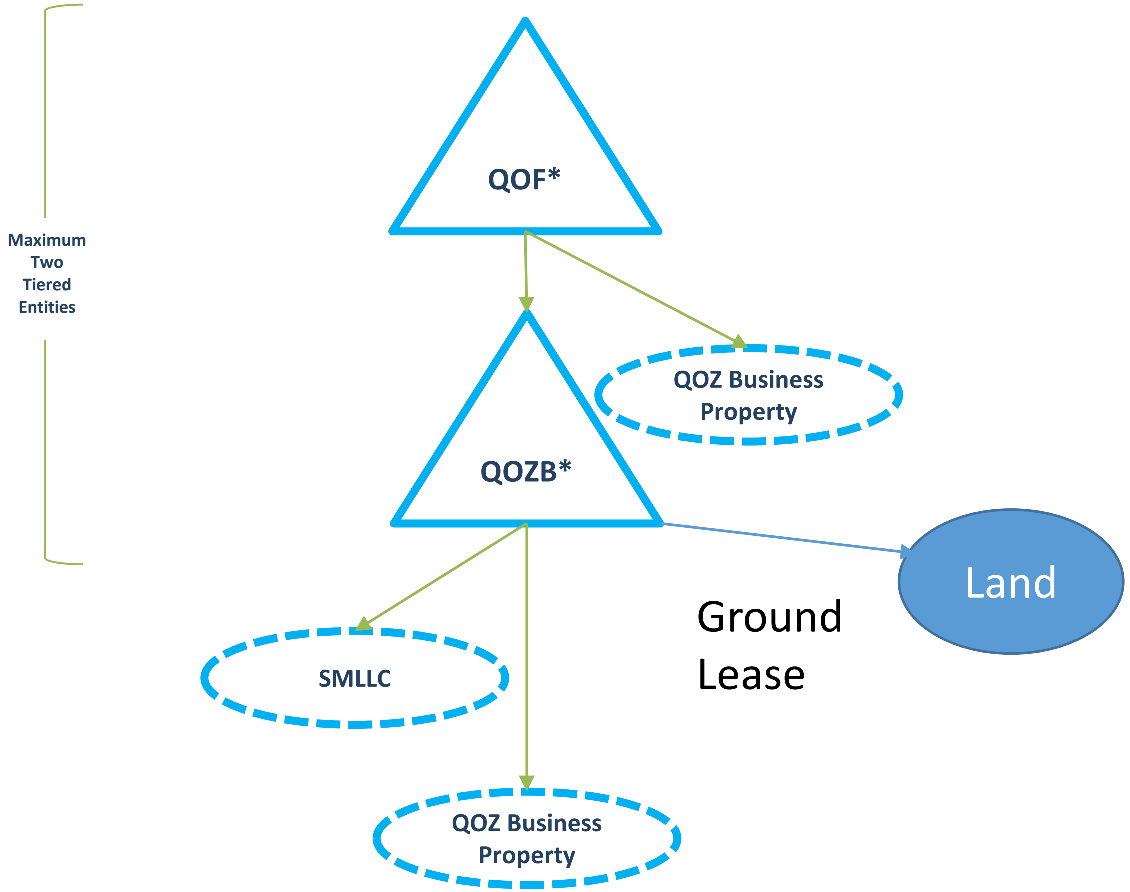
Example: Land currently has a tax basis of $1 million and FMV of $3 million

	Scenario	Tax Ramifications to the **Owner**	Tax Ramifications to the **Fund**
1.	Landowner owns land acquired prior to inception of the OZ program (1/1/2018) **or** will retain a more than 20% QOF ownership %.	Land is a "bad asset" in hands of the owner. Land does not qualify as QOZBP if acquired prior to 1/1/2018. Improvements to the land however will qualify.	If the QOF/ QOZB does not purchase the land the property is a "bad asset (see purchase requirement below). The land will also be a "bad asset" if the prior land owner and related parties retain more than 20% in the QOF.
2.	Landowner sells land to QOF or QOZB and retains an equity ownership of **greater than 20%.**	Gain is ineligible to roll into the QOF that acquired the property. That gain can be invested into another unrelated QOF.	The asset would represent a "non-qualified" asset and the 10% bad asset test at the QOF level and 30% bad asset test at QOZB level must be analyzed. See potential Work-Around below.
3.	Landowner sells land to QOF or QOZB and stays in at **20% or less equity owner.**	No longer a "related party"; however the "Circular Cash Flow" rules in the regulations will preclude the gain attributable to the sale from being invested into the same QOF. Such gain can be rolled into an unrelated QOF.	If the land is purchased by the QOF or QOZB, the property is a "qualified asset", but if dropped down to the QOZB it is a "non-qualified" asset since not purchased by the QOZB. The land can also be left at the QOF level.
4.	Landowner contributes land to the QOF in order to participate in the projects	The built-in-gain of $2M is generally not triggered **but** is not a qualified investment. The $1M tax basis can be a qualified investment if the investor has another gain. This creates a "mixed fund" for that investor only. ○ 1/3 is qualified and 2/3 is non-qualified	Since the QOF did not purchase land; land is a "bad asset." Need to drop land into QOZB – but the equity acquired by contribution is non-qualified. Need to watch 10% bad asset test. **Potential Construction Project Work-Around for 2) and 4):** If an additional $7.1+ million of "good assets" are invested at the QOZB level , this dilutes the "bad assets" below 30%. ➢ Building costs are often 3-5x's more than the land.
5.	QOZB Enters into a Ground Lease	Land Owner does not get OZ benefits	➢ Fund has a good asset equal to NPV of Lease. Can acquire land later when land is <30% of Fund Balance

<u>§1.1400Z2(d)-2(b)(1)(i)-(ii) Outlines the QOZB Purchase Requirement</u>:
*"…tangible property must be acquired by the eligible entity after December 31, 2017, **by purchase** as defined by section 179(d)(2) from a person that is **not a related person** within the meaning of section 1400Z-2(e)(2) (providing that persons are related to each other if such persons are described in section 267(b) or section 707(b)(1), determined by substituting "20 percent" for "50 percent" each place it appears in such sections).*

STANDARD OPPORTUNITY ZONE ENTITY STRUCTURE



* note: QOFs, QOZB LLC's, & QOZB Partnerships must have two owners