

ARIZONA COMMERCE AUTHORITY

ARIZONA OPPORTUNITY ZONES & OPPORTUNITY FUNDS



ACA MISSION

The mission of the Arizona Commerce Authority is to grow and strengthen Arizona's economy and facilitate the creation of quality jobs for its citizens by attracting and supporting business in high-growth industries throughout the state. Why? Because a vibrant, diverse, state-wide economy means increased opportunities for our citizens.

It's about helping people.



ATTRACT

Recruit out-of-state and international companies to establish operations in Arizona



EXPAND

Work with existing Arizona Companies to grow their businesses here and beyond



CREATE

Partner with entrepreneurs to create new Arizona businesses in targeted industries

STRATEGIC FRAMEWORK

VISION

Arizona is the top location for high-quality business growth.

MISSION

To grow and strengthen Arizona's economy and facilitate the creation of quality jobs for its citizens by supporting and attracting businesses in targeted, high-value base sectors throughout the state.

1

Attract businesses to Arizona.

2

Grow Arizona businesses.

3

Create new Arizona businesses.

STRATEGIES

Monitor & Strengthen Competitiveness

Increase Awareness

Lead Economic Development Efforts

Target High-Value Industries

Accelerate Advanced Manufacturing

Cultivate Entrepreneurial Ecosystem

Expand International Trade

Create Workforce of the Future

Encourage Infrastructure

Enhance Rural Economic Growth

CULTURE

Transparency • Accountability • ROI • Leadership • Engagement • Long-Term Vision • Short-Term Action • Collaboration

ACA PROGRAMS

Arizona has lowered taxes, streamlined regulations and established a suite of programs to support corporate growth and expansion.



QUALITY JOBS TAX CREDIT

Provides up to \$9,000 of income or premium tax credits over a three-year period for each net new job to the state and concurrent qualifying capital expenditures.



QUALIFIED FACILITY TAX CREDIT

Provides refundable income tax credits up to \$20,000 per qualifying net-new job to eligible manufacturing companies that invest in one or more qualifying facilities.



RESEARCH & DEVELOPMENT TAX CREDIT

Provides income tax credits for increased R&D activities conducted in the state. Additional tax credits are available for R&D executed in collaboration with state universities.



MILITARY REUSE ZONE

Provide property tax reductions and TPT exemptions to qualifying projects located in MRZ.



COMMERCIAL/INDUSTRIAL SOLAR

Provides income tax credits for the installation of solar energy devices at Arizona business facilities.



JOB TRAINING GRANT

Grant to reimburse a portion of qualifying costs associated with hiring and training of net new employees.



FOREIGN TRADE ZONE

Provides approximately a 72 percent reduction in property taxes for a property located in a foreign trade zone.



EXEMPTION FOR MACHINERY AND EQUIPMENT

Provides TPT Tax and Use Tax exemptions at the state, county and local levels on qualifying purchases of CDC equipment.



ADDITIONAL DEPRECIATION

Accelerates depreciation to substantially reduce business personal property taxes.



OPPORTUNITY ZONES & FUNDS

ACA'S ROLE

1

IDENTIFY

SOLICIT LOCAL INPUT,
FINALIZE TRACT LIST,
SUBMIT NOMINATIONS

2

COMMUNICATE

SHARE INFORMATION WITH
STAKEHOLDERS AROUND
ARIZONA

3

CONNECT

BRING INVESTORS, ECONOMIC
DEVELOPERS AND COMMUNITY
LEADERS TOGETHER TO
MAXIMIZE OZ/OF IMPACT

4

MEASURE

IDENTIFY OPPORTUNITY ZONE
PROJECTS AND FUNDS,
SHARE DATA & SUCCESSES

EARLY 2018: IDENTIFYING OPPORTUNITY ZONES

1,526

TOTAL ARIZONA
CENSUS TRACTS

671

ARIZONA CENSUS TRACTS
MEET CRITERIA*

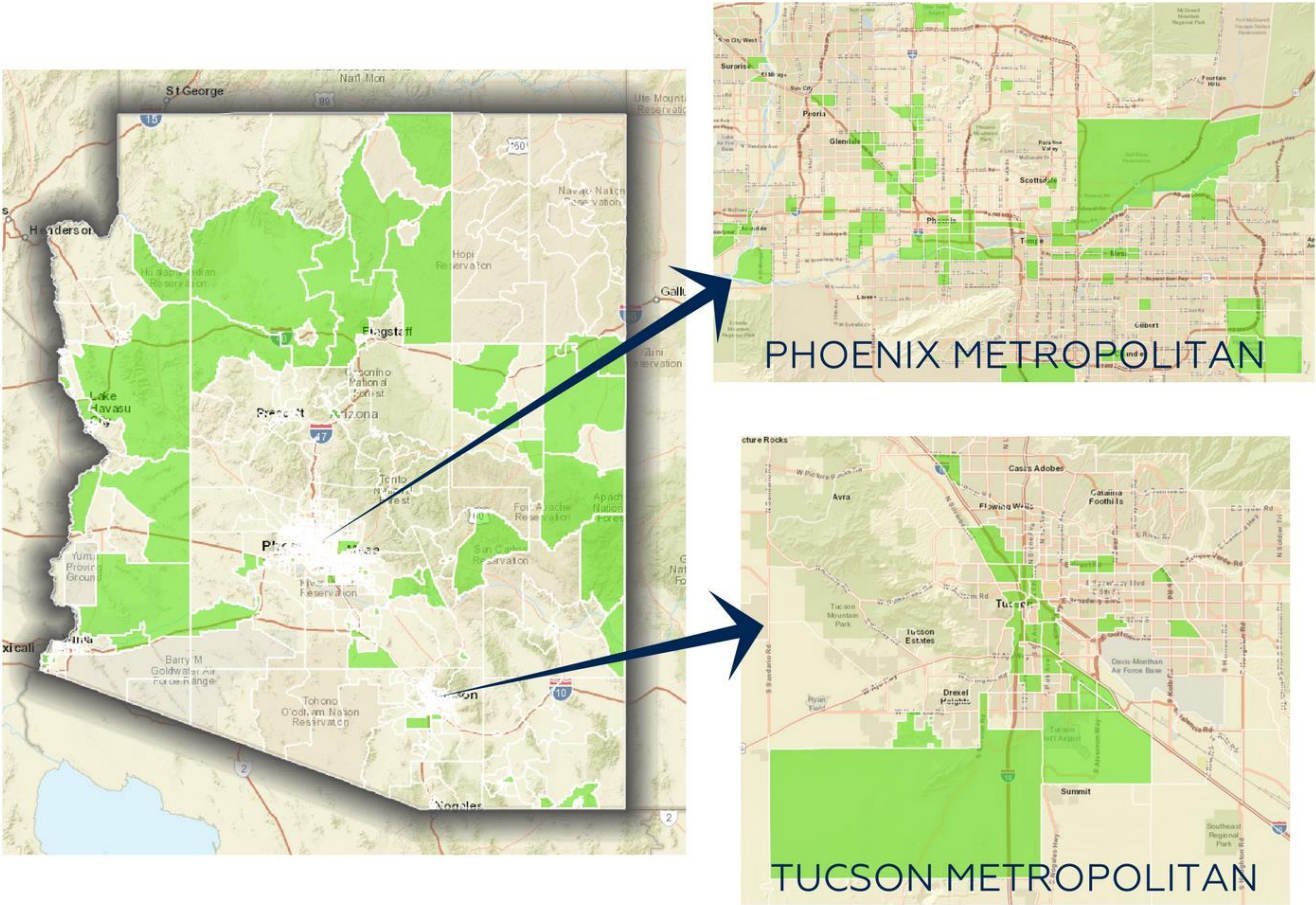
168

CENSUS TRACTS
NOMINATED & APPROVED

REMARKABLE DEVELOPMENT OPPORTUNITIES ACROSS ARIZONA

**CRITERIA BASED ON THE 2011-2015 AMERICAN COMMUNITY SURVEY DATA*

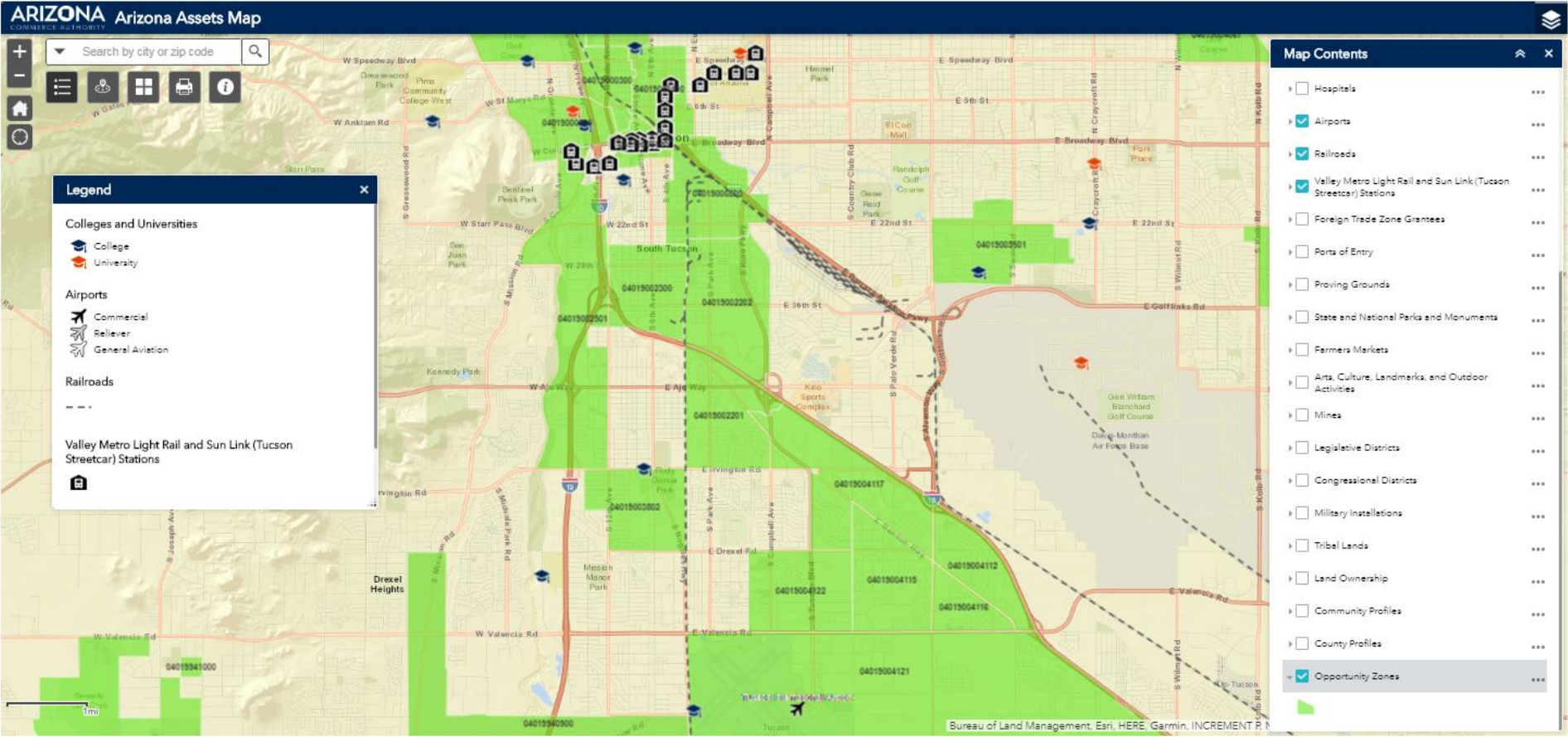
ARIZONA'S OPPORTUNITY ZONES



[View Arizona's Opportunity Zones.](#)



ARIZONA ASSETS MAP



[View the Arizona Assets Map.](#)



WHERE WE GO FROM HERE



CONTINUED SUPPORT



TREASURY
GUIDANCE



SUPPORT &
ASSISTANCE



DATA
COLLECTION

TREASURY GUIDANCE



On Oct. 19, the U.S. Department of the Treasury issued proposed regulations and a revenue ruling for opportunity funds, including:

- Clarifying that only capital gains would qualify for tax benefits if invested in opportunity funds.
- Noting that taxpayers should use Form 8949 to let IRS know they plan to defer tax payment on capital gains invested in opportunity funds.

TREASURY GUIDANCE, CONTINUED



- Releasing draft Form 8996 to set up opportunity funds and submit annual reporting
- Establishing a “working capital safe harbor” (exempt from the requirement that 90 percent of a fund’s capital be deployed within 6 months) for capital that’ll be used in 31 months. Funds need:
 - A written plan for developing the property
 - A written development schedule
 - Adherence to the plan and schedule

TREASURY GUIDANCE, CONTINUED



- Defining what it means for an opportunity zone business to have “substantially all” its tangible property in an opportunity zone as 70 percent
- Clarifying that the requirement that an opportunity fund spend more on improving a property than it spent acquiring it applies only to the cost of the buildings on the property, not the land—so only the value of the buildings has to be accounted for in planning rehabilitation

TREASURY GUIDANCE, CONTINUED



- Specifying that to determine the value of an asset (for purposes of the 90 percent rule), an opportunity fund should use the value on its financial statement; if it does not have a financial statement, it should use the cost to the fund to acquire the asset.

Treasury is taking comments on the proposed regulations and will conduct a hearing in January.

TREASURY GUIDANCE SUMMARY



Altogether, the guidance should:

- Provide investors and fund sponsors with the paperwork and details they need to get going
- Make multi-year projects feasible
- Make rehabilitation projects more desirable
- Make investing in businesses that are largely, but not wholly, in opportunity zones feasible

FUTURE TREASURY GUIDANCE



Topics that future guidance will need to address:

- The meaning of “substantially all” in several places
- “Transactions that may trigger the inclusion of gain that has been deferred”
- The “reasonable period” to reinvest proceeds from a sale without penalty
- Administrative rules regarding what happens when a fund fails the 90 percent assets test
- Reporting requirements



TREASURY GUIDANCE WEBINAR

The Arizona Commerce Authority will host a 90-minute webinar to discuss the new Treasury guidance and what it means for Arizona.

2 to 3:30 p.m.

Tuesday, Oct. 30

For more information, visit:

WWW.AZCOMMERCE.COM/ARIZONA-OPPORTUNITY-ZONES

SUPPORT & ASSISTANCE



ACA will support efforts to develop opportunity funds and opportunity zone projects with our partners across the state.

ACA also will continue to build expertise on opportunity zones and funds to better assist our state's businesses, land owners, developers, investors, philanthropists and communities.

DATA COLLECTION



ACA will collect data about projects and funds, analyze it and share it so we all benefit from a fuller understanding of how opportunity zones and funds are working in Arizona.

We will need your help to make this work. We look forward to collaborating with you as we make Arizona a leader in maximizing the impact of opportunity zones and funds.

WE'RE HERE TO HELP!



ADDITIONAL QUESTIONS?

Shawn Neidorf, Ph.D
Senior Vice President, Research
ShawnN@AZcommerce.com

VISIT:
AZCOMMERCE.COM/ARIZONA-OPPORTUNITY-ZONES



THANK YOU



CALIBER & SCOTTSDALE

ECONOMIC DEVELOPMENT ADVISORY BOARD

DISCLAIMER

This presentation includes statements concerning the Company's expectations, beliefs, plans, objectives, goals, strategies, assumptions of future events, future financial performance, or growth and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, readers and the audience can identify these forward-looking statements through the use of words or phrases such as "estimate," "expect," "anticipate," "intend," "plan," "project," "believe," "forecast," "should," "could," and other similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results or outcomes to differ materially from those included in the forward-looking statements. The Company's expectations, beliefs, and projections are expressed in good faith and are believed by the Company to have a reasonable basis, but there can be no assurance that management's expectations, beliefs, or projections will result or be achieved or accomplished. Factors that may cause actual results to differ materially from those included in the forward-looking statements include, but are not limited to, factors affecting the Company's ability to successfully operate and manage its business, including, among others, title disputes, weather conditions, shortages, delays, or unavailability of equipment and services required in real estate development, property management, brokerage and investment and fund operations, the need to obtain governmental approvals and permits, and compliance with environmental laws and regulations; changes in costs of operations; loss of markets; volatility of real estate prices; imprecision of property valuations; environmental risks; fluctuations in weather patterns; competition; inability to access sufficient capital from internal and external sources; general economic conditions; litigation; changes in regulation and legislation; economic disruptions or uninsured losses resulting from major accidents, fires, severe weather, natural disasters, terrorist activities,

acts of war, cyber attacks, or pest infestation; increasing costs of insurance, changes in coverage and the ability to obtain insurance; and other presently unknown or unforeseen factors. Other risk factors are detailed from time to time in the Company's reports filed with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update the information contained in any forward-looking statements to reflect developments or circumstances occurring after the statement is made or to reflect the occurrence of unanticipated events.

In addition to financial measures calculated in accordance with generally accepted accounting principles ("GAAP"), this presentation contains certain non-GAAP financial measures. The Company believes that such non-GAAP financial measures are useful because they provide an alternative method for assessing the Company's operating results in a manner that is focused on the performance of the Company's ongoing operations, for measuring the Company's cash flow and liquidity, and for comparing the Company's financial performance to other companies. The Company's management uses these non-GAAP financial measures for the same purpose, and for planning and forecasting purposes. The presentation of non-GAAP financial measures is not meant to be a substitute for financial measures prepared in accordance with GAAP.

This is not an offering of securities. Any such offer must be accompanied by an Offering document. Readers are urged to consider closely the disclosures in our Offering documents.



WHO WE ARE

An award winning real estate private equity investment firm.

Purpose built to serve the needs of individual, accredited investors and their wealth managers.

WHAT WE DO

We develop your wealth by unlocking access to real returns through real assets.

We are the experts, we handle all the details, and we capture value.

WHAT WE BELIEVE

Do the right thing; for the assets, for the investors, and for our people.

We build the greater good by building the wealth of good people.

\$225M
CAPITAL
INVESTED

\$2.5B
INVESTOR NET
WORTH

\$375M
ASSETS UNDER
MANAGEMENT

Reinventing
the way you
build wealth.



/DIVISIONS OF CALIBER

Maintaining Full Control of the Investment Cycle

01 WEALTH DEVELOPMENT

World-class team, access and all the resources you'll need to succeed with your investments

02 CONSTRUCTION & DEVELOPMENT

Maintaining oversight & control over all our projects

03 ACCOUNTING AND FINANCE

Great investments, great reporting.



04 ASSET ACQUISITION

Buy low, sell high.

05 ASSET MANAGEMENT

For clients and Caliber.

06 CALIBER REALTY

Brokerage and Leasing

/ AWARD WINNING

SOME OF OUR RECENT RECOGNITION



5X CONSECUTIVE
RECIPIENT



FINALIST



ERNST & YOUNG
ENTREPRENEUR
OF THE YEAR®

FINALIST



3X CONSECUTIVE
RECIPIENT



THINK REALTY
HONORS

INVESTOR OF
THE YEAR



DIFFERENT FUNDS FOR DIFFERENT PURPOSES

Carefully crafted
to fit the needs of
every investor.



CALIBER DIVERSIFIED OPPORTUNITY FUND II, LP

Invest in a diverse portfolio of commercial, multi-family, self-storage, & hospitality assets.



CALIBER RESIDENTIAL ADVANTAGE FUND, LP

Perpetual fund consisting of residential income-producing properties.



CALIBER FIXED INCOME FUND III, LP

Lend privately, secured with trust deeds and preferred equity.



CALIBER TAX ADVANTAGED OPPORTUNITY ZONE FUND II, LP

Receive tax incentives for investments in designated "Opportunity Zones"

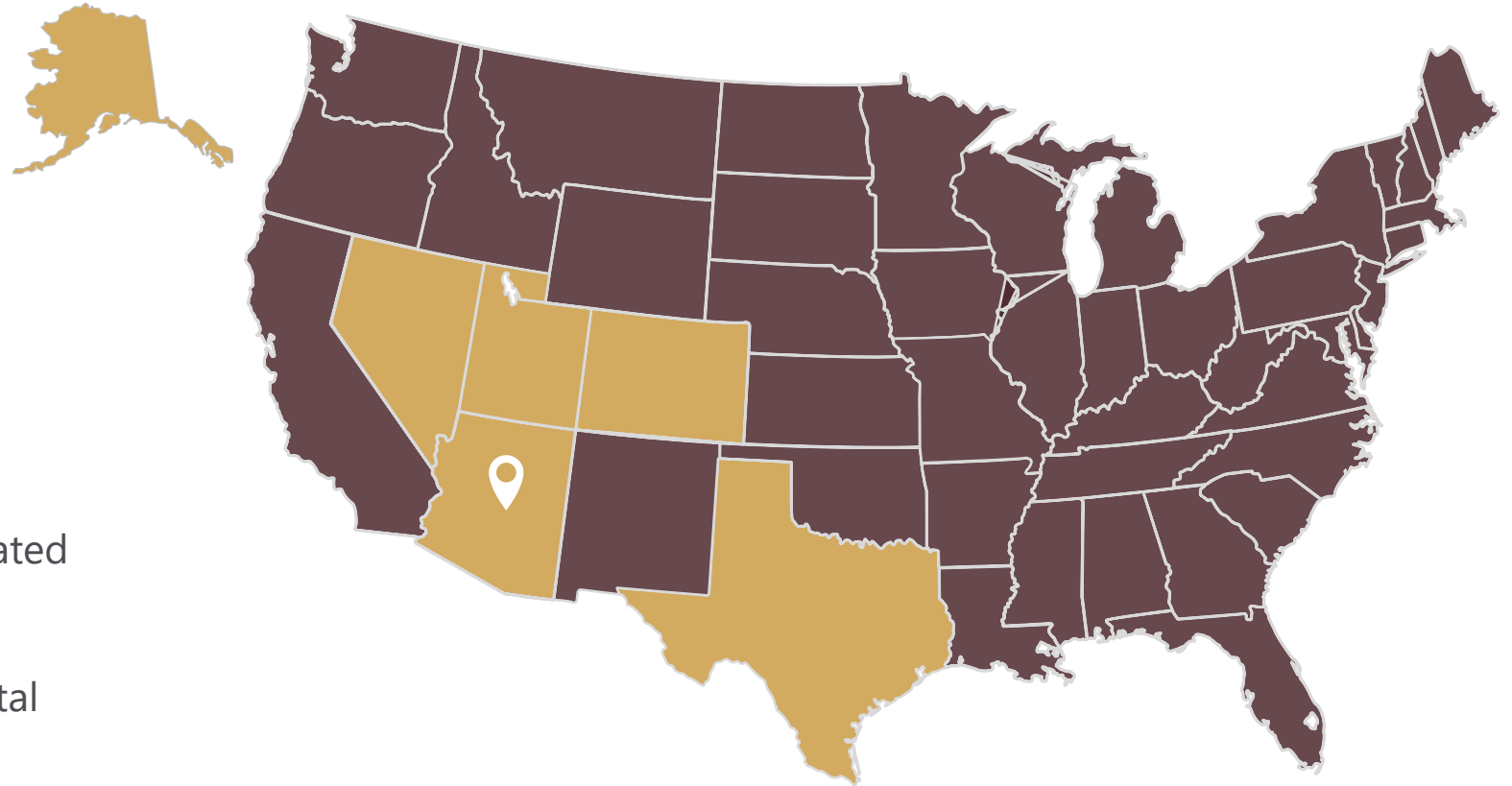
CALIBERS TARGETED

INVESTMENT MARKETS

Growing cities and states with favorable long-term trends

STRATEGY:

- Population growth and *income improvement*
- Greater Southwest States – Arizona, Colorado, Texas, Nevada & Utah
- Business and ***investment friendly*** state and **local governments**
- Avoid ***direct competition*** in over-regulated and saturated markets
- Avoid **foreign capital** coming into coastal markets with *0% return requirements*



OUR WORLD NOW – TAXES!

I WANT YOU
TO PAY TAXES



Target: The 55%

**“TOP 20% OF AMERICANS WILL
PAY 87% OF INCOME TAX.”**

-Tax Policy Center

YOUR WORLD NOW.

"Maricopa County cuts spending, but property tax bills will still rise..."

"Sales taxes in Arizona have mostly stabilized, though at high rates."

ARIZONA STATE TAX QUICK FACTS

INCOME TAX:
2.59% to 4.54%

SALES TAX:
5.6% to 11.2%

PROPERTY TAX:
.87% - 1.5% average
effective rate

GAS TAX:
\$0.19 per gallon of
regular gasoline

If everything goes right, a big slice of the estimated \$6.1 trillion of paper profits on American balance sheets could go to revitalizing depressed communities.

THE WALL STREET JOURNAL.

U.S. Edition • July 16, 2018 | Today's Paper | Video

Home World **U.S.** Politics Economy Business Tech Markets Opinion Life & Arts Real Estate WSJ Magazine

U.S.

New Hotel or Affordable Housing? Race Is On to Define 'Opportunity Zones'

Early projects likely to shape direction of program that gives tax breaks in low-income neighborhoods

An Unlikely Group Of Billionaires And Politicians Has Created The Most Unbelievable Tax Break Ever



Steven Berton | Forbes Staff
Forbes Digital Covers



COMMERCIAL REAL ESTATE

Caliber launches tax reduction opportunity fund

It will be one of Arizona's first funds to invest in opportunity zones



WHAT IS IT?

An investment vehicle created for investors to **take advantage** of the *recent tax code changes*.

The changes allow for a **reduction in capital gains tax** through investments in qualified **"Opportunity Zones"**.

BENEFITS

1. Ability to **defer** federal taxes on recent capital gains until **December 31, 2026**
2. Additional **step-up in basis** for long term investors which can **reduce tax payment** by as much as **15%**
3. Investments held **for ten (or more)** years may pay as little as **zero taxes** on profits.

\$500M
EQUITY
OFFERING

\$250K
MINIMUM
INVESTMENT

13%+
TARGET IRR

CALIBER TAX ADVANTAGED OPPORTUNITY ZONE FUND, LP.

- 01. Tax Deferral** – You get to earn an investment return on the tax you would have paid the government.
- 02. Tax Reduction** – If you stay invested for 7 years, the original tax you needed to pay is reduced by 15%
- 03. ROTH-Style Gains** – The capital gains you earn on your entire investment are eliminated once you have invested for 10 years, forever!

How is this
Tax Advantaged?

EXAMPLE – OZONE VS. STANDARD INVESTMENT



Opportunity Zone vs. Standard - 11 Year Hold

	Tax Loss Benefits	Exit Tax	Net Benefit	Internal Rate of Return	NPV of Net Benefit @ 6%
Opportunity Zone	\$ 2,581,465	\$ -	\$ 38,438,135	20.71%	\$ 17,763,864
Standard	2,581,465	(13,127,861)	24,788,274	13.28%	7,501,070
Increment	\$ -	\$ 13,127,861	\$ 13,649,861	7.43%	\$ 10,262,795

Investment/Exchange	January 1, 2019
Gain Deferral	\$ 10,000,000 (Relinquished property has a value of \$10 million and a basis of zero)
Combined Tax Rate	34.80%
Deferral Benefit	\$ 3,480,000
Discount Rate	6.00%
Opportunity Zone Exemption	15.00%
Federal Tax on Ordinary Income	37.00%
Depreciation Recapture Tax	28.80%
Capital Gain Tax	23.80%
State Tax Rate	6.00%

EXAMPLE – OZONE VS. 1031 EXCHANGE



Opportunity Zone v. §1031 Exchange - 11 Year Hold

	Tax Loss Benefits		Exit Tax		Net Benefit	Internal Rate of Return	NPV of Net Benefit @ 6%
Opportunity Zone	\$	2,581,465	\$	-	\$ 38,438,135	20.71%	\$ 17,763,864
§1031 Exchange		1,510,944		(15,741,486)	24,584,128	16.91%	10,587,326
Increment	\$	1,070,521	\$	15,741,486	\$ 13,854,007	3.80%	\$ 7,176,538

Investment/Exchange	January 1, 2019
Gain Deferral	\$ 10,000,000 (Relinquished property has a value of \$10 million and a basis of zero)
Combined Tax Rate	34.80%
Deferral Benefit	\$ 3,480,000
Discount Rate	6.00%
Opportunity Zone Exemption	15.00%
Federal Tax on Ordinary Income	37.00%
Depreciation Recapture Tax	28.80%
Capital Gain Tax	23.80%
State Tax Rate	6.00%

SO WHAT IS THE CATCH?

1. **You have to *raise* the money quickly:** First 2.5 Years gain the most!
2. **You have to deploy the money *quickly*:** 90% Rule
3. **You have to substantially improve the property:** 100% of purchase price reno/development
4. **You have to do the deals that work in the zones:** Flexibility > Fixed Strategy
5. **Your manager could blow up your tax favored status:** Small funds carry big risk
6. **You have to be strategic:** 8 year mark, Leverage, Moving with the Market



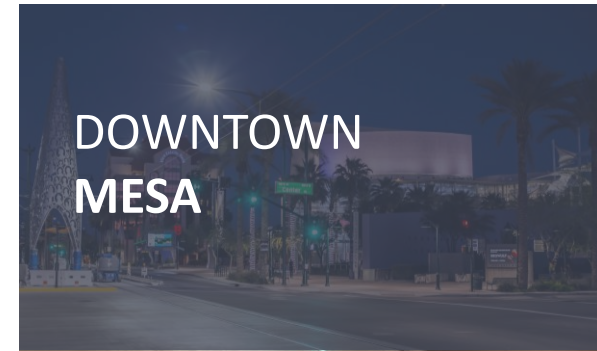
**GC SQUARE
APARTMENTS**



**PHOENIX AIRPORT
HOTELS**



**4RENT WEEKLY
APARTMENTS**



**DOWNTOWN
MESA**

CALIBER OPPORTUNITY ZONE EXPERIENCE

GC SQUARE STUDENT HOUSING APARTMENTS RENOVATION HIGHLIGHTS: EXTERIOR



Before



After



**OFF CAMPUS LIVING
REIMAGINED**

CASE STUDY:

CROWNE PLAZA HOTEL

- **\$5,500,000 Private Equity Fund**
- **Purchased November of 2012**
- **Full renovation complete Q1 2014 - \$9M**
- **Top 20 in hotel quality scores out of 212 Crowne Plazas worldwide!**
- **Purchase Price: \$5,500,000**
- **Appraisal after reno: \$22,000,000**
- **Current Estimated Value: \$28,000,000**
- **Estimated 2015 NOI: \$2,250,000**



How Does this Benefit all Caliber investors?

1. **Tag Along Investing** – Caliber Funds
2. **Reg A+ IPO** – Growing Caliber's valuation
3. **“Long Money”** – The intangible benefits of a long-term view

What did we learn?

- A. Taxes are high and they *will be getting higher*.
- B. This current opportunity to defer Capital Gains Taxes through an Opportunity Zone Fund is a *once in a lifetime* opportunity.
- C. You can “self-certify” and become your own Opportunity Zone Fund. *But can you do the testing and filings?*
- D. This is *an investment in your future*... and not all real estate investment firms have the **experience** of Caliber in “*Ozone Assets*”.



Opportunities come *infrequently*. When it rains gold, put out the **bucket**, not the *thimble*.

WARREN BUFFET

Questions & Answers

WWW.CALIBERCO.COM

Take advantage of
one of the *best*
capital gains **tax**
reduction programs
of a generation.

WWW.CALIBERCO.COM

8901 E Mountain View Road #150
Scottsdale, AZ 85258

480.295.7600

Invest@CaliberCo.com