Multi-Capital Channel
Opportunity Zone Investment Structuring

Sponsor QOF and Investor QOF Strategies

Presentation to OZ Pitch Day
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Sponsor QOF vs. Investor (Captive/Self-Directed) QOF

Key investor considerations in single-asset syndications

Sponsor QOF

- ✓ Simple setup — invest capital gains as equity
- ✓ No responsibility to file QOF tax return — receive annual K-1 only
- ✗ No control over timing, exit, or QOF lifespan
- ✗ Cannot reinvest distributions, refi proceeds, or exit dollars
- ✗ No diversification or additional investments via QOF

Investor Personal QOF

- ✓ Total control over captive/self-directed QOF
- ✓ Optionality to invest in many QOZBs across projects & geographies
- ✓ Leverage: up to 9:1 debt-to-equity to amplify tax-free upside
- ✓ Reinvest distributions, refi proceeds & 10-year exit dollars
- ✓ Up to 30-year tax-free investment — "Roth IRA on Steroids"
- ✓ No required asset holding period after 10-year QOF investment
- ✗ Setup, compliance, and annual tax filing efforts and costs

Bottom Line: *The Sponsor QOF is a "set it and forget it" solution — simple, but it surrenders control and gives up significant optionality: leveraging capital gains equity with debt, reinvesting proceeds, and compounding tax-free wealth over 30 years.*

OZ 1.0 vs. OZ 2.0: Key Differences

Feature	OZ 1.0 (QOF investment in 2026 or before)	OZ 2.0 (QOF investment starting 2027)
Tax deferral on invested gains	None (no deferral beyond December 31, 2026)	Up to 5 years from date of QOF investment
Reduction in taxable gains	None	10% reduction (or 30% for rural QOF investment)
Condition for reduction	N/A	Compliantly hold QOF through 5-year deferral period
10-year hold: tax on upside	No tax on appreciation or depreciation recapture	No tax on appreciation or deprecation recapture
Captive QOF leverage available	Yes — up to 9:1 debt-to-equity	Yes — up to 9:1 debt-to-equity
180-day investment window	Period 1, 2, or 3 (see next slide)	Period 1, 2, or 3 (see next slide)

⚠ *Key Insight: Capital gains invested in a QOF in 2026 receive no deferral and no reduction benefit. However, the 10-year tax-free upside remains available under both OZ 1.0 and OZ 2.0. There are methods for taxpayers to structure investments to capture OZ 2.0 benefits starting in 2027 (see further slides).*

180-Day Investment Periods for QOF Contributions

Period 1

180 Days from Capital Gain Event

Available to all taxpayers. Starts from the date the capital gain is realized.

Note: Starts and includes the date of the capital gains event – applies to direct sales.

Period 2

180 Days from December 31

Available for gains reported via Schedule K-1 from a calendar year-end flow-thru entity, IRC 1231 gains and installment sale gains.

Note: Starts and includes December 31 of the gain year.

Period 3

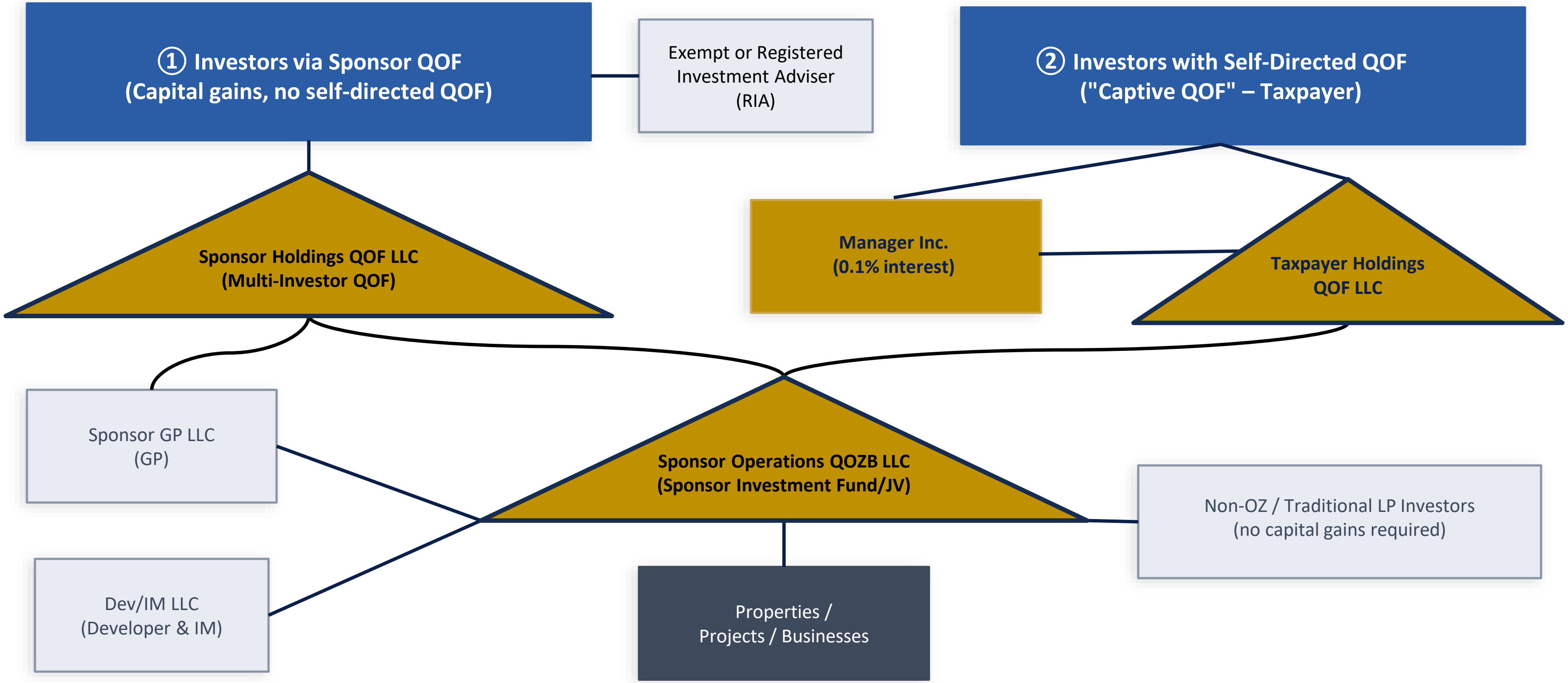
180 Days from March 15

Available only for gains reported via Schedule K-1 from a year-end fiscal entity.

Note: Starts and includes March 15 of the following year.

Critical Rule: A taxpayer may invest a single capital gain in only ONE of these three periods. You cannot split a single gain across multiple periods. However, the entity and equity owners can make separate elections and effectively split the gain. Each capital gain event has a separate period election so multiple capital gains events can each be invested in any one of those applicable periods.

Multi-Capital Channel Structure Overview



① The Sponsor QOF Channel

Sponsor Holdings QOF LP (Multi-Investor QOF)

Simple contribution-based economics. Admin costs (e.g. tax compliance) to investor/taxpayer reduced but gross distributions passed up from the QOZB. For investors who have capital gains but no self-directed QOF.

QOZB — The Economic Core

All investment terms live here: LP preferred return, GP promote, development fees, asset management fees, property management fees, etc. The QOZB owns the business/land and is the borrower for the business. Bears the costs of the Sponsor QOF.

Sponsor GP LLC

GP of both the Sponsor QOF and the QOZB. Serves as administrator of the Sponsor QOF without charge. All investment in the Sponsor QOF is passed through without deduction to the Sponsor QOZB and the latter bears all of the expenses of the former.

C Corporation Option

The QOZB can be structured as — or later convert to — a C Corporation, allowing investors to access the §1202 qualified small business stock tax benefits. This can be used for operating companies but NEVER for real estate projects.

Sponsor Dev/IM LLC (Developer & Investment Manager)

Developer and investment manager of the QOZB. The developer may solely own Dev/IM; the landowner and developer may jointly own the GP.

Non-OZ / Traditional LP Investors

Investors without capital gains can participate as LPs. Landowners may contribute land as a non-OZ investor per the OZ Regulations. Employees may join via incentive arrangements.

Sponsor Exempt or Registered Investment Adviser

Real estate funds are generally not covered by the Investment Adviser Act of 1940, but the Sponsor QOF invests in securities, not real estate. While there is an argument that a Sponsor QOF in these circumstances should not be regulated by the Act, a fastidious Sponsor may not want to take the risk.

② The Captive / Self-Directed QOF Channel

Taxpayer Holdings QOF LLC (Captive QOF)

The taxpayer's captive/self-directed vehicle. Qualified capital gains are contributed here to access OZ benefits and it is fully controlled by the taxpayer. This device is also used by real estate private equity firms that have their own QOFs.

Taxpayer Investment Manager Inc. (Manager)

Invests for a small amount 0.1%/0,01% interest and manages the QOF. This is the mechanism that makes it taxed as a partnership as required by the OZ Rules Together with the QOF LLC, these two entities form the taxpayer's captive/self-directed OZ vehicle.

Who Uses Channel ②?

Individual taxpayers managing their own QOFs, investors in sponsor QOZB funds, and real estate private equity joint venturers in real estate QOZBs wherever a taxpayer wants full control of its QOF.

Co-Investing in the QOZB

Both channels invest into the same QOZB as LPs on identical economic terms — allowing the Captive QOF to co-invest alongside the Sponsor's multi-investor QOF in the same project.

Flexibility & Scope

The captive/self-directed QOF can invest in multiple QOZBs, not just the instant project, including its own QOZBs and can supplement capital gains QOF equity with loans. For sponsors, additional projects can be held as 100% owned subsidiary QOZBs within the same structure.

Reinvestment & Long-Term Horizon

Income distributions, cash-out refinance proceeds, and 10-year exit dollars can be retained inside the Captive QOF and redeployed into new OZ investments for up to 30 years. This is not possible for a taxpayer that invests in a sponsor QOF.

Bridging to Later QOF Capital Gains Investment

Step 1

In 2026, investor contributes 10% equity into Captive/Self-Directed QOF (OZ 1.0 or no OZ benefit). Loans remaining 90% to QOF.

Step 2

Later, taxpayer may pay the loan with OZ 2.0 eligible capital gains (or retain the loan) and generates additional capital gains through any controlled entity that can achieve OZ 2.0 treatment.

Step 3

The loan is paid with OZ 2.0 capital gains and the entity purchases the other 10% Captive/Self-Directed QOF interest (which was subject to OZ 1.0 or had no OZ benefit).

Result

Either way 100% of the QOF equity investment is now eligible for OZ 2.0 treatment, the 10% interest and the 90% that is either a loan or OZ 2.0 capital gains.

Key Takeaways

1. The QOZB sits at the center — investment terms (preferred returns, promote, fees) are structured at the QOZB level, not the QOF level.
2. Sponsor QOF is simple but gives up control, leverage, and compounding flexibility.
3. Captive/Self-Directed QOF is more powerful: leverage, reinvestment, 30-year horizon — the "Roth IRA on Steroids."
4. OZ 2.0 (QOF investment in and after 2027) adds 5-year gain deferral and a 10-30% reduction — significant benefits over OZ 1.0.
5. Multiple strategies exist to access OZ 2.0 benefits even when a QOZB must be funded in 2026.
6. Always consult qualified tax counsel before structuring or investing.

Ready to Structure Your OZ Investment, Business or Fund?

- Captive QOF setup & compliance
- Sponsor QOF investment structuring
- OZ 2.0 transition strategy planning
- Multi-capital channel QOZB design

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Need Expert Accounting, Tax and OZ Compliance?

- Tax compliant OZ enterprise planning and tax structuring
- Integrated annual tax filings
- OZ 2.0 transition strategy planning
- OZ IRS Form 8996 and 8997 expertise

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Looking for unique OZ real estate project investments?

- Flexible multi-capital channel investment options
- Accelerated pass-through losses in first year
- Entitlement advantaged adaptive reuse strategies
- Reliable pipeline of project investments

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