Arctaris Opportunity Zone Fund

ARCTARIS
IMPACT INVESTORS

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About Arctaris Impact Investors

Leaders in Economic Development

Arctaris has launched 5 investment funds during the last 10 years with a focus on high-quality opportunities in low-income communities throughout the U.S.

Arctaris launched in Boston

Government and philanthropic relationships established

Income (Fund II)
Launched Arctaris Income Fund featuring innovative revenue-linked security

Impact (Fund IV)
Launched Arctaris Impact Fund with new Public-Private Partnerships nationwide

2009 · 2010 · 2011 · 2012 · 2013 · 2014 · 2015 · 2016 · 2017 · 2018 · 2019

Royalty Ventures (Fund I)
Launched Arctaris Royalty Ventures Fund with focus on underserved regions

Michigan (Fund III)
Launched Arctaris Michigan, a Public-Private Partnership with U.S. Treasury and the State of Michigan

OZ (Fund V)
Strong pipeline of OZ deals leads to launch of Arctaris Opportunity Zone Fund

Arctaris Strengths

History

- Founded in 2009, based in Boston, 4 predecessor funds
- Focuses on economic development via investment in growth-oriented businesses in underserved areas
- Partners with U.S. Treasury and the State of Michigan (Fund III)

Experience

- Launched Arctaris Impact Fund (Fund IV) in 2018, targeting $500M in loan originations
- Focuses on inner cities and select rural areas
- Partners with multiple states, cities and foundation partners
- Principal protection through foundation/government first loss position

Opportunity Zone Focused

- Current portfolio focuses on Opportunity Zones (OZs) and CRA-qualified areas
- Expansive network of government and philanthropic relationships
- Robust pipeline of attractive OZ deals underserved by institutional capital

Core Investment Team

Jonathan Tower
Founder and Managing Partner

- Co-founder of Arctaris and managed 4 predecessor Arctaris funds
- Fidelity Ventures; IBM Venture Capital
- Opportunity Zones: Serve on EIG Federal Policy Working Group
- MBA Harvard Business School
- BA Georgetown University

Benjamin Bornstein
Managing Director

- Prospero Capital Management, President; Omega Advisors, partner with Leon Cooperman; Orbis Investment (London/Bermuda)
- MBA Harvard Business School (Baker Scholar)
- JD Harvard Law School
- AB Princeton University

Uche Osuji
Managing Director

- Bear Stearns; The Royal Bank of Scotland; Towerview Partners; Sumitomo Mitsui Banking Corp
- Opportunity Zones: Serve on EIG Federal Policy Working Group
- Operations Manager at Procter & Gamble
- MBA/BSE Duke University

James Robinson
Managing Director

- CEO of Munder Capital with $40B of fixed-income
- Founder, CEO & CIO of Robinson Capital; CEO of Telemus
- MBA Carnegie Mellon University

Core Investment Team (cont'd)

Anita Graham
Maryland Market Manager

- Partner, Opportunity Capital Partners
- President, Renaissance Capital Corp
- Pacific Community Ventures – Board member
- Executive MBA, Golden Gate University
- BA Cornell University

Jason Sanders
Michigan Market Manager

- Fifth Third Bank Market President; LaSalle Bank President; Citizens Bank VP; Lansing Economic Area Partnership
- 20+ years of commercial banking leadership
- Alma College

Patrick Mullen
Vice President

- Former Executive Director of Sorenson Impact Foundation; Appointed by Utah Governor's office as Chair of Opportunity Zone Marketplace; University Venture Fund; Goldman Sachs
- BS Westminster College

Neil Katz
Vice President

- PricewaterhouseCoopers; Deloitte & Touche
- MS/BBA Eastern Michigan University

Derek DeAndrade
Senior Associate

- BrightSphere Investment Group; State Street Corporation; CAN Capital
- CFA Charterholder
- MBA MIT Sloan (Ford Fellowship)
- BS Elon University

Board of Advisors

Steve Glickman

- Co-author of Opportunity Zone legislation
- Co-founder of Economic Innovation Group and Develop, LLC
- Senior Economic Advisor to the Obama Administration
- JD Columbia University, LLM LSE
- BA/MA Georgetown University

Michael Nutter

- Former Mayor of Philadelphia
- Chairman of the Council of Mayors at RIDGE-LANE LP
- Former President of the United States Conference of Mayors
- Professor at Columbia University's School of Int'l and Public Affairs
- Senior Advisor at What Works Cities, a program of Bloomberg Philanthropies; Advisory Board Member of Urban Labs at University of Chicago; Senior Fellow at Brookings Institution

Steve Grossman

- Former State Treasurer, Commonwealth of Massachusetts
- CEO of Initiative for a Competitive Inner City (www.icic.org)
- Grossman Marketing CEO
- MBA Harvard Business School
- AB Princeton

Kevin Prokop

- Managing Partner, Rockbridge Growth Equity
- Questor Management Corp
- MBA University of Chicago
- BA Georgetown

Kerry Duggan

- Partner, Sustainability Practice at RIDGE-LANE LP
- Former Deputy Director for Policy to Vice President Joe Biden
- Former Deputy Director of President Barack Obama's White House Detroit Federal Working Group
- Former U.S. Department of Energy (DOE) Liaison to the City of Detroit
- Co-Founder of the national Smart Cities Lab

Board of Advisors (cont'd)

Jeremy Katz

- Co-Founder segTEL (acq'dby Riverside)
- Co-Founder IRBNet (acq'dby Arsenal)
- Private Investor
- BA Dartmouth College

Paul Brown

- Michigan eLab, Managing Director
- Former VP Capital Markets; Michigan Economic Development Corporation
- Attorney, Skadden Arps
- JD Wayne State University
- MBA/BA University of Michigan

Initiative for a Competitive Inner City (ICIC) Partnership

In 15 inner cities, Arctaris and Initiative for a Competitive Inner City (ICIC) are driving economic development through capital resources and business education for entrepreneurs.

- HBS Professor Michael Porter founded ICIC in 1994 to leverage his seminal "Five Forces" strategy framework to drive economic prosperity in inner cities. Since 2005, 1,659 participants from 45 states and 475 communities have created 15,946 jobs and raised $1.5Bn of capital.
- In 2016, Arctaris and ICIC partnered on a two-year program focused on providing executive business education for CEOs of small businesses in 15 inner cities. Arctaris is working with various city and state governments to expand this program.
- As part of a broader economic development program to drive community revitalization, Arctaris and ICIC will expand their two-year "entrepreneurial boot camp" to 2-3 new cities in 2019.
- ICIC CEO Steve Grossman joined Arctaris as Special Advisor, serving on select program Investment Committees. Grossman is former MA State Treasurer, DNC Chairman and AIPAC President.

ONGOING ECONOMIC DEVELOPMENT

OUT OF 1,659 BUSINESSES	
MINORITY-OWNED	WOMEN-OWNED
65%	41%

We are working to help women and minorities – who face significantly larger obstacles – obtain resources and capital to build businesses that fuel economic growth.

Arctaris Opportunity Zone Fund

Doing Well By Doing Good

Arctaris strives to create the structural alignment between private and public stakeholders while benefitting communities throughout the United States

ABOVE MARKET RETURNS

- Proprietary deal flow stemming from Arctaris' leadership in economic development, plus referrals from banks, community leaders, and government partners
- Team of domain experts across solar, telecom, and private equity verticals
- Capped return agreements for foundation and government partners provide enhanced returns to private capital investors
- Investors are eligible to receive OZ tax incentives: deferred capital gains tax, step-up in original basis
- Above-market returns with principal protection reduces risk

RISK MITIGATION

- Fund level: Guarantees from foundations (i.e. Kresge) and government agencies (i.e. Finance Authority of Maine)
- Investment level: New-market tax credits (NMTCs)/grants, first-loss capital protection
- 10+ year track record of proving public/private partnership model

COMMUNITY BENEFITS

- Impact through the creation and retention of thousands of U.S. jobs
- Revitalization and development of disinvested communities
- Improving infrastructure through investments in public buildings, renewable energy and telecommunication projects

Mechanics and Tax Benefits of Qualified Opportunity Funds

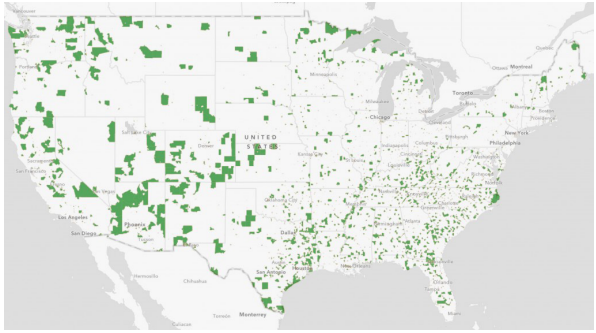
Arctaris and its funds are configured to optimally benefit from federal OZ guidelines

FUND MECHANICS

- Investors can defer/eliminate capital gains tax. The purpose of the law is to spur economic development in distressed communities
- A Qualified Opportunity Fund (QOF) makes investments in designated Qualified Opportunity Zones (QOZs) (almost 9,000 census tracts nationally)
- Within 180 days of recognizing a capital gain, the capital gain amount is required to be invested in a QOF to achieve the tax deferral

FUND TAX BENEFITS

- Investors defer recognition of capital gain until 12/31/2026 or upon disposition of the QOF interest. Therefore, the maximum tax benefits require investment in 2019
- If the QOF is held for 5 years, 10% step-up in basis for deferred gain
- If the QOF is held for 7 years, 15% step-up in basis for deferred gain
- If the QOF is held for 10+ years, capital gains tax on any QOF gains are permanently eliminated (disposition must be prior to 2048)



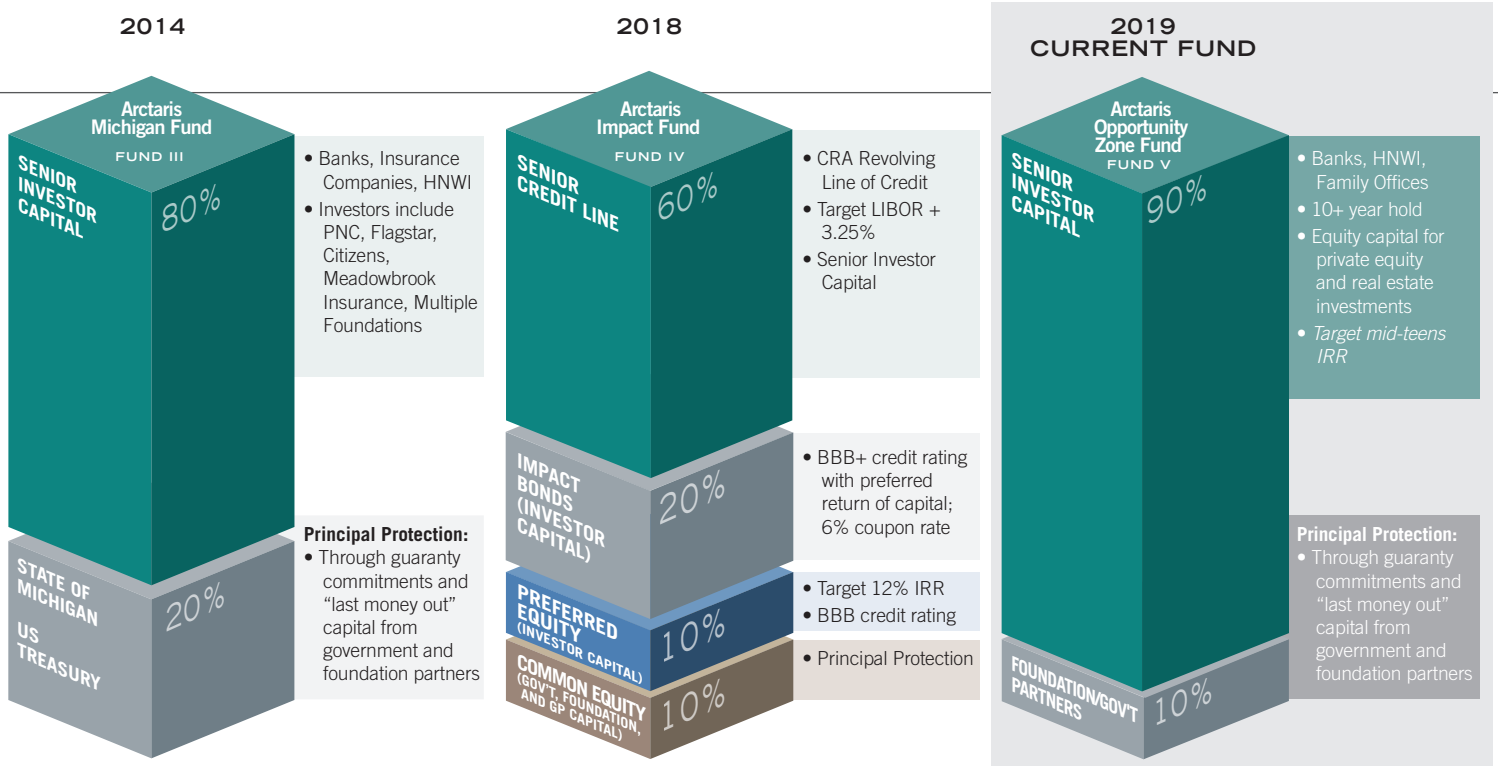
Designated Opportunity Zones

ARCTARIS IMPACT INVESTORS

Principal Protection and Risk Mitigation

Arctaris Michigan and Arctaris Impact (Funds III & IV) utilized insurance/ guarantees, grants, and structural subordination of government/foundation capital to mitigate risk and enhance returns for private investors.

The Arctaris Opportunity Zone Fund replicates this model in an equity structure, creating downside protection while enhancing returns for senior investors by sourcing first-loss capital and guarantees via partnerships with foundations, municipalities, and state governments.



ARCTARIS IMPACT INVESTORS

First-Loss Capital Guaranty from Kresge Foundation and other Foundation/Government Partners

THE KRESGE FOUNDATION

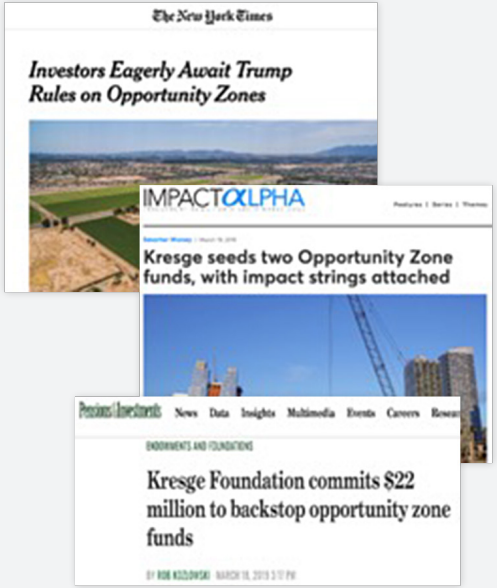
Commitment to Arctaris

In June 2018, Kresge Foundation and Rockefeller Foundation announced a competitive RFP process for an anchor investment in an Opportunity Zone Fund. Concluding a competitive review process of 150+ fund managers, the Arctaris Opportunity Zone Fund was awarded a $15 million principal-protection guaranty commitment.

- Arctaris track record in LMI communities, commitment to transparency, and impact measurement were all significant factors in the selection process
- Extensive press coverage in publications, including the New York Times
- Following Kresge's example, the Finance Authority of Maine (FAME) recently awarded Arctaris a $10 million guaranty program

Arctaris is actively working with other Communities and Foundations to develop similar structures

- Locations include Detroit, Flint, Chicago, New Orleans, Houston, Utah, Baltimore/DC, Ohio, Wisconsin, California, others
- Active discussions with large foundations regarding similar guaranty or first-loss capital commitments
- Other foundations and state governments have proposed similar guarantees to Arctaris to drive investments in their geographic footprints and/or mission interests.



ARCTARIS IMPACT INVESTORS

Creating Jobs and Driving Impact Across Multiple Asset Classes

Arctaris offers favorable risk-reward exposure in a diversified portfolio

QUALIFIED ASSETS

- **Private Equity:** Growth-oriented with an eye toward job creation
  - **Manufacturers:** Growth capital for middle market operating businesses and platform acquisition strategies
  - **Solar Developers:** Companies with long-term offtake agreements
  - **Telecom:** Companies working to expand broadband and 5G wireless
- **Real Estate/Infrastructure:** Broadband fiber, wireless towers, solar farms, academic/municipal buildings, and housing

COMMUNITY IMPACT

- Portfolio investments will create net positive living wage jobs
- Independent advisory board oversees impact and reporting standards with a goal of transparency
- Best practices shared across communities and replicated
- Multifamily housing investments to serve residents with incomes not to exceed 120% AMI
- "Anti-displacement" strategy for all occupied multifamily housing investments
- Investments limited to projects with net positive job creation or other clearly defined community benefit for low-income persons

Arctaris is committed to transparency and community impact beyond the requirements of OZ Legislation

Arctaris manages compliance with the Opportunity Zone regulations, while also measuring impact:

– Job retention and creation
– Community development
– Social mobility via worker training

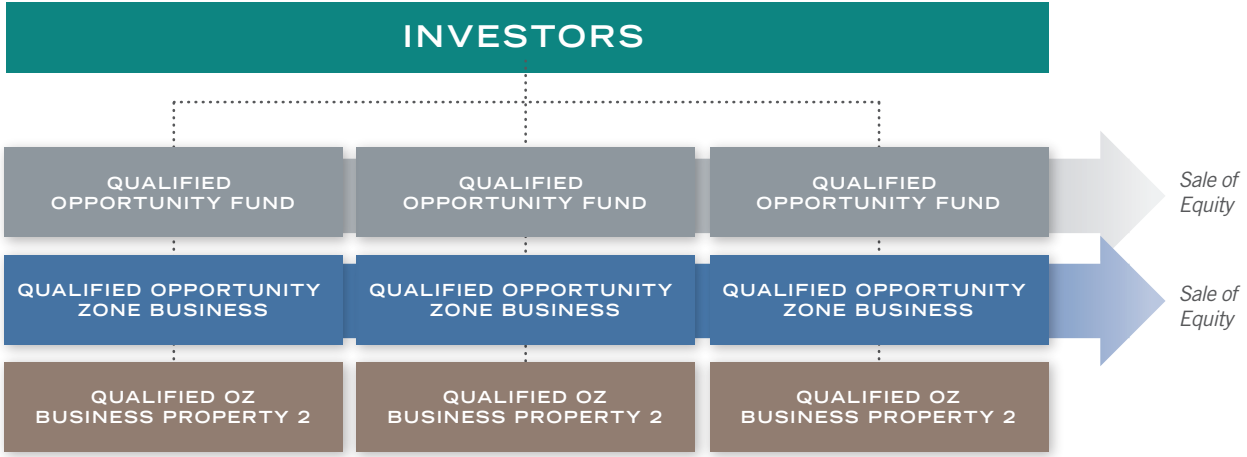
Arctaris Opportunity Zone Fund Structure

Where the sale by the qualified opportunity fund of its assets is subject to depreciation recapture, a parallel investment structure may be used.

The Arctaris Opportunity Zone Fund will be structured so that some investments will be placed in their own independent legal entities.

This structure seeks to:

- Allow investors to receive depreciation tax benefits without depreciation recapture; and
- Provide a straight-forward process for guarantees through foundation and government partners*



*The above structure is representative in nature only and the actual structuring of certain of the Fund's investments may differ from the proposed structure. Investors should not invest in the Fund solely on the basis of the structure described herein and should understand that the Fund may make investments using different vehicles in certain situations.

Return Benefits of OZ Fund

Investment notes

- $25M investment
- Tax deferral until 2026
- 10% step-up in basis in year 5
- 5% step-up in basis in year 7
- New gains are permanently excluded from capital gains after 10 years

$ in 000s

	CAPITAL GAINS CREATED FROM SALE OF ASSETS	TAX ON INITIAL CAPITAL GAINS	INITIAL INVESTMENT	EXIT PROCEEDS (EXAMPLE)	DEFERRED TAX ON CAPITAL GAINS (INITIAL INVESTMENT)	TAX ON CAPITAL GAINS (SUBSEQUENT INVESTMENT)	AFTER-TAX PROCEEDS (EXAMPLE)
SAMPLE ROI **Without** OZ Tax Benefits	$25,000	($6,000)	$19,000	$85,500	$0	($15,960)	$69,540
SAMPLE ROI **With** OZ Tax Benefits	$25,000	$0	$25,000	$112,500	($5,100)	$0	$107,400
					Deferred Tax Paid in 2026 (reflects 15% Basis Step Up)	*All Future Capital Gains Tax Free*	+54% NET PROCEEDS

** Note: Actual results may differ materially from the illustrative example above. Assumes $25M investment and 23.8% capital gains tax rate. Exit assumed with a target ~15% IRR in 2029, taking full advantage of the tax-deferred benefits*

Representative Investments

PE Platform Acquisition of a Middle Market Company

Representative transaction

Opportunity Zone Platform Strategy

Opportunity Zone platform achieved rapid expansion by uniting acquired companies into the OZ via organic growth.

- Purchase platform company for $20M, all-cash financing
- Automatic synergy for platform company to acquire businesses and move them into the OZ
- Under the 31-month "Safe Harbor Rule," invest additional $40M of working capital to fund acquisitions and organic growth

Deal Summary

Date	12/31/19
Type	Equity into operating business
Initial Transaction	$20M
Additional Working Capital	$40M

Deal Capitalization Comparison (in 000s)

	OZ DEAL	NON-OZ DEAL
Initial Capital Gain	$60,000	$60,000
Less: Taxes Paid*	$0	($14,400)
Equity Value	$60,000	$45,600
Exit Amount**	$270,000	$205,200
After-Tax Proceeds	$270,000	$155,952
After-Tax IRR	15.4%	10.0%
After-Tax MOIC	4.3x***	2.6x

*Tax liability deferred, assumes 10 point basis step up in 2024 and 5 point in 2026, with taxes of $12,240 paid on Dec 31, 2026 (23.8% rate). Tax payment included in IRR calculations

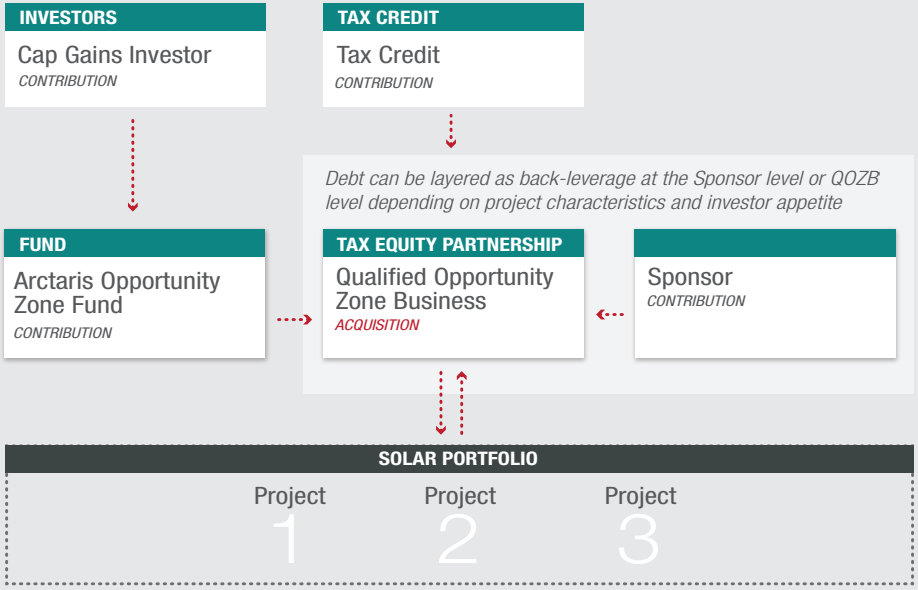
**Assumes 4.5x exit multiple on invested equity

***Reflects tax liability deferral described in footnote 1

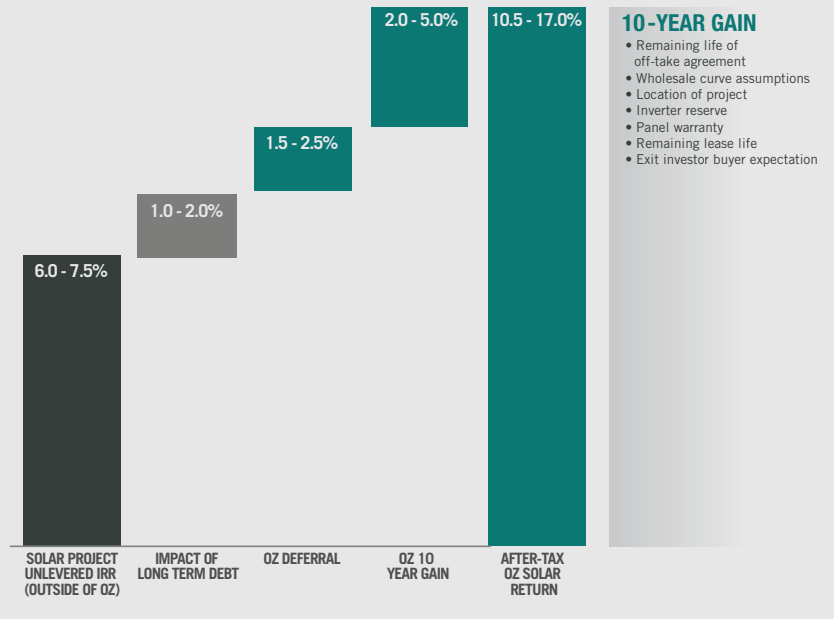
Development of a Solar Farm

Representative transaction

Simple Tax Partnership Flip Structure



Build-up of Expected Investor IRR Illustrating Sources of Incremental Return



Investment in Non-Profit Infrastructure (predetermined exit)

Representative transaction

Opportunity Zone Benefits

- Non-profit partner receives a new $50M asset without borrowing money or investing equity
- Non-profit partner agrees to repurchase the asset after 10 years at **6% annual cost of capital** ($95M repurchase price)
- Fund uses OZ, NMTC and asset depreciation to earn **18.6% annual after-tax return**

Deal Summary

Date	12/31/19
Type	Real Estate/Infrastructure
Initial Transaction	$50M

Summary

- Finance factories, academic buildings, solar farms, power lines, rural broadband or other infrastructure for a non-profit partner (e.g., city, county, college)
- Non-profit partner retains full responsibility for design, project management, and building maintenance
- Arctaris holds option to sell project back to non-profit partner at a predetermined exit after 10th year

Deal Capitalization (in 000s)

Initial Capital Gain	$50,000
+ New Market Tax Credit*	$2,700
+ Post-Construction Cash Out Refi**	$39,500
Cash Out Pre Exit	$42,200
Exit Value	$95,000

**Assumes 27% of the $10M NMTC is added to equity*

***Assumes Arctaris brings in 79% LTV as cash out refinancing*

Investment in Non-Profit Infrastructure (cont'd)

Representative transaction

$ in 000s

ARCTARIS

Leverage Loan	$6,802
Interest Rate	5%
Term	30 years

OZ INVESTORS

Equity	$50,000
Equity Return	$39,500

TAX CREDIT INVESTOR

Tax Credit Equity
$3,198
($0.82/NMTC)

TBD INVESTMENT FUND

Qualified Equity Investment ("QEI")
$1,000

MM OF SUB-CDE

Sponsor Fee
$200

SUB-CDE, LLC

QLICI Loan A	$6,802
Interest Rate	4.134%
Term	30 Years

7-year interest only; 23-year amortization

QLICI Loan B	$2,998
Interest Rate	4.134%
Term	30 Years

7-year interest only; 23-year amortization

QOF

Equity
$50,000

Return of Equity
$39,500

COMMERCIAL LENDER

Loan
$30,000

QALICB / QOZB

Project Costs	$50,000
NMTC Closing Costs	$300
Total Uses	**$50,300**

LESSEE

Leases with QALICB/QOZB

Deal Assumptions

- Building is leased from the Qualified Active Low-Income Community Business ("QALICB") / Qualified Opportunity Zone Business ("QOZB") to a Lessee
- OZ Investors capitalize construction costs
- New Markets Tax Credit ("NMTC") allocation of $10M is awarded
- Commercial debt is obtained at project completion
- Debt proceeds are used to refinance Qualified Opportunity Fund ("QOF") equity which will be used to invest in other QOZBs. To isolate the benefits of this project, a return of equity is shown in the benefits schedule.
- Qualified Low-Income Community Investment ("QLICI") is the holder of the NMTC Put Option
- See additional assumptions on next page

Investment in Non-Profit Infrastructure (cont'd)

Representative transaction

Return Benefits of OZ Structure

Investment Scenario 1

OZ capital invests **$50M**, NMTC allocation of $10M, 80% LTV debt, holder of the put option is the lessee or affiliate and there is no cancellation of indebtedness because of related party, depreciation tax benefit

RETURNS 1	
ROI	ANNUAL AFTER-TAX INTERNAL RATE OF RETURN
649%	18.6%

Investment Scenario 2

OZ capital invests $50M, no NMTC allocation, 80% LTV debt, depreciation tax benefit

RETURNS 2	
ROI	ANNUAL AFTER-TAX INTERNAL RATE OF RETURN
584%	17.4%

Investment Scenario 3 (Non-OZ Fund)

Non-OZ capital invests $50M, 80% LTV debt, no depreciation benefit

RETURNS 3	
ROI	ANNUAL AFTER-TAX INTERNAL RATE OF RETURN
454%	11.6%

Summary Fund Terms

Summary Fund Terms

TARGET SIZE	MINIMUM INVESTMENT	TARGET RETURN
$500-750M	$1M	Mid-teens

INVESTMENT PERIOD	MANAGEMENT FEE	INCENTIVE FEE
10 Years	2%	20%

SERVICE PROVIDERS

Legal
Sidley Austin

Administrator
NES Financial

Tax/Audit
TBD

Disclaimer & Non-Disclosure Statement

This confidential presentation (this "Presentation") is qualified in its entirety by reference to the confidential Private Placement Memorandum of Arctaris Opportunity Zone Fund (the "Fund") (as modified or supplemented from time to time, the "Memorandum"), the limited liability company operating agreement of one or more to-be-formed limited liability companies that will hold the Fund's investments, as may be amended and/or modified from time to time and the subscription agreement related thereto, copies of which will be made available upon request and should be reviewed before purchasing a limited liability company interest in one or more Companies. Statements in this Presentation are made as of the date hereof unless stated otherwise, and neither the delivery of this Presentation at any time nor any sale of the limited liability company interests described herein shall under any circumstances create an implication that the information contained herein is correct as of any time after such date. This Presentation is not intended to be relied upon as the basis for an investment decision, and is not, and should not be assumed to be, complete. The contents herein are not to be construed as legal, business, or tax advice, and each prospective investor should consult its own attorney, business advisor, and tax advisor as to legal, business, and tax advice. In considering any performance information contained herein, prospective investors should bear in mind that past or projected performance is not necessarily indicative of future results, and there can be no assurance that the Fund will achieve comparable results or that target returns, if any, will be met.

Any investment in the Fund is subject to various risks, none of which are outlined herein. A description of certain risks involved with an investment in the Fund can be found in the Memorandum; such risks should be carefully considered by prospective investors before they make any investment decision.

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Except as otherwise provided in a written agreement between the recipient of this Presentation and Arctaris or its affiliates, if the recipient receives a request under any applicable public disclosure law to provide, copy or allow inspection of this Presentation or other information regarding or otherwise relating to Arctaris, the Fund or any of their respective affiliates, the recipient agrees to (i) provide prompt notice of the request to Arctaris, (ii) assert all applicable exemptions available under law and (iii) cooperate with Arctaris and its affiliates to seek to prevent disclosure or to obtain a protective order or other assurance that the information regarding or otherwise relating to Arctaris, the Fund or any of their respective affiliates will be accorded confidential treatment.

Past performance is not necessarily indicative, or a guarantee, of future results. The information in this Presentation about prior investments and investment strategies of Arctaris' investment professionals is provided solely to illustrate such persons' investment experience, and processes and strategies. It does not represent any track record of, or any vehicles managed by, Arctaris, which are in the process of being formed. Such information is not intended to be indicative of the Fund's future results. There can be no assurance that the Fund will achieve comparable results as those presented or that the Fund will be able to implement its investment strategy or achieve its investment objective. Investors in the Fund may lose part or all of their invested capital.

This is a draft for discussion purposes only. Past performance is not necessarily indicative, or a guarantee, of future results.

Risk Factors

Any person subscribing for an investment in the Fund must be able to bear the risks involved and must meet the suitability requirements set forth in the Memorandum. Some or all alternative investment programs may not be suitable for certain investors. No assurance can be given that the investment objectives set forth herein will be achieved. Among the risks we wish to call to the particular attention of prospective investors are the following:

- No guarantee or representation may be made that the Fund will meet its investment objectives, or avoid losses.
- The Fund has no operating history.
- The Fund is dependent on the services of certain key personnel, and, were certain or all of them to become unavailable, the fund may prematurely terminate.
- An investment in the Fund is illiquid. There is no secondary market for a Company's limited liability company interests.
- The Fund's investment manager will receive performance-based compensation. Such compensation may result in riskier investments.
- The Fund is subject to certain conflicts of interest.
- There can be no assurance that the Fund will obtain a guarantee or First Loss Capital or that any guarantors will provide the First Loss Capital as agreed. Investors should not invest in the Fund with the expectation that such guarantee will be obtained and/or provided.

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