
ARCTARIS

IMPACT INVESTORS

Opportunity Zones and Public – Private Partnership

June 2026

BALTIMORE | BOSTON | CHICAGO | DETROIT | LOS ANGELES | NEW YORK | PITTSBURGH | SALT LAKE CITY

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Section I

Introduction to Opportunity Zones

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Opportunity Zones

Originally enacted in 2017, Opportunity Zones are already showing promising early results as an economic development tool

Origin

Originally a bipartisan proposal, Opportunity Zones were passed as part of the 2017 Tax Cuts and Jobs Act to **spur private investment into low-income communities** across the United States.

While the original OZ incentive is set to expire in 2025, there is optimism among investors and policymakers for an extension of the program.³

Details

Opportunity Zone investments:

- Must be made in a **low-income census tract** (as determined by each state's governor)
- Must be **held for at least 10 years** (to incentivize long-term patient investments)
- Must **double the basis** of real property (to prevent real estate speculation)
- Can **provide a tax incentive** to private investors who invest capital gains

Early Results

To date, Opportunity Zones have led to the following:

- **\$112-150B** of capital raised since 2019, **more than double** any other federal economic development program in the same number of years¹
- **313,000 new residential addresses** created in Opportunity Zones between 2019 and 2024, as compared to similar, non-OZ census tracts²

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¹Novogradac, EIG, and OpportunityZones.com

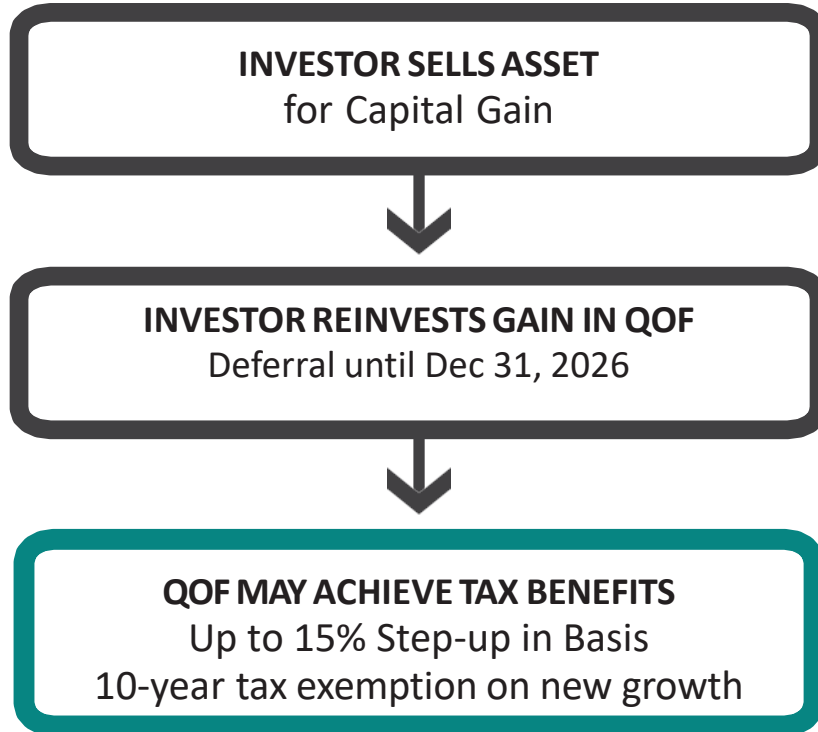
²EIG, "Impact of Opportunity Zones on Housing Supply"

³ "[New Administration Sparks Optimism around Opportunity Zones](#)," Novogradac, February 24, 2025.

"[Investors Look for Opportunity Zones to get an Extension and a Fresh Dose of Tax-Advantaged Capital](#)," ImpactAlpha, January 22, 2025

Revisiting The Origination of Opportunity Zone Funds

Originally established by the Tax Cuts and Jobs Act of 2017, nearly \$100Bn has been invested to date¹



KEY OZ FUND BENEFITS²

1 Defer original capital gains tax to 2026

2 Eliminate tax on new gains after 10 years

OZ PROGRAM KEY FACTORS

- Both short- and long-term capital gains qualified for investment
- Gains typically must be invested in OZ Fund within 180 days of recognition
- States were given a one-time 90-day window to select designated OZ's
- Minimal reporting required

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1. Source: Economic Innovation Group
2. This should not be considered tax advice and investors should seek advice from their tax and investment professionals.

Opportunity Zone Extension

Established in the One Big Beautiful Bill Act (OBBBA) signed on July 4, 2025¹

| Feature | Original OZ Program (2017) | Updated Program (2025) |
|---|--|--|
| OZ Duration | <i>Temporary program with deferral ending 2026; no ability to update map</i> | Made permanent; OZ map updates allowed every 10 years starting 2027 |
| Tax Deferral/Additional Step-up in Basis | <i>Gains deferred until 2026; 10% step-up in basis after 5-year hold, additional 5% after 7 years; 10-year hold for exclusion on new gains</i> | Rolling 5-year deferral for post-2026 gains; 10% step-up if held to year 5 ; 10-year exclusion remains |
| Zone Eligibility & Map Flexibility | <i>Based on 2010 data; tracts ≤80% MFI; contiguous tracts allowed;</i> | Now requires ≤70% MFI ; contiguous tracts removed ; Puerto Rico exemption removed |
| Rural-Focused Enhancements | <i>No specific rural incentives</i> | New incentives: 30% basis step-up, 50% improvement threshold for rural zones |
| Depreciation Recapture | <i>Excluded from tax if investment held for 10+ years</i> | Still excluded; but made permanent and reaffirmed for future investments |
| Transparency & Impact Reporting | <i>Minimal self-reporting via Form 8996; limited IRS oversight</i> | Annual mandatory reporting ; Treasury to report on QOF activity and socioeconomic impact |

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Opportunity Zone Extension

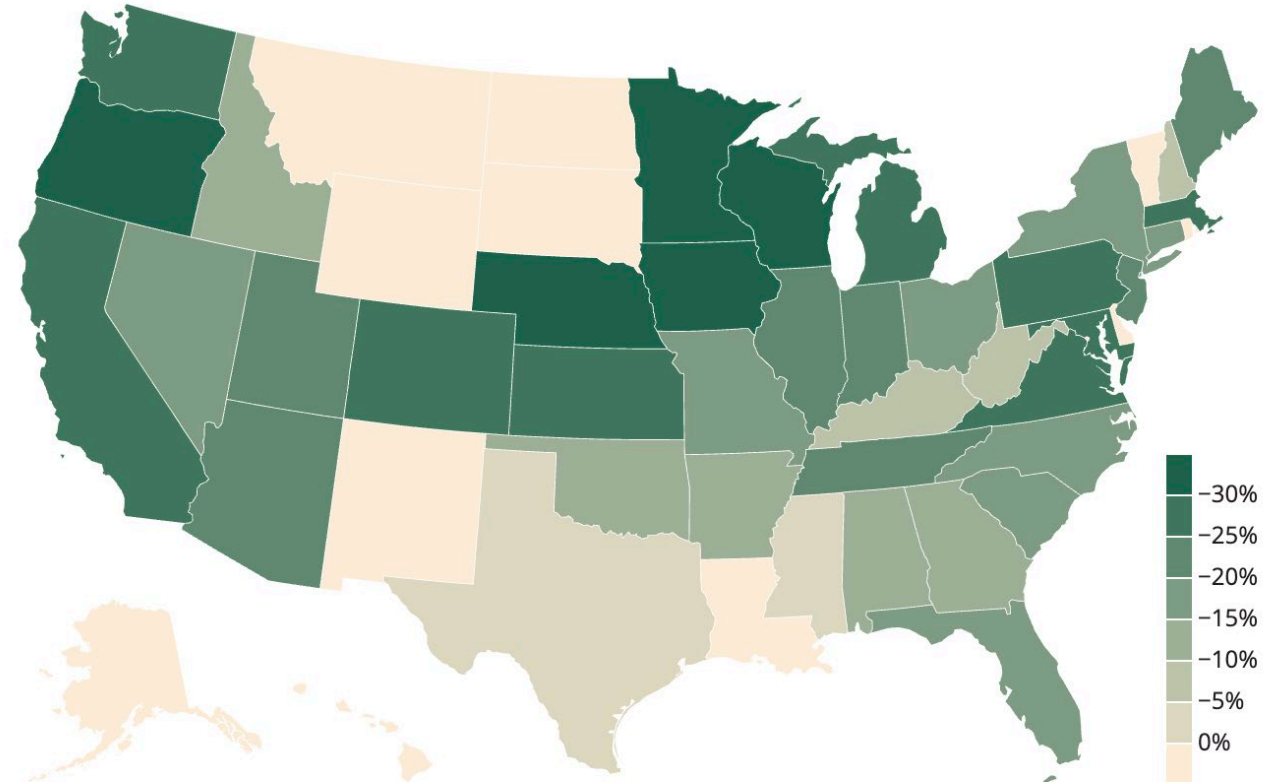
Map Considerations

Stricter Eligibility For New Zone Selection

- 80% Median Family Income (MFI) → 70% MFI, OR
- Poverty Rate of 20% and MFI must be below 125%

Anticipated to Lead to Map Changes and Decrease in OZ's Nationally

Fig. 1: Expected Percentage Change in OZ Designations¹



Sources: U.S. Department of Housing and Urban Development | U.S. Census Bureau



Section II

The Arctaris Impact Investing Model

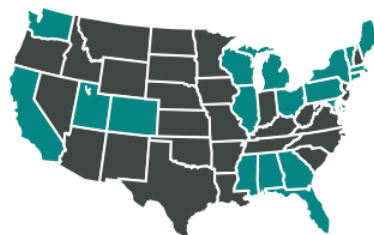
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Arctaris at a Glance

Arctaris Impact Investors is a private fund manager seeking to drive economic, social, and environmental impact in underserved regions across the U.S.



Investing in underserved communities for **15+ years**



Growing national investment footprint and **on-the-ground** partnerships



8 active funds in US Private Equity and Credit



Arctaris Impact Investors partners with governments, institution, and foundations to support its impact investments



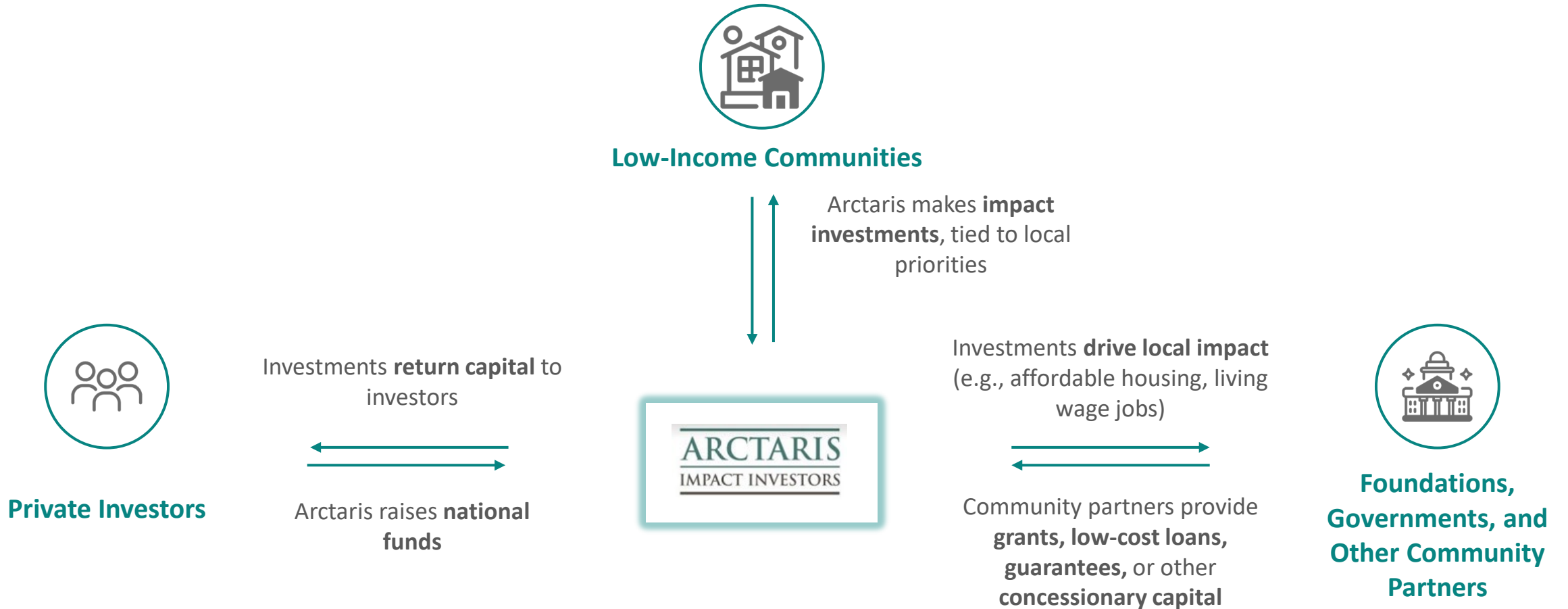
Investing in **operating businesses, infrastructure,** and **real estate**



Investing with a goal of **robust returns, measurable impact,** and **investor liquidity**

Arctaris Investment and Impact Model

Arctaris' drives impact in local communities by blending capital from private, public, and philanthropic sources



Arctaris by the Numbers

- \$467M** In total investment and first-loss capital raised¹
- 7,581** Total jobs created or retained in the Arctaris portfolio
- 2,480** Units of housing created, planned, or under construction
- 7,804** Estimated number of homes and businesses with access to broadband
- 11** Capital partnerships with foundations and government entities across the country

Select Public / Philanthropic Capital Partners:



First-Loss Capital Helps Provide Downside Protection

Government and foundation partners provide fund-level First-Loss Capital and deal-level grants, tax credits, and concessionary loans to help mitigate risk¹

FUND-LEVEL FIRST-LOSS CAPITAL COMMITMENTS

Strong track record in underserved communities provides the groundwork for partnerships

- Arctaris hires on-the-ground professionals to coordinate and work with First-Loss Capital partners and source local investment opportunities
- First-Loss Capital to mitigate fund fees and expenses without passing costs on to investors

FUND AND DEAL STRUCTURE MECHANICS

Government and foundation partners provide capital up to a predetermined amount

- First-Loss partners can focus capital on specific regions or projects
- Arctaris is actively growing its pipeline of First-Loss Capital partners (e.g., Bellingham (WA), Atlanta, Connecticut, Rhode Island)

DEAL-LEVEL PROTECTION/POTENTIAL RETURN ENHANCEMENT

Arctaris sources grants, tax credits, and concessionary debt for investment deals resulting in:

- A lower cost of investment
- Reduced debt burden on portfolio companies
- Potential for increased risk-adjusted returns

Select National & Regional Partners

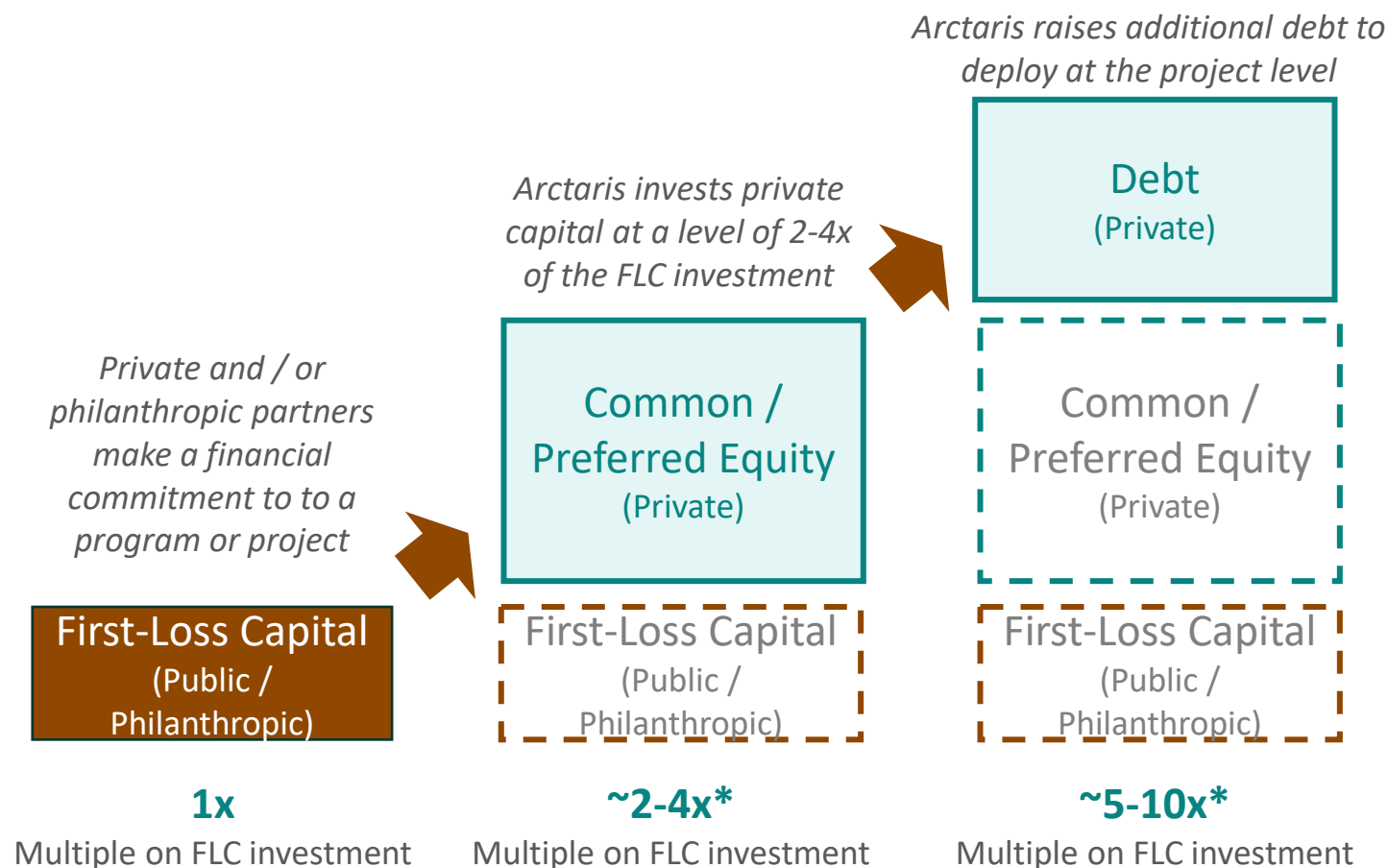


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¹For a complete understanding of the benefits, limitations and risks of First-Loss Capital please see the Fund offering and organizational documents.

First-Loss Capital

First-loss capital plays several irreplaceable roles in this partnership model



First-loss capital...

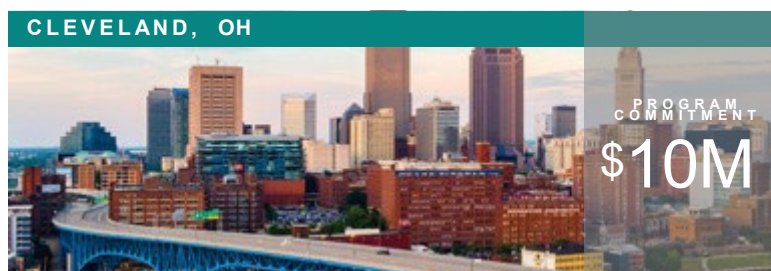
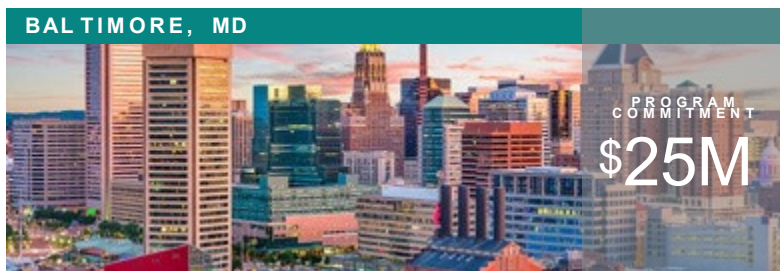
Catalyzes investment from private investors (via Arctaris) into projects that may not otherwise attract private capital

Leverages additional capital that allows for a far greater scale of investment for FLC Partners

May Change Investment Risk of the investments and gives private investors and creditors the confidence to invest in higher-impact projects that may not have as strong of a financial return profile

Regional Program Update: Place-Based Commitments¹

Arctaris is developing new First-Loss Capital commitments in high-impact markets²



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- ¹ – This place-based program pipeline is across all Arctaris funds not just the Arctaris Opportunity Zone Funds
- ² – For a complete understanding of the benefits, limitations and risks of First-Loss Capital please see the Fund offering and organizational documents.

Investment Criteria

Arctaris seeks investments that fit the following investment criteria (in addition to OZ requirements such as 10-year-hold*, etc.)

| | Security Type | Investment Size | Financial Performance | Use of Proceeds | Location | Target Uses |
|----------------------------------|---------------------------|-----------------|-----------------------|--|--|--|
| Real Estate | Common & Preferred Equity | \$10-25M | Yield on Cost > 6.5% | Equity (not pre-development) | Opportunity Zone | Affordable and workforce housing, transformative community projects, job-creating facilities |
| Infrastructure and Energy | Common & Preferred Equity | \$5-20M | \$5M EBITDA | Control & Minority / Growth Capital, Construction of Infrastructure Projects | Located in (or relocated to) an Opportunity Zone | Telecommunication, Fiber Broadband, Renewable Energy, Waste-to-Value |
| Operating Companies | Common & Preferred Equity | \$5-20M | \$1-5M EBITDA | Control & Minority Growth Capital | Located in (or relocated to) an Opportunity Zone | Consumer, Business Services, Industrials, Technology, Media & Telecom, Healthcare |

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*For some operating companies that qualify for Qualified Small Business Stock (QSBS), a five-year investment hold may be possible

Case Study: Erie, PA

Arctaris has invested over \$50M to revitalize downtown Erie via a unique partnership with the Erie Community Foundation and Erie Insurance



Background:

Erie had experienced disinvestment and population decline for decades. By 2020, it was home to one of the poorest zip codes in America. The Erie Community Foundation partnered with Erie Insurance to provide a \$5M first-loss capital that unlocked \$25M of investment from Arctaris. Erie Insurance then made an investment into Arctaris to unlock an additional \$25M.



Investments:

- **Erie Flagship:** Approximately 64,000 sf of commercial space including a food hall, retail grocery store space and 28 market-rate multifamily rental units.¹
- **Erie Block 2:** 80,000 sf mixed-use ground-up development consisting of 30 residential units, 25,000 sf commercial space and a 307-space parking garage. The Project is the second part of a multi-phase plan to redevelop a section of downtown Erie. Block #1 (Erie Flagship), in which Arctaris invested ~\$12.3 million, consists of a food hall, grocery store in a former food desert and 28 residential units currently open and fully leased.¹



Results:

- **265 jobs created or retained¹**
- **56 new housing units created¹**
- New downtown development corporation created to serve local development needs

Highlights:

\$52.5M+

Total Investment

265

Total Jobs
Created

Made possible via

\$5M FLC

Loan

from



Case Study¹: Western Colorado

Arctaris has invested in broadband fiber across Colorado's Western Slope, in partnership with the Colorado Health Foundation



Background:

The western slope of Colorado is a largely rural region that has historically lacked certain critical infrastructure. In 2022, the Colorado Health Foundation approached Arctaris to provide a **\$2M guarantee** for Arctaris investments up to \$50M in the region.²



The Investment:

Arctaris created the Arctaris Broadband Company, which has invested in the following:

- **\$10M** investment in broadband fiber in Delta and Montrose Counties
- **\$11M** investment in new broadband fiber in Grand Junction, expected to be completed by the end of 2025³



Results:

These investments have created:

- **6,000 broadband fiber passings** for homes and businesses created, with another 6,150 under construction²
- Over **1,000 customers signed up** for high-speed broadband fiber²
- High-speed connections to the Delta Housing Authority's **80 workforce housing units**, as well as a **partnership with Montrose School District** to provide low-cost internet to families eligible for free and reduced lunch²

Highlights:

\$21M

Total Investment²

12,150

Total Broadband Passings Created or in Progress²

Made possible via

\$2M FLC Guarantee

from



The Colorado Health Foundation™



¹Case Study Only, This does not constitute an offer to sell nor solicit the sale of any interest in a fund or securities. Case studies are intended to demonstrate the Arctaris impact and partnership approach, with a focus on rural and smaller communities – as well as existing investments in Tennessee. Case studies are not meant to demonstrate investment performance or results.

²Arctaris 2023 Annual Impact Report and Arctaris 2024 Annual Impact Survey

³Projections are based on financials provided by the business as well as Arctaris financial models.

Case Study: 1411 Flower Street, Los Angeles

Arctaris provided \$13.6M of critical gap financing for increase housing options for lower median income tenants through greater density build and lower construction cost



Project:

- \$66.1M 227 unit all studio affordable housing development in downtown Los Angeles.
- The project is expected to be 100% affordable and 100% leased for five years via a master lease agreement with LA Homeless Service Authority (LAHSA).



Macro Context / Thesis:

- Arctaris stepped in on a 70% completed project when the Developer required additional equity to refinance its construction loan with a lower leverage below-market interest rate loan of 5.9% from United Way of Greater Los Angeles.



Impact:

- Utilized Downtown LA's Transit Oriented Communities Incentive program to avoid density limits for affordable developments near public transit. Developer created greater number of units at reduced footprint size, thereby reducing 'chunk' rents and per unit costs providing greater housing options for lower AMI tenants who would traditionally be steered to lower income neighborhoods further from their work.

Building Rendering



Photos of Current Construction



Case Study: Detroit Single-Family Housing

Detroit currently has extensive blighted properties and a shortage of Housing Choice Voucher homes (“HCV”, formerly Section 8). Arctaris partnered with a local minority developer to buy, fix, and rent homes to HCV tenants



Project:

- Arctaris invested \$11M with Circuit Ave to purchase 100-150 dilapidated, vacant houses. Following significant renovation, Arctaris intends to rent 100% of homes to long-term, HCV tenants.

Macro Context / Thesis:

- Arctaris expects to have an all-in basis of ~\$110,000 per home representing 40% of replacement cost. Arctaris expects an average of at least 8% YoC on a per unit basis resulting in a 200-bps spread over new multifamily construction.
- On average, 80% of rent for HCV tenants is paid for by the government significantly decreasing collections risk compared to generic affordable housing strategies; the government increases rent levels annually to Fair Market Rent levels with annual increases averaging 4% since 2016
- Detroit currently has a 4,000-person waitlist of HCV tenants looking for long-term housing; current HCV administrators estimate that most tenants spend 3-9 months looking and applying to properties.



Impact:

- This project aims to provide long-term housing for families with income levels between 30-50% AMI. These tenants are not well served by multi-family development which often lacks multi-bedroom units needed for families.
- This project also reduces blight by removing vacant homes improving the safety and quality for the neighborhood and nearby residents.
- To boost homeownership, tenants will be offered purchase options.¹



Conditions prior to renovation



Conditions following renovation



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Additional Important Information (1/2)

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Additional Important Information (2/2)

FIRST-LOSS CAPITAL

This is not a guarantee of principal protection. Investors in the Funds must be prepared to lose their entire investment.