December 17, 2018

CC:PA:LPD:PR (REG-115420-18)
Room 5203
Internal Revenue Service
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Via Federal eRulemaking Portal

RE: Comments on REG-115420-18: Investing in Qualified Opportunity Funds

Medora Ventures has followed the Opportunity Zone law since it passed in December of 2017 with a keen interest and focus on the potential to impact areas of the country that still require intentional support and long-term commitment from investors. We believe the impact intended by the authors of this law will only be recognized by active collaboration between Qualified Opportunity Funds and their managers and public sector leaders working to prepare their communities to receive Opportunity Zone investments.

While guidance issued on October 19 this year by the US Department of Treasury and the Internal Revenue Service provided significant clarity about the law, there are two areas of focus that we would like to raise for further consideration.

> First, we hope Treasury and the IRS reconsider the gross income provision on page 67 of the ruling that requires "for each taxable year at least 50 percent of the gross income of a qualified Opportunity Zone business is derived from the active conduct or a trade or business in the qualified Opportunity Zone." We believe this issue could significantly handicap communities the law intends to support most, and limits on where businesses sell or do commerce reduces the potential for investment in high-growth businesses and could dictate the types of businesses that will attract revenue. We urge removal of the gross income barrier to allow businesses located in Opportunity Zones to be able to conduct their "trade or business" in as broad a context as possible in order to be successful and create more wealth and opportunity.
>
> Second, we believe the tax benefit of the Opportunity Zone law should follow the investor and should not penalize a business that is ready for growth by limiting their place. The goal is to create businesses in zones that will expand and create more jobs, etc. Therefore, we believe that further guidance should address this by clearly stating that so long as an investor's original investment stays in a fund, upon an exit from a high-growth business for any reason, and is re-invested in qualified businesses in a designated opportunity zone it should remain qualified for any benefits the law allows.

We are certain that the policymakers who crafted the law did not intend on excluding certain types of operating businesses simply because of where they happened to sell their products or services or how their business grows as a result of investment that occurs because of this law. We urge for a changes in these provisions to encourage new businesses of all kinds to start and grow in Opportunity Zones.

Additionally, as we have stated in our perspective, we believe the greatest opportunity of this law is to create new models of impact through collaboration between public sector and private sector investors focusing on how their investments will create growth, support more diverse communities and build new models for partnerships and policy direction as the impact intended by this law is recognized. We are encouraged that the executive order signed by the administration on December 12, 2018 called for review of "what data, metrics, and metholdogies can be used to measure the effectiveness of public and private investments in urban and economically distressed communities, including qualified opportunity zones."

In the attached perspective that we issued on November 9 2018 we stated our hope that the private sector will lead in need to develop and adhere to impact focus as they look for and work with communities they are investing in.   We also urge local leaders to work with fund managers and investors to ensure that community needs are addressed with intentionality at the outset.

We remain confident that the law and future guidance creates immense potential, and we are hopeful that the lessons learned as this law is implemented will benefit communities beyond the currently designated zones.

Signed,

Scott Shalett, Managing Partner
Rob Lalka, Co-Founder
Mike Culver, Co-Founder

MEDORA PERSPECTIVE:

Leadership is Now Needed to Achieve Impact Through Opportunity Zones

November 9, 2018

The Opportunity Zones Program, passed by Congress as part of tax reform in December 2017, aims to direct long-term private investment into underserved US markets by providing tax incentives for deploying capital gains into specified census tracts. To help these neighborhoods, the law allows taxpayers to defer paying tax on capital gains from the sale of stocks, bonds, real estate, or partnership interests if the gains are invested in a fund that targets Opportunity Zones (OZs). The U.S. Department of Treasury and the Internal Revenue Service released guidance on how to invest in zones on October 19, 2018, which provided significant clarity about the law and opened a 60-day period for public comment.

This tax incentive is available to individuals, corporations, partnerships, small businesses, trusts, and estates. Within 180 days of when these capital gains are realized, they must be invested in one or more Qualified Opportunity Funds (QOFs) that, in turn, invest at least 90% of their assets in the designated Opportunity Zones. This leads to four benefits, with each building on the last to incentivize long-term investments:

1

The original capital gains tax that would normally occur when you exit an investment can be deferred until December 31, 2026, if the funds are rolled into a Qualified Opportunity Fund.

2

If the investment is held for 5 years, the investor would only be required to pay tax on 90% of the capital gain that was deferred.

3

If the investment is held for 7 years, the investor would only be required to pay tax on 85% of the capital gain that was deferred.

4

If the investment is held for longer than 10 years, (and this is where the incentives really kick in), the investor would only be required to pay tax on 85% of the capital gain that was deferred and investors pay no capital gains tax on anything earned from the Qualified Opportunity Fund investment.

The Economic Innovation Group (EIG) estimates that there is as much as $6.1 trillion that could be invested in OZs. Backed by venture capitalist legends Sean Parker and Ron Conway, EIG was setup in 2013 to be explicitly nonpartisan, with their work steered by economists, entrepreneurs, investors, and policymakers from across the political spectrum. Unlike more traditional, agenda-driven Washington think tanks or lobbying firms, they set out to combine "research and data-driven advocacy to address America's most pressing economic challenges."

One of their key studies, from May 2016, showed that the employment gains from 2010 to 2014 were far more geographically concentrated than in previous recoveries and that a mere twenty counties generated half of the country's new business establishments following the Great Recession. The economic recovery has not been evenly distributed; EIG found that the most prosperous quintile of zip codes has captured 57 percent of the national rise in business establishments from 2011 to 2015 (nearly twice their share of existing business establishments at the start of that period) while the most distressed regions have experienced a net loss of over 17,000 businesses during that period.

In that report, they called the decade since 2008 "The Startup-Less Recovery."

These facts were nothing new. While two out of three of all net new jobs are created by small businesses, 78 percent of startup investment goes to just three U.S. states (California, Massachusetts and New York); in the other 47, more firms are dying than are born. What was different this time is their work cast the inequity in stark contrast and galvanized legislative action. The bipartisan Investing in Opportunity Act, which was backed by EIG, created the Opportunity Zones Program to address these issues. Speaker of the House Paul Ryan called the bill "the critical component of our poverty fighting agenda" and Senator Cory Booker proclaimed that "this could end up being the greatest economic development initiative in a generation in our country."

Yet while the national dialogue to date about OZs has largely focused on real estate investing – often with strategies that do not address the priorities of communities – the investments that are made into the 8,761 census tracts and the 35 million people who live there will have an enduring effect on neighborhoods across America. As Adam Looney of the Brookings Institution has rightly stated, "It has the potential to transform the neighborhoods that have been targeted. I think it's a little uncertain whether that's going to be good for the people who live in those neighborhoods. We're about to embark upon a tremendous social experiment."

We have spoken with dozens of leaders from all sectors across the country, and many share the belief that the full potential of the law – to support high-impact real estate projects along with high-growth businesses to revitalize neighborhoods, create jobs, and increase access to capital – is now at risk.

These are the two most important concerns we have heard: 1) The public sector must remove provisions that would bias against tech-based startups and other high-growth companies in OZs, while clarifying provisions to ensure long-term QOF investment commitments can properly meet the needs of operating businesses 2) The private sector should develop rigorous frameworks so that QOF investment theses intentionally bring about positive impacts for communities.

If these issues are not addressed, we have heard a chorus of concerns that OZ investments would mostly go mostly to wealthier areas (thus serving as a results-blind tax haven without fulfilling the spirit of the law), to a wide array of real estate projects (without taking community interests into account through impact-focused real estate), and to smaller scale projects due to unintended limits on tech-based enterprises and high-growth businesses (missing out on a once-in-a-generation opportunity to spur innovation, fund entrepreneurs, create jobs, and build new wealth in the communities that need it most).

We want to support investors, policymakers, and fund managers who see a different future for this program. We are working with our clients to invest in impact real estate that will enliven communities, in operating business that create new wealth and significant job growth, and in areas that will have positive benefits for communities based on their expressed needs and aligned with their priorities.

As we look forward to further guidance from the U.S. Department of Treasury and the Internal Revenue Service later this year, we hope that our contribution to the national dialogue about Opportunity Zones will encourage more investors, fund managers, and project developers to work with public sector officials and neighborhood leaders to fulfill the clear purpose of this law.

To us, that purpose is abundantly clear; it is one thing we do not need to wait for Treasury or the IRS to provide guidance on. That is because we have heard it from communities across the country: This new program should generate meaningful investments in designated underserved areas, based on local priorities, by promoting the reinvestment of capital gains in high-impact, job-creating projects – in exchange for significant tax advantages to investors that include deferral of taxes due on those gains, potential reduction in rate on amount of taxes due, and no taxes on any appreciation of initial investment after ten years.

Opportunity Knocks

With the guidance released on October 19, 2018, we expect significant capital to flow to Qualified Opportunity Funds over the coming months. Yet while current guidance provides sufficient clarity for many real estate investments to go forward at this time, further guidance is needed, especially for operating businesses. In this section, we share six key insights about Opportunity Zones that will hopefully clear up some confusion and provide perspective on where the program stands today.

1

A New Program

First, Opportunity Zones are completely different than prior programs that they are being confused with at this point, including Enterprise Zones, New Market Tax Credits (NMTC), Historic Tax Credits, Low-Income Housing Tax Credits (LIHTC), or Community Reinvestment Act (CRA). This is a new program, and the incentives and requirements that come with it are totally new.

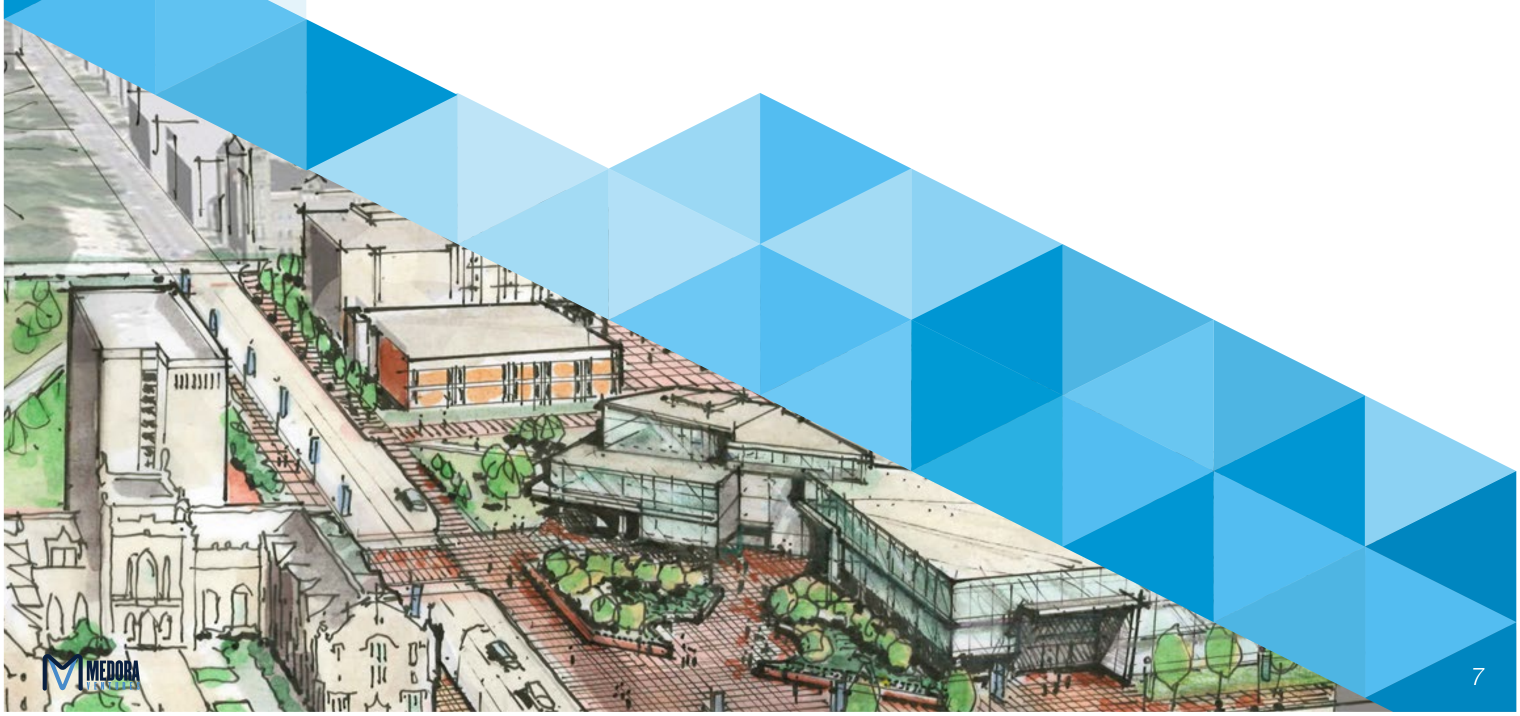
2

With Few Limits

Second, the landscape of investable opportunities is developing right now due to this powerful set of incentives, investor interest, and an eager public sector seeking new sources of capital for some of our most distressed areas.

There is zero cap on the number of Qualified Opportunity Funds that can be created and zero limit to the total dollars that can be invested. As a result, groups like the Rockefeller Foundation have stated that Opportunity Zones have the potential to become the largest community development program in our nation’s history.

While it is impossible to predict with precision, we anticipate that the amount of money that will potentially flow through the Opportunity Zones program will far exceed the amount of capital that flowed through previous programs, such as NMTC, LIHTC, or Enterprise Zones.



3 With No Required Metrics

Third, QOFs are not required to track metrics, unlike previous programs. For example, the NMTC program mandated: “These investments are expected to result in the creation of jobs and material improvement in the lives of residents of low-income communities. Examples of expected projects include financing small businesses, improving community facilities such as daycare centers, and increasing home ownership opportunities.”

Even though the original Investing in Opportunity Act, as well as the Conference Report, included such requirements for the Opportunity Zones program, no impact reporting requirements have been issued by the Executive Branch to date. Currently, QOFs simply have to self-certify in order to qualify.

As Senator Booker wrote on June 8, 2018, “If the Treasury Department’s regulations are not thoughtfully and properly designed, the program could be twisted to provide little more than a tax shelter for areas or projects that the legislation was not meant to support.” Based on our review of the law and the regulations issued on October 19, 2018, this issue has not been addressed by regulators.

Senator Booker also requested that “As you develop regulations for these tax incentives, I urge you to institute critically important safeguards to prevent abuse and advance the goals of lifting up communities, catalyzing entrepreneurship, and promoting long-term investment.” Here again, we do not anticipate that these safeguards will be created by the Executive Branch.

4 Private Sector Leadership is Now Needed

Fourth, if impact tracking will not come from the federal government, as the Executive Branch seeks to avoid overly burdensome reporting requirements, then we believe the private sector can, should, and must develop impact metrics early on and with intentionality.

Senator Tim Scott has explained that this level of public-private collaboration was intended from the outset, saying: “The hope is that this type of structure will encourage investors to establish meaningful relationships with the communities they are investing in.” Likewise, the Beeck Center at Georgetown, the US Impact Investing Alliance, and the New York Federal Reserve have also called for private sector metrics by OZ investors. We urge local leaders, fund managers, and investors to work together to ensure that community needs are addressed and that local impact and job creation is addressed intentionally at the outset. This is the only path to ensure that the program achieves its intended purpose.

Key metrics should not only include job creation, poverty reduction, and new business starts (which were all mentioned in the Conference Report) but also metrics such as those proposed by Enterprise in its March 18, 2018, letter: the number of jobs that pay a living wage, the number of dedicated affordable housing units created or preserved, investments in minority/disadvantaged/minority-owned businesses, investments to revitalize neighborhoods suffering from blight, vacant properties, or disinvestment, and other social impacts based on the types of investments that are made, in schools, healthcare facilities, transportation options, and other services that provide pathways to upward economic mobility.

This is a key area of focus for Medora, because we know from experience that imbedding an impact focus and seeking community input at the outset is far easier and more effective early on, rather than attempting to retroactively measure such non-monetary results or rebuild trust with communities after investments have been made. As funds are being created, we have encouraged our clients to deliberately measure and manage the social value they will create by using metrics borrowed from programs like NMTC or, even better, by using one of the emerging methodologies pioneered by leaders in impact investing, such as the Impact Rate of Return (iRR) framework from *Social Value Investing*.

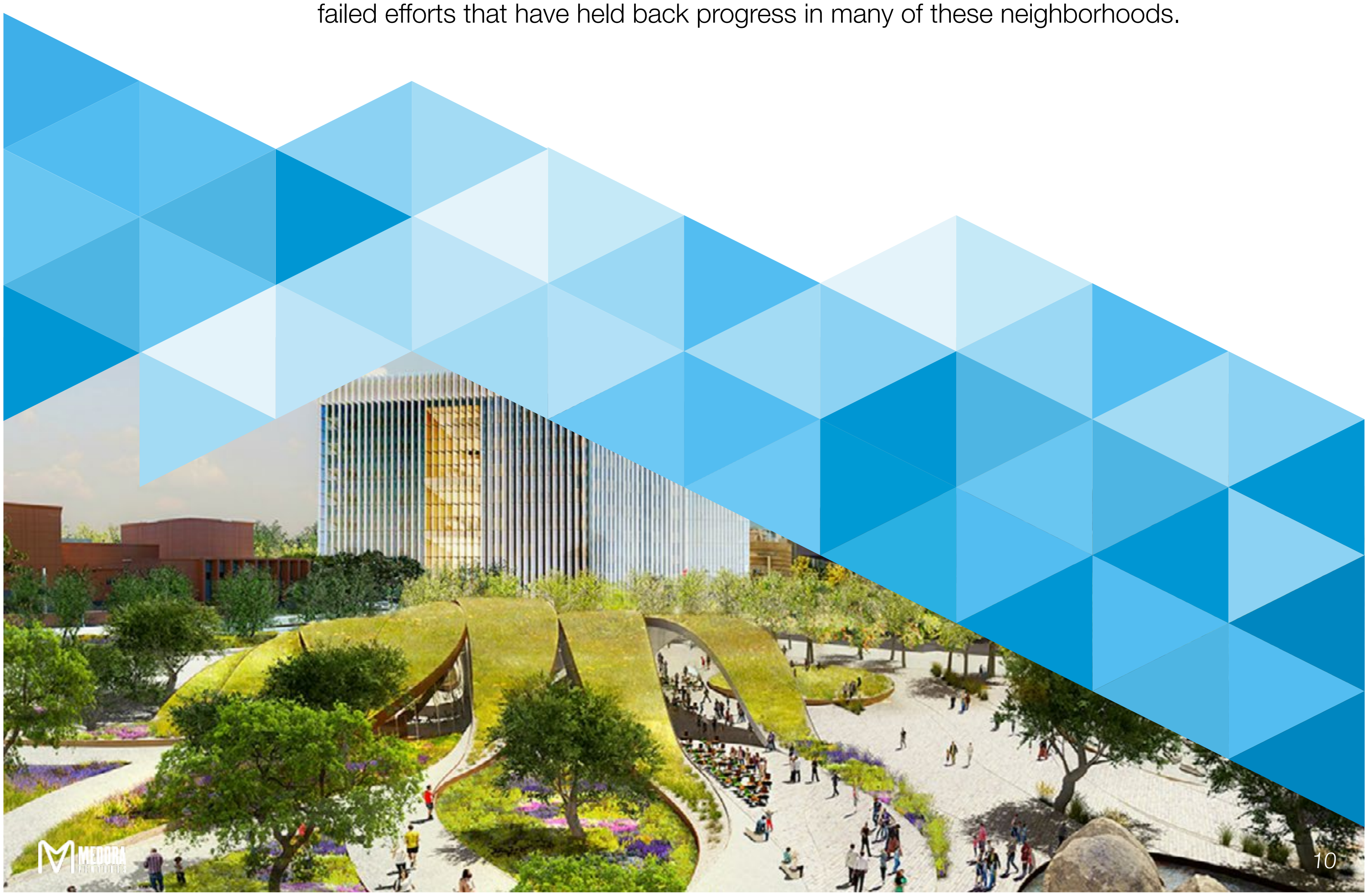
If that intentionality is not present, investors may benefit, but communities may not.

5

Differentiating between High-Impact Real Estate and Low-Impact Real Estate

Fifth, because this law makes investment place-based, investment in real estate can be purposefully impact-oriented as public leaders, investors, and developers come together to rehabilitate and build neighborhoods with the needs of the communities in mind. Differentiating between high-impact real estate and low-impact real estate projects will be key to ensure success of this program.

We have seen investors looking at real estate deals that will create environments to spur economic growth, business incubation, healthy lifestyle, and other investments that can activate a building and strengthen a neighborhood. We believe there is potential for community and investment strategies that can stay true to the spirit of the law, if partners remain diligent about including the community in the strategies for growth and development. Public officials have the opportunity to use this unique moment of interest in their neighborhoods as a chance to review and renew local laws and incentives, investment strategies (both public and private), infrastructure plans, and other community development programming to expand upon what is working and do away with failed efforts that have held back progress in many of these neighborhoods.



6

Focusing on Job-Creating Startups and Small Businesses

Sixth, the Opportunity Zones law was created in part because current sources of capital for financing entrepreneurs are far too few, and we must admit that our status quo is troubling. Traditional venture capital has been super-concentrated for too long, leaving out too many communities and potential businesses. In addition to the previously mentioned fact that 78 percent of venture capital investment goes to people in three states, only 5 percent of startup capital goes to women, and less than 1 percent to people of color.

Throughout the years, we have worked closely with – and followed closely the work of – Ross Baird, the CEO of Village Capital and an Innovator-in-Residence at the Kauffman Foundation. His July 24, 2018, testimony to the U.S. House Committee on Small Business further demonstrated the need for new investment in the types of operating businesses that can be found in Opportunity Zones: "Traditional lending models no longer fit today's startups: only 18 per cent of businesses ever access a bank loan…And while venture capital has been very helpful for many entrepreneurs, the industry is only focused on a very small percentage of businesses that are extremely high-growth: only .6% of businesses ever raise venture capital."

In other words, less than 19% of businesses ever access venture investment or bank lending.

We believe that Opportunity Funds can bring capital to businesses in communities that have needed such investment to grow businesses and revitalize their economies, but again, this leadership must come from the private sector in how they design their approaches to make sure that happens, and further guidance is needed from the federal government to clarify how operating businesses in Opportunity Zones can participate in this program. In the next section, we address five key questions, starting with one major issue that could inadvertently undermine the full potential of the law.

Medora's Questions for the Public Review Period

We have several key areas of concern that we recommend that the Executive Branch addresses in future guidance that it issues. We will mention these briefly, as others have also covered this territory elsewhere, but we did want to go on the record with these five concerns now that the 60 day review period is in effect.

1

First, will the IRS and Treasury reconsider its gross income provisions?

We ask this, because we have a serious issue with one of the proposed rules, which could prevent QOFs from investing in the very same job-creating businesses that EIG's research brought to light.

On page 67, the proposed regulations released on October 19, 2018, would require that "for each taxable year at least 50 percent of the gross income of a qualified opportunity zone business is derived from the active conduct of a trade or business in the qualified opportunity zone." As Bloomberg journalist Noah Buhayar noted, "That's fine for, say, an apartment building or a grocery store, but a disaster for a business hoping to manufacture a product to be sold widely, or provide services online."

We live in a global, interconnected, and internet-enabled economic system – one where America's free market system gives us an incomparable edge and our policies for open competitiveness have made us the envy of the world. It would be foolish and archaic to cut out internet-enabled businesses in this manner, so we strongly encourage rulemakers to reconsider how their decisions might carelessly, but completely, disincentivize tech-enabled businesses.

We do not want this one sentence to prevent investment from flowing into the highest growth businesses that could create jobs and transform local economies for the better, and we are certain that the policymakers who crafted the law did not intend on excluding certain types of operating businesses simply because of where they happened to sell their products or services. We urge for a change.

2 Second, will any impact metrics be required, and if not, then how will the success of this program be monitored and measured by the federal government?

If no metrics are required, then how will abuse of the program be determined, especially for the most egregious instances that could disproportionately harm low-income residents and local businesses as a result of this set of incentives? If metrics are mandated, we advocate for meaningful community-level data on positive and negative social and environmental impacts being tracked without overcomplicating investment processes or causing undue reporting burdens.

3 Third, what happens with interim gains?

If my QOF invests in a business that is in an OZ, but then the company exits after 4 years, can I reinvest those gains in other businesses in OZs through the fund over the next 6 years while keeping the tax benefits?

At present, we are concerned that the investor would be immediately taxed on interim gains realized by the QOF in such a scenario before the 10-year mark, which could be a significant disincentive to invest (and reinvest) in high-growth operating businesses.

4 Fourth, what happens on December 31, 2026, if I am invested in a Qualified Opportunity Fund?

The reason why this date is important is that a taxpayer may elect to defer tax on the gain until the earlier of: the date that the taxpayer disposes of the QOF or December 31, 2026. So let's assume that I invest in a QOF at a date between 2021 and 2026, but I keep that investment in a fund well beyond 2026. How do I recognize the discount? If I must pay the full tax on December 31, 2026 (in the middle of my long-term investment horizon) and then I get credited later, then it could become a disincentive to invest.

In other words, if the only investors who can afford to invest in QOFs are those who have enough liquidity to pay the full amount of taxes on December 31, 2026 (while leaving their investment in the QOF), then the program will be weakened. This could also cause significant tensions between fund managers and investors who seek to exit an investment early in order to pay taxes, if expectations are not clearly set at the start.

5 Fifth, are Opportunity Zone investors allowed to qualify for other tax incentives, such as the New Markets Tax Credit, the Low-Income Housing Tax Credit, and a range of other programs?

As we explain later in this document, ensuring that investors in QOFs could qualify for other tax incentives can address both debt and equity capital requirements, can allow local officials to incentivize investment for the areas that it the most, and can lead to the best long-term outcomes in low-income communities.

Likewise, we would like clarity about whether Opportunity Zone investments qualify as credit as part of the Community Reinvestment Act (CRA). As policymakers and other civic leaders develop strategies for their priority Opportunity Zones, clarity about whether CRA strategies could overlay with OZ strategies will be important for inclusive and thoughtful community development efforts across the nation.

Strategies for Community Engagement

By design, all Opportunity Zones receive equal treatment and a QOF can invest in any of the designated zones; however, there is no guarantee for state or local leaders that their community will receive investment under this law. To attract qualified investment in their communities, state and local leaders must be deliberate, inclusive, creative and proactive.

They can do this by:

A Developing consensus in their community for growth strategies that will maximize investment by convening business community, nonprofit and neighborhood organizations to streamline any barriers for potential investors;

B Reviewing existing policies and implementing new policies to make zones in their region more attractive to investors;

C Identifying and activating angel investors, real estate investors, and others in the local business community around opportunities in their market to facilitate formation and growth of local fund(s) that will secure eligible gains from going to funds that will invest in other communities; and

D Creating an investor marketing strategy to reach national funds that are looking for investment-ready projects.

How to Enhance the Opportunity Zones in Your Market

Impact investors, economic development groups, real estate firms, developers, and community development organizations have all begun organizing projects and Qualified Opportunity Funds. The market is being made by these first movers right now.

It has become clear that for Opportunity Funds to maximize their investments, fund managers will seek investments in Opportunity Zones that can attract viable projects that increase in value over the life of the fund. Fund managers will look for cities and regions that have organized themselves and their communities to be ready to receive investment.

As further guidance is provided over the next two months, there are a number of areas where public sector leaders can focus efforts to build a competitive marketplace that will incentivize and maximize impact investing in their community.

1 Develop and Market Strategic Plans for Designated Zones

Mayors should convene community and business leaders to develop strategic plans for zones that couple public project priorities with the private investment projects to streamline and coordinate market growth in low-income areas. It is imperative that Mayors get out in front of the first set of investments in order to help steer resources to areas and neighborhoods that need the most assistance. A number of cities, such as the City of Birmingham, Alabama, thanks to the leadership of Mayor Randall Woodfin and Director of Economic Development Josh Carpenter the City of Louisville with the vision set by Mayor Greg Fischer and his entire entrepreneurially-minded team, and GNO, Inc. where Michael Hecht and VP of Policy Ileana Ledet have coordinated projects across the New Orleans region, have developed online maps to identify potential investments in Opportunity Zones; we are proponents that local leaders should build their own maps and also actively seek out other platforms to ensure their priority projects are showcased while the market is being defined.

2 Secure Eligible Gains in Their Community

The law does not allow funds to seed or participate in other funds. Local officials concerned that national funds will not invest in their designated zones must act quickly to mobilize priority projects and raise awareness with local investors who may take advantage of the benefits of this law. They can do so by creating opportunities to invest in their own communities through a Qualified Opportunity Fund that is locally managed by their city, by working closely with private funds that commit to co-invest alongside other investors, or by developing public-private partnerships that promote local investments.

3 Pair State Tax Credits with Opportunity Zones

Many historic sites in need of investment are located in Opportunity Zones. Pairing OZ benefits with historic tax credits could make historic preservation projects in OZs particularly attractive to investors, pending further guidance from Treasury. The same will be true for pairing them with the Low-Income Housing Tax Credit and the New Markets Tax Credit. Along with inclusionary zoning, land banking, and other techniques pairing these programs have the potential to not only revitalize historic neighborhoods but also distribute any resulting development gains more equitably.

4 Develop Specific Strategies and Processes to Convert Underutilized Public Assets for Commercial Use in Opportunity Zones

According to recent analysis of the law to Impact Alpha: "The Opportunity Zone Act does not prohibit qualified opportunity funds from investing in infrastructure projects located within qualified opportunity zones if the associated transaction is structured to comply with the requirements of the Opportunity Zone Act. However, government-owned infrastructure alone is probably not a permissible investment for an opportunity fund since a government cannot accept equity investments."

Public officials oversee and manage a diverse portfolio of assets, ranging from real estate, roads, administrative facilities, foreclosed and abandoned industrial properties and hospitals. Public entities should explore opportunities to convert underutilized property in designated Opportunity Zones for private investment and development by Qualified Opportunity Funds and they should also work with their states to assess any state-owned properties that could also qualify and be put into commerce.

5 Encourage Investment in Inclusive Neighborhood Opportunities and Engage Local Residents

State and City Leaders must define, facilitate, and incentivize investment to have desired impact on the neighborhoods designated as Opportunity Zones. Louisville Mayor Greg Fischer's op-ed from November 4, 2018, showed impressive leadership: "We want responsible development and projects that benefit our citizens without displacement. If we use any local incentives, we will look for Opportunity Funds that would make a social impact by hiring and partnering with local residence who can benefit from any income and wealth that is created."

This will especially be effective in coordination with training programs, business support organizations, and high-growth venture incubators. As another example, the State of Colorado has partnered with the Telluride Foundation and its Telluride Venture Accelerator to create an OZ Fund for communities in Colorado. The State of Oregon has engaged three foundations to help ensure capital from Opportunity Funds reaches all communities. They are creating a clearinghouse for the state to bridge the gap between projects in need of investment and Opportunity Funds.

Additionally, neighborhood leaders could build charter schools and skills training programs with investments from an Opportunity Fund, especially since one of the biggest obstacles to charter school growth is securing affordable school facilities. According to the Charter School Facilities Initiative, charters must spend a certain percentage of operating dollars on facilities, cutting into the funds that should be spent on students. Local and state capital funding programs do not provide enough to meet the need. A school or training facility built under the Opportunity Zones program could allow much more of its yearly revenue to go towards students and programs.

6 Work with State Lawmakers to Create Additional Tax Breaks or Ease Regulations in Concert with Opportunity Zones

Adding incentives for Opportunity Funds to choose to invest in your designated Opportunity Zone will give state and local governments an advantage in how they build and market their zones to interested investors and fund managers. Two examples:

H.B. No. 727 in the State of Ohio creates a tax credit for investments in Opportunity Zones. If enacted, investors will earn a nonrefundable tax credit equal to 10% of any investment over $250,000.00 during the taxable year of that investment.

The State of California is currently considering A.B. 3030, a bill that would waive environmental review requirements for certain affordable housing projects in qualifying Opportunity Zones.

While the Opportunity Zones program has the potential to change the course of our most vulnerable communities, there is no guarantee that investments will materialize in every community or that investors will actively seek investment opportunities in a specific state's designated zones.

Civic and political leaders who are proactive, creative and prepared to meet investors needs will compete best in this new investor marketplace to attract qualified investment in their designated zones.

The Full Potential of the Opportunity Zones Program

Overall, we believe that the Opportunity Zones program presents an exciting prospect for a significant portion of the economy that has been overlooked for too long. This incentive package has the potential to create a new level of impact investment that not only brings new capital in designated zones but that also creates growth in cities that reaches beyond these census tracts, as business communities organize their priorities to be ready to receive this new influx of capital and investors establish relationships and begin to realize the potential of investment in these areas. The future of this program will, in many ways, be shaped by the first movers, especially those that find ways to blend impact real estate and entrepreneurship.

One of our clients, Launch Pad, has developed a strategy to do just that, which we believe will be best-in-class and could be market-making. Launch Pad is a large-scale co-working space that started in New Orleans after Hurricane Katrina. Launch Pad members have created over 5,000 jobs, leased 600,000+ square feet of new office space, and raised over $160 million in funding – all while giving New Orleans a vibrant entrepreneurial hub, strong real estate partnerships, and startups that are supported from seed to scale. Launch Pad was betting on what they call “momentum markets” in New Orleans, Newark, and Nashville, before tax reform was passed or any OZs were designated.

Their expansion plan is twofold: 1) to purchase real estate, work with city leaders to create hubs of innovation, and strengthen the surrounding neighborhood while tracking a range of metrics 2) to use their real estate locations as platforms to identify high-potential companies to invest in through their venture fund.

Launch Pad’s combination of collaborative workspaces, inclusive programming to support entrepreneurs of all kinds, and funds to drive investment can deliver on the promise of this important legislation. As impact real estate projects that enliven communities, all of Launch Pad’s real estate investments are in Opportunity Zones. By investing in high-growth entrepreneurs that create jobs, all of the Launch Pad venture fund investments will be in businesses that are in Opportunity Zones. And by collaborating with civic leaders, listening to community priorities, and measuring their impact, they will spur economic growth in partnership with communities that need it most.

They aim to establish 25 entrepreneurial hubs in the next 18-24 months, and Medora has worked closely with local officials across all of these markets while also encouraging them to develop a concierge service for the most significant projects that communities prioritize for future investments that can blend impact real estate and entrepreneurship. We currently are in final conversations in 5 additional markets that we have engaged over the past 3 months looking for the right fit in their zones. Launch Pad's many successes over the next decade will demonstrate what is possible to fulfill the full potential of the Opportunity Zones program. And we have fortunately begun numerous conversations with current and potential clients about how we can expand this approach to support entrepreneurs and communities in a variety of ways – but we know that many more pioneers like Launch Pad will be needed.

We are helping clients structure funds, develop strategies, identify deal flow, engage target markets, and work closely with local leaders. We are also helping clients find investment opportunities in zones across all parts of the nationwide map and advising public officials and economic development agencies on how to build and market their zone strategies. If you are interested in learning more about Medora's impact OZ efforts and the strategies of our clients, contact Scott Shalett, Managing Partner, at scott@medora.co.

One final point. Based on the extensive conversations we have had with people we deeply respect, who truly want to "get it right" as we collectively set out to shape the Opportunity Zone marketplace, we have also begun to work with a small group of collaborators to coordinate updates and information about the OZ marketplace as it develops. To stay informed about OZ strategies, community priorities, and investment theses as they emerge, we encourage you to subscribe to our new OZ Guide newsletter.

About Medora Ventures

Medora Ventures is a strategy consulting firm that was founded on the belief that the most valuable investments produce a return not only for shareholders but also for the local community, for society overall, and ultimately for generations to come.

MEDORA CAPITAL

We support fund managers, investment advisors, asset owners, founders, and CEOs with:

- Market intelligence, due diligence, and financial forecasting
- Fund strategies across asset classes and securing grants, loans, and other non-dilutive capital
- Sensitivity testing, scenario analysis, and raising investments
- Impact measurement, reporting, and messaging

MEDORA MARKETING

We help corporations, non-profits, and foundations with:

- Brand identity, design, and storytelling
- Sponsorship and development strategy
- Influencer and community engagement
- Maximizing brand activation, awareness, and impact

MEDORA PUBLIC AFFAIRS

We assist public and private sector leaders with:

- Developing public-private partnerships
- Political campaign strategy and execution
- Public relations and constituent engagement
- Thought leadership through events and media

The foregoing is a general summary and perspective on the Opportunity Zones law and the new guidance issued on October 19, 2018. It is not a complete or comprehensive analysis of every aspect or provision of the law or new guidance. Investors, entrepreneurs, property owners, fund managers, and developers who own property or a business in a qualified opportunity zone or are considering an investment in a qualified opportunity zone should consult with qualified tax and legal counsel in order to determine their eligibility for these federal income tax benefits.

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