



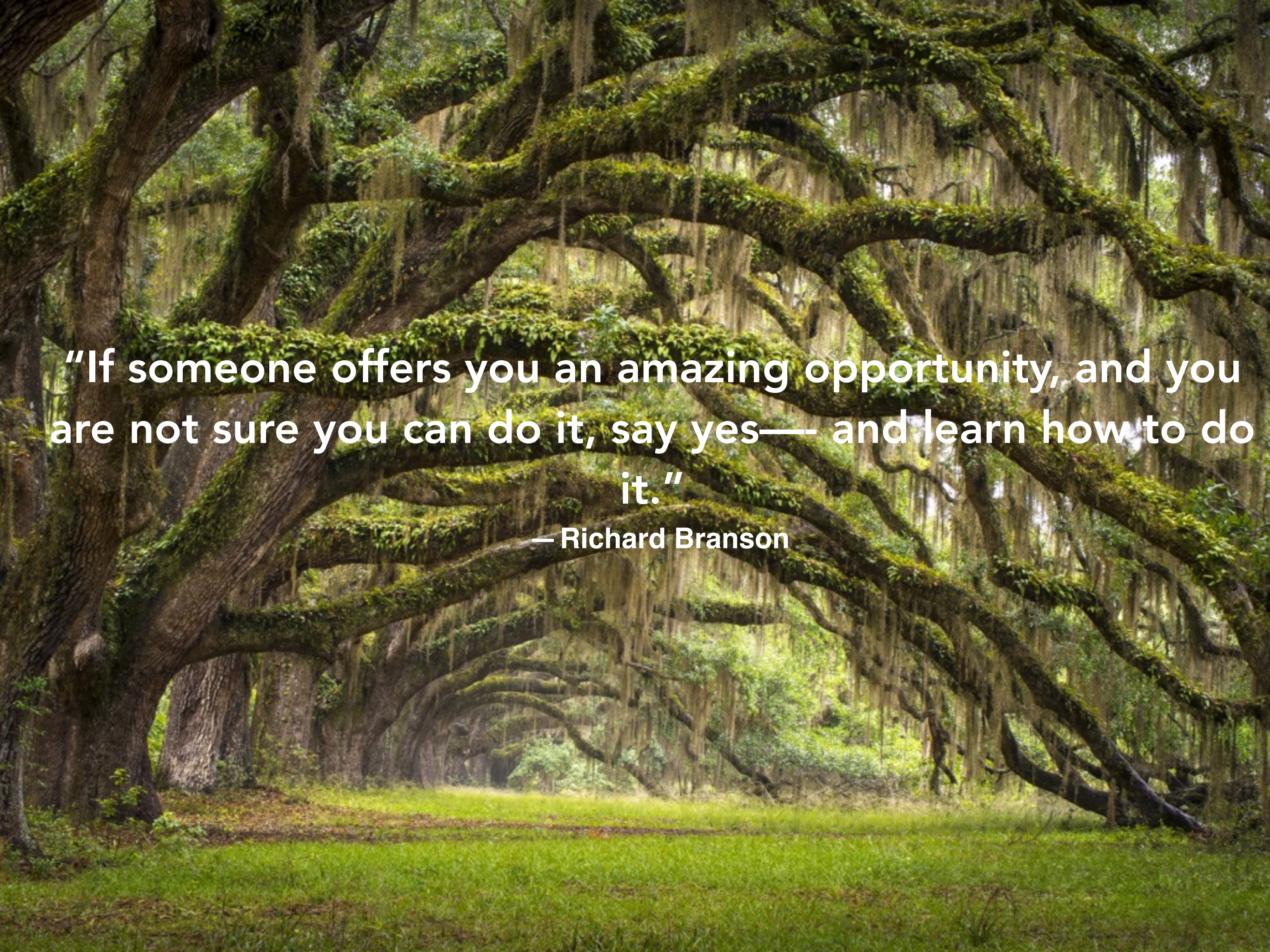
SANCTUARY  
OPPORTUNITY FUNDS

*Introducing our flagship opportunity fund:*

# CHARLESTON O FUND LP WHITE PAPER







**“If someone offers you an amazing opportunity, and you are not sure you can do it, say yes— and learn how to do it.”**

**— Richard Branson**



# Opportunity Zones

A complete overview to investment

# Opportunity Zones are a new powerful vehicle to defer, reduce and eliminate capital gains.

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# Introduction

## **US Tax Reform: Tax Reduction Strategies**

The Tax Reform Act included an extraordinary tax break for investors. Investors can defer capital gains from the sale of any asset, reduce the deferred taxes over time, and eliminate taxes completely on new capital gains by investing in a Qualified Opportunity Fund.

## **What is an Opportunity Fund?**

An Opportunity Fund is a new investment vehicle created as part of the Tax Cuts and Jobs Act of 2017 to incentivize investment in targeted communities called Opportunity Zones. Opportunity Funds are investment vehicles that invest at least 90% of their capital in Qualified Opportunity Zones. To capture the potential tax benefits offered by an Opportunity Fund, an investor must invest the gains from a sale of a prior investment (e.g., stock, bonds, real estate, a company) into an Opportunity Fund within 180 days of the sale of that investment. The investor only has to roll in the gain or profits from the sale of the investment, not the original principal of the investment. Moreover, only the taxable gains rolled over into an Opportunity Fund are eligible to receive the tax incentives.

## **Why invest in Opportunity Funds?**

Opportunity Funds allow investors to defer federal taxes on any recent capital gains until December 31, 2026, reduce that tax payment by up to 15%, and pay as little as zero taxes on potential profits from an Opportunity Fund if the investment is held for 10 years.

## **What are Opportunity Zones?**

Opportunity Zones are census tracts designated by state and federal governments targeted for economic development.

# Opportunity for all

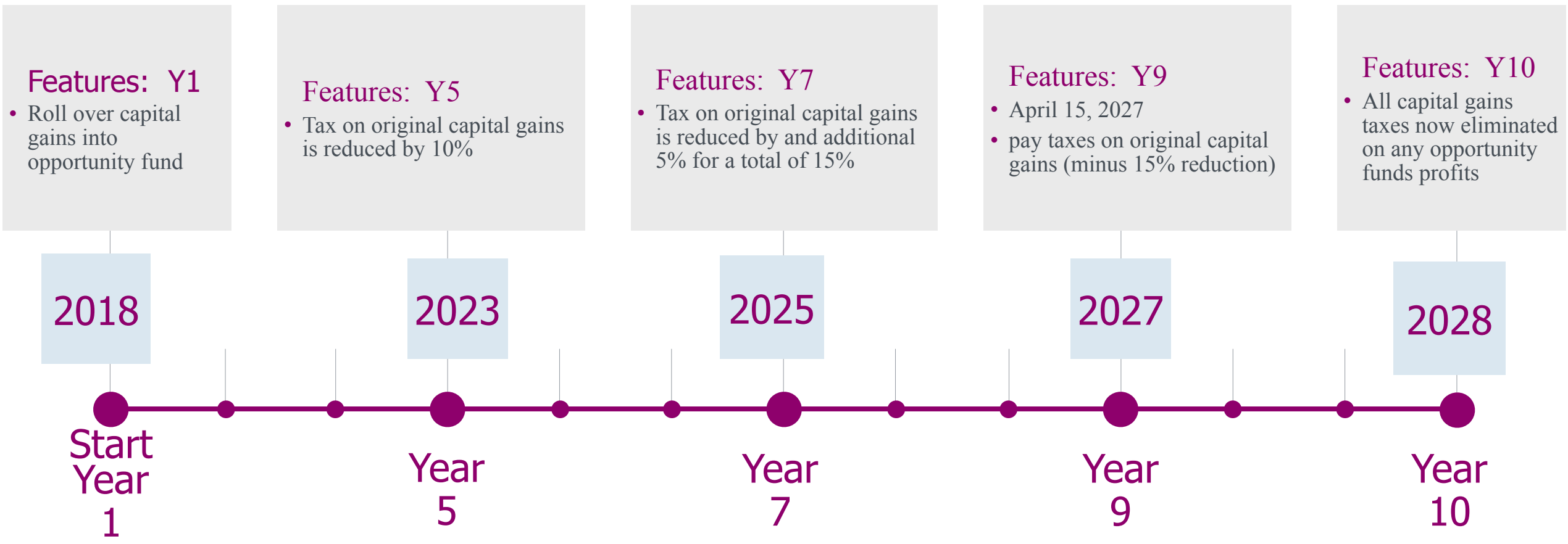
The Program, although geared towards the current real estate community, institutional investors and developers, the advantages are not constrained to only these areas. It is seen as a boon to large owner-users and long term holders of commercial real estate ,as well as, any individual or corporation with a recent or upcoming capital gain, as they can benefit by rolling their gains into an Opportunity Fund or Opportunity Zone Business.



# How Investing in an Opportunity Fund Works

To receive the most favorable tax treatment on their investment, investors are incentivized to hold their stakes in an Opportunity Fund over the long term, with the program providing the most potential upside to those who hold their investment for 10 years or even more.

## Opportunity Fund Timeline



*Pay as little as \$0 in capital gains on your next decade of investment returns.*

# Opportunity Fund Requirements

- Must be organized as a corporation or partnership for the purpose of investing in Qualified Opportunity Zone Property
- Opportunity Funds are the required investment vehicle to invest in opportunity zones
- Opportunity Funds must be certified by the US Department of Treasury
- Investors have 180 days to invest a capital gain into a qualified Opportunity fund that invests in opportunity zones
- There is no tracing requirement on the capital gain before it is invested
- Qualified Opportunity Zone property is property that is, stock, partnership interest or business property
- 90% of Funds assets must be in Opportunity zone
- Opportunity Fund investments in are subject to substantial improvement requirement.
- Non-qualified business include casinos, golf courses, racetracks and other “sin” businesses.
- Loans do not qualify as investments in opportunity zones or funds



# Real Estate Requirements

For real estate property to qualify as opportunity Zone property, the real estate property needs to have been acquired after December 31, 2017 and meet the following requirements

## Substantial Improvement:

- A property is substantially improved when capital improvements in the 31 month period following the acquisition to the property equal or exceed the purchase price of the property less land value. For example: Purchase property for 2 million. Land is worth 1 million. Must invest additional 1 million into property.

## Original Use:

- Still awaiting further details from Treasury for clarification
- The opportunity fund must prove it is the first to use the property
- In the case of raw land, original use commences with the development or improvement of the land



# Opportunity Fund Business

## Opportunity Zone Business:

- Substantially all (70%) of tangible assets of the business must be owned or leased in an opportunity zone and at least 50% of gross income earned by the business must be from the opportunity zone.
- For new businesses, at the time of purchase or creation, it must be set up as an opportunity zone business.
- Most businesses qualify except for “sin” businesses.
- Waiting for more clarification from Treasury on Technology firms or other firms that conduct business globally or nationally from within an opportunity to qualify.
- Equity issued by any domestic corporation that is a Qualified Opportunity Zone Business



# HOW DOES OPPORTUNITY FUND INVESTING WORK?

AN INVESTOR WHO HAS TRIGGERED A CAPITAL GAIN BY SELLING AN ASSET LIKE STOCKS OR REAL ESTATE CAN RECEIVE SPECIAL TAX BENEFITS IF THEY ROLL THAT GAIN INTO AN OPPORTUNITY FUND WITHIN 180 DAYS. THERE ARE THREE PRIMARY ADVANTAGES TO ROLLING OVER A CAPITAL GAIN INTO AN OPPORTUNITY FUND:



## 1: DEFER

THE PAYMENT OF  
YOUR CAPITAL  
GAINS UNTIL DEC  
31, 2026.



## 2: REDUCE

THE CAPITAL GAINS  
YOU OWE BY UP TO  
15% AFTER 7 YEARS.



## 3: ELIMINATE

TAX ON GAINS EARNED  
FROM THE OPPORTUNITY  
FUND AFTER 10 YEARS

**By investing into an Opportunity Fund, investors can not only defer and reduce their existing capital gains tax liability, but also eliminate future capital gains tax on returns earned from the Opportunity Fund.**

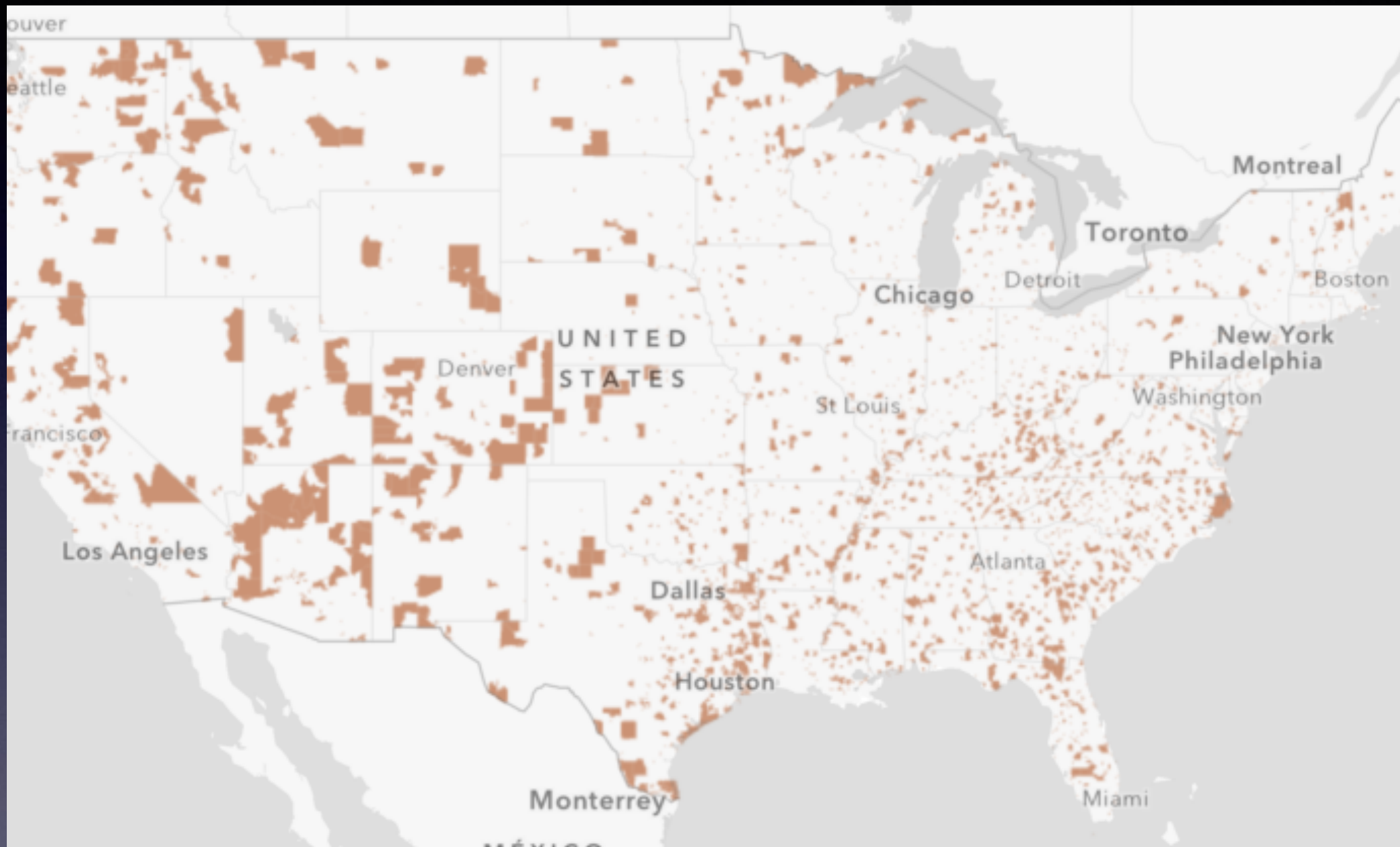


Advantages	Hurdles	Questions
Capital gains from any investment can be rolled into opportunity zones within 180 days of realization of gain	Investing in low income areas might not appreciate as much as investments in other areas	Will the program be repealed by a change in political power
A business can lower its tax basis thru depreciation of assets in addition to the benefits of Opportunity zone	Must be an accredited investor in order to invest in most funds.	Will IRS agree to the stipulations made by US Treasury
Investments in certain opportunity zones has already begun, hence taking some risk out of investing in these low income communities	Investments in opportunity zones may be harder to leverage due to intenser scrutiny by lending institutions,	Construction may take longer than program is allowing. Need more guidance on penalties for not meeting timeline
Favors unrenovated buildings, land and newly owner occupied businesses in the O Zones.	Local building regulations and speed of the process could derail some investments and timeline	Will the substantially improvement clause and time period of 31 months to complete project be extended due to development process

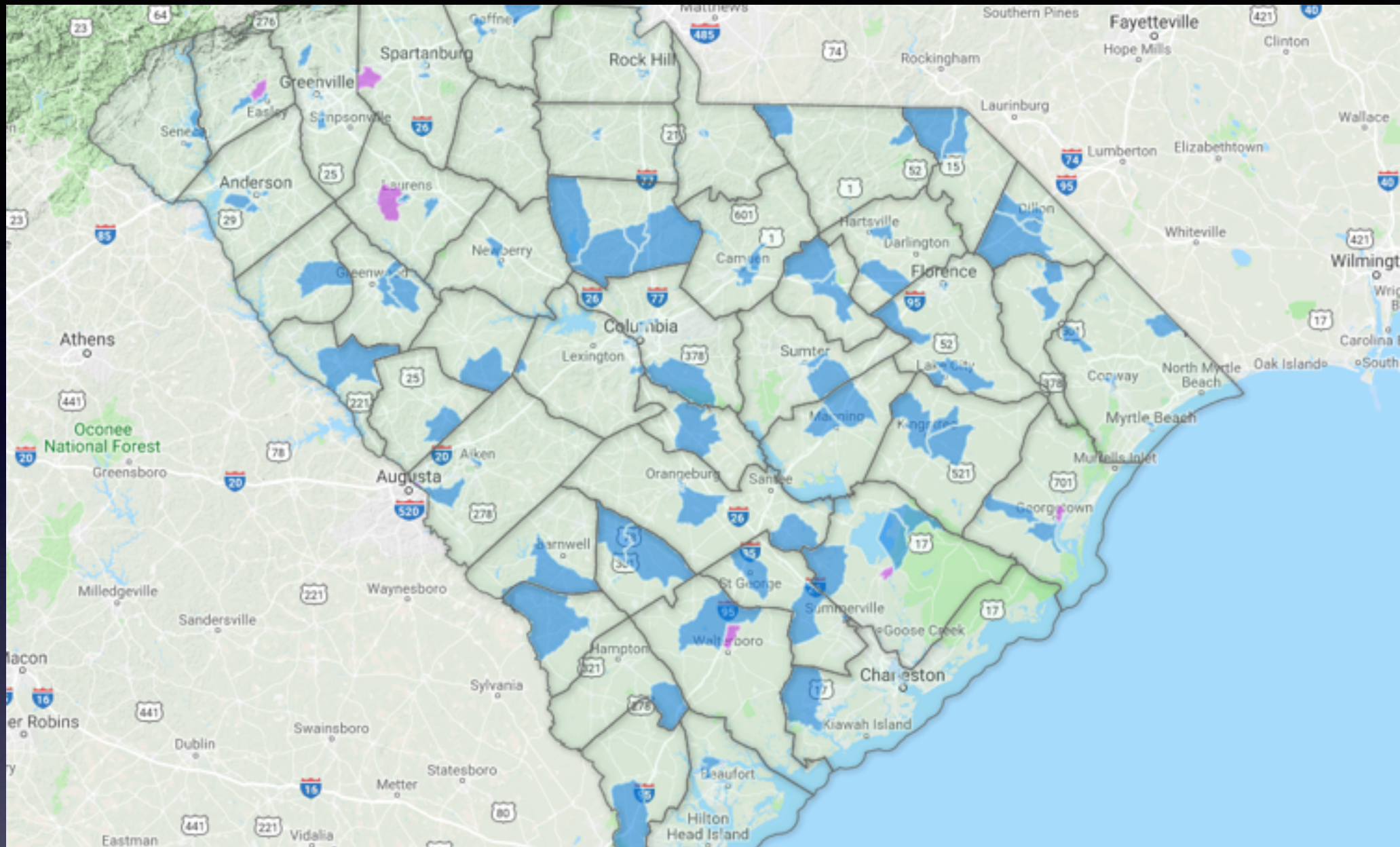
# 1031 exchange vs Opportunity Fund

	Opportunity Fund Investment	1031 Exchange
Like Kind Property	Not Required	Required
Property Type	Can be real, personal, businesss, land or stock	Real property only
Facilitator needed	Not Required	Required
Replacement Property	No requirement	Must be identified in 45 days
Amount invested	Capital gain only	Principal and capital gain
Other Type of investments	Allowed	Not Allowed
Recognition of deferred gain	12/31/2026 or sale of property	Once property is sold and not replaced
Reduction in capital Gain	10% held for 5 years, 15% if held 7 years	None
Elimination of Capital Gains	Gains on investment tax free after 10 years	None
Improvement or use	Substantially improve	None



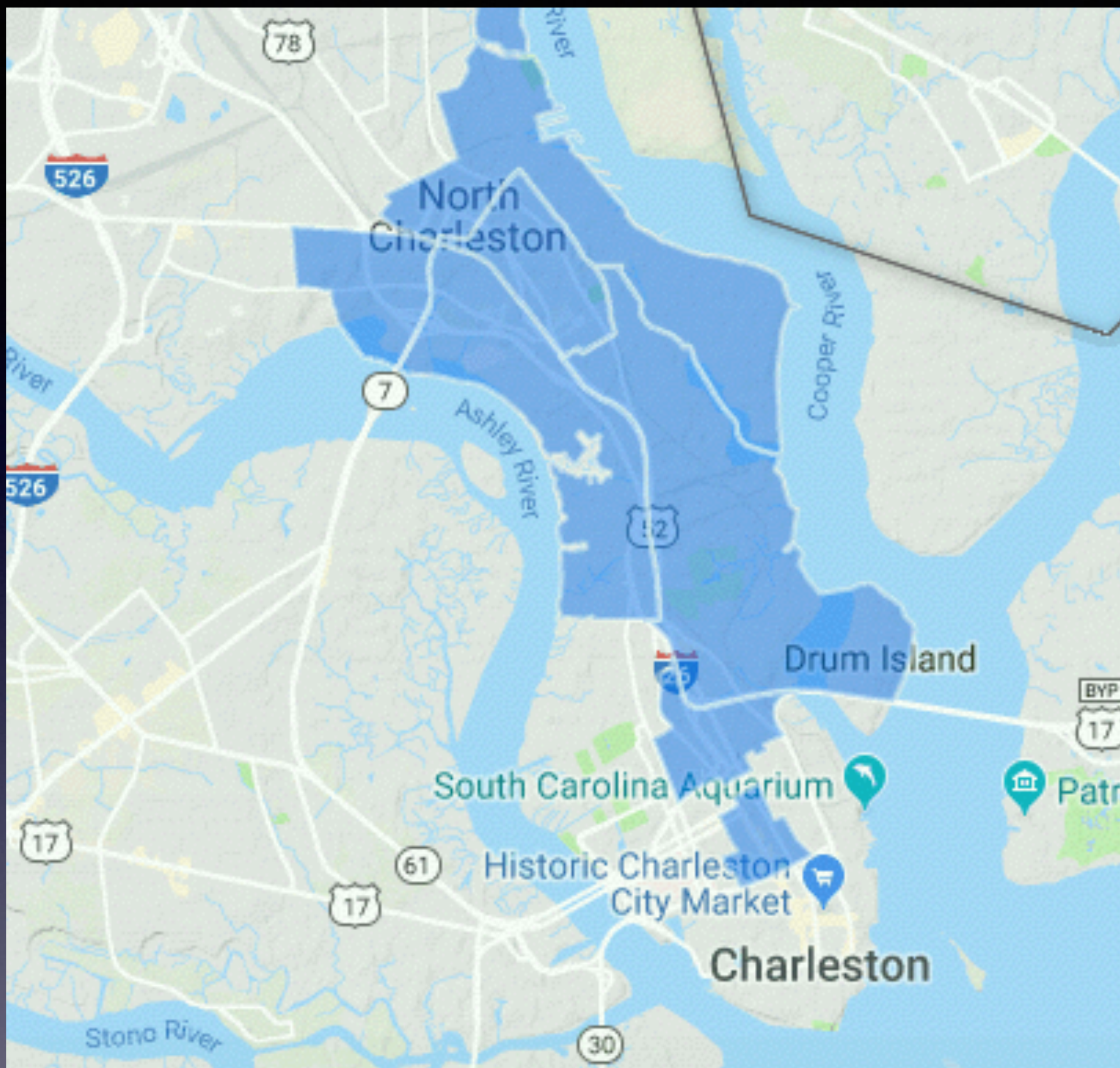


National Map Of Opportunity Zones



# South Carolina Opportunity Zone





Charleston, South Carolina Opportunity Zone

Sanctuary Opportunity Funds

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Charleston, SC 29466

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