

# URBAN CATALYST OPPORTUNITY ZONE FUND II, LLC<sup>1</sup>



Opportunity Zone Fund II ("Fund II") is a private equity real estate development fund focused on ground up development in downtown San Jose, California. Fund II has a diversified portfolio of asset classes including multifamily, hospitality and senior living. Fund II includes four projects: Icon (multifamily), Echo (multifamily), Gifford (senior living) and Keystone (hotel - Marriott Towneplace Suites). Fund II is raising \$200 million for these projects. The Marriott hotel (Keystone) is under construction and anticipates opening in Q2 2025. Urban Catalyst owns all of the land for these projects and has approvals to start construction.

Before an investor can take advantage of the potential tax incentives or benefits of investing in a QOF, the investor must first realize a capital gain and then reinvest all or a portion of that gain into a QOF.<sup>2</sup>

## POTENTIAL TAX BENEFITS<sup>2</sup>

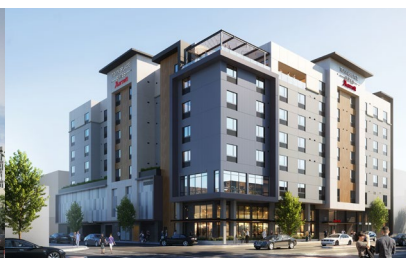
**Deferral of Capital Gains Taxes:** Investors are able to defer paying federal capital gains taxes on their initial capital gains event until they pay taxes in 2027.

**No Taxes on any Fund Profit After 10 Years:** After an investor holds their investment in an opportunity zone fund for 10 years, no federal capital gains taxes due on any profits.

**No Depreciation Recapture:** Fund II is an LLC, and thus a pass through entity. Investors will benefit from any depreciation that occurs on the properties through pass through losses. Typically, when a property sells, investors are required to pay the government back all of those losses through depreciation recapture. There is no federal depreciation recapture for opportunity zone funds, so investors are able to keep these losses.



**GIFFORD PLACE**  
Assisted Living | 169 Units



**KEYSTONE**  
Hotel | 176 Keys



**ICON<sup>3</sup>**  
Multifamily | 650+/- Units

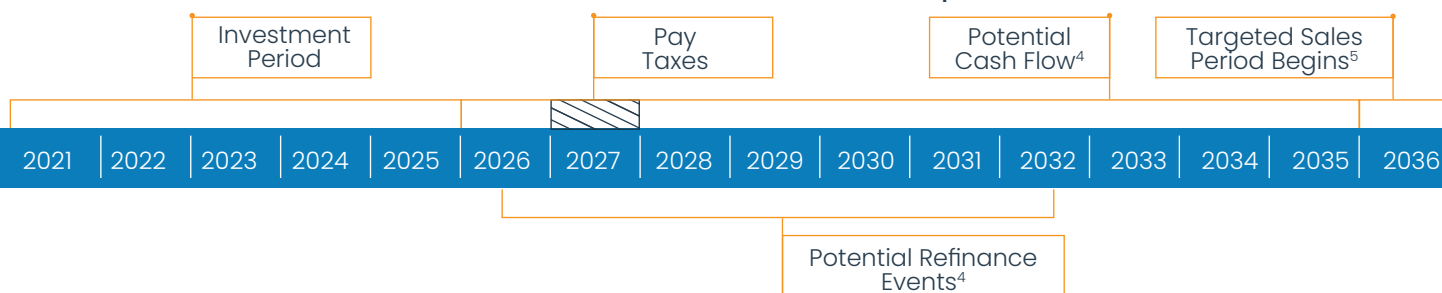


**ECHO**  
Multifamily | 388 Units

## INVESTMENT SUMMARY

|  |   |                           |  |
|--|---|---------------------------|--|
| <b>Offering Size</b>                   | \$200,000,000                                       | <b>Manager Commitment</b> | 2% of total fund raise   |
| <b>Minimum Investment</b>              | \$100,000   | <b>Tax Reporting</b>      | K-1  |
| <b>Eligible Investors</b>              | Accredited Investors Only                           | <b>Auditor</b>            | BDO  |
| <b>Asset Classes</b>                   | Multifamily, Hotel, and Senior Assisted Living      | <b>Management Fee</b>     | 2%, at year 8 decreases 0.25% annually to a minimum of 0.50%                                 |
| <b>Minimum Expected Holding Period</b> | 10 years per QOZ policy from close of capital raise | <b>Incentive Fee</b>      | 20% of the total return above a 6% annualized hurdle and full return of principal investment |
| <b>Capital Call</b>                    | None  |                           |  |

## URBAN CATALYST OPPORTUNITY ZONE FUND II INVESTMENT OBJECTIVES | INTENDED TIMELINE



1. All project details are estimates only and are subject to change. All photos are renderings and subject to change, not necessarily representative of the final project.
2. Any tax benefits discussed above are potential and for informational purposes only. Please refer to 26 U.S.C. 1400Z-2(a)-(c) for more details.
3. Please see disclosures for additional details on the multifamily conversion, which is pending approval.
4. There can be no assurance that there will be a liquidity event at all or that it will occur within the intended timeframe. Please refer to the Risk Factors section of the PPM.
5. Payment of distributions is not guaranteed. The Fund is not restricted from paying distributions from any particular source, which means the Fund could use an unlimited amount of offering proceeds and borrowings, as well as proceeds from the sale of assets to pay distributions. Any of these distributions may reduce the amount of capital the Fund ultimately invests in properties, and negatively impact the value of your investment, especially if a substantial portion of distributions is paid from offering proceeds.

## **PRIVATE INVESTMENT OFFERING – FOR ACCREDITED INVESTORS ONLY**

As of May 2, 2024, this document, the Urban Catalyst Opportunity Zone Fund II LLC (the “Fund”) has not acquired an interest in the Gifford for Accredited Investors only senior living project (the “Gifford Project”). No assurances can be made that the Fund will acquire any interest in this project at a future date. Except where otherwise indicated herein, the information provided in this document assumes the Fund will acquire the Gifford Project at a future date, and the document will not be updated or otherwise revised to reflect any changes in this assumption.

Currently Icon is entitled for office space, however a preliminary application has been submitted to the City of San Jose to change the use to Multifamily.

### **Important Disclosures**

The contents of this communication: (i) do not constitute an offer of securities or a solicitation of an offer to buy securities, (ii) offers can be made only by the confidential Private Placement Memorandum (the “PPM”) which is available upon request, (iii) do not and cannot replace the PPM and is qualified in its entirety by the PPM, and (iv) may not be relied upon in making an investment decision related to any investment offering by an issuer, or any affiliate, or partner thereof (“Issuer”).

All potential investors must read the PPM and no person may invest without acknowledging receipt and complete review of the PPM.

With respect to any performance levels outlined herein, these do not constitute a promise of performance, nor is there any assurance that the investment objectives of any program will be attained. All investments carry the risk of loss of some or all of the principal invested. Assumptions are more fully outlined in the Offering Documents/ PPM for the respective offering. Consult the PPM for investment conditions, risk factors, minimum requirements, fees and expenses and other pertinent information with respect to any investment.

These investment opportunities have not been registered under the Securities Act of 1933 and are being offered pursuant to an exemption therefrom and from applicable state securities laws. All offerings are intended only for accredited investors unless otherwise specified.

Except where otherwise indicated herein, the information provided in this document assumes the Fund will acquire the Gifford Project at a future date, and the document will not be updated or otherwise revised to reflect any changes in this assumption. A description of the risks and other disclosures involved in investing in the Fund is contained in the PPM, which should be reviewed carefully by prospective investors.

Certain information included in the document has been obtained from third-party sources and, although believed to be reliable, its accuracy or completeness cannot be guaranteed and should not be relied upon as such. Projected returns are based on projections that have been prepared in good faith on assumptions that the Sponsor believes are reasonable on the basis of its past real estate investing experience. You should bear in mind that the Fund may not realize such cash flows or achieve such projected returns, and may lead to substantial losses including the investment in its entirety.

Past performance is no guarantee of future results. All information is subject to change. You should always consult a tax professional prior to investing. Investment offerings and investment decisions may only be made on the basis of a confidential private placement memorandum issued by Issuer, or one of its partner/issuers. Issuer does not warrant the accuracy or completeness of the information contained herein. Thank you for your cooperation.

Securities offered through Emerson Equity LLC Member: FINRA/SIPC. Only available in states where Emerson Equity LLC is registered. Emerson Equity LLC is not affiliated with any other entities identified in this communication.

### **Real Estate Risk Disclosure:**

There is no guarantee that any strategy will be successful or achieve investment objectives including, among other things, profits, distributions, tax benefits, exit strategy, etc.;

- Potential for property value loss – All real estate investments have the potential to lose value during the life of the investments;
- Change of tax status – The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities;
- Potential for foreclosure – All financed real estate investments have potential for foreclosure;
- Illiquidity – These assets are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments.
- Reduction or Elimination of Monthly Cash Flow Distributions – Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cashflow distributions;
- Impact of fees/expenses – Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits
- Stated tax benefits – Any stated tax benefits are not guaranteed and are subject to changes in the tax code. Speak to your tax professional prior to investing.

### **Opportunity Zone Disclosures:**

- Investing in Opportunity Zones is speculative. Opportunity Zones are newly formed entities with no operating history. There is no assurance of investment return, property appreciation, or profits. The ability to resell the fund's underlying investment properties or businesses is not guaranteed. Investing in Opportunity Zone Funds may involve a higher level of risk than investing in other established real estate offerings.
- Long-term investment. Opportunity Zone Funds have illiquid underlying investments that may not be easy to sell and the return of capital and realization of gains, if any, from an investment will generally occur only upon the partial or complete disposition or refinancing of such investments.
- Limited secondary market for redemption. Although secondary markets may provide a liquidity option in limited circumstances, the amount you will receive typically is discounted to current valuations.
- Difficult valuation assessment. The portfolio holdings in Opportunity Zone Funds may be difficult to value because financial markets or exchanges do not usually quote or trade the holdings. As such, market prices for most of a fund's holdings will not be readily available.
- Capital call default consequences. Meeting capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner could elicit significant adverse consequences, including, without limitation, the forfeiture of your interest in the fund.
- Opportunity Zone Funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Leverage involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the assets underlying such investments.
- Unregistered investment. As with other unregistered investments, the regulatory protections of the Investment Company Act of 1940 are not available with unregistered securities.
- It is possible, due to tax, regulatory, or investment decisions, that a fund, or its investors, are unable to realize any tax benefits. You should evaluate the merits of the underlying investment and not solely invest in an Opportunity Zone Fund for any potential tax advantage.

- The above material cannot be altered, revised, and/or modified without the express written consent of Urban Catalyst.