
Island Paradise QOF

Qualified Opportunity Fund (QOF) Developing World Class Hospitality Properties
From Distressed Assets in Puerto Rico



ASHLEY TISON
Partner



ARI KRESCH
Partner



Qualified Opportunity Zone Business (QOZB)
and
Qualified Opportunity Fund (QOF)

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ISLAND PARADISE: EXECUTIVE SUMMARY

Strategy

Purchase, develop, and operate mid-sized hospitality assets, leveraging significant tax incentives in the process.

Location

Opportunity Zones in both urban and rural areas of Puerto Rico.

Team

Experienced management team of hospitality industry veterans, entrepreneurs, and OZ experts.

Financial Summary

\$17.5M Target Equity Raise

25%+ Target IRR
Prior to OZ Benefits

4.0x+ Target Equity Multiple

8.0% Preferred Return

0% Capital Gains on Sale





INVESTMENT THESIS

ISLAND PARADISE: INVESTMENT THESIS

- 1 Puerto Rico's tourism and hospitality industry is recovering rapidly and has a **compelling long-term forecast**.
- 2 The Island Paradise management team is uniquely able to **identify and develop undervalued assets**.
- 3 Stacked tax incentives de-risk Puerto Rico hospitality assets while **significantly enhancing long-term return potential**.



ISLAND PARADISE: INVESTMENT THESIS

1 Puerto Rico's tourism and hospitality industry is recovering rapidly and has a **compelling long-term forecast**.

2 The Island Paradise management team is uniquely able to **identify, develop, and operate distressed assets**.

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✓ Annual lodging revenues shattered 2019 figures by 37% , surpassing \$1 billion for the first time.

✓ 4.8 million arrivals at SJU in 2021 (+2.6% vs. 2019), with approximately 62% of those tourists (+3% vs. 2019)

✓ Revenue per available room (RevPAR) was 124% higher than the U.S. mainland average (vs. +61% in 2019)

✓ End of all travel restrictions as well as return of cruises and large events provide additional tailwinds.



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Legacy of Hurricanes Maria and Irma remains, particularly in rural areas.



Purchasing and developing these assets requires **local experience and networks**.



Team has purchased **hundreds of properties** and has extensive local contacts.



Additional expertise in **debt financing, OZ compliance, and operations**.



Implemented mainland business practices and **world class partners**.



ISLAND PARADISE: PORTFOLIO AND PIPELINE



Hawayek Building

San Juan, PR
Acquired 2021

Purchase Price: \$1.4M

Per Door: ~\$31,000

Renovations: \$7.1M

Rooms: 45

tRevPAR: \$308

Eq. Multiple: 4.5x unlevered / 12.0x levered



Manati Villas

Manati, PR
Acquired 2022

Purchase Price: \$600k

Per Door: ~\$37,500

Renovations: \$600k

Rooms: 6+

tRevPAR: \$129

Eq. Multiple: TBD



ISLAND PARADISE: PORTFOLIO AND PIPELINE



Cabo Rojo Hotels

Cabo Rojo, PR
Currently in Diligence

Purchase Price: \$4.0M

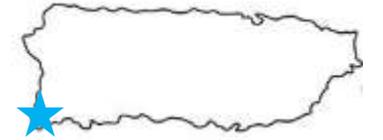
Per Door: ~\$65,000

Renovations: \$5.9M

Rooms: 62

tRevPAR: \$384

Equity Multiple: 5.1x (unlevered) / 13.9x levered



El Coqui

Quebrada Arenas, PR
Acquired August 2022

Purchase Price: \$1.4M

Per Door: ~\$17,500

Renovations: \$10.4M

Rooms: 80 → 100+

tRevPAR: \$189

Equity Multiple: 4.7x unlevered / 12.5x levered



ISLAND PARADISE PORTFOLIO: HAWAYEK BUILDING



Boutique San Juan Hotel

This building, located in San Juan, will be developed into a restaurant/hotel.

Floors 2 through 6 will be developed into a 45-room hotel. The top floor will be developed into a high-end restaurant.

Purchase Price: \$1.4M

Renovations: \$7.1M

Rooms: 45

RevPAR: \$308

Equity Multiple: 4.5x unlevered / 12.0x levered

ISLAND PARADISE PORTFOLIO: HAWAYEK BUILDING

Historic Hawayek Building in 1950s San Juan



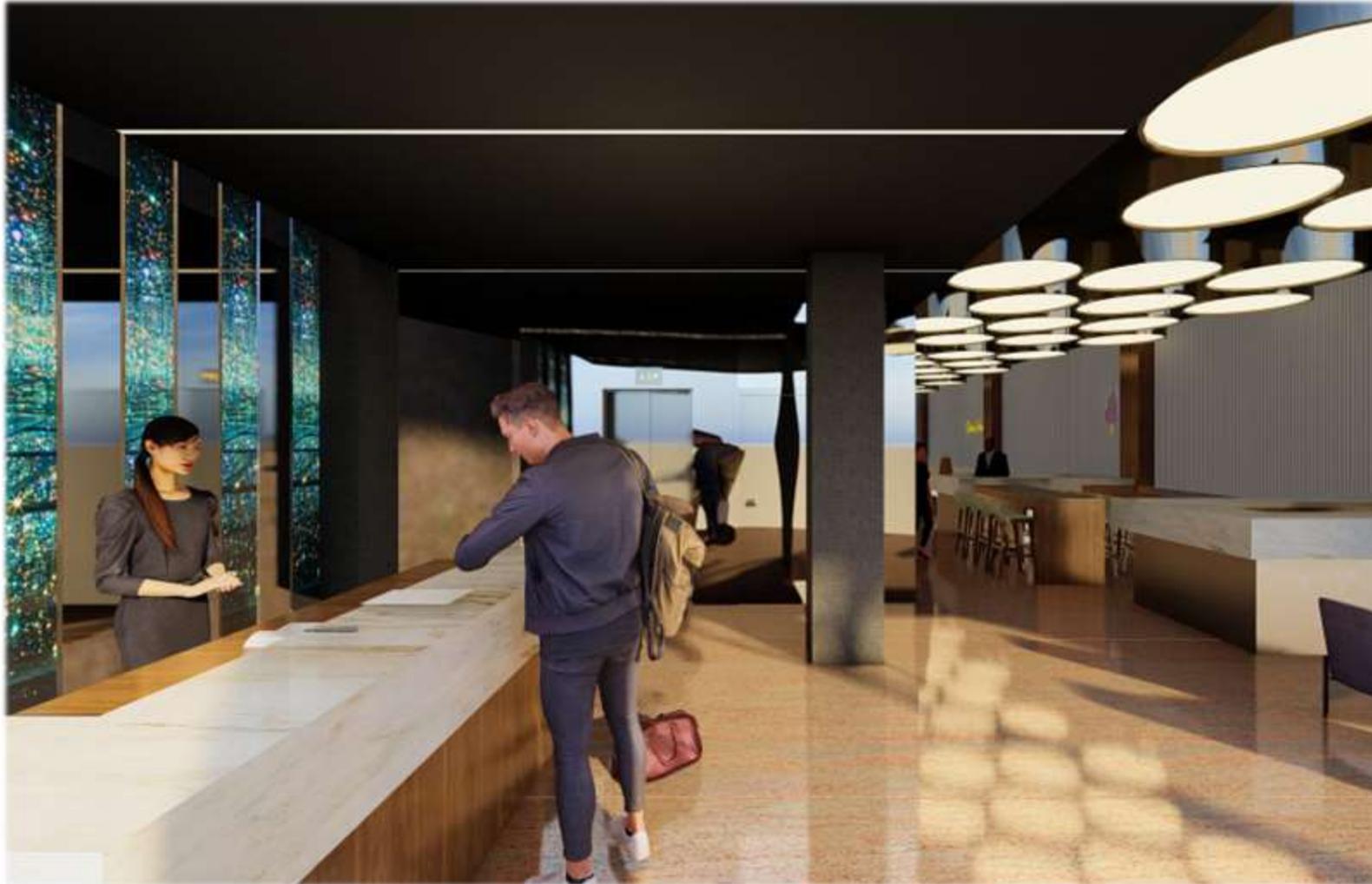
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ISLAND PARADISE PORTFOLIO: HAWAYEK BUILDING



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ISLAND PARADISE PORTFOLIO: **MANATI GUEST HOUSES**



Portfolio Asset: Manati Guest Houses

Located on the northern coast of Puerto Rico west of San Juan, this property currently includes 6 rental units.

Island Paradise will upgrade and reconfigure the existing rooms and convert gazebos into additional units.

Purchase Price: \$600k

Renovations: \$600k

Rooms: 6+

RevPAR: \$129

Equity Multiple: TBD



ISLAND PARADISE PORTFOLIO: EL COQUI



Pipeline Asset: 80 Room Hotel

Quebrada Arenas is one of the 18 barrios of the municipality on San Juan, and the only rural barrio in the municipality.

Island Paradise will overhaul this 80-room hotel, expand the number of rooms, and develop a “jungle retreat” designed for tourists seeking an escape into Puerto Rico’s unrivaled natural beauty.

Purchase Price: \$1.4M

Renovations: \$10.4M

Rooms: 80+

RevPAR: \$189

Equity Multiple: 4.7x unlevered / 12.5x levered



ISLAND PARADISE PORTFOLIO: EL COQUI



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ISLAND PARADISE PIPELINE: **UPSCALE CABO ROJO HOTELS**



Pipeline Asset: Two Hotels in Cabo Rojo

These upscale hotels, which suffered significant damage from Hurricane Maria, will be restored to world class vacation destinations.

Located in an Opportunity Zone in Cabo Rojo, Puerto Rico, this property will be developed into a resort destination.

Purchase Price: \$4.0M

Renovations: \$5.9M

Rooms: 62

tRevPAR: \$384

Equity Multiple: 5.1x unlevered / 13.9x levered



ISLAND PARADISE PIPELINE: **UPSCALE CABO ROJO HOTELS**



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CABO ROJO: TOURIST ATTRACTIONS



Puerto Rican Salt Flats

The Salt Flats are one of Puerto Rico's most beautiful tourist attractions.

Located on nearly 1,250 acres, the Salt Flats are now part of the Cabo Rojo Wildlife Refuge.



Playa Sucia

One of the most beautiful beaches in Puerto Rico, Playa Sucia (or Playuela) is relatively untouched.

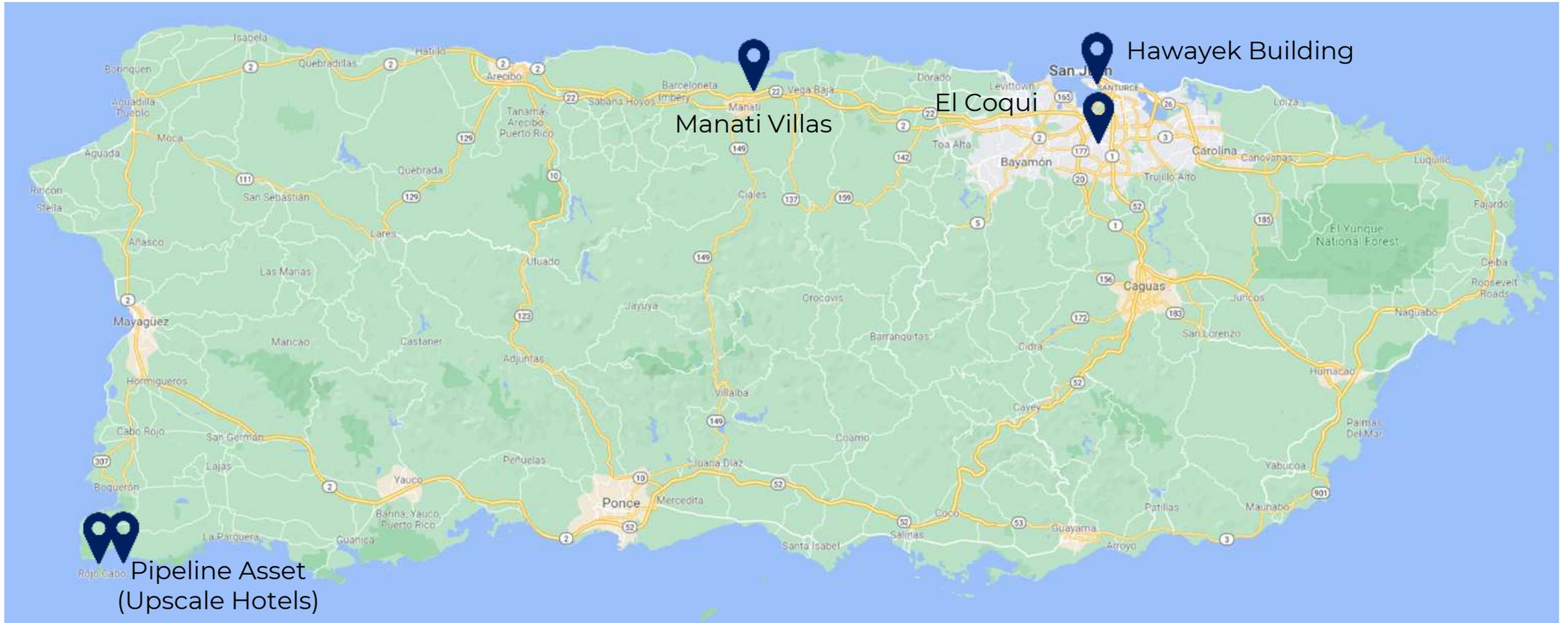
Playa Sucia is regularly voted among the best Caribbean beaches.



Cabo Rojo Lighthouse

Located on an isolated point with white lime cliffs surrounded by lagoons and marshes, Cabo Rojo's lighthouse, built in 1882, is another major tourist attraction in Cabo Rojo.

ISLAND PARADISE: PROPERTY LOCATIONS



ISLAND PARADISE: MANAGEMENT TEAM



Ari Kresch

Based in Puerto Rico
Acquisition and Development



Robbie Crager

Based in Puerto Rico
Acquisition and Development



David Micale

Based in Puerto Rico
Acquisition and Development



Ashley Tison

Based in North Carolina
Legal and Compliance



Seth Rosenberg

Based in Arizona
Finance

100+

Years in
Real Estate

1,000+

Properties
Purchased



ISLAND PARADISE: MANAGEMENT TEAM

Ari Kresch

Ari Kresch started managing his parents' real estate portfolio consisting of a few rental duplexes when he was a mere 12 years old. He went on to become the youngest law school graduate at Detroit College of Law (founded in 1891) at age 22. After graduation, he moved to New York City where he built a personal injury practice and later founded 1-800-LAW-FIRM, the first national legal marketing/law firm. While in New York, Ari invested in and developed residential, commercial, industrial, and vacant land acquisitions.

In 2016, he moved his family and his legal marketing business to Puerto Rico. Inspired by his bold moves, numerous law firms with whom he did business moved their businesses to Puerto Rico. They required homes, office space and investments. Since Ari was experienced, proficient and trusted in recognizing real estate opportunities, they sought his help in acquiring access to the highly lucrative investment opportunities in Puerto Rico. In under 5 years he's partnered with some of the most well respected and powerful litigation law firms in The United States. The talent that he's assembled for property acquisition, property development, and opportunistic tax treatment is second to none.

To give smaller investors similar opportunities to shelter capital gains and access the disproportionate yields of Puerto Rico real estate investments, he spearheaded the launch of Island Paradise. His partners are amongst the most passionate, well connected, and creative real estate professionals that are committed to making it easy for novices to partner in first class properties. The team is committed to introducing and making fractional ownership through blockchain technology a reality by 2024. This promises to transform the inefficient, illiquid ownership of limited partnership interests in first class portfolios into the liquidity that is only seen in public markets.



ISLAND PARADISE: MANAGEMENT TEAM

Robbie Crager & David Micale

Robbie and Dave are principals in PR Consultants LLC, which has purchased and sold nearly 100 properties in Puerto Rico over the last four years and currently owns and manages 45 properties across the island. PR Consultants is a full-service real estate investment firm, completing acquisitions, construction, management, and sales.

Prior to moving to Puerto Rico, Robbie and Dave have completed nearly 2,500 real estate deals and have an aggregate 40 years of experience.

Hospitality projects of PR Consultants in Puerto Rico include:

- **Surfing Turtle Inn:** Guest house in Luquillo with Act 74 Tourism decree and 41% net profit margin;
- **Looking Glass Hotel:** Located in Santurce, this hotel will feature a rooftop bar and swimming pool and first floor commercial space;
- **Playa Corcega Recreational Area:** Located on the beach in Rincon, this property features a mix of RV spots, cabanas, and hotel rooms. Received Act 74 conceptual approval and finalizing a process to receive tax decree;
- **Islote Arecibo Project:** Recently acquired guest house across the street from the beach will include a pool and restaurant. This project has received Act 60 conceptual approval.



ISLAND PARADISE: MANAGEMENT TEAM

Ashley Tison

Ashley Tison, Esq. is the founder of OZPros, the leading Opportunity Zone consultancy. A leading consultant and attorney on Opportunity Zones, tax advantaged structures and investing strategies, Ashley has advised over 500 commercial property investors, family offices, investment advisors and high net worth individuals on how to best maximize their tax savings in real estate investments, how to maximize the positive community impact of their projects, selecting an optimal investment strategy, and properly navigating the applicable regulations. Ashley is an engaging and enthusiastic speaker and / or guest covering topics such as opportunity zones, tax advantaged alternative investments, real estate, and tax planning for leading national conferences and educational seminars.

Ashley has 18 years of practice with McGuireWoods; Johnston, Allison & Horde; FisherBroyles; and Redding, Tison, Jones. He previously worked as Associate General Counsel for Gemini Real Estate Advisors. Ashley has also raised three funds for the acquisition, refurbishment and rental of three mobile home park developments in Charlotte and Hickory, NC.



ISLAND PARADISE: MANAGEMENT TEAM

Seth Rosenberg

Seth has worked with Fortune 100 insurance carriers and is the fifth generation providing insurance and financial planning solutions to businesses and individuals. He currently holds the designations of Chartered Life Underwriter (CLU® from the American College of Financial Services), Certified Financial Planner, (CFP®), Life Underwriting and Training Council Fellow from the National Association of Insurance and Financial Advisors, and a baccalaureate in Business Administration from the University of Maryland University College.

Seth runs Ability First Financial, a specialty financial planning practice, licensed as a registered investment advisory firm, insurance agency, and plan administrator with the tagline Taxes are Overrated (TM). Seth believes that financial and tax planning must be driven by a fiduciary that can focus on a holistic approach to business. In his spare time, he is the Cubmaster for the first Sabbath observant, Kosher Cub Scout family pack in the country. Seth lives with his wife and son in Phoenix, Arizona with a dog, 2 cats.

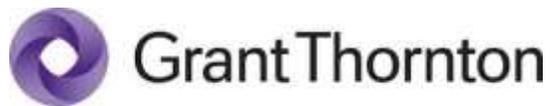


ISLAND PARADISE: OUR PARTNERS

KEGLER
BROWN
HILL +
RITTER



BOUTIQUE | HOTEL ADVISORS SM
Hoteliers Resource for Better Informed Decisions



Mollie Gerber Design
ecological landscaping



ISLAND PARADISE: INVESTMENT THESIS

1 Puerto Rico's tourism and hospitality industry is recovering rapidly and has a **compelling long-term forecast**.

2 The Island Paradise management team is uniquely able to **identify, develop, and operate distressed assets**.

3 Stacked tax incentives de-risk Puerto Rico hospitality assets while **significantly enhancing long-term return potential**.



Nearly all of Puerto Rico is located in an Opportunity Zone, which has the potential to **eliminate capital gains**.



Act 60 tourism incentives can potentially **subsidize significant portions of development and operating expenses**.



Additional incentives exist to reduce sales tax, property taxes, and corporate taxes in Puerto Rico.

OPPORTUNITY ZONES: TAX BENEFITS

Qualified Opportunity Funds (QOFs) are private sector investment vehicles that invest at least 90% of their capital in qualifying equity investments in Opportunity Zones.



TAX DEFERRAL

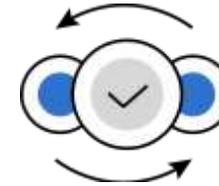
Temporary tax deferral on capital gains re-invested in a QOF within 180 days.

Deferred gain recognized on December 31, 2026, or until interest in the fund is sold or exchanged (if earlier).



TAX ELIMINATION

Permanent exclusion from taxable income of capital gains accrued in QOF and held for at least 10 years.



(MORE) TAX ELIMINATION

Pass through of accelerated depreciation via cost segregation.

Depreciation recapture on an Opportunity Zone asset is eliminated.

OZ TAX BENEFITS: HYPOTHETICAL EXAMPLE

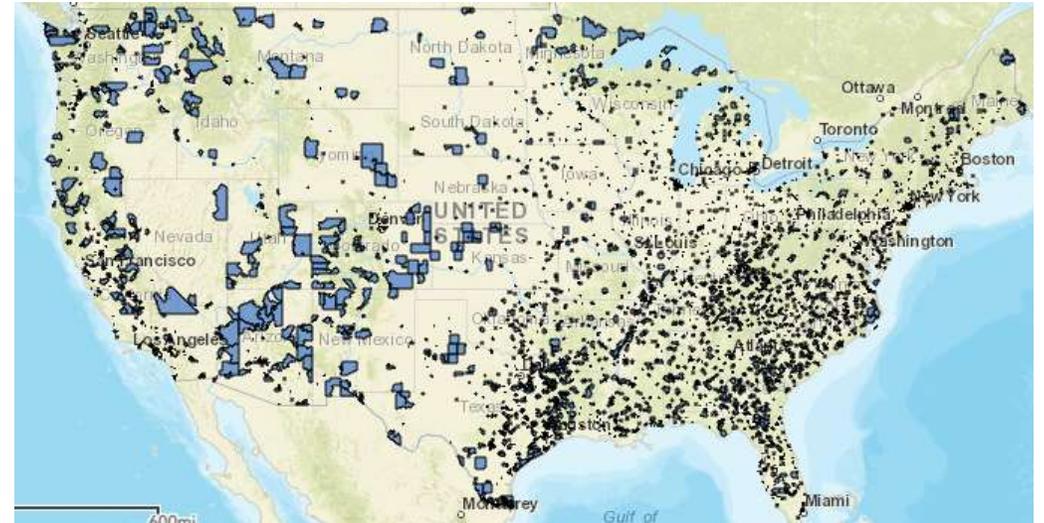
| | Non-OZ Investment | OZ Investment |
|---------------------------------|------------------------------|----------------------|
| Capital Gains | \$1,000,000 | \$1,000,000 |
| Less: Capital Gains Tax | (\$300,000) | \$0 |
| After-Tax Investment | \$700,000 | \$1,000,000 |
| Year 10 Value | \$2,100,000 | \$3,000,000 |
| Less: Year 10 Capital Gains | (\$630,000) | \$0 |
| Year 10 After Tax Value | \$1,470,000 | \$3,000,000 |
| Less: Capital Gains Due in 2027 | \$0 | (\$300,000) |
| Total Year 10 After Tax Value | \$1,470,000 | \$2,700,000 |
| Equity Multiple | 2.1x | 2.7x |
| IRR | 7.7% | 12.4% |

Assumes: 1) 3x gross equity multiple; 2) 30% federal + state + net investment tax rate.



OPPORTUNITY ZONES: WHY PUERTO RICO?

- 1 Includes A+ neighborhoods in a tropical paradise. **98% of Puerto Rico is located in an Opportunity Zone.**
- 2 Scarcity of competition and general risk aversion / lack of financing leads to **lower asset prices.**
- 3 Additional tax incentives (Act 60) can create 40% tax credits for investment and **significantly enhance long-term return potential.**
- 4 After a prolonged downturn, **Puerto Rico is now thriving** and poised to undergo rapid economic growth.



ACT 60: TAX BENEFITS

Act 60-2019 was developed in the wake of Hurricane Maria, offering significant tax incentives to businesses and individuals operating in Puerto Rico.

Up to
40%
TAX CREDITS

Up to 40% of total project cost in tax credits.

Up to
50%
EXEMPTION

On Municipal License Taxes.

Up to
75%
EXEMPTION

On Property and Municipal Construction Excise Taxes.

Up to
100%
EXEMPTION

On Sales and Use Taxes.



OZ PLUS ACT 60 TAX BENEFITS: HYPOTHETICAL EXAMPLE

| | Non-OZ Investment | OZ Investment | OZ + Act 60 |
|---------------------------------|----------------------|------------------|-------------|
| Capital Gains | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| Less: Capital Gains Tax | (\$300,000) | \$0 | \$0 |
| After-Tax Investment | \$700,000 | \$1,000,000 | \$1,000,000 |
| Year 10 Value | \$2,100,000 | \$3,000,000 | \$3,000,000 |
| Less: Year 10 Capital Gains | (\$630,000) | \$0 | \$0 |
| Year 10 After Tax Value | \$1,470,000 | \$3,000,000 | \$3,000,000 |
| Less: Capital Gains Due in 2027 | \$0 | (\$300,000) | (\$300,000) |
| Total Year 10 After Tax Value | \$1,470,000 | \$2,700,000 | \$2,700,000 |
| Value of Tax Incentives | \$0 | \$0 | \$504,000 |
| Net Proceeds | \$1,470,000 | \$2,700,000 | \$3,204,000 |
| Equity Multiple | 2.1x | 2.7x | 3.2x |

Assumes: 3x gross equity multiple, 30% federal + state + net investment tax rate.
For tax credit: 50% debt / 50% equity capital stack, 30% tax rate, \$0.90 per \$1 sale



An aerial photograph of a tropical bay. The water is a vibrant turquoise color, transitioning to a deeper blue as it meets the horizon. A sandy beach curves along the bottom and right sides of the bay, with gentle waves lapping at the shore. The surrounding land is covered in dense, lush green vegetation. The sky is a clear, bright blue with a few wispy white clouds near the horizon. The overall scene is serene and idyllic, suggesting a prime location for investment.

INVESTMENT OPPORTUNITY

ISLAND PARADISE: INVESTMENT OPPORTUNITY

Target Raise

\$17.5M

Waterfall

8% preferred return

80% / 20% split to 12% return

60% / 40% split for 12%+

Investment Period

10+ year investment timeline

Management Fee

1.0%

Minimum Investment

\$100,000

Fund Structure

Partnership LLC (K-1)



ISLAND PARADISE: NEXT STEPS

OpportunityDb.com/Paradise

- Request access to deal room and offering documents;
- Schedule a follow-up call with our management team; or
- Schedule a visit to Puerto Rico!



ASHLEY TISON

Partner
info@islandparadisepr.com

