



Port Authority Opportunity Zone™

OPPORTUNITY ZONE



Government Authority
P3 – Private | Public | Partnerships

HOSPITALITY INITIATIVE
HOTELS • MOTELS • BOUTIQUE • RESORTS • B&B

US LODGING RECOVERY FRAMEWORK



BUSINESS

Thousands of hotels facing foreclosure as pandemic persists



R.A. Schuetz

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▶ O|Zone™ Hospitality Initiative



▶ Community Spaces preserving a unique part of our culture

meetings • special events • a relaxing “get away” • a conference • a fantastic meal • “happy hour”

Preserving our Community Spaces is essential to our way of life. With the threat of thousands of hotels, motels, resorts, B&Bs and boutique establishments on the verge of closing, and the impact of this tragedy on our Communities, action must be taken. The O|Zone™ Hospitality Initiative seeks to provide a framework for local Communities to assist their local Hospitality economy. The Initiative combines Qualified Opportunity Zones, federal and local governments, TCJA tax incentives and FinTech to address this issue.

▶ Local Jobs preserving employment in a transitional time

will this industry return to “normal” • when • will it substantially change • how

For the moment, preserving jobs and maintaining operational capabilities are essential to long-term survival of this industry as well as maintaining a level of income and benefits to staff. It is critical that consumers continue to “spend” and for many that requires a job. The Initiative envisions maintaining staff, perhaps on reduced hours, supplemented by federal and state employment assistance until the industry recovers or transitions to a new approach.



▶ The Property financing • preservation • renewal

foreclosure • revenue to maintain ongoing essential costs • renewal and updating

To maintain the Property as an operating Community Space, retain Local Jobs and benefit the local economy, restructuring debt and other obligations related to the Property may be some of the most pressing issues. Generating enough revenue to maintain at least a minimum level of staffing and pay operating costs is essential. Increased working capital may be necessary to extend operations into a recovery, or restructuring of activities. For some properties, renewal and updating may be timely and a good use of existing staff.

▶ Digital Medallions a new approach to “digital assets”

success sharing through component enterprise operations

Digital Medallions are a new form of “digital assets” which provide Government issued permits combined with a means of sharing revenue between enterprise collaborators and local community. It facilitates an advanced form of capital funding, enabling participation in revenues and increases in value of future revenues and intangible assets. Qualified Opportunity Funds and QOZ Businesses will find this approach highly beneficial.





Port Authority Opportunity Zone™ Assisting Local Hospitality

O|Zone™ Hospitality Initiative is a Business Opportunity designed to address immediate “pandemic issues”.

The Initiative focuses on addressing foreclosure issues, maintaining employment, upgrading facilities and improving Quality of Life within the Community.

Each Opportunity uses a component business approach, combining Business | Services Operators, and land, building, equipment and inventory participants.

Port Authority Opportunity Zone™

Port Authority Opportunity Zone™ is a collaboration of one or more Government Authorities representing the public sector and non-profit 501(c)(4) organizations representing the private sector in “partnership” to promote economic development and enhanced social welfare on a regional geographic basis within a state or territory. Within its borders each Government Authority may contain one or more Qualified Opportunity Zones designated by the Governor under the federal Tax Cuts and Jobs Act (“TCJA”).

Qualified Opportunity Zones

More than 8,760 Qualified Opportunity Zones (“QOZ”) were created by Congress.

The United States has 3,141 counties. It has 435 US House of Representatives districts.

One could observe on average, there are approximately 175 QOZs per state, just under 3 QOZs per county, and 20 per Congressional District.

QOZs can be geographically small or large. Likewise, population may be very large in a small QOZ and small in a large QOZ.

The approach to establishing geographic boundaries of a Port Authority Opportunity Zone™ is a balance of population and geography on a case by case basis.

O|Zone™ Initiatives

Each O|Zone™ Initiative is designed to create a repeatable Business or Service (an “Opportunity”) with a focus on increasing Quality of Life within each local Community.

Principals of O|Zone™ have developed various Initiatives under several Programs to “get the ball rolling”. Using the O|Zone™ Framework, individuals are encouraged to create new Initiatives to be included in the index of accredited Opportunities.

Programs related to agriculture, environment, emergency services, sports, medical, education, among others, are available to Port Authority Opportunity Zones and their respective Government Authorities.

Private | Public | Partnerships

Hospitality Local

Embracing Local Hospitality

The Initiative focuses on supporting local Hospitality Properties in cooperation with each Port Authority Opportunity Zone™ and Qualified Opportunity Zones.

Hospitality Initiative has a dual focus: i) addressing immediate issues caused by the pandemic, and ii) supporting Hospitality Industry transformation.

Just as business may change to more remote interaction, Hospitality may require transformation to support our changing lifestyles.



- **Transition Period**- News reports in 2020 suggested that more than 50% of hospitality properties might be foreclosed. Occupancy reached an all-time low. Perhaps, the nation's shift to remote work will substantially change use of hospitality facilities and services.
- **O|Zone™ Hospitality Initiative** - The Initiative is designed to fund and support a transition period to enable local Community hospitality properties to evolve in a manner which best supports the Community and each Property's constituents.
- **Port Authority Opportunity Zone™** - Each Port Authority Opportunity Zone™ represents various local Government Authorities working with the private sector, in an organized manner, to develop and support local business and community-based activities to enhance local quality of life.
- **Government Authority** - Each Government Authority uses its tools to protect and stabilize the local economy. In this case, a Hospitality Property in foreclosure may benefit from a Government Authority, acquiring the underlying debt obligation, through its municipal finance capabilities. This approach may provide time to "work-out" next steps, perhaps injecting working capital, bringing in participants who benefit from tax incentives, maintaining jobs, and mitigating further local economic distress.
- **Component Approach** - The O|Zone™ approach is structured to benefit from Qualified Opportunity Zones (even if the Property is not in a QOZ) and other TCJA tax incentives. By identifying various components within a business (an "Opportunity"), various participants who benefit most from specific components, come together to mutually succeed. This concept is described hereafter.
- **Land** - Governmental Authority may acquire land benefiting from its non-tax status. It may also issue tax-exempt bonds to finance street, parking lot, utilities, and other infrastructure improvements.
- **Building** - A Property in need of renovation may be restored as a residence facility for seniors wishing to evolve to "hotel living", complete with club, spa, recreational and dining facilities. A Hospitality Property may re-organize its physical facilities to include privately-owned units for parties wishing to live in the area on a part-time basis. At-home workers may wish to use the facilities for meetings, small conferences, and simply to "get out of the house". Post-pandemic life may evolve various uses for these communal | social destinations, requiring upgrading and modifications.
- **Services Operators** - A number of Business | Services within a Property may become a preferred model. Bar Lounge, Restaurant, Business Services, Personal Services, Pet Grooming, Special Events, Meetings Destination, Residence, as well as overnight lodging, may develop as independent collaborators to create a range of services for guests and local customers.
- **A Focus on Day Revenue** - Using facilities to create services to attract local customers on a routine basis, lowers reliance on "out-of-town" travelling guests. Increasing "day" based revenue as well as "extended stay" revenue may reduce volatility of overnight and create premium room revenue.
- **Community Benefit** - A facet of Port Authority Opportunity Zone™ and O|Zone™ Digital Medallion™ technology, is that a portion of gross revenues becomes available to the Community to support "at-risk" members and to expand Community infrastructure and services which may be supported by the Property and its Business | Services Operators.

O|Zone™ Opportunities - Hospitality

Port Authority Opportunity Zone™ Hospitality Initiative focuses on preserving the local hospitality industry in a distressed time and financially supporting its long-term transition.

Each Hospitality component is an O|Zone™ Opportunity enabling “employees” to become Business | Services Operators within a framework supported by O|Zone™ participants providing land, buildings, equipment, inventory, working capital and other operating essentials.

A Business | Services Operator may benefit from establishing their legal entity within a Qualified Opportunity Zone. Their services may extend beyond the QOZ.

House Business - A Lodging Business Operator may operate more than a single Property within a local Community.

Mixologist- An Entertainment Services Operator may manage the bar | lounge within one or more Properties, dealing with music, inventories, staffing, security, and applicable regulation.

Dining- A Food Services Operator may create special eatery, fine dining and room-service experiences within one or more Properties.

Personal Services- Services Operators including beauty, health, shopping, sightseeing, pet grooming, and spa may be available.

Business Services- Meeting rooms, business support, conferencing,

and special electronics may be provided by new Services Operators.

Special Events- Marketing, Special Events Coordinators and other Services Operators may be included.

Component Assistance - O|Zone™ is to assist Operators with land | site, equipment (including container components), inventory, technology, training, capital, business set-up, branding, & operations.

O|Zone™ Private | Public | Partnership provides a holistic approach to addressing Hospitality Property | Services issues in a Port Authority Opportunity Zone™.

Regional Pandemic Impact

The pandemic's impact on the Hospitality Industry was somewhat similar to that of 9/11. When the country stops travelling, occupancy quickly drops.

With high vacancy, room rates decline and revenues become insufficient to cover operating costs, let alone, mortgage payments.

With declining revenues, valuations of each Property decline. With each foreclosure, valuations further decline, placing more pressure on foreclosures and mortgage restructuring.

Hospitality Initiatives Solution

A participating Government Authority provides a framework for acquiring and restructuring a Property's note and mortgage. It provides a moratorium on mortgage payments for up to five years, and advances for outstanding obligations.

Additional working capital may be included for subsequent transitional remediation, renovation, and upgrading.

The concept involves an assessment of Community needs, facility resources, and conditions.

Lenders participating in the Initiative may benefit from increased note purchase prices, and future revenue from servicing Property loans.

Owners and operators may benefit from the unique O|Zone™ component Operator structure.



People come to an area to experience the location, see relatives and/or friends, to do business, or stop-off as they are passing through. These are generally infrequent customers. People in the Community may become frequent customers. A Hospitality Property focused on supporting the local Community will benefit from infrequent customers.

O|Zone™ Hospitality Initiative seeks to provide an opportunity for local employment and training young apprentices in hospitality, technique, quality assurance, expertise, and life itself.... assuring an extraordinary customer experience and a developing culture that brings customers back.



▶ O|Zone™ Business | Services Components



▶ Operator **business | services**

house • food • bar • commercial • residences • groups • marketing • special events
The Property could be a single Business or viewed as a business with a collaboration of services. The Lounge Bar can be a Service Operator. Food Services may be a separate Service Operator. Business | Services Operators' primary capital needs are for payroll and minimal working capital as other capital requirements are provided by other component providers.

▶ Location **land | building**

land may be owned by a government authority - building may be multi-owner

Government Authority may acquire the Property, then sub-divide building ownership using TCJA tax incentives available to high-income taxpayers, who may also provide equipment, inventory, upgrades, remodeling and working capital to Business | Services Operators.



▶ Infrastructure **equipment, software, other property**

high-income taxpayer has tax incentives to supply capital intensive assets

Infrastructure Businesses are designed to supply equipment, software and other qualified property for local business activities. Infrastructure Business owners benefit from TCJA, through 100% depreciation of equipment and other qualified property, as well as tax-free capital gains on interests in Infrastructure Businesses, Business Operators, as well as on O|Zone™ Digital Medallions, land and buildings.

▶ Inventory **supplies, products for sale**

high-income taxpayers benefit in holding inventory in their qualified opportunity fund

TJCA enables high-income taxpayers to create a Qualified Opportunity Fund ("QOF"). O|Zone™ model envisions a QOF similar to an Individual Retirement Account, which is self-directed. In this scenario, one can decide types of activities in which a QOF will invest, subject to applicable TCJA rules. Adding Inventory to a QOF can provide useful tax incentives. For a Business Operator, no Inventory financing is required.



O|Zone™ Business | Services Operator Model

Under this model, provision of capital for capital intensive assets is moved from Operator enterprise to participating high-income taxpayers and traditional long-term holders of land and buildings.

These high credit participants are generally able to obtain credit at lower rates and thus shoulder a substantial portion of necessary capital. Under the model, Operators' capital needs are generally working capital for payroll, utilities and unexpected events.



P3 – Digital Medallions

ISSUANCE AUTHORITY

A Port Authority Opportunity Zone™ represents a geographic area comprised of one or more governmental authorities.

One or more federally designated Qualified Opportunity Zones (“QOZ”) may exist within a Port Authority Opportunity Zone™.

The boundaries of a QOZ may be entirely within the boundaries of a government authority, and some may span across two or more government authorities.

Each government authority may adopt O|Zone™ Initiatives for their specific geographic area, from O|Zone™ Initiatives adopted by their respective Port Authority Opportunity Zone™, which assists each participating government authority with their respective Initiatives.

A government authority may establish various Initiative qualifications, set parameters on types of Business Operators within their geographic area, and determine any land, buildings and incentives they may add to an Initiative.

O|Zone™ Initiatives and Programs are not just a series of transactions ...

...but rather long-term relationships. Each Port Authority Opportunity Zone™ has as its principal mission an active ongoing collaboration with its governmental members and private sector affiliations to identify opportunities to improve quality of life for all of its constituents. Identification of issues and implementation of repeatable solutions is a core focus. Improvements in infrastructure within a Community provide efficiencies and cost sharing to make effort more productive. Another focus is to improve electronic infrastructure, information access and reduce financial and transactional costs. Connectivity within the Community, promotion of local trade interaction, and improvement of food, health, social well-being and volunteerism are key O|Zone™ elements.

DIGITAL MEDALLIONS

Each O|Zone Initiative is designed to foster economic expansion for each local community and to create an expanding level of wealth and prosperity locally and beyond.

[O|Zone™ Initiatives benefit from an operational model which pairs Infrastructure Businesses, Land and Building owners, and Inventory holders with Business Operators under a framework, sponsored by a Port Authority Opportunity Zone.](#)

Each “Opportunity” is issued Digital Medallions, similar to long-term operating permits. Digital Medallions establish operating parameters within each Port Authority Opportunity Zone, including revenue sharing allocations between a Business Operator, Infrastructure Business(es), other participants and the Port Authority Opportunity Zone.

Each Initiative is designed to create a minimum level of community financial support, including support of objectives agreed by the parties.

Digital Medallions also provide an orderly market place for interaction between parties.

O|Zone™ Initiative Participants

GOVERNMENT AUTHORITY

Public sector parties may wish to establish or use an existing special purpose government unit to participate in the O|Zone™ Hospitality Initiative within their local Community.

INDENTURE TRUSTEE

Activities related to Digital Medallions, Tax-Exempt Obligations and taxable financing and leases related to acquisition and funding of Hospitality Properties may be facilitated through a model Indenture, entered into with a US financial institution as Indenture Trustee. An Indenture Trustee may be involved in various “work-out” activities related to Hospitality Properties.

LOCAL, BOND AND SPECIAL COUNSEL

A Government Authority may appoint a Bond Counsel, local Government Authority Counsel and Special Counsel to facilitate their activities in operations of O|Zone™ Initiatives, including “work-out” activities, tax and other matters.

MUNICIPAL UNDERWRITER

A registered securities professional firm may assist in development of tax-exempt bond and lease issuance, various taxable obligation issuances, and some Digital Medallion activities.

INVESTMENT BANKER

Another function of registered securities firms involves investment banking and advisory services, transaction development, note and mortgage acquisition, and “work-out” services.

GGX DEPOSITORY FACILITIES

Bonds, Digital Medallions and other instruments issued by a Government Authority may be held in GGX depositories, along with payment and administrative services provided by recognized financial institutions.

TITLE COMPANY

In addition to traditional title work on property and asset closings, local title companies are a key participant in various preparation, filing and certification of titles and other property related documents as well as Digital Medallions related to assets, businesses and services.

LOCAL BANK

Issuance of debt obligations to fund additional capital, acquisition of debt obligations by a Government Authority and annual servicing are an essential function of local banks, as well as standard banking services.

BUSINESS | SERVICES OPERATOR

O|Zone™ Business | Services Operators are a part of Opportunity component ownership and operations.

INFRASTRUCTURE BUSINESS | INVENTORY | LAND | BUILDING COMPONENTS

Participants in each of these roles, may interoperate with an Opportunity and participate in revenues.

COMMUNITY PROFESSIONALS

O|Zone™ Initiatives provide accreditation to a broad range of local Community professionals and facilitators.

HOSPITALITY BROKERS

A source of eligible Properties, analytics and good counsel within the Hospitality Industry.

HOSPITALITY MANAGERS

Hospitality management groups may wish to engage as a O|Zone™ Hospitality Initiative partner.

HOSPITALITY BRANDS

Hospitality Brands may be eligible for benefits under and participation in O|Zone™ Hospitality Initiative.

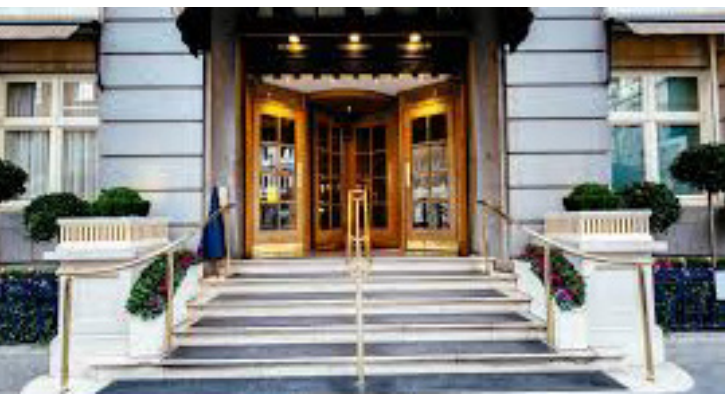
HOSPITALITY RESERVATIONS AND SOCIAL MEDIA

Technology partners specializing in reservations systems and social media may wish to participate.

O|Zone™ Hospitality Initiative

Maintaining Property as an operating Community Space, retaining Local Jobs and benefiting local economy, restructuring debt and other obligations related to a Property are some of the most pressing issues. Generating enough revenue to maintain at least a minimum level of staffing and pay essential operating costs is essential. Increased working capital may be necessary to extend operations into a recovery, or restructuring of activities. For some properties, renewal and updating may be timely and a good use of existing staff.

Take the Next Step ..



For More Information

hospitality.ozoneglobal.org