OPPORTUNITY ZONE INVESTING

Opportunity Zone Investing

A LONG-TERM STRATEGY DESIGNED TO ALIGN TAX EFFICIENCY WITH GROWTH POTENTIAL

The Opportunity Zone program was created to encourage long-term investment in designated communities throughout the United States. By directing private capital toward areas targeted for economic development, the program offers investors meaningful tax benefits while supporting real estate and business growth where it matters most.

Unlike many tax strategies that focus solely on tax reduction, Opportunity Zone investments are designed to combine tax efficiency with long-term capital deployment. For investors with significant capital gains, Opportunity Zones offer a unique way to build wealth, support communities, and participate in the next generation of growth.

OPPORTUNITY ZONE INVESTMENTS CAN OFFER THE POTENTIAL FOR:

Tax Deferral

Eligible capital gains can be deferred by reinvesting proceeds into a Qualified Opportunity Fund within applicable IRS timelines.

Long-Term Growth Potential

Investors gain exposure to real estate and operating businesses located in communities targeted for future investment and development.

Tax-Free Appreciation

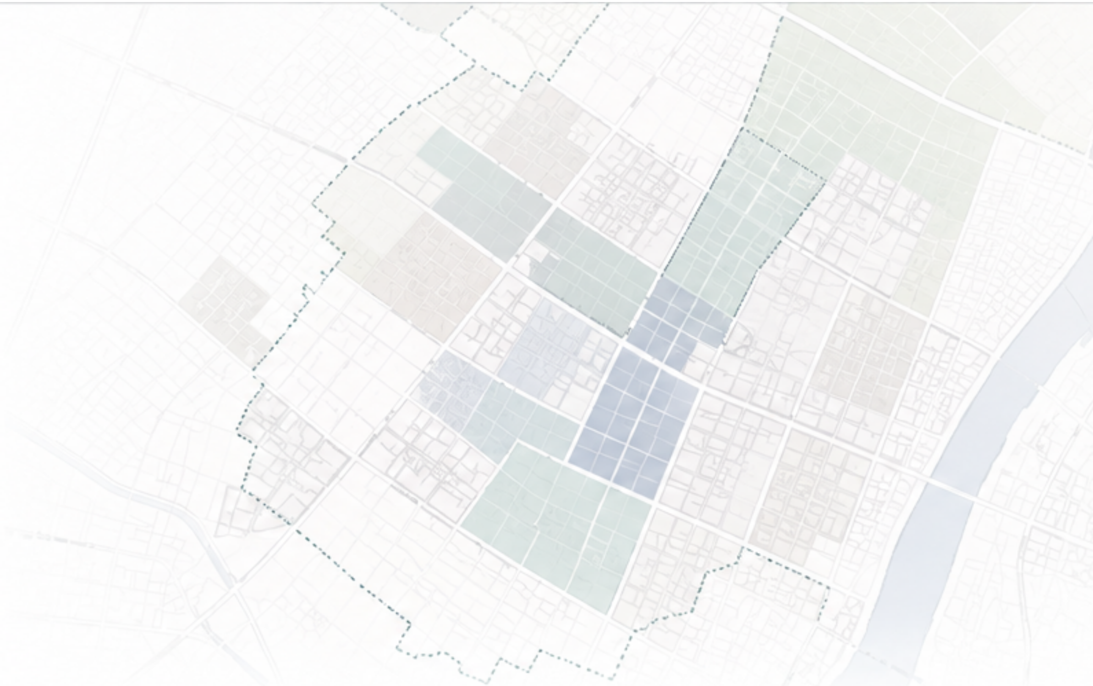
When certain holding period requirements are satisfied, appreciation generated within the Opportunity Zone investment may be excluded from federal capital gains tax.

Portfolio Diversification

Opportunity Zone investments can provide exposure to different markets, property types, and economic drivers.

UNDERSTANDING OPPORTUNITY ZONES

Understanding Opportunity Zones



Opportunity Zone investing allows investors with capital gains to reinvest those gains into qualified projects located within designated Opportunity Zones.

The goal is to encourage long-term investment in communities targeted for economic development while providing investors with meaningful tax benefits and exposure to real estate and operating businesses.

Understanding the relationship between Opportunity Zones and Qualified Opportunity Funds is the foundation of the strategy.

What Is an Opportunity Zone?

An Opportunity Zone is a designated area identified for long-term economic investment and development.

These communities were selected to encourage private capital investment through the Opportunity Zone program.

What Is a Qualified Opportunity Fund?

A Qualified Opportunity Fund (QOF) is the investment vehicle used to deploy capital into eligible Opportunity Zone projects and businesses.

Investors access the strategy through the fund rather than investing directly into the Opportunity Zone itself.

ELIGIBLE SOURCES OF CAPITAL GAINS

BUSINESS SALE

Sale of a privately held business or ownership interest.

REAL ESTATE SALE

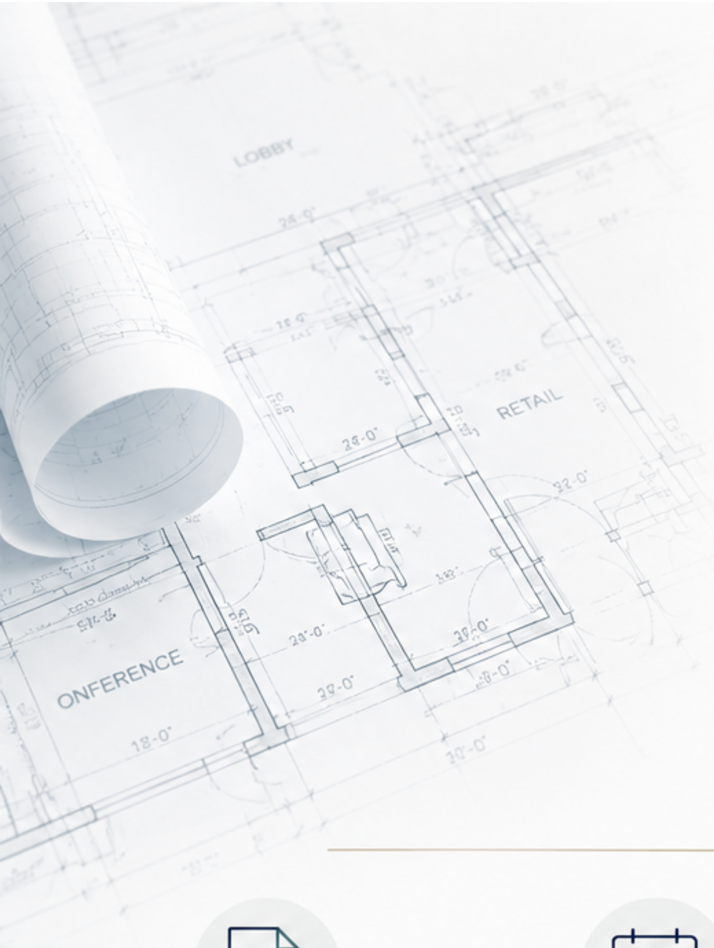
Disposition of investment real estate.

STOCKS & SECURITIES

Publicly traded investments generating capital gains.

PARTNERSHIP INTERESTS & OTHER ASSETS

Certain partnership interests and qualifying capital assets.



Opportunity Zone Investing

A LONG-TERM STRATEGY DESIGNED TO ALIGN TAX EFFICIENCY WITH COMMUNITY GROWTH

The Opportunity Zone program was created to encourage long-term investment in designated communities throughout the United States. By directing private capital toward areas targeted for economic development, the program provides investors with an opportunity to participate in real estate projects and operating businesses while pursuing meaningful tax advantages.

Unlike many tax strategies that focus solely on reducing taxes, Opportunity Zone investing is designed to connect investor capital with long-term growth initiatives. For investors with capital gains, the strategy may offer a unique combination of tax efficiency, real estate exposure, and participation in projects intended to create jobs, improve infrastructure, and support community revitalization.

Because Opportunity Zone investments are generally designed as long-term holdings, they are often most appropriate for investors seeking both tax efficiency and appreciation potential over an extended time horizon.

THE INVESTOR JOURNEY

1
CAPITAL GAIN
Realize a gain from the sale of an investment or business.

→

2
QUALIFIED OPPORTUNITY FUND
Reinvest gains into a Qualified Opportunity Fund (QOF).

→

3
TAX DEFERRAL
Defer taxes on the original gain until a future date.

→

4
POTENTIAL TAX-FREE APPRECIATION
Appreciation on the QOF investment may be tax-free if held for 10+ years.

→

5
LONG-TERM WEALTH CREATION
Grow wealth while helping build stronger, more vibrant communities.

Opportunity Zones *vs.* 1031 Exchanges

TWO POWERFUL TAX STRATEGIES.
DIFFERENT OBJECTIVES. DIFFERENT OUTCOMES.

Investors often compare Opportunity Zone investments and 1031 exchanges because both strategies can provide meaningful tax advantages. However, they are designed to solve different challenges and may appeal to different types of investors.

A 1031 exchange is generally intended for investors selling investment real estate who wish to defer capital gains taxes while remaining invested in real estate. Opportunity Zone investments, by contrast, are designed for investors seeking tax efficiency, long-term appreciation potential, and exposure to designated growth markets.

Neither strategy is inherently better than the other. The most appropriate approach depends on an investor's objectives, liquidity needs, time horizon, and overall investment strategy.

1031 Exchange

Best for: Investors focused on preserving real estate ownership and continuing tax deferral.

KEY CHARACTERISTICS

- Investment in real estate only
- Full reinvestment generally required
- Strict identification and closing deadlines
- Tax deferral through like-kind exchanges
- Continued ownership of investment real estate

WHICH PATH MIGHT BE RIGHT FOR YOU?

Selling Investment Real Estate?
Often leads investors to evaluate a 1031 Exchange.

Realized Capital Gains From Other Assets?
May lead investors to evaluate an Opportunity Zone investment.

Opportunity Zone Fund

Best for: Investors seeking tax efficiency, growth potential, and broader investment flexibility.

KEY CHARACTERISTICS

- Multiple eligible capital gain sources
- Only the gain is generally reinvested
- Longer investment horizon
- Potential tax-free appreciation
- Exposure to development and growth-oriented projects

The Potential Impact of

Opportunity Zone Tax Benefits

HOW TAX TREATMENT CAN INFLUENCE LONG-TERM AFTER-TAX OUTCOMES.

The illustration below compares two hypothetical investments that generate the same annual return over the same holding period. The difference is not the investment performance—it is the tax treatment.

Opportunity Zone investments are designed to reward long-term capital commitment, which can result in significantly different after-tax outcomes when compared to traditional taxable investments.

Traditional Taxable Investment

STARTING CAPITAL GAIN Gain from the sale of prior investment	$1,000,000
PAY TAX TODAY (30%) Tax due in the year of sale	($300,000)
AMOUNT INVESTED After-tax dollars put to work	$700,000
10 YEARS OF GROWTH 10% annual return (compounded)	—
TAX ON APPRECIATION Tax due at the end of 10 years	($334,686)
FINAL AFTER-TAX VALUE	**$1,480,934**

VS.

Qualified Opportunity Fund

STARTING CAPITAL GAIN Gain from the sale of prior investment	$1,000,000
TAX DEFERRED No tax due today	$0
AMOUNT INVESTED Full amount put to work	$1,000,000
10 YEARS OF GROWTH 10% annual return (compounded)	—
POTENTIAL TAX-FREE APPRECIATION[1] Appreciation may be tax-free if held for 10+ years	$0
FINAL AFTER-TAX VALUE	**$2,293,742**

The Opportunity Zone benefit comes from the tax treatment—not from assuming higher investment performance.

ASSUMPTIONS

Same $1,000,000 hypothetical capital gain and 10% annual rate of return (compounded) for both investments.

Traditional investment pays tax in the year of sale and on appreciation at the end of 10 years.

Opportunity Fund investment held for 10+ years; appreciation may be tax-free under current law.[1]

1. Potential tax-free treatment applies to appreciation only and requires the investment to be held in a Qualified Opportunity Fund for at least 10 years.
2. Top federal long-term capital gains tax rate of 20% plus 3.8% Net Investment Income Tax (NIIT) assumed for a total of 23.8%.
3. State tax may vary by state and is not reflected.
4. Assumes the investor has no capital losses to offset gains and is not subject to the alternative minimum tax.

CASE STUDY

Deferring Taxes Following a Business Sale

How one family used Opportunity Zone investments to defer taxes, generate income, and create long-term growth potential.

When the clients sold their construction business, they faced an important decision: how to manage the proceeds in a way that would support their financial goals—not just today, but for years to come.

The sale created a significant liquidity event and a substantial capital gain. While preserving as much capital as possible was a priority, the family also wanted to create a long-term strategy that balanced tax efficiency, income generation, and future growth.

Client Background

The clients were owners of a successful, family-run construction business that they built and operated for more than 20 years.

When they decided to sell, they received an estimated capital gain of

$3 Million

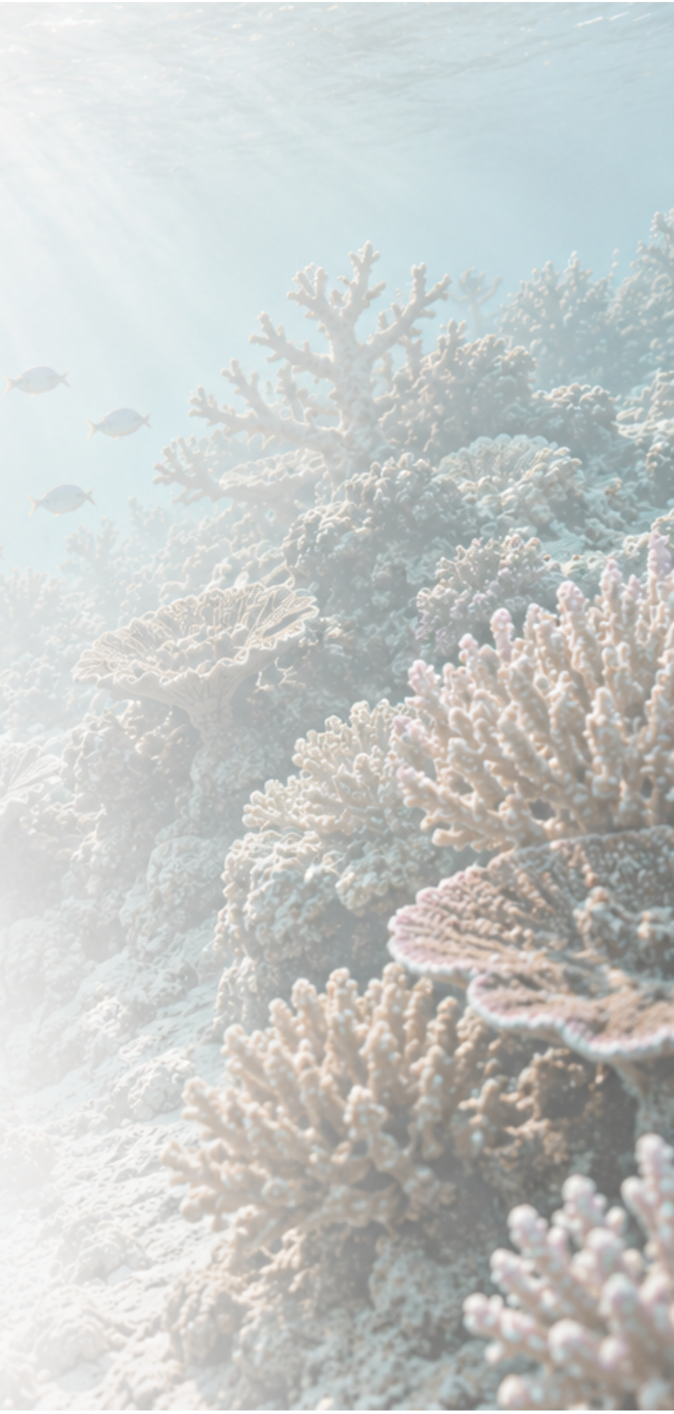
Their primary goals were to reduce the immediate tax impact of the sale, preserve capital, and reposition a portion of the proceeds into long-term, income-producing investments.

The Challenge

A significant portion of the business sale proceeds would be subject to capital gains taxes if no action was taken.

The clients wanted to preserve as much capital as possible while creating a long-term strategy that balanced tax efficiency, income generation, and growth potential.

Traditional investment solutions alone would not have fully addressed their objectives.



CASE STUDY

The Strategy

$3,000,000
Capital Gain

↓

$1,000,000
Allocated to
Opportunity Zone Investments

↓

Capital Gains Taxes
Deferred

↓

Exposure to
Professionally Managed
Development Projects in
Growth Markets

The Outcome

Approximately 30 months later, the underlying Opportunity Zone projects were completed, leased, and stabilized. The portfolio began generating annual cash flow while maintaining exposure to long-term development and appreciation opportunities.

By maintaining the required holding period, the clients positioned themselves to potentially benefit from additional tax advantages tied to future appreciation.

The Result

- Deferred taxes on $1 million of capital gain
- Preserved more investment capital
- Created a new passive income stream
- Maintained diversification
- Gained exposure to professionally managed development projects
- Positioned for long-term growth potential

Key Takeaway

Opportunity Zone investments can provide a way to defer taxes, preserve capital, and participate in long-term growth opportunities while remaining invested in real estate.

General Disclosure:

All investing involves risk of loss of some or all principal invested. Past performance is not indicative of future performance. There can be no guarantee that any investment or strategy will achieve its stated objectives. Speak to your tax and/or financial professional prior to investing. Securities and advisory services through Emerson Equity LLC, member FINRA and SIPC and a registered investment adviser. Emerson is not affiliated with any other entity identified herein.

Real Estate / 1031 Risk Disclosure:

- **There is no guarantee** — that any strategy will be successful or achieve investment objectives.
- **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 cash flow 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.