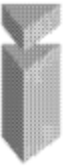


Multiple Exit Strategies for a REIT



IPO Upside

- Private REIT can file a public offering before or after the 10 year QOF hold period
- As long as investors hold their QOF shares for at least 10 years, their basis in the shares is stepped up to FMV and disposition is tax free
- Investors can hold tax-free shares until 2047, even if the REIT is merged or acquired

Asset-by- Asset Sale

- REIT files a plan of liquidation and individual QOZB Properties are sold to different purchasers at the best value, as in a traditional real estate sale
- If the REIT sells all of its assets and liquidates within two years, shareholders will not recognize capital gain on exit with respect to shares they have held for 10 years or longer, due to FMV Step-Up
- Currently the only way to sell the underlying real estate of a QOZ with a full tax benefit (incl. depreciation recapture)
- REIT may withdraw the plan of liquidation if market conditions are unfavorable, but ordinary income attributable to depreciation recapture on any properties already sold would be taxed

Conversion to Partnership

- If market is unfavorable and assets are not liquidated within 2 years, REIT can file for deemed liquidation by electing to be classified as a partnership after year 10
- The FMV Basis Step-Up eliminates shareholders' gain from the deemed liquidation of their REIT shares – the 10 yr Opp Zone tax benefit is protected
- However, after the deemed liquidation, the basis of each asset will be equal to its FMV, and any future gain would be passed through to partners and taxed (e.g. year 11 going forward)