Investing in Opportunity Zones for Tax Advantages and Growth

A Once-in-a-Lifetime Opportunity to Invest
in High-Return Real Estate, Reduce Taxes, and Grow Wealth Tax Free

---

SWEETENING THE DEAL WITH OPPORTUNITY ZONES

While underdeveloped parts of the United States are attractive investment targets to begin with, the Trump administration has further sweetened the deal for real estate investors through enactment of the Tax Cuts and Jobs Act of 2017 ("TCJA").

Through the TCJA, taxpayers who invest in certain underdeveloped parts of the country, designated as *Opportunity Zones*, via Qualified Opportunity Funds can avail themselves of several tax advantages that significantly improve the after-tax returns on their investments. These tax incentives have been specifically designed to direct the flow of capital into areas of the United States that need it the most.

What are Opportunity Zones?

In collaboration with state and local governments, the U.S. Department of the Treasury has certified 8,766 communities in all 50 states, the District of Columbia, and five U.S. territories as Opportunity Zones. Quoting the Treasury Department, "nearly 35 million Americans live in areas designated as Opportunity Zones. These communities present both the need for investment and significant investment opportunities."

What are the tax benefits of investing in Opportunity Zones?

Under Section 1400Z of the TCJA, investors who elect to reinvest *capital gains* from capital assets into Opportunity Zones will receive multiple tax benefits.

1. **Deferral of Capital Gains Taxes:** Capital gains (short-term or long-term) from the sale or exchange of any capital assets that are reinvested in Opportunity Zones within 180 days following the sale or exchange, will be excluded from an investor's gross taxable income until the earlier of: December 31, 2026 or the date the investor sells his Opportunity Zone investment.

2. **Reduction of Capital Gains Taxes:** Investors will receive a 10% step-up in the basis of any capital gains that are reinvested in Opportunity Zones, if the Opportunity Zone investment is held for 5 years. Investors will receive an additional 5% step-up in the basis of any capital gains that are reinvested in Opportunity Zone, if the Opportunity Zone investment is held for a total of 7 years, up to December 31, 2026, thereby excluding up to a total of 15% of the original capital gains from an investor's gross taxable income .

3. **Elimination of Capital Gains Taxes for Investments in Opportunity Zones:** Opportunity Zone investors are exempt from federal taxation on capital gains derived from the appreciation of their Opportunity Zone investment, if the investment is held for at least 10 years.

4. **Possible State Income Tax Benefits under Federal Opportunity Zone Program:** Depending on the state where an investor is domiciled and whether that state conforms with federal Opportunity Zone regulations, an investor may be entitled to receive the same federal Opportunity Zone capital gains tax benefits (deferral, reduction, and elimination of capital gains

taxes) on a state income tax level.

How to invest in Opportunity Zones?

To take advantage of the tax benefits of investing in Opportunity Zones, investors must reinvest their capital gains from a prior investment into a *Qualified Opportunity Fund* within a 180-day period. The 180-day period generally starts to run on the day that the sale or exchange of an investor's prior investment would be recognized for federal income tax purposes. However, there are exceptions for pass-through entities and certain types of property, where the 180-day period may start on a later date. All investors should consult with their own tax, legal and accounting advisors prior to entering into any transaction. This material has been prepared for informational purposes only and is not intended to provide nor should be relied on for tax, legal or accounting advice.

Capital gains in a wide array of asset classes, including but without limitation: stocks, bonds, commodities, certain cryptocurrencies, artwork, automobiles, jewelry, and real estate, are all eligible to receive tax benefits through reinvestment of capital gains into Qualified Opportunity Funds.

Only capital gains are eligible to receive the Opportunity Zone benefits, but the eligible capital gains can be either short-term or long-term capital gains.

The principal/basis (non-capital gains) from a prior investment can also be invested into Qualified Opportunity Funds, but the non-capital gains portion will not receive the tax benefits associated with Opportunity Zones.

WHY INDIVIDUAL AND INSTITUTIONAL CLIENTS NEED OPPORTUNITY ZONE INVESTMENTS IN THEIR PORTFOLIOS

Investors, whether individual or institutional, need Opportunity Zone investments in their portfolio. If an investor is currently sitting on capital gains in their portfolio, they need to consider investing in a Qualified Opportunity Fund.

Investors with capital gains, investing in a Qualified Opportunity Fund is almost akin to getting a "free option". This being so for the following reasons:

- An investor with unrealized capital gains, for instance capital gains in the stock of a listed company such as Apple, could sell that stock and then immediately rebuy that same stock. The investor's tax basis in the stock would increase to current price. The capital gains that the investor thus realizes can then be reinvested into a Qualified Opportunity Fund, and the tax on these capital gains can be deferred until the end of 2026. The investor steps-up his stock position to market value, while deferring taxes on associated capital gains until taxes are due on April 15, 2027.

- Not only can the capital gains taxes be deferred, but they can also be reduced. As mentioned above, an investor can realize up to a 15% reduction in the capital gains taxes due if he reinvests the capital gains into a Qualified Opportunity Fund by December 31, 2019 and holds the investment for 7 years. However if an investor is unable to invest by December 31, 2019, they can still qualify for a 10% reduction if they invest by December 31, 2021.

- In addition, the appreciation that an investor realizes on capital gains invested in a Qualified Opportunity Fund is tax-free, if the investor holds the Qualified Opportunity Fund investment for at least 10 years.

BRINGING IT ALL TOGETHER: THE RIGHT INVESTMENT STRUCTURE

For an investor to maximize their benefits from investing in Opportunity Zones, they need the right investment manager and the right investment structure. As discussed above, an investment in Opportunity Zones offers strong capital appreciation potential, as well as very substantial tax advantages.

Most Qualified Opportunity Funds set up for Opportunity Zone investing are structured as *private equity funds* that are *not registered* with the *U.S. Securities and Exchange Commission* nor publicly traded. Typical real estate private equity funds have high fees, low transparency, and no liquidity before the maturation of the fund, which usually runs for 12-14 years. Therefore, we believe that a private equity structure is far from ideal for Opportunity Zone investors. The optimal structure for investing in Opportunity Zones is a *publicly traded real estate investment trust* ("REIT") structure.

A **REIT structure** can offer several advantages over traditional private equity funds, such as:

- Simplified tax reporting (1099-DIV).
- Pass-through income, avoiding double taxation for investors.
- Low minimums for investor access.
- Quarterly dividends.
- Annual distributions of at least 90% of taxable income.
- Up to a 20% reduction on taxable dividends via Internal Revenue Code Section 199A tax benefit.

In addition, a **publicly traded REIT structure** can further enhance the above stated REIT benefits, as follows:

- Provides shareholders with better reporting, transparency, and oversight.
- Opportunity for daily liquidity.
- Shareholders have greater control over their exit timing and amount.
- Allows non-accredited investors to access the investment class.
- Simplified purchase process.

BELPOINTE REIT, INC.

Belpointe REIT has been working for the past twelve months to develop and register the absolute best structure for both individual and institutional investors in Opportunity Zones.

In addition to the ideal structure, Belpointe REIT is also the only publicly traded Qualified Opportunity Fund, meaning its shareholders have the opportunity to buy or sell their investment in the public markets.

Further, in order to disrupt the U.S. real estate industry, Belpointe is charging among the lowest fees in the industry:

- No load or commission to invest.
- No investor servicing fees.
- No Acquisition fees.
- No Disposition fees.
- 0.75% Management Fee.
- 5% Carried Interest.

Lastly, Belpointe REIT is backed by the in-house real estate development and construction expertise of the Belpointe Real Estate Group, which is comprised of former AvalonBay executives.

IN CONCLUSION: INCORPORATING THE BELPOINTE REIT INTO CLIENT PORTFOLIOS

For financial advisors, accountants, and tax attorneys, who are advising their clients on Opportunity Zone investing, Belpointe offers the Belpointe REIT as the ideal vehicle for the following reasons:

- Belpointe REIT is a publicly traded vehicle and investors can in liquidate their investment in the REIT at their discretion, potentially on a daily basis.
- Belpointe REIT provides full Opportunity Zone tax benefits.
- Belpointe REIT provides up to a 20% reduction on taxable dividends via Internal Revenue Code Section 199A of the Code.
- Belpointe REIT is open to *non-accredited investors*, who, subject to the requirements of Regulation A, may purchase shares in an amount of up to 10% of the greater of their: (i) annual income or net worth, if an individual, or (ii) revenue or net assets for the most recently completed fiscal year end, if an entity
- Belpointe REIT offers high quality, actively managed, and diversified real estate exposure, through the in-house development and construction expertise of the Belpointe Real Estate Group which is comprised of former AvalonBay executives.
- Belpointe REIT offers the lowest fees in the industry, with a 0.75% management fee, 5% carried interest, ZERO load, ZERO investor servicing fees, ZERO acquisition fees, and ZERO disposition fees.

About Belpointe

Belpointe, a private equity investment firm and family office, based in Greenwich, Connecticut owns several operating businesses, including Belpointe Asset Management LLC, a financial asset management firm that manages over $1.5 billion in assets.

About Belpointe Real Estate Group

Belpointe's Real Estate Group is a fully integrated real estate company specializing in multifamily investment strategies. Led by a team of former AvalonBay executives with a 25-year track record developing and building multifamily projects through several economic cycles.

About Belpointe REIT, Inc.

Belpointe REIT is a Qualified Opportunity Fund that concentrates on the identification, acquisition and development or redevelopment of properties located within Opportunity Zones.

Belpointe REIT is currently offering a maximum amount of up to $50,000,000 of shares of common stock, par value $0.01 per share, pursuant to an offering statement qualified by the U.S. Securities and Exchange Commission (the "SEC") on February 11, 2019. Nothing in this white paper is or should be construed as an offer to sell or solicitation of an offer to buy any shares in Belpointe REIT. Any such offer or solicitation will be made solely through Belpointe REIT's offering statement, which describes the applicable terms and certain risks related to an investment in Belpointe REIT and should be read in its entirety. There can be no assurances that Belpointe REIT's investment objectives will be achieved, or investment strategies will be successful. Any investment in Belpointe REIT involves a high degree of risk. Copies of the offering statement are available on the SEC website and may be obtained directly from Belpointe REIT by telephone at (203) 622-6000 or by email at investorrelations@belpointereit.com.

Investor Contact:

Cody Laidlaw
(203) 622-6000
investorrelations@belpointereit.com

LEGAL INFORMATION AND DISCLAIMER

This whitepaper has been prepared by Belpointe REIT, Inc. as of November 2019, for select recipients and for informational purposes only. This whitepaper is not intended to nor should not be taken by any recipient as tax, legal, accounting or investment advice, a recommendation to purchase, hold or sell any security, or an offer to sell or solicitation of an offer to purchase any security.

This white paper contains statements which may be considered forward-looking within the meaning of the U.S. federal securities laws. In some cases, you can identify these forward-looking statements by the use of terms such as "expect," "will," "continue," "plan" or similar expressions, and variations or negatives of these words, but the absence of these words does not mean that a statement is not forward-looking. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These statements are based on current expectations which involve numerous risks, uncertainties and assumptions. Assumptions relating to these statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to accurately predict and many of which are beyond Belpointe REIT's control. Although Belpointe REIT believes the assumptions underlying the forward-looking statements, and the forward-looking statements themselves, are reasonable, any of the assumptions could prove to be inaccurate and, therefore, there can be no assurance that these statements will themselves prove accurate and actual results, performance and achievements may materially differ from those expressed or implied by these statements as a result of numerous factors.

By accepting this white paper, the recipient agrees that it will, and will cause its representatives and advisors to, use the information contained herein for informational purposes only. The recipient also agrees to maintain such information and any information made available in connection herewith in strict confidence. Neither this white paper nor any information contained herein or made available in connection herewith may be copied, published, distributed, transmitted or otherwise disclosed, wholly or in part, to any third party for any reason whatsoever without the prior written consent of Belpointe REIT.

Certain information contained in this white paper has been obtained from published and non-published sources prepared by unrelated third parties, which in certain cases have not been updated through the date hereof. While such information is believed to be reliable for the purpose used in this white paper, the Belpointe REIT does not assume any responsibility for the accuracy or completeness of such information and such information has not been independently verified by Belpointe REIT. Except where otherwise indicated, the information provided in this white paper is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.