BONAVENTURE

ONE-PAGER · EXIT MECHANICS

The ten-year exit: what happens

> The headline benefit requires a specific election at a specific moment. Here is how it works in practice.



The benefit, precisely stated

Hold a qualifying Opportunity Zone investment for at least ten years and you may elect to treat your basis as equal to fair market value when you dispose of it, which means the appreciation on the investment is excluded from federal tax entirely, not merely deferred. This is the largest of the benefits and the reason the ten-year hold is the center of the strategy.

Your clock, not the fund's

- **The ten years run from your own investment date, not from when the fund launched**, and not from when any particular building was bought.
- **Adding money later can move your clock.** If you make an additional contribution, the holding period for that portion starts then. Investors who top up should understand how their sponsor tracks this.
- **A fund selling a property early does not break your clock, although the fund's gain** on that sale may be taxable and flows through to you in that year.

Two ways the exit can happen

ROUTE	HOW IT WORKS	WHAT TO ASK THE SPONSOR
Fund sells assets after year ten	The fund disposes of property and the exclusion is elected and passed through on the K-1. Because investors joined on different dates, the same sale can qualify for some and not others.	Is the plan to hold until every investor has reached ten years — and how is my own date tracked?
You dispose of your interest	Your interest is sold, exchanged or redeemed and you make the election on that disposition.	Is there a redemption mechanism, and has counsel opined that it qualifies as a sale or exchange?

Three things that are easy to miss

The election is affirmative. It must be claimed on your return; silence means no exclusion. Federal exclusion does not automatically mean state exclusion, since several states have not conformed their tax code to the program. When investors join a fund on different dates, the ten-year test is measured per investor, not per fund.

The question most investors forget to ask

A ten-year benefit needs a ten-year plan. Ask how the fund intends to create the disposition that triggers your election — and what happens if the market at that moment is unfavourable. A fund with no articulated exit mechanism is asking you to trust that one will exist.

> *No investor has yet completed a full ten-year Opportunity Zone hold. Both exit routes are described in the rules and untested in practice — everyone is describing a plan, not a record.*

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