

Created under the Tax Cuts and Jobs Act of 2017, and made permanent by the One Big Beautiful Bill Act of 2025, qualified opportunity zones (QOZs) are federally recognized areas where new investments can be eligible for preferential capital gains tax treatment with the ultimate goal of stimulating job creation and economic growth.

Key Program **Highlights**

- **Designed to encourage** investment in undercapitalized communities
- Allows **capital gains to be reinvested** into qualified opportunity funds (QOFs)
- Investments held 10+ years may **receive permanent capital gains exclusion**
- Underlying investments must meet location and substantial improvement requirements



\$100+ Billion

Private capital invested in QOZs since the program began¹

500,000+ Jobs

Created or supported by QOZ investments¹

\$39+ Billion

Taxpayer capital gains deferred in QOFs²

Who Should Consider **Opportunity Zone Investing?**

QOFS MAY BE APPROPRIATE FOR INVESTORS WHO:

01 Recently realized **large capital gains**

03 Are comfortable with **long-term investment horizons**

02 Seek **passive real estate exposure**

04 Are building **tax-efficient legacy portfolios**

1. Urban Institute, Opportunity Zones Need to Be Retooled to Achieve Impact, May 12, 2025

2. The Tax Advisor, The Close of Deferral: Planning for the QOZ End Game, April 9, 2025



How Qualified Opportunity Fund Investing Works

QOFs are passive investment vehicles that pool investor capital to develop or substantially improve properties located in designated opportunity zones.

STEP 1

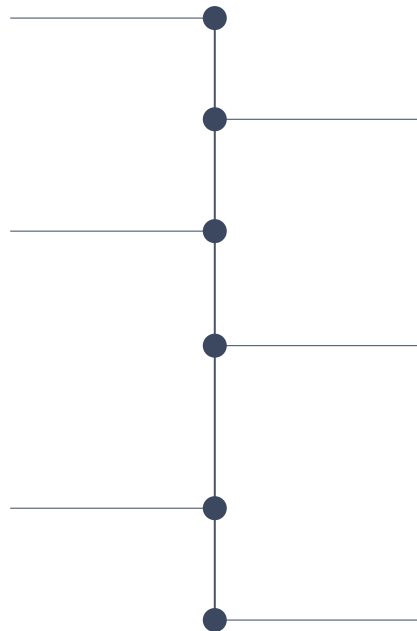
Investor sells an asset and triggers a capital gain.

STEP 3

QOF invests in property(ies) or asset(s) in an opportunity zone.

STEP 5

Investor pays tax on the original gain according to program rules.



STEP 2

Investor places gains into a QOF within 180 days of sale.

STEP 4

QOF must either make substantial improvements to an existing property within 30 months or the **QOF may complete construction of a new property.**

STEP 6

If the QOF property is sold after 10 years, **tax on any gains from the QOF investment are eliminated.**

Why Real Estate Is Often Used?

QOFs frequently involve ground-up development or major redevelopment, which may offer:

01 Significant value creation during construction

02 Long-term stabilized income potential

03 Appreciation through community growth and revitalization

The Often-Overlooked Benefit: **Eliminating Depreciation Recapture**

One of the powerful—but often overlooked—benefits of QOF investing is the ability to eliminate depreciation recapture taxes.

WHAT IS DEPRECIATION?

The IRS allows annual depreciation deductions on tangible assets—such as buildings—to account for factors like wear and tear, aging, or functional obsolescence.

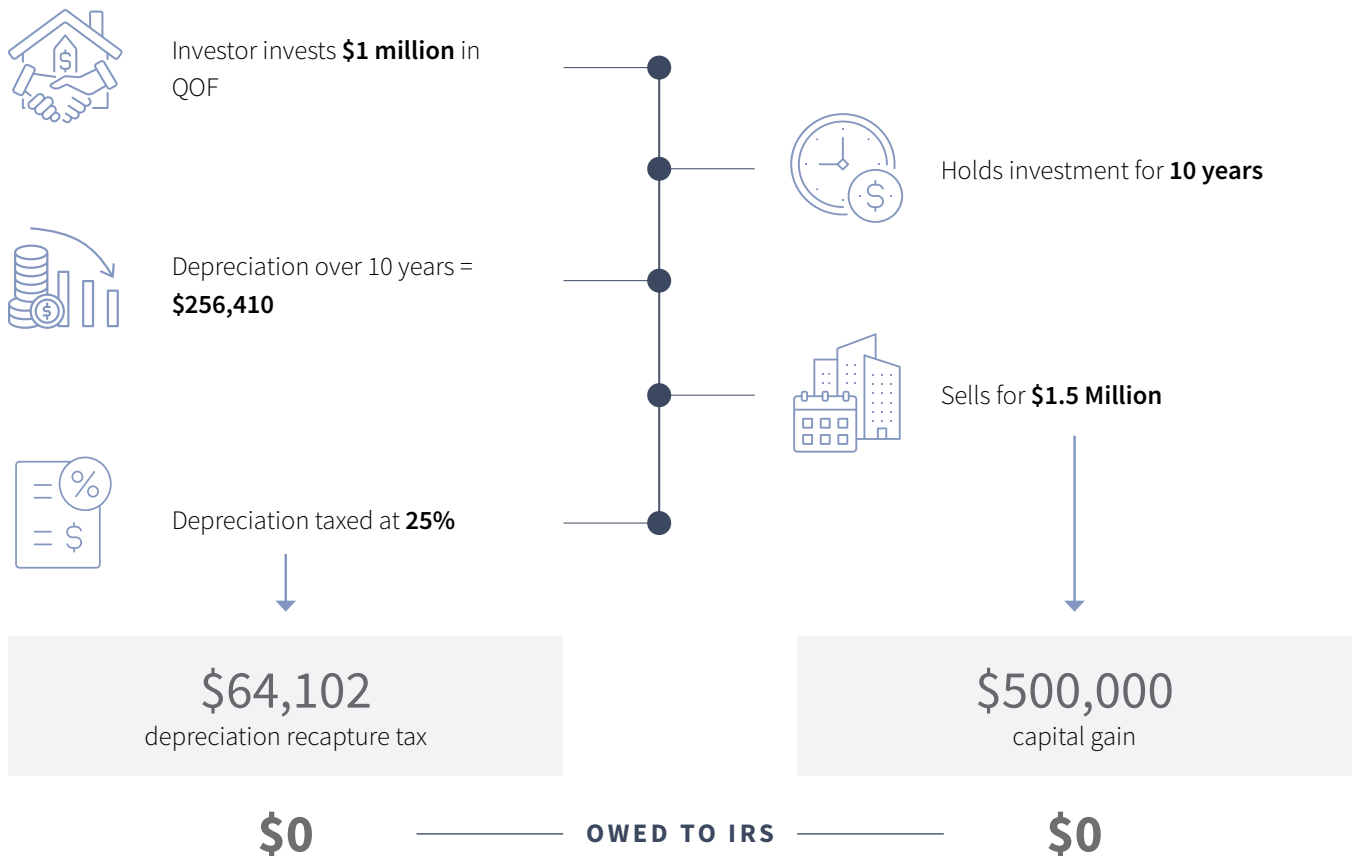
Lower
current tax liability

Improve
after-tax investment performance

Increase
investor cash flow over time

However, when a property is sold, the IRS typically requires investors to pay back part of the accumulated deductions through depreciation recapture taxes at rates up to 25%.

The QOF Advantage Example



A DEFERRAL IS NICE, BUT MOST WOULD AGREE THAT AN ELIMINATION OF A TAX IS EVEN NICER!

Those who choose to invest in a QOF and reach the 10-year threshold can enjoy **permanent elimination of BOTH depreciation recapture and capital gains.**

Madison Capital Group — We Don't Try To Predict The Future, But We Are Prepared For It

Madison Capital Group Holdings, LLC ("MCGH") is a full-service, private equity real estate investment firm with a primary focus on the multifamily, self-storage, boat and RV storage, and retail sectors. Through its entrepreneurial nature, vertical integration, and wide breadth of in-house capabilities, MCGH believes it is well-positioned to take advantage of varying market conditions and unique investment opportunities, including off-market and opportunistic opportunities. MCGH prides itself on its proven track record and established relationships built over decades of experience.

20+ years
average senior management tenure

\$6+ billion
real estate transaction experience

130+
properties

18
states

Disciplined
investment and acquisition strategy

Fully integrated
national operating platform

DISCLOSURES

This is a brief and general description of certain Qualified Opportunity Zone ("QOZ") and Qualified Opportunity Fund ("QOF") guidelines. This information is provided for informational purposes only, does not constitute individual investment advice, and should not be relied upon as tax or legal advice. Investors should consult with their tax, legal, and financial advisors regarding their individual circumstances and the potential implications of investing in a QOF.

There are material risks associated with investing in QOFs and real estate securities, including but not limited to limited liquidity, long-term investment horizons, tenant vacancies, general market conditions and competition, lack of operating history for newly developed properties, interest rate risks, the potential for new supply to enter the market and impact rental rates, potential adverse tax consequences, changes in tax laws or regulations affecting the Opportunity Zone program, general economic risks, and the potential loss of the entire investment principal.

Potential cash flows, returns, or appreciation are not guaranteed and could be lower than anticipated. Opportunity Zone investments are typically long-term investments that may not provide liquidity for extended periods of time. Diversification does not guarantee a profit or protect against loss in a declining market; it is a strategy used to help manage investment risk.

The information contained within is not an offer to buy or sell securities or a solicitation to offer to buy or sell securities. Any offering will be made only through the applicable offering documents and in jurisdictions where permitted by law.

MADISON
CAPITAL GROUP

4210 Yancey Road, Charlotte, NC 28217 | madisoncapgroup.com

Securities are offered through Madison Capital Markets, LLC, Member FINRA/SIPC. Madison Capital Markets, LLC and MCGH are affiliated.