FUNDRISE

Opportunity Zone Investing Guide

A new tax-advantaged investment strategy

Overview of the Opportunity Zones Program

On December 22, 2017, the Tax Cuts and Jobs Act created a new section of the Tax Code (26 U.S. Code § 1400Z) that provides tax incentives for investments in targeted areas in the United States through investment vehicles called Opportunity Funds. The purpose of Opportunity Funds is to promote economic development in these select communities, known as Opportunity Zones, by offering investors substantial federal tax advantages that are only available through the new program.

> *By investing into an Opportunity Fund, investors can not only defer and reduce their existing capital gains tax liability, but also eliminate future capital gains tax on returns earned from the Opportunity Fund.*

The key aspects of the Opportunity Zone program are:

Opportunity Zones

Opportunity Zones are census tracts, nominated by governors and certified by the U.S. Department of the Treasury, into which investors can invest in new projects intended to spur economic development in exchange for certain federal tax benefits.

Opportunity Funds

Opportunity Funds are investment vehicles that invest at least 90% of their capital in Qualified Opportunity Zones. The fund model enables investors to pool their resources in Opportunity Zones, increasing the scale of capital going to investments selected by the manager.

To capture the potential tax benefits offered by an Opportunity Fund, an investor must invest the gains from a sale of a prior investment (e.g., stock, bonds, real estate, a company) into an Opportunity Fund within 180 days of the sale of that investment. The investor only has to roll in the gain or profits from the sale of the investment, not the original principal of the investment. Moreover, only the taxable gains rolled over into an Opportunity Fund are eligible to receive the tax incentives.

Investing in Opportunity Funds can provide three substantial potential tax advantages to investors:

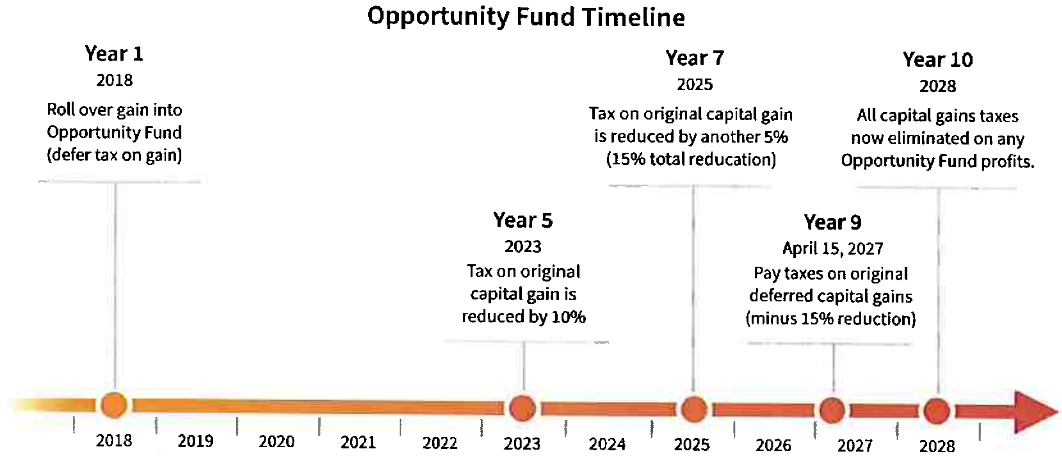
1. **Deferral of capital gain**
   A tax deferral for any capital gains rolled over in an Opportunity Fund. The deferred gain would be recognized on the earlier of December 31, 2026 or the date on which the investment in the Fund is sold.

2. **Reduction of the capital gains tax realized**
   A step-up in basis for capital gains rolled into an Opportunity Fund. The basis of the original investment is increased by 10% if the investment is held by the taxpayer for at least 5 years, and by an additional 5% if held for at least 7 years. In other words, if by December 31, 2026 an investor has held an investment in an Opportunity Fund for 7 years, then the tax on the initially deferred gain is expected to be reduced by 15%, or reduced by 10% if by then held for only five years.

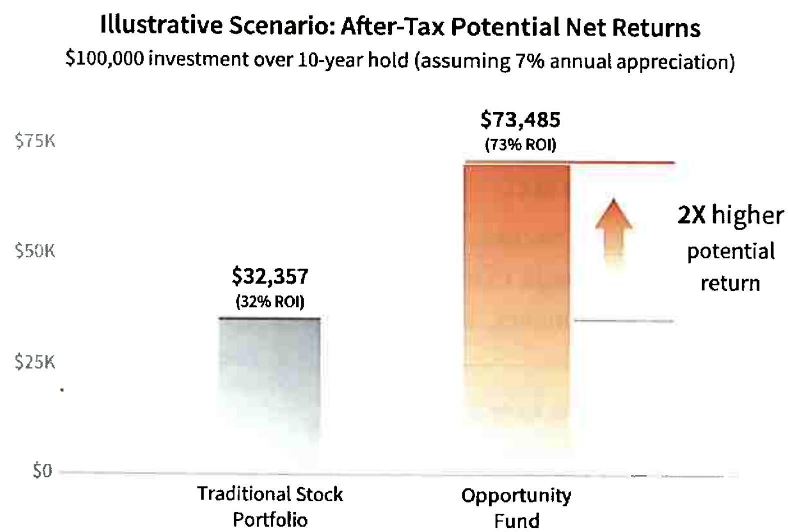
3. **No tax on any capital gains from an investment in Opportunity Fund**
   In the case of any investment in an Opportunity Fund held by a taxpayer for at least 10 years, the basis of such property shall be equal to the fair market value of such investment on the date that the investment is sold or exchanged. In short, after 10 years, thereafter there would be zero federal capital gains tax on profits from the sale of an investment in an Opportunity Fund.

How Investing in an Opportunity Fund Works

To receive the most favorable tax treatment on their investment, investors are incentivized to hold their stakes in an Opportunity Fund over the long term, with the program providing the most potential upside to those who hold their investment for 10 years or even more.



The figure above illustrates how an investor's potential after-tax returns compare assuming a 10-year holding period, annual investment appreciation of 7%, and a long-term capital gains tax rate of 23.8% (federal capital gains tax of 20% and net investment income tax of 3.8%). For example, after 10 years an investor would see an additional $44,000 for every $100,000 of capital gains reinvested into an Opportunity Fund on December 31, 2018 compared to an equivalent investment in a more traditional stock portfolio generating the same annual appreciation. Note, however, that the performance assumptions shown are for illustrative purposes only, and are not intended to reflect the actual experience of any individual investor.



> *A long-term investor could roughly double his or her potential after-tax return by rolling capital gains into a qualified Opportunity Fund instead of investing them into a traditional stock portfolio.*

Example Investor's Step-by-Step Process

Below are the steps an investor would need to follow to reap the maximum benefits offered through the Opportunity Fund program.

1. December 31, 2018: Invest in Opportunity Fund (Day 1)
2. April 15, 2019: Make election on your tax filing showing capital gain rollover into an Opportunity Fund
3. April 15, 2027: Pay deferred capital gains tax
4. December 31, 2028: Opportunity Fund now becomes eligible for tax-free sale (10-year hold)

Fundrise Opportunity Fund Business Plan

The Fundrise Opportunity Fund intends to acquire, improve, and manage a portfolio of real estate properties, but in order to qualify must follow clearly circumscribed requirements:

- At least 90% of assets must be located and invested in qualified opportunity zone property;
- Properties only qualify if acquired after December 31, 2017
- Qualifying assets must be equity investments, not debt; and
- The original use of such property must commence with the Opportunity Fund, or the fund must substantially improve the property within 30 months of acquisition — which we believe in practice means a focus on value-add renovations and ground-up development.

Over the coming months, the IRS and Treasury Department plan to release guidance on the implementation of the new program. The manager of the Fundrise Opportunity Fund intends to follow these updates closely and refine the business plan to take advantage of the incentives offered under the program to the fullest extent possible. However, given such uncertainty, as with any business plan, there can be no guarantee of success.

For more information, please contact investments@fundrise.com.

About Fundrise

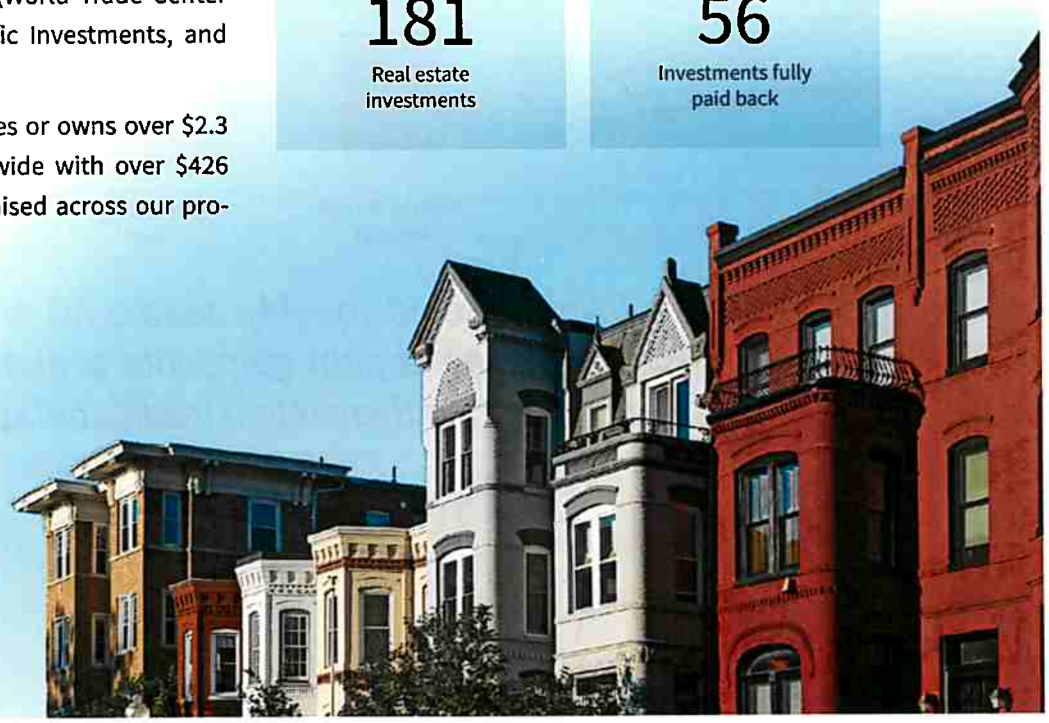
- Founded in 2012, Fundrise's experienced team of 64 professionals manages eight real estate investment vehicles publicly reporting to the SEC.
- Board members and key institutional backers include Silverstein Properties (World Trade Center owner-developer), Oak Pacific Investments, and Guggenheim Partners.
- Fundrise invested in, manages or owns over $2.3 billion in real estate nationwide with over $426 million in aggregate funds raised across our programs.

$2.3B
Total real estate originated

$426M
Aggregate funds raised across our programs

181
Real estate investments

56
Investments fully paid back



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Disclaimers

General Disclaimer

As of July 2, 2018, there is uncertainty regarding the Opportunity Zone program, as the US Department of the Treasury has not released guidance on many of the questions left open by the Tax Cuts and Jobs Act of 2017. These open questions include, but are not limited to: (a) what kinds of gains, other than capital gains, if any, can be properly rolled into an Opportunity Fund, (b) how much time an opportunity fund will have to deploy the capital it has raised, (c) tax treatment of gains in an opportunity fund pass-through partnership, etc. Accordingly, the foregoing discussion of the various aspects of the Opportunity Zone program is based upon positions that we believe to be reasonable given the statute as currently written and prior Treasury and IRS precedent; however, there can be no assurance that the forgoing discussion will ultimately prove to be correct as Treasury begins issuing guidance and regulations on the Opportunity Zone program. Given such uncertainty, each prospective investor should consult with their personal tax advisors before making any investment into an opportunity fund, including the Fundrise Opportunity Fund.

Overview

The Tax Cuts and Jobs Act (TCJA) provides that, for investors who have rolled capital gains into an opportunity fund and hold that investment in the opportunity fund for a period of ten years or more, that any additional gain realized by such investor from liquidating such investment will not incur additional federal capital gains taxes. However, please note that, given the uncertainty regarding future Treasury Department guidance, each prospective investor should consult with their personal tax advisors before making any investment into an opportunity fund, including the Fundrise Opportunity Fund.

Defer Capital Gains

Section 1400Z-2(b)(1) states that capital gains rolled into an opportunity fund within 180 days of being realized shall be included in taxable income for the year ended December 31, 2026.

Reduce Tax You Owe

Section 1400Z-2(b)(2)(B) states that an investor's basis in the capital gain rolled into an opportunity fund will have a step-up in basis of 10% if held for at least five years, and a step-up in basis of an additional 5% if held for at least seven years. Note, however, that as the deferred capital gain will be taxed on December 31, 2026, we expect that these holding periods would need to be satisfied prior to that date in order to receive the benefits described herein.

Disclaimer on Illustrative Scenario on Potential After Tax Returns

The TCJA provides that, for investors who have rolled capital gains into an opportunity fund and hold that investment in the opportunity fund for a period of ten years or more, that any additional gain realized by such investor from liquidating such investment will not incur additional federal capital gains tax. However, please note that, given the uncertainty regarding future Treasury Department guidance, prospective investors should consult with their tax advisor before making any investment into an opportunity fund, including the Fundrise Opportunity Fund.

*The calculations show an investor's potential after-tax returns under different scenarios, assuming an investment of capital gains prior to December 31, 2019, a 10 year holding, annual investment appreciation of 7%, and a long-term capital gains tax rate of 23.8% (federal capital gains tax of 20% and net investment income tax of 3.8%), only taking into account tax at a federal level (not state). Note, however, that the performance assumptions shown are for illustrative purposes only, and are not intended to reflect the actual experience of any individual investor. The calculations for the standard stock portfolio are based on rolling over capital gains equal to $100,000, at an initial tax of 23.8% (using the same assumptions described above), into a standard stock portfolio, the remaining $76,200 of which then appreciates at a compounding return of 7%. At the end of each holding period, the investment in the standard stock portfolio is assumed to be sold and long-term capital gains at a tax rate of 23.8% paid on the capital gains from the investment in the standard stock portfolio. The ten-year hold calculations for the Opportunity Fund are based on rolling over gains of $100,000, at an initially deferred tax of 0%, into an Opportunity Fund, with the entirety of the $100,000 then appreciating at a compounding return of 7%, until December 31, 2026, at which time the initially deferred tax is reduced by 15% and the net amount is taxed at a rate of 23.8%, effectively reducing the principal invested in the opportunity fund accordingly. Thereafter, returns continue to compound at the same initial rate selected by the user of 7%. At the end of the tenth year of the holding period, the investment in the Opportunity Fund is sold and the capital gains on the investment in the Opportunity Fund itself is taxed at a rate of 0%.

What is an Opportunity Zone?

The Tax Cuts and Jobs Act of 2017 established a new economic development program called Opportunity Zones designed to encourage long-term private investments in low-income communities. Opportunity Zones provide a federal tax incentive for taxpayers who reinvest unrealized capital gains into "Opportunity Funds," which are specialized vehicles dedicated to investing in low-income areas called "Opportunity Zones."

The zones themselves are comprised of Low-Income Community Census tracts and designated by governors in every state and territory. The program has the potential to direct private capital toward distressed communities and serve as a catalyst for long-term, inclusive economic development. This may include downtown revitalization, workforce development, affordable housing, infrastructure, and business startup and expansion.

Tax Benefits to Investing in Opportunity Zones

For an investor to realize the tax benefits of investing in Opportunity Zones, an investor's capital gains must be invested in a Qualified Opportunity Fund with 180 days of the sale or exchange that generated the gains. Investors are then eligible to defer the tax on their capital gains until the earlier of: the date the Opportunity Fund investment is sold or December 31, 2026.

The capital gains invested in a Qualified Opportunity Fund are eligible for partial tax forgiveness if the investment is held in a Qualified Opportunity Fund for at least 5 years. After 5 years, only 90 percent of the original gain is taxed. If the investment is held for 7 years, only 85 percent of the original gain is taxed. If an investment in a Qualified Opportunity Fund is held for 10 years, any tax on the appreciation of that investment is forgiven. Learn more: https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/OZ.html.

What are Opportunity Funds?

Opportunity Funds are Treasury-certified investment vehicles that deploy capital into Opportunity Zones. Opportunity Funds are required to hold at least 90 percent of their assets in an Opportunity Zone. Learn more: https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/OZ.html.