Investor FAQ & Key Questions

SMARTCAP Qualified Opportunity Zone Fund 4 — Arlington Air North, Building 3

A plain-English guide to the most common questions about this offering.

Q. Isn't the Opportunity Zone (OZ) tax benefit gone now that the deferral deadline has passed?

A. No — the most valuable benefit is fully intact. The original program's *deferral* of an existing capital gain does effectively end for everyone on Dec. 31, 2026, so a 2026 investment defers your gain for only a short time. However, deferral was always the smaller benefit.

The headline benefit — and the reason to invest — is the 10-year step-up. If you hold your Fund 4 interest for at least 10 years, your basis steps up to fair market value at sale, which means **you pay zero federal tax on all of the appreciation**. On a project targeting a 3.0–3.2x equivalent pre-tax return to achieve the net IRR projected returns on a taxable investment, that is by far the larger prize, and it is unchanged for a 2026 investment.

Q. Should I wait for the new "OZ 2.0" program in 2027?

A. For most investors, waiting means missing this asset — not gaining a benefit. The 2025 tax law did create a permanent OZ program starting Jan. 1, 2027, with a rolling 5-year deferral, but the 10-year tax-free exit — the benefit that drives the returns — is the same in both programs. Waiting does not make the prize bigger; it delays your start.

Meanwhile, this is a specific, shovel-ready building, not a future blind-pool fund. Arlington Air North is fully underwritten, is in a submarket in which SMARTCAP has built seven times, has pre-leasing underway and a delivery timed for the projected 2027 recovery. A 2027 fund would be starting from a blank page, so if you have a capital gain you've recently realized, your 180-day reinvestment window may close well before 2027 — making the gain you have received in 2026 a use-it-or-lose-it opportunity for that gain.

Q. What exactly is the tax benefit if I invest now?

A. Four layers, in order of importance:

- **Tax-free growth (the big one):** Hold the investment 10+ years and owe no federal capital-gains tax on the appreciation of your Fund 4 investment.
- **Tax-efficient cash flow:** Once the property stabilizes, accelerated depreciation can shelter much of the income that the asset distributes.
- **Tax-free depreciation:** A portion of accelerated depreciation is recaptured as a capital gain. The step up in basis eliminates tax on recapture.

Your specific outcome depends on your tax situation — confirm the details with your tax advisor.

Q. Do I need capital gains to invest?

A. **No.** The OZ-specific tax benefits (deferral and the step-up) only apply to capital gains you roll in, so investors with a recent gain get the most tax value. However, the Fund accepts non-gain capital too, and the underlying deal — a Class A industrial development at a targeted 15%–16% investor net IRR and 2.5x–2.7x net multiple — stands on its own merits with the benefit of depreciation-sheltered cash flow.

Q. What are the projected returns and terms?

A. Headline targets (projections, not guarantees):

Metric	Target
Investor net IRR	15% – 16%
Investor net equity multiple	2.5x – 2.7x
Preferred return	8%, then return of capital
Profit split after pref & return of capital	70% investor / 30% sponsor
Minimum investment	$50,000
Hold period	10 years
Asset management fee	1.5% of equity raised
Cash-out refinance	~$7.1M / ~48% capital return (~30 mo.)

Illustratively, the offering models a $1,000,000 investment returning roughly $1.52M of total profit over the hold, including a ~48% capital return at the planned refinance. Actual results may differ.

Q. Why this property, and why Arlington?

A. **It targets a proven, underserved niche in a high-demand market.** Building 3 is designed to demise into small, flexible suites (down to ~19,440 SF). About 75% of active tenant demand in the North End seeks ≤50,000 SF, and supply is limited. The location sits in the Cascade Industrial Center near Boeing's new 737 MAX line and the Port of Everett, with $270M+ of public infrastructure underway. Industrial rents there run 15%–40% below Seattle/Eastside while vacancy stays low.

Q. Why should I trust SMARTCAP to execute?

A. **A decade of doing exactly this, in exactly this submarket.** SMARTCAP has delivered seven industrial buildings totaling approximately 970,000 SF in the North End, manages approximately $460M in assets, and has completed more than $478M in transactions. Across the last market cycle, SMARTCAP has not lost a single asset and has maintained 100% occupancy across its existing shallow-bay portfolio. In addition, the firm has generated approximately $7.7M in value through re-leasing efforts and returned nearly $12M to investors, representing 47% of invested equity. SMARTCAP is currently the largest developer in the City of Arlington (excluding Amazon), and we have achieved a compounding annual growth rate on rents over 8% in this market.

Q. What protects the downside?

A. **Structure and discipline.** A conservative ~48% loan-to-stabilized-value and a 75-year ground lease with rent increases capped at the lower of CPI or 2.5% keep the cost structure predictable. The 8% preferred return puts investor capital ahead of the sponsor's promote. Sensitivity tables in the offering show the deal still targets a ~14%+ IRR under more conservative cap-rate and rent assumptions.

Q. What are the main risks?

A. **As with any development, returns are projections, not guarantees.** Key risks include construction costs and timeline, lease-up pace and achieved rents, interest rates at refinance, and exit cap rates. The investment is illiquid over a 10-year hold and is suitable only for accredited investors who can bear that. Review the Private Placement Memorandum and consult your own advisors before investing.

Q. How do I move forward?

A. **Three steps.** (1) Confirm your interest and indicate a target amount so we can reserve allocation; (2) we'll send subscription documents and answer any tax questions with you and your advisor; (3) fund by the July–August closing. Allocation is limited to ~$14.7M and is filling — earlier commitments secure your place.