

# Potential Significant Tax Advantage

Certain investments with Alumni Ventures may be 100% tax exempt from federal and some state capital gains up to \$10M through QSBS.

## 1. What is QSBS?

The QSBS tax benefit (26 U.S.C. § 1202) was created by Congress to encourage equity investments in startup corporations. It allows for up to 100% exclusion on federal capital gains for qualifying investments, with similar advantages for some state taxes as well.

Broadly speaking, this is not a widely known aspect of the tax code, but to those who invest in venture regularly it is a significant tool that can have a major impact on overall investment returns.

## 2. Why does this matter to AV fund investors?

Upon certain exits or liquidity events, our team will assess whether that investment appears to be QSBS eligible. We will update your K1 tax documents appropriately to reflect the details needed for you to confirm your eligibility for the tax benefit. AV does not require its investors to do any additional work to be eligible for the benefit.

## 3. How can I maximize my tax benefits?

You can only get the benefit if your personal investment in the fund is fully signed and funded prior to the fund investing into an eligible company.

Therefore, we encourage all investors to complete their signing and funding process with Alumni Ventures as soon into the fundraise as possible, ideally before the fund makes its first investment. This will increase your eligibility for as many potentially tax-advantaged exit events as possible.

## 4. How significant might this be to me personally?

It's impossible to predict the volume and scale of what future exit and liquidity events will look like. However, based on the criteria of the benefit, we expect there to be many qualifying exit events throughout our portfolios that have a widespread positive impact for our investors.



### Important Disclosure Information

The tax attributes and requirements relating to the QSBS exclusion are complicated, nuanced and specific to a particular investment and investor. AV does not provide tax advice to investors. Please consult your tax advisor before making any investment decisions. AV does not guarantee the applicability of QSBS or any other tax benefit in any circumstance.

The manager of the AV Funds is Alumni Ventures (AV), a venture capital firm. AV and the funds are not affiliated with or endorsed by any college or university. These materials are provided for informational purposes only. Offers of securities are made only to accredited investors pursuant to each fund's offering documents, which describe among other things the risks and fees associated with the Fund that should be considered

before investing. The funds are long-term investments that involve a substantial risk of loss, including the loss of all capital invested. Past performance is not indicative of future results. Opportunities to invest in any security (of a Fund, of AV or in a syndication offering) is not a guarantee that you will be able to invest and are subject to all terms of the specific offering. Diversification cannot ensure a profit or protect against loss in a declining market. It is a strategy used to help mitigate risk. Any investment performance or outcomes discussed with you is provided for illustrative purposes only. Except where expressly noted, no representation is intended that any investment outcome shown or discussed is, or would be, representative of results obtained by any fund or investor associated with AV.

AV offers smart, simple venture investing to accredited investors. Specifically, AV provides a path for individuals to own an actively

managed diversified venture portfolio with a single investment co-investing alongside experienced VC firms. Traditionally, with limited investment capital and contacts, individual investors have had limited access to desirable deals alongside experienced VC firms, and even if they could access one or more such deals, it would take an inordinate amount of time, money and negotiation to build a diversified portfolio. With AV Funds, investors can choose from a number of funds to make a single investment to gain exposure to a diversified portfolio of investments selected by an experienced manager. AV Funds' simple fee mechanism permits investors to avoid constant capital calls throughout the life of the fund as found in other private investment vehicles.

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