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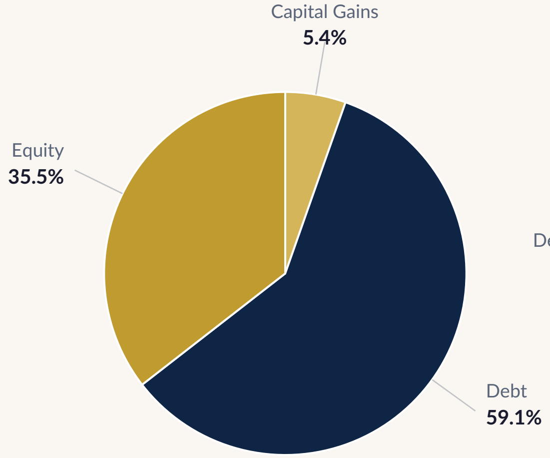
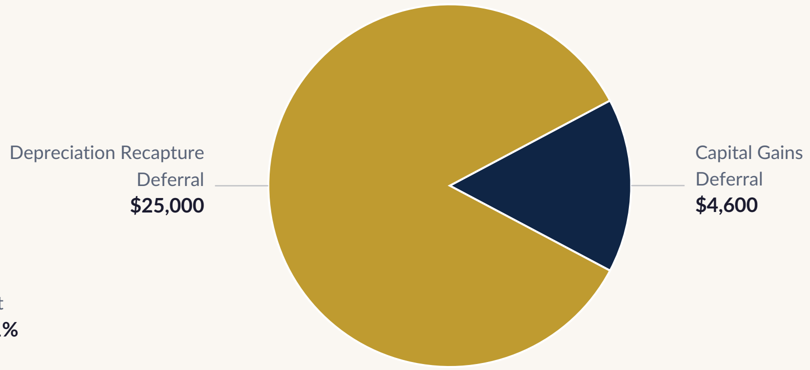
How Does *Debt Get Allocated by a DST?*

Suppose an investor sells an investment property that he bought using the following mix of cash and debt. The investor then sells property for a gain of $50,000 for a total value of $450,000. The property depreciates $100,000 while owned by the investor.

The net proceeds (total value less selling expenses) from the sale total $423,000, but the investor is looking for a way to remove debt off their balance sheet and gain passive income.



Total Proceeds from Sale $423,000



Tax Deferral Benefit $29,600

The investor decides to invest the proceeds into a DST portfolio to remove debt off their balance sheet, gain a passive income, and defer capital gains and depreciation recapture taxes for a deferral benefit of $29,600.

This benefit comes from a 25% depreciation recapture tax benefit (25% x $100,000) and 20% capital gain tax benefit (20% x $23,000).

Hypothetical Disclosure: *The information herein is a hypothetical illustration of mathematical principals only. It is not, nor can there be, any guarantee that any investment will achieve its stated objectives.*

THE INVESTOR IS PRESENTED WITH THE FOLLOWING DST PORTFOLIO

Alabama
Medical Building

Purchase Price	$7,000,000
Equity	$2,940,000
Debt	$4,060,000
LTV	58%
Cap Rate	6.15%

Nevada
Self-Storage Complex

Purchase Price	$15,000,000
Equity	$8,250,000
Debt	$6,750,000
LTV	45%
Cap Rate	5.45%

Ohio
Industrial Complex

Purchase Price	$20,000,000
Equity	$13,130,081
Debt	$6,869,919
LTV	34%
Cap Rate	5.95%

The investor’s proceeds are allocated as such:

Medical
$175,000

Storage
$125,000

Industrial
$123,000

The LTV ratio established by the sponsor is then applied to split up the investor’s debt and equity for each property:

	Medical	Storage	Industrial
Equity	$73,500	$68,750	$80,750
Debt	$101,500	$56,250	$42,250
LTV	58%	45%	34.35%

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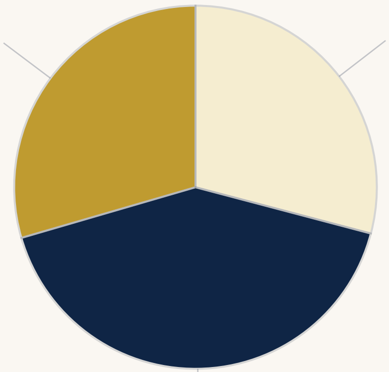
THE INVESTOR GENERATES A PASSIVE INCOME OF 5.88%

- Since the DST is a pass-through entity, proceeds flow through the trust onto the investor all while the portion of debt used from the investor's first property was passed along onto the DST's balance sheet and split by the LTV ratio
- Now, instead of the investor buying another investment property they have a diversified real estate portfolio with passive income and no debt on their balance sheet



Portfolio Allocation

GENERAL DISCLOSURE

The contents of this communication: (i) do not constitute an offer of securities or a solicitation of an offer to buy securities, (ii) offers can be made only by the confidential Private Placement Memorandum (the "PPM") which is available upon request, (iii) do not and cannot replace the PPM and is qualified in its entirety by the PPM, and (iv) may not be relied upon in making an investment decision related to any investment offering by an issuer, or any affiliate, or partner thereof ("Issuer"). All potential investors must read the PPM and no person may invest without acknowledging receipt and complete review of the PPM. With respect to any "targeted" goals and performance levels outlined herein, these do not constitute a promise of performance, nor is there any assurance that the investment objectives of any program will be attained. All investments carry the risk of loss of some or all of the principal invested. These "targeted" factors are based upon reasonable assumptions more fully outlined in the Offering Documents/PPM for the respective offering. Consult the PPM for investment conditions, risk factors, minimum requirements, fees and expenses and other pertinent information with respect to any investment. These investment opportunities have not been registered under the Securities Act of 1933 and are being offered pursuant to an exemption therefrom and from applicable state securities laws. All offerings are intended only for accredited investors unless otherwise specified. Past performance are no guarantee of future results. All information is subject to change. You should always consult a tax professional prior to investing. Investment offerings and investment decisions may only be made on the basis of a confidential private placement memorandum issued by Issuer, or one of its partner/issuers. Issuer does not warrant the accuracy or completeness of the information contained herein. Thank you for your cooperation.

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1031 EXCHANGE RISK DISCLOSURE

- There is no guarantee that any strategy will be successful or achieve investment objectives.
- Potential for property value loss: All real estate investments have the potential to lose value during the life of the investments.
- Change of tax status: The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities.
- Potential for foreclosure: All financed real estate investments have potential for foreclosure.
- Illiquidity: Because 1031 exchanges are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments.
- Reduction or Elimination of Monthly Cash Flow Distributions: Like any investment in real estate, if a property unexpectedly loses tenants or sustains