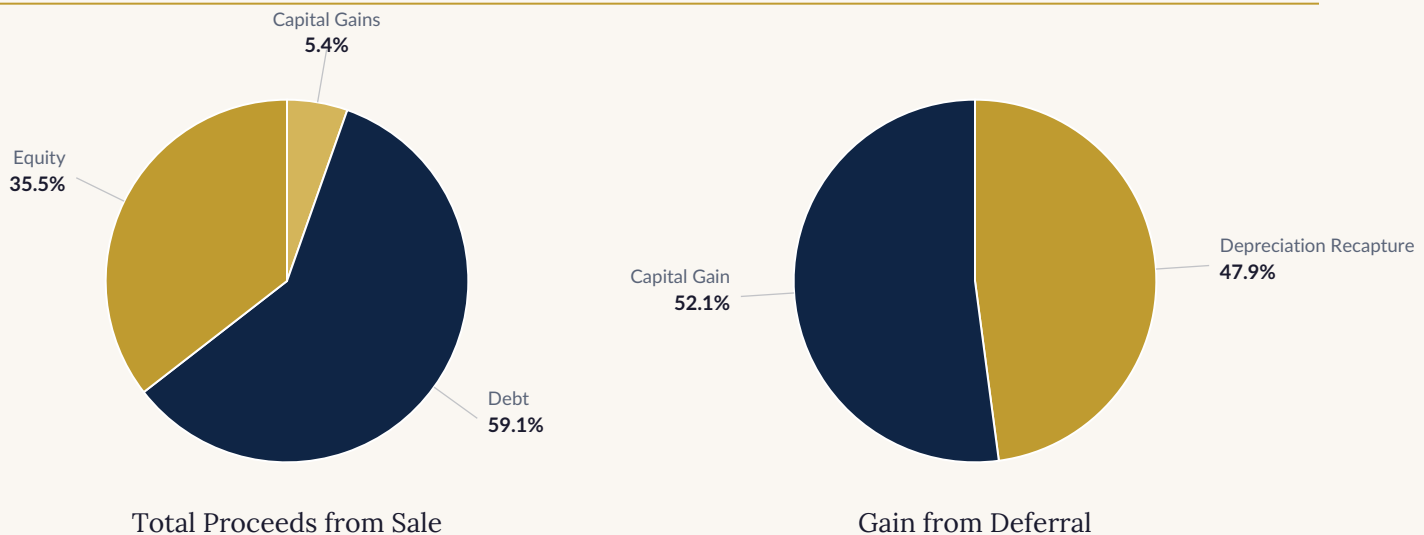


How Does *Debt* Get Allocated by a Zero-Coupon DST?

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.



In this hypothetical example for illustrative purposes only, 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. Actual tax consequences depend on individual circumstances. This is not a projection or guarantee of any specific tax outcome.




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		Nevada		Ohio		Zero-Coupon	
Medical Building		Self-Storage Complex		Apartment Complex		Zero-Coupon DST	
Purchase Price	\$7,000,000	Purchase Price	\$15,000,000	Purchase Price	\$20,000,000	Proceeds	\$78,000
Equity	\$2,940,000	Equity	\$8,250,000	Equity	\$8,800,000	Debt	\$8,800
Debt	\$4,060,000	Debt	\$6,750,000	Debt	\$11,200,000	Yield	5%
LTV	58%	LTV	45%	LTV	56%	LTV	11.28%
Cap Rate	6.15%	Cap Rate	5.45%	Cap Rate	5.95%		

The investor's proceeds are allocated as such:

 Medical \$175,000	 Storage \$50,000	 Industrial \$120,000	 Zero-Coupon \$78,000
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The left-over proceeds of \$78,000 are placed into a Zero-Coupon DST allocating the remaining \$8,800 of debt at a 5% yield.

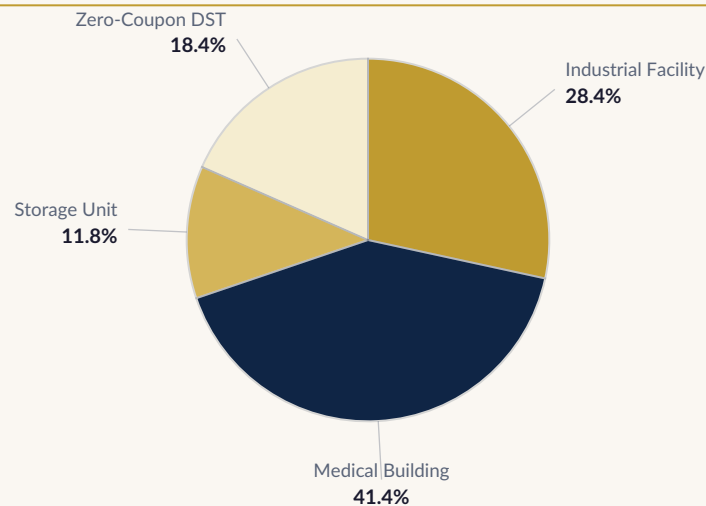
The LTV ratio established by the sponsor is then applied to split up the investor's debt and equity for each property:

	Medical	Storage	Industrial	Zero-CPN
Equity	\$73,500	\$27,500	\$52,800	\$69,200
Debt	\$101,500	\$22,500	\$67,200	\$8,800
LTV	58%	45%	56%	11.28%

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THE INVESTOR GENERATES A PASSIVE INCOME OF 5.80%

- 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

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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