

DST 1031 properties are only available to accredited investors (who typically have a \$1 million net worth excluding primary residence or \$200,000 income individually/\$300,000 jointly of the last three years) and accredited entities only. If you are unsure if you are an accredited investor and/or an accredited entity please verify with your CPA and attorney.

Because investor situations and objectives vary this information is not intended to indicate suitability for any particular investor. This material is not to be interpreted as tax or legal advice. Please speak with your own tax and legal advisors for guidance regarding your particular situation. Securities offered through Concorde Investment Services, LLC (CIS), member FINRA/SIPC. Advisory services offered through Concorde Asset Management, LLC (CAM), an SEC-registered investment adviser. 1031 Capital Solutions is independent of CIS and CAM.

## California Office

325 Carlsbad Village Drive, Ste D  
Carlsbad, CA 92008

## Pacific Northwest Office

4800 Meadows Rd., Ste 300  
Lake Oswego, OR 97035

info@1031CapitalSolutions.com  
1031CapitalSolutions.com  
800.445.5908

## DELAWARE STATUTORY TRUST (DST) DEBT 101

### How does a DST's property-purchase loan affect me as an investor?

When choosing a DST, an important factor is how much debt the fund has incurred. A DST may borrow money to assist in purchasing real property. Typically, financing ranges from 0% to 55% but may go as high as 85% in some very specific circumstances. For purposes of a 1031 exchange, the IRS recognizes the amount of debt that is proportional to the investor's equity amount in the calculation of replacement property purchase price.

For example, if your DST investment is \$100,000 and the DST's loan-to-value ("LTV") ratio is 50%, then the IRS considers your total investment to be \$200,000—\$100,000 debt and \$100,000 equity.

### Do I have to apply for the DST's property-purchase loan?

No. In most cases, the loan is obtained by the DST manager prior to soliciting any investors. The DST manager obtains the loan using the DST property as collateral and is the party to the loan.

### Do I need to qualify for the loan?

No. The in-place financing of the DST means that investors' credit reports do not affect their ability to invest in a DST.

### Is the loan in my name?

No.

### **Do I make monthly payments on the loan?**

The DST manager collects rents from the tenants in the DST property and pays all expenses monthly, including the debt service payments for the loan. Individual investors do not make any loan payments directly.

### **Does the loan show up on my credit?**

No. An individual investor in a DST is not a party to the loan.

### **If the loan defaults, do I have to repay my portion of the loan?**

If the DST defaults on the loan, the lender may foreclose on the collateral property. This could result in individual investors losing part or all of their principal investment. However, because individual investors typically are not parties to the loan, they are not legally liable to repay any portion of the loan.

In most cases, the loan is considered non-recourse, meaning the lender may not pursue individuals to repay a defaulted loan.

### **What happens to the loan when the DST sells the property?**

When the DST property is sold, the DST manager repays the loan. The remaining equity is then used to pay final fees and expenses. All remaining equity is then paid out to individual investors in the DST.

### **Do I receive a tax benefit from the DST's interest payments on the loan?**

Interest from a DST may have certain tax benefits. Potential investors should consult their tax advisors for specific tax advice.

### **If the debt attributable to my DST investment is higher than the loan I had on my relinquished property, does the additional debt increase my cost basis in the property?**

Yes, to the extent additional cash or debt is introduced into a 1031 exchange, the basis in the new investment (in this case, a beneficial interest in a DST) will be increased by that amount. A higher basis may result in a larger annual depreciation write-off for individual investors. Because increasing leverage with regard to an investment increases volatility and default risk, investors should carefully weigh all risks versus rewards when considering the appropriate level of debt.

### **Just to be clear—I get all the tax benefits of the DST's debt, without having to endure a loan application or impact my credit score? And I am not personally liable for the loan?**

That is correct. Subject to certain "bad actor" exceptions, you have no obligations to the DST's lender and none of the hassles of obtaining a loan.

The contents of this brochure are for informational purposes only and constitute neither an offer to sell nor a solicitation of an offer to buy any security which can be made only by prospectus. Investing in real estate and other alternative investment offerings may not be suitable for all investors and may involve significant risks. These risks include, but are not limited to, lack of liquidity, loss of entire investment principal, declining market values, tenant vacancies, adverse changes in real estate markets and conflicts of interest. Past performance of investments is no indication of future results. Numerical example is for illustration purposes only. Individual results will vary. Investors should also understand all fees associated with a particular investment and how those fees could affect the overall performance of an investment.