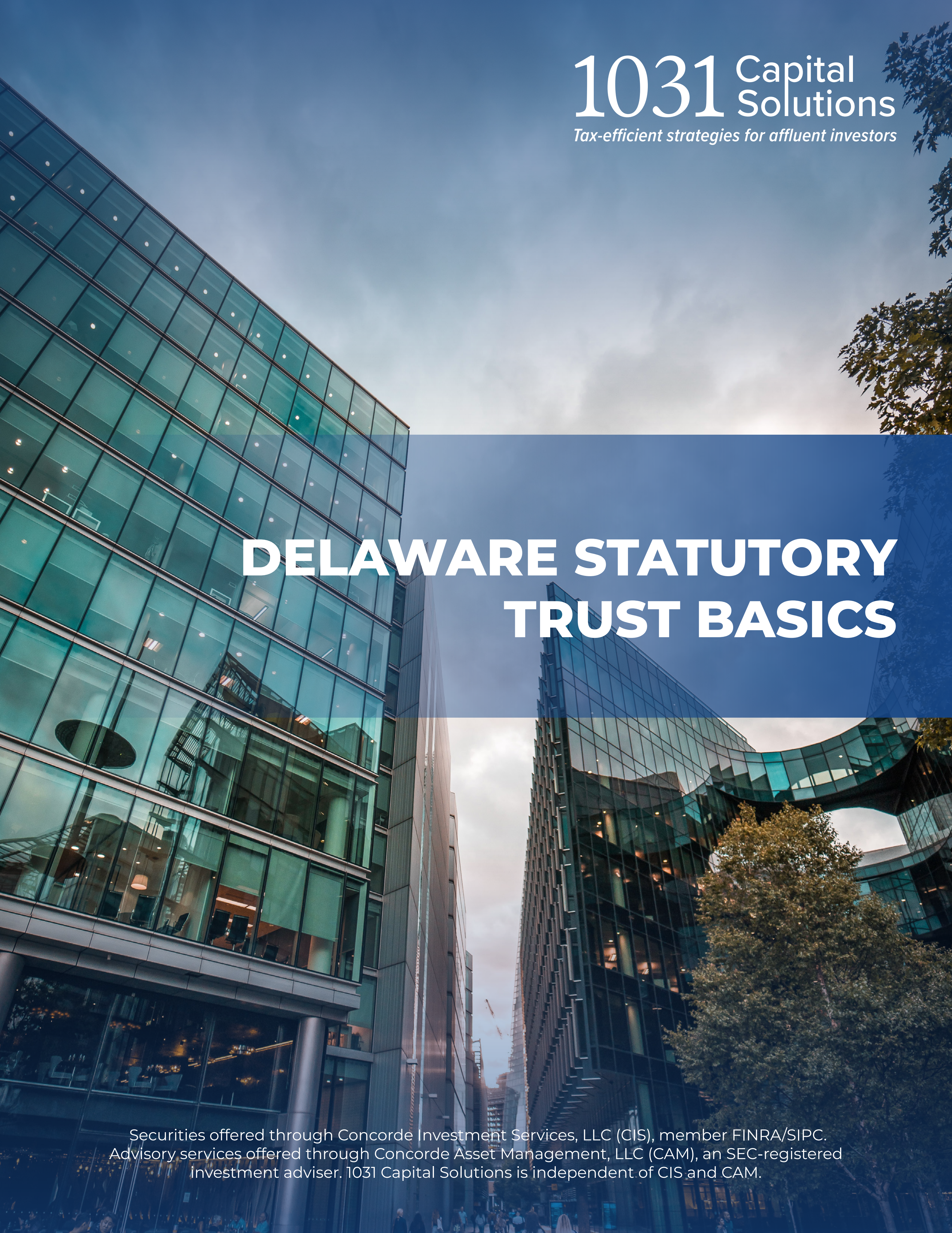

1031 Capital Solutions

Tax-efficient strategies for affluent investors

DELAWARE STATUTORY TRUST BASICS

IRS REVENUE RULING 2004-86 PARAMETERS:

- The DST may not purchase additional assets other than short-term obligations.
- All cash from the property is held in liquid money-market type accounts.
- The DST may not accept additional contributions of assets.
- There can be no additional capital calls to the DST.
- The DST may not renegotiate the loan terms and/or the loan may not be refinanced.
- The Sponsor has negotiated the loan terms for the property prior to acquiring the property.
- The DST may not renegotiate leases or enter into new leases.
- The investors, through the Trust Agreement, enter into a Master Lease with the Trustee in order to avoid having to renegotiate leases or enter into new leases with the actual tenants.
- The DST may not make major structural changes. Any major improvements will be done or have been done by the seller prior to the Sponsor purchasing the property.
- The DST must distribute all cash, other than the necessary reserves, to the beneficiaries.
- The DST may not sell or exchange property and reinvest the proceeds. The DST structure does allow for the investors or beneficial owners to conduct their own 1031 tax deferred exchange once the DST has liquidated its assets (i.e. sold the property).

WHO MAY BE INTERESTED IN DSTS?

- Real estate investors who no longer want to manage property and deal with tenants
- Investors experiencing financing obstacles
- 1031 exchange investors racing to beat the 45-day identification clock
- Investors seeking diversification
- Investors with as little as $25,000 to invest

WHAT IS A DST?

DST is the term commonly used for Delaware Statutory Trust. It is a separate legal entity formed as a trust under Delaware law. If properly structured, a DST will be classified as a grantor trust for federal income tax purposes and, as a result, the purchaser of a beneficial interest in the trust will acquire an undivided interest in the assets held by the DST. **An investor may be able to use a beneficial interest in a DST as replacement property in a 1031 tax deferred exchange.**

THE POTENTIAL BENEFITS OF USING A DST INCLUDE:

- **Exchange-Ready Real Estate.** Unlike direct real estate which is typically sold to a single investor, DSTs are offered to a number of separate investors over a limited period of time. Suitable investors seeking to identify or acquire exchange property within the time constraints of a 1031 exchange may prefer this structure rather than competing with other investors for their exchange property.

- **Prearranged Financing.** Unlike investors who purchase property on their own, DST investors are not required to apply for, qualify for, or go through the lengthy process of obtaining a loan. Instead, the lender makes the loan directly to the DST, so the loan does not appear on an investor's credit report. DST investors also are not typically liable for the loan if a DST property defaults. Due to the caliber of most DST sponsors and the underlying properties, investors enjoy institutional rates and loan terms.

- **Management-Free Real Estate Investing.** DST investors never have to deal with tenants, trash or toilets. The DST or its affiliates handle everything, including managing leases, collecting rents, paying taxes, insurance and other expenses, accounting, asset management and potential cash distributions to investors. DSTs seek to pay a monthly distribution to investors net of all these costs and expenses.

- **Low Minimum Investment.** A typical minimum investment of $100,000 allows more flexibility for investors to diversify their exchange into several properties compared to purchasing a single property directly.

DST Investors must be "accredited investors", defined by the Securities Exchange Commission as those investors with (i) a net worth of at least $1,000,000, excluding primary residence or (ii) having an annual income of at least $200,000 or $300,000 if married and investing together.

DST RISKS (INCLUDE, BUT ARE NOT LIMITED TO):

- **1031 Exchange Risks.** Failing to properly meet all of the 1031 exchange requirements could lead to significant unwanted taxes. Investing in a DST presents additional tax risks. Investors should consult their legal and tax professionals before engaging in a 1031 exchange, including a 1031 exchange into a DST.
- **Real Estate Risk.** Investing in real estate involves a variety of risks, including but not limited to economic risks, market risks, tenant default risks, interest rate risks, and environmental risks. Investing in a DST carries all of these same risks. Investors should not invest in real estate or real estate securities, including DSTs, unless they can withstand the loss of all of their principal.
- **No Guarantee of Income or Growth.** As with all investing, there is no guarantee that a DST will continue to pay distributions to investors or that there will be any increase in the investors' account value. There is no guarantee that investors will not lose some or all of their investment.
- **Illiquidity.** Real estate investments, including DSTs, are illiquid. DSTs are especially illiquid due to the fact that there is no national market through which an investor may sell his/her interests. Only investors with a long-term time horizon should consider investing in a DST.
- **Fees & Expenses.** There may be significant fees and expenses associated with the purchase and ownership of a DST. In some cases, the fees and expenses may outweigh the benefits of conducting a 1031 exchange and purchasing a DST. Analysis should be done by the investor to determine if the benefits of a DST are sufficient to justify the fees and expense.
- **Leverage Risk.** The use of debt to purchase real estate increases volatility and introduces a risk of foreclosure by the lender.
- **Lack of Control.** Investors in a DST have limited rights and no control over important aspects of the management and sale of the underlying property.
- **Conflicts of Interest.** Conflicts of interest may exist that could adversely affect the investment.
- **Other Risks.** This is only a partial list of the risks associated with investing in DSTs. A list of risks can be found in the Private Placement Memorandum. This should be read and understood before investing in any DST.

This is for informational purposes only and is not an offer to buy or a solicitation of an offer to sell any securities. Any such offer must be accompanied by a prospectus or private placement memorandum. Private Placements are available to accredited investors only. Diversification does not guarantee profits or guarantee protection against losses. 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.

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