1031 Capital Solutions

DST v. DST

DELAWARE STATUTORY TRUSTS V. DEFERRED SALES TRUSTS™

Two of the strategies people may consider to defer taxes when selling appreciated assets such as real estate are the Delaware Statutory Trust (commonly referred to as a DST) and the Deferred Sales Trust ™ (also referred to as a DST). While both strategies may allow investors to defer capital gains taxes, there are significant difference between the two strategies. Some important characteristics to consider include the following:

	Delaware Statutory Trust	Deferred Sales Trust ™
Revenue Ruling from the IRS (1)	YES	NO
Potential for tax deferral upon the sale of appreciated asset	YES	YES
Potential for tax deferral on potential distributions (2)	YES	NO
Step-up in cost basis at death	YES	NO
Potential for appreciation (3)	YES	NO
Ability to invest in non-real estate assets	NO	YES
Ability to convert investments to cash and pay taxes (4)	LIMITED	YES
Third party fees for trust administration and accounting (5)	NO	YES
Ability to defer depreciation recapture tax	Yes	NO

The above is for informational purposes only. Not a solicitation to buy or sell any security. Neither 1031 Capital Solutions nor CIS or CAM provide legal or tax advice.Investors should consult their legal and tax advisors before engaging in a transaction that involves either a Delaware Statutory Trust or a Deferred Sales Trust ™ . Tax laws may change in the future and may negatively impact these or other strategies. The table above includes only a partial list of characteristics that may be considered when evaluating either tax strategy. Other strategies exist to potentially defer taxes on the sale of appreciated assets and are not considered here. Neither 1031 Capital Solutions, nor CIS or CAM provide Deferred Sales Trusts ™ . Before investing in a Delaware Statutory Trust, investors should read the associated Private Placement Memorandum. Investing involves risk, including the risk of loss of principle and other significant risks. Potential cash flows, returns and appreciation are not guaranteed and could be lower than anticipated. Because investor situations and objectives vary, this information is not intended to indicate suitability for any individual investor. Private Placements are generally only available to accredited investors as defined by IRC Rule 506.

(1) Rev. Rul. 2004-86

(2) An investor in a Delaware Statutory Trust may benefit from depreciation deductions if applicable.

(3) No representation is made that appreciation will occur.

(4) An investor in a Deferred Sales Trust™ may request that the balance of his/her note be paid in full, thus converting to cash. A Delaware Statutory Trust has no such provision. There is no national market for shares of Delaware Statutory Trusts.

(5) Investors in a Deferred Sales Trust™ may be required to incur fees and expenses related to setting up and administering an individual trust account. Delaware Statutory Trusts have internal legal, accounting, and administrative costs that are shared by the pool of investors in the Trust.

Delaware Statutory Trust Risk Disclosures:

1031 Exchange Risks. There are a number of risks related to conducting a 1031 exchange. 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 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 principle.

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 loss 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.

IRS Revenue Ruling 2004-86
Parameters for Delaware Statutory Trusts:

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).

Deferred Sales Trust ™ Risk Disclosures:

There is no published ruling from the IRS as to the legitimacy of the Deferred Sales Trust ™ Strategy. The IRS could retroactively disallow the strategy, resulting in significant taxes and penalties.

Investors may lose the benefit of a step up in basis.

The Deferred Sales Trust™ strategy involves investing in securities, which may lose some or all of their value. The income generated in a Deferred Sales Trust ™ is not guaranteed and may be reduced or eliminated.

This strategy may have limited or no liquidity.Investors in a Delaware Statutory Trust may lose the benefits of potential appreciation.

There are risks associated with the Deferred Sales Trust™ including, but not limited to non-deferral of excess accelerated depreciation; less liquidity than some other strategies; and the capital gain offset on the sale of a personal residence up to $250K per husband/wife and spouse cannot be take up front with the DST strategy but rather becomes a balloon credit against taxes owed, if any, at the end of the investments contract. A Deferred Sales Trust™ may have somewhat higher set-up fees than other investment strategies.