ALTERNATIVE WEALTH MANAGEMENT
PRIVATE CLIENT GROUP

IRC Section 1031 Exchange

& Fractional Ownership of Real Estate through a Delaware Statutory Trust *(DST)*

Presentation Disclaimer

Alternative Wealth Management does not provide tax or legal advice. The information provided in this presentation is for educational purposes only and does not represent an offer to purchase, acquire or engage in any transactions related to real estate, Delaware Statutory Trusts *(DSTs)* or Qualified Opportunity Zone Funds *(QOZFs)*. DSTs and QOZFs are purchased through Private Placement Memorandum only. Please consult your tax Advisor or Attorney for information related to tax consequences and risk factors.

An investment in Delaware Statutory Trusts or Qualified Opportunity Zone Funds are suitable only for investors who have adequate means of providing for current needs and personal contingencies, can bear the economic risk and potential of losing their entire investment, and have no need for liquidity.

Material contained in this presentation is for educational purposes only.

Tax Efficient Transitions of Real Estate

The Rules

Internal Revenue Code Section 1031

The Process

Technical Aspects of an Exchange

The Structures

Fractional Ownership of Real Estate

IRC Section 1031

"No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like-kind which is to be held either for productive use in a trade or business or for investment."

General Rules

1. Allows for the postponement of paying tax on the gain and depreciation recapture from a sale of property
2. The gain in a like-kind exchange is tax-deferred, but it is not tax free
3. One must reinvest the proceeds in similar property as part of a qualifying like-kind exchange.

‘Like-kind’ refers to both properties being held for productive purpose in business or trade and as an investment.

- Multifamily / Single Family Housing
- Single Tenant Retail / Grocery Anchored Shopping
- Industrial / Warehouse
- Office Buildings
- Hotels/Motels
- Farmland
- Oil and Gas Assets
- Development/Mineral/Water/Air Rights

Property that is specifically excluded from Section 1031 Treatment

- Stocks, Bonds or Notes
- Other Securities or Debt
- Partnership or LLC Interests
- Certificates of Trust
- Property Located Outside the US
- Real Property or Personal Property

Qualifications for Complete Tax Deferral

45 Days to Identify

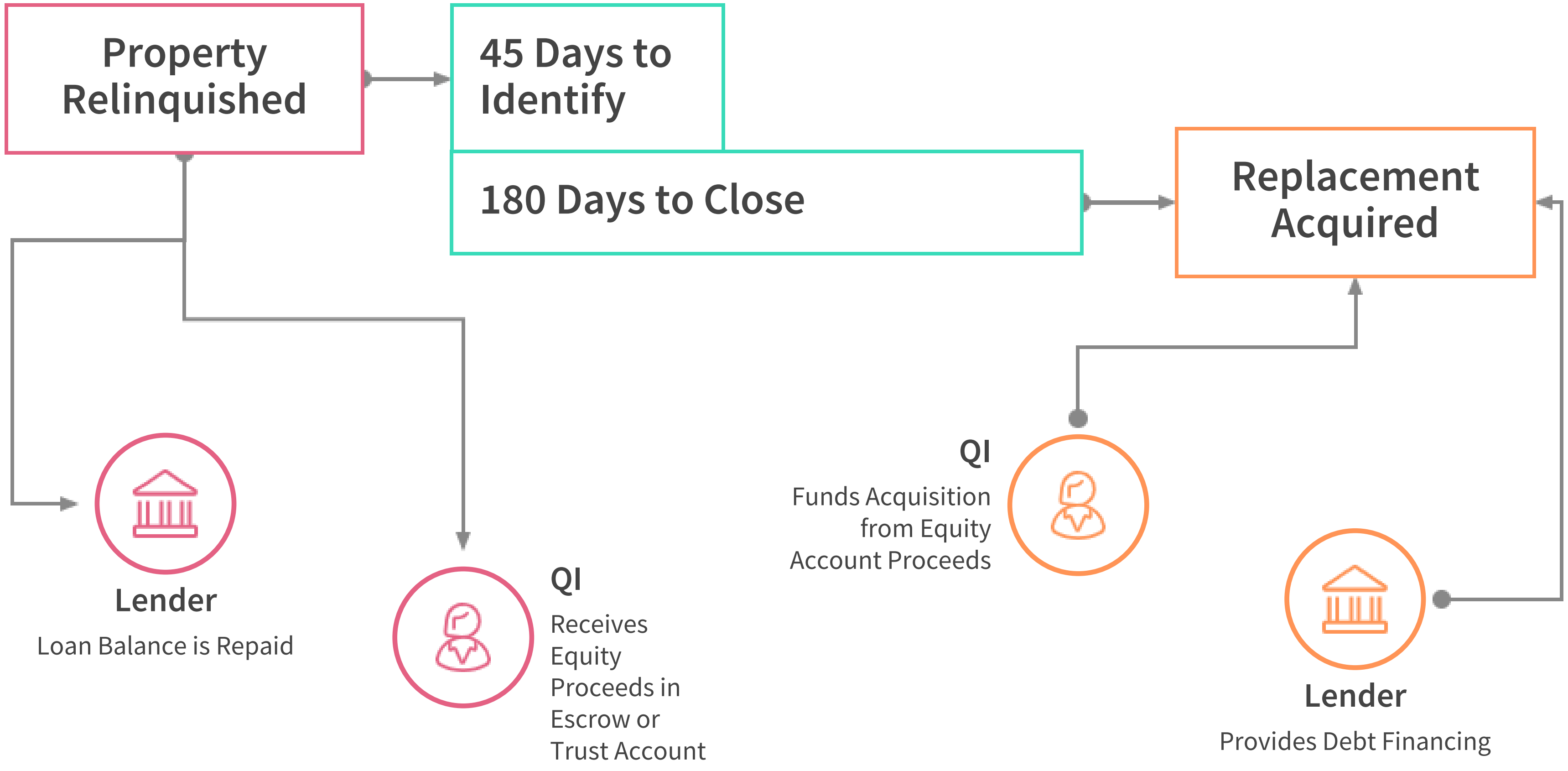
There are no extensions for the deadlines. The days are calendar days (including Saturdays, Sundays and holidays).

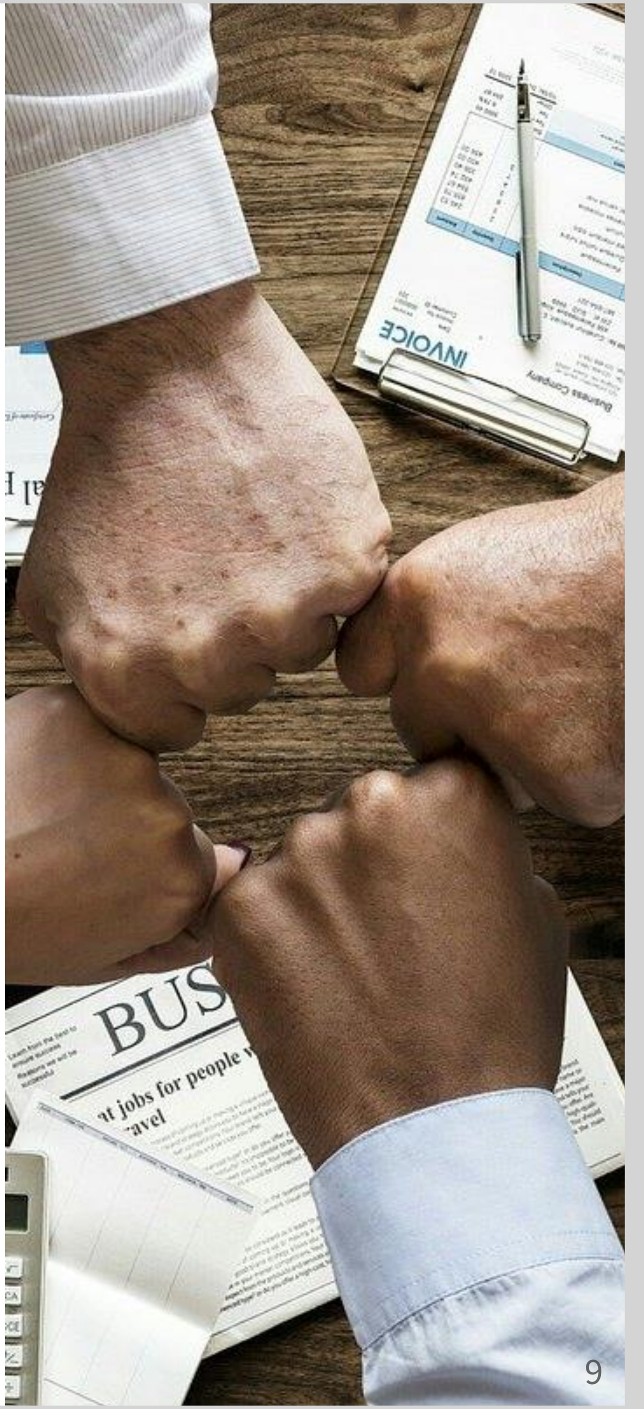
180 Days to Close

1. Purchase replacement property of EQUAL or GREATER value
2. Reinvest 100% of net sales proceeds from relinquished property
3. Replace the original value of debt through a new loan or additional equity
4. Receive no proceeds from the relinquished property transaction

A pro-rata tax payment must be made on all assets that fall outside exchange rules

1031 Transaction Workflows





Role of the Qualified Intermediary *(QI)*

Sales Proceeds

QI holds sales proceeds from the relinquished property in a trust or escrow account to ensure the taxpayer never has actual or constructive receipt

Property Identification

Identification of the replacement property must be made in writing, signed and delivered to the QI within 45 days of the sale of relinquished property

Property Closing

Replacement property must be closed upon, funded and title of the replacement property must be transferred to the taxpayer by the QI within 180 days

Identification Rules

Three Property Rule – The taxpayer may identify up to three properties as replacement property without regard to their fair market value.

200% Rule – The taxpayer may identify more than three properties as replacement property if the aggregate fair market value of the properties at the end of the identification period does not exceed 200% of the fair market value of the relinquished property as of the date the relinquished property was transferred by the Taxpayer.

95% Rule – The Taxpayer may identify more than three properties and more than 200% in value as replacement property if the Taxpayer acquires identified replacement property with a fair market value equal to at least 95% of the aggregate fair market value of all the identified replacement properties.

Tax Consequences

Net After Tax Investment vs.

Gross with Potential for Permanent Deferral

Tax Exposure

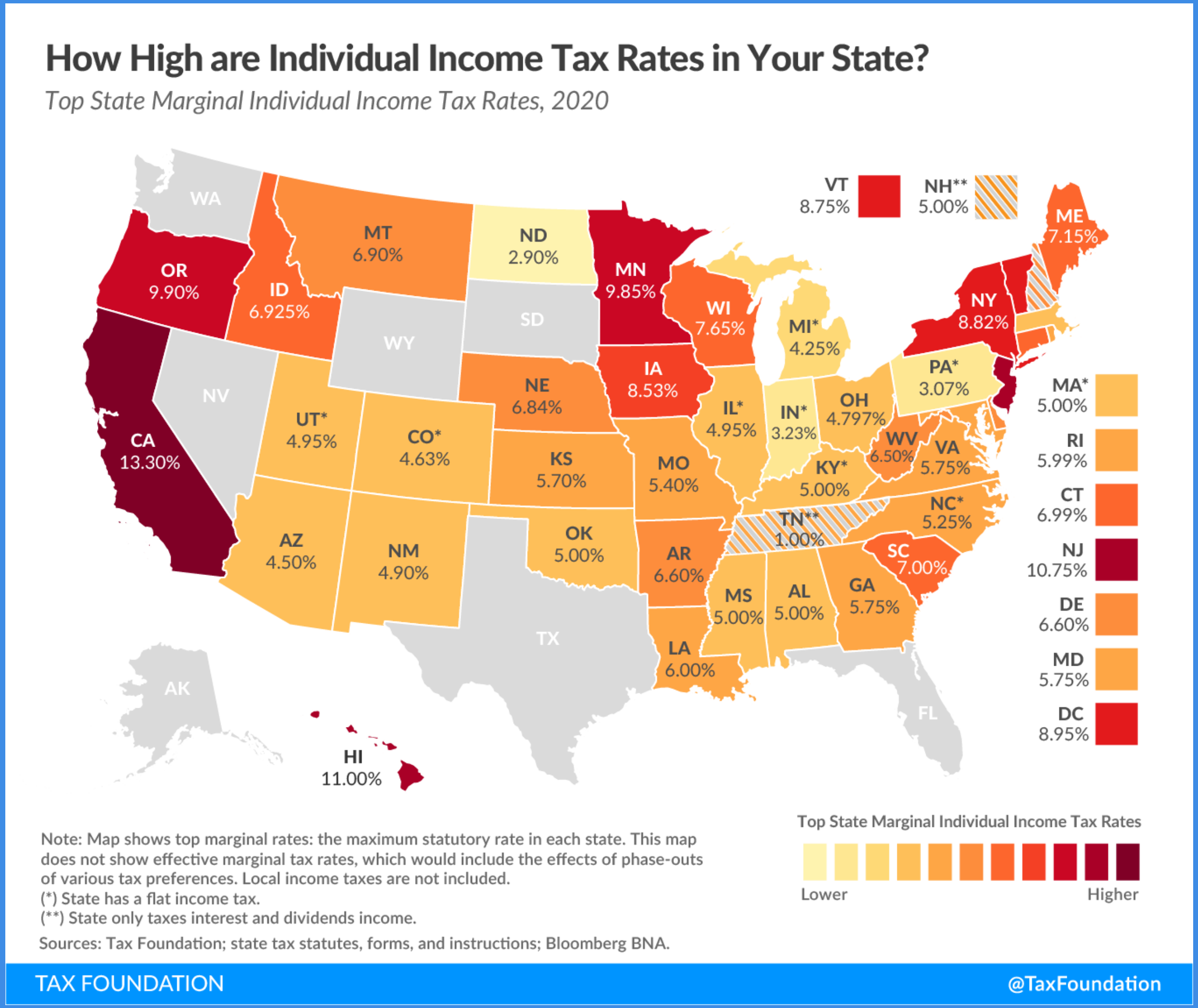
Federal Capital Gains Tax - 15/20%

Healthcare Tax - 3.8%

Depreciation Recapture - 25% of recaptured amount

State Taxes - Various rates apply

Permanently defer taxes through a step up in basis upon death



Additional Benefits of Exchange Programs

Increased Cash Flow
Exchanges can be made from no or low yielding properties to higher cash flow opportunities

Capital Appreciation
Assets can be repositioned from weak markets to those with higher economic growth

Estate Planning
Fractional ownership can provide a solution for multiple beneficiaries

Depreciation
Exchange from fully depreciated property to a higher value property to allow for continued depreciation

Future Personal Use
Properties can be acquired for investment now and primary residence or vacation home later

Passive Investment
Professionally sponsored programs assume all management responsibilities

Diversification
Programs can offer diversification by property type, tenant and geography

Asset Segregation
Exchangers can acquire fractional ownership to separate interests

Turn Key Solutions
Programs can be fully managed by professional sponsors including acquisition, debt assumption, management and disposition

Risks Associated with Exchange Programs

- **Change of Tax Status** - IRS tax rule changes may alter or eliminate certain benefits related to current strategies.

- **Liquidity Risk** - Private Placements and Delaware Statutory Trusts are il-liquid with no secondary market. You should consider these long-term investments regardless of your circumstances.

- **Real Estate Risks** – Real estate risks include those of specific property issues, the economy of the geographic locations, environmental hazards, the risk of loss of tenant and other factors typically associated with a real estate investment.

- **Reduction or Elimination of Cash Flow** – Investments in real estate may experience temporary or permanent disruption of cash available for distributions, such as, from a reduction in tenant payments or if the property sustains substantial damage.

- **Sponsor Risk** – There are substantial conflicts of interest between investors and the self-interest of the Sponsor, Master Tenant, affiliate companies and others who will profit from the private placement for their services regardless of their results. Their decisions related to the offering and operation of the private placement is critical to the success of the private placement and the return of your investment. Investors will have no control over their decisions.

Accredited Investor Qualifications

- A natural person who has individual net worth, or joint net worth (excluding personal residence) with the person's spouse, that exceeds $1 million at the time of the purchase
- A natural person with income exceeding $200,000 ($300,000 for joint) in each of the two most recent years and a reasonable expectation of the same or higher income level in the current year
- An entity with assets in excess of $5 million, not formed to acquire the securities offered

Delaware Statutory Trust *(DST)*

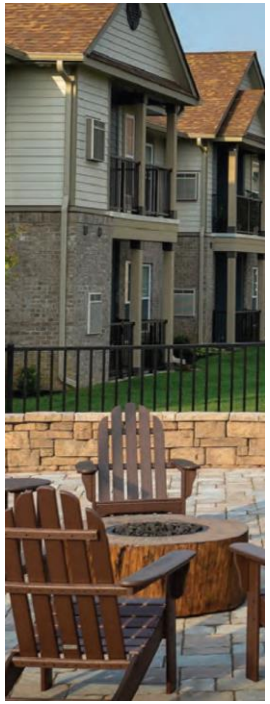
- Revenue Procedure 2004-86
- Fractional ownership provides for lower minimum investments
- All aspects professionally managed by a program sponsor
- Sponsor acts as sole trustee for real estate closings with one loan and one borrower
- Debt is non-recourse to the investors
- No need for separate LLCs

Common DST Investment Scenarios

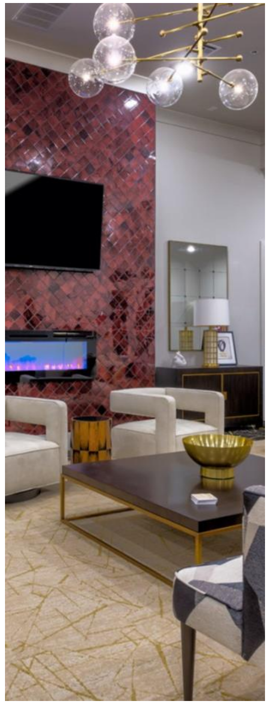
- Active real estate owners that want to become passive investors
- Those seeking greater diversification or better market positioning
- Complete deferral of remainder equity from larger real estate transactions
- A safety net from unsuccessful primary transactions
- Those with poor credit who seek a loan for replacement property
- Owners wanting estate planning options for multiple beneficiaries

Property Diversification

by Type, Tenant, Geography and Debt Level *(pictures are representative of property types and may not be actual offerings)*



Multifamily Housing



Student Housing

Healthcare

Office

Industrial

Retail

Self Storage

Hospitality

DST “Seven Deadly Sins”

Seven Deadly Sins

Capital Contributions
Once the offering is closed, there can be no further capital contributions to the DST by either existing or new investors

Lease Structures
The DST cannot renegotiate existing leases or enter into new leases

Refinancing
The DST cannot renegotiate existing loans or borrow more funds

Investor Payments
All cash, other than necessary reserves, must be paid out to investors

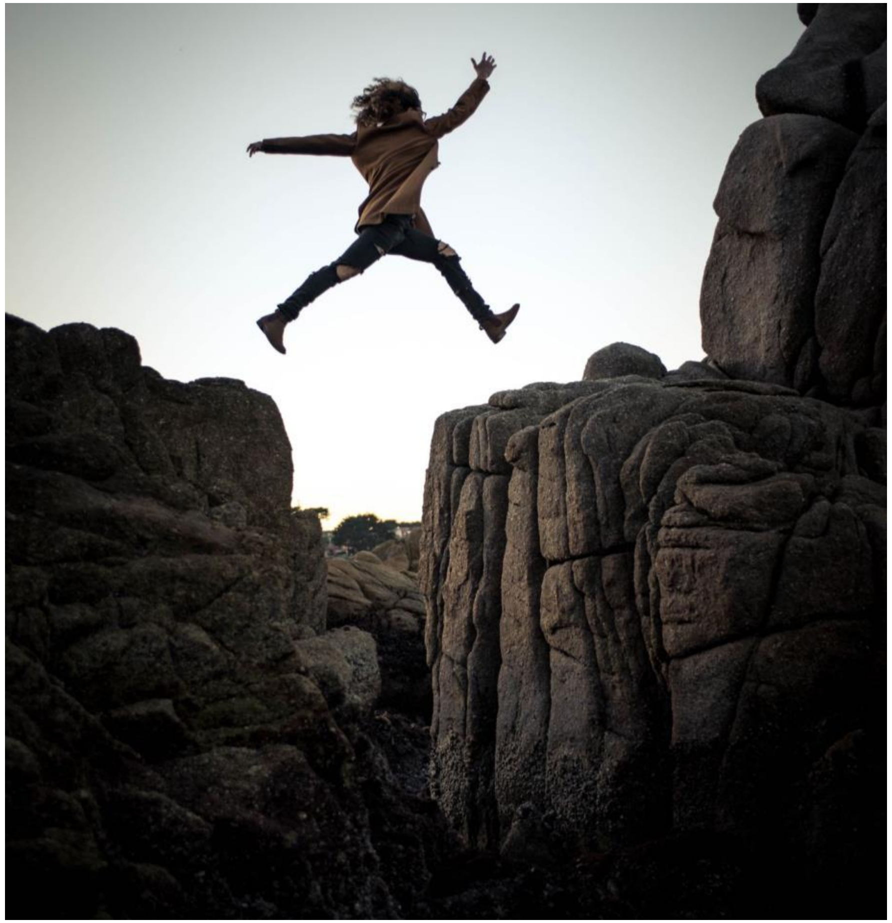
Property Sales
The DST cannot sell real estate or reinvest proceeds from the sale of its real estate

Cash Reserves
Any reserves or cash held between distribution dates can only be invested in short-term debt obligations

Capital Improvements
The DST is limited to making minor, nonstructural capital improvements, in addition to those required by law

Risks Associated with a DST

- Lack of Liquidity
- Limited Diversification
- General Real Estate Risk
- Environmental Risk
- Tax Law Risk
- Sponsor Related Risk
- Limited Managerial Control
- Fees and Expenses



Qualified Opportunity Zone Funds

An alternate deferral option for not just real estate, but ALL capital gains

Defer Taxes

Reinvest capital gains from **ANY** investment into a QOZF and receive tax deferral until the earlier of the date on which the QOZF is sold or December 31, 2026

Increase Cost Basis

If an QOZF investment is held for 5 years, the tax basis of the original investment is increased by 10%

Exclude Gains

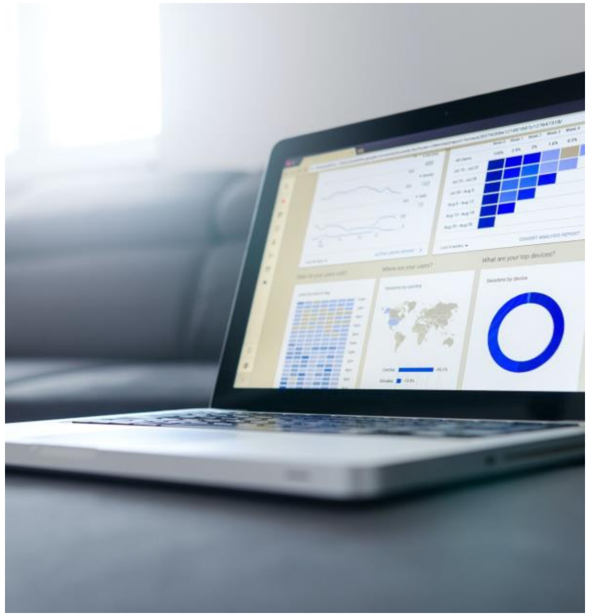
After 10 years, investors permanently avoid taxation on any post-acquisition gains

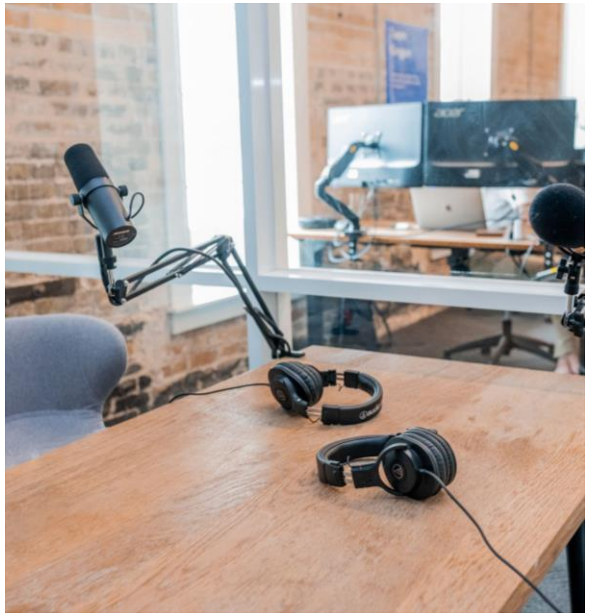
Risks Associated with Qualified Opportunity Zone Funds

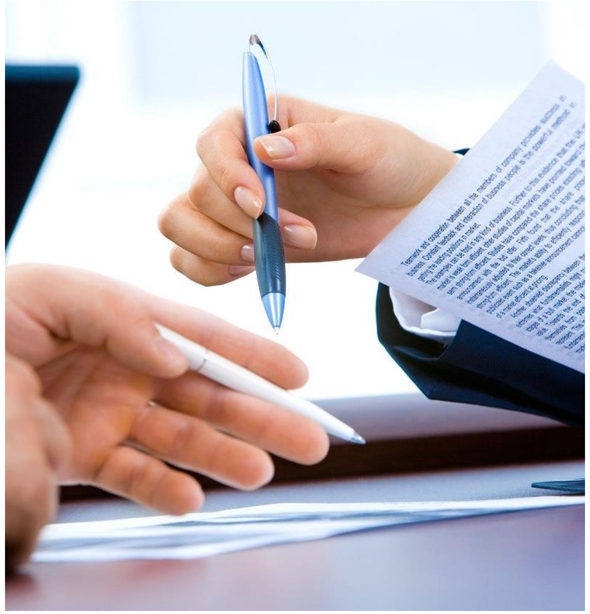
- **Regulatory Requirements** – Qualified Opportunity Zone Funds must remain in compliance with federal regulations including but not limited to:
    - Funds must maintain minimum thresholds of 90% of assets within designated Qualified Opportunity Zones
    - Regulations mandate parameters that must be met to make substantial improvements to real property in order to qualify for tax benefits
- **Liquidity Risk** - Private Placements and Qualified Opportunity Zone Funds are il-liquid with no secondary market. You should consider these long-term investments of 10 years or more, regardless of your circumstances.
- **Real Estate Development and Cash Flow** – Investments in real estate developments may be higher risk than developed and stabilized properties. During development stage there may be minimal or no cash flow as the property managers work to stabilize occupancy.

Alternative Wealth Management

- Tax Advantaged Programs Focus
- Center of Influence Network
- Referring Partner Program







Thank You For Attending