



Inland Private Capital Corporation

Utilizing DSTs in a 1031 Exchange

> Defer Capital Gains Tax

Section 1031 of the Internal Revenue Code provides an effective strategy for deferring capital gains tax that may arise from the sale of a business or investment real property. By exchanging the real property for like-kind real estate, real property owners may defer taxes and use the proceeds to purchase replacement property. Like-kind real estate includes business and investment real property, but not the property owner's primary residence.

It is important to note that there are several specific guidelines that must be followed in order to successfully execute a 1031 exchange transaction. For instance, the cash invested in the replacement property must be equal to or greater than the cash received from the sale of the relinquished property and debt on the replacement property must be equal to or greater than the debt on the relinquished property. Prospective investors should consult a tax advisor regarding a 1031 exchange.

> DSTs are the Partial Ownership Structure of Choice

A Delaware statutory trust (DST) permits fractional ownership where multiple investors can share ownership in a single property or a portfolio of properties, which qualifies as replacement property as part of an investor's 1031 exchange transaction. A DST takes all decision-making out of the hands of investors and places it into the hands of an experienced sponsor-affiliated trustee.

> Investors with Property to Exchange

A typical 1031 exchange involving the eventual investment into a DST has three basic steps:



The Role of a Qualified Intermediary

The QI is a company that facilitates Section 1031 tax-deferred exchanges. The QI enters into a written agreement with the investor where the QI transfers the relinquished property to the buyer, while transferring the replacement property to the investor pursuant to the exchange agreement. The QI holds the proceeds from the sale of the relinquished property in a trust or escrow account in order to ensure the investor never has actual or constructive receipt of the sale proceeds, which would trigger capital gain consequences.

This material is neither an offer to sell, nor the solicitation of an offer to buy any security, which can be made only by a Private Placement Memorandum (the "Memorandum"), and sold only by broker dealers and registered investment advisors authorized to do so. All potential investors must read the Memorandum, and no person may invest without acknowledging receipt and complete review of the Memorandum. Investments are suitable for accredited investors only. **Please see back page for important disclosures.**

This is a brief and general description of certain 1031 guidelines, and is not meant to include all relevant provisions of a 1031 exchange. Prospective investors should consult with their own tax advisors regarding a 1031 exchange.



Mountain Point Medical Center
Lehi, UT

> 1031 Exchange Timeline



> Like-Kind Real Estate

To complete a successful Section 1031 tax-deferred exchange, the replacement property must be like-kind to the relinquished property. Some examples of like-kind properties include:

- Multifamily Apartments
- Healthcare
- Self-Storage Facilities
- Retail Centers
- Industrial Warehouses
- Student Housing

Any real estate held for productive use in a trade or business or for investment purposes is considered like-kind. A primary residence would not fall into this category, however, vacation homes or rental properties may qualify.



Circa at FishHawk Ranch
Tampa, FL

> Key Benefits of DST 1031 Exchanges

NO MANAGEMENT RESPONSIBILITIES

The DST is the single owner and agile decision maker on behalf of investors.

ACCESS TO INSTITUTIONAL-QUALITY PROPERTY

Most real estate investors can't afford to own multi-million dollar properties. DSTs allow investors to acquire partial ownership in properties that otherwise would be out-of-reach.

LIMITED PERSONAL LIABILITY

Loans are nonrecourse to the investor. The DST is the sole borrower.

LOWER MINIMUM INVESTMENTS

DSTs can accommodate much lower minimum investments, whereas 1031 exchange minimums often are \$100,000.

DIVERSIFICATION

Investors can divide their investment among multiple DSTs, which may provide for a more diversified real estate portfolio across geography and property types.

ESTATE PLANNING

All 1031 exchange investments receive a step-up in cost basis so your heirs will not inherit capital gain liabilities, and provides them with professional real estate management versus the burden of hands-on management.

INSURANCE POLICY

If for some reason the investor can't acquire the original property they identified, a secondary DST option allows them to meet the exchange deadlines and defer the capital gains tax.

ELIMINATE BOOT

Any remaining profit on the sale of your relinquished property is considered "boot." This remaining money becomes taxable unless you eliminate it. The excess cash (boot) can be invested in a DST to avoid incurring tax.

SWAP UNTIL YOU DROP

The DST structure allows the investor to continue to exchange real properties over and over again until the investor's death.

> Invest with the Industry Leader*

Track Record Since Inception

(Through December 31, 2017)

#1

in Market Share*

Offered more than

\$7.1 billion

of assets based on offering price

Sponsored

217

private placement programs

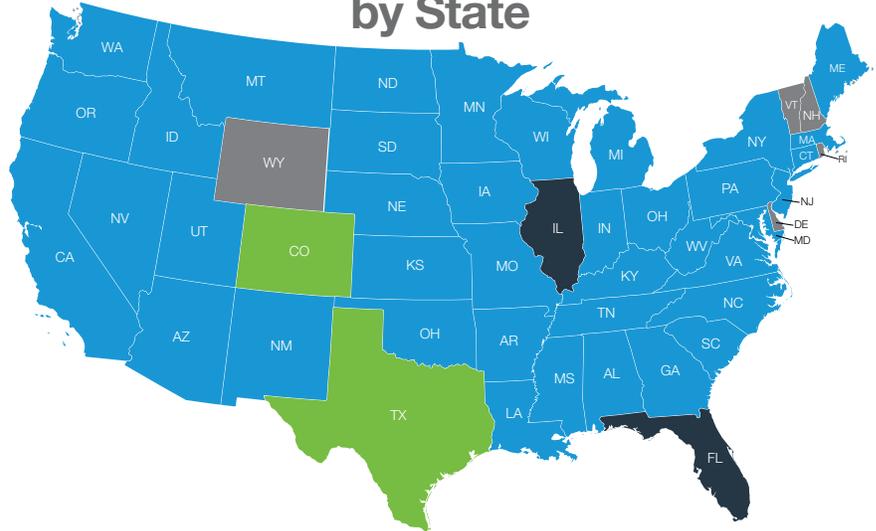
Offered more than

\$3.7 billion

in equity

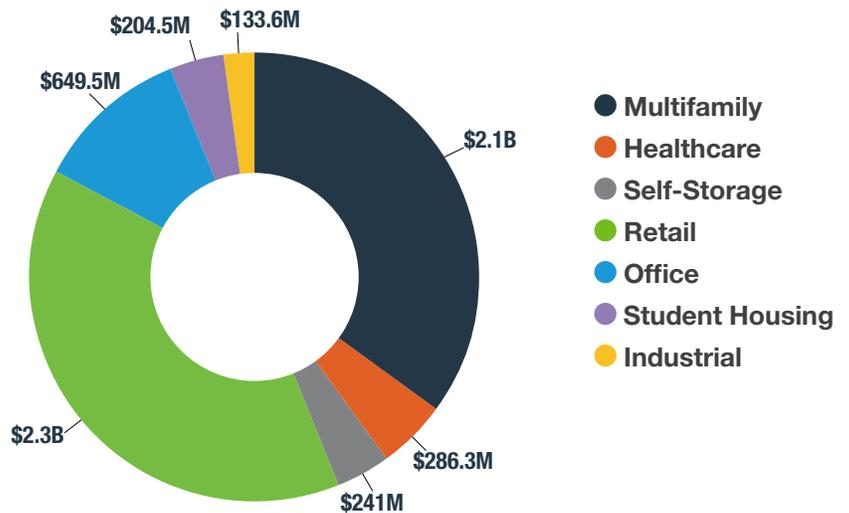
* Source: Mountain Dell Consulting

Assets Under Management (AUM) by State



● No assets ● 0.01% – 4% of AUM ● 4.01-8% of AUM ● 8.01+% of AUM

AUM by Sector



Gessner Road Self-Storage
Houston, TX

> The Inland Real Estate Group of Companies, Inc.

The Inland Real Estate Group of Companies, Inc. is comprised of a group of independent legal entities, some of which may be affiliates, share some common ownership or have been sponsored and managed by Inland Real Estate Investment Corporation (Inland Investments) or Inland Private Capital Corporation (IPC), and are collectively referred to herein as "Inland." IPC is a subsidiary of Inland Investments and is a part of Inland.

Investments in offerings sponsored by Inland Private Capital Corporation (IPC) involve certain risks including but not limited to tax risks, general real estate risks, risks relating to the financing on the applicable property, if any, risks relating to the ownership and management of the property, risks relating to private offerings and the lack of liquidity, and risks relating to the Delaware statutory trust structure. In addition, IPC can give no assurance that it will be able to pay or maintain distributions, or that distributions will increase over time.

Important Risk Factors to Consider

An investment in an IPC-sponsored program is subject to various risks, including but not limited to:

- No public market currently exists, and one may never exist, for the interests of any IPC-sponsored program. The purchase of interests in any IPC-sponsored program is speculative and is suitable only for persons who have no need for liquidity in their investment and who can afford to lose their entire investment.
- IPC-sponsored programs offer and sell interests pursuant to exemptions from the registration provisions of federal and state law and, accordingly, those interests are subject to restrictions on transfer.
- There is no guarantee that the investment objectives of any particular IPC-sponsored program will be achieved.
- The actual amount and timing of distributions paid by IPC-sponsored programs is not guaranteed and may vary. There is no guarantee that investors will receive distributions or a return of their capital.
- Investments in real estate are subject to varying degrees of risk, including, among other things, local conditions such as an oversupply of space or reduced demand for properties, an inability to collect rent, vacancies, inflation and other increases in operating costs, adverse changes in laws and regulations applicable to owners of real estate and changing market demographics.
- IPC-sponsored programs depend on tenants for their revenue, and may suffer adverse consequences as a result of any financial difficulties, bankruptcy or insolvency of their tenants.
- IPC-sponsored programs may own single-tenant properties, which may be difficult to re-lease upon tenant defaults or early lease terminations.
- Continued disruptions in the financial markets and challenging economic conditions could adversely affect the ability of an IPC-sponsored program to secure debt financing on attractive terms and its ability to service that indebtedness.
- The prior performance of other programs sponsored by IPC should not be used to predict the results of future programs.
- The acquisition of interests in an IPC-sponsored program may not qualify under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code") for tax-deferred exchange treatment.
- Certain of the programs previously sponsored by IPC have experienced adverse developments in the past.

All data as of December 31, 2017.

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**Inland Celebrates Its
50th Anniversary**

