

Net Lease Capital

1031 Solutions

**Mission Critical
US Government
Distribution Centers
Corporate
Headquarters**



U.S. Citizenship
and Immigration
Services

History and Who We Are

- ✓ Founded in 1996
- ✓ Facilitated over 33 Delaware Statutory Trusts
- ✓ Totaling over \$16 Billion in transactions
- ✓ Build to Suit
 - ✓ Mission Critical
 - ✓ US Government
 - ✓ Distribution Centers
 - ✓ Corporate Headquarters

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Types of Delaware Statutory Trusts “DST”

Cash Flowing DSTs:

- ✓ Passive Property Ownership
- ✓ Potential Monthly Income (ACH Money)
- ✓ Turn “Boot” Into Income
- ✓ Turn-key Real Estate Investment

Zero Cash Flow DSTs:

- ✓ High Leveraged Zero Cash Flow
- ✓ 4 Primary Uses
 - ✓ Debt Replacement
 - ✓ Income Replacement
 - ✓ Foreclosure Replacement (Deed-In-Lieu)
 - ✓ Refinance Option

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Target Acquisitions

- ✓ Credit Tenant with Corporate Guarantee
- ✓ Mission Critical
- ✓ Single Tenant Property with 20 Year Leases
- ✓ Strong Real Estate Fundamentals

Select Properties

- ✓ Sun Microsystems
- ✓ Hershey Headquarters
- ✓ Verizon Headquarters
- ✓ Amazon Fulfillment Centers
- ✓ United States GSA Leases

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Essential Real Estate / Mission Critical (FBI Field Offices & National Archives)



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Essential Real Estate / Mission Critical (Social Security Processing Center)



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Long-Term Investments (Amazon Facilities)



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Essential Real Estate / Mission Critical

(United States Citizenship & Immigration Headquarters)



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Maximize Tax Free Cash for Low Basis Property Owners

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BEST CANDIDATES

RBI Clients (Rich But Illiquid)

- ✓ Commercial Real Estate Owners
- ✓ Business Owners who Sold Business but Still Own the Real Estate
- ✓ Owners of Multi Family Properties
- ✓ No Liquidity for Estate Planning



BEST CANDIDATES

- ✓ Owners of appreciated real estate
- ✓ Long-time owners who have taken depreciation expenses over the years
- ✓ Owners who have carried in a low tax basis from a previous exchange



THE PROBLEM

Capital Gains!

- ✓ Reduce the seller's cash proceeds
- ✓ Prevent the seller from selling at all



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THE PROBLEM

In a 1031 exchange for typical property...

- 1) Proceeds are not maximized
- 2) Little depreciation remains
- 3) Risk of failure is high
- 4) More equity is needed
- 5) Low Returns on Replacement Options

THE SOLUTION

A 1031 exchange using a net lease property—a **replacement** property leased for a **long term** to an **investment grade credit** tenant

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THE SOLUTION

A net lease property exchange means:

- ✓ Full corporate guarantee by the tenant
- ✓ Passive ownership—tenant fully responsible for property expenses
- ✓ Readily available financing
- ✓ Traditional real estate financing, offering secure 5%–8% cash on cash return
- ✓ Credit tenant financing up to **85%** LTV with nonrecourse debt

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THE SOLUTION

Benefits to you:

- ✓ Tax deferral
- ✓ Certainty of meeting 1031 deadlines
- ✓ Passive investment
- ✓ Eventual residual value of net lease investment



CASE STUDY

Meet John.

- ✓ Acquired a \$10 mm property 22 years ago
- ✓ Selling for \$20 mm today
- ✓ No current debt
- ✓ Reported depreciation each year to offset taxable income
- ✓ Tax basis in the property reduced to about \$2 mm

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CASE STUDY

John's problem: \$20 mm sale will leave him only \$14.6 mm

Why?

- ✓ Forced to recognize gain and recapture of depreciation on \$18 mm
- ✓ Taxed at a blended rate of around 30% (capital gains, recapture of depreciation, state and local)
- ✓ \$5.4 mm in taxes

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CASE STUDY

John's 3 Options

Option 1: Pay the Taxes!

- ✓ Sells For \$20mm
- ✓ \$0mm Debt
- ✓ \$20mm Cash Before Taxes
- ✓ \$2mm Basis
- ✓ \$18mm Subject to Capital Gain and Recapture
- ✓ 30% Blended Rate
(Actual Rate May be Higher)
\$5.4mm Cap Capital Gains Tax
- ✓ Nets \$16.4mm Cash

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CASE STUDY

John's 3 Options

Option 2: Exchange into a Net Lease Property

- ✓ Sells For \$20mm
- ✓ \$0mm Debt
- ✓ \$20mm Cash
- ✓ Risks!
- ✓ May Not Find a Replacement Property
- ✓ Needs to ID in 45 Days and Close in 180 Days
- ✓ Risks Not Finding a Replacement Property
- ✓ =Blown Exchange

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CASE STUDY

John's 3 Options

Option 3: Net Lease Capital Solution!

- ✓ Sells For \$20mm
- ✓ \$0mm Debt
- ✓ \$20mm Cash
- ✓ Exchange for \$20mm into NNN Property
- ✓ Refinance \$17mm Refinancing Debt to 85% LTV
- ✓ \$3mm Final Equity Investment
- ✓ \$17mm Cash Tax Free to Client

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CASE STUDY

John's solution: an exchange with net lease property

- ✓ **\$5.4 mm** tax liability deferment
- ✓ Secure cash on cash return or an additional **\$2.4 mm in tax-free proceeds**
- ✓ Passive replacement investment with corporate guarantee of rent payment
- ✓ **Nonrecourse credit tenant financing**
- ✓ Residual value of replacement property after debt paid off

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CONCLUSION

Maximize free cash flow

Optimize financial outcomes

Capitalize on our expertise

Thank you.



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There are material risks associated with the ownership of real estate, including but not limited to, tenant vacancies, loss of entire principal amount invested, and that potential cash flows, returns, and appreciation are not guaranteed. Some additional risks include financing risk, tax risk, economic risk, closing risks or complete loss of investment. Investors must review the PPM in its entirety before making an investment decision.

THANK YOU

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Investments are for Accredited Investors Only

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