TANGIBLE WEALTH SOLUTIONS
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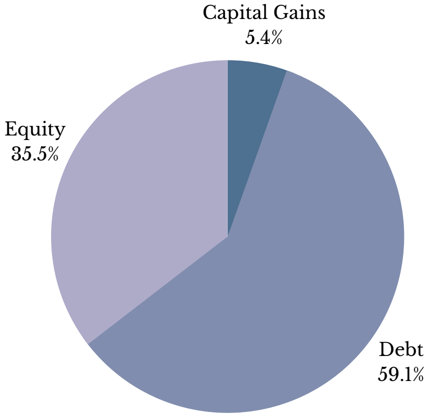
DELAWARE STATUTORY TRUST "DST"
HOW DOES DEBT GET ALLOCATED BY A ZERO-COUPON DST?

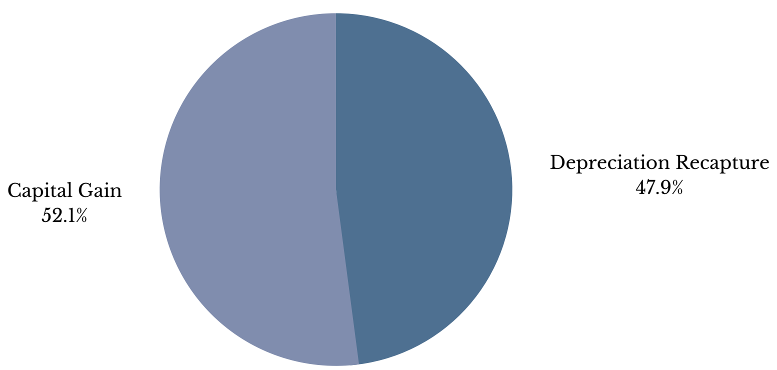
Suppose an investor sells an investment property that he bought using the following mix of cash and debt. The investor then sells property for a gain of $50,000 for a total value of $450,000. The property depreciates $100,000 while owned by the investor.

The net proceeds (total value less selling expenses) from the sale total $423,000, but the investor is looking for a way to remove debt of their balance sheet and gain passive income.

Total proceeds for investment from sale



Gain from Deferral



The investor decides to invest the proceeds into a DST portfolio to remove debt off their balance sheet, gain a passive income, and defer capital gains and depreciation recapture taxes for a deferral benefit of $29,600.

This benefit comes from a 25% depreciation recapture tax benefit (25% x $100,000) and 20% capital gain tax benefit (20% x $23,000).

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Wealth Management

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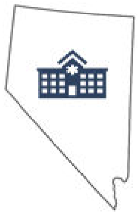
The investor is presented with the following DST portfolio by a financial planner

Alabama	
Medical Building	
Purchase Price	$7,000,000
Equity	$2,940,000
Debt	$4,060,000
LTV	58%
Cap Rate	6.15%

Nevada	
Self-Storage Complex	
Purchase Price	$15,000,000
Equity	$8,250,000
Debt	$6,750,000
LTV	45%
Cap Rate	5.45%

Ohio	
Apartment Complex	
Purchase Price	$20,000,000
Equity	$8,800,000
Debt	$11,200,000
LTV	56%
Cap Rate	5.95%

The investor's proceeds are allocated as such:



$175,000

$50,000

$120,000

$78,000

The LTV ratio established by the sponsor is then applied to split up the investor's debt and equity for each property.

The left-over proceeds of $78,000 are placed into a Zero-Coupon DST allocating the remaining $8,800 of debt at a 5% yield.

	Medical Building	Storage Unit	Industrial Facility	Zero-CPN DST
Equity	$73,500	$27,500	$52,800	$69,200
Debt	$101,500	$22,500	$67,200	$8,800
LTV	58.00%	45.00%	56.00%	11.28%

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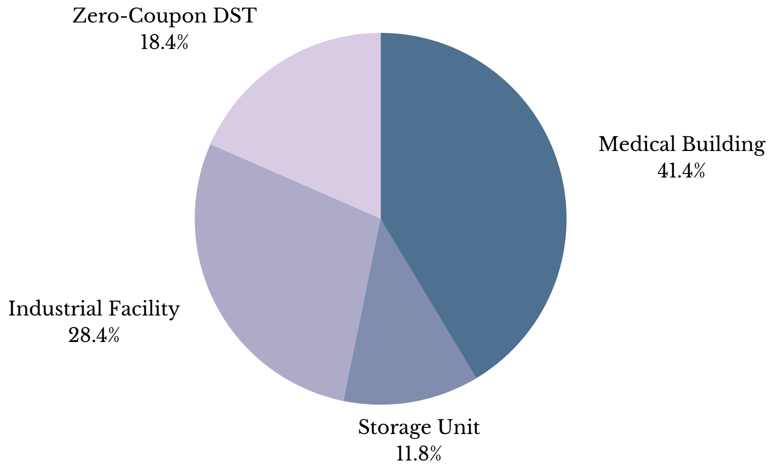
THE INVESTOR GENERATES A PASSIVE INCOME OF 5.80%

- Since the DST is a pass-through entity, proceeds flow through the trust onto the investor all while the portion of debt used from the investor's first property was passed along onto the DST's balance sheet and split by the LTV ratio
- Now, instead of the investor buying another investment property they have a diversified real estate portfolio with passive income and no debt on their balance sheet



General Disclosure

Not an offer to buy, nor a solicitation to sell securities. Information herein is provided for information purposes only, and should not be relied upon to make an investment decision. All investing involves risk of loss of some or all principal invested. Past performance is not indicative of future results. Speak to your finance and/or tax professional prior to investing.

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1031 Risk Disclosure:

- There is no guarantee that any strategy will be successful or achieve investment objectives;
- Potential for property value loss – All real estate investments have the potential to lose value during the life of the investments;
- Change of tax status – The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities;
- Potential for foreclosure – All financed real estate investments have potential for foreclosure;
- Illiquidity – Because 1031 exchanges are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments;
- Reduction or Elimination of Monthly Cash Flow Distributions – Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cash flow distributions;
- Impact of fees/expenses – Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits.

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