

1031 EXCHANGE SOLUTIONS

A guide to understanding DST 1031 property exchanges

WHY CONSIDER A 1031 Property Exchange

Section 1031 of the IRS Code allows an investor who is selling business or investment real estate to complete an exchange by purchasing other like-kind property. This allows the investor to defer up to 100% of the taxes otherwise due at the time of sale.

The IRS defines like-kind as any real property held for business or investment purposes. This includes, but is not limited to, raw land, farmland, rental and commercial properties. Like-kind property does not include a primary residence. IRS Section 1031 does not apply to the exchange of stocks or bonds.

THE DEFINITION OF LIKE-KIND PROPERTY

includes, but is not limited to: raw land, farmland, rental and commercial properties

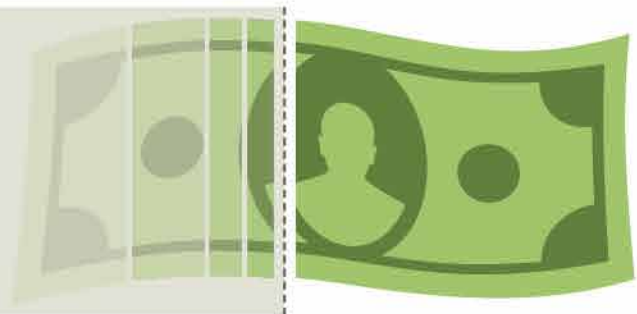
Benefits of a 1031 Exchange

- Tax deferral
- Wealth preservation
- Income stability
- Efficient estate planning

Tax on the Sale of Real Estate

Gains on the sale of property are typically taxable at both federal and state levels. The following taxes may be deferred utilizing a 1031 exchange:

- **Long-term federal capital gains** – Up to 20%
- **State taxes** – As high as 13% in some states
- **Depreciation recapture** – 25% of utilized depreciation
- **Net investment income tax** – 3.8%



These are general taxes and guidelines related to 1031 exchanges. Prospective investors should consult with their tax advisors before beginning an exchange.

4 STEP PROCESS

Completing a 1031 Exchange



1: Engage a Qualified Intermediary to facilitate your property sale.



2: Sell your existing property. Cash proceeds are escrowed by your Qualified Intermediary.

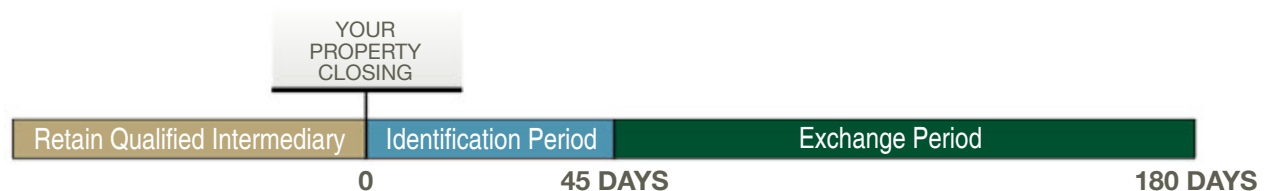


3: Identify one or more replacement properties within 45 days after the sale of your original property.



4: Purchase your replacement property to complete your 1031 exchange within 180 days after the sale of your original property.

EXCHANGE TIMELINE



There is no guarantee that an investor can complete an exchange within the 45 and 180 day time frame or that the acquisition of interests will qualify under section 1031 of the Internal Revenue Code.

“ Section 1031 allows the investor to defer up to 100% of the taxes otherwise due at the time of sale. ”

WHAT IS A DST 1031 Exchange

A Delaware Statutory Trust (DST) allows an investor to purchase a fractional interest in a high-quality property or portfolio of properties. The DST holds title to the property(ies) while multiple investors own a beneficial interest in the DST.

For tax purposes, each DST investor is treated as owning an undivided fractional interest in real estate. IRS Revenue Ruling 2004-86 provides guidance on the use of a DST for property ownership.

An AEI DST is professionally managed and typically contains multiple **debt-free**, income-producing commercial properties. Investors receive their prorated share of the income, tax benefits and any capital appreciation produced by the real estate without the management responsibilities.



Benefits of a DST

- Passive ownership
- Quality commercial properties
- Portfolio diversification
- Rental income
- Low investment minimum - \$100,000
- Efficient closing process

Investing in a DST involves risks. See reverse side for a risk summary. For more details about these and other risks, please reference the specific Private Placement Memorandum for the DST in which you may invest.



PROVEN AND RELIABLE America's Debt-Free Sponsor

AEI is one of America's most experienced sponsors of commercial property investment programs for both cash investment and 1031 property exchanges. Over the past 40 years, AEI has sponsored 130 net leased real estate programs representing the investment capital from more than 20,000 investors nationwide.

DEBT-FREE APPROACH

AEI believes that a **debt-free** approach to commercial property ownership provides an opportunity for consistent income combined with a high degree of capital protection.



Investment Strategy:



These strategies may not be suitable for all investors. There is no guarantee that all of these investment objectives will be achieved.

AEI: *By the numbers**

Founded
1970

First 1031 exchange
1992

Total offerings
130

Properties acquired
400+

Investors nationwide
20,000+

**As of 12/31/2016*

Risk Factors to Consider

- Real estate investments can be speculative; there are various economic factors that can negatively impact the value of a property. AEI cannot guarantee income distributions and overall performance of any DST property or properties. Investors should be able to endure the loss of all or a substantial portion of their investment.
- There is no guarantee that the investment objectives of any AEI sponsored program will be achieved.
- As with all real estate, investments in a DST are considered “non-liquid.” Investors have the right to sell their interest at any time; however, there is no established secondary market for these types of property interests and investors should be prepared to hold their interests until the properties are sold by the trust manager.
- DST investors have limited rights and no control in the operation and management of the trust.
- The manager of a DST may not modify the lease, make capital improvements or recapitalize the investment. If circumstances arise where these changes are required, the DST must spring to an LLC, which could result in an investor losing the ability to participate in a future 1031 exchange of the affected properties.
- The prior performance of past programs sponsored by AEI should not be used to predict the results of future programs.
- Professionally sponsored programs have experienced adverse developments in the past.
- The information here references general taxes and guidelines related to IRS Section 1031 exchange and may not apply to certain individuals. Prospective investors should consult with their tax and legal advisors before beginning an exchange.
- There is no guarantee that an investor can complete an exchange within the 45 and 180 day time frame or that the acquisition of interests will qualify under section 1031 of the Internal Revenue Code.
- The photographs in this brochure are meant to represent the type of properties typically offered by AEI and may not be available for purchase.
- The information in this brochure does not constitute an offer to sell or a solicitation of an offer to buy any security. Such offers can be made only by Offering Memorandum. This is not intended to be a complete list of risks associated with a DST investment and 1031 exchange transaction. This is only a summary of select risk factors to consider. For more details about these and other risks, please reference the specific Private Placement Memorandum for the DST in which you may invest. Investments are suitable for accredited investors only. Investors should consult with their personal tax advisor, financial advisor, and legal counsel before investing.



Quality People. Quality Performance. Since 1970.