

Inland Private Capital Corporation



www.inlandprivatecapital.com

Growing Your Practice with Inland DSTs

Disclaimers



inland-investments.com

FOR INSTITUTIONAL USE ONLY. Dissemination to prospective investors prohibited. This is neither an offer to sell nor a solicitation of an offer to buy any security in any program sponsored by Inland Private Capital Corporation ("IPCC"), which can be made only by a private placement memorandum ("PPM") and sold only by broker dealers authorized to do so. An offering is made only by means of the applicable PPM in order to understand fully all of the implications and risks of the offering of securities to which it relates. A copy of the applicable PPM must be made available to you in connection with any offering.

This presentation includes a brief and general description of certain 1031 guidelines. Prospective investors should consult with their own tax advisors regarding an investment in an IPCC-sponsored program.

The companies depicted in the photographs herein may have proprietary interests in their trade names and trademarks. Nothing herein shall be considered to be an endorsement, authorization or approval of IPCC, or the investment vehicles IPCC may offer. Further, none of the aforementioned companies are affiliated with IPCC in any manner.

The properties shown in the photographs herein are properties that are owned by IPCC-sponsored programs that have closed offerings.

Past performance is not a guarantee of future results. An investment in any IPCC-sponsored program is not an investment in any other Inland-related entity.

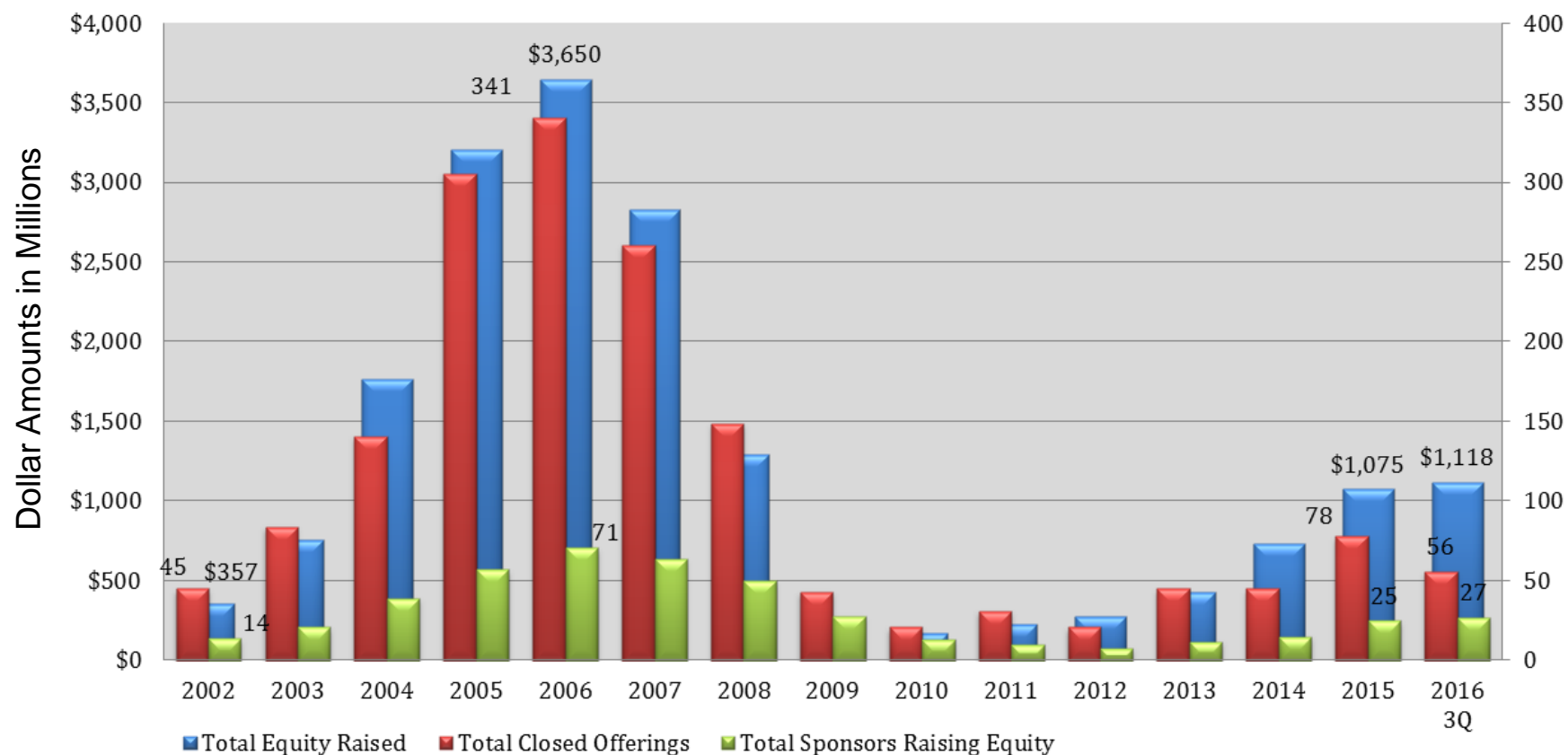
The Inland name and logo are registered trademarks being used under license. "Inland" refers to The Inland Real Estate Group of Companies, Inc., which is comprised of a group of independent legal entities some of which may be affiliates, share some common ownership or have been sponsored and managed by subsidiaries of Inland Real Estate Investment Corporation. Inland Securities Corporation, member FINRA/SIPC, is placement agent for programs sponsored by IPCC.

Publication Date: 11/16/2016

Risk Factors

- No public market currently exists, and one may never exist, for the interests of any IPCC-sponsored program. The purchase of interests in any IPCC-sponsored program is suitable only for persons who have no need for liquidity in their investment and who can afford to lose their entire investment.
- IPCC-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 IPCC-sponsored program will be achieved.
- The actual amount and timing of distributions paid by IPCC-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.
- IPCC-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.
- IPCC-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 IPCC-sponsored program to secure debt financing on attractive terms and its ability to service that indebtedness.
- The prior performance of other programs sponsored by IPCC should not be used to predict the results of future programs.
- The IPCC-sponsored programs do not have arm's length agreements with their management entities.
- The IPCC-sponsored programs pay significant commissions and fees to affiliates of IPCC, which may affect the amount of income investors earn on their investment.
- Persons performing services for the managers of the IPCC-sponsored programs perform services for other IPCC-sponsored programs, and will face competing demands for their time and service.
- The acquisition of interests in an IPCC-sponsored program may not qualify under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code") for tax-deferred exchange treatment.
- Changes in tax laws may occur, and may adversely affect an investor's ability to defer capital gains tax and may result in immediate penalties.
- The DST structure is inflexible and, in certain events, may be converted to a LLC structure, which would have a tax impact on investors.

Securitized 1031 Industry Historical Sales



Source: Mountain Dell Consulting

What is a 1031 Exchange?

> Strategy for Deferring Capital Gains Tax From Sale of a Business/Investment Property

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

How Typical Exchanges are Executed

> Investors With a Property to Exchange



Commercial Real Estate is Like-Kind Real Estate

**MULTIFAMILY
HOUSING**



MEDICAL OFFICE



RETAIL



**STUDENT
HOUSING**



**SELF
STORAGE**



INDUSTRIAL



OFFICE



> Successfully Executing a 1031 Exchange Requires Expertise

New asset
value



Relinquished
property

Cash invested
in replacement
property



Cash received
from
relinquished
property sale

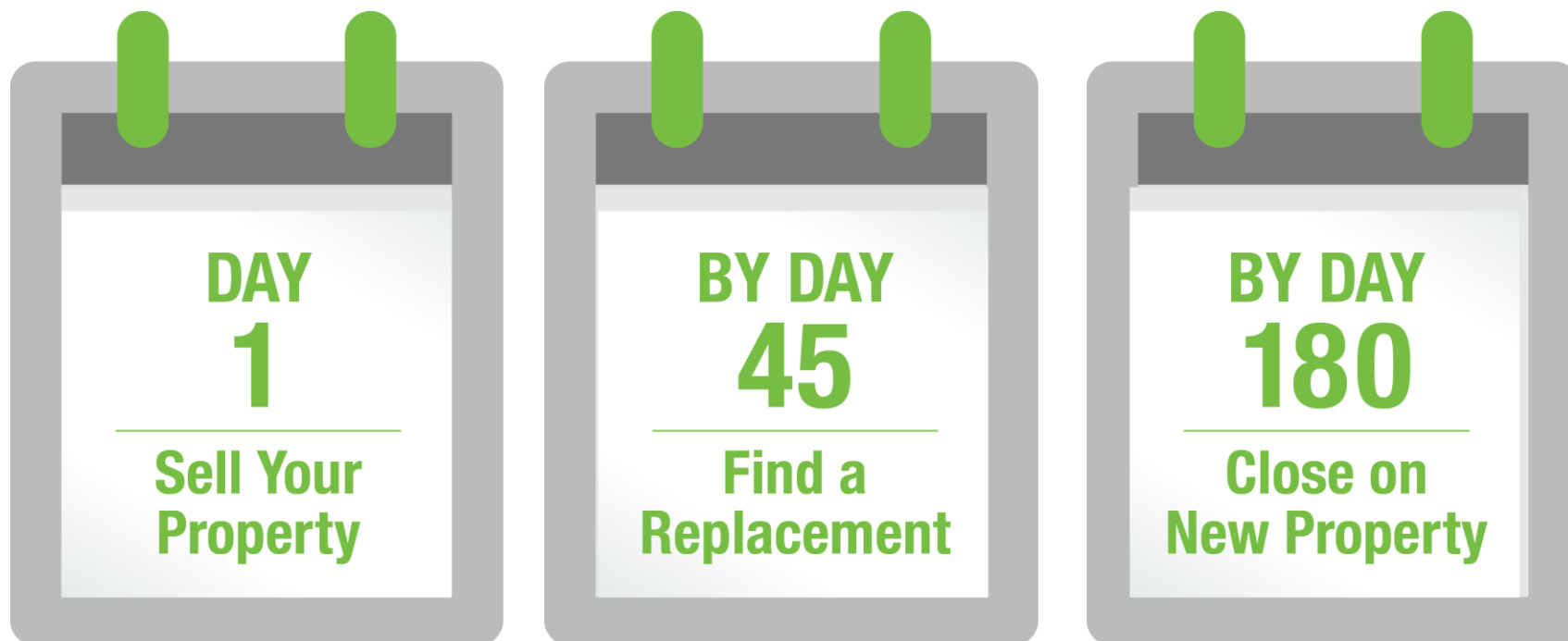
Debt on
replacement
property



Debt from
relinquished
property

1031 Exchange Timeline

> Entire 1031 Exchange Timeline is 180 Days



180 DAY TIMELINE

Hypothetical illustration of a Commercial Property Sale with and without a 1031 Exchange

	No exchange (cash)	With exchange
Sales Proceeds	\$1,000,000	\$1,000,000
Less Mortgage Balance	0	0
Net Sales Proceeds	\$1,000,000	\$1,000,000
Original Cost	\$100,000	\$100,000
Adjusted Cost	0	0
Capital Gain	\$1,000,000	\$1,000,000
Depreciation recapture (\$100,000 x 25%)	(\$25,000)	(\$0)
Fed Tax on Gain (\$900,000 x 20%)	(\$180,000)	(\$0)
State Tax on Gain (\$1,000,000 x 6.1%)*	(\$61,000)	(\$0)
Medicare Tax (\$1,000,000 x 3.8%)	(38,000)	(\$0)
Funds Available for Reinvestment	\$696,000	\$1,000,000

* 2015 U.S. state average capital gains tax per taxfoundation.org

The Inland 1031 Turnkey Solution



inland-investments.com

> The DST – Delaware Statutory Trust

- **Passive Holder of Real Estate** - All major decision making authority is in the hands of the trustee with minimal latitude over the operation of the real estate
- **No Voting** - Provides no power to its beneficiaries over the DST or its real estate and eliminates the burden of hands-on management for the investor
- **Expertise** - Allows investors to benefit from professional real estate expertise, including acquisition, financing, property management and asset management
- **Bankruptcy Remote** - The DST is bankruptcy remote with provisions in the Trust Agreement that prevent bankruptcy creditors of its beneficiaries from reaching the DST's property
- **Non-Recourse Lending** - The DST shields the exchanger from any liabilities with respect to the property
- **Smaller Minimum Investments** - Can accommodate much smaller minimum investments than previous 1031 exchange securities instruments
- **Not a REIT** - Property is acquired prior to subscriptions being invested. Distributions, if any, are covered from cash flow from operations. Liquidity occurs as properties are sold. No statement value is issued for these securities. The DST is structured to allow for a subsequent 1031 exchange transaction upon completion.

Cash Investments: Potential Advantages of Owning Commercial Real Estate through Fractional Ownership



inland-investments.com

- Portfolio diversification
- Value tied to bricks and mortar
- May provide hedge against inflation
- Income generated, if any, may be considered passive income (see next slide)
- Capital appreciation possible on sale
- Potential tax advantages through depreciation and other tax deductions may provide attractive taxable equivalent yields
- In the event of a profitable sale, owners may explore the possibility of deferring the tax on their capital gain through an IRS section 1031 exchange

Inland Private Capital Corporation

Investment Product Track Record



inland-investments.com

Track Record Since Inception

(THROUGH SEPTEMBER 30, 2016)

Sponsored

193

private placement programs

513
properties
in 43 states

Offered more than

\$2.99

billion in equity

More than

\$6.2 billion
of assets acquired

More than

30.87

million square feet
of gross leaseable area

\$1,195,109,867

cumulative distributions to investors

70
assets
sold

Past performance is not a guarantee of future results.

The Inland 1031 Turnkey Solution

> Inland Private Capital Corporation Offers Core Sectors of Commercial Real Estate

**MULTIFAMILY
HOUSING**

**STUDENT
HOUSING**

MEDICAL OFFICE

RETAIL

OFFICE

INDUSTRIAL

MOST RECENT

SELF-STORAGE

Investment Product Performance

Distribution & Occupancy Summary by Sector

(weighted average through December 31, 2015)

	RETAIL	OFFICE	MULTIFAMILY	INDUSTRIAL	MEDICAL OFFICE	STUDENT HOUSING
Cash Distribution	4.95%	3.92%	5.27%	5.61%	5.70%	5.99%
Occupancy	96.43%	99.77%	92.23%	100%	100%	94.54%

Full Cycle (completed) Programs

	RETAIL	OFFICE	MULTIFAMILY	INDUSTRIAL
Number of Programs	26	5	2	4
Weighted Avg. Total Return	141.21%	143.91%	140.19%	136.76%
Weighted Avg. IRR	8.67%	7.54%	31.47%	6.19%

Full cycle programs refer to those programs that no longer own any assets. In situations in which investors are offered a “program continuation” through IPCC, the original programs are not considered “full cycle programs” for these purposes. “Internal Rate of Return (IRR)” is calculated using the time value of money, the cash flow from property operations and proceeds from a sale to determine an annualized compounded rate of return, inclusive of all fees and expenses. “Total Return” is calculated by dividing the sum of amounts distributed to investors over the hold period of the investment plus the sale proceeds returned to the investors, by such investors’ capital invested in the program inclusive of all fees and expenses.

Prospecting for 1031 Exchange Business

> Market the DST



Prospecting for 1031 Exchange Business

> Look For:

- Property owners who no longer want the burden of actively managing real estate
- Property owners who refrain from selling property due to expected capital gains tax
- Investors who want to obtain ownership in commercial real estate in good locations
- Investors who may want to diversify their investment portfolio
- Investors that may need a specific amount of leverage to avoid “boot”*
- Investors looking to facilitate estate planning

*If, in a 1031 transaction, money is received or deemed received in addition to the like-kind property (referred to as “boot”), then gain on the relinquished property is recognized up to the amount of boot. Investors must consult with their own tax professional regarding the proper tax treatment of any such amounts.

Prospecting for 1031 Exchange Business

> Qualifying Questions:

- Is the investor accredited?
- Has client sold the property?
- When will the closing take place?
- Does the client have a qualified intermediary?
- What was the sales price of the relinquished property?
- What amount of debt was on the relinquished property?
- Does client want to have hands-on management of property?

> Dedicated Team of Private Placement Experts

Each team has a dedicated private capital consultant available to ensure that advisors and financial planners have effective tools to grow their business and achieve results for their clients.

> Taking Next Steps

- Meetings/webinars with CPAs
- CE events with CPAs
- CE for realtors with QI
- Branch meeting with realtors
- Conference calls with clients
- Clients with direct real estate holdings (1031)
- Clients without real estate exposure (cash investments)

Questions?

