FOUR SPRINGS CAPITAL TRUST

# UPREIT 101

By: Joe Crossett

1. WHAT IS AN UPREIT?

An UPREIT (Umbrella Partnership Real Estate Investment Trust) is a corporate structure that allows real estate owners to exchange their property holdings for operating partnership (OP) units in a Real Estate Investment Trust (REIT) in a tax deferred transaction similar to a 1031 exchange. These OP units can later be converted into REIT common shares.

2. HOW IT WORKS

In a simple UPREIT structure, a REIT typically acquires all of its properties through its Operating Partnership (the UPREIT entity).

Individuals contribute their real estate directly to the Operating Partnership in exchange for OP units. Since the OP entity is not considered an "investment company" for tax purposes, the contribution may not be treated as a sale and capital gains taxes may be deferred. The property contributor's new OP units are then convertible into REIT common shares at the contributor's discretion.
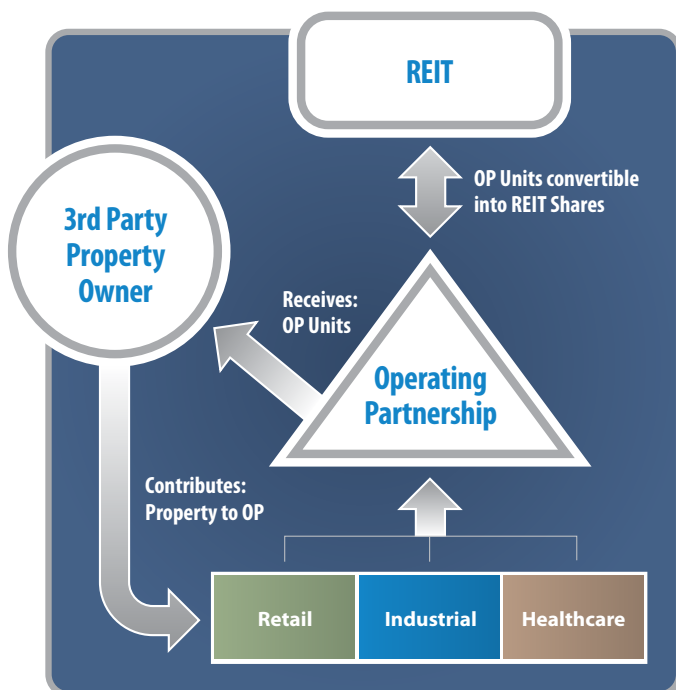
3. UPREIT BENEFITS

In addition to tax deferral, UPREIT transactions benefit from a variety of attractive features. Some of the most notable attributes include:

Diversification – OP unitholders own an interest in a portfolio rather than a single asset

Passive Management – OP unitholders benefit from professional REIT management and are freed from daily operating concerns

Recurring Cash Flow – OP units generally mirror performance of REIT common shares including monthly or quarterly dividend payments

Estate Simplification – OP units can be distributed among heirs and receive a stepped up tax basis equal to the value at death

4. WHO CAN BENEFIT FROM UPREITS?

UPREIT transactions are limited to "accredited investors" as defined by the U.S. Securities and Exchange Commission (SEC). In order to qualify, investors must meet certain income or net worth requirements.

Assuming the investor is accredited, the best candidates for UPREITs are generally real estate owners with low tax bases, family-owned properties (multiple heirs), and owners having too much of their net worth tied up in a single asset (diversification issues).

5. FINAL THOUGHTS

UPREITs are often the most attractive option for real estate owners looking to dispose of real estate while simultaneously deferring capital gains. Though less common than 1031 exchanges, UPREITs carry a variety of added benefits and should be included in any list of real estate sale options.

Disclaimer: Four Springs Capital Trust (FSCT) is a single tenant net lease focused REIT seeking investments in industrial, retail, medical, and other office properties. The views presented in this article do not constitute tax advice, and individuals should consult their own tax and other advisors when considering such transactions. All investments carry risk and past performance is no guarantee of future results.

REIT

OP Units convertible into REIT Shares

3rd Party Property Owner

Receives: OP Units

Operating Partnership

Contributes: Property to OP

| Retail | Industrial | Healthcare |

SPEAK WITH YOUR FINANCIAL PROFESSIONAL TO LEARN MORE ABOUT FOUR SPRINGS CAPITAL TRUST

Email: info@fsctrust.com | Phone: 877-449-8828 | www.fsctrust.com

Disclaimers and Risk Factors

This brochure has been prepared by Four Springs Capital Trust (FSCT) and Four Springs TEN31 Xchange, LLC (FSXchange). It is intended to be general information only and not to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. The information herein is believed to be reliable, however, the accuracy and completeness of the information is not guaranteed. Tax deferred real estate exchange transactions are complex. Failure to comply with the specific requirements of tax deferred real estate exchange transactions may result in the incurrence of taxes and a loss of the ability to defer taxes. Accordingly, investors should consult with their tax and legal counsel in connection with tax deferred exchanges.

IRS Circular 230 Notice: To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

Investments in real estate are subject to known and unknown risks, uncertainties and other factors, and should be considered only by sophisticated investors who can bear the economic risk of their investment for an indefinite period and who can afford to sustain a total loss of their investment. Investors should perform their own due diligence before considering any investment in a FSCT and/or FSXchange program. Investment objectives may not be reached if there are significant changes in the economic and regulatory environment affecting real estate. Many investments in real estate, including the programs offered by FSCT and/or FSXchange, are illiquid by nature. There is no recognized secondary market for ownership interests in FSCT and/or FSXchange programs, and transfer of interests in these programs may also be legally restricted. Therefore, you may be unable to sell your interests prior to liquidation.

This brochure is neither an offer to sell nor a solicitation to purchase interests in FSCT and/or FSXchange programs and is intended solely for informational purposes. Specific offerings can only be made through a Private Placement Memorandum ('PPM'). Prospective investors should carefully review the "Risk Factors" section of any PPM. Past performance and/or forward looking statements are never an assurance of future results. FSCT and/or FSXchange do not guarantee ongoing distributions or overall investment performance. Four Springs Capital, LLC (FSC) is a branch office and securities are offered through EDI Financial, Inc. (EDI), 1431 Greenway Drive, Suite 330, Irving, TX 75038, Member FINRA/SIPC. FSCT, FSXchange, FSC and EDI are not affiliated. The properties pictured in this presentation may not be owned by FSCT nor FSXchange and may be merely representative of the properties that FSCT, FSXchange and its affiliates may purchase.