



Customized Solutions for
Tax-Deferred Real Estate Exchanges

About Four Springs TEN31 Xchange

Four Springs TEN31 Xchange (FSXchange) is a real estate firm that provides customized tax deferred exchange solutions for real estate investors. As a subsidiary of Four Springs Capital Trust (FSCT), it focuses on acquiring and managing a diversified portfolio of single-tenant commercial properties, including retail, industrial/warehouse, medical and other office buildings that have long-term double or triple net leases with credit worthy tenants.

Four Springs Capital Trust's management team has a long established track record in net leased real estate. Members of our team have served in senior acquisition, finance and accounting roles of publicly traded net leased REITs, built acquisition platforms at publicly traded net leased REITs, and acquired in excess of over \$2 billion of net leased real estate over the last five years.

FSXchange assists investors with tax deferred real estate exchanges involving:



DST Offerings: Fractional ownership in institutional quality real estate

- Fractional ownership
- Immediate identification
- No investor responsibility



Whole Properties: Individual ownership of specific real estate property

- Turn key solutions
- Customized to client preferences, including loan to value
- Client maintains control of property
- Access to FSXchange's proprietary deal flow



UPREITs: Exchange a property for an interest in a REIT that owns a diversified portfolio of properties

- Exchange property for units in REIT operating partnership
- Tax deferred transaction
- Diversification
- Tax/Estate planning flexibility
- No management responsibilities

Solutions provided herein are for illustrative purposes only and are not meant to represent the only alternatives available. Clients are encouraged to seek advice from their tax professional who can assess their individual situation.

Using Tax-Deferred Exchanges to Achieve Your Objectives

FSXchange’s tax deferred exchange solutions can help you achieve your tax, retirement, and estate planning objectives

Tax Planning	Estate Planning	Retirement Planning	Eliminating Management Responsibilities
Scenario			
John owns a property he originally purchased for \$1,000,000. Over time, he made \$100,000 worth of improvements to the property and took \$300,000 in depreciation deductions.	Two siblings stand to inherit an apartment building worth \$2 million presently owned by their mother for the last 30 years. Managing the property is a lot of work and takes up a lot of their valuable free time.	Alice owns a property that is providing income that she is saving for her retirement years. She is looking at retiring in 8-10 years and maintaining her current lifestyle, so the income is important to her retirement planning.	Bill has owned a multi-unit apartment complex for more than 25 years in a metropolitan area. It’s an older building with many long-term, elderly tenants.
Problem			
When John decides to sell the property for \$2.4 million, after all the accounting adjustments are calculated, he would have to pay over \$490,000 in taxes.	Neither child is interested in managing the apartment building. If their mother sells the property, she will pay taxes on the appreciation and be liable for capital gains taxes. This could reduce the value of her estate and cause her income to be dramatically reduced.	Alice is considering a sale of her investment property. She is uncertain what the tax and reinvestment implications will be if she were to sell and reinvest the proceeds in another property.	Bill wants to retire to another state, but every month he invariably winds up dealing with the tenant requests to fix the dripping faucets, leaky sinks and other maintenance issues that arise. He also needs the income from the property to support his lifestyle in retirement. The property is his primary retirement investment.
Solution			
If the rules and procedures of a 1031 like-kind exchange are followed correctly, John can defer the taxes, and the entire \$2.4 million proceeds (less the cost of sale and any debt owed) can be reinvested in other real estate	The mother can sell the building in a 1031 exchange and acquire one or more replacement properties totaling \$2 million or invest in one or more DSTs instead. She decides to invest in one whole property that will generate more income. The property is placed into a trust with the children being named as beneficiaries. When the mother passes away, ownership automatically transfers to each child free of taxes at a “stepped up” cost basis.	Alice’s tax advisor calculated the capital gains and other taxes of a sale with and without reinvesting the proceeds. By foregoing the 1031 like-kind exchange, Alice would need a higher yield than her current income stream to justify the sale transaction. By doing a 1031 exchange, she can diversify her risk and potentially earn more income to spend when she wants to retire.	Bill’s financial advisor explains how Bill can sell his apartment building and invest the proceeds in one or more DSTs. This type of transaction would allow Bill to move to another state and earn monthly income from his DST investments with no management responsibilities and defer paying capital gains tax on the sale of the apartment building.

Material discussed is meant for general illustration purposes and/or informational purposes only and it is not to be construed as investment advice. Please note that individual situations can vary therefore individuals should consult their tax and other advisors when considering such transactions.



What Are The Key Steps In A 1031 Exchange?

Step 1: Identify a qualified intermediary

Step 2: List the property for sale once a qualified intermediary has been chosen.

Step 3: At the closing, the cash proceeds of the sale are remitted to the qualified intermediary.

Step 4: The investor/owner works with FSXchange to identify potential replacement properties, including DSTs.

Step 5: The investor acquires a beneficial interest in either a DST or a specific whole property with the assistance of FSXchange. Intermediary wires funds to acquire replacement property.

This typical 1031 transaction qualifies as a “like-kind” exchange, and capital gain taxes are deferred. Many other client-specific goals and objectives may also be achieved by using the services of FSXchange, providing significant benefits to the investor.

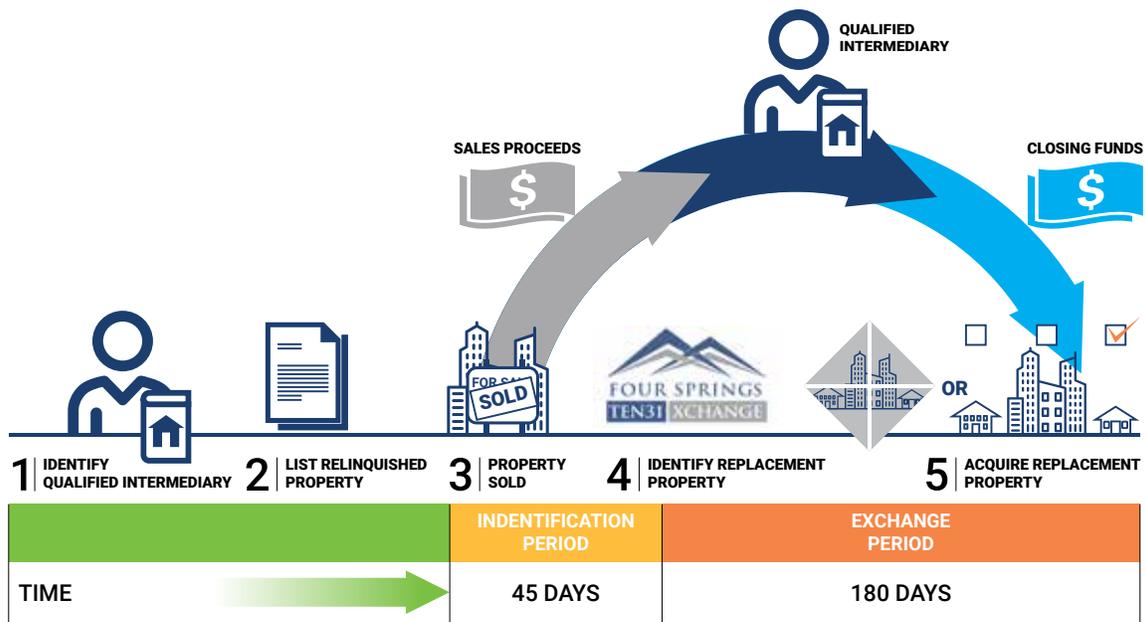
General Rules of 1031 Exchange

- 1 Purchase equal or greater in value
- 2 Reinvest all of the equity in replacement property
- 3 Obtain equal or greater debt on replacement property

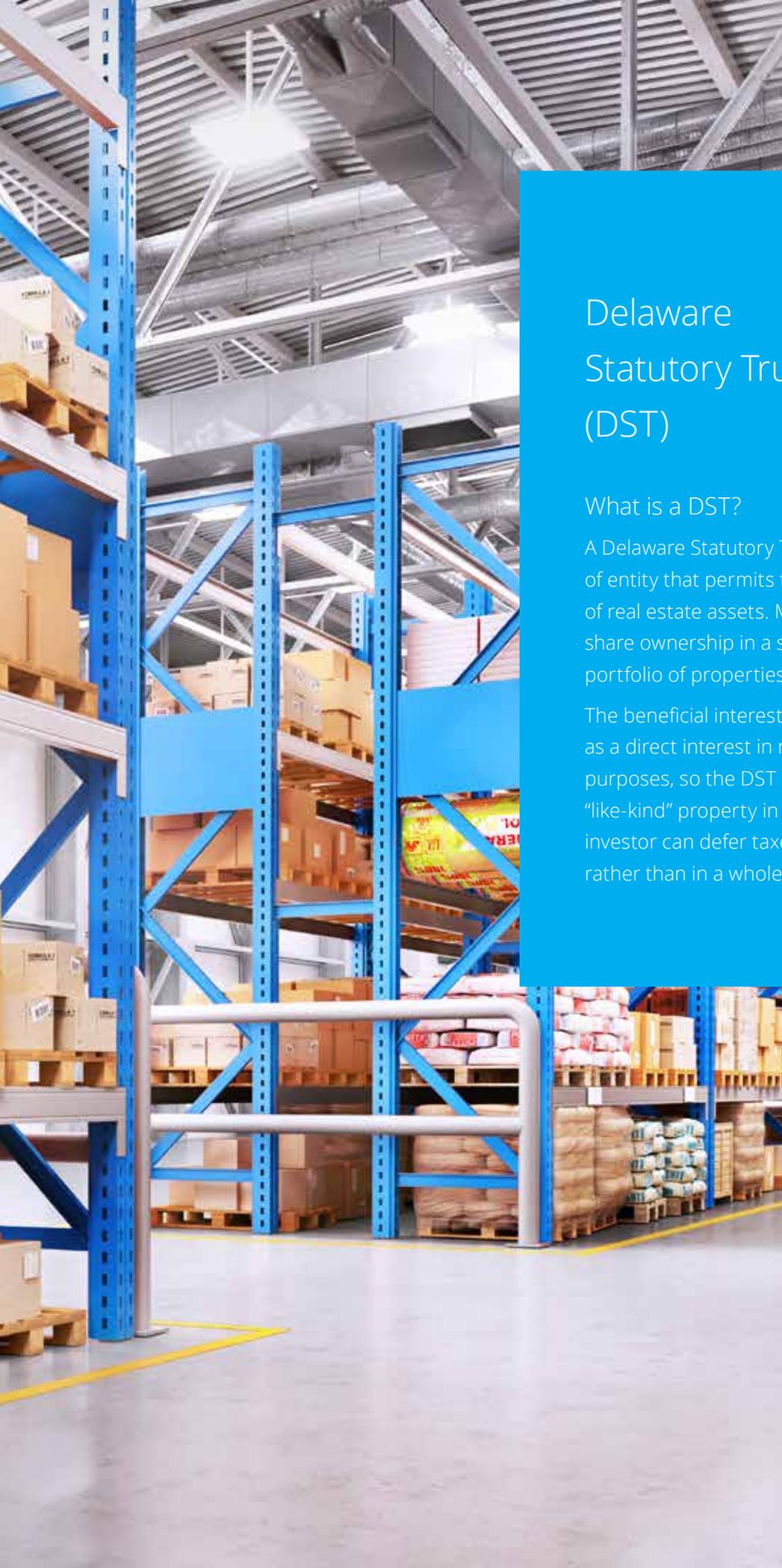
One exception to the requirements is that a reduction in debt can be offset with additional cash from the exchanger but increasing the debt cannot offset a reduction in exchange equity.



1031 Exchange Process



Note that Section 1031 of the Internal Revenue Code of 1986, as amended, contains specific requirements that must be met in order to qualify for the tax deferral provided by such provision. Nothing contained in this brochure constitutes tax advice, and individuals should consult their own tax and other advisors when considering such transactions.



Delaware Statutory Trust (DST)

What is a DST?

A Delaware Statutory Trust (DST) is a form of entity that permits fractional ownership of real estate assets. Multiple investors can share ownership in a single property or a portfolio of properties owned by the DST.

The beneficial interests of a DST are treated as a direct interest in real estate for tax purposes, so the DST interests qualify as "like-kind" property in a 1031 exchange. An investor can defer taxes by investing in a DST rather than in a whole property.

Why Consider a DST?

- Potential to own institutional quality real estate
- Diversification by tenant, property type, location
- Turnkey solution: Sponsor is responsible for sourcing, due diligence, structuring & financing of debt, and property & program management.
- Immediate property identification with an expedited closing process due to imminent timing deadlines
- Certainty of closing on acquisition of replacement property
- Eliminate all property management headaches
- Long-term non-recourse financing in place

What's Unique About the FSXchange Approach?

- FSCT funds the acquisition of the DST properties in their entirety and allows investors to co-invest with it in institutional quality real estate.
- FSCT is a co-investor while offering beneficial interests for accredited investor ownership.
- Flexible liquidity options

1

REIT funds the acquisition of the DST properties in their entirety



Subscription risk is mitigated by complete Sponsor ownership.

2

FSCT is a co-investor while offering beneficial interests for accredited investor ownership



Co-investment creates an alignment of interest between the Sponsor and investor.

3

Liquidity options



Client sells a property and purchases a DST through financial advisors

LIQUIDITY
EVENT

Exchange
Option 1
UPREIT
(Years 2 through 6)

POTENTIAL
EXIT STRATEGIES

Exchange
Option 2
UPREIT or Cash Out Option
(Years 6 through 8)

*The exchange is made at the option of FSCT and each DST investor.

What is FSXchange's Whole Property Solution?

FSXchange's whole property platform is specifically designed to meet the specific needs of real estate investors. FSXchange can help identify specific types of properties with specific characteristics, such as tenant, geography, loan to value time horizon and property management customized to the investors preferences.

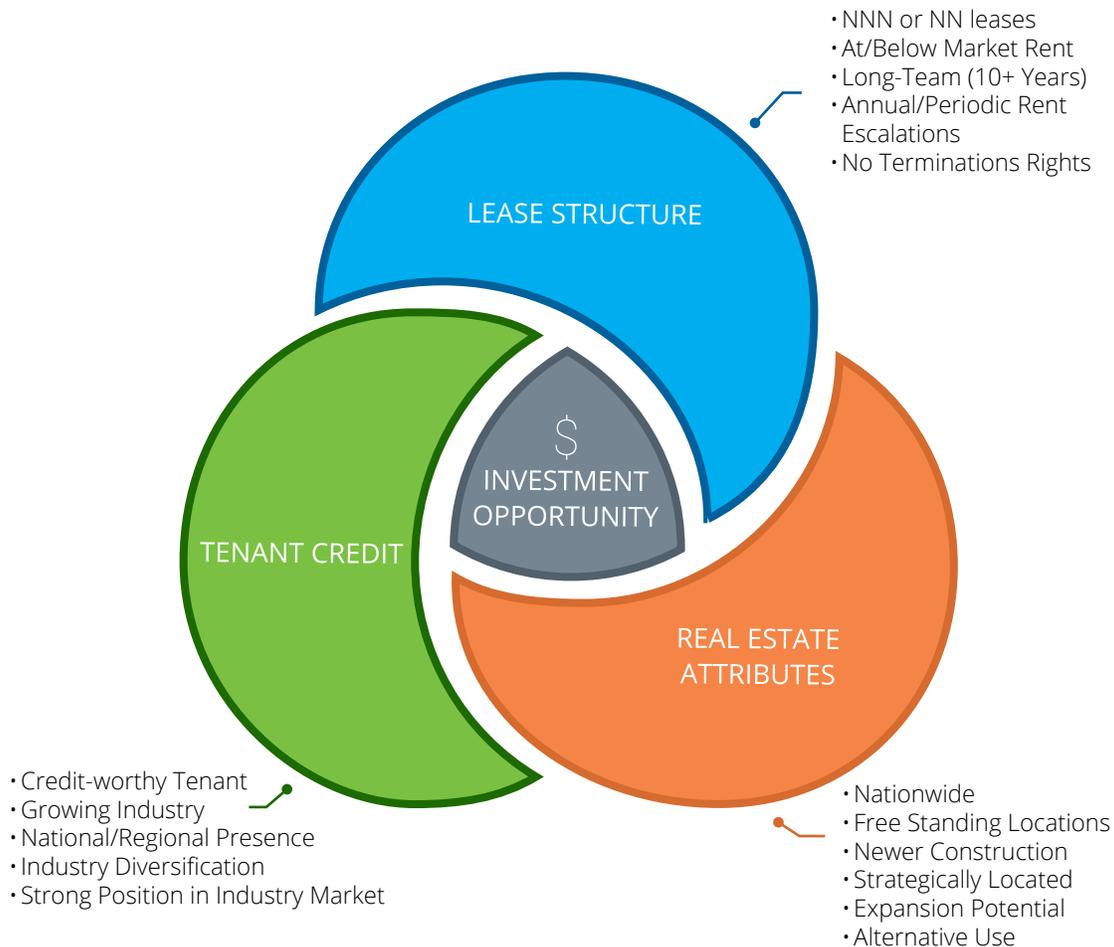
Why Consider A Whole Property Solution?

FSXchange focuses primarily on net leased real estate and provides professional services such as:

- Sourcing and selection of properties
- Due diligence review and analysis of title, appraisal, property condition, survey and environmental
- Arrangement of debt financing of properties during ownership
- Management and maintenance
- Advice on management and disposition of properties
- Potential joint venture ownership with FSCT



Leveraging FSXchange's Deep Knowledge and Experience in Real Estate



Our management team has substantial experience in real estate and finance, and we are focused exclusively on the single tenant net leased real estate market. As a principal buyer of single tenant net leased properties we have established an extensive network of relationships with leading real estate institutions. We leverage our relationships with brokers, developers, financial institutions and service providers for the benefit of our clients so that they may achieve their real estate investment objectives in a tax efficient and cost effective manner. We have relationships with many sources of properties and debt financing, and we utilize our knowledge and experience as a principal buyer in the STNL market to advise our clients on up to date pricing on properties and debt financing.

Property Exchange Program (PXP)[™]

Through Four Springs Capital Trust's Property Exchange Program (PXP)[™] FSCT allows owners of a single net leased property or a portfolio of net leased properties to sell their properties to FSCT in exchange for interests (OP Units) in its operating partnership. The OP Units are exchangeable for FSCT's REIT shares. The transaction can be structured to include cash, securities and the assumption of debt as consideration in addition to OP Units.

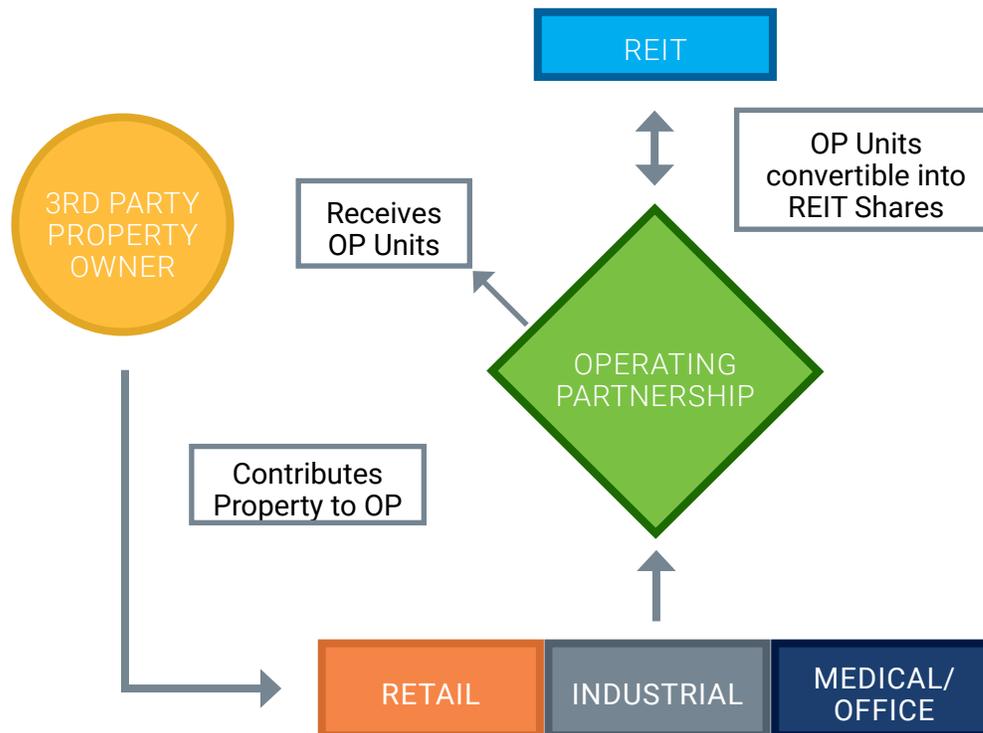


Why Consider an UPREIT

FSXchange focuses primarily on net leased real estate and provides professional services such as:

- Investors receive monthly distributions
- Portfolio diversification
- Potential for capital appreciation
- Relief from recourse indebtedness
- Professional management
- No property management responsibilities
- Tax and estate planning flexibility
- OP Units can be converted to FSCT common shares
- Ownership of OP Units is tax deferred until converted to FSCT common shares
- Potential for stepped up cost basis

The Mechanics Of An UPREIT Transaction



- A candidate for an UPREIT transaction owns a single tenant net leased property or portfolio of properties
- Client exchanges their ownership interest in the properties for OP Units that are convertible into FSCT common shares
- Client continues to defer taxes as long as OP units are held and triggers a taxable event upon conversion into FSCT common shares

Note that Section 721 of the Internal Revenue Code of 1986, as amended, contains specific requirements that must be met in order to qualify for the tax deferral provided by such provision. Nothing contained in this brochure constitutes tax advice, and individuals should consult their own tax and other advisors when considering such transactions.

We are committed to providing customized tax deferred exchange solutions for real estate investors to meet their individual tax, estate planning and investment objectives. For more information on how we can help you or your client, please contact us:

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Disclaimers and Risk Factors

This presentation has been prepared by Four Springs TEN31 Xchange, LLC. to describe tax-deferred real estate exchanges. 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.

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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 Four Springs TEN31 Xchange, LLC 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 FSXchange, are illiquid by nature. There is no recognized secondary market for ownership interests in 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 Four Springs TEN31 Xchange, LLC 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. FSXchange does not guarantee ongoing distributions or overall investment performance.



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