1031 Exchanges

SECTION 1031 ALLOWS THE INVESTOR TO DEFER UP TO 100% OF THE TAXES OTHERWISE DUE AT THE TIME OF SALE.

Disclaimers

- I am not a CPA
  - Any tax advice should be verified with a CPA
- I am not an Attorney
  - Any legal advice should be verified with an Attorney

I am a Financial Advisor representing Bravest Wealth Management

However, nothing I say or imply today should be construed as effort to offer any specific products. Any products that could be offered will be done so after this meeting and only after proper offering materials is offered to you or your client.

30 years in;
30 years to go!

Developing Generational Wealth for you and your loved ones

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Investment Advisory Services offered through Concorde Asset Management, LLC (CAM), an SEC-registered investment advisor.

Insurance is offered through Concorde Insurance Agency, Inc. (CIA).

Bravest is independent of CIS, CAM, and CIA.

- The information herein has been prepared for educational purposes only and does not constitute an offer to purchase or sell securitized real estate investments.
- DST 1031 properties are only available to accredited investors (typically have a $1 million net worth excluding primary residence or $200,000 income individually/$300,000 jointly of the last three years) and accredited entities only. If you are unsure if you are an accredited investor and/or an accredited entity please verify with your CPA and Attorney.
- There are risks associated with investing in real estate and Delaware Statutory Trust (DST) properties including, but not limited to, loss of entire investment principal, declining market values, tenant vacancies and illiquidity. Potential cash flows/returns/appreciation are not guaranteed and could be lower than anticipated. Diversification does not guarantee profits or guarantee protection against losses.
- Because investors situations and objectives vary this information is not intended to indicate suitability for any particular investor.

▶A 1031 exchange allows sellers of commercial or investment property (including oil and gas properties, etc.) to sell a property and purchase new property. Capital gains are carried over to the new property IF very specific steps are taken.

Capital gain: up to 20%

Depreciation recapture: 25% of utilized depreciation
Medicare tax: 3.8%
State tax: State specific

Taxes may exceed 20-35% of the Capital Gain

- Why do clients want to do a 1031 Exchange

- To Defer Taxes
- They are ready to EXIT property management (including farming and ranching)
- Estate Planning
- Potential Income Stability

Completing a 1031 Exchange

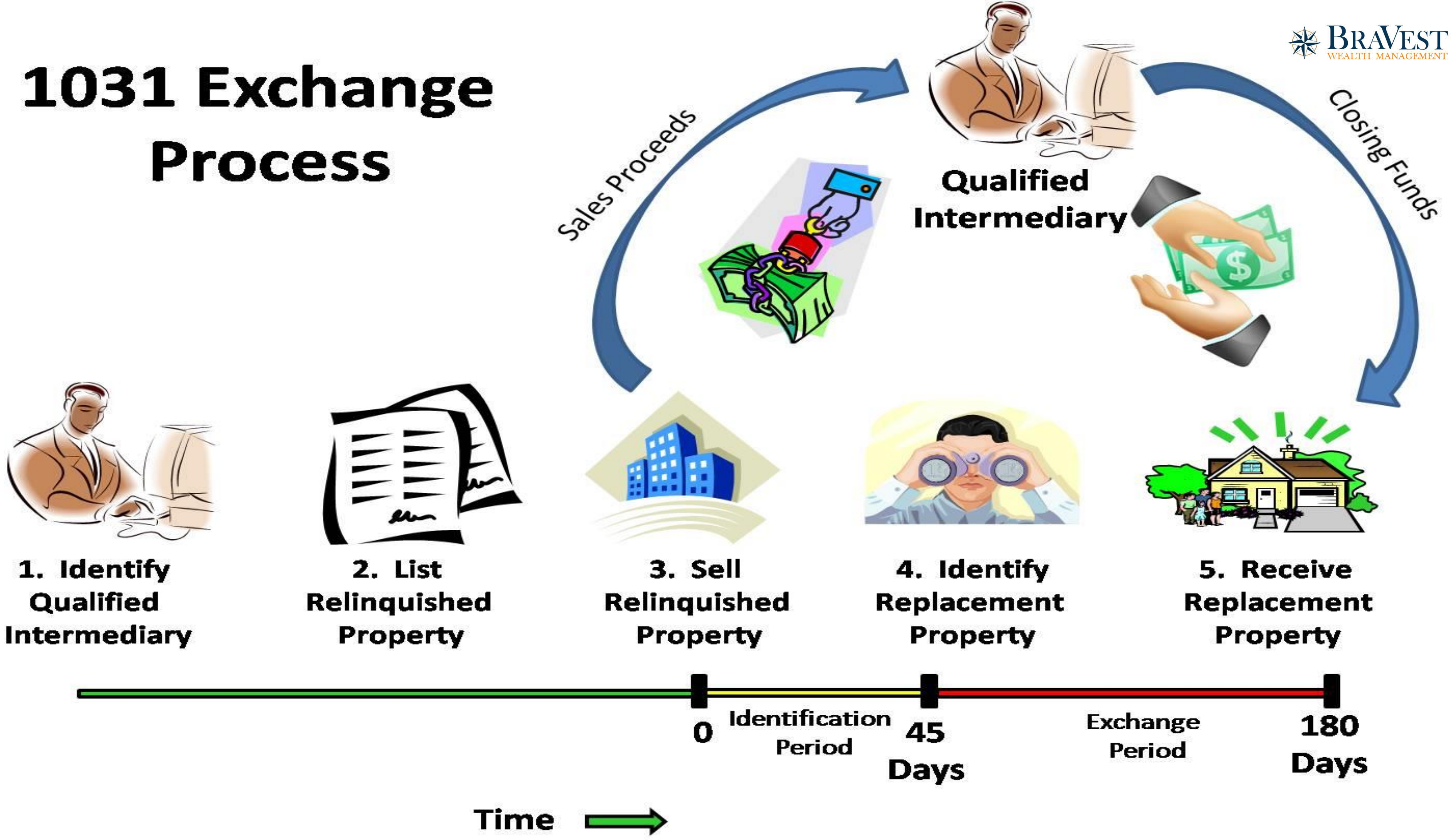
1: Engage a Qualified Intermediary (QI) to facilitate your property sale.

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

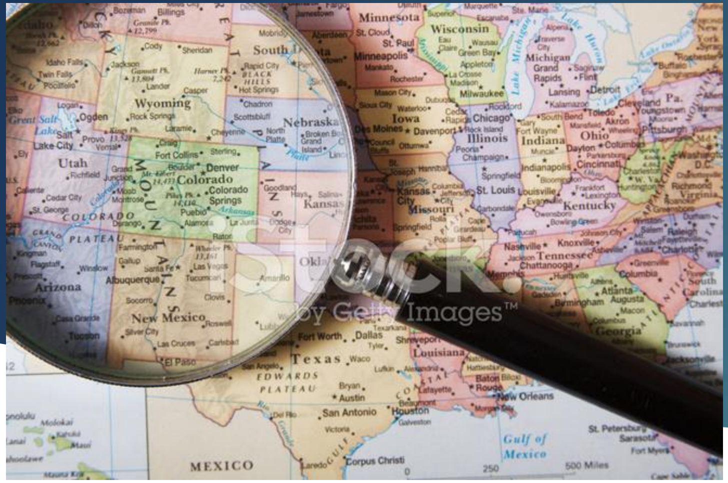
3: Identify one or more replacement properties within 45 days after the sale of your original property.

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

1031 Exchange Process



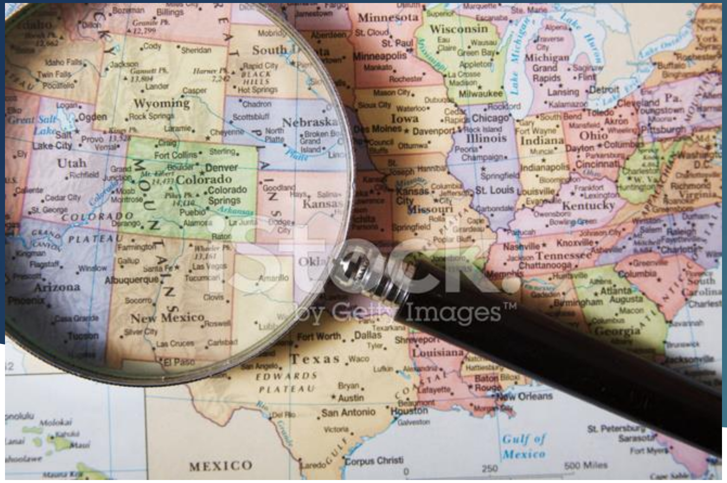
Survey Question



The Identification Rule: 45 Days

BRAVEST WEALTH MANAGEMENT

- Property identification is done through the Qualified Intermediary.
- The replacement property must be identified in a written document, known as an "Identification Notice."
- The requirements for a property Identification Notice are as follows:
  - must include a specific and unambiguous description of the replacement property;
  - must be signed by the exchanger;
  - for real property, the Identification Notice must include:
    - the legal description,
    - a street address, or
    - a distinguishable name; and
- for property to be produced, such as raw land to be acquired after improvements have been constructed, the Identification Notice should include a description of the underlying real estate and as much detail regarding the improvements as is practical, for example, 100 S. Main St., Anywhere, IL, improved with an 8 unit apartment building.



The Identification Rule: 45 Days

BRAVEST WEALTH MANAGEMENT

The exchanger may identify multiple replacement properties. There are certain additional rules to keep in mind, including the following:

- Three Property Rule: The exchanger may identify any three properties, without regard to their fair market value. The exchanger may acquire one, two or all three of the properties as replacement properties.

- 200% Rule: The exchanger may identify any number of properties, provided the aggregate fair market of all of the identified properties does not exceed 200% of the aggregate fair market value of all of his or her relinquished properties.

- 95% Rule: The exchanger may identify any number of properties, without regard to their value, provided the exchanger acquires 95% of the fair market value of the properties identified.

The Purchase:
180 Days

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

Alternative Investment Option*
DST 1031 Exchange

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- 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. Created in 2004.

Not a REIT

- 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.

Not a TIC

- Investors receive their prorated share of the potential income, tax benefits and any capital appreciation produced by the DST without the management responsibilities.

*Only available for "accredited investors"

Where does the DST fit in?

1. The Goal is to defer Taxes (1031 Exchange)
2. Can serve as a Property during the Identification Process
   - As a backup to other properties identified
   - A safety valve if other properties aren't going to close in 180 days
3. Can cover the "Boot" to defer Taxes
   - Can be used to shelter excess capital if the other identified properties don't cover 100% of the original sale
4. Seller does not want to manage properties anymore—**Retirement!**

Potential Benefits of a DST

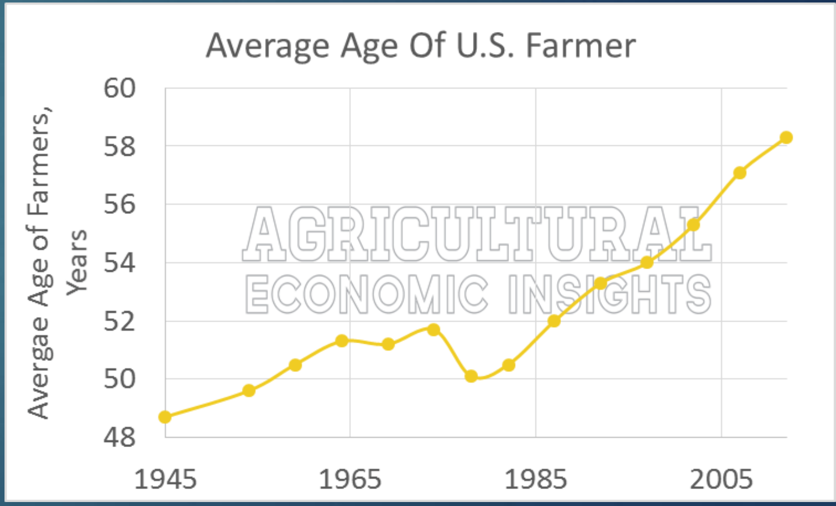
- Passive ownership
  - Tired of managing or owning troubled assets
- Quality commercial properties
- Portfolio diversification
  - Ownership in multiple properties versus only one
- Rental income potential
- Low investment minimum - $100,000
- Efficient closing process
- Estate Planning

DST investments are speculative, illiquid, and may carry a high degree of risk – including the potential loss of the entire investment.

Benefits of a DST - Scenario

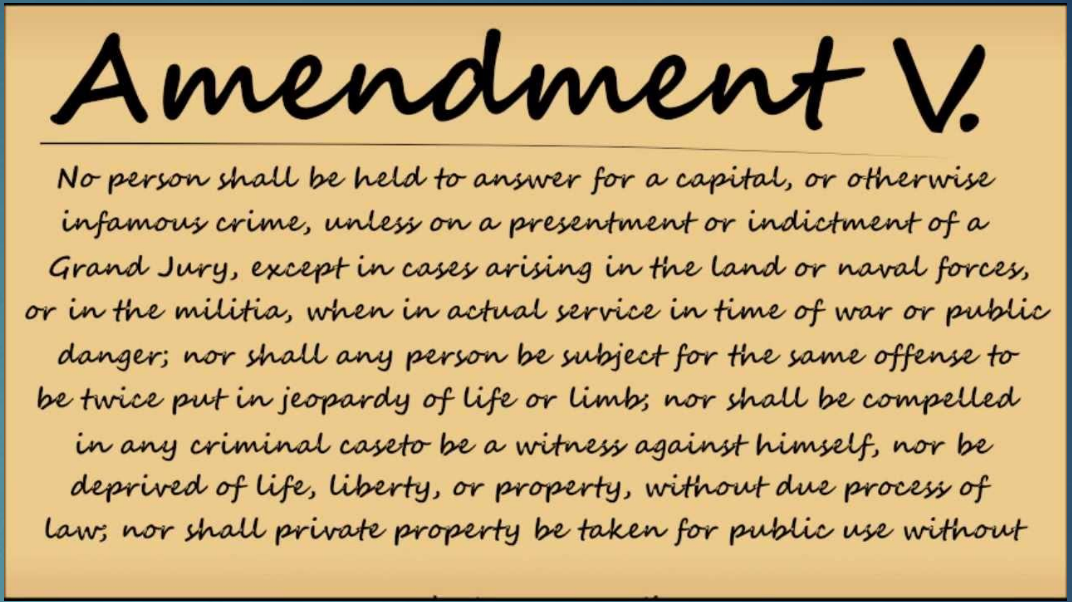
Farmer or Rancher wants to retire → Kids went off to college and aren't coming back → Little or no cost basis-afraid to sell due to tax liability → Heirs will FIGHT over the estate!

- 1031 Exchange deferring tax liability
- Exchange into a DST
- Monthly Income Potential
- DST is in shares that are easy to bequeath
- Tax Liability is stepped up at death



Scenario used for illustration purposes only. Actual results may vary. Returns are not guaranteed or can be lower than anticipated.

Who knows what this Picture is?



Amendment V.

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the militia, when in actual service in time of war or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal caseto be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without

Fifth Amendment

To the U.S. Constitution

No person shall…be deprived of life, liberty, or property, without due process of law; **nor shall private property be taken for public use**, without just compensation.

Who is Familiar with 1033 Exchange?

Eminent domain is a constant threat to landowners.

First, you're forced to sell your land.

Then you have to pay taxes on the amount you received.

Oklahoma Turnpike Authority

- ▶OTA has proposed a turnpike expansion
- ▶Connects to the Kickapoo at I-40
- ▶Curves west of Lake Thunderbird
- ▶Connects Norman and Newcastle across Indian Hills Rd.
- ▶South through Ward 5 in Norman between 72nd and 84th Ave.
- ▶Crosses River south of Slaughterville

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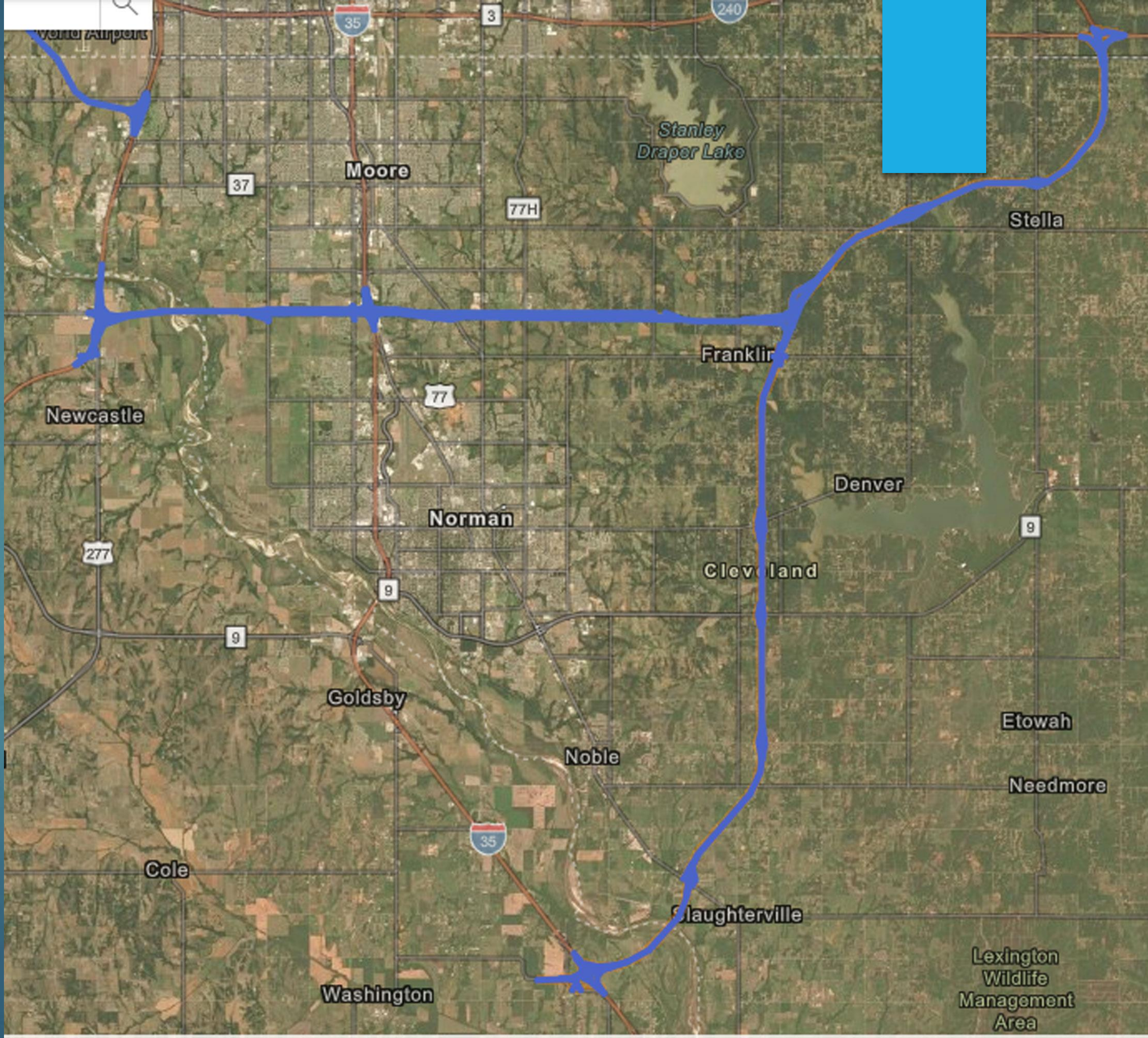
As of June 2020



Example 1033 exchange

- You have a $1M gain on a forced sale or easement, you invest $500K into a 50% “loan- to-value” DST. The DST uses financing to purchase an additional $500K of real estate in your name. Between the $500K you invested and the $500K of financing, you now own $1M of replacement property. This defers the entire $1M of capital gains. You have now deferred every penny of tax: $500K of cash in your pocket and a $500K real estate investment that seeks to pay out a 5-7% annual cash flow.* For more details, please see the Frequently Asked Questions below.

*Potential cash flows/returns/appreciation are not guaranteed and could be lower than anticipated. Example is for illustration purposes only. Individual results may vary.

How is a 1033 different from 1031 Exchange?

- A 1033 can be done after the owner takes possession of the payment.
  - No Qualified Intermediary needed
  - No 45-day identification window
  - No 180-day limit to close
- It can be done as an amended tax return up to two years after the year in which the sale was concluded.
  - In special cases longer if the property was used for a business purpose

Would you like to get your taxes back?

How to get your taxes back - Requirements

You may have a taxable gain even if only a portion of your property was affected by condemnation.

An involuntary conversion occurs when you receive money or other property as reimbursement for a condemnation of property or threat of condemnation.

If an involuntary conversion results in a gain and you buy qualified replacement property within the specified replacement period, you can postpone reporting the gain on your income tax return.

WHAT IF…

…the property has already sold?

What is the Qualified Opportunity Zone Program?

The Qualified Opportunity Zone Program (QOZ) was created by the federal government in 2017 as part of the Tax Cuts and Jobs Act.

This program is intended to encourage investment in lower-income communities across the US, principally by providing certain tax incentives in return for committing long-term capital to these communities through investment vehicles called Qualified Opportunity Funds.

Potential Tax Benefits of a QOF

- DEFERRAL
  - Invest capital gain from the sale of any property into a QOF within 180 days of recognizing the gain, taxes on such proceeds may be deferred until the earlier of Dec. 31, 2026, or the disposition of the QOF interest
- ELIMINATION
  - Investors who hold their investment for at least ten years pay no tax on the appreciation of their QOF investment upon the disposition of such QOF Investment, regardless of the size of the potential profit. [1]

All investments involve risk, and the realization of the benefits is dependent on proper structuring and the structure and performance of the future investments selected. Not all investments will provide all of these benefits.

[1]. Assumes the investor is a resident of a state that conforms with the federal Opportunity Zone provisions.

SIDE-BY-SIDE COMPARISON

1031 EXCHANGE	CATEGORY	QUALIFIED OPPORTUNITY FUND
Real estate held for investment purposes.	ELIGIBLE ASSETS*	Any investment including stocks, bonds, real estate, collectables, partnership interests, etc.
Principal and capital gains of the real estate sale.	ROLLOVER PARAMETERS	Capital gains only (principal not required).
Real property without location restrictions.	ELIGIBLE INVESTMENTS	Generally includes commercial real estate, housing, infrastructure, and businesses within an OZ.
Must identify a replacement property within 45 days and close within 180 days.	REPLACEMENT PROPERTY	No identification requirement. The gain must be invested in a QOF within 180 days.
May be deferred indefinitely with a step-up in basis upon death.	CAPITAL GAINS TAX	The original gain may be deferred and reduced, but the remainder of such original gain must be included in income on December 31, 2026. Any new gain may be eliminated.
Maximize after-day return through income and appreciation.	INVESTMENT GOALS	Maximize after-day return through income and appreciation.

Tax comparison is not to be construed as direct tax advice. Please consult the appropriate professional regarding your individual circumstance.

Questions and Answers?

THANK YOU!

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