

Inland Real Estate Investment Corporation

GUIDE TO COMMERCIAL REAL ESTATE INVESTING



This is neither an offer to sell nor a solicitation of an offer to buy any security, which can be made only by an offering memorandum or prospectus, which has been filed or registered with appropriate state and federal regulatory agencies, and sold only by broker dealers and registered investment advisors authorized to do so. An offering is made only by means of the applicable offering memorandum or prospectus 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 offering memorandum or prospectus must be made available to you in connection with any offering. **Please see inside front cover for important disclosures.**



Important Risk Factors to Consider

Some of the risks related to investing in commercial real estate include, but are not limited to: market risks such as local property supply and demand conditions; tenants' inability to pay rent; tenant turnover; inflation and other increases in operating costs; adverse changes in laws and regulations; relative illiquidity of real estate investments; changing market demographics; acts of God such as earthquakes, floods or other uninsured losses; interest rate fluctuations; availability of financing; and economic risks associated with a fluctuating U.S. and world economy.

Some of the risks specifically related to investing in a nonlisted REIT include, but are not limited to:

- The board of directors, rather than the trading market, determines the offering price of shares; there is limited liquidity because shares are not bought and sold on an exchange; repurchase programs may be modified or terminated; a typical time horizon for an exit strategy is longer than five years; and there is no guarantee that a liquidity event will occur.
- Distributions cannot be guaranteed and may be paid from sources other than cash flow from operations, including borrowings and net offering proceeds. Payments of distributions using offering or financing proceeds will reduce the amount of capital a REIT ultimately invests in real estate assets.
- Failure to qualify as a REIT and thus being required to pay federal, state and local taxes, which may reduce the amount of cash available for distributions.
- Principal and interest payments on borrowings will reduce the funds available for other purposes, including distributions to stockholders. In addition, rates on loans can adjust to higher levels, and there is a potential for default on loans.
- Conflicts of interest with, and payments of significant fees to, a business manager, real estate manager or other affiliates.
- Tax implications are different for each stockholder. Stockholders should consult a tax advisor.

Some of the risks specifically related to investing in an IPC-sponsored DST, include, but are not limited to:

- No public market currently exists, and one may never exist, for the interests of any IPC-sponsored program. The purchase of interests in any IPC-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.
- IPC-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 IPC-sponsored program will be achieved.
- The actual amount and timing of distributions paid by IPC-sponsored programs is not guaranteed and may vary. There is no guarantee that investors will receive distributions or a return of their capital.
- The IPC-sponsored programs do not have arm's length agreements with their management entities.
- The IPC-sponsored programs pay significant commissions and fees to affiliates of IPC, which may affect the amount of income investors earn on their investment.
- The acquisition of interests in an IPC-sponsored program may not qualify under Section 1031 of the Internal Revenue Code of 1986, as amended 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.

GOZ-Specific Risks to Consider

There are substantial risks associated with the U.S. federal income tax aspects of a purchasing interests in a qualified opportunity fund. The following risk factors summarize some of the tax risks to an investor. All prospective investors are strongly encouraged to consult with and rely on their own tax advisors. The tax discussion here is not intended, and should not be construed, as tax advice to any potential investor.

- There is a lack of precedent and limited guidance related to qualified opportunity funds.
- A program intended to qualify as a qualified opportunity fund may not constitute a qualified opportunity fund for a variety of reasons, including a failure to substantially improve the property within the first 30 months of its operation. If a fund does not qualify as a qualified opportunity fund, then no deferral or elimination of taxable gain will be available to its members.
- Investors who hold interests in a qualified opportunity fund through December 31, 2026, and who have deferred gain through that time by acquiring such interests, will automatically recognize some or all of the federal income tax gain that they deferred on December 31, 2026.
- The state, local and other tax implications of a qualified opportunity zone investment are unclear.

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This material has been distributed by Inland Securities Corporation, member FINRA/SIPC, dealer manager and placement agent for programs sponsored by Inland Real Estate Investment Corporation and Inland Private Capital Corporation, respectively.

Today’s investors may be looking for a balanced approach to asset allocation that achieves attractive annual returns with lower risk and recognize the advantages of including commercial real estate (CRE) properties when constructing an effective investment portfolio. CRE assets may provide portfolio diversification, a potential stream of income, the opportunity for capital appreciation, and a hedge against inflation.



CRE INVESTING – PROPERTY VS. CASH

There are typically two main avenues for individuals interested in CRE investing.

1. Real Property Strategies: These strategies are typically options for investors who currently own and manage a real estate investment property. While owning actual real property can provide the potential for a stable income stream, there are property management responsibilities to be mindful of, along with tax consequences if the property is sold. Several strategies offer investors tax benefits and the opportunity for a passive real estate investment.

2. Cash CRE Strategies: These strategies are available for investors that have cash available for a real estate investment and see the potential advantages of incorporating real estate into a balanced portfolio. Most cash CRE strategies offer investors the opportunity for a passive real estate investment.

COMMERCIAL REAL ESTATE INVESTMENT STRATEGIES

REAL PROPERTY STRATEGIES

1. Keep Current Property
2. Sell Current Property and Pay Taxes
3. Participate in a 1031 Exchange
4. Contribute to a 721 Exchange/UPREIT
5. Invest gains in a Qualified Opportunity Zone

CASH CRE STRATEGIES

1. Purchase New Property
2. Obtain Shares in a Real Estate Investment Trust (REIT)
3. Participate in a Limited Liability Company (LLC)
4. Contribute to a Delaware Statutory Trust (DST)
5. Partake in a Qualified Opportunity Zone Fund (QOZ)

CRE INVESTMENTS – HOW THEY COMPARE

	DST	QOZ	LLC	REIT
Accepts cash investments	✓	✓	✓	✓
Issues 1099 at year-end	✓	✗	✗	✓
Professionally managed portfolio	✓	✓	✓	✓
Suitable replacement entity for 1031 exchange	✓	✗	✗	✗
1031 exchange option upon property sale to defer capital gain	✓	✗	✗	✗
Specified property(ies)	✓	✗	✓	✗
Potential passive income generator*	✓	✓	✓	✗
Offers choice on leverage level (high, low, all cash)	✓	✓	✓	✗
Distributed through RIAs (net of commission)	✓	✓	✓	✓
Accepts qualified plans	✗	✗	✗	✓
Potential to list on an exchange	✗	✗	✗	✓
Available to non-accredited investors	✗	✗	✗	✓
Can participate in a 721 exchange transaction	✓	✓	✓	✗

*There is no guarantee that offerings will generate passive income. Inland Investments and IPC offer a range of commercial real estate investments across sectors, including multifamily, healthcare, self-storage, retail, office, student housing, senior living, hospitality, and industrial. For more information regarding commercial real estate investment solutions, contact your financial professional or visit inland-investments.com.



DELAWARE STATUTORY TRUST

Accredited investors can purchase beneficial interests in a DST as purely discretionary cash investments. The DST is a pass-through entity which holds real estate and allows investors to receive all the benefits of owning CRE without the burden of hands-on property management. DSTs include specified and identified properties. Upon the sale of a property in a DST, the investor will have the option to pay any capital gains tax and recapture any depreciation, if realized, or defer capital gains and recapture tax by participating in a 1031 exchange. Each investor's tax situation is different and they should consult their tax advisor.

POTENTIAL DST BENEFITS

- No Management Responsibilities
- Portfolio Diversification
- Access To Institutional Real Estate
- Limited Personal Liability
- Insurance Policy



Example: An individual investor with \$500,000 cash could invest into a \$100 million DST, which would allow the investor a 0.5% beneficial interest in a large-scale, professionally managed property or portfolio of properties. Using the monthly earnings from the property or properties, the DST will aim to make monthly distributions to its investors. In addition, the investor may receive a percentage of taxes sheltered. This investor in particular will start with a full cost basis and can claim all depreciation on the DST property or properties.

THE 1031 EXCHANGE TRANSACTION

Similar to DST cash investments, investors that currently own investment or business property may choose to participate in a 1031 exchange via a DST. That investor will receive a beneficial interest in the DST, which holds title to the real estate. Investors in a DST receive a 1099 at year-end and may be able to offset passive losses with passive income received from the DST.

POTENTIAL 1031 EXCHANGE BENEFITS

- Potential Tax Benefits
- Maximize Cash Flow
- Capital Appreciation
- Inflation Hedge



Example: A property investor recently sold their investment property and realized gains of \$500,000. The investor chooses to invest the proceeds of the sale, including the gains, into a \$100 million DST, which qualifies as a replacement property for a Section 1031 exchange. Similar to the cash investor, the 1031 exchanger will receive 0.5% in beneficial interest into the DST's portfolio of institutional-quality real estate and potentially receive monthly distributions from the DST. Additionally, the 1031 exchange may also receive a percentage of taxes sheltered and claim depreciation but depends on the cost basis they carry forward. Every investor's circumstance will be different.

1031 EXCHANGE TIMELINE

DAY ONE

Sell Relinquished Property

BY DAY 45

Identify Replacement Property

BY DAY 180

Acquire Replacement Property

THREE STEPS TO A 1031 EXCHANGE

STEP 1

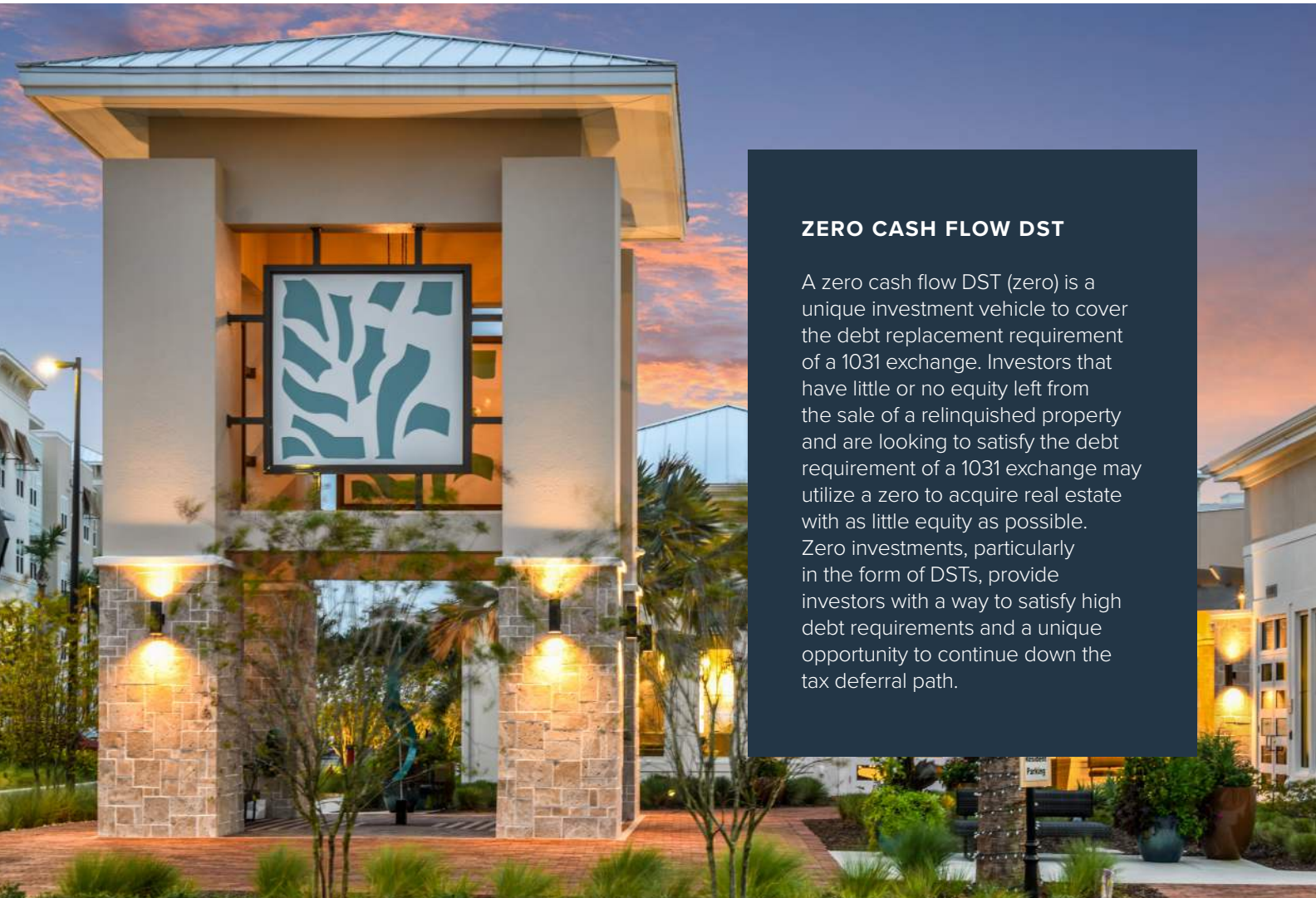
Exchanger sells property, known as the relinquished property, and proceeds are escrowed with a Qualified Intermediary (QI).

STEP 2

Qualified Intermediary, through a written agreement with the investor, transfers funds for purchase of replacement property.

STEP 3

Exchanger receives new property (or DST Interest).



ZERO CASH FLOW DST

A zero cash flow DST (zero) is a unique investment vehicle to cover the debt replacement requirement of a 1031 exchange. Investors that have little or no equity left from the sale of a relinquished property and are looking to satisfy the debt requirement of a 1031 exchange may utilize a zero to acquire real estate with as little equity as possible. Zero investments, particularly in the form of DSTs, provide investors with a way to satisfy high debt requirements and a unique opportunity to continue down the tax deferral path.

QUALIFIED OPPORTUNITY ZONES

QOZ investments offer accredited investors the opportunity for tax benefits in the form of both deferral and forgiveness, subject to the satisfaction of certain conditions. Defined under the 2017 Tax Cuts and Jobs Act, QOZs are census tracts (permanent statistical subdivisions of a county) composed of economically distressed communities, including a small percentage of tracts contiguous to low-income census tracts.

With more than 8,700 QOZs identified, this unique source of untapped capital was created to revitalize underserved communities throughout the U.S.

QOZs are held within a Qualified Opportunity Fund (QOF) which is an investment vehicle that is typically organized as a corporation or a partnership. The QOF must hold at least 90 percent of its assets in QOZ businesses and properties.

POTENTIAL TAX BENEFITS



DEFER TAXABLE INCOME FROM GAIN UNTIL 12/31/2026



10+ YEAR HOLD ON QOF ALLOWS FOR COMPLETE TAX ELIMINATION

Investors with taxable gains from the sale or exchange of virtually any type of property, including the following, may potentially defer gains by reinvesting the proceeds in a QOF within 180 days of the sale or exchange.

Stocks & Bonds



Mutual Funds



Real Estate



Businesses



Jewelry



Art



Cars



Cryptocurrency



QOZ INVESTMENT TIMELINE

The hypothetical timeline example below shows how an investor triggered capital gains by selling an asset and invests their gains into a QOZ, receiving temporary deferral.

SALE OF ORIGINAL INVESTMENT (\$1M GAINS REALIZED)

2023

Investor realizes gains on original investment and invests gains into QOF

DEFERRED TAXES DUE 12/31/26

2026

Investor pays deferred taxes on original gain

10-YEAR EXEMPTION ON \$1M QOF INVESTMENT

2033

Opportunity Zone Program End**

Investor will not owe taxes on gains in the QOF investment

**QOF investment ends per terms outlined in the specific fund. If the investor holds an interest in a qualified opportunity fund for at least 10 years then, in connection with the sale of such interest, the investor's basis in such interest will be equal to the fair market value of such interest on the date it is sold if a specified tax election is made, thereby eliminating any federal income tax with respect to any appreciation in the value of the interest.



GROUND-UP & REDEVELOPMENT LIMITED LIABILITY COMPANY

LLCs have become one of the preferred business entity structures to hold title to investment real property. The insulation from personal liability, coupled with the relative ease of administration and potential tax benefits, make ownership of property through an LLC a desirable structure. Additionally, LLCs are not required to mark a monthly or quarterly statement value and typically hold the original value throughout the life of the investment. A primary advantage of an LLC is the owners' ability to enjoy the benefits of no tax at the business organization level (pass-through entity). Income and capital gain from the LLC pass directly through to the owner(s), who would only have to pay taxes at the individual level. Tax reporting is in the form of a Schedule K-1.

Ground-up development is one of the most opportunistic long-term real estate investment strategies held in an LLC structure. Ground-up development is the construction of a real property from scratch. The process includes purchasing undeveloped land or the complete tear-down of an existing real estate asset.

Redevelopment LLCs involve repurposing a real estate asset that was previously constructed. Redevelopment can add value to the property, while revitalizing a community's economy. Typically, redevelopment projects begin by assessing the current condition of the building and its potential future uses.

POTENTIAL BENEFITS

GROUND-UP DEVELOPMENTS VIA LLCs

- Offer unlimited flexibility and can be tailored to meet the goals of both investor and developer
- Advances in construction materials can provide sustainable value and require less maintenance over the lifespan of an asset
- Investor and developer can collaborate to bring something entirely new to the area and ultimately help enhance a community
- Construction can be done in phases, so as a business grows, so can the real estate asset

REDEVELOPMENTS VIA LLCs

- Generally considered less expensive since parts of the building will be reused, such as parking lots, plumbing, etc.
- Increases property values and may drive new business demand in the area by replacing old/abandoned properties with something new
- Increases property sustainability since materials are being repurposed
- City approval may be expedited if the redevelopment project is in an urban or blighted area



Example: An investor with \$100,000 cash can invest in a ground-up LLC to receive 0.5% ownership in a \$20 million portfolio with future growth potential, asset protection and limited liability.

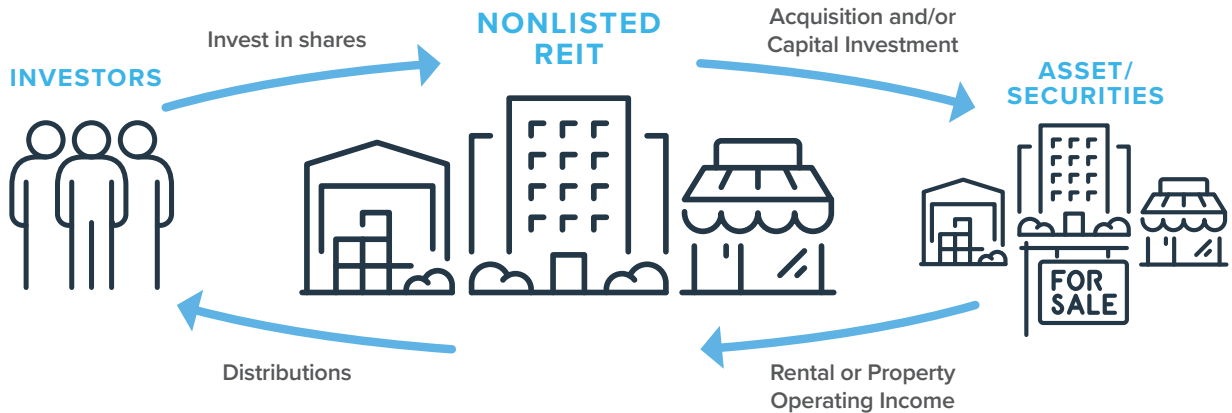
REAL ESTATE INVESTMENT TRUST

A REIT is a company that owns, operates, or finances a portfolio of real estate properties. Subject to certain suitability standards, any investor can purchase shares of a REIT. Shares of a REIT can allow individual investors to indirectly own professionally managed, income-producing properties. A publicly traded REIT typically starts as a nonlisted REIT that has acquired a certain number of properties in its portfolio, and which triggered a liquidity event. Nonlisted REITs are not listed on public

exchanges and can provide retail investors access to larger institutional quality properties with tax benefits. It is important to note that, in the beginning of a nonlisted REIT's life cycle, the REIT may not yet have identified properties for its portfolio. Unlike a publicly traded REIT, which is valued by its stock price, a nonlisted REIT must periodically provide a per share estimated value for improved investor pricing transparency.



Example: An investor with \$100,000 invests in a nonlisted REIT and receives shares in return. The REIT owns and operates a large portfolio of CRE properties, earning a monthly income from tenants. The REIT aims to distribute the monthly income to investors based on the number of shares owned.



ADDITIONAL REIT ADVANTAGES

- REITs are not required to pay federal, and in many cases, state income tax
- REITs must distribute at least 90 percent of their taxable income to stockholders annually
- Income is only taxed at the personal level on distributions and any capital gains

REITs ARE INTENDED FOR LONG-TERM INVESTMENT

- Provide access to an investment aligned with real estate in which it invests
- Longer hold period with limited selling options



721 EXCHANGE/UPREIT

A 721 exchange transaction allows property owners to contribute DST interests to an operating partnership of a larger REIT (via an UPREIT structure) in exchange for operating partnership units (OP Units). Taxes on the transaction are deferred as long as the OP Units are held. OP Units may be redeemed for REIT shares or sold through which would create a taxable gain.

POTENTIAL 721 EXCHANGE/UPREIT BENEFITS: Diversification, Liquidity and Hands-off investing



Leveraging more than 50 years of real estate industry experience, Inland Real Estate Investment Corporation (Inland Investments) and its subsidiaries, Inland Private Capital Corporation (IPC) and Inland Venture Partners (IVP), offer the management acumen, financial strength, operational expertise, and integrity to deliver returns for investors. As part of one the nation's largest commercial real estate and financial organizations, The Inland Real Estate Group of Companies, Inc. (Inland), Inland Investments and IPC and IVP are leading sponsors of real estate investment solutions as an alternative to traditional stocks and bonds.

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