

What is a DST?

A Delaware Statutory Trust (DST) is an ownership structure that allows an investor to purchase a fractional interest in a large property, or portfolio of properties. An AEI DST is professionally managed and typically contains multiple high quality, debt-free, income-producing commercial properties.

How It Works

The DST is a legal entity (formed as a trust under the laws of Delaware) which holds legal title to property(s) held in the trust. For Federal income tax purposes, each DST investor owns a "beneficial interest" in the trust and is treated as owning an undivided fractional interest in the real estate being held by the trust. The investors, as beneficiaries of the trust, receive their prorated share of the income, tax benefits, and any capital appreciation produced by the real estate. AEI serves as the trust manager and is responsible for making the major management decisions of the trust.



RULING 2004-86

Outlines the use of a DST to acquire real estate for the purposes of a 1031 exchange.

1031 Exchange

The DST works well for investors who desire the tax deferral benefits of a 1031 exchange coupled with the advantages of fractional ownership of real estate. In 2004, the IRS released Revenue Ruling 2004–86 which outlines the use of a DST to acquire real estate for the purpose of a 1031 exchange.

The beneficial interests in the trust are treated as a direct interest in replacement property. For a DST to qualify for a 1031 exchange, the trust manager may not have the power to, among other restrictions, make capital improvements to the property, modify the lease, or contribute capital to the trust. Due to these restrictions, AEI believes it is best for a DST to hold single-tenant, net lease properties occupied by a corporate credit tenant under a long-term net lease.

1031-DST OFFERINGS

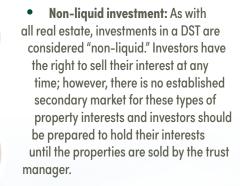


Benefits of a DST:

- Passive ownership: DST ownership is passive, which provides simplicity for investors. As the manager of the DST, AEI manages the trust, distributes the income, and provides quarterly and annual reporting to investors.
- Higher quality properties: Investors can participate in the ownership of larger, higher quality properties with industry leading tenants. Each property is subjected to due diligence by AEI's team of real estate, investment, financial, and legal experts.
- Diversification: A DST may hold more than one property and an investor may have ownership of multiple DSTs.
- Cash flow: Ownership of a DST provides the potential to generate stable, long term income.
- Low minimum investment amount: Minimum
 investments in a DST by AEI can be as low as \$100,000 for
 1031 exchanges and \$50,000 for cash purchases, allowing
 investors with smaller dollar amounts to access higher
 quality real estate.
- Efficient closing process: The closing process is prearranged and closings can often be completed within a week of AEI's receipt of an investor's Purchase Agreement.

Risks of a DST*:

General real estate risk – No guarantee: Real estate investments can be speculative; there are various economic factors that can negatively impact the value of a property. AEI cannot guarantee income distributions and overall performance of any DST property or properties. Investors should be able to endure the loss of all or a substantial portion of their investment.



 Lack of control: DST investors have limited rights and no control in the operation and management of the trust.

Lack of flexibility: The manager of a DST may not modify
the lease, make capital improvements or recapitalize the
investment. If circumstances arise where these changes are
required, the DST must spring to an LLC, which could result
in an investor losing the ability to participate in a future 1031
exchange of the affected properties.

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