

Forum's Real Estate Exchange Strategy

Overview

AS OF Q1 2026



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Who should consider a Real Estate Exchange?

REAL ESTATE OWNERS WHO:

- Have significant built-in capital gains
- Want to avoid large tax liabilities when selling
- Are subject to gains from depreciation recapture
- Want to step away from actively managing property
- Are focused on estate or tax planning strategies

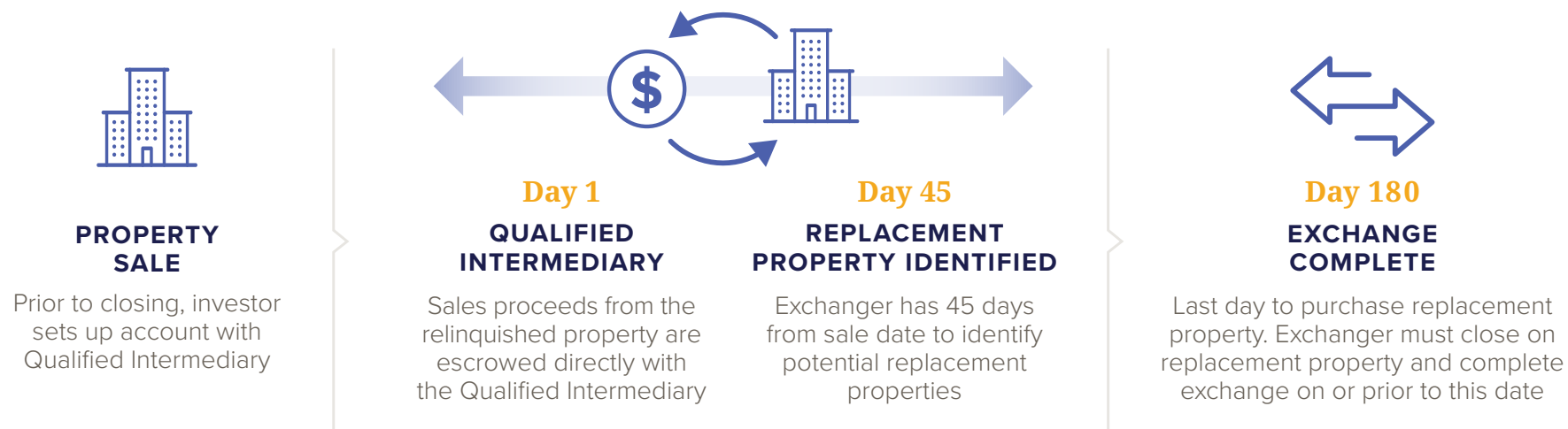
What is a 1031 Exchange?

A 1031 Exchange allows investors to sell qualifying real estate and reinvest the proceeds in “like-kind” real estate while deferring the payment of taxes from the original sale.

- **Relinquished Property** - the property sold to begin a 1031 exchange
 - › To qualify, the property must be held for investment or used in a trade or business (e.g., rental property, commercial real estate, or land held for investment)
 - › To defer all gains, the value of the replacement property must be equal to or greater than the relinquished property's net selling price, and 100% of the net proceeds from the relinquished property sale must be reinvested
- **Replacement Property** - the property acquired to complete a 1031 exchange
 - › Investors cannot touch relinquished property sale proceeds at any point in the process; it must be moved through a third-party “**Qualified Intermediary**”

TIMING IS KEY

To complete the 1031 exchange investors must comply with the 45-day identification and 180-day exchange deadlines.

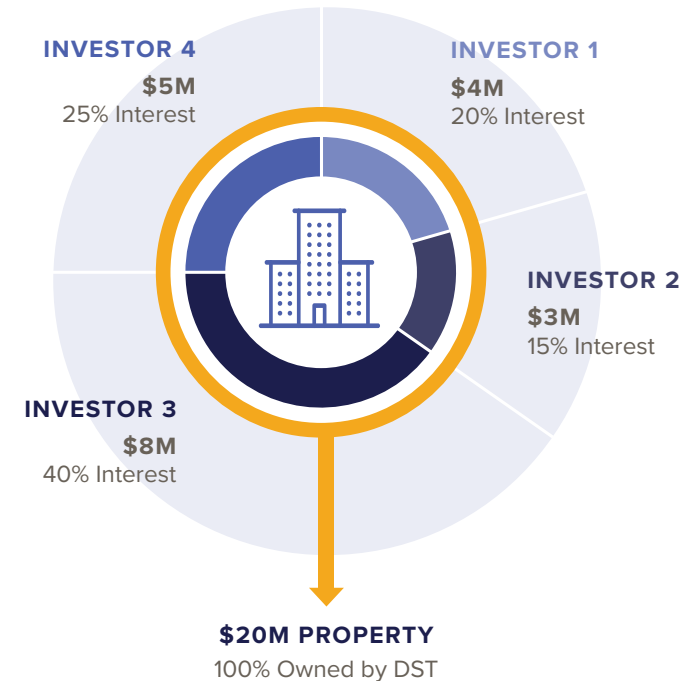


What is a Delaware Statutory Trust?

A Delaware Statutory Trust (“DST”) is an investment vehicle used by many 1031 Exchange programs to hold replacement properties.

- Allows the investor to acquire the **precise dollar amount** of replacement property they need to complete their 1031 exchange by purchasing a percentage interest in the DST
- Interests in DSTs holding real estate are recognized by the IRS under Revenue Ruling 2004-86 as qualified replacement property for 1031 Exchanges
 - › DST activities are extremely limited in order to preserve real estate status for 1031 exchange purposes
- The DST holds title to the property for the benefit of the 1031 Exchange investors

DELAWARE STATUTORY TRUST (DST)



What is a 721 Exchange?

A 721 exchange allows an investor to contribute real property to a partnership in exchange for partnership interests on a tax-deferred basis.

- Partnership interests received are equivalent in value to the property contributed
- Transaction is tax-deferred to the contributing investors
- Provides contributing investor exposure to all assets owned by the partnership



Hypothetical Investor Scenario

Tax Deferral Benefits of a 1031 Exchange.

Taxes on the sale of appreciated real estate may be significant. A 1031 Exchange may be one of the most effective investment tools for real estate owners looking to defer taxes on the sale of appreciated investment properties or properties used in a trade or business.

	SCENARIO 1 Investor sells investment property & pays all tax liability.	SCENARIO 2 Investor exchanges the investment property through a 1031 Exchange into a DST & defers tax liability.
PURCHASE PRICE	\$750,000	\$750,000
Depreciation	\$500,000	\$500,000
Adjusted Cost Basis	\$250,000	\$250,000
SALE PRICE	\$1,750,000	\$1,750,000
TOTAL TAXABLE GAIN	\$1,500,000	–
Depreciation Recapture Tax (25% of Depreciation)	\$125,000	–
Federal Long-term Capital Gains Liability (20% of Total Taxable Gain Less Depreciation Recapture)	\$200,000	–
State Tax (Assumed 13.3% Highest State Tax Rate)	\$199,500	–
Net Investment Income Tax (Assumed 3.8% of Total Taxable Gain)	\$57,000	–
TOTAL TAXES DUE	\$581,500	–
NET PROCEEDS FOR INVESTMENT	\$1,168,500	\$1,750,000

Note: For illustrative purposes only. Example is hypothetical and is not tax advice. Please refer to end disclaimers for more information.

What is an UPREIT?

An Umbrella Partnership Real Estate Investment Trust ("UPREIT") is a way to structure a Real Estate Investment Trust ("REIT") so that it is able to acquire properties through tax-deferred 721 Exchanges.

5 Key Potential Benefits of a 721 UPREIT:

- **Tax-Deferred Exchange:** Contribute real estate through a $1031/721$ structure and defer capital gains taxes.
- **Built-In Diversification:** Gain ownership in a REIT that may hold hundreds of properties across multiple markets.
- **Liquidity & Flexibility:** OP Units are economically equivalent to REIT shares and may be converted into publicly traded stock.
- **Estate Planning & Wealth Transfer:** Easily divisible shares simplify transfers to multiple heirs versus direct property ownership.
- **Step-Up in Cost Basis:** REIT shares receive a step-up at death, allowing heirs to sell without deferred capital gains or recapture.



Three Steps to A Diversified Solution

STEP : 1



Sell Your Property

RELINQUISHED PROPERTY

Active Management Fatigue:

- Real estate owners looking to move away from active property management while deferring capital gains taxes

STEP : 2



Exchange Proceeds into DST

FRACTIONAL INTEREST IN DST PROPERTY

Economic & Inheritance Benefits:

- Receive ongoing income and potential capital appreciation
- Heirs receive a “step-up” in basis, eliminating deferred taxes

STEP : 3



721 UPREIT Exchange

EXCHANGE INTO A DIVERSIFIED REIT

Portfolio Diversification & Future Planning:

- Gain exposure to a REIT's institutional-quality portfolio
- Redemption program provides a potential pathway to liquidity
- Maintain tax-deferred status without the need for future 1031 exchanges
- Interests can be more easily allocated or transferred as part of an estate plan

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This information is qualified in its entirety by the contents of relevant offering and governance documents of an investment vehicle.

Investment in any transaction involves a high degree of risk, and investors should not invest in such transaction unless they can afford to lose their entire investment.

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More information about hypothetical scenarios used in this presentation is available upon request by contacting InvestorRelations@ForumIG.com.

DEFINITIONS:

A **Qualified Intermediary (QI)** is an independent third party used in a Section 1031 exchange to hold the proceeds from the sale of a property and facilitate the exchange into a replacement property or investment. The QI helps ensure the exchange is structured to meet IRS requirements; the investor cannot take direct receipt of the sale proceeds.

A **Delaware Statutory Trust (DST)** is a legal entity formed under Delaware law that can hold real estate assets. Interests in a DST may qualify as replacement property for a Section 1031 exchange. Investors typically hold beneficial interests in the trust rather than owning the underlying real estate directly.

A **Umbrella Partnership Real Estate Investment Trust (UPREIT)** is a REIT structure in which properties are owned through an operating partnership. Property owners may contribute real estate to the partnership in exchange for operating partnership units rather than cash, which may allow for tax deferral. The REIT typically controls the operating partnership.

A **Real Estate Investment Trust (REIT)** is a company that owns, operates, or finances income-producing real estate. REITs are generally required to meet certain regulatory and tax requirements, including distributing a significant portion of taxable income to shareholders.



Thank You.

