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A STRATEGIC TAX-EFFICIENT ALTERNATIVE TO SELLING, EXCHANGING OR TRANSFERRING YOUR OWNED REAL ESTATE

When the time comes to liquidate owned real estate assets, real estate investors have few options. One option is to sell the asset in a taxable disposition, triggering recognition of gain or loss and payment of the related tax. This outcome is most common when the investor is one of many in a pass-through entity (such as a limited partnership or limited liability company), where the power to decide to sell the underlying asset is typically vested with the general partner or managing member, leaving the investor with a lumpsum liquidation event at the timing determined by someone else. In lieu of a taxable disposition, investors can seek a tax-deferred exchange. While this alternative is widely used by investors that own real estate directly or with a small number of other owners, investors must first satisfy several requirements to qualify for tax deferred treatment, which can present challenges. These requirements include (i) exchanging for another real estate asset of similar business use and of equal or greater value, (ii) holding the acquired asset for more than one year and (iii) the same taxpayer(s) must own both the asset exchanged, and the asset acquired. This last requirement introduces further complications when the asset is owned either through an entity with multiple owners, or owned in divided interests such as a tenancy-in-common,or "TIC."

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XEBEC™

Divided ownership interests are typically less marketable to potential buyers, as they are difficult to exit unless all owners of the separate interests are united in their desire to sell the asset as a whole. This is why decisions to sell assets held through pass-through entities are controlled by the general partner or managing member, and typically end with a taxable sale of the underlying asset. For the same reason, creating divided interests in directly owned assets is not a practical solution for owners looking to partially liquidate their ownership in an asset, or to fully liquidate their ownership in an asset over time. Similar planning challenges are also encountered when owners of real estate attempt to structure inter-vivos transfers into multiple divided or fractional ownership interests for family members for estate planning or other purposes.

To address these challenges, an alternative is needed that allows real estate investors to obtain a tax-efficient deferred exit from real estate ownership, while at the same time offering the investors the flexibility to choose when to fully or partially liquidate their ownership interest.

A STRATEGIC TAX-EFFICIENT ALTERNATIVE

Xebec is structured to offer qualified owners of industrial real estate assets, including pass-through entities, a tax-efficient exit from their ownership interest in the underlying asset, while also providing flexibility for these owners and investors to manage when to receive liquidity, by contributing their directly owned real estate, or all of the interests of a pass-through entity, to Xebec Logistics Trust, LP (or XLT). XLT is a privately held, open-ended real estate partnership with a growing diversified pool of stabilized core and "core plus" industrial assets held for both recurring cash flow and capital growth through asset appreciation, with income distributions eligible for the new 20% Qualified Business Income Deduction for U.S. federal income tax purposes.

HOW IT WORKS

When an owner or pass-through entity contributes an asset to XLT, it is exchanged for limited partnership interests in XLT. Investors that owned the contributed asset directly may choose to receive a portion of the value of the contributed asset in cash, with the understanding that cash proceeds will be treated as a taxable sale transaction. Investors that owned their interest in the contributed asset through the pass-through entity similarly may choose to receive a portion, or all, of the value of their interest in cash, again with the understanding that cash proceeds will be treated as a taxable sale transaction. The flexibility for investors in the pass-through entity is that each investor may make their own decision as to how much of the value of their investment they choose to receive in cash or in a limited partnership interest in XLT. Whether owned directly or through a pass-through entity, the investor's basis in the contributed asset would be allocated between the portion of the asset sold for cash and the portion of the asset contributed for the limited partnership interest in XLT.

The value of the limited partnership interests received is based on the value of the real estate asset agreed upon by the property owner and XLT, as if XLT were the buyer of the asset in a market sale transaction. This mutually agreed upon value captures any gain on the contributed asset for the investor(s) in their limited partnership interest in XLT. Following the contribution transaction, the investor, now as a limited partner in XLT, is entitled to their pro rata share of XLT's recurring cash flow and capital appreciation, with any deferred gain on the contributed asset expected to be recognized only at such time, and to the extent, that the investor chooses to redeem or dispose of their limited partner interest.

WHY IT MATTERS

The contribution of owned real estate assets to XLT provides investors with the opportunity to receive recurring cash flow and capital appreciation on invested capital in a diversified portfolio of cash-flowing institutional quality stabilized assets, while enjoying the benefits of deferred gains. Ownership interests in XLT also provide investors the flexibility to decide when and how much of their invested capital they choose to have returned.

THE POWER TO COMPOUND RETURNS ON TAX-DEFERRED GAINS

XLT invests, owns and manages, and selectively develops, core and build-to-core industrial assets in tier-one logistics markets. "Core" assets are fully-stabilized operating properties with credit quality tenants on long-term leases located in good markets desired by investors seeking safer, more reliable returns, particularly by institutional investors. "Core plus" assets are similar to core assets, but have some opportunity to increase net operating income beyond market increases in rental rates. XLT targets annual cash-on-cash returns on invested capital of 5.0%, and annual leveraged capital appreciation of 3.0% to 6.0% for a total targeted annual return of 8.0% to 11.0%, over a long-term investment horizon. This has the potential to offer a powerful compounding effect on the investor's original invested capital in the contributed asset as well as any tax-deferred gain. Income distributions from XLT are eligible for the new 20% Qualified Business Income Deduction for
U.S. federal income tax purposes. The comparison table below highlights the powerful effect of compounded returns on deferred gains through a contribution of a real estate asset to XLT

RETURN COMPARISON OF TAXABLE DISPOSITION AND TAX-DEFERRED CONTRIBUTION TO XLT

	At Date of Disposition of Initial Investment	Value Post-Contribution to XLT		
Taxable Disposition		3-Yr	5-Yr	7-Yr
After-Tax Proceeds of an Initial $1,000,000 Capital Investment	$1,700,000	$2,016,144	$2,258,932	$2,530,958
Tax-Deferred Contribution to XLT				
Tax Deferred Proceeds of an Initial $1,000,000 Capital Investment	$2,000,000	$2,371,934	$2,657,568	$2,977,598
Cumulative Value of Tax Deferral Resulting from the Tax-Deferred Contribution	$300,000	$355,790	$398,636	$446,640

Returns presented above assume (i) a gain equal to 100% of the invested capital on the contributed real estate prior to a sale transaction or contribution to XLT, (ii) a combined U.S. federal long-term capital gain and state income tax rate of 30.0% on the gain recognized in a sale transaction, (iii) the investment of after-tax proceeds in XLT or an invest-ment offering identical returns, (iv) an annual targeted pretax return on the post-contribution investment in XLT of 8.0% (comprised of targeted recurring cash distributions of 5.0% together with asset appreciation of 3.0%), and (v) a combined U.S. federal and state income tax rate of 43.0% on taxable recurring cash-flow from XLT, after giving full ef-fect to the new 20% Qualified Business Income Deduction for U.S. federal income tax purposes. These are assumptions with respect to future returns for comparison purposes only, and actual returns will vary and may vary materially.

THE POWER TO CHOOSE WHEN TO RECEIVE RETURN OF INVESTED CAPITAL

Because XLT is an open ended real estate limited partnership, the contribution of a real estate asset to XLT provides the investor with a capital interest that is redeemable in the future, either in whole or in part. Rather than having very limited ability to liquidate less than all of an interest in owned real estate, a capital interest in XLT generally allows an investor to choose when, and how much, of their invested capital and tax-deferred gain (derived from their original capital investment in the contributed real estate asset) they desire to have returned. A limited partner in XLT will be able make these choices based on their individual circumstances and needs as they adjust from time to time. While a limited partner in XLT an investor also continues to benefit from the opportunities for both recurring cash-flow and capital appreciation on their original capital as well as any tax-deferred gain on their investment in XLT

FLEXIBILITY IN MAKING INTER-VIVOS TRANSFERS OF ASSETS

A frequent challenge in estate planning is the desire to make inter-vivos gifts of an asset among beneficiaries that would otherwise require a taxable sale of the entire asset. Interests in XLT are generally transferrable for estate planning purposes, allowing investors owning interests in XLT to transfer any portion of their interest among one or more of their beneficiaries without the need to sell the entire interest. This offers greater flexibility to the XLT investor in planning inter-vivos transfers of assets, as well as flexibility to the recipients of the now separate interests, some of whom may choose to redeem or sell their respective interest at different times with each bearing their own respective tax consequences.

RISK DIVERSIFICATION

A contribution of an investor's owned real estate asset to XLT diversifies the investor's risk from that single asset to a diversified portfolio of cash-flowing institutional quality stabilized assets.

WANT TO LEARN MORE?

Are you looking for an opportunity to sell an industrial real estate asset, achieve tax deferral, and manage the liquidation of your invested capital? Are you a sponsor similarly looking for an opportunity to provide choice of liquidity to your investors and flexibility in monetizing your incentive interest? We'd like to meet with you and tell you more about how a contribution of your asset to XLT might be an attractive addition to your investment portfolio, and a strategic exit from the direct ownership

of your real estate asset. Please contact Investor Relations at **(562) 546-0200**, or **email us at ir@xebecrealty.com**, or **visit us at xebecrealty.com/info**. We look forward to the opportunity to work with you.

DISCLAIMERS