TAX-EFFICIENT EXITS FOR PROJECT-LEVEL INVESTMENTS

When real estate development projects are completed, they are typically sold and the investors receive the net proceeds in a taxable distribution. This is often the only exit available to those investors primarily because all investors don't necessarily share common objectives upon exit. Some investors are indifferent to tax efficient exits, either because they are tax exempt, or because they are seeking prompt return of their invested capital and profit, even if after tax. While other investors would prefer a tax-efficient alternative if offered a choice (such as a tax-deferred exchange), these strategies typically require the ownership group to remain intact after the exchange.

XEBEC™

A BETTER TAX-EFFICIENT ALTERNATIVE

Xebec is structured to offer qualified private capital investors the choice of a tax-efficient exit from their investment in Xebec-sponsored project-level Opportunistic and Value-Added investments. When these Xebec-sponsored projects are completed and stabilized, one of the potential buyers is Xebec Industrial Trust, LP (or XIT), a privately held, open-ended real estate partnership with a growing diversified pool of 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.

When Xebec-sponsored projects are completed and acquired by XIT, the transactions are structured so that the investors can elect to contribute their ownership interests in the development entity to XIT in exchange for limited partnership interests in XIT. The value of the limited partnership interests issued by XIT in the contribution transaction is based on the appraised net asset value of the completed project being acquired, which captures the gain on the development for the project-level investors. Following the contribution transaction, project-level investors will then own interests in XIT, entitling them to their pro rata share of XIT's cash flow and capital appreciation generated by XIT's stabilized portfolio of cash-flowing industrial assets, with any deferred gain on the investment in the completed development project expected to be recognized only at such time, and to the extent, that the individual investor chooses to redeem or dispose of his or her interest in XIT.

OPTION TO ACCEPT INTERESTS IN XEBEC INDUSTRIAL TRUST, LP FOR ALL OR ANY PORTION OF THE INVESTOR'S INTEREST IN THE PROJECT-LEVEL DEVELOPMENT ENTITY

Investors that elect to contribute 100% of their interest in the project-level development entity for interests in XIT are expected not to recognize gain or loss for U.S. federal income tax purposes at the time of the contribution. Investors that accept cash for any part of their interest in the project-level development entity contributed to XIT will be treated as having sold part of their interest for cash in a taxable sale transaction. The investor's basis in a project-level development entity would be allocated between the portion of the interest sold for cash and the portion of the interest contributed for the interest in XIT, based on the relative values of the cash and interest received.

WHY IT MATTERS

An option for tax-deferred exits from Xebec sponsored project-level investments provides investors with the opportunity to receive recurring cash flow and capital appreciation on invested capital, while enjoying the benefits of deferred gains and 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

XIT 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. XIT 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 Xebec sponsored project-level development entity as well as the tax-deferred gains. With Xebec project-level Opportunistic and Value-Added investments targeting investor-level Cash Flow Multiples ("CFM") of 1.5X to 2.0X, successful Xebec project-level investments contributed by the investor to XIT in a taxed-deferred transaction have the potential to generate annual total returns on the original capital invested at the project level of 12.0% to 16.5% for Value-Added developments, and of 16.0% to 20% for Opportunistic developments, with income distributions 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 contributions of project-level investments to XIT.

RETURN COMPARISONS OF TAXABLE DISPOSITIONS AND TAX-DEFERRED CONTRIBUTIONS TO XIT

	Date of Disposition of Initial Investment	Post Contribution to XIT		
		5-Yr	7-Yr	9-Yr
Taxable Dispositions				
After-tax proceeds of an Initial $100,000 Project-Level Investment	$135,000	$160,106	$179,386	$200,988
Cumulative Internal Rate of Return on Initial Investment Assuming a Taxable Disposition followed by Reinvestment of the After-Tax Net Proceeds in XIT (or equivalent investment)	16.2%	23.2%	25.7%	27.2%
Tax-Deferred Contributions to XIT				
Tax Deferred Proceeds of an Initial $100,000 Project-Level Investment	$150,000	$177,895	$199,318	$223,320
Cumulative Internal Rate of Return on Initial Investment Assuming a Contribution to XIT	22.5%	29.2%	31.4%	32.7%
Cumulative Value of Tax Deferral Resulting from the Tax-Deferred Contribution	$15,000	$17,789	$19,932	$22,332

(See notes to table on the following page)

(Continued from previous page)
Returns presented above assume (i) an initial 1.5x CFM on a two-year initial investment period prior to contribution to XIT, (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 XIT or an investment offering identical returns, (iv) an annual targeted pretax return on the post-contribution investment in XIT 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 XIT, after giving full effect to the new 20% Qualified Business Income Deduction for U.S. federal income tax

THE POWER TO CHOOSE WHEN TO RECEIVE RETURN OF INVESTED CAPITAL

Because XIT is an open-ended real estate partnership, the contribution of a project-level investment to XIT provides investors with a capital interest that is redeemable in the future, either in whole or in part. Rather than having no control over the timing of the return of invested capital and any gain in a taxable distribution when a development project is completed, a capital interest in XIT generally allows an investor to choose when, and how much, of their invested capital and tax-deferred gain they desire to have returned. An investor in XIT will be able make these choices based on his or her own individual circumstances and needs while at the same time benefitting from the opportunities for both recurring cash-flow and capital appreciation on their original project-level investment capital as well as any tax-deferred gain on their investment in XIT's stabilized portfolio of industrial assets.

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 XIT are generally transferrable for estate planning purposes, allowing investors owning interests in XIT 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 Xebec 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 with each bearing their own tax consequences.

WANT TO LEARN MORE?

We'd like to meet with you and have you learn more about how Xebec-sponsored real estate investment opportunities might be an attractive addition to your investment portfolio. 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

This summary reflects applicable U.S. federal income tax law as of May 1, 2018 and may be subject to change. The tax-deferred treatment discussed above does not apply to the extent of cash or marketable securities received by the investor, liabilities assumed in the sale transaction, distributions to the seller subsequent to the sale that are considered "disguised sales" for U.S. federal income tax purposes, and reduction in the amount that an investor is consider to have "at risk" for U.S. federal income tax purposes. The deferral of gain discussed above could also be negatively impacted by events subsequent to the contribution transaction, including, but not limited to, distributions of securities by XIT to an investor, reductions of liabilities, if any, assumed by an investor, and disposition of the property contributed by an investor to XIT, any of which could result from events outside of XIT's control, as well as the facts and circumstances of each transaction. No assurance can be provided that the tax treatment discussed above would be available to each investor in all instances. Redemptions and dispositions of investments in XIT are also subject to certain restrictions. Investors should consult their own tax advisers concerning the U.S. federal, state and local income tax consequences of the ownership and disposition of any investment in light of their particular circumstances, as well as any consequences under the laws of any other taxing jurisdiction. References to future returns are for example only, and no assurance can be given that returns referenced above will be achieved. Actual results will vary, and could vary materially. Investors should consult their own financial advisers before making any investment decisions.