Key 1031 and 1033 Exchange Terms

Actual Receipt: Physical possession of proceeds.

Boot: Non "like-kind" properties, such as personal property, cash received or a decrease in debt.

Cash Boot: Any proceeds actually or constructively received by the taxpayer.

Constructive Receipt: Although a taxpayer does not have actual possession of the proceeds, they are legally entitled to the proceeds in some manner such as having the money held by an entity considered their agent or by someone having a fiduciary relationship with them. This creates a taxable event.

Delayed Exchange: A delayed exchange is the most common exchange format, whereby the Exchangor relinquishes property before buying a replacement property, providing investors the flexibility of up to a maximum of 180 calendar days to purchase a replacement property. The use of a qualified intermediary is required to complete a valid delayed exchange.

Down-Leg: The sold ("relinquished") real property.

Exchange Period: A maximum of 180 calendar days for completion of the exchange.

Exchangor: The property-owning taxpayer performing the 1031 Exchange. Exchangors may be individuals, C corporations, S corporations, partnerships (general or limited), limited liability companies, trusts, and any other taxpaying entity under Section 1031.

Identification Period: The period of time during which the Exchangor must identify potential replacement properties in his or her tax-deferred, like-kind exchange. The period is 45 calendar days from the transfer of the Exchangor's relinquished property, and is not extended due to holidays or weekends.

Like-Kind Property: Any property held for productive use in trade or business, or held for investment. Both the relinquished and replacement properties must be considered like-kind to qualify for tax deferral.

Mortgage Boot: This occurs when the taxpayer does not acquire debt that is equal to or greater than the debt that was paid off on the relinquished property sale, referred to as debt relief. This creates a taxable event, unless it is offset by adding equivalent cash to the transaction.

Qualified Intermediary: The go-between required to facilitate an exchange (cannot be related to, an agent of, or have financial relationships with the Exchangor). The Qualified Intermediary is also known as the QI, Accommodator, Facilitator or Intermediary.

Relinquished Property: Property given up by the taxpayer; also referred to as the sale, exchange, or down-leg.

Replacement Property: Property received by the taxpayer; also referred to as the up-leg.

Reverse Exchange: A reverse exchange is a type of property exchange wherein the replacement property is acquired first, and then the property to be relinquished is sold or otherwise disposed of.

Up-Leg: The replacement real property being purchased.

1033 Exchange Terms

1033 Exchange: Under Section 1033, an involuntary conversion is defined as the destruction or loss of the property through casualty, theft or condemnation action pursuant to government powers of eminent domain, and the resulting compensation from such destruction or condemnation. [IRC Section 1033(a)].

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Even though the sale and/or compensation for the property were essentially forced on the taxpayer, the taxpayer is still liable for any capital gain tax liability on the compensation received. However, if the property is subject to an "involuntary conversion", the taxpayer has the ability to defer the payment of the depreciation recapture and capital gain taxes on the involuntary conversion under the non-recognition provisions of Section 1033. [IRC Section 1033].

Forced (or "involuntary") Conversion: If an investor is required to relinquish their property through a "forced conversion," the IRS provides an opportunity to defer capital gains taxes through the exercise of a 1033 exchange. Forced conversion occurs when a taxpayer's property is reclaimed by eminent domain, condemnation, or disposition under threat of condemnation by a government or a quasi- government agency and the taxpayer receives payment in the form of money, other property, or a condemnation award.

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Important Risk Factors

An investment in a Griffin-sponsored 1031 DST program is not suitable for all investors and is subject to various risks, including but not limited to:

- No public market currently exists, and one may never exist, for the interests of any Griffin-sponsored 1031 DST program. Griffin-sponsored 1031 DST programs are not liquid.
- Griffin-sponsored 1031 DST 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 and tax objectives of any particular Griffin-sponsored 1031 DST program will be achieved.
- Investments in real estate are subject to varying degrees of risk, including, among other things, local conditions such as an oversupply of space or reduced demand for properties, an inability to collect rent, vacancies, inflation and other increases in operating costs, adverse changes in laws and regulations applicable to owners of real estate and changing market demographics.
- The acquisition of interests in a Griffin-sponsored 1031 DST program may not qualify under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code") for tax-deferred exchange treatment.
- The actual amount and timing of distributions paid by Griffin-sponsored 1031 DST program is not guaranteed and may vary. There is no guarantee that investors will receive distributions or a return of their capital.
- Griffin-sponsored 1031 DST programs depend on tenants for their revenue and may suffer adverse consequences as a result of any financial difficulties, bankruptcy or insolvency of their tenants.
- Disruptions in the financial markets and challenging economic conditions could adversely affect Griffin-sponsored 1031 DST program.
- Certain of the programs previously sponsored by Griffin Capital have experienced adverse developments in the past.

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