

# AEI NET LEASE PORTFOLIO VII DST

BIO LIFE • TRACTOR SUPPLY CO. • PETS M A R T

## Disclosure

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*Several photos throughout this brochure are of properties similar in appearance to the properties in the portfolio. Property photos are available in the Property Condition Report and Appraisal included with the Private Placement Memorandum.*

*This brochure is meant to be read in conjunction with the Private Placement Memorandum ("Memorandum"). A potential purchaser should review the Memorandum, Exhibits and all additional documents in their entirety before making a decision to purchase.*

# About The Sponsor

AEI is one of America's most experienced sponsors of commercial property investment programs for both investment and 1031 exchange purposes. During the past 42 years, AEI has sponsored 131 net leased property offerings representing the investment capital of more than 20,000 investors nationwide. Nearly all of AEI's net lease property offerings have been structured without debt to provide investors with a lower risk investment opportunity. AEI investments are managed by a professional team of real estate, investment, financial, and legal experts. Generally considered to be the first securities firm in America to offer a securitized 1031 exchange solution, AEI offered its first fractional 1031 exchange investment in 1992. AEI was also the first to apply for, and receive, a favorable private letter ruling from the IRS affirming the use of securitized real estate as replacement property in a 1031 exchange.

## Investment Strategy

- **Debt-free:** With no mortgage debt, properties are not subject to the risk of interest rate fluctuations or foreclosure.
- **Long-term net leases:** Tenants pay for most or all property expenses, such as: taxes, insurance and maintenance, which helps to create income stability for the property owners.
- **Creditworthy tenants:** AEI's leases represent a company-wide obligation of the corporate tenants.
- **Rental increases:** Rental escalators, when present, can serve to increase income over time.
- **Location:** Major corporate tenants typically occupy quality commercial locations.
- **Diversification:** Owning properties in multiple industries and markets can help create a diversified portfolio.

*Potential purchasers should be aware that no investment strategy can guarantee a profit or protect against loss.*



“ AEI is one of America's most experienced sponsors of commercial property investment programs for both investment and 1031 exchange purposes. ”

# Investment Overview

AEI Net Lease Portfolio VII DST is a portfolio of three single-tenant, net leased properties structured as a Delaware Statutory Trust (DST) suitable for 1031 exchange or direct investment. This offering is designed for accredited investors seeking stable, long-term income and tax deferral through a high-quality, fractional real estate investment.

- **Total offering:** \$18,762,000
- **Debt:** None – Debt Free
- **Initial annual distribution rate:** 5.14%
- **Distribution frequency:** Monthly
- **Average remaining lease term:** 14 years\*
- **Anticipated exit strategy:** Liquidate 10 years after completion of offering period
- **Minimum investment:**
  - \$100,000 for a 1031 exchange
  - \$50,000 for a cash investment

\*As of 12/1/2016, based on scheduled rental income over remaining lease terms.

“ Properties are acquired 100% all-cash. With no mortgage debt, they are not subject to the risks of debt servicing, refinancing, or foreclosure. ”

## Distribution Schedule

Year	Net Anticipated Distribution	Annual Distribution Rate <sup>3</sup>
2016 <sup>1</sup>	\$80,304	5.14%
2017	\$968,144	5.16%
2018	\$966,916	5.15%
2019	\$978,241	5.21%
2020	\$1,004,020	5.35%
2021	\$1,007,567	5.37%
2022	\$1,011,427	5.39%
2023	\$1,020,345	5.44%
2024	\$1,018,959	5.43%
2025	\$1,038,842	5.54%
2026 <sup>2</sup>	\$965,344	5.61%

<sup>1</sup>For the partial year 12/1/2016 - 12/31/2016.

<sup>2</sup>For the partial year 1/1/2026 - 11/30/2026.

<sup>3</sup>The Cash on Cash Return is based on the total offering purchase price of \$18,762,000. This return does not include any federal, state, or other taxes an investor may be required to pay.

Potential purchasers should review the Projections of Operations for the Project and Return to Holders, included as Exhibit “D” in the Memorandum, prior to making any purchase decisions. There is no guarantee that cash flow, return of principal, or profits will be generated by the Project. The ability of each property to produce distributions of rental income is dependent on the tenant’s ability to pay rent and meet its other obligations under its respective lease.

# Portfolio Assets

## Highlights

- Tenant industry sector composition contains 52% retail and 48% medical\*
- Three distinct markets throughout the United States
- Each property is net leased to an industry-leading corporate tenant
- All leases are long-term, full faith and credit net leases

## Tenant Composition



\*As of 12/1/16, based on scheduled rental income over remaining lease terms.

## National Diversification

Prior to purchase, each property and location was subjected to extensive due diligence to create a diversified portfolio of commercial properties leased to well-known companies in superior locations across the United States.



## Attributes & Overview

Operator	Location	Tenant/Guarantor Annual Revenue	Lease Expiration	Gross Rent (as of 12/1/16)	Rent Escalators
BioLife	Colorado Springs, CO	\$6.15 Billion <sup>1</sup>	8/31/2031	\$498,813	3% every 3 years
Tractor Supply Co.	Manning, SC	\$6.23 Billion <sup>1</sup>	5/31/2030	\$194,000	10% every 5 years
PetSmart	Midland, TX	\$7.00 Billion <sup>2</sup>	12/31/2029	\$337,331	3% increase on 4/1/2019

<sup>1</sup>Based on the most recent audited annual report. | <sup>2</sup>Source: www.forbes.com

# BioLife

## About the Tenant:

Parent company: *Baxalta Inc.*

BioLife Plasma Services is an industry leader for the collection of high-quality plasma that is processed into life-saving therapies. The company operates numerous state-of-the-art plasmapheresis facilities throughout the United States and Austria.

Baxalta Inc., the guarantor of the lease, is a leading biopharmaceutical company that advances innovative therapies in hematology, immunology, and oncology for the treatment of hemophilia, bleeding disorders, immune deficiencies, alpha-1 antitrypsin deficiency, and other chronic diseases. Baxalta's global net sales totaled \$6.15 Billion in 2015, an increase of 3.3% over 2014. In June of 2016, Baxalta completed a \$32 Billion merger with Shire Pharmaceuticals, creating what it calls the global market leader in rare diseases and other specialized disorders.

Source: [www.baxalta.com](http://www.baxalta.com)

Please refer to the tenant details in the PPM for a full description of the tenant.

## Location:

6310 Source Center Point, Colorado Springs, Colorado

Colorado Springs is located in the northwest portion of El Paso County, approximately sixty miles south of Denver. El Paso County is the second most populous county in Colorado. Colorado Springs is home to many major companies including more than thirty Fortune 500 firms.

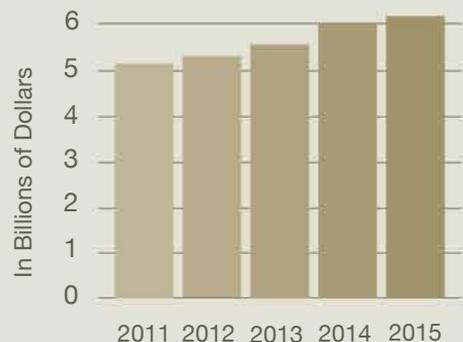
This BioLife property is located adjacent to North Powers Blvd on the eastern side of the city. The Powers corridor is considered one of the most vibrant and fastest growing areas in Colorado Springs and is experiencing rapid development, with many new homes and shopping centers.

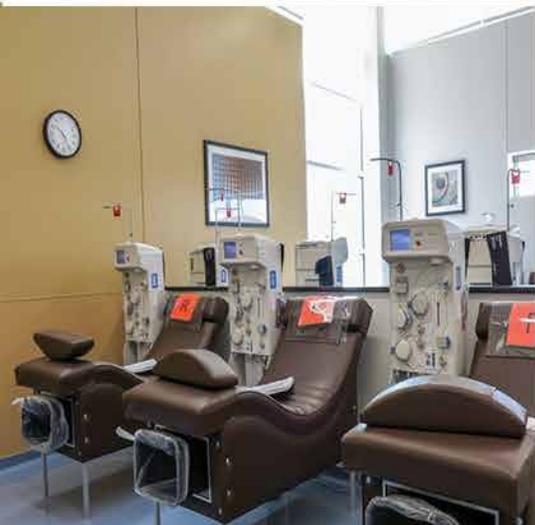


## Industry Leader

BioLife Plasma Services is an industry leader for the collection of high-quality plasma that is processed into life-saving therapies.

### BXLT REVENUE GROWTH





ALL EXTERIOR AND INTERIOR PHOTOS ARE REPRESENTATIVE.

# Tractor Supply Company

## About the Tenant:

Tractor Supply Company was founded in 1938 and is the largest operator of retail farm and ranch stores in the United States. The company is focused on meeting the lifestyle and maintenance needs of property owners who enjoy a rural lifestyle as well as tradesmen and small businesses.

TSCO is headquartered in Brentwood, Tennessee, operates more than 1,500 stores in 49 states, and employs more than 22,000 team members. Total revenues have grown by nearly 10% annually over the last five years. As of December 2015, TSCO had revenues of \$6.23 Billion, net income of \$410.40 Million, and shareholder's equity of \$1.40 Billion.

Source: [www.tractorsupply.com](http://www.tractorsupply.com)

Please refer to the tenant details in the PPM for a full description of the tenant.

## Location:

*1920 Paxville Hwy., Manning, South Carolina*

Manning is located in the central portion of Clarendon County. Manning serves as the county seat of Clarendon County and is geographically situated in the southeastern portion of South Carolina, eighty miles north of Charleston and sixty miles southeast of Columbia.

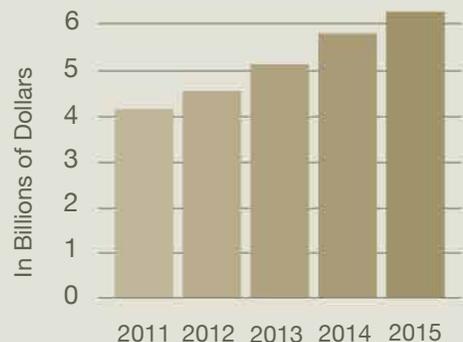
This Tractor Supply property is located along Paxville Highway and lies in the northwestern section of Manning. The property is situated within the major retail corridor in an area that is experiencing commercial growth and development. The average daily traffic count is approximately 13,672 vehicles per day.



## Industry Leader

Tractor Supply Company is the largest operator of retail farm and ranch stores in the United States with more than 1,500 stores in 49 states.

### TSCO REVENUE GROWTH





ALL EXTERIOR AND INTERIOR PHOTOS ARE REPRESENTATIVE.

# PetSmart

## About the Tenant:

PetSmart, Inc., is the largest specialty retailer of foods, products, services and solutions for the lifetime needs of pets. The company was founded in 1986, employs approximately 53,000 associates, and operates 1,466 stores in North America. According to Forbes, PetSmart ranks as the forty-eighth largest private company in America, with annual revenues of more than \$7 Billion.

PetSmart is the market leader in a growing industry. Pet ownership expenditures have nearly doubled in the last ten years. In 2015, Americans spent more than \$60.28 Billion on their pets. According to the 2015-2016 APPA National Pet Owners Survey, 65% of households in the United States own a pet, which equates to nearly eighty million homes.

Sources: [www.PetSmart.com](http://www.PetSmart.com), Hottle Appraisal, Texas DOT, U.S. Department of Labor

Please refer to the tenant details in the PPM for a full description of the tenant.

## Location:

4206 West Loop 250, Midland, Texas

Midland is a thriving community in the Permian Basin oil region, which is the second largest oil and gas shale in the world. Outside of Houston, no other area in the United States plays a more important role in the nation's energy industry than the Permian Basin. Other local industries include ranching and agriculture, health care, retirement, and transportation.

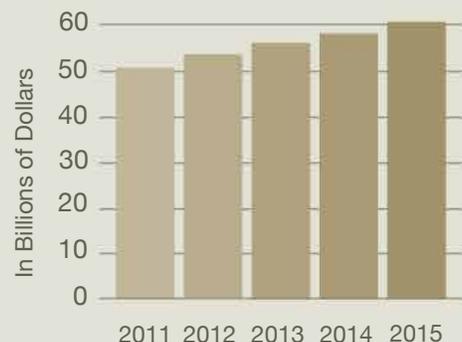
This PetSmart property is located north of Texas State Highway Loop 250 which has traffic counts that exceed 65,000 vehicles per day. It is located within a heavily used national retail area and within close proximity to the Midland Park Mall which contains 650,000 square feet of retail space.

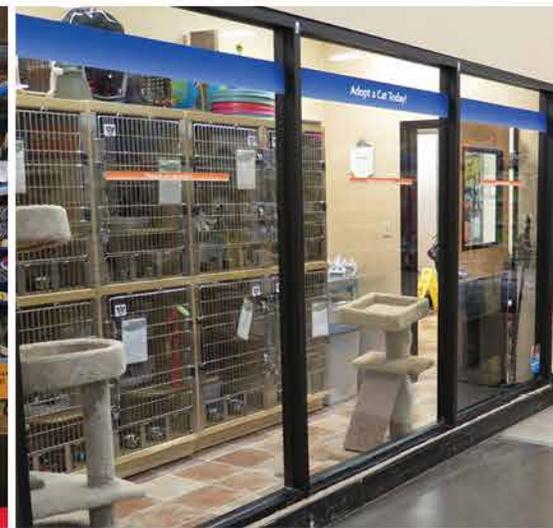


## Industry Leader

Founded in 1986, PetSmart, Inc., is the largest specialty retailer of foods, products, services and solutions for the lifetime needs of pets.

### TOTAL U.S. PET INDUSTRY EXPENDITURES





ALL EXTERIOR AND INTERIOR PHOTOS ARE OF ACTUAL LOCATION.

# Risks

An investment in an Interest is speculative and involves substantial risk. It is suitable only for purchasers who have adequate financial means, desire a relatively long-term investment, will not need immediate liquidity from their investment and could afford to lose their entire investment. Purchasers must read and carefully consider the discussion set forth in the section of the Private Placement Memorandum captioned “Risk Factors.” The risks involved with an investment in the Interests include, but are not limited to:

- Risks associated with investment in real estate
- Environmental risks of owning real estate
- Lack of liquidity
- Competition
- The inflexibility of the Delaware Statutory Trust as a vehicle to own real estate
- The potential need to transfer the Trust Estate (as defined the Trust Agreement, attached to the Memorandum) to a Springing LLC (as defined in the Memorandum)
- A Manager that has minimal experience managing statutory trusts
- Conflicts of interest associated with the Manager, the Depositor and affiliates
- Each property being 100% leased to a single tenant
- Lack of diversification of investment
- Reliance on the Delaware Trustee and the Manager to operate and manage the Project and the Trust
- Limited reserves held by the Trust
- Tax risks including section 1031, federal, state and local taxes

The information in this brochure does not constitute an offer to sell or a solicitation of an offer to buy any security. Such offers can be made only by the Offering Memorandum. This is not intended to be a complete list of risks associated with a DST investment and 1031 exchange transaction. This is only a summary of select risk factors to consider. For more details about these and other risks, please reference the specific Private Placement Memorandum for the DST in which you may invest. Investments are suitable for accredited investors only. Investors should consult with their personal tax advisor, financial advisor, and legal counsel prior to investing.





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