

C L O S I N G D A T E : S E P T E M B E R 2 9 , 2 0 1 6

Newly-constructed dialysis clinic in **Certificate of Need State** placed in service in August 2016



814 West Union Street, Morganton, North Carolina 28655

Newly built-to-suit for Fresenius, this 13,132-square-foot medical office building is 100 percent leased on a long-term basis to Bio-Medical Applications of North Carolina (the “Tenant”), doing business as Fresenius Medical Care Burke County. The lease is guaranteed by Fresenius Medical Care Holdings, Inc. (“Fresenius Medical Care Holdings”), a wholly-owned subsidiary of Fresenius Medical Care AG & Co. KGaA, a German partnership limited by shares (“Fresenius”). Fresenius is the world’s leading provider of dialysis products and services. The common stock for Fresenius is listed on the New York Stock Exchange under the symbol “FMS.” Fresenius has a current credit rating of Baa3 by Moody’s with a stable outlook.

Offering Details

INVESTMENT COST: \$6,956,000
 EQUITY RAISE: \$2,956,000
 CASH-ON-CASH RETURN: 5.60%
 OFFERING LOAN TO VALUE: 57.5%
 (60.72% with Disposition Fee)
 FIXED INTEREST RATE: 4.846%
 LOAN TERMS
 10-Year Term
 30-Year Amortization
 60 Months Interest Only





Investment Highlights

Stable, Long-Term Net Leased Health Care Investment

- 15-year net lease
- Fixed rent escalations of 10% every 5 years

Strong Tenant

Bio-Medical Applications of North Carolina, Inc. (the “Tenant”) owns 106 dialysis facilities in North Carolina caring for 7,247 patients with 2,345 certificated dialysis stations as of June 3, 2016 according to The *North Carolina Semiannual Dialysis Report*, as issued by the North Carolina Department of Health and Human Services on July 1, 2016. A utilization rate of 156 visits per year (or 3 per week) with a 7,247 patient base translates to approximately 1,130,532 patient visits per year. The Tenant also enjoys other financial benefits from its vertically integrated affiliates that manufacture dialyzers, medications and supplies and operate a laboratory. These related businesses generate additional revenue from sale of medications, supplies and laboratory services.

Creditworthy Guarantor

The Guarantor of the Lease is Fresenius Medical Care Holdings, Inc. (“Fresenius Medical Care Holdings”), a wholly-owned subsidiary of Fresenius Medical Care AG & Co. KGaA, a German partnership limited by shares (“Fresenius”). Fresenius is listed on the Frankfurt Stock Exchange (FME) and the New York Stock Exchange (FMS), and is the world’s leading provider of products and services for people with chronic kidney failure.

North Carolina is a Certificate of Need (CON) State

The North Carolina Division of Health Services Regulation (the “Division”) granted a CON for the Property. The CON application by Fresenius, and official issuance of the CON by the Division, reflects an exceptional commitment to the Property by both Fresenius and the North Carolina health regulator.

Also, a CON is required for any new dialysis facilities or proposed closure of existing facilities. No CON may be issued without the Division finding that the application supports the public need (duplication of services weighs against granting a new CON). The CON system effectively creates barriers to entry from competing dialysis providers and will make it more difficult for the Tenant to leave the Property at the end of the 15-year base term because Division consent would be required.

Positioned for Stability Through Necessary Medical Care

Fresenius provides products and services for people with chronic kidney failure, a disease that affects millions worldwide. More than 2.5 million patients regularly undergo dialysis therapy. Fresenius has completed more than 42.7 million dialysis treatments in the Americas.

Property Overview

814 West Union Street
Morganton, North Carolina 28655

Property Details

LEASE

15-year lease

STRUCTURE

Net lease with fixed rent escalations of 10% every five years

RENEWAL OPTIONS

Three five-year renewal options

STORIES

One

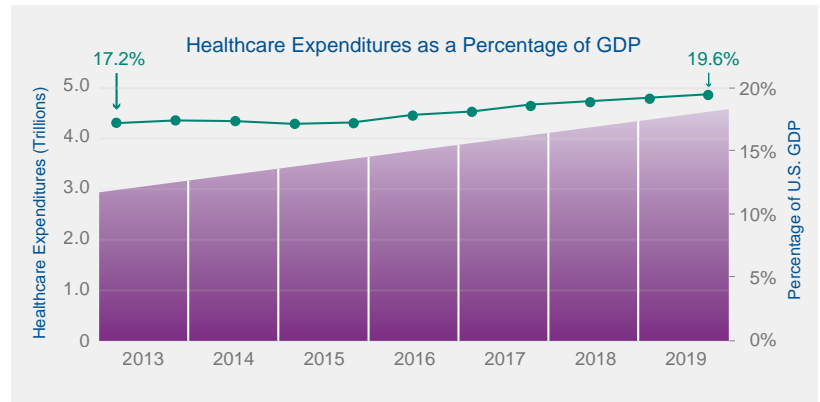
LAND

1.985 acres

Investing in Medical Real Estate

BY THE NUMBERS: The Increasing Demand for Medical Real Estate

- Approximately **20 million people** have obtained coverage under the Affordable Care Act, generating additional need for medical real estate.
- The aging of America has created a demand for more healthcare real estate.
- Healthcare expenditures are expected to increase to \$4.8 trillion by 2021, up over 58% from 2012.
- Healthcare represents 18 percent of the U.S. gross domestic product, and is expected to increase to nearly 20 percent of GDP by 2021.
- Between 2008 and 2018, healthcare employment is projected to increase by nearly 29 percent.
- Advances in technology and research increase life expectancies, producing additional interest in healthcare assets.



Aging of America Drives Demand for Medical Real Estate

Population Projections: 65+

| 2015 | 2030 | 2040 | 2050 | 2060 |
|--------------|--------------|--------------|------------|--------------|
| 47.8 million | 74.1 million | 82.3 million | 88 million | 98.1 million |

Source: U.S. Census Bureau. "2014 National Population Projections: Table 3. Projections of the Population by Sex and Selected Age Groups in the United States: 2015 to 2060."

The Baby Boomers

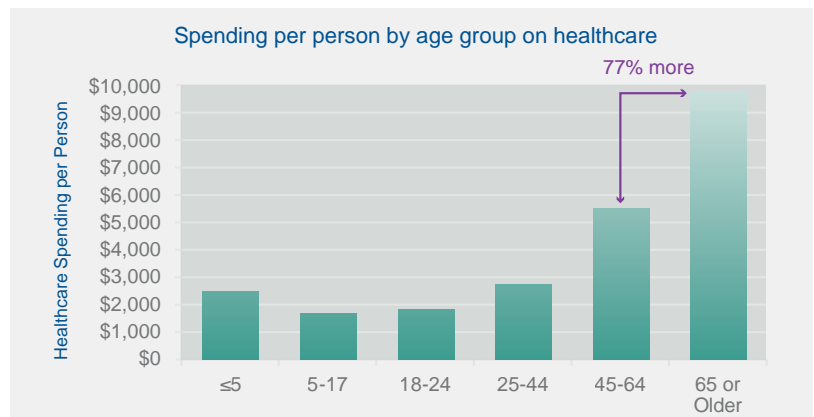
The first of the "baby boomer" generation began turning 65 in 2011. The population over 65 is expected to grow significantly, rising by nearly 42 percent over the next 10 years.ⁱ By 2060, the population over 65 is expected to reach 98 million, compared to 47.8 million in 2015.

People 65 years and older average 2.5 times the number of physician office visits than the rest of the population.

Insurance exchanges and Medicaid expansion provided coverage to an additional 27 million people in this population segment.ⁱⁱ

Elderly Population

People 85 years and older will reach 4.5 percent of the total population by 2050.ⁱⁱⁱ



Source: Kaiser Family Foundation calculations using data from U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure

ⁱ "Medical Office Research Report," Marcus & Millichap 2016

ⁱⁱ "Projections of the Population by Selected Age Groups and Sex for the United States: 2015 to 2060." U.S. Census Bureau, December 2012

ⁱⁱⁱ U.S. Census Bureau. "An Aging Nation: The Older Population in the United States." Page 6.

Fresenius Medical Care

Fresenius Medical Care Holdings, Inc. is a wholly-owned subsidiary of Fresenius Medical Care AG & Co. KGaA ("Fresenius") and is listed on both the Frankfurt Stock Exchange (FME) and New York Stock Exchange (FMS).

Fresenius is the world's leading provider of products and services for people with chronic kidney failure. The company is primarily engaged in providing kidney dialysis services and clinical laboratory testing, manufacturing and distributing products and equipment for kidney dialysis treatment, and providing other ancillary medical services.



Dialysis is a vital blood cleansing procedure that substitutes for the function of the kidney in case of kidney failure. During 2014, Fresenius cared for more than 283,000 dialysis patients in 3,349 proprietary clinics in over 45 countries worldwide. Fresenius continues to develop its network of clinics - the largest and most international in the world - to accommodate the growing number of dialysis patients. The company also operates more than 40 production sites around the world, making Fresenius the world's leading provider of dialysis products including dialysis machines, dialyzers and disposable accessories.

Fresenius Medical Care AG & Co. KGaA, the parent company of Fresenius Medical Care Holdings, Inc., has a Moody's credit rating of Baa3 with a stable outlook and net revenue of approximately \$16.7 billion for fiscal year 2015.

Recession Resistant Asset Class

Medical real estate proved to be a recession resistant asset class during the most recent economic downturn.

ABOUT CAPITAL SQUARE 1031

Capital Square is a real estate advisory company specializing in the creation and management of real estate investments. Capital Square uses the DST and other investment structures to fit the needs of its high net worth individual and institutional investors. Capital Square is also active in property and asset management, key elements in a successful real estate investment.

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Consider the Risks

An investment in the Interests involves substantial investment and tax risks, including, without limitation, the following risks:

- There are various risks associated with owning, financing, operating, and leasing commercial properties in North Carolina.
- The Interests do not represent a diversified investment.
- Beneficial Owners must completely rely on the Master Tenant to collect the rent and operate, manage, lease, and maintain the Property.
- The Beneficial Owners have no voting rights with respect to the management or operations of the Trust or in connection with the sale of the property.
- There are various conflicts of interest among the Trust, the Sponsor, the Signatory Trustee, and their Affiliates.
- The Interests are illiquid.
- There are tax risks associated with an investment in the Interests.
- There are risks related to competition from properties similar to and near the property.
- There may be environmental risks related to the property.