

# EXCHANGE RIGHT

## NET LEASED PORTFOLIO 18 DST



Pictures representative of similar corporate-backed stores and are not the actual locations included in the portfolio.



This material must be accompanied or preceded by a private placement memorandum, which is the controlling disclosure document for the Offering and is intended to more fully disclose the potential benefits and risks of the Offering. This material is not a recommendation or solicitation to buy any security, as all such offers can be made only by the private placement memorandum. All potential investors in the Offering must read the private placement memorandum, and no person may invest in the Offering without first acknowledging receipt and review of the private placement memorandum in its entirety.



## DIVERSIFIED LONG-TERM, NET-LEASED PORTFOLIO WITH A 6.62% INITIAL CASH FLOW PROJECTION TO INVESTORS

### HIGHLIGHTS

ExchangeRight Net Leased Portfolio 18 DST is a portfolio of 17 single-tenant, long-term net-leased retail assets that are 100% occupied and operated by Advance Auto Parts, CVS Pharmacy, Dollar General, Fresenius Medical Care, Hobby Lobby, NAPA Auto Parts, Tractor Supply, and Walgreens.

The portfolio is composed of high-quality tenants with strong credit and provides the investor with access to a diversified portfolio. First-year net operating income is diversified as follows:

- › **43.0%** Pharmaceutical (CVS, Walgreens)
- › **18.0%** Discount Necessity Retail (Dollar General)
- › **13.9%** Necessity Farming (Tractor Supply)
- › **10.9%** Other Discount Retail (Hobby Lobby)
- › **8.0%** Discount Automotive (NAPA, Advance Auto)
- › **6.2%** Necessity Health Care (Fresenius Medical Care)

The Sponsor of the Offering is retaining at least a 1% ownership interest in the portfolio and is offering up to 99% of the beneficial interests in the DST to accredited investors. The total offering amount is \$62,176,294, of which \$28,735,000 is equity and \$33,441,294 is long-term fixed-rate financing. The trust closed on the portfolio of properties on November 10th, 2017, with 10-year interest-only non-recourse financing with a stated annual rate of 4.088% and a weighted-average lease term of 12.2 years.

This Offering is designed for investors seeking to participate in a 1031 tax-deferred exchange as well as investors seeking a diversified net-leased real estate investment on a cash basis.

### ANNUAL INCOME FORECAST

The Offering's projected cash flow as a percentage of equity for each year throughout the hold period is as follows: 6.62%, 6.64%, 6.65%, 6.67%, 6.68%, 6.90%, 6.94%, 6.96%, 6.98%, 7.02%.

### 1031 EXIT STRATEGY

At ExchangeRight, our offerings are not overly dependent on any one property, location, tenant, lease, industry, debt term, or sale period for their cash flow and value. In preparation for the next recession, we designed our strategy with significant diversification and scale, which enables us to:

- › pay stable cash flow through economic cycles, real estate market cycles, debt maturities, and lease rollovers
- › provide downside protection by diversifying across properties, tenants, and industries that are less dependent on economic growth to perform well when inevitable risks assail the markets
- › maintain significant flexibility and control to maximize investor returns
- › safeguard investors from being forced to sell before the time is right
- › preserve investors' ability to complete a 1031 exchange upon exit

In addition to the 1031 exchange, our exit strategy is also designed to provide investors with multiple options to meet their individual tax and financial planning needs at the time of sale.



## EXCHANGERIGHT

CONSISTENTLY DELIVERING DIVERSIFIED PORTFOLIOS OF  
LONG-TERM, NET-LEASED ASSETS BACKED BY INVESTMENT  
GRADE CORPORATIONS IN THE NECESSITY RETAIL SPACE

### PROJECTION OF INCOME & CASH FLOW

YEARS	1	2	3	4	5	6	7	8	9	10
Net Rental Income	\$3,435,334	\$3,439,612	\$3,443,975	\$3,448,425	\$3,453,964	\$3,519,187	\$3,531,119	\$3,535,936	\$3,540,849	\$3,546,911
Debt Service	\$1,386,067	\$1,386,067	\$1,389,865	\$1,386,067	\$1,386,067	\$1,386,067	\$1,389,865	\$1,386,067	\$1,386,067	\$1,386,067
DSCR	2.48	2.48	2.48	2.49	2.49	2.54	2.54	2.55	2.55	2.56
Property Management	\$85,883	\$85,990	\$86,099	\$86,211	\$86,349	\$87,980	\$88,278	\$88,398	\$88,521	\$88,673
Ongoing Reserves*	\$32,060	\$32,060	\$32,060	\$32,060	\$32,060	\$32,060	\$32,060	\$32,060	\$32,060	\$32,060
Annual Ins., Tax, Bank Fees, and Filing Costs	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$10,000
Asset Management	\$13,741	\$13,758	\$11,119	\$13,794	\$13,816	\$14,077	\$11,683	\$14,144	\$14,163	\$14,188
Investor Cash Flow	\$1,902,582	\$1,906,736	\$1,909,832	\$1,915,294	\$1,920,672	\$1,984,004	\$1,994,233	\$2,000,267	\$2,005,038	\$2,015,924
% of Equity	6.62%	6.64%	6.65%	6.67%	6.68%	6.90%	6.94%	6.96%	6.98%	7.02%

\* \$710,000 of initial tax and insurance prepaids and reserves, and reserves for operations and repairs have been funded at the time of the loan closing. In addition, \$825,000 has been initially funded in a rollover reserve with lender for future tenant improvement and leasing commissions, bringing total prepaids and reserves to \$1,535,000 at closing. The DST is additionally reserving \$32,060 per year to provide additional operational reserves for the benefit of the trust, which is reflected in the ongoing reserve figures presented above.

The following leases were entered into directly with the tenants' parent entities or are directly guaranteed by the tenants' parent entities which have an investment-grade rating with Standard & Poor's or Moody's: Advance Auto Parts, CVS Pharmacy, Dollar General, and Walgreens.

The Loan Agreement requires a Qualified Transfer of the loan by the end of year seven of the loan term or a cash flow sweep will commence. As the Trust's objective is to maximize value to Owners through a portfolio aggregation and sale, transfer, or merger prior to year seven to facilitate a tax-deferred exchange pursuant to Section 1031 of the Code, or exchange roll-up transaction pursuant to Section 721 of the Code, this provision is not expected to have an impact on the Trust as it is expected to meet the Qualified Transfer requirements (refer to the "Exit Strategy" in Exhibit I of the Memorandum). As a result, ten years of cash flows are being presented to show the expected cash flows of the Properties to the Trust.

Investing in this offering involves risk. Please review the Private Placement Memorandum in its entirety, including especially the section that outlines the risks of this offering, before making any investment decision.



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▶ EQUITY OFFERING AMOUNT .....	\$28,735,000
▶ NON-RECOURSE DEBT .....	\$33,441,294
▶ TOTAL OFFERING PRICE .....	\$62,176,294

▶ OFFERING LOAN TO VALUE (LTV) .....	53.78%
▶ MINIMUM PURCHASE.....	\$100,000
▶ YEAR I INVESTOR CASH FLOW .....	6.62%



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TENANT	CREDIT RATING	LOCATION	SQUARE FEET	EST. VEHICLES PER DAY	ANNUAL RENT	LEASE EXPIRATION
Advance Auto Parts	Investment Grade BBB+	Chicago IL	6,133	19,400	\$124,500	4/30/28
CVS Pharmacy	Investment Grade BBB+	Richmond IN	10,828	17,690	\$162,442	5/31/36
Dollar General	Investment Grade BBB, A-2 (Short-Term)	Altoona PA	7,602	3,263	\$97,944	6/30/32
Dollar General	Investment Grade BBB, A-2 (Short-Term)	Baton Rouge LA	9,212	13,772	\$108,972	9/30/28
Dollar General	Investment Grade BBB, A-2 (Short-Term)	Elizabeth PA	9,325	11,469	\$114,684	7/31/32
Dollar General	Investment Grade BBB, A-2 (Short-Term)	Fayetteville NC	9,220	7,600	\$86,815	10/31/27
Dollar General	Investment Grade BBB, A-2 (Short-Term)	Odessa TX	9,274	7,444	\$86,455	2/28/30
Dollar General	Investment Grade BBB, A-2 (Short-Term)	Panama City FL	9,371	33,000	\$123,321	5/31/28
Fresenius Medical Care	Fresenius Medical Care Holdings Inc. is a wholly-owned subsidiary of Fresenius Medical Care AG & Co., which is Investment Grade BBB-	Bethlehem PA	8,081	19,263	\$213,875	4/30/29
Hobby Lobby	No Publicly-Rated Debt	Fort Wayne IN	85,993	35,000	\$373,525	12/31/27
NAPA Auto Parts	Long-term liability guarantee from Genuine Parts Company (publicly traded with over \$12 billion market cap as of November 2017). Score (GPC): 1 [lowest risk]	Jerome IL	15,294	26,600	\$153,000	10/31/37
Tractor Supply	No Publicly-Rated Debt	Collinsville OK	19,185	1,605	\$240,000	9/30/32
Tractor Supply	No Publicly-Rated Debt	Meraux LA	18,916	18,369	\$236,001	11/30/32
Walgreens	Investment Grade BBB (Long-Term) A-2 (Short-Term)	Chicago IL	12,997	21,212	\$425,000	1/31/28
Walgreens	Investment Grade BBB (Long-Term) A-2 (Short-Term)	Chicago IL	12,141	12,000	\$338,000	3/31/29
Walgreens	Investment Grade BBB (Long-Term) A-2 (Short-Term)	League City TX	14,375	32,042	\$325,800	5/1/27
Walgreens	Investment Grade BBB (Long-Term) A-2 (Short-Term)	Ocala FL	15,434	25,500	\$225,000	11/30/28





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# CVS/pharmacy®

S&P Rated: Investment Grade BBB+

CVS Health (NYSE: CVS) is a health care retailer based in the United States. It operates over 7,000 pharmacy and drug stores, and was ranked 12<sup>th</sup> on the Fortune 500 list in 2014. CVS Health consists of four divisions, which include CVS/pharmacy, CVS/caremark, CVS/specialty, and CVS/minuteclinic. CVS/pharmacy generates over 68% of CVS Health's total revenue, with 9,709 retail stores in 49 states. CVS/caremark offers prescription benefit management services to over 2,000 health plans, and generates a net revenue of ~\$37 billion. CVS/minuteclinic is the largest walk-in medical clinic in America. It operates in 570 locations across 26 different jurisdictions. CVS carries many of its own products, branded under CVS, Just the Basics, Essence of Beauty, Gold Emblem, Absolutely Divine, Blade, Earth Essentials, Caliber, and Life Fitness. It is also party to exclusive distribution contracts with Nuprin, Christophe, PreVentin-AT, 24/7, Skin Effects, and Lumene. CVS has achieved much of its growth through acquisition of other companies, including Clinton Drug and Discount Stores, Mack Drug, Peoples Drug, Revco, Eckerd, and Longs Drug Stores.

CURRENT ANNUAL REVENUE: \$177.53 BILLION  
 CURRENT GROSS PROFIT: \$28.86 BILLION  
 CURRENT ANNUAL NET INCOME: \$5.32 BILLION  
 2016 FISCAL YEAR REVENUE GROWTH: 15.81%



2013 2014 2015 2016 2017  
 NYSE: CVS - 5-Year Stock Performance [Source: bloomberg.com]



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# Walgreens

S&P Rated: Investment Grade BBB (Long-Term)  
 A-2 (Short-Term)

Walgreens (NASDAQ: WBA) is the largest drug retailer in America. Walgreens employs approximately 248,000 people and operates 8,678 stores throughout the 50 states; Washington DC; Puerto Rico; and Guam. Walgreens' products include over-the-counter medicine and consumer products, pharmacy services, and photo services. Walgreens has expanded through a series of strategic acquisitions. In March 2011, Walgreens acquired Drugstore.com and Beauty.com. Two years later, Beauty.com was named by Internet Retailer Magazine in its Top 100 online retail sites list. In July 2012, Walgreens paid \$6.7 billion for a 45% stake in Alliance Boots and acquired a drug store chain that included USA Drug, Super D Drug, May's Drug, Med-X, and Drug Warehouse. In 2014 Walgreens purchased the remaining 55% stake in Switzerland-based Alliance Boots that it did not already own. A new holding company was created that now trades as WBA in lieu of the previous WAG ticker. Walgreens also maintains a commercial book of pharmacy business through multiyear agreements with Express Scripts, Caremark, and other commercial payers. Walgreens was included in Fortune's World's Most Admired Companies list for the 20th consecutive year and was ranked 37th overall in revenue on the Fortune 500 list of largest U.S.-based companies.

CURRENT ANNUAL REVENUE: \$118.21 BILLION  
 CURRENT GROSS PROFIT: \$29.16 BILLION  
 CURRENT ANNUAL NET INCOME: \$4.01 BILLION  
 2016 FISCAL YEAR REVENUE GROWTH: 0.74%



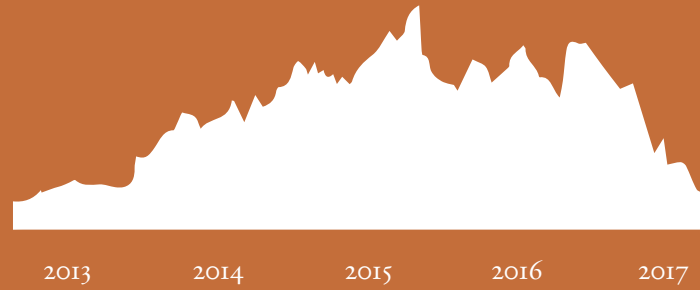
2013 2014 2015 2016 2017  
 NYSE: WBA - 5-Year Stock Performance [Source: bloomberg.com]





S&P Rated: Investment Grade BBB-

Advance Auto Parts (NYSE: AAP) is an aftermarket retailer of automotive parts and supplies and a provider of auto maintenance services. It operates over 5,300 stores and employs about 55,000 "Team Members." Increases in new vehicle sales allow Advance Auto to demonstrate its key strategies: superior availability and service leadership. It continues to increase its delivery speed, reliability, and supply chain, and it is opening new stores in underserved markets.



NYSE: AAP - 5-Year Stock Performance [Source: bloomberg.com]

CURRENT ANNUAL REVENUE: \$9.57 BILLION  
CURRENT GROSS PROFIT: \$4.26 BILLION

CURRENT ANNUAL NET INCOME: \$459.62 MILLION  
LOCATIONS: 5,300+

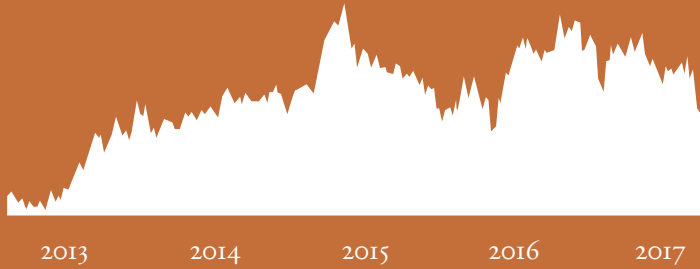


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Long-term liability guarantee from Genuine Parts Company (publicly traded with over \$12 billion market cap as of November 2017). Score (GPC):1 [lowest risk]

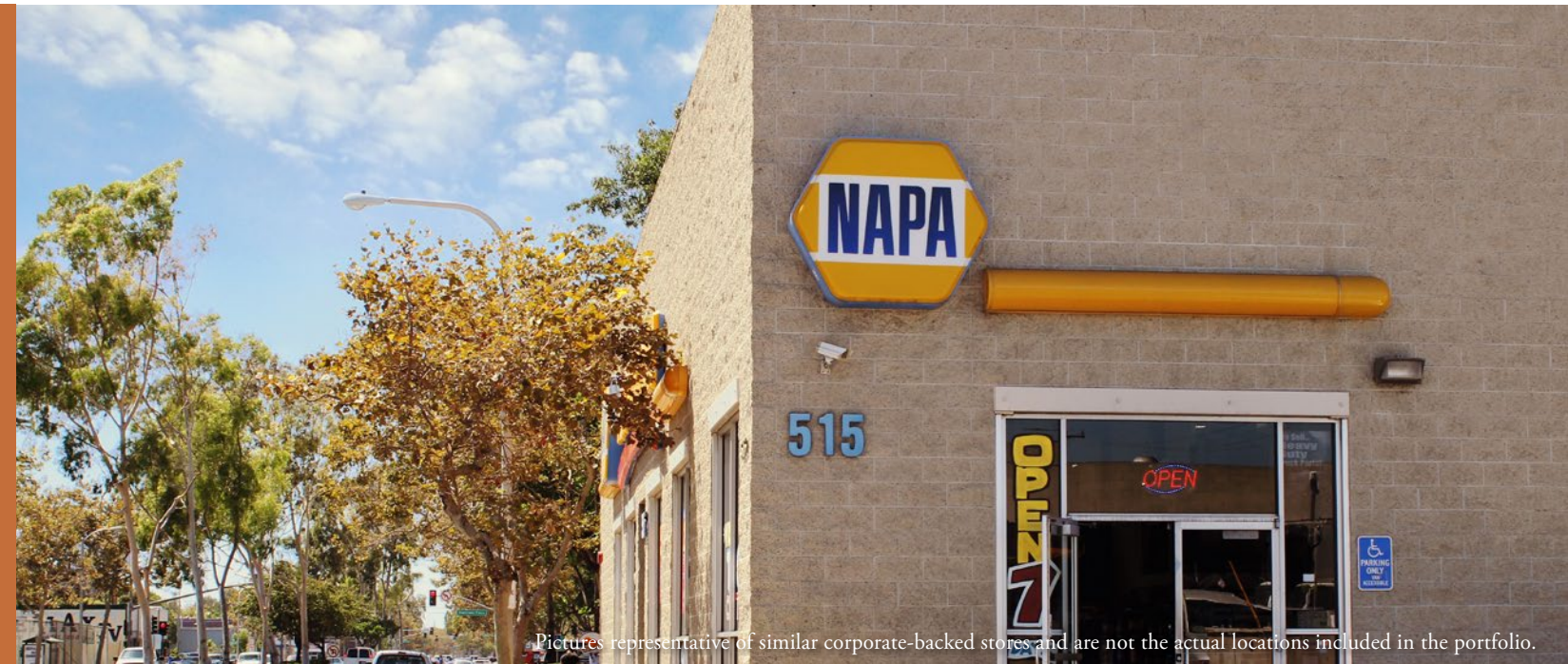
NAPA (The National Automotive Parts Association) is an American-based voluntary trade association that distributes and sells over 400,000 products to auto and industrial sectors. NAPA's sole member and majority owner is Genuine Parts Company (NYSE: GPC). Its infrastructure and commitment to quality produce higher revenues, a stronger operating margin, and a more-credit-positive debt-to-EBITDA ratio than found in the rest of the industry.



NYSE: GPC - 5-Year Stock Performance [Source: bloomberg.com]

CURRENT ANNUAL REVENUE: \$15.34 BILLION  
CURRENT GROSS PROFIT: \$4.60 BILLION

CURRENT ANNUAL NET INCOME: \$687.24 MILLION  
2016 FISCAL YEAR REVENUE GROWTH: 0.39%

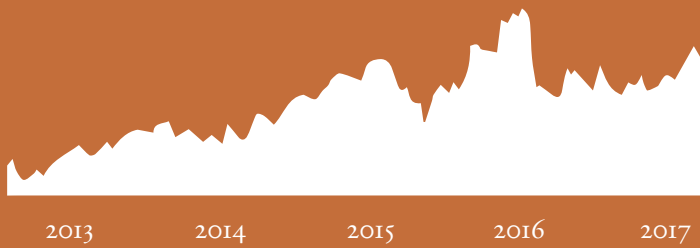


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## DOLLAR GENERAL

S&P Rated: Investment Grade BBB  
A-2 (Short-Term)

Dollar General (NYSE: DG) is one of the nation's largest small-box discount retailers. Dollar General has over 121,000 employees operating over 13,300 locations in 43 states. It strives to make shopping for everyday needs simpler and hassle-free by offering a carefully selected assortment of the most popular brands at low everyday prices in small, convenient locations. Dollar General Corporation was founded in 1939 and is based in Goodlettsville, Tennessee.



NYSE: DG - 5-Year Stock Performance [Source: bloomberg.com]

CURRENT ANNUAL REVENUE: \$21.98 BILLION  
CURRENT GROSS PROFIT: \$6.78 BILLION

CURRENT ANNUAL NET INCOME: \$1.25 BILLION  
2016 FISCAL YEAR REVENUE GROWTH: 7.94%



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## FRESENIUS

Fresenius Medical Care (NYSE: FMS) provides dialysis and related products, inpatient/outpatient care products, and services such as engineering to hospitals and related facilities. Fresenius operates more than 2,100 dialysis centers in North America and has over 100,000 employees. These facilities routinely provide medically necessary renal care to hundreds of thousands of patients with chronic kidney failure, a condition that affects more than 2.1 million individuals globally.

CURRENT ANNUAL REVENUE: \$17.91 BILLION  
CURRENT GROSS PROFIT: \$5.78 BILLION

*Fresenius Medical Care Holdings Inc. is a wholly-owned subsidiary of Fresenius Medical Care AG & Co., which is Investment Grade BBB-*



2013 2014 2015 2016 2017  
NYSE: FMS - 5-Year Stock Performance [Source: bloomberg.com]

CURRENT ANNUAL NET INCOME: \$1.24 BILLION  
2016 FISCAL YEAR REVENUE GROWTH: 7.01%



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## TSC TRACTOR SUPPLY CO.

Tractor Supply Co. (NASDAQ: TSCO) is a leading chain of retail stores that each carry products related to home improvement, agriculture, truck maintenance, livestock, equine care, and household pet care. It employs over 17,000 individuals and operates over 1,200 stores across 47 states. Stores are strategically located in towns outlying major metropolitan areas and in rural communities. It was listed by Forbes among the 100 fastest growing businesses.

CURRENT ANNUAL REVENUE: \$6.78 BILLION  
CURRENT GROSS PROFIT: \$2.33 BILLION

*No Publicly-Rated Debt*



2013 2014 2015 2016 2017  
NASDAQ: TSCO - 5-Yr Stock Performance [Source: bloomberg.com]

CURRENT ANNUAL NET INCOME: \$437.12 MILLION  
2016 FISCAL YEAR REVENUE GROWTH: 8.88%



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## HOBBY LOBBY

Hobby Lobby owns and operates a chain of over 600 arts and craft stores throughout the United States, which are estimated to employ over 23,000 individuals. The average store is over 55,000 square feet, and offers more than 70,000 arts, crafts, hobbies, home decor, Holiday, and seasonal products. Hobby Lobby is privately held and does not carry any long-term debt. It ranks 94<sup>th</sup> on the Forbes list of America's Largest Private Companies.

ESTIMATED ANNUAL REVENUE: \$4.6 BILLION  
FORBES LIST OF LARGEST PRIVATE COMPANIES: 106<sup>TH</sup>

*No Publicly-Rated Debt*



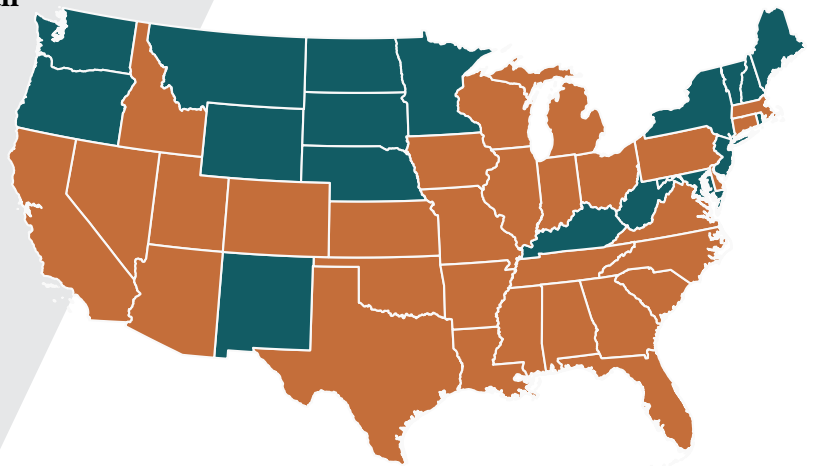
INCREASE IN ANNUAL REVENUE: 8.1%  
ESTIMATED NUMBER OF EMPLOYEES: 28,000



# EXCHANGE RIGHT

- › **\$1+ Billion of assets under management**
- › **10+ Million square feet under management**
- › **Focus on investment-grade, necessity-based retail and Class B/B+ value-added multifamily**
- › **282 single-tenant retail and healthcare properties and 86 apartment communities consisting of over 7,300 units**
- › **Diversified across 28 states**
- › **All offerings meeting or exceeding projections**

■ States with ER and affiliates' AUM or under contract for future portfolio inventory.



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