



1031 / 721 Exchanges

Investments in Delaware Statutory Trusts (DSTs) are speculative and involve a high level of risk and there can be no assurance that an investment vehicle's objectives will be realized. An investor could lose all or a substantial portion of their investment. DSTs are generally not subject to the same regulatory oversight as registered funds. Investments may involve complex tax structures resulting in delays in distributing important tax information, may not be required to provide periodic pricing or valuation information, lack diversification, limited transparency, and may employ leverage. A comprehensive list of potential risk factors is outlined in the Private Placement Memorandum.

The JLL Exchange program offers private placements through the sale of interests in DSTs holding real properties.

Note: All properties shown are part of the JLL Income Property Trust portfolio.

NOT A DEPOSIT - NOT FDIC INSURED - MAY LOSE VALUE - NOT BANK GUARANTEED - NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

What is a 1031 Exchange?

SECTION 1031

Section 1031 enables taxpayers to defer capital gains taxes by reinvesting proceeds from the sale of appreciated investment real estate into similar “**like-kind**” real estate. Under this provision, most real estate held for investment or productive use in a trade or business qualifies for tax-deferred exchange treatment.

1031 SECURITIES (DELAWARE STATUTORY TRUSTS)

Delaware Statutory Trusts (DSTs) are trusts that may own income-generating, professionally managed investment real estate. In 2004, the IRS issued Revenue Ruling 2004-86, which allows taxpayers to receive 1031 tax deferral treatment by investing the proceeds from the sale of their appreciated, investment real estate into DSTs.

Potential Benefits of a 1031/DST Like-Kind Exchange¹

- ▶ Defer taxes from the sale of investment real estate by investing in a professionally managed DST owning institutional-quality investment property.
- ▶ Opportunity to receive regular, tax-advantaged income based on the property's performance.
- ▶ Eliminate personal debt associated with investment real estate ownership.
- ▶ Property and leasing management performed by a professional real estate operator.
- ▶ Opportunity for tax efficient generational wealth transfer.

Potential Limitations of a 1031/DST Like-Kind Exchange¹

- ▶ Must adhere to strict timelines and other technical requirements of Internal Revenue Code.
- ▶ Debt cannot be refinanced.
- ▶ Lease terms cannot be renegotiated.
- ▶ Structural improvements are prohibited.
- ▶ Do not provide liquidity.
- ▶ Do not provide meaningful diversification.

¹ There can be no guarantee that a 1031 exchange will be successful in deferring tax obligations as future tax code changes could impact that ability. In addition, there are strict guidelines around timelines, replacement property identification, and the use of a Qualified Intermediary to process funds. Individual investors should consult with their own tax professionals.

What is a 721 Exchange?

SECTION 721

A 721 exchange allows a taxpayer to exchange an interest in a real property for an interest in a partnership owning numerous properties on a tax deferred basis.

A 721 exchange is commonly known as an UPREIT transaction.

Potential Benefits of a 721 Exchange¹

► DIVERSIFICATION

Access to a professionally managed, diversified portfolio of institutional-quality real estate.

► INCOME²

Operating partners participate in the cash flow of the diversified portfolio of real properties owned by the partnership but cannot participate in future 1031 exchanges.

► CAPITAL APPRECIATION³

If the real properties owned by the diversified portfolio increase in value, operating partners may experience appreciation of their invested capital.

► ESTATE PLANNING⁴

Potential to reduce or eliminate taxes altogether through the transfer of Operating Partnership Units (OP Units) to heirs on a “stepped up” basis.

Potential Limitations of a 721 Exchange¹

► The Operating Partnership is not required to exercise its Fair Market Value Option to acquire DST properties.

► The Operating Partnership Unit's distribution income is established by the board of directors, is not guaranteed, and may fluctuate.

► Liquidity is not guaranteed.

► Investment values may fluctuate.

The Operating Partnership may require that the Beneficial Owners exchange their Interests for units in the Operating Partnership (the “**FMV Option**”). If the FMV Option is exercised, Beneficial Owners will receive units in the Operating Partnership (“**OP Units**”) in an amount equal to the then fair market value of the Beneficial Owner's Interests in the Trust.

¹ Investors purchase DST interest in syndicated property that the Operating Partnership acquires. In connection with the master lease, the Operating Partnership receives a unilateral option (FMV Option) to acquire the property or properties at fair market value two years later.

² The Operating Partnership's unit distribution income is established by the board of directors, is not guaranteed, and may fluctuate.

³ Investment values may fluctuate.

⁴ Subject to any changes in U.S. tax law and limited to certain ownership types. Please consult a tax professional.

JLL Exchange



JLL Income Property Trust is an institutionally managed daily NAV REIT that owns and manages a diversified portfolio of income-producing properties. Its Operating Partnership has the potential to provide units (OP Units) in exchange for interests in the DST.

¹ Taxpayers may identify up to three replacement properties or as an alternative, may utilize the 200% rule to potentially identify more than 3 replacement properties. Please refer to Reg. sec. 1.1031(k)-1(c)(4)(i)(B) for more information.

² Failure to adhere to these timelines may result in an invalid exchange and require full payment of taxes.

³ In the event the Operating Partnership declines its FMV option, the DST Manager will continue to operate the DST property on behalf of investors and may seek a liquidity event through a sale to a third party. This could result in valuation decline, illiquidity, and other adverse events.

⁴ Operating Units are redeemed for either cash or the corresponding class of REIT common shares at the sole option of the Operating Partnership.

⁵ JLLIPT's Share Repurchase Program generally limits redemptions to 5% per quarter (20% per year) and may be amended, suspended, or terminated. Accordingly, shares may become illiquid.

The property depicted on this page is owned by JLLX Reserve at Venice, DST, a prior DST offering of the Sponsor.

JLL EXCHANGE TERMS

- **FMV Option:** The Operating Partnership may require that the Beneficial Owners exchange their interests in the Trust (“**Interests**”) for cash or for units in the Operating Partnership (the “**FMV Option**”).
- **OP Units:** If the FMV Option is exercised, Beneficial Owners will either receive cash or receive units in the Operating Partnership (“**OP Units**”) in an amount equal to the then fair market value of the Beneficial Owner’s Interests in the Trust.
- **Operating Partnership:** JLLIPT Holdings LP, a Delaware limited partnership (the “**Operating Partnership**”).
- **Trust:** Purchasers will purchase interests in one or more Delaware Statutory Trusts (each a “**Trust**” or a “**DST**”).
- **Master Tenant & Master Lease:** Each Property will be 100% master leased to a special purpose entity, wholly owned by the Operating Partnership (the “**Master Tenant**”), pursuant to a triple net master lease agreement (a “**Master Lease**”) with the Master Tenant. The Master Tenant will be the sub-lessor of the Property to the tenant(s) occupying the space.
- **Transfer Distribution:** If the Manager determines that a Master Tenant has defaulted in paying rent, a Property is in jeopardy of being lost due to a default on a loan, and in certain other circumstances, the Manager may determine to terminate the Trust or a specific Property Trust and title to the Property will transfer (a “**Transfer Distribution**”) to a limited liability company. In the event of a Transfer Distribution, investors may face adverse tax consequences, lose their tax protection under Section 1031, and realize fluctuations in the current income and valuation of their investment. After a Transfer Distribution, Purchasers will continue to incur the Investor Servicing Fee.
- **Guaranty:** The Operating Partnership, as guarantor (in such capacity, the “**Guarantor**”), will enter into a guaranty agreement whereby the Guarantor will guaranty (the “**Guaranty**”) lease payment to the Trust as lessor under the Master Lease.
- **Property:** Each Delaware Statutory Trust will hold one or more residential or commercial property (each, a “**Property**” and collectively, the “**Properties**”).
- **Total Equity Amount:** To participate in an Offering under the JLL Exchange Program (“**Program**”), an investor (“**Purchaser**”) must, make the minimum equity investment for an Interest (i.e., the minimum cash purchase price for an Interest) in the amount specified in the Property Supplement (the “**Equity Amount**,” and the sum of all investments plus fees and expenses (“**Purchasers’ Equity Amounts in an Offering**”), the (“**Total Equity Amount**”).
- **Beneficial Owners:** Purchasers of Interests pursuant to this Offering (defined herein) will become beneficial owners of the Trust (each, a “**Beneficial Owner**” and, collectively, the “**Beneficial Owners**”).
- **Investor Servicing Fee:** Beneficial Owners will pay an ongoing Investor Servicing Fee (the “**Investor Servicing Fee**”), paid quarterly to the Dealer Manager (all or a portion of which we expect to be re-allowed to participating broker-dealers) for ongoing services rendered to the Beneficial Owners.
- **Memorandum, Offering, and Property Supplement:** The Delaware Statutory Trust Program Memorandum (the “**Memorandum**”) describes the key features of the Program including a description of a number of risks related to an investment in the Interests. Specific information relating to the offer of Interests in a Trust (each, an “**Offering**”) and the Property held by such Trust (or Properties held by Property Trusts, as applicable) will be further described in a separate supplement to this Memorandum (the “**Property Supplement**”) relating to such Trust and Property or Properties, which will be provided to you in conjunction with or subsequent to your receipt of the Memorandum.

SUMMARY OF RISK FACTORS

Changes in taxation of entities treated as partnerships for U.S. federal income tax purposes. The rules governing the mechanics for the taxation of entities treated as partnerships for U.S. federal income tax purposes undergo periodic review by persons involved in the legislative process and by the IRS and the U.S. Department of Treasury, which may result in revisions of resolutions and revised interpretations of established concepts as well as statutory changes, including the potential elimination of Section 1031 and 721. There can be no guarantee that any current or future proposal related thereto will not be enacted into law, and accordingly there can be no guarantee that the rules governing the taxation of entities treated as a partnership for U.S. federal income tax purposes will not be subject to change after an investment in an Interest. Any such change could have a significant impact on the tax treatment and ultimate economics of the Operating Partnership and its partners, and, therefore, may materially affect the tax and economic consequences of an investment in an Interest. Beneficial Owners should consult their own tax advisor as to the tax implications any current and future proposed changes to the mechanics of partnership taxation.

Purchasers who are exchanging relinquished property with a larger amount of debt than the proportionate amount of a loan they are deemed to have assumed for tax purposes in connection with the acquisition of an Interest may recognize taxable gain (although additional cash from another source may offset the reduction in debt). Each Purchaser will have its own unique debt and other Section 1031 Exchange issues. Therefore, each Purchaser must seek the advice of its own independent tax advisor as to qualification for tax deferral under Code Section 1031 and the Treasury Regulations promulgated thereunder, including the debt replacement rules.

RISKS RELATED TO HOLDING INTERESTS

- There are limitations on the actions that the manager and trustee of the DST can take relative to the real estate. Revenue Ruling 2004-86 sets forth the Internal Revenue Service's ("IRS") standards for DST interests acquired in a Code Section 1031 exchange. In order for investors in the DST to be treated as acquiring a direct interest in real estate for federal income tax purposes, the DST must impose significant prohibitions on the powers of the DST's manager and trustee. These prohibitions are explained in more detail in the Memorandum and the Property Supplement.
- If the manager and trustee of the DST are required to take action to conserve and protect the property held by the DST, but are unable to do so due to the prohibitions imposed on their powers under Revenue Ruling 2004-86, they may determine to terminate (or be required to terminate) the DST and transfer the property to a limited liability company (a "Transfer Distribution"). An interest in a limited liability company, unlike a DST interest, is not treated as a direct interest in the underlying real estate for tax purposes.
- You should consider the state tax consequences of acquiring, owning, holding, and disposing of a DST interest. You must seek the advice of your own independent tax advisor as to state and local tax issues.

RISKS RELATED TO THE OPERATING PARTNERSHIP (IF THE FMV OPTION IS EXERCISED)

- Holders of OP Units receive distributions (not dividends) from the Operating Partnership.
- Holders of OP Units receive allocations of the Operating Partnership income or loss that may not be accompanied by cash distributions of the same amount.
- IRS Form 1065s (K-1s) are issued.
- If the Operating Partnership were classified as an association or a publicly traded partnership taxable as a corporation, it would be subject to tax at the entity level and holders of OP Units would be subject to tax in the same manner as stockholders of a corporation. As a result, such holders of OP Units could incur substantial additional unforeseen tax liability. In addition, characterization of the Operating Partnership as an association or publicly traded partnership taxable as a corporation would also result in the termination of JLLIPT's status as a real estate investment trust for U.S. federal income tax purposes, which would have a material adverse effect on JLLIPT. If the FMV Option is exercised, the Operating Partnership could, among other things, sell or distribute the property which may trigger deferred gain to the holder of the OP Units.

RISKS RELATED TO THE DST (IF THE FMV OPTION IS NOT EXERCISED)

- If the FMV Option is not exercised, investors would remain in the DST and would be subject to the risks of the DST ownership of the underlying properties. Investors would retain their ability to conduct another 1031 exchange assuming a later liquidation of the DST.

RISKS RELATED TO DEBT FINANCING

- The effect of a financing (or a refinancing where a Transfer Distribution has occurred) or sale of the property owned by the DST could affect the rate of return to the investors in the DST with respect to that property and the projected time of disposition of the property. In an environment of increasing mortgage rates, if we place mortgage debt on properties (or a refinancing if a Transfer Distribution has occurred), we run the risk of being unable to refinance such debt if mortgage rates are higher at the time a balloon payment is due.
- Mortgage debt increases the risk of loss since defaults on indebtedness secured by the DST property may result in lenders initiating foreclosure actions. For a more comprehensive discussion of the risks associated with mortgage debt, please see Risks Associated with Debt Financing in the Confidential Delaware Statutory Trust Program Memorandum.

RISKS RELATED TO THE MASTER LEASE STRUCTURE

- If the Master Lease is terminated or expires, the economic success of an investment in the Property will depend upon the results of operations of the Property, which will be subject to those risks typically associated with investments in real estate. Fluctuations in vacancy rates, rent schedules, and operating expenses can adversely affect operating results or render the sale (or financing, where a Transfer Distribution has occurred) of the Property difficult or unattractive. In such case, the poor performance of such Property may adversely affect the overall returns to the investors in the DST. In the event of termination or expiration of the Master Lease, the income distributions that the DST generates are subject to fluctuation.
- There is a potential risk that the Master Tenant could default on its obligations under the Master Lease and that the Operating Partnership could default on its obligations under the Guaranty.

RISKS RELATED TO THE OFFERING

- Prospective purchasers must bear the economic risks of an investment in Interests, OP Units or common stock in JLLIPT for an indefinite period of time and must be prepared to sustain a total loss of such investment. There is no public market for the Interests, and we do not expect a public market for the Interests, OP Units, or common stock in JLLIPT to develop in the future. An investment in Interests will not be appropriate for purchasers desiring or requiring liquidity in the near future. Each purchaser must bear the economic risks of an investment in an Interest for an indefinite period of time and be prepared to sustain a total loss of such investment.
- The manager of the Trust, the Operating Partnership, JLLIPT, and their affiliates are subject to conflicts of interest between their activities, roles and duties for other entities and the activities, roles and duties they have assumed on behalf of the Trust, the Master Tenant, the Operating Partnership, and JLLIPT. Conflicts exist in allocating management time, services and functions between their current and future activities and the Trust. In addition, the manager of the Trust may have conflicts allocating leasing opportunities among competing properties.
- The Property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of the lease.
- The Interests will be subject to an Upfront Sales Charge of up to 2.0% of the invested equity paid to Participating Broker-Dealer, a Placement Fee of 1% of the Total Equity Amount, a Management Fee of 0.15% and an annual Investor Servicing Fee equal to 0.25% of the Total Equity Amount, as well as Third Party Expenses up to 1.25% of Total Equity Amount for debt-free 1031 DST offerings and up to 2.25% for offerings with debt.
- The Interests will be subject to a Disposition Fee of 1.0% of the gross sale proceeds upon the sale or other disposition of the Property. In the event the FMV Option is exercised, the Operating Partnership will be entitled to receive a fee from the Beneficial Owners equal to 1.0% of the fair market value of the Property. The Disposition Fee may be reduced or waived in its entirety at the sole discretion of the Operating Partnership.
- In the event the FMV Option is exercised, Beneficial Owners may receive Class A OP Units, Class A-I OP Units, and Class M-I OP Units; Class A OP Units and Class A-I OP Units are subject to an annual Investor Servicing Fee as described in the Property Supplement, and all such classes will be subject to such other performance and management fees as set out in the JLLIPT prospectus.

RISKS RELATED TO ADVERSE CHANGES IN GENERAL ECONOMIC CONDITIONS

- An economic downturn could adversely affect rental income generated from end tenants. From time to time, an economic downturn could occur that would result in slowed economic activity.

RISKS RELATED TO INVESTMENTS IN REAL PROPERTY

- Real properties are illiquid investments, and we may be unable to sell, refinance, or reposition a property or properties in response to changes in economic or other conditions.
- For Information about JLLIPT, the Operating Partnership, and the OP Units please refer to the Memorandum.