

FUNDING ACQUISITION OF PROPERTY BY DST

Acquiring a property for a Delaware Statutory Trust (DST) involves a carefully orchestrated flow of capital from multiple sources. This visual guide breaks down how bridge financing from senior and junior lenders, combined with a traditional mortgage, enables the acquisition and prepares the asset for investor syndication.

1

Senior Bridge Lender Provides Initial Funding

The process begins with the Senior Bridge Lender, who provides a senior bridge loan to an entity known as the Depositor. This loan typically covers up to 85% of the total cost (Loan-to-Cost or LTC) of the property. In return, the Senior Bridge Lender receives a senior security interest in the DST.



Senior Bridge Lender



Depositor

2

Junior Bridge Lender Fills The Gap

Next, the Junior Bridge Lender provides a second, subordinate loan to the Depositor. This junior bridge loan is crucial as it covers the remaining funds needed for the acquisition, often exceeding 100% of the LTC to include all related acquisition expenses.



Senior Bridge Lender



Depositor



Junior Bridge Lender



3

Depositor Repays the Senior Bridge Lender

The Depositor gathers the funds from both the senior and junior bridge loans. It then contributes this capital to the DST. In exchange for this contribution, the Depositor receives 100% of the equity interests in the DST (referred to as Class 2 Beneficial Interests).

4

The Senior Mortgage Lender Secures the Property

Simultaneously, a Senior Mortgage Lender provides a long-term senior mortgage loan directly to the DST. This loan is secured by a first mortgage on the property being acquired and typically funds 50-60% of the LTC.



Depositor
Senior & Junior
Bridge Funds



DST
Class 2
Beneficial
Interests



**Senior
Mortgage
Lender**
Long-term
Mortgage



DST
Senior & Junior
Bridge Funds

5

The DST Acquires the Property

The DST now has the necessary capital. It combines the funds from the Depositor's contribution (sourced from the bridge loans) and the proceeds from the senior mortgage loan. The DST uses this combined capital to officially purchase the property from the seller.



DST
Senior Mortgage
Senior Bridge Funds
Junior Bridge Funds



Property

6

Closing Costs Paid to Third-Party Service Providers

Finally, the DST uses any remaining funds to pay for all closing costs associated with the transaction. These payments go to various Third-Party Service Providers for things like legal fees, title insurance, appraisal fees, transfer taxes, and inspection costs.



DST
Remaining Funds



**Third-Party
Service Providers**