FSX INVENTORY FINANCING FUND
Illustrated

REPAYMENT OF BRIDGE LOANS BY DST SYNDICATION PROCEEDS

Once a DST property is syndicated, investor capital flows back through the structure to retire the initial bridge financing in a specific sequence. Below illustrates how proceeds from new investors are distributed to systematically repay both senior and junior bridge lenders while transitioning full ownership to the trust.

1 DST Investors Contribute Capital

The repayment process starts when DST Investors contribute cash to the DST. In exchange, they receive Class 1 Beneficial Interests. The total amount raised from these investors, known as the syndication proceeds, is enough to cover the repayment of both the Senior and Junior Bridge Loans, as well as offering-related expenses and sponsor fees. Once the syndication is complete, the DST investors will hold 100% of the equity interests.

Investors
Syndication Proceeds

DST
Class 1 Beneficial Interest

2 DST Redeems Depositor's Interests

The DST takes the net proceeds from the investor contributions and gives them to the Depositor. This is done in exchange for redeeming a portion of the Class 2 Beneficial Interests held by the Depositor. Typically, about 80-85% of the offering proceeds are available for bridge loan repayment after accounting for sponsor fees and other expenses.

DST
Syndication Proceeds

Depositor
Class 2 Beneficial Interest

3 Depositor Repays the Senior Bridge Lender

The Depositor uses the net proceeds received from the DST to pay back the Senior Bridge Lender. All funds flow to the Senior Bridge Lender until this loan is paid in full.

Depositor
Syndication Proceeds

Senior Bridge Lender

4 Depositor Repays the Junior Bridge Lender

Once the Senior Bridge Loan is fully repaid, the Depositor directs all subsequent net proceeds from the DST syndication to the Junior Bridge Lender until that loan is also paid off.

5 Ongoing Operations and Distributions

While the syndication and repayment process occurs, the property generates income. The Tenant pays monthly rent to the DST. The DST then makes monthly distributions to its interest holders: the DST Investors (Class 1) and the Depositor (Class 2). The Depositor uses these distributions to make debt service payments on the bridge loans. After the Senior Bridge Loan is fully paid, the Junior Bridge Lender receives all monthly distributions that the Depositor is entitled to.