MLG CAPITAL

MLG Legacy Fund – How to Participate

FPA DFW Virtual Super CE Day

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All figures, unless otherwise noted, are as of 6/30/2025.

Securities offered through North Capital Private Securities, member FINRA/SIPC. Advisory services offered through MLG Fund Manager LLC, an investment adviser registered with U.S. Securities & Exchange Commission.

THE CHALLENGES OF LONG-TERM OWNERSHIP

Asset Management

Who takes on responsibility for the asset as owners age out of an active management role?

Capital Gains Tax

Owners often face a significant tax burden upon sale which may make them less likely to sell assets.

Income Tax

Depreciation benefits decline over time which often leaves owners with large tax bills, especially if the owners do not proactively reinvest in their property.

Partnership or Succession Challenges

Heirs or partners may have different objectives. Without proper estate planning may be subject to a large tax bill.

Diversification

Individuals may have significant wealth in a single property or properties, often in one market.

Conventional Solutions

Common solutions include:

1031 Exchange

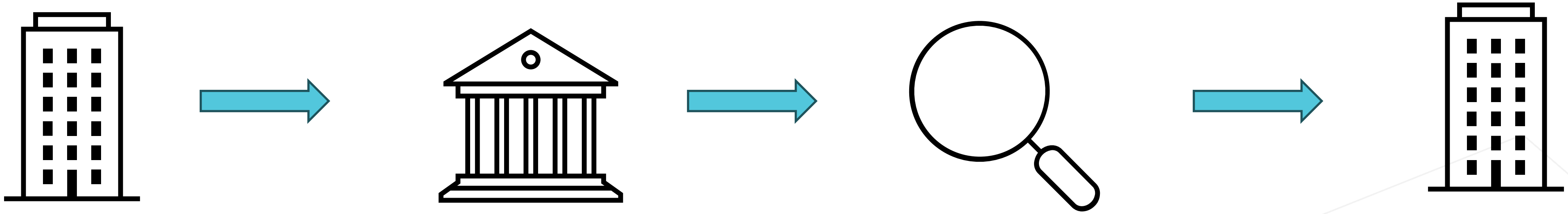
Delaware Statutory Trust (DST)

UPREIT / 721 Contribution

1031 Exchange

Taxpayer sells **real property** and acquires "like-kind" replacement **real property** that is held for **investment intent**. To achieve tax deferral, the taxpayer must replace all the debt and equity, and the taxpayer must identify replacement property 45 days after sale and close within 180 days of the sale.

- Requires active management
- Requires investment into unknown replacement property
- Tight time constraints
- Single asset risk
- Lack of divisibility amongst heirs, that may not want or have capabilities to manage



Sale of real property

Proceeds placed with qualified intermediary

Replacement property identified within **45 days** of sale

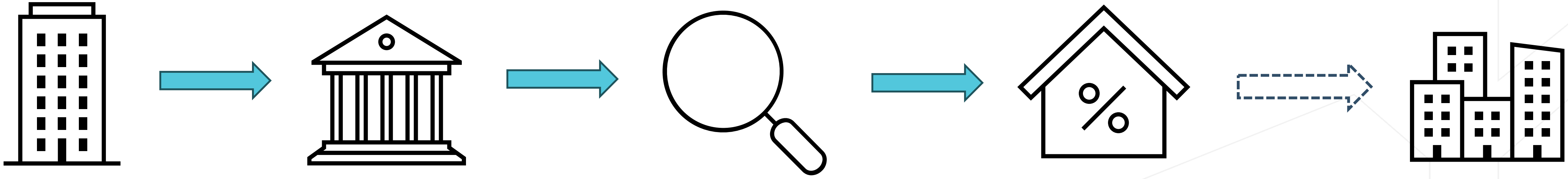
Replacement property acquired **135 days** after identification (180 days from sale)

Delaware Statutory Trust (DST)

A DST qualifies as real property under 1031 exchange rules. Investors acquire a fractional interest in a property professionally managed by an investment sponsor. Capital gains are deferred until the DST property is sold.

Some DST sponsors have an UPREIT that has the option to absorb the DST into their diversified REIT after two years.

- Typically higher fees (load can range from 8% to 25% of equity amount)*
- Potential limitations of a DST (“The 7 Deadly Sins”):
  - Restriction on additional equity contributions
  - Restrictions on refinancing or adding debt
  - Restriction on reinvestment of sale proceeds
  - Limitations on capital improvements
  - Limitations on cash investments
  - Limitations on cash distributions
  - Restrictions on new leases or re-lease tenants

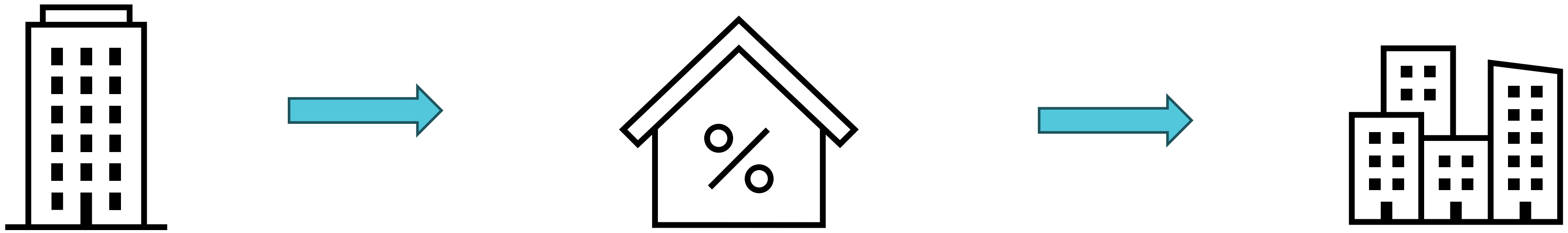


*Source: FactRight DST Research Q1 2025

UPREIT

A DST property may be acquired by a UPREIT via 721 contribution, typically after two or more years. Investors in the DST receive units of an operating partnership of the REIT (OP Units) in exchange for their DST interests. An investor could also contribute property to the UPREIT, but only if property is institutional quality.

- REIT structures may not be tax advantaged
- Often subject to public market volatility
- Potential mismatch in privately held property and REIT acquisition objectives
- Contribution may occur at an unknown future value (customarily based on third-party appraisals) if UPREIT is part of a DST program
- Potential risk of gain recognition after expiration of tax protection agreement



Sale of real property

DST interest acquired within 180 days of sale (optional)

UPREIT acquires DST interests from investors in exchange for OP Units

MLG Legacy Fund

The MLG Capital Legacy Fund is an LLC where investors participate by contributing property or partnership interests (721) in exchange for units of the Fund.

It allows investors to achieve a **passive, tax-deferred**, and **diversified** exit from their real estate and is structured to **enhance their after-tax cash flow** and **provide flexibility to long-term partners or heirs** with ranging goals and objectives.

Highlights

How Investors Participate

1. Direct Property Contribution
2. Partnership Sales Proceeds
3. Non-partnership Sales Proceeds

- Portfolio Diversification at a known value
- Potentially reduced transaction timing risk

Tax Efficiency

- Capital Gains Deferral: Tax-deferred contributions utilizing 721.
- Income Tax Savings: Pass-through nature of LLC allows for any depreciation to be passed through to fund investors.
- Estate Tax Savings: Potential for Minority Partner Discount

Partnership/Heir Flexibility

- Partners/Heirs are no longer burdened with management responsibility and may seek redemption based on their individual needs, subject to limitations outlined in the offering documents.

Fees

- Typically lower fee load compared to DST*
- Investors pay a 1.5% asset management fee on NAV of Fund

For a detailed description of the fees that may be paid by an investor, please consult Exhibit C of the Fund's Operating Agreement.

*Source: FactRight DST Research Q1 2025

How Investors Participate

Three Transaction Types

The **property type** and **ownership structure** are important considerations when determining the path forward for the client.

<u>Transaction Types:</u>

1. Direct 721 Property Contribution
2. Partnership Sales Proceeds
    - Overlapping 1031 and 721
3. Non-Partnership Sales Proceeds
    - 1031 Exchange Followed by a 721 Contribution after Two Years

#1 - Direct Contribution

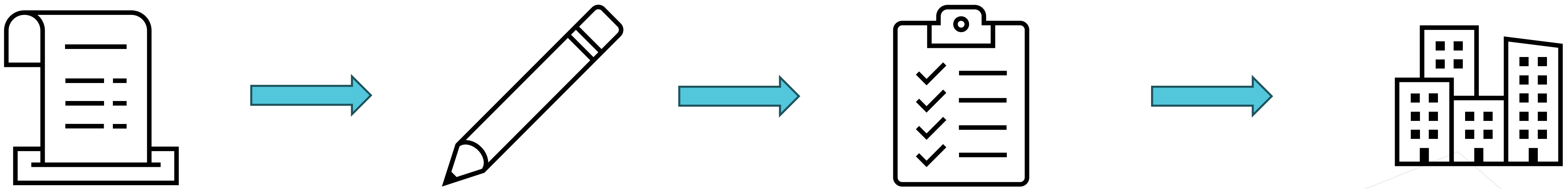
Investors owning eligible property may be able to contribute their property directly to the Legacy Fund tax deferred via 721 contribution.

Units issued based on Net Asset Value of property (contribution value minus debt).

Earnout - If an asset is sold in less than seven years and achieves an IRR that is greater than 15%, the contributing investor will receive units equal to 50% of the value created in excess of the 15% IRR

Requirements

- Property meets the Fund’s Investment Committee criteria (multifamily, industrial preferred)
- MLG and client agree to offer terms



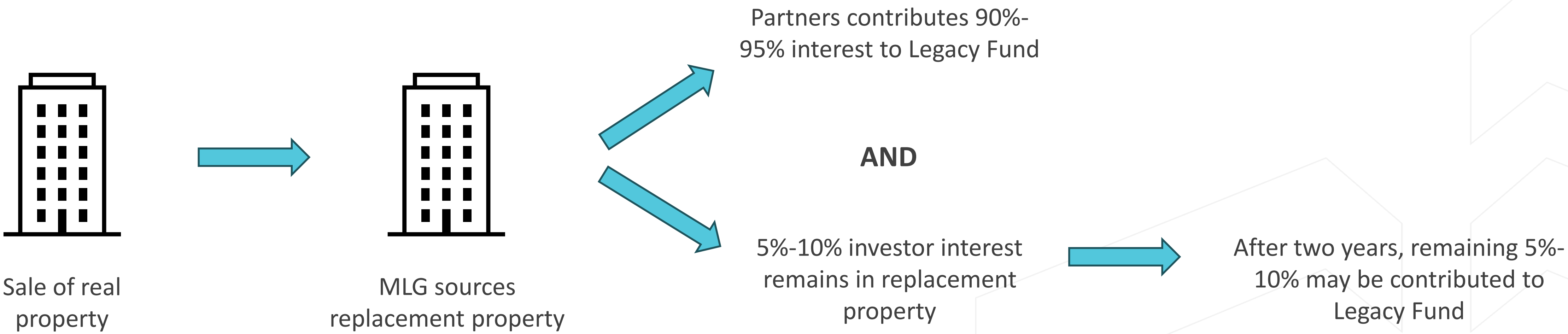
#2 – Partnership Sales Proceeds: Overlapping 1031 & 721

Step 1: 1031 Exchange – **Partnership** (taxpayer) executes a 1031 exchange into replacement property sourced by MLG.

Step 2: 721 Contribution – **Partners** contribute a substantial portion (typically 90%-95%) of their partnership interest in exchange for Legacy Fund units. This contribution may occur immediately prior to acquisition of the replacement property.

Requirements

- Relinquished Property type outside of Investment Committee scope or valuation is not agreed upon
- Original property is owned in an entity taxed as a **partnership** (multi-member LLC, LP, etc.)

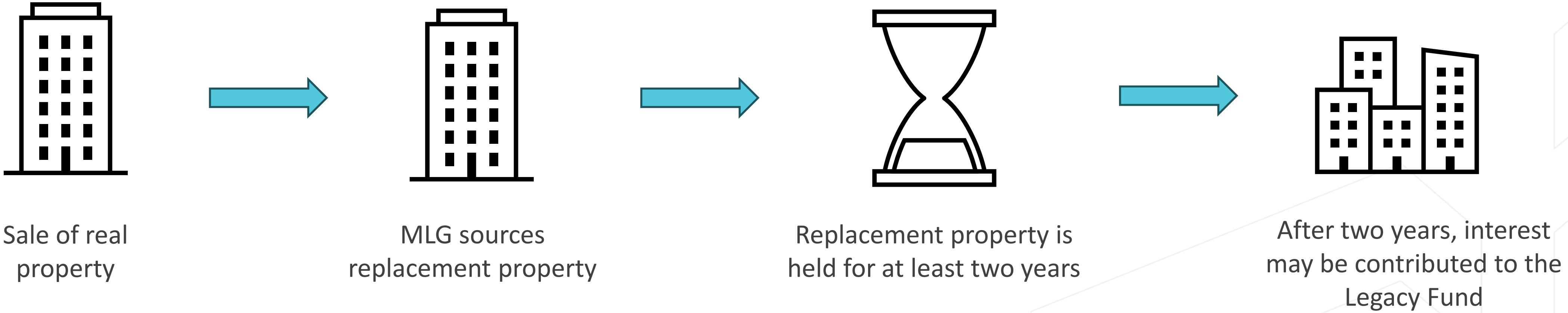


#3 – Non-Partnership Sales Proceeds: 1031 Followed by 721 Contribution After 2 Years

Investors sell their property and uses the proceeds to acquire a Tenant-In-Common interest in replacement property sourced by MLG. The investor holds the replacement property for at least two years before contributing the interest to the Legacy Fund. This process is similar to the DST to UPREIT structure.

Requirements

- Relinquished Property type outside of Investment Committee scope
- Original property is owned personally or in a disregarded entity or S-Corp



Summary – Transaction Types

	#1 Direct Contribution	#2 Partnership Sales Proceeds: Overlapping 1031 and 721	#3 Non-partnership Sales Proceeds: 1031 Followed by 721 After 2 Years
Ownership Structure	Any	Partnership	Personal, Disregarded Entity or S-Corp
Property Type	Within Fund Criteria	Either Within or Outside Fund Criteria	Either Within or Outside Fund Criteria
Contribution Value	MLG and client agree on contribution value	Sales proceeds after market sale of original property	Sales proceeds after market sale of original property
Initial Investment Exposure	Legacy Fund: 100%	Legacy Fund: 90%-95% Replacement Property: 5%-10%	Replacement Property: 100%
Investment Exposure After 2 Years	Legacy Fund: 100%	Legacy Fund: 100%	Legacy Fund: 100%

Information Needed

Prior to discussing which transaction type may meet the client's needs, there are several pieces of information the MLG team may need.

- Property Type
    - Asset class, location, size
- Ownership Structure
    - Partnership, S-Corp, Disregarded Entity
- Estimated Property Value
- Debt Amount
- Tax Basis
- Expected sale date / timing considerations
- Investment Objectives

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