Due Diligence FAQ

Highland Steel - Box House

Established 2020

Referral Source:

Lamar Breshears MFP, RFS

Harding Financial Partners

https://myfinancialcoach.com/personnel/harding-financial-partners/

Devin Brady

Owner of the accounting firm that handles the structuring process

Experience with Tiny Home programs since 2020

Tax Purpose: Bonus Depreciation

IRS Audits:

None successful to date

- Bonus Depreciation in Year 1
- Self-Operating
- Simple for Client
- Ongoing Income – Minimal
- Client can always terminate relationship to terminate all liability

Structure:

- Box House – the Manufacturer, Seller Financing
- Highland Steel – the "Program Manager"
- Ready Pod – The Property Manager
- Entity Structure:
  - Trust, Series LLC
  - Client contributes down payment to trust, trust uses that payment to join LLC as 99% owner Other 1% is series LLC
  - Client is grantor, beneficiary
  - Ready pod is trustee (Active rules fall on trustee)

Lifecycle of the unit:

- Unit is Manufactured
- ↓ Stored – Fed/State Agency (FEMA or state equivalent) pays storage fee under existing contract- lots of units presold
- ↓ Just enough to service debt
- ↓ Deployed – Fed/State Agency (FEMA or state equivalent) pays rental fee
- ↓ Potentially enough to generate up to $400/mo in income
- ○ Can go back into storage – expected to be in service 30 years

Three Types:

1. Mini Cost $75,000 – Deduction $355,000
2. Bungalow Cost $105,000 –Deduction $505,000
3. Duplex Cost $135,000 – Deduction $655,000

Can Mix and Match, split ownership possible | Open Inventory of about 500

Client Portal Shows:

- Unit Number
- Occupancy
- Deployment

Why is this better than traditional real estate?

- Bonus depreciation not available without a cost segregation study
- With Highland Steel strategy, no material participation requirement for client

?

Opinion Letters:

Fabian Vancott – Bryan Jensen

September 1, 2025

- Structure is eligible for bonus depreciation
- Trustee can satisfy active requirement

Fabian Vancott – Bryan Jensen

September 1, 2025

- The abandonment of a unit without disposing of the unit in a taxable sale or exchange avoids recapture income
- An insolvent non-grantor trust avoids recognition of income on the forgiveness of seller-financed debt issued in connection with acquisition of a unit

Where is deduction listed?

Form Schedule E (Page 2)

Limitations:

- EBL $262,000 ($516,000)

K-1 is typically sent late March early April

How to Invest:

- Timing: Approx 14 days from start to finish
- Procedure
    1. Fill out Intake Form – Coordinate with Dani Wolf
    2. Get Purchase Agreement
    3. Receive Wire Instructions
    4. Receive Signed Copy of Buyer Packet