A SELLER'S 1031 EXCHANGE TIME-LINE

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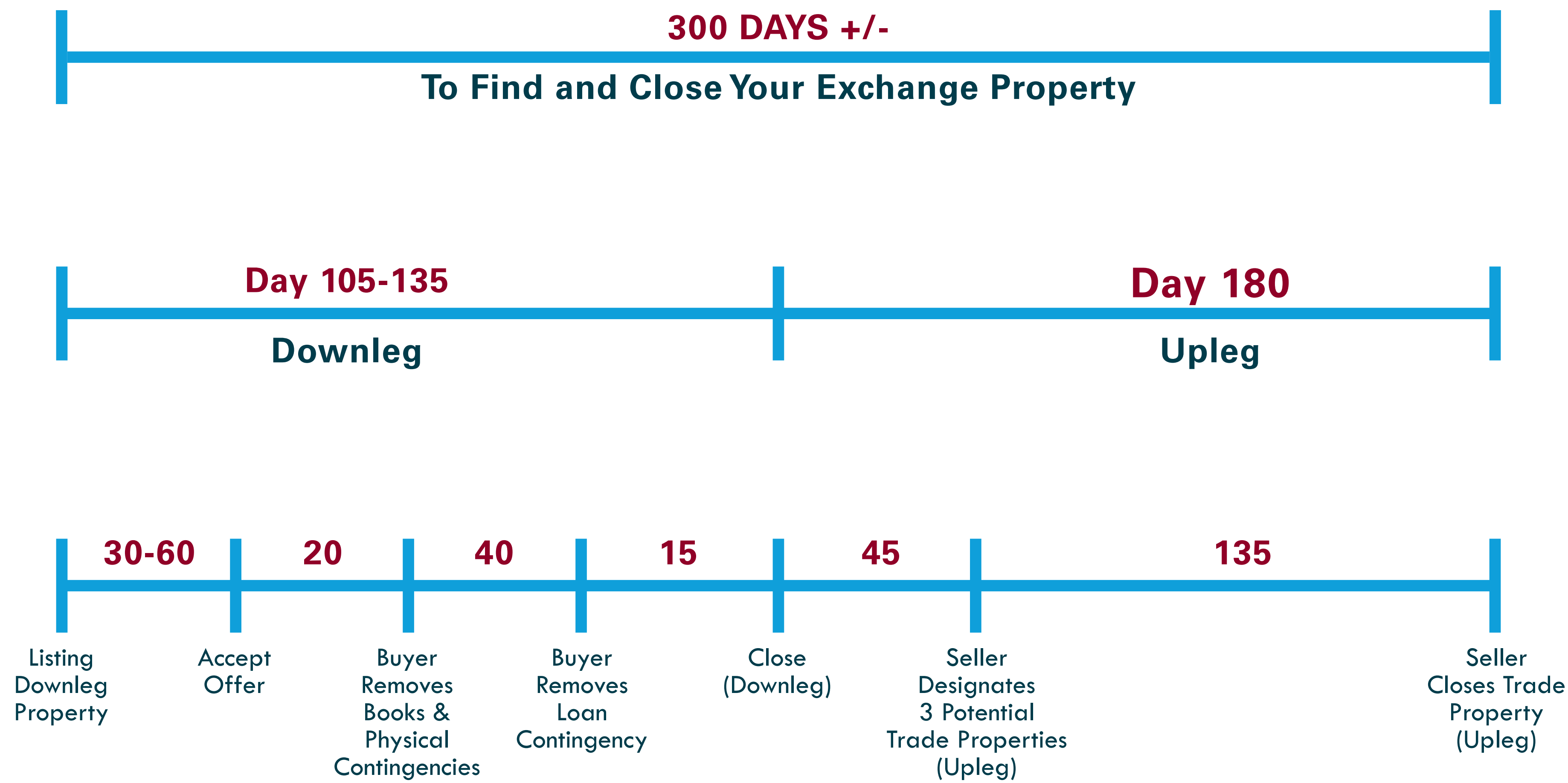

Time-line represents an example of time scale and sample purposes only and in no way represents a guarantee of marketing or selling times

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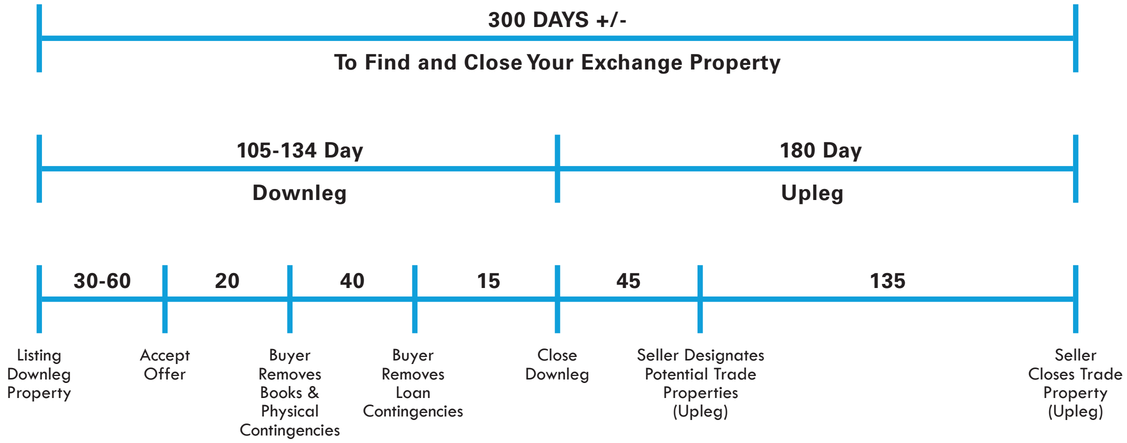

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WHY INVESTORS EXCHANGE

Simultaneous Exchange

- Ownership of both properties transfers concurrently
- Very Rare

Buy "MORE" Property

- Utilize "saved/deferred taxes" to leverage into a larger property
- Exchange from a property that has a high equity position into a much more valuable property

Diversification

- Geographic diversification
- Asset class diversification

Longtime Ownership Issue

- Relief of management burden
- Exchange from a fully depreciated property to a higher value property that can be depreciated

1031 EXCHANGE TYPES

Simultaneous Exchange

- Ownership of both properties transfers concurrently
- Very Rare

Delayed Exchange

- Relinquished property sold first, Replacement property acquired after
- Most common type of exchange

Reverse Exchange

- Replacement property acquired before original or "relinquished" property sold
- Often used in a "hot market"

Construction Exchange

- Replacement property acquired is for the purpose of new construction
- Exchange funds must be used on construction before 180 day time-line is up

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HOW TO ACHIEVE 100% TAX DEFERRAL IN YOUR 1031 EXCHANGE

Exchange Timeline

DAY 1	DAY 45	DAY 180
Listing of Escrow (Sale Property)	Identification Deadline	Exchange Completion Date

Important Dates of Exchange Timeline:

- **Day 1 - Begin Exchange:** The exchange period begins at close of escrow on your relinquished (Sale) property.

- **Day 45 - Identification Period:** You have until midnight of the 45th calendar day to identify your replacement property(ies)

- **Day 180 - Exchange Completion Day:** You have up to 180 calendar days to complete your exchange. If all requirements are met, then your exchange is complete.

How To Properly Identify Replacement Property:

You must submit your replacement property ID:

- To the "QI" or any other person that is required to transfer title to the exchanger;
- In a written signed document;
- Faxed, mailed hand delivered, or otherwise sent and;
- By midnight of the 45th day of the exchange period.

Identification Rules:

You may choose one of the following rules to identify your replacement property(ies):

The Three-Property Rule (Most Common): Identify up to three properties, regardless of their fair market values.

(OR)

The 200% Rule: Identify any number of properties so long as their total value does not exceed 200% of the sale property value.

(OR)

The 95% Rule: Exchanger identifies any number of properties and receives at least 95 percent of the value of all the identified properties.

Other Requirements:

Two of the requirements an Exchanger must meet to achieve full tax deferral in a 1031 exchange are:

1) Reinvest all exchange proceeds.
2) Acquire like-kind property with the same or greater debt.

Example of Full Tax Deferral:

	Phase I (Sale)	Phase II (Purchase)
Mortgage Balance:	$100,000	$100,000
Equity:	$200,000	$200,000
Sales Price:	$300,000	$300,000

= FULLY TAX DEFERRED EXCHANGE

Example of a non-fully tax deferred exchange - "boot"

	Phase I (Sale)	Phase II (Purchase)
Mortgage Balance:	$100,000	$75,000
Equity:	$200,000	$200,000
Sales Price:	$300,000	$275,000

= $25,000 Taxable Gain (Boot)

What Role Does The Qualified Intermediary Play ?

Per Internal Revenue Code Section 1031, in order to achieve a valid exchange you must use a "qualified intermediary" in your transaction.

Definitions and Terms:

"QI" - Qualified Intermediary

Like-Kind - any real property held for investment or in a trade or business.

Boot - Any cash or debt relief not replaced from sale that may be taxable

1031 - Internal Revenue Code that allows an investor to defer capital gain tax on investment property.

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