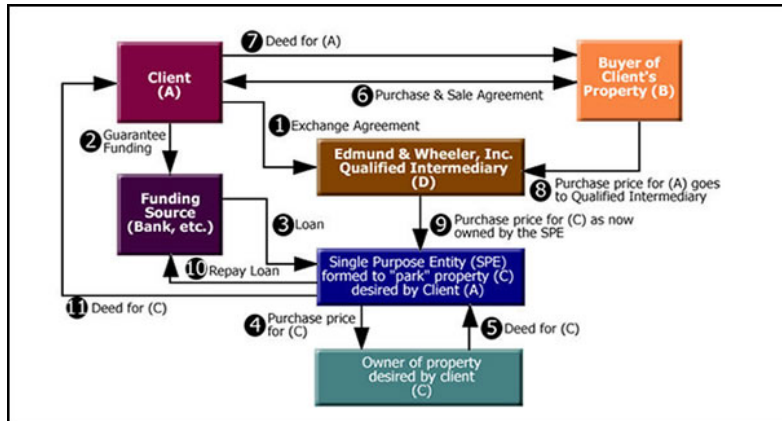


## CASE STUDY 2

### ACBD-Delayed/Simultaneous Exchange (Existing Property) Reverse Format - Exchange Last

In this format, property (C) desired by the client (A) is parked in a Single Purpose Entity (SPE) until client's current property (A) can be sold. Section 1031 Exchange occurs between steps 7 and 11.



**1** The **Exchange Agreement** with Edmund & Wheeler, Inc. which governs the overall transaction. This document **MUST** be in force before the closing.

**2** Since the Replacement Property will be purchased (and Parked) before the sale of the Relinquished Property, a **source of funds for the purchase must be arranged**. This can be the Exchangor, or their bank. If a bank, the Exchangor will be expected to provide a guarantee.

- 3** This is the **loan to the Single Purpose Entity** (which the IRS has renamed an EAT) that will buy the Replacement Property from its owner (C) and hold it until the Relinquished Property (A) can be sold to the Buyer (B).
- 4** This is the **actual purchase** of the Replacement Property from its owner (C).
- 5** At this step, the **entity** (and not the Exchangor) **becomes the legal owner** of the Relinquished Property. The 180-day Exchange Period commences.
- 6** The Relinquished Property goes under **Agreement of Sale** to Buyer (B).
- 7** The Exchangor gives Buyer (B) a deed, and the **transaction closes**; this step must occur before the 180th day, with enough margin to complete Steps 8-11.
- 8** Rather than going to the Exchangor, the **Buyer's funds are used to pay all of Exchangor's expenses** (including mortgages, if any), with the **NET** going directly to a money center bank into a separate Qualified Escrow Account established in the Exchangor's name and Social Security number.
- 9** As Edmund & Wheeler, Inc. is the signer on the Qualified Escrow Account, it causes the **balance to be paid to the EAT** in exchange for its deed for the Replacement Property executed in favor of the Exchangor.