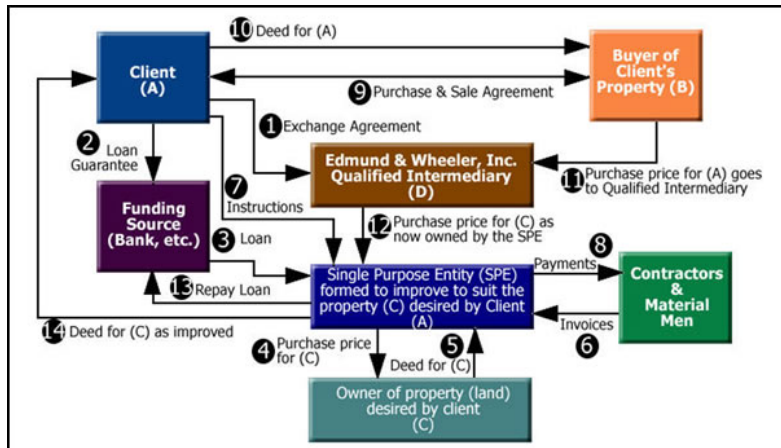


## CASE STUDY 4

### ACBD-Delayed/Simultaneous Build-to-suit Exchange Reverse Format - Exchange Last

In this format, property (C) desired by the client (A) is parked and improved in a Single Purpose Entity (SPE) until client's current property (A) can be sold. Section 1031 Exchange takes place between steps 10 and 14.



**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 (and Line of Credit) to the Single Purpose Entity (which the IRS has renamed an Exchange Accommodation Titleholder (EAT)) that will **buy the Replacement Property** from its owner (C) and improve it 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) by the EAT.

**5** At this step, the EAT (and not the Exchangor) becomes the legal owner of the Relinquished Property. The 180-day Exchange Period commences. At (or hopefully well before) this time, Exchangor engages Contractors and Materialmen to effectuate the desired improvements.

**6** These vendors **begin work**, and soon enough, bills begin to arrive, addressed to the EAT, the legal owner of the property.

**7** All **invoices are presented** to the Exchangor for approval for payment from the Line of Credit.

**8** The **vendors are timely paid**, until the predetermined match point has been obtained.

**9** The Relinquished Property (A) goes under **Agreement**

**10** 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 11-14.

**11** 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.

**12** 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.

**13** Before the deed can be issued, however, the EAT must **pay off** (or pay down to the extent of available cash) **the loan** made to it at Step 3, above.

**14** This is the **Exchangor's receipt of the direct deed** from the EAT as owner of the Replacement Property; provided the deed is delivered to the Exchangor on or before the 180th day, the Exchangor achieves a Section 1031 Exchange between Steps 10 and 14, where at Step 10 a deed is given and at Step 14 a deed is received, and in between the Exchangor had no control (or Constructive Receipt) of funds.