

## CASE STUDIES

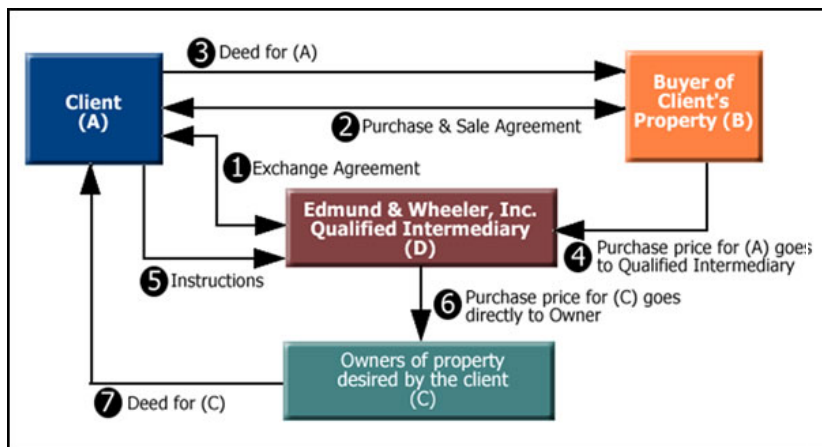
The case studies outlined are presented as a representation of the 5 most common types of Section 1031 Exchanges. Please note that the case studies have been simplified and several essential steps have been omitted for clarity.

Exchange Type	Case Study	Description
Delayed Exchange (Existing Property) Direct Format	1	In this format, the client gets the most common type of Section 1031 Exchange.
Delayed/Simultaneous Exchange (Existing Property) Reverse Format (Exchange Last)	2	In this format, property desired by the Exchange client is parked in a Single Purpose Entity (SPE) until the client's current property can be sold.
Delayed Build-to-suit Exchange Direct Format	3	In this format, the client gets a Section 1031 Exchange and acquires new, improved property, built-to-suit.
Delayed/Simultaneous Build- to-suit Exchange Reverse Format (Exchange Last)	4	In this format, property desired by the client is parked in a Single Purpose Entity (SPE) until the client's current property can be sold. During the parking period, the new property is improved by the SPE to the client's wishes.
Delayed Exchange (Existing Property) Reverse Format (Exchange first)	5	In this format, property desired by the client can be purchased immediately by Client, as Client's old (Relinquished) property is parked in a Single Purpose Entity (SPE) until it can be sold to buyer.

## CASE STUDY 1

ABDC Delayed Exchange  
(Existing Property)  
Direct Format

In this format, the **Client (A)** gets a Section 1031 Exchange between steps 3 and 7 assuming all of the rules have been followed. This is the most common type of exchange.



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

**2** The **Purchase and Sale Agreement** to sell the Relinquished Property. This step may take place before Step 1 (the only out-of-sequence exception).

**3** The closing of the Relinquished Property; if several are involved, the first in chronological order. In this step, the **deed to the property** is given to the Buyer.

**4** 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, interest-bearing account established in the Exchangor's name and Social Security number.

**5** This is an interactive step **encompassing all communications** post-closing with the Exchangor and Edmund & Wheeler, Inc. Included are the 45-day Identification Letter, instructions on how much of the account to be expended on particular properties, and final approval to close on the final choice(s).

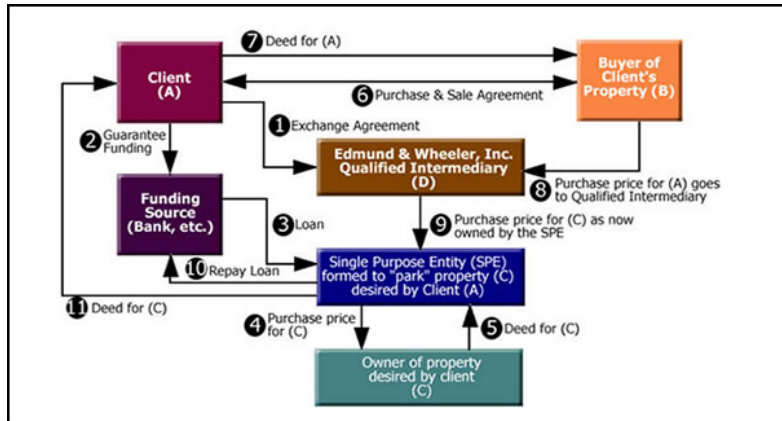
**6** These are the **precise instructions** to Exchangor's attorney, bank or Title Company for the closing of the Replacement Property, and the wire transfer of approved funding.

**7** This is the **Exchangor's receipt** of the direct deed from the owner of the Replacement Property (C); the Exchangor achieves a Section 1031 Exchange between Steps 3 and 7, where in Step 3 a deed is given and in Step 7 a deed is received, and in between the Exchangor had no control (or Constructive Receipt) of funds.

## 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.

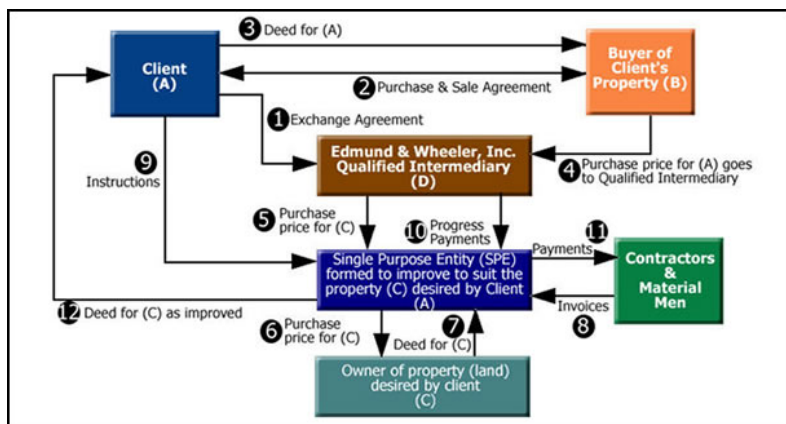
**2** Since the Replacement Property will be purchased (and Parked) before the sale of the Relinquished Property, a **source of funds for the purchase must be arranged**. This can be the Exchangor, or their bank. If a bank, the Exchangor will be expected to provide a guarantee.

- 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.

## CASE STUDY 3

### ACBD-Delayed, Build-to-Suit (or Improvement) Exchange Direct Format

In this format, client (A) gets a Section 1031 Exchange between steps 3 and 12 and acquires new, improved property. All rules MUST be followed.



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

**2** The **Purchase and Sale Agreement** to sell the Relinquished Property. This step may take place before Step 1 (the only out-of-sequence exception).

**3** The **closing of the Relinquished Property**; if several are involved, the first in chronological order. In this step, the deed to the property is given to the Buyer. This step starts the 45-day Identification Period and the 180-day Exchange Period.

**4** 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, interest-bearing Qualified Escrow Account established in the Exchangor's name and Social Security number.

**5** The Exchangor has **identified property C** (property needing improvements) as the Replacement Property; at this Step, Edmund & Wheeler, Inc. causes the necessary purchase price for this property to be advanced to the Single Purpose Entity (which IRS has renamed an Exchange Accommodation Titleholder (EAT)) which has been formed to own and improve the identified Replacement Property.

**6** This is the closing for Property C; this Step is the **funding**; and

**7** This Step is the **legal acquisition**. At (or hopefully well before) this time, Exchangor engages Contractors and Materialmen to effectuate the desired improvements

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

**9** All **invoices are presented** to the Exchangor for approval for payment from the Account.

**10** Upon such approval, **further advances** are made by the QI to the EAT to cover each payment.

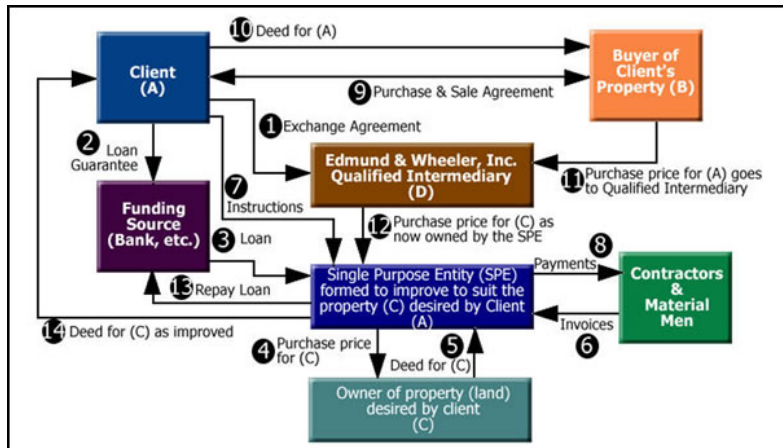
**11** The **vendors are timely paid**, until funds are exhausted.

**12** 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 (as adjusted), the Exchangor achieves a Section 1031 Exchange between Steps 3 and 12, where at Step 3 a deed is given and at Step 12 a deed is received, and in between the Exchangor had no control (or Constructive Receipt) of funds.

## 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.

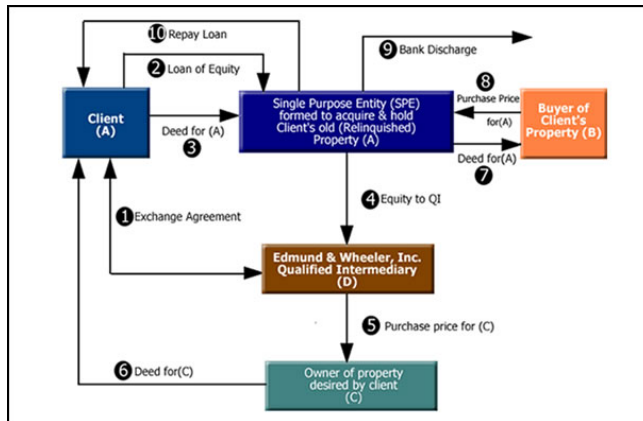
**13** Before the deed can be issued, however, the EAT must **pay off** (or pay down to the extent of available cash) **the loan** made to it at Step 3, above.

**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.

## CASE STUDY 5

### Delayed Exchange (Existing Property) Reverse Format - Exchange First

In this format, property (C) desired by the client (A) can be purchased immediately by Client (A), as Client (A)'s old (Relinquished) Property (A) is parked in a Single Purpose Entity (SPE) until it can be sold to buyer (B). Section 1031 Exchange takes place between steps 3 and 6.



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

**2** In consultation with the QI, the Exchangor determines what the **NET proceeds would have been** had the Relinquished Property sold that day; this is the cash amount of a loan to be made by the Exchangor to the Special Purpose Entity (Exchange Accommodation Titleholder (EAT)) that will buy the Relinquished Property from the Exchangor (A) and hold it until this property can be sold to the Buyer (B).

**3** In this Step, the Exchangor **executes a deed** to the Relinquished Property to the EAT. Not shown is a mortgage back to the Exchangor to provide for security. The 180-day Exchange period commences.

**4** The exact amount of the **loan funds** in Step 2 **are turned over** to Edmund & Wheeler, Inc. as QI.

**5** Since the Exchangor has identified Property C as the Replacement Property, the QI is instructed to **fund its purchase**.

**6** This is the Exchangor's receipt of the direct deed from the owner of the Replacement Property (C); **the deed is delivered to the Exchangor** almost immediately after the Steps above; the Exchangor achieves a Section 1031 Exchange between Steps 3 and 6, where in Step 3 a deed is given and in Step 6 a deed is received, and in between the Exchangor had no control (or Constructive Receipt) of funds.

**7** Exchangor's former property (the Relinquished Property) is now **legally owned by the EAT**, however, the Exchangor is expected to continue the marketing effort and to approve all offers. When Buyer (B) is found, the EAT executes a deed to the Exchangor's Relinquished Property in favor of this person.

**8** The Buyer (B) **pays the purchase price** to the EAT, which uses the funds to:

**9** **Payoff the bank** (if any); and

**10** To **repay the initial loan** from the Exchangor.