

Introducing a
straightforward approach
to reverse exchanges.



NESSM

The way to exchange. Nationwide Exchange Services

Many Qualified Intermediaries suggest that Reverse Exchanges are complex legal transactions, for which they should accordingly charge large fees. While some Reverse Exchanges are indeed challenging, the vast majority follow a clear-cut set of procedures and clearly defined documentation.

At Nationwide Exchange Services (NES), we look at basic Reverse Exchanges as standardized, process-based services that we perform on your behalf for a fair-minded fee. Our approach is to streamline the requirements through the use of advanced document management technology and the help of key partners to accomplish critical steps. Our processes, which have been proven through thousands of successful Reverse Exchanges, have been audited for compliance and controls by a public CPA firm and are automated to ensure that you get what you need with the speed, accuracy and timing that are required for success.



HOW BASIC REVERSE EXCHANGES WORK

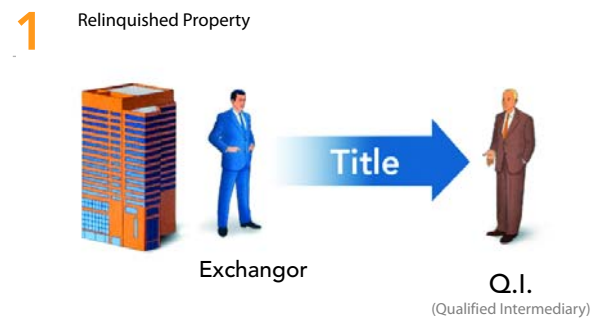
The Reverse Exchange is a powerful tool for investors in certain situations. For example, in some real estate markets, low inventory levels make it much easier to sell a property than to buy a desirable replacement. A Reverse Exchange is ideal in this case because it allows you to buy a new property before you sell the old one and still have a valid 1031 exchange. In addition to real property, Reverse Exchanges can be applied to a wide variety of investment assets including aircraft, boats and art.

The two types of basic Reverse Exchanges

There are two types of basic Reverse Exchanges — Exchange First and Exchange Last. In either case, the Qualified Intermediary is required to hold title to one of the assets involved in the exchange (either the Replacement Property or the Relinquished Property) during the exchange period for the exchange to fall within the IRS safe harbor guidelines. The “like-kind” property requirements and the 180-day deadline of Delayed Exchanges also apply to Reverse Exchanges.

Exchange First

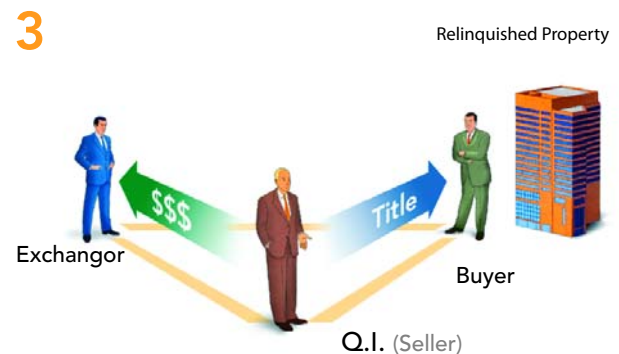
In an Exchange First, the Exchangor transfers title to the Relinquished Property to the Qualified Intermediary and then receives title to the Replacement Property. These events often take place in a short time frame and simulate a standard or simultaneous Delayed Exchange. When the Relinquished Property is sold, the Qualified Intermediary transfers the title to the ultimate buyer.



The Exchangor transfers title to the Relinquished Property to the Qualified Intermediary.



The Exchangor then buys a Replacement Property.

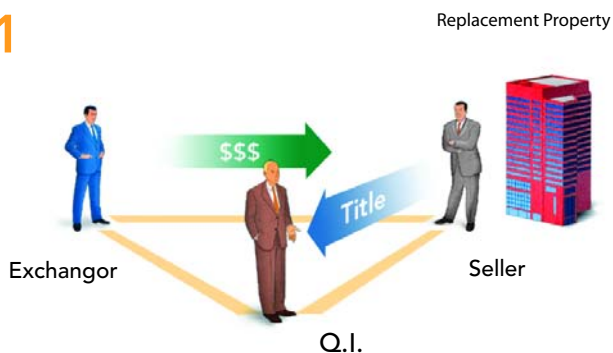


The Exchangor reaches an agreement to sell the Relinquished Property to a Buyer, and the Qualified Intermediary then transfers title to it to that Buyer. The exchange proceeds from the sale are distributed appropriately.

Exchange Last

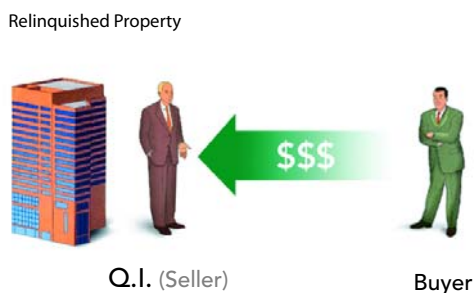
In an Exchange Last, the Exchangor buys the Replacement Property and transfers title to the Qualified Intermediary. When the Relinquished Property is sold, title to it is transferred to the Buyer and the Qualified Intermediary transfers title to the Replacement Property to the Exchangor.

1



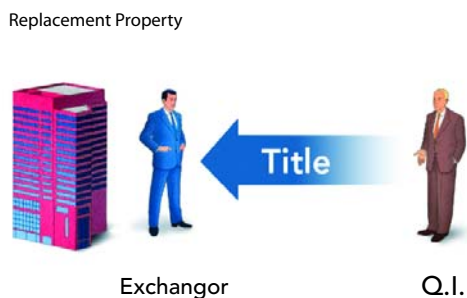
The Exchangor buys a Replacement Property and the Qualified Intermediary receives title to it.

2



The Exchangor sells their Relinquished Property to a Buyer.

3



Once the sale is complete, the Qualified Intermediary transfers title to the Replacement Property back to the Exchangor and reimburses the Exchangor for funds advanced to close the Replacement Property.

Some financial considerations

The type of Reverse Exchange that an Exchangor uses typically depends on the way in which the Replacement Property is being purchased. If the Exchangor is using cash or private financing, either type of Reverse Exchange can be used. If the Exchangor is using conventional financing, an Exchange First is the preferred option because lenders seldom agree to have a third party, in this case the Qualified Intermediary, "on title" to the property securing the loan.

As a general rule, a Reverse Exchange requires additional planning. We encourage our clients to advise their tax and legal professionals of their intent to do a Reverse Exchange in order to fully understand the impact it may have.

THE NES DIFFERENCE

Total customer support

An Exchange Officer who is fluent in legal, tax and exchange planning matters will be assigned specifically to your transaction, and will be accessible via phone, email or fax. After hours, we provide you the ability to talk to an on-call Exchange Officer should an emergency arise.

Your NES Exchange Officer will:

- Quickly set up your account.
- Gather all the right data and generate the necessary exchange documents.
- Closely monitor and manage the timing of events and flow of documents to ensure a valid exchange.
- Advise you on all the actions and costs necessary.
- Assist you with timely notifications on key issues and deadlines.

Going the extra mile

As part of our goal to simplify and streamline the entire process, we also provide you with a set of solutions designed to address critical needs that can arise during a Reverse Exchange. For example, in an Exchange Last, since the Q.I. will be on title to the Replacement Property, obtaining financing or property insurance may be difficult. In either case, we can refer you to one of our financial or insurance partners who offer products specifically tailored for these situations.

Similarly, in an Exchange First, if supplying the deed to your Relinquished Property within the necessary time frame becomes a problem, NES has a partner who can help to generate a new deed for you — often in less than 24 hours.



Solid security for safe harbor

Nothing is more important to us than the security of our clients' property, and helping to assure a successful transaction. That's why we strictly adhere to the "safe harbor" guidelines for a Reverse Exchange as specified in Revenue Procedure 2000-37 under the Internal Revenue Code, Section 1031. We also provide a protection program featuring a comprehensive Fidelity Bond and Errors and Omissions insurance policy for each account.

Moreover, a nationally recognized public CPA firm has audited our processes, which have been proven through hundreds of successful Reverse Exchanges, for compliance and controls. In fact, we have received an unqualified SAS 70 Type II opinion concerning the effectiveness of the controls we've put in place. We also strictly adhere to the privacy requirements of a number of critically important federal statutes as they relate to the protection and retention of financial and personal information.

Adding to all this assurance is the fact that Nationwide Exchange Services is a respected member of the Federation of Exchange Accommodators (FEA), the only national trade association organized to represent professionals who conduct like-kind exchanges.



Accelerated processing

Our automated systems use advanced and proven document management and business process technology. This means we can respond very quickly. For example, for a basic Reverse Exchange, we can prepare the necessary exchange agreements in as quickly as two hours. So, you can call us at the last minute, if you have to, and still be assured of the same high levels of accuracy and service.*

Fair-minded fees

Our fee for a basic Reverse Exchange is \$3,000. If you have multiple properties that are involved, there are nominal additional charges. But our fee does not change with the value of the assets involved or the length of time we hold them. We do, of course, ask our clients to cover out-of-pocket expenses like deed recording, transfer taxes and liability insurance. We invite you to compare our fees, processes and accomplishments to those of any other Qualified Intermediary.



Proven performance

Since 1990, Nationwide Exchange Services has successfully conducted thousands of Reverse Exchanges. Today, our industry-setting standards have helped make us the preferred provider for Reverse Exchanges by more leading banks, independent title companies and major law firms than any other Qualified Intermediary.

MORE QUESTIONS? NO PROBLEM

For more information about a Reverse Exchange and to learn more about Nationwide Exchange Services, visit our website. Or simply call to speak directly with one of our Exchange Officers. They would be delighted to answer all your questions.

www.nationwide1031.com **1-800-NES-1031**

*Keep in mind that some steps in the process require the involvement of other third-party-related services (e.g., local transfer of deeds, insurance, loans), which can affect the timely completion of critical steps in the exchange.

1-800-339-1031

www.nationwide1031.com

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Member: Federation of Exchange Accommodators

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