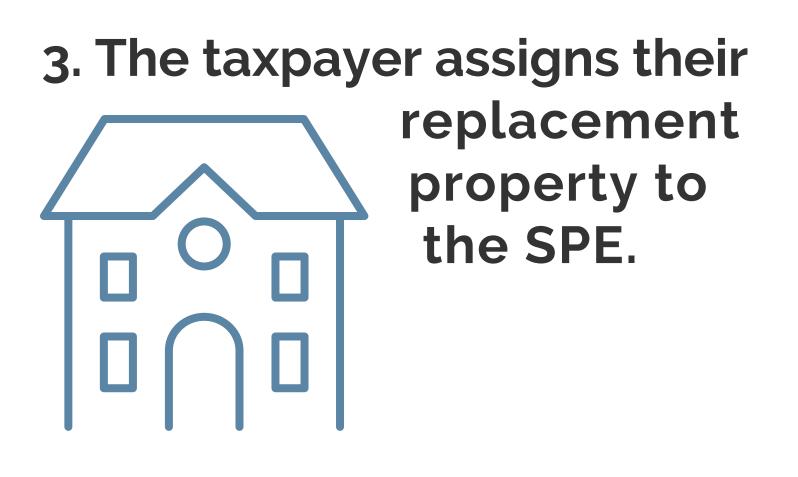
10 Steps of a Reverse Exchange



A Reverse Exchange is a tax-deferred exchange that effectively enables the purchase of new (replacement) property prior to the sale of old (relinquished) property.

1. The taxpayer enters into a contract to purchase the replacement property.

2. The taxpayer enters a reverse exchange agreement with a Special Purpose Entity (SPE), typically a new LLC, created specifically to accommodate the exchange by holding the title to the replacement property.



4. The taxpayer and/or lender loans money to the SPE for the purchase

of the replacement property.



5. Through the reverse exchange agreement, the SPE agrees to transfer the replacement



6. The SPE closes on replacement property and takes ownership.



7. The taxpayer enters into a contract for the sale of the relinquished property and also enters a standard taxdeferred exchange agreement with the qualified intermediary. Relinquished property sale closes within 180 days of the closing of the replacement property.

8. The taxpayer directs the QI to disburse funds from the exchange account for the purchase of the replacement property from the SPE.

9. The SPE takes any and all funds received and uses them

to repay acquisition financing made by the taxpayer. The balance of funds, if any, is used to pay down any loans from the prime lender.

10. The taxpayer takes ownership of the replacement property from the SPE.





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