



STEP BY STEP EXPLANATION OF THE TYPICAL 1031 PROCEDURE

1. **PURCHASE AGREEMENT FOR RELINQUISHED PROPERTY.**

Complete your purchase agreement as to your Relinquished Property just as you would with a regular sale. Show the name of the seller as yourself and add “and or assigns.” You should also add a cooperation clause to the purchase agreement stating that you intend this transfer to be part of a 1031 Tax Deferred Exchange and require the buyer to cooperate.

The Buyer herein acknowledges that it is the intention of the Seller to effect an IRS Section 1031 Tax-Deferred Exchange and that the Seller's rights under this agreement shall be assigned to Commercial Partners Exchange Company, LLC, to facilitate such exchange. Buyer agrees to cooperate with the Seller and/or its assigns in a manner necessary to enable the Seller to initiate said exchange at no additional cost or liability.

2. **CLOSING COMPANY.** Arrange for a title company or an attorney to close your transaction. Make sure you tell the closing agent that this transaction is going to be a 1031 exchange. Commercial Partners Title can also act as your closing agent.

3. **EXCHANGE COMPANY.** Notify Commercial Partners Exchange Company of your pending sale and closing date. We provide a customer application form to organize all of the information about what you are selling and when the closing is to occur. Fax the customer application form and the purchase agreement to 612-337-2471.

4. **CLOSING ON THE RELINQUISHED PROPERTY.** Commercial Partners Exchange Company will contact the closing agent and acquire any additional information needed to set up the Exchange for you. We will prepare the 1031 Exchange documents and send two sets of the documents directly to the closing agent. At closing, you will sign the exchange documents along with your other closing documents. The closing agent should give you one set of exchange documents for you to keep for your tax records and send one set to Commercial Partners Exchange Company together with a copy of the closing statement and deed.

5. **POST CLOSING.** Once the closing is complete, the closing agent will wire transfer the proceeds into our exchange account. Upon receipt of these funds, and a set of the exchange documents, we will send you a letter showing the amount of proceeds we received (this should be the same as the amount shown on the bottom of your closing statement). This letter will also include the dates of the 45 and 180 day periods, and a form to identify your replacement property.

6. **IDENTIFICATION AND EXCHANGE PERIOD COMMENCE.** You are now in the 45 day identification and 180 exchange periods. These time frames run concurrently. Note that the 180 day period can be shortened to your deadline for the filing of your federal tax return, for the year in which the sale occurred.

7. IDENTIFY THE REPLACEMENT PROPERTY. Before the end of the 45-day identification period, you must fax or send us a detailed list of the replacement property you intend to try to acquire. This should be on the form we supplied. You must sign the identification form and clearly and unambiguously describe the Replacement Property. It is a good idea to have your letter post-marked and sent by US Mail to prove that you sent in the identification during the 45-day period. If you plan on faxing in your identification, Commercial Partners Exchange Company's fax number is: (612) 337-2471.

8. PURCHASE AGREEMENT FOR THE REPLACEMENT PROPERTY. Enter into a purchase agreement(s) and add a cooperation clause as you did in the first transaction. Fax the replacement property purchase agreement to 612-337-2471.

The Seller herein acknowledges that it is the intention of the Buyer to complete an IRS Section 1031 Tax-Deferred Exchange and that the Buyer's rights under this agreement shall be assigned to Commercial Partners Exchange Company, LLC, for the purpose of completing such exchange. Seller agrees to cooperate with the Buyer and/or its assigns in a manner necessary to complete said exchange at no additional cost or liability.

9. SELECT CLOSING COMPANY. Again, arrange for a title company or attorney to close your transaction. Make sure you tell the closing agent that this transaction is going to be a 1031 exchange and that we are your Qualified Intermediary. Commercial Partners Title can also act as your closing agent. Once you have your closing company selected, please notify Commercial Partners Exchange Company of your pending closing.

10. REPLACEMENT PROPERTY CLOSING. Commercial Partners Exchange Company will contact the closing agent and obtain any additional information needed to set up the replacement closing for you. We will prepare the 1031 replacement documents and send two sets of these documents directly to the closing agent. At closing, you will sign the replacement property exchange documents along with your other closing documents. The closing agent should give you one set of replacement property exchange documents for to you to keep for your tax records and send one set to Commercial Partners Exchange Company together with a copy of the closing statement and deed.

11. END OF EXCHANGE. When you have closed on the last identified property, or at the end of the 180-day period, your exchange ends, and we will return any unused proceeds to you. In order to defer all gains, you should reinvest all of your proceeds in like-kind replacement property of equal or greater value and equity. Talk with your accountant or tax advisor to make sure this is done correctly.

12. REPORT EXCHANGE ON YOUR TAX RETURN. When you file your tax return for the year in which the relinquished property was transferred, you will need to attach a form 8824 to report your exchange to the IRS.