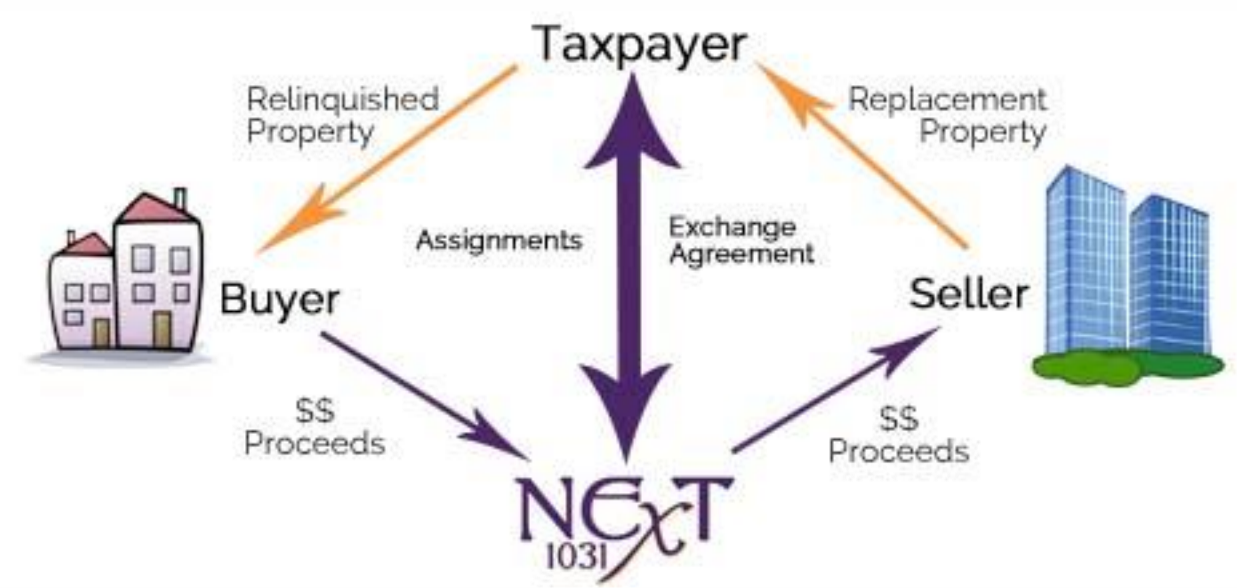
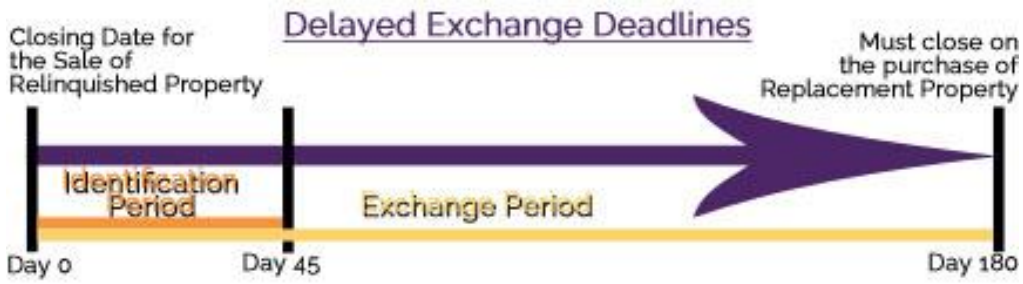
The Delayed Exchange

The most common exchange structure is the delayed or "forward" exchange in which the Relinquished Property is sold by NExT1031 as the Qualified Intermediary ("QI") but directly deeded from Exchanger to the Buyer. The proceeds ("Exchange Funds") are delivered to QI, and are subsequently used to by the QI to acquire Replacement Property and have it directly deeded from a third party seller to Exchanger. Two critical requirements in a delayed exchange are that the Replacement Property must be properly identified within the Identification Period and acquired prior to the expiration of the Exchange Period. IRC §1031(a)(3); Treas. Regs. §1.1031(k)-1(b)-(e).



<u>STEP 1</u>- SALE OF THE RELINQUISHED PROPERTY

Prior to closing the sale of the relinquished property, the Exchanger enters into the Exchange Agreement with NExT1031. Pursuant to the Exchange Agreement, an Assignment is executed prior to closing, and NExT1031 assumes the Exchanger's Purchase and Sale agreement. NExT1031 instructs the settlement agent to directly deed the property from the Exchanger to the buyer. Proceeds are transferred directly to the Qualified Intermediary, thereby protecting the Exchanger from actual or constructive receipt of funds.



<u>STEP 2</u>- IDENTIFICATION OF REPLACEMENT PROPERTY

The Exchanger must properly identify potential replacement properties within 45 calendar days. NExT1031 provides the Exchanger with the specific identification requirements, one of which is that the identification must be made in writing and the property must be unambiguously described. The three rules of identification are:

1. <u>Three Property Rule</u>: An Exchanger may identify a maximum of three (3) replacement properties, without regard to the fair market value of the properties.

2. <u>Two-Hundred Percent Rule</u>: The Exchanger may identify any number of properties as long as the aggregate fair market value does not exceed two-hundred percent (200%) of the aggregate fair market value of the relinquished property.

3. <u>Ninety-Five Percent Exception</u>: The Exchanger may identify any number of properties without regard to the combined fair market value, as long as the properties acquired amount to at least ninety-five percent (95%) of the fair market value of all identified properties.

<u>STEP 3</u>-PURCHASE OF THE REPLACEMENT PROPERTY

The Exchanger has a total of 180 calendar days from closing of the relinquished property, or their tax filing date, whichever is earlier, to acquire "like-kind" replacement properties. Prior to closing on the replacement property, the Exchanger assigns the Purchase and Sale Agreement to NExT1031. After the Assignment is executed, the exchange is completed when the NExT1031 purchases the replacement property with the exchange proceeds and transfers it back to the Exchanger by a direct deed from the seller.