

HYPOTHETICAL STRATEGIC CONSTRUCTION EXCHANGE

When Mr. Jones had his company buy the facility 12 years ago, he had no idea it would be worth so much now. The property is not what his company really needs going forward, but selling it would yield a sizeable tax liability of five million dollars. The company would well benefit from an upgraded facility and new location. Mr. Jones is picking at details, while it is really the tax issue that is weighing on his mind. The Strategic Construction Exchange (SCE) works as an attractive solution to make the transaction happen.

Utilizing an SCE strategy could allow Mr. Jones to build the new facility his company needs, and use all the proceeds from the sale of the old property to help pay for it when completed. The tax liability becomes a non-issue, and it's deferment into the new project becomes a positive. This is how the numbers would look:

Old Facility:

\$28,500,000	Current Market value
- \$1,500,000	Costs (R/E agent, settlement, exchange)
\$27,000,000	Cash (minus any applicable mortgage payoff)
\$11,000,000	Purchase price 12 years ago
-\$3,400,000	Depreciation
+ \$100,000	Improvements
\$ 7,700,000	Adjusted Tax Basis
\$19,300,000	Taxable gain
\$ 2,385,000	15% Capital Gains tax
\$ 850,000	25% Tax on Section 1250 Gain recapture
\$ 1,794,900	9.3% California Gains taxes (example)
\$ 5,029,900	Estimated State and Federal combined taxes (due in tax year of sale if not using a 1031 exchange)
\$30,000,000	Cost to build upgraded facility at new site
\$27,000,000	Cash from old facility (including the \$5,029,900 deferred taxes available to pay down costs of the land plus improvements upon completion of the exchange)
16.75 %	Reduction in project costs as a result of applying the SCE program.

Mr. Jones says, "The SCE seems an attractive solution that will benefit my company. Let's do it."



STRATEGIC CONSTRUCTION EXCHANGES



How a Strategic Construction Exchange provides large scale tax deferment to construction projects of all sizes.

Assisting your contribution to the United States economy.

OPENING THE DOOR TO LONG TERM CONSTRUCTION PROJECTS

The popular 1031 exchange regulations continue to spur investment while simultaneously offering taxpaying entities a structured method to postpone burdensome taxes on profitable or depreciated properties. Whether a forward exchange or a reverse exchange, the benefit is the same; Dollars that would have been paid as Gains and Recapture taxes are instead redirected to lower the cost of your new investment. The Strategic Construction Exchange (SCE) is a reverse 1031 exchange strategy to be used when your investment is real property that will take from 6 months to several years to be built or prepared for use.

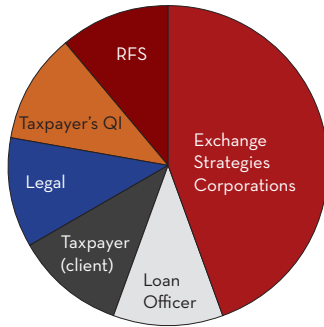
If there are one to three existing properties to sell in time for the completion date of your new project, estimating the financial contribution made by their tax deferral can be eye opening. We have written this brochure to provide you with an overview as to the credibility, design and utilization of this all-inclusive program. Whether you already own the underlying land or not, planning for a construction exchange is now fast, highly cost effective and coordinated conveniently through your loan officer.

WHERE YOU FIT IN

When utilizing a Strategic Construction Exchange (SCE), all your project plans and time-affecting considerations are directly reflected in the design of the exchange documents. Once they are fine tuned and signed, the participants will separately go to work to bring about the ingredients of a well organized exchange.

Although the SCE strategy encompasses the efforts of the experts described in this brochure, it still requires participation by you and your agents. As the "Exchangor", you retain the responsibilities of hiring and managing the contractors necessary to complete the property improvements. And as per established IRC section 1031 regulations, you will also identify the "relinquished" property or properties and arrange for its timely sale to conclude your exchange.

The specialists that perform services during a SCE are: Exchange Strategies Corporation, David Shechtman, Esq., Reverse 1031 Financing Solutions, and a 1031 Qualified Intermediary



ADMINISTRATOR AND EXCHANGE ACCOMMODATOR

Exchange Strategies Corporation

www.exstra1031.com



Stan Freeman, President

Stan is a 25-year veteran of Silicon Valley where he held a variety of executive positions in both large and small high-tech companies. In May of 2005, Stan co-founded Nationwide Exchange Services and introduced many of the concepts and programs that contributed to the firm's rapid growth. He determined that the reverse exchange field was in need of a dedicated specialist firm and by late 2006 he started ExStra 1031, enabling the creation of this Strategic Construction Exchange program.

Linda Arnold, CES Senior Vice President

Linda's career in the 1031 industry began in 1988 as VP of Operations for Lawyer's Asset Management. In 1995 Linda opened North American Exchange Company, acting as its senior executive for seven years. Prior to joining ExStra, she was VP of Business Development at Nationwide Exchange Services. Linda holds a CES professional designation from the Federation of Exchange Accommodators (FEA).

TRANSACTION DESIGN, CONTRACTS AND TAX COMPLIANCE

David Shechtman, Esq.

www.drinkerbiddle.com/dshechtman/



The documents, procedures and contracts utilized in a SCE have been developed and refined with the direct participation of a recognized industry expert, Mr. David Shechtman, Esq. In addition to an active 1031 practice involving very complex exchanges for very sophisticated clients, Mr. Shechtman is a partner of the law firm Drinker Biddle & Reath, LLP and is the American Bar Association Committee Chair for the Section of Taxation pertaining to Sales, Exchanges & Basis.

As outside counsel to ExStra, David Shechtman's services are made available as part of the Strategic Construction Exchange. In the 1031 exchange field, the SCE strategy is described as a Build-to-Suit Reverse Exchange, following a Non-Safe Harbor format. Because each exchangor is advised to utilize a tax advisor and to create a feasibility study for these transactions, you may wish to engage Mr. Shechtman independently for this and related services such as transaction support and review, opinions about potential tax consequences, etc.

TAXPAYER'S 1031 QUALIFIED INTERMEDIARY

Federation of Exchange Accommodators

www.1031.org



A 1031 Exchange Qualified Intermediary (QI) is required to facilitate the sale of your old property to wrap up the SCE transaction. These firms are located in most States and Metropolitan areas, and are members of the Federation of Exchange Accommodators (FEA), This is fast becoming a fully self-regulated service industry group. The FEA administers a Certification and Continuing Education Program, and also grants an individual professional designation referred to as a Certified Exchange Specialist® (CES).

A growing number of Qualified Intermediaries also incorporate the transactional, administrative and specialized support services provided by membership in a collective group called the 1031 Operations QI Association. These firms in particular will have knowledge of the SCE strategy and procedures.

1031 Operations Corp

<http://www.1031operations.com>



Richard T. Griffith, Chief Executive Officer

Dick is former CEO of the San Francisco Federal Reserve Bank and thus brings organizational skill and a banking perspective to the QI field. The four co-founders of 1031 Operations Corp, each experienced business executives, have diverse backgrounds including banking, technology, sales, and marketing. Their firm is a national service bureau specifically for independent QI's, and provides the affiliation network that makes the integrated SCE program possible. They run the 1031 Operations QI Association.

EQUITY INVESTMENT FACILITATOR

Reverse 1031 Financing Solutions

www.reverse1031financing.com



Frank Haentschke, Proprietor

A key ingredient consistent to NSH construction exchanges is the requirement that your Replacement property be held by an Accommodator who has both the "risks" and "rewards" of ownership. This infusion of "at risk" capital to the project is provided by private funding sources, with the capital repaid at the conclusion of the exchange as per the exchange agreement.

Frank is a niche specialist who has working relationships with select banks lending on reverse exchanges. His private equity sources provide the "at risk" capital needed in these transactions