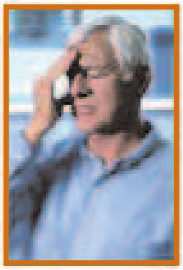
MOWATT FINANCIAL INC

CUSTOMIZED INVESTMENTS • SOUND ADVICE

THE § 1031 EXCHANGE OPPORTUNITY

§1031 Tax Deferred Exchanges and Tenants In Common (TIC) Purchases



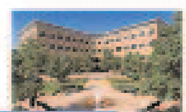
Is your management-intensive real estate giving you a headache?

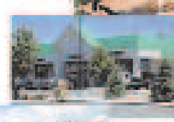
Would you like to sell your property but are faced with onerous tax consequences on the sale? A §1031 Exchange is a transaction in which a taxpayer is allowed to sell one property and buy another while deferring a tax consequence. It is a common strategy for the deferral of capital gains tax that would ordinarily arise from the sale of real estate.

A Tenant-In-Common (TIC) §1031 Exchange allows property owners to exchange their management intensive property for a potentially institutional grade property. Other benefits include the potential to generate income, tax benefits and appreciation. The popularity of purchasing a partial Tenants In Common interest has been on the increase for several additional reasons.

Advantages of Undivided Tenants-In-Common Interest Ownership

The purchase of a TIC ownership interest may solve many of the issues involved in successfully completing a §1031 Exchange. It is often difficult, in the short 45 day time frame, to locate a property that has the right purchase price and debt ratio and to then arrange for any financing that may be required and close in a timely manner. TIC advantages include:





- Investment can often be diversified into more than one property
- Can be identified & closed in a timely manner
- Pre-arranged, usually non-recourse, financing
- Potential increased after-tax cash flow
- No active management hassles
- Economies of scale

With a TIC §1031 Exchange, you no longer have to feel burdened by your real estate. Through your management contract, a manager will be retained to manage the asset while you **enjoy all the benefits of income property ownership - with no property management duties.**

Your income from the replacement property may be higher than what was being received from the original property. You can **potentially earn cash flow** that may be up to 60% sheltered by the depreciation of the new basis in your TIC purchase.

Tenant-in-common offerings typically begin with a cash-on-cash return of approximately 7% to 8%. Of course, this is real estate, so the cash flow can fluctuate, up or down, based on many factors including, but not limited to, changes in tenant occupancy, expenses, market conditions and environmental issues.

Risks Associated With Tenant-In-Common Investments

Remember, all investments carry an element of risk. §1031 offerings have the usual risks of most real estate transactions; such as, possible loss of principal, economic risk due to vacancy rates, risk of default if unable to make payments on leveraged properties, or potential lack of geographic diversification among others.

Property Photos are unrelated to any TIC offering, but are being provided for education purposes only in order to illustrate the different property types available in the real estate market.

These comments are for general educational purposes only, and do not address the entire topic. You must be an accredited investor.

Prior to implementing any strategy, taxpayers are urged to seek the advice of their tax advisors.

For more specific information on investment risks, you should consult the offering's prospectus.

The §1031 Exchange Opportunity

What is a §1031 exchange?

A §1031 Exchange is a transaction in which a taxpayer is allowed to sell one property and buy another without a tax consequence. This can be done through a Simultaneous or Delayed §1031 Exchange.

The transaction is authorized by §1031 of the IRS Code. It is a well known strategy for the **deferral of capital gains tax** that would ordinarily arise from the sale of real estate.

A successful exchange results in the taxpayer being able to utilize 100% of the proceeds from the sale of property to purchase a new property, thereby deferring the capital gains taxes until the replacement property is eventually sold.

Real Estate owners can pursue many different investment objectives with §1031 Exchanges including **greater leverage, diversification, potentially improved cash flow, geographic relocation, and/or property consolidation.**

How does it work?

A §1031 Exchange is usually a three-way delayed exchange, referred to as a "Starker Exchange", in which an intermediary is used to facilitate the transaction. There are four basic steps:

1. Seller arranges for sale of property and includes exchange language in contract.
2. At closing, sales proceeds go to a Qualified Intermediary for a §1031 Exchange.
3. Seller identifies potential exchange properties within 45 days of the closing.
4. Seller completes §1031 Exchange within 180 days of closing.

In a §1031 transaction, these steps can also occur simultaneously. Preferably, before you sell your property, you need to consider what type of replacement property will work best for you, and whether or not you want to own a whole or partial interest in a property.

Discuss your specific needs with Dave Mowatt, a Registered Representative with 30 years experience in the financial industry. He will be happy to answer your questions and provide you with the information you need to consider a §1031 Tenant In Common Exchange.

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