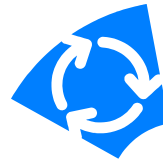


Commercial Notes

THE ACHTERMANN COMMERCIAL
LENDING GROUP LLC

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Your 1031 Exchange - Part Three Title Requirements & Equal or up Investment

The following is a reprint of "1031 Exchange Handbook" created and made available by Investment Exchange Group of Denver Colorado. You can contact them directly by calling Drew McCabe, 800.908.1031

Title Requirements

Section 1031 requires that the taxpayer on the old property be the same taxpayer on the new property. Examples of entities holding prop-

erty are trusts, corporations, partnerships and LLCs. If XYZ partnership is in title to the old property, XYZ partnership must take title to the new property. If you and your spouse hold title to the old property, you and your spouse must take title to the new property.

Example 1

Bob owns an apartment building in his own name, but wants to buy a new property to be held in the name of a new corporation he wants to set up.

→ Can he do this?

No. He must acquire the new property in his own

name to complete his exchange.

Example 2

Pete, who is married to Margaret, owns a duplex that is titled in his name alone.

→ Can he title the new property in his and Margaret's name?

No. Pete must first complete his exchange in his own name. He may then quitclaim his interest to himself and Margaret as joint tenants after the exchange is complete. In the alternative, he may take an undivided interest in the property (i.e. Pete as to an undivided 50% interest) to com-

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Rates Currently Available through
The Achtermann Commercial
Lending Group, LLC

Minimum Loan \$500,000
Max \$5,000,000
NO BALLOONSI

25 - 30 years amortization and term.

80% MAX Loan-to-Value,
with Fixed period options
from 1 to 15 years.

(Add 0.15% to loans over 75% LTV)

DSC ratio 1.20 times

Rate	Fixed Period	Am/Term
7.050%	3 years	30/30
6.975%	5 years	30/30
7.025%	7 years	30/30
7.075%	10 years	30/30
7.420%	15 years	15/15



MARKET INTEREST RATES

Bank Prime Rate		1 Year CMT (Treasuries)		5 Year CMT (Treasuries)	
12/21/05	7.25%	05/10/06	5.02%	05/10/06	5.03%
02/08/06	7.50%	06/09/06	5.05%	06/09/06	4.95%
04/05/06	7.75%	06/19/06	5.23%	06/19/06	5.12%
05/10/06	8.00%	06/23/06	5.27%	06/23/06	5.21%
06/09/06	8.00%	07/05/06	5.29%	07/05/06	5.19%
07/20/06	8.25%	07/20/06	5.28%	07/20/06	5.13%
08/16/06	8.25	08/16/06	5.06%	08/16/06	4.81%

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The Achtermann Lending Group, LLC focuses on financing the following types of properties:

- Multi family apartment complexes, 5 units and greater
- Mixed use apartment properties
- Owner occupied office space
- Retail strip shopping centers
- Flagged hotel and motels

In addition, we are able to assist with the financing of equipment with a 100% leasing program for the transactions. We are able to present the borrower with various types of financing options. We have banks and other lenders willing to structure loans as:

- Full documentation mortgage loans
- No income verification mortgage loan
- SBA real estate and equipment loan

We are able to secure financing for loan from \$100,000 to \$10,000,000. For most loans we will be able to give a conditional commitment within 72 hours of the borrower's initial application.

I am looking forward to assisting you in closing the deal!

Marvin D. Achtermann

What is your lender really thinking?

Many times it seems the lender really does not want to lend money. The lender's analysis process is a risk assessment process, analyzing the loan request with the hope you can always make your monthly payment. He will not only look at the current cash flow, but he will also make a judgment as to the "probability" of the your ability to continue the payments into the future. He is looking at your reserves to evaluate your ability to make the payments if the current cash flow changes. This is the lender's view for debt service coverage, (DSC). They require everyone to have coverage margin. 1.00x to 1.35x DCS

Another analysis the lender reviews is the loan to value. All lenders are looking for a margin of safety when evaluating the collateral taking for a loan. Should the borrower not make the payments and the lender "acquires" the collateral, they must incur all the costs of ownership with the property that is normally distressed, not in the originally appraised condition. The bottom line for the lender is he ONLY wants the monthly payment.

Your 1031 Exchange Part Three

(Continued from page 1)

plete his exchange and Margaret can take the other 50% interest. This will only work if Pete's purchase of the 50% interest will allow him to spend all his exchange proceeds and trade equal or up in value.

Equal or Up Investment

The last rule under Section 1031 is that in order to defer 100% of the taxes on your gain on the sale of the old property, you must buy equal or up. There are two aspects of the equal or up rule. First, you must reinvest all of the cash that is generated from the sale of the old property. Second, you have to buy a property (or properties) that has a sale price equal to or greater than the net sale price of the property you sold. In calculating the equal or up number, there are two items to keep in mind. The first is debt relief. The amount of money

used to payoff debt against the property attributable to first mortgages, second mortgages, etc. is debt relief. The second is cash. The amount of debt relief, plus the amount of cash that would otherwise come to you as seller, is the target replacement value that you need to reinvest to defer 100% of the taxes.

Can you take money out of the deal at closing? Yes. This money (called boot by the IRS) is taxable, but can be taken out of the exchange without invalidating the rest of the exchange, if the exchange documentation so provides.

Example 1.

Pete owns a property he is selling for \$200,000. He has a \$75,000 mortgage against the property. He wants to buy a new property for \$125,000 with the cash.

→ Is this a fully tax deferred ex-

change?

No. Pete is buying down from \$200,000 to \$125,000. Pete owes tax on the amount of the buy down. (i.e. \$75,000).

Example 2

As in the example above, Pete decides to buy a property for \$250,000 by getting a loan for \$150,000 and using \$100,000 of the \$125,000 cash the QI is holding.

→ Is this exchange fully tax deferred?

No. Pete did not use all the cash.

FYI

- ◆ If you would like to have a copy of "Your 1031 Exchange Part One and Part Two", please e-mail me and I will sent you a copy in PDF format
- ◆ If you would like to unsubscribe to this newsletter, just E-mail me stating "please remove my name".

