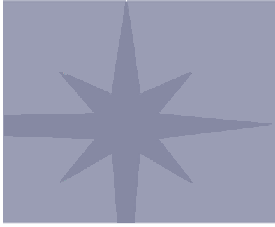


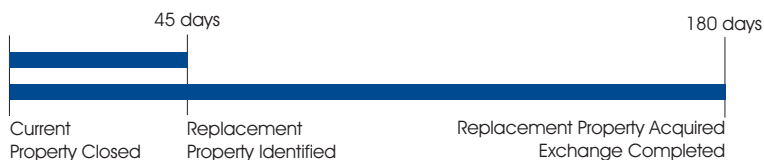
TAX DEFERRED EXCHANGE OF REAL ESTATE



TAKE ADVANTAGE OF THIS POWERFUL TAX PLANNING STRATEGY WITH PROFESSIONAL GUIDANCE FROM HOMESTAR

A tax deferred exchange of real estate allows an owner of business or investment property to trade property without paying tax on the gain from the transaction. In order to qualify under Internal Revenue Code Section 1031, the exchange must meet these conditions:

- Both properties in the exchange must be investment or business properties.
- The properties must be of "like kind."
- The transaction must be structured as an exchange of property rather than a sale for cash and reinvestment.
- The owner must identify a limited number of potential replacement properties within 45 days of closing on the current property.
- The new property must be acquired within 180 days of the closing date or by the due date of the owner's tax return, whichever comes first.



BENEFITS OF A TAX DEFERRED EXCHANGE

Tax deferred exchanges are ideal for disposing of highly appreciated properties or those which are difficult to manage. By reinvesting and deferring taxes, you maximize the time value of your money.

These exchanges are also an excellent estate planning tool. By exchanging rather than selling properties, your heirs will receive the stepped-up basis and can avoid rather than simply defer income taxes.

HOW HOMESTAR CAN HELP

A tax deferred exchange requires the assistance of a qualified intermediary. HomeStar Deferred Exchange Corporation can ensure that your exchange is properly structured to achieve your financial goals and comply with the law. Call or visit our office to learn more.

HOMESTAR DEFERRED EXCHANGE CORPORATION

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HomeStar
Deferred Exchange Corporation

FREQUENTLY ASKED QUESTIONS:



Q: Will I earn interest on my money while it is in the 1031 exchange trust?

A: Yes, your closing proceeds will be invested in a money market fund. Interest is credited to your account monthly.

Q: What does “like kind” mean?

A: Both the current and replacement properties must be investment real estate. For example, raw land, farmland, apartment buildings and commercial real estate are considered “like kind” and may be exchanged with one another.

Q: What if I want to keep some money from the closing for personal use?

A: You can take funds from the closing prior to depositing into the exchange trust. The funds not placed in the exchange trust will be subject to capital gains tax.

Q: What if my old and new properties are in different states? Can I still do a tax deferred exchange?

A: Yes, investment properties from different states can be exchanged. HomeStar Bank can assist you with your tax deferred exchange anywhere in the United States.

Q: How do I get more information on tax deferred exchange?

A: Contact HomeStar Bank Trust Services at (815) 935-2184 or visit our website www.HomeStarBank.com. You will find additional information, and our forms are available online for your convenience.