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**TENANT-IN-COMMON**

**E. Richard Giglio Real Estate**



**Realtor**  
**Registered Rep**



*Asset Management:  
Tenant-in-Common  
properties potentially  
alleviate investors from  
daily maintenance and  
property management.*

## *ABOUT TENANT-IN-COMMON*

With the increased popularity of Tenant-in-Common investments estimated to grow to a \*5 billion dollar industry by 2007, it has become progressively more difficult for individual investors to find suitable replacement properties.

Tenant-in-Common (TIC) is a form of holding title to real property. It allows owners to invest in an undivided fractional interest in a larger, \*potentially greater value, Class A - C institutional-quality commercial or office property regardless if they need to exchange from another property.

A §1031 TIC exchange has become an alternative investment vehicle for property owners who wish to sell appreciated real estate, seek to defer capital gains via a §1031 exchange, and own other real properties.

Collectively, owners in a TIC investment property hold title to an undivided interest in a property of \*greater value. Each interest will depend upon the initial investment at the time of purchase.

Risks may include, but are not limited to, illiquidity; no guarantee that the return will be achieved; could experience conflicts of interest with respect to other owners and the advisor. Owners will rely totally on the advisor and its affiliates. There could be significant restrictions on investors' ability to sell or transfer their interests, et.al.

\* Projections on future values of TIC holdings are purely speculative.

## *Characteristics of a §1031 Tax-Deferred Exchange*

**Tax Status:** Typically, the sale of an investment, including an investment in real estate, is a taxable event, with the seller being responsible for capital gains taxes on the appreciation of the investment. Under Section 1031 of the Internal Revenue Code, however, an investor in income-producing or rental real estate may exchange the investment for another investment in income-producing or rental real estate of equal or greater value and defer payment of capital gains. In order to qualify for a deferral under Section 1031, an investor must acquire an interest in real estate in the exchange, not an interest in a partnership.

For example, if an investor purchased rental real property in 1972 for \$50,000, the property today may be worth \$2 million dollars. The sale of the property would cause the seller to incur taxes on the profit. If the owner of the rental property exchanged the rental property for different real property, he could defer paying these taxes.

Because of the difficulty of finding equal and offsetting properties for each investor, sponsors have offered interests in larger real estate offerings to pools of investors, in the form of TIC interests. In the example provided, rather than exchanging a rental property valued at \$2 million for a similarly valued property, the owner could pool his interest with other similarly situated property owners to acquire property or properties with a large enough value to provide tax deferral for all the investors. If, however, the pool of investors is treated as a partnership under the principles of federal tax law, the exchange will not qualify under Section 1031, and the taxes on the investors' profits will not be deferred under that section.

TIC exchanges have grown dramatically, from approximately \$150 million in sales in 2001 to approximately \$2 billion in 2004. The driving force behind the growth in TIC exchanges is their favorable tax treatment.

Source: NASD, Notice To Members, March, 2005



*Seek out “seasoned” professionals when processing a §1031 Exchange.*

## **BASIC STEPS**

### ***Three Basic Steps of an IRS §1031 Exchange:***

A §1031 exchange requires an investor to:

- Acquire more real property to defer capital gain
- Meet strict guidelines under the code
- Acquire a replacement property that is:
  - Equal or greater in value
  - Equal or greater in equity

#### ***STEP ONE:***

Select a Qualified Intermediary (QI) to legally process and facilitate a §1031 exchange transaction. There are several qualified companies we will refer you to.

#### ***STEP TWO:***

Identify “Like-kind” properties:

“Like-kind means any real estate property held for investment purposes other than your primary residence.

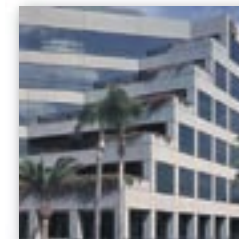
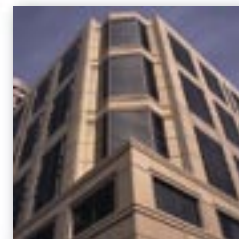
#### ***STEP THREE:***

Close on identified property.

## **TIME LINES:**

The IRS requires an investor to identify the replacement property(ies) within 45 days from closing on the sale of a relinquished property.

The 45 Day Identification Period begins on the closing date, and the replacement property(ies) must be identified in a letter signed by the Exchanger and received by the Qualified Intermediary.



The closing sale of the replacement property must take place no more than 180 days from the sale of the relinquished property regardless of weekends or holidays.

180 days go by very quickly!





## IS A §1031 RIGHT FOR YOU?

### *Who Could Benefit from a §1031 Exchange?*

- Individuals with highly appreciated real estate should consider the benefits before interest rates go up
- Owners tired of the “Headaches” of property management: Daily problems with upkeep, tenants, and tenant leasing
- Those who want to eliminate “Landlord Duties” yet receive cash flow from property ownership
- Investors seeking diversification of their real estate portfolio

Virtually ANY Accredited Investor who owns real estate investments should consider exchanging while the market is favorable and interest rates are low.

*Trade Up* →



*Accredited Investors who own appreciated real estate should consider exchanging while interest rates are low.*

## *Why Invest In Real Estate Today?*

*Historically, Real Estate Has Escalated in Value.*

Due to expanded baby boomer retirement money hitting the market today and in the next few years, billions of dollars of real estate investments will be exchanged into fractionalized, undivided interests in larger property investments. Utilizing a §1031 Exchange allows sellers of like-kind investment properties to re-invest their profits into other properties while deferring capital gains.

Like-kind properties, in this case, refers to income producing real estate, not a residence, which is to be held for productive use in trade or business *or* for investment purposes.

## *Examples of Like-kind and Non Like-kind Properties*

### *Like-Kind*

- Rental Houses
- Rental Condominiums
- Apartment Buildings
- Shopping Centers
- Warehouses
- Office Buildings
- Raw or Unimproved Land

### *Non Like-Kind*

- Bonds
- Securities
- REIT Stock
- Shares of Stock
- Notes
- Interests in Partnerships
- Property outside the US



*All of the rules and regulations can be very confusing to a first time exchanger. Write your questions here.*

## NOTES

### *How Can We Learn More About a §1031 TIC Investment?*

Now that you realize the benefits of exchanging appreciated properties into potentially more profitable investments, and the tax benefits.... we would like to share with you the intimate details of:

1. How to defer capital gains through a §1031 exchange
2. How the Tenant-in-Common (TIC) is constructed
3. How to find a Qualified Intermediary
4. How to calculate your debt to profit ratio
5. How to successfully meet all of the identification and closing schedules
6. What to expect from a §1031 and TIC

### *Educational Seminars in Your Neighborhood*

E. Richard (Rich) Giglio and nationally recognized professionals are cordially inviting you to attend a series of educational seminars to give you all of these details and more. We will be happy to speak to you and your advisors one-on-one to ensure you understand all of the elements of this strategy, and for your protection, that you are an accredited investor.

Because we prepare far in advance, please contact our toll free seminar reservation line at:

**Workshop Registration Hotline: 800-936-6852**

We at E. Richard Giglio Real Estate are here to assist you in the future planning of your real estate investments. We are always available to answer all of your calls and questions.

Best regards, *Rich Giglio*



## ABOUT E. RICHARD GIGLIO

### *Our Mission:*

- To provide accredited investors with the best investment opportunities available
- To meet requirements of a satisfactory exchange, particularly the 45 day identification period

### *Our Goals:*

- To have first level communications with our sponsors, the real estate providers
- To give timely updates on available commercial, retail and office properties
- To find suitable investment properties that match our investors' needs and goals

### *Our Commitment:*

- To be knowledgeable in the Tenant-in-Common property exchange investment industry
- To comply with industry regulations
- To provide ultimate personalized customer service

To find out if you, or your clients are accredited investors, please visit our website at [www.rich1031.com](http://www.rich1031.com).



E. Richard (Rich) Giglio is dual licensed as a California Realtor with RE/MAX Coastal Properties, San Diego, CA, and a registered representative with, and offers securities through, a San Diego-based Broker/Dealer, Independent Financial Group, LLC ("IFGL"), member NASD and SiPC.

Rich has been active in the real estate industry for over 16 years and as a securities registered agent, specializes in the §1031 Exchange and Tenant-in-Common Real Estate DPP investments.

From his state-of-the-art office on Coronado Island, California, Rich and his staff process millions of dollars in investment realty monthly.

By forging strategic alliances with legal, accounting, TIC sponsors, and real estate professionals in San Diego and across the country, Rich is constantly striving to make Tenant-in-Common a better understood and therefore more viable concept to the §1031 exchange real estate investor. Mr. Giglio sits on the marketing oversight committee for the Tenant-in-Common Association or TICA. Visit their website at [www.ticassoc.org](http://www.ticassoc.org).

Founding Member and  
Active Associate of TICA



E. Richard (Rich) Giglio  
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*Only rely on qualified  
realtors and licensed  
registered rep's who  
understand all of  
the regulations of a  
§1031 TIC Exchange.*