



STATE BANK OF HERSCHER

EXCHANGE & ESCROW AGREEMENT FOR
1031 TAX DEFERRED EXCHANGE

I. PARTIES & GENERAL INFORMATION

Escrow Number _____

Taxpayer's Name: _____ Taxpayer's Name: _____

Address: _____ Address: _____

SS #: _____ SS #: _____

Phone: _____ Phone: _____

Trust or Corporation Name: _____

Address: _____

SS / FEIN # : _____

Phone: _____

Attorney's Name: _____

Address: _____ Phone: _____

_____ Fax: _____

Intermediary State Bank of Herscher
Escrowee State Bank of Herscher
10 Tobey Drive, Herscher, IL 60941
Phone (815) 426-2156 Fax (815) 426-2159

II. SIGNATURES

In witness whereof, the undersigned have set their respective seals as of the _____ day of _____,
_____, agreeing to be bound by the provisions of the following pages of this Exchange & Escrow
Agreement for 1031 Tax Deferred Exchanges (the "Agreement").

Taxpayer (Individual)

By _____ By _____

Taxpayer (Corporation or Trust)

Taxpayer (Corporation or Trust)

By _____ By _____

Its _____ Its _____

State Bank of Herscher State Bank of Herscher

By _____ By _____

Its _____ Its _____

III. PURPOSE

Taxpayer owns the Relinquished Property herein described and desires to effect disposition of the same in a tax deferred like-kind exchange under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code"). Intermediary agrees to act as a qualified intermediary within the meaning of Treasury Regulations Section 1.1031(k)-1(g)(4). Escrowee agrees to act as escrowee of a qualified escrow account within the meaning of Treasury Regulations Section 1.1031(k)-1(g)(3).

IV. SUBJECT MATTER

A. Relinquished Property Defined

Those certain items of real and/or personal property, described in the First Contract (defined in Article VII (A)), assigned, or to be assigned, to Intermediary pursuant to this Agreement.

B. Replacement Property Defined

The property identified in a written Identification of Replacement Property Form ("Identification Form") signed by the Taxpayer and hand delivered, mailed, telecopied or otherwise sent to Intermediary, before the end of the Identification Period (as hereafter defined), all in accordance with Treasury Regulations Section 1.1031(k)-1(b) and (c). Replacement Property shall also include property, which has not been identified in a written Identification Form, if received by Taxpayer, under this Agreement, before the end of the Identification Period, in accordance with Treasury Regulations Section 1.1031(k)-1(c)(1).

Replacement Property shall not include property the identification of which has been revoked in accordance with Treasury Regulations Section 1.1031(k)-1(c)(6).

C. Excluded States

Due to state specific laws regulating the activities of qualified intermediaries, State Bank of Herscher will not act as a Qualified Intermediary for relinquished or replacement properties located in the following states: California, Colorado, Connecticut, Idaho, Maine, Minnesota, Nevada, Oregon, Virginia and Washington.

V. DATES

A. Transfer Date Defined

The date on which the Relinquished Property is transferred from the Taxpayer to the Purchaser as defined under State Law (if there are multiple transfer dates involving the Relinquished Property, the earliest date shall be the Transfer Date).

B. Identification Period Defined

That period which begins on the Transfer Date and ends at midnight of the 45th day thereafter.

C. Exchange Period Defined

The period that begins on the Transfer Date and ends the earlier of midnight of the 180th day thereafter or the due date (including extensions) of the Taxpayer's tax return for the year in which the Relinquished Property was transferred.

D. Termination Date Defined

1. If property has not been identified, within the Identification Period, then the Termination Date is deemed to be the day after the expiration of the Identification Period.
2. If property has been identified, within the Identification Period, but not acquired, within either the Identification Period or within the Exchange Period, or not revoked, within the Identification Period, then the Termination Date is deemed to be the day after the expiration of the Exchange Period.

3. If all property, which has been identified, within the Identification Period, has been acquired, then the termination date is deemed to be the last day upon which the last identified property was acquired (but not earlier than the day after the expiration of the Identification Period).

VI. SOURCES & USES OF FUNDS

A. Proceeds from the Relinquished Property & Interest Earned

Proceeds from the transfer of the Relinquished Property and any additional funds tendered by the Taxpayer (including amounts transferred pursuant to Article IX (5)), shall be deposited with the Escrowee for investment into a money market account selected by Escrowee (the "Account"). Interest earned on monies in the Account will be includible in Taxpayer's income irrespective of whether the interest is paid to the Taxpayer, used to acquire Replacement Property or used to pay expenses associated with the deferred exchange. Escrowee shall comply with any legal requirement to notify the Internal Revenue Service of interest earned by the Taxpayer.

B. Disbursement of Funds

Monies in the Account shall be disbursed in accordance with written disbursement instructions, which are received at least twenty-four hours in advance of the disbursement request, from either the Taxpayer, or the Taxpayer's Counsel, as identified in Article I on page one of this Agreement, or as authorized, in a separate written statement, by the Taxpayer identifying an additional authorized party, and which include the following information:

1. Escrow Number and Taxpayer's Name,
2. Reason for the disbursement (as further defined in VI(C)),
3. Property address or description upon which disbursement is to be applied (same description as provided on the Identification Form),
4. Amount required,
5. Method of transfer (e.g. check or wire transfer) and all applicable information necessary to complete the transfer and
6. Authorized signature(s) (as further defined VI (B)).

Upon receipt of a proper instruction for the disbursement, the Intermediary shall promptly deliver the same to the Escrowee, who shall make the disbursement pursuant to the terms of the instruction. So long as the instruction, or a copy thereof, is signed by either the Taxpayer, or the Taxpayer's Counsel, as identified in Article I of this Agreement, or as authorized, in a separate written statement, by the Taxpayer identifying an additional authorized party, Escrowee shall be entitled to rely upon the instruction without any further inquiry of the Taxpayer or any other person.

C. Reason for Disbursement

1. To pay any amounts due to the Intermediary or Escrowee under this Agreement.
2. To acquire the Replacement Property (including earnest money deposits made in connection therewith and to pay expenses which are limited to the type that are described in Treasury Regulations Section 1.1031(k)-1(g)(7)).
3. To Taxpayer, but only after the Termination Date as defined in Article V (D) of this Agreement.

D. Restrictions of Account

Taxpayer shall have no right to receive, pledge, borrow or otherwise obtain the benefit of any money in the Account, or any other money or property held by Intermediary or Escrowee, until after the Termination Date. This provision shall apply notwithstanding any decision by Taxpayer not to pursue a deferred exchange or to abandon the transaction contemplated by this Agreement.

VII. CONVEYANCING INSTRUCTIONS

A. Relinquished Property

Intermediary shall take an assignment of rights under the contract providing for the transfer of the Relinquished Property to the ultimate purchaser of the Relinquished Property ("Buyer"). Such contract (the "First Contract") shall be in form and substance satisfactory to Intermediary. In the event of an assignment of contract rights, under the First Contract, Taxpayer is responsible for, and shall, on or before the Transfer Date, notify, in writing, all parties to the First Contract of the assignment. On or before the Transfer Date, Taxpayer shall transfer the Relinquished Property to Intermediary (subject to the First Contract) and Intermediary shall transfer the Relinquished Property to Buyer in accordance with, and in exchange for, the considerations specified in the First Contract. The net proceeds (the "Relinquished Property Equity"), as determined by Taxpayer, or Taxpayer's Counsel, and in accordance with the Code and the Treasury Regulation thereunder, shall be paid to the order of Intermediary. Intermediary shall promptly deliver the same to Escrowee for deposit into the Account.

In all cases, Taxpayer shall convey the Relinquished Property directly to Buyer.

B. Replacement Property

Intermediary, in its sole discretion, shall take an assignment of rights under the contract providing for the acquisition of the Replacement Property from the ultimate Seller of the Replacement Property ("Seller"). Such contract (the "Second Contract") shall be in form and substance satisfactory to Intermediary. In the event of an assignment of contract rights under the Second Contract, Taxpayer is responsible for, and shall, on or before the transfer of the Replacement Property, notify, in writing, all parties to the Contract, of the assignment. If Intermediary shall not take assignment of a Second Contract, with respect to an item of Replacement Property, Intermediary shall have no obligations under this Agreement with respect to said item of Replacement Property.

On such date, as Taxpayer shall specify, in accordance with the Second Contract (which date will be on or before the expiration of the Exchange Period), Intermediary shall, using its best efforts, acquire the Replacement Property from Seller, in accordance with, and in exchange for, the considerations specified in the Second Contract (which considerations are to be paid solely out of the Account, as the same may be supplemented by Taxpayer in accordance with Article IX (5)), and as promptly thereafter as is practicable, transfer the same to Taxpayer.

In all cases, Seller shall convey the Replacement Property directly to Taxpayer.

It is understood by Taxpayer that Intermediary will be acting, in relation to the First Contract and the Second Contract, as a qualified intermediary and disclosed agent, within the meaning of the Code and the Treasury Regulations thereunder, such that Intermediary shall have no personal liability under the First Contract or the Second Contract, or with respect to the subject matters thereof, all such liability being disclaimed by Intermediary. Any Seller or buyer shall look solely to Taxpayer in respect of any breach, claim, demand or complaint made with respect to the First Contract or the Second Contract or the subject matters thereof.

VIII. FEES & EXPENSES

The Qualified Intermediary and Escrowee shall be paid fees (the "Exchange Fee") for its services in connection with the Agreement in accordance with its fee schedule in effect on the date of execution of this agreement. Intermediary and Escrowee shall be entitled to additional compensation if Intermediary or Escrowee performs extraordinary services. The Exchange Fee is deemed to have been earned upon execution of this Agreement, and the Exchange Fee shall be paid immediately out of the Account, (without notice or consent from Taxpayer), or directly by Taxpayer immediately upon request for all out-of-pocket expenses incurred in connection with their respective activities under this Agreement. Intermediary shall not be required to authorize, and Escrowee shall not be required to take any action under this Agreement, until they have received full payment of all amounts due to them hereunder and are fully indemnified in accordance with this Agreement.

IX. TAXPAYER'S REPRESENTATIONS & AGREEMENTS

Taxpayer represents, warrants, covenants and agrees as follows:

A. The Replacement Property identified by Taxpayer is of a "like-kind" to the Relinquished Property (neither Intermediary nor Escrowee shall have any duty to verify or confirm the same). In case of Relinquished Property that is personal property, and except as otherwise permitted by Treasury Regulations Section 1.1031(a)-2, each item of Relinquished Property, and its corresponding Replacement Property, will be in the same General Asset Class (being one of the asset classes 00.11 through 00.28 and 00.4 of Revenue Procedure 87-56, 1987-2 C.B. 674) or Product Class (being the four digit product class within Division D of the Standard Industrial Classification Codes set forth in the Standard Industrial Classification Manual (1987) issued by the Executive Office of the President, Office of Management and Budget).

B. If there is more than one item of Replacement Property, multiple designations shall be made in accordance with Treasury Regulations Section 1.1031(k)-1(c)(4). The maximum number of items of Replacement Property that the Taxpayer may identify is:

- 1) Three without regard to the fair market value of these identified properties (the "Three Property Rule").
- 2) More than three, if the aggregate fair market value of these identified properties does not exceed 200 percent of the aggregate fair market value of the Relinquished Property (the "200 % Rule").
- 3) More than 200 percent of the aggregate fair market value of the Relinquished Property, if the Taxpayer receives, within the Exchange Period, at least 95 percent of the aggregate fair market value of all identified Replacement Property (the "95 % Rule").

For purposes of this section (2), the fair market value of Replacement Property shall be determined in accordance with Treasury Regulations Section 1.1031(k)-1.

C. Neither the Relinquished Property nor the Replacement Property is:

- 1) subject to any encumbrance, lien, limitation or restriction of any kind whatsoever other than those disclosed in the First Contract or the Second Contract, as the case may be.
- 2) property which is in any way hazardous, explosive or contraband, or on which there are any hazardous wastes or substances, or which is otherwise held, used or owned in violation of any statute, regulation, court order or any other rule, ruling or order.

D. None of the transfers of the Relinquished Property or the Replacement Property contemplated by this Agreement require the consent, approval, clearance, making of any filing, payment of any tax or satisfaction of any other condition, other than those expressly set forth in the First Contract or the Second Contract, as the case may be, and Taxpayer shall be solely responsible for obtaining, filing, making, complying, paying or satisfying the same.

E. Taxpayer shall deliver available funds to Intermediary, or otherwise make funds available at closing, equal to the amount by which the sum estimated by Taxpayer, or Taxpayer's Counsel, as necessary to discharge the obligations described in Article VI(C) of this Agreement (except for number three thereof), exceeds the then-outstanding balance in the Account.

F. Under penalties of perjury, Taxpayer certifies the following:

- 1) Taxpayer is a "United States Person," as that term is defined in Internal Revenue Code Section 7701(a)(30), and that Taxpayer's true address is the address set forth in Article I of this Agreement,
- 2) Taxpayer's Federal taxpayer identification number is the number set forth in Article I of this Agreement and

3) Taxpayer is not subject to backup withholding because:

- a) Taxpayer is exempt from backup withholding,
- b) Taxpayer has not been notified by the Internal Revenue Service that Taxpayer is subject to backup withholding as a result of a failure to report all interest or dividends, or
- c) The Internal Revenue Service has notified Taxpayer that Taxpayer is no longer subject to backup withholding.

G. Taxpayer shall be solely responsible for all of the tax incidences of the transactions contemplated by this Agreement, including compliance with any temporal requirements hereunder or under the Code or the Treasury Regulations thereunder. Taxpayer has consulted with its counsel to determine, and is in all respects satisfied, with the legal and tax consequences of the transactions contemplated by this Agreement, and hereby acknowledges that it is not relying upon any representation of or any information obtained from Intermediary, Escrowee or any of its agents with respect to such legal or tax consequences.

H. The Relinquished Property and the Replacement Property will at all times be adequately insured. In no event whatsoever shall Intermediary or Escrowee bear any risk of loss with respect to the Relinquished Property or the Replacement Property.

X. INTERMEDIARY & ESCROWEE'S DUTIES & TAXPAYER'S OTHER AGREEMENTS

A. Any transfer made to or by Intermediary, which is contemplated by this Agreement, shall be made subject to the terms of the First Contract or the Second Contract, as the case may be, and shall be documented by such deeds, bills of sale, certificates and other instruments as shall in form and substance be satisfactory to Intermediary. Intermediary shall not be required to convey any interest in the Relinquished Property or the Replacement Property that is greater or different than the interest vested in Intermediary as a result of the transfer of such property to Intermediary by Taxpayer or Seller, as the case may be. In connection with any such transfer, Intermediary may notify the transferor, transferee or any other person that Intermediary is acting solely as Taxpayer's agent (as qualified in Article X (D)) in connection with a deferred like-kind exchange and exculpate itself personally from any and all liability in connection with such transfer or otherwise in connection with the transactions contemplated by this Agreement.

B. Neither Intermediary nor Escrowee shall be obligated to take any action under this Agreement except in pursuance of specific written instructions delivered by Taxpayer to Intermediary and/or Escrowee, as the case may be, reasonably in advance of the action to be taken, such instructions in all events to be consistent with the terms of this Agreement, the Code and the Treasury Regulations thereunder, and notwithstanding any such instructions neither Intermediary nor Escrowee shall be under any obligation to take any action hereunder until Intermediary has received from Taxpayer (i) collected funds which, together with collected funds held in the Account, are sufficient to make the disbursements contemplated by Article VI(C) of this Agreement (except for number three thereof), and (ii) such other assurances as Intermediary or Escrowee may reasonably request.

C. Intermediary and Escrowee shall be reimbursed by Taxpayer immediately upon request for all out-of pocket expenses paid or incurred in connection with their activities under this Agreement. Such expenses include, without limitation, expenses paid or incurred pursuant to the terms of this Agreement (unless this Agreement specifically imposes the economic burden of such expenses upon Intermediary or Escrowee) or in any way connected with the Relinquished Property, the Replacement Property, the First Contract, the Second Contract or this Agreement (such as, but not limited to, expenses (including reasonable attorney's fees) incurred as a result of being a named party in or otherwise joined to or involved in any litigation). Escrowee shall be under no duty or responsibility to enforce collection of any check, draft or other instrument received by it.

D. In connection with any demand, claim or complaint made upon Intermediary, Intermediary may notify such person or persons that it deems appropriate that it is acting under this Agreement solely as Taxpayer's agent (as qualified below) in connection with a deferred like-kind exchange. Intermediary shall have no obligation with respect to any such demand, claim or complaint, except that Intermediary shall use its best efforts to notify Taxpayer of the same. Intermediary may sign any and all notes, deeds, bills of sale, certificates, reports, returns and other instruments with the designation that Intermediary is acting as Taxpayer's agent as aforesaid. Whenever reference is made in this Agreement to Intermediary's status as Taxpayer's agent, the parties intend such relationship to exist as a matter of statutory and common law to the fullest extent possible but in no event shall such agency relationship be construed to extend beyond that which is permissible under the Code and the Treasury Regulations promulgated thereunder.

E. Each and every document or instrument to be executed or delivered in connection with this Agreement shall be deemed to include (and Intermediary is hereby authorized to insert) a provision that exculpates Intermediary from any and all liability. In no event shall Intermediary or Escrowee be liable or responsible to any person or entity with respect to any action taken, or omitted to be taken, by them hereunder except for their acts or omissions constituting gross negligence or willful misconduct.

F. Irrespective of whether the transfer of the Relinquished Property or the Replacement Property is to be effected by Intermediary taking title to the same or by direct transfer of title, from Taxpayer to Buyer, or from Seller to Taxpayer, it is not intended that Intermediary shall take possession of all or any part of such property, and all responsibility for the custody and transfer of the same, including all rights and obligations in relation to any lease payments, insurance, assessments and general risk of loss shall be borne by Taxpayer, but if not by Taxpayer, by Seller or Buyer, but in no event by Intermediary or Escrowee.

G. Intermediary may from time to time, with or without notice to Taxpayer, or any other person, but always subject to the terms of this Agreement, appoint a nominee or agent to convey or hold title to the Relinquished Property or the Replacement Property.

H. The acquisition and/or transfer of the Replacement Property or Relinquished Property shall not require Intermediary to be qualified or registered to do business in any jurisdiction other than the State of Illinois.

I. Intermediary shall have the right to resign its appointment hereunder as a qualified intermediary and to terminate this Agreement, and Escrowee shall have the right to close the Account and to terminate this Agreement, provided that Intermediary and Escrowee shall give Taxpayer reasonable advance notice of their intention to do so. In any such event, Intermediary and Escrowee shall transfer custody and title, if any, to any monies or properties held by them pursuant to this Agreement to such qualified intermediary, qualified escrow and/or qualified trust (as defined in Treasury Regulations Section 1.1031(k)-1(g)) as Taxpayer shall designate in writing, provided that such transfer does not, in Intermediary's or Escrowee's opinion, expose Intermediary or Escrowee to any actual or potential liability; provided further that neither Intermediary nor Escrowee shall be obligated to make any transfer or return any money or property until such time as they have received all amounts due to them hereunder and have received such assurances as they may reasonably request.

J. In the event that Escrowee (i) should be uncertain as to its duties arising under this Agreement or (ii) shall receive instructions from any person as to the Account which, in Escrowee's opinion, are in conflict with any of the provisions of this Agreement, Escrowee may elect to deposit the funds in the Account with the registry of any court of competent jurisdiction in a proceeding to which all parties in interest are joined pending the settlement of any such controversy or adjudication by a court of competent jurisdiction.

XI. STANDARD CLAUSES

A. The provisions of this Agreement may be modified, amended or waived only with the written consent of the person to be charged with such modification, amendment or waiver. No delay or failure of any party to exercise any right, power or remedy hereunder shall effect or operate as a waiver thereof, nor shall any single or partial exercise thereof, or any abandonment or discontinuance of steps to enforce such a right, power or remedy, preclude any further exercise thereof or of any other right, power or remedy. The rights and remedies hereunder are cumulative and are not exclusive of any rights or remedies that a party hereto may otherwise have.

B. Taxpayer agrees that it shall, upon demand, pay or reimburse Intermediary for reasonable out-of pocket expenses, including fees and expenses of counsel, paid or incurred by Intermediary, as a result of any breach hereof by Taxpayer or in relation to any matter with respect to which Intermediary is entitled to be indemnified or reimbursed hereunder.

C. All notices, and other communications given or made to any party hereto in connection with this Agreement (but specifically excluding Identification Forms, which shall be given and received in accordance with Treasury Regulations Section 1.1031(k)-1(c)), shall be in writing and be sent by hand delivery, postage prepaid U.S. mail, facsimile transmission, telegraphed or telexed to the respective parties shown in Article I hereof, or in accordance with any subsequent written direction from the recipient party to the sending party. All such notices and other communications shall, except as otherwise expressly herein provided, be effective (i) upon delivery if delivered by hand, (ii) upon deposit in the U.S. mail or (iii) when received, in the case of telegraph, telex or facsimile transmission. Intermediary or Escrowee shall be entitled to give or receive notices (excluding

Identification Forms) in the manner aforesaid (i) to or from Taxpayer's representative (attorney, accountant, officer or agent) or (ii) to or from any Taxpayer when the term Taxpayer is used herein to refer to more than one person, and such notices shall be as effective as if given or received personally to or by Taxpayer or all Taxpayers, as the case may be.

D. All representations, warranties, covenants and agreements contained herein or made in writing in connection herewith, shall be deemed to have been relied upon and shall survive the execution and delivery of this Agreement and the consummation of the transaction contemplated hereby.

E. This Agreement, and the rights and obligations of the parties hereto shall be deemed to be contracts under the laws of the State of Illinois and for all purposes shall be governed by and construed and enforced in accordance with the laws of such state, except for its rules relating to the conflict of laws. Any suit, action or proceeding arising out of this Agreement, shall be instituted in State Court in Kankakee County, Illinois or in Federal Court in the City of Chicago, Illinois. The parties hereto waive any objection that any of them may now or hereafter have to the laying of venue of any such suit, action or proceeding in such jurisdiction.

F. Words such as "herein," "hereunder," "hereof" and the like shall be deemed to refer to this Agreement as a whole and not to any particular Article, section, clause or other portion of this Agreement.

G. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited or invalid under applicable law, in any jurisdiction, such a provision shall be ineffective only to the extent of such provision or invalidity, without invalidating any other provision of this Agreement.

H. Headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

I. This Agreement, and related instruments may be executed in any number of counterparts, and by either party hereto in separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

J. Taxpayer shall do all such other acts and things and sign any and all additional certificates, instruments and agreements not expressly provided for herein which, in Intermediary's or Escrowee's opinion, are reasonably necessary to give effect to this Agreement.

K. This instrument shall be construed as (1) an agreement to appoint Intermediary as a qualified intermediary within the meaning of Treasury Regulations Section 1.1031(K)-1(g)(4) and (2) an agreement to establish a qualified escrow within the meaning of Treasury Regulations Section 1.1031(k)-1(g)(3).

L. This Agreement shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that Taxpayer shall not be entitled to assign its rights and obligations under this Agreement without Intermediary's and Escrowee's express written consent, which consent shall not be reasonably withheld or delayed. The provisions of this Agreement are not intended for the benefit of, to be relied upon by or to be enforced by any person or entity other than the parties hereto and their successors and assigns. However, no person dealing with Intermediary or Escrowee shall have any duty to inquire with respect to the power and authority of Intermediary or Escrowee hereunder, and Intermediary and Escrowee shall have no duty to inquire, and shall be entitled to assume the authenticity of, any notice, certificate, instrument or other communication delivered to Intermediary or Escrowee by or on behalf of Taxpayer.

M. Taxpayer affirms that he/she/it, and/or his/her/its advisors and counsel, have not altered this document identified as Exchange Agreement & Escrow Agreement for 1031 Tax Deferred Exchanges