



Like-Kind Exchange Matching FAQs

LKEM Application

- 1. What interfaces are used by your application to communicate with the database (ODBC, SQLNet, etc.)?**

Net8.

- 2. Do your database tables have foreign key constraints, or does the application manage the relationships between tables?**

The application manages the relationships between tables.

- 3. Are any application objects, like menus or windows, stored in the database tables?**

No.

- 4. Which network operating systems are supported?**

Any network operating system that supports IPX/SPX, TCP/IP, Named Pipes.

- 5. Which Wide Area Networks are supported?**

One which supports TCP/IP.

- 6. Can your application and/or database reside on a server shared with other applications or does it require a dedicated server?**

We recommend a dedicated server.

- 7. Are any third party software packages required with this system?**

Oracle 9 or 9I, Developer/2000 release 2.1.

- 8. Who supports the third party software packages?**



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Oracle.

9. Does your application software need to be compiled locally on the target machine?

No

10. What language is your product written in?

Calculation logic is written in Oracle PL/SQL. User interface forms and reports are built with Oracle Developer 2000 (Oracle forms and reports 6i)

11. How well does your product scale in high traffic situations?

Not applicable

12. What number of users can your product support?

Numbers of users are supported up to the limits of the Oracle database and the server on which it runs. Typically a small number of users access the LKEM application.

Security

1. How does security work in your application?

LKEM allows for the definition of multiple security roles. Thus, users are separated based on their needs.

LKEM employs a user name and password log-in. When launching the LKEM from a desktop shortcut, the user will be prompted to enter his/her user name and corresponding password. The application uses an Oracle database for storing the data tables. Our system, therefore, includes all security features associated with Oracle products.



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2. Does your security prevent data from being accessed via external packages such as report writers?

Access to data in tables is granted to roles. Therefore, if the user has access to the tables, they will be able to use external packages to manipulate it.

3. Do application passwords have an expiration date?

It is up to the individual client whether or not they want to have passwords set to expire. This is determined during implementation/setup for the client.

4. Can security profiles be established for users or groups of users?

Different users of the application can have different security profiles.

5. How is security established?

At runtime, the user's role is checked multiple times:

- 1) at the menu screens, which lead to the report preparation screen
- 2) at the report preparation screen
- 3) when the report is executed

Process

1. How configurable is your product?

The LKEM application offers the following user configuration options:

- **Start Date** – date on which matching is to begin.
- **Tax Years** – Sets the beginning and ending dates, short years, mid-year/mid-quarter convention for each year in which depreciation will be calculated.
- **Price Buffer** – dollar value separating sale amounts and matching purchase amounts.



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- **Minimum Days** – the least number of days allowed between sale and purchase of matching asset.
- **Maximum Days** – the maximum number of days allowed between sale and purchase of matching asset.
- **Minimum Sale Value**
- **One to Many Matching Election**
- **Maximum Relinquished Properties**
- **Maximum Replacement Properties**
- **California Start Date**
- **California Residual Adjustment**
- **Bonus Depreciation Percentage**
- **Bonus Depreciation Start & End Date**
- **Report Start & End Date**
- **Report Grouping & Detail Level**
- **Report Jurisdiction**
- **Report Delivery Destination**
- **Asset Class**
- **Jurisdiction Matching** – Sets the in-state matching preference.

2. What monitoring capabilities do you provide for detecting system failures?

- LKEM provides a number of reports which describe adverse conditions, including Import Audit Trail and Critical Field Change reports.
- Oracle provides the following tools and reports:
 - **Import log and exception files** - Produced for each LKEM extract file import. These files report the number of records processed, number of records successfully loaded, and number of records rejected along with the reason for rejection. Exception files contain a complete copy of each rejected record.
 - **Alert Log** – Records error messages while the Oracle database is running.
 - **Trace files** – Record database activity when tracing is enabled.
 - **Various database tools** – Oracle DBA Studio, Oracle Enterprise Manager.



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3. How does the matching process work?

The application begins the matching process by first determining which vehicles in the data extract are eligible. Eligibility is determined by comparing the matching parameters set in the application with the corresponding fields from the data extract. After eligibility is determined the application matches relinquished vehicles with replacement vehicles. The match is made based upon relinquished vehicle sale amount and sale date and replacement vehicle purchase date and price. If possible, the application will match multiple relinquished vehicles with one replacement vehicle (and vice versa) to maximize gain deferral.

The matching algorithm first fetches a replacement asset. Then the first relinquished vehicle with a value below that of the replacement vehicle is fetched. If one to many matching is turned on, then other relinquished vehicles are fetched that have a sales price which is less than the gap between the relinquished and replacement vehicle. This continues until there is no vehicle that will fill the gap or the max relinquished vehicles (3) are exceeded. Next any unmatched relinquished vehicles are fetched. These are generally expensive vehicles for which no one replacement vehicle's price could cover the sales proceeds. The algorithm seeks to find multiple replacement vehicles (max of 3) whose combined vehicle cost exceeds the relinquished vehicle's sales price.

4. How is a match verified as valid?

The eligibility of a match is based on client specific eligibility parameters and general system parameters. Client-specific eligibility (such as vehicles made ineligible by instant credit without notifications) is determined by the client and passed with the record to the application. These vehicles are marked as ineligible if the code is anything but a predefined "Qualified Vehicle" code. General system eligibility parameters such as matching only cars to cars and trucks to trucks or matching only sold vehicles which had a deferred gain is handled by the application via the necessary calculations or matching algorithm.

The client can verify that matches are valid by viewing many of the reports generated by LKEM. The Matched Property Report will detail each match. This



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report details all key information relevant to the match. The client can use this data to ensure the matches are valid.

5. How is a match determined to be optimal?

LKEM can generate a Matched Vehicle Report that details the entire inventory of matches currently in the database. This will allow the client to inspect the available vehicles and verify that the match is optimal.

6. When a match is made between a replacement and a relinquished asset, are those assets excluded from consideration during the remaining match process?

Once a vehicle is matched as a relinquished vehicle, it is marked as ineligible to be used as a relinquished vehicle in a match again. Once a vehicle is matched as a replacement, it is marked as ineligible for use as a replacement vehicle again. It is, however, eligible to be used as a relinquished vehicle.

7. Is there flexibility in the matching process beyond one-to-one matches? Can the user optionally set parameters to match one relinquished asset to two or more replacement assets?

LKEM is flexible in its matching parameters. The client will, therefore, determine the matching parameters for Like Kind Exchange matches. The client can set the parameters to match one relinquished vehicle to one replacement vehicle or many relinquished vehicles to one replacement vehicle or one relinquished vehicle to many replacement vehicles. The maximum number of replacement or relinquished vehicles that can be used in a match is three.

Reporting

1. What are the reporting capabilities?



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- Canned reports included with LKEM provide the most commonly needed information for tax reporting on IRS Section 1031 Like Kind Exchange transactions.
- Red Moon Solutions offers custom services which can produce reports and application enhancements to client specifications.
- Database information is available to any reporting tool that can access an Oracle 9i database.

2. Do you provide canned reports?

Yes. A report list and sample reports can be provided by request.

3. How are reports requested, delivered and timing between request and receipt?

Reports are delivered to outsourcing clients on schedules and by methods defined in the statement of work. Outsourced reports are generally delivered electronically. Report files that are too large to transmit electronically are shipped by expeditious means on a CD. Outsourcing clients contact Red Moon Solutions directly to arrange production and delivery of reports that are not included in the outsourcing agreement.

Reports are delivered as described below to clients directly operating the application:

Report request: Users request reports through interaction with an Oracle form. Users specify parameters such as date range, detail level, sorting, and output destination on the form. The report receives the parameters from the form at runtime.

Report delivery: Users may select delivery to the workstation screen, a printer, or a PDF file.

Timing: Reports are executed immediately upon user command. Delivery is dependant on complexity of required calculations, server performance, database activity level, network speed, and workstation performance.



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4. Can reports be run at any time?

Yes.

Support

1. Do you provide implementation support?

Yes. Implementation support is provided.

Red Moon Solutions will:

- Assist as necessary in preparation of the interface between client systems and the LKEM application. (Extract files)
- Perform data quality assessment on LKEM data sources (Extract files)
- Install the application.
- Install workstation software.
- Test the installation.
- Configure the application in accordance with client specifications.
- Perform the initial data loading.

2. Do you provide customization support? If yes, how is the service structured?

Yes, Red Moon Solutions can enhance any LKEM feature or add new ones that are custom tailored to client specifications.

Clients generally identify new or enhanced features that are useful or essential to their business. Red Moon Solutions works with application users to define specifications for these features. We prepare a statement of work and present the client with a bid for performing the service.

3. What escalation procedures are in place for problem resolution.

Because the LKEM product is a high-end custom application, support calls always come directly to an LKEM account representative responsible for that client. If that person can not be reached, the LKEM manager can be contacted. Customer Support will handle the call in the rare instance that neither one of the above are available. Customer support hours are available on the website.



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