

HOW TO CLOSE §1031 TAX DEFERRED EXCHANGES

§1031 TAX DEFERRED EXCHANGE

THE POWER OF EXCHANGE

ASSET PRESERVATION, INC.



ASSET PRESERVATION
INCORPORATED

a Stewart Title Company subsidiary

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THE CLOSER'S HANDBOOK

HOW TO CLOSE §1031 TAX DEFERRED EXCHANGES

NOTICES

This handbook is only intended to provide a broad overview regarding many aspects of IRC Section 1031 tax deferred exchanges. It is not designed to address all tax deferred exchange issues, nor the specific circumstances that may be faced by an investor or closer. Asset Preservation, Inc. does not provide tax or legal advice. All investors are urged to seek independent legal/tax guidance on each transaction as circumstances often change and can affect the validity of an IRC §1031 exchange.

FOR MORE INFORMATION

Contact Asset Preservation's National Headquarters, Eastern Regional Office, or any local office for more information regarding:

- Investor Workshops
- Tax Deferred Exchange Training for Closing Attorneys/Closers/Escrow Officers
- Accredited continuing education (three and four hour) seminars for real estate agents and brokers, attorneys and accountants
- In-office seminars on advanced exchange topics
- Customized marketing materials



ASSET PRESERVATION
INCORPORATED

A National IRC §1031 "Qualified Intermediary"

NATIONAL HEADQUARTERS

4160 Douglas Boulevard Granite Bay, CA 95746
Toll-Free: 800-282-1031 Fax: 916-791-6003

EASTERN REGIONAL OFFICE

4062 Grumman Boulevard, Bldg. 81A Calverton, NY 11933
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www.apiexchange.com

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INTRODUCTION

Purpose of this Handbook

The primary objective of this handbook is to provide an overview of the closing process for closing officers, closing attorneys and escrow officers. This handbook provides an overview of key §1031 exchange terms and contains examples of settlement statements prepared to reflect various potential §1031 exchange scenarios. In addition, this handbook contains brief explanations of the different exchange variations, rules for tax deferral and suggested language to include in the Purchase and Sale Contract. *(Note: This handbook is only provided for guidance and the examples may not apply to every situation or be appropriate for local closing practices. Please consult with your legal and tax advisors regarding your specific situation.)*

Background - IRC Section 1031 Tax Deferred Exchanges

Since 1921, savvy investors and real estate professionals have been taking advantage of a powerful tax strategy created by IRC Section 1031 – the tax deferred exchange. You and your clients can accumulate wealth and preserve real estate assets by learning how to defer capital gain taxes when disposing of virtually any property “held for investment.” Thanks to IRC Section 1031, a properly structured exchange allows an investor to sell a property, reinvest the proceeds in a new property and defer all capital gain taxes. IRC Section 1031(a)(1) states:

“No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment, if such property is exchanged solely for property of like-kind which is to be held for productive use in a trade or business or for investment.”

Background – Asset Preservation, Inc.

Asset Preservation, Inc. (API) was founded in 1990 with the unique focus of becoming an industry leader in the security of its clients’ funds and property. In 1993, API was acquired by Stewart Title Company in Houston, Texas. Stewart Title’s parent company, Stewart Information Services Corporation (SISCO), is listed on the New York Stock Exchange (STC) and has roots in the title insurance industry that span over a century.

API is one of the most respected national “Qualified Intermediaries” in the United States. At API, we are committed to providing investors and real estate professionals with the highest level of experience, expertise and security of funds in the industry – what we call the *API Advantage*. The *API Advantage* gives investors secure access to the full power of exchanges, turning goals for financial growth and security into a very rewarding reality. API's team consists of highly specialized experts in the §1031 tax deferred exchange field. We have facilitated over 100,000 exchanges of all types and dollar amounts. Our documents and system have been analyzed by hundreds of attorneys and by the Internal Revenue Service. Our services are designed to provide the highest security for funds held and to maintain the integrity of every exchange.

API’s role as a “Qualified Intermediary” is very specific. Our sole purpose is to guide an investor through a §1031 exchange. We inform an investor of the exchange requirements, produce the necessary exchange documents and manage their funds. In no way does API replace competent tax or legal advisors.

Mission: To excel as the premier §1031 “Qualified Intermediary” company nationally by delivering superb service, the highest levels of security for proceeds and value-added solutions from the industry’s foremost experts.

OPENING A §1031 EXCHANGE WITH ASSET PRESERVATION, INC.

1. Always recommend that the investor discuss a §1031 tax deferred exchange with their tax or legal advisors.
2. Call API's National Headquarters toll-free 800-282-1031 or the Eastern Regional Office toll-free 866-394-1031 for a free consultation at any time and definitely before closing on the relinquished property. You can either open the exchange by A) calling API toll-free, B) order online at www.apiexchange.com, click on "Open New §1031 Exchange" or C) by completing the New Exchange Information Sheet – Sale (Phase I) in the Appendix. The following information is needed to begin preparing the exchange documents:
 - I. The name, address, email and telephone number of the Exchanger;
 - II. The closing officer, processor or closing attorney's name, address, email, telephone and file number;
 - III. The real estate agent's name, address, email, telephone and fax numbers.
3. Ensure that the Purchase and Sale Agreement is "assignable" and that all parties to the contract are made aware of such assignment in writing. It is common to show the seller as "John Doe and/or assignee."
4. Include verbiage establishing the intent to perform a §1031 tax deferred exchange in the Purchase and Sale Agreement. The §1031 exchange language should establish three things:
 - A) Intent to perform a §1031 tax deferred exchange;
 - B) Release the Buyer from any liabilities or costs resulting in the Exchange;
 - C) Notify the buyer in writing of the assignment.

Exchange Language - Sale of Relinquished Property:

"Buyer is aware that Seller is to perform an IRC §1031 tax deferred exchange. Seller requests Buyer's cooperation in such an exchange, and agrees to hold Buyer harmless from any and all claims, liabilities, costs, or delays in time resulting from such an exchange. Buyer agrees to an assignment of this contract to Asset Preservation, Inc. by the Seller."

EXCHANGE REQUIREMENTS

All exchange documents need to be delivered to the closing officer and signed by the Exchanger prior to closing. These documents convert the transaction from a sale to an exchange with the Qualified Intermediary as the seller and authorize the closing officer to forward the proceeds from the sale to the Qualified Intermediary.

Both the "relinquished" and "replacement" properties must be held for use in a trade or business or for investment. The IRS uses the term "like-kind" to describe the type of properties that qualify. Any property held for use in a trade or business or for investment can be exchanged for any other "like-kind" property held for use in a trade or business or for investment.

The IRS requires an investor to identify the replacement property(s) 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(s) must be properly identified in a letter signed by the Exchanger and received by the Qualified Intermediary. Close on the replacement property by the earliest of either: 180 calendar days after closing on the sale of the relinquished property or the due date for filing the tax return for the year in which the relinquished property was sold, whichever is earlier (unless an extension has been filed).

To defer all capital gain taxes, an Exchanger must buy a property or properties of equal or greater value (net of closing costs), and reinvest all net proceeds from the sale of the relinquished property. Any funds not reinvested, or any reduction in debt liabilities not made up for with additional cash from the Exchanger, is considered "boot" and is taxable.

CLOSING AN EXCHANGE –SALE OF RELINQUISHED PROPERTY

Step #1: Contact Asset Preservation, Inc.

Either A) call API's National Headquarters toll-free 800-282-1031 or the Eastern Regional Office toll-free 866-394-1031, B) order online at www.apiexchange.com, click on "Open New \$1031 Exchange" or C) complete the New Exchange Information Sheet – Sale (Phase I). API will send exchange documents and instructions to you.

Step #2: Exchange Documents

Obtain signatures on the following exchange documents:

- A) Closing Instructions
- B) Exchange Agreement including Schedule 1
- C) Assignment of Relinquished Property Sale Contract
- D) Notice of Assignment of Rights Under Relinquished Property Sale Agreement (*All Parties to Sign*)
- E) New Account Form (*SSN or TIN required*)

Step #3: Closing Instructions and/or Settlement Statements

With the execution of the documents referenced in Item #2, API becomes your assigned Seller, therefore:

- A) Please identify the Seller in your instructions and/or statements as:
Asset Preservation, Inc., as Qualified Intermediary for (Exchanger's name here).
- B) Obtain API's signature on your closing instructions and/or settlement statements. Fax your instructions and/or settlement statements to your Exchange Counselor at either the National Headquarters or our Eastern Regional Office.
- C) Obtain the Exchanger's approval of all instructions and/or statements PRIOR to closing your transaction. Furthermore, please retain a copy of the instructions as your authorization to accept API as the Seller in place of Exchanger in the closing.
- D) Reflect API's Exchange Fee on the closing statement as Paid Outside of Closing ("POC"). (*We will deduct our fee from the exchange proceeds upon our receipt.*)

Step #4: Deeding

You shall transfer the property directly from the Exchanger to the Buyer. (*In the event you find any discrepancies between how the title is currently vested and API's documents, please contact us immediately.*)

Step #5: Exchange Proceeds Distribution/Wiring Instructions

Immediately upon closing and prior to wiring funds you need to fax the following items to your Exchange Counselor at either the National Headquarters or Eastern Regional Office:

- Final Settlement Statement and/or our Closing Information Sheet that will be included in our documentation package and should be completed as to the closing date and amount of wire transfer.
- New Account Form – Executed and completed with the Exchanger's SSN or TIN.

All wire transfers must reference API's order number and the Exchanger's name. (*Note: Please remit proceeds by wire transfer. Do not issue checks.*)

Step #6: Form 1099S

- A) The Seller is to be identified as the Exchanger.
- B) Check Box #4 on the 1099S Form to reflect that other property will be received as consideration.

Step #7: Forwarding Documents to Asset Preservation, Inc.

Upon closing, return all executed documents referenced in Item #2, along with a copy of the final closing instructions and/or settlement statement, and API's Closing Information Sheet to API.

CLOSING AN EXCHANGE – PURCHASE OF REPLACEMENT PROPERTY

Step #1: Contact Asset Preservation, Inc.

Either A) call API's National Headquarters toll-free 800-282-1031 or the Eastern Regional Office toll-free 866-394-1031, B) order online at www.apiexchange.com, click on "Open New \$1031 Exchange" or C) complete the New Exchange Information Sheet – Sale (Phase II). API will forward all exchange documents and step-by-step instructions to you.

Step #2: Exchange Documents

Obtain signatures on the following exchange documents:

- A) Closing Instructions
- B) Assignment of Replacement Property Purchase Contract
- C) Notice of Assignment of Rights Under Replacement Property Sale Agreement (*All Parties to Sign*)
- D) Request for Funds Form

Step #3: Closing Instructions and/or Settlement Statements

With the execution of the documents referenced in Item #2, API has become your assigned Buyer, therefore:

- A) Please identify the Buyer in your instructions and/or statements as:
Asset Preservation, Inc., as Qualified Intermediary for (Exchanger's name here).
- B) Obtain API's signature on your closing instructions and/or settlement statements. Fax your instructions and/or settlement statements to your Exchange Counselor at either the National Headquarters or our Eastern Regional Office
- C) Obtain the Exchanger's approval of all instructions and/or statements PRIOR to closing your transaction. Furthermore, please retain a copy of the instructions as your authorization to accept API as the Seller in place of Exchanger in the closing.

Step #4: Deeding

You shall transfer the property directly from the Seller to the Exchanger. (*In the event you find any discrepancies between how the title is currently vested and API's documents, please contact us immediately.*)

Step #5: Request Exchange Proceeds/Forward Wire Instructions

Fax the following items to your Exchange Counselor at either the National Headquarters or Eastern Regional Office:

- A) Request for Funds with your wire instructions included
- B) Closing Instructions
- C) Assignment of Replacement Property Purchase Contract
- D) Notice of Assignment of Rights Under Replacement Property Sale Agreement

(Note: To assure the receipt of the wired funds in sufficient time for the closing, you should fax the completed Request for Funds the day before you want the funds to be wired. If API receives a Request for Funds after 12:00 pm (Pacific Time)/ 3:00 (Eastern Time), the wire will be processed the next business day. Fax systems can malfunction, therefore, please call your Exchange Counselor prior to the closing date to confirm that API has received the Request for Funds and that the form is in proper order to wire the exchange funds.)

Step #6: Forwarding Documents to Asset Preservation, Inc.

Upon closing, return all executed documents referenced in Item #2, along with a copy of the final closing instructions and/or settlement statement to API.

ANSWERS TO FREQUENTLY ASKED QUESTIONS

- Q.** What if the Exchanger wants to take some cash at the close of the relinquished (sale) property?
- A.** *The Exchanger may take cash at closing. The cash received by the Exchanger may be taxable. The settlement statement should reflect a line item as distributing this cash amount to the Exchanger (do not use terms like “boot” or “taxable” as this is something to be determined by the Exchanger’s tax or legal advisor). The remaining Seller’s proceeds would be remitted to API as the exchange proceeds.*
- Q.** How do I prepare the Seller’s Settlement Statement when the property being sold is used as a primary residence and also investment property (owner-occupied multi-family, farm, B & B)?
- A.** *The most commonly used format for this type of a settlement statement is to have the Exchanger allocate a percentage of the property towards the primary residence with the balance allocated towards the investment. This format would allow you to prepare one statement instead of two. Therefore, when identifying the Seller’s name on your statement, it would read “John Seller and Mary Seller as to a ___% and API as Qualified Intermediary for John Seller and Mary Seller as to a ___%.” It is important to have the Exchanger (upon direction from their legal counsel or tax advisor) inform you and API as to what the allocations will be between the primary residence and the investment property.*
- Q.** I have received your exchange documents, but the closing has been delayed for a month. Can I still use your documents?
- A.** *Yes, provided there has been no change in the Seller and Buyer’s names and the property information is accurate. We would recommend checking with us if the documents are more than two months old.*
- Q.** Can my seller exchange a house used only as a primary residence?
- A.** *No. Section 1031 applies to property held for business, trade or investment. That would specifically exclude the seller’s residence or property acquired for resale.*
- Q.** Are API’s wiring instructions included with the exchange documents?
- A.** *Yes, API’s wiring instructions are included in our Closing Instruction Letter. In order to properly credit the wire upon receipt, it’s imperative that API’s order number and the Exchanger’s name be included in the reference. Furthermore, the Exchanger’s tax identification number and signature are required to open this account so it’s necessary for you to fax us the signed and completed New Account Form before funds are wired. We also request that you provide us with API’s Closing Information Sheet and/or the final settlement statement.*

Q. What if the Exchanger is taking title to the replacement property in a name that is different than your exchange documents?

A. *The tax entity that sold the relinquished property is the tax entity that must acquire the replacement property. Therefore, we will prepare our documents for the purchase of the replacement property using the same name that was used on the relinquished property. If the names are different, please contact us immediately to review the situation.*

Q. What do I do if I have money left over from the purchase of the replacement property?

A. *There are several options for handling excess exchange proceeds:*

- 1) If the Exchanger remitted the earnest money deposit from their personal funds, that amount can be refunded from the overage. You would identify the Exchanger's deposit as a line item, and then show a line item reimbursing the Exchanger for the deposit.*
- 2) A principal reduction on the new loan can be made in the amount of the overage.*
- 3) Contact API to see if the Exchanger is going to acquire more property or if the funds can be remitted to the Exchanger.*

Q. What's the best way to contact API with an emergency question or closing?

A. *Call API right away toll-free at either our National Headquarters at 800-282-1031 or our Eastern Regional Office at 866-394-1031. Our National Headquarters' hours are 7:00 a.m. – 5:00 p.m. (Pacific Time) and our Eastern Regional Office hours are 8:00 a.m. to 5:00 p.m. (Eastern Time). If it is outside of our regular business hours, we recommend you delay the closing in order to avoid disqualifying the exchange. In most cases, API can provide you with documents within one hour, if necessary. Call API and press "0" for the receptionist and ask for the first available Exchange Counselor.*

Q. What information does API have available to closers or investors online?

A. *API's website, www.apiexchange.com, contains valuable information, resource links and is a comprehensive source of information on tax deferred exchanges. Features include:*

- Online Exchange Inquiry*
- Exchanger's Checklist*
- Capital Gain Tax Calculator*
- 45/180 Day Calculator*
- Sign-up for Newsletter via E-Mail*
- Tax Code and Legal Reference Links*
- API's Links: Add a link to your website*

Real Estate Agent Resources: Click on PDF versions (saved in Adobe Acrobat Reader) of API's "Power of Exchange" handouts that can be customized online and printed. This feature will be updated regularly and allows real estate professionals and closers to access the latest §1031 exchange topics.

OVERVIEW OF EXCHANGE VARIATIONS

DELAYED EXCHANGE:

A delayed exchange is the most common exchange format, providing investors the flexibility of up to a maximum of 180 calendar days to purchase a replacement property. The use of a Qualified Intermediary is required to complete a valid delayed exchange. The Qualified Intermediary prepares the necessary exchange documents to assist the Exchanger with meeting the detailed requirements of the Code.

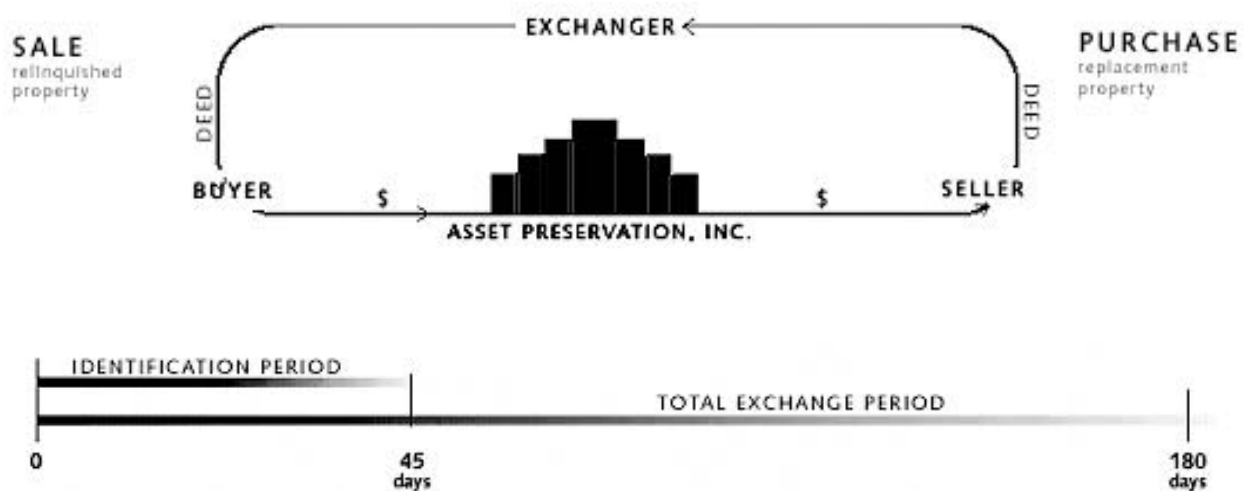
Prior to closing the sale of the relinquished property, the Exchanger enters into the Exchange Agreement with API. Pursuant to the Exchange Agreement, an Assignment is executed prior to closing, and API assumes the Exchanger's interest in the Purchase and Sale agreement. API instructs the closing officer or closing attorney to directly deed the property from the Exchanger to the buyer. Proceeds are transferred directly to API, thereby protecting the Exchanger from actual or constructive receipt of funds. The Exchanger must properly identify potential replacement properties within 45 calendar days of the closing on the relinquished property. The three rules of identification are:

Three Property Rule: An Exchanger may identify a maximum of three (3) replacement properties, without regard to the fair market value of the properties.

Two Hundred Percent Rule: The Exchanger may identify any number of properties as long as the aggregate fair market value does not exceed 200% of the fair market value of the relinquished property.

Ninety-Five Percent Exception: The Exchanger may identify any number of properties without regard to the combined fair market value, as long as the properties acquired amount to at least 95% of the fair market value of all identified properties.

The Exchanger has a total of 180 calendar days from closing of the relinquished property, or their tax filing date, whichever is earlier, to acquire "like-kind" replacement properties. Prior to closing on the replacement property, the Exchanger assigns the Purchase and Sale Agreement to API. After the Assignment is executed, the exchange is completed when API purchases the replacement property with the exchange proceeds and transfers it back to the Exchanger by a direct deed from the seller.



“PARKING ARRANGEMENTS” (IMPROVEMENT/REVERSE EXCHANGES)

Revenue Procedure 2000-37 describes “reverse” and “improvement exchanges” as “parking arrangements” because either the ownership of the relinquished property or the replacement property is “parked” with an Exchange Accommodation Titleholder (“EAT”). To “park” the ownership actually means that a deed is recorded to transfer the ownership to the EAT so that the Exchanger owns one property and the EAT owns the other property.

THE IMPROVEMENT EXCHANGE

An Improvement (build-to-suit or construction) exchange allows an investor to use exchange proceeds to either:

- A) Make improvements to an existing property;
- B) Build a new replacement property.

This variation is extremely popular because it provides the opportunity to purchase properties needing renovation or to acquire bare land and build to an Exchanger’s specifications. API makes improvements to the replacement property during the exchange period and transfers the improved property back to the Exchanger by the 180th day.

THE REVERSE EXCHANGE

A reverse exchange is the purchase of the replacement property prior to closing on the relinquished property. An Exchanger may need to consider a reverse exchange in a seller’s market, where properties are selling quickly and inventory is scarce. It is especially crucial that the Qualified Intermediary has in-depth knowledge of the steps and precautions necessary in these complex transactions. Working with an investor’s tax advisors and attorneys, API draws upon substantial experience with reverse exchanges to help lead the investor safely through a minefield of potential hazards.

Reverse Exchange - Parking the Replacement Property: The EAT acquires title to the replacement property with funds the Exchanger causes to be loaned to the EAT. Within 180 days the Exchanger sells the relinquished property through the “delayed exchange” format and the EAT transfers the replacement property to the Exchanger.

Reverse Exchange - Parking the Relinquished Property: The Exchanger conveys the relinquished property to the EAT and then the Exchanger acquires the replacement property under a “simultaneous exchange” format. During the 180 days, the EAT remains on title to the relinquished property until it is sold to a purchaser.

Combined Reverse and Improvement Exchange: The EAT acquires the replacement property and makes improvements to this property. The improved property is later exchanged for the relinquished property within 180 days to complete the exchange.



New Exchange Information Sheet – SALE (Phase I)

Seller / Exchanger Information

Estimated Close Date

As they are shown on title

Mailing Address

City

State

Zip

Phone

Phone 2 / Other

Fax

Email

Closer / Escrow Officer Information

Name

Company

Address

City

State

Zip

Phone

Fax

Email

File No.

Property Information

Address or Description:

City

State

Zip

County

Is the Property:

- Single/Multiple Family Residence
- Commercial
- Land
- Apt. Bldg.
- Other

Real Estate Agent

Name

Company

Phone

Buyer(s)

As they will be shown on title

Transaction Details

Sale Price

Estimated Mortgage Payoff

Is there Seller financing?

- Yes
- No

If yes, amount?

Additional Information

Please send this form to Asset Preservation, Inc. by either:

Email

- 1) Go to FILE in the menu bar, select SEND MAIL
- 2) Address your email to: info@apiexchange.com
Subject line: NEW ORDER. Please include your contact information

Fax

- 1) Complete and Print Form
- 2) Fax to API - Attn: NEW ORDER
Please include your contact information

If you do not receive confirmation from us within 24 hours, please contact us immediately!

ASSET PRESERVATION, INC.

National Headquarters 800-282-1031 • 916-791-5991 • Fax: 916-791-6003
 Eastern Regional Office 866-394-1031 • 631-369-3617 • Fax: 631-369-4094
apiexchange.com info@apiexchange.com



New Exchange Information Sheet – PURCHASE (Phase II)

Buyer / Exchanger Information

Estimated Close Date

As they will be shown on title

Mailing Address

City

State

Zip

Phone

Phone 2 / Other

Fax

Email

Closer / Escrow Officer Information

Name

Company

Address

City

State

Zip

Phone

Fax

Email

File No.

Property Information

Address or Description:

City

State

Zip

County

Is the Property:

Single/Multiple Family Residence

Commercial

Land

Apt. Bldg.

Other

Real Estate Agent

Name

Company

Phone

Seller(s)

As they are shown on title

Transaction Details

Purchase Price

\$

Is a Deposit Needed?

Yes

No

If yes, amount?

\$

Additional Information

Please send this form to Asset Preservation, Inc. by either:

Email

- 1) Go to FILE in the menu bar, select SEND MAIL
- 2) Address your email to: info@apiexchange.com
Subject line: NEW ORDER. Please include your contact information

Fax

- 1) Complete and Print Form
- 2) Fax to API - Attn: NEW ORDER
Please include your contact information

If you do not receive confirmation from us within 24 hours, please contact us immediately!

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apiexchange.com info@apiexchange.com

TAX DEFERRED EXCHANGE TERMINOLOGY

To some closers, the terminology often used to describe different aspects of a tax deferred exchange can be confusing. For example, doesn't something with two 'downlegs' and three 'uplegs' sound a lot more like a lopsided creature than an exchange transaction? Reflected below are brief descriptions of commonly used exchange terminology:

ACTUAL RECEIPT: Physical possession of proceeds.

BOOT: "Non like-kind" property received; "Boot" is taxable to the extent there is a capital gain.

CASH BOOT: Any proceeds actually or constructively received by the Exchanger.

CONSTRUCTIVE RECEIPT: Although an investor does not have actual possession of the proceeds, they are legally entitled to the proceeds in some manner, such as having the money held by an entity considered as their agent or by someone having a fiduciary relationship with them. This creates a taxable event. The investor may be deemed to have "constructive receipt" of funds if proceeds are merely deposited in a separate escrow account, without all of the necessary exchange documents being executed prior to closing.

DIRECT DEEDING: Transfer of title directly from the Exchanger to Buyer and from the Seller to Exchanger after all necessary exchange documents have been executed.

EXCHANGER: Entity or taxpayer performing an exchange.

EXCHANGE AGREEMENT: The written agreement defining the transfer of the relinquished property, the subsequent receipt of the replacement property, and the restrictions on the exchange proceeds during the exchange period.

EXCHANGE PERIOD: The period of time in which replacement property must be received by the Exchanger; Ends on the earlier of 180 calendar days after the relinquished property closing or the due date for the Exchanger's tax return. (If the 180th day falls after the due date of the Exchanger's tax return, an extension may be filed to receive the full 180 day exchange period).

IDENTIFICATION PERIOD: A maximum of 45 calendar days from the relinquished property closing to properly identify potential replacement property(s).

LIKE-KIND PROPERTY: Any property used for productive use in trade or business or held for investment; Both the relinquished and replacement properties must be considered "like-kind" to qualify for tax deferral.

MORTGAGE BOOT: This occurs when the Exchanger does not acquire debt that is equal to or greater than the debt that was paid off on the relinquished property sale, due to purchasing replacement property that is of lesser value than the relinquished property. This may create a taxable event.

QUALIFIED INTERMEDIARY: The entity who facilitates the exchange; Defined as follows: (1) Not a related party (i.e. agent, attorney, broker, etc.) (2) Receives a fee (3) Receives the relinquished property from the Exchanger and sells to the buyer (4) Purchases the replacement property from the seller and transfers it to the Exchanger; Asset Preservation, Inc. (API) is a "Qualified Intermediary."

RELINQUISHED PROPERTY: Property given up by the Exchanger; Also referred to as the sale, exchange, 'downleg' or 'Phase I' property.

REPLACEMENT PROPERTY: Property received by the Exchanger: Also referred to as the purchase, target, 'upleg' or 'Phase II' property.

B. Type of Loan

1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FmHA 3. <input type="checkbox"/> Conv. Unins. 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> Conv. Ins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
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C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower:	E. Name & Address of Seller: API as Qualified Intermediary for John Exchanger	F. Name & Address of Lender:
--------------------------------	---	------------------------------

G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due From Borrower		400. Gross Amount Due To Seller	
101. Contract sales price	\$100,000.00	401. Contract sales price	\$100,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower		420. Gross Amount Due To Seller	\$100,000.00
200. Amounts Paid By Or In Behalf Of Borrower		500. Reductions In Amount Due To Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	\$1,000.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	\$19,000.00
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower		520. Total Reduction Amount Due Seller	\$20,000.00
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	\$100,000.00
302. Less amounts paid by/for borrower (line 220)	()	602. Less reductions in amt. due seller (line 520)	(\$20,000.00)
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower		603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$80,000.00

*List API Fee as line item on page 2 (not shown) as: Exchange Fee to API \$(enter fee amount) POC (Paid Outside of Closing)

Sample Statement Only
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B. Type of Loan					6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FmHA	3. <input type="checkbox"/> Conv. Unins.					
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.						

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: API as Qualified Intermediary for John Exchanger	E. Name & Address of Seller:	F. Name & Address of Lender:
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G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due From Borrower		400. Gross Amount Due To Seller	
101. Contract sales price	\$100,000.00	401. Contract sales price	\$100,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	\$1,000.00	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower	\$101,000.00	420. Gross Amount Due To Seller	
200. Amounts Paid By Or In Behalf Of Borrower		500. Reductions In Amount Due To Seller	
201. Deposit or earnest money	\$5,000.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	\$80,000.00	502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205. Deposit from API	\$16,000.00	505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower	\$101,000.00	520. Total Reduction Amount Due Seller	
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross amount due from borrower (line 120)	\$101,000.00	601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	(\$101,000.00)	602. Less reductions in amt. due seller (line 520)	()
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower	\$0	603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	

Sample

Sample Statement Only
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A. Sample Settlement Statement

U.S. Department of Housing and Urban Development

SALE OF RELINQUISHED PROPERTY
Partial exchange with some cash taken

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FmHA	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower:	E. Name & Address of Seller: API as Qualified Intermediary for John Exchanger	F. Name & Address of Lender:
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G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due From Borrower		400. Gross Amount Due To Seller	
101. Contract sales price	\$100,000.00	401. Contract sales price	\$100,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower		420. Gross Amount Due To Seller	\$100,000.00
200. Amounts Paid By Or In Behalf Of Borrower		500. Reductions In Amount Due To Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	\$1,000.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	\$80,000.00
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507. Remit to John Exchanger	\$5,000.00
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower		520. Total Reduction Amount Due Seller	\$86,000.00
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	\$100,000.00
302. Less amounts paid by/for borrower (line 220)	()	602. Less reductions in amt. due seller (line 520)	(\$86,000.00)
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower		603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$14,000.00

*List API Fee as line item on page 2 (not shown) as: Exchange Fee to API \$(enter fee amount) POC (Paid Outside of Closing)

IF CALIFORNIA SALE PROPERTY, PLEASE CALL API FOR FURTHER INSTRUCTIONS

Sample Statement Only
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A. Sample Settlement Statement

U.S. Department of Housing and Urban Development

SALE OF RELINQUISHED PROPERTY

Multiple sellers w/ one exchanging, other(s) selling

B. Type of Loan

1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FmHA 3. <input type="checkbox"/> Conv. Unins. 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> Conv. Ins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
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C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower:	E. Name & Address of Seller: (List other seller here) and API as Qualified Intermediary for John Exchanger	F. Name & Address of Lender:
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G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due From Borrower		400. Gross Amount Due To Seller	
101. Contract sales price	\$100,000.00	401. Contract sales price	\$100,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower		420. Gross Amount Due To Seller	\$100,000.00
200. Amounts Paid By Or In Behalf Of Borrower		500. Reductions In Amount Due To Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	\$1,000.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	\$80,000.00
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507. Remit to API	\$9,500.00
208.		508. Remit to (Other Seller Here)	\$9,500.00
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower		520. Total Reduction Amount Due Seller	\$100,000.00
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	\$100,000.00
302. Less amounts paid by/for borrower (line 220)	()	602. Less reductions in amt. due seller (line 520)	(\$100,000.00)
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower		603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	\$0

*List API Fee as line item on page 2 (not shown) as: Exchange Fee to API (enter fee amount) POC (Paid Outside of Closing)

Sample Statement Only
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A. Sample Settlement Statement

U.S. Department of Housing and Urban Development

SALE OF RELINQUISHED PROPERTY
Split transaction - Part primary residence, part investment property

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FmHA	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower:	E. Name & Address of Seller: John Exchanger as to ____% and API as Qualified Intermediary for John Exchanger as to ____%	F. Name & Address of Lender:
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G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due From Borrower		400. Gross Amount Due To Seller	
101. Contract sales price	\$100,000.00	401. Contract sales price	\$100,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower		420. Gross Amount Due To Seller	\$100,000.00
200. Amounts Paid By Or In Behalf Of Borrower		500. Reductions In Amount Due To Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	\$1,000.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	\$80,000.00
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507. Amount Due John Exchanger	(amount)
208.		508. Amount Due API	(amount)
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower		520. Total Reduction Amount Due Seller	\$100,000.00
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	\$100,000.00
302. Less amounts paid by/for borrower (line 220)	()	602. Less reductions in amt. due seller (line 520)	(\$100,000.00)
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower		603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	\$0

*List API Fee as line item on page 2 (not shown) as: Exchange Fee to API (enter fee amount) POC (Paid Outside of Closing)

Sample Statement Only
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A. Sample Settlement Statement

U.S. Department of Housing and Urban Development

PURCHASE OF REPLACEMENT PROPERTY
With non-exchanging co-owner

B. Type of Loan

1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FmHA 3. <input type="checkbox"/> Conv. Unins. 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> Conv. Ins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
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C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: (List other buyer here) and API as Qualified Intermediary for John Exchanger	E. Name & Address of Seller:	F. Name & Address of Lender:
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G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due From Borrower		400. Gross Amount Due To Seller	
101. Contract sales price	\$100,000.00	401. Contract sales price	\$100,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	\$1,000.00	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower		420. Gross Amount Due To Seller	
200. Amounts Paid By Or In Behalf Of Borrower	\$101,000.00	500. Reductions In Amount Due To Seller	
201. Deposit or earnest money	\$5,000.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	\$80,000.00	502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206. Deposit from API	\$8,000.00	506.	
207. Deposit from (list other Buyer here)	\$8,000.00	507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower	\$101,000.00	520. Total Reduction Amount Due Seller	
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount due from borrower (line 120)	\$101,000.00	601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	(\$101,000.00)	602. Less reductions in amt. due seller (line 520)	()
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower	\$0	603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	

Sample Statement Only
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B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FmHA	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "p.o.c." were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: API as Qualified Intermediary for John Exchanger	E. Name & Address of Seller:	F. Name & Address of Lender:
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G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due From Borrower		400. Gross Amount Due To Seller	
101. Contract sales price	\$100,000.00	401. Contract sales price	\$100,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	\$1,000.00	403.	
104. Remit Deposit to John Exchanger	\$5,000.00	404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower	\$106,000.00	420. Gross Amount Due To Seller	
200. Amounts Paid By Or In Behalf Of Borrower		500. Reductions In Amount Due To Seller	
201. Deposit or earnest money	\$5,000.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	\$80,000.00	502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower	\$85,000.00	520. Total Reduction Amount Due Seller	
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount due from borrower (line 120)	\$106,000.00	601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	(\$85,000.00)	602. Less reductions in amt. due seller (line 520)	()
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$21,000.00	603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	

Sample Statement Only
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EXCHANGER CHECKLIST

This checklist is intended to provide a brief overview of the steps involved in an IRC §1031 tax deferred exchange and when Asset Preservation, Inc. (API) should be contacted throughout the process. This checklist does not address all issues involved in an exchange. Please read all of the exchange documents prepared by API. As a Qualified Intermediary, API cannot provide tax or legal advice. Investors should always seek the advice of their tax and/or legal advisors regarding their specific situation.

- REVIEW: Review the entire transaction with tax and/or legal advisors.**
- SALE CONTRACT: Enter into an “assignable” contract to sell the relinquished property.**
Execute contract with the exchanger’s name and/or assigns.
- CONTACT API: Before closing, contact API to initiate the exchange transaction.**
 - A) Call either our National Headquarters (800-282-1031) or Eastern Regional Office (866-394-1031) - *or* -
 - B) Go to apiexchange.com and click on: Open a New §1031 Exchange - *or* -
 - C) Complete the order form: Exchange Information Sheet – Sale of Relinquished Property (Phase I)
- EXCHANGE SET-UP: API will prepare the exchange documents for the relinquished property sale.**
 - A) The original documents will be forwarded to the closing officer who will coordinate the signatures.
 - B) Copies of documents are forwarded to the exchanger.
- RELINQUISHED PROPERTY CLOSES: API is assigned into the transaction as the seller and sale closes.**
 - A) Pursuant to the assignment agreement and exchange documents, API instructs the closing officer to directly deed the relinquished property to the buyer.
 - B) Exchange proceeds are transferred directly to API via wire transfer.
- IDENTIFICATION PERIOD: Both the 45-day identification period and exchange period begin.**

Although it is the sole responsibility of the exchanger to meet all identification rules, API will forward confirmation of the exchange proceeds received, the timelines for the 45-day identification period and 180-day (or the date the tax return is due, whichever is earlier) exchange period, the identification requirements and the identification rules.
- PROPERTY IDENTIFIED: Exchanger properly identifies replacement property by midnight of the 45th day.**
 - A) Specific written identification, signed by the taxpayer, is forwarded to API.
 - B) Written identification can also be made to a party involved in the exchange transaction who is not a disqualified person. See the Treasury Regulations for more details on the identification requirements.
- PURCHASE CONTRACT: Enter into an “assignable” contract to purchase replacement property.**
Execute contract with the exchanger’s name and/or assigns.
- CONTACT API: After signing the replacement property contract, contact API.**
 - A) Call your Exchange Counselor at the National Headquarters or Eastern Regional Office - *or* -
 - B) Go to apiexchange.com: Click on Open a New §1031 Exchange, Purchase of Replacement Property - *or* -
 - C) Complete the order form, Exchange Information Sheet – Purchase of Replacement Property (Phase II)
- EXCHANGE PAPERWORK DRAWN: API will prepare the exchange documents for purchase.**
 - A) The original documents will be forwarded to the closing officer who will coordinate the signatures.
 - B) Copies of documents are forwarded to the exchanger.
- REPLACEMENT PROPERTY CLOSES: API is assigned into the transaction and purchase closes.**
 - A) Pursuant to the assignment agreement and exchange documents, API instructs the closing officer to directly deed the replacement property from the seller.
 - B) API wire transfers exchange proceeds to the closing officer.
- COMPLETION: If all exchange funds are used to acquire the replacement property or properties, and all the exchange requirements are met, the exchange is complete.**

HOW TO CONTACT US

WESTERN REGIONAL OFFICES:

NATIONAL HEADQUARTERS

NORTHERN CALIFORNIA

800-282-1031 916-791-5991

ARIZONA/NEW MEXICO

877-279-1031 602-248-8033

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