

# §1031 Tax Deferred Exchanges

## THE API ADVANTAGE™

### EXPERIENCE

Established in 1990, API has successfully facilitated over 175,000 real property exchanges and is recognized as one of the leading Qualified Intermediary companies in the nation.

### EXPERTISE

API's Senior Exchange Counselors, attorneys and CPAs are available to discuss exchanges of any complexity — from standard delayed to improvement and reverse exchange transactions.

### SECURITY

Our foremost concern is security of the exchange proceeds, as exemplified by our additional security measures. Highlights of *The API Advantage™* are:

- Through a "Letter of Assurance," Stewart Information Services Corporation (NYSE: STC) provides a Third Party Guarantee (a safe harbor under the 1991 Treasury Rules and Regulations) that "assures" the performance of API.
- Exchange funds are not commingled with API's operating accounts. API offers multiple investment options to suit our customer's needs. In addition, our customers may request that API obtain their notarized signature for the movement of funds - another security feature.
- Fidelity bond insurance coverage and Errors and Omissions insurance.

## TO LEARN MORE, CALL ASSET PRESERVATION, INC.

**National Headquarters: (800) 282-1031**

**Eastern Regional Office: (866) 394-1031**

(As a "Qualified Intermediary" as defined in the Section 1031 regulations) Asset Preservation, Inc. is not able to provide legal or tax advice. Accordingly, you should review the details of your specific transaction with your own legal or tax advisor.

Visit [www.apiexchange.com](http://www.apiexchange.com)

Capital Gain Tax Calculation

Sign up for §1031 Exchange Updates

Open New §1031 Exchange Online

45/180 Day Calendar

Useful Tax Links



A National IRC §1031 "Qualified Intermediary"

[www.apiexchange.com](http://www.apiexchange.com)  
[info@apiexchange.com](mailto:info@apiexchange.com)

### National Headquarters

(800) 282-1031  
(916) 791-5991

### Eastern Regional Office

(866) 394-1031  
(631) 369-3617

Member:



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## ASSET PRESERVATION, INC.

### EXPERTS IN THE POWER OF EXCHANGE™

Savvy investors know that Internal Revenue Code (IRC) Section 1031 provides a vehicle for deferring capital gain taxes while disposing of investment property. The United States Treasury Department has validated the services of a "Qualified Intermediary" to complete a tax deferred exchange.

Asset Preservation, Inc. (API), a Stewart subsidiary, is a national leader in the 1031 Qualified Intermediary industry. We have a history of protecting investors' assets through our expertise in specialized services that can defer capital gain taxation indefinitely. At API, we're committed to providing investors with the highest level of experience, expertise and security of funds in the industry — what we call *The API Advantage™*.

### OUR VISION

Excelling as the premier §1031 "Qualified Intermediary" company nationally by delivering superb service and the highest levels of proceeds security and value-added solutions from the industry's foremost experts.

## ASSET PRESERVATION, INC.

## THE POWER OF EXCHANGE™

## THE POWER TO PROTECT, GROW AND DIVERSIFY

Thanks to the IRC §1031, a properly structured exchange allows an investor to sell an investment property, and acquire a new property, and potentially defer all capital gain taxes. IRC §1031 (a) (1) states:

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

## THE POWER OF FLEXIBILITY

Pursuant to IRC §1031, capital gain deferral requires the exchange of “like-kind” relinquished property for other “like-kind” replacement property. Generally, real property held for investment or real property used in a trade or business can be exchanged for other real property held for investment or real property used in a trade or business.



“LIKE-KIND” PROPERTY

## THE EXCHANGE EQUATION: 100% TAX DEFERRAL

To fully defer all capital gain taxes, an exchanger must meet two requirements:

1. Reinvest all exchange proceeds to acquire like-kind property.
2. Acquire like-kind property of equal or greater value.

## WHAT'S THE FIRST STEP?

Always discuss a §1031 tax deferred exchange with your tax and/or legal advisors.

Call Asset Preservation for a free consultation, and definitely before closing on the relinquished property.

Include language stating the intent to perform a §1031 tax deferred exchange in the Purchase and Sale Agreement:

*“Buyer is aware that Seller intends 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: POWERFUL STRATEGIES

### THE DELAYED EXCHANGE

A delayed exchange is the most common exchange format. It provides investors up to 180 days to acquire replacement property through the use of a Qualified Intermediary to complete a valid delayed exchange. (This process is further explained in the diagram to the right.)

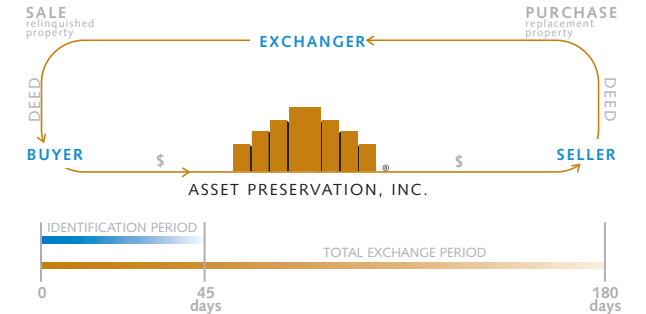
### THE IMPROVEMENT EXCHANGE

Improvement (build-to-suit or construction) exchanges allow an investor to use exchange proceeds to either (1) make improvements to a new replacement property or (2) build a new replacement property.

### THE REVERSE EXCHANGE

A reverse exchange is the purchase of the replacement property prior to closing on the relinquished property structured through the use of an exchange accommodation titleholder, otherwise known as an (EAT).

## THE DELAYED EXCHANGE PROCESS



### SALE OF THE RELINQUISHED PROPERTY

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 Exchanger assigns its rights under the Purchase and Sale Agreement to API. API instructs the closing/escrow officer or closing attorney to directly deed the property from the Exchanger to the Buyer. Proceeds are transferred directly to the Qualified Intermediary, thereby protecting the Exchanger from actual or constructive receipt of funds. Please note that §1031 Regulations mandate restrictions on the Exchanger's ability to access exchange proceeds at any time. Please consult with API for more details on these restrictions.

### IDENTIFICATION OF REPLACEMENT PROPERTY

The Exchanger must properly identify potential replacement properties within 45 calendar days. API provides the Exchanger with the specific identification requirements.

### PURCHASE OF THE REPLACEMENT PROPERTY

The Exchanger has a total of 180 calendar days from closing of the relinquished property, or their tax filing date (including extensions), 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 the Qualified Intermediary. After the Assignment is executed, the exchange is completed when the Qualified Intermediary purchases the replacement property with the exchange proceeds and transfers it back to the Exchanger by a direct deed from the Seller.