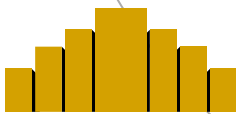


§1031
Tax Deferred
Exchanges

ASSET PRESERVATION, INC.

THE POWER OF EXCHANGE



ASSET PRESERVATION, INC.

www.apiexchange.com

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Federation of Exchange Accommodators Member

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 subsidiary of Stewart Title Company, is a national leader in the “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 proceed security and value-added solutions from the industry’s foremost experts.

THE API ADVANTAGE

EXPERIENCE

During its 10-year history, API has successfully facilitated over 45,000 real and personal 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 Title Company provides a Third Party Guarantee (a safe harbor under the 1991 Treasury Rules and Regulations) that “assures” the performance of API. Stewart Title Company is a wholly owned subsidiary of Stewart Information Services Corporation (NYSE: STC).
- A “Qualified Exchange Account” is established for each Exchanger, which requires the Exchanger’s notarized signature for the movement of funds.
- Fidelity bond insurance coverage and Errors and Omissions insurance.

Asset Preservation, Inc., does not provide tax or legal advice. Investors should always seek the advice of their tax and/or legal advisors regarding their specific situation.

THE POWER TO PROTECT, GROW AND DIVERSIFY

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

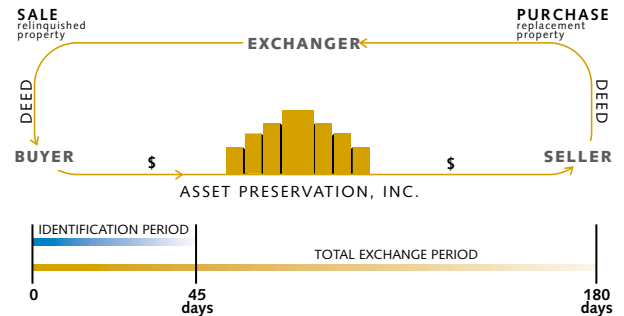
No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment, if such property is exchanged solely for property of like-kind which is to be held either for productive use in a trade or business or for investment.

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. Any real property held for investment or real property used in a trade or business can be exchanged for any other real property held for investment or any real property used in a trade or business.



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 API assumes the Exchanger's Purchase and Sale Agreement. 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 an API Exchange Counselor 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, 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.

THE EXCHANGE EQUATION: 100% TAX DEFERRAL

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

1. Reinvest all exchange proceeds.
2. Acquire property with the same or greater debt.

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 verbiage 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: FIVE POWERFUL STRATEGIES

THE DELAYED EXCHANGE

A delayed exchange is the most common exchange format, providing investors the flexibility of up to a maximum of 180 days to purchase a replacement property. The use of a Qualified Intermediary is required to complete a valid delayed exchange. (This process is further explained in the diagram to the right.)

THE SIMULTANEOUS EXCHANGE

Most investors today use a Qualified Intermediary to safely facilitate a simultaneous exchange.

THE IMPROVEMENT EXCHANGE

Improvement (build-to-suit or construction) exchanges allow an investor to use exchange proceeds to either (1) make improvements to an existing 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.

THE PERSONAL PROPERTY EXCHANGE

Exchanges of personal property, such as aircraft or business equipment, can qualify for tax deferral.

