

THE DELAYED §1031 TAX DEFERRED EXCHANGE

STEP #1 - SALE OF THE RELINQUISHED PROPERTY

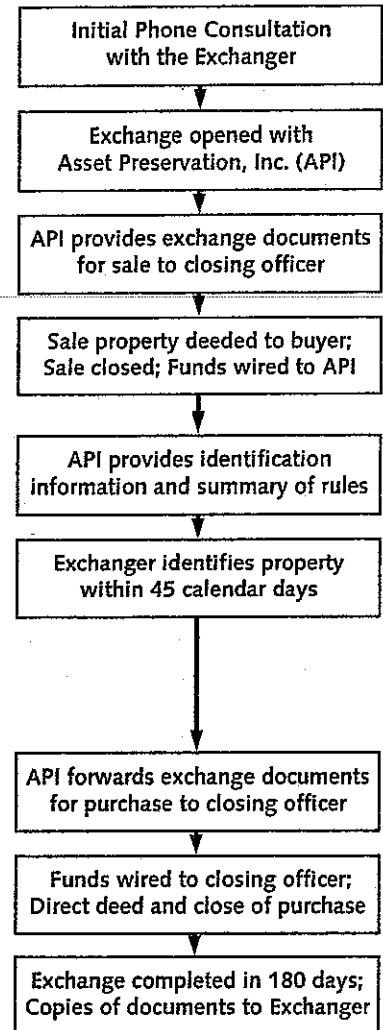
1. (a) Phone consultation with Exchanger.
1. (b) Exchange opened with Asset Preservation, Inc. (API).
1. (c) Pursuant to the Exchange Agreement, an Assignment is executed prior to closing and API assumes the Exchanger's Purchase and Sale Agreement.
1. (d) API instructs the closing officer to directly deed the property from the Exchanger to the buyer.
1. (e) Proceeds are transferred directly to API via wire transfer. API sets up a separate "Qualified Exchange Account" for each Exchanger.

STEP #2 - IDENTIFICATION OF REPLACEMENT PROPERTY

2. (a) API provides Exchanger confirmation of exchange proceeds received; the 45-Day Identification Period and 180-Day Exchange Period; the specific identification requirements; summary of the Identification Rules.
2. (b) Exchanger properly identifies potential replacement properties under either the Three Property Rule, 200% Rule or the 95% Rule.

STEP #3 - PURCHASE OF REPLACEMENT PROPERTY

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



ASSET PRESERVATION + STEWART TITLE COMPANY = SECURITY

Asset Preservation and Stewart Title are proud to be part of the Stewart Information Services, Corp. (NYSE: STC) family of companies. For more than 100 years, Stewart has brought security and value to the real estate industry. Through its "Letter of Assurance" to Asset Preservation, Stewart Title Company provides security for your §1031 tax deferred exchange needs. Asset Preservation establishes a separate "Qualified Exchange Account" for each Exchanger. The Exchanger may require the notarized signature for the movement of funds. Asset Preservation maintains alliances with highly rated financial institutions and has Fidelity bond insurance coverage and Errors and Omissions insurance.

stewart



ASSET PRESERVATION
INCORPORATED

Toll-Free: (800) 282-1031
www.apiexchange.com

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 toll-free (800-282-1031) for a free consultation at any time and definitely before closing on the relinquished property. You can either open the exchange by calling API or by completing the New Exchange Information Sheet – Sale (Phase I) in the Appendix. The following information is needed to begin preparing the exchange documents:
 - A) The name, address, email and telephone number of the Exchanger;
 - B) The closing officer, processor or closing attorney's name, address, email, telephone and file number;
 - C) The real estate agent's name, address, email, telephone and fax numbers.
3. Ensure that the Purchase and Sale Agreement is "assignable" and that the buyer is made aware of such assignment in writing. It is common to show the seller as "John Doe and/or assignee."
4. Include language establishing the intent to perform a §1031 tax deferred exchange in the Purchase and Sale Agreement. The following verbiage is to 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

Requirement #1: Both the "relinquished" and "replacement" properties must be held for investment or used in a business. The IRS uses the term "like-kind" to describe the type of properties that qualify. Any property held for investment can be exchanged for any other "like-kind" property held for investment. This definition covers a vast variety of developed and undeveloped real estate.

Requirement #2: 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.

Requirement #3: 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 automatic filing-extension has been obtained).

For Full Tax Deferral: 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.