

# §1031 TAX-DEFERRED EXCHANGES

Section 1031 of the Internal Revenue Code allows taxpayers who have held property for investment or in connection with a trade or business to dispose of the property and acquire like-kind property to be held for investment or in connection with a trade or business for the purpose of deferring capital gains taxes.

## TYPES OF PROPERTY THAT CAN BE EXCHANGED:

Real property or personal property, provided that they are like-kind, such as:

- Real Estate
- Aircraft
- Broadcast licenses
- Fleet vehicles
- Vessels
- Franchise licenses
- Copyrights
- Equipment
- Livestock
- Artwork
- Oil, gas and mineral rights
- Professional sports contracts

## LIKE-KIND REQUIREMENT

- Real property - All property classified as real property under state law is like-kind to other real property. The properties do not need to be of similar use so taxpayers can exchange raw land for a shopping center, apartment building, etc.
- Personal property - The definition of like-kind or like-class is more strict for personal property exchanges than it is for real property exchanges. Personal property must be in the same "General Asset Class" or in the same "Product Class" as defined by the North American Industry Classification System (NAICS).

## FIRST AMERICAN EXCHANGE COMPANY'S SERVICES

We are dedicated to providing professional, personalized qualified intermediary services in connection with forward and reverse exchanges of real or personal property. Our staff of professional exchange officers and assistants, including attorneys and Certified Exchange Specialists<sup>®</sup>, has handled thousands of 1031 exchanges. We have built our reputation on expertise, financial strength and client satisfaction. Our services include:

- Preparing all of the exchange documents
- Holding the exchange credit in an account established for each exchange
- Providing frequent reminders of the exchange deadlines
- Disbursing the exchange funds for acquisition of the replacement property(ies)
- Personally coordinating with all parties to ensure that the transaction closes in a timely, convenient manner

## FINANCIAL SECURITY OF EXCHANGE FUNDS

- We are wholly owned by The First American Corporation (NYSE:FAF), America's largest provider of business information and a FORTUNE 500<sup>®</sup> company that traces its history to 1889. With revenues of \$6.2 billion in 2008, First American is an established and respected corporation.
- We operate as a direct subsidiary of First American Title Insurance Company. This means we can provide a subsidiary indemnification letter ensuring that your transaction is protected from any loss of funds in the unlikely event of negligence, fraud or dishonesty on the part of First American Exchange Company or its employees.
- As a subsidiary of a publicly traded company, we are governed by the financial reporting and disclosure requirements set forth in the Sarbanes-Oxley Act of 2002.
- In addition, we maintain a multimillion-dollar fidelity bond and a professional liability insurance policy from a leading independent insurance underwriter.
- For safety and diversification, exchange funds are deposited in an account for each exchange with a group of FDIC insured banks and are immediately available for acquisition of replacement properties. We do not invest any exchange funds in any securities.

## EDUCATIONAL SEMINARS

We take pride in providing educational seminars for taxpayers, attorneys, CPAs, REALTORS<sup>®</sup>, lenders and investors, many of which include continuing education credit. Our speakers provide current information in an effective, stimulating format.

**First American Exchange is a member of  
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