

1031 EXCHANGES AND CHICAGO DEFERRED EXCHANGE COMPANY

HELPING INVESTORS DEFER TAXES ON REAL ESTATE GAINS



A WINTRUST COMPANY

CHICAGO • NEW YORK • SAN FRANCISCO • SAN DIEGO

When real property that is held for investment or for productive use in a trade or business is sold, federal and state capital gains and depreciation recapture taxes are triggered. In some states, like California, the aggregate tax can be as much as 40% of the sales price.

Fortunately, Internal Revenue Code Section 1031 allows investors to defer current recognition of the gain on their sale of investment real property under certain conditions. The process of doing so is called a 1031 exchange.

A Qualified Intermediary (QI) plays a pivotal role in facilitating a 1031 exchange. A QI is an entity that creates documentation supporting a taxpayer’s intent to effectuate a 1031 exchange. A QI also holds the sale proceeds in a manner that preserves principal and complies with the IRS requirements. Chicago Deferred Exchange Company (“CDEC”) is one of the oldest and largest QIs in the country.

WELCOME TO CDEC

30
YEARS

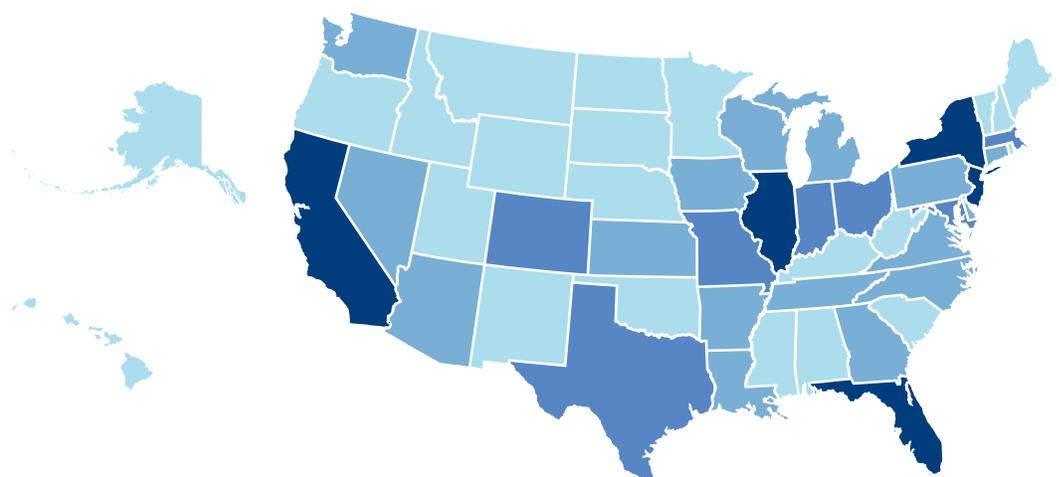
CORE TEAM HAS
WORKED TOGETHER

CDEC is a subsidiary of Wintrust Financial Corporation—a \$50+ billion bank holding company—and we operate out of our headquarters in Chicago as well as offices in New York, San Francisco, and San Diego. As both a QI and an Exchange Accommodation Titleholder, we help real estate investors seeking to execute 1031 exchanges to navigate the complicated process and ensure their exchange is compliant with all stringent IRS guidelines.

Our team brings over 30 years of experience to provide unmatched expertise, security, and integrity in every transaction. We have successfully facilitated more than 75,000 tax-deferred exchanges—including thousands of reverse exchanges—for individuals, partnerships, and corporations across the country, touching every sector of real estate.

NUMBER OF EXCHANGES COMPLETED BY STATE

75
THOUSAND
EXCHANGES
FACILITATED



■ UP TO 100 ■ 100 - 1,000 ■ 1,000 - 2,500 ■ OVER 2,500

HOW WE HELP YOU

CDEC can help real estate investors with both forward and reverse exchanges. For your forward exchange, we provide all of the documentation required to structure your exchange in accordance with the Treasury Regulations. At the closing on your sale, the net proceeds must be sent to us as QI. We will hold your funds in trust for your benefit pending re-deployment into replacement property.

It is important to note that in a forward exchange, you are required to comply with specific time constraints. You need to identify a limited number of potential replacement properties within 45 days of the closing on the sale of your relinquished property. You will also need to acquire one or more of your identified replacement properties within 180 days from the closing on the sale of the relinquished property.

There are two additional rules you will need to consider if you want to defer all of your tax in your forward 1031 exchange:

1. All of your equity must be spent on replacement property;
2. The acquired replacement property must be of equal or greater value than your relinquished property.

We are also actively involved in the development of new guidance and can help if your exchange is especially complex. We have applied for and received three private rulings that deal with critical structural issues involved in both forward and reverse exchanges. These rulings have benefited our customers in many transactions and bring a value to our service that is unmatched in the industry.

REPLACEMENT PROPERTY MUST BE:

EQUAL OR GREATER IN VALUE THAN THE GROSS SALES PRICE OF THE RELINQUISHED PROPERTY

IDENTIFIED WITHIN 45 DAYS OF THE DATE OF CLOSING OF THE RELINQUISHED PROPERTY

CLOSED UPON WITHIN 180 DAYS OF THE DATE OF CLOSING OF THE RELINQUISHED PROPERTY

CDEC can also help you if you need to do a reverse exchange. In a reverse exchange, you need to close on the purchase of replacement property prior to closing on the sale of your relinquished property.

In this scenario, we act as an Exchange Accommodation Titleholder, or EAT. As an EAT we acquire legal title to your replacement property and hold it for up to 180 days, during which time you must:

1. Identify your relinquished property within 45 days;
2. Sell your relinquished property and take the replacement property from the EAT within 180 days.

CHOOSING A QI

When evaluating a prospective QI, you should carefully consider the following:

The QI's Track Record

Typically, QIs that have demonstrated staying power in the industry offer their clients a broader depth of experience and knowledge of the IRC Section 1031 rules and regulations. The QI should have a Certified Exchange Specialist[®] on staff, and the company should be solely dedicated to facilitating like-kind exchanges.

Number of Exchanges Completed

The number of transactions facilitated over the last several years typically translates to increased knowledge of the exchange process. QIs with a long history of working on more complex 1031 exchanges will likely have more to offer.

Handling of Exchange Proceeds

The proceeds from your relinquished property should be held in a Qualified Trust Account or a Qualified Escrow Account. If the funds are held in a bank account, pursuant to the terms of an escrow agreement, the account should be backed by the FDIC.

Fees and Interest Income

Most QIs price their services as a flat fee. Some QIs pay interest on your proceeds while they are held by the QI, and some do not. It is always appropriate to ask about the possibility of earning interest on your funds.

Insurance Coverage

QIs are not regulated like other financial professionals, so your QI should offer fidelity bond coverage and Errors & Omissions (E&O) insurance.

THE CDEC ADVANTAGE

As one of the nation's oldest and largest QIs, CEDC stands as a leader in the industry and a provider of outstanding service to its many satisfied clients.

Security

- Your money is safe with CDEC.
- Net proceeds are held in a Qualified Trust Account for your benefit and invested in a Wintrust deposit product.
- We have comprehensive fidelity bond coverage as well as Errors & Omissions insurance.

Experience

- We have been in business since 1989 and our core team has been together more than 30 years.
- We have completed more than 75,000 transactions nationwide, including thousands of reverse exchanges.

Expertise

- Our highly qualified team includes Certified Exchange Specialists[®], attorneys, as well as access to Wintrust's vast network of financial professionals.
- We are a member of the Federation of Exchange Accommodators, (FEA), the trade association for professional QI companies. Members of our team have served as President of FEA and are deeply involved in efforts to preserve IRC Section 1031.
- We have applied for, and received, numerous favorable rulings from the IRS and state tax authorities to help our clients.

Value

- We offer competitive fees, outstanding service, and pay interest on your funds.

We understand that every situation is unique, so call us to discuss the details of your exchange.