

## MERGER FAQs

### **Why is the merger occurring?**

1031 CORP. was founded in 1991 as part of the T.A. Holdings, Inc. family of companies that also included T.A. Title Insurance Company, Title Abstract Company of Pennsylvania and Title Alliance Ltd. In August 2004, the family of companies was acquired by First American Title Insurance Company, the largest entity of The First American Corporation (NYSE: FAF), a Fortune 500® company. Little changed for 1031 CORP. until May 2007 when we began an integration into the First American accounting and information technology departments. Later that year, we began discussions regarding 1031 CORP. merging into First American Exchange Company (FAEC), a national qualified intermediary wholly owned by First American Title Insurance Company (FATICO) and 1031 CORP.'s leadership began participating in their national managers meetings and training programs. Beginning in January 2009, all deposits and withdrawals were processed through First American Trust and all new exchanges were set up through their proprietary 1031 software program, *Expresso*. The corporate stock of 1031 CORP. will be transferred to FAEC and effective March 9, 2009, all new exchanges will be facilitated by First American Exchange Company LLC, a Delaware limited liability company d/b/a 1031 CORP. The merger allows 1031 CORP. all of the resources available through FAEC while also reducing operating expenses long-term. We will co-brand the two companies in the local area to take advantage of the strengths of both companies.

### **How does this affect my open exchange?**

No open exchanges will be affected by the merger. 1031 CORP. will complete all exchanges as normal.

### **Does this merger affect my exchange funds?**

No exchange funds will be affected by the merger. Exchange funds will be held in the same manner as always with completely liquid, segregated deposit accounts opened in the name and taxpayer identification number (TIN) of the taxpayer.

### **Is there any change to your insurance coverage?**

1031 CORP. and FAEC are already covered under the same policy so there is no change in coverage. We maintain a multimillion-dollar fidelity bond and a professional liability insurance policy from a leading independent insurance underwriter. Exchange accounts qualify for \$250,000 of FDIC coverage and are eligible for a Subsidiary Indemnification Letter that can be provided by FATICO.

### **How does this merger affect the future exchanges?**

Effective March 2, 2009, all new exchanges will be facilitated by First American Exchange Company LLC, a Delaware limited liability company d/b/a 1031 CORP. The current exchange team in place at 1031 CORP. will continue to process the transaction and communicate with you.

### **How is the exchange team at 1031 CORP. affected by this merger?**

Everyone on the exchange team at 1031 CORP. is now a FAEC employee. While position titles may have changed, their responsibilities are largely the same. You will continue to work with the same team you have always dealt with and can rest assured that the same service that has made 1031 CORP. successful will continue.

Margo McDonnell, CES® will oversee 1031 CORP. and concentrate on new business development. Sue Umstead, CES® will serve as branch manager and continue to oversee day-to-day operations. Margo reports directly to Brenden Faber, CES®, President of FAEC.

### **Will I have a different contact person now?**

You will continue to work with the same staff person you always have.

### **Will I notice any difference in service?**

Our goal is still to exceed the expectations of our clients and their advisors. We pride ourselves on keeping the exchange process simple for you. The only thing you will notice after this merger is the company name and logo. The 1031 CORP. logo will soon take second stage to the FAEC logo. Our clients will soon be able to take advantage of resources available on the FAEC website.

### **Will 1031 CORP. continue to offer seminars and continuing education courses?**

Our steadfast commitment to educate investors and their professional advisors on 1031 exchanges and their many benefits remains intact. Our upcoming seminars will continue to be posted on our website. The [www.1031CORP.com](http://www.1031CORP.com) website will serve as a quick link to the FAEC website.

### **About First American Exchange Company**

First American Exchange Company (FAEC) is a qualified intermediary facilitating tax-deferred forward, reverse, build-to-suit and personal property exchanges pursuant to IRC Section 1031. These complex transactions permit investors to defer capital gains taxes on the sale of certain types of business, investment or income property, provided specific criteria are met, including the replacement of the property with one or more properties of "like kind." Investment real estate is the most common type of property exchanged in this manner, though many other types of property can

be bought and sold through a 1031 exchange, including construction equipment, easements, livestock, oil and gas, minerals, timber, water rights, airplanes, boats and yachts and motor vehicles, among others.

- Our exchange funds are strictly deposited with FDIC insured institutions with investment grade ratings (or which are subsidiaries of investment grade institutions). First American's Treasury team closely monitors the financial stability of these institutions. We do not invest any exchange funds in any securities.
- We operate as a direct subsidiary of First American Title Insurance Company. This means that in most instances we can provide an indemnification letter protecting your transaction from 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.
- Our exchange company's financial statements are reviewed as part of The First American Corporation's consolidated financial statements, which are audited annually by PricewaterhouseCoopers, a leading global accounting firm.
- We have attorneys and Certified Exchange Specialists® on staff throughout our offices nationwide.

#### **About First American Title Insurance Company**

First American Title Insurance Company, the largest subsidiary of The First American Corporation (NYSE: FAF), traces its history to 1889. One of the largest title insurers in the nation, the company offers title services through its direct operations and an extensive network of agents throughout the United States and abroad. The company has its headquarters in Santa Ana, California. Information about The First American Corporation's subsidiaries and an archive of its press releases can be found on the Internet at [www.firstam.com](http://www.firstam.com).