

How to Initiate an Exchange

STEP 1. Find an experienced professional QUALIFIED INTERMEDIARY to assist with the exchange as early in the sale process as possible. Key points to consider in selecting a Qualified Intermediary are: the **knowledgeable and experienced staff**; the **local assistance** for your real estate agent, CPA, and attorney; **and of especially critical importance: the safety of your funds** while held by the Qualified Intermediary. At a minimum, you should require the Qualified Intermediary to provide fidelity bond insurance coverage. Investment Property Exchange Services, Inc. (IPX1031[®]) is covered by a third party written corporate guarantee of performance, a \$100 million fidelity bond and \$30 million in professional liability insurance.

STEP 2. Instruct your real estate agent to include an “Exchange Cooperation Clause” as an addendum to the purchase and sale agreement on the relinquished property (the property the Exchanger is selling to the buyer). An example Exchange Cooperation Clause is: *“Buyer hereby acknowledges that it is the intent of the Seller to effect an IRC §1031 tax deferred exchange, which will not delay the closing or cause additional expense to the Buyer. The Seller’s rights under this agreement may be assigned to Investment Property Exchange Services, Inc., a Qualified Intermediary, for the purpose of completing such an exchange. Buyer agrees to cooperate with the Seller and Investment Property Exchange Services, Inc. in a manner necessary to complete the exchange.”*

STEP 3. Contact your Qualified Intermediary as soon as possible after escrow is opened or after entering into the purchase and sale agreement and advise them of your intent to do an exchange well in advance of the closing date. The Qualified Intermediary will draft the appropriate Exchange Agreement, Assignments, and Exchange Closing Instructions that must be executed prior to closing on the property being sold.

STEP 4. Start searching for acceptable replacement property immediately to insure that you can meet the strict time frame for the 45-day Identification Period.

Brief Exchanges

Investment Property Exchange Services, Inc. cannot provide advice regarding specific tax consequences. Investors considering an IRC §1031 tax deferred exchange should seek the counsel of their accountant and attorney to obtain professional and legal advice. © 2008 Investment Property Exchange Services, Inc.