
HOW TO INITIATE A BUILD-TO-SUIT EXCHANGE

STEP 1 ...

Select a **QUALIFIED INTERMEDIARY** to assist you with the build-to-suit exchange as early in the process as possible. Key points to consider in selecting a Qualified Intermediary are: the **knowledge and experience** of the staff; the **professional assistance** provided by the Qualified Intermediary to your real estate agent, CPA and attorney; the **security of the property** while it is being held by the Qualified Intermediary, and the **security of the exchange funds** held by the Qualified Intermediary, which are of especially critical importance. **Investment Property Exchange Services, Inc. (IPX1031)** is a subsidiary of Fidelity National Financial, Inc., the largest provider of title insurance and real estate related services and the parent company of Fidelity National Title Insurance Company, Chicago Title Insurance Company, Ticor Title Insurance Company, Alamo Title Insurance Company and Security Union Title Insurance Company.

STEP 2 ...

In all types of exchange transactions always instruct your real estate agent to include an "Exchange Cooperation Clause" as an addendum to the purchase and sale agreement on both the relinquished property(ies) and the replacement property(ies) used in the exchange. IPX1031 has sample exchange cooperation addendums available for this purpose.

STEP 3 ...

Contact your tax and/or legal advisor as early in the build-to-suit exchange process as possible to consult with them to determine the advisability and feasibility of completing a build-to-suit exchange and whether the build-to-suit exchange should be structured as a "delayed" or "reverse" exchange. Build-to-suit exchanges are significantly more expensive than delayed or simultaneous exchanges because they are more complex and require additional time and effort by the Qualified Intermediary to set up and administer. In addition, since the Qualified Intermediary or its affiliated Holding Entity must hold title to the replacement property to complete the exchange, the Qualified Intermediary has increased risk and liability that is not present in delayed or simultaneous exchanges, which significantly adds to the cost of the exchange.

STEP 4 ...

Contact your Qualified Intermediary as soon as possible **after entering into the purchase and sale agreements** for the sale of the relinquished property and purchase of the replacement property and advise the Qualified Intermediary of the timing and close of these transactions. **IPX1031 must have two weeks prior notice to review the details of the build-to-suit exchange and to prepare the applicable exchange documents.** Both your attorney or accountant and IPX1031 must approve the transaction before IPX1031 will finalize the exchange documents. IPX1031 will work closely with your tax and legal advisors during every step of the transaction. IPX1031 has a National Reverse and Improvement Exchange Division located in Phoenix, Arizona that specializes exclusively in these types of transactions. IPX1031 will draft the appropriate Exchange Agreement (if the relinquished property has already closed under a delayed Exchange Agreement the appropriate Exchange Agreement Amendment will be prepared), Assignment, Qualified Exchange Accommodation Agreement, Project Management Agreement, Exchange Closing Instructions and other documents for execution prior to the close of the property being acquired as replacement property. IPX1031 will also assign into the Construction Contract as the owner. In either a delayed or "safe harbor" reverse build-to-suit exchange the construction work must be completed prior to the end of the 180 day exchange period. Also, in any build-to-suit exchange the replacement property must be identified to the Qualified Intermediary with a description of the underlying land plus a description, in as much detail as practicable at the time of the identification, of the improvements to be completed by the end of the exchange. **REMEMBER, DO NOT CLOSE ON THE RELINQUISHED PROPERTY WITHOUT A QUALIFIED INTERMEDIARY IN PLACE, AND DEFINITELY DO NOT CLOSE ON THE REPLACEMENT PROPERTY WITHOUT ALL OF THE APPROPRIATE BUILD-TO-SUIT EXCHANGE DOCUMENTS IN PLACE!**

BRIEF EXCHANGE COMMUNICATIONS

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. © 2005 Investment Property Exchange Services, Inc.

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STEP 5 ...

Prior to IPX1031 or a subsidiary of IPX1031 that is used as the Holding Entity taking title to the replacement property in the build-to-suit exchange, you must have hazard and commercial general liability insurance coverage naming the Holding Entity as an insured or additional insured for the amount of liability coverage specified by IPX1031. In addition, prior to taking title to commercial, industrial or raw land IPX1031 must be provided with a copy of the Phase 1 Environmental Site Assessment report or other comparable environmental evaluation that is no more than six months old for review and approval. IPX1031 will require that the Phase I be certified to the Holding Entity and the Phase I must state that the property is free of contamination. Finally, each contractor or subcontractor that will work on the construction project must be licensed and have the appropriate insurance and a bond satisfactory to IPX1031.

STEP 6 ...

If IPX1031 or its Holding Entity is taking title to the replacement property and if there is a third party lender, you must contact your lender, whether it is a financial institution or the seller of the replacement property, and instruct your lender that you will be completing a build-to-suit exchange and that IPX1031 or its Holding Entity will be the borrower on the loan until such time as the replacement property is deeded to you. The loan will need to be non-recourse to IPX1031 and its Holding Entity. For both delayed build-to-suit exchanges and "safe harbor" build-to-suit exchanges your lender can require that you be a guarantor on the loan and that you offer other collateral (other than the relinquished property), if necessary, to meet the lender's underwriting guidelines. IPX1031 will work closely with your lender to assist them in understanding the build-to-suit exchange process.