

## HOW TO INITIATE A REVERSE EXCHANGE

**STEP 1** — Select a **QUALIFIED INTERMEDIARY** to assist you with the reverse 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; and the **security of the property** while it is being held by the Qualified Intermediary, which is of especially critical importance. It is highly recommended that you work with a Qualified Intermediary with significant financial strength and stability to insure that the Qualified Intermediary will be in business and able to transfer your property to you when you are ready to complete your exchange. **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 reverse exchange process as possible to consult with them to determine the advisability and feasibility of completing a reverse exchange. Your Qualified Intermediary will consult with your tax and/or legal advisor to determine which property, the replacement or the relinquished, will be used in the reverse exchange. This determination will depend upon such variables as the type of property in the exchange, the lender on the property to be purchased, environmental issues, tenant issues, construction plans, vesting and entity title issues and numerous tax considerations. Reverse 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 either the relinquished or replacement properties to complete the exchange, the Qualified Intermediary has increased risk and liability in reverse exchanges 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 agreement** for the purchase of the replacement property and advise the Qualified Intermediary of the timing and close of the transaction. **IPX1031 should have two weeks prior notice to review the details of the reverse 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 Qualified Exchange Accommodation Agreement (or Parking Agreement), Assignment, Project Management Agreement (for reverse build-to-suit exchange), Exchange Agreement, Exchange Closing Instructions and other documents for execution prior to the close of the property being acquired in the reverse exchange. In a reverse build-to-suit exchange IPX1031 will also assign into the Construction Contract as the owner, and may require a third party inspector to determine the progress of the work and the disbursement of the funds from the exchange account. In a “safe harbor” reverse build-to-suit exchange the construction must be completed prior to the end of the 180 day exchange period. **REMEMBER, DO NOT CLOSE ON THE REPLACEMENT PROPERTY WITHOUT A QUALIFIED INTERMEDIARY AND ALL OF THE REVERSE EXCHANGE DOCUMENTS IN PLACE!**

**STEP 5** — Prior to IPX1031 or a subsidiary of IPX1031 that is the Holding Entity used to take title in the reverse exchange to either the replacement or relinquished property, you must have hazard and liability insurance coverage naming the Holding Entity as an insured or additional insured for the amount of liability coverage specified by IPX1031. In reverse build-to-suit exchanges 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. In addition, prior to IPX1031 or its Holding Entity taking title to commercial, industrial or non-residential 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.

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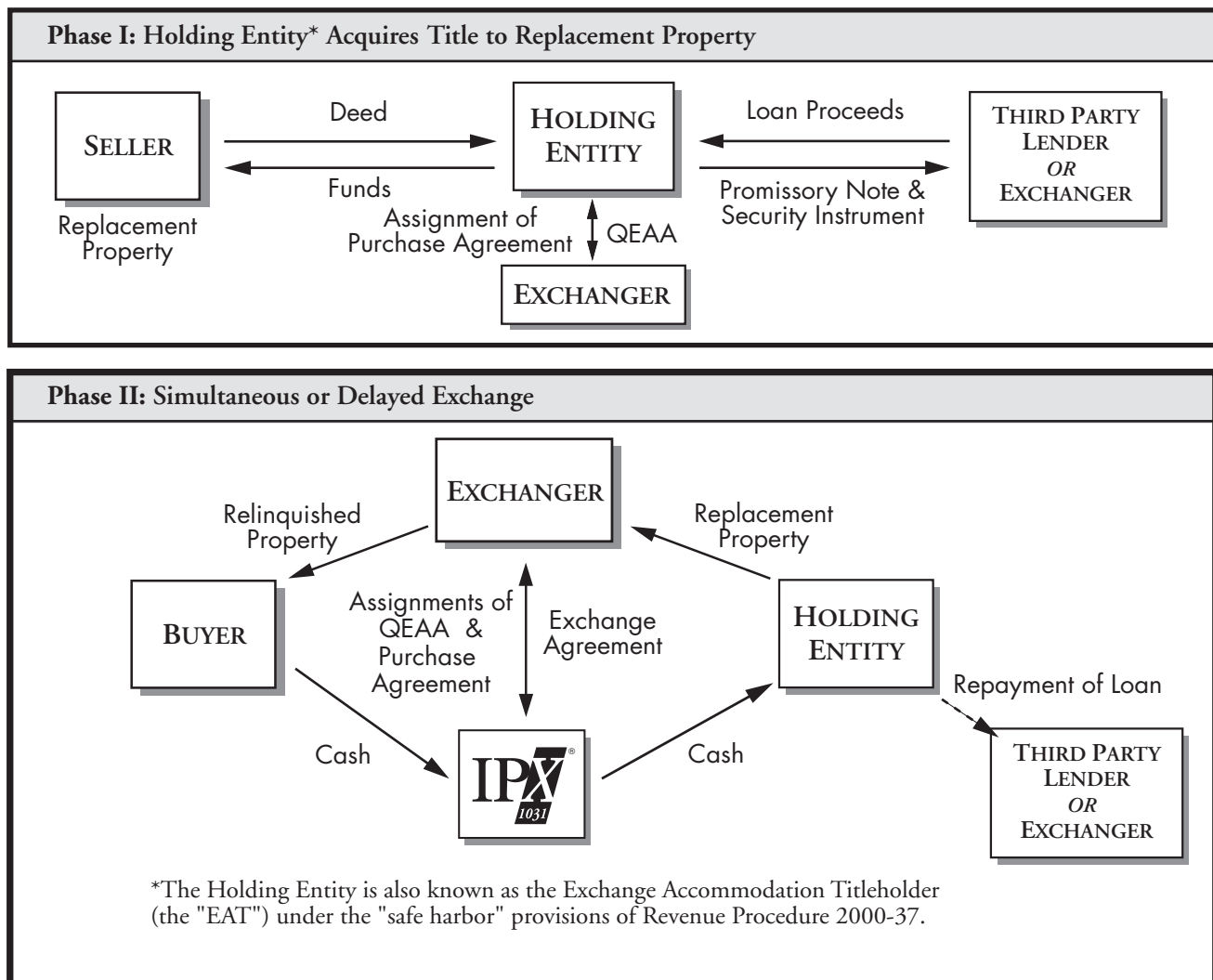
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## HOW TO INITIATE A REVERSE EXCHANGE *(Continued)*

**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 reverse 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. Your lender may also 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 reverse exchange process.

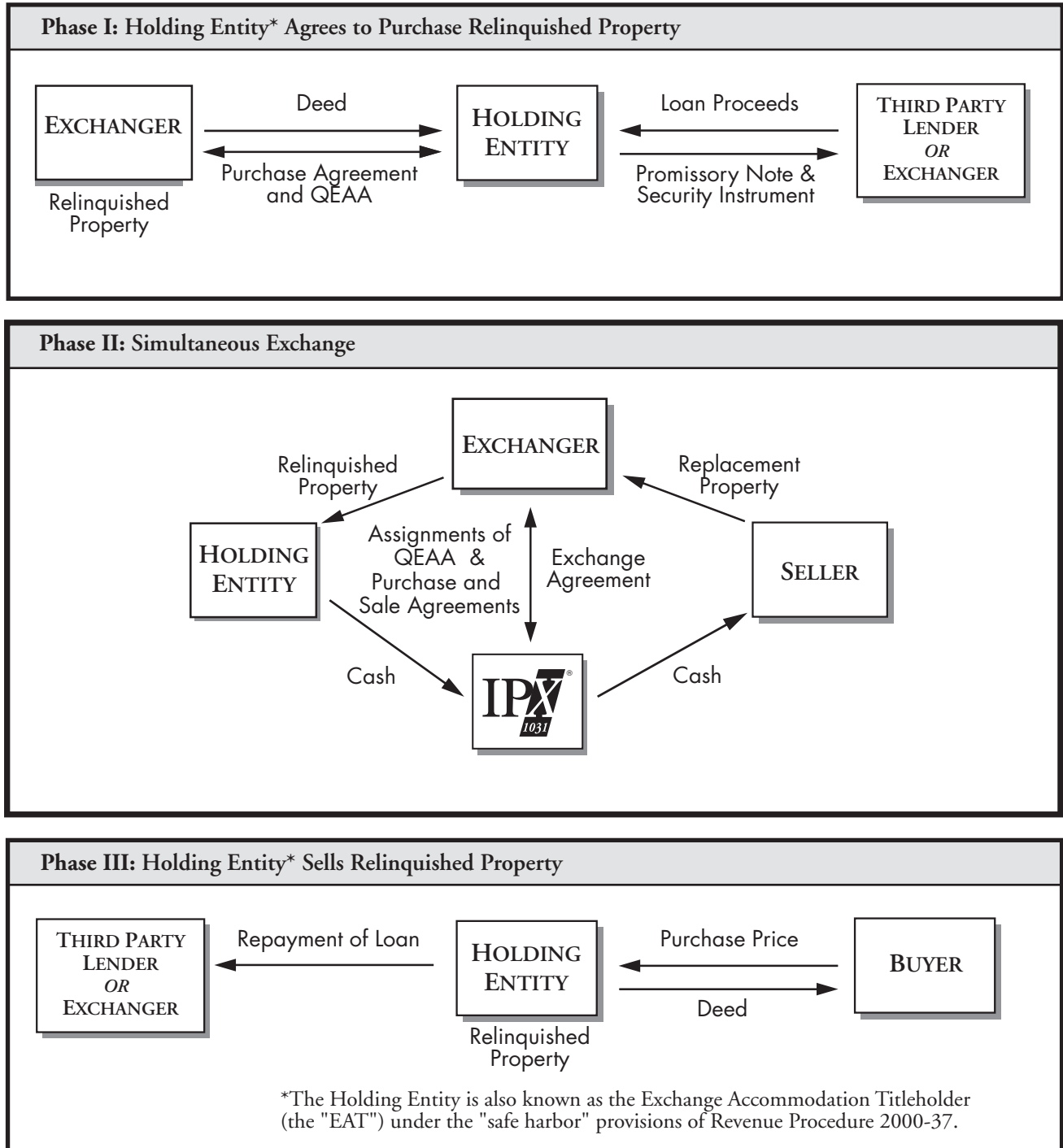
### “REPLACEMENT PROPERTY PARKED” REVERSE EXCHANGE



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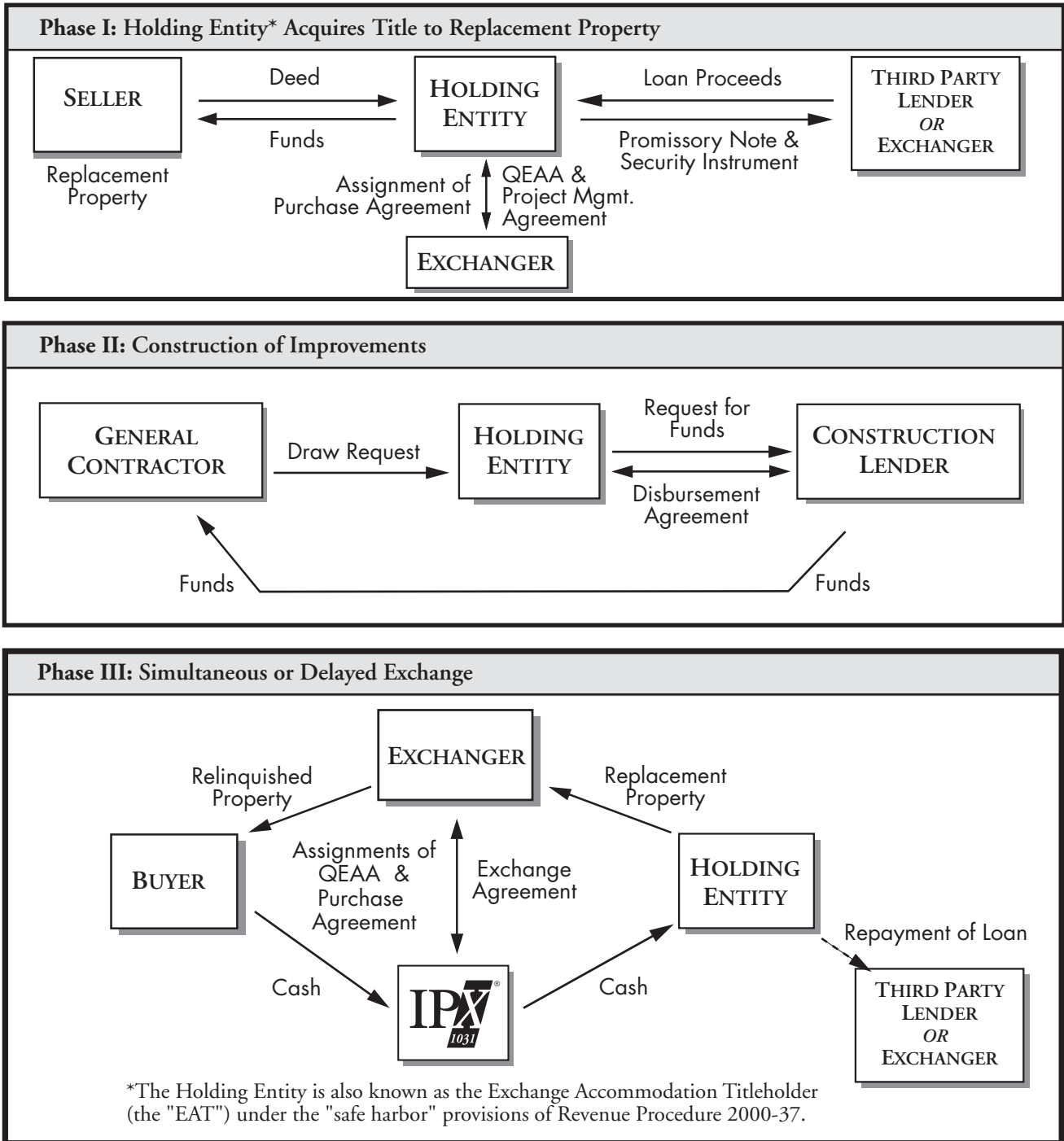
## “RELINQUISHED PROPERTY PARKED” REVERSE EXCHANGE



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## “REVERSE BUILD-TO-SUIT” EXCHANGE



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