

BUILD WEALTH WITH A TAX DEFERRED EXCHANGE



QUALIFIED INTERMEDIARY



Investment Property Exchange Services, Inc.

Tax Deferred Exchange Solutions Nationwide

REAL ESTATE EXCHANGES

Contact IPX1031 to Receive Tax Deferred Exchange Materials and to Schedule an Exchange Seminar

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IPX[®] Investment Property
Exchange Services, Inc.
1031 *Tax Deferred Exchange Solutions Nationwide*

Submit Your Exchange Order Online, Schedule an Exchange Seminar and Obtain §1031 Information From Our Website

www.ipx1031.com

Member: Federation of Exchange Accommodators

This information is not to be construed as legal and/or tax advice. Investors should have their transaction reviewed by their own legal and/or tax counsel.

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Tax Benefits of Exchanges

Whether the investor's property is owned free and clear or encumbered, the benefits of a tax deferred exchange are significant. The tax dollars saved by doing an exchange can be utilized to purchase additional investment property. Compare a sale versus an exchange.

Assume the following:

- Investor sells property with no debt for \$1,000,000
- Basis is \$500,000
- The property has been held in excess of 12 months
- Capital gain is \$500,000 (\$100,000 from recapture of depreciation deductions and \$400,000 from appreciation in value)
- Current federal tax rate for an individual is 15% on appreciation and 25% on depreciation recapture (corporations are taxed at a higher rate)
- Investor's state tax rate is 9% (federal deduction for state taxes is not included).

| | Exchange | Sale |
|--------------------|--------------------|--------------------|
| Net Equity | \$1,000,000 | \$1,000,000 |
| Capital Gain Tax | \$ None | \$ 130,000 |
| Equity to Reinvest | \$1,000,000 | \$ 870,000 |
| Acquisition Value* | \$3,333,000 | \$2,900,000 |
| *(Assume 30% Down) | | |

Result: The investor who exchanges is able to defer the capital gain tax and purchase replacement property worth \$433,000 more than the investor who sells and reinvests with after-tax dollars.

Non-Tax Benefits of Exchanges

In addition to deferring the capital gain tax, tax deferred exchanges provide the investor with a wide range of non-tax opportunities to suit the investor's portfolio:

- Reposition assets
- Change property types
- Increase leverage
- Increase depreciation deduction
- Reduce management obligations
- Provide for estate and retirement planning
- Allow for relocation
- Improve cash flow
- Achieve property consolidation or diversification
- Eliminate or create joint ownership
- Defer phantom gain on problem properties
- Construct improvements on a property



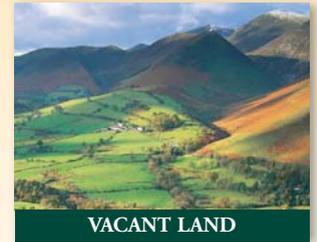
OFFICE



MANUFACTURING



30-YEAR LEASES



VACANT LAND

"Like-Kind" Property

To qualify as "like-kind" property for a §1031 exchange the investor's relinquished and replacement properties must be property that has been and will be held for productive use in the investor's trade or business or for investment.



RETAIL



APARTMENTS



AGRICULTURAL LAND



MIXED-USE
(INVESTMENT & PERSONAL USE)

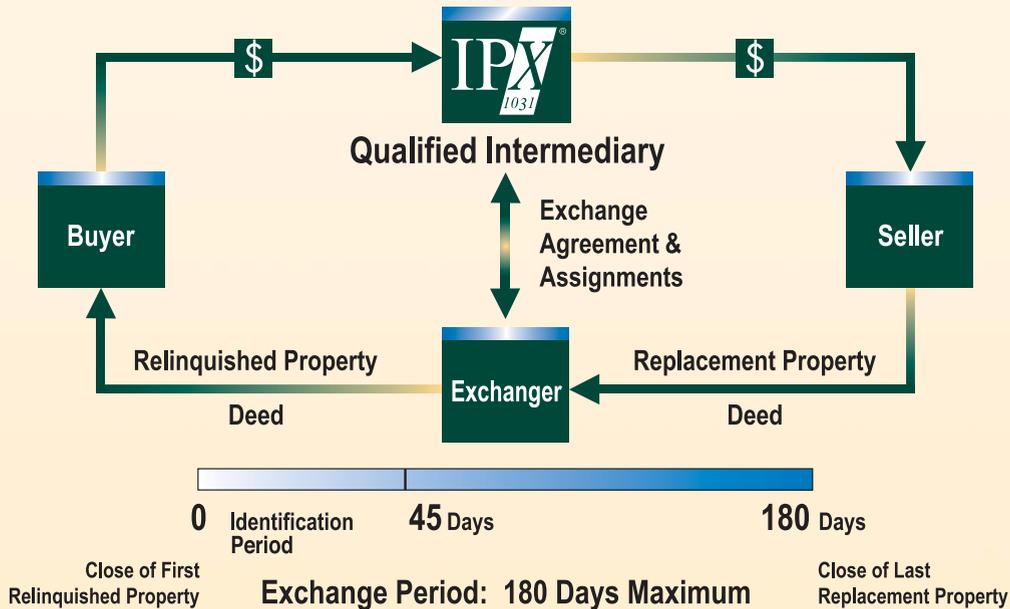


DUPLEX/FOURPLEX



RENTAL HOUSES

Delayed Exchange Flowchart



The Exchange Process

An exchange is rarely a swap of properties between two parties. Most exchanges, whether they are simultaneous or delayed, involve three parties: the investor (exchanger) who is doing the exchange, the buyer who is purchasing the exchanger's old (relinquished) property and the seller who is selling the exchanger a new (replacement) property. To create the exchange of assets and to obtain the benefit of the "Safe Harbor" protections of the tax code to prevent actual or constructive receipt of the exchange proceeds, which would disqualify the exchange treatment, prudent exchangers use the services of a "Qualified Intermediary," such as Investment Property Exchange Services, Inc. ("IPX1031"). IPX1031, as the Qualified Intermediary, becomes a fourth party principal in both simultaneous and delayed exchanges. As illustrated in the above diagram, the steps for completing an exchange with IPX1031 are relatively simple.

- The exchanger signs a contract to sell a relinquished property to the buyer.
- IPX1031 and the exchanger enter into the exchange agreement to retain IPX1031 as the Qualified Intermediary and the exchanger assigns the exchanger's rights in the sale contract to IPX1031, including the right to receive the exchange funds.
- At the closing of the relinquished property the exchange funds are wired to IPX1031 and IPX1031 instructs the settlement officer to transfer the deed directly from the exchanger to the buyer.
- The exchanger has a maximum of 180 days in the exchange period (or until the tax filing deadline, including extensions, for the year of the sale of the relinquished property), to acquire all replacement property.
- Unless the exchanger can acquire all replacement property within the first 45 days from the close of the relinquished property, the exchanger must identify possible replacement properties in writing to IPX1031 within the 45-day identification period.
- The exchanger signs a contract to purchase the replacement property with the seller and the exchanger assigns the exchanger's rights in the purchase contract to IPX1031.
- At the closing of the replacement property IPX1031 wires the exchange funds to complete the exchange and IPX1031 instructs the settlement officer to transfer the deed directly from the seller to the exchanger.

Sample Cooperation Clause for the Sale Contract

Buyer hereby acknowledges it is the intent of the Seller to effect a §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. to complete the exchange. (Switch Buyer and Seller in the Cooperation Clause for the Purchase Contract.)

§1031 Exchanges — An Overview

Internal Revenue Code §1031

“No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like-kind which is to be held either for productive use in a trade or business or for investment.”

§1031 exchanges provide investors with one of the best tax strategies for preserving the value of an investment portfolio. By using an exchange the investor is able to defer the recognition of capital gain taxes that would otherwise be incurred on the sale of investment property. The investor can then use the entire amount of the equity to purchase substantially more replacement property. To qualify as an exchange the relinquished and replacement properties must be qualified “like-kind” properties and the transaction must be structured as an exchange. Using Investment Property Exchange Services, Inc. as the “Qualified Intermediary” will provide the investor with the necessary reciprocal transfer of properties to create the exchange and the “Safe Harbor” protection against actual and constructive receipt of the exchange funds as required by §1031.

Investment Property Exchange Services, Inc.

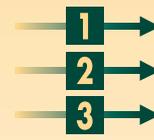
- Third party written guarantee on exchange funds
- \$100 million fidelity bond coverage
- \$30 million professional liability insurance
- Full-time attorney-managers and experienced exchange processors
- Substantial expertise in real and personal property exchanges:
 - Simultaneous
 - Delayed
 - Construction/Improvement
 - Reverse
 - Work-out/Foreclosure
- Complimentary exchange consultations
- Timely document preparation
- Accredited workshops/seminars
- Informative, educational literature

Rev 8/06

Exchange Requirements



Relinquished Property



Replacement Property

As a general rule of thumb, to avoid paying any capital gain taxes in an exchange, the investor should always attempt to:

- 1** Purchase equal or greater in net sales price (value).
- 2** Reinvest all of the net equity in replacement property.
- 3** Obtain equal or greater debt on replacement property.

Exception: A reduction in debt can be offset with additional cash from exchanger, but increasing debt cannot offset a reduction in exchange equity.

Calculating the Capital Gain Tax

The gain, not the profit or equity, from the sale of investment property is subject to the combination of capital gain taxes and the tax on recapture of depreciation. It is possible for an investor to have little or no equity or profit upon sale and still owe capital gain taxes. Investors should consult with their tax or legal advisors prior to entering into an exchange. This formula is a guide to estimate the potential capital gain tax. Note: The federal deduction for state taxes is not included.

Original Purchase Price

- | | |
|----------------------------------|-----------|
| ■ Plus non-expensed improvements | + _____ |
| ■ Minus depreciation taken | (_____) |

Equals Adjusted Basis

= _____

Sales Price

- | | |
|---|-----------|
| ■ Minus adjusted basis | (_____) |
| ■ Minus transaction costs (commissions, fees, etc.) | (_____) |

Equals Total Gain on Sale

= _____

- | | |
|---|-------------|
| ■ Multiply by state capital gain tax rate, if any | x _____ |
| | = _____ (A) |

Gain from Appreciation

= _____

- | | |
|---|-------------|
| ■ Multiply by federal capital gain tax rate | x _____ |
| | = _____ (B) |

Gain From Depreciation Recapture

= _____

- | | |
|------------------------------------|-------------|
| ■ Multiply by federal 25% tax rate | x _____ |
| | = _____ (C) |

Total of Taxes A + B + C Equals the Capital Gain Tax Exposure that is Deferred Through a §1031 Exchange

= _____

Automatic Calculation Available On Our Website
www.ipx1031.com