



CHICAGO BULL

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Safeguards & Security Controls for 1031 Exchange Funds

In light of recent reports, many attorneys are receiving calls from anxious clients who are in the process of completing a 1031 Exchange and have placed their funds with a qualified intermediary. For the past several years, Chicago Title in North Carolina has partnered with Investment Property Exchange Services, Inc. (“IPX 1031”) in acting as a qualified intermediary. Below is a memorandum from IPX 1031 which describes the safeguards and security controls in place for our customers’ 1031 exchange funds. We want to ensure NC attorneys and their clients that exchange funds placed with IPX 1031 will always be available for timely disbursement to complete the purchase of replacement property. Please contact your local Chicago Title counsel if you have any questions or concerns.

An Important Message about Security Controls at IPX1031

You may be aware of recent media reports about several qualified intermediary companies that have shut down recently, unable to make timely disbursements of their clients' exchange funds. This is tragic news indeed for customers of these shuttered companies who may be unable to complete their exchanges, may lose tax-deferral benefits, and may have some or all of their exchange funds at risk.

This type of news naturally makes everyone anxious about the safety and security of their funds. Thus, we are taking this opportunity to provide you with information about the safeguards in place at Investment Property Exchange Services, Inc. ("IPX1031") that provide our customers with safety and security of their exchange funds, ensure that they are always available for timely disbursement to complete purchases of replacement property, and will prevent such a loss from ever occurring at IPX1031.

IPX1031 provides our customers with the following superior safety and security controls for exchange funds held in all of our exchange accounts:

- A \$100 million fidelity bond;
- A \$50 million written performance guarantee on each exchange from our publicly-traded corporate parent;
- \$30 million in errors & omissions insurance;

- IPX1031 is a wholly owned subsidiary of a large publicly-traded corporation (NYSE:LPS), which provides a level of financial transparency about the entire organization that is unavailable for privately held businesses;
- Annual audits of IPX1031 are conducted by KPMG, the outside auditors for our parent company;
- IPX1031 is also audited semi-annually by our corporate parent, as required for Sarbanes-Oxley compliance;
- All exchange funds are specifically identified to each exchange account through a sub-accounting banking system;
- Exchange fund balances for each exchange account are balanced daily with our corporate parent trust accounting division, our custodian bank and our third party portfolio manager;
- All disbursements require two signatures from our separate Banking Division;
- Disbursement of exchange funds require the written authorization of the client;
- IPX1031's exchange fund portfolio, restricted exclusively to IPX1031's exchange funds, is structured and operated according to money market fund guidelines and is professionally managed by a third party investment firm, not our corporate parent nor any employee of IPX1031; and
- Our portfolio is held in a custodial account with a large national commercial bank. This is a significant protection over a bank deposit account because a custody account is not considered to be an asset of the bank. Our custodial account would not be subject to general creditors in the unlikely event of bank failure.

When selecting a Qualified Intermediary, many factors should be taken into account. But of all of these, the two most critical factors for evaluation are:

- 1) Safety and security of exchange funds, and
- 2) Competency of staff.

When you choose IPX1031 as your Qualified Intermediary, you can be confident that your exchange will be handled expertly and that your funds will be safe, secure, and available when needed. Please call us if you have any questions, or if we can be of service.

FOR MORE INFORMATION CONTACT JEFF HRDLICKA AT
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