

The Depository Trust Company  
**IMPORTANT**

**B#:** 3110  
**DATE:** March 05, 2002  
**TO:** All participants  
**CATEGORY:** Dividends  
**FROM:** Anthony Capizzi, Domestic Tax Services, Dividend Dept.  
**ATTENTION:** Managing Partner/Officer, Cashier, Dividend Mgr. Tax Mgr.  
**SUBJECT:** Investment Properties Associates  
CUSIP# Various  
2001 Tax Information

The Following correspondence containing tax information was received by the Depository Trust Company.  
If applicable please consult your tax advisor to assure proper treatment of this event.

B#3110

## Investment Properties Associates

60 EAST 42ND STREET

NEW YORK, N. Y. 10165

(212) 687-6400

February 15, 2002

### Important Tax Information

To Holders, at any time during  
the year ended December 31, 2001,  
of Investment Properties Associates  
Limited Partnership Participation  
Interests:

### Cash Distributions

Pursuant to the Limited Partnership Agreement of Investment Properties Associates ("IPA"), a cash distribution will be made to record holders of Participation Interests at the close of business on December 31, 2001 of \$345,483 (at the rate of \$0.4213 per Participation Interest) as a result of 2001 net operating revenues and the special distribution previously declared on December 21, 2001 of previously undistributed proceeds from sales of properties which occurred in prior years. If you were a record holder at the close of business on December 31, 2001 one check for your share of such distribution will be sent to you under separate cover.

As provided for in the Limited Partnership Agreement, as amended, Participation Interests receive 50% of distributions out of "net operating revenues" with the remaining 50% distributable among the Special Limited Partners (49.45%) and the General Partners (.55%).

### Taxable Income and Preference Items

IPA is a publicly traded partnership ("PTP") as defined under the Revenue Act of 1987. As a result, each partner's share of IPA's income cannot be offset by losses from an interest in another PTP or passive activity. In addition, each partner's share of IPA's ordinary income and portfolio interest income are treated as investment income for Section 163(d) investment interest expense limitation purposes.

### Ordinary Income and Preference Items

If you owned Participation Interests for the entire year, you should include in your 2001 Federal income tax return, the following per each Participation Interest held:

B #3110

## Investment Properties Associates

Page 2  
February 15, 2002

- (a) \$(.1034) as taxable ordinary loss in column (k), Part II of Schedule E, which should be filed in support of Form 1040. The following should also be shown in Part II of Schedule E:

Column (a)-Investment Properties Associates  
 Column (b)-P  
 Column (d)-13-2647723  
 Column (k)-From PTP (to the left of income amount)

- (b) \$.1348 as portfolio interest income on Part I of Schedule B, line 1, which may have to be filed in support of Form 1040.
- (c) \$.0107 as tax preference items for the alternative minimum tax relating to depreciation adjustments on property placed in service after December 31, 1986 should be included on line 8 of Form 6251, which may have to be filed in support of Form 1040.
- (d) \$.0314 as investment income on line 4a of Form 4952, which may have to be filed in support of Form 1040 when computing investment interest expense limitations.

All those who owned Participation Interests for less than the entire year should include, on their 2001 Federal income tax return, ordinary loss equal to \$(.000283), portfolio interest income equal to \$.000368, tax preference items for the alternative minimum tax of \$.000029 relating to depreciation adjustments on property placed in service after December 31, 1986, and \$.000086 investment income for the investment interest expense limitations per Participation Interest for each day such interests were held during 2001. For example, an individual who held 1,000 Interests from February 1, 2001 through December 31, 2001 would make the following computations:

- (a) 1,000 Participation Interests X \$ (.000283) = \$(.28300) total ordinary loss per day.  
 \$(.28300) X 334 days (number of days held) = \$(94.5220) total ordinary loss.
- (b) 1,000 Participation Interests X \$.000368 = \$.36800 total portfolio interest income per day.  
 \$.36800 X 334 days (number of days held) = \$122.91 total portfolio interest income.
- (c) 1,000 Participation Interests X \$.000029 = \$.0290 total tax preference items for alternative minimum tax per day.  
 \$.0290 X 334 days (number of days held) = \$9.69 total tax preference items for alternative minimum tax.

B#3110

## Investment Properties Associates

Page 3  
February 15, 2002

(d) 1,000 Participation Interests X \$.000086 = \$.08600 investment income for investment interest expense limitations per day.

\$.08600 X 334 days (number of days held) = \$28.72 total investment income for investment interest expense limitations.

For the purpose of nonresident state and local tax returns which you may be required to file in the jurisdictions in which IPA operates its properties, the following information is furnished: The amounts shown below represent the ordinary income attributable to one Participation Interest for one day. To determine the ordinary income for state and local tax purposes, you should make a computation, in the same manner as was described in the example shown above for Federal income tax purposes, by multiplying the number of Participation Interests you held by the number of days they were held in 2001 and then by the applicable amount shown below:

<u>Location of Properties</u>	<b>Per Participation Interest <i>Per Day</i> Ordinary and Portfolio Interest Income</b>
Chicago, Illinois	\$.0000210
New York, New York	.0000067
Houston and Midland, Texas	.0000049
Newark, New Jersey	.0000531

With respect to the determination of the *tax basis* of your Participation Interests for Federal tax purposes, we are setting forth the following guidelines:

Your tax basis should be decreased by your share of ordinary loss, increased by your share of portfolio interest income you are required to report and decreased by the distributions received (please note that if you previously took the March 2001 distribution into account in determining the tax basis of your Participation Interests at December 31, 2000, you should not include it again in calculating the tax basis of your Participation Interests at December 31, 2001).

Investment Properties Associates

Page 4  
February 15, 2002

If you have any questions concerning the preparation of your Federal, state or local income tax returns, you should consult your tax advisor.

A financial report for the year ended December 31, 2001 will be forwarded to you shortly.

Very truly yours,

By

  
\_\_\_\_\_  
Irving Schneider  
for the General Partners

B#3110

## Investment Properties Associates

INVESTMENT PROPERTIES ASSOCIATES  
60 EAST 42ND STREET  
NEW YORK, NEW YORK 10165

SD-1 SOURCE OF DISTRIBUTION STATEMENT

- A. ATTACHED IS A TRUE COPY OF REGULATIONS 9, ALSO KNOWN AS 16.9, ISSUED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK GOVERNING THIS STATEMENT
- B. DISTRIBUTION TO BE MADE: \$345,483 March 31, 2002  
PERIOD COVERED: January 1, 2001-December 31, 2001
- C. DESCRIPTION OF SOURCES OF ABOVE DISTRIBUTION AND OTHER INFORMATION REQUIRED BY ATTACHED REGULATION:

The distribution to holders of Participations in Limited Partnership Interest in the sum of \$345,483 is based upon funds generated from operations of \$29,929, portfolio income of \$110,554 and previously undistributed proceeds from the sale of properties in prior years of \$205,000.

## SUMMARY OF OPERATIONS

January 1, 2001 through December 31, 2001

Net income	\$ 376,061
Add:	
Depreciation and amortization of real estate	--
FUNDS PROVIDED BY OPERATIONS	<u>376,061</u>
(Deduct) add:	
Gain on sale of properties	(95,096)
Adjustment for Federal income tax purposes	--
NET OPERATING REVENUE	<u>\$ 280,965*</u>

\* \$140,483 of which are to be distributed to holders of Participations in Limited Partnership Interest. An equivalent sum will be distributed to the Special Limited Partners and General Partners.