



# Safety & Security with NExT1031

## Experience

The principals of NExT1031 have 30+ years of industry experience and have successfully facilitated over 3,000 real and personal property exchanges including reverse and improvement exchange transactions. Dana and Karin are well respected in the 1031 industry and have worked with clients of all sizes, their attorneys, accountants, and lenders to insure successful structuring and completion of exchanges, including some of the nation's most complex.

## Expertise

NExT1031's attorneys are available to discuss exchanges of any complexity - from standard delayed to complex reverse and improvement exchange transactions. Every exchange is personally handled by one of our highly qualified and experienced attorneys. Clients are not handed off to a processor/coordinator after the initial intake. Our attorneys work with you and are available to answer your questions through every step of the exchange process. We also have a Certified Exchange Specialist on staff to answer your questions.

## Security for Exchange Funds

When NExT1031 acts as a Qualified Intermediary ("QI") we may hold exchange funds until such time as our client is ready to purchase replacement property. Therefore, NExT1031 has made the safety and security of those funds a top priority:

- Segregated, separately identifiable accounts for each exchange,
- Client's exchange funds are never comingled with NExT1031 operating funds,
- Qualified escrow accounts available upon request,
- Written authorization from the client is required for movement of funds,
- Clients receive monthly account statement from bank providing independent verification of where and how clients' funds are invested, and
- Exchange funds are deposited with FDIC insured institutions in money market accounts that are insured by the FDIC for up to \$250,000.



## Security for “Parking” Transactions (Reverse & Improvement Exchanges)

NEX1031 also has security measures in place when acting as an “Exchange Accommodation Titleholder” and holding real or personal property for our clients:

- Each clients’ property is held in a special purpose entity (usually a single-member limited liability company),
- NEX1031 conducts thorough due diligence on parked property
  - Adequate liability & property insurance
  - “All Appropriate Inquiry” into environmental condition of non-residential property
  - Exculpation language in all loan documents to cut-off “upstream” liability and prevent cross-property claims
- Taxpayer funds advanced to park property are secured with:
  - Pledge of the ownership interest in the special purpose entity holding title to the property, and
  - Mortgage or Deed of Trust (client may be asked to provide state specific forms in some jurisdictions)

### Insurance Coverage

- Fidelity bond insurance
- Errors and Omissions insurance

### Independent Financial Oversight

Company financials and exchange account records are reviewed and reconciled by outside accountant.

### Optional Security Features (additional fees may apply):

- Qualified Trust - Qualified trusts provide protection against QT theft and creditors as well as bank insolvency
- Special purpose entity as qualified intermediary
- Memorandum of Qualified Exchange Accommodation Agreement
- Bankruptcy remote special purpose entity
- Taxpayer as special manager of special purpose entity
- NEX1031 will explore and consider all custom security requests

