



QUALIFIED INTERMEDIARIES ARE NOT CREATED EQUAL

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One of the common misconceptions is that 1031 exchange qualified intermediaries, also known as accommodators or facilitators or just QIs, are all the same. However, qualified intermediaries are not created equal, and the differences are significant.

Did you know the qualified intermediary industry has no licensing body or regulatory authority to provide independent oversight? Most QIs are not licensed, not regulated, not audited, nor do they have any regulatory required minimum insurance or equity capital reserves. This is a major concern when considering the amount of money qualified intermediaries hold on behalf of investors' 1031 exchange transactions. The [qualified intermediary failures](#) I witnessed during my 42-plus year career could have been prevented with [regulatory oversight](#) and independent annual examinations.

Qualified intermediaries are crucial to successful 1031 exchange transactions and have three especially important responsibilities: (1) preparing the necessary documents to set-up the 1031 exchange; (2) working with the investor and their legal, tax, financial advisors and closing agents to ensure a successful and compliant 1031 exchange transaction; and arguably the most important, (3) receiving, holding, and safeguarding the investors 1031 exchange funds throughout the 1031 exchange transaction.

Investors should be extremely cautious and diligent when evaluating and selecting the qualified intermediary that will administer their 1031 exchange transaction since QIs hold incredible amounts of 1031 exchange funds on behalf of thousands of investors transactions.

Regulatory Oversight Ensures Safety, Soundness and Security

Regulatory oversight and independent exams by a regulatory agency, such as a State Division of Banking (DOB), Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC) or the Federal Reserve Bank (FRB), are crucial to ensure that qualified intermediaries operate in a safe, sound and secure manner.

The importance of regulatory licensing, oversight and independent audits cannot be emphasized enough, as qualified intermediaries have tremendous fiduciary duties and responsibilities in safeguarding 1031 exchange funds. Government oversight with independent annual regulatory exams provides third-party verification that the intermediary is operating in a safe, sound, and secure manner. Most QIs failures would have been prevented with proper oversight and independent audits.

Exeter Trust Company is licensed, regulated, and audited by the Wyoming Division of Banking.



Exeter 1031 Exchange Services, LLC (Exeter1031™) takes its fiduciary duties and responsibilities in administering investors 1031 exchange transactions very seriously. Exeter1031™ chose to be one of the few qualified intermediaries to proactively undergo a rigorous multi-year regulatory review and approval process to obtain its own trust company charter to form and launch an independent trust company to better protect



clients' 1031 exchange funds. **Exeter Trust Company** (ExeterTrust™) is licensed, regulated, and audited by the Wyoming Division of Banking, making Exeter1031™ one of the safest accommodators today.

Regulatory oversight tends to improve the entire industry through access to best practices learned from one regulated entity and pushed out to all regulated entities. If your qualified intermediary is regulated, they operate under best practices. Those that are not regulated – simply do not have this access.

Bonding, Insurance and Equity Capital Provide Financial Strength and Stability

Qualified intermediaries should maintain significant amounts of fidelity bond coverage, errors and omissions, cyber fraud and wire transfer fraud insurance, and financial institutions blanket bond coverage to protect clients from the risks of theft or loss. Additionally, QIs should maintain substantial equity capital reserves as a safety net against losses that may occur during a 1031 exchange transaction.

The Exeter Group of Companies has a \$15.0 million Fidelity Bond, \$10.0 million in Errors & Omissions Insurance, \$15.0 million in cyber and wire transfer fraud insurance, and more than \$8.0 million in equity capital reserves to protect clients' 1031 exchange funds.



The Exeter Group of Companies, including Exeter 1031 Exchange Services, LLC, Exeter Trust Company, and Exeter Asset Services Corporation, have \$15.0 million in fidelity bond coverage, \$10.0 million in errors & omissions insurance, \$15.0 million in cyber and wire fraud insurance, a financial institution blanket bond, and more than \$8.0 million of equity capital reserves to protect 1031 exchange funds.

Qualified Trust Accounts Protect 1031 Exchange Funds

Qualified intermediaries should always deposit, hold, and safeguard clients' 1031 exchange funds in separate, segregated, dual-signature, restricted qualified trust or qualified escrow accounts to better protect clients' 1031 exchange funds.

In the LandAmerica 1031 Exchange Services bankruptcy case, the bankruptcy court ruled that clients' 1031 exchange funds were corporate funds (not client trust funds) and thus subject to general creditor claims in bankruptcy, since the funds were not held in qualified trust accounts as permitted under the Treasury Regulations.

Separate, segregated, dual-signature, restricted qualified trust accounts are crucial to ensure that exchange funds are classified and treated as client trust funds and not corporate funds in the event the qualified intermediary files for bankruptcy protection.

Exeter 1031 Exchange Services, LLC deposits, holds, and safeguards clients' 1031 exchange funds in separate, segregated, dual-signature, restricted qualified trust accounts with Exeter Trust Company. The dual-signature requirement means the client must authorize and approve any disbursement request. Exeter1031™ can't move client funds without the client's written authorization.

Exeter 1031 Exchange Services, LLC deposits, holds, and safeguards clients' 1031 exchange funds in separate, segregated, dual-signature, restricted qualified trust accounts with Exeter Trust Company for each individual 1031 exchange account.



Excess FDIC Insurance Coverage

ExeterTrust™ automatically allocates clients' 1031 exchange funds across numerous commercial banks, providing FDIC insurance coverage far exceeding the standard \$250,000 limit. Additionally, ExeterTrust™ offers an Insured Cash Sweep ("ICS") vehicle, providing up to \$150.0 million in FDIC insurance coverage when needed.



Internal Controls and Processes Provide Additional Safety

Investors should inquire into the methods and processes used by the qualified intermediary to receive, hold, track, monitor, reconcile and protect their 1031 exchange funds through internal controls and checks and balances. Internal controls and checks and balances are crucial and should always be an integral part of any financial services business.

Exeter Trust Company utilizes a sophisticated trust accounting system that allows it to accurately track, monitor, and account for investors 1031 exchange funds in real time. Exeter Trust Company reconciles its entire client trust funds position to the penny every day and has implemented stringent internal controls and checks and balances to ensure the safety of investors 1031 exchange funds.

It takes four (4) separate Exeter team members, acting together, and the client's written authorization (dual signatures), to request, authorize, process, and complete any transfer or disbursement of clients' 1031 exchange funds.

Four (4) individual team members within The Exeter Group of Companies, acting together, and the investors' written authorization (dual signatures), are required to request, authorize, process, and complete any transfer or disbursement of 1031 exchange funds, including a telephone call back to verbally verify and confirm wire transfer instructions. Exeter1031™ implemented these additional controls to better protect investors.

There's NO Substitute for Knowledge, Experience and Expertise

Investors need more than just a transaction processor. Investors should be able to turn to a qualified intermediary, along with their legal, tax and financial advisors, for guidance on best practices in structuring and administering their 1031 exchange. Investors should interview prospective qualified intermediaries to ensure they have the technical depth of knowledge, experience, and expertise necessary due to the extraordinarily complex and technical nature of 1031 exchange transactions. Investors need and deserve knowledgeable support; therefore, the qualified intermediary should be consultative in nature and be willing and able to work with investors and their legal, tax and financial advisors to ensure a successful and compliant 1031 exchange. Exeter1031™ delivers consultative services to individual, corporate and institutional investors and their professional advisors.

Exercising Diligence Affords Protection

It is not the size of the qualified intermediary that matters, but how they manage investors' 1031 exchange funds and control risks. It is critical to understand the importance of government regulation, regulatory oversight, equity capitalization, bonding, insurance, depth of knowledge, experience, expertise, internal controls and processes, and quality control measures. Bring this knowledge to bear to successfully execute a 1031 exchange transaction. Everyone will rest easier knowing the investors' goals have been safely achieved.