

For Immediate Release

Contact Info:
Jim Hughes
For NES Financial
323-397-7077
jim@jim-hughes.net

Nationwide Exchange Services Escalates Its Fight for Consumer Protection in 1031 Exchanges

Funds Security in 1031 Exchanges Not Addressed in Financial Reform Bill; NES Works Aggressively with Consumers, Businesses and Industry Associations That Utilize 1031 Exchanges in Pressing Congress to Enact Regulation

San Jose, CA — June 22, 2010 — Nationwide Exchange Services (NES), the nation's leading provider of Internal Revenue Code Section 1031 Like-Kind Exchange services for Fortune 500 companies is gaining national recognition for its continued push for consumer protection surrounding 1031 exchanges. The company has been fighting [to enact safeguards for consumers](#) and corporations involved in 1031 exchanges. The Senate version of the financial regulatory reform bill passed by Congress lacks specific provisions for the regulation of the 1031 industry, despite nearly a billion dollars of theft and malfeasance by Qualified Intermediaries (QIs) within the sector.

Over the past four years, hundreds of victims – both corporations and consumers -- have lost enormous sums of money, life savings, and suffered significant tax liabilities due to theft and speculative investment of 1031 exchange funds by QIs. Nationwide Exchange Services has implemented the safeguards necessary to protect its clients but believes that federal regulation of QI practices would be the most effective way to safeguard all consumers.

“The fraud, theft and mismanagement by 1031 QI's have devastated the lives and businesses of almost 1,000 victims. While victims have attempted to recoup their losses through litigation, there is no reason why these events should have been permitted to occur in the first place,” states Michael Halloran, president and CEO of Nationwide Exchange Services. “1031 exchanges provide tremendous economic benefit to critical parts of the U.S. economy, including real estate, energy and major transportation sectors. To restore consumer trust in the industry, common sense regulations and oversight are needed on a federal level to ensure funds security, transactional transparency, and to create clear operating guidelines that can prevent future theft and abuses.”

As the leader in the 1031 industry, NES has unrelentingly pursued regulation in the sector as part of financial regulatory reform efforts in Washington, DC. With the participation of victims of prior failures and industry associations that leverage 1031 exchanges, NES has met with more than 100 House and Senate members, and aggressively fought for customer protections, pushing for higher standards of [security](#) and [transparency](#).

Halloran advocates straightforward regulations that would allow all QIs to compete on a level playing field while comprehensively protecting exchange funds by focusing on four critical points:

- QIs must be required to hold exchanger funds exclusively in depository instruments with FDIC insured institutions that provide 100 percent daily liquidity and otherwise be prohibited from investing exchange proceeds
- Each exchanger's funds must be held in a segregated account and not be pooled with the funds of other exchangers or QI operating funds.
- All individual exchanges must be held in legal trust, escrow or similar account structures, requiring joint written authorization by both the exchanger and the QI to move funds.
- QIs must be audited on an annual basis to certify compliance with mandated financial safeguards and verify basic financial sufficiency (i.e., exchange proceeds match exchange liabilities).

"We are committed to seeing this through. Our legislators need to hear the stories of the many victims, understand the extent of the abuses, and help to ensure that this important tool in the U.S. economy doesn't have a negative impact on those who choose to take advantage of it," added Halloran.

Businesses and individuals are encouraged to contact their representatives in the United States Senate and House of Representatives to discuss the need for 1031 industry reform at the federal level. To contact elected officials, visit www.senate.gov and www.house.gov.

For more information on Nationwide Exchanges Services or NES Financial visit www.nesf.com or call (800) 339-1031

About Nationwide Exchange Services

Nationwide Exchange Services (NES), a division of NES Financial, is the nation's leading Qualified Intermediary for 1031 tax-deferred exchanges and the top provider of exchange services to the Fortune 500. Since 1990, NES has conducted tens of thousands of 1031 exchange transactions across the nation resulting in the deferral of tens of billions of dollars of client tax liability. Today, NES applies advanced technologies and proven business processes to create new standards of customer-driven products and services for 1031 tax-deferred exchanges. NES is the number one outsource provider of 1031 services to major banks and title companies throughout the United States. NES is uniquely qualified to serve the needs of companies with complex exchange requirements and those that operate in strict corporate governance and compliance environments.

About NES Financial

NES Financial (NESF) partners with leading banks, trust companies and other financial institutions to provide transparent, secure and compliant third-party administration solutions for trusts, complex multi-party escrows and 1031 exchanges. Flexible, scalable and cost-effective, these solutions include proprietary state-of-the-art technology and outstanding professional services, with subject matter expertise in banking, real estate, leasing, transportation and tax law. As a result, NES Financial has become a leader in third-party administration solutions for the legal profession, banking industry, Fortune 500 companies and government agencies, with tens of billions of dollars processed each year.

For more information on NES Financial visit www.nesf.com and or call (800) 339-1031.