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SEA 1031 Continues to Safeguard Client Funds & Liquidity

As you may already be aware, recent bankruptcy filings by other qualified intermediaries around the country, including LandAmerica 1031 Exchange Services Company and Real Estate Exchange Services (“REES”) have proven that it is absolutely necessary for multiple layers of security for both principle asset protection and liquidity of funds be implemented throughout the 1031 exchange process. These bankruptcy actions have not only left numerous taxpayers unable to access millions of dollars of 1031 exchange funds, but have also exposed them to substantial tax liabilities.

Clients should note that although the above mentioned firms, like most exchange intermediaries, carried both Errors & Omissions insurance and Fidelity bonding, such measures did not protect or insure against non-transparent investment policies that limited liquidity of exchange funds. These reputable firms deposited client funds in various investment vehicles, either with or without the client’s direct knowledge, and it was these investments which ultimately were deemed to be illiquid as the current capital market conditions worsened. Unfortunately for the clients affected, this illiquidity will result in failed 1031 exchanges and the prospect of the loss of investment principle, in part or in whole.

Since our firm’s inception, Strategic 1031 Exchange Advisors (“SEA”) has implemented security measures, liquidity practices, and asset protection policies which we believe raise the bar for the exchange industry. SEA uses transparent investing policies and cutting edge technology to provide clients with the highest levels of protection and security for their exchange funds. These numerous measures and fund options include:

- **SEAkey™**: To ensure that exchange funds cannot be transferred unless authorized by both the client and SEA, the firm developed an electronic coding device which we call the “SEAkey” (Secure Exchange Account key). Each client that elects to utilize this technology is given its own SEAkey, while SEA maintains the master SEAkey. When is time for exchange funds to be wired to a closing, SEA will initiate the wire request and an email will be automatically generated for the client to review wire information. The client may then confirm the wire information using the SEAkey to obtain a 6 digit code (updated every 30 seconds), and authorize the wire online. Once completed by the client, an email is automatically generated for SEA executives to confirm using a master SEAkey. Note that SEA can not change the wiring information once the client has confirmed using its SEAkey, thus insuring client approval of all wired amounts and destinations.

- **Dual Signature Accounts:** As an alternative to the SEAkey, clients may elect to have exchange funds held in a dual signature account at a financial institution of either the client's or SEA's choosing. By requiring a signature from both SEA and the client, the client is protected against unauthorized movement of exchange proceeds.
- **Client Directed Institution & Investment Vehicle Options:** Many clients feel most comfortable when exchange funds are held at a financial institution and/or in an investment vehicle (money market, treasury bills, etc.) of their choosing. Unlike a vast majority of the exchange industry which disallows such alternatives, SEA embraces utilizing institutions and investment alternatives directed by the client. Many institutions also offer real-time investment account updates, thus allowing the client immediate access to account information.

These various security measures all provide a unique level of protection and allow all parties to feel comfortable knowing that exchange funds are properly safeguarded so as to complete a successful exchange.

We appreciate your continued trust in our firm, and believe that it is both our responsibility and mission to ensure that our security measures give you, our valued clients and referral partners, the most advanced protection measures available in the industry. As always, we welcome your calls and emails regarding these alternatives.

Best regards,

Strategic 1031 Exchange Advisors



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