

1031 Exchange

Security of Funds

About Asset Exchange Company

Established in 2006, Asset Exchange Company (AEC) is one of the largest independent 1031 Exchange Qualified Intermediaries in the country.

- AEC is a full-service QI facilitating all exchange types (delayed, reverse, construction).
- AEC is both bonded and insured and in full compliance with SB-1007, the CA 1031 Exchange Accommodator law, regarding prudent investor standards.
- The partners have a combined 30 years of direct 1031 Exchange experience.
- AEC has offices in Northern and Southern CA as well as Tampa, Florida.
- Over 20,000 agents have attended AEC's webinars and 7,000+ have attended live workshops.
- With average exchange deposits of approximately \$200M and 100-150 new exchanges opened each month, AEC is financially strong, and the company fundamentals are sound.

Security of Funds—Wire Fraud

AEC has developed rigid wire procedures to protect consumers from wire fraud, including client verification procedures established during the client on-boarding process, wire fraud insurance and cyber-protection. To prevent 'spoofing' and 'phishing scams' all company computer applications require dual factor authentication and all AEC staff undergoes regular Cyber Fraud training.

Client On-Boarding

Clients are required to create a secure password during the onboarding process. The password and social security number are required to be provided by the client in order to make a distribution.

Phone Verification of Wire Instructions

Before wiring funds, the intended recipient is called at a known phone number to verify wire instructions.

Known Bank Accounts

Wires are never sent to bank accounts other than those in the name of the closing escrow company name. Client refund wires are only sent to bank accounts in the name of the client.

Dual Controls & Segregation of Duties

Wires are initiated by an AEC Principal and then approved by a different AEC Principal or VP.

Computer Fraud and Funds Transfer Insurance

AEC carries \$1M insurance policies for both computer fraud and funds transfers. Evidence of insurance is available at <https://www.ax1031.com/downloads>.

Dual Factor Authentication

AEC's CRM/Exchange application (built off the Salesforce platform) and email application (MS Exchange) both requires dual authentication. This prevents hackers from accessing our systems and sending fraudulent wire instructions to clients and escrow companies.

Ongoing Cyber Fraud Training

Mandatory cyber fraud training is required by all AEC staff. The most recent training was completed on March 1, 2019 by Citadel Information Group, Inc. All AEC staff are required to:

Verify Changes

Any changes to wire instructions during an ongoing 1031 Exchange is extremely suspicious. Changes to wire instructions must be verbally confirmed with the escrow company/client and client must provide SSN and password. Wires will never be sent to an account not in the name of the escrow company or client.

Investigate Unique Requests

Any request for a wire outside of EMD, closing funds or refund is investigated with phone calls to known parties.

Double Check Emails

A common trick by scammers is to slightly change an email, for example, changing John@abc.com to John.abc@hotmail.com. Email addresses that are not known email addresses on file are investigated.

Report Phishing Attempts

Receipt of fake emails requesting wires is common. Staff are trained how to spot fake email and report to our IT department who will block the accounts.

Regularly Change Passwords

Staff are required to regularly change both email and CRM/Exchange application passwords.

Overseas Wires Prohibited

Wires to foreign banks are not allowed.

Security of Funds—Banking

Asset Exchange Company's operating agreement and our client exchange agreements require that all 1031 Exchange funds are placed in an FDIC insured money market account at a bank rated 4 stars or higher by Bauer's and the Bankrate Safe and Sound bank rating systems. Currently our money market accounts are with Axos Bank (NYSE: AX), Pacific Premier Bank (NASDAQ: PPBI) and Bank of Hope (NASDAQ: HOPE).

In addition:

- All exchange funds are specifically identified to each exchange account through Asset Exchange Company's proprietary sub accounting system.
- All exchange accounts are balanced daily.
- Copies of client account balances are stored daily in the cloud, guaranteeing in a catastrophe, every penny is accounted for.

Contact Asset Exchange Company

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