

FEDERATION OF EXCHANGE ACCOMMODATORS

FIDELITY AND E&O INSURANCE PROGRAM

FIDELITY / CRIME INSURANCE

- Available to members of the Federation of Exchange Accommodators
- Covers loss arising from dishonest acts of employees and owners
- Affirmative coverage for funds or other property of clients
- Exchange customer may bring a claim directly against the policy
- Exchange customer may collect recovery directly from the policy
- Policy is designed to comply with all existing state regulations

ERRORS & OMISSIONS INSURANCE

- Available to members of the Federation of Exchange Accommodators
- Covers claims alleging negligence in the provision or failure to provide 1031 services
- Pays legal expenses and settlements/awards
- Affirmative coverage for owners, employees and corporate entities
- Up to \$5 million in coverage limits available, more if required

QUOTE PROCESS

- Submit a complete application (attached) and a sample exchange agreement to:

Rebecca Feldman
Lockton Insurance Brokers, LLC
Two Embarcadero Center, 17th Floor
San Francisco, CA 94111
Tel: (415) 568-4016
Fax: (415) 992-4016
Email: rfeldman@lockton.com

QUESTIONS

- Contact Adam McDonough at Lockton Insurance Brokers: (415) 568-4106 or amcdonough@lockton.com

FIDELITY APPLICATION

Applicant _____

Address _____

Phone _____ Fax _____ Email _____

Coverage limit _____ Deductible _____

No. of employees _____ No. of locations _____ No. of Employees who handle, have custody or maintain records of money, securities or other property _____

Date Established _____ (If in business less than 3 years, please attach resumes of key personnel)

Does your organization engage in business activities other than that of an Exchange Intermediary? ___Yes___ No (If yes, please specify _____)

1. Has there been any Fidelity losses in the past three years? ___Yes ___No (If yes, please attach detailed information)
2. Is a CPA firm involved in the applicant's financial reporting? ___Yes ___No
If yes, how often? Quarterly____ Semi-Annually____ Annually____
What is the scope of the report? Compilation ____ Review ____ Complete Audit ____
3. Are proceeds from 1031 transactions held in bank accounts segregated from those of your operating funds? ___Yes ___No
4. Is written authorization from your client required by the bank in order to effect release of proceeds from the relinquished property and secure the purchase of the replacement property? ___Yes ___No
5. Is countersignature required for the release of funds, if not by client, by two principal officers or partners? ___Yes ___No
6. Is a written agreement maintained between you and each client stipulating the manner in which proceeds from relinquished property will be held and subsequently released for use in acquiring replacement property? ___ Yes ___ No (If yes, please provide a sample copy of your exchange agreement)
7. Does the bank retain a copy of this agreement with the client's signature for each transaction? ____Yes ____No
8. Are bank accounts reconciled monthly by someone not authorized to deposit, withdraw or transfer funds? ___Yes ___ No
9. Is monthly reconciliation of bank accounts involving exchange transaction proceeds performed within two weeks of receipt of the bank statement? ___Yes ___No
10. Does someone other than the owner review all discrepancies that may arise in the reconciliation process? ___Yes ___No. (If yes, please provide the position of that individual:_____)
11. Are background checks done on all employees prior to employment? ___Yes ___No

THE APPLICANT REPRESENTS THAT THE ABOVE INFORMATION FURNISHED IN THIS APPLICATION IS COMPLETE, TRUE, AND CORRECT. ANY MISREPRESENTATION, OMISSION, CONCEALMENT, OR ANY INCORRECT STATEMENT OF A MATERIAL FACT, IN THIS APPLICATION, OR OTHERWISE, SHALL BE GROUNDS FOR RESCISSION OF ANY POLICY ISSUED BASED UPON SUCH INFORMATION.

DATE: _____ AUTHORIZED SIGNATURE: _____

TITLE: _____ NAME: _____

FLORIDA, KENTUCKY, MINNESOTA, MICHIGAN, NEW JERSEY, NEW YORK, & PENNSYLVANIA FRAUD WARNING: Any person who knowingly and with intent to defraud an insurance company or another person files an application for insurance containing any materially false information or conceals for the purpose of misleading information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects the person to (NY, substantial) criminal and civil penalties. COLORADO FRAUD WARNING: It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an Insurance Company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policy holder or claimant for the purpose of defrauding or attempting to defraud the policy holder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies. OHIO FRAUD WARNING: Any person who with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

ERRORS & OMISSIONS INSURANCE APPLICATION

Applicant _____

Address _____

Phone _____ Fax _____ Email _____

Coverage limit _____ Deductible _____

1. Estimated number and revenue percentage of all exchanges by category:

Simultaneous	_____	_____
Delayed	_____	_____
Reverse	_____	_____
Construction	_____	_____
Other (explain)	_____	_____

2. What other professional services do you or your affiliates provide other than 1031 exchanges? _____

3. List your gross annual revenue derived from 1031 activities:
Current Projected _____ Past Year _____ Prior Year _____

4. Date Established _____ Year present management assumed control _____

5. Are proceeds from 1031 transactions held in bank accounts segregated from those of your operating funds? ___ Yes ___ No

6. Do you currently carry professional liability (E&O) insurance? ___ Yes ___ No
If yes, please provide the following information:
Effective Date _____ Limit _____ Deductible _____ Premium _____
Retroactive / Prior Acts Date _____

7. Has any past or present member of the firm been the subject of any regulatory action as a result of their professional activities? ___ Yes ___ No (If yes, please explain _____)

8. Have any professional liability (E&O) claims been made against the applicant or any of its predecessors in business, or any past or present owners, directors, officers, partners or employees in the past five (5) years? ___ Yes ___ No
If yes, please attach a narrative summary of each claim.

9. After inquiry of all owners, directors, officers, partners and key employees proposed for this insurance, is the applicant aware of any circumstance, errors, omission or offense which might reasonably be expected to result in a claim being made against the present owners, directors, officers, partners or employees? ___ Yes ___ No
If yes, please attach a narrative summary of each incident.

10. Does your firm utilize a diary/calendar system to ensure meeting required deadlines? If so, is the system automated? If not, please explain controls in place to monitor deadlines. ___ Yes ___ No

11. Does the applicant firm carry Fidelity Bond coverage? ___ Yes ___ No

It is understood and agreed that with respect to Questions 7, 8 and 9 above, if such knowledge or information exists, any claim or action therefrom is excluded from the proposed insurance coverage.

THE APPLICANT HEREBY ACKNOWLEDGES AWARENESS THAT THE LIMIT OF LIABILITY SHALL BE REDUCED, AND MAY BE EXHAUSTED, BY THE COSTS OF LEGAL DEFENSE AND, IN SUCH EVENT, THE INSURER SHALL NOT BE LIABLE FOR THE COSTS OF LEGAL DEFENSE OR FOR THE AMOUNT OF ANY JUDGMENT OR SETTLEMENT TO THE EXTENT THAT SUCH EXCEEDS THE LIMIT OF LIABILITY. THE APPLICANT HEREBY FURTHER ACKNOWLEDGES AWARENESS THAT LEGAL DEFENSE COSTS THAT ARE INCURRED SHALL BE APPLIED AGAINST THE DEDUCTIBLE AMOUNT.

I HEREBY DECLARE that, after inquiry, the above statements and particulars are true and I have not suppressed or misstated any material fact and that I agree that this application along with all attachments shall become part of the policy

DATE: _____ AUTHORIZED SIGNATURE: _____

PRINT NAME: _____ TITLE: _____