



FEDERATION OF
EXCHANGE
ACCOMMODATORS

CODE OF ETHICS AND CONDUCT





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PREAMBLE

The relationship between the Exchange Accommodator [including Exchange Accommodation Titleholders ("EATs")] and its client (exchangers) requires a high level of confidence since the client entrusts and deposits with the Exchange Accommodator title to real estate and/or other like kind personal property, cash proceeds and promissory notes from the sale of real estate and other like kind personal property in furtherance of I.R.C. §1031 exchanges. Therefore, it is the duty of the Exchange Accommodator to uphold and improve the standards of its profession and to share the responsibility for its integrity and honor.

The Federation of Exchange Accommodators ("FEA") and its members are committed to providing the highest level of professionalism, integrity, and ability available in the §1031 exchange accommodator industry. Exchange Accommodators recognize that the fiduciary nature of the industry imposes obligations beyond those of ordinary commerce. The FEA and its members, therefore, zealously strive to maintain the standards of their profession and to share with their fellow Exchange Accommodators a common responsibility for its integrity and honor.

It is the intent of the FEA and its members to encourage fair and healthy competition within the industry. At the same time it is recognized that cooperative industry relationships are critical to the industry's success.

Each member of the FEA pledges to observe the letter and spirit of this Code of Ethics and Conduct and to operate its business in accordance with principles advocated herein.

ARTICLE I

An Exchange Accommodator shall keep reasonably informed of all laws, including statutes, regulations and the interpretation thereof, legislation, the principles and rules of

this Code of Ethics and Conduct and potential amendments thereof, and other developments that affect I.R.C. §1031 exchanges and the Exchange Accommodator profession ("Body of Knowledge"). The Exchange Accommodator shall also ensure that all employees whose positions involve direct contact in an advisory capacity with the general public are similarly updated on the Body of Knowledge.

An Exchange Accommodator, and anyone working for such Exchange Accommodator, shall conduct business in a manner displaying the highest degree of professionalism, bringing credit to the industry and the FEA. Exchange Accommodators and their employees shall speak truthfully and act in accordance with accepted principles of honesty, integrity and fair dealing.

ARTICLE II

Protection of the public against fraud, misrepresentation, and other illegal practices in the Exchange Accommodator profession shall be the duty and responsibility of each Exchange Accommodator member of the FEA, and shall not actively participate in such fraud, misrepresentation or other illegal practices. An Exchange Accommodator shall not commit acts of fraud, embezzlement, misappropriation of funds, conversion of the property of another, theft, forgery or such similar acts as may be defined by local, state or federal law. An Exchange Accommodator who is convicted of such an act, or enters a plea of "guilty", "no contest", "nolo contendere" or similar shall immediately notify the Board of Directors of the FEA, in writing. An Exchange Accommodator who holds any other professional designation or license, whose designation or license is suspended or revoked, or who voluntarily relinquishes such designation or license, due to activities concerning fraud, embezzlement, misappropriation of funds, conversion of the property of another, theft, forgery or any crime (misdemeanor or felony) shall immediately notify the Board of Directors of the FEA, in writing of such. An Exchange Accommodator shall not voluntarily participate in any act which it knows to be unlawful or against the standard of conduct set forth in this Code of Ethics and Conduct, even if directed to do so by the client, his/her/its agent, or advisor. It shall be the duty of every Exchange Accommodator to protect the reputation of the profession by exposing those engaged in such practices.

ARTICLE III

It is the duty of an Exchange Accommodator to act in such a manner as to preserve the trust and confidence of its clients. Without prior permission from its client, an Exchange Accommodator shall not reveal the contents of any exchange file to any party other than the Exchanger or its agent, except in the case of a subpoena being presented, or when otherwise required by law.

ARTICLE IV

An Exchange Accommodator who is not licensed to practice law, accountancy, or other

licensed or regulated profession shall not engage in activities which constitute such practice. The Exchange Accommodator shall recommend in all cases that the parties involved in an exchange transaction seek tax and legal counsel.

ARTICLE V

If recommending other products or services, the Exchange Accommodator shall disclose to the client that it may receive a financial benefit, such as a commission or referral fee, as a result of such recommendation. The Exchange Accommodator shall not recommend or suggest to a client the use of services of another organization or business entity in which they have a direct or indirect interest without full disclosure of such interest at the time of recommendation or suggestion. At no time shall an Exchange Accommodator accept any illegal payment of any kind whatsoever.

It is the duty of an Exchange Accommodator to disclose to its clients those circumstances, relationships, and interests, if any, which might constitute a conflict of interest. This disclosure shall be made when the Exchange Accommodator knows or learns of the conflict of interest.

ARTICLE VI

An Exchange Accommodator shall act in the best interest of its clients.

The Exchange Accommodator shall diligently and honestly pursue the client's legitimate objectives, and shall perform all reasonable, necessary, and appropriate acts in a timely manner. This includes (but is not necessarily limited to) the duty to:

1. Provide and follow fully integrated, written exchange documents.
2. Provide fee information to the client clearly explaining the fees to be charged. As part of such fee information, the Exchange Accommodator shall provide a general disclosure that the Exchange Accommodator may be receiving interest, fees, earnings, or another form of monetary benefit from the deposit of or use of the exchange funds, if in fact, such is the case. The waiving of bank service charges and fees shall not be deemed a form of monetary benefit.

The Exchange Accommodator shall provide a disclosure to the client describing any interest to be paid to the client.

3. Invest the exchange proceeds in a manner which meets the Accounting and Investment Standards of Section A of this Article.
4. Ensure that any promissory notes or other property held by the Exchange Accommodator as "exchange credits" are not compromised by the actions of the Exchange Accommodator.

5. Provide copies of all documents received from the closing agent to the client or to the client's authorized representative.
6. Provide financial information to the client and his/her/its authorized representatives during the 180-day replacement period as requested.
7. Give a full accounting of funds to which the client is entitled at the end of the exchange.
8. Notify the client of a change of ownership of the Exchange Accommodator as contained in Section B of this Article.

A. Accounting for Monies and Property:

(a) Every Exchange Accommodator shall have the responsibility to act as a custodian for all exchange funds, being money, property, other consideration or instruments received by the Exchange Accommodator from, or on behalf of the client, except funds received as the Exchange Accommodator's compensation. Every Exchange Accommodator shall invest exchange funds in investments which meet the "Prudent Investor Standard" and satisfy investment goals of liquidity and preservation of principal. For purposes of this section, the "Prudent Investor Standard" shall be violated if:

- (1) Exchange funds are knowingly commingled by the Exchange Accommodator with the operating accounts of the Exchange Accommodator; or
- (2) Exchange Funds are loaned or otherwise transferred to any person or entity affiliated with or related to the Exchange Accommodator except that this subsection shall not apply to a transfer or loan made to a financial institution which is the parent of or related to the Exchange Accommodator or to a transfer from an Exchange Accommodator to an EAT as required under the exchange contract; or
- (3) Exchange funds are invested in a manner that does not provide sufficient liquidity to meet the Exchange Accommodator's contractual obligations to its clients and does not preserve the principal of the exchange funds.

(b) An exchange facilitator shall not knowingly keep or cause to be kept any money in any financial institution under any name designating the money as belonging to a client of the exchange facilitator unless the money equitably belongs to the client and was actually entrusted to the exchange facilitator by the client.

B. Change in Control.

An Exchange Accommodator shall notify all existing exchange clients of any change in control of the Exchange Accommodator. Such notification shall be made to the Exchange Accommodator's clients within ten (10) business days following the effective date of

such change in control either by facsimile or e-mail transmission, or by first class mail, and by posting such notice of change of control on the Exchange Accommodator's website for a period ending not sooner than 90 days after the change in control. Such notification shall set forth the name, address and other contact information of the transferees. Notwithstanding the above, if the Exchange Accommodator is a publicly traded company and remains a publicly traded company after a change in control, the publicly traded company shall not be required to notify its existing clients of such change in control. For purposes of this section, change in control shall mean any transfer within 12 months of more than 50% of the assets or ownership interests, directly or indirectly, of the Exchange Accommodator.

ARTICLE VII

An Exchange Accommodator shall cooperate with other Exchange Accommodators in all matters affecting the exchange industry as a whole. This includes, but is not limited to, the sharing of knowledge and experience through active participation in FEA educational programs, reporting violations of the Code of Ethics and Conduct to the Ethics Committee of the FEA in writing, and active participation in the FEA.

ARTICLE VIII

Except in the case of disclosure of conduct in violation of the Code of Ethics and Conduct, or in the case of potential civil or criminal litigation, the Exchange Accommodator shall hold the exchange industry in the highest esteem, and avoid criticizing, denigrating, or otherwise disparaging a competitor or the Exchange Accommodator industry as a whole.

ARTICLE IX

An Exchange Accommodator, its owners, officers, and its employees, shall maintain, uphold and conform to this Code of Ethics and Conduct, and the rules, regulations, and By-Laws of the Federation.

ETHICS COMMITTEE ARTICLE X

Upon approval of the Board of Directors, the Ethics Committee may issue hypothetical Ethics advisory opinion letters. Such hypothetical Ethics advisory opinion letters may be disseminated on the "members only" section of the FEA website and at FEA meetings and conferences.