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NEWS RELEASE

For Immediate Release

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1031 EXCHANGE COMPANY ORDERED TO CEASE AND DESIST

COMPANY ENTRUSTED WITH \$83,000,000 SUDDENLY CLOSSES DOORS

(Boise) – Gavin Gee, Director of the Idaho Department of Finance, today issued a Cease and Desist Order against Nevada based Southwest Exchange, Inc., doing business in Idaho as Arrow 1031 Exchange, for unlicensed escrow activities, for failing to disburse escrow funds, and for employing a scheme to defraud or mislead in violation of the Idaho Escrow Act.

According to Gee, the Idaho Department of Finance was contacted by an Idaho retired couple who entrusted over \$300,000 to Southwest Exchange as part of a Section 1031 tax-deferred property exchange. Southwest Exchange failed to disburse the funds to facilitate a property exchange and has not accounted for the missing funds. Gee said there may be other Idaho victims, and the Department's investigation is continuing.

On February 8th a Nevada judge appointed a receiver for Southwest Exchange, Inc. to try to preserve or retrieve consumers' escrowed funds, said Gee. According to reports out of Nevada, Southwest Exchange suddenly closed its Nevada operations earlier this month with over 83 million dollars of client funds having been entrusted to it.

Gee said the Idaho Escrow Act, which became effective in 2005, applies to independent escrow companies acting as qualified intermediaries in 1031 tax-deferred exchanges. Under the Internal Revenue Code (IRC) Section 1031, qualified intermediaries assist real property owners in selling investment property and then

reinvesting the proceeds in the purchase of like-kind property, thus deferring capital gains taxes. “Because independent 1031 exchange companies hold significant amounts of money in escrow, they are required to be licensed under the Idaho Escrow Act for the protection of the public,” Gee said.

Although 1031 exchanges can offer tax advantages, Gee urged Idaho consumers to avoid becoming victimized in these transactions by first checking the license status of independent escrow companies. Consumers can check an escrow company’s license status by calling the Department of Finance or by checking the Department’s website.

Gee encouraged Idahoans who believe they have been victimized by Southwest Exchange to contact the Idaho Department of Finance.

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Department of Finance Press Releases and other information can be found on the Internet via the worldwide web at <http://finance.idaho.gov> and may be obtained by contacting the Department at (208) 332-8080 or Idaho toll-free at 1-888-346-3378.