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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

| | | |
|------------------------------|---|-------------------------|
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| SECURITY 1031 SERVICES, LLC, |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| THE 1031 TAX GROUP, LLC, |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| 1031ADVANCE 132 LLC, |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| 1031ADVANCE, INC., |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| 1031 TG OAK HARBOR LLC, |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
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In re:)
)
ATLANTIC EXCHANGE COMPANY, INC.)
)
Debtor.)

Chapter 11
Case No. _____ (___)

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In re:)
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ATLANTIC EXCHANGE COMPANY LLC,)
)
Debtor.)

Chapter 11
Case No. _____ (___)

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In re:)
)
EXCHANGE MANAGEMENT, LLC,)
)
Debtor.)

Chapter 11
Case No. _____ (___)

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In re:)
)
INVESTMENT EXCHANGE GROUP, LLC,)
)
Debtor.)

Chapter 11
Case No. _____ (___)

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In re:)
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NATIONAL EXCHANGE
ACCOMMODATORS, LLC)
)
Debtor.)

Chapter 11
Case No. _____ (___)

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In re:)
)
NATIONAL EXCHANGE SERVICES
QI, LTD.,)
)
Debtor.)

Chapter 11
Case No. _____ (___)

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| In re: |) | |
| |) | Chapter 11 |
| NATIONAL INTERMEDIARY, LTD., |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| NRC 1031, LLC, |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| REAL ESTATE EXCHANGE SERVICES, |) | |
| INC., |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| RUTHERFORD INVESTMENT LLC, |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| SHAMROCK HOLDINGS GROUP, LLC, |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |

**MOTION FOR JOINT ADMINISTRATION
OF DEBTORS' CHAPTER 11 CASES**

The above-captioned debtors (collectively, the “Debtors”), by and through their undersigned counsel, hereby move this Court for entry of an order providing for the joint administration of the Debtors’ chapter 11 cases (the “Chapter 11 Cases”). In support of the Motion, the Debtors respectfully represent as follows:

FACTS

A. Introduction

1. On the date hereof (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, as amended (the “Bankruptcy Code”), together with various motions and applications seeking certain typical “first day” orders.

2. The Debtors have continued in possession of their properties and have continued to operate and manage their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. No request has been made for the appointment of a trustee or examiner, and no official committee(s) has yet been established in these cases.

4. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§157 and 1134. Venue of the Debtors’ Chapter 11 Cases and this Motion is proper in this District pursuant to 28 U.S.C. §§1408 and 1409. This is a “core” proceeding under 28 U.S.C. §157(b)(2). The statutory predicate for relief sought herein is Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

B. Background

5. The sole member of The 1031 Tax Group, LLC (the “Member”) made six (6) acquisitions between August 2005 and December 2006 under a business strategy of “rolling up” regional “qualified intermediary” (also referred to as a “QI,” “exchange accommodator titleholder,” “EAT,” “accommodator,” or “facilitator”) into a national firm. All of these acquisitions entities are wholly-owned direct or indirect subsidiaries of the 1031 Tax Group,

LLC. The first acquisition was in Boston, then New York and Tampa, followed by San Antonio, Denver and finally San Jose. Typically, the former owner stayed on after the acquisition to run the facilitator.

6. The Debtors act as a QI for deferred like kind property exchanges consummated by exchangers pursuant to section 1031 of the Internal Revenue Code, 26 U.S.C. § 1031. A Section 1031 tax deferred exchange, named for the Internal Revenue Code Section to which it refers (also known as a Starker exchange, tax free exchange, or like kind exchange), allows a deferral of the capital gains tax that would otherwise be due.

7. In a typical 1031 exchange, an exchanger (“Exchanger”) sells its business or investment real estate. The Exchanger then has forty-five (45) days from the date of sale of the property to identify a like kind replacement property (which usually takes the form of a signed contract) and 180 days from the date of the sale to close on the purchase of the replacement property. In order to preserve the tax deferral, the Exchanger cannot take title to the proceeds of the first sale, but must instead deposit the proceeds with a QI until such time that the Exchanger is ready to close on the replacement property. Revenue is generated by the Debtors in these transactions in two ways: (i) fees are earned based on the size and complexity of each transaction and (ii) the QI earns a spread on interest received versus interest paid to the Exchanger.

8. Several of the Debtors also acted as a qualified intermediary for “reverse exchanges.” In a reverse exchange, the Exchanger identifies and contracts for the replacement property prior to selling the old property. The Exchanger lends funds or guarantees a bank loan to the QI. The QI uses the funds to purchase and takes title to the replacement property. The replacement property is leased back to the Exchanger at a rent equal to the QI’s carrying cost,

including debt service. The Exchanger agrees to acquire the property within 180 days. The Exchanger signs a contract to sell the old property and assigns the rights under the contract to the QI. When the sale closes on the old property, the replacement property is conveyed to the Exchanger in exchange for the proceeds of sale of the old property. The funds are used to repay the loan to the Exchanger and the lease is cancelled. A reverse exchange can also be done where the replacement property is build-to-suit construction or a renovation. Title to the replacement property in a reverse exchange is held in a Single Purpose Entity (“SPE”), usually an LLC (the “Reverse LLC”). Thus, the Debtors have a significant number of Reverse LLCs existing for this purpose.¹

9. As of the Petition Date, there were in excess of three hundred (300) open exchange contracts representing an estimated liability of \$151 million. By the nature of the exchanges, the estimated liability matures within 180 days. The size of each exchange ranges from the tens of thousands to more than \$10.5 million and averaged approximately \$550,000.

RELIEF REQUESTED

10. By this Motion, the Debtors respectfully request the entry of an order providing for the joint administration of the Debtors’ Chapter 11 Cases under the case number assigned to The 1031 Tax Group, LLC.

BASIS FOR RELIEF

11. Pursuant to Bankruptcy Rule 1015, this Court may order the joint administration of the estates of “a debtor and an affiliate.” Fed. R. Bankr. P. 1015(b).

¹ As of the Petition Date, there were over one hundred (100) open reverse exchange contracts, at an undetermined total value. As of the Petition Date, none of the Reverse LLC entities have filed petitions for relief under chapter 11.

12. The Debtors are “affiliates,” as such term is defined in sections 101(2) (A) and (B) of the Bankruptcy Code.

13. The Debtors intend to file with this Court a number of motions, applications, and other pleadings meant to apply to each of the Debtors’ cases. The joint administration of these cases, including the combining of notices to creditors of the respective estates and the calling and hearing of all matters related to the Debtors at the same time, will promote economical and efficient administration of these Debtors’ estates.

14. The rights of the respective creditors of each of the Debtors will not be adversely affected by joint administration of these cases since the relief sought herein is purely procedural and is in no way intended to affect substantive rights. Each creditor will be entitled to file a claim against the particular estate owing it money and to proceed individually in any other way against any of the Debtors, if necessary or unless otherwise ordered by the Court. Finally, the relief requested by this Motion will also simplify supervision of the administrative aspects of these cases by the office of the United States Trustee.

15. The relief requested herein is procedural in nature only; no substantive consolidation is sought by this Motion.

NOTICE

16. Notice of this Motion has been given to the United States Trustee and those creditors listed on the Debtors’ Consolidated List of Creditors Holding the 20 Largest Unsecured Claims. Given the nature of the relief requested by this Motion, the Debtors submit that no further notice is necessary.

17. In light of the non-extraordinary nature of the relief requested herein, the Debtors

respectfully request that the Court waive the separate memorandum of law requirement contained in the Local Bankruptcy Rules.

18. The Debtors have not previously sought the relief requested herein from this or any other court.

WHEREFORE, the Debtors respectfully request that this Court enter an order, substantially in the form annexed hereto as Exhibit "A", *inter alia*, directing the joint administration of the Debtors' Chapter 11 Cases under the case number assigned to The 1031 Tax Group, LLC., together with such other relief as may be just and proper.

Dated: New York, New York
May 13, 2007

Respectfully submitted,

DREIER LLP

By: /s/ Norman N. Kinel
Norman N. Kinel (NK 0474)
Paul Traub (PT 3752)
Steven E. Fox (SF 5432)
499 Park Avenue
New York, New York 10022
Tel. (212) 328-6100

Proposed Counsel for the Debtors and
Debtors-in-Possession

EXHIBIT "A"

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

| | | |
|---------------------------------|---|------------------------|
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| SECURITY 1031 SERVICES, LLC, |) | |
| |) | Case No. _____ (___) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| THE 1031 TAX GROUP, LLC, |) | |
| |) | Case No. _____ (___) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| 1031ADVANCE 132 LLC, |) | |
| |) | Case No. _____ (___) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| 1031ADVANCE, INC., |) | |
| |) | Case No. _____ (___) |
| Debtor. |) | |
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| In re: |) | |
| |) | Chapter 11 |
| 1031 TG OAK HARBOR LLC, |) | |
| |) | Case No. _____ (___) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| ATLANTIC EXCHANGE COMPANY, INC. |) | |
| |) | Case No. _____ (___) |
| Debtor. |) | |
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| In re: |) | |
| |) | Chapter 11 |
| ATLANTIC EXCHANGE COMPANY LLC, |) | |
| |) | Case No. _____ (___) |
| Debtor. |) | |
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In re:)
)
EXCHANGE MANAGEMENT, LLC,)
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Debtor.)

Chapter 11

Case No. _____ (____)

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In re:)
)
INVESTMENT EXCHANGE GROUP, LLC,)
)
Debtor.)

Chapter 11

Case No. _____ (____)

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In re:)
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NATIONAL EXCHANGE
ACCOMMODATORS, LLC)
)
Debtor.)

Chapter 11

Case No. _____ (____)

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In re:)
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NATIONAL EXCHANGE SERVICES
QI, LTD.,)
)
Debtor.)

Chapter 11

Case No. _____ (____)

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In re:)
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NATIONAL INTERMEDIARY, LTD.,)
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Debtor.)

Chapter 11

Case No. _____ (____)

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In re:)
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NRC 1031, LLC,)
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Debtor.)

Chapter 11

Case No. _____ (____)

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| In re: |) | |
| |) | Chapter 11 |
| REAL ESTATE EXCHANGE SERVICES, |) | |
| INC., |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |
| In re: |) | |
| |) | Chapter 11 |
| RUTHERFORD INVESTMENT LLC, |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
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| In re: |) | |
| |) | Chapter 11 |
| SHAMROCK HOLDINGS GROUP, LLC, |) | |
| |) | Case No. _____ (____) |
| Debtor. |) | |
| -----X |) | |

**ORDER DIRECTING JOINT
ADMINISTRATION OF CHAPTER 11 CASES**

Upon the motion (the “Motion”) of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an order pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure, directing the joint administration of the above-captioned cases (the “Chapter 11 Cases”) under chapter 11 of Title 11 of the United States Code, as amended; and it appearing that the Court has jurisdiction over this matter pursuant to 28 U.S.C. sections 157 and 1334, and that this is a “core” proceeding pursuant to 28 U.S.C. section 157(b)(2); and it appearing that the Debtors are “affiliates” as that term is defined in 11 U.S.C. §101(2); and it appearing that joint administration of the Chapter 11 Cases is in the best interests of the Debtors and their respective estates and creditors; and notice of the Motion and an opportunity for a hearing on the Motion having been appropriate under the circumstances and that no other notice need be given; and upon due deliberation and sufficient cause appearing

therefor, it is hereby

ORDERED, that the Motion is granted to the extent provided herein; and it is further

ORDERED, that in accordance with Bankruptcy Rule 1015(b), the above-captioned Chapter 11 Cases are hereby consolidated, for procedural purposes only, and shall be jointly administered by this Court; and it is further

ORDERED, that the caption of the jointly administered Chapter 11 Cases shall read as follows:

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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| In re: | Chapter 11 |
| THE 1031 TAX GROUP, LLC, <u>et al.</u> , ¹ | Case No. _____ (____) |
| Debtors. | Jointly Administered |
| -----X | |

and no party shall be required to list any further information beyond that set forth above in pleadings filed in these Chapter 11 Cases; and it is further

ORDERED, that all original docket entries shall be made in the case of The 1031 Tax Group, LLC, Case No. _____ (____), and that the Clerk of this Court is directed to forthwith make separate docket entries in each of the above-captioned Chapter 11 Cases substantially as follows:

An order has been entered in this case directing the procedural consolidation and joint administration of the Chapter 11 Cases commenced by The 1031 Tax Group, LLC, and its direct and indirect debtor affiliates, in accordance with Rule 1015(b) of

1 The Debtors are: The 1031 Tax Group, LLC; 1031 Advance 132 LLC; 1031 Advance, Inc.; 1031 TG Oak Harbor LLC; Atlantic Exchange Company, Inc.; Atlantic Exchange Company LLC; Exchange Management, LLC; Investment Exchange Group, LLC; National Exchange Accommodators, LLC; National Exchange Services QI, Ltd.; National Intermediary, Ltd.; NRC 1031, LLC; Real Estate Exchange Services, Inc.; Rutherford Investment LLC; Security 1031 Services, LLC; and Shamrock Holdings Group, LLC.

the Federal Rules of Bankruptcy Procedure. The docket in Case No. _____ (____) should be consulted for all matters affecting this case.

and it is further

ORDERED, that nothing contained in the Motion or in this order shall be construed to cause a substantive consolidation of these Chapter 11 Cases; and it is further

ORDERED, that the Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this order; and it is further

ORDERED, that the terms and conditions of this order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED, that to the extent that any affiliates of the Debtors subsequently commence chapter 11 cases, the relief granted pursuant to this order shall apply to such debtors and their respective estates; and it is further

ORDERED, that the Court retains jurisdiction with respect to all matters arising from or related to the implementation of this order.

Dated: May ___, 2007

UNITED STATES BANKRUPTCY JUDGE