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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re:

THE 1031 TAX GROUP, LLC, et al.,¹

Debtors.

Chapter 11

Case No. _____ (____)
Jointly Administered

-----X
**DEBTORS' MOTION FOR ENTRY OF AN ORDER
AUTHORIZING THE DEBTORS TO (A) MAIL INITIAL
NOTICES AND (B) PREPARE A CONSOLIDATED LIST OF
CREDITORS (WITHOUT CLAIM AMOUNTS) IN LIEU OF A MATRIX**

The above-captioned debtors and debtors-in-possession (the "Debtors") hereby submit this motion (the "Motion") seeking entry of an order authorizing the Debtors to (a) mail initial notices and (b) prepare a consolidated list of creditors (without claim amounts) in lieu of a matrix. In support of the Motion, the Debtors respectfully state as follows:

Introduction

1. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases"), together with various motions and applications seeking certain typical "first day" orders (the "First Day Motions").

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.
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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 been appointed in this case.

4. This Court has jurisdiction over this Motion under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409.

5. The statutory bases for the relief requested herein are sections 105(a) and 521 of title 11 of the United States Code, as amended (the “Bankruptcy Code”), Rule 1007(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

Background

6. 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.

7. 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.

8. 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.

9. 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

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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.²

10. 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

11. By this Motion, the Debtors request authority to (a) mail initial notices and (b) prepare a consolidated list of creditors (without claim amounts) in electronic format, identifying their creditors in the format or formats currently maintained in the ordinary course of business in lieu of any required creditor matrix.

Basis for Relief

12. Permitting the Debtors to mail initial notices and maintain a consolidated list of creditors (without claim amounts) in electronic format in lieu of filing a creditor matrix is warranted under the circumstances. Indeed, converting the Debtors’ computerized information to a format compatible with the matrix requirements would be an exceptionally burdensome task and would greatly increase the risk and recurrence of error with respect to information already intact on computer systems maintained by the Debtors or their agents.

13. The Debtors have identified in excess of 300 entities to which notice of the Debtors’ Chapter 11 Cases must be given. The Debtors maintain lists of the names and addresses of all such entities on various computer programs or have access to such lists, which permits the Debtors (or their agents) to produce mailing labels for each creditor.

² 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.
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14. Transferring this information to the form of a mailing label matrix described by the Local Bankruptcy Rules would be a monumental and expensive task. Moreover, in light of the size of the mailings, the Court may direct the Debtors to complete such mailings. Consequently, it is in the best interest of the Debtors' estates and creditors to avoid the costs and risks associated with preparing and filing the mailing label matrix and to permit the Debtors instead to file a consolidated list of creditors, not in matrix form, without claim amounts. The Debtors also propose to undertake (or have an agent undertake) all other mailings directed by the Court, the United States Trustee or required by the Bankruptcy Code or the Local Rules.

15. Relief similar to that requested herein has been granted in other chapter 11 cases. See e.g., In re Delta Air Lines, Inc., Case No. 05-17923 (PCB) (Bankr. S.D.N.Y. Sept. 16, 2005); In re Northwest Airlines Corp., Case No. 05-17930 (ALG) (Bankr. S.D.N.Y. Sept. 15, 2005); In re Tower Auto., Inc., Case No. 05-10578 (ALG) (S.D.N.Y. Feb. 4, 2005); In re NRG Energy, Inc., Case No. 03-13054 (PCB) (Bankr. S.D.N.Y. May 14, 2003); In re Enron Corp., Inc., Case No. 01-16034 (AJG) (Bankr. S.D.N.Y. Dec. 3, 2001); In re Laidlaw USA, Inc., Case No. 01-14099 (MJK) (Bankr. W.D.N.Y. June 29, 2001).

Memorandum of Law

16. 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.

Notice

17. Notice of this Motion has been provided to (a) the Office of the United States Trustee; and (b) those creditors listed on the Debtors' Consolidated List of Creditors Holding the 20 Largest Unsecured Claims. In light of the nature of the relief requested, the Debtors submit that no further notice is required.

No Prior Request

18. No prior Motion for the relief requested herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form annexed hereto as Exhibit "A", *inter alia*, authorizing the Debtors to (a) mail initial notices and (b) prepare a consolidated list of creditors (without claim amounts) in lieu of a matrix, in a computer readable format that is acceptable to the Clerk of the Court and to make such list available upon request; and granting such other and further relief as the Court deems appropriate.

Dated: New York, New York
May 13, 2007

Respectfully submitted,

DREIER LLP

By: /s/ Norman N. Kinel

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Proposed Counsel for the Debtors and
Debtors-in-Possession

EXHIBIT "A"

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

THE 1031 TAX GROUP, LLC, et al.,¹

Debtors.
-----X

Chapter 11

Case No. _____ (____)
Jointly Administered

**ORDER AUTHORIZING THE DEBTORS TO (i) MAIL
INITIAL NOTICES; AND (ii) PREPARE A CONSOLIDATED
LIST OF CREDITORS (WITHOUT CLAIM AMOUNTS) IN LIEU OF A MATRIX**

Upon consideration of the motion of the above-captioned debtors (the “Debtors”), as debtors and debtors-in-possession herein, for an order authorizing the Debtors to (i) mail initial notices and (ii) prepare a consolidated list of creditors (without claim amounts) in lieu of a matrix (the “Motion”); and notice of the Motion having been given to (a) the Office of the United States Trustee and (b) those creditors listed on the Debtors’ Consolidated List of Creditors Holding the 20 Largest Unsecured Claims; and it appearing that no other notice need be given; and after 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 the Debtors are hereby authorized to mail initial notices; and it is further

ORDERED, that the Debtors are hereby authorized to prepare a consolidated list of creditors (without claim amounts) in lieu of a matrix; and it is further

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.

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

Dated: May __, 2007

UNITED STATES BANKRUPTCY JUDGE