



UNLIMITED EXCHANGE II, INC.

Mailing Address: 15 North Main Street; Temple, Texas 76501

Phone: (866) 597-9543

Facsimile: (888) 225-7043

Email Address: exchangeinfo@unlimitedexchange.com

CHECKLIST

_____ **Review Anticipated Transaction.** Review the entire transaction with tax and/or legal advisors.

_____ **Contact Unlimited Exchange.** Contact Unlimited Exchange II, Inc. (“Unlimited Exchange”) to act as qualified intermediary in the proposed transaction at either:

- (1) Call 1-866-597-9543, toll-free, and speak with one of our representatives, *or*
- (2) (a) Fax the Initiation Form to 1-888-225-7043, *or*
 - (b) Email the Initiation Form to exchangeinfo@unlimitedexchange.com, *or*
 - (c) Mail the Initiation Form to Unlimited Exchange, c/o 15 North Main Street; Temple, Texas 76501, and one of our representatives will contact you.

In addition, you should contact Unlimited Exchange once you have entered into a Sales Contract (see next step), a Purchase Contract (see below), and at any time you have a question about your exchange.

_____ **Sales Contract.** Enter into an “assignable” Sales Contract with a third party to sell the Relinquished Property, and provide a copy of the executed Sales Contract and the closing agent’s contact information to Unlimited Exchange. The Sales Contract should (1) contain language that it is the seller’s intent to initiate a deferred like-kind exchange in accordance with Section 1031 of the Internal Revenue Code (the “Code”), and (2) be entered into and executed by yourself (the Exchange Party), as the seller, and the third party, as the buyer.

_____ **1031 Documentation (Sale).** Unlimited Exchange will prepare the exchange documents for the sale of the Relinquished Property, including an assignment of your interest in the Sales Contract to Unlimited Exchange for the purpose of the exchange. The original 1031 documents will be forwarded to the closing agent for execution of the 1031 documents at the closing of the Relinquished Property. You may request copies of the 1031 documents to review prior to the closing.

_____ **Closing (Sale).** At the closing, your interest in the Sales Contract is assigned to Unlimited Exchange, and Unlimited Exchange proceeds to close on the Relinquished Property. The HUD-1 or closing statement will reflect the Seller as Unlimited Exchange, as qualified intermediary for you, and Unlimited Exchange, as Seller, will sign all documents with a “read and approved” signature block for you, as the Exchange Party. The Relinquished Property will be conveyed to the buyer by a direct deed directly from you in accordance with the Code. The exchange proceeds will be transmitted to Unlimited Exchange, as qualified intermediary, and held by Unlimited Exchange in a segregated interest-bearing account at an FDIC-insured institution for your benefit.

_____ **Identification Period.** You will have 45 days from the transfer of the Relinquished Property to identify your Replacement Property in accordance with the Code. See the *Exchange Handbook* located on the Unlimited Exchange website for details. An Identification of Replacement Property form will be provided to you at closing for your use in identifying your Replacement Property. You may also obtain an Identification of Replacement Property form on the Unlimited Exchange website or contact Unlimited Exchange.

_____ **Identification of Replacement Property.** Unlimited Exchange must receive a copy of the completed, signed Identification of Replacement Property before midnight of the 45th day following the transfer of the Relinquished Property.

Exchange Period. You will then have 135 days from the termination of the Identification Period (180 days from the transfer of the Relinquished Property) to purchase your Replacement Property.

Purchase Contract. Enter into an “assignable” Purchase Contract with a third party to purchase a Replacement Property, and provide a copy of the executed Purchase Contract and the closing agent’s contact information to Unlimited Exchange. The Purchase Contract should (1) contain language that it is your intent to complete your deferred like-kind exchange in accordance with the Code, and (2) be entered into and executed by yourself (the Exchange Party), as the purchaser, and the third party, as the seller. Contact Unlimited Exchange if you wish to use a portion of the exchange proceeds as earnest money to bind the Purchase Contract.

1031 Documentation (Purchase). Unlimited Exchange will prepare the exchange documents for the purchase of the Replacement Property, including an assignment of your interest in the Purchase Contract to Unlimited Exchange for the purpose of the exchange. The original 1031 documents will be forwarded to the closing agent for execution of the 1031 documents at the closing of the Replacement Property. You may request copies of the 1031 documents to review prior to the closing.

Closing (Purchase). At the closing, your interest in the Purchase Contract is assigned to Unlimited Exchange, and Unlimited Exchange proceeds to close on the Replacement Property. The HUD-1 or closing statement will reflect the Purchaser as Unlimited Exchange, as qualified intermediary for you, and Unlimited Exchange, as Purchaser, will sign all documents with a “read and approved” signature block for you, as the Exchange Party. The Replacement Property will be conveyed to you by a direct deed directly from the seller of the Replacement Property in accordance with the Code. The proceeds required to be paid by the Purchaser (up to the extent of the exchange proceeds) will be transmitted to the closing agent by Unlimited Exchange. If additional funds are needed (either cash or loan proceeds) to purchase the Replacement Property, then you will need to make the necessary arrangements prior to closing.

Completion. Once all of the exchange proceeds have been “spent” to purchase Replacement Property and all exchange requirements have been met, your exchange is complete.

Information Reporting to the Internal Revenue Service. You will need to provide your tax advisor with copies of the following documents: (1) Sales Contract, exchange documents, closing statement, and 1099 from the sale of the Relinquished Property; (2) Purchase Contract, exchange documents, and closing statement from the purchase of the Replacement Property; and (3) 1099 form received from Unlimited Exchange for interest earned on the exchange proceeds while held by Unlimited Exchange, in order that your 1031 exchange transaction can be properly reported to the Internal Revenue Service (“IRS”). This will require the filing of a form 8824.

For the sale of depreciable rental or business property, you will also need to file a Form 4797, "Sale of Business Property". For the sale of non-depreciable investment property, you will need to file a Form 1041 Schedule D, "Capital Gains and Losses". The basic rule is that closing costs reduce realized gain on the Relinquished Property, reduce boot received, and are added to the basis of the Replacement Property.

Remember, if you sell your Relinquished Property after October 18 of a particular year, you will have less than 180 days within which to complete the exchange. The actual deadline is the date your tax return is due, typically April 15 of the year following the sale of the Relinquished Property. You must complete and file an extension to file your tax return in order to obtain a full 180-day exchange period.

Be aware that the IRS generally has 3 years within which to audit a tax return. However, the statute of limitations is extended if a taxpayer fails to report more than 25% of gross income. The tax savings from a Deferred Exchange often activates this extension.