

This FAR/BAR (Florida Association of Realtors/Florida BAR) Contract Manual was published in 2013

The complete manual has not been updated since then, and there have been several changes to the contract.

Please use this manual with the intent of understanding basic principles of the contract, and refer to the most recent “Red Lined” version of the contract for updated information.

ACKNOWLEDGMENT

I would like to thank The Florida Bar, the Florida Realtors® and Attorneys' Title Fund Services, LLC for their cooperation and assistance in the development and production of this manual.

Members of the Realtor-Attorney Joint Committee have generously contributed countless hours to the preparation and periodic revision of a uniform contract for sales and purchase that would be acceptable and useful to everyone.

The Florida Realtors® is the professional arm of Florida's real estate industry. The Florida Realtors® provides programs, services, research, legislative representation and continuing education to its members. Founded in 1916 it is the state's largest trade organization and continues to protect the rights of real property owners and Florida's quality of life.

To broaden the distribution of the manual, Attorney's Title Fund Services, LLC produced the typesetting and printing. Throughout its long and successful history, The Fund has been committed to furthering relationships between Florida attorneys and Realtors®. To this end, The Fund actively supports a number of real property councils across the state, which serve as a forum for attorneys and Realtors® to discuss issues of mutual interest.

I welcome your comments and suggestions relating to the use and contents of this manual. Please address any comments or suggestions to:

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INTRODUCTION

A. THE 2013 FORMS:

The 2010 Florida Realtors/Florida Bar-Contract (“Contract”) and 2013 edition forms represent a major revision of prior editions. Starting in 2008, the Realtor-Attorney Joint Committee undertook an effort to merge the FAR/BAR forms of contract with the FAR Residential form of contract, the objective being to produce a single form of standardized contract that could be used throughout the state. After hundreds of hours of meetings the effort was unsuccessful. However, the current forms, in large part, evolved out of those efforts.

B. USE OF THE FORM:

These forms are ideally suited for transactions involving the purchase and sale of improved residential properties. The provisions of the contract presume that there are residential improvements on the property. With some revision and adaptation, the form can be used as a contract for the purchase of vacant residential property. Use of the forms for non-residential properties e.g., the purchase of a commercial building is not recommended. Agents are encouraged to seek legal advice and assistance in such transactions.

C. CHOICE OF FORMS:

The Contract provides a choice between two basic forms – the Residential Contract for Sale and Purchase (“Standard Form”) and the “As-Is” Residential Contract for Sale and Purchase the (“As-Is Form”). In addition, the Comprehensive Rider provides a variety of special purpose riders, disclosures and addendums which are discussed later in this manual.

The choice of using the Standard Form or the As-Is Form will depend primarily upon the intent and the objectives of the buyer who initiates the offer and somewhat upon market conditions. The essential differences are:

1. The Standard Form imposes an obligation on the seller to pay the cost of remediating certain deficiencies discovered through inspections conducted by the buyer; the As-Is Form does not impose such an obligation and, with some limitations, requires the buyer to accept the property in as-is condition.
2. The As-Is Form permits the buyer to inspect the property and, within the Inspection Period, cancel the contract for any reason (or no reason at all), essentially providing an option to cancel. The Standard Form contains no option to cancel.

Buyers often find the As-Is Form preferable because of this cancellation option. In a buyer's market, the option to cancel enables a buyer to make simultaneous offers on multiple properties without the risk of being bound on any particular contract. If defects and deficiencies are discovered the seller will sometimes volunteer to remedy deficiencies or offer repair credits in order to induce the buyer not to cancel the contract. A seller may prefer the Standard Form thereby eliminating the uncertainty created by the cancellation option. On the other hand, the seller benefits under the As-Is Form by avoiding the cost of repairs/remediation.

Comprehensive Rider L (Right to Inspect and Right to Cancel) offers a hybrid approach which preserves the buyer's inspection rights and cancellation option but also imposes remediation obligations on the seller in the event the buyer elects not to cancel. The Standard Form can be converted to "As-Is" by using Comprehensive Rider K.

D. PREPARATION AND STANDARD OF CARE:

Improperly prepared real estate contracts containing errors, omissions or ambiguities can produce headaches for the parties to the transaction and liabilities for the broker and sales associate ("agent"). If the buyer and seller are motivated to complete the transaction, such problems with the contract are frequently overcome. However, a remorseful buyer or seller seeking to avoid his/her obligations will first look to the contract itself for drafting defects that might provide an exit.

The contract is the single most important document involved in real estate transactions. It formalizes negotiations, defines the rights and obligations of the parties and provides a framework for closing the deal. The Florida Statute of Frauds requires that the contract be in writing and signed by the parties to be bound or by authorized agents. Errors, omissions and poor drafting can lead to a failed transaction, loss of commission and potential liability on the part of the agent.

The agent must have a working familiarity with the printed provisions of the contract forms. The contract provides that handwritten and typewritten provisions will control in the event of a conflict with printed provisions. Therefore, to know whether it is necessary to negate, amend or supersede a printed provision, the agent must first know the content and substance of the printed provisions.

E. CONTRACT DEADLINES:

Standard F of the contract provides that "Time is of the essence in this Contract." These legal words of art mean that deadlines and time periods expressed in the contract are strict, and, except as otherwise provided, cannot be unilaterally extended. Failure to perform within the applicable deadline can serve as a basis for a claim of default on the part of the non-performing party resulting in possible rescission of the contract and/or a claim for damages.

The Contract forms contain numerous provisions establishing time periods and deadlines. In some instances, these deadlines are part of the printed form. Other dates and time

periods are in a “fill in the blank” format. Often, but not always, a “default” time period will be included in the printed form to apply in the event that the blank is not completed. Insert time periods and deadlines which are realistic and internally consistent.

The Contract forms include line numbers in the left hand margin. Some of these line numbers show an asterisk (*) indicating that there is a need to check the box or fill in the blank on that particular line. The Contract computer programs, when available should likewise highlight these blanks and boxes hopefully reducing the risk of omission.

Following the execution of the contract by all parties, the agent should consider producing a written schedule of contract deadline dates and furnishing a copy of that schedule to the parties involved in the transaction. The agent has a vested interest in making sure that the parties perform in a timely manner and to render assistance when needed.

F. PREPARING TO PREPARE THE CONTRACT:

It is important to have the information constituting the basic terms of the agreement prior to preparation. Being fully familiar with the terms and conditions of the offer and having that essential information will help ensure that the contract offer is prepared efficiently and in proper form. The following is a list (not necessarily a complete list) of pre-preparation considerations.

1. Proper identification of the buyer and seller.
2. Correct legal description.
3. Inventory of included and excluded personal property.
4. Price, deposits, financing and closing date.
5. If a financing contingency is to be included, what are the desired terms of financing and are those terms realistic given market conditions?
6. If a purchase money mortgage is involved, what are the terms (principal amount, interest rate, method of payment) being offered by the buyer?
7. Amount of General Repair Limit, WDO Repair Limit and Permit Limit.
8. Is there a prior title insurance policy and survey?
9. What addenda or riders are required/desired?
10. If the property is a condominium unit obtain the information necessary to complete the required Condominium Association Rider included as part of the Comprehensive Rider e.g., association approval process, time for approval, interviews, right of first refusal, amount of regular assessments, pending or threatened special assessments, assigned parking spaces, storage spaces, restrictions relating to pets and children, etc.

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11. If the property is governed by a homeowner's association, obtain information necessary to complete the required Homeowner's Association/Community Disclosure e.g., association approval process, amount of regular assessments and pending or threatened special assessments, use restrictions, architectural controls, etc.

PARTIES, PROPERTY DESCRIPTION, BASIC TERMS

1* **PARTIES:** _____ ("Seller"),
2* and _____ ("Buyer"),
3 agree that Seller shall sell and Buyer shall buy the following described Real Property and Personal Property
4 (collectively "Property") pursuant to the terms and conditions of this Residential Contract For Sale And Purchase and
5 any riders and addenda ("Contract").

A. DESCRIBING THE SELLER:

1. Who owns the property? The name of the seller(s) should be consistent with the manner in which title to the property is held. Information derived from the county property appraiser's office or from MLS listing data is not always reliable. A better source is the deed vesting title in the seller and/or a prior title insurance policy.

2. Homestead/Joint Ownership: Improved residential property owned in the individual name of a married person and occupied as a principal residence is likely subject to the Florida homestead laws which require the joinder of the spouse in a deed conveying the property. Therefore, the spouse should be joined as a party to the contract. If the property is held by husband and wife as tenants by the entirety, both must sign. If owned by two or more individuals as joint tenants or tenants in common, all co-owners must sign the contract.

3. Corporations: If owned by a corporation, enter the exact name of the corporation and indicate whether it is a Florida corporation or a corporation of another state. Require execution by the president or vice president of the corporation. A determination should be made that the corporation is in good standing. Corporate status of Florida entities and registration of foreign entities can be obtained by a record search on the Florida Department of State, Division of Corporations web site – www.cfcfcorp.dos.state.fl.us, or www.sunbiz.org.

4. Foreign Seller: If the seller is not a U.S. citizen or entity, the provisions of the Foreign Investment in Real Property Tax Act (FIRPTA) may require withholding of a portion of the sales proceeds for payment of taxes. A FIRPTA Rider (Comprehensive Rider I) should be attached.

5. Partnerships:

- a. General Partnerships. General partnerships are not legal entities under Florida law but are authorized to hold title to real property. As with corporations, the parties signing the contract should be the same individuals who are required to sign a deed. The problem with general partnerships is that, in many cases there is no public record identifying the partners or the limitations on their authority to bind the partnership. The authority of a partner to sign a contract and convey partnership property can be determined from an examination of the partnership agreement and/or the recording of a partnership affidavit as provided for in Section 689.045(3), Florida Statutes. In addition, if a general partnership has registered with the Florida Department of State and filed a Statement of Partnership Authority the partner(s) named in the Statement of Authority is the proper party to sign on behalf of the seller partnership. The foregoing also applies to general partnerships qualifying as limited liability partnerships under Section 620.9001, Florida Statutes.

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- b. **Limited Partnerships.** Limited partnerships are legal entities under Florida law. They are composed of one or more general partners and any number of limited partners. Limited partners by law have no authority to bind the limited partnership. As with corporations, a determination should be made as to whether the limited partnership is in good standing. This can be determined by record search at the web site of the Florida Department of State Division of Corporations. That search will reflect the identity of the general partners. As with general partnerships, a review of the limited partnership agreement is recommended to determine whether one or more general partners are unconditionally authorized to convey limited partnership property.

6. Limited Liability Companies. As with other entities, a determination should be made that the limited liability company is in good standing. A search of the records at the Florida Department of State Division of Corporations web site will identify the manager or managers who are authorized to bind the limited liability company. There are typically two governing documents involved in the formation of an LLC-the Articles of Organization and the Operating Agreement. These documents should be examined to determine the identity of the manager or member who is authorized to convey LLC property. Some LLCs are member-managed in which event a single member may bind the company. If the governing documents appoint a manager, then absent any limitations in the governing documents, the manager should execute the contract.

7. Estates: If the property is an asset of an estate, the party should be described as "_____ as the Personal Representative of the Estate of _____ deceased." If the Personal Representative does not have the power of sale in the will, the contract should be conditioned upon the approval of the probate court.

8. Trusts: If the seller is a trust, the proper party is the trustee of the trust, not the trust itself. Once again, the authority of the trustee to sell and convey trust property depends on trust documents which are typically not available on the public records. If title is held by the popular form of grantor revocable trust and if the deed vesting title in the trustee contains trustee powers language prescribed by Section 689.071, Florida Statutes, then execution of the contract by the trustee identified in the deed is sufficient. In other situations, the trust documents should be examined to determine whether the trustee is authorized to convey trust property. In some cases, the trust document will require the approval of a majority or greater percentage of multiple trustees and/or the approval of all or some of the beneficiaries.

9. Use of Powers of Attorney: The execution of a contract by an attorney-in-fact on behalf of the seller should be accepted only under the following circumstances:

- a. The power of attorney is in writing and signed by the seller(s).
- b. The power of attorney specifically authorizes the sale of real property and contains no limitations or conditions.
- c. There is no reason to suspect that the power of attorney may have been previously revoked.

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- d. There is no reason to suspect incompetency (unless a durable power of attorney) or death of the person granting the power of attorney.

10. Conclusion: Identifying the proper party as the seller is not as simple as it would seem, particularly with respect to partnerships, trusts and other entities. Care should be taken and due diligence exercised to determine the authority of individuals executing the contract. If the individual signing the contract on behalf of the seller lacks authority, then the partnership, trust or other entity may not be bound by the contract, a problem typically discovered later in the transaction.

B. BUYERS:

1. How will title be taken? Ideally, the buyer should be identified in the same manner as the buyer would be described on the deed. Typically, a married couple purchasing a principal residence will want to hold title as husband and wife; thus, both should sign the contract. The manner in which title to real property is taken may raise tax and estate planning issues. In such instances, the buyer should be encouraged to consult with an attorney experienced in such matters. If, at the time the contract is executed, the buyers are uncertain as to how they wish take title to the property, then the contract should allow assignment under the provisions of Paragraph 7 allowing time for a decision to be made prior to closing.

2. Partnerships, Trusts and other Entities. The inquiries and determinations recommended in Subsection A above also apply with respect to partnerships, trust and entities purchasing real property. Keeping in mind that the primary objective is to create a clear and unambiguous contract which is binding on the buyer and seller, the agent should exercise reasonable due diligence to ensure that the person executing the contract on behalf of a partnership, trust or other entity is authorized to do so.

PROPERTY DESCRIPTION

6	1. PROPERTY DESCRIPTION:
7 *	(a) Street address, city, zip: _____
8 *	(b) Property is located in: _____ County, Florida. Real Property Tax ID No.: _____
9 *	(c) Real Property: The legal description is _____
10	_____
11	_____
12	together with all existing improvements and fixtures, including built-in appliances, built-in furnishings and attached
13	wall-to-wall carpeting and flooring ("Real Property") unless specifically excluded in Paragraph 1(e) or by other terms
14	of this Contract.
15	(d) Personal Property: Unless excluded in Paragraph 1(e) or by other terms of this Contract, the following items which
16	are owned by Seller and existing on the Property as of the date of the initial offer are included in the purchase:
17	range(s)/oven(s), refrigerator(s), dishwasher(s), disposal, ceiling fan(s), intercom, light fixture(s), drapery rods and
18	draperies, blinds, window treatments, smoke detector(s), garage door opener(s), security gate and other access
19	devices, and storm shutters/panels ("Personal Property").
20 *	Other Personal Property items included in this purchase are: _____
21	_____
22	Personal Property is included in the Purchase Price, has no contributory value, and shall be left for the Buyer.
23 *	(e) The following items are excluded from the purchase: _____
24	_____

A. DESCRIBING THE REAL PROPERTY:

1. Legal Description. A legal description is a formal manner by which real property is described. A description of the real property is an essential term of the contract and if the location of the property cannot be determined from the description the contract may be unenforceable. Reliable sources for a correct legal description include the deed vesting title in the seller or a prior title policy.

2. Types of Legal Description. When property has been platted the legal description typically refers to lots, blocks and parcels appearing on the plat. If platted, the legal description should include a reference to the name of the plat and the plat book and page number where the plat is recorded in the public records. If the property is unplatted or if the property being conveyed is a portion of a lot, parcel or tract, "metes and bounds" descriptions are commonly employed. This is a method of describing the boundaries of the property by courses and distances and creating such descriptions typically requires the services of a surveyor.

3. Other Methods of Describing the Real Property. The Contract form provides for other methods of locating and describing the real property including a street address and a real property tax ID number. This information will supplement a legal description and provide additional certainty as to the location and description of the real property. The real property tax ID number is a number created and assigned by the local county property appraiser's office. This number is commonly noted in the MLS listing data. The agent should consider reviewing the search program available on the county property appraiser's web site to ensure that the real property tax ID number actually describes the real property being sold. It is possible that the ID number may describe a larger parcel of which the property being sold is a part.

4. Fixtures. Paragraph 1(c) makes it clear that the real property includes improvements and fixtures. Fixtures are items that originally may have been personal property which have been affixed to either the soil itself or to some structure in a manner that the removal

thereof would likely cause damage to the real property. Subject to further discussion below, fixtures are generally included in the sale of the real property and improvements without the need to specifically identify them.

B. IDENTIFYING PERSONAL PROPERTY:

1. Personal Property. Paragraph 1(d) of the contract identifies certain items of personal property, some of which may constitute “fixtures”, which are included in the sale unless specifically excluded in Paragraph 1(e).

2. Other Items of Personal Property. In addition to those items of personal property and fixtures described in Paragraph 1(d) if there are other items which are included describe those items in the space provided.

3. Personal Property Inventory. If the buyer is purchasing other personal property from the seller e.g., furniture, furnishings, etc., these items should be specifically described on a personal property inventory attached to the contract as an exhibit making reference to that exhibit in Paragraph 1(d). On occasion, this is accompanied by an allocation of the purchase price between the value of the real property and the personal property. This allocation can be of significance with respect to the payment of Florida documentary stamp taxes (which are assessed on the value of the real property) and future appraisals by the county property appraiser for real property tax purposes.

4. No Contributory Value. The Contract assumes that personal property has no intrinsic value separated and apart from the value of the real property, improvements and fixtures. If that is not the case and a specific value is to be assigned to personal property items, a special provision or addendum should be added.

PURCHASE PRICE

	PURCHASE PRICE AND CLOSING	
25		
26 *	2. PURCHASE PRICE (U.S. currency):	\$
27 *	(a) Initial deposit to be held in escrow in the amount of (checks subject to COLLECTION)	\$
28	The initial deposit made payable and delivered to "Escrow Agent" named below	
29 *	(CHECK ONE): (i) ☐ accompanies offer or (ii) ☐ is to be made within _____ (if left blank,	
30	then 3) days after Effective Date. IF NEITHER BOX IS CHECKED, THEN OPTION (ii)	
31	SHALL BE DEEMED SELECTED.	
32 *	Escrow Agent Information: Name:	
33 *	Address:	
34 *	Phone: E-mail: Fax:	
35 *	(b) Additional deposit to be delivered to Escrow Agent within _____ (if left blank, then 10)	
36 *	days after Effective Date	\$
37	(All deposits paid or agreed to be paid, are collectively referred to as the "Deposit")	
38 *	(c) Financing: Express as a dollar amount or percentage ("Loan Amount") see Paragraph 8	
39 *	(d) Other:	\$
40	(e) Balance to close (not including Buyer's closing costs, prepaids and prorations) by wire	
41 *	transfer or other COLLECTED funds	\$
42	NOTE: For the definition of "COLLECTION" or "COLLECTED" see STANDARD S.	

A. COMPLETING THE PURCHASE PRICE SECTION:

1. Purchase Price. The gross purchase price of the property should be inserted in the first line of this Paragraph. Subparagraphs (a) through (e) are intended to reflect the allocation of the purchase price between deposit(s), financing and cash due on closing. The amounts entered in Subparagraphs (a) through (e) should total the gross purchase price.

2. Initial Deposit(s). Paragraph 2(a) is completed by inserting the amount of the initial deposit to be made by the buyer, identifying the escrow agent and inserting contact information for the escrow agent. The format provides for check-the-box options indicating whether the initial earnest money deposit is to be paid at the time the offer is submitted or within a period of days following the acceptance of the offer.

3. Additional Deposit. Subparagraph 2(b) provides for an additional deposit to be paid at some time after the Effective Date of the contract. Additional deposits are typically payable following the satisfaction of certain conditions, (e.g., obtaining a loan commitment, completing inspections, etc.)

4. Purpose and Importance of Earnest Money Deposit(s). As the name itself suggests, a buyer's deposit on a real estate contract reflects the buyer's earnest intent to enter into a contract with a seller. The law does not specify any particular amount that must or should be paid as a deposit. A real estate contract is enforceable without a deposit. The deposit should be an amount which is sufficient to induce the buyer to perform and which will fairly compensate the seller in the event the buyer defaults under the contract. Under the default provisions of Paragraph 15(a) of the contract, the seller's most convenient remedy in the event of a buyer default is to declare a forfeiture and retain the earnest money deposit(s) as liquidated damages.

5. Financing. Paragraph 2(c) is completed by inserting the amount of financing which the buyer is seeking to obtain pursuant to Paragraph 8(b) (New Third Party Financing), 8(c) (Assumption of an Existing Mortgage) and 8(d) (Purchase Money Mortgage to Seller).

6. Other. Paragraph 2(d) is intended to describe any form of payment of the purchase price other than those specified in Paragraph 2. This might include a direct exchange for other real property or the payment of the purchase price in some form other than money.

7. Balance to Close. Paragraph 2(e) is intended to reflect the balance of the cash to be paid at closing after adjustment of the purchase price for financing, deposits and other credits. As noted, the balance to close is further subject to being increased or decreased by closing costs, prepaids and prorations.

8. Collected Funds. The contract uses the term “Collected Funds”. This term is defined in Standard S of the contract as funds being held in an escrow or closing agent’s account which have “become actually and finally collected”. This addresses the fact that a check may clear an account (i.e., the depository bank would honor a check written on the account) but not be finally collected. Cleared funds may be subject to stop payment orders and wire recalls. Collected funds are not. Note that Paragraph 2(e) requires the balance of the purchase price to be paid by wire transfer or other form of collected funds. Earlier editions of the Contract permitted payment by locally issued cashier’s or official bank checks. While a closing agent may permit payment in this form, these forms of checks are not considered “Collected Funds” until deposited, cleared and collected. Under Standard S the closing agent may delay the closing until collection occurs. To ensure that collected funds are available for a closing on the scheduled date, consider delivering bank checks to the closing agent at least two days ahead of the closing date or, more preferably, fund by bank wire.

TIME FOR ACCEPTANCE OF OFFER AND COUNTER-OFFERS; EFFECTIVE DATE

43 **3. TIME FOR ACCEPTANCE OF OFFER AND COUNTER-OFFERS; EFFECTIVE DATE:**

- 44 * (a) If not signed by Buyer and Seller, and an executed copy delivered to all parties on or before _____
45 * _____, this offer shall be deemed withdrawn and the Deposit, if any, shall be returned to
46 Buyer. Unless otherwise stated, time for acceptance of any counter-offers shall be within 2 days after the day the
47 counter-offer is delivered.
48 (b) The effective date of this Contract shall be the date when the last one of the Buyer and Seller has signed or initialed
49 and delivered this offer or final counter-offer ("Effective Date").

A. WHEN DOES THE OFFER BECOME A CONTRACT?

1. Execution and Delivery: The contract requires that an executed copy be delivered to all parties on or before the acceptance date specified. Keep in mind, however, that Standard O of the contract permits facsimile and electronic (including pdf) copies of the contract. Therefore, the contract becomes binding at such time as both parties have fully signed and initialed the contract and caused a copy thereof to be delivered to the other party by one of the permitted means on or before the acceptance deadline set forth in Paragraph 3(a).

2. Time for Acceptance. The date for acceptance should take into account the time period that the buyer wishes to allow the seller to consider and accept the offer. There may also be practical considerations such as whether the seller is immediately available to consider the offer. This provision automatically extinguishes the offer if not accepted prior to the acceptance deadline. If a seller accepts the offer after the acceptance deadline the deadline should either be changed and initialed by all parties or some other form of written waiver should be obtained.

3. Counteroffers: The contract contemplates that the parties might engage in negotiations and imposes a deadline of two (2) days for acceptance of a counteroffer. As is discussed later in this manual, the contract provides that all time periods are measured in calendar days producing a potentially short period of time. Agents need to be keenly aware of acceptance deadlines.

4. Effective Date. The date on which the last one of the buyer and seller have completely signed, initialed and delivered the Contract is designated the "Effective Date". Agents should ensure when a party signs the contract or initials a change, the date of signing or initialing is inserted and a record of the delivery date is established. Many time periods and deadlines for performance set forth in the contract depend upon the Effective Date. Confusion as to exactly when the Effective Date occurred creates similar confusion with respect to establishing other time periods and deadlines.

CAUTION: THE CONTRACT PROVIDES FOR BUYER AND SELLER INITIALING OF ALL PAGES OF THE CONTRACT (EXCEPT FOR THE FINAL SIGNATURE PAGE). THE APPARENT PURPOSE IS TO AUTHENTICATE AND DOCUMENT THE PARTY'S ACCEPTANCE OF ALL PAGES OF THE CONTRACT. WHILE THE INADVERTENT OMISSION OF A PARTY'S INITIAL AT THE BOTTOM OF ANY PARTICULAR PAGE MAY NOT NECESSARILY RENDER THE CONTRACT INCOMPLETE OR UNENFORCEABLE, IN A CONTRACT DISPUTE THE ABSENCE OF SUCH INITIALS COULD ENABLE A PARTY TO CLAIM THAT MATERIAL PROVISIONS OF THE CONTRACT WERE NOT ACCEPTED AND THAT THEREFORE A CONTRACT NEVER CAME INTO EXISTENCE. CARE SHOULD BE TAKEN TO ENSURE THAT THE PARTIES INITIAL EACH PAGE OF THE CONTRACT.

CLOSING DATE

50 4. **CLOSING DATE:** Unless modified by other provisions of this Contract, the closing of this transaction shall occur and
51 the closing documents required to be furnished by each party pursuant to this Contract shall be delivered ("Closing") on
52 * _____ ("Closing Date"), at the time established by the Closing Agent.

A. DATE AND TIME OF CLOSING:

1. Determining the Closing Date: Paragraph 4 requires that the agreed upon date of closing be inserted. The time of closing on the closing date is established by the Closing Agent. The Closing Agent is typically the attorney or title company (designated in Paragraph 9(c)).

2. Unless Modified by Other Provisions. Note the preface of this Paragraph "Unless modified by other provisions of this Contract...." There are numerous time periods and deadlines for performance set forth in the contract and if any of these provisions would require or allow performance to take place after the specified closing date, the closing date would be automatically extended by such provisions. The agent should be aware of the interaction of these time periods with the closing date and avoid conflict whenever possible.

3. Time of the Essence. As previously discussed, Standard F of the contract provides that "time is of the essence in this Contract." Typically, parties to a residential real estate contract intend that the closing date be of the essence subject to various extension provisions contained in the contract.

EXTENSION OF CLOSING DATE

5. EXTENSION OF CLOSING DATE:

- (a) If Closing funds from Buyer's lender(s) are not available at time of Closing due to Truth In Lending Act (TILA) notice requirements, Closing shall be extended for such period necessary to satisfy TILA notice requirements, not to exceed 7 days.
- (b) If extreme weather or other condition or event constituting "Force Majeure" (see STANDARD G) causes: (i) disruption of utilities or other services essential for Closing or (ii) Hazard, Wind, Flood or Homeowners' insurance, to become unavailable prior to Closing, Closing shall be extended a reasonable time up to 3 days after restoration of utilities and other services essential to Closing and availability of applicable Hazard, Wind, Flood or Homeowners' insurance. If restoration of such utilities or services and availability of insurance has not occurred within _____ (if left blank, then 14) days after Closing Date, then either party may terminate this Contract by delivering written notice to the other party, and Buyer shall be refunded the Deposit, thereby releasing Buyer and Seller from all further obligations under this Contract.

A. UNDER WHAT CIRCUMSTANCES MAY THE CLOSING DATE BE EXTENDED?

1. The closing dated may be extended as a result of any of the following:

- a. **Mutual agreement:** This would require an amendment to the contract which should be documented by written addendum or amendment signed by the buyer and seller.
- b. **Operation of Other Provisions:** As discussed, Paragraph 4 starts with the phrase "Unless modified by other provisions of this contract...." There are a variety of time periods provided for in the contract which have the potential for extending the closing date. For example, if title objections are made under Standard A of the contract, the seller is given an initial period of thirty (30) days (which can be extended by the buyer for an additional 120 days) within which to cure title defects.
- c. **Truth in Lending Act (TILA) Notice:** Paragraph 5(a) recognizes that TILA imposes mandatory waiting periods after a TILA Disclosure Notice is given to the borrower. A TILA Notice given at or within a short period prior to closing can prevent a loan closing from taking place on the closing date. This provision allows for a short closing date extension but only for compliance with TILA notice requirements, not for other reasons. The parties and others involved in the real estate transaction should actively monitor the progress of any mortgage loans to ensure that when the parties are required to close, the lender is ready to close.
- d. **Force Majeure:** This term is defined in Standard G and includes such events as hurricanes or other extreme weather. If force majeure causes (a) a disruption of utilities or other services essential for closing or (b) insurance coverages to become unavailable prior to closing then the closing date is postponed to a date which is three (3) days after the restoration of utilities or other services and/or the date insurance becomes available. Paragraph 5(b) provides that if this event has not occurred within a number of days (to be inserted) after the original scheduled closing date, then either party has the right to cancel.
- e. **Other Causes:** Standard G (Force Majeure), which allows a delay in performance, is broader than Paragraph 5(b) in that it is not limited to force majeure which causes a disruption of utilities and other services or the unavailability of insurance. For example, if a buyer was prevented from personally attending a closing due to "unusual transportation delays" e.g., an airline strike, Standard G would likely operate to extend the closing date notwithstanding the fact that there was no disruption of utilities or insurance unavailability.

OCCUPANCY AND POSSESSION

65 **6. OCCUPANCY AND POSSESSION:**

66 (a) Unless the box in Paragraph 6(b) is checked, Seller shall, at Closing, deliver occupancy and possession of the
67 Property to Buyer free of tenants, occupants and future tenancies. Also, at Closing, Seller shall have removed all
68 personal items and trash from the Property and shall deliver all keys, garage door openers, access devices and
69 codes, as applicable, to Buyer. If occupancy is to be delivered before Closing, Buyer assumes all risks of loss to the
70 Property from date of occupancy, shall be responsible and liable for maintenance from that date, and shall be
71 deemed to have accepted the Property in its existing condition as of time of taking occupancy, except with respect
72 to any items identified by Buyer pursuant to Paragraph 12, prior to taking occupancy, which require repair,
73 replacement, treatment or remedy.

74 * (b) ☐ **CHECK IF PROPERTY IS SUBJECT TO LEASE(S) OR OCCUPANCY AFTER CLOSING.** If Property is
75 subject to a lease(s) after Closing or is intended to be rented or occupied by third parties beyond Closing, the facts
76 and terms thereof shall be disclosed in writing by Seller to Buyer and copies of the written lease(s) shall be
77 delivered to Buyer, all within 5 days after Effective Date. If Buyer determines, in Buyer's sole discretion, that the
78 lease(s) or terms of occupancy are not acceptable to Buyer, Buyer may terminate this Contract by delivery of
79 written notice of such election to Seller within 5 days after receipt of the above items from Seller, and Buyer shall be
80 refunded the Deposit thereby releasing Buyer and Seller from all further obligations under this Contract. Estoppel
81 Letter(s) and Seller's affidavit shall be provided pursuant to STANDARD D. If Property is intended to be occupied
82 by Seller after Closing, see Rider U. POST-CLOSING OCCUPANCY BY SELLER.

A. DELIVERY OF POSSESSION:

1. **Possession Delivered at Closing:** Paragraph 6 imposes an obligation on the seller to vacate the property as of the date and time of closing removing all personal items and trash from the property. The seller is further required to deliver all keys, garage door openers, access devices and codes, as applicable, to buyer. Occasionally, a seller may be reluctant to completely vacate the property prior to a closing and the payment of purchase money. This issue should be addressed in the contract by providing for an increased earnest money deposit, or, perhaps, an escrow of closing proceeds. The agent should make it clear to the seller that the property must be vacated at the time of closing unless otherwise agreed.

2. **Pre-Closing Possession by Buyer.** Occasionally, the parties may agree that the buyer will take possession of the property prior to the closing date. In this situation, Comprehensive Rider T (Pre-closing Occupancy by Buyer) should be used. This rider provides that the contract is contingent upon the buyer and seller reaching an agreement on a written lease. It further provides that the buyer assumes the obligation to maintain the property and assumes all risk of loss from the date of taking possession. Unless otherwise agreed, the seller remains responsible with respect to repair, replacement, treatment or remedy obligations under Paragraph 12 of the contract.

3. **Subject to Leases or Occupancy by Third Parties:** If the property is to be conveyed subject to a lease or occupancy by one or more third parties, check the box in Section 6(b). This provision should be read in tandem with Standard D. The provision requires delivery of the written lease(s) to the buyer within five (5) days of the Effective Date. The buyer is given a discretionary option to cancel the contract within five (5) days after delivery.

4. **Insurance:** A buyer's pre-closing occupancy or a seller's post-closing occupancy raises insurance issues. Special care should be taken to make sure that proper fire, casualty and liability insurance is obtained. When the property is used for rental purposes, existing insurance may no longer afford appropriate coverage.

CAUTION: PRE-CLOSING OCCUPANCY BY THE BUYER IS NOT AN IDEAL ARRANGEMENT DUE TO THE RISK OF LOSS, INSURANCE AND LEASE ISSUES THAT ARISE. IF, AFTER TAKING OCCUPANCY, THE AIR CONDITIONER COMPRESSOR SELF DESTRUCTS OR THE ROOF LEAKS, THE BUYER MAY HAVE SECOND THOUGHTS ABOUT CLOSING. THE TASK OF PREPARING A LEASE SHOULD BE ASSIGNED TO QUALIFIED LEGAL COUNSEL.

ASSIGNABILITY

83 * 7. **ASSIGNABILITY: (CHECK ONE):** Buyer ☐ may assign and thereby be released from any further liability under this
84 * Contract; ☐ may assign but not be released from liability under this Contract; or ☐ may not assign this Contract.

A. RESTRICTIONS ON THE BUYER'S RIGHT TO ASSIGN:

1. **Free Assignability:** Absent restrictions on the right to assign, a real estate contract is freely assignable by the buyer.

2. **Limiting the Buyer's Right to Assign:** Paragraph 7 offers three options relating to assignment by the buyer: (a) allowing the assignment and releasing the buyer, (b) allowing the assignment without releasing the buyer and (c) prohibiting assignment. Option (a) is infrequently selected. Option (b) allows assignment but the original buyer effectively guarantees the performance of the assignee. There may be good reasons for the seller to prohibit an assignment by selecting Option (c). If the contract includes a financing contingency the financial condition of the buyer is critical to obtaining a loan commitment. If the property being sold is a condominium unit or includes a club membership, there may be reasons why a particular buyer would be approved by the association whereas an assignee may not be approved.

3. **Check the Box:** The failure to check one of the options offered in Paragraph 7 will result in the contract being freely assignable by the buyer. An assignment by the buyer under such circumstances will effectively transfer the buyer's interest in the contract but will not release the buyer from liability under the contract (a situation similar to option (b)). The preferred approach is to require a formal written assumption by the assignee, particularly if option (a) is selected.

4. **Identified Assignee:** Occasionally a buyer may execute a contract with the intention of assigning the contract before closing to a spouse, trust, family member, corporation or other related party or entity. In these cases, insert a provision in Paragraph 20 specifically identifying the intended assignee and indicating whether the buyer/assignee is released from liability under the contract.

5. **And/or Assigns:** The agent should avoid identifying the buyer in the Parties section of the contract as, for example, "John Smith and/or Assigns." Doing so could make the contract freely assignable and may create inconsistencies with Paragraph 7.

FINANCING

8. FINANCING:

☐ (a) Buyer will pay cash or may obtain a loan for the purchase of the Property. There is no financing contingency to Buyer's obligation to close.

☐ (b) This Contract is contingent upon Buyer obtaining a written loan commitment for a ☐ conventional ☐ FHA ☐ VA or ☐ other _____ (describe) loan on the following terms within _____ (if left blank, then 30) days after Effective Date ("Loan Commitment Date") for (CHECK ONE): ☐ fixed, ☐ adjustable, ☐ fixed or adjustable rate loan in the Loan Amount (See Paragraph 2(c)), at an initial interest rate not to exceed _____ % (if left blank, then prevailing rate based upon Buyer's creditworthiness), and for a term of _____ (if left blank, then 30) years ("Financing").

Buyer shall make mortgage loan application for the Financing within _____ (if left blank, then 5) days after Effective Date and use good faith and diligent effort to obtain a written loan commitment for the Financing ("Loan Commitment") and thereafter to close this Contract. Buyer shall keep Seller and Broker fully informed about the status of mortgage loan application and Loan Commitment and authorizes Buyer's mortgage broker and Buyer's lender to disclose such status and progress to Seller and Broker.

Upon Buyer's receipt of Loan Commitment, Buyer shall provide written notice of same to Seller. If Buyer does not receive Loan Commitment by Loan Commitment Date, then thereafter either party may cancel this Contract up to the earlier of:

- i. Buyer's delivery of written notice to Seller that Buyer has either received Loan Commitment or elected to waive the financing contingency of this Contract; or
- ii. 7 days prior to Closing Date.

If either party timely cancels this Contract pursuant to this Paragraph 8 and Buyer is not in default under the terms of this Contract, Buyer shall be refunded the Deposit thereby releasing Buyer and Seller from all further obligations under this Contract. If neither party has timely canceled this Contract pursuant to this Paragraph 8, then this financing contingency shall be deemed waived by Buyer.

If Buyer delivers written notice of receipt of Loan Commitment to Seller and this Contract does not thereafter close, the Deposit shall be paid to Seller unless failure to close is due to: (1) Seller's default; (2) Property related conditions of the Loan Commitment have not been met (except when such conditions are waived by other provisions of this Contract); (3) appraisal of the Property obtained by Buyer's lender is insufficient to meet terms of the Loan Commitment; or (4) the loan is not funded due to financial failure of Buyer's lender, in which event(s) the Deposit shall be returned to Buyer, thereby releasing Buyer and Seller from all further obligations under this Contract.

☐ (c) Assumption of existing mortgage (see rider for terms).

☐ (d) Purchase money note and mortgage to Seller (see riders; addenda; or special clauses for terms).

FINANCING THE PURCHASE PRICE:

This Paragraph offers four check-the-box options. The first option in Paragraph 8(a) provides that the buyer will pay cash for the property without a financing contingency. Selecting this option does not necessarily mean that the buyer may not obtain third party financing but doing so is not a condition of the buyer's obligations under the contract. Paragraphs 8(b), (c) and (d) describe methods of financing the purchase price.

A. THIRD PARTY MORTGAGES: Paragraph 8(b), if checked, anticipates that the buyer will be seeking a loan commitment from, in most cases, an institutional lender. Obtaining such a loan commitment is a condition of the buyer's obligation to close.

1. Know the Mortgage Market: The agent should have a working knowledge of the mortgage market including information on current interest rates, origination points, time for processing applications, etc. The terms and conditions of the mortgage being sought by the buyer should be consistent with prevailing rates and terms then being offered by institutional lenders.

2. Conventional/FHA or VA Loans: If an FHA or VA loan is being sought by the buyer, use Comprehensive Rider E which takes into account government regulations applicable to these types of mortgages.

3. Written Loan Commitment: The term “loan commitment” is defined in Standard T of the contract. Paragraph 8(b) imposes a time limit for obtaining a loan commitment defaulting to thirty days from the Effective Date if a longer or shorter period is not inserted (“Loan Commitment Date”.) This provision offers further options with respect to whether the interest rate will be fixed or adjustable. The amount of the loan being sought by the buyer should be inserted along with the not to exceed interest rate. If the interest rate limit is not inserted, the contract provides that the buyer will accept a “prevailing rate based upon the buyer’s credit worthiness.” The term of the mortgage financing (typically 15 or 30 years) is then inserted. Note that there is no limitation on origination fees or points. Lenders typically offer lower interest rates accompanied by higher origination points.

4. Prompt Application: This provision imposes an obligation on the buyer to apply for a mortgage loan within five days from the Effective Date unless a shorter or longer period is inserted in the blank. Except under unusual circumstances, it is normally possible for the buyer to make an almost immediate application and the agent should take steps to ensure that the buyer proceeds promptly and diligently to submit the application. Failure to submit the application within the time limit could be regarded as a default on the part of the buyer entitling the seller to exercise remedies (e.g., forfeiture of the deposit) without regard to the financing contingency.

5. Good Faith and Diligent Effort: The buyer is required to exercise good faith and diligent effort to obtain the loan commitment and to thereafter meet the conditions of the loan commitment. This would include prompt submission of financial statements and other information and documents requested by the lender. The agent should monitor the efforts the buyer is taking to obtain the loan commitment. Failure to exercise good faith and diligent effort constitutes a default by the buyer under contract. The buyer is further obligated to keep the seller and agent fully informed about the status of the mortgage loan application and loan commitment. The provision authorizes the lender to disclose loan status and progress to the seller and agent. Notwithstanding this authorization, loan officers and other lender representatives will be reluctant to speak with or furnish information to parties to the transaction other than the buyer/borrower.

6. Loan Commitment/Delivery of Notice/Failure of Financing Condition: If the desired loan commitment is received on or prior to the Loan Commitment Date, the buyer must give the seller written notice of receipt. If the loan commitment is not received on or prior to the Loan Commitment Date buyer and seller each have an option to cancel the contract. The option remains open until the earlier of either (a) buyer’s delivery of written notice to seller of receipt of the loan commitment, (b) buyer’s delivery of written notice to the seller waiving the financing commitment or (c) 7 days prior to the closing date. If neither party cancels the contract by the deadline, the financing contingency is waived.

CAUTION: THIS PROVISION REQUIRES SOME ATTENTION TO THE CALENDAR. THE BUYER NEEDS TO BE KEENLY AWARE THAT IF NO LOAN COMMITMENT HAS BEEN OBTAINED BY THE LOAN COMMITMENT DATE THE BUYER SHOULD GIVE WRITTEN NOTICE OF CANCELLATION BY THE DEADLINE; OTHERWISE

THE CONTINGENCY IS WAIVED AND DEPOSITS ARE AT RISK. FAILURE TO OBTAIN A LOAN COMMITMENT DOES NOT EXCUSE THE BUYER FROM THE OBLIGATION TO EXERCISE GOOD FAITH AND DUE DILIGENCE IN PURSUING A LOAN COMMITMENT. THUS, A BUYER WHO HAS UNREASONABLY DELAYED SUBMISSIONS FOR LOAN APPROVAL WILL NOT BE RELIEVED OF HIS CONTRACT OBLIGATIONS THROUGH THIS CANCELLATION PROVISION. THE RIGHT TO CANCEL PRESUMES THAT THE BUYER IS NOT OTHERWISE IN DEFAULT. IN A SITUATION WHERE A LOAN COMMITMENT IS EXPECTED BUT LATE IN COMING RELIEVE THE ANXIETY BY OBTAINING AN AMENDMENT TO THE CONTRACT EXTENDING THE LOAN COMMITMENT DATE.

7. Loan Commitment Obtained: As noted, if a loan commitment is obtained written notice of receipt must be given to the seller prior to the Loan Commitment Date. The provision specifies four circumstances under which the buyer may be excused from closing after the loan commitment is issued:

- a. Seller's Default – obviously if the seller refuses to close or otherwise defaults, there will be no closing.
- b. Property related conditions of the loan commitment have not been met – this might take the form of a loan commitment requirement that certain repairs be conducted, building code violations remedied, etc.
- c. Insufficient appraisal – this recognizes that an appraisal may not take place until after the issuance of a loan commitment. The appraised value may be less than the purchase price but as long as the appraisal is sufficient to meet the terms of the loan commitment then this condition is satisfied.
- d. Financial failure of lender – an event once thought of as improbable.

CAUTION: BE AWARE THAT THE CONTINGENCY EXPRESSED IN PARAGRAPH 8(B) IS THE ISSUANCE OF A LOAN COMMITMENT, NOT A SUCCESSFUL LOAN CLOSING. LOAN COMMITMENTS ARE FREQUENTLY ISSUED WITH ADDITIONAL CONDITIONS WHICH MUST BE MET BEFORE A CLOSING ON THE LOAN CAN TAKE PLACE. PROPERTY RELATED CONDITIONS AND INSUFFICIENT APPRAISAL ARE THE ONLY LOAN COMMITMENT CONDITIONS WHICH, IF NOT SATISFIED, WILL RELIEVE THE BUYER FROM AN OBLIGATION TO CLOSE UNDER THE CONTRACT. THE BUYER WOULD BE WELL ADVISED TO CONSULT WITH THE LENDER PRIOR TO ISSUANCE OF THE LOAN COMMITMENT TO MAKE SURE THAT ANY OTHER CONDITIONS IMPOSED BY THE LOAN COMMITMENT CAN BE SATISFIED WITHOUT DIFFICULTY. OTHERWISE, THE BUYER MAY BE FACED WITH THE DILEMMA OF BEING CONTRACTUALLY BOUND TO CLOSE ON THE PURCHASE WHILE THE LENDER IS REFUSING TO CLOSE THE LOAN DUE TO THE FAILURE TO MEET OTHER LOAN COMMITMENT CONDITIONS.

B. ASSUMPTION OF EXISTING MORTGAGE:

1. Is an Existing Mortgage Assumable? Residential real estate transactions rarely involve the assumption of an existing mortgage. Generally, institutional lenders will not consent to the assumption of the existing mortgage. Institutional mortgages typically contain

a due on sale clause which allows the lender to call the loan upon the sale or disposition of the property. Non-institutional mortgages, however, may be assumed without the consent of the mortgagee absent a due on sale clause or other restrictions or conditions on assumption contained in the mortgage.

2. Terms and Provisions of Existing Mortgage: The agent should determine in advance of any contract offer whether an existing mortgage may be assumed. If assumable, the agent should obtain a copy of the mortgage and promissory note.

3. Contract Provisions: Paragraph 8(c) makes reference to a rider to be attached. Use Comprehensive Rider D Assumption of Existing Mortgage(s) for this purpose. To complete the Rider the agent will need to determine the amount of the principal balance of the existing mortgage, the interest rate, whether the interest rate is fixed or variable and whether there are any fees, charges or other conditions in the existing mortgage and note relating to assumption. Care should be taken to correctly state the principal balance of the note in Comprehensive Rider D.

C. PURCHASE MONEY MORTGAGES:

1. Seller Financing: Paragraph 8(d) is referring to purchase money mortgage financing being offered by the seller. If this option is selected, Comprehensive Rider C (Seller Financing) should be used. Comprehensive Rider C sets forth the basic terms of the note and mortgage including principal amount, interest rate, method of payment and maturity date.

CAUTION: WHILE THE ESSENTIAL TERMS OF THE PURCHASE MONEY MORTGAGE AND NOTE ARE PROVIDED FOR IN COMPREHENSIVE RIDER C, THE POSSIBILITY EXISTS THAT THE BUYER AND SELLER MAY LATER DISAGREE ON OTHER TERMS AND CONDITIONS OF THE MORTGAGE AND NOTE. IDEALLY, NEGOTIATIONS IN A REAL ESTATE TRANSACTION SHOULD CONCLUDE UPON EXECUTION OF THE CONTRACT. LEAVING THE TERMS OF A PURCHASE MONEY MORTGAGE AND NOTE OPEN TO FURTHER DISCUSSIONS AND NEGOTIATIONS BETWEEN THE BUYER AND SELLER INVITES THE POTENTIAL FOR DISAGREEMENT AND A FAILED CLOSING. THEREFORE, IT IS RECOMMENDED THAT THE FORM OF PURCHASE MONEY MORTGAGE AND NOTE BE PREPARED IN ADVANCE AND MADE A PART OF THE CONTRACT. A SPECIAL PROVISION SHOULD BE INSERTED IN PARAGRAPH 20 OF THE CONTRACT STATING, IN SUBSTANCE, THAT THE PARTIES AGREE THAT THE PURCHASE MONEY MORTGAGE AND NOTE SHALL BE IN THE FORM ATTACHED AS AN EXHIBIT. THIS IS ONE OF THOSE OCCASIONS WHEN THE AGENT SHOULD SEEK THE ASSISTANCE OF COMPETENT LEGAL COUNSEL TO PREPARE THE MORTGAGE AND NOTE FORMS.

2. Financing Statements: If the sale of property includes significant personal property, the seller should have the right to require that the personal property be subject to the lien of the security agreement evidenced by recorded or filed financing statements. Otherwise, should the buyer default under the mortgage and note, the seller would not be able to recover personal property. A special provision to this effect should be inserted in Paragraph 20.

CLOSING COSTS, FEES AND CHARGES

117	CLOSING COSTS, FEES AND CHARGES	
118	9. CLOSING COSTS; TITLE INSURANCE; SURVEY; HOME WARRANTY; SPECIAL ASSESSMENTS:	
119	(a) COSTS TO BE PAID BY SELLER:	
120	• Documentary stamp taxes and surtax on deed, if any	• HOA/Condominium Association estoppel fees
121	• Owner's Policy and Charges (if Paragraph 9(c)(i) is checked)	• Recording and other fees needed to cure title
122	• Title search charges (if Paragraph 9(c)(iii) is checked)	• Seller's attorneys' fees
123*	• Other: _____	
124	Seller shall pay the following amounts/percentages of the Purchase Price for the following costs and expenses:	
125*	(i) up to \$ _____ or _____ % (1.5% if left blank) for General Repair Items ("General Repair	
126	Limit"); and	
127*	(ii) up to \$ _____ or _____ % (1.5% if left blank) for WDO treatment and repairs ("WDO Repair	
128	Limit"); and	
129*	(iii) up to \$ _____ or _____ % (1.5% if left blank) for costs associated with closing out open or	
130	expired building permits and obtaining required building permits for any existing improvement for which a permit	
131	was not obtained ("Permit Limit").	
132	If, prior to Closing, Seller is unable to meet the Maintenance Requirement as required by Paragraph 11 or the	
133	repairs, replacements, treatments or permitting as required by Paragraph 12, then, sums equal to 125% of	
134	estimated costs to complete the applicable item(s) (but, not in excess of applicable General Repair, WDO Repair,	
135	and Permit Limits set forth above, if any) shall be escrowed at Closing. If actual costs of required repairs,	
136	replacements, treatment or permitting exceed applicable escrowed amounts, Seller shall pay such actual costs (but,	
137	not in excess of applicable General Repair, WDO Repair, and Permit Limits set forth above). Any unused portion of	
138	escrowed amount(s) shall be returned to Seller.	
139	(b) COSTS TO BE PAID BY BUYER:	
140	• Taxes and recording fees on notes and mortgages	• Loan expenses
141	• Recording fees for deed and financing statements	• Appraisal fees
142	• Owner's Policy and Charges (if Paragraph 9(c)(ii) is checked)	• Buyer's Inspections
143	• Survey (and elevation certification, if required)	• Buyer's attorneys' fees
144	• Lender's title policy and endorsements	• All property related insurance
145	• HOA/Condominium Association application/transfer fees	• Owner's Policy Premium (if Paragraph
146		9 (c) (iii) is checked.)
147*	• Other: _____	

A. COSTS TO BE PAID BY SELLER: Paragraph 9(a) itemizes transaction costs which are customarily paid by the seller. The cost relating to the owner's title insurance policy and title search expenses refers to Paragraph 9(c) which offers options for charging these costs to the buyer or the seller.

B. GENERAL REPAIR LIMIT, WDO REPAIR LIMIT AND PERMIT LIMIT:

1. Limits: Former Standard D (Wood Destroying Organisms) and Standard N (Inspection to Repair) had been transferred to Paragraph 12 of the current edition. New definitions have been adopted. Defects and deficiencies previously discovered during inspection under old Standard N are now called "General Repair Items." The limit on the seller's monetary responsibility for repair/replacement is now called "General Repair Limit." The limit on the seller's obligation to pay for the cost of treatment and repairs due to Wood Destroying Organisms ("WDO") is now called the "WDO Repair Limit." A new concept providing for inspections relating to open or expired building permits or unpermitted improvements has been introduced in Paragraph 12(d). (Discussion concerning the status of building permits follows later in this manual). Similar to General Repair Items and WDO treatment and repair, Paragraph 9(a) establishes a "Permit Limit" imposing a monetary limit on the seller's obligation to cure building permit issues. Blanks in this paragraph offer the opportunity to insert the monetary limit or percentage limit and if no amounts or percentages are inserted, the limits default to 1.5% of the purchase price.

2. Repairs, Replacements, Treatments and Permitting Not Completed Prior to Closing: Paragraph 9(a) addresses a situation that arises when a seller is unable to complete General Repairs, WDO Repairs and/or remediate permitting problems prior to closing. It also includes the inability to meet the Maintenance Requirement as defined in Paragraph 11 of the contract. The seller is required to escrow a sum of money at closing equal to 125% of the estimated cost to complete the applicable items but not exceeding the monetary or percentage limits set forth earlier in this provision. If actual costs exceed the applicable escrowed amounts, the seller is responsible to pay the excess but in no event more than the monetary or percentage limits previously provided.

CAUTION: THIS PROVISION FAILS TO IDENTIFY THE ESCROW AGENT THAT WILL HOLD THE ESCROW FUNDS. DETAILS OF THE TERMS OF THE ESCROW MUST BE PROVIDED BY SEPARATE AGREEMENT. THERE ARE NO PROVISIONS IN THE CONTRACT REQUIRING A COST ESTIMATE FOR THE MAINTENANCE REQUIREMENT OR PERMITTING REMEDIATION AND THEREFORE DETERMINING THE AMOUNT OF THE ESCROW FOR THESE ITEMS MAY BE PROBLEMATIC. THIS PROVISION ANTICIPATES THAT THE CLOSING TAKES PLACE AND APPARENTLY PRESUMES THAT THE SELLER WILL CONTINUE TO BE RESPONSIBLE FOR SEEING TO IT THAT THE REPAIRS AND PERMIT REMEDIATION ARE COMPLETED. AFTER CLOSING AND ESCROWING FUNDS, ACTUAL COSTS EXCEEDING THE LIMITS ARE NO LONGER THE RESPONSIBILITY OF THE SELLER AND WOULD PRESUMABLY HAVE TO BE PAID BY THE BUYER. NOTE THAT PARAGRAPH 12(d) PROVIDES THAT IF PERMITTING REMEDIATION CANNOT BE COMPLETED BY CLOSING DUE TO "DELAYS BY THE GOVERNMENTAL ENTITY", THE CLOSING WILL BE EXTENDED FOR UP TO TEN (10) DAYS AND IF PERMIT REMEDIATION IS NOT COMPLETED WITHIN THE EXTENDED PERIOD, EITHER PARTY MAY CANCEL THE CONTRACT. THERE IS NO CLOSING EXTENSION APPLICABLE TO GENERAL REPAIRS, WDO REPAIRS/TREATMENT OR THE MAINTENANCE REQUIREMENT CAUSING SOME QUESTION AS TO WHETHER PERMIT REMEDIATION BELONGS IN THE CATEGORY OF ESCROWED COSTS. THERE ARE BETTER SOLUTIONS THAN POST CLOSING ESCROW ARRANGEMENTS. THE PARTIES CAN AGREE TO A CLOSING DATE EXTENSION ALLOWING THE SELLER TIME TO COMPLETE THESE OBLIGATIONS. ALTERNATIVELY, THE PARTIES CAN REACH AN AGREEMENT ON A PURCHASE PRICE CREDIT TO THE BUYER, RELEASING THE SELLER FROM FURTHER OBLIGATIONS.

C. COSTS PAYABLE BY BUYER: Paragraph 9(b) itemizes transaction costs which are customarily paid by the buyer. Charges for owner's policies and charges are subject to negotiation as to whether they are paid by the buyer of the seller and that agreement is evidenced by the selection made in Paragraph 9(c).

**CLOSING COSTS; TITLE INSURANCE; SURVEY; HOME WARRANTY;
SPECIAL ASSESSMENTS (CONTINUED)**

- 148* (c) **TITLE EVIDENCE AND INSURANCE:** At least _____ (if left blank, then 5) days prior to Closing Date, a title
149 insurance commitment issued by a Florida licensed title insurer, with legible copies of instruments listed as
150 exceptions attached thereto ("Title Commitment") and, after Closing, an owner's policy of title insurance (see
151 STANDARD A for terms) shall be obtained and delivered to Buyer. If Seller has an owner's policy of title insurance
152 covering the Real Property, a copy shall be furnished to Buyer and Closing Agent within 5 days after Effective Date.
153 The owner's title policy premium, title search, municipal lien search and closing services (collectively, "Owner's
154 Policy and Charges") shall be paid, as set forth below
155 **(CHECK ONE):**
156* ☐ (i) Seller shall designate Closing Agent and pay for Owner's Policy and Charges (but not including charges for
157 closing services related to Buyer's lender's policy and endorsements and loan closing, which amounts shall be paid
158 by Buyer to Closing Agent or such other provider(s) as Buyer may select); or
159* ☐ (ii) Buyer shall designate Closing Agent and pay for Owner's Policy and Charges and charges for closing
160 services related to Buyer's lender's policy, endorsements, and loan closing; or
161* ☐ (iii) **[MIAMI-DADE/BROWARD REGIONAL PROVISION]:** Seller shall furnish a copy of a prior owner's policy of
162 title insurance or other evidence of title and pay fees for: (A) a continuation or update of such title evidence, which
163 is acceptable to Buyer's title insurance underwriter for reissue of coverage; (B) tax search; and (C) municipal lien
164 search. Buyer shall obtain and pay for post-Closing continuation and premium for Buyer's owner's policy, and if
165* applicable, Buyer's lender's policy. Seller shall not be obligated to pay more than \$ _____ (if left blank,
166 then \$200.00) for abstract continuation or title search ordered or performed by Closing Agent.
167 (d) **SURVEY:** At least 5 days prior to Closing, Buyer may, at Buyer's expense, have the Real Property surveyed and
168 certified by a registered Florida surveyor ("Survey"). If Seller has a survey covering the Real Property, a copy shall
169 be furnished to Buyer and Closing Agent within 5 days after Effective Date.
170* (e) **HOME WARRANTY:** At Closing, ☐ Buyer ☐ Seller ☐ N/A shall pay for a home warranty plan issued by
171* _____ at a cost not to exceed \$ _____. A home
172 warranty plan provides for repair or replacement of many of a home's mechanical systems and major built-in
173 appliances in the event of breakdown due to normal wear and tear during the agreement's warranty period.
174 (f) **SPECIAL ASSESSMENTS:** At Closing, Seller shall pay: (i) the full amount of liens imposed by a public body
175 ("public body" does not include a Condominium or Homeowner's Association) that are certified, confirmed and
176 ratified before Closing; and (ii) the amount of the public body's most recent estimate or assessment for an
177 improvement which is substantially complete as of Effective Date, but that has not resulted in a lien being imposed
178 on the Property before Closing. Buyer shall pay all other assessments. If special assessments may be paid in
179 installments **(CHECK ONE):**
180* ☐ (a) Seller shall pay installments due prior to Closing and Buyer shall pay installments due after Closing.
181 Installments prepaid or due for the year of Closing shall be prorated.
182* ☐ (b) Seller shall pay the assessment(s) in full prior to or at the time of Closing.
183 IF NEITHER BOX IS CHECKED, THEN OPTION (a) SHALL BE DEEMED SELECTED.
184 This Paragraph 9(f) shall not apply to a special benefit tax lien imposed by a community development district (CDD)
185 pursuant to Chapter 190, F.S., which lien shall be prorated pursuant to STANDARD K.

A. TITLE EVIDENCE AND INSURANCE:

1. Quality of Title: Standard A of the contract requires the conveyance of marketable title to the buyer. Unless otherwise agreed, this requires that title be conveyed free and clear of encumbrances. The prevailing use of title insurance in the state of Florida is the customary method of proving and insuring that the title being conveyed to the buyer is marketable and meets the requirements of the contract. Prior to the closing, this takes the form of a title insurance commitment being issued by a Florida licensed title insurance company. This is accomplished through company owned or independent title insurance companies and real estate attorneys who are issuing agents for title insurance companies.

2. Delivery of the Title Insurance Commitment: The deadline for delivering the title insurance commitment is established by filling in the blank in Paragraph 9(c). The deadline is measured with reference to the closing date, not the Effective Date. If the blank is not completed, the default deadline is 5 days prior to closing. It is recommended that a period of 10 days or longer be inserted so as to allow time for title examination and, if needed, the resolution of any title defects.

3. Standard A: This Paragraph is augmented by Standard A of the contract which will be discussed later in this manual. Standard A describes various permitted title exceptions which are common in transactions involving residential properties.

4. Delivery of Prior Title Policy: The seller is required to deliver to the buyer, within 5 days following the Effective Date, any prior owner's title insurance policy. A prior owner's title insurance policy will expedite the issuance of a title commitment and may serve as a basis for reducing the premium charge.

5. Closing Services: The title insurance company or agent issuing the owner's title insurance commitment and policy typically serves as the closing agent for the transaction. Closing agent services include the preparation of all documents necessary to meet the requirements of the title insurance commitment and close the transaction. If third party financing is involved, the title insurance company or agent will, in most instances, issue a mortgagee title insurance commitment and provide closing services for the lender.

6. Payment of Costs: Paragraph 9(c) recognizes that the responsibility for selecting the closing agent and paying the cost for title insurance related title services may be negotiated between the seller and the buyer. Costs of title related services include title search, municipal lien search, settlement fees and similar costs. Three check-the-box options are offered in this provision. The first option provides that the seller will pay for the owner's policy premium, charges for the owner's policy endorsements, title search and closing services (which are defined as "Owner's Policy and Charges") but excluding any premiums and charges relating to the buyer's lender's policy, endorsements and loan closing. The second option allows the buyer to select the closing agent and charges the buyer for all premiums and charges related to owner's and mortgagee's title insurance policies and related closing services.

7. South Florida Provision: The third option is a special provision describing the local variation of the manner in which title searches and title insurance is handled in Miami-Dade and Broward counties.

B. SURVEY:

Paragraph 9(d) imposes a time limit (5 days prior to closing) on the buyer's right to obtain a survey of the property conducted by a registered Florida surveyor. The seller is required to deliver to the buyer a copy of any prior survey within 5 days after the Effective Date. A prior survey will expedite the issuance of an updated survey. Title insurance provides coverage for survey matters provided a current survey (typically within 90 days of closing) is submitted to the title insurance company. Alternatively, title insurance coverage for survey matters may sometimes be obtained on the basis of a prior existing survey accompanied by an affidavit of the seller attesting to no physical changes to the property and the satisfaction of other underwriting conditions. Standard B (discussed later in this manual) sets forth the standards that the survey must meet and describes various objectionable survey defects which the seller would be required to remedy. As is the case with title, the contract is designed to protect the buyer from survey defects e.g., encroachments, set-back violations, etc. The agent should always encourage the buyer to obtain a survey.

C. HOME WARRANTY:

When a third party warranty plan is to be issued to the buyer at closing, this clause can be used to identify the company providing the warranty and assigning the cost thereof to either buyer or seller subject to a limitation as to the cost.

D. SPECIAL ASSESSMENTS:

1. **Seller Pays:** Paragraph 9(f) is referring to special assessments imposed by governing bodies most commonly arising from the construction of public improvements such as roads, sewers, water lines, etc. Consistent with the contractual concept that the seller is required to deliver title to the property free and clear of encumbrances, the obligation is placed on the seller to pay those special assessment liens that are certified, confirmed and ratified before the closing date. In addition, the seller is required to pay in full the amount of the most recent estimate or assessment for public improvements which are substantially complete but which have not yet resulted in a lien being imposed on the property. Since such pending liens are based upon an estimate, it may be appropriate to include a special provision in Paragraph 20 requiring a post closing adjustment between the parties based upon the actual assessment amount, when known.

2. **Buyer Pays:** Notice that the buyer will be responsible for the payment of special assessments which do not meet the criteria imposing the obligation on the seller. This could include public improvement projects that are planned or under construction but not substantially complete as of the closing date. The existence of potential special assessments would likely be a matter requiring seller's disclosure under Paragraph 10(j).

3. **Installments:** This provision recognizes that governing bodies commonly permit special assessment liens to be paid in installments. The provision offers a check-the-box choice between requiring the seller to pay the assessment lien in full or requiring the buyer to assume the unpaid installments. In the latter case, the buyer would be accepting title subject to the assessment lien. If third party mortgage financing is involved the lender will likely require that the assessment lien be paid in full.

4. **Community Development Districts:** The provision also recognizes that the property may be within the boundaries of a special taxing district known as a Community Development District which has the power to levy special assessments collected through local tax collectors. The provision expressly excludes these types of assessments and directs that they be prorated in accordance with Standard K.

DISCLOSURES

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DISCLOSURES

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10. DISCLOSURES:

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(a) **RADON GAS:** Radon is a naturally occurring radioactive gas that, when it is accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county health department.

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(b) **PERMITS DISCLOSURE:** Except as may have been disclosed by Seller to Buyer in a written disclosure, Seller does not know of any improvements made to the Property which were made without required permits or made pursuant to permits which have not been properly closed.

(c) **MOLD:** Mold is naturally occurring and may cause health risks or damage to property. If Buyer is concerned or desires additional information regarding mold, Buyer should contact an appropriate professional.

(d) **FLOOD ZONE; ELEVATION CERTIFICATION:** Buyer is advised to verify by elevation certificate which flood zone the Property is in, whether flood insurance is required by Buyer's lender, and what restrictions apply to improving the Property and rebuilding in the event of casualty. If Property is in a "Special Flood Hazard Area" or "Coastal Barrier Resources Act" designated area or otherwise protected area identified by the U.S. Fish and Wildlife Service under the Coastal Barrier Resources Act and the lowest floor elevation for the building(s) and /or flood insurance rating purposes is below minimum flood elevation or is ineligible for flood insurance through the National Flood Insurance Program, Buyer may terminate this Contract by delivering written notice to Seller within _____ (if left blank, then 20) days after Effective Date, and Buyer shall be refunded the Deposit thereby releasing Buyer and Seller from all further obligations under this Contract, failing which Buyer accepts existing elevation of buildings and flood zone designation of Property. The National Flood Insurance Reform Act of 2012 (referred to as Biggert-Waters 2012) may phase in actuarial rating of pre-Flood Insurance Rate Map (pre-FIRM) non-primary structures (residential structures in which the insured or spouse does not reside for at least 80% of the year) and an elevation certificate may be required for actuarial rating.

(e) **ENERGY BROCHURE:** Buyer acknowledges receipt of Florida Energy-Efficiency Rating Information Brochure required by Section 553.996, F.S.

(f) **LEAD-BASED PAINT:** If Property includes pre-1978 residential housing, a lead-based paint disclosure is mandatory.

(g) **HOMEOWNERS' ASSOCIATION/COMMUNITY DISCLOSURE: BUYER SHOULD NOT EXECUTE THIS CONTRACT UNTIL BUYER HAS RECEIVED AND READ THE HOMEOWNERS' ASSOCIATION/COMMUNITY DISCLOSURE, IF APPLICABLE.**

(h) **PROPERTY TAX DISCLOSURE SUMMARY: BUYER SHOULD NOT RELY ON THE SELLER'S CURRENT PROPERTY TAXES AS THE AMOUNT OF PROPERTY TAXES THAT THE BUYER MAY BE OBLIGATED TO PAY IN THE YEAR SUBSEQUENT TO PURCHASE. A CHANGE OF OWNERSHIP OR PROPERTY IMPROVEMENTS TRIGGERS REASSESSMENTS OF THE PROPERTY THAT COULD RESULT IN HIGHER PROPERTY TAXES. IF YOU HAVE ANY QUESTIONS CONCERNING VALUATION, CONTACT THE COUNTY PROPERTY APPRAISER'S OFFICE FOR INFORMATION.**

(i) **FIRPTA TAX WITHHOLDING:** Seller shall inform Buyer in writing if Seller is a "foreign person" as defined by the Foreign Investment in Real Property Tax Act ("FIRPTA"). Buyer and Seller shall comply with FIRPTA, which may require Seller to provide additional cash at Closing. If Seller is not a "foreign person", Seller can provide Buyer, at or prior to Closing, a certification of non-foreign status, under penalties of perjury, to inform Buyer and Closing Agent that no withholding is required. See STANDARD V for further information pertaining to FIRPTA. Buyer and Seller are advised to seek legal counsel and tax advice regarding their respective rights, obligations, reporting and withholding requirements pursuant to FIRPTA.

(j) **SELLER DISCLOSURE:** Seller knows of no facts materially affecting the value of the Real Property which are not readily observable and which have not been disclosed to Buyer.

DISCLOSURES:

Paragraph 10 contains disclosures on various subjects some of which are required by law to be disclosed.

A. RADON GAS: This disclosure is required to be made with respect to all sales and leases of any building, residential or otherwise, except for leases having a term of 45 days or less. Section 404.056(5), Florida Statutes prescribes the disclosure language.

B. PERMITS DISCLOSURE: This disclosure compliments Paragraph 12(d) of the contract. Paragraph 12(d) allows the buyer an opportunity to investigate whether there exists any open or expired building permits or unpermitted improvements. This disclosure is a representation that the seller has no knowledge of any unpermitted improvements or

open permits. A seller having knowledge of such permit issues is obligated to disclose them. The failure to do so would be a material non-disclosure which could allow the buyer to rescind the contract, rescind the transaction if it has closed and/or sue for damages. The provision requires the seller to provide written disclosure of any known permit issues. Problems with open permits and unpermitted improvements may have been caused by a prior owner of the property and the current seller may in fact have no knowledge of these problems. Paragraph 12(d) imposes the obligation to remediate these problems on the seller.

C. MOLD: This provision is expressed in the form of a disclosure to the buyer that mold may cause a “health risk or damage to the property.” The contract does not require the seller to remedy mold contamination even if toxic levels exist, although the failure of the seller to disclose known water damage or mold contamination may constitute a material non-disclosure (see Paragraph 10(j)). The agent should encourage a buyer to obtain a mold inspection. The seller should be obligated to remedy mold contamination. One way of accomplishing this is to include a special provision that states that mold contamination shall be treated in the same manner as wood destroying organisms are treated under Paragraph 12(c) of the contract, except that the inspection shall be conducted by an appropriately licensed mold inspector. This would mean that the seller would have an obligation to remedy mold contamination subject to the WDO Repair Limit set forth in Paragraph 9(a).

D. FLOOD ZONE: ELEVATION CERTIFICATE: Although this provision is in the Disclosures section of the contract it sets forth a condition allowing the buyer to cancel the contract within a prescribed period if (1) the property is located in (a) a Special Flood Hazard Area or (b) a Coastal Barrier Resources Act (“CBRA”) designated area or (c) a protected area designated by the U.S. Fish and Wildlife Service pursuant to CBRA and (2) the lowest floor elevation for flood insurance rating purposes is below minimum flood elevation or flood insurance through the National Flood Insurance Program is otherwise unavailable. These determinations can be made by obtaining a Flood Elevation Certificate routinely furnished by licensed surveyors upon request.

CAUTION: BUYERS SHOULD BE ADVISED TO MAKE THE INQUIRIES NECESSARY TO DETERMINE WHETHER THE PROPERTY IS IN ONE OF THE AREAS MENTIONED ABOVE AND, IF SO, AN ELEVATION CERTIFICATE REFLECTING FLOOR AND FLOOD ELEVATIONS SHOULD BE OBTAINED. FAILURE TO EXERCISE A RIGHT TO CANCEL BY THE DEADLINE WAIVES THAT RIGHT. THIS COULD BE PARTICULARLY TROUBLESOME IF THE BUYER IS OBTAINING FINANCING FROM A LENDER THAT REQUIRES FLOOD INSURANCE. BUYERS SHOULD ALSO BE MADE AWARE THAT LOCAL BUILDING AND ZONING REGULATIONS TYPICALLY IMPOSE MINIMUM FLOOR ELEVATIONS ABOVE FLOOD ELEVATION. A RESIDENCE THAT FAILS TO MEET THESE REQUIREMENTS MAY BE “GRANDFATHERED” AS A NON-CONFORMING PERMITTED STRUCTURE BUT THESE GOVERNMENTAL REGULATIONS TYPICALLY RESTRICT FUTURE ADDITIONS, IMPROVEMENTS AND/OR RESTORATION IN THE EVENT OF CASUALTY.

E. ENERGY BROCHURE:

1. All Buildings Intended for Occupancy: Section 553.96, Florida Statutes requires that the buyer be given a copy of the Florida Energy Efficiency Rating Information Brochure at the time of or prior to the buyer’s execution of the contract. Agents should have these

brochures on hand and ideally obtain a written receipt from the buyer substantiating a delivery period. Copies of the brochure can be obtained from the Florida Department of Community Affairs and Standards Office, Tallahassee, Florida.

2. New Residential Buildings: If the property is a new residential building, Section 553.9085, Florida Statutes, requires that the energy performance level be disclosed at the request of the buyer. Use Comprehensive Rider O – Insulation Disclosure for New Residents to comply with this requirement. In addition, an energy performance display card certified by the builder as accurate and correct must be attached to the contract as an addendum. The display cards are furnished by the local building department and should be available from the owner or builder.

3. Rights of Buyer: This disclosure is simply an acknowledgement that the buyer has received the Florida Energy-Efficiency Rating Information Brochure. The buyer is not given a right to question or object to the energy efficiency rating absent a special provision to this effect.

F. LEAD BASED PAINT: If a residential structure located on the property was constructed prior to 1978 a Lead Based Paint Disclosure is required by federal law (42 U.S.C. Section 4852). Use Comprehensive Rider P – Lead Based Paint Disclosure. Notice that this Rider offers the buyer an option (if initialed and checked) to conduct a risk assessment or inspection for the presence of lead based paint or lead based paint hazards. Interestingly, it does not offer the buyer a right to cancel if lead based paint or lead based paint hazards are discovered unless otherwise provided in the contract. Failure to provide the required disclosures (set forth in Comprehensive Rider P) is a violation of this federal law and could subject the seller to civil penalties and liabilities.

G. HOMEOWNERS ASSOCIATIONS/COMMUNITY DISCLOSURE: If the property is located in a subdivision or community where membership in a homeowners association is required, Section 720.401, Florida Statutes, requires the delivery of a disclosure summary prior to execution of the contract. Compliance with this law is accomplished by using Comprehensive Rider B–Homeowners Association/Community Disclosure. The disclosure should be completed by inserting the required information and signed and initialed by the parties.

CAUTION: SINGLE FAMILY AND MIXED-USE COMMUNITIES ARE FREQUENTLY GOVERNED BY RECORDED COVENANTS WHICH, AMONG OTHER THINGS, MAY CREATE A HOMEOWNERS ASSOCIATION IN WHICH MEMBERSHIP OF PROPERTY OWNERS IS MANDATORY. THE COMMUNITY IS FURTHER GOVERNED BY THE ORGANIZATIONAL DOCUMENTS OF THE ASSOCIATION, BY-LAWS, RULES AND REGULATIONS AND THE PROVISIONS OF CHAPTER 720, FLORIDA STATUTES. A MAJOR FUNCTION OF THE ASSOCIATION IS TO MAINTAIN THE ROADS, COMMON AREAS AND COMMON FACILITIES LOCATED WITHIN THE COMMUNITY. THE ASSOCIATION IS TYPICALLY GRANTED THE POWER TO ASSESS PROPERTY OWNERS AND ENFORCE LIENS FOR COLLECTION. OTHER IMPORTANT FUNCTIONS OF THE ASSOCIATION ARE TO ADMINISTER ARCHITECTURAL CONTROLS AND ENFORCE THE RESTRICTIVE COVENANTS. TO A PROSPECTIVE BUYER IN ONE OF THESE COMMUNITIES, THE ENFORCEABILITY OF RESTRICTIVE COVENANTS AND THE FUNCTIONING OF A WELL MANAGED HOMEOWNERS ASSOCIATION ARE IMPORTANT FACTORS IN MAKING THE DECISION TO PURCHASE.

AGENTS SHOULD BE AWARE THAT THE FLORIDA MARKETABLE RECORD TITLE ACT (CHAPTER

712, FLORIDA STATUTES) ("MRTA") MAY HAVE THE EFFECT OF EXTINGUISHING RESTRICTIVE COVENANTS WHICH HAVE BEEN OF RECORD FOR THIRTY YEARS OR MORE. AN ASSOCIATION MAY AVOID EXTINGUISHMENT BY RENEWING THE RESTRICTIVE COVENANTS FOR A PERIOD NOT EXCEEDING AN ADDITIONAL THIRTY YEARS BY FOLLOWING THE PROCEDURES CONTAINED IN SECTIONS 712.05 AND 712.06, FLORIDA STATUTES. MOST PROFESSIONALLY MANAGED HOMEOWNERS ASSOCIATIONS ARE AWARE OF THE EXTINGUISHING EFFECTS OF MRTA AND TAKE THE REQUIRED STEPS TO RENEW THE RESTRICTIVE COVENANTS AND KEEP THEIR ASSOCIATIONS FUNCTIONING. OCCASIONALLY, HOWEVER, THIRTY YEARS ELAPSE WITHOUT ACTION BEING TAKEN. IN THESE UNFORTUNATE SITUATIONS, THE HOMEOWNERS ASSOCIATION BECOMES A "VOLUNTARY" ASSOCIATION AND LOSES ITS AUTHORITY TO IMPOSE AND COLLECT ASSESSMENTS AND ENFORCE RESTRICTIVE COVENANTS. USE RESTRICTIONS AND ARCHITECTURAL REQUIREMENTS ARE NO LONGER ENFORCEABLE. A PROCEDURE IS AVAILABLE UNDER SECTIONS 720.403-720.407, FLORIDA STATUTES TO REVIVE COVENANTS THAT HAVE LAPSED SHOULD A COMMUNITY FIND ITSELF IN THAT SITUATION.

PRIOR TO 1975 COMPREHENSIVE RESTRICTIVE COVENANTS AND MANDATORY HOMEOWNERS ASSOCIATIONS WERE RARE. AFTER THAT DATE THEY BECAME INCREASINGLY MORE COMMON. IF THE TRANSACTION INVOLVES A COMMUNITY WITH RESTRICTIVE COVENANTS AND A MANDATORY HOMEOWNERS ASSOCIATION WHICH WAS DEVELOPED THIRTY OR MORE YEARS PREVIOUSLY (OR IS APPROACHING THE LAPSE DATE) THE AGENT SHOULD MAKE AN INQUIRY AS TO WHETHER THE ASSOCIATION HAS TAKEN STEPS TO RENEW RESTRICTIVE COVENANTS. LAPSED RESTRICTIVE COVENANTS IS LIKELY A SUBJECT REQUIRING DISCLOSURE UNDER PARAGRAPH 10(j) OF THE CONTRACT.

H. PROPERTY TAX DISCLOSURE SUMMARY: This is a disclosure to the buyer that the purchase of the property may result in an increase of the assessment of the property's value for property tax purposes. An increase in tax assessment value and resulting increase in the amount of property taxes can be dramatic in those cases where the property is currently benefitting from a homestead tax exemption. This disclosure is required by Section 689.261, Florida Statutes.

I. FIRPTA TAX WITHHOLDING: If the seller is a "foreign person" as defined by the Foreign Investment in Real Property Tax Act ("FIRPTA"), a withholding of 10% of the gross purchase price may be required. The obligation to withhold is on the buyer and the failure to withhold can expose the buyer to liability for the amount that should have been withheld. This provision requires the seller to inform the buyer in writing as to whether the seller is a foreign person. Typically, if FIRPTA applies, the closing agent retains the withholding and remits to IRS. Standard V has been added to the 2013 edition of the contract and provides details as to the requirements, procedures and exemptions relating to FIRPTA withholding.

J. SELLER DISCLOSURE: This provision reflects Florida law relating to material non-disclosure established by the Florida Supreme Court case of Johnson v. Davis, 480 So. 2nd 625 (FLA. 1985) wherein the court stated: "Accordingly, we hold that where the seller of a home knows of facts materially affecting the value of the property which are not readily observable and are not known to the buyer, the seller is under a duty to disclose them to the buyer." This case has been characterized as completely extinguishing the doctrine of caveat emptor (i.e. buyer beware) with respect to the sale of residential properties. Agents may also be exposed to liability for failure to disclose adverse facts known to them which the seller would be obligated to disclose under the Johnson v. Davis holding. Material non-disclosure falls into the same category as affirmative fraudulent misrepresentation. The

failure to disclose when required to do so creates a cause of action in favor of the buyer. Possible remedies of the buyer include rescission of the contract prior to closing, a rescission of the transaction after the closing and/or a suit for damages.

PROPERTY MAINTENANCE, CONDITION, INSPECTIONS AND EXAMINATIONS

233 11. **PROPERTY MAINTENANCE:** Except for ordinary wear and tear and Casualty Loss, and those repairs, replacements
234 or treatments required to be made by this Contract, Seller shall maintain the Property, including, but not limited to, lawn,
235 shrubbery, and pool, in the condition existing as of Effective Date ("Maintenance Requirement").

A. PROPERTY MAINTENANCE: This provision requires the seller to maintain the property, including lawn, shrubbery and pool, in the condition existing as of the Effective Date subject to three exceptions:

1. Ordinary wear and tear.
2. Casualty Loss – seller's obligations for repair and restoration are set forth in Standard M of the contract.
3. Changes in condition occasioned by repairs, replacements or treatments required to be made under the contract. (See Paragraph 12).

B. ESCROW FOR COST: As previously noted, Paragraph 9(a) of the contract treats the Maintenance Requirement in the same manner as repairs, replacements, treatments or permitting as required by Paragraph 12 and provides that if the seller is unable to meet these requirements as of the closing date, funds necessary to comply with the Maintenance Requirement will be escrowed at closing. Whether or not the seller has met the Maintenance Requirement is typically determined at or about the time of closing. An escrow pursuant to Paragraph 9 for the costs necessary to satisfy the Maintenance Requirement would presumably require that the cost to remedy any deficiencies be estimated in some manner and escrowed in accordance with Paragraph 9. For example, if the seller has neglected the landscaping while closing was pending, a last minute effort would have to be made to determine the cost of restoring the condition existing as of the Effective Date. Note that there is no limit on the cost necessary to meet the Maintenance Requirement. Whether or not the seller has met the Maintenance Requirement may be a contentious issue arising immediately before closing. The seller's agent would be well advised to avoid this issue by monitoring the condition of the property during the time period between the Effective Date and the closing date and taking steps to prevent deterioration and adverse changes.

PROPERTY INSPECTION AND REPAIR

236 12. PROPERTY INSPECTION AND REPAIR:

237 (a) **INSPECTION PERIOD:** By the earlier of 15 days after Effective Date or 5 days prior to Closing Date ("Inspection
238 Period"), Buyer may, at Buyer's expense, conduct "General", "WDO", and "Permit" Inspections described below. If
239 Buyer fails to timely deliver to Seller a written notice or report required by (b), (c), or (d) below, then, except for
240 Seller's continuing Maintenance Requirement, Buyer shall have waived Seller's obligation(s) to repair, replace, treat
241 or remedy the matters not inspected and timely reported. If this Contract does not close, Buyer shall repair all
242 damage to Property resulting from Buyer's inspections, return Property to its pre-inspection condition and provide
243 Seller with paid receipts for all work done on Property upon its completion.

A. INSPECTION PERIOD: Paragraph 12 offers the buyer an opportunity to conduct three types of inspection/investigations relating to the property. These are (a) a General Inspection under Paragraph 12(b), (b) a WDO inspection under Paragraph 12(c) and (c) a Permit Inspection under Paragraph 12(d).

1. Deadlines: The buyer is allowed a period of time to conduct inspections and report deficiencies and permit problems by written notice to the seller. The time limit is fifteen (15) days from the Effective Date or 5 days prior to the closing date which ever is the earlier date. With respect to each of the three inspection/investigation categories, the seller has certain specified obligations to remedy deficiencies. In "quick closing" situations (30 days for less) the buyer may be hard pressed to conduct these inspections and investigations in a thorough manner within the 15 day time limit (or possibly a shorter time limit depending upon how soon the closing is scheduled). In addition, after the inspection reports are delivered, the seller would have precious little time to obtain estimates and remedy deficiencies increasing the likelihood that an escrow under Paragraph 9(a) would be required. These considerations should be taken into account when scheduling the closing date.

2. Failure to Deliver Notice/Report: A failure on the part of the buyer to complete inspections and report deficiencies within the required time period provided results in a waiver of the seller's obligation to repair, replace, treat or remedy those deficiencies.

3. Repair Damage: If the transaction fails to close, the buyer is required to repair all damage resulting from inspections and to return the property to its pre-inspection condition, providing seller with paid receipts evidencing compliance.

4. Inform the Parties: The inspection provisions of the Contract and the obligation of the seller to remedy deficiencies should be fully explained to the buyer and seller prior to entering into the contract to ensure that the parties have a clear understanding of their rights and obligations.

5. Long Term Closings: If the transaction is not scheduled to close in the short term (for example, closing is scheduled more than 60 days from the Effective Date) consider inserting a special provision which would extend the time period for conducting inspections and reporting deficiencies. If a closing date is 6 months hence, the General Inspection and WDO Inspection may be obsolete by the closing date. Any extension of the deadline for these inspections should take into account and allow sufficient time for the seller to remedy deficiencies.

GENERAL PROPERTY INSPECTION AND REPAIR

(b) GENERAL PROPERTY INSPECTION AND REPAIR:

(i) **General Inspection:** Those items specified in Paragraph 12(b) (ii) below, which Seller is obligated to repair or replace ("General Repair Items") may be inspected ("General Inspection") by a person who specializes in and holds an occupational license (if required by law) to conduct home inspections or who holds a Florida license to repair and maintain the items inspected ("Professional Inspector"). Buyer shall, within the Inspection Period, inform Seller of any General Repair Items that are not in the condition required by (b)(ii) below by delivering to Seller a written notice and upon written request by Seller a copy of the portion of Professional Inspector's written report dealing with such items.

(ii) **Property Condition:** The following items shall be free of leaks, water damage or structural damage: ceiling, roof (including fascia and soffits), exterior and interior walls, doors, windows, and foundation. The above items together with pool, pool equipment, non-leased major appliances, heating, cooling, mechanical, electrical, security, sprinkler, septic and plumbing systems and machinery, seawalls, and dockage, are, and shall be maintained until Closing, in "Working Condition" (defined below). Torn screens (including pool and patio screens), fogged windows, and missing roof tiles or shingles shall be repaired or replaced by Seller prior to Closing. Seller is not required to repair or replace "Cosmetic Conditions" (defined below), unless the Cosmetic Conditions resulted from a defect in an item Seller is obligated to repair or replace. "Working Condition" means operating in the manner in which the item was designed to operate. "Cosmetic Conditions" means aesthetic imperfections that do not affect Working Condition of the item, including, but not limited to: pitted marcite; tears, worn spots and discoloration of floor coverings, wallpapers, or window treatments; nail holes, scrapes, scratches, dents, chips or caulking in ceilings, walls, flooring, tile, fixtures, or mirrors; and minor cracks in walls, floor tiles, windows, driveways, sidewalks, pool decks, and garage and patio floors. Cracked roof tiles, curling or worn shingles, or limited roof life shall not be considered defects Seller must repair or replace, so long as there is no evidence of actual leaks, leakage or structural damage.

(iii) **General Property Repairs:** Seller is only obligated to make such general repairs as are necessary to bring items into the condition specified in Paragraph 12(b) (ii) above. Seller shall within 10 days after receipt of Buyer's written notice or General Inspection report, either have the reported repairs to General Repair Items estimated by an appropriately licensed person and a copy delivered to Buyer, or have a second inspection made by a Professional Inspector and provide a copy of such report and estimates of repairs to Buyer. If Buyer's and Seller's inspection reports differ and the parties cannot resolve the differences, Buyer and Seller together shall choose, and equally split the cost of, a third Professional Inspector, whose written report shall be binding on the parties.

If cost to repair General Repair Items equals or is less than the General Repair Limit, Seller shall have repairs made in accordance with Paragraph 12(f). If cost to repair General Repair Items exceeds the General Repair Limit, then within 5 days after a party's receipt of the last estimate: (A) Seller may elect to pay the excess by delivering written notice to Buyer, or (B) Buyer may deliver written notice to Seller designating which repairs of General Repair Items Seller shall make (at a total cost to Seller not exceeding the General Repair Limit) and agreeing to accept the balance of General Repair Items in their "as is" condition, subject to Seller's continuing Maintenance Requirement. If neither party delivers such written notice to the other, then either party may terminate this Contract and Buyer shall be refunded the Deposit, thereby releasing Buyer and Seller from all further obligations under this Contract.

A. GENERAL INSPECTION AND REPAIR:

1. **General Repair Items:** Section 12(b) (ii) describes those property conditions which the seller is obligated to remedy (defined as "General Repair Items"). The buyer is required to engage a Professional Inspector who either holds an occupational license as such or holds a Florida license to repair and maintain the items inspected.

2. **Reporting Deficiencies:** Within the time limit provided in Paragraph 12(a) the buyer is required to deliver to the seller written notice of deficiencies and if requested by seller, a copy of the portion of the Professional Inspector's written report dealing with such items (the latter is recommended).

3. **Covered Items:** Not all parts and components of the property and improvements qualify as General Repair Items. Paragraph 12(b) (ii) describes those conditions which require remedy by the seller. Ceilings, roof (including fascia and soffits), exterior and interior walls, doors, windows and foundation must be free of leaks, water damage or structural damage. In addition, these items together with various other components of the structure and property must be in "Working Condition." "Working Condition" is defined in the contract as "operating in the manner in which the item was designed to operate." For example, the

air conditioning system may be working but if it's necessary to recharge the compressor with refrigerant once a month, it is not in "Working Condition" as defined in the contract.

4. Cosmetic Conditions: This provision describes a number of property and improvement conditions which are not required to be remedied by the seller, unless the Cosmetic Condition resulted from a defect in an item which seller's otherwise obligated to repair or replace. Missing roof tiles or shingles are required to be replaced, but cracked roof tiles, curling or worn shingles or limited roof life are not considered an objectionable deficiency absent evidence of leaks or structural damage.

5. Engaging Inspectors: Many inspection companies are familiar with the inspection provisions of the contract and will limit their report to objectionable deficiencies. When selecting home inspection companies the agent should ensure that the company is aware of the scope of the inspections permitted by the contract.

6. General Property Repairs: Upon receipt of notice and/or the General Inspection report the seller is given two options:

- a. Obtain a cost estimate from an appropriately licensed person and deliver a copy of the estimate to the buyer; or
- b. Obtain a second inspection from a Professional Inspector, providing a copy of the report and estimate of repairs to the buyer. If the reports differ and the buyer and seller cannot resolve the differences, the buyer and seller choose and split the cost of a third Professional Inspector who will render a binding written report.

CAUTION: ALLOWING THE SELLER TO TRIGGER A FORM OF DISPUTE RESOLUTION BY OBTAINING AN ADDITIONAL INSPECTION MAY CREATE A TIMING PROBLEM AND A NEED TO EXTEND THE CLOSING DATE. CONSIDER OBTAINING MULTIPLE INSPECTION REPORTS ONLY WITH RESPECT TO MAJOR REPAIR ITEMS (E.G., CAN THE ROOF BE REPAIRED OR DOES IT NEED TO BE REPLACED?). SUCH SITUATIONS ARE OFTEN CONTENTIOUS AND THERE IS NO ASSURANCE THAT THE BUYER AND SELLER WILL BE ABLE TO REACH AGREEMENT ON THE SELECTION OF A THIRD PROFESSIONAL INSPECTOR THUS CREATING ADDITIONAL CONFUSION AS TO THE SELLER'S CONTRACTUAL OBLIGATIONS TO MAKE REPAIRS.

7. Making Repairs: The cost estimates obtained by the seller should determine whether the General Repair Limit set forth in Paragraph 9(a) has been exceeded. If the limit has not been exceeded, the seller is obliged to conduct repairs. If the estimated cost exceeds the General Repair Limit then:

- a. The seller may elect to pay the excess by delivering written notice to the buyer; or
- b. The buyer may select those General Repair Items which the buyer will require the seller to remedy thereby accepting the balance of the General Repair Items in their as-is condition.

The selection of either alternative requires written notice to the other party within five days after receipt of the last estimate of cost. Failure to select one of the alternatives by written notice allows either party to cancel the contract.

WOOD DESTROYING ORGANISM ("WDO") INSPECTION AND REPAIR

(c) **WOOD DESTROYING ORGANISM ("WDO") INSPECTION AND REPAIR:**

(i) **WDO Inspection:** The Property may be inspected by a Florida-licensed pest control business ("WDO Inspector") to determine the existence of past or present WDO infestation and damage caused by infestation ("WDO Inspection"). Buyer shall, within the Inspection Period, deliver a copy of the WDO Inspector's written report to Seller if any evidence of WDO infestation or damage is found. "Wood Destroying Organism" ("WDO") means arthropod or plant life, including termites, powder-post beetles, oldhouse borers and wood-decaying fungi, that damages or infests seasoned wood in a structure, excluding fences.

(ii) **WDO Repairs:** If Seller previously treated the Property for the type of WDO found by Buyer's WDO Inspection, Seller does not have to retreat the Property if there is no visible live infestation, and Seller, at Seller's cost, transfers to Buyer at Closing a current full treatment warranty for the type of WDO found. Seller shall within 10 days after receipt of Buyer's WDO Inspector's report, have reported WDO damage estimated by an appropriately licensed person, necessary corrective treatment, if any, estimated by a WDO Inspector, and a copy delivered to Buyer. Seller shall have treatments and repairs made in accordance with Paragraph 12(f) below up to the WDO Repair Limit. If cost to treat and repair the WDO infestations and damage to Property exceeds the WDO Repair Limit, then within 5 days after receipt of Seller's estimate, Buyer may deliver written notice to Seller agreeing to pay the excess, or designating which WDO repairs Seller shall make (at a total cost to Seller not exceeding the WDO Repair Limit), and accepting the balance of the Property in its "as is" condition with regard to WDO infestation and damage, subject to Seller's continuing Maintenance Requirement. If Buyer does not deliver such written notice to Seller, then either party may terminate this Contract by written notice to the other, and Buyer shall be refunded the Deposit, thereby releasing Buyer and Seller from all further obligations under this Contract.

A. WDO INSPECTION:

1. **Definition of WDO:** This provision defines "Wood Destroying Organism" in a manner substantially similar to the definition contained in the Florida Structural Pest Control Act (Section 482.021, Florida Statutes).

2. **Deadlines:** Paragraph 12(a) applies and requires that the inspection be completed and a notice or report delivered to the seller within 15 days from the Effective Date or not later than 5 days prior to the closing date, whichever is the earlier date.

3. **Inspector:** The inspector must be a Florida licensed pest control business.

B. WDO REPAIRS:

1. **Treatment and Repairs:** Seller has an obligation to treat present WDO infestation and to repair damage caused by a present or past infestation. "Treatment" presumably refers to fumigation activities. Infestation or damage caused by present or prior infestation to fences is expressly not an objectionable condition. However, other structures such as wood decking and retaining walls would be included.

2. **Procedures:** The buyer is required to deliver a copy of the WDO Inspector's report to the seller within the time limit provided. Within 10 days after receipt of the report the seller is required to obtain an estimate of the cost of treatment (estimated by a WDO Inspector) and/or an estimate of the cost of damage repair (from an appropriately licensed person) and deliver a copy of those estimates to the buyer. If the estimated costs do not exceed the WDO Repair Limit set forth in Paragraph 9(a), the seller is obligated to proceed with treatment and repair.

3. Estimated Costs Exceed WDO Repair Limit: If the estimated costs exceed the WDO Repair Limit then within 5 days after the receipt of the seller's cost estimate, the buyer is given three options: (a) deliver a written notice agreeing to pay the excess or (b) select which WDO repairs seller shall make accepting the balance of the property "as-is" with regard to WDO infestation and damage; or (c) deliver no such notice following which either party has the right to cancel the contact.

CAUTION: NOTICE THE SENTENCE IN THIS PROVISION WHICH STATES THAT THE SELLER IS NOT REQUIRED TO "RE-TREAT THE PROPERTY IF THERE IS NO VISIBLE LIVE INFESTATION AND SELLER, AT SELLER'S COST, TRANSFERS TO THE BUYER AT CLOSING A CURRENT FULL TREATMENT WARRANTY FOR THE TYPE OF WDO FOUND." THE WORDING OF THIS SENTENCE SUGGESTS THAT IF THE SELLER DOES NOT HAVE OR IS UNABLE TO OBTAIN "A CURRENT FULL TREATMENT WARRANTY" THERE MAY BE AN OBLIGATION TO RE-TREAT PRIOR INFESTATION.

UNLIKE GENERAL REPAIR ITEMS, THE SELLER HAS NO RIGHT TO AGREE TO PAY COST IN EXCESS OF THE WDO REPAIR LIMIT ESSENTIALLY GIVING THE BUYER AN OPTION TO CANCEL THE CONTRACT IF THE COST ESTIMATES EXCEED THE WDO LIMIT. THIS DIFFERENT APPROACH IS PROBABLY DUE TO THE STIGMA ATTACHED TO RESIDENCES AND STRUCTURES INFESTED OR PREVIOUSLY INFESTED WITH TERMITES. A PRUDENT LISTING AGENT WILL ENCOURAGE THE SELLER TO OBTAIN A WDO INSPECTION AT THE TIME THE PROPERTY IS LISTED FOR SALE.

INSPECTION AND CLOSE-OUT OF BUILDING PERMITS

301 (d) **INSPECTION AND CLOSE-OUT OF BUILDING PERMITS:**

302 (i) **Permit Inspection:** Buyer may have an inspection and examination of records and documents made to
303 determine whether there exist any open or expired building permits or unpermitted improvements to the Property
304 ("Permit Inspection"). Buyer shall, within the Inspection Period, deliver written notice to Seller of the existence of
305 any open or expired building permits or unpermitted improvements to the Property.

306 (ii) **Close-Out of Building Permits:** Seller shall, within 10 days after receipt of Buyer's Permit Inspection notice,
307 have an estimate of costs to remedy Permit Inspection items prepared by an appropriately licensed person and a
308 copy delivered to Buyer. No later than 5 days prior to Closing Date, Seller shall, up to the Permit Limit, have open
309 and expired building permits identified by Buyer or known to Seller closed by the applicable governmental entity,
310 and obtain and close any required building permits for improvements to the Property. Prior to Closing Date, Seller
311 will provide Buyer with any written documentation that all open and expired building permits identified by Buyer or
312 known to Seller have been closed out and that Seller has obtained required building permits for improvements to
313 the Property. If final permit inspections cannot be performed due to delays by the governmental entity, Closing
314 Date shall be extended for up to 10 days to complete such final inspections, failing which, either party may
315 terminate this Contract, and Buyer shall be refunded the Deposit, thereby releasing Buyer and Seller from all
316 further obligations under this Contract.

317 If cost to close open or expired building permits or to remedy any permit violation of any governmental entity
318 exceeds Permit Limit, then within 5 days after a party's receipt of estimates of cost to remedy: (A) Seller may elect
319 to pay the excess by delivering written notice to Buyer; or (B) Buyer may deliver written notice to Seller accepting
320 the Property in its "as is" condition with regard to building permit status and agreeing to receive credit from Seller
321 at Closing in the amount of Permit Limit. If neither party delivers such written notice to the other, then either party
322 may terminate this Contract and Buyer shall be refunded the Deposit, thereby releasing Buyer and Seller from all
323 further obligations under this Contract.

A. PROTECTION FROM PERMIT PROBLEMS:

1. **Building Permit Issues:** This provision first appeared in the 2010 Contract in response to unpleasant building permit problems encountered by buyers, sellers and agents. There was limited protection against open permits and unpermitted improvements afforded in earlier editions of the contract. Prior editions of the contract provided that title would be conveyed subject to "requirements imposed by governmental authority...provided, that there exists at Closing no violation of the foregoing...." Open permits and unpermitted improvements are indeed violations of governmental ordinances and regulations. However, in many counties throughout the state of Florida buyers have rarely investigated building permit status. The hurricanes of the recent past caused frenzied building permit activities resulting in many open permit situations. An unsuspecting buyer could be confronted with a notice of violation from code enforcement officials well after the closing date without practical recourse against the seller. Unpermitted improvements are sometimes difficult and expensive to remedy requiring the engagement of a contractor, the submission of plans and specifications, the issuance of a "post facto" permit, building inspections and the correction of building code violations. Paragraph 12(d) is intended to ensure that permitting problems are discovered prior to closing and that the responsibility to remedy those problems is properly placed on the seller.

2. **Building Code Violations:** Paragraph 12(d) does not address building code violations unrelated to open permits or unpermitted improvements. During the General Inspection, the inspector may discover deficiencies in the nature of building code violations. These deficiencies may not fit squarely in the category of repairs that the seller is required to make under Paragraph 12(b). It should be recognized that a condition which might constitute a violation of the current building code may be grandfathered and therefore not a violation. Building codes are frequently revised. There is some protection for the buyer under Standard A of the contract which provides that there exists at closing no violation

of “requirements imposed by governmental authorities.” Standard A expressly excludes building code violations as a title defect. It would appear, therefore, that there is some uncertainty regarding seller’s obligation to cure building code violations unless the violation is related to an item which the seller is otherwise required to repair/replace under Paragraph 12(b).

B. CONDUCTING THE INSPECTION: As is the case with General and WDO Inspections, it is the buyer’s obligation to initiate the Permit Inspection. Under Paragraph 10(b) a representation is made that the seller has no knowledge of any unpermitted improvements or open permits. “Open permits” generally mean that a permit was previously issued but not “closed” typically due to the absence of a final inspection and approval by the building official. Information concerning the status of permits is available from county and city building departments and to some extent, from the records of the county Property Appraiser. On-line permit searches are available in many counties. Similar to the General Repair Inspection and WDO Inspection, within the inspection Period, the buyer must complete investigations and deliver written notice to the seller if there are any open or expired building permits or unpermitted improvements.

C. SELLER’S OBLIGATIONS TO REMEDY: If the buyer discovers the existence of any open or expired building permits or unpermitted improvements and has given timely and proper notice to the seller, the seller has 10 days from the date of the receipt of the buyer’s Permit Inspection notice within which to obtain and deliver an estimate of costs to remedy Permit Inspection items. The seller is then given a time period ending 5 days prior to the closing date within which to have open and expired building permits which were identified by the buyer or known to the seller closed by the applicable governmental entity and to obtain and close any required building permits for unpermitted improvements on the property. Prior to the closing date the seller is required to provide written documentation evidencing that the permitting issues have been remedied. The provision allows an extension of the closing date for up to 10 days “if final permit inspections cannot be performed due to delays by the governmental entity.” If the inspections are not concluded within said 10 day extension, either party has the right to cancel the contract. This closing extension provision is narrow in scope and applies only if the failure to obtain final inspections is due to “delays by the governmental entity.”

D. COSTS EXCEED PERMIT LIMIT: Assuming no building code violations, an open permit issue may be resolved by simply obtaining a final inspection and approval by a building official. Resolving unpermitted improvements will likely take more time and involve greater expense. If the cost estimate exceeds the Permit Limit (set forth in Paragraph 9(a) then within 5 days after receipt of the cost estimate either: (a) the seller may elect to pay the excess by delivering written notice to the buyer, or (b) the buyer may deliver written notice to the seller accepting the property is as-is condition with respect to building permit status and receive a credit from the seller at closing in the amount of the Permit Limit. If neither party delivers such a written notice within the 5 day period, then either party has a right to terminate the contract.

CAUTION: WHILE THE PROVISIONS OF THIS PARAGRAPH DEALING WITH THE REMEDIATION OF PERMIT ISSUES ARE WELL INTENDED AND PROVIDE ADDITIONAL PROTECTIONS FOR THE BUYER, THE PROVISION HAS THE POTENTIAL FOR CREATING TIMING AND OTHER PROBLEMS FOR THE PARTIES.

(1) IN THOSE SITUATIONS WHERE UNPERMITTED IMPROVEMENTS ARE DISCOVERED, REMEDIATION MAY TAKE SIGNIFICANTLY MORE TIME THAN IS ALLOWED UNDER THIS PROVISION, PARTICULARLY IF BUILDING CODE VIOLATIONS EXIST.

(2) THE PROVISION FOR EXTENSION OF THE CLOSING DATE DUE TO DELAYS BY THE GOVERNMENTAL ENTITY IN CONDUCTING FINAL INSPECTIONS WOULD APPEAR TO BE INCONSISTENT WITH THE CONCEPT OF ESCROWING FUNDS AT CLOSING UNDER PARAGRAPH 9(a). IN THE CONTEXT OF RESOLVING PERMIT ISSUES, PARAGRAPH 9(a) PROVIDES THAT IF THE SELLER IS UNABLE TO MEET THE SELLER'S RESPONSIBILITIES FOR RESOLVING PERMITTING ISSUES THE ESTIMATED COSTS WILL BE ESCROWED AT CLOSING AND PRESUMABLY, THE EFFORTS TO RESOLVE THESE PROBLEMS WOULD CONTINUE AFTER CLOSING. OBVIOUSLY, ONE SITUATION WHERE THE SELLER WOULD BE UNABLE TO MEET THE PERMITTING REMEDIATION OBLIGATION WOULD BE A DELAY IN OBTAINING FINAL PERMIT INSPECTIONS. THIS PARAGRAPH WHILE ALLOWING A 10 DAY EXTENSION TO THE CLOSING DATE PROVIDES THAT THE PARTIES MAY TERMINATE THE CONTRACT IF THE FINAL PERMIT INSPECTIONS CANNOT BE PERFORMED. THIS APPEARS TO BE INCONSISTENT WITH THE ESCROW APPROACH EXPRESSED IN PARAGRAPH 9(a).

WALK-THROUGH INSPECTIONS/RE-INSPECTION

324	(e) WALK-THROUGH INSPECTION/RE-INSPECTION: On the day prior to Closing Date, or on Closing Date prior to
325	time of Closing, as specified by Buyer, Buyer or Buyer's representative may perform a walk-through (and follow-up
326	walk-through, if necessary) inspection of the Property solely to confirm that all items of Personal Property are on the
327	Property and to verify that Seller has maintained the Property as required by the Maintenance Requirement, has
328	made repairs and replacements required by this Contract, and has met all other contractual obligations.

PRE-CLOSING INSPECTIONS

Paragraph 12(e) specifies that the buyer is entitled to a pre-closing walk-through inspection on either the day of closing or the day prior to closing. This inspection is in addition to the inspections provided by Paragraph 12 taking place during the Inspection Period. The purpose of this inspection is to confirm that items of included personal property are on the property and to verify that seller has met the Maintenance Requirement, has made the repairs and replacements required by the contract and has met all other contractual obligations. It may be prudent for the buyer to have the property re-inspected by the Professional Inspector previously engaged by the buyer to conduct the General Inspection. Any uncorrected deficiencies should be reported to the seller and, if necessary, the escrow provisions of Paragraph 9(a) invoked. A "follow-up walk-through" inspection is permitted, if necessary.

REPAIR STANDARDS; ASSIGNMENT OF REPAIR AND TREATMENT CONTRACTS AND WARRANTIES

329 330 331 332 333 334	(f) REPAIR STANDARDS; ASSIGNMENT OF REPAIR AND TREATMENT CONTRACTS AND WARRANTIES: All repairs and replacements shall be completed in a good and workmanlike manner by an appropriately licensed person, in accordance with all requirements of law, and shall consist of materials or items of quality, value, capacity and performance comparable to, or better than, that existing as of the Effective Date. Except as provided in Paragraph 12(c)(ii), at Buyer's option and cost, Seller will, at Closing, assign all assignable repair, treatment and maintenance contracts and warranties to Buyer.
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QUALITY OF REPAIRS: Paragraph 12(f) sets forth the quality standard that must be met with respect to repairs and replacements in response to the General Inspection, WDO Inspection and Permit Inspection. The seller is required to engage appropriately licensed contractors/vendors for the purpose of conducting repairs and replacements. Work must be conducted in a good and workmanlike manner and materials or replacements must be of a quality, value, capacity and performance comparable to or better than that existing as of the Effective Date. The provision requires that seller to assign all assignable repair, treatment and maintenance contracts and warranties to the buyer arising out of the repairs and replacement work if requested to do so by buyer. Any costs involved in making the assignment are the responsibility of the buyer.

ESCROW AGENT AND BROKER

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ESCROW AGENT AND BROKER

336 **13. ESCROW AGENT:** Any Closing Agent or Escrow Agent (collectively "Agent") receiving the Deposit, other funds and
337 other items is authorized, and agrees by acceptance of them, to deposit them promptly, hold same in escrow within the
338 State of Florida and, subject to **COLLECTION**, disburse them in accordance with terms and conditions of this Contract.
339 Failure of funds to become **COLLECTED** shall not excuse Buyer's performance. When conflicting demands for the
340 Deposit are received, or Agent has a good faith doubt as to entitlement to the Deposit, Agent may take such actions
341 permitted by this Paragraph 13, as Agent deems advisable. If in doubt as to Agent's duties or liabilities under this
342 Contract, Agent may, at Agent's option, continue to hold the subject matter of the escrow until the parties agree to its
343 disbursement or until a final judgment of a court of competent jurisdiction shall determine the rights of the parties, or
344 Agent may deposit same with the clerk of the circuit court having jurisdiction of the dispute. An attorney who represents
345 a party and also acts as Agent may represent such party in such action. Upon notifying all parties concerned of such
346 action, all liability on the part of Agent shall fully terminate, except to the extent of accounting for any items previously
347 delivered out of escrow. If a licensed real estate broker, Agent will comply with provisions of Chapter 475, F.S., as
348 amended and FREC rules to timely resolve escrow disputes through mediation, arbitration, interpleader or an escrow
349 disbursement order.
350 Any proceeding between Buyer and Seller wherein Agent is made a party because of acting as Agent hereunder, or in
351 any proceeding where Agent interpleads the subject matter of the escrow, Agent shall recover reasonable attorney's
352 fees and costs incurred, to be paid pursuant to court order out of the escrowed funds or equivalent. Agent shall not be
353 liable to any party or person for mis-delivery of any escrowed items, unless such mis-delivery is due to Agent's willful
354 breach of this Contract or Agent's gross negligence. This Paragraph 13 shall survive Closing or termination of this
355 Contract.

A. HOLDING AND DISBURSING FUNDS: Funds representing the earnest money deposit(s) are held by the Escrow Agent identified in Paragraph 2(a). Monies paid for the purpose of funding the purchase price are typically received and held by a closing agent. Paragraph 13 applies to both who are collectively referred to "Agent." The Agent is directed to deposit funds promptly and hold them in escrow subject to Collection. "Collection" is defined in Standard S of the contract and previously discussed in this manual. Except for force majeure events or bank failure, the failure of funds to become collected does not excuse the buyer's obligations under the contract meaning that the buyer assumes the risk associated with collection of funds. Under Standard S of the contract the closing agent may delay the closing until funds have been collected in the closing agent's accounts.

B. CONFLICTING DEMANDS: While a well drafted real estate contract should minimize the probability of disputes between the parties, a failed transaction occasionally results in the buyer demanding a refund of the earnest money deposit while the seller is demanding its forfeiture. The Agent is not in a position to determine the merits of the opposing claims. A decision by the Agent to disburse to one party creates the risk of being sued by the other party. Paragraph 13 provides alternatives for the Agent faced with conflicting demands. Absent an agreement by the parties to continue to hold the deposit, the Agent's best alternative is to place the funds with the clerk of the circuit court having jurisdiction over the dispute. This takes the form of an Interpleader action and the Agent is entitled to recover, from the escrowed funds, reasonable attorney's fees and costs. This provision releases the Agent who properly takes such action from any further liability except for an accounting of funds. If the Agent is a licensed real estate broker, the provision directs compliance with Chapter 475 and FREC rules which pertain to resolution of escrow disputes.

CAUTION: UNDER SECTION 475.25, FLORIDA STATUTES, A REAL ESTATE BROKER HOLDING ESCROWED FUNDS AND FACED WITH CONFLICTING DEMANDS MAY SEEK A

DISBURSEMENT ORDER ISSUED BY THE FLORIDA REAL ESTATE COMMISSION ("FREC") WHICH DETERMINES WHO IS ENTITLED TO THE ESCROWED FUNDS. FOLLOWING THE DIRECTIONS OF A DISBURSEMENT ORDER WILL PROTECT THE BROKER FROM AN ADMINISTRATIVE COMPLAINT BUT WILL NOT PROTECT THE BROKER FROM LIABILITY TO THE PARTY ADVERSELY AFFECTED BY THE DISBURSEMENT ORDER. A DISBURSEMENT ORDER FROM FREC SHOULD NOT BE THE PREFERRED ALTERNATIVE UNLESS THE PARTIES AGREE IN WRITING AND IN ADVANCE THAT THEY WISH TO RESOLVE THE DISPUTE IN THAT MANNER AND WILL BE BOUND BY THE RESULT.

C. MIS-DELIVERY: The provision attempts to limit the liability of the Agent for mis-delivery of any escrowed items providing that the Agent shall not be liable unless mis-delivery is due to the willful breach of the contract or the Agent's gross negligence. In practice, most Agents recognize that the duties owed to the parties require more than avoiding gross negligence and will generally refuse to disburse to one party without the written consent of the other party.

PROFESSIONAL ADVICE; BROKER LIABILITY

356 **14. PROFESSIONAL ADVICE; BROKER LIABILITY:** Broker advises Buyer and Seller to verify Property condition, square
357 footage, and all other facts and representations made pursuant to this Contract and to consult appropriate professionals
358 for legal, tax, environmental, and other specialized advice concerning matters affecting the Property and the transaction
359 contemplated by this Contract. Broker represents to Buyer that Broker does not reside on the Property and that all
360 representations (oral, written or otherwise) by Broker are based on Seller representations or public records. **BUYER**
361 **AGREES TO RELY SOLELY ON SELLER, PROFESSIONAL INSPECTORS AND GOVERNMENTAL AGENCIES**
362 **FOR VERIFICATION OF PROPERTY CONDITION, SQUARE FOOTAGE AND FACTS THAT MATERIALLY AFFECT**
363 **PROPERTY VALUE AND NOT ON THE REPRESENTATIONS (ORAL, WRITTEN OR OTHERWISE) OF BROKER.**
364 Buyer and Seller (individually, the "Indemnifying Party") each individually indemnifies, holds harmless, and releases
365 Broker and Broker's officers, directors, agents and employees from all liability for loss or damage, including all costs
366 and expenses, and reasonable attorney's fees at all levels, suffered or incurred by Broker and Broker's officers,
367 directors, agents and employees in connection with or arising from claims, demands or causes of action instituted by
368 Buyer or Seller based on: (i) inaccuracy of information provided by the Indemnifying Party or from public records; (ii)
369 Indemnifying Party's misstatement(s) or failure to perform contractual obligations; (iii) Broker's performance, at
370 Indemnifying Party's request, of any task beyond the scope of services regulated by Chapter 475, F.S., as amended,
371 including Broker's referral, recommendation or retention of any vendor for, or on behalf of Indemnifying Party; (iv)
372 products or services provided by any such vendor for, or on behalf of, Indemnifying Party; and (v) expenses incurred by
373 any such vendor. Buyer and Seller each assumes full responsibility for selecting and compensating their respective
374 vendors and paying their other costs under this Contract whether or not this transaction closes. This Paragraph 14 will
375 not relieve Broker of statutory obligations under Chapter 475, F.S., as amended. For purposes of this Paragraph 14,
376 Broker will be treated as a party to this Contract. This Paragraph 14 shall survive Closing or termination of this Contract.

A. BROKER'S DISCLAIMER: The provision starts by advising the buyer and seller to verify the property condition and other facts and representation and to consult appropriate professionals. It further states that all representations made by the broker to either party are based upon seller representations or public records. A statement (in bold print for emphasis) recites that the buyer agrees to rely solely upon the seller, professional inspectors and governmental agencies regarding property condition, square footage and facts materially affecting property value and not upon the representations of the broker. A complete discussion of the types of brokerage relationships and the respective duties of agents to their principals is beyond the scope of this manual. However, the agent should keep the following in mind:

1. If an agent is assuming a buyer's agent or seller's agent status, a higher duty is imposed by law and the provisions of Chapter 475, Florida Statutes. This disclaimer will not shield the agent from liability for breaching such duties.
2. The disclaimer will not relieve the agent from liability for intentional/negligent misrepresentations and/or material non-disclosure of facts required to be disclosed (see Paragraph 10(j) of the contract).

B. INDEMNITY: The indemnity portion of this provision contemplates that a claim is made or a suit is filed by the buyer or the seller and the claim arises out of one of the circumstances described in Subparagraphs (i) – (v). This is a further attempt to protect the broker in the event the disclaimer previously discussed fails to provide such protection. As with disclaimers, however, an indemnity provision will not be enforced if the result is to relieve the broker from its own negligence or misconduct. The provision concludes with a clear statement that notwithstanding the disclaimer and indemnity provisions, the broker will not be relieved of the statutory obligations under Chapter 475, Florida Statutes.

DEFAULT AND DISPUTE RESOLUTION

DEFAULT AND DISPUTE RESOLUTION

15. DEFAULT:

- (a) **BUYER DEFAULT:** If Buyer fails, neglects or refuses to perform Buyer's obligations under this Contract, including payment of the Deposit, within the time(s) specified, Seller may elect to recover and retain the Deposit for the account of Seller as agreed upon liquidated damages, consideration for execution of this Contract, and in full settlement of any claims, whereupon Buyer and Seller shall be relieved from all further obligations under this Contract, or Seller, at Seller's option, may, pursuant to Paragraph 16, proceed in equity to enforce Seller's rights under this Contract. The portion of the Deposit, if any, paid to Listing Broker upon default by Buyer, shall be split equally between Listing Broker and Cooperating Broker; provided however, Cooperating Broker's share shall not be greater than the commission amount Listing Broker had agreed to pay to Cooperating Broker.
- (b) **SELLER DEFAULT:** If for any reason other than failure of Seller to make Seller's title marketable after reasonable diligent effort, Seller fails, neglects or refuses to perform Seller's obligations under this Contract, Buyer may elect to receive return of Buyer's Deposit without thereby waiving any action for damages resulting from Seller's breach, and, pursuant to Paragraph 16, may seek to recover such damages or seek specific performance.
- This Paragraph 15 shall survive Closing or termination of this Contract.

A. FAILURE TO PERFORM: A failure to timely perform by either party is a default under the contract giving the non-defaulting party the right to cancel the transaction and/or pursue available legal remedies. There are no provisions in the contract requiring a notice of default or allowing the defaulting party an opportunity to cure. A default by one party excuses the non-defaulting party from further performance under the contract.

B. BUYER DEFAULT: If the buyer defaults ("default" includes the non-payment of a required deposit) the seller has two alternative remedies which may be pursued subject to the mediation provisions of Paragraph 16:

1. "Elect to recover and retain the Deposit for the account of seller is agreed upon liquidated damages...". The use of the word "recover" anticipates that the buyer's default may be the non-payment of an initial or additional deposit. If the buyer has failed to pay one or more deposits, the seller may be forced to file suit against the buyer for recovery of the unpaid deposit; or
2. Sue the buyer for specific performance of the contract.

Seeking a forfeiture of the deposit is usually the most convenient remedy for a seller faced with a buyer's default. The buyer may contest the seller's entitlement to the deposit in which event, subject to the mediation requirements of Paragraph 16, litigation may follow. A seller suing for specific performance essentially takes the property off the market pending the outcome of the litigation. In addition, the seller runs the risk that even if specific performance is ordered, the buyer may be insolvent and/or otherwise unable to purchase. The more convenient and effective remedy of deposit forfeiture emphasizes the need to obtain a deposit in an amount sufficient to adequately compensate the seller.

C. BROKER'S PARTICIPATION IN FORFEITED DEPOSIT: Brokerage listing agreements typically include a provision entitling the broker to payment of a percentage of the forfeited deposit as compensation for services. The portion of the deposit to be paid to the listing broker is subject to negotiation between the seller and the listing broker. Unless there is an agreement with a cooperating broker to the contrary, the listing broker may waive all or a portion of this entitlement. However, if the listing broker receives any portion

of the deposit, the intent of this provision is to protect a cooperating broker by directing that such portion received by the listing broker be split equally with the cooperating broker (to the extent that it does not exceed the amount the cooperating broker would have received had the transaction closed.).

D. SELLER DEFAULT: If the seller fails to perform (for example, wrongfully refuses to close the transaction) the buyer has two alternative remedies which may be pursued subject to the mediation provisions of Paragraph 16:

1. Sue the seller for specific performance requiring the seller to convey the property in exchange for payment of the purchase price; or
2. Obtain a refund of the earnest money deposit(s) and, at buyer's option, sue the seller for damages.

If the buyer seeks specific performance, the deposit would remain deposited with the Escrow Agent pending the outcome of the litigation. Failure of the seller to cure title defects is expressly deemed not to be a default. However, brokerage listing agreements frequently provide that the seller will be liable of the payment of the commission if the transaction fails to close because seller's title is unmarketable. In addition, a seller's default under the contract would typically be a default under the brokerage listing agreement entitling the broker to recover a commission from the seller.

DISPUTE RESOLUTION

392 **16. DISPUTE RESOLUTION:** Unresolved controversies, claims and other matters in question between Buyer and Seller
393 arising out of, or relating to, this Contract or its breach, enforcement or interpretation ("Dispute") will be settled as
394 follows:

395 (a) Buyer and Seller will have 10 days after the date conflicting demands for the Deposit are made to attempt to
396 resolve such Dispute, failing which, Buyer and Seller shall submit such Dispute to mediation under Paragraph
397 16(b).

398 (b) Buyer and Seller shall attempt to settle Disputes in an amicable manner through mediation pursuant to Florida
399 Rules for Certified and Court-Appointed Mediators and Chapter 44, F.S., as amended (the "Mediation Rules"). The
400 mediator must be certified or must have experience in the real estate industry. Injunctive relief may be sought
401 without first complying with this Paragraph 16(b). Disputes not settled pursuant to this Paragraph 16 may be
402 resolved by instituting action in the appropriate court having jurisdiction of the matter. This Paragraph 16 shall
403 survive Closing or termination of this Contract.

A. MANDATORY MEDIATION: This provision requires that the buyer and seller attempt to resolve any "Dispute" (defined as unresolved controversies and claims arising out of or relating to the contract or its breach, enforcement or interpretation) as follows:

1. If the dispute involves conflicting demands for the deposit, the parties have a 10 day period to try to resolve their differences failing which mediation is directed.

3. The Dispute is then submitted to mediation as described. If injunctive relief is needed (for example, the seller is threatening to sell the property to another party) mediation is not a precondition to seeking an injunction. Otherwise, mediation is a precondition to initiating litigation.

ATTORNEY'S FEES AND COSTS

404 **17. ATTORNEY'S FEES; COSTS:** The parties will split equally any mediation fee incurred in any mediation permitted by
405 this Contract, and each party will pay their own costs, expenses and fees, including attorney's fees, incurred in
406 conducting the mediation. In any litigation permitted by this Contract, the prevailing party shall be entitled to recover
407 from the non-prevailing party costs and fees, including reasonable attorney's fees, incurred in conducting the litigation.
408 This Paragraph 17 shall survive Closing or termination of this Contract.

With respect to the mandatory mediation provided for in Paragraph 16 of the contract, this provision directs that the mediation fees will be split equally between buyer and seller and each party pays their own costs, expenses and attorney's fees. If the Dispute is not settled at mediation and litigation is initiated, the prevailing party is entitled to recover reasonable attorney's fees and costs. Comprehensive Rider BB – Binding Arbitration, if included in the contract, offers an alternative to litigation. Notice, however, that if this Rider is used there is no provision for the recovery of attorney's fees and costs from the non-prevailing party.

STANDARDS FOR REAL ESTATE TRANSACTIONS ("STANDARDS")

STANDARDS FOR REAL ESTATE TRANSACTIONS ("STANDARDS")

18. STANDARDS:

A. TITLE:

(i) **TITLE EVIDENCE; RESTRICTIONS; EASEMENTS; LIMITATIONS:** Within the time period provided in Paragraph 9(c), the Title Commitment, with legible copies of instruments listed as exceptions attached thereto, shall be issued and delivered to Buyer. The Title Commitment shall set forth those matters to be discharged by Seller at or before Closing and shall provide that, upon recording of the deed to Buyer, an owner's policy of title insurance in the amount of the Purchase Price, shall be issued to Buyer insuring Buyer's marketable title to the Real Property, subject only to the following matters: (a) comprehensive land use plans, zoning, and other land use restrictions, prohibitions and requirements imposed by governmental authority; (b) restrictions and matters appearing on the Plat or otherwise common to the subdivision; (c) outstanding oil, gas and mineral rights of record without right of entry; (d) unplatted public utility easements of record (located contiguous to real property lines and not more than 10 feet in width as to rear or front lines and 7 1/2 feet in width as to side lines); (e) taxes for year of Closing and subsequent years; and (f) assumed mortgages and purchase money mortgages, if any (if additional items, attach addendum); provided, that, unless waived by Paragraph 12 (a), there exists at Closing no violation of the foregoing and none prevent use of the Property for **RESIDENTIAL PURPOSES**. If there exists at Closing any violation of items identified in (b) – (f) above, then the same shall be deemed a title defect. Marketable title shall be determined according to applicable Title Standards adopted by authority of The Florida Bar and in accordance with law.

(ii) **TITLE EXAMINATION:** Buyer shall have 5 days after receipt of Title Commitment to examine it and notify Seller in writing specifying defect(s), if any, that render title unmarketable. If Seller provides Title Commitment and it is delivered to Buyer less than 5 days prior to Closing Date, Buyer may extend Closing for up to 5 days after date of receipt to examine same in accordance with this STANDARD A. Seller shall have 30 days ("Cure Period") after receipt of Buyer's notice to take reasonable diligent efforts to remove defects. If Buyer fails to so notify Seller, Buyer shall be deemed to have accepted title as it then is. If Seller cures defects within Cure Period, Seller will deliver written notice to Buyer (with proof of cure acceptable to Buyer and Buyer's attorney) and the parties will close this Contract on Closing Date (or if Closing Date has passed, within 10 days after Buyer's receipt of Seller's notice). If Seller is unable to cure defects within Cure Period, then Buyer may, within 5 days after expiration of Cure Period, deliver written notice to Seller: (a) extending Cure Period for a specified period not to exceed 120 days within which Seller shall continue to use reasonable diligent effort to remove or cure the defects ("Extended Cure Period"); or (b) electing to accept title with existing defects and close this Contract on Closing Date (or if Closing Date has passed, within the earlier of 10 days after end of Extended Cure Period or Buyer's receipt of Seller's notice), or (c) electing to terminate this Contract and receive a refund of the Deposit, thereby releasing Buyer and Seller from all further obligations under this Contract. If after reasonable diligent effort, Seller is unable to timely cure defects, and Buyer does not waive the defects, this Contract shall terminate, and Buyer shall receive a refund of the Deposit, thereby releasing Buyer and Seller from all further obligations under this Contract.

The Standards are common contract provisions that have developed over the years relating to the sale and purchase of Florida residential real property. Standardizing customs and procedures relating to the purchase and sale of real property helps to simplify transactions. Standards will govern the rights and obligations of the parties just as forcefully as other provisions of the contract.

A. STANDARD A – TITLE EVIDENCE, RESTRICTIONS, EASEMENTS AND LIMITATIONS:

1. Title Insurance: Title insurance insures against financial loss from defects in title to real property and from the invalidity or unenforceability of mortgage liens. Title insurance has been around since the 1800's and has been the preferred method of "proving" marketable title in Florida for about the last 50 years. Prior to that time, determining whether title to real estate was marketable required the hiring of an abstractor to search for documents affecting title to the property and an attorney to render an opinion on their meaning under the law. This procedure was cumbersome and time consuming. Recourse against the abstractor or attorney for errors and omissions was limited.

2. Title Insurance Commitment: The process of insuring title begins with the issuance of a title insurance commitment ("Commitment"). The Commitment includes a schedule (Schedule B-I) detailing the requirements (e.g., recording a deed, paying off mortgages, etc.) that must be met in order for a title insurance policy to be issued. The Commitment also contains a schedule (Schedule B-II) of title exceptions. Title exceptions typically include matters appearing on the plat, recorded restrictive covenants and similar exceptions. Some "standard exceptions" (e.g., parties in possession, survey matters, etc.) are routinely deleted from the title policy upon satisfying underwriting requirements of the title insurance company.

3. Delivery of the Title Insurance Commitment: Standard A should be read together with Paragraph 9(c) which, among other things, identifies the party responsible for paying the title insurance premium and sets a deadline for delivery of the Commitment. Standard A provides that in addition to the Commitment, legible copies of instruments listed as exceptions are required to be delivered to the buyer.

4. Marketable Title: The quality of the title required to be conveyed under the contract is described as "marketable title." When title is marketable, it is "free from doubt" meaning that in the opinion of a Florida licensed attorney there is no reasonable probability that adverse claims will be asserted against the title. Standard A provides that marketable title is to be determined in accordance with applicable title standards adopted by authority of the Florida Bar and in accordance with law.

5. Permitted Exceptions: Standard A identifies six title exceptions which are permitted meaning that, except as otherwise provided, they are not objectionable as title defects. Subparagraph (i)(a) refers to comprehensive land use plans, zoning and other land use restrictions, prohibitions and requirements imposed by governmental authority. These are not title exceptions in the technical sense but they do affect the use of real property.

6. No Violations: After listing the permitted exceptions, the provision includes a statement that as of the closing date, there is no violation of the permitted exceptions and none prevent the use of the property for residential purposes. This is modified somewhat by the next sentence which states that if there is any violation of the items identified in Subparagraphs (b) through (f) then such violations shall be treated as a title defect. Notice that this provision excludes Subparagraph (i) (a) land use restrictions and governmental requirements).

CAUTION: UNDER THIS PROVISION, A BUILDING CODE VIOLATION WOULD NOT BE TREATED AS A TITLE DEFECT. TITLE DEFECTS ARE ADDRESSED IN STANDARD A (ii) WHICH ESTABLISHES A PROCEDURE AND TIME SCHEDULE FOR CURING TITLE DEFECTS. THEREFORE, A BUYER WHO DISCOVERS A BUILDING CODE VIOLATION MAY HAVE THE RIGHT TO CANCEL THE CONTRACT BASED UPON THE REQUIREMENT THAT THERE BE NO VIOLATIONS. HOWEVER, THE BUYER WOULD NOT HAVE THE RIGHT TO REQUIRE THE SELLER TO ATTEMPT TO CURE THE VIOLATION PURSUANT TO THE PROCEDURES APPLICABLE TO TITLE DEFECTS.

CAUTION: THE PERMITTED EXCEPTIONS LISTED IN SUBPARAGRAPHS (a) THROUGH (f) ARE EXCEPTIONS COMMONLY ENCOUNTERED IN RESIDENTIAL REAL ESTATE TRANSACTIONS. RECORDED PLATS, PLATTED EASEMENTS AND RESTRICTIVE COVENANTS USUALLY AFFECT ALL LOTS LOCATED WITHIN THE SUBDIVISION. SUBPARAGRAPH (i)(d) IS SPECIFIC AS TO UN-PLATTED PUBLIC UTILITY EASEMENTS REQUIRING THAT THEY NOT EXCEED 10' IN WIDTH AS TO REAR AND FRONT LINES AND 7.5' IN WIDTH AS TO SIDE LINES AND REQUIRING THAT THEY BE CONTIGUOUS TO THE BOUNDARY LINES. UN-PLATTED PUBLIC UTILITY EASEMENTS SOMETIMES EXIST IN OLD PLATTED SUBDIVISIONS. THE SELLER AND AGENT SHOULD DETERMINE IN ADVANCE OF THE CONTRACT WHETHER SUCH EASEMENTS EXIST AND WHETHER THEY MEET THE CONTIGUITY AND WIDTH REQUIREMENTS. IF THEY DON'T INCLUDE A SPECIAL PROVISION STATING THAT TITLE SHALL BE SUBJECT TO SUCH EASEMENTS.

CAUTION: THE CONTRACT DOES NOT ADDRESS NON-CONFORMING STRUCTURES. A NON-CONFORMING STRUCTURE IS ONE WHICH, WHEN ORIGINALLY CONSTRUCTED FULLY COMPLIED WITH ZONING AND BUILDING CODES BUT DUE TO SUBSEQUENT CODE AMENDMENTS, HAS NOW BECOME NON-CONFORMING. IN ADDITION A NON-CONFORMING STRUCTURE CAN EXIST WHERE A VARIANCE HAS PREVIOUSLY BEEN OBTAINED. FOR EXAMPLE, IF A PORTION OF THE RESIDENCE EXTENDS BEYOND A REQUIRED ZONING SET BACK LINE AND THE OWNER HAS REMEDIED THE ENCROACHMENT BY OBTAINING A VARIANCE FROM ZONING AUTHORITIES, THE STRUCTURE IS CONSIDERED NON-CONFORMING. NON-CONFORMING STRUCTURES ARE NOT VIOLATIONS OF ZONING REGULATIONS SO THE BUYER CANNOT OBJECT UNDER THIS STANDARD. HOWEVER, TYPICAL ZONING AND BUILDING CODES IMPOSE SPECIAL RULES RELATING TO NON-CONFORMING STRUCTURES. FOR EXAMPLE, IF THE BUILDING IS DAMAGED BY CASUALTY OR OTHERWISE, THE OWNER MAY BE REQUIRED TO RECONSTRUCT THE BUILDING AND FULLY COMPLY WITH CURRENT ZONING AND BUILDING CODES. THE EXISTANCE OF A PREVIOUSLY GRANTED VARIANCE OR OTHER "GRANDFATHERED" NON-CONFORMITY IS LIKELY A FACT REQUIRING DISCLOSURE UNDER PARAGRAPH 10 (J).

B. TITLE EXAMINATION:

1. **Timing:** Paragraph 9(c) specifies the deadline for delivery of the Commitment to the buyer. This provision allows the buyer 5 days to examine the Commitment and provide notice to seller specifying any title defects rendering title unmarketable. The blank in Paragraph 9(c) defaults to 5 days prior to closing if some longer time period is not inserted. This means that the buyer would continue to have the right to make title objections through the day of closing. If there are title objections, this will necessarily result in an extension of the closing date in order to cure title defects. The preferred practice is to insert a time period in Paragraph 9(c) which allows sufficient time prior to closing to cure title defects.

2. **What is an Objectable Title Defect?** As discussed, Standard A requires the seller to deliver "marketable" title. Whether a particular title exception renders title unmarketable can be a disputed issue. Experienced real estate lawyers can usually recognize an objectionable title defect when they see one. A title insurance company will typically screen title exceptions and if any have the potential for rendering title unmarketable, the

Commitment will require a “cure” in Scheduled B-I. For example, if the probate of an estate is required in order to insure marketable title, the Commitment will include a requirement for probate of the estate in Schedule B-I. Real estate attorneys customarily deliver notice to the title company or the seller’s attorney requiring a “mark-up” of the Commitment at closing which deletes certain standard exceptions and other title exceptions found objectionable and require the satisfaction of all Schedule B-I requirements. Any requirements or title exceptions which, in the opinion of the examining attorney render title unmarketable should be specified in the written notice.

C. WAIVER OF TITLE DEFECTS: The failure of the buyer to deliver the written notice specifying defects within the 5 day time period results in a waiver and the buyer may be required to accept defective title. This could produce potentially serious consequences. If the buyer is depending upon third party mortgage financing, the lender may refuse to close the loan because of the title defect while the buyer would be contractually obligated to close on the purchase.

CAUTION: AN UNFORTUNATE BUYER WHO FAILS TO TIMELY OBJECT TO TITLE DEFECTS MAY SEEK TO RELY UPON OTHER PROVISIONS IN THE CONTRACT REQUIRING THE SELLER TO CONVEY MARKETABLE TITLE BY WARRANTY DEED. IF THE TITLE DEFECT IS IN THE NATURE OF A LIEN (E.G., MONEY JUDGMENT AGAINST THE SELLER, UNSATISFIED MORTGAGE, TAX LIEN, CONSTRUCTION LIEN, ETC.), THE REQUIREMENT FOR A WARRANTY DEED WOULD REQUIRE THE SELLER TO SATISFY SUCH ENCUMBRANCES NOTWITHSTANDING THE BUYER’S WAIVER. HOWEVER, THE BUYER’S WAIVER WILL PROBABLY APPLY TO OTHER TYPES OF DEFECTS NOTWITHSTANDING THE GENERAL OBLIGATION OF THE SELLER TO CONVEY MARKETABLE TITLE. THE PROVISIONS OF STANDARD A(ii) REQUIRE WRITTEN NOTICE. THE REQUIREMENT FOR WRITTEN NOTICE OF TITLE OBJECTIONS IS SPECIFIC AND WOULD LIKELY CONTROL OVER THE GENERAL PROVISION REQUIRING CONVEYANCE OF MARKETABLE TITLE. ALSO STANDARD H (CONVEYANCE) PROVIDES THAT TITLE WILL BE CONVEYED SUBJECT TO THOSE MATTERS “ACCEPTED BY BUYER”. STANDARD A (ii) STATES THAT IF THE BUYER FAILS TO DELIVER NOTICE OF TITLE OBJECTIONS THE “BUYER SHALL BE DEEMED TO HAVE ACCEPTED TITLE AS IT THEN IS.”

D. EFFORTS TO CURE: Following receipt of the buyer’s written notice specifying defects, the seller is obligated to “take reasonable diligent efforts to remove defects.” The initial time limit for undertaking such efforts is 30 days (“Cure Period”). If the seller successfully cures the defect within the Cure Period, the seller is required to deliver written notice and proof that the defect has been cured. Proof of cure can take the form of a the removal of the requirement or title exception from the Commitment meaning that then title company will insure title without listing the objectionable defect as an exception.

E. UNABLE TO CURE: If the seller is unable to cure defects within the Cure Period the buyer is given three options exercisable by written notice to the seller: (1) extend the Cure Period for a specified period not exceeding 120 days, or (2) accept title with the existing defects and close on the purchase, or (3) terminate the contract and receive a refund of the deposit. This provision is not clear as to what happens if the buyer fails to give notice

electing one of these options. However, the last sentence of this provision suggests that unless the buyer waives the defects, the contract will terminate and the deposit will be refunded to the buyer.

F. FILING SUIT TO CURE DEFECTS: This provision is silent on whether the seller's reasonable diligent efforts would include the filing of litigation to remove defects. Whether due diligence requires the seller to pursue litigation probably depends upon the complexity of the litigation and whether the defect could be resolved through litigation within the permitted time limits.

SURVEY

444 **B. SURVEY:** If Survey discloses encroachments on the Real Property or that improvements located thereon encroach
445 on setback lines, easements, or lands of others, or violate any restrictions, covenants, or applicable governmental
446 regulations described in STANDARD A (i)(a), (b) or (d) above, Buyer shall deliver written notice of such matters,
447 together with a copy of Survey, to Seller within 5 days after Buyer's receipt of Survey, but no later than Closing. If Buyer
448 timely delivers such notice and Survey to Seller, such matters identified in the notice and Survey shall constitute a title
449 defect, subject to cure obligations of STANDARD A above. If Seller has delivered a prior survey, Seller shall, at Buyer's
450 request, execute an affidavit of "no change" to the Real Property since the preparation of such prior survey, to the
451 extent the affirmations therein are true and correct.

A. IMPORTANCE OF A SURVEY: The most common type of survey obtained in residential real estate transactions is a boundary/improvements survey. Such a survey will plot the boundaries of the property and show the improvements relative to those boundaries. Standard B describes various objectionable survey defects. Survey defects can be as serious as any title defect. Consequently, a survey is an essential part of the buyer's due diligence.

B. SURVEY DEFECTS: Obtaining a survey is the only reliable way of discovering encroachments of improvements across boundary lines, set-backs lines and easements. Set-back lines (or required yards) are prescribed by land use and zoning regulations and occasionally imposed by recorded restrictive covenants and plats. These and other forms of survey defects are objectionable and are treated in the same manner as title defects are addressed under Standard A(ii). This Standard should be read together with Paragraph 9(d) of the contract which provides that the buyer must have the survey completed and deliver notice of any survey defects not later than 5 days prior to closing.

C. SURVEYS AND TITLE INSURANCE: Title insurance coverage providing protection against the existence of survey defects can be obtained by providing a current survey to the title insurer and/or otherwise meeting title underwriting requirements. Paragraph 9(d) requires the seller to deliver a copy of any prior survey within 5 days following the Effective Date. This Standard also requires the seller, upon request, to execute an affidavit of "no change" to the property since the date of the prior survey provided, in fact, that there have been no changes with respect to improvements on the property. Title insurers will typically accept a prior survey together with an affidavit of no change as a basis for providing coverage against survey defects in the title policy. If the prior or current survey shows any encroachments or other defects, the title insurer will include an exception for these matters making specific reference to the survey. Institutional lenders providing purchase money financing typically require acceptable title insurance coverage against survey defects.

D. CURING SURVEY DEFECTS: As discussed, objectionable survey defects are treated in the same manner as title defects under Standard A(ii) of the contract. The seller has an obligation to make reasonable diligent efforts to cure survey defects. For example, if the seller's fence is encroaching across the property line into a neighbor's property, the seller would be required to relocate the fence within the boundaries. If a portion of the building is violating a zoning set-back line, the seller would be required to obtain a variance from zoning authorities.

E. FLOOD ZONES: A boundary/improvement survey will disclose the flood zone in which the property is located. If requested, the surveyor will furnish the flood elevation certificate referred to in Paragraph 10(d).

INGRESS AND EGRESS

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C. INGRESS AND EGRESS: Seller represents that there is ingress and egress to the Real Property and title to the Real Property is insurable in accordance with STANDARD A without exception for lack of legal right of access.

A. TITLE INSURANCE: Provided there is legal access to the property, a title insurance policy will insure against loss or damage caused by a lack of legal access. Part of the title examination process undertaken by a title agent includes a determination that legal access exists.

B. LEGAL ACCESS: Legal access means that the property owner has a legal right to access a public road from and to the property. Generally, if the property is in a platted subdivision or is immediately contiguous to a public road, access is not an issue. In some cases, however, access to a public road may be by way of private easement across adjoining lands. Title insurance does not insure the quality of access so care should be taken to insure that the private easement affords practical access to the property. A legal description of the private easement should be included as part of the description of the property being purchased so that the title insurance insures both the property and the easement.

LEASE INFORMATION

454 **D. LEASE INFORMATION:** Seller shall, at least 10 days prior to Closing, furnish to Buyer estoppel letters from
455 tenant(s)/occupant(s) specifying nature and duration of occupancy, rental rates, advanced rent and security deposits
456 paid by tenant(s) or occupant(s) ("Estoppel Letter(s)"). If Seller is unable to obtain such Estoppel Letter(s), the same
457 information shall be furnished by Seller to Buyer within that time period in the form of a Seller's affidavit, and Buyer may
458 thereafter contact tenant(s) or occupant(s) to confirm such information. If Estoppel Letter(s) or Seller's affidavit, if any,
459 differ materially from Seller's representations and lease(s) provided pursuant to Paragraph 6, or if tenant(s)/occupant(s)
460 fail or refuse to confirm Seller's affidavit, Buyer may deliver written notice to Seller within 5 days after receipt of such
461 information, but no later than 5 days prior to Closing Date, terminating this Contract and receive a refund of the Deposit,
462 thereby releasing Buyer and Seller from all further obligations under this Contract. Seller shall, at Closing, deliver and
463 assign all leases to Buyer who shall assume Seller's obligations thereunder.

A. LEASE INFORMATION: This Standard compliments Paragraph 6 of the contract which requires delivery of any leases to the buyer and gives the buyer a right to cancel. Assuming the buyer does not cancel, this Standard requires the seller to deliver to the buyer, not later than 10 days prior to closing, estoppel letters signed by each tenant or occupant in the form prescribed. If an estoppel letter cannot be obtained the seller may furnish the same estoppel letter information in the form of an affidavit and the buyer has the right to confirm the information with the tenant(s)/occupant(s). If the lease information differs materially from seller's representations or the leases previously delivered the buyer may cancel the contract.

CAUTION: PARAGRAPH 6 OF THE CONTRACT PROVIDES THE BUYER AN EARLY OPPORTUNITY TO EXAMINE WRITTEN LEASES AND THE TERMS OF OCCUPANCY RELATING TO ANY TENANTS/OCCUPANTS WITHOUT WRITTEN LEASES. WRITTEN LEASES SHOULD BE EXAMINED CAREFULLY. THEY COULD INCLUDE OPTIONS TO PURCHASE THE PROPERTY, RIGHTS OF FIRST REFUSAL AND OTHER PROVISIONS ADVERSE TO THE BUYER'S INTEREST. THE BUYER TAKES TITLE SUBJECT TO THE RIGHTS OF TENANTS/OCCUPANTS IN VISIBLE POSSESSION OF THE PROPERTY.

B. ASSIGNMENT: The seller is required to deliver and assign all leases to the buyer. The buyer is required to assume the seller's obligations thereunder. Assumption of these obligations typically takes the form of an assumption agreement in the assignment document. An assumption will normally protect the seller against any subsequent claims of the tenant. Although not expressly required by Standard D, the estoppel letter from the tenant should expressly state that the lease is free of default by either party and that there are no claims or causes of action assertable against the seller/landlord. A prudent buyer will require similar representations included in the lease assignment.

LIENS

464 **E. LIENS:** Seller shall furnish to Buyer at Closing an affidavit attesting (i) to the absence of any financing statement,
465 claims of lien or potential lienors known to Seller and (ii) that there have been no improvements or repairs to the Real
466 Property for 90 days immediately preceding Closing Date. If the Real Property has been improved or repaired within
467 that time, Seller shall deliver releases or waivers of construction liens executed by all general contractors,
468 subcontractors, suppliers and materialmen in addition to Seller's lien affidavit setting forth names of all such general
469 contractors, subcontractors, suppliers and materialmen, further affirming that all charges for improvements or repairs
470 which could serve as a basis for a construction lien or a claim for damages have been paid or will be paid at Closing.

A. SELLER'S AFFIDAVIT: The affidavit described in Standard E is typically prepared by the title/closing agent as part of the closing and title insurance process.

B. CONSTRUCTION LIENS: A construction lien is a statutory lien that can attach to and encumber the title to the property without notice thereof being recorded on the public records. The Florida Construction Lien Law allows a lienor (contractor, subcontractor or materials supplier) to record a lien within 90 days after the completion of the lienor's work on the property. If the property has been improved or repaired within 90 days preceding the closing date, the seller is directed to obtain and deliver releases and waivers of construction liens. The requirements described in this Standard are substantially the same as the title underwriting requirements imposed by a title insurer in order to insure title without exception for construction liens.

TIME

471	F. TIME: Calendar days shall be used in computing time periods. Time is of the essence in this Contract.
472	Other than time for acceptance and Effective Date as set forth in Paragraph 3, any time periods provided for or dates
473	specified in this Contract, whether preprinted, handwritten, typewritten or inserted herein, which shall end or occur on a
474	Saturday, Sunday, or a national legal holiday (see 5 U.S.C. 6103) shall extend to 5:00 p.m. (where the Property is
475	located) of the next business day.

A. CALENDAR DAYS: The contract provides that all time periods are computed in calendar days.

B. EXTENSION OF TIME PERIOD: Except as otherwise provided in the contract, the time periods and deadlines are extended only where the last day of the time period or the deadline falls on a Saturday, Sunday, or national legal holiday. This extension provision does not apply with respect to the Effective Date and time for acceptance. (see Paragraph 3). If extended, the deadline or time period is extended to 5 p.m. of the next business day.

C. TIME IS OF THE ESSENCE: As previously discussed the contract makes time of the essence. This means that deadlines and time periods expressed in the contract for timely performance by the parties are strict. There are no grace periods. A failure to give a required notice by a required deadline can result in a waiver. A failure to timely perform an act required by the contract to be performed is a default unless the time period or deadline is extended by force majeure or other provisions. While a judge may excuse a default as non-material, the agent's primary objective is to make sure that the parties adhere to the time periods and deadlines thereby avoiding the courtroom.

FORCE MAJEURE

476 **G. FORCE MAJEURE:** Buyer or Seller shall not be required to perform any obligation under this Contract or be liable
477 to each other for damages so long as performance or non-performance of the obligation is delayed, caused or
478 prevented by Force Majeure. "Force Majeure" means: hurricanes, earthquakes, floods, fire, acts of God, unusual
479 transportation delays, wars, insurrections, acts of terrorism, and any other cause not reasonably within control of Buyer
480 or Seller, and which, by exercise of reasonable diligent effort, the non-performing party is unable in whole or in part to
481 prevent or overcome. All time periods, including Closing Date, will be extended for the period that the Force Majeure
482 prevents performance under this Contract, provided, however, if such Force Majeure continues to prevent performance
483 under this Contract more than 14 days beyond Closing Date, then either party may terminate this Contract by delivering
484 written notice to the other and the Deposit shall be refunded to Buyer, thereby releasing Buyer and Seller from all
485 further obligations under this Contract.

A. EXTENDING TIME FOR PERFORMANCE: Force Majeure (French for superior force) is a common clause in contracts excusing parties from liability and obligation if performance or non-performance of the obligation is delayed, caused or prevented by extraordinary events or occurrences beyond the control of the parties. This Standard specifically describes events and occurrences which constitute Force Majeure and includes "any other cause not reasonably within control of buyer or seller." Time periods and deadlines in the contract, including the closing date are extended for the period that the Force Majeure event prevents performance but if a delay extends more than 14 days beyond the closing date, either party may cancel the contract in which event the deposit is refunded to the buyer. This recognizes that Force Majeure, under the contract will not only extend deadlines but may excuse a party from contractual obligations if performance was prevented by the Force Majeure event.

B. EXCUSING PERFORMANCE: Force Majeure is a contractual provision but the concept is closely related to other legally recognized defenses that can be raised in a breach of contract law suit. These defenses include prevention of performance, impossibility of performance and frustration of purpose.

C. APPLICATION: The keys to determine whether a Force Majeure event will excuse or delay performance are (1) did the Force Majeure event actually prevent or delay performance or cause the non-performance of the obligation; and (2) was there anything that the non-performing party could have done with reasonable diligent effort to prevent or overcome the failure or delay of performance. Examples of Force Majeure events are practically limitless but here are a few situations that would likely meet the requirements:

- a. A seller is prevented from attending closing on the closing date due to blizzard conditions at JFK Airport in New York.
- b. A seller is unable to attend closing because of an airline strike. (However, if the airline strike was ongoing or otherwise predictable Force Majeure would probably not excuse performance).
- c. Loan or other closing documents are lost in transit by Federal Express or other major courier service.

CONVEYANCE

486	H. CONVEYANCE: Seller shall convey marketable title to the Real Property by statutory warranty, trustee's, personal
487	representative's, or guardian's deed, as appropriate to the status of Seller, subject only to matters described in
488	STANDARD A and those accepted by Buyer. Personal Property shall, at request of Buyer, be transferred by absolute
489	bill of sale with warranty of title, subject only to such matters as may be provided for in this Contract.

A. TYPES OF DEEDS: The most common method of conveying title to residential real property is by statutory warranty deed in the form prescribed by Section 689.02, Florida Statutes. The statutory form of deed is deemed to include all common law covenants and warranties (warranties of title and against encumbrances). Standard H recognizes that grantors acting in a representative capacity (trustees, personal representatives and guardians) may lack the authority (by law or governing documents) to convey real property with full warranties of title. There are special forms of deed available for execution by trustees, personal representatives and guardians. If conveyance by deed in any other form is intended by the parties, e.g., special warranty deed, quit claim deed, a special provision must be included in the contract.

B. BILL OF SALE: This Standard also requires the seller to deliver an "absolute bill of sale with warranty of title" if requested by the buyer. Paragraph 1 of the contract recognizes that even an unfurnished home includes some components which may be regarded as personal property e.g., draperies and window treatments. A prudent buyer will request a bill of sale particularly if the sale includes significant additional personal property. The bill of sale is required to be in a form that includes seller warranties with respect to title.

CLOSING LOCATION; DOCUMENTS; AND PROCEDURE

I. CLOSING LOCATION; DOCUMENTS; AND PROCEDURE:

(i) **LOCATION:** Closing will take place in the county where the Real Property is located at the office of the attorney or other closing agent ("Closing Agent") designated by the party paying for the owner's policy of title insurance, or, if no title insurance, designated by Seller. Closing may be conducted by mail or electronic means.

(ii) **CLOSING DOCUMENTS:** Seller shall, at or prior to Closing, execute and deliver, as applicable, deed, bill of sale, certificate(s) of title or other documents necessary to transfer title to the Property, construction lien affidavit(s), owner's possession and no lien affidavit(s), and assignment(s) of leases. Seller shall provide Buyer with paid receipts for all work done on the Property pursuant to this Contract. Buyer shall furnish and pay for, as applicable the survey, flood elevation certification, and documents required by Buyer's lender.

(iii) **PROCEDURE:** The deed shall be recorded upon **COLLECTION** of all closing funds. If the Title Commitment provides insurance against adverse matters pursuant to Section 627.7841, F.S., as amended, the escrow closing procedure required by STANDARD J shall be waived, and Closing Agent shall, **subject to COLLECTION of all closing funds**, disburse at Closing the brokerage fees to Broker and the net sale proceeds to Seller.

A. LOCATION OF CLOSING: Standard I(i) directs that the closing occur in the county in which the property is located at the office of the attorney or other closing agent. The "Closing Agent" is the attorney or title insurance company designated by buyer or seller under Paragraph 9(c) of the contract. This provision permits the closing to be accomplished by mail or electronic means.

B. CLOSING DOCUMENTS: Standard I(ii) identifies the closing documents involved in the transaction and assigns the responsibility for furnishing those documents. Closing documents necessary to meet the requirements of Schedule B-I of the title insurance commitment (deed, seller affidavits, etc.) are typically prepared by the Closing Agent. The seller is required to deliver to the buyer paid receipts for all work done on the property required by the contract. This includes General Repairs, WDO Repairs and any work associated with remediating permit problems under Paragraph 12 of the contract.

C. CLOSING PROCEDURE: As previously discussed, a closing cannot occur until all monies necessary to fund the purchase price have been "Collected" in the Closing Agent's account. This provision should be read together with Standard S which allows the Closing Agent to delay closing until collection has occurred. Provided the closing agent has received collected funds this provision directs the closing agent to disburse brokerage fees to brokers and net sales proceeds to the seller.

ESCROW CLOSING PROCEDURE

503 **J. ESCROW CLOSING PROCEDURE:** If Title Commitment issued pursuant to Paragraph 9(c) does not provide for
504 insurance against adverse matters as permitted under Section 627.7841, F.S., as amended, the following escrow and
505 closing procedures shall apply: (1) all Closing proceeds shall be held in escrow by the Closing Agent for a period of not
506 more than 10 days after Closing; (2) if Seller's title is rendered unmarketable, through no fault of Buyer, Buyer shall,
507 within the 10 day period, notify Seller in writing of the defect and Seller shall have 30 days from date of receipt of such
508 notification to cure the defect; (3) if Seller fails to timely cure the defect, the Deposit and all Closing funds paid by Buyer
509 shall, within 5 days after written demand by Buyer, be refunded to Buyer and, simultaneously with such repayment,
510 Buyer shall return the Personal Property, vacate the Real Property and re-convey the Property to Seller by special
511 warranty deed and bill of sale; and (4) if Buyer fails to make timely demand for refund of the Deposit, Buyer shall take
512 title as is, waiving all rights against Seller as to any intervening defect except as may be available to Buyer by virtue of
513 warranties contained in the deed or bill of sale.

A. INSURING THE "GAP": A title insurance commitment issued pursuant to Paragraph 9(c) will reflect the status of title as of the effective date of the commitment. The time period between the effective date of the commitment and the deed recording date is referred to as the "gap". The title insurance commitment includes an exception from coverage as to adverse matters or defects recorded during this gap period. Section 627.7841, Florida Statutes, eliminates this gap exception from coverage if the title/closing agent actually disburses funds at closing. The title insurance company protects itself against intervening defects (e.g., a judgment recorded against the seller) by bringing the title search current to the closing date and obtaining an affidavit from the seller to the effect that the seller is unaware of any matters pending that could rise to a lien and has not executed or recorded any documents affecting the property during the gap period. If a document has been recorded during the gap period which adversely affects title the title insurance company will not delete the gap exception.

B. INTERVENING TITLE DEFECTS/ESCROWED CLOSING: If the gap exception is not deleted from the title commitment the remainder of Standard J describes an escrowed closing arrangement. The closing agent is directed to escrow all closing proceeds. The buyer is allowed an opportunity to make a further objections to title defects and the seller is given a 30 day period following notification to cure the defects. If the seller is unable to cure the defect the deposit and all closing funds, upon written demand by buyer are refunded to buyer. The buyer is directed to return personal property, vacate the real property and re-convey the property to the seller by special warranty deed and bill of sale. Failure of the buyer to make a timely written demand for refund of the deposit constitutes a waiver and the buyer is deemed to have accepted title in its defective condition. Should this occur, the buyer will not be able to make a claim under the title insurance policy but may have recourse against the seller through the warranties contained in the deed.

CAUTION: THIS STANDARD IS SIMILAR TO THE SAME PROVISION CONTAINED IN PRIOR EDITIONS OF THE CONTRACT. THERE ARE SERIOUS SHORTCOMINGS. A LENDER INVOLVED IN THE TRANSACTION WOULD NEVER PERMIT AN ESCROWED CLOSING OR THE RECORDING OF ITS MORTGAGE IF INTERVENING TITLE DEFECTS HAVE BEEN DISCOVERED AND THE TITLE INSURANCE COMPANY IS REFUSING TO INSURE THE GAP. STANDARD J PROVIDES THAT ONLY THE PURCHASE MONEY IS ESCROWED. THE DEED IS ACTUALLY RECORDED AND THE BUYER TAKES POSSESSION OF THE PROPERTY. IF THE INTERVENING TITLE DEFECT CANNOT BE CURED, THE TRANSACTION IS REVERSED BY THE BUYER RE-CONVEYING THE PROPERTY

TO THE SELLER. THIS "CLOSE NOW AND CURE LATER" ARRANGEMENT CREATES THE POTENTIAL FOR OTHER PROBLEMS TO ARISE. FOR EXAMPLE, A JUDGMENT IS RECORDED AGAINST THE BUYER AFTER THE CONVEYANCE BUT BEFORE THE RE-CONVEYANCE. A MORE CONSERVATIVE APPROACH TO THE INTERVENING TITLE DEFECT SITUATION IS TO ESCROW THE DEED, CLOSING DOCUMENTS AND PURCHASE MONEY WHILE AN ATTEMPT IS MADE TO CURE THE DEFECT AND DELAY THE CONVEYANCE OF THE PROPERTY AND DELIVERY OF POSSESSION TO THE BUYER. IF A MORTGAGE LENDER WILL NOT PERMIT AN ESCROW OF LOAN FUNDS THEN AN ALTERNATIVE IS TO SIMPLY DELAY THE CLOSING IN THE SAME MANNER AS CLOSING IS DELAYED TO CURE OTHER TITLE DEFECTS UNDER STANDARD A(ii).

PRORATIONS; CREDITS

514 **K. PRORATIONS; CREDITS:** The following recurring items will be made current (if applicable) and prorated as of the
515 day prior to Closing Date, or date of occupancy if occupancy occurs before Closing Date: real estate taxes (including
516 special benefit tax assessments imposed by a CDD), interest, bonds, association fees, insurance, rents and other
517 expenses of Property. Buyer shall have option of taking over existing policies of insurance, if assumable, in which event
518 premiums shall be prorated. Cash at Closing shall be increased or decreased as may be required by prorations to be
519 made through day prior to Closing. Advance rent and security deposits, if any, will be credited to Buyer. Escrow
520 deposits held by Seller's mortgagee will be paid to Seller. Taxes shall be prorated based on current year's tax with due
521 allowance made for maximum allowable discount, homestead and other exemptions. If Closing occurs on a date when
522 current year's millage is not fixed but current year's assessment is available, taxes will be prorated based upon such
523 assessment and prior year's millage. If current year's assessment is not available, then taxes will be prorated on prior
524 year's tax. If there are completed improvements on the Real Property by January 1st of year of Closing, which
525 improvements were not in existence on January 1st of prior year, then taxes shall be prorated based upon prior year's
526 millage and at an equitable assessment to be agreed upon between the parties, failing which, request shall be made to
527 the County Property Appraiser for an informal assessment taking into account available exemptions. A tax proration
528 based on an estimate shall, at either party's request, be readjusted upon receipt of current year's tax bill. This

A. PRORATIONS AND ADJUSTMENTS: Standard K directs proration and appropriate charges or credits to the proceeds payable by the buyer and to the seller at closing. These prorations, credits and charges appear on the closing statement prepared by the closing agent and have the effect of increasing or decreasing the amount due from the buyer and to the seller. The Standard describes those types of expenses and revenues which are subject to proration including a catch-all – “other expenses of Property.” There is no express provision in the contract requiring the buyer to purchase unused fuel oil or propane contained in tanks serving the property. It could be argued that fuel oil and gas are “other expenses of the property” and subject to adjustment. The better practice is to provide for an adjustment by special provision.

B. COMPUTATION OF ADJUSTMENTS: Prorations are computed taking into account the time period that an unpaid expense or uncollected revenue is accruing and the time period covered by prepaid expense or prepaid collected revenue. For example, if homeowner association assessments are paid quarterly in advance, the buyer will incur a proration charge for the time period beginning with the day of closing through the end of the quarter. The Standard directs that the proration date is the day prior to closing resulting in the buyer assuming the expense or benefitting from the revenue on the day of closing.

C. INSURANCE: The Standard allows the buyer the option of assuming existing insurance policies if assumption is permitted by the insurer. If an insurance policy is assumed the seller will receive a proration credit and the buyer a corresponding charge from the time period beginning with the day prior to the closing date and ending on the policy expiration date.

D. PRORATING REAL ESTATE TAXES: In Florida, real estate taxes are payable in arrears. The tax bill for the current year arrives in November of each year. If a closing occurs prior to November the actual amount of the tax for the current year may not be known. In such a situation, this Standard directs the calculation of the tax proration by using the current year's assessment, if known and/or using the current year's millage, if known or prorating on the basis of the prior year's taxes. If a proration is based on any method of calculating other than utilizing the actual amount of the current year's taxes, the Standard imposes an obligation on the parties to adjust (re-prorate) the calculation following receipt of the current year's tax bill.

CAUTION: THERE ARE CIRCUMSTANCES WHERE USING AN ESTIMATE FOR PURPOSES OF PRORATING TAXES COULD RESULT IN A PRORATION ADJUSTMENT WHICH IS SIGNIFICANTLY LESS THAN THE RESULT WOULD BE IF ACTUAL CURRENT YEAR'S TAXES WERE PRORATED. WHILE THIS STANDARD ALLOWS A POST CLOSING ADJUSTMENT UPON REQUEST BY EITHER PARTY DIFFICULTIES MAY BE ENCOUNTERED IN CONTACTING THE PARTIES AND ENFORCING PAYMENT OF THE ADJUSTMENT. HOMESTEAD TAX EXEMPTIONS AND THE EFFECT OF FLORIDA'S SAVE OUR HOMES AMENDMENT CAN CAUSE A SIGNIFICANT UNDERSTATEMENT OF ASSESSED TAXABLE VALUE (SEE THE DISCLOSURE CONTAINED IN PARAGRAPH 10(h)). THE PROPERTY MAY NOT BE QUALIFIED FOR A HOMESTEAD EXEMPTION IN THE YEAR OF SALE AND CALCULATING A PRORATION BASED UPON THE PRIOR YEAR WHEN THE PROPERTY QUALIFIED FOR THE EXEMPTION COULD PRODUCE A SIGNIFICANT DISCREPANCY. THE STANDARD ADDRESSES A SECOND SITUATION WHERE THE TAXES FOR THE PRIOR YEAR WERE BASED UPON AN ASSESSMENT OF VACANT LAND BUT IMPROVEMENTS WERE SUBSTANTIALLY COMPLETED DURING THE PRIOR YEAR.

ACCESS TO PROPERTY TO CONDUCT APPRAISALS, INSPECTIONS, AND WALK THROUGH

530 531 532	L. ACCESS TO PROPERTY TO CONDUCT APPRAISALS, INSPECTIONS, AND WALK-THROUGH: Seller shall, upon reasonable notice, provide utilities service and access to Property for appraisals and inspections, including a walk-through (or follow-up walk-through if necessary) prior to Closing.
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A. ACCESS TO PROPERTY PENDING CLOSING: This Standard obligates the seller to provide access to the property pending the closing date for purposes of conducting inspections and appraisals. It further obligates the seller to insure that utility service is available for the purpose of conducting such appraisals and inspections. The Standard specifically provides for a pre-closing walk-through inspection for the purposes described in paragraph 12(e).

RISK OF LOSS

533 **M. RISK OF LOSS:** If, after Effective Date, but before Closing, Property is damaged by fire or other casualty
534 ("Casualty Loss") and cost of restoration (which shall include cost of pruning or removing damaged trees) does not
535 exceed 1.5% of Purchase Price, cost of restoration shall be an obligation of Seller and Closing shall proceed pursuant
536 to terms of this Contract. If restoration is not completed as of Closing, a sum equal to 125% of estimated cost to
537 complete restoration (not to exceed 1.5% of Purchase Price), will be escrowed at Closing. If actual cost of restoration
538 exceeds escrowed amount, Seller shall pay such actual costs (but, not in excess of 1.5% of Purchase Price). Any
539 unused portion of escrowed amount shall be returned to Seller. If cost of restoration exceeds 1.5% of Purchase Price,
540 Buyer shall elect to either take Property "as is" together with the 1.5%, or receive a refund of the Deposit, thereby
541 releasing Buyer and Seller from all further obligations under this Contract. Seller's sole obligation with respect to tree
542 damage by casualty or other natural occurrence shall be cost of pruning or removal.

A. DAMAGE TO THE PROPERTY BY CASUALTY: Standard M addresses the situation that would arise if, prior to closing, the property is damaged as a result of fire or other casualty. "Casualty" is not specifically defined in the contract but would likely include damage caused by flood, windstorm and other causes beyond the seller's control. This Standard would not apply to damage to the property not caused by casualty or damage actually caused by the seller. The seller would have an obligation to repair any such damage under the Maintenance Requirement set forth in Paragraph 11 of the contract.

B. COST OF RESTORATION: This provision directs that an estimate of the cost of restoration be obtained. If the restoration cost is 1.5% (or less) of the purchase price, the parties proceed to a closing with the cost of restoration being the obligation of the seller. If restoration cannot be completed prior to the closing date a sum equal to 125% of the estimated cost to complete restoration is escrowed at closing. After closing, the seller continues to have the obligation to repair/restore the property and is obligated to pay costs in excess of the escrowed amount but not in excess of the 1.5% limitation. Notice that replacement of damaged trees is not required and that only the cost of pruning and removal is included in the restoration cost estimate.

C. COST TO REPAIR EXCEEDS 1.5%: If the cost to repair exceeds 1.5% the buyer has the option of (1) taking the property as-is and receiving a 1.5% credit on the purchase price or (2) cancelling the contract and receiving a refund of the deposit. There is no provision for assignment of insurance proceeds although this would likely be a subject of discussion between the parties.

CAUTION: THE IMPORTANCE OF THIS PROVISION BECAME CLEAR FOLLOWING THE HURRICANES EXPERIENCED IN THE STATE OF FLORIDA. THERE ARE SOME PRACTICAL DIFFICULTIES IN APPLYING THE PROVISIONS OF THIS STANDARD. IN THE AFTERMATH OF A HURRICANE ENGAGING A CONTRACTOR IN A TIMELY MANNER, EVEN FOR THE LIMITED PURPOSE OF OBTAINING A RESTORATION COST ESTIMATE, MAY BE DIFFICULT. STANDARD M IS SILENT AS TO WHETHER THE CLOSING WOULD BE EXTENDED FOR THAT PURPOSE. THE STANDARD IS ALSO SILENT AS TO THE IDENTITY OF THE ESCROW AGENT AND THE TERMS RELATING TO DISBURSEMENT OF FUNDS. THE CONTRACT ASSUMES THAT IF THE COST OR REPAIR AND RESTORATION IS LESS THAN 1.5% OF THE PURCHASE PRICE THE BUYER SHOULD NOT HAVE THE RIGHT TO CANCEL. HOWEVER, REQUIRING THE BUYER TO CLOSE ON THE PURCHASE OF A DAMAGED RESIDENCE MAY PROVE DIFFICULT. A MORTGAGE LENDER MIGHT REFUSE TO RELEASE LOAN FUNDS IN SUCH A SITUATION. NOTICE THAT IF THE

COSTS ARE UNDER-ESTIMATED THE BUYER ASSUMES THE RISK AND OBLIGATION TO PAY ANY COSTS ACTUALLY INCURRED IN EXCESS OF THE 1.5% LIMIT. IT IS SUGGESTED THAT, IF POSSIBLE, A FIRM CONTRACT FOR THE REPAIRS BE OBTAINED PRIOR TO CLOSING.

1031 EXCHANGE

543 **N. 1031 EXCHANGE:** If either Seller or Buyer wish to enter into a like-kind exchange (either simultaneously with
544 Closing or deferred) under Section 1031 of the Internal Revenue Code ("Exchange"), the other party shall cooperate in
545 all reasonable respects to effectuate the Exchange, including execution of documents; provided, however, cooperating
546 party shall incur no liability or expense related to the Exchange, and Closing shall not be contingent upon, nor extended
547 or delayed by, such Exchange.

A. LIKE KIND EXCHANGES: The seller may be selling the property as a disposition or the buyer may be purchasing the property as a replacement under the provisions of Section 1031 of the Internal Revenue Code. This section provides certain tax deferrals and other benefits to parties involved in a like-kind exchange transaction.

B. COOPERATION: Most like-kind exchange transactions involve the engagement of a like-kind exchange intermediary. This will typically require that the contract be assigned to intermediary and that a signed consent be obtained from the other party. This Standard imposes an obligation on both buyer and seller to cooperate with each other if a like-kind exchange transaction is involved. However, the cooperating party is not required to incur expense or liability and the closing is not contingent upon nor will the closing be extended or delayed as a result of the like-kind exchange.

CONTRACT NOT RECORDABLE; PERSONS BOUND; DELIVERY NOTICE; COPIES; CONTRACT EXECUTION

548 **O. CONTRACT NOT RECORDABLE; PERSONS BOUND; NOTICE; DELIVERY; COPIES; CONTRACT**
549 **EXECUTION:** Neither this Contract nor any notice of it shall be recorded in any public records. This Contract shall be
550 binding on, and inure to the benefit of, the parties and their respective heirs or successors in interest. Whenever the
551 context permits, singular shall include plural and one gender shall include all. Notice and delivery given by or to the
552 attorney or broker (including such broker's real estate licensee) representing any party shall be as effective as if given
553 by or to that party. All notices must be in writing and may be made by mail, personal delivery or electronic (including
554 "pdf") media. A facsimile or electronic (including "pdf") copy of this Contract and any signatures hereon shall be
555 considered for all purposes as an original. This Contract may be executed by use of electronic signatures, as
556 determined by Florida's Electronic Signature Act and other applicable laws.

A. RECORDING THE CONTRACT: This Standard prohibits the recording of the contract. If the contract was recorded and the closing failed to occur, the recorded contract creates a cloud on the seller's title.

B. BINDING ON HEIRS AND SUCCESSORS: This is a common provision in all forms of contracts. The intervening death or incompetency of a buyer or seller does not release the party from performance. However, there may be an issue of impossibility of performance. For example, the intervening death of a buyer would likely prevent the closing of a mortgage loan. The force majeure provisions of Standard G may be applicable. Refer to the discussion concerning assignment of the contract under Paragraph 7.

C. NOTICE: There are many provisions in the contract requiring or permitting written notice given by one party to the other. A delivery of notice to the attorney or broker representing the party receiving the notice is deemed effective. There are a variety of methods of delivery including electronic means.

D. COPIES OF THE CONTRACT: Fax or electronic copies of the contract and any signatures thereon are treated in the same manner as an original. This allows offers and counteroffers to be signed and transmitted electronically thereby speeding up the process of getting to contract. Electronic signatures are sufficient to bind the parties if in compliance with applicable law.

INTEGRATION; MODIFICATION

557 **P. INTEGRATION; MODIFICATION:** This Contract contains the full and complete understanding and agreement of
558 Buyer and Seller with respect to the transaction contemplated by this Contract and no prior agreements or
559 representations shall be binding upon Buyer or Seller unless included in this Contract. No modification to or change in
560 this Contract shall be valid or binding upon Buyer or Seller unless in writing and executed by the parties intended to be
561 bound by it.

A. INTEGRATION: The first sentence of this Standard is a common contractual provision sometimes known as an “incorporation” clause. It expresses the legal concept that once a contract is complete prior agreements relating to the subject matter, particularly agreements inconsistent with the terms of the written contract are unenforceable. This provision would not relieve a party from liability for prior mis-representations, material non-disclosures or other fraudulent conduct.

B. MODIFICATION: Any amendments to the terms of the contract occurring after the contract has been executed are required to be in writing and signed by the parties to be bound by the amendment. Verbal changes to the terms of the contract may not be binding.

WAIVER

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Q. WAIVER: Failure of Buyer or Seller to insist on compliance with, or strict performance of, any provision of this Contract, or to take advantage of any right under this Contract, shall not constitute a waiver of other provisions or rights.

Another common provision found in contracts of all types is the “non-waiver” clause. Without this clause, if a party has previously waived timely performance by the non-performing party, the performing party may be prevented from demanding strict and timely performance of subsequent obligations.

RIDERS; ADDENDA; TYPEWRITTEN OR HANDWRITTEN PROVISIONS

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R. RIDERS; ADDENDA; TYPEWRITTEN OR HANDWRITTEN PROVISIONS: Riders, addenda, and typewritten or handwritten provisions shall control all printed provisions of this Contract in conflict with them.

This Standard makes it clear that if there are any conflicts or inconsistencies between the printed provisions of the contract and the provisions of any rider, addendum or typewritten or handwritten provisions, the latter will control.

COLLECTION OR COLLECTED

566	S. COLLECTION or COLLECTED: "COLLECTION" or "COLLECTED" means any checks tendered or received, including Deposits, have become actually and finally collected and deposited in the account of Escrow Agent or Closing Agent. Closing and disbursement of funds and delivery of closing documents may be delayed by Closing Agent until such amounts have been COLLECTED in Closing Agent's accounts.
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COLLECTED FUNDS: The concept of collected funds has been previously discussed in this manual in terms of the payment of deposit monies to the escrow agent and the payment of closing proceeds to the closing agent. This definition makes it clear that collected funds means that the funds held by the escrow agent or the closing agent are not subject to any form of recall, stop payment or clearance and can be immediately disbursed. As previously noted, the closing agent is given the right to delay the closing until collection has occurred (see discussion under Paragraph 2).

LOAN COMMITMENT

570	T. LOAN COMMITMENT: "Loan Commitment" means a statement by the lender setting forth the terms and conditions
571	upon which the lender is willing to make a particular mortgage loan to a particular borrower. Neither a pre-approval
572	letter nor a prequalification letter shall be deemed a Loan Commitment for purposes of this Contract.

This Standard defines the meaning of the term "Loan Commitment" as it used in Paragraph 8 of the contract and in a manner consistent with Florida Statutes. The definition specifically excludes pre-approval and pre-qualification letters sometimes issued by lenders.

APPLICABLE LAW AND VENUE

573	U. APPLICABLE LAW AND VENUE: This Contract shall be construed in accordance with the laws of the State of
574	Florida and venue for resolution of all disputes, whether by mediation, arbitration or litigation, shall lie in the county
575	where the Real Property is located.

Standard U directs that in connection with any mediation, arbitration or litigation concerning the enforcement or interpretation of the contract, Florida law shall apply. The venue (place where mediation, arbitration or litigation must be brought) is the county in which the property is located.

FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT ("FIRPTA")

V. FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT ("FIRPTA"): If a seller of U.S. real property is a "foreign person" as defined by FIRPTA, Section 1445 of the Internal Revenue Code requires the buyer of the real property to withhold 10% of the amount realized by the seller on the transfer and remit the withheld amount to the Internal Revenue Service (IRS) unless an exemption to the required withholding applies or the seller has obtained a Withholding Certificate from the IRS authorizing a reduced amount of withholding. Due to the complexity and potential risks of FIRPTA, Buyer and Seller should seek legal and tax advice regarding compliance, particularly if an "exemption" is claimed on the sale of residential property for \$300,000 or less.

(i) No withholding is required under Section 1445 if the Seller is not a "foreign person," provided Buyer accepts proof of same from Seller, which may include Buyer's receipt of certification of non-foreign status from Seller, signed under penalties of perjury, stating that Seller is not a foreign person and containing Seller's name, U.S. taxpayer identification number and home address (or office address, in the case of an entity), as provided for in 26 CFR 1.1445-2(b). Otherwise, Buyer shall withhold 10% of the amount realized by Seller on the transfer and timely remit said funds to the IRS.

(ii) If Seller has received a Withholding Certificate from the IRS which provides for reduced or eliminated withholding in this transaction and provides same to Buyer by Closing, then Buyer shall withhold the reduced sum, if any required, and timely remit said funds to the IRS.

(iii) If prior to Closing Seller has submitted a completed application to the IRS for a Withholding Certificate and has provided to Buyer the notice required by 26 CFR 1.1445-1(c) (2)(i)(B) but no Withholding Certificate has been received as of Closing, Buyer shall, at Closing, withhold 10% of the amount realized by Seller on the transfer and, at Buyer's option, either (a) timely remit the withheld funds to the IRS or (b) place the funds in escrow, at Seller's expense, with an escrow agent selected by Buyer and pursuant to terms negotiated by the parties, to be subsequently disbursed in accordance with the Withholding Certificate issued by the IRS or remitted directly to the IRS if the Seller's application is rejected or upon terms set forth in the escrow agreement.

(iv) In the event the net proceeds due Seller are not sufficient to meet the withholding requirement(s) in this transaction, Seller shall deliver to Buyer, at Closing, the additional COLLECTED funds necessary to satisfy the applicable requirement and thereafter Buyer shall timely remit said funds to the IRS or escrow the funds for disbursement in accordance with the final determination of the IRS, as applicable.

(v) Upon remitting funds to the IRS pursuant to this STANDARD, Buyer shall provide Seller copies of IRS Forms 8288 and 8288-A, as filed.

A. SEEK PROFESSIONAL ADVICE: This Standard contains a fairly detailed description of the legal requirements for tax withholding when the seller falls within the definition of a "foreign person" under FIRPTA. A complete explanation of the requirements of the law is beyond the scope of this manual. The most important part of this Standard is the statement: "Buyer and Seller should seek legal and tax advice regarding compliance..."

B. FIRPTA AFFIDAVIT: Closing agents routinely obtain a seller's certification of "non-foreign" status and, if obtained, and if the buyer has no knowledge to the contrary, the buyer may rely on such a certification.

C. WITHHOLDING: If the seller is a "foreign person", has not obtained a "withholding certificate" prior to closing, and if no other exemptions are available, the requirement for the 10% withholding applies. With some allowed adjustments this generally means 10% of the gross purchase price. This law places the responsibility on the buyer to require and provide the withholding. *The buyer can be personally liable* to the IRS for the 10% amount if not withheld. Typically, the closing agent will escrow the withholding and remit the amount to IRS although the buyer had the option to require immediate payment at closing.

D. DISCLOSURE: Agents are encouraged to determine whether the seller is a foreign person up front and disclose this, preferably in the contract itself.

.....

605	ADDENDA AND ADDITIONAL TERMS		
606	19. ADDENDA: The following additional terms are included in the attached addenda or riders and incorporated into this		
607 *	Contract (Check if applicable):		
	☐ A. Condominium Rider	☐ M. Defective Drywall	☐ X. Kick-out Clause
	☐ B. Homeowners' Assn.	☐ N. Coastal Construction Control Line	☐ Y. Seller's Attorney Approval
	☐ C. Seller Financing	☐ O. Insulation Disclosure	☐ Z. Buyer's Attorney Approval
	☐ D. Mortgage Assumption	☐ P. Lead Based Paint Disclosure	☐ AA. Licensee-Personal Interest in
	☐ E. FHA/VA Financing	(Pre-1978 Housing)	Property
	☐ F. Appraisal Contingency	☐ Q. Housing for Older Persons	☐ BB. Binding Arbitration
	☐ G. Short Sale	☐ R. Rezoning	☐ Other _____
	☐ H. Homeowners'/Flood Ins	☐ S. Lease Purchase/ Lease Option	_____
	☐ I. RESERVED	☐ T. Pre-Closing Occupancy by Buyer	_____
	☐ J. Interest-Bearing Acct.	☐ U. Post-Closing Occupancy by Seller	_____
	☐ K. "As Is"	☐ V. Sale of Buyer's Property	
	☐ L. Right to Inspect/ Cancel	☐ W. Back-up Contract	
608 *	20. ADDITIONAL TERMS: _____		
609	_____		
610	_____		
611	_____		
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614	_____		
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616	_____		
617	_____		
618	_____		
619	_____		
620	_____		
621	_____		
622	_____		
623	_____		
624	_____		

A. ADDENDA: Paragraph 19 provides a simple check-the-box method of incorporating various riders and addenda included in the Comprehensive Rider to the Residential Contract for Sale and Purchase. The last box provides the option to identify other attachments to the contract. This system of identifying attachments expresses the intent of the parties to add one or more specialized addenda to the agreement. A box inadvertently left unchecked as to particular rider or addendum which is attached can create an ambiguity as to what was intended. Likewise, if a rider or addendum is inadvertently detached from the contract and the corresponding box was checked, the ambiguity is clarified. The printed riders/addenda comprising the Comprehensive Rider additionally provide for initialling and signature further clarifying the intent of the parties to make such riders/addenda a part of the agreement.

B. ADDITIONAL TERMS: Paragraph 20 provides an opportunity to include any special provisions that are not available through use of Comprehensive Rider selections.

COUNTER-OFFER/REJECTION

625

COUNTER-OFFER/REJECTION

- 626* ☐ Seller counters Buyer's offer (to accept the counter-offer, Buyer must sign or initial the counter-offered terms and deliver a copy of the acceptance to Seller).
- 627
- 628* ☐ Seller rejects Buyer's offer.

If the offer received by the seller is not acceptable, the seller may use this section of the contract to indicate whether the offer is countered or simply rejected. If countered, the provision directs the buyer to sign or initial the counter-offer terms and delivering a copy back to the seller.

SIGNING AND DATING

629 THIS IS INTENDED TO BE A LEGALLY BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, SEEK THE ADVICE OF
630 AN ATTORNEY PRIOR TO SIGNING.

631 THIS FORM HAS BEEN APPROVED BY THE FLORIDA REALTORS AND THE FLORIDA BAR.

632 Approval of this form by the Florida Realtors and The Florida Bar does not constitute an opinion that any of the terms and
633 conditions in this Contract should be accepted by the parties in a particular transaction. Terms and conditions should be
634 negotiated based upon the respective interests, objectives and bargaining positions of all interested persons.

635 AN ASTERISK (*) FOLLOWING A LINE NUMBER IN THE MARGIN INDICATES THE LINE CONTAINS A BLANK TO BE
636 COMPLETED.

637
638
639 * Buyer: _____ Date: _____

640
641
642
643
644 * Buyer: _____ Date: _____

645
646
647
648
649 * Seller: _____ Date: _____

650
651
652
653
654 * Seller: _____ Date: _____

655
656 Buyer's address for purposes of notice

Seller's address for purposes of notice

657 * _____

658 * _____

659 * _____

660

Buyer's Initials _____

Page 10 of 12

Seller's Initials _____

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A. SIGNING: As previously discussed, the Florida Statue of Frauds requires the signature of the buyer and seller to contract. All parties identified on the first page of the contract are required to sign. As provided in Standard O, electronic signatures made pursuant to Florida's Electronic Signature Act of 1996 are effective. Also, recall that a signed contract is effective if transmitted electronically.

B. INITIALLING: The bottom of each page of the contract provides space for initialing by the parties. This expresses the intent of the parties to include each page and helps prevent fraudulent alteration of the contract. Various riders and addenda also require initialing.

C. DATING: Signatures at the end of the contract and where indicated on riders and addenda should be dated. Likewise, when a party initials a change in the course of making a counter proposal, the initials should be dated. Dating helps establish the Effective Date of the contract.

BROKER

660
661 **BROKER:** Listing and Cooperating Brokers, if any, named below (collectively, "Broker"), are the only Brokers entitled to
662 compensation in connection with this Contract. Instruction to Closing Agent: Seller and Buyer direct Closing Agent to
663 disburse at Closing the full amount of the brokerage fees as specified in separate brokerage agreements with the parties
664 and cooperative agreements between the Brokers, except to the extent Broker has retained such fees from the escrowed
665 funds. This Contract shall not modify any MLS or other offer of compensation made by Seller or Listing Broker to
666 Cooperating Brokers.

A. IDENTIFYING THE BROKERS: This provision is intended to identify the listing and cooperating brokers as well as the listing and cooperating sales agents.

B. COMPENSATION: The Contract should not be used for the purpose of renegotiating commissions payable to the listing and cooperating broker. There is a direction to the closing agent to disburse brokerage fees as specified in separate brokerage agreements and cooperative agreements between brokers and any conflicting provisions contained in such brokerage agreements and cooperating agreements will prevail over any conflicting provisions in the contract. Any change in commission compensation should be formalized by an agreement or an amendment signed by the seller, listing broker and cooperating broker, as appropriate.

“AS-IS” RESIDENTIAL CONTRACT FOR SALE AND PURCHASE

A. USE OF THE FORM: The “As-Is” Residential Contract for Sale and Purchase (“As-Is Form”) has been in use for several years as an alternate approach to the purchase of residential real property. The primary difference between the As-Is Form and the Standard Form is the absence of any obligation on the part of the seller to conduct General Property Repairs, WDO Repairs and permit remediation as required by Paragraph 12 of the Standard Form. As previously discussed, the Standard Form can be converted to an As-Is Form by utilizing Comprehensive Rider K (As-Is). In addition, the Standard Form can be modified through the use of Comprehensive Rider L (Right to Inspect and Right to Cancel). Rider L combines the inspection/cancellation rights with the repair and remediation obligations contained in Paragraph 12 of the Standard Form. Whether the Standard Form or the As-Is Form is used is typically a matter of negotiation between the buyer and the seller.

B. COMPARING THE STANDARD FORM TO THE AS-IS FORM: The following is a summary of the differences between the Standard Form and the As-Is Form.

1. Occupancy and Possession: In Paragraph 6 (As-Is Form), the buyer is required to accept the condition of the property at the time of occupancy without regard to repairs required under Paragraph 12 (Standard Form).

2. Repair/Remediation Limits: References to General Repair Limit, WDO Repair Limit and Permit Limit in Paragraph 9 (Standard Form) are eliminated.

3. Seller’s Disclosure:

(j) SELLER DISCLOSURE: Seller knows of no facts materially affecting the value of the Real Property which are not readily observable and which have not been disclosed to Buyer. Except as provided for in the preceding sentence, Seller extends and intends no warranty and makes no representation of any type, either express or implied, as to the physical condition or history of the Property. Except as otherwise disclosed in writing Seller has received no written or verbal notice from any governmental entity or agency as to a currently uncorrected building, environmental or safety code violation.

The seller’s disclosure in Paragraph 10(j) has been supplemented with a representation that the seller has not received any notices from governmental entities or agencies relating to uncorrected building, environmental or safety code violations. Further, a disclaimer of warranties and representations with respect to the physical condition of the property is included.

4. Property Inspection: Paragraphs 12(a)(b)(c) and (d) (Standard Form) have been deleted and replaced with Paragraph 12(a) of the As-Is Form discussed in more detail below.

5. Violations of Zoning, Restrictive Covenants, Etc.: Paragraph 18 A(ii) (Standard A of the Standards for Real Estate Transactions) has been modified to eliminate the phrase, “...provided, that, unless waived by Paragraph 12(a) there exist at closing no violation of the

foregoing....” This deletion places the risk of violations of zoning, land use regulations and other land use restrictions, prohibitions or requirements imposed by governmental authority (see Standard A(i)(a) on the buyer except for violations which constitute objectionable survey defects under Standard B. Notice that both the Standard Form and the As-Is Form provide that violations of items identified in Standard A(i)(b)-(f) are treated as title defects. In effect, the seller’s is representation that there are no violations of zoning, land use and other governmental regulations has been deleted from the As-Is Form.

CAUTION: IF THE AS-IS FORM IS BEING USED, THE BUYER SHOULD BE ADVISED TO USE THE INSPECTION PERIOD TO INVESTIGATE THE STATUS OF BUILDING PERMITS AND POSSIBLE VIOLATIONS OF BUILDING CODES; OTHERWISE, THE BUYER WILL BE DEEMED TO HAVE ACCEPTED THE PROPERTY SUBJECT TO ANY PERMIT OR BUILDING CODE VIOLATIONS WITHOUT RECOURSE AGAINST THE SELLER.

6. Property Inspection; Right to Cancel:

12. PROPERTY INSPECTION; RIGHT TO CANCEL:

- (a) PROPERTY INSPECTIONS AND RIGHT TO CANCEL: Buyer shall have _____ (if left blank, then 15) days after Effective Date (“Inspection Period”) within which to have such inspections of the Property performed as Buyer shall desire during the Inspection Period. If Buyer determines, in Buyer’s sole discretion, that the Property is not acceptable to Buyer, Buyer may terminate this Contract by delivering written notice of such election to Seller prior to expiration of Inspection Period. If Buyer timely terminates this Contract, the Deposit paid shall be returned to Buyer, thereupon, Buyer and Seller shall be released of all further obligations under this Contract; however, Buyer shall be responsible for prompt payment for such inspections, for repair of damage to, and restoration of, the Property resulting from such inspections, and shall provide Seller with paid receipts for all work done on the Property (the preceding provision shall survive termination of this Contract). Unless Buyer exercises the right to terminate granted herein, Buyer accepts the physical condition of the Property and any violation of governmental, building, environmental, and safety codes, restrictions, or requirements, but subject to Seller’s continuing AS IS Maintenance Requirement, and Buyer shall be responsible for any and all repairs and improvements required by Buyer’s lender.

Under the As-Is Form, the buyer is allowed a period of time (15 days if some other time period is not inserted) beginning with the Effective Date within which to inspect the property and conduct other investigations (“Inspection Period”). The buyer has a discretionary right to cancel the contract at any time prior to the end of the Inspection Period by giving seller the required written notice of cancellation. If the Inspection Period expires without the buyer exercising the right of cancellation the buyer is accepting the physical condition of the property and any violation of governmental, building, environmental and safety codes, restrictions or requirements, except violations which are survey defects under Standard B.

CAUTION: NOTICE THAT THE BUYER CONTINUES TO HAVE CERTAIN PROTECTIONS UNDER THE CONTRACT NOTWITHSTANDING THE ACCEPTANCE OF THE PROPERTY IN AS-IS CONDITION. THE TITLE AND SURVEY PROVISIONS OF STANDARDS A AND B CONTINUE TO APPLY. IN ADDITION, THE SELLER IS NOT RELIEVED FROM THE OBLIGATION TO MAKE DISCLOSURES UNDER PARAGRAPH 10(j) NOR FROM THE MAINTENANCE REQUIREMENT AS PROVIDED IN PARAGRAPH 11.

COMPREHENSIVE RIDER TO THE RESIDENTIAL CONTRACT FOR SALE AND PURCHASE

A. RIDER A - CONDOMINIUM ASSOCIATION DISCLOSURE:

1. Requirements of the Florida Condominium Act: The Condominium Association Disclosure is designed to comply with the requirements of the Florida Condominium Act (more specifically, Section 718.503, Florida Statutes). The disclosures in Paragraph 5 of the Rider are required by law to be included in the contract.

2. Completing the Disclosure: The agent should contact the condominium association or its management company for the purpose of obtaining the information necessary to complete the disclosure and to obtain a current copy of the condominium documents described in Paragraph 5(b) and the governance form described in Paragraph 10 of the Rider.

3. Rescission Period: If the disclosures set forth in Paragraph 5 of the Rider are not included in the contract the buyer may cancel at any time prior to closing (Section 718.503(2)). In addition, the buyer has a right to cancel the contract within 3 days following the receipt of all of the condominium documents required to be delivered. A prudent listing agent will obtain these documents in advance of any contract so that they are readily available for delivery to the buyer.

CAUTION: A BUYER OF A CONDOMINIUM UNIT MAY HAVE AN EASY EXIT FROM THE CONTRACT IF CURRENT COPIES OF THE REQUIRED CONDOMINIUM DOCUMENTS HAVE NOT BEEN DELIVERED. AN AGENT TAKING ON THE TASK OF OBTAINING AND DELIVERING DOCUMENTS SHOULD INSURE THAT THE DOCUMENTS INCLUDE ALL AMENDMENTS TO THE DECLARATION, BY-LAWS AND RULES/REGULATIONS.

CAUTION: DO NOT CHECK THE SECOND BOX IN PARAGRAPH 6 OF THIS RIDER. THE 3-DAY RESCISSION RIGHT OF THE BUYER FOLLOWING DELIVERY OF CONDOMINIUM DOCUMENTS CANNOT BE WAIVED AND IS NOT DEPENDENT UPON A BUYER'S REQUEST FOR DELIVERY OF DOCUMENTS.

CAUTION: CONDOMINIUM DOCUMENTS ARE USUALLY DELIVERED TO THE BUYER AFTER THE EXECUTION OF THE CONTRACT. THE RECEIPT ACKNOWLEDGMENT IN PARAGRAPH 7 CAN BE COMPLETED IF THE DOCUMENTS ARE DELIVERED PRIOR TO OR CONCURRENT WITH THE EXECUTION OF THE RIDER BY THE BUYER. OTHERWISE, OBTAIN A DATED AND SIGNED WRITTEN RECEIPT FROM THE BUYER WHEN DELIVERY IS MADE. THE RECEIPT SHOULD IDENTIFY THE DOCUMENTS BEING DELIVERED. FLORIDA COURTS HAVE HELD THAT A SIGNED WRITTEN RECEIPT IS CONCLUSIVE. A BUYER SIGNING A RECEIPT CANNOT LATER CONTEND THAT ONE OR MORE DOCUMENTS WERE NOT DELIVERED.

CAUTION: THE GOVERNANCE FORM REFERRED TO IN PARAGRAPH 10 OF THE RIDER IS REQUIRED TO BE DELIVERED TO THE BUYER PURSUANT TO SECTION 718.503, FLORIDA STATUTES. HOWEVER, IT IS NOT ONE OF THE IDENTIFIED CONDOMINIUM DOCUMENTS CONTAINED IN THE RECISSION PROVISIONS OF PARAGRAPH 5 (PROBABLY DUE TO LEGISLATIVE OVERSIGHT). AVOID THE ISSUE BY MAKING SURE THAT THIS FORM IS PART OF THE DOCUMENT DELIVERY.

4. Approval by the Association: Most condominium associations are given the right under their declaration to approve the sale and lease of units. Inquiries should be made in advance as to the procedure for obtaining approval. Some governing documents provide that the association has a period of time within which to grant approval after the filing of an application and other required information. The closing date set by the parties should take into account the time necessary to obtain the approval. Notice that in Paragraph 1 of the Rider the seller is obligated to initiate the approval process within the time period specified and both the buyer and the seller are obligated to sign and deliver documents required by the association and use diligent effort to obtain the approval. Approval by the association is a condition of the contract and if approval is not obtained within the time period provided, the contract terminates.

5. Special Assessments: Paragraph 3(c) of the Rider requires the seller to disclose any pending or threatened special assessments. If prior special assessments have been levied but are payable in installments, the form offers an option allowing the buyer to assume the unpaid installments. Since special assessments are typically secured by a lien on the condominium unit, unless the buyer assumes the payment of the assessment, the seller is required to pay the assessment in full prior to or at the time of closing. The seller also remains responsible for the payment of any special assessments levied after the Effective Date. Paragraph 3 of the Rider also requires the seller to disclose any pending or anticipated litigation affecting the condominium.

CAUTION: A PRUDENT BUYER WILL REVIEW THE FINANCIAL STATEMENTS OF THE ASSOCIATION AND FULLY INVESTIGATE THE POSSIBILITY OF FUTURE SPECIAL ASSESSMENTS ON THE UNIT. MANY CONDOMINIUMS IN FLORIDA SUFFERED DAMAGE FROM THE HURRICANES OCCURRING DURING THE RECENT PAST. BECAUSE OF UNCERTAINTY WITH RESPECT TO INSURANCE CLAIMS, IT WAS OFTEN DIFFICULT TO DETERMINE A BUYER'S POTENTIAL EXPOSURE TO FUTURE SPECIAL ASSESSMENTS RELATING TO THE REPAIR OR RESTORATION OF THE CONDOMINIUM AND ITS COMMON ELEMENTS. IN THIS SITUATION A BUYER MIGHT CONSIDER REQUIRING AN ESCROW OF FUNDS TO BE DISBURSED FOR PAYMENT OF SUCH SPECIAL ASSESSMENTS.

6. Planned Communities: Occasionally a condominium may be part of a larger community which is governed by a homeowners association. The condominium unit may be subject to assessments imposed by multiple associations. In such a case, Comprehensive Rider B (Homeowners Association/Community Disclosure) must also be completed and attached to the contract.

B. RIDER B - HOMEOWNERS ASSOCIATION/COMMUNITY DISCLOSURE

1. When Required: This Rider is intended to meet the requirements of Section 720.401, Florida Statutes. It is applicable to both developers and sellers of properties which are or will be subject to recorded covenants and the control of an association. The disclosure requirement is not applicable to condominiums, cooperatives, time shares or mobile home rental parks unless those uses are located within a community which is subject to restrictive covenants and control by an association.

2. Purpose of the Disclosure: The purpose of the disclosure is to inform the buyer that the property being purchase is subject to the control of an association, the payment of assessments and to provide other general information concerning the community.

3. Compliance/Rescission: The disclosure is required by law to be provided to a prospective purchaser before executing the contract. The language in bold print on the form is required to be included in the contract. Use of this Rider constitutes compliance with both requirements provided that the Rider is included with the original purchase offer. If the disclosure summary is not provided to the prospective buyer at or before execution of the contract the purchaser has the right to cancel the contract by delivering to the seller or the seller's agent or representative written notice cancelling the contract. This cancellation notice must be delivered to the seller within 3 days after the receipt of the disclosure summary or prior to closing, whichever first occurs. The right to delivery of the disclosure cannot be waived but the right to the disclosure terminates at closing.

4. Completing the Rider: As is the case with the Condominium Association Disclosure Rider, the agent will need to determine, in advance, the amount of current regular assessments and special assessments, if any. If any recreational or other commonly used facility is subject to rent or land use fees, the amount of the obligation must also be disclosed.

5. Delivery of Documents: Unlike condominiums, the seller is not required to deliver copies of restrictive covenants or other governing documents affecting the community. Restrictive covenants in planned residential developments typically contain a variety of use restrictions. A prudent buyer will review the restrictive covenants and other governing documents, including current financial statements of the association, prior to signing the contract.

C. RIDER C – SELLER FINANCING:

1. Purchase Money Mortgage: This Rider is intended to be used if Paragraph 8(d) of the contract is checked indicating that the seller will provide financing through a purchase money mortgage. The Rider provides information on basic terms of the purchase money mortgage loan.

2. Second Mortgage: If the purchase money mortgage is a second mortgage the Rider provides that the principal balance of the first mortgage being obtained by the buyer shall not exceed the amount of set forth in Paragraph 2(c).

CAUTION: INSTITUTIONAL LENDERS TYPICALLY HAVE DOWN PAYMENT REQUIREMENTS WHICH CANNOT BE FINANCED THROUGH A PURCHASE MONEY SECOND MORTGAGE PROVIDED BY A SELLER. A PURCHASE MONEY SECOND MORTGAGE SHOULD BE FULLY DISCLOSED TO ANY INSTITUTIONAL FIRST MORTGAGE LENDER. THE VALUE OF THE COLLATERAL OFFERED BY A PURCHASE MONEY SECOND MORTGAGE CAN BE DIMINISHED IF ADDITIONAL ADVANCES ARE MADE UNDER THE FIRST MORTGAGE. IF THE FIRST MORTGAGE ALLOWS FUTURE ADVANCES, THE SELLER SHOULD REQUIRE THE IMMEDIATE FILING OF A NOTICE LIMITING FUTURE ADVANCES IN ACCORDANCE WITH SECTION 697.04(b), FLORIDA STATUTES.

3. Make the Mortgage and Note Part of the Contract: See the discussion under Financing relating to purchase money mortgages. This Rider provides only the financial terms of the purchase money mortgage and note and does not address other provisions that would be included in the mortgage and note. The form of mortgage and note should be prepared in advance and attached as an exhibit to the contract.

D. RIDER D - ASSUMPTION OF EXISTING MORTGAGE(S):

1. Assumption: This Rider should be used whenever a buyer is assuming an existing mortgage on the property. An assumption is selected by checking the box in Paragraph 8(c) of the contract. As previously discussed, assumption of existing institutional mortgages is rarely permitted. (See discussion under Financing). Existing mortgages held by non-institutional lenders and private parties are generally assumable absent provisions in the loan documents restricting or prohibiting assumption.

2. Estoppel Letter: The Rider directs that a statement be obtained from a holder of the existing mortgage reciting the principal balance, method of payment, interest rate and status of the mortgage. This is commonly known as an "estoppel letter" and is intended to provide assurances to the buyer relating to the principal amount due and absence of any defaults. Before signing a contract which provides for an assumption of an existing mortgage, a prudent buyer will examine the existing mortgage and note (and any other loan documents) to determine whether the loan documents contain such provisions as: (a) restrictions on assumption or requirements for approval, (b) payment of assumption fees and (c) prepayment penalty.

3. Formalities for Assumption: An existing mortgage can be assumed by including, in the deed, a statement to the effect that the property is being conveyed subject to the existing mortgage "...which mortgage the grantee assumes and agrees to pay." Such an assumption creates personal liability on the part of the buyer to the holder of the assumed mortgage and note. The seller is not released from liability by virtue of the assumption. Institutional mortgages are typically assumed by the execution of an assumption agreement under the terms of which the buyer becomes liable on the note and mortgage.

E. RIDER E - FEDERAL HOUSING ADMINISTRATION (FHA) / US DEPARTMENT OF VETERANS AFFAIRS (VA):

This Rider contains numerous provisions which are unique to a transaction involving FHA or VA financing. The printed provisions of the contract conflict in many ways with the requirements of the lender in a FHA/VA transaction. Consequently, attachment of this Rider is a necessity in any transaction involving this type of financing.

F. RIDER F - APPRAISAL CONTINGENCY:

1. Purpose of Rider: Under the provisions of Paragraph 8(b) once a written loan commitment is obtained, the financing contingency is met unless one of four specific events occur preventing the loan from closing. One of those events is obtaining an insufficient appraisal which fails to meet the requirements of the loan commitment. "Insufficient" in this

sense does not necessarily mean that the appraised value is less than the purchase price. It means that the appraised value is less than that required by the lender in order to make the loan. Rider F provides additional protection to a buyer who is seeking to determine through an appraisal, that the price being paid represents fair market value.

2. Cancellation: The Rider provides that the buyer, at the buyer's expense may obtain a written appraisal for a licensed Florida appraiser. If the appraised value is less than the amount inserted into the blank (or the purchase price if no amount is filled in) the buyer has 3 days after the inserted date (by written notice to the seller) to deliver a copy of the appraisal and cancel the contract or waive the contingency. Failure to deliver the appraisal and deliver notice of cancellation results in a waiver of the contingency.

G. RIDER G – SHORT SALE APPROVAL CONTINGENCY:

1. Short Sale: Recently the country has been in the midst of a recession. Real estate values have plummeted and many homeowners find themselves obligated on a mortgage which substantially exceeds the fair market value of their home. A homeowner faced with this situation is unable to sell the home unless the holder of the mortgage is willing to accept less than the full amount due on the mortgage loan. Selling a home subject to the condition that the mortgage lender accepts less than the amount due has become known as a "short sale." Short sales have become increasingly common during these recessionary times. Institutional lenders have created entire departments for the sole purpose of considering and approving short sale applications. This Rider is a contract contingency which makes the seller's obligations under the contract contingent upon the agreement of the mortgage lender to accept less than the full amount due under the mortgage loan. The parties to a short sale contract should be prepared for a prolonged process.

2. Multiple Liens: Section 1 of the Rider recognizes that there may be more than one mortgage encumbering the property. Therefore, it requires short sale approval by all lien holders. The existence of a second mortgage, particularly when held by a lender other than the first mortgagee can frustrate the effort to obtain approval. The most common form of a second mortgage lien is a home equity mortgage. Depending on the amount of the purchase price, the value of the collateral held by the second mortgagee may be zero. Negotiations often occur between the first and second mortgagees and the effort to complete a short sale occasionally fails because the second mortgagee refuses to accept nominal payment.

3. Choice of Contract: Most short sales involve the use of the As-Is Form. This recognizes that the seller is often financially unable to meet the repair and remediation costs imposed by the Standard Form.

4. Short Sale Approval: Section 1 of this Rider defines "Short Sale Approval" as constituting (1) the lender's approval of the purchase price, terms of the contract and the HUD-1 Settlement Statement, (2) the lender's agreement to accept payment of an amount less than the balance due on the mortgage loan and (3) the lender's agreement to satisfy the mortgage upon the receipt of the reduced pay off amount. In addition, Section 1 specifically provides that if short sale approval does not include a waiver or complete release of the seller

from deficiency liability then it is deemed not to be a short sale approval. Lenders will typically require a proforma HUD-1 Settlement Statement reflecting the net proceeds payable to the seller which will be available to the lender for payment of the loan. Lenders typically insist that the seller receive no proceeds or other benefits from the sale. The lender will also require an appraisal and the submission of financial information from the short sale seller. A seller with an impressive net worth is unlikely to be released from deficiency liability.

5. Application for Short Sale Approval: Section 2 imposes a deadline by which the seller is required to submit the required application and requested documents to the seller's lender. A cottage industry of facilitator companies has sprouted and many sellers, as well as brokers, engage the services of these companies to assist in the short sale approval process and negotiate settlements with lenders.

6. Keeping the Parties Advised: Section 3 is a direction from the seller authorizing the lender to provide information concerning the status of the short sale approval to the buyer, buyer's broker and the closing agent. Absent such authorization confidentiality considerations would inhibit the lender from sharing such information. As a practical matter many lenders refuse to honor this authorization in the contract and require a separate signed borrower authorization.

7. Deadlines/Termination: The time necessary to obtain a short sale approval differs from lender to lender. Prior to execution of the contract, an inquiry of the lender may give the seller and agent an idea as to the time it will take to obtain a short sale approval (or disapproval). The deadlines and time periods inserted in this Rider should be consistent with such estimates and preferably allow for additional time. Under the provisions of Section 4 of the Rider if the short sale approval is not delivered to the buyer within the prescribed time period buyer and seller are given the right to terminate the contract by written notice. Section 4 further provides for an automatic termination of the contract if the short sale approval is not delivered to the buyer within 30 days following the Short Sale Approval Deadline, in the case where neither the buyer nor the seller has provided an earlier notice of termination.

8. Time Periods: Section 5 modifies the definition of Effective Date set forth in Paragraph 3(b) of the contract. Initial deposits and calculations of the Short Sale Approval Deadline are measured from the Effective Date as defined Paragraph 3(b) of the contract. All other time periods are measured from the date that buyer receives the short sale approval.

CAUTION: THE USE OF THIS RIDER WITH THE AS-IS FORM MAY CREATE AN UNDESIRABLE SITUATION FOR THE SELLER. IF THE INSPECTION PERIOD (SEE PARAGRAPH 12(a)) COMMENCES WHEN SHORT SALE APPROVAL IS OBTAINED, IT MEANS THAT THE BUYER HAS A DISCRETIONARY RIGHT TO CANCEL THE TRANSACTION AFTER SHORT SALE APPROVAL. IF CANCELLED, THE SHORT SALE APPROVAL IS MEANINGLESS AND THE TRANSACTION FAILS. THE SELLER WILL HAVE EXPENDED TIME, EFFORT AND EXPENSE IN SEEKING THE SHORT SALE APPROVAL. THE ONLY BENEFIT DERIVED BY THE SELLER IS THE EXPERIENCE AND POSSIBLY SOME IDEA AS TO WHAT THE LENDER IS WILLING TO ACCEPT. THIS MAY BE USEFUL IN SUBSEQUENT SHORT SALE ATTEMPTS. A SELLER MIGHT CONSIDER NEGOTIATING

A PROVISION THAT WOULD REQUIRE THE INSPECTION PERIOD TO COMMENCE AS OF THE EFFECTIVE DATE OF THE CONTRACT AS OPPOSED TO WAITING UNTIL THE SHORT SALE APPROVAL IS OBTAINED. THIS WOULD ELIMINATE THE BUYER'S OPTION TO CANCEL AFTER SHORT SALE APPROVAL IS OBTAINED.

9. Closing Date: A blank is provided for inserting the closing date. This is expressed in terms of a number of days following receipt of the short sale approval. If not completed, this blank defaults to 45 days. The agent should take into account the possibility that the short sale approval may contain additional conditions that will take time to satisfy following the approval.

10. Back-up Offers: Section 7 offers two choices regarding the seller's right to accept back-up contracts. The first option prohibits the seller from accepting back-up offers and the second option permits the seller to accept. In the event neither box is checked the provision makes option (a) (seller prohibited) applicable.

CAUTION: A BACK-UP OFFER IS AN OFFER SUBMITTED BY A THIRD PARTY WHICH IS CONTINGENT UPON THE FAILURE OF THE CURRENT TRANSACTION TO CLOSE. IN A SHORT SALE CONTEXT THE RECEIPT OF A BACK-UP OFFER OF A HIGHER PURCHASE PRICE MAY NEED TO BE DISCLOSED TO THE LENDER CONSIDERING THE SHORT SALE APPLICATION AND COULD AFFECT THE LENDER'S DECISION. IF A BUYER HAS THE OPTION TO CANCEL THE CONTRACT PURSUANT TO PARAGRAPH 12(a) EXERCISABLE AFTER THE SHORT SALE APPROVAL IT IS REASONABLE FOR A SELLER TO WANT TO SOLICIT AND ACCEPT BACK-UP OFFERS.

11. Acknowledgments: Buyers and sellers are typically unfamiliar with short sales in general and the process in particular. The acknowledgments contained in Sections 8 and 9 are designed to discourage unreasonable expectations on the part of the parties. Short sales can have adverse income tax consequences for sellers. The seller is advised in Section 8 to consult with tax and legal counsel for advice on such matters. Section 9(b) expresses the fact that neither the buyer nor the broker has the ability to control the short sale approval process and therefore will not be liable for delays, costs and expenses or the subsequent refusal of the lender to complete the short sale after receipt of the short sale approval.

12. Foreclosure Sale: It is not unusual for a mortgage foreclosure proceeding to be pending at the time a short sale approval is requested. Typically, foreclosing lenders will not delay the foreclosure process while they consider an application for short sale approval. Section 10 provides that a foreclosure sale occurring prior to the short sale approval and closing will terminate the contract. Prior to contract, a prudent agent will investigate the status of any pending foreclosure proceedings and determine whether there is sufficient time to obtain short sale approval.

H. RIDER H – HOMEOWNERS/FLOOD INSURANCE:

A buyer concerned about the cost of homeowner's and flood insurance coverage can, by using this Rider, condition his/her obligations under the contract on being able to obtain homeowner's flood insurance at a specified cost. This Rider is more appropriately used with

the Standard Form. If the As-Is Form is being used, the buyer should investigate the cost of insurance during the Inspection Period. A seller accepting this condition will want to limit the time period so that the contingency is disposed of quickly.

I. RIDER I - FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT ("FIRPTA):

This Rider I is no longer part of the Comprehensive Rider package. It's provisions have been modified and moved to the main body of the contract (See Paragraph 10(i) and Standard V).

J. RIDER J - INTEREST BEARING ACCOUNT:

In those situations involving larger deposits and/or longer time periods for closing, the buyer or seller may want the Escrow Agent to place the deposits into an interest bearing account. The interest earned on the deposits is typically paid to the buyer but this can be a subject of negotiation. If this Rider is used, the Escrow Agent should consider depositing the funds in FDIC insured accounts. A space is provided for inserting a fee payable to the Escrow Agent.

K. RIDER K - AS-IS:

As discussed, using Rider K will convert the Standard Form into the As-Is Form. Essentially, the Standard Form is modified in a manner such that it becomes an As-Is Form. A better approach is to use the As-Is Form in the first place.

L. RIDER L - RIGHT TO INSPECT AND RIGHT TO CANCEL:

1. Purpose of Rider: Cross references in this Rider are made to the Standard Form and therefore this Rider should only be used when the contract is the Standard Form. As discussed, this Rider combines the inspection/cancellation provisions of Paragraph 12(a) of the As-Is Form with the repair/remediation obligations of the seller contained in Paragraph 12 of the Standard Form.

2. Termination: The buyer is given a specified time period (default time 15 days) within which to conduct inspections. Similar to the provisions of Paragraph 12(a) of the As-Is Form, the buyer may cancel the contract at the buyer's discretion prior to the end of the "Right to Inspection Period."

3. No Cancellation: If the buyer fails to timely terminate the contract prior to the specified deadline the provisions of Paragraphs 12(b) (c) and (d) become applicable provided:

- a. The buyer has conducted inspections in the manner required by Paragraphs 12(b) (c) and (d); and
- b. The buyer has timely delivered to the seller prior to the specified deadline the reports and notices required by Paragraph 12 of the Standard Form.

CAUTION: A BUYER UNDER A CONTRACT UTILIZING RIDER L SHOULD BE ADVISED

TO CONDUCT INSPECTIONS WHICH MEET THE REQUIREMENTS OF PARAGRAPH 12 OF THE STANDARD FORM. OTHERWISE, THE SELLER MAY NOT BE OBLIGATED UNDER PARAGRAPH 12 TO CONDUCT REPAIRS AND REMEDIATION.

M. RIDER M – DEFECTIVE DRYWALL:

1. Defective AKA Problematic Drywall: Florida and several other states have experienced a toxic building condition arising from the installation of Defective Drywall which, among other things, has caused health problems for the occupants of the residence. The first Section of this Rider describes these adverse conditions. In general, Defective Drywall has been discovered in homes and other structures built after the year 2000.

2. Representation: Section 1 of this Rider is a representation by the seller to the effect that the seller has no actual knowledge of a Defective Drywall condition. If the seller has any knowledge, the seller is required to describe such information and available documents pertaining to the Defective Drywall.

3. Inspection: Section 2 of the Rider offers two check-the-block options, the first being a waiver by the buyer of an opportunity to conduct a risk assessment or inspection. The second option provides for an inspection of the property by a home inspector, licensed contractor or other licensed professional. The inspection is for the purpose of determining the presence (or absence) of Defective Drywall. A blank is provided for inserting a remediation cost limit, the default amount being \$500.00. There is no guidance as to how the cost estimate is obtained but the inspector should be able to provide a rough estimate. If the removal/replacement cost estimate exceeds the limit the buyer is given a right to cancel by giving written notice to the seller before the end of the specified inspection period. If neither box is checked the provisions defaults to Option (b) (inspection).

CAUTION: AN AGENT USING THIS RIDER SHOULD INSERT A FAIRLY LOW AMOUNT AS THE REMOVAL/REPLACEMENT LIMIT OR INSERT NO DOLLAR AMOUNT AND ALLOW THE \$500.00 DEFAULT LIMIT TO APPLY. EXPERIENCE WITH DEFECTIVE DRYWALL SITUATIONS HAS INDICATED THAT IN MOST CASES A COMPLETE REMOVAL OF ALL DRYWALL IN THE RESIDENCE IS NECESSARY. TYPICALLY, A SELLER WILL KNOW IN ADVANCE OF A CONTRACT WHETHER A DEFECTIVE DRYWALL CONDITION EXISTS. THEREFORE, IT WOULD APPEAR THAT THIS RIDER WOULD LIKELY BE USED ON THOSE RARE OCCASIONS WHERE THE SELLER HAS DISCLOSED AND THE BUYER IS AWARE THAT THE RESIDENCE HAS DEFECTIVE DRYWALL.

N. RIDER N – COASTAL CONSTRUCTION CONTROL LINE:

The Florida Department of Environmental Protection has established a Coastal Construction Control Line (“CCCL”) along coastal areas of the state. There are restrictions and permitting requirements applicable to land areas lying seaward of the CCCL. If the property is either partially or totally seaward of the CCCL then the seller, at or prior to closing, is required to provide an affidavit or a survey delineating the location of the CCCL on the property. The Rider allows the buyer to waive this requirement by checking the appropriate box. Special building codes and requirements also apply if the property is in a Coastal Building Zone and notice of this included in this Rider.

CAUTION: THIS RIDER IS INTENDED TO COMPLY WITH STATUTORY REQUIREMENTS REGARDING NOTIFICATION TO THE BUYER. IF A PROPERTY IS SUBJECT TO THE CCCL, THE FAILURE TO USE THIS RIDER CAN BE REGARDED AS A MATERIAL NON-DISCLOSURE UNDER PARAGRAPH 10(j) OF THE CONTRACT. IF AN OCEANFRONT HOME HAS IMPROVEMENTS CONSTRUCTED SEAWARD OF THE CCCL THE BUYER SHOULD INVESTIGATE WHETHER THESE IMPROVEMENTS WERE PROPERLY PERMITTED BY LOCAL AND STATE AGENCIES. AS IS THE CASE WITH NON-CONFORMING STRUCTURES, STATE AND LOCAL LAWS AND REGULATIONS MAY LIMIT THE ABILITY OF A PROPERTY OWNER TO REPLACE AND RESTORE IMPROVEMENTS SEAWARD OF THE CCCL IF THE IMPROVEMENTS ARE SERIOUSLY DAMAGED BY CASUALTY.

O. RIDER O – INSULATION DISCLOSURE FOR NEW RESIDENCE:

See the discussion under Paragraph 10(e) (Energy Brochure) in this manual. This Rider is required in those cases involving the sale of new residential property.

P. RIDER P – LEAD BASED PAINT DISCLOSURE:

See the discussion under Paragraph 10(f) of the contract in this manual. This disclosure is required to be included in all contracts involving the sale of any residential housing built prior to 1978 subject to certain narrow exceptions set forth in 42 U.S.C. Section 4852(d). The disclosure is also required in leases of any such residential property for a term of exceeding 100 days. If the seller has any knowledge of any lead based paint or lead based paint hazards, the seller must so disclose and also furnish buyer with all records and reports pertaining to the condition. The seller may also, by checking the box, disclose that the seller has no knowledge or records pertaining to such condition. In addition to the disclosure, the law requires the delivery of a pamphlet published by the Federal Department of Housing and Urban Development and the Environmental Protection Agency. The buyer is allowed a 10 day opportunity to conduct a risk assessment or inspection or alternatively, the buyer may waive this right. The Rider requires the disclosure to be signed by agents confirming that the agents have informed the seller of the seller's obligations under the applicable federal statute.

CAUTION: RIDER P IS DESIGNED TO COMPLY WITH FEDERAL LAW WHICH REQUIRES DISCLOSURE AND AN OPPORTUNITY TO CONDUCT AN INSPECTION AND RISK ASSESSMENT. THIS RIDER DOES NOT IMPOSE ANY OBLIGATION ON THE SELLER TO REMEDIATE A LEAD-BASED PAINT CONDITION. IN ADDITION, THE BUYER IS NOT GIVEN A RIGHT TO CANCEL (UNLESS THE AS-IS FORM IS BEING USED AND THE INSPECTION IS CONDUCTED DURING THE INSPECTION PERIOD). THERE ARE CIVIL AND CRIMINAL PENALTIES UNDER THE FEDERAL LAW FOR VIOLATION AND THESE PENALTIES CAN BE APPLIED TO AGENTS. THEREFORE, CARE SHOULD BE TAKEN TO INSURE THAT IN THOSE CASES WHERE THE DISCLOSURE IS REQUIRED, STANDARD P IS PROPERLY COMPLETED AND MADE A PART OF THE CONTRACT.

Q. RIDER Q – HOUSING FOR OLDER PERSONS:

The Federal Fair Housing Act contains certain exemptions for housing which is restricted to older persons. Many condominiums and other developments seek to qualify for this exemption. The listing agent should determine whether the condominium or development

is age restricted, make this information available to the buyer and other agents and include Rider Q as part of the contract.

R. RIDER R – REZONING CONTINGENCY:

As previously discussed, the Standard Form is not well suited for use in connection with the purchase of non-residential properties. The As-Is Form is better suited. This Rider might be used in those situations where a larger vacant parcel is being purchased, perhaps for residential development, and a change to the local comprehensive land use plan and zoning ordinances must be obtained in order to develop the property. By filling in the blanks, the parties can identify the land use and zoning categories being sought and provide for deadline for obtaining the desired zoning and land use changes. The Rider is expressed in terms of a contingency meaning that failure to obtain the land use changes within the time specified allows either party to cancel the contract. A prudent agent will encourage the parties involved in such a transaction to engage legal counsel with experience in land use and real estate law.

S. RIDER S – LEASE PURCHASE/LEASE OPTION:

This Rider apparently contemplates that the nature of the transaction is a lease with an obligation or an option to purchase the property. This concept is somewhat convoluted in the sense that the parties are signing a contract for sale and purchase but are actually negotiating a lease/purchase/option agreement. Typically, parties involved in such a transaction will execute a lease which contains a provision for either an obligation or option to purchase the property. A copy of the purchase and sale agreement governing the terms of the purchase would be attached to the lease. On the other hand, assuming that the contract to which this Rider is attached adequately covers the terms of the purchase (if an option, when and how the option is exercised) then this Rider requires the parties to negotiate the terms of the lease. The Rider also provides options as to which party (or both) will pay the attorney's fees relating to the preparation of the lease purchase or lease option agreement.

CAUTION: PARTIES NEGOTIATING A LEASE/PURCHASE OR LEASE/OPTION ARRANGEMENT SHOULD BE REFERRED TO A COMPETENT REAL ESTATE ATTORNEY PRIOR TO SIGNING ANY CONTRACT.

T. RIDER T – PRE-CLOSING OCCUPANCY BY BUYER:

As previously discussed, permitting the buyer to take possession of the property prior to closing presents special problems and risks which need to be addressed. If early possession is agreed upon this Rider should be used. The Rider makes the obligations of the parties contingent upon reaching agreement on the terms of a written lease. Some basic terms of the lease (rental amount) are included in the Rider but other terms and provisions need to be negotiated. The Rider contains a deadline (default deadline is 10 days) within which to negotiate, prepare and deliver a mutually agreeable written lease. If the parties fail to reach agreement within the time limit, then either party may terminate the contract. Notice that by taking early possession, the buyer is essentially accepting the property "as-is" except for deficiencies reported to the seller under Paragraph 12 prior to taking occupancy.

CAUTION: A MORE COMMON SITUATION OCCURS WHERE THE BUYER IS SEEKING EARLY OCCUPANCY WHEN THE CLOSING IS OCCURRING WITHIN A SHORT PERIOD OF TIME. AS DISCUSSED, A SELLER SHOULD BE WARY OF ALLOWING EARLY OCCUPANCY. INSURANCE COVERAGE ISSUES MAY ARISE. THE BUYER MAY TAKE POSSESSION OF THE PROPERTY AND LATER DEFAULT UNDER THE CONTRACT. THE SAME PROBLEMS CAN ARISE WHERE THE BUYER SEEKS PERMISSION TO STORE FURNITURE AND OTHER BELONGINGS ON THE PROPERTY PRIOR TO CLOSING. THESE EARLY OCCUPANCY SITUATIONS SHOULD BE AVOIDED IF POSSIBLE. NOTICE THAT IF THE PARTIES ARE UNABLE TO REACH AGREEMENT AS TO AN ACCEPTABLE FORM OF LEASE EITHER PARTY MAY CANCEL THE TRANSACTION. THE BUYER IS NOT GIVEN THE ABILITY TO WAIVE THE CONTINGENCY. UNLESS THE SELLER CONSIDERS EARLY OCCUPANCY BY THE BUYER AS AN ESSENTIAL, INDUCING TERM OF THE CONTRACT THE BUYER SHOULD HAVE A RIGHT TO WAIVE THE CONTINGENCY AND TAKE POSSESSION AT THE TIME OF CLOSING. IT IS SUGGESTED THAT THE BUYER AND SELLER BE GIVEN A SHORT PERIOD OF TIME (EG., 10 DAYS) WITHIN WHICH TO REACH AN AGREEMENT ON AN ACCEPTABLE FORM OF LEASE. SATISFYING A CONTINGENCY AT AN EARLY STAGE OF THE TRANSACTION INCREASES THE PROBABILITY OF A SUCCESSFUL CLOSING.

U. RIDER U – POST-CLOSING OCCUPANCY BY SELLER:

This Rider is similar to Rider T (Pre-Closing Occupancy by Buyer). However, there is less risk in allowing the seller to retain possession of the property following closing as compared to allowing early occupancy by a buyer. In effect, the buyer is simply taking the seller on as a tenant. This Rider creates a contingency conditioning the performance of the parties upon entering into a mutually acceptable written lease failing which either party may cancel the contract. The term of the lease and rental amount are provided for in the Rider. Other terms and provisions of the lease need to be negotiated and reduced to writing. The parties should be advised to seek competent legal assistance for the purpose of preparing the lease.

CAUTION: SIMILAR TO RIDER T, RIDER U ALLOWS CANCELLATION BY EITHER PARTY IF THE TERMS OF A MUTUALLY ACCEPTABLE WRITTEN LEASE ARE NOT AGREED UPON WITHIN THE TIME LIMIT. THE RIDER SEEMS TO PRESUME THAT THE POST-CLOSING LEASE TO THE SELLER IS AN INDUCING BENEFIT TO THE BUYER. THE SELLER IS NOT GIVEN AN OPPORTUNITY TO WAIVE THE LEASE ARRANGEMENT AND PROCEED TO A CLOSING. POST OCCUPANCY BY THE SELLER MAY BE SIMPLY A MATTER OF CONVENIENCE WHICH THE SELLER WOULD BE VERY WILLING TO WAIVE IN ORDER TO ALLOW THE TRANSACTION TO CLOSE. NOTE ALSO THAT THE TIME LIMIT FOR REACHING AN AGREEMENT ON A WRITTEN LEASE IS DESCRIBED RELATIVE TO THE CLOSING DATE. IT IS RECOMMENDED THAT THE PARTIES BE GIVEN A SHORT PERIOD TIME (EG., 10 DAYS) WITHIN WHICH TO REACH AGREEMENT ON THE LEASE FORM FAILING WHICH EITHER PARTY CAN CANCEL. REMOVING A CONTINGENCY AT AN EARLY STAGE IN THE TRANSACTION ENHANCES THE PROBABILITY OF A CLOSING TAKING PLACE.

V. RIDER V – SALE OF BUYER'S PROPERTY:

In a buyer's market, a seller may be more willing than usual to accept a contract

which is contingent upon the sale of other property owned by the buyer. Rider V offers a check-the-box option indicating whether the buyer's property is presently under contract. If the buyer's property is not under contract the seller may be less willing to accept such a contingency. The buyer's obligations are contingent upon the closing of the buyer's property by a specified deadline to be inserted in the Rider. If a contract on the sale of the buyer's property presently exists, the deadline should correspond to the date that the closing on the buyer's property is scheduled and allow some additional time for possible delays. If the transaction on the buyer's property fails to close, the buyer is given a 3 day period within which to deliver notice cancelling the contract or providing written notice waiving the contingency. Although not specifically addressed, failure to deliver the written notice, would likely result in a waiver. Provisions are included which require the delivery of copy of the contract on the buyer's property to the seller. A prudent seller considering an offer of this type where the buyer's property is presently under contract would review the buyer's contract prior to execution of the contract. The buyer's contract may itself contain contingencies. By reviewing the contract in advance, the seller should be able to evaluate the probability of a successful closing on the sale of the buyer's property.

W. RIDER W – BACK-UP CONTRACT:

A back-up contract is occasionally used in a situation where the property is currently under contract to another buyer. The buyer under a back-up contract becomes obligated to purchase the property only if the prior contract fails to close or is otherwise terminated. If the prior contract successfully closes, the back-up contract is terminated. Under this Rider, the buyer can terminate the back-up contract by written notice given to the seller at any time prior to the seller delivering notice to the buyer that the prior contract has been terminated. Typically a seller will not want to reveal the terms of the primary contract to the back-up buyer. A deadline date for delivering a notice of termination of the primary contract is provided in this Rider.

CAUTION: ALLOWING THE SELLER TO ACCEPT BACK-UP CONTRACTS POSES SOME RISKS FOR THE BUYER UNDER THE PRIMARY CONTRACT. A SELLER WHO HAS ACCEPTED A BACK-UP CONTRACT MAY NOT BE ABLE TO NEGOTIATE ISSUES ARISING PRIOR TO THE CLOSING OF THE TRANSACTION. FOR EXAMPLE, AN AGREEMENT ON THE PART OF THE SELLER TO EXTEND THE CLOSING DATE MAY CREATE A DEFAULT UNDER THE TERMS OF THE BACK-UP CONTRACT. A PRUDENT SELLER WILL REQUIRE PROVISIONS IN THE BACK-UP CONTRACT WHICH ALLOW THE SELLER TO MAKE CONCESSIONS AND OTHERWISE BE FLEXIBLE IN AN EFFORT CLOSE ON THE PRIMARY CONTRACT. THIS IS TOUGH SELL FOR A BUYER WHO IS INCURRING TIME, EFFORT AND EXPENSE IN THE FORM OF INSPECTIONS, LOAN APPLICATIONS, ETC. USE OF THIS RIDER WILL BE UNCOMMON IN BUYER'S MARKET SITUATIONS.

X. RIDER X – KICK OUT CLAUSE

A kick out clause is occasionally used in those situations where the contract contains conditions to the buyer's performance and there is some uncertainty as to whether the conditions will be satisfied. Under this Rider, the seller continues his efforts to market the

property and enter into bona fide back-up purchase contracts with third parties. If a back-up contract is entered into a copy of the contract (with the identity of the back-up buyer and purchase price deleted) is given to the buyer. The buyer then has 3 days from receipt of the back-up contract within which to make an additional deposit (as prescribed) and waiving all contingencies failing which the contract is cancelled.

Y. RIDER Y – SELLER’S ATTORNEY APPROVAL:

This is a simple contingency clause allowing the seller to cancel the contract if the seller’s attorney disapproves the contract. The termination is exercised by delivering written notice to the buyer prior to the specified deadline.

Z. RIDER Z – BUYER’S ATTORNEY APPROVAL:

Similar to Rider Y, this is simple contingency making the buyer’s performance contingent upon the buyer’s attorney approving the contract. If the buyer’s attorney disapproves the contract the buyer may cancel the contract by delivering written notice to the seller prior to the specified deadline.

AA. RIDER AA – LICENSEE DISCLOSURE OF PERSONAL INTEREST OF PROPERTY:

Agents are required to reveal any interest which they have in the transaction or the property. This Rider is designed to meet that requirement.

BB. RIDER BB – BINDING ARBITRATION:

It is commonly believed that arbitration offers a speedy and less costly alternative to litigation. This is not always the case. Parties to a contract where arbitration is selected should be advised as to the following:

- a. A court may get involved in enforcing arbitration orders but otherwise there is no effective appeal from an arbitration order.
- b. Under this Rider, each party bears their own attorney's fees and costs. Under Paragraph 17 of the contract in litigation, the prevailing party is entitled to recover such fees and costs from the non-prevailing party.