

# LOOPHOLES OF REAL ESTATE

## COMPANION FILES


### Chapter 1

File #1






File #2

#### Weak Investing Plan

E-S	
JOB	ACCELERATORS
 Savings Get out of debt Personal residence Mutual funds Stocks 401(k)s, IRAs, SEPs	NONE

#### Power Investing Plan

B-I	
ASSETS	ACCELERATORS
Business 	OPM Entity selection OPT Tax laws Charity
Real Estate 	OPM-\$1:\$9 Entity selection Tax laws
Paper 	Tax exempt Hedge funds Options PPMs IPOs

## Chapter 3

File #3

### REAL ESTATE

\$100,000 Cash Down  
\$900,000 Bank Money\*  
\$1,000,000 Property

#### CASH FLOW

Rental Income	
	\$148,257
Less Operating Expense	
	(\$67,497)
Less Debt Service	
	(\$68,268)

#### AFTER TAX

Rental Income	
	\$148,257
Less Operating Expense	
	(\$67,497)
Less Debt Service (Interest Only)	
	(\$58,226)
Less Component Depreciation	
	(\$26,800)
Less Building Depreciation	
	(\$21,746)

Phantom Deduction

Positive Cash Flow \$12,492  
COC 12%

Paper Loss (\$25,994)  
Tax Savings \$ 9,098  
@ 35%

\$21,590.  
22% COC

\*30 Year Loan at 6.5%

Chapter 8

File #3

	CASH FLOW	AFTER TAX
<div><div>\$90,000</div><div>\$360,000</div><div>\$450,000</div></div> <div><div>Cash Down</div><div>Bank Loan</div><div>Property</div></div>	<div><div>Rental Income</div><div>\$54,000</div></div> <div><div>Less Operating Expenses</div><div>(\$19,459)</div></div> <div><div>Less Debt Service</div><div>(\$27,341)</div></div> <div><div>Positive Cash Flow \$7,200</div><div>COC 8%</div></div>	<div><div>Rental Income</div><div>\$54,000</div></div> <div><div>Less Operating Expenses</div><div>(\$19,459)</div></div> <div><div>Less Debt Service</div><div>(\$15,888)</div></div> <div><div>Less Component Depreciation</div><div>(\$15,000)</div></div> <div><div>Less Building Depreciation</div><div>(\$10,909)</div></div> <div><div>Paper Loss (\$7,256)</div><div>Tax Savings @35% \$2,540</div></div>
		<div><div>\$9,740</div><div>11% COC</div></div>

## Chapter 9

File #4

Personal Expense	Potential Business Expense
Art	Artwork for your office
Automobile	Your auto payments, or, if owned by business, your repair expenses
Cell phone	Business equipment/service
Child care	Child care provided by the business
Children's allowance	Spending money for your child (must be tracked carefully, including descriptions, times, and reasonable wages)
Computer/software	Business equipment
Dining out	Business meals (50 percent deductible; must have receipts and notation of who attended)
Dry cleaning	For out-of-town expenses
Furniture	Business furniture (if appropriate; includes desk, etc.)
Home costs	Home office or business rental (must measure square footage, follow guidelines for a home office, and track all home expenses in order to be reimbursed)
Internet service	Utility
Magazines/publications	Subscriptions (for your use, or for customers to peruse while they wait)

File #4, cont.

Medical/vision	Medical reimbursement (use a medical reimbursement plan to pay all medical, vision, dental, and orthodontia costs)
Seminars	Education (authorize employee/owner and document applicability for your business)
Tuition	For education (authorize employee/owner education)
Vacation	Business trips (only if they have a business purpose for the trip; some limitations apply)

## Chapter 12

File #5

Profit		
Income from Rent		\$20,000
Expenses		
Advertising	\$200	
Property tax	\$5,500	
Mortgage interest	\$9,500	
Insurance	\$400	
Maintenance & Repairs	\$1,500	
Total Expenses		\$17,100
Cash Profit		\$2,900
Tax Loss		
Income from Rent		\$20,000
Total Expenses		\$17,100
Depreciation		\$6,200
Expenses plus Depreciation		\$23,300
Tax Loss		(\$3,300)

File #6

	Allowable	Rental Allocation (60%)	
Limitation deductions (from above)			\$11,700
Property tax	\$5,500	\$3,000	
Mortgage interest	\$5,000	\$3,300	
Allowable amount			\$6,600
Deduction limit amount remaining			\$5,100

File #7

	Allowable	Rental Allocation (60%)	
Limit on deductions (from above)			\$5,100
Utilities	\$2,000	\$1,200	
Repairs	\$1,600	\$960	
Insurance	\$400	\$240	
Total Rental Allocation Expenses			\$2,400
Deduction limit amount remaining			\$2,700

File #8

	Allowable	Rental Allocation (60%)	
Limit on deductions (from above)			\$2,700
Depreciation	\$6,200	\$3,720	
Allowable amount			\$2,700

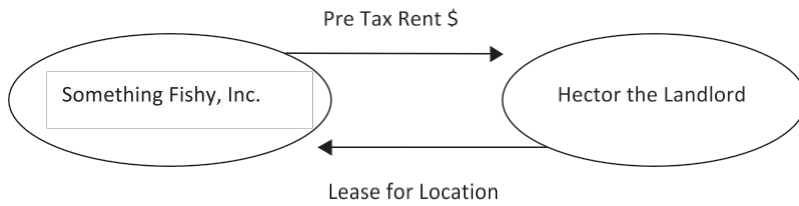
File #9

	<u>Scenario One</u> Rent to others all year	<u>Scenario Two</u> Vacation Use/More than 14 days rental	<u>Scenario Three</u> Vacation Use/ 14 days or less rental	<u>Scenario Four</u> Exclusive Vacation Use
Tax and Mortgage Interest Deductions	Yes	Yes	Yes	Yes (but not for third or more properties)
Rental Cost Deductions	Yes	Yes-but not over rental income amount	No-but rent is not taxed	N/A
Rental Loss Deductions	Yes (subject to passive loss rules)	No	No	N/A

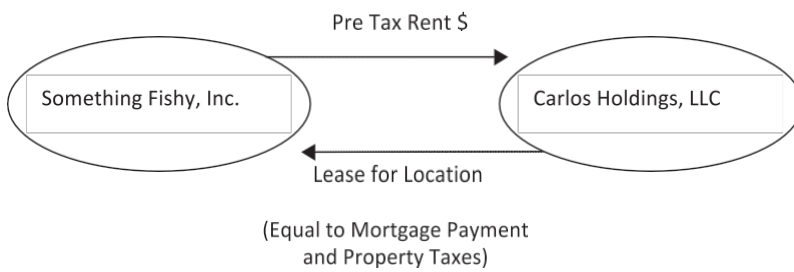
## Chapter 13

File #10

NOW



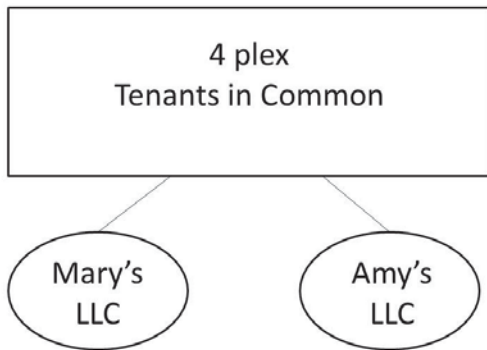
SOON



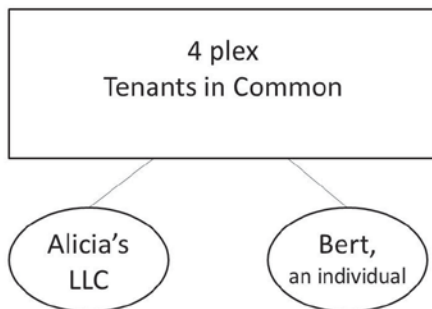


## Chapter 21

File #11



File #12

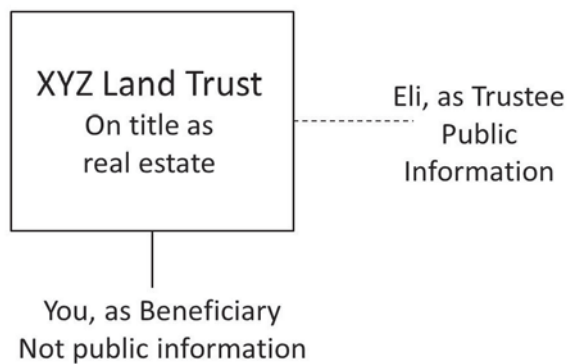


## Chapter 22

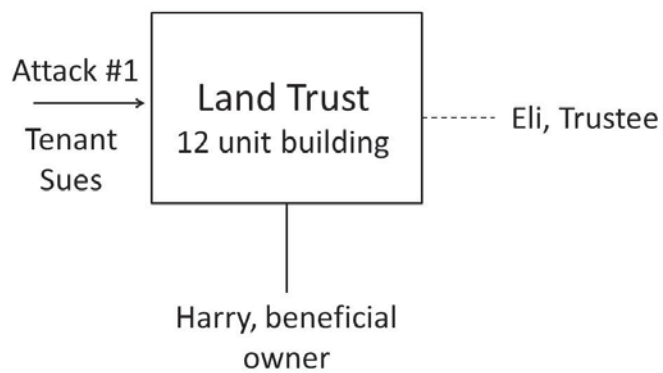
File #13

<p>Title held by: <b>Land Trust</b></p> <p>Beneficiary: you, an individual</p> <p>Consequence: No asset protection</p>	<p>Title held by: <b>Land Trust</b></p> <p>Beneficiary: an LLC</p> <p>Consequence: Asset protection via the LLC</p>	<p>Title held by: <b>LLC</b></p> <p>Owner: you, an individual</p> <p>Consequence: Asset protection without expense of land trust</p>
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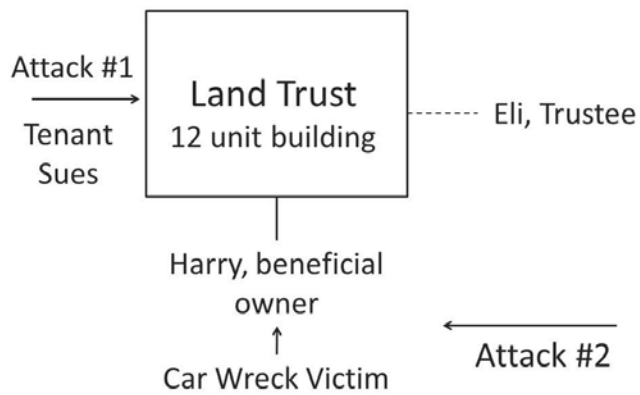
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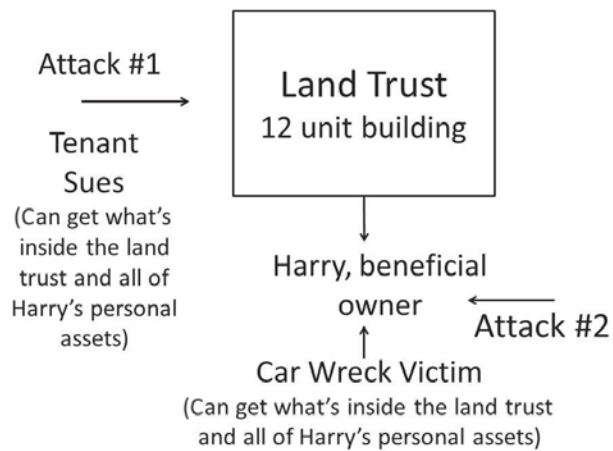
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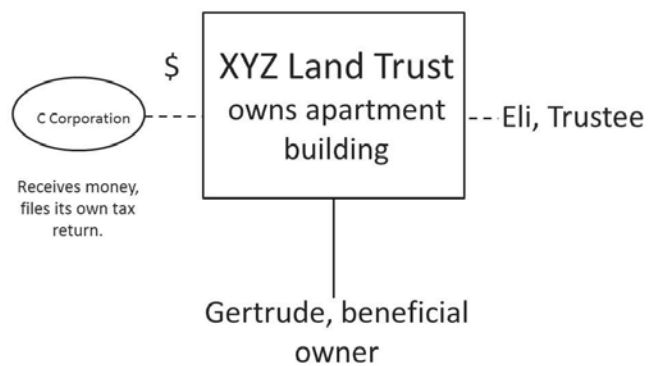
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File #17

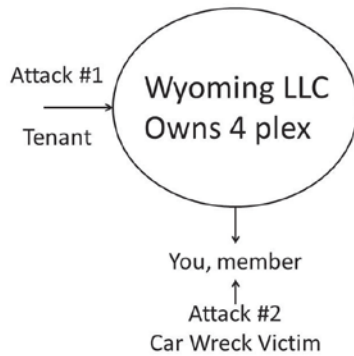


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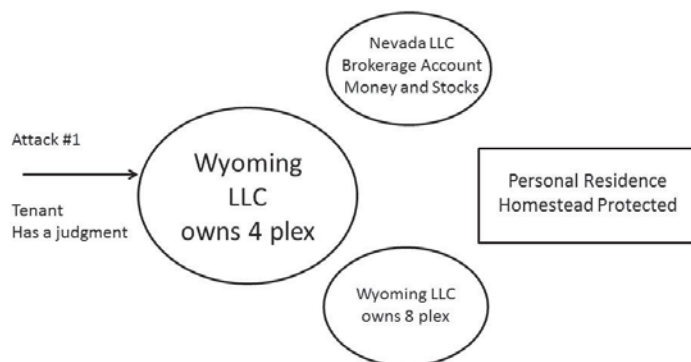


## Chapter #23

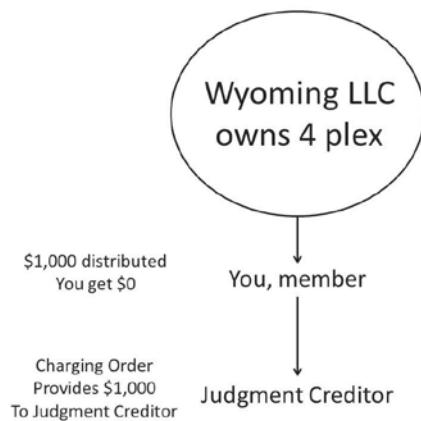
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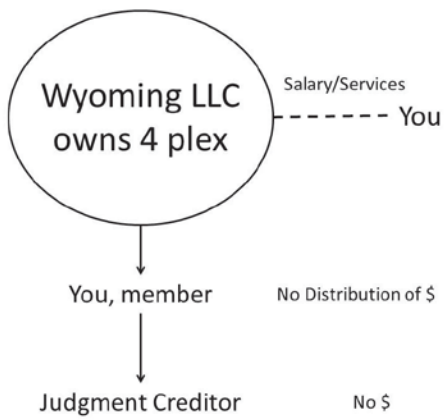
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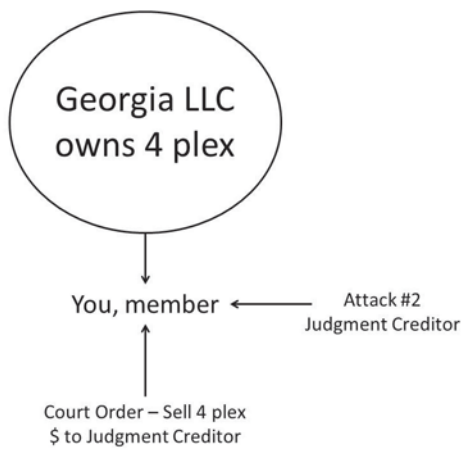
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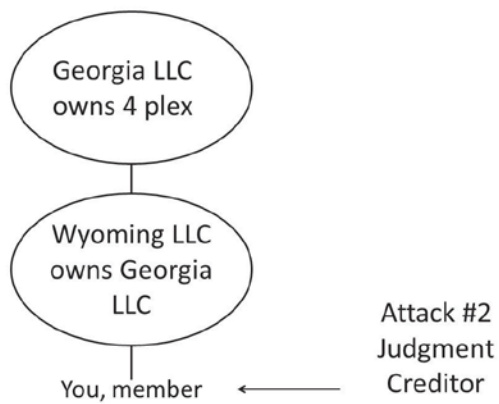
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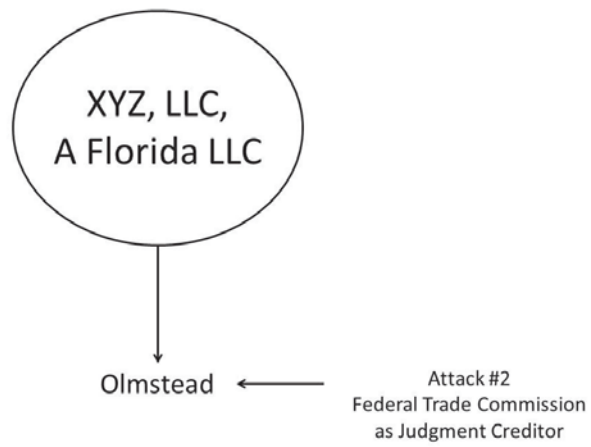
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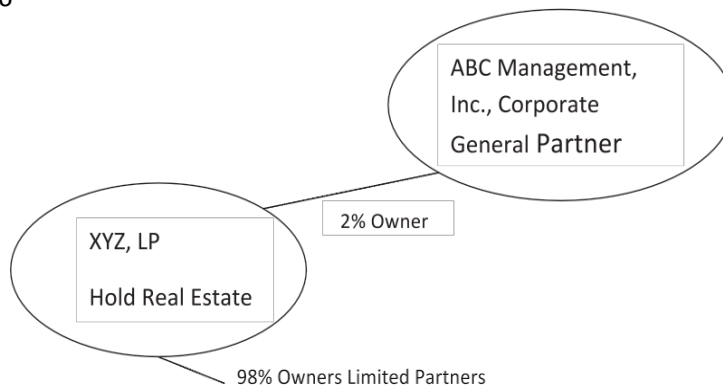
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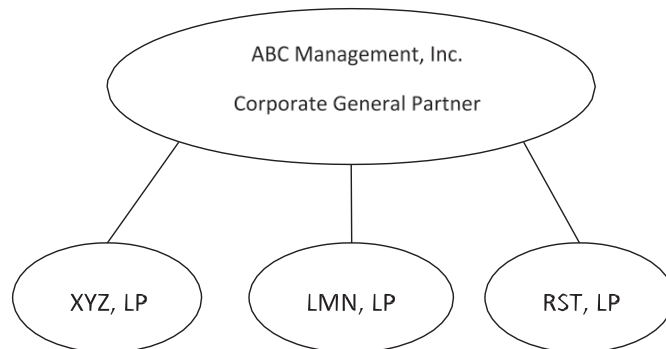
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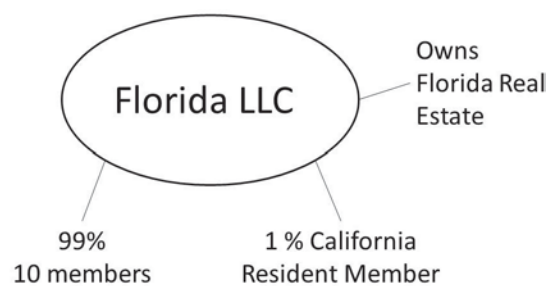
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File #27

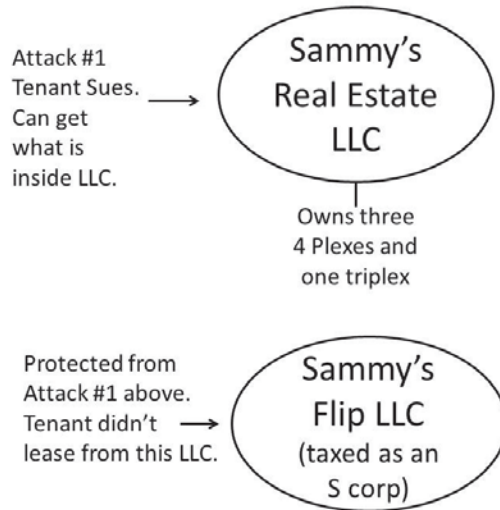


File #28



## Chapter 24

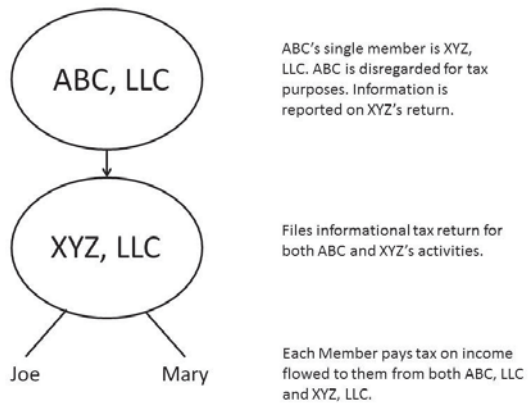
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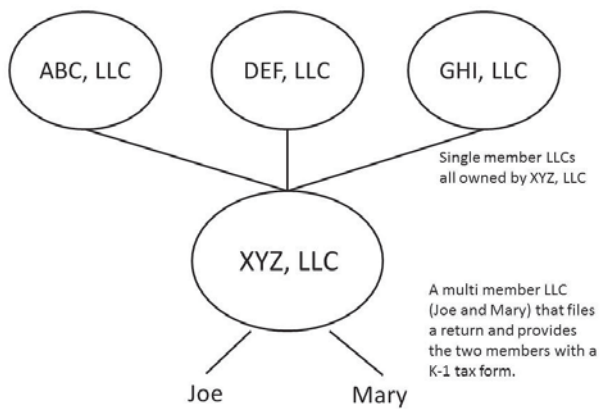


## Chapter 25

File #30

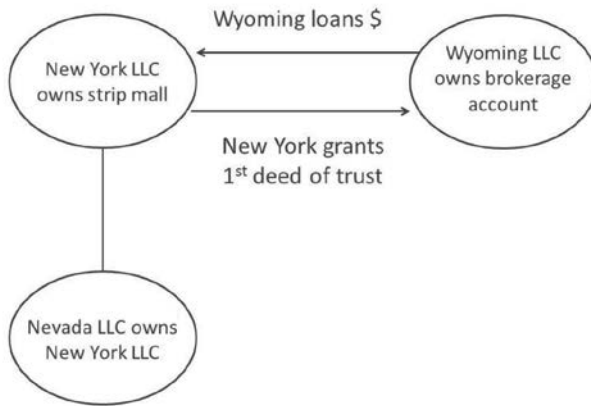


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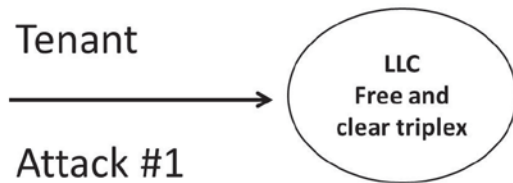


## Chapter 26

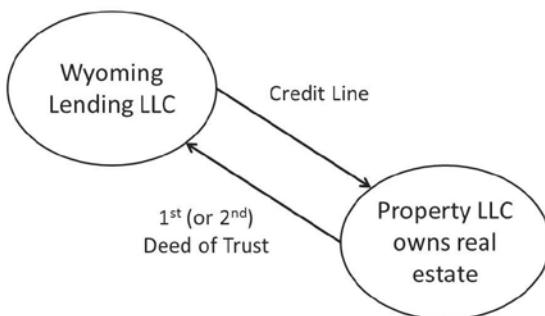
File #32



File #33



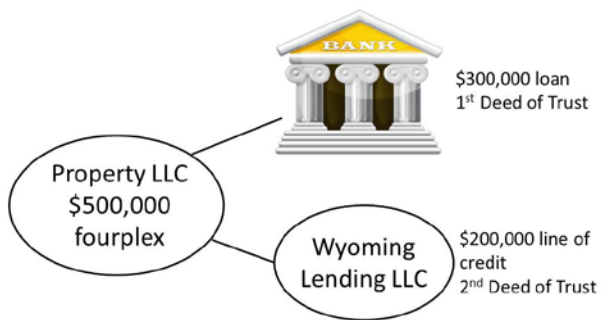
File #34



File #35



File #36



## Chapter 28

File #37

### *Property Analysis Calculation*

Step #1: Calculate how much cash down the property will require:

Down payment	_____
Closing costs	_____
+ Estimated fix-up costs	_____
+ Carrying time for fix-up (number of months times monthly payment)	_____
+ Carrying time for marketing (Number of months times total payment)	_____
= TOTAL	

Now you must determine if you have, or are able to get, this much money.

Step #2: Calculate cash-on-cash return:

Rent received	A. _____
Monthly payment, including taxes and insurance	B. _____
Cash flow (A minus B)	C. _____
Your investment (from Step #1 above)	D. _____
Amount from tenant/lessor	E. _____
The cash-on-cash % formula is:	$(12 \times C) / (D-E)$

## Chapter 30

### File #38

*This Agreement is contingent upon Buyer obtaining the following type of financing: a \_\_\_\_\_ (eg. FHA, VA, Conventional, Rural Development, etc.) with an interest rate not to exceed \_\_\_\_\_% payable over a period of \_\_\_\_\_ (eg. 15, 30) years at a \_\_\_\_\_ rate (eg. Fixed).*

### File #39

*Within 7 calendar days of acceptance Buyer, at his option and expense, may have the property appraised by an appraiser licensed in the State of \_\_\_\_\_. If the appraised value is less than the amount of the purchase price contained in this Agreement then this contract is voidable at Buyer's option and all earnest monies shall be returned; if Buyer chooses to void this Agreement in accordance with this paragraph then Buyer shall notify Seller in writing of such decision, and provide Seller with a copy of said appraisal, within 2 business days of receipt of the appraisal.*

### File #40

*Buyer shall have the right to conduct any inspections, investigations, tests, surveys and other studies on the subject property at Buyer's expense. Buyer shall, within \_\_\_\_\_ business days of acceptance, complete these inspections and give Seller written notice of disapproved items.*

*If Buyer does not give Seller written notice of any items disapproved of within the time period specified, Buyer shall be deemed to be satisfied with the results of any such inspections.*

*If Buyer does give Seller notice of disapproved items within the time period specified then Buyer shall also provide Seller with copies of any pertinent inspection reports. Seller then has the option of correcting the deficiencies within \_\_\_\_\_ days of receipt of notice of disapproval or voiding the contract and returning all earnest money deposits to Buyer.*

### File #41

*Buyer shall have until \_\_\_\_\_, 20\_\_\_\_ to personally inspect the subject property and give Seller any written objections regarding any aspect of the property that does not meet Buyer's subjective approval. If Buyer does not provide any written objections by this date, Buyer will be deemed to be satisfied with the personal inspection. If, on the other hand, Buyer gives written notice of disapproval by \_\_\_\_\_, 20\_\_\_\_ (date above), this contract shall be voidable in writing at Buyer's option and all earnest money returned.*

File #42

*Seller shall grant to Buyer a period of thirty (30) calendar days from the date of acceptance in which to conduct any due diligence investigations regarding the subject property, including governmental regulations regarding the division or development potential of the subject property. Buyer shall give Seller written notice within this same time period in the event that the Buyer should determine that any of the items of due diligence should prove to be unacceptable, at which time this contract shall be voidable at the Buyer's option and all earnest monies returned.*

File #43

*Seller(s) shall have the property surveyed and the property corners marked by a professional, licensed engineer in the State of \_\_\_\_\_ by \_\_\_\_\_, 20\_\_\_\_. Buyer(s) shall have until \_\_\_\_\_, 20\_\_\_\_ to inspect the marked property corners. Buyer(s) shall give any disapproval in writing by \_\_\_\_\_, 20\_\_\_\_. If for any reason Buyer disapproves of the property corners then this contract shall be voidable at the Buyer's option and all earnest monies returned.*

File #44

*Buyer shall have until \_\_\_\_\_, 20\_\_\_\_ to review the plat and any covenants, conditions or restrictions affecting the property and to give Seller any written objections. If Buyer does not provide any written objections by this date, Buyer will be deemed to be satisfied with the plat and all restrictions affecting the property. If, on the other hand, Buyer gives written notice of disapproval by \_\_\_\_\_, 20\_\_\_\_ (date above), this contract shall be voidable in writing at Buyer's option and all earnest money returned.*

File #45

*Seller herein acknowledges that it is the intention of the Buyer to complete a Section 1031 Tax-deferred exchange. Seller agrees to cooperate with the Buyer in any manner necessary in order to complete said exchange at no additional cost or liability to Seller.*

File #46

*Within \_\_\_\_\_ business days of acceptance Seller shall provide Buyer with a commitment of title insurance policy showing the condition of the title to said premises. Buyer shall have \_\_\_\_\_ business days from receipt of the commitment within which to object in writing to the condition of the title and any of the liens, encumbrances or exceptions set forth in the commitment. If Buyer does not so object Buyer shall be deemed to have accepted the condition of said title. If Buyer does make written objection within the above time frame then Seller can either clear any title defects or objections*

*to any exceptions within \_\_\_\_\_ business days of written notice or this contract shall be voidable in writing at Buyer's option and all earnest money returned.*

**File #47**

*Within \_\_\_\_\_ days of acceptance Seller shall provide Buyer with any rent or lease agreements currently in effect along with an affidavit or letter stating whether or not such rent or lease agreements have been strictly adhered to by both the landlord and the tenant. If such agreements have not been strictly adhered to the letter shall list any defaults or waivers in detail.*

*Buyer has \_\_\_\_\_ days from Buyer's receipt of any such agreements and said letter to provide written notice to Seller that such agreements or their current status are not acceptable and thus void the contract and have all earnest money deposits returned in full.*

**File #48**

*Seller shall deliver to Buyer within \_\_\_\_\_ days of execution of this Agreement copies of all documents relating to water or mineral rights. Buyer shall have \_\_\_\_\_ days from receipt of such documentation to object to the condition of said water or mineral rights and to declare this Agreement void and all earnest money returned.*

**File #49**

*This offer is specifically contingent upon the Buyer closing on the following property: [insert legal description of property] within \_\_\_\_\_ months of the acceptance of this offer.*

# **Appendix A:**

## **Real Estate Resources**

### ***BOOKS***

*Start Your Own Corporation*

By Garrett Sutton, Esq.

*Run Your Own Corporation*

By Garrett Sutton, Esq.

*Tax-Free Wealth*

By Tom Wheelwright, CPA

*ABC's of Real Estate Investing*

By Ken McElroy

*How to Use Limited Liability Companies & Limited Partnerships*

By Garrett Sutton, Esq.

*Writing Winning Business Plans*

By Garrett Sutton, Esq.

*Exchanging Up: How to Build a Real Estate Empire Without Paying Taxes... Using 1031 Exchanges*

By Gary Gorman, 1031 Exchange Expert

*ABCs of Getting Out of Debt*

By Garrett Sutton, Esq.

### ***GAMES***

*Rich Dad's CASHFLOW 101 Board Game and electronic game*

*Rich Dad's CASHFLOW 202 Board Game and electronic game*



### ***ON-LINE RESOURCES***

[corporatedirect.com](http://corporatedirect.com)

Corporate Direct

[sutlaw.com](http://sutlaw.com)

Sutton Law Center

[mccompanies.com](http://mccompanies.com)

MC Companies

[provisionwealth.com](http://provisionwealth.com)

Provision

[expert1031.com](http://expert1031.com)

The 1031 Exchange Experts

[nmhc.org](http://nmhc.org)

National Multi Housing Council

[realtor.org](http://realtor.org)

National Association of REALTORS<sup>®</sup>

[narpm.org](http://narpm.org)

National Association of Residential Property Managers

[american-apartment-owners-association.org](http://american-apartment-owners-association.org)

American Apartment Owners Association

[richdad.com](http://richdad.com)

## Appendix B

### BUYERS DISCLOSURE CHECKLIST

#### Owner Information

- |   |  |
|---|--|
| <input type="checkbox"/> Name, address, phone number, business number | <input type="checkbox"/> Occupation            |
| <input type="checkbox"/> Reason for selling                           | <input type="checkbox"/> If owner broker/agent |

#### Loan information

- |  |  |
|--|--|
| <input type="checkbox"/> Name/address of lender  | <input type="checkbox"/> If prepayment penalty               |
| <input type="checkbox"/> Is current loan assumable? If yes, with or without qualification? | <input type="checkbox"/> Will seller help finance/pay points |
| <input type="checkbox"/> Name title vested in  | <input type="checkbox"/> Yearly tax amount                   |
| <input type="checkbox"/> Loan number   | <input type="checkbox"/> New loan amount                     |
| <input type="checkbox"/> Asking price  | <input type="checkbox"/> Length of loan                      |
| <input type="checkbox"/> Assessed value of property  | <input type="checkbox"/> Monthly payment amount              |
| <input type="checkbox"/> Interest rate   | <input type="checkbox"/> Insurance costs/requirements        |
| <input type="checkbox"/> Closing costs   | <input type="checkbox"/> Home guarantee?                     |
| <input type="checkbox"/> Original loan amount/dates  | <input type="checkbox"/> CC&R's/restrictions                 |
| <input type="checkbox"/> Balance of original loan  | <input type="checkbox"/> Move in date                        |
| <input type="checkbox"/> Is loan assumable   | <input type="checkbox"/> How long on market                  |
| <input type="checkbox"/> If second can be discounted, if any                               | <input type="checkbox"/> If previously listed/length of time |
| <input type="checkbox"/> If balloon payment/due  |  |

## Fees

- |  |   |
|--|---|
| <input type="checkbox"/> Application                 | <input type="checkbox"/> Credit report          |
| <input type="checkbox"/> Appraisal                   | <input type="checkbox"/> Escrow fee             |
| <input type="checkbox"/> Loan fee                    | <input type="checkbox"/> Points                 |
| <input type="checkbox"/> Inspections/pest, structure | <input type="checkbox"/> Title report/insurance |
| <input type="checkbox"/> Recording fee               | <input type="checkbox"/> Insurance              |

## Property

- |   |   |
|---|---|
| <input type="checkbox"/> Legal description of property            | <input type="checkbox"/> Square footage of lot        |
| <input type="checkbox"/> Zoning of property                       | <input type="checkbox"/> Location of property         |
| <input type="checkbox"/> Proximity of schools                     | <input type="checkbox"/> Easy access to shopping      |
| <input type="checkbox"/> Extent of landscaping                    | <input type="checkbox"/> Size of yards/front and back |
| <input type="checkbox"/> Sprinkler system/type                    | <input type="checkbox"/> Fences/condition of          |
| <input type="checkbox"/> Inspection report/environmental concerns |   |

## Building

- |   |  |
|---|--|
| <input type="checkbox"/> Age of structure                     | <input type="checkbox"/> Builder   |
| <input type="checkbox"/> Number of stories                    | <input type="checkbox"/> Condition and type of construction inside and outside |
| <input type="checkbox"/> Type and condition of roof           | <input type="checkbox"/> Inspection report of structure/termite, etc.          |
| <input type="checkbox"/> Number of rooms                      | <input type="checkbox"/> Number of bedrooms                                    |
| <input type="checkbox"/> Square footage of structure          | <input type="checkbox"/> Condition of plumbing                                 |
| <input type="checkbox"/> Condition of wiring                  | <input type="checkbox"/> Condition of foundation                               |
| <input type="checkbox"/> Gas or electric heating/condition of | <input type="checkbox"/> Air conditioning/condition of                         |

- |   |  |
|---|--|
| <input type="checkbox"/> Alarm system? Owned or leased? If leased, will it remain in home after sale? | <input type="checkbox"/> If fireplace/condition of? Has the chimney be cleaned recently? |
| <input type="checkbox"/> Kitchen amenities/condition of   | <input type="checkbox"/> Gas or electric appliances/water heater                         |
| <input type="checkbox"/> Utility costs/heating costs  | <input type="checkbox"/> What kind of flooring   |
| <input type="checkbox"/> Condition of carpeting   | <input type="checkbox"/> Number of bedrooms/square footage                               |
| <input type="checkbox"/> Number of bathrooms  | <input type="checkbox"/> Other rooms/ description/ condition of                          |
| <input type="checkbox"/> Inventory of what included/draperies   | <input type="checkbox"/> Number of windows/condition of                                  |
| <input type="checkbox"/> Garage/size/condition  | <input type="checkbox"/> Insulation up to code/storm windows, doors                      |
| <input type="checkbox"/> What kind of view  | <input type="checkbox"/> Any needed repairs  |

## SELLER DICLOSURE CHECKLIST

- |  |  |
|--|--|
| <input type="checkbox"/> Home insurance  | <input type="checkbox"/> Previous inspection reports   |
| <input type="checkbox"/> Previous pest inspection reports  | <input type="checkbox"/> Year structure built  |
| <input type="checkbox"/> Any additions to building made by current and past owners? Were additions properly permitted? | <input type="checkbox"/> Pending legal actions   |
| <input type="checkbox"/> Restrictions on property  | <input type="checkbox"/> Liens against property/explain  |
| <input type="checkbox"/> Easements on property   | <input type="checkbox"/> Is property leased/when expire  |
| <input type="checkbox"/> Anyone having right of first refusal or option to buy   | <input type="checkbox"/> Known conditions affecting property   |
| <input type="checkbox"/> Known future problems affecting property  | <input type="checkbox"/> Pending expansion/real estate development of area   |
| <input type="checkbox"/> Property owned near this property   | <input type="checkbox"/> Problems with stability of ground beneath property, settling, cracks in cement - describe |
| <input type="checkbox"/> Property in designated zone/flood, hazard   |  |

## Roof

- |   |   |
|---|---|
| <input type="checkbox"/> Condition of roof                    | <input type="checkbox"/> Roof composition                     |
| <input type="checkbox"/> How old is roof                      | <input type="checkbox"/> Any repair/ resurfacing of roof/date |
| <input type="checkbox"/> Any problems with roof/ leakage/date |   |

## Heating/Electrical

- |  |   |
|--|---|
| <input type="checkbox"/> Date heating system installed   | <input type="checkbox"/> Kind of heating system/make, gas or electric |
| <input type="checkbox"/> Condition of heating system     | <input type="checkbox"/> Previous heating inspections/date            |
| <input type="checkbox"/> Manner of ventilation/describe  | <input type="checkbox"/> Acceptable ventilation                       |
| <input type="checkbox"/> Insulation up to code           | <input type="checkbox"/> Condition of electrical equipment            |
| <input type="checkbox"/> Available voltage               | <input type="checkbox"/> Known defects/describe                       |
| <input type="checkbox"/> Date of last inspection/service |   |

## Water/Sewer

- |   |  |
|---|--|
| <input type="checkbox"/> Water supply source/city, septic tank    | <input type="checkbox"/> Type of water pipes                           |
| <input type="checkbox"/> Condition of water supply                | <input type="checkbox"/> Any water pressure problems                   |
| <input type="checkbox"/> Known prior plumbing leaks/rust problems | <input type="checkbox"/> Known standing water areas                    |
| <input type="checkbox"/> Any Flooding/date, how repaired          | <input type="checkbox"/> Adequate drainage/roof, ground                |
| <input type="checkbox"/> Drainage problems/describe               | <input type="checkbox"/> Condition/age of water heater                 |
| <input type="checkbox"/> Capacity of water heater                 | <input type="checkbox"/> Safety/pressure release valve on water heater |

- |   |   |
|---|---|
| <input type="checkbox"/> Location of water heater                   | <input type="checkbox"/> Last date water heater inspected and/or serviced |
| <input type="checkbox"/> What company did inspection                | <input type="checkbox"/> Safety device for water heater                   |
| <input type="checkbox"/> Condition of landscape sprinklers/describe |   |

## COMMERCIAL PROPERTY DUE DILIGENCE CHECKLIST

### Objective

- |  |  |
|--|--|
| <input type="checkbox"/> Estate Building   | <input type="checkbox"/> Equity return           |
| <input type="checkbox"/> Tax shelter       | <input type="checkbox"/> Spendable income/amount |
| <input type="checkbox"/> Other/description |  |

### Background search

- |   |   |
|---|---|
| <input type="checkbox"/> Better Business Bureau | <input type="checkbox"/> Department of Commerce |
| <input type="checkbox"/> Lending institution    | <input type="checkbox"/> Utility companies      |

### Owner information

- |   |   |
|---|---|
| <input type="checkbox"/> Name, address                          | <input type="checkbox"/> Business phone/residence phone             |
| <input type="checkbox"/> Bank reference                         | <input type="checkbox"/> Occupation tax bracket                     |
| <input type="checkbox"/> Owner occupying property               | <input type="checkbox"/> Tax accountant                             |
| <input type="checkbox"/> Attorney/legal status                  | <input type="checkbox"/> Broker or real estate agent                |
| <input type="checkbox"/> Amount of capital                      | <input type="checkbox"/> Annual gross income                        |
| <input type="checkbox"/> Date business was started              | <input type="checkbox"/> Operating statements for years in business |
| <input type="checkbox"/> Reason for selling                     | <input type="checkbox"/> How long on market                         |
| <input type="checkbox"/> Previously listed/price/time on market |   |

## Lease

- |   |  |
|---|--|
| <input type="checkbox"/> Lessee's name  | <input type="checkbox"/> Type of lease/original or sublease                              |
| <input type="checkbox"/> Time left on original lease/option to renew/rent increased | <input type="checkbox"/> Method of computing rent  |
| <input type="checkbox"/> Rent based on percentage/how computed                      | <input type="checkbox"/> Rent based on square footage/building only or frontage included |
| <input type="checkbox"/> Paid monthly/yearly  | <input type="checkbox"/> Option to buy/renew/first refusal                               |
| <input type="checkbox"/> Tax clause in lease  | <input type="checkbox"/> Who performs maintenance/interior, exterior, landscaping        |
| <input type="checkbox"/> Get copies of lease/agreements                             | <input type="checkbox"/> Copies of contracts/management                                  |

## Loan

- |   |   |
|---|---|
| <input type="checkbox"/> Type of loan/loan number               | <input type="checkbox"/> Interest rate  |
| <input type="checkbox"/> Name title vested in                   | <input type="checkbox"/> Lender name and address                                  |
| <input type="checkbox"/> Assessed value of property             | <input type="checkbox"/> Type of new loan/dates                                   |
| <input type="checkbox"/> Assumable loan/transferable            | <input type="checkbox"/> Can second be bought at discount?<br>Amount of discount? |
| <input type="checkbox"/> Will seller help finance               | <input type="checkbox"/> Original amount loaned/date                              |
| <input type="checkbox"/> Balance of original loan/date reported | <input type="checkbox"/> Balloon payment in the future                            |
| <input type="checkbox"/> Any liens on property                  | <input type="checkbox"/> Interest rate locked in/time                             |
| <input type="checkbox"/> Prepayment penalty                     | <input type="checkbox"/> Preliminary title report                                 |

## Building

- |  |   |
|--|---|
| <input type="checkbox"/> Age of building | <input type="checkbox"/> Architectural design |
|--|---|

☐ Condition of basement/foundations

☐ How building constructed

☐ Square footage

☐ Exterior finish and condition

☐ Adequately view from street or parking lot

### **Building Interior**

☐ Number of floors in building

☐ Efficient design of space

☐ Number of windows

☐ Adequate lighting

☐ Condition of floors

☐ Condition/age of wiring

☐ Condition/age of air conditioning

☐ Security patrol/burglar alarms installed

☐ Inventory included/description, estimate of value

☐ Condition of space

☐ Ceiling height

☐ Condition of windows

☐ Toilet location and number

☐ Adequate wiring

☐ Condition/age of heating system

☐ Fire protection/overhead sprinklers, number and location

☐ Number and condition of locks

### **Service costs**

☐ Services provided by shopping center

☐ Water/garbage

☐ Security

☐ Equipment cost/rental cost, depreciation

☐ Accounting/legal fees

☐ Heating/air conditioning

☐ Electric/gas

☐ Insurance

☐ Advertising costs



## Property

- |  |  |
|--|--|
| <input type="checkbox"/> Legal description                 | <input type="checkbox"/> Survey report                     |
| <input type="checkbox"/> Restrictions                      | <input type="checkbox"/> Zoning restrictions               |
| <input type="checkbox"/> Covenants/conditions/restrictions | <input type="checkbox"/> Map of area showing property plot |
| <input type="checkbox"/> Square footage of property lot    | <input type="checkbox"/> Storefront footage                |
| <input type="checkbox"/> Room to expand                    | <input type="checkbox"/> Inspection report of property     |
| <input type="checkbox"/> List of repairs needed            | <input type="checkbox"/> Landscaped/condition of           |
| <input type="checkbox"/> Adequate parking                  | <input type="checkbox"/> Adequate loading area             |
| <input type="checkbox"/> Condition of parking lot          |  |

## Location of Property

- |  |   |
|--|---|
| <input type="checkbox"/> Easy access to building             | <input type="checkbox"/> Closeness to main roads/freeway/bus line |
| <input type="checkbox"/> Foot traffic in front of building   | <input type="checkbox"/> Area traffic patterns                    |
| <input type="checkbox"/> Population within range of business | <input type="checkbox"/> Estimated income/size of area families   |
| <input type="checkbox"/> Condition of streets/neighborhood   | <input type="checkbox"/> Estimated area population growth         |
| <input type="checkbox"/> Nearest closely related business    | <input type="checkbox"/> Category of shopping center              |

## ENVIRONMENTAL DUE DILIGENCE CHECKLIST

### Documents to Review

- |   |   |
|---|---|
| <input type="checkbox"/> Lot description/square footage                 | <input type="checkbox"/> Building description                             |
| <input type="checkbox"/> Primary Use description                        | <input type="checkbox"/> Operating permits                                |
| <input type="checkbox"/> Regulations/requirements, local state, federal | <input type="checkbox"/> Maps, aerial photos, diagrams, technical reports |

- |  |  |
|--|--|
| <input type="checkbox"/> Complaints by citizens  | <input type="checkbox"/> Environmental assessments, Phase I and Phase II reports |
| <input type="checkbox"/> Contracts with disposal services, waste transport                 | <input type="checkbox"/> Reports on produced pollutants                          |
| <input type="checkbox"/> Insurance coverage/ claims for environmental loss with resolution | <input type="checkbox"/> Description of noncompliance penalties                  |
| <input type="checkbox"/> Pending litigation  | <input type="checkbox"/> Environmental violations                                |
| <input type="checkbox"/> Judgments, settlement agreements                                  |  |

### Environmental information with descriptions

- |  |  |
|--|--|
| <input type="checkbox"/> Standard Industrial Classification Number | <input type="checkbox"/> Hazardous waste on property                             |
| <input type="checkbox"/> Manner disposed of                        | <input type="checkbox"/> Recycling done  |
| <input type="checkbox"/> Spillage of waste                         | <input type="checkbox"/> Stored materials  |
| <input type="checkbox"/> Underground tanks                         | <input type="checkbox"/> Known leaks   |
| <input type="checkbox"/> Records of spills/accidents               | <input type="checkbox"/> Known contamination to water or ground on this property |
| <input type="checkbox"/> Claims against company for shipping waste | <input type="checkbox"/> Prior claims against owner                              |
| <input type="checkbox"/> Water pollution history                   | <input type="checkbox"/> All permits   |
| <input type="checkbox"/> Last site check                           |  |

### Reports/permits/citations

- |   |   |
|---|---|
| <input type="checkbox"/> Ownership history/detail | <input type="checkbox"/> Hazardous Material Site Characterization |
| <input type="checkbox"/> Geotechnical             | <input type="checkbox"/> Air quality                              |
| <input type="checkbox"/> Water quality            | <input type="checkbox"/> Department of Health Services            |
| <input type="checkbox"/> Sanitation Department    | <input type="checkbox"/> Environmental Protection Agency          |

## Setting

- |  |   |
|--|---|
| <input type="checkbox"/> Type of soil                        | <input type="checkbox"/> Healthy vegetation |
| <input type="checkbox"/> Soil stains                         | <input type="checkbox"/> Groundwater depth  |
| <input type="checkbox"/> Destination of surface water runoff |   |

## On Site Facilities Used For/Description And Storage Of Chemicals Used

- |   |   |
|---|---|
| <input type="checkbox"/> Businesses of:   |   |
| Dry cleaning  | Gas station   |
| Plant nursery   | Paint/repair of automobiles   |
| <input type="checkbox"/> Manufacture, store, etc.   |   |
| <ul style="list-style-type: none"><li>• Copiers</li><li>• Glue/rubber products</li><li>• Pesticides/fertilizer</li><li>• Furniture/wood preservatives</li><li>• Plastics/foams</li><li>• Chemicals/explosives</li><li>• Glass</li></ul> | <ul style="list-style-type: none"><li>• Semiconductors/ Electrical devices</li><li>• Detergent/soap</li><li>• Paper products/pulp</li><li>• Jewelry/metal plating or products</li><li>• Petroleum products</li><li>• Paint</li><li>• Auto parts</li></ul> |

A review of the previous information as it relates to your transaction will provide you with the background necessary to either walk away or purchase with confidence.

## **Appendix C:**

### **Duties of a Real Estate Licensee**

The law in the State of Nevada as to real estate duties, as set forth in the Nevada Revised Statutes (“NRS”), is as follows:

NRS 645.252, pertaining to “[d]uties of licensee acting as agent in real estate transaction,” provides:

“A licensee who acts as an agent in a real estate transaction:

“1. Shall disclose to each party to the real estate transaction as soon as is practicable:

“(a) Any material and relevant facts, data or information which the licensee knows, or which by the exercise of reasonable care and diligence should have known, relating to the property which is the subject of the transaction.

“(b) Each source from which the licensee will receive compensation as a result of the transaction.

“(c) That the licensee is a principal to the transaction or has an interest in a principal to the transaction.

“(d) Except as otherwise provided in NRS 645.253, that the licensee is acting for more than one party to the transaction. If a licensee makes such a disclosure, he or she must obtain the written consent of each party to the transaction for whom the licensee is acting before he or she may continue to act in his or her capacity as an agent. The written consent must include:

“(1) A description of the real estate transaction.

“(2) A statement that the licensee is acting for two or more parties to the transaction who have adverse interests and that in acting for these parties, the licensee has a conflict of interest.

“(3) A statement that the licensee will not disclose any confidential information for 1 year after the revocation or termination of any brokerage agreement entered into with a party to the transaction, unless he or she is required to do so by a court of competent jurisdiction or is given written permission to do so by that party.

“(4) A statement that a party is not required to consent to the licensee acting on behalf of the party.

“(5) A statement that the party is giving consent without coercion and understands the terms of the consent given.

“(e) Any changes in the licensee's relationship to a party to the transaction.

“2. Shall exercise reasonable skill and care with respect to all parties to the real estate transaction.

“3. Shall provide the appropriate form prepared by the Division pursuant to NRS 645.193 to:

“(a) Each party for whom the licensee is acting as an agent in the real estate transaction; and

“(b) Each unrepresented party to the real estate transaction, if any.

“4. Unless otherwise agreed upon in writing, owes no duty to:

“(a) Independently verify the accuracy of a statement made by an inspector certified pursuant to chapter 645D of NRS or another appropriate licensed or certified expert.

“(b) Conduct an independent inspection of the financial condition of a party to the real estate transaction.

“(c) Conduct an investigation of the condition of the property which is the subject of the real estate transaction.”

<sup>1</sup>NRS 645.254, pertaining to “[a]dditional duties of licensee entering into brokerage agreement to represent client in real estate transaction,” provides:

“A licensee who has entered into a brokerage agreement to represent a client in a real estate transaction:

“1. Shall exercise reasonable skill and care to carry out the terms of the brokerage agreement and to carry out his or her duties pursuant to the terms of the brokerage agreement;

“2. Shall not disclose confidential information relating to a client for 1 year after the revocation or termination of the brokerage agreement, unless he or she is required to do so pursuant to an order of a court of competent jurisdiction or is given written permission to do so by the client;

“3. Shall seek a sale, purchase, option, rental or lease of real property at the price and terms stated in the brokerage agreement or at a price acceptable to the client;

“4. Shall present all offers made to or by the client as soon as is practicable, unless the client chooses to waive the duty of the licensee to present all offers and signs a waiver of the duty on a form prescribed by the Division;

“5. Shall disclose to the client material facts of which the licensee has knowledge concerning the transaction;

“6. Shall advise the client to obtain advice from an expert relating to matters which are beyond the expertise of the licensee; and

“7. Shall account for all money and property the licensee receives in which the client may have an interest as soon as is practicable.”