

BUYER DUE DILIGENCE CHECKLIST

1. BUILDING CODE/ZONING COMPLIANCE: Buyer is advised to consult with local zoning officials to assure that Buyer's intended use of the property (including, but not limited to, rental and business uses, construction of new improvements and/or the remodel of existing improvements) will comply with local zoning requirements and with any recorded restrictive covenants and conditions. Buyer should determine whether a certificate of occupancy has been issued for the property and if such certificate is available for inspection. Buyer is also advised to make inquiry at the local building department to determine if building permits and final inspections were obtained for any remodel work at the property, if applicable. Buyer acknowledges that the Company should not be relied upon for any determination as to any past, present or future building code or zoning restrictions or violations, or as to the suitability of the property for Buyer's intended use.

2. HAZARDOUS WASTE AND TOXIC SUBSTANCES: Buyer is advised to consult with appropriate professionals regarding the possible existence of hazardous wastes and toxic substances on the property, including, but not limited to, asbestos, radon gas, lead and lead-based paint. Buyer is advised that a variety of federal laws can place strict liability on property owners for hazardous waste management and cleanup of hazardous substances. Buyer is advised of Buyer's obligation to make appropriate inquiries ("due diligence") into past uses of the property to ascertain the possible existence of hazardous wastes or toxic substances.

3. SURVEYING AND STAKING: Buyer is advised that without an accurate survey of the property, Buyer cannot be certain as to the boundaries of the property, or that any improvements on the property are not encroaching upon adjoining parcels of property, or that improvements located on adjoining parcels of property do not encroach onto the property. Walls and fences may not correspond with legal boundary lines for the property.

4. HOME WARRANTY PLANS: Home warranty plans, which provide limited warranties for certain home appliances and certain components of the property after closing are available to be purchased from reputable home warranty plan providers.

5. FLOOD ZONE AND INSURANCE: If the property is located in a "Flood Zone" as set forth on the H.U.D. "Special Flood Zone Area" map, the mortgage lender may require that Buyer obtain and pay for flood insurance on the property and its improvements. The county planning department in the county in which the property is located should be able to confirm whether the property is located in a Flood Zone.

6. HOMEOWNERS INSURANCE: Certain properties, due to location, condition, and/or claims history, may be uninsurable, or may only be insurable at an increased cost. Buyer's credit, insurance claims history, and other issues (such as specific kinds of pets), may be factors in determining the availability and cost of homeowners insurance. Buyer is advised to consult directly with insurance companies of Buyer's choice regarding the availability and costs of homeowner's insurance for the property.

7. TITLE ISSUES/HOMEOWNER'S ASSOCIATION: Title insurance companies offer a variety of title insurance policies that provide different levels of coverage. Buyer is advised to carefully review with the title insurer: (a) the available title insurance coverage; (b) the contents of any Commitment for Title Insurance on the property; and (c) the contents of all documents affecting the property that are a matter of public record, including, but not limited to, any restrictive covenants (CC&R's). If the property is part of a Condominium or other Homeowners Association ("HOA"), Buyer is advised to consult directly with the HOA's representatives regarding all HOA matters that may affect the property, including, but not limited to, existing and proposed budgets, financial statements, present and proposed assessments, dues, fees, reserve accounts, rules, and meeting minutes.

8. PHYSICAL CONDITION: Buyer is advised to consult with appropriate professionals regarding all physical aspects of the property, including, but not limited to: built-in appliances; plumbing fixtures, lines, fittings and systems; heating, air conditioning systems and components; electrical wiring, systems, appliances and components; foundation; roof; structure; exterior surfaces (including stucco), exterior features and equipment; pool/spa systems and components; any diseased trees or other landscaping; past use of the property for storage or manufacturing of any illegal substances including, methamphetamines; and moisture seepage and damage from roof, foundation or windows. Buyer is advised not to rely on seller for a determination regarding the physical condition of the property. A competent, licensed home inspector should be hired to inspect the property.

9. SQUARE FOOTAGE/ACREAGE: If the square footage or acreage of the property is of material concern to Buyer, Buyer is advised to verify the square footage or acreage through any independent sources or means deemed appropriate by Buyer, including, but not limited to a qualified residential appraiser. Buyer is advised not to rely on seller for a determination regarding the square footage or acreage of the property.

10. UTILITY SERVICES: Buyer is advised to consult with appropriate professionals regarding the location of utility service lines and the availability and cost of all utility services for the property including, but not limited to, sewer, natural gas, electricity, telephone, and cable TV. Buyer is advised that the property may not be connected to public water, public sewer, natural gas and/or electrical utilities, or applicable connection or service fees may not have been paid. Septic tanks may need to be pumped. Leach fields may need to be inspected.

11. WATER: Buyer is advised to consult with the water service provider for the property and with other appropriate professionals regarding the source, quality, and availability of water for the property; and regarding all applicable fees and costs (including, without limitation, connection fees, stand-by fees and service fees), use and regulatory restrictions, and ownership of water rights and water system. Depending upon the location of the property, the water service provider, and climate conditions, water service to the property may be interrupted. A well and well system may require inspection. Buyer is further advised that, depending upon the location of the property, state and local laws may impose specific requirements regarding the source, the capacity, and the quality of water that will service new plat or building permit applications. Such water-related laws may directly impact Buyer's ability to develop the property and/or obtain a building permit for any improvements to the property. Buyer is advised to consult directly with applicable state and local authorities regarding the content and potential affect of such water-related laws.

12. GEOLOGIC CONDITIONS: Buyer is advised to consult with appropriate professionals regarding possible geologic conditions at or near the property. Such geologic conditions may include, but are not limited to, soil and terrain stability, the existence of wetlands, drainage problems, and any building and/or zoning requirements relating to such geologic conditions.

13. MOLD: Buyer is advised to consult with appropriate professionals to determine the possible existence of mold in the property. Water leaks and water damage to the property may result in mold that may have adverse health affects. Additional information regarding mold is available through the EPA at: www.epa.gov.

14. HOUSING COMPLIANCE: Buyer is advised to consult with appropriate professionals regarding neighborhood or property conditions including, but not limited to: schools; proximity and adequacy of law enforcement; proximity to commercial, industrial, or agricultural activities; crime statistics; fire protection; other governmental services; existing and proposed transportation; construction and development; noise or odor from any source; and other nuisances, hazards, or circumstances. All

properties will be shown without regard to race, color, religion, sex, national origin, handicap or familial status and any other requirements of federal and state fair housing laws.

15. PROPERTY TAXES: Buyer is advised to consult directly with the County Assessor's Office for the county in which the property is located to determine what current taxes and assessments are owed on the property and how those amounts could change or be impacted by virtue of the sale or change in use of the property or by virtue of any changes in census data. Buyer is advised to inquire as to whether there are any contemplated increases in tax rates that may affect the property.

16. INCOME TAX/LEGAL CONSEQUENCES: Buyer is advised that a purchase transaction has tax and legal consequences. Buyer is advised to consult with appropriate legal and tax advisors regarding this transaction.

Contributed by MAJ Paul D. Colton, USAR