

GUIDELINES FOR COMPLETING THE OFFER TO PURCHASE AND CONTRACT—VACANT LOT/LAND
(Standard Form No. 12-T)

INTRODUCTION: These guidelines are provided to assist Broker and attorneys who are completing the Offer to Purchase and Contract—Vacant Lot/Land form on behalf of Buyers and Sellers. The Offer to Purchase and Contract is the most important document in any real estate sale and it is imperative that it accurately reflects the entire agreement of Buyer and Seller. An improper contract may have substantial adverse effects on the rights and interests of the parties. These guidelines include general comments about contract completion as well as suggestions and explanations regarding selected contract provisions with which Brokers often have difficulty. However, situations will frequently arise that are not covered by these Guidelines. **All Paragraph numbers and Subparagraph numbers and letters used in these Guidelines correspond to the paragraph numbers and subparagraph numbers and letters used in the Offer to Purchase and Contract.** Brokers should always remember that a North Carolina real estate attorney should be consulted any time there is uncertainty regarding the proper completion of this important form.

USE OF FORM: The Offer to Purchase and Contract—Vacant Lot/Land form is jointly approved by the NORTH CAROLINA ASSOCIATION OF REALTORS[®], INC. and the NORTH CAROLINA BAR ASSOCIATION, as Standard Form No. 12-T. The version of this form with the REALTOR[®] logo is produced by NCAR for use by its members, only as printed. The version of this form without the REALTOR[®] logo is produced for the NORTH CAROLINA BAR ASSOCIATION and may be used, only as printed, by attorneys and Broker.

Review the “NOTE” at the top of the form to determine its intended use.

In any City or County that has a subdivision ordinance, it is a misdemeanor under the General Statutes of North Carolina to ~~sell or~~ transfer land in a subdivision prior to subdivision approval, or, except under limited circumstances, to enter into a contract to transfer land in a subdivision prior to subdivision approval. It is also a misdemeanor to subdivide property in a manner not permitted by the subdivision ordinance. If the sale involves the transfer of vacant land that the buyer contemplates subdividing, or that the seller is in the process of subdividing, then consult a NC real estate attorney for an appropriate form.

If the sale involves the construction (or completion of construction) of a new single-family dwelling, use the current standard Offer to Purchase and Contract—New Construction (NCAR/NCBA Form 800-T) or consult a NC real estate attorney for an appropriate form. If the sale involves new construction that has been completed, use the current standard New Construction Addendum (NCAR/NCBA Form 2A3-T) or consult a NC real estate attorney for an appropriate form.

Do not use this form as a substitute for an option contract, lease-option agreement, lease-purchase agreement or installment land contract.

GENERAL INSTRUCTIONS:

1. Type this form if possible; otherwise print or write legibly in ink.
2. Fill in all blank spaces. If any space is not used, enter “N/A” or “None” as appropriate.
3. Be precise. Avoid the use of abbreviations, acronyms, jargon, and other terminology that may not be clearly understood.
4. Every change, addition or deletion to an offer or contract must be initialed and should be dated by both Buyer and Seller.
5. If numerous changes are made or if the same item (such as the purchase price) is changed more than once, complete a new contract form to avoid possible confusion or disputes between the parties. If, *after the parties have entered into a valid contract*, you prepare a new form for the parties to sign because the existing contract contains so many changes that it is difficult to read, then do not discard the existing contract. Keep it with the new form.
6. Review with the parties all contract provisions. Advise the parties to consult their respective attorneys if they have any questions about the legal consequences of the contract or any particular provision.

1. TERMS AND DEFINITIONS:

- (a) **NAME(S) OF SELLER AND BUYER:** Fill in the complete name of each Seller. If husband and wife, show the names of both (John A. Doe and wife, Mary B. Doe). Do not use “Mr. and Mrs. John A. Doe,” “Owner of Record,” or last name only.
- (b) **NAME(S) OF BUYER:** Fill in the complete name of each Buyer. Do not use “Mr. and Mrs. John A. Doe.” If husband and wife, show the names of both (John A. Doe and wife, Mary B. Doe).
- (c) **PROPERTY/LEGAL DESCRIPTION:** Fill in street address of the Property if there is one (**NOT** the mailing address, which may be different from the street address). In addition to a street address, include a legal description sufficient to identify and distinguish the Property from all other property. Fill in all applicable blanks as completely as possible.

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Revised 1/2011
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- (1) **Plat reference:** If the Property is a lot in a subdivision or a condominium unit, include the lot number or condominium unit number, the block or section number of the subdivision or condominium, the name of subdivision or condominium, and recording reference for the plat as recorded in the Register of Deeds office.
 - (2) **PIN/PID or other identification number: CAUTION:** Although helpful, reference to a **PIN/PID** alone is generally not an adequate legal description.
 - (3) **Other description:** A survey attached as an Exhibit or an abbreviated description such as 10+/- acres at the northeasterly quadrant of the intersection of Route 41 and Jackson Boulevard may be helpful. A copy of Seller's deed may be attached as an Exhibit. Do not attempt to complete a metes and bound description as an Exhibit. A North Carolina real estate attorney should be consulted if a metes and bounds description is necessary or if the information available is inadequate to clearly describe the Property.
 - (4) **Reference to a recorded deed:** If known, insert the book number and page number of Seller's deed as recorded in the office of the Register of Deeds office.
- (d) **PURCHASE PRICE:**
- (1) **Purchase Price:** Insert the total amount of the purchase price in dollars on the first line.
 - (2) **Due Diligence Fee:** If Buyer is paying Seller a Due Diligence fee, as defined in Paragraph 1(i), for the right to conduct Due Diligence during the Due Diligence Period as defined in Paragraph 1(j), insert the amount of the Due Diligence Fee on the second line.
 - (3) **Initial Earnest Money Deposit:** Insert the amount of the Initial Earnest Money Deposit, if any, in dollars on the third line and check the appropriate box for method of payment. **NOTE:** Any Initial Earnest Money Deposit should be paid to the Escrow Agent designated in Paragraph 1(f) and delivered with the Contract.
 - (4) **Additional Earnest Money Deposit:** If an Additional Earnest Money deposit is to be given at a later date, insert the amount of that deposit in dollars and the due date on the fourth line. Any Additional Earnest Money Deposit should be paid in immediately available funds to the Escrow Agent designated in Paragraph 1(f) and delivered by the due date specified. **NOTE: A personal check is not immediately available funds. NOTE: Time is "of the essence" with respect to the payment of any additional earnest money deposit.**
 - (5) **Assumption of existing loan:** Insert the approximate principal amount of Seller's existing loan on the Property as of Settlement on the fifth line, and complete and attach the current standard Loan Assumption Addendum (NCBA/NCAR Form 2A6-T).
 - (6) **Seller Financing:** Insert the dollar amount of the financing from Seller on the sixth line, and complete and attach the current standard Seller Financing Addendum (NCAR/NCBA Form 2A5-T).
 - (7) **Balance of Purchase Price:** Insert the dollar amount of the balance due from Buyer on the eighth line. **NOTE: This amount should equal the purchase price minus any dollar amounts inserted in second through sixth lines. In the case of a counteroffer, which alters any figure in subparagraph (d), all altered figures must be initialed and should be dated by all parties. Care should be taken to be certain that the figures in the second through the seventh lines, when added, always equal the purchase price set forth in the first line.**
- (f) **Escrow Agent:** Insert the name of the Escrow Agent designated to hold the Initial Earnest Money Deposit and/or the Additional Earnest Money Deposit, not the name of an individual Broker (unless it is to be held by a Broker who is a sole practitioner). Note that the name indicated here should also be indicated on the "Firm" line at the bottom of the form under the acknowledgment of receipt of the earnest money. **NOTE: Any earnest money check should be made payable to the designated Escrow Agent.**
- (j) **Due Diligence Period:** Insert the date Buyer's rights to conduct Due Diligence, as defined in Paragraph 1(h), expires.
- (l) **Settlement Date:** Insert the date upon which Settlement, as defined in Paragraph 1(l), is to occur. **NOTE: Closing, as defined in Paragraph 1(m), may or may not be completed on the same day Settlement occurs.**

2. BUYER'S DUE DILIGENCE PROCESS: The right of Buyer to conduct Due Diligence (defined in Paragraph 1 (h)) is one of the most important elements of the Contract. During the Due Diligence Period (defined in Paragraph 1(j)) Buyer is given the opportunity to investigate and examine all aspects of the Property and the transaction in order to decide whether to proceed with or terminate the transaction. If Buyer terminates the Contract prior to the expiration of the Due Diligence Period, Buyer may obtain a refund of the Earnest Money Deposit and any Additional Earnest Money Deposit paid prior to the expiration of the Due Diligence Period, but not any Due Diligence Fee. Buyer and Buyer's Broker should give careful consideration as to what types of Due Diligence should be performed during the Due Diligence Period and should heed the *Warning* following Paragraph 2(e) of the Contract.

Buyer's Due Diligence should include investigating the availability of any desired or required financing. Buyer should understand that depending on the length of time Buyer and Seller agree that the Due Diligence Period will last, it is possible or even likely Buyer will not know with certainty that the loan will be approved prior to the end of the Due Diligence Period. In such case, Buyer should make a

decision based on the information Buyer has from Buyer's lender at that time whether to terminate or proceed with the transaction. If Buyer terminates the contract, Buyer receives the Earnest Money Deposit back. If Buyer proceeds with the transaction and the lender does not ultimately approve the loan, Buyer would lose the Earnest Money Deposit if Buyer were unable to close without the loan. By making the loan qualification process a part of Buyer's Due Diligence, Buyer and Seller have the ability to fairly balance the risk that the Contract may not close due to Buyer's loan not being approved by shifting that risk to Buyer at a mutually agreeable date. The date that the risk shifts to Buyer is the date that the Due Diligence Period expires.

Roads: Unless the roads have been dedicated to public use and formally accepted by the appropriate government agency, neither the state nor any public agency owns legal title to the land over which a street runs. Until responsibility for road maintenance is lawfully transferred to a municipality or the North Carolina Department of Transportation, either the developer or the owners will be responsible for maintenance. Since October 1, 1975, developers and sellers of certain residential subdivision lots have been required by law to give the first purchaser of each property a Subdivision Street Disclosure Statement containing important information about road ownership and maintenance responsibility. However, the application of this law is quite limited, so it is recommended that during the Due Diligence Period, the buyer should inquire into the status of roads in the subdivision and find out who is responsible for their maintenance. For more information, see the North Carolina Real Estate Commission's publication, entitled *Questions and Answers on: Residential Subdivisions and Planned Communities*.

(b)(iv) Property Investigation: Purchasers take title to property subject to the restrictive covenants and are bound to follow them, even if they did not actually know the property was subject to restrictive covenants. Once restrictions are properly imposed upon a property, they "run with the land" and are binding on the owner and all subsequent purchasers. No owner or purchaser can use the property for any purpose that violates the restrictions. During the Due Diligence Period, Buyer should review any document that may limit the use of the Property or govern the Property owner or obligate the Property owner to a financial payment other than the purchase price, taxes, and governmental assessments. If such documents are not available from either the listing Broker or Seller, then an attorney should be consulted by Buyer during the Due Diligence Period.

(b)(v) Appraisal: The Property being appraised at or equal to the Purchase Price is not a condition to Buyer's performance under the. If the appraised value of the Property is an important factor in determining whether a Buyer wishes to proceed with the purchase or whether necessary or desired financing is obtainable, Buyer should obtain and review an appraisal of the Property prior to the expiration of the Due Diligence Period.

(b)(vi) Survey: A survey of the Property can reveal important information about the Property, including setback lines and possible violations thereof, encroachments on to the Property or from the Property onto adjacent property, boundaries, the existence of utility, storm drainage and other easements which may prohibit construction of improvements within their areas, and many other important details about the physical nature of the Property. Lenders often tell buyers that they do not need a survey in order to close because lenders are able to obtain title insurance coverage on their lenders' policies insuring against title defects which would be revealed by a survey. No such coverage is available to a buyer or borrower under an owners' policy of title insurance without a current survey. Buyer should be encouraged to obtain a new survey in order to determine whether there are any title defects and to consult with a North Carolina real estate attorney to understand the importance of obtaining a new survey.

(b)(viii) Flood Hazard: Buyer should determine whether the Property and/or any permanent improvements on the Property are wholly or partially located in a Special Flood Hazard Area and whether it is advisable for Buyer, or whether Buyer's lender may require Buyer, to obtain flood hazard insurance. A definition of the term "Special Flood Hazard Area" can be obtained from the website of the Federal Emergency Management Agency at www.fema.gov. Information about the state of North Carolina's Floodplain Mapping Program is available online at <http://www.ncfloodmaps.com>.

(c) Buyer's Obligation to Repair Damage: Buyer's obligation to repair damage under this Paragraph is not necessarily limited to circumstances where the damage is caused by the negligent or willful acts or omissions of Buyer or Buyer's agents and contractors. On the other hand, Buyer should not be responsible for repairing pre-existing damage discovered during the inspection/investigation of the Property by Buyer and Buyer's agents and contractors.

3. BUYER REPRESENTATIONS: Buyer Representations are statements of current facts that Seller may reasonably rely upon in deciding whether to enter into the Contract. Representations made "to the best of Buyer's knowledge" include only facts known to Buyer at the time the representation is made.

(a) Loan: Check the applicable box disclosing whether Buyer has to obtain a loan in order to purchase the Property. If a Broker working with Buyer knows or reasonably should know under the circumstances that Buyer must obtain a loan in order to purchase the Property, it is a material fact under the real estate licensing law that must be disclosed by the Broker because it is a fact relating directly to the ability of Buyer to complete the transaction with Seller. If Buyer does in fact need a loan, check the boxes that best describe the type of loan; insert the desired or required interest rate, the principal amount of the loan, the term of the loan and the maximum interest rate acceptable to Buyer. **(NOTE: Buyer's obligations under the**

Contract are not conditioned upon Buyer being able to obtain the desired financing. Buyer should determine whether acceptable or necessary financing is available to Buyer prior to expiration of the Due Diligence Period. See Paragraph 2 above.)

- (b) **Other Property:** Check the box indicating whether Buyer does or does not have to sell or lease other real property in order to qualify for a new loan or to complete the purchase. If a Broker working with Buyer knows or reasonably should know under the circumstances that Buyer must sell other property in order to purchase the Property, it is a material fact under the real estate licensing law that must be disclosed by the Broker because it is a fact relating directly to the ability of Buyer to complete the transaction with Seller. If Buyer does need to sell in order to qualify for a new loan or to complete the purchase, consideration should be given to including and making a part of the Contract Contingent Sale Addendum (Standard Form 2A2-T).

5. SELLER REPRESENTATIONS: Seller Representations are statements of current facts that Buyer may reasonably rely upon in deciding whether to enter into the Contract. Representations made “to the best of Seller’s knowledge” include only facts known to Seller at the time the representation is made.

- (a) **Ownership:** Check the applicable box disclosing how long Seller has owned the Property or whether Seller owns the Property at the time Seller executes the Contract. Seller’s term of ownership may affect Buyer’s ability to obtain mortgage financing. Some mortgage lenders require proof that the property is not being *flipped* from one purchaser at a lower price to another purchaser at a higher price within a short period of time. Any lender issues concerning Seller’s term of ownership should be resolved during the Due Diligence Period.
- (b) **Assessments:** Prior to accepting the Contract or making a counteroffer to Buyer, Seller should disclose any Proposed Special Assessments under consideration for the Property by any owners’ association or municipal authority with the power to levy assessments, if any, of which Seller is aware. If Seller is unaware of any Proposed Special Assessments which are under such consideration and which may affect the Property, or if Seller is unable to obtain any information regarding same from any owners’ association (or its managing agent) or municipal authority with the power to levy assessments, insert none. Pursuant to Paragraph 4(b) of the Contract, Buyer shall take title to the Property subject to any Proposed Special Assessments disclosed by Seller. Seller’s representations in Paragraph 5(b) about *Confirmed Special Assessments* contain a warranty that the facts represented are accurate and may be relied on as such. A warranty may give rise to a claim by Buyer against Seller for breach of warranty in the event the facts warranted turn out to be untrue at the time they were made. Therefore, prior to accepting the Contract or making a counteroffer to Buyer, Seller should determine if there are any Confirmed Special Assessments, and to enter the amount of such Confirmed Special Assessment(s) If there are no Confirmed Special Assessments affecting the Property, enter “None”. **(NOTE: Buyer should determine whether there are any Proposed or Confirmed Special Assessments prior to the expiration of the Due Diligence Period.)**
- (c) **Owners’ Association(s) and Dues:** Prior to accepting the Contract or making a counteroffer to Buyer, Seller should check the box indicating whether ownership of the Property subjects or does not subject Buyer to regulation by one or more owners’ associations and governing documents containing covenants, conditions and restrictions which may limit Buyer’s use of the Property and which may subject Buyer to the obligation to pay regular assessments (dues) and Special Assessments. If there is such an owners’ association, Seller should complete, at Seller’s sole expense, and attach an Owners’ Association Disclosure and Addendum (Standard Form 2A12-T) as an addendum to the Contract.
- (d) **Sewage System Permit:** Check appropriate box. If a sewage system has been installed, Buyer is responsible for any investigation during the Due Diligence Period to determine the system’s condition. See Subparagraph 2(b)(ii) of the Contract.
- (e) **Private Drinking Water Well Permit:** Check appropriate box. If a well has been installed, Buyer is responsible for any investigation during the Due Diligence Period to determine the well’s condition. See Subparagraph 2(b)(iii) of the Contract.

6. SELLER OBLIGATIONS: The Contract imposes numerous obligations upon Seller with respect to the transaction. If Seller fails to materially comply with such obligations or materially breaches the Contract, Buyer may terminate the Contract and receive a refund of any Earnest Money Deposit and Due Diligence Fee paid, obtain reimbursement from Seller for its reasonable costs incurred in conducting Due Diligence without affecting any other remedies available to Buyer.

(g) **Deed, Excise Taxes:** Insert the exact, legal name(s) of Buyer(s) as will appear in the deed. Buyer and Seller should note that using phrases such as “*as directed by Buyer*” or “*Buyer(s), or assigns*” may conflict with the restrictions on assignment of the Contract set forth in Paragraph 13. If the parties wish to permit assignment of the Contract, consultation with a North Carolina real estate attorney is recommended.

(h) **Agreement to Pay Buyer Expenses:** Insert the **fixed** dollar amount Seller will pay. This amount may also be expressed as a percentage of the purchase price. **Include in this amount any FHA/VA lender and inspection costs (seller mandated fees) to be paid by Seller.** Examples of Buyer’s expenses associated with the purchase of the property may include, but are not limited to, discount points, loan origination fees, appraisal fees, attorney’s fees, inspection fees and loan “pre-paids”

(taxes, insurance, etc.). If Seller will not pay any such expenses, insert "0" in the blank. Note that Seller's payment of any such amount is subject to approval by Buyer's lender.

9. RISK OF LOSS: Since the risk of loss does not pass to Buyer until Closing occurs, Seller should consult with an attorney and Seller's insurance carrier before agreeing to allow Buyer to take possession at Settlement or any other time prior to the recordation of the deed. A Buyer allowing Seller to remain in possession after Closing should also consult with Buyer's attorney and insurance carrier to determine that Buyer has adequate coverage in the event of a loss during the period of Seller's possession after Closing.

10. DELAY IN SETTLEMENT/CLOSING: If either party anticipates a delay in Settlement and Closing, that party should try to negotiate a written extension from the other party prior to the expiration of the Due Diligence Period.

14. POSSESSION: The contract assumes possession will be delivered at Closing. "Closing" is defined in Paragraph 1(m) and requires that Settlement and all steps included in the process of Closing, including recording of the deed, be completed. Closing will not occur at the same time, and may not even occur on the same date as Settlement. In selecting the place and time of Settlement, Buyer should consider that completion of Closing, including recording, is necessary before possession may be delivered unless the parties otherwise agree. If possession by a certain date is critical, Settlement should be scheduled on a date and at a time that will allow sufficient time for Closing to be completed on or before that date. If the parties agree to transfer possession to Buyer prior to recording of the deed, then attach a Buyer Possession Before Closing Agreement (NCAR/NCBA Form 2A7-T) or consult a NC real estate attorney for an appropriate agreement. If the parties agree to permit Seller to remain in possession after recording of the deed, then attach a Seller Possession After Closing Agreement (NCAR/NBCA Form 2A8-T) or consult a NC real estate attorney for an appropriate agreement. Also consider Paragraph 9 of these guidelines, entitled "Risk of Loss."

12. OTHER PROVISIONS AND CONDITIONS: Check any standard addenda that may be attached to the contract, and indicate by name any other attached addenda. Any addenda referred to here should be properly identified, signed under seal by the parties, and attached to each original of the contract. Any copy of the contract must always have all addenda attached. Additional provisions or conditions may be added in the "OTHER" space, or in a separate Addendum prepared by a North Carolina real estate attorney if necessary. Identify each such provision or condition as (a), (b), etc. If any added provision conflicts with another provision of the contract, clarify which provision is to govern. **CAUTION: Brokers must be extremely careful when adding contract provisions. The drafting of such provisions could constitute the unauthorized practice of law and could result in disciplinary action against a Broker by the North Carolina Real Estate Commission, as could the inclusion of an inadequate or improper provision.**

14. TAX DEFERRED EXCHANGE: If either or both of the parties may be considering entering into a tax free exchange of like kind property in connection with the transaction, consultation with qualified attorneys or tax advisors is recommended.

17. ENTIRE AGREEMENT: The parties should make sure that all essential elements of the contemplated Contract are embodied in the Contract and all addenda attached thereto and made a part thereof.

19. EXECUTION: It is recommended that multiple originals or counterparts be executed and that each party receive an original or counterpart with original signatures. A fully executed copy of the complete contract and all addenda should be delivered to Buyer's prospective lender(s).

SIGNATURES AND DATES: All parties with an ownership interest must sign as Seller and all parties named as Buyer must sign as Buyer. ***If Seller(s) is married, both the husband and wife always must sign the contract.*** This is true even if the Property is owned by only one spouse. The non-owner spouse holds a potential "marital life estate" and a "right to dissent from the will" under North Carolina law and must sign the deed in order for the other spouse to convey clear title. The signature of the non-owner spouse on the contract will obligate that spouse to join in signing the deed. If the married Sellers have executed and recorded a pre-nuptial agreement, post-nuptial agreement, or a free trader agreement consult a North Carolina real estate attorney to determine who must sign.

(1) Indicate the dates that the parties actually sign the Offer to Purchase and Contract.

NOTICE INFORMATION: Insert the notice addresses for Buyer and Seller, including current mailing and e-mail addresses and fax numbers. Note that in accordance with Paragraph 18, the parties agree that any written notice or communication may be transmitted to any mailing address, e-mail address or fax number set forth in the contract which they select. Thus, it is very important that correct contact information be inserted. If a party does not have an e-mail address or fax machine, or if a party does not desire written notice or communication to be transmitted to the party's e-mail address and/or fax machine, insert "N/A" or "None" in the relevant blank.

REALTORS® representing a party to a transaction are reminded that if the other party to the transaction is exclusively represented, REALTORS® generally must conduct all dealings concerning the transaction with the other party's Broker and not the other party (see Standard of Practice 16-13 of the REALTOR® Code of Ethics).

Enter the names of the individual selling and listing Brokers, their respective individual license numbers and firm names, and check the appropriate agency representation box for each. Note that this procedure is *confirmation* of a prior disclosure of the agency relationship and in no way should be considered as an initial disclosure of agency relationship. Signatures are not necessary. Also enter the notice addresses for the selling and listing Brokers, including current mailing and e-mail addresses and fax numbers.

ESCROW ACKNOWLEDGMENT OR INITIAL EARNEST MONEY DEPOSIT: The "Firm" should be the same as the firm indicated as Escrow Agent in Paragraph 1(f). The individual signing for the firm serving as Escrow Agent on the "By:" line must be associated with that firm. Usually, this will be the individual listing Broker. Although the contract states that the Earnest Money Acknowledgment section is not a material part of the Offer to Purchase and Contract, if the Escrow Agent named in Paragraph 1(f) of the contract is unable or unwilling to serve in such capacity, the Escrow Agent's name should be replaced with the name of a substitute Escrow Agent agreeable to Buyer and Seller, and the change initialed and dated by both parties.

SAMPLE