Real Estate Due Diligence and the Closing Process

What institutional investors must know to assure that purchases will not unravel—now or later.

by

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published in

Real Estate Review

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What institutional investors must know to assure that purchases will not unravel—now or later.

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Ten years ago, “due diligence” meant a four–to five-week period during which the buyer and a whole host of legal, environmental, and engineering experts assiduously scoured a property—its former owners, its tenants, their leases and its structure from roof top to foundation—for any condition that might cause future problems for the new owner.

Today, however, a potential buyer who insists on that 30–to 45-day review period can lose the bid. In a fast-paced acquisition environment increasingly influenced by REITs, the period between signing the letter of intent and completing the closing has shriveled to as few as 10 days. Although remaining competitive on the buy side is very important, investment managers place investors at great risk when they gloss over the closing process in the rush to close.

The consequences of cutting corners during the due diligence process can be severe, ranging from (at one extreme) making it necessary for the buyer to default on the contract and lose the deal (including the earnest money deposit) to (at the other extreme) exposing the buyer to costs, hassles and lawsuits throughout the ownership of the asset. Incautious investors could even end up owning an asset they simply cannot sell except at a substantial discount.

How much due diligence is enough? This article suggests that investors examine ten critical stages between signing a letter of intent and owning a property in order to determine whether their manager’s closing process adequately protects them, now and later.

Negotiating the Purchase Contract and Exhibits

Immediately after signing a letter of intent, the buyer and seller begin negotiating the purchase contract. The investment manager must make certain the contract conforms to any specific requirements of its client. For example, the investor may require 10 days’ advance notice to enable it to draw down purchase proceeds. Some investors may require that the steps of the acquisition process occur in a particular order, for example, they may require that the contract be assigned to the title holding company before they put up the cash deposit, as opposed to assigning it immediately before closing.

Additionally, contract forms vary from transaction to transaction, and an acquiring investment advisor must take the time and care to assure that the language and certain key elements of every contract for a particular client remain the same no matter what. The most important of these standard provisions include assignability rights, due diligence reviews, representations and warranties, default provisions, and casualty and condemnation.

These are all standard provisions, but investors must be aware that acquisition negotiation has become so competitive that occasionally it may be necessary to water down or even leave out some of these basic elements altogether. And one of the most assaulted elements is the survival period of “reps and warranties.”
Typically, a seller represents and warrants that it is not aware of any litigation on the property, that it is representing income stream accurately, and that it is not aware of any structural defects on the property. In recent years, not only has the list of items been reduced, but the “survival” of these warrants (the time they remain in effect) has dwindled from two to three years to as little as six months. Furthermore, the requirement for a strict and thorough environmental representation has given way to merely disclosure of information included in existing environmental reports on the property.

The accepted levels of these warranties are industry standards or practices about which buyers realistically can do very little. However, what investors and their managers can do (and what they cannot afford not to do) is conscientiously to turn over every stone during their due diligence reviews.

As a final precaution, buyers should negotiate the forms of the closing documents and attach them as exhibits to the purchase contract before signing the contract. They should prenegotiate the forms of the conveyance documents such as the bill of sale, the warranty or grant deed, the assignment of leases, and the assignment of contracts. If the buyer does not prenegotiate these documents and attach them as exhibits to the contract, time pressure to do so in the closing crunch may permit the seller to hold the buyer hostage, requiring compromise on items on which the buyer otherwise would not compromise.

**Depositing the Earnest Money into Escrow**

When the parties sign the contract the buyer must deposit refundable earnest money in escrow within the time constraints dictated by the contract. If the earnest money deposit is not delivered into escrow on the specified date, the buyer is in default of the contract. A prospective buyer that has not made proper arrangements in advance can quickly slip into default.

The contract terms may call for either a deposit of cash or a letter of credit. If the deposit is to come from the investor’s capital (rather than the investment manager’s), the investment manager must send instructions to the client on where to have the funds transferred and on what date. The advisor must understand the limitations on the investor’s ability to transfer funds on time and tailor the contract requirements to that ability. For example, a pension fund may require five business days’ notice to liquidate other investments.

The deposit may be held in escrow for 40 or 50 days. If the deposit is in the form of cash, the advisor must give the escrow holder a Form W-9 and investment instructions to ensure that the deposit will be earning interest. If the deposit is in the form of a letter of credit, the advisor must monitor its expiration date closely, lest it expire while under contract if any unforeseen extensions of inspection periods or other problems delay the closing date.

**Third-Party Due Diligence Reviews of the Physical Property**

Third-party due diligence reviews of a potential acquisition require a minimum of two to three weeks. A closing schedule that anticipates that these activities will be completed in a shorter period should be a glaring red flag that the investment manager is cutting corners that its institutional clients cannot afford to cut.

For the sake of expedience, some buyers are choosing to rely on the seller’s existing third-party engineering or environmental reviews. The price that an investor may be compelled to pay for neglecting to conduct its own third-party engineering and environmental reviews for each
acquisition can be high. The investor may end up paying for repairs or remediation that should have been the seller’s responsibility, or it may inherit undisclosed problems that will make it extremely difficult ever to find another buyer for the property.

A third-party engineering review enables the buyer to evaluate and quantify a building’s structural deficiencies to ensure that it either has budgeted adequately for any immediate curative costs or that it has sought a credit from the seller for problems that were not disclosed when the parties agreed to the purchase price. The updated review may expose problems that were not contained in existing reports. For example, the roof may need to be replaced in the second year of ownership; there may be a crack in the foundation; or certain property elements may not meet the current building codes.

If the engineering review uncovers defects that were not disclosed when the contract was signed, the buyer may be able to negotiate a price reduction. If the problems uncovered are issues that any future prospective buyer would raise, the seller has little choice but to accept the price reduction.

A Phase I environmental study of the property is particularly important. It quantifies the magnitude of any environmental risks associated with the property and indicates whether any Phase II testing is warranted. For example, in tracing the history of the property through all its former owners and uses, it could unearth the presence of an underground storage tank that might be problematic.

Investors who close their eyes to this sometimes painstaking part of the closing process risk inheriting problems that either depress investment returns or inadvertently block an exit strategy.

Due Diligence Reviews of the Property’s Business and Legal Status

No step in the closing due diligence is more important that the business and legal review. During this review the buyer must reconcile the “stuff” lawsuits are made of: discrepancies in lease agreements, misunderstandings between tenants and the owner, property-specific warranties, service contract agreements, easement and encroachment issues, and the dreaded unrelated business taxable income (UBTI). Even if the final contract contains a broad clause that indemnifies the buyer for all these types of problems, it is very important that the buyer obtain credits for certain of these deficiencies at the time of closing. By the time the buyer becomes aware of a problem and rightfully seeks out the seller to redeem any losses, the seller entity may have dissolved and sold all of its assets.

The business and legal review should include at least five elements: lease reviews; tenant interviews; tenant estoppel certificates; service contracts and warranties; and title and survey.

Lease Reviews

The first order of business is to make certain that the initial underwriting based on the seller’s rent roll is consistent with the terms of the tenant leases. Although the seller may claim to pass through expenses, some leases may contain substantial exceptions to pass-throughs. Leases may contain misstated base years, an error that may affect pass-through expenses, misstated expense “stops,” or expenses that tenants are expected to pay beyond a certain point. Leases may include agreements for future rent abatement and/or options like future lease termination or purchase rights.

A careful review of leases, therefore, may uncover a myriad of discrepancies between the current and future income that the offering package represents and the actual current and future
income that the tenants are legally obligated to provide. These discrepancies might create unexpected costs for the buyer or lead to lower income and returns.

**Tenant Interviews**

In addition to reviewing every tenant’s lease file, a prudent buyer should also interview each tenant. The answers to a few basic questions—Do you have any complaints about the landlord? Are you happy with your space? What are your future leasing expectations or needs?—give a buyer a tangible and accurate sense of the stability of its rent roll and future income. These interviews also reveal whether there are any repairs that the seller may have neglected.

**Tenant Estoppel Certificates**

The buyer should obtain signed estoppel certificates from all the major and a representative sample of the non-major tenants. Typically, this requires two to three weeks—one week to prepare the documents and one to two weeks for the tenants to sign and return them.

Estoppels certify what the buyer considers to be the “facts” of the leases, and by their signatures, the tenants accept the “facts.” Estoppels should certify the following, among other things: (1) there are no amendments or modifications to the lease that have not been reported to the buyer; (2) the economics of the lease (base rent, future escalations, expense recoveries with or without any expense stops or base years); (3) the term (dates) of the lease; (4) the amount of the security deposit; (5) future options to renew or terminate the lease or to expand or purchase the property; (6) any known landlord or tenant defaults under the lease; (7) outstanding improvement allowances due to the tenant; and (8) any subleasing arrangements.

Estoppels bring to the surface any conflicts or misunderstandings that may exist between tenant and landlord. For example, the lease may state a square footage that is greater than the tenant’s measurement, a discrepancy that could affect the tenant’s prorata share of expense recoveries. There may be discrepancies between the tenants’ and the landlord’s beliefs concerning a tenant’s right to terminate the lease in a given year, to receive a rent decrease after a specific amount of time, or to park in a certain place. A tenant may identify a lease amendment or modification that the seller did not keep with the file and that, therefore, was not disclosed.

In one recent transaction, for example, the lease of the major tenant in a shopping center clearly specified that the tenant had a right of first refusal to purchase its building, but its language was ambiguous about when that right could be exercised. The tenant believed that a sale of the entire center triggered the right. The landlord disagreed. The estoppel certification process ensured that seller and tenant reconciled this potentially disastrous conflict before the buyer placed its capital at risk.

**Service Contracts and Warranties**

Many purchase contracts stipulate that the buyer assume existing contracts for services such as building security, janitorial, landscaping, fire alarm monitoring, and trash removal. Careful review of the terms of these contracts is one detail of the closing process that increasingly falls through the cracks. These contracts can, however, be very problematic for the buyer. For some investors, contracts that are not cancelable within 30 days could be ERISA violations. Additionally, buyers must make sure that vendors are charging market rates, providing quality service, and that the contracts are assignable to the new owner. If the buyer discovers problems in
any of these areas after the transaction has closed, it usually cannot get out of these contracts without paying liquidating damages.

The buyer also needs to review carefully the warranties and guarantees that the seller has received for the property to make sure that they are transferable to the new owner. The buyer would certainly want to receive the benefit of these or guarantees like, for example, a 10-year warranty on a two-year-old roof or a guarantee on a fire alarm system. Many guarantees require fees or specific transfer procedures, which the seller should arrange before the closing.

An exhibit to the appropriate assignment closing document should identify any service contracts that the buyer elects to retain and any warranties and guarantees it would like transferred to its name.

**Title and Survey**

The buyer’s counsel needs to review the property’s title and survey to determine the following:

- Are there any liens (including delinquent taxes, mechanics liens, mortgage or deed instruments) recorded against the property that the seller should discharge and release of record on or before closing?

- Are there any easements to which the title company might take exception?

- Are there any encroachments onto adjoining property?

- Are there any zoning violations related to use, height, setback-line restrictions, or parking?

- Does the legal description in the title report match the legal description shown on the survey? and

- Are there any violations under the covenants, conditions and restrictions (C & R’s)?

Due diligence looks for worst-case problems. The survey may indicate an easement under the building that enables a utility company to maintain its utility line. In the worst-case scenario, the utility company can go in and tear up the entire floor or even tear down the entire building. The easement document may specify that no one had a right to construct any improvements over the easement. Most likely, if there has never been a problem, the easement has been abandoned. Nevertheless, the buyer either should have the seller put that on record, or at least have the title insurance company write an encroachment endorsement that assumes the risk of any problems with the easement.

Likewise, the consequences of overlooking a stipulation about zoning can be quite severe. If the zoning ordinance requires more parking spaces per 1,000 square feet of building than the property possesses, the owner might have to construct a parking deck or purchase adjoining property to accommodate the required extra parking.

Recently, a buyer’s due diligence discovered that the title company’s outdated legal description of the property (once depicted on a current survey) excluded two buildings that were part of the property being purchased. Had this error not been uncovered, the buyer would have paid full price for six buildings rather than the eight it thought it was purchasing.


**UBIT/ERISA Issues**

Does the landlord receive any marginal income from the parking garage associated with the building? Is any affiliate of any investor in the commingled fund that is purchasing the property also a tenant of the property? A “yes” to questions like these means the pension plan investor could lose its tax-exempt status or may be in violation of ERISA regulations. Small details have large consequences. The buyer’s legal counsel needs to review carefully any suspect agreements affecting the property for unrelated business taxable income issues (e.g., future earnouts under the contract if the property is leveraged, parking income generated by the property, or profits taken as income on a cable television contract).

**The Entity that Holds the Title**

Two things are particularly important when forming the title holding entity. The investor’s corporate counsel or the investment manager’s legal compliance department must form an acquiring entity. In order to create the proper ownership structure, the buyer must describe the property thoroughly and accurately. The typical form of ownership, for example, is a 501© (25) corporation. Legally, however, these entities can hold only real estate assets. The buyer would run into trouble if counsel created this structure for an acquisition that involved buying and becoming part of a governing association. Furthermore, most investors insist that the entity own a single asset only so as to limit the investor’s exposure and to protect its other assets in the event of legal action against the owner.

Care must be taken to qualify the new entity to transact business in the state in which the property is located. Finally, the buyer must make sure that copies of the organizational documents are delivered to the title company as evidence of the buyer’s “existence and authority.”

**The New Owner Entity’s Bank Accounts**

Setting up the necessary bank accounts for the acquiring entity is another apparently straightforward step that can be complicated by local (city and state) requirements. Some states require an owner to hold security deposits in a separate interest-bearing account to avoid commingling funds with property operations. In other cases, in addition to a property account, the client may require a lockbox account to be set up for the tenants’ rental payments. Carelessness during this stage easily could result in a violation.

**Prorations and Adjustments**

As the closing date draws near, the buyer must obtain from the seller or property manager a complete list of current financial information in order to calculate prorations accurately. In what can become somewhat of a scavenger hunt, the buyer must gather the following data for the month of the closing:

- Copies of the current tenant billings;
- A schedule of prepaid rents;
- The most recent tax bills for the property;
A detailed schedule of the actual collected rental income (including base rents, operating expense recoveries, any storage rents, and parking income);

Schedules of unpaid leasing commissions and tenant improvement costs, along with a breakdown of the costs that the seller and the buyer will assume;

Aged receivables;

A schedule of security deposits;

A schedule of unpaid assessments and association fees or dues and copies of the most recent invoices;

A schedule of the service contract expenses due that indicates which contracts have been prepaid and which remain unpaid as of closing.

The buyer also must arrange to have the utilities transferred at the time of the closing, paying the necessary deposits and arranging for the meters to be read on the day of closing.

In the rush to close, the buyer may decide to delegate the proration responsibility to the title company, which bases its numbers solely on information provided by the seller. The disadvantage to the investor, however, is that the title company does not have the means or incentive to catch discrepancies in the financial information—especially as regards credits the seller owes the buyer.

Another drawback of this detailed and somewhat tedious set of obligations is that they may not get done. Without a “babysitter” of sorts who makes sure each piece of information arrives, is accurate, and is consistent with tenant estoppel certificates, the closing may be delayed—at the buyer’s expense.

**Arrangements for the Deposit of the Purchase Proceeds in Escrow**

Once the buyer has calculated the prorations and adjustments, it can determine the exact amount of the purchase proceeds it needs to close the transaction. (This is the purchase price plus a) the closing costs, b) any acquisition or capital reserves, c) any advisory fees, and d) a closing costs contingency; less a) the buyer’s initial cash deposit; plus or minus the prorations and adjustments.)

In addition to ensuring that there will be sufficient funds available in the property bank account to operate the property upon closing, the buyer must make sure those proceeds are funded into escrow the day before closing and that the escrow holder will invest these funds solely for the benefit of the buyer under the buyer’s name and federal employer identification number.

As indicated above, investors vary in how much advance notice they need to liquidate other investments in order to provide the funds for purchase. Some investors need a full week; others, two weeks. If the buyer does not keep close tabs on the timing constraints, other parties involved in the transaction may succeed in accelerating the closing schedule—only to arrive at the table with a buyer unable to close.

**Coordinating the Document Signing and Closing**

The quality of the execution documents can make or break a closing. The buyer must make sure that all execution documents are (1) produced, (2) accurate, (3) complete with all the relevant exhibits
and attachments, (4) signed by all the required parties, (5) notarized as applicable, and (6) delivered into escrow one full business day before the closing. If the escrow is being handled in a city or state other than that in which the property is located, the recordable documents should be delivered into escrow two business days before the closing date to ensure that they are received by the local county recorder's office for a timely recording. This six-step process should begin not later than two weeks before the closing date. Arriving at the closing without documents that have been properly prepared could mean an unintentional default on one of the parties and the termination of the contract.

As part of document coordination, the buyer also must be sensitive to any wire-transfer-out deadlines for the disbursement of funds or loan payoff deadlines that are tied to the closing (e.g., if the seller has arranged to use the proceeds to pay off a loan, and those funds must reach a certain bank by a certain time). A delay of even an hour can throw the entire arrangement off kilter. Neither party relishes the idea of its funds sitting in escrow for an extra day earning minimal interest, and the seller does not want to pay another day's interest on the loan. The situation can escalate quickly, with one of the parties refusing to close or requiring the other to make up the interest — a costly annoyance that easily could have been avoided by better coordination.

Reviewing and Approving the Closing Statement

The closing statement usually is prepared by the escrow holder or legal counsel and should be approved and signed by both buyer and seller. The party preparing the statement, however, relies on the buyer and seller to calculate and agree on the prorations and credit items to be included on the statement. Before authorizing the closing, it is important to confirm that the escrow holder agrees with the exact dollar amount of the net proceeds to be disbursed to the buyer. The buyer also needs to confirm receipt of the net proceeds (together with any interest income) with the buyer's receiving bank verifying that the correct dollar amount was in fact disbursed from escrow. Once the escrow closes, there is no looking back.

Do Investors Really Need to Know All This?

This article may have supplied more information about the closing process that most investors care to know. After all, investors hire investment managers specifically to relieve them of these details. However, although investors need not be concerned about every detail of the closing process, they must understand its complexity and the kinds of problems that exist in an aggressive acquisition market.

Competition for assets is compressing review periods and compelling many buyers to take shortcuts in order to meet sellers' closing demands. However, the consequences of shortcuts can be punishing, and the parties must be aware of the risks.

Before hiring and while evaluating managers or advisors, investors should ask about how they handle the closing process, querying not only the firms themselves, but informed brokers on the sell side. They should be interested in the ratio of the transactions managers have actually closed in relation to the number of contracts they have pursued. They should find out if there is staff specifically charged with overseeing and coordinating the closing process and should ask the following questions:

- How will that person guarantee that our requirements are protected?
What is the minimum time period that you require for reviews?

The closing process is far from simple, and neglect in any area could be disastrous for an investor. Selecting a manager or advisor that has a proven record, resources, and a time-tested process in place is well worth the effort.

Two documents are appended to this article:

- A due diligence checklist; and
- A 53-point closing process checklist.
APPENDIX A
Due Diligence Checklist

I. TENANT INFORMATION
a. leases and amendments
b. correspondence files
c. guarantor financial statements
d. profile and background
e. insurance certificates
f. estoppel certificates
g. summary of pending leases
h. copies of pending leases

II. PROPERTY OPERATIONS
a. current certified rent roll
b. standard form lease agreement
c. certified operating statements
d. tenant escalation billings
e. utility bills (electric, water, gas)
f. most recent tax bills and related information
g. monthly rental delinquency report
h. capital improvements (past and budgeted)
i. operating/service/leasing agreements
j. property management/leasing agreements
k. monthly tenant sales volumes for retail property

III. PROPERTY PHYSICAL CHARACTERISTICS
a. as-built plans/specs (electrical, mechanical, structural)
b. existing environmental studies
c. existing inspection reports (roofing, HVAC, seismic)
d. soils reports
e. building permits, licenses, certificates of occupancy
f. construction contracts/subcontracts
g. building warranties/guarantees
h. list of personal property and trade/service names
i. copies of liability, casualty and other insurance
j. site plans, leasing brochures, maps, and photographs

IV. TITLE, SURVEY & ZONING
a. current preliminary title report
b. underlying title documents
c. UCC and judgment lien searches
d. updated ALTA as-built survey
e. subdivision and parcel maps
f. restrictive covenants, easements, and agreements
g. description/ownership/operation of adjacent land uses
h. flood plan/seismic zone location
i. Local improvement district information

V. PROPERTY OWNERSHIP
a. summary of site history/ownership/development
b. environmental impact reports
c. ground/master leases and joint venture agreements
d. debt/security instruments
e. contracts/commitments to finders/brokers
f. seller’s financial statements
g. seller background/brochures
h. consent decrees/orders to which seller is a party
i. agreements requiring third party consent
### Closing Process Checklist

<table>
<thead>
<tr>
<th>Step</th>
<th>Task</th>
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<tbody>
<tr>
<td>1.</td>
<td>Obtain/review draft purchase contract</td>
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<tr>
<td>2.</td>
<td>Obtain/review fully executed purchase contract</td>
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<td>3.</td>
<td>Deliver copy of fully executed contract into escrow</td>
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<td>4.</td>
<td>Arrange for Buyer’s initial LC or cash deposit with Escrow Holder</td>
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<td>5.</td>
<td>Arrange for investment of Buyer’s initial cash deposit</td>
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<td>6.</td>
<td>Order current title report and underlying documents</td>
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<tr>
<td>7.</td>
<td>Receive and review current title report and underlying documents</td>
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<tr>
<td>8.</td>
<td>Order the ALTA survey update</td>
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<td>9.</td>
<td>Receive and review the ALTA survey update</td>
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<tr>
<td>10.</td>
<td>Prepare and distribute a Contractual Time Line materials</td>
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<tr>
<td>11.</td>
<td>Request/obtain/review the due diligence materials</td>
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<tr>
<td>12.</td>
<td>Send the utility/bond research memo to property manager</td>
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<td>13.</td>
<td>Send letter outlining required funding amounts/dates to client</td>
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<tr>
<td>14.</td>
<td>Obtain name of title holding entity and its FEIN</td>
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<td>15.</td>
<td>Arrange for required bank accounts to be set up</td>
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<tr>
<td>16.</td>
<td>Obtain the bank account information</td>
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<tr>
<td>17.</td>
<td>Prepare a Tenant Estoppel Certificate Delivery Chart</td>
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<td>18.</td>
<td>Prepare the Tenant Estoppel Certificates; or</td>
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<tr>
<td>19.</td>
<td>Review the prepared Tenant Estoppel Certificates</td>
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<td>20.</td>
<td>Review the signed Tenant Estoppel Certificates</td>
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<tr>
<td>21.</td>
<td>Prepare schedule of rental income and security deposit information</td>
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<td>22.</td>
<td>Cross-check signed estoppels against the rent/deposit schedule</td>
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<tr>
<td>23.</td>
<td>Abstract service contracts/warranties/guarantees</td>
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<td>24.</td>
<td>Notify Seller of service contracts/warranties/guarantees to be assigned to Buyer</td>
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<tr>
<td>25.</td>
<td>Request current financial information from Seller for prorations</td>
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<td>26.</td>
<td>Request schedule of Buyer’s title related costs from title company</td>
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<td>27.</td>
<td>Prepare schedule of estimated closing costs</td>
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<td>28.</td>
<td>Customize and complete closing costs section of funding schedules</td>
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<td>29.</td>
<td>Prepare &amp; circulate draft funding schedules</td>
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<td>30.</td>
<td>Finalize &amp; distribute funding schedules</td>
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<td>31.</td>
<td>Prepare &amp; distribute form of Tenant Notice</td>
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<td>32.</td>
<td>Provide legal compliance with corporate resolution information</td>
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<tr>
<td>33.</td>
<td>Provide legal compliance with cash contribution amount</td>
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<tr>
<td>34.</td>
<td>Obtain &amp; distribute copies of Buyer’s authority documents</td>
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<tr>
<td>35.</td>
<td>Prepare the assignment of purchase contract contingency removal</td>
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<td>36.</td>
<td>Notify Seller of Buyer’s (conditional) contingency removal</td>
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<td>37.</td>
<td>Arrange for Buyer’s replacement/additional cash deposit</td>
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<td>38.</td>
<td>Arrange for investment of Buyer’s replacement/additional cash deposit</td>
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<td>39.</td>
<td>Confirm return receipt of initial LC and return it to bank; or</td>
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<tr>
<td>40.</td>
<td>Confirm return receipt of initial cash deposit; and</td>
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<tr>
<td>41.</td>
<td>Instruct bank to transfer returned cash deposit to line of credit</td>
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<td>42.</td>
<td>Prepare schedule of Buyer’s funding into escrow</td>
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<tr>
<td>43.</td>
<td>Arrange for Buyer’s purchase proceeds to be funded into escrow</td>
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<td>44.</td>
<td>Arrange for Buyer’s purchase proceeds to be invested overnight</td>
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<td>45.</td>
<td>Arrange for document signing two weeks prior to closing</td>
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<td>46.</td>
<td>Obtain and prepare preliminary change of ownership report (if applicable)</td>
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<td>47.</td>
<td>Review escrow instructions and exhibits to closing documents</td>
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<td>48.</td>
<td>Coordinate delivery of original documents to property manager</td>
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<tr>
<td>49.</td>
<td>Obtain/review the closing statement</td>
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<tr>
<td>50.</td>
<td>Confirm recording/disbursement of funds</td>
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<tr>
<td>51.</td>
<td>Confirm property/liability insurance in place</td>
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<tr>
<td>52.</td>
<td>Send letter to client confirming closing (with closing statement/funding schedules)</td>
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<tr>
<td>53.</td>
<td>Instruct counsel to distribute the closing binders</td>
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