

DISCLOSURE TO REAL ESTATE CLIENTS

We enjoy assisting our clients in the closing of real estate transactions, and we look forward to working with you in this process. In order to comply with strict ethical rules which govern the practice of law in South Carolina, it is necessary that we obtain your consent on several matters related to your closing. Therefore, we would greatly appreciate you taking a moment to read through this Disclosure and then give or withhold your consent in the spaces indicated.

If you read nothing further, please review the fraud warning about wires at end of this disclosure.

Representation by Our Law Firm:

Under South Carolina law the buyer typically has the right to have the attorney of choice represent buyer in this transaction. If there is no preference, your lender, mortgage broker or real estate agent may refer you to a list of attorneys. If you were referred to us by one of these parties, and you do not wish for us to represent you in this matter, then it is imperative that you contact your lender, mortgage broker or realtor to discuss your preference. If you would like to engage our firm to represent you in this transaction please sign this Disclosure as indicated below.

Earnest Money:

If we are asked to hold earnest money, a separate written agreement must be signed before we will agree to hold any funds.

Parties Represented by Our Firm:

In a real estate transaction such as this, our firm represents you as the buyer and the lender (if applicable). In addition, we may also represent the seller in a limited capacity; specifically, our representation of the seller would be limited to the preparation of the deed, obtaining and forwarding any necessary payoffs, and the execution of various affidavits necessary to protect your interests as the buyer and comply with applicable State and Federal laws. It is important, however, for you to understand that we may also represent the seller and/or lender with regard to other matters or in a corporate or general capacity. If the lender requires title insurance and/or you wish to purchase owner's title insurance, I will provide the required and/or requested title insurance as agent for the title insurance company.

The South Carolina Supreme Court has determined that it is permissible for attorneys to represent multiple parties in a real estate transaction so long as (1) we objectively determine that we can exercise independent judgment on behalf of each client and that our representation of each party will not be materially limited by our responsibilities to another party and (2) you voluntarily consent to the nature of our representation after having been informed of the potential conflicts of interests that might arise in this situation and the legal consequences of this type of representation.

Although each transaction is different, real estate closings normally proceed without any conflict among the parties. When disputes do arise, they are almost always resolved cordially. In

the event of a conflict, our firm will attempt to assist the parties in reaching an amicable and mutually acceptable resolution. If the conflict cannot be resolved, we are required by the South Carolina Supreme Court Rules to withdraw from handling the closing and are thereafter prohibited from representing any of the parties to the closing in any litigation, mediation, or arbitration concerning the dispute. Should we be forced to withdraw from representation, we will be happy to assist you in obtaining new counsel to represent you. Finally, unless we otherwise affirmatively agree in writing, our legal representation of you is strictly limited to handling the closing of this residential real estate transaction. While we are happy to answer questions regarding your closing after the transaction is complete, we will not maintain an ongoing attorney/client relationship beyond the closing itself absent any further written agreement.

If you consent to our representation on the conditions set forth above, please sign this Disclosure as indicated below. If you do not consent to our representation on the conditions set forth above, please notify us immediately as we cannot proceed with your transaction until this issue is resolved. Please remember that you have the right to obtain separate counsel at your expense so long as you have not waived that right by contract.

Scope of Our Firm's Representation:

Our principal duty in conducting your closing will be to ensure the transaction is conducted according to the terms of the contract and lender's closing instructions, and that any applicable State and Federal laws related to the closing of residential real estate transaction are followed. We cannot make any determinations about the physical condition of the property, whether any structures on the property are constructed in accordance with any applicable building codes or the fitness of the property for use in any particular way, so any such matters must be addressed prior to closing with the appropriate professionals. We will not order the inspection of any part of the property, so if you desire a termite inspection, heating and air conditioning inspection, home inspection, or the inspection of any other part of the property, you will need to coordinate these with your real estate agent or loan officer prior to closing.

By proceeding with closing, I/We consent to be represented by the law firm of Bacot & Padgett, LLC on the terms and conditions described above. I/We further waive any potential conflict of interest which may arise as a result of the representation of multiple parties the law firm of Bacot & Padgett, LLC as described above.

Attendance at closing:

It is always best for all parties to be present at closing to insure the smoothest transaction possible; however, we understand that circumstances do not always allow everyone to be present. If this turns out to be the case for you, it is imperative we know as soon as possible and make arrangement according. If financing is involved, your lender will also need to be made aware immediately.

In the event you absolutely cannot attend the closing, we can either make arrangements to mail or email documents to you prior to closing for you to sign and send back, or we can prepare a Power of Attorney for you to execute and return. If you chose to do a Power of Attorney, please let

us know who will be able to attend the closing on your behalf and sign for you. You will need to appoint someone of your choosing other than any employee of our law firm. Our office policy is that we cannot serve as both your closing attorney and as the appointee of your Power of Attorney since that would put us in the position of both preparing and signing documents on your behalf without any second party.

Title Insurance:

When buying real estate, you are purchasing more than just a building and/or dirt; you are buying the title to the property, i.e., the right to occupy and use the space. Although a thorough title search will uncover most title defects, even the most meticulous title search will not reveal certain types of hidden defects in title. Title insurance is designed to protect against title defects that may limit your use and enjoyment of the property. Most lenders will require, as a condition of borrowing money, that you purchase, at your expense, a lender's title insurance policy. **This policy does not protect you or your interest in the property.** You may purchase an **owner's title insurance policy** to protect your interest in the property from title defects that existed prior to the issue date of the policy, including the costs of any legal defense of your title. The owner's title insurance policy lasts as long as you, or your heirs have any interest in the property, and some protections will remain even after you have sold the property. You will pay for your owner's title insurance policy in a one-time premium which will be paid at closing. Generally speaking, owner's title insurance is substantially cheaper when simultaneously issued with a lender's policy. Due to the relatively low cost, and potential benefit of owner's title insurance, our firm advises all of our clients to purchase an owner's policy of title insurance. In fact, we are so convinced that an owner's title insurance policy is in your best interest that we will issue an Enhanced Homeowner's Title Insurance Policy unless you inform us that you do not wish to purchase a policy or the use of the property itself does not qualify for this type of policy. The cost of each policy is dependent upon the purchase price and financing, if any, and these premiums are regulated by the state. If you need additional information on title insurance, please contact our office.

Survey Acknowledgement:

Most lending institutions do not require a current survey so long as one is not required by the title insurance company. If you purchase an owner's title insurance policy, you will be afforded certain survey coverage in the policy. However, a new survey is the best way to discover any encroachments, projections and easements that affect the property and could at a later date be an issue you will have to deal with. Please contact your realtor for any questions you may have.

Authorization to Release:

I/we hereby authorize the closing attorney or its closing coordinator to release the settlement statement/closing disclosure to the lender and all realtors involved in the closing transaction.

Title Selection (names on your deed):

Please indicate exactly how your names should appear on the Deed/Title to Real Estate. Please contact us with any middle names or initials you would like to be shown.

NOTE: The paragraph below applies ONLY if more than one person will hold title to the property being purchased.

If there is **more than one person** who will take title to the property, title may be held as either **Tenants in Common, Tenants in Common with right of survivorship (“TICRWOS”) or Joint Tenants with a Right of Survivorship (“JTROS”)**. The difference between these forms of ownership is what happens to the title of an owner upon his or her death.

Title held as tenants in common does not transfer directly to the co-owner upon the death of the other co-owner. Instead, the interest of a deceased co-owner transfers upon death to either his or her heirs at law or devisees pursuant to a Will or by or the law of not having a Will.

Alternatively, title held as TICWROS or JTROS transfers automatically to the surviving co-owner or co-owners upon the death a co-owner without the necessity of filing the estate with the Probate Court. The forms of ownership are slightly different while you are alive and we will be happy to discuss the differences with you.

In either case, we need to know how you wish to hold title at least 2 days prior to closing. If you do not express a preference, we will automatically draft your deed to indicate that you will hold title as TICWROS.

Address for future communication:

The Title to Real Estate will need to include your mailing address. This is the address the county will use to mail you tax notices or other information regarding your ownership of the property. Please advise if you would like to use the new purchased property address or a different address.

A title search will be performed on the property you are purchasing. **I/we further understand that I am /we are responsible for paying the full cost of the title search even if the closing does not occur.** Our office does not charge any attorney fees on work done in the event the closing does not occur, however, we do collect any out-of-pocket expenses we incur in preparation for the closing.

Please inform us of your Lender, if applicable, and Homeowners Insurance Company (only if property is improved and a lender is involved) by name, contact name, phone number and any email addresses.

Other Miscellaneous Matters

More on Scope of Representation:

The scope of my representation relates to the closing of a property transaction as set forth in the contract of sale. Bacot & Padgett, LLC understands that you executed a contract, or other equivalent documents or agreement creating a contract (collectively the “Contract”), concerning the property. Bacot & Padgett, LLC further understands that since you have executed the Contract and you wish to close, all terms, conditions, stipulations and contingencies found within the four

corners of the Contract have been met and satisfied. Closing consists of 3 main areas, before, at and after Closing, such as: a) preparing the transaction consistent with the Contract and lender instructions before the closing meeting; b) explaining the lender loan documents, supervising proper execution, collecting and depositing funds in accordance with the rules governing lawyer conduct, disbursing funds pursuant to the settlement statement, and supervision the recording of documents in the courthouse; and, c) verifying document recordation and indexing, and verifying all liens to be paid were paid and any satisfactions recorded.

Any term, condition, stipulation, and/or contingency that has not been met or completed to your satisfaction shall be disclosed in writing to this office specifically setting forth the deficiency to the closing attorney from Bacot & Padgett, LLC, before the start of the closing on the closing date. Any such statement shall initiate an inquiry and investigation. By closing, all parties agree that all terms, conditions, stipulations and contingencies found within the four corners of the Contract have been met and satisfied.

Tax implications of the transfer, or other aspects not specifically outlined here, are specifically excluded from my scope of representation. If you have tax questions, please consult a tax professional before closing.

The attorney's fee this firm charges contemplates all parties physically coming to closing in this office and a lender package being physically delivered in a straightforward sale ("Customary Closing") consistent with the terms of the Contract. Ancillary, but necessary services, such as but not limited to mail out loan packages, explanation of documents over the phone when in addition to a party being physically present, emailed/faxed loan packages received and printed out by my office, §1031 or reverse §1031 transactions, multiple closings due to the unavailability of parties at the scheduled time, escrow agreements or any other action taken outside of the Customary Closing shall be subject to a reasonable fee. Bacot & Padgett, LLC reserves the right to refuse to close a loan due to issues it determines to be a problem, in its sole discretion.

We are engaged to examine title, report any issues and close the transaction under the terms of the Contract and loan instructions. We may agree to correct defects in title that you wish to be corrected (even is insured by a title policy), however, a separate fee agreement is necessary to set for the scope of work to be completed and the fees to be paid in exchange for such corrective services.

Personal Information:

In a bank transaction, please make sure that my office has all of the personal information for the parties involved, such as social security numbers (at least the last 4 digits), emails, phone numbers, etc. If we will be paying off mortgage or lien out of sales proceeds, the bank may require that we submit a social security number to obtain a proper payoff. If it will not give the payoff to us, I will need help in obtaining this figure in writing. This payoff amount adds interest daily, so the amount of the payoff may seem higher than what you think it actually is. Any overpayment should be refunded to the payee by the entity being paid off, but this refund is outside the control of this firm.

Items to be paid through closing:

Please make sure that all bills to be paid off at closing are faxed to or delivered to this office well ahead of time. We cannot collect the payment to be made on the final settlement statement if we are unaware of the debt to be paid. Ideally, all bills should be in to my office two days before closing. Your closing is slowed down dramatically when a bill is produced at the closing table because the lender may have to resubmit the loan to underwriting. Bills presented may not only cause a fee increase, but a delay if the lender must approve a revised settlement statement.

Private escrow agreements:

It is generally our policy not to allow a private escrow agreement, but if it becomes necessary we will prepare a written escrow agreement, and we will assist upon agreement for an escrow administration fee. This firm will hold funds in escrow for a short period from the date of closing, however, we reserve the right to deposit funds after the time, as outlined in the escrow agreement, to the clerk of court for disbursement pursuant to an interpleader action. This firm does provide other services ancillary for closing for a separate fee.

Homeowner's Associations:

If there are HOA dues, please make that known as soon as possible so that I may receive written confirmation of the status of the dues, amount paid/to be collected and any unrecorded liens. Otherwise, I will require an indemnity statement from the seller that there are no dues owed or unrecorded liens, but if they are, the seller will be responsible for the pro rata share. HOA dues constitute a lien upon the land and must be satisfied before Closing can be complete. Please be aware, HOA may charge (substantially in some cases) for an accounting or status letter.

As a Buyer, please make sure to review any covenants and restrictions on the property you are purchasing. This needs to be done well before the closing date to make sure the covenants and restrictions will not adversely affect the property you may soon own.

Property tax prorations/ad valorem tax prorations:

As the buyer of the property described in the contract of sale, you will pay the full property tax when the tax bill is generated, unless an exemption applies, based on your individual characteristics as determined by the county tax assessor. This office does not calculate the tax or speculate as to the amount, it merely reports last year's tax amount or a current estimate. If no method of tax proration is specifically defined in the contract of sale, this office will use the tax bill from the immediately preceding year, or an assessor's estimate, if an actual bill has not been generated and payment due.

If you desire an estimate for the current tax year upon which to prorate taxes, please feel free to contact the county tax assessor's office for a written estimate that you will provide to us before closing with written Seller approval to use as the basis for proration. Otherwise, the tax proration will be based upon the amount available to us, last year's tax bill. The buyer and seller must understand that the tax prorations shown on the settlement statement are based on the

immediate prior year's tax period rates(s) determined by the taxpayer's individual characteristics or a written estimate, as determined by the county tax assessor.

This firm makes no representation as to any other taxes, including roll back taxes, if applicable.

The property tax due after you take title may or may not be calculated by the tax assessor on the same basis of the previous title owner of the property.

Termite letter/Soil treatment letter and Certificate of Occupancy, if applicable:

I remind the Buyer of the importance of a clean CL-100, commonly referred to as the termite letter, to a lender. The termite letter cannot be older than 30 days at the time of closing and should either be "clean," in that it does not reference any ongoing problems, or the parties should have addressed the problems and resolved them prior to closing. Typically, a contractor will be engaged to address each issue on the termite letter so that the lender can be assured that the collateral can maintain its value.

If the home is a new construction, buyer will seek a soil treatment letter.

Furthermore, I will require a certificate of occupancy (commonly called a "CO") to be issued and in my hands before I will complete the disbursement from a closing on a new construction.

Manufactured Homes:

This firm does not close transactions involving manufactured homes, also called mobile homes, that have titles that have not been retired. Many times, buyers and sellers believe that the home is not a manufactured home because someone told them it has been "de-titled" or retired. The process to retire a mobile home can be time consuming. If the title retirement has truly been performed, there is not any question as to whether it has occurred because the documents required by statute have been recorded in the county courthouse.

Retirement does not happen automatically or happen simply because the kind lady at the courthouse told you that the county is treating this manufactured home as real property or simply because the property has been underpinned. Please make sure that you alert this office immediately if you believe this transaction will - in any way - involve a manufactured home. Retiring a title can take some time. Our title search will reveal if the title has been properly retired per statute, but we may not be able to determine if there is a manufactured home upon the land that the parties contemplate assigning.

Possession of property transfer:

Make sure that on the day of closing the property is ready to be transferred, unless there is a written agreement already in place. If keys will not be ready to be handed over at the closing table, this office will need to know at least two days before the closing. We will not prepare a

written agreement. It can be very dangerous to sign a deed and have the grantee/buyer take possession without an understanding and a prior written agreement.

Until all documents are executed and all money has been disbursed as shown on the settlement statement, this office does not recommend or condone early occupancy of a property and advises against such behavior.

Survey/Plat/Title Insurance:

If the Buyer wants a new survey, Buyer should order it and notify me it is ordered. If a plat/survey is to be done, I must be able to get it to be approved by the appropriate county agency prior to closing. The county must approve plats before they can be recorded. The plat must be recorded before the deed and mortgage can be recorded. **Plat approval is important days prior to closing.** Assuming the county planning office will approve it is dangerous and we will not make such an assumption. Such an assumption will delay closing.

I will also need to make sure there are no potential title issues raised by the new survey. If there are unusual issues, I will need time to talk with the lender about that prior to closing. The plat must have a raised seal and an original signature, and I will need at least three (3) copies. This is a requirement of the County in order to record the plat. I recommend a new survey/plat be completed before closing in order to reveal the most current property lines, easements, encroachments or other potential title issues. This is advised for your protection, but at your expense. Whether the lender requires a title insurance policy or not, I recommend that you purchase an owner's title insurance policy. I am happy to discuss this with you.

TRID 72 hour CD review:

You have the right to a 72 hour review of the Settlement Statement called a "Closing Disclosure" form (CD) under federal regulations called the Truth in Lending - RESPA Integrated Disclosure. The lender has the responsibility to provide Buyer with the CD with the known information; a lender may or may not supply a Seller CD, in which case we will do so. CD numbers may change, but for 3 circumstances: a) an APR change outside of tolerance, b) change of loan product (typically the number of years but can be others matters) or c) the addition of a prepayment penalty.

Seller Citizenship/State resident status:

Seller national citizenship and state resident status is important, as well. If you are not a United States citizen, a law called FIRPTA will apply. There will be additional paperwork to be completed. If you are not a South Carolina resident, please be aware of the South Carolina Non-resident Withholding tax. Statute requires that I withhold a portion of seller gain, being 7% for individuals and 5% for corporations, and send it to the South Carolina Department of Revenue. Additional paperwork will be required. You will also be required to file a SC tax return.

Please bring your driver's license/passport to closing, as the U.S. Patriot Act requires we obtain a copy. Also, I will need your social security number to complete these tax forms.

Loan Funding:

This is the process by which this office receives and disburses funds. Local banks usually trust attorneys not to disburse funds until all documents are signed. Therefore, if you are using a local bank, there is typically not a problem with funding as they send us a certified check with the loan package or an early wire transfer.

However, it is common when national banks wire funds from out of state, for loans not to “fund” until it approves the final signed CD and other signed documents from the closing. After we transmit the final signed CD, and other documents they may require, to the bank and it is approved, the loan funds are wired to me. Therefore, there may a delay when funds are received for closing.

This process may seem instantaneous, but it is not. The funds may not be in my account until the next business day. Typically, loan closings of this sort completed after 2:00 p.m. will not fund until the next day. In this instance, the closing is referred to as a “dry” closing. No money is disbursed and nothing is recorded at the courthouse (i.e. deed or mortgage) in a dry closing, and the buyer should not take possession of the property. This office holds all funds and documents in trust until the transaction can be completed with the disbursement of funds pursuant to the CD.

When I receive confirmation from my bank that the funds are collected and deposited in my account and title can be recorded and updated, I can disburse funds to the parties, including, of course, to the seller. While I do not prefer dry closings, they have become a fact of life for residential real estate closings. Until money is actually disbursed, there is no transaction. The rights of the parties are the same as they were before the date set for closing and no property has been conveyed.

To sellers, do not be anxious to cancel property insurance until the transaction has funded, just in case there is a problem with funding, the property needs to be insured. I do not recommend possession of the property until all funds have been disbursed to the parties and the transaction is complete. The bottom line on funding is that funding may be delayed to the next day. Please keep this in mind and make appropriate arrangements, just in case.

Signing closing documents prior to actual closing date, Friday closings, Seller’s proceeds check and funding in general:

If you request the opportunity to sign closing documents prior to the actual closing date or at a time other than what is scheduled, you understand that this is being done solely as a convenience for you and is subject to available times. An additional fee will be charged. Other documents may appear at closing from the lender or others, that we did not previously have, that may require your signature. Therefore, we may require further action by you that may delay the closing, disbursement of money to you, and a delay in the buyer(s) taking possession of the property. This may incur a separate fee.

In appreciation of our real estate staff, our real estate staff is off ON FRIDAYS AFTER 1:00 p.m. If a closing has been scheduled for a Friday or with a non-local lender, meaning that a

certified check will not accompany the loan package nor will a certified check be presented at or prior to closing, funding of the loan will not be completed until Monday, unless Monday is a holiday, then funding will take place on the next business day after the transaction funds have been deposited. This delay is typically attributed to an out of state lender that requires transmitted confirmation of the signed CD statement and various other documents executed at closing before it will wire funds. As you might expect, this wire request will be one of many that the bank will receive on this day, and there is no guarantee that the wire will be sent promptly.

Bacot & Padgett, LLC, did not choose the lender and will not be responsible for any “lost” interest because funding is delayed or a payoff did not get to the bank fast enough. We are all working with the same lender and the inherent constraints placed on us by non-local lenders and wire transfers. Bacot & Padgett, LLC will make every effort to make payoffs (as quickly as practicable) and deposits, but it must reserve sufficient time to collect and deposit good funds, confirm account balances being satisfied and payoffs are accurate after closing.

All funds into this office must be in compliance with South Carolina Appellate Court Rules 410 - 1.15f prior to, and to commence disbursement. Personal checks presented over the amount specified in the rule will significantly delay closing and funding. This office will not accept personal checks in excess of \$1,000.00. This is because personal checks are not immediately “good” funds. I am willing to accept some amount of risk the check made to my firm will bounce. **However, if a personal check in excess of \$1,000.00 is presented at closing, the party submitting such check shall be referred to the bank to obtain a certified check.** The Seller must be aware that he will not receive the sales proceeds check and the payoff cannot be sent in the amount stated on the CD, and confirmed by written statement, until all monies have been collected *and* deposited. Bacot & Padgett, LLC makes daily deposits at or before 4:30 p.m. If Seller desires a check at closing, a rush deposit fee may be charged.

All funds should be received by wire or certified check, also commonly known as a bank check or bank draft. We will contact the bank the check is drawn upon to verify its authenticity. Personal checks are not guaranteed good funds and we may have to wait 7 to 10 days for that personal check to clear the bank and federal reserve system. If the funds can be available and wired a few days before closing, this would obviously assist everyone in avoiding delays. If this is an available option, please contact the office for wiring instructions. All funds are held in trust.

Thank you for choosing Bacot & Padgett, LLC

Again, thank you for choosing Bacot & Padgett, LLC, to assist you in this closing. We are committed to making this process as efficient as possible based on the rules which govern the practice of law and the information described above. To ensure this efficiency, we schedule closings at a certain time for all parties to be present. Many closings are scheduled throughout the day, and any delay makes the day much more difficult for all involved. In order to achieve efficiency, everyone involved needs to be on the same page so that there are no surprises.

This letter is to intended to educate you and to help me complete this transfer as best I can. Some aspects may not apply to you. If you have any question about any item, whether it pertains to your Contract or not, I am available and happy to speak with you.

ATTENTION: WIRE FRAUD ALERT

*Realtors, Closing Attorneys, Buyers and Sellers are targets for wire fraud and many have lost hundreds of thousands of dollars because they simply relied on the wire instructions received via email without further verification. A fraudster may hack into a participant's email account to obtain information about the upcoming real estate transactions. After monitoring the account to determine the likely timing of a closing, the fraudster may send an email to the Buyer purporting to be the escrow agent or another party to the transaction. The fraudulent email may contain new wiring instructions or routing information, and may request that the Buyer or Borrower send funds to a fraudulent account.

Please be advised that the wire instructions listed ABOVE are the ONLY wire instructions we will send you. If you receive another email or unsolicited call purporting to alter these instructions, please call us immediately at (864) 227-1570.

In addition, the following non-exclusive self-protection strategies are recommended to minimize exposure to possible wire fraud.

* **NEVER RELY** on emails purporting to change wire instructions. Parties to a transaction.

* **ALWAYS VERIFY** wire instructions, specifically the ABA routing number and account by calling the party who sent the instructions to you. **DO NOT** use the phone number provided in the email containing the instructions. Use telephone number you have called before or can otherwise verify. Obtain the number of your Realtor, Real Estate Broker, Lender and Attorney's Office as soon as you enter into a contract. Do not send an email to verify, as email addresses may be incorrect or the email may be intercepted by a fraudster.

***DO NOT** forward wire instructions to other parties without first verifying the instructions from the sending party.

***USE COMPLEX EMAIL PASSWORDS** that employ a combination of mixed case numbers and symbols. Make your passwords greater than eight (8) characters. Change your passwords often and do not reuse the same password for other online accounts.

***USE MULTI-FACTOR AUTHENTICATION** for email accounts. Your email provider or IT staff may have specific instructions on how to implement this feature.

For more information on wire-fraud scams or to report an incident, please refer to the following links:

Federal Bureau of Investigations: <http://www.fbi.gov>

Internet Crime Complaint Center: <http://www.ic3.gov>

RE: WIRE INSTRUCTIONS FOR TRUST ACCOUNT