

## HOW TO BID AND BUY AT THE AUCTION

### **Inspect the Condominiums**

All of the available condominiums will be open for inspection from 1-4pm on Saturdays and Sundays beginning on December 13<sup>st</sup>. An on-site auction office is located at 2623 Gloucester Rd. Representatives from the auction company will be available to show the homes, distribute information, and answer questions. On your first visit, fill out a registration form at the on-site office. The registration form will provide us with your email address and other contact information so we can keep you updated with the latest information for the auction.

We recommend that you inspect each of the condominiums carefully and take notes. You may visit as often as you like. A worksheet will be available at the model for taking notes and for placing the condos in your order of preference starting with your 1<sup>st</sup> choice and ending with your last choice. It is highly recommended that buyers take notes about the differences between the condos and also rank the condos from 1<sup>st</sup> choice to last choice so that you can refer to your notes during the selection process of the auction. You could be outbid on your favorite condos, so it will be very helpful to have notes about the other condos and have them placed in order by your personal preferences. Favorite condos tend to go for higher prices, so it is helpful to have a backup plan for all the other homes. Any homes that are sold before the auction will be removed from the auction.

### **Review all Diligence Information**

Sperry Van Ness / Interstate Auction Company will provide diligence information on its website for the convenience of the buyer. Review the website frequently as new information may be added and existing information may be updated. The information provided will include the Auction Purchase and Sale Agreement, Bidder's Affidavit, Condominium Declaration, Bylaws, HOA Budget, Floor plans, and other important information. It is the buyer's responsibility to review all the information provided and to research the property prior to bidding at the auction. The buyer is required to review all information available, including the Auction Purchase & Sale Agreement, Condominium Documents, and Bidder's Affidavit on the website prior to bidding.

### **Condition of the Condominiums**

The condominiums are being offered at auction prices. The condominiums will be sold "AS IS", without a builder "punch out" or buyer inspection following the auction. All inspections must be done prior to the auction. The Purchase & Sale contract will not be subject to an inspection by the buyer. The condominiums will be transferred to the buyers with clear, insurable title. Any real estate taxes will be prorated at closing. The purchaser will not be responsible for any back taxes.

### **Lead Based Paint**

The condominiums were built in 1965. Homes built prior to 1978 may contain lead based paint. A brochure is available on the website entitled How to Protect Your Family from Lead. All bidders should read the brochure. The seller has not inspected the property for lead based paint. Purchasers may inspect the property prior to the auction for lead based paint. The Auction Purchase and Sale Agreement will contain a lead based paint addendum as required by HUD, and buyers will be provided a copy of the brochure. The condos will be sold "As Is" and will not be contingent upon an inspection after the auction for lead based paint.

### **Homeowners Association Dues**

All condominium owners will become members of the homeowners association. At closing, buyers will pay 2 regular HOA payments into the homeowners association as an initiation. The initiation fees will be used to establish a reserve fund for the condominium. Homeowners will be required to pay regular monthly HOA dues. The dues vary according to the size of the condo unit. A schedule of HOA dues is available on the auction website. After all of the condos have sold and closed, the developer will help to organize the homeowners association, and hold elections for officers. The association will be managed by a property management company selected by the homeowners association.

### **Get Prequalified for Financing**

BBVA Compass Bank is offering special financing for the auction. Representatives from the bank are available to prequalify buyers before the auction, and the contact information is available in the Auction Brochure, on the auction website, and at the model office. Contact BBVA Compass Bank early to get prequalified. Do not wait until just before the auction. The Auction Purchase & Sale Agreement does not have a contingency for financing. Each buyer is responsible for making sure that they will be able to get financing if they need it. Buyers may choose any lender for financing.

### **Owner Occupant and Investor Units**

Only unoccupied/finished units will be available for sale to owner occupants. Units that are unfinished or rented will be sold as “investor units”. Purchasers of unfinished or rented units will be required to buy the units as investors, acknowledge in the purchase and sale agreement that they are buying the units as investments, and make a 10% down payment.

### **Down Payments**

The down payment will consist of a \$1,000 cashier’s check made payable to the bidder plus a personal check for the balance of the down payment. The down payment will be 5% for owner occupied units and 10% for investor units. The down payment will consist of the \$1,000 cashier’s check plus a personal check for the balance of the down payment. The minimum down payment for any unit is \$1,000. The down payment will be applied to towards the purchase price. Cashier’s checks can be obtained at your bank. Have the check made payable to the person who will be signing the Auction Purchase and Sale Agreement. When you sign the Auction Purchase and Sale Agreement, you will be required to endorse the cashier’s check to the escrow agent and write a personal check for the balance of the down payment. In the event that the seller does not approve a bid and sign the Auction Purchase and Sale Agreement, the purchaser’s checks will be returned to the purchasers. In the event that you do not use your cashier’s check, you may deposit it at your bank.

### **Save the Date**

The auction will be held on December 4<sup>th</sup> under a tent next to the clubhouse. Dress warmly. The weather in early December can be quite cold. Arrive early to get a good seat. The seating under the tent will be limited, so we may not be able to accommodate observers who are not there to bid. The homes will be open for final inspection starting at 9:00 am on the day of the auction. Registration for the auction will start at 10:00 am. At 1pm, the auctioneer will read some announcements regarding the rules and procedures for bidding at the auction. The auction will begin following the announcements.

## **What to Bring**

Bring your check book, cashier's check for \$1,000 per property, photo identification, and your notes from the inspections. If you are bidding for someone else, you will need to bring a notarized limited power of attorney authorizing you to bid on homes in this specific condominium. If you want to be represented by a real estate agent, make sure they have registered you by 5pm on Friday, December 3rd. Broker/Agent registration will not be allowed on the day of the auction. If you miss the broker registration deadline, you can still bring an agent to the auction. However, the agent will not be paid a commission by the seller or auctioneer.

## **How to Bid**

The auction will be a live auction similar to what you might see on television. Bidders will be given a bid card and information packet when registering. Introduce yourself to the bid spotter; it's their job to help the auctioneer spot your bid. To bid, you can bid by holding up your card, your hand, nodding your head, etc. You can bid to the auctioneer or to any of the bid spotters. Auctions are exciting and fun. Bidding will continue until nobody submits a higher bid. Don't hesitate when it is your turn to bid – it only encourages your competition. Don't wait until the last second to bid, your bid might not get noticed in time, and you may miss out on a really good deal. The best way to win is to bid quickly and confidently up to your limit. When your competition stops, you have won the bidding. Hesitation on your part, tends to encourage continued bidding from your competition. Set some reasonable limits for yourself. Don't bid more than you can afford to pay or borrow. A 10% buyer's premium will be added to the high bid price to determine the purchase price. The buyer's premium helps the seller recover the cost of the accelerated marketing program for the condos. For example, if the high bid is \$50,000, the buyer's premium will be \$5,000, and the purchase price will be \$55,000. With this example, the an owner occupant buyer would pay 5% of the purchase price (\$2,750) and the remaining \$52,250 purchase price at closing plus closing costs, plus or minus prorated taxes and HOA fees, plus 2 months initiation fee for the Homeowner's Association.

## **Order of Sale**

Condominiums can be auctioned in a variety of ways. For example, the condos might be offered one at a time, in sequence by their address. The condos could also be offered one at a time, in a sequence by their respective floor plans. The disadvantage of offering the condos in a predetermined order is that buyers may not feel comfortable with the process until a few condos have been sold, so they may pass good opportunities to bid on the homes they really want. Also, if the last condos to be offered happened to be the most desirable, we would have light bidding and low prices on the early condos and intense bidding and high prices on the last condos. Many buyers would be disappointed that they didn't buy one of the early condos. Our seller would also be disappointed because we wouldn't have maximized their prices.

Usually, we offer condominiums using a form of "high bidder's choice" methodology. With high bidder's choice, there is no predetermined order of sale. Bidders bid for an opportunity to select the best available home. The auction is conducted with successive rounds of bidding. In round one all of the homes are available for selection. We conduct a round of bidding. The bidders are bidding for the right to choose the best unit available. At the end of the round of bidding, the high bidder is allowed to select their favorite condo. After the high bidder selects a unit, a second round of bidding is started. The high bidder in round 2 selects from the remaining condos. The auction is conducted with successive rounds of bidding until all the condos are selected.

Sperry Van Ness / Interstate Auction Company represents the seller and not the purchaser. The methodology for offering the condominiums will be determined based on the number of bidders in attendance and the best interests of the seller. We will ensure that everyone in attendance understands the mythology used and has a fair opportunity to bid for the condominium of their dreams.

### **Absolute Auction Condos**

The seller is highly motivated to sell all of the condos at the auction. The seller will sell some of the units at Absolute Auction to demonstrate their motivation and intentions. The absolute condos will be sold to the highest bidders, regardless of the prices, at the conclusion of the auction. The seller has the right to accept or reject the high bids on any or all of the condos not offered at absolute auction. The seller also has the right to remove properties from the auction or sell properties prior to the auction, or change the terms of the auction.

### **Post Auction Contracts**

At the conclusion of the auction, the high bidders will sign the Auction Purchase and Sale Agreement and make the required down payment. Bidders are required to read the Auction Purchase and Sale Agreement prior to the auction. No changes will be made to the Agreement. The seller will sign the Auction Purchase and Sale Agreements for the Absolute condos. The seller has the right to accept or reject the high bid for the condos that are not offered at Absolute Auction. The offers for the non-absolute condos will be open for acceptance or rejection by the seller and its lenders until 5:00 pm on Tuesday, December 7, 2010. Earnest money checks will not be deposited unless and until the Auction Purchase and Sale Agreement has been signed by the seller.

### **Closing**

Purchasers will be required to close on or before 30 days from date all parties sign the Auction Purchase and Sale Agreement. The purchaser will be responsible for the closing costs. Buyers who need a short extension for closing normally get one if they can show that they have been approved for financing.