

**Agency Disclosure and Agreement**

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**Agency and Dual Agency:** On the reverse of this form is printed a portion of California Civil Code section 2079.16 which requires disclosure of some concepts and definitions concerning the relationship between a principal and an agent in the sale of certain residential real estate. While the listing and sale of a business is not a transaction requiring the use of the form prescribed by that Code section, the information provided is completely applicable to the business sale context as well, and you are requested to read it carefully and acknowledge that you have been advised of its contents.

When a broker lists a business for sale, the broker becomes an "agent" representing the seller. The same broker also often works with prospective buyers, and by the nature of that relationship, becomes a buyer's agent as well; this is called "dual agency." Although a buyer and seller are sometimes represented by different agents of the same brokerage firm, this is also a dual agency, because the broker who employs each of the agents is really the agent for both parties.

**Full Disclosure:** Under California law, the buyer and the seller of a business are each required to fully and fairly disclose to the other, any and all information which is known to that party, or reasonably should be known, and which may or will be "material" to the other party's decision to enter into the transaction. An agent must fully disclose all relevant information known to the agent to the party or parties that the agent represents. An agent, whether acting only for one party, or as a dual agent, must make the same such disclosures to the other party, or to the other party's agent, and cannot withhold any material information which such agent may know, or in the exercise of reasonable diligence, should discover.

**Price and Valuation:** There is an exception to the rule that a dual agent must disclose all information in his or her possession. In representing both seller and buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the seller will accept a price less than the asking price or that the buyer will pay a price greater than the price offered, even though there otherwise might be a duty to do so. Likewise, a broker acting as a dual agent will not disclose valuations or appraisals prepared by the broker for the seller (but must disclose any comparable sales figures which may have been a major factor in such evaluation), nor the contents of any previous negotiations, contracts or offers between either the buyer or seller and any other parties. This is the only way negotiations can be conducted when the broker represents both the buyer and the seller.

**Acknowledgment of Disclosure and Agreement to Dual Agency:** Each party, by signing below, acknowledges and agrees that:

1. The party has carefully read and fully understands the matters discussed above, as well as the language of the statute quoted on the reverse of this form, and has had the opportunity to ask questions and/or to seek the advice of legal counsel prior to signing below.
2. The Seller consents and agrees that the Broker representing said party may, in his discretion, act as an agent for any buyer or prospective buyer as well as for the Seller, as explained above and on the reverse hereof, and agrees to the conditions stated above.
3. The Buyer consents and agrees that the Broker representing the Seller will continue to do so even though said Broker will also represent the Buyer as a dual agent, understands all of the information stated above and on the reverse hereof, and consents to such dual agency.

*THIS FORM MAY BE SIGNED IN COUNTERPARTS. NOT ALL SIGNATURES ARE REQUIRED TO APPEAR ON THE SAME COPY. FACSIMILE SIGNATURES ARE ACCEPTABLE AND BINDING*

BUYER(S) \_\_\_\_\_ Date \_\_\_\_\_  
*Signature*

BUYER(S) \_\_\_\_\_ Date \_\_\_\_\_  
*Name (print)*

AGENT FOR BUYER \_\_\_\_\_ Date \_\_\_\_\_  
License #01009458

**SELLER'S AGENT** When you enter into a discussion with a real estate agent regarding a real estate transaction, you should from the outset understand what type of agency relationship or representation you wish to have with the agent in the transaction.

A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or a subagent of that agent has the following affirmative obligations:

To the Seller: A fiduciary duty of utmost care, integrity, honesty and loyalty in dealing with the Seller.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.
- (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties.

**BUYER'S AGENT** An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations:

To the Buyer. A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.

**AGENT REPRESENTING BOTH SELLER AND BUYER** (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:

- (a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Sell or the Buyer.
- (b) Other duties to the Seller and the Buyer as stated above in their respective sections.

In representing both Seller and Buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered.

The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

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Initials