

## Supplement and Final Exam Answer Grid—Options, First Rights of Refusal....

Course Fee: \$39 6 hours CE Credit

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(please complete course within 6 months of starting)

### Course Content:

- Supplement and Final Exam Answer Grid (8 pages—**you must print these 8 pages from your printer**)
- "Answers" to the Supplement (2 pages—printing *optional*)
- Final Examination (8 pages—printing *optional*)
- Study Manual (24 pages—printing *optional*)

### INSTRUCTIONS

1. You **must** print the Supplement and Final Exam Answer Grid from your computer printer. (8 pages total)
2. Read Chapter #1 of the Course Study Manual.
3. Answer the Chapter #1 Questions contained in the Supplement. Your handwriting must be legible. (Check your answers to the Supplement —see **Course Contents**, above.)
4. Locate the Final Examination. Answer the Final Exam questions (usually 10 questions for each chapter of the Study Manual). This is an open-book final exam. Explore the Study Manual to discover the answers to the Final Examination. Place your answers on the Final Exam Answer Grid.
5. Repeat steps 2-4 for each Chapter of the Study Manual
6. Mail the Supplement and Final Exam Answer Grid (8 pages total) plus Course Fee of \$39 to: IA Real Estate Seminars, Box 1523, Waterloo Iowa 50704 Taking several courses? Mail all course Supplements together for grading.

### Chapter #1

1. What do you call a contract by which an owner of real property agrees with another person that the latter shall have the privilege of buying the property at a specified price within a specified time but imposes no obligation on the purchaser to purchase the property?

*Write your answer here:*

2. Who are the parties (the seller and the buyer) to an option?

*Write your answer here:*

3. May the owner of the land withdraw his offer to sell during the option time period?

*Write your answer here:*

4. What are the essential elements of an option?

*Write your answer here:*

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5. The optionee normally does not sign an option. Describe a situation where both the optionor and the optionee would sign the option.

*Write your answer here:*

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6. Ordinarily, the optionee may force the optionor to sell the property during the option time period. List three exceptions when the optionee may not force the option contract against the optionor.

*Write your answer here: (exception #1)*

*Write your answer here: (exception #2)*



*Write your answer here: (exception #3)*

7. Describe a fundamental difference between puts and calls.

*Write your answer here:*

8. There are at least six (6) practical situations why one would use an option. List them below.

*Write your answer here:*

#1

#2

#3

#4

#5

Your answers must be original ink  
and/or pencil:  
no photocopies permitted

9. Why would a person rather have an option to purchase a property than an enforceable sales contract to purchase the property?

*Write your answer here:*

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## Chapter #2

1. It may be a wrongful use of an option to assume that the broker's listing gives contractual rights to the broker to purchase the seller's property during the listing. True or False? (circle one)
2. When does the agent normally earn a commission should the agent produce a purchaser only willing to purchase an option?

*Write your answer here:*

3. Fill in the blanks in the following paragraph which describes what happens if the optionor dies before the option time period expires.

"... his death before the expiration of the time for exercising the option \_\_\_\_\_

\_\_\_\_\_ thereafter to make his election and do the things necessary on his part to entitle him to a conveyance."

4. The seller is obligated under an unexpired option. The seller sells to a third party; this third party is completely aware of the seller's option. Will the optionee normally be able to enforce the option against the third party should the seller and third party participate in a secret sale? Yes or No? (circle one)
5. The optionee will be required to exercise the option within the time limits of the option contract. Briefly state two (2) exceptions to this statement.

*Write your answer here: (exception #1)*

*Write your answer here: (exception #2)*

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6. Options should speak of numerous topics and issues which will later become part of the purchase agreement should the optionee elect to exercise the option. Your study manual lists approximately 17 different topics or issues. List seven (7) of those topics or issues below.

*Write your answer here:*

7. What is a practical solution for including the above terms in the option?

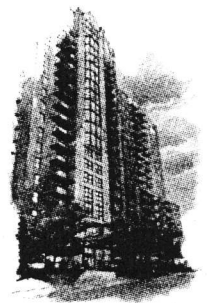
*Write your answer here:*

8. Can options be assigned?

*Write your answer here:*

9. "I will give you the option to purchase my farm land near your farm if you will give to me the option to purchase your farm land near my farm." If this is mutually agreeable between two farmers, what phrase best describes this agreement?

*Write your answer here:*



### Chapter #3

**Correction:** please make the following correction to your study manual: page 13, question #1: Answer: A first right of refusal is a contract. It requires the seller of real estate (or the seller of any commodity) to first offer the property to the holder of this right before offering the same property to anyone else at the same or lower price or terms.

1. To include first right of refusals under the heading *option contracts*, as if they were merely a special variety thereof, is logically inaccurate and is confusing to both courts and contractors. (TRUE or FALSE) Circle one.

2. Which contract does not state a purchase price or rental amount? Option or first right of refusal? Circle one

3. Give an example of a contract which could be rendered an unenforceable perpetuity.

*Write your answer here:*

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4. Why are deeds, options and first right of refusals generally only signed by the seller?

*Write your answer here:*

5. A holder of the first right of refusal cannot force the seller to sell. Describe one (1) exception when the holder can force the seller to sell.

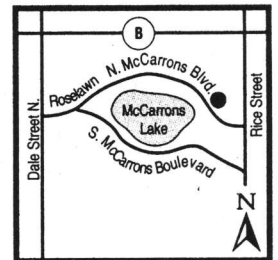
*Write your answer here:*

6. Can the seller force the buyer to purchase under the first right of refusal? Yes or No? Circle one.

#### Chapter #4

1. What are practical situations and reasons for using a first right of refusal? List five (5).

*Write your answer here:*



2. Your manual lists five (5) various names for the first right of refusal. List those five (5) names below.

*Write your answer here:*

3. Your buyer is only willing to purchase a first right of refusal. When would you normally earn a commission in this situation?

*Write your answer here:*

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4. You possess a first right of refusal on a property. This property now enters condemnation proceedings; the property will be used by the government for a new highway. Will your first right of refusal be enforceable should the seller lose the property to the government? Yes or No? Circle one.
5. Which transaction(s) below is (are) considered to be "arms length" transactions and give the holder enforcement rights under her first right of refusal? Circle your answer below.
- A. The seller transfers the property from himself to a corporation wholly owned and controlled by the seller. Said property is subject to a first right of refusal.
- B. The seller transfers the property from one corporation wholly owned and controlled by the seller to a second corporation wholly owned and controlled by the seller. Said property is subject to a first right of refusal.
- C. The seller "sells" the property to his daughter at a substantial discount. Said property is subject to a first right of refusal.
- D. None of the above transactions are considered to be "arms length" transactions and therefore do not give the holder enforcement rights under her first right of refusal.
6. Suppose that an investor desires the possibility of purchasing the seller's property for a certain amount for a certain time period. Also suppose the investor desires the right to purchase the property for any lesser amount, during this same time period, that a third party may offer. What type of contract might the investor negotiate with the seller?

*Write your answer here:*

7. Find the sample First Right of Refusal in your study manual. What do you call the seller who is giving the first right of refusal to a purchaser?

*Write your answer here:*

8. Find the sample First Right of Refusal in your study manual. What do you call the purchaser of the first right of refusal?

*Write your answer here:*



9. Find the sample First Right of Refusal in your study manual. The Grantor receives an offer from a third party. Name three (3) features about this offer.

*Write your answer here:*

10. Find the sample First Right of Refusal in your study manual. What is the time period of this first right of refusal?

*Write your answer here:*

## Chapter 5

1. What protection does a 72 hour clause offer the purchaser?

*Write your answer here:*

2. What protection does a 72 hour clause offer the seller?

*Write your answer here:*

3. What contingency is the most popular focus of a 72 hour clause?

*Write your answer here:*

4. What is the nature of a 72 hour clause?

*Write your answer here:*

5. A 72 hour clause may be dissimilar to a first right of refusal in that the 72 hour clause does not ordinarily allow the purchaser to view the third party's offer to the seller. True or False? *Circle one.*

6. The sellers are not willing to sign the purchase agreement unless it is subject to the sellers obtaining certain property "suitable to the sellers." What hour clause might the purchaser use which allows them to purchase a different property before the sellers release their contingency?

*Write your answer here:*

7. What questions should be answered before the seller accepts an offer subject to the sale of the buyer's property with an hour clause addendum? (list at least 3 questions)

*Write your answer here:*



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Course Evaluation: please enter a check mark ( ✓ ) behind each rating:	Very Good	Good	Average	Poor
The overall rating of this course was:				
The course format was easy to follow:				
The course was comprehensive:				
The course will be helpful to me as a licensee:				
The degree the advertised course objectives were met:				

# *Answer Sheet*—Final Exam

## Options, First Right of Refusals and Hour Clauses

### Instructions:

- #1 Locate the Final Examination. It is just before the Study Manual.
- #2 Answer the questions to the final examination. Read the Study Manual to help you answer the Final Examination questions.
- #3 Mark your answers to the Final Examination on the Answer Grid below.

You must score 48 questions correct (80%) to pass.  
Some questions may have less than four possible answers.

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The Final Exam questions may have changed since the last printing of this course.

	A	B	C	D		A	B	C	D		A	B	C	D		A	B	C	D
1.	0	0	0	0	16.	0	0	0	0	31.	0	0	0	0	46.	0	0	0	0
2.	0	0	0	0	17.	0	0	0	0	32.	0	0	0	0	47.	0	0	0	0
3.	0	0	0	0	18.	0	0	0	0	33.	0	0	0	0	48.	0	0	0	0
4.	0	0	0	0	19.	0	0	0	0	34.	0	0	0	0	49.	0	0	0	0
5.	0	0	0	0	20.	0	0	0	0	35.	0	0	0	0	50.	0	0	0	0
6.	0	0	0	0	21.	0	0	0	0	36.	0	0	0	0	51.	0	0	0	0
7.	0	0	0	0	22.	0	0	0	0	37.	0	0	0	0	52.	0	0	0	0
8.	0	0	0	0	23.	0	0	0	0	38.	0	0	0	0	53.	0	0	0	0
9.	0	0	0	0	24.	0	0	0	0	39.	0	0	0	0	54.	0	0	0	0
10.	0	0	0	0	25.	0	0	0	0	40.	0	0	0	0	55.	0	0	0	0
11.	0	0	0	0	26.	0	0	0	0	41.	0	0	0	0	56.	0	0	0	0
12.	0	0	0	0	27.	0	0	0	0	42.	0	0	0	0	57.	0	0	0	0
13.	0	0	0	0	28.	0	0	0	0	43.	0	0	0	0	58.	0	0	0	0
14.	0	0	0	0	29.	0	0	0	0	44.	0	0	0	0	59.	0	0	0	0
15.	0	0	0	0	30.	0	0	0	0	45.	0	0	0	0	60.	0	0	0	0

**Acknowledgment:** I have completed this course and final examination by myself and am solely responsible for all answers found on this Supplement and Final Exam answer grid. If I received help completing this course, I participated in every detail of its completion.

\_\_\_\_\_  
(Signature and phone number)

Return this Supplement and Final Exam answer grid plus Course Fee of \$39 to:

Iowa Real Estate Seminars  
Box 1523, Waterloo, Iowa 50704

Your answers must be original ink  
and/or pencil:  
no photocopies permitted

*Are you completing more than one course?* Help us by returning all completed courses together for grading and continuing education certificates. Certificates will be sent to you by First Class Mail. Thank You!



## Chapter #1

1. An option
2. Seller: optionor; Buyer: optionee.
3. No. The option is a continuing offer by the landowner to sell the property until the expiration of the option time limit.
4. Essential elements of an option include being in writing and signed, a time limit plus a price or rental amount.
5. Both optionor and optionee may be required to sign the option if the optionor will be reserving an easement over the property after transferring the property.
6. Exception #1: Chapter 7 Bankruptcy; Exception #2: Homestead protection; Exception #3: Eminent domain.
7. When you purchase a call you normally make money when the stock value goes up. When you purchase a put you normally make money when the stock value goes down.
8.
  - #1: Marketing reasons: it's easier to rent a property when the tenant receives an option to purchase the property in addition to the lease.
  - #2: Maintenance reasons: a renter has motivation to maintain the property condition with an option to purchase.
  - #3: reciprocating courtesies: "I will give you an option to purchase my property if you will give to me an option to purchase your property."
  - #4: Negotiating reasons.
  - #5: Options may facilitate reverse 1031 Starker type exchanges.
  - #6: Sales contracts coupled with an option to repurchase the property may motivate a stubborn seller.
9. Sales contract contingencies require purchasers to act in good faith on contingencies; options need not be acted upon in good faith.

Some students print this  
page to help check their answers to  
the Supplement

## Chapter #2

1. True
2. The agent normally earns a commission when the optionee exercises the option.
3. "... his death before the expiration of the time for exercising the option does not in any way affect the right of the other party thereafter to make his election and do the things necessary on his part to entitle him to a conveyance."
4. Yes
5. Exception #1: the optionor cannot by his own conduct prevent the optionee from exercising his option within the specified time. Exception #2: an optionor cannot mislead an optionee by agreeing to a modification of the terms of payment and then refuse to accept terms agreed upon to prevent the exercise of the option.
6. (list any seven of the following issues)  
Duration, evidence of title, forfeiture of consideration for option, manner of exercising option, prohibition against recordation, prohibition against sale or encumbrance by optionor, purchase price for land, representation that optionor is owner, right of optionee to cancel option, right of optionee to enter land, right of optionor to growing crops, waste by seller, risk of loss, surrender of possession by optionor, terms for consummation of sale, time allowed for preparation of abstract, time to repurchase land, etc.
7. Include a "filled-out" sales contract as an addendum to the option; the sales contract is signed by the seller but only signed by the buyer when the buyer/optionee elects to exercise the option.

8. Yes, unless prohibited by the contract or by state laws.
9. Double option.

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page to help check their answers to  
the Supplement

### Chapter #3

1. True
2. First right of refusal
3. A first right of refusal, or any contract, without a termination date.
4. These documents are normally unilateral in nature.
5. The holder of the first right of refusal has the right of an enforceable option should the seller enter a binding contract to sell to a third party. That is, the first right of refusal turns into an option should the seller not honor the holder's rights under a first right of refusal.
6. No.

### Chapter #4

1. Marketing reasons; maintenance reasons; negotiating advantages; sanitizing a price; foreclosure law
2. First opportunity to buy; pre-emption right; first option; right of first refusal; last right of refusal.
3. Unless your listing agreement says otherwise, you would earn a commission when the purchaser becomes ready, willing and able to purchase the seller's property under an enforceable sales contract.
4. No.
5. "D"
6. An option combined with a first right of refusal
7. Grantor
8. Grantee
9. The offer should be a "specific performance" contract with at least 5% earnest money and mention the grantee's first right of refusal. The seller may accept this offer but only contingent upon the exercise of the first right of refusal.
10. There shall be no time limit on the duration of the right of first refusal with respect to subsequent ownership of the real property except the rule Against Perpetuities as applicable under Iowa law.

### Chapter 5

1. A 72 hour clause requires the seller to notify the purchaser whenever a third party places an offer on the seller's house.
2. A 72 hour clause allows the seller to sell to third parties should the purchaser not withdraw certain contingencies from their offer.
3. "Subject to the sale of the purchaser's home."
4. It has the nature of an option plus a first right of refusal.
5. True
6. "Reverse 72 hour clause"
7.
  - A) Will it make the seller's property less marketable?
  - B) Is the purchaser's property more marketable than the seller's property?
  - C) What is the condition of the buyer's property?
  - D) At what price will the purchasers list their property?
  - E) How will the purchasers market their property?
  - F) Are the buyers able to obtain "gap" financing or interim financing or "bridge" financing?

## Final Examination— Options, First Right of Refusals and Hour Clauses.

**Instructions:** when complete, transfer the answers from this final exam to the Final Exam Answer Sheet located on the last page of the Supplement. Only return the Supplement; do NOT return this final exam booklet.

1. Which answer below best describes an option?
  - A. A contract where a seller gives a buyer the right to buy the seller's property for a certain price and a certain time period but places no obligation on the buyer to purchase.
  - B. An agreement between two or more parties to do or not to do a certain thing.
  - C. The right of one in the land of another.
  - D. Any communication beyond casual conversation concerning the facts and features of a certain property.
2. Which is true regarding an option?
  - A. The seller is called the optionor.
  - B. The purchaser is called the optionor.
  - C. The seller is called the grantee.
  - D. The purchaser is called the vendor.
3. The seller has given a buyer an option to purchase his farm land for \$5,000 per acre for 6 months. Many ethanol plants are now being built and the demand for corn has skyrocketed resulting in higher farm land prices. The seller now has offers from third parties far in excess of \$5,000 per acre. Which is true?
  - A. The seller may break the buyer's option with a letter sent by certified mail.
  - B. The seller may break the buyer's option with a letter sent by registered mail and a 30 day notice to commence litigation.
  - C. The seller may break the buyer's option with a letter hand delivered to the buyer.
  - D. The buyer may purchase the seller's farm for \$5,000 per acre for 6 months.
4. Which party (parties) named in the option usually signs (sign) the option?
  - A. The seller, optionor.
  - B. The buyer, optionee.
  - C. Both optionor and optionee.
5. The seller is reserving an easement over the property subject to an option. Both seller and buyer will probably be required to sign the option. A. TRUE B. FALSE
6. How may a seller be released from her obligation to sell under an option?
  - A. The seller's property enters eminent domain proceedings and is purchased by some governmental body.
  - B. The seller uses homestead protection to prevent the optionee from taking the property under the option.
  - C. The seller discharges her obligations under the option using a Chapter 7 liquidation bankruptcy.
  - D. All of the above may release the seller from obligation under an option.
7. Which rental property is more marketable/easier to rent?
  - A. The rental house is able to be leased without the possibility to purchase.
  - B. The rental house is able to be leased including an option to purchase the property during the rental time period.
8. The landlord has given the tenant an option to purchase during the rental time period. Which is true?

- A. The tenant will probably keep the property in better condition because of the option.
  - B. The tenant knows if he exercises the option, he is purchasing the property in the condition for which he was responsible.
  - C. Both A + B above.
  - D. Neither A nor B above.
9. In the seller's last 1031 exchange, the seller had a hard time finding a replacement property during his 45 day designation time period. He promises it will never happen to him again. To prevent this from happening he pledges to find the replacement property before relinquishing his currently owned property. To lock in a price on the replacement property he will probably use a (an):
- A. Affidavit
  - B. Option
  - C. Quiet Title Action
  - D. Nunc pro tunc
10. It seems every seller wants more for their property than what it is worth. This is especially true if the seller knows the buyer is "loaded" and can easily afford the seller's property. The purchaser may use which of the following to "mask" their eagerness to purchase the seller's property for a reasonable price?
- A. Easement
  - B. Option
  - C. A statute of limitation
  - D. A curative statute
11. I own property next to your property and you own property next to my property. We use the property for similar purposes but each of us must drive 30 miles each way to service the property. It just makes more sense to own properties closer. I determine to give you an option to purchase my property if you will give me an option to purchase your property. If this is agreeable to you, we have most likely created:
- A. A fee tail.
  - B. A fee contingent.
  - C. A fee simple absolute.
  - D. A double option.
12. Your landlord does not want to sell. His words were "I won't ever sell this property under any condition—it's a veritable Gold Mine!" Which of the following might "nudge" the seller into agreeing to the sale of this property?
- A. "If you sell to me, I will give to you an option to re-purchase the property in the next five (5) years for exactly what I bought the property."
  - B. "If you were half-way intelligent you should know there ain't no gold east of Colorado."
  - C. "I'm your tenant...you must sell to me!"
  - D. None of the above.
13. Which is true?
- A. A listing agreement is not an option.
  - B. A listing agreement not only gives the broker a right to compensation when finding a qualified purchaser but entitles the broker to purchase the property himself as if the broker possessed an option to buy the property.
14. Two brothers exchange farms and file IRS form 8824 to receive deferral of tax. Which is true?
- A. Either brother may sell the property they took in the exchange before the two (2) year waiting period

for holding expires but they can only do so using an option.

- B. If either brother tries to dispose of the property before the two (2) year waiting period is up, by signing an option effective during this time period, both brothers may lose tax deferral.
15. What is another name for an option?
- A. First right of refusal.
  - B. Short sale.
  - C. Lock-in clause.
  - D. Due on sale clause.
16. You have produced a prospect for the seller's property. The prospect is only willing to purchase an option for the property but not a sales contract. When will you earn your commission? Assume this transaction takes place in Iowa.
- A. When the prospect signs the option.
  - B. When the prospect becomes ready, willing and able to purchase the property on the seller's terms to sell.
  - C. When the prospect becomes ready, willing and able to purchase the property under the usual terms of sale.
  - D. When the prospect has confidence the zoning is suitable.
17. The optionor dies before the optionee exercises the option. If the option has not expired, which is true?
- A. The option dies when the optionor dies.
  - B. The option dies when the optionor dies and is not binding on the optionor's estate.
  - C. The option becomes a nullity 90 days before the optionor dies.
  - D. The optionor's death has no effect on the option.
18. The optionor sells to a third party who knows the seller is obligated under an option. May the optionee enforce the option against the new owner? A. Yes B. No
19. The optionor sells to a third party who has No knowledge of the option. If this third party is an innocent purchaser for value, which is true?
- A. The option becomes null and void upon the sale by the seller.
  - B. The option is enforceable against other properties owned by the seller but only in the county in which the seller resides.
  - C. The option is enforceable against other properties owned by the seller where ever the property may be situated.
  - D. The optionee may obtain a judgment for damages against the seller.
20. Will the optionee be required to exercise the option within the time limits imposed by the option?
- A. No; the optionee will have a reasonable amount of time following expiration of the option to exercise the option.
  - B. No; the optionee will have an automatic right of extension of the option for up to 30 days on residential property and 180 days on agricultural land.
  - C. Both A & B above, depending upon how the court will define the word "reasonable" in answer "A".
  - D. Yes.
21. The owner of the property promises the optionee that the option may be exercised just after the seller returns from vacation. The seller's vacation ends in 12 days. The option's written deadline is today. Which is true?
- A. The option ends today and must be exercised by it's exact deadline.

- B. The option ends today but may be extended by the optionee for 30 to 180 days.
  - C. The optionee may rely on the promised extension granted by the owner.
  - D. The option must be strictly construed and end according to the written terms of the option.
22. An optionor cannot mislead an optionee by agreeing to a modification of the terms of payment, and then at the last moment, when it is too late to make other arrangements, refuse to accept the terms agreed upon, and thus defeat the right to exercise the option. A. True B. False
23. The optionee has decided to exercise his option. The optionee wants proof the seller is the true owner of the property and that there are no liens against the property. The seller refuses to cooperate. Which entry below should have been included in the option to assure the buyer of these matters?
- A. Evidence of Title—Abstract
  - B. Forfeiture of consideration for option
  - C. Manner of exercising option
  - D. Prohibition against recordation
24. A person is negotiating to purchase large quantities of adjacent properties/homes to build a large apartment building. This person is negotiating options on these properties and does not want any of the owners to know of his plans to purchase adjacent properties. Which entry below should be included in the option to assure the buyer of confidentiality?
- A. Evidence of title—abstract
  - B. Forfeiture of consideration for option
  - C. Prohibition against recordation
  - D. Right of optionor to grow crops
25. The highest and best use of the seller's property is for a tree farm and the seller's property has an abundance of mature harvestable trees. A possible purchaser is negotiating an option for this property. Which entry below should be included in the option to assure the buyer of the presence of trees once the buyer exercises the option?
- A. Prohibition against recordation
  - B. Right of optionee to enter land
  - C. Waste by seller/proceeds from mineral and timber to be credited on purchase price
  - D. Risk of loss
26. Joe has always admired the seller's property and has successfully negotiated an option for its possible purchase. Joe, now optionee, wants his fair share of the insurance money should the property become damaged through an unavoidable accident (fire, wind, hail, etc.). Which entry below should be included in the option to assure the buyer the property will be adequately repaired should such an accident take place?
- A. Right of optionee to enter land
  - B. Waste by seller/proceeds from mineral and timber to be credited on purchase price
  - C. Risk of loss
  - D. Time allowed for preparation of abstract
27. The optionee doesn't know what will happen to the option money if the option is never exercised. Which entry below should be included in an option to plainly explain whether the optionee will lose all, part or none of the option money given to purchase this option?
- A. Time allowed for preparation of abstract
  - B. Forfeiture of consideration for option
  - C. Representation that optionor is owner
  - D. Waste by seller



28. The optionor wants the right to repurchase the property for a given price within a given time period. Which entry below could give the optionor this assurance?
- A. Forfeiture of consideration for option
  - B. Representation that optionor is owner
  - C. Waste by seller
  - D. Time to repurchase land
29. "In event that the holder or holders of this option shall decide to purchase said property at the above price and terms within said time, then and in that case, said amount paid for this option shall be credited on said purchase price, but in the event the holder or holders hereof do not conclude the purchase above named within the time prescribed, then and in that case, said amount paid for this option shall be retained by the undersigned in full satisfaction for holding the property subject to said order for the said time." What does this mean?
- A. The amount paid for this option will NOT be credited on the purchase price.
  - B. Half of the amount paid for this option will be credited on the purchase price.
  - C. If the optionee does not exercise the option, the amount paid for the option will not be given back to the optionee.
  - D. If the optionee does not exercise the option, the full amount paid for the option will be given back to the optionee.
30. An optionee notices the seller's property has suffered a reduction in price because a major industry in town has closed resulting in market stagnation. May the optionee force the optionor to reduce her price to the current fair market value? The current fair market value is less than the amount stated in the option. A. No B. Yes
31. May an option be assigned?
- A. No
  - B. Yes, unless prohibited by the option or by law
32. "A" gives to "B" an option to buy Blackacre for \$5,000 in return for the giving by "B" to "A" an option to buy Whiteacre for \$8,000. What is this called?
- A. Fraud
  - B. Restraint of trade
  - C. Double option
  - D. Dual agency or dual contracts
33. The optionee may want to record the option to prevent the optionor from selling to a third party without notifying the optionee. A. True B. False
34. Which of the following best describes a first right of refusal?
- A. The right of one in the land of another.
  - B. An agreement between two or more parties to do or not to do a certain thing.
  - C. A contract requiring the seller to offer the property to a buyer before consummating the sale of this property to any other person.
  - D. Any communication beyond casual conversation concerning the facts or features of a given property.
35. First right of refusals are often confused with:
- A. Purchase agreements
  - B. Easements
  - C. Options

D. Antenuptial agreements

36. "To include [first right of refusals] under the heading option contracts, as if they were merely a special variety thereof, is logically:

- A. okay.
- B. Confusing
- C. Both A and B above
- D. None of the above.

37. Which contract below does not state a price or rental amount?

- A. Options
- B. First right of refusals
- C. Sales contracts
- D. Uniform offer and acceptance purchase agreement

38. Which of the following would be an unenforceable perpetuity?

- A. A listing with a definite time period
- B. A sales contract with a definite time period
- C. A no-compete contract with a definite time period
- D. A first right of refusal without a definite time period

39. Which of the following would be rendered unenforceable in court?

- A. A written lease
- B. A written listing
- C. A written sales contract
- D. A verbal first right of refusal

40. Which is usually true?

- A. Deeds are signed by all parties named in the deed
- B. Options are signed by all parties named in the option
- C. Easements are signed by all parties named in the easement
- D. First right of refusals are signed only by the owner of the property

41. Should a first right of refusal show some type of consideration, such as earnest money, for the purchase of this first right of refusal? A. Yes B. No

42. Able has a first right of refusal on the property of Barker. Barker agrees to sell his property to Carr without first consulting with Able. Which is true?

- A. The sale between Barker and Carr is valid
- B. Able has no remedy in this situation
- C. Barker and Carr will be sent to a minimum security prison
- D. Able's first right of refusal has now turned into an option to purchase Barker's property on the same terms and at the same price as Carr

43. Can the owner force the buyer to purchase the seller's property under a first right of refusal?

- A. Yes
- B. Yes but at fair market value
- C. No
- D. Yes after a the assessed value is determined

44. Reasons for giving a tenant a first right of refusal include:



- A. The tenant may keep the rental property in better condition.
  - B. The tenant may keep the land more fertile and keep the fences in better condition.
  - C. Both A and B above.
  - D. None of the above.
45. One use of a first right of refusal is to sanitize a price between the seller and purchaser.
- A. True
  - B. False
46. Which is true?
- A. A landlord may be able to rent a property more rapidly if offering a first right of refusal to purchase the property in conjunction with the lease.
  - B. Some states require the lender to give the borrower a first right of refusal during the foreclosure process.
  - C. Both A and B
  - D. None of the above
47. What are other names for a first right of refusal?
- A. Pre-emption right
  - B. First opportunity to buy
  - C. Both A and B above
  - D. None of the above
48. The buyer wants to be notified first whenever the seller decides to sell her property. The buyer probably wants:
- A. A first right of refusal.
  - B. A last right of refusal.
49. The buyer encourages the seller to "scout out the market place and get your best offer and I will then decide to purchase your property at that price or let you sell it to someone else at that price or higher." The buyer probably wants:
- A. A first right of refusal.
  - B. A last right of refusal.
50. When does the agent usually become entitled to commission?
- A. When the buyer purchases an option
  - B. When the buyer purchases a first option
  - C. When the buyer purchases a first right of refusal
  - D. When the buyer becomes ready, willing and able
51. A first right of refusal should speak of all the topics and issues which will be found in the purchase agreement that will be, at a future date, signed by the buyer and seller. A. True B. False
52. What do you call the buyer in a first right of refusal? A. Grantor B. Grantee
53. What do you call the seller in a first right of refusal?
- A. Administratrix
  - B. Executrix
  - C. Grantee
  - D. Grantor

54. The XYZ County Board of Real Estate Professionals prints forms to help their members market real estate. One such form is an "hour clause" addendum. The Board prints this hour clause addendum with 72 hours being the standard time period to be used by members who choose to use this addendum. Is the action by the Board of specifically designating 72 hours as the "standard" time period a possible restraint of trade and in violation of federal anti-trust laws? A. No. B. Yes.
55. Which is true of an hour clause addendum?
- A. It protects the seller by allowing the seller to find an alternative purchaser should the current purchaser be unable to sell their home.
  - B. It protects the buyer by allowing the buyer to market his home knowing the seller cannot sell to anyone else without his knowledge.
  - C. Both A and B above.
  - D. None of the above.
56. Which of the following could be the subject of an hour clause?
- A. Obtaining specific financing
  - B. Obtaining specific insurance
  - C. Obtaining a specific job transfer
  - D. All of the above could be the subject of an hour clause.
57. An hour clause is similar to an option because the price is locked in and the seller cannot force the buyer to buy. It is unlike an option because options give purchasers no real property interest in the property. A. True B. False
58. The purchaser makes their offer subject only to financing; said offer is immediately accepted by the seller. "We have an offer on our home and it is only subject to financing!" were the words of the seller to a friend. Unknown to the seller is the fact that the buyer has a home to sell; the buyer did not want to reveal this fact thinking the seller would not accept their offer or would accept it subject to an hour clause. If the buyer cannot sell his home, the financing will not be granted. After a long contingency waiting period the buyer communicates to the seller they are unable to secure financing. For the first time in the transaction the seller discovers the buyer was unable to secure financing because they could not sell their home. The financing contingency in this transaction could be called:
- A. Fraudo Dynamics B. The masquerade contingency C. Ponzi scheme D. Pyramiding
59. The sellers will sell their home but only subject to finding suitable property. The buyers want the liberty to deal with other sellers in the event such suitable property is tough to find. Which hour clause could facilitate the buyers?
- A. Perpendicular hour clause
  - B. Reverse hour clause
  - C. Skinny hour clause
  - D. Everywhichway hour clause
60. May this course be used as a substitute for competent legal advice?
- A. No B. No C. No D. No

**Instructions:** When complete, transfer the answers from this final exam to the Final Exam Answer Sheet located on the last page of the Supplement. Only return the Supplement; do NOT return this final exam booklet.