Amendments, Addenda and Contract Revisions in NJ Real Estate Practice

BY
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EBCBOR
Winter 2013
This course does not constitute legal advice or the formation of an attorney client relationship.

We can still be friends.

Course Identification/Reference Number is: C20160337
Overview

- Formation of contract: the meeting of the minds
- Traditional mirror theory
- Modern commercial law contrasted
Overview

• Terminology
  ○ Amendment
  ○ Addendum (Addenda)
  ○ Amended Agreement
  ○ Novation
  ○ Revised Agreement
  ○ Restated Agreement
Amendment

- Agent Authority and Duties Regarding Amendment
  - Negotiations
    - Scope of agency authority and duty to communicate/convey
    - Disclosure
    - Keeping track (version control to be discussed)
Contractually approved method(s) of communication
- when effective - unacceptable timing, lack of consideration
- counteroffer, rejection, acceptance and unclear communications
- rescission of previous offer
Confirmation

- NJAC § 11:5-6.2 Contracts of sale, leases and listing agreements

(a) The following paragraphs specify licensees' obligations to obtain written confirmation of the intentions of, and to deliver copies of documents to, parties to a real estate transaction.

1. Where a licensee memorializes the terms of an offer or counter-offer on a writing which will itself become an "instrument" as defined in (a)3 below, the licensee shall deliver to the maker of such an offer or counter-offer a clear copy of the executed offer or counter-offer immediately upon its being signed, and initialed if necessary as provided in this section, by the maker of the offer or counter-offer. Any addition, deletion, or other change in any such offer or counter-offer shall be initialed by the party proposing such a revision and, if accepted, by the other party to the transaction.
NJAC § 11:5-6.2 Contracts of sale, leases and listing agreements
(a) ...

1. ...

2. Where a licensee records the terms of an offer or counter-offer on a writing which is not intended to be binding upon either party, and which so states on its face, in the event that the licensee secures the signature and/or initials of any party on such a writing, the licensee shall provide to the signing and/or initialing party a clear copy of the writing as signed and/or initialed by them.

3. As used in this subsection, the term "instrument" means any complete and fully executed written contract of sale, lease, option agreement, or other writing affecting an interest in real estate, or any complete and fully executed addendum or amendment to any such contract, lease, option agreement or writing. The term instrument as used in this subsection does not include listing agreements and buyer brokerage agreements.
Confirmation

- NJAC § 11:5-6.2 Contracts of sale, leases and listing agreements
  (a) ...
  1. ...
  2. ...
  3. ...
  4. Licensees shall **immediately deliver to all parties to any fully executed instrument a clear copy with original signatures** of any such fully executed instrument. Licensees shall provide their clients with a fully executed copy of any sale or exclusive sale or rental listing contract at the time of execution thereof.

5. Licensee-prepared revisions or additions reflected on the instrument itself shall be initialed by all parties to the transaction. Licensee-prepared revisions or additions to an instrument not memorialized by changes on the instrument itself shall be reflected on amendments or addenda to the instrument signed by all parties to the transaction.

i. Licensees shall **immediately deliver to the party proposing a revision or addition to an instrument a clear copy of any proposed revised instrument initialed by that party and a clear copy of any proposed amendment or addendum signed by that party**.

ii. All revisions, amendments and addenda to any fully executed instrument which are prepared by licensees must comply with New Jersey law as it pertains to the attorney review of contract and lease documents prepared by real estate licensees.

6. This rule is to ensure prompt communication of the executed evidence of a transaction to all interested parties.
Still More Amendments

- Confirmation
- Suggested amendments to contract canceled during attorney review
  - How to address
Formalities of Effective Amendment

- Integration clauses
  - Rare exceptions: mutual mistake and fraud in the inducement
  - Ratification
  - Subsequent amendment
An Example

- Integration Clause
- (d) This Agreement sets forth the entire agreement between the parties hereto, and fully supersedes any and all prior agreements or understandings between the parties hereto pertaining to the subject matter hereof.
Formalities of Effective Amendment

- Documentation and execution
  - Statute of frauds
  - Execution by representatives
    - Formalities (Manner of Signature)
    - Proof of Authority
      - Corporate resolutions and LLC resolutions
      - Executors and administrators
      - Powers of attorney
An Example

Dates of Execution of this Contract:

• by Owner(s): _______________

• OWNER(S)

• __________________________________________

• __________________________________________

by Contractor: ____________

RJI Contractor, LLC

By_________________________

Robert J. Incollingo, Managing Member

Home Repair Salesman Name (print in full)
RESOLUTION TO SELL REAL ESTATE

WHEREAS, the Limited Liability Company owns certain real estate that is no longer needed for the operation of the business and that it would further be desirous to sell some; be it:

RESOLVED, that the Limited Liability Company sell real estate known or described as 123 1st Street, Township of Mount Holly, Burlington County in the State of New Jersey, to ________ for the purchase price of $ (_______) as set forth in a certain purchase and sales agreement as annexed hereto.

The undersigned hereby certifies that he/she is a duly elected and qualified Managing Member of ______________, a Limited Liability Company duly formed pursuant to the laws of the State of New Jersey and that the foregoing is a true record of a resolution duly adopted at a meeting of the members and that said meeting was held in accordance with state law and the Operating Agreement of the above-named Limited Liability Company on ________, and that said resolution is now in full force and effect without modification or rescission.

IN WITNESS WHEREOF, I have executed my name as Managing Member of the above-named Limited Liability Company this date __________, of 201__.

_____________________________
Managing Member
Formalities of Effective Amendment

- Documentation and execution (con’td)
  - Contracts under seal
  - Notarization
  - Counterpart execution
An Example

7. Sellers will repair top sash of front bedroom window and top sash of 2nd floor bathroom window.

This amendment/addendum may be executed in several counterparts, and all such executed counterparts shall constitute the same agreement. It shall not be necessary that any single counterpart hereof be executed by all parties hereto so long as at least one counterpart is executed by each party. It shall be necessary to account for only one such counterpart in proving this Amendment/Addendum.
Formalities of Effective Amendment

• Incorporation by Reference
  ▪ Formalities - timing, description and manifestation of intent
  ▪ Exhibits and missing exhibits
  ▪ Documents incorporated by reference into incorporated documents
Formalities of Effective Amendment

- Incorporation by Reference (cont’d)
  - Condominium documents
  - Recorded easements and other impediments to clear title
Formalities of Effective Amendment

• Version Control
  - Execution (dating and initials)
  - Stamping Paths and Dates
    - C:\RJI\1L\forms\2010 contracts\c09.agt.wpd February 27, 2012 (8:10pm)
  - Legal effect of mistake
    - Reversion to earlier deal or ‘no deal’?

• Illegal provisions and the Severance Clause
• Severance Clause

• (c) Should any provision of this Agreement be declared or determined by any court to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed not to be a part of this Agreement.
Revisions by Mark-up

- **Interlineations**

- footnotes\(^1\), asterisks\(^*\), legibility

- Initials - why, when and how
An Example

1. Pursuant to Paragraph 23 of the Agreement of sale and in response to the attached report the sellers agree to make repairs detailed below to the property in a workmanlike manner, with permits if required prior to settlement. In addition, sellers will provide Buyer at the time of settlement with the sum of $700.00, this is to be used for any reason to include being applied to any repair of this property that the buyers may desire but which are not provided for under the terms of Paragraph 23 of the agreement of sale. The parties agree this payment is in consideration of the Buyer releasing Seller, Seller and Buyer’s real estate brokers and agents from any additional repairs, causes of action, claims of any nature whatsoever that may arise now or in the future as a result of this transaction. This release is in addition to, rather than in lieu of other release provisions contained elsewhere in the Agreement of Sale. For purposes of this paragraph, these provisions shall survive the delivery of the deed.

2. Sellers agree to remove and replace all active knob and tube wiring from the home. The work will be performed by a licensed electrician. And the sellers agree to obtain any work permits necessary and allow any inspection that Audubon Twp deems necessary.

3. Sellers will remove all debris, wood, personal items, dog excrement, and Impermanent garden fixtures prior to settlement. The installed, raised firewood rack on the north side of the back yard, and the fenced garden on the south side of the back yard will remain where is, as is. Furthermore, the metal shed does not leak, and is presently in use. Sellers decline to remove the shed—it will remain as is, where is.

4. The attic stairs will be repaired.
5. The pipe underneath the kitchen sink will be repaired.
6. Sellers will repair the small square window at the top of the stairway on the second floor.

All other terms and conditions of the Agreement of Sale remain unchanged and in full force and effect. This Addendum and all terms and condition are subject to the NJ three business day attorney review as outlined in Paragraph 1, Lines 50 - 63 of the Agreement of Sale. All other terms and conditions of the Agreement of Sale remain unchanged and in full force and effect.
4. CONTINGENCIES. This Agreement and the obligation of Buyer to proceed to Closing are hereby expressly made contingent upon satisfaction of the following conditions:

4.1 Inspection Period. Buyer’s due diligence and inspection period shall be seventy-five (75) days from the effective date of this Agreement (“Inspection Period”). During the Inspection Period Buyer shall satisfy himself with respect to the physical condition of the property, and as to the feasibility and suitability of the property for Buyer’s intended purpose. The foregoing notwithstanding, all issues regarding the condition of title to the property are reserved through to Closing and shall be unlimited by the Inspection Period. (see paragraph 3, entitled, “Title”). For a period (the “Inspection Period”) commencing on the Effective Date and expiring seventy-five (75) days thereafter (such date is herein referred to as the “Inspection Period Expiration Date”), Buyer shall have the right to have performed a physical inspection of the Property. The inspection of the Property shall include, without limitation, such environmental inspections, reviews and assessments that Buyer deems appropriate. During the Inspection Period, Buyer shall have the right, at Buyer’s expense, to select an inspector(s), and to make economic, environmental and physical “inspections” (including tests, surveys, and other studies) of the Property, including but
Revisions by Mark-up

- The importance of dating and initialing
- Legal drafting conventions – [brackets], strikeouts and underline
- Word processing comments and metadata
Incollingo vs
Robert J. Incollingo

Sent: Thu 2/16/2012 11:05 AM
To:

Message mutual.rel.pdf (21 KB)

Good morning,

Here is the short form release which we negotiated yesterday. Please confirm that it squarely reflects our agreement and I will send you a signed original.

--Bob

Robert J. Incollingo
416 Black Horse Pike
Glendora, New Jersey 08029
(856) 234-3800

RJILAW.com
Bob,

I've attached your proposed agreement with one minor change. I did not recall agreeing to payment of attorney's fees on Wednesday. My proposed language is in the comment.

Sincerely yours,

Philadelphia, PA 19102
Ph: (215)  
F: (215)
3. **Default.** If defendant fails to make any payment required by this Mutual Release when due, or to return when due this Mutual Release signed by each defendant together or in counterpart originals, plaintiff Robert J. Incollingo may declare that defendants are in default, and the entire balance unpaid on the agreed liability of Fifteen Thousand Dollars ($15,000.00) shall accelerate and thereupon become due. Defendants are to receive a grace period of five (5) days after oral notice of default given by telephone to defendants’ counsel, attention, Esquire, or successor, for default in any payment when due, and if by the expiration of such period no payment has been received as agreed, plaintiff may proceed upon notice to enter judgment for the entire unpaid balance of the full Fifteen Thousand Dollars ($15,000.00) against , upon affidavit to the Court, in which case plaintiff shall be entitled in addition thereto, to all attorney’s fees and costs of collection of every kind incurred, and to prejudgment interest on the unpaid balance at the maximum rate allowed by law.
An Example

RE: Incolling vs
Robert J. Incolling

Sent: Jan 2/10/2012 2:24 PM

To:

Attached, signed as revised.

--Bob

Robert J. Incollingo
416 Black Horse Pike
Glendora, New Jersey 08029
(856) 234-3800

RJILAW.com
3. **Default.** If defendant fails to make any payment required by this Mutual Release when due, or to return when due this Mutual Release signed by each defendant together or in counterpart originals, plaintiff Robert J. Incollingo may declare that defendants are in default, and the entire balance unpaid on the agreed liability of Fifteen Thousand Dollars ($15,000.00) shall accelerate and thereupon become due. Defendants are to receive a grace period of five (5) days after oral notice of default given by telephone to defendants’ counsel, attention, Esquire, or successor, for default in any payment when due, and if by the expiration of such period no payment has been received as agreed, plaintiff may proceed upon notice to enter judgment for the entire unpaid balance of the full Fifteen Thousand Dollars ($15,000.00) against, upon affidavit to the Court, in which case plaintiff shall be entitled in addition thereto, to all attorney collection of every kind incurred, and to prejudgment interest on the unpaid balance allowed by law.

4. **Further Assurances.** Each of the parties hereto, without further consideration, execute and deliver such other documents and take such other action as may consummate more effectively the subject matter hereof.

5. **Full and Independent Knowledge.** Defendants represent that they have been represented
RE: Incollingo vs
Robert J. Incollingo
Sent: Sat 2/18/2012 2:28 PM
To:

I might have bobbled that last note - I didn't click on the highlighted text to see your alternative proposed language, and so simply cut out the redlined text. I think we're fine any way. Get to sign it as returned; it's a non-issue.

--Bob

Robert J. Incollingo
416 Black Horse Pike
Glendora, New Jersey 08029
(856) 234-3800

RJILAW.com
Amended Agreements

- Amended (Revised and Restated) Agreements
- Opening Recital
  - Witnesseth:
    - Whereas and Now therefore
  - Supercedence - in whole or part
Addenda

- Extensions and renewals
- Assignment and assumption
- Cancellation
AMENDMENT TO CONTRACT FOR SALE OF REAL ESTATE

This Amendment to Contract for Sale made on November 15, 2007, amends, supplements, and revokes (if necessary) an earlier agreement of the parties made November 8, 2007, for the sale of residential property commonly known as 208 8th Avenue, Highland, New Jersey 07419, and also known as Block 00054, Lot 00004, as shown on the current tax map of the Borough of Highland, Highland, which is attached hereto as Exhibit A hereof, which shall in all respects be subject to the covenants and conditions set forth herein.

BETWEEN

LORRAINE SEARS, whose address is 208 8th Avenue, Highland, New Jersey 07419

AND

JAMES J. INCOLLINGO and BETSY INCOLLINGO, husband and wife, whose address is 148 Fairview Road, Pascack, New Jersey 07055

collaboratively referred to as the Buyer.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, Seller and Buyer further agree as follows:

1. EXTENSION OF ATTORNEY REVIEW PERIOD: The attorney review period for the contract of the parties is hereby further extended and continued, and will expire at midnight on November 23, 2007. All obligations of the Buyer set forth in this Agreement are amended, and all periods for performance thereof and declarations thereof, shall not commence or run until the new expiration date of the extended attorney review period.

SIGNED AND AGREED TO BY:

WITNESSED as Assented by:

[Signatures]

DATE SIGNED

LOTTAIN SEARS

DATE SIGNED

JAMES J. INCOLLINGO

DATE SIGNED

BETSY INCOLLINGO
ADDENDUM #42.h. TO CONTRACT FOR SALE OF REAL ESTATE

This Addendum #42.h. to Contract for Sale of 15 Wiltshire Way, Southampton, New Jersey 08088-1131 prepared December 23, 2004 amends and supplements the agreement of the parties of December 15, 2004, as amended, and additional contract provisions 42.a., 42.b., 42.c., 42.d., 42.f., 42.g., and related and incorporated addenda, inclusive, all of which are attached hereto and incorporated herein by this reference and made expressly subject to the changes set forth herein, which shall in the event of a conflict control,

BETWEEN JAMES A. SELLER whose address is 11 Mohican Rd., Medford, New Jersey 08055-9517 referred to as the Seller,

AND MARY PURCHASER and PURCHASER whose address is 1257 Lamp Post Lane, Cherry Hill, New Jersey 08003 referred to collectively as the Buyer.

THE AGREEMENT OF THE PARTIES IS HEREBY AMENDED AND SUPPLEMENTED AS FOLLOWS:

Delete Line 20; Replace with:
20 John Purchaser and Mary Purchaser, husband and wife, or nominee
An Example
An Example
ADDENDUM #42.h. TO CONTRACT FOR SALE OF REAL ESTATE

This Addendum #42.h. to Contract for Sale of 15 Wiltshire Way, Southampton, New Jersey 08088-1131 prepared December 23, 2004 amends and supplements the agreement of the parties of December 15, 2004, as amended, and additional contract provisions 42.a., 42.b., 42.c., 42.d., 42.f., 42.g., and related and incorporated addenda, inclusive, all of which are attached hereto and incorporated herein by this reference and made expressly subject to the changes set forth herein, which shall in the event of a conflict control,

BETWEEN   JAMES A. SELLER   whose address is 11 Mohican Rd., Medford, New Jersey 08055-9517

referred to as the Seller,

AND       MARY PURCHASER and PURCHASER whose address is 1257 Lamp Post Lane, Cherry Hill, New Jersey 08003

referred to collectively as the Buyer.

THE AGREEMENT OF THE PARTIES IS HEREBY AMENDED AND SUPPLEMENTED AS FOLLOWS:

Delete Line 20; Replace with:
20    John Purchaser and Mary Purchaser, husband and wife, or nominee
RELEASE OF CONTRACT

THIS AMENDMENT dated the 30th day of August, 2004.

RELATIVE to a certain Agreement of Sale dated the 30th day of March, 2004.

BETWEEN Ruben Roque, whose address is 21 N. 22nd Street, Camden, New Jersey 08105, referred to as the Seller, and Son Thach, whose address is 807 Princeton Avenue, Cherry Hill, New Jersey 08002, referred to as the Buyer.

WHEREBY Seller and Buyer agreed to sell and buy all that certain tract of land and premises situated in the City and County of Camden, State of New Jersey, more commonly known and designated as 3703 Westfield Avenue, Camden, New Jersey 08110 and shown on the City of Camden municipal tax map as Lot 52, Block 1017.

IT IS now mutually understood and agreed that the above referenced Agreement of Sale is hereby declared null and void and that the Seller agrees to release to the Buyer, and monies deposited in the escrow account of Century 21 CGW Realty under said Agreement of Sale.

IN WITNESS whereof the parties hereto have hereunto set their hands and seals dated the day and year first above written.

_____________________________ D.S.

_____________________________ D.S.

_____________________________ L.S.

_____________________________ L.S.
Conclusion

- Common Sense Guidelines for the Pressured Professional
- P.S. Sign and initial in Blue Ink!
- P.P.S. Date Everything!
Open Q&A

Don’t Forget to Sign Out.
Amendments, Addenda and Contract Revisions in NJ Real Estate Practice

BY

ROBERT J. INCOLLINGO, ESQ.

EBCBOR
Winter 2013