

STANDARD COMMERCIAL INSPECTION AGREEMENT

THIS IS INTENDED TO BE A LEGALLY BINDING CONTRACT, PLEASE READ IT CAREFULLY

Client: _____ Report #: _____

Address: _____

SCOPE OF THE INSPECTION: The real estate inspection to be performed for Client is a survey and basic operation of the systems and components of a building which can be reached, entered, or viewed without difficulty, moving obstructions, or requiring any action which may result in damage to the property or personal injury to the Inspector. The purpose of the inspection is to provide the Client with information regarding the general condition of the building(s).

Inspector will prepare and provide Client a written report for the sole use and benefit of Client. The written report provides documentation of material deficiencies in the building's systems and components which are not functioning or are at the ends of their service lives.

The inspection shall be performed in accordance with the Commercial Standards of Practice of the California Real Estate Inspection Association (CREIASM), attached hereto, and incorporated herein by reference, and is limited to those items specified therein.

CLIENT'S DUTY: Client understands and accepts that an inspection and report in accordance with this Agreement is intended to reduce, but can not eliminate, the uncertainty regarding the condition of the building. Client agrees to exercise reasonable care in considering all facts that are known to or are within the diligent attention of Client in determining the condition of the building.

Client agrees to read the entire written report when it is received and promptly call Inspector with any questions or concerns regarding the inspection or the written report. The written report shall be the final and exclusive findings of Inspector.

Client acknowledges that further investigation of a reported condition by an appropriate specialist may provide additional information which can significantly affect the Client's decision. Client agrees to obtain further evaluation of reported conditions prior to the close of the transaction or transfer of title.

In the event Client becomes aware of a reportable condition within the time limitation of this Agreement, which was not reported by Inspector, Client agrees to promptly notify Inspector and allow Inspector and/or Inspector's designated representative(s) to inspect said condition prior to making any repair, alteration, or replacement. Client acknowledges and agrees that failure to comply with this clause is a material breach of this Agreement.

ENVIRONMENTAL CONDITIONS: Client agrees what is being contracted for is a building inspection and not an environmental evaluation. The inspection is not intended to detect, identify, or disclose any health or environmental conditions regarding this building or property, including but not limited to: the presence of asbestos, radon, lead, urea-formaldehyde, fungi, molds, mildew, PCBs, Chinese Drywall or other toxic, reactive, combustible, corrosive contaminants, materials, or substances in or on the water, air, soil, or building materials. The Inspector is not liable for injury, health risks, or damage caused or contributed to by these conditions.

GENERAL PROVISIONS: The written report is not a substitute for any transferor's or agent's disclosures that may be required by law or a substitute for Client's independent duty to reasonably evaluate the property prior to the close of the transaction. This inspection Agreement, the real estate inspection, and the written report do not constitute a warranty, guarantee, or insurance policy of any kind whatsoever.

LIMITATION ON TIME TO BRING A CLAIM: The parties agree that no legal action or proceeding of any kind arising out of or relating to this Agreement, including those sounding in tort, contract, equity, or otherwise, can be commenced against either party hereto, their spouse, Company or its officers, agents, or employees more than one year from the date of the inspection.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, successors, and assigns.

ENTIRE AGREEMENT: This Agreement constitutes the integrated agreement between the parties hereto pertaining to the subject matter hereof and may be modified only by a written agreement signed by all of the parties hereto. No oral agreements, understandings, or representations shall change, modify, or amend any part of this Agreement.

AUTHORITY: Each party signing this Agreement warrants and represents that he/she has the full capacity and authority to execute this Agreement on behalf of the named party. If this Agreement is executed on behalf of Client by any third party, the person executing this Agreement expressly represents to Inspector that he/she has the full and complete authority to execute this Agreement on Client's behalf and to fully and completely bind Client to all of the terms, conditions, limitations, exceptions, and exclusions of this Agreement.

SEVERABILITY: Should any provision of this Agreement be held by a court or tribunal of competent jurisdiction to be either invalid or unenforceable, the court or tribunal shall be allowed to refashion such provision to accomplish the intent thereof in a manner consistent with the law; however, in all events the remaining provisions of this Agreement shall remain in full force and effect, unimpaired by the refashioning or severing of the invalid or unenforceable provision.

MEDIATION: The parties to this Agreement agree to attend, in good faith, mediation with a lawyer with at least 5 years of mediation experience, or an active or retired judge, before any formal claim or lawsuit is filed. All notices of mediation must be served in writing by certified mail, return receipt requested allowing 30 days for response. If no response is received within such 30 day period, the moving party may then demand binding arbitration under the terms and provisions set forth below.

ARBITRATION / GOVERNING LAW / JURISDICTION: THE PARTIES AGREE THAT ANY DISPUTES, CLAIMS, OR DEMANDS ARISING OUT OF OR RELATING TO THE INTERPRETATION OR ENFORCEMENT OF THIS AGREEMENT, THE INSPECTION, THE INSPECTION REPORT, OR ANY OTHER CLAIMS ARISING OUT OF OR RELATING TO THIS RELATIONSHIP IN GENERAL BETWEEN THE PARTIES CREATED BY THIS AGREEMENT AND THE SERVICES PROVIDED HEREUNDER, SHALL BE RESOLVED BETWEEN THE PARTIES BY BINDING ARBITRATION CONDUCTED IN ACCORDANCE WITH AND PURSUANT TO CALIFORNIA LAW, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW. THE PARTIES AGREE THAT CALIFORNIA SHALL HAVE EXCLUSIVE JURISDICTION FOR ANY AND ALL CLAIMS HEREUNDER. THE PARTIES AGREE TO SELECT AN ARBITRATOR WHO IS FAMILIAR WITH THE REAL ESTATE PROFESSION. THE PARTIES AGREE THAT THEY SHALL BE ENTITLED TO DISCOVERY PROCEDURES WITHIN THE DISCRETION OF THE ARBITRATOR. THE ARBITRATOR SHALL MANAGE AND HEAR THE CASE APPLYING THE LAWS OF THE STATE OF CALIFORNIA TO ALL ISSUES SUBMITTED IN THE ARBITRATION PROCEEDING. THE AWARD OF THE ARBITRATOR SHALL BE FINAL, AND A JUDGMENT MAY BE ENTERED ON IT BY ANY CALIFORNIA COURT HAVING JURISDICTION. THE PARTIES AGREE ANY AND ALL DISPUTES, CLAIMS, OR DEMANDS HEREUNDER ARE TO BE ARBITRATED BY CONSTRUCTION DISPUTE RESOLUTION SERVICE. THE PARTIES UNDERSTAND AND AGREE THAT THEY ARE WAIVING ANY AND ALL RIGHTS TO TRIAL BY JURY BY VIRTUE OF THIS AGREEMENT.

Client Initials: _____ Inspector Initials: _____

LIMITATION ON LIABILITY: THE PARTIES UNDERSTAND AND AGREE THAT INSPECTOR'S LIABILITY FOR ERRORS OR OMISSIONS IN THIS STANDARD COMMERCIAL INSPECTION AND REPORT IS LIMITED TO A REFUND OF ONE AND ONE HALF TIMES THE FEE PAID FOR THIS INSPECTION AND REPORT. THE LIABILITY OF INSPECTOR AND/OR INSPECTION COMPANY'S PRINCIPALS, AGENTS, AND EMPLOYEES IS ALSO LIMITED TO ONE AND ONE HALF TIMES THE FEE PAID. THIS LIMITATION APPLIES TO ANYONE WHO IS DAMAGED IN ANY FORM OR FASHION OR HAS TO PAY EXPENSES OF ANY KIND FOR ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE INSPECTION, OR THE INSPECTION REPORT, WHICH INCLUDES CLAIMS ALLEGING MISTAKES OR OMISSIONS IN THIS INSPECTION AND REPORT. THIS LIABILITY LIMITATION IS BINDING ON CLIENT AND CLIENT'S SPOUSES, HEIRS, PRINCIPALS, ASSIGNS, AND ANYONE ELSE WHO MAY OTHERWISE HAVE A CLAIM THROUGH CLIENT. CLIENT ASSUMES THE RISK OF ALL LOSSES GREATER THAN ONE AND ONE HALF TIMES THE FEE PAID FOR THE INSPECTION. CLIENT AGREES TO IMMEDIATELY ACCEPT A REFUND OF ONE AND ONE HALF TIMES THE FEE AS FULL SETTLEMENT OF ANY KIND AND ALL CLAIMS WHICH MAY EVER ARISE OUT OF OR RELATE TO THIS INSPECTION AND REPORT. CLIENT UNDERSTANDS THAT IF CLIENT DESIRES AN INSPECTION WITHOUT THE ABOVE LIMITATION ON LIABILITY TO A REFUND OF ONE AND ONE HALF TIMES THE FEE PAID FOR THE STANDARD INSPECTION, CLIENT MAY PAY AN ADDITIONAL FEE TO RECEIVE A REPORT WITHOUT THIS LIMITATION.

I/WE DO NOT AGREE TO PAY AN ADDITIONAL FEE. I/WE REQUEST A STANDARD INSPECTION FOR THE QUOTED RATE HEREIN.

Client Initials: _____

I/WE AGREE TO PAY AN ADDITIONAL FEE OF \$ _____ TO RECEIVE A REPORT WITHOUT THE ABOVE LIMITATION ON LIABILITY TO THE FEE PAID FOR A STANDARD INSPECTION. I/WE REQUEST A COMPREHENSIVE INSPECTION.

Client Initials: _____

EXCLUSIONS / INCLUSIONS: The following are excluded by agreement between the parties: _____

The following are included by agreement between the parties: _____

Client acknowledges having read and understood all the terms, conditions, and limitations of this Agreement and voluntarily agrees to be bound thereby and to pay the fee(s) listed here.

Form of Payment:

Check: # _____ INSPECTION FEE: \$ _____

Credit: _____ FEE: \$ _____

Debit: _____ **TOTAL FEE: \$** _____

Client: _____

Date: _____

Client: _____

Date: _____

Inspector: _____

Date: _____



THIS FORM HAS BEEN APPROVED BY THE CALIFORNIA REAL ESTATE INSPECTION ASSOCIATION (CREIASM). NO REPRESENTATION IS MADE AS TO THE LEGAL VALIDITY OR ADEQUACY OF ANY PROVISION IN ANY SPECIFIC TRANSACTION. IF YOU DESIRE LEGAL ADVICE, CONSULT AN APPROPRIATE PROFESSIONAL. USE OF THIS FORM DOES NOT GUARANTEE THAT THE USER IS A QUALIFIED INSPECTOR MEMBER OF CREIA. TO LOCATE A QUALIFIED CREIA INSPECTOR CALL 800/388-8443 OR VISIT WWW.CREIA.ORG © 2013 CREIASM All Rights Reserved. CREIA IS A PUBLIC-BENEFIT, NONPROFIT ORGANIZATION.

CONTRACT INCLUDES 4 PAGES
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COMMERCIAL STANDARDS OF PRACTICE

Originally Adopted January 4, 2002
Revised April 3, 2007 — Effective July 1, 2007

Part I. Definitions and Scope

These Standards of Practice provide guidelines for a *commercial building inspection* and define certain terms relating to these *inspections*. Italicized words in these Standards are defined in Part IV, Glossary of Terms.

- A. A *commercial building inspection* is a survey and basic operation of the systems and components of a building. The purpose of the *inspection* is to provide the Client with information regarding the general condition of the building(s).
- B. A *commercial building inspection* report identifies material deficiencies observed in the *inspected building's components and systems* which, in the opinion of the *Inspector*, are not *functioning* as intended or are at the ends of their service lives. The report may be written or verbal or any other agreed upon format.
- C. *Inspections* performed in accordance with these Standards of Practice are not *technically exhaustive* and shall apply to the *primary building(s)*.

Part II. Standards of Practice

A *commercial building inspection* includes the *readily accessible systems and components* or a *representative number* of multiple similar *components* listed in SECTIONS 1 through 8 subject to the limitations, exceptions, and exclusions in Part III.

SECTION 1 - Foundation, Basement, and Under-floor Areas

- A. Items to be *inspected*:
 1. Foundation system
 2. Floor framing system
 3. Under-floor ventilation
 4. Foundation anchoring and cripple wall bracing
 5. Wood separation from soil
 6. Insulation
- B. The *Inspector* is not required to:
 1. Determine size, spacing, location, or adequacy of foundation bolting/bracing components or reinforcing systems
 2. Determine the composition or energy rating of insulation materials

SECTION 2 - Exterior

- A. Items to be *inspected*:
 1. Surface grade directly adjacent to the buildings
 2. Doors and windows
 3. Attached decks, porches, patios, balconies, stairways, and their enclosures
 4. Wall cladding and trim
 5. Portions of walkways and driveways that are adjacent to the buildings
- B. The *Inspector* is not required to:
 1. Inspect door or window screens, shutters, awnings, or security bars
 2. Determine whether a building is secure from unauthorized entry
 3. Inspect fences or gates or operate automated door or gate openers or their safety devices
 4. Use a ladder to inspect systems or components

SECTION 3 - Roof Covering

- A. Items to be *inspected*:
 1. Covering
 2. Drainage
 3. Flashings
 4. Penetrations
- B. The *Inspector* is not required to:
 1. Walk on the roof surface if in the opinion of the *Inspector* there is risk of damage or a hazard to the *Inspector*
 2. Warrant or certify that roof systems, coverings, or components are free from leakage

SECTION 4 - Roof Framing

- A. Items to be *inspected*:
 1. Framing
 2. Ventilation
 3. Insulation

- B. The *Inspector* is not required to:
 1. Inspect suspended ceiling systems or remove suspended ceiling panels
 2. Inspect mechanical attic ventilation systems or components
 3. Determine the composition or energy rating of insulation materials

SECTION 5 - Plumbing

- A. Items to be *inspected*:
 1. Water supply piping
 2. Drain, waste, and vent piping
 3. Faucets and fixtures
 4. Fuel gas piping
 5. Water heaters
 6. Functional flow and functional drainage
- B. The *Inspector* is not required to:
 1. Fill any fixture with water or inspect overflow drains or drain-stops, or evaluate backflow devices, waste ejectors, sump pumps, or drain line cleanouts
 2. Inspect or evaluate water temperature balancing devices, temperature fluctuation, time to obtain hot water, water circulation, or solar heating systems or components
 3. Inspect whirlpool baths, steam showers, or sauna systems or components
 4. Inspect fuel tanks or determine if the fuel gas system is free of leaks
 5. Inspect wells or water treatment systems

SECTION 6 - Electrical

- A. Items to be *inspected*:
 1. Service equipment
 2. Electrical panels
 3. Circuit wiring
 4. Switches, receptacles, outlets, and lighting fixtures
- B. The *Inspector* is not required to:
 1. Inspect high voltage systems or components
 2. Operate circuit breakers or circuit interrupters
 3. Remove covers from any electrical panel, equipment, or outlet
 4. Inspect de-icing systems or components
 5. Inspect private or emergency electrical supply systems or components

SECTION 7 - Central Heating and Cooling

- A. Items to be *inspected*:
 1. Central heating and cooling equipment
 2. Energy source and connections
 3. Combustion air and exhaust vent systems
 4. Condensate drainage
 5. Conditioned air distribution systems
- B. The *Inspector* is not required to:
 1. Operate heating, cooling, or ventilation equipment
 2. Inspect heat exchangers or electric heating elements
 3. Inspect radiant, solar, hydronic, or geothermal systems or components
 4. Inspect electronic air filtering or humidity control systems or components
 5. Inspect or review any equipment printouts or displays
 6. Determine volume, uniformity, temperature, airflow, balance, or leakage of any air distribution system

SECTION 8 - Building Interior

- A. Items to be *inspected*:
 1. Walls, ceilings, and floors
 2. Doors and windows
 3. Stairways, handrails, and guardrails
- B. The *Inspector* is not required to:
 1. Inspect window or floor coverings
 2. Operate or test smoke alarms or automated door safety devices
 3. Determine adequacy of exiting
 4. Use a ladder to inspect systems or components

Part III. Limitations, Exceptions, and Exclusions

A. The following are excluded from a commercial building inspection:

1. *Systems or components of a building*, or portions thereof, which are not *readily accessible*, not *permanently installed*, or not *inspected* due to circumstances beyond the control of the *Inspector* or which are specifically excluded by the *Inspector*
2. Site improvements or amenities, including, but not limited to; accessory *buildings*, fences, planters, landscaping, irrigation, swimming pools, spas, ponds, waterfalls, fountains or their *components* or accessories
3. Signage
4. Deficiencies that fall within the scope of routine maintenance
5. Nonessential features of *inspected appliances*
6. *Systems or components*, or portions thereof, which are under ground, under water, or where the *Inspector* must come into contact with water
7. *Determining* compliance with manufacturers' installation guidelines or specifications, building codes, accessibility standards, conservation or energy standards, regulations, ordinances, covenants, or other restrictions
8. *Building* ingress or egress, compliance with Americans with Disabilities Act or other accessibility standards, regulations, ordinances, covenants, or other restrictions
9. *Determining* adequacy, efficiency, suitability, quality, age, or remaining life of any *building*, *system*, or *component*, or marketability or advisability of purchase
10. Structural, architectural, geological, environmental, hydrological, land surveying, or soils-related examinations
11. Acoustical or other nuisance characteristics of any *system* or *component* of a *building*, complex, adjoining property, or neighborhood
12. *Conditions* related to animals, insects, or other organisms, including fungus and mold, and any hazardous, illegal, or controlled substance, or the damage or health risks arising there from
13. Risks associated with events or conditions of nature including, but not limited to; geological, seismic, wildfire, and flood
14. Water testing any *building*, *system*, or *component* or *determine* leakage in shower pans, pools, spas, or any body of water
15. *Determining* the integrity of hermetic seals at multi-pane glazing
16. Differentiating between original construction or subsequent additions or modifications
17. Reviewing information from any third-party, including but not limited to; product defects, construction documents, and recalls or similar notices
18. Specifying repairs/replacement procedures or estimating cost to correct
19. Communication, computer, security, or low-voltage *systems* and remote, timer, sensor, or similarly controlled *systems* or *components*
20. Fire extinguishing and suppression *systems* and *components* or *determining* fire resistive qualities of materials or assemblies
21. Elevators, escalators, lifts, and dumbwaiters
22. Fireplaces and their chimneys
23. Lighting pilot lights or activating or *operating* any *system*, *component*, or *appliance* that is *shut down*, unsafe to *operate*, or does not respond to *normal user controls*
24. *Operating* shutoff valves or *shutting down* any *system* or *component*
25. Dismantling any *system*, *structure*, or *component* or removing access panels

B. The *Inspector* may, at his or her discretion:

1. *Inspect* any *building*, *system*, *component*, *appliance*, or improvement not included or otherwise excluded by these Standards of Practice. Any such *inspection* shall comply with all other provisions of these Standards unless agreed otherwise.
2. Include photographs in the written report or take photographs for *Inspector's* reference.

Part IV. Glossary of Terms

*NOTE: All definitions apply to derivatives of these terms when italicized in the text.

Appliance: An item such as an oven, dishwasher, heater, etc. which performs a specific *function*

Building: The subject of the *inspection*

Commercial Building: A structure other than a residential dwelling structure of one to four units or its *primary parking structure*. Refer to Part I, "Definitions and Scope", Paragraph A

Component: A part of a *system*, *appliance*, *fixture*, or *device*

Condition: Conspicuous state of being

Determine: Arrive at an opinion or conclusion pursuant to a *building inspection*

Device: A *component* designed to perform a particular task or *function*

Equipment: An *appliance*, *fixture*, or *device*

Fixture: A plumbing or electrical *component* with a fixed position and *function*

Function: The normal and characteristic purpose or action of a *system*, *component*, or *device*

Functional Drainage: The ability to empty a plumbing *fixture* in a reasonable time

Functional Flow: The flow of the water supply at the highest and farthest *fixture* from the *building* supply shutoff valve when another *fixture* is used simultaneously

High Voltage: Electrical energy 600 volts or more

Inspect: Refer to Part I, "Definition and Scope", Paragraph A

Inspector: One who performs a *commercial building inspection*

Normal User Control: Switch or other *device* that activates a *system* or *component* and is provided for use by an occupant of a *building*

Operate: Cause a *system*, *appliance*, *fixture*, or *device* to function using *normal user controls*

Permanently Installed: Fixed in place, e.g. screwed, bolted, nailed, or glued

Primary Building: A *building* that an *Inspector* has agreed to *inspect*

Primary Parking Structure: A *building* for the purpose of vehicle storage associated with the primary building

Readily Accessible: Can be reached, entered, or viewed without difficulty, moving obstructions, or requiring any action which may harm persons or property

Representative Number: Example, an average of one *component* per area for multiple similar *components* such as windows, doors, and electrical outlets

Shut Down: Disconnected or turned off in a way so as not to respond to *normal user controls*

System: An assemblage of various *components* designed to *function* as a whole

Technically Exhaustive: Examination beyond the scope of a *commercial building inspection*, which may require disassembly, specialized knowledge, special equipment, measuring, calculating, quantifying, testing, exploratory probing, research, or analysis



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