

NOTIFICATION TO BUYER AND SELLER REGARDING TAX WITHHOLDING REQUIREMENTS OF CALIFORNIA REVENUE AND TAXATION CODE SECTION 18662 AS AMENDED BY AB2065 ON SALE OF REAL PROPERTY:

As of January 1, 2003, California law requires "pay as you go" (prepayment) of income tax by withholding of 3-1/3% on all sales of real property for individuals sellers of real property, whether resident or non-resident. Individual sellers may certify under penalty of perjury on Form 593-C that as individuals sellers they are not subject to withholding due to one of the exemptions:

- 1) Sales price is not greater than \$100,000.00;
- 2) The property is a principal residence of the transferor;
- 3) The property will be replaced in a like kind 1030 tax deferred exchange;
- 4) Certain foreclosure transactions; or
- 5) Seller certifies that the sale will result in a loss for California tax purposes.

Non-individual sellers:

- 1) Corporations with a permanent place of business in California;
- 2) Partnerships or LLCs;
- 3) Tax exempt entities, insurance companies, IRA's or qualified pension plans;
- 4) Irrevocable trusts with a California trustee; or
- 5) Estates with a California decedent or bank or banks acting as a fiduciary for a trust;

may also certify under penalty of perjury that they are not subject to withholding due to one of the exemptions.

The parties acknowledge that escrow holder will take no action regarding withholding without further mutual written instructions of buyer and seller in form satisfactory to escrow, together with completion of Franchise Tax Board forms. California Revenue and Taxation Code Section 18662 has (as amended by AB2065) require a BUYER of real property to withhold under CAL FIRPTA if the above-described exemptions are not met.

Seller or buyer may contact Franchise Tax Board Withholding At Source Unit, P.O. Box 651, Sacramento, CA 95812-0651, (916) 845-6442.

SELLERS:

BUYERS:
