



LETTER OF INTENT
Prospective Buyer's Proposal for Due Diligence Investigations

Prepared by: Agent _____
Broker _____

Phone _____
Email _____

NOTE: This form is used by a buyer's agent, before making an offer to purchase a property, to request the seller to provide information necessary for the buyer to complete their due diligence and determine its suitability for acquisition.

DATE: _____, 20_____, at _____, California.
Items left blank or unchecked are not applicable.

FACTS:

1. This letter of intent is entered into by _____, as the prospective Buyer, and _____, as the Owner, regarding real estate situated in the city of _____, County of _____, State of _____, referred to as _____

2. **REVIEW PERIOD:** This letter is submitted by prospective Buyer calling for Owner to cooperate with prospective Buyer for the duration of a review period.

2.1 During the review period, Owner will provide the information called for as itemized in this letter so Buyer can perform a due diligence investigation of the property to determine its suitability for acquisition.

2.2 If the prospective Buyer determines the property is suitable for acquisition on completion of Buyer's review, Buyer will commence purchase negotiations with Owner by preparing and submitting a written purchase offer for Owner's review and acceptance, counteroffer, or rejection.

3. **NEGOTIATIONS:** Prior to entering into a binding purchase agreement, either Owner or prospective Buyer may propose different pricing, terms for payment or conditions for closing than contained in this letter, may enter into negotiations and agreements with other parties in complete conflict with this proposal, or unilaterally withdraw this letter without further obligation to each other.

4. **RIGHTS AND OBLIGATIONS:** Owner and prospective Buyer agree this letter is not an offer to enter into a written purchase agreement to sell the property, it is not a written purchase agreement to acquire the property, and it is not the grant of an option to buy the property.

4.1 This letter places no obligation or duty on Owner or prospective Buyer to act in good faith or to deal fairly, until a written purchase agreement has been entered into by both Owner and prospective Buyer.

4.2 Before any party to this agreement files an action on a dispute arising out of this agreement which remains unresolved after 30 days of informal negotiations, the parties agree to enter into non-binding mediation administered by a neutral dispute resolution organization and undertake a good faith effort during mediation to settle the dispute.

AGREEMENT:

5. The proposal in this letter is to be deemed revoked unless agreed to by Owner within _____ days after date by delivery of a copy of this Letter of Intent, signed by Owner to prospective Buyer or prospective Buyer's broker.

6. As a preliminary expression of Buyer's intent to purchase the property, the written purchase agreement to be negotiated is to provide:

6.1 The unrestricted right for either party to assign their interest in the purchase agreement and agree to cooperate in effecting an Internal Revenue Code §1031 transaction prior to the close of escrow on either party's written notice. [See **ft** Forms 171 and 172-2]

6.2 For Buyer's monetary liability to Owner, limited to \$_____, if it be determined Buyer breached the written purchase agreement.

6.3 The execution of estoppel certificates by each tenant affirming the terms of their tenancy.

6.4 Owner to furnish a structural pest control inspection report and certificate of clearance of corrective conditions.

6.5 The transaction to be escrowed with _____, and provide for a closing date _____ days after entering into a written purchase agreement.

6.6 A good-faith deposit into an escrow account in the amount of \$_____.

7. Prospective Buyer proposes to pay a purchase price for the property of \$ _____

8. The terms for payment of the proposed purchase price to include:

8.1 Cash through escrow including funds from any purchase-assist financing \$ _____

8.2 Take title subject to, or Assume, an existing first trust deed loan of \$ _____

8.3 Take title subject to, or Assume, an existing second trust deed loan of \$ _____

8.4 Assume an assessment bond lien of \$ _____

8.5 Execute a note in favor of Owner for the balance due on the purchase price of.....\$ _____

REVIEW PERIOD:

- 9. The review period for prospective Buyer’s due diligence investigation, inspection and testing expires _____ days after receipt, or access has been made available, of all items checked below for prospective Buyer’s review.
 - 9.1 In the event prospective Buyer does not acquire ownership of the property, prospective Buyer to return to Owner all items requested which prospective Buyer received from Owner or Owner’s representatives.
- 10. Seller agrees to hand prospective Buyer copies or make available for prospective Buyer’s review each of the following checked items as soon as reasonably practicable after agreeing to this letter:
 - 10.1 A Rental Income Rent Roll statement itemizing, by unit or space, the tenant’s name, monthly rent amount including CAMs and other additional rent fees, rent due date, delinquencies and the amount in arrears, rental period and expiration date, any incentive rent-free arrangements and bonuses or discounts, utilities paid by landlord, security deposits and prepaid rent, furnishings supplied, broker fees due or to become due under the leases. [See **ft** Form 352-1]
 - 10.2 Tenant rental or lease agreements, including any riders, modifications or amendments and side agreements; any option rights to renew or extend, lease additional space or purchase the property; and any pre-expiration cancellation rights and penalty amounts. A tenant turn-over report and an eviction report, by unit or space, for the current and two preceding years.
 - 10.3 Operating income and expense records, the current year-to-date and two preceding years’ profit and loss statements (or schedule E) and capital expenditures for the property, and operating and capital budgets for this and the following year.
 - 10.4 Property management agreements and a list of employees including their compensation schedules, and leasing agent listings to locate tenants.
 - 10.5 Maintenance agreements, outstanding work orders and other service or supply agreements related to the operation of the property.
 - 10.6 Utility, cable/TV, internet and phone bills, property and business tax bills, assessment statements for any rent control and special district improvement bonds.
 - 10.7 Invoices and copies of advertising and marketing for units or spaces during the past two years, along with any marketing budget and plans for this year and next.
 - 10.8 Interview of individuals involved in the management and operations of the property and administration of the property’s financial books and records.
 - 10.9 Natural Hazard Disclosure Statement issued by a geologist and signed by Owner, and any geological reports relating to the property and possessed or known to Owner. [See **ft** Form 314]
 - 10.10 Conditions of property disclosures prepared and signed by Owner. [See **ft** Form 304 and 304-1] Solar Shade Control Notices sent or received by Seller to be handed to Buyer on acceptance.
 - 10.11 Seller’s Neighborhood Security Disclosure prepared by Owner setting forth criminal activity on or about the property during the past two years relevant to the security of persons and their belongings on the property, and any security arrangements undertaken or which should be undertaken in response. [See **ft** Form 321]
 - 10.12 Appraisals, feasibility studies, and market studies relating to the value and rentability of the properties.
 - 10.13 Soil reports, pest control reports, ADA compliance reports, structural or component reports by architects or contractors and other similar reports or studies.
 - 10.14 ALTA survey, topographical studies, plans and specification of improvements and engineering of the site.
 - 10.15 An inspection of the property by prospective Buyer or consultants within ____ days after mutual agreement to this letter.
 - 10.16 All government related licenses, permits, mapping of the parcel, blueprints and plans, certificates of occupancy, building inspections, health and safety reports, environmental impact and conditions reports or studies known to Owner, and copies of relevant local zoning ordinances affecting the use or operation of the property.
 - 10.17 Warranties or guaranties on fixtures or components of the property improvements.
 - 10.18 Schedule “B” exceptions to Owner’s most recent policy of title insurance and Owner’s knowledge of any encumbrances not listed on Schedule “B” as an exception.
 - 10.19 Itemized inventory of the personal property, including any trade fixtures, owned or leased by Owner and used in the operation or maintenance of the property.
 - 10.20 All effective insurance policies relating to the property and liability of Owner for its operations, statements of premiums, and any claims made under any insurance policy covering the property during the past _____ years, including claims made against building contractors.
 - 10.21 The note, trust deed or related documents for each monetary lien on the property to include any restrictions, limitations or conditions on occupancy, rents, use, encumbrance, conveyance or reconveyance.

- 10.22 Disclosure by Owner of any other conditions not here itemized and known to Owner which might adversely affect the value, use and operations of the property.
- 10.23 Any other items prospective Buyer may reasonably request to complete his due diligence investigation and review of the property and records.
- 10.24 See attached Addendum – General Use for additionally requested documentation and information. [See **ft** Form 250]
- 11. Prospective Buyer, prospective Buyer’s agent and consultants, Owner and Owner’s agent will not disclose to any third party the existence of this letter, the contents of any documentation provided to prospective Buyer by Owner or otherwise obtained by prospective Buyer during the term of this letter, or the negotiations for entering into a written purchase agreement.
- 12. Owner and prospective Buyer to bear their costs without reimbursement for any preparation of documentation for the due diligence investigation or for the investigation or any other activities undertaken in conjunction with this agreement.
- 13. Owner to pay a brokerage fee of \$_____ on the change of ownership contemplated by this letter. Owner’s broker and prospective Buyer’s broker, respectively, to share the brokerage fee _____:_____.
- 14. If these negotiations are for the transfer of a one-to-four unit residential property or a commercial property, Buyer and Owner acknowledge receipt of an attached Agency Law Disclosure. [See **ft** Form 305]
- 15. _____

The proposal set forth in this Letter of Intent is respectfully submitted for Owner’s considered attention. We look forward to a favorable response by agreeing with its terms and conditions.

Prospective Buyer's/
Selling Broker: _____
 Broker's CalBRE #: _____
 Buyer's Agent: _____
 Agent's CalBRE #: _____

Owner's/
Listing Broker: _____
 Broker's CalBRE #: _____
 Seller's Agent: _____
 Agent's CalBRE #: _____

Signature: _____
 Is the agent of: Prospective Buyer exclusively.
 Both Owner and Buyer.

Signature: _____
 Is the agent of: Owner exclusively.
 Both Owner and Buyer.

Address: _____

 Phone: _____ Cell: _____
 Email: _____

Address: _____

 Phone: _____ Cell: _____
 Email: _____

I agree to the terms stated above.

See attached Signature Page Addendum. [ft Form 251]
 Date: _____, 20_____
 Prospective Buyer: _____
 Signature: _____
 Prospective Buyer: _____
 Signature: _____

I generally concur with the terms stated above.

See attached Signature Page Addendum. [ft Form 251]
 Date: _____, 20_____
 Owner: _____
 Signature: _____
 Owner: _____
 Signature: _____