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**Alternative #1**

Date:

Name

Company

Address

Re: Joint Venture Development of Property

Dear \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:

This letter of intent ("LOI") shall serve to confirm the intent of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ("PARTNER A") or its assigns or affiliates to partner with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ("PARTNER B") or its assigns or affiliates to develop property for various users.

The Project. The Parties acknowledge and agree that the purpose of the joint venture is to develop a portion or all of land into a multi-tenant retail office project.

New Joint Venture Limited Liability Company. PARTNER A or its assigns and PARTNER B or its assigns will become Members of a newly created Limited Liability Company called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the "Company") and shall mutually agree to an Operating Agreement that shall define the Members obligations, liabilities and responsibilities.

Initial Property Conveyance and Financial Loans. PARTNER A shall convey a portion of the property of approximately \_\_\_\_\_\_\_\_\_\_\_\_\_\_ acres to the benefit of the Company on such terms that shall allow a reputable financial institution (“Lender") the ability to secure a Construction Loan and fund the Project. The value of the property is $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and at the close of the property, PARTNER A shall place the required equity to secure the construction loan and to pay for third party start-up soft costs. PARTNER B members shall secure financing with Personal Guarantees, if needed. The construction loan shall be on such terms as PARTNER A and PARTNER B deems appropriate in its reasonable discretion.

Financial Interest. PARTNER A shall receive \_\_\_\_% of any excess cash after all loans and equity is paid on a monthly or quarterly basis. PARTNER B shall receive \_\_\_\_% of any excess cash after all loans and equity is paid on a monthly or quarterly basis. Upon the sale of the project, PARTNER A and PARTNER B shall receive equal amounts of excess funds after all loans and equity is paid.

Development Agreement. Upon acceptance of this LOI, the parties shall negotiate and execute a Development Agreement that will govern the responsibilities, terms and conditions of the project. All parties shall be represented by counsel of their choosing at 'such parties" sole cost and expense, Said Development fee shall be \_\_\_\_\_\_\_ percent (\_\_\_ %) of the Total Project Cost and shall be paid to \_\_\_\_% to PARTNER B to manage the project and \_\_\_\_\_\_\_ percent (\_\_\_ %) to PARTNER A to assist in the project. \_\_\_\_\_\_\_ percent (\_\_\_ %) of the Development fee will be paid at Closing and the balance will be paid on an equal, monthly basis over a construction schedule period of twelve (12) months.

Preferred Return. PARTNER A shall raise the required equity and the Members shall agree to the preferred return due to the equity Member which shall be due and payable on a monthly basis-from the time that the equity is placed and until such time the equity is returned.

PARTNER B duties to include, but not limited to:

* Establish a Project Cost Budget showing the estimated Profit for the Project and the estimated Disbursement to all Members.
* Negotiations and execution of all architectural and engineering contracts with mutual consent of PARTNER A.
* Design and permitting of the improvements with mutual consent of PARTNER A.
* To manage (complete) the required civil engineering, architectural, survey, and oversee the remainder of the due diligence requirements (geotechnical investigation and Phase I Environmental) that would permit the project for the planned development.
* Hire Legal counsel for the real estate and loan closing of the improvements.
* Review all General Contractor's Draw and pay applications and payments thereof. Payments would include civil engineering, architectural, survey, and associated soft costs, including development fees.
* Developing, staffing and managing the facility as needed to ensure the success of the project.

Financial Control. PARTNER B will be responsible for the financial control and disbursement of the construction loan, with PARTNER A’s approval and shall adhere to sound financial practices and at all times act in the best interest of the Company. PARTNER B shall email the QuickBooks records to PARTNER A on a monthly basis for PARTNER A to review with a report if there is any material financial deviation from the original budget that would result in a cash shortage.

General Contractor. PARTNER B agrees to bid the project to independent General Contractors as mutually agreed upon.

Non-Binding Letter of Intent: Because of the complexity of this transaction and the large monetary value involved, this letter shall not create any legally binding obligations between the parties. This letter only expresses the intent of the parties to conduct negotiations that may or may not result in the consummation of a legally binding contract. It is the express intent of the parties that execution of a formal contract is a condition precedent to the creation of any binding legal obligation between the parties. Any services rendered or expenses incurred in anticipation of such legally binding contract shall be borne exclusively by the party incurring said expense.

Thank you for your consideration and I look forward to talking with you further.

Sincerely,

Accepted by:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

By: Date:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

By: Date:

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**Alternative #2**

**LETTER OF INTENT**

Between

**\_\_\_\_\_Partnership Entity A\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** (hereinafter mentioned as **"PEA"**),

And

**\_\_\_\_\_Partnership Entity B\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** (hereinafter mentioned as **"PEB")**

Both parties explicitly understand and mutually agree by means of this Letter of Intent the following:

**1. Investment objective:**

Parties shall develop, own, operate, finance, and manage a shopping center known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and offer this shopping center for sale upon development or hold the property for purposes of investment as the Partners shall agree.

**2. Position and responsibilities of each party:**

**PEB** will be responsible for:

- acting as General Partner

- acquisition of \_\_\_\_\_\_\_\_ as the anchor tenant

- arranging construction financing

- personal guaranty of the construction financing

- coordination of feasibility analysis, environmental study, utility

availability, engineering drawings, and architectural drawings

- the development of the shopping center

- the property management of the shopping center

- the asset management of the investment

**PRP** will be responsible for:

- providing the land as equity and acting as limited partners

**3. Structure of the investment:**

Legal owner of the shopping center during the development phase and the operational phase will be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the "owner"), and includes individual ownership as follows:

Limited Partner Class A: \_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ , prorata to their ownership in **PEA**

Limited Partner Class B: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, prorata to ownership in **PEA**

General Partner: **PEB** (or a subsidiary thereof) no ownership aside from 1% for tax purposes, (See #15).

The GP will be responsible for all partnership affairs and management of the shopping center.

The General Partner will be responsible for:

- entering into a construction contract with an approved Anchor Tenant General Contractor

- supervising the progress of the development and construction

- signing for all payments of invoices on a monthly basis

- controlling and reviewing on the agreed construction budget

- reporting to the owner in a form as instructed by owner

**4. Due Diligence and Pre-Development Expense:**

The following investigations will be performed:

- feasibility study such as:

- construction budget and assumptions of development phase

- 5-year budget and all assumptions of operational phase

- marketing plan/leasing

- environmental, land survey, and other necessary investigations in

connection with development and operational investments

Total costs of due diligence/predevelopment expenses are estimated to be $\_\_\_\_\_\_\_\_\_\_. All costs related to the due diligence /predevelopment expenses will be borne by the Partnership and are included in the pro forma.

**5. Development Pro Forma:**

The Pro Forma attached as Exhibit "A" is a preliminary conceptual budget.

**6. Development Phases:**

Phase I: 55,000 SF Anchor Tenant and 23,200 SF local shop space

Phase II: SF local shop space

Phase II will be implemented in a prudent manner depending on pre-leasing and the retail market environment. It is expected that pre-leasing will cause the partnership to start construction of Phase II prior to completion of construction of Phase I.

**7. Timeframe:**

The following schedule is anticipated at this time:

1. Letter of Intent September 15, 20\_\_

2. Anchor Tenant Senior Committee November 2, 20\_\_

3. Architectural and engineering

design phase begins November 15, 20\_\_

4. Anchor Tenant Lease signature December 15, 20\_\_

5. Development construction start March 1, 20\_\_ +1

6. Anchor Tenant move-in November 15, 20\_\_+1

**8. Equity:**

The equity required for this project will be the land and will be contributed by **PRP** as the capital contribution to \_(legal owner of shopping center)\_\_\_.

**9. Lawyers:**

All agreements involved in the structuring and establishment of the limited partnership, the management of the property, and other agreements related to the development of the project will be drafted by:

**10. Fees:**

Development Fee:

\_\_name\_\_\_\_\_\_\_\_\_ $

\_\_name\_\_\_\_\_\_\_\_\_ $

During Operational Phase:

Management Fees:

- asset manager: **PEB** asset management fee \_\_\_%

- property manager: **PEB** \_\_% of the gross rental

income payable on a monthly basis

**11. Preferences:**

During the development period:

The Limited Partner Class A and Limited Partner Class B will achieve a non-compounded annual cumulative preferred return on their invested capital of \_\_\_%

During the operational phase:

The Limited Partner Class A and Limited Partner Class B will achieve a non-compounded annual cumulative preferred return on their invested capital of \_\_\_%.

**12. Profit Share After Sale/Refinancing:**

All cash flows will be distributed first to the \_\_\_\_% non-compounded annual cumulative preferred return and next to the return of all capital contributions and next to the split of 50/25/25 to respectively the Limited Partner Class A/Limited Partner Class B/General Partner

**13. Distributions:**

Will take place on a quarterly basis

**14. Management:**

Asset Manager: **PEB**

Responsibilities:

- monitoring the construction budget and operational budget

- distribution of financial information to the investors

- quarterly distributions to Class A and Class B participants

- advising in leasing or financing matters

Property Manager: **PEB**

Responsibilities:

- day-to-day management of the property

- leasing of the property

- financial report to Asset Manager on a monthly basis

- all normal duties in relation to the property management

**15. Distribution of Profits and Losses for Tax Purposes:**

1% to the GP and 99% for the limited partner until their capital account has been reduced to zero. After that distribution conforms with profit share of 50/25/25.

**16. Others:**

The laws of the State of \_\_\_\_\_\_\_\_\_\_ will be applicable on all agreements involved with the construction phase and operation phase.

**PEA**

BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**PEB**

BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_