

Comparison of Common Offer Forms

TRUE OPTION

CONDITIONAL SALES AGREEMENT

LETTER OF INTENT

	Advantages to Seller	Advantages to Seller
<p>Advantages to Seller:</p> <ul style="list-style-type: none"> Seller earns money while property off the market Seller can keep money even if sale does not close Seller knows date certain as to conditions and sale Less conditions and loopholes in the contract Still owns the property if property does not close 	<p>Advantages to Seller</p> <ul style="list-style-type: none"> Purchaser commits to due diligence for a specific use Likelihood of serious buyer investing money in research 	<p>Advantages to Seller:</p> <ul style="list-style-type: none"> Quickly know if Purchaser is in the price range Minimal legal expense to review the offer (too simple)

	Disadvantages to Seller	Disadvantages to Seller
<p>Disadvantages to Seller:</p> <ul style="list-style-type: none"> Could be Speculative buyer with no use in mind Option may never be exercised, at Buyer's election 	<p>Disadvantages to Seller:</p> <ul style="list-style-type: none"> Many conditions to closing If no closing, no money earned for keeping the property off the market Closing is at buyer's discretion Property is usually tied up for several months 	<p>Disadvantages to Seller:</p> <ul style="list-style-type: none"> May not be binding Incomplete terms Seller may not consider a LOI a serious offer Could become a contract unintentionally

	Advantages to Purchaser	Advantages to Purchaser
<p>Advantages to Purchaser:</p> <ul style="list-style-type: none"> Buyer can walk from deal for any reason for known cost Short contract form Easier to negotiate 	<p>Advantages to Purchaser:</p> <ul style="list-style-type: none"> Closing is at buyer's discretion If Buyer cannot use the property for a specific use, the Buyer can cancel the contract 	<p>Advantages to Purchaser:</p> <ul style="list-style-type: none"> Quick method to make offer on property in high demand Can test the water concerning price and basic terms without commitment, if written properly (too simple)

	Disadvantages to Purchaser	Disadvantages to Purchaser
<p>Disadvantages to Purchaser:</p> <ul style="list-style-type: none"> Costs money to tie up land 	<p>Disadvantages to Purchaser:</p> <ul style="list-style-type: none"> Purchaser must perform due diligence Purchaser must invest money in investigation Buyer cannot just walk away from deal without potential for suit for specific performance 	<p>Disadvantages to Purchaser:</p> <ul style="list-style-type: none"> May not be binding Incomplete terms Could become a contract unintentionally Seller may not consider a LOI a serious offer

	Advantages to Broker	Advantages to Broker
<p>Advantages to Broker:</p> <ul style="list-style-type: none"> Earn money when option is signed Short offer form, often easier to negotiate Have not worked for free if deal does not close 	<p>Advantages to Broker:</p> <ul style="list-style-type: none"> Purchaser has specific use in mind, may be a more credible Buyer 	<p>Advantages to Broker:</p> <ul style="list-style-type: none"> Quick to prepare and present in a timely manner

	Disadvantages to Broker	Disadvantages to Broker
<p>Disadvantages to Broker:</p> <ul style="list-style-type: none"> Option may never be exercised or closed Could be Speculative buyer with no use in mind, could be shopping the property 	<p>Disadvantages to Broker:</p> <ul style="list-style-type: none"> Closing may never take place If no closing, Broker does not make any money If no closing, Broker must resolve any Earnest Money disputes 	<p>Disadvantages to Broker:</p> <ul style="list-style-type: none"> May be waste of time just to test the water Complete contract may never be signed Legal document the Broker should not draft