

Buyer's Brokerage Sequence of Events

- When we find a property that appears to meet the acquisition criteria for one of our clients, we underwrite the property to determine if an offer is warranted, and send the underwriting to our client.
- After the client agrees that the property is worth pursuing, we prepare a Letter of Intent to be sent to the Seller.
- We suggest the offer consist of a short due diligence period (typically 25 to 30 days), quick close thereafter (5-30 days), and that a refundable earnest money of \$500,000 to \$1,000,000 will be deposited at the opening of the escrow. A "verifiable funds to close the transaction" clause is an important aspect of the Letter of Intent. It has been our experience that owners have chosen our clients offer over competing offers due to these indicators of financial strength. These strategies have proven to give us a competitive edge.
- After a Letter of Intent is accepted by the property owner, we then ask the Owner to forward to us the documents needed to complete the due diligence for the acquisition. During the due diligence period, we work with the client's property management company to inspect the property and analyze areas of interest to our client. There will be continuous communication with our client as the due diligence progresses.
- After the due diligence has been completed, a final underwriting is prepared. The due diligence findings and the final underwriting are jointly reviewed with the client prior to the expiration of the "free look" period. We will then recommend to our client any adjustments to the original offer, if any, and the purchase price will be renegotiated, if appropriate.

We take great pride in that our clients have taken heed of our advice of not being the type of Buyer that "ties a Seller up, only to ride him down on pricing during due diligence". Our clients have been extremely successful at acquiring multiple assets because their track record of closing is "clean and honorable". Most of the transactions we have been party to have closed at very near our initial offering price. We have closed 20 of the 21 escrows we have opened.

Purchase price adjustments are warranted when the due diligence uncovers conditions which were unknown to our selves, or to our client, when the Letter of Intent was originally submitted. For example, an excessive percentage of carpet failures are a fair adjustment, but our client should have expected a failure rate of at least 20%. Cannibalized units are certainly an appropriate subject for price renegotiation, as are roof replacements. However, asphalt repairs and exterior painting are conditions which should have been known by an experienced Buyer when he prepared the Letter of Intent, and, in our opinion, are not subjects appropriate for price renegotiations.

"My father said:

**'You must never try to make all the money that's in a deal.
Let the other fellow make some money too,
because if you have the reputation for
always making all the money, you won't have many deals.'"**

- J. Paul Getty

**"The most important trip you may
take in life is meeting people half way."**

- Henry Boyle