

[DATE]

Via Electronic Mail (Larry@larrylawyer.com)

Astrid A. Attorney
Bank of USA
VP - Director of Accounts
100 Wonderland Drive
San Diego, CA 92111

RE: Letter of Intent to Acquire Property from Bank of USA (Johnny Hopkins Medical Building)

Dear Mr. Attorney:

Please accept this letter as an expression of the key terms upon which STANDARD HEALTHCARE DISTRICT, a California hospital district or its nominee (“Buyer”) would consider purchasing from Bank of USA (“Seller”) that approximately .97 acres of land (the “Land”) and medical office building containing approximately 32,111 rentable square feet and related improvements thereon (the “Improvements”), located at 100 Via De La Guerra, Del Mar, California (collectively, the “Property”), subject to the negotiation and execution of a definitive Purchase and Sale Agreement and final approval of Buyer’s Board of Directors. Except for Paragraph 13, this letter is non-binding and the terms set forth below may be considered by Buyer and Seller, but does not create legally binding obligations between them. Please note that securing debt financing is **not** a requirement for us in this transaction – Buyer can and is prepared to close this deal on an all cash basis.

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|--------------------|---|
| 1. Buyer: | STANDARD HEALTHCARE DISTRICT, a California healthcare district or its designated assignee |
| 2. Seller: | Bank of USA |
| 3. Price: | \$21,000,000 all cash purchase price. |
| 4. Deposit: | Initial Deposit of \$4,000,000, to be deposited in Escrow upon execution of a mutually acceptable Purchase and Sale Agreement (“ <u>Purchase Agreement</u> ”). The initial deposit shall be refundable to Buyer pending the completion of its due diligence investigations. The Deposit will be applicable to the Purchase Price and after the due diligence period will then be non-refundable unless escrow fails to close due to Seller’s default. |

5. Investigation:

Within five (5) days following execution of this Letter of Intent, Seller shall provide Buyer with legible copies of all pertinent documents referenced in Schedule "A" to this Letter of Intent (the "Due Diligence Documents"). Buyer shall have ten (10) days following receipt of the Due Diligence Documents (the "Due Diligence Period") to review and approve all such documents and to conduct any and all additional investigations of the Property as Buyer deems appropriate (including investigation of all correspondence with tenants, leases, lease negotiations, correspondence with leasing brokers, insurance policies, structural, electrical and mechanical aspects of the improvements, the interiors of all buildings, supports, site work, foundations, soil, subsurface soils, drainage, seismic and other geological and topographical matters, location of toxic substances, hazardous materials or wastes, if any, and any other investigations as Buyer deems prudent with respect to the Property and its physical and economic condition), at which time Buyer shall provide Seller written approval or disapproval. Written approval by Buyer is a condition precedent to Buyer's obligation to purchase the Property, and may be granted or withheld in Buyer's sole and absolute discretion. If Buyer does not deliver written approval by the expiration of the Due Diligence Period, Buyer shall be deemed to have terminated the Purchase Agreement, and the Deposit will immediately be returned to Buyer.

6. Escrow:

America's Finest Title Company

7. Title:

America's Finest Title Company

8. Closing Costs:

The closing costs will be apportioned as follows: (i) Seller pays one-half (1/2) of Escrow Holder's fee, all transfer taxes, the CLTA portion of the premium for an owner's title policy and all recording fees; (ii) Buyer pays one-half (1/2) of the Escrow Holder's fee and the ALTA portion of the premium for an Owner's title policy.

9. Closing:

The close of escrow shall occur fourteen (14) days following the expiration of the Due Diligence Period.

10. Representations:

The Purchase Agreement will include customary Seller representations including, without limitation, representations that (i) Seller has due authority to convey the Property, (ii) there are no monetary liens, encumbrances or obligations affecting the Property,

except as disclosed in the title report, (iii) no one has a right to purchase, acquire, possess or occupy the Property, except as disclosed in writing and (iv) there are no environmental, construction defect or litigation matters, governmental actions or other actions affecting the Property that Seller is aware of.

11. Broker/Finder:

There are no brokers or finders related to this transaction. The parties will indemnify each other from and against any claims for any commissions or finders fees due in connection with the sale of the Property.

12. Exclusive Period:

Seller agrees that following the execution of this Letter of Intent, Buyer shall have the exclusive right to negotiate with Seller for the purchase and sale of the Property. The exclusivity period shall run until the earlier to occur of ten days following Seller's execution of this Letter of Intent, or the execution of a mutually acceptable Purchase and Sale Agreement between Buyer and Seller. The provisions of this paragraph are fully binding upon and enforceable against Seller notwithstanding that the other provisions of this letter of intent are non-binding.

13. Assignment:

Buyer shall have the right to assign its obligations under the Purchase Agreement to an entity directly or indirectly owned or controlled by Buyer or its principals.

14. Expiration:

This Letter of Intent shall be effective through 5:00 pm Pacific Time on Thursday, [_____].

It is understood that this letter of intent contains only a summary of the general terms of the proposed transaction, does not contain all matters upon which agreement must be reached in order for the proposed transaction to be consummated, is not intended to be, and, except for Paragraph 13, is not binding on any party hereto and does not contain all matters upon which agreement must be reached in order for the proposed transaction to be consummated. Upon mutual execution of this letter of intent, Buyer's counsel will prepare a Purchase Agreement incorporating the terms contained herein, as well as other provisions that are customary with respect to the acquisition of an apartment building. No party hereto shall have any obligation with respect to the proposed transaction unless and until each party executes the Purchase Agreement.

BUYER:

STANDARD HEALTHCARE DISTRICT, a
California hospital district

By: _____
Larry A. Lawyer, its CEO

SELLER:

Accepted by Seller on _____, [____]

BANK OF USA

By: _____
Name: _____
Title: _____

SCHEDULE "A"

DUE DILIGENCE DOCUMENTS

(a) The original or a copy of the policy or certificate of title insurance or, if such policy has not been issued or located, an original or copy of an irrevocable, binding commitment (which may be a marked version of the policy that has been executed by an authorized representative of the title company or an agreement to provide the same pursuant to binding escrow instructions executed by an authorized representative of the title company) to issue such title insurance policy;

(b) Any documents relating to the Property, including without limitation, any and all files, correspondence, legal opinions, third-party appraisal, ALTA Survey, third-party environmental report, the latest third-party property inspection or construction engineering report, any plans and specifications or sample floor plans for improvements, third-party engineering report, architectural report, draw requests (including all accompanying documentation) operating statements, rent rolls, leases, financial statements, organizational documents, insurance certificates and/or policies, proformas, budgets, marketing and sales reports, loan statements, bank statements, photographs and any other financial or other information pertaining to the Property;

(c) Any intercreditor agreement relating to debt (including, without limitation, mezzanine debt) of Seller;

(d) Copies of all written correspondence with the tenants, if applicable;

(e) A schedule of all pending, threatened or actual disputes or litigation matters affecting any lease or the Property;

(f) Copies of all current marketing materials and brochures;

(g) A copy of the project's form lease;

(h) Copies of all pending leases and lease correspondence;

(i) A preliminary title report prepared by the Title Company for the Property dated no earlier than the Effective Date, together with (a) legible copies of all documents and maps referenced therein as title exceptions, including any project CC&R's and any easement or encroachment rights; (b) a map plotting the location of all easements affecting the Property (collectively, the "PTR"); and (c) flood zone information.

(j) Copies of all soil reports or other geologic studies, property condition reports, environmental studies, ADA compliance surveys or studies, engineering studies, architectural plans, as-built and draft plans and blueprints, site plans, floor plans and specifications, surveys, natural hazard disclosures, physical condition reports, site assessment reports, and civil engineering plans in Seller's possession relating to the Property;

- (k) Building area measurements;
- (l) A list of all contractors, subcontractors and independent consultants engaged in connection with construction of the improvements located on the Property;
- (m) Copies of all agreements with architects and engineers engaged in connection with the improvements on the Property;
- (n) A schedule of all subcontractors engaged in conjunction with improvements to the Property, and copies of all applicable contracts and warranties;
- (o) A schedule of all change orders and requests for information regarding the construction of the improvements on the Property;
- (p) Copies of all design professionals certificates, inspections and reports;
- (q) A schedule of all warranties and/or guaranties regarding equipment and appliances at the Property;
- (r) Copies of all existing and permitted building permits, certificates of occupancy and all other governmental licenses and permits necessary to use and occupy the Property, and copies of all entitlements, covenants, conditions and restrictions and easement agreements covering the Property;
- (s) Copies of all existing appraisals of the Property; and
- (t) Such other items in Seller's possession as Buyer shall reasonably request.