The Letter of Intent (LOI) is a non-legally binding document that identifies the basic agreements the parties have entered into prior to negotiating a Memorandum of Understanding. The LOI typically states the guiding principles for the negotiations, identifies who has the authority to negotiate on behalf of the organizations, and sets the time frame for discussions. It can also detail nonnegotiable issues and delineate how to terminate the discussions, if necessary. Both parties develop the Letter of Intent together.

Preferably, the LOI should be executed before starting the negotiations. This means that each organization’s Board of Directors has voted on the LOI and the Board Chairs have signed it, indicating that each Board Member has been informed about the matter.

A sample LOI follows on the next page.
LETTER OF INTENT

THIS LETTER OF INTENT is made this ______ day of ____________, 20 __, to set forth the stated intention of [Agency A] and [Agency B] to explore a merger or other strategic business alliance. This letter sets forth the principles and structure under which the parties intend to undertake this exploration to determine if a merger or other strategic business alliance is in the best interests of both organizations. It is understood that any agreement resulting from the negotiation process will require approval from both Boards of Directors.

GUIDING PRINCIPLES

The principles of the cooperative relationship are as follows:
- Agreements to be developed will mutually benefit both parties.
- Both organizations agree to negotiate in good faith and to keep matters related to this negotiation confidential.
- Existing agreements will be maintained and, when feasible, strengthened.
- Current missions will be maintained and, where feasible, strengthened.

AUTHORITY

The official having primary responsibility for representation of [Agency A] shall be [Person A’s Name], [Title], and the official having primary responsibility for representation of [Agency B] shall be [Person B’s Name], [Title]. Both officials, together with the Joint Negotiation Committee team appointed by [Honorable Full Name], as well as each Board, have the following responsibilities related to this negotiation:
- Approving a case statement for the merger including vision and goal statements
- Preparing a Memorandum of Understanding for the relationship
- Communicating regularly with the respective boards about the progress being made in the negotiation process
- Overseeing the due diligence process and reporting out
- Engaging one attorney to represent both organizations to recommend a structure and prepare the necessary legal documents, board resolutions, and government filings
- Preparing a 12-month implementation plan

TERMINATION

The parties may terminate this Letter of Intent and their cooperative relationship at any time. Any written notice to terminate this Letter of Intent shall be delivered by the terminating party to either [Honorable Full Name] for [Agency A] or [Honorable Full Name] for [Agency B].
ENTIRE UNDERSTANDING

This Letter of Intent contains the entire understanding between the parties with respect to its subject matter and supersedes any prior understandings and agreements between them with respect thereto. If by [DATE], the parties do not execute documents implementing the terms of this Letter of Intent, this Letter of Intent shall be of no further force and effect and shall cease to be an expression of the parties’ mutual intent.

In WITNESS WHEREOF, the parties have executed this Letter of Intent on the date first above written.

[Agency A]

__________________________________  __________
Its:                                      Date:

[Agency B]

__________________________________  __________
Its:                                      Date: