

PROCESS

What is a letter of intent when selling a business, and is it binding?

By Ayodele Olasiji, Optimax Commercial · Updated October 18, 2026 · 2 min read · Online at [optimaxdeals.com/guides/letter-of-intent-selling-a-business](https://www.optimaxdeals.com/guides/letter-of-intent-selling-a-business)

SHORT ANSWER

A letter of intent, or LOI, is a short document where the buyer offers a price and terms before lawyers write the full purchase agreement. Most of it is usually not binding, so either side can still walk away. The parts that usually do bind are confidentiality and exclusivity, where you agree not to deal with other buyers for a set period. Read those closely.

How to, at a glance

1. Read the price, structure and what is included
2. Check the financing and due diligence conditions
3. Check how long the exclusivity period lasts
4. Ask your lawyer which parts are binding
5. Sign, then move fast on due diligence requests

Questions owners ask

Can I back out after signing a letter of intent?

Usually yes for the deal terms, which are commonly non binding. But you are often bound by exclusivity and confidentiality for the period stated.

Should I accept the first LOI?

Compare it with any other offers and check the buyer's proof of funds or lender approval first. Exclusivity means other buyers wait.

Who writes the LOI?

Usually the buyer, often with their broker or lawyer. Your broker and lawyer can push back on terms before you sign.

What an LOI usually covers

- Price, and how it is paid: cash, bank loan, seller note.
- What is included: equipment, inventory, real estate, the name.
- Asset sale or stock sale.
- Due diligence period and financing condition.
- How long you will train the buyer.

- Exclusivity: how long you stop talking to other buyers.
- Target closing date.

Binding and non binding parts

Most LOIs say the deal terms are not binding until a purchase agreement is signed. But they often make confidentiality and exclusivity binding right away. While you are exclusive, you cannot shop the business, so a long exclusivity period with a slow buyer is costly.

What to check before you sign

- The exclusivity period is reasonable, with a set end date.
- The financing condition names a deadline for loan approval.
- The price does not quietly depend on a later adjustment you do not understand.
- Your lawyer has read it.

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