

LETTER OF INTENT TO PURCHASE BUSINESS

Date: [date]

From (Buyer): [Buyer's full legal name, or company name and entity type], of [address] ("Buyer")

To (Seller): [Seller's full legal name, or company name and entity type], of [address] ("Seller")

Re: Proposed purchase of [business name], [business address] (the "Business")

This letter sets out the main terms on which Buyer proposes to buy the Business. Part A describes the proposed deal and is **not binding**. Part B is **binding** on both parties once this letter is signed by both.

PART A: PROPOSED TERMS (NOT BINDING)

1. Structure

☐ **Asset purchase.** Buyer (or a company Buyer forms) will buy the assets of the Business listed in Section 3.

☐ **Equity purchase.** Buyer will buy [100]% of the ☐ shares ☐ membership interests of [company name] from its owners.

☐ To be agreed during due diligence.

2. Purchase Price

The proposed total purchase price is [\$ amount], payable as follows:

- Cash at closing: [\$ amount]
- Seller financing: [\$ amount], under a promissory note payable over [number] years at [rate]% interest, ☐ secured by [collateral] ☐ unsecured
- Earnout: up to [\$ amount], payable if [describe measurable target, e.g. "gross revenue for the 12 months after closing is at least \$X"]
- Assumed liabilities: [describe, or "None"]

The price assumes [e.g. "inventory at cost of at least \$X at closing" or "normal working capital of \$X"], and will be adjusted up or down at closing for any difference.

3. Included and Excluded Items

Included: [e.g. equipment and vehicles per a list to be agreed, inventory, customer lists, phone numbers, website and domain, trade name, goodwill, assignable contracts and permits].

Excluded: [e.g. cash, accounts receivable, Seller's personal vehicle, specific items].

Unless otherwise agreed, Seller will pay off all debts and liens on the included assets at or before closing, and Buyer will not take on any liability not listed in Section 2.

4. Conditions to Closing

Buyer's obligation to close will depend on:

- due diligence results satisfactory to Buyer;
- Buyer obtaining financing of at least [\$ amount] on reasonable terms ☐ (not applicable);
- the landlord's consent to assign the lease, or a new lease on terms acceptable to Buyer;
- transfer or reissue of licenses and permits needed to run the Business;
- consent of these key customers, suppliers or franchisors, if needed: [list or "None"];
- no material negative change in the Business before closing; and
- signing a definitive purchase agreement and related documents acceptable to both parties.

5. Transition and Seller's Role

Seller will help transition the Business for [number] weeks after closing, for up to [number] hours per week, ☐ at no extra charge ☐ at [\$ rate]. The parties expect the final documents to include a reasonable non-competition and non-solicitation covenant from Seller, limited in time and area as the law allows, to be negotiated in the purchase agreement.

6. Employees

Buyer ☐ intends ☐ does not intend to offer employment to [all / named] employees of the Business on terms Buyer decides. Seller remains responsible for wages, benefits and obligations to employees through the closing date.

7. Timeline

- Due diligence period: [number] days after both parties sign this letter
- Target date for a signed purchase agreement: [date]
- Target closing date: [date]

8. Definitive Agreement

Buyer's counsel ☐ Seller's counsel will prepare the first draft of the purchase agreement. The purchase agreement will contain customary statements, promises, conditions and indemnities for a deal of this kind.

PART B: BINDING TERMS

9. Confidentiality

Buyer will keep confidential all non-public information about the Business it receives, use it only to evaluate and negotiate the proposed purchase, and share it only with its advisers, lenders and investors who need it and are told to keep it confidential. Buyer will not contact the Business's employees, customers, suppliers or landlord about the deal without Seller's consent. Seller will keep the terms of this letter confidential except with its own advisers. If the deal does not close, Buyer will return or destroy Seller's confidential information on request. This section lasts [number] years after this letter ends. [If the parties have already signed a separate NDA, that NDA also applies, and where the two conflict, the stricter term applies.]

10. Exclusivity

From the date both parties sign this letter until [date or "[number] days later"] (the "Exclusivity Period"), Seller and its owners and representatives will not solicit, encourage, negotiate or accept any offer from anyone else to buy the Business or a material part of its assets or equity, and will tell Buyer promptly if they receive one. Either party may end the Exclusivity Period early by written notice if the other party stops negotiating in good faith. The parties may extend it in writing.

11. Access

During the Exclusivity Period, Seller will give Buyer and its advisers reasonable access, during business hours and on reasonable notice, to the books, records, tax returns, contracts, premises and key managers of the Business.

12. Conduct of the Business

During the Exclusivity Period, Seller will run the Business in the ordinary course, consistent with past practice, and will not sell assets outside the ordinary course or take on unusual debts.

13. Costs

Each party will pay its own legal, accounting, financing and other costs related to this letter and the proposed deal, whether or not it closes.

14. Non-Binding Effect

Except for Part B, this letter is only a statement of intent. No binding agreement to buy or sell the Business exists unless and until a definitive purchase agreement is signed by both parties, and either party may stop negotiating at any time for any reason, subject to Part B.

15. Expiry and Termination

This offer expires if Seller has not signed and returned this letter by [date]. Once signed, this letter ends on the earliest of: signing of the definitive purchase agreement; the end of the Exclusivity Period; or written notice from either party. Sections 9, 13, 14 and 16 survive termination.

16. General Terms

Governing law. This letter is governed by the laws of the State of [State].

Entire understanding. This letter is the parties' entire understanding on its subject and may be changed only in writing signed by both.

Counterparts and electronic signatures. The parties agree this agreement may be signed electronically and in counterparts, and an electronic signature has the same effect as a handwritten one.

Signatures

Buyer

Signature: _____

Name: [full name]

Date: [date]

Seller

Signature: _____

Name: [full name]

Date: [date]