

# Sample Letter of Intent to Purchase

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Dear Business Owner:

Based on the financial information you provided, I am pleased to offer Letter of Intent (LOI) to purchase \_\_\_\_\_(business name) at \_\_\_\_\_(address) from \_\_\_\_\_ (owner). This agreement is non-binding. A formal purchase agreement with earnest money will be executed after the agreement of this letter of intent with final analysis of the business. Below is an outline summarizing general LOI terms and conditions to purchase for you and \_\_\_\_\_(real estate broker) to review.

(1) Total purchase price: \$\_\_\_\_\_ (\$ for real estate, \$ for Furniture, Fixtures and Equipment \$ for inventory and \$ for working capital/closing cost budget, includes SBA fee).

- Seller Note **\$XXX** (Terms acceptable to bank and buyer)
- Equity Injection **\$ XXX** Borrower
- = Proposed Loan **\$XXX SBA**

Approximate Payment \$ XX/mo. Term 25 years @ 6% fixed, fully amortizing

SBA Fee (approx.) \$ XXX

*\*\* real estate pricing computed on change in Moodys/REAL Commercial Property Price Index (CPPI) 40% decrease since 2006 appraisal*

- (2) Seller agrees to cooperate with the Buyer's due diligence investigation of the Business and to provide the buyer and its representatives with prompt and reasonable access to key employees and to books, records, contracts and other information pertaining to the Business
- (3) Business sale to meet these contingencies:
- a. Acceptable review of certified financials and general ledger with accountant in addition
  - b. Seller to provide copy last 3 year completed tax returns & detailed P&Ls
  - c. Acceptable appraisal of business
  - d. Acceptable appraisal of real estate
  - e. Acceptable full inventory count & appraisal
  - f. Acceptable non-compete seller clause not to compete covering including all managers/officers, directors and shareholders of Seller, within a 500 mile radius for period of 10 years.
  - g. Acceptable agreement /transfer of franchise
  - h. Acceptable franchise business & marketing records
  - i. Acceptable transferability of vendors/suppliers, service contracts & agreements
  - j. List of employee bios, names, titles & experience rates of pay and hours
  - k. Acceptable reconciled operating and asset inventory list
  - l. Acceptable transfer of business cash accounts and total accounts receivable (Total accounts receivable)
  - m. All equipment, machinery and vehicles have up to date service and in good working condition at time of purchase
  - n. Business passes any and all necessary inspections and is ADA complaint
  - o. Buyer will assume as of the closing date only those liabilities and obligations (i) arising in connection with the operation of the Business by the Purchaser after the closing date, and (ii) arising after the closing date in connection with the performance by the buyer of the contracts and agreements associated with the Business.
  - p. Seller to split costs with buyer for appraisal fees and closing costs
  - q. Seller responsible for all broker commissions and costs as required.

- r. Acceptable buyer visit to inspect business and facilities, research surrounding market area and review quality of life suitability for family relocation
  - s. Acceptable no cost training period agreement with the seller (30 days) plus attending one annual trade show and one annual buying trip.
  - t. Buyer to obtain acceptable loan financing
  - u. Seller ensures business has withheld all amounts required under income tax legislation, worker's comp, unemployment etc. and has paid all property and value taxes, rents, and other income and expenses pertaining to the property and operation of the business
  - v. Other Terms subject to accountant review of Sellers Tax returns
  - w. Real estate be delivered with warranties, clear and marketable title, debt free with title insurance
- (4) Buyer to adjust the purchase price in the event that: 1) undisclosed liabilities come due after settlement, 2) actual inventory and Furniture, Fixtures and Equipment purchased does not match amount specified in sale agreement
- (5) Signoff of all contingencies will be \_\_\_\_\_ Date**
- (6) Upon waiver of contingencies, buyer shall have obtained a loan application detailing terms acceptable to Buyer. Buyer shall be allowed a forty-five (45) business day period from waiver of contingencies to create a type Corporation, to allow transfer of 401 K funds, complete application, (seller/buyer) to provide lender with all documentation, and obtain a loan commitment, at terms the same as the application, or otherwise acceptable to Buyer.
- (7) Seller will continue to operate the Business consistent with past practice to closing. Estimated closing date will be \_\_\_\_\_ Date**
- (8) Letter of Intent to purchase is valid through 5:00 PM MST \_\_\_\_\_ Date**

This purpose of this letter is to decide whether there is a sufficient agreement between seller and buyer to continue with the sale of the business. The above mentioned terms and requirements in this agreement are legally non-binding. Please call me to discuss this when you are available.

\_\_\_\_\_  
 (Buyer) Date

\_\_\_\_\_  
 (Seller) Date

**Need assistance? Call Marilyn Laverty at 970-943-3157 and she will match you with a consultant right away!**