

# Letter of Intent to Sell Business Assets

- ☞ Let's say that you want to sell your business... Often, an acquiring company may not want to purchase the business, but they may want to purchase its assets – they never know what skeletons there may be in the closet and cannot take that risk (lawsuits, liabilities, etc.), and you don't have to work so hard proving that everything is OK (or getting around these problems to make the deal) Selling just your assets may get the deal done faster than trying to sell your entire business. If they want your products, inventory, brand, goodwill – everything they can use and/or sell, then this agreement is a good start to get that done. Then you will be free to do the next thing in your life!
- ☞ Remember, think about what they are buying from *their* perspective – there may be some thing of extreme value to them that may be beyond your ability to capitalize on, but they will pay a premium for you have!
- ☞ The first part of the Memorandum should be completed and distributed to the other party along with a copy of the Letter of Intent to Sell Business Assets.

Date:

 [Date]

To:

[Name of other party]

From:

[Owner/Founder]

[Company]

Subject:

**Letter of Intent to Sell Business Assets**

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Attached is a Letter of Intent to Sell Business Assets.

It is not intended to be a binding contract between us, but rather an understanding of the assets being transferred along with preliminary discussions of the issues we discussed in our last meeting.

I believe that it embodies everything we discussed.

Please read the agreement carefully.

We recommend that you also have it reviewed by your own qualified legal counsel.

Time is of the essence.

Please sign and return it to me asap.

Thank you very much!

# From JIAN

## NOTICE:

We wish we could provide an agreement that was tailored *exactly* to your business. While this is not always possible, we feel that we've come very close and that this document provides you with the head-start that you need to get your deal moving. Nevertheless, we must make this disclaimer:

- 🔴 **Do Not Use This Agreement 'As-Is.'**
- 🔴 **This Agreement Is Not Legal Advice.**
- 🔴 **Read it Thoroughly and Make All Appropriate Changes to Fit Your Requirements.**
- 🔴 **You Should Have this Agreement Reviewed and Approved by a Qualified Attorney at Law Before Using It.**
- 🔴 **JIAN Accepts No Liability for the Effectiveness of This Document For Your Purposes.**

## Free Access to Attorneys, Accountants & Consultants in Your Area

We're building a network of business experts who are eager to help you when you need it. They can review your work, make suggestions, handle unique situations and introduce you to influential people. On our website you can search by expertise and location, then e-mail or jump straight to their website. Although they are professionals and charge for their services, most offer an initial consultation free of charge. They're in your area and you can contact them directly.


- Please visit our website under [Expert Referral Network](#).

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Things change, laws change, the world changes... new ideas come along all the time. When you register, you can access our website to get updates and changes... like new and improved spreadsheets and documents. They can be downloaded directly to your computer.

- Please visit our website under [Updates](#).
- Remember to bookmark our website: [www.JIAN.com](http://www.JIAN.com)

## Editing Your Sample Contract

Since this entire agreement is formatted in Word, you can edit it like any other Word document. You can jump from variable to variable by clicking the above  green arrows (JIAN Menu) which will take you forward / backward and highlight the entire sample text identified within the “[ ]” brackets – simply edit / type-over with your information.

To make sure you have filled in all the variables, use Word's 'FIND' function to locate any “[ ]” which may contain an unedited variable.

- Click the  icon in the JIAN menu above to turn the expert comments on/off.
- Upon completion, delete any unnecessary blank lines that remain.
- You may format this document any way you like.
- Delete this page.

# [Company Legal Name]

[Address] \* [City], [State] [Zip Code]  
[Telephone] \* [WebSite Address]

☞ This is an introductory paragraph that lists the parties and mentions that this is a summary of the terms of purchase. Note, that most of these terms in the Agreement are drafted in favor of the Purchaser.

[Date]

[Board of Directors / Officer]

[Other Company]

[Other Address]



[City, State and Zip]

Dear [Name],

Re: Letter of Intent to Sell Business Assets

This letter sets forth a summary of the terms of purchase by [Acquiring Company] the (“Buyer”) of most of the assets of [Company] the (“Seller”).

☞ The following paragraph lists the assets that will be sold and those that are excluded from the sale. Basically, the Seller is selling all its assets except for cash on hand, accounts receivable and prepaid expenses. You should modify this paragraph by listing the assets that are to be sold and those to be excluded from your transaction.

## Assets to be Sold

The Seller and the Buyer shall enter into a definitive asset purchase Agreement (“Purchase Agreement”). The assets to be sold under that Purchase Agreement include:

- Seller's inventory and supplies as of [Month, Day, Year];
- Seller's equipment;
- Seller's work in progress;
- Seller's business records, excluding the Sellers corporate minute books and stock register, if any;
- all of the Seller's deposits that the Buyer desires to purchase; and
- Seller's rights to trademarks, tradename and other intellectual property.

The Seller will not sell or otherwise transfer its cash, accounts receivable, prepaid expenses rightfully credited to the Seller, the corporate minute books and stock book. The Buyer agrees to remit to the Seller any payments on the Seller's accounts receivable within three (3) days of receipt of such payments.

☞ The next paragraph sets the total purchase price that is to include a specific dollar amount. Plus, the value of inventory, work-in-progress, and deposits purchased by the Buyer. This paragraph provides certain restrictions on the valuation of inventory supplies, and work-in-progress.

## Purchase Price & Payment

In exchange for the assets and covenants of the Seller contained in the Purchase Agreement, the Buyer

will pay a total purchase price of \$[xxx], plus the value of inventory, supplies, and work-in-progress at closing. The valuation of inventory and supplies will be by the Seller's historical methods of valuation. The valuation of work-in-progress will be cost, plus [x]%, provided that the Buyer will not be required to pay more than \$[xxx] for all work-in-progress. The Seller and the Buyer agree to allocate the total purchase price among the assets and covenants of the Purchase Agreement.

☞ The next paragraph sets the payment schedule and the annual interest to be paid. You will have to insert the dollar amounts and interest rate. You can change the payment schedule to meet your needs.

The Buyer will pay the purchase price as follows:

- \$[xxx] at closing;
  - \$[xxx], plus [x]% interest per annum on the outstanding balance, on the first through fourth anniversary dates at closing; and
  - the remaining balance, plus [x]% interest, on the fifth anniversary date.
- ☞ Most, if not all deferred payment purchase transactions will involve some type of guaranty and / or security interest. Generally, the Seller wants to have some protection should the Buyer fail to make the scheduled payments. The following paragraph contains a grant of a security interest in all assets and a guarantee. Some of the assets may already be subject to security interests. If there are such assets, they are to be listed in an Exhibit A and attached to the end of this Agreement. The Seller's security interest in these assets will be subordinated to (i.e., have lower priority than) any pre-existing security interests. Also, take note that the guarantee is a personal guarantee of the Buyer's president because the Buyer's president signs as an office of the Buyer and, individually.

The undersigned guarantees the deferred balance of the total purchase price. The Buyer will grant the Seller a security interest in all assets purchased, with such security interest(s) to be subordinated to security interests in such assets existing on the date of closing. The Buyer will not assume any liabilities of the Seller except those listed on Exhibit A. The assets being purchased will be free and clear of all encumbrances except those mentioned in Exhibit A and those being granted by the Buyer to the Seller.

☞ The next paragraph discusses the covenants that are to be part of the Purchase Agreement. These include the Seller's standard representations and warranties, and the Seller's covenant not to compete against the Buyer after the sale.

The Purchase Agreement will include the Seller's standard representations and warranties that

- the Seller is validly organized, duly existing and in good standing;
  - the Seller has complied with all applicable laws;
  - the Seller's financial statements for the past [Enter years] fiscal years are true and correct;
  - the Seller has not sold any assets listed on its most recent balance sheet;
  - that the Seller has not declared or paid a dividend or distribution, as applicable, since the date of this letter, and
  - title to all assets sold under the Purchase Agreement is owned by the Seller.
- ☞ The following paragraph states that the Buyer will not have any obligations to purchase the Seller's assets unless certain conditions are satisfied. You can add or delete conditions as applicable.

### Conditions

The Buyer's obligation to close under the Purchase Agreement will be subject to certain conditions, including but not limited to:

- the Seller provides appropriate authorizations;
- the Seller complies with all state or local laws governing the transfer of assets;
- the Seller's representations and warranties are true and correct on the date of closing;

- the Buyer obtains a sufficient line of credit loan to enter into the Purchase Agreement;
  - the Seller's counsel provides an opinion as to such matters as the Buyer may request;
  - the Seller discharges all of the accounts payable and other liabilities incurred by the Seller prior to closing; and
  - the Seller discharges all of its obligations to employees as of the date of closing.
- ☞ The Buyer will undoubtedly incur substantial costs in preparation for the purchase of the Seller's assets. The following paragraph, if accepted by the Seller, allows the Buyer to recover a portion of its accounting and legal costs should the sale not go through. The final sentence establishes a confidential relationship of the Buyer to the Seller.

**Acceptance**

By accepting the terms of this Letter of Intent, the Buyer agrees as follows:

- (1) If the sale contemplated in this Agreement is not completed for whatever reason, the Seller will reimburse the Buyer for [x]% of the Buyer's legal costs related to this transaction, including attorney's fees, incurred by the Buyer from the date of this letter, and
- (2) Whether or not the sale contemplated in this Agreement is consummated, the Seller will reimburse the Buyer for [x]% of the Buyer's accounting fees and expenses incurred in connection with its review of the Seller's financial records. If the transaction contemplated in this Agreement does not close, the Buyer agrees to keep confidential any matters pertaining to the Seller's business not in the public domain.

☞ This last paragraph states that this Letter of Intent is not a binding obligation of the parties, except for the legal and accounting charges noted above, and that definitive Agreements spelling out all aspects of the transaction will be prepared at a later date.

With the exception of the immediately preceding paragraph, this Letter of Intent shall not be binding on the parties. We will prepare a draft Agreement for your review upon receipt of a signed original of this letter. Please indicate your acceptance and agreement of the foregoing by dating, executing, and returning to us the enclosed duplicate copy of this letter.

Very Truly Yours,

\_\_\_\_\_  
 [Owner/Founder], [Title]                      Date  
 [Company]

Accepted and agreed to, individually and as president of [Other Company].

\_\_\_\_\_  
 [Buyer's Name], [Title]                      Date

# Exhibit A

## Seller's Liabilities

- Xxx
- Xxx
- Xxx

