Sample Term Sheet

Created: 12 February 2003
Revised: 10 June 2013

This Sample Term Sheet is intended as an exemplar to indicate the typical definitive terms under which a selling entity would sell an operating company to a third party buyer.

It is an exemplar only and is intended solely to provoke thinking and to provide an outline for considering such a transaction. Its intended audience is the selling entity’s Chief Executive Officer.

All sellers must solicit advice from their attorneys before making any legally binding agreements. Nothing in this Sample Term Sheet is intended to constitute legal advice.

**Company:**
Insert the name of the selling company including the mailing address here.

Describe the business in a short statement.

**Seller:**
Insert the name of the selling company (same as above) and the principal point of contact for the transaction together with snail mail address, email address and cell phone number.

**Buyer:**
Insert the name of the buying company and the principal point of contact for the transaction together with snail mail address, email address and cell phone number.

**Authority:**
The Seller and the Buyer have full authority, subject to the provisions of this Letter of Intent, to enter
into these negotiations and to execute this Letter of Intent.

**Purchase price:**
The Purchase Price shall be $x00,000,000 together with the cash on hand plus the difference between net receivables and net payables at the time of the closing of the transaction.

**Payment terms:**
The Purchase Price shall be paid in accordance with the following schedule.

- **Cash downpayment**: $x00,000,000
- **Promissory note**: The delivery of a Promissory Note in the initial balance of the Purchase Price minus the Cash Downpayment.
  - **Term of the Promissory Note**: X years
  - **Interest rate**: X% per annum
  - **Amortization period**: X years
  - **Payment frequency**: Monthly/Quarterly/Annually
  - **Payment**: $X

**Collateral, guaranty**
Describe the collateral or guaranty of the Promissory Note here.

**Asset Sale and Purchase Agreement:**
The parties will enter into a binding Asset Sale and Purchase Agreement incorporating the terms of this Letter of Intent.

Nothing in this Letter of Intent shall be binding except for the Confidentiality provision.

**Due diligence materials**
The Seller will deliver to the Buyer a complete package of due diligence materials as enumerated in the Asset Sale and Purchase Agreement within
seven (7) days of the effective date of the Agreement.

**Due diligence period**
30 days from the receipt of the last due diligence materials

**Closing date**
30 days after the conclusion of the due diligence period

**Earnest money deposit**
5% of the Purchase Price

**Employment agreements:**
As a condition to closing, the Buyer will enter into Employment Agreements with critical personnel including, but not limited to, the CEO, COO, CFO of the Seller.

The terms of these Employment Agreements will be as summarized on Exhibit A --- Employment Agreement terms.

**Contingency:**
This Letter of Intent is an offer to sell by the Seller and shall be accepted, if desired, by the Buyer. This Letter of Intent is intended only to outline the business terms of the Asset Sale and Purchase Agreement referred to in this document.

Other than the Confidentiality provision, nothing in this Letter of Intent is binding upon the parties.

**Confidentiality:**
The parties agree to maintain the strict confidentiality of this Letter of Intent including its very existence except that its existence and content may be revealed to the Board of Directors, legal advisers, financial advisers and senior management of their respective companies.

This provision of this Letter of Intent shall be binding upon the parties for one year from the date of its offering by the Seller.
Expiration: This Letter of Intent expires seven (7) calendar days from the date entered by the Seller on the execution page; and, if accepted by the Buyer, shall expire automatically if no binding Asset Sale and Purchase Agreement is entered into by the parties within thirty (30) calendar days of the date upon which the Seller signed this Letter of Intent.

Termination: Either party may terminate this Agreement by simple written notice, including email notice, before a binding Asset Sale and Purchase Agreement is entered into between the parties.

Governing law: This Letter of Intent shall be governed by the laws of the State of _______________.

Dispute resolution: In the event that any dispute should arise during the pendency of this Letter of Intent, the sole and exclusive remedy to the parties shall be to terminate the Letter of Intent.

AGREED:
Seller: Buyer:

_________________________ _________________________
Name Name
Its: President, CEO
Date: ____________ Date: ____________
Exhibit A

Employment Agreements

As part of the Asset Sale and Purchase Agreement, the Buyer desires to procure the services of the following individual on the following terms. This is an outline only and the Employment Agreement shall be drafted by the Buyer subject to these terms.

Name:

Position:

Description of the position:

Term:

Compensation:

Salary

Benefits

Short term incentive compensation

Long term incentive compensation

Special considerations

Severance package:

Binding effect: