

March 14, 20XX

PAGE FROM INDICATION OF INTEREST

Mr. John Doe
COMPANY NAME
ADDRESS
CITY, STATE ZIP

Dear John,

I/**name of your company** (“XYZ”) am pleased to submit the following indication of interest whereby an entity formed by XYZ and certain investors (“Newco”) proposes to acquire 100% of the common stock of (**name of the target**), (“NAME” or the “Company”) from **name of the Seller** (“NAME” or the “Seller”).

(This section is optional) We believe we are uniquely qualified to acquire and build **Name of target**. My partner and I have close to **xx** years of experience in the (**identify the industry**):

- ▶ #1
- ▶ #2
- ▶ #3
- ▶ #4

This preliminary, non-binding indication of interest is based upon the **NAME of target** Confidential Memorandum presented by **name of investment banker, broker, or the name of the Seller** (“**representative name**”) on behalf of the Company, preliminary discussions with **representative Name** representatives, and certain additional descriptive and financial information received from **name of representative**. We understand the Company is designer and manufacturer of **state product** with fiscal 20xx sales of \$ **xx** million and adjusted EBITDA of \$ **xx** million. The principal terms of our proposal are as follows.

1. **Purchase Price.** Newco would pay the Sellers \$ **xx** million in cash at closing for **100%** of the Company’s (**common stock or assets**). (Note – if you are purchasing less than 100%, see **example of language** for this section)
2. **Cash.** The Sellers would retain any unrestricted cash balances of the Company in excess of normal operating cash balances held for operating needs.
3. **Debt / No Liens and Encumbrances.** The Sellers would be responsible for retiring any funded and interest bearing debt, including capital leases, of the Company. The Company’s stock purchased by Newco shall be free and clear of all liens and encumbrances.

June 12, 20xx

PAGE FROM LETTER OF INTENT

Mr. John Doe
Company/IB/Broker
Address
City, State Zip

Re: **Name of Target**

Dear Mr. Doe:

Thank you for arranging the meeting with the management of **Name of Target** on **Tuesday, May xx, 20xx**. We enjoyed getting acquainted with the key members of the management team and learning first hand about the operations and business of **Name of Target** and its Subsidiaries, dba **if there is a dba** (the "Company" or "**ABC**"). We continue to have a strong interest in the Company.

(You may or may not need this much "smooching") As a long-term investor, we believe we are uniquely qualified to provide the resources to build on the successes you have achieved to-date. **Your name/entity** is interested in acquiring companies with above average growth prospects. We believe that, with a focused strategy and the right team, **ABC** will have a terrific growth story. **Your name/entity** can provide, among other things, capital, leadership, strategic oversight, and long-term growth perspective that will allow **ABC** to reach its full potential and become the dominant player in its niche.

Your name/entity ("**XYZ**") is pleased to submit the following Letter of Intent whereby an entity formed by the **XYZ** ("**Newco**") would acquire **100%** of the (common equity or assets) of **ABC**. This Letter of Intent is based on the **Name of Target** Confidential Offering Memorandum dated **March 20xx** delivered on behalf of the Company by **Name of Investment Bank or Broker** ("**QRS**"), other information provided by **QRS** pertaining to the Company's sales, customers, operations, and financial performance, and conversations with the Company's management and representatives of **QRS**. In order to arrive at our valuation, we have considered the Company's (a) customer base and the nature of its sales, (b) relationships with its customers, (c) historical sales and margin trends, (d) management systems, (e) strategic position within its market niche, (e) strategy, (f) personnel, and, to a lesser extent, (g) assets and (h) prices paid for similar business. The principal terms of the proposal are as follows:

1. Purchase Price. Newco shall purchase **100%** of the Company's (common equity or assets) for \$**xx,000,000**, which shall be paid in cash at closing. (Note: See the end of the LOI for an example of language for acquiring less than 100%)
2. Retirement of Debt; Distribution of Cash. The Sellers would be responsible for retiring any funded and interest bearing debt (including capital leases) of the Company and would retain any unrestricted cash of the Company.

PAGE FROM EXECUTIVE SUMMARY

COMPANY:

Headquartered in _____, _____, COMPANY (the "Company" or "___") is _____ for _____.

>>> Example Language:

[Located in Anytown, STATE, COMPANY NAME began as an international supplier of _____. Today, the Company is a manufacturer and distributor of product 1, product 2, and product 3 panels to the [industries the Company sells in to] industries. The Company operates through three divisions: division #1 (approximately 75% of sales), division #2 (approximately 20% of sales) and division #3 (approximately 5% of sales).

Sales and EBITDA for the 200x FYE were \$xx.x million and \$x.x million (respectively). TTM (trailing twelve months) sales and EBITDA are \$xx.x million and \$x.x million (respectively). The Company expects to generate sales and EBITDA of \$xx.x million and \$xx.x million, respectively, for the current fiscal year. The Company has grown sales and EBITDA at a CAGR of xx.x% and xx.x% over the past x years.]

Capitalization				
	\$(000)	xEBITDA	Cumulative xEBITDA	% of Capitalization
Senior Debt	\$		x	%
Subordinated Debt		x	x	%
Total Debt		x	x	%
Equity		x	x	%
Total Capitalization	\$	x	x	100%

NOTE: EBITDA values are based on TTM EBITDA of \$x.x million, adjusted for non-recurring items.

>>>>> Other issues to discuss

1. What is the legal structure of the Company?
2. Who are the owners of the Company?

TRANSACTION

>>> In this section discuss what the transaction is. It could be a refinance of existing debt, an acquisition of a competitor, a recapitalization, or a straight-out acquisition of a new business. Describe what you are trying to achieve:

- if a refinance – "...seeking to i) refinance existing debt of \$xx.x million which comes due [DATE], and ii) additional credit in the amount of \$x.x million for the purchase of _____. The new facility will be secured by _____."
- if an acquisition – "...is seeking to acquire xx% of TARGET ("___", or the "Company"), for \$x.x million plus expenses (the "Transaction"). The Transaction will be financed with \$x.x million of Senior Debt, \$x.x million of 12% subordinated debt and \$x.x million

of xx% preferred equity. The subordinated debt will be issued with detachable warrants to purchase xx% of the Company's common stock. The total enterprise value of \$xx million for the Company represents x.xx multiple of 200x EBITDA, adjusted for non-recurring owner's compensation."

>>>> Other issues to address, as appropriate:

1. What are the immediate and long-term objectives of the Company's owners?
2. What are the immediate and long-term objectives of Management?

SAMPLES