



## LETTER OF INTEREST Private Equity Asset Purchase

[date]

Mr. [\_\_\_\_\_]

[\_\_\_\_\_]

[\_\_\_\_\_]

[\_\_\_\_\_]

Dear Mr. [\_\_\_\_\_]:

ABC Partners is pleased to submit the following preliminary proposal to acquire from XYZ Company (“XYZ”) its interests in its activities held by XXX (the “Company”).

It has been a pleasure for us to get to know you and the Company’s senior management in our recent trip to [\_\_\_\_\_]. We have deeply appreciated the candor and the sincerity of the Company’s staff, as well as the enormous effort and cooperation you have shown us in assisting us to understand the Company and its business. We reiterate our strong interest in investing in the future of the Company and the [\_\_\_\_\_] market in [\_\_\_\_\_].

In our discussions with you, we understand XYZ has several goals for a potential transaction:

- to liquidate XYZ’s investment in its [\_\_\_\_\_] activities
- to complete the sale in a timely and efficient manner, and
- to share in the future upside of the market.

Based on XYZ’s goals, we propose the following potential transaction:

- **Business to be Acquired:** 100% of the following businesses and all assets properties, rights and permits associated with each business of the Company:
  - (1) [\_\_\_\_\_] business;
  - (2) [\_\_\_\_\_] business; and
  - (3) The facilities at [\_\_\_\_\_].
- **Structure and Valuation:** After meeting with you and the Company’s senior management, as well as reviewing the information provided to us, we have based our valuation and proposal on certain key considerations. These include the prospects for future growth of the [\_\_\_\_\_] market in [\_\_\_\_\_], the historical and potential performance of the Company, and the macroeconomic climate. Accordingly, we have developed 3 financial cases as set forth in the table below based on the Company’s annual financials ending [date] and prospects for future growth.

ABC would initially purchase [ ]% of the shares of the Company at a Purchase Price of \$[ ] million. ABC will purchase the remaining [ ]% of the Company's shares from XYZ over time ( % per year) at prices determined to the extent the Company's actual future financial performance equals or exceeds the targets shown in the table below:

Performance Target	FY[date] EBITDA	[date] Purchase Price for %	FYM[date] EBITDA	[date] Purchase Price for %	[date] EBITDA	[date] Purchase Price for %
Downside Case	[ ] or less	[ ]	[ ] or less	[ ]	[ ] or less	[ ]
Base Case	From [ ] to [ ]	[ ]	From [ ] to [ ]	[ ]	From [ ] to [ ]	[ ]
Upside Case	More than [ ]	[ ]	More than [ ]	[ ]	More than [ ]	[ ]

Additional terms and conditions of our indication of interest are attached. We propose to move quickly to negotiate and execute a detailed letter of intent and term sheet that incorporates the fundamental terms of a transaction between ABC and XYZ. The letter of intent and term sheet would form the basis of any definitive documentation we would enter into (including a Shareholders Agreement noted in point 11 below) and would also include a timetable for the remaining due diligence and a closing schedule. We believe we can work with you to ensure that your goals for this transaction are achieved quickly.

This letter represents only a preliminary indication of interest and does not constitute a contract, commitment, undertaking or other binding obligation or limitation on the part of any person in any respect. Any obligation of ABC or its affiliates with respect to an acquisition of the Company will be only as set forth in a definitive written agreement executed by ABC. This letter and the matters set forth herein are confidential and may not be disclosed to any third party without the written consent of ABC. Consummation of the proposal will be subject, among other things, to: i) ABC's satisfactory completion of a business, financial, tax and legal due diligence review of the Company, ii) negotiation and execution of definitive agreements and iii) the receipt of all necessary approvals, including investment committee and third party approvals.

The following can be contacted for any additional information or in case it is necessary to clarify this letter: [ ] (tel: xxx-xxx-xxxx) and [ ] (tel: xxx-xxx-xxxx).

Acknowledged and agreed

**XYZ**

**ABC**

By:

By:

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

## Attachment

### Taxes

1. XYZ's potential tax liabilities are still not clear and we have been informed that these matters are under negotiation with local authorities. A final resolution of XYZ's potential tax liabilities may require a period longer than our due diligence investigation of the Company.
2. Our proposal assumes that XYZ is responsible for all tax liabilities until the closure of the deal with ABC.
3. Consultants to ABC will provide a legal opinion during due diligence. An amount equal to pending tax liabilities potentially transferable to the Company will be deducted from the amount of the initial payment to be made to XYZ by ABC. This amount will be deposited in a special bank account and invested in a way that is acceptable to both parties, until final clearance on tax liabilities has been issued from Federal, State and Municipal authorities, when it will be either used to pay any tax liabilities transferred to or incurred by the Company prior to Closing.
4. The valuation provided to ABC by XYZ assumes that the total percentage of taxes on XYZ's industrial activities acquired by the Company corresponds to [\_\_\_]% of total sales of [\_\_\_\_\_]. ABC assumes that this tax rate encompasses all Federal, State, and Municipal taxes and other mandatory contributions of any kind. ABC has used this percentage for estimating the price offered to XYZ in its proposal. If, during our due diligence investigation, our legal opinion on tax issues results in a different percentage, the price to be paid to XYZ by ABC for its interest in the Company will be adjusted to incorporate the actual tax rate.

### Workers Compensation

5. Our proposal assumes that XYZ is fully responsible for any liabilities or claims related to workers' compensation until the date of the closure of the deal, including those arising from occupational health and safety. XYZ will provide ABC with a certificate from [\_\_\_\_\_] in which a list of pending lawsuits from workers in the [\_\_\_\_\_] against XYZ will be listed, together with the basis for the dispute, the corresponding claims involved, and the status of the lawsuit. Payments of workers' compensation claims will be calculated on the date of Closing and will be deducted from the purchase price to be paid by ABC to XYZ. Similar calculations for the period beginning at the date of the closure of the deal and ending on each of the dates that ABC acquires its [\_\_\_]% shares will be deducted from future purchase price payments and fully used to liquidate any remaining claims or liabilities related to workers' compensation.
6. XYZ will provide ABC with clearance from required authorities related to current workers' health and safety conditions in the metering and foundry areas. In case this document points at the need for significant investments, the parties will discuss in good faith in order to share the costs of such investments.

### Environmental liabilities

7. XYZ will provide ABC with environmental permits and clearances required under applicable law to current conditions of operations in the [\_\_\_\_\_] and in related activities under our proposal.

8. XYZ and ABC will jointly identify the least expensive means of transferring employees from XYZ's [\_\_\_\_\_] operations to the Company. XYZ will be responsible for all severance and other related costs associated with the transfer of such employees to the Company.

#### Use of XYZ's name

9. The Company will be entitled to the use of the name "XYZ" as a commercial name for an indefinite period of time.

#### Facilities

10. We propose to move the existing operations at [\_\_\_\_\_] within 12 months of the Closing. During this 12 month period, no rent will be paid to XYZ. Should ABC need more than 12 months to move the operations out of [\_\_\_\_\_] , then ABC would pay XYZ rent for [\_\_\_\_\_] facilities of a fair market value per month starting upon the thirteenth month following the Closing until such time as ABC has moved the Company's operations to [\_\_\_\_\_]. XYZ will be able to use or sell the [\_\_\_\_\_] facility as it deems appropriate after such move. In any case, ABC will move the Company's operations out of [\_\_\_\_\_], and XYZ will take over the [\_\_\_\_\_] facility within 18 months of the Closing.
11. We understand that XYZ would benefit from the eventual sale of the [\_\_\_\_\_] facility once we have completed the move to [\_\_\_\_\_], for a profit to XYZ of \$[\_\_\_] million.

#### Shareholders Agreement

12. An Shareholders Agreement will form the basis of the governance of the Company by the Shareholders while XYZ is still a shareholder in the Company. In addition, the Shareholders Agreement will provide for adequate protection of XYZ's rights as a minority shareholder. The basis for this agreement will be incorporated in the term sheet which will be developed with XYZ and its advisors.