

**Sample Software Company Stock Purchase Letter of Intent
from CharlesMillsConsulting.com**

[*letterhead of Purchasing Software, Inc.*]

[*date*]

Dear [*CEO of target company*]:

This letter is intended to set forth the preliminary understanding and serve as a terms sheet between Purchasing Software, Inc.. (“[Purchasing]”) and Target Software Company (“[Target]”) regarding [Purchasing]’s proposed purchase of all of the issued and outstanding shares of stock of [Target]:

1. **Purchase and Sale:** [Purchasing] proposes to purchase all of [Target]’s issued and outstanding shares of stock.
2. **Payment Price:** [Purchasing] will pay as total consideration for the transaction a minimum of [*ratio*] times projected [*year*] worldwide annual maintenance revenue (estimated at [*amount*] dollars) which would equal [*amount*] dollars and a maximum of [*amount*] dollars. An illustration of the potential maximum payment is attached hereto as Exhibit “A” [*omitted*].
3. **Payment Terms:** The payment described in paragraph 2 herein shall be payable as follows:
 - a. [*amount*] dollars shall be paid on the date of closing.
 - b. The balance of the purchase price shall be paid as a [*percent*] percent royalty on all gross sales revenue, including maintenance and new sales for [*term*] years or until the minimum purchase price is reached, whichever is later, or until the maximum purchase price is reached if sooner than [*term*] years. These royalty payments shall be made on a quarterly basis.
4. **Employment Issues:** Certain key [Target] employees will be required to sign any and all documents necessary containing covenants not to compete of reasonable duration following the purchase and covering the scope of [Purchasing]’s business.
5. **Due Diligence:** Due diligence must be completed prior to the signing of a definitive agreement. [Purchasing], its employees, accountants, attorneys and other agents shall immediately have the right to inspect, all of the books, records and assets of [Target]. [Target] agrees to cooperate in any manner whatsoever with this inspection. [Target] shall direct all of its employees, accountants, attorneys and other agents to comply with any and all of [Purchasing]’s requests for information. [Purchasing] retains the absolute right to terminate the transaction and negotiations for any reason whatsoever in the sole discretion of [Purchasing], until the definitive agreement is signed.
6. **Expenses:** Whether or not the purchase is consummated, all expenses incurred in connection with negotiating and executing this contract shall be the obligation of the party incurring such expenses.
7. **Confidentiality:** All information gained by either party concerning the other as a result of this transaction shall be kept in strict confidence, All information shall be used only for the purpose of evaluating the desirability of this transaction. [Purchasing] may disclose any information regarding [Target] to its lenders and agents, but in all other respects, shall abide by any and all previously executed Confidentiality Agreements. Additionally, neither [Purchasing] nor [Target] shall disclose the existence of this letter and the possibility of an Agreement to anyone, including but not limited to,

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[Purchasing] or [Target] employees without the consent of the other party, except as required for the purposes of complying with due diligence covenants,

8. Proposed Timeline for Closing: The proposed timeline for entering into this contemplated purchase is as follows:
 - a. Execution of the letter of intent [*date*]
 - b. Due Diligence list supplied to [Target] [*date*]
 - c. Delivery of first draft of contract [*date*]
 - d. Due Diligence completed [*date*]
 - e. Execution of contract and Closing [*date*]
9. Operations Prior to Closing: [Target] will not cause or permit [Target] or any of its employees to take any actions which may adversely affect the value of the [Target]. [Target] shall continue to operate its business, consistent with past practices, through the date of closing, including but not limited to, diligently pursuing its development activities for its products.
10. Exclusive Dealing: Until the earlier to occur of the Closing or [*date*], [Target] shall not, nor shall it permit any of its officers, directors, agents, representatives or affiliates to directly or indirectly participate, encourage, or initiate any negotiations or discussions with any entity or individual other than [Purchasing] concerning the sale of [Target], or any of its products, except in the ordinary course of business. [Target] specifically agrees to take [Target] and/or its assets "off the market" while this transaction is pending.
11. Broker: [Purchasing] and [Target] agree that there is no broker or agent claiming a fee in this transaction, other than [*agent*], agent for [Target]. [Target] shall be solely responsible to pay any fees to third parties related to this transaction retained by it and [Purchasing] shall be solely responsible to pay any fees to third parties related to this transaction retained by it. Each party shall indemnify and hold each other harmless from any claims for failure to pay any fees.
12. Contingencies: In addition to any and all due diligence matters, and any other decisions solely within [Purchasing]'s discretion, the purchase price offered by [Purchasing] is contingent upon [Purchasing] obtaining successful financing, prior to the signing of a definitive agreement, which [Purchasing] does not believe to be a problem.
13. Legal Effect: This letter is a non-binding expression of the parties' intentions and does not create any binding legal obligations, other than as set forth in paragraphs 7 and 10. Both parties recognize the terms of this letter may change during the course of [Purchasing]'s investigations and neither party shall be bound by its terms except as set forth in paragraphs 7 and 10 absent the negotiation, execution and delivery of more formal and definitive agreement which will contain customary representations and warranties by the parties and be subject to review by both parties' attorneys.

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Please indicate your acceptance and approval of the foregoing proposal and statement of our intentions, by executing and returning a copy of this letter.

Sincerely,

PURCHASING SOFTWARE, INC.

By:

Agreed and Accepted this _____ day of _____, _____

TARGET SOFTWARE COMPANY

By:
Title: