March 14, 20XX

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

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 nature of its sales, (b) relationships with its customers, (c) historical sales and margin trends, (c) management systems, (d) strategic position within its market niche, (e) strategy, (f) personnel, and, to a lesser extent, (g) assets and (h) prices paid for similar businesses. 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.
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 $x.x million, respectively, for the current fiscal year. The Company has grown sales and EBITDA at a CAGR of x.x% and xx.x% over the past x years.]

### Capitalization

<table>
<thead>
<tr>
<th>Capitalization</th>
<th>Cumulative xEBITDA</th>
<th>xEBITDA</th>
<th>% of Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Debt</td>
<td>$</td>
<td>xEBITDA</td>
<td>%</td>
</tr>
<tr>
<td>Subordinated</td>
<td></td>
<td>xEBITDA</td>
<td>%</td>
</tr>
<tr>
<td>Subordinated</td>
<td></td>
<td>xEBITDA</td>
<td>%</td>
</tr>
<tr>
<td>Total Debt</td>
<td></td>
<td>xEBITDA</td>
<td>%</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td>xEBITDA</td>
<td>%</td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>$</td>
<td>xEBITDA</td>
<td>100%</td>
</tr>
</tbody>
</table>

NOTE: EBITDA multiples 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 ...”
- 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?