



Asset Purchase Agreement

INTRODUCTION: This is an offer and an agreement to buy and sell business assets, dated _____.

1. DEFINITIONS: The following definitions and designations shall apply regardless of number or gender:

BUSINESS: _____

Address _____

BUYER _____

Contact Person _____

Phone _____ Fax _____

Email _____

Address _____

City/State _____ Zip _____

BUYER'S BROKER _____

Phone _____ Fax _____

Email _____

AGENT _____

SELLER _____

Contact Person _____

Phone _____ Fax _____

Email _____

Address _____

City/State _____ Zip _____

SELLER'S BROKER _____

Phone _____ Fax _____

Email _____

AGENT _____

SIGNING: Signing of this Agreement by both Buyer and Seller.

COP: Change of possession of business assets from Seller to Buyer.

CLOSING: Change of ownership of business assets from Seller to Buyer.

INVENTORY: Current raw materials, work in progress, saleable finished goods and consumable supplies.

ASSETS: Assets of the Business include but are not limited to any equipment, trade fixtures, leasehold, leasehold improvements, accounts receivable, contract rights, business records (with Seller retaining a reasonable right of inspection), software and software licenses, other licenses, franchises, goodwill, covenant not to compete, trade secrets, patents, intellectual property, trade name, telephone and fax numbers, web sites, email addresses and inventory. Assets being sold shall not include bank accounts, deposits, cash, financial records (but Buyer shall have a right to make copies prior to Closing), or

2. SALE OF BUSINESS ASSETS: Seller agrees to sell the Assets to Buyer and Buyer agrees to buy the Assets from Seller for the price and on the terms and conditions set forth below.

3. PURCHASE PRICE: The purchase price shall be \$ _____, payable as follows:

- a. \$ _____ deposited by Buyer upon signing this Agreement as part of the down payment. Broker is authorized to
☐ hold deposit check uncashed until escrow is opened or
☐ deposit check into escrow or broker trust account upon acceptance of offer.
- b. \$ _____ additional deposit upon opening of escrow, also included in the down payment.
- c. \$ _____ additional down payment due from Buyer to be deposited in escrow _____ days before Closing. (Estimated escrow fees and costs will also be deposited.)
- d. \$ _____ additional down payment included in third party financing as described in paragraph 6.d.
- e. \$ _____ total down payment
- f. \$ _____ (approximately) by the assumption of a note balance payable \$ _____ per month including _____% per annum interest. If the actual balance differs from the above figure, ☐ the note to the Seller or ☐ the down payment shall be adjusted up or down accordingly.
- g. \$ _____ balance in the form of a non-negotiable note in customary form with right of offset, payable to Seller in equal monthly installments, including _____% per annum interest computed from COP, so as to fully amortize over _____ months (i.e., \$ _____ per month), payments to begin one month from COP, secured by a security agreement on the assets of the Business with the right to prepay without penalty. Note shall be assumable with Seller's consent, which shall not unreasonably be withheld. If Buyer is a corporation or other entity, the owners shall personally guarantee the obligations to the Seller under this Agreement.

4. INVENTORY AND ACCOUNTS RECEIVABLE:

- ☐ The purchase price shall include Inventory of \$ _____ at cost and collectable accounts receivable of \$ _____. If the actual amount varies from the total of these figures, the purchase price and ☐ any note to the Seller or ☐ the down payment will be adjusted accordingly, or

☐ The Inventory at cost shall be paid for at Closing in addition to the total purchase price above.

Notwithstanding the above, the Inventory shall not exceed \$ _____ (and the Buyer can reject any part of the Inventory over that amount) or be less than \$ _____. The inventory count shall be made on COP ☐ by Buyer and

Business: _____ Buyer: _____ Date: _____

Seller, or ☐ by an independent inventory service, with the fees to be divided equally between Buyer and Seller. Work in progress and finished goods shall be valued at the actual cost of material and direct labor incurred by Seller.

5. PURCHASE PRICE ALLOCATION: Before Closing, Buyer and Seller shall endeavor to allocate the purchase price among the Assets purchased and submit the allocation to escrow.

6. CONDITIONS: This Agreement is subject to the following conditions:

a. Buyer's inspection of and reasonable satisfaction with the Assets and financial and other records, contracts and leases of the Business and Seller's Disclosure Statement (see ¶8) which shall promptly be made available for Buyer's inspection.

b. Seller's reasonable satisfaction with Buyer's qualifications to purchase and operate the Business successfully, Buyer's creditworthiness and Buyer's Disclosure Statement (see ¶8). Adequate information shall be provided promptly to Seller.

The parties' satisfaction with items 6.a and 6.b, respectively, shall be conclusively presumed unless contrary written notice is given to the Broker or escrow holder within _____ days from Signing or upon COP if sooner.

c. ☐ The written consent of the landlord to assignment of the existing premises lease, or

☐ The making of a new lease between the landlord and the Buyer which is acceptable to the Buyer.

d. Buyer receiving a commitment letter for third party financing in the amount of \$ _____ within _____ days after Signing.

e. Buyer receiving funding in the amount indicated in 6.d within _____ days after Signing.

Buyer shall use its best efforts to obtain said financing and Seller shall fully and promptly comply with lender requests for information and to inspect the Business. If Buyer is unable to satisfy the conditions in 6.d or 6.e within the specified time limits, either party may terminate this Agreement by giving written notice to the other party's Broker.

f. Other (liquor license, franchise agreement, etc.) _____

7. ESCROW: The purchase price and closing adjustments shall be paid through an escrow to be established with _____ the escrow holder. Separate escrow instructions shall be signed to define the duties of the parties and the escrow holder. All parties shall cooperate with the escrow holder in completing any documents and performing any acts necessary to complete the transfer of the Business Assets. The Broker is a party to the escrow as to the payment of any broker's fees and an irrevocable assignee of the sale proceeds to the extent of such fees.

8. SELLER'S AND BUYER'S DISCLOSURE STATEMENTS:

a. ☐ Buyer has received and read the completed Seller's Disclosure Statement, or

☐ Seller shall provide to Buyer the completed Seller's Disclosure Statement within three days after Signing.

b. ☐ Seller has received and read the completed Buyer's Disclosure Statement, or

☐ Buyer shall provide to Seller the completed Buyer's Disclosure Statement within three days after Signing.

The parties warrant the accuracy and completeness of their respective Disclosure Statements. The parties warrant that these representations are true, shall be true as of Closing and shall survive Closing.

9. REPRESENTATIONS & WARRANTIES: Except as noted in paragraph 9.h, Seller and its owners acknowledge and represent as follows:

a. Seller is operating the Business in compliance with all applicable laws, environmental regulations and contracts. This compliance will not be violated by this sale and the Business will pass all applicable inspections upon COP.

b. There are no claims or investigations pending which would affect the Business or Assets being sold.

c. All leases and contracts relevant to the ownership and operation of the Business are complete and in effect, and there are no undisclosed amendments.

d. All the financial information and statements furnished or to be furnished to Buyer are complete, accurate, prepared in a manner consistent with prior statements and fairly present the financial condition of the Business as of the dates stated on them.

e. All accounts receivable of the Business arose from the normal course of business, none have been previously assigned and they are fully collectable.

f. All Assets currently used in the Business are owned by Seller free from liens and encumbrances, and they are in good and operable condition, except as otherwise provided in this Agreement.

g. Seller does not guarantee that all employees will remain employed after transfer of ownership of the Business, but Seller has no knowledge indicating that any employee who is not an owner would leave in the event of a sale.

h. Exceptions: _____

Seller warrants that these representations are true, shall be true as of Closing and shall survive Closing. Prompt notice will be given to Buyer of any event which materially alters the accuracy of the above Seller Representations & Warranties or Seller's Disclosure Statement. Seller shall indemnify and hold Buyer and Broker harmless from any damage resulting from their falsity.

10. CONTINUITY: Pending Closing, the Seller shall continue to operate the Business in the usual way, protect and preserve its Assets and goodwill, allow the Buyer to make reasonable inspections and maintain good relations with suppliers, customers and employees.

11. TAXES and EXPENSES:

a. Utilities, personal property taxes, other taxes, insurance, rent, vacation pay and other expenses of the Business not otherwise provided for in this Agreement shall be prorated to COP. Buyer shall reimburse Seller at Closing for facility lease deposits and other miscellaneous deposits transferred to Buyer, and shall receive a credit from Seller at Closing for any customer deposits and assumed warranty obligations.

Business: _____ Buyer: _____ Date: _____

- b. Buyer shall remit to Seller upon receipt any refund of overpayments of worker's compensation premiums, taxes, trade payables or the like which relate to the period prior to COP.
- c. Except as otherwise noted in this Agreement, each party shall pay when due all operating costs incurred while that party is in possession and hold the other party harmless therefrom.
- d. Any liquor or other license or franchise fees shall not be prorated and Buyer shall pay any transfer or issue fees for permits and licenses required.
- e. The Buyer and Seller shall pay equally all escrow fees and costs and other transfer costs except _____

_____ Each party shall pay its own accountants, attorneys and other advisors.

f. The Buyer shall pay at Closing any sales taxes assessed on the sale of the Business Assets.

g. Seller shall hold Buyer harmless from any liability to the California Employment Development Department, the California Franchise Tax Board or the California State Board of Equalization arising from the operation of the Business until COP. Prior to the receipt by the escrow holder of releases of transferee liability from these agencies, the Buyer shall be protected from the possible imposition of transferee liability by a reserve set by the taxing agencies and retained in escrow until such releases are obtained.

12. MISCELLANEOUS LEASES, ETC.: The Seller shall transfer to Buyer the following contracts used in the operation of the Business, and the Buyer shall assume obligation for them:

- | | |
|---|--|
| <input type="radio"/> Alarm system lease or maintenance agreement | <input type="radio"/> Other equipment lease(s) or purchase contract(s) |
| <input type="radio"/> Telephone system lease or purchase contract | <input type="radio"/> Equipment or software maintenance agreement(s) |
| <input type="radio"/> Vehicle lease(s) or purchase contract(s) | <input type="radio"/> Music service contract |
| <input type="radio"/> Vending machine contract(s) | <input type="radio"/> Advertising contract(s), including Yellow Pages |
| <input type="radio"/> Other: _____ | |

13. CLOSING DATE: The estimated date for Closing is _____, 20____. Buyer and Seller shall make their best efforts to complete Closing on or before that date. COP shall occur at Closing.

14. BROKER: Buyer acknowledges that Broker has furnished to Buyer financial and other information obtained from Seller and other sources, the accuracy and completeness of which have not been verified by Broker, and that Buyer is relying solely on his own inspection of the Business, its Assets, financial statements, business records, contracts, any assumed liabilities, operational history, future profitability and the representations by the Seller, and not on any representations of the Broker. Seller acknowledges that he is relying solely on his own investigation of the Buyer's creditworthiness and ability to complete this transaction and to successfully operate the Business, and not on any representations of the Broker. Should any such representations of Seller or Buyer be untrue, Buyer and Seller agree to look solely to each other for relief and shall release, hold harmless, indemnify and defend the Broker from any such claims. Buyer and Seller acknowledge that Broker may receive a referral fee from an institutional lender.

15. TRAINING: Seller and _____, individually, shall train Buyer in the operation of the Business for a period of _____ consecutive weeks from COP, for _____ hours per week, without additional cost to Buyer.

16. COVENANT NOT TO COMPETE: Seller and _____, individually, shall not directly or indirectly carry on a similar business within a radius of _____ miles of the present location of the Business, or _____ within the counties of _____, attempt to hire any existing employees of the Business, solicit any customers of the Business or assist anyone else except the Buyer to do so within these limits; or have any interest, directly or indirectly, in such business, except as an employee of the Buyer, for a period of _____ consecutive years from COP. This covenant shall become an asset of the Business and may be transferred as part of any future sale of the Business.

17. MEDIATION OF DISPUTES: Buyer and Seller shall mediate any dispute or claim between them arising out of this Agreement or any resulting relationship or transaction between such parties. The mediation shall be held prior to any court action or arbitration. The mediation shall be confidential and in accordance with applicable sections of the California Evidence Code. In the event the parties are not able to agree on a mediator within thirty (30) days of the first party seeking mediation, the presiding judge of the Superior Court of the county in which venue would lie for the filing of a complaint for relief in such dispute shall have jurisdiction to appoint a mediator. In the event the mediator determines that a second mediation is necessary, it shall be conducted in accordance with this paragraph. Should either party attempt an arbitration or a court action before attempting to mediate, that party shall not be entitled to attorney fees that might be otherwise available to it in a court action or arbitration and the party who is determined by the arbitrator or judge to have resisted mediation may be sanctioned by the arbitrator or judge. Mediation fees, if any, shall be divided equally between Buyer and Seller.

18. BROKER'S FEES: The Broker(s) identified in paragraph 1 has/have acted as the only Broker(s) for this sale and earned a broker's fee. Seller agrees to pay a fee to Broker(s) for services as follows:

- ☐ _____ percent of total purchase price to _____, Broker and _____ percent of total purchase price to _____, Broker, or
- ☐ as per representation agreement between Seller and Seller's Broker.

Broker's fees shall be payable (a) at Closing, or (b) if completion of sale is prevented by default of Seller, upon Seller's default. If Closing is prevented by default of Buyer, the Buyer shall be responsible for and agrees to pay the total Broker's fee immediately upon default. Any amount that the Buyer has deposited with the escrow holder may be applied against Buyer's obligation under this paragraph. In any action, proceeding or arbitration relating to the payment of such a fee, the prevailing party shall be entitled to reasonable attorney's fees and costs.

Business: _____ Buyer: _____ Date: _____

19. SUMMARY: The entire agreement of the parties relating to the sale of the Business Assets is set forth in this Agreement and can only be modified in writing signed by the parties. There are no other representations, agreements, arrangements or understandings, either oral or written, between or among the parties hereto relating to the subject matter of this Agreement that are not fully expressed herein. This Agreement shall bind and benefit the parties and their legal successors and shall supersede any prior written or oral agreements. This Agreement may be signed in counterparts and faxed and electronic signatures may be considered as originals. Captions in this Agreement are for convenience only and shall not be considered in construing its meaning. In any action, proceeding or arbitration between Buyer and Seller arising out of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs, except as provided in paragraph 17.
20. ACKNOWLEDGMENT AND PERSONAL GUARANTEE: By signing below, the Buyer and Seller each acknowledge that they have carefully read and fully understand this Agreement and have received a copy of it. The undersigned warrant that their signatures are legally sufficient to bind the Buyer and Seller. If the Buyer and/or Seller is a corporation or other entity, the undersigned personally guarantee the performance of this Agreement and any other agreements necessary to complete the purchase.
21. ACCEPTANCE: This offer shall expire unless it is accepted in writing by Seller and that acceptance is communicated to Buyer by _____ (time) on _____, 20_____. Any later acceptance shall constitute a counteroffer.
The undersigned Seller accepts and agrees to sell the Business on the terms on the above terms and conditions.

THE CALIFORNIA ASSOCIATION OF BUSINESS BROKERS MAKES NO REPRESENTATION AS TO THE LEGAL VALIDITY OR ADEQUACY OF ANY PROVISION OF THIS FORM IN ANY SPECIFIC TRANSACTION. THE BROKER IS NOT QUALIFIED TO GIVE LEGAL OR TAX ADVICE. FOR SUCH ADVICE; THE PARTIES SHOULD CONSULT THEIR ATTORNEYS OR ACCOUNTANTS.

☐ Subject to attached addendum

☐ Subject to attached counteroffer

Buyer _____ Date _____

Seller _____ Date _____

Buyer _____ Date _____

Seller _____ Date _____

Corporation (or other entity) _____

Corporation (or other entity) _____

By: _____
Name and Title _____ Date _____

By: _____
Name and Title _____ Date _____

Broker's Agent _____ Date _____

Broker's Agent _____ Date _____

LIST OF ATTACHMENTS

- A. Equipment List
- B. Seller's Disclosure Statement
- C. Buyer's Disclosure Statement
- D. _____
- E. _____
- F. _____
- G. _____
- H. _____
- I. _____