

# Terms of Sale Agreement

## 1. The Sale Instruction

a) I/we (the client) instruct **Adison International Limited** henceforth referred to as “Adison” to act as my/our business brokers in connection with the proposed sale of “the business” known as

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b) “The business” Registered Address:

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c) Company Registration Number (if a Limited Company):

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d) These instructions have been received by the below parties henceforth known as “the client”

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e) I/we (the client) have been advised to take the appropriate legal, taxation, insurance, investment and accountancy advice in respect of this instruction. I/we agree to seek our own professional advice before proceeding.

## 2. Terms of Engagement

a) I/we (the client) instruct Adison solely and exclusively to act as our business brokers in connection with the sale of the business for a minimum period of 6 months from the date of this agreement.

b) Fees will be payable to Adison on any sale which completes during the period of Adison having sole selling rights or within any period of notice of termination, irrespective of whether the purchaser was found by Adison or another agent, person or client. If contracts for the sale of “the business” are completed after the period of sole selling rights, but within 24 months of the sole selling rights ending to a purchaser who was introduced (refer to point 2c, below) to the client by Adison or with whom the client had negotiations during the period of sole selling rights then Adison’s fees will remain payable in full.

c) An Introduction is made when a potential purchaser has completed a confidentiality agreement with a reference number corresponding to the memorandum of sale of the client’s business and the name of that individual, company, investor or broker has been passed on by Adison to the client.

d) I/we (the client) agree to refer all prospective purchasers to Adison for them to conduct negotiations, whether previously known to the client or otherwise.

e) I/we (the client) agree that this instruction may be terminated by the client or by Adison by giving 3 months notice in writing.

## 3. Fees and Commissions Payable

### a) Valuation

Adison undertake to value a clients business for a one-off fee of £500 (+vat). This fee includes an initial meeting with the potential vendor, analysis of the business, its structure, sales, performance, and its sector profile. Adison then provide a written report to indicate the potential sales value of the business along with a recommendation of the value at which the business should be marketed. The valuation fee becomes due within 7 days of invoice date.

### b) Signing On Fee

In order to instruct Adison to market the business for sale the client will need to agree with Adison the marketing valuation. The client will then be charged a signing on fee which acts as confirmation of commitment to the sale and contributes towards Adison’s marketing costs.

The signing on fee is: For businesses marketed at less than £1 million the signing on fee is £2500 (+vat)

For businesses marketed at over £1 million the signing on fee is £5000 (+vat)

To instruct Adison to commence the sales process this document will need to be signed by the client and returned along with the appropriate signing on fee. The signing on fee is a non refundable payment but will be fully deducted from Adison’s sales commission due at completion of sales contract.

### c) Sales Commission

The **Sale commission** is 4% up to **£2million**, 3% from **£2million** to **£4million** and 2% above **£4million** of the total consideration paid for the business (see point 4 – The Total Consideration). Where the purchase of the business consists of an initial consideration, settled at completion with deferred considerations paid at a later date, Adison will invoice against the value of the initial consideration plus the guaranteed payments, this invoice must be settled within 7 days (see point 5 - Payments). Where the deferred consideration is dependent upon performance Adison’s invoices for the performance element of the sale will be rendered once the deferred payment amount has been agreed and paid to the client. The invoice against deferred payments must be settled within 7 days of invoice date. There is a **Minimum Sales Commission** of £5000. All sales commissions are subject to VAT.

### b) Meeting Fee

A **Meeting Fee of £250 (+vat)** is chargeable for all meetings attended by Adison on behalf of the client’s business. This may include an initial meeting between Adison and the client themselves, meetings to support the client which are attended by the buyer, or any other formal meetings that we are required to attend during the sales process, irrespective of duration or location in the UK. **These Meeting Fees are only charged once Adison’s attendance is formally agreed by the client prior to the meeting.**

#### **4. The Total Consideration**

I/we (the client) understand all commissions are based on the eventual total consideration which is calculated on the total sum of the following as applicable:

- a) The Goodwill: the fixtures/fittings; plant/equipment; the freehold or leasehold value; the stock at valuation; any deferred payment(s), salaries or fees agreed in lieu, or the value of any other benefits or other payments made as a consequence of or at the time of the sale.
- b) In all cases where a lease is created out of a freehold, 12.5% of the first two years rent will be added to the commission due. If the sale is that of a *Limited Company*, also included will be any consideration for debtors/creditors and any other assets in the share transfer or options, shares in lieu, and/or loan notes, or the value of any other benefits or other payments made as a consequence of or at the time of sale.
- c) A freehold commission rate of 2% is payable on the price agreed for the freehold premises where it does not form a part of the Business balance sheet. Should the freehold not be sold and/or the Business be relocated, no freehold commission is due.

#### **5. Payment**

- a) I/we (the client) understand that payment of the Sale Commission will be made by the client's solicitor, or any third party handling the sale's proceeds on the client's behalf, who are hereby instructed to pay the Sale Commission to Adison will be due immediately on completion.
- b) I/we (the client) understand that all fees must be received by Adison within seven days of the date of invoice, unless otherwise specified in this agreement, after which time interest will be charged at 5% per annum above the National Westminster Bank base rate.
- c) The total Meeting Fee(s) and Valuation Fee(s) if applicable will be deducted from the Sale Commission paid on the initial consideration at completion.

#### **6. Disclosure of Information**

- a) I/we (the client) agree to provide Adison with all information asked for and also which may be relevant to the Valuation, Memorandum of Sale, Promotion of the business, or subsequent Sale of "the business".
- b) I/we (the client) will notify Adison immediately of any changes, material or otherwise, that occur within the business.
- c) Should the client fail to supply information requested or neglect to disclose information that could relate to the Valuation, Promotion or Sale of the business Adison reserves the right to terminate this agreement.
- d) I/we (the client) agree to send full copies of the annual accounts to Adison as they are produced. I/we also agree to provide up-to-date management accounts (profit & loss and balance sheet) to Adison at least on a quarterly basis.
- e) I/we (the client) agree to compensate Adison in respect to any loss, damage or expense suffered by Adison as a result of any incorrect information supplied by the client or by any person acting on behalf of the client.

#### **7. Confidentiality**

- a) Adison insists all potential purchasers enter in to a Confidentiality Agreement.
- b) Adison will provide the client with a signed Confidentiality Agreement and will do its utmost to maintain confidentiality. In all dealings with professional advisors, potential purchasers and third parties Adison will stress to them their obligation to keep confidential all of the client's dealings.
- c) I/we (the client) agree to Adison producing a Memorandum of Sale regarding "the business" and will promptly sign a copy of this Memorandum of Sale to agree to this is a document which truthfully depicts "the business", without identifying it or leaving it in a compromised position. I/we (the client) agree that this document can be used for promotional purposes without the need for a Confidentiality Agreement being signed by any third party.
- d) I/we (the client) are able to request changes to the Memorandum of Sale content, prior to agreeing to the documents usage.

#### **8. Liability**

- a) While proactively promoting the business, Adison cannot accept liability should they fail to find a suitable purchaser or should a purchaser decide at any stage not to pursue the purchase of "the business".
- b) Adison cannot be held responsible for any loss or damage "the business" or "the client" may incur as a result of this agreement.
- c) The Data Protection Act 1998 requires Adison to advise the client that all data held in regard to the business or the client are held on Adison's secure database. Unless specifically asked not to by the client, I/we agree to Adison holding this data, sending details to potential purchasers, and including the client on the Adison Marketing Data Base.
- d) This contract is legally binding and governed by and constructed in accordance with the laws of England.

**9. Instructing Adison**

a) In signing, dating and returning this agreement to Adison International Limited I/we (the client) agree that the above sets out the work that the client has instructed Adison to carry out and the fees, terms and conditions of Adison’s Terms of Sale Agreement. Following discussions and careful consideration we agree with the valuation Adison has placed upon the business and the marketing value at which the business will be promoted for sale.  
If I/we understand that if we wish to set a price over the Marketing Valuation Price provided by Adison I/we understand that an additional non-refundable fee of £2500(+vat) is due immediately on signing this agreement.

i) Adison’s Valuation for “the business”:

£		Initial Here
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ii) Adison’s proposed Marketing Valuation:  
(This is the figure used to advertise the business)

£		Initial Here
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iii) The value the client insists the business be marketed at:

£		Initial Here
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**Full Name(s)**

**Signatures (all Directors/ Partners)**

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**Date** .....