



THE VELD  
GROUP  
LOS ANGELES • TOKYO

## Corporate Stock Purchase Agreement

**INTRODUCTION:** This is an offer and an agreement, dated \_\_\_\_\_.

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

**CORPORATION:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

**SELLER** \_\_\_\_\_ **SELLER'S BROKER** \_\_\_\_\_

Contact Person \_\_\_\_\_ Phone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_

Phone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_ Email \_\_\_\_\_

Email \_\_\_\_\_ AGENT \_\_\_\_\_

Address \_\_\_\_\_ Address \_\_\_\_\_

City/State \_\_\_\_\_ Zip \_\_\_\_\_ City/State \_\_\_\_\_ Zip \_\_\_\_\_

**BUYER** \_\_\_\_\_ **BUYER'S BROKER** \_\_\_\_\_

Contact Person \_\_\_\_\_ Phone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_

Phone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_ Email \_\_\_\_\_

Email \_\_\_\_\_ AGENT \_\_\_\_\_

Address \_\_\_\_\_ Address \_\_\_\_\_

City/State \_\_\_\_\_ Zip \_\_\_\_\_ City/State \_\_\_\_\_ Zip \_\_\_\_\_

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

**CLOSING or COE:** Closing of the agreed escrow.

**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.

**STOCK:** All the outstanding stock of the corporation, which is now owned by seller and is to be purchased by buyer.

**BALANCE SHEET AT SIGNING:** Corporation's latest balance sheet disclosed to buyer prior to signing, dated \_\_\_\_\_, which may be attached as exhibit A.

**BALANCE SHEET AT CLOSING:** Corporation's balance sheet as of closing.

**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 \_\_\_\_\_

Business: \_\_\_\_\_ Buyer: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
Buyer Buyer Seller Seller

**2. SALE OF STOCK:** Seller hereby agrees to sell to buyer and buyer agrees to purchase the stock from seller on the terms and conditions set forth below. Seller and buyer acknowledge that the transaction is in the form of a sale of stock in order to meet the needs of the parties and that such form has not been recommended by the broker.

**3. CONSIDERATION:** The total consideration, which includes the liabilities of the corporation, shall be

\$ \_\_\_\_\_ paid or credited as follows:

a. \$ \_\_\_\_\_ as a deposit to be held by the Broker and, if a check, cashed when this offer is accepted. This deposit will be a part of the down payment.

i. Buyer irrevocably authorizes escrow agent to pay Seller \_\_\_\_\_ % of this down payment in the event that a sale is not ultimately consummated for any reason whatsoever.

ii. Seller irrevocably authorizes escrow agent to pay Broker 50% of the deposit in case such a deposit is forfeited by Buyer, provided such payment does not exceed the full amount of anticipated Broker's fee in cash or consideration at close of escrow, in accordance with the signed listing agreement, in any, previously entered into by Broker and Seller.

Buyer authorizes Broker 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. \$ \_\_\_\_\_ balance of the down payment to be deposited in escrow in cash or cash equivalent before closing. (Estimated closing costs will also be deposited.)

d. \$ \_\_\_\_\_ total down payment (a + b + c)

e. \$ \_\_\_\_\_ approximate balance payable in the form of a non-negotiable promissory note to seller in equal monthly installments, including \_\_\_\_\_ % per annum interest computed from COE, so as to fully amortize over \_\_\_\_\_ months (i.e. \$ \_\_\_\_\_ per month), payments to begin one month from COE, secured by a security agreement on the assets of the business and a pledge agreement on the stock, with right of offset and right to prepay without penalty. Note shall be assumable with seller's consent, which shall not be unreasonably withheld.

f. \$ \_\_\_\_\_ represents the purchase price of the stock and any covenant not to compete and/or consulting or employment agreement. (d + e)

g. \$ \_\_\_\_\_ approximate credit to buyer for liabilities of the corporation remaining after closing. If the actual balance differs from this figure, any note to the seller shall be adjusted up or down accordingly.

h. \$ \_\_\_\_\_ total consideration. (f + 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.

Within one month after COE, the promissory note (3.e above) shall be adjusted by any variation in the net current items (current assets less current liabilities) as shown on the balance sheet at closing from the net current items as shown on the balance sheet at signing.

**4. 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 corporation, 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 and buyer's creditworthiness. If buyer is a corporation, the shareholders shall personally guarantee the obligations to the seller under this agreement. Adequate information shall be provided promptly to seller.

Business: \_\_\_\_\_ Buyer: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
Buyer Buyer Seller Seller

The parties' satisfaction with items a and b, respectively, shall be conclusively presumed unless contrary written notice is provided to the escrow holder or broker within ten days from signing or upon COE if sooner.

c. Review and approval of the buyer's and seller's attorneys. Such approval shall be conclusively presumed unless contrary written notice is given to the escrow holder or broker within five days from signing or upon COE if sooner.

d. Other (i.e. franchise agreement, liquor license, etc.) \_\_\_\_\_

**5. ESCROW:** The purchase price and closing adjustments shall be paid through an escrow to be established with \_\_\_\_\_, the escrow holder. Separate escrow instructions may be signed to define the duties of the parties and the escrow holder. All parties shall cooperate with the escrow holder in performing any acts and completing any papers necessary to complete this transaction. The broker is a party to the escrow as to the payment of any sales commissions and an assignee of the sales proceeds to the extent of such commissions.

**6. SELLER REPRESENTATIONS AND WARRANTIES:** Except as noted in paragraph 7i, in the following, seller represents and warrants as follows:

a. STATUS OF CORPORATION AND STOCK

1. Corporation is a California corporation duly organized, validly existing, and in good standing with the State of California, and has all corporate powers and authority to conduct the business as it is now being conducted. All the stock is owned by the seller and is validly issued, fully paid, and nonassessable. The corporation has no commitments to issue additional shares.

2. All restrictions on the transfer of stock will be duly complied with effectively waived.

3. This sale will not (a) cause the acceleration of any note balance or lease-purchase obligation, (b) cause the landlord modify or end the premises lease, or (c) end any financing or credit extended to the corporation by any third party

b. FINANCIAL STATEMENTS

1. All the financial information and statements furnished to buyer are complete, accurate, and prepared in a manner consistent with prior statements, and they fairly present the financial condition of the business as the dates stated on them.

2. Since the date of the last financial statements furnished, there have been no material adverse changes in the aggregate in the assets, liabilities, revenues, expenses, or any other items shown on such statements.

c. ASSETS OF THE BUSINESS

1. All assets currently used in the business are owned by the corporation free from liens and encumbrances.

2. All assets are in good and operable condition and conform with all applicable building and zoning ordinances and regulations and other laws.

3. All accounts receivable of the corporation arose from the normal course of business, none have been previously assigned and they are fully collectible.

4. All resale inventory of the business is marketable and in good condition.

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

6. All insurance policies and other agreements of the corporation are in full force and effect and seller is not in default as to any of their provisions.

7. Assets currently used in or owned by the corporation which are not included in this sale are \_\_\_\_\_. (Attach Exhibit \_\_\_\_\_ if more space is needed.)

d. LIABILITIES

1. The financial and other information furnished to buyer includes a full disclosure of all liabilities of the corporation and all facts might reasonably give rise to liability.

2. There are no claims or investigations existing which would affect the business or its assets or the transfer of good title, and all the pending or threatened litigation involving the corporation has been disclosed.

Business: \_\_\_\_\_ Buyer: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
Buyer Buyer Seller Seller

3. There are no claims by distributors, sales representatives or customers because of defective products or services already delivered or rendered by corporation, arising either now or in the future, which will be asserted against the corporation. This warranty shall only apply so long as the corporation maintains liability insurance comparable to that presently in force.

4. Corporation will have no contracts or other commitments (including but not limited to collective bargaining agreements, employment contracts, pension or profit sharing plans) remaining effective after COE.

5. Seller shall remove the following liabilities from the corporation prior to COE: \_\_\_\_\_  
\_\_\_\_\_. (Attach Exhibit \_\_\_\_\_ if more space is needed.)

e. COMPLIANCE

1. Corporation has all necessary permits and authority and is all operating the business in compliance with all applicable laws and contracts. This compliance will not be violated by this sale. The business will pass applicable inspections upon closing.

2. The business and its premises are in compliance with all applicable hazardous waste and other environmental regulations.

f. TAXES: All tax returns required to be made by corporation have been properly prepared, signed, and timely filed, and all tax liabilities have been paid.

g. EMPLOYEES

1. There are no material facts known to seller or corporation indicating employee labor disputes which could adversely affect corporation's business operations.

2. Balance sheet at COE will reflect all accrued payroll, vacation, bonus, pension, profit sharing or other benefits accrued or owing to employees.

h. SURVIVAL: All representations and warranties will be true at COE as if made then and will survive COE.

i. EXCEPTIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**7. SELLER COVENANTS:** Seller and corporation covenant jointly and severally that from signing until COE:

a. The corporation's articles, by-laws and ownership will not change in any way.

b. The corporation will not incur or permit any additional encumbrances on the assets of the business or dispose of any such assets, except in the normal course of business.

c. The corporation will not enter into any material or long term contracts or any other transactions except in the normal course of business, and will make no changes in its labor or employment agreements. Corporation will continue to operate the business in the usual way, protect its assets and goodwill, allow the buyer to make reasonable inspections, and maintain good relations with suppliers, customers, and employees.

d. The corporation will hold appropriate director and stockholder meetings and take all other steps necessary to legally perform this agreement.

e. Prompt notice will be given to buyer of any event which materially alters the accuracy of the above Seller Representations, Warranties and Covenants.

**8. SELLER INDEMNITY:** Seller and corporation shall hold buyer harmless from any damage resulting from the falsity of the above Seller Representations and Warranties or the breach of the above Seller Covenants. Without in any way limiting the above Representations, Warranties and Covenants or the rights or remedies available to the buyer for their breach, seller and corporation hereby hold buyer harmless from all loss, liability, tax, or expense resulting directly or indirectly from the assertion against buyer or corporation of claims by government or any person or other entity based on facts existing before COE, except as provided herein.

**9. BUYER REPRESENTATIONS AND WARRANTIES:** Buyer represents and warrants the following:

a. Buyer has the full right, power, legal capacity, and authority to enter into and perform buyer's obligations under this agreement and buyer is legally bound.

Business: \_\_\_\_\_ Buyer: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
Buyer Buyer Seller Seller

b. Buyer has the financial ability to accomplish the purchase described in this agreement.

**10. BUYER COVENANTS:** Buyer covenants that from signing until COE:

- a. Buyer will take all steps necessary to legally perform this agreement.
- b. Prompt notice will be given to seller of any event which materially alters the accuracy of the above Buyer Representations, Warranties and Covenants.

**11. BUYER INDEMNITY:** Buyer shall hold seller harmless from any damage resulting from the falsity of the above Buyer Representations or the breach of the above Buyer Warranties and Covenants.

**12. FEES, EXPENSES AND REFUNDS**

- a. Buyer shall pay any transfer or issue fees for permits, licenses, franchises and the like.
- b. Buyer and seller shall pay equally all escrow fees and costs. Each party shall pay its own attorneys, accountants, and other advisors.
- c. Any federal, state or local income or other tax resulting from the operations or activities of corporation prior to COE shall be determined and paid by or charged against seller.
- d. 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 COE and are not on the balance sheet at closing.

**13. BROKER:** The broker identified in paragraph 1 has acted as the only broker for this sale and earned a commission based on the total consideration shown in paragraph 3h. If the sale is not completed because the buyer does not perform his obligations under this agreement, the buyer shall be responsible for and shall pay the broker this commission immediately. Any amount the buyer has deposited with the escrow holder may be applied against the buyer's obligation under this paragraph.

Buyer acknowledges that the broker has not verified and will not verify the representations of the seller, and buyer relies solely on seller's representations concerning the buyer's creditworthiness or ability to complete this transaction or to successfully operate the business, and relies solely on buyer's representations and not on broker.

**14. TRAINING:** Seller shall train buyer in the operation for a period of \_\_\_\_\_ consecutive weeks from COE for \_\_\_\_\_ hours per week without additional cost to buyer.

**15. COVENANT NOT TO COMPETE:** For a period of \_\_\_\_\_ consecutive years from COE, seller shall not directly or indirectly carry on a similar business within a radius of \_\_\_\_\_ miles of the business being sold, nor assist anyone else except the corporation and buyer to do so within these limits; nor shall seller have any interest, directly or indirectly, in such business, except as an employee of the business being sold. Paragraph 18 will not prevent injunctive relief to enforce this covenant during arbitration. Any part of the purchase price to be allocated to this covenant shall be agreed upon by the parties and submitted to escrow prior to COE.

**16. CONDITIONS TO SELLER CLOSING:** Seller's obligations at COE are subject to the satisfaction of the following conditions:

- a. As of COE, all Buyer Representations and Warranties shall be true and all Buyer Covenants shall be complied with and performed in all material respects.
- b. All consents of third parties necessary to the performance of this agreement by seller shall have been received.

**17. CONDITIONS TO BUYER CLOSING:** Buyer's obligations at COE are subject to the satisfaction of the following conditions:

- a. As of COE, all Seller Representations and Warranties shall be true and all Seller Covenants shall be complied with and performed in all material respects.
- b. All consents of third parties necessary to the performance of this agreement by buyer shall have been received.

**18. ARBITRATION:** Any dispute relating to this agreement by any party or the broker shall be decided by binding arbitration as provided in the California Code of Civil Procedure, beginning at section 1280, and shall include full rights of discovery. In any suit or arbitration on this agreement, the prevailing party shall be entitled to reasonable attorney fees and costs.

**19. ACCEPTANCE:** This offer shall expire unless it is accepted in writing by seller and that acceptance is communicated to buyer by 11:59 p.m. on \_\_\_\_\_, 20\_\_\_\_. Any later acceptance shall be a counteroffer.

Business: \_\_\_\_\_ Buyer: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
Buyer Buyer Seller Seller

**20. SUMMARY:** The entire agreement of the parties relating to the sale of the stock and any other covenant not to compete and/or consulting or employment agreement set forth in this agreement and can only be modified in writing signed by the parties. This agreement shall bind and benefit the parties and their legal successors. Captions in this agreement are for convenience only and shall not be considered in construing its meaning.

**21. ACKNOWLEDGMENT AND 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 fully sufficient to bind the buyer and seller, respectively, and personally guarantee performance hereunder.

Buyer	Date	Seller	Date
Buyer	Date	Seller	Date
Broker's Agent	Date	: Corporation	Date

**Exhibit      LIST OF ATTACHMENTS**

- A.      Balance sheet at signing
- B.      \_\_\_\_\_
- C.      \_\_\_\_\_
- D.      \_\_\_\_\_
- E.      \_\_\_\_\_

Business: \_\_\_\_\_ Buyer: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
Buyer      Buyer      Seller      Seller