

# Lien

This is a charge or hold on assets usually by a creditor until the indebtedness is satisfied.

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# Lease Assignment

When selling a business that occupies leased premises, a buyer typically “assumes” the lease. A tenant may assign his “right, title and interest” in that lease to an “assignee”.

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# Indication of Interest

Similar to a Term Sheet. An indication of Interest (IOI) is a non-binding letter used to express interest in acquiring the business.

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# Indemnification

In a purchase agreement, indemnification provides protection to the buyer if the seller makes representations and warranties that turn out to be inaccurate, or the seller fails to perform a covenant, and the breach results in additional costs or damages to the buyer post-transaction.

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# Holdback

In a purchase agreement, this provision provides for a portion of the consideration to be deposited in escrow or withheld by the buyer to be applied toward future indemnification claims by the buyer.

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# Executive Summary

This is a 1-page profile of a business that is used to solicit buyer interest. It usually has all identifying information removed.

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# Escrow Holder

This is a neutral third-party that prepares routine financial, compliance and legal documents related to the transfer of a business and holds funds until the parties fulfill specified conditions.

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# **Covenant**

This is an agreement between buyer and seller that restricts each party from taking certain actions, particularly during the Letter of Intent period and prior to closing.

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# **Contingent Liability**

This is a potential obligation that arises from past events and will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the business.

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# **Confidentiality Agreement**

This is a document signed by potential buyers that requires them to keep the information contained in the CIM, other evaluation materials and all discussions completely confidential.