

THIS IS JUST A FORMAT.

Kindly take proper Legal Advise for Drafting Document as per your requirements.

Preliminary Agreement to Takeover Business

This agreement is made at ... (city) on the day of 20....
between

Mr. A, residing at hereinafter referred to as 'the Vendor'
(Which expression unless be repugnant to the context or meaning thereof
be deemed to include his heirs, executors, administrators and assigns)
of the One Part :

and

Mr. X, residing at Mr. Y residing at and Mr. Z residing at
..... hereinafter referred to as 'the Promoters' (Which expression un-
less be repugnant to the context or meaning thereof be deemed to include
his heirs, executors, administrators and assigns) of the OTHER PART;

WHEREAS -

1. The Vendor is carrying on business as sole proprietor of manufac-
turing products mentioned in the First Schedule hereinafter referred to
as 'the said products.'

2. The Vendor is carrying on the manufacture of the said products at
his factory premises at ... and which premises consist of a plot of land
with a factory shed and other incidental structures described in the Sec-
ond Schedule.

3. A detail inventory of the machinery, tools, equipment and other
articles and things in the said factory is mentioned in the Third Schedule.

4. The Vendor has represented and hereby declares that the said fac-
tory premises, machinery etc. are mortgaged to the Bank of ... to secure
a term loan of Rs. with interest at ... per cent per annum but except
that there is no other encumbrance on the said property.

5. The Vendor is facing with shortage of funds and knowing this the
Promoters have approached the Vendor with a proposal that the Promot-
ers will form and register a private company limited by shares under the
Companies Act, 1956, and the Company will take over the said business
of the Vendor together with all the assets belonging thereto on the follow-
ing terms and conditions to which the Vendor has agreed.

NOW IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. The Promoters shall form and register a private company limited
by shares under the Companies Act, 1956 and they will be the first sub-
scribers to the Memorandum & Articles of Association of the Company.

2. The name of the Company will be ... being the name in which the
Vendor is carrying on his said business, subject to the same being ap-
proved by the Registrar of Companies. If the said name is not approved,
such other name will be given to the Company as will be acceptable to the
Vendor and approved by the Registrar of Companies.

3. The authorised or nominal capital of the Company will be Rs. ...
divided into ... equity shares of Rs. 100/- each.

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4. The draft of the Memorandum & Articles of Association of the said Company has been kept ready and approved by the parties hereto.

5. The main object of the said Company will be to take over the said business of the Vendor as a going concern together with the assets mentioned in the Second and Third Schedule hereunder written but subject to the said mortgage created in favour of the said Bank of ... and to carry on the business of manufacturing the said products. The incidental and other objects of the said Company will be as set out in the said draft of Memorandum of Association.

6. The said business of the Vendor together with the said assets and the goodwill thereof but subject to the said mortgage are valued at Rs. ... Out of the said amount a sum of Rs. ___ has been paid by the Promoters for and on behalf of and for the benefit of the said proposed company, to the Vendors, as earnest and out of the balance a sum of Rs. ... will be paid to the Vendor in cash and the remaining amount of Rs. ... will be paid and deemed to be paid by allotting equity shares of the face value of Rs. ... each in the capital of the said Company.

7. The Vendor will obtain the consent of the Bank to the transfer of the said business with assets to the proposed company and to the company taking over the liability of the said mortgage on such terms as the Bank may stipulate.

8. The costs of and incidental to the registration of the said Company will be initially spent by the Promoters and after registration of the Company, they will be reimbursed out of the funds of the Company.

9. On the registration of the Company the Vendor shall transfer the said business together with the assets thereof described in the Second and Third Schedule with all stock-in-trade, in consideration of the said sum of Rs. ... to be paid to the Vendor partly in cash and partly by allotment of shares as aforesaid and he will execute all necessary documents of transfer as will be required under the legal advice of the lawyers to be appointed by the Promoters. The capital gains tax if any payable on the transfer of such assets will be paid by the Vendor and the Vendor will indemnify and keep indemnified the Promoters as well as the said Company against any such liability.

10. All the expenses of and incidental to such documents of transfer including stamp duty and registration charges will be borne by the said Company.

11. The Promoters and the Vendor will be the first directors of the said company and one of the promoters will be the Chairman of the Board of Directors.

12. The Vendor will be in charge of the business of the Company and will make available to the Company all the know-how and technical expertise. The Vendor will be paid remuneration as may be decided by the Board but it will not be less than Rs. ... per month.

13. On the registration of the Company the Directors shall allot the said shares of the face value of Rs. ... to the Vendor as aforesaid and shall also allot shares of the face value of Rs. ... to each of the said Promoters and which will be payable in cash.

14. On registration of the Company the Board of Directors constituted as aforesaid will adopt this agreement so as to be binding on the Company and the Company as well as the Promoters and the Vendor will also ex-

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ecute such document or documents in favour of the said Bank as may be necessary for taking over the said mortgage liability by the said Company.

15. If the Bank for any reason refuses to give its consent to the transfer of the said business and the assets to the company, this agreement will be treated as cancelled. Such consent will be obtained by the Vendor before the registration of the Company.

16. The Vendor agrees and undertakes that so long as he will be the share holder and director of the Company he will not start any similar business alone or in collaboration with any other person or make the know-how and technical expertise available to any other person.

17. Except as aforesaid, all liabilities outstanding on the date of transfer, in respect of the said business, if any, and the liabilities by way of income tax, sales tax and other taxes of the Vendor will be borne and paid by the Vendor and he shall hold the Promoters and the Company indemnified against the same.

THE FIRST SCHEDULE ABOVE REFERRED TO :

x x x x

THE SECOND SCHEDULE ABOVE REFERRED TO :

x x x x

THE THIRD SCHEDULE ABOVE REFERRED TO :

x x x x

IN WITNESS WHEREOF the parties have put their hands the day and year first hereinabove written.

(1) Sign :		Witnesses
Name :	1)	
Address :	2)	
(Vendor)	(for vendor)	
(2) Sign :		Witnesses
Name :	1)	
Address :	2)	
(Promoter)	(for promoters)	
