

AVOIDING LEGAL MISTAKES WHEN SELLING YOUR BUSINESS



A common mistake that many make when preparing to buy or sell a business is to overlook all the various legal issues involved. A legal mistake can bring the entire process to a screeching halt or even worse case cost you a small fortune. For this reason, it is important to carefully evaluate the full slate of relevant legalities. This article will explore some of the key legal points one needs to consider long before placing your business on the market.

Mistake #1 Neglecting to Have a Non-Disclosure Agreement

Having potential buyers sign a Non-Disclosure Agreement, or NDA, is critically important when selling your business. One benefit to having this agreement signed and sealed is that in the event that the deal falls through, which often happens, the buyer can't disclose the details to other parties. However, if you don't have an NDA, the buyer could reveal important aspects of your discussions. This could impact any future sales.

Mistake #2 Failing to Get an Experienced Attorney

There are times to cut corners, and then there are times when cutting corners or trying to save a dollar is a big mistake. Prepping to sell your business is one of those occasions where investing in good and proven counsel is a must. A good attorney can give you a range of legal moves you should and should not make. Additionally, hiring an attorney with an established experience is just what you need to create ironclad agreements. Sellers have an array of risks that they must face when selling a business. For example, the seller needs protection from a potential buyer hiring away key employees. Without ironclad agreements and a tight NDA, a buyer could pass on buying the business, yet "steal" employees or weaken business in other ways.

Mistake #3 Skipping the Letter of Intent

Another legal way to protect your interests comes in the form of a letter of intent. This letter should be one of your key tools in negotiating the deal. Included in this letter should be a termination fee for the buyer. This applies in the event that the buyer walks away for a reason that is not the seller's fault. Inclusion of this clause means that the seller is far less impacted if the deal does not go through as planned. Further, this clause goes a long way in ensuring that only serious buyers are attracted.

Reap the Benefits of Ample Preparation

These are just a few of the many errors that sellers often make and regret later on. It is a worthwhile investment to take the legal aspects of selling your business seriously. If you prepare for the sale of your business, you will have a much more successful experience. That means you should work with a proven and competent attorney and M&A broker before you put your business on the market.

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