



Selling your business requires more than just a bill of sale

By Richard Gonzales, Gonzales Law Firm, LLC

My client, the buyer, was excited, but also confused. He had decided to buy a business and met with the current owner and the broker. "They tell me attorneys get in the way, take a long time and are expensive. They really don't want me to use legal counsel. They are ready to sign a bill of sale and give me the business. What should I do?"

Sometimes the seller just wants to avoid legal documentation, take the money and be done. If there are only a few pieces of equipment, a name, and some inventory, it is feasible that this "quick and dirty" approach will work. But if the business is encumbered by a tax lien, a missing permit or any of a number of other potential problems, the buyer may inherit a liability or find that a key item has not been included.

Minimizing this risk is the job of an experienced business acquisition attorney. Large corporate buyers pay tens or hundreds of thousands of dollars or more to obtain advice from law firms on avoiding a myriad of potential legal problems associated with buying a business. A simpler and less expensive approach is necessary for those clients with more budget constraints.

So how many and what kinds of legal documents are necessary for the mid-sized or small business owner who is looking to buy a business? Each situation is different and depends on the client's goals and the type of business being purchased. But properly drafted legal documentation serves many purposes, some of which are as follows:

- A description of the basic purchase transaction, the purchase price, when it is paid, and what is received in return.
- A list of all the business assets, including key contracts, licenses, or permits that are crucial for running the business. Other items might include the name, customer lists, accounts receivable, deposits, and lease rights or property deeds.
- Assurance that there are no other parties who own or have liens on the business, or who must give permission to allow the seller to sell the business.
- An inspection period so that the buyer can review financial records, sales, tax returns, contracts, leases and other legal documents. This often is necessary for the buyer to confirm that the business is worth the money being paid. If an unexpected problem is

discovered, a properly written purchase agreement allows the buyer to either get the problem resolved or withdraw from the purchase transaction.

-Whether the seller or key employees will be available to assist the buyer in running the business after the closing.

-Warranties or representations by the seller about the business (such as the crucial warranty that no one else owns or has a lien on the business).

-Agreements on tax filings, announcements, and anything else that needs to be done after closing.

These are just a few examples out of many items that need to be addressed, depending on the buyer's desires and the outcome of negotiations. With the legal expertise of qualified counsel, the purchaser of a business has the piece of mind that she or he has purchased the business as described, and not a bill of goods.

Richard Gonzales, Gonzales Law Firm, LLC, provides responsive and personalized legal advice for businesses of all sizes needing a real estate or business attorney having experience with deals of varying size and complexity.

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