

CRITICAL MISTAKES WHEN SELLING YOUR BUSINESS

A common mistake that many DIY sellers 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 cost you a lot of cash. For this reason, it is important to carefully evaluate the necessary documents and steps. Think about these common mistakes before taking your business to market.

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 or worse use your confidential information against you.



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. In short if your family attorney has not handled multiple business transfers find one that has.

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.

These are just a few of the many errors that sellers often make and regret later on. One buzz word you will hear as you work through the process of selling your business is "Due Diligence". In short, it is the process that buyers go through to determine if they want to buy your company. You need to do your own due diligence, as it is a necessary step to selling your business. If you prepare for the sale of your business, you will have a much more successful experience. Knowing what questions to ask and how to prepare is a challenge. That means you should work with a proven and competent attorney and M&A broker before you put your business on the market.

Alamo Corporate Group and its advisors have specialized in ownership transfers of closely held companies since the late 1980's. We offer a range of intermediary services including mergers, acquisitions, divestitures, buyer identification, management buyouts, debt restructuring and in very limited instances, acquisition searches for high net worth individuals and private equity groups.

Alamo's primary purpose is to provide an extremely confidential national service that brings buyers and sellers together through our extensive contacts in the financial and intermediary communities.

Our process is very structured, as experience has shown us that while each buyer and seller is somewhat unique, there are enough similarities that specific steps must be followed in order for transactions to close. Confidentiality is guarded throughout each step of the process.

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