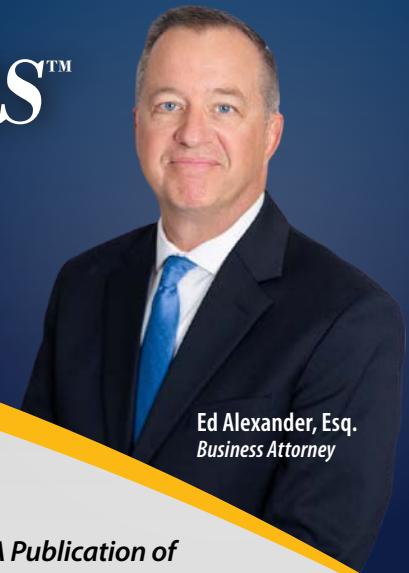


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Ed Alexander, Esq.
Business Attorney

The Letter of Intent is Not Binding. So We Can Negotiate Later, Right?

By Ed Alexander



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The first step in selling a business or firm is often a letter of intent (LOI).

This isn't correct.

Instead, the LOI sets the key terms and conditions for the transaction and trying to renegotiate or add important terms later will, in the absence of some compelling reason, be seen as acting in bad faith.

Therefore, it's important to get the LOI "right" - fully describing the key deal terms.

These include:

- » **Purchase Price.** The total price and how it will be paid.
- » **Buyer Loan Terms.** If the buyer is financing the purchase with a loan, set guardrails for the loan terms and amount.
- » **Seller Note Terms.** Be sure any note to be held by the seller is described as being secured by the assets of the business and guaranteed by an owner, and fully describes the payment terms and interest arrangements (including interest during any standby term).

Remember, if the buyer is a newly formed entity with limited assets, the seller won't have any real protection without an asset lien and owner guarantee.

- » **Earnouts.** If the price includes an earnout, be sure the financial terms that it's based upon are specifically defined and the accounting methods used by the seller will be the same used by the buyer to calculate the earnout. It is always best to tie any earnout to gross figures (e.g., gross revenue or gross profit), rather than net profit which is subject to the buyer's discretion on expenses.

Remember that, even if the seller is employed by the buyer after the sale, the buyer is in full control of the business and can do whatever he wants with the expenses.

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SCAN ME

Law Deals Podcast with Ed Alexander

Join the conversation as Ed discusses how to simplify the complex world of law firm management and ownership transitions. Scan the code above for the latest episodes.

PATHWAYS TO PARTNERSHIP SUCCESS

Alexander Business Law specializes in empowering law firm and business owners to exit, expand, and maximize profitability. Our founder, Ed Alexander, has guided countless entrepreneurs toward achieving both personal freedom and financial prosperity. Our approach focuses on helping you enjoy your business and your life. Reach out to us at (407) 649-7777 or Kim@AlexanderBusinessLaw.com.

AROUND THE OFFICE



Ed, the founder of Alexander Business Law, spends most of his time in the office meeting with clients, putting deals together, drafting documents, and recording episodes of the *Law Deals* podcast. During his downtime, you will find him outside enjoying the natural beauty of Florida from his bike or his kayak. When he is not outdoors, you can find him spending time with his family.



Our firm administrator, Faith, keeps the office running in tip-top shape. She manages HR, payroll, and the payment accounts for the firm. In her free time, she enjoys monthly meetings of a book club with her friends and loves to attend yoga classes. You can often find her biking with Ed on the weekends, as they explore local events and eateries.

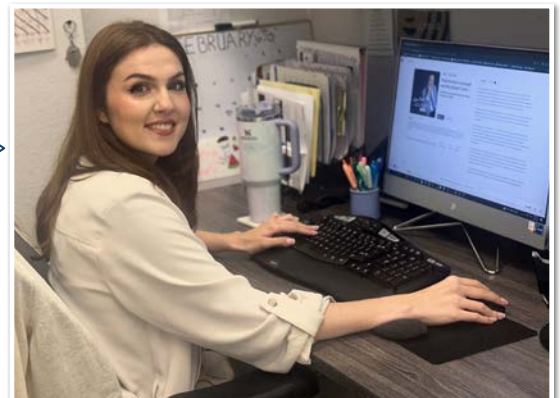


Gabriela is the legal office assistant here at Alexander Business Law. Most of her days are spent keeping in touch with our clients and managing the firm calendar. When Gabi is off the clock, she likes completing puzzles of 1,000 pieces or more, spending time with her husband, watching a movie at home or going out cycling, kayaking, and trying new restaurants. When the weather is warm, she enjoys finding a sunny spot for a picnic.



If you have ever called our office, then you will know **Kim, our client success manager**. During her days here at the office, Kim spends most of her time preparing engagement agreements and keeping up with new contacts who reach out to us for help with their legal needs. When she is not talking to clients, she enjoys visiting wineries, the beach, and spending time with her one-year-old granddaughter.

When you need information or a free copy of one of Ed's books, **Victoria (our marketing coordinator)** can assist. Day to day she publishes new content to the website and manages the *Law Deals* podcast. She is a student at the University of Central Florida, studying writing and rhetoric. When she is not busy with work or school, you can find her out trying new food with friends, going to the springs, or cozied up with her cat and a good book. □



WHAT OTHERS ARE SAYING ABOUT ALEXANDER BUSINESS LAW*

Attorneys Recommend Alexander Business Law

"Ed and his firm are the best. I highly recommend. As a fellow attorney I have known Ed for over a decade and I have referred business owners to Ed for consultations on all things corporate law, with an emphasis on the legal components of succession planning."

- Tom Tona

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The Letter of Intent is Not Binding...

» **Binding Terms.** Although most of the LOI should be non-binding, they often provide for certain terms to be binding, such as:

» An "exclusive dealing" provision preventing the seller from entertaining competing offers. As the seller, its important to:

(1) set the exclusivity term to a limited period that gives the buyer enough time to complete a due diligence review while not unduly delaying a sale should the buyer decide not to buy, and

(2) require the buyer to work diligently during that time.

» A non-disclosure or confidentiality provision requiring the buyer to keep the seller's information confidential and use it only to evaluate the deal.

Be careful using a broker provided NDA. If it's between the broker and the buyer, the seller won't have a right

QUOTE OF THE MONTH

"Success is not the key to happiness. Happiness is the key to success. If you love what you are doing, you will be successful."

ALBERT SCHWEITZER

to enforce it. Sometimes, the NDA has a limited term of two or three years. And many broker NDAs don't adequately protect the seller.

Selling a business is an exciting and potentially life-changing event. Getting to the finish line starts with getting the deal terms agreed to by the parties in the letter of intent.



If you're wondering about a letter of intent you received for your business, call me at **(407) 649-7777** to set up an initial consultation with me. I'm here to help. □

- Ed



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Ed Alexander

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THANK YOU FOR YOUR REFERRALS!

This month, we'd like to thank **Randy Bryan** for believing we are the right firm to help his friends and business colleagues. Your support gives us the ability to reach more individuals and make a positive difference in their lives. If we can help anyone you know that needs our services, please send them our way!

A Personal Message From Ed Alexander

Lately, we've been getting ready for a big family event – my oldest daughter (@LawyerBritt) will be getting married in Italy this summer, and my youngest daughter, Courtney, will be the Maid of Honor. To properly fulfill my father-of-the-bride duties, I'm taking lessons for the father-daughter dance (I have two left feet). Faith and I will combine the wedding trip with a great vacation. I'm really looking forward to both.

- Ed



New Podcast Episode:

The Unique Challenges of Succession Planning for Law Firms.

What lawyers need to know about buying and selling law firms.

Join Ed on the Law Deals Podcast as he shares insights, strategies, and practical advice to ensure smooth transitions and successful deals in the legal sector.



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