

## LEGAL ASPECTS OF BUYING/SELLING A BUSINESS

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Buying a business is exciting! There is a certain thrill that comes with closing a business acquisition or melding two corporate entities. At the same time these deals can raise complex legal issues that sometimes require sophisticated solutions. An acquisition typically proceeds through the following stages:

1. Preliminary negotiations and signing a Letter of Intent;
2. Completing a detailed asset purchase or share purchase agreement based on the letter of intent;
3. Due diligence investigations; and
4. Closing the transaction.

Every deal is different and, depending on how the negotiations proceed, it may be necessary to add a step or two. Each stage builds on the stage before it and if parties miss something legally important at an early stage, it could create obstacles down the road and delay the closing.

Here is the crucial question: How do you know what is legally important? The answer: Ask a lawyer! Indeed, the earlier you involve your lawyer the more likely he or she can catch what is legally important early and help you plan for it. A good lawyer can help you address the crucial issues in the deal at an early stage so that the parties have a clear idea of what is being bought/sold, they are of one mind on a fair price and they know exactly how the vendor is to be paid. By the time they start the detailed asset or share agreement, there are few surprises. And once the closing date hits, everything should move like clockwork.

When assisting my own clients, I like to learn as much I can about the business at the outset. With knowledge, I can help the parties negotiate a letter of intent that sets out the deal fundamentals: the parties, the property (e.g. assets or shares) and the price. The parties can then take this letter to their tax advisors who in turn can help them work out a deal structure. Armed with a good letter of intent and a sound tax structure, I have exactly what I need to draft a solid asset or share purchase agreement that will serve as a road-map for the closing.