

# Draft Business Sale Agreement

This playbook describes the sequential steps for drafting a Business Sale Agreement to transfer ownership of a business, including its assets and liabilities, between two parties.

## Step 1: **Preparation**

Gather all necessary business documentation, including financial statements, asset inventories, intellectual property records, and employee information. Ensure you have a clear understanding of the business's liabilities.

## Step 2: **Term Agreement**

Negotiate and agree on the primary terms with the buyer, such as sale price, payment terms, and closing date. Document the key terms in a term sheet.

## Step 3: **Draft Agreement**

Begin drafting the sales agreement. Include details such as the parties involved, the definition and valuation of the business assets, responsibilities of each party, contingencies, and the structure of the sale.

## Step 4: **Review Liabilities**

Clearly outline the assumption and settlement of any liabilities within the agreement. Both parties must consent to how existing liabilities are to be handled post-sale.

## Step 5: **Legal Compliance**

Ensure that the sales agreement complies with all local, state, and federal laws. This might involve including specific terms and conditions adhering to regulation.

## Step 6: **Consult Experts**

Seek the advice of legal and financial experts to review and fine-tune the agreement. Make sure the agreement protects your rights and adheres to industry standards.

## Step 7: **Revise Draft**

Revise the draft based on feedback from experts and further negotiations with the buyer. Pay attention to details that could create legal issues or misunderstandings.

## Step 8: **Finalize Agreement**

Once both parties are satisfied, finalize the agreement. Ensure all parties understand all aspects of the contract before signing.

## Step 9: **Execute Contract**

Arrange a meeting with all relevant parties to sign the agreement. Store the executed agreement in a secure location and distribute copies to all pertinent parties.

# **General Notes**

## **Due Diligence**

Due diligence should be conducted by both parties prior to the sale to ensure all representations are accurate and to mitigate risks.

## **Tax Considerations**

Both parties need to understand the tax implications of the business sale. Consult a tax advisor to understand how the sale will affect tax liabilities.

## **Post-Sale Transition**

Develop a transition plan for the business to ensure a smooth changeover of ownership and continued operations.