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What if...

I want to buy a new business?



Simon Crack

Buying a new business or merging with an existing business can be a great way of expanding and diversifying your operations or starting a new career.

You may have already identified the business you would like to buy, but what next?

Step 1 – Non-Disclosure Agreement and Exclusivity Period

The seller is unlikely to be willing to open their books and trading information without the protection of a Non-disclosure agreement to protect their confidentiality. In return, you will want to negotiate an exclusivity period during which the seller will not embark on negotiations with any other businesses.

This will provide you with the opportunity to undertake a detailed investigation of the business's financial records and identify any issues, this is sometimes referred to as financial due diligence and it could have a significant influence on the final sale price or your decision to proceed.

Step 2 – Heads of Terms

At this stage, we would recommend that a non-legally binding Heads of Terms are agreed which outline the main terms of the purchase, an estimated timetable to completion and whether it is to be an 'asset sale' or if the business is a limited liability company, a 'shares sale'.

Step 3 – Legal Due Diligence

It is at this stage that legal due diligence will start with an in-depth investigation into all aspects of the business, including its commercial contracts, ownership of property and assets, hire purchase and leasing contracts, employment contracts, pension obligations, insurances, banking relationships and compliance obligations.

We work as part of your team to ensure that the seller has complied with all its obligations.

Step 4 – Agreements

Central to the buying process is the asset purchase agreement or share purchase agreement. This is a detailed contract in which we will ensure you have the protection you need in the form of a wide range of warranties and appropriate indemnities covering tax, future competition, employees and potential liabilities.

Stage 5 – Completion

The last stage is completion – The day the money is transferred and the business becomes yours.

Business acquisitions can be incredibly complex and it is important to seek specialist advice from someone who can walk you through the process step-by-step. To find out how Hethertons Solicitors can help, call Simon Crack, Head of Business Support Unit, on 01904 528200.

 #aNewShapeOfLawyer