



*To Avoid Disagreements
After Buying or Selling
A TV Shop*

Be Sure It's In The Contract!

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• Some day, sooner or later, almost every shop owner will have an opportunity to purchase another business, sell his own, or arrange a consolidation. The problems that will arise in handling the deal are manifold but one most important stands out above others—be sure it's in the agreement!

Because so little data has been presented on the subject we have checked with a number of recent sale transactions, with lawyers and with accountants, and come up with a number of points that should be covered in any such agreement—subjects we should make sure are covered by the sale, purchase or merger agreement.

◆ Definite legal ownership should be established by not only inspecting titles but checking them against county clerk's records.

◆ The date should be set for taking an inventory, books closed on this date and creditors established before making the actual agreement or terms.

◆ Experience has proven it best to make such transfers of title as of the first of the month in order to expedite balance sheets involved.

◆ The agreement should, in the case of a sale or purchase, include a clause prohibiting the selling party from going into the radio-TV repair business within the area for a given length of time, preferably five years.

◆ Experience has shown that it will always pay to have a lawyer, and if

possible an accountant, handle details of any sale, purchase, or consolidation.

◆ The effective date of the agreement should be established before entering into other details, as many other decisions will hinge upon that date itself.

◆ A definite time should be established as part of the agreement for the closing of the business involved in order to speed up the necessary accounting.

◆ The assets included in the stipulated price should be set out in detail and not generalized.

◆ A check should be made for mortgages and liens against such a business or property before entering into any agreement.

◆ Where an impartial arbitrator is needed in establishing values a supplier salesman covering the territory can generally be depended upon to do the best and most impartial job.

◆ Transfer of accounts past 30 days due on the books should be avoided if possible. Generally such accounts are transferred only for collection purposes and the new owner receives a fee for handling.

◆ A base method of pricing all inventories should be established at the beginning of negotiations; whether it be cost or market value.

◆ A complete analysis of the tax situation should receive close study before an agreement is entered into; this should include all local, state, or federal taxes paid by the business.

◆ Most "lasses" in such purchases occur in over-valuation of dead

stock inventory, goods almost impossible to realize value from. The newest trend in handling this situation is a dual inventory base figure, that is, one for movable merchandise of value and another for that fitting into the "dead stock" category.

◆ When such an agreement cannot be reached "pick and choose" arrangements are often made with the purchaser taking only the inventory he deems worthy of purchase.

◆ Where accounts receivable are to be collected by the purchaser a definite interval time should be established for remittance by purchaser to seller of such collections.

◆ A definition within the agreement should establish what constitutes reasonable effort on the part of the buyer to collect old accounts.

◆ A disposition of credit balances in accounts receivable should be established at the agreed time of closing of the business.

◆ Any lease, monthly and weekly rentals, including stores and concessions, prepaid at the closing date of transfer of the agreement, should be apportioned as part of the transfer agreement.

◆ All service contracts, licenses and permits of the business should be listed in detail and a determination made of those that are transferable and the agreement should stipulate which transferable items are to be apportioned.

◆ A detailed outline of insurance coverage should be prepared by the seller for the purchaser and this

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coverage checked item by item with the agent handling the insurance for every detail; checked as to its sufficiency to cover the new operation and as to status of premiums.

+ Seller should arrange with all utilities to “cut off” billing to the date of closing.

- Agreement should cover deposits

on utilities, if transferrable, and how they are to be paid by the purchaser.

- Status of the business being purchased with leading suppliers should be checked closely before agreements are entered into.

- Provision should be established in the agreement for handling of unpaid accounts or contracts.

- The agreement should provide that the seller should notify all vendors regarding sale of the property and request that “cut off” statements be rendered both to the seller

and to the purchaser.

- Stipulation should be made covering all salary and wage liabilities, liability for wage claims and retroactive adjustments and transfer of social security or withholding tax funds deducted from employees wages and salaries and not remitted.

+ A complete study of the rental situation or lease on the building, where property purchase is not involved, is recommended. Under certain conditions in some cities rent adjustments granted may be rescinded retroactively. This should be provided for to establish liability thereof.

- Outline of all zoning regulations covering the operation of the business should be made for study.

+ Agreements with employees as to vacations and pay, sick benefits, insurance, etc., should be outlined by the seller in detail where not covered by contracts. These should be checked with employees.

- Check should be made of local or state tax on personal property involved, status, amount and liability for payment prior to effective date of the agreement, should be established as part of the agreement.

- An adjustment clause should be made covering prepaid or accrued real estate taxes, mortgage interest, etc., if any.

- Responsibility for violation of any building ordinance past or present, should be established at the time of agreement, method under which it is to be treated and the cost of remedying the situation fixed if it does occur.

- Definite disposition of all books and accounting records of the seller pertaining to the business should be established, the purchaser given the right to examine them for a reasonable length of time, and if they are left on the premises for the convenience of the purchaser, the degree of responsibility should be definitely established.

- An article of the agreement should establish who is to pay for Federal Revenue Stamps on various documents and agreements, any local or state taxes involved in the transfer, and any fees for experts hired in arranging the transfer.

- Recording and registration fees, mortgage taxes and fees and any chattel mortgage filing and fees should be provided for as part of the agreement.

Agreement should be reached as to future income, franchise or other tax liabilities applicable to periods prior to the date of sale, etc. which may be unknown or contingent at the time of sale.

A clause should provide for a method of arbitration on any subsequent differences or misunderstandings which may result from the agreement itself.

These points will serve any shop owner as assurance that the factors ordinarily causing disputes, misunderstandings and later losses, have been eliminated from any purchase or sale of a business. •