

# LEGAL-EASE



## Buying or Selling Accounts

### The Letter of Intent

Remember when you were in High School and you learned how to make an outline? Remember how you hated it? It seemed like such a burden and a waste of time. Why not just start writing the essay and get it over with?

Well, you may also remember that after you took the time and trouble to write the outline, writing the essay itself was a piece of cake. You had all the basic ideas down and already put into a logical order in the outline. All you had to do then was fill in the details.

A Letter of Intent fulfills just that purpose – and more – in any business deal. First and foremost, it memorializes the actual deal the parties have made, so that hopefully there are no misunderstandings about the basic business deal that has been made. In that regard, it serves the valuable purpose of forcing the parties to put down in writing what they “think” they have agreed and “shaken hands” upon. And sometimes just going through that process flushes out any ambiguities or important issues the parties had not considered.

Secondly, and just as importantly, it makes drafting the sale agreement that much simpler. What a good outline is to writing an excellent essay, a good letter of intent is to drafting a proper sale agreement. It gives the lawyer a road-map to what content needs to be included in the fully-developed agreement. If the parties are smart and have included the lawyer in the process of negotiating and drafting the letter of intent, it will save hours of time and hundreds of dollars in legal fees, because the lawyer won’t be forced to try to fill in those details later without having a template or “outline” to work with.

Another benefit to having the lawyer participate in the negotiation and drafting process early is that it avoids having him or her come in later and flush out important issues that the parties may not have considered. Remember: most parties will probably do only one, or at the most two, deals in their

entire business lifetime. An experienced lawyer has probably done dozens of them.

When the parties bring a letter of intent to their lawyer that has been already been “agreed-upon,” it is not uncommon for the lawyer to come up with some minor or even major issues that, at the least, may force the parties back to negotiate further. Or at worst, a new, unanticipated issue could impact whether the deal can even be done at all. An example is tax issues that often arise, that the parties cannot be expected to even recognize, much less solve, without professional assistance.

So, as always, I strongly encourage getting competent legal advice at as early a stage as possible. And do go through the “time and trouble” of entering into a letter of intent – your “outline” that makes doing the deal easier in the end.

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