

LEGAL CORNER



Buying or Selling Accounts Some Important Considerations

The word on the street is that the market has become much more favorable recently for buying and selling alarm accounts. Whether you are a buyer or a seller, trying to pull off a transaction by just “doing the deal,” can entail some considerable risks. Some careful, advance planning can minimize these risks and avoid undesirable delays in getting a deal closed smoothly and “glitch-free.”

This month’s column is the first in a series outlining some important business and legal issues that should be considered in buying or selling alarm accounts. *It is highly recommended that you consult competent legal counsel well before such a transaction is contemplated, so that these issues can be addressed and options considered.*

1. Does the company have valid, written contracts with its clients? This may sound obvious, but I can’t tell you how many prospective clients have come to me wanting to sell their accounts that have been doing business for many years on what is essentially a “handshake” with clients. This will, at best, lead to a serious reduction in the purchase price a prospective buyer will be willing to pay. If outside financing is involved, the lack of written client agreements may make the deal impossible entirely.

2. Do the contracts have a clause expressly permitting assignment? California law generally permits assignment unless the contract expressly prohibits it. But most buyers, and virtually every financing organization, requires an express assignment clause in the contracts purchased, just in case.

3. If residential accounts are involved, has the company been diligent about delivering the necessary consumer three-day right of rescission notice? If not, there is a significant overhanging potential liability. Even if the buyer is willing to proceed anyway, the seller may be required to indemnify the buyer against any problems that may arise in the future – not a pleasant prospect and a real threat to the purchase price the buyer hoped to net.

All of these “problems” have solutions, although they may take time to implement. If you are in this situation, give me a call for a **no-charge** consultation and we can discuss some options.

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