

A Tale of Two Lawyers

We sold Hathaway Couriers, owned by our client, Henry, to Adaptacron Couriers, a competitor that was a hundred and fifty miles away. The two companies, while they didn't compete directly, provided the same services. Their respective markets abutted each other.

Adaptacron, owned by George, was more technically advanced than Hathaway. Adaptacron had computers and a GPS in each of their vehicles while Hathaway operated on a manual basis. Adaptacron was larger and had half as many employees in the office. George, the owner of Adaptacron, saw a major opportunity to use this technology to make the target company more profitable.

We quickly struck an accord and drew up a proposal.

Both parties signed. A deposit of \$100,000 was placed into our trust account.

George of Adaptacron was to go to his lawyer and have a formal Agreement of Purchase and Sale drawn up. It was to be delivered to us and to Hathaway's lawyer for review.

About ten days later, I received a telephone call from Henry at Hathaway.

"You know, this deal is never going to close," he said.

"Please give Adaptacron their deposit back."

"Henry, what are you talking about? I haven't seen the formal agreement."

"The agreement was sent to our lawyer. He said it was a piece of crap and was wasting everybody's time."

I asked him to send me the agreement anyway. It was couriered to me that afternoon.

When I sat down and went through it I was horrified.

It appeared that George's lawyer had gone to the law library and retrieved an electronic file of a standard Agreement of Purchase and Sale. This sort of agreement is used mainly for a public, not a private, company.

It looked as if the lawyer had simply started to fill in the blanks. Some of the blanks weren't completely filled in.

(I remember there were four different areas where the document said, "Choose one of the four following paragraphs" in italic print – with all four paragraphs still showing.)

I called Henry back.

"Are you still in agreement with the terms and conditions that were outlined in the draft proposal?" I asked.

"Yes!"

"Then let's you, your wife, your lawyer, and I meet and get this matter straightened out."

We met the following day.

In the interim I did some research on Henry's lawyer and discovered that he, too, was not qualified to work on this sort of deal. His specialty was matrimonial law. He didn't have a clue about what an Agreement of Purchase and Sale should look like.

We sat down and started to go through the agreement.

I had marked up the agreement and had attached at least 150 stickie notes to it. After about ten minutes of walking everyone through the agreement, I said to Henry, "You know what? It would be so much better if you had your lawyer write up a proper agreement. He is going to spend more time modifying this than it would take to write a proper one."

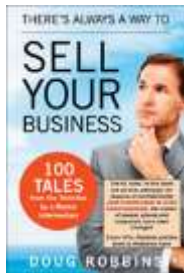
I knew full well that his lawyer wasn't capable of doing this. Out of the corner of my eye, I noticed he was gradually turning white.

"I couldn't possibly get at this for three or four weeks," he said. "I'm really busy."

At which time I piped up with a suggestion.

"Look," I said, "we'll have our law firm draw up the formal agreement and coordinate the closing with both you and the purchaser's lawyer."

Then I met with George's lawyer who readily admitted that he specialized in residential real estate and didn't know a lot about buying the shares of a company. I suggested that our lawyer would be willing to guide him through this transaction. It closed four weeks later.



This story is from Chapter 8 of Doug Robbins' book "**There's Always a Way to Sell Your Business**"

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