FREEDOM
FOR FOUNDERS

CASE STUDY · SELLING A SERVICES BUSINESS

How the owners of a commercial services business sold their company.

The sale closed after the purchase agreement was checked, line by line, against the letter of intent the owners had already signed.

Simon Fallows, Founder, Freedom for Founders

AT A GLANCE

The sellers	The owners of an established commercial services business, advised by Freedom for Founders
The business	Profitable, with a large fleet of vehicles and equipment
The sale	The owners sold their shares in the company
Buyer interest	Early written offers from several different buyers
How it was paid	Most of the price in cash on closing day, the rest paid over time
The result	The sale closed

THE SITUATION

A profitable business with a large fleet.

The company had served commercial customers for many years. It was profitable, ran a large fleet of vehicles and equipment, and had a general manager running the day-to-day work.

The owners had decided it was time to sell. They wanted a fair price, a buyer who would keep the business running well, and terms they could rely on after closing.

THE CHALLENGE

Two things buyers would look at closely.

The equipment. In a business with a large fleet, buyers look carefully at what it will cost to maintain and replace vehicles and equipment over time. That cost comes straight out of the profit they are paying for.

How the price would be paid. Part of the price was going to be paid over time, through a loan from the sellers to the buyer known as a seller note. The buyer's bank would be repaid first. When part of the price arrives later, the terms of that loan decide how safe the money is.

> *When part of the price is paid later, the terms of the loan matter as much as the number.*

THE PROCESS

How the sale was run.

The numbers came first. Freedom for Founders prepared a financial overview and adjusted the profit figures to show what the business really earned, setting aside one-time and personal costs. That became the basis for the valuation.

The business was marketed quietly. Serious buyers received a detailed information package only after signing a confidentiality agreement. Several buyers of different kinds sent early written offers.

The main terms were agreed in writing. The chosen buyer's letter of intent, a signed outline of the main deal terms, went through several rounds of changes before both sides signed it. The buyer then placed a refundable deposit in trust.

The buyer's checks were kept on track. A shared list of requests and dates kept the buyer's review, known as due diligence, moving. The buyer's accountants went through the financial records. The buyer also studied future spending on the fleet, the insurance claims history, the equipment list and the company records.

THE AGREED TERMS

What the signed letter of intent said.

The letter of intent set out a clear deal:

- **Most of the price in cash** on closing day.
- **The rest as a seller note**, with interest. The buyer's bank would be repaid first, the loan was backed by the business's assets, and the sellers were protected if payments were late.
- **An agreed level of working capital**, meaning the cash and short-term bills needed to run the business day to day. The price would be adjusted after closing if the actual amount came in higher or lower.
- **Existing equipment loans taken over by the buyer**, rather than paid off by the sellers.
- **A handover period** for the owner, with the general manager staying on.
- **Commitments from the sellers** not to compete with the business or approach its customers and staff.

THE CATCH

The first draft did not match.

When the buyer's first draft of the purchase agreement arrived, the price, the split between cash and seller note, and the working capital level all matched the letter of intent. The terms of the seller note did not.

The draft removed the sellers' protection if payments were late. It let the buyer delay payments on the note if it ran into trouble with its bank. It added a clause that could cancel the note if key people left or did not perform. It also did not mention the deposit or set a deadline for closing.

Freedom for Founders compared the draft with the letter of intent line by line. The sellers received a plain summary of every difference, along with the points to raise in negotiation: attaching the agreed note terms to the agreement, limiting any cancellation of the note to serious reasons such as misconduct, dealing with the deposit, and setting a closing timeline.

> *The price matched. The protections did not.*

THE RESULT

The sale closed.

The sale closed, with most of the price paid on closing day. The sellers went into the final negotiation knowing exactly where the draft differed from what they had signed, and which points to raise.

LESSONS FOR SELLERS

Six takeaways from this sale.

- **The letter of intent is the reference point.** Every term in the purchase agreement should be checked against it.
- **The seller note deserves as much attention as the price.** Interest, timing, security, what happens if payments stop and what can cancel the note all decide whether the money arrives.
- **Equipment gets close scrutiny.** A clean equipment list and a record of maintenance and replacement spending make the buyer's review easier.
- **A shared tracker keeps the buyer's checks moving.** One list of requests and dates helps avoid delays.
- **New conditions are new risks.** A clause that ties payment to people staying in their jobs should be agreed, not quietly added.
- **Legal review matters.** A lawyer should review the purchase agreement before it is signed.

ABOUT THIS CASE STUDY

This case study is based on a real sale. Names, places and numbers have been left out, and some details changed, so that no one involved can be identified. It is general information, not legal, tax or financial advice. Every business and every sale is different, and past results do not guarantee future ones.

Questions about selling a business can be sent to the Freedom for Founders team at **freedomforfounders.com/contact**.

Private & confidential. No obligation.