

Enforceable Contract for Sale of Family-Owned Business or Just Agreement to Agree?

In the sale of family-owned business interests, parties can be bound by term sheets or similar documents, even when such documents expressly contemplate the preparation of further documents to finalize the transaction, explains **Michael Connolly**, a partner in Murtha Cullina's litigation department.

Writing in the firm's **Family Business Perspectives** blog, Connolly discusses a case in which a court "recently ruled upon a claim by one family member against another to enforce a 'Settlement Memorandum' which provided for the purchase and sale of stock in the family business, even though the Memorandum contemplated the drafting of later documents to finalize the transaction."

"Parties to negotiations involving the sale of family-owned business stock or assets should therefore be cautious in their drafting and conduct in order to ensure that it is clear to all parties what documents are – and are not – intended to create enforceable rights and obligations," warns Connolly.

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