Personal Guarantees of Seller Financing in FedEx Deals

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Seller financing, where the company selling the business agrees to provide the funding to the buyer for a percentage of the deal, is commonplace in the buying and selling of FedEx businesses. Seller financing can help the parties where a cash buyer needs more capital or where obtaining bank financing is challenging or is slowing down the deal. However, given the risks associated with lending to the buyer, sellers will often ask for a personal guarantee from the buyer.

Typically, the promissory note is between the buying and selling entities. Meaning the buying entity is liable to the selling entity for the amount of the note, but the individual shareholder or shareholders of the buying entity are not personally responsible for the debt. This leaves the seller with little recourse should a buying entity fail to pay and become inactive. To better insulate itself, a seller may ask the shareholders of the buying entity to personally guarantee the funds, allowing the seller access to the shareholders' personal assets should the buying entity fail to repay the loan.

While seller financing can be an excellent tool for parties, before engaging in the process, buyers should take stock of their personal assets and the implications of a personal guaranty on those assests, and sellers should consider how they plan to secure the debt in case the buying entity is unsuccessful and ceases to exist.