

The 9 Steps Of Buying Or Selling A Business

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Introduction

- *Both Buyer and Seller Sides Of The Transaction*
- *Introduction To What Lies Ahead For Both Parties*
- *Common Parts, But All Transactions Are Different*
- *Lots of Moving Parts, Be Flexible, Compromise*
- *It Can Take 4 Months To Over A Year*

Seller

1 Initial Exploration

How Ready Am I to Sell

- *What has changed*
- *What is my life plan after the sale*

First Questions

- *What is my business worth*
- *What is the selling process*
- *Should I use a broker*

1 Initial Exploration

How Ready Am I To Buy

- *Rationale to become business owner*
- *Timeline to acquire*

First Questions And Objectives

- *Build or buy*
- *What size of business*
- *What type of business*
- *Geography*
- *Intended involvement as owner*



Buyer

Seller

2 Listing & Market Prep

Commit To Selling

- *Select broker*
- *Sign listing agreement*

Market Preparation

- *Assemble key seller docs*
- *Clean financials*
- *Create selling package*
- *Lender prequals*

2 Listing & Market Prep

Commit to Buying

- *Calculate and lock down available funds*
- *Prequal lender support*

Prepare to Represent Yourself

- *Resume or CV, qualifications*
- *Financial statement*
- *Lender support*



Buyer

Seller

3 In The Market

Launch Marketing Campaign

- *Web listings*
- *Mailing lists*
- *Strategic targets*

Handle Inquiries

- *Acquire NDAs*
- *Provide staged information*

Initial Qualifications

3 In The Market

Seek Acquisition Options

- *Publicly listed / websites*
- *Industry search*

Initial Inquiry

- *Sign NDA*
- *Receive staged information*
- *Initial discussions*



Buyer

4 Initial Due Diligence & Qualify

Analyze Primary Information

- *Financial reports, taxes, lease*
- *Primary sales & operating information*
- *Discussion with seller / site visit*

Do I Want To Buy This Business?

- *No - Politely exit*
- *Maybe - Resolve questions / concerns*
- *Yes - Move to offer step!*



Buyer

Seller

4 Initial Due Diligence & Qualify

Supply Primary Information

- *Financial reports, taxes, lease*
- *Primary sales & operating information*
- *Discussion with buyer / site visit*

Qualify potential buyers

- *Financial, experience, culture-fit, timeline*
- *Licensure*
- *Intentions for business*

5 Receiving / Managing Offers

Deliver Letter Of Intent (Non-Binding Offer)

- *Key Deal Points: sale type, price, source of funds, earnest money, allocations, inventory, FFE, training, timeline, non-compete*
- *Contingencies: lender financing, lease, material changes, misrepresentations or omissions*

Negotiate and Clarify

Sign Final LOI If Acceptable

- *Presumes sale will happen*



Buyer

Seller

5 Receiving / Managing Offers

Review Letter(s) Of Intent (Offers)

- *Do I want this person/company to be new owner*
- *Evaluate deal price, terms and structure*
- *Validate buyer financial wherewithal*

Negotiate and Clarify

Sign Final LOI If Acceptable

- *Presumes sale will happen*
- *Inform unselected candidates, backup offers*

6 Extended Due Diligence

Validate Previous Representations

- *Prove transferability of value*
- *Review customers, contracts, suppliers, employees*
- *Fulfill special requests from lenders*

Resolve Contingencies

- *Formalize lending commitment*
- *Solidify plan for real property*
- *Licensure plan*



Buyer

Seller

6 Extended Due Diligence

“Pull Back The Covers”

- *Provide more thorough documentation*
- *Possibly give access to customers, contracts, suppliers, employees*
- *Prove transferability of value*

7 Purchase Agreement (Binding)

Deliver Purchase Agreement (Contract)

- *Attorney typically involved, add boilerplate and warranties*
- *Restate / expand LOI terms, unless material changes*
- *Final contingencies, “hard” earnest money option*

Negotiate Remaining Details, Close Loose Ends

Sign Purchase Agreement When Acceptable



Buyer

Seller

7 Purchase Agreement (Binding)

Review Purchase Agreement (Contract)

- *Attorney typically involved, add boilerplate and warranties*
- *No changes expected to key deal points unless material changes or issues*

Negotiate Remaining Details, Close Loose Ends

Sign Purchase Agreement When Acceptable

8

Closing The Transaction

Complete All Critical Pre-Closing Tasks

- *Financing, real property / lease, corporate entity, trade licensure, seller note life insurance, supplier agreements*

Prepare Initial Operational Functions

- *Insurance, merchant services, payroll, accounting, workers comp*

Review/Approve Closing Docs

Submit Funds To Escrow



Buyer

Seller

8

Closing The Transaction

Support Buyer Prep Activities

- *Insurance, POS system, workers comp, vehicles, etc.*
- *Fulfill lender requirements and documents*

Prepare And Review Closing Docs With Closing (Escrow) Attorney

- *Settlement statements*
- *Corporate docs and filings*

Ensure All Funds Are Delivered To Escrow

Attorney



8

Closing The Transaction

Primary Escrow / Closing Attorney Functions

- *Closing instructions (structured process)*
- *Receive & distribute funds: buyer, lender, broker, seller, loan payoffs, lease buyouts*
- *Settlement statements*
- *Lien clearance*
- *Prepare docs: corp resolutions, trade name changes, buyer/seller resolutions, bill(s) of sale, non-compete, promissory note, IRS 8594*
- *Signatures*
- *Filings*



Attorney

9 Post Closing

Transition In!

- *Hire and engage with employees*
- *Transfer utility services, licenses and vehicle titles*
- *Engage with customers, suppliers, distributors*
- *Receive training*

Make Seller Note Payments, If Any



Buyer

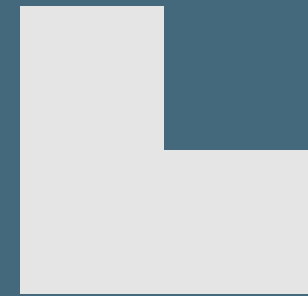
Seller

9 Post Closing

Transition Out!

- *Terminate employees*
- *Provide buyer training and support*
- *Remove personal guarantees, collect A/R and WIP*

Collect Seller Note Payments, If Any



Common Sales Process Timeline

Initial Exploration

- *Days...to Years!*

Listing And Market Prep

- *2 Weeks to 2 Months*

On The Market To LOI

- *1 to 2 Months*

Purchase Agreement To Close

- *2 Weeks to 2 Months*

3 Months Minimum

4-8 Months Is Common

12 Months Is Not Unusual



Key Takeaways

- *Regardless of the type or size of business, the process is similar.*
- *Both parties have to be committed and meet their obligations.*
- *Buyers and sellers have responsibilities throughout.*
- *A broker can do much of the heavy lifting.*
- *Must cross the t's and dot the i's throughout all 9 steps.*
- *Selling and buying can both be frustrating, stay calm and focused, you're on the same team!*

Deals Move At The Speed Of Trust

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*How Do I
Get
Started?*

*Who
Should I
Talk To?*





“Begin at the beginning,” the King said, very gravely, “and go on till you come to the end: then stop.”

▪ *Lewis Carroll, Alice In Wonderland*