

# THE BUYING PROCESS

After you have reviewed all the information received from the Broker, the next step would be to visit the business and meet with the Owner. Here you will get a tour of the business and a brief description of how it operates. After the Owner has shown you around and talked a little about the business - its time for you to begin talking. Ask him/her to explain anything your not clear about with the information you received. Next, ask the questions you've prepared or the ones your advisor told you to ask. This purpose of this meeting is to verify some of the information you received and to get to know the Owner and Broker. This is important because if after this meeting you're still interested – you will be talking to these people – a lot!!

If you like what you see and are fairly sure you would like to own this business – its time to begin the process...

Step 1 The first step is to make an Offer – and get it accepted. (Note that the initial deposit submitted with an Offer is 10% of the Offering Price). The Offer you make will be based on the information you have been given and what you have observed on your initial visit and discussions with the Broker and Owner. The Offer you make will be subject (contingent) to your acceptance of a detailed examination of the Books & Records and equipment. If for any reason you aren't satisfied with your examination – you can cancel the deal, and get your deposit back – 100%. This Offer will have a lot of other contingencies for your protection like financing, acceptance of the lease, licenses, Owner training, non-compete agreements etc. – but the Books & Records contingency is the most important – if you can't get past that one – why spend any more time or money on this deal? On top of these protections, the Offer also has a contingency that you and the Owner must agree on a satisfactory Contract drawn up by the Owner's lawyer and approved by you and your lawyer.

Sometimes a Buyer will want to check the Books & Records before an Offer is made...Most Sellers will object to this because why go through all the trouble of a detailed Books & Records examination, possibly have employees, customers, vendors and competitors learn the business is for sale etc. – than not be able to agree on the price even if all representations were verified.

Step 2 If you are satisfied with the Books & Records examination and all the equipment – its time to go the next step which is to submit (if you haven't already) detailed information about this deal to your financing source. It is important you fill out all the forms they ask for and give them detailed info about the business you are trying to buy. Depending on the amount etc. it is important to keep the Listing Broker updated on this progress. Remember this is a contingency for you and the Buyer – if you can't make the progress on obtaining the financing you want by the time spelled out in the Offer – the Owner can cancel the deal. Why? He/she isn't going to wait forever while you attempt to get financing – e.g. suppose someone comes along with cash – the Owner needs to know whether you are going to get the required financing or not. Remember to tell your financing source to talk directly and frankly to the Listing Broker (you must give him/her written permission to do this) – because if you don't – you might be told if

you have exceeded the time that your deal is cancelled. This step doesn't apply if you aren't looking for financing.

Step 3 The Seller's lawyer will write a Contract detailing all the items found in the Offer and adding all the legal stuff that will protect you and his client (a good lawyer will write the deal so that both parties have the required protection – Why? – because your lawyer will add anything that is missing or change things he doesn't like anyway – so why waste time!).

Step 4 Once the contract is signed by both parties – it's now time for you to accept the lease assignment and/or approve of the new lease that you might be getting. Don't forget that in most deals – even lease assignments – the landlord must approve you too. So before your first meeting with the landlord (or if your lawyer will be handling it) make sure you have your personal financials up to date – you can count on him asking for them.

Step 5 We're getting close – this step can have all the items that are just for your deal. For example, you might need licensing (Liquor License) etc. Now that you are done with the hard stuff, you need to submit applications to whoever you have to. Don't dilly dally – remember you're still on a clock! Another example is if you have written into the deal a personal observation period – it would usually begin now – but could have already started (depends on the deal).

Step 6 The day before the closing - if there is inventory involved – it will need to be counted. Sometimes independent company's are called in – but most of the time you and the Owner, after the store closes, count and price the inventory at cost or retail (if you use the GP% method). The method you will be using was agreed upon in the Offer.

Step 7 Closing day – you made it – almost! Now you have to sign a bunch of papers – but in an hour or so – the Seller will hand over the keys to your new business.

Any Offer can have all or most of these steps. Some will have even more – it depends on the specifics of the business and what you negotiate. This procedure is followed for most deals. Ask the Listing Broker for detailed info on your deal – you'll find that most business brokers will write all the contingencies that are needed.

In any event don't get too wrapped up in the details and small stuff – the lawyers will take care of them & a lot more items that are needed to protect you in your specific circumstances. Remember, the contract must be accepted by both parties – or no deal!

One final thought – don't worry about all this – if a Seller wants to sell and a Buyer wants to buy – most deals get done. We close 98% of the deals that we write – and we've never lost a Buyer or Seller in the process. Whenever (and it's seldom nowadays) we've deviated from the above procedure – that 98% drops to +/- 60% - so don't deviate!

Good Luck