The 9 Stages Of Buying Or Selling A Business

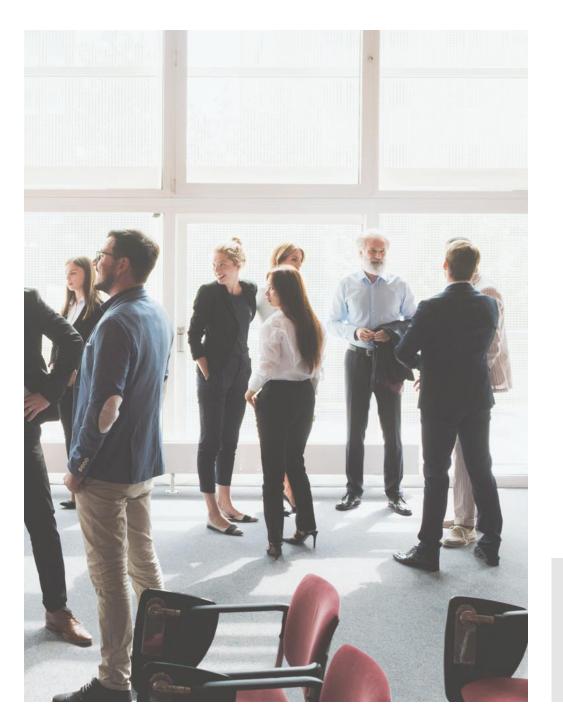
Front Range Business, Inc.

Offices In Boulder, Denver, Fort Collins, and Breckenridge





Don Hobbs & Dave Harris June 22, 2023



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







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





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









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









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







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!









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





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









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





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









Extended Due Diligence

"Pull Back The Covers"

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





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









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





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







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



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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





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









Post Closing

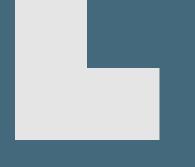
Transition Out!

- 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!

On The Market To LOI

• 1 to 2 Months

Listing And Market Prep

• 2 Weeks 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







- 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?

What
Are My
Options?







"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



