

# The 9 Stages Of Buying Or Selling A Business

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Front Range Business, Inc.

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*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*

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*



# 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*





# 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***

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- *Days...to Years!*

## ***Listing And Market Prep***

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- *2 Weeks to 2 Months*

## ***On The Market To LOI***

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- *1 to 2 Months*

## ***Purchase Agreement To Close***

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- *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*

# Don Hobbs & Dave Harris Front Range Business, Inc.



5353 Manhattan Circle, Suite 101  
Boulder, CO 80303  
303-499-6008

[dhobbs@frontrangebusiness.com](mailto:dhobbs@frontrangebusiness.com)  
[dharris@frontrangebusiness.com](mailto:dharris@frontrangebusiness.com)



*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*