



## How To Sell A Business

By the BizByOwner Staff

So what's it really take to sell a business without a business broker? How does it work? What's the process? Can you really sell a business without a broker?

The answer to the last question is YES. You can definitely sell a business without a broker, but there's a right way and a wrong way to do it. There are plenty of details along the way, and BizByOwner's job is to help you understand the process and give your potential buyers a professional business buying experience. As a result, you will be rewarded with better buyers, a higher price for your business—and no commission expense.

We begin this article with a high level view of the three steps involved in selling a business, and how BizByOwner supports sellers at each step. The second section reverses the view and gives you the buyer's perspective. Naturally, we assume that the business is for sale by owner, and we show you how BizByOwner can help you be a success!

### The Seller's Perspective

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The three main steps when you sell a business are: Preparing your business for sale; finding quality buyers; and managing those buyers and closing the deal.

#### Step 1: Prepare your business for sale

There are three major focus areas when preparing to sell a business:

1. First is getting your physical and financial house in order. Clean up your facility and make sure your financial statements are accurate and up-to-date.
2. Second is understanding what your business is worth. If you don't have an objective sense of what your business may be worth to a potential buyer, you aren't ready to sell. A business valuation *must* be part of your preparation.
3. Third is professionally packaging your business with an offering "prospectus." There is more to selling a business than simply running a classified ad in the paper or online. You need a professional presentation that tells a compelling story about your business.



#### Prepare your business for sale with BizByOwner!

The BizByOwner system walks you through each phase of preparing your business for sale through the creation of a Business Offering Package and information on how to prepare your business for sale. Your Package will include creation of a professional Business Offering Report (your "prospectus"); present your financial information in the manner buyers require; and prepare a straightforward Business Valuation.

#### Step 2: Find quality buyers—confidentially

You must have a plan to find the best buyers. Randomly running a classified ad in a newspaper or online is *not* sufficient. You must have a multi-pronged attack in the

marketplace that looks for buyers the right way and in the right places. Multiple tactics can be employed including a search for “strategic” buyers, online advertising, newspaper advertising and industry publications.

You also need to understand how to keep your sale confidential—customers, employees, and competitors don’t need to know your business is for sale. Each buyer should sign a Confidentiality Agreement before you release confidential information to him or her. You may also want to get an Investor Financial Profile—why disclose confidential information to someone without the financial capacity to buy your business?



### **Find quality buyers with BizByOwner**

The BizByOwner [Marketing Resource Center](#) helps you craft an intelligent plan for finding buyers, and then walks you through the four most important strategies for making your plan a success. A Confidentiality Agreement and Investor Financial Profile form are available to your buyers for free on BizByOwner.com, and our proprietary [Online Presentation](#) lets you communicate with buyers in a secure online environment. You can also choose to work with a BizByOwner Marketing Consultant to help you develop your plan and set you on the road to a successful buyer search.

### **Step 3: Work with buyers and close the deal!**

It’s one thing to find an interested buyer, another thing to actually get them to the closing table.

You must have a firm grasp on the way in which a deal typically proceeds—from initial conversations with buyers, review of information and site visits, to Letter of Intent, binding Purchase Agreement and due diligence, and then closing. The process can vary, but a typical first step is a non-binding Letter of Intent that gets the high level terms of the deal on the table. Once those are agreed to, a Binding Purchase Agreement is typically next (be sure to have it reviewed by an attorney before signing). Once a Purchase Agreement is in place, its provisions will govern how the deal takes place—due diligence, resolving contingencies, closing date, etc.

Getting a deal to closing can be the hardest part—you have to be an active project manager who keeps the parties on track (yourself, buyer, lender, title company, attorneys, etc.). Closing should ideally happen through a third party closing agent like an escrow attorney—who should also be the only party to receive and hold any earnest money.



### **Let BizByOwner help you master the “art of the deal”**

BizByOwner’s [Transaction Management Center](#) gives you a clear picture of how the selling process works with step-by-step instructions on how to manage the deal and get it closed. You have access to over forty important forms including customizable templates for Letters of Intent and [Purchase Agreements](#). You can also choose to work with a BizByOwner Transaction Consultant to help you understand and navigate the deal making process, including how important advisors such as accountants and attorneys need to be involved in the process.

## The Buyer's Perspective

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There are many ways the buying process can take place, but this is a good general outline to help a buyer to understand what to expect and what may be reasonable requests from a seller.

### **Step 1: Readily sign Confidentiality Agreements (CA)**

A Business can be harmed by disclosure of a potential sale to employees, customers, vendors, competitors, etc. You should be willing to sign a CA, but be sure you read and understand its provisions. Financial information can be kept at a high level—just remember, the seller does have a reasonable need to know if you can do a deal before handing over information. You should never give your social security number to any seller.

### **Step 2: Evaluate the information provided by the seller and visit the business**

Request more information if you don't have a complete picture. Remember, however, that true due diligence—verifying the information you have is real and that the business is what you think it is—happens primarily under a binding Purchase Agreement.

### **Step 3: Make an offer via Letter of Intent (LOI) and then Purchase Agreement**

If the LOI is accepted, move towards a binding Purchase Agreement (be sure to have it reviewed by an attorney before signing). The Purchase Agreement will most likely require earnest money. In general, earnest money should never be paid to the seller. It should be paid to a qualified third party like an escrow attorney.

### **Step 4: Perform due diligence**

This is where you validate the information provided by the seller. You may want to see bank statements to verify sales and deposits, look at invoices, verify customers, see accounts receivable schedules, review customer or vendor contracts, etc. What you need to do will depend on the business. But don't just assume everything is what it is. Your philosophy should be, "trust, but verify."

### **Step 5: Meet the requirements of the Purchase Agreement**

Pay attention to the deadlines in the Purchase Agreement, or you could lose your earnest money. Typical deadline items are due diligence, financing application, lease application, appraisals, etc.

### **Step 6: Attend the closing**

Attend a closing managed by a third party, or by the parties' respective attorneys, as needed.



Buyers get support at each step in the process with BizByOwner's [Buy A Business](#) tools. Confidentiality Agreements and helpful articles on finding the right business for you are available for free on BizByOwner.com. Our *Buyer's Toolkit* gives you the inside track on how to buy a business, offers perspective on business values, inspecting a business and developing a business plan. The *Critical Documents Package* gives you all of the contract templates and critical forms and documents you should need when buying a business.

## **Conclusion**

The most important thing in any deal is for both buyer and seller to remain reasonable and flexible while keeping their eyes on the prize—getting the deal done—while acting in good faith and protecting their respective interests. Always retain a qualified business transaction attorney. They are critical for review of the Purchase Contract in particular, but can potentially work with you throughout the process, or at various key points.

## **Why Subscribe to BizByOwner?**

BizByOwner was designed to handle each step outlined above in a seamless, intelligent, user-friendly manner—it's a "complete solution" for selling a business.

BizByOwner works by walking the subscriber through four "modules." The first one is a simple background questionnaire that gathers basic information on your business. The second one is a financial information template that gathers your income statement and balance sheet information, and then formats them into professional quality financial reports. It also shows you how to uncover one of the most important aspects of your company—it's Discretionary Cash Flow (DCF). Based on your company's financial and background information, a business valuation module will help you assess what might be a reasonable expectation for pricing your business.

All this information comes together, automatically, to form the centerpiece of your seller's presentation—your Business Offering Report. This is the prospectus that you present to qualified buyers, and it combines your background and financial information into a compelling and professional report that you can customize to your individual tastes in a dynamic, online report writer.

The final pieces of the puzzle fall into place with the Marketing Resource and Transaction Management Centers. In the Marketing center you will create an intelligent marketing plan for finding buyers confidentially and learn how to implement your plan utilizing multiple tactics and resources. The Transaction center will help you understand each step of the process from offer to closing and give you customizable templates for the documents and contracts you need to sell a business including Letters of Intent and Purchase Agreements—over forty templates total.

Visit [www.BizByOwner.com](http://www.BizByOwner.com) and click on *Sell A Business* for details about our services and to see a demo of the BizByOwner system for selling a business.

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