



# The 5 Milestone Steps Of Buying A Business

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An Introduction To The  
Discovery Process

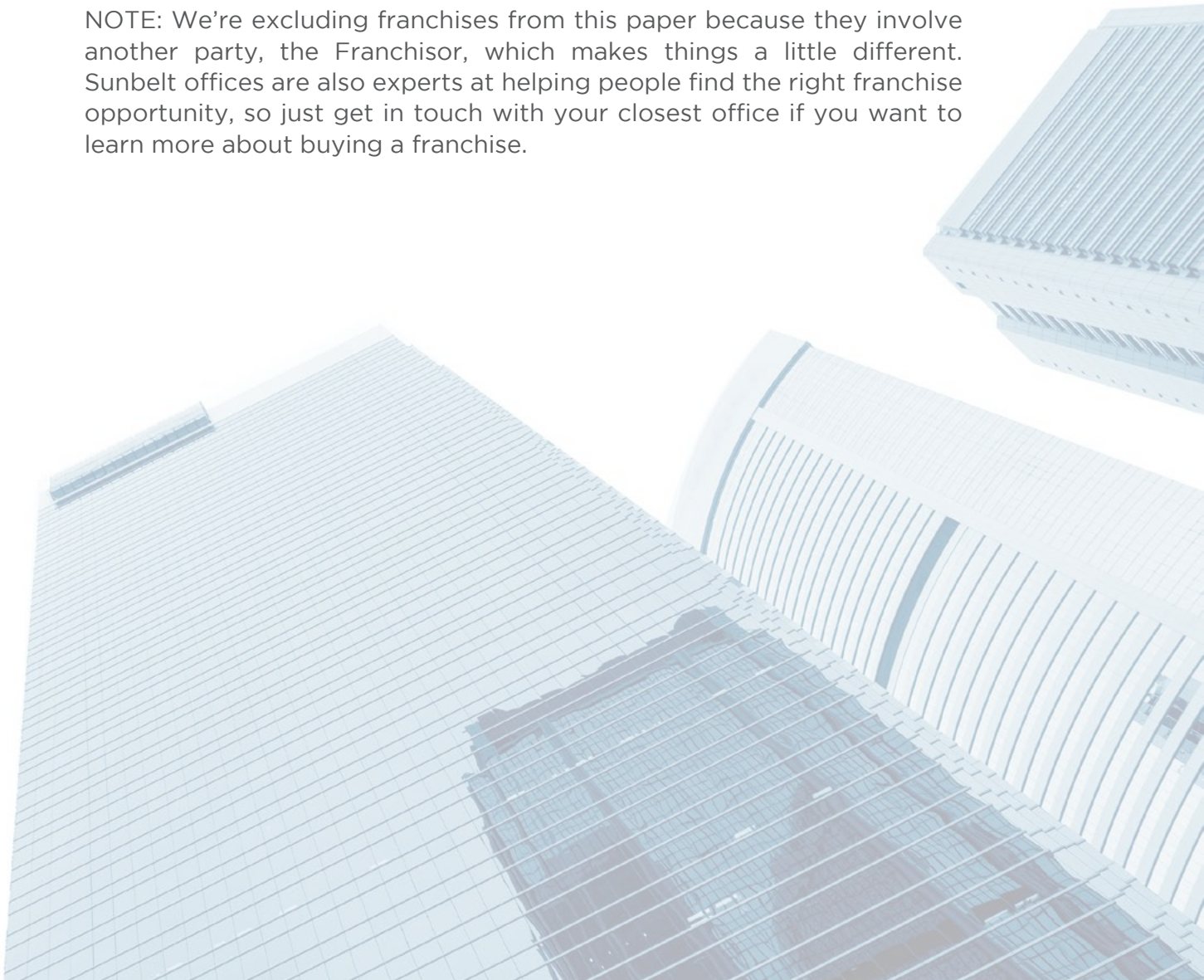
# Introduction

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Congratulations! If you're reading this, you're likely thinking about buying a business for the first time and looking for guidance on what to expect. We're here to help.

This whitepaper outlines the 5 primary phases of the discovery process that our Sunbelt business brokers use to bring together buyers and sellers of existing, privately-held, non-franchised, Main Street businesses (we define a Main Street business as one valued at \$1 million or less). Not all firms may deploy a thorough and consistent methodology, and not all businesses are sold using the services of an intermediary. So while this paper will give you a realistic outline of what to expect when Sunbelt is managing a transaction, it won't be indicative of all possible transactions.

NOTE: We're excluding franchises from this paper because they involve another party, the Franchisor, which makes things a little different. Sunbelt offices are also experts at helping people find the right franchise opportunity, so just get in touch with your closest office if you want to learn more about buying a franchise.



# What To Expect When You're... Buying a Business

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There are five macro steps to investigating and closing on a business:

- One. Initial Inquiry
- Two. Profile Completion
- Three. Seller Meeting
- Four. Due Diligence
- Five. Closing

Let's take a brief look at each of these.

## Initial Inquiry

Most people use the web to find Main Street businesses for sale. In fact, you may have already been searching Sunbelt's business for sale directory at [www.sunbeltnetwork.com](http://www.sunbeltnetwork.com), the largest proprietary database of businesses for sale in the world.

Using a number of filters such as location, industry and cash flow, perhaps you've found some businesses you're interested in and clicked 'Submit' on a form to receive more information. A typical business for sale on the Sunbelt website will receive 5-10 internet based inquiries alone per month (not including those coming in from other channels) - total inquiries can easily be double that. So, you're probably not the only one taking a look at the business.

Your inquiry is a trigger to the listing broker that you'd like to know more, so expect a follow up email and/or phone call. Typically the broker will be able to share further details with you, but will still maintain the confidentiality of the business and won't release really sensitive information until a Confidentiality/Non-Disclosure Agreement is signed.

Remember, a good business will attract many potential buyers. Be responsive and be engaged in the communication process if you want your shot at taking a look.

## Buyer Profile Completion

**FACT: Most people don't buy the business they initially inquired about.**

A professional business broker will request that you complete a Buyer Profile, to gain additional insight into your ideal business venture. It's always preferable to do this over a sit-down meeting, but geography may not make that possible.

It's in your best interest to complete the Buyer Profile as accurately and honestly as possible, for the following reasons:

- You won't waste time considering businesses that don't meet your criteria.
- You'll possibly be exposed to other types of business ventures you never even considered.
- The broker can give you a preliminary sense on your finance-ability.
- The broker can advise you of loan programs and options you weren't aware existed.
- You'll get an advance look at new businesses before they even post to the internet.

## The Seller Meeting

So far, so good. At this point, you've signed an NDA and been made privy to the most pertinent facts pertaining to the business. Likewise, the broker/seller continue to view you as a viable prospective buyer.

It's time now to meet the seller, typically at the physical location of the business (barring any extreme confidentiality concerns). You may have done an 'undercover' visit to the site previously if it's retail, but now you'll see it all.

The most important thing to do at this juncture is prepare a strong list of questions. Engage your team of trusted advisors (spouse, lawyer, financial planner, accountant) to help you even. Some information won't be dispersed until the Due Diligence phase (see below) and that's fine.

At the seller meeting, you're primarily out to determine:

- What's the seller's motivation for selling?
- What have been the macro financial trends for the past few years?
- What makes this company unique and compelling against the competition?
- What strategic improvements or investments could be made to catapult the business' performance?
- Would the seller be willing to stay on post-closing in some sort of capacity?
- What's great, and not so great, about owning this business?

Immediately after the seller meeting is completed, ask yourself: "How do I feel about this business?" The broker will follow up with you to explore the answer to that question.

## Due Diligence

**REMEMBER: While a business broker can't do your Due Diligence for you, they serve to manage and facilitate communications with the seller the exchange of the information.**

Due Diligence is when you dig in, investigate, and seek to verify all of the information that has been presented to you. Typically, you will be required to deposit funds into an Escrow account to demonstrate your seriousness as a buyer and, in exchange, the seller will postpone entertaining other buyers while you complete your discovery. Depending upon the nature, complexity and size of the business transaction, you may engage the assistance of professional advisors to assist you with this process (remember there is a cost/benefit here). Common areas investigated in Due Diligence include, but are not limited to,;

- Entity structure verification
- Patent/trademark/service mark registrations
- Historical financial and tax statements
- List/description of general assets
- List/description of inventory
- Leases
- Licenses/permits
- Business contracts
- Litigation/adverse claims

Again, the larger and more complex the business, the longer the Due Diligence stage. Typically though, an average Main Street business Due Diligence timeline is about 4 weeks. Given the circumstances surrounding the transaction, the broker will establish the appropriate Due Diligence timeline and deadline for completion.

**NOTE: In special circumstances, the release of escalating levels of sensitive information will require the deposit of additional funds into the Escrow account.**

## CLOSING

If all steps of the process have been done right, closing is merely getting together to pass out papers and sign. That's the mark of a well-run, smooth process. You may have had your own attorney representing you to review all the documents, or perhaps you and the seller mutually agreed to use a transaction lawyer to save time and money (ask your broker about these).

Congratulations, you're now a business owner!

# Conclusion

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Does this paper provide an over-simplification of reality? Yep, you bet. But it's the place to start. Between these milestone transaction steps there exist many activities and exchanges. And then there's the whole financing topic, which is a stand-alone subject in itself. And did we mention, no two business transactions are alike? Don't worry, we are experts at this - give us a call and we'll fill in all the blanks.



For help finding, analyzing, and purchasing a business, the experts at Sunbelt Business Brokers can help. With over 35 years experience buying and selling businesses, we can help you find the right business for you.

Contact us today for a free consultation at  
[www.sunbeltnetwork.com/locations/](http://www.sunbeltnetwork.com/locations/)

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