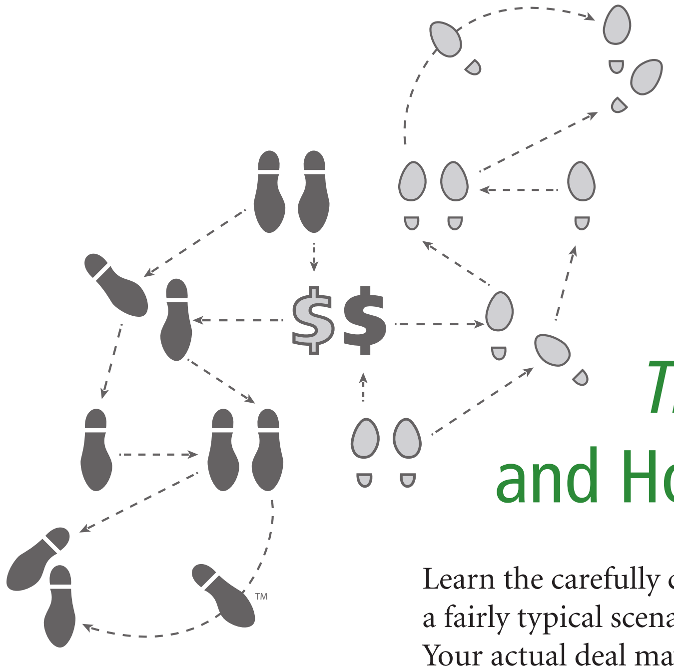

The Dance of the Deal™ and How to Keep It Moving

Learn the carefully choreographed steps in the deal process. This is a fairly typical scenario; if you're lucky, it will take about six months. Your actual deal may take more or less time.

January 1 — **SELLER: Putting it out there**

You have a price, you selected a broker. You listed your business on www.bizbuysell.com. You wait for a bite.

February 1 — **BUYER: Inquiring**

Buyer has done their homework. They know what kind of business they wish to buy, the location, how much they can spend. They make an inquiry.

SELLER: Giving location and one-sheet financials

You disclose the location and the Buyer Listing Report with one-sheet financials. You wait to see if the buyer is still interested.

March 1 — **BUYER: Further requests**

Buyer determines that the location and financial sheet is within their parameters. They now request 5-year-past financials, tax returns and audit reports.

March 7 — **SELLER: Intent**

You request that the potential buyer sign a confidentiality agreement, put 20% down, and sign a Letter of Intent to purchase the business.

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BUYER: Counter

Buyer signs the confidentiality agreement and offers to put 10% down with their Intent to Purchase agreement.

March 15 **SELLER: Letter of Intent signed**

You agree to 15% down, sign the Intent to Purchase agreement, and give the potential buyer the financial statements as requested.

BUYER: More research

Buyer gives the financial information to their accountants to do their own valuation calculation and decide on a price they feel the business is worth.

ACCOUNTANT: Calculation

The buyer's accountant determines that their calculated price is within range of the seller's asking price.

April 1 **BUYER: Request to visit business**

May 1 **SELLER: Request date for settlement**

BUYER: Due diligence

Buyer contacts their lawyer and accountant for their due diligence list. The search for skeletons begins in earnest.

SELLER: Near compliance

You supply most of the information on the buyer's list and deliver the information. If printed, the pile of documents stands a foot high.

BUYER: Negotiation continues

Buyer lists and requests missing information, while continuing negotiation. They also enlist their own real estate appraisal and send their COO (and operations employees) to inspect machinery and equipment. They send in an auditor to verify physical inventory and the value of inventory.

NOTE: This whole process is done confidentially. Therefore it is always difficult to send non-employees into the company for inspection without raising eyebrows.

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BUYER: Price validation

Buyer now has all the information necessary to determine if your price is valid.

Inventory — Buyer notes that the inventory is overvalued and some inventory is obsolete and damaged. They deduct for obsolete and damaged inventory.

Accounts receivable — Buyer determines that some accounts receivable are old. They deduct old accounts receivable and set a dollar amount to be held in escrow.

Reappraisal — Buyer's real estate appraisal comes in lower than yours, and financing will only approve buyer's number. Buyer deducts for decreased real estate value.

Machinery and equipment — Buyer's operations employees discover that machinery is old and not well-maintained. The operations manager gives a new value for machinery and equipment. Buyer deducts the decreased value in machinery and equipment.

June 1 **BUYER: Makes a counteroffer**

SELLER: Counteroffer received

You decide to accept, reject, or counter the offer.

June 3 **SELLER: Accepts the deal**
(or, more likely, goes back and forth three, four, or five more times)

You accept the counteroffer, settlement is scheduled, final agreements are signed, and announcements are made.

June 30 **SETTLEMENT**

Remember, any case studies, examples, stories or illustrations cannot guarantee that you will achieve similar results. Factors such as your market, personal effort, and other circumstances may and will cause results to vary. In fact, your results may vary significantly.

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How to Keep the Dance Moving

As you see from the 'The Dance of the Deal,' questions and answers go back and forth during the process, and they can drag things out for months.

If you find this happening to you, make sure your buyer is (1) serious, and (2) not dragging it out on purpose. Yes, due diligence takes time. But be sharp and stay on top of it.

Quick Response is Key

What can you do to keep the sale from dragging on?

Most importantly, respond quickly to all communications concerning the sale. That includes you, your executive team, and your outside advisors. Since your legal and tax advisors have other clients to serve, if you don't stay on top of things, they may not. So keep an eye on everyone involved, making sure they respond immediately to all emails and requests for documentation.

This will require a lot of oversight on your part (it may even feel like babysitting), but you must do it to keep things moving forward. The easiest way for a buyer to delay the purchase is to say, "You didn't answer my email," or, "You didn't give me the information I wanted."

Buyer Motivations for Feet Dragging

Remember, you don't know what is happening on the buyer's side. Maybe they're having a hard time getting financing. Maybe they see the economy, interest rates, or the stock market moving in a direction that favors delay. All the more reason for you to keep things moving forward.

Don't Let Extraneous Promises Affect the Dance

Depending on your original motive for selling, you may have promised your spouse you would be in Florida before the first snowfall. Or maybe you promised the bank that the loans would be paid off by October. Your children may be expecting their slice of the pie as a Christmas present.

The pressure to deliver on these promises may make you settle for less, which would be tragic after all the work you did to increase your sales price.

So remember, **don't make promises!**

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