

Fundamentals of Selling A Business - Negotiating and Closing the Deal

Published By GlobalBX

Prior to negotiating the deal, you must establish clear and achievable goals. Ten practical tips for successful negotiations are as follows:

1. Focus on goals.
2. Do not expect to win every battle.
3. Understand the other party's wants and needs.
4. Do not get emotional.
5. Be flexible.
6. Listen to the other party.
7. Never be afraid to walk away from a deal.
8. Never threaten to walk from a deal unless you mean it.
9. Deal honestly and openly.
10. Do not over negotiate.

Letter of Intent

Once both parties agree on the major terms and the price for the business, they customarily enter into a formal agreement known as the Letter of Intent. This document outlines the general business terms between the buyer and the seller. These terms should include the names of the parties, the business for sale, the agreed purchase price, and the terms and structure of the agreement. This is not a binding contract, but it is used to provide information on mutually agreed upon terms that are to be incorporated into the formal, legally binding contracts. At this stage, a deposit is requested from the buyer, which would be held in trust.

Due Diligence

In this last stage, the buyers would have the opportunity to verify the information provided to them by the seller. Buyers focus on areas such as:

- Corporate organization and ownership
- Products and inventory
- Customers and suppliers
- Management and employees
- Sales and marketing
- Facilities and equipment
- Reporting and control systems
- Financial results and balance sheet

It is likely that the buyer's accountant is involved in the due diligence process to perform a financial audit and verify all past financial records. If the business is incorporated, the buyer's attorney may thoroughly review your corporate documents and legal standing.

Purchase Agreement

The purchase agreement details all the legal and financial aspects of the deal as well as the business terms and structure of the deal that were outlined earlier in the Letter of Intent. This contract is legally binding