



Re/Max Acclaimed Realty Commercial Division



Q. Why buy a business instead of starting one?

Answer: It may take more money than time to buy a business. It takes more time than money to start one. The break-even point for buying versus starting a business is the cost to buy equipment, rent a space, pay a staff, pay for advertising, establish contractual relationships and support yourself while you are building up a customer base.

If you buy an established business, you have an income from the day you take over. You already know what can be accomplished by the business. If you start a business, you face a lot of uncertainty over the success and desirability of your product or service. Buying an existing business takes a lot of the risk out of your decision.

Q. What is the best business to own?

Answer: Beauty is in the eye of the beholder. Most Buyers want to own a profitable, well-managed business in an industry that holds a personal interest for them. On the other hand, some Buyers may look for opportunities that offer turnaround potential, where they can apply their special skills. In general, there is no industry that is particularly better than another. However, there are specific businesses that are more successful than others - even in the same industry.

Q. How long will it take sell my business?

Answer: It usually takes longer to sell a business than a house or a commercial building. Because of the confidential nature of a business sale, a business cannot put a For Sale sign on the window. The average time to sell a business is usually between six to eighteen months. However, there are exceptions.

Some businesses may sell within a month of being put on the market. Others may take several years to attract the right Buyer. A business seeks out and talks to Buyers every day. The next one may be just right for a particular business.

Q. How do you advertise or promote that my business is for sale?

Answer: RE/MAX COMMERCIAL ACCLAIMED REALTY uses various vehicles to market and advertise a Seller's business in the most confidential and discreet method possible. RE/MAX COMMERCIAL ACCLAIMED REALTY promotes the sale of your business through its extensive Buyer database; certain Internet markets and when appropriate targeted print advertising.

Q. How do you handle confidentiality?

Answer: Only blind profiles or advertisements are used by RE/MAX COMMERCIAL ACCLAIMED REALTY when promoting a business for sale. Once a prospective Buyer has shown interest and met the Seller's initial pre-screen requirements, they are required to execute a binding non-disclosure / confidentiality agreement. This occurs before any detailed information concerning a specific opportunity is released. We are committed to protecting the confidentiality of the business and its owner.

We understand that public knowledge of a potential sale can affect the attitudes and actions of customers, employees, competitors, lenders, suppliers, or investors, and thus the value of the company. We also want to safeguard the employment status of a potential Buyer while he considers a very important change for his future.

Q. How do you screen or qualify prospective Buyers?

Answer: Prospective Buyers are interviewed by a RE/MAX COMMERCIAL ACCLAIMED REALTY and a BUYER PROFILE is completed, which includes an analysis of net worth and the amount of



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capital the Buyer is able to use in order to complete the transaction. Sellers must perform their own due diligence on the Buyer, particularly if offering Seller financing to the new Buyer.

Q. What happens when you find a business you want to buy?

Answer: When one of RE/MAX COMMERCIAL ACCLAIMED REALTY's listings interests you as a Buyer, contact a RE/MAX COMMERCIAL ACCLAIMED REALTY. They will either be able to answer your questions immediately or will offer to look up the answers for you if he is unsure. Once a Buyer gets his or her preliminary questions answered, typically the next step is for the RE/MAX COMMERCIAL ACCLAIMED REALTY to help the potential Buyer prepare an offer based on the price and terms the Buyer designates. The offer will generally be conditioned upon a review and approval of the actual books and records supporting the financial information that have been supplied. The offer is then presented to the Seller, who can approve it, reject it, or counter it with his or her own offer. The main purpose of the offer is to determine if the Seller is willing to accept the offered price and terms.

Q. What happens when I make a purchase offer?

Answer: A purchase contract generally includes:

- details of the price to be paid for the business;
- assets that are included in the purchase;
- training to be provided to the Buyer;
- the time period and area to be covered by any non-compete agreement;
- And, if there is to be financing by the Seller, the details of the financing.

If the Buyer and Seller agree on the price and terms, the next step is for the Buyer to perform their "due diligence." Due diligence is the examination and evaluation of risks affecting a business transaction that a prudent person might be expected to exercise. The burden is on the Buyer—no one else. A Buyer may choose to bring in other outside advisors to help or may do it on their own—the choice is solely up to the Buyer. Once due diligence has been completed the closing documents can be prepared and the purchase of the business can be completed.

Q. What is done during the "due diligence period?"

Answer: The due diligence period is used by the Buyer to review all aspects of the business—not only the financial aspects of the target business, but competition, changes in market dynamics, available financing, and all other issues that should be considered in purchasing a business. The Buyer's accountant and attorney should review the financial and legal aspects of the purchase.

Upon the completion of the due diligence period, the Buyer and Seller are ready for the completion of the sale. To facilitate the closing the Buyer and Seller retain an escrow attorney. The attorney is responsible for filing the required paperwork, and ensuring that all licenses and leases are properly handled for the Buyer and Seller.

Your RE/MAX COMMERCIAL ACCLAIMED REALTY is available to assist with identifying lenders, the transfer of licenses, the assignment of lease and franchise rights, and the performance of due diligence for the target business. If required RE/MAX COMMERCIAL ACCLAIMED REALTY offers business plan services to include financial projections that will generally be required by outside lenders.

Q. Can I expect an all cash offer or some other type of offer?

Answer: For many Sellers, an all cash offer is the only type of offer that is acceptable. Often owners are retiring and pursuing a different life style that requires complete liquidity from their business. Buyer offers run the gamut of possibilities and like any purchase, the Buyer will attempt to "drive a better deal" where possible. Highly desirable industries, business models,



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intellectual property and high margin businesses command higher prices and better terms, such as all cash more readily than other businesses.

Q. When should employees, suppliers or customers be informed of the sale?

Answer: In order to minimize any potential disruption to the business itself, Sellers typically get best results by informing employees after the closing. A different set of guidelines applies to key management and key employees. Owners often need to consider "getting them on board" prior to such a move.

Q. How long is the Seller expected to train the new Buyer?

Answer: Sellers must weigh the complexity of their business operations and the familiarity with the industry of the new owners to arrive at a reasonable answer to this question. Two weeks is usually appropriate in most cases. Sellers should maintain some flexibility so not to scare off otherwise legitimate Buyer prospects.

Q. What kind of purchase agreement should I expect?

Answer: Purchase agreements vary by the complexity of the business and the transaction. Asset purchase are the norm. Any purchase agreement is usually accompanied with ancillary agreements such as non-competes, earn-outs if applicable, bill of sale and others.

Q. Do I need an attorney?

Answer: An experienced attorney can be of invaluable assistance in making sure that all of the legal aspects of the transaction are properly handled. Business intermediaries are not qualified to give legal advice. A Buyer's attorney will look after their client's best interests.

It is also important that the attorney be familiar with the business buying process and has the time available to handle the paperwork on a timely basis. If an attorney does not have experience in handling business sales, a Buyer may well be paying for the "attorney's education." RE/MAX COMMERCIAL ACCLAIMED REALTY can provide you with names of attorneys who are familiar with the business purchase and sale process.

Q. I don't see the question and answer I am looking for?

Answer: If you do not see the Q and A you're looking for please go to the contact us page and type your question there or feel free to contact us directly at the telephone numbers listed on the contact page.