

## The Steps in Selling a Business

1. Initial meeting between the Business Owner (Seller) & Business Team (Seller's Broker) where the selling process is explained and a free valuation is used to determine the value of the business. The valuation is free only if a Representation Agreement is signed, otherwise Business Team charges \$1,000.
2. A Representation Agreement is filled out by the Seller's Broker & signed by the Seller. Immediately after signing the representation Agreement, the Seller provides the Broker with the following:
  - a. Complete listing of all equipment and other assets to be included or excluded in the sale;
  - b. The last 3 years of Profit and loss statements, balance sheets, and tax returns of the Business;
  - c. If applicable, an interim profit and loss statement, balance sheet & sales tax report;
  - d. Real and personal property leases;
  - e. Copies of all patents, licenses, loan documents, contracts or agreements;
  - f. All agreements relating to employee benefits;
  - g. Any environmental reports; and
  - h. Copies of all other documents needed to present a fair and accurate description of the Business to prospective buyers.
  - i. During the representation period, Seller will provide monthly updates of each such document during the period of this agreement when any material change occurs.
3. Seller approves the terms under which the Selling Broker will publish, advertise or distribute information about the Business to prospective purchasers and to cooperating brokers. Seller & Seller's Broker discuss and agree upon contacting landlords and any others regarding any of the information about the Business.
4. Seller's Broker writes a narrative on the Business, the Representation Agreement is entered into the Business Team proprietary database and a Business Profile is created. Seller's Broker introduces the Business to all of Business Team's other brokers during the Wednesday morning weekly office meeting.
5. All other internal brokers match the Seller's Business Data (SBD) against Buyer's in their respective queues (buyers who have previously been interviewed; and signed a Confidentiality Agreement, an agency disclosure and a Buyer's Profile); Seller's Broker and Business Team's President plan an advertising strategy; and the SBD is added to the www.Business-Team.com web site plus all major business brokerage web sites in such a manner to prevent the general public from identifying the business.
6. Buyers in queue and buyers who have responded from the advertisements will have their backgrounds and finances evaluated to see if they are "real" buyers. If a "real" buyer is interested, they will be shown a Business Profile. If further interest is shown, the Seller's Broker will arrange a meeting with the Seller.
7. If a buyer wants to make an offer at a fair price and proves they have the money necessary to make the purchase, the Buyer's Broker will write the offer and secure a deposit.
8. The Seller's Broker and when applicable, the Buyer's Broker, will present the offer to the Seller.
9. Seller and Seller's Broker will review the offer and decide whether to accept it or counter the offer. If Seller wants to counter, they can:
  - a. Mark up the original offer, initial the changes and sign the offer.
  - b. Sign the offer, check the counteroffer box on the offer and write-up a counteroffer.
  - c. Re-write the offer.
10. Once an offer is accepted, the Seller's Broker will arrange a Seller/Buyer meeting where the Seller's and Buyer's Disclosure Statement is filled-out, questions answered and the statement is signed by both parties.
11. Due diligence starts once an offer is accepted and the Seller's and Buyer's Disclosure Statement is completed.
  - a. If the due diligence proves the Business as represented, the Buyer signs the Conditions Removal.
  - b. If the due diligence did not prove the Business as represented, either the offer can be renegotiated or the offer will be cancelled & the Buyer's deposit check will be returned.
  - c. If the due diligence proved the Buyer as represented (capable of managing the Seller's business, financially capable and has good credit), the Seller signs the Conditions Removal.
  - d. If the due diligence did not prove the Buyer as represented, then the offer will be cancelled & the Buyer's deposit check will be returned.
  - e. Once both the Buyer's and Seller's Conditions Removals are signed, the Seller's Broker will open escrow or prepare to close the transaction.
12. Seller's Broker secures, answers and/or provides the following to insure a timely close:
  - a. Copy of the Representation Agreement
  - b. Copy of the Purchase Agreement and Counteroffers
  - c. Copy of both Conditions Removals
  - d. Copy of the EDD & sales tax number and if applicable, liquor license
  - e. Seller(s) name, address, (other than Business address), Social Security Number, sales tax number, copy ABC license (if applicable) and federal tax number, if corporation.
  - f. Buyer(s) name, address, (other than Business address), Social Security-Number and federal tax number if corporation.
  - g. Turns over the deposit check from Buyer to the escrow company.
  - h. Secures leases – amount of monthly rental, security deposit, assignment, new lease, etc
  - i. Estimates closing date for closing, date of possession by Buyer and pro-ration date.
  - j. Investigates Insurance - will Buyer assume Seller's or acquire new.
  - k. Taxes – Requests the Seller's property tax bill for pro-ration.
  - l. Investigates required licenses – are they transferable?
  - m. If Buyer and/or Seller are a corporation - need names of the officer(s) authorized to sign and a copy of the Corporate Resolution authorizing the sale of the assets or stock.
13. How will purchase price be allocated?
  - a. Good will
  - b. Fixtures and equipment
  - c. Leasehold improvements
  - d. Covenant not to compete
  - e. Liquor license, if applicable
  - f. Furniture, Fixtures & Equipment
  - g. Inventory
14. Asset sale through an escrow company
  - a. Receives opening escrow instruction
  - b. Prepares Escrow Instruction
  - c. Obtains signatures and Deposit money - no escrow processing will start until the deposit check clears
  - d. Orders Publication, Recording and Notify County Tax Collector (When ABC involved, prepares ABC package)
  - e. Orders UCC, Tax Liens & Judgment Search for State and County
  - f. Requests demands from existing lien-holders
  - g. Receives claims
  - h. Prior to the legal published closing date, does estimation of closing cost including estimated inventory and requests funds to close escrow from the Buyer
  - i. Prepares closing instruction one day prior to close of escrow.
  - j. obtains signatures on the closing instruction on the date of close of escrow
  - k. disburses money and paper work
15. Stock sale through either an escrow company or Business Team and the Business Team Trust Account.
  - a. Orders UCC, Tax Liens & Judgment Search for State and County, if required or requested.
  - b. Arranges for signature changes on banking accounts, if applicable - name changes on liability accounts and preparation of new stock certificates.
  - b. Prior to the closing date, does estimation of closing cost including estimated inventory and requests funds to close from the Buyer
  - c. Obtains signatures on the closing instruction on the date of close
  - d. Disburses money, stock certificates and paper work
16. ABC License through an escrow company
  - a. Immediately upon opening escrow request a certified copy of Notice to Creditors of Bulk Transfer and Notice of Intended Transfer of Liquor License
  - b. Seller to sign off at the local ABC.
  - c. Buyer to pick up ABC package from the local ABC and make an appointment for an interview
  - d. Escrow company prepares ABC package for Buyer to take to the interview
    - Certified copy of Escrow Instruction
    - Certified copy of Notice to Creditors
    - Demand Note to replace cashier's check or Promissory Note
    - Form 226
  - e. Notice is posted at the Business location for 30 days from the date of the interview
  - f. When all the terms and conditions are met and funds are deposited with escrow, escrow company will forward Form 226 to the local ABC, they then forward their package to Sacramento ABC (State office) and they transfer the license. From the time escrow forwards Form 226 to local ABC to actual transfer of the ABC license takes approximately 2 weeks.
17. Tax Releases required before the Seller can receive all of their proceeds:
  - a. Certificate of Payment of Sales and Use Tax from State Board of Equalization
  - b. Certificate of Release from Employment Development Department.
  - c. Certificate of Release from the Franchise Tax Board for Corporations and LLC's. Seller's whole or partial net proceed will not be released until above Certificates are received by escrow holder.