

Getting Down to Business- Making an Offer and Negotiating

Once you've finally found a buyer who wants your business, you might think the hard part is over?but there's still quite a bit of work to be done. Now it's time to negotiate!

When a buyer is legitimately interested in your business, they'll make you an offer. At this point, the buyer won't have had access to your financial records, so the offer will most likely be based on their valuation report and your asking price. They'll submit a letter of intent with a proposed price or a formal offer. Unless that offer is ridiculous, you should consider it and start negotiations. Remember, this is a business transaction; no one is trying to insult you?they're just looking for the best deal they can get. Along with the offer or letter of intent, buyers usually include a clause that allows them to rescind their offer after they've conducted due diligence. This is a fairly standard practice.

When you receive an offer, the negotiations will begin. Both parties will have to consider a variety of factors?from the speed and smoothness of the transaction to actual valuation?to reach an agreement on a price. Sellers are generally looking for a price close to what they've asked for, with as few complications as possible. Buyers want a good deal with favorable terms.

For many people, the thought of negotiating creates a tremendous amount of anxiety. But this doesn't have to be a laborious process. If you remember to keep your emotions in check and approach this process with a little preparation and an open mind, you might wind up with even more than you'd hoped for.

To negotiate a fair purchase price, you'll have to come to an agreement on what the business is worth, both today and in the future. You've probably both had professional valuations, which give you a good place to start. However, there are other intangible factors that can contribute to the price of a business. You can read about them in BizTrader.com's article [BUSINESS VALUATION AND OTHER FACTORS](#), but some of them include the seller's reason(s) for selling and time frame for selling the business; the ease in which the transaction and transition will be conducted; the current state of the economy and industry trends; assets included in the sale; and the price of similar businesses that have sold in the same area.

Each party will have to determine for themselves what is most important in the negotiations. List the key conditions or terms that you're willing to negotiate on and the points to which you'll hold hard and fast. With any luck, you'll be willing to compromise on the buyer's issues and vice versa. Of course, you'll each have a bottom line?the most the buyer can afford to pay, and the least you are willing to accept. But every other point should allow for a little negotiating room. In the spirit of good faith, counter every demand you make with a concession to the buyer's demands, and you'll probably keep negotiations on track.

While your lawyer and CPA are there to advise you, they probably won't have the necessary skills to complete negotiations for you. A lawyer's primary role is to protect you from potential liabilities and bad decisions, while a CPA will offer advice on financial matters and tax issues. Their input should certainly influence your decision, but ultimately, you're responsible for your own negotiations.

Negotiating can seem like a very intimidating process, but it's well worth it in the end. Remember, you're trying to put together a good deal, and if you and the buyer can come to mutually agreeable terms, you'll both win in the end. Be patient and work together through any problems and issues that may arise. Keep your priorities in check and remember, like any relationship, a little give and take is sometimes necessary.