BUYING A BUSINESS...
Where do you start?

Murphy BUSINESS SALES
Excellence in Business Transactions

So you've grown tired of working for someone else and seeing your hard work and successes failing to get the recognitions and rewards they deserve. You want to be your own boss and in control of your own destiny. You want to own your own business. You are an entrepreneur. But where do you start the process? How do you get the information you need? How do you find the right business for your needs and abilities? How do you get to "know what it is that you don't know"? Where do you get help? Who do you trust? This white paper will help you answer those questions and a few more. But before you get started . . . there are three very important steps you must take.

FIRST: Make sure you have discussed this notion of owning your own business thoroughly with the primary "stake-holders" in this decision - your family. Why? Because this decision WILL have an impact on their daily lives and life style. It could require a restructure of your family finances in order to have sufficient funds for such a purchase. Also, like any investment you might consider, buying a business requires taking a certain amount of calculated RISK. It may even mean relocation to a new city in a new state. So you must make sure they understand why you want to do this and how it might change family dynamics because all these things are vitally important to a spouse and especially to school-age children. If you do not have their full and eager support, do NOT make a career decision until you do.

SECOND: To be in business for yourself you have 3 options to consider:

1. **BUILD** — Your own business from the ground up . . . or growing it "organically" as it is often called.
2. **BUY** — An established business with a proven track record.
3. **PARTNER** — Invest in a business that needs new capital and management.

We read every day about a "dot-com billionaire" who started their own tech business and 3 or 4 years later sold it for huge sums of money. But unless you are a tech genius or a manufacturing wizard with an idea for the greatest "mouse-trap" ever imagined, doing a 'start-up' is often a very long and arduous road to that hoped for pay day.

Entering a business as a new equity partner can be daunting as well. What is the 'partnership' worth? How much influence will you have on the direction and future of the business? How and when will you realize a return on your partnership equity? How can the Partnership be dissolved if needed? What is your 'exit strategy' when the time comes?

Buying a business is, for most folks with an entrepreneurial bent, the best way to achieve the independence and success you desire. But even then you have a very important decision to make:

- Buy an established business or franchise with a proven AND provable track record, or
- Buy a new franchise or dealership in a new territory and treat it like a start-up.

OK . . . you've got the support of your family and you've decided whether to "Buy, Build, or Partner". What's next?

THIRD: Assemble an Advisory Team. You will need a great deal of help to find, review and evaluate the business opportunity that's right for you whether that is an established business or a franchise. That's why you need to assemble a team of advisors that includes:

- ❑ **A CPA** — to review books and records
- ❑ **A Business Attorney** — to review contracts
- ❑ **A Licensed and Certified Business Intermediary** (or a Business Broker as they are sometimes called) — to find a business that meets your criteria, review financials, evaluate assets and negotiate price and terms.

The question often arises, "Why can't my CPA or Attorney handle it all for me?" The answers are simple. CPAs are familiar with books and records which they most often review from a "tax" perspective but almost NEVER from an operational or managerial point of view. And, for the most part CPAs have little experience in sales, marketing, product development or obtaining current market prices for saleable businesses. The same can be said for attorneys. They are invaluable for evaluation of contracts especially employment contracts, leases, vendor contracts and the like. But, they have little, if any ability, to handle machinery and equipment appraisals, doing business valuations or negotiating price and terms in line with market conditions. Using the services of a Licensed and Certified Business Intermediary is where it all comes together: locating the right business, review of books and records, analysis of operation and managerial issues, review of contractual obligations, valuation of assets and structuring proper price and terms as well as negotiating the deal.

Let's take a look at this in greater detail.

Six Really Good Reasons to Use a Licensed and Certified Business Intermediary:

1. Properly and successfully buying a business involves following a very detailed process. A Certified Business Intermediary will guide you through that process helping to make sure you don't overlook potential problems; that you get the approvals needed, evaluate the numbers properly, and structure the purchase to protect you and so on. If you've never purchased a business, and even if you have, you need someone experienced in the process to protect your interests.

2. Using a Certified Business Intermediary will help you find the best business opportunity to pursue. The Intermediary has access to a global inventory of available businesses for sale, will interview you to learn about your background, likes and dislikes, strengths and weaknesses and what you may be better suited for. A broker knows the market areas and will know something about many different industries that will help you in the search for a business.
3. Business Intermediaries get past the gatekeeper; can complete a business valuation that includes comparables, ratios, trends, and genuine addbacks from real financials. A Certified Business Intermediary will check the status of the entity/business with the Secretary of State, assess viability through financials, review branding through social media, website(s), print advertising, and networking. . . all to validate the business' standing and reputation.
4. An experienced Certified Business Intermediary will help the buyer negotiate the best deal possible. Having a buffer between the buyer and seller allows for open discussions between the buyer and his Intermediary and the seller and his Intermediary, even if it's the same Intermediary. An experienced Intermediary will know what issues are the most important to either party and how to manage the negotiations in order to arrive at a "win-win" scenario between the parties. And, an experienced Intermediary will validate you as a legitimate Buyer to the Seller.
5. A Certified Business Intermediary can provide you with access to financing with various types of lenders. An Intermediary can also help you find insurance agents, and specialized attorneys, CPAs, Merchant Services, Banks and Marketing Firms, as well as successful groups to help you grow the business.
6. Finally, an Intermediary will save you money in the actual transaction closing process. The Certified Intermediary has forms and documents available to use to make an offer, add in contingencies, obtain the assets you are entitled to and get the transaction closed safely, correctly, yet at a minimum cost to both parties.

Now, if you're ready to make the move and ready to choose a Certified Intermediary to assist you then please consider this:

We can help you gain the independence and success you've dreamed about by helping you find the business you've always wanted whether it's across the country or in your own town. At Murphy Business we specialize in the transfer of businesses. We are the largest and most successful business brokerage firm in North America with offices conveniently located in the United States and Canada. We are members of virtually all associations, groups, listing services and networks that exist in our industry, giving us unsurpassed access to buyers and sellers. Our proven processes and systems provide our clients a higher closing ratio than national averages. We promise that you will not find a more complete, thorough and professional experience as the one Murphy Business & Financial Corporation LLC can provide.

Steps to Business Financing Guide

When applying for a business loan to either start up a new business or to purchase an existing one, a lender will expect that you as the loan applicant have done your homework. You will likely have only one chance to convince a lender that you are worthy of their confidence in you as a potential business owner and loan recipient. A well written Business Plan and request for funding (loan proposal), supported by month-by-month financial projections for at least the first year and actual historical financial statements and tax returns, if you are trying to purchase an existing business, are the preferred presentation for lenders. And, since lenders also must evaluate the "5 C's of credit" before making a decision about a loan, your best defense against a turndown is a good offense that includes addressing the following issues in your Business Plan and loan proposal.

The "5 C's" That Lenders Consider

CASH FLOW (Capacity to repay the loan) – How do you propose to pay the loan back? If it's an existing business are there enough earnings to pay the monthly note and cover personal and business expenses? What are your exit strategies, short and long term? What back up plan do you have "just in case"?

CHARACTER (Management ability, commitment to business success, sense of obligation to repay, personal credit history) – Why are you and your business a good credit risk? What background do you have that will help you run your new business? What is your personal credit score? What is the record of success of the Franchise that you are looking at? How much validation have you done on the business or franchise?

COLLATERAL (Alternate repayment option) – Besides your down payment, what else are you willing to put "at risk" should the business fail and you cannot repay the loan? More is better.

CONDITIONS (General, economic, geographic, industry) – Offers insight into your knowledge of your industry. Why is this business a good idea at this time and in this area? This impresses lenders. Be accurate because lenders do their own research.

CAPITALIZATION (Is the business properly capitalized?) – Lenders like to see that your business and you personally will have enough cash on hand to cover 3-6 months worth of expenses after the business is purchased. Using your last dollar to qualify for a loan won't cut it. Having sufficient working capital must be part of your business plan.

Below is a checklist of basic documents that you can also expect to be required to submit for a full documentation business loan request, including a loan request for an "SBA" (U.S. Small Business Administration) loan. Each business loan request is unique. Its checklist will be also.

Business Loan Checklist

- ❑ **Loan Proposal/Business Plan** — (See comments above).
- ❑ **Key Documents supporting your request** — Copies of purchase contracts, quotes and/or invoices of new items to be purchased, any appraisals or other pertinent information (example, copy of existing or proposed building lease).
- ❑ **Company Information** — Name, tax ID#, ownership composition and contact information for the borrowing entity (if known), a cash flow projection and/or earnings projections for the next 1-3 years, and a copy of the proposed Franchise Agreement and current Franchise Disclosure Document (FDD).

Murphy Business?

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