



Starwood Business Group
Business Sales • Valuations • Exit Planning

BUYERS' WANTS AND CONCERNS

The following wants and concerns of every purchaser drive the resale marketplace:

1. ***FURNITURE, FIXTURES AND EQUIPMENT*** - They want:
 - A. It to be in good working order.
 - B. It to pass all inspections necessary to conduct the business.
 - C. A complete list of the furniture, fixtures and equipment.
 - D. To know the market value.

2. ***LEASE*** - They want to read a complete and true copy and want to know:
 - A. The monthly rent.
 - B. If there are any triple net costs (insurance, property taxes, common area maintenance) and, if so, the amounts.
 - C. About Association dues, if any.
 - D. When the lease expires and what are the options and terms to renew.
 - E. If there is any special provision, such as a demolition clause or repair obligation.

3. ***PROOF OF SALES AND PURCHASES*** - They want to see:
 - A. State Sales Tax Returns.
 - B. The Profit and Loss Statements (past and current).
 - C. Schedule C of the 1040 Tax Return or 1120 Tax Return.
 - D. And understand what makes the business "tick", i.e. how many pizzas per day, breakdown of sales by category, food costs, etc.
 - E. A breakdown of your purchases.

4. ***A RETURN ON INVESTMENT*** - They want a return of about 20% on their initial investment (down payment).

5. ***LIVING WAGE***- After they pay the debt service on the note, they want to make a reasonable living wage, generally an amount very close to their down payment.

6. ***LEVERAGE*** - They need sufficient working capital, therefore:
 - A. Most major purchases today involve terms.
 - B. The typical down payment on businesses is around 30%.



Starwood Business Group
Business Sales • Valuations • Exit Planning

7. **TRAINING** - Since most buyers are first-time buyers, they will require training and consulting to ensure a smooth transition (usually two weeks or more).
8. **COVENANT NOT TO COMPETE** - They want you to agree not to compete.
 - A. They are afraid that you will go into competition with them because you know all of their customers.
 - B. Five years and within a five mile radius from your business is normal.
9. **THE REASON YOU WANT TO SELL** - They:
 - A. Need to be assured there is a logical reason for your selling.
 - B. Are often fearful that you may be selling because there is an undisclosed fact about the business which will hurt (or potentially hurt) the business.
 - C. Experience a heightened concern when you want all cash. When you are willing to carry a note on the business, they are reassured that you have an interest in their success.
10. **FRANCHISE AGREEMENT OR ANY LICENSING AGREEMENT** (if applicable) - They want to read the Agreement and want to know:
 - A. When does the agreement expire?
 - B. What are the royalty and advertising fund provisions of the Agreement?
 - C. What are the transfer fees?
 - D. What training is required by franchisor and what is the cost?
 - E. What does franchisor provide?
11. **WHAT WE CALL THE KICKERS** - (Most of these items can be fixed or overcome in negotiations. The important thing is for us to know about them up front so there aren't any surprises to scare the purchaser away). For example:
 - A. Are you in compliance with the health codes? You need a copy of the Health Department Inspection if applicable.
 - B. Do you have any equipment leases? Are they assumable?
 - C. Do you have any secured obligations against the business (liens, loans, etc)? How can they be handled?
 - D. Do you owe any state or federal taxes?
12. **PROMPT RESPONSE TO OFFERS** - Respond to offers immediately because:
 - A. Purchasers usually consider more than one business.
 - B. The more time you allow the buyer to think about the decision, the more doubts he may have and the more opportunity others will have to advise him against buying.