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EDITORIAL

Buying or Selling a Business



Andrew Goodman

Over the past 12 years, I have consulted with many dealers considering buying or selling dealerships. Most sellers don't think about selling until retirement or when business is on the downslide. The best time to sell a business, however, is when someone wants to buy it – usually when the economy is strong and the business is profitable and at its peak. While it may seem strange to sell a profitable business, this remains the most opportune time – especially when selling the business is your long-term goal. Whether you have considered selling your business or not, it is never too early to start planning. It is to your advantage to plan ahead to maximize profits.

Buying or selling a business involves several steps. If you are interested in selling, you need to **obtain an appraisal of the business** first. Sellers should have their own valuations done by certified appraisers. Real estate valuations should be performed separate from the business.

Next, the seller should **locate a buyer**. Traditionally, this is someone already known by the seller or an individual familiar with the business. In many cases, it is an existing, adjacent dealership wanting more territory.

The third step, regardless of whether buying or selling, is to **clearly understand the manufacturers' contracts** that may be involved. Some manufacturers restrict who can purchase a business and it remains critical that you know the rules of the game early in the process. It may be prudent to involve an attorney at this point to help you understand the manufacturers' contracts and advise you of your legal options.

The fourth step involves **the deal** itself. According to attorney Sam Kreamer, the deal is a process – not an event – consisting of the letter of intent, confidentiality agreement, purchase

agreement, and the closing. Legal representation is needed to perform these functions properly. It remains important that buyers and sellers have separate legal representation to protect the rights and positions of each party to the transaction.

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Step five includes **employee issues**, some of which should be addressed prior to the writing of the purchase agreement and before the closing. Issues such as dealing with the merger of multi-employer benefit plans must be organized prior to closing the deal.

Step six entails the **management of the new multi-location business**. Often, the most traumatic and critical part of the process, this step is easily overlooked. Operating a three or four location business requires different skills than those necessary to run a one or two store operation. The larger the operation, the more important it is to clearly define and execute a specific management style with understanding and buy-in by employees. This daunting task remains critical to success.

I-NEDA has specialists available to assist members with acquiring and selling businesses. Buying and selling a business is not an everyday occurrence for most. The advantage goes to those who prepare, plan and use counsel wisely. ■