

# HANLON NIEMANN & WRIGHT, P.C.

New Jersey Business Lawyers

## Five Steps to Selling Your Business

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The purchase or sale of a NJ business today is no place for amateurs. Without a professional approach, you can leave lots of money at the negotiating table and create a legal nightmare. Here are six steps which I recommend that business sellers follow:

### 1. Form Your Team... and Early On

It all starts with teamwork. You need to form a team. The team definitely should include your attorney and your accountant. You may also want to include your banker. Then consider a business broker, but only a person experienced in the business you're looking to sell. After this team is fully assembled, follow their advice.

Today, selling a business is so specialized that even the best attorney, accountant or real estate broker is no substitute for the savvy business broker who knows where the business buyers are.

### 2. Price It Right

Your tendency will be to overprice your business. When you do, the time it takes to sell just stretches out to the point where it is frustrating and demanding, especially to you as a seller. By the time it finally sells ... if it sells, it's a losing venture to all concerned.

Nothing raises the doubts of a prospective buyer more than to find out you've been trying to sell for a long time.

Some business brokers or appraisers offer an inexpensive appraisal. But, a full-fledged business appraisal costs upward of \$2,000, so don't expect a good written appraisal for less. For a larger company, one can easily cost \$10,000.

But, you may not need an appraisal at all if your team agrees on where to set the asking price.

Prepare a Package

Comprehensive documentation from a buyer's perspective is essential today. That means you have to develop a convincing package to

present your business.

Buyer prospects expect that you will have accurate and current financial reports and that you will provide a detailed analysis of your business and the markets it serves.

Today's buyers also expect you to be able to justify your price and terms of sale based upon their understanding of normal investment returns.

Why so complicated? Well, keep in mind that today's buyer prospects are typically middle aged and from corporate middle management. They use hand held calculators and laptop computers! They expect to have a lot of information at their fingertips. They are uncomfortable when the business records are messy or incomplete.

You also have to compete for your buyer prospect's attention against an ever-increasing number of sophisticated brokers trying to sell other types of investments.

### **3. Target Prospects**

After your marketing package is complete, you'll know what kind of buyer you need. You'll know how much cash they must have to make it work. Your team, especially your broker and accountant (less so for the attorney), should then set up a process to target and qualify buyer prospects.

Consider everyone a prospect. There are still people out there - even people with money - who think they can buy your business for no money down! Throw them out immediately! Or faster.

Your broker must be your intermediary and advocate. Make them even if there's a fee. Your broker should be telling them, up-front, what kind of cash will be required. Your broker is also responsible for determining if they have it, and for finding out where it will come from.

People are naive and think businesses sell as fast as houses. Better to keep your marketing effort confidential except to strictly qualified prospects. Your broker knows how to do this. Expect that it may take as long as a year - or even longer - to sell.

### **4. Negotiate Professionally**

When you get an interested and qualified prospect, plan your negotiation strategy carefully. Remember that your goal is to sell, and not to beat the buyer at some negotiation game. You and the buyer should lay the foundation for a team effort to get to a closing.

Don't allow yourself to get bogged down in disputes with your buyer. Don't allow your ego to distract you from satisfying your underlying need to sell.

Work with your buyer as an ally. Focus on interests, not on positions. Generate a variety of solutions before deciding what to do about any particular problem.

Try to resolve the toughest issues with objective criteria or independent standards.

### **5. Wrap It Up Quickly**

Don't delay the negotiation or the eventual closing.

Even the best buyer prospects can change their minds overnight. After the buyer prospect makes a commitment to buy, get it in writing and get a good sized, non-refundable earnest money deposit. After the initial agreement is signed, close as soon as possible.

Your business isn't sold until it's sold. Make sure the check clears before you set the plans in motion for that well-deserved vacation.

Contact me personally today to discuss selling your New Jersey business. I am easy to talk to, very approachable and can offer you practical, legal ways to handle your concerns. You can reach me toll free at **(855) 376-5291** or e-mail me at [fniemann@hnlawfirm.com](mailto:fniemann@hnlawfirm.com).

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