



Buyer's Checklist - Don't forget the mundane and delay the deal

You made the decision to buy the assets of an existing business because that gives you a great tax advantage. You have negotiated the deal and are putting the final contract and financial pieces in order and have set the closing date. Did you remember to establish banking relationships so that you can deposit your revenue and write checks to your new vendor? Have you set up the process to pay your employees?

This may sound boring when compared to the excitement around the actual transaction, but if you, or someone working for you, does not pay attention to the details, then you may not have a transaction to be excited about.

Below is a list of issues to consider:

1. The utilities (electricity, land lines, mobile lines, trash, gas, water) will need to be set up in the new corporation. You will need to have the seller end their agreement with the utility companies on the same day that you start yours. At closing, the seller can pay for his estimated share and depending on what the lawyers decide, it can be pro-rated or be settled outside of closing.
2. You will need to establish a business license with the proper authorities. You need to know if you fall under the city's or the county's jurisdiction.
3. You need to create a Federal ID number.
4. You will want to create a checking account with a local bank as well as a credit card account of your choosing for your operating accounts and possibly your payroll account. Make sure they are up and running by the closing date.
5. Determine how the business is to be structured: LLC, S-Corp, etc.
6. You may need to deal with a name change issue so that you own the trade names that the company has been operating under. You do not want to send a check under a different name once you have taken over the company. Vendors don't like that.
7. Establish insurance for fire, casualty, liability, workmen's comp, medical, business interpretation, plate glass insurance, produce or professional liability.
8. You need to start drawing up employee contracts if you want something different than what the Seller has established. Of course, you have to have your "new" employees fill out all the proper paper work for the federal and state governments.
9. You will need to help the Seller remove any personal guarantees of the vendors or any assumed liabilities.
10. Establish who you want as the CPA for your firm.
11. Establish who you want as your corporate attorney.
12. Make sure that you have the proper professional licenses in place to operate the business.

13. Determine what fixtures, furniture, machinery, computers (hardware and software) need to be updated to meet your goals.
14. Decide what health insurance you and your employees will need to keep the ship running smoothly and improving your organization.
15. If any leases are involved, make sure they can be assigned or that you can create new documents. Many buyers want to and demand that they be removed from any guarantee positions.
16. Concerning due-diligence, since you are beginning to spend money, you do not want to wait until the last minute to complete these tasks. You want to review the subject company's:
 - a. Subsidiary financials journals, (invoices, payables, accounts receivable, job orders, etc.) You need to be involved in this directly.
 - b. Make sure that the Seller is current in his accounts payables.
 - c. Review the personnel files.
 - d. Review customer files, including the history and longevity with the company.
 - e. Develop your own growth strategies in the various revenue streams.
 - f. Establish rapport with key management once you have committed to the deal.
 - g. Establish the value of the fixed assets and work closely with your CPA and the Seller on this issue. It is all about negotiation.
 - h. Your transaction attorney needs to run a UUC search on the company to bring up any miscellaneous UCC files that the banks failed to removes in the past (They are always there!)
 - i. . Review the customer list to see if there are any patterns of building up of clients at the end of the deal and /or if there are a material list of customers who have issues and are about to leaves, bare are just hanging on.
 - j. Review the employee files and be comfortable with their legal status.
 - k. Be comfortable with the exhibits that are stated in the LOI.
 - l. Purchase any assets that produce the revenue stream that are not coming with the deal.
 - m. Establish the non-compete agreements.
17. Constantly smile! You are your own person, out on your own where you choose to be.

Please give me a call with any questions or concerns. Remember, in addition to selling two businesses personally, I have also bought three and they were all losing money when I bought them. Though my wife always supported me, her eventual comments were, "Show me the money!" Eventually, I did and she smiled.

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