



## Preparing An Offer Presentation Between The Buyer And The Seller

by Peter C. King, VR Business Brokers/Mergers & Acquisitions, CEO

While writing an offer may seem like the final or ultimate step to the buyer, it is really just the first step in the process. It starts the negotiations process and sets the groundwork to determine how flexible a seller might be. If a buyer, writing an offer should be relatively straight forward. The key is to constantly address fears and concerns with a solution. There are very few concerns that cannot be handled with a contingency, a condition, or an adjustment in price and terms.

### Prepare the Seller

Prior to preparing an offer, you should have educated your seller about offers and their presentation. Let the seller know about the offer form and the rest of the ancillary forms that go with it so that at the time of an offer presentation, he is not afraid or confused by the offer or its content. In the process of contacting the seller on a weekly basis, you have probably acquired any current financial information from them about the current position of the business, such as a big change in inventory, personnel, or the most recent gross figures. Prepare the seller for the fact that if the volume has gone down, an offer is not going to be as large.

Before an offer is prepared, it is advisable to call the seller to verify various points in the listing. (If it's not your listing, call the listing associate or his/her owner first.) This ensures that there will be no problems during the offer preparation such as the amount of inventory in the business and how it will be valued, determining whether there have been any major changes in inventory or personnel, or any big changes in the sales volume. In any of these cases, contingencies may have to be added to the offer. During this phone call, also ask the seller whether our chase price or the down payment is more important to him. Knowing this, you have a better chance of making the offer fit the seller's requirements and, therefore, have a better chance of success. (It is also a good idea to find out where the seller will be for the rest of the day in case you need to contact him.)

### Prepare Yourself

Have all of the necessary materials on hand prior to the preparation of the offer. Have an amortization schedule along with the Offer to Purchase and addendum forms. Also, have a calculator handy to do your computations. Use the time you have prior to actually writing the offer to prepare for all of the things you'll need to effectively construct the offer. Discuss it with your owner and manager and/or the listing associate. Plan strategies to address the seller's and buyer's concerns.

Next, review the likely contingencies that you'll need to incorporate in the offer. Contingencies are a part of most offers. They are included to help make deals, not lose deals. Many intermediaries have found that it is quite simple to put contingencies into an offer if you know when and how you will be able to remove them. There is nothing wrong with saying that a sale is contingent upon the seller proving a gross in excess of \$300,000 for the previous year if you have a copy of the financial records from the business in your



Peter C. King, VR Business Brokers / Mergers & Acquisitions, CEO





files stating last year's gross was \$304,000. That way, you know that you can remove the contingency because you know that figure is provable. It can be very dangerous to put contingencies into an offer when you do not know when or how to remove them when the time comes.

Essentially, contingencies fall within five major areas:

- Books and records;
- Procurement of outside financing;
- Franchisor qualification;
- Acquisition of a new lease;
- Procurement of necessary licenses.

### **Prepare the Buyer (Close for an Offer!)**

After working with the buyer to handle his concerns about making an offer, if you haven't already put it in writing, now is the time! There are a number of ways to make the transition to paperwork from discussion. For example:

"Let's transfer these notes to a clean offer form"

"Let me write this down so we've got it all. Then you can review it to see if we've missed anything"

"I think we've covered everything. Let's incorporate this into an offer, present it to the seller, and see what he says."

These are just a few of the statements you can use to make the transition to writing the offer. In the exercise section are a number of closing techniques. Become comfortable with them so that you can select which ones to use, given a prospect's style and the situation. These techniques work equally well with any closing situation present the offer and to handle subsequent questions and concerns.



Peter C. King, VR Business  
Brokers / Mergers &  
Acquisitions, CEO