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7 Steps On How To Write An Eye Catching Selling Memorandum

By JoAnn Lombardi, President VR Business Brokers/Mergers & Acquisitions

Prepare a Selling Memorandum when marketing a business to sell. The selling memorandum is a written summary which outlines the selling features of the business, highlighting those points which would be of interest to a prospective purchaser. The package acts very much like a brochure on the business. It provides the starting place for discussions and it is the "take away" piece that a buyer can take home after be thoroughly qualified and executing the non-disclosure agreement. By preparing an elegantly written and informative selling memorandum of the business, we not only have an excellent selling tool, but we have also demonstrated our professionalism both to prospective buyers and to the seller of the business. A well prepared selling memorandum does not sell the business on its' own, but it certainly makes a powerful contribution.



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Since every business is different, each selling memorandum that is prepared is unique, although all have common elements. The memorandum may be either short or long, and varies typically by the size of the business that is being marketed. A small company (i.e. under \$500,000 selling price) will usually have a selling memorandum no more than 6 to 8 pages in length. A larger company above the \$500,000 range may have a 20 - 30 page memorandum prepared. Companies above a 2 million dollars usually will be packaged with a longer report that may be in excess of 35 to 50 pages. Obviously, this also varies with the complexity of the company and the industry.

Every selling memorandum should cover the following elements:

1. History of the business
2. Description of the premises, or physical plant
3. Description of the product or service
4. Description of marketing efforts
5. Prospects for the company
6. Summary of pertinent financial data
7. Copies of company brochures, menus, product lists, etc.

With small selling memorandum, the above description can be encapsulated in a couple of paragraphs under each heading, plus a summary of the key financial points, such as the sales for the last several years, operating profit, rent, etc. Photographs of the business also enhance the package. Often times they serve better than a written description.

Each selling memorandum starts out with a disclaimer notice that the information contained in the package has not been independently verified. However, the disclaimer notice will not afford protection from liability for false representation if the information is knowingly inaccurate or misleading. Therefore, in putting together a memorandum, it is important that you state only the factual information that has been provided by the seller, and also have backup materials to support that information. If you offer opinions about the future of the business, be sure to highlight those as your opinions, and not as statements of fact. As further protection, when a memorandum has been prepared, it should be first shown to the seller to have him double check the accuracy of the information and to initial each page of the package for the listing file. This should be done prior to distribution to buyer prospects.



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