

The Importance of A Proper Offer In A Business Transaction

By Ryan Jorden, VR Business Brokers - Managing Partner

If you're buying or selling some point you're going to the big step of drafting an offer. This may seem intimidating process if never been through it before. So now what?

The best advice I can give you is to ensure you're being guided by a professional business broker, and a lawyer who is experienced in completing business transactions. Your broker will assist you in understanding the deal on the whole, which is required if you want to ensure the offer works for all parties. That's an important consideration to remember; if the deal doesn't work for both sides then it's not going to happen. The lawyer will be responsible for ensuring that your specific interests are being protected in all legal matters pertaining to the transaction.



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A properly constructed offer should cover all of the following: the entities involved, the pricing and deal structure, a deposit if required, conditions, guarantees, exemptions, a list of included assets & equipment, the amount of inventory included in the sale, and deadlines for offer acceptance and closing. Most people focus largely on the pricing aspect of an offer, however terms and conditions are crucial for a successful transition and life after closing. These include such key continuing aspects as seller financing, the training and transition period, an agreement with the owner for post-closing consulting or employment, a non-compete agreement, and a non-solicit agreement.

A professionally drafted offer should also be able to address and answer the question, "What is the blueprint going forward in the event any of these items should come into dispute?" To accomplish that, it must provide enough clarity, as agreed to by both parties, that it will act as a legal framework going forward. A poorly constructed offer leaves out important details, which creates misunderstandings. Misunderstandings lead to disputes, and disputes are expensive to resolve. Do it right the first time by engaging with professionals.