

Buying or Selling a Business in Difficult Economic Times

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Extra Care to Vet the Buyer

Bottom Feeders
Opportunists
Tire Kickers

The Seller Financing Dilemma

What is your real remedy?

Extra Costs

Collateral

What about the primary
lender?

Other Difficulties

Deals take longer
Less Financing Available
More Due Diligence

Balance Sheet Improvements

Accelerate Receivables
Labor Force Reductions
Caution

Consider Hiring Valuation Expert

Independent valuation

10 Traps for Buyers and Sellers

TRAP 1

Not Knowing What
Motivates the Key
Players or Their
Objectives

BUYERS

- Competitors
- Dreamers
- Bottom Feeders
- Semi-Passive Investors
- Consolidators
- Public Companies
- Family and/or Friends

SELLERS

- Retirement/Health
- Family Unrest/Divorce
- Sudden Death
- Economic Cycle
- Liquidation
- Law Compliance Costs – Growth
- Tax Adversity

SUPPORT PLAYERS

- Advisors (Accountant/Attorney)
- Key Management
- Lenders
- Brokers
- Spouses

TRAP 2

Not Understanding the Personalities of the Players

- Seller/Buyer
- Broker
- Attorney
- Accountant
- Lender
- Insurance Agent
- Investors
- Key Employees
- Key Suppliers
- Key Customers
- Key Vendors
- Family Members
- Combative/Aggressive
- Timid/Quiet
- Relies on Advisors
- Trustworthy
- Global vs. Fact Lover
- Intimidated
- Negotiating Style
- Preferred Form of Communications

TRAP 3

Failing to Create an Effective Transaction Team

- Accountant/Tax Advisor
- Attorney
- Insurance Agent
- Lender
- Key Employees
- Broker

TRAP 4

Lack of Planning

- Financial Information and Handling
- Assets
- Liabilities – Known and Unknown
- Data Rooms and Due Diligence

TRAP 5

Not Knowing How to Structure the Deal

- Stock vs. Assets – Tax Impact
- Mergers
- ESOP's
- Tax Free Exchanges
- Transition Issues
 - Employment/Consulting
 - Noncompete/Nonsolicitation

TRAP 6

Not Knowing the Price

- Appraisal – Cost vs. Benefit
- Broker's Estimates
- Overvaluation by Sellers
- Price Payments – Installments
- Hold-Back
- Don't Take Personally

TRAP 7

Ignoring Importance
of Letter of Intent

TRAP 8

Ignoring Importance of Seller's Representations

- Know the Details
- Making the Deal "stick"
- Liabilities all Listed on Financials
- Comply with all Laws

TRAP 9

Not Being Sensitive to
Price Adjustment
Provisions

TRAP 10

Indemnity – What?

- Seller – Wants to “walk away”
- Buyer – Wants no Surprises
- Allocation of Risk for “unknowns”
- Seller – Personal Assets at Risk?
- Taxes, Environmental, Employee Claims, Product Liability, Warranty
- Hold Back/Escrow/Seller Note
- Negotiate Scope, Time, Cap