PROBLEM? RELAX. YOU'VE GOT THIS!

Someone Wants to Buy My Business, and I Don't Know What I'm Actually Selling

How to Prepare Information and Questions for Advisers, Understand the Stages of Discussions, and Compare Exit Terms for a Small Business Without Mistaking the First Offer for Money in the Bank



Max Paradox

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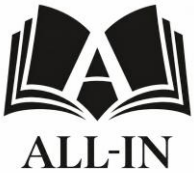
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INTRO

The first serious offer to buy your business might arrive on a perfectly ordinary Wednesday, while you're standing in a warehouse trying to understand why a delivery of replacement filters contains everything except the replacement filters. Your phone rings. Someone from a larger company says they've been following your business for a while and would like to discuss an acquisition. You ask a few sensible questions, agree to arrange a meeting, and hang up. Then you look around at the shelves, the employees, the unfinished orders, and the ancient office printer that requires emotional encouragement before producing a single page. Someone wants to buy all this? Apparently so. The extraordinary part is that you have spent years building something valuable, yet you suddenly struggle to explain exactly what someone would be purchasing.

Running a small business and selling one require different ways of thinking. As an owner, you understand how things work because you make them work. You know which customers need reminding, which suppliers deserve a second chance, and which employee can rescue a difficult project without turning it into a three-hour committee meeting. You understand the business through experience, relationships, decisions, and daily improvisation. A potential buyer sees something else: a collection of assets, obligations, contracts, capabilities, people, and future economic possibilities. They want to know which parts can survive a change of ownership and which depend entirely on you. Your ability to keep the business running is impressive, but it doesn't automatically explain how someone else could take over.

Even the phrase "selling my business" hides several different possibilities. You might sell shares in a company, transfer a business as an operating undertaking, or sell selected assets and

rights. The appropriate structure depends on how the business is organized, where it operates, and what the parties are trying to achieve. These alternatives can have different consequences for ownership, contracts, liabilities, employees, taxes, and the money ultimately reaching the seller. The building you use may belong to a separate property company. Your software may be licensed rather than owned. Important customer agreements may contain restrictions or provisions triggered by particular transactions. You cannot simply point at everything in the office and announce, "I'll take three million for the lot." Well, you can. The resulting legal questions will probably be more expensive than the office furniture.

Then comes the price, that glorious number capable of transforming a perfectly rational entrepreneur into someone browsing luxury holiday properties during lunch. A buyer mentions a valuation of several million, and your brain immediately begins allocating the proceeds. Unfortunately, an estimated business value is not necessarily the price payable for your ownership interest, and an indicative offer is not a completed transaction. Debt, cash, working capital adjustments, transaction expenses, taxes, and the agreed payment structure may all affect the outcome. Some consideration might be paid later or depend on future performance. A buyer may need financing or internal approvals. Even a signed agreement can leave important conditions outstanding. There is an enormous practical difference between being offered money, becoming contractually entitled to money, and actually receiving it.

Business owners are particularly vulnerable to confusion here because the business isn't merely an investment. It may represent fifteen years of rejected proposals, difficult customers, missed holidays, personal savings, and decisions made when nobody else was willing to take responsibility. You may remember the month when you almost couldn't cover payroll, the first genuinely

profitable year, or the employee who stayed when a larger competitor offered more money. Those experiences matter deeply, and they may help explain the company's strengths. But a buyer cannot put an exact price on your exhaustion or compensate you for every family dinner interrupted by a customer emergency. They will assess future opportunities and risks. Understanding that difference doesn't require you to stop caring about what you've built. It requires you to separate personal significance from the commercial terms of a transaction.

The numbers introduce another uncomfortable reality. A business can report healthy profits while struggling to collect money from customers. Sales may be increasing even as margins deteriorate. Inventory may look valuable until someone asks how much of it is obsolete. Financial statements, management reports, cash flow information, and forecasts each tell part of the story, but they aren't interchangeable. A buyer will want to understand how results are produced and whether they can continue. You don't need to become an accountant overnight, but you should know enough to ask why two reports disagree or why an apparently profitable company constantly needs more funding. Telling a buyer that the accountant handles everything may be true. It won't necessarily inspire confidence that you understand the economics of the business you're selling.

You may also discover that preparing for a sale exposes problems that daily operations have successfully concealed. Perhaps an important supplier agreement was never formally renewed. Maybe the company depends on a single employee who has no documented replacement. A valuable product design might have been developed by an outside contractor under terms nobody remembers examining. None of these discoveries automatically makes the business unsellable. They do, however, raise questions about what can be transferred, what risks remain, and what needs to be clarified. Buyers conduct due diligence precisely because

presentations and confident explanations cannot answer everything. It's better to identify uncertainty early than to discover it through a lawyer's email beginning with the distinctly unfestive words, "We have identified a material concern."

And then there are the advisers. A transaction lawyer, accountant, tax specialist, or financial adviser can provide expertise you shouldn't be expected to possess. But hiring professionals doesn't eliminate your responsibility to understand the decisions being made. Advisers may recommend different structures, protections, or negotiation strategies because they are addressing different risks. Their services also have costs, limitations, and sometimes potential conflicts of interest. You need to know what you're paying for, which questions each specialist can answer, and what remains your decision. A meeting full of impressive terminology is not necessarily a useful meeting. If everyone understands the proposed arrangement except the person who owns the business, something important has gone wrong.

A sale can also affect people who never intended to participate in a negotiation. Employees may fear for their jobs. Customers may worry about continuity. Business partners may disagree about the future, and family members may have expectations that were never properly discussed. Information must therefore be handled carefully, with appropriate confidentiality and attention to legal obligations. You cannot promise everyone that nothing will change, particularly when you don't control the buyer's future decisions. Nor should you assume that keeping everyone uninformed indefinitely is harmless. The challenge is to distinguish what must be communicated, what can reasonably remain confidential, and what nobody yet knows.

This book is designed to help you move through those uncertainties without pretending that selling a small business is either effortless or impossibly complicated. You'll learn how to identify what a buyer is actually interested in, prepare meaningful

information, understand the stages of discussions, and ask advisers questions that lead to usable answers. You'll also become better equipped to compare proposals whose headline prices conceal different payment terms, responsibilities, and levels of risk. The goal isn't to turn you into your own transaction lawyer or valuation expert. It's to help you remain an informed owner who can recognize when professional advice is needed and understand what that advice means for the decision ahead.

For now, you don't need to decide whether to sell. You don't even need to name your price. Start with a more useful question: what would someone genuinely acquire if they bought this business, and what would remain your responsibility afterward? An interested buyer may turn out to be serious, financially capable, and a good fit. They may also be exploring possibilities that never become an offer. Both outcomes are ordinary features of business life, not reasons to panic or start celebrating prematurely.

You built a business by making decisions with imperfect information. Selling it requires the same essential ability, applied to unfamiliar questions with potentially lasting consequences. You can examine an offer, request clarification, negotiate, seek specialist advice, or decide that keeping the business makes more sense. The buyer has a choice, but so do you. And until the terms are understood, the obligations are clear, and the money has actually arrived, perhaps leave the retirement-party invitations in the drawer. The office printer has probably printed enough premature announcements already.

Chapter 1 - What Are You Actually Selling When You Sell Your Business?

The prospective buyer has one question that seems almost insultingly simple: "What exactly would be included in the purchase?" You're sitting in the meeting room of your small commercial cleaning company, a business you've spent fourteen years building. You explain that the sale would include the equipment, the customer contracts, the company name, and the operating business. The buyer asks whether the vehicles are owned or leased. You say some are leased. They ask whether the premises are included. You explain that the building belongs to your brother. Then comes a question about the cleaning management software, which turns out to be licensed to a different company you used to own. By the time the buyer asks who controls the customer database, you're beginning to wonder whether you own a business or merely supervise a complicated collection of things belonging to other people.

This is an uncomfortable discovery for someone who has successfully managed an enterprise for years. You know how to win contracts, maintain service standards, recruit employees, and deal with customers who believe a cleaning company should somehow prevent people from making a mess. You understand the operation because you live inside it. But ownership, access, control, and the right to transfer something are different concepts. A business may rely on equipment it doesn't own, relationships it cannot guarantee, and arrangements that work beautifully until someone asks what happens when ownership changes. None of this necessarily prevents a sale. It does mean that describing the business as "everything you see here" is unlikely to survive the first serious conversation with a transaction lawyer.

The starting point is to distinguish the business itself from the legal structure through which it operates. You might own shares in a company, run a business personally, or participate in a partnership. Depending on the jurisdiction and the legal structure, a buyer might acquire ownership interests, purchase selected assets, or acquire an operating business through another permitted arrangement. These are not interchangeable transactions, even when both parties casually describe them as buying the company. Their consequences for contracts, liabilities, employees, licenses, and taxes can differ substantially. The right structure depends on what exists, what the buyer wants, and the applicable law. Before agreeing on a price, you need to establish what the proposed price is actually supposed to buy.

Consider a fictional business that produces customized packaging for independent food brands. It operates through a limited company that owns production equipment, employs designers, and holds several supplier agreements. One potential buyer offers to purchase all the company's shares. Another wants its production machines, customer-related assets, designs, and certain commercial rights, but has no interest in acquiring the company itself. The first buyer is considering ownership of an existing legal entity, including the rights and obligations attached to it. The second is proposing a different package, with individual elements that may require separate transfers, permissions, or arrangements. The amounts offered might be identical, yet the seller's remaining obligations and the buyer's future position could be completely different. Comparing the prices without examining the structures would be like comparing two houses because both have three bedrooms, while ignoring that one comes without the land.

The difference between using something and owning it

Small businesses rarely maintain a perfect division between everything they own and everything they use. There may be leased

vehicles, rented equipment, subscription software, financed machinery, borrowed storage space, and assets belonging personally to the founder. From an operational perspective, those arrangements can be perfectly sensible. Buying every asset outright is not always the best use of limited capital. The difficulty emerges when the seller assumes that a buyer automatically receives the same rights under every arrangement. Agreements may contain assignment restrictions, consent requirements, or provisions connected to changes of control. What matters depends on the transaction structure and the wording of each relevant contract. An asset being essential to the business does not establish that you are entitled to sell it.

A useful first exercise is to separate the resources supporting your operation into four categories: assets owned by the selling entity, resources used under contracts, rights requiring further verification, and resources that belong outside the proposed transaction. This does not require a sophisticated database. A reasonably organized inventory with supporting documents is an excellent beginning. For significant items, record the owner, how the business uses them, where the relevant evidence is located, and whether a transfer or change of ownership may require additional action. If you cannot verify something, mark it as unresolved rather than inventing certainty. A blank field in a working document is a manageable problem. A confident but incorrect statement incorporated into a purchase agreement may become an expensive one.

Physical equipment is usually the easiest place to begin because you can actually see it. Even here, appearances can mislead. A workshop might contain machines purchased by the company, machines financed under agreements, and specialist tools supplied by customers. Equipment may also be subject to security interests or other restrictions. Ownership records, financing documents, insurance arrangements, and asset registers can help establish the

relevant position. Don't assume the accounting value of an item tells you what someone would pay for it or whether it can be transferred freely. A machine may have a modest carrying value while remaining operationally essential. Another may appear impressive in the asset register but have little practical use because its replacement parts became impossible to obtain.

Property creates its own complications. Perhaps your business occupies premises owned personally by you or another family member. The buyer may want the company but not the building. Alternatively, the location may be central to the business, and the buyer may require a dependable arrangement for continued occupation. Selling the operating business while retaining the property can sometimes be sensible, but it introduces a continuing relationship requiring appropriate terms. Rent, duration, maintenance responsibilities, permitted use, and rights to terminate all matter. If you have spent years treating the building and the company as one economic unit, separating them may require more thought than initially expected. You cannot solve the issue by assuring the buyer that your cousin, who owns half the car park, is "very reasonable about these things."

Intellectual property is less visible and often more surprising. Your business may rely on its trading name, logo, website content, product photographs, software, designs, technical documentation, or trademarks. Yet the rights to these materials do not necessarily belong to whoever paid the invoice. Contractors may retain certain rights unless valid agreements provide otherwise. Some rights may be licensed rather than owned. Protection and transfer requirements vary by jurisdiction and type of intellectual property. A buyer who values your brand will reasonably want to establish that the seller can deliver the relevant rights. Finding out that an external designer still holds important rights to a product range is not necessarily fatal, but it is considerably easier to address before promising the buyer unrestricted ownership.

Digital resources deserve special attention because business owners tend to underestimate how much depends on accounts and permissions. Your website may run through one provider, customer communications through another, and operations through a third. The company might have access to an essential platform through a subscription that restricts transfer or requires a new agreement. Domains, hosting, cloud storage, payment services, and administrative credentials each involve different arrangements. The practical question is whether the business can continue using its essential systems under the proposed new ownership and what steps are required to ensure that continuity. Passwords alone are not a transfer strategy. Giving somebody the master login to a service is not necessarily lawful, contractually permitted, or remotely sensible from a security perspective.

Customers, employees, and the things that cannot be put in a box

Many owners consider customer relationships their most valuable asset, and understandably so. A recurring customer may represent years of dependable revenue and significant goodwill. However, customers are independent people or organizations, not inventory. They may choose to leave, renegotiate, or question the new arrangement. Their contracts might contain restrictions or provisions affected by a particular transaction. Even where contractual continuity is possible, the commercial relationship may depend on the outgoing owner's personal involvement. A buyer will therefore distinguish between an established history of customer spending and a legally or commercially dependable expectation of future business. You can demonstrate retention, contractual terms, and customer concentration. You cannot promise that every customer will remain loyal forever because you once remembered their birthday.

Customer information also raises questions of confidentiality, data protection, and permitted use. A valuable customer database

may contain personal information, sensitive commercial details, or material subject to contractual restrictions. Sharing or transferring that information requires attention to the applicable rules and the circumstances of the transaction. The right approach may involve aggregated information during initial discussions and more detailed disclosure under appropriate safeguards later. It would be a mistake to assume that signing a confidentiality agreement automatically resolves every data protection concern. The fact that a buyer wants information for a legitimate commercial purpose does not, by itself, establish an unlimited right to receive it.

Employees are equally central to many businesses, but they must be considered in their own category. People are not assets that can simply be included in a purchase schedule beside office furniture. Depending on the jurisdiction and transaction structure, employment may continue with the same entity, transfer under applicable rules, or require other arrangements. Employee rights, consultation obligations, employment agreements, and the potential departure of key personnel may all matter. From a commercial perspective, a buyer may place considerable value on an experienced management team. From a human perspective, employees may understandably be concerned about their future. Both dimensions need attention. Describing your employees as your company's "greatest assets" is a familiar expression; treating them as though their careers can be handed over with the warehouse keys is a considerably less charming interpretation.

Liabilities are another part of the business that owners naturally prefer not to emphasize. Loans, outstanding supplier balances, warranties, customer disputes, tax exposures, and guarantees can all influence a transaction. Their treatment depends on the legal structure, the contracts, and applicable law. In some arrangements, liabilities remain within an acquired entity. In others, particular liabilities may be assumed, retained, or allocated through contractual arrangements, subject to legal limitations. You should

also distinguish company obligations from personal guarantees or commitments you may have given. Selling your ownership interest does not necessarily cause a bank to release you from a personal guarantee. That requires proper examination and, where necessary, appropriate agreement with the relevant creditor.

The practical challenge is to identify these obligations without treating every imperfection as evidence that the business is unsellable. Every established enterprise has commitments and risks. The question is which are material, how they can be verified, and what consequences they may have for a buyer or seller. An unresolved customer complaint involving a small routine refund is different from a potentially substantial claim relating to a major contract. An ordinary lease obligation is different from a personal guarantee extending beyond the proposed sale. Neither deserves to be concealed, but they do not necessarily require the same degree of attention. A well-prepared owner can explain the distinction rather than responding to every question with either panic or the classic assurance that nothing bad has ever happened.

The invisible machinery that makes the business valuable

A buyer may be interested in much more than the items you can identify individually. A functioning enterprise brings together trained people, reliable systems, supplier relationships, operating methods, reputation, and the ability to generate future income. That combination may be worth considerably more than the resale value of its equipment. Equally, a collection of expensive assets does not automatically create a valuable business if the operation consistently loses money or cannot function without continual intervention. The economic value of the whole cannot always be understood by adding up the visible parts. What matters is how those parts work together and whether the benefits can continue after the proposed transaction.

This is where the owner's position becomes particularly important. Consider an engineering consultancy where the founder

personally approves every proposal, handles the largest clients, and makes all technical decisions. The company may be profitable and highly respected. Nevertheless, a buyer will want to know how much of that success is transferable and what happens when the founder leaves. Perhaps the buyer will need a transitional consulting arrangement, additional management capacity, or a gradual handover. These requirements can affect the transaction's attractiveness and terms. They don't mean the business has no independent value. They show that the founder's contribution must be understood rather than silently assumed to continue without cost.

One revealing question is whether the business could operate for a month if you were unavailable. Not whether it would be equally enjoyable for everyone, or whether somebody would finally reorganize your carefully chaotic filing system. Could customers receive service? Would essential payments and decisions continue? Could employees access the information and authority they need? The answers reveal which capabilities belong to the organization and which remain concentrated in the owner. If the answer is uncomfortable, that gives you something useful to investigate. A business that depends heavily on its founder may still be attractive, but pretending otherwise is unlikely to impress a buyer who understands operations.

Once you've examined the legal structure, important assets, contractual rights, obligations, and operating dependencies, you can describe the proposed transaction much more precisely. You may discover that certain elements should be excluded, others require consent, and some need to be addressed separately. You may also find that the buyer wants a different arrangement from the one you originally imagined. That is a reason to clarify the proposal, not to rush into choosing the most convenient label for the transaction. A lawyer familiar with business acquisitions should

examine the appropriate structure and the rules that apply in the relevant jurisdiction.

You don't need a perfect company to begin a serious sale discussion. You need a credible understanding of what exists, who controls it, what can be transferred, and which questions remain open. When the next prospective buyer asks, "What exactly are we purchasing?", you may still need to consult documents or specialists before giving a final answer. But you won't have to retreat behind the wonderfully unhelpful phrase "the whole business, obviously." You'll be able to explain what the business includes, what it relies upon, and where the boundaries lie. That's a considerably stronger starting position than assuming everything with your company logo on it belongs to you.

Chapter 2 - Why Does the Buyer See a Completely Different Business?

The owner of a small specialist printing company has prepared what he considers an excellent presentation. It begins with photographs of the original workshop, continues through twenty years of expansion, and finishes with a picture of the company's newest production line. He remembers every difficult decision behind those images. The prospective buyer studies the presentation politely, then asks why customer orders have become less predictable and whether the current equipment will require substantial investment. The owner feels faintly offended. Here he is presenting two decades of achievement, and this stranger seems obsessed with what might go wrong next Tuesday. The buyer, meanwhile, is wondering why the presentation contains seventeen photographs of machinery but almost no information about the cash those machines might generate. They are looking at the same company and seeing different stories.

The difference is not simply that the seller is emotional and the buyer is rational. Buyers have their own assumptions, ambitions, fears, and blind spots. Some are experienced investors; others may be purchasing their first business. One buyer might see a profitable independent operation, another an opportunity to combine two businesses, and a third a collection of valuable capabilities that would be difficult to build internally. Their evaluations can differ considerably because they expect different benefits and face different costs. Your challenge as a seller is to understand what the particular buyer is trying to achieve without assuming their priorities automatically define the value of your company. Their perspective matters because they may offer money. Yours matters because you decide whether the proposed terms are acceptable.

Business owners naturally place weight on history. You remember difficult beginnings, successful product launches, loyal customers, and decisions that required genuine courage. Those experiences demonstrate what the organization has achieved. But a buyer is making a decision about an uncertain future, and past success is useful mainly insofar as it helps assess that future. A company that has been profitable for fifteen years may offer attractive stability, yet the buyer will still want to know whether demand is changing, competitors are becoming stronger, or essential people are approaching retirement. Your business anniversary may deserve a celebration. It doesn't automatically establish what profits will look like in three years. Unfortunately, valuation models do not include a separate multiplier for how magnificent everyone looked in the tenth-anniversary photographs.

The buyer is purchasing a set of expectations

Imagine two prospective buyers examining a company that provides specialist maintenance services to commercial properties. The business has recurring clients, experienced technicians, and a respectable operating profit. The first buyer already operates a larger maintenance network and believes it could combine scheduling, purchasing, and administrative functions. Some of the smaller company's existing costs might be reduced after an acquisition, although doing so would involve integration costs and risks. The second buyer wants an independent company that can operate under hired management. They may be less interested in potential cost savings and considerably more concerned about whether the current owner can be replaced. Both could be serious, well-informed buyers while reaching different conclusions about the same business.

This creates an important distinction between what a company is worth under particular assumptions and what one specific buyer may be willing to pay. A strategic buyer might identify advantages unavailable to an independent investor. However, the seller cannot