



THE ACQUISITION PROCESS

There are multiple steps involved in purchasing a business. With Live Oak, you get a partner who believes in your success, and is willing to take the journey alongside you. Here's the process we'll take together:

Gather Your Team

Before you embark on an acquisition, it's wise to have a team of trusted advisors, including a CPA and an attorney. It's advisable that they have prior experience in acquisition financing.

Explore Financing Options

Lenders who understand the unique aspects of a business will be able to structure the loan to best benefit both the buyer and seller.

Determine the Purchase Price/Deal Structure

Agreeing on the purchase price is a fundamental step that should occur early in the process. The purchase price should be based on a combination of asset values, annual revenues, multiples of earnings and other intangible assets. The building, land, equipment and furniture will constitute the tangible assets.

Sign a Letter of Intent

Sellers often require the buyer to sign a letter of intent, which is an agreement that prohibits the seller from negotiating with other potential buyers. It also prohibits the buyer from discussing any details of the business to outsiders.

Secure Financing

A lender will look at the buyer's personal credit in addition to the financials of the business. How someone manages his or her personal credit is typically a strong indicator of how he or she will manage the business's credit. When preparing for financing, the buyer should take steps to protect personal credit and avoid making any purchases that will affect his or her credit score.

Financials

The lender will ask for the following requirements from the buyer:

1. Three years of business tax returns
2. Year-to-date (YTD) income statement and current balance sheet
3. Comparable income statement and balance sheet from previous year
4. Projections for at least the first three years under new ownership

Due Diligence

As you navigate through the due diligence period, this is the time where the serious research and analysis is done. Make observations and inquiries related to:

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| 1. Historical financial statements | 6. Current pipeline |
| 2. Business tax returns | 7. Inventory list |
| 3. Customer/client lists and applicable contracts | 8. Employee handbook, organization chart and any employee contracts |
| 4. Supplier/vendor list and applicable contracts | 9. Competition and market share |
| 5. Monthly sales breakdown to determine seasonality | 10. Current marketing strategies |

Close the Deal

At this point, the deal is done and there is no room for further negotiations. There's a fairly robust closing checklist that the buyer will need to complete before closing the sale. Once closed, it's now time for the buyer to focus on their comprehensive post-acquisition plan.

