



**VALUED
REPRESENTATION**
*When Selling
a Business*



VR Has Sold More
Businesses In The World
Than Anyone.®



SELLING YOUR BUSINESS

The entrepreneurial boom has changed the face of business around the globe. Today, there are close to 100 million small-and mid-sized businesses in the world. As this movement continues to surge forward, VR Business Sales, and VR Mergers & Acquisitions remain at the forefront with Valued Representation. Everyday, more and more business buyers and sellers demand our proven skills and resources to help them succeed in an increasingly complex market.

Divestiture of your business is one of the most important transactions you'll ever undertake. You owe it to yourself, your family and your employees to approach this sale with the same careful planning and dedication that you exercised in building your business. That's why your first step should be choosing Valued Representation through VR.

Every step in a business sale demands an extremely specialized effort, and at VR, we know that there are no shortcuts to a successful sale or divestiture. To an entrepreneur about to sell their business, transition means exploring new options in life and making a decision to change. Owners of businesses view this decision to sell as an opportunity to reap the rewards of years of hard work.

Making quick, objective decisions comes naturally to the business owner. So why is the decision to sell the business so difficult? Because it's made by weighing the advantages of moving on against the time and energy that's been devoted to growing the operation.

The decision to sell a business usually goes far beyond economics. It involves defining lifestyle, and redirecting personal energies, resources and values into the next stage of life.

In 1979, VR set out to revolutionize the way businesses change hands. Today, we're the innovative leader in the sale of privately held companies. With diligence and expertise, a commitment to our client and unsurpassed professionalism, we are proud that

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DECIDING TO SELL.

Millions of businesses change ownership each year around the world, and though the reasons for selling vary, there is one goal that remains constant... maximizing the proceeds from the sale.

Every owner will one day exit his or her business. Every intelligent owner should ask themselves these questions:

When is the right time to divest?

Should I sell all or part of the business?

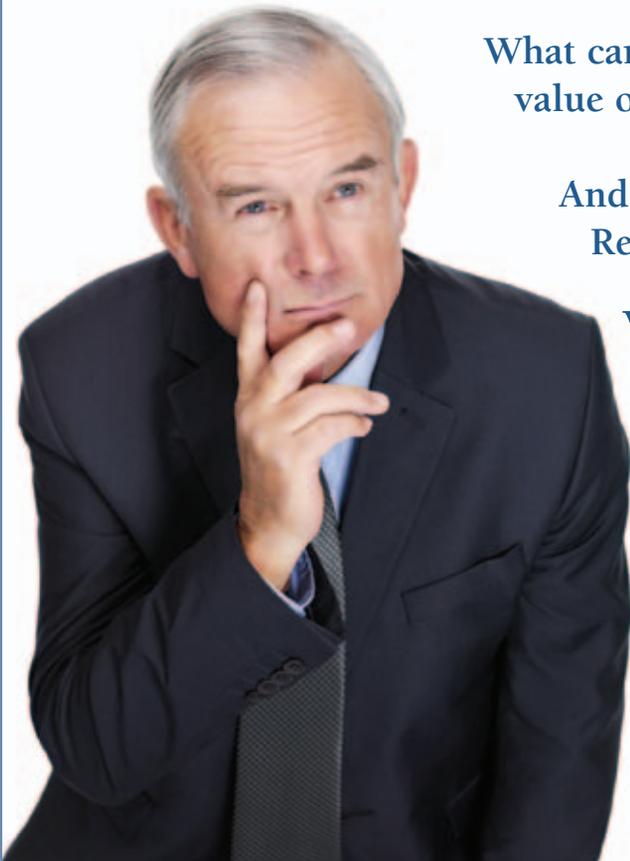
Is the company ready for sale?

Should I be building for a future sale?

What can be done to maximize the value of the business?

And... Where do I find Valued Representation?

VR... It's the meaning behind our name



SEIZE THE MOMENT.

You have made the decision to sell your business. Valued Representation of the business by a VR Business Intermediary is the next step in the complex process of fulfilling your personal needs. Drawing on the substantial knowledge and experience of thousands of executed transactions, VR will start the process by...

- *Advising you on pricing and different structures for the sale of the business*
- *Preparing a VR Business Profile and confidentially launch the marketing campaign*



- *Screen, qualify and follow up with interested parties that show interest in your business*
- *Educating buyers on the VR buying process*
- *Communicating to you the market reaction for your business and buyer interest*
- *Facilitating negotiations and structure the transaction*
- *Assisting buyer and seller with financing options*

While VR is managing the process of selling your business with the goal of a successful transaction, it is critical that you continue managing your business efficiently while we market the opportunity. Your VR professional will be an invaluable advisor during the entire process — offering experience and negotiation skills so the business is positioned in a manner which is attractive and understandable to buyers.



WHAT IS MY BUSINESS WORTH?

Determining the value of a business is often a complex task and is best done by either a VR professional business intermediary, or a qualified business valuation analyst. Before one can determine the market value of a business, the financial information (profit & loss statement, and tax returns) usually has to be recast to reflect the true earning power of a privately held business.

The recasting of financial statements provides buyers with a common baseline, Discretionary Earnings (DE), to compare earnings from different businesses and calculate the potential earnings after acquisition.

What is Discretionary Earnings or DE?

Discretionary earnings is a measure of the total financial benefit accruing to the owner of a business.

Simplified DE calculation...

<i>Pre-Tax Net Income</i>	
+	<i>Owner's Salary</i>
+	<i>Discretionary Expenses</i>
+	<i>Non-Cash Expenses (e.g. Amortization & Depreciation)</i>
+	<i>Interest Expense</i>
+	<i>Non-operating Expenses</i>
+	<i>Non-recurring Expenses</i>
<hr/>	
=	<i>Discretionary Earnings</i>

Focus on what your company is really worth. Prospective buyers are interested in companies that represent value. Therefore, it is important to have a current and accurate valuation done on your business before the process of taking it to market.



CONSIDERATION FOR AN INDEPENDENT BUSINESS VALUATION.

Independent third part valuations are very useful tools in negotiations with buyers as they justify the price and value of a company. The independent valuation can also aid expediting loan approval for the buyer's financing. Though useful, they are not necessary for every business. A general guideline to follow for considering a third party Business Valuation:

- *The business has sales over \$1 million.*
- *Your company is an industry where high earnings multiples (high values or premiums) are common.*

- *You are involved in a divorce or partnership dispute.*
- *The company needs a valuation for a trust or ESOP (Employee Stock Option Plan)*

Benefits of a third party Business Valuation include:

- *Preservation of the offering price*
- *Simplification of negotiations*
- *Buyer confidence in the true value of the business*





VR BUSINESS PROFILE.

You have made the decision to sell, the next step is for your business to be presented and marketed professionally and confidentially. Valued Representation of a company involves creating a compelling and effective business profile.

If your business is presented like everyone else's business, you run the risk a qualified buyer will not bother to investigate the opportunity.

The VR Business Profile will set your company apart from other offerings by finding and marketing those strengths specific to your company. Most qualified buyers respond positively to the opportunity surrounding the future of the company and its growth potential. The VR Business Profile will take into consideration the strengths of management, strong supplier relationships, high standards of service, employee tenure and name recognition.

A VR Business Profile will focus on the strengths of your business and emphasize the elements that have led to its success. Depending on the value of the business being marketed, the size of the VR Business Profile will vary.



VR BUSINESS PROFILE (cont.)

What are some of the key elements in a VR Business Profile?

- *Executive Summary – overview of the business*
- *Recast of Financial Statements*
- *A list of the products or services your company provides*
- *The company history – including years of operation, recent performance trends, profitability and future potential*
- *A statement of management's reason for the sale*
- *An organizational chart*
- *Resumes of management and key personnel*
- *Market share and general information regarding competitors*
- *A list of assets*
- *Employee overview*
- *The proposed price and terms (if this data is to be disclosed)*

A VR Business Profile is presented to qualified buyers only after they have executed a Non-Disclosure Agreement to protect your confidentiality.





FINANCING

SELLER FINANCING.

When contemplating the sale of a business, an important consideration is how much of the purchase price you would be willing to finance for a qualified buyer. The reason is simple: “all cash” buyers for businesses are rare and, in most cases, it does not make economic sense for a buyer.

While sellers interpret financing as risk, statistics do show that sellers receive a significantly higher purchase price if they decide to offer some form of financing on the sale of their business. With reasonable terms, the chances of selling increases and the time period to sell decreases. Seller financing communicates to the buyer that you are confident in the ability of the business to retire its own debt and in simple terms, “pay for itself”.

Seller financing offers many advantages that, when carefully considered, may outweigh the perceived satisfaction of waiting for an all cash transaction.

- *Seller financing greatly increases the chances that a business will sell*
 - *Seller financing command a higher selling price*
 - *Interest on the seller financed portion of the transaction can significantly add to the total proceeds received for the sale*
 - *Interest rates on seller notes are higher than money market or CD bank rates.*
- Positive tax consequences compared to an all cash sale*
- *(check with your tax professional)*

Whether you are financing the majority of the debt or just a portion of the down payment needed for the buyer to qualify for bank financing, there are many ways to structure a Seller Financed transaction. VR Intermediaries are skilled in transaction financing and provide Valued Representation throughout the entire sale of your business.

BANK OR INSTITUTIONAL FINANCING.

Bank or Institutional Financing offer buyers attractive financing terms and interest rates which enable the buyer to facilitate his business acquisitions. This can mean a lower down payment and lower debt service costs for the buyer. Both of these factors make your business attractive to buyers.

Bank or Institutional Financing can be very desirable to a buyer, but for a variety of reasons, not all businesses will qualify for a loan. VR maintains strong relationships with top lenders and will work closely with you to present your business in a manner acceptable for consideration.

Bank or Institutional Financing Benefits:

- *Often reduces the amount needed for a seller note*
- *Lower down payment which increases the number of prospective buyers*
- *Lower debt service creates higher net income for buyer*
- *Typical loan term is 7-10 years*





WHAT BUYERS ARE LOOKING FOR...

Provable books and records

Reasonable price and terms

Financial leverage

Discretionary Earnings (DE)

Furniture, Fixtures and Equipment
(FF&E)

Transferable lease

Training after the acquisition

Good appearance

Covenant not to compete

Understandable reason for the sale

Dealing in a timely manner

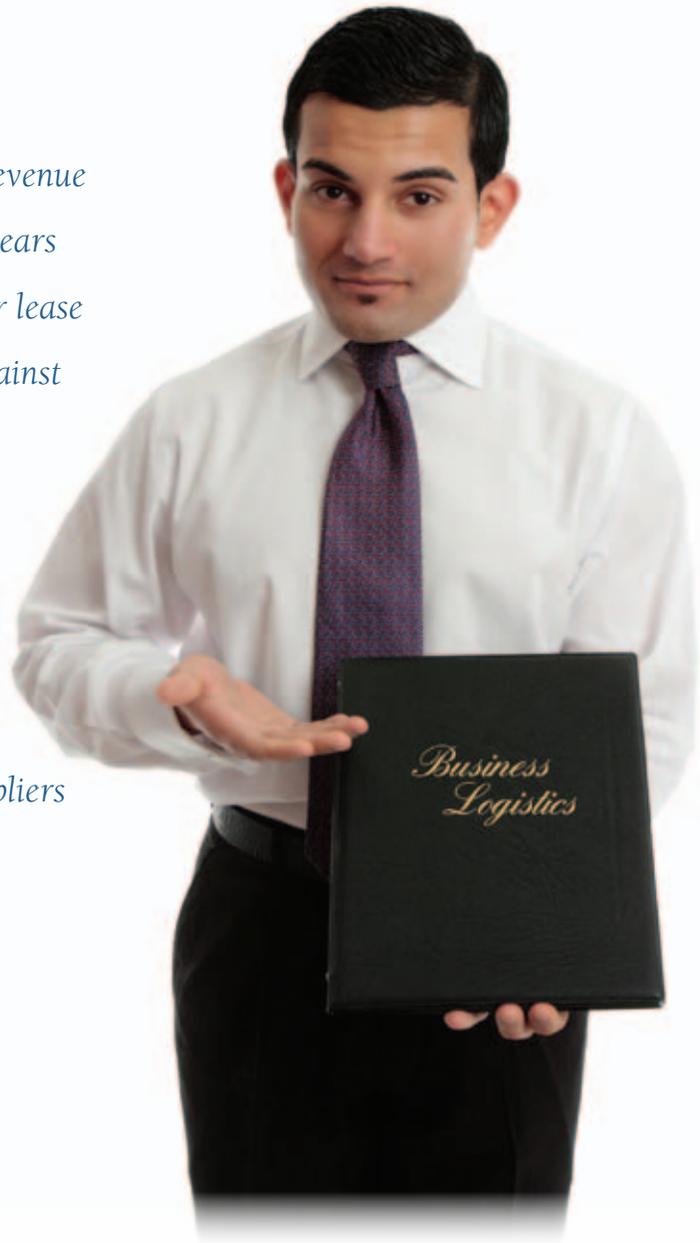


NO SURPRISES!

Unexpected surprises cause buyers to evaluate whether or not to move forward with the acquisition of your business. If the facts are disclosed in advance, almost any problem or concern can be dealt with and solved during negotiations.

Be prepared to disclose:

- *Any changes in earnings or revenue*
- *Tax payments that are in arrears*
- *Problems with the landlord or lease*
- *Loans and registered liens against the business*
- *Equipment leases*
- *Compliance with zoning and health regulations*
- *Pending litigation*
- *Loss of major customers*
- *Change in availability of suppliers*





THE VR TRANSACTION PROCESS: 20 STEPS TO A SUCCESSFUL SALE

1. Initial Meeting

Introduction to VR and explanation on how VR can help maximize the value of your business and answer any questions. During this meeting your VR Intermediary will ask to review your business tax returns, company financials, brochures and sales materials, and any other pertinent information to understand your company.

2. Recast Financial Statements & Market Value Analysis

Your VR Intermediary recasts your financial statements to reflect non-recurring expenses and prepares a market value analysis. If the decision has been made to obtain a third party business valuation, your VR Intermediary will prepare the business outline and coordinate with the Valuation Analyst.

3. Commitment

VR will present and explain the recast of your financial statements and the market value analysis. Your commitment to us is to sell your business at a price and with terms consistent with the marketplace. Your VR Intermediary will prepare the engagement agreement for your execution.

4. Documentation

You provide your VR Intermediary with all the necessary documents and data required to sell your business. Details

are not released to prospective buyers without the execution of a Non-Disclosure Agreement (NDA) to protect the confidentiality of your business. VR will prepare a VR Business Profile based on the data and financial information you provide.

5. Advertising & Marketing

We advertise and market your business to get the highest possible response and the greatest number of prospects. In addition to the VR corporate website vrbb.com and our VR office website, a website specific for your business will be developed in a manner that still protects your confidentiality. We also advertise on numerous other "business for sale" sites; local, regional and national publications; and access the VR Buyer Tracking Database. *Today's Business Owner* electronic magazine which is published monthly by VR, also links to our database of businesses for sale for its subscribers.

6. Buyer Qualification

Valued Representation of your business means the qualification of potential buyers for your business, therefore eliminating those who are unable or not ready to acquire the company. All prospective buyers must sign a Non-Disclosure Agreement, complete the VR Buyer Profile and demonstrate financial capability prior to receiving detailed information on the company.

THE VR TRANSACTION PROCESS: 20 STEPS TO A SUCCESSFUL SALE (cont.)

7. Business Presentation

The VR Intermediary presents your business to qualified potential buyers and receives, at the discretion of your Intermediary, a copy of the VR Business Profile. During the presentation and meeting, the various components and benefits of the business are discussed.

8. Buyer & Seller Meeting

A possible meeting between yourself, the potential purchaser and the VR Intermediary, is organized to discuss the buyer's serious interest and give you, the seller, the opportunity to learn more about the buyer.

9. Offer to Purchase

Your VR Intermediary encourages the buyers to write a fair and equitable offer to purchase the business accompanied with an earnest money deposit.

10. Present Offer

Presenting the Offer to Purchase includes an explanation of the terms and conditions, background information on the buyer, discussion of the contingencies and an understanding of the reasons behind the offer.

11. Offer Acceptance or Counter Offer

You may accept the offer as it is written,

or with the help and experience of your VR Intermediary, create a counter offer or reject the offer entirely. If necessary, we will facilitate the negotiations of the counter proposals.

12. Mutual Acceptance

When all parties agree to the terms and conditions of the sale, and sign all counter offers and amendments, the offer becomes a contingent Purchase Agreement.

13. Assist with Financing

VR has many financial resources including lenders who specialize in business loans. Your Intermediary will assist you and the buyer in determining which method of financing will work for all parties and lead to a successful closing.

14. Due Diligence

Nearly all offers are contingent upon the buyers inspections and approval of all aspects of the business operation including financial records. The handling of the due diligence process is a crucial step in a successful divestiture as it verifies to the buyer that they are indeed acquiring what they believe has been offered for sale.



THE VR TRANSACTION PROCESS: 20 STEPS TO A SUCCESSFUL SALE (cont.)

15. Contingency Removal

The buyer removes the contingencies for the agreement to become a binding offer for purchase and sale. At this time we are now ready to open escrow.

16. Escrow

Your VR Intermediary will send the Purchase Agreement and other documents to the escrow representative who then drafts the escrow documents. Escrow is open as soon as both buyer and seller have signed the escrow documents. Depending on where you live or are acquiring the business, this process may be handled by other parties. Your VR Intermediary can inform you in detail what to expect in your market.

17. Lease Assignment

We work to present the buyer's experience and financial qualifications to the landlord in order to obtain a lease assignment or a new lease satisfactory to the buyer.

18. Note and Lien, Search, Clearance or Assumption

If there are existing loans, liens or equipment leases that the buyer is to assume, we can work with the lender, leasing company, legal or escrow representatives to transfer those obligations. All liens must either be cleared (closed) or transferred to the buyer, if part of the contract.

19. Inventory

Arrangements are made for you and the seller to count and price the inventory if it applies to the business that is being sold. If it is a large or complex inventory, it may be necessary to outsource this function to an inventory service.

20. Closing

The signing of the final closing documents may be done in person or, in many cases, done via courier, e-mail or fax. The business is transferred, funds are distributed and VR has facilitated another successful business transaction.

CONGRATULATIONS ARE IN
ORDER FOR ALL PARTIES INVOLVED!

*Now's the time for you to
consider selling your business.*

Call VR today.

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Let us help you sell yours.



NOTES



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