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Why Buy an Ongoing Business?
Sometimes it might be better to purchase an ongoing business rather than starting your own. Why? It has a built in market, has done a lot of the initial work of setting up, and overall it is faster. The downside is even purchasing a small business does require financial, tax, and legal advice to insure you are not buying a business that has "cooked the books", has outstanding debt or lawsuits, and other problems. Indeed, even a thorough search may not turn up latent problems until too late and you may find yourself needing "clean-up" work to save the business you just bought. Therefore, it can be expensive and as the purchaser you should consider the time saved weighed against the sale price and potential costs.

How do You Structure the Purchase?
There are numerous ways to construct the sale of a business depending on finances of the parties, tax considerations, and ongoing contractual commitments to others. With that being said, one of the first things to consider is the entity structure. Most small businesses are partnerships, LLCs, or closely-held corporations. In these entity situations, the entity remains a separate legal "person" from the owner(s). Due to this there are mainly two types of buys: **(1) buy the whole business; or (2) buy the assets.** When you buy the whole business you purchase all the ownership interest or shares (depending on the type of business). While, this certainly can be easier the problem is you may be buying into outstanding lawsuits and debts against the company. Therefore, sometimes it is a safer route to do an asset purchase where you only buy the assets of the company and not the whole entity. It depends on what you want remember the business name, goodwill, and third-party contracts may be worth the risk of potential lawsuit and other outstanding obligations.

Some Tips Before You Buy a Business
Consult a Business Broker and/or an Appraiser – a broker functions like a real-estate agent, and has expert knowledge of buying and selling. While their advice may be helpful it may be expensive as they get paid commission. An appraiser will help you assess what you are buying, but understand this will only work if the seller is willing to open the books. Also the appraised price may only be the starting point in negotiations.

Credit Check the Owner(s) – are you buying from people who know how to manage their own finances and credit? If they cannot manage their personal finances, there may be questions to the financing and accounting of the business. You probably want to have a frank discussion with the owner(s) to determine your level of trust.

Talk to Stakeholders – you may want to consult with the vendors/suppliers, customers, and employees of the business. Remember good will goes a long in terms of relationships, and if you are stepping in as owner you want to know what kind of prior expectations people have dealing with your bought business.

Take Your Time and Negotiate – while time is of the essence, as there may be competing buyers, you do not want to rush headlong into potential pitfalls. If you do not use an appraiser, at least get a look at the business on the ground and on the books. Determine where you can push the owner(s) and see if you can get equipment, vehicles, supplies, accounts, etc . . . for a good deal. You want to evaluate, investigate, and explore your options. You may also need to hire experts to research industry-specific information to help your decision.

Legal Clean-up – post-sale you may need to file paperwork with the government notifying the change, check regulations, and also notify third-parties of the change of ownership. In addition, depending on the bylaws or operating agreement you may need to have a formal meeting and record the sale in the minutes.
Contact me and we can review, assess, and then put together a purchase plan for an ongoing business.

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