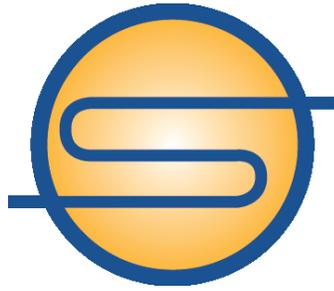


Sunbelt of East Tennessee



SUNBELT®

Your trusted advisors when selling a business.



Matteo Valles | Phone: (865) 236-0588

www.sunbeltnetwork.com/knoxville-tn/

Business Transition Steps

8 phase process

01	Analyze & Prepare The Business	We understand what buyers want to see in a business and we can work with you to get your business in position to be sold for the best price and in the shortest time frame.
02	Determine Selling Price	The best deal is different for every seller. In conjunction with our professional opinion of business value, we can present different deal structures for you to consider.
03	Develop Your Marketing Assets	Our team will create a compelling confidential business profile, business review, and additional material designed to stimulate the interest of buyers.
04	Execute Marketing Strategies	As part of the overall marketing plan we craft with you, we'll explore how to tap our databases of appropriate individual buyers, investment groups, and strategic buyers.
05	Respond To & Screen Buyers	We will screen all buyer inquiries we receive. We'll take that pool and narrow it down to the best candidates that have the financial capacity and interest to purchase the business.
06	Manage Buyers and Evaluate Offers	Our process is designed to solicit the best offers, from the best buyers. Working with your professional advisors, we'll help you evaluate the pros and cons of each offer.
07	Expedite Due Diligence	Once an offer is accepted, we will help coordinate the due diligence process. We'll work with accountants, attorneys, and lenders to keep the process focused and efficient.
08	Prep Documents & Close	With an offer in hand, we'll assist you with the exchange of information with accountants, attorneys and lenders, including documents and logistics, for a smooth transition.

Determining a Selling Price

Two key factors to calculate

The business marketplace is not well defined

In real estate, it is easy to compare your house to other houses that have recently sold. Unfortunately, it is a lot more complicated with businesses. They don't sell as often, vary industry to industry, and the pool of buyers is much smaller. Due to this, prices are determined on a national/regional scale rather than hyper local like with real estate.

Seller discretionary earnings x industry multiple

The most important number to determine is your Seller Discretionary Earnings (SDE). This is the total value you receive as an owner from the business. Our firm will help you identify these types of earnings because they can be numerous (wages, healthcare, auto, etc.).

Once SDE is determined, an industry multiple is applied. This multiple is calculated by looking at all recent sales of similar businesses in your region. We use several databases to identify this multiple.

$$**SDE \times Multiple = Selling Price**$$

Once determined, adjustments are made to the selling price depending on aspects that may increase or decrease your business value compared to the average business.

Pricing can also be adjusted to fit your timeline. If you are in a hurry, lowering the price will speed up the process, whereas if you are in no rush, you can aim for a higher price.

Important Note: When deciding the right time to sell, keep in mind buyers and lenders want to see a stable or growing business. A declining business will scare off buyers. It is far more common for owners to sell too late than too early.

Going to Market

Marketing designed to obtain the highest offer

Confidentiality is key

All public marketing is designed to keep your business confidential. You do not want employees, competitors, or customers to know you are selling this early in the process. As our client, you review and approve all marketing before it is used.

Getting the word out

The first thing a buyer will see is a confidential description of the business. Normally, this includes the city, industry, revenue, and other high-level details. If the buyer is interested, we vet them and send them an NDA. Once signed and vetted, they receive an in-depth packet of information about the business.

This confidential and public marketing is distributed in a variety of ways. A few common methods are:

- Contact strategic buyers
- Through our existing buyer pool
- Publish across several websites

Our process

We spend a lot of time with each of our clients making sure we really understand all the details of their business. This allows us to put together effective and in-depth marketing materials designed to attract buyers. This consists of gathering P&Ls, balance sheets, business tax returns, etc. as well as discussing the unique ways in which your business operates.



Working with Buyers

Saving you time by bringing only highly qualified buyers to the table

Vetting buyers

For each qualified buyer, there are typically several unqualified buyers that express interest.

To maximize your time, we vet all buyers to ensure we are only bringing you the best candidates. With buyers, we are looking for:

- Proof of funds
- Motivation to purchase
- Experience relevant to the business

Working with buyers

Once we have screened a buyer, we will provide them with all the initial financials and marketing materials. While these materials are designed to give a buyer a better understanding of your business, they usually have questions or would like to see additional documents. We work through this stage with them by answering all questions and facilitating document transfer if needed.

Buyer & seller meetings

Finally, after much review and gaining a deeper understanding of the business, a buyer will most likely want to meet you before making an offer.

These meetings are typically held at your place of business after work hours when employees have left. This gives both parties a chance to get to know each other and resolve any questions. The buyer also can use this time to tour the facility and evaluate the condition of the equipment and building.

Generally, a buyer only requests one in-person meeting before submitting a letter of intent (LOI).

It's important to remember in these meetings, you are interviewing the buyer as much as they are interviewing you.

Receiving an Offer

Committing to a Letter of Intent (LOI)

Typical LOI terms

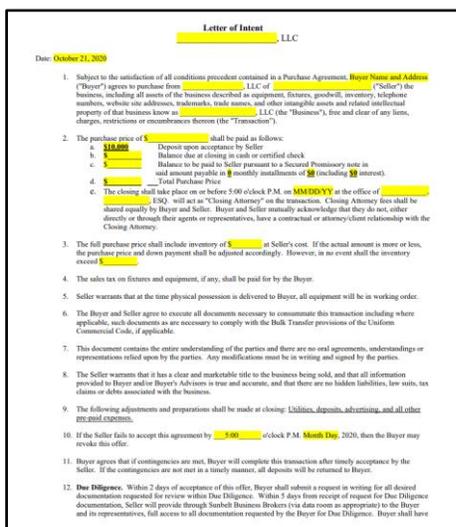
A Letter of Intent (LOI) details the high-level structure of the offer. It typically defines the overall price, seller carry amount and associated terms, amount of equipment, real estate, and inventory included, due diligence timeframe, transition period, and a few other terms.

It is important to note when reviewing LOIs, there is a balance between the price and terms. Oftentimes owners will choose a lower priced offer if the terms outweigh the price difference from their perspective.

Key aspects of an LOI

The LOI is the first real commitment you and the buyer make to each other. The buyer is expressing their desire to buy the business at a specific price and terms, and as the seller (if you accept the LOI), you are agreeing you will turn away other buyers and work exclusively with them.

Oftentimes it can feel like the deal is well on its way to complete once an LOI is signed. However, this is only the halfway point in the entire process. LOIs are normally not binding and mainly serve as a template for an official Purchase Agreement that will be drafted later in the process. At the LOI stage, a buyer still reserves the right to back out of the deal at any time as they find out more information about the business. The Due Diligence phase is where the buyer learns much more about the business. This stage follows the acceptance of an LOI and is discussed further on the next page.



Due Diligence

Opening up your books

Due diligence basics

The timeline and structure of due diligence is laid out in the LOI, but a typically timeline is 14 days. During these 14 days, the buyer asks for several documents to verify everything they have learned so far about the business. The buyer is trying to verify revenue, expenses, likelihood of customer turnover, employee data, and much more.

Closing due diligence

Once the buyer completes review of all relevant documents and they do not believe your business has been misrepresented in anyway, due diligence closes. This is the next major step as the buyer agrees their earnest money is no longer refundable. At the acceptance of a LOI, the buyer typically puts down \$10,000 to \$20,000 in earnest money. This money is 100% refundable for any reason until due diligence is closed. Once closed, the money becomes yours to cover any attorney and CPA fees moving forward.

Documents, documents, documents

Gathering all the due diligence material can be stressful, especially if your financials/documents are not well organized. We recommend getting several documents prepared prior to due diligence so it is not overwhelming. Typical documents a buyer will want to see are:

- Monthly P&Ls
- Annual P&Ls
- Year-end balance sheets
- Tax returns
- Bank statements
- Staff charts and wages
- Customer lists by revenue
- Equipment maintenance logs
- Lease agreement
- Customer & supplier agreements
- Inventory aging charts
- Accounts receivable and payable history

Working Towards Closing

Working with attorneys, lenders, & CPAs

Purchase agreement

Once due diligence is closed and the earnest money becomes non-refundable, attorneys and CPAs become heavily involved. At this stage, the buyer will either hire an attorney to draft a purchase agreement or we will contract a 3rd party attorney.

Once an initial purchase agreement is drafted, you and your attorney will review it to determine if any changes are necessary. The document will then go back and forth between you and the buyer until a final document is agreed upon and signed off.

Securing financing

By this point, the buyer has secured a commitment letter from their bank, but there will still be several documents the bank needs to close the loan. Typically, the bank is the last party ready to close, and thus the closing date is dependant on their timeline.

Closing checklist

Our job as the broker at this stage is to understand what each party needs to accomplish to get to the closing table. We work with both your attorney and the buyer's attorney to ensure they have all the documentation needed to legally complete the transfer. We also work with the buyer's bank to overcome any concerns that may arise.

As the seller, your job is to continue operating the business at the same level. You need to ensure revenue, profit, and inventory stay at a level the buyer and bank are expecting.

ASSET SALE AND PURCHASE AGREEMENT

This Asset Sale and Purchase Agreement (the "Agreement") is effective [DATE].

BETWEEN: [YOUR COMPANY NAME] (the "Seller"), a company organized and existing under the laws of the [State/Province] of [STATE/PROVINCE], with its head office located at:

Conditional Approval Letter

Date: August 26, 2008 Loan#: 18023003

Applicant(s): John Walker/Ginger Walker Property Address: 1 Main Street Danvers, MA 01923

We are pleased to inform you that Best Mortgage Company has approved your real estate loan application on the terms set forth below, subject to the conditions set forth in the Conditions Addendum attached to this Loan Approval (the "Initial Conditions"), and further subject to any other conditions Best Mortgage Company may establish upon receipt and review of documentation in satisfaction of the Initial Conditions (the "Subsequent Conditions").

Type of Mortgage:	Conventional	Loan Amount:	\$316,000.00	Loan Term:	360 (Months)
Occupancy:	Primary Residence	Purpose:	Purchase	Program Code:	30 Yr Fixed
Interest Rate:	6.500	Discount Points:	%	Doc Type:	Full

Your loan has a balloon payment

Loan terms as shown above Have Have not been "Locked in". All loan terms stated above are subject to change (except loan amount)

Rate Lock Expiration Date:	Loan Approval Expiration Date:	Condition Expiration Date:
10/05/2008	12/29/2008	12/20/2008

If this loan does not close on or before the Loan Approval expiration date, Best Mortgage Company no longer has any obligation to close this loan. Loan Approval is not transferable.

This loan is to be secured by a Deed of Trust/Mortgage covering the following real property:
1 Main Street, Danvers, MA 01923

All Initial Conditions and all subsequent Conditions must be satisfied before funds can be released. In order to avoid a delay in your transaction, all conditions labeled "Prior to Doc" must be received prior to the Condition Expiration Date indicated above. Prior to Docs means prior to our preparation of your closing documents.

Loan Approval is based upon the information provided in your credit application and the current condition of your property. Should any information come to Best Mortgage Company's attention which changes the basis on which your Loan Approval was granted, Best Mortgage Company reserves the right to request additional information and may reconsider Loan Approval.

If there is a substantial change in applicant's financial condition or credit standing, Best Mortgage Company is under no obligation to close your loan. You are responsible for keeping all financial obligations current during the processing of your loan transaction. Best Mortgage Company accepts no responsibility for late fees incurred or adverse credit reporting for your failure to make payments by their due date. Best Mortgage Company reserves the right to require updates of documentation that is more than 90 days old. Any false or erroneous statements set forth in your credit application shall, at the option of Best Mortgage Company, render this Loan Approval null and void.

Closing & Transition

Completing the transaction

The closing table

While the process may feel like it drags on at times, you'll eventually make it to the closing table. If every issue and document has been properly addressed prior to closing, it is normally a very simple and standard closing. The attorneys and banks will have ensured everything is prepared for closing and no outstanding questions remain. The only other important aspect is to allow the buyer access to up-to-date financials and allow them to do a final walkthrough of the business to confirm no material change has occurred. With the attorneys, banks, and buyer all aligned, there should be no questions or hesitations at the closing table.

Once the documents have all been signed, all fees and payments are disbursed to the proper parties and the buyer officially owns the business. The final step is to ensure a proper and smooth transition.

Transitioning to the buyer

By the time the deal closes, you will have gotten to know the buyer well through multiple interactions. This is important as transitions can oftentimes be stressful.

It is no surprise that a buyer will normally be nervous about taking a leap of faith as large as buying a business. As the previous owner, you understand every aspect of the business, but the buyer still has a lot to learn and therefore, may request in the offer for you to stay onboard for a certain length of time to ensure a smooth transition.

The length of transition is negotiated between you and buyer and can vary widely from 2 weeks to multiple years. No matter how long the transition is, your goal as the previous owner is to make the buyer feel comfortable and set them up for success.

Business Value Drivers

Common intangibles that increase or decrease the value of a business

Increase business value

Most business buyers are first time buyers and can easily get nervous about their ability to run the business. Below are common business aspects that comfort a buyer and perhaps increase the selling price:

- Employees are cross-trained and self-sufficient without you.
- Low turnover rate and new employees are easily found.
- Training new employees is quick and standardized.
- Customer & vendor contracts.
- You are willing to help train the new owner.
- Consistent revenue and profit over multiple years.

Decrease business value

Nothing is a guaranteed deal breaker, but some aspects of a business are likely to scare off some buyers. The items below may decrease the pool of potential buyers and lower the target selling price:

- Multiple people will exit the business at the time of sale.
- Several family members work in the business.
- You are solely responsible for sales.
- A few customers make up the bulk of sales.
- Employees nearing retirement age.
- A niche and difficult set of skills are needed to replace you.

Planning ahead

If you are planning to sell your business in a few years, it's important to know that all the business aspects above can be changed over time. With an understanding of what drives business value, you can start working towards maximizing the intangibles that comfort a buyer and minimizing the ones that don't. This will help ensure you receive the most compensation for your business in the quickest time.

How We Help You

Selling a business is a long, complicated & confidential transaction

Keeping it confidential

Most likely, you do not want your employees, customers, competition, or suppliers knowing you are thinking about selling your business. In certain cases, employees or customers might start looking elsewhere if they know the future is uncertain.

Using a broker avoids that possibility and helps protect your privacy. Potential buyers do not get sensitive information about the business until we have thoroughly vetted them, and they sign a Confidentiality Agreement.

Deals can easily fall apart

The process of selling a business takes several months of due diligence, negotiations, financing, etc. In our experience there are countless points throughout the process where deals fall apart. Without having a broker who is keeping everyone together and pushing the deal forward, most deals would never make it to the closing table. Thus, wasting a lot of time, energy, and money.

Earning you more money in less time

Our goal is to simplify the process for you and ensure you walk away with more money in your pocket.

Recent Deal Spotlight



Countertop Manufacturer – Sold in late 2020.

Within **50 days** of signing a Listing Agreement, we had multiple offers at **30%+** above market value for the business. Not only did the owner walk away with more money than if he had sold it himself (**even after our commission**), but he also had professionals guiding him throughout the entire process.

Done Deals

Examples of past deals we've closed

Glass fabrication, installation, and service company



Manufacturer and installer of wood and vinyl products



Commercial electrical contractor



High-end retailer



Industries

At Sunbelt of East TN, we have worked across a wide range of industries such as manufacturing, installation, services, retail, and more. Our past experience covers both private and public sector businesses, as well as, B2C and B2B businesses.

Business Sizes

Our typical clients own businesses generating between \$1M - \$20M in annual revenue. By working with individual buyers, PE firms, and other buyer groups, we've found these size businesses appeal to a wide range of buyers.



Sunbelt Business Brokerage

Selling more businesses than anyone in the world

Global reach, local presence

Sunbelt was founded in 1978 and has expanded to become the world's largest business brokerage firm with approximately 200 offices across 5 continents.

As a client of Sunbelt, you'll benefit from increased exposure to potential buyers through Sunbelt's proprietary network. In addition to dozens of strategic partnerships, the Sunbelt website alone attracts more monthly visitors than any other brokerage firm.

Why people choose us

- Unlike other business brokerage firms, we receive no compensation until your business sells.
- More business-for-sale listings than all major competitors combined.
- Thousands of registered buyers looking for the right business.

Our mission

Our focus is to achieve a successful business transfer between you and the right buyer. We work with you to assess the value of your business through in-depth analytics of both industry and peer profiles to ensure your business value is accurately represented.

Multi-faceted marketing approaches are used to ensure your business is **confidentially presented** to target buyer groups, such as potential owner-operators and private equity firms. We also work with key leaders in the industry to offer you advice on tax planning and wealth management to ensure you maximize the proceeds from the sale of your business.

Meet Our Team

Combining lending, business development, wealth management, and consulting experience



Blake Henry

Co-Owner

(865) 964-7786

bhenry@sunbeltnetwork.com

Blake has been active in business transfers for over 10 years, working with sellers and buyers to achieve their respective dreams. As past Senior Vice President at Wells Fargo, he oversaw a 20 state region, which became the #1 producing region for 3 consecutive years. Blake brings finance and commercial lending expertise to all deals to ensure the buyer can purchase the business.



Tim Varney

Co-Owner

(865) 951-3651

tvarney@sunbeltnetwork.com

Tim brings nearly 20 years of corporate experience overseeing large-scale business development, consulting, and sales initiatives at both public and private corporations, including Fortune 500 companies. Tim brings expertise in preparing a business for sale, marketing, and advertising to ensure you are able to realize the maximum compensation for your business.

Meet Our Team

Our team has been active in 100's of business transfers



Matteo Valles

VP, Business Transitions

(865) 236-0588

mvalles@sunbeltnetwork.com

Matteo brings management consulting experience combined with an engineering and manufacturing background. At Deloitte Consulting, he worked with Fortune 500 companies to analyze and implement large scale operational changes. Prior to Deloitte, Matteo worked as an engineer on airplane engine maintenance and reliability. This engineering knowledge gives him a unique understanding of industrial-related businesses.



Mark Stooksbury

VP, Transition Planning

(865) 740-5764

mstooksbury@sunbeltnetwork.com

Mark has been working in the financial advisory industry for over 15 years. As a financial advisor at Morgan Stanley and Northshore Financial Group, he has developed deep knowledge in retirement, tax, and estate planning as well as cash flow management strategies and wealth preservation. For business owners wanting to sell their business and retire, Mark brings practical advice about all aspects surrounding a business transition.

Our Relationship With You

What to expect when working with us

Our relationship with you

We provide comprehensive business transition planning, guidance, and execution. Through our experience we have learned it is important that you develop clear expectations if we are to create and maintain a successful working relationship - one where we can provide you expertise for your business and lifestyle goals.

Keys to a successful relationship

- what you can expect

You can expect our team will consistently and responsibly perform all services related to the planning, marketing, coordinating, negotiating, sales, and overall guidance on your behalf.

Our commitment

- Your information and privacy is strictly confidential: we will treat you with the highest standard of confidentiality. Our team takes your privacy extremely serious and our clients understand we preserve their privacy.
- Strive to acquire a thorough understanding of your business and financial goals.
- Continually communicate and provide you timely updates.
- Act as your primary Business Transfer Advisor, coordinating the efforts of other related professionals. We will work closely with your professional advisors (accounts, attorneys) throughout the process.
- Treat you with the utmost respect and professionalism.