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#### STAGE 1 (Parts 1, 2 and 3)

##### **Finding and Valuing, Offering, Due Diligence**

This is a series of actions that allow you ample time to review all information PRIOR TO BUYING. It is a right of the buyer to obtain information and seek disclosure of facts already presented by the seller. It is your right as a buyer to be informed. Take the necessary time to complete the process to your satisfaction.

#### STAGE 2

##### **Financing**

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#### STAGE 3 (Parts 1, 2 and 3)

##### **Operational Licensing and Closing**

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Small Business Administration (SBA) or commercial loans and general lease requirements will require the following, detailed information:

#### **Buyer/Lessee Checklist**

- Identify and bank and make an appointment.
- Complete application for incorporation and have it filed.\*
- Three years, signed income tax statements.\*
- A current, signed financial statement.\*
- A Business Plan narrative that includes the following:\*
  - Executive Summary and financial request
  - Current operation
  - New mission and strategy
  - How you will operate and what you intend to do
  - Management and staff
  - Financial pro forma (two years)
  - Personal resume
- Assignments or lease or new lease from landlord/lender/vendor or Letter of Intent to Lease.\*
- IRS verification of income tax form.
- Assumed Business Name/State tax number/IRS tax number.\*
- Application for insurance.\*

#### **Seller Checklist**

- EPA and/or Property Disclosure forms.
- Three years, signed income tax statements.
- Current, signed income and balance sheets.
- Equipment list, signed and dated, with serial numbers, models, values.
- Signed Accounts Receivable aging report, with names, amounts due.
- Copy of all leases.
- Legal description of real property.
- Seller's intent and reason for selling statement.
- IRS verification of income tax form.
- Copy of all liabilities as note, or contingent liabilities (include personal property tax).
- Signed, Sellers Carry Back agreement or note to Buyer.
- Assignment of Lease or Letter of Intent to Lease documents.
- Proof of pay off for tax liabilities (personal property, etc.)
- Signed, current Purchase and Sale Agreement.
- Signed, subordination agreement for carry back loan (required by SBA).
- Authorization for pay off document (liabilities to be paid) to title company.
- Signed indemnity agreements (liabilities, encumbrances, warranties, etc.).

**This list is not all inclusive** as banks or lessor may require additional information. It is not uncommon for the process to take up to 90 calendar days, however, the average processing time will be shortened extensively if you **first complete the above**. A realistic goal is to have your funding available within 30 to 45 working days from the time you actually make a bank or lease application. Packaging your application is a **service** provided to you in order to meet both buyer and seller contingencies. You are under no obligation to accept this assistance.

\*Items required for lease application.

## Part 1: OPERATIONAL LICENSES and REQUIREMENTS

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The required licenses and start-up permits may vary between city, county, state and federal agencies. **PLEASE do not assume that this list is all inclusive.** General information about new or changing requirements may be obtained by calling the office of Economic Development Division, Idaho Department of Commerce at 208-334-2470.

### General Requirements (prioritized order):

- Letters of incorporation or partnership agreements (required before you apply for Business ID)
- Lease and rental agreements (required for loan packages and liquor licenses)
- Assumed Business Name filing (Idaho Secretary of State—334-2301)
- Federal Tax ID Number, Form SS-4 (1-801-625-7645)
- State Tax ID Number, Sales and General Idaho Business License (334-7660)
- Licensing at County and City levels (Use permits, construction, operating, signs access, etc.):
  - Ada County Recorder (364-2220)
  - City of Boise (384-3707)
  - Ada County Planning (zoning, use permits - 364-2277)
- Insurance to include Workmen's Compensation (private insurance company or State of Idaho)
- Liquor, beer and wine:
  - State (884-7060)
  - Ada County (364-2222)
  - City of Boise (384-3710)
- Vendor applications/vendor credit
- Utility company transfers or deposits:
  - Idaho Power Company (383-2323)
  - Intermountain Gas (377-6840)
  - City of Boise Water/Sewer (362-1300)
  - City of Boise Trash (345-1265)
  - Yellow Pages
- Mailing address change (U.S. Post Office, box number, etc.)
- Banking/VISA-MC-AE card deposits/checking accounts

### Special and Other:

- Environmental Division of Public Works (sewer hookup fees) (384-2991)
- Fire department inspections (public buildings) (384-3955)
- Bureau of Occupational Licenses (334-3233)
- OSHA (334-1867)
- State Insurance Fund (334-2370)
- Environmental Protection Agency (waste removal, emissions) (373-0502)
- Department of Environmental Quality (ground/real estate) (373-0550)
- Fish and Game (licensing) (334-3700)
- Environmental Health (inspections required for all food/beverage) (327-7499)
- Lottery Commission (334-2600)
- Inspections/HVAC (343-9400)
- SBA Business Information Center (334-9077)
- Chamber of Commerce/Business Associations
- Media (newspaper, TV, radio)
- Building Department (occupancy permits) (384-3802)

# Three Stages in a Buyer's Process

## Stage 3

### Part 2: Seller CLOSING ACTIONS

Once you have signed a Purchase and Sale Agreement and have performed any and all seller's due diligence (accountant, lawyer or agent reviews) outlining the terms and conditions of a sale, the seller will have a series of actions or activities that should be accomplished. The following are provided as a "general reference" but the list is not all inclusive.

#### Purchase and Sale Agreement

Meet with the agent and the buyer to discuss each contingency and/or condition of sale and discuss the methods and requirements for accomplishing each detail. Assign dates and/or actions to individuals. Select the closing agent.

#### Due Diligence

The buyer should not begin internal due diligence until we have a letter from the bank or proof of financing. However certain documents will be required by the bank, as listed below:

- Last three (3) years income tax statements
- Current year income statement
- Final list of all assets being sold, to include serial numbers of major items and a cost or value of each item being sold
- Sign a Federal tax verification form (if required by the lender)
- Provide a complete copy of your leases
- Billings/payable receipts

#### Contract of Sale or Similar Documents

Contracts need to be written and approved as legal documents. Legal advice is recommended at this stage; however, there are draft documents available.

#### Leases

When the financing contingencies have been removed (buyer's ability to purchase), contacting your lessor is required. Review any and all "Letter of Intent to Lease" from the buyer. If an assignment is required, be prepared to have a final review and approval.

#### Closing Your Business / Transfer of Stock or Assets

- Determine any/all tax due and forward information to closing agent. Pay all tax liabilities.
- Contact your accountant and/or determine the final asset values to be assigned to the new buyer.
- Make a list of vendors/payers and notify them of new owner and the date of transfer.
- Organize inventories for buyer's final accounting.
- Locate all contracts/warranties/titles or written agreements to be transferred.
- Prepare all your business records for review by buyer. Set a date and time for review.
- Expedite any collections on outstanding receivables. Do not take extraordinary measures to collect.
- Check all equipment. Make a list of inoperative items. Be prepared to repair or negotiate, if necessary.
- Make a list of all prorated or pre-paid accounts (i.e., Yellow Pages, rents, etc.)
- Locate all keys
- Make a list of utility companies. Contact and close your accounts as of the date of sale.
- Clean premises and remove all personal property not being sold.
- Submit all license, tax or permit removals from federal, state, city and county agencies.
- Pay all personal property taxes or require the closing agent to prorate and pay at closing.

#### Two to Three Days Prior to Closing

- Conduct an actual inventory with the buyer and agree upon value; make adjustments.
- Conduct the inspection and approval of equipment with the buyer.
- Contact the title company and review the closing documents.
- Have all your forms for removing business licenses, regulations, etc., prepared (removal of Assumed Business Name, Federal tax EIN, corporation, etc.)
- Introduce your staff to the new owner, if you have not already done so.

#### At Closing

- All owners/signers and assigns must be present or have pre-signed the agreements.
- If you wish to have your proceeds deposited into a bank account, bring a deposit slip to the closing agent.
- Make sure that you have read and understand the terms and conditions of all agreements and acknowledge that understanding.

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# Three Stages in a Buyer's Process

## Stage 3

### Part 3: Buyer and Seller CLOSING CHECK LIST

In accordance with the Purchase and Sale Agreement, the buyer and seller shall have the following responsibilities at or prior to closing escrow:

#### Satisfaction of Contingencies

Removal of all contingencies from the Purchase and Sale Agreement by the agreed upon dates. Non-response will indicate removal and/or approval by BUYER and SELLER.

#### Cashier's Check

The title company will require a cashier's check from the buyer **on the day of closing**. Contact the title company at least 24 hours prior to the closing date to review the statement and to receive the settlement amount.

#### Establish

- The day and hour for buyer's inspection and approval of equipment, inventory, receivables and/or real estate.
- Mutual agreement of asset values (new basis) between Buyer and Seller for future tax considerations. Inform the title company of the dollar value assigned to the asset list.

#### Licenses

For all operational requirements. Contact all state, city and county agencies for property establishment/removal of your business licenses, Assumed Business Name, personal liability associated with the business, and insurance.

#### Review Liabilities to be Paid

Contact the title company to receive assurance that all bills, liabilities and taxes are paid prior to closing or arrange for the title company to withhold and pay at closing.

#### Send to Title Company

Liabilities to be paid/collected and copy of letter (if applicable) of incorporation or dissolution.

#### Contracts to be Signed

If additional agreements, other than the Purchase and Sale Agreement, notes or documents are to be provided by outside agents (lawyer), please provide a copy to the closing agent or authorize your agent to contact the closing agency directly.

#### Review

The closing statements, contracts, bank financing and agreements to be signed at the closing. Understand what you sign before you sign it. Take the necessary time.

#### Other

Please bring a copy of your corporate resolution that describes you both as officers. It is a one-page part of the entire document describing who you are in the corporation.

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