

## BUYER'S CLOSING CHECKLIST

### **OFFER**

#### **Present with the offer:**

	<u>Page</u>
<input type="checkbox"/> Resume .....	6,7
<input type="checkbox"/> Personal Financial Statement .....	8
<input type="checkbox"/> Credit Check Authorization.....	9

#### **Receive from Broker:**

- Copy of signed offer/counter-offer
- Copy of Lease
- Equipment list
- Employee List
- Seller's Disclosure Statement
- Cashflow statements (explanation p.1)

### **ACCEPTANCE/DUE DILLIGENCE**

#### **Complete the following:**

<input type="checkbox"/> Book and record check .....	2
<input type="checkbox"/> Lease assignment application .....	2
<input type="checkbox"/> SBA/Bank financing application .....	2
<input type="checkbox"/> Liquor/Beer & Wine license application .....	2

### **ESCROW**

<input type="checkbox"/> Open escrow .....	3
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### **DURING ESCROW**

<input type="checkbox"/> Allocation of purchase price .....	4
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#### **Apply for:**

<input type="checkbox"/> Resale Permit .....	4
<input type="checkbox"/> Employee Development Department (EDD) .....	4
<input type="checkbox"/> Employer Identification Number .....	4
<input type="checkbox"/> City Business License .....	4
<input type="checkbox"/> Fictitious Name Statement .....	4
<input type="checkbox"/> Business Bank Account .....	4
<input type="checkbox"/> Health department walkthrough .....	4

#### **Transfer/Apply for:**

<input type="checkbox"/> Vendor credit applications .....	5
<input type="checkbox"/> Insurance-Fire, Liability, Workmen's Comp. ....	5
<input type="checkbox"/> Telephone .....	5
<input type="checkbox"/> Gas & Electric/Water/Garbage .....	5

#### **1 day prior to close:**

<input type="checkbox"/> Sign Escrow closing papers .....	5
<input type="checkbox"/> Inventory Count .....	5
<input type="checkbox"/> Equipment check .....	5

**P**remier **B**usiness **O**pportunities  
**PRIOR TO OPENING ESCROW**

**BOOK AND RECORD CHECK**

SELLER provides available books and records requested by BUYER. BUYER reviews books and records as specified in the offer. Upon verification, BUYER will sign Contingency Removal form. This step should be done as soon as possible in order to proceed with the remaining steps necessary to open Escrow.

**LEASE ASSIGNMENT(S) / NEW LEASE(S)**

- STEP 1: BROKER will provide BUYER with a copy of SELLER's current lease(s) for reference and review at time of mutual acceptance of the offer. BROKER will provide BUYER with Confidential Financial Statement, Credit Check Authorization, and Resume forms to be completed by BUYER. BROKER will contact leasing agent/landlord to obtain requirements for transfer of lease or new lease to be written.
- STEP 2: BUYER will provide completed Financial, Credit, and Resume forms to BROKER who will then provide them to the leasing agent/landlord for review.
- STEP 3: Upon approval from leasing agent/landlord, BROKER will meet with BUYER to sign assignment/new lease. To protect BUYER, new lease/assignment will be subject to completed Escrow.

**SBA / BANK LOAN**

- STEP 1: BROKER will meet with BUYER to complete loan application and submit to SBA loan agent along with BUYER's last 3 years federal tax returns, signed and dated with today's date.
- STEP 2: SBA loan agent provides preliminary approval letter within 48 hours. BUYER signs letter and submits it back to SBA lender with a \$1500 check(100% returned if the loan is not approved)
- STEP 3: Official loan approval occurs 10-14 days later along with a list of more documents needed to close the loan (example: life insurance policy for the amount of the loan, copy of filed fictitious name statement, proof of business liability insurance, etc.)
- STEP 4: The loan is funded on close of escrow date. If an ABC license in being transferred, funding must be done 10 days prior to close.
- STEP 5: Final loan documents are signed in escrow along with escrow closing documents.

**LIQUOR/BEER & WINE LICENSE TRANSFER**

- TIME: 8-10 weeks
- STEP 1: BROKER will make appointment with ABC to submit application. 2-4 week wait for appt.
- STEP 2: Pick up **Transfer Applicaton** forms at ABC, or call for list of forms to download from their website.  
**San Francisco (415) 557-3660** ( For businesses in San Mateo County)  
**San Jose (408) 277-1200** (For businesses in Santa Clara County).
- STEP 3: BUYER meets with BROKER to complete all necessary forms. Forms must be completed correctly or ABC may send you away to re-do forms if they are too incomplete or incorrect. The SELLER needs to sign a form and have it notarized. The BUYER needs to file a form with the County Clerk  
**Redwood City** (for businesses in San Mateo County)  
**San Jose** (For businesses in Santa Clara County)
- STEP 4: Submit forms to ABC. BROKER and All BUYERS and their Spouses (even if not on the business license) must be present for signing at the ABC office. If the spouse is not on the license, that spouse will not be able to work in the business at any time, even in emergency cases. For this reason, it may be best to include the spouse on the license. BUYER will be then given a "Public Notice" poster to post in the front window of the business within 5 days.
- STEP 5: Post "Public Notice" in window of business and mail posting notification letter (provided by ABC) to ABC. It takes about 6-7 weeks for transfer from this date, at which point escrow will close

## **OPENING ESCROW**

### **OPENING ESCROW**

WHO: All BUYERS, SELLERS, BROKERS and an Escrow Agent

WHERE: BROKER's Office

WHAT: BUYERS and SELLERS sign Escrow Instructions , authorizing the Escrow company to perform the necessary services (below). The Escrow Agent will read through all of the instructions explaining the procedure and answer any questions. The Escrow agent will give the estimated closing costs and collect the Earnest Money Deposit from BUYER.

Time: 30-60 minutes.

### **ESCROW**

Escrow is a neutral party who does not represent either the BUYER or the SELLER. Their main function is to handle all of the money involved in the purchase, prorate expenses, draw up all instructions and documents, and search to ensure that the business is free and clear of debt so the BUYER will not assume any of the SELLER's debt and is protected from anyone in the future claiming the business owes money. Escrow generally performs the following procedures and prepares the following documents in connection with the sale of a business:

#### **Clearances:**

1. State Board of Equalization
2. Employment Development Department
3. County Tax Collector

#### **Searches:**

1. UCC-1 (Secretary of State)
2. Tax and Judgment Liens Notice to Creditors -
3. Bulk Sales Transfer notice- recorded in the County Recorder's Office and published in a local newspaper at least 12 business days before the sales price is distributed.

#### **Settlement Accounting:**

1. Proration of prepaid rents and taxes
2. Adjustments for deposits and inventory.
3. Settlement Expenses

#### **Documents:**

1. Bill of Sale - list of furniture, fixtures and equipment should be attached.
2. ABC form 227 filing (for beer & wine or liquor licenses)
3. Note and Security Agreement - for SELLER Financing
4. Financing Statement (UCC-1) - lien on assets of business for SELLER or other

## **DURING ESCROW**

## **2 WEEKS PRIOR TO CHANGE OF POSSESSION**

### **ALLOCATION OF PURCHASE PRICE:**

BUYERS to allocate purchase price in the following categories and submit to BROKER as soon as possible. BUYERS proposed allocation will be submitted to SELLER for approval, and BROKER will assist in negotiations if necessary. BUYER and SELLER should consult a qualified tax accountant for the latest information on effects of the allocation. BROKER is not qualified to give advice on tax information.

1. Inventory	\$ _____
2. Fixtures, and Equipment	\$ _____
3. Leasehold Improvements	\$ _____
4. Goodwill	\$ _____
5. Covenant not to Compete	\$ _____
6. Value of Lease	\$ _____
7. Liquor/Beer & Wine License	\$ _____
8. Other	\$ _____

### **SELLER'S PERMIT (STATE BOARD OF EQUALIZATION)**

Every business that sells "tangible personal property"(food, clothing, compact discs, etc) must apply for a permit from the State Board of Equalization. Nearly all businesses, excluding service businesses, sell some kind of "tangible personal property". Get **Seller's Permit** form on Broker's website.

### **EMPLOYER NUMBER - EDD (EMPLOYEE DEVELOPMENT DEPARTMENT)**

Businesses with 1 or more employees must pay payroll taxes. Get **DE-1** form on Broker's website

### **EMPLOYER IDENTIFICATION NUMBER (EIN)**

Used for IRS tax identification. Get **SS-4** form on Broker's website.

### **CITY BUSINESS LICENSE/ OCCUPANCY PERMIT**

All businesses are required to have a business license or occupancy permit to operate. (see appendix for agency and address)

### **FICTITIOUS NAME STATEMENT**

Usually right after signing escrow closing papers, SELLER and BUYER should go together to the County Clerk's office (see appendix for agency and address) and file both Abandonment of Use of Fictitious Business Name form and Fictitious Name Statement application form. Escrow may perform this function, ask BROKER about this.

### **BUSINESS BANK ACCOUNT**

After filing above Fictitious Name Statement, use a copy to open up a business bank account.

### **HEALTH DEPARTMENT WALKTHROUGH**

BROKER will contact the Health Department to schedule a walk-through inspection. BUYER, BROKER, and SELLER should be present during walkthrough. Any violations will be corrected by SELLER prior to close of escrow. If any violations are not corrected, escrow will be instructed to withhold a sufficient amount of money to cover the cost, or BUYER and SELLER may negotiate a credit to BUYER and BUYER will correct the violation(s).

### **VENDOR CREDIT APPLICATIONS**

## **P**remier **B**usiness **O**pportunities

SELLER will notify all vendors with whom he receives supplies on credit to obtain credit applications. Applications should be completed and submitted to Vendors at least 2 week before Close of Escrow to approve the transfer of accounts.

### **INSURANCE**

**Business liability** and **Fire insurance** is required by Lender and/or Landlord Read Lender's requirements and lease for exact amounts of required coverage.

**Workmen's Compensation insurance** is required if there are employees.

Talk to the SELLER about insurance company options. Using the same company will almost always be faster and may be cheaper. Rates vary widely, ask BROKER about normal rates.

### **TELEPHONE**

If you intend to keep the same phone number, you must notify the phone company for the change of billing name effective date. SELLER and BUYER should get together and call the phone company. Most of the time the transfer can be done by phone. A deposit may be required by the phone company. (See appendix for agencies and addresses)

### **GAS & ELECTRICITY / WATER / GARBAGE**

Transfer can usually be done over the phone. Have the SELLER contact the servicing company to give the date of transfer of the business. SELLER and BUYER should get together and call the companies. The company will usually prorate the charges as of the date of transfer. The BUYER may have to put up a deposit. (See appendix for agencies and addresses)

## **1 DAY PRIOR TO CHANGE OF POSSESSION**

### **SIGN ESCROW CLOSING PAPERS**

BROKER will notify BUYER of exact amount needed to close so that BUYER may submit final payment (CASHIER'S CHECK or MONEY ORDER) to Escrow Agent at least **2 days prior or 10 days prior if an ABC license is involved**. All closing documents are signed. Funds are disbursed to SELLER. Escrow files all paperwork to the necessary agencies and sends copies to all parties within a few days.

### **INVENTORY COUNT.**

All BUYERs, SELLERs, and BROKERs.

SELLER should prepare a list of all types of inventory items and prices at cost. SELLER and BUYER will count each item together and record and calculate the total cost of inventory. The final dollar amount will be signed by BUYER and SELLER for BROKER to send to Escrow. Purchase price (if all cash) or Note to SELLER (if SELLER financed) will be adjusted accordingly.

### **EQUIPMENT CHECK**

All BUYERs, SELLERs, BROKERs, and BUYER's EQUIPMENT SPECIALIST (Talk to BROKER for ideas on where to find a specialist)

BUYER to bring Furniture, Fixtures and Equipment (FF&E) list previously provided by BROKER. All equipment will be accounted for, tested and demonstrated to be in working condition, allowing for normal wear and tear due to age of equipment. Any equipment needing repair will be done so at SELLER's expense, unless otherwise specified in the Offer for Purchase. Funds will be automatically held in Escrow to ensure that any needed repairs and/ or replacement of equipment will be paid for by SELLER. BUYER and SELLER will then sign FF&E list for BROKER to send to Escrow.

## RESUME OUTLINE

Full Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Home Phone #: \_\_\_\_\_

### **Work Experience**

From(date): \_\_\_\_\_ To(date): \_\_\_\_\_ Company: \_\_\_\_\_

Position: \_\_\_\_\_

Duties: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Achievements: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

From(date): \_\_\_\_\_ To(date): \_\_\_\_\_ Company: \_\_\_\_\_

Position: \_\_\_\_\_

Duties: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Achievements: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

From(date): \_\_\_\_\_ To(date): \_\_\_\_\_ Company: \_\_\_\_\_

Position: \_\_\_\_\_

Duties: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Achievements: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Education**

Degree: \_\_\_\_\_ Concentration: \_\_\_\_\_

Year Graduated: \_\_\_\_\_ School/Institution: \_\_\_\_\_

School Address: \_\_\_\_\_

Special Achievements: \_\_\_\_\_

Degree: \_\_\_\_\_ Concentration: \_\_\_\_\_

Year Graduated: \_\_\_\_\_ School/Institution: \_\_\_\_\_

School Address: \_\_\_\_\_

Special Achievements: \_\_\_\_\_

Degree: \_\_\_\_\_ Concentration: \_\_\_\_\_

Year Graduated: \_\_\_\_\_ School/Institution: \_\_\_\_\_

School Address: \_\_\_\_\_

Special Achievements: \_\_\_\_\_

**Certificates/Special Training/Other Education**

Certificate/Course Completed: \_\_\_\_\_

Year Graduated: \_\_\_\_\_ School/Institution: \_\_\_\_\_

School Address: \_\_\_\_\_

Achievements: \_\_\_\_\_

Certificate/Course Completed: \_\_\_\_\_

Year Graduated: \_\_\_\_\_ School/Institution: \_\_\_\_\_

School Address: \_\_\_\_\_

Achievements: \_\_\_\_\_

Additional information/experience/education related to owning/operating a business: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**FINANCIAL STATEMENT**

*STRICTLY CONFIDENTIAL*

Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: CA Zip Code: \_\_\_\_\_ As of: \_\_\_\_\_

ASSETS	
Cash on Hand and in Banks(checking )	
U.S. Government Securities	
Listed Securites (Market Value)	
Unlisted Securities (Market Value)	
Accounts and Notes Receivable - Good	
Accounts and Notes Receivable - Doubtful	
Real Estate Owned - <i>see schedule</i>	
Real Estate Mortgages Receivable	
Household Furnishings & Pers. Belongings	
Automobiles:	
Cash Value - Life Insurance	
Cash Value - Retirement Funds	
Other Assets - <i>Itemize</i>	
Personal Jewelry	
<b>TOTAL ASSETS</b>	

LIABILITIES	
Notes Payable to Banks - Secured	
Notes Payable to Banks - Unsecured	
Notes Payable to Others	
Accounts and Bills Due	
Liens on Real Estate - <i>see schedule</i>	
Chattel Mort. & Other Liens Payable	
Other debts - <i>itemize</i>	
Misc. Credit Cards	
<b>TOTAL LIABILITIES</b>	
<b>NET WORTH (Assets - Liabilities)</b>	
<b>TOTAL LIAB. &amp; NET WORTH</b>	

**SCHEDULE OF REAL ESTATE OWNED**

Description and Location of Property and Improvements	Date Acquired	Mortgage Holder	Title in Name of	Cost	Present Mkt. Value	Present Mortgage Balance	
						Amount	Maturity

**SCHEDULE OF ASSETS PLEDGED (e.g. - Insurance Policies, Stocks, Bonds)**

Description	Cash Value of Assets	Amount of Loan	To Whom Pledged
NONE			

The undersigned certifies that this information was provided by him/her and is true and correct. CDL #:

*The recipient of this Financial Statement should rely on his/her own verification.* SS #:

**Premier Business Opportunities makes no claims or representations as to the accuracy of this information.**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_



Credit Reports

\$7.00 per report (CABB members only)

Fax the authorization form to the CABB office (408) 379-7748 and a report will be faxed  
Back to you within 24 hours. If you need a rush please call.

**CREDIT CHECK AUTHORIZATION**

By signing below, I authorize the California Association of Business Brokers to secure a credit report on me  
for the purpose of buying the following business: \_\_\_\_\_

-----  
(Please fill out a separate form for each report and PRINT CLEARLY)

\_\_\_\_\_

Last Name

\_\_\_\_\_

First Name

\_\_\_\_\_

Middle Initial

\_\_\_\_\_

Street Address

\_\_\_\_\_

City, State, Zip Code

\_\_\_\_\_

Social Security Number

\_\_\_\_\_

Signature

**Send report to:**

Broker Name: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Bill to CABB account \_\_\_\_\_ or VISA/MasterCard \_\_\_\_\_

VIAS/MasterCard number: \_\_\_\_\_ Expiration Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Name on Card (if different than broker name): \_\_\_\_\_