

Buying an Existing Business — Workbook

This workbook turns the course into a working deal toolkit you can use on a real acquisition target. Work the four sections in order: first define your buy-box and build a sourcing pipeline, then recast a target's financials to SDE and value it, then write the LOI and run a structured due-diligence investigation, and finally model the financing and plan your first 90 days. Gather what you can for one real or candidate business, the asking price, three years of financials or tax returns, a customer list, and the lease, and fill the templates with its actual numbers. The spreadsheets are built to be reused on every deal you evaluate, so you build a repeatable process rather than a one-time guess.

The Acquisition Path and Finding Deals

Define exactly what you will buy and stand up a sourcing pipeline that produces real on-market and off-market opportunities.

Exercise: Write Your Buy-Box

Define your acquisition criteria across the six dimensions from the course. Be specific enough that you could screen a listing in thirty seconds. Revisit and tighten this after you have looked at ten real deals.

- What range of Seller's Discretionary Earnings do you want, and what is the most you can finance given a ten percent down payment?

- Which two or three industries do you understand or could credibly learn, and which will you rule out entirely?

- How far are you willing to commute, and does the business need your daily on-site presence?

- On a one-to-five scale, how much owner dependence (key-person risk) can you tolerate, and how would you price that risk?

Worksheet: Deal Sourcing Channel Plan

Map out the specific channels you will work to find deals and the concrete weekly action for each. Fill in real broker names, marketplaces, and a target outreach volume.

On-market marketplaces I will check weekly (BizBuySell, BizQuest, DealStream)

Named business brokers in my target market and their contact details

Off-market direct-outreach list source (Google Maps, Data Axle, association directory)

Weekly cold-outreach target (number of owners contacted)

Network referral sources (accountants, attorneys, bankers)

Industry associations, conferences, or chambers to engage

Proof-of-funds document prepared (yes/no)

My one-paragraph buyer introduction message

Checklist: Buyer-Readiness Checklist

- I have a written buy-box covering cash flow, price, industry, geography, model, and owner dependence
- I have a proof-of-funds letter or statement ready to share after signing an NDA
- I have a short personal-bio and resume document to send brokers and sellers
- I have introduced myself to at least three active business brokers in my market
- I have a repeatable system for logging and ranking every deal I review
- I have a template NDA review process or an attorney on call
- I respond to broker and seller outreach within one business day

Valuation: What the Business Is Really Worth

Recast a target's financials into trustworthy SDE, apply the right multiple, and test the quality of the earnings before you anchor on a price.

Exercise: Recast the Financials

Using a real target's last full-year financials or tax return, work the SDE add-back logic by hand before trusting any broker number. Flag every add-back you are unsure about.

- What is the reported pre-tax net profit, and what total owner compensation (salary, payroll taxes, benefits) is added back?

- What depreciation, amortization, and interest do you add back, and what one-time or personal expenses can you justify?

- Which add-backs the seller claims are 'one-time' actually recur, and which family salaries cover real necessary work?

- What is your defensible SDE figure, and how far does it sit from the SDE the broker is using?

Worksheet: Valuation Range Worksheet

Translate your recast SDE into a price range using a low and high multiple, then cross-check against asset value. Record what drives the multiple up or down for this specific business.

Defensible SDE (recast)

Low multiple and resulting value

High multiple and resulting value

Factors pushing the multiple UP for this business

Factors pushing the multiple DOWN for this business

Fair market value of tangible assets (asset floor)

Liabilities I would assume

My target offer price and the logic behind it

Checklist: Quality-of-Earnings Red-Flag Check

- Internal P&L, tax returns, and bank statements reconcile to one another
- No single customer exceeds twenty percent of revenue
- The three-year revenue trend is flat or growing, not declining
- Gross margins are stable rather than eroding year over year
- Earnings do not depend on the owner working unpaid overtime
- There is no deferred maintenance or underinvestment flattering current profit
- Every SDE add-back is documented and would genuinely not recur for a new owner

The Offer and Due Diligence

Put the major terms in writing with an LOI, then run a structured financial, legal, and operational investigation that confirms what you are buying.

Exercise: Draft Your LOI Terms

Before involving an attorney, draft the major terms your Letter of Intent will propose so the seller agreement is clear up front. Keep the price honest and tied to your valuation.

- What purchase price are you proposing, and on what multiple of SDE is it based?

- Will this be an asset purchase or a stock purchase, and why?

- What is your proposed split of cash at close, seller note, and any earnout?

- How long an exclusivity (no-shop) period will you require, and what conditions must be met to close?

Worksheet: Lease and Contract Transfer Worksheet

For a location- or contract-dependent business, capture the terms that determine whether the deal is even transferable at the asking price. Confirm each item with documents, not the seller's memory.

Remaining lease term and renewal options

Current rent, escalations, and any additional charges

Landlord consent to assign or grant a new lease (yes/no/pending)

Top customer contracts: assignable? (yes/no) and expiry dates

Key supplier agreements and whether pricing transfers

Franchise or licensing agreements requiring approval

Employment or non-compete agreements with key staff

UCC liens found against the assets

Checklist: Due Diligence Request Checklist

- Three years of business tax returns reconciled to internal financials and bank statements
- Accounts receivable aging, accounts payable, and revenue-by-customer reports
- Payroll records and a full employee, role, and compensation list
- Equipment list with age, condition, and any attached debt or leases
- Entity good standing, corporate records, and confirmed ownership
- All material contracts, plus any pending or threatened litigation
- Licenses, permits, and industry regulatory compliance verified
- Documented standard operating procedures and key-employee retention assessment

Financing and the Ownership Transition

Assemble a fundable capital stack, prove the cash flow covers the debt and your salary, and plan a 90-day transition that preserves the value you paid for.

Exercise: Model the Capital Stack and Coverage

Build the financing structure for your target deal and test whether it passes the lender's coverage bar after paying yourself a real salary. Stress it against a higher price.

- How do you split the purchase price across SBA 7(a) loan, seller note, and your equity injection?

- What is the annual loan payment, and what cash flow remains after a reasonable owner salary?

- What is your Debt Service Coverage Ratio, and does it clear the 1.25 lender minimum with room to spare?

- How much working capital and cash cushion do you need on top of the down payment?

Worksheet: SBA Loan Readiness Worksheet

Assemble the package an SBA lender will ask for and identify gaps before you apply. Fill in what you have and what you still need to produce.

Buyer equity injection available (at least 10 percent of project cost)

Personal financial statement prepared (yes/no)

Resume and relevant management experience documented

Target's three years of tax returns and financials obtained

Transition or business plan drafted

Personal guarantee acknowledged for owners over 20 percent

Seller note negotiated (amount, term, standby period)

Participating SBA lender(s) contacted

Checklist: First-90-Days Transition Checklist

- A transition period of 30 to 90 days with the seller is written into the deal
- The seller will personally introduce me to top customers and key suppliers
- I have identified the key employees I cannot lose and planned retention
- I have a plan to document the seller's undocumented knowledge before they leave
- I will keep brand, pricing, and points of contact stable through the handover
- I have a working-capital cushion of several months of operating expenses
- I have committed to stabilize first and make changes only after I understand the business

Your Action Plan

1. Write and refine your buy-box, then prepare a proof-of-funds letter and a one-paragraph buyer introduction.
2. Set up a sourcing pipeline: list on-market marketplaces, contact three brokers, and start weekly off-market outreach.
3. For each promising listing, sign the NDA, get the CIM, and log it in your deal tracker with a quick screen against the buy-box.
4. Recast the financials of your top target to a defensible SDE and reconcile internal books to tax returns and bank statements.
5. Apply a low and high multiple, cross-check against asset value, and set a target offer price tied to that range.
6. Run the quality-of-earnings and red-flag checks; walk away from any deal whose books do not reconcile or whose earnings are fragile.
7. Draft and submit a Letter of Intent with price, structure, and a 30-to-90-day exclusivity period.
8. Execute structured financial, legal, and operational due diligence using the request checklist, and confirm the lease transfers.
9. Engage an attorney to draft the asset purchase agreement with reps, warranties, indemnification, and any escrow holdback.
10. Model the capital stack and DSCR, secure SBA financing and a seller note, then close and run the 90-day stabilize-first transition.

