

CHAPTER 1

Qualifications for Ownership

At the beginning of every deal, no single concern is more important than the buyer's ability to own and operate the business. If that ability is not made immediately clear, the seller should politely dismiss the buyer. Otherwise, the seller will be wasting precious time and effort with a buyer who has little chance of obtaining bank financing or of leasing the premises.

Sometimes a poorly qualified buyer gets financed by a seller who doesn't know what he or she is doing. Then the seller is at great risk of taking back a damaged business. Also at risk if the business fails are the employees who may lose their jobs; the suppliers and landlord who may lose their receivables; the customers who may lose their deposits; the buyer who may lose his or her down payment, credit rating, and self image; and the whole community which may lose the income and prestige of a well managed business (see Real-Life Example 9.1, page 343).

For these key reasons, the buyer's qualifications rank first in importance, and first in the chronological order of the deal.

This chapter is dedicated to examining those qualifications, comparing their relative importance, and showing how they might apply in a variety of situations.

Basic Qualifications for Ownership. There are several factors contributing to a buyer's qualifications to own and operate a business. These include general