

Checklist

1. Consider whether you will buy the shares of the company that owns the business, or just the assets of the business, as both routes have different advantages, disadvantages, and considerations.
2. Be aware that when agreeing to a purchase price for the business, there are several components of a purchase – price the value of the assets of the business, including the equipment and the fixtures and the building where the business is located, the good will of the business, including the name of the business and loyalty of its customer base, and the length of time remaining on the lease and the other terms of the lease.
3. Always ask for recent financial statements of the business, at least for the previous year, including both asset-liability statements and profit-net loss statements, to determine the financial trends or cycle of the business, and /or the costs of maintaining the premises.

4. Review the lease to determine the potential costs of the rental premises, keeping in mind that many leases are “net to the landlord” meaning that any costs associated with the building will eventually make its way back to the tenant as rent.
5. Determine whether or not you will purchase the business by using an incorporated company, rather than running the business under your personal name or as a proprietorship, to protect your personal assets from your company’s creditors, or from personal liability, depending on the risk level of the business and other factors.
6. Always consider whether or not the business complies with the relevant municipal authority’s permits and by-laws, health authority regulations, and fire department rules.
7. Ensure that the business assets that you are purportedly purchasing are actually owned by the seller, in which the seller has the actual authority to sell the business asset, such as vending machines, leased equipment, or equipment purchased with a loan.
8. Insist that the seller of a business you are wanting to buy agrees to not purchase or operate a similar competing business within a certain number of years or a certain proximity away from your new business.