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## Is it a Good Time to Buy or Sell a Business?

By *Sophie Braccini*



Ken Tom Photo Wendy Scheck

Ken Tom wants to sell his business because he wants to retire, "I have a customer base and a viable business, but not the energy to go after new contracts," says the Moraga entrepreneur, who provides satellite communication systems primarily to Federal Government Agencies and emergency services. Tom's situation is not uncommon and many Baby Boomers, reaching retirement age, are looking for a way out of the business they developed. If the supply of businesses for sale is steady, it should be a good time to buy, but the credit restriction our economy faces is the biggest challenge that potential buyers have to overcome.

"We still have a lot of potential buyers and sellers," says Jim Rusconi, a local business broker with Bluekey Business Brokerage, "the entrepreneurial spirit is high and people want to control their own destiny." Rusconi identifies financing as the biggest challenge: "The Small Business Administration (SBA) has tightened its rules to approve loans," says the broker. Like any other institution, SBA is looking to minimize its risk and is requiring potential business owners to prove their professional expertise in the same field as the business they want to buy.

Is a closely related business experience a necessity for success in buying a business? "We believe that a key to the success of any transaction is how the deal is structured and how long the previous owner is ready to be available to train the new owner," says Julie White, another Bluekey broker who has been in the business for many years.

"A business owner can help with the financing," says Didi Cooklev, who is also a local business broker, "that way they show confidence in their own business and they help in this difficult economy." Cooklev has seen owners financing 33 to 50% of the price of their company, "everything is negotiable," she says, "the price is important but equally important is how you are structuring the deal."

Potential owners have to be creative as far as pulling resources together. "One solution, once you have asked all your family members and friends, is to tap into your 401K," says Rusconi, "using that money is possible without penalty and we see more and more people using that resource."

Using retirement money requires a high degree of confidence in the endeavor buyers are ready to commit to. "When you buy a business you need to check its margins and the quality of its cash flow," says Rusconi, "your best bet is to assemble a team to help you with your due diligence." Besides an experienced business broker, Rusconi recommends working with a Certified Public Accountant and a business lawyer.

In this time of slow economic growth, the sector of investment will be crucial too. Both Rusconi and Cooklev recommend the health care industry, senior related businesses, professional services, and manufacturing.

Finally, locating a business that is for sale is not as easy as finding a home. There is no Multiple Listing Service for businesses as there are for homes. The names of the business for sale most of the time stay confidential since owners do not want to scare employees and clients. "There are sites on line that can be good resources," suggests Cooklev, "the listings are blind and will not even provide a precise location, but it can help to narrow down a search." Among others she cites bizben.com and Bizbuysell.com.

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