November 21, 2025 | Selling a Business

DEAL STRUCTURES, NEGOTIATIONS, AND WHY SOME DEALS FALL APART

Once a business is ready for sale, clean books, strong management, solid growth, the actual process of selling begins. This blog takes you inside the structure and strategy behind successful business sales and highlights the common pitfalls that can derail a deal.

The Bridge Between Valuation and Close

With your company valued and prepped, the next major step is going to market. But before buyers are approached, one critical asset must be built: your data vault. Think of this as the due diligence starter kit. It's a digital collection of financials, tax returns, P&Ls, organizational charts, contracts, and other documents that a buyer will want to see. Without it, a buyer won't move forward.

From there, marketing begins, discreetly and intentionally. In third-party sales, sellers often rely on their advisors (like Exit Consulting Group) to craft buyer lists, create marketing collateral, and screen prospective buyers. Some sellers already have potential buyers in mind; others don't want certain individuals or competitors to even hear the business is for sale. This is why the NDA (non-disclosure agreement) process is so important.

Indications of Interest: The First Formal Step

Once NDAs are in place and buyers begin reviewing information, the first soft commitment is called an IOI, Indication of Interest. This is not a binding offer, but it's the buyer's chance to say, "Here's roughly what I'd pay, and on what terms."

An IOI might come in the form of a letter or even just an email, and at this stage, advisors like ECG act as gatekeepers. Rather than letting a seller be overwhelmed by direct questions and informal offers from multiple buyers, they serve up the options side-by-side. This protects sellers from burnout (known in the industry as deal fatigue) and allows for competitive negotiation without exclusivity.

The real purpose of the IOI stage? To find out who is serious and who is close, on both price and terms.

Letter of Intent: Things Get Real

When a seller picks a buyer, they move forward with a Letter of Intent (LOI). It's still non-binding (either party can walk away), but it's exclusive, once signed, the business is taken off the market and the buyer and seller focus on one another.

The LOI outlines:

- Purchase price
- Terms (cash at close, seller financing, earn-outs)
- Employment expectations
- Contingencies and timelines

Sellers should **never** enter LOI lightly. This is why the pre-LOI negotiation matters so much. Advisors want both parties to feel aligned before exclusivity kicks in. Once you're in LOI, you've effectively paused your options—and if the deal falls apart later, the process resets.

Due Diligence: Trust, But Verify

After LOI comes due diligence, the buyer's time to inspect everything. Financials, operations, customer contracts, employee agreements, leases, you name it. Many buyers commission a Quality of Earnings (QoE) report, which is like a mini audit. They're verifying that the numbers presented during valuation actually hold up under scrutiny.

Due diligence also brings in other details:

- Employment agreements for key staff
- Warranties or guarantees on services/products
- Legal representation and indemnification
- Equipment conditions or software systems
- And sometimes… surprises

Why Deals Fall Apart

Even good deals can die. Here are the top reasons:

1. **Misalignment on Terms Post-LOI**
   If expectations weren't fully clear upfront, due diligence can expose misunderstandings. For example, a buyer may have assumed the owner would stay on for two years—but the owner is planning to leave in six months.
2. **Issues Found in Due Diligence**
   Red flags in the books (poor recordkeeping, unexpected liabilities, undisclosed debt) can tank a deal fast. That's why seller preparation months earlier is crucial.
3. **Deal Fatigue**
   Negotiations are stressful. If it drags on for too long, one side can burn out and

walk away.

4. **Lack of Buyer Confidence in Management**
   If a buyer doesn't feel that the team can carry on without the owner, they might reduce the price, or back out altogether.
5. **Culture or Personality Clashes**
   Sometimes, it's as simple as chemistry. A buyer and seller just don't mesh, and trust never develops. That can be a deal killer.

Final Stretch: Agreements and Transition Planning

As due diligence winds down, the legal teams begin drafting definitive agreements. This includes not only the purchase agreement, but also any employment or consulting agreements, customer transition strategies, or reps and warranties that indemnify the buyer from future surprises.

Then comes transition and integration—how and when to announce the sale to employees, customers, and the market. Some owners choose to disclose early to staff; others wait until the ink is dry. There's no one right way, but the messaging matters.

Once the final documents are signed, the wire transfer is initiated, and… the business officially changes hands.

The Bottom Line

Selling a business isn't just a financial transaction. It's a carefully staged sequence of negotiations, verification, legal planning, and human emotion. Every phase has a purpose, and skipping steps or rushing decisions can be costly.

Considering a sale in the next 1–5 years?
Contact us today and let us guide you through every step.

EXIT
CONSULTING GROUP

Copyright © 2026 Exit Consulting Group. All rights reserved.