



F A Q

Selling Your Business

SECOND EDITION

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These are the questions I hear most often from Sacramento business owners who are thinking about selling. Some are planning years out. Others are further along than they expected and need answers quickly. Either way, the goal here is to give you a straight answer on each one.

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Is Now the Right Time to Sell My Business?

The right time to sell depends on a combination of business performance, personal readiness, and market conditions.

There's no single formula beyond that. I've worked with owners who sold at exactly the right moment and walked away with life-changing outcomes. I've also worked with owners who waited too long and sold into a weaker market, or who sold too early and accepted a price well below what the business was worth. The difference almost always comes down to how honestly they assessed a handful of key factors.

Business performance matters more than almost anything else.

Buyers pay for what a business is doing now and what it's likely to do next. A business with consistent revenue growth, strong cash flow, and a clear path forward commands a premium. A business on a downward trend, even a temporary one, raises questions that are hard to answer in a negotiation. If your numbers are strong right now, that's a meaningful advantage.

Personal readiness is just as real as financial readiness.

I've seen owners push through burnout for two or three years trying to hold on for the "perfect" moment that never comes. If you're losing energy for the business, that shows up in the numbers eventually. There's no shame in recognizing that your best chapter with this business may be behind you, and that the right buyer could take it further than you can.

Market conditions set the ceiling.

SBA lending availability, buyer demand in your industry, and general economic confidence all affect how many qualified buyers are in the market and how aggressively they'll compete for a good deal. These factors shift, sometimes quickly.

Get a valuation first, then decide. Most owners I talk to are making timing decisions without knowing what their business is actually worth today. A [professional assessment of value](#) gives you a real number to work from. Without it, you don't know what you have or what you're giving up.

Related Reading

[Should I Sell My Business This Year?](#)

[Why Smart Owners Prepare to Sell Even If They're Not Ready Yet](#)

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What Is My Business's Current Market Value?

Most small businesses are valued using a multiple of Seller's Discretionary Earnings (SDE), adjusted for industry, size, and business-specific factors.

The most common method for valuing a small to mid-sized business is Seller's Discretionary Earnings, or SDE. You start with net income and add back the owner's salary, personal expenses run through the business, depreciation, amortization, and any one-time costs that won't recur under new ownership. That number represents the true earning power of the business for a working owner-operator. From there, you apply an industry-specific multiple to arrive at a valuation.

What's the multiple? That depends on your industry, your revenue size, how dependent the business is on you personally, the strength of your customer relationships, whether you have documented processes, and several other factors. Two businesses with identical SDE can have meaningfully different valuations based on these variables.

EBITDA-based multiples are more common in larger transactions where the buyer is likely a private equity group or a strategic acquirer rather than an individual owner-operator. For most Sacramento-area businesses I work with, SDE is the right starting point.

The problem with self-valuations is that owners usually end up in one of two places: they overvalue based on what they feel the business is worth, or they undervalue because they're being conservative and don't understand what buyers actually pay for in their specific industry. Both mistakes are expensive. The second mistake is more common than most people expect.

If you want a professional read on where your business stands today, the [Assessment of Value](#) page explains what that process looks like.

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How Can I Maximize the Value of My Business Before Selling?

The answer to this question depends almost entirely on your timeline.

If you have one to three years before you want to sell, there's real room to improve the valuation. If you're hoping to list in the next few months, you're working with what you have, and the focus shifts to showing what the business already does well rather than changing it.

For owners with time, here's where the work matters.

Reducing owner dependence is the single biggest value driver I see overlooked. If the business runs because of you, every serious buyer will either discount the price or require a long transition period to offset the risk of losing you. Systems, documented procedures, and a capable team that can operate without you every day make the business genuinely more transferable, which is what buyers are paying for. [This post on documenting procedures](#) gets into the specifics.

Clean, accurate financials matter more than most owners expect. Not because buyers are suspicious, but because clean books speed up due diligence and reduce the uncertainty that leads to lower offers or deal conditions. Three years of solid, reconciled financials is the standard.

Customer concentration is a risk that buyers factor into their offers. If 40 percent of your revenue comes from one client, losing that client puts the whole business at risk. Diversifying your customer base before you sell reduces that perceived risk and supports a stronger valuation.

For owners closer to selling,

the focus should be on [making the business as presentable as possible](#): organized facilities, current equipment, resolved legal or compliance issues, and financial records that are easy to review. These won't dramatically change the multiple, but they build buyer confidence, and buyer confidence affects both price and deal structure.

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Should I Hire a Business Broker, or Handle the Sale Myself?

For most business owners, working with a broker results in a higher sale price, better confidentiality protection, and a smoother process than handling the sale alone.

Most owners who ask this question are thinking about commission. That's understandable. What they're not thinking about is what the DIY route actually costs.

I wrote about one case in detail. Two owners tried to sell their dental prosthetics lab on their own. Within weeks, a buyer had reverse-image-searched their listing photos, identified the business, and walked in the front door asking employees if the place was for sale. The team had no idea. On top of that, the owners had priced the business \$145,000 below what it was worth. [That story is worth reading](#) if you're weighing this decision.

Here's what a broker actually handles that most owners don't anticipate: valuation and pricing strategy, buyer qualification and NDA management, confidential marketing that doesn't expose your business identity, outreach to targeted buyer pools that a BizBuySell listing will never reach, offer negotiation, due diligence management, coordination between attorneys, accountants, lenders, and

escrow, and closing logistics.

First-time sellers navigate all of that once. A broker does it constantly.

Could you do it yourself? Some owners do. Simple businesses, buyers who come through personal networks, uncomplicated asset sales -- these can sometimes work without professional representation. But the higher the stakes, and the more important confidentiality is to you, the more that DIY exposure compounds into real risk.

The question I'd ask isn't "can I do this myself?" It's "what does a mistake cost me here?" For most owners, the answer to that question settles it.

If you want to verify credentials when evaluating a broker, both the [California Association of Business Brokers \(CABB\)](#) and the [International Business Brokers Association \(IBBA\)](#) maintain member directories and credentialing standards worth reviewing.

If you want to understand how the process works with a broker, [this overview of the sale process](#) walks through it step by step.

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How Long Will It Take to Sell My Business?

The range I typically quote is six months to two years, and that spread is wide for good reason.

A well-prepared business, priced accurately, with clean financials and a clear buyer profile, can move in six to nine months from the time we go to market. One dental lab sale I handled signed a representation agreement in June, accepted an offer at the end of July, and closed in mid-October. That's about four and a half months. It moved that quickly because the business was genuinely strong and because we used targeted outreach rather than waiting for buyers to find us.

On the other end, larger or more complex businesses take longer because due diligence is more involved, financing takes longer to arrange, and there are often more parties in the room. Businesses with unclear financials, ownership disputes, or lease complications can stall at any stage.

A few factors you can control: pricing the business accurately from the start, having three years of organized financial records ready before we go to market, and being responsive during due diligence. Delays in due diligence are one of the most common reasons deals take longer than expected or fall apart entirely.

SBA financing, which many buyers of small businesses use, typically adds 60 to 90 days to the closing timeline once an offer is accepted. That's worth building into your expectations early. The

[SBA's website](#) has more detail on how their loan programs work for business acquisitions.

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What Financial Records and Documents Do I Need to Prepare?

The short answer is three years of clean, organized financials, and everything that supports them.

In practice, that means three years of profit and loss statements, balance sheets, and cash flow statements. It also means three years of business tax returns, which buyers and their lenders will use to verify what the financial statements show. When these two sources tell different stories, buyers get nervous. Reconciling any differences before going to market saves time and credibility later.

Beyond the core financials, you'll want to have your accounts receivable and payable aging reports current, a fixed asset list with purchase dates and current values, copies of any active leases (real estate and equipment), and a summary of any outstanding debt or liabilities. If your business has contracts with customers or suppliers, those will be reviewed during due diligence as well.

The documents that sellers most often underestimate are the operational ones: standard operating procedures, employee records, licenses and permits, and vendor agreements. These aren't financial documents, but they answer the question every buyer is really asking, which is whether this business can keep running after the ownership changes.

[This post on fundamental documents](#) goes through the full list in more detail.

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How Can I Maintain Confidentiality During the Sale Process?

Confidentiality is maintained through anonymized marketing, staged information release, NDA requirements, and careful screening before any buyer learns the identity of the business.

Confidentiality is one of the most important and most underestimated parts of the sale process. Word getting out too early -- to employees, customers, competitors, or suppliers -- can destabilize the business before a deal is ever signed.

An anonymized listing is the foundation of confidential marketing. When we market a business confidentially, the initial materials describe the industry, size, and general location without naming the business or including any identifiable details. Photos are carefully selected. Nothing that could

show up in a reverse image search or match a Google Business profile. That last point comes directly from experience. The owners in [The \\$145K Lesson](#) learned it the hard way.

Every prospective buyer signs a non-disclosure agreement before they see financial data or learn the name of the business. They also complete a buyer profile so we can screen for financial capability and relevant experience before that NDA is executed. Most business owners are surprised to learn how much of the process happens before a buyer ever knows which business they're looking at.

Site visits are scheduled carefully, outside normal business hours when possible. The fewer people who know the business is for sale during the marketing phase, the less risk there is of disruption.

If you want to understand how confidential marketing works in more detail, [our overview of the sale process](#) covers the full sequence.

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What Are the Tax Implications of Selling My Business?

The tax implications of selling a business in California typically include capital gains tax, potential depreciation recapture, and state income tax on proceeds, with the exact liability depending on how the deal is structured and your business entity type.

You need a CPA or tax attorney who has handled business sales before. The tax implications of a business sale are specific to your entity structure, how the deal is structured, and your personal financial situation.

Whether the sale is structured as an asset sale or a stock sale has a significant effect on how the proceeds are taxed. Most small business sales in California are structured as asset sales, where specific assets and liabilities transfer rather than the entire entity. Buyers generally prefer asset sales because they get a stepped-up tax basis on the assets. The tax treatment for the seller varies by what's being sold.

Capital gains tax will apply to the profit from the sale. Long-term capital gains rates are lower than ordinary income rates, which is why the holding period and how the purchase price is allocated across asset categories both matter. Depreciation recapture is another common issue: if you've depreciated equipment or real estate over the years, those assets may be taxed as ordinary income at the point of sale, not at the capital gains rate.

The earlier you start working with a tax professional on exit planning, the more options you have. [Exit Planning 101](#) covers why starting that conversation early makes a practical difference.

The [IRS publication on the sale of a business](#) and the [California Franchise Tax Board](#) are both worth reviewing with your advisor.

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How Do I Find the Right Buyer for My Business?

The right buyer is someone with the experience to run the business, the financial strength to close, and a realistic plan for where they want to take it.

That buyer isn't always the one who offers the highest price. The best outcomes I've seen come from matching the business to someone who has the experience to run it, the financial strength to close without contingencies falling apart, and a realistic plan for where they want to take it.

A buyer who understands the industry and has a vision for growth tends to be more committed through due diligence and more likely to close. A buyer who is simply looking for any profitable business to acquire may back out when the complexity of the deal becomes clear.

Finding that buyer requires more than a passive listing. Most business brokers post on BizBuySell and wait. In the dental lab case, we built a targeted list of dental labs, dental service organizations, and experienced dental professionals across the region and reached out directly on LinkedIn. The winning buyer came from that outreach, not from a listing. He wasn't actively searching for a business to buy, but he recognized the opportunity when it was presented to him professionally.

Serious buyers also need to demonstrate financial capability before they see sensitive information. Proof of funds, a completed buyer profile, and a signed NDA are standard requirements before we share financials or disclose the business name. This protects you and filters out anyone who isn't serious.

For more on the buyer side of the process, the [Business Buyers page](#) covers what buyers typically look like and what they're evaluating.

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How Can I Ensure a Smooth Transition After the Sale?

A smooth transition starts with a clear handover plan, honest communication with employees and customers, and a seller who stays engaged and available during the agreed transition period.

The transition period is something buyers and sellers negotiate as part of the deal, and it's worth thinking about before you're in the middle of a purchase agreement.

Most small business sales include a seller transition period of 30 to 90 days, sometimes longer depending on how technical or relationship-driven the business is. During this time, you're introducing the new owner to key customers, walking them through operations, and transferring institutional knowledge that isn't written down anywhere. The smoother you make this period, the stronger your reputation with the buyer and the better the outcome for your employees and customers.

Employees are often the most sensitive part of the transition. The moment they find out the business has been sold, they start asking questions about their jobs. Having a clear, honest message ready for your team -- ideally delivered by you alongside the new owner -- goes a long way toward maintaining stability. In the dental lab sale, one of the owners stayed on as a lab technician after the sale because she loved the technical work and had no interest in ownership. That continuity was genuinely attractive to the buyer and kept the team intact.

For customers, continuity of service and a personal introduction to the new owner are usually enough. Most customers care about whether the quality and reliability they've counted on will continue. A thoughtful handoff addresses that directly.

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What Are the Legal Aspects of Selling a Business, and Do I Need an Attorney?

Yes, you need an attorney with a track record in business transactions. A general practice attorney who encounters these deals infrequently is not the right fit.

The purchase agreement is the binding contract that governs the entire transaction: what's being sold, at what price, on what terms, with what representations and warranties from each party. Mistakes in a purchase agreement can create liability long after closing. An experienced attorney reviews the draft, negotiates terms that protect your interests, and makes sure the representations you're making about the business are accurate and defensible.

In some transactions we work from a purchase agreement with contingencies rather than a letter of intent. Your attorney should be involved early regardless of which structure is used, because the initial terms you agree to shape everything that follows.

If your business has a lease, the landlord's cooperation is often required to transfer it. Lease assignment or a new lease with the buyer is a step that can hold up or kill a deal if it isn't addressed early. Your attorney and your broker should both be tracking this.

A business broker handles much of the process coordination, but the attorney's role is specifically to protect your legal interests. These are complementary, not interchangeable.

[This post on building a team of advisors](#) explains how the different professionals work together.

For California-specific licensing requirements and regulations, the [California Department of Real Estate](#) governs business broker licensing in the state.

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How Can I Manage My Emotional Attachment to the Business During the Sale Process?

The most practical thing you can do is get clear on your reasons for selling before the process starts, so that emotions inform your decisions without controlling them.

This doesn't get talked about enough, and it should.

Most owners have spent years, sometimes decades, building something that reflects their values, their relationships, and their identity. Selling it isn't a purely financial transaction. It's a transition out of a role that has defined a significant part of your life. Feeling ambivalent, or even grieving, in the middle of a process you logically want to complete is completely normal.

Where emotions tend to create problems is in negotiations. An owner who takes a low offer personally, or who resists reasonable due diligence requests because they feel intrusive, can slow the process or push a good buyer away. The owners I've seen handle this best are the ones who have thought through their goals before the process starts, not during it. Why are you selling? What does life look like after? Having real answers to those questions before an offer arrives makes it easier to evaluate the offer on its merits.

Leaning on your advisors during this time is practical, not a sign of weakness. Your broker, attorney, and financial advisor are all more objective than you are, and that objectivity is part of what you're paying for.

It also helps to stay focused on what you've actually built. The fact that a buyer wants to acquire your business is a direct reflection of the value you created. That's something worth acknowledging.

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How Do I Negotiate the Best Terms and Price for My Business?

The best negotiating position comes from having multiple interested buyers, an accurate valuation, and a broker who knows which terms are worth pushing on and which ones will end the deal.

Price gets most of the attention in a negotiation, but the terms often matter just as much.

Deal structure -- whether the buyer is paying all cash at close versus a combination of cash, seller financing, and an earnout -- affects both your risk and your total proceeds. All cash at close is the cleanest outcome. Seller financing means you're extending credit to the buyer and getting paid over time, which carries risk if the business underperforms under new ownership. Earnouts tie part of your payment to post-sale performance targets, which can be difficult to enforce and often lead to disputes. Each of these structures has appropriate uses, but knowing what you're agreeing to before you sign is important.

The strongest negotiating position comes from having multiple interested buyers at the same time. When a buyer knows they're competing, the dynamic changes. This is one reason targeted outreach and a well-run process matters: it's not just about finding one buyer, it's about creating a situation where more than one buyer is engaged simultaneously.

Your broker's job in the negotiation is to advocate for your interests while keeping the deal moving. Some negotiating points are worth pushing on. Others will end the deal without improving your outcome. An experienced broker knows the difference and can push back on the right issues at the right time.

For context on what terms typically look like in small business transactions, [BizBuySell's market reports](#) track deal activity and sale price multiples by industry and region. The [IBBA also publishes annual research](#) on deal structures and market conditions that can help calibrate your expectations.

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What Should I Do After the Sale of My Business?

After selling your business, the priorities are completing the transition period fully, working with a financial advisor on how to deploy the proceeds, and giving yourself time to adjust to a significant change in daily life.

The first thing most sellers tell me is that they didn't expect how disorienting the first few weeks would feel. You've spent years making decisions every day, managing people, solving problems. Then, suddenly, you don't have to. That adjustment takes time, and it's worth expecting it.

On the financial side, work with a CPA and a financial advisor before the proceeds hit your account. How the sale proceeds are structured, the timing of payments if there's seller financing involved, and how you invest or deploy the capital all have tax implications that are much easier to plan for in advance.

The transition period you negotiated with the buyer is also a real commitment. Showing up fully during that period -- training the new owner, making introductions, being available for questions -- protects the value you sold and reflects the kind of owner you were. Buyers remember whether sellers honored that commitment, and it affects your professional reputation in ways that can matter later.

Beyond that, the question of what comes next is genuinely personal. Some owners start another business within a year and find they can't stay away from it. Others shift their focus to family, travel, or work they've put off for decades. A few transition into advisory or mentorship roles in their industry. There's no right answer, but thinking about it before the sale closes, rather than after, tends to make the transition feel less like a loss and more like a choice.



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Luke Middendorf is a Sacramento-based business broker with 26 years of experience helping business owners buy and sell companies throughout Sacramento County, Placer County, and El Dorado County.

He is a member in good standing with the California Association of Business Brokers (CABB) and the International Business Brokers Association (IBBA).

Before becoming a broker, Luke owned and exited his own business, giving him firsthand perspective on what sellers experience at every stage of the process. He has completed broker opinions of value on more than 40 businesses in the past year alone.

Request a Consultation

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