

Business Transaction Dictionary
(for Sellers and Buyers)

Agreement / Contract: To Buy and Sell Real Estate (General Commercial Use)(SC)	This is a standard South Carolina form used to enter into a contract between a Seller and a Buyer of Real Property. It is used in conjunction with an Asset Purchase Agreement for transactions that include the sale of Real Property and Personal Property.
Agreement for Purchase and Sale of Real Estate (NC)	This is a standard North Carolina form used to enter into a contract between a Seller and a Buyer of Real Property. It is used in conjunction with an Asset Purchase Agreement for transactions that include the sale of Real Property and Personal Property
Appraisal	An opinion of value of a property developed by a professional and disinterested third party and supported by data and evidence.
Asset Purchase Agreement	This is a draft agreement that specifies the price, terms, and conditions of the sale of Personal Property of a business. If Real Property is involved in the transaction, it is used in conjunction with an <i>Agreement for Purchase and Sale of Real Estate (NC)</i> , <i>Agreement / Contract To Buy and Sell Real Estate (General Commercial Use)(SC)</i> , or another agreement to convey Real Property.
Asset Sale	An Asset Sale is the purchase of individual assets and liabilities of a company. The Seller retains possession of the legal entity and the Buyer purchases individual assets such as equipment, fixtures, leaseholds, licenses, goodwill, trade secrets, trade names, telephone numbers, websites, and inventory. Asset sales generally do not include cash and the Seller typically retains the long-term debt obligations.
Blue Sky	That amount of the asking price that cannot be justified by any reputable method of valuation.
Broker's Opinion of Value	It is a Business Brokerage's estimate of the Most Probable Selling Price of a Seller's property for sale. It is limited in scope and not an appraisal.
Business Broker	A Business Broker is an agent of the Business Brokerage firm. The Business Broker is compensated by the Business Brokerage firm via an employment or engagement agreement.

Business Brokerage Firm	A Business Brokerage Firm helps people buy and sell businesses and earns money doing so. This role includes, among other things, acquiring listings, determining attributes and pricing, managing Sellers, engages multiple marketing services, finding qualified Buyers, gathers offers from Buyers to relay to Sellers, negotiating the deal, and managing the closing process.
Buyers	The legal entity or person who is interested in purchasing the Seller's property.
Buyer's Due Diligence	Buyer's Due Diligence is a review, investigation, and confirmation process designed to corroborate the representations of the Seller about the true status of the business with the intent to uncover material variances.
Buyer's Questionnaire	A document a Buyer discloses to a Seller concerning his relevant experience, financial resources, and specific interests in the Seller's offering.
Confidential Business Review	A comprehensive, confidential document prepared by the Business Brokerage Firm, approved by the Seller, and given to prospective Buyers. It contains details about the business including its location, operations, financial performance, markets, competition, growth opportunities, and other pertinent information.
Confidentiality or Nondisclosure Agreement	It is a legally binding contract between the discloser of information to a recipient binding the recipient to keep such information confidential and private except if disclosure is required by law.
Closing	The legal process of exchanging the Seller's ownership interests for Buyer's consideration in accordance with the Asset Purchase Agreement and other agreements between the parties after all contingencies have been satisfied or waived.
Earnest Money Deposit	It is money given by the Buyer with an offer to purchase. It is usually held by an escrow agent and shows good faith in moving the transaction forward.
Exclusive Right to Sell Agreement	A standard form agreement generally used by a Business Brokerage Firm or real estate company to represent the Seller of a transaction to convey Personal Property, Real Property, or both.
Fair Market Value	It is the amount at which a property would change hands between a willing Seller and a willing Buyer when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts.

Goodwill	The elements of a business that cause customers to return in sufficient volume to generate profits in excess of a reasonable return on tangible assets.
International Business Brokers Association	The International Business Brokers Association (IBBA) is a not-for-profit member association that promotes its members' professional development and interests to maximize public awareness of the business brokerage profession. It supports entrepreneurship and the concept that the investment risks of owning a business deserve a straight-forward, professional, and honest presentation to both Seller and Buyer. Its Standards and Code of Ethics impose obligations on its members beyond those in ordinary commerce. It believes its members should be zealous in maintaining and improving ethical practices and sharing with their fellow business brokers a Common Responsibility for integrity and honor in the business transactions.
Letter of Intent	Usually a non-binding contract (except for its confidentiality) that highlights the terms and conditions of a transaction to be later moralized in a definitive and binding purchase agreement.
Most Probable Selling Price	That price for the assets intended for sale, which represents the total consideration most likely to be established between a Buyer and a Seller, considering compulsion on the part of either the Buyer of the Seller, and potential financial, strategic, or non-financial benefits to Seller and probable Buyer.
Personal Property	It is any property which is not designated by law as Real Property.
Real Property	It is land and anything permanently affixed to the land, buildings, fences, and those things attached to the building such as light fixtures, plumbing, and heating fixtures or other such items which would be Personal Property if not attached.
Recasting	The process of utilizing business tax documents, financial statements, and operational information to derive a business's true earning power and the economic benefits of ownership.
Sellers	The legal entity or person who offers his property for sale.
Seller's Discretionary Earnings	Seller's Discretionary Earnings is the amount of generated income from operations that represent the financial benefit derived from business ownership.

Stock Sale	In a Stock Sale, the Buyer directly purchases the selling shareholders' stock thereby obtaining ownership in the Seller's legal entity. Unlike an Asset Sale, Stock Sales do not require numerous separate conveyances of each individual asset since title of each asset lies with the corporation.
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