

## Closing Escrow on Business Buying/Selling

The final part of the whole deal is the escrow. The word is an old Anglo-French word which originally meant 'piece of parchment or fabric'. In today's parlance, the word describes the process whereby a property is deposited with a third party to be transferred to the grantee (buyer), when certain conditions are met.

There is a lot of paperwork involved in buying and selling a business. It can be a daunting task, just from the paperwork alone. It can also be very stressful. An escrow officer specializes in handling these things and ensures that the buyer gets everything he or she is buying, with no hidden debts on the business and that the seller gets their money.

The things to know about escrow procedures with regard to a business is that it differs from a real estate escrow in the following areas:

- a) Date specified in escrow instructions for a business is 'on or after' the specified date. In real estate, the term used is 'on or before'.
- b) When the seller is paying all or a part of the escrow fee, a deposit from the seller is required as well as the buyer's deposit. Usually the costs are split, but it is whatever the parties agree to.
- c) If the sale in any way includes a liquor license, then all the money, including what is being paid for the liquor inventory must go through escrow. Also, no funds can be released before the escrow is closed.
- d) Finally, Instructions must be written and signed by all parties along with all initial deposits before the notice of sale can be published. When the notice of sale has been published and recorded, there is a 12-day minimum period, which does not include holidays and weekends, in which, any creditors of the seller can file claims with the escrow company. If the business being sold includes the transfer of a liquor license, then the time is extended.

## About the Author

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