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FOR SALE

The right steps for selling the business

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Business owners often wonder... when the time comes, how do I sell my business?

All owners will ultimately leave their business. The key is to do it on your terms and at a time of your choosing. Selling a business is usually a one-time event. It is also one of the most important financial transactions you'll make.

There is a process to selling a business, and it's important to realize that proper implementation of the selling process is essential to attain maximum value and a smooth transition of the business.

Before selling your business, review these steps:

➢**Preparation and Planning.** Staging a business for sale should begin one or two years prior to beginning the sales process. Determine the business value and begin any enhancements that will increase that value. Diversify your customer and supplier base. Additionally, remove non-operating assets from the premises and make sure the facility is clean, attractive and in compliance with government regulations.

➢**Assembling Your Team.** You need a team of professionals to successfully manage the sale. Your team should consist of: a professional merger and acquisition firm, your accountant and an experienced M&A attorney. If the right team is chosen, they will be able to maximize value, minimize taxes and legal risk, and do so efficiently and confidentially without disrupting the business.

➢**Preparing the Confidential Descriptive Memorandum .** For every business sale, an extensive document is needed to provide information to potential buyers. This descriptive memorandum should describe the history of the company, products and services, personnel, equipment, computer systems, facilities, financial performance, etc. Include any information that will help potential buyers understand your business.

➢**Normalizing Financials.** Financial performance is a key driver of market value. Most privately-owned businesses are operated to minimize taxes and support the owner's lifestyle with little thought given to the eventual sale of the company. To get the most value for your business, work with your accountant to normalize financial statements to arrive at a true picture of the net worth and income of the business.

➢**Marketing.** No one will buy your business if they don't know it is for sale. Once you have written your descriptive memorandum, you will need to find reliable prospects. The information you provide must remain confidential, so the prospects who will see this document must be qualified. Review their fit with your business and their financial ability to purchase and operate it. Always execute a confidentiality agreement before providing prospects with the memorandum.

➢**Negotiations, Due Diligence & Legal Documentation.** Prospective buyers who have received the descriptive memorandum should be asked to advise you of their interest including a preliminary range of value, the anticipated transaction structure, and a suggested time frame for closing a transaction. Continue discussions with those who generally meet your criteria, and discontinue discussions with those who do not. Ultimately, remaining prospects will prepare a Letter of Intent (LOI), which is a detailed proposal that will serve as a "road map" to move the transaction to closing. Negotiations will begin until the best prospect emerges. Upon execution of the LOI, the buyer will begin due diligence to verify the representations you have made about the business. Legal documents will be prepared and negotiated.

➢**Closing.** If the process has been coordinated properly from the time the LOI is signed until due diligence is completed, the buyer and seller will sign the legal agreements and the transaction will be completed.

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