

PREPARING YOUR MAINSTREET BUSINESS FOR SALE

1. Retain a CPA to do your taxes. It adds credibility for the buyer who is evaluating your business.
2. Keep working on running your business. It isn't sold till it's sold. The buyer wants a going concern.
3. Justify the add-backs and/or adjusted earnings. Lenders will allow interest expense, depreciation, owner's compensation and net income as add-backs. Business expenses for personal items may not add value to the sale of the business.
4. Clean-up the balance sheet, i.e., stockholders, pay-off loans, write-off obsolete inventory and uncollectable A/R's, sell off non-producing assets such as slow-moving or dead inventory as the buyer's due diligence team will identify them anyway.

Dividend-out extra cash not necessary for working capital and liquidate stocks, bonds, etc. that are not associated with the company being sold.

5. Prepare financial projections 1-2 years out. Help the buyer visualize the potential future of the business.
6. Receive fair market value appraisal of real estate (if owned) as well as machinery and equipment.
7. Have key employees sign non-compete and maybe have "stay-agreement" in place. Maybe promote key officers as full management team in place. Whatever relationships such as sales representatives agreements, key employees, landlords, vendors' orders, customers' purchase, etc. that should be formalized, do so for purposes of institutionalizing the business. Examine long-term contracts either to renegotiate the terms or extend these contracts if it is favorable.
8. Organize company records, i.e., minutes, BOD meetings, etc. Document all processes for customer acquisition, order processing, inventory management, shipping, collections, etc. Make a cookbook for your business so the buyer knows that he's buying your experience, and you don't need to be there to provide it.
9. Settle any and all legal threats by customers, vendors, or employees that are not yet finalized.
10. Consult with your attorney and/or other advisors for tax planning, generation planning, wealth management planning, etc.
11. Get advice on the industry average profitability and best practices and as possible continue to improve the business, even as you get ready to sell the business. Your business broker can help you understand the industry statistics.
12. Clean-up the office and facilities. You want to reflect pride in ownership for premium value.