



## Get Ready Now! Prepare Your Company for Sale

What do you need to do to prepare your company for sale? The answer is exactly what you should do if you aren't preparing to sell your business. Closely examine your company to assess it through the eyes of a would-be buyer. This may help you fine tune your operations, plug holes, clean up possible liabilities, and lock down valuable assets that might otherwise float away – sale or no sale. You don't have to wait until company's coming to clean the house!

### **Look Under the Carpet; Probe Personnel Issues**

Are there some cavities that need to get filled before you are ready for your due diligence examination? Are the financials accurate? Are your cyber liability risks under control? What are your warranty liabilities?

What assets reside (or liabilities lurk) regarding your personnel? Do you have a current employee handbook? Are your key sales, research, or financial people under appropriate confidentiality, non-competition, and non-solicitation contracts? Are you complying with overtime fair labor standard rules and proper payroll procedures? Are your independent contractors REALLY independent contractors? Is one of your employees the best future owner of your company? Would incentives help keep/inspire key employees?

### **Check In On Your Key Relationships and Assets**

Is your company's value dependent on trade names, or product packaging, certain URLs, or branded names or logos? Are they secured at the state and federal levels? Can your products and processes be patented? Are key supply and service agreements or software licenses locked down? Are you living within your covenants to your lenders?

### **Assess Your Ownership Structure – and Your Owners**

Your business structure may be a potential negative for a buyer. Most business sales will continue to be asset rather than stock purchases, better protecting the buyer from lurking liability. However, an equity purchases may require a change in the company's legal structure.

Who are the owners and how would they be impacted by a sale? This isn't always a straightforward answer. Clearly expressed corporate governing documentation is essential in a buyer's due diligence. It should be even more important for you, the current owner. Make sure you clean up any ambiguities between owners, option holders, and investors before you seek a buyer.

### **Enlist the Pros**

You may benefit from stepping up the expertise of your financial and operations staff in anticipation of sale through employing outside help. A proper third party valuation expert is essential, but not at first. Ask your CPM legal counsel and your CPA to help you find the appropriate appraiser expertise and the right seller-side representative when that time comes. And, of course, make sure you have a solid nondisclosure agreement before any potential buyer takes a peek behind the curtain.

### **Conclusion**

Prepare now. Sale or no sale, it pays to look at your business through the eyes of a buyer.