



OWNER'S CHECKLIST

1. What are the “ESSENTIAL REQUIREMENTS” motivating a transaction? **VERY IMPORTANT!**
 - a. Price
 - b. Protection of KEY Employees
 - c. Chemistry with Buyer
 - d. Take some Chips off the Table but stay and GROW company
 - e. Desire to pursue other interests
 - f. Economic Uncertainty in future
 - g. Other (explain _____)

2. IS YOUR BUSINESS READY TO SELL?
 - a. Do you have a vision (and a written plan) for driving future growth?
 - b. Do you have good financial controls and management information systems in place?
 - c. Does your firm use an outside CPA firm? Yes ____, No ___? If yes, are statements: Audited ____, Reviewed ____, Compiled ____ or none of these ____?
 - d. Are the majority of your revenues dependent on just a few customers? If yes, please explain the percentage of sales for your top five customers for past three years.
 - e. Is there strong management talent able to run the company after your departure?
 - f. Have you calculated ALL owners' perks so financial statements can be re-cast to reflect impact of removing them and adding in customary expense of a new, non-owner CEO?
 - g. Are important contracts (license agreements, patents, vendor contracts, etc.) assignable?
 - h. Are you prepared to undergo the scrutiny a buyer will need to perform prior to closing a deal? (Corporate Books and records up to date, EPA issues, undisclosed tax liabilities, pending or threatened litigation, etc.)
 - i. What is the form of “Legal Entity” of your company? C Corp? Sub S Corp? LLC? LLLP? Sole Proprietor?
 - j. Are you familiar with a “Virtual Data Room” and how it can positively affect the due diligence review process?
 - k. Unless your company is squeaky clean from a liability standpoint and has excellent systems and records in place, MOST buyers will want to buy ASSETS versus Stock. This potentially exposes the owners to a double tax on the sale proceeds if you are a C Corp.
 - l. Have you protected the KEY assets of your company? Intellectual Property, Trade Marks, Employees (Employee Contracts, Non-Compete agreements, etc.)

3. WHAT CAN YOU DO TO MAXIMIZE THE VALUE THE SHAREHOLDERS RECEIVE?
 - a. Hire strong Management talent below you – A stable and motivated Management Team is MOST IMPORTANT!
 - i. Are written agreements in place with key employees to prevent them from taking customers, employees, trade secrets, etc. should they leave?



A FASTER AND BETTER WAY FOR BUSINESS OWNERS TO CONNECT WITH BUYERS

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- ii. Can the Management Team be better? Recessions are an excellent time to find great talent.
 - b. Install GOOD financial systems and controls, retain an outside CPA firm, audited statements are best – ESSENTIAL to get top dollar.
 - c. Reassess Operating Systems to improve margins and sustainability of cash flow and update if necessary.
 - i. Recessions are a great time to reassess these.
 - ii. Look at systems to reduce costs and increase revenue in areas that:
 - 1. Improve business development practices by better serving existing customers and finding new ones,
 - 2. Better manage Inventory and Fixed Assets,
 - 3. Improve Manufacturing processes and work flow,
 - 4. Allow Company to more efficiently meet its compliance with regulatory requirements, and
 - 5. Allow Company to better monitor and manage Admin/HR issues.
 - d. Take necessary steps to diversify customer base if company is dependent on a few current customers.
 - i. Make necessary capital expenditures to add plant and equipment that will allow you to develop a broader customer base.
 - ii. Acquire customers from competitors going out-of-business or through acquisition.
 - e. Retain the BEST Advisors knowledgeable in the following areas:
 - i. Tax Issues involved in Selling your business
 - 1. Personal
 - 2. Business
 - ii. Strong Accounting Firm with experience in your industry
 - iii. Mergers and Acquisitions - setting realistic Expectations
 - 1. Consult with an Investment Banker with experience in your Industry (even if you decide not to do a retained engagement to understand current market metrics).
 - 2. Consult with a valuation firm familiar with the M&A market for your industry, or
 - 3. Consult with an Advisor that specializes in Succession/Transition issues.
 - iv. Legal Issues



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1. Corporate Governance
 2. Corporate legal Structure
 3. Compliance
 4. Undisclosed Liabilities
 - v. Succession/transition planning
 1. preparing your business for sale
 2. Preparing your personal transition plan
 - vi. Retirement/Charitable Giving and Estate planning
 - f. Remove from company books all “Owner Perks” not essential to run the business by a new owner. (i.e. Funding of Retirement Plans, Planes, boats, cars, condo’s, etc.)
 - g. Add back to SG&A expenses market compensation for a new CEO package
 - h. Cut out the “fat” in the business,
 - i. Family Members on employee rolls but not “really” active in business
 - ii. Club Memberships and other organization memberships, dues not necessary to operating business.
 - iii. Luxury Employee/Vendor/Customer retreats
 - iv. Loose Expense Account guidelines
 - i. DO – provide proper incentives to key employees and create a safe and fun place to work. Treat employees, vendors and customers with respect.
 - j. Have written plan that lays out how company will drive realistic future growth.
4. ARE YOUR ADVISORS EXPERT IN THE ISSUES INVOLVED IN SELLING A BUSINESS?
- a. Accounting
 - b. Legal
 - c. Tax Issues
 - d. Mergers and Acquisitions market metrics and key negotiation issues
 - e. Business and personal succession/exit planning issues

The above is NOT intended to be exhaustive but rather to highlight some obvious issues to think about prior to selling part or all of your company. The M&A MARKETPLACE by CHCSM can confidentially refer you to professionals that are expert in a variety of needed disciplines.

CONTACT: infohn@mamarketplace.com
(404) 626-1881