Saving Time and Money when Selling a Small Business

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Advance planning is crucial when you decide to sell your small business. You need to be at the center of that planning. Don't abdicate your responsibility for selling your business to your lawyer, your accountant or your business broker or investment banker. You need to be deeply involved in the preliminary planning process. Follow these simple preliminary planning steps to assure that you will be selling your business at a high price in the shortest possible time while paying the minimum transaction costs.

1. Talk to your lawyer to make sure that he or she has significant experience in buying and selling business. If he or she doesn't, you should retain another lawyer from the same firm or a different firm who has that experience.

2. Talk to your accountant to make sure that he or she has experience in this area as well. If he or she doesn't, he or she could recommend one who does.

3. Meet with your experienced accountant and/or your investment banker at least 2 years before you sell your business to review your balance sheet and income statements. Together you can develop and implement a plan intended to improve your financial statements over the next two year period (reducing expenses, accelerating revenues, making small changes in your operations, etc.). This will help maximize the expected sale price of your business.

4. Ask your accountant and your lawyer if there is anything you should do to prepare for the due diligence investigation that a buyer will be performing. Are your minute books up to date? Are your key contracts in good shape? Are your books and records in good shape? Work with your lawyer and your accountant to complete these preliminary preparations.

5. Enter into detailed discussions with your lawyer, your accountant and your business broker/investment banker to determine which of your advisors has strengths in which particular areas. Then work with them to allocate primary areas of responsibility among the following tasks:

   a. Will there be a "data room" where all documents will reside for the buyer's due diligence? If so, who will run the data room? The advisor running the data room should normally be the person who is primarily responsible for gathering the documents for due diligence, but talk to your advisors beforehand about who will be handling what aspects of due diligence. Remember that your company employees can share responsibility for due diligence–as long as they can do so while keeping the deal confidential and without unduly interfering with their normal jobs. Responding to the buyer's due diligence requests and gathering requested information and documents is a time consuming task. It is important that you plan properly.

   b. Discuss possible tax issues with your advisors and determine who will take the lead on doing any tax research and giving tax advice on the transaction. You don't want to have your lawyer and your accountant doing the same tax work. You need to ask direct questions and receive honest answers from the both to determine who has the most depth in the areas of tax which will be most prominent in the transaction. It doesn't hurt to have one of your advisors review the work of the other, but you don't need both working on the same tax issues.

c. Determine who will have what roles in negotiating the deal points and in finalizing the documents. Typically, if a business broker or investment banker is involved, he or she will be the one working with you to negotiate the deal points. Normally his or her training and compensation structure put him or her in the best position to get the best price and to move the deal forward. The lawyer, on the other hand, normally sees his role as preparing and/or reviewing the deal documents with the intent to protect you from known or unknown liabilities while getting you the best deal. Both viewpoints are important in moving the deal forward, but, since the business broker and the lawyer are approaching the transaction from different perspectives, you want to make sure that their jobs don't unduly overlap, and that they are working with each other and not against each other. Let them know that you expect total cooperation from both.

6. Make sure your own internal team is in place. Determine early on who you need to rely on internally and make sure every member of your internal team knows their job and agrees to keep all aspects of the sale completely confidential until you direct them to do otherwise. Determine which members of your team are going to work with which advisors and clearly delineate and establish the lines of communication.

7. Finally, although you will probably not be able to negotiate fixed fees for your advisors, have them give you ballpark estimates of the time it will take to do the deals and the cost of doing the deal. You need to have realistic expectations before getting started.

If you follow these simple guidelines you will help maximize the value of your business, reduce the time that it takes to complete your sale and minimize the costs related to your sale.