

## EXIT STRATEGY CHECKLIST

As a private business owner, you know that every major decision required careful thought and preparation; and what bigger decision is there than deciding to sell your business? To sell your business is not as simple as putting up a for-sale sign. There are lots of things you need to take into consideration, and many steps to prepare. Making these strategic decisions will help you achieve the highest possible valuation of your company.

Here are some points to consider when planning the sale of your business:

**1. MAKE YOURSELF REDUNDANT**

You are selling your business, not yourself. Buyers will want to see a strong supporting management team. This indicates that the business will continue to be a successful long after you are out of the picture.

**2. PREPARE EARLY**

You need to start thinking about ways to maximize profitability before deciding to sell your business. Ideally you want to have demonstrable and higher earnings when it's time to sell. Focus on achieving those operational efficiencies, cost reductions and other value enhancers in advance.

**3. HAVE STRONG FINANCIAL CONTROLS AND PROCESSES**

Having a good CFO of finance in place is a good start to implementing strong financial controls. Take time to really understand your business operations and look at profitability from an objective standpoint.

**4. OFFER A REALISTIC AND SUPPORTABLE FORECAST**

To most buyers, you are selling the future and future cash flows. Have a realistic and supportable forecast. This points to the credibility of management and the quality of the business. Providing potential buyers with forecasts that are reasonable, believable and achievable can further demonstrate the underlying value of your business.

**5. WORKING CAPITAL: UNDERSTAND IT, MANAGE IT, REDUCE IT**

Working capital is often an overlooked source of value, but it can be difficult for an owner to firmly grasp. Working capital is the lifeblood of a business, and buyers expect to receive a normal level. Managing working capital requires both effort and time, but it can free up trapped cash and can lower the total level of working capital buyers expect to be delivered.

**6. SEEK PROFESSIONAL ADVICE**

Ensure that you have the right team of professionals helping you with accounting, tax, and legal. Each will have their role in the sales process and can provide you with different perspectives and expertise in their respective areas.

Here is a due diligence checklist that you should use to start preparing your business for sale:

## **DUE DILIGENCE CHECKLIST**

### **A. *Books and Records up to Date***

- Review both internal and external documents (i.e., filings with the state and bylaws, minutes, etc.)
- List of owners with percentages owned
- List of all states where you do business

### **B. *Tax and Financial Information***

- Tax returns and audited financial statements for five years
- List of all debt
- List of inventories
- List of all assets
- List of A/R and A/P
- Depreciation schedules

### **C. *Real Estate***

- List of all real property
- Copies of all leases

### **D. *Employees and Benefit Plans***

- List of employees
- Copy of Employee Handbook
- Copies of all qualified plans and summary plan descriptions
- Worker's compensation history
- Unemployment insurance claims history

### **E. *Licenses and Permits***

- List of all governmental licenses, permits or consents
- Any correspondence or documents relating to any proceedings of any regulatory agency

### **F. *Environmental Issues***

- Copies of any Phase I or II audits
- Copies of any past remedial action
- Copies of any EPA or other orders

**G. *Key Products***

- A list of all key products

**H. *Key Relationships and Contracts***

- List of key customers
- List of supply or service agreements
- List of other key contracts

**I. *Litigation***

- List of all pending and contingent litigation

**J. *Insurance Coverage***

- List of all liability, key man, fire, etc., insurance policies
- List of all covered and uncovered claims for past three years