



PRIVATE WEALTH

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How To Prepare Your Business To Be Sold





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How To Prepare Your Business To Be Sold

A well-thought-out and defined exit strategy is prudent regardless of whether you are a seasoned investor or an entrepreneur who wants to capitalize on your business's financial value. Outside of the apparent pitfalls that form alongside hastily developed plans, the more you prepare, the higher the likelihood of securing an advantageous price from the sale. Similar to how a skilled investor analyzes opportunities in a given market, the sale of business demands careful groundwork.

Build & Sell a Firm Foundation

Ensuring your corporate affairs are in impeccable order is pivotal for the sale of your business. This entails intricate and detailed analysis of your tax returns, financial statements, and legal documentation to ensure they are accurate and current. With this, sellers can establish what they are selling and why it is valuable. Before pushing forward with a sale, set the stage for a thorough and credible negotiation process.

For instance, holding regular board meetings is indicative of a well-organized enterprise. When a seller can present the documented minutes and resolutions, they are proving the concept. These acts underscore the business's governance and managerial structure. Additionally, there is a legal component to consider. The above practice exhibits your commitment to transparency and accountability during the sales

process. It paints a defined image for the buyer and allows them to visualize the systems and processes they eventually obtain.

Maintaining tax return consistency that aligns with your entity type can prevent unforeseen complications during the sale process. This signals stability and proper oversight and can alleviate a buyer's concerns. This is a legal obligation, and it can significantly impact the sale of your business. Having appropriate tax returns that coordinate with your chosen entity type affects day-to-day operations and how attractive your business is to potential buyers. Without them, the seller cannot present a transparent financial picture.

Though this is apparent to most business owners, different entities are subjected to distinct tax regulations. There have been instances where organizations have submitted tax returns that don't reflect their entity's specific tax rules. This level of oversight triggers audits, penalties, and legal complications that are counterintuitive to a sale. The accuracy and reliability of financial information tremendously influence a buyer's decision to move forward. Teams will likely analyze financial records to assess value and potential risks.

Documentation & Sales

In addition to the legal repercussions outlined in the previous section, it is critical to highlight how this can

negatively impact your business's valuation. In addition to predictability and stability, consistent financial histories influence the valuation process. They are symptomatic of financial health, revenue, expenses, and tax liabilities.

When a buyer is in a position to analyze accurate tax records, they can effectively assess financial performance and make projections about the organization's future earning potential. Without reliable financial metrics, negotiating an appropriate price becomes difficult—if not impossible. To speak of the latter, negotiations may cease when a discrepancy of this magnitude is uncovered because it adds another dimension of risk to the sale.

Safeguarding Intellectual Property

Proprietary information and intellectual property (IP) is the keystone of competitive advantage. In this regard, confidentiality is a strategic imperative. Though many people accept this as a prerequisite for operating a business, it is also a factor during the sale of one. Utilize the correct legal tools. Non-disclosure and confidentiality agreements should be given to key personnel because they form legal barriers against the unauthorized sharing of sensitive yet valuable information.

The dual impact of these forms must be noticed. Because this guide is about preparing to sell your business, we will stress that NDAs can foster trust with

potential buyers. They will see the steps a business has taken to ensure the security of their proprietary information. They contribute to a business's marketability.

Thinking Beyond Documentation

Because this guide focuses on preparation instead of execution, don't overlook the importance of having a solid succession plan. View it as an investment in the business's ongoing success. Though many people default to seeing it as a contingency plan, it can serve as a blueprint for organizational growth and stability. This involves identifying successors and ensuring the business's future beyond the seller's tenure.

These people have command over the organization's values and strategies and will work to keep the business intact despite the change in leadership. It is a strategic move leading to a seamless transition of administration and operations. Who are the key employees, managers, or external management entities that hold vital roles regarding the business's continuity? When these individuals are groomed to understand the company's inner workings, the seller has added another layer to their regimented framework. The more diversified the seller's leadership team is, the more resilient the organization will be when confronted with inevitable changes—both positive and negative.

The Low Trajectory on the Long-Distance Horizon

potential buyers. They will see the steps a business has taken to ensure the security of their proprietary information. They contribute to a business's marketability.

Exit strategies that outline the seller's future involvement are pivotal for a transition. This should also be paired with succession plans and post-sale financial goals. This strategy demonstrates your commitment to a sustainable business legacy. The extent of the seller's involvement in the business after the deal has been finalized varies based on the business type, the buyer's ability to run the company on their own, and the terms of the sale. This, too, requires an appropriate level of foresight because there will be a delicate balance between using the previous owner's experience and combining it with the new owner's vision for the business's future.

When a seller is on the brink of a decision of this magnitude, never underestimate the importance of obtaining strategic guidance, meticulous preparation, and experience. Private Wealth Law Group, P.C. partners with business owners on the precipice of selling what they have built. We have extensive experience with business sales and will guide you through each component of the sales process. Your business is more than an asset. It is the embodiment of your vision, dedication, and sacrifices. We will arm you with the appropriate guidance to make informed decisions. Contact our office to schedule a consultation, and we will take care of you, your business, and its sale.



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