

Ask an Expert

Selling Your “Baby”!!

So, you have built a successful business over your lifetime and are beginning to consider selling your “baby.” A successful exit requires careful planning and many steps; here are a few to get you started.

1. Gather Your “Team.” It is important to line up your team of professionals – accountant, financial advisor, business broker/investment banker and attorney. Each will have an important role in bringing the sale transaction to a close.

Your accountant should make sure that all books are in order, financial statements are readily available and will be understandable to potential buyers.

You should review your personal financial situation with your financial advisor to determine if you are financially ready to sell and discuss your future goals following the sale of the business (e.g., how much cash do you need (after taxes) to fund your expected future activities, whether it be retirement, another business venture or charitable endeavors).

A broker will assist you in determining the appropriate price and, most importantly, finding interested and well qualified buyers.

You will need your attorney to assist on several fronts during the sale process, including confirming that all important intellectual property used in the business has been properly assigned to the company, reviewing corporate documents and key contracts to make sure any problems are addressed, reviewing or preparing the necessary sale documents and limiting your risks related to post sale liabilities relating to the operations of the business.

2. Increase Bottom Line Numbers. Businesses are typically valued based on a multiple of net cash flow or earnings generated by a company over the prior 1 to 5 years. Therefore, you should take steps to accurately account for all revenues and take other sound business actions to reduce costs. For example, if a company is able to increase earnings by \$100,000 and the multiple

agreed to for the particular transaction is 3.5, the addition to the sale price would be \$350,000.

3. Review and Clean-up Contracts. Important contracts should be reviewed by your attorney and any problem provisions should be revised to the extent possible. Key vendor and customer contracts, important license agreements and leases should be reviewed to determine if any potential issues exist that can be

corrected prior to meeting with possible buyers. For example, quite often contracts will state any sale transaction will give the other party a right to terminate the agreement. These types of provisions can cause the buyer to reduce the purchase price, increase the costs of the transaction or even kill deals.

4. Train Employees to Run the Company. Unless you plan on staying with the company as an employee following the

sale, make sure that employees are capable of running the company after the sale transaction. Consideration should be given to training employees to run sales, finance, operations and other key functions so that you can truly

exit the business and the buyer will be comfortable that the

company can move forward in your absence.

For more information relating to exit planning, contact Dominic P. Marco, Jr., Esq. of Lauletta Birnbaum LLC at 215-278-4161 or email dmarco@lauletta.com.*

**Licensed to practice in Pennsylvania.*



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