

HOW TO SELL YOUR BUSINESS TO A USA BUYER

If a carefully considered decision has been made to sell a business, it is important to go about it in a systematic and professional manner. The process that has proved to be effective is described as follows:

PREPARE THE BUSINESS FOR SALE –There are steps (not all simple) to make your business look attractive, including:

- Competent, experienced, and well-organized continuing management
- All premises neat and well-organized
- Financial records complete and up-to-date

ENGAGE AN INVESTMENT BANKER (IB) – Selling a business requires the advice and services of a qualified professional experienced in your industry. Compensation will probably include a monthly retainer and a success fee.

PREPARE A TARGET LIST – Working with your IB, prepare a preliminary list of those companies acceptable to you and likely to be interested in your company.

PREPARE AN OFFERING MEMORANDUM (OM) – The IB, working with information that you provide and additional industry research , should prepare an OM that contains all of the information that a target will need to determine its interest and a range of purchase price that it will propose. There will be some information that needs to be withheld but will be provided if and when deemed appropriate.

IB CONTACTS TARGETS – The IB then contacts the companies on the target list to determine which are interested in learning more about the opportunity. Those that are interested will surely ask that more information be sent for them to study.

SECURE AN EXECUTED CONFIDENTIALITY AGREEMENT – Use a form prepared or approved by the seller’s attorney. Any changes requested by any target should be approved by the seller’s attorney.

SEND A COPY OF THE OM TO TARGETS THAT HAVE PROVIDED AN EXECUTED CONFIDENTIALITY AGREEMENT – Each OM sent to a target should include the IB’s letter requesting (if the target is interested) a non-binding letter indicating the target’s valuation (or range of valuation), the expected source of required funding, terms of payment, and expected continuing employment and duties of the seller’s and the key employees.

SELECT THE MOST ATTRACTIVE INTERESTED POTENTIAL BUYERS – The selection should be based not only on the valuation, but also on other important factors such as: financial capability of the targets, terms of payment, target’s plans for the seller’s staff, and any other factors the sellers and the IB deem important.

INVITE THE CHOSEN TARGETS TO VISIT FOR DISCUSSIONS AND PREMISES TOURS – Then provide appropriate additional information the targets request, and request that a detailed, non-binding Letter of Intent (LOI) be provided by interested targets.

SELECT AND ACCEPT THE ONE LOI AND BUYER DEEMED BEST

DUE DILIGENCE – The selected buyer and its advisors will then conduct substantial operations and financial due diligence.

NEGOTIATE AND (HOPEFULLY) EXECUTE A BINDING PURCHASE/SALE AGREEMENT – It is very common that this can be a long, contentious, expensive and difficult process.

CLOSE THE TRANSACTION – This may take place in an attorney’s office or via emails. The sale proceeds will be wired to the seller’s bank account.

ANNOUNCEMENT TO SELLER’S EMPLOYEES – The seller, possibly accompanied by a representative of the buyer, should announce the transaction to the seller’s staff, and make appropriate statements about plans for the company and the seller’s staff.

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