

## 7 Serious Seller Questions To Ask Before Offering Your Company for Sale

**#1- What is my true motive to sell?** What is the true reason or reasons for your decision to sell your company? You may want to keep that reason from potential buyers but don't keep it from yourself. Far too many owners offer their companies for sale without identifying to themselves, much less potential buyers, the true motivation for this major decision. Financial Distress, Health, Retirement, Partner or Shareholder Disputes, and a myriad of other reasons bring company owners to the decision to sell. Only take your company to market if the reason to do so is clearly defined, that your motivation is not whim or without substance and it's your best solution to address its motivating purpose over all other alternatives.

**#2 – Is now the best time to sell?** The timing of a sale is always best when thought, care and preparation are allowed a period long enough to coalesce. It is also best to sell at a time your company has recently and is currently experiencing up trending sales and profitability. *The best market is the best market*. This self-apparent statement is lost on many company owners who resist a sale during strong economic growth periods, choosing to believe the good times will never end. Note to all: THEY ALWAYS EVENTUALLY END! Conversely the decision to sell during tough economic periods should only be taken if necessary, and sadly that necessity occurs too often as a result of poor thought, care and preparation.

**#3 – How will the market value my company?** Forget your value for your company, if you decide to sell the “Market” will ultimately determine its value. Who is the Market? Third party arm's length buyers make up the “Market”. While there are subsets of market buyers most fall into the categories of Strategic, Fair Market and Financial. As an early part of your decision to sell a market valuation must be completed to determine the likely and reasonable price range your company would sell. If you offer your company for sale to the Market at an indefensibly high price your results will most probably end with few interested prospects and no sale. Worse, if you offer your company for sale to the Market at an under market bargain price it will likely sell quickly but you will soon regret having left equity on the table.

**#4 – Is my company ready to sell?** You may be ready to sell but is your company? There is a great deal of preparation that must take place to ready a company for sale. Are all decision makers fully on board and unified in their purpose to sell? Are books, records and all operations information assembled and in order? Are there any legal, tax, environmental or other pressing issues outstanding? Are key personnel to be informed or kept out of the process? How will confidentiality be maintained? For the best outcome those and many other items must be carefully chronicled and dealt with before formally offering your company for sale.

**#5 – Who should be on my sale advisory team? And who should lead?** Your sale advisory team members should consist of you and your board, a business attorney with contract and transaction credentials (not a litigator or general practitioner), the company CPA and an experienced M&A transaction broker. That broker may be from your attorney's or CPA's office but beware of the "two hat" syndrome where someone's primary and fiduciary function is compromised by conflict of interest or worse incompetence. The team leader? I respectfully submit the M&A Broker is best suited to act as liaison between all other advisors as well as the direct conduit in negotiations with buyer prospects and therefore the best person as team leader.

**#6 – Do I have any potential deal breakers?** Are there any non-negotiable items that would cause you to walk away from an offer to purchase beyond the obvious price floor? These deal breakers tend to fall in the terms and conditions portion of a sale. Some of these deal breakers are substantive but many are just cherished traditions or sacred cows that mean a lot to you but little to new owners. Non-negotiable deal breakers range from sacred cows like "my nephew must be offered continued employment" - "you must pay for my club memberships for life" - "I won't sell to a foreign corporation". Substantive deal breakers are those that you believe will or could likely negatively affect you post-closing. While Substantive deal breakers must be carefully weighed and considered do your best to put the Sacred Cows out to pasture.

**#7 – What involvement do I want post sale?** Do you want any involvement with your company after the sale? Most buyers will demand some post-closing assistance from you and any other owners active in the business operations. Some will want you to stay on in an employment roll for an extended period. Perhaps you would like to own a minority piece of your company post-closing and also have employment. That is a form of sale called **Recapitalization**. It is important to ask and honestly answer this question prior to marketing your company for sale.

**For more information, or a complimentary company value assessment, please contact:**

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