

HOW TO SUCCESSFULLY SELL YOUR COMPANY (AND NOT SCREW UP)



Presented by

Baran Rosen

President

Whitestone Communications

51 East 42nd St., 11th Floor

New York, NY 10017

646 723-9966

brosen@whitestonecommunications.com

Congratulations!



- Achieved an established business
- Built a reputation in your marketplace
- Gained customer respect
- Track record of revenue and profit

 Company will have value to a buyer

How to Reap the Rewards



- Many years and long hours
- Most owners only sell a business once
- How can I make sure a sale will:
 - Capture the maximum value
 - Achieve my non-financial goals

How to Reap the Rewards

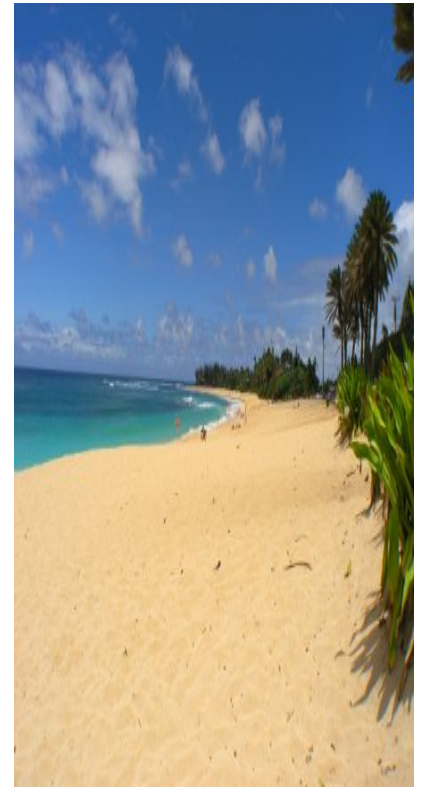


The Answer

- Planning
- Preparation
- Running a proper selling process

Mistake #1: Not Really Ready to Sell

- Am I ready to let go?
- Discuss with my family
- Talk to those who have sold
- Take a walk on the beach
- What will I do after the sale?
- Am I prepared to commit the time to a sale and to deal with the stress?
- Prepare for “seller’s remorse”



Mistake #2: Ignoring Conditions of the Market and My Situation

- Market conditions and valuation trends
- Status of my own market, its conditions
- Status of my own business, personal health/goals

M&A Making a Comeback



- *“Deal-making is back. The question now is: How will it look over the coming months?”*
NY Times on Sept. 17, 2009
- “... hopes are rising that ... might indicate a genuine turning point in the merger market.”
The Economist on Sept. 10, 2009
- *“Looks like the economy, and with it the urge to splurge, is back.”*
Om Malik on Gigaom.com, Sept. 15, 2009

Mistake #3: Not Knowing What You Own—and Can Prove You Own

- What exactly are you selling and the buyer buying?
- Reconfirm your major legal documents
- Confirm transferability of contracts
- Confirm you can show contracts to a potential buyer without the other party's approval

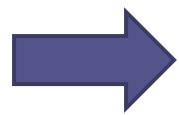
Mistake #4: Not Prepping Yourself For the Selling Process—Do Your Homework!



- Preparing yourself
 - Read books on selling a business
 - Come to understand the selling process/deal terms (i.e., the “holdback”)
 - Understand optional deal structures
 - Understand the expenses of selling
 - Know your anticipated valuation range

Mistake #5: Not Preparing Your Business For the Selling Process

- Improving the business and its profit
 - Consider raising prices modestly
 - Eliminate unnecessary expenses / non-essential staff
 - Shut down losing product lines
 - Organize legal, contract and other key documents
 - Have a successor (more important if > \$5MM rev.)

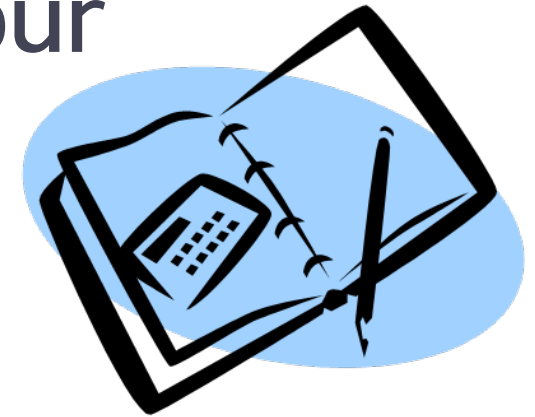


CRITICAL--Do continue to operate the business as if a sale will not take place

Mistake #6: Not Planning on Staff Communications

- Staff issues:
 - Deciding what to communicate to staff and when
 - Employee reward plans
 - Key management

Mistake #7: Not Getting Your Financials in Order



- Accountant review and clean up
 - Audit not necessary
 - Consistency is necessary--revenue and expense recognition policies applied on a consistent basis
 - Cash-based and GAAP statements
 - Clarify corporate tax issues, i.e.,
 - Independent contractors
 - State sales taxes
 - Insure bank records can tie to financials

Mistake #8: Hiding Information From/Misrepresenting Information to the Buyer



- Importance of trust
- Information issues can cause price to be cut, deal to collapse, or lawsuit
- Provide accurate information in a professional package
- Packaging weak attributes as an opportunity

Mistake #9: Not Providing a Solid Information Package to the Buyer

- The key to a achieving good price—rock solid information
 - Conveys professionalism
 - Makes the buyer believe your business is well organized → higher valuation
 - Makes the process go faster because you can readily meet information requests

Mistake #10 (*the biggest*): Selling the Business Without Running a Competitive Process

- Why a Competitive Process?
 - Want buyers pitted against each other
 - Create a sense of urgency
 - Once and only chance to buy your gem of a company
 - Gives you greater negotiation power
 - Sets intermittent deadlines /creates momentum
 - Avoids waste of time dealing with one buyer at a time

What is a Competitive Process?*

- Major steps:
 - Descriptive (offering) memorandum*
 - Preliminary offers
 - Management presentations
 - Submission of final offers--Letter of Intent/Term Sheet*
 - Due diligence—“swimming with the sharks”
 - Negotiate purchase agreement*
 - Buyer meets key employees
 - Close and wire money to seller--Relax!



* For sample documents and excerpts contact svnathan@whitestonecommunications.com

SUMMARY

- Determine if you are really ready
- Make sure market and business conditions positive
- Prepare yourself, your business and your organization for a sale
- Disclose all information in a professional package
- Run a competitive process

Good Sailing!

