

Business Transaction Marketplace

Information about Business Valuations, Acquisitions, & Sales

March 2007

The Time is Right to Sell – But is the Business Prepared?

In the [January Issue](#) of *Business Transaction Marketplace*SM, we provided some statistics on business ownership transfers. It is unfortunate to see how few businesses marketed for sale, actually sell. The Issue pointed out that one of the contributing factors for this lack of success is simply this:



“The business was not adequately prepared for sale”.

The *Marketplace Alert* section of this Issue indicates that over the next 10 years, one-third of U.S. businesses will transition ownership. The supply of businesses on the market for sale may very well exceed the demand. Business owners wanting to sell their businesses will be competing in the marketplace for good buyers. This is another reason business owners need to understand that their businesses must be properly positioned, in order to be sold.

The motto of the Boy Scouts of America – *be prepared* – says it best and is the subject of the following articles.

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Preparing a Business to Be Sold



We believe *planning* is critical when making any important business decision. [Comprehensive Planning](#) for business owners encompasses these four planning activities:

1. Business Plan (a hold and grow decision)
2. Exit Plan (a sell and go decision)
3. Estate Plan (an invest and protect decision)
4. Life Plan (living a purposeful life)

If as a result of going through the [Exit Planning Process](#), the decision is made to market and sell the business to a third party – the question becomes – “Is the business prepared to be sold?” You can read about preparing a business for sale in a *CPA Advisor* article, by clicking the link below. Although the article is dated, the same principles hold true today.

[Read more . . .](#)

Selling a Business is a “Team Sport”

The [Article](#) mentioned above stresses the importance of the departing business owner assembling a team of competent advisors.

If the decision is made to put the business on the market, here are four advisors that should be part of the business owner’s Advisory Team:



- **Business Intermediary** – The Business Intermediary oversees the [Business Sales Process](#) – particularly the planning, research and negotiation phases. A Business Intermediary maintains confidentiality throughout the Process, and acts as the communication link between the principals, and their advisors.
- **Attorney** – At the Planning phase of the Process, the Attorney reviews organizational documents, contracts, and other legal matters in preparing for an ownership transfer. The Attorney will review (and possibly draft) the Definitive Purchase Agreement, along with the closing documents.
- **CPA** – Buying or selling a business is essentially a financial decision. Reviewed or audited financial statements by the business owner’s CPA firm go a long way in adding credibility to the numbers. CPA’s also play an important role in deal structuring – particularly from a tax saving standpoint.
- **Financial Planner** – A Financial Planner plays an important role during the initial stage of the [Exit Planning Process](#), in identifying a business owner’s long-term financial objectives through retirement, and deciding whether to “hold and grow, or sell and go”. Once the liquidity event occurs, it’s the Financial Planner and Attorney’s role to “invest and protect”.

Marketplace Alert



The “VIP Forum” recently estimated that within the United States alone, personal wealth generated by transfers of business assets could total \$4.6 trillion over the next 10 years. The forecast was based primarily upon the projection that at least one-third of all business owners will transition ownership over the next 10 years.

In global markets, 20-50% of CEO’s expect to transition ownership within 10 years (depending on the specific country) and will trigger a similar shift from business to personal wealth.

Upcoming Darrell Arne Seminar

Critical Factors in Valuing and Selling an Architectural Firm

March 23, 2007; Albuquerque, NM

Sponsored by: AIA-New Mexico

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