



111+ Things To Do Before Selling Your Company

March 2018 Edition

We have developed this resource for you, the business owner, to help you prepare for the sale of your business—perhaps the most important step in business ownership. The outline is neither sequential nor complete, but, rather, designed to help you think about both the big picture and the many, many details you should be considering as you prepare for a potential exit strategy. It is based on the more than 100 transactions in which we have been involved, and is updated regularly as we run into new experiences and changing environments. We hope you will find it helpful.

If you have any questions or need additional information, please contact us and we will get back to you quickly with a response.

1. Talk to your family.
2. Talk to your accountant.
3. Talk to your partners.
4. Talk to your employees.
5. Talk to your friends.
6. Talk to your mentors.
7. Talk to brokers.
8. Talk to your personal lawyer.
9. Make a list of possible buyers.
10. Make sure you know if you are a sub S or LLC or C corp.
11. Review all business contracts.
12. Write a brief business plan.
13. Consider non-competes and employee contracts.
14. Reinforce relationships with key clients.
15. Cut out unnecessary costs.
16. Be prepared for it to take 6-12 months to get things in order.
17. Build profits (EBITDA).
18. Remove personal items from premises and balance sheet.
19. Recast your financial statements.
20. Think BIG and SMART.
21. Decide on what you want to do after the sale, and when.
22. Consider ideal transaction structure you would like.
23. Learn about earnouts and other forms of consideration.
24. Locate all your legal documents.
25. Buy the 3-6 best-selling books on selling your business.
26. Start today.
27. Create a timeline and schedule action items.
28. Increase low cost PR initiatives.
29. Network like crazy.
30. Speak at events...your people or you.
31. Write articles, books, blogs, etc....your people or you.
32. Investigate doing an ESOP.
33. Reconsider decision to sell.
34. Figure in costs of accountants, lawyers, brokers, taxes, etc.
35. Plan on the sale process consuming a lot of time.
36. Consider transferring some ownership.
37. Disengage from losing clients.
38. Reduce dependencies on key clients, key employees and yourself.
39. Wind down losing product lines.
40. Create historical records in addition to financial records.
41. Create an exciting story.
42. Identify 20 credible opportunities for the buyer.
43. Upgrade your Website.
44. Dress up your office.
45. Get an HR manual/employee handbook in place.
46. Pay or settle open bills.
47. "Clean up your act."
48. Take family off payroll.
49. Identify all possible re-castables (adding back to profit expenses a buyer will not have).
50. Prepare now for due diligence.
51. Understand M&A terminology (read).
52. Clean up the balance sheet.
53. Prepare for working capital adjustment.
54. Make sure major contracts are transferable to the buyer.
55. Identify your replacement or the strategy to replace you.

56. Consider spending less time at the office.
57. Understand the "auction" process for selling.
58. Understand the "pre-emptive bid."
59. Study the international market for your business.
60. Make a list of your competitors and their strengths.
61. Decide what you think your business is worth on the open market.
62. List the barriers to entry.
63. List your obstacles to growth.
64. Project what additional investment will do for your business.
65. Set-up a winning visitor routine now.
66. Plan to invite buyers to your home and/or club.
67. Make a list of your IP and be sure you are protected.
68. Update your bio.
69. Decide what you will say to buyers in a first meeting.
70. Think through corporate culture.
71. Reward profit initiatives, ideas, people.
72. Write a company history.
73. Read 3-5 sample offering documents (often referred to as offering or descriptive memorandums) for other similar companies.
74. Consider accretive acquisitions.
75. Secure all your relationships.
76. Read up on the term "seller's remorse."
77. Document/systematize everything.
78. Update technology.
79. Be sure you have rights to all key software your people use at work.
80. Consider whether to expense or amortize.
81. Think about your CFO's future.
82. Consider if you will accept relocation.
83. Do some "what if" scenarios.
84. Create an omni-purpose company selling piece.
85. Plan what you will do with the proceeds from the sale.
86. Talk to others who have similarly sold.
87. Review your business and personal insurances.
88. Use "options" vs. commitments where you can.
89. Start a journal.
90. Write a weekly project report.
91. Exercise daily.
92. Create a physical and/or cyber data room.
93. Be demanding with brokers and others helping.
94. Keep track of selling-the-business-related expenses.
95. Raise prices.
96. Understand cash flow.
97. Understand GAAP.
98. Master accounting terms.
99. Get all files, libraries, records in order.
100. Be Sarbanes-Oxley and ethically fully compliant.
101. Review nexus issues.
102. Review independent contractor issues.
103. Get an M&A attorney involved.
104. Identify with your employees 100 ways to cut costs.
105. Study five previous similar transactions.
106. Get involved in your association(s).
107. Create an Advisory Board.

108. Get comfortable with being represented by an intermediary
109. Consider consulting for next life or transition.
110. Get some company t-shirts.
111. Get pictures and bios of all employees.
112. Put together a comprehensive corporate kit.
113. Prepare FAQ's.
114. SEO your website and update social media content
115. Evaluate brand-related issues and opportunities.
116. Get rid of the company car.
117. Review office lease.
118. If you own your building get an independent valuation.
119. Review impact of relationships with partners, employees, etc.
120. Be prepared to make swift, decisive moves when needed.
121. Join networking groups.
122. Put appropriate contacts at key buyer companies on your regular mailing list so that they become familiar with your organization's activities and will have instant name recognition.
123. Take a seminar -- AMA, university, association, guru, etc.
124. Reevaluate transfer pricing policies.
125. Get a check-up.
126. Recognize that buyers want "institutional value," more than individual stars.
127. Look at homes (primary/secondary).
128. Get excited...lots of fun ahead.
129. Think like a buyer.

Nothing's easy...is it?

But selling your company is, in a way, your entire business life. You've put a lot of your heart and soul into your company. Do the same for this unbelievably important transaction. Do your homework. We hope this outline will help get you going down the right track.

Good luck!

Ed, Laura, Anver & Cindy

Why LSA?

The old saw in the real estate business is that there are three things that are important: Location, Location and Location. In our business, the business of facilitating the transfer of a company from one owner to another, there are three things that are important Process, Process and Process.

Selling a business like any good story has a beginning, a middle, and an end. The beginning of the Process is when an owner decides that he or she will improve their lot by harvesting in cash (most of the time) the blood, sweat and tears they have put into their business and get the highest return the market will pay on all that they invested.

The middle is when they bring us in. The time-tested Process we use has been around forever. It is designed to give sellers an advantage as they venture out into the market. Markets are dominated by buyers and to be able to get any kind of leverage on them a seller needs to convince them 1) That they want to buy the company being sold and 2) That they are going to have to compete with a lot of other motivated buyers to get the prize. Providing information over time in an orderly sequence designed to induce higher bids is the method.

The Descriptive Memorandum (aka the Black Book) is a compilation of the facts and figures that tell a buyer things like how much money your company has made over the last 3-5 years, how fast your revenue and profit are growing, who your people are and what makes them special, how your customers use your product or service and most important: how much money the buyer can make after buying your company. The DM matches financial schedules, charts, table and graphs with a clear narrative text that combine to show your company in its best light, and again, stresses to the buyer the opportunity they will have to make lots of money as a new owner.

Buyers who have shown an interest and signed a non-disclosure agreement are given the DM along with a schedule for the process. They will be required to provide an indication of the value they would pay to own the company. Those who make attractive offers (a combination of price and terms that meet the seller's approval) will be invited to a management presentation at the seller's location. The DM is designed to tee up interest, the Management Presentation is designed to confirm everything in the DM, allow the buyers to get comfortable with the sellers and give the sellers the comfort that they will be dealing with reputable people who have the interest and wherewithal to make a firm offer and close a deal.

Following the Management Presentation buyers are given access to a Data Room, an online site where they can see all of the documents they need to do their confirmatory due diligence. Then they are asked to submit firm offers. The offers are compared and sometimes there is another round of bidding to get the best offer (best combination of price and terms) to rise above all the others. The winning bid is delivered by the buyer in a letter of intent. The LOI should spell out all of the pertinent business points that have been agreed to.

Next, the lawyers get the LOI, draft the purchase and sale agreement perform final due diligence and prepare the final document for signing. The only things the lawyers should negotiate are legal terms, as all the business points should have been agreed to before the lawyers are brought into the process.

Throughout the process we try to prevent "deal mentality" taking over and costs getting out of hand. Lawyers, accountants and other professionals may be essential to the success of a deal, but their services should be used judiciously and their fees not allowed to run away.

The end of the Process comes when the principals sign the agreement, the money changes hands, the buyer goes back to work, and the seller goes home happy.

The LSA Team

(visit www.luntzsuleiman.com for complete bios)

Ed Fitzelle, Managing Director

Ed started his career as a trade magazine writer and editor. What he learned there – that the value of any business is tied to how well it serves its repeat customers and how well it does in getting new customers – has been a guideline throughout his career and one of the standards he uses in valuing businesses. After earning an MBA degree in marketing from Columbia University, he worked for 13 years as an executive at McGraw-Hill in charge of planning, development and M&A for the professional books and magazines division. One of his earliest transactions was to sell McGraw-Hill's highly successful training program The Ten Key Trainer to an entrepreneurial team developing a training business. He left McGraw-Hill to join boutique investment bank AdMedia Partners as vice president, ascending to partner a year later. At AdMedia he was responsible for closing deals for private company owners selling to such companies as Reed Elsevier, Wolters Kluwer, and Dun & Bradstreet, including the sale of the Electronic Show East and West to Primedia. After leaving AdMedia he worked as an independent advisor and in 2004 began working with Whitestone Communications on a fee splitting basis as a Managing Director, which later included working on specific deals with LSA.

As a lover of books, especially mysteries, Ed was unable to turn down the opportunity to develop a website focused on the body of knowledge the world has created for its non-stop, multi-media enjoyment of its favorite detective Sherlock Holmes. He lives in New Rochelle, NY with his wife, Jane Croes. They have two grown children, Ben and Laura.

Laura Cullinane, Director of Research

In her role as Director of Research for LSA, Laura's responsibilities include oversight of the LSA proprietary database, upkeep of the research library, and research pertaining to matching LSA clients with an appropriate buyer or seller partner. Laura is the primary contact with clients in gathering information and composition of all offering memoranda and supporting documents.

For more than 20 years Laura has been actively involved in managing and running conferences and seminars on a wide variety of topics. Her extensive knowledge of the events industry, including large and small seminars, conferences and tradeshows, gives clients an additional resource and insights that are reflected in the preparation of materials and communications with both buyers and sellers.

Prior to joining LSA, Laura was an Instructor at The University of Alabama for six years after receiving her Masters degree in Speech Communication. She earned her B.A. in Communication Arts and English from The University of South Alabama.

Anver Suleiman, Founder & Chairman

Anver has negotiated over 100 transactions for tradeshows, training organizations, publishers and information suppliers ranging from \$5,000,000 to over \$100,000,000. He is known for his ability to create winning transactions with smooth transitions. Anver has earned respect from buyers who know him for his straightforward personal style. His 40-year background as a practitioner gives him a perspective for problem-solving and seeing value that is truly unique.

Cindy Suleiman, Vice President

Cindy heads up both the financial and extensive networking operations for Luntz, Suleiman. She is a graduate of Heidelberg College with a B.A. in Education. She has taught at both the elementary and high schools levels. Cindy coordinates LSA worldwide networking events and extensive conference and show participation... and accompanies Anver at client and alliance meetings around the world.

What Our Clients Say About Us... (a sampling)

(for many more visit <http://www.luntzsuleiman.com>)

Leonard Kleinrock, (One of the four co-founders of the Internet), Chairman, TTI/Vanguard

Your teams at Luntz, Suleiman & Associates and Whitestone Communications did an outstanding job in bringing us a well-qualified buyer who paid a solid price for our company, who acted professionally, honestly and expeditiously and who was a pleasure to deal with. Your extreme care, excellent advice and focus on the overall goal helped us enormously to overcome some very significant personnel and timing problems we faced in resolving all the differing drivers and motivations to a successful conclusion. I imagine this was a small transaction for you, but probably one of the most time-consuming, frustrating and complex you have navigated. I cannot thank you enough for your continual support, guidance, availability, friendship and total dedication.

John Stuttard, Senior Vice President, UBM

Thank you so much for bringing Catersource to our attention. **I am extremely happy with the acquisition. It has proven to be just as good a business as we had hoped and anticipated.** ...You were a constant and helpful guide through the months of diligence. It was really very helpful to have you there to fall back on when negotiations got difficult, as they inevitably and always do in such deals. You were a real gentleman throughout, a very wise counsellor, and socially it was fun to get to know you and Cindy. Doing a deal with you as broker felt more like I was dealing with a friend.

Brad Cleveland, President & Chief Executive Officer, Incoming Calls Management Institute

I want to thank you and the entire team at Luntz Suleiman & Associates for your outstanding service and professionalism in representing ICMI while we were being courted and eventually acquired by CMP Media. There were several factors that made this sale particularly challenging: my heavy international travel schedule during negotiations and due-diligence (thanks for the all-hours availability!); the distributed team on their side and ours; the buyer being a U.S. division of a London-based public company; the fact that our financials, though acceptable, reflected the challenging economic climate of prior years; the reality that we are small yet complex in our operations and services. The end result was a successful sale done right, in a timely manner, with the t's crossed and i's dotted. And the attractive offer was directly due to your superb leadership and negotiation skills. As you know, our business is customer service training and consulting -- service has to be very good for me to give a high rating. **On a scale of 1 to 10, you and your team earned a 12! I can't imagine working through this process without your assistance, and I am certain beyond certain the results wouldn't be as good. Thank you, again!**

Irvine Laidlaw, President, Institute for International Research

The deals you have brought us recently have proved to be **outstanding acquisitions, by far the best we have done.** You have helped the vendor and buyer structure them to a win/win mode, leaving both sides satisfied.

Glenn Shapiro, Chief Executive Officer, Executive Enterprise Institute

We screened quite a few investment bankers before settling on Luntz, Suleiman & Associates. Truth be told, our selection process had more to do with Anver's approach to our priorities than anything else. Truly understanding our priorities and concerns, Anver led us through an intense and exciting process, always reminding us to keep our priorities top of mind. The process was more akin to expert marriage counseling than anything else, as we worked hard together in search of compatibility and chemistry, along with an attractive financial package. **We were fortunate to have a talented guide to successfully take us through the maze.** Thanks Anver for your great assistance and insights. I cannot imagine anyone working harder, understanding us better, or helping us more through a very complex process. I will be delighted to be a reference for the next 30 years (or more).

Vivianna Guzman, Chief Financial Officer, American Management Association

I cannot thank you enough for making this difficult transaction happen. **We had been at this for three years without being able to come to terms.** Once you were retained, your in-depth knowledge of the industry coupled with your creative and resourceful approach to overcome obstacles throughout the deal process were key to the completion of AMA's divestiture of its division Padgett-Thompson to Rockhurst University, in record time. You are more than a Banker and Advisor to AMA, you are a true friend looking at marketing and deal opportunities with commitment and passion. Your in-depth analysis of our domestic and international operations has identified significant marketing and operating opportunities likely to leave a very positive mark for AMA in the near and long term.

David A. Korse, President and Chief Executive Officer, Imark Communications

Please accept this letter as a belated thank-you for your efforts in helping us to successfully acquire Interactive Group and the international series of Softworld events. If it hadn't been for you and Luntz, Suleiman, we might have missed the

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opportunity to compete for the opportunity to make the deal. And, when things got a little difficult during negotiations, your professional competence and superior people and negotiating skills helped both sides keep their focus on the ultimate goal to get the deal done. I can't think of higher praise! **This is the second acquisition we have made with your help, and the first with you on "our side" of the process.** I guess if we hadn't been impressed with you and your firm during the acquisition of the ATM Year events in 1997, we wouldn't have retained you to represent us for Interactive. We're glad that we did and we'll look forward to working with you again, on either "side of the table" soon.

Jim & Jean Johnson, Founders, The Super Floral Show

We have deeply appreciated your counsel, expertise, cheerleading and friendship throughout the year-long process of selling the Super Floral Show. **Your availability and support, especially during those times when we hit some turbulence, strengthened our resolve.** And, your steadfast loyalty as we persevered through what has been our biggest business decision, will always be remembered.

Jim Sugarman, Co-Founder, Online Trading Expo

Every now and again, an entrepreneur has the rare opportunity to conceptualize, launch and finally consummate the sale of their business – all in a relatively short amount of time. Through that process it was my pleasure, and that of my partner, to have made your professional acquaintance and that of your fine team. My partner and I always strive to create excellence in each of our (9) Online Trading Expos. Similarly, during the 12 months that we worked together, we were most impressed by: Your impeccable character ("state the facts and be 100% honest"). Your willingness to answer any question. Your incredibly personable, competent and professional team of Laura and Cindy. Thank you, Anver, for the contribution you provide as you represent large and small businesses who seek a suitable acquisition "partner." **I wholeheartedly recommend to all my fellow entrepreneurs and business owners that when it is time to consider selling – there is just one logical call to make – to Luntz, Suleiman!**

Martin J. Mannion, General Partner, Summit Partners

Thank you very much for your assistance in the sale of Educational Services to IIR. Your industry knowledge in identifying potential partners, along with your experience in making deals come together, was invaluable throughout the process. **The sale of ESI occurred more quickly than we ever imagined with an excellent outcome for our first foray into the education and training industry.** Please keep the deal flow coming. The extensive contacts your firm has makes it easier for us to qualify candidates. Your advice is much appreciated. Once again, thanks for your help. I look forward to working on another deal in the near future.

Ian Angus, President, Angus Telemanagement, Inc.

Thank you for your invaluable assistance in selling the Incoming Call Center Management and Call Centre Canada conferences. **As a direct result of your participation the events were exposed to a wider range of potential buyers than we could have arranged, the purchase price was significantly higher than we had been hoping for, and the negotiations with the buyer went very smoothly and more quickly than expected.** Throughout the process, you were always available, by phone, pager, e-mail and fax, to advise us, to intervene in the negotiations when required. Your advice on tricky issues was consistently right on the mark, and saved us from making many mistakes. We might have sold the events on our own, but we certainly would not be this happy with the result. You really earned your fee...

Ann Venton, Chief Operating Officer, Center of Concern

Ed represented U.S. Medicine, Incorporated, as it went through the sale of publications following the death of its owner. The process was complicated, since the corporation was owned by an estate, and there was urgency as well as heavy fiduciary responsibility to get a good outcome. **Ed was very thorough and professional throughout the difficult process, and his research of potential buyers proved very valuable. I believe his expertise would be of great value to anyone who seeking reliable representation in such a transaction.**

Successful Transactions

The following represents both buyers and sellers who have concluded successful transactions with LSA. The asterisk () indicates the organizations we represented in the transactions.*

- 526 Media Corporation, Inc. • A. F. Lewis & Co., Inc.* • Administrative Professionals Conference* • Advanstar • Advisory Publications* • AFCOM* • AMA Padgett-Thompson* • American Institute • American Management Association* • Andrews Publications • Anthony Robbins Companies • Appliance Magazine* • ARBOR, Inc.* • Arthritis Foundation, The* • ATM Conference/Expo* • Blenheim Exhibitions Group* • Briefings Publishing Group* • Business Communications Company, Inc.* • Buyers Laboratory, Inc.* • Canon Communications • Capability Group, The • Carl Barney • CaterSource • CBI Research* • Charles D. Spencer & Associates, Inc.* • ChoicePoint, Inc. • Cinar Films • CLE Group, Inc. • CMEInfo.com • Communispond, Inc.* • Computer Security Institute* • Contexo Media* • Copperhouse Publishing Company* • Council on Education in Management* • Cowles Business Media • Cutler Publishing* • Dana Chase Publications* • Data Research, Inc. • Douglas Publications • Dreyfus Hunt, Inc. • Earthweb, Inc. • Educational Design, LLC* • Educational Reviews, LLC* • EEI Holdings Corp.* • Eli Research, LLC* • Engineering Press* • EPS Solutions Corp. • EPSCO* • ESI International* • Euromoney Institutional Investor PLC • Executive Enterprise Institute* • Financial Communications Company, Inc.* • Frontline Group • Gainshare Media, LLC • Generation21 Learning Systems* • Geodex International* • GigNet Conference* • Government Institutes* • Gryphon Editions, LLC • Haight Cross Communications * • HCPro, Inc. • HIS Health Information • Holden Corporation* • HRD Press • IBM Global Conference Group • ICCM* • ICD Events, Inc.* • Imark Communications * • Impact Learning Systems* • Incoming Calls Management Institute* • iNet • Infocom, Ltd.* • Institute for International Research* • Interactive Group • Interpharm Press* • James Publishing, Inc. • Judy Diamond Associates, Inc.* • LexisNexis • LLM, Inc.* • Logical Operations • Longacre & White • McGraw-Hill Companies, The • Medical Management Institute • Miller Freeman • Miller Heiman • Moody International • Moody's Financial Information Services • National Center for Database Marketing* • National Directory of Children, Youth & Family Services* • National Exhibitions • National Seminars • Neon Buzz • Net Guru Technologies* • NetCom Conferences • Newbridge Educational Publishing, LLC* • Oakstone L&B Publishing* • Oxford University Press • Paradigm Learning, Inc.* • PC Concepts • PennWell • Phelps Enterprises International • Philip Crosby Associates II, Inc.* • PJB Publications • Practising Law Institute* • Prism Business Media • ProjectWorld* • ProSoft I-Net Solutions • Recorded Books, Inc. • Reed-Elsevier • ResCare, Inc. • Resource Directory Group, Inc.* • RESULTSINLEARNING* • Rockhurst University • Rowman & Littlefield Publishing Group, The • School Specialty • Scientific American Newsletters • SEC Institute, The* • SpeedNews, Inc.* • Springer • Summit Business Media • Summit Partners • Super Floral Show* • Sverica International • Technology Transfer Institute/Vanguard* • Thomson Corporation* • Training House* • Transport Technology* • Twin Sister Productions, Inc.* • United Business Media • Visual Developer Magazine • Washington Document Service, Inc.* • Weil Publishing* • Wendy Pye Group, The* • West Publishing Corporation • Wicks Business Information* • Windows & OS/2 Conference* • Wolters Kluwer/Aspen Publishing • Worldly Information Network, Inc.* • Ziff Communications*