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Is Your Business Ready for Prime Time?

The following list of questions and issues should be answered by any business owner who is thinking of selling his business at any time in the future. The transactional environment has become very sophisticated and can be very unforgiving to a business that is unprepared for it. A prudent business owner is always prepared to react in a timely manner to an offer to purchase. The preparation process can take years. The following list of questions is a good place to start the preparation.

1. Is the owner(s) ready for sale?
 - Are you emotionally committed to a transaction?
 - Are all the shareholders agreed on the sale decision?
 - Are you aware of your strategic and financial alternatives to a sale?
 - Do you understand the due diligence process?
 - Have you identified a reason for sale? Buyers want to know why they should buy if you are selling.
 - What do you think your company is worth? What do you base that on?
 - Are you inclined toward a strategic or a financial buyer? If so, why?
 - What are your goals in the transaction? (100% cash at closing, price, terms, management continuity, employee security, etc.)?
 - Do you have a plan for your life after sale?
 - Have you done your personal tax/estate planning?
 - Do you know what the return on the proceeds will be to support your life style?
 - Have you figured out whether you will stay for a transition or want to leave immediately?
 - Have you considered the impact of a sale on other interested parties (minority shareholders, employees, management, customers, vendors, community, etc.)
 - Have you identified logical buyers for the business? Have you decided who to exclude as a potential buyer?
 - Have you been approached by logical buyers in the past? If not, why not?

2. Is the business ready for sale?

- Have you done a SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis on the business? What does it show?
- Are the company's financial statements in presentable order?
- Have you identified your contingent liabilities?
- Have you gone through a legal checklist? Is the legal documentation complete (leases, minute books, board records, stock certificates, employee agreements transferring ownership of inventions to the company, etc.)?
- Have you figured out what the levels of confidentiality are for your company information (trade secrets, highly confidential, confidential, not confidential)?
- Do you have a large customer concentration? Is any customer greater than 10% of your revenues? If so, have you thought about how to reduce that concentration?
- Is the market right for your kind of company in terms of transaction activity, multiples, etc.?
- Have you identified the internal management team to assist on the deal? Is there a successor management team?
- Have you "protected" the internal team from the adverse effects of a sale (i.e., given them employment contracts, financial incentives) so they don't start looking for another job as soon as they find out about the sale?
- Have you identified the external advisors? (lawyer, accountant, investment banker, wealth manager)?
- Have you considered the impact on your vendors/customers when they find out you are selling the company?
- Have you identified future growth prospects that you want to share with the buyer? Does your marketing plan support those prospects?
- Is the business poised to perform in the near term and over the next several years? Why? Do you have a plan that reflects that?
- Can the business survive a year-long sale process without impacting the bottom line?