BCS SPECIAL REPORT

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Maintaining Strict Confidentiality

Or prepare for your company's funeral

by George Scott

Shhhhhh .... Don't tell anyone your business is for sale! "Why is that?" You may ask. Here's why ...

If confidentiality is breached when your business is for sale,
- Key employees leave,
- Customers go to your competitors
- Suppliers start to ask for cash payments

In reality, there are a few people who must be told early on – your attorney, your accountant, and a business broker.

Other involved parties will need to be told, as well. However, that will occur later in the process.

Before going further, DO NOT list your business with a commercial real estate firm. The approach for all real estate firms is to let as many people as possible know of all the listings they have.

Consideration: The first step in selling a business is to determine *why* you are considering selling it. If your decision is based on logical realities, then take steps to prepare your business for sale – which should start at least 2 years before offering it for sale.

Preparation: Two important aspects of the next step are 1) making sure all your administrative records are up to date and accurate and 2) improving the appearance of where your business is located.

The records preparation includes all financial records, all leases, hard assets list and maintenance records; an employee list with all key information; as well as any contractual agreements. These records will need to be reviewed as a contingency of a purchase agreement.

Next, take a critical look at the inside and outside of your business. Paint what needs to be painted. Get rid of the junk that's been behind your building. Cut the grass. Trim the bushes. You get the idea

Representation: Next, depending on the size and complexity of your business, ask your attorney and accountant for a referral to a business broker or a mergers and acquisitions specialist. The approach of either of these firms is highly confidential.

Buyer vetting: First-time buyers are deeply vetted to make certain making them aware of your business makes sense. When that is determined, a cleansed Executive Summary of your business is shared.

Maintaining Confidentiality: If a potential buyer has the financial capability and mental capacity to successfully operate your business, then that person signs a Non-Disclosure Agreement, which often includes a Non-Compete Covenant, should that person decide not to buy your business.

Even with that, it's still not time to tell the "other involved parties."

On-site visit: As part of a buyer's consideration process, an on-site visit will be requested. This is the reason for improving the appearance of your business – inside and out.

Negotiations: Do so in good faith. Don't get hung up on the price – take a bigger and longer-term view of the value of the buy/sell agreement.

Meeting-of-the-minds agreement: Once this is reached, the document is forwarded to your attorney and your accountant for their necessary input.

Pre-Closing contingency Fulfillment: The buyer will want to perform due diligence – the review of all your records and to have frank conversations with key employees, customers, suppliers, and lessors (a/k/a some of the "other involved parties.")

The Closing and Beyond: Your life will be different after you hand over the keys. Chances are you will be required to fulfill a training and transition agreement.

If you have used confidentiality common sense throughout the entire process, you (and everyone else) will be glad that you did.

Enjoy the rest of your life!

Click below to schedule a conversation.

Let's discuss this topic further