



*This issue brought to you by:*

**Daniel O'Brien**

[dobrien@orrpc.com](mailto:dobrien@orrpc.com)

**O'Brien, Riley & Ryan, P.C.**

30 Braintree Hill Office Park

Suite 102

Braintree, MA 02184

<http://www.orrpc.com>

[781-410-2300](tel:781-410-2300)



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## Are You and Your Company Candidates for a Third Party Sale?

If you think that planning for the biggest financial event of your life is a good idea and prefer an approach other than “wait and see,” what can you do to make sure your company is ready to sell when you decide the time is right?

**Step One:** Define your Exit Objectives:

- How much cash you need to fund a financially secure post-exit life.
- When you want to leave.
- Which kind of buyer you prefer (third party or insider).

**Step Two:** Convert your impression of what your company is worth into an objective valuation.

**Step Three:** Build needed value into your company by making yourself an Inconsequential Owner.

**Step Four:** Sale to a third party.

Generally, owners are attracted to a third-party sale (rather than a sale to insiders, such as family members, co-owners, or employees) for one or more of the following reasons:

- When the market is favorable and strategic buyers are active in the marketplace, a sale to a third party can yield more cash.
- A sale to a third party usually is less risky than one to insiders.
- Sellers get their money more quickly than in a transfer to insiders.
- Insiders (children, co-owners, and employees) don't have what it takes (usually cash and sometimes desire) to buy the company.

If these statements apply to your situation, your next step is to ask the following:

- Am I personally and financially ready to exit?
- Is my business fully prepared for my exit?
- Is the mergers and acquisitions (M&A) marketplace favorable for sellers?

To optimize the likelihood of a successful sale, owners should embark upon the sale process only if they can answer each of these questions with a confident "Yes!"

Owners should seek answers and resolutions the moment doubts about whether to exit occur. They should not wait until they are burned-out, the M&A market declines, or an unexpected event forces their hand.

- Owners should begin their own process today to assure that they take their businesses to market only when they, the business, and the market are ready. They should seek out the advice of experts and read more about the entire sale-preparation process.
- Owners should start to assemble their Deal Team by interviewing prospective advisors. Depending on the size of the company, the transaction intermediary may be an investment banker or a business broker. Owners will need to find an attorney skilled in transaction work, but if the owner's current CPA is skilled in tax-minimization techniques, he or she may be able to work on the Deal Team. Remember, while these advisors will cost money, they should make money as well. Asking them all how they plan to do that is critical.
- Using the expertise of the Deal Team can help owners create a plan that does the following:
  - Minimizes the tax consequences of the deal.
  - Accounts for an owner's willingness to remain active in the company once the deal closes.
  - Determines whether the transaction will best be conducted as a controlled auction or negotiation.
  - Specifies which kind of payment owners will accept.
  - Includes a strategy that allows owners to focus on their companies' profitability while the transaction occurs.

The Deal Team should also help avoid the all-too-common traps that await selling owners, including not minding the store, information leaks, prematurely rushing to market, and running off with the first buyer.

John Brown, the CEO of BEI (our Exit Planning resource partner), gives owners an important piece of advice: “Whether your company is small or large, selling it to a third party is the biggest challenge—and opportunity— of your business life. I urge you to grab hold of this opportunity. Refuse the role of bystander or bit player. Instead take center stage as an active and full participant in the sale process and you will add value and minimize uncertainty and risk.”

We'd like to add our experience and knowledge to your Deal Team, and we can help you screen candidates for other seats at the Deal Team table. If you would like more information to help you determine whether your business is a candidate for a third-party sale or your next steps in the third-party sale process, please contact us today.

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Please contact Dan O'Brien for a free one hour consultation on your exit planning needs

Our new address is:

30 Braintree Hill Office Park

Suite 102

Braintree, MA 02184

Phone 781-410-2300

Fax 781-320-8608

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