

Tidewater Group, Inc

Thoughts on the sale of your company

For most people the sale of the company that the owner has nurtured over the years is the single most important financial decision the owner will make in their lifetime. This is a wrenching decision under the best of circumstances and it can be an agonizing decision for some, because it is like losing a member of the family.

When the owner makes the decision two components must be considered: The needs and requirements of the owner and the requirements of the potential buyer. Here are some thoughts the seller should consider.

1. **Value of the company:** A good investment banker or broker will insist that a valuation is performed and a range of values agreed upon before putting the company on the market. This enables the client and the broker to arrive at an amount for the company that is possible in today's market. There is a cost for this valuation, but it is usually deducted from the Transaction Fee when the company is sold.
2. **Books & Records:** Need to be in good order. There should be no personal expenses in the records (if they are, proof needs to be provided, if the seller wants some compensation for them.)
3. **Leverage:** In 90% of small-middle market transactions, the seller will be required to take back a note. The simple reason for this is that banks will not finance 100% of the transaction and the buyers equity may not be enough. The note and/or royalty can be guaranteed in some circumstances.
4. **Asset List:** The buyer will want to review the asset list as well as internal financial statements. This gives the buyer a good "feel" for the age and quality of the machinery and equipment (or furniture and fixtures). Everything should be well maintained and in good working order.
5. **Leases and Insurance:** Buyers will want to review all leases to see if they can be assumed and will want to assure themselves that the proper amount and type of insurance is carried.
6. **Transition:** the buyer will want the seller to remain for 2-3 months so the seller learns all aspects of the business. During this transition period, the seller may or may not be paid a salary, depending on the negotiation and the amount of the transaction.
7. **Clean & Orderly:** Nothing assists a sale better than a neat and orderly appearance of an office, plant and warehouse. Nothing will discourage a buyer more than poor maintenance or housekeeping.

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