



PRE-SALE DUE DILIGENCE

By having a Performance Business Brokers perform a Pre-Sale Due Diligence on your business, prior to having a qualified buyer take a serious look at your business, you can be assured of a smoother sales transaction. Also, things may be found that can alter the Fair Market Value, as well as things that could possibly cause problems in the sales transaction. For these reasons, it makes perfect sense to have a qualified professional perform a Pre-Sale Due Diligence.

In order to perform a comprehensive Pre-Sale Due Diligence, we will require more comprehensive information than for a Business Valuation. With your co-operation, we will be working with you, your key staff, your accountant, your lawyer and possibly some of your other business advisors to compile the necessary information. Keep in mind, this is the very information that every qualified prospective buyer, and his advisors, will want to see and verify when they do their due diligence, prior to purchasing your business.

Having all of the following information together in an organized and comprehensive manner will facilitate a quick and smooth Pre-Sale Due Diligence and ultimate sale of your business:

- Detailed information on your products and services, how you market them and to whom
- Information on your industry, your company history, competitors, growth opportunities, etc.
- 3 most recent years of complete financial statements. If your business is being sold as an Asset Sale, just Profit and Loss Statements will be needed. If being sold as a Corporation, Balance Sheets will also be required. There will be tax implications when you sell your business and we suggest we discuss with your accountant the best way to structure the sale to mitigate your tax liability.
- Current Interim Financials
- 3 most recent years of past complete tax returns
- Current Inventory at landed cost, along with a report of average Inventory levels throughout a typical year.
- Current value of real property, if included in the sale. A current appraisal would be highly suggested.
- If the business premises are leased, we will need a full copy of the Premises Lease.
- A List of all Assets. The Furniture, Fixtures, Equipment and vehicles that are included in the Purchase Price, along with an estimate of the “used replacement value” of each item.
- A list of all items within the business premises that are NOT included in the Purchase Price.
- A copy of any trademarks, patents, licenses and/or intellectual property that is included in the Purchase Price.
- A review of the software necessary to operate the business, along with its current value and the cost, if any, to upgrade it to the most current version.
- A review of the business Web Site, along with hosting and maintenance agreements.

- Current Accounts Receivable Report including ageing.
- Current Accounts Payable Report including ageing.
- Checkbook Register(s) and bank statements for last 3 years
- Current Client List. We will be looking for client longevity, client growth, client diversity and sales concentrations.
- List of current suppliers. We will review agreements and relationships.
- A copy of all existing Equipment Financing Agreements and Equipment Leasing Agreements (if any).
- List of Employees. We will also need to know the terms of their employment, their position, length of employment, any long term Employment Agreements, and current compensation package, including benefits.
- Employee Interviews. It is important for a smooth transition that key employees are made aware of the anticipated sale of the business. Many times, it is essential to the continued success of a business, that key employees will be retained by the buyer. These interviews will be conducted in such a manner that will not cause unnecessary concern by your staff.
- A copy of all contracts relating to advertising.
- Copies of your promotional materials.
- A copy of all licenses necessary for the operation of the business.
- Copies of any Franchise Agreements, License Agreements, Dealership Agreements and/or Distributorship Agreements (as applicable).
- Copies of all insurance policies for review and determination of transferability.
- A copy of the Policies and Procedures Manual(s).
- A meeting with your Lawyer to determine if there is any litigation pending, liens outstanding, that the Corporation filings are current (including the Minutes Book), and to determine that all government required filings are current. The Lawyer should also demonstrate that any trademarks, patents, licenses or intellectual property are properly registered and protected.
- A meeting with your bookkeeper and your accountant to review your current accounting practices and make sure that all financial records are up to date and ready for presentation and review by the buyer's accountant.

All of the above information, along with anything else that we discover during the Pre-Sale Due Diligence process, will be kept strictly confidential. If you list your business with Performance Business Brokers, this information will be only divulged to qualified buyers that have signed a Confidentiality and Non-Disclosure Agreement and have completed a Confidential Purchaser Profile that has been reviewed and approved by the business owner.

At the conclusion of the Pre-Sale Due Diligence, we will be able to determine the ultimate Purchase Price and terms for your business that will meet your objectives. We will also be able to advise you on what aspects of your business operations and/or business documentation need to be fine tuned in order to maximize your profitability of your business while waiting for the business to sell. We will also be able to assist you and your team in making sure that all aspects of your business are ready for a full due diligence by a qualified buyer. This will make a very positive impression on the buyer and make for a smooth, swift and trouble free process.