

Understanding and Effectively Selling Your Business at the**RIGHT TIME, Under the Right Conditions**

Building business for tomorrow...today.

by **KATHRYN SCARMATO, Managing Director of Ascend Capital Group**

Your company may be your most valuable asset and it is a fact that 80 percent of business owners do not know what their business is worth. What percentage are you in? Ask yourself if you are running your business, or is it running you?



This is Phase II of Phase III which is a continuation of Q&A's that a client asked ACG. We trust that this information will assist those who are exploring their exit strategies and those that require a business valuation by a certified business appraiser.

Client: Who do you represent in a transaction?

ACG: We only represent your interests. It is important to point out that we never act as a dual agent.

Client: In other words, does your firm provide the legal representation as well? (i.e., who draws up contracts, etc?)

ACG: No, we do not and cannot provide legal or accounting advice. We bring on your accountant early in the process and locate, and position a seasoned Mergers & Acquisitions (M&A) attorney ahead of time. We do not draw up contracts. The buyers have their own legal team who prepares the legal documents. We serve as a "referee" during the process and handle the majority of negotiations to in order to obtain Letter(s) of Intent (LOI's) or Definitive Asset Purchase Agreement(s) (DPA's).

Client: Do we discuss the structure of the sale (asset sale, stock sale, etc.) upfront or when offers come in?

ACG: Upfront once the valuation is completed. The valuation is based on the value of the assets not the stock. Assets

(not inclusive) can include all of your company's assets: fixtures and equipment, vehicles, software, client lists, phone numbers, website, trademarks, inventory, covenant not to compete, licenses, contracts, premises lease, land and buildings if applicable and the list goes on. 99 percent of transac-

tions are asset sales not stock sales. The buyer typically insists on an asset sale for tax preferential treatment, not a stock sale for myriad reasons. Therefore, it is imperative that we discuss price, terms and deal structure with you and your advisory team before we go to market.

Client: Do you already have a database of active buyers? If so, what class do they fall into? (private equity, private or public companies, independent investors, etc.) Do you have access to foreign buyers?

ACG: First, let me address your last question pertaining to foreign buyers. Any seasoned business intermediary trying to earn your business will never mention foreign buyers, if they do, run. Foreign buyers do not exist on small to medium-sized, privately held businesses. This sector of the market is handled by investment bankers. Do we maintain a database of active buyers? No, each transaction takes on a customized approach. We customize our approach, with your input, to discover the ideal buyer prospects through our proven process.

Client: Do you consider approaching competitors in marketing the company?

ACG: Yes, on many occasions we do. We may consider competitors and target companies that are seeking strategic or financial entities, and depending on the size of

the transaction, we may include private equity companies (most commonly known as "PEG's) as long as its portfolio is a potential match. Additionally, we may consider independent investors. Our objective is to leave no stone unturned. Before going to market you give the final approval and sign off the targets and the marketing strategy.

Client: What process do you use to market the company?

ACG: Our process creates a group of candidates for you to approve, prior to doing any "sanitized" mailing to these companies. The information you provide in the valuation process and interview process in combination with our thorough research, helps us to create your confidential profile and confidential business review. We make sure we do not divulge any information about your company to those ("Lookie Lou's") who are only interested in finding more about your company. We conduct an in depth interview process with buyers upon receipt of the non-disclosure and confidentiality agreement. If the competitor or any other prospect does not answer all of our questions to our satisfaction and demonstrate their solid interest, business discipline and financial capability, we do not divulge any information. In over 24 years of business we have never had a breach of confidentiality. Please refer to our website for an in depth ten step proven process we use consistently for our sellers, regardless of the type of business sector. Our proven process can be found at www.AscendCapitalGroup.com.

Client: Do you encourage bidding?

ACG: Yes, we often do. The inside term used by business intermediaries, is that we create an "auction" type atmosphere

to encourage "bidding." Many times we do not go to market with an offering price or terms. The value is by and large different to each prospect and we do not want "to leave money on the table." Our goal is to sell your business at the optimal time under the optimal conditions to the most qualified buyer.

Client: Do you feel that we are currently in a buyer's market or a seller's market?

ACG: A seller's market for strong companies. All indicators show that M&A activity has been revitalized. PEG's are rushing to continue to boost the rate of return for their investors by acquiring financially sound companies that fits within its portfolio. Strategic buyers and publicly traded companies are back in the game. Those buyers that were waiting on the sidelines -- due to the past two years of stagnation plaguing most companies -- are now acquiring businesses in order to boost their company's footprint. It makes much more sense for a buyer (strategic or financial), of any type, to acquire a company(s) than to start one. This process removes much of the risk inherent with start ups. Individual buyers have been on the rise since they may be facing a reduction in personnel, are unemployed and/or cannot find a job matching their abilities and background or simply want to work for themselves. This sector is seeking to acquire a seasoned business that will pay a fair market salary and one in which will provide them security, continuity and growth for the future.

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