

SECTION

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# The Record BUSINESS

TUESDAY, JULY 31, 2007

THE MARKETS

DOW

92.84

Close:  
13,358.31

S&P 500

14.96

Close:  
1,473.91

## ASK A LAWYER

### Steps you should take before selling a business

**I am considering the sale of my business. What is my first step? Should I hire an investment banker (or business broker)?**

Determining when to sell a business can be confusing. Sometimes retirement beckons, or your business has reached its growth limits, or opportunity knocks on your door. Whichever the case may be, you should first understand what your business is worth.

The value of a business can be determined with an appraisal of the market, relying on your specific industry experience and general knowledge of the business environment. It may also be determined based on an offer you have received from a third party.

A potential buyer's offer is the most uncertain method of determining worth, however, since it is likely the buyer is looking for a discount.

If you are seriously considering a sale, you should independently determine the value of your business. While there are general guidelines for valuing a business such as using multiples of revenues, earnings or a combination of the two, these are not substitutes for actually seeing what the market will bear. But marketing your business by yourself can be fraught with difficulties. It can disrupt ongoing client relationships when they see you are looking to exit the business. It can make your employees fear for their jobs

and seek other employment.

For these reasons, having your business marketed on a confidential basis by a broker or investment banker is usually preferred.

It is crucial that you speak with your lawyer prior to engaging the broker or investment banker, as your first negotiation will be the terms of the broker's or banker's engagement letter. This will set forth whether they will be your exclusive marketer, whether they will be paid a monthly fee, and what they will be paid upon a successful sale. It is important to note that in many cases a fee will be requested upon a sale even if the purchaser was not identified by your broker/banker.

Remember, these agreements are always negotiable and it is crucial that you not sign an agreement until you review it with your attorney.

*Alan Rubin is a member of the corporate, finance and business transactions department at Cole, Schotz, Meisel, Forman & Leonard, P.A., the largest law firm in Bergen County. He can be reached at arubin@coleschotz.com. This is not intended to be legal advice, which can only be given after the attorney understands the facts of a particular matter and the goals of a client.*

Do you have a business question for a lawyer? Send it to BusinessNews@northjersey.com.