

## **Selling Your Business**

### ***1.1 Introduction***

Welcome to the SBA's online training course: Selling or Exiting your Business.

SBA's Office of Entrepreneurship Education provides this self-paced training exercise as an overview of how to sell or close a business. You will find the course easy to follow and the subject matter indexed for quick reference and easy access. It will take about 30 minutes to complete the course. As audio is used throughout the training, please adjust your speakers accordingly. A transcript and keyboard shortcuts are available to further assist with user accessibility.

The highlighted next steps at the conclusion of the program will help you apply what you have learned and engage you in the process of selling or closing your business. When you complete the course, you will have the option of receiving a completion confirmation from the SBA.

### ***1.2 Course Objectives***

This course has three key objectives:

One, identify the purpose of a business exit strategy.

Two, define and describe the necessary steps to sell and close a business.

Three, identify resources to assist in exiting a business.

There are several topic sections within the course. Each section covers a different aspect of selling or exiting a business.

### ***1.3 Course Topics***

Some of the areas covered include definition of a business exit strategy, how to transfer ownership of a business, steps to closing a business, and how to prepare a sales agreement.

Numerous additional resources are identified to assist you. Visit the resources icon in the course player to locate additional tools, templates, and mentors on SBA.gov once you finish the course.

Let's get started.

### ***1.4 Business Exit Strategy***

For one reason or another, many business owners will face a time when they need to transfer their ownership rights to another person or entity or even close your business completely.

Maybe you'd like to retire, or maybe it's time to pass the family business to the next generation.

Estimates range from one third to one half of businesses owned by Baby Boomers will be transferred in the next few years. You want to maximize the value you get from your business, so with so many businesses for sale, there is a real need to make sure that your business is ready for the transition.

Developing a business exit strategy will allow you to have a well thought out plan for the succession or transfer of ownership of your business.

### ***1.5 Transferring Ownership***

Business owners have several options when it comes to transferring ownership rights. It is important to consider all your options before making a decision.

The first option you may want to consider is an outright sale. By selling a business in full, you will transfer ownership immediately and receive payment for your assets right away.

The next option is a gradual sale. This is a flexible option in transferring a business that tends to benefit everyone. After transferring business ownership, you no longer have to worry about running your business but you will still receive a monthly income from the gradual sale.

Another option is a lease agreement. By transferring your business ownership through a lease, you will commit to a contract that details the conditions and payments you will receive for the temporary rights to the business.

The final transfer option is transferring your business to a family member. Transferring your family business can be a little more complicated than expected. Additional tax implications, such as estate and gift taxes, generally arise for both parties. Your business type will affect what steps are required to transfer ownership as well as the tax implications of your transfer.

Be sure to engage your lawyer and even a business evaluation expert **BEFORE** you embark on your exit strategy. That way, you will be sure that you have explored all the options available to you.

### ***1.6 Steps to Succession Planning***

If you plan on transferring ownership of your business, an important step to take is to develop a succession plan. SCORE, a nonprofit association dedicated to entrepreneur education, has outlined five steps to succession planning. Following these steps will help provide practical direction and deliver the peace of mind that comes from knowing that your life's achievement is in good hands.

Step 1: Choose your successor

Step 2: Develop a Formal Training Plan for Your Successor

Step 3: Establish a Timetable

Step 4: Prepare Yourself for Retirement

Step 5: Install Your Successor

Select the highlighted button to learn more about each step.

SCORE's 5 Steps to Succession Planning: <http://www.sba.gov/leaving-sba-dot-gov?url=http%3A%2F%2Fwww.score.org%2Fresources%2Fdeveloping-succession-plan>

### ***1.7 Preparing a Sales Agreement***

No matter which option you choose, in order to sell your business officially, you need to prepare a sales agreement.

A sales agreement is key document in selling the business assets or stock of a corporation. It is important to make sure the agreement is accurate and contains all the terms of the purchase.

Items that should be addressed in your sales agreement include:

- Names of the seller, buyer, and business
- Background information
- Assets being sold
- Purchase price and Allocation of Assets
- A non-compete clause or Covenant not to complete
- Any adjustments to be made
- The agreement and payment terms
- List of inventory included in the sale
- Any representation and warranties of the seller and buyer
- Determination as to the access to any business information
- Determination as to the running of the business prior to closing
- Contingencies
- Fees, including brokers fees
- Date of closing

After you have collected this information you will need to meet with your attorney to develop the formal sales agreement. Having all of the information prior to sitting down with your attorney will help you to manage the costs, but remember, this is a legal contract. You need to work with your attorney to make sure that the contract is complete and enforceable.

### ***1.8 Steps to Closing a Business***

You may decide that closing your business is the best option for you. This next section will outline a few suggested steps to follow when closing your business.

The first step to closing your business is to decide to close your business. Sole proprietors can decide by themselves that they should close up shop. Whereas if your business is a partnership, limited liability company (LLC), or a corporation you and your co-owners must make the decision to dissolve the entity according to the guidelines established in your articles of organization.

Remember to document the final decision with a written agreement.

### ***1.9 Steps to Closing a Business***

The second step to closing a business is to get expert advice. Closing a business is a delicate multi-step process. It is highly recommended that you enlist professional help. Expert advice may come from lawyers, accountants, business brokers, auctioneers, tax experts, bankers, and the IRS.

### ***1.10 Steps to Closing a Business***

The third step to closing a business is to file dissolution documents. If you fail to legally dissolve your LLC or corporation you will continue to be liable for taxes and filings. If your business is operating as a general partnership or sole proprietorship you may not be required to formally

dissolve your business, but it is still a good idea to notify the government and creditors of the change. If you are unsure if you should file dissolution papers, consult a small business attorney.

### ***1.11 Steps to Closing a Business***

The fourth step to closing a business is to cancel registrations, permits, licenses, and business names. To protect your finances and reputation, ensure that you cancel all licenses and permits that you will no longer need. If you have registered under an assumed, or trade name, other than your own name then you can cancel that business name registration with your local government.

### ***1.12 Steps to Closing a Business***

The fifth step to closing a business is to comply with employment and labor laws. Ensure that final paychecks are paid to employees by their last day of work, or soon after, according to your state laws. Your state may also require you to pay employees for their unused leave. The Worker Adjustment and Retraining Notification Act (WARN) protects workers, their families, and communities by requiring employers with 100 or more employees to provide at least 60 calendar days advance written notice of the closing. Depending on location, small businesses may need to comply with worker protection rules as well. Many states have enacted legislation similar to WARN requiring businesses with less than 100 employees to comply.

### ***1.13 Steps to Closing a Business***

The sixth step to closing a business is to resolve all financial obligations.

When you file income tax returns for the year in which your business closes, check the box that indicates the document is a final return. Many state revenue agencies require additional filings for sales tax.

If you have employees, you must obligate your payroll tax responsibilities or you will risk personal liability. Inform your federal and state tax agencies that your business is closing and that you will cease to file unemployment returns and an employer's quarterly tax form.

You should also close your Employer Identification Number (EIN) account by contacting the IRS. The agency cannot cancel your account, but closing your EIN account notifies the IRS that you are not planning to use the number in the future.

For more information, the IRS provides a checklist of typical tax actions to take when closing a business, depending on your type of business structure.

The next step in resolving your financial obligations is to notify all lenders and creditors of your plans to dissolve the business and settle remaining debt. If you are unable to pay your debts, you may want to consider filing for bankruptcy.

Contact the business associates to whom you owe payment, or who owe payment to you. It's a good idea to discuss with your accountant, attorney, and insurers to ensure that you have everything accounted for.

Finally, don't forget to close out your business bank account and cancel your business credit cards.

IRS Closing a Business Checklist <http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Closing-a-Business-Checklist>

### ***1.14 Steps to Closing a Business***

The seventh step to closing a business is to maintain your records. You may be legally required to maintain records, particularly tax and employment records, even after your business has closed. A practical guideline for keeping records ranges anywhere from 3 to 7 years.

### ***1.15 Next Steps***

Now that you have learned about selling or exiting a business, it is time put what you have learned into action. Start by following these four steps:

- Step 1: Consider your options, to sell or close your business.
  
- Step 2: Develop a succession plan
  - Read an SBA Article about [planning your exit from your business](#).
  - Plan Your Exit article link: <http://1.usa.gov/1ILCaB2>
  
- Step 3: Gather and organize financial and tax documents
  
- Step 4: Prepare a business exit strategy.

### ***1.16 IRS Guide to Closing a Business***

If you have more specific questions about exiting your business, be sure to check out the IRS' guide to closing a business. Select the highlighted link to learn more.

IRS GUIDE TO CLOSING A BUSINESS: <http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Closing-a-Business>

### ***1.17 Sample Sales Agreement***

For additional guidance and to view a sample sales agreement select the highlighted link below.

Sample Sales Agreement: <http://www.sba.gov/leaving-sba-dot-gov?url=http%3A%2F%2Fwww.ilrg.com%2Fforms%2Fbusiness-sale.html>

### ***1.18 Resources***

SBA has a broad network of skilled counselors and business development specialists. Below is a short description of our resource partners:

- Over 900 **Small Business Development Centers** (SBDCs) provide a vast array of technical assistance to small businesses and aspiring entrepreneurs. By supporting business growth, sustainability and enhancing the creation of new businesses entities, SBDCs foster local and regional economic development through job creation and retention. As a result of the no-cost, extensive, one-on-one, long-term professional business advising, low-cost training, and other specialized services SBDC clients receive, the program remains one of the nation's largest small business assistance programs in the Federal Government. The SBDCs are made up of a unique collaboration of SBA Federal funds, state and local governments, and private-sector resources.
  
- **SCORE** is a powerful, nationwide source of free and confidential small business advice to help build your business. More than 12,000 SCORE volunteers are available to share their expertise and experience in lessons learned in small business.

- **Women’s Business Centers (WBCs)** are education centers designed to assist women in starting and growing small businesses by providing management and technical assistance. Over 100 WBCs are located throughout the U.S. and Puerto Rico.
- The SBA has 84 **District and Branch offices** in all 50 states, as well as Puerto Rico, the U.S. Virgin Islands, and Guam. These offices support the growth of small business by connecting customers to resources, products and services provided by our resource and Agency partners at the Federal, state, and local levels.
- The Veterans Business Outreach Program is designed to provide entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans owning or considering starting a small business. The SBA has 15 organizations participating in this cooperative agreement and serving as **Veterans Business Outreach Centers (VBOC)**.
- The **SBA Learning Center** is an online portal that hosts a variety of self-paced online training courses, quick videos, web chats and more to help small business owners explore and learn about the many aspects of business ownership. Content is filtered by topic, so no matter the stage of your business, or the kind of insight you need, you can quickly get answers.

Find your local resource using our handy zip-code tool: [www .SBA.gov/local](http://www.SBA.gov/local) assistance.

### ***1.19 Have a Question?***

- Call SBA at 1-800 U ASK SBA (1-800 827-5722)
- E-mail SBA at [answerdesk@sba.gov](mailto:answerdesk@sba.gov)
- Locate a SCORE counselor, SBA District Office near you, or an SBDC office near you at [www.sba.gov/local-assistance](http://www.sba.gov/local-assistance)
- To provide feedback, comments, or suggestions for other SBA online content, please [email: learning@sba.gov](mailto:learning@sba.gov)

### ***1.20 Certificate***

Congratulations on completing this course. We hope it was helpful and provided a good working knowledge to properly exit your business. Click the certificate to receive a course completion confirmation from the U.S. Small Business Administration.

## ***2. Recommendations***

### ***A.C.T. NOW!***

The Article, Course and the Tools below are related to the course you just completed. They are provided to help you take action on your path to entrepreneurial success. You can also get in-person assistance for all of your business needs through a local resource center. And if you liked the course, please help spread the word by sharing it with your friends!

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[Click here to share on LinkedIn](#)

[Click here to share on Google Plus](#)

*TRANSCRIPT – Selling Your Business*

[Click here to share on Facebook](#)

***Read an SBA Article.***

Read this SBA Article, **Plan your Exit**, for insight into exiting and selling your business.

LINK: <http://1.usa.gov/1ILCaB2>

***Take Another Course.***

COURSE: Marketing 101: A Guide to Winning Customers

LINK: <http://1.usa.gov/OVm6CL>

***Try a Tool.***

TOOL: Find the Fair Market Value for your business using this tool:

LINK: <http://bit.ly/1ksHqeQ>

***Find local assistance!***

SBA has a broad network of skilled counselors and business development specialists.

LINK: <http://1.usa.gov/1kihJ>