

NAVIX® EXIT STRATEGY CHECKLIST – SELLING TO AN INSIDE BUYER

Owner: _____ Business: _____ Date: _____

Every business owner will exit from the business, one way or another. In fact, there are four potential strategies to exit from a privately owned business. Identifying which strategy is yours creates a clear path to plan and execute a successful exit. The four possible business exit strategies are:

1. Pass to Family
2. Sell to Outside Third Parties
3. Sell to Inside Key Employees
4. Planned Liquidation

If your strategy is to sell your business to an outside buyer, in our terminology we call that being an “Innie.” Being an Innie can be deeply rewarding. Long-term, valued employees become like extended family to many owners. To see the business continue forward under leadership you selected and groomed acknowledges all your efforts and extends the business legacy. Rewards can include the financial realm—your employees may be the best, and in some cases the only, potential buyer. They know the business and would rather own it after you exit than go work for somebody else.

Despite these advantages, successfully selling to top employees can be difficult. Perhaps the biggest reason is cash; top employees usually do not have any. Another challenge for Innies is holding onto top employees until you are ready to sell. A talented, top-performing employee who aspires to be a business owner may not wait the five, ten, or more years until you are ready to exit.

In our experience, there are twelve essential conditions that Innies must meet in order to achieve a happy exit. Review the checklist below to evaluate how prepared you are, and to identify actions that will help you achieve a successful exit.

Required Conditions	Assess Your Current Condition
1. The business has value as an ongoing concern that is not significantly dependent upon me or any other individual.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
2. The business does not have any unresolved legal, financial, human resource, tax, operational, or environmental issues that could significantly reduce profits or value in the foreseeable future.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
3. No single customer, or group of customers controlled by a single decision-maker, could cause serious damage with its departure.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
4. Co-owners (if applicable) have signed a binding written agreement to determine who may authorize the sale of the business and the process for doing so. (mark “Yes” if NA)	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
5. My employee(s) have the ability to run the business.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure



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Required Conditions	Assess Your Current Condition
6. A clear, written, orderly leadership and management transition plan exists and has been discussed with all stakeholders.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
7. My employee(s) want to own the business, and understand all the risks of ownership.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
8. My employee(s) and I have broadly agreed upon: (1) under what conditions I would be willing to sell, (2) how the price would be determined, (3) what discounts, if any, the employee(s) will receive, (4) who will be the buyer(s), and (5) how much cash employee(s) will be required to bring to the transaction.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
9. I have a clear and achievable path to financial freedom, without taking on more financial risk that I want to accept in a sale to the employee(s).	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
10. Employee(s) involved in potential sale have signed non-compete, non-solicitation, non-disclosure agreements as restrictive as local laws permit.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
11. Any personal guarantees or collateral assignments that I have made to support the business have been addressed.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure
12. Income taxes on the transaction have been analyzed, and all appropriate tax strategies have been identified and evaluated.	<input type="checkbox"/> Yes <input type="checkbox"/> Close <input type="checkbox"/> Far <input type="checkbox"/> Unsure

Any conditions that you evaluated as either “Far” or “Unsure” could undermine or block your successful exit. Whether your desired exit is around the corner, or years from now, proper planning begins now in order to one day exit happily.

NAVIX® helps owners of closely held businesses plan for and execute successful exits: achieving financial freedom, creating a sustainable legacy, and exiting on their own terms. To review your exit goals and objectives with someone from the NAVIX team, or to learn about the NAVIX program, please visit www.navixconsultants.com.

