

NAVIX Exit Strategy Checklist - Innie

Selling to Inside Key Employees



INDIVIDUAL NAME: _____

BUSINESS NAME: _____

DATE COMPLETED: ___/___/___

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 number three from the list above, selling your business to an inside 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 the leaders that you developed acknowledges all your efforts, and launches your business legacy. In some situations, your employees may be the best potential buyer. They know the business, and would rather own it after your 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 is holding onto those 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. Owners should review the checklist below to evaluate how prepared you are, and to identify actions that will help you achieve a successful exit.

REQUIRED CONDITIONS:

	YES	CLOSE	FAR	UNSURE
1. The business has value as an ongoing concern that is not significantly dependent upon me or any other individual.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. No single customer, or group of customers controlled by a single decision-maker, could cause serious damage with its departure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. My employee(s) have the ability to run and grow the business without my involvement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REQUIRED CONDITIONS:

	YES	CLOSE	FAR	UNSURE
6. A clear, written, and orderly leadership and management transition plan exists and has been discussed with all stakeholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. My employee(s) want to own the business, and understand all the risks and responsibilities of ownership.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. I have a clear and achievable path to financial freedom, without taking on more financial risk that I want to accept in a potential sale to the employee(s).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Employee(s) involved in potential sale already have signed non-compete, non-solicitation, non-disclosure agreements as restrictive as local laws permit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. A written plan exists to address any personal guarantees or collateral assignments that I make to support the financially business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Income taxes on the transaction have been analyzed and modeled in writing. All appropriate tax minimization strategies have been identified and evaluated.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.



navixconsultants.com

NAVIX® is a proprietary process that helps business owners plan for and achieve successful exits.

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.

NAVIX® was designed out of experience seeing business owners struggle to achieve financial freedom, create a sustainable business legacy, and exit on their own terms. NAVIX® is a dual track process, that prepares both the business and its owner(s) for exit. NAVIX® is not just about planning; we also help clients execute the strategies and tactics needed to achieve a successful exit.

To learn about the NAVIX® program, please visit www.navixconsultants.com