



TRELLIS

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BUTTONING UP FOR SALE

DISCLAIMER: This outline is a general guide. Be sure to contact an attorney if you have questions or specific issues that need to be addressed.

Whether you plan to sell your business in the approaching future, or you want to be ready to accept that perfect offer, this resource features a checklist of items you can do right now to make sure your business is buttoned up for sale.

What's the point of buttoning up now? Well, even if you don't ever intend to sell, it's never a bad idea to get your house in order in the event you're ever audited, sued, or even just want to apply for funding or loans. ([Download our legal health checklist here](#) for more around this!) But it's also important so that you know what you want to be included when you sell your business and you don't lose any deserved value because you don't have a full picture of your business's situation. We explain a few areas it's important for you to know below:

Know your inventory.

When you sell your business, whether it's an asset sale where you're only selling the assets of the business or equity sale where you sell the entirety of the business through an ownership transfer (which you can learn more about in [this blog post here](#)), you'll need to have a list of all the items the business owns. Whether that's equipment and machinery, vehicles, property, tools, products you keep in stock, customer lists, trademarks and other intellectual property, and more, having a full view of how much the business owns will help in determining what the business is worth in a few steps.

Know your rights.

Whether you're a single-member LLC or partnership of many owners, you (and the other business owners) will need to understand the rights they have as a full or partial owner as it relates to how your business runs and what can be sold, whether part of it or all. A lawyer will help you understand your operating agreement and by-laws and what aspects of the business are able to be sold, and what levels of consent are required to do so. (And if you don't have an operating agreement, we highly recommend getting one sooner than later; Check out the various types we have for sale in our [DIY Documents](#) template library, such as for a [single-member LLC](#) or [member-managed multi-member one](#), as well as a few other specific case ones.)

Know your debts and liabilities.

If you have any outstanding loan or credit balances, you will want to have a firm grasp of everything this entails and what the terms are of these loans. If the loans are in your business

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name, they may be backed by some of your assets, and require you to pay them off immediately when you sell them. Others may require you to notify the loan servicer if you intend to sell. You'll want to understand your obligations to make sure selling is possible, or what you need to do make sure you can. Liability may sound like a legalese word, but really it means something you are responsible for. Your liabilities could be the financial kind, like a debt or unpaid fee, or it could be a potential claim someone has against your business. Liabilities will be very fact-specific so we definitely recommend working with an attorney to help you understand how you can resolve current liabilities or protect yourself from incurring future ones. [Download here](#) our free resource called "Operating Your LLC Correctly to Protect Liability."

Know your lease.

If you have a current lease for retail or rental space, it's important to know the obligations required of you before you sell your business. Many leases don't allow for transfers or assigns without landlord approval, but even then knowing you may sell soon will help you understand what that entails surrounding your lease, and when to talk to your landlord about potentially transferring the lease to a buyer.

Know your contracts. & Know where you need to get them.

Similar to a lease, if you intend to have [client](#) or customer contracts transfer when you sell, you will want to have a clear understanding of your authority to do this with current contracts. Contracts often require consent before transferring obligations to a new business owner if they allow it at all. If you're entering into new contracts, make sure they allow for your ability to transfer them or have a clear process for doing so if this is something you'd like to include in your future business sale.

Additionally, if you have any current customer, clients, independent contractors, or other relationships with whom you do not have a written agreement, we recommend working with them to solidify those relationships in writing. During due diligence, a buyer may ask to see these contracts and it will be much easier to show them solid, clear-cut relationships in writing than just asking them to "take your word for it." Check out our free recent "Non-Exhaustive Checklist of Contracts you may be Missing" in the [resource library](#).

Know your worth.

It's hard to know what a business is worth just by thinking about how much you make in a year or how much you own. Sometimes it's worth working with a business valuation expert who can look into all of your assets and liabilities, your debts and outstanding obligations, your brand, and even look to the future potential of your business so you know what constitutes a strong offer or a lousy one. This can also help you in goal setting for your business.

Get to know an accountant and an attorney.

We say this a lot, but these two people are great ones to have a relationship with as they can help you understand what you need now to get you best buttoned up for that one-day business sale and peace of mind. Then, if and when that time comes, you're that much closer to ready

when someone purchases a business. Read more about buying a business and the due diligence process in our buying a business resource by [downloading it here](#).