

Ground Rules for Selling a Business with Partners



Initiate a Schedule for Regular Communication Sessions with your Business Partners

There are ways to improve the likelihood you will achieve a successful sale of your company if you take the time to develop ground rules with your business partners. The sooner you do so in the process of selling a company, the better. Typically, most Buy Sell Agreements do not address the special circumstances surrounding the sale of a company. This is why we have developed what we consider best practices before business partners undertake such an endeavor:

You are about to sell the most valuable asset you own—your business. Without diligent attention to this matter, business partners may find themselves disappointed with the outcome.

Make the communications with your partners a priority. How? Pick a day of the week and set 45 to 90 minutes aside on your calendar for these communications. It is now an appointment—which should not be canceled. Consider it sacred. As the actual business transaction progresses, this appointment to speak with your business partners about the sale may be necessary every couple of days or even more frequently.

Decide between Multiple Business Partners Who is in Charge

When business partners are considering the sale of their company, more decisions need to be made. And they need to do so frequently.

I recommend that all parties be given an opportunity to meet regarding the various decisions, offer their opinions, and vote. If a tie results, one partner should be designated IN ADVANCE to make the final decision. They will be the “designated partner.”

So, the first agenda item in the partner’s meeting is to decide which person will be designated as the Business Partner in Charge.

Designate a Spokesperson and Liaison for Outside Parties

As you work through the sale of a business, you will need to carefully communicate with many outside parties. These parties may include various attorneys, accountants, buyers, brokers, bankers, etc.

Such communications can be exhausting and confusing if not planned and executed carefully. By designating one partner to communicate on behalf of the company, it improves your chances of not improperly sharing information prematurely or inaccurately.

Share the Ground Rules with Other Parties to the Sale

Once the Meeting Calendar is set by you and your business partners and you have designated the Partner in Charge and the Spokesperson/Liaison, communicating this to your outside advisors and other parties will simplify the process. And don’t hesitate letting any of them know if they have gone outside the boundaries, you and your partners have established.

Executing the Successful Exit Strategy Should Include Designation of the Post-Closing To- Do List

It is natural for business partners to want to celebrate once the business has been sold. However, the post celebration reality is such that much work will be necessary by the selling partners to properly transfer the business to the new owners. It is wise to decide in advance which business partner will lead this effort. It also is advisable and equitable to compensate this business partner for his or her extra effort and accountability.

Whether multiple business partners get along well or not, establishing the ground rules in advance of selling a company should at a minimum mitigate frustrations and reduce mistakes. It’s been our experience as we work with multiple business partners that by doing so, the outcome improves.

To Facilitate a Designated Authority, A Corporate Resolution is Required -

To facilitate the “designated authority,” a Corporate Resolution is required. Please see the form attached. Once this is completed, it should be forwarded to your intermediary who is handling the sale of the business plus any other professional advisors you will be working with.

Sincerely,

Bob Hughes

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CORPORATE RESOLUTION

_____, 20____

I, _____,
(Name of Seller)

President of _____
(President or Secretary)

(Company Name)

an _____ (Province/State) Corporation, do hereby certify the following is true and correct copy of a resolution unanimously adopted by the Board of Directors and Shareholders of the said Corporation, a quorum of its members being present at a regular business meeting, held at _____, in the Province/State of _____, on the ____ of _____, 20____ and that this resolution has not been revoked by any subsequent action of the Board of Directors and the Shareholders of the said Corporation, but is still in full force and effect.

Be it resolved that _____,
(Name of Seller)

a Corporation, having full authority to sell the following described business shares and assets of the business and real property situated in _____, in the Province/State of _____.

Certain Shares and Assets, of the Business known as:

(Business Name)

Be it further resolved that _____, the said President, of said Corporation, is hereby authorized and directed, with full and complete authority, to perform any necessary act to sell the said business, Shares, Assets and real property on behalf of the shareholders.

Authorized Agent on behalf of shareholders: -

(Names of all shareholders)

X _____
X _____

X _____

X _____