

## RC Advisory Services - Lessons Learned

Over the years we've been through a number of challenging situations with Sellers and Buyers. Here are a few useful tips to help the process go smoothly-

- **Use Law and CPA firms that have sufficient staff** (associates) in order to be responsive to the normal and quick changes that occur during the final stages of the transaction process. One person shops typically are not responsive enough when things get hot.
- **Get the Seller's Trusted Advisors together at the start of the process.** Have a meeting with the CPA, Transaction Attorney, Wealth Manager, Insurance Advisor, M&A firm, and any other trusted advisor involved. This is needed to get all important players on the same page for planning pre-sale and post-sale tax considerations (the tax plan) and in calculating the expected proceeds.
- **Try to avoid a closing on 03/31** as most tax accountants are buried with income tax returns for corporate and individual clients, and their focus will not be on the deal.
- **Confirm phone call and in-person conversations with follow-up emails-** this avoids what we call 'convenient memory'.
- **Identify closing attorney and the funds transfer function very early on.**
- **Always brief prospective clients that Due Diligence typically results in the buyer finding "things" that can indicate higher risk to the buyer than anticipated.** These findings (many of which the seller is not aware of) will lead to downward pressure on the price. The M&A Advisor's job is to find some positive surprises to offset the adverse findings.
- **Don't over analyze the financials** as complex models may lead the buyer to erroneous conclusions. Keep the model as macro as possible with just enough detail to support bank financing applications.
- **Keep the Letter of Intent (LOI) simple.** This means 2 to 4 pages (not any more) with easy to understand, clear and unambiguous language that serves as the roadmap to the Purchase and Sale Agreement.
- When it is likely that a **Seller Note** be a part of the deal, consider having language in the LOI that states that the Buyer will personally guarantee the note and will provide a current Personal Financial Statement.
- **With partnerships,** make sure that there is an Operating Agreement and/or Shareholder Agreement in place and that it has been reviewed and/or updated within the past 3 to 5 years. Also, strongly consider having a professional, certified valuation completed in order to establish a baseline value on the business and avoid issues later on.