

SELLER CHECKLIST

1. Provide Information

Prepare all figures on the business to satisfy the buyer during his due diligence process. Many deals collapse at this stage because of insufficient information or the Seller not being able to prove his profit. The Purchaser will furnish the broker with a letter confirming his satisfaction with the due diligence.

2. Comply with agreement

Comply with any other suspensive conditions of the 'Memorandum of Agreement' or if these conditions are waived it should be reduced to writing. Until the suspensive conditions have been met your contract is null and void. It is important that you receive a copy of the buyer's Application to Register as a VAT Vendor (VAT 101) or confirmation of his (or his company's) VAT number.

3. Stock Take

Organize all purchase invoices for stock prior to stock taking. This is needed to have the cost prices of each stock item available for stock taking. Ask your broker for advice on how to organize a stock take.

4. Lease Agreement

Arrange with purchaser to meet landlord for transfer of lease on premises. Remember that you can also arrange for a session of your current lease agreement and some landlords may also accept a sub-lease agreement. **It is most important to have a copy of your lease agreement available.** Be patient in recouping your deposit as some landlords do take their time. If you are sub-letting to the buyer or if a buyer is taking over the shares in your company it is extremely important that you arrange to have yourself released from any and all sureties with the landlord.

5. Asset List

List all assets of the business with a clear description of each. Make sure that all assets are in working order especially electronic equipment such as fridges. It is important that vehicles are in a good condition to enable the purchaser to obtain a roadworthy certificate. **Defects and problems with equipment should be pointed out to the buyer beforehand.**

6. Hire Purchase/Lease Agreements

Arrange for the settlement of Hire Purchase (HP) and lease agreements on assets that have been financed. If your agreement stipulates that the Purchaser will take over these leases and HP's you would need to assist him in obtaining a new lease or HP and settle the current outstanding balance. **Make sure that you are released from any surety from the bank/financing house.**

7. Terms of Agreement

If your agreement also stipulates that the Purchaser will be paying the purchase price over terms, make sure that you have arranged with the Purchaser the specific method, date and bank details of payment. Remember that your broker will not be involved with these arrangements.

8. Staff

You will know best when to inform your staff of the sale of the business. It is a good idea to do this in conjunction with the buyer. It is important that staff members recognize their rights in terms of the Labour Relations Act and do not feel threatened by the sale of the business. The new owner will carry all the responsibility and liability towards the staff as if there has been no interruption. (Article 197 of the Labour Relations Act).

9. Insurance

Cancel insurance as of effective date or arrange for buyer to take over. If your deal is structured with payment over a term make sure that the purchaser keeps the insurance in tack.

10. Utilities

Arrange cancellation of electricity for effective date.
Do this in conjunction with Purchaser so that he/she is reconnected.

11. Telephone Lines

Transfer of telephone line/numbers to Purchaser.
You would both need to complete the necessary Telkom paperwork.

12. Finalize SARS Returns

Depending on the structure of your deal it is important finalize your financial statements. It is best that your accountant attend to this for the tax implications are different depending on your decision to de-register the CC/Pty Ltd, declare a dividend or keep on trading in the same CC/Pty Ltd.

If your deal was for the sale of your shares/membership you would also need to provide the buyer with a set of effective date financial statements.

13. Assistance to Buyer

Provide any assistance to buyer to finalize the transaction. The assistance of the Seller is especially needed during the Buyers application for finance.

14. Buyers VAT Registration

Do remember that if your transaction is structured as a going concern that it is important that the buyer is also registered as a VAT vendor from effective date. If not SARS will levy 14% VAT on the transaction which you will have to pay. Make sure your professional broker assist you with completing a well-drawn up sales agreement and following up the process with the buyer.

15. Your Bank Details

Most buyers will pay their initial deposit into the Trust Account of the agent. Make sure that you forward instructions to the agent into which bank account you want the money to be paid.

16. Ask your Broker

Each business is unique and every other deal is different. Your professional business broker will be able to point out certain criteria that you need to attend to and his experience and advice will be of great value.

17. Examples of things that can go wrong

Loans

- When the buyer is financing a portion of the transaction you should allow for at least 60-90 days to receive confirmation of such finance application being approved.
- It is quite normal that even after such loan approval another 60-90 days will pass before final payment will occur.

Bank Accounts

- It may happen that on effective date the buyers bank account has not been sorted out yet. This will mean that you would need to assist with the following: keep your account open to collect payments; keep the credit card machine connected so that customer payments can be collected; keep record of these transactions; this assistance from your side will help the buyer with his cash flow.

Landlord

- Remind yourself that you have been a tenant with the landlord for some time; and where the landlord may be happy with you as a tenant he may not at first glance be willing to approve the buyer as a tenant. Be patient when dealing with the landlord. Make sure that you visit the landlord with the buyer in person. The landlord may even require a copy of the sales agreement. Be flexible when dealing with the landlord. Things such as deposit and payment of utility bills, which the landlord demands, can always be negotiated with the buyer.

Franchisors

This may be the most difficult. Many deals collapse because franchisors have not approved your buyer. It is best advice to get this approval before anything else. Franchisors also tend to assist with the lease agreement, other practical arrangements and training. Remember that the buyer will also have to pay a joining fee/initial franchise fee. This may be charged by franchisor even if the buyer is buying the shares in your company and the current franchise agreement remains.

Due Diligence does not go as planned

This happens a lot. The only way to answer this is to be as open and honest with the buyer as possible.

Remind yourself that your Aldes Broker has drawn up a report of your business that also reflects a balance sheet and income statement. The buyer expects to see these profits in your financial statements. Because of many personal expenses your financial statements may not reflect the same bottom line profits and you need to clearly explain this to the buyer.

“Our business is selling your business”