

Business Owner's Sellability Checklist

STAGE 1 COMPANY	
SALE MULTIPLE	0x - 2x EBITDA*
DIFFICULT TO SELL	
% OF ALL BUSINESSES	88.46%
# IN USA & CANADA	24 Million (USA) 3.8 Million (CAD)
REVENUE	\$40K – \$750K
EBITDA	\$0 – \$150K
EXIT OPTIONS	<ul style="list-style-type: none">Orderly liquidation of assetsTransfer to familyTransfer to employeesShut downBuild a sellable business and exit in Stage 2
	<ul style="list-style-type: none">LiquidatorsTurnaround expertsFamilyFriendsEmployeeOptimists (First-time Owner)
BUYER TYPES	

STAGE 2 COMPANY	
SALE MULTIPLE	2x - 4x EBITDA*
SELLABLE	
% OF ALL BUSINESSES	7.09%
# IN USA & CANADA	1.9 Million (USA) 102,700 (CAD)
REVENUE	\$750K – \$3M
EBITDA	\$150K – \$750K
EXIT OPTIONS	<ul style="list-style-type: none">Sell to 3rd partyTransfer to familyTransfer internallyIncrease sellability and exit in Stage 3
	<ul style="list-style-type: none">Owner operatorIndividual investorPartnerFamilyEmployeeCompetitor/Supplier
BUYER TYPES	

STAGE 3 COMPANY	
SALE MULTIPLE	4x - 6x EBITDA*
SELLABLE TO ACCREDITED INVESTOR	
% OF ALL BUSINESSES	2.61%
# IN USA & CANADA	700,000 (USA) 33,800 (CAD)
REVENUE	\$3M – \$30M
EBITDA	\$750K – \$5M
EXIT OPTIONS	<ul style="list-style-type: none">Sell to 3rd partyRecapitalizationTransfer to familyTransfer internallyIncrease sellability, and exit in Stage 4
	<ul style="list-style-type: none">Private Equity GroupsFinancial AcquirersFamily FundsSearch FundsCompetitor/SupplierPartner(s)ManagementEmployees (ESOP)Family
BUYER TYPES	

STAGE 4 COMPANY	
SALE MULTIPLE	6x - 10x+ EBITDA*
SELLABLE TO STRATEGIC INVESTOR	
% OF ALL BUSINESSES	1.84%
# IN USA & CANADA	492,393 (USD) 23,400 (CAD)
REVENUE	\$30M – \$100M+
EBITDA	\$5M – \$20M+
EXIT OPTIONS	<ul style="list-style-type: none">IPORecapitalizationSell to 3rd partyTransfer to familyTransfer internally
	<ul style="list-style-type: none">Public MarketsStrategic Buyer/InvestorPrivate Equity GroupsHedge FundsFinancial AcquirersFamily FundsSearch FundsCompetitor/SupplierManagementEmployees (ESOP)Family
BUYER TYPES	

SELLABLE BUSINESS CHECKLIST
FINANCIAL
<div><input type="checkbox"/> EBITDA < \$150K</div> <div><input type="checkbox"/> 3 years of mixed profitability, with years of negative profits</div> <div><input type="checkbox"/> Financial statement non-existent, or prepared by non-CPA</div> <div><input type="checkbox"/> No bookkeeper, or owner undertakes bookkeeping function</div> <div><input type="checkbox"/> P&L reports are only reviewed annually, or not at all</div> <div><input type="checkbox"/> Shareholders meet with accountant only once a year</div> <div><input type="checkbox"/> Balance sheet has negative retained earnings</div> <div><input type="checkbox"/> Working capital is outside of industry standards by >10%</div> <div><input type="checkbox"/> Debt-to-Equity ratio is > 1.5</div> <div><input type="checkbox"/> Aged and obsolete inventory has not been cleared out</div> <div><input type="checkbox"/> Inventory on the floor does not match the balance sheet</div> <div><input type="checkbox"/> Shareholder's personal tax filings don't match company books</div> <div><input type="checkbox"/> The business has off balance sheet loans</div> <div><input type="checkbox"/> The business runs cash sales off the books</div> <div><input type="checkbox"/> Tax filings (payroll, corporate, VAT tax) are not up to date</div> <div><input type="checkbox"/> Company has had cash flow issues within past 24 months</div> <div><input type="checkbox"/> Payroll system is run by owner or has owner involvement</div> <div><input type="checkbox"/> Company has outstanding bad debts</div>

SELLABLE BUSINESS CHECKLIST
FINANCIAL
<div><input type="checkbox"/> Avoided all pitfalls in Stage 1 unsellable business checklist</div> <div><input type="checkbox"/> EBITDA > \$250K</div> <div><input type="checkbox"/> > 3 years of profitability</div> <div><input type="checkbox"/> > 3 years of clean financial statements</div> <div><input type="checkbox"/> In-house or contracted bookkeeper</div> <div><input type="checkbox"/> Y/E financials prepared by CPA at a reputable accounting firm</div> <div><input type="checkbox"/> Bookkeeper sends detailed monthly P&L reports to shareholders</div> <div><input type="checkbox"/> Shareholders hold a call with accountant monthly or quarterly</div> <div><input type="checkbox"/> Balance sheet has positive retained earnings</div> <div><input type="checkbox"/> Working capital is within 10% of industry standards</div> <div><input type="checkbox"/> Debt-to-Equity ratio is < 1</div> <div><input type="checkbox"/> Aged and obsolete inventory has been sold or cleared out</div> <div><input type="checkbox"/> Inventory is tracked, counted, and accurate on balance sheet</div> <div><input type="checkbox"/> Shareholder's personal tax filings match company books</div> <div><input type="checkbox"/> The business has no off balance sheet loans</div> <div><input type="checkbox"/> The business runs all cash collected through the books</div> <div><input type="checkbox"/> All tax filings (payroll, corporate, VAT tax) are paid to current date</div> <div><input type="checkbox"/> No cash flow issues within past 24 months</div> <div><input type="checkbox"/> Payroll system that runs without any owner involvement</div> <div><input type="checkbox"/> No outstanding bad debts</div>

ACCREDITED INVESTOR CHECKLIST
FINANCIAL
<div><input type="checkbox"/> Everything completed in the Stage 2 Financial checklist</div> <div><input type="checkbox"/> EBITDA > \$750K</div> <div><input type="checkbox"/> > 5 years of profitability</div> <div><input type="checkbox"/> > 5 years of Notice to Reader financial statements</div> <div><input type="checkbox"/> > 1 year of Review Engagement financials or Quality of Earnings report</div> <div><input type="checkbox"/> Accounting system can break revenue and expenses down by business unit.</div> <div><input type="checkbox"/> Profit margin of > 10%, ideally > 20%</div> <div><input type="checkbox"/> CFO or in-house accountant with CPA designation</div> <div><input type="checkbox"/> Detailed proforma, budget, or future forecast exists</div> <div><input type="checkbox"/> Business has a cloud-based financial dashboard tracking daily performance and projections (not accounting system)</div> <div><input type="checkbox"/> All Accounts Receivable (A/R) < 90 days</div> <div><input type="checkbox"/> All Accounts Payable (A/P) < 90 days</div> <div><input type="checkbox"/> Balance sheet cleaned up to remove all assets or liabilities that would not transfer to a buyer</div> <div><input type="checkbox"/> Trailing 12 months P&Ls all showing a profit</div> <div><input type="checkbox"/> Trailing 12 months balance sheet shows inventory and COGS are properly tracked</div> <div><input type="checkbox"/> Trailing 12 months balance sheet shows long-term liabilities being steadily paid down</div> <div><input type="checkbox"/> Loan release documentation for all past loans paid in full</div> <div><input type="checkbox"/> Financial information is made available throughout the company and each person is empowered to impact financial performance in their role/department</div>

STRATEGIC INVESTOR CHECKLIST
FINANCIAL
<div><input type="checkbox"/> Everything completed in Stage 2 & Stage 3 Financial checklists</div> <div><input type="checkbox"/> EBITDA > \$3M</div> <div><input type="checkbox"/> Quality of Earnings (QoE) report</div>

LEGAL
<div><input type="checkbox"/> Everything completed in Stage 2 & Stage 3 Legal checklists</div> <div><input type="checkbox"/> Intellectual property properly legally protected</div> <div><input type="checkbox"/> Key-man insurance for critical employees in company</div> <div><input type="checkbox"/> In-house legal council (optional)</div>
OPERATIONAL
<div><input type="checkbox"/> Everything completed in Stage 2 & Stage 3 Operational checklists</div>
KEY PERSON DEPENDENCY
<div><input type="checkbox"/> A board of governors or directors is in place to decentralize organizational decision making</div> <div><input type="checkbox"/> Owner does not need to be present in the business for it to operate and grow</div>
HUMAN RESOURCES
<div><input type="checkbox"/> Company has a HR department</div> <div><input type="checkbox"/> Company has an executive compensation package tied to growth</div> <div><input type="checkbox"/> Company has a proven HR system which can scale if more capital were available</div>
MARKETING
<div><input type="checkbox"/> Company hires a PR company or has an internal PR team</div> <div><input type="checkbox"/> Company has a proven marketing system which can scale if more capital were available</div>
SALES
<div><input type="checkbox"/> Company has a sales team and sales department</div> <div><input type="checkbox"/> Company has a proven sales system which can scale if more capital were available</div>
INFORMATION TECHNOLOGY
<div><input type="checkbox"/> Company has an IT department</div> <div><input type="checkbox"/> Company has a proven IT system which can scale if more capital were available</div>
CUSTOMERS & CUSTOMER SERVICE
<div><input type="checkbox"/> Company has a customer service department and team</div> <div><input type="checkbox"/> Company has a proven customer service system which can scale if more capital were available</div>
SUPPLIERS & VENDORS
<div><input type="checkbox"/> Company has a supplier manager, or VP of vendors</div> <div><input type="checkbox"/> Company may have a department and team managing suppliers, vendors, and ordering</div> <div><input type="checkbox"/> Company has a proven supplier system which can scale if more capital were available</div>
GENERAL / FACILITY / CULTURE
<div><input type="checkbox"/> Company has a culture and facilities manager</div> <div><input type="checkbox"/> Company has a proven facilities system which can scale if more capital were available</div>

LEGAL
<div><input type="checkbox"/> Clients are not on contracts or contracts are outdated</div> <div><input type="checkbox"/> Suppliers are not on contracts or contracts are outdated</div> <div><input type="checkbox"/> Lease has < 5 years remaining and no renewal period</div> <div><input type="checkbox"/> Business liability insurance is insufficient</div> <div><input type="checkbox"/> Business has outstanding insurance claims</div> <div><input type="checkbox"/> Business has outstanding legal claims</div> <div><input type="checkbox"/> Business is a sole proprietorship and not incorporated</div> <div><input type="checkbox"/> Articles of incorporation, bylaws, and minutes are not available</div> <div><input type="checkbox"/> Business license is expired</div> <div><input type="checkbox"/> All legal documents are paper-only (no electronic copies)</div>

LEGAL
<div><input type="checkbox"/> All client contracts are up to date</div> <div><input type="checkbox"/> All supplier contracts are up to date</div> <div><input type="checkbox"/> Lease has > 5 years remaining, with a 5 year renewal</div> <div><input type="checkbox"/> Businesses liability insurance is up to date</div> <div><input type="checkbox"/> Any insurance claims are settled</div> <div><input type="checkbox"/> Any legal claims are settled</div> <div><input type="checkbox"/> Articles of incorporation, bylaws, and minutes are available</div> <div><input type="checkbox"/> Business license is up to date</div> <div><input type="checkbox"/> All legal documents are stored in the cloud and accessible in < 5 minutes</div>

LEGAL
<div><input type="checkbox"/> Everything completed in the Stage 2 Legal checklist</div> <div><input type="checkbox"/> All employee contracts are up to date</div> <div><input type="checkbox"/> All contractor contracts are up to date</div> <div><input type="checkbox"/> All supplier contracts are up to date</div> <div><input type="checkbox"/> Shareholder buy-sell agreement is up to date</div> <div><input type="checkbox"/> Stock option and warrant agreements up to date</div> <div><input type="checkbox"/> Shareholder power of attorney agreements up to date</div> <div><input type="checkbox"/> Terms & conditions, terms of use, and privacy policies up to date</div> <div><input type="checkbox"/> Other insurance (key-man, E&O, equipment, etc.) up to date</div> <div><input type="checkbox"/> All employee terminations properly documented and grievances settled</div> <div><input type="checkbox"/> All workplace claims documented and settled</div> <div><input type="checkbox"/> Government and regulatory licensing in place and up to date if necessary for operations</div> <div><input type="checkbox"/> Government and regulatory licensing not tied to ownership</div> <div><input type="checkbox"/> Company has intellectual property legally protected that can be leverage by a strategic buyer</div>

OPERATIONAL
KEY PERSON DEPENDENCY
<div><input type="checkbox"/> There is no key operations person or manager who works in the business outside of the owner(s)</div> <div><input type="checkbox"/> Owner(s) cannot leave the business for 1 months without sales dropping or causing a disruption to service</div> <div><input type="checkbox"/> Business is dependant on 1 or 2 key employee(s)</div> <div><input type="checkbox"/> Business is dependant on the owner's network or unique skills to deliver products or services</div> <div><input type="checkbox"/> All key decisions are made by the owner</div>
HUMAN RESOURCES
<div><input type="checkbox"/> No detailed descriptions documented for any role</div> <div><input type="checkbox"/> There is no documentation or systems for hiring, onboarding, training, and performance review for any role</div> <div><input type="checkbox"/> Each position does not have cross-training, or 2 or more people who can perform each job function</div> <div><input type="checkbox"/> Employee performance review process is not directly tied to KPI's and company goals</div> <div><input type="checkbox"/> There are outstanding workplace claims</div> <div><input type="checkbox"/> There are illegal or undocumented workers who work in the business</div>
MARKETING
<div><input type="checkbox"/> The company does not have an official branding/style guide</div> <div><input type="checkbox"/> The company does not have an active client list it markets to</div> <div><input type="checkbox"/> Companies website or funnels do not synchronize with its CRM and there is no lead capture function</div> <div><input type="checkbox"/> The company does not have business development marketing materials and videos to support the sales team</div>
SALES
<div><input type="checkbox"/> Value proposition has no unique advantage to competitors</div> <div><input type="checkbox"/> Value proposition could be duplicated in 3 years by a competitor</div> <div><input type="checkbox"/> Business has no documented plan or detailed system in place to grow</div> <div><input type="checkbox"/> Company does not use a CRM or cloud-based sales system that tracks active pipeline value</div>
INFORMATION TECHNOLOGY
<div><input type="checkbox"/> The company does not have a CRM system in place</div> <div><input type="checkbox"/> A cloud-based file storage system is not in place</div> <div><input type="checkbox"/> A cloud-based communication software is not used across the organization (Slack, Teams, Google Chat, etc.)</div>
CUSTOMERS & CUSTOMER SERVICE
<div><input type="checkbox"/> A single customer comprises > 10% of revenue</div> <div><input type="checkbox"/> Customer satisfaction is not formally monitored</div> <div><input type="checkbox"/> The company does not have a customer registry, or CRM storing all customer data</div>
SUPPLIERS & VENDORS
<div><input type="checkbox"/> The business is dependant on 1 or 2 key suppliers</div> <div><input type="checkbox"/> Company does not have a supplier registry with detailed information on each supplier</div> <div><input type="checkbox"/> Company does not have a backup vendor for each supplied product/service to reduce supply chain disruption</div>
GENERAL / FACILITY / CULTURE
<div><input type="checkbox"/> Business has no documentation around systems and processes</div> <div><input type="checkbox"/> Business has no Standard Operating Procedures (SOP) document</div> <div><input type="checkbox"/> Facility has not been updated in > 10 years</div> <div><input type="checkbox"/> Some critical equipment has < 5 years of remaining life</div> <div><input type="checkbox"/> Some critical equipment needs to be replaced in < 24 months</div> <div><input type="checkbox"/> There is no detailed equipment and asset list at the company</div>

OPERATIONAL
KEY PERSON DEPENDENCY
<div><input type="checkbox"/> A key operations person or manager works in the business who is not the owner</div> <div><input type="checkbox"/> Owner can leave the business for 1 month without any disruption</div> <div><input type="checkbox"/> Business is not dependant on 1 or 2 key employees</div> <div><input type="checkbox"/> Business is not dependant on the owner's network, or unique skills to deliver products or services</div> <div><input type="checkbox"/> Key decision-making is not centralized with ownership, and is disseminated down the organizational chart</div>
HUMAN RESOURCES
<div><input type="checkbox"/> All positions have detailed descriptions in cloud storage</div> <div><input type="checkbox"/> Documentation and scalable systems have been implemented for hiring, onboarding, training, and performance review for each role in the business</div> <div><input type="checkbox"/> Each position has been cross-trained and 2 or more people can perform each job function</div> <div><input type="checkbox"/> Employee performance review process is directly tied to KPI's and company goals</div> <div><input type="checkbox"/> No outstanding workplace claims</div> <div><input type="checkbox"/> No illegal or undocumented workers</div>
MARKETING
<div><input type="checkbox"/> Company has an official branding/style guide document</div> <div><input type="checkbox"/> Company has an active client list it markets to with a blog or newsletter on a monthly or quarterly basis</div> <div><input type="checkbox"/> Companies website or funnel synchronizes with its CRM and has a lead capture function</div> <div><input type="checkbox"/> Company has business development marketing materials and videos to support sales team</div>
SALES
<div><input type="checkbox"/> Value proposition has a unique advantage to competitors</div> <div><input type="checkbox"/> Value proposition cannot be easily duplicated in 3 years by a competitor</div> <div><input type="checkbox"/> Business has a documented plan and detailed system in place to grow</div> <div><input type="checkbox"/> Company has a CRM or cloud based sales system that tracks active pipeline value</div>
INFORMATION TECHNOLOGY
<div><input type="checkbox"/> CRM system in place and in use</div> <div><input type="checkbox"/> A cloud based file storage system in place and in use</div> <div><input type="checkbox"/> A cloud based communication software is in place and used across organization (Slack, Teams, Google Chat, etc.)</div>
CUSTOMERS & CUSTOMER SERVICE
<div><input type="checkbox"/> No one customer comprises > 10% of revenue</div> <div><input type="checkbox"/> Customer satisfaction is monitored 1-2 times per year via survey</div> <div><input type="checkbox"/> Company has a customer register, or CRM storing all customer data</div>
SUPPLIERS & VENDORS
<div><input type="checkbox"/> The business is not dependant on 1 or 2 key suppliers</div> <div><input type="checkbox"/> Company has a supplier register with detailed information on each supplier</div> <div><input type="checkbox"/> Company has a backup vendor for each supplied product/service to reduce supply chain disruption</div>
GENERAL / FACILITY / CULTURE
<div><input type="checkbox"/> Business has some documented systems and processes</div> <div><input type="checkbox"/> Business has a formal and updated Standard Operating Procedures (SOP) document</div> <div><input type="checkbox"/> Facility has been updated in < 10 years</div> <div><input type="checkbox"/> All critical equipment has 5 - 10 years of remaining life</div> <div><input type="checkbox"/> No critical equipment needs to be replaced in < 24 months</div> <div><input type="checkbox"/> Detailed equipment and asset list is available and current</div>

OPERATIONAL
<div><input type="checkbox"/> Everything completed in the 'Stage 2' operational checklist</div>
KEY PERSON DEPENDENCY
<div><input type="checkbox"/> A general manager or president is in place to run the business</div> <div><input type="checkbox"/> Owner can leave the business for 6 months without any disruption</div> <div><input type="checkbox"/> Owner is not involved in any sales functions</div> <div><input type="checkbox"/> Owner is not involved with any key accounts</div> <div><input type="checkbox"/> A documented succession plan is in place for all key staff</div> <div><input type="checkbox"/> A documented succession plan is in place for all owners</div>
HUMAN RESOURCES
<div><input type="checkbox"/> Company has an HR manager or VP of HR</div> <div><input type="checkbox"/> All staff are on long-term employment contracts</div> <div><input type="checkbox"/> Business has a documented hiring process that is replicable for every position in the company</div> <div><input type="checkbox"/> Standard psychometric tests are used in hiring process</div> <div><input type="checkbox"/> Company has a cloud-based onboarding and training system for new employees</div> <div><input type="checkbox"/> Company has a benefits, profit sharing, stock option, or other plan focused on increasing employee retention</div> <div><input type="checkbox"/> All team members know the companies #1 goal for the quarter</div> <div><input type="checkbox"/> Company has a detailed organizational chart</div>
MARKETING
<div><input type="checkbox"/> Company has a marketing manager or VP of marketing</div> <div><input type="checkbox"/> Company has an automated marketing system that creates new high-value leads on a monthly basis</div> <div><input type="checkbox"/> Company has an automated social media campaign running on multiple social platforms</div> <div><input type="checkbox"/> Company has a dedicated marketing department, or external marketing agency employed</div> <div><input type="checkbox"/> Company tracks the performance of each marketing campaign</div> <div><input type="checkbox"/> Company has multiple awards in its space</div>
SALES
<div><input type="checkbox"/> Company has a sales manager or VP of sales</div> <div><input type="checkbox"/> Sales system and compensation are tied directly to company KPI's which are linked to sales goals and budgets</div> <div><input type="checkbox"/> Owner is not connected to any sales accounts in the CRM</div> <div><input type="checkbox"/> Customer base has grown in the last 4 quarters</div> <div><input type="checkbox"/> Companies sales system has > 5 channels for generating new business</div>
INFORMATION TECHNOLOGY
<div><input type="checkbox"/> Company has an IT manager or VP of technology</div> <div><input type="checkbox"/> Enterprise or equivalent cloud based operating system in place</div> <div><input type="checkbox"/> Data is backed up hourly to the cloud</div> <div><input type="checkbox"/> Security audit has been completed within < 12 months</div>
CUSTOMERS & CUSTOMER SERVICE
<div><input type="checkbox"/> Dedicated person in charge of customer service</div> <div><input type="checkbox"/> Top 30 clients represent < 50% of revenue</div> <div><input type="checkbox"/> All large customer are on long-term contracts or agreements</div> <div><input type="checkbox"/> Company has a systematized and digitized customer onboarding process</div>
SUPPLIERS & VENDORS
<div><input type="checkbox"/> Company has a system for connecting with suppliers each year to negotiate terms and contracts</div> <div><input type="checkbox"/> Owner does not deal with any suppliers, vendors, or ordering</div>
GENERAL / FACILITY / CULTURE
<div><input type="checkbox"/> Business uses checklists, or automated blueprints for every departmental process</div> <div><input type="checkbox"/> Company has an up-to-date business (or equivalent) plan</div> <div><input type="checkbox"/> Company uses external advisors to expedite growth</div> <div><input type="checkbox"/> Company has a robust vision, mission, and values document that all employees are trained with</div> <div><input type="checkbox"/> Company has a operational system for managing the cadence of deliverable/goal setting and tracking (EOS, Rockefeller Habits, Scrum, etc.)</div> <div><input type="checkbox"/> Company has detailed and documented quality control process</div> <div><input type="checkbox"/> Facility has > 20% available space to grow into</div>

EXTERNAL
<div><input type="checkbox"/> Business operates in a shrinking/dying industry</div> <div><input type="checkbox"/> Business operates in a shrinking community or market</div> <div><input type="checkbox"/> Regulatory changes are negatively affecting industry</div> <div><input type="checkbox"/> A new competitor recently entered the market</div> <div><input type="checkbox"/> Staffing is a challenge in the industry, due to a lack of trained workers</div> <div><input type="checkbox"/> Industry is not environmentally friendly</div>

EXTERNAL
<div><input type="checkbox"/> Business operates in a growing industry</div> <div><input type="checkbox"/> Business operates in a growing community or market</div> <div><input type="checkbox"/> Regulatory changes are positively affecting industry</div> <div><input type="checkbox"/> Limited or no competition in the market</div> <div><input type="checkbox"/> Staffing is not a challenge in the industry, due to an abundance of trained workers</div> <div><input type="checkbox"/> Industry and company is environmentally friendly</div>

NOTES
<div>If you checked more than 10 boxes, your company is <u>difficult to sell</u>.</div>

NOTES
<div>If > 10 of the boxes are unchecked, it is <u>unlikely that you can currently sell your company to a 3rd party</u>.</div>

EBITDA

EBITDA is a company's Earnings Before Interest, Taxes, Depreciation, & Amortization.

= Net Income + Interest on Long Term Debt + Taxes + Depreciation + Amortization

LIVMO

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619-639-1414