

# 7. Sale or transfer of a business

Please see below the steps involved in selling your business.

## SALE OF A BUSINESS PHASE 1

## SALE OF A BUSINESS PHASE 2

STEP 1: PREPARATION	STEP 2: MARKETING	STEP 3: DETAILED DUE DILIGENCE	STEP 4: RECEIPT OF FINAL OFFERS	STEP 5: COMPLETE TRANSACTION
Seller due diligence Determine marketing strategy Prepare marketing materials: Confidential Information Memorandum Refine buyer list Prepare data room	Potential buyers contacted Execute confidentiality agreements Provide candidates with information package Respond to questions Proactive follow-up Receive preliminary expressions of interest Negotiate as required Select short list of bidders for second round	Management presentations Data room visits Site visits Provide drafts of transaction agreement	Receive form of final offers from bidders and mark-up of definitive agreement Select winning bidder Negotiate definitive agreement	Execute definitive agreement Obtain necessary regulatory approvals and third-party consents Close transaction
Weeks 1 – 4	Weeks 5 – 8	Weeks 9 – 12	Weeks 13 – 15	Weeks 16 – 20

### TRANSFER OF A BUSINESS BETWEEN GENERATIONS

The commitment to keep a family business within the family must be supported by both passing and receiving generations.

Future viability of the business is an important premise of the decision to pass it on to the next generation.

An estate freeze is a common tool used to pass on the ownership of the business, tax-effectively, from one generation to the next;

In its simplest form, an estate freeze involves **3 steps**:

1. Freeze the value of existing shares at fair market value;
2. Issue new “growth” shares directly or via a family trust, to the next generation. The future growth of the business value will accrue to these new common shares.
3. Pass frozen shares to the next generation, usually on death, at which point capital gains tax may become triggered based on half the difference between the historical cost of the shares and the value you froze the preferred shares at.

## Contact us

BMO's succession specialists can help you to make the succession planning process straightforward and successful.

For more information, please call 1-866-886-0027.



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Roy Williams and Vic Preisser, 2003. *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*. San Francisco. Robert D. Reed Publishers

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