

## Healthy Businesses Lead to Successful Sales: Business Ownership Maintenance is Key

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What does getting your car its annual safety inspection and selling a business have in common? More than seems obvious.

Many states require annual safety inspections for vehicles. Maryland is one of the states that does NOT have this annual safety inspection. In Maryland, your vehicle does not need to be safety inspected until you seek to transfer the title. Thus, in practice, there are many cars in Maryland on the road for years that have not been safety inspected. Hence, numerous vehicles are driving around that may have “issues” that the owners are not aware of. My personal experience has shown that when you transfer a vehicle in Maryland and have the car inspected, you are suddenly faced with numerous vehicle “defects” that must be fixed to pass inspection and transfer title.

Fast forward to selling a business. In my experience, I have not come across a single business that was without “defects” in the sale process. Like the running car, these businesses are operating and making money. However, when the business goes to sell, the buyer and its advisors will conduct a thorough inspection. Too often, many defects rise to the surface, requiring remedy before the sale can proceed.

In this series of articles, I will be discussing the best ways to start, grow, and maintain a healthy business by reflecting on top issues when selling a business and what can be done to set up a business for a successful sale. This series will include annual “inspections” by the owner in the areas of legal, operation and financial to better prepare the business for sale. Frequently defect areas often include tax planning, employment and key employees, intellectual property, ownership issues/operating agreements, cap tables, and corporate governance issues.