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## ***SELLING A BUSINESS – TIP SHEET***

The attached Tip Sheet walks through some key issues for you to consider if you are contemplating selling your business.

We will be happy to assist you at any point in the process.

Do not hesitate to contact us at any time if you have questions or concerns.

Yours truly,

**PROPERZI TIMS**

**CONSIDERATIONS IF YOU ARE SELLING YOUR BUSINESS**

	Comments/Questions
<b>A. SALE OF ASSETS OR SHARES?</b>	
There are different tax implications: talk to your accountant and lawyer about the options.	
It's important to be clear to the prospective purchaser what kind of sale it is.	
<b>B. PRE-AGREEMENT CONSIDERATIONS</b>	
Cover off pre-agreement risks with a Non-Disclosure Agreement.	
Character of the Purchaser is key.	
Ensure high quality due diligence on the Purchaser: <ul style="list-style-type: none"> <li>• Purchaser corporation status</li> <li>• Purchaser principals</li> <li>• Registry searches</li> <li>• Courthouse searches</li> </ul>	
Confirm the assets being sold: <ul style="list-style-type: none"> <li>• Ownership – good title to assets</li> <li>• Condition – as is</li> <li>• Encumbrances or liens – to be paid out</li> <li>• Assets to be excluded from the sale</li> </ul>	
Negotiate broker or realtor fees	
Have environmental reports been completed?	
Is there an RPR (survey) that has been approved by the municipality?	
<b>C. THE AGREEMENT FOR PURCHASE AND SALE</b>	
GST on purchase price - talk to your accountant	
Vendor conditions – eg price allocation, lender consent, tax advice	
Security if full purchase price is not paid on closing:	

<ul style="list-style-type: none"> <li>• Is the security compatible with Purchaser’s bank’s security?</li> <li>• Does it adequately protect in the event of default?</li> </ul>	
<p>Cover off pre-closing risks to business:</p> <ul style="list-style-type: none"> <li>• Same condition of assets</li> <li>• Normal business practices</li> </ul>	
<p>Terms of the Non-Compete:</p> <ul style="list-style-type: none"> <li>• Can you still earn a living?</li> </ul>	
<p><b>For an Asset Sale</b></p> <p>Allocation and payment of the purchase price to minimize tax - talk to your accountant:</p> <ul style="list-style-type: none"> <li>• Want to avoid recapture depreciation and maximise dollars net of tax</li> <li>• Consider splitting over year end to save tax</li> </ul> <p>Limit the representations and warranties given to Purchaser.</p>	
<p><b>For a Share Sale</b></p> <p>Ensure no personal guarantees on contracts or financing.</p> <p>Need to strip out assets that are retained (excluded from sale) – allow for enough time pre-closing.</p>	
<p><b>D. CLOSING CONSIDERATIONS</b></p>	
Payout penalties on mortgages & loans.	
Can leases or agreements be transferred?	
Transition of key contacts, customers or contracts.	
Transition of name and phone numbers.	
Transitions regulatory approval.	
Terminating employees – severance.	
Inventory – estimate, managing the count.	
<p><b>E. POST-CLOSING CONSIDERATIONS</b></p>	
Additional transactions and adjustments.	
Confirming discharges.	
Tax filings.	
WCB clearance.	