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# THE HEIM GROUP

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*Middle Market Investment Bankers*

## The Wrong Way to Exit Your Business – Part One

### Unrealistic Seller Expectations

Along the way, I've heard many sad, and even sometimes horror stories, of people sold their businesses the 'wrong' way. It is heartbreaking to see years of blood, sweat and tears invested into a company only to have it end in a big fizzle out. The regrettable part of this is that it can be prevented by doing some simple, even basic, exit strategy planning. I often say business owners should begin their exit plan the very day they start, or buy, their business.

We will be taking a look here at some real-life scenarios I have come across in recent years – names changed, of course.

John and Jim are brothers in their late 60's. They started their now multi-million dollar food processing company thirty years ago and grew it to be a locally well-respected firm. When I met them, they were honest enough to say they were plain old tired, burned out. Their wives were harping on them to sell the company and retire.

I listed their company and they were excited about selling and beginning their retirement. They met with their CPA and investment advisor and were in agreement with regard to the tax consequences and funds needed for a successful retirement.

In short time, I found a buyer who presented an almost full-price letter of intent. My clients were ecstatic and verbally agreed to accept the offer. Two days later they called to rescind their acceptance and wanted to counter offer at double the amount. Mind you, the company was not even worth the sales price they accepted. It seems that after they accepted the offer, they had a second meeting with their CPA who raised some fears that John and Jim might not have 'enough for retirement' after all.

I reminded them of all the reasons they wanted out, but they held firm on their ridiculous demand for double what the company was worth. You can imagine what the buyer said! Since there was no way it would sell at a price that would satisfy them, we took it off the market. I advised them to hire a general manager to run the company for them, and I referred them to advisors I knew who could help them "polish the apple" to raise the worth of the business. Once they had built it up, we could take it to market again. They did not heed my advice.

I spoke with Jim recently. They ended up closing down the business and selling the equipment off at pennies on the dollar. To say they greatly regret their decision not to continue with the bird-in-hand buyer is an understatement, and they now have several million dollars less for their retirement.

We at The Heim Group, Inc. are experts at guarding your business while taking you through to a successful close. Please give me a call, no matter when you are thinking of selling your business. I'd be more than happy to discuss your options, at no charge to you. **Tina Marino 760-271-8331**