Please take a moment to review the valuable content in our newsletter.

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July 2017 - In This Issue:

CHOICES AND CONSEQUENCES

My office is in Cincinnati, OH. Otto Warmbier, the young man accused of a crime while visiting North Korea and imprisoned, is from a Cincinnati suburb. He was recently released by North Korea in a coma and passed away ten days after returning to the United States. This is certainly a tragedy and very hard for his family and loved ones. Mr. Warmbier was with a group that routinely took visitors to North Korea. I'm sure he had no idea his visit to North Korea would result in his death.

Most Business Owners are risk takers - they risk their Investment dollars and Income on the success of their businesses. They often have choices - to expand or not, to purchase equipment, to hire

66 REASONS 20-25% OF BUSINESSES WON'T SELL

There are at least 66 reasons only 20-25% of small businesses are ever sold. To successfully sell your business, you should be aware of the following 66 obstacles that might be encountered and should be overcome or disclosed.

1) Business Owner's Failure to Plan for a Sale

2) Inadequate Seller's Discretionary Earnings (SDE)

3) Low or Inconsistent Gross Margins

4) Inadequate Marketing and Sales Efforts

5) Owners With Unrealistic Price Expectations

6) Business Acquisitions that Cannot be Financed

7) Owners Unwilling to Provide Partial Financing

8) Owners Who Cannot Afford to Sell

9) C-Corporation Tax Implications

10) Inadequate Record keeping / Accounting Systems / Financial Reports

11) Inadequate Second-Level Management

12) Customer Concentration Issues

13) Asset Value too High vs. Return on Investment

14) Real Estate Value too High vs. Return on Investment

15) Large Working Capital Requirements

16) Excessive Personal Expenses and Skimming Cash

17) Burned-Out Owner Ruins Business Value

18) Owners Who Try to Sell the Business Themselves

19) Owners Who are not Committed to a Sale

people, to make acquisitions, to sell the Business.

Every choice has consequences. Expansion could be devastating if business activity doesn't cover the costs. Not expanding could mean the business is not competitive. Buy machines and no work for them - the cost of paying back the loan could be devastating. Don't buy it and customers go elsewhere. Make an acquisition and the new business doesn't work out, or it does.

In most of these "choices" the likely results are not life-or-death as turned out to be the case with Mr. Warmbier. But choices to be made will most of the time work out better if the consequences of the choice are examined. Example - a small manufacturing company had the opportunity to gain new business from a client but it required buying a new piece of equipment for $250,000. When it was discussed, it was determined that the Profit from the work barely covered the cost of the loan on the new machine. And the Purchase Order was for one year, and for a new project. As the new machine wasn't suited for other work, it would have been a huge risk to buy it. Solutions were discussed, including having the customer buy the machine, place it in the business location, and if not used, the only cost is the space it takes

20) Choosing The Wrong Intermediary

21) Trust Issues from Inadequate Disclosures before Due Diligence

22) Inadequate Preparation for Due Diligence

23) Losing Focus - Business Decline during Sale Process

24) Lack of Flexibility in Negotiations

25) Sellers' Lack of Emotional Control

26) Sellers Don't Understand Buyers' Motivations

27) Owners Don't Sell Business' Growth Potential

28) Difficulties Transferring the Facility Lease

29) Real Estate Transfer Issues

30) Bad Timing - Waiting too Long to Sell

31) Confidentiality Breach and Employee Suspicion

32) Lack of Required Approvals from Stakeholders

33) Unproductive Assets

34) Owners Forced to Sell Due to Factors Beyond their Control

35) Trying to Sell to Someone Who Doesn't Want to Buy (Competitors)

36) Seller Fails to Plan for Life after the Sale

37) Sellers without a Business Plan

38) Sellers Unwilling to Use Professional Advisors

39) Not Involving Professional Advisors Soon Enough

40) Overprotective Professional Advisors

41) Professional Advisors' Potential Conflict of Interest

42) Intentional Misrepresentation by Seller

43) Sellers' Impatience with Sale Process

44) Inflexibility in Structuring a Deal

45) Not Believing Time is of the Essence

46) Failure to Facilitate Closing on a Timely Basis

47) Sellers Surprised by Tax Implications

48) Failures in Negotiating Representation and Warranties

up. A better solution perhaps - one that reduced the risk.

Planning is about looking into the future and trying to estimate what is desired to happen - but what if it doesn't happen or something else does, then what? Can we live with the consequences? Perhaps looking to outsiders - people with expertise and experience - to provide analysis and input can and often does help. It certainly should reduce the chance of a horrible mistake being made.

Knowing the unfortunate event experienced by Mr. Warmbier, I doubt any parent would say it's OK to a visit to a dangerous country. And if they did, they should at least consider the possible no matter how remote horrible consequences.

WHAT IS MY BUSINESS WORTH

It will cost you absolutely nothing and there is no obligation in giving us a call or an email to request a simple valuation of your business. Relying on a professional that understands your industry is important. It is also wise to work with someone who is aware of current trends; and that is working with both buyers and sellers daily. This approach insures you plan for and receive the maximum return on the transfer of your business.

49) Failures in Negotiating Non-compete Agreements

50) Failures in Negotiating Terms of Seller Financing

51) Nit-picking in Negotiations

52) Technological Obsolescence

53) Lack of Compliance with Regulations (Environmental, Health/Safety, Taxes, etc.)

54) Lack of Compliance with Regulatory Authorities (Franchisors, Licensors, etc.)

55) Unresolved Legal Issues

56) Environmental Risks

57) Employee/Labor Problems

58) Pension Plans and other Post-Employment Issues

59) Changes in Competitive Threats or Business Environment

60) Lack of Chemistry between Buyer and Seller

61) Lack of Barriers to Entry

62) Problematic Vendor Relationships

63) Accounts Receivable Collections Issues

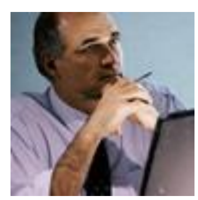
64) Undisclosed Liabilities and Debts

65) Poor Location

66) Sellers' Unwillingness to Stay for a Transition Period

At the rate of 11 obstacles per newsletter issue, in the next six issues we'll provide a brief synopsis of each obstacle.

INDUSTRY KNOWLEDGE & ACCESS TO BUYERS NATIONWIDE



Our presence as a Professional Business Broker is extended nationally as a result of being an affiliate of BHarmony, LLC. We also bring decades of experience and functional expertise in all the popular market segments as a result. Nothing takes the place or value in that of experience.

We partner with our clients to deliver solutions that help solve their most complicated needs prior to, during, and at the conclusion of the selling process. Our services are designed specifically to help small/medium size businesses and at a small business price. We go beyond the norm to develop new insights, prepare, market and drive results in the sale, thus insuring you receive the most value at closing. **Learn More**

Next Issue

Numbers 1 - 11 of 66 Obstacles to a Successful Business Sale

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