

This is a TRUE story involving Connecticut business owners – It could happen to YOU!

The owner of a small liquor store has run it with his wife for thirty years. Besides themselves, they have one full time employee who has been with them for ten years. They gross about \$750,000 per year, making a comfortable living and paying their full time employee pretty well. In January, they decide to sell and assign a price of \$300,000 + Inventory. Even though that's a number they seemed to pick it out of thin air, it's a fair price. They put the word out; tell their friends, relatives, neighbors and customers. This causes a bit of anxiety and sales for Q1 begin to dip slightly. They figure that's OK because they should be retired in about two months anyway. The full time employee begins to get nervous. The husband begins to answer inquiries, show potential buyers around the store, open the books, etc. The wife picks up the slack of the absent husband. The employee begins to lose interest while she looks for another job. Sales continue to suffer. In March, the husband accepts an offer of \$280,000. After going back and forth and already envisioning he and his wife on some tropical Island, the deal falls through at the end of April because the buyer "couldn't get a loan". Panic begins to set in, the store owner and his wife lower the asking price to \$250,000. The full time employee gets a job with a competitor across town. The workload increases while customers are lost because they have come to like the long-time employee and figure the store is for sale anyway so why not shop at the competitor? Q2 & Q3 sales fall to almost 50% of the prior year's identical quarters. In the beginning of the fall, a buyer comes across with yet another offer - \$225,000. This looks good because he is pre-approved for an SBA loan, pending inspection of the sales tax returns. The dip in business qualifies the buyer for only \$200,000, including his down payment. There is no money left for inventory. The owner agrees to accept the \$200,000 and finance the roughly \$75,000 inventory for 90 days. The deal closes just after Thanksgiving. They sign a promissory note for the inventory, but the buyer defaults in the second month. Disgusted, the owner doesn't want to sue him because of the incredible loss he has already suffered. To add insult to injury, the owners were never properly advised in the area of disassociation so some time later, they were assessed with inventory and business entity taxes owed.

The moral of the store is this: The owner and his wife are good people and put a lot of themselves into their nice little store over the years. However, trying to sell the business without help, they lost about a year (what is the cost of money over this time?). They also lost \$150,000 in real cash. This doesn't count aggravation, marital arguments, and loss of business and certainly salary, due to "rookie" mistakes. Had they retained an M&A specialist with a fee of even 10% (\$30,000), they would be well over \$120,000 richer and could possibly have completed a transaction in a much shorter time with little or no impact on sales.