



So-called “Business Broker” warns buyer, “Don’t Tell The Landlord!”



SOUTHINGTON – a large personal service business owner hires a broker to sell his business in October of 2016. The business sells to a well-intentioned, but rather green business owner with admirable dreams of business ownership. The deal closes with no seller financing and the “broker” who oversaw the transaction tells the buyer, “don’t mention it to the landlord”. What!?!?

Further to this, this “broker” told the buyer she didn’t need an LLC, just to operate under the old name. This allowed the seller (rather unscrupulous himself), to keep credit card payments which were still being deposited into his account. The buyer actually had to call the police to get the seller from coming into her business and running credit card batch reports. But wait.... He wasn’t trespassing because it was still his space!! There was never even the simplest transactional documents showing the buyer owned the business. Remember... no LLC!

With most commercial leases, there are provisions prohibiting subletting, which was the case here. Of course the landlord found out about the illegal sublet. Fortunately, the landlord was cooperative and allowed the buyer to remain in the space while forcing the seller to make restitution.

In January 2017, The Rivo Consulting Group was called to help the buyer get her house in order, which they did. The suspect “broker” was well known as a sub-standard person lacking skills and ethics who even dissuaded RCG’s involvement when mentioned during the sale! Suffice it to say through the cooperation of the landlord and RCG’s aggressive involvement, the buyer now finds herself in a profitable and rewarding business. While actionable, the seller escaped with minor restitution paid to the landlord. As for the “broker”; he skates with no consequences except further tarnishing of his name and reputation, left to take advantage of another unsuspecting, yet well-intentioned business person.

The lesson learned here is this: At a minimum, EVERY buyer and seller should be represented by a seasoned Mergers & Acquisitions Professional. This deal was large and complex enough to have also had legal representation on both sides, in addition to the M&A representation. In this case, it would have cost the buyer nothing. The fact the broker told her she didn’t need representation, simply meant he wasn’t willing to share his fee.

The sliding economy produced a lot of dejected real estate agents and other semi-lucid financial people who thought they could sell businesses. RCG has outlasted most of them but they are still out there. BEWARE! While RCG gets paid quite handsomely for rescuing people like this buyer, it’s a pyrric victory. It’s better to do the deal right the first time, than fix it afterwards.

ALWAYS call RCG! Initial consultations are free, and clients are built for a lifetime.