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"Absolutely brilliant! Burying those personal expenses so deep in your corporate tax returns no one can find them -- not even buyers for the business or the banks!"

Tip #4

Burying Personal Expenses and Assets in the Business Financials

Minimizing tax liability is a strategy all business owners think about. But when it comes time to obtain financing or sell the business, buried personal expenses and assets can create a problem in determining the true cash flow. Buyers and bankers won't always give credit to many of these items. As a result, the cash flow can be suspect. And when you apply a multiplier to determine the value of the business, the results can be disappointing. It is in the best interest of a business owner to show a healthy bottom line in the years preceding the sale of their business to get the highest price possible.

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"Look at me, I'm the only one around here who can do all this!"

Tip #5

Business Owners Who Do It All!

Some businesses can't survive without the owners trying to do everything themselves. And they have no key employees to help manage the operations. Buyers for businesses like these may be concerned if they themselves can't replace the skills and experience of the owner. As a result, these businesses may have very little value to anyone else. Business owners who don't delegate need to make a strong effort to have experienced key people in place before they ever try to sell their companies.

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"Raise my prices? You gotta be kidding me!"

Tip #6

Business Owners Who Are Afraid to Raise Prices!

Good profit margins are what it is all about. Too many business owners are scared to death to raise prices for fear of losing customers. In many cases, competition does make it difficult. But there are many situations if business owners would do some research, they would find out there isn't as much resistance as they thought. And when they finally raise prices, they find out they lose very few customers and make a lot more money (also increasing the value of the business). Don't wait too long. Business owners should check out their competition, warn their customers in advance and then raise prices in an orderly fashion that makes good business sense.

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"Yep, I've been understating the value of all this inventory for years to save on taxes. Just don't tell my accountant!"

**Tip #7
Understating Inventory**

Reporting a lower inventory to their accountant is something many business owners have been doing for a long time. And many accountants just accept the number. In addition to the obvious concerns, when it comes to selling the business, big problems can arise. How will the inventory be valued in the Purchase Allocations? And who is going to have to pay the various taxes on the larger amount? Business owners should give their accountants an accurate inventory value each year to avoid troubles at the closing table!

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"Let's see . . . A first class cruise around the world for one year for two people. That means your business is worth \$680,000."

**Tip #8
Realistic Expectation of Business Value**

Unfortunately, most business owners have a very inflated view of the value of their company. And why not? They have put so much money, time and heart into it. But they need to realize the price is based on what someone else is willing to pay for it. Periodically having an evaluation prepared by a professional is a good way to help determine what the business owner needs to do to reach his or her goals.

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**Tip #9
Business Owners should be planning for their own future.**

Business owners are so busy running their companies every day, they never seem to have time to plan for exiting the business. But they can't avoid planning for this critical time in their lives. Presenting a business for sale is very different than managing it with the business owner's personal management style and priorities. It can take years to properly prepare a business for sale to get the highest price. Business owners should start creating an exit strategy at the earliest possible opportunity!

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"Spread out men, we've got to round up our last three years financials before sunset!"

Tip #10

Where are the Business Financials?

If business owners do not have all their financials and tax returns at their fingertips (and many don't), it usually means they don't refer to them to effectively manage their operations. It can also mean they don't understand them. Business owners should regularly review their financials with their accountant and other advisors to do the proper planning necessary for a successful business. And when it comes time to seek financing or sell the business, these all-important report cards must be immediately available.

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"I believe the future of our company remains bright, and no adjustments are necessary!"

Tip #11

Business Owners Must Make Bold Decisions in Tough Times!

Business owners must be pro-active to reverse any downward trends and they must initiate a plan immediately! They cannot be complacent and just hope for the best. They must consider bold or even painful moves such as drastically cutting expenses and staff, adding new product lines or services, hiring a marketing consultant or even acquiring another company. But sitting back and not taking immediate action is not an option!

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"With a little sales and marketing, a new owner of this business could make a fortune!"

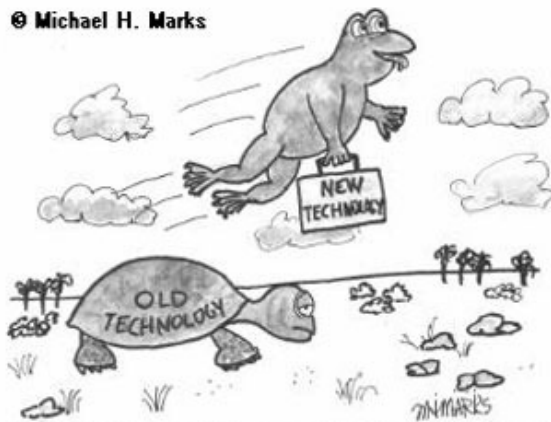
Tip #12

"My business could be a Gold Mine for a new owner!"

The statement "with a little sales and marketing, a new owner could make a fortune with my business" has been heard over and over by prospective buyers. The question of course is: "Mr. Business Owner, why haven't you made that effort?" Buyers are not willing to pay the business owner for their future efforts and investment necessary to grow the business. Business owners must take those steps themselves, which not only will increase their revenues and profits in the short term, but will greatly improve the value of their business.

Cartoons and Tips for MAXIMIZING BUSINESS VALUE

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"Get out of my way! My company is better, faster and worth more money than yours!"

Tip #13 Keeping up with Technology

Not all businesses need to have cutting edge technology, but a company can't fall too far behind. Buyers will be concerned if they must make a large investment in the latest technology to get the company to a competitive level. A business owner should do the necessary research and purchase the technology to keep the company on par in its industry or be prepared to accept a lesser value for the business.

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"Hey, what about me? I can make you happy too!"

Tip #14 Special Relationships with Customers

Special relationships that business owners have developed with customers can be a real issue when selling the business. A new owner may have a problem continuing that relationship and this could jeopardize the sale of the business. It is recommended that business owners begin delegating any special relationships with customers to other company employees as soon as possible.

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"Today's the day! I've wanted to sell my company for years. But today, I'm calling my Business Broker. I can do this, I can do this, I can do this..."

Tip #15 Timing is Everything!

Many business owners seem unable to let go of their company and wait too long. Some lose their entrepreneurial drive and the business starts sliding. Or the market starts to change and the company loses value. To get the maximum price, owners need to do some serious planning to prepare selling the business at its peak.

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"Quit feeding him so many bananas! He's our biggest customer, what if he falls?"

**Tip #16
What about that Big Customer?**

Many companies have a single customer or a few large customers that dominate their overall sales. After all, nobody wants to turn down business! But when it comes time to sell the company, this becomes a huge problem. Most buyers won't look at a business whose revenues could drop dramatically after closing from the possible loss of those customers. Some how, some way, business owners have to find a way to diversify their customer base before they ever decide to sell their business.

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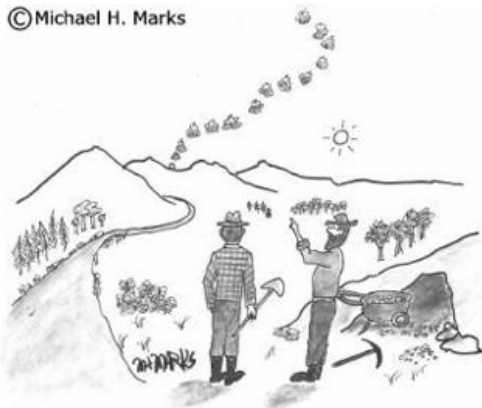


"Hmmm, I'm not sure what these are, but could be business financials!"

**Tip #17
Financial statements others can understand!**

In too many cases, business financials are so confusing that no one can understand them or analyze them. And it's not uncommon that the tax returns don't match up with the Profit and Loss Statements. These can become major problems when the business owner tries to obtain financing or sell his or her company. It is absolutely critical that a business has a set of financial statements and annual tax returns that are easy to understand and make sense to anyone who has to review them.

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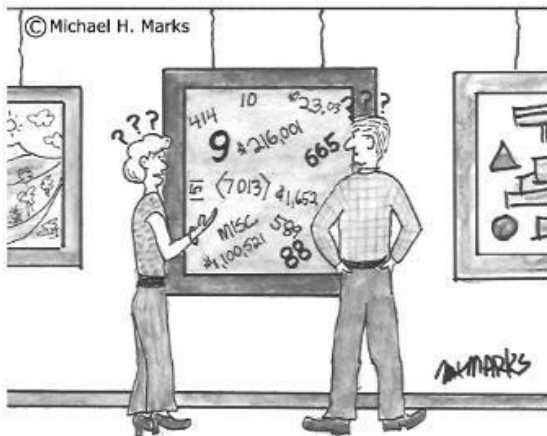


"It reads **BIG SALE ON CHICKEN WINGS** at Ed's General Store. Ed really knows how to save money on advertising!"

**Tip #18
Don't let your customers forget
you are out there!**

When sales are slow, business owners have a tendency to cut back on all marketing expenses. Today, there are various ways of cost effective advertising to keep in contact with customers and prospects that might be considered. Talking to marketing consultants, reading books or searching on the internet are ways to find out what is working for others. There are direct mail campaigns such as postcards or coupon books. Internet advertising or email campaigns can hit directly at the target audience. Not communicating with customers and prospects will only hasten the sales slide and reduce the value of the business.

Cartoons and Tips for MAXIMIZING BUSINESS VALUE



"Gimme a break, this makes no sense.
Who would ever want to buy it?"

Tip #19

Will the business numbers look good to anyone else?

Business owners can operate their company as they wish, but when they are ready to sell, will it appeal to buyers? If the numbers don't make sense or show profits, who would want to buy it? Business owners who want top dollar for their company must be able to reveal all elements of owner cash flow that buyers and lenders will accept. Otherwise, there will be only disappointing offers or no offers at all!



"Well honey, since you're providing financing for the sale of your business, you should at least look like a banker!"

Tip #20

Business owners may have to finance the sale of their business.

In today's tough economy, obtaining financing for the sale of a business can be challenging. Banks might not like the financials or might not be able to supply the funds even if they approved of the deal. If a good qualified buyer doesn't have all cash, business owners may have to consider providing some if not all of the financing for the sale of their company. Of course there can be risks to seller financing, but there are also potential advantages such as higher sale price, a greater pool of buyers and an easier closing process.



"This business is positioned for major growth -- plus, I just negotiated a new 10 year lease!"

Tip #21

Leases can make or break the sale of a business!

The lease terms of the business space can be a major consideration for a buyer. For example, a retail business with a long term lease on a good location can be attractive. But a long term lease on a business needing more space to grow could be a detriment. Or there can be concerns for an expiring lease when the landlord might demand a large increase. When it comes time to negotiating a new lease, business owners must carefully think through the timing of their plans for exiting their business.

Cartoons and Tips for MAXIMIZING BUSINESS VALUE



"That's it? After twenty-five years of owning the business, that's THE POT?!!!"

Tip #22

So, where is that Pot of Gold at the end of the rainbow?

That Pot of Gold will only be there for businesses that have been structured to sell – easy to read financials, profitable bottom line, key employees in place, growing market, quality products and services - a whole host of issues. Business owners who are too aggressive on minimizing taxes and fail to show profits might be very disappointed in the value of their business when it comes time to sell. Business owners need to understand what buyers are looking for and need to put plans in place to get there



"OK, so maybe I should have accepted that final offer!"

Tip #23

"You can't always get what you want!"

The title to the 1969 song by the Rolling Stones seems to echo what the market is telling many business owners these days. There is no question that prices for many businesses are down and for various reasons. But if there are offers on the table, a business owner must take a hard look at any offers and be realistic as to what has to change in the business or the economy for the price to go up.



"What do mean it's blank and shows no future for my business? Did you try re-booting?"

Tip #24

Some businesses may need a whole new direction!

Unfortunately, there are businesses whose market has changed so drastically that their products or services now have limited demand. And it might not be the slow economy! Those business owners may have to consider a whole new business model and get into the research and creative thinking mode. A good starting point is searching for ideas on the internet.