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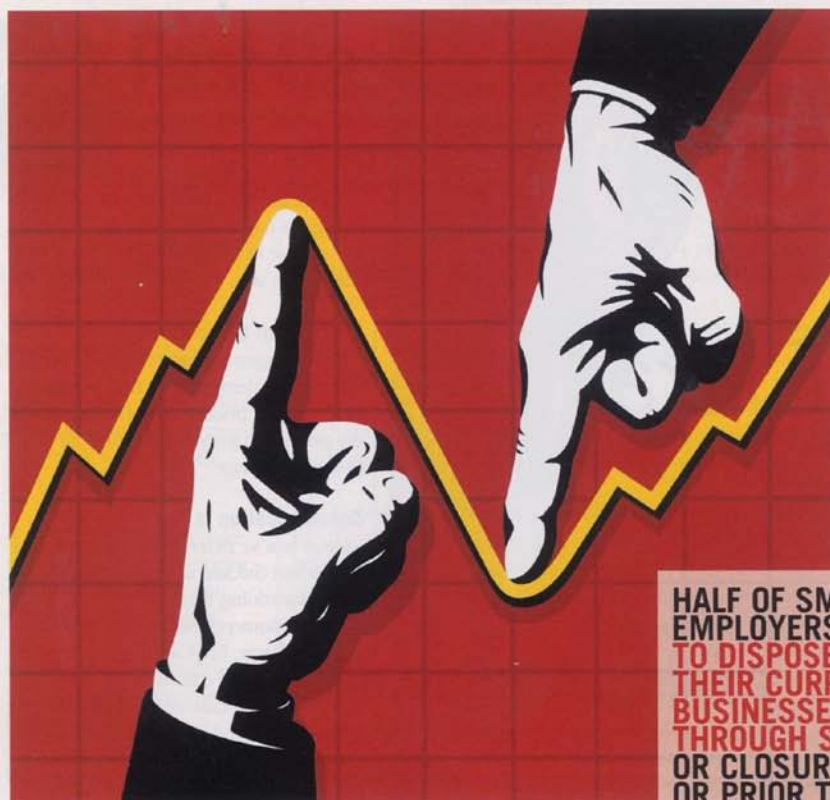
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HALF OF SMALL EMPLOYERS PLAN TO DISPOSE OF THEIR CURRENT BUSINESSES THROUGH SALE OR CLOSURE AT OR PRIOR TO RETIREMENT.

Source: NFIB Research Foundation

Selling in a Buyer's Market

Preparing your business for the marketplace will get you the right price

THE TOUGH ECONOMY has many small business owners uncertain of their company's future, but there's always a bright side to hard times. Last year, Pat Shah and his partners approached SanDisk, the world's leading manufacturer of flash memory cards, about forming a partnership with MusicGremlin, the New York City software company Shah's team had started in 2003.

"We wanted to align with a partner that could bear the inventory risk, as opposed to

us doing it," Shah says. "But when they offered to buy MusicGremlin, all the better."

Although everyone seemed happy with the outcome, Shah wishes his company had been better organized prior to the sale. Legal materials, contracts and relationships with employees should have been buttoned up, Shah says.

Just like with any business transaction, proper preparation nets optimal results—especially in today's buyer's market.

Some experts recommend

planning ahead three to six months before putting your business on the market, but Lerrin LaGrow, president of The Lerrin Company (www.thelerrincompany.com), a business brokerage firm in Scottsdale, Ariz., suggests you start preparing for the sale of your business on the day you open. In other words, it's never too early to start preparing for the day you sell. Start operating the business as though you were going to sell it in a year or so, says LaGrow. Keeping accurate financial records is key, because buyers and lenders will want to know if the business is

growing, remaining stagnant or going downhill. Buyers will look at your audited financials, so making sure those are airtight will increase your chances of selling your business for your asking price.

Ideally, the seller would collect all outstanding receivables in advance of a sale, says collections expert Bill Bartmann, but that's not realistic in today's market. Because outstanding receivables drive down the value of a business, Bartmann suggests selling your receivables to a factoring company, which will minimize your loss and get the debts off your books.

"I once bought a trucking business where the owner did not collect his receivables prior to the sale," Bartmann says. "Because of that, I was able to reduce the purchase price and then take care

of those receivables myself. I got the business for practically nothing. The owner could have made twice as much on the sale if he'd collected his own receivables."

Getting your operating costs as low as they'll go and trimming excess employees also increases a business' attractiveness. Bartmann suggests receiving a new quote on your business insurance and shopping around to find a lower rate. If you trim, pare and make hard decisions, you can help make a business look more presentable to potential buyers, he says.

It's the same principle used in selling a home: Clear the clutter to make your business look more appealing.

BY HEATHER LARSON

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