

# Experts emphasize need for planning when selling a business

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Dick Milam never intended to sell his business.

But two years ago, that's exactly what the 70-year-old Lubbock businessman did when offered \$3 million by a Fort Worth company for a small casinghead gas gathering system he had strung together over the years.

"We gathered unusable gas and made it usable. I didn't decide one day to sell it. They gave me a price, and I said yes."

Milam said the timing couldn't have been better given the current economics of the industry, which allowed him to exit one door and open another for a new venture started 10 days ago called Ibis Gas Service.

For Milam, it was about being at the right place at the right time.

For other small-business owners, selling a business can be a bit more tricky, although planning can help ease the transaction, while maximizing profit potential at the time of the sale.

"I try to tell people when I become aware of it they need to start looking at least five years out. Many don't have a clue about what (their business is) worth," said Mike Cunningham, a partner in the Lubbock public accounting firm Howard, Cunningham & Houchin, who alluded to a growing number of owners now looking at exit strategies.

Experts suggested business owners thinking about selling forge a team made up of a CPA, an attorney specializing in taxes, an investment adviser and an insurance specialist to help value the business and plan for after the business is sold.

Such advisers can address and help plan for subjects some owners never think of, such as obtaining disability insurance.

Jerry Vance, a senior vice president of at Lubbock National Bank, said he asks a number of questions of owners who are contemplating leaving their business behind.

"When you sell everything lock, stock and barrel, there are different tax laws that apply. Then when you finally get the money, what do you do with it? Can it replace your income for what it was sold? These are questions people need to ask themselves," Vance said.

Experts also say in addition to the obvious, business owners sometimes have family considerations to contend with when a venture is being sold internally and/or employees who need to be fairly compensated based on the success of the business at the time of the sale.

Joe Durnford, senior managing director of J.D. Ford and Co., a Denver-based merger and acquisitions firm, said all industries go through up and down cycles that may have a bearing on a sale, including dictating the value of the business.

"A lot of it's perception (of what the business is worth)," he said.

Cunningham said some are worth more than others based on how regularly owners reinvest in their businesses, which ultimately has a bearing on price.

Experts say many in business who are preparing to retire make the mistake of drawing down cash that would normally go back into the business, leaving little or no value for a buyer to lean their way.

"It's like selling a house. You have to invest in it. A lot of this is common sense, but many don't think about it to the last minute" Cunningham said.

In Milam's case, it was about reinvesting in a product that created value in the eyes of someone else.

"Every business owner, sooner or later, is going to leave. The question you have to ask is - what do you want to get out of it?" said Bill Lowell, president and CEO of Lowell Wealth Management.

Lowell was among a number of experts that addressed an exit planning seminar Wednesday sponsored by the Lubbock Chamber of Commerce, whose membership is comprised of hundreds of small businesses.

Dunford said in many respects, a business is an extension of an owner's lifestyle, which can sometimes make it difficult to part with.

However, he said times are changing.

"Business, in general, is getting harder and harder. Sometimes it's the stress. Other times it's the complexity (owners face) because there are more and more rules to follow," Dunford said.

Milam wasn't worn out by his business - the timing was just right.

"This is a guy who has worked his rear off in the oil and gas business who happened to be in the right place. ... But don't think he didn't agonize over it. It's always a tough decision," Vance said..