



CONSOLIDATING AMERICA - - Are You Ready to Sell?

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A few of us remember, but most of us have read about, Norman Rockwell's America. This is the America characterized by the corner drugstore, the local supermarket, the family owned clothing store and the family owned contractor.

This version of America is almost all gone. In the business community, the consolidator has gone through industry after industry buying up the small and regional companies. Not only are many small companies gone but many large companies with inefficient business structure have also gone down the tubes. Competition exists not in a local, regional or even a national setting, competition exists in worldwide economy. The local contractors must compete with national and international contractors for work.

The traditional local or regional contractor must evaluate whether it can compete in such a marketplace and if not, should it sell out. In recent years, we have seen many of our small and regional clients sell their businesses. In almost every instance, the seller came into our office with a big smile on his face. "I have great news" Mr. Big has offered to buy my company at a fabulous price and I will still be running the company at a great salary after the sale."

A year later, the seller often has an entirely different outlook. Yes - - he is

President of his company but Mr. Big has appointed a General Manager and there is nothing for him to do. Yes, he was promised a big salary but that salary was based on the company showing a profit and after adding an obscene amount of administrative overhead from Mr. Big, there was only a small profit and a very small salary. Yes, he was paid a fabulous price for his company but he did not get cash. He decided to take payment in Mr. Big company stock. Yes, it was going up **BUT** the stock was restricted he couldn't sell it. Yes, he still can't sell it and it is only worth ½ of what it was a year ago. **AND YES, HE WISHED THAT HE NEVER HEARD OF MR. BIG!!!**

Here is another scenario, one of our clients worked for 20 years for a large high tech company. When technology stocks were high, one day the company president walked into his office. Bad news he was told. The company is reorganizing. Our client was being fired but he would be given the right to exercise his stock options and he would walk out the door with \$12 million dollars in cash.

After thinking the matter over, our client began to smile, \$12 million is not bad. Even after Federal and State taxes, he would end up with \$7 million. He went home a happy man and told his wife what had happened. "We are worth \$7 million," he

said. "No," she said, "This is a community property state. I am leaving you with my \$3.5 million." "You are worth \$3.5 million."

After she left, our client put his \$3.5 million back into the market. He invested in what he knew best - - high tech - - and flew to Africa to begin a six-month trip around the world.

Yes, when he got back, technology stocks had crashed. His \$3.5 million was worth less than \$1 million and he is now looking for a job.

What is the message? When Mr. Big walks through your door remember three things:

- (1) Regardless of what you are told, in six months odds are that you won't have a job.
- (2) Take your payment in cash! Yes, you will have to pay taxes. Hopefully, you can treat the payment as a capital gain. Get a smart tax lawyer to help you structure the deal but - - - get cash. Don't let Mr. Big pay you with Monopoly money.
- (3) Invest conservatively. Don't gamble with money that you are going to need for retirement.

Get cash and laugh all the way to the bank!!!