

What Path Are You On or About to Take Regarding the Future of Your business?

By:
Jack Milford Ford



Jack Milford Ford
Attorney At Law
jackmilfordford@jmfordlaw.com
www.jmfordlaw.com
m 503.880.0788

This short article is addressed to today's senior business owners who have been around the block more times than they can count. I have been around that block as well. I know what is weighing on your mind. I know many of the thoughts going through your head, which you have discussed at meetings with your staff or your partners (if you have any). What is the next step, the next '**Path**' to take regarding your business? You are not alone. You are not the first nor the last to analyze, think about, worry about, contemplate, ponder and just freeze, not sure what to do next.

Most of you chose an initial '**Path**' to start a business years ago, possibly out of your garage, your car, and possibly through an LLC or a corporation or not. Your focus was not to spend money on legal to create a business. No, your focus, your time, all your energy and money was devoted to get the business, whatever it may be, up and running. First priority was to start generating revenue, however you could, to cover expenses. Hopefully, as soon as possible thereafter, your second priority was to make more than enough money at the end of the day, the week, the month to cover more than just expenses. After that, you were off to the races.

I know. I have represented many, many business Clients in the course of my career, who when they first called me after their businesses took off, they handed me their business records (which might be a stretch to call them that) in the proverbial shoe box. After they (you) started growing their businesses, their focus, their priorities evolved, just as yours have. Typically at this juncture, the building of a larger company business base takes place. Contracts, deals, transactions, regulations, risk mitigation, litigation, etc., arise and become more complex. If you had not already hired an attorney at this point in time, many of you decided to do so. Again, I know, as typically this is when the second wave of new business Clients retain my legal services. However, many did not.

Regardless of whatever you did, you not only survived, but your company thrived. And now here you are, years later, after your initial **Path**. You have built a mature company and business, which has been good for you. But what are you going to do next? What is the next step, the next '**Path**' you are considering to take regarding your company, your business, yourself?

It varies from business owner to owner, but as I stated at the beginning, this article is addressed to senior business owners. To simplify things, based on my experience in counseling successful, mature business Clients, I advise my Clients there are three **Paths** one typically travels.

First Path - One begins/starts a business. You have done that!

Second Path - One builds/grows the business into a successful company that is generating a net profit and has a good/great valuation. You have done that!

Third Path - One transfers/divests, lose ownership or sells the business. This Path evolves into a "**Tripartite**" Path.

Path A. One transfers ownership of the business to family member(s) and steps aside, retires.

Path B. One does nothing, just continues to run the business as is, standing still, resulting in the business slowing down, contracting, and eventually sliding backwards, potentially losing revenue and valuation, until the business closes or it goes bankrupt.

Path C. One sells:
the entity (the company, business, and all of its assets are acquired by a buyer) "**Entity Sale**"
or
only the business' assets (the legal entity structure, minus assets, are not acquired by a buyer) "**Asset Sale**".

A good deal of my legal career has been spent counseling business Clients with regard to taking the **Third Path C**. The **Third Path C.**, either Entity Sell or Asset Sell, involves many steps that are typical for either type of transaction. However, there are significantly more issues to be considered in an Entity Sell versus an Asset Sale.

I believe on a continuing, ongoing basis, there will always be companies marketing to buy, looking for, asking prospective business owners are you ready to retire, ready to exit, ready to sell. These buying companies are "**Acquirers**". This is one way how Acquirers grow their respective company/business. Typically at most business conferences I have attended over the past several years, similar to the last ATM conference held this past September, such Acquirers were looking to engage parties, like you, inquiring 'are you ready to retire, ready to exit, ready to sell'.

If you are a business owner who has been around the block, and over the many years has successfully built a company that is generating a good/great net profit and has a good/great valuation, then I caution you to be as wise, as deliberate, and as smart as you were while walking around the block over all those years building/growing your business, when choosing a **Third Path**, especially **Third Path C**. The next **Path** you take, in particular **Third Path C.**, is more important than the initial **Path** years ago you first took when you started your business. Consequently, I highly recommend you have your own team to counsel you, and you rely upon them to represent you, whomever they maybe, in order for you to make wise decisions. You should not just rely upon the acquiring party to guide you down whatever **Path** you choose to take.

In conclusion, if you are at the **Third Path**, which branches off into three different directions as I've described above, take your time, analyze where you want to go, and before making a decision and commitment to **Path A. B. or C.**, seek sage advice and counsel to assist you traversing the **Path** you choose. Good Luck!