# QUICK EXIT

A FIELD GUIDE FOR OWNERS WHO NEED TO MOVE

# QUICK EXIT

Ten reasons owners sell, and the arithmetic of waiting

**Mike Cook**

Founder, Lexbury · 800+ businesses reviewed

LEXBURY · CALGARY, ALBERTA · PHOENIX, ARIZONA

**Quick Exit:** Ten reasons owners sell, and the arithmetic of waiting.

Published by Lexbury Holdings Ltd., Calgary, Alberta, and distributed in the United States by Lexbury Liberty Investments, Arizona. First edition, 2026.



## FOUR THINGS TO KNOW BEFORE YOU START

**This is not advice.** It is general information written for a general audience. It is not legal, tax, accounting, financial, medical or investment advice, and nothing in it creates a professional relationship of any kind. Every business, every family and every jurisdiction is different. Before you act on anything in these pages, and certainly before you sign anything, retain your own lawyer and your own accountant and pay them properly. They are the cheapest part of any transaction.

**We are the buyer, not a neutral party.** Lexbury acquires privately held businesses. If you sell to us, we profit. That is a real conflict of interest and you should read every page with it in mind. We have tried to earn your trust the only way a biased party can, which is by showing the arithmetic, sourcing the numbers, and telling you plainly in Chapter Two and again at the end exactly where you should ignore us and hire a broker instead.

**The people in this book are not real.** Every owner described here is a composite, assembled from situations encountered across more than eight hundred business reviews, with every identifying detail changed. No composite depicts any actual person, family or company, and any resemblance to a particular business is coincidence.

**The numbers are real.** Every statistic is sourced, and the sources are listed at the back with their publishers and dates so you can check them yourself. Where a figure is contested or the studies disagree, the text prints the range rather than the flattering end of it. The financial models are illustrations built on stated assumptions, not forecasts, and the assumptions are printed alongside every table so you can substitute your own.

**On currency.** The dollar figures in the worked examples are generic. Read them as Canadian dollars in Alberta and as US dollars in Arizona. The arithmetic of waiting is identical in both, and the proportions are what matter.

quickexit.ca · lexbury.com

## CONTENTS

AUTHOR'S NOTE

# Why I Wrote This

> I sold my share of my first business at fifty-one because of what it was costing at home. Nobody made me. Nothing was wrong with the company. That is the whole reason this book counts in years and not only in dollars.

I was a workaholic. I'm not saying that the way people say it in interviews, where it's a boast wearing a disguise. I mean I was bad at being anywhere else. The business worked, and that was the trouble with it. It worked because I was in it, all the time. Every year it asked for a bit more and every year I handed it over.

My kids grew up in the same house I slept in. I made a lot of the dinners and a fair number of the other things. On paper I was there for most of it.

I wasn't in the room, though. I was working tomorrow's problem in my head while one of them was telling me about their day. You can be at the table and still be at the office, and kids know the difference long before they can explain it to you.

Then one day you look up and a stretch of it has gone by. Not a bad stretch. Just one you were only half present for.

## What I worked out too late to fix all of it

You don't get those years back.

I was fifty-one. My kids were twenty, seventeen and twelve. Here's the sum I finally sat down and did, and you should note how long it took me to think of doing it.

The twenty-year-old was already gone. Moved out. Whatever I'd had of that was all I was ever going to get. The seventeen-year-old had a year left under my roof. The twelve-year-old had six.

Six years. That was the whole remaining supply, the entire balance of having my children in the house, and I'd been running the place like there was no bottom to it. Everything after that was going to be phone calls and holidays. Those are good. They are not the same thing and every parent reading this knows it.

---

Nobody sends you that statement. The bank sends you one every month for the other account.

---

There's no version of the future where the proceeds buy those years back. That's the part I had wrong for a long time, and I had it wrong in a way that felt responsible. I thought I was buying my family something. What I was doing was spending the only thing I couldn't replace, in order to build the thing I could.

A business you can sell. You can sell it twice if you're any good. A year of somebody's childhood is finished the day it's finished, and nobody anywhere will sell you another one at any price.

So I got out. Five years ago now.

It was a buyout firm I founded, and I built it by buying fifteen companies across Canada, one at a time, from owners who had made them out of nothing. I thought the world of those people. I'm still in touch with a good number of them. They were the best part of the job by a distance.

And I want to be precise about what I did, because the distinction matters and this book has a whole chapter on it. I didn't sell the firm. I sold my share of it to my partners and I walked. They stayed in. The lights never went off, the staff kept their jobs, the phone kept getting answered, and the thing I built carried on down the road without me in it.

That is a partner exit, and it is Chapter Five. I've been on the inside of the situation I describe to you on page 37, and I'll tell you the part nobody warns you about. Watching it do fine without you is a strange feeling and it does not go away quickly.

I didn't sell because the numbers said to. The numbers said what numbers always say, which is wait, it's growing, next year will be better. On the spreadsheet the numbers were right. They usually are. What the spreadsheet couldn't see was what the waiting was made of.

I've never regretted it. I've regretted plenty of other things, including how long it took me to do that piece of arithmetic. But not that.

## So why am I buying businesses again

Fair question, and you ought to be asking it by now. If the years were the whole point, what am I doing back at it.

Because I got the six years and I took them. Not perfectly. A long way better than the twelve that came before them.

Then we flew our youngest down to North Carolina, which is a long way from Calgary, and moved him into a dorm on a golf scholarship, and flew home to a house with nobody in it. All three of them are off living their own lives now and chasing things of their own. That is what you raise them to do. It is also very quiet.

That account is closed. There's nothing left in it to spend, and I've got the fire in my belly again, and this time it isn't costing anybody anything at home.

My wife is the one telling me to go and do it, which I'd like you to hear, because I know how a man announcing the fire is back sounds to anybody who has lived with one. She wants me out in the world rather than orbiting the house. She also knows what the first version of me cost, and so do I, and neither of us is signing up for that one twice.

> I sold out of a business to buy six more years with a twelve-year-old. I got them, they're spent, and that twelve-year-old is at college. That is this book's whole argument, run once on me.

What I want to do with what's left is this work. Buy good companies off the people who built them, at a fair price, and help those people into whatever comes next. Somebody puts thirty years into building something real, and then there's a stretch at the end where the thing they built and the life they want stop pointing in the same direction. Getting a man through that stretch is the best work I know how to do, and I'm not much interested in doing anything else with my fifties.

## Which is why this book looks the way it does

Most books about selling a business are about price. This one is mostly about time, and the two are not the same thing.

Price is what you argue over. Time is what you spend while you argue. And there's a whole industry built around the first one that has no reason at all to mention the second, because the second one costs them nothing and costs you everything.

So every chapter in here does the same arithmetic twice. Once in dollars, the way everybody does it. Then again in months and years, which is the way nobody does it and the way that decides your life.

You'll find that most stark in Chapter Twelve, where an owner of sixty-five is two million dollars better off waiting five years, and I spend ten pages on what those five years are made of instead. That chapter is built around a man of sixty-five, but the arithmetic in it is the arithmetic I did at fifty-one on the back of a different envelope. It works at any age. It just gets more expensive to ignore.

## Now be suspicious of me

Here's the part you should hold onto through everything that follows.

I've sat at both ends of this table. Fifteen times as the buyer, once as the man selling his own. The seller's end is harder, and it's harder in ways the buyer's end can't see from where it's sitting. That is a fair part of why this book exists.

But I buy businesses. That's my trade. If you sell to me, I profit. We pay less than a perfectly run, fully marketed, eighteen-month auction would pay for the same company on its best day, and I'll say that again every time it's relevant. It's about as direct a conflict of interest as exists in commerce.

So don't trust me. Trust the arithmetic, which you can redo yourself, and the sources, which are printed at the back with dates and publishers on them.

What I've tried to do is make my own case checkable. Chapter Two builds the model comparing a conventional brokered sale against a fast private one, and publishes the whole thing. The assumptions, the fee schedule, the discount rates, the odds. Then it runs the sensitivity table and shows you the entire region where *the conventional sale wins* and you should close this book, call a good broker, and take the eighteen months.

That region is real and it's large. If your situation sits inside it, I'd rather tell you on page twenty than waste a year of your time and mine.

## How to use this thing

Owners sell for ten reasons. Not the reasons in the brochures. The real ones: health, burnout, a partner falling out, a marriage ending, retirement deferred once too often, money pressure, no successor, a death, a move, and the owner with no pressure at all who keeps putting it off.

Each one gets a chapter, and each one breaks a conventional sale in its own particular way. That's why there are ten chapters instead of one list.

You don't have to read it in order. Turn the page, find the trigger that made you pick this up, and start there. Chapter Two will be waiting when you want to check my working.

And if you get to the end and decide to keep your business for another ten years, that's a perfectly good outcome. I'd only ask that you decide it, rather than let it happen to you.

That's the whole thing I learned, and it cost me more than I'd have liked to pay for it.

**Mike Cook**

Calgary, Alberta

AT A GLANCE

# The Ten Triggers

> If one of these is why you picked the book up, go straight to that chapter. Chapter Two will be waiting when you want to check my arithmetic.

| TRIGGER | WHAT IT DOES TO A CONVENTIONAL SALE | PAGE |
|---|---|---|
| **Health** | Tell the buyer and you hand him your clock. Don't and you risk the deal. The asset and the patient are the same person. | 24 |
| **Burnout** | A sale is a second full-time job, demanded of somebody with nothing left. The margins have usually been sliding for three years already. | 31 |
| **Partner exit** | No buyer funds a hundred thousand of diligence for sellers who can't hand over the whole company. Most of these never reach an offer. | 37 |
| **Marital dispute** | Title to the shares is unclear, so the process cannot start, while two valuations argue for two years and the business slides. | 43 |
| **Retirement** | Nothing breaks. The date just moves, one good reason at a time, until it has moved for a decade. | 49 |
| **Financial pressure** | Value drops off a cliff rather than a slope, on dates your lender picks, and your personal guarantees are in the room. | 55 |
| **Succession gap** | No successor usually means no management depth, which is the commonest reason a marketed business fails to sell. | 61 |
| **Estate process** | An executor must answer diligence questions about a business she never ran, while contracts terminate on their own. | 67 |
| **Relocation** | A departure date the buyer can read off a calendar, and a manager who costs more than the discount for selling fast. | 74 |
| **No time pressure** | Nothing is wrong at all. The money says wait, and it is right. This chapter asks what the waiting is made of. | 80 |

Five of these, death, disability, divorce, disagreement and distress, are what the exit-planning trade calls the Five D's. Between them they account for roughly half of all owner exits.

## What they have in common

Every sale needs three things true at once. A reasonable chance the deal closes. A price high enough to survive the fees and the delay. And enough time to wait without you or the business wearing down.

Each chapter opens with those three set for that situation, so you can see the damage before you read a word about it.

**CERTAINTY**

Odds it closes, not odds a buyer appears.

**PREMIUM**

Price high enough to survive the fees and the delay.

**PATIENCE**

Time to wait without you or the business wearing down.

> A trigger doesn't only make you want to sell sooner. It lowers your odds of closing, shrinks your premium and spends your patience, all at once. The arithmetic flips underneath you.

Chapter One sets out the odds you are working with. Chapter Two puts a price on all three. After that, take whichever chapter is yours.

# Most Businesses Never Sell

> Nearly everything you own is inside one company, and that company has worse odds of converting into money than you have been led to believe.

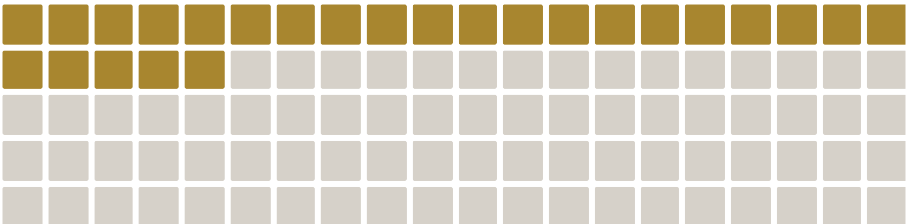
> The first principle is that you must not fool yourself, and you are the easiest person to fool.
>
> **Richard Feynman**, from his commencement address at Caltech, 1974.


*Up since the spring before last. Three out of four come down without a sale.*

Start with the fact that never comes up when you sign a listing agreement.

Of the businesses that go to market, somewhere between twenty and thirty per cent get sold. The Exit Planning Institute puts the failure-to-sell rate as high as eighty per cent.

A HUNDRED OWNERS TAKE THEIR BUSINESS TO MARKET



Twenty-five reach a closing table. The rest withdraw, or watch a deal collapse in diligence, or wind the business down, or carry on running a company they have already left in their head. Exit Planning Institute, State of Owner Readiness.

Read that carefully, because it is easy to read in a comfortable direction. It doesn't mean twenty-five per cent of businesses are good enough to sell. It means that of the owners who *decided* to sell, hired an advisor, paid for a valuation and went to market, one in four got paid.

The rest did something else. They pulled the listing after a year of no serious interest. They took a deal that died in diligence and never went back out. They wound it down. Or they were still holding the shares the day they died, which is Chapter Ten.

## Why you think this doesn't apply to you

Because it mostly doesn't feel like a statistic. It feels like a shop you know every inch of, with customers who call you personally and a crew who would follow you anywhere.

All of that can be true and the odds still hold. The businesses in that seventy-five per cent were not obviously bad companies. They were ordinary, profitable, well-liked firms whose owners believed the same things about them that you believe about yours.

What separates the quarter that sold from the three-quarters that didn't is rarely quality. It's usually one of three duller things. Whether the business can run without the owner. Whether the books can survive an accountant's inspection. And whether the seller had the time to see it through.

Feynman was talking about physics, but he was describing this exactly. You are the easiest person in the world to fool about your own business, because you are the only person who has to live with the answer.

## Where your money sits

Now put that against the other number that matters.

**A TYPICAL OWNER'S NET WORTH**

Locked inside one private company **80 to 90%**

The business · Everything else you own put together

One asset. No market price. No way to sell a slice of it. Exit Planning Institute.

Between eighty and ninety per cent of what you are worth sits in one undiversified, illiquid thing that stays locked until a transition turns it into money.

Put the two facts side by side and you have the central problem of owning a private business. Nearly all of your wealth is in one asset, and that asset has somewhere between a one-in-five and a one-in-three chance of converting through the standard process.

No competent advisor would let you hold a share portfolio that way. Most owners hold their whole life's work that way and think of it as the safe option, because it's the one they can see out of the window.

You would never let anybody put ninety per cent of your money into one stock with no buyer. You have done exactly that, and you built it yourself, so it doesn't feel the same.

### And half of you won't choose the day

There's a third fact, and it's the one this book is built on.

Ask a hundred owners how they mean to leave and you'll hear a version of the same answer. In a few years. When the numbers are a bit better. Some time around sixty-five, give or take. Always a few years out, always a decision they intend to make deliberately, from strength, on a date of their own choosing.

Then look at how owners leave.

**50%** of owner exits are unplanned. They are driven by one of what the trade has long called the Five D's: death, disability, divorce, disagreement and distress. Not a fringe. One coin toss.

Exit Planning Institute, State of Owner Readiness

Set that against how few owners have prepared for anything. In Canada, seventy-six per cent of small business owners mean to exit within ten years, putting more than two trillion dollars of business assets in motion. Nine per cent of them have a formal written succession plan. Forty-six per cent have nothing at all.

So the picture is this. Three-quarters of owners are leaving inside a decade. One in eleven has written down how. And half will be pushed out by an event rather than walking out on a date they picked.

## What that gap does to your money

The whole advisory industry is built for the owner in the first picture. The deliberate one. The one with time.

It works well for him, and I want to be clear about that, because otherwise this reads as running down a profession. A good broker, given a clean business, a patient seller and a couple of years, creates real competitive tension, and competitive tension raises the price. That's a genuine service and it's worth real money.

But it's a service with three prerequisites, and this book is about what happens when you don't have them.

**Certainty.** A reasonable chance the deal closes. Not that a buyer appears. That money changes hands.

**Premium.** A price far enough above what a direct buyer pays today to survive the fees and the delay.

**Patience.** The ability to wait it out without you or the business wearing down while you do.

Take away one and the arithmetic gets uncomfortable. Take away two and the conventional route is usually the wrong one. It took me most of two decades to see the next part properly.

*The ten situations that put businesses on the market attack all three at once.*

An owner whose health has turned has no patience, and once a buyer works out he's ill, certainty goes too. An owner in the middle of a divorce can't deliver clean title on any timeline, and every month the fight runs the premium erodes. A distressed owner has no patience and no premium, because visible distress shrinks the buyer pool to specialists. That isn't bad luck. It's structural, and it repeats in a different costume in every chapter that follows.

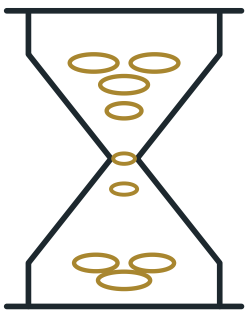
Chapter Two puts numbers on all of it: what the delay costs, what the fees cost, and what a four-in-ten chance of closing is worth against a nine-in-ten chance at a lower price. It also shows you exactly where I lose that argument.

CHAPTER TWO · PART ONE

# What Waiting Costs

> The fees, the real length of the clock, and what a four-in-ten chance of closing is worth against a nine-in-ten chance at a lower price. This is the chapter where I show you my working.

> We do not receive a short life, but we make it a short one, and we are not poor in days, but wasteful of them.
>
> **Seneca**, *On the Shortness of Life*, around 49 AD, in Aubrey Stewart's translation of 1889.



*Every month of process is paid for out of the same pot as the fees.*

There's a number every owner carries around. Usually a multiple somebody mentioned at a conference, or the price a competitor supposedly got, or a figure from a valuation done three years ago and never revisited.

It's a headline price, and headline price is the least useful number in any transaction. What matters is how much lands in your account, how long it takes to get there, and how likely the whole thing was to happen at all.

This chapter turns the number in your head into that number. Every assumption is printed so you can disagree with any of them and run it again.

## The clock is longer than you were told

Ask how long a sale takes and you'll hear six to nine months. That figure is real, but it measures something narrower than what you're asking about.

The IBBA and M&A Source Market Pulse survey, which is the best quarterly read on this market, put the median small business sale at about 170 days from listing to close in 2025. For bigger deals it stretches to about twelve months. Getting from a signed letter of intent to a closed deal is two to four months of that on its own.

But 170 days starts the day you list. Your clock starts the day you decide. In between sits the part nobody counts.

- Getting three years of accounts into a shape a buyer's accountant will accept. Two to four months, longer if your books were built for the tax return rather than for a purchaser.
- Normalizing the add-backs and separating out the personal expenses every private company carries.
- Interviewing advisors, then negotiating the engagement letter.
- Writing the information memorandum and building the data room.

- And very often a failed first attempt. A listing that draws nothing serious for eight months, gets pulled, repriced, and relaunched.

Count the front end honestly and the real span from *I have decided to sell* to *the money is in my account* is twelve to twenty-four months for a healthy business running a clean process. I'll use sixteen months below, which is nearer the good end.

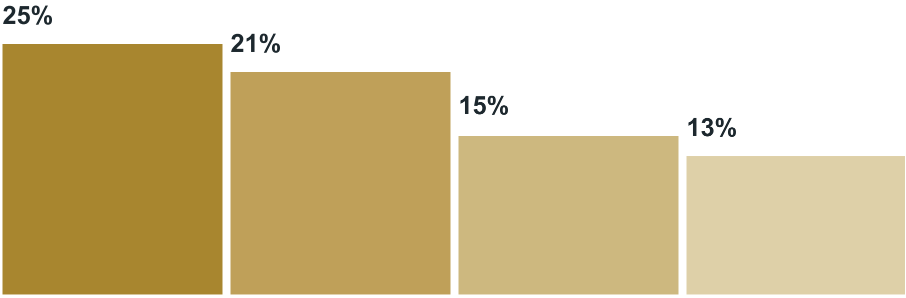
## Signing isn't closing

The worst moment in a failed sale isn't the absence of interest. It's the deal that dies after everybody has shaken hands.

In this market, roughly sixty-five to eighty per cent of signed letters of intent make it to close, depending on the study and the deal. So somewhere between one in five and one in three collapses after the letter. Deals financed through small-business lending programs fare worst, with failure rates as high as forty per cent under a million dollars. Cash buyers fare best, nearer fifteen.

What kills them follows a pattern, and the pattern holds.

WHERE SIGNED DEALS DIE




**Diligence findings** Something turns up that has nothing to do with earnings.

**Earnings don't verify** The accountant cannot get to your number.

**The re-trade** He has sunk cost, so he reopens the price.

**The seller walks** Worn out, or a better offer, or he changes his mind.

Financing accounts for most of the rest, at about eleven per cent.

Look hard at the third bar. A re-trade isn't a risk you can prepare your way out of. It's what happens in a process where one side spends four months and eighty thousand dollars before the price becomes final.

And note what a dead deal does to the clock. One that dies at month fourteen doesn't put you back at month fourteen. It puts you back at the start, a year older, with a business other buyers now know has been shopped and failed.

## The fees

Advisory fees aren't hidden. They're in the engagement letter. They just rarely get turned into dollars until it's too late to reconsider.

Under about a million dollars of value, commissions run eight to twelve per cent, with ten as the working standard and most brokers applying a minimum somewhere between fifteen and twenty-five thousand regardless of how small the deal is.

Above that, the market runs mostly on the Double Lehman formula. Ten per cent of the first million of transaction value, eight of the second, six of the third, four of the fourth, two of everything above four million. Then the additions: a monthly work fee of three to fifteen thousand for six to twelve months, usually creditable at closing, plus transaction legal and the quality-of-earnings work any serious buyer now requires.

WHAT COMES OUT OF A $3.2 MILLION SALE

| ITEM | AMOUNT |
|---|---|
| Headline price, four times $800,000 of earnings | $3,200,000 |
| Broker success fee, Double Lehman | –$248,000 |
| Transaction legal | –$45,000 |
| Accounting, normalization, quality of earnings | –$35,000 |
| **Net of fees, before timing** | **$2,872,000** |

Assumes the monthly work fee is fully credited at closing. Excludes tax, which depends on your structure and where you live. Ask your accountant, not a book.

Three hundred and twenty-eight thousand dollars, or a shade over ten per cent. That isn't a scandal. It's the going rate for a real service. But it's money, and it only exists in the version of events where the deal closes.

## Now put it together

Same business both ways. Eight hundred thousand dollars of adjusted earnings, established, real customers, a crew that functions. A good company, and one that can be sold the conventional way.

**The conventional sale.** Four times, so $3,200,000. Sixteen months from deciding to closing. Fees as above. Money structured the way these deals usually are: seventy-five per cent cash at closing, a fifteen per cent holdback released eighteen months later, and a ten per cent earnout over two years of which I'll generously assume sixty per cent gets earned. Odds of reaching a closing table: forty per cent. Note that's well above the twenty to thirty per cent industry figure. I'm being deliberately kind to the conventional path, because this is a good business.

**The direct sale.** Three and a quarter times, so $2,600,000. That's nineteen per cent below the conventional headline, which is roughly what we pay for speed and certainty. Five months from first conversation to closing. No brokerage, because there's no broker. Twenty thousand of legal. Seventy per cent cash at closing and a secured vendor note over three years. Odds of closing: ninety per cent.

Discount both back to today at eight per cent, which is a fair rate for what an owner could otherwise do with money in hand.

#### PRESENT VALUE AT THE DAY YOU DECIDE, AT 8 PER CENT

| | CONVENTIONAL | DIRECT |
|---|---|---|
| Headline price | $3,200,000 | $2,600,000 |
| Total fees | –$328,000 | –$20,000 |
| Months to cash | 16 | 5 |
| Present value *if it closes* | $2,404,000 | $2,471,000 |
| Odds of closing | 40% | 90% |
| **Risk-adjusted present value** | **$2,078,000** | **$2,462,000** |

Where the conventional sale fails you still own the business, so the failure branch is valued as a private sale sixteen months later, at earnings eroded 12 per cent, less $60,000 of advisory cost already spent.

Look at the fourth row before you look at the last one. Even *if the conventional deal closes*, its present value is slightly below the fast one. Two million four hundred and four against two million four hundred and seventy-one.

Six hundred thousand dollars of extra headline price is already gone. Eaten by three hundred and twenty-eight thousand in fees, eleven extra months of waiting, and a quarter of the money pushed out into holdbacks and earnouts.

That's before we discuss the four-in-ten odds.

---

> The six hundred thousand of extra price was gone before we mentioned probability. Probability is what turns a close call into a rout.

---

Run the odds and the gap opens to about $384,000 in favour of the fast sale. If the thing pushing you to sell also erodes earnings twelve per cent over those sixteen months, which is exactly what Chapters Three to Twelve describe happening, the gap widens to about $507,000.

Turn it round and the question becomes: how big would the conventional headline have to be to make waiting worth it? At forty per cent odds, the answer is **five and a half times earnings, or $4,384,000**. The brokered sale doesn't need to beat my offer. It needs to beat it by sixty-nine per cent.

## Where I lose this argument

I promised you this part. All of it turns on two assumptions: forty per cent odds and a four-times multiple. Change those and the answer changes. Here's the whole field.

RISK-ADJUSTED VALUE OF A CONVENTIONAL SALE, IN MILLIONS

| ODDS OF CLOSING | 3.5× | 4.0× | 4.5× | 5.0× | 5.5× | 6.0× |
|---|---|---|---|---|---|---|
| 30% | 1.94 | 2.03 | 2.13 | 2.23 | 2.33 | 2.43 |
| 40% | 1.95 | 2.08 | 2.21 | 2.34 | **2.47** | **2.60** |
| 50% | 1.96 | 2.12 | 2.28 | 2.45 | **2.61** | **2.78** |
| 60% | 1.98 | 2.17 | 2.36 | **2.55** | **2.75** | **2.95** |
| 70% | 1.99 | 2.21 | 2.44 | **2.66** | **2.89** | **3.13** |
| 80% | 2.00 | 2.26 | **2.51** | **2.77** | **3.04** | **3.30** |
| 90% | 2.01 | 2.30 | **2.59** | **2.88** | **3.18** | **3.48** |

Gold is where the conventional sale beats a direct one, whose risk-adjusted value is $2.46 million. Same $800,000 of earnings, 8 per cent, sixteen months, fees as listed above.

The gold region is large and I'm not going to pretend otherwise. If you can honestly expect five times *and* better than six-in-ten odds of closing, the conventional route wins clearly and you should take it.

Push it further. Give a man a clean business, an open timeline, a five-times offer, eighty-five per cent odds, a twelve-month process instead of sixteen, no erosion along the way, and a modest five per cent discount rate because he has no urgent use for the money. Under those conditions the conventional sale is worth about $3.07 million against a direct sale's $2.54 million. It wins by more than half a million dollars.

**If that's you, hire a good advisor and take the eighteen months.** I mean it. You'd be leaving real money on the table selling to somebody like me, and I'd rather you didn't call.

## So the question is never fast or slow

It's which row and which column you sit in. Not which one you'd like to be in.

Most owners overestimate both. They assume the multiple somebody quoted at a conference applies to them, when that figure usually came from a bigger, cleaner, less owner-dependent company in a hotter trade. And they assume they're in the eighty per cent row, when the base rate across everything that goes to market is twenty to thirty.

One last word on the discount rate, because it's the assumption people fight about. I used eight per cent, which is defensible for a man with ordinary alternatives. But a discount rate is a personal number, not a market one. It's your answer to a single question: what is a dollar today worth against a dollar in two years?

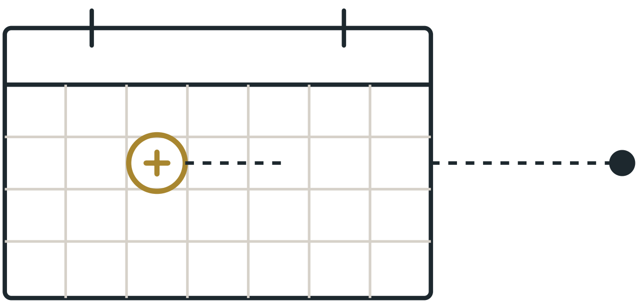
If you're sixty-eight, or you've had a cardiac event, or your marriage is ending, or you've personally guaranteed a line the bank is now reviewing, your honest discount rate isn't eight per cent. It's a good deal higher, and it should be. At twelve per cent the fast sale's advantage widens from $384,000 to $446,000, and for a man under real pressure that's still probably conservative.

The rest of this book is about those situations.

# Health

> When the thing being sold and the thing that is failing are the same person, every month you spend on a sale process is a month nobody is minding the asset.

> The first wealth is health.
>
> **Ralph Waldo Emerson**, from the essay *Power*, 1860.



*The diagnosis lands on the calendar. The closing does not.*

A COMPOSITE

He was fifty-nine. Mechanical contracting, thirty-one on the payroll, twenty-two years in. The diagnosis came in March. Treatment would run about nine months and the oncologist was hopeful, but the schedule wasn't up for discussion and neither was the tiredness.

He called a broker in April. Good man, straight with him: your numbers are strong, we should get four and a half times, give me two months to tidy the financials and we'll go to market in June.

He didn't mention the diagnosis. He figured it was nobody's business, and that it would spook buyers.

He was right that it would spook buyers. That was the whole problem.

**CERTAINTY**

Key-person risk is the first thing a buyer or a lender prices.

**PREMIUM**

Earnings drift while you are being treated, and buyers see it.

**PATIENCE**

Your calendar belongs to the hospital now, not to a data room.

In a business your size, you're not just the boss. You're the credit relationship with the bank. You're the personal guarantee on the lease. You're the reason the biggest customer stays. You're the one who prices the hard jobs, and you're twenty years of supplier arrangements that never got written down.

Buyers know all that. It's why key-person risk is the first thing they put a number on.

So when your health turns, two things happen at the same time. You lose the capacity to run a punishing sale process. And the main thing you're selling quietly starts to lose value.

## The trap nobody warns you about

You're sick. You're selling. Do you tell the buyer?

Tell him early and you've handed a professional the most useful thing in the whole negotiation, which is a deadline he didn't have to go looking for. Every request for one more month of diligence, every re-trade, every "we just need to get comfortable with one more thing" now comes from a man who knows your clock runs faster than his.

Don't tell him and you've got a worse problem. Purchase agreements are stuffed with representations and warranties, and they always include some version of a promise that nothing has happened that would knock the business sideways. Buyer's counsel writes those clauses so that an undisclosed key-person event lands on your side of the line.

And it does get found. Diligence means interviews, site visits, and eventually a meeting you're too unwell to attend. Getting found out at month twelve doesn't just re-price the deal. It hands the buyer a reason to walk with his conscience clear, or to squeeze you hard knowing you can't start over.

---

> Tell him and you lose your leverage. Don't and you can lose the deal. The long process leaves a sick seller without a good move.

---

There's no clever third option. There's only a shorter process, where the gap between deciding and closing is narrow enough that the question barely comes up, and where you're dealing with one buyer you can tell the truth to under an NDA on the first phone call.

### What happens to the shop while you're in treatment

You won't be at work. That's not a character flaw, it's a schedule. But owners nearly always underestimate how fast the slide starts.

It hardly ever shows up as customers leaving. It shows up in the jobs nobody has a title for. The quote that doesn't get chased. The margin that drifts because nobody's checking job costing on Friday. The good foreman who gets a call from a competitor and, sensing something unsaid, takes it. The supplier who moves you off favoured terms without making an announcement about it.

Twelve or eighteen months of that isn't a catastrophe. It's a slow leak. Ten or fifteen per cent off earnings, which at four times is four to six hundred thousand dollars of value gone while you were doing the only thing you could reasonably have been doing.

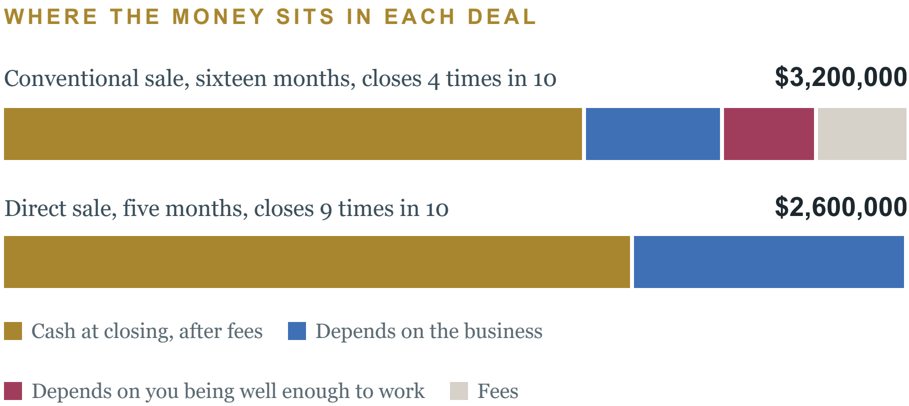
**21%** of failed deals die on the gap between the earnings a seller reported and the earnings a buyer's accountant can verify. A sick owner running a long process is walking straight at the second most common way deals fall apart.

Lower-middle-market deal-failure analyses. See Sources

### Where the money sits

This is the part I most want you to take away, and it has nothing to do with who buys the business.

When health is what's driving this, the shape of the money matters more than the size of it. Look at the same two deals from Chapter Two, broken into what you get and when.




Conventional: 75 per cent cash, a 15 per cent holdback at eighteen months, a 10 per cent earnout over two years, and $328,000 of fees. Direct: 70 per cent cash and a secured vendor note over three years. Same $800,000 of earnings.

Read the gold bands first. The conventional deal pays **$2,072,000** of cash at closing against **$1,800,000** for the fast one. That's $272,000 more, and I'm not going to pretend otherwise.

Now read when it arrives. Month sixteen against month five, and only four times out of ten.

Then read the claret band, because that's the one this chapter is about. Three hundred and twenty thousand dollars of the conventional deal is money you have to be alive and working to collect. An earnout needs the business to perform after you've gone, which is the one risk you can neither control nor influence. A transition agreement needs you well enough to show up. If you don't recover, that money doesn't reach your family as money. It reaches them as a contract dispute, which is a rotten thing to leave behind.

The vendor note in the fast deal depends on the business, not on you. It can be secured. Nobody has to be well for it to get paid.

## What I'd do

Stop comparing headline prices. Write down the cash at closing for every offer in front of you, then write down what you'd have to be alive and working to collect. Compare those two columns instead.

Decide your disclosure position on purpose, with your lawyer, before you talk to anybody. Not in month twelve when the question arrives on its own.

And run Chapter Two's model with a discount rate that reflects your situation rather than a textbook's. A man facing serious illness does not value a dollar landing in thirty-four months the way a healthy fifty-year-old does. That isn't pessimism. It's arithmetic, and it's the most legitimate use of a personal discount rate there is.

The price on a fast deal is lower. It's lower and I won't dress that up. What the difference buys you is the disclosure problem gone, eleven months of slide you don't take, four-in-ten odds turned into nine-in-ten, and no money sitting in a pot you might not be there to collect.

And your crew doesn't find out until you decide to tell them. For a lot of men in this spot, that's worth more than the last two hundred thousand.

### IF THIS IS YOU

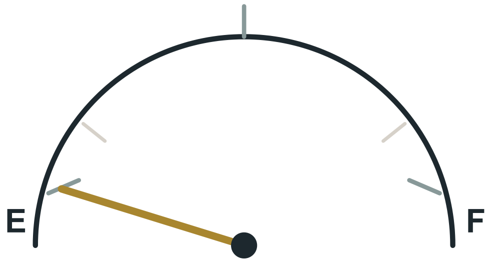
- ☐ Work out the cash at closing on every offer. Ignore the headline. It's the least useful number on the page.
- ☐ Ask what happens to each dollar of the deal if you're not well enough to work afterwards. If the answer takes more than a sentence, the offer is worse than it looks.
- ☐ Settle your disclosure position with your lawyer before the first conversation with any buyer.
- ☐ Have counsel read the material adverse change and key-person language specifically. Pay properly for that hour.
- ☐ If you've got a capable second-in-command, lock them in now. They're the difference between key-person risk and a management team.
- ☐ Tell somebody at home what you're doing. Every owner I've watched do this alone made a worse decision than the ones who didn't.

CHAPTER FOUR · TRIGGER TWO

# Burnout

> The only trigger that wears down the business and the person negotiating for it at the same time. Also the one where selling fast can be the wrong answer.

> I wish I hadn't worked so hard.
>
> **Bronnie Ware**, who nursed the dying for years and wrote down what they told her. This was the second of the five regrets, and she says every man in her care said it.




*Nothing is broken. There is just nothing left in it.*

A COMPOSITE

Twenty-two years in industrial supply. Revenue had never gone backwards. She was fifty-four and hadn't taken two weeks off in a row since 2009.

What she told her accountant was that she wanted to sell. What she said over the next forty minutes was that she couldn't face another January. That she'd stopped returning calls she used to enjoy. That lately she'd caught herself hoping the biggest customer would leave, so somebody else would make the decision for her.

Her accountant asked when she'd last had a proper holiday. She couldn't remember.

She sold eight months later and it was the right call. But she made it rested, which is why she made it well.

CERTAINTY

Slow answers read as disorganized, and buyers price that.

PREMIUM

Margins have usually been drifting for three years already.

PATIENCE

On paper you have all the time you need. You have none.

I'm going to argue against myself for a page, because burnout is the trigger where a buyer writing enthusiastically should make you suspicious.

## Take the holiday first

There's a figure that gets passed around the exit-planning world. Roughly three-quarters of owners report deep regret within a year of selling. People use it to slow sellers down, and mostly they wave the headline about.

The headline isn't the interesting part. The cause is. Of the owners who report that regret, about sixty per cent trace it to the same thing, and it isn't the price. It's that nobody had a plan for the life that came after.

**75%** of owners report deep regret within a year of selling. Around 60 per cent of them blame having no plan for what came next, not the deal terms.

Exit Planning Institute and PwC, widely reported. See Sources

That warning is aimed squarely at you, because burnout produces a very particular want. Not the want to go and do something else. Just the want to stop.

I sold out of my first business over this, and I've told you why at the front of the book. What I'll add here is that I spent a long while mistaking the symptom for the diagnosis. I thought I was tired of the company. I was tired, and the company happened to be standing nearby.

A man whose whole objective is stopping will sign nearly any structure that delivers it. Then he wakes up ninety days later with money, no job, no crew, no reason to get up, and a creeping suspicion that what he needed to escape was the tiredness and not the company.

So here's honest advice from a buyer. **Before you sell anything, do two things.** Take a real break. Three weeks, properly gone, handed to whoever is second in command. And write one page describing what you'll be doing on a Tuesday morning six months after closing.

Burnout is a reason to change something. It isn't automatically a reason to sell. Find out which one you've got before you sign.

Some owners come back from that break and find they needed a general manager, or a different job inside their own company, or six fewer customers. That's a cheaper fix than a sale and I'd rather you found it. Others come back rested and completely certain. If that's you, the rest of this chapter is yours.

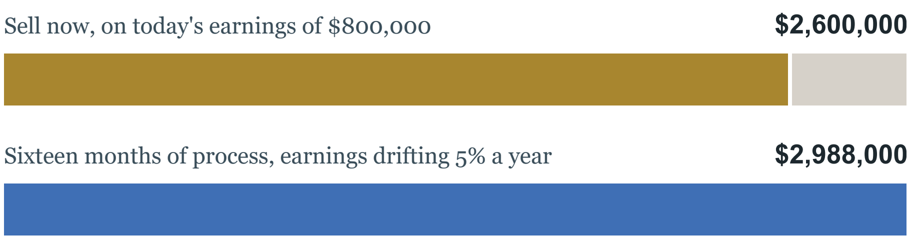
## What it's already done to the numbers

Burnout has no diagnosis date. It arrives over years, and that's what makes it dangerous in a sale. By the time a man admits it, the financial statements have been recording it for a while.

I can usually see it in three years of accounts before anybody mentions it. Revenue flat or drifting. Gross margin down a point or two a year, because pricing discipline is the first thing to go when you haven't the energy for a hard conversation with a customer of fifteen years. Selling costs falling, which looks like efficiency and is the absence of anybody chasing new work. Customer concentration climbing, because no new accounts came in while the old ones grew. Capital spending put off. And often a good employee who left eighteen months ago and never got properly replaced.

None of it is dramatic. Every line has an innocent explanation. Together they describe a business being minded rather than run, and every experienced buyer reads that the same way.

**THREE YEARS OF DRIFT, AND WHAT IT COSTS AT THE CLOSING TABLE**




The conventional headline of four times looks like $3,200,000 on today's numbers. Run the process for sixteen months with earnings sliding 5 per cent a year and you arrive at the table on $747,000, so four times is $2,988,000. Two hundred thousand of the gap closed while you were doing the paperwork, before fees.

And that assumes the drift stays at five per cent while you're distracted by the sale, which is generous, because the sale is the thing eating the attention that was slowing the drift.

## Nobody warns you it's a second job

This is the most underestimated fact in the whole process.

Running a conventional sale is a full-time job stacked on top of the one you already have, for the best part of a year. Data room. Three years of accounts rebuilt to a standard your bookkeeping was never designed for. Add-backs defended line by line. Management presentations. Site visits where the visitors need a cover story. Quality-of-earnings interviews. A legal diligence list that runs to two hundred requests.

And underneath all of it, the business has to keep hitting its numbers, because if trailing earnings slip during the process the price moves.

Now look at who's being asked to do that. Somebody whose defining symptom is that there's nothing left in the tank.

You can guess how it goes. The process crawls, because you're the bottleneck on every information request. Buyers read slow answers as disorganization or evasion and price it in. The business drifts further, since attention that was already thin is now split. And somewhere around month ten, a worn-out seller facing another sixty-item list either takes a re-trade he should have refused, or blows up a perfectly good deal for reasons that have nothing to do with its merits.

I've watched both. The second happens more than people think, and it's where a fair slice of that thirteen per cent of deals killed by the seller walking away comes from.

## What a short process gives you

It isn't the price. It's that the whole thing is small enough for a tired person to carry.

One buyer instead of a marketed field. Diligence done by our own people, which usually means one visit, one financial review and one legal review rather than three advisory firms working in parallel. No information memorandum, because there's nobody to send it to. No cover stories for a procession of strangers, because there's one visitor. Five months instead of sixteen.

What burned-out owners tell me afterwards is rarely that the number was good. It's that they were able to keep running the business properly the whole way through, because the sale didn't take a second job's worth of energy to finish.

---

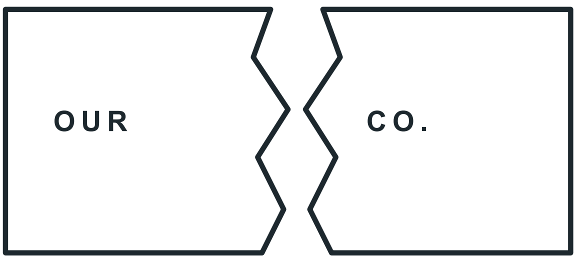
**IF THIS IS YOU**

- [ ] Take three real weeks off before you decide anything. Come back still wanting out and that's a decision rather than a symptom.
- [ ] Write one page on your Tuesday morning six months after closing. Can't fill it? You're not ready, whatever the price is.
- [ ] Pull three years of gross margin, selling costs and customer concentration. Decide honestly whether you're looking at a slope.
- [ ] Ask whether you can carry a second full-time job for a year. If not, pick a process sized to what you've got.
- [ ] Cost out a general manager before you cost out a sale. Sometimes that's the whole answer.
- [ ] Never negotiate anything that matters after four in the afternoon. Tired sellers agree to things rested sellers refuse.

# Partner Exit

> One of you wants out and the other doesn't. No buyer will spend a hundred thousand on diligence for sellers who can't hand over the whole company.

> A house divided against itself cannot stand.
>
> **Abraham Lincoln**, 1858, borrowing the line from Mark 3:25.




neither half is worth half

*A buyer wants the whole thing. There is no market for one side of this.*

A COMPOSITE

Two men, sixty-forty, eighteen years. The minority partner ran operations and wanted out at sixty-two. The majority partner was fifty-five, had no intention of stopping, and didn't have $1.4 million sitting around to buy anybody out.

The shareholders' agreement was drafted in 2007 and never looked at again. The valuation clause referred to book value. Book value was about a fifth of what the business was worth.

Neither man thought that was fair. They disagreed about which direction the unfairness ran.

Nineteen months later they'd spent $180,000 on lawyers and two competing valuations, and the operations manager had worked out what was going on and left.

| CERTAINTY | PREMIUM | PATIENCE |
|---|---|---|
| Buyers withdraw the moment they see the sellers aren't aligned. | Nothing gets invested while two owners can't agree on anything. | The dispute eats the time, and it gets more expensive as it runs. |

Disagreement is one of the Five D's for a reason. It's the trigger where the damage comes from the shape of the ownership rather than from anything outside, and where the delay isn't a side effect of the process. The delay is the process.

A partner exit has four possible endings. One of you buys the other out. A third party buys the leaving stake. You sell the whole company and split it. Or nothing happens and the deadlock carries on. In practice the fourth is the most common by a distance, and it's the one that costs the most.

## Why the internal buyout stalls

The obvious answer runs into three problems in a row.

**What's it worth.** The man leaving is selling his only real asset and wants a market price. The man staying is buying with after-tax money and taking on every bit of the risk, so he wants a discount for a minority position nobody else would buy. Both of those are defensible. Neither is obviously wrong. That's exactly why it can be argued about for a very long time, and why two competent valuators can land forty per cent apart without either of them doing anything improper.

**Where the money comes from.** An owner-operator rarely has seven figures of personal cash, because as Chapter One showed, most of his net worth is already inside this business. So the buyout gets financed, which means a lender underwrites a company that's about to lose one of its two principals, and prices that accordingly. Or the man leaving finances it himself, which brings us to the third problem.

**What you're still carrying.** A vendor-financed buyout means the retiring partner hasn't left. He's swapped an equity stake he controlled for an unsecured claim on a business somebody else now runs, payable over five to seven years, sitting behind the bank. If it struggles, he loses the money and has no authority to do a thing about it. Plenty of men sign these and only work that out later.

---

A vendor-financed buyout is not an exit. It is a loan to your former partner, secured mostly by your hope that he is as good as you think he is.

---

## What the deadlock costs while it runs

The visible costs are the competing valuations at fifteen to forty thousand each, and legal fees that climb fast once positions harden. The composite above spent $180,000, which isn't unusual.

The invisible costs are bigger and nobody counts them.

Decisions stop. A company whose owners are at odds doesn't sign a five-year lease, doesn't buy the big machine, doesn't hire ahead of demand and doesn't open a new market. All of those need two men who currently agree on nothing. Your competitors carry on making those decisions. Eighteen months of standing still while your market moves is a permanent reduction in value, and no valuation report will ever put a line item on it.

Your people work it out, and faster than owners believe. Two principals who've stopped speaking are not subtle. The ones who leave first are the ones with the most options, which is another way of saying the good ones.

And the relationship itself degrades until the cheap solutions are gone. Two partners who could have found a sensible number in month two, in a room, over an afternoon, can't find it in month sixteen through counsel. By then the money has stopped being about money.

## Where the sale process breaks

Here's the failure that belongs to this trigger, and it's decisive. **A divided ownership group is the most reliable way there is to kill a sale process.**

Think about what you're asking a buyer to do. Serious diligence on a business this size costs him somewhere between fifty and a hundred and fifty thousand dollars of legal and accounting work. He spends it over two to four months, entirely at risk, and gets none of it back if the deal dies.

No buyer commits that unless he believes the sellers can hand over the shares. The moment he works out that the two of you aren't aligned, and he works it out fast, the sums change. He's now funding the resolution of somebody else's argument with no assurance the reluctant partner signs at the end. The rational move is to walk, or to stay in at a price low enough to cover the wasted cost.

That's a large part of why these deals don't show up in the failure statistics as dramatic collapses. They mostly never reach a signed letter of intent. The process gets withdrawn quietly at month ten, and the partners are back where they started, except poorer and further apart.

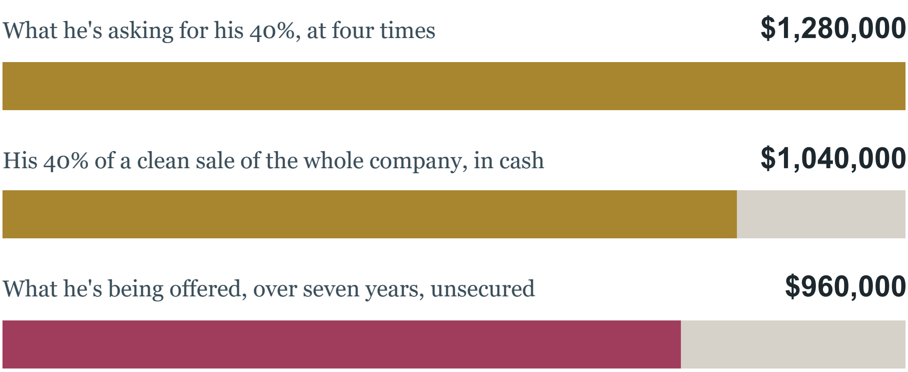
The related trap is trying to sell a partial interest on the open market. There's essentially no third-party market for a minority stake in a private company with no liquidity, no control and an agreement drafted in 2007. The few buyers who'll look at it price it so low the exercise has no point.

## Price the whole against the half

This is the calculation that surprises partners most, and it's worth doing early.

Take the same $800,000 business, split sixty-forty. The retiring partner wants four times, so $1,280,000 for his share. The staying partner offers three times, so $960,000. They're $320,000 apart and eighteen months into arguing about it.

FOUR WAYS OUT, PRICED




A whole-company sale at 3.25 times is $2,600,000, closing in about five months, with no minority discount, no financing condition and no note keeping the leaver exposed. His share lands between the two positions, a year sooner, in cash. The staying partner takes $1,560,000 instead of a business carrying $960,000 of new debt and missing its operations man.

That won't always be the right answer. A partner with real appetite and access to money should buy the stake, and if the business is worth more to him than to the market he should pay up and be glad of it. But it ought to be *priced* early against the alternative, and in my experience it never is, because both men are anchored on the fight instead of the options.

## What an outside offer does

It turns an argument into a number.

Two partners fighting over an internal valuation are arguing about a hypothetical. What somebody might pay, in theory, for a share nobody is buying. A real offer for the whole company, from a funded third party, on a fixed timeline, replaces the hypothetical with a fact.

Then both of you can answer the only question that matters. Is my share of this real number better than my share of carrying on the fight?

It also forces the staying partner to decide rather than defer. That's uncomfortable, and it's the point.

---

**IF THIS IS YOU**

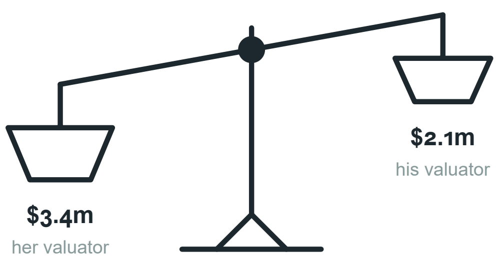
- [ ] Read your shareholders' agreement this week. The valuation clause, the shotgun, the drag-along. Most owners haven't looked at theirs since signing.
- [ ] Price all four endings, including deadlock. Deadlock is an option with a cost, so cost it.
- [ ] If a vendor note funds the buyout, ask what security you hold and what happens if the business misses a year. Then decide whether that is an exit.
- [ ] Agree the valuation method with your partner before either of you commissions a number. Two reports ordered separately will never converge.
- [ ] Get aligned before you approach any market. A buyer who senses division walks or discounts, and word travels.
- [ ] Move while you can still sit in a room together. The cheap resolutions are only available early.

CHAPTER SIX · TRIGGER FOUR

# Marital Dispute

> Two lawyers, two valuations and a business in the middle. A real offer is the fastest way to turn an argument about value into a number.

> Discourage litigation. Persuade your neighbors to compromise whenever you can. Point out to them how the nominal winner is often a real loser, in fees, expenses, and waste of time.
>
> **Abraham Lincoln**, from his notes for a law lecture, around 1850.




*Same business. Same three years of accounts. Two honest professionals.*

**A COMPOSITE**

They built the distribution business together, though only his name was on the shares. She kept the books for the first eleven years and stopped when the children came.

Everyone involved agreed the company was the biggest asset in the marriage. Nobody agreed on what it was worth.

His valuator said $2.1 million, applying a discount for his personal goodwill and the customer concentration. Hers said $3.4 million, applying a premium for the growth trend and adding back a decade of expenses she called personal.

Two years on they were still at it. The business did $2.9 million of revenue in the first year of that. It did $2.4 million in the second. The man who priced the work was spending his days in his lawyer's office.

**CERTAINTY**

You may not be able to deliver clear title to the shares.

**PREMIUM**

The business slides while the argument runs, and it runs for years.

**PATIENCE**

A contested matter can outlast a full sale process twice over.

Divorce is on every list of the Five D's, and it's the one where the damage is purely procedural. Nothing is wrong with the business. Nothing is wrong with your health, your energy or your intentions. The company is being hurt by the process of arguing about it.

For most owner-operators the business isn't just an asset in the pot. It is the pot. Eighty to ninety per cent of your net worth sits inside it. So a division of assets becomes a negotiation about one illiquid thing that neither side can value and only one side usually controls.

## Why the two valuations never meet

A private company has no observable price. It has a range of defensible opinions, and that range is wide. Wide enough that two competent valuators, working from identical accounts, can land fifty per cent apart. Neither of them doing anything wrong.

They'll differ on the multiple. On how to treat what you paid yourself. On whether the goodwill belongs to you personally or transfers with the business. On discounts for a share nobody can sell. On which add-backs are real. On whether the last two years are a trend or a blip.

Every one of those is a judgement call, and every one moves the number. And each valuator was hired by somebody with an interest in the answer. That isn't a slur on the profession, it's how adversarial processes work. Nothing inside a family law proceeding forces the two reports together. Only time, cost, and eventually a judge who picks a number that satisfies nobody.

---

A valuation is an opinion about a buyer who does not exist. An offer is a fact about one who does. Only one of those can be argued with for two years.

---

## Where the sale process breaks

On title, and it's absolute.

A buyer doing diligence asks early and in writing whether you can deliver clear title to the shares. In a contested matrimonial matter the honest answer is often no. Not yet. Not without a consent order. Possibly not without the agreement of a spouse who has every reason to withhold it.

Many places let a party register a claim against the disposition of matrimonial property. Even where none is registered, the buyer's lawyer spots the exposure on day one.

No sensible buyer spends a hundred thousand dollars on diligence for shares that might be subject to a court order before he closes. So the process here doesn't collapse at month fourteen. It never starts.

Meanwhile both clocks work against you. Contested family matters routinely run two years and often longer. That's double the sixteen-month sale timeline. And the two don't run side by side. The sale can't start until the family matter gives a buyer something to rely on.

## The cruel bit about valuation dates

Depending on where you are and what gets argued, matrimonial assets may be valued at the date of separation or the date of trial.

Say the value gets fixed at separation. The business then declines through two years of litigation. You can be ordered to account for a value the company no longer has. You pay out a share of earnings that have since evaporated, from a business now worth less than the number on the order.

That's the worst outcome available in this chapter and it isn't rare. Ask your family law counsel which rule applies to you, and ask in the first month rather than the twelfth.

## What a real offer does to the argument

This is the most useful thing I can tell you here, and it holds whether or not you ever sell to somebody like me.

An arm's-length, funded, written offer from an unrelated third party is the most persuasive piece of valuation evidence available in a divorce. It isn't an opinion bought by a party with an interest. It's a stranger with money saying what he'll pay, in writing, on a defined timeline.

Neither spouse's valuator is well placed to argue that the market price of the business is far from what the market has just offered for it. The argument doesn't vanish. There may still be fights about excluded property, about contributions, about what portion is even divisible. But the fight over *what the company is worth* largely resolves, because it's been replaced by a number neither side manufactured.

Better still, a completed sale turns the contested asset into the one thing a division can handle cleanly. Cash divides by a percentage. A private company doesn't divide at all. One of you has to buy the other out. That needs financing neither of you has, or a court order neither of you wants.

---

**17%** of revenue is what the composite above lost in the second year of the fight. Not to competitors, and not to the market. To the fact that the man who priced the work was preparing for examinations.

Composite drawn from matters observed across 800+ business reviews

---

## How this has to be done

Both spouses and both counsel in it from the start. There's no other honest way.

One buyer, dealing with everyone at once. A written offer early enough to be useful as evidence. A five-month timeline neither side can stretch for advantage. And a closing that pays into trust or into an agreed split rather than to one spouse.

Confidentiality matters more here than almost anywhere else in this book. Your people and your bank should not learn the state of your marriage from a transaction.

What it must never look like is a quick sale by one spouse without the other knowing. That's a fast route to having the whole thing set aside, and no legitimate buyer will take part. If a buyer suggests it to you, that tells you exactly what kind of buyer he is.

### IF THIS IS YOU

- ☐ Ask your family lawyer in the first month what the valuation date is where you live, and what it means if the business declines while you argue.
- ☐ Establish early whether you can deliver clear title to the shares, and what consent or order it would take. Buyers ask this before anything else.
- ☐ Consider getting a genuine third-party offer as evidence, whether or not you mean to accept it. It reframes the whole dispute.
- ☐ Bring both counsel into any sale discussion from the start. A transaction one spouse didn't know about will not survive.
- ☐ Track monthly what the dispute is costing in revenue and margin. It is usually bigger than the legal bill and nobody is measuring it.
- ☐ Protect confidentiality with your people and your lender. They will price uncertainty long before any court resolves it.

CHAPTER SEVEN · TRIGGER FIVE

# Retirement

> Nothing breaks in this one. The date just moves, one good reason at a time, until it has moved for a decade.

> How we spend our days is, of course, how we spend our lives.
>
> **Annie Dillard**, *The Writing Life*, 1989.


*Each one was a sensible decision on the day you made it.*

A COMPOSITE

He first told his accountant he was selling at sixty-one. The plan was to wait for the new building to season, which would take a year and would obviously lift the price.

At sixty-three the building had seasoned but the market had softened, so there was no sense selling into that. At sixty-five the market had come back but his best estimator had left and the numbers needed a year to settle. At sixty-seven he had a stent put in.

He sold at sixty-eight, for roughly what he'd have got at sixty-one.

He was right about the building. He was right about the market. What he never priced was the seven years.

**CERTAINTY**

Still good, and it falls a little every year you stay.

**PREMIUM**

Available, if you go and get it rather than wait for it.

**PATIENCE**

Plenty. That is the whole problem with this one.

Retirement is the exit everybody plans and almost nobody carries out on schedule.

The scale isn't in doubt. Three-quarters of Canadian small business owners mean to exit within ten years, with more than two trillion dollars of business assets in play. For seventy-five per cent of them the reason is retirement, and the sale is the retirement plan. Yet nine per cent have a written succession plan and forty-six per cent have nothing at all.

**9%** of Canadian owners have a formal written succession plan, against 76 per cent who mean to exit within ten years. An intention held by three-quarters and written down by one in eleven is a hope with a date on it, and the date moves.

CFIB, *Succession Tsunami*, 2023

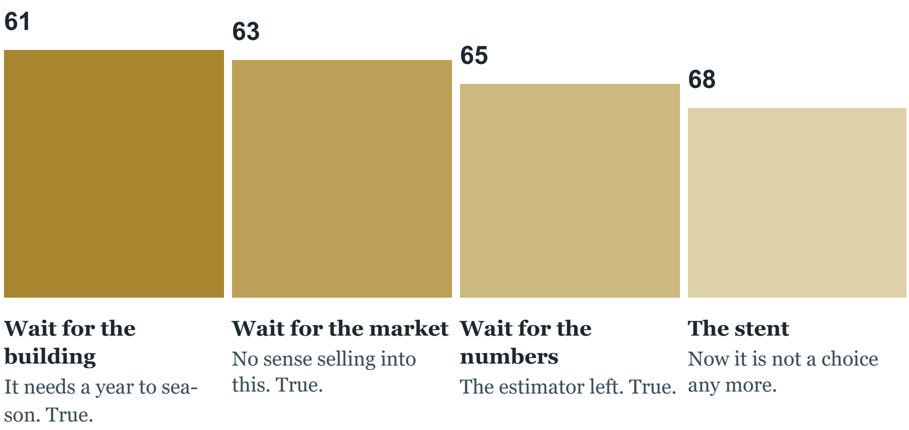
## Why the date always moves

The deferral is rarely daft in the moment. That's what makes it so good at eating a decade.

Each reason on its own is sound. The new location does need time before it contributes. The market is soft this year. Losing a key man does depress the trailing twelve months and it will be repaired. Your accountant did suggest a reorganization that's better done first.

None of those is a delusion. But they arrive in sequence, and there's always another one, because a business is a living thing that never has all its parts in perfect order on the same day. A man who's decided to sell only when the picture is clean has decided not to sell.

SEVEN YEARS OF GOOD REASONS




Two other forces push the same way. Identity is one. For a lot of men the company isn't what they do, it's who they are, and there's no version of the conversation about selling that isn't also a conversation about becoming somebody else. The other is that the business is comfortable. It pays well, it's familiar, the hard years are behind it, and the alternative has no shape.

## Price the extra year properly

Let's do it honestly, because the case for waiting is real and deserves a fair hearing.

The argument for waiting is simple. You keep a year of earnings and you may improve the price. Take the same $800,000 business. Say the extra year lifts earnings eight per cent to $864,000 and the multiple holds at 3.25. The business is now worth $2,808,000 instead of $2,600,000. That's $208,000 more, and you banked a year of income on top.

Then there's the other side of the ledger, which hardly anybody draws.

The $2.6 million you didn't take isn't sitting idle in the alternative. Invested conservatively at five per cent it earns about $130,000, so most of that $208,000 gain is the return you'd have had anyway with none of the risk. The improvement isn't guaranteed either. Earnings can fall eight per cent as easily as rise, and Chapter Four describes exactly the drift that gets an owner who has mentally left. And you carried another year of undiversified, uninsured, single-asset risk on nearly all of your net worth.

Set against that, a genuine $208,000 gain for a year of waiting is close to a wash. Sometimes better, often worse.

---

> The good reasons are all true. They are also, taken together, a decade. Nobody ever defers on a bad reason.

---

## The part that has nothing to do with price

Chapter Four introduced the finding that around three-quarters of owners report deep regret within a year of selling, and that most of them blame having no plan for what came next rather than the money.

It belongs here too, and it points at something important. *The reason most retiring owners defer isn't financial, so a financial argument won't* *shift it*. The man waiting for the building to season is often, underneath, waiting to find out what he'll do on Tuesday mornings.

If that's you, the useful work isn't another valuation. It's deciding what the next chapter holds, in enough detail that you could describe a week of it. Owners who do that tend to sell within a year. Owners who don't are still saying one more year at seventy.

## When waiting is right, and when it isn't

If you're healthy, the business is clean and you can sustain an eighteen-month process, run one. You're the reader most likely to sit in the shaded part of the table in Chapter Two, and you'd be giving up real money selling to me. Chapter Twelve does that arithmetic properly, and I'd read it before you do anything else.

The case for moving gets strong in three situations. When the business is owner-dependent enough that its value is visibly tied to you being there, because every year you age a buyer prices that. When you've already deferred more than twice, because the pattern predicts itself. And when what you want isn't the maximum number but an end date you control, which no marketed process can give you.

The difference between the man who sold at sixty-one and the man who sold at sixty-eight was never the multiple. It was that one of them set a date and kept it.

### IF THIS IS YOU

- ☐ Write down the year you first told somebody you'd sell. Count the years since. That number predicts what happens next better than any forecast.
- ☐ Price the extra year on both sides. Earnings and valuation gain against investment return foregone, risk carried, and a year of your life.
- ☐ Describe a typical week eighteen months after closing. If you can't, that is the real blocker and no price solves it.
- ☐ Ask what share of the value depends on you personally. That share falls with your energy, not with the market.
- ☐ If you're healthy and unhurried, get a broker's opinion too. Chapter Two tells you when they are the better answer.
- ☐ Set a date to decide and tell somebody who will hold you to it. Not a date to sell. A date to decide.

CHAPTER EIGHT · TRIGGER SIX

# Financial Pressure

> The only chapter where value falls off a cliff instead of down a slope, on dates somebody else picked, with your house in the room.

> “How did you go bankrupt?” “Two ways. Gradually, then suddenly.”
>
> **Ernest Hemingway**, *The Sun Also Rises*, 1926.


*Every operating line you ever signed for is down there, and it is tied to your house.*

A COMPOSITE

Nineteen straight profitable years hauling freight. Then a big customer moved to a competitor, fuel went the wrong way, and two trucks needed replacing in the same quarter.

He broke a fixed-charge coverage covenant in the second quarter. The bank was perfectly pleasant about it. Issued a waiver, asked for monthly reporting instead of quarterly.

Third quarter he broke it again. This time the waiver came with a forbearance agreement, a higher rate, and a request for an independent business review at his expense.

He was still telling himself it was a rough patch. What had happened is that the bank started planning its exit about eight months before he started thinking about his.

| CERTAINTY | PREMIUM | PATIENCE |
| --- | --- | --- |
| Most buyers walk once a lender controls the timetable. | Visible distress shrinks the buyer pool to specialists. | Forbearance runs three to nine months. A sale takes twelve to eighteen. |

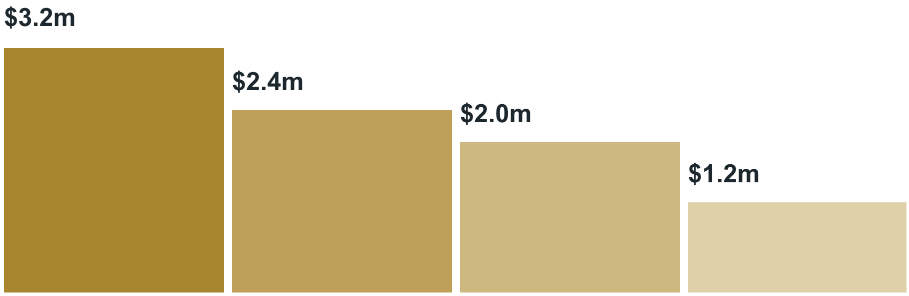
Every other trigger in this book grinds value down a slope, a few per cent a year. This one doesn't grind. It drops, in steps, on dates other people choose.

That should change how you think about time. In the other chapters, moving quickly protects a few hundred thousand dollars. In this one it's often the difference between a sale and an insolvency.

## Why it's a cliff and not a slope

The buyer pool doesn't shrink gradually. It collapses in stages, and each stage is set off by a piece of information becoming visible.

FOUR DOORS, AND WHO DECIDES WHEN EACH ONE SHUTS




**Trading is soft**
The whole market is still open to you. You decide.

**It shows in the numbers**
Buyers discount the trend. You still decide.

**Formal forbearance**
The lender controls the clock. He decides.

**Filing or receiver**
Priced off liquidation, not earnings. Nobody asks you.

Illustration on the same $800,000 business, and the steps move at different speeds in different trades. The shape is what matters. Each door shuts on a date your lender picks, not you. The only thing you still control is how early you move relative to those dates.

## The anchor nobody talks about

Here's what separates this chapter from the rest. It's also why I'd push a man in this spot harder than anyone else in this book.

Everywhere else, the worst case is that the business turns out to be worth far less than you hoped, or nothing. Your house isn't in the deal. Under financial pressure it usually is. Nearly every operating line, equipment loan and lease written for a company your size came with a personal guarantee. Often a collateral mortgage on the house as well.

So the question isn't what the business is worth. It's what *you're* worth the morning after, and those two numbers come apart fast.

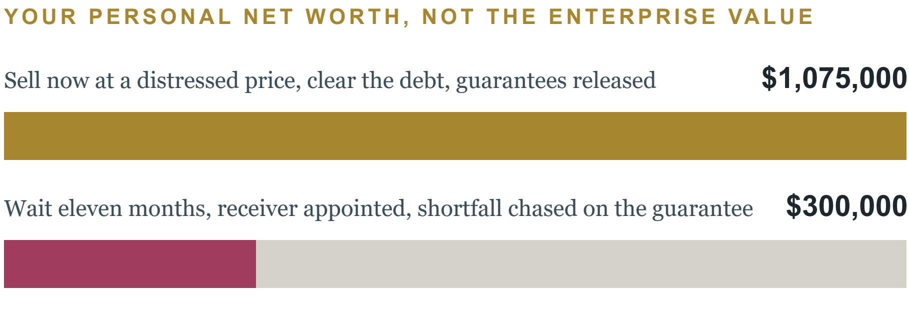



Illustration. $1.6m of secured debt and $700,000 of equity in the house. Selling at 2.5 times earnings leaves $375,000 after the debt and the lawyers, with the guarantees released and the house untouched. A liquidation realizing $1.2m leaves a $400,000 shortfall, and the bank comes to the house for it.

Seven hundred and seventy-five thousand dollars between those two lines. Owners under pressure will spend four months arguing over two hundred thousand of price while that gap moves against them in the background.

## Where the ordinary process breaks

On arithmetic. A conventional sale takes twelve to eighteen months. A forbearance agreement runs three to nine.

There's no version of a marketed sale that fits inside a distressed lender's timetable, and lenders know it. That's why the independent business review they commission usually contemplates a sale measured in weeks. Sign a listing agreement at your first covenant breach and you've started a sixteen-month process with about six months of runway. You'll spend the difference finding that out.

Two other things make it worse. About eleven per cent of failed deals die on financing. Financing a distressed acquisition is harder still. Your odds drop right when you can least afford another dead process. And the re-trade problem gets sharper. A buyer who knows your forbearance expires in November has every reason to reopen price in October. That isn't cynicism about buyers. It's what a rational man does when he can read a calendar.

## What I'm not going to tell you

This is the trigger where a buyer is most tempted to promise more than he can deliver. There are people working this market who go hunting for the man reading this page. So let me be plain about the limits.

**We don't buy every distressed business.** If your secured debt is bigger than any realistic value of the company, no purchaser on earth solves that. You need an insolvency professional and a lawyer today, not an offer. A formal restructuring can save more than a rushed sale, and it can sometimes deal with the guarantees in ways a share sale can't. That's specialist work and it isn't in this book.

A direct buyer can offer you speed inside a defined window, and certainty that the money is there. He can also deal with your secured lender head on. What nobody can offer is a price that ignores the pressure. Anyone telling a distressed owner he'll pay full market is either wrong or setting up a squeeze at the end. I'd walk out of that conversation.

Watch for three asks. A long exclusivity period. A big non-refundable deposit out of your pocket. An operating agreement handing him control before closing. Under pressure those look like a rope. They're options written in your favour and exercised in his, and that's a damn good way to lose a business you could have sold.

## What helps

Talk to your lender early, and with your own advice in hand. That's the single biggest difference from the ordinary route. A lender looking at a funded buyer with a five-month timeline behaves nothing like a lender looking at an owner promising things will pick up. They'll often extend forbearance to let a real transaction finish, because a solvent sale returns them more than enforcement does.

After that, diligence runs in weeks rather than months. The offer should say out loud how the secured position and the guarantees get handled. It should be built for certainty of closing rather than for the number at the top.

In this chapter more than any other, don't ask what the offer says. Ask what your personal balance sheet looks like the morning after it closes.

### IF THIS IS YOU

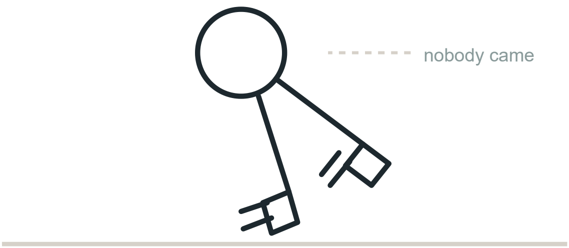
- ☐ Write down every personal guarantee and collateral charge you've signed, and who holds it. Most owners under-remember this by a mile.
- ☐ Read your forbearance agreement for the expiry date. Treat it as the deadline the whole process has to fit inside.
- ☐ Compare your options by personal net worth after closing, not by enterprise value. Getting the guarantees released can be worth more than the price.
- ☐ Call an insolvency professional in parallel, even if you mean to sell. If restructuring is the better answer, you want to know now and not in March.
- ☐ Tell your lender you're pursuing a sale. Lenders respond far better to a credible plan than to optimism.
- ☐ Refuse long exclusivity, big deposits out of your pocket, and any pre-closing operating control.
- ☐ Move earlier than feels necessary. Every door in this chapter shuts on somebody else's schedule.

CHAPTER NINE · TRIGGER SEVEN

# Succession Gap

> The plan was that somebody would take it over. Nobody is going to, and the arithmetic of a management buyout explains why.

> Yea, I hated all my labour which I had taken under the sun: because I should leave it unto the man that shall be after me. And who knoweth whether he shall be a wise man or a fool?
>
> **Ecclesiastes 2:18–19**, King James Version. Somebody was worrying about this three thousand years ago.




*Fifteen years of assuming is not the same as one conversation.*

**A COMPOSITE**

The plan had been in place, loosely, for about fifteen years. The daughter would take over. She'd worked summers in the shop through university and everyone in the trade assumed it.

At thirty-four she was a partner at an engineering firm in another city, with two children and a mortgage, and she had never been asked.

When she finally was, over dinner, she said no. Kindly, and with obvious guilt, and having plainly decided some years earlier.

So he turned to his operations manager, who wanted it badly and had run the place well for six years. The manager could raise about $180,000 against his house. The business was worth $2.6 million.

**CERTAINTY**

Owner dependence is the commonest reason a listing never sells.

**PREMIUM**

Buyers price the transition risk you spent fifteen years not fixing.

**PATIENCE**

Nothing forces you today, which is exactly how it costs a decade.

This is the quietest trigger in the book. There's no diagnosis, no lawyer, no broken covenant, no departure date. There's a plan that was never written down, resting on somebody who never confirmed it, found hollow at the moment it's needed.

The numbers say this is close to the normal condition of owning a business. Nine per cent of Canadian owners have a written succession plan. Forty-five per cent have an informal, unwritten one. Forty-six per cent have nothing.

Look hard at that middle group, because this chapter is about them. An informal, unwritten plan is generally not a plan. It's an assumption one person holds about another person's future, usually never tested in a direct conversation, and it dissolves on contact.

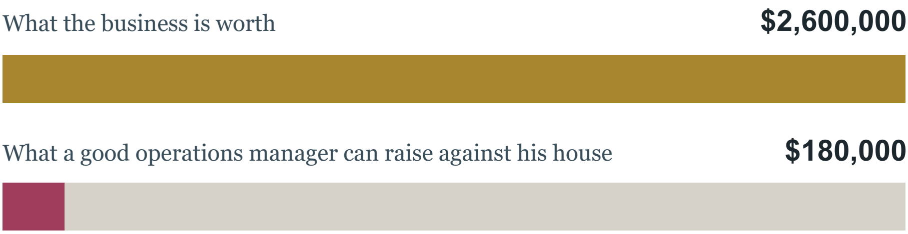
## Three doors, and two of them are shut

**The family door.** Most often it closes because the next generation built a different life. They have professions and mortgages and children in schools somewhere else. They watched what the business cost you in hours and worry, and they drew a conclusion.

It closes more painfully when a child does want it but shouldn't have it. When the willingness is real and the ability isn't. That's the hardest conversation in family business and it gets avoided for a decade, usually by a man who means to have it next year. Handing a going concern to somebody who can't hold it doesn't preserve anything. You lose the value and the relationship both.

**The management door.** This is where owners turn next, and it fails on arithmetic almost every time.

WHAT YOUR MANAGER CAN RAISE, AGAINST WHAT IT COSTS




The rest gets financed. A company this size does not support enough senior debt to close that gap, so most of it comes from you, over five to seven years, behind the bank.

A capable manager on $120,000 a year doesn't have $2.6 million and can't raise it. Lenders will advance against the assets and the cash flow, but a private company this size won't support enough debt to fund a full buyout. The equity gap has to come from somewhere, and in practice it comes from you.

So the structure is this. You hand over control today. Then you get paid over five to seven years, out of the future profits of a company you no longer run. Unsecured or lightly secured, behind the bank.

A vendor-financed management buyout is a loan to your former employee, secured mainly by your opinion of him. Sometimes that opinion is right.

It does work sometimes, and when it does it's the best outcome available. The crew carries on, the culture holds, and a good operator gets the chance he earned. I've seen it. But say the risk out loud. You've swapped an asset you controlled for a receivable you don't. A downturn, a bad decision or an illness can take it, and you'd have no authority to step in. A man in his late sixties should think very hard before accepting a seven-year payout, for the reasons in Chapter Seven.

**The third door** is what this book is about, and it's where most succession-gap owners end up, several years later than they should have.

## Why these businesses are the hardest to sell

Here's the failure that belongs to this trigger. Succession-gap businesses are often the *least* saleable on the open market, for the very reason that created the gap.

A business with no successor is usually a business with no management depth. Those are the same fact seen from two angles. If there were a capable, ready second tier, there'd be a candidate. The absence of a candidate usually means you are the operation.

And owner dependence is the single most common reason a marketed business fails to sell. A buyer looking at a company where you hold the customer relationships and carry the technical knowledge is buying a set of assets plus your departure. He prices it that way, or he walks. That's a big part of why seventy to eighty per cent of businesses that go to market never sell. The marketed pool is full of exactly this profile.

So the succession-gap owner runs a process and spends fourteen months in it. He gets nothing, or an offer far below what he expected, loaded with earnouts and a three-year employment agreement. He concludes the market is wrong about his business.

The market isn't wrong. It's pricing the transition risk.

## Why waiting makes it worse in three directions

You age, so the dependence that worries buyers gets more acute and more visible.

The capable second-tier employee who might have been a successor gets three years older, and either leaves or stops waiting to be asked.

And the business, run by a man increasingly aware there's no way out, stops getting the investment that keeps it competitive. That's the drift from Chapter Four arriving by a different road.

This is the trigger where waiting is most reliably and least visibly expensive. Nothing happens in any given year. Ten of those years cost a great deal.

## What a direct sale does differently

It buys the business as it is, succession problem included, and knowingly.

That matters more than it sounds. A marketed process asks you to present the company as transition-ready, which here means presenting something that isn't true, and diligence finds it. Selling direct to somebody who buys and runs companies prices that risk openly at the start. Nobody finds it at month twelve and uses it to squeeze you.

It also means the answer to "who runs it after you?" is my problem, not a condition of the deal. That's the difference between selling to an operator and selling to a financial buyer. The financial buyer needs you at the desk for three more years to make his model work.

And there's a version worth asking about. The manager who couldn't fund a buyout can often stay and get promoted. He can be given the incentive package you could never build on your own. The crew carries on. What didn't work was the financing structure, not the man.

### IF THIS IS YOU

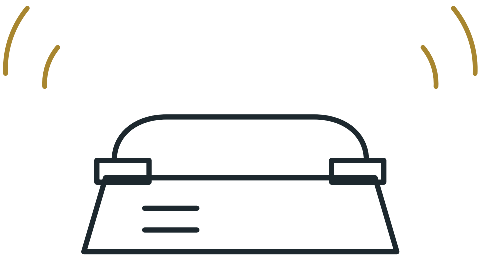
- ☐ Ask your intended successor directly, this month, and take the first honest answer. A fifteen-year assumption is not a plan.
- ☐ If a family member wants it but isn't ready, decide whether that's fixable in two years. If it isn't, say so now rather than at seventy.
- ☐ Price a management buyout properly. How much can he raise, how much would you be lending him, for how long, secured by what?
- ☐ Test your own dependence. If you were unavailable for ninety days, what breaks? That list is what buyers are pricing.
- ☐ If you intend to wait, build management depth now. It is the only thing that raises the price, and it takes years.
- ☐ Ask any buyer what happens to your key people. A working owner will have a better answer than a broker can give on somebody else's behalf.

CHAPTER TEN · TRIGGER EIGHT

# Estate Process

> An executor's job is to realize value, not to imagine it. Every month a business runs without its owner, there is less of it to realize.

> In this world nothing can be said to be certain, except death and taxes.
>
> **Benjamin Franklin**, in a letter to Jean-Baptiste Le Roy, 1789. In this chapter they arrive together.



the foreman, the bank, the biggest customer

*All three of them called this week. The estate could not answer any of it.*

**A COMPOSITE**

He died on a Thursday, at sixty-six, with no warning. Specialty fabrication, twenty-four on the payroll, profitable every year since 2004. All of it his.

His widow was the executor. She had never worked in the business.

By Monday she'd found three things. The operating line was in demand, because of a change-of-control clause nobody had read. The two biggest customers had contracts personal to him. And the shop foreman had already been approached by a competitor who heard inside forty-eight hours.

The estate lawyer was excellent on probate and honest about the rest. This wasn't his field, and the clock had started before anybody was appointed to watch it.

**CERTAINTY**

Nobody can answer a diligence question about how the work gets priced.

**PREMIUM**

The news is public within a week. Confidentiality is gone.

**PATIENCE**

Contracts terminate on their own while probate runs.

Death is the first of the Five D's, and it's the only trigger where the person deciding isn't the person who built the business. That one fact changes everything about how this has to be run, and what a good outcome even means.

An executor isn't an owner. An owner can gamble, hold out for a better price, back a hunch, or wait five years because he feels like it. An executor is a fiduciary, obliged to act prudently, even-handedly between beneficiaries, and within a reasonable time. Those duties don't merely permit a prompt, well-documented sale. They often require one.

## Why it decays faster here than anywhere

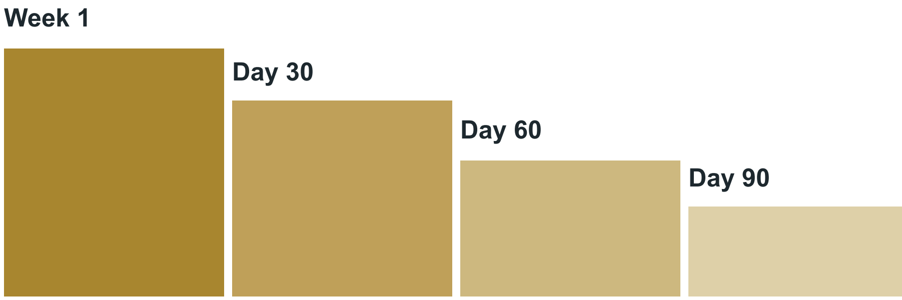
Every other chapter describes an owner who is present but impaired. This one describes a business with nobody at the top at all.

**The news travels immediately.** A death is public in a way that illness and divorce and money trouble are not. There's a notice. There's a funeral. Within a week every competitor, every recruiter and every major customer knows. The confidentiality this book treats as valuable in the other nine chapters is not available to you.

**Your key people get called at once.** The foreman, the estimator, the top salesman. The ones whose leaving most reduces the value are the ones competitors call first, and they're calling into real uncertainty. The estate can't promise them anything about the future because it doesn't know.

**Contracts react on their own.** This is the part that surprises families most. Commercial agreements are full of provisions that fire on death or change of control. Loan covenants, leases, franchise and dealership agreements, licences, bonding facilities, key-person requirements inside customer contracts. None of them needs anybody to make a decision. They operate by their terms, often within thirty days, and frequently before an executor has been formally appointed.

**THE FIRST NINETY DAYS, AND WHAT FIRES WITHOUT ANYBODY DECIDING**




**The trade finds out**
Competitors start calling your best people.

**Clauses fire**
Change-of-control provisions operate by their terms.

**Key people move**
The ones with options go first.

**Still no authority**
Probate is not finished. Nothing can be signed.

**And authority is slow.** Probate takes months. Until it's granted an executor's power to act decisively can be limited, at exactly the point when decisiveness is worth the most.

---

The estate's problem is not getting the best price. It is that the asset is losing value faster than the legal process can give anybody the authority to sell it.

---

### Where the sale process breaks

On a mismatch between two clocks, and it's the worst mismatch in this book.

A conventional sale runs twelve to eighteen months. All the way through it needs a seller who can answer detailed questions about the operation. An estate has neither. It has a business losing value every month. And a representative who often can't say how the work gets priced, because she never did it.

That second point isn't a small inconvenience. Diligence is a sustained interrogation of operational detail. The standard advice, that a seller should present the business well, assumes a seller who knows the business. When the answer to a diligence question is "I don't know, my husband handled that," sophisticated buyers do one of two things. They discount heavily for the unknown, or they use the gaps to squeeze late. Diligence findings and earnings discrepancies together account for nearly half of all failed deals.

There's a fiduciary angle here too, and it needs stating carefully. Picture an executor who runs an eighteen-month process. The business loses a third of its value while key people leave. Then it fails to sell, which is the base-rate outcome for a marketed business. The beneficiaries are entitled to ask whether that was prudent. An executor who gets an arm's-length offer promptly, documents the process, takes advice and closes has a clear record of having acted reasonably. *Documented promptness is far easier to defend than optimistic delay*.

## Tax, which differs by country

This one is for the estate's accountant, and the treatment differs sharply either side of the border. I raise it only so you know to ask, in the first fortnight.

In Canada, death generally triggers a deemed disposition of capital property at fair market value. That can create tax in the terminal return based on a valuation of shares nobody has sold and which have produced no cash. Tax payable now, on value not yet realized, is one of the commonest reasons an estate needs cash on a fixed timetable. It is also why a real third-party sale price shortly after death can be useful evidence of what the shares were worth.

In the United States the general position is different. Assets typically get a stepped-up basis to fair market value at death, so a sale at or near that value produces little capital gain.

Both of those are broad generalizations with real exceptions and deadlines attached. Don't act on either. Ask the estate's accountant early, because the answer sets the timetable for everything else.

## What an estate needs from a buyer

Somebody who can do diligence without a seller who knows the answers.

That's the specific capability, and it's uncommon. It means a buyer whose own people go into the business, sit with the bookkeeper and the foreman, and rebuild the operating picture themselves. Not one who sends information requests to a widow. It means valuing the company from its records rather than from what management says, and carrying more of the diligence burden than usual.

It also means moving before the key people do, which in practice means weeks and not months.

One caution, and it applies to me as much as anyone. **Get a second opinion on value before you accept any offer, even a fair one.** Not because a decent buyer will resent it. We don't, and we'll wait a fortnight for it. But an executor should never be in the position of having accepted the only number she was shown. Your duty is to the beneficiaries and it's cheap to discharge properly.

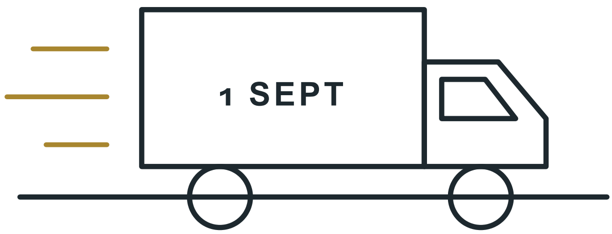
### IF THIS IS YOU

- ☐ In the first week, have counsel read every loan, lease, licence, bond and major customer contract for change-of-control and key-person clauses.
- ☐ Speak to the key people immediately and face to face. They are being called, and silence from the estate is what makes them answer.
- ☐ Ask the estate's accountant about the tax consequences of death and their deadlines. Those may set the timetable for everything else.
- ☐ Document every step. Advice taken, offers received, reasons for decisions. Prudence gets judged on process, not outcome.
- ☐ Get an independent view of value before accepting anything, however reasonable it looks.
- ☐ Ask any buyer whether he can run diligence without a knowledgeable seller. If he can't, the deal will fail late instead of early.
- ☐ If you are reading this and you are *not* in an estate, do one thing today. Write down where the keys, the passwords and the banking relationships are. This chapter happens to somebody's family because nobody did that.

CHAPTER ELEVEN · TRIGGER NINE

# Relocation

> A departure date the buyer can read off a calendar, and a fallback that costs more than almost anybody works out in advance.




this date is not moving

*Everyone in the negotiation can see it, including the man across the table.*

A COMPOSITE

Her husband was offered a job in another country, starting the first of September. The children were nine and twelve, which made the timing about as good as it was ever going to get. The family took two weeks to decide.

The business took considerably longer. Commercial landscaping, forty seasonal staff. She listed it in March with a broker who felt good about September.

By July there had been two interested parties and no offer.

In August she hired a general manager at $140,000 and left, meaning to sell the following spring from three thousand miles away. Eighteen months later the business was earning about thirty per cent less and she was flying back every six weeks.

| CERTAINTY | PREMIUM | PATIENCE |
| --- | --- | --- |
| Fine on paper, until a buyer works out you have to be gone. | A known deadline is worth money, and it is worth it to him. | Somebody else's start date decides when this ends. |

This is the mildest trigger in the book. Nobody is ill, nobody is fighting, the bank is happy and the business is fine. It's in here because it creates two problems that belong to it alone, and both are expensive.

## A deadline you cannot hide

Every trigger in this book creates urgency. This is the only one where the urgency has a date printed on it, attached to something the whole world can see.

A spouse's start date. A visa with an expiry. A school year. A closing date on a house in another city. Those aren't soft preferences. They're commitments, usually made by more than one person, often involving other institutions, and they don't move because a buyer's accountant wants another three weeks.

And in a marketed process the deadline becomes known. It has to. The buyer asks why you're selling, and the answer is either the truth or something that unravels.

Now think about the incentive that creates. A man who knows you must be gone by September benefits from arriving at the closing table in late August with a revised number. Your choices then are to take it, or to start over from nothing with three weeks left. That isn't a hard call for him to model, and re-trades already account for about fifteen per cent of failed deals in the ordinary case, where he has no such lever.

---

> In every other chapter, urgency is something a buyer has to discover. Here he can read it off a calendar, and he will price it.

---

The defence isn't concealment, which doesn't survive diligence. The defence is choosing a process much shorter than the deadline, so the deadline never becomes the pressure. Five months against a nine-month departure gives you the one thing a sixteen-month process can't: the ability to walk away and still have time.

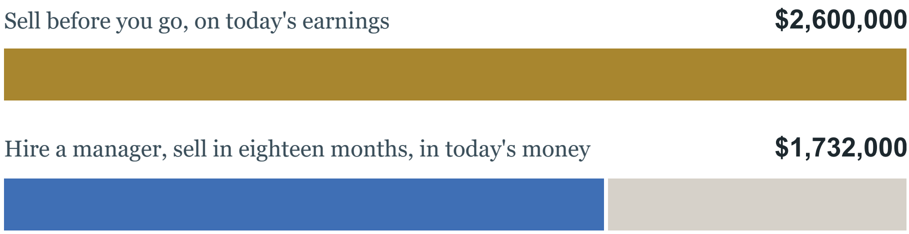
### The fallback costs more than the discount

The obvious answer is to keep the business, hire somebody to run it, and sell later from wherever you're going. Nearly every relocating owner makes that plan, and it usually costs more than selling at a discount would have.

Start with the visible part. A general manager capable of running an owner-operated business this size costs $120,000 to $180,000 all in. On

$800,000 of earnings that's fifteen to twenty-two per cent, and it's the earnings a buyer capitalizes.

### WHAT THE MANAGER PLAN COSTS




A $150,000 manager takes earnings to $650,000. Assume he is good and drift is only 8 per cent, so $598,000. At the same 3.25 times that is $1,943,500, discounted back eighteen months at 8 per cent. Before the flights, and before eighteen months of divided attention.

At a 3.25 multiple, a $150,000 manager removes roughly $490,000 of value permanently, from the day he starts. That alone usually exceeds the discount for selling fast. And it's only half of it.

The other half is the gap between what you did and what he does. Owners of businesses this size don't just manage. You carry the customer relationships, you price the difficult jobs, and you make the calls that never reach a policy. A good manager replaces perhaps seventy or eighty per cent of that in the first year. The rest shows up as margin drift, slower quoting, and a customer who feels less looked after and shops the next contract.

Then there's supervision. A remote owner either watches closely, which means the flights and the six-weekly returns and a new job worse than the old one, or he doesn't, in which case the drift speeds up. Most relocating owners do the first for a year and the second after that.

There's a real exception. A business with a genuine management team already in place, where you were largely absent anyway, doesn't suffer this and can reasonably be held. But an owner-operated business run remotely is a different and less valuable asset than the one you have today. Be honest about which one you own. Ninety days away is the test.

## Where the process breaks

On dates, and on a seller doing two enormous things at once.

A sixteen-month process started in March does not close before September. It closes, if it closes, the following summer. By then you're in another city running the sale down a phone line, answering diligence questions about a business you're no longer inside. Every request takes days instead of hours, and buyers read the delay as disorganization.

And you're moving a household at the same time. Anyone who has taken a family across a border knows what that costs. Chapter Four's warning about the sale being a second full-time job applies here with a third job stacked on top of it.

## Work backwards from the date

That's the whole method.

Take the departure date, subtract five months, and that's when the conversation needs to happen. For most people reading this it's already later than they think.

A process that finishes with a month or two of margin is worth more than a higher headline that lands three weeks after the movers, because the margin is what stops the deadline turning into leverage.

In practice that means one buyer, diligence done while you're still in the business and can answer a question in an afternoon, a closing date set to your calendar rather than discovered, and a handover measured in weeks that you're there for. Where a longer handover helps, it can usually be done remotely and briefly. But keep it a small part of the consideration, for the same reason as Chapter Three. Never take payment terms that need you to be somewhere you won't be.

### IF THIS IS YOU

- ☐ Fix the departure date, then count backwards. Five months for a direct sale, twelve to eighteen for a conventional one. Decide which fits.
- ☐ Cost the manager option properly. Salary against earnings, then multiply by your multiple. It is usually a bigger number than the speed discount.
- ☐ Be honest about whether the business is owner-independent or merely feels that way. Ninety days away is the test.
- ☐ Assume any buyer will learn your deadline, and plan on the basis that he already has.
- ☐ Refuse consideration that needs you present after you have gone. Earnouts, transition agreements, long vendor notes.
- ☐ Start before the house sells. The move takes more out of you than you expect, and it competes directly with the sale.

CHAPTER TWELVE · TRIGGER TEN

# No Time Pressure

> Nothing has gone wrong. Nobody is making you move. This is the chapter where the money says wait, and I agree with it.

> No one on his deathbed ever said, “I wish I had spent more time on my business.”
>
> **Arnold Zack**, in a letter to Senator Paul Tsongas, who had just been told he had cancer at forty-two. Tsongas left the Senate the next year.

**A COMPOSITE**

He turned sixty-five in March. The business clears about $800,000 a year. His health's good. His marriage is good. He bought his partner out in 2016 and it went clean.

The bank calls twice a year, both times with good news.

He's been thinking about selling for four years now. Every spring he decides he'll look at it in the fall. Every fall he decides he'll look at it in the spring.

Nothing's wrong. That's what makes it hard.

I've sat across from that owner more times than I can count.

**CERTAINTY**

Clean books. A real crew. Buyers will close on this one.

**PREMIUM**

Nothing forces a discount. You can run the full process.

**PATIENCE**

No deadline, no illness, no lender. All the time you want.

Every other chapter in this book is me explaining why waiting costs you money. This one isn't.

In your case waiting pays, and I'd rather say that on the first line than have you catch me dodging it on page four.

The other chapters all run the same way. Something goes sideways in your life. The sale process buckles under it. Moving fast is what saves you.

None of that is you. Your books are clean. Your health's fine. Nobody has handed you a deadline. All three dials are up and they're going to stay up.

So let's do the arithmetic and see where it lands. It doesn't land where I'd like it to.

## What five more years is worth

Say you hang on until seventy. You pull out $400,000 a year after tax and put it to work at five per cent. The business grows three per cent a year, so by seventy it's clearing about $927,000. Then you sell it the normal way, four times earnings, through a good broker.

Now set that beside the other option, which is selling today and stopping.

**BOTH ROADS, MEASURED AT SEVENTY**

| | KEEP RUNNING IT | SELL TODAY |
|---|---|---|
| Five years of draws, banked | $2,210,000 | – |
| Earnings at seventy | $927,000 | – |
| Sale proceeds, after fees | $3,339,000 | $2,580,000 |
| Proceeds invested to seventy | – | $3,293,000 |
| Odds the sale closes | 40% | 90% |
| **Total at seventy, risk adjusted** | **$5,342,000** | **$3,293,000** |

Assumes you keep working and the business keeps performing. Both columns are knocked down for the odds that each sale closes. Chapter Two shows where the 40 per cent comes from.

Waiting wins by about two million dollars.

I'm not going to argue with that number. I built it. Every assumption behind it is printed in Chapter Two where you can pull it apart yourself. The gap holds up even after I knock it down for the four in ten odds a brokered sale ever reaches a closing table. If the figure in your account at seventy is the whole scoreboard, keep the business.

If the number at seventy is the whole scoreboard, don't sell to me. Hire a good broker in five years. You'll beat my price and I'd tell you so at your kitchen table.

## The other clock

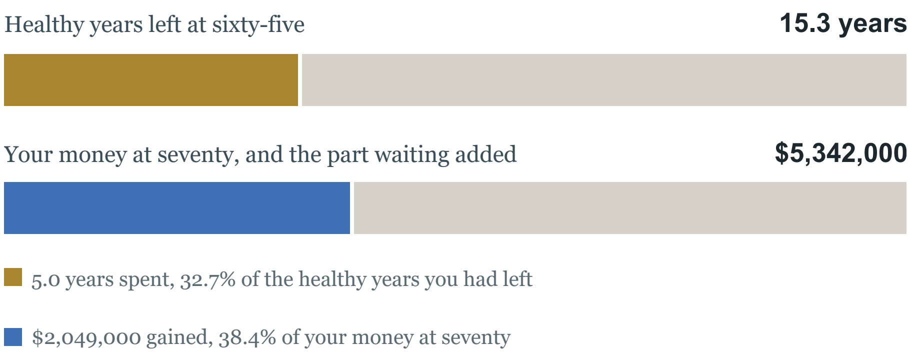
So waiting pays. The question I'd put to you is what it costs, and that cost isn't anywhere on that table.

Statistics Canada puts out a number almost nobody looks at. They call it health-adjusted life expectancy, and it counts years in good health instead of years above ground. At sixty-five it's 15.3 years.

Read that again, because it isn't the number you're used to seeing. It doesn't mean 15.3 more birthdays. It means 15.3 years of getting up without it hurting. Of hearing your grandkids the first time they say something. Of driving at night, carrying your own bags, walking the site instead of looking at photos of it.

Five of those years is damn near a third of everything you have left.

THE TWO CLOCKS




Hold the two bars up against each other. You gave up about a third of your good years, and it put about a third more on the pile. Healthy years are health-adjusted life expectancy at age 65, Canada, 2023, Statistics Canada.

And you spend them off the front, not the back. The stretch between sixty-five and seventy is the strongest one you have left. Every year you hang on, you're trading a good year now for a thinner year at the far end.

## What a year costs

Take the two million and divide it by the five years.

---

# $410,000

What one healthy year costs you, if you wait five for the bigger number

---

That's the whole decision sitting in one figure. Everything else in this chapter is detail.

Plenty of owners look at that and take the trade without blinking. They like the work. They'd go stir crazy at home by Thursday. The shop is where their friends are, and the phone ringing is the reason they get up. That's an honest answer and I'm not going to talk anybody out of it.

Others look at it and go quiet, because they know they were never going to spend the money.

## Do you already have enough?

Most people compare the two totals and stop right there. The better question is what the extra is for.

Selling today nets you about $2.58 million. If you want to spend $180,000 a year, that figure on its own carries you fourteen years. Then put your pension on top of it, and your other savings, and whatever the house is worth.

So the extra two million turns into inheritance.

That might be exactly what you want. Lots of owners are building something to hand to their kids or to a cause they care about, and there's nothing wrong with that. But it ought to be a thing you chose on purpose. Four years of putting the decision off isn't the same as choosing.

## The part you don't control

One more thing belongs on the table.

About half of all exits aren't planned at all. They get triggered by the five events this book has spent eleven chapters on: death, disability, divorce, disagreement and distress. Waiting five more years means rolling that die five more times.

I'm not going to wave that at you to frighten you. You know your own health and your own family better than I ever will, and you're old enough to price that risk yourself. But if one of those does land while you're waiting, you stop being the owner in this chapter. You become the owner in Chapter Three, or Seven, or Ten. The numbers in those chapters are a lot worse.

## Three questions I can't answer for you

Write the answers down. On paper, where you can look at them again next week.

**ANSWER THESE IN WRITING**

- ☐ What are you doing on a Tuesday morning the first spring after you sell?
- ☐ What's the extra two million for, and who ends up with it?
- ☐ If you knew you had ten good years left instead of fifteen, would you still wait?

If the first one is hard to answer, you're not ready to sell, and no price is going to fix that. Chapter Four gets into why, and what to do about it.

## Where that leaves us

I buy businesses. You've known that since the first page and you should read this chapter with it in mind.

An owner with no pressure, clean books and five years of patience isn't my client. Run the full process. You'll probably beat what I can pay, and Chapter Two shows you the exact line where that flips. If you're on the far side of it, go that way. I'd rather lose the deal than talk you into a worse one.

All I'd ask is that you decide, instead of letting another four springs go by. Pick a date to make the call. Not a date to sell. A date to decide.

The business will wait for you. The other clock won't.

---

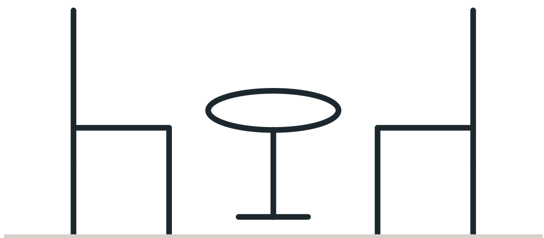
### IF THIS IS YOU

- ☐ Write down the year you first told somebody you were thinking of selling. Count the years since then.
- ☐ Ask your accountant what you take home after tax. Most owners guess high, and by a lot.
- ☐ Look up health-adjusted life expectancy for your own age. Use the published table, not a hunch.
- ☐ Work out your own gap between waiting and selling, then divide it by the years. Decide if that's a price you want to pay.
- ☐ Answer the Tuesday morning question on paper before you talk to any buyer or any broker.
- ☐ Set a date to decide, and tell one person who'll hold you to it.

CHAPTER THIRTEEN · PART THREE

# What A Quick Exit Looks Like

> Six steps, under six months, what we pay, and the four kinds of owner who should put this book down and call somebody else.



one conversation, and it stays in this room

*No auction, no listing site, no procession of strangers through your shop.*

Twelve chapters of diagnosis are worth very little without a plain description of the alternative, so here it is, including the parts that don't flatter us.

## The six steps

DECISION TO CLOSING, TYPICALLY UNDER SIX MONTHS

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| **One call** Twenty minutes. No obligation. | **A quiet visit** We look like a supplier. | **The review** Under NDA, our own people. | **The offer** Direct, reasoning shown. | **The paperwork** Your lawyer and ours. | **Closing** Usually inside five months. |

**One conversation.** A confidential call, or the two-minute assessment at quickexit.ca. You walk me through the business and what's going on. I tell you honestly what I see, and regularly what I see is that you shouldn't sell to us. It costs nothing and it stays private.

**A quiet visit.** I come and look at the operation in person. As far as your crew knows I'm a prospective client, a supplier or an advisor. Nobody learns you're selling until you decide to tell them.

**A confidential review.** The financials, the operation and the legal, under NDA. Our own people do the work. We don't send three advisory firms through your business and there's no information memorandum, because there's nobody to circulate it to.

**A fair offer.** Based on the whole picture, direct from the buyer, with the reasoning shown. It often includes some vendor financing. What it won't include is a re-trade at the end. If something in the review changes my view I'll tell you why at the time, not once you're committed.

**The paperwork.** Your counsel and ours prepare the purchase and sale agreement. Get your own lawyer and pay him properly. It's the cheapest part of any transaction and Chapter Five explains what happens when people skimp on it.

**Closing.** Usually under six months from the first phone call, and often nearer five.

## What we pay, plainly

Less than a perfectly executed, fully marketed, competitive process would pay for the same business on its best day.

Chapter Two puts a number on it. In the worked example, 3.25 times earnings against a conventional headline of 4.0. That's a nineteen per cent discount on the headline and I'm not going to dress it up as anything else.

What you get for the difference is the rest of Chapter Two. No brokerage commission. Eleven fewer months. A materially better chance of closing. No re-trade at the eleventh hour. And none of the erosion the ten triggers cause while a long process grinds on. In the worked example those add up to about $384,000 in favour of the fast sale on a risk-adjusted basis, and about $507,000 where the business is sliding.

Your numbers will differ. That's what the worksheet overleaf is for.

## Who should not call us

I'd rather say this clearly than have you find out after three conversations.

**If you're in the gold region.** Clean business, books in order, a real management team, no hurry, and a credible advisor who believes he can get you five times or better with a decent chance of closing. Run a conventional process. That's where you live and you'd be giving up real money selling to me.

**If your secured debt is bigger than the business.** No buyer solves that. You need an insolvency professional and a lawyer today, and Chapter Eight says why.

**If you're burned out and haven't taken a break.** Take three weeks first. Chapter Four explains why, and the reason is your interest rather than mine.

**If you haven't asked your successor.** Ask them directly before you sell the business to anybody. Chapter Nine.

## What I ask of you

Three things, and all three make the process faster and the price better.

**Tell me the bad news early.** Every business has some. I've reviewed more than eight hundred and I've not been shocked yet. What damages a deal isn't a problem. It's a problem found in month four that should have been mentioned in week one, because then I have to wonder what else is down there.

**Keep running the business.** The most common self-inflicted wound in any sale is the owner who mentally leaves at the offer stage. It isn't done until it's closed, and the numbers still matter.

**Get your own advisors.** A seller with a good lawyer and a good accountant is easier to transact with, not harder. Deals die on surprises, and well-advised sellers have fewer of them.

---

> The best outcome of this book isn't that you sell to me. It's that you make the decision deliberately, with the arithmetic in front of you, this year rather than in five.

---

The ten chapters in Part Two describe ten different ways life interrupts a plan. What they have in common is that none of them waits for a convenient moment, and all of them get more expensive the longer they're left.

You don't have to sell. But you should decide, rather than defer, because deferring is itself a decision and it's the only one in this book that's guaranteed to cost you something.

If you want a second opinion on your own numbers, the next page is for that. If you'd rather have the conversation with a person, we'll take the call ourselves.

WORKSHEET

# The Sixty-Minute Decision

> Your numbers instead of mine. An hour, your last three years of statements, and a pen. Everything you need to finish it is printed on these pages.

Do it with your accountant if you can. The add-back line is where owners flatter themselves, and he will stop you.

Nothing here needs a spreadsheet. The two tables you would otherwise have to build are at the end of this worksheet, so you can do the whole thing at the kitchen table.

## Step one · What you earn

| | |
|---|---|
| Last twelve months' EBITDA, or seller's discretionary earnings | $______________ |
| Owner pay above what a manager would cost | + $______________ |
| Genuine one-off costs that won't repeat | + $______________ |
| Personal expenses running through the company | + $______________ |
| **Adjusted earnings (E)** | **$______________** |

If you would be uncomfortable defending a line of that to a buyer's accountant across a table, take it out now rather than in month twelve. He will find it, and then he will wonder what else is in there.

## Step two · The two roads

| | CONVENTIONAL | DIRECT SALE |
|---|---|---|
| Multiple you honestly expect | ________× | ________× |
| Headline price (E × multiple) | $____________ | $____________ |
| Brokerage or success fee *(fee table overleaf)* | −$____________ | −$0 |
| Legal | −$____________ | −$____________ |
| Accounting and quality of earnings | −$____________ | −$____________ |
| **Net of fees (N)** | **$____________** | **$____________** |
| Months from today until the money lands **(M)** | ____________ | ____________ |
| Share of it paid in cash at closing | __________% | __________% |
| Honest odds it closes at all **(P)** | __________% | __________% |

On the odds: start from the base rate, which is that twenty to thirty per cent of businesses that go to market get sold. Adjust upward only for reasons you could defend to a sceptical stranger. Clean books and a management team are reasons. Loving your business is not.

## Step three · Discount it, then weigh it

Pick your rate **(r)**. Use eight per cent if your life is ordinary. Use twelve or more if any of the ten triggers applies to you: ill health, a deadline, a lender, a dispute, a partner who wants out. It is a personal number and yours is probably higher than a textbook's.

| | CONVENTIONAL | DIRECT SALE |
|---|---|---|
| Divisor for your M and r *(divisor table overleaf)* | ____________ | ____________ |
| Present value = N ÷ divisor | $____________ | $____________ |
| **Risk-adjusted value = present value × P** | **$____________** | **$____________** |

Strictly, the failing branch still has value, because you keep the business. Chapter Two models that properly. For a first pass, comparing the two bottom figures tells you which way this leans, and it is usually not close.

## Step four · The three questions no arithmetic answers

Write the answers down. On paper, where you can look at them again next week.

**ANSWER THESE IN WRITING**

- ☐ What are you doing on a Tuesday morning the first spring after you sell?
- ☐ What is the extra money for, and who ends up with it?
- ☐ If you knew you had ten good years left instead of fifteen, would you still wait?

If the arithmetic came out close, those three answers decide it. If the arithmetic was not close, they will tell you whether you are ready to act on what it said.

## The two tables you need

The first works out the broker's fee. Most of the market runs on the Double Lehman formula, so find your headline price and read across.

**DOUBLE LEHMAN SUCCESS FEE, BY HEADLINE PRICE**

| PRICE | FEE | AS A SHARE | PRICE | FEE | AS A SHARE |
|---|---|---|---|---|---|
| $1.0m | $100,000 | 10.0% | $3.5m | $260,000 | 7.4% |
| $1.5m | $140,000 | 9.3% | $4.0m | $280,000 | 7.0% |
| $2.0m | $180,000 | 9.0% | $5.0m | $300,000 | 6.0% |
| $2.5m | $210,000 | 8.4% | $6.0m | $320,000 | 5.3% |
| $3.0m | $240,000 | 8.0% | $8.0m | $360,000 | 4.5% |

Ten per cent of the first million, eight of the second, six of the third, four of the fourth, two above that. Add legal and quality of earnings on top, and add any monthly work fee that is not credited back at closing. Under a million, most brokers charge eight to twelve per cent with a minimum somewhere between fifteen and twenty-five thousand.

The second turns money you get later into money you have now. Find your months down the side, your rate across the top, and divide.

**DIVIDE BY THIS TO BRING A FUTURE FIGURE BACK TO TODAY**

| MONTHS AWAY | AT 5% | AT 8% | AT 12% |
|---|---|---|---|
| 5 months | 1.021 | 1.033 | 1.048 |
| 6 months | 1.025 | 1.039 | 1.058 |
| 9 months | 1.037 | 1.059 | 1.089 |
| 12 months | 1.050 | 1.080 | 1.120 |
| 16 months | 1.067 | 1.108 | 1.163 |
| 18 months | 1.076 | 1.122 | 1.185 |
| 24 months | 1.103 | 1.166 | 1.254 |
| 36 months | 1.158 | 1.260 | 1.405 |

Example. Two million dollars landing in sixteen months, at eight per cent, is $2,000,000 divided by 1.108, which is $1,805,000 in today's money. The other $195,000 is what the waiting cost you, before anybody argues about price.

---

If your two bottom figures are within ten per cent of each other, the money is not deciding this. Something else is, and Step Four is where you will find it.

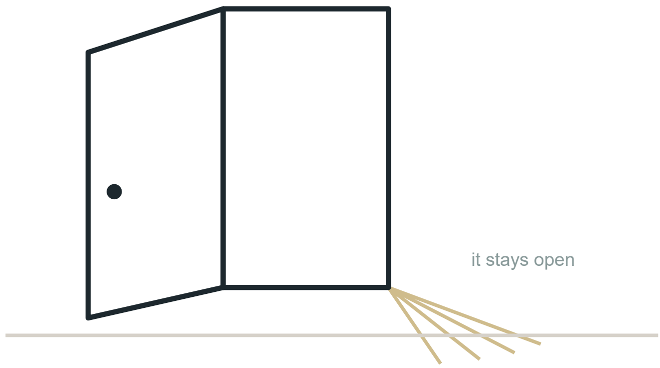
---

When you have finished it, you own a number that nobody sold you. Take it to your accountant, take it to a broker, and take it to us if you want a third opinion. Anyone who will not walk you through their own arithmetic the way this book has just walked you through mine is telling you something.

LAST WORD

# Thank You

> You didn't owe me any of this. Somebody put a book in your mail and you read it, and I know what your time is worth.



This book asked a fair bit of you. It asked you to look at what your business is worth rather than what you've been telling people at the golf course. It asked you to put a number on how many good years you've got left. That's not a small thing to ask of a stranger, and you got through it, so thank you.

I'll tell you what I hope came of it, and it isn't that you call me.

I hope you decided something. Anything. That you're selling this year. That you're keeping it another ten and you know exactly why. That there's a job to do first, with a general manager, or a set of books, or a conversation with your daughter you've been putting off since 2019. Any of those is a good outcome. The only bad one is another four springs of meaning to look at it.

Most of you won't call me, and that's how it ought to be. If you read Chapter Two and landed in the shaded part of that table, you'd be leaving real money behind selling to somebody like me. Hire a good broker and get paid properly. If you read Chapter Four and recognized yourself, go and take three weeks off before you sign anything at all. If Chapter Twelve showed you that you already have enough, the best thing this book can do is get out of your way.

## The door is open anyway

Here's the part I mean sincerely, and I'd ask you to take it at face value.

You can call me for reasons that make me no money whatsoever.

Call and tell me a number in here is wrong. I publish the model so somebody can pull it apart. Find a hole in it and I'd like to know before the next print run. Call and ask what your business might fetch when you've no intention of selling for six years. I'll tell you what I see, and what I'd fix in the meantime. Call and ask whether the offer on your kitchen table from somebody else is a fair one. I've read a lot of those and I'll tell you straight, even when the answer is that theirs is better than mine.

Call because your accountant said something that worried you. I've been on the buying side of this eight hundred times, and I'll give you a second opinion.

None of that costs you anything and none of it puts you on a list. There's no drip campaign behind this book. There's a phone.

---

Nobody at this end is working a script. Call the number and you get me. If we're not the right buyer, I'll say so on the first call rather than the fourth.

---

### If you do want to talk about selling

One conversation, and you can have it on the phone in twenty minutes. You tell me about the business and what's going on in your life. I tell you honestly what I see, including when what I see is that you should be talking to somebody else.

It stays private. Your people don't find out, your customers don't find out, and your competitors certainly don't. Nothing goes on a listing site. If we go further, we come and look at the operation ourselves. As far as your crew knows, we're a supplier having a walk around.

If it turns into a deal, most of ours close in under six months and there's no commission out of your side. If it doesn't turn into a deal, you've had a free hour with somebody who looks at businesses like yours for a living. You've lost nothing but the hour.

### Two last things

Every owner in this book is invented. They're composites, stitched together from a lot of real situations with the details changed. The real people told me those things privately. Putting their names in a mailer would be a poor way to repay it. The numbers are the opposite. Every figure is real, every source is printed at the back with a date on it, and you can check the lot.

And if you know another owner who ought to read this, take it round to them. I'd rather this book got passed across a table than sat on a shelf. There's no code in the back to redeem and I don't need to know you gave it away.

One last thing and then I'll leave you be. I've bought fifteen companies from the people who built them, and I'm still in touch with a good number of those men and women years after the money cleared. That surprised me the first time it happened. I can't prove it to you from a book and I'm not offering it as a selling point. I mention it because the part of this trade I didn't see coming was that the owners turned out to be the best of it, and you may as well know that about me before you decide whether to pick up the phone.

Whatever you decide, I hope it's a decision and not a default. Go and have a good few years.

**Mike Cook**

Calgary, Alberta

REFERENCES

# Sources

> Every figure quoted in this book, with the publisher and the date, so you can check it rather than take my word for it.

A book that spends thirteen chapters telling you to check the arithmetic would look silly without this section. Where a figure is contested, the text prints the range rather than the flattering end of it.


### How many businesses sell, and what owners have riding on it

1. **Exit Planning Institute, *State of Owner Readiness*.** That only 20 to 30 per cent of businesses taken to market are sold, leaving a failure-to-sell rate reported as high as 80 per cent. That 80 to 90 per cent of a typical owner's net worth sits inside the business. And that roughly half of all owner exits are unplanned, driven by one of the Five D's: death, disability, divorce, disagreement and distress. exit-planning-institute.org · used in Chapters 1, 3, 6, 9 and 12
2. **Value realized in unplanned sales.** That unplanned sales typically realize 20 to 50 per cent less than planned exits. Widely reported across the exit-planning literature. Treat it as an indicative range rather than a measurement, because the studies define both terms differently. Used in Chapters 3 and 8

### How long it takes

3. **IBBA and M&A Source, *Market Pulse* survey, 2025 quarters.** A median small business sale of about 170 days from listing to close in 2025, against 166 the year before. Average time to close running from roughly six months for deals under $500,000 out to about twelve months for lower-middle-market companies between $5 million and $50 million. Letter-of-intent to closing of roughly two to four months depending on size. ibba.org · masource.org · quarterly releases · used in Chapter 2
4. **Twelve to twenty-four months from decision to cash.** Our own figure, not a published one. It is the *Market Pulse* listing-to-close median with the front end added back: preparing the accounts, normalizing add-backs, selecting an advisor, building the data room, and in many cases a first process that is withdrawn and relaunched. The build is set out in Chapter 2 so you can disagree with any part of it. Lexbury · used throughout

## What the intermediaries cost

5. **Broker and M&A advisory fee structures.** Commissions of 8 to 12 per cent for businesses under $1 million, with 10 per cent as the working standard and minimum fees of $15,000 to $25,000. The Double Lehman formula of 10, 8, 6, 4 and 2 per cent on successive million-dollar tranches as the common lower-middle-market model. Monthly work fees of $3,000 to $15,000 for six to twelve months, usually creditable against the success fee at closing. Success fees of 8 to 12 per cent under $5 million and 4 to 8 per cent between $5 million and $25 million. Compiled from published fee guides including Morgan & Westfield's *Business Broker and M&A Advisor Fees* and comparable industry surveys. morganandwestfield.com · used in Chapter 2 and the worksheet

## Why signed deals die

6. **Letter-of-intent completion rates and causes of failure.** That roughly 65 to 80 per cent of signed letters of intent reach closing in the lower middle market, with failure rates reaching about 40 per cent on small-business-lending-financed deals under $1 million and falling to roughly 15 per cent for cash strategic buyers. Failures attributed to diligence findings unrelated to earnings (about 25 per cent), quality-of-earnings discrepancies (about 21 per cent), renegotiations and re-trades (about 15 per cent), sellers withdrawing (about 13 per cent) and financing (about 11 per cent). Compiled from published lower-middle-market deal-failure analyses. Industry deal-failure reporting, 2025 to 2026 · used in Chapters 2, 3, 4, 8 and 11

## The wave, and who is riding it

7. **Canadian Federation of Independent Business, *Succession Tsunami: Preparing for a decade of small business transitions in Canada*, January 2023.** That 76 per cent of Canadian small business owners plan to exit within ten years, placing more than $2 trillion of business assets in motion. That 9 per cent have a formal written succession plan, 45 per cent have an informal unwritten one, and 46 per cent have none at all. And that retirement is the reason for 75 per cent of intended exits. cfib-fcei.ca · used in Chapters 1, 7 and 9
8. **CFIB and Innovation, Science and Economic Development Canada, SME ownership profiles.** That 73.5 per cent of Canadian small business owners are aged 40 to 64, with the largest single cohort aged 50 to 64, and that 39 per cent of the self-employed are 55 or over against 20.4 per cent of employees. cfib-fcei.ca · ised-isde.canada.ca · used in Chapters 7 and 12

## The other clock

9. **Statistics Canada, health-adjusted life expectancy, 2023.** That a Canadian aged 65 has about 15.3 years of life in good health remaining. Health-adjusted life expectancy counts years in good health rather than years lived, weighing vision, hearing, speech, mo-

bility, dexterity, emotion, cognition and pain. It is the figure Chapter 12 is built on. statcan.gc.ca · used in Chapter 12

10. **United States, National Center for Health Statistics and CDC.** That healthy life expectancy at 65, measured across states, has ranged from about 10.8 years in Mississippi to 16.2 years in Hawaii. Arizona sits at 15.0 years, close to the Canadian figure, which is why the two editions of this chapter reach almost the same answer. cdc.gov/nchs · used in Chapter 12

11. **Post-sale regret.** That roughly 75 per cent of owners report profound regret within a year of selling, and that about 60 per cent of those attribute it to having had no personal plan for life after the business rather than to the deal terms. Attributed to work by the Exit Planning Institute and PricewaterhouseCoopers and widely reproduced. It is quoted here because it argues against a fast sale, and a book that hid it would deserve to be doubted. Used in Chapters 4, 7 and 12

### The epigraphs

Every attribution here was checked against a primary or scholarly source. Several of the most-quoted lines on this subject turn out to belong to somebody else.

12. **Chapter 1.** Richard Feynman, Caltech commencement address, 1974, later published as *Cargo Cult Science*.

13. **Chapter 2.** Seneca, *De Brevitate Vitae*, around 49 AD, in Aubrey Stewart's translation of 1889. Seneca is long out of copyright; translations are not, which is why an 1889 one is used.

14. **Chapter 3.** Ralph Waldo Emerson, from the essay *Power* in *The Conduct of Life*, 1860.

15. **Chapter 4.** Bronnie Ware, *The Top Five Regrets of the Dying*, 2011, drawn from her years nursing the dying.

16. **Chapter 5.** Abraham Lincoln, 1858, quoting Mark 3:25.

17. **Chapter 6.** Abraham Lincoln, notes for a law lecture, around 1850.

18. **Chapter 7.** Annie Dillard, *The Writing Life*, 1989.

19. **Chapter 8.** Ernest Hemingway, *The Sun Also Rises*, 1926.

20. **Chapter 9.** Ecclesiastes 2:18 to 19, King James Version.

21. **Chapter 10.** Benjamin Franklin, letter to Jean-Baptiste Le Roy, 1789.

22. **Chapter 12.** Arnold Zack, in a letter to Senator Paul Tsongas in the early 1980s, published by Tsongas in 1984. It is almost always credited to Tsongas alone, and usually misquoted as "at the office". Zack wrote it, to a friend who had just been told he had cancer at forty-two, and Tsongas left the Senate the following year. The true version is better than the popular one.

## On the worked examples

The financial models in Chapters 2, 3, 4, 7, 8, 9, 11 and 12 are illustrations built on the assumptions printed beside them. They are not forecasts, and they are not offers. They use a business with $800,000 of adjusted earnings and a Double Lehman fee schedule. The discount rate is eight per cent unless another is stated. The payment structures are typical of this market. Substitute your own figures using the worksheet. The conclusions move when the inputs move, which is the entire reason for publishing the inputs.

## On the people

Every owner described in this book is invented. They are composites, assembled from situations encountered across more than eight hundred business reviews, with every identifying detail changed. No composite depicts a real person, family or company, and any resemblance to a particular business is coincidence. The real owners told me those things privately. Putting their names in a book that arrives through the post would be a poor way to repay it.

If you find an error in any of this, I would like to know before the next printing. The number is at the back.

START HERE

# Find out what a quick exit looks like for your business.

A free two-minute assessment. Seven questions about your business and your situation, and we will show you a realistic deal structure. Timeline, terms, and what to expect. No obligation, and it stays private.

**quickexit.ca**

Or call us. You get one of the two men below, not an intake team.


**Mike Cook**

CALGARY, ALBERTA · CANADA

Lexbury Investments. Established Alberta businesses, bought direct from their owners. More than 800 companies reviewed over two decades.

**lexbury.com**

**Colton Zirk**

ARIZONA · UNITED STATES

Lexbury Liberty Investments. Same criteria, same six steps, same promise on speed and confidentiality, across the Phoenix and Tucson corridors.

**lexburyliberty.com**

## WHAT WE BUY

| | |
|---|---|
| **Revenue** | $1 million or more, with real earnings behind it |
| **Where** | Alberta, Canada · Arizona, United States |
| **History** | Established, through at least one cycle. Not a turnaround, not a startup |
| **People** | Some capability beyond the owner. The less it depends on you, the faster we close |
| **Books** | Clean enough to see the picture. They do not need to be perfect |
| **You** | Ready to move, for any of the ten reasons in this book |

If that is roughly you, the conversation costs nothing and stays confidential. If it is not, say so and I will tell you honestly whether I know somebody better suited. There is no value to either of us in a process that was never going to work.

### If this book told you to wait

Then read the other one. **MaxExit: The Business Owner's Guide to Maximizing Their Exit Value** is for the owner with the time, the team and the clean books to run a full process. It covers how exit value is built across financial performance, business fundamentals, exit readiness, management and market position. Ask and we will send you a copy, as a PDF or an audiobook.

And if you know another owner who ought to read this one, take it round to them. There is no code in the back to redeem and I do not need to know you gave it away.

LEXBURY · CALGARY, ALBERTA · PHOENIX, ARIZONA

## Notes

This book asked you to write four things down. The Tuesday morning question, what the extra money is for, your own figures, and the date by which you will have decided. Here is somewhere to do it.