Building Value

What's your business worth?

Thirty-plus years of business experience has taught Ed Katz that if you ever intend to sell your business, you have to maintain it in saleable condition by building value.

Ed Katz

When Katz moved to Atlanta in 1974 to lease commercial real estate, he began to see a need for a moving company that specialized in office relocation. Capitalizing on the opportunity, he founded Peachtree Movers in 1976.

By 1996, the company he started with $25,000 in borrowed capital generated revenues in excess of $3.5 million. That same year, the National Moving and Storage Association tapped Peachtree Movers as "Number 1" office mover in North America. In 1997, the Wall Street Journal featured both his company and his moving techniques.

Katz built value by maintaining Peachtree Movers in saleable condition. When ready to sell in 2000, he sought out a Certified Business Intermediary to find a buyer for his company. Despite the typical fallout that occurred during due diligence, the intermediary calmly and skillfully helped everyone focus on closing the deal.

Buy-Sell Agreement: Pay Now or Pay Later...Dearly

In 1976, my partner and I sat across from our attorney and mutually agreed we didn't need a buy-sell agreement. We had managed to come up with $25,000 in borrowed capital to launch our business. The $3,000 fee for a buy-sell seemed like an unnecessary expense. After all, we were friends and eager to make our new venture a success.

Our attorney said a buy-sell would create an orderly path out of potential chaos by obligating each of us in advance to certain actions under certain circumstances. We couldn't see it, didn't want to spend the money, and declined. Little did I know.

A few years later when I woke up and realized I was doing all the work, the salary my partner was getting suddenly didn't make sense. I suggested one of us should buy out the other. Our arrangement didn't meet my expectations but he thought it was fine. I couldn't get him to discuss it. I understood then what our attorney had tried to do for us. We could have paid a little back then. Now it was going to cost us both dearly.

A buy-sell agreement sets down a course of action that takes effect if a partner dies, becomes disabled, or dissatisfied. That's what happened to me. It relieves heirs from facing a sudden mess and tax headaches. It also helps build value in your company by providing contingencies for an orderly transition of ownership.

Properly set up, a buy-sell agreement predetermines a fair buy-out share price and arranges for funding, while eliminating problems for heirs. It removes the uncertainty and surprise of sudden and possibly unwanted partners and of not knowing the purchase price up front. It also assures creditors and clients of an unencumbered transition.

One day you will want to sell your company to retire or move on to other interests. You may be forced to sell because of death, disability, or divorce. In the meantime, concentrate on building value so there's something to sell. Typically, the biggest shock to sellers is the difference between what they think their company is worth and its actual value. Having your attorney draw up a buy-sell agreement is an inexpensive way to build value, while averting future problems. Do it now while you and your partners are still friends.□