When Selling Makes Sense

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ness into two separate entities is how second generation brothers Jon and David Marks chose to maintain a closely-knit family. The brothers had worked together for thirty years and admit that they have different management and philosophy styles. However, when the third generation began to enter the business, David and Jon knew something needed to change if the family and the business was going to survive.

Fortunately, the Marks company had two separate locations and separate clientele. "I resisted at first when David recommended that we split," says Jon, "but I eventually saw that it would work and give each of use the latitude to grow."

Naturally, fear and anxiety surfaced about the unknown results of the split. Financially, the original business was doing well. Would the separate businesses survive the costs of the split and of forming new administration and operations? Happily, in the second year after the 1997 split and many growing pains, each business alone is earning more than the original single company ever did.

SHAPING A SALE

There are legal and financial implications when selling the family business. All of the companies in this article worked with attorneys, accountants and financial and investment advisors. Sale of a family business can take time.

The greatest difficulties often lie in the personal emotions associated with a sale.

Sometimes a family business doesn't know whether selling is the right thing to do. They might not know the questions to ask and where to start. "Jon and I went to a three-day seminar given by Pat Frishkoff," says David Marks. "It was an eye opener, and it helped give us direction. Pat listened and assured us that we were experiencing normal family business issues." Jon credits Pat with getting them through the process. "The educational tools and workshops of the Austin Family Business Program were a superb resource for us."

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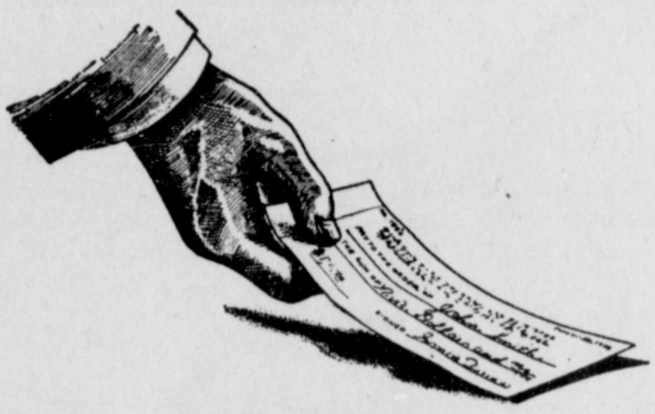
To Lease or Not to Lease

Should you buy or should you lease your building space and your equipment when you start out in a new small business? Very often, it's smarter to lease rather than take on the large financial outlays or debts necessary to buy.



When it's smarter to lease, here are some of the questions you should ask before putting your name on the dotted line:

1. Does the lease specifically state the square footage of the premises? The total rentable square footage of the building?

2. Is the tenant's share of expenses based on total square footage of the building or the square footage leased by the landlord? Your share may be lower if it's based on the total square footage.

3. Do the base year expenses reflect full occupancy or are they adjusted to full occupancy (i.e., base year real estate taxes on an unfinished building are lower than in subsequent years)?

4. Must the landlord provide a detailed list of expenses, prepared by a CPA, to support increases?

5. Does the lease clearly give the tenant the right to audit the landlord's books or records?

6. If use of the building is interrupted, does the lease define the remedies available to the tenant, such as rent abatement or lease cancellation?

7. If the landlord does not meet repair responsibilities, can the tenant make the repairs, after notice to the landlord, and deduct the cost from the rent?

8. Is the landlord required to obtain nondisturbance agreements from current and future lenders?

9. Does the lease clearly define how disputes will be decided?

For more information on all of SBA's programs for small businesses, go online to www.sba.gov.