

Closing Up Shop

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If you're a small-business owner, you've no doubt cultivated your venture with love. You've spent countless hours building it up to create a going concern. So how do you know when it's time to say goodbye?

"It's just like the old Kenny Rogers song," says Judith E. Dacey, an accountant and small-business consultant in Orlando. "You've got to know when to hold 'em, when to fold 'em and when to walk away."

When small-business owners want out, they have three basic options (assuming they don't want to pass it on to a family member): Sell, liquidate or lock the front door. Which is right for you?

"There are two ways to go out of business," says James V. McTevia, chairman of McTevia and Associates, a troubled-business consultant with offices in North Palm Beach. "There is the peaceful way, and there is the way that has court supervision."

The easiest way to close up shop is to lock the doors. But this is a viable option only if the business has no assets to sell and no creditors. According to Dacey, about 28% of small-business owners close their doors this way, at no loss.

Another peaceful way to end the business is to sell it. The trouble with this approach, however, is that the business may have no value as a going concern. "In my 42 years of dealing with troubled companies, by the time a business owner comes to the conclusion that the business should cease operating, it has no salable value," McTevia says. "There's nothing left to sell except assets."

Still, if you feel that your business does have going concern value, consider talking to a business broker, who will give you an independent appraisal.

And if you're considering a sale of your business, don't wait too long. "People often wait so long that the business is hanging on a thread," says Dacey. "There's an emotional involvement; everybody hates to fail - that's the problem with selling it in time."

If your business isn't salable, and you have creditors banging at your door, you have several other choices. John S. Fletcher, a corporate attorney with Miami-based Morgan, Lewis & Bockius, says you can file a petition in bankruptcy court - usually a Chapter 7 liquidation. Or - if you are incorporated and

haven't signed any personal guarantees - you can use what Fletcher calls the "do nothing approach," in which you pay your creditors whatever you can, then lock the door and give the key to the landlord, essentially abandoning the business.

"You may get sued 20 times, but the company has no assets," Fletcher says. "I've seen a lot of this in the dot-com world. They get the demand letters and lawsuits but take a default judgment because there's nothing to collect on, and they're not personally liable to the trade creditors because they didn't sign personal guarantees."

Of course, bear in mind that doing so will affect your reputation. If you plan to start another business, creditors might be hesitant to do business with you.

Perhaps the most important thing to remember when considering the end of your business is to keep emotion out of your decision. It's heart-wrenching to give up your dream and accept the reality that your business has failed. That's why you need to get a professional involved. Says Dacey: "Seek out an experienced third party. Let the adviser look coldly at the numbers and warmly at the people and determine the best course for the business."