Christopher Helmrath

When it's time to sell the family business, don't fall for advisers' overpromises. **7A**

Redistricting case

Supreme Court ignores GOP plea, lets Virginia voting go forward under redrawn legislative district map. **8A**

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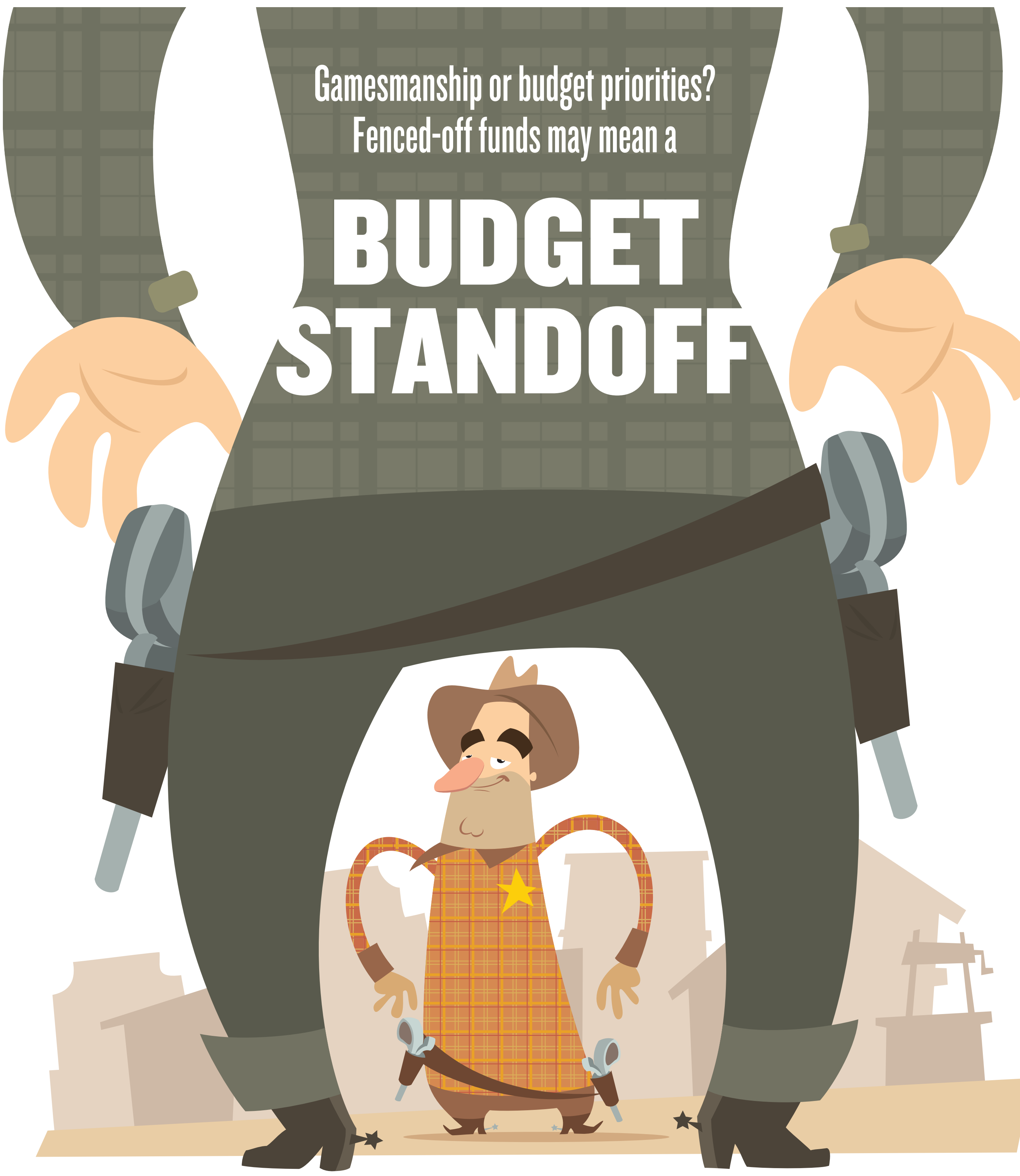

School construction aid, money for other projects at stake

By Bryan P. Sears

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Hundreds of millions of dollars in state aid could be in jeopardy as Gov. Larry Hogan considers whether he will release money set aside by the General Assembly.

The legislature fenced off the money earlier this year — effectively barring Hogan from spending it on anything other than the purposes for which it was reserved. One top Democrat said lawmakers restricted the money as a way of ensuring their priorities received attention.

"I know the governor bristles when we do this, but it's really the only way for us to set aside some money for the things the legislature thinks are important," said state Sen. Nancy King, D-Montgomery and chair of the Senate Budget and Taxation Committee.

SEE STANDOFF 3A

'We said repeatedly we're not going to allow them to play those kind of games.'

— Gov. Larry Hogan says of the fenced-off funds

'It's really the only way for us to set aside some money for the things the legislature thinks are important.'

— state Sen. Nancy King, D-Montgomery

Supreme Court won't review Baltimore Co. back pay ruling

By Heather Cobun

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An appellate opinion finding Baltimore County owes more than a decade of back pay to some of its employees will stand after the Supreme Court declined to review the case Monday.

The county has been in litigation with the Equal Employment Opportunity Commission for years over the higher contribution rates for employees 40 and older.

The county changed its policy in 2007 and employees hired after the change paid the same rate regardless of age. The parties and unions involved agreed to a plan that gradually equalized contribution rates for those on the old plan, but the EEOC pursued damages for the employees affected.

A U.S. District judge denied the request, but on appeal the 4th U.S. Circuit Court of Appeals held the Age Discrimination in Employment Act, or ADEA, requires back

SEE EEOC 9A

Retired judge calls UMMS board seat a 'new challenge'

By Steve Lash

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Retired Maryland Court of Appeals Judge Glenn T. Harrell Jr. said Monday that he had been looking for "a new challenge" when Gov. Larry Hogan appointed him last week to a reconstituted University of Maryland Medical System board recently beset by allegations of sweetheart business deals between now-former board members and the hospital network.

"I opened my big mouth and somebody called me on it," Harrell said of his appointment. He is among 11 newly named UMMS board members.

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Be realistic when selling a family business

CHRISTOPHER
HELMRATH
Commentary

There's a famous saying that if you expect nothing from somebody you are never disappointed. Famous? Sure. Commonly undertaken? Not in the world of mergers and acquisition.

Quite the opposite. During the course of my 30-plus year career as an investment banker, I've found scores of sellers who expect too much and then find themselves profoundly disappointed – and not just by the sales price, if in fact a deal is even struck.

The primary culprits: overpromises, advice from those who are in over their heads, and overconfidence. Let's explore this issue at length in the hopes of sparing business owners from the frustration and the enormous amount of work they must invest in the sales process.

A simple analogy comes from the residential real estate market. A family decides to relocate to another neighborhood. They are excited about the move, but first they must sell their current house. Their agent says they can fetch $500,000 for it, but nearby comps have traded for no more than $350,000 in recent years.

It's possible they'll get lucky and collect what they want in time for the move. But in all likelihood, their home is going to sit on the market for a long, long time – or indefinitely if they refuse to reduce the price substantially.

That's not all, either. There is the associated labor and inconvenience of continually keeping the house spick and span in the event that a potential buyer pays a visit. There's talking to real estate agents when all they want is to enjoy family dinners and not have to abandon their comfortable couch on Saturdays and Sundays to make way for open houses. And they do it all to little or no avail.

The owners of family businesses who have decided to divest encounter similar issues, although they are considerably more complex and a lot more cash is at stake.

Unrealistic projections

Let's start with overpromises. While I love my line of work helping entrepreneurs achieve their objectives, there is one thing I despise about my profession — the unprofessional practice that some competitors employ to win new business. They make unrealistic promises about the projected sales price.

Now, don't get me wrong: I understand the inclination by many business owners to go with the firm that is projecting the biggest payday. But too often, that decision turns into a big headache, if not heartbreak.

Entrepreneurs get excited, and reasonably so. They start making plans about how to spend and invest the money they've been told will be theirs.

But the promised payday never comes. However, the truly grueling work of selling their company does come.

Selling a business is like a second job for business owners and their teams. They have to prepare and "pretty up" their company to best position it in the marketplace while doing everything in their power keep it all confidential. They have to make presentations to potential buyers. They have to continually pull fresh documents and financials. It's a really big lift, and they already have a demanding "day job."

Be wary of the overpromise; it will cost you in the end.

A second, somewhat related point: Be careful about the type of professional you hire. While we have so many extraordinary lawyers available, there are some who attempt to "swim out of their lane." By that, I mean attorneys who claim to be a one-stop shop. They say they can do it all when selling a business. In addition to the legal work, they purport to be able to handle financing, identifying the ideal buyer and negotiating the financial aspects of the deal.

I, for one, have yet to meet an attorney who can do it all in an optimal fashion. Put it this way, I'm an investment banker and not a lawyer. Would you hire me to do your legal work? Sounds like a recipe for a suboptimal outcome.

Not a DIY project

This brings me to the matter of overconfidence. There are owners who choose not to seek outside assistance. They elect to make this a DIY project. They've run their company successfully selling products and services, the reasoning goes, so surely they can sell their company. But selling a business is not like selling a widget.

Another common rationale for doing it alone is that they'll save the expenses on lawyers and investment bankers and therefore collect more of the sales price for themselves. As I've said and written before, family business owners generally sell only one company in a lifetime. The proceeds are their retirement. Don't be an unassisted novice at this critical time.

Interview investment bankers and lawyers. Challenge their thinking. Seek referrals. In fact, we recommend that you talk to a former business owner or two or three who has been through the process.

Expect a lot from your various advisers, but be realistic.

Christopher Helmrath is the managing director of SC&H Capital, the investment banking and advisory practice of SC&H headquartered in Sparks. He also has served as a corporate strategy professor at the Loyola University Sellinger School of Business and the Johns Hopkins University Carey Business School.

Real Estate