

# Potholes:

*– a deep pit; hole in a road which may cause damage;  
something to be avoided.*



Every deal, like every road, has potholes. Some are small and cause a minor bump or irritation; others are large and swallow the deal whole, never to be seen again. With a little attention, most potholes can be eliminated or avoided with proper planning - substantially increasing the value of a business.

Over the last 25 years, Beacon Equity Advisors identified the most common potholes which cause deals to collapse, cost owners money or increase the owners' risks by forcing the seller to accept a deal with less cash at closing.

## Top Potholes include:

1. Real estate leases
2. Equipment leases
3. Permits
4. Certifications
5. Financial ratios
6. Quality of financial statements
7. Level of financial statements
8. Inventory turns
9. Trusting the Inventory
10. Discretionary expenses
11. Unreported Cash
12. Family members
13. Brain Drain
14. Second Tier Management
15. Business Name
16. Do you own the IP
17. Trends: Business
18. Trends: Industry
19. Trends: Sales
20. Trends: Profits
21. Investment needed
22. Customer relationships
23. Customer contracts "sticky"
24. To patent or not to patent
25. Curb appeal
26. Legal Entity
27. Web Content
28. Buggy Whip Factory
29. Legal Entity
30. Legislation
31. Train Tracks
32. Noise
33. Customer Concentration
34. Industry / Product Concentration



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Beacon Equity Advisors has prepared a program to assist business owners with identifying potholes in their businesses and suggesting a course of action to repair these issues 3 -5 years prior to the sale of the business in order to maximize value.

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