

FOR IMMEDIATE RELEASE

FROM: WAYNE UNZE

## **WARNING!!!**

There are several out-of-state business “*appraisors/brokers*” who charge up-front fees for their “*appraisal*” efforts and promise to “put your business in front of at least one qualified buyer.” Their fees range from \$3,000 to as much as \$40,000, depending on the size of the business and the gullibility of the owner.

It is our experience that these people rely almost totally upon money generated by “*appraisal*” fees and not from the marketing and sale of the business to a ready, willing and able buyer. Worst yet, most of these “*appraisals*” are, in our trade jargon, “feel good appraisals,” i.e., well beyond the true value of the business and simply designed to bring a smile to the owner’s face rather than a prospective buyer to the owner’s front door.

A classic example of these “rip-offs” is a recent situation where one of my agents was asked to sell an Albuquerque business that had been “*appraised,*” (but not sold) by one of these out-of-state *sharks*. It had cost the owner \$7,000 for the “*appraisal*” which came in at \$350,000. After months of futile expectations, the listing expired and the

owner came to us for help. When my agent reviewed the business's financial data, he discovered it had gross sales of \$75,000 and a net profit of only \$30,000. You don't have to be a genius to know that a \$30,000 net profit will not retire a \$300,000 debt (assuming a \$50,000 down payment) **and** provide the purchaser with a living wage. Obviously, the owner was devastated when he realized his business was actually worth less than 1/3 of what he was told **and** he was out the \$7,000 "*appraisal*" fee.

In an even more blatant example, another exploitative company summed up its "*appraisal*" of a northern New Mexico business with the following statement, "In the evaluation of your company, the range of value had a low of \$97,500 and a high of \$379,300. Any offer that falls between these values should be taken seriously." Any business appraiser who can't narrow down the range of value better than this, doesn't deserve a fee. What makes this *appraisal* even more ludicrous is the fact the business had total sales of only \$86,000 and a **net loss** of \$22,000. It doesn't take a CPA to figure out that a business losing \$22,000 a year is a bad investment at any price other than the raw asset value, i.e., the current market value of inventory, fixtures and equipment. The cost of this "*appraisal*" was \$6,000...money that the owner really didn't have.

The best tip-off to the ineffectiveness of these out-of-state *carpetbaggers* is their reluctance to provide references from businesses they have sold. They will generally offer the excuse that the information is confidential or privileged. On the other hand, most local brokers are eager to provide references, as long as the sale price and terms are not disclosed. Most importantly, every Albuquerque business broker I know charges no up-front appraisal fee and is paid only for results, i.e., a successful sale.

If you think by the tone of this article that I am angry, you're right! I have heard the woeful tales of too many New Mexico entrepreneurs who have been duped by these *predators* and paid out large sums of money for a hope and a promise. Unfortunately, there are no state or federal agencies regulating their practices, so we're left with the age-old credo, "Buyer Beware." Now consider yourself warned!