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**SMALL BUSINESS / JANE APPLIGATE**

## Selling the Store Without Saying Goodbye

**S**elling your business for several million dollars and then staying on to run it may sound too good to be true. But that's exactly what brothers Walter and Howard Lim did with their Aerosol Services Co., based in the City of Industry.

The contract packaging company, with sales of about \$50 million a year, has been the Lims' major asset since its founding 28 years ago. About three years ago, Walter Lim's estate planning attorney encouraged him to at least sell a portion of the business to free up cash for his retirement.

Although Aerosol Services, which fills and packages hair gels, hair sprays, shampoos and other consumer products, was solidly profitable, it was not a sexy, fast-growing high-technology business that attracts many investors. The challenge was finding a buyer who not only wanted a stable, long-term investment, but was willing to let the Lims remain in charge.

"We were looking for a very special type of investor," said Walter Lim. "We wanted people that we felt comfortable with."

Lim, who is president and chief executive, said he also wanted to protect the jobs of his 250 employees, as well as that of his brother Howard. Howard Lim is chief financial officer and general manager.

Realizing they needed professional help to sell the business, the Lims met with several middle market investment banking firms. In 1993, they retained Lloyd Greif, a veteran investment banker whose mission was to find

just the right buyer.

Greif, president of Greif & Co. in Los Angeles, said that although Aerosol Services was a solid company, it had several strikes against it. It had two owners over 50 who wanted to keep their jobs, sales were relatively flat between 1989 and 1992 and the business itself was fairly mundane.

Before Greif brought in any potential buyers, he spent hours with the Lims, determining exactly what they wanted in terms of dollars and future employment. He worked with the company's accountant at Coopers & Lybrand to make sure the books and records were in order.

**B**ased on his interviews, he encouraged the Lims to emphasize their research and development capabilities, rather than their filling and packaging services. They also decided to add a new line of equipment designed to handle non-aerosol products such as shampoos.

"We wanted potential buyers to know that the company could develop different formulas and effectively become a research and development arm for their customers," Greif said. "We very much focused on this proprietary capability."

Armed with his clients' wish list, Greif began contacting potential investors. There were more than a dozen serious lookers, but the field soon narrowed to a group of private investors from Newport Beach. Earlier this year, Gordon + Morris created the Aerosol

Services Holding Corp. to purchase a majority interest in the company.

Walter Lim declined to reveal the exact sales price, but said it was a cash deal. Greif said the Lims own about 40% of the newly restructured company. The brothers also have open-ended employment contracts that enable them to stay on as long as they want to.

Since the sale closed earlier this year, Lim said, his only contact with the new owners has been a quarterly board meeting. Beyond that, nothing else has changed he said.

Lim advises entrepreneurs interested in selling their businesses to have their financial records audited for at least three years before the sale. He also recommends carefully documenting operating procedures and making sure there are no legal or regulatory problems that could jeopardize the deal.

There are many books about selling small businesses. For a basic overview, read "Buying and Selling a Small Business," by Michael Coltman (\$8.95, Self-Counsel Press, 1704 N. State St., Bellingham, WA 98225).

For a more sophisticated approach, including detailed listings of equipment appraisers and acquisition funds, try "Cashing Out: How to Value and Sell the Privately Held Company," by A. David Silver (\$39.95, Enterprise-Dearborn, 520 N. Dearborn St., Chicago, IL 60610-4354).

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## PREPARING FOR A SALE

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“A lot of people who want to sell their companies don’t understand how much work is involved,” said Walter Lim. He has this advice for anyone preparing to sell their business:

- 1. Retain an experienced investment banker or broker who specializes in small or midsized companies.
- 2. Hire someone you feel extremely comfortable with — someone you can confide in and trust.
- 3. Be prepared to spend a lot of time providing detailed information to your investment banker. Then, be prepared to

share it with any serious potential buyers.

- 4. Be clear about exactly what you want out of the deal before you start negotiating.
- 5. Include your accountant and attorney on your advisory team to handle the tax and legal matters.
- 6. Be open and honest with your employees when it comes time to announce your plans to sell.

Greif adds these suggestions:

- 1. Work with an investment banker who understands entrepreneurs and can provide a high level of service.
- 2. Allow your investment

banker to act as a buffer between you and your prospective buyer. This prevents emotions from jeopardizing the deal.

- 3. Carefully check any company before you retain it. Ask for references. Choose a firm that is familiar with your industry.
- 4. Determine who in the firm will be representing you and your company.
- 5. Be clear about financial arrangements before you sign any contracts.