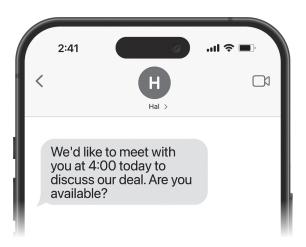
The Problem



As soon as Lindsey read the text, she knew it was bad news. It wasn't so much the cryptic message, or that Hal wanted to meet in less than two hours.

Hal had never texted her before.

They met over a year ago. Hal was known for buying companies like hers and thought her firm would be a good acquisition. He said all the right things: how they could build a great company together, that she'd be relieved of the daily burdens of business ownership, that she'd have more time to focus on her passion for developing new business and her people. He was known as a hands-off owner and typically maintained his purchases as standalone organizations. The thought of cashing out was intriguing to her and the potential monetary reward would be lucrative. Lindsey started her business ten years ago after she lost her corporate job. She saw a trend in big companies toward outsourcing certain HR functions, so she started a professional services business offering the very thing that cost her a job. Her old employer was her first customer. Her initial jobs were staffed by her and some independent contractors. Over time, the business grew to about twenty people with almost \$5 million in annual revenue. It was profitable and provided a good lifestyle for her, much better than she ever had working for someone else.

She knew she wouldn't be running this business forever, but didn't think about it much because everything was going so well. When Hal came around talking about buying her company, she listened. She spoke with a few friends and colleagues about it, and they were encouraging. She took it upon herself and her staff to negotiate the deal and work through due diligence. Her accounting department was small, consisting of only her ex-coworker Troy, but he had always been the go-to guy in her corporate job, so she felt like she was in good hands with him as her trusted bookkeeper. After Hal sent over a Letter of Intent, Lindsey hired a lawyer to represent her.

When she snapped on her video camera two minutes before the impromptu meeting, Hal and his team were already on the call. She could tell by their faces that they were getting ready to deliver some bad news. Lindsey had Troy with her. Hal started the conversation.

"Lindsey, thanks for taking this call on such short notice. We've been working with you these past few weeks and have come to greatly respect all you've accomplished in building your company. Unfortunately, we can't see how we can go any further with this transaction, so I'm letting you know that we are terminating the LOI we sent to you."

Lindsey was stunned. She knew they'd had some challenges delivering information during due diligence, but they got it done. Hal had said he didn't expect a firm like hers to operate like a larger one and the delays were understandable. She thought he'd be more forgiving when things got difficult. She assumed this call would be a

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warning, not a termination. After all, she had heard the horror stories of buyers trying to renegotiate terms at the last minute in order to secure a better deal.

"What... what happened?" Lindsey stammered.

"Well, Lindsey, we just don't understand your numbers. We don't think you understand them, either."

Hal wasted no time rattling off a few problems he saw. Bank balances on the balance sheet didn't agree with bank statements. Profit margins were misstated. His biggest issue was the numbers he was told at the start of discussions didn't agree with what his team uncovered during due diligence. In his words, the differences "weren't even close."

They exchanged a few pleasantries, agreed to keep in touch, and concluded the call. Lindsey was embarrassed and humiliated. She was ashamed Hal thought she had such a poor understanding of her finances. She had what she needed to run her business. How else could she have gotten this far?

Hal had mentioned she was running her financials like she was still in her first year of business. He needed to see a robust financial operation he could understand and that would support a rapidly scaling company. "Any buyer would demand that of a standalone acquisition," he said. "We need your financial operation to keep up with where you are going, not where you have been."

The worst part was that, just this week, she had begun to allow herself to think about life after the close. She came from modest means and built a great company. The cash she would have gotten from the exit could have funded her passion for philanthropy. Now it was all gone, and she would have to start over.

About a week after the call, Lindsey came to the realization that at some point she would be exiting her business, with or without Hal. She decided then that it would be on her own terms. Determined to attract the right buyer with the right deal for her, she vowed that the next time she went through an exit process, the outcome would be very different. Although she couldn't know it at the time, that is exactly what happened. Her next interaction with investors would be very different. And it would change her life.

This is her story of how she got there, with an upgraded financial department leading the way.