

Announcer (5s):

Welcome to the maximize business value podcast. This podcast is brought to you by mastery partners, where our mission is to equip business owners, to maximize business value so they can transition their business on their terms. Our mission was born from the lessons we've learned from over 100 business transactions, which fuels our desire to share our experiences and wisdom so you can succeed. Now, here's your host, the CEO of mastery partners, Tom Bronson!

Tom Bronson (36s):

Hi. This is Tom Bronson and welcome back to maximize business value podcast for business owners who are passionate about building long-term sustainable value in their business. This episode is part of our series called tales from the 17% club, as we've said over and over again, 83% of attempted business transactions fail to reach the finish line, meaning that only 17% are successful. Now, in this series, we interview people who have successfully exited their business. We call them the 17% club to learn more about the process and to hear some interesting stories along the way you aren't going to be disappointed today.

Tom Bronson (1m 17s):

I assure you. In fact, I think what we have here is a double 17% or so in this episode, I'd like to welcome our guests, Tom Washington, who was an owner and chief financial officer of Texas engineering systems, a business that was sold in 2010, but that was Tom's second exit. His first was in 1998, which is where we'll start in just a second. Now Tom's story is a little different on the exit that he did in 2010, but it's absolutely worth sharing here because every business transaction is different. It takes on a life of its own. Now you'll understand more about that. As we walked through the podcast, Tom is currently a partner at B2B CFO, which we'll also talk about toward the end of this podcast.

Tom Bronson (2m 2s):

And I've known Tom for several years through business navigators, the servant leadership organization that you've heard mentioned here before now. It's it's when we get to the end of this podcast, we're going to learn something some very interesting things about Tom's name. So you want to stay tuned the whole time when Tom shared his journey with me about his exits and his business experiences, I knew he had to be a guest here on this podcast. So welcome to maximize business value. Tom,

Tom Washington (2m 35s):

Thank you, Tom.

Tom Bronson (2m 37s):

It's it's good to finally be able to connect with you here. You know, let's start with your first exit first. Shall we tell us a little bit about the first company that you exited in and 1998? I want to hear a little bit about the backstory, how that company started and how it progressed.

Tom Washington (2m 55s):

Well, in 1993, I was with Coopers and, and their national real estate and banking practice and spend a very fast four years working through the RTC bailout and the physic mess and saw a lot of wealth created. And I thought, you know, maybe I need to get some of that. And it's time to, to look at, you know, forming, forming a business. I've always been active in the community and through my community activities, I had met a young engineer who was in the telecommunications industry, who was also interested in leaving a very high position at one of the large Dallas telecom giants and maybe also going out on his own.

Tom Washington (3m 48s):

And so we, we met and talked and got to know each other and said, yeah, let's, let's go start a business. And we had an idea to go put together a business to, to fill a need. And, and every successful business has to fill a need. And the need that was coming up for this particular business was the FCC was in the process of auctioning off all of the new digital wireless frequencies that we now use every day with our digital wireless phones. And a lot of people were very interested in the frequencies and many telecommunications giants were successful at getting some of the frequencies and, and getting some of the large license areas in the country.

Tom Washington (4m 41s):

We knew that none of the terms of the frequencies, that they had a very fast four years to get a high percentage of their network up and running in order to hold onto the licenses. Now, the licenses had a very, very high cost. I mean, in the tens, sometimes hundreds of millions just to have the frequency from the government. And you lost all of that. If you didn't hit this criteria and, and get your network to the prescribed percentage in time. So we knew that if we put together a company that could serve those companies and provide them with, with key services that we would do quite well.

Tom Washington (5m 24s):

And so we formed a company called comm 2000 plus communications in the year 2000 plus, and we formed this in 1993 and we got together and the, my partner's living room and, and we formed a company, self capitalized, bootstrapped, you know, to use the current term. And we started immediately to lease an office over on Dallas Parkway to go in and start a recruiting, to put our team together and also to figure out what our bid package was going to look like and, and how we were going to put ourselves together.

Tom Washington (6m 9s):

We got some other key people involved when we started the company, there were five partners involved in it, and we were all equal. One of the, one of the lessons that I will give. And it's contrary to the lessons I've heard from some other business owners is if you want to have a long-term partnership, you gotta be equal. You can have a king pin, but if you do, I think the king pin maybe ends up at the end with the company, but a lot of the dominoes fall along the way. And we needed everybody to, to pull together in this company to make it successful.

Tom Washington (6m 52s):

So we went out and put our team together, put our credentials together and very quickly won some, some big deals with some real giants in the telecommunications industry. Okay. Now, now you, you got it now you got to serve it. And we quickly had one of our partners fall by the wayside. So now we're down to four.

Tom Bronson (7m 17s):

I have to, I have to ask when you set it up, where you all then five equal partners, 20, 20, 20, 20.

Tom Washington (7m 22s):

Yes we were.

Tom Bronson (7m 23s):

Okay. All right. And so keep, when one of the partners fell by the wayside,

Tom Washington (7m 27s):

Wonderful partner fell by the wayside. So now we were twenty-five twenty-five twenty-five twenty-five

Tom Bronson (7m 33s):

Okay. Now, did you all buy out that other partner or did he just,

Tom Washington (7m 37s):

We, we did. We did. And, you know, we had a very good buyout agreement in the partnership agreement that we worked out. We were organized as an LLC, but that buyout is other buyouts that came along were all kind of negotiated on the fly. So even though we had a buyout agreement in the partnership agreement, the because we were equal and we're all pulling along and, and doing what we needed to do, we're, we're a very close group. So the growth started, we were working with Nortel and Erickson.

Tom Washington (8m 22s):

You know, two of the giants were working with Nortel Kala down on the Caribbean. We were working with use network systems with Southeastern bell. We were working with PCs prime co, which if, if you know that that group, they, they kind of went away. We're working with page net, we're working with AirTouch. We had a huge contract with Pacific bell. We were doing what, what we did, we doing a a hundred percent of all of that work that was available in California and Nevada, because we had the contracts for several companies.

Tom Washington (9m 6s):

Well, you know, now I've got to, now I got to do income tax returns in 14 states. And we were also in six countries. We had engineers outside of the U S working on, on things as well. The company exploded. It grew fast in 1997. We want to top 10 Dallas, 100 for fast growth. And we also the same year want to pay setter 25 and fast tech 50, which is now the tech Titans 50. So we won all three awards that year, as you, as

you might imagine, with a top 10 company. And literally that was three years into the company.

Tom Washington (9m 49s):

We were, we were hitting those, those kinds of numbers. We had a big payroll. We had a lot of interesting customers. We were doing work that was satisfactory and valuable to those customers. We were helping Nextel here in Dallas with their design of the network that, you know, somebody bought at some point, I forget who acquired that one, but we were becoming very visible in the digital wireless telecommunications industry worldwide.

Tom Bronson (10m 29s):

That is, that is amazing. I mean, that, that kind of growth and to hit those fast growth awards, I've been a Dallas 100 list. I've been, I was on the tech Titans and prior the fast 50, I think they called it six times. I was on the, you know, the, what is the, the Inc 5,000, you know, a number of times, but All well, all of those things bring notoriety to the business too. Right. I mean, they, they suddenly, you're getting all kinds of good press about that. All right. So, so now you're down to four, you left the company in 98.

Tom Bronson (11m 9s):

How many partners were there in that time?

Tom Washington (11m 12s):

Well, we, we lost another gentleman after about a year, year and a half in, so we were down to three and we just split it up into thirds. And for, for most of the history going forward, then it was just the, the three of us.

Tom Bronson (11m 30s):

Okay, awesome. Now, I mean, the thing's blowing and going and doing great. And you exit, if I understand correctly, you exited as a partner and the company, you know, stayed intact, but you just exit as a partner. What precipitated that?

Tom Washington (11m 45s):

Well, we were going great guns. We never had any debt, never needed it. We operated off of our cashflow. We didn't spend more than we had. And, you know, eventually we, we ran out of the four years and the four years was the time that all of these license holders had to get their networks up to speed and get them to a certain percentage. Now we knew at that point that they would slow down the increase in the networks and take a breathing space because they will have spent a lot of capital dollars at this point.

Tom Washington (12m 26s):

So we knew that we had to add some lines of business in order to continue with our fast growth. We looked at, you know, acquisitions ourself, and we did acquire a business telephone systems company out of Fort worth. We also formed a property management company, which was kind of interesting. You'd look at that

and say, what the heck would you do with the property management company? Well, we decided to master lease a building for our office and we took far more square footage than we needed. And then we rented it out and put together an executive suites business so that we were subsidizing all of our office space.

Tom Washington (13m 8s):

And it gave us a room for expansion because as it turned out, you know, the tenants every so often, you know, tenant wanted to move out and we'd, it went coincide and we needed to a text that take extra space. We also put together a travel agency business, and our wives were active in the travel agency. And that allowed us to, at that point, they were earning fees to get our guys every week where they needed to go control the travel and also make some money in the, in the travel agency. So we were, we were trying to put together a consolidated business where we had a, a lot, a lot of ways to earn the business telephone systems, allowed us to install telephone systems all over the DFW area and other places.

Tom Washington (14m 1s):

And of course, the guys we had were, were very good at that. Plus we also had some other texts from, from that additional business, but all that to say that when we got to this point, we were looking at well, do we, do we sell the business? We had a, a huge civil engineering firm in California. They wanted to acquire us and why California, where we had a lot of business out there as, as I talked about earlier, and this was a large civil engineering firm that had been in business for a long time. They wanted to give us executive positions, board positions, and at a core of the business.

Tom Washington (14m 44s):

Ultimately, I was the one that didn't think that that was necessarily a good move. We looked at several other options and I was always the guy that said, well, I don't think this is it. Well, eventually I saw it. My two other partners, you wanted to do some of these things. I didn't. So it was time to let those guys go and, and do what they wanted to do. And we worked out a very amenable split. I've took the property management company since real estate was my expertise and a lot of the liquid assets and went my Merry way.

Tom Washington (15m 34s):

They, they moved out of the building because I kept the property management. So that meant I kept the office. They, they went and relocated over near Jupiter in Kuwait, got a larger facility. The business that they ended up pursuing was a business where they bought a huge microwave network that was for sale in the Northwest United States. And some of the guys had expertise in the long distance industry. And they thought that there was money to be made. Long-term in providing this microwave relay network for the long distance community and the Northwest United States.

Tom Washington (16m 22s):

They renamed the company, they started hiring more people and of course, continuing our core business. And for a while, they were, they were doing very well for about two or three years. They had some very good

growth, but they didn't really replace my expertise in the business. And they took on debt to buy the, the network that they were buying. And one dark night, the bank decided to take all the liquid accounts and, and closed down the debt because some of their customers were in bankruptcy being the big, long distance companies.

Tom Washington (17m 8s):

And that put this company in bankruptcy as well.

Tom Bronson (17m 12s):

Oh, goodness. Well, it sounds like, sounds like little doubting Thomas, by the way, you know, it's not lost on me cause you know, we shared the first name of these other opportunities. Sounds like you may have gotten out at the right time.

Tom Washington (17m 28s):

Well, I would, I wasn't willing to go along with some of the other ideas that I just didn't see that we were going to create the same kind of value and, and wealth that we created in the companies to date.

Tom Bronson (17m 43s):

Well, I got to tell you, you did, you did so many things, right? I mean, you mentioned already that you guys had a buy-sell that you had the equal partnership, but I mean, somebody was in charge. Right. And, but that you guys worked out amicably, you know, five partners down to four and then there were three and then there were two. Right. And you were able to handle all of those transactions with available cash and resources and other things. So, so I applaud you guys for doing a lot of things right. In the first place. And I applaud your market timing genius there to, to leave before the implosion, I guess, of the business.

Tom Bronson (18m 24s):

Does it, you know, we'll move on to your other company, but does the business still survive today?

Tom Washington (18m 30s):

No. No. It's, it's it's completely gone and liquidated.

Tom Bronson (18m 33s):

So when it was bankruptcy chapter a chapter seven, or is it,

Tom Washington (18m 37s):

Yeah, it's essentially not. I'm I'm friends with my ex partners. I see him from time to time. One of my ex partners, he went back to the company. He left and went very high up into a senior vice president level at that company. And then he decided to go to law school and he's now a patent attorney.

Tom Bronson (19m 6s):

Kidding. No

Tom Washington (19m 6s):

Kidding. And he's a great guy. I like, like both of my partners, but you know, we haven't tried to do another business together.

Tom Bronson (19m 16s):

No. Yeah. Well, and that's, that's a good ending too. Cause too many times look, I was in a failed partnership that broke up around 2010 and it was one of those giant mistakes that, that we were, we were equal partners, but it was me and my wife and another couple. And ultimately we didn't see eye to eye on how to run the business. And, and we're still not friends as a result of that. And that's a shame, right? I'm glad that you guys, we were, and we were very close friends before that, but we made, we made some of the classic mistakes and you guys were smarter than us when you set it out.

Tom Bronson (19m 58s):

So, so get us from, from that timeframe, when you exit at 98 to when you joined Texas engineering systems.

Tom Washington (20m 8s):

Well, Texas engineering systems had three partners and they were tenants in my executive suites.

Tom Bronson (20m 16s):

Oh really?

Tom Washington (20m 17s):

They were, and we got to know each other a little bit and they got to know me and of course they'd come in and tenancy when I was with the other partnership. And they, they perceived that we were very successful. They did not have somebody in their group with, with my kind of expertise in, in business and finance. And so we came to an agreement and I joined their three partners as number four.

Tom Bronson (20m 50s):

That was it. Then 25, 25, 25, 25.

Tom Washington (20m 53s):

The only way we do it.

Tom Bronson (20m 55s):

Excellent. All right. And what year was that? That was,

Tom Washington (20m 59s):

Well, that was a, within a few months of us splitting out of the other partnerships, same year in 1998.

Tom Bronson (21m 5s):

Oh, no kidding. So man. Alright right back in business, baby,

Tom Washington (21m 9s):

Back in business. So the first thing that I did, they were in a single location and this was a software distribution company and three-dimensional design software. And the partners that I had, one was very good at the sales, but all three of them had come out of the finite element analysis or the design industry. And there, one of them was a PE. One of them was MIT trained. One of them was university of Maryland trained in FEA. And he was acknowledged to be a, an expert in finite element analysis.

Tom Washington (21m 53s):

And then we had a guy that could, you know, sell ice to Eskimos,

Tom Bronson (21m 59s):

But you were missing or what they were missing at that point was a business guy.

Tom Washington (22m 3s):

They were missing the business guy. So it was a good addition. I felt. And, and I think the success, we had shows that, but we immediately, they were, this was, we were selling a three-dimensional design software called solid works. And the salad works now is, is quite well-known. But this was near the start of salad, worse when they were still building their dealer network. And there were other competing dealers in the states that we had, we were in Dallas, Oklahoma, Louisiana, Arkansas, and Missouri.

Tom Washington (22m 48s):

So we had a good part of the central Southeast Southwest United States, but we also could do deals occasionally in other areas and did so the first deal was with a, a large oil and gas company in Houston and a single check was \$500,000. So we were, we were off to the races from the beginning

Tom Bronson (23m 20s):

And take long to build up some, some money that way.

Tom Washington (23m 24s):

But we, we knew and, and everybody agreed that if you want to grow fast, you always seek the, the whale well-heeled corporate customers and, and try to do the bigger, bigger deals. And we were very good at putting together some, some big software deals. If you looked at our customer list, it was blue chip in terms of the kind of people we were doing business with. And this is something that I also learned from my time at

comm 2000 plus, when we were also dealing with the big well-healed customers, they pay the best.

Tom Washington (24m 8s):

You can certainly do deals with, with other companies, but to get a good basis for growth and value, make sure that you've got a lot of the blue chip companies on your customer roles. And we did. And so we also grew fast. We didn't win a Dallas 100, but we did get on the fast tech 50 and the pacesetter was again. And that was nice.

Tom Bronson (24m 36s):

Excellent. So, so let's kind of fast forward to then 2010 when, and talk about your exit and your exit strategy. So were you guys intentional about, about having an exit strategy or did, as we say, an opportunity fall in your laps?

Tom Washington (24m 57s):

Well, we, we had grown a value added reseller that was quite well known in the industry and how to value. And we did not have any intention of exiting when we did not none whatsoever.

Tom Bronson (25m 13s):

What made you, what made you decide to exit?

Tom Washington (25m 17s):

We got approached several times by someone else in our industry that was very interested in having the territory that we had and also, you know, already had, you know, it was already a reseller and all the software that we had and just wanted to enlarge their, their footprint. And we got an offer that was really hard to turn down and the offer we insisted would be a 60 day close, no due diligence, all cash type offer,

Tom Bronson (25m 59s):

60 days, 60 days, no due diligence, all cash. Good Lord.

Tom Washington (26m 5s):

Yeah. But think about it. I mean, this guy already knew the industry he's in it already. We're doing the same things. We've got employees that do the same things that this guy did. We've got multiple offices. Cause at this point we had nine offices in the, in the areas that we covered and we had a really good footprint. So yeah, it sounds amazing, but really what kind of due diligence did he need to do?

Tom Bronson (26m 35s):

Well, I mean, w we'll talk about that and just saying, cause I wanna, I want to come back to that, but 60 days that, I mean, did they stick to that timeline?

Tom Washington (26m 46s):

Oh yeah, we closed. Okay. The offer was made in October. We closed it by the end of the year.

Tom Bronson (26m 51s):

No kidding. All right. Well, it was made in October unless it was made October 31st, then it was a little more than 60.

Tom Washington (26m 57s):

I don't remember exactly what date it was made in October, but certainly we were, we were well with, within the, the deadlines.

Tom Bronson (27m 5s):

All right. So you got this offer, you guys agreed to it. It was, it was more than what it was a enough to get your attention probably more than what you thought the business might've been worth at the time enough to make you all want to be motivated to go for it. So did you, did you get together a team of, for the transition? I mean, did you hire an attorney? Of course. I know your finance background and we'll talk about that in a bit, but I mean, did you, did you hire any help, any guns to help you through this? Or were you all just doing this all together?

Tom Washington (27m 37s):

We just did this. We didn't need an attorney. We were capable of, you know, looking through the acquisition agreement and flushing it out. We, we just did it closed it.

Tom Bronson (27m 53s):

Wow. Now, and you'd been through another prior exit. So you had at least some knowledge of, of how these things work and how that works and, and genuinely no due diligence, you know, they agreed with,

Tom Washington (28m 7s):

I mean, we gave him, we gave him information of course, but no, they were, they weren't in here pulling records or, you know, testing things or anything like that. It was just here it is.

Tom Bronson (28m 19s):

If you guys have audited financial statements,

Tom Washington (28m 22s):

We did not.

Tom Bronson (28m 23s):

Okay. So they were just, they were trusting that they were accurate. That's, that's a high degree of trust, but

this was a friendly buyer, right? I mean, they,

Tom Washington (28m 30s):

It was a friendly, well, it was a friendly buyer. He didn't really care what we'd done in the past because he wasn't really buying what we'd done in the past. He was buying our employees, buying our customers. That was it.

Tom Bronson (28m 49s):

Well, and that, I mean, honestly, Tom, you, you just, you said a mouthful there, a lot of people value their business based on, on what they've done, but buyers all value businesses based on whatever their motivation is. Right. This guy wanted, apparently he wanted to grow. He knew what he could do with your people, with your customers. Right. And, and that was his motivation now.

Tom Washington (29m 13s):

And here we are, we're 12 years past the acquisition. He still owns it

Tom Bronson (29m 19s):

Really

Tom Washington (29m 19s):

Go got most of our employees there

Tom Bronson (29m 22s):

Really.

Tom Washington (29m 23s):

I think he kept most of the customers from what I understand. So it's, it's all working just like we designed it.

Tom Bronson (29m 34s):

Wow. Now, all right. So, so just based on the very limited due diligence they did, you've provided them records. It, wasn't the kind of due diligence examination that I know you've seen with many of your B2B CFO clients. I mean, that's, that's more like a practical exam. Right. And yeah. And, but you, you did that, but, and then they closed at the value you guys agreed to in an all cash deal.

Tom Washington (30m 2s):

Yes.

Tom Bronson (30m 3s):

That's amazing that

Tom Washington (30m 4s):

We had a few sweeteners in there too.

Tom Bronson (30m 7s):

Did you really?

Tom Washington (30m 8s):

Yeah. We had a few sweeteners in there. We had a, we had one line of business. It was newer to us and was going to be a little newer to them. And we weren't sure exactly how it was going to operate, you know, for the next couple of years for them. And so we had a little sweetener in there didn't end up earning much on it, but you know, it, it was really the only uncertainty in the deal.

Tom Bronson (30m 34s):

Right. Well, but you were happy with what you got to close. And I know people have heard me say this on these interviews before my message always to business owners are gonna sell you. You can certainly make money on outs, but if you're not happy with the amount of money that you get at closing, then don't do the deal as if you're never going to get another dollar.

Tom Washington (30m 59s):

Well, you know, the, there, we didn't have any seller loans or anything obviously, but if, if there had been, you know, seller loans or something, you always want a clawback, but then there's always the danger that the business would be wrecked.

Tom Bronson (31m 14s):

Yup. Well, that's it. And, and so that's awesome. Now, you already mentioned that many of the employees are still there. How did they react when you deliver the news that, Hey, we sold the company yesterday.

Tom Washington (31m 27s):

Well, they were, they were familiar with the buyer. Okay. The buyer did a really good job of meeting with the employees and transitioning. And in some ways, because this was a bigger organization, they ended up in a better place than they were with us.

Tom Bronson (31m 48s):

That's awesome. But you know, I've done transactions like that, where I sold the bigger companies. And I'm very gratified that, you know, here we are, gosh, I sold to a big publicly traded company back in the late nineties, a distribution company out. And many of my employees who were probably the better train employees of all the accurate, they did a bunch of acquisitions, but many of those people went on to take very high ranking roles in the organization for years and retired from, from a long career with that company in

that, you know, that's very gratifying. Isn't it? When you see your people, you know, stick around for a long time.

Tom Washington (32m 26s):

Well, it is really if, if you want to get down to it, I was the only guy that was out really. They didn't need a CFO. They had a CFO, both my partners joined their organization

Tom Bronson (32m 39s):

And they on long-term.

Tom Washington (32m 41s):

One is still there and one stayed on for awhile, but ultimately left. But I think it was a good deal for everybody.

Tom Bronson (32m 53s):

That is awesome. Look, we're up against a break here. We're talking with Tom Washington, a member of the double 17% club. Let's take a quick break. We'll be back in 30 seconds.

Announcer (33m 8s):

Every business will eventually transition some internet employees and managers, and some external needs to third party buyers, mastery partners, equips business owners to maximize business value so they can transition their businesses on their terms. Using our four step process. We start with a snapshot of where your business is today. Then we help you understand the way you want to be and design a custom strategy to get you there. Next, we help you execute that strategy with the assistance of our amazing resource network. And ultimately you'll be able to transition your business on your terms. What are you waiting for more time, more revenue. If you want to maximize your business value, it takes time.

Announcer (33m 49s):

Now is that time get started today by checking us out at www.masterypartners.com or email us at info@masterypartners.com.

Tom Bronson (34m 1s):

We're back with Tom Washington, a business owner who's successfully exited as a partnership at 98 and sold his business again in a different business in 2010, making him a member of the 17% club. But now you understand my comment about why this is a little bit different story, Tom. I know in your business now you help business owners that are, that are getting ready to exit their business. How frequent is a story like this 60 day close, no due diligence, all cash deal. How often do you hear stories like that?

Tom Washington (34m 39s):

Hardly ever.

Tom Bronson (34m 41s):

Thank you. That's the answer that I was looking for, because if you say a bunch of them, I'm going to go, okay, you and I are going to have to talk a little bit further, but yeah, that's, I mean, you appreciate, you probably appreciated then, but even more now working with lots of businesses, what a rarity that is. And that's why, you know, when we first talked about doing this podcast, you said, I'm not sure you want me to share this story. And I said, no, this is like every other story it's unique. And when I, but I wanted to get this story out because it can happen, right? I mean, it's like winning the lottery, but it, but it can have, you know, I just heard the other day on the radio that somebody who bought a lottery ticket in great vine one, you know, several million dollars.

Tom Bronson (35m 26s):

I went, dang it. I should've bought a lottery ticket that day. Right. But, but it does happen. And, and so transactions, every one of them sort of takes on a life of its own. So let's get back to kind of the lessons that you've learned and things that we can offer it to the business owners and our audience. What did you learn going through either one of these processes?

Tom Washington (35m 51s):

I learned that access are never on your timing. The, you know, neither exit was, was really planned or, or timed from a, from a long-term standpoint. I believe that that preparation for an exit is, is vital. Now we'll save it. In the case of, of both exits, we kept a very, very clean set of books, as you might imagine, we, our businesses well-organized wasn't necessarily well-documented, but everybody that was involved in the business knew their jobs.

Tom Washington (36m 34s):

And we had a lot of employees that had been with us for a long time, and that can be a help because they, they know their jobs that can also hurt you a little bit, because that means you're probably near the top of the pay scales. In, in those particular duties, we didn't operate businesses with a lot of debt, neither business carried debt. And you've got a lot of flexibility when you operate with great liquidity and not every business does that. A lot of business owners feel like the greater, the leverage, the better your return.

Tom Washington (37m 20s):

And don't really know the risk that they're taking with that level of leverage. So you gotta get that, right?

Tom Bronson (37m 30s):

Yes, no, no doubt. And yeah, that's you, you hit on several really good points there. One that I wanted to be sure that we don't gloss over and that's running good, clean financial statements. I mean, small businesses, startup businesses are notorious for terrible bugs. And, and I always tell our clients, you and I do similar

things and preparing, I mean, there there's a tiny overlap in what we do, but, but we do similar things in working with our clients. You know, I always tell our clients, you want to have your books presented in a way that a buyer would be interested in looking at it, right.

Tom Bronson (38m 11s):

So, so do your books, they've gotta be good and accurate, but it's, it's gotta be easily, easily understood. And something that, that from the buyer's perspective, do you agree with that?

Tom Washington (38m 25s):

Not, not totally. The, the reason I don't is because you've got to know where your profit comes from. And I think that books are better organized so that your lines of business have a clear financial statements so that you understand what that line of business contributes to your gross margin and how your overhead supports each line of business. I had a, a customer in B2B CFO early on when I started, it was a \$130 million company been, been around for 30 years.

Tom Washington (39m 5s):

A founder was, had been involved and still kind of was, but he, he was off, had been away from the business for four years because he was in his eighties. And he put a president in that slowly on that maybe not too slowly rent ran the company into the ground. And so I was brought in and in July of a certain year by a banker and that banker said, look, I'm going to have to close this company down soon if you can't fix it because they went from 130 million in sales the prior year and halfway through the year, they've got 20 million and the company's hemorrhaging cash and earnings and everything else help, you know, you need to help me here.

Tom Washington (39m 54s):

And they had scheduled a meeting two weeks from when I walked in to have a discussion with the bank on, on what their future was. And so I did, you know, do a line of business margin analysis. And I found that, that there was a line of business that was dragging the business down. So my recommendation was to close that line of business, cut overhead, lay off excess employees. And they had a lot of equipment that had leverage on it and debt on it that had been placed to finance the negative cashflow over several years.

Tom Washington (40m 37s):

And so we needed to sell a whole bunch of equipment and retired debt took that to the bank bank said, okay, this, this looks like it might work, but you know, we'll give you till the end of the quarter to prove it out, went to work and video

Tom Bronson (40m 52s):

Quarter that you've just had this

Tom Washington (40m 54s):

Conversation. No, this was actually we're meeting the third week of the first month. Okay. So we had a little bit of time, but not a lot of time,

Tom Bronson (41m 2s):

60, 70 days, right?

Tom Washington (41m 4s):

Yeah. About that. The controller looked a little shaky. So we got, got a new controller, found a gentleman inside the company that looked like a good CFO candidate to train. And we told the founder to go on vacation and stay there. And we bought his son in to work with who was a little younger. And by the end of the third quarter, the company had increased sales up to about 56 million. We had a small profit for the third quarter.

Tom Washington (41m 47s):

We done the things that we said we do that the bank gave us another quarter to go. And by the end of that fourth quarter, they got it up to 65 million. And they broke even for the year. So we're, we're accelerating the, the cashflow and the earnings. We budgeted the company for the first time in their history, over 30 years, \$80 million, top line by the middle of the following year, they were outperforming the budget profitably and the bank renewed their lines and cut the rate health.

Tom Bronson (42m 27s):

So we're going to on your, when they redo your business card at B2B, it's gotten, it's not fractional CFO, it's magician

Tom Washington (42m 36s):

So

Tom Bronson (42m 37s):

Well, but all right, so I want to back up, you said you didn't agree totally. But what I, when I'm, when I say, I want to see financial statements from the perspective of a buyer, that means that I want to be able to see where the profitability is. I don't want it hidden. I don't want to slim it down to be, you know, less than that's usable, but I want to know where our margins are. I want to be able to see financial statements on customers on lines of business, because that's the only way if you, if you have that information, that's the only way you can make those kinds of critical decisions. And if you don't have that, you know, I'll give you a similar example. In 1997, bought a company in Chicago's \$33 million type, top line revenue, but losing \$5 million a year.

Tom Bronson (43m 23s):

And the first thing I did when I walked in the door, of course, I got a pretty good deal on it. Right? First thing I did when I walked in the door was I want a, a profitability analysis on, on our top 50 customers, right? I want to see where we're making our money. And we were distributing products to big hospitals and health facilities and whatnot. Well, what I learned was that there were about there about five customers that were causing the problem. We were way underwater with those guys. And, and that's where most of our loss came from. So I called the sales people together who were responsible for those five accounts. And I, and I showed them the financial statements and I said, okay, here's the deal either.

Tom Bronson (44m 6s):

You're going alone, or I'm going with you to these customers. And we are either a renegotiating the deal or B telling them we're breaking the contract and they're welcome to go elsewhere. They nearly all had heart attacks, you know? Right. Oh, you're killing me, boss. And yeah, well, you're not making any money on this because we're underwater on all of these accounts. And so we went and visited all five of those. Two of them left us and the other three, I wasn't going to give them. I said, all I need to do. I'm sharing my financials with you. All I need to do is get you to a break, even point. I'm happy to deliver the products here and not make any money for the duration of this contract, but I can't do it at the, where we sit right now.

Tom Bronson (44m 52s):

And three of them actually agreed to, to that. Well, what happened was we went from a \$33 million business to a \$28 million business, the \$33 million business losing \$5 million a year, the \$28 million business making a million dollars a year. And I was no, well, I mean, I was not something, a big pride point because a \$28 million business with a million dollars to the bottom line is just, it's, it's anemic, but turning it around, but you can't do that unless you have that information. So I think you and I are saying the same thing From kind of a, kind of a different direction there. So, so in these transactions, is there anything that you would've done differently?

Tom Washington (45m 37s):

Well, we, we certainly weren't ready to, to leave, but you know, I, in the 12 years since I've had a different kind of life, and then I would've had had, we stayed with that business and, you know, been looking to sell now or something like that, you know, the car, the cards fall, where they may, or they may, I think being able to do this with B2B CFO for the last five years, it's certainly been rewarding and would not have had that opportunity. If I was still operating these, these separate businesses.

Tom Bronson (46m 15s):

You said that, that you were kind of the odd man out. They didn't need a CFO. So you were the, you were the guy that took it and left. Well, did you have any idea of what you were going to do after the sale?

Tom Washington (46m 29s):

Not a bit,

Tom Bronson (46m 30s):

Not a bit. Now,

Tom Washington (46m 31s):

Now what I did do is I went out and formed a real estate development company with another partner.

Tom Bronson (46m 37s):

Well, of course you did.

Tom Washington (46m 38s):

Of course I did. And so we

Tom Bronson (46m 40s):

Put C also attended of years prior.

Tom Washington (46m 43s):

No, no, he's a guy I knew through politics. I'm very active in politics in this area. Excellent. I served as the state treasurer for the state Republican party of Texas for a couple of years and served as a, an officer for seven. This of course was a while I was still engaged with, with the, the business we sold or no, actually, yeah, there were, there was a, about a one-year overlap. And anyways, so put together a great development deal over in Tyler found 20 acres. We, we got architecture design for five story apartments for student housing, for the universities that are in Tyler.

Tom Washington (47m 27s):

We did all the land planning. We planned all the utilities, you know, got it to the point where you could literally pull up a building permit, but we could not finance it in Tyler. It was a \$65 million project. And, you know, the, the banks and Tyler, there was only one or two, they could do a project of that size. And the big banks weren't interested in going to Tyler and looking at real estate deals

Tom Bronson (47m 54s):

Really.

Tom Washington (47m 56s):

So, you know, I'd always wanted, I I've been a CFO on the real estate development world in the eighties. And so I've always had the real estate bug. And so I really wanted to try this on my own. And maybe, maybe this was too ambitious, a project, but I didn't want any small stuff. And the project really, really looked really good. And we tried to get the universities to put a master lease on it, which will allow us to get the financing easily, but we couldn't persuade them to take that step. And there were some other reasons why, why they

did and it had nothing to do with us.

Tom Washington (48m 37s):

So I walked away from that. And then I ran for political office in 2013.

Tom Bronson (48m 42s):

Really?

Tom Washington (48m 43s):

I ran in Denton county to be a JP justice of the peace, definitely to be kind of fun to serve judge and lost by 200 votes out of 4,500.

Tom Bronson (48m 55s):

Oh man.

Tom Washington (48m 57s):

Just trying all the stuff on my bucket list.

Tom Bronson (48m 60s):

Right. RK did, did that, did that? Awesome. Well, you've already mentioned, and we've mentioned here that now you're a partner at B2B CFO. We've actually had other partners from B2B CFO just a couple of weeks ago. We had Tamar Jones on to talk about KPIs and that kind of thing. So tell us, what's your take on be B2B CFO,

Tom Washington (49m 24s):

B2B CFO has a lot of talented people there. We're, we're not really necessarily CFOs in the vein that that people think of CFOs were more strategic business advisors, where we're looking at your whole business and trying to identify the barriers that are keeping you from meeting your goals and helping you with getting rid of those barriers and conquer on them so that you can get your business back on track. And I find that to be a very satisfying, helping other business owners meet their dreams.

Tom Bronson (49m 60s):

And that's, that's kind of fun, right? I mean, you, you see the light bulbs go off, you're helping folks enjoy some of the success that you've enjoyed before. I, you know, I, that, that to me is one of the most gratifying things, right?

Tom Washington (50m 14s):

It is. And, and it seems, seems like based on the experience now, which is heck at this point over 40 years, including time at Arthur Anderson and Coopersville library, it seems like I can see pretty clearly when I look

at a business, what needs to be done next.

Tom Bronson (50m 34s):

Awesome. And I know you do great work with, with your clients who have B2B CFO. Hey, before we go, though, I found out a few things about you. A very interesting while I was researching to do this podcast, I found out that you're the treasurer of the national society of Washington family descendants. Yeah. I have to tell us about that.

Tom Washington (50m 59s):

Well, it's, it's one of the things I do from a volunteer standpoint. So if I don't have enough to do it, B2B CFO, I've got volunteer work on the side that I do, and that's one of them, but there's a national society. Washington family descendants formed in 1954. Everybody that's a member is a registered the Senate of the Washington family. And we're talking about the Washington family that includes George Washington. And in my case, a chief justice, John Marshall, the Supreme court as well, And these registered descendants, right at this point, there's 1,355 of us over the, over the time of this society.

Tom Washington (51m 47s):

It's a 5 0 1 C3. We, we actually put together funds and, and we support a lot of other charities through our association, in the course of what we do have annual reunion meetings, mostly on the east coast, places that Washington frequented. And we're like a one big kind of Washington family that does

Tom Bronson (52m 16s):

Have big family reunions at Mount Vernon.

Tom Washington (52m 19s):

Well, our annual reunion meeting last year was at Mount Vernon. They're, they're very accommodating to us. We we've, we've had other Mount Vernon meetings, but we don't meet there every year. We've met at Pittsburgh and Boston and New York city. We had a dinner up in the Tavern in New York city, or Washington said farewell to his officers still there. In fact, the original room is still there. So we going to Charleston this year. And of course, we're, we're all big history buffs, as you might imagine, mostly I'm mostly American history and we've got some distinguished people in our society.

Tom Washington (53m 6s):

Some of the, you know, people have done some great things themselves.

Tom Bronson (53m 11s):

Absolutely. So Charleston, I love that. We actually, my wife and I've been married for 31 years, right around the time this podcast comes out and we spent part of our honeymoon in Charleston at the, and we stayed at the Middleton plantation.

Tom Washington (53m 28s):

And

Tom Bronson (53m 29s):

Yeah, it was awesome. And one of the events that we went to, we were there, there was a conference going on at the same time. You like how I multitask? Hey honey, we're getting married, let's go to this conference. But she knew the people and it was really more of a party for us than anything else. And one of the things we did was a, was a cruise because the, the event started on the anniversary of the bombing of Fort Sumpter, which was the beginning of the revolutionary war

Tom Washington (53m 60s):

And civil war.

Tom Bronson (54m 1s):

Several. Yeah. I'm sorry. The civil war. Yes. I get my words mixed up here. And, and so it was kind of fun. You know, the history, I'm a big history buff. Well, I have to know what's what, you know, how are you related to George Washington? I mean, you don't have to give me the whole Brothers, aunts, uncles, whatever.

Tom Washington (54m 22s):

No, it's really simple. I'm directly descended from George Washington, brother, John Augustan, who will be called Jack and was one of his favorite brothers. And we have the same father, same mother. I I'm descended from Augusta in Washington and Mary Ball who were also George Washington's mother through his brother, John Augustan. I pick up another relationship to justice, John Marshall, because my grandmother on my father's side was his great granddaughter.

Tom Bronson (54m 54s):

Kidding.

Tom Washington (54m 55s):

Yeah. So it's, it's kind of a mix in, in my particular line of, of Marshall and Washington and a few other things, but it's nice. It's nice having the connection. It's nice going back that far and knowing who your relatives are, but it also gives me a personal connection. I mean, I feel personally connected to the constitution, the declaration of independence and all the things that the founders went through. Even though of course I wasn't there just because of the, the family connection. It might interest you to know that the Washington's only got here accidentally.

Tom Bronson (55m 37s):

Oh, I didn't know.

Tom Washington (55m 41s):

The Washingtons all came from John wash, John Augusta in Washington, me immigrant, who came over as a teenager, as an assistant matter, master on a trading sloop. And they bought furniture from England and they traded it with the settlers along the Potomac in return for tobacco. They wrecked at the mouth of the Potomac and the master and the assistant master who was John Augustan. Washington had a little fight over who was at fault in Admiralty court. He had to stay over here because he was marooned and he was thrown in jail because he was accused Lieutenant Colonel Nathaniel Pope, who was one of the plantation that he traded with, stood his bail and beaver skins to get him out.

Tom Washington (56m 28s):

And then he had to live with the Pope's until the trial came around. He was judged innocent at the trial, but he met an Pope and got married and stayed in the new world. So with, without that mishap, the Washington's, wouldn't probably be here.

Tom Bronson (56m 45s):

Oh my gosh, what a great story. I, you know, that's the, those are the kind of stories that get lost to history, unless you have an opportunity to, to hear something like that. I, I can, we can talk about that subject all day. That is, thank you for sharing all that information about the, your history and the Washington family. I am a history buff. I'm just a nut. I love those things. My daughter, my youngest daughter in she's in college now, but for her senior trip, it was during COVID, you know, she graduated high school, which was a terrible time for a kid to graduate high school, but you'll appreciate this. We did kind of the great American tour. Cause I originally, I grew up in Charlotte.

Tom Bronson (57m 26s):

I was born in Washington DC.

Tom Washington (57m 29s):

Oh, wow.

Tom Bronson (57m 30s):

So, so one of the trivia questions when I'm together with folks is, is I am a citizen of the United States, but I was not born in a state. Where was I born? And so most people guess, you know, a military base or one of the U S territories or Puerto Rico. Yeah. I was born in the district of Columbia at, at, at, at Columbia hospital for women, which doesn't exist anymore. But my parents lived in Annandale, Virginia, and my grandparents in Springdale or as our Springfield. And, and so, yeah, that's, I love history. We've been to DC with a family and kind of done the highlights to her cause I spent every summer there, but for my daughter's high school graduation, she wanted to do kind of the great American history tour.

Tom Bronson (58m 21s):

So, so we flew into Charlotte, went and stayed in Asheville to go to the Vanderbilt house, which of course is different part of history. But then we drove up the, the blue Ridge Parkway all the way to Monticello. And of course that the road between Monticello and Mount Vernon, that's kind of the presidential highway there like four or five, you know, presidential homes all along that, that area. And then we went down to colonial Williamsburg and kind of rounded out the, kind of this great history tour. And she loved that as much as I did.

Tom Washington (59m 1s):

So I'm a native of Virginia.

Tom Bronson (59m 3s):

Oh, are you, you

Tom Washington (59m 4s):

Know, Richmond,

Tom Bronson (59m 5s):

Virginia is for lovers.

Tom Washington (59m 7s):

It is. And lived, lived for a time in both Richmond and, and Woodbridge. The family of course is from the Alexandria area. One of my ancestors is the last owner of Mount Vernon. He was John Augustan, Washington, the third, and he's sold a Mount Vernon to the Mount Vernon ladies association in 1857. And, and then moved, moved the family over into what is now a West Virginia, but that, that sale fortunately happened prior to the civil war. Otherwise, I, I feel certain that the mansion would have been confiscated much as Robert Lee's mansion was confiscated by president Lincoln, right there in Arlington, across the river from Washington DC.

Tom Washington (1h 0m 1s):

Yeah.

Tom Bronson (1h 0m 2s):

Yeah. Wow. Wow, great, great history, history license here more than we bargained for today. Well, you've got to ask you one last business question with all your experience. I'm going to ask you to boil it into one thing. You know, this podcast is all about maximizing business value. What is the one most important thing that you recommend business owners do to build long-term sustainable value in their business?

Tom Washington (1h 0m 25s):

Make sure you have plenty of liquidity in the business. Cash is king and don't strap yourself too much for,

you know, keep cash reserves because there will always be something that comes along that if you don't have those reserves, you wish you did now bankers will lend money, but don't take too much.

Tom Bronson (1h 0m 53s):

Yes, they will. I always say the bankers will lend money to you indirect proportion to the amount that you don't need it.

Tom Washington (1h 1m 1s):

And

Tom Bronson (1h 1m 2s):

So liquidity is important. You know, the number one reason, small businesses fail is they run out of cash. And so that is great advice. But I have to ask you my bonus question to everybody who listens to this point, Tom, what personality trait has gotten you into the most trouble through the years?

Tom Washington (1h 1m 21s):

Trouble. Okay. That's interesting.

Tom Bronson (1h 1m 25s):

Oh, you're thinking of, gosh, it could be this. It could be that.

Tom Washington (1h 1m 31s):

Well, probably my curiosity. I'm always curious and it actually helps me a lot in what I do, but it can get you into trouble too.

Tom Bronson (1h 1m 46s):

Yeah. Sometimes it can. When you ask, I'm like you, I ask a lot of, I'm just naturally curious. I want to know. Right. And so, so I just asked lots and lots and lots of questions. And so, so it hasn't gotten me into too much trouble, but perhaps sometimes I come across to being a little nosy, right? No, just, I'm just fascinated by the information. So how can our viewers and listeners get in touch with you?

Tom Washington (1h 2m 9s):

Well, I can be reached at Tom Washington at B two, the number two, be cfo.com by email. My phone number is (972) 849-6947. And I'd be happy to speak with you. The way we engage is to meet, kind of do a in-depth review on your business and, and present a plan. And we do that all without charge on our own time.

Tom Bronson (1h 2m 43s):

Awesome. That is awesome. Tom, you've been a great guest. We've wondered around a lot of different

places here today, but great business information and some historical information to boot. Thank you for sharing your story with us today.

Tom Washington (1h 2m 57s):

You're welcome. Thank you, Tom.

Tom Bronson (1h 2m 59s):

You can find Tom Washington at B2B. It's B the number two B cfo.com or on LinkedIn. And of course you can always reach out to me and I will be happy to make a warm introduction to my friend, Tom Washington. This a descendant of George Washington are part of the Washington family. This is the maximize business value podcast, where we give practical advice to business owners on how to build long-term sustainable value in your business. Be sure to tune in each week and follow us wherever you found this podcast. So you'll know every time we have a new episode, got a little secret for you. If you follow us, then you'll find out we actually dropped these episodes before we promote them.

Tom Bronson (1h 3m 41s):

And you'll be kind of the earlier listener to the next podcast. I, by the way, if you know someone who has successfully exited a business, or if you have yourself and therefore a member of the 17% club, we'd love to interview you on this podcast, reach out to me and let's schedule a conversation. So until next time I'm Tom Bronson reminding you that it's never too early to start planning your own ideal exit while you maximize business value.

Announcer (1h 4m 13s):

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Tom Bronson (1h 4m 59s):

That was perfect. I wouldn't make any changes.