Just as Mike and Mary began to consider the price that Fitness Pedalers might bring
them in a sale, they were approached about such a sale by Bikes R Us, a large bicycle retailer
known for their professional quality bikes and their reliable service and maintenance team.
Bikes R Us had recently announced its intention to move into the middle Atlantic area, the same
geographic location in which Fitness Pedalers had most of its stores. Such a competitor could
be a serious, competitive threat to a smaller chain like Fitness Pedalers, but the purchase of
Fitness Pedalers would make it unnecessary for Bikes R US to establish its own retail locations.

Mike and Mary may have some options in selling Fitness Pedalers to Bikes R Us. One
option involves selling the entire business to Bikes R US, including all its leased locations,
assets and liabilities. However, it is not clear to Mike and Mary that Bikes R Us is interested in
the foreign parts distribution portion of their business. Bikes R Us may only be interested in the
retail locations.

Mike and Mary do know two things, however. Bikes R Us will be willing to make the
payment for Mike and Mary’s business in a lump sum or, if Mike and Mary so choose, in
installments over time. In an installment sale, Bikes R US might even be willing to increase the
price if the Fitness Pedalers locations reach certain profitability milestones.

The second thing they know for sure is that Bikes R US would be willing to give Mike
and Mary jobs after the sale, but was perfectly capable of operating the business without them.

The couple spent almost three hours one day discussing their options. Finally, Mary said
to Mike, “I think we need to sleep on this and discuss it some more in the morning. But you
know, there always is the option of just closing the doors and selling off all the assets…”

“You’re right Mary, you’re right. Let’s sleep on this and then see how we feel about it in
the morning” replied Mike.

**Discussion Questions**

1. Can you think of any reasons why Mike and Mary might have trouble selling their entire
   business to Bikes R US?
2. Is it possible to sell only the retail portion of the business and keep the parts distribution
   portion?
3. Should Mike and Mary take all the money in a lump sum or accept an installment sale?
   How does the possibility of an increased price for profitability milestones affect your
   recommendation?
4. What factors should be considered by Mike and Mary in deciding whether to ask for a
   job with Bikes R Us?