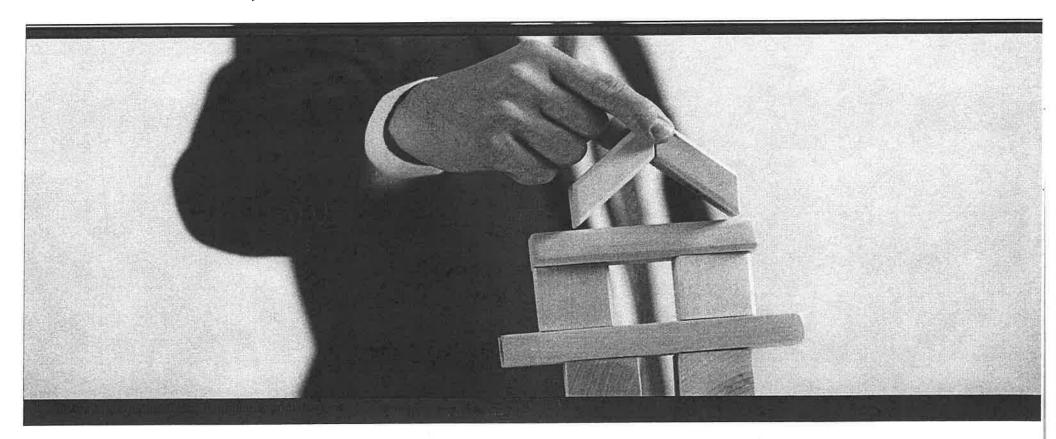
Planning an Exit from Your Business

A Roadmap for Business Owners



8 3 2 2

Ben Maini, CPA & Tax Partner



Agenda



Introduction

The Six (6) Step
Exit Planning
Process

The Business Exit Readiness Index™ Report

Learning Your
Options and
Customizing your
Exit Plan

Agenda



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Testimonials - Ray B Successful Exit

I watched my father kill himself working 4 jobs . . . I had no one to throw baseball with . . . I watched him literally put himself in the grave with heart attacks. I told my wife the day I was married ...that when I'm 55 years old I'm done.

No matter what I'm doing, no matter what we have - we'll have succeeded in life and I plan on retiring when I'm 55 years old.

[looking back] I can't even figure out how I even had time to work.



Festimonials - Successfully ented owner

"If there's anything that I want your readers to take from my case, is I really do believe you should begin planning your exit a decade ahead."







"We literally spent five (5) years wandering down the exit path.... We were getting fragmented information from our advisors, getting fragmented information from the people who were trying to get us to deal with these transactions and not getting holistic advice from anybody.

So we ended up spending five (5) years and a quarter of a million dollars invested in trying to figure out how we were going to exit our business. It was a very expensive mistake. That's how I got my education."

Introduction



Why Exit Planning?



At some point, you ARE going to leave your business.

The question is When?

And on What Terms?

Agenda



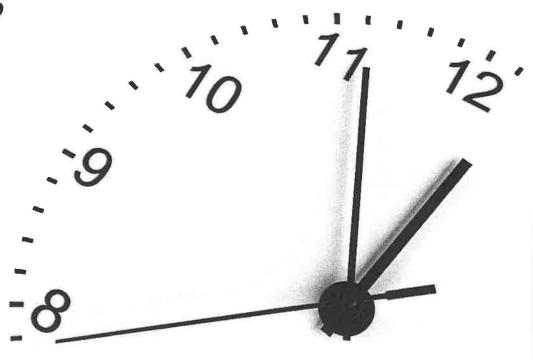
Exit plan

A written plan for the succession or transfer of a business' ownership and control. This plan is derived from the owner's goals, an analysis of the available options, and a thorough review of the financial consequences.

In Short: Your Plan on Your Terms.

IEPA

It's never too early to begin this type of planning, but it may certainly one day be too late.

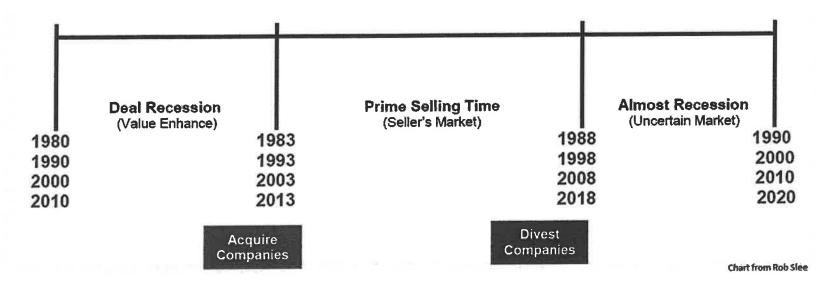


The Transfer Cycle

Sales of businesses occur in cycles



The 10-Year Private Transfer Cycle



Agenda



1 Introduction

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Process

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The 6

Step Exit Planning Process

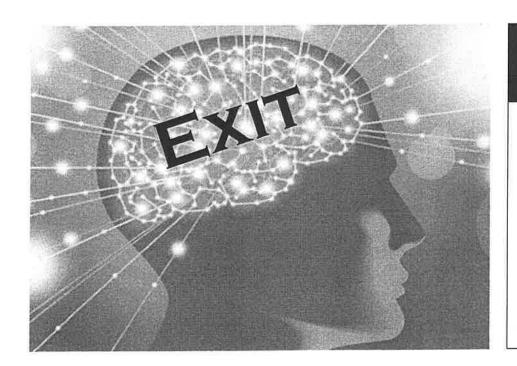


- 1 Establish Exit Goals
- 2 Analyze Financial and Mental Readiness
- Discover The Type of Owner You Are
- 4 Learn Your Exit Options
- 5 Know the Value of Your Exit
- 6 Execute Plan Protect Your Wealth

1

Establish Exit Goals





What do you want to achieve with your exit?

" Begin with the end in mind"

1

Establish Exit Goals



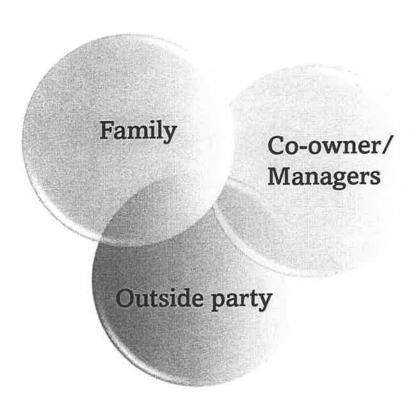
How many 5-year exit plans have you had?

I want to work _____years in the business before retiring or moving on.



Establish Exit Goals





Who do you want to transfer the business to?

- Family are they ready?
- Co-owner / Managers can they finance it?
- Outside party Is your company saleable?

1

Establish Exit Goals



Do you have a plan for creating a lifetime supply of income without the business?

Can you afford the Exit Option that you most want?

• After Taxes and Fees?





Analyze Financial and Mental Readiness



2

Analyze Financial Readiness



Owner Objectives

Financial Readiness:

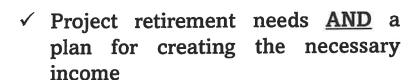
What is the annual after-tax income you want during retirement?

Most owners don't know their actual needs!

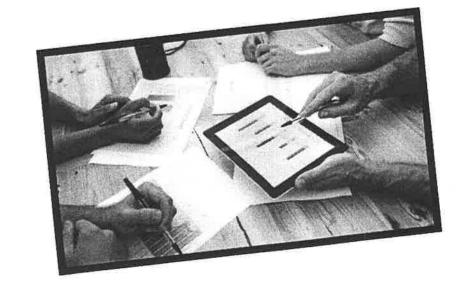
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Analyze Financial Readiness





- ✓ Determine the Value Gap between current resources and future needs
- ✓ Determine <u>after-tax</u> amount needed from the business to meet owner goals



2

Analyze Financial Readiness



What is your Value Gap?



Value Gap \$____



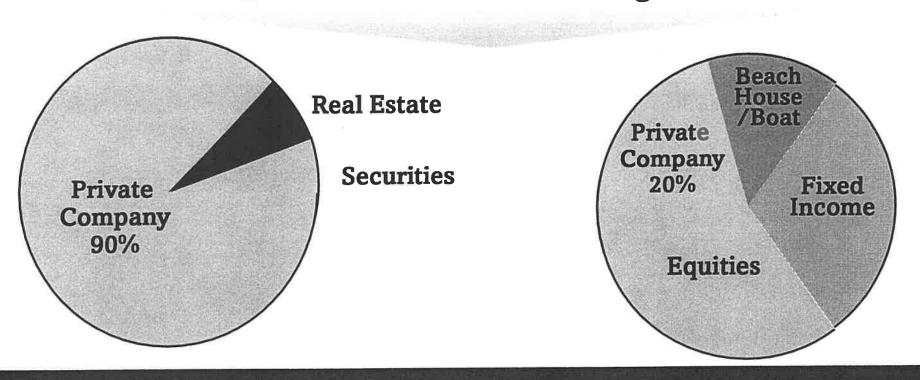
Often significant equity from the business is necessary for financial independence



Analyze Financial Readiness



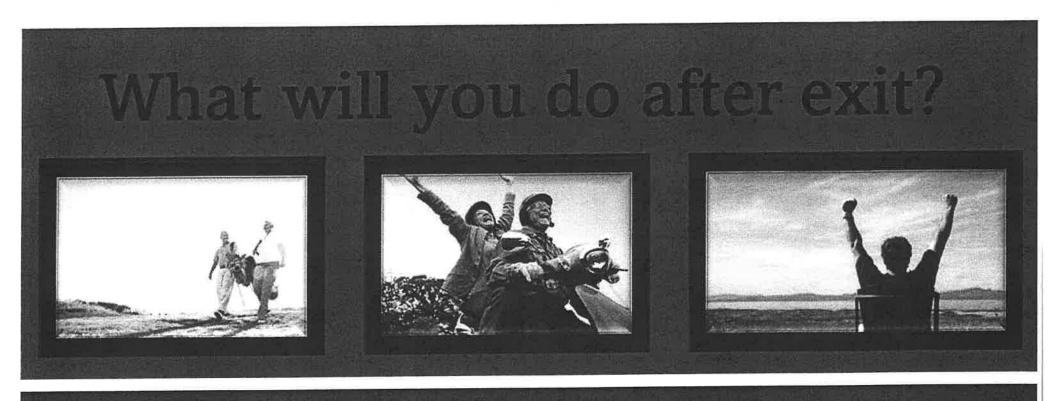
Diversification - How Will You go From



2

Analyze Mental Readiness







Analyze Mental Readiness



Are You Ready To Leave?

- How involved are you in day-to-day operations?
- Do you have a plan for how you will spend your leisure time?
- Do you see your business as a return on invested capital, or as the provider of your lifestyle?
- Are you "addicted" to your business?

Identify the Type of Exiting Owner You Most Resemble







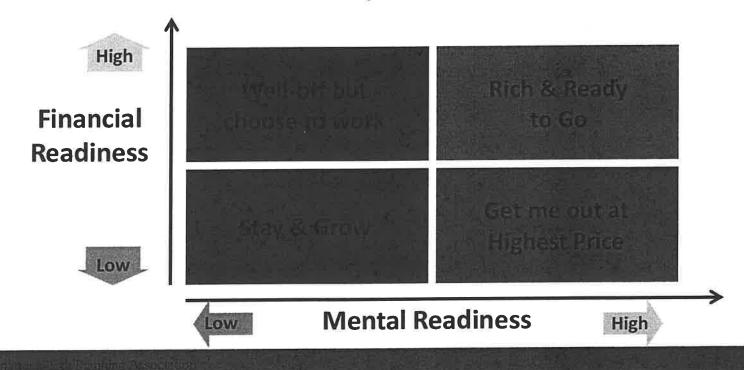
- Identify the Type of Exiting Owner You Are Four Type
- 1. Get me out NOW for the most money!
- 2. I'm financially set, but I like work and choose to stay.
- My company isn't worth what I want, so I'll stay, grow, and save.
- 4. I'm financially and mentally ready to move on.

3

Identify the Type of Exiting Owner You Are



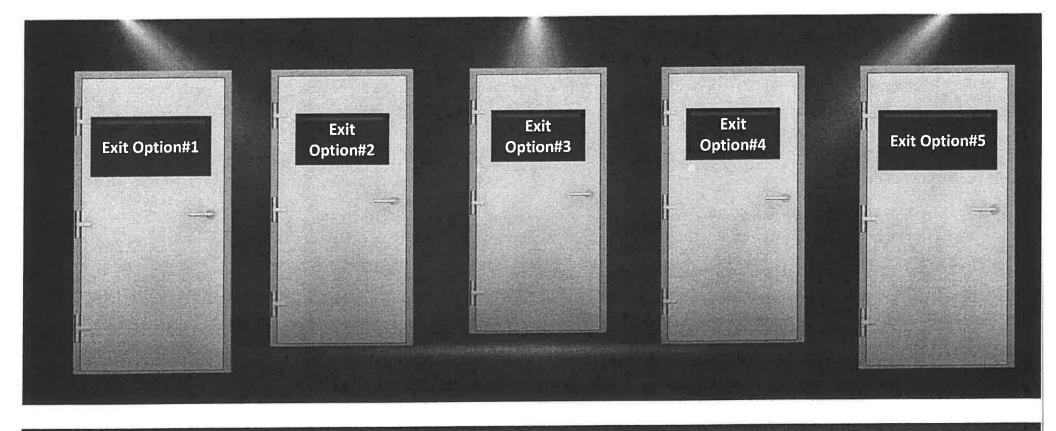
Exit Quadrant Chart



4

Learn Your Exit Options





4

Learn Your Exit Options



Five Primary Exit Options

- 1. Sale to Third Party
- 2. Private Equity Group Recapitalization
- 3. Employee Stock Ownership Plan (ESOP)
- 4. Management Buyout (MBO)
- 5. Gifting Programs

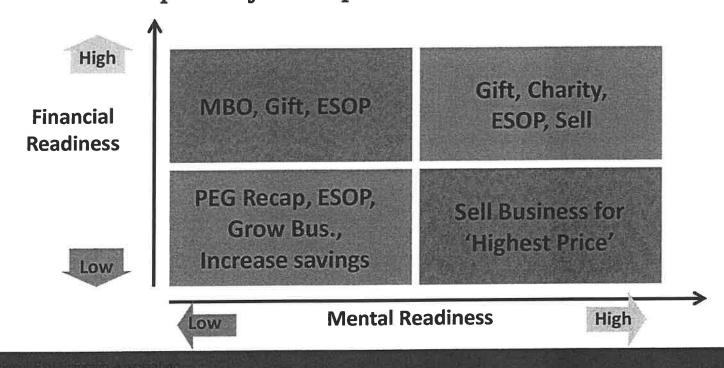




Learn Your Exit Options



The primary exit options fit into our Exit Quadrant Chart



Agenda



1 Introduction

The Six (6) Step
Exit Planning
Process

The Business Exit Readiness Index™ Report

3

Learning Your
Options and
Customizing your
Exit Plan

The Business Exit Readiness Index™ (BERI™)





ARE YOU READY FOR A BUSINESS TRANSITION?

TAKE OUR 10 MINUTE READINESS SURVEY

WHETHER YOU WANT TO TRANSITION YOUR COMPANY IN TEN (10) YEARS OR TEN (10) DAYS, OUR BUSINESS EXIT READINESS INDEX WILL HELP YOU GET ON THE RIGHT PATH

A FREE SIX (6) PAGE REPORT CUSTOMIZED TO YOUR ANSWERS FOLLOWS YOUR TEN (10) MINUTE SURVEY

CLICK HERE

Survey Methodology

The BERI® survey asks twenty questions related to an owner's financial and mental readiness

Survey Results

85% of owners who took the BERI® survey scored themselves as having a LOW mental readiness for an exit



How it Works

Member sends Owner a link to the 20-Question Survey

Owner takes the 5 – 10 minute Survey

Business Owner Receives a 6-page Report with Results



Advisor Receives notice that owner has taken assessment



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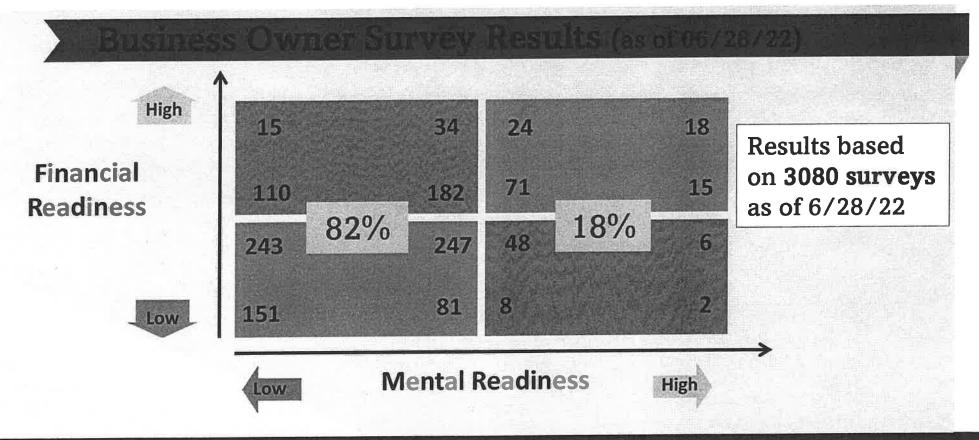
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| 100 | Financial Readiness | | | | |
| 1 | The value of my business is a critical part of my financial future and getting paid for my business is very important to me achieving my personal goals. | | | | |
| 2 | I have taken a measurement of the W-2, K-1 (or other distributions), and personal benefits that I take from my business on an annual basis and I have a good idea as to what amount of liquid assets I need to have saved outside of the business to replace that total business income and other annual benefit. | | | | |
| 3 | The value of my privately held business is less than 50% of my total net worth | B. J. 1922 | Lister Delevis | | |
| 4 | I have researched how I will take my privately held business and turn it into cash for my retirement goals | | | | |
| 5 | I have sources of income (such as real estate rents and trust distributions but not social security benefits) that I can rely on today to provide at least 50% of my financial needs to fund my lifestyle outside of my business. | | | and a | |
| 6 | For the last five (5) to ten (10) years I have saved at least 15% of my annual income. | Street Street | | No. 10 July 1 | |
| 7 | I have a plan and the resources to completely eliminate any personal and / or corporate debt and liabilities over the next 3 - 5 years and I have started executing on that plan. | | | | |
| 8 | I have qualifed professional advisors in my life that I allow to provide me with significant assistance in developing my financial future. | | | | |
| 9 | I have a specific, written plan in place for how I would invest the cash I would receive if I were to exit my business today. | | | | |
| 10 | I have prepared for the contingency of an unexpected, catastrophic event in my personal life and have completed legal documents and purchased insurance products to provide for my family and my business: | | | | |



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| | Mental Readiness | | |
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| 11 | I have a specific, written plan as to how I will spend my time, in a productive manner, when I am no longer running my business. | | |
| 12 | I have considered, planned for, and am excited about the changes and opportunities that await me outside of my business and am ready to make the change that liberates me from running my company. | | |
| 13 | I take a larger than average (i.e. more than 3 weeks) amount of vacation time each year and, while I'm away, I'm able to substantially limit the work that I am doing and the frequency with which I check e-mail and / or call into the office. | | |
| 14 | Although I have mastered much of what there is to know about my industry and / or trade, I feel as though the time has come to pursue my next venture and I'm ready to find a way to move to this next stage. | | |
| 15 | There are people who work for me that I have prepared for future ownership and management of the business. I have trained them to do what I do, structured the business to run without me, and I'm confident in my ability to transition my current responsibilities at the company | | |
| 16 | I have not grown the business in the last few years because I simply don't want to deal with the additional aggravation that accompanies growth-related initiatives. | | |
| 17 | The thought of running and growing my company for another three (3) to five (5) years sounds a bit like an eternity given my current feelings towards the business. | | |
| 18 | I have a specific, written plan as to when I would ideally like to exit my business and move into my next project and / or phase of life. | | |
| 19 | I do not approach running the day-to-day operations of the business with the same enthusiasm as I once did and I often feel 'bored' with the company | | |
| 20 | I have prepared myself by understanding the legal and tax implications of a business transition and I'm confident that I'm ready for these aspects of the business transfer | | |





Agenda



Introduction

2

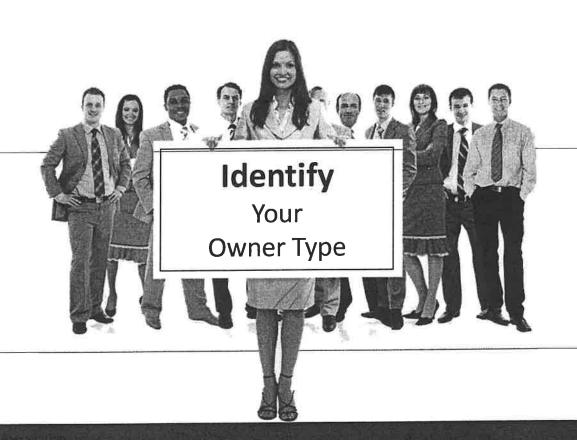
The Six (6) Step Exit Planning Process 3

The Business Exit Readiness Index™ Report 4

Learning Your
Options and
Customizing your
Exit Plan

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Identify the Type of Exiting Owner You Most Resemble

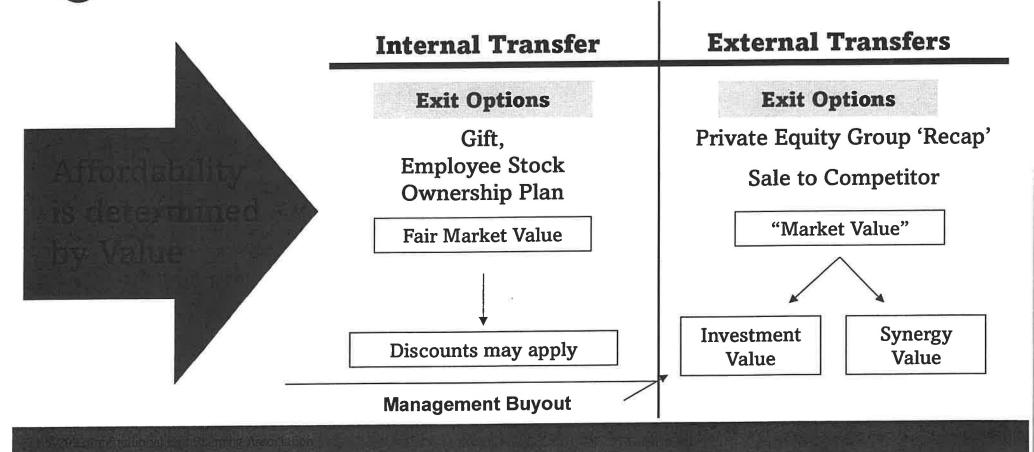




- 1 Establish Exit Goals
- 2 Analyze Financial and Mental Readiness
- Discover The Type of Owner You Are
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- 5 Know the Value of Your Exit
- 6 Execute Plan Protect Your Wealth

5 Know the Value of Your Exit





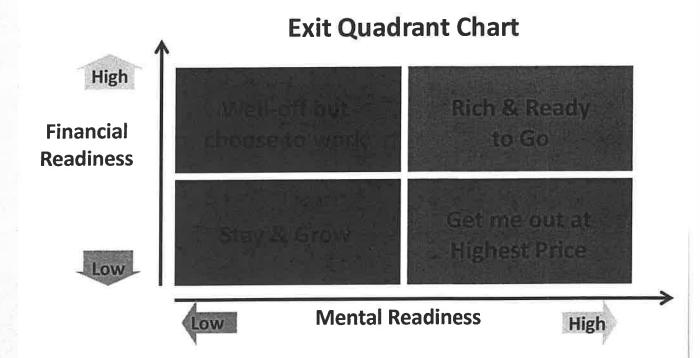


5 Know the Value of Your Exit

| Sale to an Outside Buyer | Synergy Value |
|--------------------------------|-----------------------------------|
| Recapitalization | Investment Value |
| Management Buyout | Investment Value (structured) |
| Employee Stock Ownership Plans | Fair Market Value |
| Gifting | Fair Market Value |

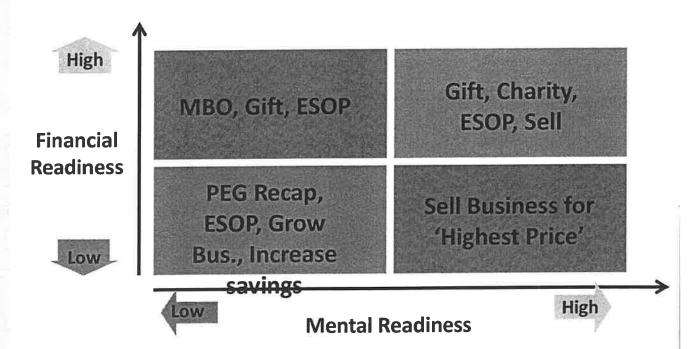


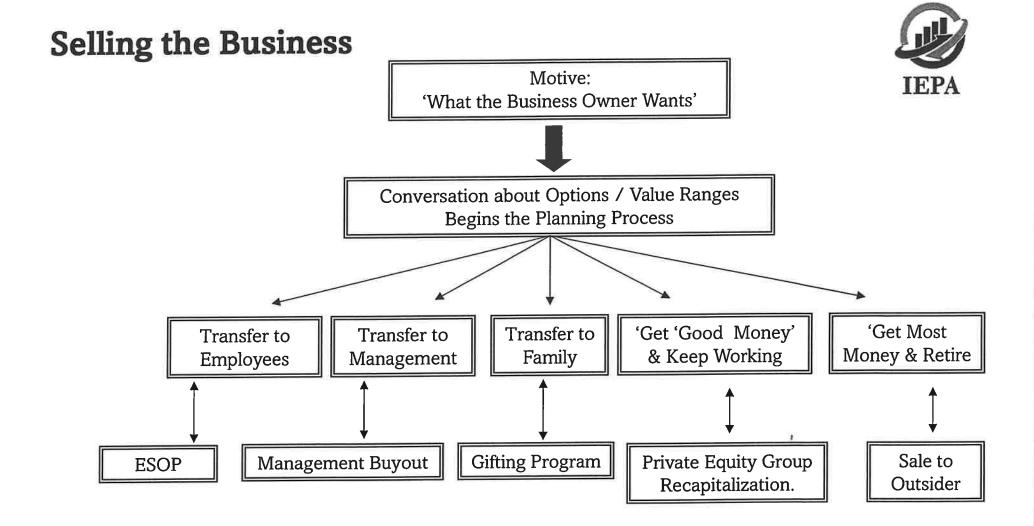
- Set Exit Goals based on Financial & Mental Readiness
- Review the Exit
 Quadrant Chart &
 4 Types of Exiting
 Owners



IEPA

Evaluate Your Exit
 Options and their
 Values to see if your
 Goals are met

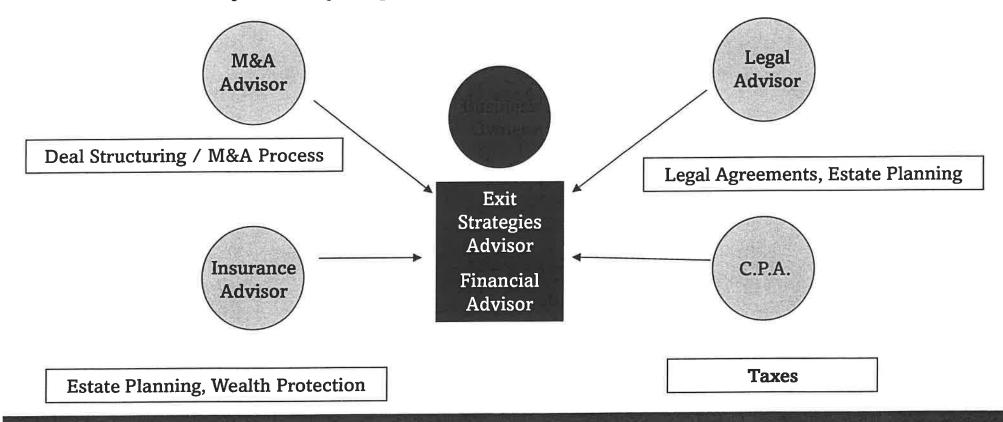




Assemble Your Advisory Team



- The Assembly and functioning of your advisory team is critical to success.
- Choose carefully and let your plan motives drive the process.



Concluding Thoughts

"Begin with the end in mind"

Stephen Covey, The Seven Habits of Successful Living

Exit Planning is a process, not an event.

A holistic review of your wealth and goals is the first step.



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