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## ARE YOU READY FOR EXIT?

Helping you prepare for your business transition

  
BusinessExit.com

# Table of Contents

- THE RIGHT WAY TO EXIT ..... 3**
  - HOW TO TRANSITION ON YOUR TERMS, FOR YOUR PRICE ..... 3
- STEP ONE – ANALYZE YOUR CURRENT SITUATION ..... 4**
  - TEST THE READINESS OF YOUR BUSINESS FOR SUCCESSION ..... 5
  - TEST YOUR TRANSITION READINESS ..... 7
  - LEGAL REVIEW ..... 9
  - PERSONAL FINANCIAL NEEDS REVIEW ..... 10
- STEP TWO – IDENTIFY YOUR OBJECTIVES ..... 12**
  - PERSONAL VALUES AND GOALS ASSESSMENT ..... 13
- STEP THREE – REVIEW YOUR OPTIONS ..... 16**
  - EXIT OPTION MAP..... 17
  - THE MOST IMPORTANT LETTER I HAVE EVER WRITTEN ..... 18
- STEP FOUR – CREATE YOUR PLAN ..... 20**
  - TRANSITION PLAN EXECUTIVE SUMMARY SAMPLE..... 21
- APPENDIX ..... 25**
  - MOVINGON ACTION PLAN SAMPLE..... 25

# Acknowledgment

Much of the content used in assembling this ‘Preparing for Transition Workbook’ was originally created by ROCG Americas LLC. Vann Group is a separate entity but is an affiliate organization to ROCG, and as such, Vann Group has been granted authorization to share much of this proprietary informational content within this workbook.

# The Right Way to Exit Your Business

## The 4 steps to exit on your terms, for your price

As a business owner, you are accustomed to, and perhaps even thrive upon, solving today's pressing problems and pushing on to tomorrow. But have you looked beyond this week, this month, or even this year?

We have found that the average owner spends 80,000 hours building his/her company but only six hours planning its' transfer. As a result, 80 percent of business owners fail to get maximum proceeds when they sell.

That is like winning a free lottery ticket on a drawing for a \$1 million jackpot. They won, but they missed a much larger prize. Just as winning the lottery is not a viable strategy for achieving your dreams, nor is hoping to sell your business for enough money to support your future lifestyle.

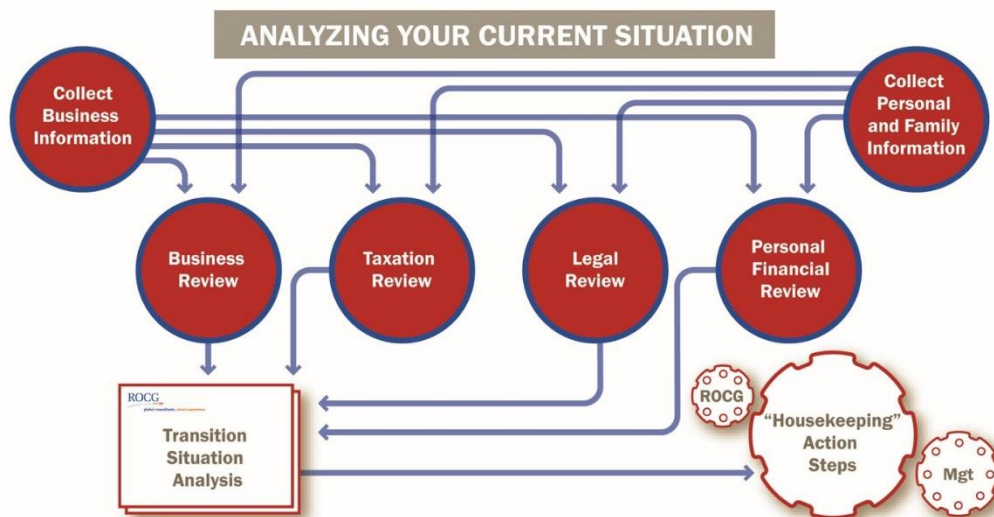


Use a business exit plan to control your transition from the business and maximize your payout. Plan now when you will exit, how and for how much, rather than leaving it to chance.

- 1) *Analyze your current situation* – Discover whether you and your business are ready for a potential succession, transition or complete exit.
- 2) *Identify your objectives* – Set informed goals based upon your objectives and values as well as those of your significant other.
- 3) *Review your options* – Sort through the several options which will present themselves to you and select the one which better helps you meet your goals and objectives.
- 4) *Create your transition plan* – Work with your advisors and document your exit plan in order to monitor it over time and communicate your wishes to those around you. At this point it can almost write itself.

# Step One – Analyze Your Current Situation

As with any journey, you must know where you are before you can determine where you are going. First review the readiness of your business for exit or succession and then review your personal finances, focusing ultimately on the wealth gap you must close to support your goals for life after your business. How much would you have to sell your business for to retire as you would like? These initial steps should help you identify critical success factors and measure performance against them through operational metrics.



## Notes and Ideas

What information do you need to collect to determine where you and your business are now?

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# Test the Readiness of your Business for Succession

How prepared are you today to remove yourself as a key operating officer of your business?

	1	2	3	4	5	Score
<b>1</b> Do you consider yourself a "hands on" owner / manager?	Totally	Yes	On most business function	On very few business functions	Not at all	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>2</b> Have you identified a successor to take over your responsibilities as 'Chief Operating Officer'?	No	I'm considering someone	Yes but nothing formal	Yes and training began	Yes and he/she ready to take over	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>3</b> Are there several operational tasks which you alone perform?	Yes	Several	Some	A few	None	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>4</b> Have you identified a successor to take over your responsibilities as 'Sales Manager'?	No	I'm considering someone	Yes but nothing formal	Yes and training began	Yes and he/she ready to take over	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>5</b> Do you have experienced managers for the other key business functions?	None	I have emerging leaders	Yes but they are new	Yes but they need more experienced	Yes and they are running their departments	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>6</b> To what extent would customers and suppliers be concerned if you left the business today?	They will have significant concerns	They will be unhappy	Probably OK	OK if we could plan ahead together	They will have no concern	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>7</b> Are there people conflicts within the organization that might arise or flourish if you were away from the business for extended periods?	Definitely	possibly	Some, but Manageable	None that I can foresee	Not at all	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>8</b> In your present role, what is your planning horizon? Do you focus mainly on - next week, next month, next quarter, or six months out?	Next Week	Next month	Next quarter	6 months out	1-3 years	

	1	2	3	4	5	Score
9 If you left/sold the business, will other key members of the business will leave along with you?	Yes	Probably	Some will, some won't	Very few	None	
	1	2	3	4	5	
10 Is the "next generation" leadership emerging and being groomed for management?	No	None currently exist in the business	Emerging leaders identified	leaders identified but no formal plan	Yes and a formal plan exist	
	1	2	3	4	5	
11 Who within the organization develops strategies for achieving the company's objectives?	No one is formally responsible	I do	I do after consulting managers	We do it together	Management team first, then me	
	1	2	3	4	5	
12 What's the company culture - do people in the organization feel they work for you or for the company?	would say they work for me	I'm not sure	They would say both	Probably the would say company	They would say 'for the company'	
	1	2	3	4	5	
13 Who determines incentive and performance bonuses for the team?	I have not done it in a while	I do	I do with some managers	I do with all managers	Management team first, then by me	
	1	2	3	4	5	
14 Have you specified a time frame for turning over day-to-day leadership responsibility to others?	I don't even know when	I have a vague idea	I have a date in mind	I have told others my date	Everyone knows it	
	1	2	3	4	5	
15 Do you have a plan for dealing with the most stressful issues you are leaving for others?	No	I thought about it	Discussed it with key managers	Plan draft is in place	Formal plan is documented	
<b>Total score</b>						

**IF YOUR TOTAL SCORE IS:**

- Under 30                      The value of your business is likely impaired by the over-dependence of the business on you.
- Between 30 and 45        Your current succession plan requires further development in order to delegate the running of the business ahead of your eventual transition/exit from the business.
- Between 45 and 60        Your plan is in progress towards achieving your goals, you should review any lower scores above and implement necessary strategies to resolve them.
- Over 60                      Most of the key elements to a successful business succession have been accomplished, enabling you to continue owning the company without being there day-to-day.

# Test Your Transition Readiness

How prepared are you today for selling or transferring the ownership of your business?

	1	2	3	4	5	Score
<b>1</b> Have you documented your objectives in transferring business ownership?	No	Yes but not formally	Some tax and legal issues addressed	Personal & financial objectives addressed	I have a written strategy	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>2</b> Have you determined which the best exit strategy is for you and your business?	Don't know how to start	No	Started the process	Identified, not implemented	Strategy is in progress	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>3</b> Are ownership transfer agreements in place in the event you die or permanently incapacitated?	Not currently addressed	In progress but all incomplete	Some in place	Yes, but need review	Yes and updated	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>4</b> Does the company have written agreements with its key employees, customers or suppliers that would survive a change in ownership?	None exist	In progress but all incomplete	Some are in place	Yes, but need review	Yes and updated	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>5</b> Do you know how a prospective buyer would value my business?	No	Vaguely	Yes, based on similar business sales	Yes, I have a formal valuation	Yes, I received an offer previously	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>6</b> Do you know whether you are better off transferring your business wealth at exit or while operating the business?	No exit value for my business	No, I don't	Starting to address	Yes, but needs revisiting	Yes per our plan	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>7</b> Is your company properly owned and structured for selling or transferring your shares so that you can minimize taxes?	I Don't know	No	No but I'm starting to address it	Yes, but needs revisiting	Yes per our plan	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>8</b> Are there potential or contingent liabilities or assets of no value still carrying value on the books?	I Don't know	Yes	Yes, but I'm starting to address it	Now in process of resolving it	No	

	1	2	3	4	5	Score
9 Are there taxation issues which require a resolution prior to transferring the business?	I Don't know	Yes	Yes, but I'm starting to address it	Now in process of resolving it	No	
	1	2	3	4	5	
10 Is your industry undergoing changes which might significantly impact your ability to sell the company in future years?	Dramatic changes are coming	Possible changes are forecasted	No major changes are forecasted	None that I'm aware of	No	
	1	2	3	4	5	
11 Do you know your desired target value for your business at the desired point of exit?	No	Vague idea	Only based on others' experience	Pretty good idea	Yes , based on my financial plan	
	1	2	3	4	5	
12 Do you know the difference between the value you want and the value of your business today? (Wealth Gap)	Don't know	some idea	Yes, but no strategy to address the value gap	Yes and working to close the gap	Yes and there is no wealth gap	
	1	2	3	4	5	
13 Are there special valuation considerations affecting the purchasers' value for your business?	Don't know	some idea	Yes, but no strategy to address them yet	Yes and working to address them	They were addressed	
	1	2	3	4	5	
14 Have you considered the needs your family, employees, and other shareholders?	This hasn't been done	Spouse only	Spouse & Family only	Family and shareholders	Done for all	
	1	2	3	4	5	
15 Have you organized a team of advisors to assist you with planning and implementing your transition strategies	No	Have spoken to close advisors	Seeking input before deciding to proceed	Currently preparing a strategy	Team is in place	
<b>Total score</b>						

**IF YOUR TOTAL SCORE IS:**

- Under 30                      Your family and business are facing a financial risk without a plan
- Between 30 and 45        You have yet to develop a plan for your exit or transition from the business. You should begin talking with your trusted advisors in order to initiate the process.
- Between 45 and 60        Your exit plan is in progress towards achieving your goals, you should review any lower scores above and implement necessary strategies to resolve them.
- Over 60                      Most of the key elements to a successful transition readiness are formulated and you are likely getting close to triggering the transaction or transfer of ownership.



# Legal Review

Indicate which of the following estate planning documents are in place for you, and/or your spouse (if applicable), and the date of signing. Write in any documents which do not appear on the list. If you are not sure, or simply do not have any documents in place, you should schedule a meeting with your attorney to discuss the best options for you to protect your business holdings and minimize your taxes.

Document Type	Document in Place (x)	Date of Execution
Simple Will (no tax planning)		
Will with AB Trust (tax planning)		
Disclaimer Will (tax planning)		
Revocable Trust		
Irrevocable Trust		
Charitable Remainder Trust (CRT)		
Charitable Remainder Unitrust (CRUT)		
Charitable Remainder Annuity Trust (CRAT)		
Qualified Personal Residence Trust (QPRT)		
General Power of Attorney		
Medical Power of Attorney		
Special Power of Attorney		
Limited Power of Attorney		
Living Will		
HIPAA Authorization		
Joint Tenancy Agreement		
Marital Agreement		
Other Property Agreement		

# Personal Financial Needs Review

## Step 1: How much money will you need on the day you exit your business or retire?

	<u>You</u>	<u>Spouse</u>	<u>Total</u>	<u>Example</u>
1. Current annual gross income	\$	\$	\$	\$150,000
2. Multiply by the percentage you estimate you will need to support your post transition/retirement years?	x %	x %		x 90%
3. Equal = the amount you will need each year	\$	\$	\$	\$135,000
4. Subtract other potential sources of income	\$	\$	\$	
- Social Security Benefit	\$	\$	\$	\$10,000
- Annuity Contracts	\$	\$	\$	\$10,000
5. The Amount you will need to take from your retirement saving account (Subtract #4 from #3)	\$	\$	\$	\$115,000
6. The amount of money you will likely need to save by the time you want to retire (#5 x 25 years)	\$	\$	\$	\$2.875M

## Step 2: How much invested money do you have now?

	<u>You</u>	<u>Spouse</u>	<u>Total</u>	<u>Example</u>
IRA Accounts	\$	\$	\$	\$20,000
Other Investment Accounts	\$	\$	\$	\$0
Employer sponsored plans SEP, 401(k), 403(b)	\$	\$	\$	\$100,000
<b>Total current balance</b>	\$	\$	\$	\$120,000

## What will it be worth when you retire?

	<u>You</u>	<u>Spouse</u>	<u>Total</u>	<u>Example</u>
Current balance from the previous step	\$	\$	\$	\$120,000
Multiply by your compound growth factor from table below (Select the growth factor based on your years until retirement and expected return rate)	\$	\$	\$	2.4
<b>Estimated value of current balance when you retire</b>	\$	\$	\$	\$288,000

Compounded Growth of Current Balance Expected annual investment rate of return prior to retirement							
Years until retirement	4%	5%	6%	7%	8%	9%	10%
1	1	1.1	1.1	1.1	1.1	1.1	1.1
2	1.1	1.1	1.1	1.1	1.2	1.2	1.2
3	1.1	1.2	1.2	1.2	1.3	1.3	1.3
4	1.2	1.2	1.3	1.3	1.4	1.4	1.5
5	1.2	1.3	1.3	1.4	1.5	1.5	1.6
10	1.5	1.6	1.8	2	2.2	2.4	2.6
15	1.8	2.1	2.4*	2.8	3.2	3.6	4.2
20	2.2	2.7	3.2	3.9	4.7	5.6	6.7
25	2.7	3.4	4.3	5.4	6.8	8.6	10.8
30	3.2	4.3	5.7	7.6	10.1	13.3	17.4
35	3.9	5.5	7.7	10.7	14.8	20.4	28.1

This chart is for illustration only and does not represent the real performance of your investments

\* Used for Sample

**Step 3: How much to you plan on contributing towards your retirement savings annually?**

	<u>You</u>	<u>Spouse</u>	<u>Total</u>	<u>Example</u>
IRA Accounts	\$	\$	\$	\$10,000
Other Investment Accounts	\$	\$	\$	\$0
Employer sponsored plans SEP, 401(k), 403(b)	\$	\$	\$	\$15,000
<b>Total annual contributions</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$25,000</u>

**What will your future investments be worth when you retire, with additional annual contributions?**

	<u>You</u>	<u>Spouse</u>	<u>Total</u>	<u>Example</u>
Current balance from the previous step	\$	\$	\$	\$25,000
Multiply by your compound growth factor from table below (Select the growth factor based on your years until retirement and expected return rate)	\$	\$	\$	23.3
<b>Estimated value of annual contributions when you retire</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$582,500</u>

Compounded Growth of Annual Contributions							
Expected annual investment rate while you run your business							
Years until retirement	4%	5%	6%	7%	8%	9%	10%
1	1	1	1	1	1	1	1
2	2	2.1	2.1	2.1	2.1	2.1	2.1
3	3.1	3.2	3.2	3.2	3.2	3.3	3.3
4	4.2	4.3	4.4	4.4	4.5	4.6	4.6
5	5.4	5.5	5.6	5.8	5.9	6	6.1
10	12	12.6	13.2	13.8	14.5	15.2	15.9
15	20	21.6	<b>23.3*</b>	25.1	27.2	29.4	31.8
20	29.8	33.1	36.8	41	45.8	51.2	57.3
25	41.6	47.7	54.9	63.2	73.1	84.7	98.3
30	56	66.4	79.1	94.5	113.3	136.3	164.5
35	73.7	90.3	111.4	138.2	172.3	215.7	271

This chart is for illustration only and does not represent the real performance of your investments  
 \* Used for Sample

**Step 4: What will your future investments be worth when you retire?**

	<u>You</u>	<u>Spouse</u>	<u>Total</u>	<u>Example</u>
Total from step 2	\$	\$	\$	\$288,000
Total from step 3	\$	\$	\$	\$582,500
<b>Estimated value of your portfolio when you retire</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$870,500</u>

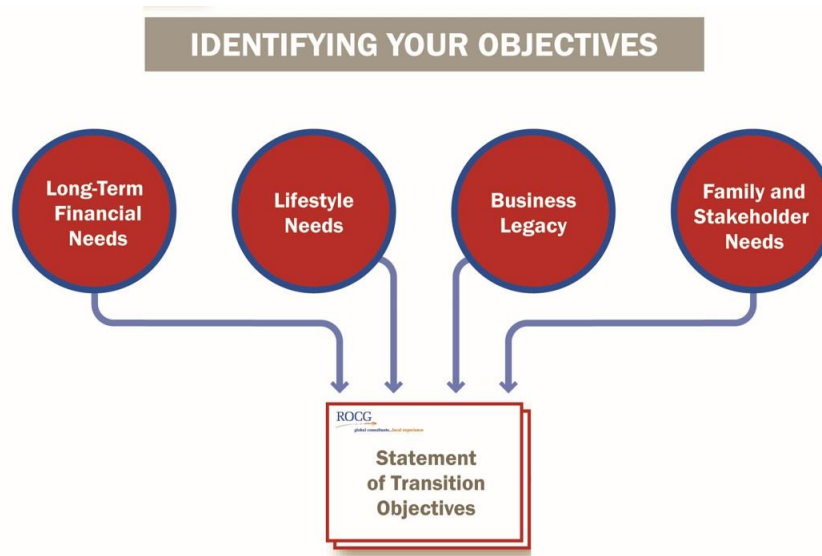
**Where do you stand**

	<u>You</u>	<u>Spouse</u>	<u>Total</u>	<u>Example</u>
Estimated future value of your investment	\$	\$	\$	\$870,500
The projected value of your business	\$	\$	\$	\$2,500,000
Retirement goal from step 1	\$	\$	\$	-\$2,875,000
<b>Your potential surplus (+) or shortfall (-)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$495,500</u>

# Step Two – Identify Your Objectives

Look at yourself, your family, your business and your values. What values do you want to pass on? Your strategies will emanate from these core beliefs, including your plans for business transition, financial needs, estate tax, charitable giving, inheritances and bequests. You should use this information to set clear, measurable, attainable objectives for your life after business, and the future of your business after you exit.

Business owners typically start planning their transition for one of three reasons. A personal health scare or the death of someone close to them; they become tired of their work and want to do something different, or they desire to leave a legacy. Don't wait for one of these to occur, begin this process today!



## Notes and Ideas

What do you want to accomplish in regards to your business, family, legacy and financially?

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# Personal Values and Goals Assessment

All of your advisors should know what your answers are to the following questions and should be working towards helping you achieve those goals. If you answer all of these questions to the best of your ability you'll be able to clearly articulate your position.

1. If you could wave a magic wand and create the perfect lifestyle or existence for your family, what would it be like?

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2. If you throw away your calendar and replace it with one that took full advantage of your time, talent and resources, what would it look like?

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3. Do you (or your spouse) have passions you would like to pursue with a foundation or non-profit organization?

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4. What do you want more of in your life?

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5. What is preventing or delaying you from doing the things that are the best use of your time, talent and resources?

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6. Who are your current heirs?

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7. What would you like to provide for your heirs while you are alive?

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8. What would you like to provide for your heirs after your death?

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9. Are your spouse's / significant other's goals in line with yours ?

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10. Of your existing advisors, list those whose counsel you respect (friends, spouse, professionals, etc.).

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11. Of your existing advisors, who should be included in the decision-making process?

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12. From your prospective, what is the purpose of money?

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13. What is important about money to you?

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14. When is enough money, enough money?

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15. What are some of the changes you are willing to make to align your life with what is most important to you?

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16. What is your level of commitment to change? Rate yourself on a scale of 1 to 5, where 1 is "later is soon enough" and 5 is "a burning desire today."

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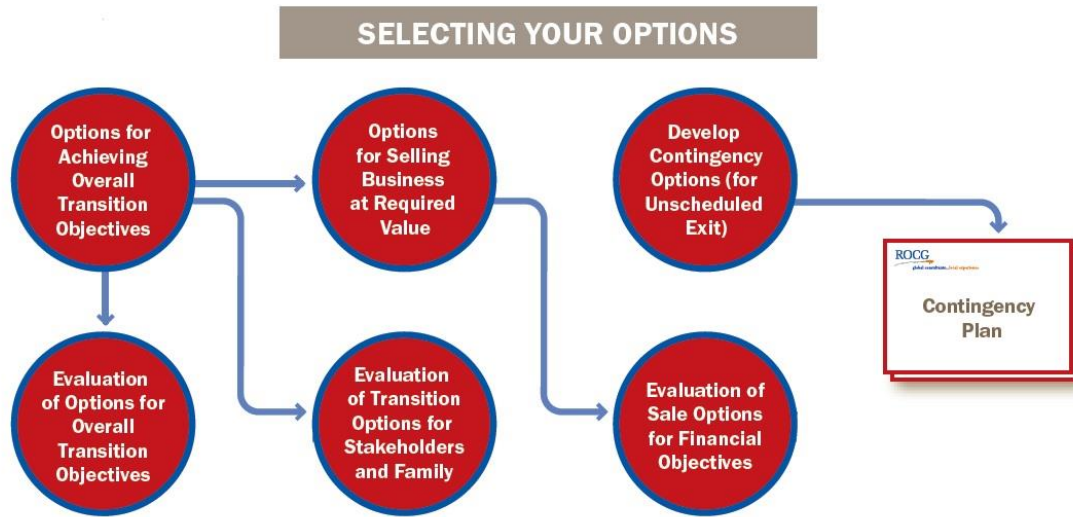
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Questions in acknowledgement to:  
Bruce Wright, *The Wright Exit Strategy*  
Franco Lombardo, *Life After Wealth*

# Step Three – Review Your Options

Whether you will transfer your business internally or externally, continue working or retire, there are many ways to accomplish your objectives. Identify all of the options available to you. Then evaluate each based upon your objectives. You may have more control over your company’s long-term development through internal transfer, but reap a larger payout if you sell it to an external buyer, for example. Once you have chosen an option, put a contingency plan in place so that the business can operate and your personal goals can be achieved if you cannot complete the transition.



## Notes and Ideas

Jot down major planning points and the options you are considering

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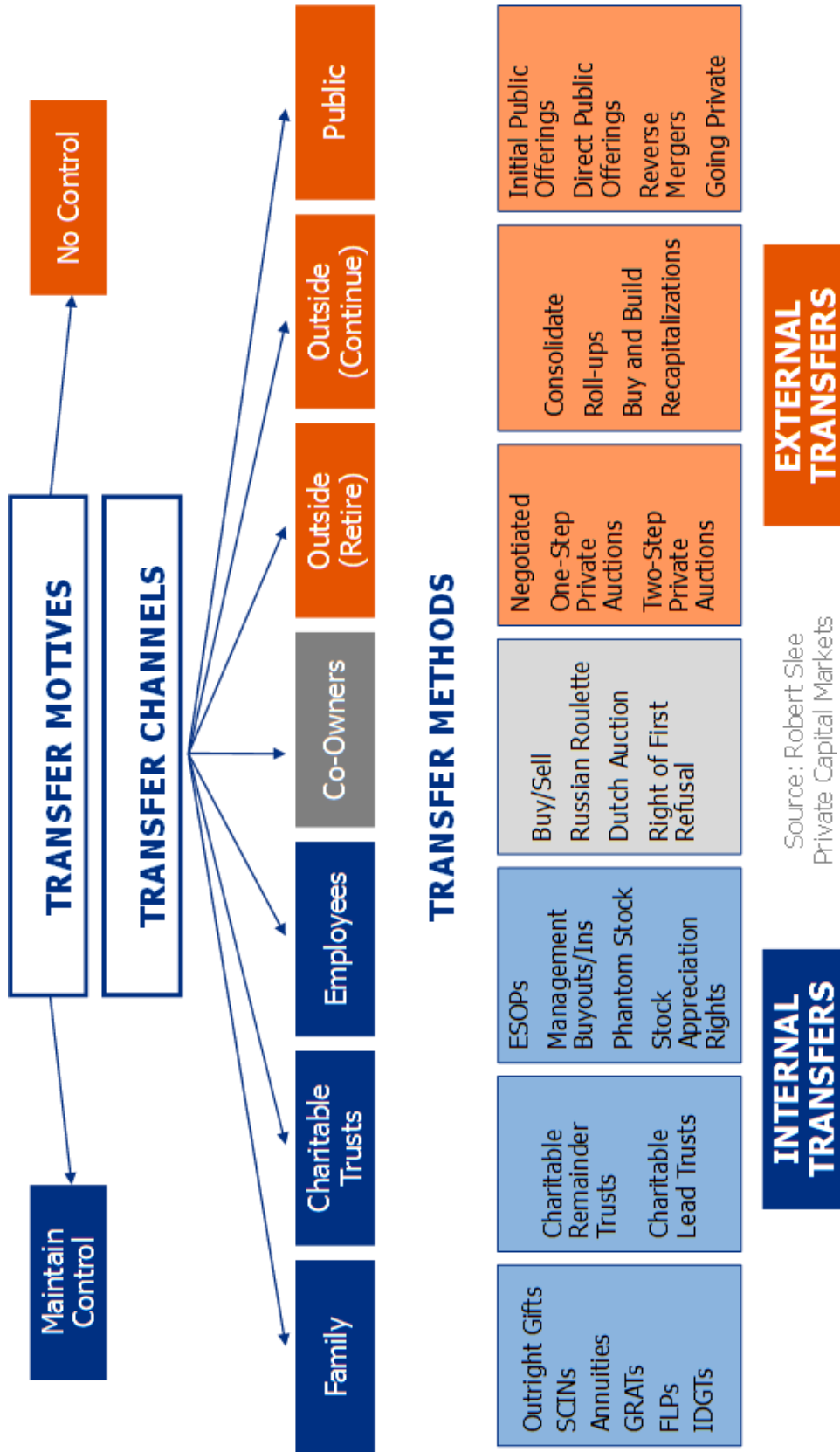
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# Exit Option Map

Review and Consider the Exit Options Which are Available to You



# The Most Important Letter I Have Ever Written

Dear (spouse or loved one),

**Re: Things you'll need to know about the business if I'm not available to answer your questions.**

I had hoped that you would never have to read this letter but if something has happened that has made it impossible for us to communicate, then this letter will help guide you through some difficult decisions.

Most importantly, please know that you do not have to shoulder this entire responsibility yourself. Others are willing and very capable of taking on much of the responsibility. Those I have entrusted with the knowledge that this letter exists are ready to help you with the decisions and tasks ahead.

**Here are the partners & managers you can trust to look after our Business interests.**

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**Here are the people you should contact concerning our family's interests and affairs**

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**Here are the people you cannot trust to look after our family's interest. If they contact you, please let them know you are all set.**

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**Here is where you can find important business documents (copies are in this envelop)**

Power of attorney – financial \_\_\_\_\_

Shareholders agreement \_\_\_\_\_

Insurance policies \_\_\_\_\_

Banking agreement \_\_\_\_\_

Employment contracts for key employees \_\_\_\_\_

Supplier Agreements \_\_\_\_\_

Passwords for computers, workfiles, bank accounts, etc. \_\_\_\_\_

**Here are the key business advisors I rely on:**

Banker(s) \_\_\_\_\_

Transition Specialist(s) \_\_\_\_\_

Lawyer(s) \_\_\_\_\_

Accountant(s) \_\_\_\_\_

Insurance Brokers/Agents \_\_\_\_\_

Consultant(s) \_\_\_\_\_

Others \_\_\_\_\_

**Here is what I think is the value of the business \$ \_\_\_\_\_ Date \_\_\_\_\_**

**Here are potential buyers for the business**

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**Briefly, here is what I planned for the business, if for whatever reason I was not capable of running it.**

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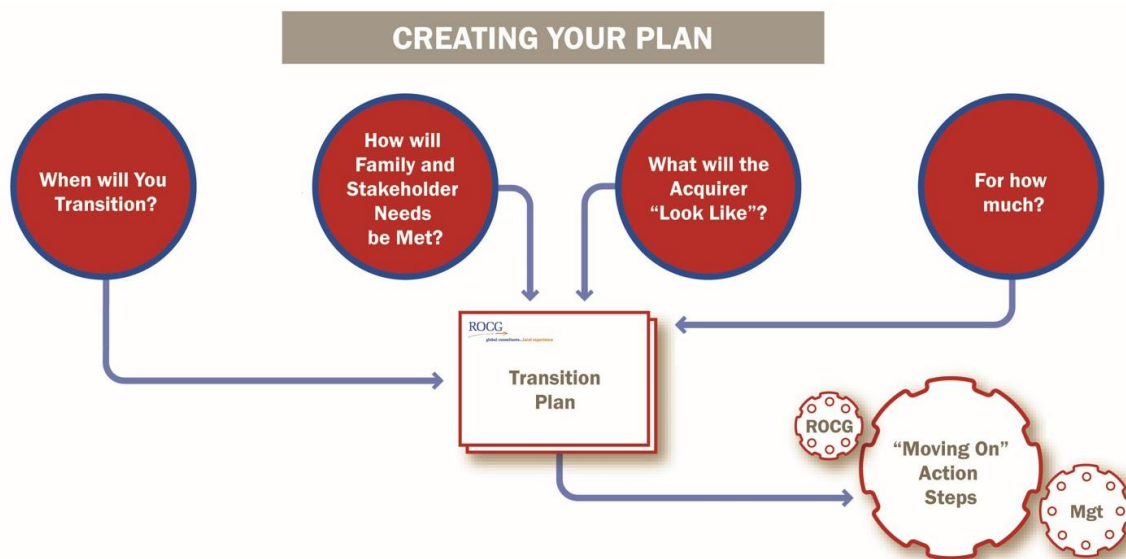
\_\_\_\_\_ **This is for your information, only. You will know best.**

*My wish for our family is that the business and money does not interfere with our appreciation for one another or cause an unnecessary burden at a difficult time.*

Your loving (spouse, loved one etc.)

# Step Four – Create Your Plan

Your transition should occur when you want, in accordance with your wishes for the future ownership of the business and at a value that fulfills your wealth objectives. When will you transition and for how much? What will the acquirer look like? How will family and stakeholder needs be met? Compile your answers to these questions in your plan. Spell out roles and responsibilities for key individuals, draft the management structure, and detail how you will be paid. When your transition plan is ready, break it down further into tasks with due dates and responsibilities assigned.



## Notes and Ideas

State how you will attain your objectives. Be specific.

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# Transition Plan Executive Summary Sample

## Business Transition Goals

I have established my goals for transitioning both the ownership of [COMPANY NAME] and my role within it. I determined my immediate priority is to continue to build the value of [COMPANY NAME] as SPOUSE and I will be highly dependent on this wealth for meeting our lifestyle needs after exiting the business.

## What is the preferred exit strategy?

After carefully considering my exit options, I have chosen my preferred exit strategy - the eventual sale of [COMPANY NAME] to third parties.

These third parties have not yet been profiled or identified. Identifying the likely type of buyer is a critical next step in implementing this transition plan. Readyng [COMPANY NAME] to make it attractive to this type of buyer is an important step towards my objective of maximizing the proceeds of the sale of [COMPANY NAME].

There are no related parties (family or management team) who would be capable of operating the business should the OWNERS' choose to retain long term ownership or be unable to sell.

Liquidity created on exit provides the best opportunity to attain the lifestyle objectives you have identified for ourselves upon leaving the business

## Your time frame for completing your transition

I/OWNERS intend to prepare the business for its sale three to five years out.

I have decided the timing of the sale is dependent upon its business value. [COMPANY NAME] could be put up for sale only when I'm satisfied it can provide sufficient liquidity for retirement.

Transferring some of my work responsibilities is an immediate priority for creating business value. SPOUSE will consider leaving the business when the business can accommodate a replacement and we are assured such a move will not impair the value of the business or our family income level.

Transitioning ownership of [COMPANY NAME] requires a period of time to organize the components within the business for sale as distinct operations which can be separately valued.

## **What is the business worth?**

The 2016 fiscal year provided better financial results than 2015 and 2014. The 2013 FY has been included in profiling the business value. This value does not include the value of the business property. The property may be sold separately or retained as an income producing property. It has a value, which has not been subjected to a formal appraisal, of approximately \$\_\_\_\_\_.

There are several components to the business that appear to be worth more split up than valued together as a single economic entity. These business units have been identified and Action Steps created to address the ways to grow and maximize their business value.

## **Wealth Gap**

SPOUSE and I require an exit value of approximately \$X,000,000 through the sale of the business in order to create an annual combined after tax income of \$XXX,000 beginning in 2025 required for maintaining our lifestyle and providing for the estate and family needs identified in our financial plan.

I have a preference for growing the business value as the key business strategy for the next few years rather than focus on other ways to change or close the wealth gap. The need to retain capital in the business over the next few years precludes utilizing a strategy of transferring business wealth out while owning it.

I have given serious consideration to the timing of a sale. Closing the wealth gap outweighs any other considerations for timing of the exit. Health issues have been addressed in the contingency plan.

A complete summary of our personal financial position & retirement needs analysis is provided in our complete Transition Planning Binder prepared by our advisors.

## **Business Dependence on the OWNER**

Implementing succession planning now is critical to achieving all of our objectives.

The business is presently highly dependent on me/owners for managing day to day operations. The business value is currently adversely impacted by the dependency of the business on US for its day to day management.

I have identified a key strategy is replacing ourselves in the day to day running of the business. I envision a role that focuses more on setting strategic direction for the business and the working on the tasks required for readying the business for sale.

I have committed to undertaking the hiring of an employee capable of taking over some of the job site and shop responsibilities now and the selling and customer responsibilities at a later date. I am also addressing this important consideration in our MovingON Action Steps (see appendix section)

## **Financial considerations of our selected Exit**

My/our desired method for transitioning the business is a third party sale of three divisions of the business. My/our financial goal on exit is to receive the highest possible after tax value for our company. The financial considerations of our primary transition choice are:

- Costs and benefits of creating formal business divisions within the current corporate structure
- Sale of the business creates sufficient cash to achieve your wealth objectives
- The tax costs of the transaction are minimized
- There is little financial risk assumed by owners as part of the transaction
- Certain assets may not need to be sold as part of the transaction (e.g. building, vehicle)

## **Our transition plan benefits those closest to us**

The right purchaser(s) provides benefits to my family and our business:

**The benefits to our business** of our planned transition are:

1. Minimal disruption of the customer relationships;
2. Continuity of the different business segments with experienced management prepared to take over;
3. Continuance of key supplier contracts

**The benefits to our family** are:

1. SPOUSE and I reduce our level of stress
2. Our lifestyle objectives can be attained
3. Our estate planning can be finalized
4. Our children can plan their careers independent of the business with our support

## **What happens if I go missing?**

Our contingency plan requires immediate action.

There is inadequate liquidity in the event of my death to provide SPOUSE with sufficient income to maintain our present lifestyle. The business is not yet ready for sale and would not be able to attract the necessary value in a quick sale scenario.

The issue of un-insurability creates the need for alternative liquidity if something were to happen to me prior to the exit date. Accordingly, the MovingON Action Plan includes the steps necessary for completing the Contingency Plan.

The plan also must ensure continuance of the business in the event something happens to me if our plan to sell the business is unreasonably delayed.

## **The Tax Factor**

The ownership structure may not provide us with the opportunity to benefit from the capital gains exemption.

The plan to sell to unrelated parties provides me with the opportunity to sell the shares of my business while minimizing the tax on capital gains. However, the plan considers selling off separate business units which would not enable access to the exemption. Accordingly the MovingON Action Steps documents the need to address the appropriate ownership structure for the type of sale I have envisioned

## **Shareholders Commitment to Course of Action**

Willingness to persevere through the transition

The process of transitioning a business can introduce stress and unexpected issues. Since this is a unique process, an Owner rarely has sufficient experience to draw upon to appreciate what they might be encountering and the significance of an issue in the overall plan.

Clarity of objectives is critical. If the owner is not absolutely clear in what they intend to accomplish, the transition stage will suffer. Roadblocks may seem insurmountable if there is not a determined and clear objective.

Owners have spent valuable time developing our exit strategy. The strategy should be reassessed at least annually to ensure that it still is the preferred strategy for attaining our objectives.



# **Appendix**

## **MovingOn Action Plan Sample**

<b>Item No.</b>	<b>Activity</b>	<b>Purpose</b>	<b>Date completed</b>	<b>Detail of Action Item</b>	<b>Responsible Party</b>
1	Hire a manager to assist OWNER in the business	Changing the business dependence on the Owner		This is the critical component required to effect a change in how the business is managed	OWNER & Advisor
2	Reorganize the company business lines to create identifiable business segments	Readying the business for sale		Distinct business segments will be more valuable at the time of sale	OWNER
3	Complete the new building	Building business value		Provides asset diversification and the right type of facility for growing the service business	Developer
4	Develop a specific plan for growing the distribution business to get it to a size that would be attractive to acquirers	Building business value		In order to attract a buyer, the distribution business volume must be significantly higher	OWNER
5	Develop a specific plan for growing the line removal business to get it to a size that would be attractive to acquirers	Building business value		In order to attract a buyer, the line removal business volume must be significantly higher	OWNER
6	Finish the line removal truck; consider the R&D component	Building business value		Increases profitability	OWNER
7	Develop a specific plan for growing the inside service and customer on site businesses (anilox roll cleaning, fire restoration)	Building business value		In order to attract a buyer, the maintenance and repair business volume must be significantly higher	OWNER



<b>Item No.</b>	<b>Activity</b>	<b>Purpose</b>	<b>Date completed</b>	<b>Detail of Action Item</b>	<b>Responsible Party</b>
8	Identify and begin measuring key performance indicators to build a history for eventual sale	Building business value		There are several key non-financial performance criteria which can be incorporated into the business to monitor and improve results	OWNER & financial consultant
9	Develop a plan for implementing a training program for contractors	Building business value		Create awareness of the value of the line removal business and Blaster master's role in it	OWNER & SPOUSE
10	Determine whether a corporate name change can be affected to create a corporate brand name	Building business value		Improve the awareness of the company through consistent use of a "brand name"	OWNER
11	Determine whether a the trade name used can be trademarked in order to protect the "brand"	Building business value		Increases salability of the business through protecting a valuable asset	Lawyer
12	Determine if the Arm & Hammer contract can be re worded to provide a level of protection for Blaster Master	Building business value		Increases salability of the business through protecting a valuable asset	OWNER & lawyer
13	Consider whether alternative brands of supplied product could be utilized to improve margins or distribution volumes	Building business value		Reduces risk of impaired business value if xyz customer discontinues contract;	OWNER
14	Determine whether other products can be profitably sold through the existing customer base	Building business value		Utilize existing relationships to increase gross profit	OWNER

<b>Item No.</b>	<b>Activity</b>	<b>Purpose</b>	<b>Date completed</b>	<b>Detail of Action Item</b>	<b>Responsible Party</b>
15	Determine whether there are other businesses available for sale which could be acquired and rolled into Blaster Master in order to gain size	Building business value		Create a business that is large enough to attract a value when selling the business	OWNER & transaction advisor
16	Identify which of OWNER and SPOUSE's responsibilities can be transferred to others	Changing the business dependence on the Owners		Reduce dependence on the Owners to create sustainable business without the extent of the current Owners involvement	OWNER & SPOUSE
17	Determine if further insurance can be put in place to create liquidity in the event something happens to OWNER while owning and operating the business	Preparing yourself for transition		Plan B in case something happens before the business can be readied for sale	Insurance advisor
18	Reduce the amount of debt carried by the business	Preparing yourself for transition		Increases attractiveness to buyers who can self-finance	OWNER & financial consultant
19	Profile the likely type of buyers for the business	Readying the business for sale		Develop the business in order to directly match the needs of the most likely buyer of the business segments	OWNER & transaction advisor
20	Review the corporate structure in comparison to the likely type of sale transaction(s).	Preparing yourself for transition		Ensure the capital gains exemption opportunity exists with the corporate structure	OWNER & tax advisor



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