

PACE Capital Advisors

Creating Transferable Value

This issue brought to you by:

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First Things First: Prioritize Your Objectives

"You've got to be very careful if you don't know where you're going, because you might not get there." — Yogi Berra

It is not always easy to interpret Yogi. In this case, perhaps he is advising you to figure out just where you are headed in your business. As you near the time when you will leave behind the daily worries and stresses of business ownership, have you defined your successful exit? Do you know where "there" is, much less how to get there? Unless you set and prioritize your exit goals or objectives, you may have too many, or they might conflict, but in either case you may not make much headway.

The clearest example of a failure to set objectives may be Bill Wilson, a business owner who recently told us that he wanted:

- To leave his business within three years (although he was ready to leave right away)
- Financial security, defined as a seamless continuation of his current lifestyle
- To transfer the business to his management team

A quick review of Bill's personal financial statement, however, revealed that most of the income required to maintain his lifestyle would have to come from the business. Unfortunately, his business wasn't large enough to attract a cash buyer. And, since Bill had done no Exit Planning, his employees had no funds with which to purchase his ownership interest. A long term installment note seemed to be the only answer — a risk Bill was unwilling to take.

Contrast this unpalatable solution with Bill's objectives — objectives which could have

been achieved had he taken the time (well before he wanted to leave the business) to establish and to prioritize his exit objectives.

If, for example, an owner's need for financial security prevails, selling a business to a third party for cash may be the best and quickest exit path.

If, however, attracting a qualified third party is unlikely or undesirable, an owner may need more time to devise and to implement a transfer to one or more insiders (children or employees) that provides the owner adequate cash.

On the other hand, if an owner's desire to transfer the business to a specific person or group trumps his or her need for financial security, and his/her deadline for departure draws near, financial security in the form of "up-front" cash must take a backseat.

As you can see, owners must consider—simultaneously—the three primary exit goals (listed below). Ask yourself which is your most important exit objective and rank your answers from 1 (most important) to 3 (least important).

Financial security

1 2 3

Transferring the business to the person of my choice (may include key employees, co-owner or child)

1 2 3

Leaving the business when I want (could be immediately or never)

1 2 3

Prioritizing your objectives will help you choose your overall path and design your Exit Plan. For example, if you want out—soon and with cash—but your business cannot be sold today, do you wait until market conditions improve or sell now to your employees? While prioritizing your objectives is not easy, doing so gives you a framework for decision making.

Start with the choices and priorities in the exercise above, but if you have any difficulty we can ask you some additional questions that will help you make your selections. When combined with an overview of some critical facts about you and your business, the Exit Planning solutions begin to crystalize. While we don't have a ready-made Exit Planning package ready for you, we do have the background and the Exit Planning process that we believe will shine a spotlight on the Exit Planning solutions that are best for you. We'd like to sit down to talk with you about it sooner rather than later. Gathering your Exit Planning resources today can help you confirm your path to the future.

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Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.

As a Certified Exit Planning Specialist, Denis brings a unique blend of experience to the marketplace having been involved in more than 100 transactions as a buyer, seller, investor, advisor or financier of businesses throughout his career. He previously was involved in private equity for ten years and was responsible for identifying, underwriting, structuring, closing and managing investments including developing growth and exit strategies. In addition he has served as a director of a variety of both domestic and international privately held companies.

Pace Capital Advisors provides merger and acquisition advisory services to owners of lower middle market businesses in the Southeastern US, typically companies with revenues ranging from \$5 million to \$50 million. Our target market comprises entrepreneurs, family business owners, and other privately-held business owners who seek the guidance and counsel of proven merger and acquisition professionals when considering the complex set of options available to them for selling or transferring ownership of their business. Our services range from preparing business owners and their companies for the process of ownership transition to full responsibility for conducting a business sale process on the owners' behalf. Pace's principals have acquired and sold numerous businesses during our careers in private equity, corporate development, investment banking and venture capital. We know how to properly package and position a business to maximize its transferable value. Our experience includes over one hundred merger and acquisition transactions in which we have occupied almost every seat at the transaction closing table - buyer, seller, owner, lender, and M&A advisor. We know what it takes to make a deal work, strategically, financially and psychologically, how to prepare business owners and their companies for the sale process, and what it takes to close the deal. (404) 843-8618

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