

PACE Capital Advisors

Creating Transferable Value

This issue brought to you by:

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Loss of Key Talent - You The Owner

Three issues confront a company whose owner dies or becomes disabled prior to a planned exit:

1. Continuation of ownership;
2. Company's loss of financial resources; and
3. Company's loss of key talent—you, the owner—and the cascading affect on employees and customers.

Today let's look at how the loss of an owner affects both sole-owned and co-owned businesses.

Problem for Sole Owners. Your death will likely have the same impact on your company that the death of any one of your key people would have. Your talents, experience, relationships with customers, employees and vendors may be quite difficult to replace (especially in the short term).

Once you are gone, expect employees to jump ship unless you've made careful contingency plans. Without employees, your company is likely to default on its contractual obligations. Without planning few businesses have the financial resources or successor management to weather this storm.

Problem for Co-Owners. Multi-owner companies experience the same losses as solely-owned companies, if the remaining owners do not have the experience or talent to replace you. If you are the person who generates new clients, heads operations or maintains most of the company's key relationships, your death or disability will, at best, jeopardize your company's survival.

Solution for Sole Owners. Sole owners should create written stay bonus plans to motivate their key employees to remain with the company after the owner's death. Additionally, you should create a succession of management plan that names the person who will assume your duties. Finally, you should decide now how you want your company to be preserved. Do you want the company to be sold, continued, or liquidated?

Solution for Co-Owners. If your co-owners do not have the skills and experience to replace yours, you must put in place a plan to give them the skills and experience they lack. If your employees are confident that the surviving owners have the skills necessary to bring in new business, run the operations or maintain key relationships, they are less likely to jump ship.

Certainly, business continuity requires cash—usually in the form of life insurance proceeds. But continuity requires more than cash. Your company will need to fill the talent void created by your departure. To do that, you must encourage (perhaps with cash through a stay bonus plan or perhaps through the offer of ownership) existing management to stay. If your business does not currently have, in place, management capable of assuming the reins, you must make it a priority to find and hire that management now.

If you would like to discuss how you can go about managing your company's continuity, please contact us.

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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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