

# PACE Capital Advisors

Creating Transferable Value

*This issue brought to you by:*

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## Exits Are Inevitable, Failure Is Not: Planning a Successful Exit

We understand that business owners are so busy addressing today's economic challenges that they can overlook the critical task of Exit Planning. We also understand that, at some point, all owners exit their businesses. When that day arrives, owners want to exit on their terms, the most important of which are financial independence and choosing the person or entity that will receive or buy the business.

Designing a comprehensive Exit Plan—which is both based on your Exit Objectives and flexible enough to adapt to changing economic, business, and personal circumstances—can be the difference between liquidating your company and selling/transferring it for millions of dollars.

Let's look at the characteristics of a good Exit Plan in light of a sad but common story of two hypothetical business owners who failed to plan:

*Several years ago, Doug, an Exit Planning Advisor, met with Jim and Tim McCoy, the owners of a thriving construction company. What Doug assumed would be a business-planning meeting turned into a "we are getting out of business so how do we do it?" meeting. As successful as they were, the McCoy's were tired of navigating the labyrinth of government regulation and paying ever-increasing taxes. Ultimately, the day-to-day grind of running a multimillion-dollar company had taken its toll.*

*For the McCoy's, a sale to a third party was not feasible, not only because neither brother was willing to remain with the company after the sale but also because they had failed to develop a strong management team. Few savvy buyers will purchase a company without a great management team committed to remaining after the sale.*

*Transferring ownership to one or more key employees also was out of the question. None had been groomed to assume ownership responsibilities nor had the McCoys taken action to fund this type of buyout.*

*Transferring the company to their children was impossible, because both owners' children were too young to be active in the company.*

*The McCoys' only exit option was to liquidate, because their highly profitable company had little worth beyond the value of its tangible assets. After the liquidation sale, dozens of employees lost their jobs, and Jim and Tim left millions of dollars on the table.*

## How Can You Avoid the McCoys' Fate?

- **Plan Ahead:** The issues Jim and Tim ignored (including not grooming a management team and failing to plan) proved to be their downfall. However, these and most other issues—if addressed in advance of an owner's exit—can be resolved in a manner that (1) is cost-efficient, (2) enables the business to be transferred, and (3) adds to the value of the business. In our experience, most owners with Exit Plans need 5–10 years to implement all of the strategies necessary to exit successfully. Owners without Exit Plans spend far longer than that waiting and hoping for a buyer.
  - **Set Measurable Goals:** An Exit Plan must set goals, provide accountability, and measure results. This is especially important when goals include protecting and growing value, and minimizing taxes.
  - **Incorporate Flexibility:** Plans should have the flexibility necessary to react quickly and effectively when the unexpected happens.
  - **Use a Proven Process:** Ultimately, we suggest that owners engage in The Seven Step Exit Planning Process™, a systematic process that has helped thousands of owners exit their businesses. One way to look at our Exit Planning Process is to associate each Step with a question. As you progress through the Process, you will be able to answer “Yes” to each one.
1. **Setting Exit Objectives:** Do you know your retirement goals and what it will take—in cash—to reach them?
  2. **Determining Business Value:** Do you know what your business is worth today, in cash?
  3. **Increasing Business Value:** Have you identified the best ways to increase your company's value and cash flow?
  4. **The Third-Party Sale:** Do you know how to sell your business to a third party without having to pay exorbitant taxes?
  5. **Transfer Your Business to Insiders:** Do you know how to transfer your business to insiders (family members, co-owners, or employees) for cash rather than give it away?
  6. **Protect Your Business:** Do you have a continuity plan for your business should you die or become disabled?
  7. **Protect Your Family:** Do you have a plan to secure your family's financial security should you die or become disabled?

The thought and actions that go into answering these questions constitute your unique Exit Plan. For more information about how to begin answering each of the aforementioned questions affirmatively, contact us today.

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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

**Pace Capital Advisors, LLC** is a Mergers & Acquisitions Advisory firm serving the lower middle market primarily in the Southeast, typically companies with revenues ranging from \$5 million to \$50 million.

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