

PACE Capital Advisors

Creating Transferable Value

This issue brought to you by:

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Selecting Your Exit Goals

When a man does not know which harbor he is heading for, no wind is the right wind. –Seneca

The starting point for any type of plan is defining its goals. In the case of planning a business exit, this means knowing what it means to “exit your business in style.”

Philosophers, business owners, and successful people from all walks of life understand the critical importance of establishing goals, creating plans to attain those goals, and persevering to see their plans through to completion. Having worked with owners to create successful Exit Plans, we know that it is critical for owners to ask several questions to establish three principal Exit Objectives before moving forward with their Exit Plan.

- How much cash do they need when they exit to support the lifestyle they desire? (Do they want to be cashed out when they leave the business or are they willing to receive the purchase price over time?)
- When do they want to leave the company? (How much longer are they willing to remain active in the company?)
- To whom do they want to sell/transfer the company? (To a child? Key employee? Co-owner? An outside party that can pay top dollar?)

Let’s look at an example of an owner who arrived at his exit date without a plan to reach his goals, as told by an Exit Planning Advisor.

Ben, the owner of a 45-employee plastic-extrusion company, had long thought of transferring his business to a son and a key employee but had done little to prepare for that transfer. However, as tougher economic conditions challenged his company and he

reached his 58th birthday, he decided it was time to retire and called me.

I said, “Ben, it’s helpful that you’ve established two of the three Exit Objectives critical to all successful business exits. You’ve determined that you don’t want to work much longer in the business, and you’ve decided that you want to transfer the business to your son and a key employee. But what about the third Exit Objective: How much money do you want or need when you leave the business? Have you determined whether you need cash or can accept a promissory note?”

At this point, Ben had two choices:

- He could retire immediately and try to sell the company for cash, but not to his son and key employee: They had no cash, and no bank would lend an amount even close to the amount of money necessary to close the deal. If Ben wanted to sell today and receive an amount that would support his post-exit lifestyle, he would have to sell to an outside third party with sufficient cash.*
- Ben could sell the company to his son and key employee but would have to wait 6–10 years to receive the entire purchase price, which was not guaranteed.*

Ben’s situation illustrates why setting objectives or goals (and understanding how each affects other objectives and goals), creating a plan, and acting to reach those goals is critical to a successful exit.

If you prefer to leave your business in style (which to us means leaving your business to the successor you choose, at the time you choose, and with the amount of cash you desire), you must take time to formulate specific, consistent, attainable goals and objectives. You must determine a course of action—a plan—based on those goals, and you must persevere with that action until you achieve your goal. Without setting goals at the outset of your exit journey, you may drift aimlessly until, like Ben, it’s too late.

Don’t be an owner who is too busy working in your company to work on the most important financial event of your business life. We are happy to help you begin by providing you with more information about setting objectives and other Exit Planning topics.

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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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