

PACE Capital Advisors

Creating Transferable Value

This issue brought to you by:

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A Race Against Time

Successful, active business owners seldom slow down. Many business owners are both great at planning (for their businesses) and terrible at planning (for themselves). There are so many great business challenges to tackle, planning for your personal ownership future can get pushed to the back burner. We all know that the only things likely to reduce your pace are death or terminal burn-out. This is not to imply that you are not well intentioned; quite the contrary. You may be so well intentioned that you've taken on more responsibility than you can possibly complete.

Today, our goal is not to alter the number of hours in your workday but to alter your mindset. To do that, let's look at another fictional business owner.

Renaldo LeMond owned a growing hospitality services business. As business increased, he hired more employees and learned to delegate. Both these improvements freed up time to sell more, to manage more, and to grow the business more.

No matter how much Renaldo delegated, there were always additional tasks and new priorities. Renaldo's daily activities left no time to plan. Even if he had had the time, Renaldo really didn't know how to create a plan founded on a clear vision, backed by definite plans that created definable steps subject to deadlines and accountability.

This was Renaldo's situation when he was approached by a would-be buyer for his business. Renaldo hadn't actively considered selling his business, but at age 49, he was beginning to think that life after work might have something to offer. He was open to talking about and exploring the idea of selling his business because business growth, and more importantly, profitability, had been slowing for years.

Renaldo found an hour in his schedule to talk to the interested buyer. In only 60 minutes,

Renaldo's blinders were removed and his priorities were turned upside-down.

The buyer turned out to be a large national company seeking to establish a presence in Renaldo's community. It was interested in Renaldo's business because of its reputation as well as its broad and diversified customer base. The buyer was looking to acquire a business that could grow with little other than financial support.

Naturally, it sought a business with a good management structure because, like most buyers, it did not have its own management team to place in the business. Renaldo, however, had not attracted or retained solid management (nor had he created a plan to do so). His business lacked this most basic Value Driver.

Like many buyers, this buyer also looked for two additional Value Drivers: increasing cash flow and sustainable systems throughout the organization (from Human Resources to marketing and sales to work flow). Renaldo quickly realized that his business was a hodgepodge of separate systems each created to patch a particular problem.

Finally, the buyer asked Renaldo to describe his plans for growing the business. Renaldo had none. What this buyer and Renaldo now understood was that this business revolved around Renaldo.

As Renaldo left the meeting, he expected that, given his company's deficiencies, he would receive a low offer from the buyer. He waited weeks but no low offer was forthcoming. In fact, the buyer simply disappeared.

The message to all of us is clear: Unless a business is ready to be sold, many buyers, especially financial buyers, are not interested. They have neither the time nor the in-house talent to correct deficiencies. The look for (and pay top dollar for) businesses that are poised for ownership transition.

It is a fact of life for owners that unless you work on your business, rather than in your business, you will never find time to plan for your future and for the future of the business.

Is there a way to change your priorities before your 60 minutes with a prospective buyer? Of course. You simply acquire new knowledge (about Exit Planning) and apply it to your life.

Exit Planning requires time: time not only to create the plan but also time to implement it and to achieve measurable results. That timeline may be considerably longer than you anticipate because, in creating an Exit Plan, you need to rely on others who are also busy (minimally an attorney, CPA, and financial planning professional). Additionally, you can not anticipate all of the issues that might arise, and it is unlikely that everyone you work with is as motivated or experienced as you are. Finally, and inevitably, not everything will go as planned.

Exit Planning encompasses all sorts of planning: your growth, strategic, tactical and ownership succession planning for your business, as well as your personal financial, and estate planning. By wrapping business, estate, and personal (or family) planning into one process, Exit Planning is all-encompassing rather than a subset of the planning that you

are sure you will one day undertake. In short, there is much to do.

It may be helpful here to recognize that planning, properly undertaken, can help enrich your business as well as your personal life. According to Brian Tracy, "A clear vision, backed by definite plans, gives you a tremendous feeling of confidence and personal power." And, in the case of Exit Planning, it works, too.

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The example provided is hypothetical and for illustrative purposes only. It includes fictitious names and does 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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