

PACE Capital Advisors

Creating Transferable Value

This issue brought to you by:

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Failure to Plan Has a Price

I never worry about action, but only about inaction. –Winston Churchill

“I haven’t decided what I ultimately want to do with my business, when I want to exit, how much money I’ll need, or whom to sell to. So how can I plan my exit? Besides, I don’t want to exit right now.”

If you’ve said or thought this, you are not alone. Many business owners are either overwhelmed by the thought of exiting or are so busy fighting daily fires in their businesses that they assume they cannot plan their exits.

If you aren’t sure about what you want from an exit or when you want to leave, why is it so important to decide to act today?

First, recognize that when owners have a passive attitude toward the irrefutable fact that they will—one way or another—leave their businesses someday, they are settling for less than the most profitable exit for themselves and their families.

Second, understand that preparing and transferring a company for top dollar takes time: on average, 5–10 years. Most of those years will be spent preparing the business for the transfer or, if the owner decides to sell to employees or children (two groups who rarely have any money), giving them time to earn the money to pay for the owner’s interest. The more time owners have to design and implement income tax–saving strategies, build value, strengthen management teams, and begin a gradual transfer of ownership (not control) to key employees or children, the more likely they are to reach their goals.

Third, if owners decide to sell to a third party, remember that the market does not operate

on their schedule and may not be paying peak prices when they are ready to sell.

If the prospect of leaving your company with little to show for it is unacceptable to you, let's look at your three options.

Wait for a Buyer

Owners who wait for a third-party offer for their businesses believe that one day, a buyer will contact them, negotiate a fair price, and that will be that. This is certainly a course of action, but one that flies in the face of reality. There is a pent-up supply of businesses owned by baby boomers who, given strong interest from buyers, are clamoring to sell their companies. The simple law of supply and demand implies which kind of market sellers will face. In a buyer's market, only the best-prepared businesses sell for top dollar. The owners of those well-prepared businesses will have made the decision to prepare their companies years ahead of the actual sale.

Liquidate

Liquidation is a common Exit Path for owners of companies whose cash flow is declining and has little probability of improving, absent the design and execution of an alternative Exit Plan. If this description fits your company, we recommend that you meet with your tax and other advisors to do the planning necessary to create the most tax-efficient liquidation possible.

Decide to Exit and Plan Accordingly

Start today and take the following steps:

1. Fix a departure date.
2. Determine your financial needs.
3. Decide whom you want to succeed you.
4. Have your business valued to see whether you should sell today and/or it has the value necessary to meet your financial and other Exit Objectives.
5. Based on your objectives and the realities of your business, use a skilled Exit Planning Advisor to forge a plan with accountability/decision deadlines.

Your failure to act can be fatal to your successful exit. You and your family depend on the success of your business exit. Can you afford to fail to act? Acting today to create your best possible Exit Path is not difficult. Simply pick up the phone and call us.

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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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