
PREPARING FOR YOUR EXIT

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EXITING IS A PROCESS, NOT AN EVENT

Don't Limit Your Exit Strategy Planning with What You Don't Know

The general who wins the battle makes many calculations in his temple before the battle is fought. The general who loses makes but few calculations beforehand.

—*Sun Tzu*

You are what you are and where you are because of what has gone into your mind. You can change what you are and where you are by changing what goes into your mind.

—*Zig Ziglar*

Exit strategy planning is a complex endeavor. Currently millions of Baby Boomer business owners will be looking to exit their business and head into retirement. Statistically, the majority of their wealth will be tied up in their illiquid business. The problem is that business owners are in the business of building companies, not exiting them. In addition, the advisors who serve these owners are not well trained to develop comprehensive exit strategy plans that begin with the owners' motives.

An exit strategy is not the same as the sale of a business. Therefore, this is not a book about the viability of your business for sale or what you need to do in your business in order to improve its value so that a buyer will pay you more money. Rather, this book offers a process that begins with the personal readiness of the exiting owner—you—for an exit and how you can protect your wealth by understanding exit options in order to build and execute a customized exit strategy plan.

There are, in fact, a vast number of exit options for business owners who want to plan their exit and protect their wealth. Regardless of your choice of exit option, you, the owner, will want to liberate yourself from the business while simultaneously protecting your illiquid wealth. Because the process of exiting a business is so complex, most business owners (and their advisors) are ill-prepared to handle the exit effectively, potentially subjecting themselves to excessive taxes and advisory fees resulting in wealth depletion.

The good news is that this book was written to get you started on your planning today. This chapter introduces a step-by-step process for building an exit strategy plan. It also introduces exit strategy concepts as well as discusses the landscape of business owners, advisors, and the complexities involved with any exit strategy plan. This is a necessary perspective from which business owners can learn about why setting an exit strategy plan from their business can be so challenging. Accordingly, we say that your exit strategy planning should not be limited with what you do not know.

Let's begin with understanding how many business owners in the United States today are currently in need of this service.

BUSINESS OWNER MARKETPLACE

According to 2004 U.S. Census Bureau statistics, there are currently more than 22 million registered businesses in the United States today. Exhibit 1.1 ranks these businesses by the number of employees that each business hires.

WIDE BASE OF THE TRIANGLE

At the base of the triangle in Exhibit 1.1 are nonemployee firms—businesses that exist as sole practitioners or registered corporations without employees. This is far and away the highest volume of registered businesses in this country, numbering 17,646,062.

The next tier in the triangle represents businesses with between 1 and 19 employees. These are many of the businesses that we know well, the small businesses, usually run by the owner that vary in revenue and profitability metrics.



EXHIBIT 1.1 NUMBER OF U.S. BUSINESSES RANKED BY EMPLOYEE COUNT

The tiers of this triangle continue upward to the pinnacle, where 500 to 999 employee businesses are highlighted. Many of these 8,326 companies are publicly traded with their common stock listed on an exchange that provides liquidity for the owners of those shares.

PUBLIC VERSUS PRIVATE

When a business grows large enough to attract capital from the public investing marketplace, it has the opportunity to go public through an initial public offering (IPO) process. The vast majority of owners of privately held businesses in the United States today, represented in Exhibit 1.1, will never have the opportunity to exit their business by selling equity to the general marketplace of publicly traded stock investors. What this means is that nearly 22 million business owners today need some form of exit strategy to protect the illiquid wealth that is in their businesses . . . and a lot of wealth it is.

TRILLIONS OF DOLLARS IN ILLIQUID WEALTH

Robert Avery of Cornell University has done extensive research into measuring the impact of retiring Baby Boomer business owners and what will happen to the illiquid wealth from those businesses. Avery states that “the majority of boomer wealth [in the United States today] is held in 12 million privately owned businesses, of which more than 70% are expected to change hands in the next 10 to 15 years.”

He goes on to say that

by 2050, virtually all closely held and family owned businesses will lose their primary owner to death or retirement. Approximately \$10.4 trillion of net worth will be transferred by the year 2040, with \$4.8 trillion in the next 20 years.¹

With the huge number of businesses in existence today and the pending retirement of the founding Baby Boomer owners, the need for a comprehensive approach to exiting a business is clearly growing. As we will see, the more preparation that you apply to designing your exit, the higher the likelihood that you will achieve the goal of meeting your postretirement expenses (or alternatively, avoiding estate taxation) with a well-planned exit strategy.

SELLING VERSUS EXITING

An exit strategy is not necessarily the sale of your business. Owners should think of their exit strategy planning in broad terms, not just in terms of selling to someone else. Exhibit 1.2 compares the main differences between selling a business and developing an exit strategy plan. The concepts within this list will be referred to throughout the book as critical planning points.

As Exhibit 1.2 shows, the planning of an exit strategy is something that begins with the driving force behind the business—you, the business owner. It was your motives and goals that built the business, so it stands to reason that an exit strategy should be built around your personal objectives as you move into the next phase of your life. It is exactly this motive—i.e. what you want most from your business exit—that drives the step-by-step exit process detailed in this book.

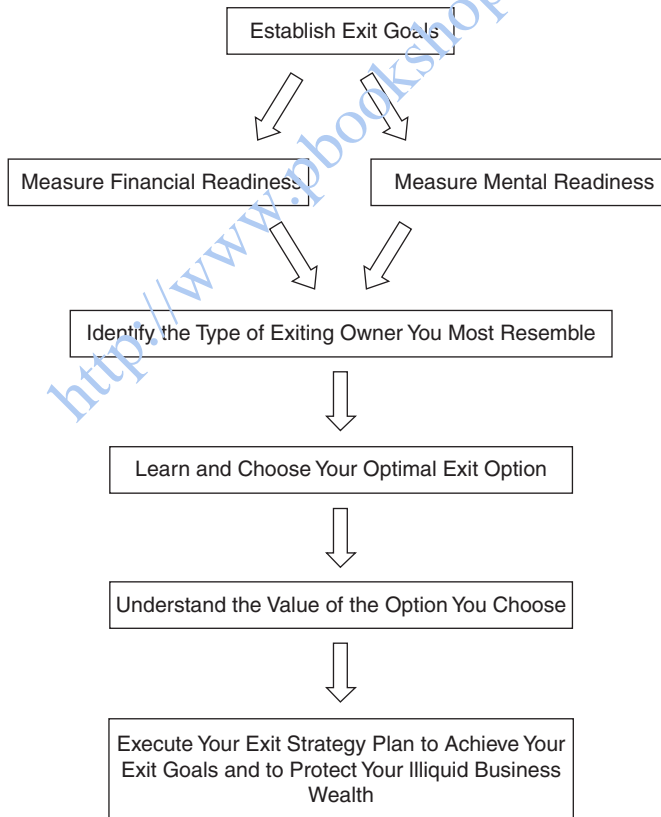
EXHIBIT 1.2 COMPARING SELLING A BUSINESS WITH EXITING THAT BUSINESS

Sell the Business	Develop an Exit Strategy
Advisor motives rule	Owner motives rule
Advisors are "transactional"	Advisors are "relationship based"
Goal is "sale of business"	Goal is to achieve business owners' stated motives
Process includes "finding buyers"	Successors/buyers are found or "created"
Sales process at "mercy of market"	Transfer process is controllable
Outside party necessary for deal	"Internal" transfers considered with external ones
Company is "shopped"	Company examined for various transfer options
Negotiations center around "price"	Negotiations center around agreeable transfer
Large advisory fees and taxes	Taxes and fees can be controlled and reduced
Company sale is main consideration	Personal and corporate objectives drive process

EXIT PROCESS, STEP BY STEP

This book follows a process that begins with what an exiting owner wants most from their business exit. Exiting owners can establish the strategy that best meets their goals and protects their wealth once they follow the steps needed to determine the course that they should set with their planning. The steps in this process are shown in Exhibit 1.3.

The steps in this process are organized sequentially, chapter by chapter, in the design of this book. We start with how exit strategies are formed today. Then we move onto setting goals by determining your readiness for your exit. The exit quadrant chart and the exit options chart help you determine what type of exiting owner you most resemble and what exit options are ideal for you to incorporate in your planning today.

**EXHIBIT 1.3** EXIT PROCESS STEPS

Each exit option is explained and the valuation of each type of option helps illustrate the effectiveness of these different options in reaching an owner's goals. We answer the ultimate question, which is, "can you afford the exit that you most want?" Finally, the common obstacles that you will face including deal structuring, lifetime taxes, estate taxes, legal agreements, as well as the challenges of establishing an advisory team are examined. The book concludes with some closing thoughts on designing and executing your exit strategy plan.

This step-by-step process can assist any exiting owner with at least beginning to think about an exit strategy plan from the business. A careful study of this book's content will reveal a true guide for comparing and contrasting different exit options until you find the optimal solution for your exit strategy plan. Your optimal exit strategy plan is the one that allows you to meet your personal goals in the manner and time period that accommodates your objectives. Again, the process begins with your motives.

YOUR PERSONAL MOTIVES DRIVE THE EXIT PROCESS

It is your goals and motives that drive the exit strategy planning process. There is a methodology by which you can determine both how ready you are for your exit, and what type of exiting owner you most resemble.

If followed, these measurements will determine the path which your exit strategy plan will initially take. So, in order to analyze whether *you* are ready for an exit from your business, you will follow a process to answer these questions:

- Are you financially prepared for an exit from your business?
- Are you mentally prepared for an exit from your business?

Your financial and mental readiness will be ranked as either High or Low. Then, depending upon your readiness for an exit, you can check your alignment with four different types of exiting owners introduced in Chapter 4. Those four types of exiting owners include:

1. Get-me-out-right-away-for-the-most-money exiting owner
2. Well-off-but-choose-to-keep-working exiting owner
3. Stick-around-and-grow-the-business exiting owner
4. Rich-and-ready-to-go exiting owner

Together, the financial and mental readiness measurements marry you with one of the four types of exiting owner, as illustrated in Exhibit 1.4

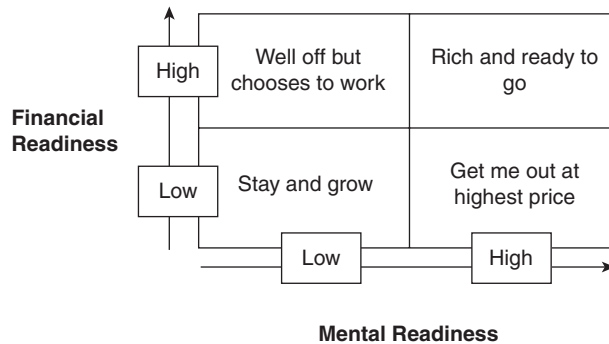


EXHIBIT 1.4 EXIT QUADRANT CHART

By the end of Chapter 4, you should have a very good idea of how ready you are for an exit and what type of exiting owner you most resemble. At that point in time, we use these measurements to identify the type of exit option that may be most appropriate for you to begin to analyze and develop your exit strategy plan.

RANGE OF EXIT OPTIONS

There are, in fact, many options for exiting a business. Some owners will simply close down the business. Others will liquidate and sell off their assets, if any remain. But others—many millions, in fact—will need a written plan to exit their business and protect their wealth.

Many of these business owners have a substantial amount of wealth tied up in their businesses. The five major transactions that owners can consider as the basis for their exit strategy plan are:

1. Sale of the business
2. Private equity group recapitalizations
3. Employee Stock Ownership Plans (ESOPs)
4. Management buyouts
5. Gifting programs

These five primary exit options are added to the exit quadrant chart to provide guidance to this complex planning area, as illustrated below with the exit options chart shown in Exhibit 1.5:

The options listed in each exit quadrant are alternatives for you to consider in your exit strategy planning. Each of these exit options is described in detail

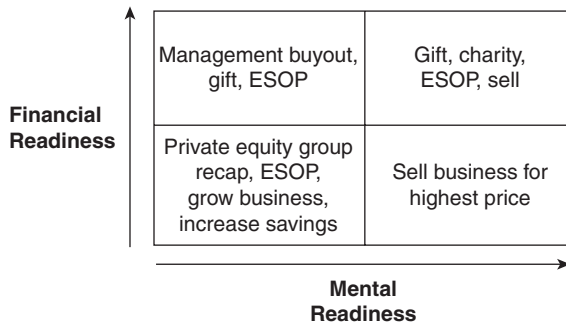


EXHIBIT 1.5 EXIT OPTIONS CHART

later in the book and applied against our hypothetical exiting owner, Bill. For now this concept is merely trying to show how this complex world of exit strategy planning can be made simple through the use of a few charts that help you determine how to get started.

After figuring out which options are the best to initially apply to your exit strategy planning, you need to understand that each of those options has a different value associated with it. And, given the demographics of Baby Boomer business owners who need to retire, we can assume that a great number of these owners are relying upon the proceeds from their exit strategy plan to fund their postexit lifestyle. Value, therefore, becomes a critical determinate of whether or not you can afford the exit option that you most desire. Let's take a quick look at concepts surrounding valuation of privately held businesses.

VALUATIONS VARY: RANGE OF VALUES CONCEPT

Privately held businesses do not have a single value. Rather, what you receive for your business will depend on who purchases it from you (or, alternatively, how you decide to gift it away). Starting in Chapter 4, and continuing thereafter, you will read about these value ranges and how to apply them to your customized exit strategy plan.

Sometimes the highest value is desired, as in the case of a sale to an outsider. Other times a lower value is optimal, as when you gift assets out of your estate—for estate tax planning purposes—to family members, employees, or charities. No matter what exit option seems optimal for your circumstances, you need to know the value measurement for each option to see if your personal goals will be met. After all, getting you an exit from your business that meets your goals (and protects your wealth) is the point of this book.

Value also is greatly impacted by the size, and hence the overall riskiness, of a business.

OWNER DEPENDENCY IS A MAJOR ISSUE

Exhibit 1.1 showed us that the majority of businesses in the United States today are small businesses. The wide base of the triangle completed this picture for us.

Small businesses can be more difficult to transfer than larger businesses because the owner, generally speaking, is integrally involved in the day-to-day affairs of the business. The riskiness (i.e., survival risk) of those businesses generally rises once the owner's presence is removed. When the risk increases, the price that someone else is willing to pay almost always goes down. As a result, many of these exiting owners need to understand the risk that an outsider perceives in their business. And, in the case of small and risky businesses, most buyers/successors will likely require the exiting owner to finance a portion of the transaction themselves (i.e., get paid over time to achieve a price that can sustain their lifestyle). Risk concepts are covered in this chapter, while deferred payments are addressed in Chapter 11.

In addition to the business depending upon the owner, the owner often times is equally dependent upon the business to sustain their lifestyle. These business owners are more dependent on the proceeds from the exit to satisfy their postexit financial expenses than an owner who has a high level of financial readiness for their exit (i.e., has substantial amounts of wealth outside of the business). This generalization stems from the fact that smaller business owners tend to live out of their businesses. And, for these owners, once the ability to draw income from, and expense personal items through the business is gone, that owner's lifestyle can be compromised. The natural conclusion is that getting a high price on a sale becomes very important to that exiting business owner.

Another way of saying this is that the owner's financial gap is large and needs to be satisfied with the highest price on the exit. We will examine this issue in Chapter 2 to see whether you have a gap in your financial planning. For now, it is important to realize that smaller business owners require greater attention to measuring their income replacement needs and that there is little integrated planning advice offered by transaction-based service providers at the small business level.

When faced with the dual prospect of receiving a lower price than desired, and potentially receiving payments in the future that may or may not come to pass, many owners of smaller businesses quickly conclude that it simply is not worth the risk to have a successor or a buyer pay them out over time. After all,

if the business fails, the payments cease and the owner has to go back to work in a business that is now in need of repair. There may be a better way to structure your exit. Again, don't limit your exit strategy planning with what you do not know.

If you are such an owner and these concepts apply to your current situation and you have never seen it in these terms, then by reading these words your awareness is being raised and you are becoming better prepared to handle your exit. A proper amount of attention towards designing an exit strategy plan is what you need. If this does not apply to you, your exit may not be any easier, but it will not have these size challenges.

SIZE REQUIREMENTS FOR CERTAIN TRANSACTIONS

Not all businesses will qualify for the various options that are illustrated in this book because some exit options have minimum size requirements. For example, an S corporation that wants to install an employee stock option plan (ESOP) cannot do so with only a few people working in the business; you generally need 10 "unrelated" employees for the economics and requirements of an ESOP to work.² Another example of size requirements comes within the world of private equity group recapitalizations. In this case, companies with earnings of less than \$1 million generally will not qualify for consideration of a recapitalization transaction. Other examples are given later in this chapter. For now, just be aware that size constraints limit your ability to take advantage of some options.

ECONOMY AND DEAL MARKETS MAY AFFECT YOUR EXIT STRATEGY

If you are considering a sale of your business to an outside party as your primary strategy to exit the business, it is helpful to remember that you can control your personal decisions as well as your business decisions, but you don't have control over the economy—and deal markets fluctuate with economies. And, as we will see, deal markets can contribute to the value of your business.

A helpful analogy is that of a sailor controlling the ship but not the winds and tides. Like economies, deal markets also run in cycles. There are periods of strength that offer a favorable environment to a selling business. There also are periods of recession, where buyers have the advantage.

Deal markets are impacted by a number of factors, including the overall economy, the availability of credit to finance transactions, and the supply-demand balance of buyers and sellers.

As an exiting owner considering a sale transaction, you will want to give some thought to your personal time frame so that you can "play" the transfer

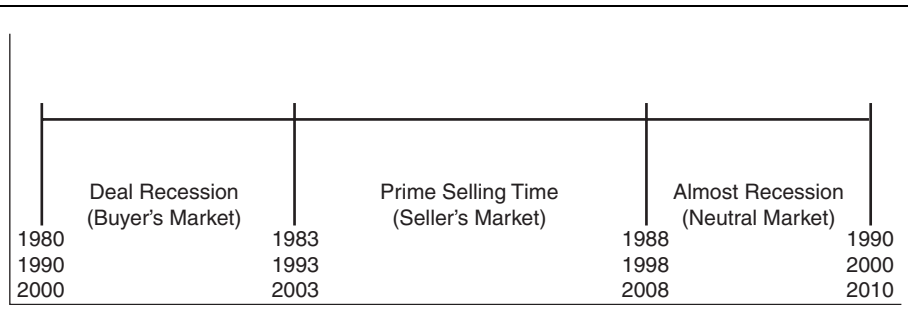


EXHIBIT 1.6 10-YEAR TRANSFER CYCLE

Source: Reprinted with permission of Robert T. Slee, *Private Capital Markets: Valuation, Capitalization, and Transfer of Private Business Interests* (Hoboken, NJ: John Wiley & Sons, 2004, p. 444).

cycle. For example, you may be thinking that you will exit the business via sale to an outside buyer when you turn 65. If you use Exhibit 1.6 as a simple guideline, you may discover that the sale date that you are considering falls within a forecasted recessionary period.

If we assume that businesses that sell during this recessionary period of time generally command lower prices, we can begin to assess whether your desired selling date will provide you with the necessary proceeds to meet your financial goals. An exit strategy plan will consider this factor along with many, many others—such as whether or not a sale transaction is the best exit option for you. Again, only a small percentage of businesses will successfully sell to another party.

SALABLE VERSUS UNSALABLE BUSINESSES

According to a U.S. Chamber of Commerce Study only 20% of the businesses that are for sale will successfully transfer hands to another owner. The factors that make a business salable include good management teams, steady and defensible profits, customer and vendor diversification and loyalty, a solid reputation, predictable transferability, intellectual capital, and many others. Reasons why a business will not sell include:

- Owner is too involved in the business for it to transition successfully.
- Keeping family and key employees in the business is more important than selling to an outsider.
- Buyers in the industry cannot achieve financing.
- Poor economy is reversing the trend of profitability.
- Inappropriate or unreasonable price expectation of seller.

There are actually a wide number of reasons why a business will not (or cannot) sell. And there is an endless number of things that can be done to improve the salability of your business. However, if we apply the low percentage of businesses that will successfully exit via sale to an outside buyer (20% of businesses for sale) against the total numbers of businesses in the United States today, we see that there are millions of businesses that are either unsalable or will not be sold to an outside party. Solutions other than selling the business need to be applied to these millions of businesses.

So if millions of business owners are going to need help, what solutions are available? What is at stake if these businesses are not proactive in constructing exit strategy plans?

Before answering these questions, let's first take a look at the way in which many exiting owners view their privately held businesses. This will shed some light on why owners do not focus on exit strategy planning.

IS YOUR BUSINESS A JOB OR AN INVESTMENT?

When business owners begin to think about exiting their businesses, they need to consider whether they view the business as a job or as an investment. This distinction is critical in facilitating an exit because when the transaction is complete, business owners will be left with a financial reward. This financial reward can be structured in many different ways. There may be a lump-sum amount of cash for 100% of the value of the business delivered to the owner at the closing of a sale transaction. Often, however, a portion of the value will be received at a date after the closing transaction. If a business is transferring to employees or to family members, there may be no lump sum at the closing but merely a stream of income transferring to the business owners over time.

If business owners can picture this sum of money in their minds, then they can see that their business is truly an investment. Instead, most see the business as a job. Often they see themselves as the boss, king or queen of the castle, so to speak. It is dangerous for business owners to be complacent about having a job, particularly when it comes to exit strategy planning. When business owners begin to view their businesses as investments and not jobs, they begin making better financial decisions.

Because this investment represents the majority of an owner's wealth, that owner needs to know how the value of that business will be delivered to them according to the exit option that is chosen. Business owner exits depend on a visualization of trading shares for cash (except in the case of gifting). Often this includes the owner departing from the business.

How much cash would you be willing to accept for operational and financial control of your business today? Sadly, the answer to this question is often twice the true value of the company. Business owners have this inflated value in their minds because they measure what they want by what is needed to sustain their personal lifestyle. The amount is not based on what an outside investor would pay for that business. The limited view that an owner holds of the riskiness of their business (because they see it as a job and not as an investment) prevents proper and objective financial decision making.

Now, from the perspective of a buyer of a business, no matter who that buyer may be, this money machine needs to generate a return on investment. The return that is required is related to the risk that is being assumed in owning that privately held business. The risk is compared to that of owning other assets into which money can be invested.

The risks of illiquid privately held businesses are higher than the risks of liquid (i.e., publicly traded) companies for the simple reason that a trading market exists for the stock holdings. For example, shares of equities in the stock markets in the United States, going back 50 years, have provided investors with returns averaging approximately 12% per year. These returns need to be compared to the potential returns of a privately held business relative to the risks that are being assumed.

Too many exiting owners do not appreciate the amount of risk that truly exists in their businesses. Therefore, they create unrealistic expectations for their exit price and, in fact, fail to do much planning at all for their exit. Let's further examine these concepts surrounding risk to put the concept in better perspective.

RISK VERSUS RETURN

Your Company's Risk Factors

Very generally speaking, buyers or successors to your business will pay you a multiple of your company's cash flow, depending on the risk that they perceive to be in your business. The higher a perceived risk, the lower the price someone will pay.

Risk factors also come into play when considering internal transfers, such as transfers to employees, family, or co-owners. Ultimately, a business is valued based on the predictability and quality of the future cash flows to the new owner. As we will see, small business owners can compromise those future projections in many ways, creating a lower value for the business enterprise and a depletion of their total wealth.

When owning a privately held business, risks come in many forms. For the most part, buyers of privately held businesses expect annualized returns in the 20% to 40% range (this issue is addressed in Chapter 5). As we will see, it is important that you are able to see your exit strategy transaction through the eyes of your buyer/successor. Understanding the true risks in your business is a large part of this process.

The business has provided a personal return on investment for you and your family for a long period of time. However, is that return suitable to the objective level of risk that your business possesses as will be seen by buyers/successors?

Hidden Risks

Business owners—particularly those who have built a business from the ground up—generally do not appreciate the riskiness of their enterprises. For you, pledging personal assets and working exhausting hours is simply what needed to be done in order to survive. If this sounds familiar, then you likely do not appreciate the risk that exists in your business or you have not gone through the exercise of trying to see it from a buyer/successor's perspective.

To put this in focus, let us start by taking a look at what liquid investments can return for you.

Investments in publicly traded stocks and bonds historically have provided a certain level of returns that many investors use for long-term financial planning. As stated early, US equities have provided high single-digit and low double-digit returns for many years. These are historical liquid returns that an investor can use in making assumptions of appreciation, over time, from a portfolio of diversified investments. Your business returns have likely been significantly higher than the promise of returns from liquid investments—but you have had a higher level of risk.

As an investor moves from bonds (lower risk) to stocks (more risk) to small stock returns (greater risk)—historical rates of return increase. The old saying “You get what you pay for” applies to investments. You can expect a return that is matched by the level of risk that you choose from your portfolio. The process of choosing a level of risk is known as asset allocation—a way of purchasing different types of assets with separate risk/return criteria.

Most privately held business owners have unknowingly chosen the largest allocation of their wealth to be in their privately held business, an inherently risky asset class. Many exiting owners are now interested in protecting that wealth through diversification of their total base of assets both liquid and illiquid.

A PRACTICAL QUESTION TO ASK YOURSELF IS:

- If I had the opportunity, would I reinvest all of the money that someone would pay me for my business today back into my company?

Most likely the answer to this question is no. You will want a diversified portfolio of investments that provides income to meet your post exit expenses with a relatively low level of risk. For those business owners stepping into retirement, this is the financial goal that they are trying to achieve to meet their long-term personal goals. Having an understanding of the risk/return measurements between liquid investments and illiquid business assets is critical to determining whether you can afford to retire with peace of mind.

You may be thinking that the return figures for liquid assets seem rather low relative to the returns that you have achieved with your business over time. This may be true, but again, you need to also account for the risks that you incurred in the business during your ownership.

An interesting dynamic is that rarely do business owners fully appreciate the riskiness of their companies until a buyer or successor begins to ask questions, such as “What will *my* return on investment be once I take over this company?” A business owner who is not prepared with some discussion points on this topic will be missing a big piece of the exit strategies puzzle.

Accordingly, we provide a formula to help you determine your return on investment (ROI) for owning your business.

Return on Investment in Your Company

Your private business's return on investment can be measured.

ROI Calculation:

Potential Sales Price:		\$ 8,000,000
Less:	Fees & Taxes:	\$ 2,000,000
		\$ 6,000,000
Excess Draw/yr. net of tax	\$ 100,000 × 15 years	+\$ 1,500,000
		Total Return
		\$ 7,500,000
Initial Investment	Investment Time	Annualized Return
\$ 200,000	15 years	27%

In this example, the business owner projects that her exit via a sale of the business will yield a gross selling price of \$8 million. At the closing, there will be two

major expenses for advisory fees and taxes (covered in detail in Chapter 11 and throughout this book). With a net amount of \$6 million, this owner adds back the additional compensation that was drawn from the business for each of the 15 years that she owned it—resulting in a \$1.5 million “add-back.”

This owner’s total return on the investment in her business is \$7.5 million. She then takes the \$200,000 initial capital that was contributed in the beginning of the business and comes to the conclusion that the annualized return on investment for owning this privately held business is: 27%.

This business owner achieved a return in excess of the returns that could have been achieved by investing in liquid stocks. The primary question then becomes whether those profits will continue in the future and will a buyer be willing to assume the risks of owning your privately held business in order to achieve returns that are consistent with his or her return criteria. Remember that investors in your business have liquid alternatives with investments in publicly traded stocks. And, again, public equities are generally less risky; size and liquidity are two of the main reasons for this reduced level of risk for publicly traded investments. Also noteworthy is that investment in publicly traded securities provides a return on an investment without having to work in that investment. Hence the term *passive income*.

Once you grasp this concept, a few observations can be made:

1. You realize that the wealth that is trapped in your illiquid, privately held business is actually shrinking as your business fails to grow, and/or
2. You become empowered to make detailed, cogent arguments to buyers/successors as to why owning your business is a better investment than publicly traded securities or other investment alternatives.

In the absence of this analysis, buyers/successors will be reluctant to purchase your business because of the lack of risk/return reward that they are seeking. This book reiterates many times that it is your responsibility to explain the benefits of your business to a buyer or successor. If you miss this step and place the burden of making this assessment on potential buyers/successors, they will be doing so with imperfect information and will likely lower their offering price to compensate for the risks that they cannot see or do not understand. Understanding the high levels of risk in your privately held businesses helps to protect your wealth for external transfers as well as being a very important concept for transfers to insiders. Either way, we are addressing your total wealth and how it can be best protected.

Said another way, the wealth that is concentrated in your illiquid business could be invested in other types of assets that are providing a return that is

equal to their level of risk. The overall point of protecting your wealth through exit strategy planning is to provide protection against giving back what you have already accumulated. Your goals and motives are likely changing as you begin to seriously consider an exit strategy from your business. It is natural that you desire more security. And, from a financial planning perspective, the need for security is satisfied through one simple word: diversification.

DIVERSIFICATION AND THE FIVE BUCKETS OF WEALTH

Being diversified is the equivalent of the old saying that you shouldn't have all of your eggs in one basket. Most business owners have all of their eggs in the basket called their privately held business. The risks that you took to build and grow the business were worth it at the time. However, now you will want to protect the wealth that you have built by diversifying your holdings.

There are five primary buckets, or pools of wealth in which to invest. These categories of wealth are:

1. Cash
2. Bonds
3. Equities (publicly traded securities)
4. Real estate
5. Privately held business

A diversified wealth portfolio for a business owner will include allocations to each of these asset classes. Of all the asset classes just listed, the most distinguishing characteristic of privately held businesses is the difficulty you face when entering or exiting this asset class. Actively traded markets exist for the purchase and sale of most stocks and bonds. Real estate, though not as liquid, generally serves as adequate collateral for a financing source to allow for favorable lending terms—hence the dynamic mortgage and commercial lending markets in this country.

For the privately held business, however, each exit needs to be constructed on its own merit. In Chapter 4 we discuss concepts of valuation of privately held businesses that incorporate the riskiness of owning businesses and the manner in which such risk is measured when businesses change hands. For now, recognize that a business exit is a difficult task. And, since a majority of your wealth is likely tied up in that business, you should ask yourself this question:

What percentage of my total net worth is tied up in my privately held business?

Again, helping you, the business owner, convert your illiquid assets to liquidity and achieve greater diversification for your wealth is a major objective of this book.

But, the more immediate question for your consideration is *who* is supposed to be helping you with this type of complex decision making process. We now examine the marketplace that currently provides this type of guidance and the possible reasons why you have struggled to find someone willing to do this type of planning for you.

MARKETPLACE FOR EXIT STRATEGY ADVICE

Let us now turn our attention to today's marketplace of advisors who provide business owners with business exit strategy planning and advice. This discussion reveals a few alarming statistics regarding exit strategy planning that will help you understand why what you may not know can hurt you.

With millions of Baby Boomer business owners seeking an exit strategy from their business, the demand for advice in this area is very high. However, the supply of trained advisors who can assist with this type of planning is disproportionately low.

If we accept that business exits are difficult, we can extrapolate that help from advisors is necessary. At a minimum, you will need an attorney to draft documents for the transfer of shares of stock or assets. Ideally, you are guiding a team of qualified advisors through an exit plan that you designed to meet your personal goals. Between these two options lies the universe of possibilities that helps to define the current marketplace of advisors to business owners. Unfortunately, the vast majority of advisors do not currently have the background or support to offer exit strategy planning tools and advice. Consequently, the demand for this advice currently outweighs the supply.

For example, we know that 8.4 million businesses (8.4 million is 70% of 12 million businesses cited) in the United States will be changing hands in the next 10 to 15 years.³ Therefore, we can make some projections about the capacity of advisory services required to fulfill this need that will illustrate this supply and demand point.

An exit strategy is a complex planning engagement. Let's say that 50 to 100 hours of work is a good estimate of the time needed to formulate and execute an exit strategy plan. By multiplying the number of businesses that will transition by the estimated 50 to 100 hours of advisory work, we conclude that 420 million to 840 million hours of advisory work will be required in the next 10 to 15 years.

Many types of advisors are available to assist business owners with their exit strategy planning. There are an estimated 700,000 such advisors in the United States today: legal advisors, financial advisors, insurance advisors,

accountants, business consultants, business brokers, and mergers and acquisitions professionals.

With a lack of focus in the area of exit strategy planning and the great demand for this advice, Baby Boomer business owners can draw a few conclusions.

1. Most business owners will be alone in designing their exit strategy plans.
2. You should seek out advisors who have a working knowledge of the complexities of exit strategy planning.

You need to be proactive in finding these advisors (Chapter 14) because, as mentioned in the introduction, exit strategy planning is more difficult and delicate than growing a business. This is not the time to be learning on the job; the protection of your lifetime of work and effort that is trapped in your illiquid business depends on the successful execution of your exit strategy plan.

Who is currently providing this service? Who can help the millions of business owners who require assistance?

Let's survey the landscape of service providers currently available to assist with this type of planning to further illustrate the important point of working with a strong advisory team.

Objective Advice Is Hard to Come By: Who Can Help with the Exit Strategy Plan?

A business owner requires a team of advisors in order to complete an exit successfully. Going it alone is not an option. Therefore, it is important to have a solid perspective on the types of advisors who can be of assistance with an exit strategy from a privately held business.

The world of advisory services can be broken down into two primary types of service providers:

1. Transactional service providers, who get paid for completing a single service
2. Relationship-based service providers, who get paid on an ongoing basis for being in steady service to the business owner

Neither advisory service provider is optimally suited to deliver a complete set of exit strategies advice and service to you. Current relationship-based advisors are not trained on exit strategy planning, and transactional advisors have financial incentives that prevent them from being totally objective. We can understand this first critical point by examining the motives of these types of advisors.

TRANSACTIONAL VERSUS RELATIONSHIP-BASED ADVISORS

Relationship-based advisors generally aim to provide the proper level of service—whether it is legal, accounting, or financial advisory—in order to keep you as a satisfied client, year in and year out. In doing so, their advice is often limited to what they know and how they get paid. For their businesses to remain profitable, relationship-based advisors need to stay focused. Only a few of these advisors have learned enough about exit strategies to be able to incorporate it into their practices.

On the other hand, transaction-based service providers have an extensive base of knowledge around business sale transactions. The motives of a transaction-based advisor are, generally speaking, to complete a specific transaction for which they get paid, no more, no less. If a deal gets done, they get paid; if not, no reward. Since this is the case, what incentive does that advisor have to provide a complete set of exit options to a business owner?

In fact, offering comprehensive exit planning advice and tools works against transaction-based advisors' profitability (unless they separately charge a fee for this type of planning, which very few currently do). Transaction-based advisors effectively create their own competition when they provide comprehensive and objective exit strategy advice. After all, if a transaction is not going to happen (i.e., an ESOP or a gifting program is chosen), how will they get paid? The exception here, again, is the transaction-based advisor who has accepted the challenge of offering *completely objective advice* to a business owner while still charging for that advice.

This dichotomy in the way advisors are compensated is the first reason why no one has explained the options for exiting your business to you. To examine this further, let's look at who *sells* businesses in the United States today so that we may better understand the motives of these players. This is an important insight because speaking with a transaction-based service provider is the first step for too many business owners who are beginning to consider an exit from their business.

LANDSCAPE OF TRANSACTIONAL ADVISORS

If you have fallen into the trap of perceiving selling your business as your only exit option, it is logical that you would go to the people who actually sell businesses for a living. Once you meet with these transactional advisors, you also will tend to use your current business skills to negotiate the agreement while believing—or hoping—that it will be an easy process. After all, you may think, this person gets paid only if he brings me the deal that I am willing to accept.

EXHIBIT 1.7 TRANSACTIONAL SERVICE PROVIDER OFFERINGS BY DEAL SIZE

Business Brokers	Mergers and Acquisitions Professionals	Investment Bankers	Mid-Large Firms
Small business Up to \$2mm –\$5 mm in enterprise value	\$5 mm–\$25 mm	\$25 mm–\$100 mm	\$100 mm+

In my experience, this is an optimistic and rather incomplete understanding of how a business exit strategy should proceed.

Exhibit 1.7 illustrates the types of transactional advisors that represent owners of privately held businesses in their sale transactions and the representative size transaction that each type of advisor will engage.

Business brokers primarily handle smaller businesses of less than a few million dollars in total value. These transactional advisors typically handle a large number of engagements, with buyers ranging from individuals to strategic, industry buyers. For the most part, a business broker “listing” is one that can be purchased by an individual buyer—someone who is interested in a “lifestyle business.” Often such a buyer is a corporate refugee—someone who has retired or was pushed into an early retirement package by a former employer and wants to stay engaged in a business endeavor.

Mergers and acquisitions (M&A) professionals handle larger transactions than business brokers. The M&A professional follows a process for bringing a business to market. This process includes packaging the company in a marketing document and distributing the information to prescreened, qualified buyers who can pay the highest value for the business. Ideally, the M&A professional gets many buyers to compete among each other for the purchase of the business, thereby driving the price higher and benefiting the exiting owner.

Investment bankers generally engage in a number of corporate finance-related projects including capital raising, acquisitions for their client’s businesses, or the outright sale of a business to an industry buyer or private equity group. These investment bankers likely are licensed professionals and have a minimum transaction size in the range of \$25 million. These are experienced, sophisticated, and well-paid advisors who have teams of people assisting with their transactions. Generally, the head of such a group originally was part of a mid- to large firm and has now chosen the simpler life of running a smaller firm that caters to a few business owners on a selective basis. These transactional providers often have minimum fees ranging from \$500,000 to \$1 million.

Mid-large firms work with companies that are close to going public, or are already publicly traded and are in need of additional financing. These firms will have dedicated research teams covering certain industries and sectors, keeping a close eye on developments in their respective fields for their clients. Often the mid-large firms have investment banking departments, research departments, and retail wealth management services, so as to provide an entire suite of corporate and personal financial services to a large firm (+\$100 million) and its executives and employees.

The statistics offered earlier indicate that most business owners will be working with business brokers and M&A professionals. There is a large difference between the manner in which a business broker delivers their services and how an M&A professional works with an exiting owner. Therefore, if your business is valued at more than a few million dollars (roughly speaking, your company earns about \$500,000 per year in profits), you should be considering the higher-touch services of an M&A service provider over a business broker.

However, as we will continue to emphasize, the first step in establishing an exit strategy from your business is not to take a meeting with one of these service providers. Rather, it is to learn about options for exiting your business according to your personal goals and then to seek advisors who can execute on the exit plan that you have created. Before we move into the specifics of this type of planning, let us take a closer look at the motives of the transactional advisors; doing so will help to reinforce the overall point that exiting a business is a process, not an event.

TRANSACTIONAL ADVISOR MOTIVES

To most business owners, the motives of transactional advisors appear to be rather straightforward—to get you the highest price for the business, thereby earning the high fee that they are charging. After all, you may think, if your business has an estimated value of \$8 million and an M&A intermediary is able to find a buyer willing to pay \$10 million, it seems logical that he or she would be entitled to a \$500,000 fee. These transactional advisors derive their fees based on a schedule called a *double Lehman* formula (see Exhibit 1.8).

The value proposition seems rather straightforward. In fact, you may think you would be rather indifferent—maybe even glad—to pay the fee for such an outcome. After all, just as with running your business, you are paying for results, right?

Well, in theory, this outcome is possible. So, the dance begins. The contract is agreed upon and the process of selling the business commences. What was

10% of the first \$ 1,000,000 = \$ 100,000
8% of the next \$ 1,000,000 = \$ 80,000
6% of the next \$ 1,000,000 = \$ 60,000
4% of the next \$ 1,000,000 = \$ 40,000
2% of the next \$ 1,000,000 = \$ 20,000
Plus 2% of each additional \$1,000,000

EXHIBIT 1.8 DOUBLE LEHMAN FORMULA

left out of this process so far? Years of experience in working with transactional service providers indicates that there is quite a bit more to the story that many exiting owners do not initially realize.

To begin with: Did you consider that your transactional service provider gets paid *only* if a deal closes?

Did you consider that because of this fact, the transactional service provider may in fact, be more motivated to close *any* deal than to get you the deal that you think you want?

Did you look at the contract and realize that the transactional service provider also has a large interest to protect? In fact, these types of advisors know from experience that they could wind up doing a tremendous amount of work, only to have you reject what would appear to be a perfectly suitable sale transaction (i.e., you don't like the buyer that they bring you). Many transactional advisors are also motivated to protect themselves against an unscrupulous exiting owner going back to the buyer that the advisor found and, at a later date, striking his own deal with them, eliminating the requirement that the transactional advisor's fee be paid. Transactional advisors protect themselves from this scenario with what is called a tail provision, meaning that you will have to pay their commission for a period of time after which you terminate the agreement, usually 18 to 24 months.

You may initially agree that this tail provision properly protects both parties. However, what if the transactional service provider does not work hard to find you a buyer or produces poor results? The reality of the transactional marketplace is that if a deal does not appear to have strong appeal to buyers right away, service providers will limit the amount of time they spend on your transaction so that they can focus on transactions that are more attractive and are more likely to close.

You need to carefully choose your transactional service provider, one with a solid record of closing deals that they engage. Because in this situation

described above you are most likely still liable for paying a fee even if you want to make a change and go to another M&A provider.

Does this type of process and result happen often? Unfortunately, the answer is yes. Too many owners of privately held businesses believe that selling the business is the only way to exit. They do not understand the (hidden) motives of the players, and, more important, they do not understand their options for exiting the business. As a result, they seek the counsel of transactional advisors and engage their services with less than perfect information.

Can you avoid this scenario with some good exit strategy planning information?

We believe that you can. This book provides a guide to avoiding these traps. First, however, let us consider yet another scenario.

Here you, the business owner, believe that selling the business is the only option for an exit. This time, however, the well-intentioned transactional advisor determines that your business is not currently marketable, so they cannot currently work with you (remember the statistic of only 20% of businesses for sale actually being successfully sold). They do, however, leave you with a few ideas of changes that you can make over the next few years to get your business in a better position to be sold.

In this case, you end up with no advisor, no exit strategy plan, and only some general information on how to spend the next few years making changes that lead to the sale of your business. What other options have you considered along the way to protect your wealth? What other resources are available to you? Remember that this situation applies to the majority of exiting owners in the United States today.

If you, as an exiting owner, have already done your homework and surveyed all of your exit options to determine that selling the business is your optimal exit strategy, then the transactional service providers' advice is well founded, and you probably should make those changes to your business. If, however, you have not received any advice on the options that are available to you, you have fallen into the classic trap of thinking that exiting is the same as selling, and you are continuing to make decisions based on incomplete information that may or may not be in your best interest.

We can summarize the points above in this way. Most transaction-based advisors are not financially motivated to deliver options that will allow you to customize your exit while meeting your personal goals—unless your personal goal is to sell control of your business and try to get the highest price in the market.

Why do we pay so much attention to the motives of advisors?

Because this book was written to show exiting owners a better way to establish an exit strategy plan. This plan will be aligned with an owner's primary

motive for his or her exit and the exit strategy will be led by their goals, not those of their advisors.

RECENT CHANGES IN THE MARKETPLACE

While we are on the topic of advisors and their motives, it is helpful to share a bit of information regarding the current status of transactional and relationship-based advisors. You now know that exit strategy planning should be a part of your total business planning at every stage of your business. Further, not only is exit strategy planning new to you, it is also relatively new to the marketplace.

A helpful analogy is to think back to the mid-1980s and how stocks were sold to the investing public. Transactional stockbrokers would call clients, pitch an idea, and receive a commission for the sale transaction. Over time, however, clients began to ask important questions, such as, "If you are making a commission for any stock idea that you sell me, I have to ask if these calls are more in my best interest, or are they more in yours?"

Technology, legislation, and market changes have forced that industry to mature. Yesterday's stockbrokers are today's wealth managers. These service providers are now seeking higher and higher professional designations so that they can offer more complex and comprehensive services on a relationship-driven, fee basis rather than for commissions on stock trades.

The transactional community for business sales is at the early stages of a similar evolution. At the time of this writing, the Securities and Exchange Commission (SEC) is well along in its efforts to bring mandatory licensure standards into this transactional community. This initiative is being made to bring order to this highly fragmented and loosely regulated marketplace of advisors. Such legislation would be a benefit to most exiting business owners.⁴

There are also a growing number of business owners seeking exit strategy specialists to assist them with a customized exit from their business. These advisors understand business exits and can offer business owners an objective, comprehensive, and expansive array of exit strategy options to consider and apply to their personal and business situations.

Owners are also turning to their trusted advisors and asking them for greater assistance with this type of planning. These owners want to work with someone that they know and trust to determine whether or not selling the business is the most appropriate exit strategy to help them reach their overall planning goals.

CUE THE RELATIONSHIP-BASED ADVISOR

Relationship-based advisors include financial advisors, insurance advisors, accountants, and attorneys. These are advisors who have an interest in starting and maintaining a relationship with you, the business owner, over many years.

Along the way, these advisors earn (relatively) smaller fees than transactional or M&A advisors, but they provide ongoing services to you every year. The goal of these advisors is to keep you happy by providing good representation, good service, and attempting to add value to your business and personal situation where they can.

The trouble with any of these relationship-based advisors, however, is that selling businesses (or exit strategy planning) is not their specialty. More important, these types of advisors are generally more affable and accommodating than the hard-hitting, tough-negotiating transactional advisors who know how to lock horns with buyers and get them to pay what is being asked.

But remember what we said about traps that business owners fall into. Selling is not your only option for a business exit. And the advice that your trusted advisor carries may be the first step in a long and well-thought-out process for exiting your business.

Recently, the relationship-based advisors have been taking the lead in offering exit strategy planning services to the business owners they serve. This is a welcome development in the exit strategy industry; these cutting edge advisors are beginning to realize that the transactional advisor does not have the same level of commitment and concern for the client as the relationship-based advisor. Barriers between these two worlds are slowly being broken; these two types of advisors are just now learning how to work together to benefit the business owners by protecting the wealth in the privately held businesses (see Exhibit 1.9). This is a trend that has every indication of increasing to the business owners' ultimate benefit. The end result should be coordinated advisory services that focus on your motives and not on the advisors'.

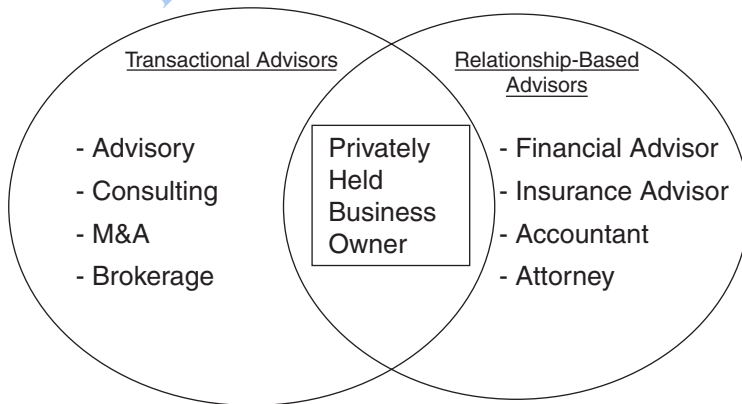


EXHIBIT 1.9 RELATIONSHIP VERSUS TRANSACTION-BASED ADVISORS

YOUR MOTIVES

While having a softer touch may not qualify a relationship-based advisor to negotiate your highest selling price with a buyer, it likely does qualify that advisor to do something far more meaningful to the exit strategy process: to discover your motives and personal objectives in exiting the business and to deliver objective information and solutions to assist you in meeting those goals.

Designing a business exit strategy includes planning for an exit and not (necessarily) selling your business. It therefore stands to reason that you should plan an initial meeting about your business exit with someone who asks questions not only about your business and what you are trying to achieve, but also about your personal situation and what type of results you would like to see from this business exit so that your overall goals in life can be met.

A relationship-based exit strategy process focuses on the total and holistic goals of you, the owner. It begins with a conversation about your goals and your readiness to leave the business. It then leads to a sharing of information on the pros and cons of different types of exit strategies and which exit option(s) will work best in helping you achieve all of your goals, within the time frame of your choosing. Think of this process as an advanced form of financial, retirement, insurance, estate, and business planning, all wrapped into one business exit strategy plan.

How can you begin to think about an exit strategy that is broader in scope than the sale of your business?

PRIMARY MOTIVES OF EXITING OWNERS

Let's survey a few situations that begin with an exiting owner's motives and build toward customized solutions for the transfer of their business and protection of their wealth.

What if your motive is to stay with the company—keep your job—but you are interested in some personal diversification and taking some chips off the table?

Maybe an ESOP could be installed to accomplish the goal of personal diversification, allowing you to create a buyer for the shares of your stock and to pull some money out of the company without having to bring in an outside buyer or financing. In fact, under the right circumstances, your sale of stock to the ESOP may qualify for a tax-deferral under Internal Revenue Code Section 1042. Additionally, you keep your job and continue running the company and may even increase your cash flow in the business through annual, non-cash, deductible employee contributions. ESOPs are discussed in Chapter 7 and illustrated in a case study as being powerful planning tools for exit strategy planning.

For now, note that selling your business precludes you from the benefits of establishing an ESOP. After all, you no longer own the business.

Further note that ESOPs have a tremendous amount of flexibility, allowing for leveraged transactions or prefunded transactions. We describe each structure to show how easily the ESOP is incorporated into other exit strategy planning techniques.

Perhaps you have an interest in keeping your job but transferring your business risks to another party. This modified form of exit strategy planning is possible through a private equity group recapitalization (recap). Recapitalization transactions are discussed in Chapter 6. Here a group of financial professionals invest in your business, purchasing a controlling stake in your company; a recap generally includes the purchase of 80% of your company stock. In addition to being paid for your stock ownership, you also receive a multiyear employment agreement to continue running operational—day-to-day control—of the business. Theoretically, the recap also contributes additional capital to the business in order to assist you in executing a growth plan for the business. Under this scenario, the recap is designed to project another exit strategy from its investment in your business, typically, five to seven years in the future. At this point in time, you, as the owner, get a “second bite at the apple” (explained in further detail in Chapter 6) as your 20% continued interest in the company is sold along with your investor’s 80% interest.

Whether a recapitalization will work for your exit is largely determined by your mental readiness to exit the business. If you want some diversification and some additional financing but choose to continue working, you can take on such a partnership with a private equity group that will monetize your currently illiquid asset while also providing for future growth potential.

Or perhaps your management team is extremely capable and is, in effect, currently running your business. You may have thought about a management buyout (Chapter 9) but you have not pursued it because you did not want to negotiate with your own employees for the succession of your business.

Sadly, as mentioned earlier, statistics indicate that many businesses are not salable. Therefore, an internal transaction, such as a management buyout, may be the best alternative for an exit from the business. Too many business owners take no action when considering a management buyout. They believe that the employees both do not have the money to execute a buyout and that they will not be willing to take the risks that the owner originally took when starting and growing the business. These two facts may independently be true, but this should not prevent an exiting owner from considering a management buyout as a viable option—particularly when such an exit can result in the best value that the owner can extract from the business.

Or perhaps your motive is to pass some wealth to your heirs (Chapter 10 covers gifting strategies) but you do not know where to begin because the stock in your company is illiquid. Would it help to know that certain discounts are permitted by the Internal Revenue Service that allow you to transfer large amounts of illiquid (nonmarketable, noncontrolling) business wealth during your lifetime? In fact, if your primary motive is to avoid paying estate taxes (which currently hover at the federally mandated 45% rate for all assets that exceed the applicable exclusion amount for an individual), an exit strategy can be engineered to accommodate these estate planning objectives.

Once again, selling your business precludes you from this opportunity (assuming that you have not made the transfers prior to the sale transaction).

Or perhaps you are charitably inclined and would like to pass a portion of your illiquid wealth to a nonprofit organization of your choosing (also covered in Chapter 10). There are tax advantages to making this type of transfer as well, even allowing you to take a stream of income in return and utilize potentially valuable tax deduction in the year that you make the transfer.

The outright sale of a business may not preclude this charitable gifting—after all, you could always give away the cash that you receive in the sale transaction—but losing control of the company stock would reduce the positive tax effect that could occur if the transfer were to happen prior to a sale.

Maybe you really enjoy what you are doing with your business and simply are interested in reducing your current tax burdens and saving for a future retirement date. This form of exit strategy planning is very forward thinking and allows a business owner to begin to save today with the awareness that more options will be available at a future date and time if her financial readiness ranks high at the time of exit.

These are a few of the primary motives that business owners have that do not include selling the business to a third party. In each case, a carefully constructed exit strategy plan can be the first step in determining which options are feasible and whether the wealth that is trapped in the illiquid business can be monetized and protected while the business transfers to the intended succeeding party.

So we see that exiting owners have many motives other than simply selling the business to an outside party. An exit strategy plan will guide an owner towards executing the exit option that is most aligned with her primary motive.

The tools in Chapters 2 and 3 will allow you get started with analyzing your exit strategy needs and options. First you will measure your financial and mental readiness to exit the business. Then you will learn which options, other than selling, will assist you in customizing your exit strategy and in reaching your exit goals. Finally, you will measure how each exit

option is affected by fees and taxes so that you can determine if the net amount that you receive at the conclusion of your exit strategy plan will be sufficient to meet your personal and financial goals. A successful exit strategy includes the realization of the business owner's personal goals and motives.

What if your first step in exit strategy planning was not down the path of selling but rather down the path of learning? What if the first step that you took towards developing a business exit strategy plan was to learn about the options for exiting and how they could be applied to your personal situation?

Are we claiming that transactional service providers will not play a role in your exit strategy? Not at all. However, your choice of advisors depends mostly on what you are trying to achieve. Know that first and then bring in the right team.

The purpose and intention of this book is to help you, the successful business owner, construct a customized exit strategy plan that protects the wealth that is trapped in your illiquid business. A well-conceived exit strategy plan can provide you with the information necessary to establish a plan to protect your wealth and transfer ownership of the business to the desired successor.

GETTING STARTED

As stated earlier, many business owners will be on their own with developing a business exit strategy plan. That is why this book is written in a step-by-step manner toward helping you define and achieve your goals. We start this process by asking two simple questions:

1. Are you financially prepared for your business exit?
2. Are you mentally prepared to leave your business?

The answers to these questions will start you down the proper path to begin your exit strategy planning. This book develops a structure for analyzing different types of exit alternatives to determine which one will work best for you.

If you are ready to learn about whether you are financially and mentally prepared for a business exit and how to determine your exit goals, turn to Chapter 2.

NOTES

1. Robert Avery, "The Ten Trillion Dollar Question: A Philanthropic Gameplan," Cornell University (February 2006).

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2. Menke & Associates provided evidence that of the 2500 ESOPs that they have installed over the past 34 years, only rarely will businesses smaller than this size be able to effectively install an ESOP.
3. Robert Avery, "The Ten Trillion Dollar Question: A Philanthropic Gameplan," Cornell University (February 2006).
4. For more information and updates, visit www.exitingyourbusiness.com.

<http://www.pbookshop.com>