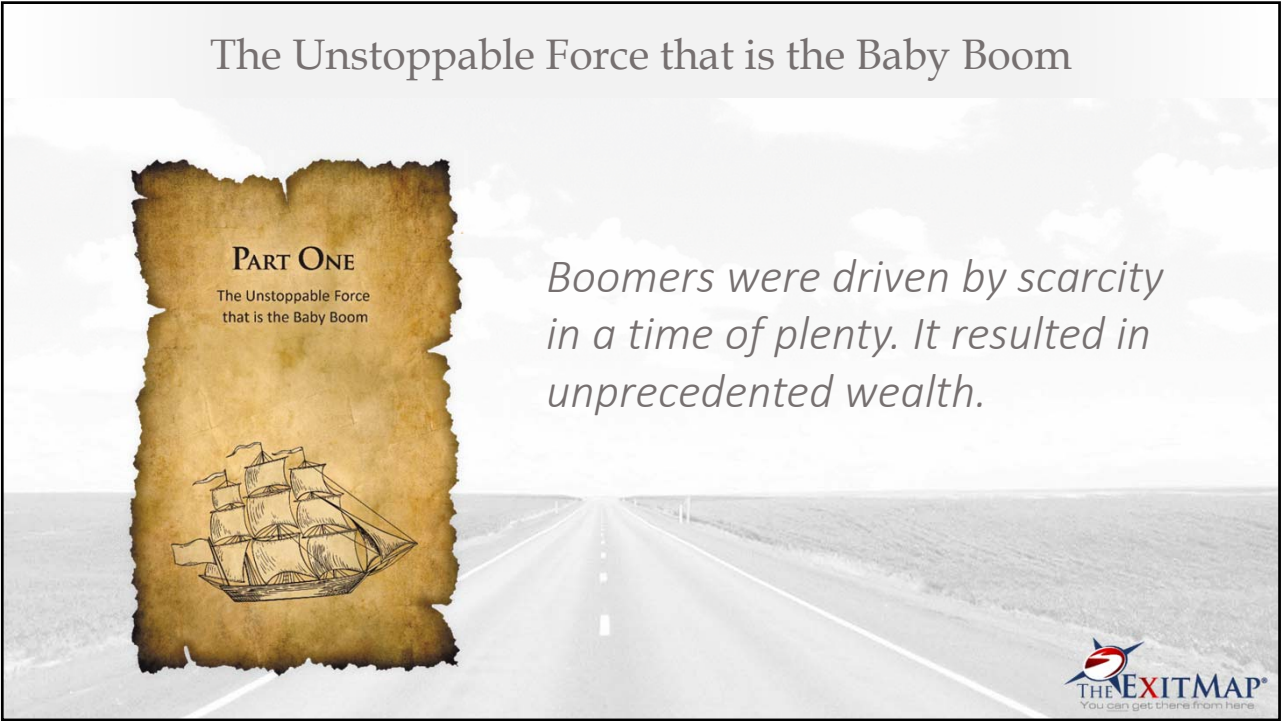




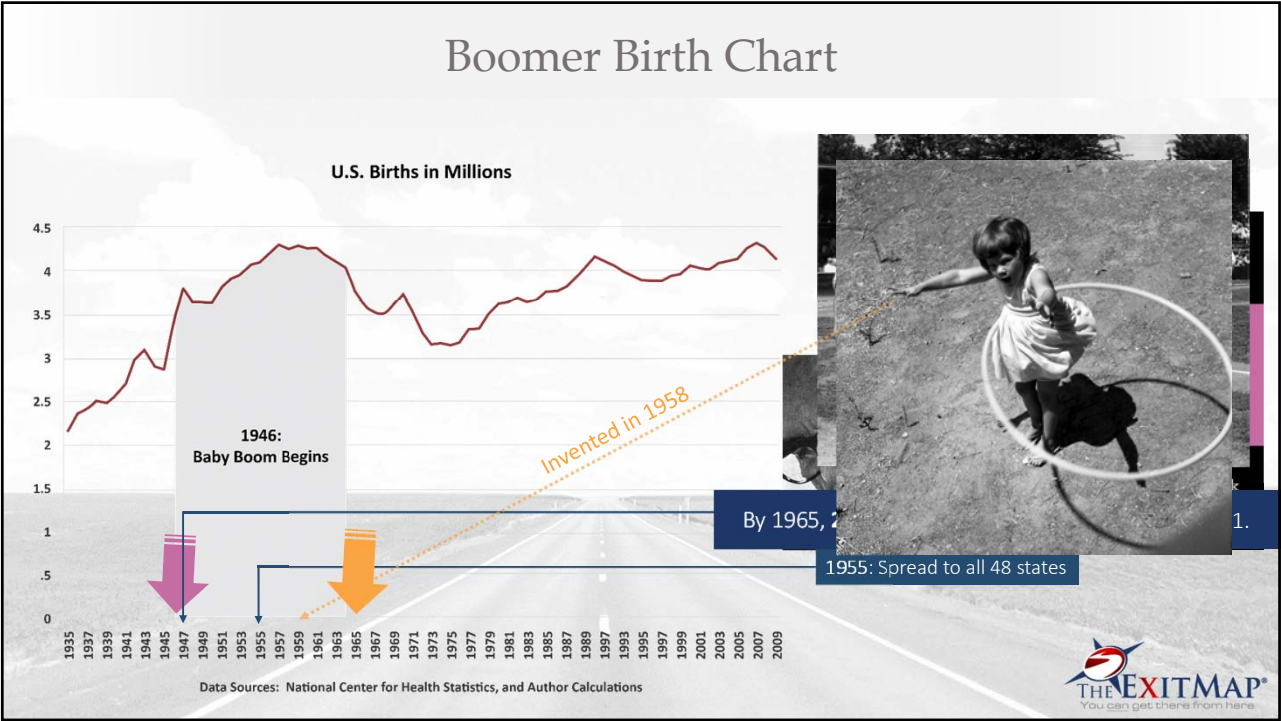
1



2



3



4

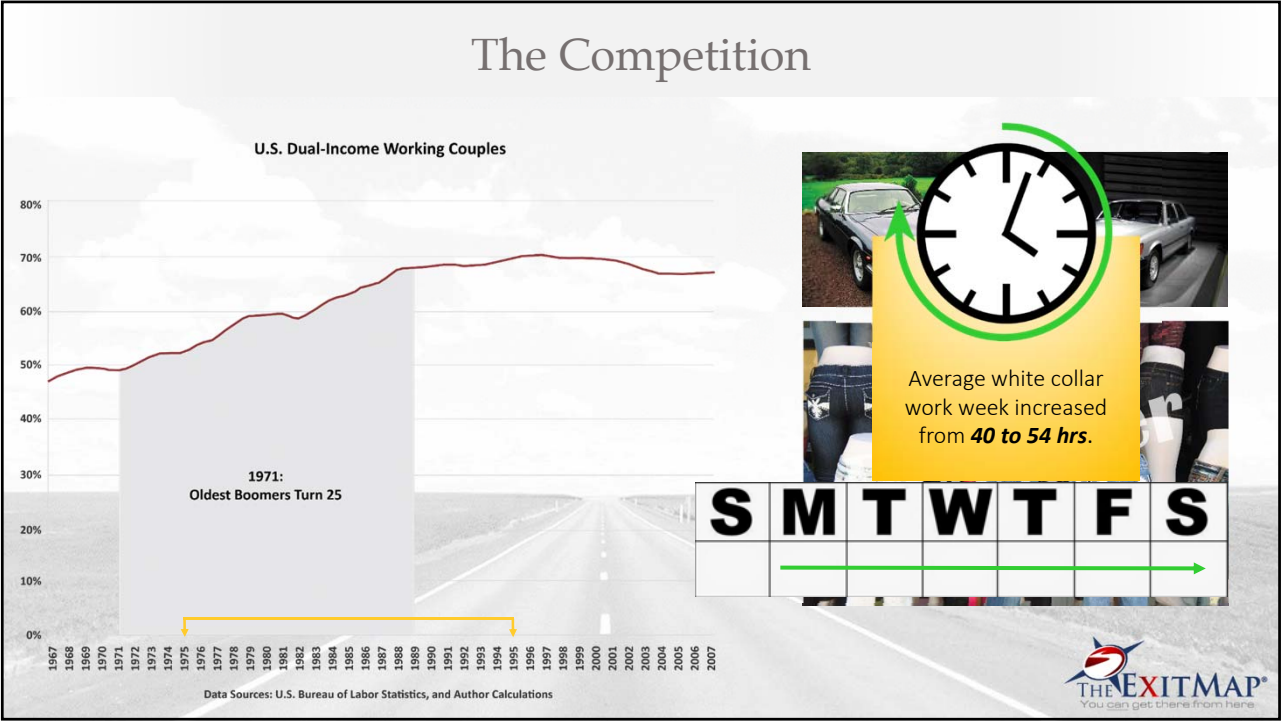


5

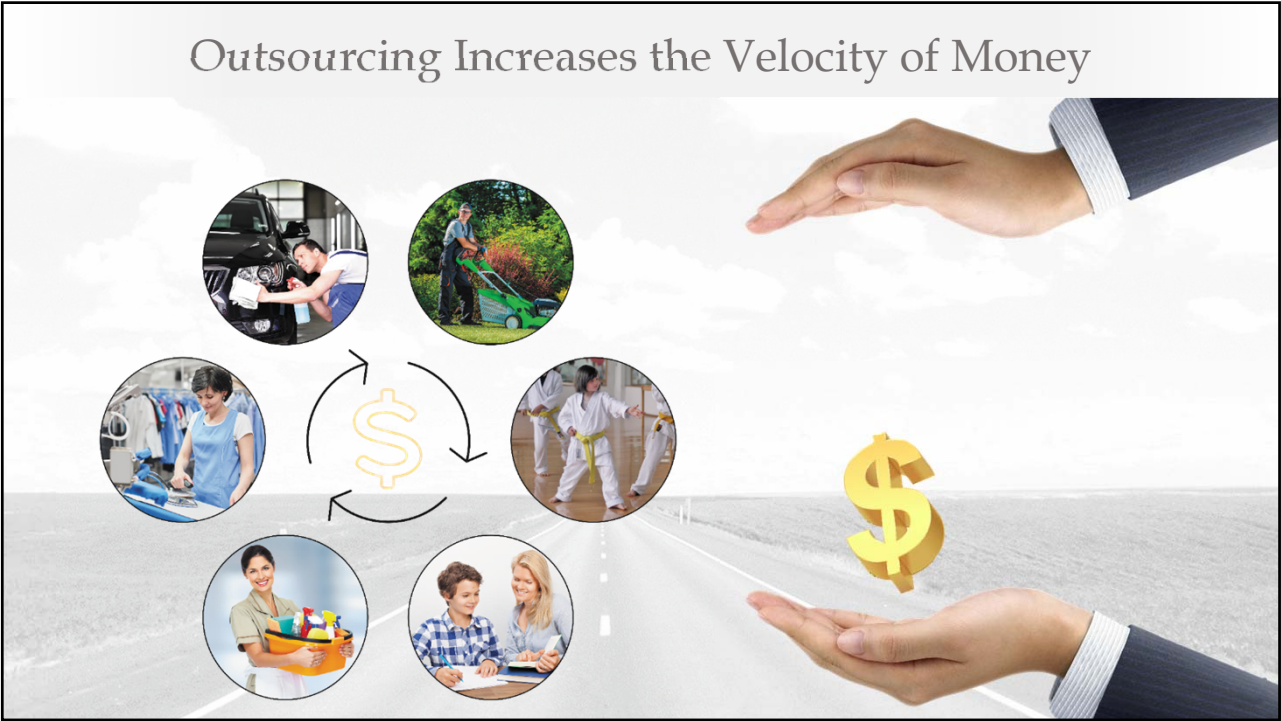


6

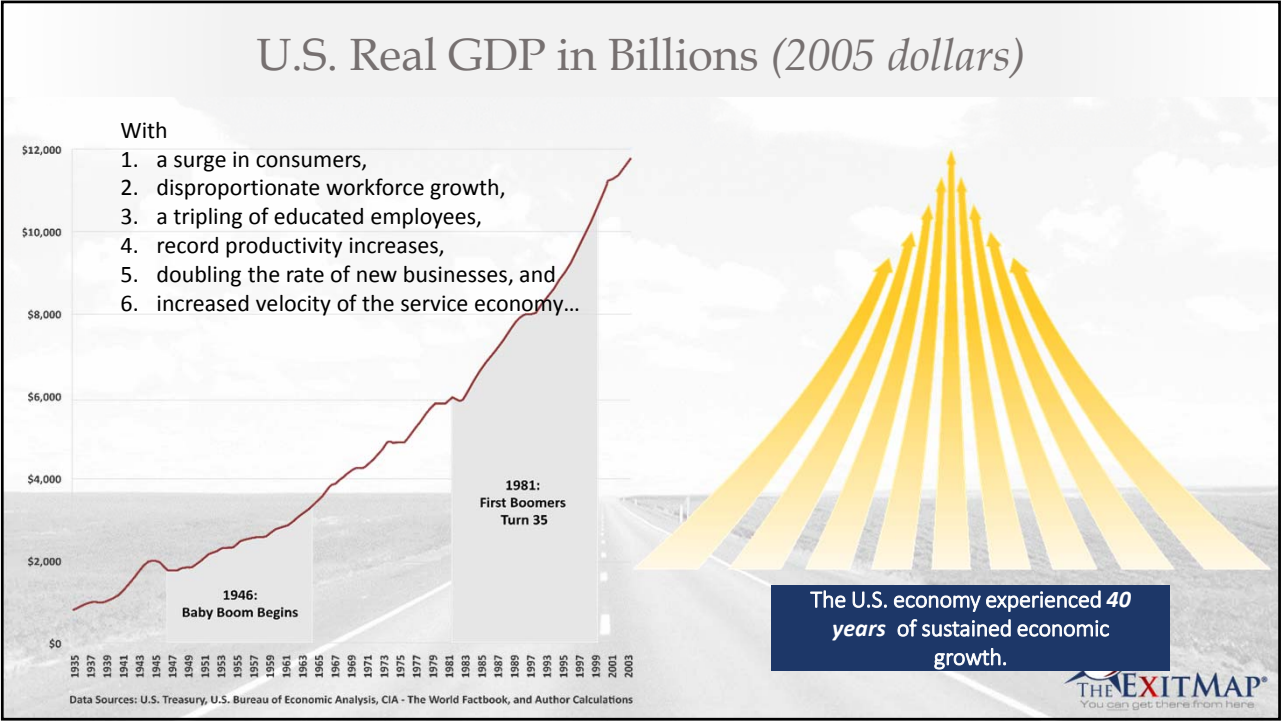




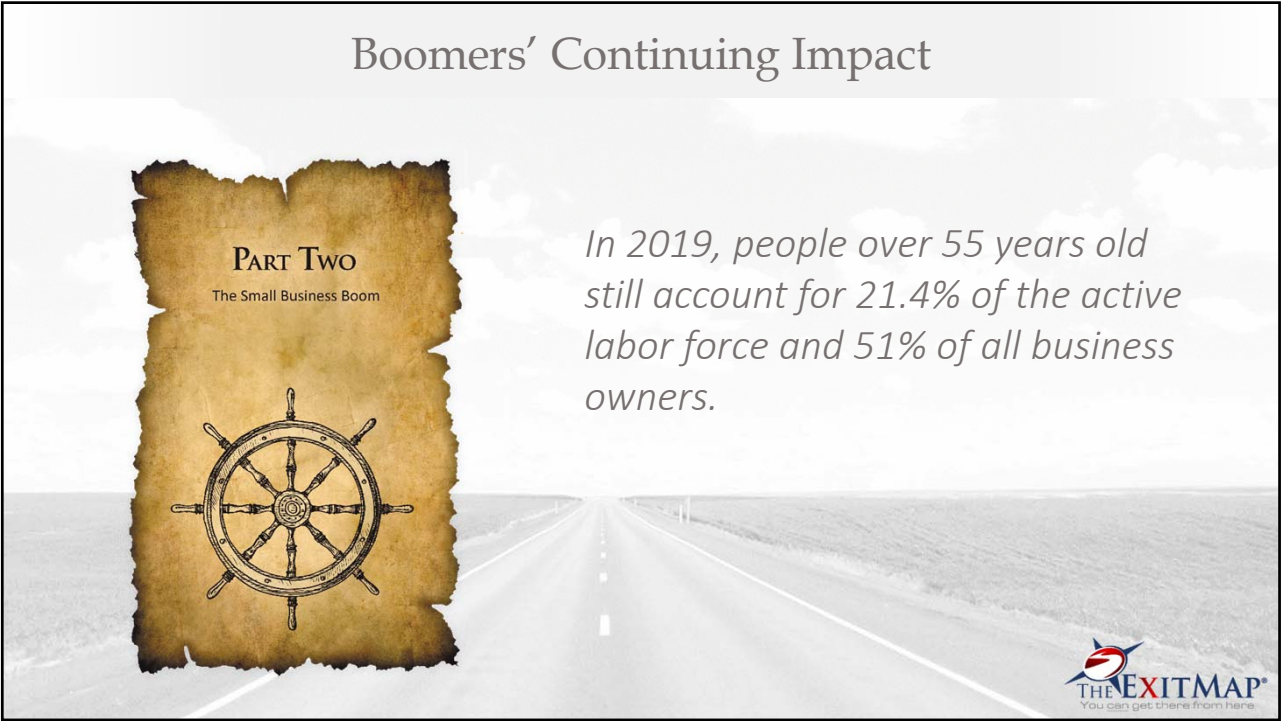
9



10



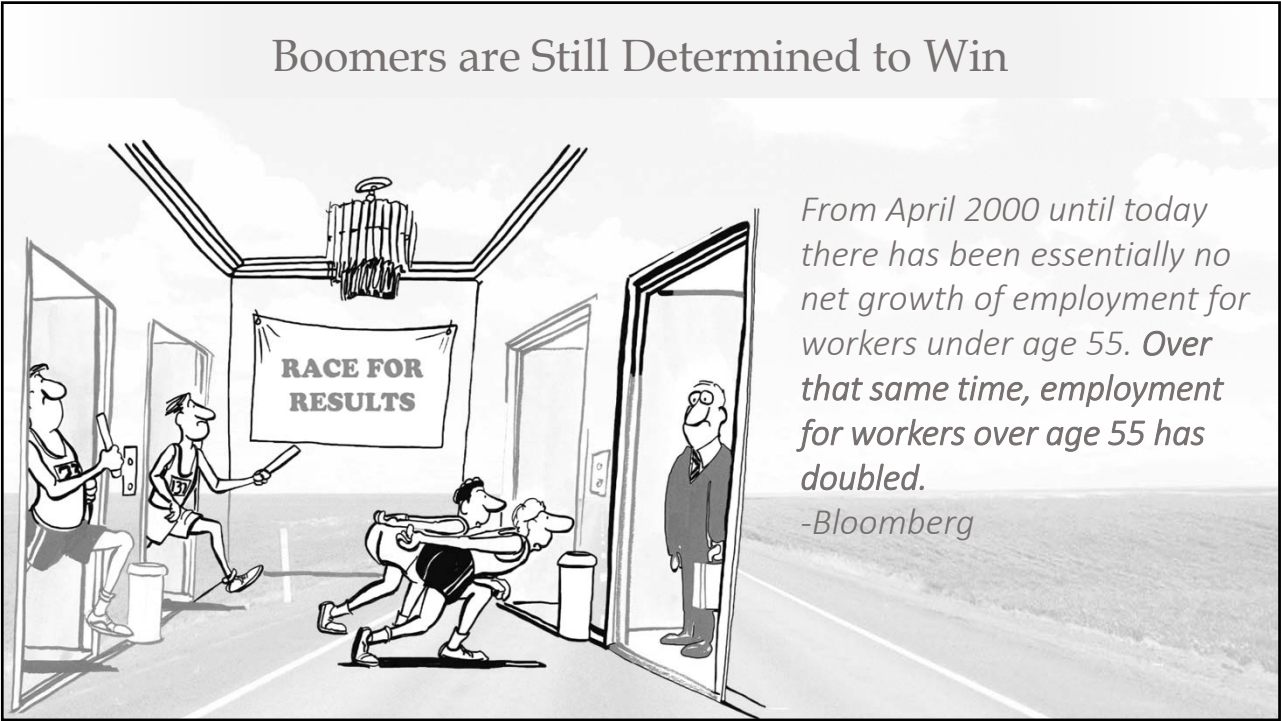
11



12



13



14

Exit Possibilities

Sale to a Third Party
85% plan, 20% succeed

Sale to Employees
ESOP, LBO, seller financed

Involuntary "Resignation"

Sale to Family
Gifting, State and Tax Issues

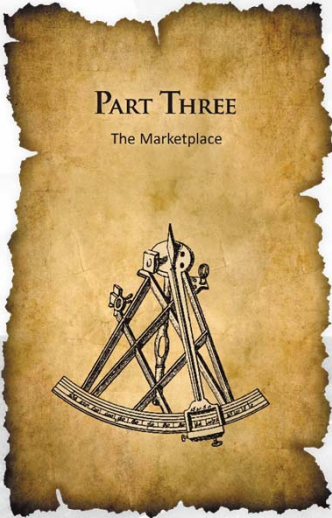
Liquidation
Transfer of Customers?




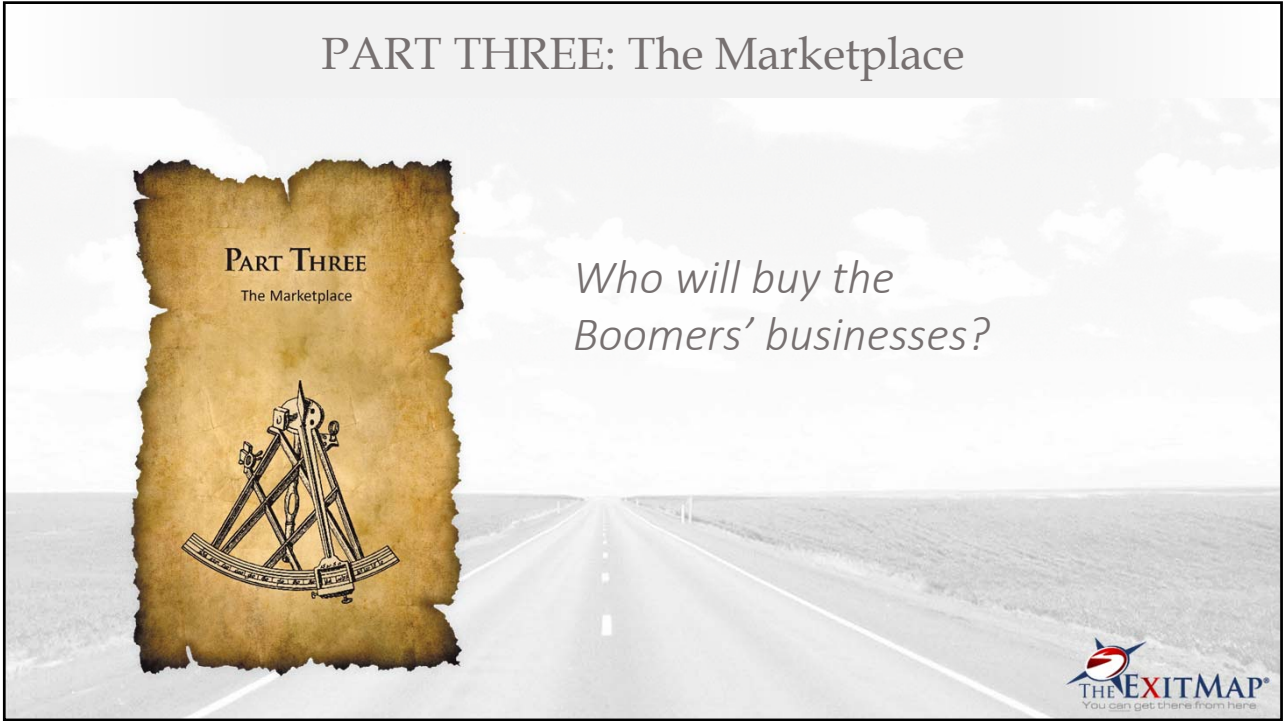
15

PART THREE: The Marketplace

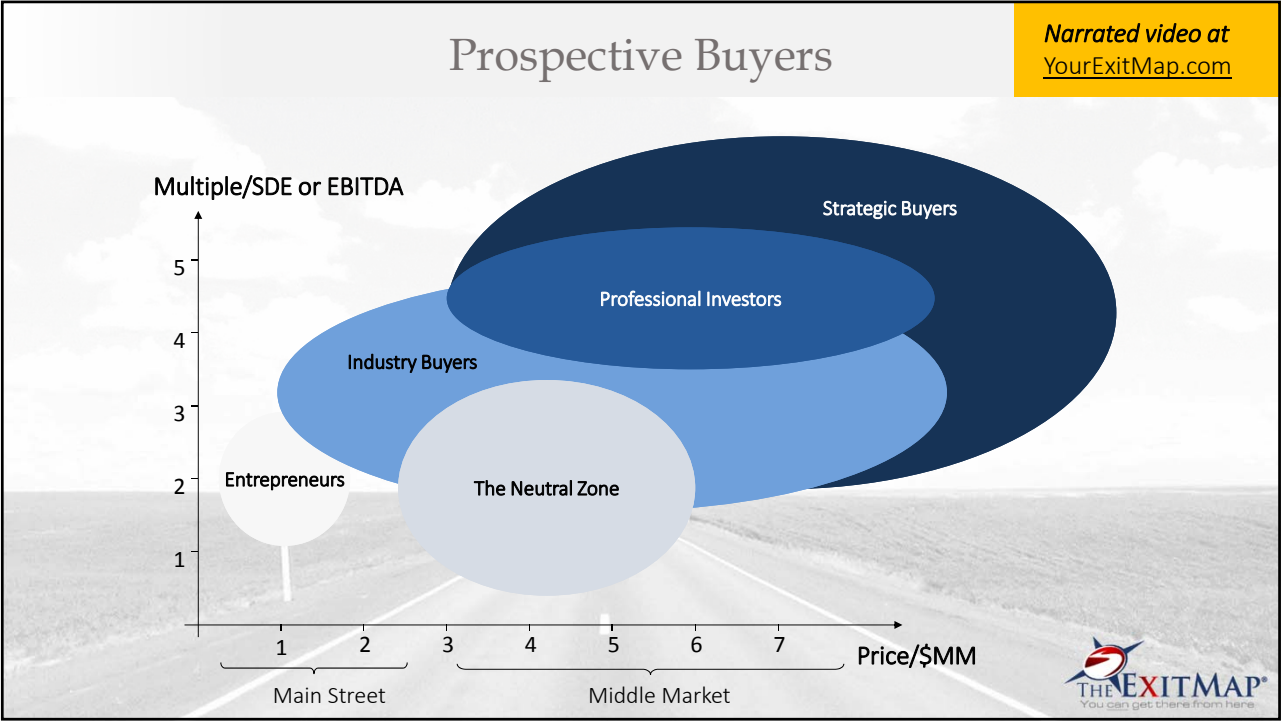
PART THREE
The Marketplace



Who will buy the Boomers' businesses?



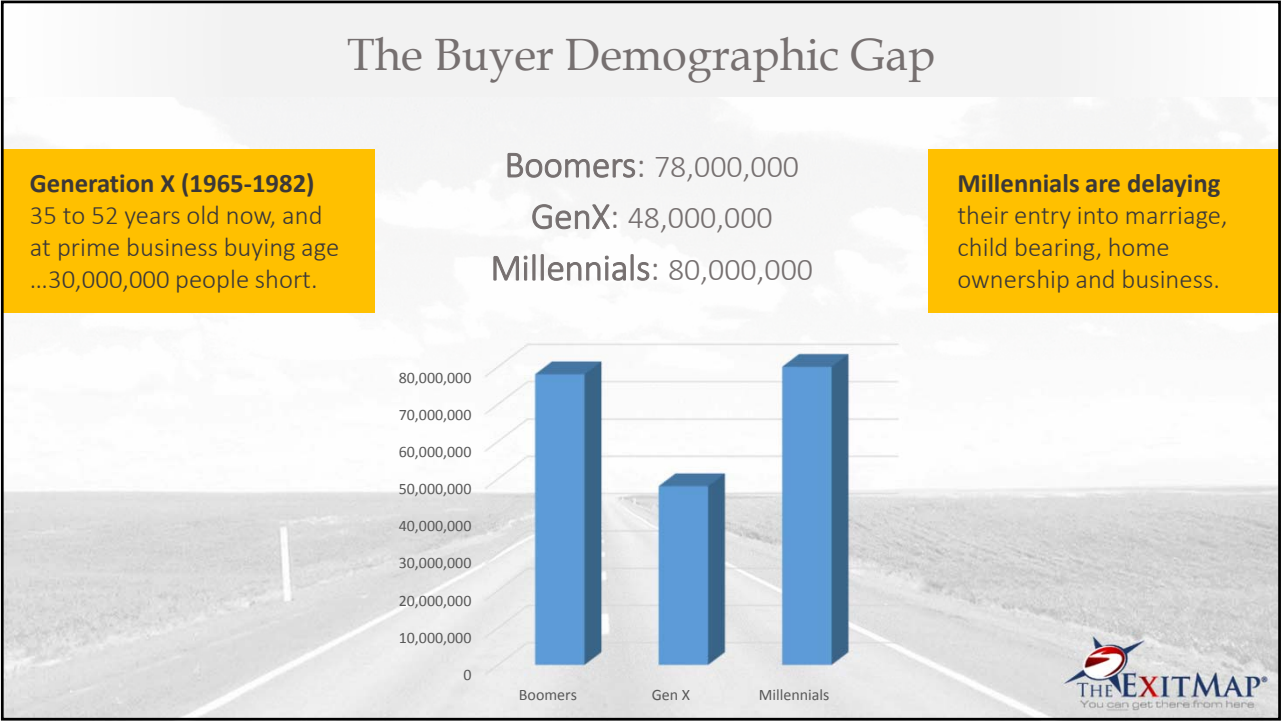
16



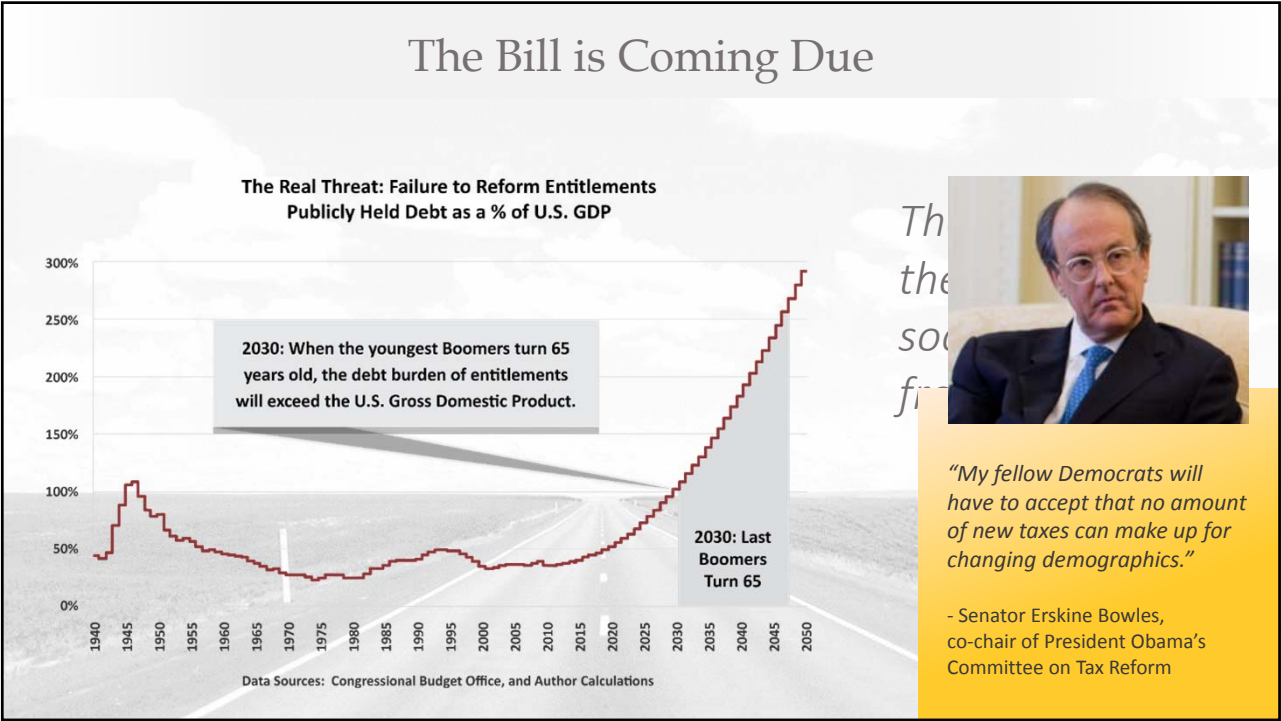
17



18



19



20

The GenX & Millennial Psychographic Gap

- Work to live, not live to work
- Shorter hours, more time off
- Less interest in material accumulation
 - Renting vs. owning
 - Anti-luxury brand identity
- Upper socioeconomic brackets supported by Boomer parents

Plus an estimated \$17,000,000,000 inheritance.





21

The Sociographic Gap

Accepting Big today's skills
Replicating Big today's styles







22

Lack of Capital


- GenX and Millennials grew up with debt
- Credit cards at 18 (or younger)
- School loans
- Instant gratification-buy now, pay later
- Budgets are for making payments
- Built-in financing options are expected







If your client's retirement plan calls for a cash sale of the business, suggest a plan B.

23

The Next Generation Business Owner



- Needs likely to do:
 - Be attracted to jobs and businesses that were formerly bootstrapped
 - Hire full-time employees
 - Expect finance as part of the offering
 - Present traditional "security" to lenders
 - Compare business acquisition to a job
 - Value technology over relationships



24

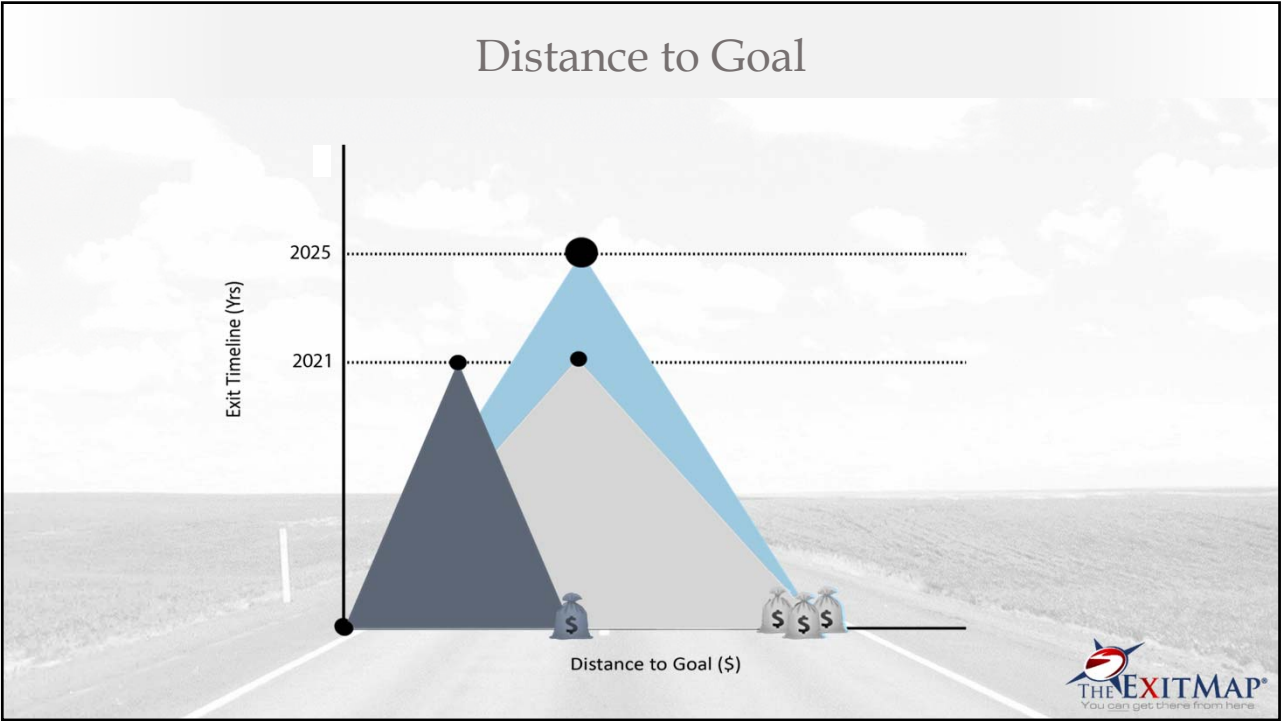
PART FOUR: Winning Starts with a Plan



A successful exit starts with good information.



25



26

Client Risk Management



- Personal Guarantees
- Underinsurance
- Contingency planning
- Fantasy valuations
- Acquisition financing
- The next generation customer
- The next generation lender



27

Asset Protection that Discourages Lenders



- Owners’ personal guarantees
 - Increasingly diluted by estate planning (trusts, gifts)
- Asset protection strategies
 - Related entities
 - “Checking accounts” LLCs
- Concentration in “untouchable” holdings
 - Protected ERISA plans
 - Frequently listed as “stocks and bonds”
 - Insurance and annuities (protected in Texas)



28

Security Interests



- Liens on insurance
- A “Key Man” policy may mean many things in the owner’s mind
 - Equity buyout for a family
 - New CEO search
 - Working capital replacement
- Seizure to satisfy debt is equivalent to “foreclosure” of the company.



29

Business Contingency Planning

- Business contingency planning is not
 - Disaster planning
 - Succession planning
 - Information integrity planning

What Happens if the Owner Doesn’t Come in Tomorrow?



- ✓ Decision making authority
- ✓ Financial resources
- ✓ Trusted advisors
- ✓ Family instructions

Planning for all owners over 60 should include documented BCI!

30

Valuations

- Lenders seldom pay attention to small business values
- Personal financial statements may be greatly inflated
- Many owners use non-standard values
 - Rules of thumb
 - Hearsay
 - Industry standards
- Both lenders and owners may be in for a surprise

31

Acquisition Financing

- LBOs and ESOPs
 - Service companies with little or no asset base
 - Acquirers with minimal personal net worth
 - Financing based on cash flow
 - “Equity” may be dependent on subordinated debt
- Younger third-party buyers
 - Smaller down payments
 - Shorter track records
 - Fewer outside resources

32

The Next Generation Planner

- Understands the new paradigms for risk assessment
- Understands the new structures for financial and banking services
- Understands the emotion of the most important transaction of an owner’s life



33



The Key to Success for Owner-Managed Business

Business Exit Planning Services

- Owner coaching
- Preparedness assessments
- Strategy and structure
- Business Continuity Instructions (BCI)
- Value enhancement consulting
- Personal vision development
- Cash flow analysis
- Management capability reviews
- Owner centricity audits
- Transfer mechanisms and financing

“Every exit strategy starts with the capabilities of the business.”

34