

MAXIMIZING AND PROTECTING BUSINESS VALUE

A Component of

The Seven Step Exit Planning Process™

The Seven Step Exit Planning Process™ is comprehensive enough to address all of the key elements required to create a successful Exit Plan, and flexible enough to work with each business owner's planning style. Although some business owners prefer to develop their Exit Plan as part of one multi-faceted process, others prefer to work through the Exit Planning process in stages.



For those who want a staged approach, the owner and his or her advisors can prioritize the elements of the Exit Plan and complete each component sequentially, rather than all at once. In these situations the owner and advisors identify each Component of the Exit Plan to be addressed and create a schedule for addressing and completing that Component before moving on to the next.

For owners who are focused on Maximizing and Protecting Business Value, the Exit Planning Process can be modified as follows:

STEP 1

IDENTIFY OWNER OBJECTIVES

Each Component of the Exit Plan relies on the owner's objectives with respect to that Component and also propels the business owner closer to achieving his or her overall Exit Planning objectives (to the extent that they are known). Owner objectives in this Component may include reaching a target business value, protecting valuable business assets, developing an independent and strong management team and motivating and retaining key employees.

STEP 2

IDENTIFY BUSINESS AND PERSONAL FINANCIAL RESOURCES

In addition to identifying what a business owner wants, it is equally important to determine what owners have – the current value of the business and its current and projected cash flow. The owner and his or her advisors use current business value and projected cash flow to choose the planning tools best suited to move the business owner closer to his or her objectives. Without an initial determination of what the owner has, the business owner cannot measure his or her progress toward the stated objectives.

MAXIMIZING AND PROTECTING BUSINESS VALUE

The elements that build the value of a business or preserve the value the owner has worked so hard to create are called Value Drivers. In this Component, owners and their advisors identify which Value Drivers are important to meeting the owners' objectives and steps to protect the tangible and intangible value of their businesses.

POSSIBLE COMPONENT RECOMMENDATIONS:

- Management Team Development Plan
- Plan to Transition Management Responsibility
- Employee Compensation Review and Analysis
- Qualified Retirement Plan Changes and Features
- Key Person Insurance Planning
- Key Employee Incentive Compensation Plan (Stock Bonus Plan, Phantom Stock Plan, Stock Appreciation Rights Plan, Nonqualified Deferred Compensation Plan, Cash Bonus Plan)
- Separation of Business Assets from Business Operations
- Covenant Not to Compete

IMPLEMENTATION AND FOLLOW THROUGH

The business owner and his or her advisors work together to design and finalize the Recommendations that will drive the owner toward reaching his or her objectives. Once Recommendation details and decisions are complete, an organized and systematic implementation of each Recommendation follows. Finally, attention is directed to the next Component that will fit into the owner's comprehensive Exit Plan.

Business owners who can benefit from this Component typically say to themselves...

"I need to strengthen my company to better withstand competitive pressure."

"I don't have a systematic way to motivate my best employees."

"I need something different so that I can attract the best employees possible."

