



LIVING LEGACY

In Tough Times, What Are Your Options?

In this issue we discuss how owners of mid-sized business are making decisions about their futures in a quickly changing economy.

As exit planners, we consistently urge business owners to take the initiative when planning their exits. Today, we apply that perspective to encourage business owners to go beyond panicked headlines and take a clear-eyed look at their options in light of their: (1) exit objectives, (2) companies and (3) current M&A conditions in their marketplaces *before they decide* if their exits must be moved forward or delayed.

Each owner is different: some are so close to retiring that they can taste it, while others have years to work before they can even think about leaving the limelight. Some owners have a sense that hidden in this recession there just might be opportunities to be grabbed. Others are looking to protect what they've built and want nothing more than to survive. Some owners have invested outside of their companies, while for others their companies are, by far, their largest asset.

No matter your situation, you and your advisors have some serious work ahead of you. This newsletter will examine three components of your decision-making process: your exit objectives (especially your target exit date and how that might need to change), your company (how you can help protect or build its value and its sale-ability) and, should you decide to sell, what you can expect.

Your Exit Objectives

If you suspect that the current economic downturn means that the departure you planned in the next five to ten years will be delayed, you've got a lot of company. According to a 2005 PricewaterhouseCoopers' survey of 364 CEOs of privately held, fast-growing companies, "nearly two-thirds ... plan to move on within a decade or less: 42 percent within five years, and 23 percent in five to ten years." ("Wide Majority of Fast-Growth CEOs Likely to Move On Within Ten Years, PwC Finds." January 31, 2005.)

The question is: What do you do about your target departure date? If you leave it as is, do you spend your energy protecting what you've got or actively working to build value?

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If you decide to move your departure date forward by selling now, how does that affect your other retirement goals (transferring for the amount of money you want and transferring to the party of your choice)? Is your company attractive to buyers? Are there buyers active in the marketplace? And, how can you get top dollar for your company?

Your Company

As operations become leaner and meaner, is your company more vulnerable than ever before? Specifically, are there things that you can do to protect the value of your most valuable asset, your company? What can you do to help minimize your company's tax exposure? Is there a way to prevent the departure of your key employees? We will examine how you can help protect value, minimize taxation and protect trade secrets, vendor relationships and referral sources.

After looking at protecting business value, our next issue will look at how owners can build business value during a recession through acquisition. Before you dismiss this strategy as unrealistic for your company, please read about owners who are taking advantage of lower purchase prices (by using seller financing and earn outs) to acquire specific assets (like customer lists and equipment) of smaller, less adaptable, less capitalized or less well-managed competitors.

Current M&A Conditions

Let's take a look at what is going on in today's Merger & Acquisition market for mid-sized businesses (\$5 million to \$250 million of value). Consider which companies are selling, who is buying and what credit is available to finance deals of this size.

As a business owner, you have a number of arrows in your quiver and need not stand impassively on the sidelines during a time of economic volatility. Unlike the "average" investor, you aren't limited to the single strategy of pulling dwindling assets out of the market. Even if the general economy suffers, your business profitability need not.

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