

Is Your Business Financially Fit, Strategically Sound, and Legally Layered for a Future Sale?

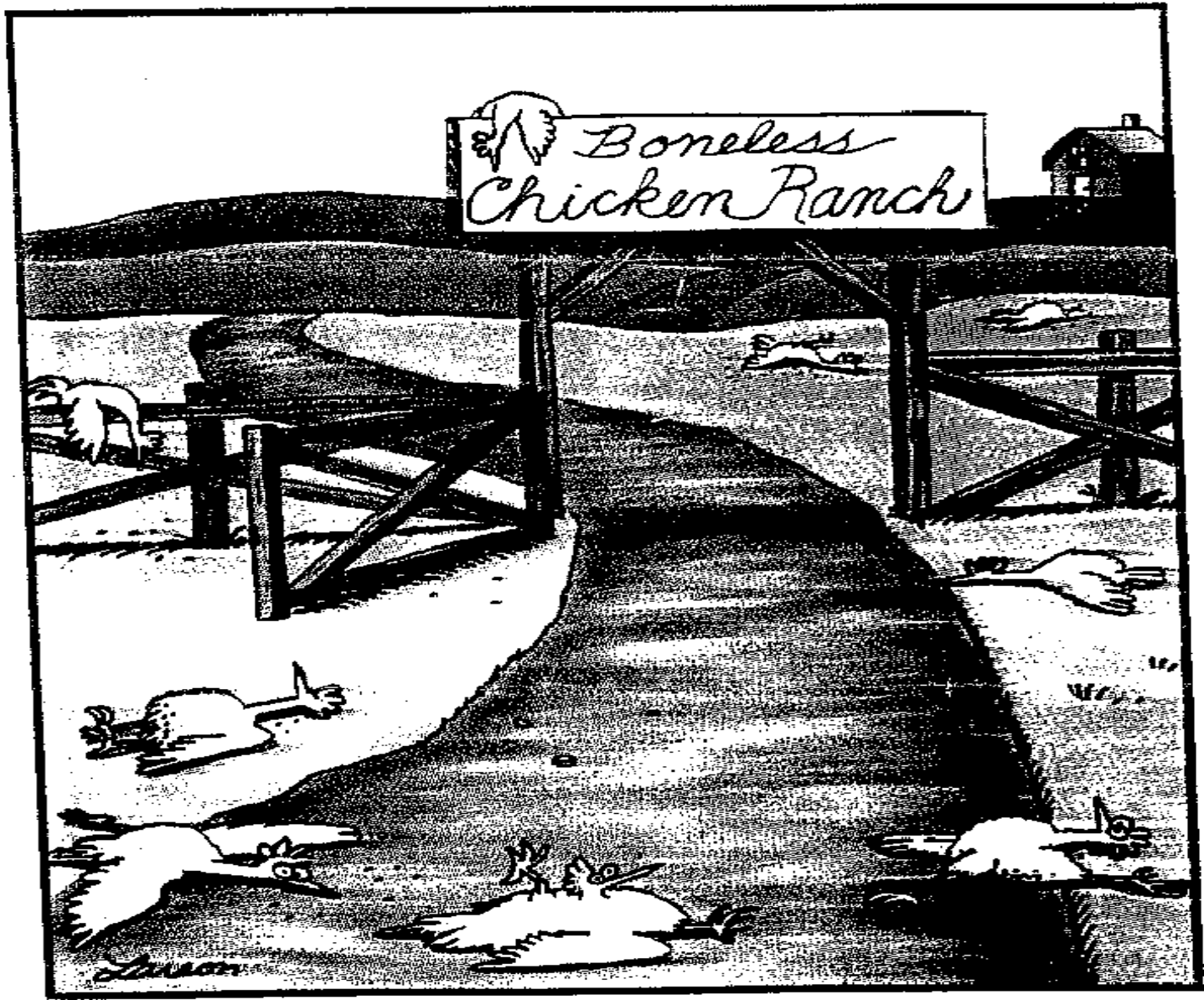
CONFAB 2003

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GOALS FOR TODAY

- **Understanding how a Business's Value can be Increased**
- **Understanding what a Sale Transaction Looks Like**
- **How to Build Extra Value in the Sale Process**



Building Value

“Get Independent Opinions”

Legal

Financial

Operational

Team of Employees

Legally Layered

Business Value Enhancement

- 1. Operating Agreement or Articles of Incorporation have Protections and Strategies**
- 2. Integrity Agreement**
- 3. Buy/Sell or Shareholder's Agreement**
- 4. Letters of Engagement**

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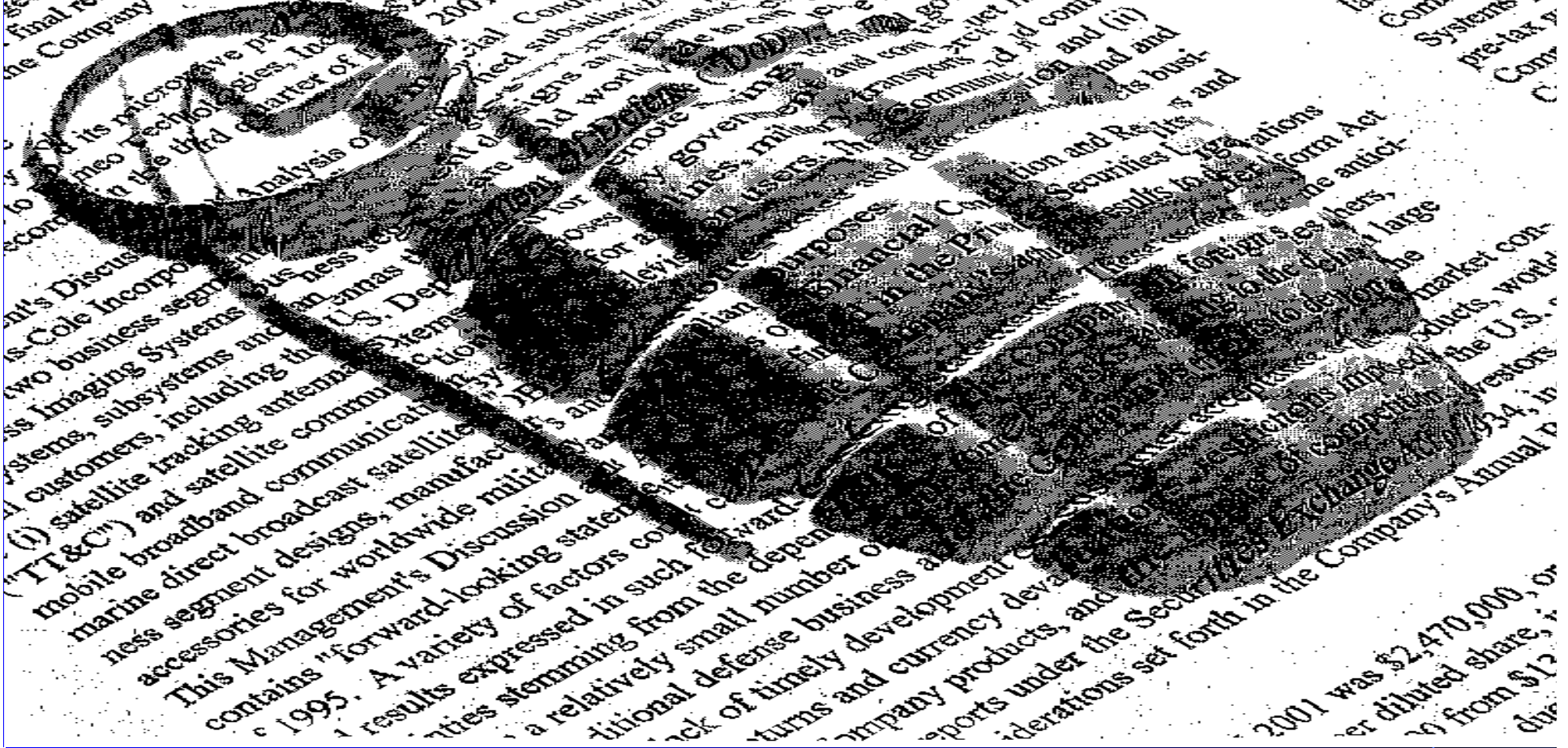
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Company's traditional defense business and the
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Results of Operations

Net income for the third quarter
pared with a net loss of \$20
for the third quarter in
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Financial Statements

- Profitable
- 3-5 years
- Clean – No Personal or Employee debt
- No questions
- Simple & Easy to Understand

Operational Soundness

Business Value Enhancement

- **Documented Systems and Processes**
- **Install them for all Phases of your Business**
- **Test them**

Team of Employees

Business Value Enhancement

A A A's

VS.

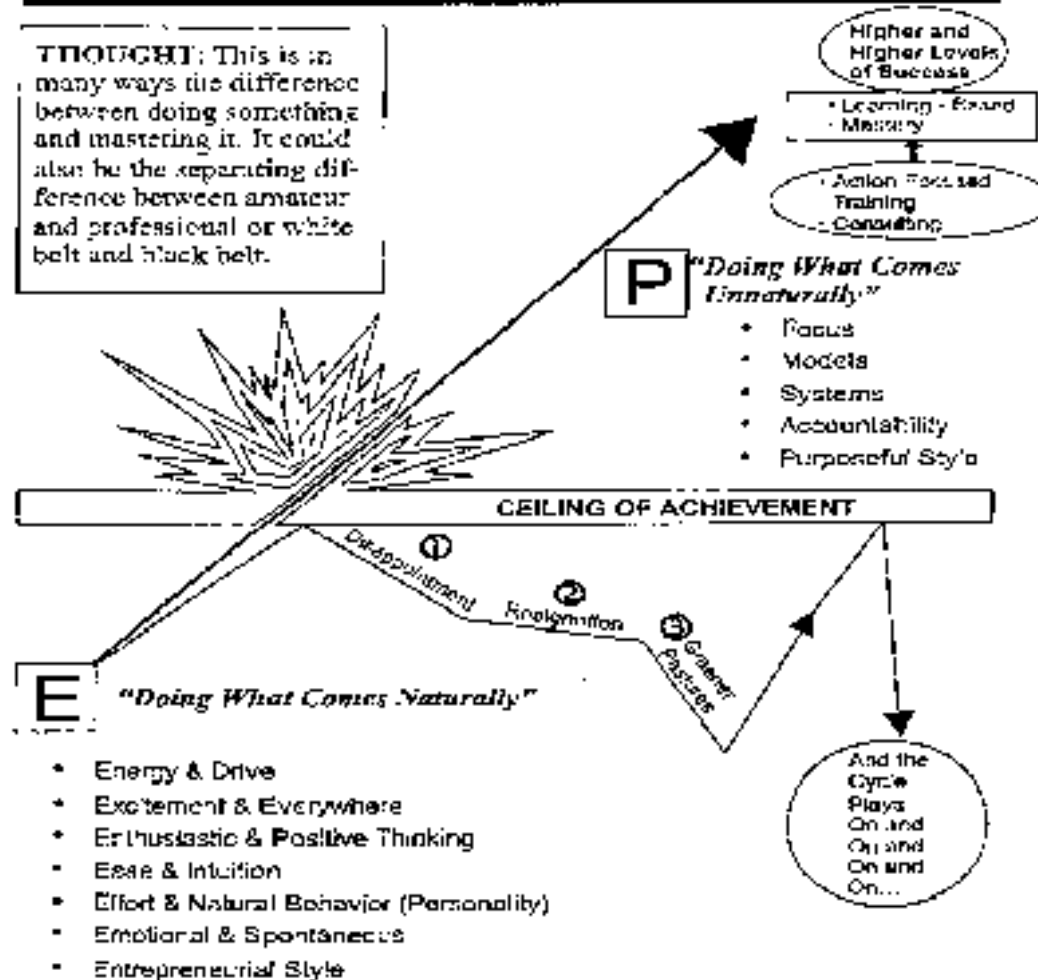
A A B's

Is Your Company Self-sustaining?

PERSPECTIVE

THE FUNDAMENTAL CEILING OF ACHIEVEMENT

THOUGHT: This is in many ways the difference between doing something and mastering it. It could also be the separating difference between amateur and professional or white belt and black belt.



TRUTH

This process is a moment of truth, a decision and a step. It is not a natural evolution.

The Sales Process

An Effective Sales Process:

- Supports A Higher Value
- Protects That Value
- Minimizes Liabilities

The background is a blue gradient that transitions from a lighter blue on the left to a darker blue on the right. It features several white, four-pointed stars scattered across the field. A curved, light blue beam of light originates from the right side and points towards the center of the slide.

“Transaction Zone”

Marketing & Selling Steps

1. Create - 1 Page Info Sheet
2. Create - Brochure Book
3. Non Disclosure Agreement
4. Initial Buyer Meetings
5. Due Diligence of Buyer \$\$
6. Human Due Diligence
7. Letter of Intent
8. Sale Agreement
9. Closing



AIRPORT
SECURITY

I DON'T MIND THESE
STRIP SEARCHES,
BUT I HATE WHEN
THEY STICK
DOLLARS IN MY
UNDERWEAR

A Business Owner's idea of **WORTH**

VALUE

Determined by Outside Parties

Valuing Sales Price

Assuming 1mm in Profit

**High Risk - Desire 100% Return
Sales Price - \$1mm**

**Low Risk – 20% Return
Sales Price - \$5mm**

SO VALUE IS:

- **“In the Eye of the Beholder”**

No, in Reality...it is:

“In the Eye of the Buyer!”

Buyer's Perception of Value

- **Current “Demonstrable” Profits**
- **Future Profit Potential**
- **Seller Credibility**

Buyer Type

**Determines Value
Outside Vs. Inside**

Other Buyer Possibilities

1. **Individuals or Retirees**
2. **Corporate America Escapees**
3. **Recent Heirs**
4. **Growth - Oriented Companies**

Buyer Expectations

- **Wise to Know**
- **Discover & Verify**
- **Help Raise Sale Price!**
- **These Make or Break the Sale**

Get Help!

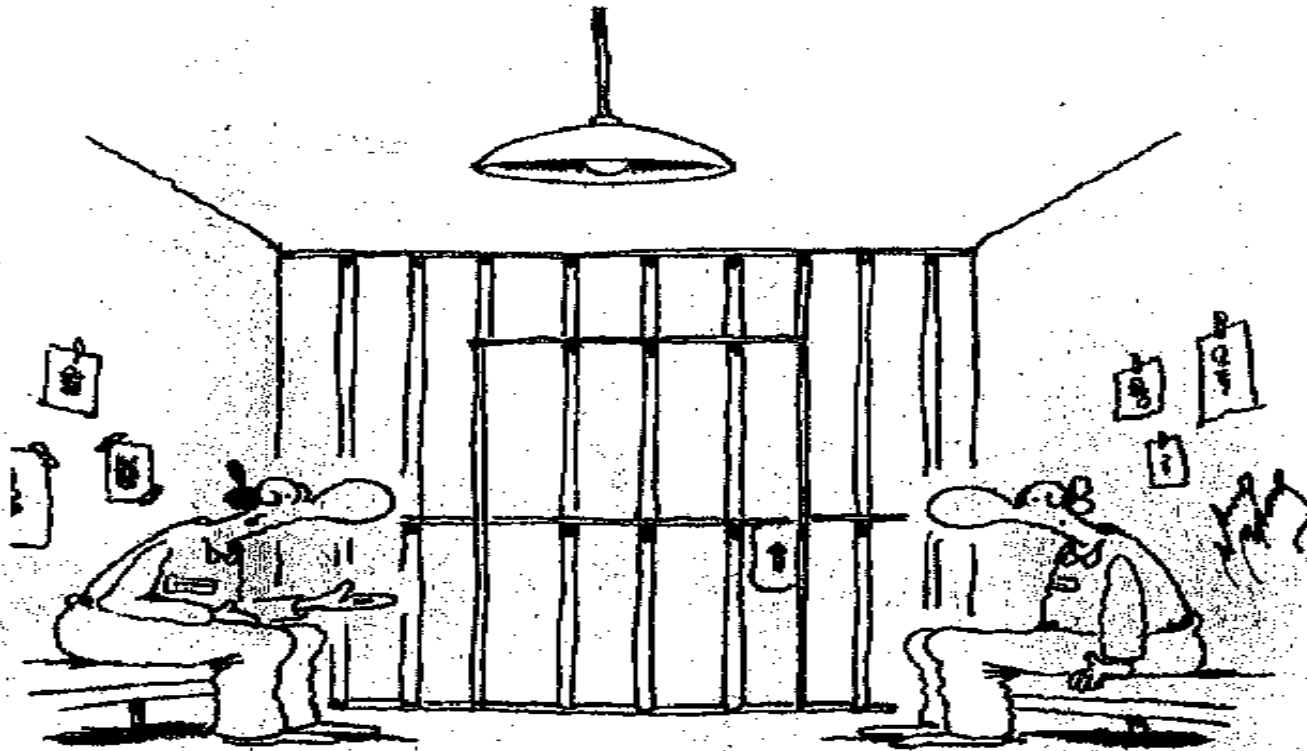
**Bring in solid advisors
1-3 years out – this takes time**

Financial Advisor

- **Councils Client – Largest Investment**
- **Introduces Transactional Consultant**
- **Helps to Manage Expectations**
- **Helps to Implement Tax Strategies**

Income Tax

Estate Tax



"Let's just say, with accounting, it's best to think inside the box."

Value Enhancers

Terms

Terms - Asset Sale

- **Typical for Small Companies**
 - Buyer wants to avoid **Liabilities**
 - No longer foolproof
- **Tax Trap -“C” Corps.**
 - **Double Tax**
 - **Strategies around**

Terms – Stock Swap

- **Cinderella Deal**
- **Unlikely**
- **Requires SEC Filings for Public Cos.**
- **Expensive & Takes Time**

Terms - Earn-outs

- **Definition**
- **Moving Price**
- **Wonderful?**
- **Most Litigated**

Challenges

Non-Transactional Advisors

1. The Uninformed yet Well Meaning Spouse
2. Other paid Advisors with no Experience

SUMMARY

You Can Add Significant Value to your Sale

- **Get and work with Professional Advisors**
- **Clean up Your Corp. Doc's**
- **Clean up your F.S.'s**
- **Get the Best Employee Team**
- **Have Systems and Processes**

QUESTIONS?