

## APPENDIX 1 – Sample End Game Plan

### *Personal Drivers*

There are several factors that are pushing me to exit my business. This includes concerns about my health and my lack of time that is available for me to get enough exercise. The stress of running my business has caused me to develop ulcers, which I now have under control with medication, but I am concerned for the future.

There are multiple drivers that are pulling me out of my current business. I want to spend more time with my family and travel more while I am still young enough to travel. As long as I can sell the business for what I believe it is worth, my family will have enough net worth to fund our planned lifestyle, including funding my 2 children through graduate school.

### *My Responsibilities*

Funding the needs of my family is my top priority. My next priority is to my long-term and loyal management team of 4 people. I can accomplish this in two different ways. First, I can secure an agreement that the buyer will keep them on for a minimum of 3 years. If I am not able to accomplish that, I will consider distributing part of the sale proceeds to them. I might be able to do both.

Regarding the rest of my employees, I don't feel that I have any direct obligation. However, by choosing the right buyer that I believe will continue to invest in and grow the company, I can help secure the likelihood of their long-term employment.

### *Business Valuation*

I have talked to a couple of companies who have expressed interest in purchasing my business. Based on what they suggested would be the valuation of my company and discussions I have had with a couple of M&A advisors, I believe I have a good range of value for my company.

### *Financial Planning*

Based on my expected valuation of my company, I have worked with my current financial advisor and should have enough money to meet my family's financial needs. This is based on an expected sale price of \$20 million and net after-tax proceeds of \$16.4 million.

### *Exit Options*

No one in my family is interested in running the company. My management team, although a strong team, has neither the interest nor the financial resources to buy the company. An ESOP might work – we are big enough for an ESOP, but I am not sure if the timing fits.

That leaves selling to a third party the most likely option, but this will take more research.

### *Exit Timing*

In this area I have conflicting inputs. With the interest rate at above historical levels, I believe that selling might be best delayed for up to 2 years. The business is still in a growth mode, so its valuation should hold up and even increase over the next couple of years. One option would be to sell a

minority share now, with the buyer having the right to purchase the rest of the company within 3 years. That might increase the overall value that I would receive from selling the company.

#### *Personal and Business Readiness*

I am ready to exit now, as long as I can secure the expected sales price. However, if I need to stay on for a few more years as owner or consultant, I am okay with that approach also.

Regarding the readiness of the business to exit, there are several things that need to be done before I move forward with selling the company. The company is still highly dependent on me for some sales activities. I need to document the company's sales process and make sure the sales force is fully trained in this area. There are a couple of key customer relationships that I need to pass on to others within the organization.

#### *Tax Planning*

With the size of my net worth, including the expected Net Proceeds from the sale of the business, I will be facing significant income taxes and estate taxes. This is not an area where I have much knowledge, so I will have to reach out to experienced M&A tax advisors.

#### *My Advisory Team*

I have been with my accountant and my company lawyer for over 10 years. Neither of them is an expert in the specialty skills required for me to sell my company. I know I will need to either replace them or supplement their missing skills with other professional advisors.

I need some help in dealing with the complex human resources issue that will come up. I also need to bring in someone who will act as my Exit Planner. I also need to hire an outside M&A professional to help prepare the company for sale and find the right company at the right price and terms and conditions. I will need expert tax advice to minimize my taxes from the sale and estate taxes that might otherwise need to be paid in the future.

#### *What Will My Life Look Like After I Exit?*

I will be 62 next year. One of my drivers is losing weight and getting back in shape. We have developed a detailed travel plan that will take us about 3 years to complete. Some of these trips require extensive hiking. My 2 children will be starting graduate school – one next year and the other 2 years later. Both children are married and live nearby. We hope to have grandchildren to help raise within a few years. My wife has recently started a not-for-profit focusing on providing educational services to underprivileged children. I want to join her and help her make a difference.

#### *When Should I Start Planning?*

With my targeted exit date within the next few years, I need to start planning now.

#### *What About My Company Would be Attractive to Potential Buyers?*

My company has been profitable for the last 12 years and has grown year over year during that period. We have an excellent management team, a solid customer base, and a good reputation with our customers.

*What Is My High-level Timeline?*

<b>Planned Actions - Business</b>	<b>Timing</b>
Create a written exit plan	90 days
Build an advisor team	180 days
Prepare the company for sale	6 months
Market the company	3 months
Find a buyer and negotiate a deal	3 months
Sell the company	< 2 years
<b>Planned Actions - Personal</b>	<b>Timing</b>
Start losing weight and getting back in shape	2 years
Complete our 3 years travel plan	2 – 5 years
Financially support our 2 children for grad school	1 – 4 years
Start working in my wife's not-for-profit	3 years