



Report Card

The Next Move For Business Owners

This Report Card will help you grade yourself (A to F) on how well prepared you are for your transition and eventual exit from your business.

Company: _____
Owner: _____
Date: _____

Building Block 1 – Decide What I Want

Grade

- **Who.** I know who I will transfer my duties to and whether I will transfer my Company to an outside third party, key employee(s), partner, family or ESOP. _____
- **What.** I know what portion of my Company will be transferred, kept, or kept and leased back. _____
- **Where.** I know where I want to reside after I exit my Company. _____
- **When.** I know when I want to exit from active duty and ownership. _____
- **Why.** I know why I want to exit and who I want to benefit. _____
- **How Much.** I know how much net cash-in-pocket I need or want to receive from exiting my Company. _____

Building Block 2 – Decide What I've Got

Grade

- **Company Fair Value.** I know the fair market value of my Company. _____
- **Intangible Assets.** I have identified my valuable transferable intangible properties. _____
- **Normalized Accounting.** My financial statements have been normalized to reflect fair market compensation, related party rentals and industry accounting standards. _____
- **Nonbusiness Net Worth.** I know the value of my financial net worth outside of my Company. _____
- **Target achieved.** The net after tax realizable value from my Company plus my personal net worth equals or exceeds my Cash-In-Pocket Composite Index. _____

Building Block 3 – Protect My Family

Grade

- **My Spouse.** My Estate Plan and Asset Protection Plan financially protect my spouse. _____
- **Myself.** My Estate Plan and Asset Protection Plan financially protect me. _____
- **My Children/Grandchildren.** My Estate Plan and Asset Protection Plan financially protect my children and grandchildren. _____
- **Education.** My Estate Plan achieves my family education objectives. _____
- **Charity.** My Estate Plan achieves my family charitable objectives. _____

Building Block 4 – Protect My Business

Grade

- **Asset Protection.** My Company corporate structure protects my business from disastrous litigation exposure. _____
- **Casualty Protection.** My Company safety program/casualty insurance program and business interruption insurance program sufficiently protect and insure my business from incurring unexpected costs or disastrous litigation exposure. _____
- **Employment.** My Company employment policy/ programs protect my Company from unnecessary employment litigation/claims. _____
- **Internal Controls.** My accounting system has sufficient internal protective controls. _____
- **Intellectual Property.** My Company's intellectual property protection program covers my human capital and proprietary capital. _____
- **Disaster Alert.** My disaster alert program sufficiently informs employees, customers and other constituents of Company direction upon my or other key owner death/disability. _____
- **Proprietary Capital.** My Key Employee Group has executed employment agreements which address nonsolicitation of customers and other employees and protection of Company intellectual and proprietary data. _____

Building Block 5 – Protect My Ownership

Grade

- **Corporate Governance.** We have a working Board of Directors with the optimum representation of qualified inside and outside directors. _____
- **Business Continuity.** Our Business Continuity Agreement sufficiently addresses Company operational issues due to financial, corporate and business contingencies. _____
- **The 5 D's.** Our Buy-Sell Agreement sufficiently addresses unexpected key owner death, disability, divorce, departure and disputes. _____
- **Funding.** Our Buy-Sell Agreement trigger events are fully funded with insurance and/or Company reserves. _____

Building Block 6 – Grow My Investments

Grade

- **Wealth Plan.** My Comprehensive Wealth Plan is diverse, effective and actively managed by an outside investment professional. _____

(over)

Building Block 7 – Grow My Business

Grade

- **Sales Growth.** My rate of sales growth would be considered attractive to an outside investor.
- **Cash Flow Growth.** My rate of cash flow growth would be considered attractive to an outside investor.
- **Business Model Innovation Program.** My Business Model Innovation Program is well designed and continuously utilized to keep my business model ahead of competition and to find new and developing opportunities to sustain and grow my company.
- **Strategic Growth Plan.** My Strategic Growth Plan demonstrates an effective Company growth strategy without my presence; it addresses the “Porter Forces” impacting my business and assesses the presence and duration of my “economic moats”.
- **Acquisition Program.** My ongoing site acquisition and business acquisition program is engaged and effective.
- **Product Development.** My product/service development program is highly effective and competitive.
- **Employee Engagement.** My employees are highly engaged and exceed industry performance standards.

Building Block 8 – Prepare My Management

Grade

- **Leadership.** Without counting current existing transitioning owners, my Company has one or more leaders capable of running the Company for at least 5 – 10 years.
- **Development.** We have an effective Leadership Team Development Program for each key management position.
- **Depth Chart.** Our management depth chart is sufficient to run the Company without existing transitioning owners.
- **KEG Engagement.** Our Key Employee Group receives sufficient equity or cash incentive compensation to see themselves invested long term in the outcome of the Company.

Building Block 9 – Prepare My Company

Grade

- **Consents.** We have obtained the necessary pre-exit outside consents.
- **Internal Controls.** We have accounting system credibility.
- **Sale Control.** We have assured pre-exit inside control to sell company.
- **Check-Off.** We have accomplished our pre-exit house-in-order check-off.

Building Block 10 – Prepare My Tax Savings Plans

Grade

- **Operating Taxes.** We operate under a Company structure and operational system which minimizes State income, sales and property taxes.
- **Incentives.** Our site selection and expansion program maximizes the use of available State and local site selection incentives.
- **Ownership Exit.** Our capital gain taxes upon ownership exit will be minimized through proper corporate structure and tax elections.
- **State Capital Gain.** State capital gain tax upon my ownership exit will be minimized or avoided due to proper exemption planning or State residency planning.
- **Estate Taxes.** My estate taxes will be minimized or avoided due to advance planning and/or funding.

Building Block 11 – Plan My Inside Route Exit

Grade

- **Outlook.** I have determined (and planned for) my inside sale outlook.
- **Terms.** I have established tax efficient, bankable sale to insider terms.
- **Method.** I have determined whether a stock bonus, a direct purchase, an ESOP, or a combination is the best way to transfer to our employees.

Building Block 12 – Plan My Outside Route Exit

Grade

- **Outside.** I have determined (and planned for) my outside sale outlook.
- **Terms.** I have established tax efficient sale to outsider terms.
- **Method.** I have determined the best exit route method for a sale to an outside third party.

Transition Growth Plan

Grade

- **Plan.** My written Transition Growth Plan has been updated within the past 2 years and the implementation of the Action Plan items has been occurring on schedule.

Grade Average _____

Report Card Guidelines:

We have adopted and adapted the Report Card concept to the Transition and Exit Planning process. This enables a business owner to self-evaluate Transition and Exit Planning status and progress. Report Cards, of course, typically use a letter grade measurement, where “A” is the best (or very good), followed by “B” (good), “C” (average), “D” (below average) and “F” (failing). The objective is to achieve a straight “A” result.