



**Resource  
Guide**

**The Next Move  
For Business  
Owners**

# **The Next Move Resource Guide**

## **The 12 Critical Building Blocks For A Successful Transition**

By: Nick Niemann, Esq.

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## Resource Guide

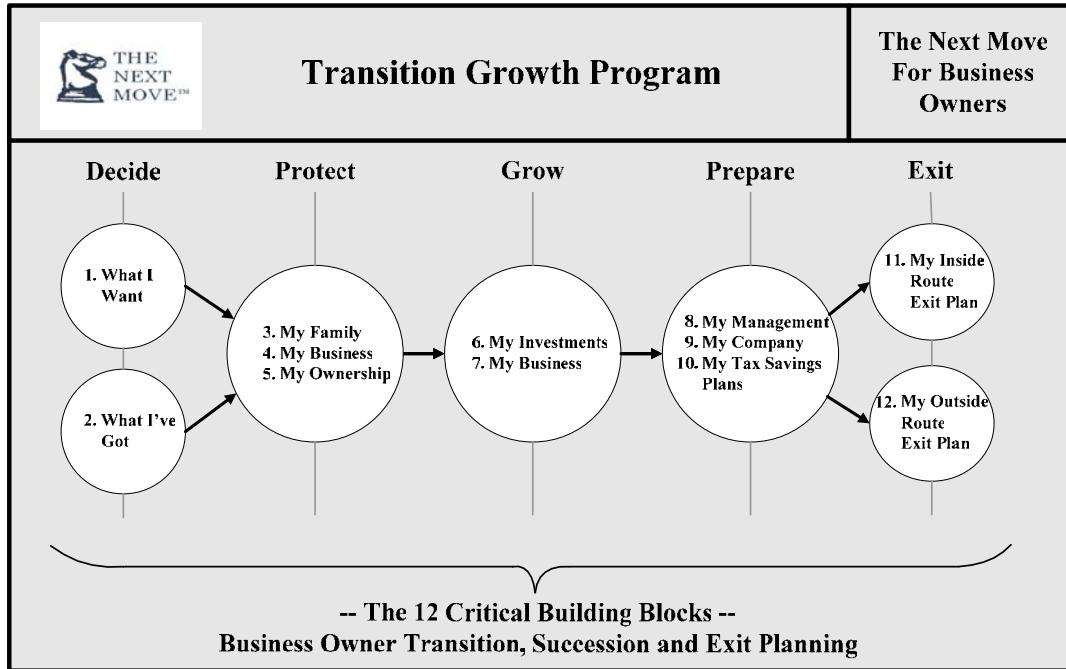
## The Next Move For Business Owners

Transition Growth Plan.....	1
What Will Be Your Future Exit Outcome?.....	2
How Do You Achieve The Future Outcome You Want?.....	2
The 12 Critical Building Blocks To A Successful Transition.....	3
Stop, Look Both Ways, Proceed With Caution.....	8
What's Your State of Transition Exit-Readiness.....	9
Pre-Exit Fitness Test Questions.....	10
The Next Move For Business Owners.....	17
Why A Transition Growth Plan If You Don't Plan To Exit Soon.....	17
<hr/>	
Results Around The Country.....	19



# Resource Guide

# The Next Move For Business Owners



## Transition Growth Plan

Transitioning and exiting successfully from a closely held company or family business has never been quick or easy. It requires that certain well-defined actions be taken over a period of time by a business owner and management team. Many opportunities exist for enhancing an owner's business, financial, tax, personal, and legacy outcomes -- in particular, if proper transition growth strategies are put in place 10 to 15 years ahead of your expected exit. This is why we created The Next Move Program™ for business owners.

A successful outcome depends on evaluating and addressing 12 Critical Building Block components during the Transition and Exit Planning process.

### Decide

1. Decide What I Want
2. Decide What I've Got

### Protect

3. Protect My Family
4. Protect My Business
5. Protect My Ownership

### Grow

6. Grow My Investments
7. Grow My Business

### Prepare

8. Prepare My Management
9. Prepare My Company
10. Prepare My Tax Savings Plans

### Exit

11. Plan My Inside Route Exit
12. Plan My Outside Route Exit

Using The Next Move Program™ we work with business owners and their advisors to accomplish these critical steps successfully.

## **What Will Be Your Future Exit Outcome?**

We work with you and your existing advisors to design and to address the critical actions needed for accomplishing your transition and exit successfully.

What do you hope will be the future outcome of the time and financial investment you've made in your business? Based on over two decades of working with owners of small, medium-sized and large closely held and family businesses, I have seen that the answers to this question tend to be very similar. Most owners of business operations have some or all of the following hopes or wishes:

- That your income from your business will continue to grow and provide an increasing standard of living for you and your family.
- That your business will help you accumulate sufficient financial resources for a comfortable retirement.
- That your business will not suffer or be lost through the negative influence of either internal or external adversities or claims.
- That both your business and your family can financially survive your unexpected, premature disability or death.
- That you can retire upon your own terms, while leaving your business in the good hands of successor management which you have selected and groomed.
- That ultimately you can either pass on a successful and valuable business to your family, or sell your business to your fellow owners, management or an outside buyer of your choice at a full and fair price, while minimizing potential federal and state taxes.
- That you can accomplish all of this with minimal shareholder, management and family conflicts.
- That your advisors will help you understand your options to help you make informed decisions.

These tend to be common business owner wishes, whether you own all or part of your business, whether your business is small or large, whether you are in the business of selling products or services, and whether you started the business yourself or inherited or bought it from someone else.

## **How Do You Achieve The Future Outcome You Want?**

Almost all of the business owners that we have worked with over the years are very good at what they do. They also all realize that a business is not successful or profitable simply because they might wish it to be so. It's a basic and well understood principle of business – to be profitable and successful, you need to actively take the steps needed to efficiently provide, at a competitive price, products or services that a significant segment of the consumer or business public needs or wants.

You know you can not simply wish or hope this will happen on its own. The successful business requires years of hard work, planning, dedication, and good business decisions. Likewise, you can't simply wish for your transition or exit to be successful and then expect it to be. You need to actively cause your transition and exit to be successful.

How is this done? It's done by asking two fundamental questions and then taking decisive action based on the answers.

## **Question 1: What Will Be The Probable, Almost Certain, Future Exit Outcome Of Your Present Course, If Left Unchanged?**

You should take some time to answer this. What will be the outcome of your present course? The probable almost certain future outcome of a business owner's investment of time and capital depends on how well you understand this.

## **Question 2: What's Missing, The Presence Of Which Would Make A Substantial Difference In Producing A Better Exit Outcome?**

There are over 100 different Transition and Exit Planning tools and techniques utilized as part of approximately 40 exit strategies which well-advised business owners are very successfully using to provide the missing components, the presence of which equips you and your business for achieving a substantially better transition and future exit from your business. These tools and techniques can help assure that you can successfully enhance and protect your current and future business profits and value, as well as successfully pass on or sell your business upon your retirement, disability or death.

## **The 12 Critical Building Blocks To A Successful Transition**

We have seen too many half-way attempts by other professionals at transition or exit planning, often in a truncated format called "succession planning". These attempts have the same thing in common – they seek to apply the professional's narrow specialty to a situation that demands multiple areas of knowledge.

Transitioning and exiting from a closely held company successfully has never been quick or easy. Given the many unforeseen events which can occur before you exit, we have found that a successful transition and exit from your business needs to rest on a 12 critical building block design process (which involves eight key areas of professional advisor capabilities). This is an experience-based, proven step-by-step process that has been leading business owners to their ultimate success — the profitable sale or transfer of their businesses.

This process is tailored to meet the particular transition and exit objectives of a business owner. This process helps to keep your "train on the tracks" and to successfully hand the controls to the next conductor. The Transition and Exit Planning process is a planning process designed for success rather than failure.

### **Building Block 1 – Decide What I Want**

The first action is to identify your personal, financial and transition/exit objectives and then to make sure they fit together. This begins with an understanding of five prime transition questions that, once answered, enable you to move forward with clarity and purpose.

1. **Who** – Who do I want to transfer my business and duties to?
2. **What** – What part of the business do I want to transfer or keep?
3. **Where** – Where do I want to reside after my exit?
4. **When** – When do I want to exit from active duty and/or ownership?
5. **Why** – Why do I want to exit?
6. **How Much** – How much net cash-in-pocket do I need or want upon my exit?

Other objectives impact your Transition and Exit Planning choices. These personal and financial objectives, which can impact you, your family and your business, are addressed in this process as well.

During this step you should begin to visualize your life post-exit, to focus on your other personal or life goals, whether this is to begin or buy a new business, to take on charitable endeavors, to begin a new career,

or to just retire. Many business owners find it difficult to just move directly from being active sixty to eighty hours per week immediately into complete retirement, so its important to start to address your post-exit plans.

### **Common Action Plan Steps**

- Family Retreat
- Financial Needs Analysis
- Transition and Exit Planning Advisor Team

### **Building Block 2 – Decide What I’ve Got**

This step requires that you look at both your personal (nonbusiness) wealth and your business value. It also entails a review as to where you stand on the other critical Building Blocks.

Every business has a value, either to you as the owner, or to someone else as a potential future owner. Building Block 2 in the process helps you to uncover what you have - how much your business is actually worth. This is a critical step in the Transition and Exit Planning process. It cannot be skipped while you go on to other parts of the process. You must uncover the value of your business and you must do it at the start of the Transition and Exit Planning process.

This is because your transition objectives can only be met in light of the net value you can expect upon leaving the business. This interaction between establishing transition objectives and obtaining a business valuation can not be answered in a vacuum. Selling your business to an outside financial buyer is very different than selling your business to a strategic buyer, just as selling your business to an outside third party is very different than selling or transferring your business to a family member, employee or co-owner (“insider”). The valuation approaches used are dramatically different.

If you’ve first identified your transition objectives and determined the likely type of buyer for your business, a business valuation can make a substantial difference in helping to produce a better outcome for you.

### **Common Action Plan Steps**

- Pre-Exit Readiness Fitness Test
- Intangible Assets Report
- Normalize Financial Adjustments
- Cash Flow Projection
- Business Appraisal
- Personal Financial Statement

### **Building Block 3 – Protect My Family**

Have you established your family’s financial security if the unexpected happens to you? Depending on your personal situation, you may have financial and personal goals and objectives that include ongoing financial support for your spouse and family, education funding for your children and grandchildren, charitable funding for your favorite charities, and helping to assure that your assets are transferred to your family members upon your death as quickly and simply as possible.

You may also have personal financial objectives which involve protection of your assets against unwarranted and unexpected, but potential future creditor claims, either from business operation exposures, personal accidents, personal injury or other casualties and contingencies. In addition, you may want to assure that your estate, including your business interests, is arranged in a fashion to minimize potential death taxes. Lastly, you may want to address certain objectives for determining which family members would be responsible for running your business if something happened to you before your planned exit. This step addresses these needs.

### **Common Action Plan Steps**

- Regular Estate Plan Upgrade
- Living Trust Upgrade
- Charitable Giving Plan
- Education Funding Plan
- Personal Asset Protection Plan
- Business Owner Estate Plan
- Personal Financial Gap Plan
- Salary Continuation Agreement

### **Building Block 4 – Protect My Business**

You can't transition from your business if you haven't protected it along the way. This Building Block, is concerned with operating under the safest business entity structure, planning to avoid disputes, protecting intangible assets, and being prepared for an unexpected departure, death or disability of a key employee or owner.

### **Common Action Plan Steps**

- Re-Structure Business Entities
- Pre-Exit Dispute Avoidance
- Intangible Asset Protection System
- Contingency Plan Notifications
- Contingency Plan Resolutions and Instructions
- Key Person Insurance Plan
- Stay Bonus Plan
- Debt Payoff Contingency Plan

### **Building Block 5 –Protect My Ownership**

Have you created a business contingency plan if the unexpected happens to you or to another key owner? Certainly, death, permanent incapacity, divorce (each as to either you or a co-owner) or a dispute among co-owners are probably not your intended exit routes. However, these contingencies exist as possibilities in every business and, therefore, need to be addressed as part of the Transition and Exit Planning process. Without proper contingency planning, your business can implode.

Business continuity is more than simply determining who will be the owner or seller upon certain events. A Transition and Exit Plan also needs to focus on producing a better outcome by re-examining together your existing contingency plan and revising it to reflect proper trigger events and pricing, as well as family and co-owner dispute avoidance and resolution techniques, all consistent with your present transition and exit objectives.

### **Common Action Plan Steps**

- Business Continuity Agreement
- Buy-Sell Agreement
- Business Financial Gap Plan

### **Building Block 6 – Grow My Investments**

This Building Block will address a comprehensive wealth program for you and your family. It looks at the investment options available and helps you focus on the optimum investment strategies.

A business owner's personal wealth planning is critical to successful transition and exit planning. The failure to address your personal wealth planning can delay or diminish the odds of meeting your key business transition and exit objectives.

A properly prepared Comprehensive Wealth Plan will review and evaluate your personal investment growth plan. This involves a review of your present personal investment plan and will address step-by-step guidance for achieving the personal investment goals you have set.

#### **Common Action Plan Steps**

- Wealth Plan Evaluation
- Comprehensive Wealth Plan

#### **Building Block 7 – Grow My Business**

For a moment, think of what you would do if you were rebuilding your company from scratch today from the ground up. What would you include to attract buyers (or professional buy-out funds) to look at your company? What features or characteristics would be necessary to make your business more valuable to you (while you own it) and more saleable and valuable to others (when you are ready to sell)? What features would you include to help protect and build your tangible and intangible assets?

These features are called “value drivers.” They are characteristics that either reduce the risk associated with owning your business or enhance the prospects that your business will grow significantly in the future. Business buyers look for certain value drivers. The Next Move Program™ addresses the value drivers you will need to improve and protect in the Transition and Exit Planning context to produce a better transition and exit outcome.

#### **Common Action Plan Steps**

- Business Model Innovation Program
- Company Value Target Initiatives
- Strategic Growth Plan

#### **Building Block 8 – Prepare My Management**

This step includes an analysis of what is needed to help attract, develop and retain key employees. You should normally be grooming one or more key persons to be able to be your successor. That type of person will usually be attracted to company ownership. We will typically want to look at one or more types of key employee equity ownership incentives which not only address this need, but which also keep all of your future exit alternatives available to you.

Imagine trying to run a sports team without a depth chart for each of the key positions. Even a simple high school football team has someone ready to go in for the quarterback if the first string quarterback is injured or becomes sick.

The same basic principle applies for running a business. This is especially the case when you are in the process of planning for your own succession, whether through a transfer to insiders or a transfer to an outside third party.

#### **Common Action Plan Steps**

- Leadership Team Development Program
- Key Employee Ownership Program

#### **Building Block 9 – Prepare My Company**

Most of us would not attempt to sell our home unless we first took certain steps to “fix the place up” so it’s ready for sale. Generally, however, it’s best to continually keep your “home” fixed up as if it is ready for sale. Not only does this allow you to enjoy your home better, but it also helps to prevent small problems

from becoming big problems, from preventing small maintenance jobs from becoming major mechanical breakdowns. Likewise, in business, it's important to address certain pre-exit readiness initiatives ahead of the time of your actual exit. This improves your chances of being prepared for an unexpected event or an unexpected opportunity, and also helps you to keep your business operational in a more profitable format.

Pre-exit readiness initiatives include securing the pre-exit outside consents that will be needed, having a credible accounting system, avoiding inside and outside disputes, having the ability to control the sale of your company, and accomplishing a "house-in-order" due diligence check-off before an actual sale or transfer.

### **Common Action Plan Steps**

- Pre-Exit Outside Consents Review
- Financial Report / Control Program
- Pre-Exit Inside Control Review
- Entity Restructure Plan
- Standby Due Diligence Report

### **Building Block 10 – Prepare My Tax Savings Plan**

Much of our United States tax system is based on how tax is imposed or not imposed on individuals and businesses, depending on the degree to which you have implemented tax savings strategies. Advance planning and advance actions can impact your tax situation dramatically. This Building Block will show you how.

### **Common Action Plan Steps**

- Federal Income Tax Plan
- State Capital Gains Tax Exemption Plan
- Transfer-To-Family Tax Plan
- Estate Tax Reduction Program
- State Incentive Growth Plan

### **Building Block 11 – Plan My Inside Route Exit**

Do you know whether your business can be transferred to an inside buyer? Do you know how to transfer your business in an affordable manner to family members, co-owners or key employees, while enjoying maximum financial security and paying the least possible taxes?

If your exit route is a transfer to co-owners, employees or family, you must do so in a way that keeps the new owner from crashing the train (your company) before the final payment is made. In Transition and Exit Planning, that means addressing at least two fundamental conditions which are present in this type of a transfer. First, the income tax consequences of the transfer must be minimized for both the seller and the buyer. Second, the departing owner must concentrate on acquiring maximum security for payment of the purchase price.

It is important to address both of these conditions because they are based on one of the overriding concerns with a transfer to "insiders". This is, that the future conductor of your train — children or key employees — has little or no cash. Since cash is at a premium, effective Transition and Exit Planning means designing methods to help guarantee that you receive the company's future cash flow at the lowest possible tax cost — both to you as seller and to the insider buyer.

There are several alternative design techniques to plan for a sale to an insider. Each of these can help produce a better outcome.

### **Common Action Plan Steps**

- Inside Route Assessment
- ESOP Feasibility Review
- Inside Route Exit Plan
- Letter of Intent For Inside Sale
- Full Inside Sale
- Banker Review

### **Building Block 12 – Plan My Outside Route Exit**

Do you know whether a third party buyer will be interested in your business? Do you know how to find such a buyer? Do you know how to sell your business to a third party, at optimal pricing while paying the least possible taxes? To help attain a better outcome for your exit, this step involves specific pre-sale planning to address what to do and not to do to find a buyer and to know how to withdraw a certain amount of value before sale in a tax efficient manner.

There are seven possible overall routes to exit from ownership of your business. Sale to a third party is one of them (which typically is accomplished through either a negotiated sale or controlled auction).

When you actually sell your business, your silent partners (the IRS and your state Department of Revenue) will want to take their shares of the selling price. The size of their shares, however, depends on both your tax planning and your company tax structure. Without addressing both of these, the tax bite may be twice as large.

### **Common Action Plan Steps**

- Outside Route Assessment
- Outside Route Exit Plan
- Offering Memorandum
- Proposed Sale Tax Outlook Report
- Standby Letter of Intent For Outside Sale
- Implement Outside Sale

### **Stop, Look Both Ways, Proceed With Caution**

The purpose of The Next Move Program™ is to help you determine which tools and strategies can best assist you. Based on your particular needs as a business owner, this process may also require a certain amount of detailed discussions and planning over a period of time with one or more other professionals working together.

## What's Your State of Transition Exit-Readiness

We begin this process by understanding your present state of pre-exit readiness. We all go through life in a constant state of either being ready or not for the events and circumstances which we will face. This is equally true for our immediate, ultimate, or unexpected exit from our business, as the case may be.

The fact is you really don't know when you will be exiting your business. You may think it is going to be in 10 or 15 years, however, the reality is that even the best laid plans can change quickly (or at least more quickly than you may have anticipated), due to unforeseen business, financial, personal, health and family changes in circumstances.

The Boy Scout motto is "Be prepared". It is good advice, and it is particularly applicable in business owner transition and exit planning where studies show that 75% of former business owners were not satisfied with their exit due to a failure to understand their options and to plan ahead. Just as you would not normally venture into a new market or a new product line without adequate preparation, you wouldn't want to venture into your foreseeable or unforeseeable exit without adequate preparation.

So. Where do you stand? How ready are you (and therefore your loved ones) for both the expected and the unexpected? What follows is a Fitness Test which we've designed to help you to answer that question. At the end of this test you should have a better idea of the answers to the above two fundamental questions:

- What will be the probable, almost certain, future exit outcome of your present course, if left unchanged?
  - What's missing, the presence of which would make a substantial difference in producing a better exit outcome?
-

## PRE-EXIT READINESS FITNESS TEST

Owner: \_\_\_\_\_

Company: \_\_\_\_\_

Test Date: \_\_\_\_\_

Read the questions carefully. These questions are part of the “History and Physical” we utilize in the Transition and Exit Planning Process. Be honest with yourself. If you don’t know an answer for sure, it should be answered “No”. A few questions might be “not applicable” to you. Answer them “Yes”.

	YES	NO
<b>Building Block 1 – Decide What I Want.</b>		
1. Do I know for sure who I want to transfer my duties and my business to e.g. to an insider (family member, key employee or co-owner) or to an outside third party?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do I know for sure whether I can transfer my business to an insider or to an outside third party?	<input type="checkbox"/>	<input type="checkbox"/>
3. Have I determined which parts of my business assets (real estate, equipment, intangible property, certain divisions) will be retained by me and leased/licensed to the company (rather than sold to the buyer)?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do I know in which State I want to reside after I exit from active duty?	<input type="checkbox"/>	<input type="checkbox"/>
5. Have I decided for sure when I want to start transitioning some of my duties to enable me to leave the business for an extended period of time and when I want to transition all of my duties to a successor permanently?	<input type="checkbox"/>	<input type="checkbox"/>
6. Have I decided for sure when I want to begin transferring ownership of my company and when I want to have completed the transfer of all of my ownership in my company in return for financial independence?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do I know why I want to exit (and who I want to benefit from my exit)?	<input type="checkbox"/>	<input type="checkbox"/>
8. Do I know for sure how much cash-in-pocket I need or want upon my retirement to achieve financial independence?	<input type="checkbox"/>	<input type="checkbox"/>
9. Do I know for sure how much net after tax cash I need or want from the sale of my business today in order to achieve financial independence?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Building Block 2 – Decide What I’ve Got.</b>		
10. Do I know whether my business financial results and value are understated (and if so by how much) because compensation, real estate rental, equipment rental and intangible licensing between myself and my company are not at normalized market levels?	<input type="checkbox"/>	<input type="checkbox"/>
11. Do I know how much my company is actually worth to the type of buyer I intend to transfer to, in after tax realizable cash?	<input type="checkbox"/>	<input type="checkbox"/>
12. Has the value of my business been estimated recently by a valuation expert or M&A transition specialist?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Building Block 3 – Protect My Family.</b>		
13. Have I executed a durable financial power of attorney which is a “present power” which designates a capable person (and capable successors) to handle my financial affairs upon my disability?	<input type="checkbox"/>	<input type="checkbox"/>

- |  |                          |                          |
|--|--------------------------|--------------------------|
| 14. Have I executed a durable health care power of attorney which designates a capable individual (and capable successors) to handle my medical affairs upon my disability and which is HIPAA compliant?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Have I executed a health care directive (living will) which specifies proper guidelines for utilizing or maintaining health care procedures in extraordinary circumstances?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. Have I executed a pour-over will to designate a capable personal representative (executor) and capable successors to handle my estate (including business matters) upon my death?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. Have I executed a living trust which protects my spouse and which protects my children and grandchildren until designated ages?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. Have I re-titled my assets into my living trust "bucket" (including my business assets) in order to avoid probate court intervention with regard to my business?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. Have I appointed capable successor trustees to my living trust who understand my business operations?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Have I addressed my charitable giving objectives, in particular from a pre-exit tax favored perspective?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 21. Have I addressed my education funding objectives, in particular from a pre-exit tax favored perspective?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 22. Have I implemented the applicable personal Asset Protection Plan tools, given an assessment of my personal exposure to business and personal contingent liability risks?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 23. Have I addressed specific bequests and equalization to and amongst children who are active or inactive in the business?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 24. Have I designated in my Estate Plan how my personal representative (executor), family business representative or trustee is to manage or sell my business upon my death or disability?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 25. Have I included in my Estate Plan a dispute resolution provision which prevents a dissatisfied child from disrupting business operations?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 26. Have I recently evaluated my personal life and disability insurance needs and implemented the insurance coverages appropriate to addressing my financial gaps, needs and objectives?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 27. Have I established a funded salary continuation plan or agreement to provide ongoing support to my spouse and family upon my death or disability?  | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>Building Block 4 – Protect My Business.</b>   | <b>YES</b>               | <b>NO</b>                |
| 28. Is my financial reporting and accounting control system providing a high degree of protection and assurance for my financial systems credibility and tax law compliance through CPA reviewed or audited financial statements (to both protect my profits today and to demonstrate my earnings track record to a potential buyer of my business)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 29. Have I recently done an intellectual property audit to help assure my business has a high degree of protection for my intangible assets (such as trade secrets, trade names, trademarks, service marks, and patents)?  | <input type="checkbox"/> | <input type="checkbox"/> |

- |     |  |                          |                          |
|-----|--|--------------------------|--------------------------|
| 30. | Are both my company entity structure and risk management program set up to best protect certain assets or business segments from the risk of liabilities or risks from another business segment? In particular, have I recently completed a thorough risk management assessment to identify and reduce property, casualty and business risk exposures of emerging liabilities that could otherwise jeopardize company profitability and ability to sell at full price? | <input type="checkbox"/> | <input type="checkbox"/> |
| 31. | Is the company able to retain key employees, customers, suppliers and franchisor relationships upon my death or disability?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 32. | Will I be able to avoid a family dispute that would be detrimental to my business upon my death or disability?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 33. | Is my company financially prepared to deal with the loss of a key employee?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 34. | Have I developed a contingency notification letter to customers/patients, lenders, suppliers, franchisor and employees for immediate release upon my death or disability?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 35. | Do I have contingency shareholder and board of director resolutions for directing board of director actions upon my death or disability?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 36. | Do I have contingency board of director instructions for the process for selecting an interim and permanent successor (or confirming my pre-designated successor) and/or taking contingency options to manage the company upon my death or disability?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 37. | Have I determined whether I need a “stay bonus plan” to help retain key personnel from departing a “potentially sinking ship” upon my death or disability?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 38. | Have I addressed already existing or potential disputes or disagreements which will surface on account of my unplanned exit from the business involving co-owners, family, customers, creditors, franchisor, vendors, employees and managers?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 39. | Have I minimized the financial hit to my company due to the loss of key personnel (including yourself), by having performed key employee valuations, backed up by key employee life and disability insurance coverage payable to the company?  | <input type="checkbox"/> | <input type="checkbox"/> |
|     | <b>Building Block 5 – Protect My Ownership.</b>  | YES                      | NO                       |
| 40. | Will my spouse or family be able to receive cash for the full value of my stock upon my death or disability?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 41. | Is my company able to resolve continuing ownership by one or more partners pursuant to a pre-determined written, contractual method upon an irreconcilable dispute?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 42. | Is my company able to contractually control retention of ownership amongst key owners upon a divorce?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 43. | Is my company able to continue to obtain bank or other third party financing upon the loss of me (or another owner) as a financial resource, guarantor or lender?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 44. | Is my company financially and operationally prepared to deal with the loss of my key services?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 45. | Do I have an exit plan letter to my family, with written instructions to my spouse and family for handling business matters upon my death or disability?   | <input type="checkbox"/> | <input type="checkbox"/> |

- |     |  |                          |                          |
|-----|--|--------------------------|--------------------------|
| 46. | Do I have pre-written guidelines for assisting my spouse, family and advisers in selling the company to a third party or insiders upon my death or disability?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 47. | Do I have pre-written designation to my spouse, family and/or board of directors naming principal exit plan advisors to assist in advising family and my board of directors on the transition of business matters upon my death or disability?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 48. | Have I established a Business Continuity Agreement to help avoid or resolve disputes (in such areas as dividend distributions, compensation setting, stock redemption policy, voting agreements and competing activities)?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 49. | Have I established a Buy-Sell Agreement which establishes must/may buy obligations on death, disability, employment termination, retirement, bankruptcy and divorce of all shareholders?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 50. | Have I established Buy-Sell Agreement provisions giving the majority owner “drag along” rights to sell all stock (including the minority) in a company sale?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 51. | Have I established a Buy-Sell Agreement which establishes the right type of stock pricing?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 52. | Have I provided sufficient funding for the Buy-Sell obligations under our Buy-Sell agreement?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 53. | Have I established in our Buy-Sell Agreement key provisions for addressing non-competition and non-solicitation, as well as Subchapter “S” protection, as applicable?  | <input type="checkbox"/> | <input type="checkbox"/> |
|     | <b>Building Block 6 – Grow My Investments.</b>   | YES                      | NO                       |
| 54. | Do I have a professionally prepared Comprehensive Wealth Plan?   | <input type="checkbox"/> | <input type="checkbox"/> |
|     | <b>Building Block 7 – Grow My Business.</b>  | YES                      | NO                       |
| 55. | Is my facility appearance and efficiency up to industry standards?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 56. | Have I recently benchmarked my business operations to determine if I am deploying my financial and human capital as efficiently as others in my industry (in order to achieve better cash flow for the business owners and a better price and cash flow upon my exit)?                         | <input type="checkbox"/> | <input type="checkbox"/> |
| 57. | Do I have a current written Strategic Growth Plan for my business?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 58. | Do I have a written Business Model Innovation Program?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 59. | Is my business cash flow predictable, steady and growing?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 60. | Have I addressed the “Porter Forces” impacting my business and have I assessed the presence and duration of the “economic moats” impacting or benefiting my business?  | <input type="checkbox"/> | <input type="checkbox"/> |
|     | <b>Building Block 8 – Prepare My Management.</b>   | YES                      | NO                       |
| 61. | Does my business have a high degree of protection designed to keep key employees from being hired away or utilizing company know how for other employers?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 62. | Have I recently completed a thorough human resource audit to assure my compensation plans and employee benefits programs are competitive with optimal benefit mix, my policies and procedures are legally compliant and my retention of employees is equal to or better than industry average? | <input type="checkbox"/> | <input type="checkbox"/> |

- |  |   |                          |                          |
|--|---|--------------------------|--------------------------|
| 63.  | Have I built a Leadership Team Development Program with a key management team which is capable today of leading my business in my absence (and leading my business when owned by a third party buyer)?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 64.  | Is my key management team engaged to the degree that they see themselves as having a possibility of owning my company and therefore being less inclined to jump ship for a competitor?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 65.  | Do I have an effective Key Employee Incentive plan which is either equity-based or cash-based and which provides a rolling-vesting performance commitment?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 66.  | Do I have a Management Transition Program in which I have targeted specific inside successors to top management (or have retained an outside management recruiting firm to hire a successor from outside the company)?                          | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>Building Block 9 – Prepare My Company.</b>            |   | YES                      | NO                       |
| 67.  | Is my company entity structure set up to best help me separate in advance those assets or business segments I may wish to retain or to sell separately upon my exit?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 68.  | Have I resolved all litigation or other “skeletons in the closet” which could impair my ability to sell or the pricing I might receive?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 69.  | Do I have sole control to cause the sale of my company (and to require fellow shareholders to sell)?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 70.  | Do I have the ability to sell my company without the need for franchisor approval, licensing agency approval, or lender approval and have necessary approvals been obtained?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 71.  | Do I know whether I can sell my company without incurring penalties or prohibitions under production, supply, and incentive agreements?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 72.  | Have I completed a due diligence buyer checklist to flush out those aspects which need to be placed in order before a sale can occur?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 73.  | Are my corporate organization chart and corporate minute book up-to-date?   | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>Building Block 10 – Prepare My Tax Savings Plans.</b> |   | YES                      | NO                       |
| 74.  | Have I determined whether my business needs to be restructured in order to minimize taxation both in company operations and upon sale of the company and has this restructuring been implemented?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 75.  | Have I determined whether advanced tax elections can minimize taxation to me and the company upon sale and have such elections been implemented?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 76.  | Have I determined how I am going to avoid state capital gain taxes upon my sale and am I in a position now to do so?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 77.  | Do I have a plan for obtaining all available state and local tax and nontax incentives for my business and employment growth and expansion?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 78.  | Have I executed a living trust which properly establishes the appropriate marital deduction provisions and federal estate tax exemption utilization for both spouses?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 79.  | Have I implemented appropriate estate tax reduction tools, such as annual exemption gifting, family limited liability partnership, lifetime exemption gifting, a gifting power of attorney and irrevocable life insurance trust, as applicable? | <input type="checkbox"/> | <input type="checkbox"/> |

**Building Block 11 – Plan My Inside Route Exit.**

YES NO

80. Have I determined whether an actual potential inside buyer exists for my company who will be in a position to pay me the price I am expecting?
81. Have I determined the reasons why my business would be attractive to an inside buyer and whether my business presently has those characteristics?
82. Do I have a present program in place for beginning to provide ownership (through either stock grants or stock purchases) to key employees as a retention tool and as a means to improve the likelihood of a sale to insiders as I exit?
83. Have I decided whether I will provide seller-assisted financing on a sale to an insider and whether this will provide the financial security which I need or want?
84. Have I decided whether I am willing to receive, as part of the compensation for a sale to an insider, deferred compensation, a consulting fee or payment for a no-compete?
85. Have I decided whether a sale to an insider needs to be accomplished through transfer of part of the ownership now and the balance later?
86. Have I determined the estimated tax impact to myself on the sale of my business to an insider under my present business structure and taken the steps to minimize the tax impact?
87. Have I determined the estimated buyer tax impact on the purchase of my business by an insider under the present business structure and how to make the purchase more tax effective for the buyer (which may also increase the chances of selling at a better price)?
88. Have I determined whether the bank will finance my sale to insiders and whether I am willing to take back the company should the buyer default on the purchase?
89. Have I determined the employee stock ownership restrictions and buy-back obligations which need to exist as to stock owned by key-employees if I am still an owner in the company?
90. Have I determined whether a sale to an Employee Stock Ownership Plan is feasible (and if bank financing would be necessary, whether this would be available)?

**Building Block 12 – Plan My Outside Route Exit.**

YES NO

91. Have I decided whether a sale to an outside third party is my primary or backup plan for exiting my business and if so whether this would be a financial buyer or a strategic buyer?
92. Have I determined the specific reasons my business would be attractive to a third party buyer (as either my primary or backup plan) and whether my business presently has those characteristics?
93. Have I investigated the M&A market for my specific business to determine whether my business is marketable to an outside third party buyer at a decent price?
94. Have I identified specific potential outside third party buyers (such as competitors, customers, investors, suppliers, similar businesses, private equity funds, franchisor, etc.)?

95. Have I established my anticipated deal terms for selling to an outside third party buyer?
96. Have I established the estimated seller tax impact on the sale of my business to an outside buyer under my present business structure and taken the steps to minimize the tax impact?
97. Have I estimated the buyer tax impact on the purchase of my business under my present business structure and determined how to make the purchase more tax effective for the buyer (which may also increase the chances of selling at a better price)?
98. Have I determined whether partial payment for my business in the form of items other than sale price (e.g. deferred compensation, salary continuation, etc.) will be more tax effective for either me or for both the seller and the buyer?

**Transition Growth Plan Implementation.**

YES NO

99. Do I have a written Transition Growth Plan (and has this been thoroughly communicated to key employees, family members, key advisors and my banker who need to know this)?

100. Do I believe I am as prepared as I should be for both my planned and unexpected exit?

**TOTALS**

\_\_\_\_\_  
 \_\_\_\_\_  
 (YES) (NO)  
 \_\_\_\_\_  
 Ready Not  
 Ready

**Test Results – Confront The Facts**

How well did you do? The following table provides an estimate of your “State Of Exit Readiness” for your planned or unplanned exit:

0-10	“No” answers –	You are reasonably ready to exit.
11-20	“No” answers –	Your present plan needs to be developed further.
21 or more	“No” answers –	You are seriously unprepared for your transition or exit.

## **THE NEXT MOVE FOR BUSINESS OWNERS**

So. Now what should you do? Using The Next Move Program™, we work with business owners (and their present advisors) to address their transition, succession and exit planning needs. This empowers business owners to be prepared for their planned and unplanned exits.

We have found that business owners are usually highly-motivated self-starters who are comfortable utilizing an established system to help accomplish a business result.

That's why we use The Next Move Program. Using this program, we will walk with you through the questions, alternatives and answers you must address to help keep your business operations successful and growing during your remaining tenure and to enable you to successfully transition from your business on your timetable and on your terms.

Upon completion of this program, you will have a personal roadmap which will help you successfully chart a course for your eventual exit from your business. This program provides a proactive plan for your transition. It also addresses contingencies for possible early death, disability, departure, divorce or burnout. The objective of this program is to maximize the net value you can realize from your business, minimize taxes, maintain your control of the process and help assure your personal, financial and legacy objectives are met.

### **Why A Transition Growth Plan If You Don't Plan To Exit Soon**

If you are like most business owners, you have played one of the most crucial roles in establishing the past success and future potential for your company. You may or may not have yet decided when or how you will leave your business.

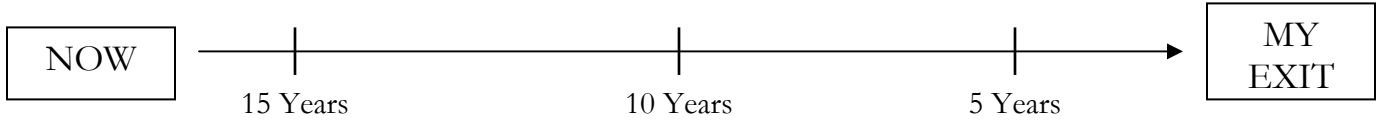
Beginning the Transition and Exit Planning process does not mean that you must carve in stone a departure date from your business or the terms and conditions of your departure.

Instead, Transition and Exit Planning recognizes the fact that you will actually exit your business eventually. Perhaps you plan to manage your business until your death or disability. Perhaps you plan to retire before your death or disability, but intend to own your company until your death or disability. Or, perhaps you would like to retire from active duty and exit from ownership at some target date.

Many tax, financial, key employee group, buy-in, M&A market, insurance and successor cornerstones need to be in place 10 – 15 years ahead of exit.

Regardless of your present plans or intentions, putting the proper cornerstones into place now - ahead of your exit – will help you to weather the bumps in the road before you exit and will also provide you with valuable options when you exit. This increases the odds of a successful, more profitable and tax-effective transition and exit, whether your exit occurs according to your timetable or is prompted by unexpected circumstances.

## Pre-Exit Timeframe Examples



- Financial Gap Insurance
- Gifting Program
  - Comprehensive Wealth Plan
    - Leadership Depth Chart
      - Subchapter “S” Election
        - Develop Successor(s)
          - ”KEG” Retention Incentive
            - Meet Industry Benchmarks
              - Key Employee Buy In
                - Outside Board Membership
                  - Bridge “Cash-In-Pocket” Gap
                    - Audited Financial Statements
                      - Entity Restructuring
                        - Locate Acceptable Buyer

• Plant The Right Seeds Now

• Harvest On Your Terms Later

• Be In The 25% Who Don't Have Exit Remorse

To improve your Pre-Exit Fitness through the design and implementation of your personal Transition Growth Plan, contact the advisor who provided you with a copy of this Resource Guide.



## Resource Guide

## The Next Move For Business Owners

### RESULTS AROUND THE COUNTRY

In creating The Next Move Program™, I have relied on our experience in working with business owners around the country. For over a quarter of a century I have worked with business owners in planning for and carrying out successful transitions and exits from their closely held or family businesses. These companies span a variety of industries and business segments, which include the following examples:

- **Consumer Product Manufacturing**
  - Waterfront Consumer Product Manufacturer
  - Plastic Injection Molding Manufacturer
  - Commercial Printer
  - Fuel Distributor
- **Industrial Manufacturing**
  - High Performance Cutting Tool Manufacturer
  - Design and Fabrication Firm
  - Steel Fabrication Company
  - Precision Tool Manufacturer
- **Food and Beverage**
  - Discount Supermarket Chain
  - Restaurant Franchisee
  - Full Service Supermarket Chain
  - Sports Restaurant
- **Construction and Engineering**
  - Industrial Equipment Engineering and Construction
  - Commercial and Utility Construction Company
  - Commercial Building Construction
  - Masonry/Stone Construction
  - General Contractor
- **Health Care**
  - Medical Imaging Center
  - Specialized Hospital
  - Ambulatory Surgical Center
- **Physicians**
  - Orthopedic Surgeons Medical Practice
  - Radiology Medical Practice
  - Nephrology Medical Practice
  - Gastroenterology Medical Practice
- **Agribusiness**
  - Cattle Feedlot
  - Corn Seed Manufacturer
  - Crop Farm
  - Cattle Ranch
- **Real Estate & Development**
  - Commercial Developer
  - Residential Developer
  - Residential Construction Contractor
  - Residential Home Sales
- **Personal Services**
  - Senior Care Service Company
  - Tax Return Preparation Firm
  - Outdoor Home Recreation Firm
  - Personal Hair Care Services
- **Financial Services**
  - Life Insurance Firm
  - Bank Holding Company
  - Personal Financial Management Firm
  - CPA Firm
- **Retail**
  - Retail Clothing Company
  - Retail Jewelry Company
  - Retail Tractor Franchisee
  - Retail Home Furnishing Company
  - Retail Office Product Supplier
- **Leasing and Management**
  - Retail Facility Leasing
  - Supermarket Facility Leasing
  - Office Facility Leasing
  - Restaurant Management Firm
- **Human Resources**
  - Executive and Employee Assessment Firm
  - Executive and Management Recruiting Firm
- **Contractors**
  - Storage and Distribution Facility Contractor
  - Electrical Contractor
- **Consumer Services**
  - Home Remodeling Firm
  - Veterinary Firm
- **Business Services**
  - Telecommunication Solutions Firm
  - Public Affairs Communication Firm

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