



EXIT ADVISORS

Town Hall

*KEYS TO AN “UNEXPECTED” BUSINESS EXIT
WHAT IF YOU’RE HIT BY A BUS TOMORROW?*

FEATURING:

AL DANTO

CRAIG KAISER

MIKE MCGEE

About Exit Advisors

Exit Advisors, LLC (*“Exit Advisors”*) is a Houston, TX based firm that specializes in Mergers & Acquisition (M&A) Advisory and Exit Strategy for privately held companies with transactions typically ranging from \$5-\$50 million.

Our goal is to prepare clients for an exit that will maximize the value, terms, and objectives for owners. We offer business valuation, financial & operational analysis, market readiness, industry trends, market timing and exit strategy guidance based on decades of experience.

Exit Advisors will develop a tailored strategy to guide companies through the succession process from the education and discovery phase, to preparation, and execution of a successful exit.

As trusted advisors, our experienced team will confidentially create and maximize enterprise value and negotiate a seamless transaction for our clients.

Al Danto

Managing Partner Exit Advisors

Al has over 30 years of experience with startup and entrepreneurial companies as well as expertise in the acquisition, valuation, and divestiture of business interests. Al has served as a lead representative on a wide range of business acquisitions and valuation engagements. He has proven experience working with lenders, private equity groups, and individual purchasers. He has served on a variety of boards, including the alumni board of the Jones Graduate School of Business at Rice University and the Entrepreneurs Organization.

Al Danto
Managing Partner Exit Advisors
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RICE
JONES GRADUATE
SCHOOL OF BUSINESS



Craig M Kaiser

Founding Partner Phillips Kaiser PLLC

Craig Kaiser is a founding partner in the firm Phillips Kaiser, PLLC. He has over 30 years of experience counseling executives at public and private companies in industries including technology, manufacturing, logistics, energy services, construction, healthcare, and medical devices. He and his firm focus on providing strategic guidance to senior management, as well as sound judgment and execution on day-to-day legal issues.

Craig advises clients on compliance with a broad range of applicable laws and regulations, including employment-related issues and working through international legal requirements that arise.

Craig M Kaiser
Founding Partner Phillips Kaiser PLLC
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Michael McGee Jr

Director of Wealth Management

McGee Wealth Management

Michael W. McGee Jr., CFP[®], CPA, JD currently serves as the Director of Wealth Management for McGee Wealth Management in Katy, Texas. Michael became a Certified Public Accountant and maintains this certification today. He received his J.D. from the University of Houston Law Center in 2010 and received his CERTIFIED FINANCIAL PLANNER[™] designation in 2015.

Michael currently assists his clients with their financial planning, which includes retirement and estate planning, life insurance, and wealth management. He is a member of the State Bar of Texas, the Houston Bar Association, and the Texas Society of Certified Public Accountants.

Michael McGee Jr
Director of Wealth Management
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Jim Wilkinson

- Working on transition plan
- Moving from billing “Time and Materials” to “Recurring Revenue”
- Meeting on a regular basis
- He left message to call him back
- Died that night of an Aortic Aneurism
- Value of the business?
- Plans for the business?
- Who would take over and run the business?
- Current customers, operations, plans, bills to pay etc. etc etc!!



What Kind of Bus Can You Get Hit By??

- Death
- Disability
- Divorce
- Financial Crisis
- Natural Disaster (Flood / Hurricane / Fire)
- Knock at the Door to Buy Company
- Pandemic!!



You may not be able to avoid the “Bus” but you can have a plan!!!



Essentials of a Successful Strategy

- Team: Attorney / CPA / Insurance / Business Advisor / Valuation / Seller Representative
- Plan: Develop the Contingency Plan
- Successors: Who Runs the Business?
- Buy / Sell Agreement: Formal Documentation “Business Will”
- Valuation: Business Entity / Individual Shares
- Funding: Insurance Policy / Sale
- Annual Review: Review and Update Plan on a Regular Basis



Keys to a Successful “Unexpected Exit” Plan

- What happens to the interest in the business?
 - Sold? Transferred?
- What happens to the management / operations of the business?
 - Who takes over? Strategy / Vision? Day-to-Day Operations? J
- What goes to the grave with the owner?
 - Embedded knowledge? Relationships?
- Human Capital
- Tracking and Accountability
- Implementation of an EOS system
- Internal Reporting



Purpose of a Buy-Sell Agreement

- Prohibits or restricts a shareholder/member from transferring the shares/units without:
 - Consent of the other shareholders; or
 - Giving the corporation or other shareholders the opportunity to buy the transferring shareholder's shares.
- Used to fix the terms for purchase and sale of shareholder's interest in certain circumstances:
 - Death, Disability, Divorce, Termination of Employment
- Provides liquidity for shares.
- Provides a method to determine value of shares.



Documentation of a Buy-Sell

- The terms may appear in any of the following:
 - Bylaws, Certificate of Formation, Buy-Sell Agreement
- Statute requires “conspicuous notice” that shares are restricted
- Spousal consent.
- Joinder Agreement for new shareholders.
- NOTE: Interests may differ, so individual representation may factor in.



Key Considerations in Drafting the Buy-Sell

- Is there a funding mechanism in the event of death? Absent one, what is the impact?
- How will the Buy-Sell be funded?
 - Insurance Policy proceeds held by the Company
 - Combination Approach—insurance policy and shareholder acquisition
- What is the Valuation Process:
 - Stipulated Value
 - Appraisal Method
 - Valuation Formula
- What is the process if there are insufficient/excess funds?



Additional Considerations Impacting the Buy-Sell

- What is the plan for the Company to go forward?
 - Forced exit from certain business segments
 - Transfer to next key owner
 - Method to move the Company from one partner to another
- Specific facts impact funding needs, operational requirements, and go-forward business.
- Key Point: Things change, so a Buy-Sell should be reviewed periodically to make sure it fits.



Funding a Buy/Sell Agreement

- Life Insurance
 - Term
 - Permanent
- Disability Buy-Out
 - Higher likelihood of disability than death
- Business Overhead Expense



Determining the Proper Coverage Amount

- What is the valuation process used in the Buy/Sell?
 - Stipulated Value, Appraisal Method or Valuation Formula

- Key Person
 - Helps with possible decrease in revenues
 - Can be used to hire a replacement

- Anticipated Growth



De-risking From the Business Over Time

- Selling the Business as your Retirement Plan
 - What if value decreases prior to sale?
 - What the owner needs and what the business is actually worth aren't necessarily the same

- Diversify into other assets/investments

- Pay attention to economic cycles
 - Is the economy late cycle?
 - Do you want to sell in the next few years?



Prepare For the Unexpected

- Maintain sufficient liquid savings
- Have access to lines of credit, etc.
- Review your needs and plans periodically



Next Time...

- Featured Entrepreneur Gaye Jackson
 - Houston City Director of Lemonade Day

Lemonade Day is a fun, experiential program that teaches youth how to start, own and operate their very own business, a lemonade stand. The program teaches kids four main tenets: setting a goal, making a plan, working that plan, and achieving their dreams.



Questions?



Don't Miss Our Upcoming Town Halls



July 15, 2020

From 12:00 – 1:00 PM (CST)

Gaye Jackson

**Houston City Director of
Lemonade Day**



July 29, 2020

From 12:00 – 1:00 PM (CST)

**How to Build a Service Business Part II:
Human Capital, Accountability & Internal
Reporting**



July 22, 2020

Al Danto
**Fundamentals of Business
Valuation**

From 12:00 – 1:00 PM (CST)



August 5, 2020

Jason Knight
**What the Heck is a Business
Operating System**

From 12:00 – 1:00 PM (CST)





NEED TO CONTACT US?

EXIT ADVISORS



Are you Ready to expand and enhance your firm's value and service offerings?



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Thank You!