

A white line-art illustration of a man in a suit and tie, seen from behind, casting a fishing rod. A large fish is jumping out of the water, its mouth open as if about to catch the lure. The background is a solid blue color with a repeating pattern of business-related terms in a lighter blue font, such as "GROWTH", "TEAMS", "STRATEGY", "DISCOVERY", "OWNERSHIP", "EMPLOYEES", "PRIVATE EQUITY", "FAMILY CAPITAL LIQUIDITY", "STATE ASSETS", "RISK MANAGEMENT", "EMERGENCY PLANNING", "SUCCESSION", "VALUATION", "BUSINESS SUCCESSION", "FAMILY BUSINESS", "PRIVATE EQUIT", "ON OWNERSHIP", "EMPLOYEE", "PRIVATE EQUIT", "Y FAMILY", "CAPITAL LIQUIDIT", "ON OWNERSHIP", "EMPLOYEE", "PRIVATE EQUIT", "Y FAMILY", "CAPITAL LIQUIDIT", "ON OWNERSHIP", "EMPLOYEE", "PRIVATE EQUIT", "Y FAMILY", "CAPITAL LIQUIDIT". The overall theme is business succession planning.

Succession Growth and Exit

THE EBOOK

WITH NANCY MCCARTHY

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CAST OF CHARACTERS

THE FAMILY

Charles (Chuck) Barrows: age 64, owner of Barrows, Ltd.

Lorraine Barrows: Chuck's ex wife (first marriage), age 64, mother of Brad

Elena Barrows: Chuck's current wife (second marriage) of 30 years, age 62, sole proprietor of her own design business

Bradley (Brad) Barrows: Chuck's son from his first marriage, plant manager of Barrows, Ltd.

Meredith (Merry) Barrows: The estranged eldest daughter from Chuck's current marriage, gifted 1% of the real estate holding by her father

Amy Barrows: The youngest child from Chuck's current marriage, starts her senior year in high school as the story opens

Smithson (Smitty) Barrows: Chuck's 85-year-old father, owns 10% of the business

Tina Barrows: Brad's wife of three years, worked at the company for eight years, mother of Chuck's two-year-old granddaughter

Charlotte (Charlie) Smithson Barrows: Brad and Tina's daughter, age two

THE COMPANY

Stanley (Stan) Vickers: age 54, COO and best friend of Chuck Barrows

Libby Brockelman: age 53, Controller, started at the firm as a receptionist

Errol Viggo: age 42, Vice President of Sales and Marketing

Blake Aarnio: age 48, Vice President of Engineering

THE EXPERTS

Bill Dunn: Chuck's Attorney

Harry Stiles: Chuck's CPA

Lisa Martinson: CEPA (introduced to Chuck by Harry Stiles)

Jeff Gold: Bank Manager at Chuck's bank

Jill Grayson: Risk Advisor

Chris Mikoto: Wealth and Investment Advisor

BOOK 1: WHAT COMES NEXT

A BUSINESS OWNER IN TRANSITION

Introduction: Meet Chuck Barrows

The Barrows Family and Company Dynamic

What is the Plan?

Time to Celebrate

The First Step

Introduction: Meet Chuck Barrows

The pond, with its coontail moss, and lily pads, was inviting. It was late spring, and the fields were alive with new life, and sweet earthly odors. Chuck Barrows grabbed his reel, rod, and tackle box out of the truck and searched for a likely place to catch bass. He'd been coming to this spot since he was a boy. His dad had shown him the cove and he, in turn, had shown his son, Brad.

Chuck was playing hooky from work this morning. Granted, he owned the company, Barrows, Ltd. They designed and made pressure, temperature, and level gauges. Chuck, with help from his dad, Smitty (short for Smithson), modeled a liquid filled pressure gauge when he was 20. By the time he was 25, he was the owner of a new company that sold these gauges. Over the years, Barrow, Ltd. evolved into a company priding itself on customer service and innovation. It offered extensive and unique products and had been first to market - or ahead of the market - for the entirety of its existence. It also lived its core values: excellence in performance, loyalty and trust, outstanding customer service, and a strong sense of family values.

Brad was on Chuck's mind this morning. He knew Brad had something to tell him and he could guess what it was. Over the years, Chuck, Smitty, and Brad participated in a semi-pro fishing team. Smitty was a charter member of B.A.S.S (Bass Anglers Sportsman Society), and the three men were more than capable anglers. Brad had an affinity with all things that lived on, in, and near the water. Chuck suspected he wanted to take their part-time hobby to another level. It was already turning a small profit in terms of organizing tours and trips to tournaments, and Brad seemed to have a real affinity for finding spots teaming with bass and few people. He also had started making lures. Last year, at the Bass Festival, they sold like hotcakes.

Later today, Chuck would be honored at a "surprise" sixty-fifth birthday luncheon given by his employees and family. Later this evening, there would be a formal dinner at the club for family and close friends. Chuck only knew about all this because his oldest daughter, Marilyn, had called him this morning and angrily told him she wasn't participating in "this travesty." As usual, Chuck had no idea what sparked her anger. For now, Chuck just wanted to spend some time doing the thing he loved most, fishing for bass.

In the shallow water along the bank, Chuck spied the willows. Beyond the willows, in slightly deeper water, there were several drowned stumps and logs. Largemouth bass haunted this cover-filled flat. It was a familiar spot: Chuck, Smitty, and Brad had caught four, five, and six-pounders there on numerous occasions. Using one of Brad's custom designed lures, Chuck baited his hook with a 4-inch splitshot worm and made a long

cast straight out from his spot on the bank. As the bait settled to the bottom, he began to drag it up the slope slowly.

Forty years is a long time; Chuck mused as he looked out over the water. Back then, he was a 25-year old father and husband with a unique product and a new company. He'd always liked tinkering with things. In high school, he helped design and build a small working oil rig for the drama club's production of "Oklahoma." By the time he was 24, Chuck and Smitty, had perfected the pressure gauge, built it, and sold their first one to a company on the West Coast. Although the original customer's CEO retired ten years ago, his daughter ran the business now and was still a customer of Barrows, Ltd.

As he watched Brad's lure bob on the surface of the water, Chuck remembered those early years and the toll they took on his first marriage. Building his business, he was never home. Lorraine, who had been his high school sweetheart, took care of Brad, the house, and all the things that made them a family. One night, when Brad was about five, she told Chuck she was, in every way but one, a single parent. They might as well make it official.

Chuck had no problem making sure Lorraine and Brad had everything--and more--they needed. He stayed very close to Brad: their bond was always tight and cemented by their joint love of the water and fishing.

Chuck, Smitty, and Brad branded themselves "The Three Musketeers." Smitty had loaned Chuck the money to start the business and, instead of being repaid, became a ten percent owner. Chuck had offered more, but Smitty was a mechanical engineer with a long career as a developer and inventor of unique products.

"Don't want to be 'Barrow and Father'," he would say. "I couldn't handle that day-to-day responsibility." At 85, Smitty was still "tinkering" with new ideas. He gave up his large home and lab several years ago and moved to an assisted living facility not far from Chuck and Elena's house. It had been a while since the Musketeers had spent time on the water.

Chuck felt a tug on his line. It looked like a six pounder. Chuck favored a tactic called "back reeling" when fighting a big bass on a light line. After setting the hook and determining the size of the bass, he disengaged the anti-reverse feature on his spinning reel, allowing him to turn the handle in the opposite direction and feed line to the fish. Brad had shown him this technique.

"When I'm back reeling, I can put as much pressure on the fish as I want while I'm reeling it in," he explained. "If the fish decides to take off, I can just let the reel go backward."

As the bass struggled, Chuck reeled it to the bank. Carefully, with one hand gripping the base of a bass's tail and the other cradling the belly, he lowered both hands into the water. He looked at the fish for a moment, released his grip on the tail, and watched the fish disappear back into the pond. Standing on the bank, Chuck breathed in the soft spring air.

"I'm beginning to lose it," he thought, "I could stay here all day."

There was a time when spending a morning at the pond during the work week was as a pleasant, but preposterous thought. Now, it was not a crazy thought at all. "I could do this full time," he thought as he made his way back to the truck.

The Barrows Family and Company Dynamic

At Barrows, Ltd., things were buzzing. Elena, the boss's wife wanted everything to be perfect for her husband's luncheon. An interior decorator by trade, Elena Barrows had an eye for detail. She and Chuck met almost thirty years ago. Barrows, Ltd. had outgrown its original facility and was moving into a new building just outside of the city of Toledo, OH. It was a rented facility but had plenty of room for expansion. A real estate holdings company was put in place. The building was owned 59% by Chuck Barrows, 1% by his daughter, Marilyn (Merry), 20% by the Controller of Barrows Ltd., Libby Brockelman, and 20% by the COO of Barrows Ltd., Stan Villars.

Chuck wanted it to be a place where people wanted to work, both on the manufacturing and office support side. Elena's company was hired to make the industrial space feel comfortable and efficient. Her enthusiasm, infectious smile, and sense of humor won Chuck's heart. He hadn't had much time for relationships after the divorce: he was devoted to his fledgling business and his son.

Brad and Lorraine remained friends, she eventually remarried and had two more children, and was encouraging when Chuck found a connection with Elena. Despite his mother's welcoming of the relationship, her son Brad always saw Elena as an interloper and never warmed up to her. He was very polite to Elena, out of respect for his father, but he did not feel comfortable around her. Now 37, Brad was married to Tina, who had worked in accounting at Barrows Ltd. for eight years before their marriage. Together they were parents to a daughter, little Charlotte "Charlie" Barrows. Elena and Tina got along well, but the relationship between Elena and Brad was at best respectful, but cool.

Under Elena's watchful eye, the company cafeteria and outdoor space transformed into a replica of the cabin Chuck and Elena own in Montana. Libby Brockelman, the company Controller, looked on in awe.

"This is really amazing," she told Elena, "you've done a fantastic job."

Elena smiled. "I am glad you put the idea in Chuck's head to take the morning off. He is going to be so surprised."

The two women smiled at each other, happy that they were doing something special for Chuck.

Elena and Libby had developed a warm friendship over the years. They first met when Libby was the front desk receptionist. With Elena's encouragement, she went on to finish her bachelor's degree in accounting after getting her associates degree in business administration. Rising through the ranks, Libby was a fixture at Barrows: 32 years ago, she was a young girl working part-time to help pay for college. Now, her work encompassed all accounting including: the company's financials, general ledger, cost accounting, payroll, accounts receivable and payable, budgeting, and taxes. She is also directly involved in new customer onboarding and has customer coordination responsibilities with large and primary accounts. The Barrows family personal financial planner reports to her. She also runs the semi-professional fishing program sponsored by Chuck Barrows. Libby and her husband are also about to welcome their first grandchild in a few months.

As employees, caterers, carpenters, and set designers moved things into place, Brad Barrows wandered into the transformed cafeteria. With a cool nod to his stepmother, he gave Libby a warm embrace. Before she came to Barrows as a receptionist, she had been his babysitter. Over the years, especially on the fishing gig, they had become good friends.

"Hey Bradster," Libby said, using her old pet name for him, "Have you caught any bass lately?"

Brad replied, "Not recently, but I'm working on it. Got to get Charlie out there sometime soon!" With a wave and smile to both women, Brad walked back to his office.

"Please excuse me, too, Libby, I see a tree about to go in the wrong place." With that, Elena headed off in the direction of the errant tree and perplexed worker.

Brad Barrows hoped his dad would like the luncheon; the employees were excited. In the almost 40 years of operation, Chuck Barrow had hosted parties to celebrate holidays, milestones, and other events. He had always made his employees feel part of the team: he had started a scholarship fund for employees and their children, he sponsored drives to help support employees who had suffered through cancer, he was a generous boss in terms of raises and bonuses.

Chuck Barrows was known as a fair, honest, and loyal man. He was an exacting boss, but people loved to work for him. He and Elena also quietly supported many causes that helped ease the burdens of people in the area. Brad, in many ways, was a lot like him. He had been at his father's side since the beginning, starting when he was barely five years old, and his father took him to work on his custodial weekends.

He had always worked for his father in one capacity or another. He worked on the manufacturing line when he was barely out of high school. Later, he helped build products and, before becoming the plant manager, worked in sales and as a customer service rep. The tradeshow booths at the client-facing events were still in his domain. Over the years, he built critical relationships with national and primary accounts. Clients love Brad; he has the same warm and winning personality as his father.

Brad never went to college. "Why spend the money on sending me," he told his father. "I am happy working with you."

Since his marriage to Tina three years ago, he became a father to a girl, Charlotte Smithson Barrows. Charlie is being raised to love the outdoors. Brad and Tina would like nothing better than to live closer to the water. Any body of water would do.

On his way back to his office, Brad ran into his boss, Stan Villars. Brad liked and respected Stan. For his part, Stan found Brad not to be the typical boss's kid. While very knowledgeable, Brad knew what he didn't know and was happy to be guided. He was a good second in command, according to Stan and the two men had a great working relationship.

"Quite an event being planned down there," Stan observed.

Brad shrugged. "Yeah, quite a show. Hope Dad likes it and doesn't sneak out the back door."

Stan chuckled. He, too, thought it was going to be an over-the-top extravaganza for a man who liked things simple and easy.

"Wives," he said, "They always know best, right?"

Brad made a face. "Yeah, I guess. Hey, when you have a minute, there is something I'd like to discuss."

Stan nodded, "Sure, how about tomorrow morning, I don't think we will have time today."

Brad agreed, and the two men parted.

Stan Villars, COO, had been with the company for twelve years. Before becoming COO, he had held positions in operations, product development, sales, and account management. He held an MBA from Wharton Business School and was responsible for the daily operation of the company. All the VPs and executive management team report to him. Although ten years younger, he was Chuck Barrows best friend. They had a lot in common. Both were avid sportsmen, they hunted and fished together. They belong to the same clubs, and, significantly, their wives were each other's best friend. Stan liked Elena. He thought she was sharp, funny, and a good match for Chuck. She wasn't much of an outdoor girl, but she supported Chuck in his activities. He felt bad that she and Brad had such a rocky relationship but knew enough to stay away from the issue.

Stan's phone pinged. He was about to be late with his meeting with Errol Viggo, vice president of sales and marketing and Blake Aarnio, vice president of engineering. They had a new product launch to discuss.

Errol was an Ohio State man. He held his BS and MS in Mechanical Engineering and an MBA from the same school. At 42, Errol had been working in the industry since high school in one capacity or another. During college, he worked in the manufacturing facility of a competitor. After college, he worked with two other companies before finding his niche with Barrows. In his five years at his current role, he has consistently hit his goals and sales metrics. The customers loved him.

Errol was recruited to the company by Blake Aarnio. Blake was Errol's mentor at a previous company. Five years older than Errol, Blake is vice president of engineering. He also has his BS in mechanical engineering from Ohio State and holds certifications and licenses in airframe and powerplant. Blake is a crucial member of the executive team. His 20-years' experience in project and program management and new product development is invaluable. He is adept at design, machine design, process development, and engineering management, including management teams.

"Good morning, gentlemen," said Stan affably. "Sorry I'm late, what have we got today?"

What is the Plan?

Chuck headed back to the house to change. He loved this house. He and Elena planned and built it about ten years ago. Filled with light and open spaces, the views from three sides were of the pond, the stream that fed it, and the rolling hills in the distance. It had four large bedrooms, five baths, a family room, dining room, a study for Chuck, a large loft space for Elena's design projects, and a formal sitting room that no one used. The basement ran the length of the house, and at 5,000 square feet, there was room for a game room, and a workshop filled with fishing gear and angler related material. There

was also an in-law suite that Chuck had built for his father. Smitty, however, declined and lived as independently as possible. For the time being, this was the guest suite.

Brad still had a room there that was quickly becoming Charlie's domain. Chuck and Elena's daughters, Marilyn and Amy, had their own rooms. Marilyn was in medical school; Amy would be entering her senior year in the local private high school in September.

Marilyn—Merry when she was a child—still used her room, although Chuck rarely saw her. His relationship with his eldest daughter mystified him. He was close to Brad and Amy. And, despite their age difference and Brad's animosity to Elena, the two siblings were good friends. Merry was a different story. She was indifferent to both her half-brother and Amy. To Chuck's way of thinking, she was inexplicably dismissive of her parents.

It hadn't always been this way, but gradually, Merry seemed to feel his and Elena's lifestyle was shallow. When she graduated college, Chuck gave her a one percent equity in the real estate holding company, hoping she would take an interest in his business. She laughed and asked if she "owned" *him* now. He had paid for private high school, four years at Sarah Lawrence back east, and now medical school. Her mother had supported her in all her drama and trauma during her younger years.

Nothing they did now, in Merry's eyes, was worth her notice. Tina, Brad's wife, once suggested that maybe she was jealous of the time Chuck spent with Brad, and later, Amy. Both Brad and Amy were passionate about the same things Chuck was which led to more time and bonding opportunities. In contrast, Merry never went fishing with them, hated the boat, refused to play golf, and mocked her father's business. The other two kids loved those things—except golf, Amy only tolerated that. Regardless, Chuck thought he'd done his best to be a good father.

As he dressed for work—really the luncheon—Chuck realized he was in a pensive mood. Maybe it was his birthday that caused him to be so reflective. Admittedly, it was a significant number. However, he didn't feel much different from the day he met Elena but knew his life was going to change in many important ways. He looked at his face in the mirror. He had some grey hair. There were lines around his eyes; his jaw was a little less firm.

Where, he wondered, did this older guy come from? The one inside was about 35 years old.

He thought about all he had accomplished, the lives he'd touched. He'd always tried to live by his Christian values. He was a deacon at his church. He and his family were all

very active and healthy. He had much to be thankful for. But where was this leading? What was the next chapter?

From any perspective, he was a wealthy man. He owned four cars, a boat, jet skis, and other paraphernalia. He had two homes: one in Ohio, one in Montana. He was able to fund his semi-professional fishing career through the company. He had sound insurance policies in place to cover any contingency. If he died, Elena would inherit the company outright. The overall wealth would be split evenly between his wife, son, and two daughters.

But, he wondered, is it all enough? What kind of income would he need if he did retire? Come to think of it, should Elena inherit the company, did he know its true worth? He couldn't remember the last time he had a formal company valuation. Was it three years ago? Five?

Chuck made a note to talk to Libby. He needed to see where he stood. He probably should speak with his advisory team, too. And finally, maybe a chat with his dad and Brad, should be initiated. He didn't know what he needed to do, but he was getting the feeling he should do something before it was too late.

Dressed in his corporate best—Elena would call it his "corridors of power suit"—Chuck headed to the Beemer. He loved that car. Driving to the office, Chuck contemplated his best "surprised" expression and his "off the cuff" remarks. He wished Merry hadn't ruined it. He suspected a lot of people put a lot of effort into this event and he didn't want to disappoint them.

Time to Celebrate

Chuck got to the office at around noon. Libby "accidentally" ran into Chuck in the lobby and made some pretext of going to his office. Once in the office, Chuck could not hide his amusement.

"You know," Libby said.

"Yup," Chuck responded, "I hope you all had a good time putting it together; I bet it is wonderful."

Libby was scowling. "How'd you...oh, was it Merry?"

At the mention of his oldest daughter's name, Chuck's good mood evaporated.

"Yeah, apparently it's a travesty. I don't deserve it since her mother and I are capitalistic pigs without any real understanding of how the other half lives," he said, summing up his conversation with his daughter.

"Really?" said Libby, "Is she acquainted with those individuals or the individuals in this city who are so grateful for your good work?"

Chuck shrugged.

"Let's not have Merry's opinion of me spoil the day. Plus, Libs, I do have something we need to talk about."

All business now, Libby said, "What's up, boss?"

"I want to set up a meeting with you, Brad, and Stan. We need to talk a bit about succession planning, or exit strategies, or whatever you want to call it."

Startled, Libby began to ask if he was feeling well, had something happened, what was going on.

"Nothing is going on, Libs, but I'm 65. Or will be in about 45 minutes. I want to know my options."

Nodding, Libby said she would set up some time the next day.

"Libs, we always talked about it as 'someday,' well, someday is getting closer. It's not today, but it is coming. Now, let's see what craziness you and my wife have cooked up."

Chuck kept the conversation light heading to the cafeteria. Libby tried to focus and keep her face neutral. Exit strategy? What did that even mean? What did it mean for Barrows, what did it mean for her? And what did it mean for the rest of the employees, all of whom were now waiting for the guest of honor?

The party was a success. Old customers, new relationships, former colleagues, all had more than a few good things to say about Chuck and the company he had built. His dad was overcome with emotion as he talked about the son who followed him around, wanting to do everything he did. Brad talked about their time fishing and how so many life lessons were learned standing on the bank of a river or a pond catching bass. His daughter, Amy, recited a poem she wrote about the families – at home and Barrows— she loved. Elena gave a loving tribute to her husband; there wasn't a dry eye in the room. Even Lorraine sent good wishes from her home in Arizona.

That night, Chuck and Elena went out. And as Chuck was dancing with Elena at their favorite club, he thanked her for making the day so special.

"Thank you for making my life so special," she replied. "I can't wait to see what the next 30 years bring for us."

The First Step

The next day, there were little signs of the extravagant party the day before. But there seemed to be an energy in the air, a sense of goodwill. Barrows always had a reputation as an excellent place to work and the luncheon yesterday just confirmed it all over again.

Libby had briefed Brad and Stan about the meeting. Stan wasn't really surprised; he'd sensed something was coming. He was also wondering if this was the moment to share his plan. Brad was quiet. Libby had supposed he was upset by his father's reason to call the meeting. But, in fact, he was excited. Maybe, he thought, this would be the right time to bring up the idea he had been working on for a few months.

After the pleasantries were over, Stan opened the formal meeting. "Libby gave us a bit of heads-up," Stan began, "I have put together a snapshot of where we stand right now." He passed around the presentation booklets and nodded to Libby. She gave a quick overview. "You own 90% of Barrows; Smitty owns 10%. We hold five patents, have \$33 million in revenue, and \$3.96 million in EBITDA. "

Stan then took over. "Our customer base is robust, given our pride in customer service and the uniqueness of our product. Customers have very positive experiences with us, and we have excellent customer experience and engagement programs. Most of our clients are long-term and have been with us a while. However, 31% of our revenue comes from one customer, the Acme Anvil Corporation. They have been with us for 15 years and, like you, their founder and President is reported to be thinking about selling or retiring. It is not clear what would happen in that event. In terms of human capital, our shop floor employees are dedicated, coachable, and talented. I think that is a fair assessment overall. Our social capital is unbeatable. It is geared towards family values—most of our employees have been with us for five years or more. Barrows treats people with respect and makes allowances for a life away from the office or shop floor. We are perceived as being a bit old-fashioned in that, but it makes us a desired employer."

Brad, who had been quiet through this discussion, just kept nodding at the substantial points Stan was making.

Chuck said, "You have been fairly quiet about all this, what is going on in your head?"

Brad was not sure he wanted to speak publicly about his idea just yet, but he asked his father, "Dad, do you know what you want to do yet."

Chuck was not comfortable answering this question.

"I have not thought it through," he said. "I am just trying to get a sense of what we have here. I am not ready to retire, I still want and need to work. But I am realistic. I had a long talk with Elena last night. It turns out she is thinking along those lines, too."

At the mention of his step-mother's name, Brad seemed to shut down. His reaction did not go unnoticed by his father.

"Whether you like it or not, Elena factors into any decisions I make. Your sister, Amy, is off to college next year. Merry is in her second year of medical school. You, Tina and Charlie, are starting out. We, Elena and I, need to figure out where we go from here."

Trying to side-step any family issues, Libby interjected.

"Overall, there are a lot of steps you need to take before you even reach a decision, but from my understanding by just doing some Google searches our options are: family succession, a private equity arrangement, management buyout, employee options and ESOP, or a third-party strategic buyout."

Sensing Brad's discomfort, Stan began to illuminate the issues. He explained although Chuck was technically a second-generation owner since he started the company, he could be considered a first-generation owner. However, he could not have done it without Smitty's knowledge, ability, and that initial startup loan.

"I suspect you may want Brad to take over at some point, and you would stay on in some capacity, but aside from the funding on Brad's end and the long earnout process on yours, I think Brad may have another idea of what he would like to do."

Startled, Brad nevertheless, took the opening Stan gave him. "Stan's right, dad, I do have another idea."

"What are the issues with the other options, Stan?" Chuck asked quickly, before Brad had a chance to describe his concerns or ideas for the future.

Stan continued, "You and I have batted around the idea of a private equity option in the past. But we've never put it out there to test the waters, and frankly, we may be out of our depth in terms of how this works. A management buyout is possible. Both Errol and Blake discussed the possibility of buying you out when the time was right. While we have a strong workforce and a good balance between younger and older employees with great technical knowledge and know-how, I am not sure the funding is there. Finally, in terms of a third-party buyout, that is very feasible. We have been approached

on several occasions by competing and synergistic companies. As I have always told you too, I think one of these larger multi-national corporations would love us."

After Stan finished his assessment, Libby felt it was time to wrap up the meeting.

"There are a lot of things to think about here. I think you need to give some thought as to what you want to do going forward. I also think you and Brad need to talk. Finally, maybe it is time to call in some experts who can help you evaluate your options and get a plan in place. An exit strategy can't happen overnight, and if it is done right, it can be a benefit to everyone."

"Thank you, Libby, Stan. I appreciate your input. Brad, how about you and I do a little fishing?" said Chuck.

"When?" asked Brad.

"Right now," his father responded.

To everyone's surprise, Chuck took out his cell phone, something he never did during work. He punched in a number.

"Hey dad, fishing today. Yes, the pond. Twenty minutes? OK."

Clicking the phone off and turning to Brad, Chuck said, "You coming or what? We have things to discuss."

BOOK 2: BACK FROM THE FISHING TRIP

THE EXPERTS WEIGH IN

The Fishing Trip

The Conversation Begins

A Plan Takes Shape

Home from the Hills—or Lake

The End of the Beginning

Bring in the Experts

The Experts Weigh In

The Aftermath

The Fishing Trip

Chuck always loved the early morning. He savored the way the sun rose, the gradual transition from the inky darkness of night, to the grey tones of early dawn, and finally, the full sun light touching the landscape. Often, he would sit on the enclosed porch of his home, coffee cup in hand, enjoying the solitude of the sun rise. Somewhere in the house, various mini dramas were erupting between his daughters and wife as Elena tried to hurry the girls along and the chaos of the day began.

Today, there were no mini dramas. Just the sound of the lake waking up to the new day as the sun began to peer over the tree line. It promised to be a beautiful day: the air temperature was already in the low 70s and the water was warming to about 60 degrees. The vegetation along the shallow parts of the lake were providing shade for the bass, both male and female, who were feeding aggressively on smaller fish in preparation for their annual spawning activities.

Chuck, his father, and his son had been in the water since an hour before sunup. Their lines and positions were strategically placed to make the most of the fishing. Looking at Smitty, Chuck smiled. 85 years old, standing in his waders, his father looked as strong and in charge as he did forty years ago. Chuck mused that Brad looked like a younger version of his grandad. It occurred to him that Chuck had never seen Brad look as blissful and so much at peace with himself as he did now. He watched his son recast his line into another section of the lake, his eyes sharp and focused on a potential catch.

The Conversation Begins

The night before, the three men had camped out near the lake as they would do back in their younger days. They had driven the RV to the park near the lake, but Smitty had convinced them to “do it hard core.” So, they took the tent and some camping gear, hiked several miles to the lake and built a fire. Then, under a canopy of stars, the men began to talk.

Chuck started things off.

“You know, I always feel best when I am out here. I’ve always come this way when something was on my mind or I needed to think something through. Right now, I really have a lot to be thankful for, but honestly, I had one hell of a conversation with Stan, Libby and the team the other day. What’s that line from that poem mom liked, something about ‘the best is yet to be’?”

Smitty chuckled as he lit his pipe from the campfire. He was an inventor and entrepreneur, but Chuck’s mom had been an English teacher at the local high school.

She loved the works of Robert Browning. "She did like to quote that poem," said Smitty. "It starts like this:

*'Grow old along with me!
The best is yet to be,
The last of life, for which the first was made:
Our times are in His hand
Who saith 'A whole I planned,
Youth shows but half; trust God: see all, nor be afraid!'"*

Brad poked the camp fire. He never knew his grandmother; she died in a car accident when Chuck was only ten years old. Smitty had never remarried.

To lighten the mood, Smitty smiled at his son, "But you have that opportunity with Elena. I hope you've been giving it some thought."

Chuck shifted his position on the ground. "Well, dad, I have but only recently. Turning 65 has made me realize I need to do some serious thinking and planning. I take a lot of income from my business and don't have a lot of retirement built out."

A look passed between grandfather and grandson.

But Brad just said, "What are your thoughts, Dad?"

Chuck nodded and continued. "I've been lucky. I have a great home, wonderful family, an amazing wife who loves me. I have built a business that has become profitable and a solid force in a very specialized industry. I am so proud of the work we do, of the employees, and of the people who help me run it."

Smitty gave his son a long look. "I feel there is a 'but' coming here somewhere."

"But," Chuck continued, "But, I think there are other things I want to do now. I want to be sure the family is well taken care of, I also want to be sure my legacy—whatever that is—can go forward. We've made a difference in the community, not just as a business, but as a resource for people through the various charities we support. I can't risk selling the business to just anyone. It's a valuable business on so many levels."

Smitty watched the faces of the two people he cared about change expression. The fire light only heightened what he saw as resolve on his son's face and hesitation on the face of his grandson.

Acting on a hunch, he said, "Bradley, do you have something on your mind?"

The look Brad gave his grandfather was part grateful and part loaded with doubt. "Well, yes, there is something I have wanted to mention, Dad."

Chuck looked eagerly at his son. His fondest hope was that his son and eldest child would want to take on the ownership of the business. He had been thinking about it for a long time. However, there never seemed to be a good time to talk. Now, in the woods, surrounded by nature, he felt confident that this was the moment. He was in no way prepared for what Brad had to say.

"Dad, I want to start my own company. For a long time, I thought I wanted to succeed you, but now I know that, while I may still want a role at the company, I have something else in mind."

The dad in Chuck wanted to ask so many questions, but the business man simply said, "What is it you want to do?"

"I want to expand the fishing business. I want to do something with the semi-pro fishing team. I envision creating programs that offer lessons and create corporate retreats. I see myself developing a fishing product line—those lures I've designed are selling like mad online. So, I know there is a market there. "

Chuck asked, "Have you discussed this with Tina? Starting a business from nothing is no joke."

"Yes, and she is onboard. She loves the idea of raising our daughter to appreciate nature. And Tina is a pretty good bass fisher herself. It's one of the things that made me fall in love with her," said Brad.

"Wow, I just never thought of the bass fishing team was anything more than a great way to socialize and network," Chuck admitted.

Looking at his father, Chuck asked, "Dad, did you know about this?"

His father shook his head, "No, I didn't but I like the idea. In fact, I am giving some thought as to my 10% in your business. I would consider selling it and investing in Brad's idea. "

Brad's eyes lit up. "Grandad! You don't even know the specifics yet!"

"I don't, but I knew only a bit more when I helped your dad all those years ago. I am not worried. I have seen your work on those lures and I've seen how you put your heart and

soul into your father's business. My hope now is seeing the family tradition for inventiveness and entrepreneurship pass to the next generation," said Smitty.

Chuck looked at his father and son. Now, for the first time did he notice their similarity in looks and actions.

"Well, I'd be lying Brad if I said I didn't consider you taking over for me. I was hoping you would be interested in taking over by buying the company. You, Errol and Blake would be a great team and together you could put together a management/employee style buyout. The company has the potential to grow, perhaps double in less than five years, by my estimate. "

Standing up, Smitty stretched. "I am sure glad we brought those air mattresses. I don't think I am up to sleeping on the hard ground. You fellas have a lot to discuss. Maybe we should table all this until we have some bass on our belts. Good night, men. See ya in the morning."

A Plan Takes Shape

No one needed an alarm clock in the morning. Each man woke up, tended to his needs, gathered his fishing gear and made his way in the half-light to the spot they had agreed upon the day before.

Wordlessly, Chuck, Smitty, and Brad found their spots in the cool waters of the lake. The predawn light made them appear as shadows as they waited for their prey to show up at their feeding grounds.

All talk of business waited until later in the day. It was a good day on the water. Brad even caught a 21-inch largemouth bass mid-morning. They released the green and black striped monster back into the waters of the lake – this was sport, not sustenance.

Later in the afternoon, the three stopped at a favorite spot for some lunch and drinks. Chuck tentatively brought the subject back to where they left off the night before.

"I was watching you on the water today, Brad. You really looked contented."

"I sure was, dad. It felt amazing being out there. I have been giving our talk from last night a lot of thought. This is really the first time we've talked about you moving on, so to speak. I figured you were considering me to fill your shoes. I have considered it a bit myself. You and grandad have built one heck of a business. And the combination of me on the floor with the guys building the team and the innovation of Errol and Blake, could be a killer team. But, as much as I like what I do, I am not sure that I am the right guy to lead the business to the next level. Look, you've got two powerful executives in Errol and

Blake. I learn from them every day. Frankly, I am not sure I can ever learn all they know. And they are great guys. But I've been thinking a lot about what a company that I was passionate about could look like if I applied *my* unique skills to it. Plus, I want you to consider going in with me."

Chuck was quiet. He didn't quite know how to answer Brad.

Did he really want to fish for the rest of his life? His Pro-Am fishing team gave him a personal escape and a competitive platform all these years, but did he want to turn his hobby into a business? What would Elena think and how would she feel about him starting a new business and a new way of life? Elena loved the fishing trips, but she mostly liked the camaraderie. She enjoyed being in nature, but Chuck could not see her being fully immersed in it. She would miss her friends, her outings, her interests.

What about his daughters, Merry and Amy?

It began to hit him that he was thinking of his son's needs and contributions and not considering what his two daughters might want or be eager to contribute. Where did they fit in? Brad was a good leader, he had demonstrated it time and time again, but if his passion were elsewhere, would it be right to make him stay with Barrows, Ltd.? Chuck realized he wanted his company to live beyond him: he wanted to do right by the employees who had stuck by him, by the clients who helped him build the business. Finally, he knew he wanted to carry on the family name, the tradition, as his father put it. He certainly hated the idea of selling to a competitor.

"Brad," said Chuck, "Flesh this idea out. Give me a better idea of your vision and how you see it being profitable."

"And the business man is back," said Smitty with a smile.

Chuck returned the smile, "He is never far from the surface, even out here. Brad, I also want you to consider investing in Barrows Ltd. and put together some thoughts on that. I'd be willing to finance some of the deal, but we would probably have to buy grandpa out here."

Elated, Brad readily agreed to have a proposal on his father's desk within a week. But he also recognized his father was having a hard time envisioning his hobby as a living, breathing, profitable business. Regardless Brad knew he could make it work. He also knew, without question, that his father would probably try to exert some pressure on him to buy his business within a few years.

Home from the Hills—or Lake

It was a long ride home in the RV. Brad and Chuck took turns driving. The three men did not say much over the next four hours. This was partially due to the sense of peace and relaxation the fishing trip gave them and partially due to the important conversations they had been having.

Chuck seemed to be wrestling with a dragon. He now knew that some change was coming over the next five, maybe eight years, but what was the best course of action? In the past, he could go to his dad and few close friends or associates for life or business advice. He realized he needed a lot of input from his wife, from his family, from his advisors.

This was not going to be easy. What did he know? He knew he wanted to retire from his business, but that he wanted to do it right. He knew he wanted to make the best of his years with his wife, wanted to ensure his family's wellbeing. He also believed he wanted to leave a legacy of some sort.

Brad's idea was intriguing. And Chuck could help. He had contacts on the semi-pro bass fishing circuit, he had a lot of expertise, and a host of other insights and abilities to make things work with Brad. But, in his heart, he really had hoped Brad would stay with the company, at least for a little while.

There was, to be sure, so much that he did not know. Things like the value of his business, the plans of his wife, the expectations of his daughters. He was thinking of some sort of managerial/employee buyout. Would his employees and executive team be willing or even able to do this? When did he want to leave the business, what did he need to do beyond the business? And finally, did he want to catch fish for the rest of his life?

When he got home, after dropping off his dad and then his son, Elena greeted him warmly. She was genuinely happy to have him home, but she could see he was not in the mellow mood she expected.

"Did something happen on the water?" she asked her husband.

"Yes," he replied, "I don't think Bradley wants the business."

The End of the Beginning

After a long night of talking with his wife, Chuck was no clearer on what he wanted to do with his life or his business when he showed up to work the next morning. He was short with his assistant, who thankfully took his unusual bad mood in stride, and barked a few orders at controller, Libby. Libby waited until later in the morning to talk to Chuck.

"Want to tell me about it?" she asked in her straight forward manner.

A scowl was replacing Chuck's usual good-natured demeanor, and the firm "no" that had been forming in his mind turned to a quiet "yes."

Libby knew most, if not all his financial doings, both personal and business. It was part of her job to know. She was discrete, always well prepared, and not shy about confronting her boss. Sometimes, Chuck could still see the hardworking, plain speaking teenager he hired years ago as a harried single dad. This morning, with her chestnut hair pulled back in a sophisticated pony tail, Libby still had something of the young girl who had come to him looking for a job.

"I need help, Libs, and I don't know where to start. I want to fully retire and take time to do nothing. Elena and I agree on that much. I want to do it sooner rather than later. I want to keep the business going, I would like Brad to take over. That's what I want, but..."

Libby looked at her long-time boss with concern. She knew he wanted reassurances that it would all be fine. But she was a professional. She had a fiscal duty to let him see the whole picture.

"Actually, boss, you are in a good place. At least you *know* you must do something. So many people in your shoes are completely blind-sided by the situation. In many—far too many—cases, business owners like yourself simply walk away, the business dies, and years of hard work go out the window. In addition to a lot of money being left on the table, dreams and ideas are squashed forever.

"So, here's what you need to do. You need to start to plan. And by that, I mean you need to look at the whole picture, both internally and externally. I take it you spoke to your father and Brad, and that's great, but you are not the gang of three. You need to learn what Elena and the girls expect and need. You need to ask yourself some hard questions and be realistic with your answers."

When Chuck looked confused, Libby elaborated. She explained to him that he needed to be honest with himself about what he pictured himself doing if he had more time on his hands and no business to tend to.

"Face your fears, own your expectations," Libby advised her boss. "You have always gone into new ventures knowing everything about everything. Well, this is no different."

Libby listened as Chuck outlined the few things he did know. He told her about Brad's idea. He also explained how he wanted the business to continue in some form; his desire to leave a legacy, not just a business.

"All of this is good. But you need to know more. For example," she said, "How viable is Brad's plan, how much do you want to participate in it?"

Libby also brought up Barrows, Ltd. "On paper, we are very profitable," she explained. "But how sustainable is the market for our products and expertise. Do you know if our property is still valuable?"

As Libby spoke, Chuck saw where she was going with this. He realized he needed to bring in his COO, Stan and his Vice Presidents on some point. Clearly, they needed to know what was going on, but he didn't feel it was appropriate yet to tell his VPs. Chuck didn't want to scare them away or make them nervous. They have been high performers since they were hired, and the business could take hit without them.

At the end of the discussion, Libby promised to set up a meeting with his CPA and attorney. To prepare for the meeting, Libby and Chuck agreed they needed to gather some information.

"They'll want to know who the major stake holders are and what they expect to see when you retire. They will also want to know what you expect your retirement to look like, and if the business can sustain it," Libby said. "They'll want to have an idea of what you are trying to create, and they'll want to know what your unresolved issues are."

Chuck looked puzzled at that statement.

"Like clients or product issues?" he asked.

"Probably," Libby responded, "But also family issues."

Again, Chuck looked puzzled.

"Like Merry," she said pointedly. "She holds a 1% interest in the property. Do you know what she might want?"

Chuck just looked hopelessly at the surface of his desk. "I have never been able to figure out what Merry wants. I gifted her that 1%!" he proclaimed.

"Well, it may be time to find out," said Libby.

Bring in the Experts

A week later, Chuck's long-time attorney, Bill Dunn, and his CPA, Harry Stiles, were sitting in his office. In the time since he came back from the lake, he had taken some steps by filling in his longtime friend and COO, Stan Villars, on the situation and talked through the scenarios with him.

Only Libby attended the meeting with him. Stan decided he needed to stay a bit neutral for the time being, but Chuck promised to fill him in later.

Bill opened the meeting. He explained that there were a host of issues to discuss in addition to the health of the business.

"You need a team of experts to help you," he explained. "If you were selling your home or a piece of property, you would be consulting various specialist. People who could give you information on taxes, on real estate issues, on staging of your home, on a whole host of issues. Selling a business is several notches up on the scale. You need a lot of advice. And you need to know that the timeline is closer to two to three years before everything is in place."

When Bill was finished, Harry began to enumerate what needed to be done regarding the business.

"Right now, you need to know what your business is worth today. You need to know what you have to do to keep building on that worth. You need to look at issues that are impacting your bottom line in a negative fashion and work to eliminate those issues," he explained.

Stiles went on to say the business appeared to be profitable, but highly leveraged. The ownership, too, he explained seemed a bit skewed. His daughter, Merry, his dad, and Chuck himself were the major stakeholders.

"In terms of the business, you need to ask some questions," Harry suggested. "You want to know what the management team can offer, what the employees are willing to offer, and what are your options in terms of private equity. You also want to articulate what you mean when you say you want to leave a legacy. Do you mean a foundation created in your name, or do you mean something more organic?"

Bill could sense Chuck's discomfort as he got up from his chair and looked out the window.

"Maybe I should just sell it all and be done with it," Chuck suggested.

Then, in the next moment, he reversed himself.

"Maybe I should keep it as long as I can as it is."

Harry and Bill shared a look.

"Chuck," he said, "I have a colleague who specializes in exit strategy, a Certified Exit Planning Advisor. Bill knows her, too. She is part of our CPA firm and has a lot of

experience with people who are transitioning out of their businesses. Her name is Lisa Martinson she is in our M&A practice. We think you should meet with her."

Chuck glanced instinctively at Libby, who gave him a quick nod. Recognizing her approval of the idea, Chuck reluctantly agreed to the meeting.

"I don't see why this is so complicated," he said.

The Experts Weigh In

It was another beautiful day on the lake.

This time Chuck and Elena were on the boat. Chuck had asked his advisors to meet for an afternoon lunch while boating around one of his favorite lakes and have their meeting out there in comfort. Bill and Harry were approaching the dock with a tall woman dressed for a day on the lake. This was Lisa, who was, as Chuck had learned, a CEPA.

Chuck squeezed Elena's hand and said, "Here we go," as he went to greet his guests.

"Welcome to the 'Lady of the Lake,'" he said genially.

Introductions were made, and Lisa complimented the Barrows on their well-appointed pontoon boat. She acknowledged how happy she was to be meeting both Elena and Chuck.

"This concerns you both, so I am very glad you are both here. Let me explain a little bit about what I do."

For the next twenty minutes, Lisa gave an insight into her background and what she does.

"I am a CPA with a specialty," she explained. "CEPA is an acronym for Certified Exit Planning Advisor. I've taken an MBA style program by the Exit Planning Institute in 2013. I've received the Certified Exit Planning Advisor/CEPA credential."

"As a CEPA, I am a holistic business advisor. That means I help a business owner align their business, personal, and financial goals while building transferable value into their company. In this way, the owner is always prepared to capitalize on a transition of their company, whether it is planned or, in some cases, unplanned."

Elena weighed in by expressing her concern that she and Chuck seemed to be involving the whole family in the process.

"Is that normal?" she wanted to know.

"Absolutely," Lisa affirmed. "Business is personal. Personal financial goals and personal aspirations should be driving the business, not the other way around. There will be times when you have conflicting value systems. Owning a business is personal."

Elena shifted uneasily in her chair.

"I want to go back to some things we discussed as a family. Merry had always been very interested in the family's community work and nonprofit. Although in medical school, she had been hoping to help design a program that helps parents in the community provide better nutrition options for their children. This was an outgrowth of the food bank Chuck and I started years ago. We also learned that one of our children, the youngest, Amy, is actually very interested in the business. She is just starting college in the fall, but she told us she had always wanted to work with her father, just never had the opportunity."

Chuck looked a bit sheepish.

"I didn't realize my daughters had as much ambition as my son and, frankly, just recently, I've learned of some of the things they've been involved with and projects they accomplished."

Lisa nodded sympathetically. "This is why we say that all the key family members, even the younger ones, need to have a voice at the table. No doubt, you will uncover more information as you go through this process."

Chuck and Elena shared a concerned look.

"What should I be most concerned about at this point," Chuck asked Lisa.

Lisa explained that knowing what you want to accomplish over the next 20 to 30 years was important. She also reiterated that he and Elena needed to have a handle on all their sources of income.

"So, increasing income is the driving force here, right?" said Chuck.

"Not exactly," Lisa explained. "Value is the primary long-term goal—not income. This sounds like a subtle play on words, but this is a significant paradigm shift. You need to focus on the present, not the future. Much of what has been written about exit planning focuses on the endgame. Your ultimate goal is not reached by focusing too far down the road. Your successful exit is based on what you do now; every day counts. There is no reason you can't benefit today and in the future. You can do both."

"You need to remember that, in the past, wealth was created from physical assets. However, in just a few years, technology has disrupted the entire system of wealth

creation. Wealth is created by a company's ability to create, transfer, assemble, integrate, protect and exploit knowledge assets. And when valuation professionals assign a multiple to a business's cash flow to determine the value, a greater portion of the multiple is typically allocated to intangible assets than to tangible assets."

Chuck and Elena looked confused.

Harry added helpfully, "In other words, it is the intangible assets that can move the multiple higher."

He went on to explain that there are four areas of knowledge capital, or intellectual capital, that can exponentially increase a business's brand value:

- **Human capital:** If all other things are equal, someone would be more likely to pay you more for a company with a talented management team than it would for a team that's just average.
- **Customer capital:** If your business has deep, lasting relationships with customers that provide recurring revenue, you're likely to receive more for the business than someone with a high concentration of customers or with a lot of non-recurring revenue.
- **Structural capital:** If your business has operating systems and processes in place to support your customer and human capital, it will provide more value than a firm where talented staff or lucrative customers are likely to walk out the door following a transaction. Systems and processes in this category include key-employee contracts and contracts with critical customers. This also includes systems to make sure intellectual property ownership is protected.
- **Social capital:** Companies that have a clear culture that makes everyone work better as a group will attract more than those without.

Lisa picked up the narrative. She explained that the biggest challenge faced by most business owners was protecting intangible assets, predominantly the firm's employees, customers, and vendors. However, some companies lack contracts for important customers or have customer contracts that are near expiration as they near an exit, and that can be a big problem.

"Planning ahead of the exit -- securing employee agreements or extending contracts of key customers, for example -- can go a long way toward protecting those intangible assets," she explained.

Acting almost like a tag team, Harry weighed in further, "Similarly, documenting the systems that your business uses for production, sales, customer retention, etc., is important for making sure that the corporate knowledge isn't solely contained in people's heads."

"That's right, Harry," said Lisa. "They have to understand that there could be tremendous value in your systems, but you can't capture the value if you can't document it."

She concluded by saying, "Focusing on intangible assets minimizes the business risks and builds transferrable value. If you focus on building a best-in-class business, your business is always going to be transferable, someone is always going to want that."

The challenge now, according to Lisa and Harry, was aligning that value with personal plans and financial goals.

"Fortunately, we have a process called value acceleration. Think of it as a systematic approach to exiting your company," said Lisa.

She went on to explain what the methodology is.

"The Value Acceleration Methodology™ helps you create a Master Plan that integrates business, personal, and financial goals into your exit strategy. This process consists has four core concepts, one of them being Master Planning, the alignment of the three legs of the stool 1) Maximizing Business Value 2) Personal Financial Planning, and 3) Life After Business Planning."

"It's a process," said Harry. "It teaches that exit strategy is business strategy and it is about building, harvesting, and preserving family wealth for generations to come; and integrating best-in-class business practices into daily operations."

Lisa and Harry then went on to explain the methodology focuses on enterprise value.

"Bottomline Chuck? Build value today. It drives more income and more security for your family and legacy." Lisa said.

Walking Lisa, Bill, and Harry to the dock, Chuck was grateful for the meeting. He and Elena felt relieved, but overwhelmed.

As Elena said to Lisa before they parted, "At least now we know what we don't know."

Chuck had not realized how much effort must go into a successful transition. He and Elena sat on the boat together, watching the birds fly in a gentle arc over the green, lush landscape.

"I think starting the business was easier than exiting it," said Chuck. "There seems to be so many pieces and parts I need to be aware of."

Elena got up and went behind the small counter that served as a bar. She opened a bottle of Santa Margherita Pino Grigio. Wordlessly, she handed him the glass of wine.

"Thanks," he said, "We need this!"

Chuck and Elena began to talk about the meeting. Elena expressed concerns over the nature of the process.

"This certainly affects you at work, but it also effects all of us within the family. It also seems very expensive and like an entirely new thing you must take on. Definitely things we need to consider, Chuck."

Chuck nodded and sipped his wine.

Elena was right. He wondered if his team was as capable as he needed them to be for this project. He also worried if he had everyone's trust. He liked Lisa, but he worried if her role would displace Harry who he'd worked with for almost three decades.

As the first signs of sundown appeared in the sky, he realized what he wanted from any deal: to build the most value and have the most cash at the end of the day as possible, ultimately to have a secure retirement. That was the bottom line. In the coming weeks and months, he would be able to see if he could add to that need.

The Aftermath

Spring had melted into summer. But now the days were getting shorter and at night you could feel the crisp, coolness in the air that signaled the season was about to change.

In that time, Elena had begun to think seriously about her business and had consulted with Lisa about her options. She was only a few years younger than Chuck, but she wanted to be ready when Chuck was ready.

For his part, Chuck began learning as much as he could about the process of transitioning. He read everything he could on successful exit planning and value creation. He consulted with Lisa several times and was relieved when Harry, his longtime CPA, approved of making Lisa the lead advisor on the transition team.

Harry was still part of his team. Which now included Bill Dunn, his attorney, Jeff Gold, the bank manager at Chuck's bank, and Jill Grayson, his risk advisor, and Chris Mikoto a newly hired wealth and investment advisor. Internally, his good friend and COO, Stan

Villars, and right-hand person and Controller, Libby Brockelman headed up the management team and team of key employees.

Finally, he had his family. Merry seemed to thaw when Chuck let her talk about how she envisioned her participation in the future of the company if her father's wish was to leave a legacy.

"Dad, there is so much good we can do for families in the community. We need programs that help people get access to good nutrition and other types of care. With the help of our family, things could improve for a lot of people," she said.

For the first time, Chuck began to see his daughter as more than a collection of jangled nerve endings.

His biggest surprise was his baby, Amy. Despite her age, she had a remarkably good head for the business. In many ways, she had the same qualities as Brad, but with a different focus.

As Halloween approached, Chuck was ready. He agreed to have Lisa conduct an analysis of his business and financial situations. Lisa said this was "The Triggering Event Engagement" and explained how it would help him create and execute a strategy for exiting his current role and drive positive results, value and income today. It would also provide insight into what options may be best for Chuck and all involved.

Chuck admitted he didn't know a lot about these options.

"I hate to admit it," he told Lisa after one meeting, "I did not realize I had so many options at this point or that they all have important implications. I just thought I'd be turning the business over to Brad or perhaps my team would want it."

Brad had surprised him with his well thought out proposal for a fishing outfitters company. His focus was on Pro-Am fishing teams and included details for Fishing Retail Online Store; fishing programs and coaching; fishing excursions for corporate events and retreats; small manufacturing for lures, rods, and reels; and, heeding Chuck's warning about start-ups, potential companies to purchase.

Although, Chuck noticed, he had put little thought to purchasing Barrows Ltd.

Lisa was educating Chuck about his options. Separately, Chuck was taking meetings with his vice presidents, Errol and Blake. Chuck had brought both into the loop with thoughts on a potential management buyout. They shared their new ideas for products and demonstrated to Chuck how passionate they were about the company.

Finally, Stan and Libby, his two most trusted advisors came to Chuck to tell him they were not interested in staying on if Chuck did leave and sell. However, they explained, they wanted to hold the real estate they own together and do a lease back to a new owner, so they could have some residual income.

Chuck reviewed his progress since turning 65 in April. He still had a way to go, but he was feeling more confident and better prepared than he had in a long time. Nevertheless, the process was overwhelming.

"I haven't worked like this in a long time," Chuck thought as he checked his phone and realized he needed to leave soon.

Elena had planned a family Halloween/birthday party for their granddaughter, Charlie. On the family front, things seemed to be looking up. There seemed to be a slight thaw between Elena and Brad, which Chuck attributed to his sweet granddaughter.

Also, Merry and her new boyfriend were coming, which made both parents happy. Smitty would also be there, and Amy was coming home from college for the weekend. Chuck was feeling optimistic that things would turn out right.

BOOK 3: THE TRIGGERING EVENT

PUTTING THE CARDS ON THE TABLE

The Discovery

Chuck's Ideal Plan

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The Discovery

Elena smelled the crisp fall air. Halloween was two weeks in the rear-view mirror. Suddenly, the landscape had gone from a blaze of color, to the muted tones that indicated Thanksgiving was close at hand.

A new puppy, the labradoodle named Coco, had entered their lives. When it became clear his intended owner, Merry, could not take him with her to her new home in New York, Coco became part of the Barrows household.

Finishing up a quick walk, Coco scampered excitedly along her side. Coco wanted to play, but Elena needed to get dinner started. She hoped Chuck would be less tense than usual. For the past few weeks he seemed lost in thought. Elena knew his mood was related to the business transition and the thoughts that were running through his head.

"Hi honey, we're home," Elena called as she came into the foyer.

She unhooked Coco's leash from his collar, and the golden dog with the melting brown eyes ran into Chuck's study for a head scratch and a conversation that consisted mostly of "good boy" and "who's the best doggie."

Elena and Chuck hadn't had a dog in years. After their last dog died about five years ago, they agreed they would not have another pet. But Coco changed all that with his big personality and general adorableness. Sometimes, the only thing that would not send Chuck into a deep silence was the wet nose of the four-legged charmer.

As she stood in the doorway of the study watching her husband and the puppy interact, Elena thought she saw a change in Chuck.

He's made a decision, she thought.

Smiling, she headed to the kitchen to finish the stew she had started earlier in the afternoon. She put the fresh loaf of French bread in the oven and made a salad. They were eating in the kitchen, which Elena always thought was cozy and comforting. Especially when it was just the two of them.

"Something smells good," said Chuck as he and Coco came into the kitchen.

He gave Elena a warm embrace as she brought the salad to the table.

"What was that for?" she asked playfully.

"For putting up with my mood these last few weeks," her husband responded. "I've made a decision. I am going to engage Lisa to conduct the Triggering Event Engagement."

Elena nodded her approval.

She, along with everyone else in the family, had become aware what this meant. She had been hoping Chuck would work with Lisa Martinson. Elena was a designer by trade but had been running her own business for almost two decades as she raised her family. She liked Lisa immediately due to her no-nonsense approach and her almost encyclopedic knowledge of this process. She knew the Triggering Event begins the process and would trigger Chuck to begin to get something done. Finally, she thought, this would give Chuck an action plan that would help him work on his business, personal, and financial plans.

"Why don't you have Lisa come out to the lake house next Tuesday," Elena suggested.

The Triggering Event Engagement

The following Tuesday, Lisa arrived carrying her laptop brief case and looking crisp and ready for a long day. Elena suggested that she make breakfast for the three of them, but that Chuck and his advisor spend the morning working at the lake house. She would go to her office and meet them later for lunch.

It was one of those warmer fall mornings when you know winter is approaching but for the moment, the air is warm and there is a shimmering golden haze over the landscape.

"It will be a beautiful day on the water," said Elena as she joined Chuck and Lisa for breakfast on the spacious porch of the lake house. The boat sat docked a few yards away on the lake that looked smooth as a bolt of blue green silk.

After a pleasant breakfast, Elena left for her office at the design company she ran.

"You have plenty of coffee and pastries," she reminded Chuck.

As he walked her to the door, Elena said softly, "Call me and let me know how you are doing."

Chuck nodded and gave his wife a quick kiss goodbye.

"So, Chuck," said Lisa, "Just to be formal, this is the Triggering Event Engagement. And we are going to be doing an EVA, an Enterprise Value Assessment. It should take about three hours or so. I am going to ask you a bunch of questions, so you can score or rate the strength of your tangible and intangible capital. You will rate everything on a 1 to 6 scale. 6 is perfect and 1 is nothing, meaning whatever we are measuring doesn't exist. Most owners will likely fall between 2 and 5. Five is best in class while 4 is slightly above average; 3 slightly below average. A score of 2 indicates a problem area.

"I want you to think of me as if I was the buyer of your company. So, don't be offended. This is likely what is coming your way from a buyer's perspective. It will only make this experience better and show us the way to build the most value. We will have some discussion along the way and I will have a final report for you by the end of next week. Sound good?"

Chuck gulped and nodded simultaneously.

Discussing the Nuts and Bolts

In preparation for her new engagement, Lisa had some time with Chuck and his advisory team learning about the company and Chuck himself. They talked about post-transition life and she realized Chuck really had no plans. He loved his wife, loved to fish and expressed wanting free time to spend traveling. He was also passionate about mentoring the next generation. He wanted Brad to take over and was interested in coaching his two VPs into bigger roles.

Lisa also had some preliminary conversations with Chucks financial planner and Libby his controller. Lisa quickly realized that Chuck had a weak plan, didn't have many investments outside of the business and his pro fishing team was supported entirely by his company. They had no real sense of company value, so the financial plan was loosely tied together. Chuck had some real loans on property and recreational toys and wanted to help his two girls through college and grad school while supporting his grandkids.

Lisa began the interview and discussion by talking about the attractiveness score. "We need to discuss how attractive your business is in the current market place. So, I would like to spend the first ten minutes talking about business factors, forecast factors, market factors, and investor considerations."

CASE STUDY READER NOTE: TO SEE THE SNAPSHOT OF THE ATTRACTIVENESS ASSESSMENT, SEE EXHIBIT B IN THE APPENDIX.

Lisa was careful not to start with Chuck's personal life or financial plan. After meeting with him a few times, she knew these issues were intensely private ones for him. Realizing he is more of a hard issues kind of guy and truly loves his company, she eased into the conversation talking about the business.

Chuck did not hesitate to give Lisa what seemed like a history lesson combined with a strategy session. He reviewed how he and his dad discovered the patented technology

that would allow him to build a good size business. He recalled the highs and lows of starting the business and the eventual success of his production, delivery, and sales team. There was a real sense of nostalgia in his voice.

With this overview in mind, Lisa began to drill down to get a sense of the Structural Capital. She asked him about the products he offers: the wide range of pressure gauges and related and supporting products they build and sell.

"Tell me about your patents, trademarks and the documentation around how to make, build and distribute these products," she asked.

Chuck was able to produce well documented and updated information on these items, which pleased Lisa.

"Now, here is a bit of challenge, Chuck," Lisa said. "Are these patents and trademarks in any way transferable?"

Chuck thought a bit and replied that the patents and IP were owned by the company and not by Chuck or any other separate entity.

Lisa replied, "This all sounds strong, but we may want to consult an IP attorney at some point to understand how transferable this all is."

She then asked him about his inventory. As she spoke with Chuck, she realized that the inventory consisted of a good amount old or returned product. The pallets weren't broken down. Some of the raw materials to make the gauges were out of date. By her estimate it seemed about 10% of the inventory was no good and needed to be disposed of or liquidated.

Lisa asked Chuck, "How often do you do a physical inventory check?"

Chuck paused for a second, "Well Stan, Brad, and I spot check the inventory monthly, but I do not think we have done a full physical inventory in over a year."

Next, they began to discuss branding and marketing strategies.

"This is particularly strong," Chuck insisted.

"What makes it strong, Chuck?" Lisa wanted to know.

"Well," Chuck responded, "It is unique and very strong. Our clients know we are the best for them. And they refer us to other customers."

"Do you obtain new business in any other ways other than customer referrals? I ask because the fact that you have great customer relationships is really more of a customer capital item, than it is structural," Lisa queried.

For the first time, Lisa saw something approaching sheepishness in Chuck's expression.

"Well, Errol Viggo, our marketing vice president, did create a strategy a few years ago. I haven't really looked at it since. It was good, if I recall."

Lisa then indicated they should look at Barrows' referral business.

"It seems as though you have long term customers who have been loyal and also refer you tons of work," Lisa suggested.

Chuck shook his head in the affirmative as Lisa went on.

"How can we prove what these relationships produce? For example, do you have testimonials, a record of successful referral campaigns or any type of written strategy around this. Although our customers are seeming loyal, exit planning is a state of fact, not a state of mind, so we need to be able to show a buyer the strength of this referral network and customer loyalty."

"We do have some of this information," Chuck responded. "I can have some of our team from the office pull for review."

Next up on Lisa's check list was a discussion about the facilities. The building, according to Chuck was built in the late 70s. Chuck and his partners bought the building about 30 years ago and want to keep it and lease it back to whoever buys the company. They made changes to the building over the years to keep it suited to the business and their business culture. The company owns all the equipment, which is well maintained but a bit old.

However, Lisa recalled as she walked the plant floor and through the warehouse during her last visit to Barrows Ltd. that the plant wasn't well put together. It was rather messy, needed a deep clean and better organization. Chuck moved out of the shop and into the office and explained that the office technology had recently been updated.

"We get new computers every three years," he explained, "But everything is either leased or owned."

Lastly Lisa began to ask Chuck about the legal structure of his company. They had set it up as an S-Corp. He had all documentation and his articles of incorporation bond up in a large binder on Libby's desk. He ensured Lisa that he could produce all his legal

documents for safety regulations, taxes, permits and other items related to operating his company in the state of Ohio.

"So, to sum up this portion, it appears the company has all its tax returns, management reports, sales by customer, expenses by vendor and related analysis for previous years all stored and documented well," Lisa said to Chuck as she peered over her glasses, which had slipped down her nose a bit.

"Yes," Chuck responded. "Libby is very careful. Our accounting system talks to our product and purchasing system and CRM. Everything flows. She keeps us very up to date and flowing. We also have a three year and a one-year strategy."

Lisa acknowledged Chuck's comment, her CPA mindset glowing, she smiled at what seemed to be a well put together and transferable accounting and financial system.

The Human Factor

Elena left a well-stocked buffet.

"I don't know about you, Lisa, but this process is actually fairly interesting. I am learning a lot. This is kind of fun!" said Chuck as he grabbed a pastry and refilled his coffee cup.

Reaching for her cup, Lisa smiled, and knew he was trying very hard to be engaged.

"We're only an hour in. We have a lot more to do," she reminded her client.

Nodding, Chuck sat back down on the deck chair. He mentally noted how beautiful the day was and how he could be doing any number of things he enjoyed more.

Turning back to Lisa, he said, "yes, let's press on."

"Great, let's talk about your employees. Your Human Capital."

"Now, that is something I do enjoy talking about," said Chuck with enthusiasm.

Lisa began to engage Chuck in a discussion about his core team, his COO, Controller, and the two VPs, who are all key people and at the heart of the company's success. During the discussion, Chuck revealed that his team all had NDAs or CAs signed and on file. However only Stan Vickers, the COO had a noncompete in his employment agreement. And, as it turned out, that was at Stan's insistence.

"Why don't you have that for the others?" Lisa asked.

"I just have a problem with the formality. Stan's a real 'dot the i's cross the t's' kind of guy. He's a Wharton guy, too. I've evolved with the formalities as we moved into double digit millions in revenue, but I base a lot on trust, on people with strong core values.

Besides, most of that stuff isn't *really* enforceable. I never really pursued it with Errol or Blake. And Libby, well she came up through the company. Hell, she used to babysit my son at one point."

Lisa just nodded. Overall, she noted the hierarchy, roles, and job descriptions were well defined. Chuck delved into the jobs and responsibilities of all 111 of his employees. He began to talk about his two executive Vice Presidents, Errol Viggo, Vice President of Sales and Marketing and Blake Aarnio, Vice President of Engineering.

"Great people. I hired each of them and have never been sorry," he told Lisa.

"Yes, they are great. But there are some issues we should probably address," she said.

Chuck gave her a quizzical look.

She went on to illuminate some of the issues. The first was marketing vice president, Errol Viggo, nurtured most of the relationships with the current clients.

"Not bad in and of itself, but to a buyer this may raise some red flags, especially if he doesn't have a noncompete and most of the relationships with the large customers he developed and has nurtured," she explained. "We may want to review this, and de-risk that situation a bit. There are several things we can do, but we will look at this in our next stage of our process."

Finally, she broached the subject of Brad Barrows, Chuck's son.

"He runs the entire plant floor. But he has told you he has other ideas and dreams. He has no formal employment agreement, no non-compete, and no NDA signed," Lisa pointed out.

She noted that there was certainly some family dynamics. Nothing out of the ordinary when it comes to family business, but with the uncertainty of what Brad really wanted to do with his career if his father were to sell the company to an outsider Lisa wanted to just make sure the appropriate planning was going on within the family.

Lisa moved carefully off the Brad topic and into the strengths of Chuck's team.

She acknowledged how the executive team is strong, with Viggo and Aarnio being the strongest relative to the business. They were responsible for new products, new ideas, great sales, and great relationships. The next layer of management, Lisa noted, were mostly in their late thirties and early forties. All of them are talented, passionate, loyal to the business and cross trained. And, she also observed about 25% of them had been promoted from within.

"That's pretty impressive," Lisa said, "but there does seem to be a lot of turn over with the folks who work in the manufacturing plant facility. The 'boots' on the ground, as it were."

"I don't understand that," Chuck confessed. "We have a great professional development and training program geared to all employees. About 10% of employees have some type of certification in their work, there is a management training program, regular lunch and learn sessions, team building quarterly retreats and more."

Looking up from his notes, he gave Lisa his patented "Chuck Barrows stare." It had little or no effect on her.

"These are wonderful stats, and I am sure the programs are wonderful," Lisa said. "But is it documented, and does it give a clear path for the employees to move up?"

Chuck simply shrugged.

"I don't know. But the employees know it exists."

Lisa said nothing, and they moved on to the next topic.

Social Capital

Not wanting to lose the momentum, Lisa said, "Let's move into Social Capital and talk about your people and the culture of your company."

Unflagging, Chuck agreed. Proud of the environment at Barrows, Ltd., Chuck began to describe the incentive programs and bonuses all employees participated in as well as the profit-sharing programs for executive team members.

Lisa learned that the culture at Barrows is defined as a family setting and very innovative. In fact, innovation was encouraged and rewarded. It included everyone from Chuck and his father all the way down to the shop floor employees.

Chuck explained, "Everyone is encouraged to be creative in their own way."

She also learned about the catered lunch that is served every day prepared by a part-time chef who comes in during the lunch hour to make meals. Chuck described the parties, particularly the summer event at the facility and the Christmas party, which is held off site.

These were traditions, Chuck explained, none of it is really documented, but all of it contributes to the high morale at the company.

As Chuck went on about his culture Lisa made copious amounts of notes. When Chuck finished Lisa asked a delicate question,

"You mentioned some of your programs, like your bonuses and incentives even your retreats or communication rhythm, were not well documented, but do you believe this culture is transferable?"

Chuck asked, "What do you mean?"

Lisa went on to clarify, "Whether social capital or the other three capitals, the main question becomes 'Is it transferrable to another buyer so that that buyer could use or replicate without your team in place?' We are really looking at transferability."

"Well that's an interesting point Lisa. You have me thinking. I guess my answer for the time being is I don't know. I do know it's well put together, but I don't know if it is in a position to be transferred or if a buyer would even appreciate this culture, we have spent so much time building it here at Barrows," he responded.

Chuck looked pleadingly at Lisa. "I think I need more than a coffee break now. Let's regroup in 10 minutes."

Lisa agreed.

Customer Capital

Lisa assured Chuck he was doing great.

"It's a long process initially, but it provides us with a road map to help you with your strategy," she explained. "Are you ready? we are in our last hour here."

Giving her the thumbs up, Chuck began to discuss his customers.

He explained that all customers have contracts and they were filed electronically in the database. Barrows also provides their customers with warranties on their products. A large percentage—36% of the business—with one customer. The relationship, he explained is long term and primarily with him and his son, Brad.

"We still have the first customer who bought the first pressure gauge from us 39 years ago," Chuck said proudly. "Of course, it is only 2% of our revenue, but we are proud of it."

"The other 40% of revenue is made up of fifteen customers. At least three of them change yearly. The remaining 22% is made up of longer term and new annual clients—

there are about 35 clients in this group. However, about 15% of these clients are 90 days overdue in their invoices.”

Lisa paused and asked, “Chuck can you produce sales by customer report readily?” Chuck responded, “Well, Libby certainly could, but off hand I don’t know for sure, I couldn’t.”

Lisa began to wrap up her assessment of the 4Cs.

“Chuck, I have one more major question and here it is, “if you were to sell to a third party, what are your goals or expectations? Do you have any idea of what your business is worth today and do you know if that number is right for you?”

CASE STUDY READER NOTE: TO SEE THE SNAPSHOT OF THE ENTERPRISE VALUE ASSESSMENT, SEE THE APPENDIX.

Chuck took a moment before he answered. Finally, he said that years ago, when he and Lorraine, his first wife, divorced, he had to value his company. But, he said, he had not had a formal valuation done in years.

“Frankly, Lisa, I have not really thought about selling. I always figured I’d sell to Brad over time, and maybe Brad would bring in Errol and Blake as equity partners. My thought was we’d buy out my Dad’s ten percent, I would stay on for five more years or so, and become an investor/mentor. I would be willing to hold a note for my team and my son. But I can’t say I am willing to do that for anyone else.”

Giving a wry smile, Chuck concluded, “I trust people, but not that much.”

Expressionless, Lisa nodded and said, “As part of this engagement we will calculate value. Specifically, we will calculate a range of value. We will correlate that to a personal, financial and business assessment that we just conducted. Out of that you will get a score. Then, we place Barrows Ltd. in the range of value. This will allow us to see where you will likely sell at today if you went to market, and we will be able to see the opportunities for value growth.”

Chuck nodded as Lisa went on, “I will email Libby when I get back to my office and copy you. I will need the following from Libby to complete the valuation. These items will include things like:

1. **P&L** (last 3 years),
2. **Tax returns** (last 3 years),

3. **Balance sheet** (last 3 years),
4. **Any discretionary spending** that you addback to the business.”

CASE STUDY READER NOTE: TO SEE THE SNAPSHOT OF THE FINANCIALS AND VALUATION, SEE EXHIBIT A IN THE APPENDIX.

The Clouds Begin to Part

Elena arrived back at the house just before noon. She had hired a caterer to prepare a lunch for her husband, his advisor, and herself. The afternoon was still mild, so they were able to sit outdoors. She observed her husband carefully as Lisa made some calls in the other room. Chuck seemed energetic and hopeful. She inquired if everything worked out.

Chuck smiled at his wife.

“I am encouraged. There is no doubt there is even more work to be done here. But I believe we have options. Lisa did a great job. It was fun reliving the last 39 years! Kind of rejuvenating, frankly.”

Lisa came into the kitchen.

“Sorry, I didn’t mean to eaves drop, but you have a quality business here. I think we can drive value up and give you some interesting exit options.”

Elena smiled, kissed her husband and went to touch base with the caterer who had just rang the doorbell.

BOOK 4: THE EXIT STRATEGY TAKES SHAPE

THE CONCLUSION

Putting it Together

Auld Lang Syne

Finding the Right Deal

Structuring the Deal

Epilogue: To New Beginnings

The Exit Strategy Takes Shape

The weather had been grey and dull since the beginning of the new year. It was a few days before the end of January. The trees looked like skeletal fingers against the cloudy sky. Even though there was a wood fire crackling in the big fire place in the great room of Chuck and Elena's house, everything seemed cold and cheerless.

Chuck always disliked this part of the year.

The festivities that started in the fall, the family gatherings at Thanksgiving and Christmas, and the New Year celebrations with friends in New York were done. The start of the bass fishing season was several months away. The lake house was winterized and closed up.

Even this home he and Elena shared, it now seemed too big and too empty.

Their youngest daughter, Amy, was in Europe as part of a three-month school sponsored program.

His son, Brad, was less and less likely to drop by alone or with Tina and little Charlie. Things had become strained between father and son ever since Chuck decided he wanted to transition out of Barrows, Ltd. and Brad told him he didn't want to be part of the business.

His oldest daughter, Merry, had found her passion—and her heart—in medical school in New York. What had once been a strained, contentious relationship between father and daughter was beginning to heal.

The process that was pulling Brad and Chuck apart, seemed to be bringing Merry and Chuck together. Merry did not expect to be part of the business. But she had hoped to use some of the goodwill Chuck generated in the community to help propel her idea for a family clinic and wellness center.

She and her fiancé, Kyle, who had proposed over the Christmas break, planned to come back to the area in the next two years, once Merry graduated and completed her residency. Kyle, an orthopedic surgeon, had a keen interest in Merry's idea and wanted to be part of it.

Chuck was happy his daughter and her future husband seemed so in sync. Merry sought out her father's advice often and Chuck was happy to give it.

From the great room, he could hear Elena bustling about in the kitchen and talking to his dad, Smitty. She was trying to sell him on the benefits of moving in with them.

Chuck chuckled and sighed simultaneously. He knew his dad. There was very little Elena could say to him. Smitty liked his independence and he liked coming and going as he pleased. He was not going to be a “burden” to anyone. Nevertheless, Chuck hoped Elena could succeed where he had failed in persuading his father.

Putting It Together

After a cold, rainy weekend, Monday dawned bright, clear, and blue.

This is an important day, Chuck thought as he drove to the office.

Lisa had called a workshop with him, Libby, Stan, and several other advisors. Though, Lisa and Chuck had been in touch since their last meeting (The Triggering Engagement right before Thanksgiving), they agreed to wait until after the holidays to conduct this workshop with the full team. Scheduled for nine o’clock this morning, Lisa would be presenting the final report of the triggering engagement they had conducted.

As usual, Lisa Martinson was prompt and prepared. Chuck wondered how she kept her mind so sharp and so focused. Over the months he had come to know her, he learned to appreciate her laser-like skills at probing and clarifying issues. In the beginning, he was impressed by her credentials and calm focus.

Now, he saw his CEPA as an ally that he respected and trusted. Lisa would help Chuck drive value into his company (and personal life) and gave him a better understanding of his business as it exists now. She was also willing to ask the hard questions, listen, and challenge Chuck, which he appreciated.

“Good morning, I hope everyone had a great weekend,” Chuck said to start the meeting.

The team members consisted of his trusted internal team headed by Libby, Stan, and Brad. His external team consisted of his attorney, Bill Dunn, his CPA, Harry Stiles, and Jeff Gold, the manager of his bank. Harry had also brought two members of his organization to the meeting: a risk advisor, Jill Grayson, and Chris Mikoto, a wealth and investment advisor.

Turning the meeting over to Lisa, Chuck watched as his team took notes and asked questions.

Overall, he thought as he listened to Lisa’s analysis, *Barrows, Ltd. was not in terrible shape*.

In terms of a readiness rating, Barrows, Ltd. stood at 56.5% with an overall attractiveness rating of 65.5%. As Lisa presented, she could see the rest of the team nod in general agreement.

Chuck spoke up, "Seems fair. I would agree. I believe our company is attractive, but certainly needs some improvements."

Libby pointed out, since the EBITDA multiples ranged from 4–10x and given the readiness rating of 56.5%, she estimated the business would trade for somewhere around 4x.

"That is certainly much lower than what we had hoped," she said.

Chuck nodded and mentally concluded: *And certainly, much lower than what we need.*

Undeterred, Chuck was in good spirits through the meeting. Signaling his willingness to roll up his sleeves and get to work, he readily agreed when the team asked him to review his action plan.

As they began to review the action plan from the Triggering Event engagement, they realized that Human Capital rated fairly low and, surprisingly to Chuck and his team, the Customer Capital was extremely low and high risk.

"We need to de-risk both of these areas," said Stan Vickers. "This needs to be a priority."

All the heads around the table nodded in agreement. Lisa pointed out the talent levels at Barrows, Ltd. were high, but rated low for several significant reasons, which she began to numerate.

"For one thing, there is high turnover on the shop floor, in spite of the atmosphere of innovation and entrepreneurship," Lisa observed. "Second, in spite of the existence of a professional development program, very few people from the shop floor take advantage of it."

Chuck noticed no one said it out loud that the report also noted the shop floor was unorganized, not as clean as it should be, and the inventory was out of date. His son, Brad, the plant manager, looked uncomfortable as these responsibilities belonged to him.

Chuck was painfully aware that his three top team members (Stan, Libby, and Brad) had all expressed the desire to leave the company. He was also cognizant that Errol and Blake, while solid vice presidents in their respective departments, were not ready to helm the company. There was no succession plan in place, they did not have the appropriate

employment agreements, and, significantly, much of the customer relationships resided with these two VPs.

Working through the report, the team acknowledged Customer Capital had a low rating for several significant reasons. While the customer base was long term and populated by loyal customers, 36% of the revenue came from one customer, an extremely risky situation. Further, despite a massive customer referral base, there was no real referral program or strategy in place. The absence of this program combined with the fact that most of the relationships were with Errol Viggo contributed to the low score.

Lisa pointed out the need for documented testimonials, referral campaigns, and other strategies to help underscore the loyalty of these customers. Perhaps the team could even investigate long term contractual arrangements, she posed.

As Errol nodded in agreement, Lisa said, "Again, exit planning is a state of fact, not a state of mind."

By the end of the day, the team had reached several conclusions.

First, they were going to defer going to market.

Next, they prioritized their goals. They wanted to get some control over their customer base and visit diversifying these customers. Stan strongly suggested making it a priority to land another big customer within the next 12 months.

Subsequently, they decided to start doing some training and succession planning for the management of the business. The entire team agreed they need to become more educated about value acceleration and exit planning while understanding the Barrows business as well.

Privately, Chuck concluded two things for himself. He needed to be more aware of all his exit options. He continued to feel he had many, but he was still unsure of what they exactly were and how they all laid out. He also realized he had some soul searching to do about Brad's desire to do something other than work for Barrows, Ltd.

Auld Lang Syne

Chuck's 66th birthday came in June and now his 67th was on the horizon. The seasons came and went. There were family events and milestones.

Chuck's once-troubled daughter, Merry, graduated from Columbia Medical School magna cum laude. She lucked out and was able to take up a residency at the Cleveland

Clinic in Cleveland and had made the move back to Ohio. On top of that, she and Kyle were in the throes of wedding planning.

Amy went off to college and enrolled in the business program at Ohio State.

His granddaughter, Charlie, started kindergarten.

Elena began to talk seriously about downsizing and moving to (or building) a smaller house.

Coco the dog had a litter of pups that quickly went to good homes. However, Elena could not bear to part with the littlest puppy who quickly became part of the household. She affectionately named the pup 'Smitty.'

One day, not long before his 67th birthday, Chuck and his dad Smitty went out to catch some bass. It was a perfect day for it. They stood waist high in the cool waters of the cove, the place his father had introduced him to so many years ago. There was a sweetness in the air as they cast their lines into the shallows. Chuck helped his father reel in a 16-pounder. It took both to hold the massive fish as they released it back into the waters. Smitty seemed a bit breathless, so they headed to the banks of the cove to rest. They talked about nothing special that day. Afterward, they returned to Chuck's house.

"Long day, getting late," said Chuck, "Why don't you just stay over?" Smitty never did move in with his son.

"Agreed. Thanks son."

The next morning, he did not come down to breakfast. Later, the family would find Smitty in his room. He died in his sleep.

The funeral was a celebration of Smitty's life. Chuck was surprised at the number of people his father knew and who came to pay their respects. There were young people who talked about how Smitty taught them so much, not just about fishing, but of preserving the environment. There were men and women who had been mentored by Smitty in one way or another. Chuck was moved by the profound effect his father had on those around him.

After the funeral, Chuck asked Brad if they could talk.

The two men felt adrift without their father and grandfather. Over the past two years, Chuck and Brad seemed to exhaust themselves with discussions about the high turnover in the shop, the inventory problems, and the shop floor cleanliness. The problems would resolve for a little while but would eventually resurface.

Chuck had to face the fact that Brad's performance was symptom of the truth: Brad was not interested in the business. He wanted to start his own company, following his grandpa and dad's entrepreneurship and innovative spirits.

"Dad, I showed you a plan for my business two years ago. Grandad even said he'd use his 10% to help fund it. I am serious about this and I know it is the right thing to do for me and my family. I know I am slipping at work. And that is because I keep thinking of what I want to do, rather than what I should do to make you happy."

Seeing the sincerity and conflict in his son's eyes, Chuck finally relented.

"Let's get a plan in place so you can move on," he told his son.

Grateful, Brad felt as if his grandfather's spirit was in the room.

"I just feel bad that I kept trying to force you to stay all this time," Chuck said.

The two men embraced.

"You are going to be amazing at this new endeavor, Brad."

Smitty's death caused some unforeseen complications. A forty-plus-year-old, outdated, and poorly written buy-sell agreement threw a wrench into some things and needed to be addressed.

In the end, Chuck ended up inheriting the 10% ownership of Barrows, Ltd. that had belonged to his father.

Finding the Right Deal

Back at Barrows, Ltd., the entire team had been busy educating themselves, de-risking the business, and learning everything they could about building value, value acceleration, and exit strategy. Chuck worked closely with his external team to align his personal and financial plans.

Chuck had taken a week off after his father's passing. Once back at work, he got busy developing a transition plan for Brad. The plan called for Brad to get the plant floor in shape, with proper work procedures, and clearer goals and stated opportunities for all the employees there. It also called for the hiring and training of a new plant manager.

The team met once a month. They prioritized an action plan that was accountable in 90-day business sprints. Every 90 days they ticked off the accomplished items, realigned themselves with the items that were not completed, assigned new actions on which to

work, and revisited their overall analysis. During the first 90 days, Chuck's high spirits and energy plummeted.

But, as he and his team really dug in by starting to implement succession programs and conducting sales meetings with prospective clients, he became energized and busier than ever before. Chuck hadn't been on a large sales call in years but with the succession plans in place, it allowed him to get back in the game to teach and mentor the next generation.

As Brad began to enact his own exit plan, Chuck's vice presidents became his son surrogates and he spent as much time as he could mentoring them. Significantly, he began to see progress, which begat even more progress.

Chuck directed his team to meet with strategic buyers. As a result, they learned that Barrows, Ltd. would be an add-on to these larger corporations. While this would provide Chuck with maximum value, he was worried about this culture and his employees. He didn't want to see them downsized or treated differently.

Next, the team investigated opportunities to sell to a lower middle market company much like Chuck's. These were either synergistic buyers or outright competitors. Again, while the value for Chuck and his family was very good, he simply could not get his head around the idea of selling to a competitor.

"I think you are Goldilocks and you are visiting the Three Bears," said Elena one night after they had opened the lake house.

"I know," Chuck said ruefully, "I haven't found the one that is 'just right.'"

Errol and Blake, his two promising vice presidents, had expressed interest in buying the company on multiple occasions throughout this process. But Chuck knew, as two men were in their late forties, they couldn't afford it. Nevertheless, Chuck liked this option.

And throughout the process, Chuck's team began to realize that Chuck wasn't ready to exit holistically yet. He decided he just wanted to take some chips off the table.

Chuck consulted with Lisa.

"It sounds like you want two bites of the apple, not just one," she said.

Chuck agreed.

"Ever since the triggering event engagement, I have renewed sense of the business. Errol and Blake have new product ideas and have identified new expansion

opportunities. I really would like to be part of that. It would be a great way to pass Barrows, Ltd. on to the next generation, even if it isn't family," he told her.

Structuring the Deal

Lisa had some colleagues in the private equity sector. She selectively (and discretely) talked to them about Barrows, Ltd. In turn, these contacts made some referrals to other firms as well. There was a great deal of interest in the company, given Barrows' uniquely engineered products and their place in the top tier of the marketplace with strong position against competitors.

In fact, since working with Lisa and taking on this process, Barrows, Ltd. had cut their customer concentration issue down to 23%. Further, Errol and Chuck had a new prospective six-million-dollar deal on the table. This would bring concentration down to 19% and bring their company revenue up to almost \$40 million.

Blake, VP of Engineering, and Stan began to meet regularly with the outside strategic consultant Barrows, Ltd. had hired. For nearly a year, they workshopped ideas of expansion into new markets with new products that Blake and Errol had. They were in the beginning stages of a three-year strategy build out.

The advisory team spent the next several months putting together deals with private equity companies and sharing these with Chuck. It turned out Chuck had been right about the interest in the company. The private equity companies also took a liking to Chuck's two VPs, and almost all the PE firms came back with at least one option around structuring the deal to include long-term contracts as equity partners for Blake and Errol. Chuck had worked hard to position a management succession program where both Vice Presidents could learn more about the business, take on more roles, and transition customer relationships. Unanimously, every PE firm liked what they saw in the two men.

As Chuck approached his 68th birthday, a deal was struck.

The winning deal, offered by the private equity firm, offered to buy 75% of the company, keep Chuck in for 10%, and Blake and Errol were given common stock of 7.5% each. According to the deal terms, they were to maintain and run the company.

They proposed moving Blake to President and keeping Chuck on as CEO or Chairman. All of this was hinged on launching new products and expanding the business; something the PE firm was adamant about. This meant that Errol and Blake had to sign longer term employment agreements with performance-driven metrics, which gave them this ownership over time. Chuck was to mentor them, transfer any vendor and customer relationships, and make sure the business stayed stable during transition.

The plan would grow the company significantly. By the time Chuck was 72, the private equity firm would buy Chuck's 10% out. At that time, the two vice presidents would get another 2.5% each, bringing them both to 10%. The remaining 5% from Chuck would go to the private equity firm itself. Finally, the real estate, owned by Chuck Barrows (59%), his daughter Merry (1%), Libby Brockelman (20%), and Stan Villars (20%) would be leased to the new entity.

Epilogue: To New Beginnings

The morning of Merry's wedding dawned clear and bright.

A lot had happened over the past several years. Chuck was unaccountably nervous. He wanted the day to be perfect and, as he looked at himself in the mirror trying to tie his bow tie, he kept repeating his one and only line of the day, "Her mother and I do," the appropriate response, of course to "Who gives this woman in marriage?"

But as he stood there, Chuck thought of the journey he had been on since that day when he decided he wanted to bring security into his life and business. In that time, he saw his business transform, he faced and resolved some pressing family issues, and now at almost 69 years of age, he felt as if he had a brand-new start on life.

The lake house was transformed for the wedding.

Merry and Kyle had said they wanted a small wedding with family and friends.

If you consider 250 people "small," Chuck thought wryly, then yes, that's what it was.

But everything was beautiful, Elena had outdone herself in creating a stunning space in which their eldest daughter and new husband could start their life together.

Chuck beamed with pride as he, Merry, and her bridesmaids lined up for their walk down the aisle. His young granddaughter was taking her responsibilities as flower girl very seriously. Her little brother, Brad Jr., was too young to serve as ring bearer, so Kyle's nephew took over those duties. His youngest daughter, Amy, looked grown up as the maid of honor.

Wasn't it just a few years ago his two girls were scrabbling over clothes, boys, and slamming doors on one another?

At the reception, Chuck took some time to talk to Stan and Libby.

"How's it going?" Chuck asked.

Both of his old friends were beaming. They were transitioning their roles, too, and so far, it was going well.

"Hi Dad," shouted Brad.

He was dancing with the flower girl, his daughter Charlie. Or rather, she was poised on his feet as they awkwardly stomped around the dance floor. Brad had left the company three months ago. He had taken a loan from Chuck and started building lures while running Chuck's pro fishing operations. Chuck was very happy for him, at last.

"Where is my handsome husband?" he heard Elena say. "You haven't danced with me all night!"

Chuck took her in his arms, and they danced to the sweet ballad the band was playing.

As Chuck spun Elena around, he smiled and said, "Well, you will have all my attention once we get to Paris on Friday."

Elena smiled and said, "And then I'll lose it again when we get to Scotland and you go on that fishing excursion!"

The couple laughed.

They were interrupted by Amy.

"Hey, Mom, Dad, I am going to head out. I have an early start tomorrow."

Chuck couldn't help but smile at his youngest daughter.

"Big day tomorrow, Amy."

Father and daughter couldn't contain their delight.

"Yep, I start that new internship program in the morning. At Barrows, Ltd."

APPENDIX

Exhibit A: Financials & Valuation

Exhibit B: Attractiveness Assessment

Exhibit C: Summary of Readiness Assessment

Exhibit D: Key Considerations from Report

EXHIBIT A

FINANCIALS & VALUATION

- Sales for the past three years have been between \$33.2 million, \$32.4 million and \$33 million
- Gross margin has been 31-33% each of the past three years and currently sits at 31%
- SGA has been between 16-19% each of the past three years and currently sits at 19%
- EBITDA ranges between 11-13% each of the past three years and currently sits at 12%
- Rent payment is \$720,000 annually. 160,000 square foot facility at \$4.50 per square foot
- Debt of the company includes:
 - Payables of \$1,138,500
 - Line of Credit of \$1,228,000
 - Bank Loan of \$338,000 (current portion \$67,000)
 - Equipment Loan of \$250,000 (current portion \$37,500)
 - Note payable to Smithson Barrows of \$150,000 (current portion \$30,000)
- The company holds a loan to Chuck Barrows of \$372,000 (current portion \$65,000)
- Accounts Receivable are at \$4.35 million
- Chuck Barrows has addbacks of \$389,000 annually as follows:
 - \$200,000 in bass professional fishing team sponsorships and operations
 - \$39,000 in personal vacations
 - \$6,800 in hunting and fishing club fees
 - \$16,800 for his car and his wife's car
 - \$40,000 in lawsuit settlement (\$200,000 over 5 years)
 - \$86,400 in mortgages (3 homes)
- Multiples in this industry currently range from 4-10x EBITDA
- Current Financial Outlook
 - Revenue – \$33mill
 - Gross Margin – \$11.55mill
 - Unadjusted EBITDA – \$3.96mill

EXHIBIT B

ATTRACTIVENESS ASSESSMENT

Barrows, Ltd. Attractiveness Score: 65.5%

- Business Factors: 68%

CATEGORIES SCORED:

- Years in Business
- Management Strength
- Customer Loyalty
- Brand Awareness
- Customer Base
- IP & Technology
- Staff Longevity
- Location of Business
- Replicable Business Model

- Forecast Factors: 58%

CATEGORIES SCORED:

- Profitability Past/Present
- Profitability Growth Forecast
- Revenue Growth
- High Certainty of Budget
- Recurring Revenue

- Market Factors: 76%

CATEGORIES SCORED:

- Market Growth
- Industry Barriers to Entry
- Competitive Advantage
- Dominant Market Position
- Economic Prosperity

- Investor Considerations: 60%

CATEGORIES SCORED:

- Reason for Selling
- Synergy and Value Add of Buyer
- Degree of Risk
- Market for Business Sale

EXHIBIT C

SUMMARY OF READINESS ASSESSMENT

Barrows, Ltd. Readiness Score: 56.5%

- Human Capital Score: 52%
- Customer Capital Score: 45%
- Structural Capital Score: 62%
- Social Capital Score: 67%

EXHIBIT D

KEY CONSIDERATIONS FROM REPORT

The Company: Barrows, Ltd.

- 39-year-old company
- Two owners: Smithson Barrows 10%; Chuck Barrows 90%
- Manufacture liquid pressure gauges and associated products
- Opportunities exist in new or uniquely manufactured products and international expansion (outside of gauges)

Human Capital:

- Company has 111 employees
- ^ Includes six key executive managers; all long-term with the company and talented
- All six key managers have NDAs (but the COO is the only with a non-compete)
- COO, Controller, and Plant Manager want to leave if Chuck sells

Structural Capital:

- ISO 9000 Certified
- Various Patents and Trademarks
- Documentation via procedural and how-to manuals for product builds
- Weak marketing strategy, not documented, most is referral work
- Equipment all owned by company, but old
- Above average financial, accounting and inventory systems and documentation

Social Capital:

- Strong family values
- Culture of innovation from executive managers to shop floor employees
- Documented incentive, profit sharing and bonus programs

Customer Capital:

- Largest customer accounts for 36% of revenue (and is long-term and loyal to Barrows family).
- Fifteen customers account for 40% of revenue.
- Thirty-five customers account for 22% of revenue; NOTE: 65% of these are overdue on invoices.
- Customers do have contracts (and typically have maintenance contracts as well).

Personal and Financial:

- Real estate matters: Chuck, Libby, and Stan want to keep the building.
- Chuck has a financial planner, but they don't really know what he needs to retire.
- Chuck owns three expensive homes, pays two college tuitions, his wife owns a small business, and they run their vacations and cars through the company.
- No valuation has been done on the business.
- The business funds Chuck's sport fishing team entirely.
- Chuck does have passions outside of the business; fishing, hunting, grandkids, travel.
- Brad, Chuck's son, wants to leave Barrows, Ltd. and start his own company (with Chuck).
- Merry, Chuck's daughter, owns 1% of the real estate holdings company.

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BASED ON REAL-LIFE SCENARIOS. NOT REAL PEOPLE.

This piece is a fictional case study and was written for educational use at the annual Exit Planning Summit. The events, characters, and details depicted in this story are fictitious. Any similarity to any person living or dead is merely coincidental.

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