

# STATE OF OWNER READINESS REPORT

**COLORADO  
SEPTEMBER 2022**



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# A NOTE FROM THE COLORADO EMPLOYEE OWNERSHIP COMMISSION

Colorado is home to over 653,000 small businesses, accounting for about 99.5% of all Colorado businesses. Whatever the individual's reason for starting a business, the idea of ownership is often what drives individuals to contribute to something larger than themselves. Business owners turn ideas into actions, create local jobs, and cultivate their communities. Naturally, when it comes to starting or running a business, owners are always thinking about what comes next.

Seldom, until usually much too late, does that include actively considering how their journey with their business will end. It seems almost counterintuitive to plan to exit their business, especially when their operations, employees, communities, and more take priority above their own needs. However, purposefully preparing for exit or succession is one of the most important steps a business owner can take to ensure the business continues to provide after they step down.

Many businesses across the United States are owned by baby boomers. Through this survey, we've learned that 70% of business owners who responded reported they wanted to sell in the next 10 years, referred to as the "Silver Tsunami." However, only 20-30% of businesses that go to market sell, leaving upward of 80% of business owners without the opportunity to harvest their wealth and continue economic stability into the next generation.

The State of Colorado is committed to helping Coloradans in all four corners, especially in rural areas, to ride this wave so our small businesses keep their doors open. As one of many solutions, Governor Polis and the State of Colorado established the Employee Ownership Commission and the Colorado Employee Ownership Office in 2019 and 2020, respectively, housed within Colorado's Office of Economic Development and International Trade.

Now considered a leader in the space, the Colorado Employee Ownership Commission and Office are focused on breaking down barriers and providing programs, funding, and incentives to business owners to understand, explore, and pursue employee-owned business structures. The Employee Ownership Tax Credit covers up to \$25,000 of conversion costs for worker-owned cooperatives and employee ownership trusts or \$100,000 of conversion costs for employee stock ownership plans on a business' state income taxes. Employee ownership offers numerous benefits, from instilling an ownership mindset in employees to increased resilience through economic downturns.

Most notably, these business structures provide a guaranteed succession plan through the sale of the business to employees, keeping the business in place even after the original owner leaves. When business owners and employees alike have an ownership mindset, it is a powerful tool to keep everyone invested in the future success of the business.

Most recently, the Employee Ownership Office, the Exit Planning Institute, and sponsors partnered to conduct the State of Owner Readiness Report. The purpose of this research is to assess how prepared Colorado business owners are for this next step in their business. The study also helps business owners understand what work remains in their exit planning, and what options are the best fit for their business.

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The State of Owner Readiness Report on the following pages reveals telling statistics for the state of Colorado. Much like the rest of the nation, Colorado's business owners still need to prepare to exit their business, although 52% plan to transition their companies within the next 5 years. They are focused on income generation, rather than value creation, and 68% indicated they have spent minimal time and attention on their exit strategy. These numbers tell us it is time to help Colorado businesses plan ahead.

Ultimately, the mission of the Colorado Employee Ownership Commission is to support our businesses through this transition, in turn providing stability to local communities and the employment of our citizens. Through this research, we are able to discover more opportunities to address the existing gaps in education, programming, funding, and technical assistance that prevent businesses from transitioning to employee ownership. We can also further understand what actions need to be taken to prepare businesses for such a transition, no matter when they decide it is the right time to do so.

We're proud that Colorado is the first state to leverage state government support to conduct the State of Owner Readiness Report. By using this research to create options and opportunities, we can support and equip our current and future business owners in their exit planning, and serve as a leader as other states navigate similar issues. This work allows business owners to continue to provide for themselves, their employees, and their communities. With these tools, business owners can craft and continue their legacy the way they would like to. Most importantly, business owners can enjoy a life outside of their businesses, taking advantage of all that our beautiful state has to offer without hesitation.

We work to grow a resilient economy where everyone not only gets by, but thrives. Not only are small businesses the heart of our communities, they are critical to our state's economy. Our mission is to achieve and sustain a healthy Colorado economy that works for everyone and protects what makes Colorado the best state in the country to live, work, start a business, raise a family, and retire.

Sincerely,

The Colorado Employee Ownership Commission



**Jennifer Briggs**  
Commission Chair



**Sandy Shoemaker**  
Commission Vice Chair

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# INTRODUCTION

The Exit Planning Institute (EPI) and its Rocky Mountain Chapter conducted a survey of business owners in Colorado to determine their state of readiness to transition their businesses and unlock the wealth accumulated within them. We compared the Colorado results to national and regional surveys EPI has conducted in the previous nine years. We noted specific trends of both successful and unsuccessful business owners and offered suggestions to business owners and business advisors to improve the probability of a successful transition

Unlocking wealth should be of paramount importance to all business owners as **most owners have 80–90 percent of their financial wealth locked in their businesses**. Given the significance of this asset in an owner's wealth portfolio, the ability to monetize this wealth will have a significant impact on an owner's financial security and lifestyle once they exit their business.

The significance of the business asset transition is of great importance beyond the owners and their family. Failure to provide for the continuity of the business impacts not only an owner's personal wealth, and that of their family, but also the future of all other stakeholders who depend on the business's successful transition. "The business owner is the giver of life," wrote Dr. Leon Danco, a legendary expert on family businesses, in his book *Beyond Survival, a Guide for Business Owners and Their Families*. The continuity of an owner's business affects their employees, vendors, customers, charities, and the surrounding communities, for whom the owner provides jobs and social well-being.

What happens if the business does not successfully transition? The alternative is a business shut down. People lose their jobs. Families suffer. Communities suffer. In addition, in many cases, the owner's life work is liquidated for pennies on the dollar.

Previous surveys conducted by the Exit Planning Institute, PriceWaterhouseCoopers (PwC), the Alliance of Mergers and Acquisitions Advisors, Business Broker Press, and the Family Firm Institute suggest that **historical transition success rates are in the range of only 20–30 percent nationally**.

Even though boomers hold onto their business longer than other generations, they must face the reality that preparing for a business transition is an urgent imperative, that transitioning a business is a high-stakes endeavor, and for many, a once-in-a-lifetime process that requires significant focus, action, time, and money to do properly. Unlike baby boomers, business owners in Generation X may have the opportunity to build and exit multiple companies over their entrepreneurial career path. Around 37 percent of business owners surveyed for this report are in Generation X. 52 percent of respondents indicated they wanted to transition their current company in 5 years and 30 percent said they would consult with business owners in the next phase of their life.

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Transition planning and value acceleration address several problems that prevent owners from achieving better transition succession rates and sustaining business growth. The typical issues we see include the following:

- First, when owners do decide to exit, they realize they have not allowed themselves enough time to position their businesses for transition, minimize taxes, and maximize net proceeds. Thus, they achieve significantly lower net proceeds than expected.
- Second, they are unprepared when an unplanned event affects them and forces them into an exit that is not on their terms or timeline. Alternatively, they are fortunate to receive an unsolicited offer from a buyer. However, their lack of readiness prevents them from harvesting the value of their business in either situation.
- Third, they are unable to complete a sale of the business to a third party because the business is unable to pass the test of due diligence to complete the sale—even a partial sale—to a third party. Private equity and strategic buyers are very seasoned and selective.
- Fourth, owners may also be unaware that they have eliminated their inside options, such as a transition to a family member or to employees, because their business cannot operate without them and is potentially undercapitalized, has insufficient cash flow or too much risk to succeed with an inside option.

To successfully transition, a business owner must address three things: maximizing transferable business value, preparing financially for a lifestyle without the income from the business, and planning personally for what they will do in their next act after exiting this business.

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## The State of Owner Readiness™ research.

The Exit Planning Institute has been conducting research and surveying business owners with the help of its many strategic partners since 2013. This report, EPI's first study released since 2019, has been preceded by two national surveys in 2013 and 2014 and ten regional surveys released between 2017-2021. These include the metro areas of Twin Cities, Phoenix, Nashville, San Diego, Atlanta, Long Island, North Texas, Southern Wisconsin, Nebraska, and most recently, New York City.

The reader should note that **the survey answers reflect the owner's perceptions**. Although the owner's answers may be factual, they are not based on proven fact. The only way this can be accomplished is to complete a thorough personal, financial, and business assessment conducted by an independent credentialed advisor such as a Certified Exit Planning Advisor® (CEPA).

Nevertheless, the data points are useful for assessing a given owner's state of mind and state of education, as it relates to their readiness to transition from a business, personal, and financial standpoint.

Owners would be wise to consider obtaining a personal, financial, and business assessment to support their current perceptions and their business valuation to avoid surprises when the time comes to complete a business transition. This is also necessary for proper estate, tax, charitable intent, and personal financial planning.

There were over 400 responses to the Colorado State of Owner Readiness Survey. The survey included 56 questions, organized as follows:

- Demographic information (age, gender, annual revenue, legal structure, industry, most trusted advisor, etc.)
- Current transition plans and thoughts
- Owner, shareholder, family, and company readiness to transition



# SECTION ONE

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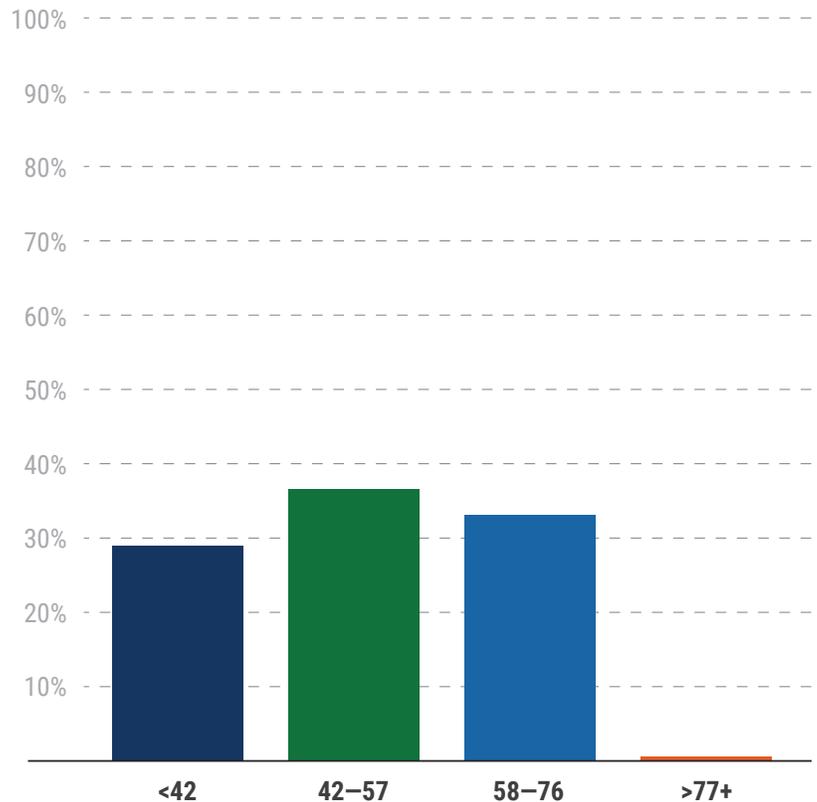
## RESPONDENT DEMOGRAPHIC DATA

# SECTION 1

## RESPONDENT DEMOGRAPHIC DATA

### WHAT IS YOUR CURRENT AGE?

Owner Age: The response group was relatively split equally amongst three generations: millennials, Generation X, and baby boomers. This represented approximately 29% under the age of 42, 37% between the ages of 42 and 57, and 33% between the ages of 58 and 76, with 1% 77 years of age or older.



The response group differs from Colorado Census Data which states that approximately 68% of the population is under the age of 42, 14% of the population is between 43 and 57, 13% is between the ages of 58 and 76, and 4% of the population is 77 years of age or older. The median age in Colorado is 34. Over 500,000 people within the state are 62 years old or older, representing approximately 12% of the total population. Respondents to the 2022 Colorado State of Owner Readiness Survey were comprised of 53% male and 47% female business owners. The census data states that 50% of Colorado's population is male while 49% are female. The remaining percentage in both the census and this survey were nonreporting.

# SECTION 1

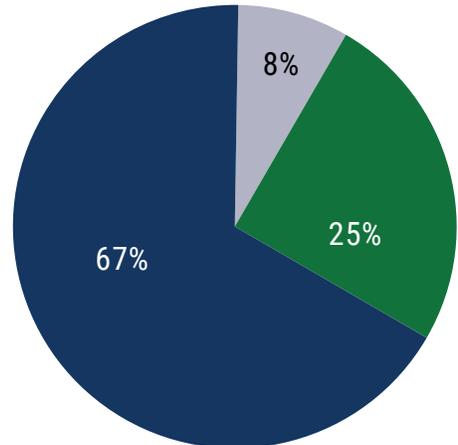
## RESPONDENT DEMOGRAPHIC DATA

### WHAT IS YOUR COMPANY'S ANNUAL REVENUE?

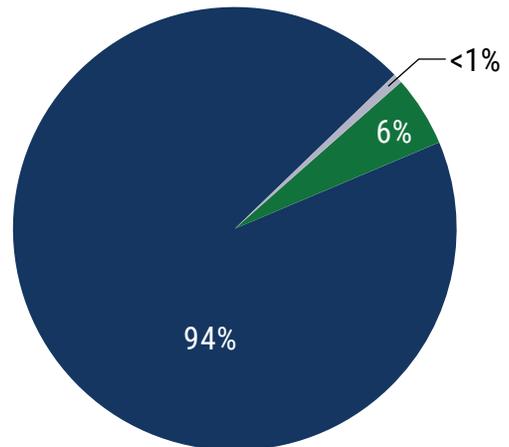
Business Size: 67% of the respondents had business sales of less than \$5 million, while 15% were between \$5-25 million, 10% between \$25-100 million, and 8% over \$100 million. This represents a strong small business market. Colorado reports that they have 630,113 small businesses as of 2019 per the Colorado Small Business Economic Profile. These 630,113 small businesses employ over 1 million people within the state which equates to nearly 20% of the state's population. The US Census data shows that 94% of all privately held operating companies achieve \$5 million in sales or less, while nearly 6% achieve between \$5 million and \$100 million in revenue, and only 0.2% achieve over \$100 million in revenue. This response group would show a unique and potentially strong set of privately held companies at \$100 million or more in revenue as past State of Owner Readiness Surveys indicated less than 6%.

### Percentage of Businesses by Size of Revenue

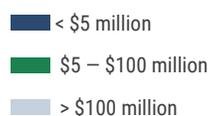
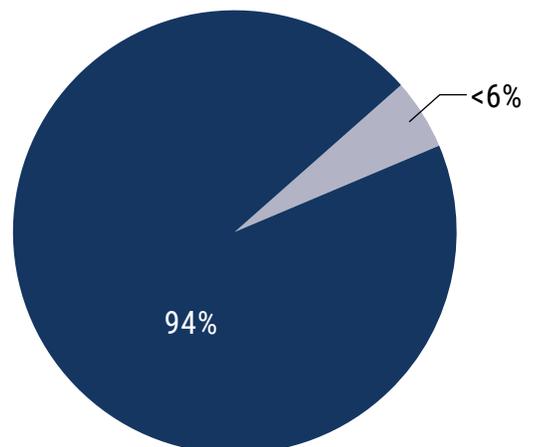
#### 2022 COLORADO EPI SURVEY



#### US CENSUS



#### PREVIOUS SOOR SURVEYS

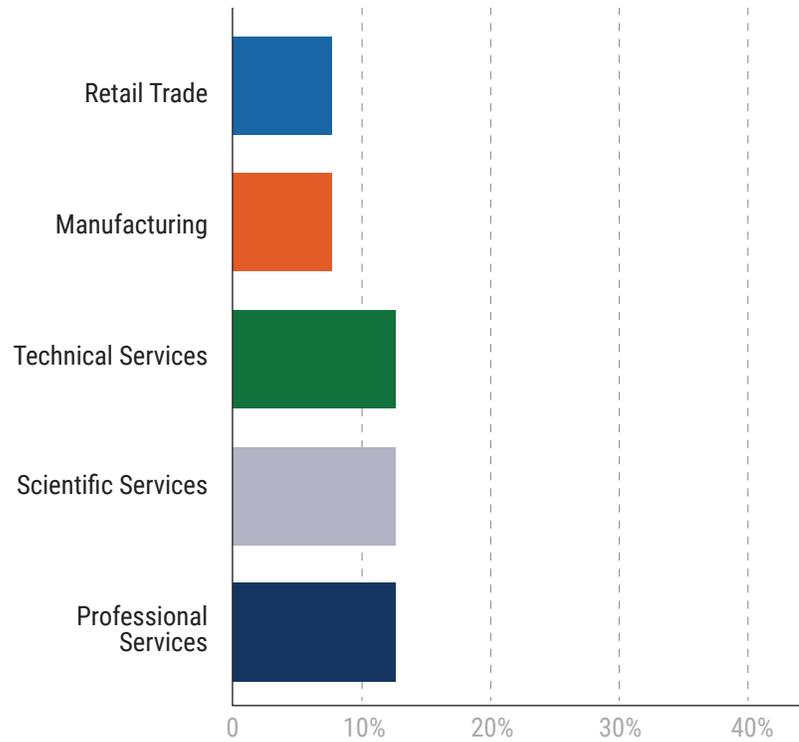


# SECTION 1

## RESPONDENT DEMOGRAPHIC DATA

### WHAT INDUSTRY ARE YOU IN?

The over 400 owners who responded to this Colorado survey represented over 19 industries. The top three industries reported are: Professional, Scientific and Technical Services at nearly 12.5%, Manufacturing at 8%, and Retail Trade at 8%.



According to the Colorado Small Business Economic Profile, out of the 630,113 small businesses within the state, 17% indicated they were a part of the Professional, Scientific and Technical Services industry and is also Colorado's top-ranking industry for small companies. That profile reported that the next high-ranking industries are Construction as well as Real Estate, Rental, and Leasing both at 11%. Manufacturing, though ranking second in the State of Owner Readiness survey, ranked fourteenth within the Colorado Small Business Economic Profile, and Retail Trade ranked fifth.

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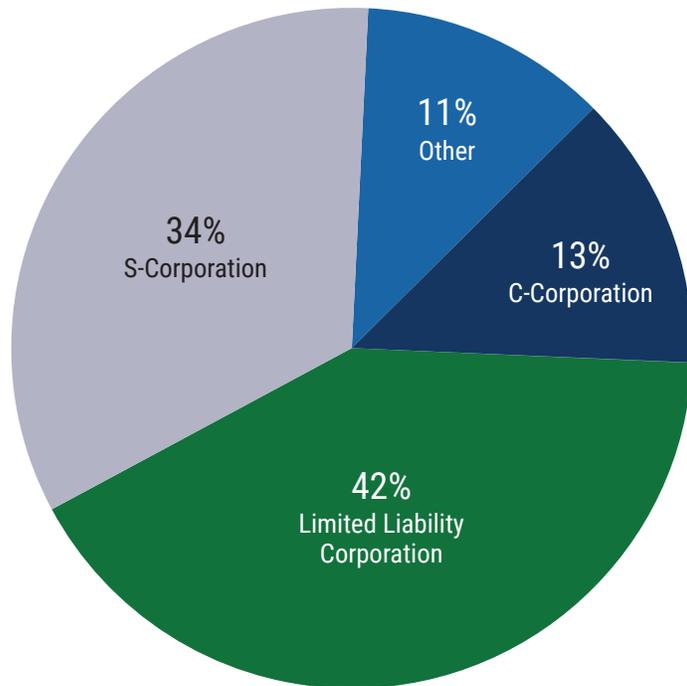
## SECTION 1

### RESPONDENT DEMOGRAPHIC DATA

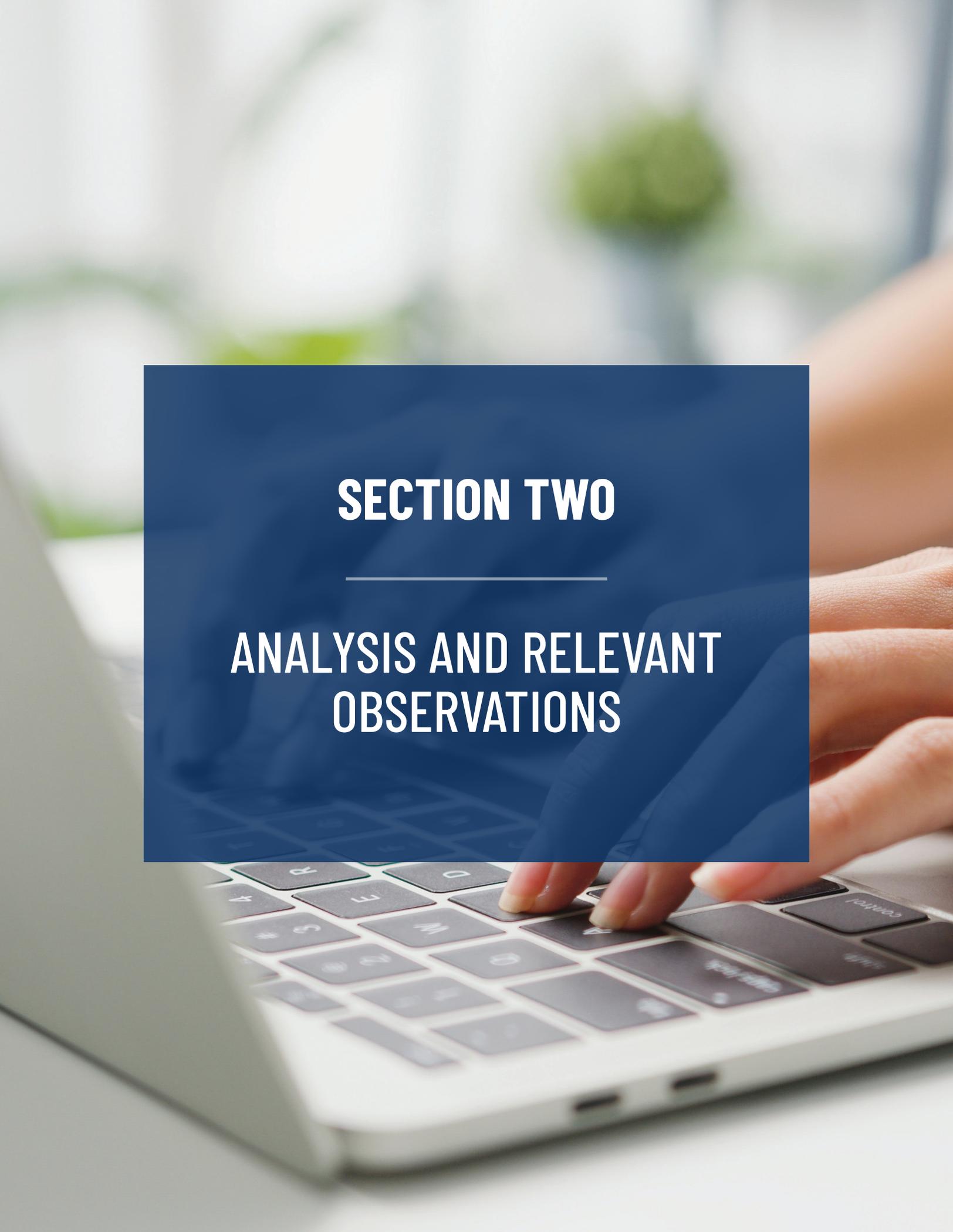
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#### HOW IS YOUR BUSINESS ORGANIZED?

Business Organization: 42% of respondents were LLCs, 34% S-Corps, and 13% C-Corps. The remaining 11% of respondents indicated another form of company organization. In review of the other categories, nearly 85% of the respondents indicated Sole Proprietorship as their organizational structure.



**Ownership Structure:** A clear majority of companies within this survey, nearly 72% of respondents, indicated they were 100% Family Owned. This is up approximately 5% from other State of Owner Readiness Surveys across the nation, however down approximately 18% when compared to the US Census Bureau data which indicates 90% of all privately held companies within the US are family owned. When including the categories of “Family Owned with Outside Ownership but Family Controlled” and “Family Owned with Outside Ownership and Outside Ownership Controlled,” the statistics rise. The 72% statistic jumps up to approximately 83% of all companies within this survey that were family owned in part or in whole. In review of these family companies nearly two-thirds of them were in the 1st generation, while 17% were in the 2nd or 3rd generation. Our research shows 4.5% of the family companies were received or passed down by the family, while 5% were purchased from the family. Nearly 76% of these companies were started from scratch.



## **SECTION TWO**

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# **ANALYSIS AND RELEVANT OBSERVATIONS**

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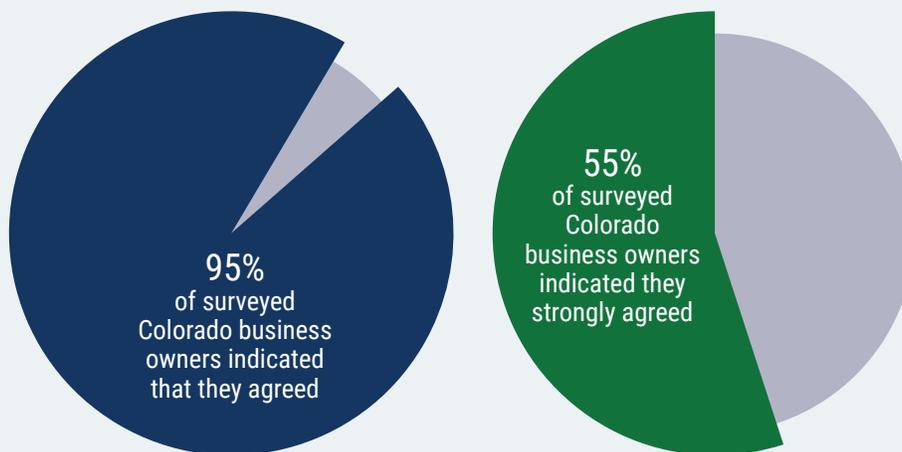
## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

Across the United States many small to lower middle market business owners and their companies are ill-prepared for exit. This is evident in M&A studies, research, and State of Owner Readiness Surveys from the across the nation which state that 70% of business sales transactions eventually fail. For those 30% of business owners who are successful in the sale of their company, according to PricewaterhouseCoopers (PwC), nearly 75% of the owners profoundly regret selling their company just a year after selling it. However, before the owner even gets to the eventual exit, 50% of them will lose their company to involuntary forced exit factors including partner disagreement, stress on the company, death, or disability.

As you read through this State of Owner Readiness Report from Colorado bear in mind, this statement:

*“Having a transition strategy is important both for my future and the future of the business”.*



Yet, there is a major disconnect between the owners who agree with this statement and the actions of business owners while they prepare their company for an eventual exit and prepare personally for this major transition in their life. In fact, the Colorado data indicate that the state of transition planning is very weak despite 52% of the respondents indicating they want to transition their company within the next 5 years. In addition, 33% of the respondents are baby boomers where the average age is 67. According to the Ernst & Young Family Business Study, the average baby boomer owner thinks about transition at age 63.

## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

As owners across all generations begin thinking about transition and agree that transition planning is important to their future, they lack action that leads to appropriate planning.

But why the disconnect among these owners? Though 95% of owners in this sample agree that transition planning is important, 32% of them indicated they have spent little to no time on their transition plan because they are too busy growing their company. While nearly 25% of respondents indicated it was important but not urgent as they or their company are still young and growing. Family also plays a factor, as 9% of respondents indicated they were simply passing their company to the next generation. Lastly, and perhaps most importantly, nearly 10% of owners indicated they did not understand how to start.

#### OF THE OVER 400 BUSINESS OWNERS WHO RESPONDED TO OUR COLORADO STATE OF OWNER READINESS SURVEY:

**68%** indicated they have spent minimal time and attention on their exit

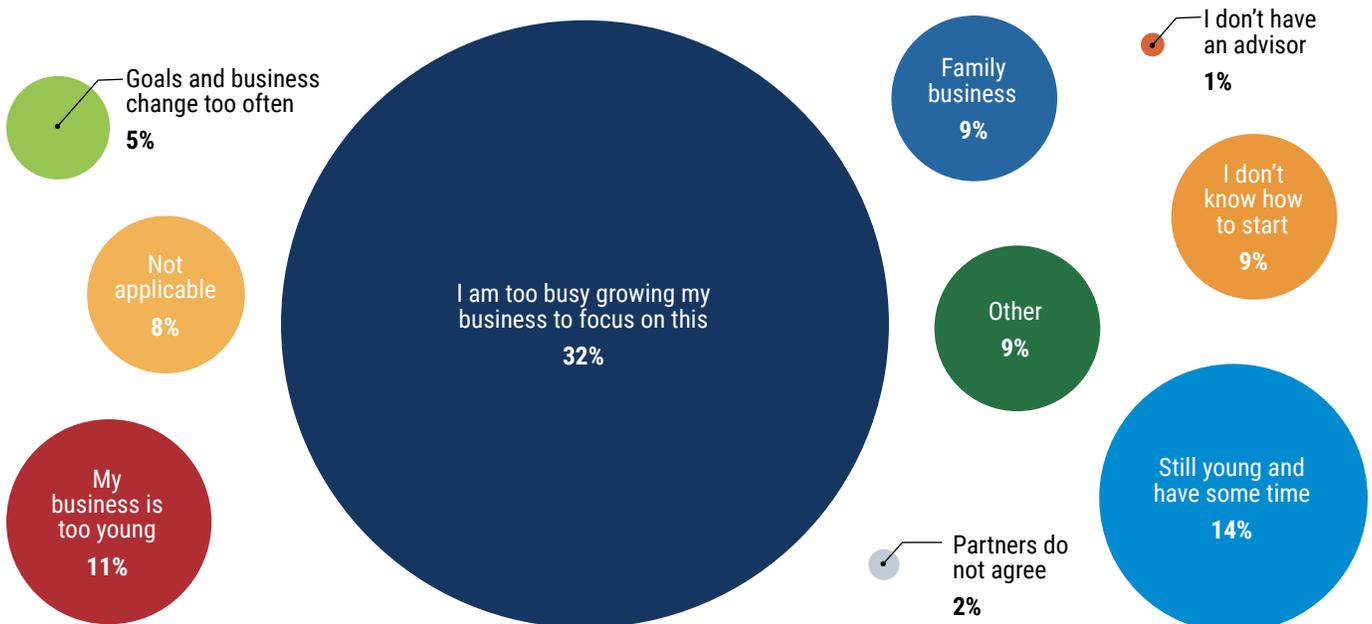
**48%** indicated they have no written personal financial plan

**65%** indicated they have no formal or written transition plans

**23%** indicated they have not even considered a plan

**78%** indicated they do not have an exit focused team of advisors

If you selected “some attention” or “little attention” above, what is the primary reason you have given only little or some attention to your exit from the business?



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## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

Education in the transition or exit planning process is critical. In Colorado, 71% of the business owners surveyed admitted they have had no formal education on what it takes to transition. While 63% of the owners indicated they had no formal advice from their outside advisors.

Business owners do not understand that exit strategy is business strategy. That they in fact do things inside of their companies daily that will eventually impact their exit. Nearly 80% of owners surveyed shared they have no formal value enhancement strategy or projects active and 35% stated they have no understanding of value.

The business itself is only one of three critical elements to create a significant company and a fulfilling exit. Many business owners who fail to plan for their transition face personal regrets or turmoil. They realize after the fact that they left money on table. Many are miserable post transition as they lacked personal purpose and allowed their business to define them. Some owners will go back into the workforce because they lacked a personal financial strategy that tied back to their company's value and filled their Wealth Gap upon exit.

- 48% indicated they have **no formal and written personal financial plan**
- 19% had a plan but it was **not prepared or reviewed by a financial advisor or wealth manager**
- 69% stated they **need the income from their business** to survive personally
- 27% shared they have **not thought about what they would do** in their next act

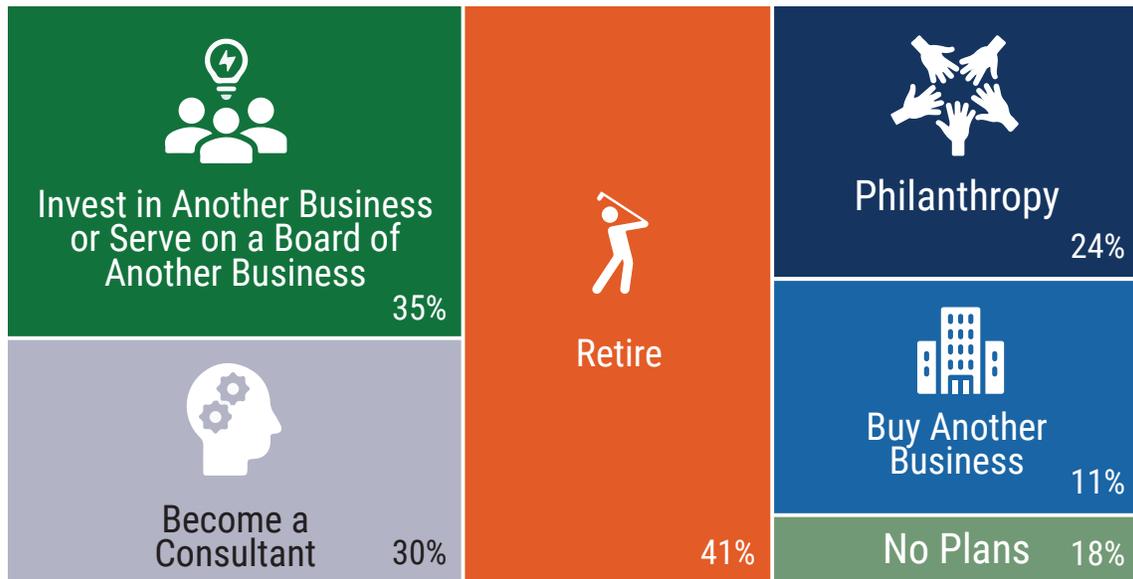
For many business owners, personal readiness is a struggle. Understanding passions and their goals for their life outside of their company in the future tends to be difficult to envision. When asked in the survey, "how ready the owner considered themselves personally for this major transition of their company", 56% of the sample group said they were below average in terms of readiness. While an alarming 25% admitted they were not ready at all for their personal transition from their company.

Though the majority of owners in this sample group stated they had done minimal to no personal planning, 60% of the respondents did indicate they had informally thought through what could be next for them. Ranking the highest with 41% of the business owners responding that they would simply retire. Additionally, 30% said they would like to consult with other business owners and 24% shared they would like to do philanthropic or community work.

## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

What are they planning to do once they exit their businesses?



Personal readiness also includes an owner's family, whether in a family-owned or non-family-owned company. The Colorado sample group had two extremes. Our research found 33% of the owners surveyed indicated that their family was aware of their transition plans, while an alarming 49% stated they had not told their family or had no plans to at all.

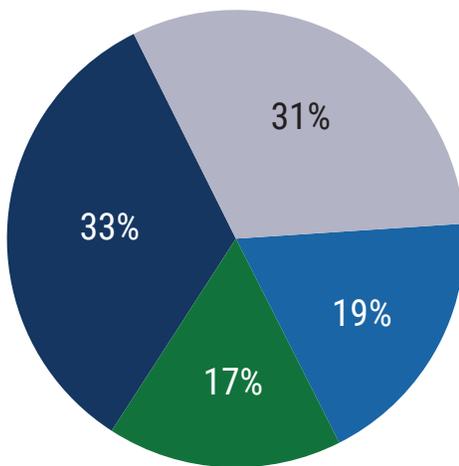
Unique to Colorado, business owners within the state seemed to hold a formal family meeting annually to discuss their company. 52% of owners surveyed stated they met with their family one or more times per year, while 10% met less than one time per year, and 38% indicated they never met to discuss the business with their family.

**A business owner's company is likely 70-80% of their total net worth.**

## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

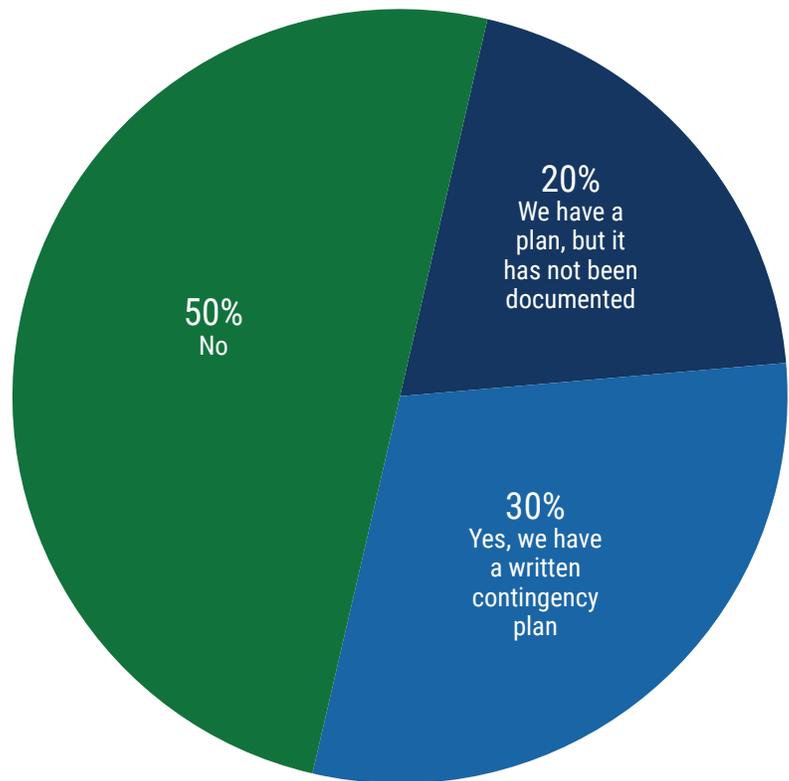
#### DOES YOUR TRANSITION PLAN REQUIRE THE COMPANY REMAIN PROFITABLE FOR YOUR PLAN TO BE PROPERLY EXECUTED?



- Yes, critical for the company to be successful for the ownership transition
- Yes, it helps if the company is successful for the ownership transition
- No, ownership transition is not really affected by success of company
- I do not have a transition plan

Harvesting the value from the owner's company is critical for their overall master plan. The business typically equates to nearly 80% of the owner's total net worth. When the business owners were asked "how ready do they think their company is to transfer to a new owner," 58% of the owners responded with a below average rating. Whereas 28% of the sample group stated they were not ready at all. This is a critical statistic given so much of the owner's wealth is trapped inside of their company. 64% of owners responding to this survey shared they needed the company to remain profitable for their exit strategy to be properly executed, and 33% said

#### DO YOU HAVE A DOCUMENTED CONTINGENCY PLAN IN PLACE FOR THE BUSINESS WHICH ADDRESSES THE POSSIBILITY OF A FORCED TRANSITION CAUSED BY DEATH, DIVORCE, OR DISABILITY?



it was critical for success. Therefore, it is vital that both the short-term growth and long-term value be protected from any unpredictable risks that may arise to ensure an owner has a solid exit strategy. When the business owners in this sample group were asked if they had a documented contingency plan in place for their business, 50% of them said they did not and 21% indicated they had a plan, but it was not formally documented. **This suggests that nearly 71% of owners in Colorado have no plans at all for unpredictable and unforeseen risks that could damage or kill their company and ultimately their wealth.**

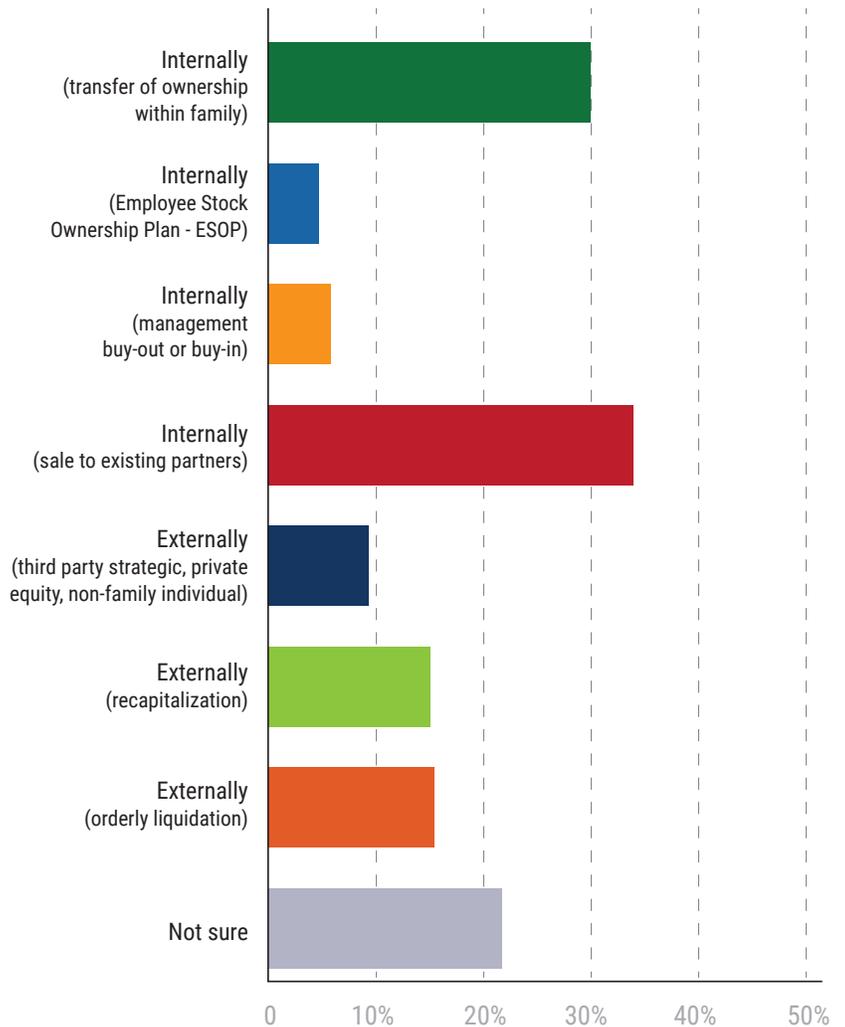
## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

In addition to their Wealth Gap, owners have two other gaps in their business. These are the Value Gap and Profit Gap. The Value Gap is the difference between the company's current value and potential value. The Profit Gap is the difference between best-in-class EBITDA in their industry and their current EBITDA.

Understanding these gaps, thus the value of the company, is critical to the overall exit strategy. It will provide short term benefits such as higher profit year-over-year, employee retention and happiness, and customer diversification and entanglement, as well as long term strategic value for the company. **Knowing this crucial aspect, the surveyed business owners were asked how well they understood the current value of their company. This is even more critical given 52% of the business owners within this sample stated they wanted to exit their company within a 5-year period.** 35% of the owners surveyed said they had no understanding of what their company was worth, while 36% indicated they had an idea of value, but no formal valuation conducted on the company. This suggests that upwards of 70% of surveyed owners had no real understanding of company value.

#### What best describes how you are planning to transition?

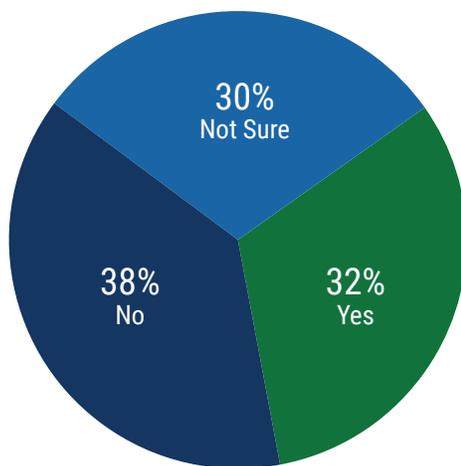


## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

68% of business owners in Colorado are unfamiliar with their exit options.

#### ARE YOU FAMILIAR WITH ALL OF YOUR TRANSITION OPTIONS?



Christopher Snider, CEO of the Exit Planning Institute, and the creator of the Value Acceleration Methodology said, “a company that is not ready to grow, is not ready to exit.” 80% of the business owners in this sample shared they had not taken on any value enhancement projects or initiatives. Furthermore, 27% of the owners indicated their management teams had no focus on growing the company. However, it is promising to note that 88% of Colorado business owners in this sample group indicated that their management teams were aware in some form of the value of the business. The largest portion of the respondents, 32%, said they held regular meetings that tracked and measured performance and business value. The owners were also asked how comfortable they were with their management and if they felt they would be successful under new ownership when the company transitions. Our research found that 36% of the owners were very comfortable while only 8% indicated they were uncomfortable.

Though teams seem to be strong in small to lower middle market companies within the surveyed group in Colorado, the concentration on value enhancement or growth is lagging. This will not only impact the value of the company but also an owner’s exit options for the business in the future.

68% of owners shared they did not fully understand their exit options or were unsure of them. However, when owners were given the option of either an “internal exit” or “external exit,” 58% of the owner’s indicated they would prefer an internal option and 42% preferred an external option.

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## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

The preference for internal transitions, 58% of the surveyed business owners, is impressive and could stem from these same surveyed business owners indicating earlier in the survey they felt very comfortable with their employees and management taking on the business post-transition with new ownership. This could suggest strong employees within Colorado inside of privately held companies.

Major internal exit options for small to lower middle market companies include transferring to the family, or a sale to the employees of the company in a form such as an Employee Stock Ownership Plan (ESOP) or a management team buyout (MBO). Though 72% of the business owners surveyed indicated that they were 100% family owned, the largest exit option chosen by owners in this sample group was an external option. 32% of business owners surveyed said their preference would be selling to an external third-party buyer, namely a strategic corporate buyer, private equity group, or a non-family individual buyer. 20% of the owners indicated they would like to do an internal family transfer, 14.5% of business owners indicated they would be interested in an ESOP, followed by 14% who indicated they would prefer an MBO.

Though there are certainly some yellow flags raised along the road. Undoubtedly the complexity of family dynamics is challenging within family companies. This complexity is shown in a Family Firm Institute study which found that approximately only 30% of companies are successful when passed from the 1st generation to the 2nd generation, and only 12% are successful when passed from the 2nd generation to the 3rd generation. In addition, the complexity increases as business owners tend to do even less transition planning when they have decided to internally transfer the business to family. The family should approach the transition with the same vigor as they would if they were planning to sell it to a third party, even if the family has decided on an intergenerational transfer.

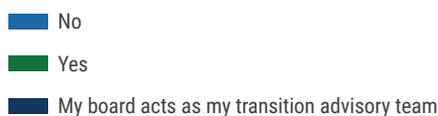
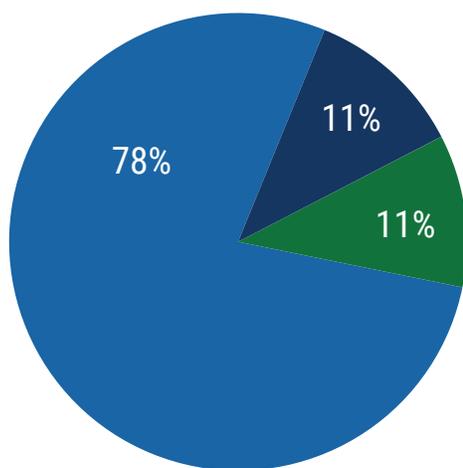
**“Coming together is a beginning. Keeping together is progress. Working together is success.”**

Henry Ford

## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

#### HAVE YOU ESTABLISHED A FORMAL TRANSITION ADVISORY TEAM?



The characteristics that make a business valuable to a third party are the same as those that make it valuable to the next generation, the employees of the company, or the management. In addition, the personal and business actions associated with planning and executing successful business growth and transition using value acceleration can also be used as a tool to develop the next generation of business owners. This ultimately leads to more frequently successful intergenerational, employee, or management transitions.

Exiting a company is one of the biggest and most challenging things a business owner will do in their life. Effective exit planning is accomplished through an outstanding set of outside resources including a board of advisors and a professional advisory team. This team is focused on value growth and the alignment of the major three elements: business, personal, and financial. Improving the use of outside resources would likely result in an increase in significant companies which would result in more successful transitions and higher valuations.

From past State of Owner Readiness Surveys, we have observed that using outside resources and an active board of advisors correlate with better planning and preparation and a greater focus on maximizing value. The Colorado business owners scored significantly lower than needed in each category.

When the Colorado business owners were asked if they have established a formal transition advisory team, 78% of them indicated they had no team, while another 11% stated they used their board of advisors as this team. The board of advisors in the exit planning process has an entirely different set of skills and insights needed to exit a company. Both teams are necessary but have distinct roles in supporting the business owner.

An appropriate exit strategy would include the board as well as an established group of professional advisors who are focused on the exit strategy for the owner and their company. As such, this would suggest that nearly 90% of owners in the Colorado survey sample have not established any formal team around exit strategy. This is one of the highest percentages we have observed and approximately 4% higher than the national average.

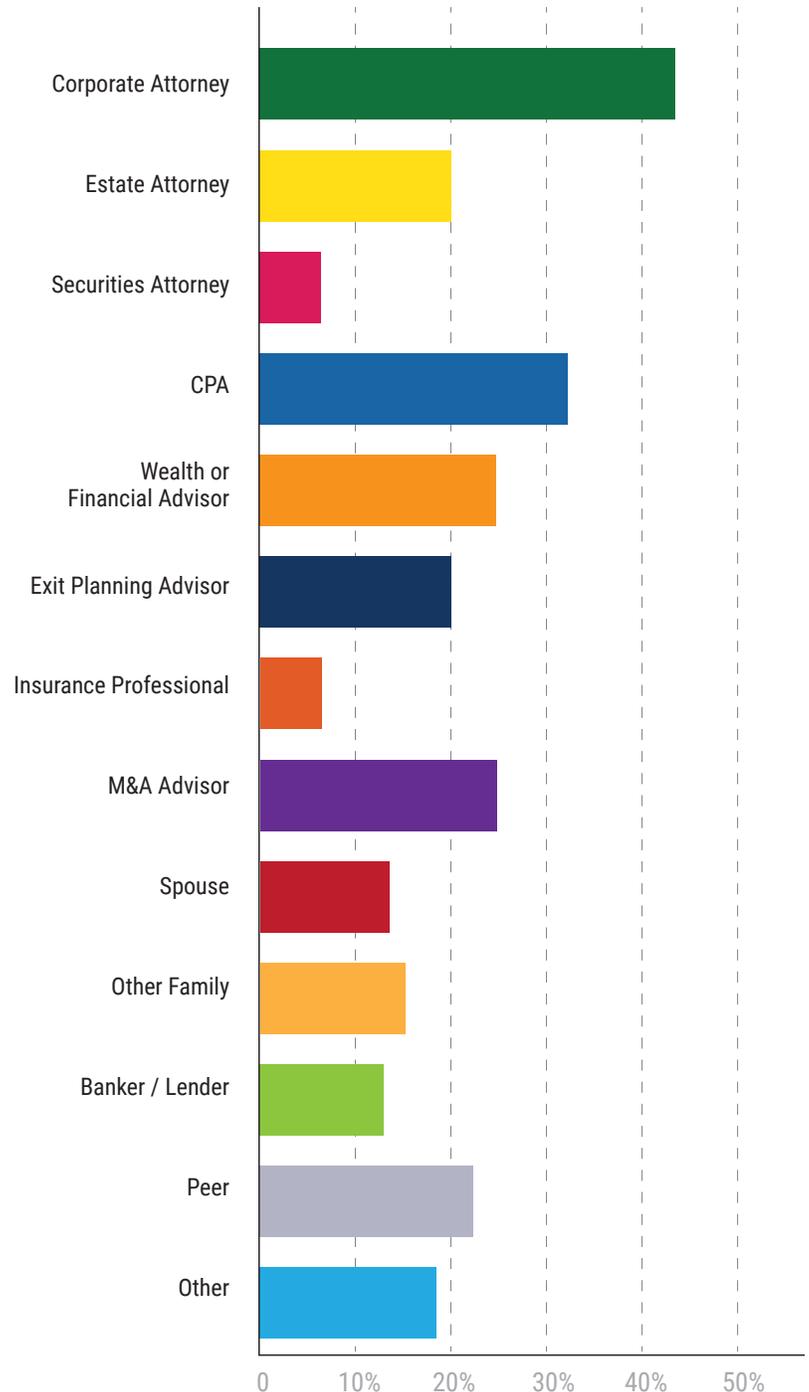
Business owners in Colorado seem reluctant to go and seek advice on their transition strategy. When the business owners in this sample were asked if they had sought any outside advice, 63% of them indicated they did not. This corresponds to the lack of an advisory board by Colorado business owners. In this sample, 25% of the owners shared they did not have an advisory board, while 54% indicated they did have a board, but it was solely comprised of the owner and their family members.

## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

Studying the 10% of business owners who indicated they did have a transition team in place and those 37% of business owners who stated they have sought outside advice on the topic of transition strategy, the clear front runner in both groups for advice is the business owner's corporate or business attorney. 64% of the business owners' shared that their corporate attorney was on their transition team and 43% of the business owners stated they have sought out advice from their corporate attorney. Though the corporate attorney was top ranked in these two categories, when all the business owners in the survey were asked which advisors was their most trusted advisor, the corporate attorney came in with 12% of the sample, ranking the attorney fourth in the most trusted advisor category.

#### If you have sought outside advice, who have you sought outside advice from?



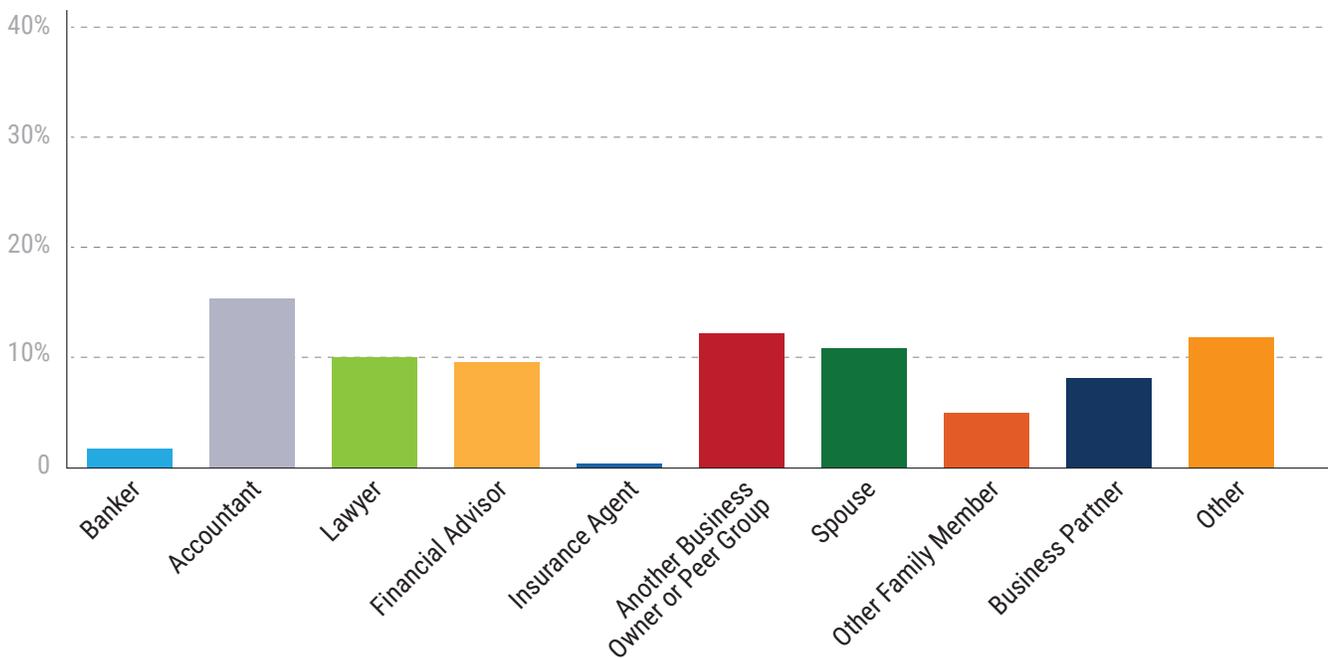
## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

The core transition advisory team for a business should contain, at minimum, an attorney, a CPA, a financial advisor, and a growth consultant. Additionally, at a minimum, one of these core advisors should hold an exit planning credential that trains them within a framework, process, and system, such as the Certified Exit Planning Advisor (CEPA) credential. This team should be extended with functional specialists that assist the owner when needed. These advisors can include a M&A advisor such as an investment banker or business broker, an estate planning attorney, insurance and risk advisor, commercial banker, and a family business advisor.

**In Colorado, the accountant is the owner's most trusted advisor.** When the owners in this sample group were asked "who do you see as your most trusted advisor" 18% of them said their accountant. This is about 7% short of the national average when looking across the respondents from previous State Owner Readiness Reports. Other high-ranking advisors in Colorado in the most trusted advisor category were the attorney and the financial advisor both coming in with 12% of the respondents. The national averages for these advisors is 18% for the attorney and 10% for the financial advisor.

#### Who do you see as your most trusted advisor?



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## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

A notable consideration from the Colorado survey was that 14% of the business owners marked the “other” category when asked who they believed was their most trusted advisor.

In comparison to the national average for State of Owner Readiness Research surveys, this is typically only 4% of the surveyed audience. When studying the surveyed sample that marked the “other” category three predominant groups accounted for 65% of the total “other” category vote.

The following advisor types were listed as “trusted advisors” to Colorado business owners:

1. **No One**

The business owner felt they did not have a “most trusted” advisor.

2. **Leadership Team**

The business owner felt that their most trusted advisor was their CFO, the President or General Manager, or other internal team members they trusted for daily advice.

3. **M&A Advisor or Investment Banker**

These sell or buy side advisors align with other areas of this Colorado-based survey. For those owners indicating they sought outside advice on their exit, the M&A Advisor ranked fourth overall. This strong presence of the M&A Advisor could be related to the fact that 32% of the owners in this group, the largest reporting group, selected an external sale as their preferred exit option and 52% of the respondents indicated they want to transition within 5 years.

These two groups, unique to Colorado, also stand out when the owners were asked earlier in the survey whom they sought outside advice from. The “other” category in this question made up nearly 20% of the respondents. The responses were mainly comprised of the owner’s internal leadership team.

Outside of the traditional professional advisor or the business owner’s internal leadership team, the Colorado business owners noted two other significant categories as their most trusted advisor. **14% of the surveyed group note that their owner peer group acted as their most trusted advisor.** Organizations where business owners can solicit advice and mingle with fellow entrepreneurs are groups like their local chamber of commerce, Chief Executive Boards International (CEBI), Vistage, or the Entrepreneurs Organization (EO). These groups are critical resources to business owners and their teams, but just like the board of advisors, are not the business owners’ transition advisory team. It is likely that the business owners inside of these owner-facing groups have similar shortfalls when it comes to exit and transition. The second group owners looked to as their most trusted advisor was their spouse. 13% of the owners selected their spouse as their most trusted advisor. Adding in the category of other family members, this most trusted advisor category swells to nearly 20%.

## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

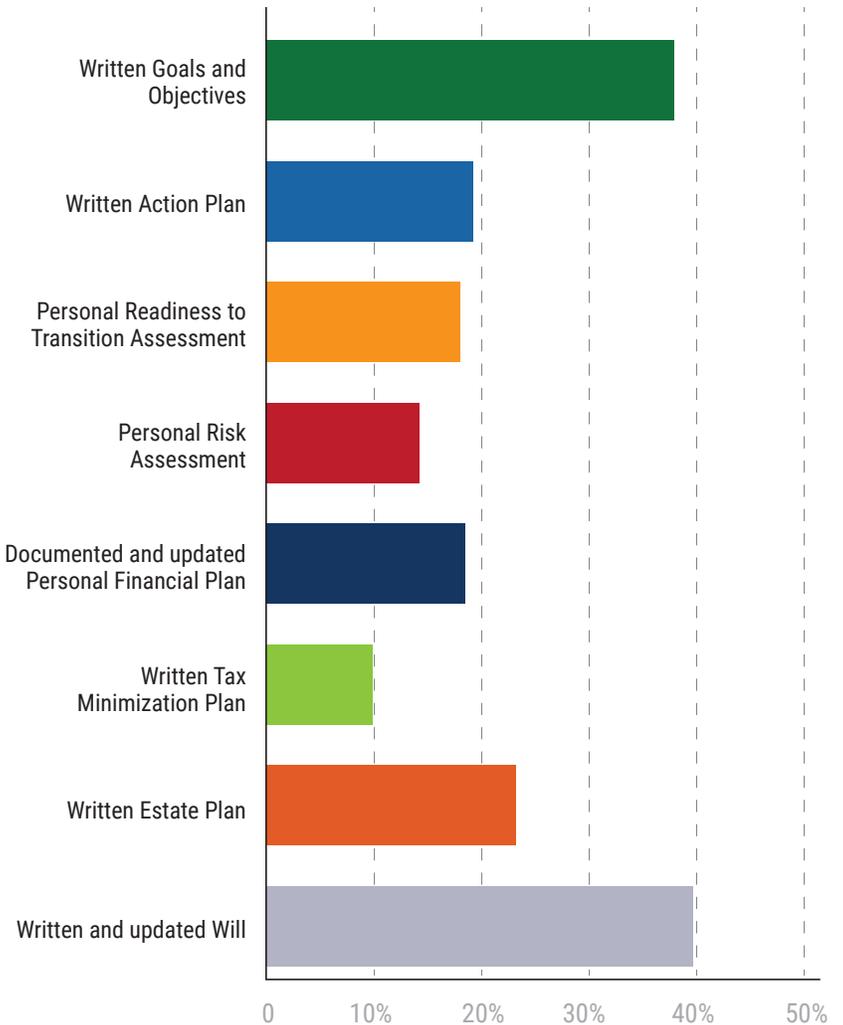
#### Owners Who Plan for Their Exit

While studying business owners within Colorado that **have** planned for their exit, we found that 10% of them indicated transition and exit strategy is a top priority and 22% indicated it was being given high attention. This would likely correlate to the owners age and desire to transition in the short term. Nearly 35% of the sample group was 58 years old or older and 23% of this group indicated they wanted to transition within the next 1 to 2 years.

We studied the owners who have planned both for their personal financial plans and business goals. We found that those planning personally and professionally rated that having written goals and objectives for their plans were critical to their success. A 1979 Harvard Business School study made a correlation between written goals for the future and the likelihood of achieving them, tying the results directly back to financial key performance indicators. Written goals and objectives are critical to success.

From a personal perspective the owners who are planning seem to have a well-rounded and thought through plan including many of the correct elements of a transition strategy. In this survey, 9% of the owners who indicated they were planning actively said they had formal and written personal plans while 18% indicated they had informal plans in place.

If you have a written plan indicated in previous question, please check all that your plan encompasses:



These personal plans included:

1. Written and Updated Will
2. Written Personal Goals and Objectives
3. Written Estate Plan

## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

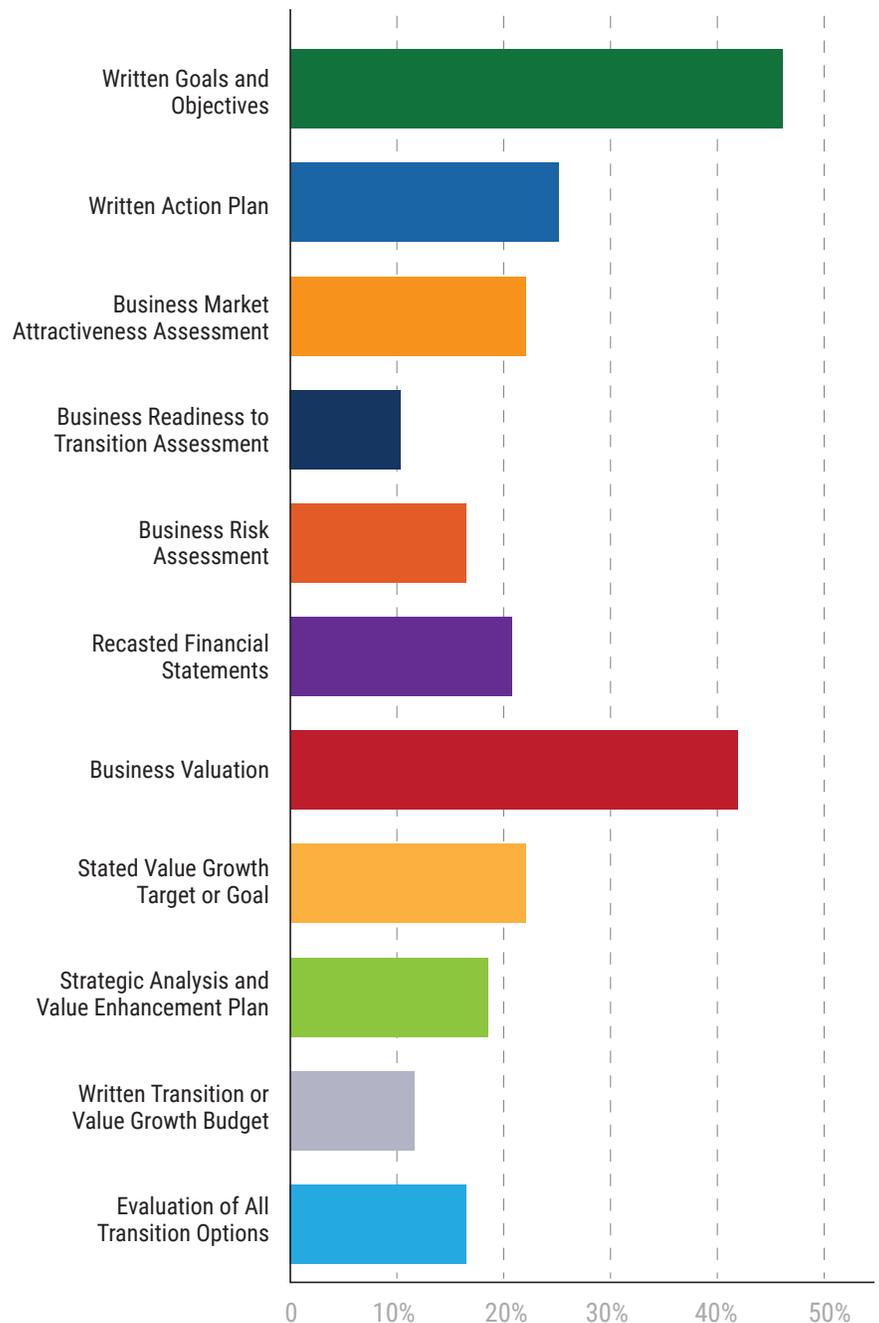
From a business perspective, the owners who are planning do not have a hold on their company's future. 12% of Colorado business owners indicated they had a formal written transition plan for their company and 20% said their plan was informal but in place.

These business exit strategies and plans include:

1. Formal Business Valuation
2. Written Business Goals and Objectives
3. Written Action Plans to accomplish the goals and objectives

These selections were ranked the top 3 out of 11 elements that could be included in a business transition strategy. A notable consideration, given Colorado business owners rated their accountant as their most trusted advisor, is that only 21% of the owners indicated they had updated and recasted financial statements. These documents provide the owner the difference between their real number and their tax number, a critical component to any exit plan. They include addbacks that are discretionary to the owners spending and not necessarily related directly to the business or are extreme one-time expenses that do not necessarily tell the true financial story of the profitability of the company. This is a critical element in truly knowing and understanding the valuation of the company.

**If you have a written plan indicated in previous question, please check all that your plan encompasses:**



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## SECTION 2

### ANALYSIS AND RELEVANT OBSERVATIONS

#### Conclusion

Recall the opening data point in this section: 95% of the surveyed business owners indicated they agreed with the following statement: “Having a transition strategy is important for my future as well as the future of the business.”

While true in thought, the lack of action does speak louder than words. The data suggest a significant disconnect, and this presents an opportunity for growth and change. Owners do recognize the importance of transition strategy. The 2022 Colorado State of Owner Readiness study tells a story that it is time to back up that belief with action which will result from better and more value acceleration centric education.

Creating market awareness and empowering business owners to bring exit planning into the present is needed to position the Colorado owners to take their successful companies to significant companies.

Significant companies are highly valuable, transferrable, ready, and attractive while aligning to the business owner’s business, personal, and financial goals.

In the following section, we will discuss recommended actions business owners and their professional advisory teams can take to drive more significant companies.



## SECTION THREE

# IMPACT, CONSIDERATIONS, AND ACTIONS

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## SECTION 3

### IMPACT, CONSIDERATIONS, AND ACTIONS

#### The Impact on Colorado

What theories and conclusions can we draw from these data collected through the State of Owner Readiness Research in Colorado and what impact does this have on the market within the state?

Let's assume that the average privately held company within Colorado is worth \$8 million. Making this assumption, the companies within this survey sample would equate to approximately \$3.2 billion of value, or wealth for the business owners within this sample group alone. Utilizing the data points from this survey we can begin to form mathematical equations to understand the overall impact transitioning business owners could have within Colorado both from social and economic perspectives.

- 52% of business owners in this sample group indicated they wanted to transition within the next 5 years. This equates to approximately \$1.7 billion of wealth.
- Remember the national statistics from earlier in this survey, 70% of companies put on the market today fail. If this happened within Colorado, \$1.2 billion of wealth would fail to transition.

We can draw further conclusions utilizing data from the 2019 Colorado Small Business Economic Profile.

- There are approximately 630,000 small businesses within the state. Using State of Owner Readiness data collected within this survey, approximately 328,000, or 52% of these companies, would attempt to transition within the next 5 years.
- 70%, or approximately 230,000 of these companies attempting to transition will likely fail.

- These 630,000 small businesses within the state, according to the Colorado Small Business Economic Profile, employ 1.1 million people within the state. This is approximately 1.75 people per small business.
- These 328,000 companies attempting transition in the next 5 years would equate to approximately 574,000 employees within the state.
- If 70% of these companies fail and close, that could equate to approximately 401,000 people left unemployed.

**The impact of ill-prepared owners for transition is both economic and social.** If data collected within this survey are applied across Colorado, there will be upwards of 52% of privately held companies looking to transition within the next 5 years. This will have an impact if the owners cannot transition and harvest the wealth from their company. It will have an impact on charitable intent, nonprofit organizations, and our communities. It will impact tax collection within the state. It will impact the vendors that provide goods and services to these small and lower middle market companies. And it will impact people within the state and that are specifically employed by these companies.

So, what are going to do about it? The actions must be a collaborative effort that involves the business owners, their employees and leadership, the professional advisory community, and the leaders within Colorado.

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## SECTION 3

### IMPACT, CONSIDERATIONS, AND ACTIONS

#### Considerations and Actions for Business Owners

Owners of privately held companies must become much more proactive to improve transition rates and harvest their most significant financial asset. Success rates are not likely to improve if business owners view exit planning as something they do down the road when they are “ready” to transition. Rather, exit planning needs to become an imperative strategy that is integrated into the way they currently operate their company.

Exit planning is present tense. An effective exit strategy is a business tool that will create more income today, empower management teams or the child to take the business to the next level, create owner independence, and potentially increase the owner’s wealth by 400-500%. In other words, exit strategy is simply good business strategy.

83% of business owners in this sample group had conducted no value enhancement project or initiative in their company. Owners can begin by integrating the actions of a successful transition strategy into the way they run the business every day. They can accomplish this by identifying what they have now, taking risk-mitigating actions to protect their value and thereafter their wealth. By strategically building value over time, they position the business to have multiple exit options and perhaps, multiple exit events over time. Owners must always actively and holistically manage their wealth including the business before, during, and after the exit event.

The first step to an effective exit strategy begins with understanding the value of your company. Nearly 71% of the business owners in this surveyed group indicated they had not completed a formal valuation or had no clear understanding of value at all. Management systems must be adapted to give

the owner feedback on the value of intangible assets including human, structural, customer, and social capital on a regular basis. These are called the “4Cs” and account for up to 80% of a company’s value.

Most accounting and management systems today do not provide feedback on the value of the business. Focusing on value first drives all other positive outcomes including increases in sales and profits.

Business planning must be integrated with personal planning and personal financial planning for the business owner to have a significant and fulfilling exit. Nearly 90% of surveyed business owners in Colorado indicated they had no formal written plans for what they wanted to do next and 27% indicated they had not thought at all about what they wanted to do next after selling their company. Keep in mind, 52% of owners indicated they wanted to transition their company within the next 5 years. Finding personal purpose, vision, and goals is critical to success in the next act of a business owner’s life. Remember, 70% of owners profoundly regretted selling their company.

Business owners must identify their wealth gap. A gap that exists for many if not all owners to some extent. To determine this gap, the owner must know what they want to do in the next act of their lives and then engage a professional financial advisor to create this strategy for them. 48% of the surveyed business owners indicated they had no personal financial strategy, while 19% said they had a plan, but it was not prepared or reviewed by a professional financial advisor. These two statistics lead to an opinion that nearly 67% of business owners in Colorado have not appropriately engaged a financial advisor.

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## SECTION 3

### IMPACT, CONSIDERATIONS, AND ACTIONS

**This holistic and focused approach is called aligning the “Three Legs of the Stool,”** or the formal integration of personal and financial goals and plans with business planning that ultimately prepares the business owner for all possible events while creating rapid growth and wealth for the business owner.

Lastly, business owners must remember that 50% of all exits are forced, that is, they do not occur on the owner’s terms or timeline. These exits are the result of what is referred to as the “5Ds.” These are death, disability, distress, disagreement, and divorce. 50% of business owners surveyed in Colorado said they had plans for contingencies while 21% said they did have an informal plan, but it was not documented or shared.

In summary, if the business owners within Colorado want to rapidly grow the value of their company while creating significant wealth for themselves and their families they must:

#### 1. **Get Educated**

71% of owners indicated they had no formal education around exit strategy while 63% have sought no outside advice. There are resources across Colorado and nationally through the Exit Planning Institute to educate business owners. Read *Walking to Destiny*, understand the statistics, and engage your advisory team.

#### 2. **Identify and Understand the Value of Your Company**

The business owner must understand their Profit Gap and Value Gap at any given time regardless of which business cycle they are in. The path to a higher valuation starts with knowing where you are today. Understanding the value of your company today will drive results such as happier employees, more net profit, and more new revenue in the short term, while building strategic value in the future.

#### 3. **Concentrate on Value and Income Generation**

Many business owners today are concentrated on income generation. Just because the business generates good income does not mean the company has a high valuation. Integrating exit strategy and value enhancement into your daily business operations will allow the business owner and their teams to focus on both value and income.

#### 4. **Identify Personal Purpose**

Nearly 75% of Americans indicated they had no clear sense of purpose or meaning in their life. Understanding personal purpose will allow the business owner to understand their vision for the next phases of their life. An owner’s personal purpose is crucial to understanding their Wealth Gap and implementing their personal financial strategy.

#### 5. **Establish a Team**

It takes a village to raise a child. Growing value while aligning the business owners personal and financial goals and objective is complex and something not executed alone. 78% of surveyed owners said they had established no team. The time is now. Start with a core team of a CPA, attorney, and financial advisor. These will represent all three legs of the stool. Make sure at least one of these advisors certified in this process. These advisors are called CEPAs, Certified Exit Planning Advisors and hold the training, resources, and network to help the owner create the appropriate strategies to rapidly grow value and unlock wealth.

Focusing on regular, consistent, and relentless execution around these five major action items and the overall process will help the business owner protect, build, and harvest business value and position themselves personally to harvest the wealth in their business in good times or bad.

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## SECTION 3

### IMPACT, CONSIDERATIONS, AND ACTIONS

#### Considerations and Actions for Advisors

The exit advisory community is growing. It is an evolving cross-functional profession including core and functional advisors across multiple disciplines and with varying expertise. This profession is driven by the rapidly approaching baby boomer generation that is more immediately in search of harvesting the value of their company. And is followed by the multiple generations of entrepreneurs who continue to build and grow their companies with an eventual, hopefully planned, and significant, exit in mind. The professional advisor community has the opportunity to help business owners change their outcome.

Too many business owners are not aware that exit planning advisors exist. Clearly seen in this survey sample of Colorado business owners where 78% indicated they had no formal team and 63% stated they had sought out no advice regarding the transition of their company. But the time is now as 52% of owners in this sample shared they wanted to exit within 5 years. An effective exit strategy that is holistic in its approach and takes 3 to 5 years to appropriately execute. Professionals who can help grow value, unlock wealth, align personal goals, and position the business and the owner for transition success are needed.

The most immediate impact the advisory community could make is through action-based education and exit planning awareness. Showcasing the results from this State of Owner Readiness Report is the beginning. Spreading the meaning of its importance and how to effectively plan is the critical next step.

- 32% of owners said they were too busy growing their company to focus on exit strategy, not realizing that exit strategy is business strategy, and they could likely gain by concentrating on growth and exit at the same time.
- 14% of owners indicated it was important but not urgent and therefore not the right time to concentrate on exit. Not realizing that they could fall to a forced exit through perhaps one or more of the “5Ds” and lose everything.
- 10% of owners stated they wanted to start planning for their transition but did not know where to begin the process.
- 9% of owners shared that they were a family business and therefore would simply pass the business down to the next generation, not realizing they were potentially passing all the problems and risks of their business to their children or family members.

Exit planning education and awareness should be driven by the most trusted advisors and supported by the functional key advisors to this overall strategy. The most trusted advisor for the business owner in Colorado is the CPA. They are followed by the business owner’s attorney and financial advisor. This core team should be surrounded by the other disciplines and are all necessary to fill out an effective transition team. All these groups of advisors already have existing clients who likely match the demographics of this survey.

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## SECTION 3

### IMPACT, CONSIDERATIONS, AND ACTIONS

Learning from this survey data the professional advisor community should take and focus on three immediate actions.

#### 1. Education

Clearly, from this sample group, education on effective exit strategy is needed. Business owners in Colorado do not understand how exit strategy impacts both their short-term and long-term future value. Many owners indicated they did not have personal plans or personal financial plans in place. Additionally, many shared they did not have plans for contingencies if something were to happen to them. Creating content and programs that business owners could interact with and attend would help professional advisors connect and educate the business owner community within the state. Note that when the business owners surveyed in Colorado were asked “Who is your most trusted advisor?” Nearly 25% of them indicated fellow business owners or their business partners. Owners turn to other owners. But creating educational programs that allow them to not only learn from the expert professional advisor, but also to share these insights amongst each other is likely one of the most effective educational platforms advisors can build.

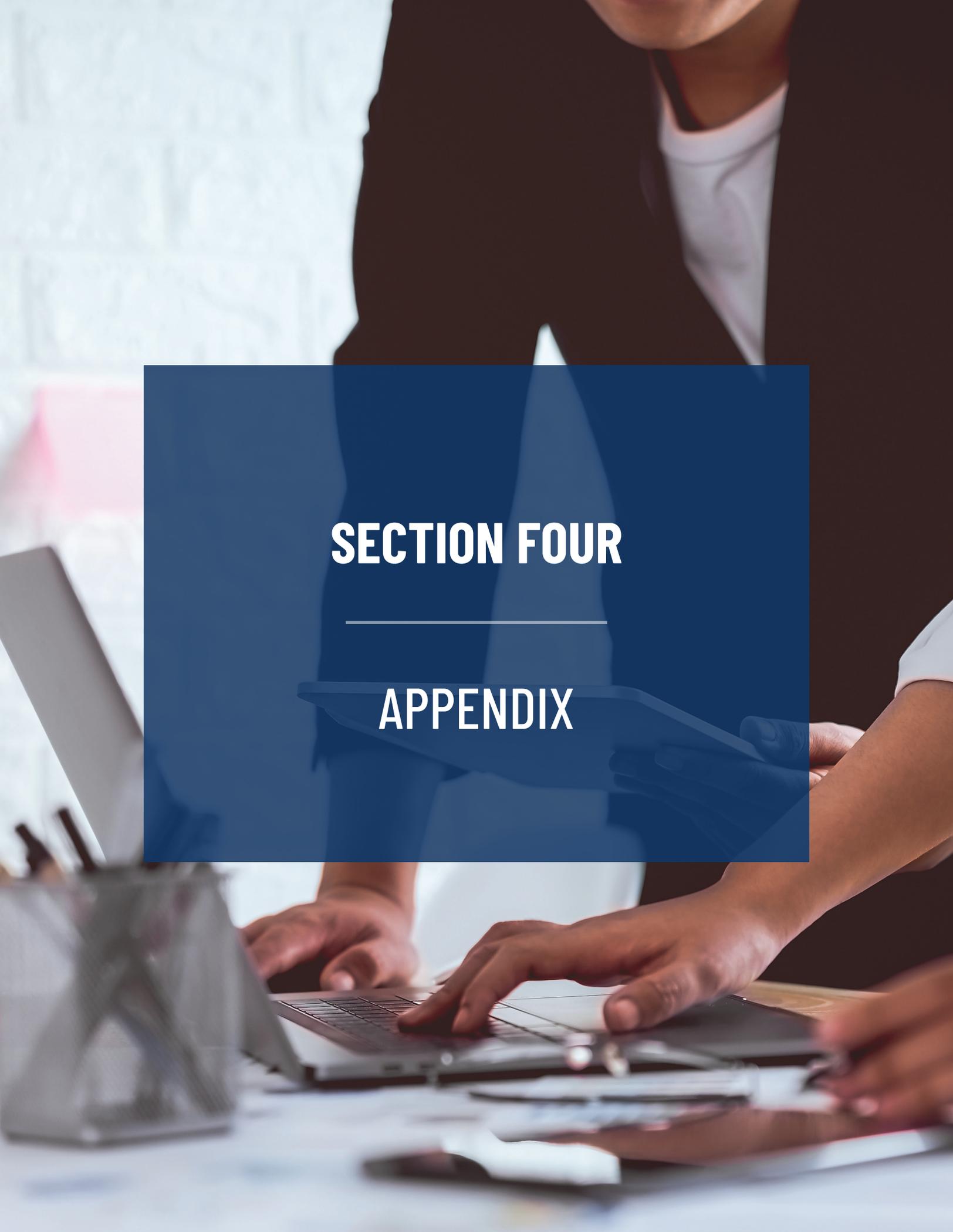
#### 2. Collaboration

Undoubtedly exit planning is a team sport. Through this State of Owner Readiness Research, we can begin to see the many facets an effective exit strategy involves. An exit planning team features a core team of advisors with elements of financial advisory, accounting, legal, and value growth to the family. This team also includes

advisors to manage potential exit options that would include private equity and investment bankers or business brokers. In addition, the more traditional professional advisors are surrounded by more functional specialists that allow the business to grow with value in mind or allow a business owner to develop their personal goals and objectives. These advisors could be people like life coaches, executive coaches, marketing consultants, IT or cyber security professionals, or human resources and leadership professionals. All these advisors drive both income and value to the company or business owner. As such, each advisor should take a value, not just income, approach to their advisory practice.

#### 3. Common Framework

The community and market overall need to adopt a common framework of which to operate within. This framework, or process, will allow the advisory community and the business owners to share a similar language, process, format, organizing principles, concepts, and goals. At the Exit Planning Institute, that framework is called the Value Acceleration Methodology. This proven and award-winning process is addressed in the book *Walking to Destiny: 11 Actions an Owner Must Take to Rapidly Grow Value and Unlock Wealth* written by Exit Planning Institute CEO, Christopher Snider.

A background image showing a business meeting. A person in a dark suit is visible from the chest down, standing and looking towards the camera. In the foreground, several hands are visible, some typing on a laptop keyboard and others holding a tablet. The scene is set in an office with a white brick wall and a pen holder on a desk.

## **SECTION FOUR**

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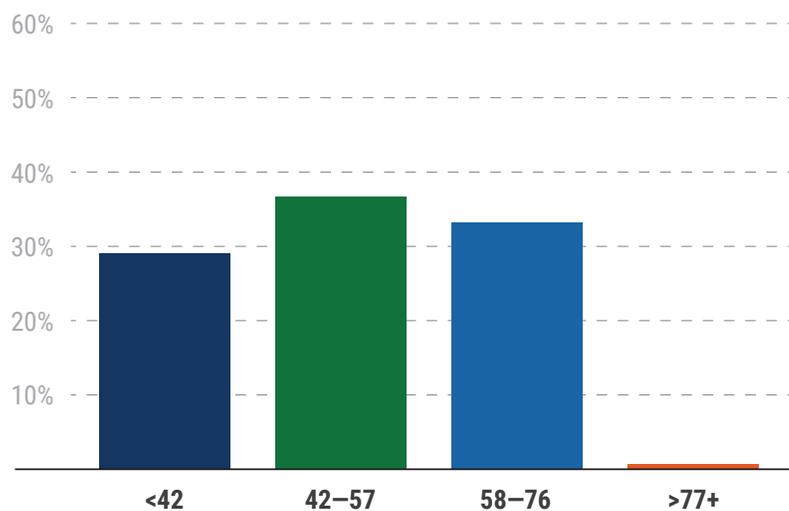
## **APPENDIX**

## SECTION 4

### APPENDIX

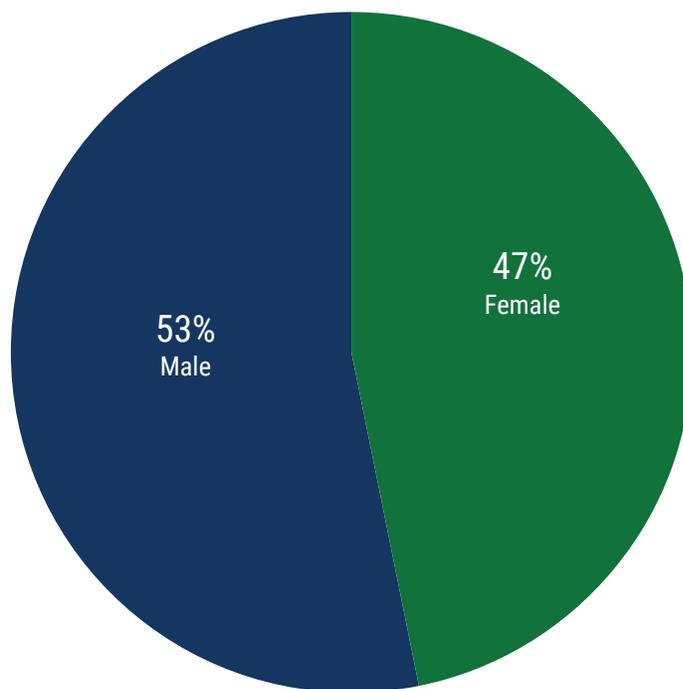
#### QUESTION 1:

WHAT IS YOUR CURRENT AGE?



#### QUESTION 2:

ARE YOU:



# SECTION 4

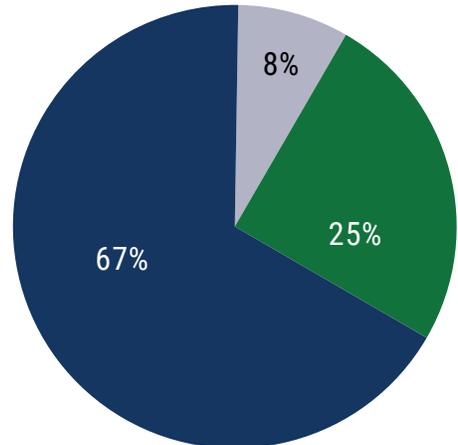
## APPENDIX

### QUESTION 3:

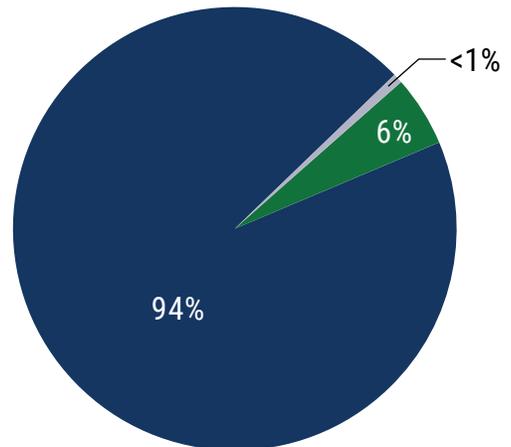
## WHAT IS YOUR COMPANY'S ANNUAL REVENUE?

### Percentage of Businesses by Size of Revenue

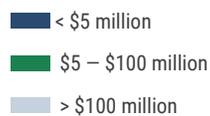
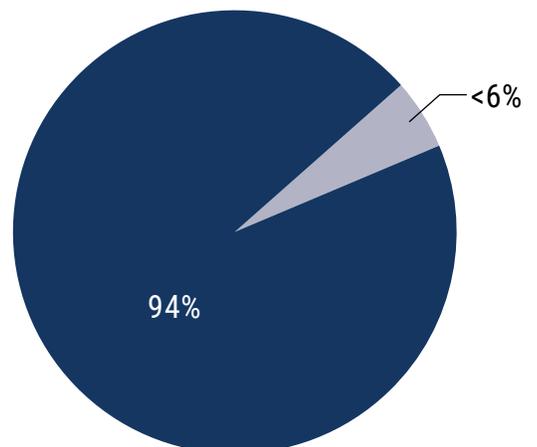
#### 2022 COLORADO EPI SURVEY



#### US CENSUS



#### PREVIOUS SOOR SURVEYS

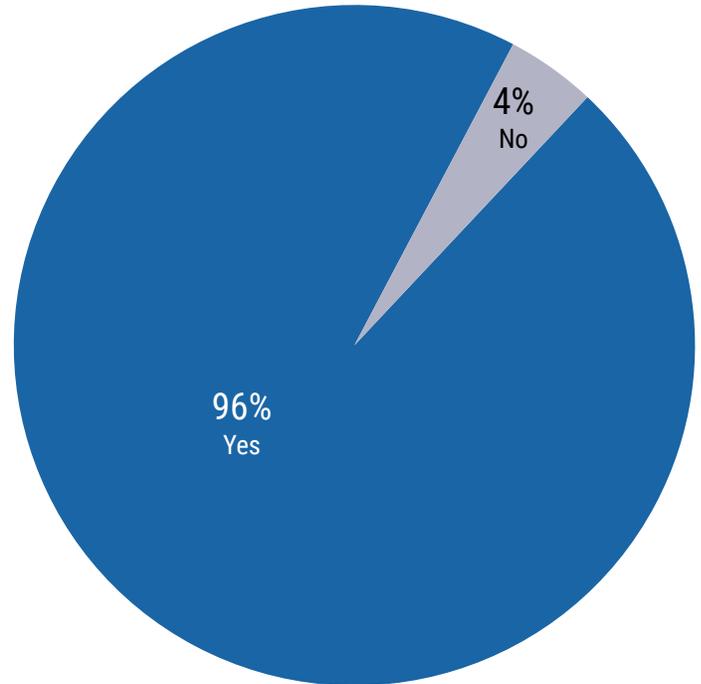


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### APPENDIX

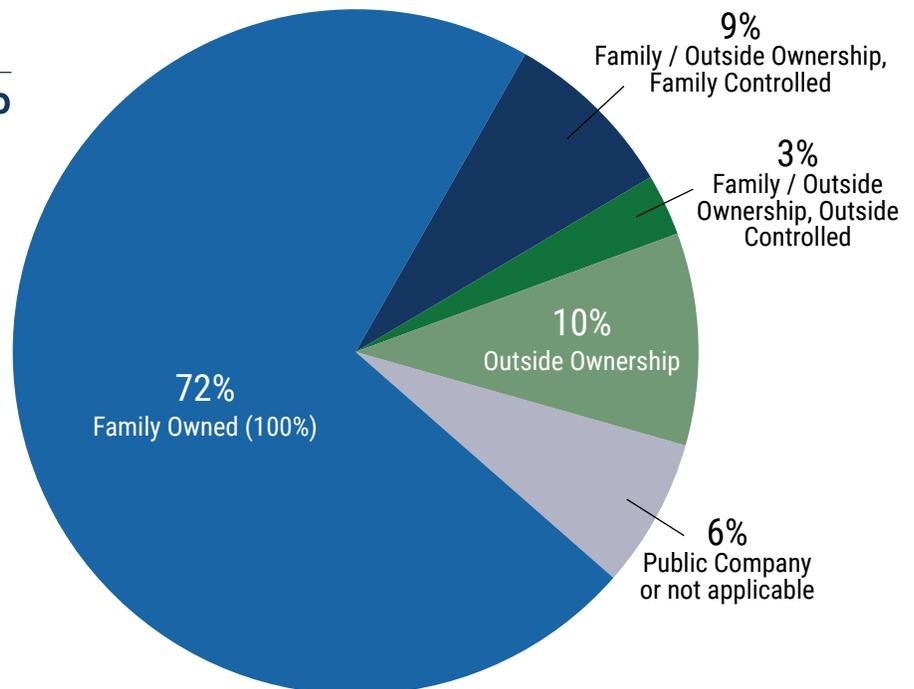
#### QUESTION 4:

**IS YOUR BUSINESS  
LOCATED IN THE STATE  
OF COLORADO?**



#### QUESTION 5:

**WHAT IS THE OWNERSHIP  
STRUCTURE?**

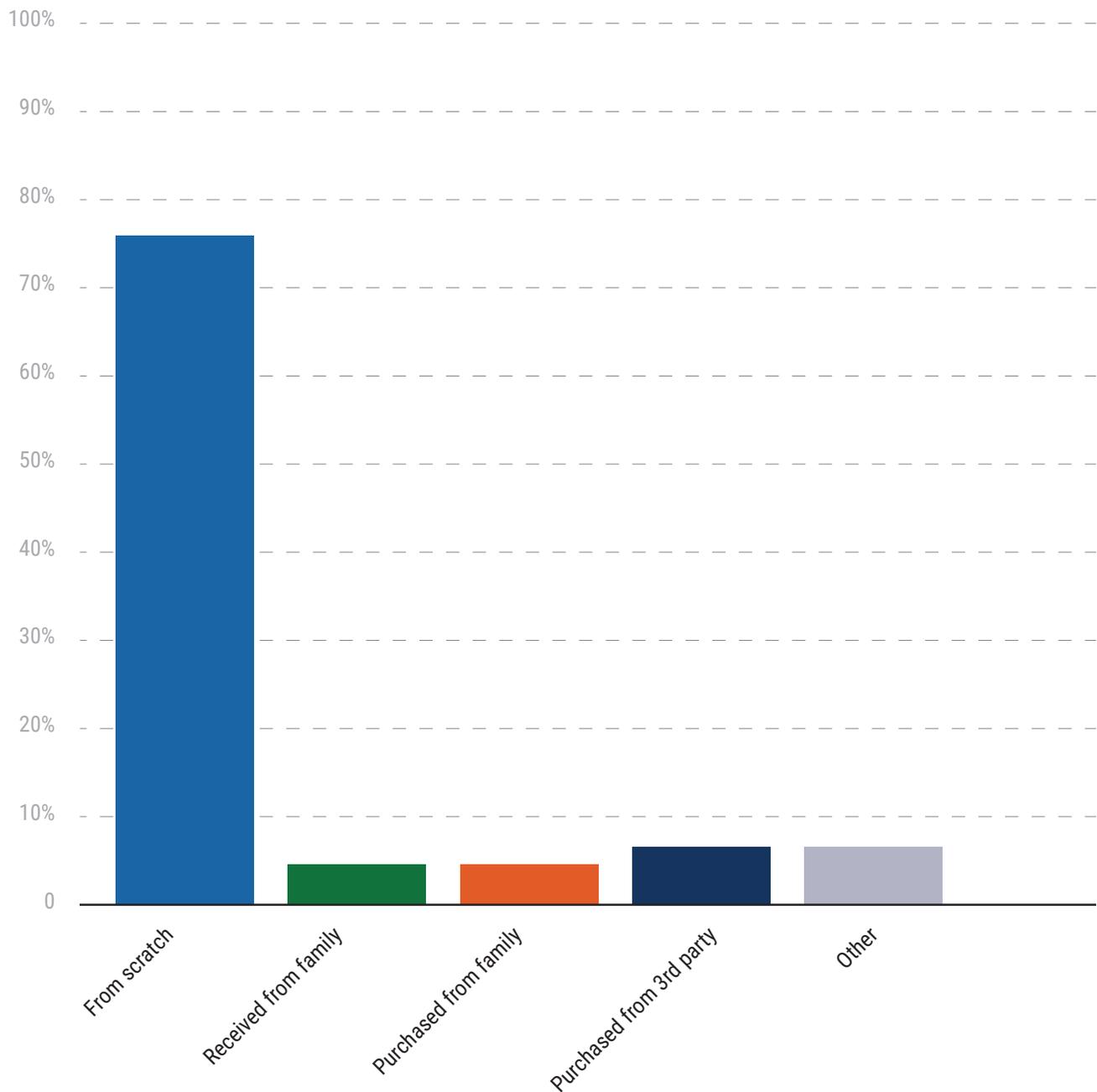


## SECTION 4

### APPENDIX

#### QUESTION 6:

### HOW WAS THE BUSINESS STARTED?

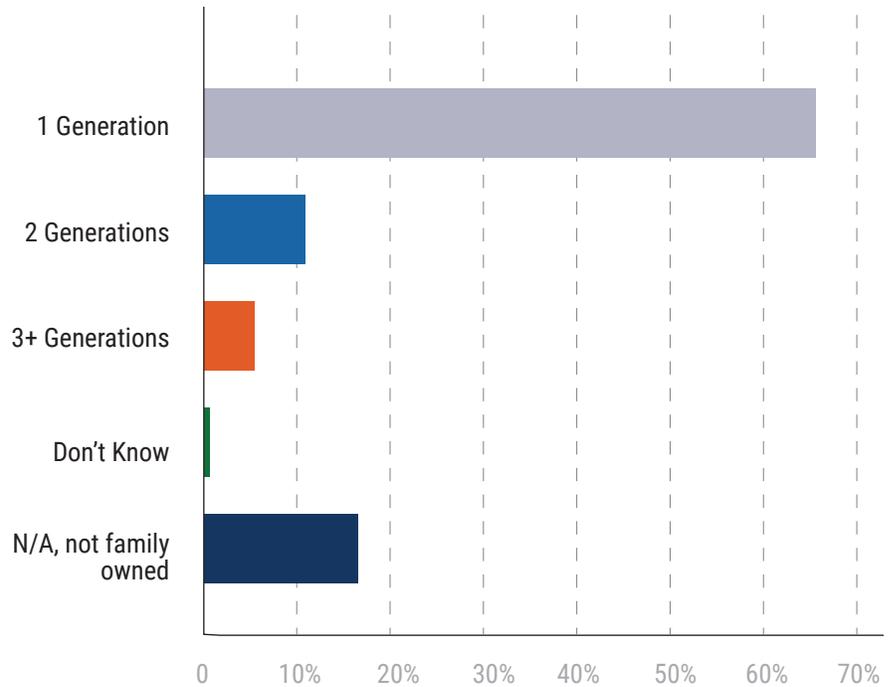


## SECTION 4

### APPENDIX

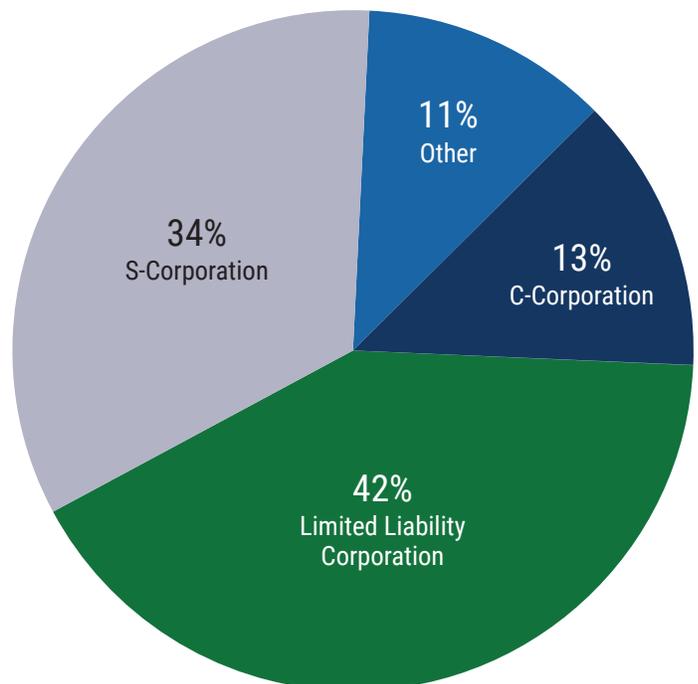
#### QUESTION 7:

**IF FAMILY OWNED,  
HOW LONG HAS YOUR  
COMPANY BEEN OWNED  
BY THE FAMILY?**



#### QUESTION 8:

**HOW IS YOUR  
BUSINESS  
ORGANIZED?**

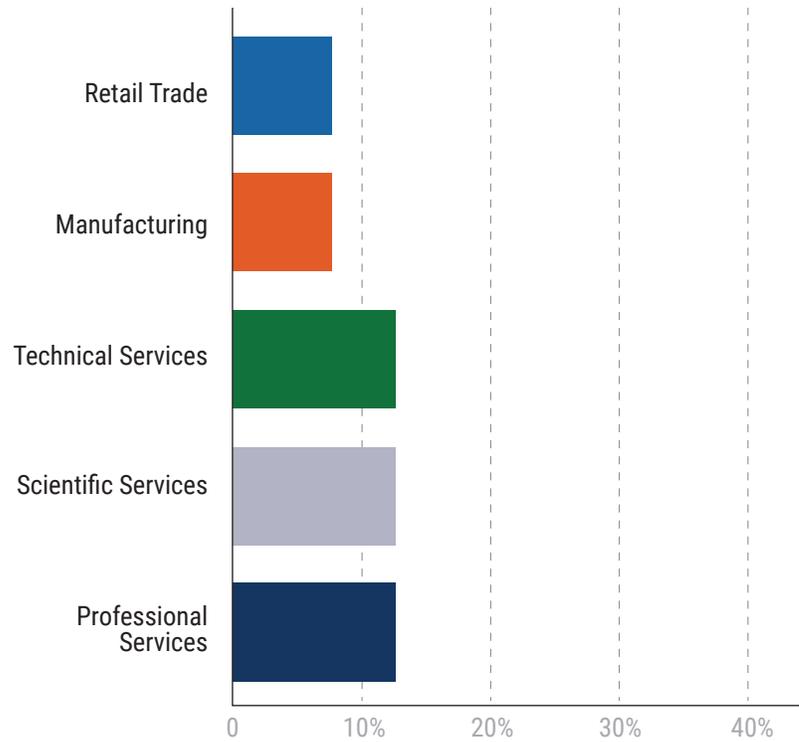


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### APPENDIX

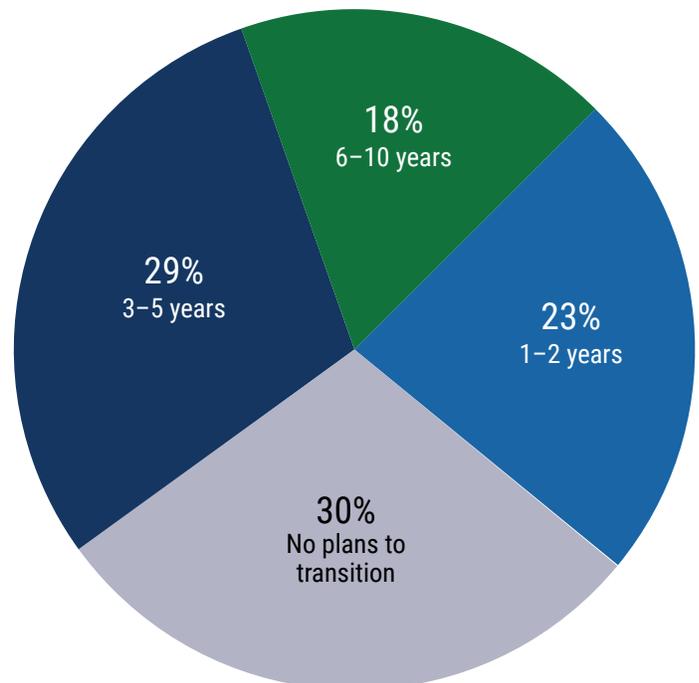
#### QUESTION 9:

### WHAT INDUSTRY ARE YOU IN?



#### QUESTION 10:

### WHEN ARE YOU PLANNING TO TRANSITION THE COMPANY?



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## SECTION 4

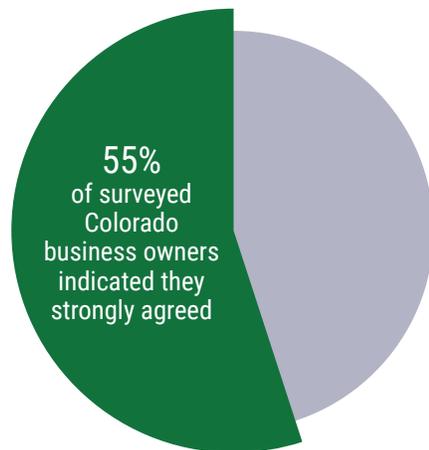
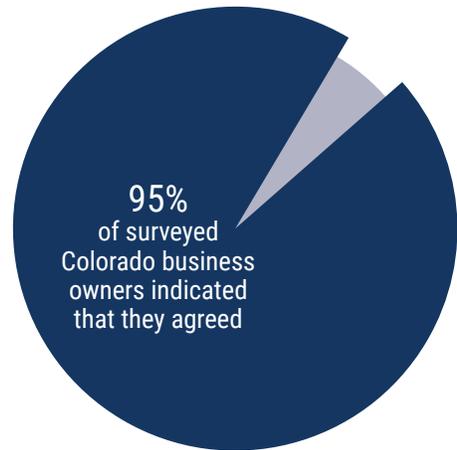
### APPENDIX

#### QUESTION 11:

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**HOW MUCH DO YOU AGREE WITH THE FOLLOWING STATEMENT?**

***HAVING A TRANSITION STRATEGY IS IMPORTANT FOR MY FUTURE AS WELL AS THE FUTURE OF MY BUSINESS.***



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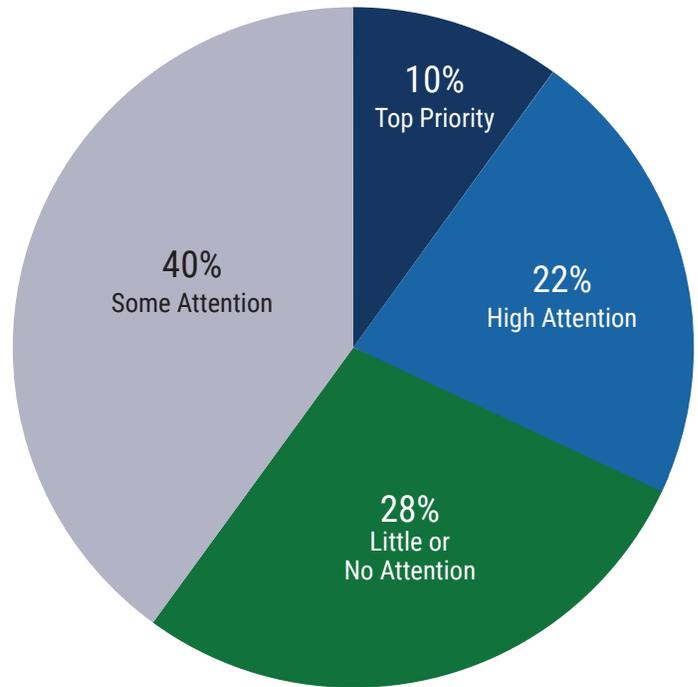
## SECTION 4

### APPENDIX

#### QUESTION 12:

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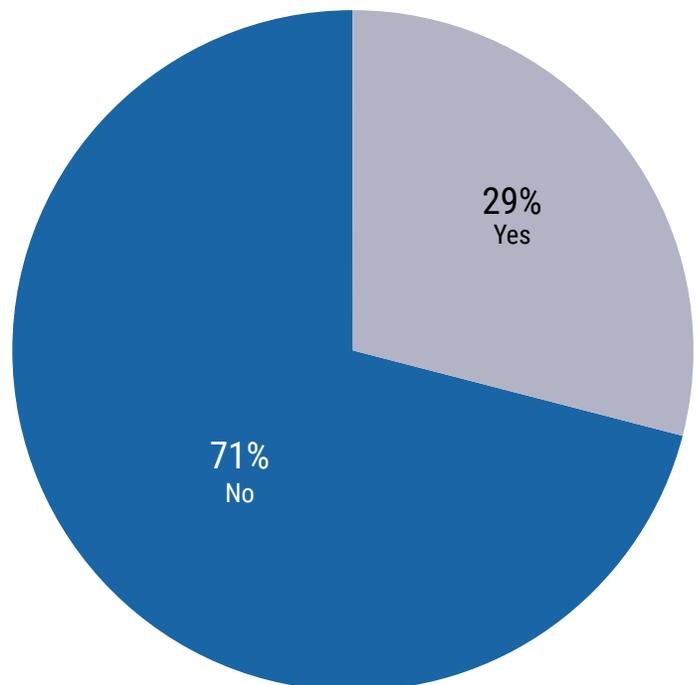
**HOW WOULD YOU DESCRIBE THE ATTENTION YOU HAVE GIVEN TO YOUR EXIT UP TO THIS POINT?**



#### QUESTION 13:

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**HAVE YOU COMPLETED ANY FORMAL EDUCATION RELATED TO TRANSITIONING A BUSINESS?**

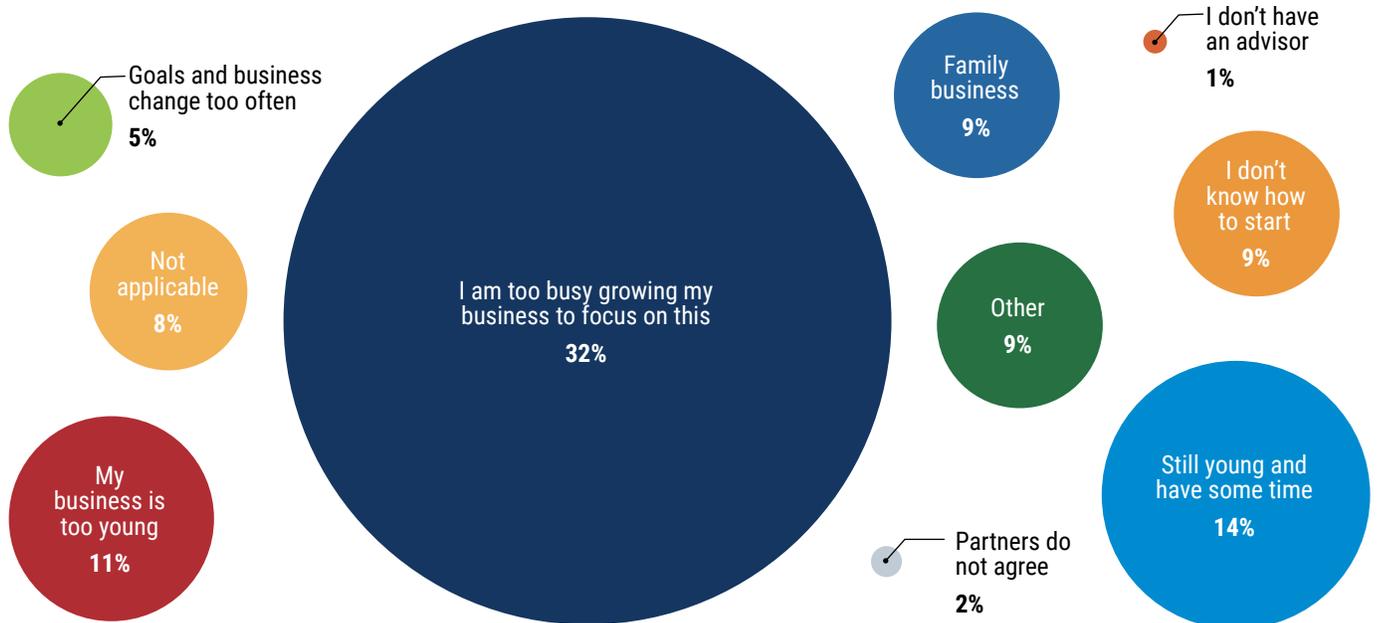


## SECTION 4

### APPENDIX

#### QUESTION 14:

IF YOU SELECTED "SOME ATTENTION" OR "LITTLE ATTENTION" ABOVE, WHAT IS THE PRIMARY REASON YOU HAVE GIVEN ONLY LITTLE OR SOME ATTENTION TO YOUR EXIT FROM THE BUSINESS?



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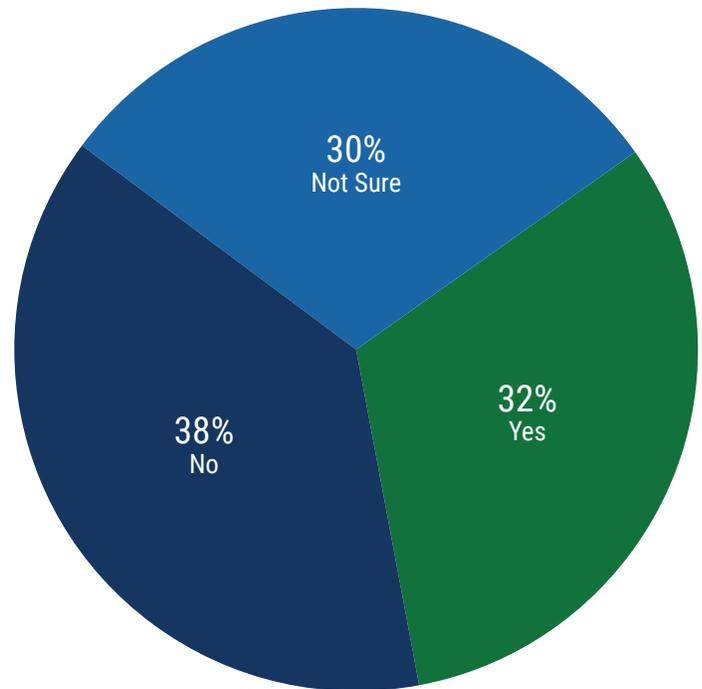
## SECTION 4

### APPENDIX

#### QUESTION 15:

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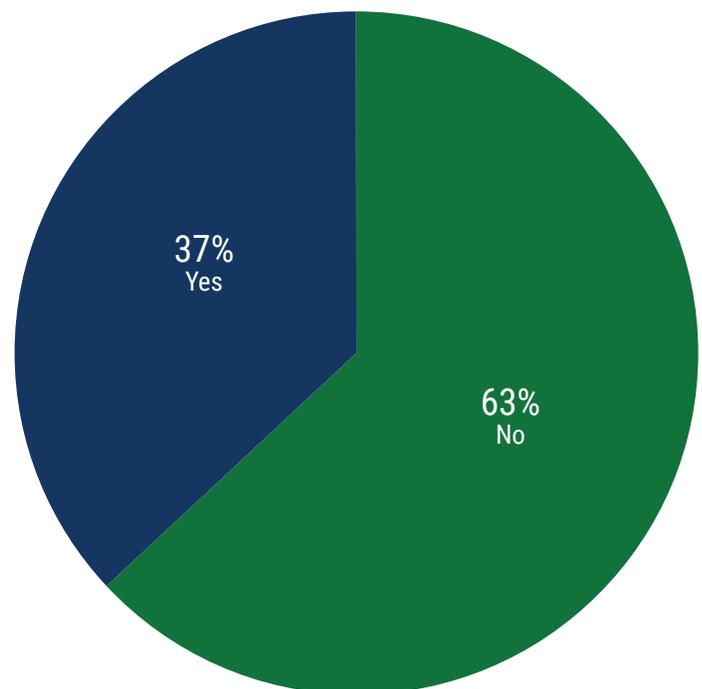
**ARE YOU FAMILIAR  
WITH ALL OF YOUR  
TRANSITION OPTIONS?**



#### QUESTION 16:

---

**HAVE YOU SOUGHT  
OUTSIDE ADVICE  
REGARDING YOUR  
TRANSITION PLAN?**

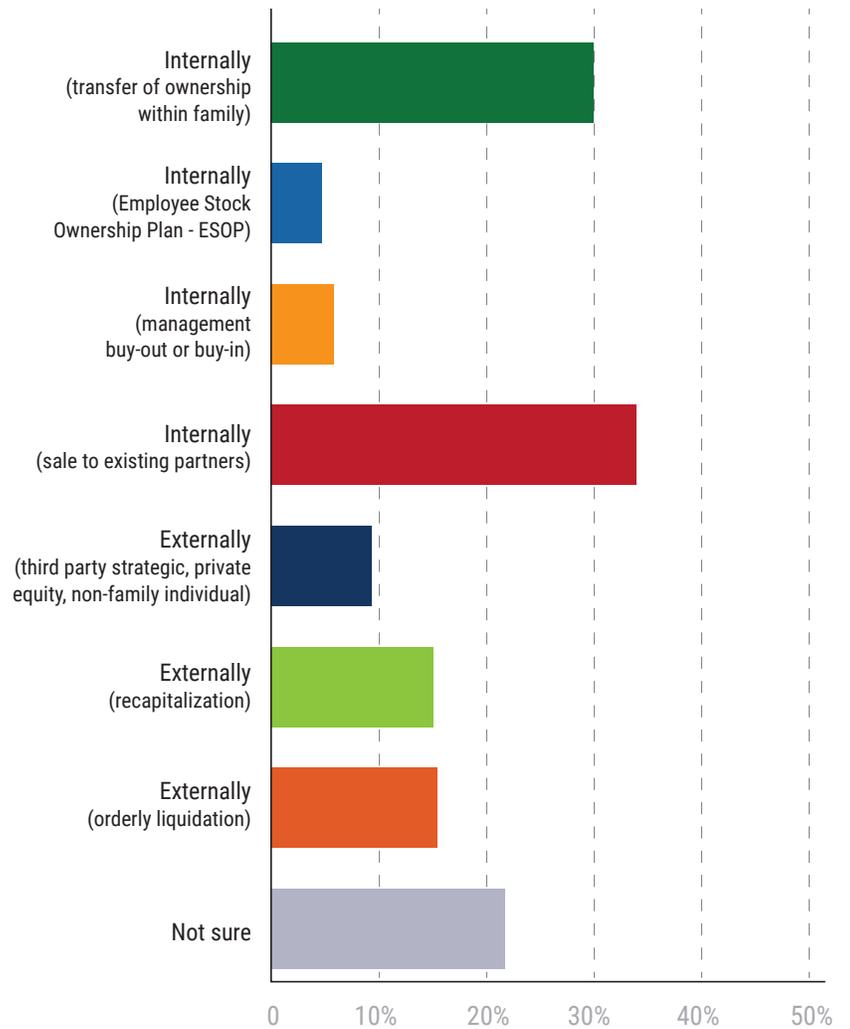


## SECTION 4

### APPENDIX

#### QUESTION 17:

### WHAT BEST DESCRIBES HOW YOU ARE PLANNING TO TRANSITION?

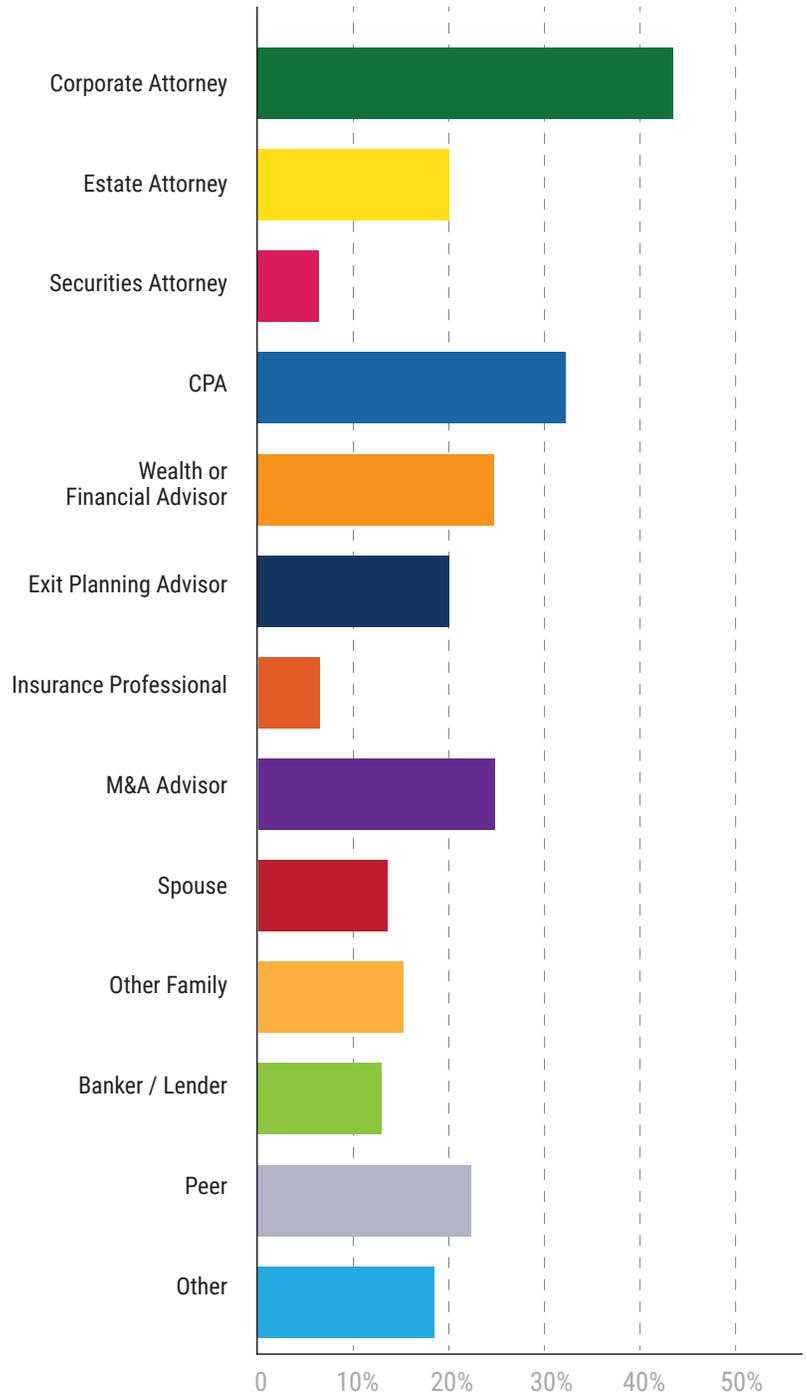


# SECTION 4

## APPENDIX

### QUESTION 18:

**IF YOU HAVE SOUGHT  
OUTSIDE ADVICE, WHO  
HAVE YOU SOUGHT  
OUTSIDE ADVICE FROM?**

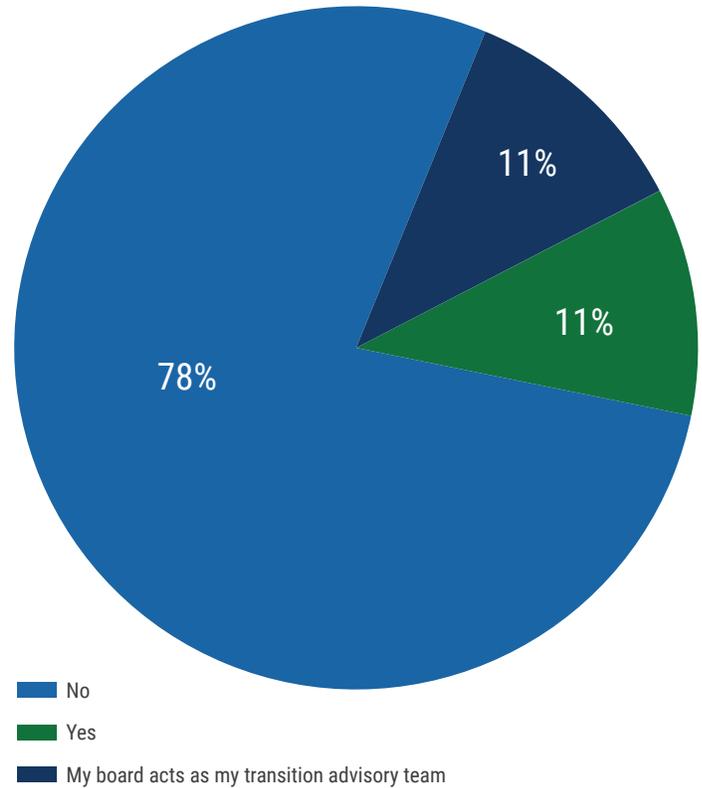


## SECTION 4

### APPENDIX

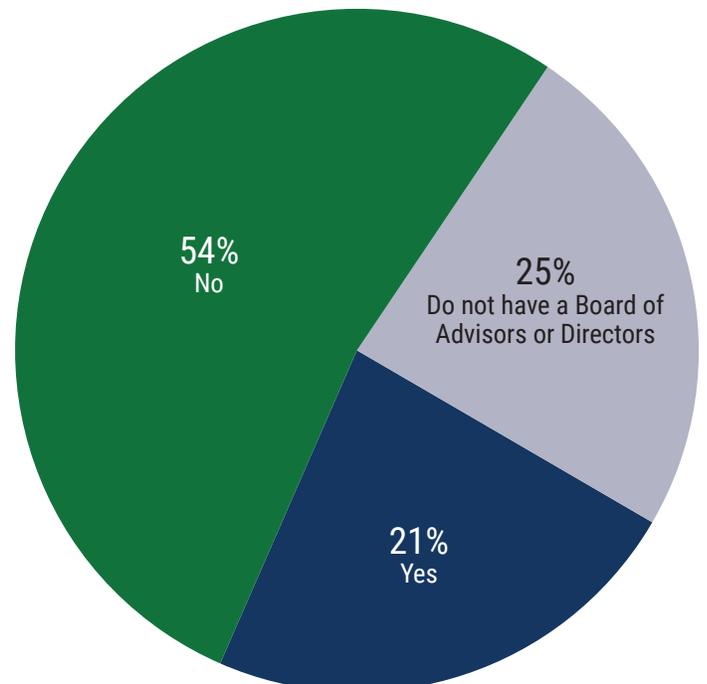
#### QUESTION 19:

**HAVE YOU ESTABLISHED  
A FORMAL TRANSITION  
ADVISORY TEAM?**



#### QUESTION 20:

**DO YOU HAVE OUTSIDE  
(I.E., NON-OWNER/NON-  
FAMILY) BOARD MEMBERS  
ON YOUR BOARD?**

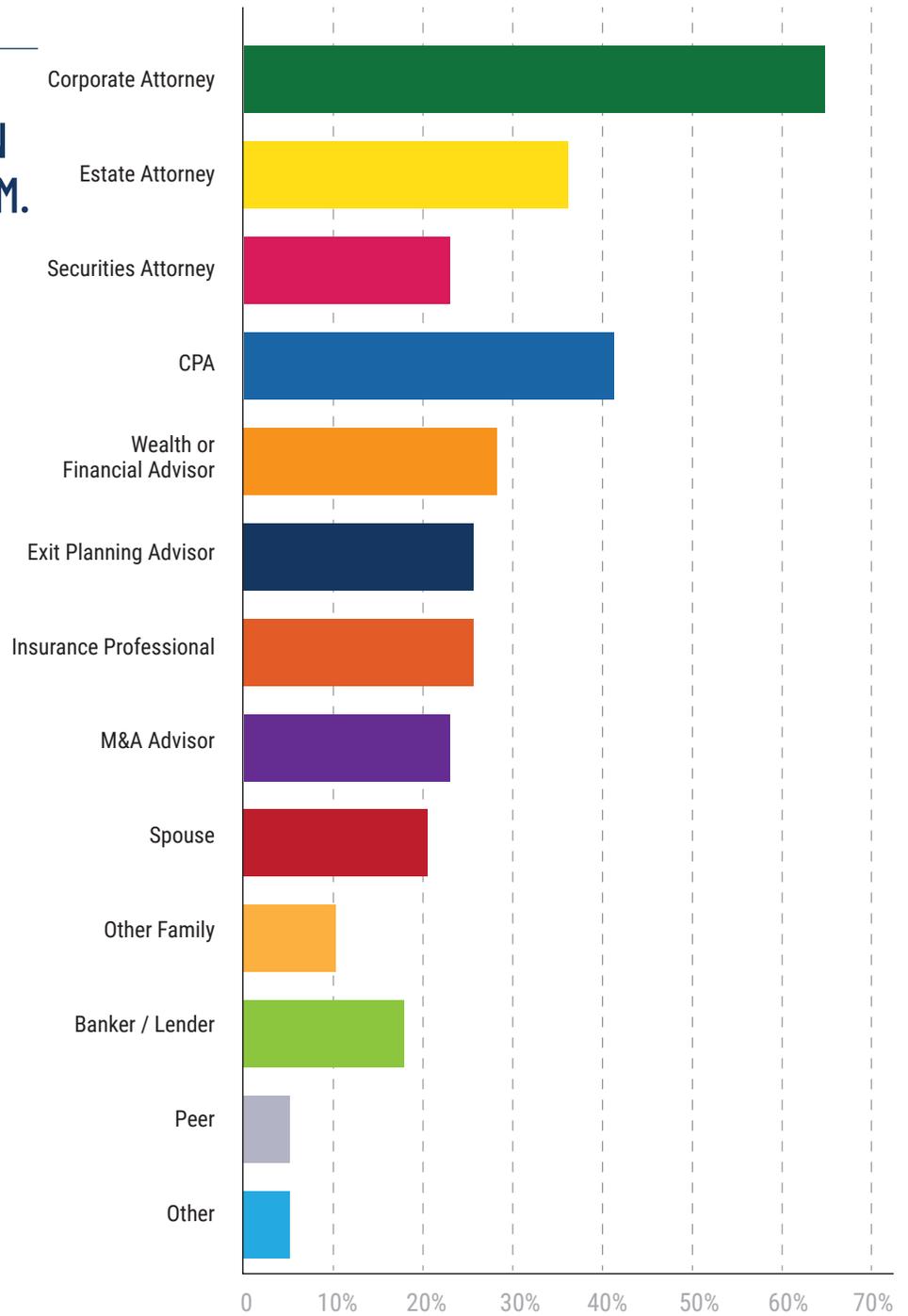


# SECTION 4

## APPENDIX

### QUESTION 21:

**PLEASE CHECK ALL ADVISORS THAT ARE ON YOUR TRANSITION TEAM.**

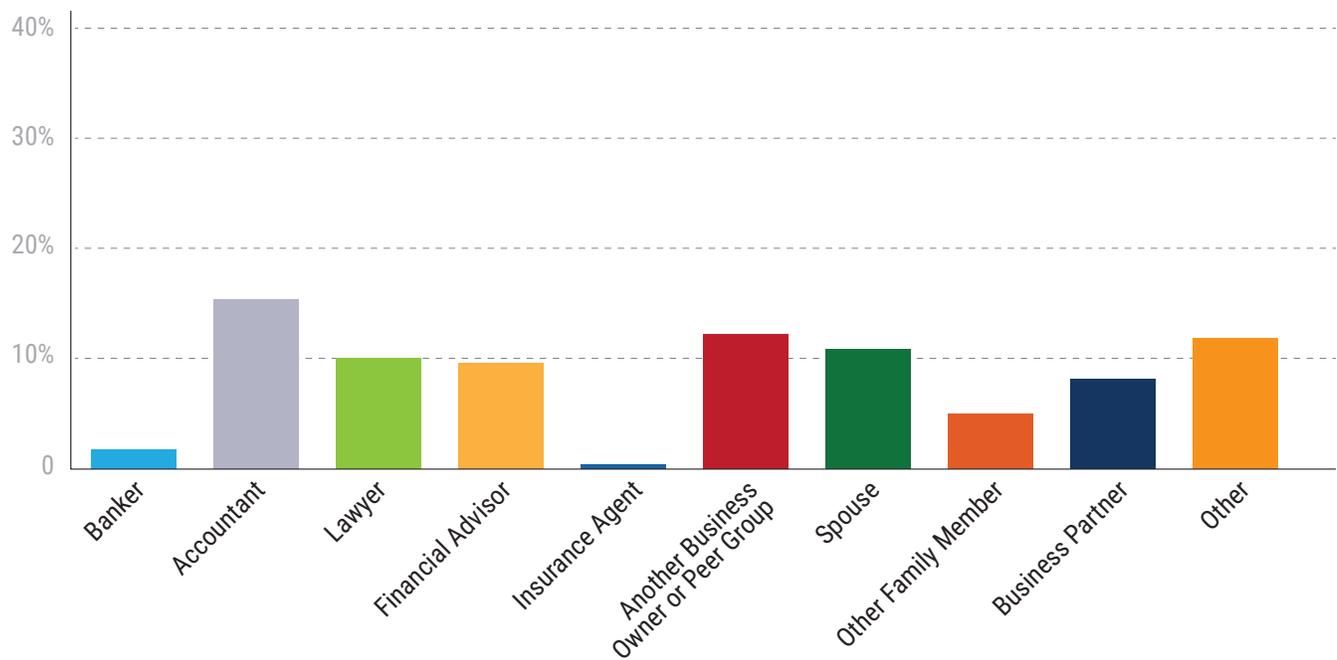


## SECTION 4

### APPENDIX

#### QUESTION 22:

### WHO DO YOU SEE AS YOUR MOST TRUSTED ADVISOR?

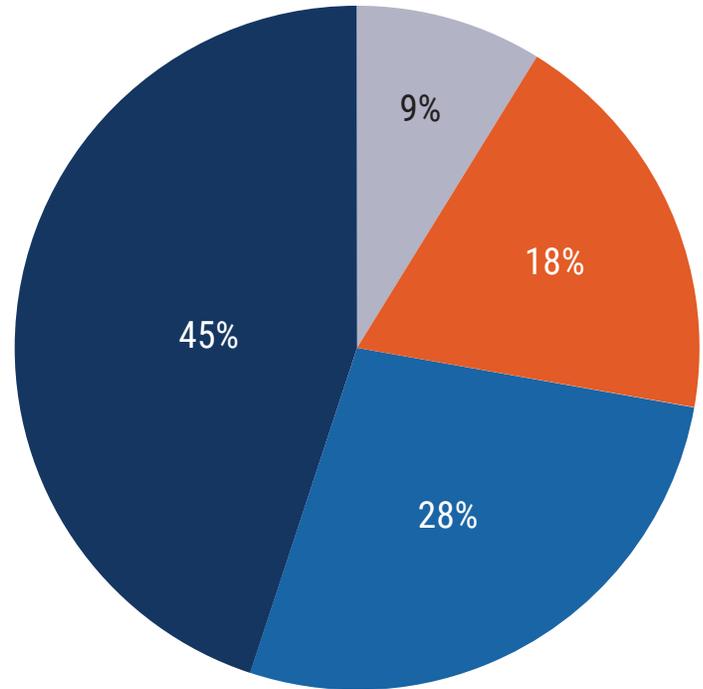


## SECTION 4

### APPENDIX

#### QUESTION 23:

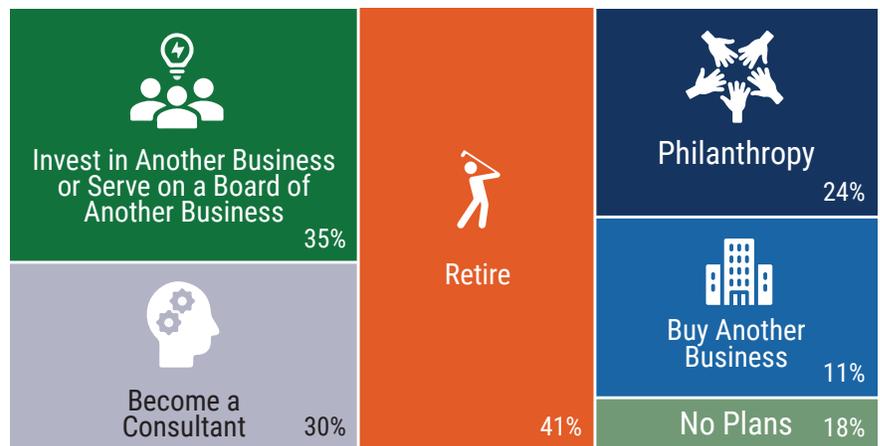
**WHICH STATEMENT BEST DESCRIBES YOUR POST-TRANSITION PLAN FOR WHAT YOU WILL DO AFTER YOU TRANSITION YOUR BUSINESS?**



- I have an idea, but not a formal plan at this time
- I have not really thought about what I will do after I transition the business
- I have a good, informal plan of what I will do next
- I have a written, formal plan of what I will do next

#### QUESTION 24:

**WHAT DO YOU PLAN TO DO POST-TRANSITION?**

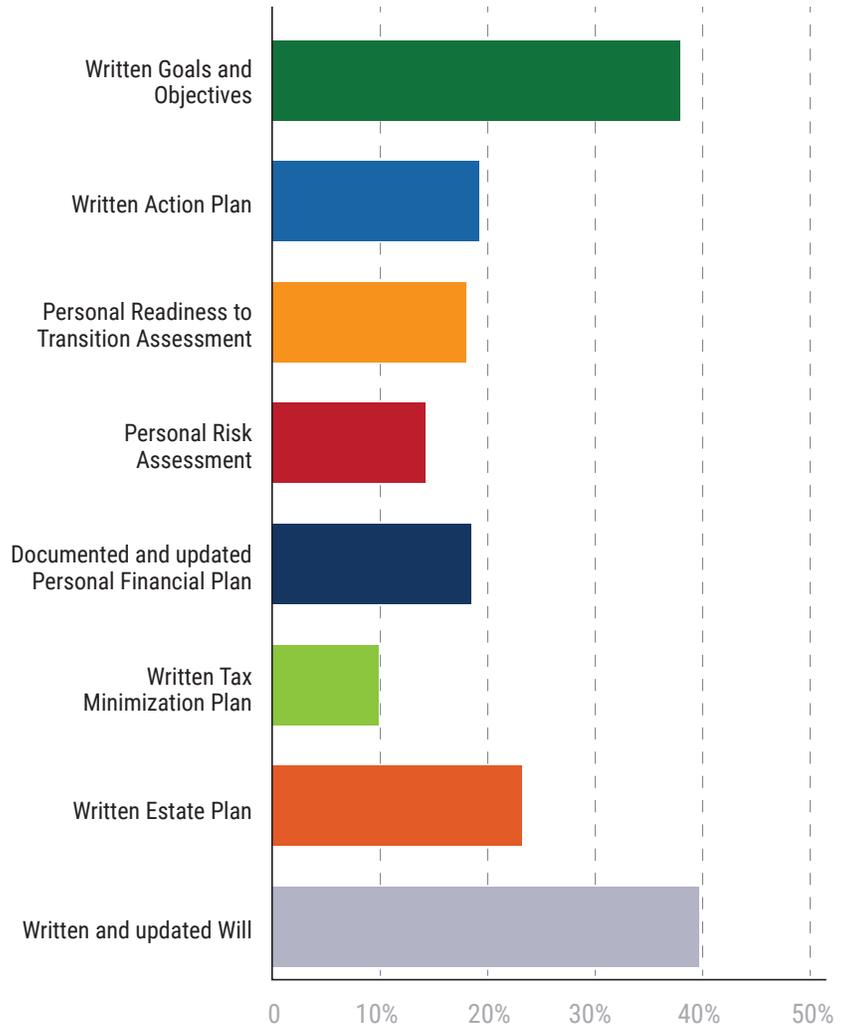


# SECTION 4

## APPENDIX

### QUESTION 25:

**IF YOU HAVE A WRITTEN PLAN INDICATED IN PREVIOUS QUESTION, PLEASE CHECK ALL THAT YOUR PLAN ENCOMPASSES:**



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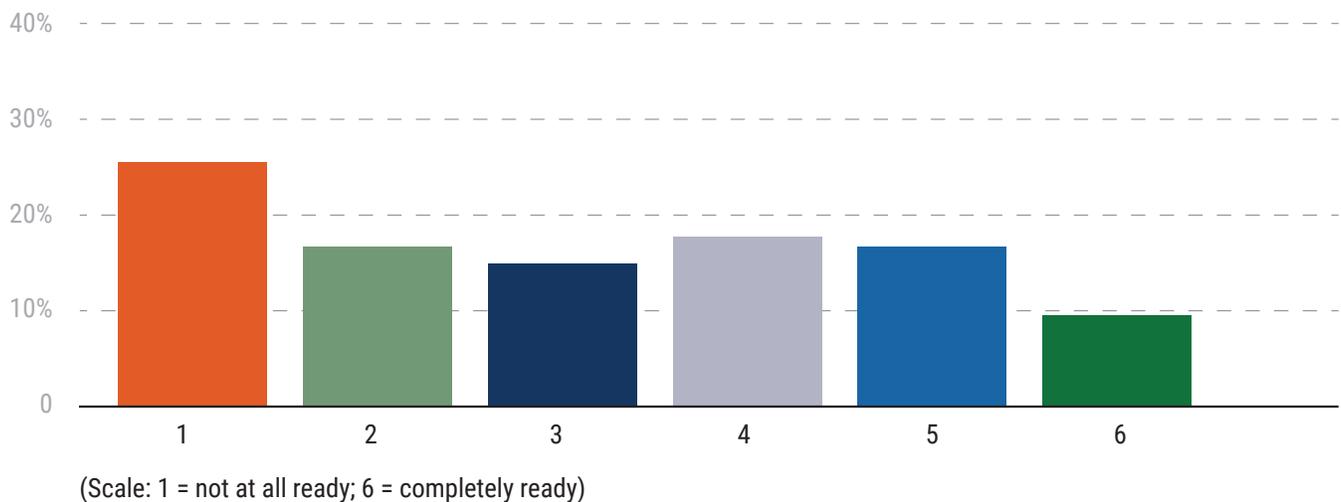
## SECTION 4

### APPENDIX

#### QUESTION 26:

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**ON THE FOLLOWING SCALE, PLEASE RATE HOW "READY" YOU CONSIDER YOURSELF PERSONALLY TO TRANSITION AWAY FROM YOUR BUSINESS AND DO SOMETHING ELSE.**

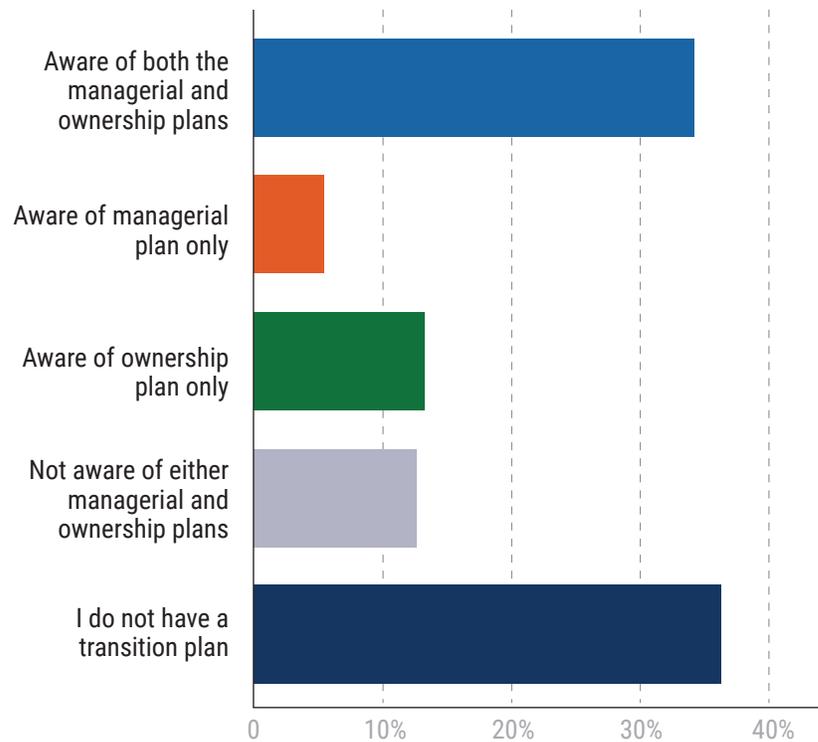


## SECTION 4

### APPENDIX

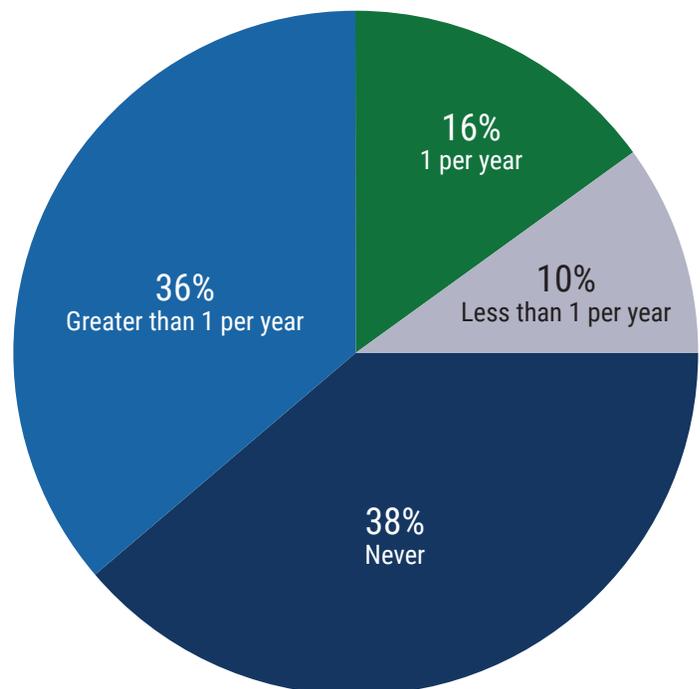
#### QUESTION 27:

**WHICH BEST DESCRIBES THE LEVEL OF FAMILY AWARENESS OF THE MANAGERIAL AND OWNERSHIP TRANSITION PLANS?**



#### QUESTION 28:

**HOW OFTEN DO YOU HAVE FORMAL FAMILY MEETINGS WITH REGARD TO THE BUSINESS?**



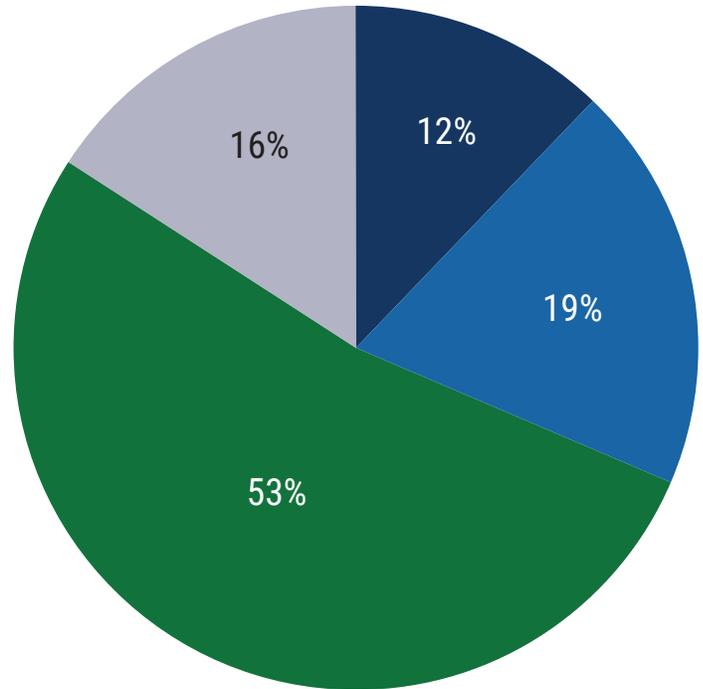
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## SECTION 4

### APPENDIX

#### QUESTION 29:

**IF MANAGERIAL PLANS INCLUDE KEY POSITIONS BEING FILLED BY FAMILY MEMBERS, HOW WOULD YOU ASSESS THEIR LEVEL OF READINESS FOR THIS RESPONSIBILITY?**



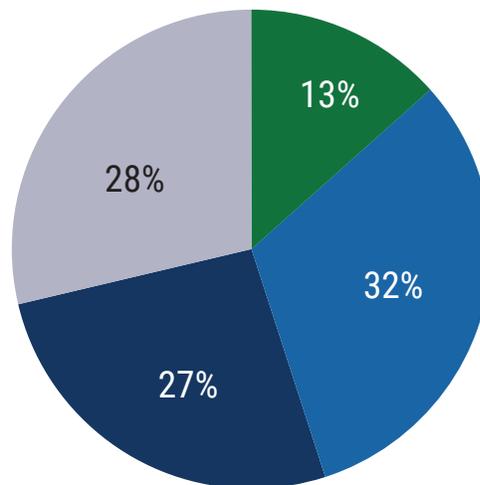
- No family members will fill key positions going forward
- Some family members filling key positions are ready
- No family members filling key positions are ready
- All family members filling key positions are ready

## SECTION 4

### APPENDIX

#### QUESTION 30:

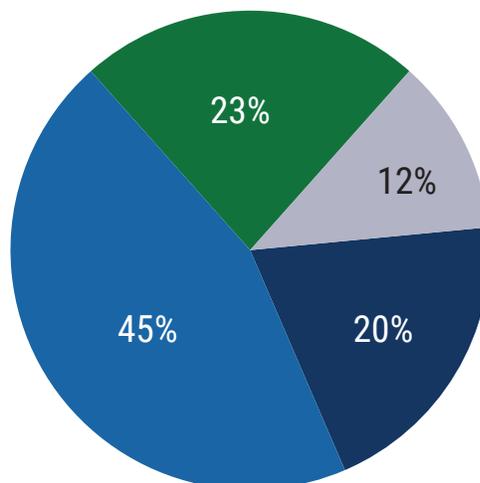
**IF FAMILY MEMBERS ARE FILLING KEY POSITIONS WHICH OF THE FOLLOWING BEST DESCRIBES MEASURES BEING TAKEN TO TRAIN (EXCLUDES COLLEGE TRAINING) THESE FAMILY MEMBERS?**



- Formal training outside and inside the company
- Formal training within the company only
- No formal training
- Formal training outside the company

#### QUESTION 31:

**WHAT BEST DESCRIBES YOUR COMPANY'S TRANSITION PLAN?**



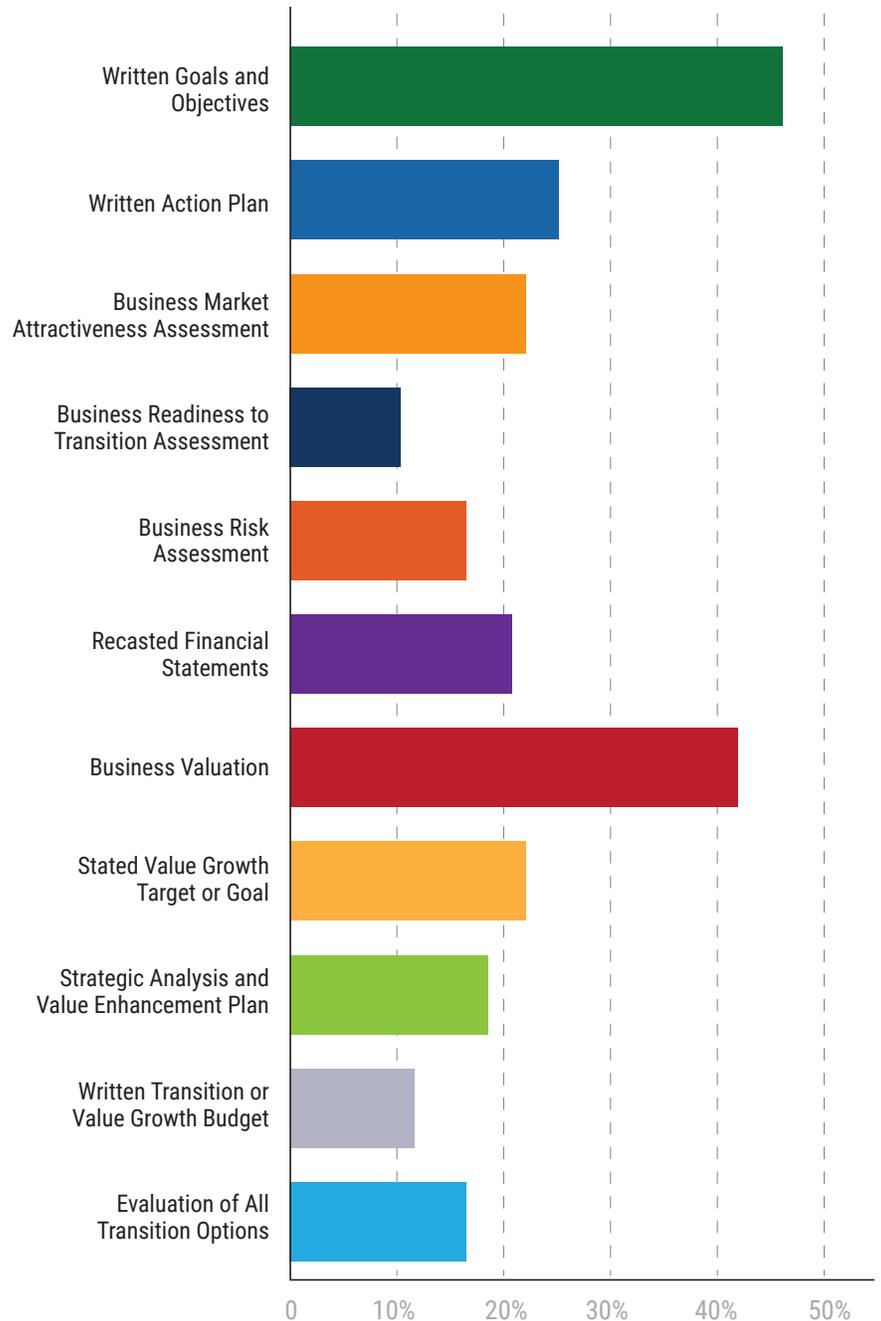
- We have an idea but no plan
- We have not considered it
- We have a good informal transition plan
- We have a written formal transition plan

# SECTION 4

## APPENDIX

### QUESTION 32:

**IF YOU HAVE A WRITTEN PLAN INDICATED IN PREVIOUS QUESTION, PLEASE CHECK ALL THAT YOUR PLAN ENCOMPASSES:**

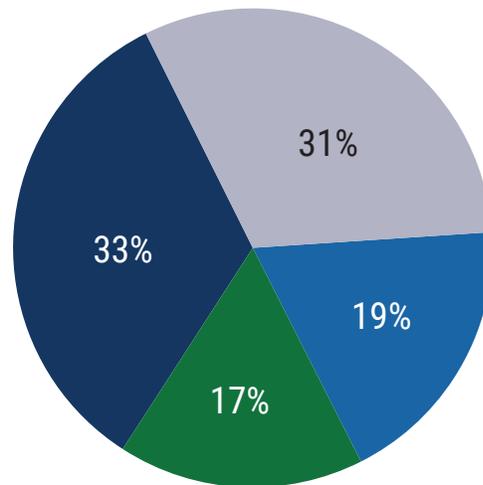


## SECTION 4

### APPENDIX

#### QUESTION 33:

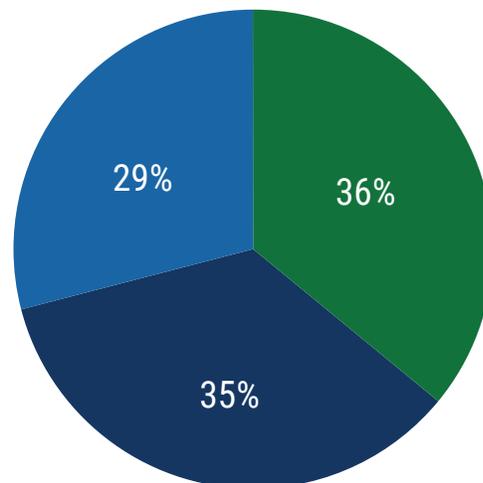
**DOES YOUR TRANSITION PLAN REQUIRE THE COMPANY REMAIN PROFITABLE FOR YOUR PLAN TO BE PROPERLY EXECUTED?**



- Yes, critical for the company to be successful for the ownership transition
- Yes, it helps if the company is successful for the ownership transition
- No, ownership transition is not really affected by success of company
- I do not have a transition plan

#### QUESTION 34:

**WHICH OF THE FOLLOWING BEST REPRESENTS YOUR CURRENT UNDERSTANDING OF THE VALUE OF YOUR COMPANY?**



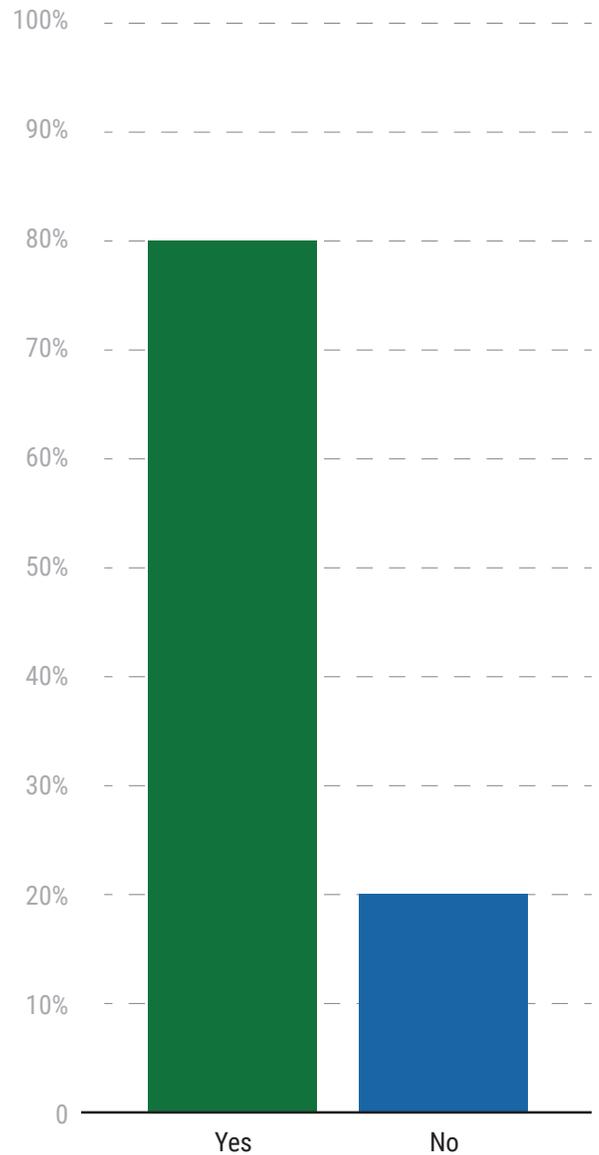
- I have not had my business formally valued but I have a good idea what it is worth
- I am not sure what my business is worth
- I have had my business formally valued within the last two years

## SECTION 4

### APPENDIX

#### QUESTION 35:

**HAVE YOU COMPLETED IN THE LAST TWO YEARS OR HAVE UNDERWAY PRESENTLY A FORMAL PRE-TRANSITION VALUE ENHANCEMENT / PRELIMINARY DUE DILIGENCE PROJECT TO DE-RISK THE BUSINESS, MAXIMIZE ITS VALUE, AND POSITION IT TO SUCCESSFULLY TRANSFER TO A NEW OWNER?**

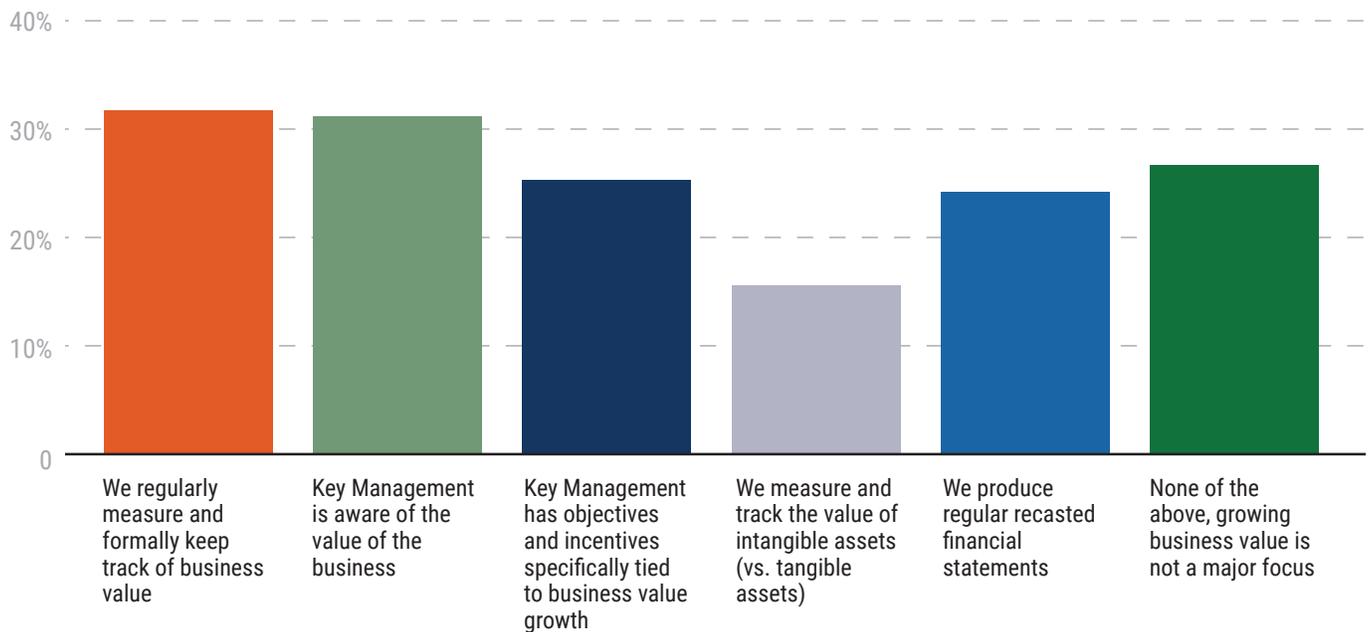


## SECTION 4

### APPENDIX

#### QUESTION 36:

**HOW FOCUSED ARE YOU AND YOUR MANAGEMENT TEAM ON GROWING THE VALUE OF YOUR BUSINESS? (SELECT ALL THAT APPLY)**



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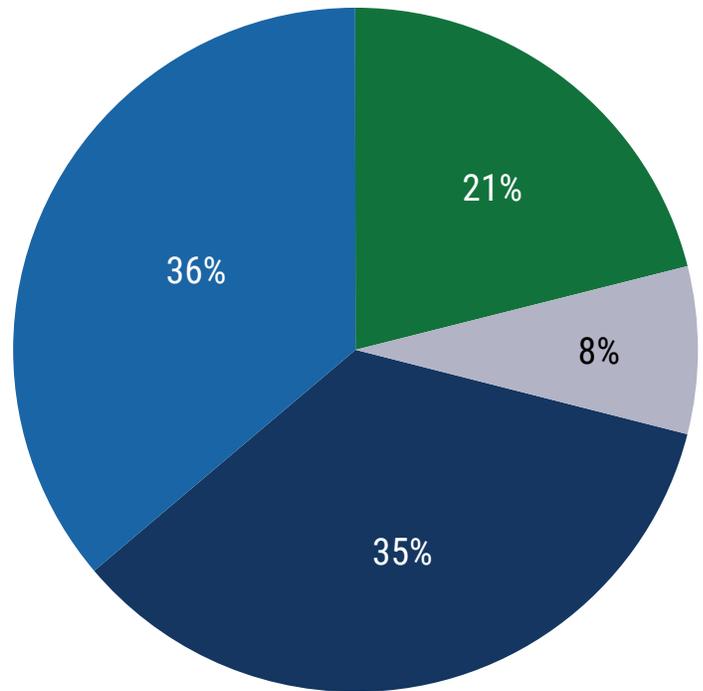
## SECTION 4

### APPENDIX

#### QUESTION 37:

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**HOW COMFORTABLE ARE YOU THAT YOUR MANAGEMENT TEAM WILL BE SUCCESSFUL WITH NEW OWNERSHIP WHEN YOUR BUSINESS TRANSITIONS?**



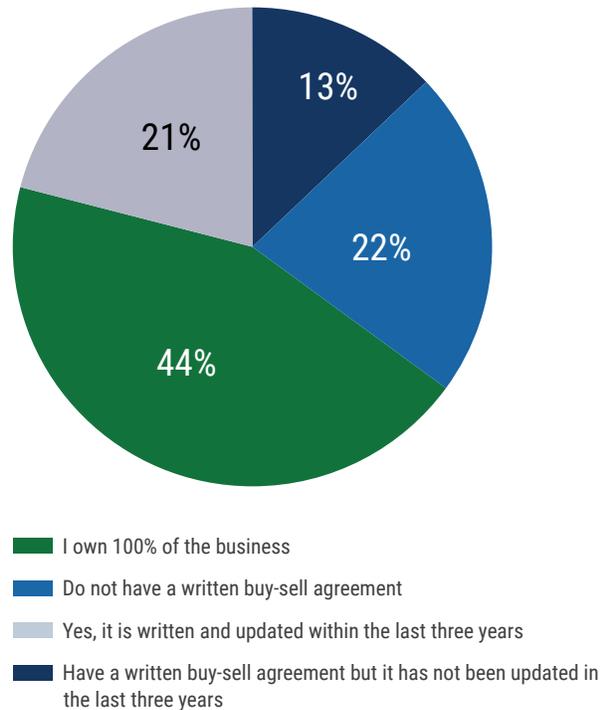
- Very comfortable
- Have not thought about it
- Have some concerns about the ability of management team
- Uncomfortable at present time

## SECTION 4

### APPENDIX

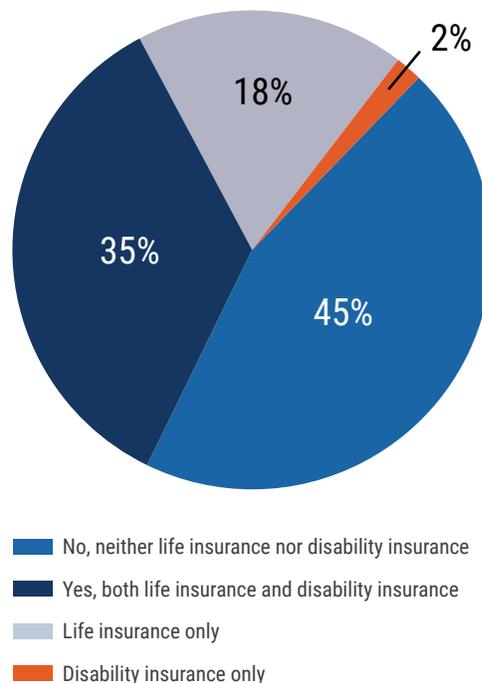
#### QUESTION 38:

**IF THERE ARE MULTIPLE OWNERS/PARTNERS IN YOUR BUSINESS, DO YOU HAVE A WRITTEN BUY-SELL AGREEMENT AND HAS IT BEEN REVIEWED AND UPDATED IN THE LAST 3 YEARS?**



#### QUESTION 39:

**IS YOUR BUY-SELL AGREEMENT FUNDED BY LIFE INSURANCE AND/OR DISABILITY POLICIES?**

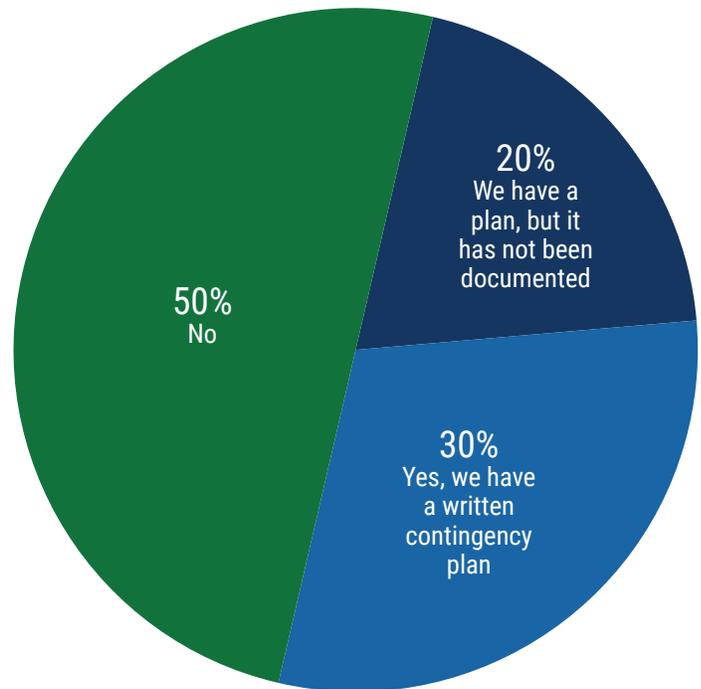


## SECTION 4

### APPENDIX

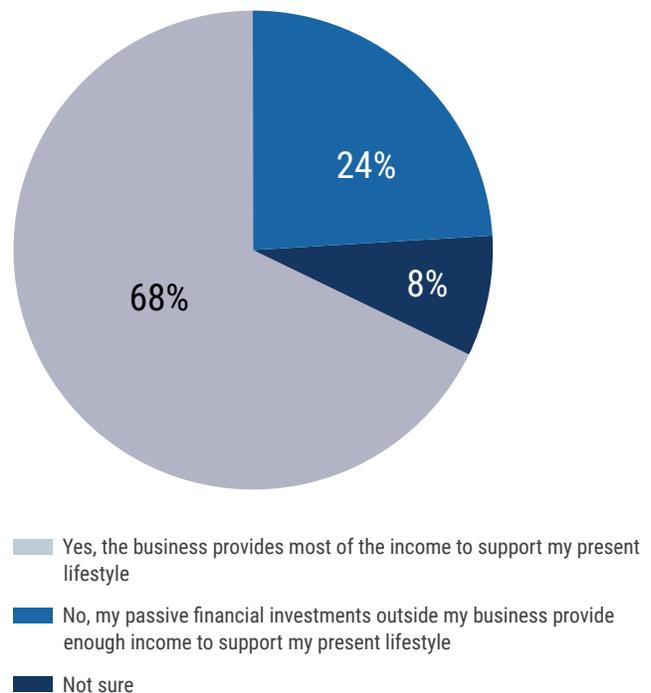
#### QUESTION 40:

**DO YOU HAVE A DOCUMENTED CONTINGENCY PLAN IN PLACE FOR THE BUSINESS WHICH ADDRESSES THE POSSIBILITY OF A FORCED TRANSITION CAUSED BY DEATH, DIVORCE, OR DISABILITY?**



#### QUESTION 41:

**DO YOU NEED THE INCOME PRODUCED BY THE BUSINESS TO SUPPORT YOUR LIFESTYLE?**

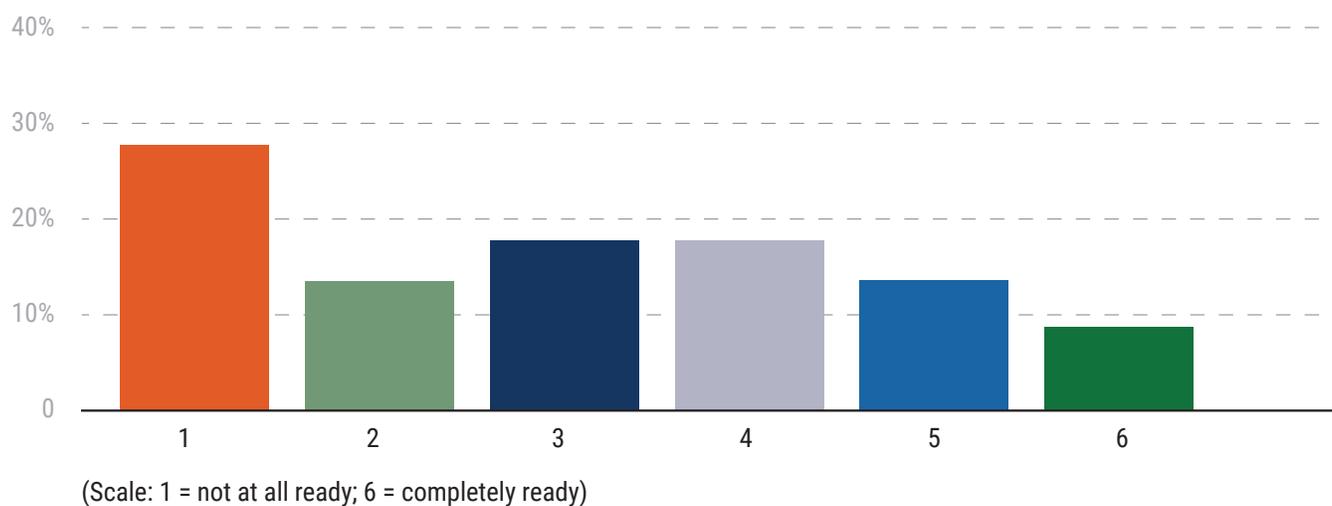


## SECTION 4

### APPENDIX

#### QUESTION 42:

USING THE FOLLOWING SCALE, PLEASE RATE HOW "READY" YOU THINK YOUR BUSINESS IS TO TRANSFER TO A NEW OWNER.

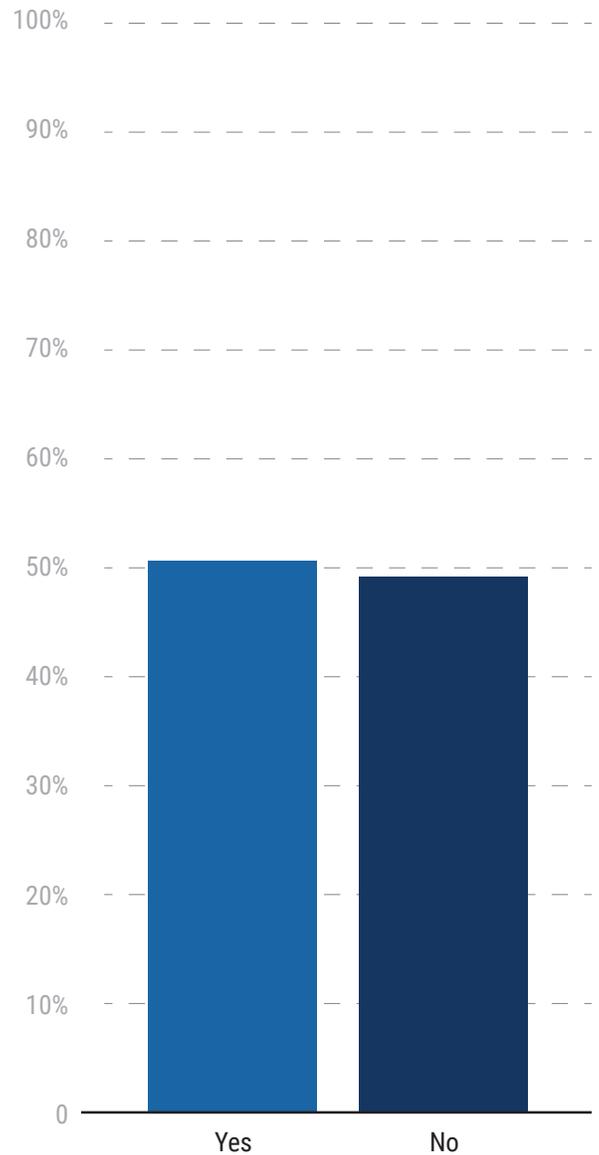


## SECTION 4

### APPENDIX

#### QUESTION 43:

**HAVE YOU DETERMINED HOW MUCH YOU NEED (NOT WANT) TO NET AFTER TAXES FROM THE TRANSITION OF YOUR COMPANY TO FUND YOUR RETIREMENT, FUTURE GOALS, AND FUTURE SPENDING NEEDS WITHOUT INCOME FROM YOUR BUSINESS?**

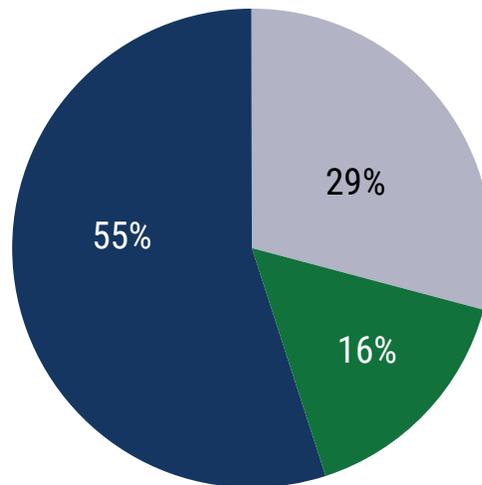


## SECTION 4

### APPENDIX

#### QUESTION 44:

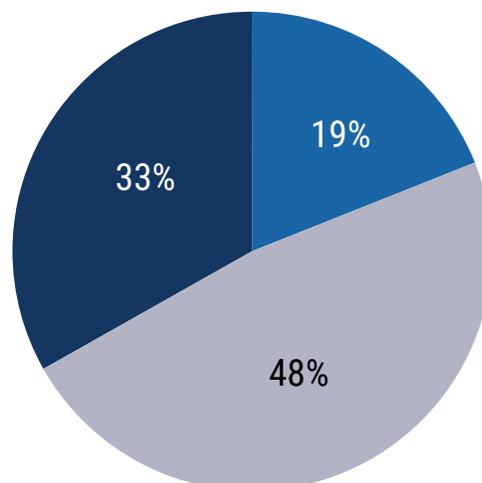
**DO YOU NEED THE PROCEEDS FROM THE TRANSITION OF YOUR BUSINESS TO SUPPORT YOUR LIFESTYLE POST TRANSITION?**



- Yes, I need (not want) to harvest the value of my business to support my post transition lifestyle
- No, I have adequate financial resources outside the business to support my post transition lifestyle regardless of whether I receive anything from the transition of the business
- Not sure

#### QUESTION 45:

**DO YOU HAVE A WRITTEN PERSONAL FINANCIAL PLAN PREPARED BY A THIRD PARTY PROFESSIONAL FINANCIAL ADVISOR?**



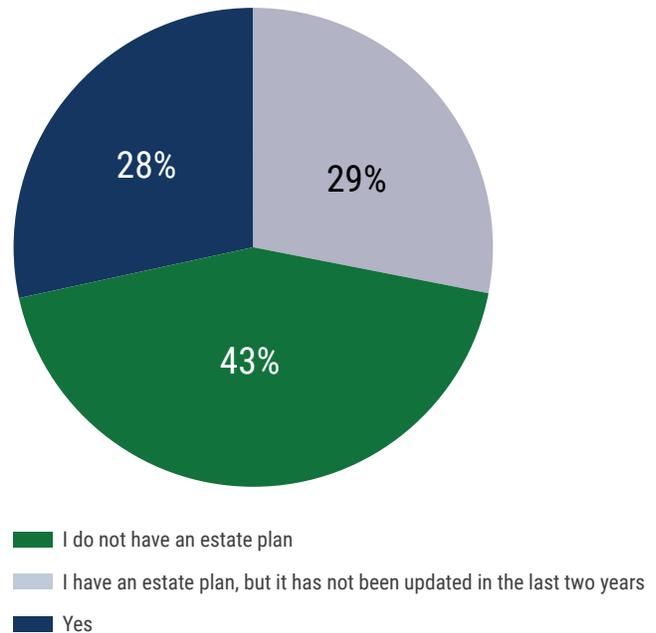
- I do not have a written formal financial plan
- Yes
- I have a financial plan, but it was not prepared by a professional

## SECTION 4

### APPENDIX

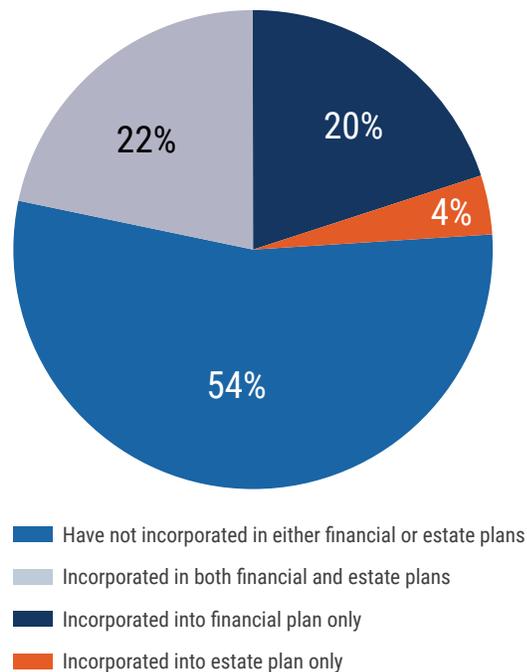
#### QUESTION 46:

**HAS YOUR ESTATE PLAN BEEN UPDATED WITHIN THE LAST TWO YEARS?**



#### QUESTION 47:

**HOW WOULD YOU BEST DESCRIBE THE LEVEL TO WHICH YOU HAVE INCORPORATED THE TRANSITION OF YOUR BUSINESS INTO YOUR PERSONAL FINANCIAL AND ESTATE PLAN?**

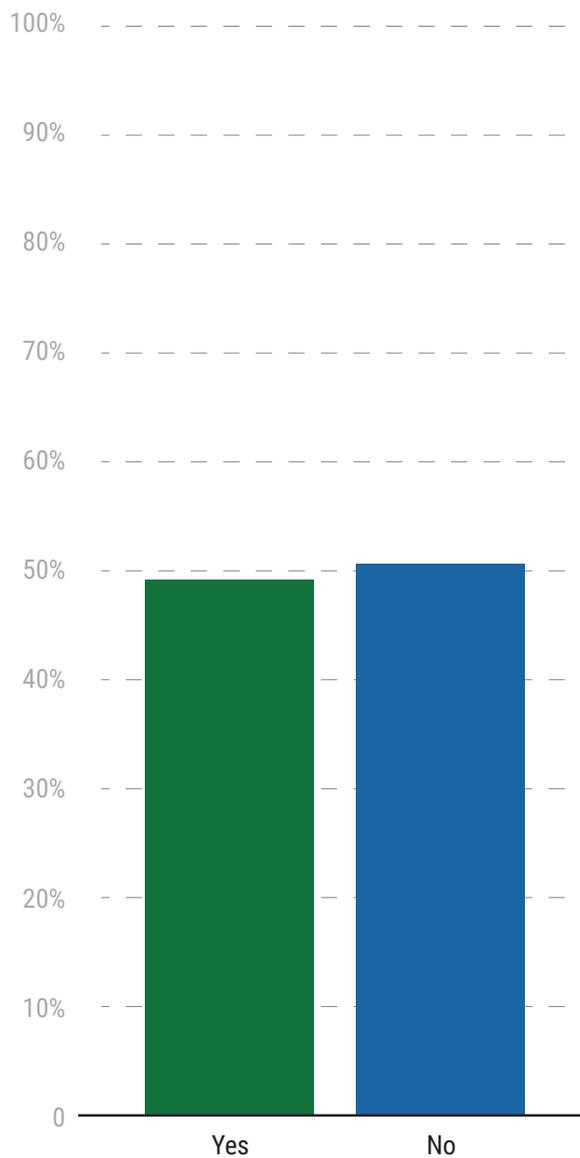


## SECTION 4

### APPENDIX

#### QUESTION 48:

**DO YOUR ESTATE AND FINANCIAL PLANS PROVIDE FOR THE SALE OF YOUR BUSINESS?**

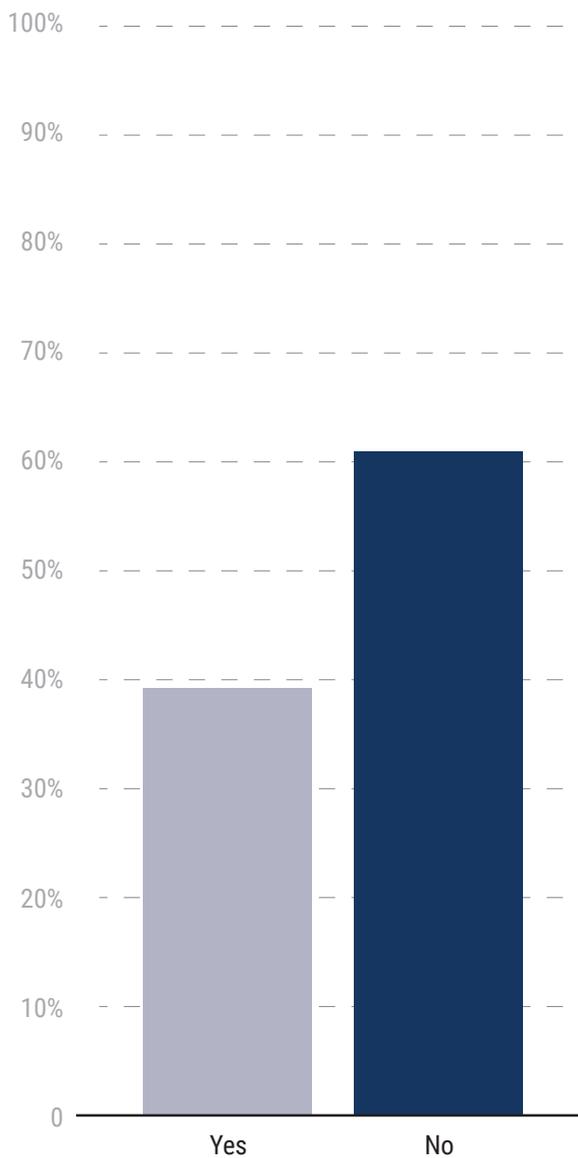


## SECTION 4

### APPENDIX

#### QUESTION 49:

**DOES YOUR ESTATE PLAN  
INCLUDE AN UPDATED  
VALUATION OF THE  
BUSINESS?**

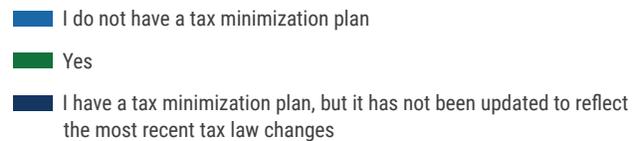
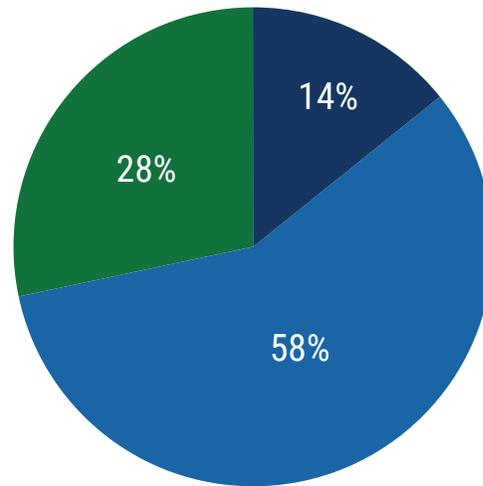


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### APPENDIX

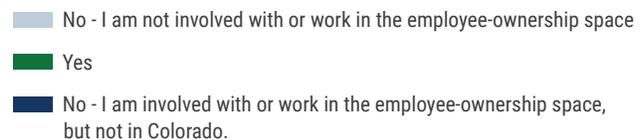
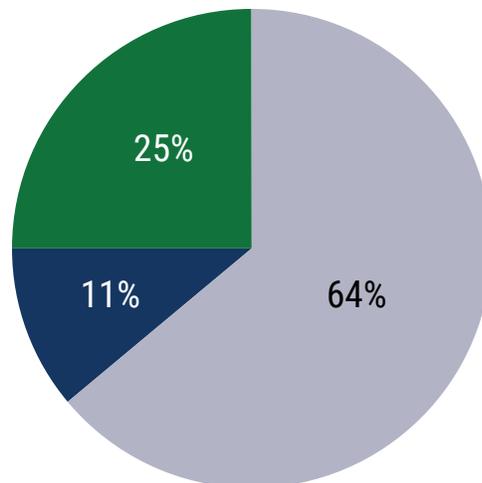
#### QUESTION 50:

**HAS YOUR TAX MINIMIZATION PLAN BEEN UPDATED FOR THE MOST RECENT TAX LAW CHANGES?**



#### QUESTION 51:

**ARE YOU INVOLVED OR WORK WITH ANY EMPLOYEE-OWNED BUSINESSES, ORGANIZATIONS OR ASSOCIATIONS, AND/OR INITIATIVES IN COLORADO?**

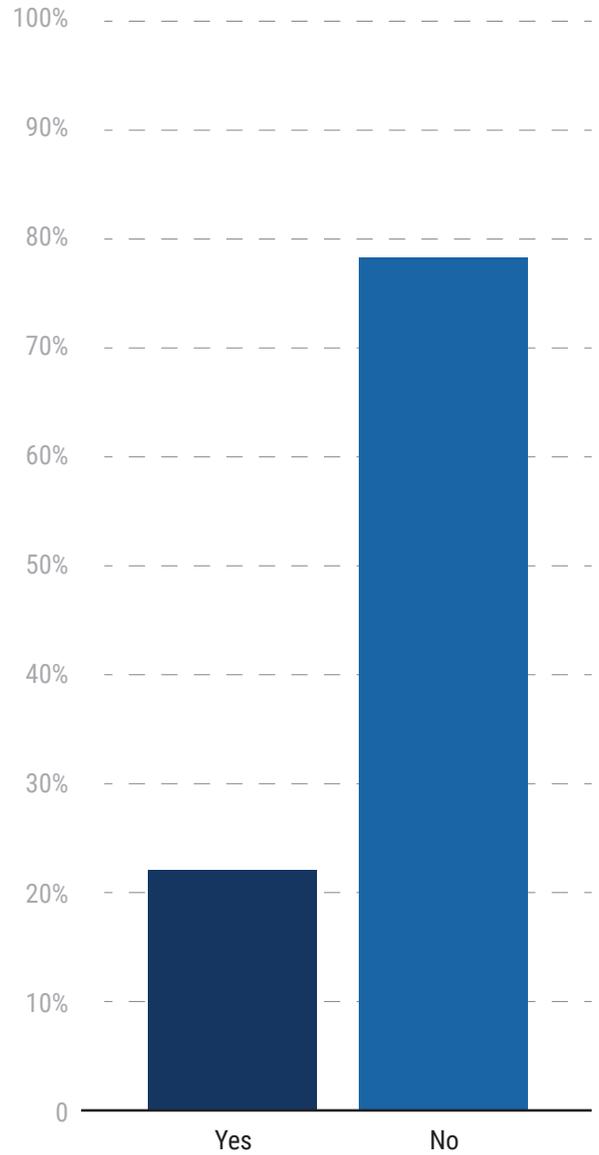


## SECTION 4

### APPENDIX

QUESTION 52:

**DOES YOUR COMPANY  
CURRENTLY HAVE  
EMPLOYEE-OWNERSHIP?**



## THANK YOU TO OUR LOCAL PARTNERS



### COLORADO

Office of Economic Development  
& International Trade

Employee Ownership Office

SDR*Ventures*

**SES** ESOP  
Strategies  
A STEVENS & LEE COMPANY



Mile High Sales Solutions  
Breakthrough Revenue Growth



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