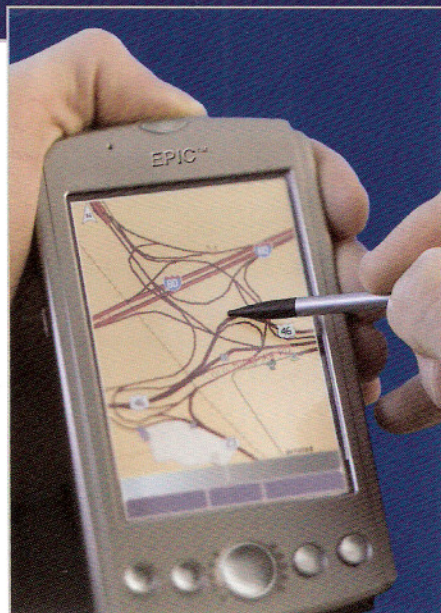


THE SEVEN STEP EXIT PLANNING PROCESS™

There are many tools available to help individuals get into business, but few that help them get out. The Exit Planning Process is a customized comprehensive approach to designing and implementing a business owner's successful exit from his or her business. Exit Plan-



ning uses an owner's unique personal objectives to convert his or her current reality into the desired outcome. The Exit Planning Process helps maximize the financial return, minimize tax liability, plan for contingencies and increase the likelihood of a successful transfer of the business.

"I can't really plan for one area of my future without planning for all areas that relate to my business and personal wealth."

STEP 1

OWNER OBJECTIVES

Each business owner's unique objectives drive the creation of his or her Exit Plan. Step One articulates and tests owner objectives so that the comprehensive Exit Plan focuses on achieving those goals. Key exit objectives that will be identified as part of the Exit Planning Process include: (1) the owner's desired departure date, (2) the value that the owner wants or needs from the business, and (3) the individuals or entities to whom the owner wants to sell/transfer the business.

STEP 2

BUSINESS AND PERSONAL FINANCIAL RESOURCES

Step Two determines what owners have – how much the business is worth and how much cash flow the business can generate for Exit Planning. The current value and projected cash flow, along with other non-business assets and income, are used to determine the paths and planning tools available to reach the owner's objectives.



The Wadsworth Group

(704) 895-3435 | www.wadsworthgroup.net

STEP 3

MAXIMIZING AND PROTECTING BUSINESS VALUE

The elements that build the value of a business or protect the value the owner has worked so hard to create are called Value Drivers. In Step Three, owners and their advisors identify which Value Drivers are important to meeting the owner's overall exit objectives and devise specific steps to maximize the impact of the Value Drivers.

STEP 4

OWNERSHIP TRANSFERS TO THIRD PARTIES

During Step Four, owners who want to sell their business to a third party will work with their advisors to identify ways to do so in the manner that results in the most beneficial sale price and terms. Not all business owners go through Step Four – those who don't either retain their ownership long-term or skip to Step Five.

STEP 5

OWNERSHIP TRANSFERS TO INSIDERS

Step Five includes a detailed plan to transfer the business to insiders (children, key employees or co-owners). Careful planning in Step Five allows the owner both to receive the desired value from the business and minimize risk, while using the resources of the business should the purchaser have little or no personal capital.

"I need to feel like all aspects of my planning are tied together in one coherent plan."

STEP 6

BUSINESS CONTINUITY

Step Six prepares the owner for the contingencies that affect the business and its owners. A complete Exit Plan incorporates potential changes, such as death or permanent disability of an owner so that the owner's objectives can still be achieved if circumstances change.

STEP 7

PERSONAL WEALTH AND ESTATE PLANNING

The sale of a business generates cash for owners, their families and the IRS. During Step Seven, owners and their advisors create a plan that not only preserves wealth, but minimizes taxes using both lifetime and estate planning tools.



PERSONAL WEALTH AND ESTATE PLANNING

A Component of **The Seven Step Exit Planning Process™**

The Seven Step Exit Planning Process™ is comprehensive enough to address all of the key elements required to create a successful Exit Plan, and flexible enough to work with each business owner's planning style. Although some business owners prefer to develop their Exit Plan as part of one multi-faceted process, others prefer to work through the Exit Planning process in stages.



For those who want a staged approach, the owner and his or her advisors can prioritize the elements of the Exit Plan and complete each component sequentially, rather than all at once. In these situations the owner and advisors identify each Component of the Exit Plan to be addressed and create a schedule for addressing and completing that Component before moving on to the next.

For owners who are focused on Personal Wealth and Estate Planning, the Exit Planning Process can be modified as follows:

STEP 1

IDENTIFY OWNER OBJECTIVES

The most common objectives for business owners working on this Component of their planning are related to family income, personal assets and family harmony. Typical owners want to maintain or replace the income stream they derive from the business even after they are no longer in an ownership position. Protecting personal assets from liabilities of the business can also be critical to wealth preservation. Finally, managing transfers of assets during life and at death, as well as managing expectations of family members, are frequent objectives given by owners.

STEP 2

IDENTIFY BUSINESS AND PERSONAL FINANCIAL RESOURCES

In this Component, current values of both business and non-business assets, as well as projections of future values, are critical to planning. Valuation techniques, and possibly value discounting, provide the parameters within which planning can occur. Estimates of future values, estate tax liabilities and income streams generated by business and non-business assets frame expectations and strategies in this Component.



The Wadsworth Group

(704) 895-3435 | www.wadsworthgroup.net

PERSONAL WEALTH AND ESTATE PLANNING

Business owners represent a somewhat unique situation in personal wealth and estate planning. Their businesses typically represent a significant portion of both their personal net worth and their annual income. Owners with children active in their businesses add yet another layer of complexity to their planning. Protecting personal assets, managing wealth both now and in the future and promoting harmony in the family are all addressed in this Component to create a well-balanced plan that addresses these interlocking issues.

POSSIBLE COMPONENT RECOMMENDATIONS:

- Existing and Recommended Estate Planning Documents
- Personal Asset Protection Planning
- Personal and Family Insurance
- Transfers of Specific Non-Business Assets
- Personal Wealth Management Plan
- Allocation of Business Cash Flow After Death
- Bequests to Key Employees Upon Owner's Death
- Transfer of Business Real Estate Upon Death

IMPLEMENTATION AND FOLLOW THROUGH

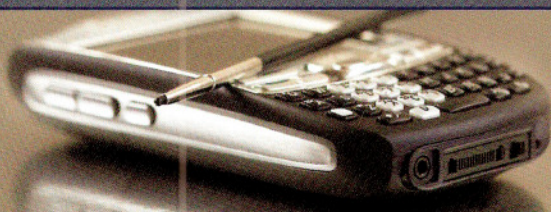
The business owner and his or her advisors work together to design and finalize the Recommendations that will drive the owner toward reaching his or her objectives. Once Recommendation details and decisions are complete, an organized and systematic implementation of each Recommendation follows. Finally, they focus their attention on the next Component that will fit into the owner's comprehensive Exit Plan.

Business owners who can benefit from this Component typically say to themselves...

"My business and personal assets are so closely intertwined that I can't plan for one without also planning for the other in the event of my death."

"I want to balance my estate among my children — those involved in the business and those who are not — in a way that is fair."

"I want to protect my heirs from the effects of estate taxes, but I don't know how to do that."



MAXIMIZING AND PROTECTING BUSINESS VALUE

A Component of **The Seven Step Exit Planning Process™**

The Seven Step Exit Planning Process™ is comprehensive enough to address all of the key elements required to create a successful Exit Plan, and flexible enough to work with each business owner's planning style. Although some business owners prefer to develop their Exit Plan as part of one multi-faceted process, others prefer to work through the Exit Planning process in stages.



For those who want a staged approach, the owner and his or her advisors can prioritize the elements of the Exit Plan and complete each component sequentially, rather than all at once. In these situations the owner and advisors identify each Component of the Exit Plan to be addressed and create a schedule for addressing and completing that Component before moving on to the next.

For owners who are focused on Maximizing and Protecting Business Value, the Exit Planning Process can be modified as follows:

STEP 1

IDENTIFY OWNER OBJECTIVES

Each Component of the Exit Plan relies on the owner's objectives with respect to that Component and also propels the business owner closer to achieving his or her overall Exit Planning objectives (to the extent that they are known). Owner objectives in this Component may include reaching a target business value, protecting valuable business assets, developing an independent and strong management team and motivating and retaining key employees.

STEP 2

IDENTIFY BUSINESS AND PERSONAL FINANCIAL RESOURCES

In addition to identifying what a business owner wants, it is equally important to determine what owners have – the current value of the business and its current and projected cash flow. The owner and his or her advisors use current business value and projected cash flow to choose the planning tools best suited to move the business owner closer to his or her objectives. Without an initial determination of what the owner has, the business owner cannot measure his or her progress toward the stated objectives.



The Wadsworth Group

(704) 895-3435 | www.wadsworthgroup.net

MAXIMIZING AND PROTECTING BUSINESS VALUE

The elements that build the value of a business or preserve the value the owner has worked so hard to create are called Value Drivers. In this Component, owners and their advisors identify which Value Drivers are important to meeting the owners' objectives and steps to protect the tangible and intangible value of their businesses.

POSSIBLE COMPONENT RECOMMENDATIONS:

- Management Team Development Plan
- Plan to Transition Management Responsibility
- Employee Compensation Review and Analysis
- Qualified Retirement Plan Changes and Features
- Key Person Insurance Planning
- Key Employee Incentive Compensation Plan (Stock Bonus Plan, Phantom Stock Plan, Stock Appreciation Rights Plan, Nonqualified Deferred Compensation Plan, Cash Bonus Plan)
- Separation of Business Assets from Business Operations
- Covenant Not to Compete

IMPLEMENTATION AND FOLLOW THROUGH

The business owner and his or her advisors work together to design and finalize the Recommendations that will drive the owner toward reaching his or her objectives. Once Recommendation details and decisions are complete, an organized and systematic implementation of each Recommendation follows. Finally, attention is directed to the next Component that will fit into the owner's comprehensive Exit Plan.

Business owners who can benefit from this Component typically say to themselves...

"I need to strengthen my company to better withstand competitive pressure."

"I don't have a systematic way to motivate my best employees."

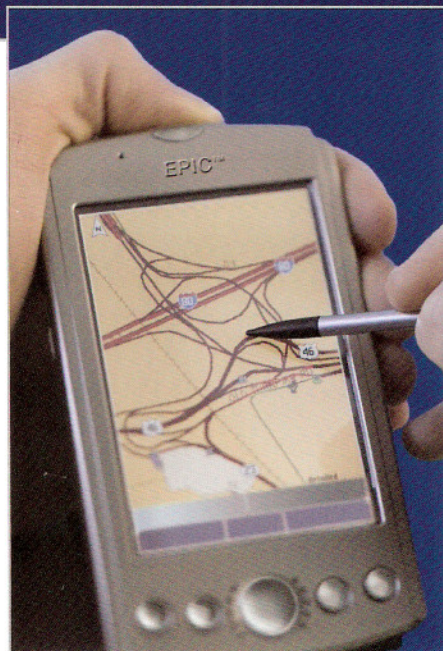
"I need something different so that I can attract the best employees possible."



OWNERSHIP TRANSFERS TO THIRD PARTIES

A Component of **The Seven Step Exit Planning Process™**

The Seven Step Exit Planning Process™ is comprehensive enough to address all of the key elements required to create a successful Exit Plan, and flexible enough to work with each business owner's planning style. Although some business owners prefer to develop their Exit Plan as part of one multi-faceted process, others prefer to work through the Exit Planning process in stages.



For those who want a staged approach, the owner and his or her advisors can prioritize the elements of the Exit Plan and complete each component sequentially, rather than all at once. In these situations the owner and advisors identify each Component of the Exit Plan to be addressed and create a schedule for addressing and completing that Component before moving on to the next.

For owners who are focused on Ownership Transfers to Third Parties, the Exit Planning Process can be modified as follows:

STEP 1

IDENTIFY OWNER OBJECTIVES

Each Component of the Exit Plan relies on the owner's objectives with respect to that Component and also propels the business owner closer to achieving his or her overall Exit Planning objectives (to the extent that they are known). Owner objectives in this Component may include restructuring the business in order to minimize taxes at its sale, motivating employees to remain involved with the business through a transition to new ownership or organizing the business' internal operations to facilitate the sale process.

STEP 2

IDENTIFY BUSINESS AND PERSONAL FINANCIAL RESOURCES

In addition to identifying what a business owner wants, it is equally important to determine what owners have – the current value of the business and its current and projected cash flow. The owner and his or her advisors use current business value and projected cash flow to predict the price and terms that may be attainable from a third party buyer and to set the parameters of what the owner will and will not accept in the transaction. The owner must perform this analysis in light of his or her personal non-business resources so that the after-tax proceeds of a sale of the business do not fall short.



The Wadsworth Group

(704) 895-3435 | www.wadsworthgroup.net

OWNERSHIP TRANSFERS TO THIRD PARTIES

Preparation for the sale of a business to a third party buyer and the completion of the transaction itself require focus, planning and stamina. Many business owners do not realize the complexity and details involved in a third party sale until they are surrounded by it wondering which way to turn. Taking appropriate steps before the business goes on the market and conducting the sale process in an organized and efficient manner can reduce stress on both the business owner and the business while maximizing the likelihood of success of the transaction on terms satisfactory to the owner.

POSSIBLE COMPONENT RECOMMENDATIONS:

- Preparing the Company for Sale (Pre-Sale Due Diligence)
- Reducing Company Debt Prior to Sale
- Pre-Sale Tax Planning
- Identification of Potential Buyers
- Sale Bonus for Employees
- Pre-Sale Planning for Business Real Estate

IMPLEMENTATION AND FOLLOW THROUGH

The business owner and his or her advisors work together to design and finalize the Recommendations that will drive the owner toward reaching his or her objectives. Once Recommendation details and decisions are complete, an organized and systematic implementation of each Recommendation follows. Finally, they focus their attention on the next Component that will fit into the owner's comprehensive Exit Plan.

Business owners who can benefit from this Component typically say to themselves...

"I've never sold a business before. What is involved?"

"I'll feel more confident in my negotiations if I've already done my homework and know what to expect."

"I want to sell my business. Where do I start?"



OWNERSHIP TRANSFERS TO INSIDERS

A Component of

The Seven Step Exit Planning Process™

The Seven Step Exit Planning Process™ is comprehensive enough to address all of the key elements required to create a successful Exit Plan, and flexible enough to work with each business owner's planning style. Although some business owners prefer to develop their Exit Plan as part of one multi-faceted process, others prefer to work through the Exit Planning process in stages.



For those who want a staged approach, the owner and his or her advisors can prioritize the elements of the Exit Plan and complete each component sequentially, rather than all at once. In these situations the owner and advisors identify each Component of the Exit Plan to be addressed and create a schedule for addressing and completing that Component before moving on to the next.

For owners who are focused on Ownership Transfers to Insiders, the Exit Planning Process can be modified as follows:

STEP 1

IDENTIFY OWNER OBJECTIVES

Each Component of the Exit Plan relies on the owner's objectives with respect to that Component to propel the business owner toward his or her overall objectives. Objectives in this Component often include a desire to provide employees or children with an opportunity to acquire ownership. Owners also typically want to receive full fair value for their ownership interest. The results of an analysis of the business owner's financial needs determine how much he or she must receive in connection with an ownership transfer.

STEP 2

IDENTIFY BUSINESS AND PERSONAL FINANCIAL RESOURCES

It is equally important to isolate what the business owner has to work with. The value of the business, expected future performance of the business and the owner's non-business financial resources combine to create the parameters within which planning takes place. Future cash flow of the business is likely to fund the ownership transfer, either directly or indirectly. The business value must fill the gap between an owner's other financial resources and his or her financial needs.



The Wadsworth Group

(704) 895-3435 | www.wadsworthgroup.net

OWNERSHIP TRANSFERS TO INSIDERS

Business owners frequently express interest in selling their ownership interests to insiders (co-owners, family members or key employees). However, the tools and techniques available for accomplishing these transfers in a manner that achieves the owner's objectives in the areas of business value, transaction timing, risk minimization and control of the business are not always obvious. A variety of methods are available to owners in this situation: using individual or company performance criteria for ownership transfers, using business cash flow for the primary source of funding for transfers and plans that take a multi-year approach.

POSSIBLE COMPONENT RECOMMENDATIONS:

- Ownership Skills Development Plan
- Sale of Ownership Interest (using cash, a note or bank financing)
- Bonus of Ownership Interest
- Gift of Ownership Interest
- Non-Qualified Deferred Compensation Plan (for controlling owners)
- GRAT (Grantor Retained Annuity Trust)
- Buy-Back Agreement for Minority Owner

IMPLEMENTATION AND FOLLOW THROUGH

The business owner and his or her advisors work together to design and finalize the Recommendations that will drive the owner toward reaching his or her objectives. Once Recommendation details and decisions are complete, an organized and systematic implementation of each Recommendation follows. Finally, they focus their attention on the next Component that will fit into the owner's comprehensive Exit Plan.

Business owners who can benefit from this Component typically say to themselves...

*"I want to give the business to my children,
but I've heard that the taxes will make that impossible."*

"I would certainly sell my shares to an insider if I thought I could get fair value for them."

*"I've promised the business to my management team,
but they don't have any money and now we are stuck!"*

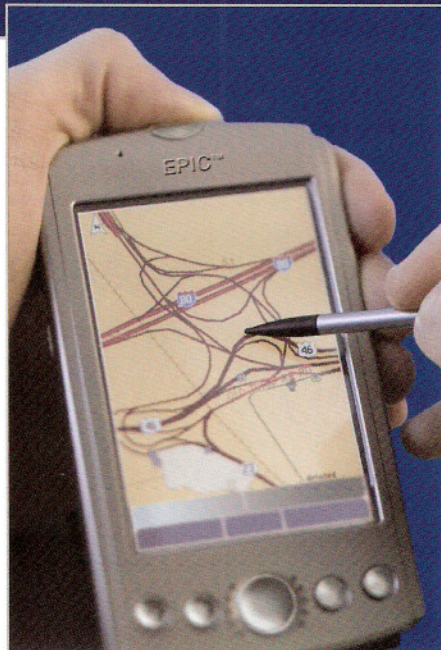


BUSINESS CONTINUITY

A Component of

The Seven Step Exit Planning Process™

The Seven Step Exit Planning Process™ is comprehensive enough to address all of the key elements required to create a successful Exit Plan, and flexible enough to work with each business owner's planning style. Although some business owners prefer to develop their Exit Plan as part of one multi-faceted process, others prefer to work through the Exit Planning process in stages.



For those who want a staged approach, the owner and his or her advisors can prioritize the elements of the Exit Plan and complete each component sequentially, rather than all at once. In these situations the owner and advisors identify each Component of the Exit Plan to be addressed and create a schedule for addressing and completing that Component before moving on to the next.

For owners who are focused on Business Continuity, the Exit Planning Process can be modified as follows:

STEP 1

IDENTIFY OWNER OBJECTIVES

The most common objective in this Component is that an owner wants to be sure that he or she will receive full value for his or her ownership interest if certain events occur (such as death, disability or retirement). At the same time, each owner also wants to pay fair value if he or she is required to purchase the ownership of a co-owner. Another objective might be that the business will stand on its own, be financially independent from the owner and continue to thrive after he or she is gone.

STEP 2

IDENTIFY BUSINESS AND PERSONAL FINANCIAL RESOURCES

Following the identification of objectives, it is critical to determine: current business value, a method for calculating future business value, projected future cash flow from the business and the business owner's non-business financial resources. Owner objectives are considered in light of this financial information to set expectations in business continuity planning and to verify that a plan is reasonable.



The Wadsworth Group

(704) 895-3435 | www.wadsworthgroup.net

BUSINESS CONTINUITY

Business continuity planning encompasses a wide range of consequences that may follow the departure of a majority owner or a member of a controlling owner group (because of death, disability, retirement or termination). This Component frequently keeps business owners awake at night wondering what will happen to their ownership interest and to the business itself. Business continuity planning protects an owner's right to receive payment for his or her interest, provides certainty about what he or she may be required to pay for the interest of a co-owner and supports the business after a departure so that it can continue to thrive.

POSSIBLE COMPONENT RECOMMENDATIONS:

- Business Insurance for Continuity Planning
- Stay Bonus Plan
- Business Continuity Guidelines
- Buy-Sell (Shareholder) Agreement
- Wage (Salary) Continuation Plan
- Retaining Key Employees After Death or Disability
- Plan for Financial Independence of the Company

IMPLEMENTATION AND FOLLOW THROUGH

The business owner and his or her advisors work together to design and finalize the Recommendations that will drive the owner toward reaching his or her objectives. Once Recommendation details and decisions are complete, an organized and systematic implementation of each Recommendation follows. Finally, they focus their attention on the next Component that will fit into the owner's comprehensive Exit Plan.

Business owners who can benefit from this Component typically say to themselves...

"My partner and I have always had an understanding about what we would do if one of us dies, but I'm not comfortable with that anymore."

"My spouse doesn't even know where I keep the keys to the building, much less what to do with the business if I die or am incapacitated."

"My family and I rely on the business for a significant part of our income, so I need to protect that income stream if something happens to me."

