



Date: 8/10/2025

Provided courtesy of:

Business Owners Strategic Solutions LLC

Advisor: David Bastiaans, CPA, ESQ., LL.M.

Client: Willey Coyote, President,

ACME Manufacturing



KEY AREAS OF EXIT PREPAREDNESS



Finance



Planning



Revenue



Operations

This Report

This 40-page Analysis offers specific, custom feedback on each of your responses in the Assessment Questionnaire. The combined possibilities of 110 answers to the 22 questions allow for a total of 2,384,185,791,015,625 (2 quadrillion) possible variations, so the likelihood that your report is exactly like anyone else's is pretty slim.

For the purposes of this report, the questions are rearranged in groups by area of preparedness and ordered by challenge index.

Areas of Preparedness

As the icons above indicate, the report is broken down into four areas of preparedness. Remember, preparedness isn't necessarily an indication of value. It is a measure of how ready you are to present your company to a buyer or transfer ownership to successors.

Finance: You can be very prepared in Finance, for example. Knowing your market value, prospective buyer, tax ramifications, and industry benchmarks shows that you are prepared, but it doesn't impact the price you will receive for the business. Of course, it may give you targets that would impact value.

Operations: These areas have a direct impact on value, but preparedness is more a factor of how you want to transition than for "How much?" If you are planning your succession to employees or family members, delegation and mentoring are going to be key areas. If you plan to sell to a third party, managerial retention strategies and current technology are more important.

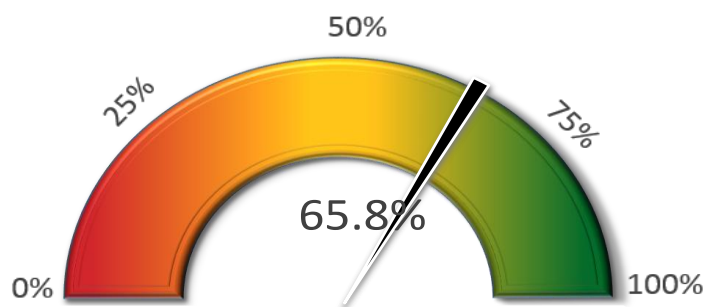
Revenue/Profit: Naturally, increasing profitability and a more diversified customer base are always good. These are simple measures, and typically well understood by any business owner. That is why, as important as they are, they have the fewest questions of the four areas.

Planning: This is the most important area, and the one where your Advisor is focused. That's why he or she asked you to complete the Assessment. Understanding your options, and choosing the one that best meets your objectives, will impact how you run your business for the rest of your journey.

Your Score

Entrepreneurs are competitive. They enter most activities with an intention to win. This isn't that kind of "test." Improving your readiness will inevitably increase value, but value often isn't the primary objective of exit, succession or transition planning. Think of it like a comprehensive blood analysis (which most folks call a blood test.) Your doctor may tell you that some things could be better, but there is no "pass or fail" score. The objective is to improve.

Overall Exit Preparedness



Your Preparedness Score is 65.8%.

Your Assessment score indicates that you have at least several areas of functional accomplishment that are ready, or nearly ready, for a successful transition. Consider developing a timeline between your current personal liquidity, the amount you need after a transition, and the required proceeds to be realized from your equity in the business at the time you leave.

Exit Preparedness Overview



The above illustration shows your score broken down into four functional areas. This will help you and your advisor discuss which areas should receive the most attention or be addressed first.

Throughout this report you will see urgency and difficulty ratings. The urgency scores are greatly affected by your time frame for transition. The difficulty scores are an indicator of the things that will take the most work to improve.

Many owners ask what they can do to improve their score right away. This Assessment is like getting a physical from your doctor. He says you need to lose weight, eat better and exercise more. You don't go home, eat a salad, run ten miles and go back the next day for another physical. The ExitMap helps you focus on the activities that will improve your transition outcome. If you want to take it again after making changes, that is fine but no score guarantees a specific value or result. The objective is just to get better.



Time Frame Questions: (modifiers)

These are your responses to the modifier questions regarding your schedule for exit. The first, stepping back from day-to-day responsibilities, modifies the difficulty rankings for management development issues. The second, your time frame for complete departure from the company, modifies the urgency rankings for planning responses.

Modifier 1

Q: I would like to step back from day to day management of my business:

A: In 1-3 years.

Modifier 2

Q: I would like to walk away from my business completely:

A: In 3-5 years.



Finance Questions Overview:

Any transition plan, whether external (marketing to a third-party buyer) or internal (employees and family), starts with the numbers. Your answers to the Finance Category questions in the Assessment profile the preparedness of you and your company to successfully realize the amount you need after the transfer.

Finance questions check your preparedness levels regarding valuation, tax impact, industry comparisons and coordination with your estate plan. While your feedback is customized by your Assessment responses, here are some overviews:

Valuation:

Misinformation regarding the value of a small company is ubiquitous. Colleagues, consultants and professionals who have little background in business transactions are too quick to proclaim “standard” valuations. “All companies in your industry sell for about...” is simply untrue. All companies sell based on their profitability and cash flow, and purchase price multiples vary widely by the type of buyer you attract.

Tax Impact:

The structure of an external sale is largely negotiated around tax implications for both buyer and seller. For an internal sale, the price of equity and financing terms are arranged to minimize taxes. Tax planning may include Non-Qualified Deferred Compensation (NQDC), trusts, charitable bequests, installment payments, discounted equity and other tactics driven largely by the current tax code.

Industry Comparisons:

A number of databases exist that track business profitability and sale prices by industry and size of company. This information is sold on a subscription basis to banks, accountants, business brokers and investors. A smart buyer will research this information before making an offer.

Estate Planning:

Financial projections for retirement and inheritance planning frequently depend on the post-tax value of a business for a large percentage of their funding. Given its importance, that number should be verified by a qualified professional. Estate planning should also consider the impact of a sale of the business under adverse circumstances.

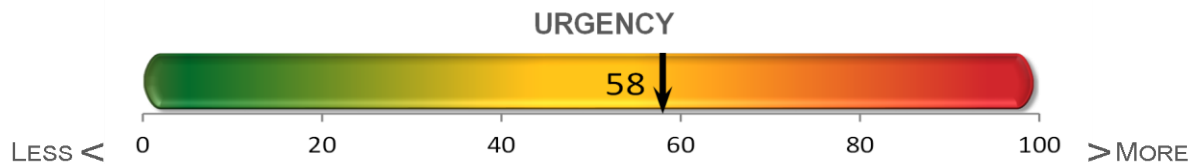
Financial Preparedness



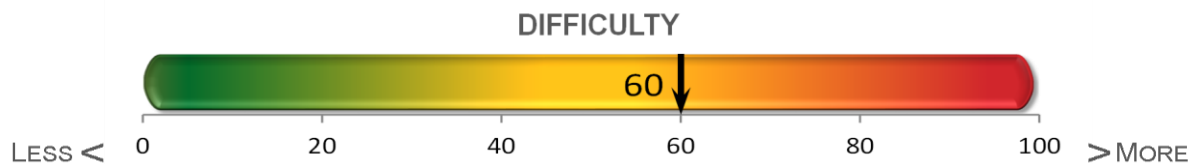
Your Financial Preparedness Score is 58.1%.

Any exit plan revolves around the equity you expect from your business. Your Finance preparation score is derived from your answers to valuation and taxation questions. Understanding the realities of value and taxes on both entity and transaction structures will help you gain a better understanding of what to expect.

Challenge Index:

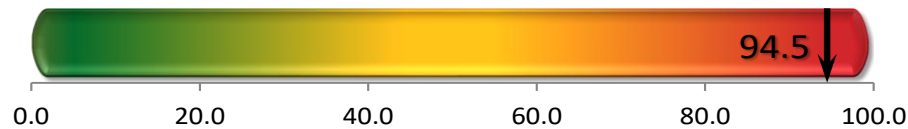


If some institutions have extended business credit without personal guarantees, explore the potential of a wider relationship. Hearsay valuations often confuse profit, earnings and revenue multiples. Start any transition process with a written valuation by a certified professional. Defining an SIC or NAICS code for your business may require averaging between two similar industries. Strategic buyers seek exclusivity in markets, products or territories. Make certain that your estimates of taxes are based on how acquisitions are permitted and structured for a company like yours.



If some business debt is granted without your personal signature, it is time to start expanding the score of the company's independence. Sellers frequently use the highest number they can justify as a matter of pride. Understanding structures and tax consequences is a prerequisite for any exit plan. Ask your accountant or banker for the reports from Sageworks or RMA on your industry metrics. Analysis by an accounting professional is advisable, but they are frequently unaware of the practical realities of deal structuring. Targeting a large acquirer requires tailoring your business to fit their profile. That may indicate a lengthy repositioning process.

Challenge Index (Assessment Question #15)



Finance Question 1

Q: Our financial performance against industry (NAICS or SIC Code) standards are:

A: I don't know.

Urgency Weight: 5 | Difficulty Weight: 5

Today's buyer will often research the industry they are considering.



Some business owners behave as if their company operates in a unique environment. Finding out how you compare to other, similar businesses in your industry requires some research. In the age of the Internet you can reasonably expect that any financial buyer (a private equity group or strategic acquirer) will know the average margins and profitability of other companies like yours. Even a diligent individual buyer is often likely to have obtained comparative statistics.

If your industry organization does not publish such data, there are other databases available to the financial industry. Risk Management Associates (RMA) collects data from lending institutions based upon loan application submissions and Sageworks ProfitCents™ examines some components of seller's discretionary income (SDE) in addition to comparing the operating profit line from tax returns.

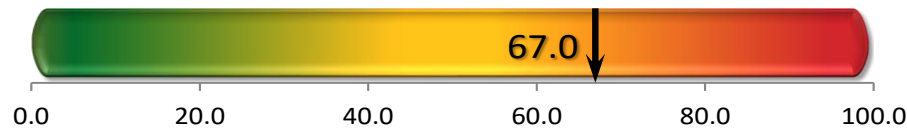
Performance in the top quartile of your industry usually means greater value in the eyes of an educated buyer. Dealing with prospective acquirers that have an objective understanding of how well your company is run is more likely to lead to a successful transition.

Client Notes:



With the availability of information on the Internet and the capability to find specific data using a free AI program, you can be pretty sure that any qualified buyer will have some idea of the norms for your business. Do your own research first so you aren't outgunned in a negotiation.

Challenge Index (Assessment Question #18)



Finance Question 2

Q: How dependent is the business credit on your personal guarantees?

A: I have guarantees on some, but not all business debt.

Urgency Weight: 4 | Difficulty Weight: 4

Many business owners are uncomfortable discussing the possibility of their absence.



If your company can self-secure at least some of its debt, there is a good chance that a lender has obtained personal guarantees of the rest out of habit rather than necessity. Examine your personal obligations to determine whether some or all were made before the company was in its current financial condition.

Discuss personally guaranteed debt with your banker. If he feels that your company's financial statements aren't sufficient to stand alone, find out what would be needed to make a lender comfortable without securing your personal assets. In some cases where other assets are available, a lender may be willing to place a stop-loss limit on your personal guarantee, allowing a release of your signature security for a part of a loan, or sums in excess of a certain limit.

If you must guarantee all business debt, be aware that any successor, whether internal or a third party buyer, is likely to need no less than your personal financial strength to assume financing. If selling to employees or family, you may have to remain as a guarantor until the new owner(s) establish sufficient credit.

Client Notes:



Most lenders ask for a business owner's guarantees almost as a reflex action. Meet with your banker and ask what is necessary, and what could be avoidable or subject to alternative security. Reducing personal guarantees will demonstrate the company's financial independence and creditworthiness.

Challenge Index (Assessment Question #4)



Finance Question 3

Q: I know my company's current market value, because:

A: I've talked to other people who sold their companies, and know what companies like mine should sell for.

Urgency Weight: 3 | Difficulty Weight: 3

Sellers often consider other compensation as a part of their "sales price."



Price is a relative term. In a typical transaction, the total price of the business may be allocated between assets (both tangible and intangible), goodwill, assumption of debt, non-compete agreements, royalties, earn outs, employment contracts, and contingent payments.

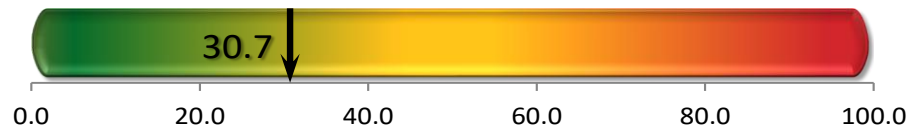
Business owners may have a great deal of their ego tied up in the value of their companies. It's not surprising to find that when asked what their business sold for, or in other words what their lifetime of work was worth, they respond with the highest number they can possibly justify. Even if they operate a very similar business in the exact same industry as yours, there is no reason to assume that the price someone tells you has any relation to the value of your business.

Client Notes:



Some professional and industry organizations track valuations of their members. Business brokers and others may prepare an "opinion of value" using comparative sales, but the most dependable information comes from an appraisal by a certified valuation specialist. Knowing your company's true market value is crucial for making informed decisions about your exit strategy and timing.

Challenge Index (Assessment Question #6)



Finance Question 4

Q: I think the most likely buyer for my business is:

A: A clearly identified strategic buyer.

Urgency Weight: 2 | Difficulty Weight: 3

*Realistic retirement
planning should involve
a qualified professional.*



Strategic buyers are those who seek acquisitions because they provide products, intellectual property, a market niche, or geographic exclusivity. While these buyers frequently pay multiples well above normal valuations, the business must truly possess one of these unique attributes to be considered.

Some owners claim to have identified a strategic buyer, based solely on their own desire for a higher valuation of their business. The sanity check for such a plan is simple; if a large company in your industry can look at your operation and figure out how to duplicate it cost effectively, they are unlikely to spend good money just for an idea.

Selling to a strategic buyer typically means that you will be dealing with professionals on the other side. Be certain to match levels of experience and expertise in your advisory team. If you anticipate a strategic approach led by investment bankers or employees who work full-time in the M&A (mergers and acquisitions) division of a large company, identify an intermediary who is experienced with your type of business and the typical structure of a successful transaction.

Client Notes:



Whether your target successor is a family member, employee or a third party, their ability to manage the company is a primary consideration, especially if you are at risk for any proceeds. Consider developing a transition plan that includes mentoring or training your likely successor to ensure they're well-prepared to take over.

Challenge Index (Assessment Question #5)



Finance Question 5

Q: I will handle the taxes on the transfer of my business by:

A: I've had a CPA analyze the tax consequences of a sale.

Urgency Weight: 1 | Difficulty Weight: 1

The impact of taxes drives many aspects of preparing a company for transition.



Be aware that different professionals have different approaches to structuring a business transaction. Just as an orthopedic surgeon and a neurologist may prescribe various treatments for shoulder pain, a CPA and an attorney can have dramatically different approaches to structuring your transition plan. Don't limit yourself. Your exit plan should consist of the input from a team of professionals.

Your response indicates that your accountant started the analysis with some assumptions about the nature of the transaction. Keep in mind that any negotiation for the sale of the business is conducted between parties with differing agendas. Neither party has complete control over the structure of the deal, and the fact that it is your company does not mean that you will make such decisions by yourself. If you are planning to sell to a third-party, make sure you're aware of how different acquisition structures may shift your tax liability.

In order to avoid upsetting their clients with large bills for consulting work, many accountants and attorneys will limit themselves to answering only those questions they are asked. This is one case when you want your professionals to expand the scope of their thinking, and provide you with alternatives.

Client Notes:



Tax matters are in the purview of your CPA, who hopefully is staying abreast of the scores of changes in the IRS codes each year. They should also be able to explain the impact of any approach on a buyer's taxes. A CPA who specializes in business exits can explore strategies that could minimize your tax burden and maximize your after-tax proceeds.

This page intentionally left blank.



Planning Questions Overview:

To quote Stephen Covey, "Begin with the end in mind." More prosaically from the Cheshire Cat, "If you don't know where you are going, any road will get you there." Too many business owners are unprepared for the time, effort, and distraction of a sale transaction. Whether you sell on the open market or pass the business on to insiders, a successful (full market value) transfer requires advance consideration of target buyers, Advisors and life after the sale.

Buyers:

Prospects who are "buying a job" usually pay the lowest multiples, but represent the vast majority of small business acquirers. Larger companies (over \$1 million in annual pre-tax profits) and those with definable differentiation in product, customer base or geography may attract investors or corporate acquirers, who typically pay higher multiples. Some owners waste effort targeting those buyers without understanding what they seek in an acquisition.

Advisors:

We recommend throughout the planning process that you work with a team of qualified professionals. That recommendation is based on experience. An accountant who prepares individual tax returns may or may not have the knowledge to structure tax strategies in a business transfer. Attorneys who work primarily in litigation or family law seldom have the necessary skills. The term "financial planner" is unregulated, and is widely used by stockbrokers and insurance agents. We recommend a Certified Financial Planner (CFP) or Certified Life Underwriter (CLU) for those roles. We do not receive fees or commissions from your Advisors. Our revenue comes from the use of our suite of planning tools.

Post-Sale Personal Planning:

You have probably heard stories about miserable retirees. Business owners are accustomed to making decisions and focusing their energies on a daily basis. Their vision for life after the business is often vague. "We'll travel. Spend some time with the grandkids. Play more golf. Find a hobby." All those are great ambitions, but even together they usually don't fill in the vacuum left when the business no longer needs you. Entrepreneurs move towards objectives, they seldom do well merely moving away from something. Start thinking about what would attract your energy after the novelty of an unplanned day begins to wear off.

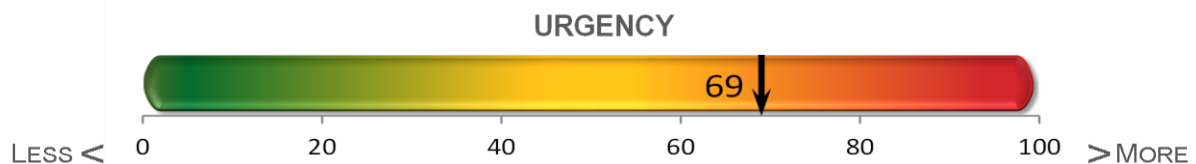
Planning Preparedness



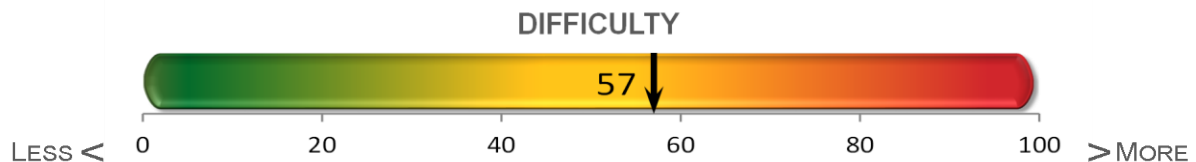
Your Planning Preparedness Score is 54%.

Planning is at the core of any transition process. Regardless of how much you currently plan for business operations, the biggest financial event of a lifetime warrants careful thought and preparation. Planning preparation scores are derived from your answers regarding timing, objectives, and your post-exit vision for yourself and your company. You've put some thought into how an exit might work, but it is time to start gathering facts and making more substantive plans.

Challenge Index:

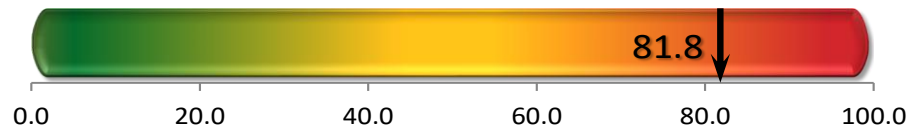


Engaging a professional to draft a financial plan is a worthwhile investment. Without planning, the sale price of a company may not last as long as your expected lifetime. If you are still central to your daily operations, there is a serious issue with developing management in time for a lucrative exit. Employees seldom have a comprehensive picture of how to maintain value without you. Discussing it enhances everyone's sense of security. Preparing your company for a successful sale requires complete documentation of all systems and processes. Developing a Personal Vision for life after the sale takes some thought, but it is critical to any successful transition.



The majority of business owners have half their net worth in their company. Understanding its value is critical to your future planning. Exit timing is a major issue, regardless of your health. You should have a practical plan already in place. Your family and employees deserve a rational, documented plan in the event of your misfortune. The most successful exits often happen when you are enthusiastic about the next stage of your life. A third party sale is a one to three year process, assuming that you have your value drivers in place before starting.

Challenge Index (Assessment Question #16)



Planning Question 1

Q: In the event of my sudden absence from the business, my documented contingency plan for operations includes:

A: We do not have a documented contingency plan.

Urgency Weight: 5 | Difficulty Weight: 4

As of 2024, almost half of the business owners in the US were in their 60s and 70s. (SBA)



Your family and employees deserve a rational, documented plan in the event of your misfortune. Employees seldom have a comprehensive picture of how to maintain value without you. Discussing it enhances everyone's security.

Having a plan for emergencies is not just a good idea, it is required by many lenders, insurers, and major vendors. The urgency of your response is ranked very high because clearly some of the events that would require implementing a plan for your absence can come literally without warning.

Risk management can help preserve the value of the business in your absence and should be a multipronged approach. Life insurance can secure a lump sum payment for either the company (to hire a replacement for you) or directly to your heirs. More complex insurance instruments can balance the cost of coverage between the business and your family, and death benefits are generally received tax free.

Client Notes:



A Contingency plan is how the business will function after a disaster. (Fire, computer failure, storm damage, ransomware). This differs from a Continuity plan, which addresses the owner's absence. A comprehensive Contingency plan outlines steps to quickly restore operations, protect assets, and maintain customer service in the face of unexpected disruptions.

Challenge Index (Assessment Question #3)



Planning Question 2

Q: I know what the post-tax proceeds of exiting need to be because:

A: I don't know what I will need.

Urgency Weight: 5 | Difficulty Weight: 5

The type of buyer for any business is often determined by size, industry and profitability.



“How much will I need?” is a more complex question than many owners realize. A professional advisor who can provide “Monte Carlo” analysis for thousands of future scenarios can help you better understand the amount needed for security in the long term.

We suggest working with a qualified advisor. While many accountants, and attorneys can help develop an estate plan, financial advisors experienced in exit planning are the most likely to use software which permits inclusion of lifestyle, life expectancy, and inflation assumptions in their planning.

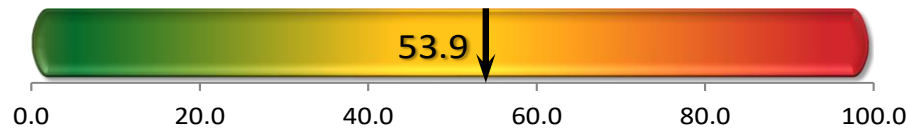
Developing an exit plan requires developing a rational balance between your current financial situation (including an objective valuation of your business), and the calculation of the amount needed to achieve your post transition lifestyle. This “distance to goal” is then balanced against your anticipated transition timeframe.

Client Notes:



When calculating retirement needs, remember to include the cost of benefits you may take as an owner that will have to be paid for personally. Accurately assessing often-overlooked expenses ensures your post-exit financial plan supports the lifestyle you envision.

Challenge Index (Assessment Question #10)



Planning Question 3

Q: The plan for the business in the event of my death or disability is:

A: My partners, employees or family will have to take over.

Urgency Weight: 4 | Difficulty Weight: 4

*Not all professionals
have experience with
business transition
issues.*



This response deliberately does not ask whether the employees or family members who would assume the management of the business in your absence are even qualified. Any owner fully understands the potential disaster of putting the business in the hands of people who don't know how to run it. Partners, of course, should be expected to step into bigger decision-making roles without as much preparation.

Of equal importance with the qualifications of your designated replacements to handle the management of the company is their readiness to do so. If you don't have detailed instructions as to how you expect them to proceed, be prepared for the company to begin straying from your vision.

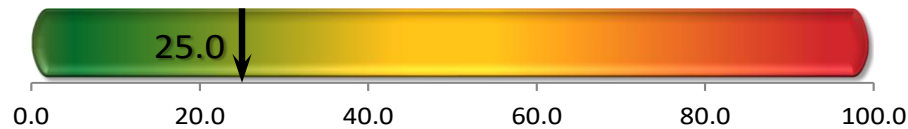
Having a plan for emergencies is not just a good idea, it is required by many lenders, insurers, and major vendors. The urgency of your response is ranked very high because clearly some of the events that would require implementing a plan for your absence can come without warning.

Client Notes:



A Continuity plan is how the business will function in the absence of the owner. Your ExitMap advisor has templates to help you develop a comprehensive Continuity plan. This plan outlines key responsibilities, decision-making processes, and critical operational procedures to ensure your business can continue running smoothly if you're suddenly unavailable.

Challenge Index (Assessment Question #2)



Planning Question 4

Q: My plan for the eventual transfer of my company is:

A: To put it up for sale to a third party.

Urgency Weight: 2 | Difficulty Weight: 3

Proper planning can help increase your chances of a successful transition.



Many entrepreneurs assume that since they have built a viable organization, it can be readily marketed to buyers whenever they choose to leave it. Even if that is the case, you can expect the process of preparing your company for sale, marketing it, and negotiating a transaction to take between 18 months and 3 years.

Your exit planning process should include an understanding of the market, and what it will take to be successful in a different selling environment.

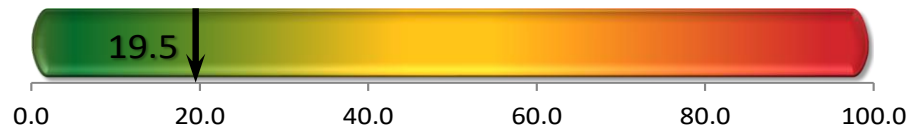
If you are thinking about a sale to a third-party, consider asking a qualified professional for an appraisal. Be cautious about using the publicly available (Internet) databases of business prices, since some include asking prices in “for sale by owner” (FSBO) listings which may or may not have any relationship to reality.

Client Notes:



A plan is not an action. No one confuses mapping out a trip with starting the car. Having a plan for your transition is just the first step in making it happen according to your time frame and with the results you want. By taking concrete steps now to implement and refine your exit strategy, you're giving yourself the best chance of achieving your desired outcome.

Challenge Index (Assessment Question #20)



Planning Question 5

Q: After I leave my company, I am planning to:

A: Pursue my life's passion.

Urgency Weight: 2 | Difficulty Weight: 2

*Transition is easier
when you are moving
towards something
you really want.*



Most business owners are entrepreneurs, and entrepreneurs are hunters. (See John F. Dini's book "Hunting in a Farmer's World" for a further explanation.) Hunters are linear. They move towards a goal. Their overwhelming tendency is to look in front of them, and seldom look behind. When a business owner sells a company, it is critical that they have a plan for what comes next.

Many owners claim that they're going to take up a hobby. If you do, make sure it is one that you already participate in as much as possible. The minimal interest that is provided by an occasional diversion over the years is unlikely to blossom into a full-time occupation after your exit.

Your passion may be to support a worthy cause, work in the community, or help other business people. Whatever it is, make sure that your role and effort in another organization is appropriate.

Client Notes:



Entrepreneurs move towards goals. No transition plan will have your emotional support until you determine what comes next. Your post-exit life plan is not just a personal matter; it's a crucial component of your exit strategy. Invest time in defining your next chapter – it's essential for both your personal fulfillment and a successful business transition.

This page intentionally left blank.



Revenue/Profit Questions Overview:

Revenue and Profit drive every transaction. A third-party may arrange financing from a lender, or you may be collecting your sale prices from internal buyers, but every sale is paid for by the company's ability to generate cash flow. Your Revenue/Profit feedback focuses on your Distance to Goal, customers and trends.

Distance to Goal:

Once you have a qualified valuation of your business, you can apply the multiples used to project the sale proceeds necessary to fund the next phase of your life. For many owners, that is more than the company would realize today. Calculating your Distance to Goal allows you to better understand the time frame and the growth rate needed to realize your objectives. You may discover that it is easier than you thought, or that major efforts are required. Your Distance to Goal can be modified by changing your financial requirements or your expected time frame.

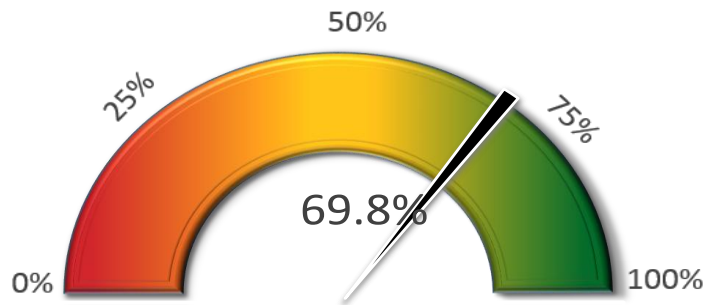
Customers:

Business values are raised or lowered by the percentages of recurring revenue, contracted relationships, customer concentration and retention. Analyzing and documenting your customer base lets you better understand how to make those relationships more valuable in a sale. Understanding perceived weaknesses in your customer relationships lets you prepare counterarguments when they are questioned by a prospective buyer.

Trends:

All buyers, regardless of their size or type, are paying for the future. An individual may seek immediate income, while larger buyers want to predict growth in equity value. It is difficult to calculate a return on investment if revenues are variable or declining. Margins that don't track revenue growth are a red flag for most buyers. No one wants a business that "Used to be more profitable, and could be again with a new owner." Your revenue and profitability trends will be the largest factors in deciding whether a transfer can be made to either outside or internal buyers.

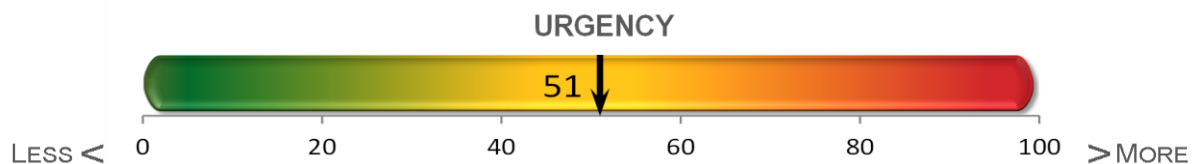
Revenue/Profit Preparedness



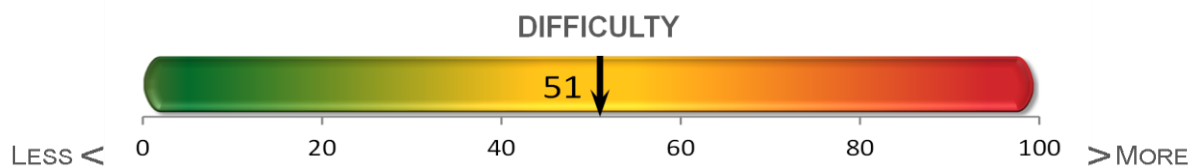
Your Revenue/Profit Preparedness Score is 69.8%.

Sales trends, customer stickiness and profitability are major factors in realizing the equity value of your company. Your Revenue/Profit preparation score is derived from your answers regarding sales trends, profitability and markets. Your profits and revenue trends are probably in line with a solid valuation. Examine your customer base for potential issues of concentration or profit erosion, and make sure your valuation goals align with your projected growth.

Challenge Index:

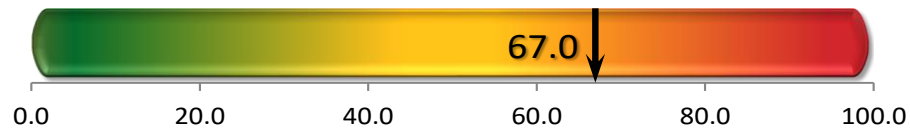


Are your service levels merely what customers expect, or can you document the impact on increasing margins? Profits that stay only slightly ahead of expenses are fine, but not exciting to most buyers. Some growth in revenues is always desirable. A better scenario is to be growing more rapidly than your market or competitors. The lower your dependence is on individual customers, the easier a sale and financing will be.



Every business claims, "We give great service." Begin immediately validating your service as something your customers are willing to pay for. Growing profits are desirable, as long as they are proportionate to sales, and not generated by simply cutting long term investment. Revenue growth is critically important, but profit margins must be increasing proportionately. It appears that you can sustain the loss of at least one major customer, but further diversification is desirable.

Challenge Index (Assessment Question #8)



Revenue/Profit Question 1

Q: Most of my customers:

A: Appreciate service, but focus on cost.

Urgency Weight: 4 | Difficulty Weight: 4

Recurring revenue from contractual agreements bring premium valuation.



Differentiation is difficult in a small business. Unless you have a clear cost (not price) advantage over your competitors, your route to developing a strong customer base is limited to differentiation.

Many business owners claim that their differentiation is the excellent service that accompanies any sale. In order for differentiation to have an impact on the value of the company, it must be historically documentable, carry a price premium, and be widely perceived as the company's proprietary advantage. If your differentiation cannot be stated, then it doesn't exist. "Good service" is a claim made by every one of your competitors. Making the same claim does not differentiate your business.

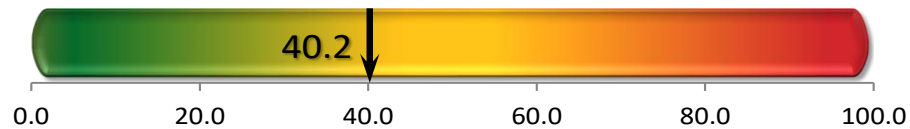
Your response appears to indicate that although pricing is a major issue in your customer relationships, they do lend some weight to service capabilities. Your challenge lies in taking the service capabilities to another level, and describing or delivering them in a way that your competitors can't duplicate.

Client Notes:



Price is almost always a key component of a sale, but in every business, customers will pay a little more to work with a company they trust. How do you build trust with your customers? Strong customer relationships and loyalty can significantly enhance your company's value and appeal to potential buyers.

Challenge Index (Assessment Question #14)



Revenue/Profit Question 2

Q: Our profit margins are:

A: Growing slightly over the last three years.

Urgency Weight: 3 | Difficulty Weight: 3

*Most Acquirers put
a premium on
predictable profits.*



Incremental but sustained growth and profitability over a long period of time has a very positive impact on the valuation of the company. It is important to emphasize that such growth is defined as a percentage of profit margin, and is not considered growing if profit dollars are merely increasing in direct proportion to sales revenue.

Improved profits may come from economies of scale, introduction of technology, or greater efficiencies. Whatever the cause, the company must show the potential for enhanced income under new ownership.

Even high-performing organizations (those who rank in the top 10% of profitability in their industry) can steadily increase their margins on a year-to-year basis. It requires constant effort and diligent monitoring of key metrics, but it is achievable. Optimum market value is only assigned to those businesses that show that they can get better at what they do over time.

Client Notes:



Profits may increase with greater sales, but margins should increase disproportionately. If they aren't, determine why they aren't scaling. Examine factors like pricing strategy, cost management, and operational efficiency to identify opportunities for margin improvement, as higher margins often translate to higher business valuations.

Challenge Index (Assessment Question #7)



Revenue/Profit Question 3

Q: The diversification of our revenues by customer is:

A: Fairly diversified. No one customer accounts for more than 10% of our business.

Urgency Weight: 2 | Difficulty Weight: 2

*An exit plan depends
on balancing the
desired proceeds and
the time available*



Your customer diversification is excellent, and is likely to support a full market valuation for your business, and perhaps a premium over less-diversified competitors.

If you are considering a sale to a third-party, due diligence will certainly include requests for customer mix and history. If you don't do so already, prepare a list of your customers ranked by revenue. Then go back at least three, and preferably five years to look at their rankings for each year. Who has moved up the list? Who has fallen? Why?

Make sure that you are allocating resources appropriately for the importance of the customer. It's easy to overlook the trouble-free accounts and focus on squeaky wheels.

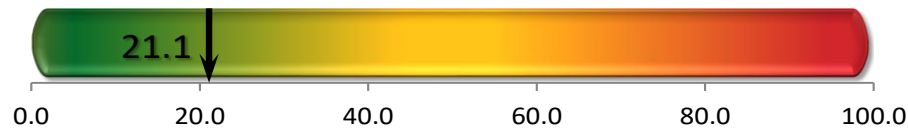
Careful analysis of your customer base each year can lead to revelations. More importantly in any exit scenario, it prepares you to speak knowledgeably and in depth to potential buyers about how your revenue is generated.

Client Notes:



All owners know that customer concentration is bad, but not many can resist the temptation of a giant account. If a few customers dominate your revenues, it represents a substantial risk. If a major customer leaves, it could disproportionately reduce profitability, potentially destabilizing the entire business. Create a contingency plan for an unexpected customer departure.

Challenge Index (Assessment Question #13)



Revenue/Profit Question 4

Q: Our revenues are:

A: Growing slightly over the last three years.

Urgency Weight: 2 | Difficulty Weight: 2

For investors, top line performance can be more important than margins



A steady track record of growth is of primary importance when attracting a buyer for a business, or for a lender to consider financing any acquisition. It's acceptable for the growth to be modest, as long as it is consistent. You should also be checking your growth rate against the trends in your industry. Many owners do not consider how their company performs against wider metrics, but it is something that both the buyer and their bank often research.

The most favorable valuation scenario is when growth shows momentum. If you're able to expand sales by increasing percentages each year, even what you consider slow growth may still be highly appealing to an outsider.

Growth is good. Accelerating growth is better. You have already evidenced a proven ability to expand the company. Focusing your efforts now on sharpening the growth curve can have a disproportionately favorable effect when the time comes for you to exit.

Client Notes:



Declining sales and spikes in revenue are both red flags to buyers and lenders. If either is the case in your business, be prepared with a rational explanation of why, and how it can be addressed. Consistent, sustainable growth is typically the most attractive revenue pattern to potential buyers, as it suggests a stable and promising future for the business.



Operations Questions Overview:

Most business sales start with a nonbinding Letter of Intent (LOI) proposing a price for the company conditioned on the results of due diligence. Unfortunately, the due diligence process often becomes the basis for aggressive renegotiation of the original offer.

Your answers to the Operations Questions in the Assessment generated your customized feedback in the areas of management, systems and technology.

Management:

An individual buyer seeks assurance that the company will thrive without you. A larger acquirer will deduct the cost of adding new management from the purchase price. Agreeing to a post-sale training period helps, but having managers who know how to run operations without you will add the most value. Those managers should have clearly defined incentives for delivering their best efforts both during and following the sale.

Systems:

If you are selling a home, you typically do some painting, landscaping and minor repairs before showing it to potential buyers. In a business, updating your systems serves the same purpose. Current, well-documented and observable processes indicate a company that is well-run, and unlikely to have hidden issues.

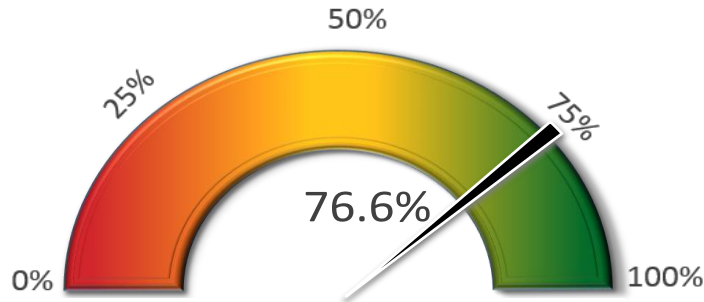
Technology:

In the great majority of businesses, regardless of size, current technology is a core competency. The cost of updating hardware and software not only reduces valuations directly, but also causes buyers to dig more deeply looking for other instances of deferred maintenance. The expense of employees has far outstripped the cost of the technology tools that make them productive. Outdated technology indicates a lack of seller concern for efficient operations.

Tool Box:

Depending on your industry and markets, there are many other areas that will be examined by a buyer (or a lender, in the case of an internal transition). Due Diligence checklists can be found on the Internet. However, your Advisor can also provide you with a more comprehensive checklist for your particular needs.

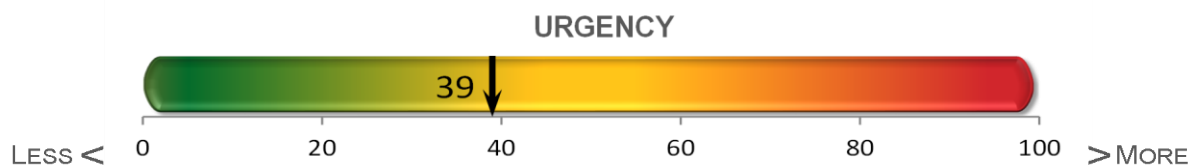
Operations Preparedness



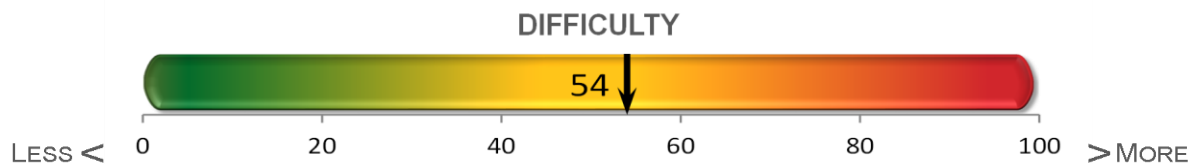
Your Operations Preparedness Score is 76.6%.

The value of any business lies largely in its talent. Key employees who can assume your duties (or already have) increase business salability, and offer protection against a distress sale. Your Operations preparedness score is developed from your responses to questions about your employees and systems. You have some management and appropriate systems in place. It may be time to look at how to retain key personnel after your departure, using long term incentives or deferred compensation.

Challenge Index:



If there are only a few areas where your direct input is required, think about delegating even those. Unless your supervisory staff have greater potential, you should start "Topgrading" them for people who do. With both a vision for the future and regularly reviewed employee goals, it isn't difficult to bring the two processes together. Long work days not only scare off younger buyers, they make it difficult to retain key employees as well. Developing and maintaining a regular cycle of technology upgrades gives comfort to a buyer in multiple areas. If you already have a second in command, assess the maximum length of time he or she could run your business without you.



Having documented systems is a vital part of passing due diligence. Take the time to make sure they are current. Supervisory personnel are valuable, but you should consider whether they have the talent to be developed into real decision makers. Out of date technology has become a major issue in due diligence, and an assured deduction from business value. If your employees are already accustomed to documented goals, carefully aligning them with broader organizational objectives can improve results. Your work week appears fairly normal for an entrepreneur, but won't be very attractive to someone younger that steps into your shoes. It is vital to secure your proprietary information with those who have knowledge of it. Check with a labor lawyer to make sure the terms are enforceable.

Challenge Index (Assessment Question #1)



Operations Question 1

Q: My decision making team consists of:

A: Several supervisors.

Urgency Weight: 3 | Difficulty Weight: 4

A "complete" management team means you have no operational duties.



Many small businesses thrive with just a few competent employees in first-line management, and an owner who makes all executive decisions. While these businesses may be sellable, their dependence on an owner's presence for all day-to-day operations usually results in a discount from valuations that would otherwise be typical in the industry.

Employees who are merely adequate in a supervisory role often lack the broader perspective to undertake more complex management tasks. Unless one or more of your existing supervisors have shown both exceptional ability and a strong desire to advance, the challenge of developing them into fully capable managers may not provide a sufficient return for the effort.

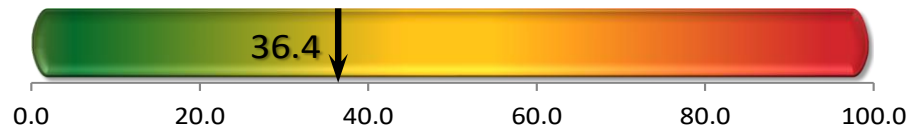
It is difficult to transition a completely owner-centric business. Buyers may deduct the compensation of a professional and talented manager from the cash flow when doing valuation analyses.

Client Notes:



A strong management team is a vital factor in business value. Specific job descriptions, trained successors and detailed procedures all add to a company's attractiveness. A well-structured decision-making team demonstrates your business's ability to thrive without your constant involvement, making it a more valuable and transferable asset when you're ready to exit.

Challenge Index (Assessment Question #11)



Operations Question 2

Q: The documentation of our systems and processes for operations, human resources, and administrative functions are:

A: Written, but somewhat out-of-date.

Urgency Weight: 3 | Difficulty Weight: 4

*A buyer's due diligence
Will focus on the
systems documentation.*



Your answer to this question indicates that you've undertaken the initial effort to document critical systems and procedures, and have some awareness of the need to revisit them regularly.

Documenting systems and processes is a vital component of proving the value of your organization. Whether you are planning to sell to a third-party, or dealing with a lender to finance an internal transition to family or employees, written policies and procedures will be an important part of their due diligence.

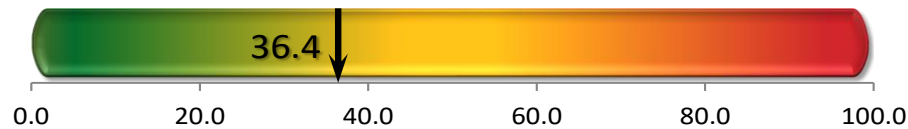
The process of updated is time-consuming, but pays both immediate and long-term benefits. In reviewing, you will usually find things that are inefficient. Many processes may have additional steps that were built in for reasons long forgotten. Others will have gaps, where a leap is made from one activity to another just because everyone "knows" what comes next. Focus especially on those multistep activities that require a handoff from one employee to another, making certain that the time, stage of completion, or preparation needed to transfer responsibility between employees is clearly outlined.

Client Notes:



Solid documentation adds to a buyer's confidence in the company and creates more consistent quality. Many organizations put in the initial effort, and then let their attention lapse. Make sure you have a process to check and update your documentation. Well-maintained documentation not only streamlines operations but also significantly eases the due diligence process in a sale.

Challenge Index (Assessment Question #19)



Operations Question 3

Q: Our Technology Policy is to:

A: Upgrade as the need arises, or for clear improvements in productivity.

Urgency Weight: 4 | Difficulty Weight: 3

Current technology is considered an indicator of attentive management.



In today's environment, there is no business that can thrive without using technology. From the construction trades to software development, the ability to track key metrics, recognize trends, and anticipate resource needs is paramount.

When budgeting for technology, there is a reality that escapes many business owners. The cost of the operator now far exceeds the cost of the equipment. An entry-level receptionist makes more in a week than the cost of a personal computer. Anything that increases productivity, be it a second monitor, a faster Internet connection, or the latest version of commonly used software, can pay for itself by saving just a few minutes a day for the person using it.

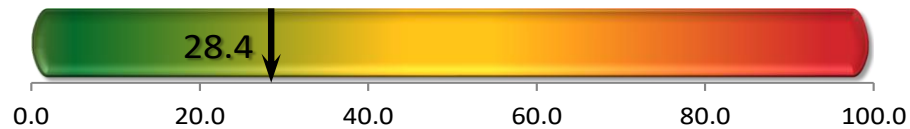
The integral importance of current technology has become a core issue in the valuation of any company. You can expect it to be part of due diligence for either a buyer or a lender. If it is outmoded or (worse yet) insecure, you should anticipate the cost of bringing it up to current standards to be part of any offer for your business.

Client Notes:



Many owners haven't adjusted to the relationship between technology and employee costs. A \$500 investment that saves a \$40,000 employee an hour a week pays for itself in about 5 months. A strategic technology policy can significantly boost productivity and can ultimately reduce long-term labor expense.

Challenge Index (Assessment Question #12)



Operations Question 4

Q: My typical work week is:

A: 45-55 hours.

Urgency Weight: 3 | Difficulty Weight: 3

*Employees vital to
your business must be
retained by more than
a paycheck.*



A long work week sends multiple danger signals to a buyer. Not only does it appear that you are critical to the company's continued success, but it raises real questions about the ability of your management team to make decisions on their own. Few buyers want to tackle a company where they have all the decision-making responsibility from day one. They are seeking a corporate knowledge base that they can lean on.

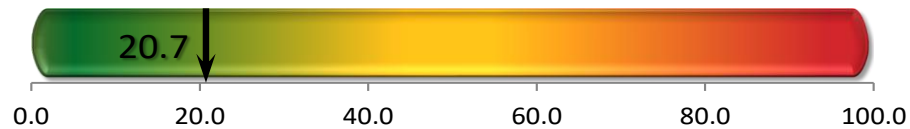
You may be accustomed to long hours, but they can be a huge obstacle when dealing with buyers who expect a greater work-life balance. Many owners seek a successor who "has my energy," but the values of younger workers, especially those with children, have changed. It is no longer a point of honor to put running a business ahead of family obligations.

Client Notes:



Overdependence on the owner is a value killer. If your work week is over 40 hours, consider a delegation plan or additional training for your managers. A business that can run effectively without constant owner involvement is generally more valuable and attractive to potential buyers especially if you do not want to continue to work as an employee in the business after the sale.

Challenge Index (Assessment Question #17)



Operations Question 5

Q: Are employee goals and reviews aligned with the company's mission, vision and values?

A: We have employee goals and reviews, developed around our main mission or vision.

Urgency Weight: 2 | Difficulty Weight: 2

*In your absence, having
a defined decision-
making process
is critical.*



Your answer indicates that you have both an employee goals system as well as a defined mission and vision. Aligning the two can make a big difference in the performance of your company.

Consider having your employees revisit the mission and vision as part of their performance review as well as part of their goal setting for the next period. Ask them to describe their accomplishments over the last year in terms of how they supported the company's mission, vision and values.

Mission, vision and values are most influential when an employee can understand how his or her personal efforts fit in the overall picture, and the importance of their personal efforts in the company's success.

Client Notes:



The three “purpose” statements of the company should provide employees with guidance in their goal setting, advancement objectives and daily tasks. Aligning employee goals with the company's mission, vision, and values enhances organizational coherence and demonstrates to potential buyers a well-structured, purpose-driven business poised for continued success.

Challenge Index (Assessment Question #9)



Operations Question 6

Q: My key employees are:

A: Employed under non-compete and confidentiality agreements.

Urgency Weight: 2 | Difficulty Weight: 1

*Human assets are just
as important to secure
as any other.*



Written employment agreements provide some safeguard against the sudden departure of key employee. Such agreements customarily cover confidential information and conditions under which an employee may leave in good standing. They do not, however, ensure the employee's continuing loyalty unless there is appropriate compensation attached. You might consider updating the employment agreements for key personnel by adding provisions for deferred compensation or continuing employment after an ownership transfer.

Due diligence often includes interviewing key employees. Remember that their retention may be critical to closing a transaction. Addressing long-term stability of key players in your organization has a material impact on both valuation and the attractiveness of the business in any transition plan.

Client Notes:



No one is irreplaceable, but the pain of losing someone who is critical to the business can be debilitating. Work with an advisor to examine management depth and cross-training opportunities. Develop a succession plan for key roles to mitigate risks and protect your company's operational continuity and value.

KEY AREAS OF EXIT PREPAREDNESS



Finance



Planning

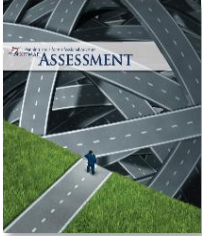


Revenue



Operations

Starting Your Planning Process



Your Assessment:

Your Exit Readiness Assessment provides a custom summary report focused on your transition preparedness as well as that of your company. The report breaks down your readiness in four key areas of succession implementation: finance, planning, profit/revenue and operations.



Your Analysis:

Your advisor received this Analysis report to share with you at your debriefing. The Analysis is a 40-page report with specific feedback on each of your responses from the Assessment. It provides your advisor with a comprehensive look at your business beyond his or her specific area of professional expertise. This helps to ensure that no area of potential value enhancement is ignored.

Any transition, whether to family, employees or via a sale to a third party, will maximize your returns with planning and preparation. Your advisor may provide suggestions for practical process improvements and tracking techniques that can be to benefit not only your plan toward a successful transition, but also to provide documentation for any potential acquirer.



Your Debriefing:

Professional Advisors use the ExitMap tools to identify areas with the greatest impact on the value and transferability of your business. They are committed to helping owners transition their businesses on their own terms, in their own time, and with an achievable return. Just a few years of advance planning can have a dramatic effect and radically change your lifestyle in retirement.

CHALLENGE INDEX

The Challenge Index

Your score for each response is developed from five factors:

- **The weight of the question:** Some things are just more important than others.
- **Your answer:** Response choices typically range from very prepared to no preparation at all.
- **Urgency:** Some issues should be addressed when resources are available. Others require immediate attention.
- **Difficulty:** Some things are easy to do. Others aren't.
- **Timing:** Shorter time frame goals increase the weight of urgency and difficulty factors.

The Challenge Index is a combination of a task's urgency and difficulty. Some tasks are easier, but take a longer time. Some are less time-sensitive, but involve major projects or require outside expertise. The Challenge Index gives you a rough idea of how to prioritize improvements.

Your Professional Planning Team



The Advisor who provided you with this Analysis has chosen to help business owners transition to the next phase of their lives. As such, he or she is qualified to lead and coordinate the other professionals needed to complete and implement a plan.

Exit Planning Advisors work cooperatively. They aren't quarterbacks. In football, quarterbacks call the plays that tell everyone else where to go and what to do.

An Exit Planning Advisor is more like a symphony conductor. He or she may not play any instrument as expertly as the members of the orchestra. Without a conductor, however, the musicians are unlikely to play well together.

Of course, most Advisors have deep experience in a specific aspect of planning, whether that is in finance, tax, legal or operations. All of these professionals have broad insight into all the factors that make up a successful transition plan. Your Advisor is your representative and focused on accomplishing your objectives.

About Exit Planning

An Exit Plan is simply a strategic business plan with a defined time frame. It is the process of preparing for a transfer of a business owners' responsibilities. He or she may wish to step back from day to day operations, start a succession path for employees or family members, or perhaps divest the business from his or her asset base entirely. Regardless of the motivation, in order to facilitate a successful transition and control the process, you're going to need to do some planning.

There are three key reasons to engage in exit planning:

1. Because it will change the way you run your business.

For example, who you hire and how you train them will be very different depending on if you are grooming successor owners, or if you are trying to put a stable team in place for a new owner from outside the company.

2. Because it is never too soon.

"I spent too much time planning." said no business owner *ever* after transitioning. Transferring the business may be the biggest financial event of your life. If you want to maximize the results, it is going to take some time.

3. Because planning isn't implementation.

If you're driving across the country, you map out a route and choose the highways you'll take. No one confuses that with starting the car and putting it in gear. Having a plan lets you choose what to adjust with changing circumstances, and just because you have a plan in place it does not mean that you have to implement it. It means that you will be ready when the time comes.

Q: Why should I work with a qualified Advisor?

A: We know from working with thousands of busy owners that coordination with an Advisor helps you stay on track, and measurably increases your chances of success. The Advisor who provided you with access to the Assessment is a trained professional who joined the exit planning community to collaboratively work with other Advisors to develop complete and coordinated plans. Your custom Analysis will help keep the whole team on track.

Q: What if I am not ready to exit yet?

A: Sooner or later every business owner leaves the business. You can choose to do it on your own terms and in your own time frame, or let it be a surprise. Once you understand your options, you will find the strategy that you choose affects all of your future business decisions. Hiring, capital expenditures, new marketing approaches and management development will all be done with your eventual buyers (whether internal or external) in mind. Having a concrete game plan allows you to better control the timing, process and results when you decide to execute it.

Q: What is the single most important component of my exit strategy?

A: Your exit strategy shouldn't be driven by just one factor. Tax planning, legal documentation and risk management all have a place at the table, but none of those areas are the sole path to success. When the time comes, work with your Advisor to assemble a professional team that will help you pursue and achieve your goals.

Tool Box Index

Tool Box suggestions are provided throughout the client's Analysis report. The number and variety of tools suggested are outside the scope of most business owners' skill sets. Unless a prospect is committed to a DIY planning process, the Tool Box Index is intended to reinforce the need for professional advisory help.

The suggestions here are neither sophisticated nor comprehensive. Most advisors have processes that can improve on or replace many of these. The ExitMap is a client engagement tool. Details of project implementation are left to the advisor.

Due Diligence Tool:

Action Checklist: Make a list of documents and processes that may be requested by a buyer.

Finance Tools:



Sellers Discretionary Earnings: List all expenses and benefits realized from the business.

Net Proceeds: Model various pricing and buyer scenarios, and the impact of taxes on sale price.

Market Value: Compare the differences in pricing between individual and investment purchasers.

Industry Comparison:

Compare the company's performance to the overall performance of the industry.

Risk Assessment:

Examine how responsibilities, cash flow and income will be addressed in the client's absence.

Planning Tools:



Post Exit Statement: Write a statement describing the client's life after exiting.

Professional Advisors: List the client's professional Advisors and their exit planning qualifications.

Triangulation:

Reconcile the financial status, distance to the goal and anticipated transition timeframe.

Buyer Match:

List the selling features and weaknesses that might impact the attractiveness of the business.

Generational Suitability:

Analyze the features of the business as viewed by potential acquirers of different ages.

Revenue/Profit Tools:



Customer Sales Analysis: Create a historical report of company sales organized by customer.

Power of One: Provide insight on ways to improve the client's bottom line.

Growth Curve:

Compare the growth rate to what will be required to reach the client's financial objectives.

Competitive Strengths Analysis:

Identify the differentiation factors of the company and ways they may be improved.

Operations Tools:



Owner-Centric Scoring: Prioritize the key areas of management development.

Process Documentation Matrix: Verify the completeness of the operational documentation.

Employee Deferred Compensation:

Establish incentives for tenured employees following an ownership transition.

Key Employee Retention Incentives:

Define the level of responsibilities and appropriate compensation systems for key employees.

"If the Plane Goes Down":

Build written instructions of actions required should the client become incapacitated.

Technology Capital Cycle:

Analyze the life cycle of company owned technology (hardware and software).



About the ExitMap

The ExitMap® is a suite of planning tools for professional Advisors who specialize in helping business owners transition to the next phase of their business and personal lives.

This Analysis was created from your responses to the initial Assessment questionnaire and was generated using five factors in a scoring algorithm. Each question and each response choice are separately weighted for relative importance, along with the difficulty involved in changing specific systems or processes, the amount of time such changes should take, and the owner's planned timeframe for the transition.

The Legal Stuff

Operational disclaimer (consult outside Advisors before making changes)

The ExitMap is intended as a guide to preparing business operations for a transition to successor ownership. It is best utilized with the assistance of a professional Advisor. Every ownership transition involves issues of taxation, legal documentation and financial planning. We strongly recommend discussing any plans with professionals qualified in these areas prior to implementation.

Section 230 disclaimer (tax and legal advice)

Circular 230 Disclosure: Pursuant to U.S. Treasury Department Regulations, we are required to advise you that, unless otherwise expressly indicated, any federal tax advice contained in this communication, including attachments and enclosures, is not intended or written to be used, and may not be used, for the purpose of: (i) avoiding tax-related penalties under the Internal Revenue Code or; (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

Public Notice

The term Exit Map (Reg. No. 5,248,561) and the ExitMap logo, including the red "X" and the road inside a compass rose (Reg. No. 3,966,020) are registered trademarks granted by the United States Patent and Trademark Office for the products and services identified in the respective trademark registrations. The use of such trademarks in any manner, including in websites, printed or electronic materials is reserved exclusively to MPN Incorporated, San Antonio, Texas.

© 2007-2025 MPN Inc. The ExitMap logo is a registered trademark of MPN Inc. All rights reserved. The ExitMap questionnaire, tools, reports and web content are all protected by copyright both individually and collectively. ExitMap Assessments, Analysis, Action Plans and related materials may not be duplicated without express written permission.

Congratulations, You've Taken the First Step on
the Road to a Successful Transition!



Exit Readiness Analysis

Prepared 8/10/2025 for: Willey Coyote
President, ACME Manufacturing

Advisor: David Bastiaans, CPA, ESQ., LL.M.,
Business Owners Strategic Solutions LLC
info@theoneboss.com

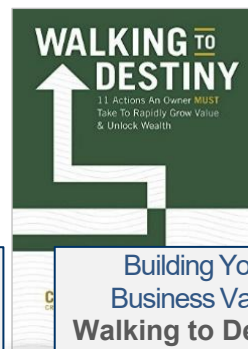
Recommended Reading:



Successful Transfers
in the Coming Market
Your Exit Map
by John F. Dini



Mid-Market Mergers
and Aquisitions
Finish BIG
by Bo Burlingham



Building Your
Business Value
Walking to Destiny
by Christopher M. Snider



Comprehensive Guide to
the Exit Process
Exit Planning
by John H. Brown