



THE NEW ROUNDTABLE

PLANNING A BUSINESS SALE IS NO MEAN FEAT, SOMETHING THE MEMBERS OF THE ORANGE COUNTY EXIT PLANNING ROUNDTABLE KNOW ALL TOO WELL. THESE HIGHLY SKILLED ROUNDTABLE MEMBERS SPECIALIZE IN HELPING TO FACILITATE THE SALES OF SOME OF OC'S MOST VALUABLE COMPANIES.

I was recently given the opportunity to pull up a chair at the latest meeting of the Orange County Exit Planning Roundtable, an innovative new group of OC professionals who have developed a unique, holistic approach to the practice of private business sale. I entered into the conference room for the meeting with my own personal image of a roundtable: the old King Arthur notion of equality symbolized with no head or foot at the table. Interestingly, I was not far off—except, in the place of swords were stacks of documents evidencing years of experience and insight offering the same protection for our modern day kingdom.

Entrepreneurial ambition has brought Orange County to the forefront of innovation and advancement, producing some of the most lucrative businesses in the country. Yet a business that may have taken just one resourceful mind to build up needs many to coordinate a tailored, successful exit strategy. The OC Exit Planning Roundtable is a “top of their field” group of professionals with complementary disciplines, specializing in working with owners of privately held, middle market companies intending to exit their companies in the next few years. The uniqueness of this collaboration isn't in the job titles of the professionals involved, but in the names listed above these titles: principals in each of the companies represented—arguably the best in their fields in Orange County—with the clout and resources needed to facilitate optimum outcomes.

Seated at the Roundtable are eight professionals representing each step in the journey from the decision to sell a business all the way through to enjoying the benefits of life post-sale. Taking

into consideration that most business owners will have components of their exit planning team already established, the Roundtable has been designed as a non-exclusive network to serve business owners in collaboration with their existing outside advisors. Mark Van Mourick, resident investment portfolio specialist and founder of the group, charges that surrounding a business owner with exit planning specialists at the beginning of the process is crucial. “Every successful entrepreneur will already have a team of advisors, but hardly any will have the caliber of the team we have put together in this Roundtable. Upgrading to a team of seasoned experts when it matters most can greatly impact the smoothness of the transaction, the maximization of after-tax funds for the business owner and the peace of mind during retirement.”

In the last year, 1,308 Orange County businesses were sold—up 8.5% from 2010. The process for selling a business begins long before most consider the option, and requires well-organized strategists to put it into action. The OC Exit Planning Roundtable places focus on helping business owners formulate and optimize their exit planning goals, including succession, maximum sale value, minimum taxation, risk management and retirement investing. Robert (Bob) Wright, CPA, advises, “Some sellers don't think the work begins until the agreement is being drafted. By then the basic deal terms have been agreed to and change can kill the deal.”

Not having yet sold a multi-million dollar, privately held company of my own, I looked to the Roundtable to explain how one might begin to navigate this complex process. Their first

recommendation was to ensure the viability of the business before the sale. Darrell Passwater, a professor of Business at Biola University (logging more than 20 years as a management consultant), assists business owners in developing an effective business strategy that best positions them to achieve an optimum sales price with the smoothest sales transaction possible. “Once a business owner concludes that they want to sell their business, it seems wise to me to create the healthiest balance sheet and work culture possible,” says Passwater. “Both are essential to attracting a potential buyer.” Because each Roundtable professional works under individual contracts and bills without referral fees, interest in the success of the business owner remains paramount. Members of the team then have the opportunity to recommend other members of the group they deem necessary to meet the needs of the client in the next stages of the exit planning process. These Roundtable alliances are trustworthy and sound, removing the guesswork for the business owner, who ultimately makes the decision to “upgrade” his/her advisory team.

During the first stage of assessing and improving the health of a company prior to putting it up for sale, the business coach will enlist the services of two other professionals seated at the roundtable: the lawyer and the CPA. Filling two of these seats are the partners from the regional law office of Brown & Streza, Matt Brown and Dick Streza. This business planning attorney team specializes in designing a legal structure that will optimize tax savings at the end of the transaction. “When it comes to exit planning, it should be a process, not an event, so there is rarely any time that is too early,” believes Brown. Both professionals



strive “to do things right the first time by planning proactively,” and Brown heeds warning against waiting too long to assemble an advisory team: “We have saved clients literally millions of dollars by shielding them from having to repay a portion of the purchase price when the buyer decides things did not work out as they had hoped. We accomplish this by using attorneys specifically focused on M&A transactions when selling to a third party.”

Working closely with lawyers to prepare businesses for sale is Robert Wright, CPA and Managing Director at Wright Ford Young & Co., who explains that there are several goals for the client at this point. “Probably the biggest are: 1) Helping them understand the after tax results of the deal they are entering into; 2) Helping them understand the warranties, representations and obligations they are committing to; 3) And helping the client and the buyer to be sure the definitions in the agreement regarding formulas for determining after closing calculations are understood by all.”

The beauty of these Roundtable collaborations comes in the accountability of the referrals, which are personally taken up and not passed off to associates, along with the freedom to refer each client to the next Roundtable member as each specialist sees fit for the clients’ needs. Paul Donnelly, Managing Director at B. Riley & Co., sat at the next seat of the table. He asserted that the strength of the Roundtable is not only in their coordination and cooperation, but also in their independence. “If I feel like the client needs more insurance coverage, I’m going to say that. We have to have that independence to speak up for the clients’ needs outside of our field.” Donnelly specializes in mergers and acquisitions, recapitalizing and most importantly finding buyers.

Representing one of the larger companies, and working closely with investment bankers in financing a sale on the buyer side is Geoffrey

Coar, Senior Vice President at US Bank on the commercial side. Coar is responsible for relationship management and business development in Orange County, with a focus on middle market companies with annual revenues between \$20 and \$500 million. He explains his contribution to the exit planning team as “providing a more cost effective solution to help manage future interest expense and better structure to allow for: growth, acquisition or adjustment of the capital structure of the balance sheet.”

Two more heavy hitters sit at the Roundtable: insurance brokers from Signature Insurance Group (AKA Brakke-Schafnitz), represented by principal Matthew Schafnitz and Vice President of Financial Services Eric Gerwig. Their focus is on helping and protecting businesses with commercial insurance including: workers comp, general and property liability, surety bonds, health insurance, retirement planning, and life insurance. Gerwig explains that Signature Insurance Group embodies the same model of relationally focused—not transactional focused—collaboration. “My favorite part of the planning process is helping business owners transition from running the day-to-day operations of their business to enjoying the rest of their lives. Our process allows them to do this without worry or regret that they got a fair price. Their business, retirement and estate planning is left in very capable hands.”

The final stage of business exit planning is initiated just before settling with a buyer. A portfolio advisor with great insight and experience is crucial at this point in the sale process. Filling this role and seat is Mark Van Mourick, CEO of investment management firm Optivest, Inc. and founder of the Orange County Exit Planning Roundtable. Van Mourick personally manages the investments of over 60 wealthy families in Orange County, and is the author of the after-success investment book *Cash Out, Cash In*. Van Mourick poses a few critical questions to clients in the months leading up to a sale in order to help them achieve their

desired outcome: “1. What are realistic income and growth expectations given [the client’s] individual risk, liquidity, control requirements and time horizon? 2. What are the best investment allocations for the client? 3. And importantly, given the client’s likely sale proceeds, can they retire in the style they have in mind? This type of planning should be done at least six months prior to the sale (24 months is optimum) and refined just before going under contract.”

As these men discussed their contributions, I began to see a resemblance between the archaic knights I had originally envisioned and the modern-day Roundtable. Attributes of accountability and honor were evident in the Roundtable’s penned code of ethics, placing emphasis on the business owner’s interest first, upholding transparency and full disclosure. Staples in successful exit planning, the members of the Orange County Exit Planning Roundtable assert that theirs and their clients’ successes will always be built upon the collaboration among a strong team of specialists. Robert Wright adds, “Most sellers have never sold a business before. They do not want to ‘experiment’ with possibly their largest asset. Having advisors that have worked as a team together can be the most valuable asset to a first time seller.”

MEMBERS OF THE ORANGE COUNTY EXIT PLANNING ROUNDTABLE:

Mark Van Mourick, Optivest, Inc.
Darrell Passwater, Biola University
Robert (Bob) Wright, CPA, Wright Ford Young & Co.
Matt Brown, Brown & Streza LLP
Richard (Dick) Streza, Brown & Streza LLP
Paul Donnelly, B. Riley & Co.
Geoffrey Coar, US Bank
Eric Gerwig and Matthew Schafnitz, Signature Insurance Group

For more information about the Roundtable, please visit orangecountyexitplanning.com or contact Mark Van Mourick at mark@optivestinc.com