

EXIT OPTIONS: INTERNAL SALES AND TRANSFERS



Why should you consider selling to employees? Because your company lives on with the culture you created. Because you can choose the value, not negotiate it. Because your employees aren't comparing your company with other investments. Because you control the timing of your exit. Because it is probably the biggest financial transaction of your life.

Many businesses have competent employees and managers, so why do so few owners ever sell to them? Most will answer "Because they have no money!" What if you could sell the business to employees, maintain control until the day you leave, and walk away with 100% of the value in your pocket on your last day of work?

There are multiple strategies to successfully transfer a company to employees and with a minimum tax impact. They include:

- Stock appreciation rights and phantom equity
- Employee Stock Ownership Plans (ESOP)
- Tax-deductible stock bonuses and grants
- SBA-financed management takeovers
- Private equity financing of leveraged buy outs
- Disproportionate partner distributions



Selling to Employees: Is Your Exit Strategy Right in Front of You?



If you have a company with reasonable cash flow, a talented management team and sufficient time, selling to employees is not only a realistic option; it may be the best way to get value from your business.

Over the next 20 years, expect 150,000 owner retirements per year. Intermediaries (brokers, private equity and M&A) account for only about 9,000 transactions a year.

That leaves a lot of folks looking for a way to cash out. Selling to employees is a process that lets you keep control until retirement. By structuring the sale correctly, you can leave with the proceeds in the bank, not in a promissory note.

The only source of funding for any transaction is the cash flow of the company. If cash flow helps employees buy stock, they will work to increase the value of the business until your final return is equal to (or more than) what it was when you started.

Take a FREE ExitMap® Assessment

The ExitMap® Assessment breaks down the four major categories of exit readiness by Finance, Planning, Profit/Revenue and Operations. To find out where you and your company stand in your level of preparedness, complete our online questionnaire at MyExitMap.com.

