

PERSPECTIVES



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▶ Quarterly Economic and Capital Markets Update

And the Band Played On

William B. Greiner, CFA, Chief Investment Strategist

“When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you’ve got to get up and dance. We’re still dancing.”

Charles Prince, CEO Citigroup, July 9, 2007

I recently saw this title and quote in a piece from our friends at BCA Research. Talk about ironic. Little did Mr. Prince know how right his statement would prove to be, a year later. To say the least, the music stopped, as did the dancing. While we don’t believe the world’s economy, banking system and capital markets are anywhere near as levered as they were in 2007, it is still productive to stop and see where we are with the major upward move in asset values we have witnessed over the last 5 years ...that is, until the just-completed quarter.

During the 3rd quarter, the world’s risk oriented markets showed some long-overdue weakness. Following are returns witnessed during the quarter, year to date, and from recent intra-day highs of various financial markets.

As can be seen, after a string of positive returns, many of the world’s risk oriented markets have corrected to the

	From Recent Highs	3rd Quarter	Year to Date
S&P 500 Index	-2.3%	+1.0%	+8.1%
Russell 2000 Index	-8.8%	-7.3%	-4.2%
EAFE Index (Foreign Stocks)	-6.9%	-7.4%	-2.0%
Emerging Markets Index	-9.2%	-3.4%	+0.9%
REIT Index (VNQ)	-7.6%	-3.0%	+14.2%
Alerian MLP Index	-1.2%	+2.6%	+18.2%
10-Year U.S. Treasury (total return)		+0.9%	+6.9%

downside. We included data from recent high price levels to give you a view of how weak prices have been in a number of asset classes. Among the weaker returns registered recently are U.S. small capitalization (Russell 2000 Index) stocks and the Emerging Markets.

Wall Street is rife with old sayings – such as “don’t fight the Fed,” “don’t fight the tape” and “sell in May and go away.” All of these sayings are generalizations regarding maxims which, on balance, have been reasonably accurate. However, on Wall Street, as in life, absolutes exist but are normally not ...well, absolute.

Wall of Worry – High and Getting Higher

Let’s look at another old saying on Wall Street – that is “bull markets climb a wall of worry.” Goodness knows the current bull market has been facing such a high wall of worry – and, until recently, this bull seems to have been wearing lederhosen. Let’s count the negative issues today’s stock market investors are facing. Any of these worries would be enough to drive stock prices downward during a cyclical bear market.

- Military and terrorist activities in the Mideast.
- A seemingly systemic economic growth slowing in China, coupled with recent student demonstrations in Hong Kong.
- Europe back on the edge of economic recession.
- A choppy U.S. economic environment – accompanied by a systemic slow growth environment.

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▶ Special Report: Financial Planning

Navigating the Sale of Your Company

In late 2012, Ivan Martin, the founder of a solar tracking system manufacturer, sold his business to retire and spend more time with his family. Martin’s company developed highly efficient systems to automate the movement of solar panels and maximize sunlight exposure. He drew interest from dozens of players within the renewable energy sector, including two interested buyers who submitted offers. One was a manufacturer of modular housing units made from recycled materials that was incorporating solar power into its units. The other prospective buyer was a private equity firm with portfolio investments in solar cell manufacturing and solar technology companies. As a result, Martin was able to choose the buyer that offered the best combination of value, chemistry, and strategic fit.

This kind of success doesn’t happen by accident. Rather, it requires advanced planning and the guidance of a team of professionals with careful consideration being made to the impact of the business owner’s overall financial plan. Throughout this article we will return to the example of

Ivan Martin to illustrate the steps he took to achieve a successful transaction.

The Importance of Exit Planning

Privately held companies play a vital role in the economy, employing almost half of the U.S. working population and producing roughly 46% of our gross domestic product. The founders and owners of these businesses contribute to economic growth by creating jobs, giving back to their communities, and inspiring innovation. Yet, more than half of business owners are now over the age of 50. Eventually, these owners will need to transfer ownership of their companies in order to produce the liquidity needed to fund their retirement and other financial planning goals.

By some estimates, business owners typically have 50%-75% of their personal net worth tied up in their companies. With retirement looming and so much of their personal net worth invested in their companies, it is concerning that half of all owners have not done any succession planning. In fact, two thirds of business owners

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- Equity valuation levels 1 standard deviation above long-term averages.
- Investor sentiment at high levels.
- The world's largest IPO (Initial Public Offering of Alibaba) being priced at high levels, indicating possible market "froth."
- Upcoming U.S. national election – Will policies change if one chamber or the other changes majority hands?
- Will Russia continue its aggressive actions in the future?
- Will the end of the Federal Reserve's QE activities usher in a new round of stock market weakness?

Any one of these issues would probably have the capability of moving stock prices downward during a cyclical bear market. But, we are not in a bear market. Indeed, our research shows we are in a secular (long-term) bull market, and a powerful one at that. So, this bull has been climbing a very high wall of worry – and has been doing so for a number of years. Will the climb continue? Or, is the recent weakness we have been witnessing in various risk oriented asset classes foreshadowing weaker overall prices?

Are We Due for a Stock Market Price Correction?

Based on historical data, the U.S. stock market is has been well overdue for a price correction. Going back to the year 1925, data shows that during the typical secular bull market, a 5% price correction occurs every 84 trading days, on average. Currently, it has been 160 trading days since we last saw a 5% price correction in the S&P 500 Index. Additionally, it has been 746 trading days since the last 10% price correction. Typically, a 10% price correction occurs every 331 trading days during a secular bull market.

So, yes, we are due for a correction, which, when it happens, could be driven by one of the factors mentioned

above – or by something wholly unknown at this time.

When will the correction take place? It could have recently started but, frankly, we don't know. However, it is important to understand that with the issues mentioned above, we are entering the time of year when the market has historically struggled. The U.S. stock market has tended to display some odd seasonality to returns.

Per the old Wall Street saw "Sell in May and Go Away," the period of May 1st to October 31st has not been a good time to have extreme levels of equity exposure. Since 1952, if an investor had been unfortunate enough to have bought the S&P 500 index on May 1st each year and sold the investment on October 31st of the same year (which is impossible since an investor cannot invest directly in an index, but bear with me), the average annual return that investor would have realized would have been 1.27% annually (price only, does not include dividends).

Conversely, if an investor had purchased the S&P 500 Index on November 1st of each year and sold on April 30th, that investor would have experienced an average return of 8.74%. The return difference between the November-April period and the May-October period is striking.

We are coming into the last section of the "Sell in May and Go Away" phenomena. Let's take a look at the history books as to what has happened to stock prices during the September-October time frame. Again, going back to 1952, the data shows that the S&P 500 generated an average negative price return of 0.22% over that 2-month period. The other ten months? On average, the market generated a positive return of 8.26% over that 10-month stretch.

End of Quantitative Easing

Perhaps the most talked about worry within stock market circles is the end of the Federal Reserve's Quantitative

Easing exercises. As most know, the Fed is ceasing their purchase program of mortgage-backed bonds and other assets on the open market.

There have been two previous QE actions which have come and gone since 2008. How has the U.S. stock market reacted during those periods and, how did the market react after the Fed ceased their previous QE actions? The following table answers those questions.

Fed Actions and Results of Quantitative Easing

Fed Action	Period of Time	Accompanying S&P 500 Price Change
QE1	11/08 – 4/10	+32.4%
End of QE1	4/10 – 7/10	-17.2%
QE2	9/10 – 7/11	+29.3%
End of QE2	7/11 – 10/11	-20.7%
QE3	8/12 – 9/14	+45.6%
End of QE3	10/14 – Unknown	Unknown

Of course, we don't know how the world's investors are going to react this time around to the end of QE3 activities. If the previous two examples are an indication, the S&P 500 may be in for tough sledding over the next few months, as the S&P 500 corrected by an average of 18.9% in value following the end of the two previous QE actions.

Why did the market correct by these levels following the end of the previous two QE actions? In our opinion, the market correction was due primarily to the fact that the U.S. economy had not yet reached "escape velocity" at the end of the two previous QE actions, and not due to the ending of QE activities, per se. What do I mean by escape velocity? ►

This September several of the Mariner family ran in the Chance for Children race to help raise funds for the KU Kids Healing Place. The Mariner Foundation has sponsored for six years.

The all star award goes to Brett Kunshek this year, who managed to push his daughter in the stroller while winning his age group! ►



A group from Mariner Wealth Advisors Omaha participated in the Superhero Heart Run this past weekend. The run was part of a nationwide series of 5k/2k family runs to create awareness for Congenital Heart Defects (CHD). ►



Navigating the Sale of Your Company (Continued from cover)

are not even familiar with all the available exit planning options. Most of them get so caught up in the daily grind of operating their companies that they do not have time to plan for the future. Others put planning off because they are personally and emotionally attached to their companies and are not ready to relinquish control.

Unfortunately, avoiding exit planning can leave owners vulnerable to unplanned events, such as death, disability, or a declining market. These events often trigger a business sale or transfer of ownership where, without a plan, the company could lose a significant portion of its value. For example, if an owner delays planning until he is forced to sell, he likely has not developed realistic price expectations, considered the tax implications of a sale, or articulated his post-exit goals. In these cases, owners often find themselves unable to sell their companies or achieve their retirement goals. Given the importance of exit planning, owners should fully understand their goals and the options available when it is time to sell. They should also understand the process of selling a company, which can be divided into five steps: business valuation, strategic planning, confidential marketing, deal making, and due diligence and closing.

Early Preparation Maximizes Value

Business owners often share many concerns about selling a company. Will their company be undervalued by the acquiring company? Will employees become upset with the change? Will the company lose a primary customer? To

overcome these concerns, owners should start preparing their companies for sale several years in advance. They should begin by setting long-term goals, considering their motivation for selling, and making their business more self-sufficient by delegating some of their daily responsibilities to key personnel. Preparing early will allow owners to organize company records, develop a plan to minimize taxes, and focus on improvements that make the company more appealing to buyers. Preparation will also allow owners to learn more about the merger and acquisition (M&A) process and develop realistic price expectations.

Before embarking on the sale process, owners should assemble a team of professional advisors, sometimes referred to as a "deal team." These advisors, including an M&A advisor, attorney, accountant, and wealth advisor, can provide guidance on a multitude of issues and offer support during discussions with prospective buyers. In particular, an experienced M&A advisor can cultivate a competitive bidding environment between multiple buyers, while keeping the sale process strictly confidential. Ultimately, an investment banker will help the owner evaluate offers from various buyers, negotiate a purchase price, and structure deal terms that will allow the owner to meet his or her financial objectives.

For example, Ivan Martin began thinking about selling his company in early 2010, more than two years before the sale was completed. By working with his wealth advisor over the years, he had determined the dollar

amount needed to achieve his retirement goals. Martin planned to generate these funds by selling his business and he met with his M&A advisor to learn more about the sale process.

While Martin didn't have a particular exit date in mind, his M&A advisor made him aware of the expected increase in the capital gains tax rate that was expected to take effect on January 1, 2013. Knowing that the capital gains rate was likely to increase from 15% to 20% at the end of 2012, Martin recognized that he could potentially save over \$1 million dollars in taxes by selling his company before 2013. Consequently, Martin timed the sale for the end of 2012 and was able to save an additional 5% of its total sale price, which ultimately helped him reach his financial objectives.

Step 1: Business Valuation

The first step in preparing for the eventual sale of a company is to understand how much it is currently worth and which factors determine its value. A business valuation will provide the business owner with such information. To perform an accurate valuation, business appraisers typically review the company's historical financial statements, tax returns, and management forecasts. Appraisers also often request documents that describe the company's services or products, asset and inventory lists, details of liabilities, and reports completed by other professionals. This information-gathering process allows the owner to organize key documents that will become useful later in ►

And the Band Played On (Continued from cover)

This phrase refers to the rate of change of economic activity. Is economic growth accelerating or decelerating?

Following the end of QE1, the U.S. economy's growth rate slowed from +3.9% during the 2nd quarter of 2010 to a growth rate of -1.5% during the 1st quarter of 2011. The stock market's action following the end of QE1 was reflective of the fact that the U.S. economy was not growing well after QE1 ended. Following the end of QE2, the U.S. economy's growth rate slowed from +4.6% in the fourth quarter of 2011 to +1.6% in the second quarter of 2012. As was the case following the end of QE1 actions, the U.S. economy entered a growth rate contraction following the end of QE2 activities.

So, the U.S. economic growth had not yet reached escape velocity at the end of the previous two QE actions. Has economic growth reached escape velocity this time around? We don't know, but the weight of the evidence is pointing towards good economic growth, as compared to the previous two periods. Additionally, we are seeing more signs that the central bankers in Europe and Japan are increasing their monetary easing actions. These actions should help pick up the slack of a lack of monetary stimulus on a global scale.

What To Ask

So, irrespective of the end of the Federal Reserve's QE actions, will the world's markets eventually correct? Yes, they will. The markets do not rise forever without some type of giveback. They never have (obviously). When will the correction take place? Again – I don't know. In my mind, these aren't the operative questions investors should be asking. **Rather, what should an investor do when we indeed experience a 5%, 10% or even a 20% price correction? Run for the hills? I think not. The investor needs to understand the concept of "deep"**

relative to "shallow" financial risks one takes when investing capital anywhere.

Deep vs. Shallow Risks – a Quick Rehash

We have written on this subject twice over the last year or so. The art and science of investing capital should be focused not only on making money – but, also on not losing money. In many cases – particularly in the high-net-worth space – not losing capital may be more important than making top dollar. The reason? Most high-net-worth investors tend to be facing three issues that many institutional investment organizations, like pension and endowment funds, don't face.

First, most of us retire and live off our investments. Pensions and endowments also have liabilities to fund, but the liability stream for the high-net-worth investor tends to be shorter and more withdrawal-intense. Second, due to the fact that we all die – sooner or later – the time horizon under consideration for personal **investment plans are usually shorter than the typical pension or endowment fund.** Lastly, people pay taxes – normally, pensions and endowments don't. So, the art and science of investing capital for high-net-worth investors is significantly different than for institutions.

When we are anticipating a shorter-term capital market price correction, the urge by many investors to move money out of the market following a price reduction can be intense. A market moving down by some percentage (say 5% - 20%) is not atypical. The famed investor, Benjamin Graham labeled this type of risk a "quotational" risk. Quotational risks tend to be temporary in nature vs. risks that erode capital over the long-term. These types of long-term eroding risks are classified as "deep" risks. One of the worst actions an investor can take during these periods of temporary price weakness is to sell at depressed values.

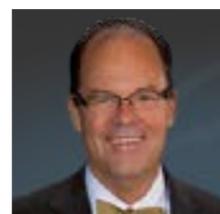
This action converts what should have been a "shallow," correctable risk into a "deep," potentially irreversible risk.

It's worth noting that shallow risks can become deep risks when too much quotational risk is assumed in a portfolio (in other words, when an investor has too much stock or other volatile asset class exposure). For instance, an investor who sold stocks out of fear during the lows of 1987 or 2008/2009 effectively turned a shallow risk event into a deep risk event. The loss the investor experienced was therefore locked in and became rather permanent.

The key to successful investing is finding a balance between asset classes that can offset deep risks while at the same time not exposing the portfolio to an excessive amount of quotational or shallow risks.

What To Do

So, when we do face a price correction (note, I didn't say if), what should an investor do? First, work with your Wealth Advisor. They know your situation better than anyone else. I would urge most investors not to sell assets in the middle of a price correction. **On the contrary, it may make sense to add to existing quality positions in the face of weakness, and market anxiety. Again, it is the wise investor who works directly with their Wealth Advisor during periods of market stress and uncertainty.**



William B. Greiner, CFA,
Chief Investment Strategist



◀ September was Charitable Giving Month at all of the Mariner family firms. At left, associates helped with Happy Bottoms, a diaper bank delivering over 100,000 diapers each month to low-income families.

At right, associates from the RR Advisory office in New York recently participated in a wetlands cleanup. ▶



Navigating the Sale of Your Company (Continued from cover)

the sale process and review information that will help him or her gain a better understanding of the company's strengths and weaknesses.

The value of a company is influenced by many different forces, both internal and external. Business appraisers typically use one or more generally accepted valuation methodologies, the most common of which evaluate a company's financials in terms of potential future earnings or assess value based on the sale price of similar businesses that were recently bought or sold in the marketplace.

Appraisers then consider a number of external factors, including the economic and political environment (i.e., interest, tax, and unemployment rates); industry lifecycle (i.e., growing, maturing, declining); market position and competitive landscape; goodwill and other intangible assets; strength of customer relationships; and diversity of customer base, suppliers, products, and services.

Drawing on the insights provided by the business valuation, owners can develop plans for maximizing the value of their companies. Owners should explore a number of options, including focusing on the bottom line, grooming a successor, focusing on the quality of earnings, reducing owner perks, creating a niche, and diversifying both the customer base and product/service offering.

Like many privately held business owners, Martin expended a number of personal items (or "perks") through his company, such as a vehicle, personal travel, and other personal items, as a way to reduce

his taxable income. As part of the business valuation process, the appraiser made normalizing adjustments to the company's financial statements, which typically involves adding back discretionary expenses to the subject company's earnings to show its true financial performance and future income-generating ability.

Martin's M&A advisor explained that it is difficult for buyers to see the company's true earning potential if they have to navigate through various adjustments and that, ultimately, it could result in a lower sale price. Therefore, Martin immediately began reducing some of the discretionary expenses that he had been running through his company.

Step 2: Strategic Planning

Although adequately funding their retirement goals is a top priority for most business owners, for many, value is about more than just the price they receive at closing. Some owners place significant value on the preservation of their legacy and the company's culture, and many hope to find a buyer who will retain the company's existing employees.

During the strategic planning stage, M&A advisors walk owners through all available exit planning options and develop plans that will help them achieve their objectives. This may involve developing a marketing strategy to sell the company, outlining the timing of key events in the M&A process, and determining how to present the

unique characteristics of the company. Sellers must first understand the types of deals available and the intentions of the various types of prospective buyers. This will ultimately allow owners to identify those offers that may provide the best overall value.

Selling Outright vs. Recapitalization

Some owners reach retirement and decide to leave their companies behind in the hands of trusted managers or pass full responsibility and ownership along to their children. But for many owners, the best option is often to sell the company outright to an outside party. Experienced M&A advisors have techniques and the right contacts to manage a controlled process where multiple buyers compete for the company, which helps maximize the sale price. However, an owner may not be quite ready to exit his business altogether, but would still like to reduce the amount of wealth he has tied up in his company. In this case, a recapitalization is often an ideal alternative.

In a typical recapitalization, an owner maintains a financial stake in the company but sells a portion of the business to an investor who can provide resources to help it grow. The investor will often provide financial support and management expertise that will allow the company to pursue new growth initiatives. Ideally, the owner will be able to sell his or her remaining financial stake in the company after it has increased in value. Often, this allows the owner to receive a higher overall price than if he or she had originally sold 100% of their company.

Navigating the Sale of Your Company (Continued from cover)

If a strategic sale or recapitalization does not address the business owner's needs, the sale of a business can be conducted in a number of other ways, including selling to a co-owner, or through an employee stock ownership plan or voluntary liquidation.

Types of Buyers

Prospective buyers in M&A transactions generally fall into two categories: strategic and private equity. A strategic buyer is typically a private or public company that is seeking to grow by acquiring another company. Strategic buyers usually pursue investments that will allow them to diversify their product offering or customer base, extend their geographic reach, or create operational efficiency. These buyers hope to realize synergies in the form of cost savings and/or increased incremental revenue. As such, strategic buyers are often willing to pay a premium for the right company. On the other hand, private equity groups typically invest in a company with a goal of building its value and eventually reselling it to realize a return. Often, private equity buyers will pursue companies that complement their existing portfolio investments.

Martin had spent the previous year and a half reducing the amount of time he spent at the office and had slowly passed the bulk of his primary duties off to key members of his management team. Knowing the company would be in good hands, he was prepared to sell 100% of the company.

After performing extensive industry research, the M&A advisor was confident that the company would attract interest from a large number of strategic buyers due to the high amount of deal-making occurring within the renewable energy sector. The advisor was also well-connected within the private equity industry and knew of several firms actively searching for similar investments. Therefore, the M&A advisor compiled a list of industry-specific strategic buyers through market research and personal contacts within the industry. The advisor's robust private equity database was also utilized in the search for potential buyers.

Step 3: Confidential Marketing

During the confidential marketing stage, the business owner's advisors should generate interest from numerous prospective buyers and maximize the company's exposure through a number of channels, including email, telephone, direct mail, and web marketing resources. M&A advisors should also produce and distribute high-quality print marketing materials to present the company being sold in the best light. Relevant materials include a brief, confidential profile highlighting the company's products, services, and financial history, and a lengthier confidential information memorandum providing an in-depth look at the company's operations, management team, past performance, and future opportunities.

Maintaining strict confidentiality is critical throughout this process. If word of the upcoming sale gets out, competitors might raise concerns among customers, vendors might rethink their contracts, or key employees might get nervous and decide to leave. An experienced M&A advisor should gather information about prospective buyers, carefully assess their suitability to complete the acquisition, and require a signed confidentiality agreement before providing them with the name of the company being sold.

The M&A advisor's support staff organized a direct mailing and completed phone calls to contacts at each firm on the strategic buyer list. They sent emails to thousands of private equity firm contacts across the country, providing electronic copies of a confidential profile and confidentiality agreement. Additionally,

they posted the company's profile to several popular M&A deal-sourcing websites.

Within two weeks, the M&A advisor was receiving several phone calls and emails per day regarding Martin's company as a result of the messages and letters that were sent out. In total, the marketing efforts generated preliminary interest from nearly two dozen private equity firms and almost 20 potential strategic buyers.

Step 4: Deal Making

Creating a competitive bidding environment is critical to selling a company for maximum value. By coordinating a confidential process that is designed to generate offers from multiple investors, a skilled M&A advisor can provide business owners with negotiating leverage. The business owner can then meet with several prospective buyers in order to evaluate each of their unique strengths and assess his level of chemistry with each firm. An M&A advisor can help the owner determine which buyer would be the best fit for the company being sold.

Throughout this process, a vast amount of correspondence occurs between the business owner's M&A advisor and prospective buyers. Efficiently managing this correspondence is key to completing a successful transaction. The advisor can field initial inquiries, manage information requests, track all correspondence, and solicit multiple bids—all while maintaining strict confidentiality for the company being sold.

Many business owners make the mistake of focusing too much on purchase price and not enough on negotiable terms, deal structure, and net proceeds after taxes. Owners can maximize the total value of their transaction by remaining flexible and understanding their options. Ultimately, they will need to evaluate offers from prospective buyers by weighing the risk/reward factors of any contingent payments and by carefully considering how the structure of a proposed deal will impact their tax liability. By planning early, owners can implement a strategy that will allow them to minimize or defer their tax liability and take advantage of significant savings. With proper tax planning, owners have a better chance of meeting their financial objectives through a sale.

Martin's M&A advisor fielded dozens of phone calls from interested parties and ultimately scheduled several meetings with a handful of prospective buyers who had significant interest in the company. Eventually, two of the interested buyers—one private equity firm and one strategic buyer—submitted letters of intent (LOIs) that met and exceeded Martin's price expectations.

Both parties offered promising synergies, and the individuals with both management teams seemed to possess great chemistry with Martin's key managers. However, the strategic buyer's initial offer was significantly higher than that of the private equity firm and the terms of the agreement were more favorable for Martin. The M&A advisor and Martin's attorney submitted a counter-offer, which the company ultimately signed.

Step 5: Due Diligence & Closing

After the business owner and his M&A advisor have negotiated a signed letter of intent (LOI) with a prospective buyer, due diligence begins. The buyer will request large amounts of information—including financial statements, tax returns, customer and employment contracts, and debt agreements—to verify the accuracy of every representation that has been made about the company. This process can be stressful and time consuming and can last from two to three months, or even longer if

the required documentation is not readily available or disagreements arise.

Thorough pre-sale preparation pays off at this time. Owners who maintain organized financial statements and other company records will find it easier to fulfill document requests during due diligence. Moreover, if the business valuation uncovered any red flags, the owner and his advisor will have had time to determine the best strategy for dealing with them. Owners can help keep due diligence moving forward by continuing to work openly and honestly with their advisors. Advisors can help streamline the process by overseeing the data collection and managing the owner's M&A deal team. They can also anticipate and address potential pitfalls that sometimes arise along the way, such as the loss of a major customer or key manager.

Because Martin began exit planning several years before his target sale date, by the time he arrived at due diligence, all of his financial documents were in order and he and his advisor were prepared to address any unexpected challenges that came up. As a result, due diligence and closing went smoothly, and Martin was able to hand ownership of his company over to a buyer that offered both a good cultural fit and a strategic opportunity for continued growth. The transition also went smoothly because Martin had gradually passed on most of his daily responsibilities to his management team. In the end, Martin was able to retire knowing not only that he had achieved his financial goals, but also that his legacy was in good hands.

Timing is Critical

Although timing the sale of a company can be challenging, choosing the right time to sell can help owners achieve a higher value for their companies. Variables such as the company's financial performance, the current lending environment, economic conditions, and industry outlook will affect how much a buyer is willing to pay for the company being sold. It is best to sell when the economy is on an uptick and the company has demonstrated strong financial performance. In a strong economic environment, buyers will find it easier to obtain credit. Consequently, they will be able to leverage more debt and pay more for the company being sold.

Owners operating in a growing industry will encounter higher demand for their companies, while those operating in industries undergoing consolidation may find that larger competitors are willing to acquire their companies at a premium. Selling during such periods will allow owners to solicit more interest from prospective buyers. Occasionally, a prospective buyer will make an unsolicited offer to purchase a company from its owner. If the offer is reasonable, the opportunity may be worth exploring with the assistance of an experienced M&A advisor. Owners who have prepared well in advance of their eventual exit are better able to take advantage of timely M&A market conditions or unexpected offers and still achieve maximum value. Finally, owners should consider how to reinvest their wealth post-exit, as that will have a tremendous impact on whether they can achieve and sustain their goals and objectives within their overall financial plan.

Should you have any questions about your plan or any other aspect of your overall financial plan, please don't hesitate to contact your wealth advisor at 1-866-346-7265 or visit our website at www.firstpointfinancial.com.

¹ <http://www.sba.gov/sites/default/files/Issue%20Brief%20,%20Business%20Owner%20Demographics.pdf>

² Ibid.

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