

Valued News



TRINITY
Valuation Consulting Group, PLC

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Exiting: By Plan or Default



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“I haven’t decided what I ultimately want to do with my business, or when I want to exit, or how much money I’ll need, or whom to sell to, so how can I plan my exit? Besides, I don’t want to exit right now.”

If you’ve said this, or thought it, you are not alone. Many business owners are either overwhelmed with the thought of exiting or are so busy fighting daily business fires that they assume they cannot plan their exits.

If you aren’t sure about what you want, or when you want to leave, why is it so important to decide to act today?

First, recognize that when you take a passive attitude toward the irrefutable fact that you will—one way or another—leave your business, you are settling for less than the most profitable exit for yourself and for your family.

Second, understand that preparing and transferring a company for top dollar takes time—on average five-ten years. Most of those years will be spent preparing your business for the transfer and, if you decide to sell to employees or children (two groups who rarely have any money), giving them time to earn the money to pay you for your interest.

The more time you have to design and implement income tax-saving strategies, build value, strengthen your management team, and begin a gradual transfer of ownership (not control) to key employees or children, the more likely you are to reach your goals.

Third, if you decide to sell to a third party, remember that the market does not operate on your schedule and may not be paying peak prices when you are ready to sell.

If the prospect of leaving your company with little to show for it is unacceptable to you, let’s look at your three options.

continued on page 2...

Continued from page 1...

Wait for a buyer. According to Deloitte's Entrepreneurship UK: 2008 survey, 35 percent of business owners said they will wait for a third-party offer for their businesses. Owners in this group believe that one day a buyer will contact them, negotiate a fair price, and that will be that. Well, this is a course of action—but one that flies in the face of reality. There is a pent up supply of businesses owned by Baby Boomers who, as soon as the M&A market recovers, will be clamoring to sell their companies. The simple law of Supply and Demand tells us what kind of market that will be for sellers.

In a buyer's market, only the best-prepared businesses sell for top dollar. And the owners of those well-prepared businesses will be those who made the decision to prepare their company years ahead of the actual sale.

Liquidate. Liquidation is a common exit path for owners of companies whose cash flow is declining and has little probability of improving—absent the design and execution of a business/exit plan. If this description fits your company, we recommend that you meet with your tax and other advisors to do the planning necessary to create the most tax-efficient liquidation possible.

Decide to exit and plan accordingly. Start today and take the following steps:

1. Fix a departure date.
2. Determine your financial needs.
3. Decide whom you want to succeed you.
Have your business valued to see if: a) you should sell today; and/or b) it has the value necessary to meet your financial and other exit objectives.
4. Based on your objectives and the realities of your business, use a skilled Exit Planning Professional to forge a plan with accountability/decision deadlines.

Acting today to create your best possible exit path is not difficult. Simply, pick up the phone and give us a call.

Your failure to act, however, can potentially be fatal to your successful exit. You and your family depend on the success of your business exit. Can you afford to fail to act?



Trinity Welcomes J. Andy Williams

J. Andy Williams was hired as a full-time financial analyst by Trinity Valuation starting January 2012. Among other duties, Mr. Williams will perform research and data analysis for business valuation, economic damages, and lost profits engagements.

He is a cum laude graduate of East Tennessee State University where he earned both a Bachelor of Business Administration in Accounting and a Bachelor of Business Administration in Finance with a concentration in Corporate Finance and Investments. Mr. Williams will receive his Master of Accountancy degree in May 2012. He plans to start sitting for the CPA exam in July 2012.

Prior to joining Trinity, he interned with the CPA firm Blackburn, Childers and Steagall, PLC where he gained experience in both audit and taxation services.

Case Law

JEAN GARMAN v. GUY GARMAN

COURT OF APPEALS OF TENNESSEE, AT KNOXVILLE

Marital Assets/Alimony

In a divorce action, appellant wife sought review of a judgment from the Circuit Court for Blount County, Tennessee, challenging: (1) the valuation of appellee husband's medical practice and (2) the division of certain marital debt. The husband's medical practice was a marital asset as his interest in the practice was attained during the marriage. The trial court's valuation properly disregarded the future earning capacity and goodwill of the practice and focused on tangible assets. The court concluded that the trial court's valuation was within the reasonable range supported by the evidence submitted and was well-reasoned. As such, the court struck down the husband's argument that since he departed from the practice shortly before the divorce, the practice was only worth \$15,000 based on the buy-sell agreement. The trial court did not err in making the wife solely responsible for the parties' marital debt to her family as there was evidence that there was little expectation that the debt would be repaid. The trial court did not abuse its discretion in awarding the wife transitional alimony for 36 months based on the factors under Tenn. Code Ann. § 36-5-121(i). Given her work history, advanced degree, and good health, she was not in need of long-term spousal support. Further, her family had supported her since the separation. Three years was ample time for her to transition following the divorce. The court denied the wife's request for attorney's fees.

No. E2010-01215-COA-R3-CV 2011 Tenn. App. LEXIS 252 March 15, 2011, Session May 16, 2011, Filed

HARRY D. CAMPBELL v. BETTY J. CAMPBELL

COURT OF APPEALS OF VIRGINIA

Marital Property

Appellant husband sought review of a decision of the Circuit Court of Albemarle County (Virginia), which classified a lumber company as entirely marital property to be distributed between husband and appellee wife. The trial court further classified a second corporation, started after the parties' separation, as marital property, because the lumber company provided the funds to make the down payment on the second corporation. The husband started a sawmill business in 1957 with his brothers. The parties were married in 1973. In 1977, the husband began developing his own sawmill. In 1979, that sawmill became his principal place of business. In 1983, he incorporated. The court held that the property subject to classification was the husband's stock, which was presumptively marital property because it came into existence in 1983, pursuant to Va. Code Ann. § 20-107.3(A)(2)(iii). The court held that given the complexity of the business and the vast commingling of separate and marital funds, any items of the husband's separate property did not retain their separate classification amongst the business's numerous assets and acquisitions. Because the second corporation, which the husband started after separation, was started with funds from the business which had been classified as marital, a portion of the second corporation became hybrid property. The husband failed to show that separate funds discharged the debt. The trial court did not err in valuing the sawmill business. The appellate court affirmed the ruling of the trial court.

Record No. 1629-10-2 2011 Va. App. LEXIS 264 August 9, 2011, Decided

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See cover page article



Trinity Is Growing

New Location

We have moved to a new location to allow for current and future growth. Although we are still in the Sunset Professional Park, we have moved to a larger and newly remodeled space in Building F. Our new contact information is:

801F Sunset Drive, Suite 2
Johnson City, TN 37604
Phone: (423) 232-0461
Fax: (423) 232-0116



Our Services

Business Valuations
Healthcare Valuations
Litigation Support
Divorce Services
Business Transactions
Exit Planning

Business Value Drivers

Look for segments in future editions called Business Value Drivers, in which we will discuss approaches to increase business value.