



Establishing True-North...together.

Strategy...Growth...Exit

The Compass Point Process



Our goal at Compass Point is to help owners of closely held and family businesses achieve EXTRAORDINARY results. We do this by working with them to align their strategy, growth and exit plans to achieve their **True-North**. Unlike traditional business consulting models where advice and assistance are offered in a specific functional

area, we focus on the owner's life plan first, then the business plan. Our process protects, preserves, and promotes owner's wealth tied up in their illiquid business, and creates a strategy to get that wealth out on the owner's terms.

Strategy

Knowing where to make the money is where all successful businesses should start. Strategic planning – or establishing the vision for how to do that – is a core competency at Compass Point. Based on some of the leading industry experts, we have developed a straightforward strategic planning process based on the following key items:

- Develop the vision: Where are you today? Where do you want to be tomorrow? What is the path to get there?
- What are you going to sell? Who are you going to sell it to? How do you beat/avoid the competition?

- Design the organization that can execute the plan
- Identify the channels to market
- Create the financial model
- Build competitive advantage

Starting With Your Exit in Mind – Ownership Planning™

What truly sets us apart in our strategic approach is our unique Ownership Planning Process. Under our Ownership Planning Process, we bring all the client's business advisors together to build the owner's life plan first: the Exit Plan. This plan focuses on the owner's business-legacy goals, protecting the owner's wealth tied up in the illiquid business, and devising a strategy to get the wealth out. This collaboration delivers exceptional value to the client in contrast to each advisor working independently in his or her own silo. The Exit Plan drives all other planning done in the company. This insures that any work done in strategy, finance, sales, operations, and ultimately ownership transition aligns with the owner's goals and objectives.

The problem is owners of closely held and family businesses get so caught up in 'making the donuts,' that they lose sight of their real job, which is to 'build a business that makes the donuts.' The value and wealth creation is in the business's ability to predictably and consistently produce and sell its products and services and generate a consistent and growing cash flow. The 'business' becomes the owner's product.

Most owners of closely held and family businesses are talented technicians, proficient at the technical components of their business, whether the business is a high tech manufacturer or a low tech service provider. And as human beings, we tend to do what we are most comfortable with, hence the reason owners end up 'taking a job in the business', vs. doing the heavy lifting of vision, strategy, innovation, and leadership, the kinds of things that create enduring value in the business.

Owning a business starts with the end in mind. Understanding how you will ultimately get out of the business, and more importantly, how you will get your wealth that is tied up in your illiquid business out, provides the direction as to how you build and position your business. It is no different than a trip – how could you go anywhere if you didn't have a destination? You'd just end up anywhere...and it's no different for your business.

Our clients are business owners of closely held and family businesses with revenues between \$2MM and \$100MM. A typical owner engaged in Ownership Planning™ is from the Baby Boomer generation, and is concerned with meeting their retirement goals, anxious about taxes, and unsure how to continue the business legacy without them. It is estimated that nearly 90% of the net worth of most owners in this marketplace is tied up in their illiquid business.

Typical issues covered under Ownership Planning include:

- Owner objectives: When do you want to get out? Who do you want to sell the company to? How much after tax income do you need? What are you exiting to?
- Valuation
- Protecting, preserving, and enhancing business value
- Exit Options
- Business Contingency Planning
- Owner/family Contingency Planning

Growth

During the growth phase, companies are concerned about managing profitability and cash to optimize wealth. It's all about execution and results. As in our strategy services, we offer multi-disciplinary service offerings. We take a collaborative, hands-on approach to working with our clients, drawing upon the expertise of our team and partners to deliver quality results. Key services offered to help navigate the growth phase and pay off handsomely today through higher revenue, cash flow, and profit are:

CFO Financial Advisory Services

- Balance Sheet Improvement (debt restructuring; cash flow enhancement; key ratio improvement)
- Development of key metrics that provide insight into the company's financial health
- Bridge the gap from operations to finance
- Financing growth initiatives
- Working capital
- Operational execution

Strategy Implementation & Execution Services

- Retainer based services
- Monitor, measure results
- Maintain focus and commitment
- Sales plan
- Marketing plan

Merger & Acquisition (M&A) Services

- Buy-side Targeted Acquisition Services
- Merger and Acquisition integration services

Private Equity Investment and Management

- Compass Point private investment or arrange financing

- Compass Point takes active position on management team in exchange for equity
- Clearly defined 3 to 5 year liquidity strategy

Exit

Our contention is that the only reason to get into a closely held or family business is to get out, and to further clarify that, to get out on your own terms. Our exit planning services help to position the business properly so that the owner can exit on their terms and achieve their life plan.

Certainly one of the cleanest ways to exit is to sell the business. Compass Point has developed strategic alliances with leading merger and acquisition specialists to help business owners successfully navigate this very difficult process. We take the burden off the business owner so they can concentrate on their business while we obtain the optimum purchase arrangement. Key services include:

Merger & Acquisition (M&A) Services

- Sell-side Investment Banking Services (strategic alliance with leading lower/middle market investment bank/M&A firm)
- Sell-side Advisory Services
- Sell-side Due Diligence Services
- Merger and Acquisition integration services

To optimize the sale and or management transition, exit and succession planning is critical. We are pleased to provide expertise in these areas, covering:

Exit and Succession Planning

- Exit Options
- Exit Strategy
- Identifying and developing leadership talent
- Insure business legacy

Our Exit Planning is part of the unique Ownership Planning Process we discussed under Strategy, where we develop an exit plan based on the owner's life plan first. Succession planning is another function that should be addressed throughout your business life, not just as the end looms on the horizon.

Not addressing the future can be a major problem for the founding generation. The earlier succession planning is addressed the better because it gives owners the most time to select and train their successor(s).

Succession planning is a process of determining critical roles within the company, identifying and assessing possible successors, and providing them with the appropriate skills and experience for present and future opportunities.

Succession planning ensures that there are highly qualified people in all positions, not just today, but tomorrow, next year, and five years from now.

Succession planning establishes a process that recruits employees, develops their skills and abilities, and prepares them for advancement, all while retaining them to ensure a return on the organization's training investment.

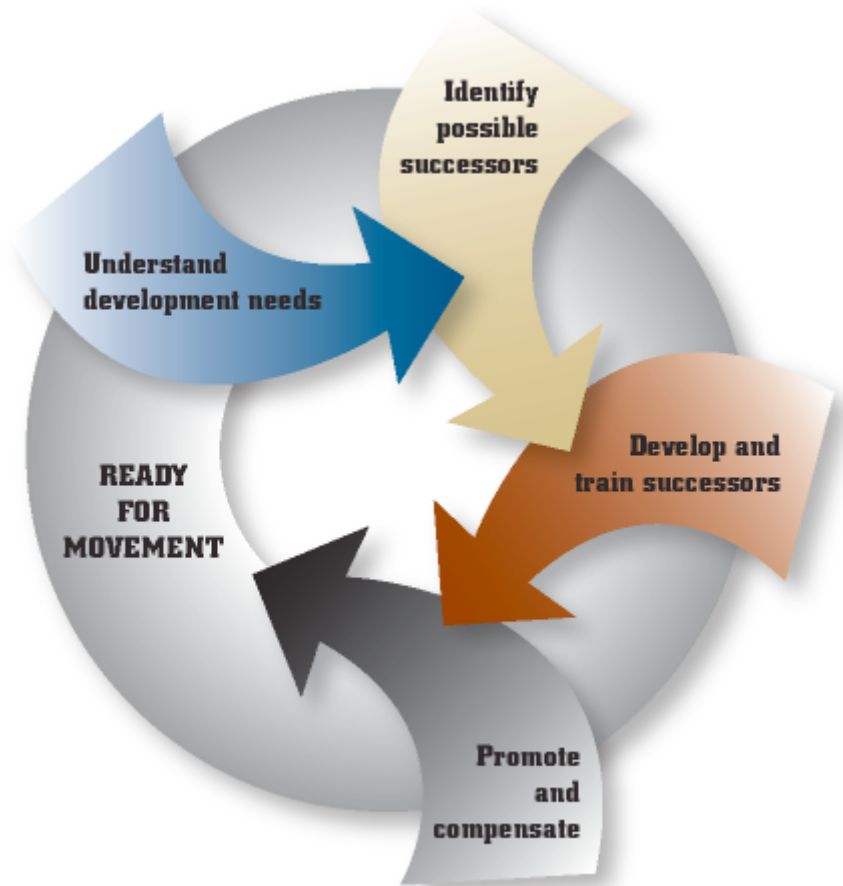
Succession planning involves:

- Understanding the organization's long-term goals and objective
- Identifying the workforce's developmental needs
- Determining workforce trends and predictions

In the past, succession planning typically targeted only key leadership positions. In today's organizations, it is important to include key positions in a variety of job categories.

With good succession planning, employees are ready for new leadership roles as the need arises, and when someone leaves, a current employee is ready to step up to the plate. In addition, succession planning can help develop a diverse workforce, by enabling decision makers to look at the future make-up of the organization as a whole. Through your succession planning process, you also retain superior employees because they appreciate the time, attention and development that you are investing in them.

To effectively do succession planning in your organization, you must identify the organization's long-term goals. You must hire superior staff. To do this you need to identify and understand the developmental needs of your employees. You must ensure that all key employees understand their career paths and the roles they are being developed to fill. You need to focus resources on key employee



retention. You need to be aware of employment trends in your area to know the roles you will have a difficult time filling externally.

In other words succession planning comprises of these important steps:

- Recruitment and staffing - you recruit superior and right employees
- Training and development - you train the employees to develop their knowledge, skills and abilities
- Performance and compensation management - prepare them for advancement or promotion into ever more challenging roles
- Other (in which talent management plays a role) - you are prepared to retain or replace superior employees

Compass Point uses our Strategy...Growth...Exit Process to help owners of closely held companies and family businesses grow and position their business to create the lifestyle of their dreams.

Experience the Compass Point difference. 610-336-0514