

VALUE STRATEGIES

A Newsletter for Business Owners and Executives

Deciding When to Sell

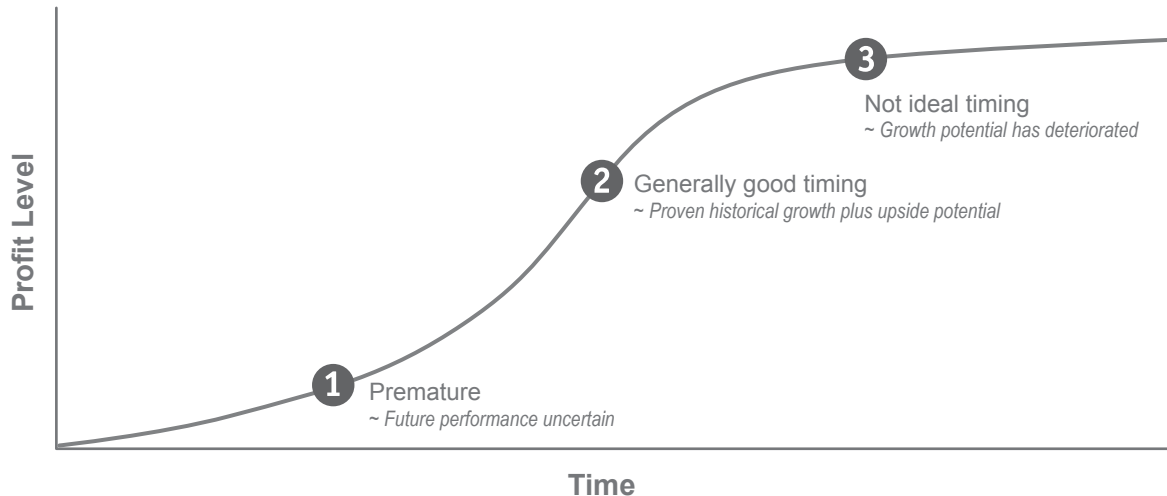
Every business owner must face the reality that someday, in some manner, they and their company must part ways. Despite the prevalence of this ultimate succession issue, many business owners often don't consider it until they are forced to do so.

The decision as to when to sell a privately held company can arise either over a lengthy time frame or as a reaction to circumstances or opportunities. In either case, the business owner should consider the factors that are important to them both from an economic and a personal standpoint prior to entering into discussions with prospective buyers.

There are at least five basic avenues of succession for the owner of a privately held company that operates as a going concern: (1) sell or gift to family members; (2) sell to management or employees; (3) sell to other existing non-family third party shareholders (where there are two or more arm's length shareholders in the company); (4) sell to an arm's length third party buyer; or (5) pursue an initial public offering.

Value enhancement opportunities are created where the business owner times the sale to coincide with favourable personal and business conditions. These conditions include the owner's personal situation, economic and industry conditions, and the company's recent and prospective operating results. When economic and industry conditions are favourable, the prices fetched tend to be higher. This mainly is due to the higher level of liquidity in the marketplace during such times. Prospects for liquidity and business values are particularly favourable where an industry is going through a period of consolidation.

Privately held companies tend to attract a greater level of interest among buyers where they have attained critical mass and have demonstrated one or more years of strong operating performance in the years prior to sale. Strong recent operating results tend to improve a buyer's perception of the outlook for continued favourable results and future growth. The explanation supporting the expectation of future cash flow growth is more credible where the business owner can provide tangible evidence to that effect, such as a growing order backlog or proven cost reduction initiatives. That said, business owners should be aware that when considering the benefits of growing their company one more year, they must also consider the prospective rates of return and valuation multiples that might prevail at that time.

Exhibit 1**Relationship Between Profit Level and Time**

To ensure that opportunities for realizing value enhancement are available even where unexpected circumstances arise, business owners are advised to review their estate and their company's operations on an ongoing basis. Where business owners are approached with an unsolicited offer from a prospective buyer, they generally are well advised to proceed slowly, gather information and obtain the necessary professional advice to ensure that they control the sale process and increase the likelihood of realizing value enhancement.

Business owners should consider important factors that will influence their lives and the lives of their families, as well as factors that will affect the structure and conditions of an eventual deal. In particular, business owners should consider what role and responsibilities they are prepared to accept following the sale, as well as their personal financial needs.

Preparing for the Sale

Adequate preparation for the sale of a privately held company is essential to maximizing shareholder value. Preparing for the sale normally should begin at least one to three years prior to the time the company is marketed for sale. This is because many of the initiatives involved are time-consuming to execute. The key to value enhancement is to structure the affairs of the company to increase its attractiveness to buyers. An attractive company is one that is perceived to have a sustainable competitive advantage that can be readily transitioned to a buyer.

Preparing the company for sale necessitates a comprehensive and objective review of the company's operations, including its customers, management structure and other operational and administrative aspects. The owner should determine which employees are critical to the company and enter into a formal employment contract where appropriate. Business owners should consider steps that can be taken to legitimately increase both the revenues and profits of their company in the years leading up to the sale. The balance sheet of the company should be reviewed in order to improve working capital, manage capital expenditures and remove any redundant assets prior to the sale.

From an economic standpoint, shareholder value is a function of the prospective discretionary cash flow that a company is expected to generate, the rate of return applied thereto and the financial position of the company. Therefore, the initiatives that are undertaken when preparing the company for the sale should serve to positively influence these key variables over the long term.

As part of pre-sale preparations, business owners should engage objective, competent advisors who will help guide them through the sale process and who will contribute to shareholder value creation and realization.

Transaction advisors are an essential element to ensuring that the business owner maximizes shareholder value. In particular, lawyers, income tax advisors and intermediaries are an integral part of the private company sale process. Other advisors, such as independent valuation experts, accountants and industry experts, may also play a role. One advisor, normally the intermediary, is appointed as the transaction coordinator and is responsible for working with the other advisors and facilitating the sale process from planning through to execution and closing. For each advisor, a clear understanding should be established with respect to work expectations, fees and confidentiality arrangements. Business owners should retain professionally accredited advisors that have experience in dealing with the sale of privately held Canadian companies and who are known for offering sound, objective advice to their clients.

Business owners preparing their company for sale end up doing many of the things they should have been doing all along as part of good business practices, but were just too busy to address them. Business owners should constantly be thinking about how to enhance the value of their company (and related estate planning) simply for the purpose of reaping the benefits that are associated with enhanced value, even if they decide not to sell. Pro-active business and estate planning also allows for the costs and benefits of value enhancement opportunities to be assessed more thoroughly. Professional fees and other costs often are more manageable when business and estate planning initiatives are not conducted in a hasty manner.

RECENT NEWS



Invites You to Attend
An Intensive Half-Day Seminar on

SELLING YOUR PRIVATE COMPANY

Wednesday, March 26, 2008

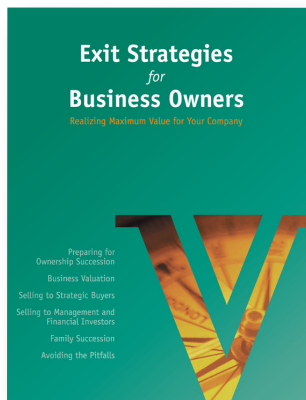
8:30 a.m. – 12:00 p.m.

Radisson Suite Hotel Toronto Airport

“Whether the sale of the business is imminent or years into the future, this seminar offers important strategies for maximizing shareholder value.”

This seminar is designed to help business owners and senior executives understand how to effectively prepare and position their companies for sale, and what they can do to increase shareholder value before and during the sale.

Attendees will receive a complimentary copy of
Exit Strategies for Business Owners.



To register or for more information, please visit our website

www.veracap.com

or contact Bailey Zaveda,

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VenGrowth

PRIVATE EQUITY PARTNERS INC.

An Affiliate of VenGrowth Asset Management Inc.

has completed an investment in



OnCorp Direct Inc is a leading online provider of public research and registration services to the legal, financial and business communities.

Veracap Corporate Finance acted as advisors to OnCorp Direct Inc.



CAFÉ College Calgary *presents*

FAMILY BUSINESS AND CHANGE

Wednesday, April 9, 2008

8:00 a.m. – 3:30 p.m.

Ranchman's Club Calgary

Veracap is pleased to be a featured speaker at CAFÉ Calgary for this event. Focusing on business transition, this full day seminar is a must-attend for business owners and executives who wish to evaluate various issues pertaining specifically to family businesses.

To register please visit www.cafecanada.ca/calgary
or www.veracap.com