



What If...

When Partners cannot agree...

Splitting up the business

Value

EBITDA / Cash Flow

Adjustments:

- Allocation of expenses amongst all stores
 - Labor
- Rent – Fair Market
- Salary for services provided
- Pre-pay / over-pay self or family
 - Did it need done?
 - Was it done well?
 - Was it done for a fair price / price I can hire someone else...?
- Loans to / from shareholders

Multipliers

- Demographic study
- Cap Ex
- Deferred Maintenance
- Management in place (without family)

Cash

- Checking / Savings
- AWG \$

Adjustments – How Spent / How Allocated

Real Estate

- Rent baked into EBITDA – Then add R/E value to number
- Rent left out of EBITDA – then R/E is already accounted for (run both ways for comparison)

Equipment



- Not New Prices
- Not Fire-Sale
- ??

Inventory

- Wholesale / Retail

GUT CHECK – “I cut, you choose”

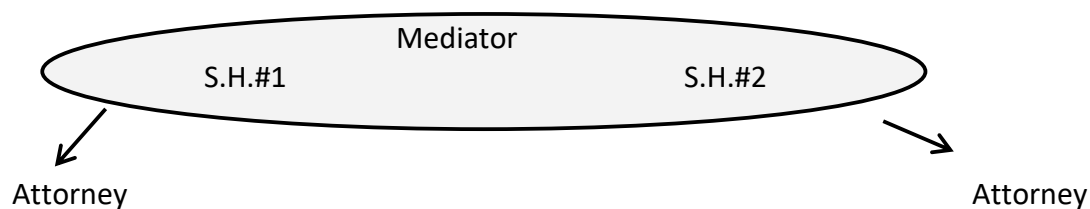
Cash Flow at 4.5% interest at 10 and 15 year Amortization = value?

Once Value is determined \$X

Then subtract amounts already paid any owner...

Process:

- 1) Personal Conversation between the Shareholders
 - a. Empathy – What are you trying to achieve
 - b. Let’s discuss what are the parts to value (brainstorm to complete the categories not necessarily the numbers...)
 - c. Let’s find someone we both can agree on (or a combination of people) to turn this input into a value analysis.
 - d. Let’s work together from the outsider’s input on value to find adjustments to get to a number. THERE IS NO NUMBER WITHOUT ADJUSTMENTS TO THE ASSUMPTIONS – CANNOT PULL A NUMBER OUT OF THE AIR – Tax implications...
 - e. BATNA and agreement in concept.
- 2) Facilitator “non-binding mediation” – if we cannot come to an answer without help the courts will order it anyhow...



- 3) Attorneys and Courts
 - a. Battle of experts
 - b. If cannot agree – ultimately the courts can force sale