CROSSROADS

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…

Mediator

S.H.#1 S.H.#2

Attorney Attorney

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