

April 20th, 2009



This Exit Strategies Newsletter
Brought to you by:
Riverbend Capital Group & iNBEE Financial

Your Protected Illiquid Asset, Your Business

Dear Client,

In today's economic environment, many business owners are looking for some good news. Well, if your business is still healthy / surviving, it is also likely the case that it is the best holding in your overall personal portfolio today. It therefore makes sense that you look after this asset with a heightened degree of care because a properly designed exit plan, over the next 3 to 5 years, may be your strongest road to recovery.

Are you asking yourself where the bottom is to this market and economy? Do you occasionally fear that your wealth has decreased so much that the road back is going to be long and hard? Well, if you are looking to measure your wealth on a basis that you can rely upon, you should first look to the illiquid wealth that is locked inside your privately held business because it is likely that this wealth has been better protected than your investments or your real estate in the past year or so.

In the world of 'wealth' there are five primary areas, or asset classes – they are:

1. Stocks
2. Bonds
3. Cash

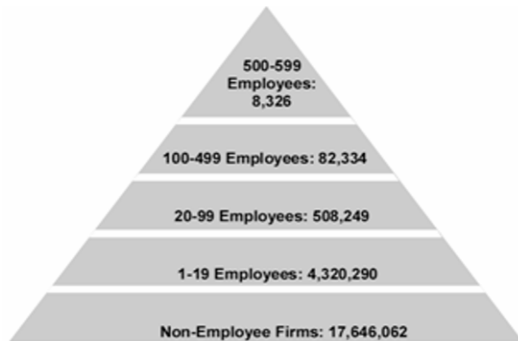
4. Real Estate
5. Privately held businesses

Business owners tend to concentrate their wealth in their privately held businesses, creating an estate that is not diversified and is highly dependent upon the success of one asset – the business – in order to provide for the owner and his family. For the most part, you want to diversify your wealth into many different areas – i.e. allocate your assets properly – in order to protect your wealth against a drop in value in any one category.

In today's market environment, 'diversification' simply means that you lost value in all of the categories. But, if you look closer, you will find that the concentrated wealth in your privately held business likely sustained less damage than your other assets. Accordingly, the need for you to begin your exit planning in order to 'realize' this wealth and begin to turn this asset into cash is more important than ever. Why did your privately held business sustain less damage to its value?

Well, simply put, small businesses are less subject to the market swings than larger companies. Small businesses are able to fly underneath the radar and make quick changes that large companies cannot make.

An analogy of an iceberg is helpful in assessing the relative value of your business. Look at the following chart of businesses in the United States.



Many of the businesses at the top of the triangle are publicly traded companies, the value of which is subject to the market swings. These are the businesses that are above the water line and are subject to the winds and the storms created by the economy.

By contrast, those businesses towards the middle to bottom of the pyramid fall ‘under the water line’ – similar to the way that only the tip of an iceberg is exposed to the surface above, while the majority of the iceberg rests beneath the surface.

By having your privately held business ‘beneath the surface’, your value has likely avoided the strong winds and storms of this economy.

Think about it this way, in October of 2007 the Dow Jones Industrial Average was at a peak exceeding 14,000. By February of 2009, it had dropped more than 50% to less than 7,000. Therefore, any allocation of your wealth that you had in this broad market has been cut in half. Real estate is a separate matter.

The real estate market has suffered greatly, and, depending upon what part of the country you live in, maybe as dramatically as the public equities markets. Liquid securities and real estate are highly subject to volatile market swings.

Some of this diminution in value is obvious. However, not so clearly defined is the current value of your private business. Although you may be feeling squeezed right now, the relative fact is that the business likely has not dropped to such a degree. And therein lies the most promising news; the realization that with the right exit plan to tap into that illiquid wealth, you can begin to restore your post-exit dreams and replace the losses from your liquid assets and your real estate. Therefore, it is important to view your total wealth and ask where your road to recovery will begin.

By designing an exit from your business that focuses on restoring the value over the next few years, you can take back control over the loss of wealth in this difficult economic time. You can design an exit that taps into that wealth and provides for you on an ongoing basis, into retirement or your next phase of life. By establishing an exit plan from your business, you can begin to take comfort in the fact that your business value likely held up stronger than your other assets and that you still have time to ride the upcoming recovery into a solid plan for a successful exit from your business.

The key to this type of planning is to look beyond the horizon and to view your total wealth as one source of capital that will eventually fund your post-exit /

retirement goals. In doing so, you are likely to conclude that an exit plan for the protection and realization of your illiquid business wealth is the strongest path towards your personal recovery. This indeed is good news for most owners.

Hope you found this article enlightening. If you have any follow-up questions or wish to provide feedback, please contact me.

Also, feel free to share this newsletter.



David E. Prouhet
Exit Strategist
314-258-2000
DProuhet@RiverbendCapitalGroup.com

Riverbend Capital Group
2464 Taylor Road Suite 307
Wildwood, MO 63040



Brian Bush
iNBEE Financial
6209 Mid Rivers Mall Drive Site 161
St. Charles, MO 63304
636-233-2782
BBush@iNBEEFinancial.com