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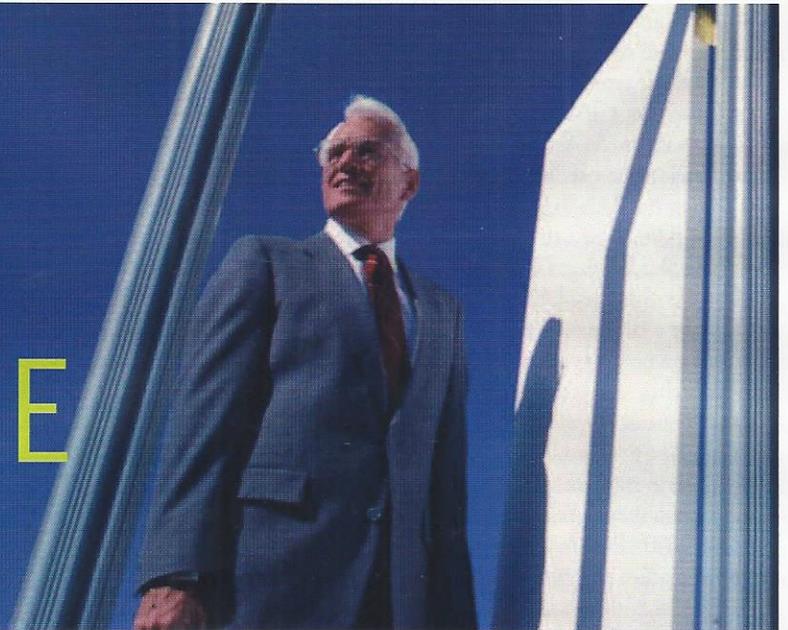
All business owners must craft an exit strategy to help ensure, upon their retirement, the prosperity of their business and the welfare of their dedicated employees and loyal customers. Todd Allan has been integral to our clients' marketing efforts for more than 30 years, and such strategic planning will enable our printing company to play a key role in the future. The process will take several years, and I look forward to sharing my experiences with those similarly motivated.

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By Timothy Burn

There may be 50 ways to leave your lover, but there are only four ways to leave a business. Picking the best option requires an exit strategy.

SLIP OUT THE BACK JACK



The warehouse floor of Todd Allan Printing Co. buzzes with activity. Inside the building just off Route 1 in Beltsville, MD, several state-of-the-art printing presses churn out, crease, fold and stack ream upon ream of glossy four-color pages for scores of loyal Beltway customers, on any given day.

Through aggressive acquisition and sheer tenacity, CEO Allan Kullen has built a stable and profitable business within an industry that can best be described as mature. In the last decade, the advent of the Internet has lessened the needed for hard copies, forcing many printers to acquire others to keep a piece of the declining market, to sell or to fail. Kullen has bought over the years, first picking up a printing company in 1974 that was dying under the weight of a check-kiting scheme. He bought up about six other small companies since and now Todd Allan is a \$15.5 million printing company ranked 12th out of 23 on the *Washington Post's Book of Lists*.

He's assembled a loyal and capable staff, updated technology in the rare instances when the printing industry allowed, and has set his company on a profitable footing.

Like most entrepreneurs, Kullen had given scant thought to the idea of the end. When you're building, hiring, growing and selling, who has time or the inclination to think about giving it all up? But like death and taxes, he recently realized the certainty that one day he would have to exit the business he spent decades growing.

The question was would he leave on his terms, with the business in good shape and the right people justly compensated and running things? Or would outside forces dictate the course of his final days as a CEO, putting his financial future and his company at risk?

ing people into printing these days," said Kullen, who has two successful, grown children, neither of whom are interested in the printing business.

With 110 employees, Todd Allan Printing is expected to do about \$15.5 million in business for 2006, and Kullen hopes to get revenues up to about \$17 million. "I don't want the plant to get any bigger than that. At \$17 million we would be very comfortably profitable, and could take care of all of our people and our customers. The building probably can't handle much more than that unless we get into three-tier stacking, and while that's safe, psychologically it bothers me having 3,000 pound skids that high up."

Given his place in the local market, the quality and loyalty of his staff, and the expectation of a fair share of the mature industry, Todd Allan looks like a promising target. At this point Kullen must decide how he wants to leave and who he wants making the executive decisions when he leaves.

ON YOUR TERMS

While there may be 50 ways to leave your lover, there are really only four ways for a CEO to leave a company, according to John H. Brown, author of *How to Run Your Business So You Can Leave it in Style*.

"If you know these methods and decide in advance which one you prefer, then you can plan to leave your business under terms and conditions you choose," says Brown. "Without planning you are more likely to settle for terms and conditions beyond your control – and less beneficial to you."

The four exit options are: transfer ownership to your children, sale to other owners or employees, sale to a third party, or liquidation. Truthfully, there's really four-and-a-half ways to leave a business. One way to leave is by unexpectedly kicking the bucket. Your assets could wind up in probate and might go the transfer-to-children route, but even the best estate planning can still get messy. About half of all business owners say they would like to transfer their company to their children, but Brown says that only about a third of those transfers actually happen.

There are so many thorny issues associated with handing your business to your children that many business owners quickly decide not to go down that road. Chief among the thorny issues is taxation. Rates can reach as high as 55 percent to 65 percent on the transfer of ownership to a child by sale or gift, according to Brown. The tax rate can reach 50 percent if you leave the company to your children in your will.

A business owner may have several children and only one involved in the business. So who gets the business, and how do you evenly distribute to the other children if that is your goal? If one of your married children goes through a divorce, then the soon-to-be in-law may have a compelling – and unwelcome – stake in your business. Many business owners realize that their children, even those that worked for them, are not up to the task of running the business. Brown emphasizes in his book that, while it is difficult, it is possible through a series of detailed steps to successfully transfer the business to children.

Many business owners eventually begin to see the people that work for them as a surrogate family. These are folks who worked long hours through the hard times and the good. They know the business and owners often look for ways to sell the company to the employees, or to a small cadre of key employees.

As it stands now, this is the exit option at the forefront of Kullen's thinking. "The idea is really to keep the company going. As the company gets more profitable, we will get heavily taxed if we don't start to distribute the income. So we will want to maximize the distribution of income to the people that deserve it, and possibly establish a volunteer profit-sharing plan.

"At some point I have to figure out how top management will ultimately get transferred. One dream situation is that you set up an organizational system that will allow the future leaders you are looking for to rise to the top."

One of the main stumbling blocks to selling to employees is that few of them, even collectively, will have the cash on hand needed to buy the company. Often the business owner will structure an employee buyout over time, providing the owner with a salary going forward based on future earnings. Brown, the author, estimates that if a business is worth more than \$2 million, it tends to be difficult for the employees to afford it.

GOING OUTSIDE THE FOLD

A third exit option is selling to an outside party. If a business owner has not done the work to prepare a company for sale, this situation can turn into a bargain basement sale. But with sound planning, this can be the best chance for a departing owner to get the most cash at the sale of the business. It also provides a clearer path to divvying up the proceeds from the business to various family members.

The downside, according to Brown, is that no matter what the buyer may say, the culture

and climate of the business is bound to change under new leadership. Most buyers look at a business for sale as an opportunity to improve it through change. That change may in fact be necessary and improve the bottom line. But the new style may well be jarring not just for the staff that stays on, but also for existing clients.

The final option for exit is liquidation. Basically, if no one is there to buy your business – family, staff or third party – you shut it down. Sell the assets, collect outstanding accounts, pay the bills. If there's anything left, it's yours to keep. Both Haggerty and McCollough emphasize that this is the least desirable outcome for owners, and it usually occurs because management did not plan for an end game, and then outside forces took over.

Service businesses, which comprise a huge segment of the Washington area economy, tend to have very little in value for a liquidation sale. Brown puts this option in stark terms in his book: "In a service business with little accumulated assets, liquidation is preferable only to death as a means for getting money out of your business."

The decision to set up an exit plan often comes too late in the game for a business owner. But it can never come too early, it seems.

Ariel Datoc, who owned a visa and passport processing business in Los Angeles, decided last year to move to Washington to be closer to his ailing parents. Recently, he bought a co-partnership in a Dupont Circle business called Visas&Passports2GO, Inc.

Right away, his lawyer, John McCollough, urged Datoc to plot an exit strategy for his new business since he was likely to become the sole caregiver to his parents, and may need to spend months back in their home country the Philippines to tie up loose ends.

Datoc, who agreed that any long-term planning strategy outweighs the costs, began gathering up files in October. "It is worth it to me. Exit planning may sound expensive, but anything that you do at the last minute in a business will be more expensive than the cost of good planning," he said.

In mid-November his mother died, and as is the case with Kullen of Todd Allan, Datoc's attention has been diverted from running his business.

The good news for Datoc is that his operation is small, only eight staffers, and he already has a clear handle on the value of his business. The visas storefront industry is extremely competitive, and like most CEOs in the field, Datoc, has bought and sold a number of times and will likely be ready if the time comes to sell again.

ATTENTION DIVERTED

Kullen had another issue that brought these questions to the fore. While he has dedicated his professional career to printing, Kullen has a side interest that over the years has come to dominate much of his attention. For many executives his age, he's 62, often that other attention grabber is grandchildren. Kullen has that issue too. But his side interest is even larger and more consuming. Kullen leads a foundation called Americans All, which seeks to help bring the study of history and cultural diversity back into the curriculum at the nation's 100,000 K-12 schools.

For 20 years it has been a driving mission, and now he is realizing that for it to succeed Americans All needs all of his attention for the next couple of years. After three years of prodding from his CPA William Haggerty, of Haggerty, Knox & Associates. Allan Kullen finally realized he needs an exit strategy for his printing company.

"The first step in this whole process is to convince the business owner that he or she needs to do this," said Haggerty. "Everything has to have a beginning, a middle and an end. Business owners have to come to the realization that they are at that point in their lives where they must begin to think about and plan for the end of their businesses."

Haggerty said that, unfortunately, too many business owners never reach that conclusion, or if they do, it is way too late for them to capture and retain the prosperity and continuity that they had hoped for.

"It's like the forest and trees concept," said George Knox, Haggerty's partner. "CEOs are often too busy cutting down trees and they don't see the whole forest. This is about forecasting and planning for the future."

Like many trends in business, the notion of exit planning is likely to track the aging of the Baby Boomer population. Small business has been the engine of American economic prosperity since the end of the Second World War. The first wave of Boomer business owners is starting to reach retirement age and most of them will be leaving their companies, one way or another, over the next 20 or so years.

"Owners begin thinking about the exit planning process when two streams of thought begin to converge," said John McCollough, president of McCollough and Nicholas, PLLC. "The first stream is a feeling that you want to do something besides go to work everyday – either you would like to be someplace else doing something else, or you simply no longer get the same kick out of doing what you are doing.

"The second stream is the general awareness that you are either approaching financial independence, or making significant strides toward reaching that goal, or can achieve financial independence by selling your business."

The purpose of exit planning is to leave your business on your terms and on your schedule.

Once a business owner has made that emotional leap of realizing he or she needs to craft an exit plan, a growing number of small business advisers are on hand to help guide them through the lengthy process, which can take anywhere from one to five years depending on the size of the company. Both Haggerty and McCollough work individually to help clients through the process. Both also, advocate a team approach to exit planning in which the business adviser serves as the point person. An exit planning team is usually made up of the adviser, business evaluator, accountant, lawyer, business broker or investment banker, and an insurance agent.

WHAT'S IT WORTH?

You may have an idea of what your business is worth based on the size of your company, your assets and the amount of business you do in a typical cycle. You probably don't know all that you should, and to be sure, the only way to know precisely what the business is worth is for a buyer to tell you how much they are willing to pay.

Finding out the value of your business is the second step in the exit planning process and probably one of the more laborious tasks. Kullen, of Todd Allan Printing, has just completed this phase of the process after about three months of digging through files.

"You have to gather all of the data that you have. I have taken all of my investments, stocks and bonds, and put them into spreadsheets," said Kullen. "What I found was that they were incomplete from a tax point of view. I wasn't too surprised because I've been running a company all these years."

Kullen now knows what he is worth, and as for the company he has a good idea what it is worth, and what he would like to have for himself if he leaves the company. "The question now is how do you get income out of this business? How do you do that in such a way that it does not disturb the company and then hurt the employees?"

Kullen has completed the first two steps: realizing he needs an exit plan and then with the help of his advisors, determining as best he can the value of his assets. How he leaves the company and when, and whether he may come back into it at some point, are all open

questions for Kullen. All of those questions must get answered fairly soon so that Kullen can begin devoting the bulk of his time to Americans All.

"Once I get into a project it gets fast-tracked," said Kullen. "I believe that after the holidays, some time toward the end of the first quarter, we will have a sense of what we are doing. The details may take up to six months, but there is no urgency here because I am conducting this process on my terms."

It is critical to begin the process before outside forces compel you to plan a quick exit from your company. According to Haggerty, the vast majority of business owners wait until the last minute and end up getting far less money than they had expected.

Apart from the tangible assets of a company – the equipment, the property, etc. – the most valuable assets are the employees and the profits that they help to bring. To make a business attractive for a lucrative sale a CEO must take a measure of the staff and determine who are the key players, producers and decision makers. These are the people that can run the company in your absence, and they are the ones that you need to retain and nurture.

BUILDING FOR VALUE

A company that is attractive for purchase will also have a steady and loyal client base, with room for further growth. The product or service you provide must appear marketable now and in the future. While you are going through the exit planning process you must also continue to manage and upgrade your operations.

Kullen, with or without an exit strategy in mind, has continued to upgrade his plant in Beltsville, utilizing every inch of his space for the latest technology. His latest addition to Todd Allan Printing has been to combine with a small digital printing operation.

"We have been in the process of reinventing ourselves in the last three or four years," said Kullen. "We have gone heavily digital in both the press end and the bindery end, and we have upgraded our camera department."

The challenge for Kullen and Todd Allan Printing is to build future value into the company now during a period when the printing industry is in decline. About 10 years ago there were approximately 55,000 printing companies around the nation, and today there are slightly more than half that number, by his estimates.

"The Internet has picked up a lot of that capacity, and there are other ways that people can communicate. Generally it's a declining industry. There is not a lot of romance bring-

THE FINAL TURN

ALLAN KULLEN'S 20-YEAR PROJECT TO BOOST HISTORY AND CIVICS INSTRUCTION IN AMERICA'S K-12 SCHOOLS NEARS COMPLETION

By Timothy Burn

So what is this other obsession that has helped Allan Kullen reach the conclusion that he must prepare to exit his printing business?

Long before Kullen entered the printing business he backpacked through Europe. While on his tour he visited many historical sights associated with the Second World War and the Holocaust. Though an educated young man, Kullen was struck by the amount of history that he had not been exposed to growing up in America.

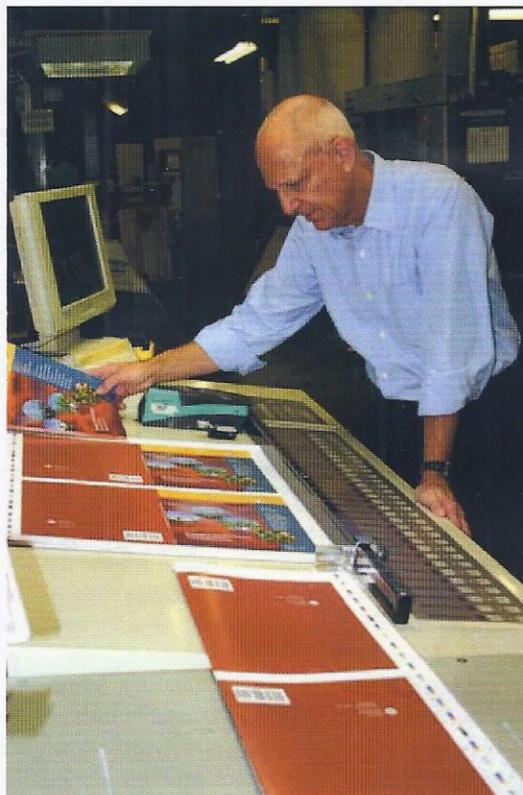
"I went behind the Iron Curtain and learned at close range about the Holocaust," said Kullen. "I came back with an interest in history that I never had going to school."

Kullen decided that he wanted to help improve the teaching of history and cultural diversity in America's 100,000 K-12 schools. In talking to many educators over the years he has also realized that history is subjective, especially in a place like America where different ethnic groups arrived under starkly different circumstances, which in turn has shaped their perception of our history.

Though Americans All was launched more than 20 years ago, Kullen believes that the importance of teaching history has gained more urgency in recent years, particularly with the implementation of the bipartisan No Child Left Behind Act. Though launched with the honorable goals of compelling schools to improve their teaching of math and reading, Kullen and others note that other coursework, notably history, have gotten cut from the curriculum to make room for more rigorous math and reading testing.

The goal of Americans All, which is administered by the nonprofit People of America Foundation, is to keep children in school and encourage them to become responsible citizens and productive employees in a democratic society. To do that, Americans All offers curriculum resources in a variety of methods and perspectives in order to make history more relevant to their daily lives.

As government investment in the teaching of history appears to dry up, Americans All seeks to fill the gap with a business-education partnership. The foundation provides staff development resources and detailed state-specific data to be used to broaden the history lessons that are taught in schools. Americans All provides educators with resource texts, teacher's guides, music, posters and photographs, at no cost to the public. Under the direction of state and local educators Americans All will collect, maintain



Allan Kullen, CEO of Todd Allan Printing, has built a profitable business through strategic acquisitions over three decades, technology upgrades and treating his people right. Now he's planning an exit strategy so he can finish up work on an ambitious nonprofit teaching project he started 20 years ago.

and share its information on child-safe public databases, which teachers and students can assess at any time to supplement their existing course work.

Fortunately for Kullen's obsession, technology has advanced allowing him to compile and arrange historical information in an organized and useable way. "If the Internet had not come along, there was no way we could have expanded. It would have been logistically impossible. But with it, we came up with a system that would give us what we are looking for."

If his 20-year interest in boosting history and civics teaching in school can be compared to a horse race, Kullen and Americans All is at the final turn before the finish line. He has successfully compiled the databases, printed material and coursework. He has the support of several national education associations, like the National Association of Elementary School Principals, and he has the support of the governments in all 50 states and the District of Columbia.

By his calculation the project can be rolled out into the schools in a matter of weeks. What he needs now are deep-pocketed sponsors to make it happen. A corporate sponsorship program calls for raising the \$250 million needed to get the program up and running.

"There is a great deal of money available. The challenge is getting corporations to support the national rollout of this important program, so they can assess how it helps them fulfill their responsibilities as good corporate citizens."

Over the years, Kullen has been able to "double-dip" his time building his printing business while also spending a good bit of time in his office on the Americans All project. It's been a good fit for him as his printing experience and infrastructure have helped boost the project.

Now, however, he has to leave the office quite a bit each week to travel the country and meet with potential sponsors. Americans All is taking up much more of his time and he needs to dedicate even more time to see it through to the finish.

"The problem is that it is a passion for me. When an idea becomes a passion it becomes a piece of you," said Kullen. Maintaining the mindset of many successful entrepreneurs, failure is not an option for Kullen.

"This will succeed. At the moment I don't know when but it will succeed. I see a critical need for this project. If somebody doesn't make the happen we've got a real, real serious problem in this country."