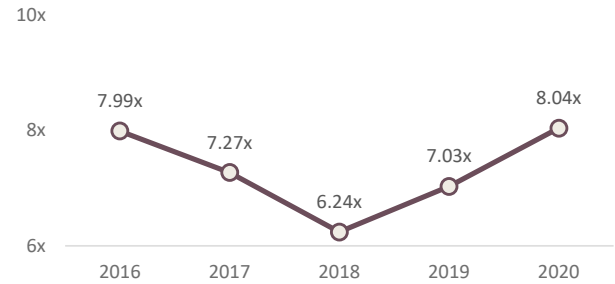


What's on the Other Side of 2020?

Planning Takeaways

- ✓ Invest in Your Business
- ✓ Obtain Business Audit Before Planning
- ✓ Prepare Probability/Impact Analysis
- ✓ Create an Advisory Board for Your Business

Historic Valuation/EBITDA



Source: Pitchbook December M&A Report

Economic Factors

Increased Unemployment



Unemployment peaked in April at 14.7%. Heading into 2021 it's around 7.9%.

Growing Debt to GDP Deficit



Current debt to GDP deficit is 136%. Historic high since tracking ratio.

Small Businesses Still Struggling to Open



An estimated 60% of small businesses that closed since the pandemic won't reopen.¹

PPP Effect on Banking Relationships



PPP loan may change your current bank's willingness to lend based on FCR² increase.

Deal Factors

More Selective Buyers



Buyers are more selective due to disruption caused by pandemic.

Changing Deal Terms



Expect more due-diligence, larger earn-outs, increased reps & warranties.

Proposed Tax Changes



Reduce tax exemption from \$11.58m to \$3.5m. Eliminate step up at death.

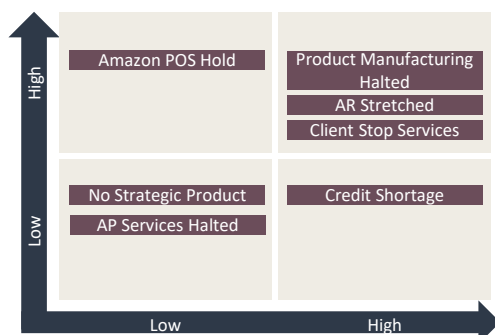
Increased Focus on Preparedness



Running your business the same has a higher degree of failure risk.

Probability/Impact Planning

Identify key issues that may impact your business in 2021



Impact of Potential Tax Changes*

| | |
|--------------------------|---------------------|
| Proceeds from Sale | \$ 30,000,000 |
| Business Debt | \$ (5,000,000) |
| Original Basis | \$ (3,000,000) |
| Tax on Cap Gains (39.6%) | \$ (10,690,000) |
| Estate Tax | \$ (8,600,000) |
| Net Cash to Heirs | \$ 5,700,000 |

vs. \$19.63M Currently

Position Your Business for the Year Ahead

Contact Cerity Partners to discuss what current events and potential tax changes mean for you personally and professionally.

bdearing@ceritypartners.com

(646) 928-8775

¹ Mckinsey & Co.

² FCR stands for Fixed Coverage Rate

*This is a hypothetical example for illustrative purposes only. Actual results will depend on many factors. The example does not take into state taxes and relies on basic assumptions.

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