

The Corporate Lifecycle

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Business and Tax Planning

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Overview:

Before the Cradle to After the Grave

- Conception (Idea)
- The Early Years (Startup)
- Teenager (Growth)
- Adulthood (Maturity)
- Mid-Life Crisis (Digression)
- End of Life (Exit)
- What's Next (?)



Conception



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Idea to First Appointment:

- Understanding role of advisor
 - Mentor – coach – support - guide
- Idea to implementation
- Understanding and communicating goals and dreams
- Establishing expectations



Common Issues:

- Ideas often need work
- Doing things yourself is a lot cheaper, but only in the short term
- Communicating the vision
- Believe Failure isn't an option
 - According to Forbes – 80% of businesses started by entrepreneurs fail in the first 18 months
 - According to numerous sources, failure rate in certain areas (e.g., restaurants) can be much higher



The Early Years



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Birth:

- Understanding role of advisor
 - Establish structure – advise – listen
- Theoretical issues become actual issues
- Decisions today can impact success or failure of the future
- New baby
- Choice of Entity



Choice of Entity:

- Sole Proprietorship
- LLC
- C Corporation
- S Corporation
- LLC Taxed as S-Corporation



Adolescence – Dollar \$1 Profit:

- Understanding role of advisor
 - Tweak and implement ideas – advise – listen
- New issues arise
- Learning to say “Please” and “Thank you”



Common Issues:

- No money
- Shooting from the hip
- Doing things yourself is still a lot cheaper, but only in the short term
- No one understands



Teenager



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“The Change”:

- Understanding role of advisor
 - Be dynamic – listen – anticipate issues
- Maturing and growing up
- Know everything - but still a lot to learn
- Expand and understand foundation



Common Issues:

- Employees and employment taxes
- Understand compensation
- Taxes are real
- Equity structure
- Raising capital
 - Usually don't marry first one you date



Adulthood



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Getting Better with Age:

- Understanding role of advisor
 - Advise – plan – implement – listen
- Reaping fruits of your labor
- Day-to-day issues
- Large scale planning
- Working 9-5 and comfortable in routine
- Planning for what comes next



Common Issues:

- Taxes are not only real, they are expensive
- It isn't just you anymore
- Relations with lenders and investors
- Wondering about what comes next
- Believing that the hard part is behind you



Mid-Life Crisis



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4 Door Sedan – Nah Where is the Sportscar:

- Understanding role of advisor
 - Hold on – be a sounding board – give good advice - listen
- Next best thing – better than sliced bread
- Harebrained schemes, often involving tax structures



Common Issues:

- Rarely come out the other side unscathed
- Things often don't go the way you think they will
- Lawsuits can be a very bad thing
- Picking up the pieces



End of Life



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Saying Goodbye:

- Understanding role of advisor
 - Evaluate – plan – advise – listen
- Exit structures and strategies
- Not easy to say goodbye



Options for Exit:

- Many different options
 - Transition planning
 - Asset Sale
 - Stock Sale
 - MBO
 - ESOP



Pros/Cons

- Transition planning
 - Timeline – preparation – cost
- Asset Sale
 - Tax issues – contract issues – surviving business
- Stock Sale
 - Tax issues – operational concerns – liability issues issues.
- MBO
 - Ease – valuation
- ESOP
 - Cost – regulatory hurdles – complex – valuation



What's Next



What's on the other side?:

- Understanding role of advisor
 - Options – directions – listen
- Life after a non-compete
- Born again to do something else.....or do same thing again



Closing Thoughts



Questions?

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