

Compass Points

Actionable business ideas - read & pass along - from Compass North Inc.

Special points of interest:

- Carefree retirements can be achieved if entrepreneurs take action years in advance
- Market trend is up
- Thoughts on:
 - your e-profile
 - company valuation
 - business metrics

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SECURING THE FUTURE – For entrepreneurs 50+

As boomer entrepreneurs turn 50, sooner or later thoughts of “freedom 55” start gnawing away. What to do with the business and how to harvest my investment are questions that start to dominate. Entrepreneurs wanting high selling prices and carefree retirements should appreciate how letting go is no easy process. Understand that it takes a lot of time, money and effort to maximize what gets realized at the end of the day. The greatest challenge is cutting out time for reflection and mapping out the future. Some issues that impact company valuations are unpredictable such as personal health or market upheaval. Others are much more manageable like the sound financial statements, managerial depth and a clear marketing strategy.



Retirement planning takes some work but it pays big dividends in cash and peace of mind !

How ever it gets done, transitioning ownership is a complex project. Doing it well requires advanced planning, well thought out reasoning, and use of good experienced-based advice from a variety of providers. Boomer entrepreneurs 50+ will find it helpful if they pause to consider such things as:

- Where do your partners or family sit with regard to the future?
- Is there a rising star in your management group to who can deliver the future?
- Does your employee base have the same corporate focus as you - to grow the business to the next level?
- Is getting started by going straight to an M&A advisor a premature move?
- Can you fast track the process through strategic acquisitions?
- What timeframe should be allocated and when should I get started?

— Transitioning ownership is a process that takes time —

Harvesting: How to Start

- Seek consensus in broad terms with your partners or family members on time-lines and options.
- Get your financials in shape and focus on the keys that enhance the company's valuation.
- Look at doing some smaller acquisitions to gain synergies quickly in market niches, sales volumes, management, and/or operational capabilities.
- Build your network in the industry for you never know where the future might lie.
- Talk with friends and confidants who have been down this road already, or if none of your friends have, seek out knowledgeable advisors who have done it before.

Entrepreneurs typically stay pretty focused on the daily challenge of sustaining and growing their business, so it is a real challenge for them to spend time thinking about something they really want to put off as long as possible. Things become more difficult if confidentiality concerns run high and the set of advisors seems limited. Because transitioning company ownership is process best done over years, not just months, it really is never too early to get the planning started.

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Entrepreneurs need helpful, practical advice, and answers to the many questions there are about one of the most important challenges they will ever face during their business career.

— *It's never too early to get started & you won't be sorry if you do* —

In Compass North Inc., you can find principals who have extensive, personal experience in preparing companies for merger, acquisition, or divestiture. If you or someone you know is an entrepreneur looking to manage this process well, we invite you to contact us. We would be pleased to meet, discuss the situation at hand, and talk about the many ways we can help.



Are you a business owner looking forward to a life on the beach?

Markets & Valuation Report

As at Feb 13, 2004

	Current	Higher/(Lower) vs. 3 mo ago	Observations
Canadian Dollar:	0.7597 US\$	(0.0082) ↓	Still, watch out for 80+¢
Cdn Interest Rates:			
- prime	4.25%	(0.25) ↓	Cost of \$ rental getting cheaper
- short term risk free	2.20%	(0.46) ↓	Not much to earn on deposits
- long term risk free	5.10%	(0.19) ↓	Time to borrow long ?
Bank Business Loan Market:	Cautious	(2.2) % ↓	Troubled loans volumes down
Company Valuations:			
- US public	9 - 19 x CF	3 % ↑	Prices and volumes are up
- Cdn public	9 - 13e x CF	3 % ↑	Prices and volumes are up
- Cdn venture capital	Lower	N/A ↓	Health care & tech still focus
- Cdn private:			
Sales - \$50 to 100+ mil	5 - 7 x CF	N/A ↑	Demand > supply; both rising
Sales - \$20 to 50 mil	4 - 5.5 x CF	N/A ↑	Active market
Sales - <\$20 mil	2.5 - 4 x CF	N/A —	Deals more challenging to do

We're not out of the woods yet but values and markets are trending up !

Commentary:

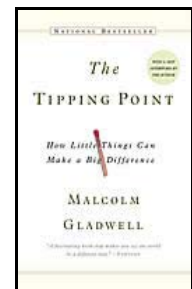
If it weren't for the continuing uncertainty and the sense that profits are still hard to come by, the current low rate market would be great. Most companies appear to be following a 'cautiously moving ahead' strategy. Look forward to the gathering US economic recovery but don't count on increased auto sales as they are not expected to grow in 2004.

Action Thoughts & Ideas

Here are some things worth thinking about that might help you:

- With the internet age truly upon us, have you checked out your own and your company's e-profile on 'google.com'? Is it clear, consistent and complimentary?
- Do you know what your company might sell for today? Try figuring it out.
- Do you have a regular set of operating and financial metrics to tell you if your business is on track? Are they being produced at least once a month? Can they be summarized on one piece of paper? If not, why not?

Do you have questions, suggestions or thoughts we should cover? Let us know by calling (416) 346-4140 or send us an e-mail to GeneralManager@CompassNorthInc.com. We would enjoy hearing from you.



The Tipping Point: How Little Things Can Make a Big Difference
- by: Malcolm Gladwell

This is a great book with ideas that can help take your sales & marketing to the 'next level'



COMPASS NORTH INC.

- providing management and advisory services

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from Compass North Inc.*

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Compass North Inc. helps companies make more money. We leverage proven business expertise and our executive-level experience gained in sophisticated national and global companies to help clients close better deals and take their performance to the 'next level' of success.

CNi's management and advisory services are geared to help commercial, industrial, manufacturing and technology companies deal with change. Our multidisciplinary team of professionals are extensively experienced in all aspects of the shareholder value creation process, and through them we offer such services as:

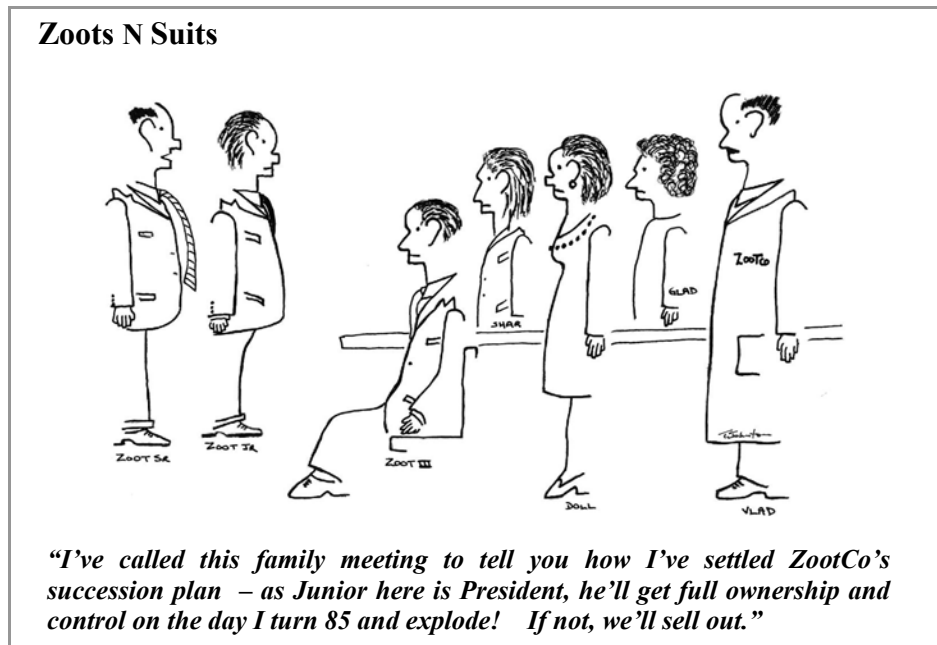
- Turnaround Management
- 'Next Level' Results Planning & Execution
- Interim Management Services

CNi also has custom-tailored value-driven solutions packaged to meet the needs of businesses owners and managers, such as:

- Business & Organizational Diagnostics
- Ownership Transition Planning
- Management Transition Support
- Strategic Assessment Services
- Operational Effectiveness Advice

End Points

- If life's all business, where's the fun in making money?



If you're looking forward to a long and enjoyable retirement because you are not programmed to explode at age 85, we would be happy to help you start working on your plan today.