

# 10 Exits

by John Huston

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| 1) "Grand Slam Homerun"    | Exceeds a 10X in five years (>58% IRR)   |
| 2) "A Lucrative Exit"      | <58% IRR, but at least a 1 – 10X return  |
| 3) The "Harry Houdini"     | Escaped with a 1X return; No loss  |
| 4) "Lost a Little"         | Didn't lose it all (<1X but not a 0X)  |
| 5) "My Grandkids' Company" | Company is successful but there's no exit in sight. Maybe it will occur after my grandchildren inherit the portfolio?  |
| 6) The "Zombie"            | A walking dead venture which will never become a great company, nor will it die so I can declare the loss.   |
| 7) "Deductible Loss"       | It died without a tail and I got to declare the loss (or sold my shares for \$1.00 to record the loss)   |
| 8) "Funeral Expenses"      | Not only did I lose all my original investment, I had to also cover the costs of winding down the venture, plus pay accountants to provide the final accounting needed so I could take my tax deduction. |
| 9) "The Worst Gets Worse"  | "The loss that keeps on losing" due to ongoing litigation expenses even after the company has no value.  |
| 10) "Angel Hell"           | In addition to losing all my investment plus a considerable amount of my time, media coverage tarnished my reputation, plus damaged my relationship with co-investors.                                   |

**The Perfect Loss:** I merely lose 100% of my investment; take the tax deduction, suffer no on-going tail of litigation; no wind-down expenses, no media coverage, no damage to my reputation or my relationships with co-investors... and it is a "productive failure" because the entrepreneur, management team and investors all learned lessons which will increase their likelihood of success in their next venture.