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GolfBusiness
CANADA

2008 CONFERENCE & TRADE SHOW



HELPING
BUSINESSES AND
BUSINESS FAMILIES

Disposing of Your Family Business: The Ultimate Decision

Presentation to National Golf Owners Association Annual
Meeting: November 22, 2008

Case Study #1

- 60-something owner of heating and plumbing wholesale operation
- Son in business
- Competition from the nationals increasing, sales have plateaued
- If business sold now, would yield enough for owner to be able to retire on

Case Study #2

- 60-year-old owner of business supplying wood products to home builders
- Daughter in business
- Sales have plateaued
- If business sold now, would yield enough for owner to be able to retire on

What happened?

- #1 – business sold to multi-national; son hired on 2-year contract; father concerned about son's future
- #2 – business staying in the family; daughter being groomed to take over the business

Why different results?

- #1 – son graduated from high school, went directly into family business
- Son seen by others as not having earned his position in the company
- Son never seen by father as “ownership material”
- Low level of communication between father and son

Why different results?

- #2 – daughter obtained university degree, found job outside family business
- Father gave her option of working in family business, never pushed
- Daughter joined family business, worked way up while never reporting to father
- High level of communication between father and daughter

The Best Succession Plan

- Give children tools to succeed in life
- Encourage them to pursue their own dreams
- Be available as their sounding board and mentor
- Accept and embrace their decisions
- If possible, do not make your business exit strategy decision before their decision
- Keep open lines of communication with your spouse and your children
- Make succession planning a life-long journey – and make it fun!

Children in Business: Avoiding the Traps

- Family Employment Policy
- Beware the “sense of entitlement”
- Be aware of “long shadow” you may be casting on your children
- Children in business should learn not only about the business but also what it means to be an owner

Family Business Owners Deserve:

- Financial return
 - Leadership
 - Information
 - “Psychic income”
 - Management accountability
 - Board of directors
 - Respect
 - Protection for the business
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- “Family Business Ownership: How To Be An Effective Shareholder” by Craig E. Aronoff, Ph.D. and John L. Ward, Ph.D., Family Business Leadership Series, No. 15, copyright 2002.

What is the Business “Worth”?

- Financial value
- Intangible value – e.g. autonomy, family control, family harmony, pride
- Be aware of tangible and intangible value to all key stakeholders before making disposition decision

Disposition options

- Sell to third party, employees or family
- Share transfer to family members
- Recapitalization – i.e. sell a portion of business to third parties such as private equity investors

Decision to Sell

- Get independent appraisal of business
- Develop 3-5 year plan to drive business value to where it needs to be
- Selling business unlike selling golf memberships – bring in outside help
- Decide if you are prepared to stay on and work for someone else
- Lawyers and accountants structure deal to minimize taxes

Decision to Keep

- Senior generation: transition from running the show to mentor/consultant
- Next generation: transition from learning the ropes to running the show
- Ownership plan: when and to whom shares transferred
- Shareholders agreement: decision-making, exit strategy, death, disability, etc.

Questions

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Thank you