MEET THE EXPERTS

JACK SENNEFF

Jack Senneff is a managing director at Thompson Street Capital Partners (TSCP), a private equity firm based in St. Louis, where he heads the firm's deal origination team. Prior to joining TSCP in 2008, Senneff was a service sales manager with Cintas Corp. in Denver. Jack also served eight years in the U.S. Army as an officer in Ranger, Airborne and Mechanized infantry units after receiving his bachelor's from West Point. He received his MBA from the Olin Business School at Washington University. Senneff's outside activities include serving on the board of the United Service Organizations (USO) of Missouri and on the board of the West Point Society of St. Louis.

MICHAEL DIERBERG

In November, Michael Dierberg was elected chairman of the board of directors of First Banks Inc. (parent company of First Bank). Dierberg will succeed his father James Dierberg in 2016, continuing a legacy of four generations of family ownership. Michael Dierberg rejoined First Bank in 2010. He currently serves as vice chairman of the board and an active member of the leadership team. Dierberg was previously a practicing attorney, including roles as the company's general counsel, an attorney at the U.S. Department of Justice and at the Office of the Comptroller of the Currency in Washington, D.C. Dierberg graduated from the University of Virginia and the University of Texas School of Law. He is on the St. Louis Zoo Association board of directors, the St. Louis Children's Hospital development board, and the board of the Today and Tomorrow Educational Foundation.

JENNY MEYER

Jenny Meyer is a principal in the Anders Tax Services group. She works with closely held businesses and families on individual and corporate tax planning and financial statement preparation. Meyer assists clients in the s pecialized areas of estate and trust planning and also concentrates on the valuations of family limited partnerships, along with leading the firm's Roth IRA conversions. Meyer speaks frequently to client and external groups about navigating tax law changes and provides advice on wealth building. A CPA, Meyer has a bachelor's degree from Truman State University and an MBA from the University of Missouri-St. Louis. She is a member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants.

DAN BEAN

CMA Partner Dan Bean has helped hundreds of individuals and organizations achieve their goals. Bean assists organizations with strategic planning, organizational development, talent management and executive development. He has a particular passion for working with family-owned businesses, especially during generational transitions. He draws upon more than 30 years of consulting experience, 15 of which have been as partner at CMA. Armed with two master's degrees — one in industrial/organizational psychology from Western Kentucky University and a second in business administration from University of Missouri–St. Louis, Bean explores key issues that drive organizational performance. He is a member of the American Psychological Association, the Society for Industrial and Organizational Psychology, Youthbridge Community Foundation and Kirkwood Baptist Church.

KEVIN SHORT

Kevin Short is Managing Partner and CEO of Clayton Capital Partners, a St. Louis-based investment banking firm specializing in mergers and acquisitions. He is also the author of the award-winning book, "Sell Your Business For An Outrageous Price." In 2015, the book received the Axiom Business Book Award, USA Best Book Award and 1st place at The Great Midwest Book Festival in its category. For more than 25 years, Kevin has represented buyers and sellers in more than 150 purchase/sale transactions of mid-sized businesses with an aggregate value of more than $1 billion. Clayton Capital Partners was a finalist for the 2014 and 2015 M&A Advisor Award and the winner of the 2014 Acquisition International M&A Firm of the Year. In addition, he is chairman of the Today and Tomorrow Educational Foundation, the Finance Council of the Archdiocese of St. Louis, vice-chairman of the Show-Me Institute and board member of Variety — The Children's Charity of St. Louis and board member The Children's Scholarship Fund.

MICHAEL HOWARD

Michael Howard is CEO of YouthBridge Community Foundation, an organization that helps family businesses incorporate philanthropy and its benefits into their business model, succession plan or exit strategy. Howard has more than 20 years experience in wealth management, working for Boatmen's Trust Company, Arthur Andersen, BMO Harris and PNC Bank. In the nonprofit and public sectors, he has served as executive director of Boys Hope Girls Hope and director of Cooperative Occupational Education in the Mehlville School District. Having held various leadership roles spanning the nonprofit, corporate and education sectors, Howard is recognized for his commitment to the local community, and has served in volunteer capacities at numerous organizations. Howard received his master's from Webster University and his bachelor's from University of Central Missouri. He has also earned his Accredited Investment Fiduciary Auditor (AIFA) and Chartered Advisor in Philanthropy (CAP) designations.

Roundtable
FAMILY BUSINESS DISCUSSION

▶ WHEN SHOULD BUSINESS OWNERS START PLANNING FOR A TRANSITION OF WEALTH OR CONTROL?

Dan Bean: They should start that at the point they acquire ownership in the organization. That's never too soon and that's the soonest opportunity they have. And, then when they want to divest or transition, they should really intensify that planning five years before they want to exit.

▶ IS THAT A REALISTIC ANSWER?

Michael Dierberg: I think it's a realistic answer. A key example is my dad, who before any of his children were born, was already doing estate and transition planning. I think he might be somewhat unique in that given it was the late 1960s. He had just one branch bank at that time, but he was still planning ahead for children and grandchildren who weren't born. So, to Dan's point, it's never too early.

Jenny Meyer: And I think you want to keep revisiting it because things change so often, like when there's grandchildren or maybe you realize that the kids aren't the ones to step in and take over. I think you have to be open to constantly review it and make changes if you need to.

Kevin Short: This is a great question for what we do. Too many times, we see sellers come to us and say we want to be sold within the next six or nine months, and they've done no preparation at all. And they get down to the closing table with a great result and end up giving half of it away in taxes because they didn't do any preparation. And that number could have been 20 percent versus 50 percent. Or they get down to the closing table and there's significant legal issues with ownership of certain assets or client lists, and had they done the prep, it would have gone a lot smoother, and they would have gotten a much better price.

▶ MICHAEL, BACK TO YOUR POINT, IF YOU HAVE A PLAN, THEN YOU'RE ALSO TRAINING THE NEXT GENERATION SO IF IT'S NOT A CASE OF DIVESTITURE, THERE ARE A LOT OF PEOPLE IN PLACE.

Michael Dierberg: Yes. It gives you a lot of time to pass on the values to the next generation, to position the next generation for a transition.

We tell people they need buy/sell agreements. We try to revisit those and make sure they're still in line with the original plan.

JENNY MEYER,
Anders Tax Services group

▶ WHAT ARE THE BEST PRACTICES FOR GENERATIONAL TRANSITION OF A FAMILY-OWNED BUSINESS?

Michael Howard: I think philanthropy is oftentimes overlooked as an effective strategy. By creating a charitable fund within the context of the company, you can involve younger generations in those charitable decisions and delegate some of that work to them. That gives them the chance to develop leadership skills, critical thinking skills and interpersonal skills that can later be applied in the business. And frequently, it gives the younger members of the family an opportunity to see the business in a different light — that it's not just about money. It's also about social impact and that's really important. Studies indicate that millennials are looking for more than just the bottom line result.

▶ OTHER BEST PRACTICES?

Jack Senneff: I think it's important to have substantive, early, frequent conversations to set goals and objectives. That's for the full management team, the full ownership group, the full family. And then for each individual, as well. I think oftentimes that's missed, and to Kevin's point, then you get down the road on a potential transition. Everybody says, "Wait. Is this where we actually wanted to be?" And so, understanding where you want to be and agreeing upon actual objectives, I think, is pretty important. And those kind of candid conversations need to happen early and often.

TABLE OF EXPERTS

It's important to seek the input of trusted advisers who are outside of the family and the company.

MIKE DIERBERG,
First Bank

Dan Bean: I would say there's four components. One is a vision and plan. And it's up to the current shareholders to articulate that vision and plan because they own the business. So it is theirs to decide where it's going to end up. The second piece is for the next generation there needs to be an assessment to understand who has the capability to run the business and the development of those successors. Third is family meetings to talk about family issues. Every business has business meetings to talk about business issues. But very seldom do families have family meetings to talk about family issues. And the fourth is they need to unify the next generation in support of that new leader. And that helps avoid minority shareholder lawsuits.

Michael Dierberg: I think it's important to seek the input of trusted advisers who are outside of the family and outside of the company, because within the family, there's all the family dynamics that get thrown into that mix. And if you're the parent, you don't necessarily want to be the one who alone is making decisions about the future of the children within the family. That independent, trusted adviser can provide the objectivity and transparency on these issues. I think that really helps the family dynamics and helps the business. Because if this person is not the right one, that trusted adviser can help steer the family, and steer that person, maybe toward a better career path than might otherwise choose.

▶ HOW DO YOU KNOW WHO THE BEST BUYER IS FOR YOUR BUSINESS?

Kevin Short: That's something that should be talked about in those family meetings, and it should be early in the process.: If we're going to sell to a family member, do you understand what that means? So, from a sequencing standpoint, the best buyer generally is a strategic buyer who can make a lot more money with that business than you're making with it. As a result, they can pay a much higher multiple of your earnings. It can also be some form of a financial buyer, which is a lot of private equity chasing deals today. And third, is either the current management team or your family. So if your stated goal is we want to get the maximum price, you just eliminated your family as a buyer because they cannot finance the best price. Only a strategic can finance the best price. So you need to know that upfront. Often that changes the whole conversation. The second generation or third generation wants to buy the business, but they're going to want to buy it at a pretty deep discount, and the other family members may not understand that if we go down this path, we could be leaving as much as twice the price on the table.

Dan Bean: So, I would counter with, yes, shorter term, the best way to get the most money is, as you say, a strategic buyer, financial buyer. But owning a business is the best legal way I know for a family business to have wealth over long term. So it's a trade off of now versus long term.

Kevin Short: Right. And then you have to make sure all of the shareholders understand that. This is why we would highly recommend, early on, that you bring in the outside advisers like the CMAs of the world that help the leadership assess the talents of the next generation and address the hard issues early on with a facilitator in the room.

▶ AND WE'VE SEEN MANY TIMES IN THIS COMMUNITY, A GENERATIONAL DISPARITY.

Kevin Short: Yes.

▶ SO IT MIGHT WORK FOR THE SECOND GENERATION, BUT IT MIGHT NOT WORK FOR THE THIRD OR, CERTAINLY, THE FOURTH, RIGHT?

Dan Bean: Two-thirds of family businesses do not make the transition to the second generation. So, if you make it to the third generation, you're in the 8 to 12 percent. Pretty select company. And so when we talk about who should the successor be, we cage it in terms of let's look at the risk of entrusting junior or a daughter or both or whomever, a niece or nephew, to run this business. You have to talk about the risk you are taking.

Kevin Short: What we say to our clients is the skill sets necessary to run a business have no genetic connection to the prior generation. The fact that one generation was great at running through walls and building a business doesn't get passed on genetically to the next generation. So it's very rare that that second or third generation has the necessary passion, IQ, to make it happen.

Jack Senneff: Its goes back to how important it is to agree upon very specific goals and objectives, not just for the business, but for each individual. And I mean, there are transactions, clearly, where a certain segment of the family could retain ownership, retain control of the business, and continue to be the lead management of the business. And then you could cash out the remainder of the family and potentially remove some of that conflict, and then continue to grow the business. Or maybe there's a way to keep ownership for the other segment, but remove them from day-to-day operations. There are ways to kind of clean up the investor base, so to speak, and in this case, for this conversation, that investor base is often a number of family members.

▶ AND SOME OF THOSE FAMILY BUSINESSES GO PUBLIC.

Kevin Short: At that point, everybody's selling. The second that you begin to split the shareholders into different groups, the conflict arises because the group buying wants to pay less, the group selling wants to sell for more. And we have cases where different siblings want different prices for the company. And you know, where's the truth? There is no such thing as truth when it comes to the value of the company.

Michael Dierberg: For us, our goal is keeping it family owned. It's fourth generation — more than 100 years. This is really important to us. I can remember going with my dad to Japan where we sought out a business that had been in family hands for 500 years, just to see how did they did it, because it is so rare. I think they had the benefit of the primogeniture rule for a while anyway, and that certainly helped. But they did want to keep it in family hands for a long period of time.

Kevin Short: But it sounds like your dad, in particular, was preparing for this moment before you were born. You were indoctrinated with this thinking from day one that, someday, you're going to take over the business. Because if they'd gotten to this point and you didn't want to do that or your siblings didn't want to do that, what would they have done?

Michael Dierberg: Certainly, maintaining that control is part of it, but it doesn't necessarily have to be a family member as CEO. For example, we have a non-family member CEO. So I think that is an option for families, if there's a gap, given interest levels, timing-wise, whatever reason, that gap can be filled with a non-family member.

Jenny Meyer: I think it goes back to a central theme, too, of having a team of advisers, because there's so many options, and you might not see all of those available options.

▶ WHAT SPECIFIC ATTRIBUTES SHOULD A BUSINESS OWNER LOOK FOR IN A POTENTIAL PARTNER OR INVESTOR WHO IS NOT A MEMBER OF THE FAMILY?

Jack Senneff: Cultural fit is important if they're going to stay involved and they are seeking a partner of some sort or an investor partner. I think sharing and agreeing upon a common long-term vision for the business is incredibly important in a partner. And then, of course, finding a partner with the right resources to achieve that vision.

Kevin Short: We would advise if they're not selling the whole business to that partner, let's say they're selling a minority interest, that the agreement allows you to unravel the transaction fairly if something happens early on

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JACK SENNEFF,
Thompson Street Capital Partners

to where you can start over. Because you just don't know. Now, if you're selling the whole business and you get your price and you get your cash, it kind of doesn't matter. But for minority interests, we like to make sure we focus on how do we get out of this arrangement, because so many times, that's what happens.

▶ AND I GUESS A PHILANTHROPIC FIT WOULD BE PART OF IT?

Michael Howard: Right. If you look at the core of the business model and the business has an element around social responsibility or environmental issues, then finding a buyer that fits those types of elements is equally as important, because that's important for the business.

▶ HOW DO YOU KNOW THERE'S A CULTURAL FIT?

Jack Senneff: I think you have to look at track record. You have to speak with other businesses that the group may have invested in or partnered with over time. That's probably one of the best indicators for how they'll continue to behave in the future.

Dan Bean: So, if it's larger organizations, they might be able to do a joint venture together. And if it's a smaller organization, we can do an assessment of the leadership of both organizations, their leadership style, where their cultures are going to compliment, where they're going to conflict. And if they're so far apart that they create frustration, that's not good. You want them to be complimentary.

▶ CAN YOU SEE A CULTURAL FIT AND CULTURAL CLASH AS AN ADVISER?

Dan Bean: We can, yes, with our methodologies and our data. We have normative instruments that give us normative data and we can see that. We can put some objectivity around that, some definition around that.

Kevin Short: I would say we all see it based on our intuitions and experiences. Dan actually has the quantitative tools to do that. But for all of us, Dan included, now what do you do with it? If you're positive this is a bad marriage, all you have is influence at that point because you have no authority with your clients. And all you can do is advise them and raise questions. It's kind of like having teenage kids that want to get married at 17. How do you talk them out of it without blowing up your relationship? It's the same thing with clients.

Dan Bean: I would phrase it as don't go in the front door until you know what the back door is and how much it costs to walk through it. So just don't get into something that you don't know what it's going to cost to get out of it and how you get out of it. I learned that when we did an assessment with a battalion fire chief. We were at a hotel, and we had to get from one floor to the next. We got into the stairwell, and the last guy said, "I'll hold this door open until we can be sure we can get out on the next floor." And I thought, that guy knows what he's doing.

Michael Howard: Don't come in until you know the exit strategy.

▶ SHOULD FAMILY MEMBERS ENTER INTO BUY/SELL AGREEMENTS, AND HOW WOULD THEY BE FUNDED?

Kevin Short: We advise our clients that any time they're thinking about selling to a family member, it's going to be the most dangerous financial transaction you'll ever undertake. Because if you screw it up and you don't complete the transaction, that family member that's in a minority position, can have distrust and disharmony with you forever. You'll never see them again at Thanksgiving. Because you're in a position of authority, the senior member of

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DAN BEAN, CMA

the family usually, we are big proponents of going carefully into these waters, making sure that the minority shareholders have professional counsel. Because particularly the patriarchs, they believe they can tell the minority players — my sons, my daughters — how to do this. I'll tell them what the price is, and how they're going to put their house up for a loan and all that. And it gets into a lot of stress. So it's very dangerous. If you miss, you could do a lot of damage to the family.

Dan Bean: Legal documents are absolutely required because if the relationship breaks, the legal documents serve as a safety net. You should depend and rely first on the quality of the relationship and communication, but if that breaks, then you have the legal documents as a fail safe. And yes, they should be funded, because they define the back door.

▶ DO YOU TELL PEOPLE THEY NEED TO HAVE THAT BUY/SELL AGREEMENT?

Jenny Meyer: We do. We advise them quite often to do buy/sell agreements. And when you finally get them to do that, a lot of times, they just go in a file cabinet and are not looked at. We try to revisit those and make sure they're still in line with what the original plan was when it was created. So we do recommend that they do that and plan out how it's going to be funded.

▶ WHEN YOU'RE LOOKING AT COMPANIES, DO YOU WANT THEM TO HAVE THOSE AGREEMENTS IN PLACE?

Jack Senneff: We would prefer that they had those agreements in place, and more importantly, that they've had those conversations so it'll help prevent some of those surprises as you get further down the road.

▶ AT FIRST BANK, FAMILY BUSINESSES ARE NOT ONLY WHAT YOU ARE, BUT THE NICHE THAT YOU SPECIALIZE IN. DO YOU CONSULT ON BUY/SELL AGREEMENTS?

Michael Dierberg: We do get involved in buy/sell agreements. And we do advise that our clients have buy/sell agreements. One important example is just contingency planning, death, disability, divorce. And make sure they're funded. Insurance can help out in funding the buy/sell agreement in that context. But I think there are a variety of contexts. For example, they're brother and sister and they don't get along. Well, how do you part ways? And the sooner you have those arrangements, the better. It's important to have them and make sure they're funded. If it gets to a point where the partners can't get along, then the financial institution can help on that front, whether it's providing a loan or a variety of other resources.

Kevin Short: As the children of a business, whether they be genetic children or the employees, their risk is, in a small business, if the CEO dies or is disabled, what do we do? Because often, that's critical. So we are big proponents of stay bonus agreements. But we do them for a different reason. We're in favor of them because when we get into a sale process and this is usually to a third party, not to a family member, we want those employees to stay on board through the sale process.

▶ WHEN DO YOU PUT THEM IN PLACE?

Kevin Short: As early as possible, because integrity issues begin to pop up if you don't put them in. If I call you tomorrow and say, "I've got a stay bonus agreement for you, and here's what it entails," you're going to say, "Well, why do I need this? What's going on?" If I say to you, "nothing," and next week we close on a sale, our relationship is fractured at that point. So we like to get them in place. If they contain the death or disability component of the CEO or the family member who runs it, then you can put them in place at any time. The sooner, the better. And how you pay them is critical. That we've learned the hard way over the years. It used to be, stay bonus agreements were designed to get you as an employee of a company to stay until close. Today, that's actually a detriment. So we would rather split it up into three different payments. Pay a third of the bonus the day of close, a third a year later, and then the balance two years later. It gives the employee stability in case they don't stay with the company for one reason or another and it entices them to stay with the business, which is to the benefit of the next buyer.

Dan Bean: Does that next buyer always want those people to stay?

Kevin Short: No, which is all the reason to have it. So say they lose a job a week after closing. Then that stay bonus agreement is there to help that employee transition to the next career. So that keeps them from leaving six months before sale.

▶ THERE MUST BE TAX IMPLICATIONS ON THOSE STAY BONUSES.

Jenny Meyer: Of course. It's just like any other bonus you receive. But definitely, that would have to be part of the planning. But I think you have to look beyond just the tax

situation because it serves a bigger purpose.

Kevin Short: And so the great debate is who pays it? And then the other great debate for families is how much should it be? And the answer is, it's negotiated. So, I prefer to have the buyer pay it because my client's the seller. But at the end of the day, I will always counsel my clients, as sellers, if the buyer won't pay it, then you have to pay it. Because you have to have that definition in the agreement when you put it in place before you ever know who's going to pay it. You have to have that minimum requirement that the seller will pay it if the buyer doesn't. Otherwise, the employee does not believe it really protects them in the event they lose their job.

▶ JACK, ON THE BUYER SIDE, HOW DO YOU PAY THEM?

Jack Senneff: So this is part of the negotiation for key employees post-transaction. We're putting in place an incentive equity pool for them anyhow, so that they're able to share in the upside of the growth and the value of the business. So retention is something we all think about. And it's important for families that they think about, not just before, but post-transaction. But these are steps that we take as well, usually in the form of an incentive equity pool.

▶ HOW DO YOU DECIDE HOW MUCH?

Kevin Short: I have a minimum amount. If you have a non-owner, general manager of the business. I would recommend two years of their annual compensation is the total amount of the stay bonus paid over those three payments. If you back up and you think about you're the general manager in business, and I just told you we're going to sell, I don't care if you're the president of a $100 million-dollar business, if you're a non-owner, you're going to worry about your ability to pay your college tuition payments and your house mortgage and all that, because you've just unsettled their whole life. So there needs to be enough money that they can transition, and we believe two years is the minimum.

Dan Bean: And I think that stay bonuses, strategically, are a great thing for the buyer because that buyer wants to make sure they have the human capital and the talent to keep executing that strategy to keep that business moving forward. So I think there's clear reason for the buyer to ante up and pay for that.

Kevin Short: Particularly, if they're not paying for it. I mean, they've just gotten golden handcuffs paid for by the seller.

▶ HOW DOES PHILANTHROPY FIT INTO THE SUCCESSION PLANNING OR THE EXIT STRATEGY?

Michael Howard: Philanthropy is kind of an overlooked technique that can be used as part of either the succession plan or an exit strategy. One of those techniques is to make a gift of the stock into a donor-advised fund as part of a succession plan. The company can later come back and buy the stock back out of the donor-advised fund. So the first generation, the selling generation, has avoided capital gains tax on that part of the transaction, and also diluted their ownership and increased the remaining ownership interest of the succeeding generation. And a similar transaction works if it's a complete liquidity event, where the owners of the

company can place closely-held stock into a donor-advised fund. And they need to do that before there's a bona fide contract or an agreement to sell the company in order for the tax consequences to be minimized. But again, you're able to reduce taxes, create a pool of philanthropic assets for the family or for the sellers, it's a wonderful planning technique, but it's also a fairly complicated one that doesn't fit every circumstance. The family needs to consult with legal counsel and their tax advisers to make sure it fits.

▶ DOES PHILANTHROPY COME UP FOR YOU, DAN?

Dan Bean: Yes. Some of our clients use this very creatively. They take the fund that Mike's talking about and sometimes they give their next generation a grant and have them go do something and report back to the fund leadership team, "Here's what I did with that money." So they use it as a way to start to develop planning and execution skills and accountability skills and reporting skills. Everything a CEO's going to need to know some day. So it's a great way to develop the next generation, long before they get into the business. And it's also something a family, particularly if they've got active and inactive shareholders, to hold the all the family members together. They have to come together to decide how to use the proceeds of this fund on an annual basis, how to gift and support others. So it makes them collaboratively do something that gives back to the industry or gives back to the community, which I think, is great for every business to do.

Michael Howard: And ultimately, if you integrate it into the core of the business model, it becomes part of the brand that's being sold in the transition. Consumers want to do business with companies that they respect and are good corporate citizens.

Jenny Meyer: I think as a tax adviser, when you're looking at the individual business owner and they're in a tax situation, a lot of times, as you said, they don't think that that's something that they can touch from a charity standpoint. And sometimes they just need to have somebody there that can show them the different options that you could use your company's stock and fulfill some charitable requirements that maybe you don't have the cash sitting there that you can do. I think sometimes they just forget that that's a tool that they can use.

Michael Howard: Yes. It does take more planning because publicly traded securities are a no-brainer. You just gift them. But a closely held stock is a much more complicated transaction.

Jenny Meyer: And sometimes it depends how it's owned. The structure and the ownership of a business can really play a factor in that.

▶ WHAT MAKES THE GENERATIONAL TRANSITION MORE DIFFICULT AND RISKY?

Dan Bean: Let me focus on four things. One, the more in-laws actively involved, the harder everything is. The second is if some of the family owners are active and some are inactive in the business, there's different competing needs. That makes this generational transition more challenging. If the successors are less than capable, the family's putting a lot of the family wealth at risk with that CEO. And the last thing is if there's long-term family conflict that's never been resolved, that's more likely going to get magnified and come pouring out like an erupting volcano in a time of generational transition. Because as mom and dad's influence gets less or mom and dad pass, the lid comes off the pressure cooker and everything is more likely to boil over. Or is more likely going to boil over.

▶ THE PHRASE "DOUBLE BOTTOM LINE," WHAT DOES IT MEAN AND HOW DOES IT APPLY TO FAMILY BUSINESS?

Michael Howard: A double bottom line refers to a management approach that focuses both on social impact as well as the financial metrics for the business. And consumers, according to the studies we've seen, are increasingly more aware of a company's corporate citizenship and its impact on the community and the global environment. A family business is really uniquely positioned to be able to adopt a double bottom line strategy because of its concentrated holdings within the family. And it's really as simple as a business being able to do well at the same time it's doing good.

▶ WHAT ADVICE DO YOU HAVE FOR CHILDREN IN FAMILY BUSINESSES AND FOSTERING GOOD FAMILY RELATIONSHIPS WITHOUT

SACRIFICING BUSINESS GOALS?

Michael Dierberg: For one, children should not be forced to be in the family business. If they are going to work in the business, then work outside the business, because they'll gain things from working at other companies they wouldn't have gotten perhaps by being in the family business the entire time. Trusted outside advisers are important. If you look at it from the children's perspective, as they come up in the business, it really helps them to have somebody on the outside providing honest feedback. And the last one is, when you're together as a family, leave the office at the office. Don't come to Christmas to talk about business decisions that need to be made.

▶ JACK, WHAT ARE SOME POSSIBLE STRUCTURES OF A SALES TRANSACTION?

Jack Senneff: I think there's a common misconception that it's an all or nothing. And I'll tell you, from a private equity perspective, our most common structure is one in which we'll acquire a majority, a control position in the business, and the seller, typically a family or founder, will retain a significant minority position in the business. The goal, of course, then is we'll work together throughout the course of our investment — the next typically four or five years — to accelerate the growth of that business. And then when we exit our position, the family, the sellers, have an opportunity to get another liquidity event. Kind of that second bite at the apple. And they can determine based on what type of buyer or new investor's coming in, if they're going to retain ownership again and go for another round. I think there is a lot of opportunity for long-term wealth creation for families pursuing these types of structures. And it often is either misunderstood or overlooked as an option.

▶ JEN, WHAT IS THE CPA'S ROLE WORKING WITH BOTH THE BUSINESS AND THE FAMILY?

Jenny Meyer: More than a tax return or an audited financial statement, that's for sure. Basically, a CPA's role is to join that team of advisers that we've been talking about. A lot of times, you build such a key relationship with the family that you almost take

What we say to our clients is the skill sets necessary to run a business have no genetic connection to the prior generation. It's very rare that that second generation or third generation has the necessary passion, IQ, to make it happen.

KEVIN SHORT,
Clayton Capital Partners

it through its life cycle, from the planning stages through the growth, and then you look at the transition. And a CPA, with some other advisers, can really help start that planning discussion and then continually keep them reviewing those plans, reminding them, go back to it, revisit it, and kind of help serve as that person, like we talked about, that can see things that maybe when you're dealing with family, might be blinded by certain other factors. And then there's so many other roles, like simply financial statement review. Annually or more often coming in and looking at the financial performance of the owner. Bringing in those family members and/or those key employees that you see maybe taking part in the future, and showing them how the business operates. Business valuation can be a role or we can bring in those experts because we need to know what your company's worth. And then of course, we always get into the tax planning from, looking at the individual owners, how well that works to minimize the taxes. And, when the sale happens, what are the tax consequences? And at the end of the day, after you pay all the taxes, do you have enough cash there for your retirement years and keep your lifestyle? And then we can't ignore estate and gift tax planning as well. Some of that may happen before you're even looking at retirement. Maybe you're in a situation where you need to start making gifts of stock to your kids. All of those kind of things fall into play, and we really need to take a look at it through the whole process.

Dan Bean: I'd like to add one comment onto what Jen said. This team of advisers, and you've got a lot of the team represented here today, they can increase the odds of thatfamily business moving from this generation to that generation successfully. But it takes a multi-disciplinary team.

▶ HOW DO YOU PUT A TEAM OF ADVISERS IN PLACE?

Kevin Short: We're proponents of hiring somebody that's been trained in the exit planning process. They can bring in the different disciplines and quarterback the process, because if you choose the wrong accountant or attorney or investment banker, it's a mess, and you could leave a lot of money on the table. I'd get the CMAs of the world on board to get your team assessed to make sure that they're up to the rigor of the due diligence of a buyer's investigation. And that exit planner should be looking at opportunities in the philanthropy area to achieve the personal goals of the family members and mitigate the taxes.

Michael Howard: It's important to find a holistic purpose-driven quarterback. Because you can find people that are transaction-driven and it's all about the finances and the tax savings and you miss a lot of the planning opportunity in there. So a purpose-driven quarterback.