

## CASE STUDY

### My Family Does Not Want the Business – Now What?

#### Overview

- **Business Type:** Multi-generational family Lumber and Building Materials (LBM) dealer
- **Locations:** Two locations outside a major metropolitan market
- **Owner's Goal:** Reduce work hours to spend more time with their growing family
- **Objective:** Develop a succession plan that maximizes the value of the business while preserving its culture and legacy

#### The Opportunity

The third-generation owners of a family-owned LBM dealer are looking to transition ownership within the next 2-3 years. However, there are no younger family members interested in taking over. The challenge is to create a transition plan that:

- Realizes the value built by the family over the years
- Protects key relationships within the business
- Ensures the sustainability of the business post-transition
- Maintains the culture and legacy of the business in the local community

#### The Solution

To develop an effective succession plan, we took the following steps:

##### 1. Goal Setting

We began by discussing the personal and professional goals of each owner. Understanding the individual objectives was crucial for determining the best path forward. This ensured that all parties were aligned and motivated by the process.

##### 2. Business Valuation

We conducted an in-depth valuation of the business from the perspective of a prospective buyer. This included thorough due diligence of the company's finances, operations, and strategic position. The resulting valuation helped us:

- Confirm that each owner could achieve their post-ownership financial goals
- Ensure the business would remain sustainable throughout the buyout period

## Transition Options

Based on the goals and valuation, we explored several transition options:

- **Sale to Two Key Managers**
- **Sale to a Strategic Competitor**
- **Sale to a Worker-Owned Cooperative**

After careful consideration, we determined that the best option was to sell the business to two key managers. This would allow the company to maintain continuity and preserve the legacy in the community while providing the owners with a structured exit plan.

## Execution of the Plan

Once we identified the most suitable transition strategy, we worked with the owners and key managers to implement the plan. Key steps included:

- **Structuring the Deal:**
  - Tax-efficient for the owners
  - Cash flow flexible for the key managers
- **Mitigating Risk:**
  - Utilizing insurance and a buy-sell agreement to protect both sellers and buyers
- **Gradual Transition of Roles:**
  - Developing a plan to transfer responsibilities, ownership interests, and decision-making control over time