

Consider Your Legacy When Selling Your Business

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Planning for a Business Sale

- Seller's post-closing interests should inform the transaction structuring and deal terms
- Transactions should be optimized to achieve Sellers' goals while maximizing financial return
- Planning ahead for the Sellers' "life after sale" will lead to greater satisfaction in the result
- Advisors can play a key role in shaping the outcome

Key Factors to Weigh Before an Exit

Personal Goals

- Financial return
- Wealth preservation
- Staying relevant
- Business and public profile (there will be many requests to join boards, etc.)
- Risk management
- Administrative support

Family and Other Considerations

- Impact of wealth on family
- Family legacy
- Employees
- Community

Road Map for Business Seller

New Role		Benefits	Considerations	Pre-Sale Work
Stay with Business	Continue in Management	<ul style="list-style-type: none"> Owner feels personally tied to the business and employees Can realize and execute on plans for the business if there is an earnout as part of consideration 	<ul style="list-style-type: none"> Different style from new ownership Debt constraints from the deal Continued role of former owner can become a hurdle to closing 	<ul style="list-style-type: none"> Employment agreement Earnout terms Commitments to invest in the business by new owners
	Consultant	<ul style="list-style-type: none"> Stay involved at arms length Provides continuing income and benefits 	<ul style="list-style-type: none"> Consulting contract can become a hurdle to closing Former owner needs to adapt to a non-management role 	<ul style="list-style-type: none"> Negotiate contract terms early, as part of LOI
	Passive Shareholder in Original Business	<ul style="list-style-type: none"> More free time – no day to day involvement Deep knowledge of investment 	<ul style="list-style-type: none"> New owner may have different long-term strategy Little opportunity to influence Former owner needs to adapt to a non-management role 	<ul style="list-style-type: none"> Rollover equity in the buyer Be conscious of the debt the buyer puts on the business Address noncompete restrictions
New Ventures	Business Venture	<ul style="list-style-type: none"> Allows seller to keep active in business space New venture may include next gen Start own business again 	<ul style="list-style-type: none"> Early stage or startup company poses different operational challenges 	<ul style="list-style-type: none"> Address noncompete and non-solicit restrictions Seller will want to prioritize cash as deal consideration
	Investor	<ul style="list-style-type: none"> Invest in other ventures without taking an active role Create a family investment vehicle Portfolio diversification 	<ul style="list-style-type: none"> Seller will want sufficient cash from deal 	<ul style="list-style-type: none"> Address any legal / regulatory requirements, e.g., Investment Company Act Identify investment advisor or investment research sources
	Philanthropy	<ul style="list-style-type: none"> Give back to the community Personal passion Family legacy Training ground for next gen family members 	<ul style="list-style-type: none"> Seller will want sufficient cash from deal Seller may want to make a pre-closing gift a stock 	<ul style="list-style-type: none"> Gift equity to charity or foundation prior to transaction Establish family foundation/DAF Avoid pitfalls of making gifts too soon

Transaction Structuring

Asset vs. Stock Sale

	Asset Sale	Stock Sale
Buyer	<ul style="list-style-type: none"> Leaves liabilities behind Can depreciate / amortize assets on a going forward basis May pay more given the decreased risk Third-party consents required to transfer the business 	<ul style="list-style-type: none"> Inherits company liabilities Tax attributes Fewer third party consent issues
Seller	<ul style="list-style-type: none"> Challenge of ensuring smooth landing for employees 	<ul style="list-style-type: none"> Simpler Structure Minimize employees transition: benefits, etc.

Finding Buyers to Fit Seller's New Role

Strategic Buyers

- Acquire the business because it aligns with the Buyer's current business e.g., adding a key business line or capability.
- Leads to uncertainty for employees e.g., concern the new owner will reduce duplicative groups and roles

Possible Impact:

- May keep management in a consulting role during transition, then disengage
- May integrate employees in nonduplicative roles, but terminate others

Financial Buyers

- Acquire the company for a financial return
- Less overlap in business and responsibilities; more likely to retain management
- Wants to achieve a return and exit within a set timeframe; no business integration concerns
- More likely to use leverage

Possible Impact:

- May retain management, while supplementing with their chosen experts
- More likely to retain key employees

Business Sale Results

- ✓ Seller's post-closing interests informed the transaction structuring and deal terms
- ✓ Transactions were optimized to achieve Sellers' goals and financial return was maximized
- ✓ A smooth transition for employees was achieved
- ✓ Clear guidance lead to greater satisfaction in the result
- ✓ Advisors played a key role in shaping the outcome
- ✓ Seller is living his/her vision

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