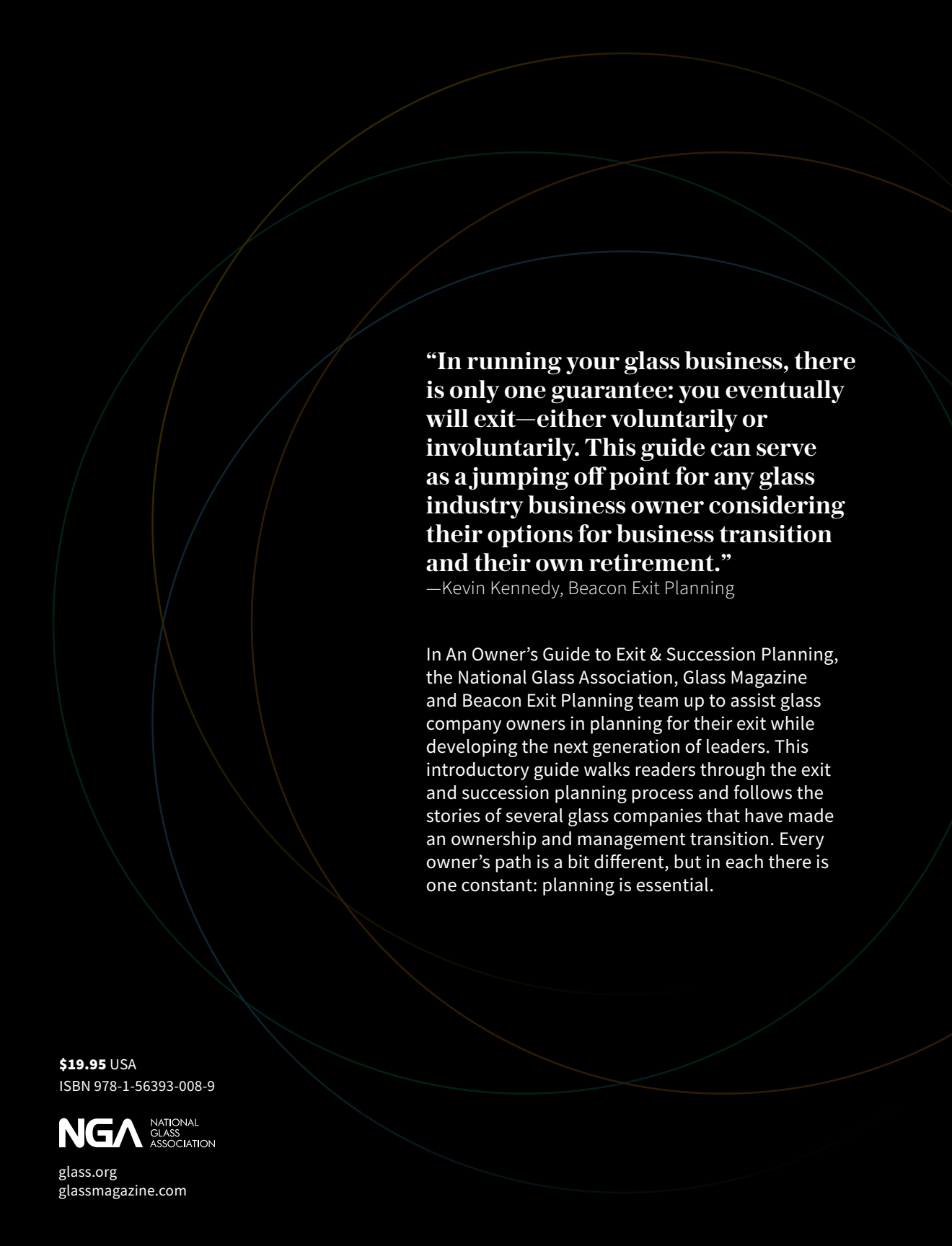


AN OWNER'S GUIDE TO

# Exit & Succession Planning

A COMPLETE INTRODUCTION,  
WITH CASE STUDIES FROM THE  
GLASS INDUSTRY



**“In running your glass business, there is only one guarantee: you eventually will exit—either voluntarily or involuntarily. This guide can serve as a jumping off point for any glass industry business owner considering their options for business transition and their own retirement.”**

—Kevin Kennedy, Beacon Exit Planning

In *An Owner's Guide to Exit & Succession Planning*, the National Glass Association, Glass Magazine and Beacon Exit Planning team up to assist glass company owners in planning for their exit while developing the next generation of leaders. This introductory guide walks readers through the exit and succession planning process and follows the stories of several glass companies that have made an ownership and management transition. Every owner's path is a bit different, but in each there is one constant: planning is essential.

**\$19.95** USA

ISBN 978-1-56393-008-9

**NGA** NATIONAL  
GLASS  
ASSOCIATION

glass.org  
glassmagazine.com

Copyright © 2018, National Glass Association. All rights reserved.

No part of this work covered by copyright herein may be reproduced or used in any form or by any means—graphic, electronic or mechanical—without the prior written permission of the publisher. Any request for photocopying, recording, taping or information storage and retrieval systems of any part of this book shall be directed in writing to the National Glass Association.

Care has been taken to trace ownership of copyright materials contained in this book. The publisher will gladly receive any information that will enable them to rectify any reference or credit line in subsequent editions.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold on the understanding that the publisher is not engaged in rendering professional services. If professional advice or other expert assistance is required, the services of a competent professional should be sought.

Production Credits  
*Cover and Interior Design: Cory Thacker*  
*Printer: Quad/Graphics*

National Glass Association  
1945 Old Gallows Road, Suite 750  
Vienna, Virginia 22182  
703\442-4890 • glass.org

ISBN 978-1-56393-008-9

---

# Contents

<b>04. Preface</b> <i>By Katy Devlin</i>	<b>42. Case Studies</b> <i>By Bethany Stough and Katy Devlin</i> <i>Glass Magazine</i>
<b>06. Exit Planning and Succession</b> <i>By Kevin Kennedy and Joe Bazzano</i> <i>Beacon Exit Planning</i>	<b>44. AAA Glass &amp; Mirror</b> A family glass business undergoes an unexpected transfer of ownership
<b>07. Introduction</b> <i>By Kevin Kennedy</i>	<b>46. C.R. Laurence Co.</b> Owner of an industry giant looks to continue legacy through outside sale
<b>08. The Exit Plan</b> 10. Making a plan 11. Disciplines of exit planning 12. Other considerations	<b>50. DeGorter Inc.</b> Equipment company successfully transfers ownership through four generations
<b>14. Types of Exits</b> 16. Internal transfer 20. External sale 24. Employee stock ownership plan 28. Liquidation	<b>53. Giroux Glass</b> Glazing firm implements long- term succession plan and ESOP
<b>30. Succession Planning</b> 32. Steps to succession planning	<b>56. M3 Glass Technologies</b> Third-generation family business brings in private equity partner
<b>36. Contingency Planning</b> 38. Contingency planning for varying ownership structures 39. Planning for companies of all sizes 40. Developing and maintaining a contingency plan	<b>59. Salem Distributing</b> Machinery supplier looks to ESOP and employee development for long-term success
	<b>62. Conclusion</b> <i>Seven Myths of Exit Planning</i>
	<b>66. About the Authors</b>

## Preface

---

In early 2015, I attended a reception in Long Beach, California, to celebrate a new era in leadership for Los Angeles-based contract glazier Giroux Glass. Anne-Merelie Murrell, the company's charismatic, longtime CEO and owner, was in her 80s and ready to pass the baton to the next generation—a carefully chosen and developed group of company executives led by new CEO Nataline Lomedico.

Murrell became a glass company owner somewhat unexpectedly in 1991. She purchased Giroux Glass as part of a larger real estate deal, and despite having no previous experience in the industry, grew the outfit from a small service glass company into one of the nation's largest regional glazing contractors. In her 24 years at the helm of Giroux Glass, Murrell created an important player and partner in the glass industry; a profitable organization defined by quality, growth and expansion; and a close community of employees, many of whom have dedicated more than a decade of service to the company. "She was creating a place, a home, one which would provide each of us the opportunity to create our own future stories, both financially and emotionally," Lomedico says.

In building a successful company, Murrell also built a community. And, as she looked to the future, she sought a path forward that would ensure a lasting legacy, allowing the company and the employees to continue to grow and thrive after she retired.

While Murrell's entrance into the glass industry may have been accidental, it became clear that her exit would require intention, preparation, training and so much more. Success in this transition process would allow the Giroux Glass story to continue. Failure, on the other hand, would close the book, taking an important player from the market and affecting hundreds of employees.

Murrell's story likely rings true for any owner who has recently pursued or is pursuing a business exit. The process is daunting, and the financial, personal and emotional stakes are high—for the owner, the company and the employees.

At an industry-wide level, the stakes are even higher. Consider, 66 percent of U.S. businesses are owned by baby boomers, according to the U.S. Census Bureau. Assuming the glass industry follows nationwide trends, two-thirds of industry businesses have an owner who is at or near retirement. In the near future, these owners will either find a way to transfer their glass business to the next generation, or they will shut the doors when they retire.

In this time of tremendous leadership transition in the North American glass industry, the National Glass Association and Glass Magazine recognize the need for industry-specific resources to help owners plan for their exit while developing the next generation of leaders.

"We hear often from companies large and small that we need to do a better job attracting young people to the

industry. That sentiment is echoing ever louder as the baby boomers heading up these companies are thinking about their exit plan," says Nicole Harris, NGA president and CEO. "Day-to-day, it's tough to focus on long-term topics like exit and succession planning when you're focusing on payroll and getting the next job. However, this planning is too important to neglect."

To assist glass company owners as they navigate this complex process, the NGA and Glass Magazine teamed up with experts from Beacon Exit Planning LLC to produce "An Owner's Guide to Exit & Succession Planning."

This guide features in-depth exit management information from Beacon Exit Planning paired with case studies from the glass industry, compiled by Glass Magazine editors. In these case studies, owners from a range of industry companies, including Giroux Glass, share their stories of ownership and management transition. Editors spoke to a family business finding a way to pass the company to the fourth generation of owners; to the owner of a billion-dollar supplier navigating a path to retirement; to a glass fabricator managing a sale to a private equity firm; and others.

The case studies show that every owner's path is a bit different. In each, however, there is one constant: planning is essential.

"Exit planning [can] never start early enough," says Giroux's Lomedico. "Prior to deciding which avenue to take, all factors impacting the owners must be taken into consideration. Some

factors may impact the valuation of the company, the position in the marketplace, the family of the owners and their communities. Depending on the ultimate goal of the company, the outcomes will vary. Most of the time, the outcome which does not hinder the owner or the company is the best one."

This guide helps owners take the first step to plan for a successful exit.

The NGA and Glass Magazine would like to extend a special thanks to the team at Beacon Exit Planning for sharing their expert advice, and to the glass companies willing to tell their stories of exit and succession. For additional information, visit [BeaconExitPlanning.com](http://BeaconExitPlanning.com), [GlassMagazine.com](http://GlassMagazine.com) and [Glass.org](http://Glass.org).

### Katy Devlin

*Editor in chief, Glass Magazine  
National Glass Association*



# Exit Planning and Succession

## Introduction

In running your glass business there is only one guarantee: you eventually will exit—either voluntarily or involuntarily. However, the process of transitioning a business to the next generation is fraught with complications, risks and challenges.

For business owners looking to exit their company and successfully transfer ownership, the statistics are daunting. Seventy percent of businesses fail to transfer to the second generation or to an outside buyer. Ninety percent of businesses fail to transfer to the third generation. In other words, your grandchild has about a 3 percent chance of running the business you hope to transfer to your son or daughter. Those odds are not good.

A business exit can also present major financial stakes. On average, 70 percent of an owner's wealth is trapped in their illiquid business. Taxes can reach 55 percent in a business transfer, and business liquidation may only bring 10 percent of a business' value. An owner must be able to replace their income after they leave a business, so they don't outlive their money.

In short, in a business exit, the odds are low, and the stakes are high—for the owner, their family and the business. To beat the odds, both the business and its owner must plan ahead and be prepared.

The subjects of exit planning and succession are very personal to me. I have scars and bruises from buying, and then selling, a 200-employee specialty contracting company with two

partners. I went through the succession process as a manager and helped lead the process as an owner as we passed the company to the fourth-generation management team.

We wandered through the exit process for six years and spent more than \$250,000 trying to figure out our path. The good news is we successfully transferred the company. However, with an exit plan in place, this could have been completed in less than a year for a fraction of the cost.

After the business exit, I retired and went back to school for two years to become certified in exit planning. During that process, I discovered that our advisors of more than 30 years had offered only cookie cutter advice and cost us millions in unnecessary taxes. Ouch.

That is the reason I founded Beacon Exit Planning: to help owners avoid making common costly mistakes and not fumble the ball in the red zone of their business careers. And, that is the reason I collaborated with the National Glass Association and Glass Magazine to develop this guide that can serve as a jumping off point for any glass industry business owner considering their options for business transition and their own retirement.

Yes, the statistics of success are daunting. But, owners who plan ahead and prepare for the inevitable can improve those odds for their own companies.

**Kevin Kennedy**  
CEO, Beacon Exit Planning

# The Exit Plan

**KEY TAKEAWAY:** A business owner who is poised to exit their company and transition ownership to another party must develop a comprehensive exit plan. The exit plan will guide the owner and the management team through the complex process of ownership transfer, and will address everything from taxes to business valuation to succession.

Exiting a business will probably be the largest financial event of a business owner’s life—it is likely the owner’s largest asset. Exiting is the owner’s final opportunity to secure a comfortable retirement. In other words, the stakes are high.

The process isn’t easy, as reflected in the daunting statistics below. Harvesting the illiquid wealth trapped in a business can be one of the most complex transactions an owner will

face. To navigate this process, an owner must gather the best information to minimize risk, make correct decisions, and understand the financial and strategic control issues required to replace their income.

And this all starts with developing an exit plan. Here, we look at the primary disciplines involved in the process, as well as tips on best practices in planning and execution.



70%

of businesses fail to transfer to the second generation or to an outside buyer.



90%

of businesses fail to transfer to the third generation.

# Succession Planning

**KEY TAKEAWAY:** A successful succession plan outlines how to educate and build bench strength, groom emerging managers, develop leadership training, and identify future owners. The flexible plan may take several months to write and several years to execute.

A primary hurdle in a business transition is replacing the owner. The stakes are personal and financial. Can a business continue to run without the owner's leadership? Who will take the reins? And will the business be of value to potential buyers without the owner?

For many businesses, the owner constitutes a large portion of the value of the organization. They bring knowledge and expertise, relationships with customers, connections with financial institutions, and overall leadership and guidance of the company's trajectory. An owner's exit from the business will not be successful without the careful creation and execution of a succession plan.

This section focuses on the succession plan—preparing a company to succeed in the absence of its owner/CEO. The succession plan is about grooming management to move into leadership and finding a new CEO. In a broader sense, it is about creating a culture of continuous succession that focuses on human capital and protecting the future of the company.

A well-devised succession plan shows business owners how to replace themselves. The process moves chosen management performers to a championship team that first works alongside the owner, and then

eventually into independent leadership. A good succession plan outlines how to educate and build bench strength, groom emerging managers, develop leadership training, and identify future owners.

A succession plan:

- Establishes a clear direction for the company, for the exiting owner and for remaining employees.
- Professionalizes the company.
- Develops and improves management systems.
- Develops and trains human capital.
- Develops teamwork and leadership.
- Selects new owners and/or a new CEO.

A succession plan can take several months to write but years to execute. Depending on the readiness of management and the type of exit and current payout, the execution of a succession plan may take three to 10 years. On the other hand, if an owner has systematized their business, and has clean financials and mature management in place, the company could be sale-ready in less than a year.

# Case Studies from the Glass Industry

Editors from Glass Magazine spoke to numerous leaders from glass and glazing industry companies that beat the odds and saw their businesses transfer to the next generation of owners. No matter the size or type of company, the process took unexpected twists and turns. Owners faced countless challenges and difficult decisions, such as which type of exit to pursue or who should be next in line to lead the company. Some said they would do things differently if they had to do it again. Many said they would allow more time and planning for the process.

This section of "An Owner's Guide to Exit & Succession Planning" tells these stories of successful business exits. It investigates the ownership transitions

from all types of industry businesses—from a full-service glass company to a billion-dollar supplier—through all types of exit vehicles—management buyout, gift, employee stock ownership plans, outside purchase and private equity acquisition. It provides an in-depth look at several types of succession plans, and at the importance of contingency planning.

*Editor's Note: The following case studies appeared in Glass Magazine in conjunction with a series of articles on Exit Planning & Succession from Beacon Exit Planning. They were originally published between 2016-2017 and have not been updated for the purposes of this guidebook unless noted.*





## AAA Glass & Mirror

*A family glass business undergoes an unexpected transfer of ownership*

For Cliff Wright, succession happened overnight. While already managing and operating Layne Glass, Cliff took on the position of president of AAA Glass & Mirror when his dad, Jerry Wright, passed away suddenly in November 2014.

AAA Glass was founded in 1962 by Cliff's grandfather, JC Wright. Jerry Wright worked at the business through high school and college, and took

ownership in the 1980s. Cliff followed a similar path, working at AAA Glass "for as long as I can remember," he says. When Jerry purchased

Layne Glass in October 2013, Cliff moved to serve as president of the newly acquired business.

"When we had the opportunity to purchase Layne, I moved over there as president and operated the company separately for a year from October 2013 to October 2014 until my dad went in the hospital."

When Jerry Wright passed away, he and his wife had only very recently begun discussing a five- to 10-year succession plan with Cliff. The unexpected nature of his passing created challenges, as the family and company worked to transfer

management responsibilities and ownership.

"My dad loved working and would still be actively managing the business if he was still around," says Cliff. "We had begun the process of putting our ideas to paper. Unfortunately, at the time of his passing we had not officially done so."

Cliff determined to step into the leadership position at the company; however, it wasn't easy. "The first year [after my dad died] felt like I was drinking from a firehose," Cliff says. "It was a lot to take in, to go from running Layne Glass to overseeing both AAA and Layne. It was quite a bit of pressure as a third-generation [family business leader] to not let the family business down."

After Jerry passed away, Cliff says he relied heavily on AAA's long-time employees. He assured them he was there for the long haul, and then pushed them to take on more responsibility so they could continue to build successful businesses together.

"You can't do everything yourself," says Cliff. "The business is only as good as the people in it. Keep the good ones around, and make sure they know that they are important."

Cliff's mom also helped to fill the management void, and she continues to provide oversight by coming into the office one to two days per week. "She's using her expertise from years of running the company with my dad to catch potential problems," says Cliff.

The financial transfer also had to be determined. Full ownership of both AAA Glass and Layne Glass, as well as the title, transferred to Cliff's mom after Jerry's passing. Over time, Cliff will buy stock,

with proceeds moving into a trust, for full ownership of AAA and Layne.

Cliff says his family business was fairly typical, by only talking about the future but never putting anything in writing.

"Do your family and business a huge service. Sit down as a family and have an open conversation; begin to form a succession plan in writing," Cliff advises.

**"Do your family and business a huge service. Sit down as a family and have an open conversation; begin to form a succession plan in writing. We put it off. We didn't tie things up because we all thought we had more time. But tomorrow is not guaranteed."**

"We put it off. We didn't tie things up because we all thought we had more time. But tomorrow is not guaranteed."

Despite the initial challenges of the unexpected succession, Cliff has grown both AAA Glass and Layne Glass. Since he became president of both businesses, they have grown from about 15 combined employees to 50.

**Above:** JC (left) and Jerry Wright, at AAA Glass & Mirror. Photo courtesy of Cliff Wright.

# Conclusion

**KEY TAKEAWAY:** Don't fall victim to the myths surrounding exit and succession planning. Plan early, plan well, and work with expert advisors.

For a business owner, a good exit plan is essential to profitably transferring ownership of the company. Yet at the outset, the exit planning process can be intimidating. Owners may feel disjointed when soliciting advice from multiple advisors. They may feel overwhelmed when weighing their exit options. They may feel emotional when stepping away from the business. All these factors can tempt

owners to postpone the process and rely on the misconception that it's ok to wait. During conversations with hundreds of successful business owners, Beacon Exit Planning experts have discovered the following myths surrounding the exit process. Don't fall victim to these myths. The reality is that exiting a business is not an event, but a complex process that takes time.

SEVEN MYTHS OF EXIT PLANNING

01.

“I will just sell my business and retire.”

THE REALITY

Fewer than 20 percent of businesses for sale actually sell, according to a study by the American Chamber of Commerce. Those that do sell to an outside party typically consist of companies that operate in a unique niche or location, or that go up for sale when the economy is growing.

02.

“I will deal with my exit plan in five years.”

THE REALITY

When business owners are asked about when they intend to retire, the answer is almost always “in five years.” Three years later, the answer is still “in five years.” Without a written exit plan in place, the procrastination continues. Even though the actual exit might take an additional five, 10 or 15 years to execute, having a strategy in place is critical to meeting post-exit financial goals. Furthermore, it takes time and training to align, grow and replace the owner with a formal succession process.

03.

“I can probably do this myself.”

THE REALITY

Sure, a business owner knows how to run their business, but most have never exited a business. The process requires participation from numerous parties—accountant, lawyer, insurance agent, to name a few. An owner may require the assistance of a professional consultant to formulate an exit plan that pulls all of the personal, business and financial goals together.

Because so much is dependent on an owner’s exit, the planning process should coordinate business, personal and financial goals, resulting in a comprehensive plan that satisfies not only post-exit financial needs, but also legacy planning and wealth protection goals.

04.

“My business is worth \$7 million.”
05.

“That will never happen to me.”
06.

“If I could get \$4 million, I would retire tomorrow.”
07.

“My accountant does exit planning.”

THE REALITY

The harsh reality is that most owners overvalue their businesses. A company’s value depends on who is buying. Advisors accredited in business appraisals can help an owner understand what makes their business valuable to an acquiring party and offer strategies for increasing that value.

THE REALITY

Death, divorce, disease, disability, departure. Situations involving an owner’s untimely death or disability are frequent. In most cases, the contingency plans (often a buy-sell agreement) are not aligned with the business owner’s motives or goals. Oftentimes, they are unfunded or make what should have been a non-taxable benefit, taxable. Creating an exit plan in cooperation with a professional consultant can help to avoid the unintended consequences of an outdated or poorly drafted agreement.

THE REALITY

Yes, \$4 million sounds like a lot, but is that really how much an owner will need? The real question an owner should ask is, “How much do I need to replace my income?” While 70 percent of an owner’s wealth might lie in their business, an owner must consider their money outside the business: savings, retirement funds, real estate income, investments, etc. An owner must be able to replace their income so they don’t outlive their money.

THE REALITY

An owner might have a good accountant and a book value for their company, but it takes a proactive approach and a significant amount of other information to exit a business. Owners may want to consider an exit planner, who can translate a business owner’s goals into a plan that allows them to meet financial targets, install a successor and protect their wealth.

KEY TAKEAWAY

Owners Need to Start Planning Today

An exit planner can also coordinate different disciplines and professional advisors, including attorneys, accountants, estate planners, insurance advisors, financial planners, business consultants and others involved in the execution of the exit plan. The key is to start planning today.

## About the authors

---



**Joseph Bazzano**  
Joseph Bazzano is the COO of Beacon Exit Planning LLC, “America’s Exit Planner,” [beaconexitplanning.com](http://beaconexitplanning.com), a certified public accountant and certified valuation analyst. Bazzano is also a certified business exit consultant with over 20 years of experience in public accounting, valuation and exit strategy services for companies ranging from \$100,000 to over \$250 million. Bazzano has been recognized as a top 10 CPA in Connecticut. His consulting services have shown business owners how to increase the value of their businesses by millions of dollars with exponential savings on tax dollars. His areas of expertise include financial reporting, consulting, business valuations, mergers and acquisitions, exit strategies, tax planning and compliance for individuals and business entities.



**Katy Devlin**  
Katy Devlin is editor in chief of Glass Magazine, [glassmagazine.com](http://glassmagazine.com), an official publication of the National Glass Association, [glass.org](http://glass.org). She joined in 2004, and in her time at the magazine has worked to track developments and trends in the architectural glass and glazing market. A focus of her work has been the North American glazing contractor market and the global float glass industry.



**Kevin J. Kennedy**  
Kevin Kennedy is the founder of Beacon Exit Planning LLC, “America’s Exit Planner,” and a nationally recognized speaker, author and thought leader for business owners working through exit planning and succession. As the lead consultant at Beacon, Kennedy helps business owners develop customized exit strategies to achieve their objectives. Prior to starting Beacon, Kennedy was one of three owners of a 200-employee specialty contracting company. He and his co-owners navigated the complex process of exiting the business and transitioning it to new ownership. His firsthand experience provides owners with the tools for the exit plan and succession plan to safeguard their business wealth, groom successors, and orchestrate the successful sale/transfer of the business.



**Bethany Stough**  
Bethany Stough is content manager for the NGA and managing editor of Glass Magazine, and its sister publication, Window & Door magazine, [windowanddoor.com](http://windowanddoor.com). Since joining the NGA in 2013, she has focused on the glass fabricator and metal supplier markets, best business practices related to labor issues, and on the challenges of exit planning and succession facing industry companies.