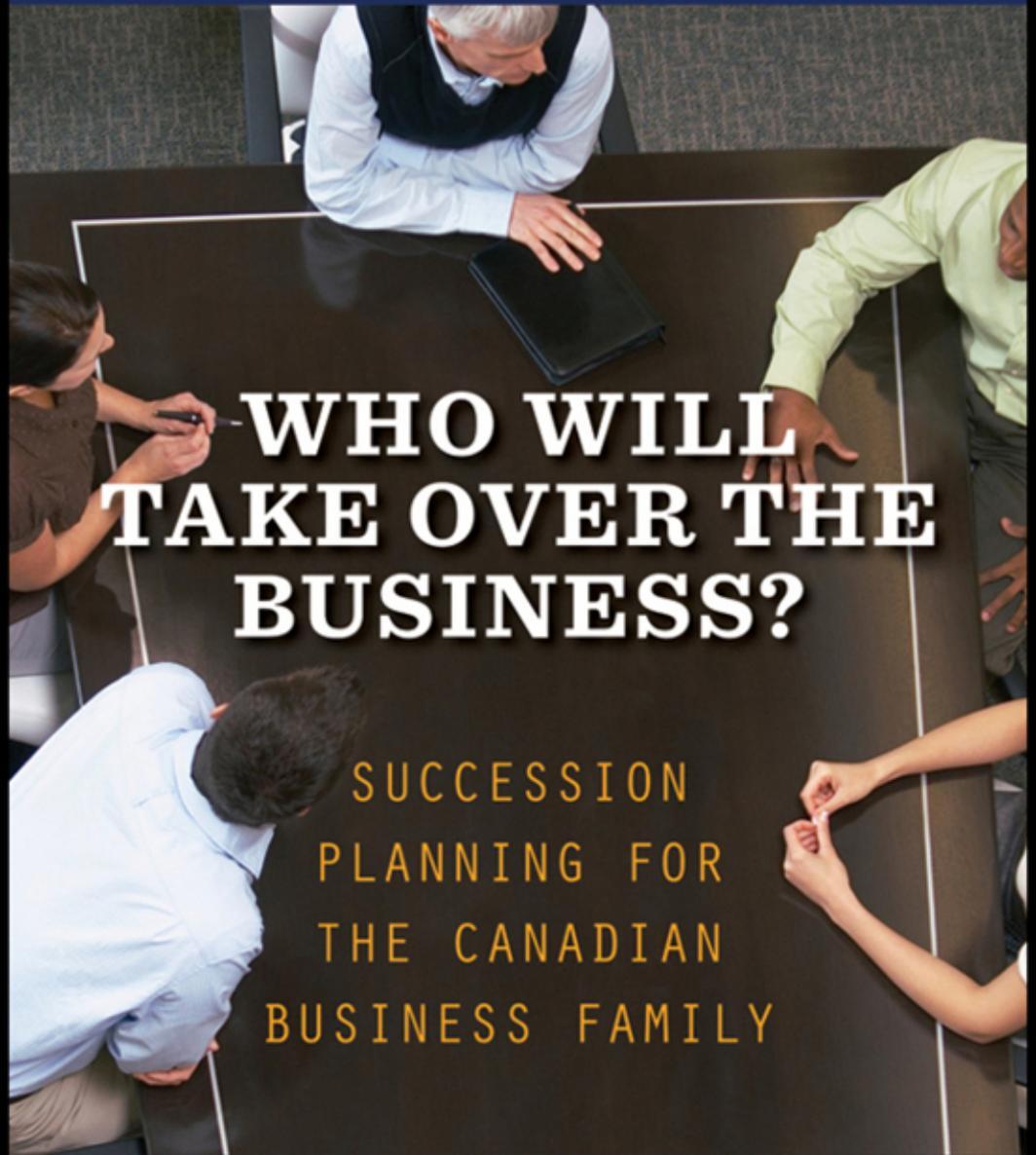


"I wish there had been a book like this when I was going through the sale of our business!"

~ RON WATERS, Former Vice Chairman, CHUM Limited



WHO WILL TAKE OVER THE BUSINESS?

SUCCESSION
PLANNING FOR
THE CANADIAN
BUSINESS FAMILY

SUSAN LATREMOILLE & PETER CREAGHAN

*with Frank Archibald, Linda Betts, Arnie Cader,
Sheila Crummey, Tony Ianni, Steve Landau,
Ron Prehogan and Pearl Schusheim*

**ADVANCE PRAISE FOR
*WHO WILL TAKE OVER THE BUSINESS?***

“Do not do another thing about succession planning until you have read this book. *Who Will Take Over the Business?* is an easy-to-read guide for family business owners who want to take their business past their ownership and to the next stage. The results will be happy families who are both wealthy and wise.”

—*Jacoline Loewen*
Family business private equity expert, Loewen & Partners

“Management issues . . . tax issues . . . family issues. You might not have a clue how to solve all these issues, but the authors of *Who Will Take Over the Business?* do. This book reflects an unmatched depth of knowledge and experience.”

—*Herb Singer*
Founder & President, Discount Car and Truck Rentals

“An excellent book on the complexities of succession planning. The content covers a wide range of useful information on tax planning, trusts, private corporations, and estate planning, and will be of great interest to accountants, lawyers, portfolio managers, bankers, wealth managers, and their clients.”

—*Doug Mackay*
Former Vice Chairman, RBC Dominion Securities

“A book that every family business owner should take seriously.”

—*Hank Mews*
Chairman, The Myers Automotive Group

“Families around the globe will enjoy reading about Victor Banks and the Atlas business—and they will gain a wealth of knowledge in doing so. The authors cover the many dilemmas facing a family-owned business with great clarity and depth of expertise. Readers will come away with a very realistic view of the contribution each specialist brings.”

—*Barbara R. Hauser*
LLC, Independent advisor to global families

“Who Will Take Over the Business?” is an invaluable resource for anyone who wants to sell shares in a private company. I was fortunate to have several of the authors advising me when I sold my shares in Bulk Barn Foods. They held my hand every step of the way, ensuring the process was both easy and painless.”

—*Maureen Ofield*
Former owner, Bulk Barn Foods Ltd.

“Who Will Take Over the Business?” offers practical and clearly set out strategies to help advisors work more effectively with family business owners—and one another. The book is valuable to both trusted advisors and their business-owner clients.”

—*Evan Thompson*
Founding Partner, Thompson, Wiley + Associates
Board member, The Family Firm Institute (Ontario Chapter)

“A must-read book for family businesses, families in transition, accountants, money managers, and other professionals working in the field of wealth management. It will also serve as an excellent case study for students in business and law, particularly students in wealth management programs. The take-away from this book is that various options are available to families in transition, and that professional support is out there to help them choose the ones best suited to their situation.”

—*Iraj Fooladi*
Douglas C. Mackay Chair in Finance, School of Business Administration
Dalhousie University

“Over the past thirty-five years, I’ve heard thousands of great stories about financial advisors providing extraordinary service to their clients. They all have several common features: the clients were almost always entrepreneurs, usually dealing with the complex issues of their multi-generational business families; the financial advisors invariably worked successfully as a team with the clients’ other advisors; and the solutions created by these advisory teams always brought great, lasting value to dozens of individuals involved with the clients. The authors here do a great job of showing how their specialized knowledge and skills contribute to the overall teamwork

needed to transform the financial, succession, and legacy issues that business families cannot deal with on their own.”

—Dan Sullivan
Founder, The Strategic Coach Inc.

“Our parents founded our company in 1946 and my brother and I have been responsible for it for the past 50 years. Like Victor in *Who Will Take Over the Business?* we considered a sale to a private equity fund but decided against it. I enjoyed reading the story of how one family dealt with all the decisions surrounding the sale of a family business. The book is a great guide to the many issues involved and to the available resources in addressing family business succession.”

—Tom Pick
Chairman, Pickseed Companies Group

“As an advisor to owner-managed businesses for over forty-five years, I recognize that the process of business succession can be sensitive and explosive. *Who Will Take Over the Business?* clearly illustrates how a team effort can guide an owner through the process to a satisfying conclusion.”

—Bernie Nisker
President, Bernie Nisker Inc.

“The example of Victor Banks and Atlas Plastics may be fiction, but the book reveals a storyline I’ve seen many times as a private equity fund partner. *Who Will Take Over the Business?* provides solid financial advice for family-owned businesses. Anyone in a similar situation will benefit from the authors’ insights.”

—John B. MacIntyre
Partner, Birch Hill Equity Partners

“Transitioning a family-owned business can pose daunting challenges. *Who Will Take Over the Business?* lays out obtainable goals to a secure succession plan using an open and methodical approach while also engaging the very real and emotional concerns of the family. A must-read for any family in a family business.”

—Kim Mihalcheon
Executive Director, Steel-Craft Door Products Ltd.

“As a professional advisor to family businesses, I wholeheartedly support the collaborative approach outlined in *Who Will Take Over the Business?*. The book is a must-read for business owners concerned about their businesses and their families.”

—Luanna McGowan
President, The McGowan Group

“While it is necessary to take into account culture and the unique character of each family, for entrepreneurs everywhere the challenges of transition are similar. *Who Will Take Over the Business?* helps people realize there is a way of working through the complex issues that arise in trying to balance multiple systems.”

—Christian Stewart
Managing Director, Family Legacy Asia (HK) Limited

“After forty-two years of observing families and businesses owned by families, and having my own experience in these environments, I can recommend standing back from your situation with the support of a strong team of advisors as you chart the future. This story will help you in your deliberations for yourself, your family, and your business.”

—Bryce M. Hunter
Chairman, Hunters

“This thought-provoking book brings back memories of selling a majority of my own business five years ago. A team approach for advisors is absolutely critical for a successful divestiture.”

—Marc Campbell
Former CEO, Plastic Moulders Limited

“The toughest issue facing business owners is how to transition their business while at the same time ensuring that the resulting wealth enhances their family. It’s great to journey with Victor, Anne, their family, and their advisors in *Who Will Take Over the Business?* The advice given is understandable and real. This is a book any Canadian family with a significant business should read to gain the confidence to act on their own situation.”

—Grant Robinson
Partner, BDO Canada LLP

“Who Will Take Over the Business?” clearly illustrates the advantages of pulling together the right team of professionals to secure the dreams of this and future generations. A must-read for anyone with a family business in transition.”

—Tracey Brophy
Former President and CEO, Shred-it International Inc.

“I highly recommend *Who Will Take Over the Business?* for families planning the sale of the family business. For me it was déjà vu, as I worked with many of the same professionals and had the same concerns as Victor and Anne during the process. The book is enjoyable to read, and readers will find it easy to relate to the Banks family.”

—Ron Besse
President & CEO, Gage Learning Corporation Ltd.

“Having spent the bulk of my career working with successful families, I know that the most difficult challenge facing entrepreneurs is not how to build the business; it is figuring out what to do when the time comes to step back from the firm that has been their life’s work. The issues the business owner must deal with are complex, emotional, and multi-dimensional. In *Who Will Take Over the Business?*, the authors demonstrate how one entrepreneur, working with a range of highly competent advisors, resolved the challenges he faced. This highly readable book is a template for how to transition a business in the right way and should be read by any business owner contemplating retirement.”

—Sandy Riley
President and CEO, Richardson Financial Group

“Who Will Take Over the Business?” is almost like having a personal GPS device that leads you to your desired life destination.”

—Mark Leon
President, Lewmanic Investments Inc.

“Running or being part of a family business is not always easy—or intuitive. We need to use modern advice and tools to promote succession of the business and of the family. There are many times when the leader of a family business should ask for outside professional assistance. I have used

many of the professionals who are part of this book and would recommend them wholeheartedly to any member of any family business.”

—*Dan Greenberg*
President, Ferguslea Properties Limited

“*Who Will Take Over the Business?* explains key succession challenges very well. Anyone who has faced these challenges knows that a process like the one the authors describe is essential for avoiding the catastrophic losses caused by lack of planning.”

—*Ken Reucassel*
Third-generation owner and President, The International Group, Inc.

“A must-read for any private business owner. The authors have highlighted the issues and considerations facing thousands every year.”

—*Gordon Schofield*
Partner, Murphy Business Canada Inc.

“*Who Will Take Over the Business?* is an insightful look at the issues entrepreneurs face as they transition their businesses. The authors deftly touch on the practical, emotional, and financial issues surrounding succession, the sale of a business, and the process of providing for multiple family stakeholders into the future. An important read for those thinking of embarking on this process as well as for those who provide trusted advice during the process.”

—*Gordon Pridham*
Chairman, Monarch Wealth

Who Will Take Over the Business?

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Succession Planning for the
Canadian Business Family

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Frank Archibald, Linda Betts, Arnie Cader,
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The story you are about to read, about Victor Banks, his colleagues and family, and his company, Atlas Plastics, is fictional. The reader will recognize that the challenges and complexities of succession planning in a family business are very real and based on the authors' cumulative experience and expertise.

Preface

Welcome to the story of Victor Banks, devoted husband to Anne, caring father to Anthony, Rose, Caitlin, and Robert, and—above all—visionary entrepreneur and founder and owner of Atlas Plastics. After a lifetime of success, Victor is facing the toughest challenge of his professional life: what to do with Atlas Plastics? It's got him perplexed, stuck in his tracks. For the first time in memory, Victor Banks can't see a way forward.

Victor started from scratch forty years ago. With Anne's support at home, Victor put in eighty-hour weeks and slowly built Atlas Plastics from a small family business into a global powerhouse with sales of over \$200 million, far bigger than he'd imagined possible in the early days. However, Victor's been promising himself he'll spend more time away from work, and he's promised Anne he'll spend more time travelling and enjoying life. He can't seem to find a way to make good on these promises.

Atlas Plastics is still growing rapidly, with significant expansion possibilities on the horizon. When that expansion happens (and there doesn't seem to be any real choice in the matter), the company will need major investments in new plants and equipment, bigger investments than ever before. Victor's CFO has told him that if they pursue their expansion plans, he may have to reduce his withdrawal of funds from the business for personal financial security. Anne won't be happy about that because Victor's also been promising to finally retire and reduce their dependence on the business. Now that, too, seems impossible.

On the family side, Victor and Anne have a whole other set of issues. They have four grown children. Three work in the business, one doesn't. All are wondering what Victor plans to do next. Will he keep the business and grow it? Will he sell it? The livelihoods and careers of the children working in the business depend on his decision. For the one who doesn't, a sale may be a chance to see some financial autonomy. Yet, Victor himself can't see clearly which way makes most sense. There seem to be many conflicting possibilities.

The transitioning of a successful business like Victor's is a complex, daunting process involving technical issues such as tax planning and financial engineering and also emotional issues and family dynamics. Though Victor has built significant wealth as he built his business, this wealth is almost entirely tied up *in* the business. His key financial decisions have revolved around whether to pay down debt

or borrow more to expand. For Victor, therefore, the point of transition to the next generation is the first time he's had to deal with broader tax and financial issues.

The same will be true if he decides to sell his business. In fact, the additional "challenge" of substantial liquid wealth creates a whole new set of problems: How will he invest his money wisely? Whom will he trust? How will he transfer the wealth wisely to his children? What if they blow it? And, on a personal note, what will he do with all this new time on his hands?

Make no mistake about it, transition planning is almost always wrapped up with another reality: retirement. People with "regular jobs" often look ahead to retirement with excitement and a sense of adventure. But for the typical business owner like Victor Banks, retirement almost inevitably invites hard questions. Victor wonders what *not* being in business will do to his sense of identity, purpose, and fulfillment. Few endeavours in life are more engaging and rewarding than running a successful business, and Victor wonders what he'll do with his "final chapter" if he's not involved in the business.

Business owners like Victor are typically neither trained nor prepared for transition. They don't always understand the available options and have no easy way to find this information. Their professional advisors most often feel straightjacketed into historical roles (e.g., accountant, lawyer, banker) and deal with specific issues as they come up. Rarely are they invited to contribute proactively to their

clients' overall financial and family planning. Where, then, does Victor find advice? With so many areas to cover, how can he find the expertise he needs? Who will quarterback this effort? How much will it cost? How long will it take? And what will be the best outcome for him and his family?

So, while we welcome you to the story of Victor Banks and his family, we also welcome you to a unique group of independent advisors who come together almost seamlessly to help Victor and his family work through the issues and come up with the right solution for their future. These advisors offer a broad range of different specialties—tax planning, estate planning, wealth management, life insurance, and dealing with family dynamics, to name a few—and they all work in different advisory firms with independent practices. What they share is a commitment to the whole solution, to proactive advice, and to working collaboratively—with Victor and his family and also with Victor's other advisors. These specialists know their own areas of expertise, how to work together, and how to blend their talents in support of each particular engagement. They know how to first ensure that business owners achieve clarity about what they want and then structure a deal or plan to deliver the results. They know how to implement solutions that involve many specialties that must be coordinated.

Not all businesses are as large or complex as Victor's, and not all transitions require the counsel of so many advisors. Many business owners, in fact, have trusted advisors