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Why Selling Your Family or Closely-Held Business Requires a Unique Approach

For financial professionals whose practice is geared to serving large and/or publicly traded companies, the unique characteristics of your family-owned business can be foreign territory. Because the needs and priorities of closely-held companies differ from publicly or institutionally owned corporations, and in fact vary from one situation to the next, a one-size-fits-all auction process is *not* the best approach. Whether it be accountants, lawyers or investment bankers, you need advisors who have extensive experience dealing with family companies and are familiar with the particular characteristics, perspectives and concerns of that market niche.

- 1. Confidentiality is not only important, it's critical; *the typical broad-based auction process is simply not advisable.*** Sending out a hundred books or more might be easier on your financial advisor, but it can wreak havoc for you as the owner. Word on the street that your company is for sale puts relationships with clients, vendors and employees at risk. Damage to these key components of your business leads to a weakened negotiating position (and a lower sales price), and leaves you exposed should you end up deciding not to sell the company. A selective and managed process, during which your investment banker contacts only complementary and viable buyers approved by you, and directly at the most senior executive or ownership level, is the best way to explore your alternatives while protecting your most important assets.
- 2. It's not just about dollars and cents; *legacy and the quality of succession make a difference.*** Knowing that you are leaving your long-time employees, clients, and vendors in good hands means something to you. It's more than just an analysis on a spreadsheet. Your financial advisor needs to work with you at the beginning of the process to establish the non-economic criteria you will use to evaluate the offers received. How will the company be managed after you leave? How does the buyer's culture compare to your own? How will the company's positioning, customer relationships and community involvement be impacted by the transaction? What will the buyer bring to the table that will ensure even greater opportunity and success in the years ahead for your company and employees?
- 3. This is more than simply a business decision; *family emotions and considerations must be understood and addressed.*** In any family-owned company, there is a constant push and pull among business and family priorities. The process is insufficient if it ignores family issues. Instead, an experienced financial advisor will help uncover and plan for the different goals, concerns and personal relationships that inevitably exist across relatives and

generations. The sale of any business is a disruptive and unsettling process, and emotions can run high. We understand this is especially true for family-owned companies. Comprehensive communication is essential to identifying and separating family emotions from business considerations, and is the first step towards structuring a transaction that meets the goals of all shareholders.

4. Private and family owned businesses look different; buyers will often need some education. For a buyer unfamiliar with the workings of a family or closely-held enterprise, your financial statements may require some interpretation. An investment banker accustomed to representing private companies will help you paint a clearer picture, by explaining the perspective and likely expectations of potential buyers. Such an advisor can also speak to suitors with experience and credibility when adjusting results for family and other non-recurring expenses, and explaining the untapped potential available for a buyer with greater resources, a higher risk tolerance or an increased ability to reinvest earnings into the growth of the company.

5. Succession planning is a process, not an event; objective advice helps you chart the right course. Even before the factors discussed above come into play, business owners need to know their financial alternatives, and understand the implications of the various paths open to them. You never know when you may be presented with an unexpected opportunity, or forced to act due to extraneous forces, so it's never too early to begin planning. As a financial advisory firm committed to serving family and other private businesses, we understand and value the need to evaluate alternatives and plan for the long-term, before committing to the sale effort. Advanced preparation, communication with family members, reaching consensus among shareholders, and planning ahead for potential minefields, all serve to ensure a smoother process and the optimal outcome when the time is right.

Bulkley Capital is an investment banking and financial advisory firm focused on family-owned and other privately held middle market businesses as well as offering a wide range of services for stakeholders in troubled companies. Bulkley Capital boasts a team of nationally recognized CEO/COO level operating executives to offer unique turn-key solutions for stakeholders of companies facing financial challenges. Founded in 1985, we remain committed to being a boutique firm, dedicated to achieving the right results by developing successful relationships with a select group of clients nationwide. As a full-service firm, Bulkley Capital works with senior management, ownership and boards of directors to help leading companies design and execute capital financing, acquisition and divestiture strategies.

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