



2.0 CONSULTING
SIMPLIFY THE COMPLEX



EXPECT THE UNEXPECTED
Succession Planning for Your Business
(and for You)

Who am I? A Snapshot Introduction

- Home: Bala Cynwyd, PA
- Family:
 - Wife, Jennifer.
 - 3 Kids: Julia (25), Emma (23), AJ (19)
- Career:
 - CEO & Founder of 2.0 Consulting, LLC
 - President of Keystone Industries' Dental Division – 2015-2023
 - Spearheaded development of 3D printing medical devices
 - General Counsel of Keystone Industries' consolidated businesses
 - Prior to 2015, spent 20 years as commercial attorney in Philadelphia
- Hobbies:
 - Guitar (self-taught, and it shows)
 - Skiing (self-taught, and it shows)
 - Soccer (weekly game).
 - Avid Philadelphia sports fan
 - Poker
 - Cooking
 - History



Succession Planning: Sustain Your Business



DISCLAIMER

- I am not providing legal advice to any participants.
- For any of these topics, you should consult with your own independent legal counsel.

Succession Planning: Sustain Your Business

Today, I will walk you through the **KEY** things to think about based on:

- **28 years of experience as a commercial attorney**
- **8 years running a dental manufacturing business with 100+ employees**
- **8 years as General Counsel of a global manufacturing business with 600+ employees**
- **Unexpectedly suffering cardiac arrest and 25 minutes of clinical death in March 2022....and all the lessons learned thereafter**



Succession Planning: Expect the Unexpected

- 25 minutes of clinical death
- 8-10 defibrillator shocks
- 4 broken ribs
- 2 punctured lungs
- 9 days in induced coma
- ECMO for 3 days
- Ventilator for 8 days
- Sepsis and fever
- Blood clot in left arm
- Delirium and hallucinations
- Nerve damage in left big toe (from ECMO)
- 15 days in hospital on a feeding tube



“Circumstances appear[ed] dire...There are very few teams...that could have pulled this off.”

Dr. Jay S. Giri, Cardiac Interventionist



Succession Planning: Sustain Your Business

1. EXPECT THE UNEXPECTED

- Key employees unexpectedly quit, take leave of absence, fall ill, or die.
- Does your business have back-ups plans in place?
 - People
 - Processes/Information Systems

2. PLAN FOR YOUR EXIT

- Sale of business
- Retirement/pass business to family
- Ill-health
- Death



Succession Planning: Sustain Your Business

3. PERSONAL PLANNING

- Living Wills, Advance Healthcare Directives, Funeral
- Estate Planning: Wills, Trusts
- Retirement Planning: Monthly Cash Needs, Income, Assets, Insurance, etc.



Succession Planning: When You Get It Wrong



Succession Planning: Expect the Unexpected

1. EXPECT THE UNEXPECTED

- Key employees unexpectedly quit, take leave of absence, fall ill, or die.
- Does your business have back-ups plans in place?
 - People
 - Processes/Information Systems
- No one wants to think of this stuff (or funerals/burials).
- Just a little planning goes a long way.



Succession Planning: Expect the Unexpected

LESSONS TO BE LEARNED – PLANNING AHEAD FOR THE UNEXPECTED

Access to Key Information

- Software programs can provide protection against business information loss
 - Dental lab management software
 - EasyRx, 3Shape, others
 - Customer Relationship Management (CRM)
 - Enterprise R&D – Albert
 - Electronic Lab Notebooks (ELN).

easyrx[®]
3shape 



Labguru



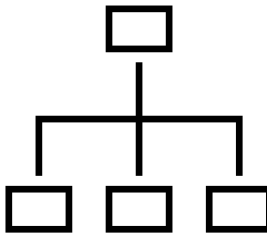
Succession Planning: Expect the Unexpected

LESSONS TO BE LEARNED – PLANNING AHEAD FOR THE UNEXPECTED

People and function coverage

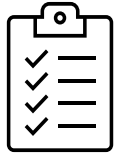


- Cross-training
- Examining organizational chart for holes
 - New hire planning
 - Covering holes through consultants, outside services, AI, automation or software.
- Incentive plans to keep voluntary attrition low



Succession Planning: Expect the Unexpected

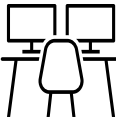
SUGGESTED STEPS TO PLAN FOR EMERGENT ABSENCE



- Access to list and location of client/customer names, contact information and files



- Incoming email access and review



- Maintaining, and access to, office information - leasing, office equipment, and vendors



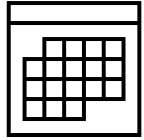
- Maintaining, and access to, employment, wage, and income tax payments



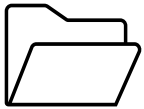
- Making sure there are multiple bank and corporate signatories

Succession Planning: Expect the Unexpected

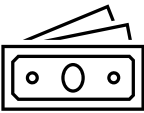
SUGGESTED STEPS TO PLAN FOR EMERGENT ABSENCE



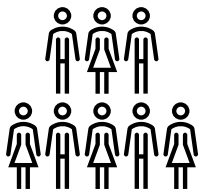
- Keeping all deadlines and follow-up dates on your calendaring system



- Thoroughly and contemporaneously documenting client/customer files



- Keeping your time and billing records up-to-date



- Familiarizing your back-ups with your office systems and key issues being worked on currently
 - Cross-functional meetings to avoid (non-confidential) information being siloed.

Succession Planning: Expect the Unexpected

Key Relationship Back-ups – customers, vendors, partners

- Not great for business sustainability for one person to hold most of the key relationships
 - Fear, Greed, Confidentiality
- Big Risk – relationship disappears with the person (quit, retire, disability, death, etc.)
- Bring others in the loop and have them interact with other personnel in that business relationship.
 - Trust your people and protect the business by decentralizing critical information and relationships.



Succession Planning: Plan Your Exit

1. Decision to Exit
2. Structure of Exit
3. Planning
4. Designating Successors and Buy-in
5. Execution

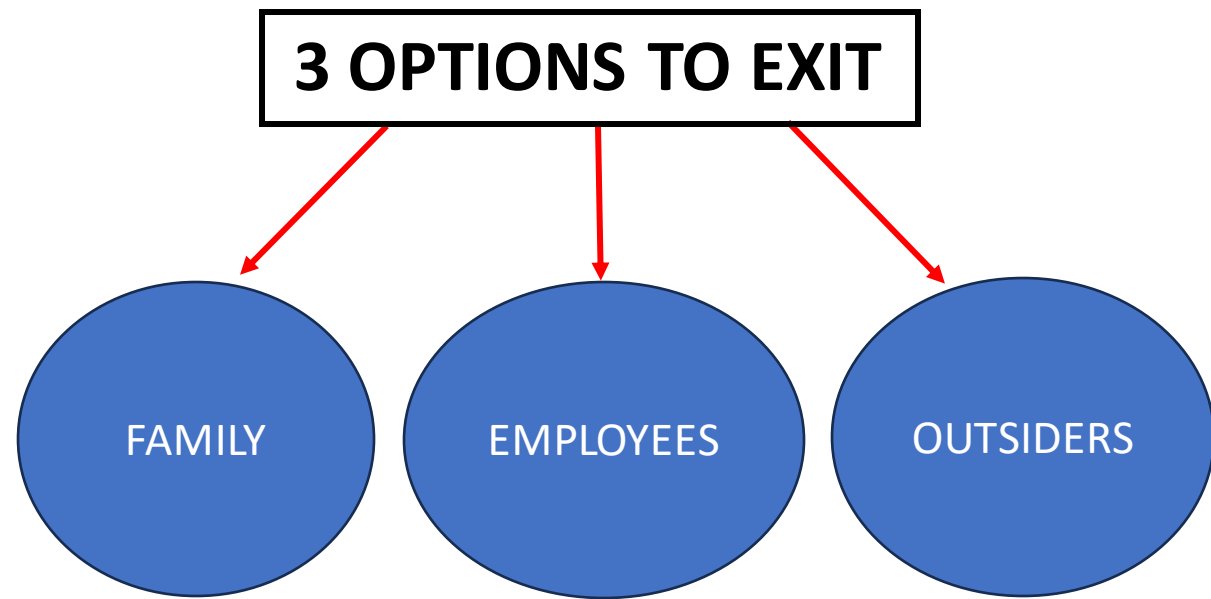
Succession Planning: Plan Your Exit

1. Decision to Exit

Whether **VOLUNTARY** or **INVOLUNTARY**, there will be a transition for all businesses and owners. Regardless of size. Impacts small, mid-size and large laboratories.

YOU MUST PREPARE!!!

If voluntary, it will take several years of preparation before exit/retirement date.



Succession Planning: Plan Your Exit

2. Structure of Exit

- Sale of Business – 3d party external sale or ESOP (more on this later)
 - Stock or assets
 - CEO/leadership transition – stay in place bonuses or contracts for Key people
 - Sale compensation – cash, stock, earnout
- Retirement – family successor or ESOP

Succession Planning: Plan Your Exit

2. Structure of Exit – ESOP Trusts (Employee Stock Ownership Plans)



- Company sets up an ESOP trust and plan.
- Company contributes stock or cash to buy shares from existing owner(s) at FMV.
- Employees get shares in the trust.
 - As they work longer for the company, they get an increased share rights (vesting)
 - Employees end up owning the business and have some control rights and voting rights within the business.
- When an employee leaves the company, they receive their trust stock, which the company must buy back from them at fair market value. So, the employee receives the value of his or her shares from the trust, usually in the form of cash.

- ESOPs can provide significant benefits to shareholders, management and employees of a privately-owned business.
 - Creative solution for business owners eyeing retirement, but who want **succession to go to family and key employees** instead of a 3d party.
 - Enhances owner's security with the proceeds from the sale while maintaining significant ownership stake.
 - Share ownership interests with others who have been managing or working in the company over the years and who, therefore, share a similar emotional investment in the business.
 - **Tax and estate benefits** while providing business owners liquidity, diversification and enhanced retirement benefits.



Succession Planning: Plan Your Exit

3. Planning – several years in advance

- Enlist Professional Assistance
 - Tax
 - Legal
 - Business "brokers" to help position and market the sale – valuations and exit targets

If your goal is to maximize the value of your exit:

- Clean-up income statement and balance sheet
 - Reduce expenses
 - Improve EBITDA (Net Profit) for maximum exit value
- Reduce owner-centric value of business and improve "going concern" value



Succession Planning: Plan Your Exit

3. Planning – several years in advance

If your goal is to maximize the value of your exit:

- Undertake valuation exercises
 - Book (asset) value
 - Going Concern value – EBITDA multiplier based on industry, recent sales, and risk
 - Strategic purchaser value
- Comprehensive tax planning
 - Capital gains, income taxes, transfer taxes, estate taxes
- Stabilize business
 - Customer mix – concentration of revenues
 - A/R cleanup
 - Secure key customer and supplier contracts & IP
 - Key employees secured with contracts or "stay-in-place" incentives



Succession Planning: Plan Your Exit

4. Leadership Succession and Buy-in

The Test of CEO Greatness:

1. Choosing the right successor
2. Grooming the successor
3. Stepping aside for the successor

Peter Drucker, Author & Management Thought Leader

In a family business (or small, closely-held businesses), you cannot COMPEL a designated successor.

The chosen leadership successor(s) must
(a) want the role; (b) be capable to perform the job; (c) have employee buy-in.

There will be huge issues without alignment on these leadership succession issues.



Succession Planning: Plan Your Exit

5. Execution

For External Sale

- Identify ideal buyers or profile of buyers
- Market the opportunity
- Develop multiple bidders
- Term Sheet
- Due Diligence and Contracts
 - Key Employee Contracts
- Closing

For Employees (ESOP)

- Establish ESOP plan & trust
- Invite participants
- Fund the trust with \$ or stock
- Plan for ultimate sale of stock to ESOP trust at retirement or death

For Family Succession

- Document intent
- Choose & groom successor, with buy-in
- Resignation and/or replacement of CEO by BoD appointment.
- Pass ownership through will or trust at retirement or death

Succession Planning: Personal Planning

- Living Wills, Advance Healthcare Directives, Funeral Arrangements

Spells out medical treatments you would or would not want if you couldn't speak for yourself.

- Specific life-prolonging steps & end-of-life care

Checklist of items to address in your planning for these issues




Details of the Living Will

A designated proxy you choose to make health care decisions if you cannot make them for yourself.

Succession Planning: Personal Planning

- Estate Planning: Wills, Trusts

WILL		TRUST
<ul style="list-style-type: none">• Defines beneficiaries		<ul style="list-style-type: none">• Defines beneficiaries
<ul style="list-style-type: none">• Names executor		<ul style="list-style-type: none">• Does not name executor
<ul style="list-style-type: none">• Designates guardian for minor children		<ul style="list-style-type: none">• Does not designate a guardian for minor children
<ul style="list-style-type: none">• Court-appointed conservator manages assets until beneficiaries reach legal age		<ul style="list-style-type: none">• Assets remain in trust until beneficiaries reach legal age
<ul style="list-style-type: none">• Does not keep information out of public record		<ul style="list-style-type: none">• Keeps information out of public record
<ul style="list-style-type: none">• Usually requires probate		<ul style="list-style-type: none">• Does not require probate
<ul style="list-style-type: none">• No protection against conservatorship		<ul style="list-style-type: none">• Provides protection against conservatorship
<ul style="list-style-type: none">• Simple wills can be prepared without an attorney		<ul style="list-style-type: none">• An attorney is required

The Motley Fool



Succession Planning: Personal Planning

Retirement Planning: Monthly Cash Needs, Income, Assets, Insurance, etc.

Count Your Assets

Count your savings and nontraditional assets that you can use to fund your retirement. You can turn your skills and hobbies into real income during retirement years.

Decide When to Collect Social Security

The age at which you collect your Social Security directly impacts your monthly benefits. So wait as long as possible and try to get it when you reach age 65 or above to reap the maximum benefit.

Create A Retirement Budget and Plan

Include in your budget the money coming in, cost of achieving your retirement goals and debt you have.

Evaluate Your Health

Stay as healthy as possible to avoid medical expenses in your retirement. Schedule regular medical checkups, eat healthy, exercise daily and meditate.

5 Things to Consider For Your Retirement Planning

1



Set Your Retirement Goals

To have a meaningful retirement, set your goals so your retirement becomes purposeful and satisfying. Example like, travelling, gardening or even going back to school

2



What is Your Retirement Age?

Know when you want to retire, (at what age you want to retire).

3



How Long You Want Your Retirement Income to Last?

How long do you want to receive your retirement income, example, till age 85 or even till age 100.

4



Living Expenses

Calculate your retirement living expenses needs, therefore, you will know how much you need to save now in order to reach your retirement financial goal.

5



Adequate Insurance Cover

Having adequate insurance coverage during old age, will provide you with a peace of mind.

Find Ways to Cut Your Expenses

Saving more is better. But it does not mean you cut down many necessary expenses too. Find ways to trim your expenses and cut down all unnecessary expenses.



Succession Planning

Q&A ?

PDF Copy of This
Presentation