

Closed Case Files

Perpetuation Chronicles™

EXCLUSIVE. THIS BUSINESS DOCUMENT HAS BEEN PREPARED FOR ENTREPRENEURS, BUSINESS OWNERS AND MANAGERS.

The Chronicles come from the exclusive files of Private Capital Corporation (PCC).

The case stories are true. Only the names and places have been changed to protect the privacy and confidentiality of PCC clients.

CLOSED CASE 19 CASE BACKGROUND

It was an early Tuesday morning in fall, 2009. Shane Maynard threw on old sweats and headed out to his favorite trail. The route took him down through deep woods, across a wide expanse of open meadow and then a steep incline, before it flattened out along a scenic ridge. He always used his runs to relax and think through things, great and small. Today, he had to finally face an issue that had troubled him for years. Twenty years earlier, his Pop Stanley handed over the reins of the family's \$10MM plumbing supply and contracting businesses to him and brother Chet. The business continued to grow, primarily under Shane's leadership and work ethic. By 2008, revenues topped out at over \$40MM. But long before, in the mid-90's, Chet had developed chronic health issues, leaving Shane to shoulder heavy burdens and responsibilities. As time wore on, the burdens grew and Shane knew something had to give as he began to resent the inequities of his situation. He stopped at the trail summit, looked out over the valley below and recalled his father's advice. And that morning he made a decision.

CASE CHALLENGE Realizing that his brother could not, and sometimes would not, take responsibility in the business, Shane approached him with a buyout offer. Twice, he put together a plan. The first offer never got past the meeting stages and the second, seemingly agreeable to all parties, fell apart at the signing table. The failed attempts, added to the trials and tribulations of running the business, took a toll on the brothers' relationship. Then, outside pressures compounded the problem. Shane's long-time

lender advised they were exiting the commercial lending business. Shane never had difficulty finding lenders because the businesses were solid. But 2009 brought harsh, new realities to the banking world. He realized he needed help on two counts: secure a lender for the company's future, and find a solution to get his brother out of the business. He acted with only 35 days to go before the current lender's agreement expired.

PCC RECOMMENDED ACTION

Following the counsel of his father who had originally hired Private Capital to help sell the business to his son's years ago,, Shane called PCC who advised that the two existing problems should be tackled simultaneously. What became immediately apparent was the lender's frustration that Shane had procrastinated getting professional help. PCC put in place the following strategy:

- 1 Persuade the current lender to relax its schedule to allow for a proper resolution.
- 2 Persuade the lender to extend its loan for 60 days.
- 3 Present a financing package to a large number of potential lenders, including some that Shane had already approached.
- 4 Obtain several interested lenders to better negotiate a good deal with a top tier bank.
- 5 Advise to delay the brother buyout because emotions could threaten to disrupt the new financing.
- 6 Persuade the new lender to proceed with financing prior to formal buyout agreement.
- 7 Cooperate with Chet's attorney to structure a win-win buyout.

EPILOGUE The new financing deal closed 75 days after PCC engagement. Shortly after closing, the buyout was consummated. Chet was thankful he could retire under a fair settlement. Shane was equally thankful to purchase his brother's stock at a favorable price and finally to look forward to running his business.

PCC IS AN INVESTMENT BANKING FIRM, SPECIALIZING IN COMPREHENSIVE PERPETUATION PLANNING. FOR MORE INFORMATION, CONTACT US AT WWW.PRIVATECAPITALCORP.COM OR MMURRAY@PRIVATECAPITALCORP.COM.

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