

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 21 CASE BACKGROUND

Harry Lassiter was always a team player in the truest sense of the term. He said football in high school taught him three important lessons he would never forget: practice self-discipline, adopt a vigorous work ethic and honor the contribution of every teammate. He carried those core values with him to a major university and from there to the NFL. Not surprisingly, they stayed with him when he traded in his shoulder pads in the mid-1960s for a desk pad as a sales trainee in the kitchen cabinet industry. Harry excelled, rose in the ranks and drew the attention of peer companies. In rapid order, he became a sales manager and later vice president of sales and marketing before jumping ship to create his own manufacturing company. In all, he invested 20 years driving sales for others, often frustrated by a nagging disconnect between customer need and his own company's delivery capabilities. Now it was his chance to get things right. He founded the new business under a simple premise: if we become the best cabinetmakers and focus on just a few key customers, we can meet and exceed their expectations. But Harry didn't stop there. He would not send a "salesman" to see a customer. As leader of the company, he personally would make the calls to establish solid business and personal relationships with his largest customers, and that tradition remains today. Unlike virtually all of his competitors that lived in fear of a narrow customer base, Lassiter confidently would nurture a handful of special relationships that would account for 80% of his business. Now, 25 years later, company revenues exceed \$100MM, 100 per cent of Lassiter's manufacturing is in the U. S., products ship within two weeks of order and every product is made to order.

CASE CHALLENGE Although Harry stood firm at the helm of the ship, he knew in his gut he needed to put some kind of perpetuation plan in place. Reaching back to the principles of teamwork, he recognized that over 600 valued and loyal people were instrumental in the growth and success of his company. Since their futures were tied up with his, he could not afford to procrastinate. Just because the company was successful today gave no assurances for tomorrow if something were to happen to him. He called his attorney for help. He not only wanted to reward employees but also wanted to realize a long-held dream – to give back to communities through endowments and to support important projects that might never see the light of day without that support. His attorney called Private Capital Corporation to inquire about succession planning; after the attorney participated in a PCC succession webinar, he arranged a conference with Harry and PCC to lay the groundwork for a strategic review.

PCC RECOMMENDED ACTION

- 1 Conduct an in-depth analysis to clearly identify all the owner's goals and desires.
- 2 Install a minority ESOP to allow the owner to share ownership with his employees in a tax advantaged way but still remain in control of his company.
- 3 Since the owner wanted to reward longest serving employees, set up the ESOP to recognize all prior service. This provision meant employees with over 5 years service were fully vested in their allocations from day one.
- 4 Set up and install the ESOP to assure a lock-in of current capital gain rates.

EPILOGUE The company continues to grow and prosper as key company employees have a stake in ownership. The money Harry received from the sale of part of his stock to the ESOP gave him the liquidity to pursue his philanthropic goals. He continues to lead the company today, true to the core values he learned on the gridiron over four decades ago; and he has a sense of comfort knowing his team will lead the future.

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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