

# SUCCESSION PLANNING

**ANOTHER TERM FOR**

***LOSING CONTROL***

TRUTH AND  
CONSEQUENCES

# LIFE'S MOST IMPORTANT DECISIONS

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**WHO WILL BE THE OTHER  
PARENT OF MY CHILDREN?**

**HOW WILL I DISTRIBUTE MY  
ASSETS, SPECIFICALLY  
THE STOCK OF MY  
BUSINESS?**

# HOW DO I DISTRIBUTE MY STOCK?

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- ANSWER REQUIRES ALL THE MATURITY AND WISDOM OF YOUR LIFE.
- ANSWER REQUIRES UNDERSTANDING WHAT YOU WANT AND WHAT IS BEST FOR *YOU!!!*
- ANSWER HAS CONSEQUENCES TO YOU AND OTHERS –EMPLOYEES, CUSTOMERS, CHILDREN AND OTHER STAKE HOLDERS.
- ANSWER WILL AFFECT YOUR HAPPINESS AND SECURITY FOR THE REST OF YOUR LIFE.

# QUESTIONS TO CONSIDER

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- **WHAT ARE MY GOALS FOR THE BUSINESS?**
- **WHAT ONGOING INVOLVEMENT DO I WANT IN THE BUSINESS?**
- **WHAT ARE MY RESPONSIBILITIES TO MY EMPLOYEES?**
- **WHAT ARE MY RESPONSIBILITIES TO OTHER STOCK HOLDERS IF ANY?**
- **IS IT MY DESIRE TO GIVE THE BUSINESS TO MY CHILDREN?**
- **WHAT ARE MY FINANCIAL NEEDS FROM THE BUSINESS?**

# QUESTIONS ABOUT CHILDREN

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- **IS EMPLOYING YOUR CHILDREN YOUR GOAL?**
- **ARE THEY CAPABLE OF THE JOB?**
- **ARE THEY ALL CAPABLE?**
- **WHAT IF THEY FAIL TO PERFORM ADEQUATELY?**
- **CAN THEY GET EMPLOYMENT ELSE WHERE?**
- **DO YOU GIVE THEM ALL EQUAL SHARES OF STOCK?**

# WHAT IF...

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- **WHAT IF ONLY ONE CHILD WANTS TO WORK IN THE BUSINESS?**
- **WHAT IF ALL MY CHILDREN WANT TO WORK IN THE BUSINESS?**
- **WHAT IF MY CHILD IS A POOR EMPLOYEE?**
- **WHAT IF I AM NOT OBJECTIVE OF MY CHILD'S PERFORMANCE?**
- **WHAT IF I HAVE TO FIRE MY CHILD?**
- **WHAT IF MY WIFE DOESN'T ACCEPT MY DECISION?**

# WHAT IF...

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- **WHAT IF MY CHILDREN OWN EQUAL SHARES BUT SOME WORK ELSE WHERE?**
- **WHAT IF MY CHILDREN DISAGREE WITH MY BUSINESS GOALS OR PROCEDURES?**
- **WHAT IF OTHER EMPLOYEES FEEL OVERLOOKED BECAUSE OF MY CHILDREN'S PROMOTIONS OVER THEIR OWN?**
- **WHAT IF THIS CAUSES KEY EMPLOYEES TO THREATEN TO LEAVE?**
- **WHAT IF I DISAGREE WITH MY CHILD'S BUSINESS PHILOSOPHIES?**

# WHAT IF...

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- **WHAT IF MY CHILDREN MARRY AND I DON'T RESPECT THEIR SPOUSE OR IN LAWS?**
- **WHAT IF MY MARRIED CHILD HAS GIFTED STOCK AND DIES?**

# WHAT IF...

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- **WHAT IF THE SPOUSE REMARRIES AND STILL HAS CONTROL OF THE STOCK? (NEVER UNDERESTIMATE THE PERSISTENCE OF AN ATTORNEY TO TRY TO OVERTURN A BUY-SELL OR ANY OTHER AGREEMENT)**
- **WHAT IF I DIE BEFORE MY CHILDREN ARE CAPABLE OF RUNNING THE BUSINESS?**
- **ETC, ETC???**

# REX HEAT TREAT

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- **STARTED IN 1938 IN TWO CAR GARAGE IN LANSDALE BY MY FATHER – J. WALTER REX**
- **BUSINESS IS A SERVICE BUSINESS TO METAL MANUFACTURING – COMMERCIAL HEAT TREATING IS THE HARDENING OF METALS FOR MECHANICAL PROPERTIES**
- **HEAT TREATING IS A CAPITAL, LABOR AND ENERGY INTENSIVE BUSINESS**
- **CURRENTLY LOCATED IN LANSDALE, BEDFORD, PA AND ANNISTON, ALABAMA**

# REX HEAT TREAT

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- **EMPLOYS 155 PEOPLE AND GENERATES ABOUT \$15M IN ANNUAL SALES.**
- **I AM SECOND GENERATION AND HAVE TWO SISTERS NOT INVOLVED IN THE BUSINESS.**
- **MY FATHER CHOSE TO GIFT ME ALL HIS SHARES OF STOCK (97%) AT A TIME WHEN THE BUSINESS HAD A NEGATIVE NET WORTH.**
- **I PURCHASED OUTSTANDING BALANCE OF SHARES FROM MY SISTERS, UNCLE AND ONE EX-EMPLOYEE.**

# REX HEAT TREAT

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- **PURCHASE OF UNCLE'S AND EX-EMPLOYEE'S SHARES WAS CONTENTIOUS.**
- **DEVELOPED A NON-QUALIFIED PENSION WITH CPI ESCALATORS OF LIFE OF MY FATHER**
- **FATHER'S ESTATE PLANNING WAS TO GIFT ME ONLY THE BUSINESS AND GIFT BALANCE OF HIS ESTATE TO MY SISTERS.**

# REX HEAT TREAT

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- **JOHNATHAN REX, MY SON, IS THIRD GENERATION IN THE BUSINESS AND CURRENTLY IS PLANT MANAGER OF THE LANSDALE BUSINESS.**
- **JOHNATHAN HAS A BROTHER AND SISTER NOT INVOLVED IN THE BUSINESS.**
- **MY ESTATE PLANNING WILL GIFT ALL THE SHARES OF THE BUSINESS TO JOHNATHAN AND GIFT OTHER ASSETS TO THE REST OF MY CHILDREN**

# JOHNATHAN'S DEVELOPMENT

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- **STARTED AS LABOR ON THIRD SHIFT.**
- **PROGRESSED ERRATICALLY.**
- **SERIOUSLY QUESTIONED HIS CAPABILITIES BUT NEVER DESIRE.**
- **ALWAYS HAD SOMEONE ELSE BE HIS MANAGER SO I COULD BE HIS FATHER.**
- **HIRED A CONSULTANT TO EVALUATE HIS ABILITIES AND COACH HIS PROGRESS.**
- **PROGRESS AND RESULTS HAVE BEEN OUTSTANDING**

# GIFTED STOCK

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- **DEVELOPED TWO CLASSES OF STOCK – VOTING AND NON. ONLY GIFT NON VOTING**
- **HAVE BUY/SELL AGREEMENTS AND STOCK VALUATIONS**
- **AT MY DEATH A SIGNIFICANT AMOUNT OF THE STOCK WILL BE PURCHASED FROM MY ESTATE BY JOHNATHAN THROUGH AN INSURANCE POLICY I FUND**