from it. But I had a 4- or 5-year period of running a business on my own, with the security of having Ken still here. So there was a nice transition period without my feeling that I jumped into the deep end.

Ken: Jeff says he was glad I was here when the recession hit, because it was my third recession. It might have been overwhelming for one person, but together we came through it.

Jeff: I've been here since 1999 when I graduated college, so it's my sixteenth year. I was involved in a lot of ways when I was younger, so by the time we talked about my taking over, it was Ken's business on paper, but I also felt it was mine. I was given the opportunity to institute some of the processes, so I felt like I helped build it.

But as much as we might sound like we have it all together, there are also days when we butt heads. We have enjoyed working together, and we have mostly agreed on where we want it to go. But like anything involving family, there are times when you have to stop and realize that you're not on the same page and commit to solving those problems.

Tom: *For contractors who are contemplating succession, are there tax advantages in the way you structure the agreement?*

Shawn: Because I started my business with very little money, the entire sales price was considered capital gains. So as I collect it, I am paying capital gains, which is lower than income tax. On the buyer's side, he can use profits to make the payments, but only the interest is tax deductible; he has to pay taxes on the principal before he pays me.

Rather than do an asset sale, I did a stock sale, which means the buyer takes over everything—not just assets, but also the reputation and the credit rating. I had a good credit rating, which the buyer inherited even though I had taken my name off it. That was a big advantage, because he didn't have to establish his own credit. He mentioned the value of that recently when we were renegotiating the note.

Ken: The fact that Jeff was slowly taking over the company benefited him because all of the vendors got to know him over a long period of time. Shawn's point is well taken—the transitition was seamless, because the vendors trusted Jeff's creditworthiness. Jeff was able to assume the good will and credit because the vendors had gotten to know him.

> **By the time we talked about my taking over, I had been involved for a long time. So it was Ken's business on paper, but I also felt it was mine.**
>
> —JEFF MOESLEIN

Shawn: The same was true in my case. When I started my business, I took advantage of my reputation in the community so peple would identify me with my business. But after 3 years, I started removing myself. I took my name off the letterhead, I didn't have an email—in fact, I eventually moved to a neighboring town. I wanted people to think of the business, not me.

Tom: *Jeff and Ken, was there any tax advantage when Jeff bought your shares?*

Jeff: Legacy purchased Ken's shares, which was 70% of the company. I still own 30%, but the rest is owned by the company. So the company really didn't change. There is a once-a-year credit review, but after talking to our accountants, everyone agreed this is the best way to do it.

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Tom: *Obviously, there is more than one way to go about this. Do you have any final advice you would you give to someone who is contemplating selling or buying a business?*

Jeff: First, I think it's important realize who you're working with. As a buyer, you need to be honest and forthright about the opportunity in front of you. In my case, there were certain costs that I didn't want to continue to support, and it was difficult to put those out there—moreso because it was a family business. But I felt I had to do it, so I was upfront about it. You only get one chance to do it, and it's hard to undo, so express all of your concerns.

To be honest, as a buyer, I was working with a pretty flexible seller. I had the benefit of negotiating with someone who was interested in finding a way to make it work for both of us.

Ken: In the context of family, you have a buyer and seller, but you also have a father and son, a wife and mother, grandparents and siblings. We wanted to make sure that we could continue to function as a family without any questions that one of us got the better deal. Jeff never had any interest in going anywhere else, so we just made it work.

Shawn: First, if you want to sell, sit down today and write the "For Sale" ad of what it is you're going to sell. Think about what you would want to see in that ad as a buyer. Hopefully, it would describe a business that has value. If you don't know where you're going, any road will get you there, but if you're going to sell a business someday, you need to plot your course now.

In terms of the transition, think about the fact that you are not just changing ownership, but also the leadership of the business. You can't expect the buyer to come in and instantly be seen as the leader. So if the transition happens while you are still there, the new owner can prove their leadership to customers, vendors, and employees. From what I have seen, when companies didn't do that the business failed, either from lack of the right leadership, or from people leaving the company because they weren't comfortable with the new leader. **PR**