

GUIDE FOR
THE FARM TRANSFEROR

BUSINESS TRANSFER

Desjardins & Co.



Desjardins

Cooperating in building the future

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BUSINESS TRANSFER APPROACH

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DESJARDINS BUSINESS TRANSFER APPROACH

How can the Desjardins business transfer approach help me?

- Because transferring your business is a complex and painstaking process that you will most likely experience only once in your lifetime. Therefore, your room for error is more limited. Using this approach will reduce the risk of error and give you comfort to bring this process to its successful completion.
- Because, without support, you are putting your financial security, your family estate and your business at risk. By using the Desjardins business transfer approach, which gives you access to all of our services, you'll be able to get the help and advice you need, improve your business transfer knowledge and know-how, and ensure your farm transfer is successful.
- Because transferring successfully and optimally your business needs to be thought out carefully. This will enable you to clarify your vision, motivations, intentions and needs. Once clarified, these factors will be incorporated into a property transfer plan, a management transfer plan, and an appropriate and sustainable strategic plan. As a part of our business transfer approach, guided exercises will support your actions throughout the transfer process.
- Because transferring your business can take two to five years or more. Therefore, it is key that you follow a structured approach with clear and realistic timelines, so as not to lose sight of your goal. Desjardins' business transfer approach enables the owner to keep an eye on the goal while accounting for unforeseen events. This structured approach ensures greater security for the business owner and his family members.

In closing, did you know that too often:

- the vast majority of business owners do not have a transfer plan;
- they have not clearly identified their successors;
- they do not have a succession plan;
- the transferor underestimates his financial needs;
- the business is facing a lack of equity, since the financing of the transfer was poorly planned;
- conflicts break out between shareholders, family members or key employees, since there is no effective communication process in place;
- one or more key employees quit the business because they felt excluded from the process or because they were misinformed (e.g. possible closure of the business).

To avoid these problems and protect your assets, use the Desjardins business transfer approach to ensure your transfer is successful.

How does the Desjardins business transfer approach work?

Our business transfer approach is a reflection guide, decision-making guide and support tool for required actions. It can be consulted at any time. You will find it helpful, from the moment you begin thinking about the transfer of your business to the end of the process. You can also share this guide with your family members, so that they can better understand what exactly a business transfer entails.

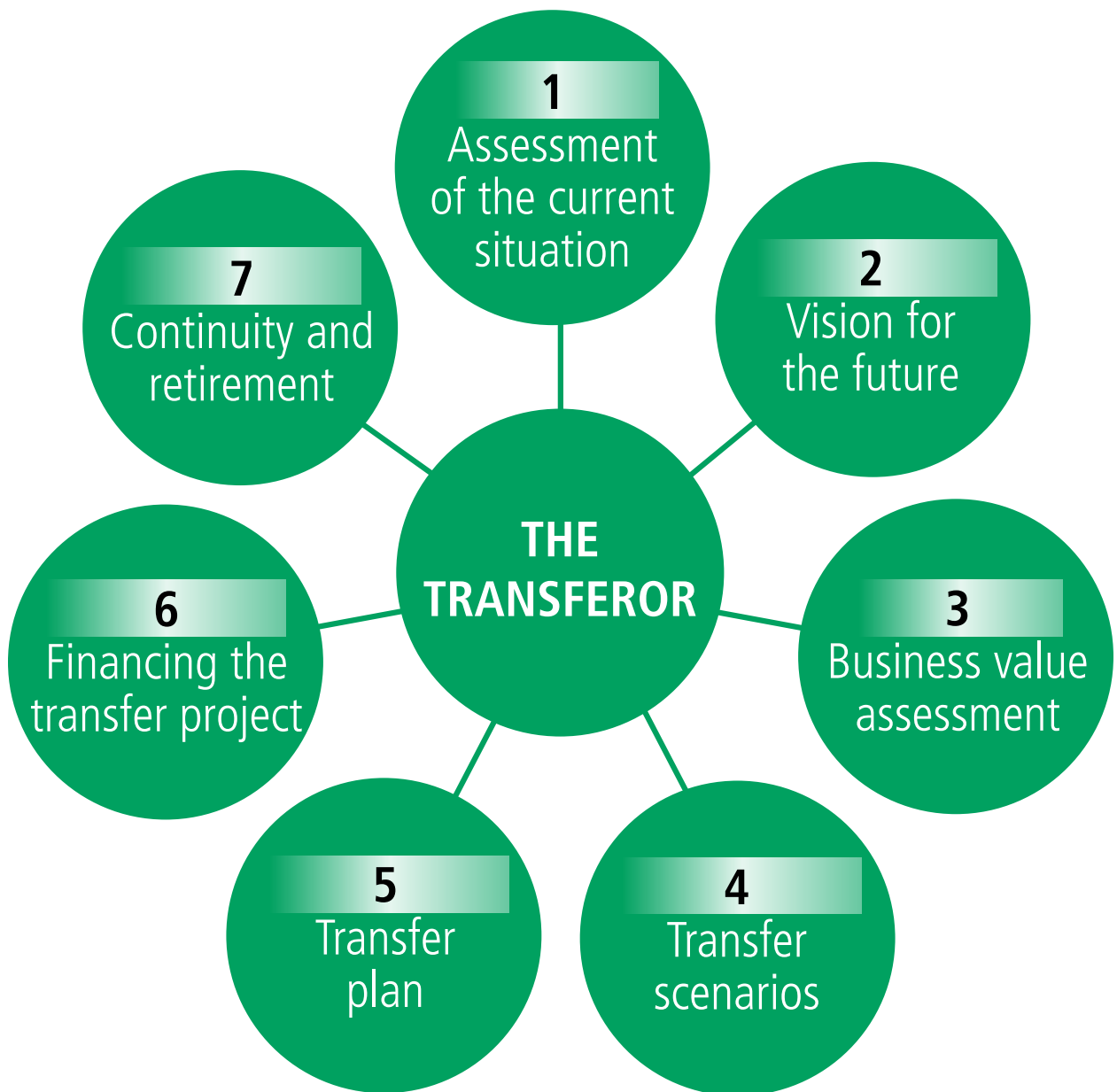
To get even more out of this guide, firstly, take a look at the diagram on the next page , which illustrates the seven steps of our business transfer approach. They represent all the steps involved in the business transfer process.

Secondly, we suggest you read the guide to gain an overview of the program. Write your questions down, and don't hesitate to ask our advisors, agri-business account manager, transfer manager, financial planner), who will guide you through the process. Once you have an overview and your questions have been answered, you can start reviewing each of the steps and doing the reflection exercises, in chronological order.

Finally, once you have become familiar with the contents of this guide, you can use it as needed, to help clarify some of the situations you may encounter during the transfer process.

THE DESJARDINS BUSINESS TRANSFER APPROACH

A systemic vision and closely related steps





ASSESSMENT OF THE CURRENT SITUATION

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1 ASSESSMENT OF THE CURRENT SITUATION

The **Assessment of the current situation** positions the business owner in relation to the various steps in the transfer process.

Objectives:

- provide you with an accurate vision of the factors to consider to ensure the success of your transfer;
- inform you of the steps and actions involved in the transfer process;
- provide you with a sense of security and stability during the implementation of your transfer project;
- guide you in making key decisions throughout the course of the transfer project;
- help you determine the next steps in the transfer project.

Tools

To do this assessment, we suggest that you fill out the questionnaire:

- My assets assessment

Your answers will help our advisors to:

- identify your support needs;
- determine your level of understanding of the transfer process;
- answer some of your questions;
- assess your preparedness;
- monitor your progress.

My assets assessment tool

The **My assets assessment** tool is a series of statements covering all activities involved in a business transfer process. We recommend that you fill out this assessment before initiating the business transfer process.

The purposes of this tool are to:

- make you aware of the various factors you must consider when initiating a business transfer process;
- help you assess your preparedness for your business transfer;
- enable you to choose the appropriate actions to ensure a successful business transfer;
- encourage you to take action to plan your business transfer.

Instructions:

1. Read each of the following statements, and carefully consider your current situation.
2. Review each of the statements and answer Yes or No to each one by checking the appropriate box.
3. Add the total number of Yes's and No's.
4. In the Overview of my assessment section, enter the number of Yes's under My Assets, and the number of No's under My Liabilities.
5. Subtract your liabilities from your assets, and enter the result under Difference between my assets and my liabilities. This difference is simply an indicator to help you understand your current situation with respect to your business transfer.
6. Taking into account only your assets, under My preparedness for and understanding of the transfer process, check the level of preparedness (low, average or high) corresponding to this number.
7. Taking into account the results of your assets assessment, write down your three main concerns under What are my three main concerns?
8. Finally, fill in the table entitled Action plan to reduce/eliminate my concerns, and use the plan to guide you in the process, being sure to stay on schedule.

My assets assessment

FACTORS AND ACTIVITIES INVOLVED IN A BUSINESS TRANSFER	YES	NO
1. I am aware that I must plan my business transfer.	<input type="checkbox"/>	<input type="checkbox"/>
2. I am familiar with all the components of a transfer plan.	<input type="checkbox"/>	<input type="checkbox"/>
3. I am aware of the consequences of not planning the transfer of my business.	<input type="checkbox"/>	<input type="checkbox"/>
4. I have examined all the issues involved in the transfer of my farm.	<input type="checkbox"/>	<input type="checkbox"/>
5. I have already started drafting my business transfer plan.	<input type="checkbox"/>	<input type="checkbox"/>
6. My successors have already been identified.	<input type="checkbox"/>	<input type="checkbox"/>
7. My successors have extensive training that will prepare them to manage a farm.	<input type="checkbox"/>	<input type="checkbox"/>
8. My successors are already involved in business decisions.	<input type="checkbox"/>	<input type="checkbox"/>
9. I have open discussions about the transfer with my family members.	<input type="checkbox"/>	<input type="checkbox"/>
10. I have already begun working with a <i>centre régional d'établissement en agriculture</i> (CREA) or a human relations professional.	<input type="checkbox"/>	<input type="checkbox"/>
11. I have a clear idea of which improvements need to be made in order to better position the business following the transfer (investments, productivity, efficiency, etc.).	<input type="checkbox"/>	<input type="checkbox"/>
12. I have drafted a strategic development plan for my business.	<input type="checkbox"/>	<input type="checkbox"/>
13. I have a clear idea of the transfer scenario (one-time transfer, progressive transfer, gradually selling off assets, other).	<input type="checkbox"/>	<input type="checkbox"/>
14. I know the fair market value of my business.	<input type="checkbox"/>	<input type="checkbox"/>
15. I have a good idea of the selling price in the case of a transfer to a family member.	<input type="checkbox"/>	<input type="checkbox"/>
16. I have a good idea of the debt load that the farm can withstand without risking its continuity.	<input type="checkbox"/>	<input type="checkbox"/>
17. The current financial structure of the business is optimal.	<input type="checkbox"/>	<input type="checkbox"/>
18. I have already studied all of the financing options related to the transfer.	<input type="checkbox"/>	<input type="checkbox"/>
19. I'm aware that I might have to finance part of the transaction.	<input type="checkbox"/>	<input type="checkbox"/>
20. I am aware of the various government succession assistance programs.	<input type="checkbox"/>	<input type="checkbox"/>
21. I have studied the possible legal scenarios (corporate structure, etc.).	<input type="checkbox"/>	<input type="checkbox"/>
22. The shareholders' agreement is adequate.	<input type="checkbox"/>	<input type="checkbox"/>
23. The current tax planning for the business is optimal.	<input type="checkbox"/>	<input type="checkbox"/>
24. I have studied the tax scenarios related to the transfer.	<input type="checkbox"/>	<input type="checkbox"/>
25. I have assessed the insurance needs in order to protect the continuity of the business in case of unforeseen events.	<input type="checkbox"/>	<input type="checkbox"/>
26. I have evaluated the various solutions to the issue of fairness for our children who will not be involved in the business.	<input type="checkbox"/>	<input type="checkbox"/>

My assets assessment

FACTORS AND ACTIVITIES INVOLVED IN A BUSINESS TRANSFER	YES	NO
27. I know the role I want to play in the farm between now and the time of my exit.	<input type="checkbox"/>	<input type="checkbox"/>
28. I have projects lined up for my retirement.	<input type="checkbox"/>	<input type="checkbox"/>
29. I am aware of my financial needs for retirement.	<input type="checkbox"/>	<input type="checkbox"/>
30. I am aware of the impacts of my marriage contract on my succession.	<input type="checkbox"/>	<input type="checkbox"/>
31. I have a will that reflects my current wishes.	<input type="checkbox"/>	<input type="checkbox"/>
32. I have signed a power of attorney.	<input type="checkbox"/>	<input type="checkbox"/>
33. I take care of my health.	<input type="checkbox"/>	<input type="checkbox"/>
34. I can rely on the support of a group of competent business transfer specialists who work as a team.	<input type="checkbox"/>	<input type="checkbox"/>
35. I am aware that Desjardins can help me and guide me through the entire business transfer process.	<input type="checkbox"/>	<input type="checkbox"/>

My assets assessment

ACTION PLAN TO REDUCE/ELIMINATE MY CONCERNS

CONCERNS	ACTIONS	TARGET DATES	PERSONS INVOLVED	FOLLOW-UP DATE



VISION FOR THE FUTURE

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2 VISION FOR THE FUTURE

Having a vision for the future gives you a purpose and enables you to direct your efforts. At this step, you should define your vision of the development of your business, explain your motives for the transfer, and specify your needs. This will clarify your vision and define how you envision your business transfer. You can share it with your family members to prevent misunderstandings and eliminate any insecurities.

Objectives:

- start your reflection in view of preparing the transfer;
- understand your needs and the triggers for this change in order to stay motivated;
- clarify your expectations to avoid disappointments, misunderstandings and reduce conflicts;
- define your personal goals and take measures to meet them;
- define your business goals so you can share them with your successors.

Tools:

To clarify your vision for the future, we suggest that you fill out the questionnaire:

- My needs and my goals

Your answers will help our advisors to:

- assess your motivation level;
- identify your needs;
- gain an overall understanding of your expectations;
- understand your personal and professional.

My needs and my goals tool

The **My needs and my goals** tool is a reflection guide that contains a series of avenues and issues to explore in view of preparing your business transfer. We suggest that you share your answers with your Desjardins advisor, who will help you in your reflection.

The purposes of this tool are to:

- inspire and guide you when making decisions regarding your transfer;
- help you make a list of your main reasons for transferring your business;
- help you clarify your intentions regarding your family members, your business and yourself;
- help you determine what must be done to ensure the growth of your business;
- help you clarify your personal needs, which will inevitably be affected by the transfer of your business;
- help you define the direction you want your retirement to take.

Instructions:

1. Review the entire document to familiarize yourself with its content.
2. Take the time to read each of the statements carefully before circling those that reflect your beliefs/perceptions/state of mind.
3. Checkmark the statements that describe your motives for transferring your business: share them with your Desjardins advisor, who will recommend appropriate strategies.
Checkmark your needs with respect to the transfer of your business in the My needs section: share your needs with your Desjardins advisor, who will recommend appropriate strategies.
Start thinking about your retirement plans. Fill out the Timing of my retirement section. You may want to share this reflection with your family members, your advisors or your Desjardins advisor.
4. Fill out the My business objectives for the next three years section.
5. Use the tracking tables to determine what needs to be done to ensure the growth of your business.
6. Share your thoughts and your vision with your closest advisors to initiate discussions with them in order to further develop your vision and optimize your action plan to ensure the continuity of the business.

My needs and my goals

My motives for wanting to transfer my business

Checkmark the statements that best represent your motives for transferring your business:

- ☐ It is important to me that my business continue to operate, and I plan to transfer it to my children.
- ☐ It is important to me that my business continue to operate, but I do not have a family successor.
- ☐ It is important to me that my business continue to operate, and I plan to transfer it to one or more of my employees.
- ☐ It is important to me that my business continue to operate, and I plan to transfer it to a third party.
- ☐ Certain individuals have expressed interest in acquiring my business assets.
- ☐ A business partner wants to buy me out.
- ☐ I want to reap the benefits of my work and move on to something else.
- ☐ I know I'm not going to live forever; I am getting older, and I have to start thinking about transferring my business.
- ☐ My health or the health of my family members concerns me.
- ☐ I think I should hand the reins of the business over to someone else, for both my personal well-being and the well-being of the business.
- ☐ I have to devote more time to my family to take care of them and of myself.
- ☐ I'm studying the possibility of selling everything instead of transferring it.
- ☐ I don't want to miss out on the opportunity; I want to be prepared.

My needs and my goals

My needs

Checkmark the statements that best reflect your needs:

- ☐ I need to provide my family with some degree of financial security.
- ☐ I need to ensure my own financial security.
- ☐ I need more free time to do the things I want to do.
- ☐ I need to feel useful on the farm for a long time to come.
- ☐ I need to understand what is involved in transferring my business, and what the issues associated with the process are.
- ☐ I don't know how or where to start the transfer process.
- ☐ I need to feel that I can continue contributing to the economic development of my region by getting involved in other causes.
- ☐ I need to give a new purpose to my life.
- ☐ I need to relax and take it easy. I've done my part.
- ☐ I need to share my knowledge and experience with future generations.
- ☐ I need to surround myself with competent, well-organized business transfer specialists to support me in the process.
- ☐ I need to make sure that my business will continue operating, to ensure that my employees and their families continue to thrive.
- ☐ I need to spend more time with my family.
- ☐ I don't need anything; I have everything I want.

My personal and professional goals

Timing of my retirement

I want to retire within...

- ☐ 1 YEAR ☐ 3 YEARS ☐ 5 YEARS ☐ 10 YEARS +
- ☐ I will never retire; I can't see myself not working... I have other projects lined up.

My needs and my goals

How I plan to spend my time in retirement, the type of retirement I envision

Checkmark the statement that best reflects your personal vision:

- ☐ I foresee **gradually withdrawing** from the business.
- ☐ I picture a **family retirement**, in which I will spend more time with my spouse, my children, my grandchildren and other family members.
- ☐ I picture a **working retirement**, in which I will continue to stay close to the farm for as long as possible to help my children.
- ☐ I picture a **leisurely retirement**, in which I plan to travel, play sports and do other things I enjoy but have not had time for.
- ☐ I picture an **associative retirement**, in which I will work more closely with the farmers' union and take part in farming activities and other types of volunteer activities for causes that are important to me.
- ☐ I picture a **second career retirement**, in which I will start new projects, mentor my successors, etc.
- ☐ I picture a **retirement in which I will withdraw from community life**.

Note: None of these types of retirement can be considered mutually exclusive. These categories are used for descriptive purposes only.

My business objectives for the next three years

Checkmark the statements that best reflect your vision and your business needs

The people I envision ensuring the growth of my business are:

- ☐ Members of my family
- ☐ Certain employees
- ☐ Members of my family and certain employees
- ☐ Outside buyers
- ☐ My business partner(s)
- ☐ I'm not yet at the transfer stage, but I want to plan what needs to be done internally to support this transfer project, in terms of both human resources and financial resources.
- ☐ I'm too young to even think about it.

My comments: _____

My needs and my goals

Sales. I think that sales of my business will:

- ☐ Remain stable
- ☐ Increase by:
 - ☐ 0-5%
 - ☐ 6%-10%
 - ☐ 11%-15%
 - ☐ 16% +

Market. The business needs to:

- ☐ Consolidate its assets and market share
- ☐ Maintain its progress and increase its market share
- ☐ Increase its market share, reposition itself
- ☐ Redefine its market
- ☐ Does not apply: supply-managed production

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Example: Redefine its market		Conduct a market survey on potential sales of Asian vegetables in the northeastern U.S.	December

My needs and my goals

Labour force. The business needs to:

- ☐ Retain its qualified staff
- ☐ Maintain the quality of its jobs
- ☐ Develop the staff's transversal and technical skills
- ☐ Hire more employees
- ☐ Reduce the staff required
- ☐ Do preventive human resource planning

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Example: Develop the staff's skills		Design a training plan for each staff member	June

Product. The business needs to:

- ☐ Maintain the quality of its products
- ☐ Improve the quality of its products
- ☐ Design new products
- ☐ Focus its efforts on certain products

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Example: Diversify the product offer		Evaluate the possibility of doing secondary processing of maple products	Next week, I will meet with my advisors

My needs and my goals

Distribution. The business needs to:

- ☐ Maintain its distribution network
- ☐ Expand its distribution network
- ☐ Review its distribution network
- ☐ Does not apply

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Example: Expand its distribution network		Determine the location based on empirical data Approach all distributors Sign new agreements	May September December

Services. The business needs to:

- ☐ Maintain the quality of its services
- ☐ Improve the quality of its services
- ☐ Design new services
- ☐ Eliminate certain services
- ☐ Does not apply

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Example: Design new services	Operations manager	Design a residential landscaping consulting service	January

My needs and my goals

Production. The business needs to:

- ☐ Maintain its production levels
- ☐ Increase its production levels
- ☐ Reorganize some of its production activities
- ☐ Review all production activities
- ☐ Increase productivity
- ☐ Modernize the buildings/equipment
- ☐ Other: _____

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Example: Expand		Purchase of a 5 k/day quota Purchase the neighbouring land	December 2015

Management team and structures. The business needs to:

- ☐ Maintain the quality of its management structures
- ☐ Review certain management structures
- ☐ Review all management structures
- ☐ Other: _____

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Example: Get the successor(s) more involved in decision-making		Implement an executive committee that will meet every two weeks, and involve the successor(s) Delegate the responsibility of managing the herd to the successor(s)	Next week At the end of the training

My needs and my goals

Other business considerations or needs

☐

☐

☐

☐

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES



BUSINESS VALUE ASSESSMENT

3 - Business value
assessment

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3 BUSINESS VALUE ASSESSMENT

Small- and medium-business owners usually have a fairly good idea of the value of their business. However, in the context of a business transfer process, it is essential that this value be supported by an independent validation of the market value of the business. This validation will help readjust expectations and prevent conflicts, particularly in the case of a transfer to family members.

Determining the fair market value of a business requires the skills of a business valuation expert. Valuating a business is not an exact science, and there is no standard formula. Each business is unique.

Engaging the services of a business valuation expert will enable you to establish a realistic starting point when it comes time to set the selling price.

This valuation will also enable you to:

- know the real value of the estate being transferred;
- simplify tax planning for the transfer and reduce the tax burden;
- validate or invalidate the decision to transfer your business to your descendants;
- reduce any tension between your heirs;
- strengthen your position during negotiations with possible financial backers.

The business valuation expert will use various approaches to determine the market value. He will use the approach that best corresponds to the unique qualities of your business.

Each approach corresponds to several possible methods that may be applied. A general business analysis (activity sector, past results, growth, degrowth, positioning, etc.) will help identify the valuation approach most appropriate to your type of business.

Asset-based approach

This approach is generally used when the business is not viable. It can also be used when the fair market value of continued operations is attributable mainly to the business assets.

Performance-based approach

The fair market value of the business is based on its capacity to generate cash flow over time and to perform reasonably well after considering the risks involved.

Market-based approach

The fair market value is set according to valuation multiples based on comparable businesses and/or previous transactions applied to the business being evaluated.

Maximize the value of the business

After having established the market value of your business with the help of an expert, we encourage you to take measures to maximize this value and to improve the transferability of the business.

Maximizing the value of your business means making the required changes in view of increasing its value prior to the sale (mainly to non-family successors). This process can take three to five years or more.

In the case of a transfer of the family farm, raising the value does not come into play, since the selling price is affected by the ability to generate revenue rather than by its value.

However, changes can be made in order to simplify the transfer, e.g.:

- improve business management (reduce feed costs, increase productivity, etc.) in order to create more room to manoeuvre;
- gradually improve the production framework to avoid a debt overload at the time of transfer;
- invest outside of the business to reduce the need for capital in retirement.

Of course, the earlier you take these steps, the greater the benefit.

Tools:

To enable us to help you determine whether the value of your business is optimal, and to help you improve it, we suggest that you fill out the questionnaire:

- Optimizing the value of the business

Your answers will help our advisors to:

- understand your development challenges;
- understand your operational issues;
- support your growth efforts;
- anticipate your financial needs.

Optimizing the value of the business tool

The **Optimizing the value of the business** tool will help in your reflection and support you in your decision-making. It is key to reducing the stagnation effect on the growth of your business, which frequently occurs during the business transfer process. After determining the fair market value of your business, we suggest that you use this tool, which includes a list of factors that can raise the value of your business.

The purposes of this tool are to:

- enable you to identify the strengths of your business;
- enable you to recognize the strengths that you could develop;
- help you clarify your vision of the growth of your business;
- help you prioritize the measures to implement in order to increase the value of your business;
- help you draw up a list of actions required to reach your goals.

Instructions:

1. Read the list of factors that can add value to your business and, with your current situation in mind, identify those that are relevant.
2. Checkmark the boxes that best reflect your intentions, your current situation or your ideal.
3. Set the dates by which your value drivers should be achieved.
4. Determine the actions required to achieve these value drivers, and name a project manager to do the appropriate follow-up.

Optimizing the value of the business

LIST OF VALUE DRIVERS IN THE GROWTH OF A BUSINESS

VALUE DRIVERS	ALREADY PRESENT IN MY BUSINESS	I'M CONSIDERING IT	I'M NOT CONSIDERING IT	DATE BY WHICH I WANT TO HAVE ACHIEVED IT
Make a strategic acquisition				
Dispose of underperforming assets				
Diversified suppliers				
Diversified clientele				
Significant competitive advantages				
Competent individuals in key positions				
Good market positioning				
Healthy balance sheet and history of profit-making				
Exclusive products, patents, technical qualifications				
Other factors				

Optimizing the value of the business

VALUE DRIVERS TRACKING TOOL

VALUE DRIVERS	REQUIRED ACTIONS	PROJECT MANAGER	TARGET DATE
Restoration works of lands or woodlots			
Upgrade or modernization of infrastructures (buildings)			
Upgrade or modernization of equipment			
Works and investments to improve environmental performance			
Certifications			
Dispose of underperforming assets			
Diversified suppliers			
Diversified clientele			
Significant competitive advantages			
Competent individuals in key positions			
Good market positioning			
Healthy balance sheet and history of profit-making			
Exclusive products, patents, technical qualifications			
Other factors			



TRANSFER SCENARIOS

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4 TRANSFER SCENARIOS

In agriculture, the most common transfer scenario is the transfer to a family member. However, if you have no successors, various scenarios can be explored for the transfer of your business or the sale of your assets:

- selling your business to management or to employees;
- selling to a third party;
- selling to a business partner;
- disposing of your assets (dismantling), gradually or all at once.

Each scenario has different issues to be evaluated, and many are similar in terms of the required actions and factors to be considered.

This section provides you with a brief overview in order to guide your choices based on your vision of the transfer. As it would be difficult to cover every angle of each transfer scenario, we suggest that you ask our advisors to help you choose the most appropriate scenario.

Tools:

To help you clarify the factors to consider in your process, irrespective of your choice of scenario, we suggest that you fill out the questionnaire:

- Required actions

Your answers will help our advisors to:

- determine the expertise you will need in order to meet the requirements of your situation;
- help you set realistic timelines for the required actions;
- help you to ensure appropriate follow-up and support;
- respond to your information requests;
- clarify your questions.

Below you will find a summary of the priority issues and actions for the respective transfer scenarios.

TRANSFER TO FAMILY MEMBERS

In agriculture, over 80% of transfers to family members go through a period of co-management that usually lasts five to ten years. In general, the sale price is lower than the market value, and the first transfer of shares is often made in the form of a donation.

ISSUES	PRIORITY ACTIONS
Make the succession plan a family project	Get family members who already work in the business involved in the creation of the transfer plan and business development plan.
Choose your successor(s)	Confirm the interest and abilities of each member. Establish the required skills (technical, administrative, management) and the successors' current qualifications.
Maintain harmony within the family	Create a family council and seek the services of a communications consultant. Plan measures to ensure fairness (life insurance, will, etc.).
Transfer management of the business	Take inventory of the knowledge to be transferred, and implement a knowledge acquisition and transfer process that includes the use of a training plan.
Transfer the power of the business	Make a management and powers transfer plan.
Ensure effective and harmonious co-management	Determine how roles and responsibilities will be shared between the parents and their successor(s) during the transition. Enlist the help of an advisor who can help on the human relations front.
Create the necessary and appropriate financial conditions.	Effect the necessary changes to maximize the long-term profitability of the business, and plan long-term investments. Plan the financial aspects of the transfer based on the strategies for the division of shares, and for the buying and selling of shares. Put money aside or invest outside of the farm in preparation for retirement.

Note: The required actions to be planned will be reviewed and detailed later in this business transfer approach.

TRANSFER TO EMPLOYEES

In this scenario, the transfer is usually made to an employee who has been working at the farm for several years. It is rare that the sale price is equal to market value, because the transferor's main goal is to ensure the continuity of the business.

ISSUES	PRIORITY ACTIONS
Choose the employee-successor	Establish the criteria for choosing the future management. Determine the role and responsibilities of each person in the transfer project. Evaluate the leadership, strengths, weaknesses, and technical and administrative management skills of the potential candidates. Make a personal and professional development plan based on their needs and the needs of the business.
Ensure the development of the business according to its challenges and needs	Identify the powers to be transferred, as well as how, when and to whom the transfer will take place. Create a management committee.
Financing the transfer	Review all of the needs of the business in order to update the business plan. Set the transfer financing terms, and validate their feasibility.
Transferor's role in the business	Determine the role the transferor will play during the transition (mentor, ambassador to financial partners, clients and suppliers, lender).
Property transfer	Establish a shareholding structure and update the shareholders' agreement.

Note: The required actions to be planned will be reviewed and detailed later in this business transfer approach.

SELLING TO A THIRD PARTY

The advantage of selling to a third party is that it simplifies the business transfer, since emotional considerations are reduced, and you will recover your capital quickly and more easily.

We can guide you through this process in order to:

- evaluate the financial repercussions;
- refer you to competent professionals to support you as needed;
- help you find a buyer through our extensive network of contacts;
- finance the transaction;
- optimize your personal financial plan;
- help the buyer maintain farm operations and ensure the long-term growth of the business that you worked so hard to build.

The main factors to consider when selling to a third party are:

- establish the profile of the potential buyer who would meet your criteria:
 - an existing farm;
 - a current client or supplier;
 - an individual wanting to start a career in agriculture;
 - other.
- identify the various sales scenarios (sale of assets or shares) to reduce the tax implications;
- transfer knowledge (production, strategic plan, human resources, legal aspects, etc.).

DISPOSING OF YOUR ASSETS (DISMANTLING)

The gradual winding down of farm operations and the dismantling of the business is an option when you have no successor(s), your debt load is too high, your buildings are too small or outdated, or your goals are incompatible with those of your potential successor(s). Regardless of your motives, it is important to take the time to plan this event, as you would a transfer.

We can guide you through this process in order to:

- determine the most profitable sale scenario;
- refer you to competent professionals to support you as needed;
- help you find a buyer through our extensive network of contacts;
- finance the transaction;
- optimize your personal financial plan.

The main factors to consider in this scenario are:

- having the market value of your business assessed by a valuation expert;
- setting the sale price for your assets;
- evaluating the possibility of changing the legal structure;
- analyzing the tax implications;
- ensuring sufficient income for your retirement;
- choosing the method used to sell assets (auction, individuals, real estate broker).

Required actions tool

The **Required actions** tool covers the aspects of the business transfer process, irrespective of the transfer scenario you are considering.

The purposes of this tool are to:

- make you aware of the various activities that you must carry out to ensure the success of your business transfer and to protect your estate;
- help you draw a clear picture of what you have to do to complete your business transfer project;
- carry out a specific action plan with clear target dates;
- help you find the people who will assist you with certain activities related to the business transfer project;
- help you follow up, based on the nature of the activities and the transfer stakeholders.

Instructions:

1. Step 1: Review each of the activities listed and checkmark the statements that reflect your current situation;
2. Based on your answers, make a list of activities for which you checkmarked the third and fourth choices.
3. Step 2: Consider the activities for which you selected the third and fourth choices, and then write a target date on which you would like each activity completed, by writing a month and year in the corresponding boxes;
4. Step 3: Write the target dates established in Step 2 and, in the Project Manager box, write the name of the person who will assist you in this activity. In the boxes that list the activities that you have completed or that are ongoing, simply indicate the appropriate status.

You can use the example provided at the end of this tool.

Required actions

STEP 1:

Your positioning in terms of the activities to be carried out as part of your business transfer process

Checkmark the statements that reflect your current situation. The indicators are not in any particular order.

1-Have the value of your business assessed

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

2-Take measures to optimize business value and performance

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

3-Have a due diligence done

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

4-Make a tax plan for the transfer

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

5-Review the legal structure

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

6-Evaluate the legal constraints affecting the division of land and the building of residential housing in an agricultural zone

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

Required actions

7-Review the rental agreements (land and buildings)

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

8-Draft or review the shareholders' agreement

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

9-Review your life insurance needs

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

10-Review your property insurance

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

11-Draft a strategic business development plan

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

12-Evaluate the different financing scenarios for the transfer

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

Required actions

13-Become familiar with the various farming succession assistance programs

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

14-Plan your retirement

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

15-Understand the impacts of your will on your successor(s) and the division of your property

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

16-Write or revise your will

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

17-Write a power of attorney

- ☐ I have already done this
- ☐ I have taken the first steps
- ☐ I plan on doing this at a later date
- ☐ I don't plan on doing this

Required actions

STEP 2:

Actions required to consolidate the approach and protect your assets

1- Have the value of your business assessed

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

2- Take measures to optimize business value and performance

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

3- Have a due diligence done

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

4- Make a tax plan for the transfer

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

5- Review the legal structure

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

6- Evaluate the legal constraints affecting the division of land and the building of residential housing in an agricultural zone

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

7- Review the rental agreements (land and buildings)

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

8- Draft or review the shareholders' agreement

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

Required actions

9- Review your life insurance needs

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

10- Review your property insurance

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

11- Draft a strategic business development plan

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

12- Evaluate the different financing scenarios for the transfer

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

13- Become familiar with the various farming succession assistance programs

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

14- Plan your retirement

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

15- Understand the impacts of your will on your successor(s) and the division of your property

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

16- Write or revise your will

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

17- Write a power of attorney

- Do you have a specific timeframe or target date? ☐ Yes ☐ No
- If so, when: month _____ year _____

Required actions

STEP 3:

Tracking tool

Business name: _____

Owner(s)' name(s): _____

Account manager's name: _____

ACTIONS AND FACTORS TO CONSIDER FOR YOUR BUSINESS TRANSFER	PROJECT MANAGER	TARGET DATE
Have the market value of the business assessed <ul style="list-style-type: none"> • Business valuation specialist 		
Take the necessary measures to optimize the value of your business <ul style="list-style-type: none"> • You and your team 		
Have your due diligence done <ul style="list-style-type: none"> • Various experts Analyze the different roles in the business (finance, products, services, production, etc.)		
Make a tax plan in view of the transfer, to reduce the tax implications of the transfer <ul style="list-style-type: none"> • An agricultural tax specialist 		
Review the legal structure <ul style="list-style-type: none"> • An agricultural tax specialist • A notary 		
Evaluate the legal constraints affecting the division of land and the building of residential housing in an agricultural zone <ul style="list-style-type: none"> • Agricultural lawyer 		
Review the rental agreements (land and buildings) <ul style="list-style-type: none"> • Agricultural lawyer 		
Draft or revise the shareholders' agreement <ul style="list-style-type: none"> • Attorney or legal advisor 		
Protect your assets (general insurance) <ul style="list-style-type: none"> • A Desjardins financial planner • A general insurance advisor 		
Protect your assets (life insurance) <ul style="list-style-type: none"> • A Desjardins financial planner 		
Draft a strategic business development plan <ul style="list-style-type: none"> • You and your team 		

Required actions

ACTIONS AND FACTORS TO CONSIDER FOR YOUR BUSINESS TRANSFER	PROJECT MANAGER	TARGET DATE
Evaluate the different financing scenarios for the transfer <ul style="list-style-type: none">• Your Agri-account manager		
Become familiar with the various farming succession assistance programs <ul style="list-style-type: none">• Your Agri-account manager• You and your team		
Plan your retirement <ul style="list-style-type: none">• A Desjardins financial planner		
Understand the financial and tax effects of your will on your successor(s) and the division of your property <ul style="list-style-type: none">• A tax specialist and a notary		

Required actions

Example of a tracking tool

Business name: Couverture Jean René (fictitious)

Owner's name: Jean René Brisebois (fictitious)

Account manager's name: Yves Pelletier (fictitious)

ACTIONS AND FACTORS TO CONSIDER FOR YOUR BUSINESS TRANSFER	PROJECT MANAGER	TARGET DATE
Have the value of your business assessed <ul style="list-style-type: none"> Business valuation specialist 	My accountant	Done
Take the measures necessary to improve the business results <ul style="list-style-type: none"> You and your team 	Myself, my management team and my farm management consultant	Within 12 months
Do your due diligence <ul style="list-style-type: none"> Various experts Analyze the different roles in the business (finance, products, services, production, etc.)	Myself	Within 6 months
Reduce the tax implications of the transfer <ul style="list-style-type: none"> Tax specialist 	My tax specialist	Ongoing
Protect your assets <ul style="list-style-type: none"> A Desjardins financial planner 	My financial planner	Ongoing
Evaluate the different financing scenarios for the transfer <ul style="list-style-type: none"> Your Agri-account manager 	My Agri-account manager	Ongoing
Draft a strategic business development plan <ul style="list-style-type: none"> You and your team 	My team and me	First meeting scheduled for March 20
Write a will <ul style="list-style-type: none"> A notary 	My notary	Meeting scheduled for April 15
Write a power of attorney <ul style="list-style-type: none"> A notary 	My notary	Meeting scheduled for April 15
Draft or revise the shareholders' agreement <ul style="list-style-type: none"> Attorney or legal advisor 		Done
Plan your retirement <ul style="list-style-type: none"> A Desjardins financial planner 		Ongoing
Understand the financial and tax effects of your will on your successor(s) and the division of your property <ul style="list-style-type: none"> A tax specialist and/or a notary 	My notary	To be planned



TRANSFER PLAN

Desjardins & Co.

5 TRANSFER PLAN

The Desjardins business transfer plan is a specialized tool designed to simplify the transfer process and to create winning conditions for your success in this most probably once-in-a-lifetime experience. It is a plan based on open discussions with your family members, discussions with experts, and on the overall support provided by our advisors.

The purposes of the Desjardins transfer plan are to:

- ensure the managers and successor(s) have a common vision;
- improve the transferability of the business;
- ensure the well-being of the transferor(s) during retirement;
- establish a financial structure that will enable the business to continue;
- protect your estate;
- maintain harmony within the family;
- minimize taxes to be paid;
- clarify the legal and succession-related aspects inherent to the transfer;
- reassure all stakeholders in the business;
- define the distribution and use of financial, physical and human resources according to the set objectives.

The Desjardins business transfer plan

Why plan?

To measure the development potential of the business. The adaptability of SMEs has always been recognized as a strength. However, their lack of planning has been responsible for the failure of over 70% of business transfers.

THE DESJARDINS BUSINESS TRANSFER PLAN

A group project



5.1 STRATEGIC PLAN

Very often, drafting a strategic growth plan is seen as a complex and time-consuming exercise whose practicality and relevance is questionable.

However, in a business transfer process, the strategic plan is necessary to ensure that the business continues to grow. It is an essential work tool for owner-transferors, successor(s) consultants and financial advisors.

A simplified strategic development plan normally includes the following items and should cover a three-year period:

- vision of the business (future of the business);
- its mission (define its socioeconomic *raison d'être*);
- its values (determine the behaviours required to achieve the vision);
- a description of the roles and responsibilities of key employees;
- an analysis of products, services, clients, suppliers, etc.;
- an analysis of the strengths and weaknesses of the business;
- an analysis of its market, trends, threats and opportunities;
- a reflection on its current and future needs (labour force, finances, equipment, etc.).

Finally, the plan must include a timeline for the actions proposed in relation to the components of the plan.

For this step, we suggest that you consult the tool:

- Strategic business development plan

To draft this plan, we suggest that you take the following steps:

- draft this plan alone if you are the sole owner, or as a group if you have business partners;
- invite the individuals who are interested in succeeding you to do the same exercise (if they are already involved in the business);
- share your strategic plans during discussion meetings. These meetings will help you reconcile your differences and combine your points of view in order to develop a solid, straightforward and transparent action plan that will increase the chances of a successful transfer.

This tool will help our advisors to:

- clearly understand your business;
- understand your challenges from an overall perspective;
- adapt their approach to your needs.

Strategic business development plan tool

The **Strategic business development plan** tool will help ensure that your business continues to grow. It is an essential work tool for owner-transferors, successor(s), consultants and financial advisors

The purposes of this tool are to help you to:

- clarify the needs of your business as part of an overall perspective;
- define your visions of the future of the business;
- review the *raison d'être* of your business;
- review the distribution of tasks, roles and responsibilities within the business;
- mobilize employees to share a common vision;
- set business development priorities;
- discuss the future of the business with your successor(s);
- reduce the gaps between your vision of business development and that of your successor(s);
- provide a business development framework.

Instructions:

1. Draft the strategic development plan on your own.
2. Ask the people you are considering as potential successor(s) to do the same exercise.
3. Individually determine the financial resources required by the development plan.
4. Share your respective plans.
5. Make a list of priorities based on your discussions.
6. Implement a follow-up schedule.
7. Review this plan as often as possible.

Strategic business development plan

Business vision

What will the business look like in five years?

Sales figure: _____

Location: _____

Number of employees: _____

Positioning: _____

Other aspects: _____

Business mission

Why does the business exist?

What are its *raison d'être* and its contribution to society?

The mission of the business is: _____

Values

Which behaviours and attitudes does the business promote?

The values are: _____

Strategic business development plan

Farm's production structure

Land and buildings: _____

Machines and equipment: _____

Herd: _____

Production quota: _____

Products or services

Which are offered to clients?

Products: _____

Services: _____

Products or services

Which are offered to business partners?

Products: _____

Services: _____

Strategic business development plan

Work organization

How are tasks divided among shareholders (who does what)?

NAME	POSITIONS	ROLES AND RESPONSIBILITIES

How are tasks divided among employees (who does what)?

NAME	POSITIONS (seasonal employee, permanent employee, etc.)	ROLES AND RESPONSIBILITIES

Strategic business development plan

Target market

What is the profile of the target clientele?

Description: _____

Clientele

Who are the main clients?

MAIN CLIENTS	NEEDS IN TERMS OF PRODUCTS OR SERVICES
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Geographical distribution

Local: _____

Regional: _____

Provincial: _____

National: _____

U.S.: _____

International: _____

Strategic business development plan

Strengths

What sets this business apart (internally and externally) and enables it to maintain its positioning?

Distinguishing strengths (internal and external): _____

Weaknesses

What are the weaknesses of the business (internal and external)?

Weaknesses, internal and external: _____

Business opportunities

Current or foreseeable business opportunities (market, competition, etc.)?

Opportunities identified: _____

Strategic business development plan

Threats

What are the existing or foreseeable threats in the business environment (workforce, competitor, currency fluctuations, etc.)?

Threats identified: _____

Trends

What trends appear to be gaining ground and will require follow-up or adjustment?

What trends could the business set?

Opportunities identified: _____

Strategic business development plan

PRIORITIES STEMMING FROM THE STRATEGIC PLAN

Taking into account the preceding statements, what priorities are key to the development of the business:

Priorities:

1. _____
2. _____
3. _____
4. _____
5. _____

Timeline for achieving these priorities and the person responsible for the follow-up

PRIORITY	TARGET DATE	PERSON IN CHARGE
1.		
2.		
3.		
4.		
5.		

5.2 CREATION OF THE TEAM OF EXPERT ADVISORS

At this stage, we suggest that you make a list of the advisors who support you, guide you in your decision-making and are familiar with the realities of the business as well as the human and relational challenges.

To do so, you can consult the Standard list of advisors tool.

Developing this list will enable you to determine whether your support network comprises all advisors and professionals normally involved in the business transfer process.

It is preferable that your advisors have business transfer experience and that they have an overall vision, since the success of the transfer depends, in part, on the advisors' ability to work as a team.

You will benefit from their combined expertise. By working as a team, they will have the same vision of your intentions, update you on the applicable rules, ensure your financial security, maintain harmony and ensure your business continues to grow. Cooperating with your advisors will enable you to detect the nuances, understand the finer details and solve the problems encountered during the transfer process.

Too often, when advisors don't work together, the transfer risks falling through at the last minute, because the transferor (or the buyer) is uncomfortable with certain clauses or certain rules that have been established. The lack of communication between advisors and, occasionally, their lack of objectivity can lead to confusion, misunderstandings, doubts and insecurities that can cause tension and dampen your desire to continue the process.

For this step, we suggest that you use the tool:

- Standard list of advisors

This tool will:

- help you select your advisors;
- help you assess the quality of their support;
- refer you, as needed, to competent business transfer resources
- help you ensure your advisors work as a team.

For your information, on the next page is a list of experts that may play a major role in the business transfer process. Having discussions with close business partners can simplify business succession planning, and make it more efficient and profitable. Including the right advisor at the right time to avoid misunderstandings, confusion and the feeling of being overwhelmed helps create winning conditions.

List of expert advisors:

- Agri-business transfer advisor;
- Agri-account manager;
- Farm financing advisor;
- Financial planner;
- Venture capital investment broker;
- Agri-business valuation expert;
- Tax specialist;
- Attorney;
- Chartered accountant;
- Notary;
- Strategic planning and human resources consultant;
- Communications consultant and family mediator or CREA advisor;
- Farm management consultant;
- Farm production advisor.

Standard list of advisors tool

The **Standard list of advisors** tool will help you make your business transfer into a collective project and will promote teamwork between the various advisors, in order to create winning conditions for your transfer.

The purposes of this tool are to:

- help you identify the professional advisors that form your support network;
- enable you to assess whether you are well supported to carry out your business transfer;
- enable our account managers to point you toward the right resources at the right time;
- inform you on the role of the various business transfer experts to ensure that you have an overall perspective.

Instructions:

1. In the table on the next page, list the names of the advisors who are currently supporting you, how long they have worked for you (number of years) and your perceptions regarding the quality of the services received.
2. Ask your Desjardins advisor to refer you to the types of experts you would like to have support you in your business transfer.

Standard list of advisors

ACTUAL BUSINESS TRANSFER ADVISORS Note: Certain advisors sometimes play multiple roles.	YOUR ADVISOR'S NAME	NUMBER OF YEARS WORKING FOR YOU	YOUR PERCEPTION OF THE QUALITY OF HIS EXPERTISE (please check off)
Title: Agri-business transfer advisor Role: Can support you throughout the entire process, since he is familiar with all activities involved in a business transfer.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Desjardins agri-account manager Role: Can help you with respect to financing the transfer and the financing set-up. He will assess the borrowing capacity of the business and advise you on an appropriate financial structure. He can also help you find a non-family successor and finance the latter.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Provincial government lender, farm financing advisor Role: Can help you with respect to financing the transfer and the financing set-up. Depending on your eligibility, he can offer you a succession assistance program.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Investor/Investment manager Role: Can help you with respect to financing the transfer and the financing set-up. He can give you advice and, using development capital, help finance your successor(s).			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Chartered accountant Role: Can give you advice, help you draft financial statements, and prepare the business for due diligence.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Farm tax specialist Role: Can help you establish a tax strategy and legal structure to minimize the tax implications of your business transfer.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Attorney Role: Can help you implement a shareholders' agreement, a letter of offer, etc. He can also give you advice and support you in the drafting of legal documents associated with a transfer. He can inform you of the different regulatory aspects (land protection).			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor

Standard list of advisors

ACTUAL BUSINESS TRANSFER ADVISORS Note: Certain advisors sometimes play multiple roles.	YOUR ADVISOR'S NAME	NUMBER OF YEARS WORKING FOR YOU	YOUR PERCEPTION OF THE QUALITY OF HIS EXPERTISE (please check off)
Title: Notary Role: Can draft legal contracts and help you review your will and power of attorney. He can also advise you on protection clauses.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Financial planner Role: Can help you plan your retirement, secure your estate and advise you on insurance and investment strategies.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Agri-business valuation expert Role: Can give you advice and help you determine the fair market value of your business.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Strategic planning advisor Role: Can give you advice and help you develop a strategic plan to ensure the continuity of your business.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Titre: Human resources consultant Role: Can assist you in the preventive planning and management of your human resources. He can give you advice and help you make training and knowledge/power transfer plans.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Titre: Farm management consultant Role: Can help you do your strategic planning, choose investments, and improve production costs and management practices.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Titre: Farm production advisor Role: Can help you improve the productivity of your farm operations.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor

You can share this list with your Desjardins advisor, who will help you find the best resources for your needs.

Standard list of advisors

BUSINESS TRANSFER ADVISOR TO BE RECRUITED	YOUR CHOICE OF SERVICE (✓)
Title: Agri-business transfer advisor Role: Can support you throughout the entire process, since he is familiar with all activities involved in a business transfer.	
Title: Desjardins agri-account manager Role: Can help you with respect to financing the transfer and the financing set-up. He will assess the borrowing capacity of the business and advise you on an appropriate financial structure. He can also help you find a non-family successor and finance the latter.	
Title: Provincial government lender, farm financing advisor Role: Can help you with respect to financing the transfer and the financing set-up. Depending on your eligibility, he can offer you a succession assistance program.	
Title: Investor/Investment manager Role: Can help you with respect to financing the transfer and the financing set-up. He can give you advice and, using development capital, help finance your successor(s).	
Title: Chartered accountant Role: Can give you advice, help you draft financial statements, and prepare the business for due diligence.	
Title: Farm tax specialist Role: Can help you review your will, power of attorney, etc., as well as give you advice.	
Title: Attorney Role: Can help you implement a shareholders' agreement, a letter of offer, etc. He can also give you advice and support you in the drafting of legal documents associated with a transfer. He can inform you of the different regulatory aspects (land protection).	
Title: Notary Role: Can draft legal contracts and help you review your will and power of attorney. He can also advise you on protection clauses.	
Role: Financial planner Role: Can help you plan your retirement, secure your estate and advise you on insurance and investment strategies.	
Title: Agri-business valuation expert Role: Can give you advice and help you determine the fair market value of your business.	
Title: Strategic planning advisor Role: Can give you advice and help you develop a strategic plan to ensure the continuity of your business.	

BUSINESS TRANSFER ADVISOR TO BE RECRUITED	YOUR CHOICE OF SERVICE (✓)
Title: Human resources consultant Role: Can assist you in the preventive planning and management of your human resources. He can give you advice and help you make training and knowledge/power transfer plans.	
Title: Farm management consultant Role: Can help you do your strategic planning, choose investments, and improve production costs and management practices.	
Title: Farm production advisor Role: Can help you improve the productivity of your farm operations.	

You can share this list with your Desjardins advisor, who will help you find the best resources for your needs.

Standard list of advisors

You can distribute this list to your various advisors so that they can communicate among themselves regarding your business transfer.

ESSENTIAL ROLES	INSTITUTIONS	NAME	CONTACT INFORMATION	COMMENTS
Agri-business transfer advisor				
Desjardins agri-account manager				
Provincial government lender, farm financing advisor				
Investor/Investment manager				
Chartered accountant				
Farm tax specialist				
Attorney				
Notary				
Financial planner				
Agri-business valuation expert				
Strategic planning advisor				
Human resources consultant				
Farm management consultant				
Farm production advisor				

Definition of the roles of the various business transfer specialists

The **Agri-business transfer advisor** can support you throughout the process, starting from the moment you begin your reflection, during the planning stage and, finally, when it's time to act. This individual is not specialized in a specific field, but knows enough about each facet of a business transfer to guide you and refer you, as applicable, to the appropriate specialists.

The **human resources consultant** will provide invaluable assistance in preparing the succession: assessing human resources needs in terms of managing the business, evaluating the skills of potential successor(s), establishing a plan for training the latter and doing the appropriate follow-up. This person will, among other things, establish the complementarity of the profiles of the management team.

The **chartered accountant** will perform a realistic business valuation. Based on his financial diagnostic, he will evaluate the growth potential and future prospects, two crucial factors in determining the fair market value. As needed, he will advise the current owner on how to maximize the value of the business.

The **chartered accountant** or **farm tax specialist** will discuss the various transfer scenarios with the owner or the buyer, according to the owner's personal goals, whether the succession is a family member or non-family member, and the owner's financial needs for his retirement. The chartered accountant will assess the tax implications of each scenario and evaluate the relevance of adjusting the legal structure, freezing your estate or setting up a family trust.

The **legal advisor** will work in close cooperation with the chartered accountant and the tax specialist. The legal advisor is responsible for implementing the legal aspects of the acquisition strategy. Even the best scenarios aimed at reducing the tax bill at the time of the transfer will be useless unless they are supported by the appropriate legal structures (e.g. creation of a new class of shares, management company). He will help the owner make the right choices, which will provide the flexibility necessary to face unforeseen changes during the process. The tax specialist will often manage these tasks.

The **notary** or **attorney** will draft the numerous documents required throughout the process (e.g. confidentiality agreement, letter of intent, letter of offer, sales contract, underwriting agreement, shareholders' agreement). This person will also safeguard the seller and the buyer, and will support the transferor and buyer to ensure the negotiation and transaction take place in accordance with generally accepted practices. Finally, he will help the transferor and the buyer get their personal affairs in order.

The **agri-account manager** will help you design the financing set-up, i.e. all of the sources of funding required to finance the transaction, which is unique to your situation. He will not only offer traditional financial products, but will also inform you about other complementary products available on the market. He will help you choose a financial structure that is both realistic and balanced, and which respects the business's financial capacity and the needs with respect to its future growth. His ability to put you in contact with the various professionals in the field, to work together with them and to advise you will be invaluable.

Given his numerous contacts in the business world, the account manager may be aware of the interest of potential buyers and help them find potential sellers. Finally, Desjardins has raised awareness and trained their advisors, who provide strong support throughout the succession process, as much for the transferor as for the buyer.

The **development capital investor**, in conjunction with the onsite account manager, will design the financing set-up. He will offer you financial products other than those normally offered by financial institutions, for example, a debenture, which is an unsecured debt with repayment terms that are more flexible than a traditional loan. The development capital firm will also assume a minor shareholder position in the business. Combined with those offered by the account manager, these financial products will enable future owners, whether they are family members, managers in the business or outside buyers, to acquire the business, even if their deposit initially appears inadequate, and to maintain the business debt load within reasonable limits. They also enable the owner to pocket a portion of the business's value, and buyers to gradually acquire shares. Finally, new owners can take advantage of the investor's advice and management experience.

Source: Chair of SME development and succession, HEC Montréal, 2007.

5.3 PROPERTY TRANSFER PLAN

The purposes of the property transfer plan are to:

- determine when the successors will take over the business;
- determine if there will be a co-management period and for how long;
- review the legal structure of the business, as needed;
- create a shareholding distribution conducive to the growth of the business;
- create adequate buy-sell conditions for the successor(s);
- ensure a financially secure retirement for the transferors;
- ensure the equitable division of your estate between heirs.

The property transfer plan is based on tax and succession planning. We recommend that you seek the services of accredited legal and financial advisors who are up to date with the laws and regulations in effect at the time that the tax and succession strategies are implemented. As needed, our advisors can help you.

The objectives of tax and succession planning are to:

- ensure you transfer the most assets possible to your heirs;
- minimize the tax implications when you die;
- maximize your capital gains deduction;
- minimize the tax/income tax payable;
- ensure you derive maximum benefit from tax deferral programs;
- protect your estate;
- provide you with financial security in retirement;
- simplify acquisition of business shares by the successor(s);
- safeguard the financial health of the business and protect it against creditors.

To this end, below are the strategies most commonly recommended by experts:

- a change in legal structure;
- creation of a management company;
- estate freezing;
- a family trust;
- a holding company;
- income-sharing with family members;
- writing a will;
- revising the shareholders' agreement;
- writing a power of attorney;
- insurance policies benefitting the business or the heirs.

5.4 TRANSFER PROJECT FINANCING PLAN

To finance the transfer of property, the transferor and the successor(s) can agree on a financing set-up that will combine the various sources of financing. A sound choice will take into account both the financing products available, the financial situation and the characteristics of the business as well as upcoming projects. The successful transfer of your business depends on these choices; therefore, we suggest that you analyze all of the available products and their features.

The prerequisites for your financing plan are, among other things:

- your personal balance sheet;
- the strategic development plan for your business;
- an evaluation of the fair market value of your business;
- the choice of a team of business transfer specialists;
- the fine-tuning of various strategies for transferring your business assets;
- an assessment of your personal financial needs;
- the choice of business transfer scenario.

These prerequisites will enable you to develop a financing set-up that will reflect your wishes, ensure your financial security, and meet your personal and family needs as well as the needs of the business.

Seven sources of financing:

1. An equity loan, directly from your financial institution and for which your business assets are offered as collateral. The loan may or may not be government-secured.
2. A loan or grant related to government programs.
3. Buyer's personal funds, i.e. his personal savings, the capital he has access to. The buyer can also take out a personal loan in the form of a mortgage on his home or other property. Capital funding is often used to purchase a first set of shares.
4. A balance of sale that the seller is willing to keep in the business and which will be gradually reimbursed according to certain agreements, such as a repurchase agreement in which shares can be bought back over several years.
5. Investment funds, generally provided by a venture capital company, which becomes a non-controlling shareholder and whose shares can be bought back after a certain number of years, when the farm's financial situation improves.
6. Subordinate financing of another debt that a financial institution grants with more flexible conditions than those applicable to a traditional loan.
7. A debenture, i.e. an unsecured loan that also involves more flexible conditions, for example, a moratorium on the principal repayment for a certain number of years, a conversion clause, etc.

5.5 POWER TRANSFER PLAN

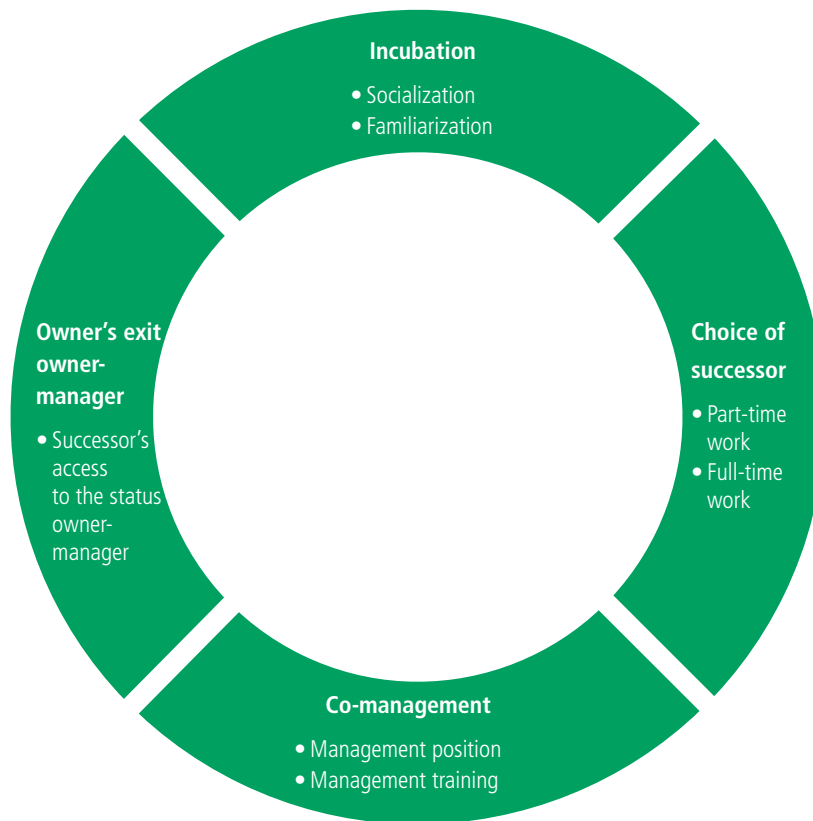
The transfer of powers is different from the legal transfer of assets. It refers to the division and delegation of strategic business responsibilities by the transferor to the successor(s). Knowledge transfer refers to the knowledge that the successor(s) must acquire. A well-planned transfer of powers and knowledge is key to a successful business transfer.

The required actions to create the plan for the transfer of powers and knowledge mainly include:

- taking an inventory of the powers to be transferred;
- taking an inventory of the strategic knowledge;
- reviewing the organizational structure;
- determining the distribution of roles and responsibilities within the new structure;
- choosing strategies and activities associated with the transfer of knowledge and powers;
- holding the successor(s) accountable for the success of the transfer of knowledge and powers;
- setting a timeline for the transfer;
- deciding when progress will be measured.

Knowledge is also a form of power. As transferor, you must create opportunities for dialogue with your successor, in order to transfer your strategic knowledge of the various business activities and specifics in terms of the market, competitors, clients, suppliers, financial backers, technology, etc.

EXAMPLE OF A TRANSFER-OF-POWER PROCESS
IN A FAMILY TRANSFER OR THIRD PARTY TRANSFER SCENARIO (MANAGERS)



Incubation: The family members start at a very young age to work within the business and to socialize with other employees. They contribute to the work, but do not necessarily have specific responsibilities or work hours.

Choice of successor: One or more family members are designated as successor(s). They have expressed interest in working in and managing the business. They are in training.

Co-management: The successor(s) are actively involved in managing the business alongside the parent-owners. This is the most crucial phase of a transfer. An interdependency is created.

Owner's exit from the business: The parent-owners gradually step down as managers, while continuing to work in the business. They assume the role of advisors. The successor(s) take over the management of the business.

Challenges of co-management during the transfer of powers to a family successor or non-family successor

For the owners, relinquishing their powers is one of the most difficult aspects of the transition.

The successor(s) will face a number of major challenges:

- gaining access to strategic decisions regarding the growth of the business;
- learning about the management of the business and its human resources;
- becoming familiar with the roles and responsibilities of a business owner;
- sharing and subsequently taking over the reins from the parent-owners;
- moving from an employer-employee or parent-child relationship toward an equal partnership;
- a potential power struggling between heirs, between the successor(s) and staff, or between the successor(s) and parent(s);
- establishing of an interdependent relationship.

For this step, we suggest that you use the tool:

- Powers and knowledge transfer

This tool will help our advisors to:

- gain insight into your vision of the transfer of knowledge and power of your business;
- understand the management model in place at your business;
- better get to know your successor(s) as business owners;
- provide you with the appropriate support in this phase of the business transfer.

Powers and knowledge transfer tool

The **Powers and knowledge transfer** tool will help you determine which powers and knowledge you need to transfer, and how to go about it.

The purposes of this tool are to help you to:

- create a list of the different knowledge and powers that you must consider during the reflection on your business transfer;
- determine which knowledge your successor(s) must acquire;
- decide to whom, either within or outside of your business, the required knowledge should be transferred;
- determine the powers that your successor(s) must assume;
- establish a schedule for the powers and knowledge transfer;
- plan your powers and knowledge transfer so as to ensure the continuity of your business;
- do preventive planning for the management of your human resources.

Instructions:

1. For each successor, determine the knowledge you believe must be transferred.
2. Under each statement, determine who in your family, or among your employees/other parties would be best placed to manage the knowledge transfer.
3. Think of training activities that could round out this knowledge.
4. If applicable, write down a target date for the completion of the transfer. Example: You have determined that your son will take over the bookkeeping and the analysis of the financial results within two years. Your son will therefore have two years to learn how to carry out these tasks and responsibilities, and to acquire the knowledge required for this role (assuming that he already has the required training).
5. For each successor, determine which powers will be transferred, and exactly which tasks they will assume, and set a target date.

Powers and knowledge transfer

KNOWLEDGE TRANSFER PLAN FROM:

KNOWLEDGE	KEY INFORMATION TO BE TRANSFERRED	WHO (family, networking, institution, etc.)	TRAINING ACTIVITIES	SCHEDULE Target date for completing the activity
On the activity sector in general				
On the management of field operations				
On managing the herd				
On maintaining the machines and equipment				
On the technologies				
On managing environmental norms and other regulations				
On employee management				
On suppliers				
On clients				
On competitors				
On accounting				
On analyzing financial statements				
On strategic planning				

Powers and knowledge transfer

KNOWLEDGE TRANSFER PLAN FROM:

KNOWLEDGE	KEY INFORMATION TO BE TRANSFERRED	WHO (family, networking, institution, etc.)	TRAINING ACTIVITIES	SCHEDULE Target date for completing the activity
On the financial situation of the business				
On lenders and financing products				
On advisors and technical support				
On other aspects				

Powers and knowledge transfer

POWER TRANSFER PLAN TO:

POWERS	WHO (family, networking, institution, etc.)	ANTICIPATED RESPONSIBILITIES	SCHEDULE Target date for completing the activity
Production <ul style="list-style-type: none"> • crop management • herd management (feed, health, husbandry) • equipment maintenance • other 			
Procurement and relationships with suppliers <ul style="list-style-type: none"> • choice of suppliers • negotiations and transactions 			
Marketing and distribution <ul style="list-style-type: none"> • customer relations • development of marketing aspects for the products sold • price setting 			
Human resources management <ul style="list-style-type: none"> • organization of the work • hiring, negotiations • conflict management • other 			
Relationships with in-house advisors			
Investment and financing decisions			
Administration <ul style="list-style-type: none"> • signatures • votes, convocations 			
Other			

Powers and knowledge transfer

POWER TRANSFER PLAN TO:

POWERS	WHO (family, networking, institution, etc.)	ANTICIPATED RESPONSIBILITIES	SCHEDULE Target date for completing the activity
On clients			
On strategic planning			
On advisors and technical support			
On other aspects			

5.6 SUCCESSION TRAINING PLAN

On farms, knowledge transfer to future successor(s) starts very early, as the children begin taking part in the different tasks. Later on, the children can undergo specialized agricultural training. The purpose of a succession training plan is for the successors to acquire the technical, administrative, managerial and personal skills and abilities they will need to be effective business owners and carry out management functions.

The successor(s) will acquire the necessary knowledge and skills:

- with the help of the owner, who assumes the role of coach;
- from an in-house mentor designated to support them;
- by taking technical training courses specific to the activity sector;
- with the support of a management consultant specializing in business transfers;
- by attending conferences, symposiums and conventions;
- with the assistance of Emploi-Québec, which promotes labour development and may cover some of the training costs.

For this step, we suggest that you use the tool:

- Skills and abilities valued in the successor

This tool will help our advisors to:

- understand your perceptions of the professional skills of the people around you;
- gain a better understanding of the skills and abilities you seek in your employees;
- refer you to training experts to meet the specific needs of the individuals involved in the transfer;
- provide you with the appropriate support in this phase of the business transfer.

Skills and abilities valued in the successor tool

The **Skills and abilities valued in the successor** tool is a reflection guide to help you identify the qualities you are seeking in your successor(s).

The purposes of this tool are to help you to:

- recognize the qualities and skills you're seeking in your successor(s);
- identify your successors' training needs;
- clarify your vision of your successors' leadership skills;
- identify the leadership qualities you are seeking.

Instructions:

1. Step 1: Checkmark the items that best correspond to the qualities you **value** in your successor(s).
2. Step 2: Checkmark the items that best correspond to the qualities you **would like** your successor(s) to develop.
3. Step 3: Based on the information in the preceding tables, openly discuss your perceptions with your successors: ask for their point of view and, using the table, write down the skills your successors will have to **acquire** before assuming their future roles in the business.

Skills and abilities valued in the successor

STEP 1: QUALITIES VALUED

Checkmark the items that best correspond to the qualities you **value** in your successor(s).

PERSONAL QUALITIES AND SKILLS	MANAGEMENT SKILLS
<input type="checkbox"/> Experience <input type="checkbox"/> Education <input type="checkbox"/> Self-confidence <input type="checkbox"/> Maturity <input type="checkbox"/> Integrity <input type="checkbox"/> Tenacity <input type="checkbox"/> Loyalty <input type="checkbox"/> Honesty	<input type="checkbox"/> Decision-making skills <input type="checkbox"/> Risk management <input type="checkbox"/> Stress management <input type="checkbox"/> Delegation skills <input type="checkbox"/> Unifier <input type="checkbox"/> Planning and organization <input type="checkbox"/> Advisor <input type="checkbox"/> Fairness
KNOWLEDGE OF THE BUSINESS	EMPLOYEE LEADERSHIP
<input type="checkbox"/> Experience in the business <input type="checkbox"/> Commitment to the business <input type="checkbox"/> Vision of the future of the business	<input type="checkbox"/> Employees have a high opinion of the successor(s) <input type="checkbox"/> Employees listen to the successor(s) <input type="checkbox"/> Employees have respect for the successor(s)
COMMUNITY SPIRIT	LEADERSHIP AMONG FAMILY MEMBERS
<input type="checkbox"/> I've noted that the successor is concerned with the welfare of employees and community members. <input type="checkbox"/> I've noted that the successor(s) want(s) to contribute to the economic development of the region.	<input type="checkbox"/> The family members have a high opinion of the successor(s). <input type="checkbox"/> The family members listen to the successor(s). <input type="checkbox"/> The family members have respect for the successor(s).

Skills and abilities valued in the successor

TECHNICAL SKILLS	ADMINISTRATIVE SKILLS
<p>E.g. milking techniques, insemination techniques, use of various software, equipment maintenance</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Average</p> <p><input type="checkbox"/> Poor</p>	<p>E.g. interpretation of financial statements, control of expenses, assessment of production costs, construction project management</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Average</p> <p><input type="checkbox"/> Poor</p>
TRANSVERSAL SKILLS	EMOTIONAL INTELLIGENCE
<p>E.g. heading up a working group, excelling at problem-solving and conflict resolution, etc.</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Average</p> <p><input type="checkbox"/> Poor</p>	<p>E.g. controlling his emotions, respecting colleagues, managing stress, exercising self-control, etc.</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Average</p> <p><input type="checkbox"/> Poor</p>

Skills and abilities valued in the successor

STEP 2: DESIRED QUALITIES

Checkmark the items that best correspond to the qualities you **seek** in your successor(s).

PERSONAL QUALITIES AND SKILLS	MANAGEMENT SKILLS
<input type="checkbox"/> Experience <input type="checkbox"/> Education <input type="checkbox"/> Self-confidence <input type="checkbox"/> Maturity <input type="checkbox"/> Integrity <input type="checkbox"/> Tenacity <input type="checkbox"/> Loyalty <input type="checkbox"/> Honesty	<input type="checkbox"/> Decision-making skills <input type="checkbox"/> Risk management <input type="checkbox"/> Stress management <input type="checkbox"/> Delegation skills <input type="checkbox"/> Unifier <input type="checkbox"/> Planning and organization <input type="checkbox"/> Advisor <input type="checkbox"/> Fairness
KNOWLEDGE OF THE BUSINESS	EMPLOYEE LEADERSHIP
<input type="checkbox"/> Experience in the business <input type="checkbox"/> Commitment to the business <input type="checkbox"/> Vision of the future of the business	<input type="checkbox"/> Employees have a high opinion of the successor(s) <input type="checkbox"/> Employees listen to the successor(s) <input type="checkbox"/> Employees have respect for the successor(s)
COMMUNITY SPIRIT	LEADERSHIP AMONG FAMILY MEMBERS
<input type="checkbox"/> I've noted that the successor is concerned with the welfare of employees and community members. <input type="checkbox"/> I've noted that the successor(s) want(s) to contribute to the economic development of the region.	<input type="checkbox"/> The family members have a high opinion of the successor(s). <input type="checkbox"/> The family members listen to the successor(s). <input type="checkbox"/> The family members have respect for the successor(s).

Skills and abilities valued in the successor

TECHNICAL SKILLS	ADMINISTRATIVE SKILLS
<p>E.g. milking techniques, insemination techniques, use of various software, equipment maintenance</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Average</p> <p><input type="checkbox"/> Poor</p>	<p>E.g. interpretation of financial statements, control of expenses, assessment of production costs, construction project management</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Average</p> <p><input type="checkbox"/> Poor</p>
TRANSVERSAL SKILLS	EMOTIONAL INTELLIGENCE
<p>E.g. heading up a working group, excelling at problem-solving and conflict resolution, etc.</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Average</p> <p><input type="checkbox"/> Poor</p>	<p>E.g. controlling his emotions, respecting colleagues, managing stress, exercising self-control, etc.</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Average</p> <p><input type="checkbox"/> Poor</p>

Skills and abilities valued in the successor

STEP 3: SKILLS TO BE ACQUIRED

Write down the skills that your successor(s) will have to **acquire** in order to assume the role they will play in the business.

LIST OF SKILLS TO ACQUIRE	SCHEDULE FOR ACQUIRING SKILLS
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____
	Month _____ Year _____

Note: Contact a training advisor to help you create a successor development plan.

5.7 COMMUNICATION FRAMEWORK

Your answers to the following questions will help determine the structure of your communication processes:

- Why do you want to transfer your business?
- To whom do you want to transfer it?
- How do you want to transfer it?
- When do you want to transfer it?
- What role do you want to play in the business following the transfer?
- What retirement projects do you have planned?

Interpersonal communication: between yourself and others

Tip: Start to discuss the transfer with your closest advisors and the members of your family. Enhance your reflection by talking and listening to each other while respecting other points of view. Be open and honest in your communications.

Use structured dialogue, reflection and examination to encourage open discussions and to create a framework for decision-making and conflict resolution. As needed, our expert advisors can support you in this process.

This framework will enable you to avoid/resolve:

- business issues (through the management and executive committees);
- differences of opinion between family members by establishing "rules of engagement" to the business and reconciling different visions (with the help of the family council);
- family conflicts (facilitator, conciliator, mediator);
- any technical problems that may arise during the business transfer.

You can also create a board of directors to oversee the sound management of the business during the transfer or following your exit. Consider this option particularly if you remain an owner who no longer works in the business.

For this step, we suggest that you use the tool:

- Establishing an effective communication framework

This tool will help our advisors to:

- understand your vision of the business transfer;
- gain insight into the problems that you anticipate in carrying out the transfer;
- help you implement fair and appropriate problem-solving processes;
- mitigate certain conflicts inherent to any business transfer process.

Establishing an effective communication framework tool

The **Establishing an effective communication framework** tool will help you implement a communication and problem-solving framework, which is crucial to the success of your transfer.

The purposes of this tool are to:

- optimize your communication processes;
- understand the differences between dialogue and discussion;
- set clear communication rules;
- enable you to work better as a team with your close advisors;
- maintain harmony within the family;
- make you aware of the roles of a management or executive committee;
- make you aware of the roles of a family council;
- structure your management/executive committees;
- structure your family council.

Instructions:

1. Carefully read the rules associated with dialogue and discussion and, during your team meetings, share this information with your colleagues.
2. Read the section of this document that presents the structure of a management committee and family council, and become familiar with it.
3. Create a list of people you would like to see on these committees and advise them of your needs and expectations.
4. Present each one with the appropriate communication framework for their role, so that they can become familiar with it.
5. Follow the steps presented in this tool, and use the suggested plans for the various committees in order to follow up on the discussion points and decisions.

Note: We recommend weekly management committee meetings and quarterly family council meetings.

Establishing an effective communication framework

Communication based on dialogue and discussion

Dialogue is a free and open exchange on various subjects that requires that participants set aside their own ideas and actively listen to other points of view. It allows individuals to recognize their own ways of thinking.

The rules of dialogue:

- A Set aside your preconceptions, the sense that you are always right, in order to avoid statements such as: "this is how it is, period"; this type of attitude will automatically put an end to the dialogue.
- B Each team member must consider the others as allies. Fear, judgement and hierarchy must give way to cohesiveness and common goals in order to create a climate of trust and mutual respect. Everyone should feel like a colleague and a partner, since any concern about being judged by the others will put an end to the dialogue.
- C A moderator ensures the dialogue remains on track (chosen topics), otherwise the dialogue could turn into a discussion. He must help participants to maintain ownership of the dialogue and its results, to feel accountable, and to see beyond their first impressions. The moderator's role is therefore to ensure that the dialogue moves forward.
- D Practice your analytical skills. Team members must explore the motives for maintaining their positions, and analyze their first impressions and where they stemmed from. Each person can ask the others: "What makes you say that?" or "Why do you ask that?"

A **discussion** is an exchange or a series of opinions presented and defended. The aim is to identify which opinions are most likely to lead to a decision.

The rules of discussion:

- A Discussion implies a relatively fierce exchange where each member of the group seeks to have his opinion prevail over all others.
- B The goal of discussion is action.
- C The analysis of the situation can reflect various points of view, but only one will translate into action.

Note: A team that wants to master these concepts must know how to go from discussion to dialogue, and vice versa, while zoning in on the differences between the two.

Establishing an effective communication framework

Executive/Management team

Composition:

- Made up of family members and your business partners

Responsibilities

- track the activities of the business:
 - sales and marketing;
 - operations in the field, the stable and the greenhouses;
 - human resources;
 - procurement;
 - finances;
 - other.
- examine the problems identified, the opportunities offered and make decisions on daily operations within the scope of the powers granted to each member of the management team;
- update and follow up on priorities;
- follow up on the set timelines.

How the executive/management committee operates:

1. Determine who will sit on the committee.
2. Call these individuals to a meeting (verbally or in writing), after having set the date, location, time and length of the meeting.
3. Designate a chair and a secretary.
4. Draft an agenda: take note of concerns and topics that the committee members want to discuss.
5. Guide the dialogue and discussions (chair).
6. Take note of the ideas expressed, and prepare the minutes in time for the next meeting (secretary).
7. Set the date, location, time and length of the next meeting.

Establishing an effective communication framework

STRUCTURE OF THE EXECUTIVE/MANAGEMENT COMMITTEE (model, for information purposes only)

Chair's name: _____

Secretary's name: _____

Date of the meeting of the executive/management committee: _____

Concerns of shareholder A:

Concerns of shareholder B:

Concerns of shareholder C:

Concerns regarding preparations for the season, production operations, productivity:

Concerns regarding sales and marketing:

Concerns regarding procurement, and supply and production costs:

Establishing an effective communication framework

Concerns regarding finance and accounting:

Concerns regarding shipping and customer service:

Concerns regarding human resources management and work organization:

What there is to know about growing the business and investment projects:

Establishing an effective communication framework

PROBLEM-SOLVING TOOL FOR THE MANAGEMENT COMMITTEE (model, for information purposes)

Problem statement: _____

Your thoughts and ideas on the topic, and proposed solutions:

Name and position:

Name and position:

Proposed solutions (overall):

Decision-making, action plan:

Establishing an effective communication framework

ACTIONS TO BE TAKEN BEFORE THE NEXT EXECUTIVE COMMITTEE MEETING (model, for information purposes only)

Date, time, length and location of the next executive committee meeting:

[illegible]

Establishing an effective communication framework

Family council

Purpose:

A venue for structured dialogue where the decisions made concern both the family and the business.

Roles and responsibilities:

- ensure the stability of the business;
- establish the family's vision, mission and values with respect to the business;
- maintain harmony within the family;
- establish the family's rules on hiring, compensation and conditions of employment for family members working within the business and for managers;
- set policies regarding the division and ownership of shares;
- determine the phases by which the parent-owners will exit the business;
- prepare the successor(s): training, knowledge transfer, transfer of power and leadership;
- ensure the continuity of the family business;
- establish the methods to help family members in need;
- protect the family estate.

Procedure for family council meetings:

1. The parent-owners identify family members who will sit on the family council.
2. After setting a date, time, length and location for the meeting, they call members (in writing) to the meeting.
3. The members of the family council appoint a chair and secretary, they write their own statutes and operating rules, and specify their objectives and mission.
4. Members of the council draft an agenda that determines the subjects that the participants want to discuss at the meeting.
5. The chair leads the dialogue and discussions according to the agenda.
6. The secretary writes down the ideas and prepares the minutes for the next meeting.
7. At the end of the meeting, the family council sets the date, time, length and location of the next meeting, as well as the subjects to be discussed.
8. At the beginning of the next meeting, the members of the council adopt the minutes and the agenda.

Establishing an effective communication framework

COMMUNICATION FRAMEWORK FOR THE FAMILY COUNCIL (model, for information purposes only)

Chair's name: _____

Secretary's name: _____

Date of the meeting of the executive/management committee: _____

Chair's concerns:

Secretary's concerns:

Participants' concerns:

Concerns of all members regarding the continuity of the business:

Key points on the development of the business and work organization:

Establishing an effective communication framework

DIALOGUE/DISCUSSION EXERCISE (model, for information purposes only)

Problem statement: _____

Your thoughts and ideas on the topic, and proposed solutions:

Name and position:

Name and position:

Proposed solutions (overall):

Decision-making, action plan:

Establishing an effective communication framework

ACTIONS TO BE TAKEN BEFORE THE NEXT FAMILY COUNCIL MEETING (model, for information purposes only)

Date, time, length and location of the next executive committee meeting:

[illegible]



FINANCING THE TRANSFER PROJECT

6 FINANCING THE TRANSFER PROJECT

The financing set-up for a transfer differs from one business to another. Contrary to popular belief, there is no universal financial product for business transfers. Accordingly, Desjardins offers advantageous consulting services for you and your family members in regards to the financing your business transfer. Our advisors will assess your financial and business needs, and propose appropriate financing strategies and financial products.

6.1 THE MOST COMMON SOURCES OF FINANCING

Loans from financial institutions	The farm mortgage loan is the most common product in terms of financing the acquisition of business shares. The financial institution will also offer financial solutions to ensure that all businesses needs are met (cash flow, purchase of equipment, grants, etc.).
Individual capital funding	Capital can be in the form of cash (personal savings, RRSP) or assets that the successor(s) had acquired prior to the transfer (e.g. livestock, land).
Government assistant programs	There are several government assistant programs, including subsidies for new farmers, investment or expenditure grants, as well as low-interest loans. <i>La Financière agricole du Québec (FADQ)</i> and the <i>Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ)</i> offer many farm succession programs.
Balance of sale (financing by the seller)	Financing method often used in transfers to family members. The parents finance a portion of the transaction and accept reimbursements over periods that can vary in length, usually at very low interest rates. The balance of sale is an excellent complement to a bank loan; it simplifies the transfer and enables the buyer to reduce financing costs.
Donations	In most cases when a farm is transferred to a family member, the parents set a sale price that is significantly lower than the market value in order to prevent the successor(s) from becoming overburdened with debt.
Development capital	Type of equity funding. Funding is provided by an outside investor and can take the form of financing with acquisition of shares in the business.

Because farm successor(s) are often young, they often don't have much personal capital. In the case of a transfer to a family member, the parents' often make a substantial contribution, either by accepting a lower-than-market selling price or by financing a portion of the transaction. In the case of a transfer to a non-family member, the seller is often asked to finance a part of the transaction.

6.2 STEPS TO FINANCING A BUSINESS TRANSFER

1. Document the transfer project and draft the business plan

You are the architect of the transfer project, therefore, it is up to you to design the plans. Preparing a solid business plan helps you ensure that the various factors required for a successful transfer are in place. Owning a business involves teamwork with various partners. You will need the support of financial experts, partners and/or government representatives. Your business plan will help you to accurately describe your vision to each stakeholder. Before meeting with your Desjardins advisor, be sure to fill out your application and draft your business plan.

2- Generate the financial statements

To complete your business plan, you must generate the financial statements for your business or the one you are acquiring. These financial statements must reflect any planned or ongoing business projects.

You must also prepare the following documents:

- your personal financial assessment and that of your buyer(s);
- your curriculum vitae and those of your buyers, summarizing the main achievements;
- the details of the transfer project and its financing;
- an opening balance sheet;
- forecasted cash budget (over two years);
- forecasted income statement according to various scenarios (over three years);
- forecasted balance sheet (over three years).

3- Prepare the financing set-up

The financing of your transfer project must cover the needs related to the transfer of assets (acquisition of voting shares) and the key elements of smooth business operations: new investments, start-up costs, working capital, etc.

Once your needs have been determined, you must identify the possible sources of financing to meet them. The financing set-up is often presented in the form of a table, and it is essential that each transfer-related need be met. Our business transfer advisors can help you prepare it.

EXAMPLE OF A FINANCING SET-UP

COST OF THE TRANSFER PROJECT	
Purchase of assets (land, buildings, quota, livestock, equipment, inventory)	\$700,000
Purchase of quotas	\$150,000
Renovation of farm buildings	\$25,000
Purchase and renovation of a home	\$100,000
Purchase of equipment	\$85,000
Other start-up costs (transaction costs, taxes and permits, etc.)	\$5,000
Total	\$1,065,000
FINANCING THE TRANSFER PROJECT	
Government-secured mortgage loan	\$715,000
Term loan on equipment	\$60,000
Balance of sale	\$150,000
Line of credit	\$75,000
Individual capital funding	\$25,000
Government subsidy	\$40,000
Total	\$1,065,000

4- Preparing your financing application

You have identified your needs and determined which financial tools will enable you to meet them. You have created a network of resources (other entrepreneurs, mentor, agri-business account manager, agri-business financing advisor, farmers' association, other business associations, etc.) that you can consult as needed. The next step is to prepare your financing application.

Fill out your application

Your financing application will complete your business plan. Your application should include:

- the nature of the transfer project to be financed;
- the amount of financing required;
- the financial spin-offs of the transfer project (how they will enable the business to continue to grow while meeting its financial commitments);
- a description of the contributions of the various investors.

Present your application

Before meeting with your lender, be sure to provide your financing application and your business plan so that he can review it.

Prepare for this meeting by:

- specifying the length of the meeting and adhering to it;
- preparing a brief presentation that covers the key points;
- anticipating the lender's objections and making note of points that require further explanations;
- inviting an expert (accountant, attorney or other) to accompany you in order to provide more details on points related to his field of expertise;
- being attentive to the lender's comments and reactions during the meeting;
- offering your availability in case he wishes to obtain more information;
- asking the lender what the next steps are.

Reviewing your application

If your financing application is accepted by your lender, you will have to agree on the terms of the contract.

If your application is declined, take the opportunity to improve your file. It would be wise to ask your lender what prompted his decision. This will provide you with valuable information about your business plan or your approach, since it is likely that you will have to submit a new application to that institution.

In general, financing applications are evaluated based on the following six criteria:

1. Quality of the management

The owners (transferor and successor) are the driving force behind a business transfer. Their vision, energy and efforts will determine the success of the business transfer project. Experience, management skills and level of training are some of the factors evaluated.

2. Risks associated with the business environment

The lenders will ensure that your activity sector does not present a risk for them. The business must also have adequate insurance coverage that is tailored to the nature of its activities.

3. Credibility of the transfer

When a lender decides to invest in your transfer, he wants your business to succeed. Lenders will therefore ensure that your forecasts are realistic and based on verifiable facts.

4. The business's ability to pay and its financial structure

You must prove to the lenders that your business is able to meet its financial commitments. The financial structure of the business therefore must show a healthy balance between assets and liabilities.

5. Financial history of its backers

In your lender's eyes, the past predicts the future. It is highly likely that a credit check will be done for each buyer. The lenders will ensure that the buyers have met their past commitments. A bankruptcy or outstanding loan negatively affects a buyer's credibility.

6. Securities

Loan financing is granted in exchange for securities. These securities must be available in sufficient amount to enable your investor to cover his risks.

6.3 VARIOUS FINANCING PRODUCTS

Farm term loan	To finance equipment or miscellaneous projects.
Farm mortgage loan	To finance the acquisition of buildings and farm land, as well as any other major project.
Operating line of credit	To meet cash flow needs.
Bridge financing	Loan that meets your temporary cash flow needs while awaiting an influx of cash or a pending loan disbursement.
Investment credit (revolving credit)	Provides the funds needed to invest in your business: purchase of equipment, machinery or production inputs, or repairs/renovations to property.

Here is a brief description of the most common financing loans available at Desjardins:

Farm term loan

To buy supplies and equipment required for business operations or to improve the financial structure.

Features:

- amortization according to the useful life of the purchased supplies;
- fixed or variable interest rate;
- flexible repayment terms;
- available in Canadian or U.S. currency.

Benefits:

- enables you to finance capital projects without significantly affecting working capital;
- improves or consolidates the business's financial structure to enable the continued growth of the business;
- possibility of reborrowing a portion or all of the repaid capital without incurring new fees (Multiproject Option).

Farm mortgage loan

For capital needs, such as the purchase of land, the construction, renovation or extension of a building, or any other major project. The terms of credit (term, amortization period, rates and repayment terms) are tailored to the needs of the business.

Features:

- amortization up to 25 years;
- fixed or variable interest rate;
- available in Canadian or U.S. currency.

Benefits

Repayment terms based on the business's activity sector or financial results. Possibility of reborrowing a portion or all of the repaid capital without incurring new fees (Multiproject Option).

Desjardins revolving credit for farms

Preauthorized credit that enables a farm to finance the investments necessary to its growth. Investment credit simplifies the process related to the credit application and bond, while reducing the associated costs.

Features:

- adapted according to the business needs assessment;
- financing in the form of a line of credit or term loan;
- can be applied to development projects or to a project that will take place in stages over a given period of time.

Benefits:

- the authorized loan is disbursed more readily;
- enables you to know the credit amount at your disposal for future acquisitions;
- does not affect your business operating credit and reduces the fees for reviewing your file and registering collateral;
- offers the possibility of using the amount repaid for other purchases, once the capital has been reimbursed;
- offers more flexibility with respect to interest rates and repayment terms;
- enables you to take advantage of a grace period before you start reimbursing the principal on acquisitions.

Loans secured by the *Financière agricole du Québec* (FADQ)

These loans enable farmers to take advantage of better interest rates for the entire term of the loan. To purchase shares, the buyer must own at least 20% of the business.

Features:

- a farm loan up to \$5,000,000;
- subsidies for new farmers, ranging from \$20,000-\$40,000.

Benefits:

- one of the best interest rates available at Desjardins;
- possibility of a discount on the interest rate during the transition phase;
- possibility of protection against rate increases, depending on eligibility.

6.4 GOVERNMENT AND ASSOCIATION SUCCESSION ASSISTANCE PROGRAMS

Farm successors can rely on several initiatives to simplify the transfer.

LIST OF ORGANIZATIONS AND PROGRAMS	
<i>Financière agricole du Québec</i>	Subsidies for new farmers (\$20,000-\$40,000) Part-time business start-up grant (\$10,000) Consulting services support grant (\$1,500) Sécuri-Taux for new farmers, which guarantees a maximum interest rate for 5 years Seller-lender collateral formula, which offers a loan guarantee to parents who finance the sale of the business directly
<i>Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ)</i>	Farm succession program: <ul style="list-style-type: none"> • investment support for young farm owners • skills development support for young farm owners • support for CUMO and CUMA • support for regional and industry initiatives
Farm succession assistance cooperative fund (Desjardins, <i>Coop fédérée</i> and FRAQ)	Multi-phase financial support <ul style="list-style-type: none"> • Desjardins (\$8,300 subsidies for new farmers for debt reduction, training, mentorship) • Coop fédérée (discount on the purchase of inputs and petroleum products, training and professional support components)
<i>Centre local de développement (CLD)</i>	Support for the drafting of a business plan Grants
<i>Société d'aide au développement de la collectivité (SADC)</i>	Youth Strategy (loans of \$5,000-\$10,000 over 5 years, at low interest rates and possibility of a capital repayment holiday) Start-up and succession funds (loans)
<i>Fédération des producteurs de lait du Québec</i>	Succession assistance: loans of 5 kg of quota over 10 years, no payments for 5 years, then paid gradually in Years 6-10 Start-up assistance: loan of 12 kg of quota
<i>Fédération des producteurs d'œufs d'incubation du Québec</i>	Start-up assistance: payment-free period for farm successor(s) Start-up assistance for new farmers (non-family successors): quota loan of 900,000 eggs
<i>Fédération des producteurs d'œufs de consommation</i>	Start-up assistance for non-family successor(s): quota loan of 5,000 layers
<i>Éleveurs de volaille du Québec</i>	Start-up assistance for successor(s): quota loan of 200 square metres for a maximum term of 17 years, to be repaid starting in Year 13
<i>Fonds d'investissement d'aide pour la relève (FIRA)</i>	This fund, which is unique to Quebec, is intended to simplify the transfer of a farm to a non-family successor. <i>Capital régional et coopératif Desjardins</i> and <i>Financière agricole du Québec</i> are partners in this fund. From the buyer's perspective, the financial contribution in the form of a loan, lease-to-own plan or shares in the business simplifies the purchase of the business and reduces the debt load. From the seller's perspective, this type of financing helps ensure the continuity of the business.



CONTINUITY AND RETIREMENT

Desjardins & Co.

7 CONTINUITY AND RETIREMENT

Once the transfer is complete, all stakeholders want to see the business, which took several generations to build, continue to grow. Successors: You should now be ready to assume your role and meet the challenges ahead. Transferors: Although farmers never really retire, you now have the opportunity to start a new chapter of your life.

Action plan for the continuity of the business: guidelines

- Clearly identify the business needs
- Set the business priorities, and take the appropriate action
- Plan regular team meetings
- Control production costs and closely monitor the evolution of the business's financial situation
- Have a good understanding of the market and the needs of the different links in the agri-food chain
- Promote employee development and involvement in operational decisions
- Surround yourself with a team of competent and trustworthy advisors

Action plan for retirement: guidelines

- Take time for yourself, to maintain your health, life balance and self-worth
- Relax and pamper yourself
- Take time to live out your passions
- Take time out to talk and share
- Take time to think and give your life new purpose
- Take time to help others and take part in projects
- Take time out for learning

Need more time to reflect on the above?

Consult our Guide for acquiring a business or visit our site at Desjardins.com/businesstransfer