

GUIDE FOR
THE 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 transfer project 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 approach, guided reflection exercises will support your actions throughout the business 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.

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;
- they miscalculated their 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 closely related of our business transfer approach. They represent all the steps involved in the business transfer process.

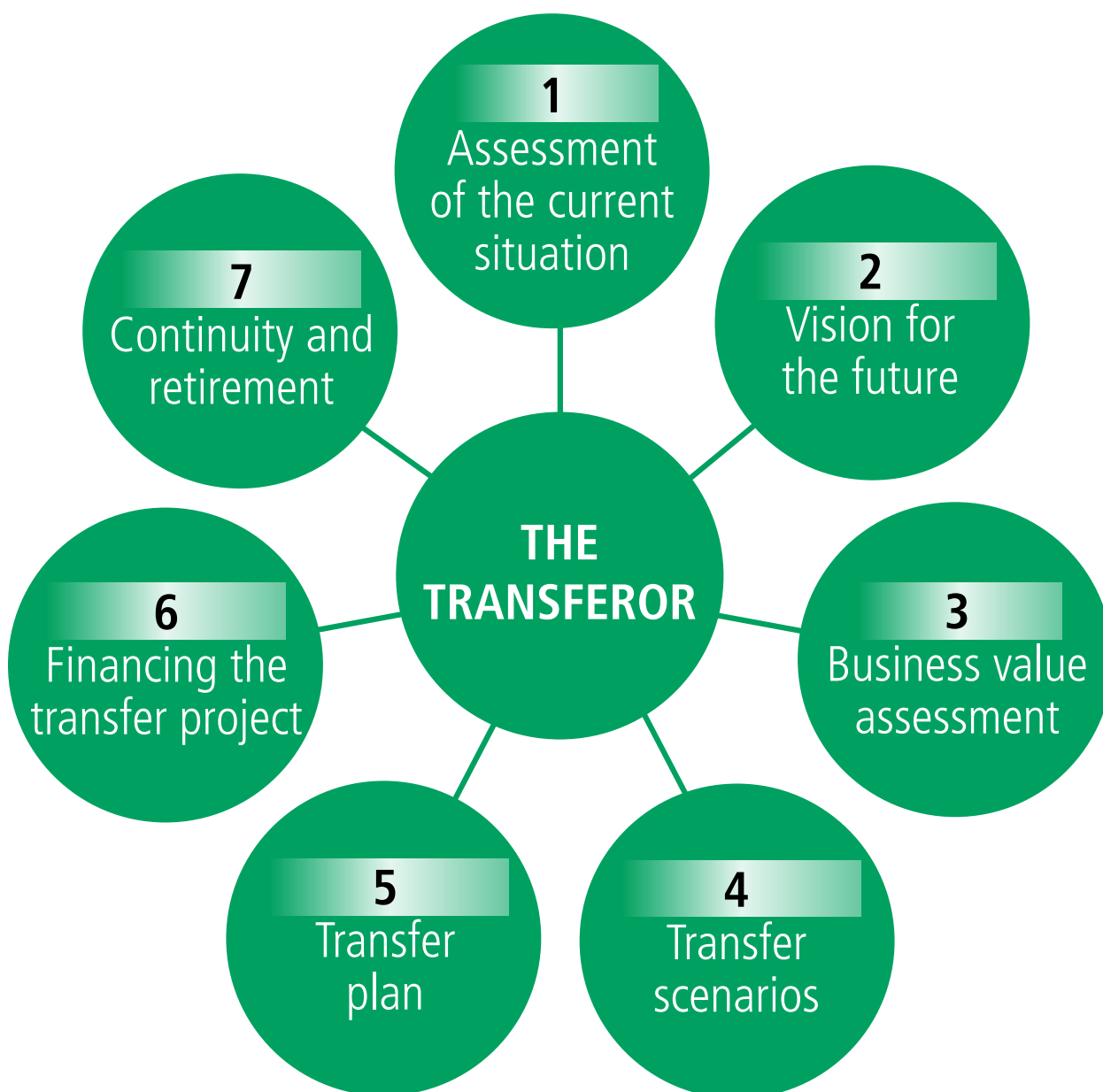
Secondly, we suggest you read the descriptions of each step so as to gain an overall perspective of the business transfer project. Take note of any questions you may have. Feel free to consult our advisors, who can support you during the process. This will enable you to increase your general business transfer knowledge. For the first reading, we recommend that you skip over the prescribed exercises, which will be covered at the next step.

Once you have read it over and your questions have been answered, you can look over the steps and do the reflection exercises, starting with the Assessment of the current situation and observing the order of the subsequent sections. Each exercise is preceded by a list of objectives and instructions on how to meet them. Additional instructions may be provided during an exercise. Feel free to consult your Desjardins advisor at any time.

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** is positioning the business owner from different steps of the business transfer.

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 to follow in the transfer project.

Weighting of the assessment:

- Personal profile
- Economic profile
- Family profile
- Socioeconomic profile

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 understand your current situation with respect to your business transfer project.
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 familiar with all the components of a business transfer plan.	<input type="checkbox"/>	<input type="checkbox"/>
2.	I am aware of the consequences of not planning the transfer of my business.	<input type="checkbox"/>	<input type="checkbox"/>
3.	I have already started drafting my business transfer plan.	<input type="checkbox"/>	<input type="checkbox"/>
4.	I have drafted a strategic development plan for my business.	<input type="checkbox"/>	<input type="checkbox"/>
5.	I take care of my health and feel full of vitality.	<input type="checkbox"/>	<input type="checkbox"/>
6.	I am aware that I must plan my business transfer.	<input type="checkbox"/>	<input type="checkbox"/>
7.	I know the type of successor I want.	<input type="checkbox"/>	<input type="checkbox"/>
8.	I know the role I want to play in the business between now and the time of my exit.	<input type="checkbox"/>	<input type="checkbox"/>
9.	I have set the date of my exit from the business.	<input type="checkbox"/>	<input type="checkbox"/>
10.	I have projects lined up for my retirement.	<input type="checkbox"/>	<input type="checkbox"/>
11.	I am aware of my financial needs for my retirement.	<input type="checkbox"/>	<input type="checkbox"/>
12.	I have open discussions about the transfer with my family members and close advisors.	<input type="checkbox"/>	<input type="checkbox"/>
13.	I have examined all the issues involved in the transfer of my business.	<input type="checkbox"/>	<input type="checkbox"/>
14.	I know the fair market value of my business.	<input type="checkbox"/>	<input type="checkbox"/>
15.	I know what my business needs are in order to ensure its continuity.	<input type="checkbox"/>	<input type="checkbox"/>
16.	I am aware of the impacts of my marriage contract on my succession.	<input type="checkbox"/>	<input type="checkbox"/>
17.	I have studied the possible legal scenarios.	<input type="checkbox"/>	<input type="checkbox"/>
18.	The legal contracts associated with my business are clear.	<input type="checkbox"/>	<input type="checkbox"/>
19.	I have a will that reflects my current wishes.	<input type="checkbox"/>	<input type="checkbox"/>
20.	I have signed a power of attorney.	<input type="checkbox"/>	<input type="checkbox"/>
21.	I have studied the tax scenarios related to the transfer.	<input type="checkbox"/>	<input type="checkbox"/>
22.	The current tax planning for the business is optimal, and I have reduced my tax burden.	<input type="checkbox"/>	<input type="checkbox"/>
23.	I have studied the possible financial scenarios.	<input type="checkbox"/>	<input type="checkbox"/>
24.	The business's financial structure is optimal.	<input type="checkbox"/>	<input type="checkbox"/>
25.	I feel that I am financially secure.	<input type="checkbox"/>	<input type="checkbox"/>
26.	I feel that my assets are protected.	<input type="checkbox"/>	<input type="checkbox"/>
27.	I'm aware that I might have to finance part of the transaction.	<input type="checkbox"/>	<input type="checkbox"/>
28.	I have prepared my business for due diligence.	<input type="checkbox"/>	<input type="checkbox"/>
29.	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"/>
30.	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

Overview of my assessment

My assets = _____

My liabilities = _____

The difference between my assets
and my liabilities = $(-)$ _____ $(+)$ _____

My preparedness for and understanding of the transfer process

Checkmark the statement corresponding to your assets assessment

☐ Low 0-11 ☐ Average 12-23 ☐ High 24-30

Given the results of my assessment, what are my three main concerns?

For example:

1. Evaluate the market value of my business.
2. Determine how I want to spend my retirement.
3. Evaluate my financial needs for my retirement.

ACTION PLAN TO REDUCE/ELIMINATE MY CONCERNS

CONCERNS	ACTIONS	TARGET DATES	PERSONS INVOLVED	FOLLOW-UP DATE
Example: 1) Have the market value of my business valued	Contact a business valuation expert Hire an expert to value the business	In May	My accountant	On Friday, three weeks from now
2) Determine how I want to spend my retirement	Take time to reflect on and discuss the transfer with my family members Set a date for my exit from the business	By December, I will have taken an orientation		Ongoing thought process
3) Evaluate my financial needs for my retirement	Call my financial planner at Desjardins	Within 1 month	My financial planner and my spouse	Call my financial planner next week

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

A vision gives a person or business a purpose (*a raison d'être*) and a will to learn. At this step, you can renew your personal and professional *raison d'être* and clearly identify 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. The Vision for the future tool is a series of reflection exercises to help clarify your personal vision of your business transfer.

Objectives:

- start your reflection to help you prepare your business transfer according to your vision;
- identify your needs and incentives 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 a general understanding of your expectations;
- understand your personal and professional goals.

My needs and my goals tool

The **My needs and my goals** tool is a reflection guide that contains a series of statements related to different topics. We suggest that you share your answers with your advisor at Desjardins, 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 clarify your intentions regarding your family members, your business and yourself;
- help you find the type of successor who will share your values and your vision;
- help you make a list of your main reasons for transferring 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;
- help identify the needs of your business so as to ensure its continuity;
- help you determine what must be done to ensure the growth of your business.

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. Circle the statements that best describe your motives for transferring your business.
4. Share your motives with your Desjardins advisor, who will recommend appropriate strategies.
5. Circle your needs with respect to the transfer of your business in the My needs section.
6. 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 close advisors or your Desjardins advisor.
7. Fill out the My business objectives for the next three years section.
8. Use the tracking tables to determine what needs to be done to ensure the growth of your business.
9. Share your reflection 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:

- ☐ Certain individuals have expressed interest in acquiring my business.
- ☐ My 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 concerns me.
- ☐ 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, 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. I have someone in mind.
- ☐ 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.
- ☐ One day, I would like my business to cease operations.
- ☐ 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 represent your motives for transferring your business:

- ☐ 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 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 professionals 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 statements that best reflects your personal vision:

- ☐ 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 **leisurely retirement**, in which I plan to travel, play sports and do other things I enjoy but have not had time for (music, painting, crafts, home renovations, etc.).
- ☐ I picture an **associative retirement**, in which I will volunteer at an organization whose cause is important to me. I would like to belong to certain associations.
- ☐ I picture a **second career retirement**, in which I will be a mentor, sit on certain boards, start new projects, support young entrepreneurs, and speak at conferences.
- ☐ 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 project, in terms of both human resources and financial resources.
- ☐ I'm too young to even think about it.

Sales. I think that sales of my business will:

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

My needs and my goals

Market. The business needs to:

- ☐ Consolidate its assets and market share
- ☐ Maintain its growth and increase its market share
- ☐ Recapture its market share, reposition itself
- ☐ Redefine its market

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Example: Redefine its market	VP Business Development	Conduct a market study	December

Labour force. The business needs to:

- ☐ Retain its qualified staff
- ☐ Maintain the quality of its jobs
- ☐ Develop the staff's transversal and technical skills
- ☐ 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	HR Manager	Design a training plan for each staff member	June

My needs and my goals

Product. The business needs to:

- ☐ Maintain the quality of its products
- ☐ Improve the quality of its products
- ☐ Design new products

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Exemple : Design new products	Design team	The persons responsible will establish the action plan; therefore, I must consult them	Next week; I will go meet with them

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	VP Business Development	Determine the location based on empirical data Approach all distributors Sign new agreements	May September December

My needs and my goals

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	Create a 24-hour roadside assistance service (list the actions required, establish the operating budget, name the employees assigned to this service, etc.)	January

Production. The business needs to:

- ☐ Maintain its production levels
- ☐ Reorganize some of its production activities
- ☐ Review all production activities
- ☐ Increase productivity
- ☐ Does not apply

TRACKING TABLE

THE BUSINESS NEEDS TO...	PERSON(S) RESPONSIBLE	ACTION(S) TO BE TAKEN	TARGET DATES
Example: Reorganize certain production activities	Production manager	Make a list of the sectors to be reorganized Re-engineer the processes Implement new operating procedures	December

My needs and my goals

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: Review all management structures	General manager	Do a follow-up with the General manager to draft an action plan based on the business's current situation Implement an executive committee that will meet every two weeks	Next week

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.

Engaging the services of a business valuation expert will enable you to establish a realistic selling price.

This advisor will help you to:

- set a selling price of your business;
- 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.

Optimize the business value

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, since a transfer can take 3-5 years, and sometimes up to 10 years.

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
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			



TRANSFER SCENARIOS

4 TRANSFER SCENARIOS

There are many different business transfer scenarios; this section provides a brief overview of these scenarios, to help you choose the one that best reflects 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 one.

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

The most common transfer scenarios include:

- transferring the business to one or more family members;
- selling to management or to employees;
- selling to a third party
- selling to a partner;
- gradually winding down business activities.

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.

According to a Canadian Federation of Independent Business (CFIB) study, approximately 85% of Quebec businesses are family-owned. Scenarios involving transferring the business to a family member or to employees are the two most common scenarios considered when planning the transfer of a family-owned business. Below you will find a summary of the issues and actions to be pursued if you choose one of the transfer scenarios.

TRANSFER TO FAMILY MEMBERS

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.
Choice of successor	Establish the selection criteria, the required technical, administrative and management skills, and the current development status of the potential candidates.
Maintain harmony within the family	Create a family council and seek the services of a communications consultant.
Transfer the leadership of the business	Make a management and power transfer plan.
Transfer the required knowledge	Take inventory of the knowledge to be transferred, and implement a knowledge acquisition and transfer process that includes the use of a training plan.
Specify the role of the parent-owner	Determine the role the parent-owner will play during the transition.
Create the necessary and appropriate financial conditions for the transfer	Determine the strategies for the division of shares, and for the buying and selling of shares.

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

TRANSFER TO EMPLOYEES

ISSUES	PRIORITY ACTIONS
Choice of employee-successors	Establish the criteria for choosing the future management. Determine the roles and responsibilities of each person in the transfer. 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 project	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. The transfer process goes smoothly and you don't have to worry about your succession.

We can guide you through this process in order to:

- assess the financial repercussions;
- refer you to competent professionals to support you as needed;
- help you find a buyer through our extensive network of contacts;
- support you through the negotiation process;
- finance the transaction;
- optimize your personal financial plan;
- help the buyer maintain 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:

- having the market value of your business assessed by a valuation expert, who will determine the best way to set the selling price;
- setting the selling price: leave yourself some room to negotiate;
- preparing the business for due diligence by analyzing its activities;
- devising the various plans required for the business transfer:
 - strategic plan;
 - financial plan;
 - production plan;
 - human resources plan: management, structure, remuneration, agreements, insurance, etc.;
 - external relations plan: suppliers, clients, government, municipality, environment, etc.;
 - legal plan: contracts, leases, debt securities, patents, etc.
- determining the various sale scenarios and analyzing their tax impacts:
 - sale of assets;
 - sale of shares;
 - sale of assets and shares;
- establishing the profile of the potential buyer who would meet your criteria:
 - an existing client;
 - an existing supplier;
 - a local or foreign competitor;
 - other.

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 market 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-Reduce the tax implications of the transaction

- ☐ 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-Protect your assets

- ☐ 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-Optimize the transfer financing

- ☐ 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

7-Draft a strategic business development plan

Required actions

- ☐ 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-Write 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

9-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

10-Draft or revise 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

11-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

12-Understand the impacts of your will on your successor(s) and the division of your assets

- ☐ 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 market 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- Reduce the tax implications of the transfer

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

5- Protect your assets

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

6-Optimize the transfer financing

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

7-Draft a strategic business development plan

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

8-Write your will

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

9-Write a power of attorney

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

Required actions

10- Draft or revise the shareholders' agreement

– Do you have a specific timeframe or target date?

☐ Yes

☐ No

– If so, when: month _____

year _____

11- Plan your retirement

– Do you have a specific timeframe or target date?

☐ Yes

☐ No

– If so, when: month _____

year _____

12- 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 _____

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 your business assessed <ul style="list-style-type: none"> • Business valuation specialist 		
Take measures to optimize business value and performance <ul style="list-style-type: none"> • You and your team 		
Have a due diligence done <ul style="list-style-type: none"> • Various experts Analyze the different functions in the business (finance, products, services, production, etc.)		
Reduce the tax implications of the transfer <ul style="list-style-type: none"> • Tax specialist 		
Protect your assets <ul style="list-style-type: none"> • A Desjardins financial planner 		
Optimize the financing transfer <ul style="list-style-type: none"> • Your account manager 		
Draft a strategic business development plan <ul style="list-style-type: none"> • You and your team 		
Write a will <ul style="list-style-type: none"> • A notary 		
Write a power of attorney <ul style="list-style-type: none"> • A notary 		
Draft or revise the shareholders' agreement <ul style="list-style-type: none"> • Attorney or legal advisor 		
Plan your retirement <ul style="list-style-type: none"> • A Desjardins financial planner 		
Understand the financial and tax impacts of your will on your succession and the division of your property <ul style="list-style-type: none"> • A tax specialist and/or a notary 		

Required actions

Example of a tracking tool

Business name: Jean René Roofing (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 market value of your business assessed <ul style="list-style-type: none"> Business valuation expert 	My accountant	Done
Take measures to optimize business value and performance <ul style="list-style-type: none"> You and your team 	My Operations manager	Within 12 months
Have a due diligence done <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
Optimize the transfer financing <ul style="list-style-type: none"> Your account manager 	My 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 impacts 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;
- maximize the value of your business;
- protect your assets;
- minimize your tax implications;
- clarify the legal and succession-related aspects associated with the transfer;
- expand your credit facilities and sources of financing;
- maintain harmony within the family;
- 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 have a 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, the owner sees drafting a strategic business development plan as a complex and time-consuming exercise whose usefulness on a practical and operational point of view is intangible.

However, as part of a business transfer process, it is crucial to ensuring the continued growth of the business. This plan 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 business's strengths and weaknesses;
- an analysis of the market, trends, threats and opportunities;
- a reflection on current and future business needs (labour force, finances, equipment, etc.).

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

For this step, we suggest that you use 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 the essence of 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:

- clarify the needs of your business as part of an overall perspective;
- define your vision 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: _____

Location: _____

Number of employees: _____

Business positioning: _____

Other aspects of the vision: _____

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

Products or services

Which are offered to clients?

Products: _____

Services: _____

Products or services

Which are offered to business partners?

Products: _____

Services: _____

Current structure

How are tasks divided (who does what)?

NAME	FUNCTIONS	ROLES AND RESPONSIBILITIES

Strategic business development plan

Target market

What is the profile of the target clientele?

Description of the profile: _____

Clientele

Who are the main business 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 business’s weaknesses (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. _____

Deadline to achieve these priorities and the person responsible for the follow-up

PRIORITY	DEADLINE	PERSON RESPONSIBLE
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 tool:

- Standard list of advisors

Developping 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:

- 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 reverse, 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:

- Business transfer consultant;
- Account manager;
- Financial planner;
- Venture capital investment broker;
- Business valuation expert;
- Tax specialist;
- Attorney;
- Chartered accountant;
- Notary;
- Strategic planning and human resources consultant;
- Communications consultant and family mediator.

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 consultants to ensure that you have an overall perspective.

Instructions:

1. In the table below, 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 (checkmark)
Title: Business transfer consultant 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: Traditional lender – Account manager Role: Can help you with respect to financing the transfer and the financing set-up. Can give you advice and help finance your successor(s).			<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: 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.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: 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: Notary Role: Can help you review your will, power of attorney, etc., as well as give you advice.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Tax specialist Role: Can give you advice and help you optimize the tax aspects of your business transfer.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Title: Financial planner Role: Can give you advice, help you plan your retirement, and safeguard your assets			<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 (checkmark)
Title: 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
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.			<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor

Standard list of advisors

Business transfer advisors to be recruited	YOUR CHOICE OF SERVICE (✓)
Title: Business transfer consultant Role: Can support you throughout the entire process, since he is familiar with all activities involved in a business transfer.	
Title: Traditional lender – Account manager Role: Can help you with financing your transfer as well as the financing set-up. Can give you advice and help finance your successor(s).	
Title: Investor/Investment manager Role: Can help you with financing your transfer as well as the financing set-up. He can give you advice and, using development capital, help finance your successor(s).	
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.	
Title: Accountant Role: Can give you advice, help you draft financial statements, and prepare the business for due diligence.	
Title: Notary Role: Can help you review your will, power of attorney, etc., as well as give you advice.	
Title: Tax specialist Role: Can give you advice and help you optimize the tax aspects of your business transfer.	
Title: Financial planner Role: Can give you advice, help you plan your retirement, and safeguard your assets.	
Title: 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.	
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.	

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 contact each other regarding your business transfer.

KEY ROLES	INSTITUTIONS	NAME	COMPLETE CONTACT INFORMATION	COMMENTS
Business transfer consultant				
Traditional lender – Account manager				
Investor – Investment manager				
Attorney				
Accountant				
Notary				
Tax specialist				
Financial planner				
Business valuation expert				
Strategic planning advisor				
Human resources consultant				

Definition of the roles of the various business transfer specialists

The **business transfer consultant** 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. To increase the business's worth in the eyes of potential buyers, he will advise the owner on how to improve business performance and maximize the market value.

The chartered accountant or tax specialist will discuss the various transfer scenarios with the owner or the buyer, according to the owner's personal goals, whether the successor 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 the owners' 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 an appropriate legal framework (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 **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 both the seller and buyer to ensure the negotiation and transaction take place in accordance with generally accepted practices. Finally, he will help the seller and the buyer get their personal affairs in order.

The **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 has trained their advisors to provide strong support throughout the succession process, for both the transferor and 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, debentures, which are unsecured debts with repayment terms that are more flexible than for traditional loans. 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.

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

5.3 PROPERTY TRANSFER PLAN

The objectives of the property transfer plan are to:

- ensure the equitable division of your estate between heirs;
- ensure a financially secure retirement for the transferor(s);
- create a share distribution that is conducive to the growth of the business;
- create adequate buy-sell conditions for the successor(s).

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:

- maximize the assets transferred 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:

- estate freezing;
- establishing a family trust;
- creating of a holding company;
- income-sharing with family members;
- writing a will;
- revising the shareholders' agreement;
- writing a power of attorney;
- purchasing insurance policies benefitting the business or your heirs, or both, as beneficiaries.

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. This type of agreement must be based on informed choices, which take into account both the financing products available, the nature of the business and all 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.

Some of the prerequisites for your financing plan are:

- prepare your personal balance sheet;
- draft a strategic development plan for your business;
- have the market value of your business evaluated;
- choose a team of business transfer specialists;
- design various strategies to transfer your business assets;
- assess your personal financial needs;
- choose your 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. 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.
2. 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.
3. A government-secured loan.
4. An equity loan, for which the company's assets are offered as collateral.
5. Subordinate financing of another debt that a financial institution grants with more flexible conditions than those applicable to a traditional loan.
6. A debenture, i.e. an unsecured loan that also involves more flexible conditions, for example, a principal repayment moratorium for a certain number of years, a conversion clause, etc.
7. 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 business's financial situation improves.

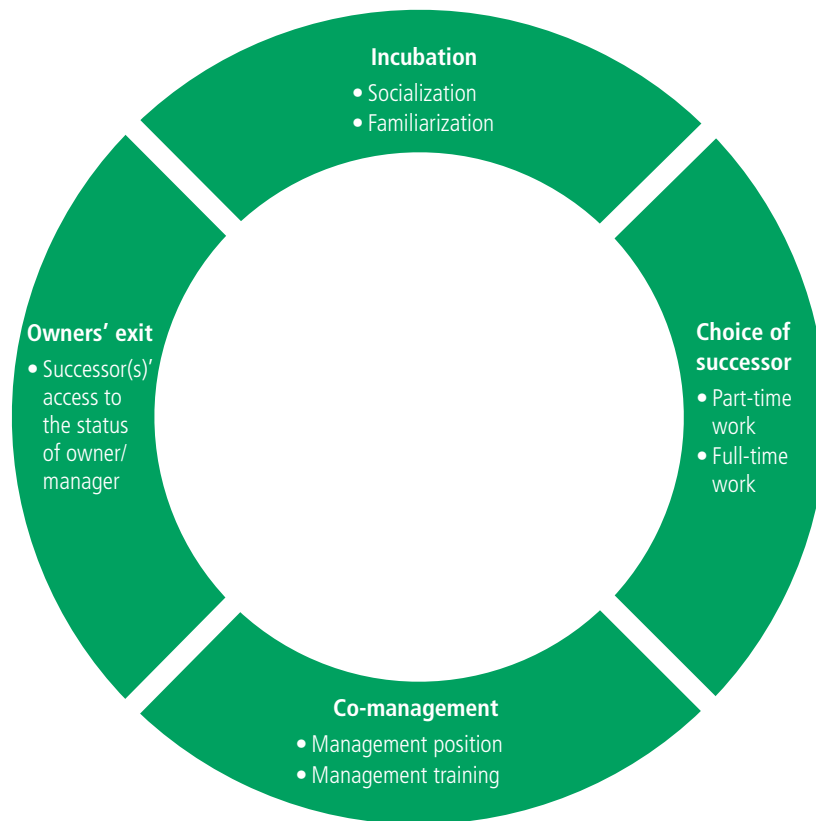
5.5 POWER TRANSFER PLAN

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

- 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 or employees start at a 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: The family members or employees are named as the successors. They have expressed interest in working in and managing the business. They are in training.

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

Owners' 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 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);
- 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:

- create a list of the different knowledge and powers that you must consider as you think about your business transfer;
- identify the individuals (inside or outside the business) to whom the knowledge acquired will be transferred;
- name your successor(s), whether they are family members or senior managers;
- determine which knowledge your successor(s) must acquire;
- determine the powers your successor(s) must acquire;
- 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. To start your reflection, enter your information in the appropriate sections. Ideally, if your successor is a family member or one of your employees, he should be involved in the process.
2. Under each statement, enter the name of the person who possesses the respective knowledge or power.
3. Enter his age and seniority in the business (in years).
4. If the person is over age 55, indicate his expected retirement date.
5. In the appropriate box, indicate, as needed, the knowledge you believe must absolutely be transferred to the successor(s).
6. If applicable, indicate a target date for the completion of the transfer. Example: You have determined that your son will take over from your controller, who will leave the business in 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).

Powers and knowledge transfer

KNOWLEDGE TRANSFER PLAN FROM:

Identify the stakeholders	SCHEDULE Target date for completing the activity
Operations Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Competitors Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Suppliers Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Financial backers Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	

Powers and knowledge transfer

KNOWLEDGE TRANSFER PLAN FROM:

Identify the stakeholders	SCHEDULE Target date for completing the activity
Clients Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Technologies Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Staff Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Other knowledge Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	

Powers and knowledge transfer

POWERS TRANSFER PLAN TO:

Identify the persons best placed to transfer the respective powers	SCHEDULE Target date for completing the activity
Administrative Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Executive Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Operational Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Production Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	

Powers and knowledge transfer

POWERS TRANSFER PLAN TO:

Identify the persons best placed to transfer the respective powers	SCHEDULE Target date for completing the activity
Distribution Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Design Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Management Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	
Other functions Name: _____ Age: _____ Seniority: _____ Expected retirement date: _____ Key information to be transferred: _____ _____ Successor: _____	

5.6 SUCCESSION TRAINING PLAN

The ,s of a succession training plan are 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"/> Perseverance <input type="checkbox"/> Loyalty <input type="checkbox"/> Honesty	<input type="checkbox"/> Decision-making <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"/> Support and advice <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 <input type="checkbox"/> Employees listen to the successor <input type="checkbox"/> Employees have respect for the successor
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. preparing cost estimates, creating plans, using various software, possessing technical knowledge of a product, etc.</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Fair</p> <p><input type="checkbox"/> Poor</p>	<p>E.g. interpreting financial statements, setting prices, assessing losses, controlling expenses, etc.</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Fair</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"/> Fair</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"/> Fair</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"/> Perseverance <input type="checkbox"/> Loyalty <input type="checkbox"/> Honesty	<input type="checkbox"/> Decision-making <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"/> Support and advice <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 <input type="checkbox"/> Employees listen to the successor <input type="checkbox"/> Employees have respect for the successor
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. preparing cost estimates, creating plans, using various software, possessing technical knowledge of a product, etc.</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Fair</p> <p><input type="checkbox"/> Poor</p>	<p>E.g. interpreting financial statements, setting prices, assessing losses, controlling expenses, etc.</p> <p><input type="checkbox"/> Excellent</p> <p><input type="checkbox"/> Good</p> <p><input type="checkbox"/> Fair</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"/> Fair</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"/> Fair</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 responsibilities of the role they will play in the business.

LIST OF SKILLS TO BE ACQUIRED	SKILLS DEVELOPMENT SCHEDULE
	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 privileges 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 senior managers and department heads

Responsibilities:

- Monitor business activities:
 - sales and marketing;
 - operations;
 - human resources;
 - procurement;
 - finance;
 - 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 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: _____

President's concerns:

General manager's concerns:

Concerns of the Manager, Administration & Finance:

Concerns of the Manager, Sales & Production:

Concerns of the Customer Service/Shipping Manager:

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

PROBLEM-SOLVING TOOL FOR THE MANAGEMENT COMMITTEE (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 (global):

Decision-making, action plans:

Establishing an effective communication framework

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

Date, time, length and location of the next management 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 family council meeting: _____

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 (global):

Decision-making, action plans:

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 management 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 of your business transfer. Our advisors will rigorously assess your financial and business needs, and propose appropriate financing strategies and financial products.

STEPS:

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 every aspect of your business operations: working capital, current expenses, tools, equipment, buildings, patents, 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	
Land and buildings	\$600,000
Furniture and equipment	\$250,000
Inventory	\$75,000
Accounts receivable	\$250,000
Goodwill	\$245,000
Other start-up costs (accounting, taxes and permits, insurance, rent, supplies, etc.)	\$80,000
Total	\$1,500,000
FINANCING THE TRANSFER PROJECT	
Capital funding	\$150,000
Mortgage loan	\$450,000
Term loan on equipment	\$150,000
Line of credit	\$225,000
Balance of sale	\$250,000
Mezzanine capital	\$275,000
Total	\$1,500,000

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, account manager, financial advisors, members of the board of trade or 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 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 investor or lender, be sure to provide your financing application and your business plan so that he can review it.

Prepare for the 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 the lender approves your financing application, you will have to come to an agreement with respect to 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 forces behind a business transfer. Their vision, energy and efforts will determine the success of the business transfer project.

2. Risks associated with the business environment

The lenders will ensure that your activity sector does not present a risk for them. The anticipated lifting of a tariff barrier, use of a process that is harmful to the environment or a downturn in the economic sector in which the business operates are just some of the factors that cause lenders to be overly cautious. The business must also have adequate insurance coverage that is tailored to the nature of its activities.

3. Credibility of the transfer project

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 the buyers

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.

- Appropriate types of financing

You can finance your business through loans, equity and/or government programs.
Below is a brief description:

A. LOAN FINANCING	Used to finance accounts receivable, inventory, equipment or commercial property (including renovations).
B. EQUITY FINANCING	Provided, in part, by the buyer. Private investors and/or investment companies are also potential sources of equity.
C. GOVERNMENT PROGRAMS	Various subsidies are offered by the federal and provincial governments to help businesses succeed and to promote entrepreneurship.

A. LOAN FINANCING

You can finance a part of your transfer project with loans. They are used to finance accounts receivable, inventory, equipment and commercial property (including renovations).

Commercial term loan	To finance equipment or miscellaneous projects.
Commercial mortgage loan	To finance the purchase, construction or expansion of a building, or the purchase of a parcel of land.
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:

Commercial term loan

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

Characteristics:

- amortization according to the useful life of the purchased supplies;
- fixed or variable interest rate;
- flexible repayment terms and conditions;
- 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 borrowing a portion or all of the repaid capital without incurring new fees (Multiproject Option).

Commercial mortgage loan

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

Characteristics:

- amortization up to 20 years;
- fixed or variable interest rate;
- 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 borrowing a portion or all of the repaid capital without incurring new fees (Multiproject Option).

B. EQUITY FINANCING

Equity financing is provided, in part, by the buyer. Private investors and/or investment companies are also potential sources of equity. These funds improve the business's capital without reducing its room to manoeuvre with respect to its creditors.

SOURCES OF EQUITY	
The buyers	The buyers must provide a portion of the amount required to finance the transfer (personal savings, home, pension fund, RRSP, balance of sale, etc.).
Development capital	In the form of financing with acquisition of shares in the business.
Mezzanine capital	Combines the characteristics of a loan and equity financing. In terms of the business's financial structure, mezzanine capital falls between a senior debt and a net asset.
Management buy-out	Acquisition of controlling interest in the business.
Cooperative financing (CTA – Cooperative des travailleurs actionnaires)	Cooperative financing is achieved when the unionized and non-unionized employees of a corporation jointly purchase shares in order to benefit from the growth of the business.
Angel investors	This type of investor is often a former business owner/manager who has the necessary investment capital. Angel investors inject money in projects with high chances of success. Accordingly, they become business partners and are often involved in running and growing the business.

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

Development capital

When analyzing the financial needs associated with a transfer, the financing set-up is often completed with venture capital, in the form of equity or quasi-equity. For the buyer, the aim of the financial structure is to simplify the acquisition of a successful business and ensure its continuity. For the seller, the goal of the transaction is to maximize the income from the sale and minimize the tax implications.

Characteristics:

- sources of additional capital through traditional loan financing;
- financing with the acquisition of shares or in the form of subordinate debt;
- unsecured capital: common or preferred shares, debentures;
- exit/repayment horizon: 5-8 years;
- risk-adjusted returns;
- amounts ranging from \$200k to \$20M.

Profile of eligible businesses:

- forward-thinking and dynamic management team;
- realistic and well-developed business plan;
- excellent growth potential;
- competitive edge;
- product for which there is already a major market.

Mezzanine capital

Financial instrument, also known as subordinate financing or quasi-equity, that combines the characteristics of a loan and of equity financing. In terms of the business's financial structure, mezzanine capital falls between a senior debt and a net asset.

Characteristics:

- takes the form of an unsecured loan with a term of 3-5 years;
- the repayment terms are dependent on the business's financial forecasts.

Benefits:

- its subordinate position to that of the lender means it can be considered as a net asset;
- results in minimal dilution for current shareholders;
- helps reduce the tax burden (interest is deductible);
- pre-defined exit strategy;
- a portion of the financing costs are dependent on the success of the business.

Profile of eligible businesses:

- minimum two years' profitability with enough stable and predictable internally generated cash flow to meet the terms of the additional financing;
- a strong and committed management team;
- niche market with growth potential;
- competitive edge;
- maintenance of certain financial ratios.

Buy-outs

Possible scenarios:

- controlling interest with an existing management team that acquires shares (buy-out of the transferor shareholder);
- controlling interest with a new management team becoming shareholders (buy-out of the transferor shareholder);
- controlling interest through the partial buy-out of shares held by the majority shareholder, who stays on with the business;
- controlling interest through the acquisition of business shares from an industrial group undergoing a spinoff, with the management team becoming shareholders.

Type of businesses sought:

- medium-sized businesses with a strong management team;
- businesses operating in growth sectors or in sectors in which consolidation is both possible and desirable;
- businesses with strong market positioning or that operate in a market that is difficult to penetrate.

Competitive edge afforded by buy-outs:

- membership at Desjardins;
- assets are kept in Quebec;
- pride in selling to Quebec's largest financial institution;
- Desjardins is a major player in the local economy, which is reassuring for managers, employees, and community stakeholders;
- clients and suppliers are instantly reassured (due to Desjardins' strong financial footing).

C. GOVERNMENT PROGRAMS

To stimulate entrepreneurship, the federal and provincial governments offer various subsidies to help businesses succeed.

Characteristics:

Some of these programs simplify loan financing, while others, in the form of subsidies, enable an increase in the value of business equity. Many of these programs target a specific clientele, while others are aimed at a specific type of activity, such as research and development, exportation and marketing.

Each program offers a different type of support. In certain cases, the support comes in the form of tax credits, while others offer loan security, subsidies or direct loans to finance an aspect of the business. Each program has multiple requirements: business size, age of the buyers, sector of activity, etc.

List of main resources:

- Fonds Relève Québec
- Business Credit Availability Program (BCAP)
- Centres locaux de développement (CLD)
- Community Development Assistance Corporation (Quebec, Ontario)
- Canada Business Network – Government Services for Entrepreneurs
- Industry Canada
- Canada Mortgage and Housing Corporation
- Export Development Canada
- Investissement Québec
- Canada Economic Development
- Canada Small Business Financing Program
- Small Business Enterprise Centres (SBEC) (Ontario)



CONTINUITY AND RETIREMENT

Desjardins & Co.

7 CONTINUITY AND RETIREMENT

Action plan for the continuity of the business: guidelines

- Clearly identify the needs of the business
- Establish the work to be prioritized within the business in order to meet these needs
- Take the appropriate action considering the prioritized business' needs
- Have a good overall understanding of the market
- Surround yourself with a team of competent and trustworthy advisors
- Provide employee development and ensure they are involved in decisions, particularly with respect to the direction of the business
- Ensure cost control is fair and appropriate
- 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