

An Inside Look At Selling the Business

Contributing Editor Tom Swartz talks with present and past owners of remodeling companies who took different approaches to selling their businesses. This month's conversation is with Ken and Jeff Moeslein, a father-and-son team that recently completed a transfer of ownership in the family business, and Shawn McCadden, who successfully sold his business nearly 10 years ago. During the conversation, they discuss finding a buyer, setting a price, and negotiating the transition.

Tom Swartz: *Tell us a bit about your company and your succession strategy.*

Shawn McCadden: I started my company, Custom Contracting, in 1991 with goal of wanting it to eventually be employee managed, and then to someday sell it. By 1996, it was fully managed by a general manager, and I had removed myself from the day-to-day activity of the business. I sold the business in 2004 to the general manager who had been running it. At the time it was a design-build remodeling company, but we had always done and continued to do general repair work. At the time of the sale, annual revenue was about \$2.5 million and was growing at the rate of about 15% to 20% per year.

Jeff Moeslein: We've been in business since 1987. We started out as Swingline Windows, the replacement window company Ken started. Over the years we added doors, siding, and other exterior product lines, and in 2003 we joined the Owens Corning basement finishing program. Shortly after that we expanded into full service remodeling, which led to a rebranding of the company in 2007 as Legacy Remodeling. Exterior replacement is still the company's bread and butter, but we also perform a good number of additions and kitchen and bath remodels. Revenue this year will be about \$5 million.

Tom: *Ken, when you were negotiating sale of the company to Jeff, how did you determine fair market value?*

Ken Moeslein: We're a C-corporation, so it was relatively simple. We had common shares that

This month featuring:

Ken Moeslein, Former owner (retired), Legacy Remodeling Pittsburgh, Pa.

Jeff Moeslein, President, Legacy Remodeling Pittsburgh, Pa.

Shawn McCadden, Former Owner, Custom Contracting Arlington, Mass.



KEN MOESLEIN



JEFF MOESLEIN



SHAWN MCCADDEN

had a valuation on them when the corporation was started, so when we decided to transfer ownership, it was easy to make the calculation. When everyone agreed that it was a good number, the company purchased my shares. So at this stage, Jeff is the only shareholder, and the company holds the rest.

Jeff: Instead of writing one check for the whole amount, Ken agreed to take payments over time, which makes it much more manageable for me and the company. I am paying him back over 10 years, so it is as if Ken has loaned me the money.

Ken: I am fully retired and it's Jeff's company to run, so the payment schedule is part of a retirement plan, if you want to think of it that way.

Tom: *Shawn, you did it a different way, selling to an employee. How did that work and how did you come up with a fair market value?*

Shawn: I had been thinking about the possibility of selling for a while, and also about setting the value. One big question was making sure the buyer had the ability to pay, either with their own money or via a loan. At that time, I considered myself to be a stockholder, so I thought about what return I wanted. For me that

In some ways I created the buyer. My general manager already understood the business and the finances. He knew there was enough revenue to compensate everybody.

— SHAWN MCCADDEN