was a percentage of the installed sales volume, so the question was how to structure the deal so I got paid before the company paid other vendors. As the sole owner, I was already getting 10% in net profit, but I was also taking on 100% of the risk. If I wasn't going to be involved in the business, I didn't want the risk; by selling it, the risk was taken on by the buyer.

I worked with a broker, an attorney, and an accountant to come up with a number. But I also had to finance it for the buyer, who was the general manager who had already been running the business. We agreed on the value and on the terms of my financing.

In some ways I created the buyer. The general manager already understood the business, knew the finances, and so on. He prepared the annual budget, showing my 10%, and also showing how he would be compensated. There was enough revenue to adequately compensation everybody.

And he also came to realize that he could grow the company to $3.5 million in revenue without increasing overhead. All of that net profit would drop to the bottom line, which was to his advantage, but it really was more comfortable for both of us. I can't tell you the exact sale price—that's part of my agreement—but it was north of $1 million.

We agreed to payments that would be manageable for him, and ended up with a 10-year note, with a balloon payment at the end. We're right at the doorstep of that balloon payment, but the recession changed things, so we've extended the term with another 10-year note.

Tom: *Jeff and Ken, when did you set up the 10-year term? Has the recent recession affected it?*

Jeff: We completed the sale one year ago. As for the recession, we've already crossed that bridge. Pittsburgh isn't out of the woods yet, and I have missed one or two payments, but they are added on to the end, so the original 10 years might become 11 years.

Tom: *So all of you are on a 10-year program, and you've also had to deal with a bad economy.*

> **We wanted to make sure that we could continue to function as a family without any questions that one of us got the better deal.**
>
> —KEN MOESLEIN

Shawn: I have no interest in running that business again, so I want it to succeed. To maximize the sale price, I was willing to negotiate as times became tough. But the principal balance stayed the same. Payments are applied first to interest, then to the balance.

Ken: On my end, I'm not expecting any additional interest charges. Maybe that's one difference in a family succession.

Tom: *Shawn, you've told us in an earlier conversation that your father had a remodeling business that you had intended to buy. It didn't quite work out as planned. Can you explain what happened?*

Shawn: Sure—and I think this is important for anyone contemplating succession to family members.

I started working in my father's contracting business when I was in high school. My father and I had agreed that I would buy the business, and although we'd agreed on a date, we hadn't agreed on a value. Truthfully, I was running a business within my father's business, and I was making twice the gross profit he was. So it may have been that he realized I was making a lot of money for his company, and that would go away if he sold it to me.

So time passed, and when we were already three years past the agreed-upon date, I decided to go it on my own. I had a young family and the timing seemed right. I was making good money working for my father, but I had my own goals. So I did my due diligence with a lawyer and an accountant, and I gave my notice.

And my father has not spoken to me since that day in 1991. It's been hard on my mother, and for a long time it was difficult for my siblings (I'm the eldest of eight children). At the time, they thought I was doing something to my father, but over time, as they started families of their own, they came to understand that I did what I did for myself and my family.

Tom: *Thanks for being so candid about what was obviously a difficult decision.*

Now I'd like to get some idea about the overall timeframe. Shawn started thinking about transferring ownership from day one. Ken, when did you decide that Jeff might be interested in the business?

Ken: Before I started my business, I was working in the corporate world, but I wanted something else, so my wife and I started this busness. We weren't thinking about selling it, but when Jeff graduated from Penn State, he came to work for us immediately. So he's been involved for a lot of years, and he's held different jobs at different times—production, sales, marketing.

His degree was in administration of justice, but we needed someone with more of a business background. So he went back and got an MBA. In 2003 I named him President, and from that point on we started thinking about how we would make the transition. Basically, I asked Jeff what would it take for him to be happy.

Jeff: Back in 2003, when we acquired the Owens Corning basement business, Ken kept running the replacement business, and I had the opportunity to work in the Owens Corning business, which I built into a $4.5-million business. It was a great opportunity for me to learn the ins and outs of a balance sheet and the practical side of running a business day to day.

But as the economy went downhill, the basement finishing division went downhill as well, because it relied on financing, so we moved away