



# Successful Succession Planning

Roy S. Cohen of Cohen Seglias  
Shane Snyder of Cannon & Wendt Electric  
Rob Bresnahan, Jr. of Kuharchik Construction, Inc.  
Michael Wojtowicz of B.W. Electrical Services

CONVENTION EDUCATION

## This session is eligible for 1 Continuing Education Hour.

For these hours to appear on your certificate, you must:

- Have your badge scanned at the door
- Attend 90% of this presentation
- Fill out the online evaluation for this session



**Roy S. Cohen**

Founder & President  
Cohen Seglias Pallas Greenhall & Furman PC

Cohen Seglias is a law firm based in Philadelphia with more than 85 attorneys headquartered in Philadelphia with eight other offices across PA, NJ, NY, DE, DC, KY, and FL. Cohen Seglias represents more than 130 construction and construction-related companies nationally, and represents more than 250 electrical contractors nationally. Roy is chair of the firm's Construction Litigation Group, and spends the majority of his time mediating, arbitrating and litigating disputes involving his clients, as well as helping clients successfully transition their ownership to either outside purchasers, middle management or family members.



**Shane Snyder**

President  
Cannon & Wendt Electric Company

Shane is President of Cannon & Wendt Electric Company based in Phoenix, AZ. Cannon & Wendt is one of the largest and most successful electrical contractors in the Southwest and is member of Federated Electrical Contractors. Shane currently serves as the Governor of the Arizona NECA Chapter and is also the Chairman of the NECA Labor Management Committee. Cannon & Wendt is an employee owned company (ESOP) and is run by Shane and others through a management committee.



**Rob Bresnahan**

President  
Kuharchik Construction

Rob is the President of Kuharchik Construction based in Exeter, Pa until June 30, 2023 when he orchestrated the sale of Kuharchik to Midwest Electric. Kuharchik is the preeminent Northeast Pennsylvania company in the areas of traffic signal, street scapes, road signs and commercial electrical work. Rob, who is 33 years old, and is a third generation owner of the Company.



**Michael Wojtowicz**

President  
BW Electrical Services

Michael is the President of BW Electrical Services, based in Hillsborough Township, NJ. Michael sold BW Electrical to Charge Enterprises in December 2021 and is now part of the management team at Charge Enterprises. Michael is now involved in soliciting and valuating potential purchases of new companies to join the Charge Enterprises group of companies.



## Introduction

### We regularly counsel our owner clients on how to:

- Pull money out of their business
- Find an exit strategy by way of:
  1. Selling to third parties
  2. Selling to in-house personnel
  3. Handing over the reins to the next generation of family members
  4. A combination of several of these options
- Protect your estate by incorporating estate planning with these transitional options



## Introduction

### Our typical scenario involves business owners who are:

- In their 50's and/or 60's
- Want to get cash out of the business
- Want to reduce or eliminate business risk
- Want to work less, and travel, boat, play golf, etc., more
- Want to maintain their legacy after spending decades building their brand



## Overall Objectives

- Helping potential sellers of electrical contracting firms determine their objectives
- Explaining the various options for transferring ownership and cashing out
- Explaining the pros and cons of each possible sales model
- Having my three co-panelists explain what options they considered with regard selling or changing the model of the company and explain why they chose the model they chose
- Explain the pros and cons of selling to middle management or transferring ownership to family members



## Introduction

### You need to decide what is most important to you?

- Cash now?
- Maintaining your brand into the future?
- Maintaining a good environment for employees.
- Keeping your hand in the business even as the mantle of control shifts to the new owners?
- Leaving the business as soon as the ink is dry on the agreement?
- Making sure you have a plan in place for your spouse and/or children, especially if you have more than one child and if you have children who may not have a place in your business?



## Introduction

- You know your business and your personal situation
- You do not necessarily know how much your business is worth
- You have an idea about what you want to do but do not know how to accomplish it
- You are far ahead of the game



## The Trend

- The U.S. Small Business Administration estimates that in the next 10 to 15 years approximately 70% of privately owned businesses will exchange hands.
- This exchange will represent the largest intergenerational transfer of wealth in U.S. history.

## Fate of the Family Business

**Generational Breakdown:**  
Percentage of Family-Owned Business That Survive Into Successive Generations



## Current Market for Sale of a Business

- Private equity groups have money to spend and are offering larger multiples than ever before
- The current economy has high interest rates which make borrowing to purchase companies more difficult
- 70% of privately owned business will exchange hands in the next 10-15 years



## Construction Service Sector

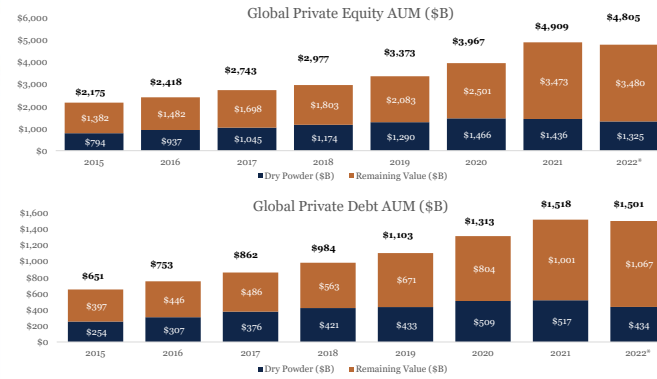
### Family businesses transitioning to private equity

- Year to date, there have been over 80 M&A transactions announced or closed in the Construction Services sector
- Strategic buyers have represented the majority of acquirers at 65.4%, of which 52.6% were private company buyers and 12.8% were public company buyers
- Private equity sponsors were the acquirers in the remaining 34.6% of transactions

Private Equity Purchases of Electrical Contractors <sup>(2)</sup>			
TEV Range (\$MM)	TEV/Rev	TEV / EBITDA	
\$10 - \$25	1.0x	5.7x	
\$25 - \$50	1.2x	6.4x	
\$50 - \$250	0.9x	7.8x	
Average	1.1x	6.4x	



## Growth in Private Equity Purchasing Power



## Employee Stock Ownership Plans

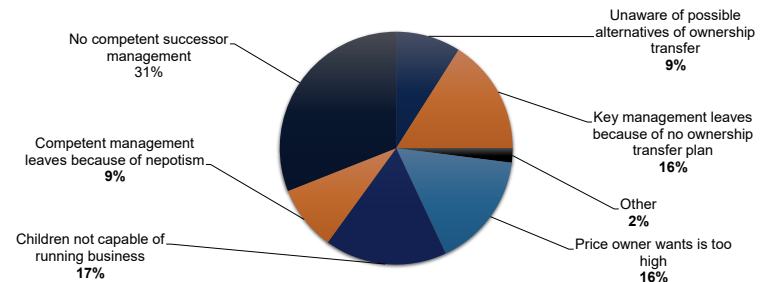
Category	Plans
Privately held companies	5,887
Small plans (under 100 participants)	3,415
Large plans (100+ participants)	2,472
Publicly traded companies	580
<b>Total</b>	<b>6,467</b>

Industries of Privately Held ESOP Companies	
Professional/Sci./Tech. Services	21%
Manufacturing	20%
Construction	15%
Finance/Insurance/Real Estate	13%
Wholesale Trade	9%
Retail Trade	6%
Administrative Support	3%
Health Care & Social Assistance	2%
Transportation	2%
Holding Companies	2%
Agriculture/Mining/Utilities	2%
Other Services	2%
Information	2%
Accommodation & Food Services	1%
Education Services	0.3%
Arts, Entertainment, & Recreation	0.2%



## Surety Industry Survey

### Most Common Reasons for Ownership Transfer Plans Not Working



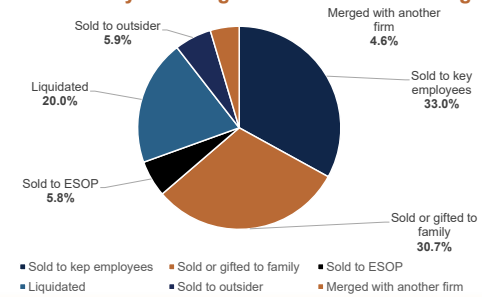
## Current Market

- 33% of contracting businesses were sold to key employees
- 30% of contracting businesses gifted to families
- 20% of contracting businesses were liquidated
- 6% of contracting businesses were sold to other companies or buyers
- 5% of contracting businesses were sold to ESOP
- 4% of contracting businesses merged with another firm



## Surety Industry Survey

### Method used by clients successfully "cashing out" of their contracting business




## Benefits & Risks of Forming an ESOP

CONVENTION EDUCATION

## Shane's Story

- How long had Cannon & Wendt been in existence before the owners decided to transfer ownership?
- What types of electrical work was Cannon & Wendt focused on when it decided to change its business model?
- What was the gross revenues of the firm at the time?
- Why was the ESOP option selected over other model?
- What were the driving reasons for choosing the ESOP model?
- How much did it cost to set up the ESOP?



## Benefits & Risks

- How was the purchase by the ESOP financed?
- What are the benefits of the ESOP?
- How has the ESOP affected the morale of the employees?
- Does the ESOP include craft trade labor who belong to unions?
- Is there a size cutoff where you feel an ESOP is not viable?
- Financially how did the creation of an ESOP benefit your personal return on investment?
- How has the sale of the company to an ESOP affected your employees and the firm's productivity?



## Benefits & Risks of Marketing to Private Equity Firms

CONVENTION EDUCATION

## Rob's Story

- What other options did you consider before selecting private equity?
- What type of consultants and experts did you retain to pursue a purchase from private equity firms?
- What was the process like to get your company ready to be introduced for sale to private equity firms?
- How long did that part of the process take?
- Were you instantly successful in finding private equity interest?



## Benefits & Risks

- What was the process once a Letter of Intent was issued?
- Did any of your deals fall through and why?
- How long did it take to complete the transaction—after the LOI was executed?
- What was the multiple you received to sell your company?



## Benefits & Risks

- What are the benefits to you now that you are owned by a private equity firm?
- What are the downsides of being owned by a private equity firm?
- How have your employees responded to you no longer owning the company?
- Are you still with the company and how have your duties and obligations changed?



## Benefits & Risks of Selling to a Publically Traded Company

CONVENTION EDUCATION

## Michael's Story

- How large was your company in terms of revenue when you decided to sell it?
- How long had it been in existence?
- Why were you interested in selling the company?
- Did you consider other models of transferring ownership before selling to a publicly traded company?
- How did you wind up talking to Charge Enterprises, which is a publically traded company?



## Benefits & Risks

- What were the selling points to sell to Charge Enterprises?
- What was the multiple you received for selling your company to Charge Enterprises?
- How have your duties and obligations changed since selling to Charge Enterprises?
- What position do you hold with Charge Enterprises?

## Benefits & Risks

- What are you actively involved in soliciting and evaluating new companies to join the Charge Enterprises family of companies?
- What characteristics are you looking for in new electrical companies for Charge Enterprises?
- How has the change in interest rates effected Charge Enterprises ability to close deals?



## Benefits & Risks of Selling to Middle Managers

CONVENTION EDUCATION

## Benefits & Risks

- Did any of you consider selling to existing employees?
- Why not?



## Key Issues When Transferring Ownership To Existing Employees

- How to preserve confidentiality so the employees don't get nervous if the negotiations are unsuccessful
- Require confidentiality and non disclosure agreements be executed by potential buyers
- How to sell to employees who lack the capital to purchase the company at time of transfer?
- Consider a leveraged buyout by non using the key employees each year and have them turn over the lions share of their bonuses to the seller until the purchase price is paid





## Selling Majority Ownership Interest Without Retaining Bonding Responsibility

- Have your buyers pledge their homes as collateral for the surety and work with your bonding agent and surety to negotiate terms which will eliminate or limit the amount of time you may need to remain on the bonding line
- How to transition control of the stock while confirming the fit is right
  - Sell your stock over a period of years to your key employees and never give up more than 49% ownership until you are sure this group of purchasers can successfully run the company and maintain the brand
- How to use restrictive covenants and buy back provisions to protect the company during the transition
- Whether to make it an asset purchase or a stock sale



## Conclusion

- Business succession planning is a process and not an event
- You cannot start too early in that process
- But you can wait too long



## Contact Information



**Roy S. Cohen**

rcohen@cohenseglias.com  
267.238.4701



**Rob Bresnahan**

rbresnahan@kuharchik.com  
570.654.3391



**Shane Snyder**

ssnyder@cannon-wendt.com  
602.385.1263



**Michael Wojtowicz**

mwojtowicz@bwes.com  
908.281.0660

## Complete the Online Evaluation

