MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 3 with Ladd Hirsch Transcript

Announcer: 0:00

Tom Bronson: 0:46

Hi this Tom Bronson and welcome to maximize Business Value, a podcast for business leaders who are passionate about building long term sustainable value in their businesses. In this episode, we're gonna be talking with Ladd Hirsh, an attorney with Winstead in Dallas who specializes in business divorce. Ah, first met Ladd a few years ago when he made a presentation on business divorce for Business Navigators Directors Group. Business Navigators, a servant leadership organization in Dallas and the Directors Group is a special interest group of business navigators for people who serve on boards of directors. His presentation on business divorce was amazing. I was intrigued the entire time, and I was thrilled that he joins us today to share some of his insights and knowledge, so welcome to maximize business value, Ladd. Tell us a little bit about Winstead.

Ladd Hirsch : 1:38

well. Thanks, Tom. I really appreciate the kind words look forward to being with you. And, um, it's nice to have an opportunity to visit with you while I've been sheltering at home. I hope everyone is safe and staying well out there. So Winstead is a full-service regional firm. I'm in the Dallas office. We've got seven offices in Texas. Um, and we just recently opened an office in New York as well. Um, and we service the business community,

Tom Bronson: 2:03

so just kind of everything. Full service, I guess, means just kind of all kinds of legal matters for businesses.

Ladd Hirsch : 2:10

Yeah, I said it runs the gamut. I mean, so everything from real estate, finance, banking, litigation, corporate matters, transactions, you know, it runs the gamut. I mean, we wouldn't do something like personal injury, but we also have ah, high net worth group, we call it wealth preservation. So, estate planning so pretty much things that you would expect business owners and investors to need in the business world.

Tom Bronson: 2:38

Awesome. Awesome. So ah, large regional firm with hundreds of attorneys handling all kinds of legal things the first time I ever heard the term business divorce was at the presentation that you gave her a few years ago at BUSINESS NAVIGATORS. What is business Divorce?

Ladd Hirsch : 2:56

Well, I think people here that term and they think it may involve a family law matter, and I'll mention a minute. It can. But a business divorce basically is a conflict that arises between owners and investors in any kind of private company. If you are in a public company, let's say you own Apple as a stockholder and you don't like the new iPhone you can sell out because there's a public market. But in a private company, there may not be a market for your ownership interest in the company. And so when you're going through a business divorce, how are you going to structure the exit of a business partner from the divorce from the business? And it's all types of businesses, whether or limited partnership and L. L. C. or an S-Corp all kinds of industries, but it another way to look at it is how do you structure at partner exit from a privately held business? Because there may not, as I say, be a market for those shares, and I mentioned the family law area. I am also a not I'm not a family lawyer, but I'm working increasingly in the family law arena where I'm hired by one spouse or the other to assist them when they're going through a divorce and my focus on assisting them is on the division of ownership interest in the marital estate in various private companies. And how do you structure during a divorce, the division of their ownership interest in these private companies.

Tom Bronson: 4:17

Okay, so so now does Winstead do any divorce? Things were just focused on the business side.

Ladd Hirsch : 4:25

We're not. We're not a marital law firm, so you would not hire Winstead to sit to handle your divorce. But if you are in a marriage in which you and your spouse own significant interests that are valuable in private companies, it's not easy. I mean, if if you're marriage is involving ownership interest in bank accounts, write those you split those accounts. If it's a piece of real estate, you sell the real estate or one person gets the real estate. Another person gets the value of their half interest in it, and they get a cash settlement. But when you're talking about privately held company, it's what are those worth and how you divide them. And are you going to remain an ownership, have an ownership that's retained interest after marriage? That's what we have found in a lot of these cases is there's a very significant liquidity problem. The liquidity problem is this.

The business maybe worth 25 35 $50 million.1 spouse, once the others interest in it but doesn't have half that value outside the business to pay for it. Well, how are you going to structure a transfer of a 1/2 interest in that valuable business when there's not enough cash to pay for it. So structuring that ownership and that exit is something that requires some, there's not one cookie cutter way to do it. It requires some finesse and some skill and expertise to talk about ways to structure a division of that asset.

Tom Bronson: 5:48

Got it. So, um, I want to back up a little bit to the whole concept of business divorce, So give me some examples of of the types of stakeholders that you would represent? Are these shareholders option holders, majority owners minority owners. What are we talking about?

Ladd Hirsch : 6:09

It runs the gamut. I would say my practice is equally divided, roughly equally divided half the time we represent a majority owner and half the time we represent an individual or a group who hold a minority stake in the business. So let's assume it's an oil and gas business, and it's worth $50 million. And the majority owner has gotten crosswise with the minority owners, who own a 30% stake. Well, if the majority owner doesn't have a redemption right, the right to redeem the interest of that 30% he or she is stuck with that 30% ownership interest and that hence that's a conflict. So the question is, Well, how can you resolve that? Because the majority owner wants them to leave, but can't but offers a price, and they're not willing to accept that price. So that's why I say the majority owner is stuck with that piece of equity being out to a group that is now potentially hostile to the majority owners interest. So a majority owner is going to want to have a redemption right to redeem the interest of minority owners. By the same token, on the minority side. If a minority owner and I had this happen where they a minority owners, even though they're sophisticated business people. I had one business person say to me, I'm ready to be essentially cashed out because I own, you know, 20% interest. And I said, Well, this isn't like Las Vegas. There's not a window is a cashier window and you take your chips and you go to the cashier and you say, Okay, I want my 20% cash now. You don't have a buy-sell agreement in place that enables you to put its called a put right. If you can't put your interest to the majority owner and recall fire a buyout, then you're stuck holding an illiquid, unmarketable interest in a private company. This wasn't you said you saw my speech a couple of years ago, but Tom, maybe more than 10 years ago, the very first speech I gave on this area was called Mama, don't let your babies grow up to be Minority shareholders without a redemption agreement, right has no one. You know Willie Nelson probably scrimmaging, but no one wants to be holding something that they can't get rid of because it may be highly valuable. But if you can't monetize your minority ownership interest, that's a tough spot to be in. And on top of that, it could be worse than that because these are past their entities from a tax perspective, which means minority owners get a K one at the end of the year. And that K one reflects what they owe in taxes based on the profits of the entity during the year. And minority owners tend to expect that they will receive a distribution that is sufficient to cover the amount of tax they have to pay based on the company's profits. But if the majority owner, but if the majority owner decides to retain the profits to reinvest in the business, the minority owner has something called Phantom Income, and it's called Phantom Income because they get a K one that says you owe tax on $300,000 Minority owner says, Well, I didn't get a distribution of 300,000 but you still owe the tax that's called phantom income. So if you're LLC agreement or limited partnership agreement, that doesn't require the majority owner or the general harder to make a distribution sufficient to cover your tax liability. You could end up getting phantom tax and be required to pay tax even though you receive no distribution.

Tom Bronson: 9:27

Wow, So just if you have, If you're a minority owner, then let's let's say that you're a minority owner, a group that is a minority owner and you didn't set this stuff up in advance. Are you just basically,out of luck or are there things you could do?

Ladd Hirsch : 9:44

Well, it's a great question, and we have that happen a lot where it depends on the level of just dysfunction within the company. If you're at all-out war with the majority owner at that point, you're not going to get the majority owner to agree to a buy-sell when you're in a serious state of conflict. But let's assume that things are not terrible, but they're starting to have some issues in the company. That's a point at which both sides may have an interest in negotiating and after the fact buy-sell agreement. Why? Well, because the majority of her may not be happy with the minority owner and may say, Well, sure, I'll give you a buy-sell, meaning the right to trigger. You're right to be bought out by me, but you've got to give me a right to redeem you and buy you out. Then you get to the next stage of negotiation because any minority owner who gives a redemption right once to also make sure to get something called a look back provision What is a look back provision? The worst place for minority owner to be is just to sell out on a Friday and a week later. The majority owner sells the business for a much higher valuation, and the minority owner feels like they got shafted in that situation. But if you have a look back revision thats a negotiated term the length. But typically you'll have a least a year where if you sell to the minority owner, you sell to the majority owner as a minority owner, and there's a transaction that takes place within the next year at a higher value. Then the minority owner would receive a stepped up payment to address that difference inbound. But if you don't have that, the minority owner very much could be stuck with and maybe its not a week later. But, you know, six months later, after you sell, a much higher evaluation takes place. The minority owner felt like that was going on at the time. So the only way to protect yourself as a minority owner is to make sure you have this Look back provision. The other thing is that on this issue of can you do it after the fact is the minority or may say what if you will give me a buy-sell, which is the right to trigger this? I'll agree not to exercise it for some period of time. So maybe I'll I have a right to demand a buyout. But I won't trigger it or exercise it for at least two years. Three years and the same thing on minority majority side. Look, we'll work through these conflicts, but let's give each other the right to exercise either a purchase or redemption. But let's agree not to trigger it for some period of years. And then you get Tom to the next big issue is and this is what a big part of the fight in a business divorces. What's the value? Right, right. What is the value of,

Tom Bronson: 12:26

I've said for a long time, Ladd, that you know the only way to truly value a small business is to find a willing buyer will accelerate, agree on price because there's all kinds of factors that go into determining what a business is worth. So so how do you solve that?

Ladd Hirsch : 12:42

Well, I will tell you that, as I mentioned, since I do work in the family law area, I typically and higher on the wife side of marital disputes. Um, where the husband is the owner operator of the business, and he generally has business lawyers he's already working with. So he's not supplementing his family law council by hiring outside counsel. Whereas the wife's family Lawyer wants a business lawyer to assist, And what I see in these cases is the husband has what I'll call the golf course value meaning when he's on the golf course. The value is up here on when he's in the divorce court you can't see on the screen, but it's way below the screen with the value, right? So So in answer to your question, how do you address the value well in a buy-sell agreement? If you have one. It will absolutely address how value is determined, and you can do it through a formula which is set forth in the agreement. For example, you could do it as a based on revenues, and the parties could agree. I'm not making this up is 4.5 times revenue. That's gonna be the value, um, or you can do it by hiring a valuation expert. And one side can agree to hire the valuation expert if the other side doesn't agree with it and they can hire a valuation expert if they're more than 10% apart than the two valuation experts can recommend 1/3 and then you end up with three and you average them. That's another way, you know, to get to it. But what's really critical to mention here is this. Because I have sophisticated clients who are minority owners who don't appreciate that when you value a private company, there are typically discounts that apply to minority held interests in the business for lack of control and lack of marketability. They're called de loc discount for lack of control and de llama discount for lack of marketability, and those discounts can be as much as 60% of the total value. So if you're getting a buy-sell and you have an expert and you it's not enough to just say we'll have an expert determinate, you need to say that the extra it will determine it without application of any minority discounts. If you're the minority owner because you don't want to have your 30% it's valued at three million and then subtract the discounts for lack of marketability, lack of control. So the discounts or whether they apply or not, is really a key manner to be addressed when you value the business.

Tom Bronson: 15:04

Wow, that's that. It's so important. I hadn't really thought about that. Um, I do love the the thought of Hey, if we determine that this business is worth, you know, free in your example for tax revenue or whatever, which, by the way, nobody gets four times revenue a case. Most of you are wondering that right of yours, you read about those That's when Google by somebody that's got disruptive stuff. But But if that was the agreement, that that makes it very simple, even though it may not be, represent the true value of the business so interesting. So So it sounds like a lot of times you're dealing with folks getting in trouble out on the back end. What are some ways that business owners can plan in advance for business? Of course.

Ladd Hirsch : 15:52

Well, that's the That's the question. I mean, we call it. The term we use is a corporate pre nup. Oh, and every business owner who's bringing partners into the business should want a corporate pre nup for the reason that you don't again want to be stuck with someone. People change over time or they get divorced or they die. And now you're dealing with the relatives of the of your partner. So having the ability to redeem the interests of the limited partners or minority members of an LLC is a really critical aspect for the majority owner. And from the Nor D perspective again, you don't wanna be stuck holding this illiquid, unmarketable interest. So you want to have a buy sell. So basically having an exit plan at the time the business is formed and new, and if it involves multiple parties, or if you are investing and making substantial stake and taking a substantial stake, you want to have an exit plan at the time so that you know it. I mean what I've seen. High Net worth clients will assume they have this cash out, right? Right then and there. Told at the time they make the investment that there's going to be some sort of a liquidity event in 5 to 7 years. There's going to be a merger, a recapitalization, a ni po, and then we anticipate you'll get your money back, you know, or get bought out in 5 to 7 years. When you actually look at the document in the agreement, there's nothing in there. So making sure you have an exit plan at the time of investment or that you have a redemption right? If you're bringing your partners in, is really critical. And then the other thing I would say to Majority Owner So I think your client base is You don't have to, uh, provide equity. There's something called stock appreciation rights essay ours, or sometimes called phantom stock or synthetic stock. All those air, some variation. But basically what you're doing is you're giving someone a right to receive compensation in the future based upon the success of the business. It's typically a formula driven, so let's assume you get 20% of something called a stock appreciation rights. But that means is that if the stock or the value of the stock was up by 20% you then will receive a bonus. So you're giving someone a stake in the business. But it is not an equity state. It's a state of an ownership right, based upon the performance of the business and the metrics that you want to decide. So you're giving a real value because what what someone who receives stock may not appreciate is you. You're not getting a guarantee you're gonna receive anything. If someone gave you 20% of the stock in the business, you're only under receive something. If a the businesses soul or be there's a distribution, so you're not necessarily given cash. And so when you go home and tell your spouse we just have 20% and the spouse says to you, Well, what does that mean? We got Well, maybe one day in the future we'll get something where if you get a stock appreciation right or a phantom stock or synthetic stock, and if there's a formula, but you can say is that we have these formulas this year. We're gonna get X amount. And the advantage of that from the majority owner is that if the person leaves the business that goes away right, where is it when you give someone 20% equity, you can fire them the day after you give the equity. But unless you have a redemption right, they're gonna continue to be a 20% owner. And I've got a number of majority other clients who have people who have minority owners have kind of gone to the beach. They're sitting on the beach still only 20%. And their and my clients are very frustrated that there's 20% of the equity of their business tied up, and they have no way to redeem it because they don't have ah, redemption.

Tom Bronson: 19:22

Wow. Well, we're coming up. We're coming up on a break, but real quick. If you don't do the advance planning, what are what are kind of the worst scenario outcome that a business owner or a minority owner can expect?

Ladd Hirsch : 19:34

Well, the other thing I should mention is that when you give and I said give. I mean, it's typically done is an incentive to try to incentivize employees than you're giving them equity. If you give equity out, all of a sudden, you have created liability for yourself. And what I mean by that is that a a minority owner in a business has a right to bring a claim for breach of fiduciary duty against the mid-managers and officers and directors of the business which didn't exist before they got that equity. Right. So now you do something that you think is in the best interest of business. But if the minority owner and you are really crosswise, the minority owner now potentially has a claim against you for engaging in self dealing and doing something that that they feel like that you put your interests first. So you've now created a target on your back, and I've had many minority owner excuse me. Majority owners say to me, no good deed goes unpunished. Here it is. I've given this stock and now the people that I gave the stock to are suing me. The answer is yes, because you now gave them the right to have do because you now have created fiduciary obligations that you owe to the fiduciary obligation to be clear owed to the company on officer and a director owes it to the company. But when you have a ownership interest, you can bring a derivative lawsuit in the name of the company against the officers directors for breach of their fiduciary duties. So you've created a a potential liability for yourself by allowing someone else to have ownership interests in your company

Tom Bronson: 21:00

s. So sometimes the business are thinks they're doing Ah, you know, a big favor, whatever. But But there are ways to a give stock. There are ways to accomplish that without without having to have the additional.

Ladd Hirsch : 21:14

When you do the stock appreciation rights, there's no fiduciary duty associated with it. If you have a stock, if you have an S, a R or a fam stock or synthetic stock, those are contract rights there's no fiduciary duties, thereof

Tom Bronson: 21:26

awesome. All right, we're up on a quick break back in 30 seconds,

Announcer: 21:29

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Tom Bronson: 22:22

and we're back with Ladd Hirsch at Winstead. So Ladd made a block post on the Winstead business divorce dot com website. Recently, the title of that blog post was unlocking hidden business value to carrying top dollar by giving full appreciation all available assets on the sale of a private company. So when I read that post, I thought about the value of intangible assets that are hidden, basically hidden inside right The Post was one point. I encourage all of our listeners to go read it at wins at business divorced dot com website. Well, let's touch on a couple of those points here, intellectual property or IP, maybe one of the most important intangible assets of business can possess. What are some of the most overlooked I p things that business owners should protect?

Ladd Hirsch : 23:16

Well, thank you. Appreciate the plug for the blog. Um, you know? Well, first, I think it's important to state that many. I don't know if I was a most probably even most small businesses. Emerging businesses don't have any patents, and maybe the reason they haven't is because they haven't wanted to spend the money to go get a patent. And it's not an inexpensive process or a short process. It takes a while. You've got a higher lawyers Obviously, we're specialized in patent prosecution to get your patent applied for it. It's probably tens of thousands of dollars to get just one patent done probably, I mean a low cost, maybe 20 to 25,000. And you know, so that may not be worth. And the second thing is from business strategic standpoint, when you apply for a patent, you are giving the world access to the information of the patent, and if people then use it, you've gotta Then, if you want to stop them, file a lawsuit for infringement of the patent and other companies may decide. You know what? I don't really want to be in litigation bringing claims for violation. I'd rather keep it a secret what I do and not put it out there. So there's a business strategy at the outset to decide. Do I want to a invest the money in getting the patent, and then do I want to enforce my patent? Because if you if you put it out there and you don't enforce your patent and you're giving it up and was that really a good idea? So don't pursue a patent unless you're prepared to enforce it is what I would say. But once you do it, I think you are starting to add value to your company, because what you inevitably find is you start with one patent, and then there's a related I am, and then you get a second. And so now you've turned your company into having a patent portfolio and having a patent portfolio. When you go to sell, your business is going to have value because there will be a value assigned to what those patents are worth. Maybe you haven't been licensing them as broadly as they could. Maybe there's opportunities to expand them. So giving yourself a patent portfolio adds a whole new category of value to your balance sheet. So it's worth considering. Do I want to go through that or not?

Tom Bronson: 25:20

So what are some of the things that you can patent? Um, I mean, like, uh, give me a patent. Most people think of patents when I think of it. In fact, I'm thinking about things I've invented, right, A software or or, uh, or a widget. You know, I invented this pen. So you know I can patent the design. And are there other things that you you can secure a patent for?

Ladd Hirsch : 25:47

Yes, well, you mentioned software and software. You can get certain kinds of patents, but also, when I say patents, we could expand that to now. You can get copyrights, obviously, on software so That's a that's a much cheaper way to make sure that all

Tom Bronson: 26:00

Are copyrights as valuable as patents

Ladd Hirsch : 26:03

well, I would say Probably not, but still you want to protect something that you created, so you should get copyright protection on your software, but you can't get software. There's also business process patents. So maybe the way that you do something is an, and the process in which you do it is something that can be patented. There are design patents. Maybe your small company is manufacturing something, and you figured out a new way to create a design. And then you could get a design on that patent. You've just reengineered essentially the way. Something's been done, but it's different enough has to be unique. That's one of the aspects of patent ability. You have to have a unique and can't be something that's obvious. But if you have a unique design that you created in manufacturing something, that's another aspect of of something that could be patent. So I would say software captain designs or designs are or some of mine and the business processes are some of the most common. Um, it's small businesses may have

Tom Bronson: 27:01

wow that we had a patent situation a number of years on a company that that we had acquired. They were midway on the patents that they had been pre approved and then we had to come to the decision is this patent gonna be worth it because they sold the business to us. I was Midway. Uh, and I will tell you that we made a mistake. We decided not to patent the process. And then all of our competitors started to use the process, and we should have We should have perfected that patent we should have finished it up. I'm a real life story. Folks on go out and get patents that you need, uh, so intellectual property, that kind of thing. Another thing, Another intangible that you mentioned in the article is work force. So, as you know, I work with a lot of business owners and investors. And when you ask a business owner are typically what is your biggest asset? Always. Universally, people will say they'll say our people, and yet many of them overlook relatively easy ways. Protect this most important asset. So what are some things that a business owner should do to protect their workforce, particularly in terms off building business value?

Ladd Hirsch : 28:20

Well, I'm gonna answer your question a little indirectly because I think I would reframe the question if I can to say if I wanna make sure that I have the most value from my workforce, what's the first thing that I should do and the way I would answer that question is, I would strongly consider whether you have non compete agreements in place. Okay, because if a buyer comes in and wants to retain the workforce and there are no non competes in place, they're going to be worried that some of the top people are key people of fun. You selling the business, we're gonna go away, and that will diminish the value of the business.

Tom Bronson: 28:59

So but look, I I'll tell you that you know the common. The common belief out there is that non competes are unenforceable. Is that true?

Ladd Hirsch : 29:10

Well, it's interesting. I hear that. And I would have said 15 years ago in Texas, that was largely true. But that's old news. I'm not gonna say fake news. I don't have it. But it's old news. And it's not a correct news on the Supreme Court. Texas Supreme Court has issued a series of rulings you, universally, the unanimously in favour of employers enforcing non competes. No, I don't mean that the take away should be that every non compete agreement is enforceable there, some that are so over broad that those individual agreements can be either invalidated or lessened and restricted. But as a general statement, absolutely, courts are upholding non competes, non solicitation, non raid agreements. They are enforceable and and they're and they're buying employees. And so into. What ends up happening is there's a negotiation, potentially litigation so that the hiring an employment lawyer to make sure that you have enforceable employment agreements that place will protect you upon the sale of your business.

Now, if we're talking about sales people, that is a more difficult, uh, non compete to enforce. But if you're talking about some of your top executives who you would want to be bound to the business for next two years, then that is something that should be seriously considered. So that's the first thing that I would say from a business under perspective. The second thing I would talk about from a business perspective is understanding what the attributes are of your workforce. One of being by that is you have to try and step outside of, and this is in connection with the sale of your business, because that was the block post was about what are some ad attributes of your business that you're not appreciating have value, but one of the Maybe that you have a really cracked marketing team at your company. And then the question is, how are they marketed? Are they marketing face? The face is an advertising promotion. I'm cold calling. What are they doing and that way of you marketing, maybe transferrable to a new company that doesn't have that. So when your business is sold, the fact that you're selling your business instead of just looking at what your revenues and what your profit margin is, what your evidence is, you're going to say, Well, wait a minute. If you look at what my sales team or my marketing team could do with your company and your products, there's real value there, and you can talk about what a projected number would be. I assure you that when the fire this is your area more than mine, you can speak to it better than I can, Tom. But when the fire looks at your company, they're looking at the combined value of your business to determine whether they want to buy your business. And so if you're pitching to them and saying, Look when you buy my business but you're not appreciating is that my sales force of my marketing team is gonna be able to take that product of yours because you're not marking in the right channels. We can take that and we can grow that. And what? I should be paid something for that. Now, maybe you won't get money up front, but maybe you could negotiating the sale if that's combined value. The business goes here, you get additional money after the sale. But my point is you have to understand what the capacities are of your salespeople marketing people and understand what the all those attributes are of your team.

Tom Bronson: 32:24

That's ah, that is a great point. It's also not only your team, but as you're. You're saying that it occurs to me that, you know, whoever the buyer is, you need to know really trying it for the mind of the buyer and figure out what it is that they're gonna bring how this acquisitions bring them real value and think about the things that you have that that perhaps they already know. But they don't know that, you know. And so but once you articulate them, you might be able to attract higher value because so

Ladd Hirsch : 32:57

Well there's a story that was told that as a seminar, I can't remember if you were at this was in the Vistage program earlier, I guess, was late last year earlier this year on February this year and one of the ah, the consultants there was talking about the sale of a telephone book company. And you think, Well, how how would there be value in the sale of this telephone book company and some Midwestern state

Tom Bronson: 33:24

by, By the way, for our younger listeners, a telephone book is where we used to go and look up numbers, right?

Ladd Hirsch : 33:29

Exactly. And you've been thinking there's, like no value there will. What they pointed out was that the fire loved the Sales force because those people who were selling, um, the phone book, we're on the phone all the time making contact. And they wanted that group of online sales people, and that was where they saw the real value in the business.

Tom Bronson: 33:48

And that's a brilliant Yeah, that's a brave. So I was in that same thing. That is a brilliant, uh, strategy. Because if you can sell yellow page advertising now on the phone, man, you could probably sell. Hey, right?

Ladd Hirsch : 34:03

Yeah. And so my point is you have to You have to. It's hard to see yourself the way others see you, but But the point is, think about how you're valuable from the perspective of the buyer, because you're looking at your business and how you value it. You've got to look at it how the strategic acquire is going to value.

Tom Bronson: 34:20

Wow. Yeah, its so so important, So important, you know? Now, you know, of course, there's gonna be two sides to that equation. A buyer may say, you know, I was a buyer many times. As you know, I've got 100 transactions in many times, the sellers trying to argue the combined value. And of course, my argument would be I'm only gonna pay you for what it's worth today. Ah, and in the investments that I make. I'm gonna benefit from. But, you know, certainly there could be some middle ground there where I might have paid a a earn out or some other mechanism if, in fact, what they believed was going to come true, right?

Ladd Hirsch : 35:03

I just think if you're bringing value to the you know, there's only so much value there. But if you're if you're selling something and saying I believe that this combination will generate X amount, then you may get a turnout or a bonus or whatever you wanna call it based upon you delivering that,

Tom Bronson: 35:23

Yeah, especially if you're going to work for the buyer, you know, and you can actually impact the outcome there. Then that's that's a great method to a to be able to do that so there's lots more in that article and uh a I hope that our, Ah, our listeners and watchers will go to its Winstead divorce. What is it?

Ladd Hirsch : 35:45

Winstead Business Divorce

Tom Bronson: 35:47

Winstead business divorce dot com And look at that. Our culture short read. And of course, you know lampposts there on a regular basis. He'll get all kinds of valuable information. Let's change gears real quick as we get toward the end here. Uh, you know, of course, this podcast is being recorded during Covid 19. Ah, and many of us are understand home orders. What are the top intangible assets that business owners should really think about protecting during turbulent times, this is not the only turbulent time in our history right there. Stock market turbulence. There's there's economy, economic turbulence. There's all kinds of things that go on. What if if you were put yourself in the miser position a business owner or an investor, What the top three ass sense of business owners to protect even during times like this?

Ladd Hirsch : 36:41

Well, I I think that my answer is probably pretty obvious. But it's the stakeholders in your business, right? And the first stakeholders will be your employees. What can you do to make sure that they're safe? They're protected, they remain intact. They all have families. What can you do to preserve them and make sure that when hopefully, God willing, sooner than later, we are able to resume business activities that they're ready to go and that they're not in crisis themselves? What can you do to help your stakeholders? Your Sure Excuse me, your, uh, employees through this, then your, uh, owners, if you're if you're if you're the sole owner, is you but obviously have other owners or have a stake in your business, then you want to them to be supportive as well. So what can they do? And then the others who are yes, there really made their employees. But they're also your team. If you will, your management team, what can you to help them? So it's your stakeholders, your key management teen your employees down line employees in your, uh your and I should also mention, of course, your clients. That's the other thing is, um, you know, I've seen just really remarkable stories of people who have reached out to be helpful to their clients. So from the lawyers Perspex, we have gone out and talked to clients and said, Free of charge. Can we draft some new documents for you? Can we draft new force majeure provisions for you? Can we look at your contracts? I mean, what can we do to be helpful to you and some of it with the meter turned off just to be a resource for you? And so the question is to your clients, what can you do to be helpful to them? My brother in law is a restaurateur in town, and now you know he's dealing with creating menus, if you will there for take out and creating something that helps people. And so I saw my brother had didn't do this. I don't think, but people were delivering a roll of toilet paper with the with their food.

Tom Bronson: 38:41

You know, actually, there's ah, sort of a mid sized chain and town that not only is doing that prepared meals that you can pick up or carry out, but they also have grocery items. So all the items and in their kitchen and they listed toilet paper on there. So if you need to buy a roll of toilet paper called jacket back,

Ladd Hirsch : 39:00

yeah, so it's It's basically taking care of those who allow you to do your business, your your employees, your clients, your management team. I think those are the three that you you mentioned. I and I think they're all pretty obvious. But the other thing I would just say its comes from the block post again is crisis management can be overwhelming. And so take care of yourself. That's I'm stressed that as well. That means get some exercise, get some sleep. Don't let your food just because you you are the business owner. You need to take care of yourself.

Tom Bronson: 39:30

Yes. Yeah, I agree with that. 100%. So one last question. So the podcast is all about maximizing business value. What is the one most important , hey were all about taking massive action to telling are telling our listeners to go and do something today. So what's the one most important thing that you would recommend Recommend that a business owner take in order to build long term sustainable value from your perspective?

Ladd Hirsch : 40:01

Well, it's hard to give one answer that because I think it differs depending upon what your business is. But I guess my answer would be is don't think short term. Think long term. And what I mean by that is develop a vision and and frankly, it's get some to do. That vision is I would not just be relying upon my own resources is if I was gonna give one piece of advice of business owners, it would be get outside input, whether that's joining Vistage or YPO, or YEO. Or hiring a coach. Get some other folks because it's very hard. If you're just feeling like you're in a bunker to be able to develop that long term vision yourself, and I would say get a team of outside people that you can trust who will give you some honest feedback. And what the successful business owners I've seen are ones who were not myopic and only looking out in their own bunker. Or but we're getting input that really helped them grow their business and develop a long-term vision.

Tom Bronson: 41:02

Yeah, that's a that is a great point. In fact, I just wanna add to that that you know, many of our clients when all this kind of broke out a few weeks ago. Ah, a lot of folks in my position as I'm talking with folks who do similar things to serve similar types of clients were saying, You know, well, Jeeze everybody's pulling back their thinking internally. Well, we turn that around. We told our business owners. Look, you're always trying to find time to go and be strategic now that I would look, take care of the issues, take care of the fires that are going on, But but now since you are kind of sequestered at home. You have time to think about and be strategic in. So that's what all of our clients are doing right now is now that we're kind of through that initial pates, they're being very strict about their so so one last bonus question that I like to ask our guest. What is one? What is the personality trait that has gotten you into the most trouble through the years?

Ladd Hirsch : 42:05

Well, Iwas thinking about that. You do? You did give me a cue that you might ask that, and I didn't have an answer, but I thought about it. Not because there weren't It was which one? And I think the answer is impatience. Um, I tend to feel like I have an answer, and I know the path. And if others are already on the path and aren't seeing it, that I'm ready to get to the bottom line too quickly. And so from a spiritual perspective, um, I know there's a saying that God gave us two ears and one mouth that we should listen twice as much as we talk. And so I really tried to help manage my lack of patience and be more patient and be a better listener and not jump to the conclusion or too quickly.

Tom Bronson: 42:52

Wow, that is a great one. That, uh, you know, maybe I should stop asking that question because every time someone answers that I go, man, I have the same problem So how can our listeners and viewers get in touch with you Ladd?

Ladd Hirsch : 43:08

Well, they can obviously go to the website wins the business divorce dot com, which has all my contact information. Or you can go to Winstead site and ah, I'm on there. Or I think if you Google land Hirsch, you'll get a pop up pretty quickly and ah, and then I'm also on linked in. You want to connect with me on linked and I'm there as well.

Tom Bronson: 43:28

Wow!, so it's affection. And if you if you haven't got little, check out that website, Folks, you gotta go do that. Winstead Business divorce dot com You've got all his contact information there. What a great time to have you on the show today. Thanks for coming. So also remember to check out our other podcasts and are blog posts at our website www dot mastery. That's master with a y. Mastery partners dot com We have tons of free tools there to help you think about building long term sustainable value in your business, even during challenging times like these. So until next time I'm Tom Bronson, reminding you to stay safe and to go maximize business value.

Announcer: 44:14

Thank you for tuning in to the maximized business value podcast Tom Bronson. This podcast has brought to you by Master apartments where our mission is to equip business owners to maximize business value so they can transition on their own terms. Our mission was born from the lessons we've learned from over 100 business transactions, which feels out desire to share our experiences and wisdom so you can succeed. My mom had to build long term, sustainable business value and get free value building tools by visiting our website www dot mastery partners dot com. That's mastery with a y mastery partners dot com. Check it out.

Tom Bronson: 45:03

That was perfect. I wouldn't make any changes on that.