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SPRING 2010

Help Ensure a Successful Future for Your Firm Succession Plans

One of the best things you can do now to help ensure a successful future for your company is to develop a succession plan. A well-thought-out succession plan will help you pass on responsibility for running the company to a successor, transfer ownership and extract your money. Let's review some of the decisions you'll need to make and the criteria to consider when setting up your succession plan.

Keeping it in the family

You'll first need to ask whether you plan to transfer the business to a family member or someone else inside the company, or sell it. If your children are involved in the business or there's another logical successor — someone who, with a few additional skills, could fill the seat behind your desk — you should start grooming that person as early as possible. Depending on the amount of support and knowledge your prospective replacement needs, this may take several years or just a few months.

Because business succession and estate planning are generally linked, make sure you consult legal and financial advisors to help you create the transfer plan, fund your retirement, and build an estate plan that equitably divides your wealth among family members who participate in the business and those who don't.

Setting the price

If none of your family members are qualified or want to assume the mantle, consider:

- *Selling the firm to your employees through an employee stock ownership plan (ESOP),*
- *Setting up a management buyout, or*
- *Selling to an outside buyer.*

Each of these options has its pros and cons. The first two options save you the time and expense involved in finding an outside buyer. On the other hand, if you can find the right outside buyer, you may be able to sell your business at a premium. To do so,

The Ins and Outs of Green Leases

Although specifications vary, a number of characteristics are emerging as likely components in green leases. Though not required, many leases specify alignment with a third-party certification standard such as LEED, BRREAM, Energy Star or Green Globes. A comprehensive and fair definition of sustainability-related operating costs, designed to protect the interests of both landlord and tenant, should also be an integral part of the lease. The lease also should address service provider selection, energy and water efficiency, emissions reduction, and waste minimization.

Many green leases are in a "gross" lease format (where the landlord pays all building expenses). Lease language should reward the landlord for operating a high-performance building and help protect the landlord against spiraling costs through escalation and expense stop clauses. Including a "right to audit"

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you'll need to start preparing. Begin by upgrading your business processes, with special emphasis on financial management and reporting. A well-run, efficient business will command the highest price.

Next, determine the market value of your business. This may require the expertise of a professional who specializes in business valuations. Your valuation expert will assess your business's tangible and intangible assets and project future revenue. Valuation professionals can help you decide whether it makes sense to sell your business intact or sell individual assets piecemeal.

Off to market

When you're ready to put your business on the market, develop a list of possible buyers, such as your competitors and business associates. Once you've identified a few buyers, formulate a plan for marketing your business to these groups.

You can personally approach potential buyers with whom you have an established relationship — for example, partners, business associates and employees — but you probably should enlist the assistance of merger and acquisition specialists such as business brokers and investment bankers to act as a go-between with other types of buyers. These advisors can guide you through the often lengthy and complicated sale process.

Consider the tax costs

Make sure you meet with your CPA to discuss the tax consequences of the transfer or sale, which can have a major impact on the transaction's success or failure.



clause can reduce tenant concerns about possible overcharges while defining the audit process to protect the landlord from frivolous audits.

Moreover, a green lease should outline a convenient buildingwide recycling program to enable tenants to dispose of common materials. Make sure the lease defines what hazardous materials are and requires both landlord and tenant to comply with hazardous waste regulations.

Rules defining sustainable product requirements and construction practices should be clearly specified in a tenant construction agreement. A tenant manual should be provided as a guide to the building's sustainable features and benefits, procedures, and operating parameters. Materials, procedures and protocols for "green" cleaning of the building should also be explained.



Cost-Effective Steps To Turn Rental Homes “Green”

Remodeling an older rental home to make it “green” is a wise alternative to building a new property. Because of the tremendous savings in lumber, that choice alone is one of the greenest ones a landlord can make. But there are other ways to green up an otherwise energy-inefficient house.

For starters

Begin by installing natural insulation in the walls, attic and roof. Natural insulation, which has fewer potentially allergenic chemical ingredients than synthetic insulation, is highly effective in reducing heat loss and carbon dioxide emissions while maintaining a low environmental impact.

Improving roof insulation can save as much as 13% each year on heating bills, according to architect and green building expert Eric Corey Freed, author of *Green Building & Remodeling for Dummies*. Installing a well-insulated and energy-efficient water heater and energy-efficient windows also can produce significant cost savings.

Low-flow shower heads and dual-flush toilets can substantially reduce a home’s water usage. Installing energy-efficient appliances should also be a top priority.

Go solar

The average home solar heating system can pay for itself over time by saving landlords hundreds of dollars annually on their energy bills. A number of utility companies offer rebates on solar systems that can help defray the costs of installation. Some will even buy back excess energy that’s generated by a

solar system. Solar water heaters are another environmentally friendly investment that can help slash energy costs.

Another way to harness the sun and save on electricity costs is with sun tunnels. These mini skylights bring in natural light while minimizing energy loss.

Heating and cooling with less

Although an energy-efficient heating system is a must for any “green” house, it’s only the beginning. According to Freed, installing a programmable thermostat can save another 5% to 15% on heating costs.

An attic or whole house fan can bring in much-needed cooler outside air at night. This increased air circulation, which protects against mold and mildew by reducing humidity in the attic, can save up to 30% on air-conditioning costs, according to Freed.

Make the most of tax breaks

Ask your tax advisor about how the Residential Energy Property Credit, established under the American Recovery and Reinvestment Act of 2009, can help save tax dollars when greening your rental homes. Depending on a taxpayer’s adjusted gross income, this law provides a tax credit equal to 30% of the cost of all qualifying improvements, up to a maximum credit of \$1,500 for improvements placed in service in 2009 and 2010.



Our Real Estate Practice

Our *Real Estate Practice* is headed by Marilyn Millare, a senior partner with the firm. She has served real estate clients, including Arnel & Affiliates, for over 25 years.

Marilyn joined **HMWC CPAs & Business Advisors** in 1977, where she became a partner in 1985. Her professional memberships include the American Institute of CPAs and the California Society of CPAs. Marilyn’s areas of expertise include real estate transactions, tax planning, and pension and cafeteria plan administration.

For more than 40 years, **HMWC CPAs & Business Advisors** has been consulting with real estate professionals on a wide variety of issues. Our Real Estate group is comprised of highly experienced accountants, real estate consultants, management

consultants, and tax specialists. These real estate professionals serve an impressive list of clients involved in these aspects of the industry:

- ◆ *Development*
- ◆ *Management*
- ◆ *Investment*
- ◆ *Financing*
- ◆ *Construction*



With this experience, **HMWC CPAs & Business Advisors** is uniquely positioned to serve the real estate industry and to understand its continually changing environment.



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