



Ownership Transitions & Wine Family Businesses

Scion Advisors

Building stronger businesses for future generations™

Outline



- The Odds
- SVB/Scion 2008 Report
- How successful families prepare for the future

The Odds nationally



Family businesses perform better than non-family businesses

However ... It is difficult for family businesses to survive and succeed for generations

- 90% of US businesses are family owned or controlled.
 - Generate half of Gross National Product and half of total wages.
- Less than 1% survive
 - 75% do not transition to the 2nd generation

New SVB/Scion report



51% of the wine industry will likely change ownership in the next ten years

A lot at risk!

- 45% would prefer to sell to a third party
- 40% would prefer to sell to the children

- Most are ill prepared
- Average business size: \$3-6 million in annual revenues

Family business headlines



Schramsberg will contested. *March 25, 2008; Decanter.com*

Family Matters

Tensions Roil Estée Lauder Dynasty

By ELLEN BYRON

February 27, 2008; Page A1, Wall Street Journal

A Vintage Strategy Faces Modernity

The Antinori family wine business has thrived for six centuries. Here's how they did it.

By GABRIEL KAHN in Florence, Italy

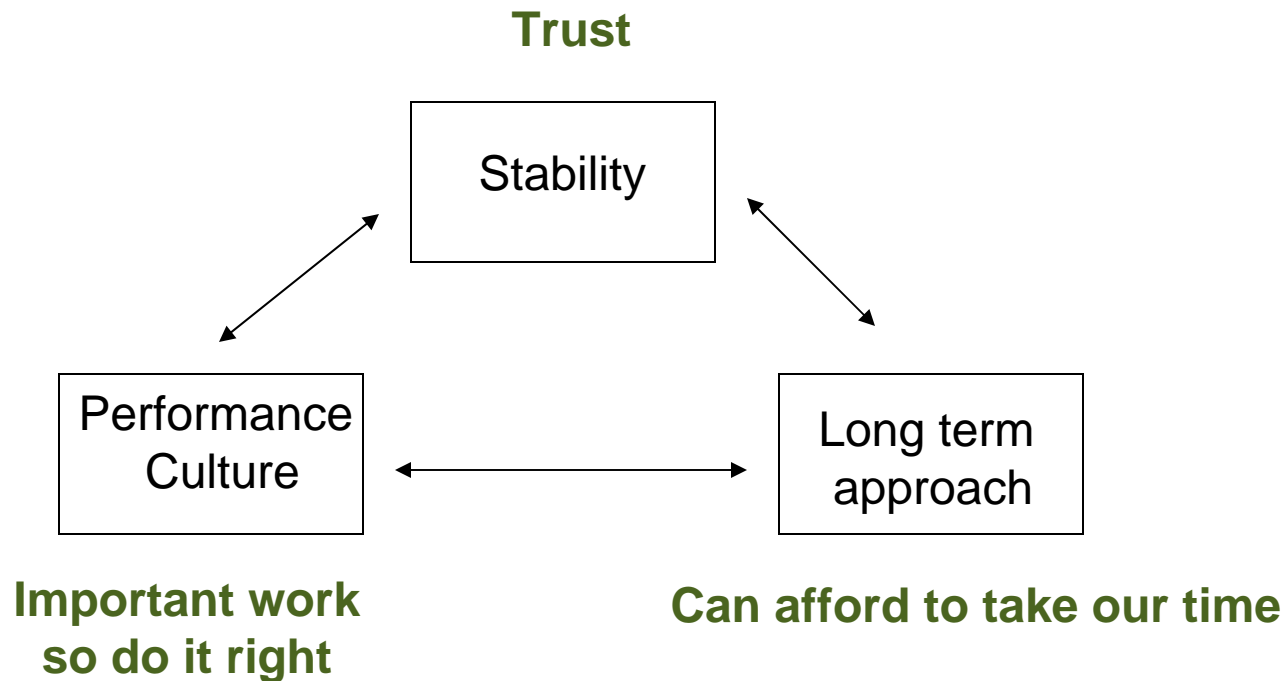
April 5, 2008; Page A6

After the leap: His celebrated winery sold, Warren Winiarski ponders his legacy - and his next move

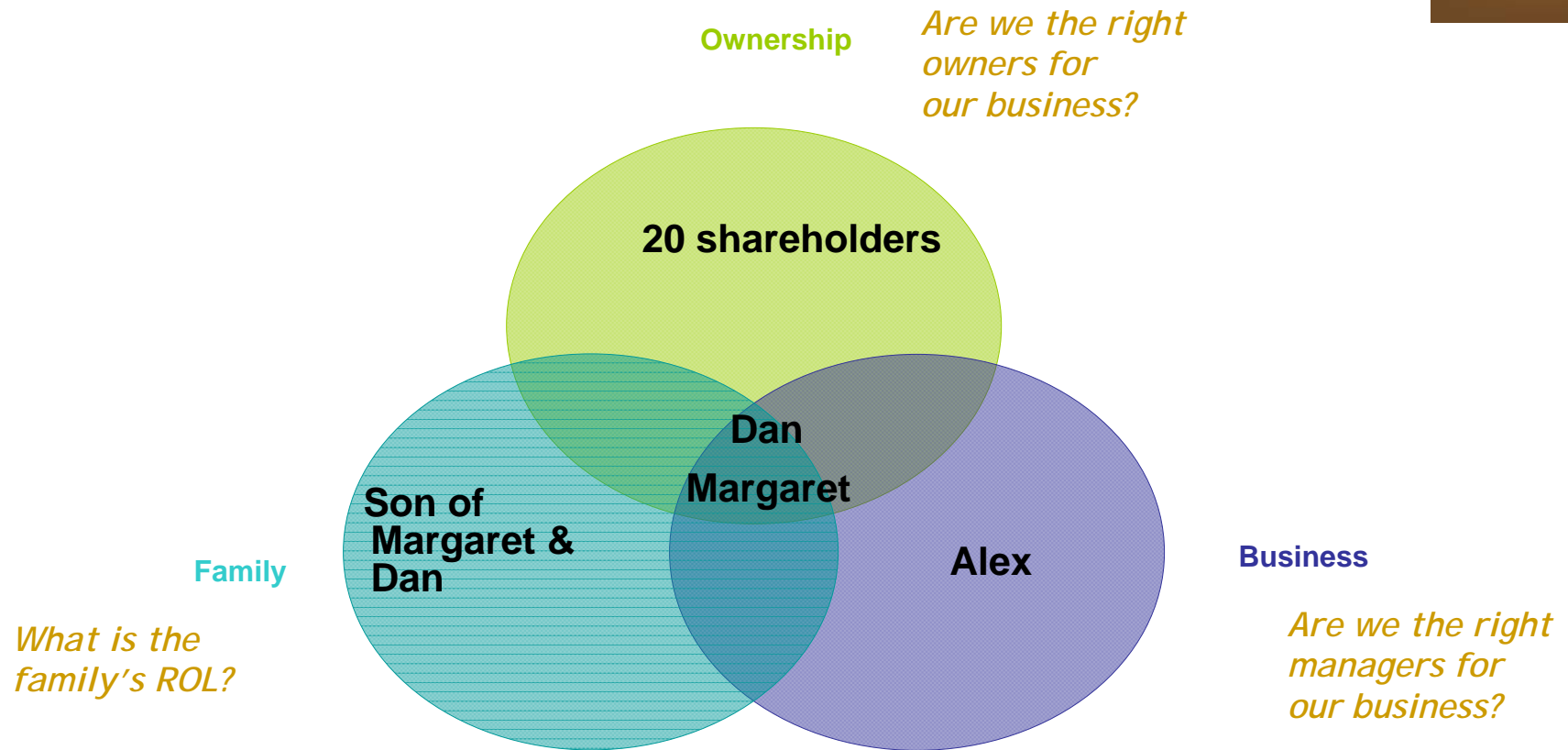
Jon Bonné, Chronicle Wine Editor

Friday, March 28, 2008

What successful family dynasties do well



Which hat am I wearing?



What stage are you in?



↑ Ownership Stage	<i>Cousin partners</i> 2%			
	<i>Sibling partners</i> 11%			
	<i>Controlling Owner</i> 82%			
		<i>Start Up</i>	<i>Expansion/ Formalization</i>	<i>Maturity</i>
	————— Business Stage —————→			

Natural law of families

Families grow faster than their businesses

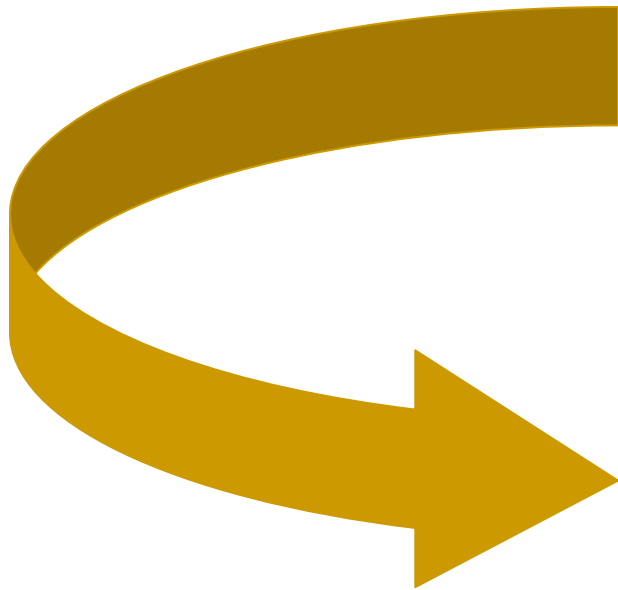


	Gen. 1	Gen. 2	Gen. 3	Gen. 4
Blood family	1	4	16	64
In laws	2	8	32	128

Take control of your transition



Greatest test of leadership is HOW we pass on a healthy legacy & leadership itself



- Defining success & goals for ownership
- Setting long term goals for your business
- Developing your criteria for your successor
- Who chooses?
- Timing of succession
- Developing your Successor
- Passing of the Baton
- Letting go
- Building structures (Boards, Councils, Team)

1. Transition Planning

2. Transition Team

3. Governance

What is Governance?



Good governance helps you maintain control of a healthy business

- Drives communications and decision making
- ***The best decisions are made by consensus without having to move to a vote***
- Exponentially more difficult as your business increases in complexity
- Goal: Long term wealth preservation

SVB/Scion Report Headlines

- Only 18% have some form of a board of directors or advisors.
- Less than 5% have outside board members participating actively in the governance process.
- Only 16% have family policies in place

Why plan?



Why is Wayne Gretzky one of pro hockey's all-time greats?

Gretzky says the trick is “skating to where the puck's going to be, not where it is.”

From “Industry Trends Exercise”, by Jim Collins; Strategic Advantage, 2007.

Plan your transition



“Owners with written strategic plans ... engage in ... practices that are essential to family-business survival and success.”

1. Define clear ownership goals
2. Align business structure with ownership & family needs
3. Get your business in shape, for the next phase of ownership or for a sale
4. Start early - can be a five to ten year process
5. Goal: ROL - reaping the benefits of your hard work

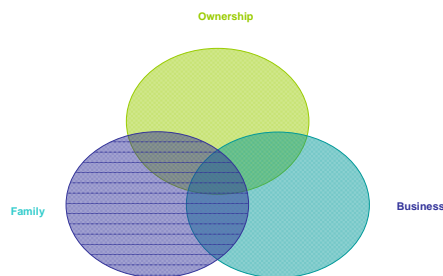
SVB/Scion Report Headlines

- 77% of owners have no financial plan
- 84% do not have strategic plans
- 80 % have not completed estate planning
- <5% have a plan for sale to 3rd party

Build a transition team



Successful families build a team of generalists & specialists – at each stage



1. Committed & fearless
2. Define roles & accountabilities
3. Build a performance culture
4. Trusted advisors who are experienced & knowledgeable at transitions
5. Goal: Minimize risk & maximize returns

SVB/Scion Report Headlines

- 85 % have not agreed to clear roles and responsibilities
- 72 % have no succession timeline articulated

Types of advisors ...

needed at different stages



Ownership Stage ↑	<i>Cousin partners</i>	<ul style="list-style-type: none"> • Investment banker • Valuation, appraiser 	Generalist	Generalist		
	<i>Sibling partners</i>	<ul style="list-style-type: none"> • Audit CPA • Wealth planners 	Generalist	Generalist		
	<i>Controlling Owner</i>	<ul style="list-style-type: none"> • Tax cpa • Corporate, estate law • Financial planners 	Specialist	<ul style="list-style-type: none"> • Audit, performance mgt • Land, regulatory law • Wealth planners 	Generalist	<ul style="list-style-type: none"> • Investment banker • Compliance • IP law
		<i>Start Up</i>		<i>Expansion/ Formalization</i>		<i>Maturity</i>
		Business Stage →				

Who is Scion?

General management track record



- Our team has walked in your shoes & run businesses
- We help our clients *look at the whole*
 - Align business performance with ownership goals, family needs
 - Build plans & structures for **complex transitions**
 - Proven approach producing results for 50+ wineries
- ***‘More confident decisions driving stronger returns’***

“Scion gave us the courage and the reason to believe that we can do it.”

Tim Wallace, President
Benziger



Deborah Steinthal, *Founding Partner*

1339 Pearl Street, Suite 204
Napa, CA 94559

www.scionadvisors.com

707.258.9130

Deborah@ScionAdvisors.com