

December 16, 2019

BOARDS OF DIRECTORS

Boards of Directors are legally mandated for corporations under state law to represent shareholders.

For private companies, Boards often assemble expertise to advise owners on the direction of the business, monitor performance, manage conflicts, access alternative capital sources, recruit executives, mentor heirs, etc.

Companies with well-constructed Boards often command higher multiples when selling to private equity, a public company, or listing to trade, as buyers place higher premiums on best practices with managers accustomed to oversight.

TYPICAL DUTIES – ADVISORY BOARDS

Goal Setting:

- Assessing or assisting in determining the organization's mission and purpose
- Setting business goals and objectives to achieve the decided mission
- Work with CEO to translate the Board's strategic plans into action

Management:

- Assessing management's performance
- Acts as advisor and mentor to the CEO
- Assisting owners in communicating with the management team
- Provides a formalized forum for the owners not active in company management
- Oversees management transitions
- Recruits executive talent and manages executive development
- Communicates with owners, joint venture partners, and outside investors

Compensation:

- Sets management's compensation and other fringe benefits
- Designs incentive plans

Capital:

- Accessing alternative sources of financing, i.e. private, public, and hybrid capital
- Identifying investors, institutions, family offices, etc.

Dispositions:

- Manages the sale of the entirety of business, specific divisions or major asset holdings
- Strategic acquisitions
- Divestitures

Governance & Social Responsibility:

- Enhancing the organization's public image
- Establishing governance criteria
- Creating a platform for reporting internal complaints, whistle blowing, sexual harassment, etc.

Dispute Management and Resolution:

- Provides tie breaker for ownership deadlock (legally provided)
- Compensation for active family members, etc.
- Distribution versus reinvestment policy
- Establishing criteria and opportunities for future generations to join the company
- Assessing performance of heirs for ascension within the organization
- Assisting heirs' transition to management or Board service
- Helping settle/mitigate potential family disputes

Business Continuity:

- Providing a bridge for continuity at death or disability of the controlling shareholder
- Interacting with executors, trustees, fiduciaries and beneficiaries

Other:

- Assists in evaluating outside professionals
- Allows lenders comfort in event a majority owner passes with loans outstanding and call provisions

Board Member Profiles:

- Owners or owner group representatives
- Family members or family representatives

Outside Director Requirements:

- High personal integrity, strong ethical code, good communication skills
- Experience required:
 - CEO – Public or Private – Similar Industry or Parallel issues
 - CFO – Public or Private – Similar Industry or Parallel issues
 - Board Service – Director of Public Company (Compensation, Audit, Conflicts Committee)
 - Prior Elected Government Official – Governor, Mayor, etc.
 - Prior Service in Community or Social Activities – where applicable

Bill Stanley's Personal Experience:

- overseeing implementation of 800+ business continuity plans for successful private companies
- serving as a director of 6 public company Boards; and lead independent Director for 3
- serving on Audit, Conflicts and Compensation committees
- appointed Chairman and CEO of NYSE listed public company (VEREIT) to manage crisis

Accordingly, Bill has seen the psychological and monetary benefits of good practices imposed by a Board and the financially destructive effects of poor practices due to lack of oversight.