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SUCCESSFUL SUCCESSION

Succession planning is critical in securing long-term success for future owners of a business, and cementing the legacy of current ones.

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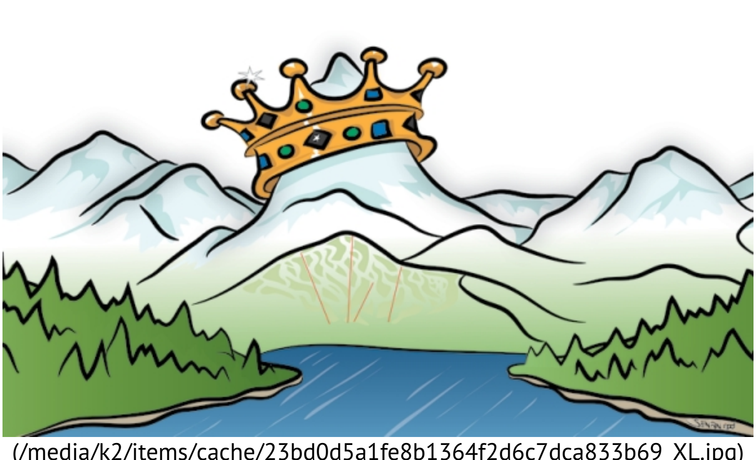

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Katie Boedecker grew up at Showdown Montana, the ski area her father, George Willett, bought in 1973 when Boedecker was just 10 years old. The mountain has had a tremendous impact on her. "She's known me almost my whole life," Boedecker says of the resort. "I've cried the most painful tears out there. I've laughed my best laugh. I feel like the mountain is my home, that it receives me, that it protects me, that it looks out for me. That's what homes are meant to do."

Katie Boedecker (third adult from right), and the next generation, carry on the legacy of family ownership at Showdown Montana.

A few years ago, when Willett began looking for a successor to own and operate the mountain, Boedecker, not surprisingly, contemplated buying it. But there wasn't even an informal succession plan in place that spelled out what Willett would do with Showdown when he was ready to step down.

Boedecker had already changed careers and returned to Montana to help her father run day-to-day operations at the resort, but taking ownership was an entirely new challenge and financial commitment. Though she had previously built a career outside the ski industry and started and run several companies, she now asked herself if she was ready to take the reins of the "family business."

Her dilemma intensified when a potential buyer offered to acquire Showdown. He handed Willett a "pretty sizable check right in front of me," Boedecker says. With another bid on the table, she realized she needed to act quickly. She wasn't going to ask for a "family discount" and lowball her dad. Was she ready to invest her own time, energy, and finances just as her father had done over the last half-century?

The clock was ticking—just as it is for many family- and independently-owned ski areas and the future of their businesses, estates, and legacies.

In its simplest form, succession planning is deciding who will own and/or run a business following any one of multiple scenarios, including death, early retirement, or a planned departure, and having the right documentation in place to ensure the transfer is legally binding and fair to all involved. Succession plays a role at every business, whether it is private or public, large or small, family-owned or otherwise.

How does a business owner pass down their company while preserving not only the money they've made but also the legacy they've built? Lee Resnick of Resnick Succession Group says it's not always an easy discussion to have with business owners because some are prepared, but many aren't.

"Some business owners have that deer-in-the-headlights look. Others look like they're thinking, 'I know I needed to be doing this, but I've been putting it off, and now I'm getting nervous,'" Resnick says. "But if you don't plan, you're going to pay more in taxes that could have been mitigated or avoided. And a lot of times, unfortunately, there's family infighting."

Potential successors can be family members or unrelated employees who are able and willing to invest. For those without an obvious successor, exit strategies include forming an employee stock ownership plan (ESOP) or selling to a strategic or financial buyer.

Emotional value. Despite similarities with other businesses on the transactional side, ski areas are unique in at least one way. When ski resort ownership changes, the community pays close attention—especially as to whether the buyer is local or not. Consider the recent sale of Jackson Hole Mountain Resort (JHMR).

In summer of 2023, the Kemmerer family sold JHMR to a group of local investors for an undisclosed amount. When announcing the sale, the Kemmerers, who purchased JHMR in 1992, said maintaining the resort's status as an independent, family-owned business was paramount. The new ownership includes JHMR board members Eric Macy, Mike Corbat, their families, and a small group of co-investors including Teton County residents and close family friends of the Kemmerers.

"It is of utmost importance to me that the next ownership maintains the integrity and character of the mountain that we have worked so hard to build over the past three decades," Jay Kemmerer said last summer. "There is no better fit for this ownership transition than Eric and Mike and their families, who share the same vision for the future of JHMR and its importance to our great community."

That fit is something many ski area owners seek when beginning the succession process. They understand how much their communities care about who owns and operates their beloved local ski resort.

"While any business provides an important service or product to the community, the ski industry provides memories and enjoyment, so there's more emotional importance," Resnick says. "That's not to say other businesses aren't important. The store you go to every day is important, but we rarely have great memories of going to the store."

Practical approach. Mike Krongel, who has helped with several ski area transactions as part of Mirus Resort Advisors, understands the emotional value of a ski resort and the emotion that goes into any succession plan. But he also understands that ski area owners looking to sell or hand the business over to another party should have a singular focus before beginning the process—one that centers on a practical approach, not personal feelings. That means putting yourself in the shoes of a potential buyer and deciding if this is an investment you'd be willing to make for the next 10, 20, 30, or 40 years.

"You've got to think like a buyer," Krongel says. "Almost any ski area, or any recreation area, has deferred maintenance [that needs to be addressed], or what I call 'upfitting to the market.'" So, prior to selling, this could include replacing the old, unreliable chairlift that is the only way out of the base area, or replacing leaky snowmaking pipe that tends blow up at the worst times, or replacing technology that doesn't meet current guest expectations.

"Whatever it is, you've got to address it," says Krongel.

By tending to those needs now and not expecting, or hoping, that a buyer will agree to tackle major improvements post-sale, the property is more likely to garner a qualified offer. With multi-mountain behemoths ramping up investments across their portfolios, smaller resorts are pressured to do what they can to keep pace at a reasonable scale .

"Ski area owners realize that Vail and Alterra have bought ski resorts all around them and those companies are investing heavily in improvements," Krongel says. "So, when a buyer comes in, they'll look at that ski resort and say, 'OK, what improvements are you doing today?'"

Buyers buy on numbers over the last five years, not a resort's potential, Krongel warns. "A buyer will pay for what's there and what's proven. So, in the planning stage, you have to make hard decisions. You've got to stay competitive, and if you're not going to stay competitive, then you have to understand what the market is willing to pay."

The Fairbank Group owns Jiminy Peak, Mass., and Cranmore, N.H., and manages Bromley in Vermont. As someone who has co-owned a ski area for nearly 40 years and has a son involved in the business, chairman Brian Fairbank understands the importance of planning, especially from a financial perspective.

Brian Fairbank (right) developed a succession plan to facilitate a smooth and viable future ownership transfer of the Fairbank Group to son and CEO Tyler.

Finances and taxes. Fairbank says any solid succession planning derives from a solid estate plan, so involving a financial advisor and a trusted accountant should be near the top of the list when beginning this process.

Fairbank owns the businesses outright with partners, including Tyler, who is president and CEO, so he first created a will that outlines what happens to those businesses if something happens to Brian before Tyler. This is essential, he says, due to the complicated and ever-changing tax code, which can quickly muddy a family's ideal succession plan.

"The problem with the tax situation is if you are leaving more than $11 million worth of value, 30 percent of it is going to be taken out in taxes," Fairbank says. "So if I leave my estate to Tyler, he doesn't have the ability to pay the taxes without selling something. That becomes a shortfall, and you're left asking, 'OK, how are you going to leave something to your kids?'"

The answer to that question will vary from business to business, but the financial impact is among the most important factors in a succession plan, from how to structure it to how changes in tax code or family situations might alter that plan over time.

"Unfortunately, there are many cautionary tales of very successful businesses that were thriving and have been around for decades as a pillar of the community," Resnick says. "If a business owner passes away and their assets are over the estate exemption amount, the [successors] will owe massive amounts of taxes. When it's time to pay that tax, they're not liquid enough. Business gets auctioned off at that point for fire-sale prices so the IRS can get paid. The employees lose, the family loses, the community loses."

An evolution. Fairbank implemented a succession plan in hopes of avoiding an unfortunate tax predicament for Tyler, who would take over in his absence. Still, he understands the hesitancy people have with putting a plan into place.

"Succession planning is an evolution," Fairbank says. "It's not something where you say, 'OK, at this exact moment in time I need to do this.' It's pretty easy to procrastinate, because you don't like to think about the end of your life, right? But succession doesn't happen without proactive energy going into it."

Planning for the next ownership of a ski area is important for several reasons, Resnick adds, from protecting assets to ensuring surviving family members know what will happen to the business following the owner's death. Any delay in establishing a plan raises the risk of something dire happening to the business and, by extension, to the predecessor's or successor's financial picture.

Updates required. But, Resnick warns, even those who think they are prepared might have outdated succession plans that haven't been updated to reflect a change in their lives, from new or departed family members to updated tax laws. Lack of an updated plan can doom a business no matter the company's size or success.

To borrow an adage about planting a tree: the best time to create a succession plan was 20 years ago; the second-best time is now.

Who's it gonna be? As Fairbank notes, the first and most important question is if your offspring want to stay in the business. Not all kids want to take over a ski resort. Or maybe some children do but others don't, further muddying the succession picture, especially because they all want to financially benefit.

Next, ask which successors not only want to be involved with the business but can run it well. It's not always an easy conversation, and emotions can run high, which is why an outside perspective—such as a trusted advisor—is critical.

The next question: Is there anything already in place? Some business owners might've pulled a document off LegalZoom years ago and created a basic succession plan but haven't updated it in years. Perhaps there have been changes to the family (e.g., birth, death, divorce, or marriage) or a different financial situation. If this is the case, review an existing plan with a professional.

Back at Showdown Montana, Boedecker decided to match that buyer's offer, secured the proper financing, and became the owner of the mountain she has loved almost her entire life.

Willett, who now has the unofficial title of "chief product tester," was happy with the arrangement, Boedecker says. He got a fair deal from his daughter, and Showdown stayed in the family and remained locally owned—something many believe is integral to maintaining their legacies as small-town businesses.

"We get a tremendous amount of positive feedback from our community, and it means a lot," Boedecker says. "Showdown has a very loyal, long-term following. It's quite a legacy and our local communities highly appreciate this transition."

Boedecker's daughter, Avery Patrick—who is Showdown's marketing director—and Avery's husband, Shawn Patrick, have invested in Showdown as representatives of the next generation. Two of Boedecker's three sons also work there.

And while there isn't a formal succession plan in place at Showdown—not at the moment, anyway—remembering what she and her father went through just a couple of years ago has Boedecker convinced there won't be a repeat of her situation. And this article has already served as some inspiration.

"My goal is that Showdown will go to my kids, but how and what that looks like, I'm not sure yet," she says. "I've already started gifting shares of Showdown to my kids. It is not a formal plan, but we're starting to discuss what that might look like. All this talk about succession planning has prompted some good conversation in our family."

No matter what happens down the road, Boedecker says upfront honesty is key when parents and kids are discussing the succession process—a wise approach for any business owner who is planning for the future.