Laird Norton Tyee Family Business Survey

Family to Family 2007

LAIRD NORTON TYEE

Oregon State University

At Laird Norton Tyee, we believe that family business is the heart and soul of the American Dream. With *Family to Family: Laird Norton Tyee Family Business Survey 2007*, it is our sincere hope to bring greater understanding — of the unique challenges that family-owned enterprises face as they compete in today's global economy, of what company leaders think about the future of their firms, and of the requirements for successfully managing companies across multiple generations.

This report is dedicated to everyone who plays a part in the economic miracle that is the American family business.

For more information about this survey please visit:

FamilyBusinessSurvey.com

Dear Reader,

Family to Family: The Laird Norton Tyee Family Business Survey 2007 provides one of the most comprehensive looks at the state of family-owned businesses to date.

In fall 2005, Laird Norton Tyee had the opportunity to participate in a one-of-a-kind roundtable discussion. The participants were leaders of some of the country's top family-owned businesses. We met with them to learn about the opportunities and challenges facing their firms.

What quickly became clear was that many participants were struggling, not with the day-to-day operations of their firms but with planning for their long-term future. Nearly everyone was unaware of benchmarks, resources and other information addressing the unique needs of a family-owned enterprise. Faced with the choice of running their day-to-day operations or planning for the future without the necessary tools, they opted to focus on immediate needs — and they did it successfully. That said, the discussion brought home a very important underlying point: When any business moves forward without a critical road map, it is headed toward a dead-end future.

Since that discussion, we've continued to meet with leaders of family-owned businesses. Many express the same frustrations over the lack of information available about family-owned firms and the need to learn more about best practices. Thus was born *Family to Family: Laird Norton Tyee Family Business Survey 2007,* which provides one of the most comprehensive looks at the state of family-owned businesses to date. Nearly 800 senior leaders of family-owned businesses, from throughout the country, were asked to provide views about the current state of their businesses, the unique challenges created by owning a family enterprise, and their outlook for the future.

Family-owned businesses generate approximately 64 percent of America's gross domestic product, and leaders of family-owned firms continue to express genuine optimism about the future. Still, many face significant challenges that could affect the long-term viability of their firms. These challenges include replacing aging leadership, planning for upcoming generational transfer of the business and ensuring that an appropriate level of governance is in place. Each must be addressed and formalized if family businesses are to continue to be prominent in America for generations to come.

With this, Laird Norton Tyee's first-ever national family business survey, we've created a true baseline of information from which to build upon. We look forward to finding the answers behind the questions and providing information and resources to family businesses that will help them carry on through the generations.

This year's survey was conducted in the first quarter of 2007 by Laird Norton Tyee and its partners, the Austin Family Business Program at Oregon State University and the Albers School of Business and Economics at Seattle University. We owe special thanks to Mark Green at Oregon State and Paul Sommers at Seattle University for their efforts in making this project a reality.

We'd also like to thank Laird Norton Company, our majority shareholder, for its contributions. As a seventh-generation family business, Laird Norton Company is a deep source of knowledge and experience that we use for critical insights and best practices for families we serve. Their 152-year-old legacy enables us to deliver solutions to our clients better than other wealth management firms. Our bond with a truly successful family firm makes our client family stronger.

Finally, we owe a tremendous debt of gratitude to all who participated in *Laird Norton Tyee Family Business Survey 2007*. We hope the findings can be used as a learning tool by our survey participants as well as other family businesses throughout the country.

For detailed insights into the opportunities and challenges ahead for family-owned businesses, please read on.

Laird Norton Tyee

Family-owned businesses generate 64 percent of the nation's gross domestic product.

Survey Methodology

Family to Family: Laird Norton Tyee Family Business Survey 2007 was conducted as a national survey and administered with telephone and online data collection techniques. A total of 788 questionnaires were completed through 643 interviews over the telephone and 145 online responses.

Respondents came from a universe of 10,000 businesses throughout the United States. Responses came from the following regions: Mideast (107), Southeast (148), Southwest (74), New England (34), Plains (92), Great Lakes (122), Rocky Mountains (37), and Far West (174). The response rate was 7.9 percent, with a total of 788 people completing the survey during a three-month period.

Identifying a family business can be a challenging exercise, as there are more than 60 widely used definitions. One widely accepted definition is evidence of family ownership of more than 15 percent of a company, strategic influence over the firm as evidenced by members of a family holding management positions, and a desire for business continuity across generations. However, perhaps the most appropriate — and simplest — definition is self-identification of the business as a family enterprise.

In the survey, businesses were selected based on the following criteria: 1) They had at least two company officers who shared the same surname; 2) They have been in existence for at least five years; and 3) They generated revenues of at least $5 million. This revenue floor was selected to identify family-owned firms that either have had — or will have — intergenerational succession issues that would potentially be deemed important long-term challenges.

The geographic distribution in the sample does not statistically reflect the distribution of firms across the various regions. That is, business leaders in some geographic areas (Plains, Rocky Mountains and Far West regions) were more likely to respond to the survey than were others (New England, the Mideast, Great Lakes, and Southeast regions).

REGIONS
Far West ALASKA, CALIFORNIA, HAWAII, NEVADA, OREGON, WASHINGTON
New England CONNECTICUT, MAINE, MASSACHUSETTS, NEW HAMPSHIRE, RHODE ISLAND, VERMONT
Plains IOWA, KANSAS, MINNESOTA, MISSOURI, NEBRASKA, NORTH DAKOTA, SOUTH DAKOTA
Southeast ALABAMA, ARKANSAS, FLORIDA, GEORGIA, KENTUCKY, LOUISIANA, MISSISSIPPI, NORTH CAROLINA, SOUTH CAROLINA, TENNESSEE, VIRGINIA, WEST VIRGINIA
Southwest ARIZONA, NEW MEXICO, OKLAHOMA, TEXAS
Great Lakes ILLINOIS, INDIANA, MICHIGAN, OHIO, WISCONSIN
Rocky Mountains COLORADO, IDAHO, MONTANA, UTAH, WYOMING
Mideast DELAWARE, MARYLAND, NEW JERSEY, NEW YORK, PENNSYLVANIA, WASHINGTON DC

Executive Summary

Family-owned businesses are alive and well in 2007. Starting, owning and operating a family business continues to be the cornerstone of the American Dream. Many view it as the true road to financial freedom.

Family to Family: Laird Norton Tyee Family Business Survey 2007 provides a snapshot of American family companies in the early part of the 21st Century. It's an acknowledgement of the past, a close-up on the present, and a roadmap to the future for those who care about family-owned businesses. Despite the wide, diverse and unique nature of individual family businesses, the survey found some consistent and intriguing results.

Perception is not necessarily reality: Nearly 95 percent of respondents indicate that they manage their family-owned enterprise like they would any other business.

Family businesses are thriving. More than 96 percent of respondents anticipate that their business will expand or at least remain the same size over the next year. Recent economic slowdowns have not seemed to influence this key segment of the economy. The profound optimism of family business owners has them charging forward.

Succession issues are imminent. Members of the extremely entrepreneurial baby boom generation, who launched family enterprises with gusto, are rapidly approaching retirement. Nearly 60 percent of majority shareowners in family businesses are 55 or older. Nearly 30 percent are 65 or older. Succession of leadership will be a pivotal point in these companies' futures, yet less than 30 percent of our respondents have succession plans, and fewer than 40 percent have a successor in line and preparing for the transition.

Perception is not necessarily reality. Nearly 95 percent of respondents indicate that they manage their family-owned enterprise like they would any other business, but the numbers say otherwise. Only 56 percent have a written strategic plan and less than 30 percent have a written succession plan.

All in the family? Nearly 64 percent of respondents don't require family members entering the business to have the qualifications or related experience necessary to be successful, and 25 percent think the next generation is not competent to move into leadership roles.

The narrow margin. A stunning 93 percent of respondents have little or no income diversification. Simply put, all their eggs are in one basket.

Family to Family: Laird Norton Tyee Family Business Survey 2007 isn't the last word, it's the start of a conversation. We look forward to exploring this topic with you.

Family Business Questions & Answers

Today's longer life expectancies add another layer of complexity to the succession process.

What is the state of family business today?

From mom-and-pop stores to Fortune 500 firms, from start-ups to the country's leading brands, family businesses remain a mainstay of the American economy. Most family business owners are overwhelmingly optimistic about the future of their companies, but our research shows this optimism may be premature. These enterprises face challenges both now and in the near future that will determine their long-term viability.

Why is Laird Norton Tyee, a wealth management firm, talking about family businesses?

Our legacy is family business. It's our past, our present and our future, but most of all it's our passion. We work with family businesses every day, and our majority shareholder is a seventh-generation family business. This foundation gives us the unique ability to understand and advise family business clients effectively.

What are the key traits of a successful family business?

Maintaining strong family relationships, both inside and outside of the business, and ensuring business continuity across multiple generations are important traits of family businesses. Nonfamily businesses typically do not share these traits.

By looking closely at the survey, we see that leaders of successful family businesses have an uncanny knack for instilling their personal values into the fabric of the company. They also maintain a deep commitment to having future generations participate in the business.

What are the top challenges that family businesses face today?

Succession of the leadership will likely be the biggest challenge for most family businesses. With today's longer life expectancies, there are often multiple generations of a family involved in the business at the same time. This adds another layer of complexity to the succession process.

Shorter business cycles, as a result of global competition, make it important for family-owned firms to formalize their business and strategic plans by putting them in writing. Many need to shore up their company and organizational structures by clearly identifying roles and leadership responsibilities. Finally, the burden of estate taxes continues to be a major challenge.

What are some common reasons family businesses fail?

One of the primary reasons family businesses fail is lack of a written succession plan. Without a clear plan in place, there is no communication of expectations and future direction. Often, the current leadership waits too long to bring along the next generation, creating missed opportunities for knowledge transfer. Future leaders may not seek to acquire the skills, knowledge and experience that will allow the enterprise to successfully continue beyond the current generation.

A second reason family businesses fail is the unwillingness or inability to create a formal strategic plan. Without a long-term view and clearly defined governance and management roles, the business cannot be adequately prepared for the future.

What can a family business learn from this survey?

The research shows a critical need for family businesses to "professionalize" their companies in three key areas: strategic planning, governance and management structures, and succession planning.

What were the most surprising results of the 2007 survey?

The most surprising finding of our 2007 survey is the lack of formal planning, including strategic business and succession plans. If this trend continues, it could very well have a detrimental long-term effect.

It is also interesting to note that, for perhaps the first time ever, family business leadership is comprised of distinct but overlapping generations with different styles: the Depression Era (b. 1927 to 1945), Baby Boomers (b. 1946 to 1964), Generation X (b. 1965 to 1983) and the emerging Generation Y (b. 1984 to 2002). This underscores the growing complexity of family businesses and demonstrates that entrepreneurship is alive and well.

Despite an aging ownership group, 71 percent do not have a succession plan in place.

How early should a family business develop a succession plan?

A succession plan is critical to the future of a family business, and should be established as soon as possible. Family businesses succeed in large part from the continuity of family involvement. A sudden loss of leadership, even at small and mid-size family businesses, can have profound repercussions.

Once an initial succession plan is in place, the leadership team should commit to periodic updates as new generations hit key milestones. This identifies opportunities for younger family members to pursue career paths and seek experiences that will lead to successful continuation of the business.

Our survey shows the essential need for family businesses to "professionalize" their companies.

What are the critical elements of a succession plan?

First, and often most difficult, the current leadership must become comfortable with the concept that succession is a natural process in any successful family-owned business. Many times, it is difficult for a founder to imagine the business without his or her presence. A trusted outside advisor can facilitate and support this process.

Effective plans should outline goals for the business. Ownership and management should be clearly defined. Policies should be established about entry into and exit from the business for all family members, including the founder.

How will family businesses of the future differ from those of today?

Future family businesses will likely start with a broader market or audience than their predecessors, due to the growing global market and the international reach provided by the Internet. Current and future family business owners have instant access to places in the world their parents and grandparents did not.

The traditional family business model of growing organically within a geographic region is rapidly becoming outdated as customers, suppliers and even employees spread across the globe. The need for broader and more complex business models adds urgency to the need for sustainable business practices. We hope that the results of this survey inspire family businesses to focus attention on planning, governance and management structure, and other key elements that will drive success, both now and in the future.

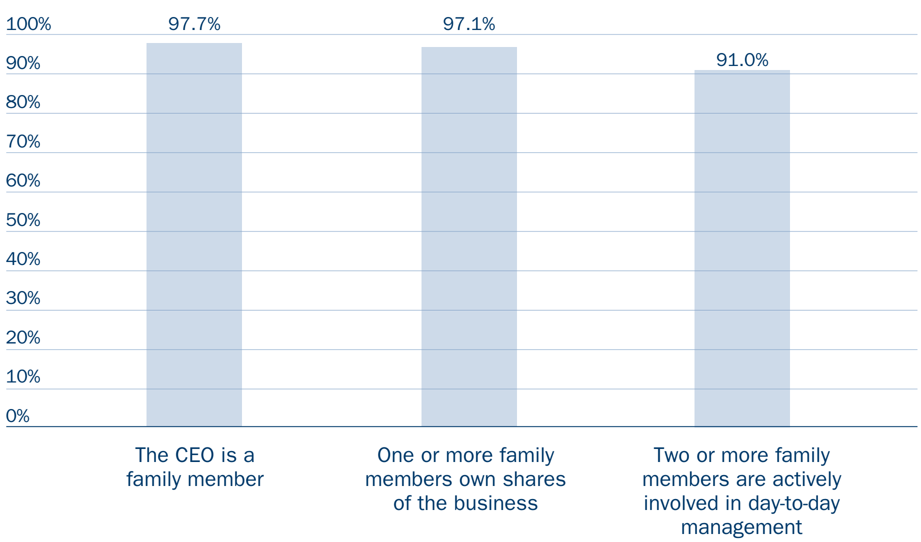
What America's Family Business Leaders Say

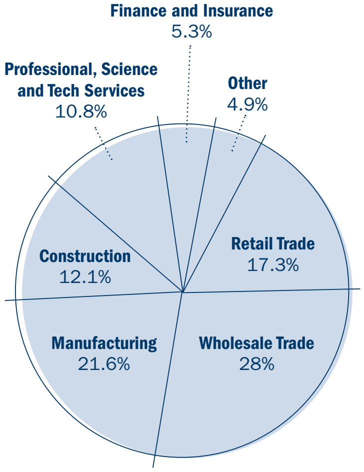
America's family-owned businesses are a collection of firms of varying size, purpose and complexity.

Yet, there are many similarities among the firms that responded to *Laird Norton Tyee Family Business Survey 2007*. Nearly 70 percent of the companies were either founded or acquired by the family prior to 1980. From nurseries to commercial banks, from car dealerships to packaged food wholesalers, the firms that participated in the survey tended to be of modest size. More than 80 percent of the firms polled have between 20 and 499 workers, with sales ranging from $5 million to $30 million.

One fact is abundantly clear: Leaders of family businesses are an optimistic group. Nearly all of the respondents are confident about their firm's prospects for the future, with more than half predicting that their company will grow during the next year and another 45 percent saying that employment levels should remain steady. Over a longer period of time — five years into the future — confidence in business prospects remains equally strong, with over 95 percent of respondents either agreeing or strongly agreeing that their business will grow over the next half decade.

LEADERSHIP





INDUSTRIES

EMPLOYMENT LEVELS

Under 5	3.2%
5 to 9	3.3%
10 to 19	7.2%
20 to 49	23.7%
50 to 99	24.6%
100 to 499	33.5%
500+	4.5%
Total	100%

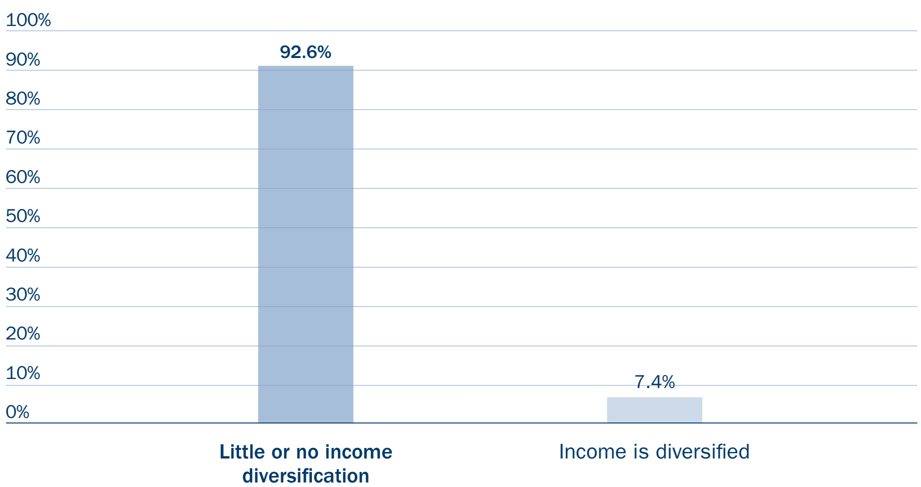
ANNUAL SALES OF FAMILY-OWNED BUSINESSES

$5 to $6.5 Million	26.4%
$6.5 to $11.5 Million	30.4%
$11.5 to $30 Million	29.6%
Over $30 Million	13.6%
Total	100%

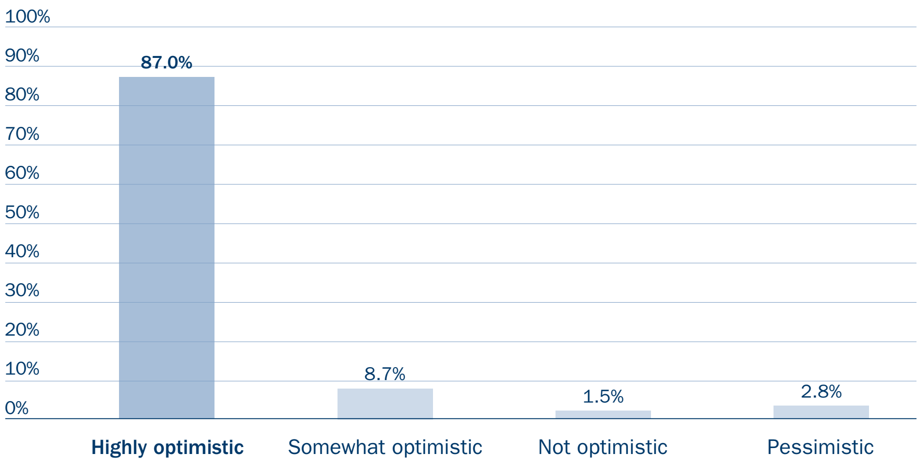
BEGINNING OF FAMILY OWNERSHIP IN BUSINESS

Before 1980	**69.4%**
1980 – 1989	18.7%
1989 – 1996	7.2%
1997	0.7%
1998	0.5%
1999	1.3%
2000	1.1%
2001	1.1%
Total	100%

FAMILY BUSINESS IS THE PRIMARY INCOME SOURCE



CONFIDENCE ABOUT COMPANY'S PROSPECTS OVER NEXT 5 YEARS



Family businesses are highly optimistic about their five-year outlook.

ANTICIPATED EMPLOYMENT CHANGES IN THE NEXT YEAR (FTES)

Increase by 5% or more	**27.4%**
Increase by 5% or less	**24.1%**
Remain the same	**44.8%**
Decrease by 5% or less	2.2%
Decrease by 5% or more	1.5%
Total	100.0%

The majority of family businesses anticipate continued growth over the next half decade.

GENERATIONAL TRANSFER

Business has gone through a transfer to the next generation	69.3%
Business has not gone through a generational transfer	**30.7%**
Total	100.0%

Ownership & Succession in the Family Business

One of the most important — and potentially controversial — elements of a family-owned business is the number of owners in the enterprise.

More than 50 percent of family-owned businesses fail to last beyond one generation.

Having multiple family owners can affect overall business performance and add to the complexity of the professional and personal dynamics within the firm. These dynamics can, in turn, have broad implications on company direction, retirement decisions, succession planning and, ultimately, the future viability of the business itself.

Nearly three quarters of all respondents in our 2007 survey indicate that their company has five or fewer owners. Another 17 percent reported having between five and nine owners. Thus, for 91 percent of the family-owned businesses in this country, the ownership structure is fairly simple — with fewer than 10 individuals involved. Likewise, over 90 percent of the ownership in these firms is controlled by family members.

The relatively simple structure of these firms may contribute to the lack of formal succession planning for the next generation, which could lead to potential crisis in the future. Despite the fact that nearly 60 percent of majority shareholders of family-owned firms are 55 or older, only 29 percent of the firms have a written succession plan. Further, only 46 percent say that their firm has plans outlining potential management roles for heirs, and even fewer — 41 percent — have identified a successor. When a successor has been named, nearly 90 percent of respondents indicate that the new leader will be a family member.

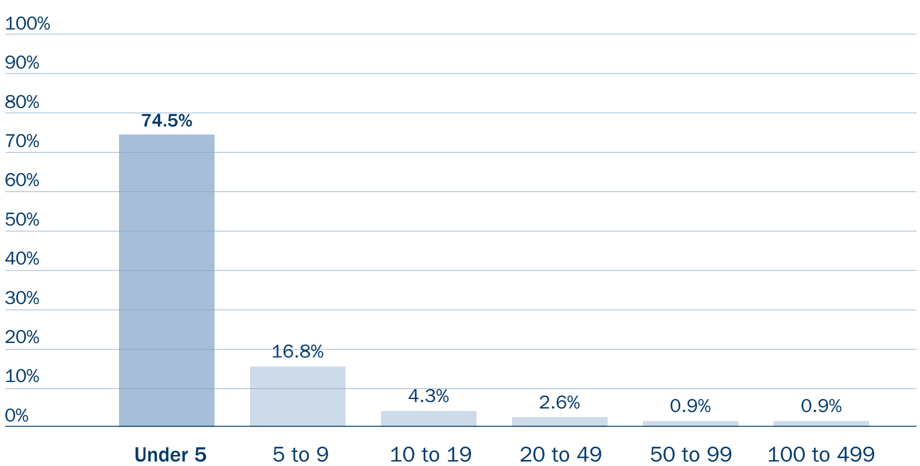
At the same time, over 67 percent of respondents believe that their current CEO will not leave their company anytime soon — that is, the CEO will retire at least five years into the future. Given the age of majority shareholders in our survey, this expectation may be unrealistic. Sooner or later, most people want to retire. For a family-owned business, having a written succession plan in place can mean the difference between a multigenerational company and one that is forced to either liquidate or sell upon the retirement of the majority shareholder. Perhaps this is why more than 50 percent of family-owned businesses fail to last beyond one generation.

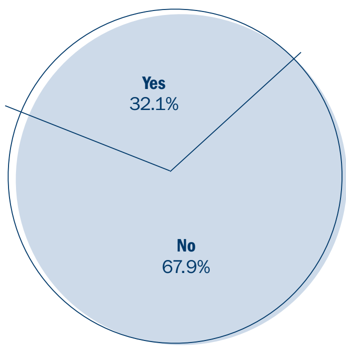
Succession can be further complicated if the older generation has ceased active involvement without yielding positions of authority, or if they have not decided how to remain involved after leaving active management. Fortunately, most family businesses report that older family members are responsive to the needs of the firm and have made plans for how they want to be involved after giving up active management roles. Further, more than 80 percent of respondents say the senior generation wants the business to stay in the family; 76 percent claim that the next generation is committed to retaining ownership in the firm; and 75 percent feel the next generation has the business competence and acumen required to run their company.

When is the appropriate time to begin talking to the next generation about the business and their potential future involvement in the firm? Responses vary considerably. The most frequent age cited for these types of discussions is 18 to 25, when young adults are attending or nearing completion of college and considering potential career paths. After that, the age ranges for such discussions to occur are fairly evenly dispersed among 12 years of age and under, 13 to 17, and 26 or older.

The importance of a business in a family's livelihood is undisputed, with over 92 percent of respondents indicating that their family-owned firm provides the primary source of income and security. Likewise, there is a strong consensus among respondents about compensation issues. Over 60 percent of survey respondents say that information about family member compensation is shared among other family members and 81 percent of respondents indicate that family members are paid at fair market value.

NUMBER OF OWNERS





CEO RETIREMENT PLANS

Within the next 5 years

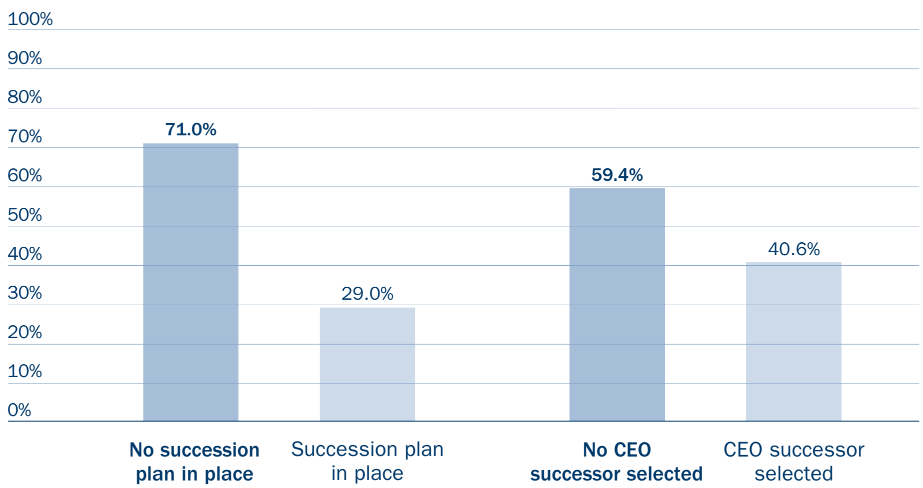
FAMILY OWNERSHIP SHARE

0%	0.1%
1 to 25%	0.5%
26 to 50%	2.0%
51 to 75%	6.7%
76 to 99%	8.8%
100%	**81.9%**
Total	100%

AGE OF MAJORITY SHAREHOLDER

18 to 34	1.2%
35 to 44	8.9%
45 to 54	31.3%
55 to 64	28.5%
Older than 65	30.1%
Total	100%

SUCCESSION PLANNING



TRANSITION PLANNING

	Strongly agree	Agree	Disagree	Strongly disagree
Senior generation wants business to stay in family	66.0%	14.5%	10.4%	9.1%
Next generation committed to business ownership	58.0%	17.6%	11.4%	13.0%

NEXT GENERATION HAS BUSINESS COMPETENCE

Strongly agree	55.6%
Agree	19.5%
Disagree	11.9%
Strongly disagree	**13.0%**
Total	100%

While most respondents feel comfortable with the next generation's ability to lead, it is significant to note that almost a quarter do not view the next generation with confidence.

COMPANY POLICIES REGARDING FAMILY MEMBER QUALIFICATIONS

Family members must meet qualifications to be employed in the business	35.4%
No qualifications for family members who work in the business	64.6%
Total	100%

POLICY REQUIREMENTS
Outside experience of family members working in the business

Less than a year	31.3%
1 to 2 years of experience	28.0%
3 to 5 years of experience	36.3%
More than 5 years	4.4%
Total	100%

SUCCESSORS
Full-time work experience outside the family business

No experience	**30.0%**
1 to 2 years of experience	13.0%
3 to 5 years of experience	23.9%
More than 5 years	33.1%
Total	100%

TALKING TO THE NEXT GENERATION ABOUT INVOLVEMENT IN THE BUSINESS

12 years or under	14.9%
13 to 17 years	21.6%
18 to 25 years	**39.4%**
26 years or over	21.9%
Other	2.2%
Total	100%

Most respondents begin discussions with young adults 18 to 25 years of age — best practices suggest starting as early as 13 years of age.

TRANSITION PLANNING

	Yes	No
Compensation information shared openly	61.2%	38.8%
Ownership restricted to family (blood or adoption)	59.6%	40.4%
Family members paid at market value	80.5%	19.5%

INFLUENCE OF FAMILY DYNAMICS

Management decisions, such as hiring and pay, are affected by family dynamics	19.0%
Management decisions are not affected by family dynamics	81.0%
Total	100%

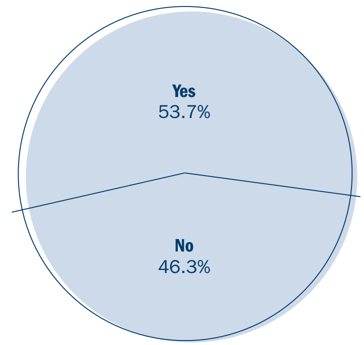
IN-LAWS ARE ACCEPTED AND FEEL LIKE PART OF THE BUSINESS

Strongly agree	**38.3%**
Agree	18.2%
Disagree	18.6%
Strongly disagree	24.9%
Total	100%

Managing & Governing the Family Business

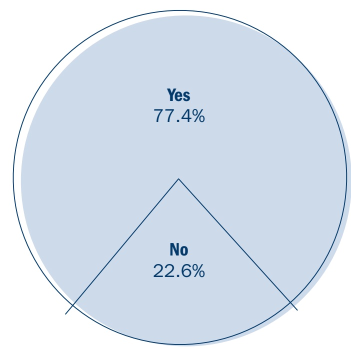
A written strategic plan is a critical element in determining the direction of a company over a given period of time, usually a year or more.

Despite its importance, strategic planning appears to be an under-utilized tool in the family business. Just a little over half of the firms responding to *Laird Norton Tyee Family Business Survey 2007* — or 54 percent — say they have a written plan outlining where their organization is heading, how it will get there and how it will know if it was successful or not.



WRITTEN STRATEGIC PLAN?

Conversely, nearly 95 percent of respondents say their family business is run like any other operation, 91 percent indicate that their companies are good at attracting competent nonfamily managers and almost 80 percent noted that their company has a clear process for making decisions. Further, 95 percent said that managers working in these family-owned firms feel comfortable raising difficult issues and 81 percent say that family dynamics do not influence business decisions. So, regardless of whether or not a firm has a written strategic plan, the majority of respondents believe there is a process in place for making decisions and there is free flow of communication among family and nonfamily employees alike.



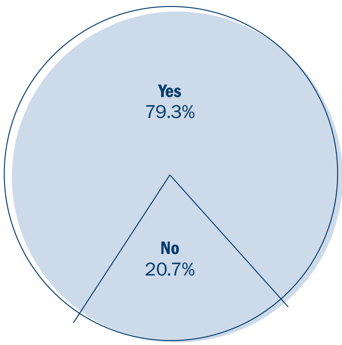
SIGNED ESTATE PLAN?

In most family-owned firms — 75 percent — strategic decisions are guided by a board of directors, an advisory board, or both. Over 54 percent of these boards are composed of family members only, however, over 43 percent of the firms polled have boards with a mix of family and nonfamily members alike. Of the firms that use boards, 77 percent agree or strongly agree that they make positive contributions to the direction of the business. The remaining 25 percent of firms say they do not have a board of any kind.

The frequency of board meetings in family-owned businesses varies greatly. Nearly 60 percent of firms say that their boards meet regularly — either on an annual, semi-annual, quarterly or monthly basis. However, 41 percent say their board meets at some other interval.

Two-thirds of respondents state that the family itself has regular meetings about the business. Slightly less than half have created a statement of family values that is intended to perpetuate throughout the firm, and less than one-third have coordinated philanthropy, such as a foundation. Despite the longevity of the firms that participated in *Laird Norton Tyee Family Business Survey 2007*, many are not using key mechanisms that can extend the impact of their businesses both in the workplace and the surrounding community.

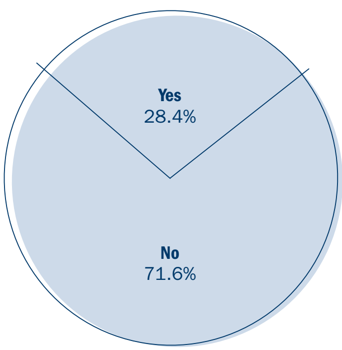
When it comes to using advisors from outside the family firm, the most likely candidate is an accountant (45 percent) followed by a family member (21 percent), an attorney (12 percent) and then either a peer or friend (9 percent).



DECISION MAKING
Clear process for decision making?

BOARD COMPOSITION

Family only	**54.2%**
Nonfamily only	2.1%
Both	43.7%
Total	100%



FAMILY CONFLICTS
Do family conflicts influence business operations or decisions?

BOARD STRUCTURE

Board of directors	61.4%
Advisory board	7.1%
Both	6.6%
No board exists	**24.9%**
Total	100%

CONTRIBUTION OF BOARDS
Respondents are positive about the contribution the board makes to the direction of the business

Strongly agree	**62.7%**
Agree	13.9%
Disagree	9.5%
Strongly disagree	13.9%
Total	100%

FREQUENCY OF BOARD MEETINGS

Annually	22.4%
Semi-annually	13.1%
Quarterly	16.0%
Monthly	7.1%
Other	41.4%
Total	100%

DIVIDEND POLICY

Formal dividend policy that pays out according to profitability	35.6%
No dividend policy in place	64.4%
Total	100%

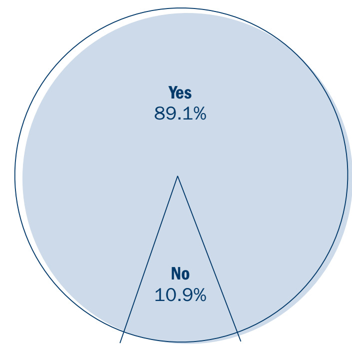
THE BUSINESS OF FAMILY

Regular family meetings	67.9%
Statement of family values	45.8%
Coordinated family philanthropy	32.4%

MOST FREQUENTLY USED OUTSIDE ADVISORS

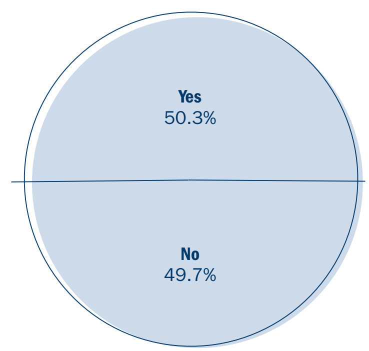
	1st choice	2nd choice	3rd choice
Accountant	**44.9%**	24.1%	11.7%
Clergy	1.5%	1.6%	1.3%
Lawyer	**12.2%**	33.2%	19.5%
Banker/financial	7.1%	14.3%	20.9%
Family member	**20.5%**	11.5%	16.3%
Business peer/friend	9.4%	11.6%	18.3%
Other	4.4%	3.7%	12.0%
Total	100%	100%	100%

The outside advisors most frequently called upon are accountants, lawyers and family friends.



INFORMATION FLOW

Is there a free and open flow of information in the family business?



LIQUIDATION

Do you have a process that allows family members to liquidate their ownership value and leave the business?

Best Practices

Who is Leading Among the Regions?

Rocky Mountains

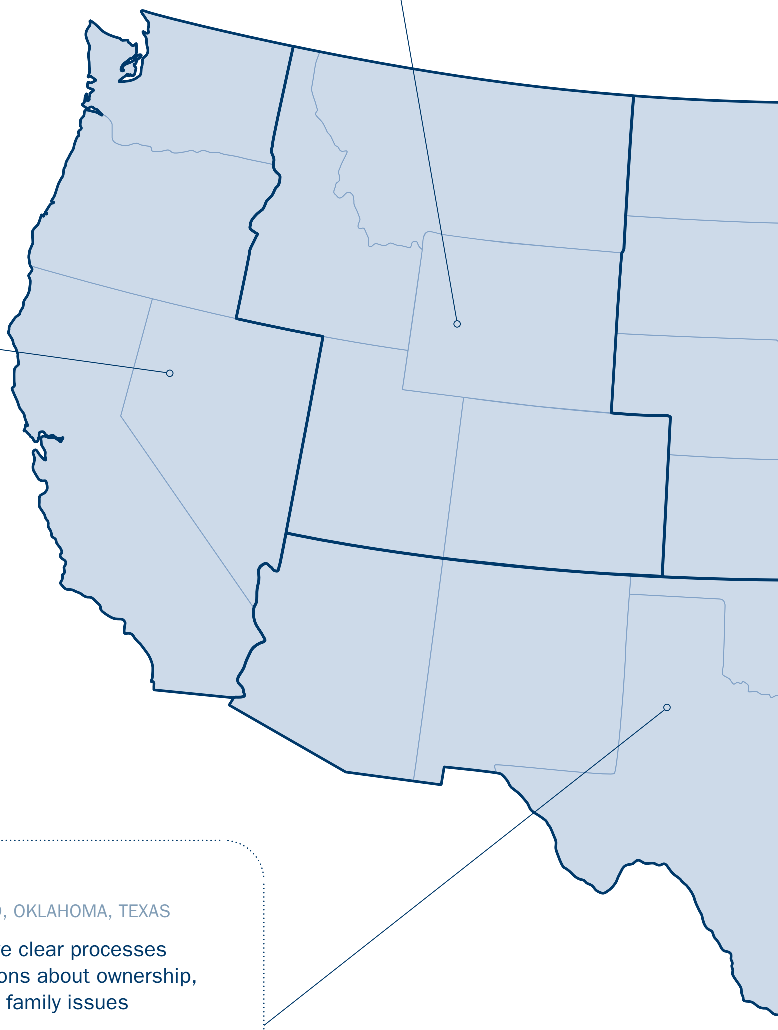
COLORADO, IDAHO, MONTANA, UTAH, WYOMING

- **65%** have written strategic plans
- **67%** openly share information about family member compensation and benefits
- **91%** pay family members at market value for their contributions to the company
- **68%** have a governance body in place, such as a board of directors

Far West

ALASKA, CALIFORNIA, HAWAII, NEVADA, OREGON, WASHINGTON

- **85%** of the senior generation shareholders have written and signed estate plans
- **76%** say family conflicts do not affect business operations or decisions



Southwest

ARIZONA, NEW MEXICO, OKLAHOMA, TEXAS

- **85%** say they have clear processes for making decisions about ownership, management and family issues
- **75%** make charitable donations through a coordinated family philanthropy
- **64%** are confident that the next generation is competent to manage and grow the business

Plains

IOWA, KANSAS, MINNESOTA, MISSOURI, NEBRASKA, NORTH DAKOTA, SOUTH DAKOTA

- **48%** have successors with over five years of work experience outside the family business
- **88%** do not let family dynamics influence management decisions, such as hiring and pay
- **91%** are optimistic about their company's prospects over the next 5 years

Great Lakes

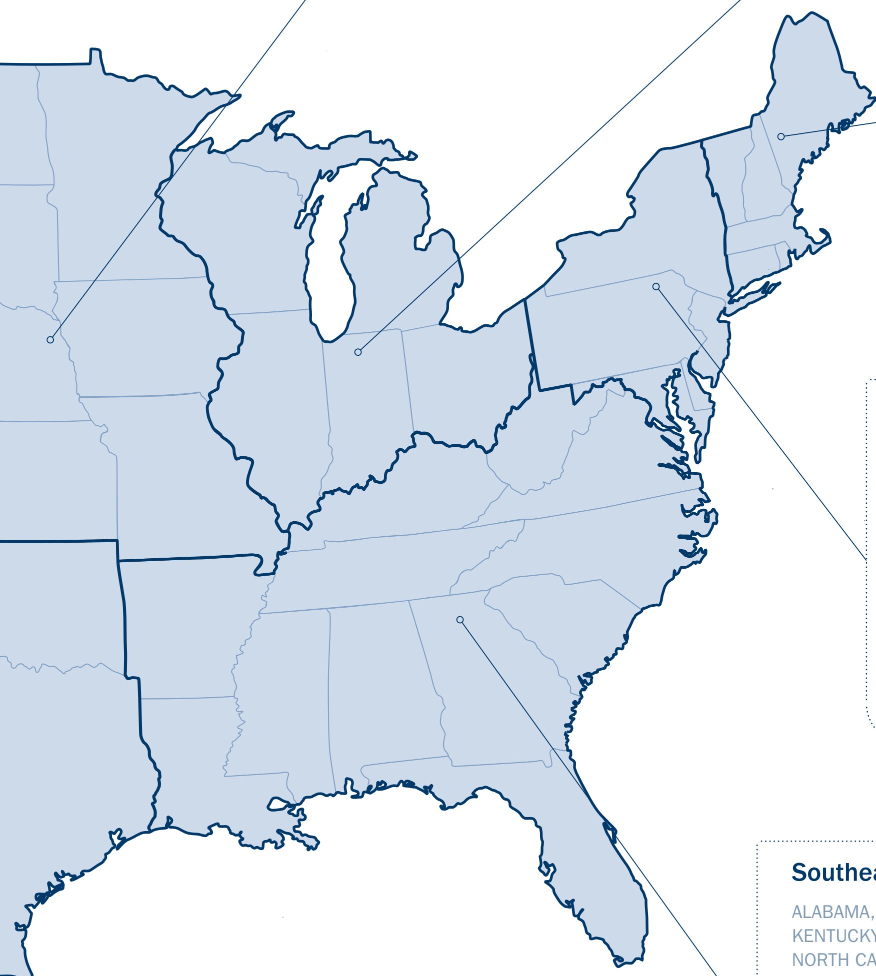
ILLINOIS, INDIANA, MICHIGAN, OHIO, WISCONSIN

- **40%** hold regular family meetings
- **92%** are responsive to younger members' requests for planning and innovation

New England

CONNECTICUT, MAINE, MASSACHUSETTS, NEW HAMPSHIRE, RHODE ISLAND, VERMONT

- **65%** have a formal process in place allowing family members to liquidate their ownership position and leave the business
- **53%** wrote a family values statement that is communicated throughout the business
- **50%** have a policy that requires family members to have at least three years' work experience outside of the family business



Mideast

DELAWARE, MARYLAND, NEW JERSEY, NEW YORK, PENNSYLVANIA, WASHINGTON DC

- **76%** have a formal dividend policy that pays out according to profitability
- **70%** say the senior generation is committed to keeping the business within the family
- **80%** have successfully navigated through a generational transfer

Southeast

ALABAMA, ARKANSAS, FLORIDA, GEORGIA, KENTUCKY, LOUISIANA, MISSISSIPPI, NORTH CAROLINA, SOUTH CAROLINA, TENNESSEE, VIRGINIA, WEST VIRGINIA

- **71%** extend share ownership beyond blood relatives
- **45%** accept in-laws in the family business and make them feel included
- **74%** of the older generation has plans for life after leaving active management

Laird Norton Tyee

Headquartered in Seattle, Washington, Laird Norton Tyee is a leader among wealth management firms, overseeing more than $4 billion in assets for clients across the country. The company's focus on family-owned businesses and Wealth Regeneration℠ make it uniquely qualified to present *Family to Family: Laird Norton Tyee Family Business Survey 2007*.

Laird Norton Tyee builds client relationships around four pillars of expertise — investment stewardship, generation-to-generation wealth transfer, business and family governance, and personal strategic planning. The company offers wealth and estate planning; trust and fiduciary services; wealth preservation; family business services; and client education programs.

For 40 years Laird Norton Tyee has focused on growing wealth and growing people — driven by the belief that wealth is not an end in itself, but a launching pad. Whether clients aim to reinvent themselves, provide for their children's futures, or make a substantial contribution to the community, their missions and goals become the firm's goals.

Laird Norton Tyee has served as trusted fiduciaries to five generations of families. Led by a team of recognized experts, the company has assembled a highly educated and experienced group of professional advisors certified in every field of trust and investment advisory service.

The complexities of wealth require Laird Norton Tyee advisors to be experts in serving the diverse needs of high-net-worth individuals. The company applies research-based, proprietary investment strategies to all investing. Laird Norton Tyee is committed to putting client interests first: no proprietary products are sold and no commissions are received from outside vendors.

Seattle-based Laird Norton Company, a seventh-generation family business, is the majority shareholder in Laird Norton Tyee and a co-sponsor of this report.

Rich Simmonds, managing principal at Laird Norton Tyee, led the 2007 survey team. To learn more about family business practices, contact him at 206.464.5100.

Our Survey Research Team

The Austin Family Business Program, Oregon State University

Established in 1985, the Austin Family Business Program is the oldest family business program in the world and considered a leader in its field. The program supports thousands of family-owned businesses through conferences, courses, workshops, seminars and research.

The Austin Family Business Program prepares business owners to balance the well-being of their business, their family and themselves as they address the challenges and opportunities which arise day-to-day and during succession. Through involvement in global and local research, as well as in workshops throughout the Northwest, the Austin Family Business Program acts as a resource to family businesses.

The Oregon State University (OSU) College of Business educates students in managing and developing sustainable enterprises. OSU is one of only two U.S. universities designated a land-grant, sea-grant, space-grant and sun-grant institution. Its more than 19,000 students come from all 50 states and more than 80 countries. OSU programs touch every county within Oregon, and its faculty teaches and conducts research on issues of national and global importance.

The Albers School of Business and Economics, Seattle University

The Albers School of Business and Economics teaches students from around the world to become effective leaders — both in their future professions and their communities. Home to approximately 1,575 undergraduate and graduate business students, the Albers School offers the largest nationally accredited evening program for working professionals in the Pacific Northwest.

Albers School of Business and Economics faculty are exceptional teachers committed to expanding the boundaries of their disciplines. Inspired by the Jesuit traditions of academic excellence, education for justice and service for others, Albers School is committed to providing an integrated business education for ethical and socially responsible leadership.

Seattle University was founded in 1891. The university has a diverse and culturally rich learning environment. It serves nearly 6,000 undergraduate and graduate students representing 71 nations, 42 states and territories, and a wide range of religious and ideological viewpoints. Seattle University is dedicated to developing students for leadership and service to their communities. In that endeavor, the university is joined each year by over 100 local and international businesses whose executives participate in campus activities.

Special Thanks for the Contributions of These Dedicated Organizations

Laird Norton Company

Founded in 1855, Laird Norton Company (LNC) is a seventh generation, family-owned business headquartered in Seattle, Washington. The company evolved from a lumber operation in frontier Minnesota to a leading investment enterprise and family business advocate. LNC is focused on the continued stewardship of its established businesses, while forging new investments and partnerships that benefit its family, partners and community.

Today, LNC's investment focus is concentrated around three platforms: financial services, real estate and private equity investments in consumer businesses.

The Close to the Customer Project

The Close to the Customer Project (C2C) is a program of the College of Business at Oregon State University in Corvallis, Oregon. C2C provides businesses and organizations with professional marketing research delivered by student and faculty teams. C2C helps ensure that the right questions are asked. The project brings faculty expertise and research experience to the business community. Students working with the program experience learning opportunities that prepare them for marketing careers. C2C supports economic development by helping companies and organizations with innovation and new business development.

Riley Research Associates

Riley Research Associates provides organizations with research to help them make informed decisions. The company has over two decades of marketing research experience across a broad range of industries. Riley Research Associates works closely with clients to understand goals, formulate clear and attainable research objectives, and identify key audiences. The Riley team brings extensive experience in both quantitative and qualitative methods of information gathering and analysis, as well as knowledge and understanding of the most appropriate methods for collecting data.

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