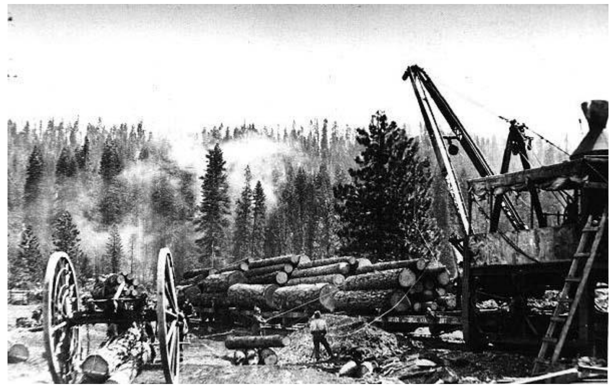

A Survey of Industrial-Scale Multigenerational Family Forest Owners Across the United States

October 2018

Chuck Henderson

Kathryn Fernholz
Tamara Cushing Ph.D.
Harry Groot
Ed Pepke Ph.D.

Dovetail Partners, Inc.

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Dovetail Partners and the authors extend a grateful "Thank You" to the eight industrial-scale, multigenerational family forest owning firms that funded this project.

Executive summary

This project focuses on families who own large tracts of forestland in the United States and manage them for economic return. This segment of forest owners has been further refined to those families who have been operating their family business for multiple generations. Specifically, this project seeks to understand the intersection of the family, business and forestry characteristics of these firms with the objective of sharing best practices and opportunities for the future.

Forty-three families participated in the project. They hailed from forested regions in the west, north and south and were further segmented into four acreage classes.

The responding family firms had a median of 98 years in business and four and a half generations of ownership. Over three quarters of family firms intend to continue to own and manage their forestland "for many generations to come". They have shown resilience and adaptability, changing industry sectors when necessary and making changes to their management structure and composition as required by business conditions or size and complexity of the enterprise.

The forestland was important economically and environmentally to these families and represented a median of 75% of their assets and business revenue. While the primary forest management objective was for timber/fiber production, they viewed the land as a link to prior generations and were committed to preserving their land for future generations. Most families had conducted conservation actions on their land, and three quarters had their forestlands third party certified for sustainable forest management.

The vast majority of these firms employed family members in the business and had done so for almost every generation. Most families were still relatively small, with a median of 25 members, 15 of whom were shareholders. Communication was fairly informal, often limited to the annual report and between individuals. Stock ownership was restricted to family members for over 80% of the firms. A majority had shareholder agreements and stock buyback provisions.

Although not universal, there appeared to be differences between those that owned less than 100,000 acres and those who owned more. To start with, those with more acreage had owned their land an average of 20% longer. Accordingly, they had more generations with more descendants and shareholders. They also had higher percentage of non-family shareholders, non-family managers and board members. The larger firms were more formal in their family relations as well, being more likely than smaller firms to have family councils, family employment and succession policies and specific programs to engage the next generation.

While many firms employed the services of family business advisors, use of the advice seemed to be mixed. A minority all firms, including large landowning ones, had policies or formalized practices in family employment, succession planning, share redemption, engagement of the next generation and communication. As these families continue to grow in generations and members, it will be important for them to bolster their family processes as they have their businesses. They have shown the foresight, planning and patience necessary to manage their forestlands sustainably for multiple generations, however it is often family sustainability that is hardest to achieve.

Introduction: Study focus and objectives

The National Woodland Owner Survey (NWOS) is conducted by the Family Forest Research Center[1] to understand who owns America's forests and why. The NWOS seeks information on the uses that these, primarily non-industrial[2], private forest owners have for their land and what their future plans are. Based on these surveys, and other research, various organizations have undertaken extensive studies of these landowners. However, there is minimal information specifically on the families that own and operate forestland on an industrial scale, and, therefore, few reports or studies that examine this demographic.

The focus of this project is on family firms who operate large, or industrial-scale, tracts of forestland and operate it as a business. The acreage benchmark used in soliciting family firms to participate was 30,000 acres or higher. An important question for this project is whether forest owning families who operate larger tracts of land for economic return manage their lands with a 'land ethic': including an appreciation for family legacy and conservation along with financial considerations. Does this same ethic motivate families to have stronger connections to the community and conduct philanthropic activities?

Trees can take 25 – 100 years to reach maturity depending upon the region and species. A generation is generally considered to be about 30 years, so multi-generational ownership matches up well with the silvicultural cycles in a forest, where the outcomes of decisions made today will be realized in decades, not months or years. Said one, "We make decisions based on 50-year rotations." Many family firms strive to take a multi-generational view and be consistent long-term stewards of their lands.

To capture the impacts of multigenerational family dynamics, the project restricts participation to those who have operated for at least three generations. The third generation is often called the 'cousin generation' where family interactions begin to become more complex.

The primary lens used in the project is that of the "Family Business[3]". The intersection of the business, forestland and family is examined. Business aspects include corporate structure, management, oversight, shareholders and employment practices[4]. Forestland aspects include management objectives, conservation and operations. Family aspects include values, generational considerations, governance, communication and involvement of the next generation. Intersecting these are questions about what the forestland means to the family and family engagement in the business enterprise.

Ultimately, this project is an attempt to develop an initial understanding of industrial-scale multigenerational family forest owning enterprises in the United States and to share this information with the broader forestry community.

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[1] Family Forest Research Center is a joint venture between the U.S. Forest Service and University of Massachusetts Amherst. It is funded under the United States Forest Services' Forest Inventory and Analysis (FIA) program.

[2] The United States Forest Service (USFS) defines a Non-Industrial Private Forest owner as those private forest ownerships that do not own a primary wood processing facility. A large number of these owners are family owners, called Non-Industrial Family Forest owners in this report.

[3] Refer to Appendix A: Definitions for definitions of terms used in this report.

[4] It was not in the scope of this project to consider financial or operational aspects of these businesses.

Large scale forest owning families – a snapshot

Forty-three family forestry companies participated in this project[5]. They came from regions in the west (42%), north (16%) and south (42%). Founded between 1820 and 1957, these family firms had a median[6] of 98 years in business. Twenty-three percent of the family firms started out only owning forestland (called Forestry Only in this report), while 44% started out in milling and acquired the forestland later and 19% of firms started both owning forestland and operating mills. Another 14% started in some unrelated field, such as naval stores, transportation, short line railroad, or the like. Those who did not initially own forestland, they acquired forestland a median of 15 years after they started business.

Ownership and Vision

The families in the survey have owned their forestland for a median of 94 years. The oldest family ownership dates from 1841 while the most recent dates from 1989. Figure 1 shows ownership duration by region. Families in the west have owned their forestland the longest, a median of 102 years, the north was next at 98 years and southern families have held their 90 years.

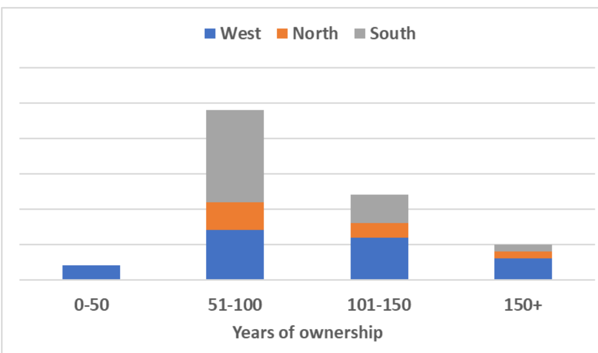

Figure 1: Years of Forestland Ownership

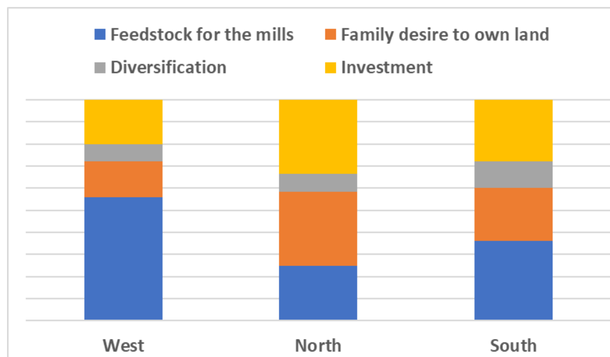

Figure 2: Reason for aquiring forestland

The primary objective given for acquiring forestland was to provide 'feedstock to the mills' (Figure 2). This was true in the west and south, not so in the north where the 'Family Desire to Own Land' and 'Investment' were the primary drivers.

The vision of the founder and "... a family commitment to follow that path" were the primary inspiration for family longevity in forestland. Following the path involves having aligned culture and values within the family and respecting family legacy and heritage. Families had a "deep affinity for our land," stating that "with trees you have options." Sustainable forest management and "healthy forests enables each generation to pass a valuable resource down to the next generation."

The dynamics within the family are also a factor in longevity: some credited "relatively small ownership group; family concentration of ownership", while others placed an emphasis on "lots of communication," family councils and a focus on the next generation.

[5] For an explanation of the methods undertaken to recruit family firms, gather and analyze the data, as well as definitions of the regions used in the project, please refer to Appendix B: Data and methodology.
[6] While averages are used in much of the data analysis, medians are employed when the data was skewed in one direction or another.

Strong competent leadership, a long-term strategic vision, solid decisions and adaptability were primary drivers of business success. “The future is more important than the present” was a core principle of one family. Family firms often view employees as “part of the family” and the loyalty that that engendered “carried the company through difficult transitions.”

Some families had very simple, straightforward reasons for their longevity: “Hard work, modest living and good decisions” and "Because we don't know better."

Forest size and sectors

Family firm forest size varied quite dramatically depending on the region (Figure 3). Fifty-seven percent of northern families owned between 30,000 and 50,000 acres, while 33% of southern families owned between 50,000 and 100,000 acres and 50% of western families owned between 100,000 and 250,000 acres. The largest acreage class, above 250,000 acres, was fairly evenly split amongst regions.

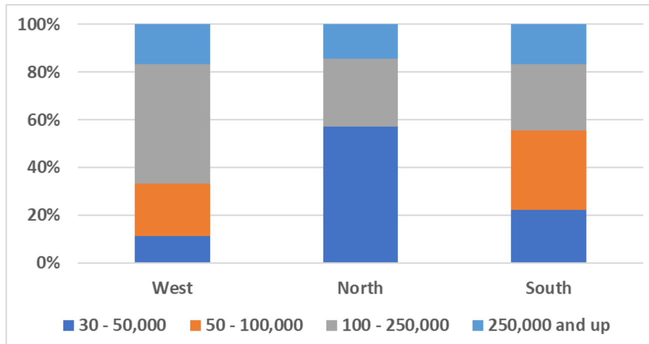

Figure 3: Acreage category by region

It is important to note that these industrial-scale family forests were often not a single common ownership. Rather, they can be a patchwork of different ownerships consisting of varied groups of individuals or trusts within the family. These ownerships were all operated with the same staff and management objective, however. Many of these ownerships were in the south.

Over time, family firms made transitions between industry sectors: from Forestry Only to multiple forest products or services businesses, or the other way around. Thirty-three percent of families were currently Forestry Only and they all own less than 250,000 acres. This includes 24% that owned mills or other related businesses to start with, but no longer do. The south has the highest percentage of family firms that were Forestry Only (50%), while the north has the fewest (14%), with the west at 22% (Figure 4).

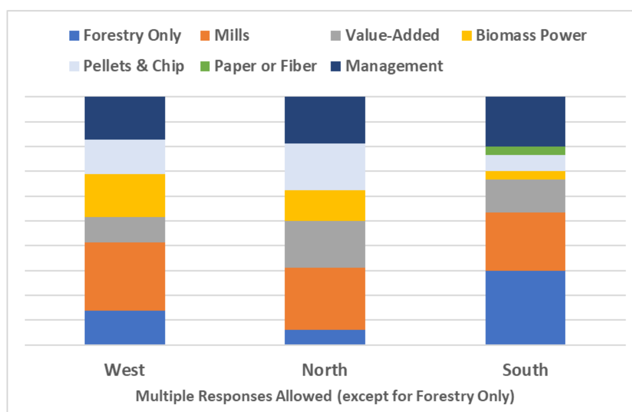

Figure 4: Forest business sectors

Forty-four percent of the families currently own and operate mills, while 34% manage land for others. Of those who started Forestry Only, 50% now were involved in milling or some other forestry related business; 30% of that same group also provides forest management for others.

Large-scale family forest owning firms were operating primarily in one or two forestry related sectors. Only 31% of firms operate in more than two sectors. Given the active export markets in pellets developing in the south, it was interesting to note that only 11% of family firms in the south operated pellet & chip facilities. On the other hand, 43% of family firms in the north, and 22% of western family firms reported operating in the sector. Biomass power was big in the west and the north, with around 28% of families participating. In the south, only 6% of families produced biomass power. Finally, more northern families provided Forest Management Services for other companies (43%) than those in the south (33%) or the west (28%).

Other forestry related businesses in which these families were engaged included log exporting, log sorting and corporation yards, log brokerage and lumber wholesaling.

Fifty-eight percent of family firms operated various non-forestry related businesses. These included blueberry farming, apiaries, vineyards, real estate development, apartment complexes, oil & gas exploration, banking, investment management and even a golf course.

The forestland was very important to these families, whether they were Forestry Only or operated in additional forestry related sectors. The forestland represented a median of 75% of their business assets. For almost half (48%) of the families, the forestland represented over 76% of their business assets. This was particularly true for those families with less than 100,000 acres.

As Figure 5 shows, families in the north had either most of their assets in forestland or very little. Nothing was in between. The west and the south had no families in which forestland was less than 25% of business assets.

The forestland represented a median of 80% of the family company revenue, on average. As would be expected, for those that were Forestry Only, the number was higher (85%) than for those with other forest related businesses (59%).

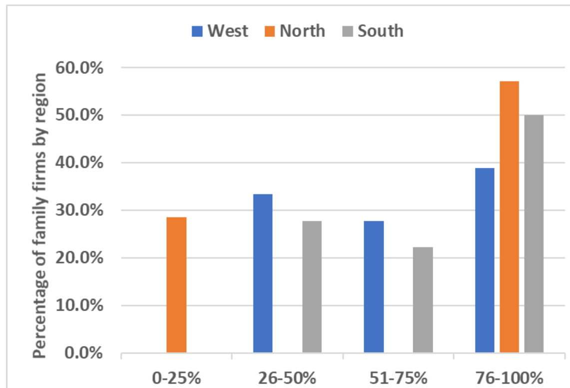

Figure 5: Percentage of business assets in forestland

Large scale forest owning families were in it for the long haul. The vast majority (77%) of family firms intend to continue to own their forestland "for many generations to come". Twenty-one percent indicated that they will stay in forestland "as long as they meet financial objectives" while 12% will do so "as long as they fit within in our portfolio of businesses and investments"[7].

Family dynamics

As could be expected, the families themselves are quite diverse. The median family size was 25 members. However, not all family members were shareholders; the median shareholder base was 15 (Figure 6). On balance, family firms with more acreage had more family members and shareholders (Figure 7).

[7] Multiple answers allowed.

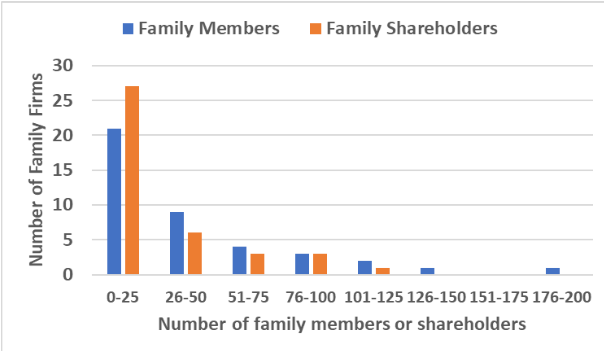

Figure 6: Family Population Distribution

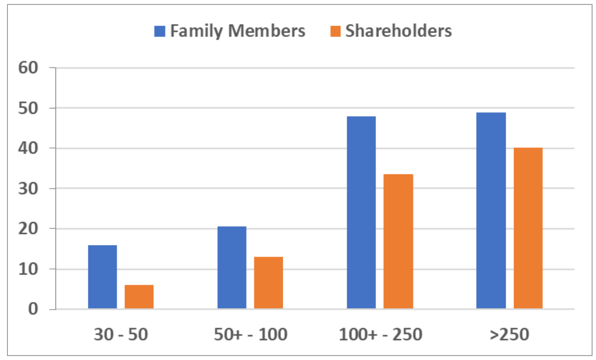

Figure 7: Family Population by Acreage Class

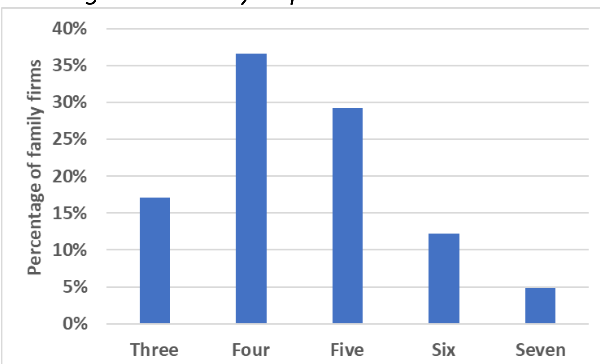

Figure 8: Generation Distribution

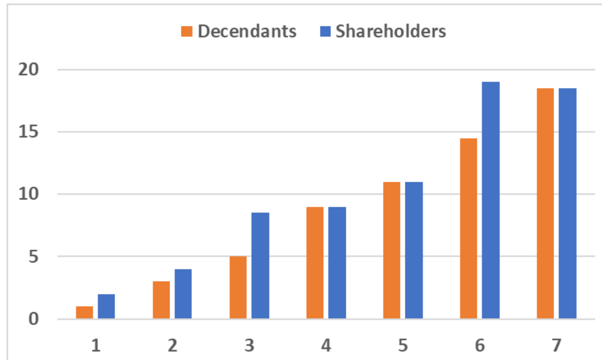

Figure 9: Family Population by Generation

The forest owning families in the project averaged 4.5 generations, distributed as shown in Figure 8. Those with between 50,000 and 100,000 acres were the newcomers with an average of 3.8 generations, while the firms with over 250,000 acres were in their fifth generation, on average. Not surprisingly, the number of descendants and shareholders both increase with each successive generation (Figure 9[8]).

The founding and the second generation were the most involved with the business. After that the number of firms where the third or later generation were employed at the family firm declines steadily, as does the percentage of each generation that works at the company[9].

Company management

The primary corporate structure for large-scale forest owning family firms was the S-Corporation[10]. Sixty percent of firms utilized the S-Corporation, with LLCs (35%) and C-Corporations (30%) the next most common. Partnerships accounted for 26% of the selections and 5% were Trusts.

Thirty-three percent of family firms utilized more than one corporate structure, with two firms utilizing four structures. Firms with more than 250,000 acres used two structures on average. There were several

[8] Note: this graph shows 'descendants (who have an ownership stake)' where others show total family members. Total family members per generation was not a question in the survey. Descendants who have ownerships stakes will be fewer than total family members.

[9] A more complete discussion of family employment is in the Family employment section later in this report.

[10] Corporate Structure Types: A C corporation is a corporation in which the owners, or shareholders, are taxed separately from the entity. A Subchapter S (S Corporation) is a form of corporation with 100 shareholders or fewer that provides the benefit of incorporation while being taxed as a partnership. Limited liability companies (LLC) are hybrid entities that combine the characteristics of a corporation and a partnership or sole proprietorship.

reasons for this including legacy ownership structures on the land and the different needs of manufacturing, forestland and service businesses.

Only 21% of firms have maintained the same corporate structures since their inception. The most common reason cited for changing corporate structure was to address tax issues (45%) followed by the need for corporate restructuring (27%). Twelve percent of families listed liability protection as the driving reason for structure change.

C-Corps were the predominant structure for the largest landowners (71%), although 57% of them used S-Corps as well. Northern families utilized the greatest number of corporate structures, with 90% using partnerships, making it the predominant structure in that region (Figure 10).

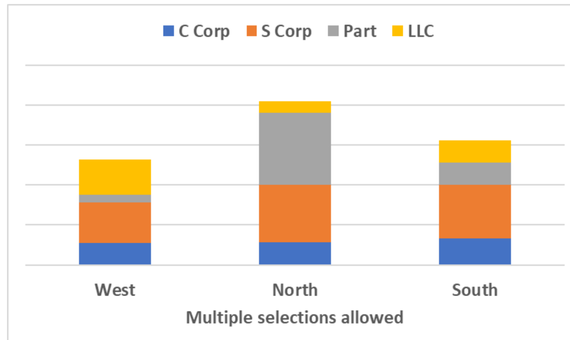

Figure 10: Organization type by region

Family firms employed a variety of documents to govern these entities. Seventy percent of respondents had Bylaws for their Board of Directors, and 58% had Shareholder Agreements. The total percentage of Shareholder Agreements was likely higher because they are often included in LLC Operating Agreements or Partnership Agreements. Other common documents were Operating Agreements (47%) and Mission & Vision statements (44%). The average company had 3 such governing documents. Two companies had all seven governing documents while six companies had only one.

The vast majority of companies (79%) were led by a Traditional[11] leadership of Chairman of the Board (CoB), Chief Executive Officer (CEO) and direct reports. This included all the firms with more than 250,000 acres. Nine percent of firms had a Patriarchal structure, where all decision-making authority resides on one individual, and a further 12% had a Collaborative structure, where a management board makes decisions as a group. This includes families with a multi-person Trustee board. Twenty-nine percent of northern families utilized a Patriarchal structure. Families in the west and south favored a Collaborative structure (17% and 11% respectively).

[11] For definitions of terms, see Appendix A: Definitions

The role of family in management

Top management composition varied widely (Figure 11). Family firms with less than 100,000 acres tended to employ primarily family members in top management. Sixty percent employed only family members. Firms with more than 100,000 acres tended to have a mix of family and non-family management. Forty-three percent employed both family and non-family while 35% utilized only non-family management. Fifty-four percent of Forestry Only firms employed only family members in top management.

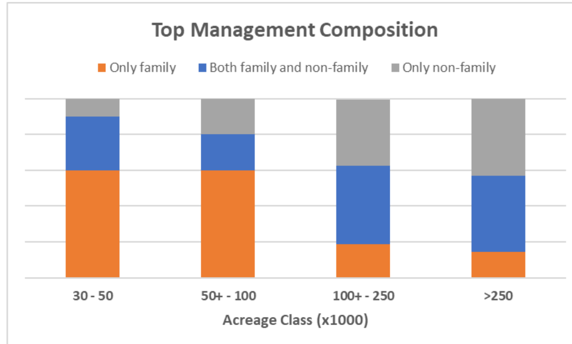

Figure 11: Top management composition

Sixty percent of firms were led by a family member in the Chief Executive role, including 86% of northern firms. Half of western families employed a non-family CEO. In 69% of the family firms the CEO was chosen by the Board of Directors.

Sixty-three percent of firms had a family member in the Chairman of the Board role, including 67% of western and southern families. Two firms had one person holding both roles. The Chairman was chosen by the Board of Directors in 53% of the family firms, while shareholders made the decision for 37% of the firms.

Forty-four percent of family firms had family members in both roles, while 16% had non-family members in both roles. Interestingly, 7% of families did not have anyone in the CEO role, and 19% did not have anyone in the CoB role, including 29% of northern families. Based on their particular structures, two families had neither a CEO nor a CoB.

Fifty-three percent of family firms had the same top management composition since the start of the firm. This includes 75% of those firms with less than 100,000 acres but only 35% of those with more than 100,000 acres. For those who have changed, most have done so based on a corporate restructuring or because they wanted to make the management more 'professional'. Generally, this meant moving from family management to non-family management or instituting a 'best person for the job' approach (Figure 12).

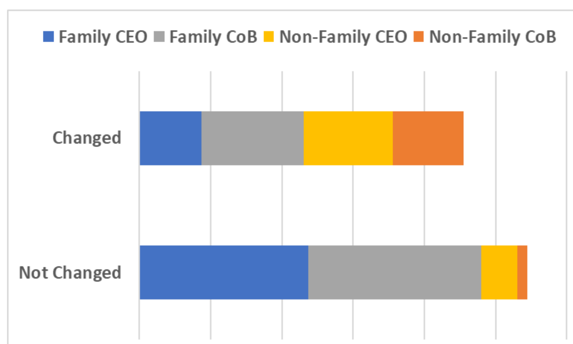

Figure 12: Chief Executive Officer and Chairman of the Board

Succession planning

Given the importance of family management leadership, it was interesting to find that 72% of family firms in the project had no formal succession plan. While the largest acreage class (43%) was more than twice as likely to have such a plan than the smallest acreage class (20%), it was still a minority of those largest firms. This was consistent across geography and number of generations.

Of those that had formal succession plans, 55% of them involved board members only, and they mostly addressed mandatory retirement age (which ranged between 72 and 80 years of age). Seventy-eight percent of family boards had no term limits for any board member, leaving age as the only determining factor. For those who did have a formal management succession plan, the plan had been in place for a median of 5.5 years and been used 1.5 times. Several families had an informal process and two families were in the process of discussing such a plan.

Board structures

The average size of the family forestry firm Board of Directors or Management Committee (Board) was six members. The largest board was twenty members and the smallest was two members. Thirty-five percent of family firms had only family members on the board. These tended to be the smaller landowning firms (Figure 13). Forty-three percent of Forestry Only firms had only family members on the board.

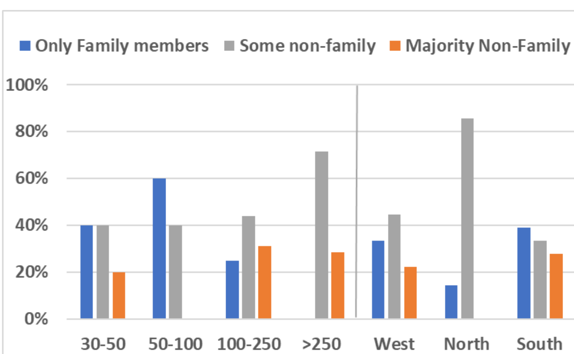

Figure 13: Board Representation

Development of a succession plan.

During a review of their business a few years ago, one family firm came to a couple of conclusions: first, that the business is owned by one family, not multiple families, and second, that it did not matter to them if a family member or non-family member runs the company. The skills required at the time and qualifications of individuals were more important. They brought on some outside board members to provide objectivity and tasked the board with developing the qualifications. So, while the decision to retire is up to the individual, the process is now in place to for the board to take the lead in determining the successor.

Non-family board members are often brought on to add specific expertise, experience in non-forestry businesses or to increase the trust in management by minority shareholders. Those firms which had non-family members on the board, the non-family members comprised, on average, 46% of the board. Sixty-nine percent of those with forest products businesses (e.g. milling) and 72% of those with non-forest related businesses (e.g. real estate development) had non-family members on their boards. Of those boards with non-family members, family members were a minority in 35% of them, averaging 31% of the seats.

Board membership and structure changed over time. Only 20% of firms had maintained the same board structure since the beginning. The reasons for changing were evenly split between becoming more 'professional' and bringing in outside members (36%) to business change or a death/family change (32% each).

Family branch was the selection criteria for 42% of family firm boards. A further 39% select based on skill sets and 19% based on family council recommendation. Ownership percentage was another selection criterion that was mentioned by several families.

Non-Family board members were selected based on skill set or specific industry (e.g. Banking or Real Estate). They were nominated by the CEO or other family members and approved by the board itself or go to a vote of the shareholders.

Compensation for members of the board was a complex matter. Sixty-two percent of firms provided some sort of compensation to board members, including all firms above 250,000 acres. Of those who provide compensation, 56% compensate all board members equally, including 67% of those that had a majority non-family member board. The rest of the firms (44%) compensated family members differently than non-family members. The approach varied widely, from no compensation for family members, to expenses only, to formulas based on committees, tenure or dividends received. Many firms did not compensate any employee of the company for board service, family member or not.

Bringing the next generation on Board:

One family has initiated a plan to engage the next generation by bringing them on as board observers. Existing family board members were asked to identify and recruit members of the next generation to attend. These observer members receive all board materials and can ask questions but cannot vote. Attendance is voluntary and the company pays their travel expenses. Future board seats are not guaranteed to these next-gen observers, but they do get a view into the business and bring their experience and perspective to the discussion.

Adding non-family members to the Board:

Family firm boards often bring on non-family members to add expertise and/or perspective to the oversight of the company. However, it can bring disruption to the board as well. To address this, one family firm brought one new outside director each year for three years. They did this to minimize disruption, but also to spread out the work of identifying, recruiting and vetting the potential directors. These outside directors have eight-year terms and then must leave the board. The family thought that if they stayed longer than that, they would become 'insiders' and the family would lose the 'outside perspective' they sought.

Thirty-eight percent of family firms did not provide any compensation for board members, including 71% of the family member only boards. Half of the Forestry Only firms did not provide compensation.

Dividend and distribution decisions were made by the Board of Directors for 79% of the family firms, while in 12% of the firms the decision was made by the Patriarch, CEO or Trustee. Eighty-four percent varied the amount to be distributed based on the performance of the company. In 16% of firms the dividend was fixed (although it could be adjusted due to financial circumstances). Two firms operating as S-Corps had one distribution to specifically cover tax obligations of shareholders and follow-on distributions based on income or some other formula.

Shareholders

Eighty-one percent of Family Forestry firms restricted ownership to family members (Family Shareholder Only firms). Larger landholding firms, however, were more likely to have non-family shareholders. For those that allowed non-family ownership, family still maintained control with an average of 80% of the stock. These non-family shareholders were mostly employees, but also included investors, other organizations and descendants of original partners. Some families considered spouses as non-family in their responses, while others considered them as family.

Sixty-eight percent of families had significant restrictions on who could own stock. This included 66% of the Family Shareholder Only firms and 50% of the firms that allowed non-family ownership. For Family Shareholder Only firms, ownership was generally limited to lineal descendants, although occasionally that was expanded to include spouses or adopted children. For those firms allowing non-family shareholders, a few had buy-back provisions, for instance when an employee would leave the company. Those family and non-family firms with less restrictive policies tended to have "right of first refusal" policies governing the transfer of shares. These provided either the existing shareholders or the company the opportunity to purchase / repurchase shares before they could be offered to others. These policies were documented primarily in Shareholder Agreements.

One family's shareholder process was quite simple – the older generation sells their shares back to the company while the younger generation buys their shares from the company. For this family, that simplified estate planning while ensuring that the next generation ownership was committed to the firm.

Most family firms (68%) had only one class of shares. Seventy-one percent of the firms with more than 250,000 acres had multiple classes of shares. These were primarily Voting and Non-Voting share classes, although a few had preferred shares.

A concept in family business management is 'pruning the branches' - the process by which those shareholders who no longer wish to own company stock can sell it. Fifty-seven percent of family forestry firms had such a documented process. Family Shareholders Only firms, or those in the west and south, were slightly more likely to have such a process. There was a great variety in method and approach to the process. For most, it was a buy/sell agreement that was documented in the Shareholder Agreement or the Operating Agreement. Others had a more elaborate process where a share price was determined, usually through an appraisal. Some had a pre-determined discount for non-control, others apparently leave that up to the appraisal.

There was usually an order by which the shares need to be offered – for example, to shareholders in the same branch as the seller[12], next to the company, and finally to all shareholders. One company set up an informal matching process through their shareholder-only website to connect buyers and sellers. When the company was the buyer, there was often some stipulation, such as all shares must be tendered, or how many shares the company was willing to redeem. To manage cash flow, the company frequently purchased the shares through a note with a term, say five to ten years.

One-third of family forestry firms provided some sort of financial assistance to their shareholders. Of those, the most common services were occasional short-term loan assistance or help with trust and estate management.

Annual meetings and communications

Many corporate structures (LLCs, C and S Corporations, etc.) require that there be an annual meeting of shareholders. Therefore, it was not surprising that 88% of firms had such a meeting. Those few that did not tended to be those in the smaller acreage classes. For example, 30% of those with less than 50,000 acres did not hold an annual shareholder meeting.

Most families (66%) hold their meeting at or near the company headquarters. Some family firms alternate locations or combine it with a family reunion. Sixty-one percent of families combine the meeting with some sort of forestry tour or activity while 56% also had some sort of family function. These activities were more common with larger ownerships (above 100,000 acres) and in the west.

These annual meetings were the primary method for the family firm to communicate with its shareholders. The other was one-on-one communication between shareholder and management. Forest tours outside of the annual meeting were available for 53% of family firms and 12% provided regularly scheduled tours for shareholders.

While the use of surveys and newsletters for communication increased for firms with higher number of shareholders, smaller firms made use of it as well. In one such firm, the CEO wrote a short, 1 ½ to 3-page newsletter, once per quarter, that was sent with the distribution checks (so he knows it will be opened). It covered what happened the last quarter, what should be expected for the next quarter – "just to let everyone know what's going on."

Since engaging the next generation is a concern of many family forest firms, it was interesting to see that the use of social media to communicate with shareholders was limited to 14% of family firms. Younger generations are very used to these platforms and sharing photos, videos and simple communication with them is a way of engaging them with what is going on in the business.

[12] To allow that branch to maintain its relative ownership percentage.

Use of social media

There are many uses for social media, including communicating with the public, policy makers and partners. One family has invested in developing their social media program and regularly posts videos, interviews and other content. They have invested in the personnel, equipment and production capabilities that allow them to tell the story of their forestland and operation, keeping a ongoing connection with these constituencies. They attribute their success to the vision, focus, consistency and commitment to the program over time.

Financial communication was important as well. Seventy-two percent of family forestry firms provided audited financial statements to their shareholders. Smaller landowners were less likely to provide such statements than larger landowners. Western firms were more likely to provide these statements (81%) than northern firms (71%) or southern firms (61%).

Forest management

The primary forest management objective for most forest owning families in this project was Timber / Fiber production (Figure 14). This was particularly true of those families for whom the forest was their primary business asset. There was also a strong interest in taking a long view with conservation of the asset by applying a lighter touch on the land. Families in the north had such an orientation with 71% of them selecting 'light touch forestry'[13] as their management objective. This may be due to the land use issues in the north (more public access), prevalence of hardwood silviculture and cultural aspects.

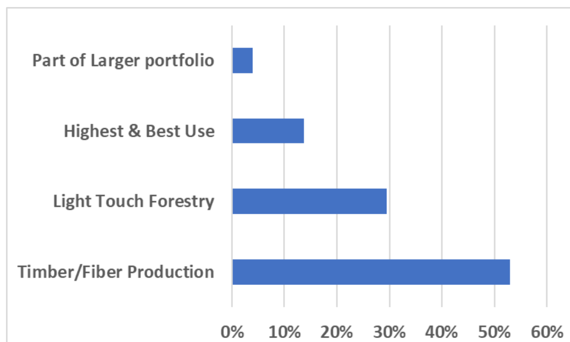

Figure 14: Forest Management Objectives

Family forest management objectives have been fairly consistent over time, with 74% saying that the management objective has 'always been that way'. For those who changed objective, it was either due to a previous business declining or gaining a new appreciation for sustainability. Said one family, "First and second generations were not committed to sustainable forestry. The third and fourth generations have been". Another noted, "We have adapted and evolved to survive as needed but the core has always been trees and wood products."

Ninety-one percent of family firms employed foresters on staff. The rest engaged the services of consulting foresters[14]. Some engaged a consulting forester to manage land which was too far away for their staff foresters to manage.

[13] In this project, the term 'light touch forestry' implies management that emphasizes silvicultural techniques such as uneven-aged management, single tree selection and a heightened sensitivity to conservation principles.
[14] The low number of families using consulting foresters may be a reflection of the survey process. See comments in Appendix B: Data and methodology.

Certification

Third party certification for sustainable forest management was utilized by 76% of family forestry firms. Although western firms and those with larger acreage were more likely to be certified, there was a clear preference for certification across acreage, regions and management objectives. The American Tree Farm System (ATFS) was the most popular program, with 61% of certified family forests utilizing it (Table 1). This was particularly true in the south where 91% of those who were certified participated in the system. The Sustainable Forestry Initiative[15] (SFI) was the most utilized system in the west, with 60% of families there certified (45% overall). The north used all three systems equally. Thirty-two percent of certified family forests used more than one certification program, and one family used all three.

American Tree Farm System	61%
Sustainable Forestry Initiative	45%
Forest Stewardship Council	35%

Table 1: Third Party Forest Certification Programs Utilized

Conservation practices

Families also undertook conservation activities on their land. Fifty-six percent of families in the project participated in some sort of formal or contractual conservation program, with an average of just under two programs per family forestland. The most popular such program were conservation easements, with 83% of these families implementing one, or more, on their land. This was the program chosen by 71% of the northern families. While western families also showed a preference for easements, they were the most likely to engage in other conservation projects, as shown in Table 2.

Formal / contractual conservation program	**West**	**North**	**South**
Conservation Easement	44%	71%	39%
Habitat Conservation Plans	28%	29%	11%
Safe Harbor Agreements (endangered species)	28%	0%	6%
Carbon Sequestration Credits (Voluntary or Compliance)	22%	0%	6%
Environmental Mitigation Banking	11%	0%	11%

Table 2: Conservation programs implemented

Sixty percent of family firms participated with a third-party organization to implement an informal or voluntary conservation activity on their land. These included projects such as meadow or stream restoration, tree improvement associations, longleaf restoration or pollinator encouragement. These projects were undertaken with various Environmental Non-Governmental Organizations (ENGOs) such as The Nature Conservancy, Wild Turkey Federation or Ducks Unlimited; or educational institutions and agencies such as state forestry and fish and wildlife agencies. Over 70% of families in the west and north engaged in these activities, while 44% of southern families did. Families played a pivotal role in making these projects happen on their land. Thirty-one percent of families introduced projects themselves, while

[15] Both ATFS and SFI are national sustainable forest certifications endorsed by the Programme for the Endorsement of Forest Certification (PEFC).

63% of families set the conditions whereby company employees recommended these projects for implementation.

Community and professional involvement

Family firms were very involved with their communities. Ninety-three percent reported support for local community organizations. In 52% of the cases this was driven by the company with support of the family, while in 38% it was initiated by family members themselves.

Families were also very committed to the industry. Again, 93% reported that they were part of a professional or industry organization[16].

Industry	67%
Professional	44%
Community	40%

Table 3: Direct family member involvement in organizations

Eighty-three percent of family firms reported that family members personally participated in these organizations, with industry organizations the most common (Table 3). Sixty-three percent of firms say that it was important that family members participate in these organizations in order to emphasize the family-based reputation of the company. This was especially true of northern families and those companies with over 250,000 acres of forestland.

Family employment

Seventy-nine percent of family forestry firms were employing at least one generation of family members. Of those, they average two generations employed (Figure 15). Seventy-seven percent of family firms employed at least one member in every generation since founding. Forty-five percent of these firms were in the south, 39% in the west.

Sometimes, the youngest generation would work in the company, but not yet own shares. Twenty-eight percent of firms fit that description. On the flip side, in 19% of firms the youngest generation of shareholders was not yet working in the business.

Of the 21% of firms which no longer had any family members working in the business, 67% were in the west. For these firms, family members worked in the business for an average of three generations prior to turning over the reins to non-family management. On average, they had been under non-family management for two generations.

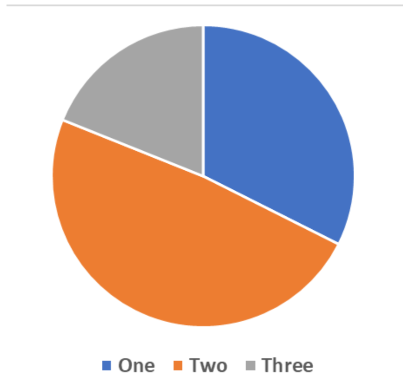

Figure 15: Number of generations working in the company.

Despite 79% of firms employing a family member, less than a quarter of them had a family employment policy. The largest landowners were the most likely to have a family employment policy, although each

[16] Examples are: Society of American Foresters (professional), American Wood Council (industry)

acreage class had at least a few firms with a policy. One family developed a written policy because "the situation can be tricky because [the shareholders] are all fractional owners." Another noted that while the previous policy "was more informal, now that there are more [family shareholders], the rules have to be clearer." Some restricted the number of family members ("One [family member employed] except during succession periods") while others required an advanced degree or work experience outside the firm.

Many firms, who did not have a formal policy, did answer family employment questions on the survey citing their informal policies, however. Including these in the analysis: about a third of the family firms reserve the Chairman of the Board or Management Committee for a family member (Table 4). Less so for the CEO or board members. For another third of firms, there were no positions that were reserved for family members.

Chairman of the Board	33%
No positions reserved for family members.	33%
CEO or Head of Company	18%
Board or Governing body member	16%

Table 4: Positions reserved for family members

Ninety-four percent of family firms had no restrictions on which positions a family member could hold. However, as one family noted, "A job is not a right of being a family member or shareholder." In order to be considered for a position within the family firm, 54% required family members to apply for open positions along with non-family members and be considered on their merits accordingly. There was recognition that "expectations are higher for family applicants." Twenty-nine percent had no requirements other than being a family member while 18% required some sort of mentoring program to be completed. Some firms looked for advanced degrees or recruited family members who majored in engineering or forestry.

Forty-nine percent of family firms had no formal requirements to meet to be considered for a leadership position with the family firm. Twenty-six percent required leadership experience outside of the family firm and 21% required building experience through rotations in different departments within the family firm. Eighty-five percent had no defined leadership development program. Of those few firms that did, most allowed both family and non-family members to participate in the program.

Although rare, sometimes family members have a related business which would seek contracts from the family firm. In those cases, 70% of family firms required family member owned contractors to compete for business against non-family contractors.

Family business advisors

Sixty-five percent of family forestry firms had utilized the services of a family business advisor in the past. Table 5 lists the most common service sought from these advisors. Other topics were the role and function of Trustees, governance and board nomination and estate planning. Slightly more than half of those who had engaged a family business advisor continued the relationship.

Internal family dynamics and cohesion	89%
Succession planning in the company	79%
Shareholder issues & dynamics	75%
Business organization and structure	68%

Table 5: Family Business Advisor Services

The larger the landownership, the more likely a family business advisor was engaged. Western and northern families were more likely than southern families to have engaged an advisor. However, southern families were more likely to continue the engagement over time. Family firms who had milling operations were more likely to engage an advisor and continue the relationship than those who were Forestry Only.

Use of the advice received appears to be somewhat mixed. Although 100% of those family firms who had a family employment policy had engaged a family business advisor, only 36% of those firms who had engaged an advisor had a family employment policy. While 75% of those family firms who had a written succession plan had engaged an advisor, only 41% of firms who had engaged an advisor for the purpose of succession planning, had a written succession plan.

Twenty-six percent of family firms, and 39% of those who had engaged an advisor extended that knowledge to family members through sponsoring participation in family business specific executive education programs. Of those, 36% also extended the opportunity to the employees of their family firm. Twenty-six percent of all family forestland firms, and 39% of those who had engaged an advisor participated in the family business community through family business focused events[17].

Family, forestland and legacy

To the families in this project, the forestland represents a link to prior generations and family heritage, as well as a resource that must be conserved for future generations (Table 6).

A link to prior generations and family heritage	70%
Conservation of resources for future generations	56%
Embodiment of the family's culture and commitment	49%
None - a source of Income	14%
A source of recreation for the family / community	5%

Table 6: Family values represented in the forestland

It is interesting to note that the most cited forest management objective of 'Timber / Fiber production' is business focused, while the most cited family value for the same forestland represents something more personal: 'A link to prior generations'. This may help explain why 77% of families intend to stay in forestland for 'many generations to come' – they have an emotional attachment to the land. The second

[17] These include events such as the Southeastern Family Office Forum, the Mountain West Family Wealth Forum or Family Business Magazine's Transitions conferences

most cited forest management objective and family value also supports this same intention. Both use the word 'conservation' – as in 'conservation forestry' and 'conservation of resources for future generations'.

Digging down a bit deeper, there were some variations:

- 'A link to prior generations' was the top choice for western and southern families.
- Northern families listed the 'Conservation of Resources for future generations' as top family value, which was consistent with their choice of management objective: 'Conservation / Light touch forestry'.
- 'Conservation of Resources for future generations' was the top choice for those who have owned their forestland for over 150 years.

Family councils

Family councils are created to facilitate communication, decision making and conflict resolution amongst family members. They are separate from the business but act as an interface between the family and the business. They can include family members who are not involved with the business.

Twenty-three percent of multi-generational family owned forestry firms had a family council. Given that the families in the project were in their fourth generation with a median family size of 25 members, of which 15 were shareholders, most were currently coming into the phase where the function played by a family council could become important. Those families with more than 50 shareholders had a significantly higher likelihood of having a family council as their coordination and communication challenges were greater. Ninety percent of those who had a family council had engaged with a family business advisor in the past. However, a full two thirds of those who had engaged a family business advisor did not have a family council.

Those families that did utilize a family council, the roles the council are listed in Table 7, below.

Schedule Family activities around the annual meeting.	90%
Interface between the Family and the Company.	80%
Maintain and communicate Family history.	80%
Assist in resolving larger family crisis's and conflicts	70%
Oversee and guide family philanthropic endeavors	30%
Oversee Internship programs.	10%

Table 7: Role of the Family Council

On the company interface front, the family councils for these families planned activities around the annual meeting and acted as an interface between the company and the family. Along those lines, some also provided "Ownership development and leadership development of the next generation" and help selecting family board members. On the family front, maintaining and communicating family history and assisting in resolving larger family crises and conflicts were important family council roles. Said one family member:

"The goal is to provide a place for all family members to strengthen family ties, discuss family matters, give input on shared assets, family activities and business matters (succession, community involvement, business strategy) , explore family values, traditions and history and become more knowledgeable about the business."

For those families who had family councils, the average size was seven members, with the largest being eleven members. Members tended to be elected onto the family council after being nominated to serve. Some families had determined seats on the council based on family branch or generation. Only 33% of families had term limits on the family council. Forty percent of family councils compensated members for their time, although all paid travel expenses. The majority of family councils in this report met quarterly, some more and some less frequently.

Engagement with the next generation, family heritage and forestland

As important as developing the next generation is for family business continuation, 63% of families had no specific program to engage the next/younger generation in the forestry business. Those who had such programs employed a variety of program types:

- Twenty-one percent had summer internships or work programs while 16% held a "Forestry Camp" or special tours for the next generation. Examples range from forestry and mill tours specifically targeted to the next generation to separate 'Academies' for children and young adults.
- One family sends members in their late teens/early twenties on an extensive wilderness leadership development program.
- Mentioned earlier, another family has non-voting board membership program for the next generation.
- Several hold 'education sessions' along with the annual meeting to help the next generation learn "what it means to be a shareholder, who are the board members and what they do."
- One engages the next generation by getting them involved with the family foundation.

Although a minority of all family firms in this project, those firms that had a program for the next generation tended to be northern and firms with greater than 250,000 acres of forestland. Family firms who run mills were more likely to have these programs than firms who were Forestry Only.

As noted earlier, 70% of families who owned forestland businesses saw the land as a link to prior generations and family heritage. Often times, family histories are passed down by word of mouth and stories, and sometimes they are written into books and recorded on videos. Seventy-four percent of families had a written history of the family business, a video that documented the evolution of the family, or both. Some of these were published and publicly available for purchase, but most were privately published for family members and employees. Several had their history documented with videos on their websites. Eighty-five percent had an archive of family company documents, mementos, photographs, and 57% of made them accessible to family members. While some families had their archives stored by a local university or the Forest History Society, most kept their own archives – some organized and some 'loosely collected'.

Fifty-six percent saw the forest land as something they were conserving for future generations. Developing a connection to the land is important to developing the stewardship ethic needed to make the decisions to foster long term asset conservation. It is interesting to note that 56% of families also had a cabin or some sort of retreat on the forestland property that family members could access. Northern and southern families were more than twice as likely to have such cabins as western families.

Observations

Multigenerational families who run their forestland as a business have a strong connection to their land and to their heritage. While acknowledging that the forestland is a source of timber for their operations, they see the land as a link to prior generations and are committed to preserving their land for future generations. Supporting the concept of a land ethic, a majority of families have conducted conservation actions on their land, and three quarters have their forestlands third party certified for forest sustainability. The stated desire of over three quarters of family firms is to remain in forest ownership for many generations to come. The long-term nature of forestry provides a consistency across generations that is unique to these family firms.

The family firms in the project take the long-term view in both business and family matters and are willing to adapt when necessary. Many firms have made transitions in which sectors they have engaged in, their corporate structures and management makeup. There is a commitment to family employment and participation in the business appeared strong. Over three quarters of family firms employed family members and had done so since the first generation.

While they have successfully invested in their business, operations and forests, many of the firms in this study have not applied the same attention toward the tools and processes that govern the intersection between the family and the business. Most firms have sought the help of a family business advisor, and many continue to engage them, but the adoption of some of the practices seems to be inconsistent. It is important to note that, with 51% of families having 25 or fewer family members and 68% having 15 or fewer shareholders, many of the families have not reached the size to warrant the adoption of standard family business practices.

While not exclusively the case, the minority of firms who have adopted family business practices have been those with more land, more generations, more family members and shareholders. These firms were more likely to have non-family members in the management team and board of directors; more likely to have family employment policies and written succession plans; more likely to have family councils; and more likely to have developed programs to engage and develop the next generation.

Ensuring that members of the next, or rising, generation are ready to assume roles of responsibility, whether as an employee or board member, is a challenge many firms are facing. Lessons can be learned from the 37% of firms who have developed programs specifically designed for young family members, including "Kids Camps" and education sessions around an annual meeting. These also function as team building events. As one family noted, "The kids get to know each other. Then, in high school, they *want* to come to [the annual meeting] to see their buddies." This engagement is continued through (sometimes mandatory) attendance at annual meetings and family events, participation in family philanthropy and/or observer status at board meetings. Providing communication that fits the way the rising generation consumes information can help keep them informed and engaged away from these meetings.

While the importance of communication is acknowledged, many of the forest owning families in the project may be underinvesting in it. Besides the annual report, the most common method of communication between family shareholders and the business is informally between individual shareholders and individuals in management. This works well with small numbers of mostly local shareholders but breaks down with larger numbers and greater geographic distance. Only 19% of firms utilize newsletters and a similar number use social media; 23% have family councils. Twenty-eight percent do not provide audited financial statements. If family shareholders understand what is being done on their behalf and feel that there is an 'open door' to ask question or see for themselves, trust is built that provides the operating license for the business.

Forest owning family firms have good control over their shareholder bases, with the vast majority limiting ownership to direct family members and have written buy-sell policies. For those who no longer wish to be part of the business, providing a way for them to sell their shares, even if there is no market from other shareholders, is important for family and business harmony. Fifty-seven percent of families have such a process, which is good, yet it means that 43% do not have one, including 34% of those in their fifth generation or higher.

Finally, families are committed to acknowledging and preserving their history and heritage. Almost all have archives of documents and memorabilia and many have produced written histories, videos and other accessible materials. Keeping that heritage alive and relevant, while ensuring that the business continues to meet the needs of the family is the challenge all family businesses. As families get larger and more complex with additional generations, it is often family issues, not business issues that cause difficulties.

Bottom line

There has been much studied and written about the non-industrial private forest landowner, mostly focusing on the family forest owners. This project examined a different subset of family forest owner in the United States: the industrial-scale multigenerational family forest owner. The intersection of the family, business and forestry characteristics of these firms was examined with the objective of sharing best practices and opportunities for the future. These family firms have shown resilience and adaptability, changing industry sectors when necessary; making changes to their management structure and composition as required by business conditions or size and complexity of the enterprise. Because they have owned and managed their land through multiple generations, family history is intertwined with that of the land and the business. As these families continue to grow in generations and members, it will be important for them to bolster their family processes as they have their businesses. They have shown the foresight, planning and patience necessary to manage their forestlands sustainably for multiple generations, however it is often family sustainability that is hardest to achieve.

Opportunities and topics for further investigation

There is a dearth of information about family businesses which own and operate forestland on an industrial scale. As this may be the first such project, it can only be considered an initial step toward developing a more nuanced understanding of the issues faced by these firms and the best practices that firms have developed to address them. There is a need for this information as most of the firms in this project are entering the phase where the need for more structured tools and processes are warranted to govern the increasingly complex intersection between the family and the business. More research is needed to provide the information and tools that these family firms will need to accomplish their intention of owning their forestland "for many generations to come". Some suggestions for additional research are below:

Reaching out to additional family firms to participate and enhance our understanding:

- Those families without a public persona - who are managed by consulting forester organizations.
- Those families who were not able to participate in the study during the first iteration.

Expanding our understanding of family / business / forestry systems and dynamics:

- What can be learned from family firms who sold their forestland? What was the motivation for the decision? What business and / or family considerations that were involved?
- How has the understanding and application of sustainability and conservation principles developed in family firms over the generations? How have family values influenced the consideration and adoption of these principles?

Explore the evolution of family forest owning firms as their family and business processes adapt to the realities of larger number of family members and shareholders.

- What are best practices in engaging and developing the rising generation? Specific stories and examples along with how they came to develop their program and how it has been working. How do these programs evolve as the shareholder base grows and/or the business grows in complexity and sophistication?
- How does a growing family, and shareholder base affect the business? Do families seek to grow or evolve the business as the shareholder base grows; do the shareholder ownership portions decline along with their relative dividends; or does the shareholder base remain constant or shrink through buybacks while the business remains stable?
- How family firms have 'pruned the branches" through share buybacks or buyouts.   How have these programs been developed and their effectiveness in implementation? How many have left over time and what was the impact on the enterprise and family.
- As family businesses mature over generations, families often move away from family branch identity and begin to see themselves as one large and diverse family. How do families evolve in this direction? How does this affect those families who have a varied forestland ownership?
- At what stage have families sought and implemented greater formality and structure in their processes? How have they managed the evolution within the family?

Appendix A: Definitions

The following terms are used throughout the report. Families firms have many different terms, names and titles for similar functions. In order to provide some consistency within this project, the following definitions were used. These definitions are deliberately broad so that they can encompass similar functions (with different names) in different organizations.

General Terms	
Board of Directors	Primary priority & policy setting and oversight body with responsibility for representing the shareholders in the management of the Company.
Business	A general term to represent the activities and practices involved in the industry.
Chairman of the Board (CoB)	The Board of Directors member who directs the work and is responsible for the governance of the board. This can sometimes be the CEO, but often is not.
Chief Executive Officer (CEO)	The person in charge of the Company.
Company	The specific economic operating organization of which the forest property or forestry operation is owned or held.
Family	A broad term that encompasses all branches and generations of the familial group, including direct descendants, spouses, adopted children, etc.
Family Council	A body of family members who organize and oversee family engagement in both company related and family specific affairs. Family councils often act as family interface to the Company.
Family Branch	A group of members of a family who all have the same ancestors
Family Business	Family businesses are those in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time.
Family Business Advisor	A family business advisor is a consultant who specializes in advising family businesses to optimize the interdependent family, business and ownership systems.
Family Members	All members of the familial group, independent of whether they are shareholders or not.
Shareholder	Anyone with an ownership stake in the organization that owns the forestland.

Corporate Structure	
Traditional	Has a Board of Directors, CEO and division or department heads
Collaborative	Has a Family Management body taking the role of CEO
Family Office	Has a third-party firm taking the role of CEO
Patriarchal	Firm is run by a Head of Family with direct reports, no Board of Directors

Other Terms	
Forestry Only	Forestry Only firms are those which own forestland, but do not operate in other sectors such as milling, forest management for others, biomass power, etc.
Family Shareholder Only firms	Firms which restrict their share ownership to family members.

Appendix B: Data and methodology

The data for this project was collected using an 89-question written survey augmented by follow-on interviews, clarifications and inquiries. The survey contained questions on family and company history,; demographic information; company governance and management; forest management objectives and community and industry engagement; interaction between the family and the company; and family values, processes and legacy. Financial or operational data from these firms was not in scope.

To identify survey participants, a 2014 industry database was utilized to try to sort out who was likely family based. This was augmented through referrals and references received from forestry consultants, industry organizations, state forestry departments and other forestry firms.

Family firm were contacted individually, and the project, objectives, methodology and process were discussed. Only those who agreed to be part of the project were sent surveys. Because of this individually focused approach, a 77% return rate was achieved.

Data from the survey was entered into a database by the author. To maintain confidentiality, each company was given a numeric identifier and text entries were made anonymous. Only this information, and not the survey itself, was shared with collaborators.

When evaluating the information, the family firms were categorized by geography and acreage. The categories were designed so that there were sufficient numbers in each to allow for meaningful data analysis and no single family firm would have an outsized influence in the category. There were four acreage categories: 30,000 to 50,000 acres, 50,001 to 100,000 acres, 100,001 to 250,000 acres and 250,001 and over acres. The geographical categories were:

- West: California, Oregon, Washington, Idaho and Montana
- North: Maine, Vermont, Massachusetts, New York, Pennsylvania, West Virginia, Michigan, Wisconsin
- South: North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Arkansas

For those family firms that owned land in multiple regions, the region where the family firm was headquartered was chosen as the region for reporting.

<u>Limitations:</u>

Due to the method of reaching family firms individually and gaining approval for participation, there is some bias to the data. Family firms with a public profile were generally reachable. These types of firms operated a commercial enterprise such as a mill, had a public presence, such as a developed website, or were engaged with industry or state organizations. Those families who did not have this public profile, such as those who utilize consulting forestry organizations to manage their land, were much more difficult to reach. Outside of those whom the author knew personally, these families could not be persuaded to participate, despite efforts by several supportive consulting forestry firms. The data in this project could be improved with a broader participation of these families, as well as other families who did not participate the first time around.

Appendix C: Profiles of family firms by acreage class

In this Appendix the characteristics of family firms in the four acreage classes are described. While the main body of the project discusses forestry, business and family practices in more detail, this section gives the reader a view into what makes each group unique. A summary table is provided at the end of this section.

Family firms with 30,000 to 50,000 acres of forestland

This group of families made up 23% of the firms in this study. Twenty percent of this group were in the west, while 40% each were in the south and north. They had been in business for a median of 112 years and in forestland for 90 years. Most of the families in this group started in milling and remain so today. The forestland represented 80% of their family assets and provides 75% of the revenue.

They were in their fourth generation with a rising fifth generation. Median family size was 16, of which 6 were shareholders in the family firm. This was the smallest average family and shareholder size amongst the acreage classes. Ninety percent of firms employed family members, 1.9 generations worked at the company on average and 70% of the firms had employed every generation.

The S-Corporation was the most commonly used corporate structure. Sixty percent of firms utilized a Traditional management structure while Collaborative and Patriarchal structures were 20% each.

Given the smaller size of these family firms, it was not surprising that most top management roles were filled by family members. The Chairman of the Board role was somewhat more mixed: 50% had a family member Chairman and another 40% had no one in the Chairman role. Sixty percent of the firms in this class engaged non-family members on their Board of Directors. Average board size was 7.5 members with three of those members non-family.

All firms in this acreage class had only family members as shareholders. Seventy percent had only one class of shares and 60% had a defined share buyback plan to help with 'pruning of the branches'. Sixty percent engaged a family business consultant but only a third of those continued the relationship.

Seventy percent of firms had an annual meeting of shareholders. This was the smallest percentage among all acreage classes, probably reflecting the smaller size of these families and shareholder bases. Sixty percent of those meetings were held at the family firm's main office. Seventy percent provided third party audited financial statements to their shareholders.

As to the forestland, 80% listed timber/fiber production as the primary management objective. Ninety percent planed to stay in forestry for many generations to come. Both were significantly higher than the other acreage classes. To these families, the forestland represented the 'Embodiment of the family's culture and commitment' as well as 'A link to prior generations and family heritage'. Half of the family firms had implemented a conservation easement on their land and 60% had partnered with a conservation organization to implement a program on their land. Maintaining this connection to the land and company, 60% had cabins that can be used by shareholders and half had a written family or company history.

Family firms with 50,000 to 100,000 acres of forestland

This group of families also made up 23% of the family firms in this study. Forty percent of this group were in the west, 60% were in the south and none were from the north. They had been in business for an median of 84 years and in forestland for 81 years, both were shorter that the other acreage classes, making this class the relative newcomers. Forty percent of these families started Forestry Only, and that has grown to 50%, the highest percentage of all acreage classes. Fifty percent started in milling, but only 30% were operating mills today. The forestland represented 85% of their family assets, highest among all other acreage classes, and provided 90% of company revenue.

Median family size was 21, with 13 shareholders. In line with their relative recent arrival in the business, they were in their third generation with a rising fourth generation, the lowest among all other groups. Of the 90% of firms in this class which employ family members, all had employed every generation and 2.1 generations worked at the company on average, highest among all other classes.

There were a mix of company structures. Sixty percent of firms utilized a S Corporation structure and 50% utilized LLCs. Seventy percent had a Traditional management structure and 20% had a patriarchal structure. Sixty percent of firms had only family members in top management. The CEO and the Chairman of the Board were family members in 80% of the firms, highest amongst all acreage classes.

The Board of Directors in this group were primarily made up of family members. The average board size was 5.7 members, with 4.8 members family. Sixty percent of firms had only family members on the board.

Ninety percent of firms allowed only family member shareholders. Sixty percent had only one class of shares and 50% had a formal share buyback / exchange process. Only half provided audited financial reports to their shareholders, lowest among all acreage classes. Also, half of the firms had used a family business consultant to advise them, and 80% of those had retained the consultant's services on an ongoing basis, the highest retention percentage amongst all classes.

Ninety percent hold an annual meeting of shareholders. Most of those meetings were at the company's offices, but 40% also hold them near the forestland. Although most firms did not have any special programs for engaging the next generation, half had forestry tours or education sessions in conjunction with their annual meetings.

Timber/Fiber production was the primary management objective for 60% of the family forestlands. Twenty percent used Consulting Foresters, highest amongst all classes. The forestland represented 'A link to prior generations and family heritage' (80%) and the 'Embodiment of the family's culture and commitment' (60%). Maintaining this connection to the land and company, 90% of firms had cabins that can be used by shareholders, highest among all acreage classes, and 70% had a written family or company history.

<u>Family firms with 100,000 to 250,000 acres of forestland</u>

This group of families made up 37% of the family firms in this study, which made it the largest group in the study. The majority of this group (56%) were in the west with 31% in the south and 13% in the north. They had been in business for a median of 115 years and in forestland for 108 years, longest among all acreage classes. While half of this group started in milling, only 31% still operate mills. Thirty-eight percent were Forestry Only, up from the 19% who started that way. The forestland represented 73% of their family assets and provided 90% of the revenue.

Families had a median of 48 members, 34 of whom were shareholders. They were in their fourth generation with a rising fifth generation. Twenty-five percent of firms in this class did not employ family members and had not for 3.3 generations, on average, highest amongst all classes. Of those that did, on average 1.8 generations were employed and 69% of the firms in this group employed at least one person from every generation.

Sixty-three percent of the firms in this class utilized an S Corporation structure and 31% utilized an LLC. Eighty-eight percent had a Traditional management structure. Only 19% of firms had exclusively family management. Half had a family member CEO and slightly more than that had a family member Chairman of the Board. Thirty-one percent had a formal succession plan.

Average board of directors' size was seven, with four family and three non-family members. Twenty-five percent had only family members on the board, while 31% of the boards had a majority of non-family members, the smallest and largest, respectively, of all acreage classes. Forty-four percent of firms paid all board members equally.

Thirty-one percent had non-family shareholders, highest amongst all classes. There were only one class of shares, and 50% of firms had a formal share buyback / exchange program. Eighty-one percent provided audited financial statements to their shareholders.

Annual meetings were held at the company headquarters only about half the time. At other times they were held near the forestland or at some other location. Sixty-three percent held educational events in conjunction with the meeting, including forest tours, and 44% had some sort of family event as well.

Timber/Fiber production was the management objective for 56% of the family firms, while 38% utilized more of a conservation approach. The forestland represented 'A link to prior generations and family heritage' for 81% of the families, and 'Conservation of resources for future generations' for 75%. Accordingly, 56% partnered with a conservation organization to implement a project on their land and 94% of the firms in this class utilized a third-party certification, the highest amongst all classes.

Three quarters of families used the services of a family business consultant, highest among all acreage classes, and half of those continued to be engaged. Thirty eight percent of these families had a family council, the highest amongst all classes.

As far as engaging the family in family history and the forest land, 81% of the families had written family histories. However, only 25% had family cabins on the land, the lowest percentage of all classes.

Family firms with more than 250,000 acres of forestland

These families represented the smallest class in the study, 16% of the total. Most were in the west or the south. They had been in business a median of 95 years and had owned their forestland for an average of 90 years. Seventeen percent started in both forestry and milling and the same percentage continues to mill today. This group was engaged in the most forestry related sectors, including pellets & chips and forest management for others (both 57%). Despite being the highest acreage class, forestland represented only 50% of family assets and 45% of family revenue, the lowest percentage of all classes.

This class had a median of 49 members and 40 shareholders, both the largest number of any class. They were in their fifth generation, most amongst all classes. All firms in this class employed family members, and 86% had done so for every generation. Fewer than two generations worked at company. Accordingly, 43% had a formal family employment policy, highest amongst all classes.

The most common governance structure was a C Corporation (71%) with S Corporations next (57%). Forty-three percent of firms had no family members in management positions. Most firms had a non-family CEO (57%) and a family member Chairman of the Board (71%). Forty-three percent had written succession plans, the highest amongst all classes. All firms thought it important that family members represent the company on external industry and community boards and organizations.

These firms had the largest Board of Directors, with an average just over eight. They tended to be evenly split between family and non-family members. No firms had only family members on the board. As a result, all the firms in this class paid compensation for board service, with 57% differentiating between family members and non-family members.

Twenty-nine percent of firms had non-family members shareholders. Seventy-one percent had multiple classes of shares, by far the highest percentage of any other class. Eighty-six percent provided third-party audited financial statements to their shareholders, also highest amongst all classes.

All firms had an annual meeting and most of the time it was at the company headquarters. Forestry tours or education at the annual meetings were offered by 71% of the firms and many had family gatherings. Family business consultants were engaged by 71% of the firms and 60% retained the engagement.

While 'Timber/Fiber production' and 'Conservation Forestry' were management objectives, this group also had the highest percentage indicating 'Highest and Best Use' as an objective – indicating that this group engaged in more development activities. 'Conservation of resources for future generations' was the highest family value for the forestland.

This class was the most engaged with conservation; 86% had their land certified by a third-party certifier. Eighty-six percent had conservation easements, highest amongst all classes. Environmental mitigation banking, carbon sequestration credits to safe harbor agreements were also utilized.

These families were the most focused on engaging the next generation. Fifty-seven percent had summer internships while 43% had Forestry Camp or special tours for the younger set. Seventy-one percent had family cabins on the land and 86% had a written family history, highest amongst all classes.

Profiles Summary Table

Characteristic	30,000 to 50,000 acres	50,000 to 100,000 acres	100,000 to 250,000 acres	more than 250,000 acres
% of family firms in this study	23%	23%	37%	16%
Geographic Distribution	40% each in North and South	40% West, 60% South, 0% North	56% West, 31% South, 13% North	Majority in West or South
Years in Business Years in Forestry	112 90	84 81	115 108	95 90
Forest was %: Family Assets Co. Revenue	80% 75%	85% 90%	73% 90%	50% 45%
Avg. Members Shareholders Generations	18 13 4.4	27 13 3.8	66 38 4.6	53 53 5.0
Employ Family	90%	90%	75%	100%
Employed every generation	70%	90%	69%	86%
Top Management	60% only Family	60% only Family	44% Family & Non-family	43% Non-Family
CEO: Family Non-Family	70% 20%	80% 20%	50% 38%	43% 57%
Board: Family Non-Family	3.5 3.0	4.8 0.9	4.1 3.1	4.3 4.1
Board Family only	40%	60%	25%	0%
Non-Family Shareholders	0%	10%	31%	29%
Share exchange / buyback program	60%	50%	50%	71%
Annual meeting Tours / education	30%	50%	63%	71%
Family Gatherings @ An. Meeting	40%	40%	44%	71%
3rd Party Certified	40%	60%	94%	86%
Conservation Easement	50%	30%	38%	86%
Engaged Family Biz Consultant	60%	50%	75%	71%
Family Council	10%	10%	38%	29%
Internships or Summer Work	20%	10%	13%	57%
Cabins or Retreats	60%	90%	25%	71%
Written Family or Company History	50%	70%	81%	86%

www.dovetailinc.org

528 Hennepin Ave., Suite 703 Minneapolis, MN 55403 USA

info@dovetailinc.org | **Phone:** +1 612-333-0430 | **Fax:** +1 612-333-0432

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