THE MONTHLY CEO ADVISORY™

SEPTEMBER 2021 VOLUME 2, ISSUE 9

Dear Friends,

I am pleased to provide you the September 2021 issue of ***The Monthly CEO Advisory***™.

My article this month covers the nine toxins destroying growth. Growing top line revenue in any company is a challenge but it becomes more difficult when those responsible for selling, whatever their title is, do it so poorly that they are a detriment to their employer.

Leading a business is the single most challenging task someone could ever take on, and as you know, it is all consuming. This means that you likely have little time to learn about all the subjects you should. To make it easier for you, each of our articles are short (only one page) and include the following categories:

- Growth & Profits
- Tax News
- Human Resources Compliance
- Commercial Insurance
- Manufacturing Excellence
- Information Technology
- Company Benefits
- CFO Insights
- We Can Do Better
- Alternative Financing
- Social Media
- Insolvency Advising
- Estate Planning
- Mergers & Acquisitions
- Business Law

Please feel free to pass along the CEO Advisory to others in your network who might benefit from learning something that could positively impact their business.

Please enjoy all the articles in this issue and thank you for allowing us to be part of your continuing business education, growth and success. Stay safe.

Sincerely,

Ken Keller

Ken Keller
CEO

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Business Growth Opportunities to Consider in 2021

The Monthly CEO Advisory is a publication for business leaders. Please enjoy the articles, send us any suggestions of topics you would like to see covered and pass this on to others so that they might benefit. Thank you. Ken Keller

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BUSINESS GROWTH & PROFITS

9 TOXINS DESTROYING GROWTH

CEOs would be wise to remember General George Patton's preaching "A good plan violently executed right now is far better than a perfect plan executed next week."

My question is: where is your Profitable Growth Sales Plan? You can execute a good sales plan, but you can't execute a plan that doesn't exist. Let me share the nine toxins that destroy your chances for sales growth starting with the lack of a written sales plan for your company.

This means total reliance on each person in sales to dream up and execute their own magic plan. But they don't have a plan, and never did; this explains why sales have been flat or declining despite the words from sales that things will turn around soon.

The second is your out-of-date sales comp plan. Nothing says "Thank you and I will work harder" than big commission checks.

The third is the lack of clarity what kind of business you want to pursue. Minus clear direction, sales will bring in all the low hanging fruit they can reach, and much of it will be rotten.

Fourth, there is no company-wide prospecting effort. Your best closers will bumble through prospecting instead of investing time signing deals. The rest will, figuratively, drink poison to get out of the torture of prospecting.

Fifth is failure to launch. The most valuable time for selling is during normal working hours; usually 7am. to 6pm. The average salesperson doesn't make their first call before 11am. Look out for people running out for a quick client visit followed by a long lunch, more than half the day already wasted.

Next, the typical salesperson is happy to spend seventy one percent of their time in admin work (34%) or in other, blissful, non-revenue producing activities (37%), because it's easier than selling.

Seventh, just fifteen percent of a salesperson's day is spent with current clients, making that income vulnerable for the taking by the competition.

Eighth, a full 50% of all sales calls end not moving the relationship forward.

Toxin nine is the frequency at which salespeople give up on possible buyers. After the first call, half of all salespeople give up. Following the second call, a full 65 percent of salespeople have given up on the prospect. Once the third call is completed, 79 percent of salespeople are done with the prospect. After the fourth call, 90 percent of salespeople won't make another call on the prospect.

Yet, research suggests that by the eighth call, not only has a relationship started to form, but the salesperson is also the only person who has been both consistent and persistent in pursuit of the business opportunity.

If you, the CEO, desires better sales results, if you want to drive these toxins from your company, your role must change to be one of teacher, coach, and enforcer. You must set into motion what is needed to consistently improve the sales skills of all, from rookie to the old pro; you will need to get out of the office, investing time with everyone to coach for improvement, and you will need to enforce a policy of "achieve or else."

Ignore these toxins at your own peril.

Visit StrategicAdvisoryBoards.com today to learn about nationwide peer groups on Zoom or call Ken Keller at 661.645.7085.

Ken Keller

Ken Keller facilitates Strategic Advisory Boards, bringing small & midsize company CEOs together to improve planning, performance and growth to increase revenue, execute plans, and grow profits. SABs meet via Zoom and clients are worldwide, in just about any industry.

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TAX NEWS

SUBJECT LINE: HELP WANTED

David Stone

IRS Solutions Valencia, Inc.

www.FormerIRS.com

We help clients in dealing with IRS collection and audit issues of individuals and small, midsize and large businesses throughout the United States.

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Fifteen months of Covid-19 have changed the face of "employment" here in America. The pandemic wiped out 20 million jobs, yet employers are struggling to hire while employees reevaluate their post-pandemic plans. Can you spin your old position into a work-from-home opportunity? Should you take advantage of soaring housing prices to make a killing and move somewhere cheaper? Is now finally the time to step off the urban treadmill for that "simple life" you always said you wanted?

Last month, McCormick & Company — makers of Cholula, French's, Lawry's, Old Bay, and Zatarain's — announced they're hiring for the coolest job ever: Director of Taco Relations. It's a dream gig for millions of taco fans everywhere. You'll be McCormick's "official eyes and ears for all things taco." You'll "make sure nobody ever misses a Taco Tuesday." You'll settle meaty taco debates. (Hard shell or soft? Flour or corn?) No previous taco experience required! Best of all, it pays $25,000 per month for just 20 hours per week. Interested? Sorry they are no longer accepting applications.

OK, there are probably only about three of you who didn't just leave for a new career. But if you're still reading, there's one special feature to tickle our tax pro taste buds, buried deep in the bullet points in the "Terms & Conditions" section. Specifically: "Execution of an independent contractor agreement will be required."

That's right, taco lovers. This isn't just a J-O-B. It's a business — with all the tax breaks an independent contractor's business allows!

McCormick says the engagement includes travel to their HQ in Maryland and "other taco locations in the U.S., approximately 10% of the time." (We didn't realize Maryland was a "taco location" — and we can't see truly embracing the role without exploring south-of-the-border destinations like Oaxaca and Guadalajara — but whatever.) The posting doesn't say anything about expense reimbursement, so those costs will probably bite into your own pocket. But as a contractor, you can deduct them, whereas W-2 employee are out of luck.

Your contractor status also lets you whip up some tasty benefit plans, like a SEP or 401(k). If you're married, hire your spouse to help make the tacos and pay them with a medical expense reimbursement plan. Hire your kids as taste-testers for tax-free wages up to $12,550. And while you'll owe self-employment tax on your Schedule C income, you'll get to deduct up to 20% of it as qualified business income. If you're already operating another business as an S corporation, you can run the taco income through it to avoid FICA. The possibilities are as endless as the recipes!

The gig promises "taco immersion (and eating) sessions" and "an assortment of McCormick Taco Seasonings and other McCormick products." Ordinarily, those would be taxable at fair market value under Code Section 83(a)(1). However, given the nature of the work, we would argue that's nacho problem — the tacos and spices should be nontaxable under the same principles governing "working condition fringe benefits."

What's the catch? Well, the whole thing lasts just four months. But it's going to change someone's life, and it might as well be yours! Call us when McCormick's or any new employer makes you an offer, and we'll help you sniff out the freshest tax breaks your new position offers.

COMMERCIAL INSURANCE

EIGHT CORE ELEMENTS THAT EVERY CYBER POLICY SHOULD INCLUDE

The number of different policies available for cyber liability coverage along with an increasing number of endorsements that can be added to policies makes data breach coverage harder and harder for brokers to assemble, and insureds to understand. The failure to craft appropriate coverage into a Cyber policy could be considered a threat to your company as dire as a Cyber-attack itself. Here are 8 core elements that should be included in any Cyber policy:

- **FORENSIC EXPENSES:** Your company will have to investigate what happened, how it happened and what data and information has been compromised. The cost to hire an outside forensic team can be significant, so Forensic coverage is critical in any Cyber policy.

- **NOTIFICATION EXPENSES:** At least 20 states and the Federal Government have unique Cyber Security laws, and the cost to notify individuals whose Personal Protected Information (PPI) has been compromised can run well over $100 - $200 per-person. Multiply that figure by the total number of individuals whose PPI is on your system, and you will see why Notification Cost coverage is a must-have, with a higher-than-expected limit.

- **REGULATORY FINES AND PENALTIES:** The government will want, and get, their pound of flesh if your system is compromised.

- **PUBLIC RELATIONS EXPENSES:** The manner and timeliness in which your company reports and responds to a breach can be crucial to maintaining or restoring your reputation, and maintaining your clients, vendors, business associates, and partners.

- **LIABILITY COSTS:** Settlement costs for Cyber claims can reach into the millions of dollars, as lawsuits brought against companies reach class status. You will need experienced legal representation to address suits brough against your company, and those costs are often part of your Liability limit. Purchase appropriate limits to include expected liability and legal costs.

- **DAMAGE TO YOUR SYSTEM AND HARDWARE:** Breaches often cause significant residual damage to hardware and software. The cost to repair or replace hardware can be considerable, to the point where it would have serious adverse impact on the company's bottom line if you had to pay for the purchase of new equipment out of pocket.

- **LOSS OF INCOME:** When Loss of Income is in play after a breach the cost is often one of the largest components of the overcall claim. Loss of Income coverage should always be included, and the limit set to address your company's specific needs.

- **RANSOM PAYMENTS** The cost to recover your company's data after a Ransomware attack can run over $1,000,000. Carriers are more adept at negotiating these payments than you are. Purchase a significant policy limit and leave the ransom payment to the pros.

Working closely with your broker to identify and understanding your company's unique Cyber risk, then crafting a policy with the coverage you need is vital to your business. Take the time to do a thorough review the next time your Cyber policy renews.

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HUMAN RESOURCES COMPLIANCE

HOT TEMPERATURES CAN LEAD TO MORE WORKPLACE INJURIES

Each year I send an email to my clients about summer heat and employees that work outside in the heat. I did not realize the impact of heat on indoor activities in the workplace. Although I know people are crankier and drivers have less patience, I never realized that summer heat affects cognitive abilities such as work performance and decision-making. The following information is very important as it relates to employees, job performance, health, and workplace injuries.

An Institute of Labor Economics study gathered 18 years of California's workers' compensation system claims and compared it to the daily temperature data and found that hotter temperatures cause approximately 20,000 injuries each year. Interestingly, these additional workplace injuries aren't necessarily associated with heat-related illnesses — they happen in both indoor and outdoor settings and include non-temperature-related injuries. Although we know that high temperatures may make us more cranky, high temperatures can affect us in ways we don't even realize.

In California, especially during our hot summer months, employers have focused on heat illness prevention in outdoor workplaces, which affects employees who spend a significant amount of time working outdoors in agriculture, construction, landscaping, maintenance and transportation, as well as delivery drivers in non-air conditioned vehicles and more.

While hotter temperatures significantly increase injuries in outdoor industries as expected, this study found the increased workplace injuries also occur in indoor settings and include injuries not related to temperature, such as falling, being hit by a moving vehicle and mishandling dangerous machinery (temperature-related illnesses are heat illness and heat exhaustion). In fact, when California implemented the heat illness prevention standard in 2005, there was a significant decrease in workplace injuries, especially when the temperature reached more than 100 degrees, but workplace injuries are still higher when the temperature hits 90 degrees and higher.

When temperatures are between 90 and 99 degrees, workplace accidents and injuries increase by as much as 9 percent, and when it gets to be above 100 degrees, they increase by 15 percent. Younger workers and men were more substantially at risk for injury.

"Heat is one of those things where our familiarity with it may engender a sense of false security," said Jisung Park, a UCLA economist and the study's lead author. "But this and other research suggests that hotter temperatures, which in many cases may not seem like such a big deal, appear to have hidden costs."

Other studies have shown that hotter temperatures can reduce cognitive performance and influence decision-making and emotions. So, when temperatures rise in California, employers should keep a closer watch on workplace safety.

The California Division of Occupational Safety and Health (Cal/OSHA) has been in the process of developing regulations to prevent heat illness in indoor workplaces. A California Chamber of Commerce-led coalition has submitted written comments and oral testimony at each step of the process encouraging Cal/OSHA to establish rational policies that aren't unnecessarily burdensome on employers but still minimize the risk of heat illness to employees in indoor workplaces.

Source: CalChamber/HR Watchdog

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I work with top executives of companies with 20-2,000 employees, providing HR solutions including outsourced HR, monthly HR consulting, workplace investigations, and almost everything HR.

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MANUFACTURING EXCELLENCE

DO WE VALUE TRAINING, COACHING AND MENTORING?

I think every business owner has a sense that training, coaching and mentoring staff are important. But in the hustle and bustle of daily work pressures, these important tasks become tyrannized by a myriad of urgent tasks and needs. Projects to complete, products to ship, emails to answer, meetings to attend. And as we finish our day, the training, coaching and mentoring I had thought about yesterday or last week vaporizes like the mist off the surface of a lake on a cold winter morning.

As with any activity in business, it begins with a plan. So we have to ask ourselves, do I have a training plan? Does my company have an annual training plan updated quarterly? Is this plan in writing and shared with all employees? Are training needs identified, training topics defined, scheduled and trainers assigned?

Even in regulated industries which require such plans to maintain certification, I find this often times to be neglected with low levels of commitment and delayed execution. Even when management is intellectually committed to the priority of training, the follow-through is often lacking in momentum.

I wonder if part of the problem is an underlying belief that training just doesn't yield results. I send my employees to a training session, and I just don't see my employees applying that knowledge. Use it or lose it. And what I see mostly is losing it.

Have we considered that training is only the initial stepping stone to success? Who is there to coach the employee on how to apply the training received? Learning how to cook one egg in a cooking class is one matter. Learning to be a cook in kitchen, cooking hundreds of eggs to meet a range of customer needs and expectations day in and day out is quite another. Who is going to show the trainee the ropes and secrets of the trade?

Do we assign coaches to trainees in our business? Do we check-in and follow-up to provide affirmation when knowledge is being effectively applied? To provide guidance when challenges are encountered?

Finally, over time, are we mentoring our staff over time? Are we providing feedback on where we see their strengths? Reflect to them where they shine and how to excel even more? Do we listen to their dreams and aspirations and provide guidance from our own experiences on how to achieve those dreams?

The larger our organizations become, the more difficult and neglected these tasks become. We may think "Oh well, we will become a training organization as we grow. We don't have time for that now." The problem is, our organizations are typically well past the point where that transition was needed before we realize we have a problem. We are losing key staff with no backup plan. We have no one to fill in when staff are absent. With all of the leave requirements now imposed on California businesses, and changing employee expectations, we find ourselves flat footed when key employees are gone for 6 to 12 weeks as a time.

The time to develop a training, coaching and mentoring culture is now. Regardless of the size of your organization, it is essential to have a well trained and flexible work force. The impacts of regulatory requirements, millennial work attitudes and social health concerns is not going to be getting better any time soon. Training, coaching and mentoring is key. Today.

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INFORMATION TECHNOLOGY

WHY THE NATIVE BACKUP FOR MICROSOFT 365 ISN'T ENOUGH

Craig Pollack

FOUNDER & CEO

FPA Technology Services, Inc. – "IT The Way It's Supposed To Be!" FPA provides fixed fee, worry free IT services focused on professional services firms such as RIAs, CPAs, Business Managers, Legal, Insurance, as well as Manufacturers & Distributors and Non-Profits.

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These days, when it comes to backing up your business' data there's no excuse for failing to do so — whether you use on-site servers or cloud solutions. Backups ensure that you have a copy of your data and files available should the unthinkable happen.

But, for organizations that use cloud services like Microsoft 365, the big question is - what is really being backed up, when, and whose responsibility is it?

WHILE MICROSOFT 365 IS CLOUD BASED, BACKUP FOR IT IS STILL A MUST

For some reason, there's a false impression that when data is stored in the cloud it doesn't need to be backed up.

According to a recent article from Dropsuite, there are five reasons for ensuring you have a backup for Microsoft 365:

1. Your data is in the cloud, but where is the cloud server? If your information is stored in servers that are all grouped at one geographic location, that means your information may be lost should something happen to that facility.
2. Email backups in Outlook don't extend beyond 30 days. Although this may come as a surprise to some Microsoft 365 users, Outlook doesn't backup emails that have been deleted older than 30 days.
3. Some industries have strict regulations concerning data backup implementation. Industry regulatory compliance is essential for many types of organizations — particularly those individuals and organizations that work in healthcare, finance, and other heavily-regulated industries that handle sensitive information.
4. Ransomware leaves your data vulnerable. With your data in the cloud, it doesn't mean the threat goes away. Memories of the WannaCry attack of 2017 are still fresh, and organizations of all types need to be prepared for this potential threat.
5. A data backup is the ultimate business continuity plan and protection for your business. Having a backup of your most important data is crucial for ensuring business continuity in a worst-case scenario.

In addition, one of the key downsides to using the native backup solution provided is that (more often than not) it's an "all or nothing" approach to a restore. This is more of a "business continuity" approach than truly having different versions of files available to restore. For example, if you noticed a file was corrupt, but the last known good version is from 6 months ago, without the appropriate backup solution in place, this file doesn't exist in the native M365 backup.

MICROSOFT ISN'T RESPONSIBLE FOR YOUR DATA BACKUP PLAN

Contrary to popular belief, while Microsoft may be responsible for hosting the cloud infrastructure, it doesn't mean that the company is responsible for providing the backup to preserve your data stored there. In fact, Microsoft 365 offers a variety of services depending on your choice of plan, however, providing a comprehensive approach to data backup isn't one of them. Based on Microsoft's Service Agreement (Sec.6b), in the event of an outage, they do not guarantee retrieval of your content or data that you have stored. They recommend regular backup using third-party backup solutions to cover this gap.

Based on this, most organizations looking to protect their investment in Microsoft 365 choose to use third-party solutions to integrate with their Microsoft 365 instance. This is something we strongly recommend to our clients as well.

As a business owner or leader, it's your obligation to develop and execute a backup plan and use backup software to ensure you maintain an up-to-date copy of your data, files, and records.

RECAP

To summarize:

- Your organization (ultimately) is responsible for ensuring that your Microsoft 365 is backed up comprehensively
- Know that the backup solution provided by Microsoft is minimal at best
- A third-party backup solution for Microsoft 365 is essential for protecting businesses across a variety of industries (particularly those highly-regulated industries) for a complete and comprehensive backup solution

Now the question is: Is your organization prepared for a Microsoft 365 disaster by having the appropriate backup in place?

COMPANY BENEFITS

THE BENEFITS OF VIRTUAL CARE

Virtual care options in conjunction with in-person provider visits offer a number of advantages for employers, patients, and providers. During the height of the COVID-19 pandemic, it allowed patients and providers to continue treatments while still managing to stay at home and not risk exposure to the virus. Virtual health care is an equalizer that helps bridge the gap of distance, time, and affordability to patients in need of medical care.

Telemedicine is a cost-saving tool that can reduce emergency room visits. During the pandemic, as patients were under stay-at-home orders and avoided going out in public, telemedicine became critical in treating urgent, non-life-threatening conditions. Treatment in an emergency room for an urgent condition generally costs about 10 times more than treatment at an urgent care facility. The emergency room was saved for true emergencies, reducing the wait times for treatment and lowering costs for both patients and insurance plans. Even as the country has opened up again, patients recognized the efficiency of telemedicine as an alternative to visits to the ER, and emergency room usage has remained well below pre-pandemic levels.

An additional benefit of virtual care is the ease of access to care for patients. Employees don't need to take as much time off work, waiting times in offices are reduced, parents don't need to solicit childcare or miss as much work to take children to the doctor, and people with limited access to transportation or in rural areas can visit with their doctors virtually. Additionally, for patients who live in areas with a limited number of specialists, patients can use a virtual visit to seek treatment, reducing the wait time for accessing the specialist and increasing the likelihood of beginning treatments earlier.

The cost-saving benefits and increased access to care are benefits of telemedicine, but as technology has developed, some of the lesser-known benefits of virtual care make this an increasingly attractive option. One of these emerging technologies is the use of digital tools to monitor patient progress in their homes—thus getting patients out of the hospital sooner while still effectively managing care. Digital tools allow providers to more efficiently complete pre-check-ins and create more touch points between provider and patient.

Cigna said that "69% of consumers want the option to choose a virtual visit over an office visit even after the pandemic ends," and "53% of large employers plan to implement more virtual care solutions in 2021."

The expansion of virtual care is critical to the future of a health care system, but there are still challenges that need to be overcome. One challenge in particular is that virtual care doesn't yet fully integrate with in-person care. Patients still have to direct their own care and then choose the option or methodology that best suits their needs and objectives. Some types of visits still need to be performed in person, but patients shouldn't be the ones deciding how these services are delivered. Unfortunately, not all patients have access to the hardware and broadband connections that are needed to effectively use virtual care in place of in-person visits. Providers also need to make sure that their facilities have invested in the needed technology and training to make virtual care a viable option for all patients. Even more importantly, the security of patients' health data and the security of that data is a key concern. The health care industry will need to address these security concerns in order for the benefits of virtual care to be fully realized.

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I help companies with 25 to 2000 employees become "Employers of Choice" providing employee benefits solutions and benefits compliance.

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ASSET BASED LENDING

It's almost inevitable that at some point your business will need some financing that exceeds what your existing bank lines of credit can accommodate. In most cases, this need would correspond with one of the periodic bursts of growth that most businesses experience.

If your business is new or hasn't shown steady profitability, it's going to be very difficult to secure a small business loan since banks are notoriously conservative. I even had one banker tell me that if a business is growing more than 10-15% per year, that's considered too aggressive for traditional bank financing.

Besides all of that, in this COVID-19 era, amid the uncertainty still afflicting the business sector, companies are largely looking for structures that require little or no covenants and provide maximum liquidity. Asset based lending was often stigmatized as a last resort option for borrowers that could not qualify for traditional bank financing or that were undergoing significant challenges. But this is not necessarily the case anymore. Asset based lending is becoming more mainstream even among some investment grade borrowers.

WHAT IS AN ASSET BASED LOAN?

You get an asset-based loan by putting up collateral owned by the business. In most cases, you offer up an asset that has high liquid potential. That means the lender can convert the collateral into cash quickly.

The assets you can put up for an ABL include:

- Accounts Receivable (typically advanced at 85%)
- Inventory (35-50% advance)
- Machinery & Equipment (up to 70% advance)
- Real Estate
- Intellectual Property

Facilities are available from $250,000 to $25 million.

BENEFITS

The biggest benefit of these kinds of loans (or lines of credit) is that you get a cash infusion. This money lets you purchase materials, inventory, or hire additional employees when you need them.

You can secure asset-based loans much quicker than a traditional loan. Alternative lenders are not as heavily regulated and can fund much faster than traditional banks.

It's easier for you to qualify for this kind of credit than a regular business loan. These deals are underwritten primarily on collateral rather than on cash flow.

You also typically avoid putting up personal property such as your home to secure the loan. This benefit can prove to be most crucial.

Like any other credit facility, staying in compliance helps your overall credit score. This makes getting other forms of financing easier down the road. Most lenders will allow you out of any contract if/when you qualify for traditional financing.

CONCLUSION

In summary, asset-based lending is ideal for small to mid-sized businesses that have a high percentage of current assets, need working capital to support growth, have seasonal or cyclical natures, may have outgrown their current lender or need a more flexible solution than what their traditional bank can provide.

Choosing a qualified asset-based lender and developing a partnership is extremely important to a business' success. We will help you find a lender who knows your industry and can tailor the loan accordingly.

WE CAN DO BETTER

HIGHWAY OF HOPE 2.0

Paul Mitchell
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President of Mitchell Sales Advisors, powered by SalesXceleration. A firm specializing in sales strategy, sales process and sales execution. Paul has a 25-year history of sales leadership and success in diverse industries in the Los Angeles area.
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I am pleased and honored to be speaking at the event highlighted below.

For me this is more than an event, it is a mission. We all have seen the challenges raised from the tragic murder of George Floyd in this community, an area that has already been through so much, is still feeling the pain every single day.

Businesses have left and not returned, small businesses have been destroyed, jobs have been lost and it trickles down to those who are most in need for their every day living essentials. Our goal is to raise awareness in hopes that those in the community and outside of it will realize that there is good here and those who live and work here want what we all want: To work hard, to live in peace, and to find ways to get beyond these challenges.

We have seen in videos that so much of this damage and destruction happened at the hands of people who are not even part of this community, and much has been left now to pick up and repair. So, now we get to work and if you are in the Minneapolis area, please attend; if you are not, I will follow up with ways where you can get involved and help this home of mine, this community that rasied so many of us, and build a bridge of hope, empathy, and compassion that we all can play a part in. A great friend of mine once said to always, "Do work that others will take notice of." That is our charge and our opportunity so please consider attending if you can or reaching out to me if you want to help in any way. Thank you so much.

Please Join Us … as we continue together down our Highway of Hope

After the death of George Floyd, south Minneapolis was devastated, and we learned that some of it was systemically planned and targeted. And this devastation leaves our friends, family and neighbors hurting and broken. However, the history of redemption in south Minneapolis has been such a valuable part or our hearts and lives for decades, and we have overcome so much; it has made the destruction even more tragic.

We have demonstrated resilience and perseverance through our first video *"Highway of Hope 1.0,"* and the positive actions that have come from that support and effort.
We look to continue this journey through our new video *"Highway of Hope 2.0."* Our goal for this second video is to initiate a total healing process by mentoring and building new business, support meaningful conversations between business leaders, philanthropy, and raising up the next generation of leaders.

So please join us for the viewing of *"Highway of Hope 2.0"*
as we hope it inspires you to ask,
"What can I do to help our city rebuild?"

When
September 4, 2021, at 10:00am

Where
Colin Powell Center
2924 4th Ave South
Minneapolis, 55408

Who
Leaders who want to transform neighborhoods

Why
Because we can make the difference

CFO Insights

THE TAX MAN COMETH

Selling Your Business. A series of articles providing information to business owners who are starting to think about exiting their business.

IT'S NOT WHAT YOU EARN BUT WHAT YOU KEEP! Uncle Sam is an unwelcome partner in business sale transactions. Business owners need to understand what the tax impact will be when selling their business. Strategies can be employed to legally minimize the amount of taxes you incur. Some of these strategies can be addressed in structuring the sale transaction. Some of these strategies needed to be addressed years prior to the sale. This article will not attempt to discuss these strategies. I recommend that business owners have regular discussions with their tax advisors regarding tax strategies and planning. What this article will discuss are the two primary types of sales and how the type of sale influences the tax treatment.

Most business sale transactions occur as either a stock sale or an asset sale. In a stock sale, the outstanding shares of stock are transferred from the selling party to the purchasing party. In an asset sale, select assets (tangible and intangible) of a business are sold and transferred to the buyer. The seller retains ownership of the original entity. Buyers tend to prefer asset purchases for both tax and liability reasons. Sellers prefer stock sales for tax reasons. Let's explore both types of sales:

In selling your business, your primary financial concern needs to be how much do you receive after all costs, including taxes. Tax planning is critical, requiring the expertise of tax professionals experienced in business sale transactions. Qualified tax professionals are key members of the **Success Team**™.

Are you ready to sell your business? Would you like to learn more about tax issues related to selling your business? If you are ready to start planning your exit now or would just like to know more about what exit planning is all about, please call me.

STOCK SALE

SELLER	BUYER
The difference between the Seller's basis in the stock and the sales price is recognized as a long-term capital gain.	The Buyer's basis in the stock is the purchase price. The entity is not impacted from a tax perspective by the purchase. There is no increase in tax-related depreciation or amortization associated with the purchase.
Seller may retain responsibility for undisclosed liabilities through representations, warranties, and indemnification per the stock purchase agreement.	Buyer assumes all actual and contingent liabilities of the entity, both known and unknown.

ASSET SALE

SELLER	BUYER
For C Corps, the Company is taxed upon selling the assets and the shareholders will be taxed on distribution of proceeds, resulting in double taxation. For S Corps, the sale price will be allocated to the sold assets. This results in some portion of the sale price being treated as ordinary income instead of long-term capital gains.	The buyer's basis in the assets will be determined by the purchase price allocation agreed to in the asset purchase agreement. This may result in increased tax-related depreciation and amortization.
Because Seller retains ownership of the entity, they retain liabilities that are not "sold", known and unknown. The seller will likely indemnify Buyer should they become a party to any claims for liabilities that they have not purchased.	Buyer only assumes liabilities that are agreed to in the asset purchase agreement.

Donald Stevens,
Partner, B2B CFO®

I provide strategic, financial, and operational advisory services to the owners of privately held businesses. My goal is to help business owners achieve their success, as they define it.

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SOCIAL MEDIA

HOW TO ASK FOR REVIEWS AND TESTIMONIALS

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When making a purchasing decision, buyers these days will often seek out reviews or testimonials to weigh their options. As a matter of fact, nearly 9 out of 10 consumers worldwide make the effort to read reviews before buying products. Not only does this imply that reviews are an integral part of a purchase process, it also indicates a high level of confidence that buyers have in each other's opinions. Ideally, we would love to have customers organically leave glowing reviews, but that's not always the case. Companies (especially new ones) must actively seek out reviews to begin the process. Otherwise, customers – even extremely happy ones - may not feel inclined to leave feedback.

Since reviews play a part in your brand reputation and business, the next step is finding the right way to ask for them. Here are some tried and true strategies to get you started:

MAKE IT EASY

Customers love things when they are quick and easy. They will be more likely to leave a review when the process is painless. For example, including a link in an email or as part of a purchase confirmation that takes them directly to a review platform makes it just one quick click away.

TARGET REPEAT CUSTOMERS

People who continue to purchase your products are obviously satisfied with your company and your service. Eliciting reviews from these repeat customers can be as easy as sending out an email stating, "We love that you're a repeat customer! We'd love to hear what keeps you coming back for more!" This sounds overly simple, but it can be effective.

USE THE POWER OF SOCIAL MEDIA

Posting positive reviews that you receive on your social media channels can actually encourage or remind someone else to do the same, especially if you include a link in the post that goes directly to a review platform.

INCENTIVES

Another way to receive reviews from your loyal customers is to offer them a small incentive for completing one, such as offering a discount on one of your products or throwing in a tiny token of appreciation. You'd be surprised how well something that simple works! When using incentives, however, it's important to consider promoting transparency by encouraging customers to disclose that they received something in exchange for a review.

BE RESPONSIVE

Getting reviews is important, but your responses to them can actually be a testimonial all on it's own. Everyone should be thanked for taking time out of their busy lives to review your business, however custom-tailored responses rather than generic "thanks for the feedback" can encourage others to want to leave reviews, too. And don't think that negative responses are a lost cause –if handled with top-notch customer service, negative reviewers will often come back and update their reviews with glowing feedback about how well a company handled their issue.

Regardless of which approach you use, remember that it all starts with one thing – the willingness to ask. If you want to grow your brand awareness and win over new customers, trust us, it's worth the effort to ask your customers for reviews!

Looking to add customer reviews and testimonials to your online marketing strategy? Feel free to contact us. Offering competitive prices, Social Spice Media can help take your business to the next level!

INSOLVENCY ADVISING

DEPARTMENT STORE CONTINUES TO PROVIDE CREDIT TO THE IMMIGRANT COMMUNITY

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Everything's gonna be alright
Everything's gonna be alright
Nobody's gotta worry 'bout nothing
Don't go hitting that panic button
It ain't near as bad as you think
Everything's gonna be alright
Alright, alright

-Chris Stevens / David Lee Murphy / Jimmy Yeary

The retailer evolved from its early roots to be the department store of choice that services the multifaceted Hispanic immigrant community by providing credit to those that have not established their credit record. The concept began with an entrepreneur who was selling watches and stereos from his car's trunk. He attracted lots of interest, but many cited that they did not have the current funds to buy it. The entrepreneur made a quick decision to all his customers to offer the product on credit and pay it back over six to nine months. The interest rates were in-line with what a Macy's credit card would charge.

Fast forward 15 years later and the retailer operated eight locations with over 500,000 active customers. Since a good portion of the customers are off the grid of credit scores / credit history, the retailer's secret sauce is to determine the credit worthiness of applicants. Unique questions like "who is your priest, how many jobs do you have, name three people not living with you," are part of the process to gauge the level of credit to be granted. The idea is that the borrower would not like her priest to be contacted, so they will be more obliged to pay.

The retailer had a strong borrowing facility made up of a syndication of 10 banks. When the economy was getting soft, the banks were concern about the retailer's ability to meet its plan. I was tasked with performing due diligence on the viability of the retailer's plan. The owner of the retailer was reluctant to have an advisor on-site and conducting evaluations, but acquiesced and stated, "if I have to have someone, I might as well have you look at things and accept your guidance." Spoiler alert, we left the last day with a big hug.

Goals of the Engagement:

- Understand the mechanics of the consumer credit granting process and collection history.
- Vet business plan projections
- Prepare a comprehensive 13-week cash flow that detailed the unique operations.
- Monitor cash
- Prepare a report with findings to submit to the lenders

Key Accomplishments:

- Credit line was extended
- Retailer had sufficient cash flow to expand operations to additional locations.
- I got hired back the next year as a follow-up.
- Credit line was extended again.
- Got a hug from the owner

Over time, the retailer expanded their offerings beyond TV's, jewelry, appliances, fragrances toys, furniture, electronics and computers. Customers can use the credit services to augment any shortfalls to complete the all-important monthly remittances to their family abroad. The retailer even has a service to send furniture such as dining room tables to relatives abroad with local delivery.

The retailer afforded the newly arrived who were still in the process of establishing themselves with the wherewithal to set up a home, support loved one's abroad and buy that someone special a memorable gift. Being new to a country can be daunting, challenging and full of unknowns. Our retailer provided the options to stop worrying and providing the path to everything becoming alright. I was privileged to make it alright for the banks and the retailer.

ESTATE PLANNING

ESTATE PLANNING FOR BLENDED FAMILIES – YIKES!

Making an estate plan can be complex but imagine planning for a blended family; more opinions than needed plus a smidge of hurt feelings, a dash of pride and ego and a boatload of drama. Voila! The perfect recipe for disaster! ***Happy National Stepfamily Day (Sept 16th).***

It doesn't have to be this way. We understand the common issues among blended families and estate planning and how to avoid the pitfalls even the most straightforward families should heed.

Let's use the iconic **Brady Bunch** family as an example. A quick recap: Carol, has three daughters: Marcia, Jan and Cindy, and Fluffy, the cat. Mike has three sons: Greg, Peter and Bobby, and Tiger, the dog. Carol and Mike marry.

Mike and Carol create an estate plan. After all, what a mess it would be if one or both passed without one! Two sets of kids and pets, separate and community assets and many different voices with different views. The **typical plan** for the Brady family would have the eldest kids making all the decisions and when the first spouse dies, two new trusts are born (Mike's share and Carol's share). When the second spouse dies, everything is split 50/50 between their respective sides.

SUCCESSFUL PLAN AND FAMILY HARMONY?

Is the right kid in charge? Or are they co-fiduciaries? Do they get along? Do they process emotions and handle decision-making the same? Will the surviving parent prioritize his/her needs over their stepchildren's?

It is tough trying to figure everything out. An estate plan is about your wishes and the kids may not love it. **The right estate planning attorney will be able to educate and counsel you to create the best plan and discuss outside-of-the box solutions when needed.**

MIKE DIES FIRST

If Mike dies first, what happens to his house? Does Carol get to live there for life, even with her new boyfriend? How are expenses paid – from her trust or his? Or if they don't have separate trusts at his death, what if Carol changes the beneficiaries and excludes his kids even if Mike always told his boys they would ultimately inherit the house? **Does the trust address these details?**

THEN CAROL DIES

Should there be co-successor trustees even if Greg is terrible with money and Marcia is very emotional? Can you count on each kid to look out for his/her respective siblings? What if Jan and Marcia hate each other, but Carol and Mike thought **'they get along just fine, they're sisters'?** What if Peter has lost capacity and Cindy is an alcoholic?

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Quality Estate Planning & Elder Law. Simplified. ™

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Are the inheritance distribution patterns the same for everyone? Are the rules different for their (pretend) common child, David, even if he's got some disabilities?

SOLUTION?

We understand families like this. We know how to create successful plans because we take the time to handhold and get to the nitty-gritty of each unique family dynamic.

HIGHLIGHTS:

- DO create an estate plan and DON'T assume everything will be fine. Without one, your family will go to court and pay in exorbitant fees, wasted time and family disputes.
- DO hire an estate planning attorney, not just any attorney.
- DO contact us if you have any questions (800) 489-1984.
- DO NOT wait. When you need an estate plan, it's already too late to create one.

BUSINESS MERGERS & ACQUISITIONS

TOP EIGHT WAYS FOR OWNERS TO INCREASE THE VALUE OF THEIR BUSINESSES

As an M&A Advisor, I am often asked what steps business owners can take to increase the valuation of their business. After helping numerous companies prepare for M&A transactions, I have found that businesses that can demonstrate the following eight characteristics are highly likely to sell for maximum price and optimal terms.

1 Recurring Revenue

The more revenue generated from subscriptions and other forms of automatically recurring payments, the more attractive your business will be to buyers.

2 Business Stability

If your company can demonstrate stable to increasing revenues and earnings over the past three plus years, it will likely command a premium as buyers will perceive less risk.

3 Favorable Macro Environment

Buyers take a long-term view on potential acquisitions and will therefore want to feel confident that the external environment will be favorable and pandemic-resilient.

4 Diversified Customer Base

Buyers will pay more for companies that hedge against the loss of a single customer. Ensure no client generates more than 15% of your annual revenue.

5 Bench Strength

Companies with a 'second-in-command' or middle management willing to stay on are more valuable than a business where the knowledge and relationships walk away with the former owner.

6 Clean Books

Companies that invest in Reviewed/Audited financials are seen as more trustworthy. Have your books professionally managed and prepared.

7 Niche Positioning

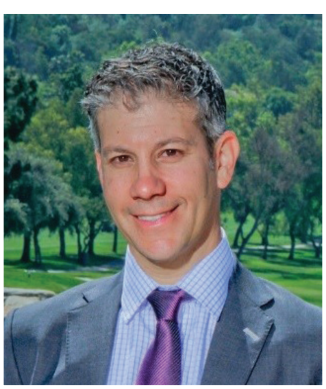
Buyers seek what they can't easily replicate on their own, which means that companies that can meaningfully differentiate are more valuable.

8 Documented Playbook

Businesses that have documented business policies, procedures, employee job descriptions and key contracts tend to sell at a premium as this gives buyers confidence that you run an organized, process-driven business.

We recently represented the seller a plumbing services company in its successful sale to a Private Equity firm seeking to roll-up the Plumbing and HVAC space on the West Coast. Our seller clearly benefitted from being able to demonstrate these eight characteristics to the buyer, which allowed them to achieve a premium valuation and complete the entire sale process in under six months.

If you or your client is interested in learning more about the M&A process or their readiness to sell for top dollar, we'd love to have a confidential and complimentary discussion.



Kevin Berson

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We help business owners sell their businesses for maximum value. We specialize in selling businesses with sales between $2M-$100M and work on a success-fee basis with no up-front costs.

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YOU'RE SIGNING YOUR CONTRACTS WRONG

Signing a contract seems like the easiest part of a negotiation, but how surprised would you be to learn that many people sign incorrectly? Signing a contract incorrectly can lead to dire consequences, such as the contract not being enforceable, or the signer accidentally taking on personal liability. Here are some best practices for signing contracts.

1. MAKE SURE THE SIGNER HAS THE AUTHORITY TO SIGN.

Not all managers, employees, or even owners of a company have the authority to bind the business into a contract. Before you sign something, make sure you have the proper legal authority to do so. If you have any doubt whether the other party has authority to sign, consider asking for proof. You can also include a provision in the contract that promises that each signatory has the authority to sign. If any party does not have the proper authority, the contract might be a bust.

2. MAKE SURE BOTH PARTIES SIGN.

You'd be surprised how often one party signs and the other doesn't! If the two parties won't be signing at the same time, that's okay -- you don't even have to sign the same copy. You can include a clause that states that, if each party signs a different copy, the two signature pages together form the complete signed agreement.

3. MAKE SURE TO SIGN ON BEHALF OF THE COMPANY, NOT YOURSELF.

When signing a contract on behalf of a business, it's important that your signature makes it clear that you're signing as the business, and not as yourself. Failure to do this might accidentally put you personally on the hook for the entire contract! Depending on your role and the type of entity you're representing, your signature should look something like this:

[Business Name, Inc.]

By: _____[signature]____
[Name]
Its: [Role]

FOR EXAMPLE:

The Best Business Ever, LLC

By: Jane Doe
Jane Doe
Its: Chief Executive Officer

The format will change slightly depending on the type of business entity and your role in it.

If you are a sole proprietor, then the business entity is you, so you can sign on behalf of yourself. If you operate under a DBA, you can use the format above. And if an employee other than the owner is signing, the above format should also be used.

If you are signing on behalf of a partnership, the signature block should show the name of the business, and the name and title of the person signing on the partnership's behalf. The "role" of an owner will be something like "partner" or "general partner," as appropriate.

If you are signing on behalf of a corporation or LLC, the rules are similar. However, since these entity types can be more complex, it is all the more important to be very clear what your role is and that you have the authority to bind the company. Roles that often have authority to bind a corporation include "president" or "CEO." Roles that often have the authority to bind an LLC include "member" or "manager," depending how the LLC is structured.

Worried your contracts may need updating? ABL can help! Book a consultation today.

EXPLORING THE PROFIT ZONE

- A one-hour webinar covering the 9 activities that impact business profitability.
- You will assess how you are doing in each activity to get you started on making things better.
- There is no selling, this is an educational program to help CEOs, Owners & Leaders.
- If you are interested in participating, email me questions and for a calendar invite and Zoom link:

  Ken.Keller@StrategicAdvisoryBoards.com
- Reserve your space now for webinars: August 25 @ 9amPT, September 22 @ 9amPT, October 27 @9am PT