

INSIDER



NAVIGATOR 2023

**Resources & Advisors for
Buying & Selling a Business**

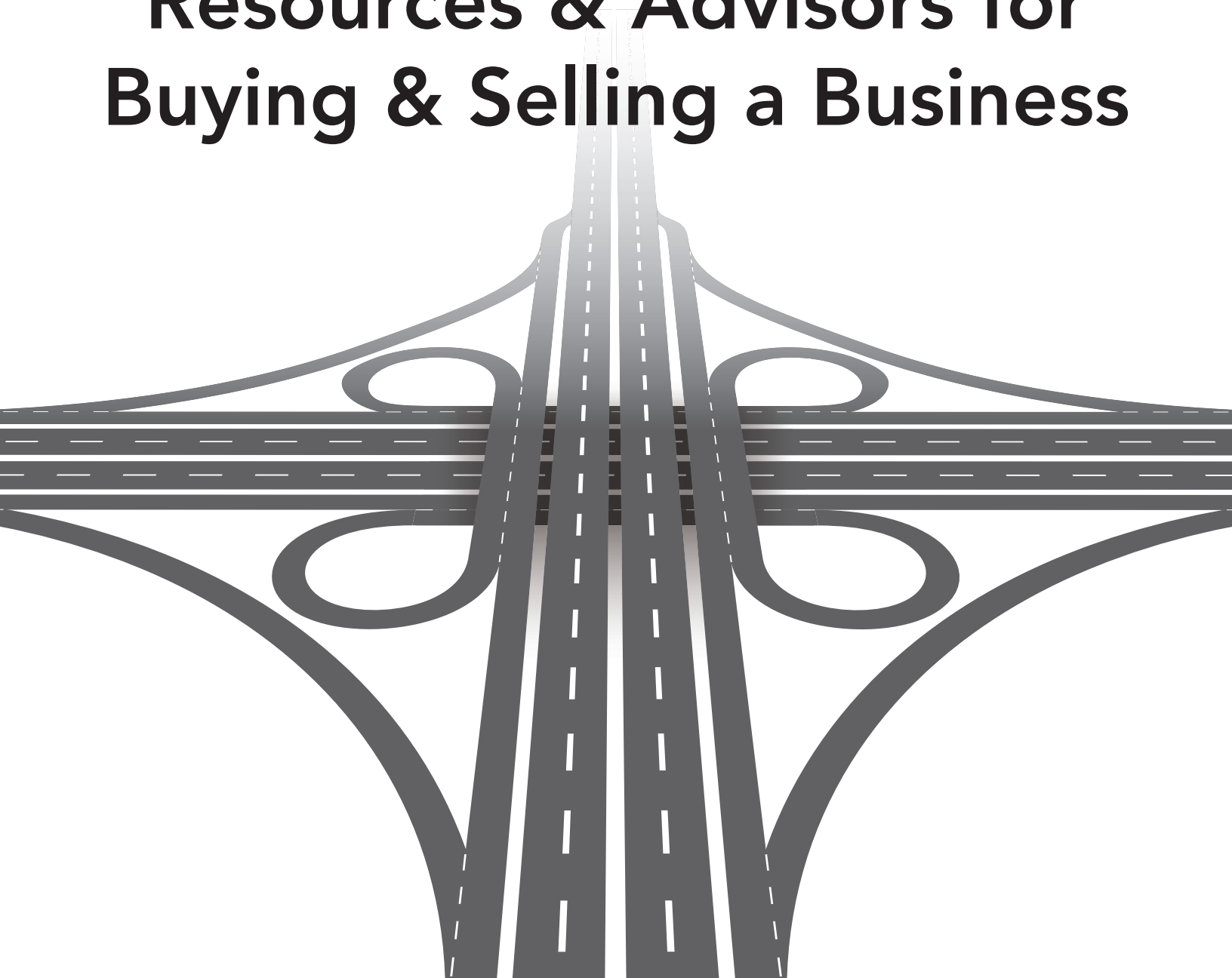


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Welcome to Insider 94

Welcome to Insider 94. Insider 94 is a quarterly online and in-print publication for small business owners within the Interstate 94 corridor.

Insider Navigator is a special edition of our magazine dedicated to the world of business acquisitions and sales. Whether you’re an aspiring entrepreneur looking to embark on an exciting new venture or a seasoned business owner seeking a strategic exit strategy, this issue is your ultimate guide to navigating the intricate landscape of buying or selling businesses. We’ve assembled a wealth of knowledge and insights to empower you in making informed decisions and achieving your business goals.

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Risky Business and Operational Diligence – No Shades Here!

Author: Tim Van Mieghem, The ProAction Group

Who could forget the 1983 comedy drama, “Risky Business” starring Tom Cruise in his breakout role. Joel, the entrepreneurial title character, is plagued by unforeseen risks as he agrees to a less than transparent business plan to run a temporary brothel out of his parent’s home – all to pay for damage to his dad’s car. Well intentioned – though fraught with risk!

Tom Cruise may have learned a lesson from his risky behavior. The car in the lake became the least of his problems! In business and in real life the risks are often subtle and can even masquerade as harmless or irrelevant facts of life.

ADDRESSING RISK REQUIRES AWARENESS, ACCEPTANCE AND ACTION

Unrecognized risks do not get addressed. We can have sympathy for people and companies that suffer the consequences of something they truly didn’t know about. And that highlights an important point. Intention and ignorance do not protect us from harm. Sometimes the risk doesn’t show symptoms until late in the process.

Risks identified early can be mitigated, planned for, and addressed. On top of that, when addressing risky business early, the cure tends to be non-invasive, low cost and effective. The secondary, and often overlooked benefit is that eliminating risk will provide collateral benefit in seemingly unrelated areas.

When assessing operational risk, even during a pre-close due diligence, we search for early risk indicators, especially in the following areas:

- Safety
- Margin Compression
- Business Interruption
- Unbudgeted Capital Expenditures
- Obstacles to Scalability / fragility
- Customer Loyalty / Attrition
- Sensitivity to economic headwinds / black swan events
- Over / Under Estimated Capacity
- The Rabbit Hole (resources are being applied energetically in an irrelevant or unactionable area)

If none of the risks above got your heart pumping, you may skip the rest of this post!

Examining risk is not just an exercise in avoiding pain or bad situations. A clever and practical assessment of the risks can expose costly surprises before the deal closes. Go in with your eyes open, your models accurate, and your value creation plan relevant.



And here is the punchline. In 20 years of conducting operational diligences, we have never killed a deal. Every risk, especially when identified early, has a solution... modest capital, some appropriate management attention, some one-time resources.

The second punch line... When done well, the inoculation to the risk provides its own ROI. Addressing margin compression leads to increased margins. Shoring up against business interruption risk will create new stability and increase capacity. Increasing worker safety will help you scale.

Have you ever gone to bed one night thinking about how you are preparing to exit a deal and wake up to the reality that you have to, essentially, start over? Margins are falling, quality issues popped up, a customer moved to a competitor. The trick here is not to avoid unforeseen headwinds, or to avoid change. The answer is to prepare to handle change. We know more black swan events will come, and the vaccination is healthy, good, and available.

The ProAction Group has a team of professionals ready to turn on the proverbial flashlight... and venture into the dark spaces to provide knowledge of risks that are actionable and almost always – solvable.

The ProAction Group is the “Go-To” Operational Resource focused on Private Equity/Portfolio companies. While most of our clients and work is PE-based, we also provide the same services to private and public companies that are committed to improving their businesses. We identify opportunities, prepare strategies, and implement operational improvements and recommendations to increase the value of the business. To find out more, visit www.theproactiongroup.com



Big Opportunities In Small Manufacturing Companies

With the Right Due Diligence, Now is the Time to Buy

Author: Insider94 Staff

This is an excellent time for small American manufacturing companies. As more and more American companies are cutting ties with China based sourcing and manufacturing, the opportunities for small domestic manufacturers are increasing. This pivotal turning point makes now the right time to buy for those who wish to acquire a manufacturing company.

There is a perfect storm of reasons for uncertainties in China. The current political climate, increasing tariffs, intellectual property theft concerns, and pandemic fallout, including shrinking direct labor, are culminating to drive decisions to seek manufacturing and sourcing domestically.

Large companies in a wide range of industries have recently moved component and product sourcing to the US, creating opportunities for manufacturing companies that include CNC, heat treatment services, metal forming and plastic molders to become the suppliers. In fact, according to Dodge Data and Analytics, construction of new manufacturing facilities in the US jumped 116% for the 12 month period ending May 2022, pointing to an incredible shift.

Adding to the appeal for purchasing a small manufacturing company, they are often a preferred option by lenders. The asset structure that serves as collateral and steadiness of working capital make manufacturing companies a favorable acquisition to lenders, frequently offering an SBA 7 (a) solution in these deals.

Additionally, industry expertise is not a necessity for purchasing. While relevant experience is always a plus, success in manufacturing ownership doesn’t rely upon it. Experience with managing a process-based business lends itself well to leadership/ownership in this arena. The trick truly is, finding the right fit.

With an increase in opportunities, comes an increase in probable issues. While pursuing a purchase, planning is vital to a successful deal. It is imperative to work with a Broker to help manage the process with you, analyzing the possible risks and potential rewards of the acquisition.

Be sure to consider the following with your Broker for any feasible purchase:

- **Determine Customer Concentration:** Examine what customer contracts exist and if any account represents more than a 15% share of annual revenue, which could represent a higher risk for acquisition.
- **Assess Supplier Relations:** Confirm major vendor and supplier relationships, gaining an understanding for their role in production, especially if one or more is seemingly irreplaceable (which increases risk).
- **Audit the Workforce:** With the current nationwide labor shortage, you need to have an in-depth understanding of the positions, skill-sets, recruiting, and retention strategies of the company to establish the level of risk.
- **Gauge your Role:** A crucial phase one assessment for any manufacturing acquisition is a thorough understanding of your role as an owner. You must determine if the scope of the role requires more than one person or if there are relationships with major customers that would be negatively impacted by new ownership (can a smooth transfer take place?). You need a comprehensive review to accurately assess any owner risk for the acquisition.
- **Safety Review:** Analyze and ensure employee safety standards, training, and records are maintained in accordance with State regulations.
- **Verify Best Practices:** Confirm documentation, preferably paired with a video for each one, of best practices for any processes that are vital to the business. Ensure there is a backup and that it is kept securely off site.
- **Benchmark the Metrics:** Part of due diligence is assessing key metrics, if available. Ask to review revenue and margin per employee, inventory turnover, returned goods analysis, new products sales (as a percentage of total revenue), equipment productivity, and quote capture rates.
- **Develop a Strategy for Success:** While purchasing a small manufacturing company might be part of an overall acquisition strategy for creating wealth, you must have a foundational strategy in mind for success. These investments are attractive for their positive long-term prospects, long product lives, and general financial stability. However, plans for innovating, parts replacement pricing, and remaining competitive must be part of an overall strategy for success.

The upside for American manufacturers is better than that of other industries for many reasons, making acquisitions an attractive investment right now. With careful strategy, the long-term value of buying a small manufacturing company comes with many benefits that ultimately can outweigh potential risks with the right due diligence.



BE YOUR OWN BOSS
GROW BIG
& CASH OUT

HOW TO BUY & SELL A BUSINESS

1 ACQUIRING A BUSINESS
Explore Your Best Options

Before you buy, assess your needs, identify your skills and strengths. Determine the type of business that would suit you best.

2 ACQUIRING A BUSINESS
Find the Right Business

Search online listings and reach out to your network. Evaluate your options. Look at financials value drivers and future earning potential.

5 ACQUIRING A BUSINESS
Make an Offer

An offer begins the negotiation process. Expect a counter offer, and the dance continues.

6 ACQUIRING A BUSINESS
Conduct Due Diligence

Review and verify that all information is correct and accurate. Audit and verify the value of assets.

7 ACQUIRING A BUSINESS
Close the Deal

Agree to final terms & conditions. Transfer ownership.

3 ACQUIRING A BUSINESS
Connect with Trusted Advisors

Buying a business requires a team of experts to help ensure you make the best deal. Finding the right bank, attorney, CPA, Insurance, business valuation (Broker) is imperative.

4 ACQUIRING A BUSINESS
Get Financing

Research your options. There are many ways to finance the purchase of a business. You may be surprised. For example, an SBA loan is a great program to purchase a business, with great bank options to work with post-closing.

1

2

3

6

7

8

1 SELLING A BUSINESS
Grow Your Business & Prepare for Your Exit

Develop ways to add value to your business over time. Get your financials in order ahead of time.

2 SELLING A BUSINESS
Determine the Type of Sale

The first step in selling your business is deciding what type of sale it will be. There are two ways you can sell it, an asset sale or a stock sale.

3 SELLING A BUSINESS
Set an Asking Price

Estimate the value of your business. Use price multiples, comps or work with a professional appraiser or broker. Consider risk and other variables.

4 SELLING A BUSINESS
Hire an attorney

You will need a specialized transaction attorney with experience and a proven track record in the strategies of selling a business, and it may not be your current attorney. An M&A attorney is a great choice.

5 SELLING A BUSINESS
Find the Right CPA

You will need a CPA that has expertise in tax matters related to a business sale and Purchase Price Allocation, and it might not be your current accountant.

6 SELLING A BUSINESS
Connect with Other Advisors

Other advisors that ensure the successful sale of a business include a Wealth Advisor, business valuation (if the value is off based on expectations, then hiring several consultants to increase value), an M&A Intermediary (Business Broker, Investment Banker)

7 SELLING A BUSINESS
Attract Qualified Buyers

Create a well written online ad to reach the largest number of buyers – even while keeping it confidential – professional business brokers.

8 SELLING A BUSINESS
Negotiate Offers

Negotiate from a position of strength. Offer incentives, such as financial options to motivate buyers. Consider price terms & conditions – what you'll accept.

9 SELLING A BUSINESS
Finalize the Deal

Prepare for final due diligence. Investigate buyer capabilities. Stay focused on running your business until the deal is final.



The Deal Team

Company Name	Website	Phone #	Description
Small Business Development Centers			
College of Dupage Business Development Center	www.cod.edu/business-development-center/	(630) 942-2600	The Business Development Center strives to advance the practice of business ownership to stimulate economic growth and development through new company formation and growth. The Center is committed to the business community with programming and customized advising and high-quality training.
College of Lake County SBDC & ITC	www.clcillinois.edu/sbdc-itc	(847) 543-2033	Inspire entrepreneurs throughout their journey as small business owners No-cost, confidential, one-on-one business advising in English or Spanish with noted experts. Assistance developing business, marketing and financial plans Information about federal, state and local loan programs Support in securing commercial loans with local providers
Illinois SBDC at Chicagoland Chamber of Commerce	www.chicagolandchamber.org/sbdc/	(312) 494-6700	Start a new business or grow your existing business with expert advice, workshops and resources. Plus, if you need help dealing with local government, you've come to the right place.
Illinois SBDC at Elgin Community College	www.elgin.edu/sbdc	(847) 214-7488	We've got you covered whether you seek access to the area's largest labor pool, need a better return on your investment in employee training and retraining, want some pointers on better business, or need a trouble-free place to meet away from work.
Illinois Small Business Development Center at Harper College	www.harpercollege.edu/business/sbdc/index.php	(847) 925-6000	Growing a small business is no small task. Need help to expand or improve your existing business? Contemplating launching a new business? We can help. Our talented team of seasoned business advisors will help you identify, understand and overcome the challenges of running a successful business. From someone who has an idea for a home-based business to an established company in need of capital to finance their next stage of growth, we work closely with our clients to find solutions that work best for them. Schedule your no-cost appointment today.
Illinois SBDC at Joseph Center	www.josephcenter.com	(708) 697-6200	The Illinois Small Business Development Center at the Joseph Center® is a vital asset for business owners. We provide one-on-one business advising, networking opportunities, training workshops and assistance to entrepreneurs looking to improve business performance, productivity and profitability. We offer support to both emerging and established entrepreneurs in achieving their business goals with services from our three centers: the Small Business Development Center (SBDC), the International Trade Center (ITC) and the Procurement Technical Assistance Center (PTAC). With each center specializing in various stages of business, we are able to assist entrepreneurs wherever they may be on their journey to success.
Illinois SBDC @ The W.B.D.C	www.wbdc.org	(312) 853-3477	The Women's Business Development Center was founded in 1986 and is a nationally recognized leader in women's business development and economic empowerment.
Industrial Council of Nearwest Chicago	www.industrialcouncil.com/sbdcdirector.html	(312) 421-3941	ICNC works to strengthen the companies in the Kinzie Industrial Corridor on Chicago's Nearwest Side Community. Please see www.industrialcouncil.com for information on ICNC's mission and activities. In addition to representing and providing assistance to hundreds of companies in its community, ICNC owns and operates one of the oldest and largest business incubators in the country, which houses over 100 small business tenants in its 416,000 square foot facility.
Score Chicago	www.chicago.score.org	(312) 353-7724	Our Mentors are experienced entrepreneurs, corporate managers, and executives with a diverse set of industries and specialties who volunteer their experience and knowledge to help small business professionals start, develop, and grow businesses. We offer free and confidential mentoring along with low-cost or no-cost business training, and numerous templates and tools.
Score Fox Valley Chapter	www.foxvalley.score.org	(630) 692-1162	Connect with SCORE Fox Valley. The Service is Free, the Advice is Priceless. We provide free and confidential mentoring to entrepreneurs working to start or grow an existing business.
University of Illinois-Chicago Entrepreneurial Support Program	www.business.uic.edu/	(312) 413-3278	The UIC Entrepreneurial Support Program helps new and established business owners start, scale and succeed in business. We work with you to find and access the tools and resources to build a prosperous venture. We work with both Chicagoland entrepreneurs, and students and faculty & staff at UIC. Funding and support come from UIC Business.
Waubensee Community College SBDC	www.waubensee.edu/learning/business/sbdc/	(630) 906-4143	The SBDC helps small business owners recognize growth opportunities through planning, promotion and profitability. We help new entrepreneurs assess the viability of their ideas and navigate the steps to getting their business up and running. Our services are no-cost, and provided by experts who have years of experience running a small business.

The Deal Team

Company Name	Website	Phone #	Description
Banking			
Centrust Bank N.A.	www.centrustbank.com	(847)267-1331	Great banking relationships begin with outstanding products and services. But it's the combination of knowledge and sector-specific expertise that brings our clients and community a competitive advantage. We meet with our customers face-to-face, person-to-person. Our bankers are at your service in our lobby, and your phone calls are answered. Our bankers make Centrust Bank a very unique, locally owned, full-service community bank.
Commercial Real Estate Firms			
Suburban Real Estate Services INC.	www.suburbanrealestate.com	(630) 778-1800	Suburban Real Estate Services has been helping clients lease, buy, sell, and manage commercial real estate since 1991. We work with owners, tenants and investors in office, retail, medical, industrial, and logistics properties. Suburban is currently licensed in Florida, Illinois, Indiana, Iowa, Michigan, and Wisconsin. We offer a full line of commercial real estate services with real results, all while delivering real value and real service. Our goal is to help you reach your real estate goals.
SVN Landmark Commercial Real Estate LLC	www.svnlandmark.com	(630) 938-4950	SVN fosters a strong culture of collaboration throughout its international network of offices and advisors, representing commercial real estate specialists in every market and product class. We are committed and empowered to reach the entire brokerage community for the benefit of our clients.
Daniel and Associates Real Estate	www.daare.com	(630) 231-8090	As your professional realtor, a Daniel & Associates Agent, is to dedicate themselves to making the process of buying or selling your home as easy and satisfying as possible, We will at all times respect the needs of each and every client We are commissioned to work for, We will remain honest and forthright and will place your best interest in the highest regard throughout the process of our transaction. We will be a more effective realtor for our clients and will strive for excellence at all times.
Premier Commercial Realty	www.premiercommercialrealty.com	(847) 854-2300	With more than \$2 billion in properties bought, sold and leased since 1991, Premier is Northern Illinois' most responsive and experienced commercial real estate firm. Exceptional client service and our brokers' broad base of experience in the commercial market creates an unmatched level of ability. We strategically seek out the competitive advantage and implement the best possible real estate solution for our clients.

BREAKTHROUGH SUPPLY CHAIN SOLUTIONS




As a full-service logistics partner, we customize supply chain services to fit your needs today and as you scale. Our state-of-the-art Chicagoland warehouse, agile IT systems, industry leading team, and competitive pricing provides best-in-class fulfillment capabilities and performance.

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The Legal Process of Selling a Business

Author: Insider94 Staff

With so much to consider when selling a business, it is important to understand the legal process that is involved. There are four main areas that comprise the legal side of the deal: structuring the deal, due diligence, warranties/indemnities/disclosures, and documents. Exploring each of these can serve as a guide to business owners preparing to sell their company, giving an idea of what to expect and be ready ahead of time.

Structuring the Deal

DETERMINE THE TYPE OF SALE

The first step in selling your business is deciding what type of sale it will be. There are two ways you can sell it, a share sale or an asset sale.

- In a share (or equity/stock) sale, the sellers are the shareholders of the company, and they will sell their shares in the company to the buyer.
- In an asset sale, the seller is the company, and the assets of the company, which comprise the business and operating assets, are sold to the buyer.

Owners may need to restructure the business prior to selling to allow it to be acquired in the most suitable way.

TAX IMPLICATIONS

Tax implications often drive the structure of a deal. This is a highly complex area that is dependent on the unique circumstances of the business and involved parties. Working with a tax specialist is a must. Together, you can consider what might be the best tax scenario to help determine the type of sale.

ASSETS AND LIABILITIES

- For a share sale, the buyer acquires the company with all assets, liabilities, and obligations (unless otherwise agreed upon with warranties or indemnities), offering sellers a clean break as after the sale.
- For an asset sale, only the assets needed to conduct business operations (operating assets) are included (unless a buy agrees to take on certain liabilities that are explicitly identified). Many buyers prefer an asset sale because there is less risk, unlike an equity sale where the buyer assumes all known and unknown liabilities from the beginning of the company's existence.

CONSENTS AND CONTINUITY

- For a share sale, only the ownership of the shares in the company is transferred, its assets (including its business contracts, agreements, and licenses) remain with the company. Customers and suppliers will usually continue dealing with the company as before. Certain contracts may need the other party's consent with a change of ownership, and they should be identified ahead of the sale.
- For an asset sale, the assets and contracts of the business being sold will be transferred to the buyer and the consent of customers, suppliers, landlords, licensors, and others will possibly be required. Contracts, agreements, land, property, and certain intellectual property rights will all need to be formally transferred to the new owner. There may be some disruption to the business and the buyer may need to build

confidence with the customers and suppliers to maintain relationships.

EMPLOYEES AND PENSIONS

- For a share, sale there is no change of employer, and the employees remain employed by the company.
- For an asset sale, The new owner becomes the employer, and the employees will transfer to the new employer under their current terms of employment (including certain pensions rights). Buyers and sellers should both be aware of specific obligations to inform employees about their plans and may need to consult with employees prior to completion of the sale. Please note, specialist employment and pensions advice should be obtained for guidance with pensions implications. This is a complex area with potential liabilities and obligations that must be addressed with profession help.

Due Diligence

WHAT IS DUE DILIGENCE?

Due diligence is a thorough appraisal process of the condition of the company or business being acquired. The collection and assessment of information is completed by the buyer's advisers with assistance from relevant people from within its own organization.

The information obtained helps the buyer with the following:

- Evaluate potential weaknesses
- Decide whether to proceed with the purchase
- Establish pricing and understand their bargaining position
- Identify liabilities
- Identify risk areas that can affect how the deal is structured
- Identify areas where warranties and indemnities protection might be needed
- Identify any third party consents (landlords, customers, suppliers, etc.)
- Identify areas that may need attention or action following the acquisition (streamlining operations, updating technology, etc.)

LEGAL DUE DILIGENCE

Legal due diligence can be an arduous process, particularly for sellers who will need to invest significant time and resources responding to the buyer's requests. It is started early on in negotiations, but often continues into the deal process, overlapping with the disclosure process.

Typically, the buyer's attorney will send an information request to the seller or their lawyer. This request may include everything from the company's make-up to its employees, contracts, licenses, property, financing arrangements, intellectual property rights and IT systems.

The seller and their team gather the information requested and make it available to the buyer's lawyers. The buyer's lawyers will evaluate the information and provide a due diligence report highlighting issues of concern with protective measures, if necessary, for the buyer.

FINANCIAL DUE DILIGENCE

The buyer's accountants will analyze the financial books of the seller's company and confer with its accountants and management. The buyer's tax accountants will review the tax history and identify any issues.

COMMERCIAL AND OTHER DUE DILIGENCE

During legal and/or financial due diligence, issues of a commercial or strategic nature may be discovered. In some cases, a consultancy could be hired to conduct a more precise examination of the business being acquired. This can include assessing its market standing, exceptional features, and prospective market openings in relation to the buyer's plans. Other reports may also be required as part of the wider due diligence process, for example, property surveys, environmental audits, health and safety investigations or statistical valuations.

Warranties, Indemnities, and Disclosure

WHAT ARE WARRANTIES?

Warranties are assurances about the company, from the seller, that protect the buyer against liabilities which may exist in the business. The seller is typically required to give many warranties covering all aspects of the business. If any of these assurances are untrue, resulting in the value of the company being less than what the buyer paid for it, the seller may be liable to pay damages under a breach of warranty claim. The sale and purchase agreement will contain a schedule of warranties. This is often one of the most negotiated documents because the buyer wants to ensure that the warranties are as wide as possible for liability protection and the seller wants to limit their scope.

WHAT IS DISCLOSURE?

Warranty claims are rarely brought before the courts because great effort is put into the disclosure process to ensure that the buyer is fully informed, and disputes are avoided. If a major issue is identified through disclosures, it will generally be dealt with through a price adjustment or an indemnity in the sale and purchase agreement.

- For the seller, warranties encourage them to provide further information about the company, which is over and above what is extracted during the due diligence process. To address the risk of a potential warranty claim, the seller creates a disclosure letter for the buyer that qualifies the warranties with factual information. This can also prevent the seller from being sued for breach of warranty.
- For the buyer, more comfort is created because the seller wants to ensure they have provided all relevant information in order to avoid any claims for breach of warranty.

WHAT IS AN INDEMNITY?

In addition to the schedule of warranties, sellers may be required to give certain indemnities (promises to reimburse) to the buyer. Indemnities are more specific than warranties and they are used to protect the buyer against specific risks or known liabilities. The primary distinction is the basis of any claim by the buyer for a breach.

- **Breach of warranty:** If the company acquired is worth less than the buyer paid for it because the warranty was untrue damages on a warranty claim would be paid to the buyer.
- **Breach of indemnity:** Where an indemnity has been initiated,

sellers are required to reimburse the buyer for the specific liability regardless of whether it has affected the value of the company.

Documents

Depending on the deal structure and other factors, these are the common legal documents for the sale of a business.

- **Asset Purchase Agreement (or Business Purchase Agreement):** This is the primary agreement used in the sale of a business and outlines the terms and conditions for the sale of the business's assets. It includes information such as the purchase price, what assets are being sold, the liabilities the buyer is assuming, the timeline of the transaction, and any conditions or warranties the parties agree to.
- **Bill of Sale:** This document is used to transfer ownership of certain assets in the sale of the business. The Bill of Sale is generally attached to the Asset Purchase Agreement and specifies what assets are being transferred, when they are being transferred, and the terms of the transfer.
- **Non-Compete Agreement:** This agreement is used to prevent the seller from competing with the business they sold. The Non-Compete Agreement typically lasts a certain period of time and outlines what the seller is and is not allowed to do during the designated period.
- **Non-disclosure Agreement:** A business non-disclosure agreement, or "NDA", is a contract between the buyer and seller of a business that describes confidential material the seller wishes to restrict access to.
- **Lease Assignment Agreement:** If the business being sold owns or leases any property, an Assignment Agreement will be necessary to transfer ownership or the lease of the property. The Assignment Agreement includes information such as the lease terms, the term of the assignment, and any conditions or warranties the parties agree to.
- **Employment Agreement:** If the buyer is taking over some or all the company's employees, the buyer may need to enter into Employment Agreements to hire them. The Employment Agreement outlines the wages, hours, benefits, duties, and other information regarding the employees' employment.
- **Assumption Agreement:** An assumption agreement, sometimes called an assignment and assumption agreement, is a legal document that allows one party to transfer rights and/or obligations to another party. It allows one party to "assume" the rights and responsibilities of the other party.
- **Disclosure Statement:** Typically, disclosure schedules contain information about the company's debts, stockholders, contractual obligations, intellectual property, and other critical facts about the business or its assets.
- **Employee Contract Assignment:** Contract assignment refers to the substitution of one party for a new party, with the new party assuming all the duties under the contract.
- **Tax Clearance Certificate:** A document provided by the state indicating that the Business does not have any overdue taxes or, if taxes are owed, indicating the amount that the business is required to pay.

The Tech Detective's Guide to Buying and Selling Companies: Unveiling CCS Technology Group's IT Expertise

Author: Insider94 Staff



Picture this:

You're about to embark on a thrilling journey of buying or selling a company but lurking in the shadows are hidden mysteries of information technology (IT) needs. Fear not! CCS Technology Group, the tech detectives of the business world, are here to assess, decode, protect, integrate, and support!

The Case of the Tech Assessment: When buying or selling a company, understanding its IT infrastructure is crucial. CCS Technology Group dons its detective hat and conducts a comprehensive assessment, examining the existing technology stack, hardware, software, networks, and security protocols. Their team of tech-savvy investigators leaves no stone unturned, delivering a detailed report on the company's IT strengths, weaknesses, and future potential.

Decoding the IT Blueprint: Every good detective needs a blueprint to crack the case, and CCS Technology Group excels in mapping out an IT roadmap for companies. They consider the business's current and future goals, scalability requirements, and industry trends to design a customized IT strategy. With their expertise, entrepreneurs can navigate the intricate maze of IT solutions, ensuring a seamless integration of technology during the buying or selling process.

Cybersecurity Chronicles: In the digital realm, cyber threats lurk in the shadows, waiting to strike. CCS Technology Group acts as the guardian of data security, fortifying the company's defenses against potential breaches. Their team of cyber sleuths conducts vulnerability assessments, implements robust security protocols, and educates employees about best practices. By partnering with CCS, entrepreneurs can confidently assure potential buyers or sellers that their valuable data is safe and sound.

Unmasking IT Integration: Challenges Merging two companies often comes with IT integration challenges. CCS Technology Group takes the lead, working behind the scenes to seamlessly integrate disparate IT systems, ensuring compatibility, and minimizing disruptions. Their tech wizards ensure that data migration, software integration, and network harmonization are executed flawlessly, saving entrepreneurs from headaches, and keeping the business running smoothly.

The Magical Support Portal: Every detective needs a trusty sidekick, and CCS Technology Group's support portal is just that. Entrepreneurs and their teams can access a magical world of 24/7 technical support, where their IT queries and challenges are swiftly resolved. The support portal becomes the go-to resource for troubleshooting, software updates, and expert guidance, ensuring a stress-free transition during the buying or selling process.

The Happy Ending With CCS Technology Group as your IT Partner: The buying or selling journey ends on a high note. Entrepreneurs can confidently showcase their company's IT strengths, align technology with business goals, and assure potential buyers or sellers of a seamless transition. The tech detectives at CCS Technology Group have successfully unraveled the mysteries of IT needs, leaving entrepreneurs to celebrate their newfound success.

In this exciting tale of technology and business, CCS Technology Group emerges as the hero, solving the mysteries of IT needs during the buying and selling process. With their expertise, entrepreneurs can confidently navigate the digital landscape, ensuring a smooth transition and a bright future for their business. So, put on your detective hat, embrace the power of CCS Technology Group, and embark on your own thrilling journey of buying or selling a company!

About CCS Technology Group

Our goal is simple. We aim to deliver IT support that's responsive, effective, and convenient. After all, technology should make it easier to run your business.

Enlist us to manage your IT needs, so you can focus on your business, business development, and acquisition targets free from headaches and hassles.

To learn more visit us at www.ccstechnologygroup.com or call us at 224-232-5500.



Navigator Area Announcements



THE PROACTION GROUP

Kevin Hofert Expanded Role

We are pleased to share that Kevin Hofert has been promoted to Vice President, Business Development and Sales Management. In this expanded role Kevin is primarily responsible for driving revenue growth, acquiring and retaining clients, and ensuring successful project delivery. Kevin will serve as a bridge between our consulting team and our clients, leveraging their expertise to build relationships and identify business opportunities that add value to client portfolios.

Kevin has over 28 years of business management, engineering, and leadership experience, and has a proven background in operations management, design engineering, and overall P&L leadership. His operating experience, engineering mindset, and the combination of his law degree and MBA, provides a unique perspective that will continue to inform his decisions and direction in this new role.

Prior to joining The ProAction Group, Kevin was CEO for a large, midwestern sign manufacturer where he collaborated with ownership and financial institutions to expand operations to 2 additional states, taking the business from \$29M in 2016 to \$56M in 2019. Throughout his career he has successfully integrated add-on business acquisitions and operational improvements, and has continuously managed a wide range of business risk reduction efforts. Earlier in his career, Kevin held the roles of VP of Engineering, Chief Engineer, and construction field manager.

Please join us in congratulating Kevin on his promotion and wishing him well in his new role.

Kevin has an MBA from Keller Graduate School of Management, BS in Civil Engineering from the University of Michigan, and Juris Doctor from the University of Illinois-Chicago Law School.



SEATONHILL™

Strength in Numbers

Scott Ward Joins Leading CFO Services Firm SeatonHill as Newest Partner in the Minneapolis Area

Ward is a seasoned executive who leads businesses to profitable growth and stronger valuations. Scott also serves as an advisory board member and individual coach. With significant growth in companies by altering strategic aims, Ward transforms and aligns leadership teams to exceed market value, sales, and operational targets, challenging the paradigms that limit the success of the organization, and creating an ownership culture. He has broad experience in various sectors including energy, technology, manufacturing, and accounting.

"Scott is a significant addition to the Minneapolis team. His truly unique background and specialized skillset will broaden the strategic approach SeatonHill takes with our clients," shared John Ball, co-founder and CEO of SeatonHill.

"I look forward to helping SeatonHill clients by leading them out of low growth or stagnation with simple changes that engage employees and create increased profits through strategic perspectives," shared Ward.

Ward received a Bachelor of Arts degree in Chemistry from Carleton College.



SEATONHILL™

Strength in Numbers

Jody Puffett Joins Leading CFO Services Firm SeatonHill as Newest Partner in the Chicago Area

Puffett is a highly results-oriented leader with over three decades of experience across multiple finance, actuarial, and technology disciplines. With a proven track record of positively influencing strategic and tactical organizational initiatives, she has partnered with stakeholders at all levels by building relationships based on accountability, reliability, and delivering results. Jody is adept with implementing formal and informal structures to enhance and streamline information flow to key stakeholders, with a demonstrated ability to understand, assess, and communicate pertinent factors, trends, and issues which impact a company's business environment. Puffett has also earned the 2018 Digital Insurance Women in Insurance Leadership Award and the 2017 Iowa Women's Foundation Ovation Award.

"Jody is an incredible addition to the Chicago team for SeatonHill, bringing her outstanding knowledge and experience to our clients. Jody will have great success leading clients with her actuarial expertise, vast stakeholder relations background, and much more," shared John Ball, co-founder and CEO of SeatonHill.

"I look forward to supporting SeatonHill, advising them and delivering successful results. I enjoy utilizing my diverse skillset to build strong relationships and work collaboratively to achieve objectives and bottom line growth," shared Puffett.

Puffett received a Master of Science in Tax from Golden State University and is a Certified Investments and Derivatives Auditor.



The Deal Team

Company Name	Website	Phone #	Description
Architectural Firms and General Contractors			
Chipman Design and Architecture	www.chipman-design.com	(847) 298-6900	No two clients are the same. Every architectural design project is completely different. We strategically assemble teams to best support a program's unique needs that guarantees a consistent partnership with a group of talented experts who are there from beginning to end. Our clients are true partners. Together we work closely to create project programming that carries a client's brand forward. This collaborative spirit invites open communication on a near-daily basis, ensuring the highest levels of customer service are not only met, but exceeded.
Legat Architects INC.	www.legat.com	(312) 258-9595	Legat Architects, an architecture and interior design firm, works with building owners and communities to overcome facility challenges with design that improves performance and lives. We operate six Midwestern studios to deliver the convenience and attentiveness of the local architect with the resources and know-how of the global design firm. Legat's portfolio includes commercial, governmental, healthcare, higher education, hospitality, mixed-use, preK-12 education, and transportation facilities.
Anderson Mikos Architect INC.	www.andersonmikos.com	(630) 573-5149	Through our talented staff of architects, planners, designers, computer specialists, specification writers and field representatives, we have the design and technological capabilities to deal with the most complex building program. We are members of the U.S. Green Building Council with many of our staff having earned their LEED credentials.
Cordogan Clark & Associates INC.	www.cordoganclark.com	(630) 896-4678	Cordogan Clark is a full-service architectural, planning, engineering, and construction firm of innovative professionals committed to excellence. We are passionate about our work, inspired by our clients, and committed to providing exceptional service through integrated and sustainable design and construction solutions.
Charles Vincent George Architects INC.	www.cvgarchitects.com	(630) 357-2023	At Charles Vincent George Design Group we provide the professional services of Architecture, Interior design and Land Planning. Our culture is one of creativity, collaboration and service to our clients. Our projects have shaped communities, created inspirational work and living spaces and have most importantly responded to the vision and goals of our clientele in our efforts of "designing space for work and life"
Jensen & Jensen Architects PC	www.jensen-jensen.com	(630) 573-1770	Jensen & Jensen Architects P.C. employs a dedicated and knowledgeable staff including numerous licensed and registered design professionals in a dozen States of Registration across the USA. Jensen & Jensen Architects P.C. is a diversified, full-service professional corporation with a reputation for leadership in the industry. We provide our clients with complete land planning services tailored toward retail, commercial, and residential projects. Jarrett J. Jensen, AIA has led the Firm since 1995 and is President and CEO. Under his leadership, the Architectural Firm has made its design mark on the Restaurant and Retail industry with many dozens of highly touted and recognized projects. Jensen & Jensen has been performing professional services continuously since its inception in 1915, producing over 3000 projects in the Metro-Chicagoland area alone.
Warren Johnson Architects INC.	www.wjarch.com	(847) 359-9616	Warren Johnson Architects offers a full range of architectural services for corporate, retail, restaurant, and residential areas. We have built our business on a foundation of expertise, skill, and solid client communication. We can bring any project through to completion—and navigate any complications that may arise.
Architects by Design, P.C.	www.architectsbydesign.com	(630) 323-9604	It's important to have a solid design for your home or commercial building. You need your property to be functional, to reflect your style, and to work perfectly for your needs. Coming up with a design on your own isn't always an easy task—so why not get architectural services from one of the best companies based in Clarendon Hills, IL, and serving the local area? At Architects by Design, we're prepared to provide you with architectural design services for your home or commercial building. Whether you need a design for home additions or are constructing a new office building, we can make your vision a reality.

The Deal Team

Company Name	Website	Phone #	Description
Commercial Suburban General Contractors & Services			
Bear Construction	www.bearcc.com	(847)222-1900	BEAR Construction Company has been providing client-focused General Contracting and Construction Management services since 1984. From its seven offices in Illinois and Wisconsin, BEAR's 200 team members service all commercial markets; including Interiors, Healthcare, Industrial, Education, Municipal, Retail/Hospitality and New Construction. BEAR's growth has been driven by uncompromising attention to quality, the highest levels of client satisfaction and a code of company ethics that pays homage to the firm's family roots. Whatever the size or type of project, BEAR has the experience and the personnel to get it done. Our goal is not only to build your project, but to build a relationship for life.
Hasse Construction	www.hasseconstruction.com	(708)862-2450	Hasse Construction is an award winning 4th generation construction company serving the Midwest. Whether your project involves construction way up high, or down low - we are the right partner for commercial, underground utilities / municipalities, transportation, institutional, industrial or healthcare construction.
Pavement Systems, Inc.	www.pavementsystems.com	(708)396-8888	We offer a full range of services from complex paving and total renovation performed by our Construction Division to minor repairs and pavement maintenance projects with our Service Division. We perform these services and work with our own forces and equipment. With over 35 years in business, we have the experience and knowledge to consistently provide the highest quality work that our customers demand. We deliver and stand behind everything we do.
E.P. Doyle & Son LLC	www.epdoyle.com	(630) 665-0600	E.P. Doyle is a commercial general contractor serving the Chicagoland area since 1946.
Victor Construction CO. INC.	www.victorconstruction.com	(847) 392-6900	Victor Construction remains a family-owned and operated company. In business since 1954, we've managed everything from ground-up site developments to interior build-outs, specializing in retail, industrial, and commercial markets. High standards are ingrained in our history, with valuable experience and quality workmanship remaining Victor trademarks. We also understand the need to move fast and adapt in an ever-changing industry – through technology, environmental awareness, and community engagement. As construction management advances further into the digital realm, we look beyond current trends, focusing on the technological innovations available to us. We've streamlined our organization process through online construction management tool Procore. As a result, we've seen gains in overall efficiency, and our clients love the transparency available to them. On the building front, Victor remains committed to going green. We've seen firsthand that green buildings not only protect the environment, but provide both immediate and long-term economic benefits to the investor. Finally, we remain an engaged and active member of our community: Victor Construction is a member of AIRE, IFMA, IREM, IWIRE, BOMA Suburban, and the Schaumburg Business Association.

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SBA Loans & Business Acquisitions

Buying that Business Can Be Within Reach

Author: Insider94 Staff

So, you want to acquire a small business? That can be an exciting, but daunting, opportunity. Among your due diligence, you must figure out how will you pay for it. You could consider many options, but if you lack capital, an SBA 7(a) loan is a great one for financing an acquisition.

From start-ups and working capital to expansion and acquisitions, Small Business Administration loans have a range of eligibility, including:

- Equipment
- Business Acquisition
- Expansion
- Working Capital
- Start-up
- Exports



SBA loans have many advantages for acquiring a small business (a small business has no more than 1,500 employees and a maximum of \$41.5 million in average annual receipts). According to Tom Meyer, Executive Vice President & Director of SBA Lending for Centrust Bank, “The primary benefits of SBA Loans include longer terms, longer amortizations,

fully amortizing with no balloons, favorable interest rates, less equity down requirement and other situations where there may not be enough collateral to secure a traditional loan.”

Additionally, SBA loans have a buyer allowance of financing up to 90% of total project costs; with eligible project costs that include:

- Working capital
- Closing costs
- SBA guaranty fee
- Franchise transfer fee (if applicable)
- New equipment
- Inventory

The maximum SBA loan term is 10 years, fully amortized with no prepayment penalties. If commercial real estate is included in the loan (less than 51%), the SBA allows a blended term; 10 years max for the business acquisition and 25 years max for the real estate. If 51% or more of the loan is used for real estate, the loan term is max 25 years, with prepayment penalties for terms greater than 15 years (5% in year one, 3% in year two, 1% in year three, and non after that). The SBA does allow borrowers to prepay up to 25% of the outstanding principal each year with no penalty. Personal guarantees are required by individuals who will own 20% or more of the acquired business.

With a less equity down requirement, you will need a 10% equity injection for an SBA loan. That 10% can come solely from the buyer or can combine 5% from the buyer and 5% seller financing (with a note on full standby with no principal and interest (P&I) payments for the life of the loan). The eligible Sources of the buyer's equity, or portion of equity, can include the following:

- Cash in savings
- Checking accounts (seasoned for two months)
- Home Equity Line of Credit (with secondary repayment source, not related to the business being acquired)
- Gifted funds
- Investor contributions from partners

For collateral, there is no requirement for loans up to \$25,000. The SBA requires the lender to be in the first position on all assets to be acquired. If there is less than one-to-one collateral coverage, the lender is required to take a lien on all real estate owned by personal guarantors with 25% or greater equity.

To qualify for an SBA loan to acquire a small business, a lender will need the following:

From the seller

- Last three years of business federal tax returns
- Interim Profit and Loss (P&L) statement
- Balance Sheet (as of the last month's end)
- Broker's Confidential Information Memorandum (CIM)
- Accounts receivable (A/R) & Accounts Payable (A/P) aging reports (as of the last month's end)
- Customer concentration information for customers accounting for 20%+ revenue (if applicable)

From the buyer

- Resume
- Last three years of personal Federal tax returns and W2s (if applicable)
- SBA Personal Financial Statement (PFS), form 413
- Credit authorization (to obtain their credit report)
- Buyer's transition plan
- If the buyer owns 50%+ of another business, the lender will need the last three years business tax returns, interim P&L and Balance Sheet as of the last month's end and a business debt schedule
- Letter of intent between buyer and seller (if available)



Once you provide the pre-qualification package to your lender, a loan officer will review and respond with questions before they issue a proposal letter. Timing varies, but typically, a proposal letter will be sent within a few weeks of submission. The following timeline outlines the approval process:

- Internal underwriting and buyer due diligence – about 7 to 30 days
- Formal internal credit approval and closing- about 30 days

There are a lot of moving parts in a business acquisition SBA loan. Lenders have processes in place to keep loan requests moving along. Most of the time during the process is spent waiting on documents to be retried and uploaded by buyers, sellers, and business brokers.

To explore SBA loans for a small business acquisition, it's best to work with an experienced, participating SBA lender who can advise and guide the process to a successful outcome.

mbbi MIDWEST
BUSINESS
BROKERS
AND
INTERMEDIARIES

Upcoming Events

MBBI WI - Summer Swing Social Event

June 21, 2023 4:00 PM - 6:00 PM
Luxe Golf Bays | Franklin WI

MBBI IL - Rising Stars

July 20, 2023 5:00 PM - 7:00 PM
Elephant & Castle | Chicago

MBBI 24th Annual Golf Outing

August 01, 2023 11:00 AM - 7:00 PM
Geneva National

MBBI IN - Things That Affect Deals

August 22, 2023 5:30 PM - 7:30 PM (EDT)
Location TBA

MBBI WI - Rising Stars - SAVE THE DATE

August 24, 2023 7:30 AM - 9:00 AM

Plugging into the Midwest Manufacturing Powerhouse

August 29, 2023 2:00 PM - 9:30 PM

Impact Field | Rivers Stadium Club | Rosemont IL

MBBI MN - Show Me The Money: The Latest in Acquisition Financing

September 12, 2023 5:00 PM - 7:00 PM

Brookview Golf | Golden Valley MN

Visit www.mbbi.org for more information.



Buying That Business – Negative Surprises

Author: Tim Van Mieghem, The ProAction Group

The backbone of surprise is fusing speed with secrecy.

When working to close a deal, there are so many moving parts. Some parts move faster than others, as the desire to check off a box is strong to move onto the next aspect of a company deserving of validation or scrutiny.

In our operational diligence work, we often find our private equity clients come to us because they have been negatively surprised one too many times. They go through their traditional due diligence checklists, work through the Quality of Earnings and, because of that report, address any visible operational issues. During this process, however, the actual constraints are influencing operations and what is really bubbling beneath the surface often fails to show up until after close.

Operational improvements are largely ignored because they are often considered pedestrian. Labor is often a small percentage of sales. Why care about that? The equipment works, the people are there. Are operational improvements really going to have a positive impact? The company is growing, their customers are happy, they are profitable. Given these positive signs in the financials and customer satisfaction, are there really any risks?

Yes!

Despite going into a deal with eyes wide open, you will always be limited to what people want to show you, and the speed of deal making is often paired with secrecy on the sell-side. Maybe intentional secrecy, or maybe just undiscovered challenges because the owners may not even be aware, the right questions were not asked, or the speed of the deal masked those challenges. As a result, the negative surprises could be numerous:

- The estimate of capacity in operations was grossly overstated or understated
- There are key people who are not capable of achieving the plan, or there are impediments to the growth of the management team
- Operations is not making use of the information system that's available
- A key piece of equipment is on its last leg and needs replacement
- Vulnerability to key talent or operators leaving the company post-close
- Volatility in the supply chain or reliance on a key supplier
- The company is reliant on tribal knowledge and/or lacking standard work and process documentation
- The current management team is fully committed to an ineffective approach to running the business



Negative surprises don't happen if we can provide insight.

The ProAction group provides DeepView™ Operational Diligence to bring industry leading transparency and clarity around:

- Business interruption risk (including supply chain)
- Undisclosed CAPEX requirements
- Undisclosed investment required to maintain current performance levels
- Management isn't prepared to lead the company to realize the investment thesis
- The company is static and not prepared to act as a platform
- Evaluation of operational systems to support the investment thesis
- Real-time insight to the industry's market and its customers
- Data generation and validation where data may not be available

Our operational diligences highlight potential negative surprises and provide post-close value creation strategies, with suggested implementation plans, management guidance, and interim leadership as needed. We bring the plan to eliminate, manage or mitigate the risk.

We help you to say yes to the deal, with your eyes open.

Beyond our valued pre-close operational diligence work, we also serve as an important relationship bridge between the seller and the buyer. We engage sellers with genuine appreciation for a company's history and a desire to understand why the company operates the way it does. We acknowledge the good and plan for where the gains are to be claimed. We eliminate the ability for secrets to exist, as we are taking the time to truly understand operationally what is going on. All this helps our PE clients and management teams in a smooth transition post-close.

The ProAction Group is the "Go-To" Operational Resource focused on Private Equity/Portfolio companies. While most of our clients and work is PE-based, we also provide the same services to private and public companies that are committed to improving their businesses. We identify opportunities, prepare strategies, and implement operational improvements and recommendations to increase the value of the business. To find out more, visit www.theproactiongroup.com



Ready...Set...Sell! 10 Tips for Selling Your Small Business

Author: Insider94 Staff

It takes a village to grow a small business. Years of hard work, networking, sales, success, downturns, reinventing, hiring, firing, ups, downs, and everything in between can all lead to one ultimate question; is it time to sell? Fortunately, we have compiled the top tips from professional experts, that successfully do this for a living, to help you make that decision and navigate the complex process of selling your business. Whether you are contemplating a sale, simply planning for the future, or are ready to jump in tomorrow, these 10 tips for selling your business will provide you the knowledge, guidance, and resources you need for a successful sale.

1 Be Prepared: One of two eventualities will happen in business; it will either change hands or it will close. Even if you aren't thinking about selling your small business, there may come a time or be a situation that facilitates you to do it. Having a plan is smart. Having the team you need in place to enact that plan is even smarter. The time is now to line up your resources and have some ducks in a row, so all your hard work doesn't go to waste in a "life happens" moment. A crucial first step is having a management plan in case something happens to you.

2 Assess and Increase Value: Do you know the current market value of your business? Probably not. It takes professional analysis and expertise to thoroughly determine business market value and help you get the top dollar from your business sale. Consulting with a firm that does Quality of Earnings reporting to improve operational efficiencies, which ultimately lead to increasing value, is incredibly beneficial (why not increase value before selling?). According to Tim Van Mieghem of The ProAction Group, "the importance of a Quality of Earnings (QoE) report cannot be overstated. They are ubiquitous. The report is a key tool in understanding the health of a business, but it is not the only tool. Beyond the clarity a QoE delivers on the buy-side, it can also provide sellers with a third-party's view of potential areas for concern – areas that can be targeted to maximize the company's future market value." Working with a resource extension group is a unique way to determine market value and increase it prior to selling. This process provides sellers support and objective assessments that identify and quantify the impact of implementing operational improvements, which will provide exponential value in the selling process.

3 Find the Right Attorney: Selling a business is complex. It is imperative to have the right professionals representing your best interest, and the finding the right attorney tops that list. You will need a specialized transaction attorney with experience and a proven track record in the strategies of selling a business, and it may not be your current attorney. Do not settle for an attorney without business sales experience (with a practice focuses on it). Lack of experience can be costly and result in a less than desirable sale.

4 Find the Right Broker: Advisors make a huge difference when selling a business and having the right Broker will ultimately pay for itself, ensuring you get the most for the value of your business. Start interviewing properly licensed brokers, who are active in your local market, at least 12 months prior to selling. Be sure to ask them about their track records, their network of potential buyers (top brokers will have access to buyers across the globe), and their opinion on your business' value.

5 Find the Right CPA: You will need a CPA that has expertise in tax matters related to a business sale and Purchase Price Allocation, and it might not be your current accountant. Your Broker will likely have an appropriate CPA referral.

6 Prepare Your Financials: Up-to-date financials are necessary for selling a business. Preparing to sell means you need to maximize your profits, and minimize expenses, to increase the value of your business (especially to buyer lenders). Work with your Accountant to clean up your books and prepare for the sale of your business.

7 Audit Inventory and Assets: Old inventory can negatively impact the sale of your business. Audit and sell/get rid of obsolete or excess inventory and unused, outdated, or broken equipment. Everything in your business should be a necessity and in working order for the businesses' sale.

8 Audit Your Clientele: While having a large client account is wonderful, It could negatively affect the value of your business. Customer concentration is like having all your eggs in one basket, it is best to diversify and avoid having any singular client that accounts for more than 15% of sales.

9 Audit Your Contracts: Make sure any contracts you have with suppliers, customers, or service providers are up to date, in writing and transferable (if not, add this to it). Expired contracts can negatively impact your businesses' value and even prevent a sale.

10 Consult a CFO Services Firm: A CFO services firm provides financial leaders on a fractional, interim or project basis to guide small and medium-sized businesses through complex financial issues and situations. Many firms have CFOs that specialize in selling a business, with proven results that make the expense pay for itself in the long run. An experienced CFO can lead the sale of a business in a unique way, executing all financials and overseeing the entire process with an expert team of all the necessary advisors already in place. Having an Interim CFO means the owner has a singular resource to coordinate all aspects of the sale and ultimately reap the rewards of that investment.



10 Signs It May Be Time To Sell Your Business...And What To Do About It

Author: Insider94 Staff

There are two eventualities in owning a business. At some point, it will either change hands or it will close. Since letting a business close is not ideal, most business owners must figure out the best time to step back from their company and either sell it to a new owner or let a new management team take over. This decision is a critical part of developing an exit strategy that optimizes the value of a company without compromising its financial health.

There are a variety of reasons why a small business owner may choose to sell. This decision can be due to personal or financial events, but more often than not it is a challenging determination that owners can struggle with for years. Establishing a time frame involves a delicate balance between letting go and moving forward. Owners are emotionally invested in their businesses and walking away is a tough call. Recognizing signs that can indicate it is time to sell can make the process a bit easier.

Here are 10 signs to help you tell when it's time to sell (and what to do about it):

1 Financial Struggles: If your business is struggling financially, it may be time to consider selling it. If you're having difficulty meeting expenses, paying bills, or increasing revenue, it could be a sign that it is time for new ownership. Consulting with a firm that does Quality of Earnings reporting as part of Operational Diligence (which probably has to be done when you sell anyway) to improve operational efficiencies, which ultimately lead to increasing value, is incredibly beneficial and can increase the market value prior to selling. Operational Diligence is a proven process for increasing value in a wide range of industries/sectors.

2 Lagging Growth: During the startup years growth can be fast and furious (and fun!). Over time, as the small business stabilizes, growth can become drastically slower. If the balance sheet is becoming less positive than previous years, it might be time to consider selling, but you have options. Consulting with a mergers and acquisitions (M&A) advisor connects business owners with private equity (PE) buyers. A PE firm invests in companies with lagging growth to inject immediate cash flow and make operational changes that drive growth. The private equity firm will conduct due diligence on your company, establish a business plan to increase market value, and eventually sell it for a larger profit.

3 Lack of Motivation: Running a business can be a long and challenging journey, sometimes taking a toll on owners both physically and mentally. If you've lost your motivation, feel worn out, or you're no longer passionate about your business or interested in growing it, it may be time to sell it. Start creating your exit plan and consult with an experienced business Broker to ensure you get the most value for your business.

4 Lack of Resources: If your business is struggling to obtain the resources it needs to be successful, it could be time to find a new owner. Without access to capital, labor, updated equipment, or current technology, your business cannot flourish. Selling to an owner who can bring in the necessary funding for improvements might be your best option, especially if your business still has the capacity for growth (as many buyers will purchase based on potential earnings). Consult with both a Broker and M&A expert to determine your both options, and determine which is best for you, in this type of situation.

5 Investing in a New Opportunity: A business owner may eventually want to pursue other business opportunities or personal endeavors that lie outside of the existing business. If you're missing out because of your current business, it may be time to consider selling it. Selling a business can fund a new enterprise or allow the owner the time and funds to pursue other life aspirations, like continuing education or travel. If you want to sell for these reasons, create your exit strategy and consult a Broker to help facilitate the process and get you the offer you need to start a new chapter.

6 Unreliable Suppliers and/or Employees: Unreliable suppliers and/or employees are often a sign that it's time for business owners to consider selling their business. Suppliers that don't deliver on time or consistently provide poor products can significantly impact a business and be a struggle to replace. Likewise, poorly trained, or unmotivated employees can cause decreases in productivity and contribute to customer service issues and replacing them can be a daunting task. If you are not up for the hard work it takes to overcome these issues, it might be time to let a new owner buy your business. Obtaining an expert valuation from an experienced Broker can help you determine your company's current market value so you can decide if selling in your best option.

7 Industry Changes: Industries evolve over time and can sometimes change in a way that is undesirable to a business owner. If the current state of your company's industry has become uninteresting or unenjoyable to you, having changed drastically from when you started, then you could consider selling. Working in an industry that no longer drives your passion can lead to stress and burnout, ultimately impacting the company in negative ways. Consult with a Broker to help you create an exit strategy, sell, and move on to a different opportunity.

8 Offers: Sometimes business owners get an offer they cannot refuse. If you get an unexpected offer that exceeds business valuation, it could be wise to accept it, especially if the market value of the business is expected to decrease in the near future. Plus, if current interest rates are elevated, the sale could lead to lower taxes. Speak with a CPA and a Financial Advisor to ensure that accepting the offer will be beneficial in the long run and address any financial or tax matters related to the transaction.



9 Partner/Leadership Discontent: If the leadership team has turmoil, selling could be a consideration. There are several situations, such as partner disputes, divorces, and other personal issues, which can lead to the owner wanting to sell. When something like this happens, time pressures can be high, necessitating prompt attention to reaching a sale price and swiftly moving on to other prospects. Be sure to seek the expertise of a certified business broker, CPA, and attorney to ensure a successful sale.

10 Retirement: After years of hard work, most entrepreneurs will retire to relax and enjoy life. This can be made possible by the liquidity of a business sale, allowing the an owner to forego active saving if the sale price is right. Even young entrepreneurs could become financially independent and stop working with a successful sale. If you eventually want to retire, developing an exit strategy with that in mind is imperative. Consult your attorney and find a Broker who can help you determine when the market is favorable for selling and for your retirement to commence.

Once you've identified the signs that it is time to sell your business, the next step is to decide how you want to do it. There are several options to contemplate:

1. You could sell it outright with the help of a Broker
2. You could sell to PE investors if you would like to take on a lesser role and reap the benefit of a higher sale price due to this type of deal
3. You could find a business partner who can take it over and help you to manage it, eventually selling to that partner when the time is right.
4. You could implement a Succession Plan to transfer ownership to employees, a family member, or management team. This is often easier than selling to a brand new owner because your business can buy you out and you only have to consult with a CPA to figure out the tax implications.

Once you've assessed your options, create a plan and prepare to sell. This will ensure you maximize the market value of your business so you can negotiate the best terms for a successful sale.

Selling Your Business?

Private Equity may be an option. We'll explain.

Author: Insider94 Staff

Selling your business comes with many options to consider. Among the most important is selecting from the arena of potential buyers; you could sell to family, friends, an entrepreneur, employees, or a competitor. Within this arena is a subset of buyers with much more to offer than merely a traditional sale. Say hello to Private Equity Groups.

Selling a business to a Private Equity Group can be a complex process, but it can also provide an owner with a great exit opportunity. A PE Group can maximize the value of your business and ensure a smooth transition for your employees and customers. They have the financial resources and expertise to help you realize the full value of your business and provide additional capital to help you grow and expand your business, with strategic guidance to help you reach new heights. Plus, they provide the assurance that your business will be taken care of and managed properly in the future.

Whether you've already had interest from a PE group, or you are just weighing your options, understanding what to expect with this type of sale, the process, and its do's and don'ts is imperative. So, let's take a deeper dive.

Exactly what is a Private Equity Group and what motivates them?

A PE Group is a firm that invests in established, private companies with successful finance track records and strong valuations. These groups can be funded with pools of private investors (like pensions), endowments, insurance companies, family offices or other personal wealth funds. Sometimes, a PE investment is funded by a leveraged buyout, using debt to finance an acquisition.

A PE Firm will drive growth by providing capital, strategic direction, and operational support, making a company profitable in a short period of time, typically 3-5 years. Private equity groups typically acquire a majority of a company's shares, either through a purchase or a merger. They then often become the majority shareholder and take a more active role in the management of the company. PE investors will invest in multiple businesses, often in multiple industries, with the goal of increasing the revenue of their portfolio companies and ultimately sell them for a profit to another PE firm or through an IPO (initial public offering).

PE investors buyout owners and revamp the business model to increase growth that will result in a profitable sale. This process, called recapitalization, involves streamlining operations, restructuring human capital, improving products, enhancing services, and establishing market differentiation to increase the valuation in preparation for the inevitable sale of the business. Private equity groups make 15%-20% of the final sale price of the business that they have invested in and revamped. And because interest payments are tax deductible, the carried interest enables the firm to make a profit regardless. However, a profitable sale is still the end game and developing an exit strategy that optimizes the company's value will increase profitability, reducing the

potentially undesirable components of some buyouts (such as job losses) and serving as an incentive to business owners.

What is involved in selling a company to a Private Equity Group?

There are two possible scenarios when selling to a PE firm. A full buyout or a majority buyout. In a full buyout, the private equity firm takes complete control of the business, typically resulting in a full leadership change and alterations to the business operations, staff, and strategy. The primary benefit of this type of transaction for the seller is the full payment for the company, allowing for retirement or pursuit of other endeavors.

More often, private equity firms purchase a majority, 70%-80% of the business, while maintaining the current management team. This allows the owners to stay involved in the company for a period of time and benefit from the private equity funding for recapitalization. It also enables the business owner to maximize the value of their private equity investment by continuing to influence the company's products, operations, and strategy, allowing them to sell their remaining shares at a higher price at a later date (aka a "second bite").

Once a PE firm is interested in a business, they will conduct due diligence on the company, typically divided into four stages:

- 1. Preliminary:** The PE group will evaluate the company's past performance and financial condition, as well as the industry environment in which it operates. They will also review of the business's legal and regulatory compliance and its operations.
- 2. Financial and Operational:** At this stage, the private equity group will review the company's financial statements, including balance sheets, income statements, and cash flow statements. They will also assess the company's operations, including its management and customer base.
- 3. Valuation Analysis:** The private equity group will conduct a detailed analysis of the company's financial and operational performance to determine a fair market value for the business.
- 4. Negotiation and Closing:** The private equity group will negotiate a purchase agreement with the seller and ensure the deal is structured properly. Following the completion of due diligence, the private equity group will close the deal and become the new owners of the business. Depending on the terms of the sale, they will take control of the business and begin recapitalization and may make additional investments in the business to fund growth initiatives or improvements.

Prior to selling to a PE firm, consider researching its history, current clients, industry specialization, and deal structure to determine if they are a strategic partner that is likely to invest over a longer period of time, or if it is a short-term, opportunistic sale that is focused more on PE profit than long-term value. While many PE firms prioritize investing for growth and success with involvements

in all areas, some are known for making drastic cuts, charging high fees, and setting unreasonable objectives. For big companies, private equity is often associated with the division and sale of various parts of the business, which can have a negative effect on the seller.

Here are some Do's and Don'ts for selling to a Private Equity Group:

Do

- Have an experienced attorney and/or financial advisor assist with the process.
- Gather as much information as possible about the potential buyers.
- Create a detailed financial package that includes all the company's financials, customer lists, and any other documents that will help illustrate the company's value.
- Ensure that all the company's assets are properly documented, including intellectual property and copyrights.
- Communicate openly and honestly with the potential buyers.
- Negotiate a deal that is beneficial to you, such as a good purchase price and favorable terms of the sale.

Don't

- Don't be too eager to make a deal.
- Don't skimp on due diligence.
- Don't neglect to review all the legal documents thoroughly.
- Don't forget to consider the tax implications of the sale.
- Don't neglect to consider any potential future liabilities associated with the sale.
- Don't sign any documents before having an experienced attorney review them.



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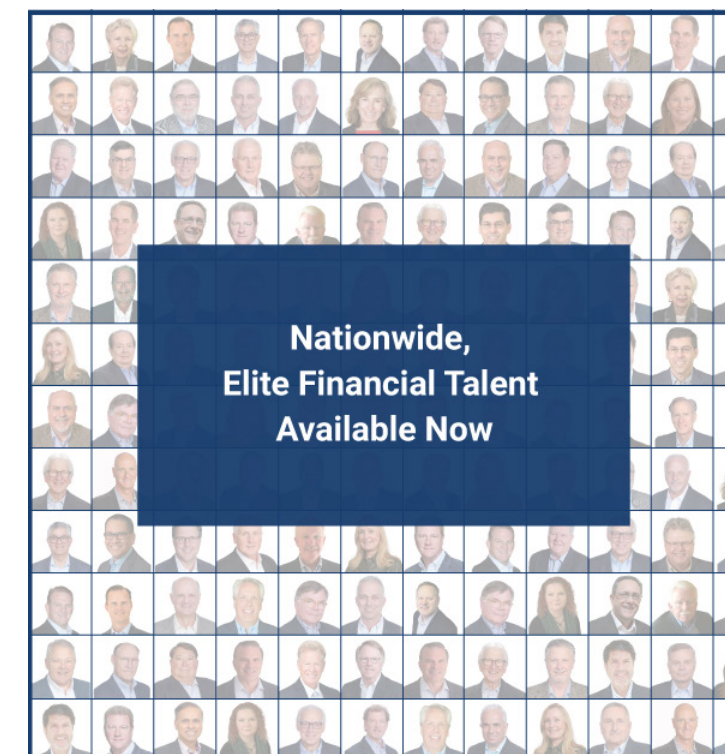


The Deal Team

Company Name	Website	Phone #	Description
Office Furniture and Design			
Forward Space	www.forwardspace.com	(312) 942-1100	Proud to Be the Leading Steelcase Dealership in the Chicagoland and Milwaukee Area From universities to tech startups, hospitals and Fortune 500 Companies. . . we've furnished it all! See how we can lead your workspace to it's next direction.
AOI Affordable Office Interiors	www.affordableoffice.com	(888) 264-2253	As the only full-service office furniture dealership, with in-house capabilities to see a project from initial planning through delivery and installation, as well as accepting a client's existing furniture in trade, we provide superior service to our clients by managing each step of the workspace process. We can help you return to the office and continue your success.
BOS Inspiring Workspace Furnishings	www.bos.com	(877) 267-0267	Your workspace is an important investment, so you want a workspace dealership with comprehensive knowledge of the industry. Since 1948, countless clients of every size from every industry have relied on BOS's experience to maximize that investment. Our vast experience means your own experience will be the best it can be. Due to the care we put into every project, BOS is consistently awarded Haworth's "Best in Class" distinction.
Business Technology Firms			
B2B Technologies	www.bb-networks.com	(630) 293-0000	As a recognized innovator of both voice & data networks, we offer a wide range of solutions, installations, and service for business telephone systems and IT support. From small offices to businesses with multiple locations and hundreds of users, we provide one point of contact for your voice & data communications needs. Our goal is to make technology simple. We'll help you break through the clutter, determine the features and functionality that you need, and develop & implement a custom plan that fits your needs.
Chicago Micro	www.chimicro.com	(224)433-6995	Chicago Microsystems specializes in a wide range of services, including tailored IT services and solutions for small and medium businesses and their owners in the Greater Chicagoland area. We are committed to providing each and every one of our clients with high quality service and support. Our unique IT team is incredibly friendly and can help you every step of the way in growing your business. We expertly combine our services in order to provide you with customized help and support so you only get what you need and what you want. Our innovative approach starts with a thorough investigation of what your company needs to succeed so that we can ensure a perfect fit with you and our services.
CCS Technology	www.ccstechnologygroup.com	(224)232-5500	Our goal is simple. We aim to deliver IT support that's responsive, effective and convenient. After all, technology should make it easier to run your business. That's what we mean by freedom.
Law Firms			
Meltzer, Purtill & Stelle LLC	www.mpslaw.com	(847) 330-2400	MPS Law is a right-sized firm with exceptional expertise and experience in every key area. Our team includes over 35 attorneys, more than 75% of whom are partners, as well as a seasoned staff of paralegals and administrative support personnel in two full-service offices.
Kelleher + Holland LLC	www.kelleherholland.com	(847) 382-9195	By offering a unique combination of comprehensive capabilities + tailored solutions we give you the ultimate result = peace of mind. There are varying meanings behind a + symbol. The + in Kelleher + Holland, LLC signifies much more than the strong foundation laid by our founding members Andrew Kelleher + Robert Holland. The addition of = As the firm continues to grow and flourish, it far exceeds a collection of talented individuals. Our "team approach" of providing tailored solutions to fit your needs means added value for you as a client. Together with = We feel it is important to be your partner as well as your advocate. Taking the time to get to know you and your specific goals is our priority. Better than; an advantage = Having a trusted legal partner is essential. Having that same partner be able to handle all your individual, family and business needs is invaluable. Our proficiency in a wide variety of practice areas allows us to fill that role. Positive = Results speak for themselves; ask our past clients. We are dedicated to providing you with a favorable experience in the most efficient manner possible. Even the shape of the + symbolizes that our capabilities, knowledge and experience run as deep as the roots we have established with a wide breadth of clients.

The Deal Team

Company Name	Website	Phone #	Description
Risk Assurance/Business Insurance			
Xartis Group	www.xartisgroup.com	(847)787-7440	The relationships between ideas, people and events for the purpose of providing pathways to enrichment and security. Risk Assurance is much more than investment strategies, risk profiles and market returns. Xartis Group was founded on the premise that each client is important and unique in their journey, with unique goals, concerns and limitations. We celebrate each relationship and give the level of attention and service each client deserves without exception.
Accounting Firms			
FGMK, LLC	www.fgmk.com	(847) 374-0400	Providing assurance, tax and advisory services to privately held businesses, global public companies, entrepreneurs, high-net-worth individuals and not-for-profit organizations. FGMK is among the largest accounting firms in Chicago and one of the top ranked accounting firms in the United States.
Porte Brown LLC	www.portebrown.com	(847) 956-1040	Porte Brown LLC is a full service accounting and consulting firm headquartered in the Chicago suburb of Elk Grove Village, Illinois. In addition to the traditional accounting services, such as tax planning and preparation, audit, business valuations, and retirement plan administration, Porte Brown also provides strategic consulting and leading-edge technology implementation for clients in cloud and non-cloud environments.
MichaelSilver	www.michaelsilver.com	(847) 982-0333	Getting one's ideal company off the ground requires vision, diligence and support from others. MichaelSilver has extensive experience in a broad range of services that are critical to a start up's success. As a company grows, its challenges increase as well. Our clients rely on our seasoned team to anticipate the potential for exponential growth as well as unforeseen challenges during this phase of the company's journey. MichaelSilver's goal is to facilitate a favorable valuation for the company that an entrepreneur nourished from its infancy. Our resources, advice, and support are employed from the starting gate to the finish line.



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Asset Sales Explained

Making Sure You're Prepared For the Deal

Author: Insider94 Staff

An Asset Sale is a business transaction where certain assets, and possibly some liabilities, are transferred to a buyer acquiring the business as a new owner. Small, privately owned businesses are most often sold as asset sales. According to the Small Business Administration (SBA) a small business can range from under 500 employees to up to 1,500 employees, depending on industry.

Commonly, only the assets needed to conduct business operations (operating assets) are included. Most buyers prefer to purchase the assets because there is less risk, unlike an equity sale where the buyer assumes all known and unknown liabilities from the beginning of the company's existence. In an asset sale, the buyer only assumes liability if it is explicitly identified, and the buyer agrees to assume it. In the case of a small business acquisition that

will transfer to a new owner, the Asset Sale Price will include the operating assets, which comprises an average amount of inventory, fixed assets, and intangible assets (aka goodwill).

It is very important to note that there is no working capital part of the Asset Sale Price. Lenders will require working capital for an SBA loan, so you can buy it or borrow it. Buying it means adding it into the Asset Sale Price. Borrowing it would mean adding a line of credit. Bear in mind, the seller will retain cash in the bank account, receive all accounts receivable and pay off the accounts payable and any long-term debt at the time of sale, so adding working capital to the Asset Sale Price will likely negatively impact what they net from the buyer, which complicates making that type of deal desirable for the seller. **Let's look at some example scenarios.**

SCENARIO 1: You want to buy company with a fairly set Asset Sale Price of \$3,000,000 with includes Operating Assets (with normal inventory, fixed assets, and intangible assets) but no working capital:

Normal Inventory:	\$200,000
Equipment Estimate (fixed assets):	\$800,000
Intangible Assets:	\$2,000,000
Asset Sale Price:	\$3,000,000

Here's what the seller nets from this deal:

Asset Sale Price:	\$3,000,000
Accounts Receivable:	+\$400,000
Cash:	+\$200,000
Accounts Payable:	-\$200,000
Credit Line:	-\$50,000
Long-Term Debt:	-\$300,000
Seller's Net:	\$3,050,000

SCENARIO 3: Equity Sale (same as SCENARIO 1):

Asset Sale Price:	\$3,000,000
Accounts Receivable:	+\$400,000
Cash:	+\$200,000
Accounts Payable:	-\$200,000
Credit Line:	-\$50,000
Long-Term Debt:	-\$300,000
Seller's Net:	\$3,050,000

SCENARIO 2: Let's add working capital of \$400,000 in accounts receivable to this deal as part of an offer:

Normal Inventory:	\$200,000
Equipment Estimate (fixed assets):	\$800,000
Intangible Assets:	\$1,600,000
Assets of A/R:	\$400,000
Asset Sale Price/full offer:	\$3,000,000

Here's what the seller nets from this deal:

Asset Sale Price:	\$3,000,000
Cash:	+\$200,000
Accounts Payable:	-\$200,000
Credit Line:	-\$50,000
Long-Term Debt:	-\$300,000
Seller's Net:	\$2,650,000

Including the A/R as working capital in the deal is the equivalent of asking for a \$400,000 discount on the Asset Sale price, it will probably result in an offer not being accepted. Furthermore, the \$3,050,000 net for the seller in the first scenario is equal to selling the equity in the company. So, the Asset Sale Price of \$3,000,000 where the seller keeps the cash and A/R but pays off the A/P and debt nets the same as if this were an equity sale, which includes cash, A/R, A/P, and debt (see scenario 3).

These are the reasons you can typically either buy or borrow working capital in an asset sale deal. Here is what those scenarios would look like:

SCENARIO 4: \$3,000,000 Asset Sale Price where buyer wants to purchase working capital of \$400,000:

Normal Inventory:	\$200,000
Equipment Estimate (fixed assets):	\$800,000
Intangible Assets:	\$2,000,000
Accounts Receivable:	\$400,000
Asset Sale Price:	\$3,000,000
Buyer Offer (working capital as A/R)	\$3,400,000

When it comes to financing this deal with an SBA Loan, here is what that looks like (assume seller note is \$0):

Uses	
Purchase business	\$3,400,000
Working Capital	\$0
Total	\$3,400,000
Sources	
20% down payment	\$680,000
SBA Loan	\$2,770,000
Total	\$3,400,000

Both deals are similar except in the purchasing working capital scenario, the buyer would receive the funds from collecting the accounts receivable vs. cash from the bank (at closing) in the borrow working capital scenario.

SCENARIO 5: \$3,000,000 Asset Sale Price where buyer wants to borrow working capital of \$400,000 :

Normal Inventory:	\$200,000
Equipment Estimate (fixed assets):	\$800,000
Intangible Assets:	\$2,000,000
Asset Sale Price:	\$3,000,000
Buyer Offer	\$3,000,000

And here is what the borrowing working capital scenario looks like for an SBA loan:

Uses	
Purchase business	\$3,000,000
Working Capital	\$400,000
Total	\$3,400,000
Sources	
20% down payment	\$680,000
SBA Loan	\$2,770,000
Total	\$3,400,000

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A CFO's Perspective

What NOT To Do When Acquiring a Business

Author: Bob Zimmer, SeatonHill Partners

In my lengthy career, I have had an array of experiences with business acquisitions, both public and private. I could tell many stories about successes and what went right, but sometimes the best examples come from the ones that did not go so well. In the CFO world, we use every experience as a learning opportunity, sharing the knowledge we gain to help others. This is one such story and a great example of what NOT to do when acquiring a business.

Once upon a time, A NASDAQ, small cap manufacturer/distributor of aftermarket automotive parts was experiencing financial stress due to offshore supply chain interruptions, the movement to direct sourcing by their major retail customers, and a general consolidation trend in the aftermarket automotive parts market. The company also had two manufacturing operations making disc brake pads and drum brake lining/re-manufactured drum brake shoes.

In a land far away (sort of), there was a large multi-national manufacturer was divesting an SBU. This business was approximately the same revenue size offering numerous synergistic opportunities, expanded product-line offerings, and additional markets for the companies' manufactured products. In addition, the target has a robust ERP system which would be an upgrade to the buyers IT platform.

It was love at first sight. Both organizations sold to the same markets, although geographic concentration varies with the company larger in the Midwest and East Coast and the target West Coast based. Each company had their own brands which competed in their respective market areas. The company's overlapped in three product lines; brake drums and rotors, brake pads / shoes and brake cylinders. The target had new product line offerings, including re-manufactured brake calipers, chassis, and front-end parts.

The combined business was projected to be over \$150,000,000 in annual revenues, offering six product lines, providing additional distribution channels for the company's manufactured products, and enhancing geographical distribution to allow for further brand penetration. In addition, the purchase price was very attractive, offering over 100% leverage on the acquired assets, primarily inventory.

This made the acquisition very attractive as the company was under financial duress. The belief was that by integrating the operations, significant cost reductions could be achieved. Plus, additional market opportunities would be available for the company's manufactured products and the new product offerings to the Company's existing customers would further increase revenues.

The strategic challenge to a successful acquisition revolved around the successful completion of numerous tactical objectives including:

- The consolidation of six distribution facilities into three

- The relocation of rotor manufacturing from CA to IL
- The consolidation of overlapping part numbers
- The development of consolidated price lists and rollout of new customer contracts
- The integration of sales & customer service functions
- The successful integration of the Company's ERP platforms

Due to the high leveraged debt associated with this transaction, the seller's insistence on a short administrative service agreement period, and the financial distress the acquirer was experiencing prior to the acquisition; the tactical objectives needed to be completed on an expedited basis. These tactical challenges, although not insurmountable individually, proved exceedingly difficult as both financial and human resources were significantly stretched, and adequate planning in terms of cost and human resource requirements was not performed.

The net result was that **IF** the transaction could be completed, including integration of the businesses facilitated on time and within budget, and with available resources, a 9th inning, game winning, grand slam home run would be achieved. Unfortunately, the batter struck out and the fairy tale crumbled.

So, why was didn't they live "happily ever after"?

Let's look at the market overview:

During this period of the early 2000's, the aftermarket was in a state of change. The typical 3-4 level supply chain was being consolidated. Historically the aftermarket automotive parts supply chain was as follows:

1. Manufacturer be OEM or Aftermarket manufacturer; to
2. Wholesales or Distributor; to
3. Retailer or Jobber; to
4. Repair Shop or Consumer.

Additionally, as the ultimate customer demands instantaneous product availability, inventories carried at each level of the supply chain was traditionally bloated. Finally, autos were containing more and more digital and electronic components, which precluded the average garage mechanic from servicing their own vehicle, and non-factory repair facilities were beginning to close as they became uncompetitive due to the expense of modern diagnostic tools.

Let's look at the tactical objectives and results:

Consolidation of duplicate distribution centers

The buyer and the target had distribution facilities in the Chicago, Los Angeles and New York/New Jersey metropolitan areas with main distribution and administrative offices in Chicago (buyer) and Los Angeles (target).



"The real work begins at the time of closing but must be preceded by detailed tactical plans and sufficient resources to allow for the unknown!"

The distribution centers were successfully merged BUT parts were maintained in separate locations pending the consolidation of the part numbers and pricing.

Consolidation of manufacturing operations

The target has machining operating in its Los Angeles facility which needed to be relocated and consolidated into the Chicago operations.

The consolidation of the machining operations was achieved, although at a significant cost overrun. The Chicago location needed infrastructure upgrades to both the structural and electrical systems which were unplanned, and, due to the age of the acquired equipment, significant costs were incurred to bring the equipment to current operational standards.

Consolidation of product numbering system

Each business had its own unique part numbering system which required the cross reference to each company's legacy part numbering system, as well as was crossed referencing to customers item number.

This objective was totally mis-handled. Significant infighting amidst the players resulting from the absence of a strong leader resulted in this objective never being fully completed. The result of which not only caused confusion in fulfilling orders, but also resulted in the consolidation of inventories never to be fully realized. Strike 1!

Consolidation of price lists and new customer contracts

The aftermarket automotive parts industry is very fragmented, although during the period leading up to this transaction a transformation was beginning to develop. Historically, pricing is based upon "discounts off List Price" and varied by Customer and Geographic location. In fact, the same customer may have pricing different based upon the geographic location where the sale took place.

These price lists are frequently connected with "stock return agreements", whereby customers are allowed to return a percentage

of the prior year's sales without regard to when the parts were initially acquired. Remember, the demand for instantaneous product availability required excessive inventories to be maintained at each point in the supply chain. This resulted in retailers holding parts that were become obsolete due to the passage to time.

Think about parts for a 1975 Chevy. Even though the vehicle was 25-years old, parts were readily available within 1 to 2 days. Retailers maintained large inventory levels knowing that these parts could be returned to their current distributor supplier at any time under the "stock return agreements". In addition, as consolidation of Retailers continued, this excess inventory was being pushed back on the distributors at an increasing level.

The combined company overlapped not only part offerings, but also in its national based and geographical based customers, i.e., both companies sold to the same customer base, although in different geographic areas.

To reduce the risk of customers "cherry-picking" pricing and using the stock return programs, it was imperative that pricing lists be consolidated, discounts be rationalized across the customer base, and new parameters be established regarding stock returns.

Unfortunately, this objective was not achieved. As with the consolidation of the part numbering system, a consistent and uniform product pricing strategy was NOT implemented. Customers did "cherry pick" product and forced stock returns and adjustments back on the company. The company did not have the resources in personnel or systems capacity to develop and implement strategies to combat these customer actions. Strike 2!

Consolidation of Sales, Marketing and Administrative Functions

Given the short window allowed under the "ASA", an expedited consolidation of the sales, marketing, and administrative functions was required. This proved to be problematic. The company was NOT allowed to enter into employee agreements with key target employees prior to the closing, and after closing it was learned that these same key employees were under a stay-bonus

continued on next page

A CFO's Perspective – What NOT To Do When Acquiring a Business *continued*

contract agreement. These conditions placed the company in a disadvantageous position as it related to employee retention.

The result is that these key employees stayed through the closing and were employees of the new company after close but were under no contractual obligation to assist with consolidation. As a result, local knowledge of the customer base, marketing programs, and customer relationships were lost. Strike 3!

Merger of the IT systems

As noted above a key strategic advantage the merger would provide an upgrade to the company's ERP system. The upgraded ERP system was JD Edwards, and the movement of the hardware and servers to Chicago was performed efficiently and under budget. The company was initially added to the system as a separate entity and as of January 1 following the merger, the company operated as one entity.

Unfortunately, as the part numbering system, part locator system and pricing files were never consolidated in the system needed to maintain independent accounts receivable and inventory files. The effort required to maintain two separate data bases for both accounts receivable and inventory required significant financial and administrative efforts. You're out!

Lessons Learned (aka, what NOT to do)

The company filed for bankruptcy protection in May 2005, 15 months after the closing, and the bank foreclosed on the collateral in June, ceasing operations. In retrospect, the initial merger scenario, although appearing sound on paper, was not achievable in the long run.

The company's initial weak financial position, followed by the inability to achieve the tactical objectives, served to be too much to overcome. In retrospect the following conditions were not fully acknowledged causing the merger to fail.

1. The ability to rally together a geographically diverse work force absent a strong leader was underestimated.
2. The lack of detailed due diligence into the cost and ability to move a production facility was understated.
3. The inability to consolidate pricing and inventory item referencing should have been designed and ready for implementation at closing. Not having an immediate rollout at closing provided a window for customers to take advantage of the disorganization of the merger process.

The financial and human capital required to complete to integration of the organizations was insufficient, the detailed timelines and process steps were not fully thought out, and the ability to bring a diverse work force together and "lock-in" key employees was not achieved. A classic example that thorough due diligence and detailed integration planning is imperative to a successful merger and integration (and a happy ending).



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About the Author: Robert Zimmer (Partner with SeatonHill) is a CFO and change-agent who achieves positive financial results through operational focus and a hands-on, participative management style. He has thirty years of management expertise in manufacturing, distribution, automotive, consumer products, printing & packaging, and healthcare/senior-care/social services. With vast C-level experience in middle-market companies, privately held organizations, private equity/venture capital financing not-for-profit and NASDAQ listed companies, Bob has a unique perspective when it comes to acquiring a business.



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 2:30 Panel: **Leveraging Available Resources through Manufacturing Associations**
 3:30 15-minute intermission
 3:45 Panel: **Trends and Investment in Manufacturing**
 5:15 Raffle Prizes, Networking, Buffet Dinner, Open Bar
 6:45 First Pitch Winners on the Field
 7:00 Chicago Dogs v. Gary SouthShore RailCats - Indoor and Outdoor Reserved Seating




The Deal Team

Company Name	Website	Phone #	Description
Accounting Firms - continued			
Mathieson, Moyski, Austin & CO. LLP	www.MMAadvisors.com	(630) 953-4900	Our highly personalized, independent and specialized advisory services are designed to deliver meaningful results for middle market companies seeking to maximize equity value and complete business transactions. We serve international and domestic private and public firms and their boards of directors, owners, and related fiduciaries and investor groups. MidMarket has helped hundreds of business owners to tackle financing and strategic transaction issues for over 30 years.
Cray Kaiser LTD.	www.craykaiser.com	(630) 953-7400	The Cray Kaiser team is driven by its mission, vision and core values. As you get to know our team members, you'll see that the five core values – education, integrity, people, care and trust – serve as anchors through our work and actions. To hear more about each value, we invite you to watch the videos below as CK team members explain how these values are embodied each and every day.
HR Management Firms			
MRA - The Management Association	www.mranet.org	(800) 488-4845	By investing in developing emerging leaders, organizations can proactively address talent shortages, build a pipeline of capable leaders, and position themselves for success.
Enerpace INC.	www.enerpace.com	(630) 832-4399	Rapid change and uncertainty are the norm in today's fast-paced business environment. Enerpace's Individual Leader Elevation Program grows agile leaders who can manage change, build teams and deliver results through an authentic, co-operative leadership approach with their employees. These one-on-one sessions are a powerful, personal, and 100% customized partnership between our coach and you.
Virtual/ Shared Offices			
Americenter of Naperville/Warrenville	www.americenters.com/warrenville-illinois/	(630) 717-3555	At AmeriCenters, we believe in small business, the self-employed, and entrepreneurs because, like you, that's who we are. We know you need a modern & professional office space to run your business, and you need it at an affordable rate. We offer fully furnished, amenity-rich workspaces with 100 MBPS fiber internet & WiFi in multiple prime locations. Inquire about renting a budget-friendly private office, team suite, virtual office, business mailing address or meeting space.
Corporate Offices Business Center, INC.	www.corpoffices.com	(630) 653-6300	Corporate Offices Business Center is owner-operated on site with one clear mission – to help our clients achieve peak business performance. Located in Oak Brook, Illinois since 1983, we were the original innovators of business ready private offices and virtual offices with flexible terms for companies both large and small. We feature the latest technology in our offices and meeting rooms with high-speed fiber internet, Wi-Fi and more. We cater to the discerning professional looking for a contemporary, traditional setting. Here you'll enjoy quiet privacy in all of our spaces providing more productivity and discretion while at work. You'll also find the latest technology in all our private offices and meeting rooms with high-speed fiber internet, video conferencing and more.
Primacy Business Center	www.primacybusiness.com	(630) 780-1000	Modern. Turnkey. Prestigious. Primacy is a premier provider of Class A office space and modern turnkey office solutions. We adapt our services to meet each client's needs - from entrepreneurs, startups and consultants to road warriors and corporate teleworkers, and everyone in between. Our services range from offering a professional business address to a full suite of administrative support - virtual or on site. We also provide meeting rooms and Day Offices in our Class-A location in Naperville, the heart of Illinois Technology, Research and Financial Corridor. Our mission is to enable businesses to focus on growth while minimizing cost and streamlining effort.
Performance Improvement			
Industry Leading Results	www.industryleadingresults.com	(312)756-9240	We help companies use human behavior science to improve employee, team and company performance. Human behavior science is the invisible force that drives (or derails) every effort to improve employee, team and company performance.

The Deal Team

Company Name	Website	Phone #	Description
Marketing			
Bee-line Communications	www.buzzwithbee.com	(224)207-4320	Bee-line Communications is a full service marketing communications firm providing services including marketing and digital strategy and execution, branding, web design & development, e-commerce development, graphic design, sales materials development, product launches, content creation and management, marketing automation, promotional programs and publicity.
Wealth Management			
Xartis Group	www.xartisgroup.com	(847)787-7440	The relationships between ideas, people and events for the purpose of providing pathways to enrichment and security. Wealth Advisory is much more than investment strategies, risk profiles and market returns. Xartis Group was founded on the premise that each client is important and unique in their journey, with unique goals, concerns and limitations. We celebrate each relationship and give the level of attention and service each client deserves without exception.
Operations Performance/Efficiency			
The ProAction Group	www.proactiongroup.com	(312)726-6111	The ProAction Group is the "Go-To" Operational Resource focused on Private Equity/Portfolio companies. While the majority of our clients and work is PE-based, we also provide the same services to private and public companies that are committed to improving their businesses. We identify opportunities, prepare strategies, and implement operational improvements and recommendations to increase the value of the business. Many times this is a follow up to and complements a previously generated Quality of Earnings Report for business owners or private equity groups. We obtain measurable results and our clients confirm EBITDA gains of 3-10X our fees.
CFO-As-A-Service			
SeatonHill Partners	www.seatonhill.com	(262)215-0945	We provide organizations financial leadership with a strategic and operational focus by using our partner network of elite CFO talent to challenge the business and contribute to operational decisions to achieve results. With our curated talent, our financial leaders guide small and medium-sized businesses through complex financial problems to mitigate risk and achieve organizational goals.



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Required Reading

7 Helpful Books for Selling Your Business

Author: Insider94 Staff

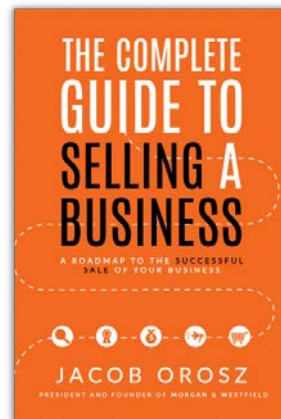
Selling a small business can be intimidating to say the least, but the right resources can make the entire process easier and more successful. Eventually, most business owners will sell to retire or pursue other endeavors, being prepared ahead of time for what to expect can alleviate stress and empower owners to get their desired results.

With that in mind, here are 7 books that small business owners should read to help with preparing to sell.



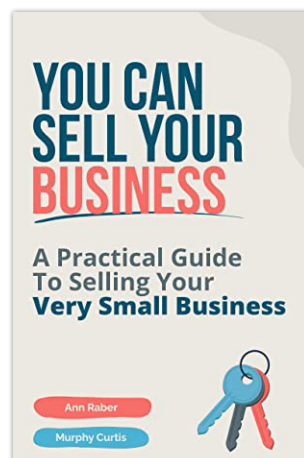
Finish Big, How Great Entrepreneurs Exit Their Companies on Top by Bo Burlingham

Business journalist, Bo Burlingham, interviewed dozens of entrepreneurs and identified eight key factors that determined whether they were happy after their exit, exploring not only the practical challenges of selling, but the emotional ones as well.



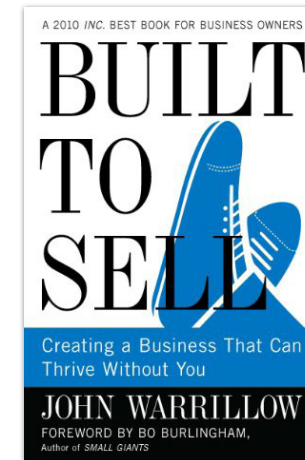
The Complete Guide to Selling a Business by Jacob Orosz

You could spend a lifetime figuring out how to successfully sell your business and still end up confused. With two decades of experience, Jacob Orosz, founder of Morgan & Westfield, puts together the best tips and strategies he has used in helping hundreds of business owners successfully sell their companies.



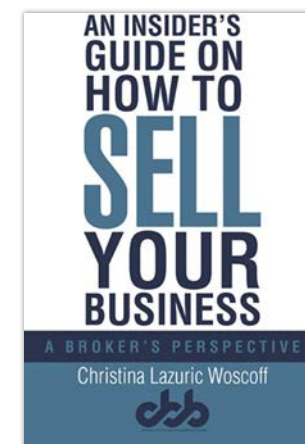
You Can Sell Your Business: A Practical Guide To Selling Your Very Small Business by Murphy Curtis and Ann Raber

This engaging, step-by-step guide gives smaller business owners the technical tools and support they need to successfully sell their business. From determining the price and preparing financial records to navigating offers, this book is indispensable for the very small business owner who is looking to move on to the next phase of their career.



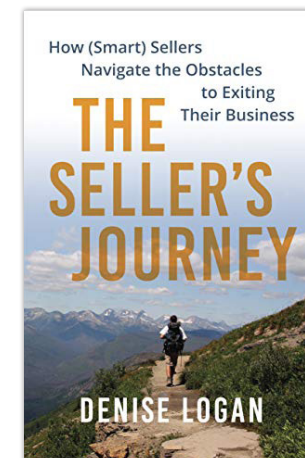
Built to Sell: Creating a Business That Can Thrive Without You by John Warrillow

Meet Alex, a fictional small business owner who is struggling to sell his advertising agency. Alex turns to Ted, an entrepreneur and old family friend, who encourages Alex to pursue three criteria to make his business sellable. Author John Warrillow created Alex and his story to illustrate the number one mistake entrepreneurs make: building a business that relies too heavily on them, so when the time comes to sell, buyers aren't confident that the company (even if it's profitable-can stand on its own).



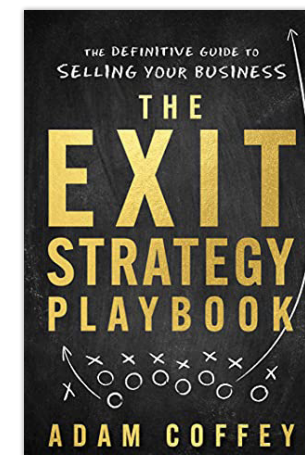
An Insider's Guide On How to Sell Your Business: A Broker's Perspective by Christina Lazuric Woscoff

Christina Lazuric Woscoff advises clients to stay real about the business they're selling and disregard emotions about what they "feel" it's worth. Buyers don't care about the late nights you toiled on the business, they care about desirability and cash flow. In this broker's perspective, she highlights how to pick the right time to exit your business, understand the market conditions in your area, choose knowledgeable advisers to help you navigate the process, and consider alternatives.



The Seller's Journey: How (Smart) Sellers Navigate the Obstacles to Exiting Their Business by Denise Logan

The Seller's Journey presents a philosophy that will help you sell your company with integrity, humanity and understanding of your own needs, behavior, and emotions (and those of the others involved in the process). Transition expert Denise Logan offers the only credible solution to tackling one of the most significant causes of deal failure, seller's remorse. This counter-intuitive approach will dramatically improve any owner's journey to and through the successful sale of their business.



The Exit-Strategy Playbook: The Definitive Guide to Selling Your Business by Adam Coffey

Adam Coffey has spent the last twenty years as CEO of three private-equity-backed national service companies. Through his experience executing a buy-and-build strategy, he has bought and sold more than 100 companies ranging in size from \$1 million to \$1 billion. Selling your business is an art, learn from an experienced artist how to successfully navigate the sale process. This book isn't about selling fast, it's about selling smart and achieving maximum value for the time and effort you've put into your company.



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