THE MONTHLY CEO ADVISORY™

NOVEMBER 2021 VOLUME 2, ISSUE 11

Dear Friends,

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

My article this month addresses seven key questions for a company to answer to improve their planning. The questions are simply thought provokers to elevate your thinking as you prepare for 2022.

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

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

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

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

Sincerely,

Ken Keller

Ken Keller
CEO

STRATEGIC ADVISORY BOARDS
25101 The Old Road, Suite 126
Santa Clarita, CA 91381
www.StrategicAdvisoryBoards.com
My daily blog at https://www.linkedin.com/in/kwkeller/
Telephone/Text: 661.645.7086

Business Growth Opportunities to Consider in 2021

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

STRATEGIC ADVISORY BOARDS
25101 The Old Road, Suite 126   Santa Clarita, CA 91381
My daily blog at https://www.linkedin.com/in/kwkeller/
Telephone/Text: 661.645.7086

BUSINESS GROWTH & PROFITS

SEVEN QUESTIONS FOR A BETTER 2022

As your business planning continues for the new year, I pose thought-provoking questions to help guide your thinking.

What business are you really in?

Railroads were once in the transportation business, but now, excepting Amtrak, they are in the business of moving freight. Starbucks started out as a coffee shop and is now an upscale quick service restaurant chain. Over time, businesses mature, develop, and adapt. Identify and acknowledge how your business has transformed.

What is your sustainable competitive advantage?

Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors.

Creating a sustainable competitive advantage is done from the outside in. Clients initially chose to work with a vendor because that vendor provides something, either tangible or intangible, not provided elsewhere. Clients stay with a vendor for specific reasons. The solution is to find out the "why" behind those buying decisions.

Ken Keller

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

Ken.Keller@StrategicAdvisoryBoards.com or call 661.645.7086.

Is your vision still clear?

Distractions disguised as opportunities abound. Without a vision, without a target to hit in the future, short-term goals are not likely to be achieved. Does the vision reflect reality? Is it filled with energy, alignment, and focus? Can employees state what the vision statement? Is it memorable enough to be memorized?

How do you really measure progress?

While revenue growth, improving margins and larger profits are strong indicators of moving forward, other metrics may be more important. Are you measuring client acquisition and retention? Employee engagement? Efficiencies in operations, purchasing and output? How much progress has been made this year on the non-financial metrics and how much progress is anticipated in the year ahead?

How well are you avoiding the commodity trap?

CEOs and salespeople often believe that their offerings have become commoditized by the competition, meaning, pricing pressure seems to have taken over as the key decision behind purchasing.

A commodity is a good or service where there is demand, but which is supplied without qualitative differentiation. When a buyer cannot discern a qualitative difference of offerings, price becomes the only factor in the decision to spend.

The opportunity is to build value that matters into the purchasing equation. Former, current, and potential buyers can provide invaluable information to help strengthen your existing sustainable competitive advantage and provide insight into what constitutes value for the client.

Who is your target market?

Review, refine and redefine the target market of the company. Who is the ideal client? Has the client base changed? Who is making the buying decision; are there multiple buyers and influencers involved? What can you do to avoid single points of communication within your clients?

Are your key plans updated?

There are three key documents worth updating during the planning cycle. The first is the strategic plan for the company; the second is the marketing and sales plan for the next 18 months and the third is the operating plan for the year ahead. Do you possess these critical documents and if not, when will you create them?

The definition of business insanity is "doing the same thing over and over and expecting a different result." If you desire a better year in 2022, focus on these seven questions to help move your business to better outcomes.

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

TAX NEWS

TAX POLICY LESSONS FROM HORSESHOE CRABS

David Stone

IRS Solutions Valencia, Inc.

www.FormerIRS.com

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

David@IRSSolutions.com

Scientists recently announced finding a fossilized horseshoe crab brain from 310 million years ago. As the *New York Times* reported, "Siderite, an iron carbonate mineral, accumulated rapidly around the dead creature's body, forming a mold. With time, as the soft tissue decayed, a white-colored clay mineral called kaolinite filled the void left by the brain." And here's the punchline: "While the horseshoe crabs look somewhat different on the outside, the internal brain architecture hadn't really changed despite being separated by more than 300 million years."

You probably know plenty of people who act like their brains haven't evolved in 310 million years. Sometimes it's endearing, like your favorite old aunt who still sends you a check for $20 on birthdays and Christmas. (Don't bother telling her about Venmo; she can't use it on her flip phone anyway.) Sometimes it's just maddening, like the IRS's insistence on using faxes for "urgent" communications.

But waiting for the IRS to discover email doesn't matter nearly as much as the system they're actually administering. The sad reality is that today's tax code is just as ridiculous as the one they enforced back in 1913. Standard deductions, graduated tax rates, a dizzying array of deductions and loopholes, and even Form 1040 — we've had them all from the start.

So how about we stop thinking like a horseshoe crab and try something new? Here's a new twist on a classic idea for financing government with no 1040s, no April 15th, no "audits from hell," and no trillion-dollar "tax gap" between what the law requires and what taxpayers actually pay. The answer is a *progressive* national sales tax. We'll call it the Collections & Revenue Alternative Baseline, or CRAB tax.

Economists criticize sales taxes as regressive because lower-income families pay a higher percentage of their income. The CRAB tax solves that problem with progressive brackets. For example, car buyers might pay 3% on the first $10,000 of the purchase price, 4% on the next $30,000, 5% on the rest up to $100,000, and 8% on anything above that. Bentley buyers carry more weight. Homebuyers might pay 3% on amounts up to their median county sale price, 4% on amounts between 100-200% of that median, and 5% on amounts above that. Mansion buyers carry more weight, too. Fair?

The best part is, vendors will do all the work at the point of sale. Yes, there will be cheating. But taxing transactions theoretically leaves less incentive for sellers to take cash under the table because they won't be paying the tax. And now, there won't be any tax break for hiding your money in a Cayman Islands LLC.

All we need to make it happen is a majority of Congress voting yes. And really, eliminating the income tax is the sort of idea that ought to sail through Washington. Of course, today's politics are so polarized that you'd have a hard time convincing 100 senators to agree the earth is round. So we probably shouldn't hold our breath.

You know who else is guilty of thinking with a 310-million-year-old brain? The average tax professional, who thinks putting the "right" numbers in the "right" boxes on the "right" forms is all they need to do! But we know *planning* is the key, as long as we're stuck with Form 1040. You know the drill — call us with your questions so we can help you pay less!

COMMERCIAL

INSURANCE

A QUICK REVIEW OF THE RISK MANAGEMENT PROCESS FOR BUSINESSES

Operational risks represent the unique array of potholes that every business is faced with as they navigate the road to success. Operational risk management is the process of identifying all the potholes, assessing how damaging each can be, and then preparing an appropriate driving strategy to absorb, limit, or avoid the resultant damage. Knowing the probability and potential severity posed by each pothole allows businesses to understand which ones need the most attention, and which ones can be traversed with little to no damage. There is a formal process to accomplish this.

There are five basic steps in the risk management process. It begins with identifying risks, goes on to analyze risks, then the risk is prioritized, a solution is implemented, and finally, the risk and the solution are monitored for success and adjusted as needed.

Step 1: Identify the Risk

There are many types of risks in an operational environment. It is important for an organization to search for and identify all of their operational risks to loss – both financial and human – then itemize each of them manually.

Step 2: Analyze the Risk

Analyze each risk to determine its potential severity, seriousness, and scope - how many business functions it would adversely affect and how badly if a loss occurred.

Step 3: Evaluate or Rank the Risk

There are risks that can bring a business to a standstill, while others are only minor inconveniences. Each risk needs to be ranked and prioritized. This process will give the organization a holistic view of their comprehensive risk profile that will serve as a roadmap for the fourth step in the process.

Step 4: Treat the Risk

Each risk should either be contained or eliminated. This is accomplished by connecting every stakeholder, discussing the issues surrounding the risk, and developing as many viable solutions as possible to address each risk. All stakeholders should be involved in this process, and outside resources and experts tapped. Your broker should get the insurance carrier's Cyber Security, Loss Control, or Ergonomics expert involved if needed.

Once all solutions have been developed, each of them should be evaluated for viability and potential effectiveness. The best ones should then be implemented.

Step 5: Monitor the Solutions and Review the Risks

After a risk management solution has been in place for a pre-determined time, it should be evaluated for effectiveness on a scheduled basis. Depending on the results of those analyses, adjustments should be made, or an alternative solution implemented. Risks themselves may change, so be open to identifying and addressing those changes too.

Commercial Insurance brokers and insurance carriers should play a pivotal role in promoting the concept of operational risk management to their insureds and helping them use that process to thoughtfully and effectively manage their exposure to loss. A business that can predict a risk and address it before it causes damage will always be at an advantage.

Paul Palkovic, ARM, CPCU

Kulchin Ross Insurance Services
(805) 358-8786
paul@kulchinross.com

HUMAN RESOURCES COMPLIANCE

CALIFORNIA RAISES THE STAKES FOR WORKPLACE SAFETY COMPLIANCE WITH NEW PENALTIES

Governor Newsom just signed into law SB 606 that makes significant changes to Cal/OSHA by creating two new categories of violations – "Enterprise-wide Violations" and "Egregious Violations" – subject to the same penalty as willful or repeated violations. The bill was signed on September 27, 2021 but will not take effect until January 1, 2022, buying some time for you to get your organization prepared for the changes ahead. What do employers need to know about this new law?

ENTERPRISE-WIDE VIOLATIONS

SB 606 will have a large impact on employers with multiple worksites. This new law creates a presumption that an employer has committed an "enterprise-wide" violation, or a violation at multiple worksites, if Cal/OSHA finds that either:

- The employer has a written policy or procedure that violates section 25910 of the Health and Safety Code, any standard, rule, order or regulation; or
- Cal/OSHA has evidence of a pattern or practice of the same violation or multiple violations committed by that employer involving more than one of the employer's worksites.

There is no requirement that Cal/OSHA investigates other sites or observes violations in order to issue citations. This means that employers can be cited for worksites that have not been inspected, based entirely on a written policy at one of the employer's worksites.

EGREGIOUS VIOLATIONS

Cal/OSHA has also introduced "egregious violations" that can lead to exponential penalties for employers. According to the new law, each employee who would be exposed to the violation would be considered a separate violation for fines and penalties.

Cal/OSHA can find that an employer has committed an "egregious violation" for any of the following:

- The employer, intentionally, through conscious, voluntary action or inaction, made no reasonable effort to eliminate the known violation;
- The violations resulted in worker fatalities, a worksite catastrophe, or a large number of injuries or illnesses;
- The violations resulted in persistently high rates of worker injuries or illnesses; The employer has an extensive history of prior violations;
- The employer has intentionally disregarded their health and safety responsibilities;
- The employer's conduct, taken as a whole, amounts to clear bad faith in the performance of their duty to provide a safe work environment; or
- The employer has committed a large number of violations so as to undermine significantly the effectiveness of any safety and health program that might be in place.

Additionally, SB 606 provides Cal/OSHA with new subpoena power. The new law provides the agency with the authority to "issue a subpoena if the employer or related entity fails to promptly provide the requested information." This would allow Cal/OSHA to enforce a subpoena if the employer did not provide requested information within a reasonable amount of time. The law does not define what a "reasonable amount" of time may be.

Employers with multiple worksites should ensure that their written policies and procedures are up to date. You should review all policies and practices to ensure compliance with all Cal/OSHA standards including an Injury and Illness Prevention Program (IIPP).

As employers know, no policy is effective without full involvement from employees, supervisors, and management, proper and prompt identification of the issues the policy applies to, and adequate training. This is especially important in light of the new law.

Source: Fisher Phillips Insights, Abby Harrington

Barry Cohn, CEO
JorgensenHR

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

barry@jorgensenhr.com
661.600.2070
www.jorgensenhr.com

MANUFACTURING EXCELLENCE

MANUFACTURING RESURGENCE? YES!

Recently I was challenged (again!) why I am so optimistic about the resurgence of U.S. manufacturing. After all, manufacturing employment as a percentage of US payrolls has declined dramatically. In the 1940's, over 35% of all jobs were in the manufacturing sector. Today it is just 8%. What resurgence?

First of all, let's look at what's really happening in the manufacturing sector today. Since 2010, manufacturing employment in the US has been steadily increasing. But more importantly, productivity is out-pacing employment growth.

In 2005, it took 8 manufacturing employees to produce $1000 in manufacturing GDP. In 2018, it took just 5 to generate the same output. By 2030, that number will be 3 employees per $1000 of GDP. (see Note 1). The U.S. manufacturing worker will be 3 times as productive as his predecessor in just 30 years.

Let's compare that to China. China is suffering what I call economic adolescence. Wages are rising rapidly as China's new middle class demands better pay, better benefits and working conditions. At the same time, the Productivity of the Chinese worker continues to decline (see Note 3).

So China's new reality is declining productivity hitting against a wall of higher labor costs and demands. Western economies have been through these challenges and worked through them without abandoning their underlying structures of capital formation.

But in China there is a sense of crisis. And what is the CCP's response? To control. To revert to what they know. Control society. Control the means of production. This is not good for China or the world. But it bodes very well for the resurgence of manufacturing in the United States.

First of all, as recorded by the Journal of Commerce (see Note 2 below), cost parity between the U.S. and China was reached in 2015. Yes, that's right. 2015. Did you see that news item? No. So let's be clear. Thinking of China as the low cost manufacturing region is living in the past. It is not today's reality.

Secondly, climate change politics has changed the cost of energy. It is too late to go back. We are now seeing the (not so) hidden costs of renewable energy sources. The United Kingdom has invested in wind energy from the North Sea. But winds this year have been far below expectation. Now the UK scrambles as energy costs grow out of control. Germany has abandoned coal production and coal power plants. Their solution? A gas pipeline provided by the Russian oligarchs. Gazprom is going to reduce energy prices? Did Germany forget the laws of supply and demand?

In the renewable energy world, energy is going to be more and more expensive. This is a policy choice that could be reversed, but that is very unlikely. Consequently, global supply chains become uneconomic and at risk in a very unstable geopolitical environment.

So to summarize:

- The U.S. manufacturing cost competitiveness has passed the finish line as China's cost competitiveness is slipping away.
- The global supply chain's costs, geopolitical vulnerabilities and massive carbon footprint are not sustainable.

So, yes – a resurgence in U.S. manufacturing. It is inevitable if we choose it to be. Are we prepared to abandon the failed "service economy" movement of the past 3 decades? Are we prepared to embrace a climate sensitive and strategically sound manufacturing policy for the future? I believe we will.

BJ SCHRAMM
818.441.8814
B_Schramm@hotmail.com

Note 1: Manufacturing in the United States - Wikipedia
https://en.wikipedia.org/wiki/Manufacturing_in_the_United_States#/media/File:US_Manufacturing_charts_v1.png

Note 2: Outsourcing less clear cut as China, US near cost parity | JOC.com
https://www.joc.com/international-trade-news/outsourcing-less-clear-cut-rising-wages-push-china-towards-cost-parity-us_20150505.html

Note 3: Chinese Manufacturing Productivity continues to decline
https://documents1.worldbank.org/curated/en/839401593007627879/pdf/Chinas-Productivity-Slowdown-and-Future-Growth-Potential.pdf

INFORMATION TECHNOLOGY

9 IT BUZZWORDS YOU SHOULD BE AWARE OF

IT is becoming buzzword after buzzword and an alphabet soup of acronyms. It's unreasonable to expect those outside the industry to use them as freely as we do. But some of the latest acronyms and buzzwords may also be some of the most important to be aware of.

Let's review a few that should help you sound more informed at your next cocktail party:

1. NET NEUTRALITY

…is the concept that governments and Internet Providers should treat accessing anything via the internet the same way - no matter where it comes from, where it is going, or what it contains. This concept is vital when it comes to ensuring equal access because it prevents companies or governments from prioritizing traffic based on payola.

2. BIG DATA

…is used to describe very large amounts of data collected by organizations. Big Data typically refers to a set of data so big that traditional analysis software struggles to analyze it. This could be data about what users click on a particular website or user's watching habits on Netflix. This type of data is incredibly valuable for companies.

3. DATA MINING (OR DATA WAREHOUSING)

…is the process of discovering patterns in large data sets involving methods at the intersection of machine learning, statistics, and database systems. Data mining is an interdisciplinary subfield of computer science and statistics with an overall goal to extract information from a data set and convert the information into a comprehensible structure for further use.

4. ARTIFICIAL INTELLIGENCE (AI)

…refers to the display of intelligence by machines. It is a field of study which focuses on a machine's ability to actually learn from the data that's presented to it to achieve some goal. Through AI advances, machines have bested the best players at chess and Jeopardy, and they are making strides against top Go players.

5. MACHINE LEARNING

…is a type of Artificial Intelligence which gives computer programs the ability to learn from new data without being explicitly programmed to do so. Machines dig through data to find patterns and then modify the way they work accordingly. For example, Facebook uses Machine Learning algorithms to personalize the content of your news feed, based on the type of links you click on most.

6. PERSONALIZATION

…is the concept of customizing the information presented to a user of a product. This is often the reason why big companies collect and analyze the large amounts of data that they do: so that they can personalize your experience with their product, in order to keep you coming back for more.

7. AUGMENTED REALITY (AR)

…is the concept of adding computer generated elements, such as sounds, videos or GPS data, to the real world. These are typically done through some piece of technology like a smartphone or AR glasses. Pokemon Go is a great example of an Augmented Reality game, as it uses interaction which varies depending on where you are in the world and how you interact with it.

Craig Pollack

FOUNDER & CEO

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

craig.pollack@fpainc.com or call 818-501-3390
www.fpainc.com

8. VIRTUAL REALITY (VR)

…is similar to AR but it usually encompasses more of the user's senses. A user will typically wear goggles and headphones which block out the outside world and completely immerses them into the virtual reality created by the program. Examples include the Oculus Rift, the Google Daydream, or the PlayStation VR. Virtual Reality has become one of the most promising trends in the gaming industry.

9. INTERNET OF THINGS (IOT)

…is the term used to describe everyday devices that are now being connected to the Internet. These devices can be cars, home automation systems or your everyday toaster. One of the unintended consequences of the rapid deployment of IOT devices is the negative impact they're having on cybersecurity. Adding these devices to your home network immediately reduces your cybersecurity protection.

BOTTOM LINE

While technology is becoming more and more complex, knowing the key buzzwords means you can at least be part of the conversation.

COMPANY BENEFITS

THE IMPACT OF CHRONIC ILLNESSES IN THE WORKPLACE

Chronic illnesses in the workplace are a large and growing problem. It is impacting workers and the unemployed in America causing health care costs to continue to rise as well as lost productivity, more absenteeism and presenteeism for employers. Employees with chronic conditions have more sick time than healthy workers and when present sometimes cannot operate at peak performance due to these conditions.

If you have 100 or fewer employees, improving the health of your employees will not have a direct effect on your health insurance costs due to how health insurance premiums are computed under the Affordable Care Act

Companies with over 100 employees can stem the increases in costs and even lower their health care spend if employees are healthier. Health care costs, 80%, are driven by 20% of the population with chronic issues. Many of these issues are lifestyle related such as obesity, diabetes, high blood pressure, stress, and smoking.

According to the US Department of Health and Human Services, six in ten Americans (60%) have one chronic disease and four in ten have two or more. Chronic illness is costly to workers even with health insurance due to higher premiums, co-pays, out-of-pocket costs. The financial burden is also impacted by the inability to work due to these conditions.

According to a 2020 MassMutual Chronic Care Study, 79% of workers are somewhat or very concerned about suffering a chronic condition as they age. Employees, 6 in 10, underestimate the cost of being out of work and having home care or rehabilitative services.

Chronic illnesses also drive up employer costs in increased health insurance premiums and reduced productivity due to absenteeism and presenteeism. According to a Price Waterhouse Coopers report an employee with a chronic illness costs the employer $4,700 a year, 3.5 times that of a healthy employee. Employees with one or more chronic issues costs the employer $10,830 a year which is 8.2 times that of a healthy employee, not including the employers' cost of health insurance.

Employers need to promote healthy lifestyles to lower health care spend, have fewer absentee days and increased productivity when employees are at work. In addition, employers can provide tools that employees can use to better manager those conditions.

Heffernan provides mental health services and stress reduction practices including meditation, yoga, massages, and an employee assistance plan (EAP). The EAP is available 24/7/365 for employees to speak with a counselor and can seek assistance with many of the day-to-day struggles including marriage, family, and relationship issues; emotional, personal and stress concerns; drug and alcohol abuse; healthy lifestyles; and work-life balance, childcare and elder care issues.

EAP's are offered through life insurance carriers as an add-on to group life insurance and there are a number of independent providers such as The Hollman Group, Beacon Health and The EAP.

There is also a myriad of wellness programs offered through health insurance carriers as well as independent wellness companies. Go365 is an employee wellness program powered by Humana that offers customizable individual experiences and gives companies of any size the ability to take a dedicated interest in their employees' health and wellness.

Chronic illnesses affects all of us. Isn't time you take a look at keeping your employees healthier?

Barry Cohn,
Senior Vice President
Benefit Advisory Services
barry@heffins.com
213.785.8091
www.heffins.com

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

ALTERNATIVE FINANCING

Kristy Melton
Business Finance Broker
Heritage Commercial Funding Corp.
kmelton@heritagecommercialfunding.com
www.heritagecommercialfunding.com
805-231-0562

SMALL BUSINESSES BENEFIT FROM WORKING WITH A BUSINESS FINANCE BROKER

It seems there is always something posing a threat to the small business community. We are now collectively experiencing more stress due to the renewed government debt ceiling debate. As quoted in a September 27, 2021 article in Forbes, "Failure to raise the debt ceiling in a timely fashion could affect capital markets, basic government operations like confirming federal tax information for loans and recent economic gains." This could slow down or stall loan approvals.

Small businesses don't need more economic uncertainty. They create the lion's share of the private sector jobs in the economy, sustain neighborhoods, and provide opportunities for women, minorities, and immigrants to advance. Small business owners need to invest in their businesses: inventory, staffing (in an environment of labor shortages), and technological upgrades that are necessary to compete in both the local and global marketplaces.

Every day, especially now, presents new challenges. How is a small business owner struggling to run a growing business supposed to know what to do? A business finance broker can help.

KNOWLEDGE OF THE MARKET

A finance broker specializes in funding options for businesses. It's our job to stay on top of what's going on in the industry, what lenders are getting deals done and for who and at what rate. You do not sign an exclusive agreement and you are still free to shop the market. Why wouldn't you want input from an experienced advisor?

FEES PAID BY THE LENDERS

Our fee is paid by the lenders. Most alternative finance lenders don't have a large business development staff and they rely on broker referrals to grow their portfolio. We don't charge a separate success fee or consulting fee. There is no risk to you.

Ray Drew, SBA BDO, says "Fund-Ex is built on a strong foundation of brokers. We consider them an extension of our company, so it's important to keep them informed, and communicate with them as they are an integral part of the team." Lenders prefer to work with brokers and prioritize their leads.

SAVE TIME

Busy entrepreneurs want to focus more on building their business than on searching for a loan. A good broker can help find the best funding option for the business. No need to fill out that same application for compile those same financials for multiple lenders. Your broker can help manage that process for you.

MULTIPLE FUNDING OPTIONS

Alternative funding had seen massive growth over the past few years. It's important to know what's available. If you talk to a lender directly, they will naturally try to sell you one of their programs (if you can qualify for it). But which one is right for you? In the past 18 years, we have established a network of the industry's most aggressive resources for funding businesses that don't always fit a traditional banking mold. We look at options based on your need and the financial condition of the company today. Give us a call today to talk about what may be available to you now.

- Factoring
- Asset Based Lending
- Purchase Order Funding
- SBA loans
- Merchant Cash Advances
- Equipment Financing & more!

WE CAN DO BETTER

STUDIONE-EIGHTY

I have recently joined a board I am very passionate about in my hometown of Minneapolis, MN. The organization is StudiOne-Eighty and its legacy carries back to when I was a kid growing up in south Minneapolis. This organization and people have supported this community from those early days, through the time that area was called "Murderapolis" to the George Floyd killing a few blocks from where I grew up. Now the task is rebuilding and developing future leaders in our community. Here is what we are hoping to continue and accomplish:

ABOUT STUDIONE-EIGHTY

StudiOne-Eighty was founded in 2019 by Art Erickson, who has a fifty-year history in the community, to support the leadership training needs of under-recognized and under-supported leaders in South Minneapolis. The mission of StudiOne-Eighty is to "Discover and Develop Transformational Leaders" who will then be active leaders and assist in transforming their community through developing better employment, housing, educational, nutritional, and healthcare opportunities leading to a safer and more prosperous community for all. StudiOne-Eighty helps leaders develop skills to transform their cities. Programs include:

The Rising Young Leaders Program. Twenty individuals between the ages of 18 and 30 learn leadership skills for transformational community development.

The Young Entrepreneurs Program. This class is currently training its first cohort of 15 young entrepreneurs to see the students' business ideas launched into reality.

Lake Street Works. This program, aimed to launch in January of 2022, will provide apprentice readiness skills for construction careers for young people ages 14-21.

STUDIONE-EIGHTY PROGRAMMING PLANS FOR 2021-2022

The Rising Young Leaders Program:

The goal of the Rising Young Leaders Program is to equip young leaders with skills, toolsets and mentorships to engage in community building advocacy and projects. The Rising Young Leaders Program targets young people ages 18-25 who are committed to social justice work and already engaged in community-building activity, specific to their location in the Metro area. Our training, coaching, and curriculum is key to translating the learned experiences of our faculty and staff into models of transformation that can be utilized in any culture, community, or city.

Paul Mitchell
Mitchell Sales Advisors, LLC
President of Mitchell Sales Advisors, powered by SalesXceleration. A firm specializing in sales strategy, sales process and sales execution. Paul has a 25-year history of sales leadership and success in diverse industries in the Los Angeles area.
pmitchell@salexceleration.com
310-946-9287
www.salesxceleration.com

The Entrepreneurship Training Program:

The ILT Academy curriculum is designed to expand access to better startup business models, training, and tools (e.g., design thinking and lean practices) to support underestimated entrepreneurs in underserved communities. It is designed to deliver programming that addresses key elements of the startup process: opportunity identification, business planning, and customer discovery. ILT Academy expects these efforts will yield more ideas and cultivate an increasing pipeline of innovators, entrepreneurs, and founders of color into South Minneapolis.

Lake Street Works Program -

Lake Street Works will be entering its pilot program phase in January of 2022 with a goal of reaching 80 high school students with a ten-week career exploration and 40 young adults ages 18-22 with day-long workshops towards exploring living wage careers in the construction trades and eventually to other trades as well.

We ask that you review this movie and envision ways you can help in my city or in yours. We can all do better, and it starts with all of us.

HOH Rebuilding Lake Street Communities (31 Minutes)
https://vimeo.com/563450681/463c97de46

CFO Insights

SELLING YOUR BUSINESS – GETTING THE PROCESS STARTED – PART II

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

In last month's article, **"Selling Your Business – Getting the Process Started – Part I",** I discussed assembling **The Success Team™**. With the team assembled it is time to get started. The first step is to have an initial meeting to discuss your objectives. These objectives should encompass timing, valuation, role post sale, impact on employees, etc. With the objectives in hand, **The Success Team™** will perform an assessment to determine if they are achievable or require modifications to either the objective and / or the business. Some examples of findings from this assessment may be:

- The investment banker may determine the valuation objective cannot be currently achieved because the Company has certain weaknesses in the management team and sales growth and profitability are lower than competitors.
- The business transaction attorney determines that there are unresolved disputes with several parties.
- The CPA determines that it will most likely be an asset sale resulting in 30% of gain being classified as ordinary income instead of long-term capital gain which is what the business owner anticipated.
- The financial planner determines that the after-tax proceeds from the sale will not sustain the lifestyle that the business owner would like to have.

With the assessment complete, **The Success Team™** can assist in preparing and implementing a business plan that will address the issues that are impacting the achievability of the objectives. In the examples above:

- The weaknesses in the management team to be addressed through hiring new team members. Targeted investments in marketing and sales to drive sales growth. Lower value expenditures to be eliminated.
- The business transaction attorney proposes to open negotiations with each of the parties with unresolved disputes to bring them to resolution.
- The CPA proposes certain restructuring of assets that lowers the amount of gain classified as ordinary income from 30% to 15%.
- The financial planner proposes that the business owner implement a cash balance pension plan to significantly increase tax deferred savings and lower current income taxes.
- All agree that a transaction should be deferred for three years (from the 18-month objective) to allow the objectives anticipated in the business plan to be achieved.

The business owner agrees to implement these strategies. The **B2B CFO® Partne**r prepares monthly projections of financial results and key performance indicators. On a monthly basis, Company performance is measured against these projections to determine if the implementation of these strategies is working. Regular measurement provides actionable information should certain strategies not produce intended results allowing for timely corrective actions.

The implementation of these strategies was a success. You are over two years into the sales preparation process. There is a highly effective management team in place. All disputes have been resolved. Sales growth and profitability are exceeding competitors. The asset restructuring has been completed. Retirement savings have grown dramatically. **The Success Team™** performs an updated assessment and advises you that the Company is in an excellent position to begin the sales process.

Are you ready to sell your business? Would you like to learn more about assessing how achievable your objectives are? If you are ready to start planning your exit now or would just like to know more about what exit planning is all about, please call me.

Donald Stevens,
Partner, B2B CFO®

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

donaldstevens@b2bcfo.com
(805) 551-4120
www.b2bcfo.com/donald-stevens

SOCIAL MEDIA

WHY SOCIAL MEDIA IS IMPORTANT FOR SMALL BUSINESSES

It's no surprise that many small businesses right now are looking for strategies to try and recover from the major disruptions caused by the pandemic. This makes it the perfect time to evaluate your business' social media use to generate new growth for your business.

HOW TO GENERATE NEW BUSINESS (AND KEEP YOUR LOYAL CUSTOMERS!)

People spend around seven hours a day on the internet which provides an incredible opportunity to market your product/business to a wide array of people at all hours of the day. The more you post and interact with your current audience, the more visible you will be to new customers all over the world – which is why staying on top of your social media accounts should be a priority.

STAY PART OF THE CONVERSATION

Social media is a chance to engage with your audience in a meaningful way and allows you to have fun with your brand's voice. Consumers love to see that there are real people behind a business. Being responsive to questions and concerns on your social media platforms helps to generate trust and favorability for your brand, and makes your audience feel valued and appreciated. It sounds simple but being active on social media allows you to know what kind of information and products your customers want to have at their fingertips and brings your brand to life. This is a major way a small business can gain a competitive edge over a large corporation, as they can create meaningful connections with their customers at home.

LOOK, LISTEN, AND LEARN!

If you already have a social media presence, do you know how to stay up to date with your metrics to optimize your platforms? The numbers can be very telling for your small business and can illustrate areas of improvement you didn't know you should be utilizing. By analyzing your social media data, you will also be able to gauge sentiment around your brand and can see first-hand what people are saying about your business.

SAVE MONEY ON ADVERTISING

Social media ads and boosted posts are a much more affordable alternative to print advertising, and they allow you to tailor your messaging and laser focus to audiences by location, age, language, and other online behaviors.

EVERYONE ELSE IS DOING IT... REALLY

Social media is a daily part of our existence, whether we like it or not, so it makes sense as a small business to take advantage of these platforms. Brands are staying relevant by regularly posting content, utilizing hashtags, running viral contests, and participating in social campaigns— there are countless ways to be sure your brand gets in front of customers and leads.

Jonathan E. Boring

President

SocialSpice Media

jon@socialspicemedia.com

(805) 482-8312 ext. 101

www.socialspicemedia.com

CONCLUSION: GO FORTH AND CONQUER...BUT DON'T BE AFRAID TO ASK FOR HELP!

As a small business in today's market, it's never been more important to use the proper social media channels to help boost (and maintain) your day-to-day digital presence. Consistency is key, content is king, and having your business active on social media will help you stay on the top of your customers' minds—and can be crucial in gaining new business. At Social Spice Media, we can start building your social media presence.

Reach out today at
(805) 482 – 8312 or
info@socialspicemedia.com.

INSOLVENCY ADVISING

FORBEARANCE PROVIDES A BREATHER FOR A BORROWER

Jonathan J. Wernick (J.J.)

Managing Director

B. Riley Advisory Services

jwernick@brileyfin.com

310-909-6121

www.brileyfin.com

Stop ! Wait a minute.
-Mark Ronson

The best advice I ever got regarding maintaining a relationship is that sometimes it is better to count to ten before saying or doing something you may regret, and sometimes it might even be better to count to eleven. The "breather" provides space to gather one's thoughts and address issues rationally. Although this advice was intended for personal relationships, a time out "breather" with its lender is often warranted when a business is having financial challenges.

Forbearance is a temporary postponement of loan payments granted by a lender instead of forcing a borrower into foreclosure or default. A borrower must demonstrate the need for postponing payments. The terms of a forbearance agreement are negotiated with the assistance of financial advisors and lawyers between borrowers and lenders. The chances of getting an arrangement depend partly on the likelihood that the borrower will be able to resume monthly payments once the forbearance period is over. The lender may approve a total reduction of the borrower's payment or only a partial reduction, depending on the extent of the borrower's need and the lender's confidence in the borrower's ability to catch up at a later date.

Negotiating a forbearance agreement with the lender can provide sufficient relief for a restructuring advisor to work with the company to develop and implement a feasible plan, perform a business viability assessment and devise if necessary alternative financing. During the forbearance window constant communication, transparency and measuring results are critical to the success of an exit and operate as a going concern.

During the forbearance period, I have advised businesses that all options are on the table as well as using this as an opportunity to challenge the current business model. Some novel changes / observations have included:

- Eliminating unprofitable business lines or divisions
- Profit rationalization of each product or service
- Identifying mistakes in estimating projects
- Pivoting from fixed costs to variable cost structures
- Improving profit margins
- Revamping incentive programs
- Understanding the complete cost structure of a product or service
- Outsourcing instead of producing in-house
- Assessing reasonable inventory levels
- Negotiating terms with vendors
- Improving collection of accounts receivable
- Simplifying financial and managerial reporting

By stopping and obtaining a breather, forbearance fosters a space to contemplate options, process a plan and regain solid footing. In many instances the borrower and lender's relationship are stronger. In other instances, a new borrowing relationship is forged that is a better fit. Unfortunately, there are times where a clear path is just not achievable. In those cases, insolvency options should be contemplated. No matter the ultimate outcome, it is important to note that communicating with a lender earlier than later is paramount. The sooner one begins the dialogue the more amenable the lender can stop, wait a minute, and provide that breather to the borrower.

ESTATE PLANNING

NATIONAL FAMILY CAREGIVER MONTH

Rebecca Goldfarb

Goldfarb & Luu

A Professional Law Corporation

Quality Estate Planning & Elder Law. Simplified. ™

800.489.1984

rebecca@goldfarbluu.com

www.GoldfarbLuu.com

November is one of my favorite months – filled with reflection about the year, gratitude and family celebration. Fittingly, it's also National Family Caregiver Month.

If you've been a caregiver for a family member, you should be celebrated every month, but particularly this month. I've had the responsibility and honor of helping care for 7 family members, not including my parents, yet. As an elder law lawyer, I've counseled hundreds of clients who are family caregivers for aging relatives. It's never easy but sometimes it's extraordinarily difficult.

Most caregivers are women over 50 who also work in addition to caregiving. Nearly 1 in 5 Americans are providing unpaid care to an adult family member. Being a caregiver has caused a financial impact to almost half of family caregivers and at the same time, almost a quarter of them of said caregiving has made their health worse. In the last 5 years, the numbers have dramatically increased.

WHAT IS THE SOLUTION?

IIt's not an option to ignore our family members who need help. However, we can do a few things to make it a bit better. If you know someone who needs help, contact us for resources!

1. Make sure your loved one's **Advance Health Care Directive** exists and includes details! This should not be a fillable form. There are many questions that need to be answered so we can honor their wishes. One of the most important is, how do they define quality of life? If that imaginary line is crossed, we switch gears to providing comfort and pain relief only.

1. **Create your village of support.** I know this is harder than it sounds, especially during Covid. The village can include other family members, neighbors, friends, members of your religious group and volunteers in some wonderful non-profits. If you get at least a handful of people to help for a few hours on their respective days, you get a break. They can spend time with your loved one, help with cooking or do errands.

2. **Take care of yourself.** Caregiver burnout is real. I've heard of too many stories where the caregiver dies before the one who needs care. Get help so you can sleep at night or take a nap during the day, get out of the house for fresh air or do some exercise. Be sure to eat well, meditate, have tea with a friend, take a long shower, etc. Join a support group for caregivers – it's a lifesaver.

3. **Get your own affairs in order.** Make sure you have your Advance Health Care Directive in place. Look into long term care insurance to pay those who will need to care for you when you need it!

THANKSGIVING

Historically, Thanksgiving commemorates the harvest festival celebrated by the Pilgrims and Wampanoag people in 1621. Most see it a time to eat dinner (including turkey for meat eaters) and spend time with family. But really, it's a time to celebrate gratitude. We do not do this enough in our culture, but boy do we need it!

Many top motivational speakers and successful people include "gratitudes" in their morning primers. With Thanksgiving around the corner, take this moment and create a list of people for whom you are grateful and why. If you're feeling courageous and bold, share it with the people listed..

BUSINESS MERGERS & ACQUISITIONS

FIVE WAYS PROFESSIONAL BUYERS TAKE ADVANTAGE OF FIRST-TIME SELLERS

I spoke with three successful business owners that had received unsolicited offers from buyers. All thought the offers were acceptable and asked me to review.

What did I find? Not surprisingly, all three buyers had run **the same Top 5 plays** from the "Taking Advantage of First-Time Sellers" playbook.

1. LURE SELLERS WITH A LARGE HEADLINE NUMBER

Buyers ingratiate themselves to the seller by offering a significant valuation or high EBITDA multiple plus the promise of a "quick and painless" close.

The seller's focus should be the amount of **after-tax cash** they will receive at closing – it is the only amount that is guaranteed.

The three buyers offered most of the consideration in earn-outs and/or in shares of the acquiring company. Sellers must be comfortable with the amount of cash they receive at closing, as all other types of consideration carry heightened risk.

2. OFFER SIGNIFICANT PORTION OF CONSIDERATION IN AN EARN-OUT

Earn-outs, when structured fairly, can bridge the gap between a buyer's offer and the seller's expectations. To receive earn-outs, sellers need to meet/exceed pre-defined goals (typically revenue, gross profit, or EBITDA) over multiple years before receiving this contingent consideration.

Earn-outs are often contentious, with the seller losing operational control once they sell. Buyers often add costs into the business, making earn-outs even more difficult for the seller to achieve.

3. SPRINKLE IN SHARES OF THE ACQUIRER'S STOCK

Stock can be valuable if the Buyer's company performs well and has a liquidity event. Sellers offered shares in the acquirer's company need to acknowledge that these shares can be illiquid, difficult to value, carry limited voting rights, and be subject to lock-out periods and tax implications.

4. INCLUDE EXCESS NET WORKING CAPITAL (NWC) IN THE VALUATION

Net Working Capital (NWC) is a very misunderstood aspect of M&A transactions. A business should be sold with sufficient NWC or "gas in the tank" for the buyer to operate post-closing. As business owners are unfamiliar with NWC they can fall prey to a buyer's request to include more NWC than necessary, effectively transferring additional cash to the buyer.

5. TIE UP SELLER IN EXTENDED EXCLUSIVITY

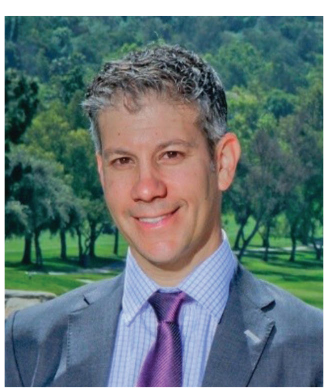
None of the offers included a timeline for the buyer to complete diligence. This is a trap for the seller, as buyers know they are not competing against other buyers and lack incentive to move quickly. Time is on the buyer's side, as prolonged diligence may provide the buyer opportunities to discover reasons to reduce their offers. The buyer hopes the seller will accept concessions and not want to re-start the process with new buyers. ***When you have one buyer, you have zero buyers.***

In a future article, we will address other common buyer plays, such as including utilizing deal structures that are far more tax-efficient for themselves or include unnecessarily large escrow amounts/holdbacks.

HOW CAN YOU AVOID THESE TRAPS?

The surefire way to maximize value is to have a large pool of qualified buyers competing simultaneously. We run a process to confidentially market the business, creating buyer competition and keeping the process moving.

Most owners get a single chance to sell. Yet most buyers are experienced and acquire companies for a living. Who has the upper hand — you, or the buyer who has years purchasing companies on the cheap?



Kevin Berson
Vice-President, Seapoint Business Advisors
We help business owners sell their businesses for maximum value. We specialize in selling businesses with sales between $2M-$100M and work on a success-fee basis with no up-front costs.
kevin@seapointadvisors.com
seapointadvisors.com
310-985-0250

BUSINESS LAW

Galia Aharoni Schmidt, Esq.

Founding Partner of Aharoni Business Law, PC
(855) 414-4529
office@aharonibusinesslaw.com
aharonibusinesslaw.com

STARTING A BUSINESS IN JANUARY? START NOW.

One of the things my office does most is help people start new businesses or turn their existing business into an LLC. Every single year at the beginning of December, we get an avalanche of new clients asking for help to form a business for January 1. This avalanche makes sense: having an exact January 1 filing date can make things much simpler for taxes and recordkeeping. But most people don't know that you can -- and should -- start a lot sooner. Here are the reasons why:

1. FUTURE FILING DATES MAKE IT EASY.

The California Secretary of State (SOS) lets you choose a future filing date up to 90 days in the future when you file your Articles. That means you can file as early as October and your business entity will be automatically created on January 1 of the next year.

2. IT GUARANTEES A JANUARY 1 DATE.

If you don't choose a future filing date, the filing date is based on the date your paperwork is received by the SOS. This, of course, ends up being not entirely in your hands, as that date can be affected by the post office, weekends, or holiday closures.

Many law offices also have extended closures for the holidays, and many, like mine, also become very busy at the end of the year. That means if you're getting a lawyer to help you form your business (which you should!), you're also at the whim of their availability.

Trying to time an exact formation date can be tricky. Filing early guarantees your lawyer's availability, and sidesteps the risk of missing the mark on your exact date due to other factors out of your control.

3. IT SAVES YOU MONEY.

All limited liability entities in California (including LLCs and corporations) are required to pay an annual tax to the Franchise Tax Board. For LLCs, this fee is a minimum of $800 a year. Even if you aren't doing business, this payment is due four months after you file with the SOS, and every April thereafter. This means if you start a business in October, you're paying for an entire year even though you've only had your business for a couple of months.

The only exceptions to this rule about your first payment are very limited. No initial payment is due if 1) you haven't done any business in California during that tax year. So in our example, if you form in October but don't do any business until January, you may be able to skip the first payment. Be careful here, though – the bar for what counts as doing business is very low, and close to zero of our clients can truly claim this exception. Or, if 2) your tax year was 15 days or fewer. So if you file your articles in the last couple weeks of the year, you can skip your first fee. However, that still doesn't solve the other problems: annoyance of having a weird date for tax purposes, and the lack of control you have over filing dates, closures, and advisor availability.

Unless there's a strong reason to start your business sooner, once we're in October, a January 1 filing date is usually best.

If you have more questions about future filing dates, ABL is happy to help.

INTELLECTUAL PROPERTY

COMMON TRADEMARK SELECTION MISTAKES ORGANIZATIONS MAKE

Michael Zarrabian
Concept IP | LLP
The Intellectual Property Law Firm for Innovators
11601 Wilshire Blvd., Fifth Floor
Los Angeles, CA 90025
310.409.9920
mzarrabian@conceptip.com
www.conceptip.com

According to the US Patent & Trademark Office: "A trademark can be any word, phrase, symbol, design, or a combination of these things that identifies your goods or services. It's how customers recognize you in the marketplace and distinguish you from your competitors."

Sounds simple enough. But selecting a trademark (brand) requires due diligence which many organizations mistakenly forego. Below are a few.

Selecting an essentially generic or weak mark

In general, marks range from generic (weakest marks) to fanciful (strongest marks). Generic marks are not afforded trademark protection. For example, "bread" for bread or "shoes" for shoes, are obvious generic marks. "Travel Pro" for a travel agency is arguably generic too.

Often then, organizations select a mark that describes the nature or quality of their goods/services. For example, "Cold & Creamy" for ice cream is merely descriptive of ice cream. Such marks are very difficult to register at the trademark office (if at all), and they make weak trademarks anyway.

Not investing time and effort in picking a strong mark

Distinctiveness is a strength. Distinctive marks distinguish the goods/services of one organization from those of another organization. Though distinctive marks are harder to come up with, the effort is well worth it.

One type of distinctive mark is a fanciful mark. A fanciful mark is completely made-up. For example, "Kodak" for cameras and "XEROX" for copiers. Spandex, Exxon, Viagra, Microsoft, etc. There is no dictionary definition for fanciful marks. Because they're unique, fanciful marks set an organization apart from the competition.

Another type of distinctive mark is an arbitrary mark. An arbitrary mark is not made-up, but it has no relationship with the goods/services it covers. In other words, the dictionary definition of an arbitrary mark has nothing to do with the goods/services. "Apple" is an arbitrary mark for electronic devices. Same as "DOVE" for chocolate.

Another type of distinctive mark is a suggestive mark. A suggestive mark suggests, rather than describes, the type of goods/services associated with the mark. "AIRBUS" for airplanes and "NETFLIX" for streaming services.

Thinking because the domain or business name is available, then the trademark must also be available

A mark should not be adopted or used until it is determined as available. The trademark office may refuse registration due to likelihood of confusion with other marks, and/or owners of similar marks may sue for potential trademark infringement if they believe there is a likelihood of confusion with their marks.

A trademark availability search reduces these risks. The search looks for existing similar trademarks for same or related goods/services, based on sight, sound and meaning of the marks. It finds if your goods/services are so close to others with similar marks, that consumers may confuse your goods/services to be from the same source as others.

Often a trademark availability search is performed in two steps. The first step is a knockout search to check if the exact mark is in use by others for same or similar good/services. If so, then the mark cannot be used. But if the knockout search is clear, then the second step is a full trademark availability search for confusingly similar marks for same or related goods/services.

Not engaging in such due diligence, often leads to expensive rebranding down the line. An ounce of prevention is worth a pound of ... (you know the drill).

EXPLORING THE PROFIT ZONE

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

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