

THE MONTHLY CEO ADVISORY™

revenue

A close-up photograph of a person's hand, wearing a white dress shirt, holding a white marker. The hand is in the process of drawing a thick red arrow on a white surface, likely a whiteboard. The arrow starts from the bottom left and curves upwards and to the right, ending in a sharp arrowhead. The background is a blurred office setting with blue tones.

MAY 2021

VOLUME 2, ISSUE 5

Dear Friends,

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

While the economy is on the rebound and growing, I wish to share with you three cautions:

1. Be aware that inflationary pressures are building. Some of my clients are already seeing raw material price increases and everyone is feeling it at the gas pump and grocery store.
2. Low unemployment is back so hire quickly because quality candidates will not sit while you wait to decide to hire.
3. Avoid the temptation to add unnecessary costs that will reduce operating margins. We all learned how to do more with less in the past year and we need to remember those lessons.

This month we have added a new contributor, Rebecca Goldfarb, who offers advice on Estate Planning, a topic that merits the attention of every person in a position of business leadership.

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
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

Business Growth & Profits Ken Keller	Page 1
Tax News David Stone	Page 2
Commercial Insurance Paul Palkovic.....	Page 3
Human Resources Compliance Barry Cohn	Page 4
Manufacturing Excellence BJ Schramm.....	Page 5
Information Technology Craig Pollack.....	Page 6
Company Benefits Barry Cohn.....	Page 7
Alternative Financing Kristy Melton	Page 8
We Can Do Better Paul Mitchell	Page 9
CFO Insights Donald Stevens	Page 10
Social Media Jonathan E. Boring	Page 11
Insolvency Advising Jonathan J. Wernick	Page 12
Estate Planning Rebecca Goldfarb	Page 13

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

READY FOR A MISSION TO MARS?

A leadership training exercise I recommend to CEOs is called "Mission to Mars."

CEOs are told to select not more than five passengers from their company to accompany them on a space trip.

There are three criteria. First, every individual must have high credibility with their peers. Second, they must be the most competent in their roles at work. Third, they must have a gut-level understanding of the company's core values.

These are difficult decisions. There are many to choose from, but in the end, to be successful on this long trip, you must pick only your "A" players.

I've reached the conclusion that companies rise or fall based on the people that work in them.

I enjoy Nordstrom, Zappos; Jet Blue, BMW, Mastro's, Salt Creek Grille and ARCLight Theatres for the same reason I go to In 'n Out Burger and Starbucks: the people employed there. Think energy, customer focus, above and beyond service.

A primary responsibility as CEO is the recruitment and retention of the very best people.

Better people cost more. Get over it. A company with more A players needs fewer total employees on the payroll. Your payroll will decrease if you rid yourself of those who are not contributing.

What is an A player? An A player is someone who consistently excels and goes beyond expectations, reinventing and improving new situations.

Two words describe these individuals: initiative and action.

They are also a shining example for others; leading by example. They live your company's core values.

How do you know if you have an A player? Ask yourself: if you could hire anyone in the world to do a specific job, would it be this person?

If there is any doubt, or if the answer is no, this person is not in that category.

"B" players consistently meet expectations set, supporting others and company values. Notice the differences: A excels, reinvents, and improves; B assists.

Having B players is essential, and companies can operate with them,

but it is the A players who plan, build, and grow. Everyone else is a "C" player and too many of those can put a company into a death spiral.

No organization can have all top tier players as much as it is desirable to do so. But A players must be in the key positions for the organization to grow.

The problem is that many CEOs rate all their people as A players when they are not. This happens because few CEOs will admit that the people reporting directly to them are not the very best.

B and C players are often choke points, blocking the business from being more successful. Their focus is on status quo, not improvement.

If your organization has a solid business and profit model and is underperforming, look closely at your employees. Having B and C players in critical positions serves as a brake on growth, innovation, initiative and taking appropriate risks.

Make it your mission to hire A players. Do not worry about their salaries. These individuals will figure out how to pay for themselves many times over. Be open to the innovation and new ways to grow your company that they bring.



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.

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

TAX NEWS

PENNY FOR YOUR THOUGHTS



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

In 2017, country singer Luke Bryan scored a #1 hit with “Most People Are Good.” Certainly, most people consider themselves good. Of course, “illusory superiority bias” (also known as the “better than average” effect) means most of us think we’re better than we really are at most everything. One survey showed 64% of drivers rating themselves “excellent” or “above average” — something that’s plainly impossible to anyone who’s spent time on the road. Most Americans rate themselves more attractive than average, too, as anyone who’s spent time on Tinder can tell.

But some people, well, they’re such treasures you just want to bury them. Today’s story takes us to Fayetteville, Georgia, 22 miles south of downtown Atlanta. In November, mechanic Andreas Flaten quit his job at the A OK Walker Luxury Auto Shop to escape the “toxic” work environment. But Flaten’s former boss, Miles Walker, churlishly refused to send his final pay. Finally, this month, it arrived at the end of Flaten’s driveway: a wheelbarrow filled with 91,515 pennies, covered with motor oil and topped with a two-word note featuring an Anglo-Saxon swear word.

Now Flaten and his girlfriend spend their evenings cleaning the pennies with old rags. It takes them a couple of

hours to polish \$5 worth, which makes us hope they’ve at least got Netflix. As for Walker — who, come the revolution, will not be dealt with kindly — he says he can’t recall whether or not he delivered the 500 pounds of coins. “I don’t really remember,” he told WGCL-TV. “It doesn’t matter, he got paid, that’s all that matters.” (He sounds like the kind of guy who sits up at night cleaning his 12-gauge with Maker’s Mark and muttering “kill the wabbit.”)

What would our friends at the IRS think of Walker’s stunt? You won’t catch them wasting their time wiping oil off pennies — they don’t take cash! You can convert your Benjamins into tax payments at IRS partner retailers like 7-Eleven, CVS, Dollar General, or Speedway, but you’ll have to pay a processing fee.

State and local tax collectors sometimes loosen up the rules. Ohio, which probably isn’t the first place you’d go looking for 21st-century financial innovation, became the first state to let businesses pay with Bitcoin. (They stopped after fewer than 10 accepted the offer.) The transaction itself is considered a taxable sale, so you can wind up owing tax on the money you use to pay the tax. And if you use more Bitcoin to pay that tax, you’ll wind up trapped in an endless Russian nesting

doll of tax bills drilling deeper into the void.

Legal cannabis businesses face the opposite challenge. The “devil’s lettuce” is still illegal at the federal level, an obvious buzzkill. Most banks won’t risk money laundering charges rolling out the green carpet to growers or sellers. A small number sidestep the problem by filing “suspicious activity” reports for every cannabis transaction — but really, isn’t life just too short? Most cannabis companies just hire armored cars to make their five-figure and six-figure sales tax deposits at state and local offices.

How do we feel about the whole (literal) mess? To Flaten: here’s hoping your next employer treats you with a little more respect. To Walker: Karma’s just sharpening her nails and finishing her drink — she’ll be with you shortly. And to the rest of you: We don’t care how you pay your taxes; we just want to help you pay less!

COMMERCIAL INSURANCE

IT'S TIME TO CHECK THE TEA

In May 2020, I wrote an article for this publication entitled "It's Time to Read the Tea Leaves". I donned my Swami's hat and speculated on how the then new Covid-19 crisis might impact Commercial Insurance premiums in the future. A year has passed, so I think it is time to evaluate how I did.

WORKERS COMPENSATION

In my article, I noted that Workers Compensation rates had steadily declined in each of the 3 years before Covid, and that the reduction in work being performed by employees would drive claims down in 2020. I also commented that Governor Newsom's decree requiring carriers to treat Coronavirus as they would any other work-related illness was not likely to have a substantial impact on pricing. I suggested that we would likely continue to see soft pricing in 2021, and despite a minor state mandated increase in rates in January, Workers Compensation pricing has remained low.

PROPERTY INSURANCE

I mentioned that carriers had been hit hard by Covid-19 Property losses, and that those losses would continue to grow if we remained shut down. This has not proven to be true. I also pointed out that Property rates had increased slightly in each of the 10 quarters preced-

ing the Covid crisis, and estimated that this trend would continue into 2021, which it has. I commented that the state might intervene and change the interpretation of policy language as they did after the wildfires, but that hasn't happened. My prognostication for limited Commercial Property rate increases in 2021 has proven to be accurate. In 2020, the greatest challenge with Commercial Property insurance was not Covid-19 but finding coverage for businesses that are located anywhere near burn and brush areas.

GENERAL LIABILITY AND UMBRELLA

I overstated the negative impact Covid-19 might have on General Liability pricing and how it might limit carrier's ability to offer coverage to tough Liability risks. However, I was right again in predicting only minor rate increases in 2021. That is three for three.

AUTOMOBILE

Then I missed the mark a little with Commercial Automobile insurance, assuming the substantial increases in premium carriers had realized in the three years prior to Covid, combined with the enormous reduction in vehicles on the road during the shutdown would result in flat or reduced prices at renewal in 2021. Despite far lower losses, Commercial Auto pricing has continued to increase slightly this year, though at a slower pace.

In retrospect, the Commercial Insurance industry proved to be excellent at adapting and adjusting to the new work dynamic created by the Covid crisis and has been very resilient in its ability to maintain stable pricing so far in 2021. That stability should benefit businesses across the country as they re-open. Let's see what the next year brings us.



Paul Palkovic,
ARM, CPCU

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

HUMAN RESOURCES COMPLIANCE

MY RECENT PET PEEVES: ZOOM MEETINGS

Every month I write about HR compliance or HR issues but this month I want to shake it up a bit and share some of my recent pet peeves. Most business owners have been conducting meetings virtually for over a year now and you would think we're getting pretty good at it. I have however become disappointed and frustrated during some meetings and decided to share my pet peeves and some best practices.

It is important to be prepared when you have an in-person or Zoom meeting. The people you are meeting with will expect you to be at the top of your game.



Barry Cohn, CEO

JorgensenHR

I work with Top Executives of companies with 20-2000 employees, providing HR solutions in compliance, Affirmative Action Plans, technology, policies & procedures, handbooks, workplace investigations and harassment hotlines.

barry@jorgensenhr.com

661.600.2070

www.jorgensenhr.com

- Do a quick search on the people you will be meeting with. Check their firm bio, LinkedIn profile and look for any recent news that an internet search brings up
- Make sure your technology works, log in at least 10 minutes early to ensure you have the latest software update and your mic and camera are working
- Dress the way you would if you were meeting at their office (at least from the waist up). Make sure the camera is at eye level and you are lit from the front (not from overhead or behind).
- Position yourself so there is nothing distracting, moving or unprofessional in the frame behind you.
- Outline an agenda. What do you want to ask? Anything you want to make sure you mention? Write it out ahead of time.

I always have an agenda for any business meeting and most of the time share it ahead of time and see if the person I am meeting with wants to add anything.

DURING THE MEETING THESE ARE VERY IMPORTANT:

- Pay attention the whole time. Turn off computer system notifications and close out all browser windows, including your email. Put your phone away.
- Do your best not to move too much. Getting up, moving the camera, shuffling papers, are all very distracting.
- Have a paper and pen ready to jot down notes.
- Start with introductions. In a meeting of three or more, ask participants to share a bit about themselves and

consider asking a specific question that will help to break the ice and get to know one another better.

QUESTIONS TO GET TO KNOW PARTICIPANTS:

- How did your most recent clients find you?
- What kind of work do you find most interesting? Which clients do you most enjoy working with?
- What are you most looking forward to right now, personally or professionally?
- Are you watching, reading or listening to anything interesting right now?

To keep the relationship moving forward you need a next step. What is the call to action to use an overused phrase.

Before you end the meeting, let the participants understand you will be following up with them, what you will do and by when.

Follow up with whatever you said you would, ideally within two business days. I like to send an email after the meeting stating "Based on our conversation the other day, I want to confirm these action items:

1. I will do this
2. I will also do that
3. You will send me this

I hope you have found this information valuable and there are some takeaways you can use. When we return to in-person meetings some of these practices will be useful too.

With special thanks to Equinox Strategy Partners for some of these ideas.

MANUFACTURING EXCELLENCE

DO THE 7 DEADLY SINS APPLY?

The seven deadly sins (**pride, greed, lust, envy, gluttony, wrath, and sloth**) are generally framed as issues in our personal lives. Let me suggest these same attitudes and behaviors create risk for our businesses. And for manufacturers, I think the temptation can be especially strong and harmful.

Consider **pride**. At what point do I come to believe that “I have it all figured out.” I no longer need the advice and counsel of staff, customers, vendors or competitors. This is a very dangerous place to be. Everyone has valuable contributions to my knowledge, skills and technology. The day I stop listening is the day by business begins to ebb into irrelevance.

Secondly, the four siblings: **greed, lust, envy and gluttony**. At the root of all four is the relentless pursuit of “more for me – no matter the consequences.” This is especially dangerous for manufacturers. If I take on more work faster than my organization can

effectively digest, I am setting myself up for several negative impacts. My responsiveness to customers will deteriorate. I will not be able to support my delivery commitments. Quality will suffer driving costly returns and undermining customer confidence. I risk pushing my employees to the point of burnout and the loss of critical staff. Whether we take on more work than we are able due to fear (“If I don’t take this job I might not get another one.”) or old fashioned greed (prioritizing short-term profits over long-term success), it is not in the best interest of our businesses.

Then there is **wrath, or anger**. Manufacturing is a very intense activity. Quality, delivery, scrap, customer and vendor issues can be very stressful. It is easy to let this boil over into expressions of anger which may give us an emotional release, but will effectively shut down the critical communication we need. It shuts down information flows from our employees. It offends our customers. It causes our vendors to prioritize the work of the “easy going” customers. We are all guilty

of allowing our anger to boil over, but it is rarely in the best interests of our businesses. We need to find healthy avenues to work out our anger, and then get back to the productive actions that are going to solve problems rather than exacerbate them.

Finally, **sloth**. If you are in manufacturing, it is not likely you are lazy in the usual sense. Manufacturing is a hard work, and our success is based on diligence. But consider procrastination. This is another form of sloth. When faced with difficult decisions, there is the natural tendency to avoid them and allow other urgent issues to consume our time. When we have to share bad news with a customer or employee, we avoid it. There is an old adage that says “Old news does not get better with age.” The longer we wait, the more difficult that discussion or decision will become. It rarely gets easier. The sooner we face the problem, the lower our stress level and the better our chances of containing the issue.

These sins may not be deadly. But they can certainly serve as guideposts as we face the risks, challenges and opportunities inherent in every business situation.



BJ SCHRAMM

818.441.8814

B_Schramm@hotmail.com

INFORMATION TECHNOLOGY

SMALL BUSINESS TECHNOLOGY TRENDS FOR 2021

As a small business, technology may not be at the forefront of your mind, but it still plays a vital role in the growth and performance of your company. Given how much things have changed last year, small business technology trends are sure to be important in 2021. Here's a list of the more important technology-related concepts small businesses should have on their radar...

1. REMOTE WORK

We're all aware of how the pandemic "helped" businesses accept a more robust work from home approach. And while the vaccines are helping to hold the pandemic at bay and "getting back to normal", there's no hiding the fact that we're not going back but rather forward into a "new normal." And this means a greater remote work force than ever before. Even allowing for more of a hybrid approach, numbers don't lie - remote work is here to stay.

2. REMOTE ONBOARDING

As more businesses embrace the new remote "work from home" model, they'll have to rely on technology to handle remote onboarding processes. Onboarding is an integral part of hiring new employees and getting them up to speed with their responsibilities and on the company culture. Without the ability for people to connect in person, companies will need to use software to do so.

3. SOFTWARE UNIFICATION

More and more technology solutions are being leveraged for communications these days. Companies use Microsoft Teams to connect their staff, Outlook to send emails, SharePoint or OneDrive to securely share documents, Salesforce to manage customers, Basecamp to run projects and on and on... Connecting software is going to be critical for businesses to link multiple platforms and allow for seamless communications.

4. LEVERAGE THE CLOUD

An overwhelming trend that isn't going to go away is the migration to the cloud. In today's

digital world, embracing this trend can bring countless benefits to your small business, with its ability to help you collaborate, analyze data, and run your business. Best of all, there's less of an upfront hardware investment and you only pay for the services you use - helping you to grow and scale.

5. FOCUS ON CYBERSECURITY

According to recent research, nearly 60% of small businesses think they're unlikely to be targeted in a cyberattack. However, many small businesses have indeed been affected by cyberattacks and data breaches, so 2021 needs to be the year that small business owners start fighting back.

6. COMPREHENSIVE HR TECH

Parallel to "Remote Onboarding", an area that's growing in importance as a result of the pandemic is the need for comprehensive human resources software that will help small business owners with their employees and their needs. By looking at HR tech as more than just a "system of records," leaders will see it as a way to increase engagement.

7. GREATER EMPHASIS ON AI AND AUTOMATION

As artificial intelligence and machine learning are implemented into more solutions, small business owners will continue incorporating them into new and existing processes in 2021. That could mean a wide range of implementation scenarios, from voice assistants to personalized customer experiences.

8. SOCIAL MEDIA ADVERTISING

More and more small businesses will continue the move to increase their social media advertising in 2021. As more businesses start micro, social advertising will continue to grow as a cost-effective and efficient way to target specific audiences.

9. PROLIFERATION OF 5G

The adoption of 5G - the fifth generation of cellular capability, which boasts significant-



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

ly faster data transmission speeds than the currently supported 4G - began in 2019. 5G promises faster speeds, with little or no latency (delay in data transfer). This advancement is a major step in the development of the internet of things (IoT), as 5G networks are more capable of supporting the influx of interconnected smart devices.

10. TECHNOLOGY AND COVID-19

The pandemic has permanently altered the trajectory of our businesses and how we think about workplace safety. The mashup of these technologies will present solutions to mitigate the spread of COVID-19. AI and machine learning on top of this will enable continuous improvement and deliver a safer office environment.

IN CONCLUSION

Last year we were thrust into a world that most of us had never dealt with before. And for the foreseeable future, we'll continue to see change that small businesses need to plan for and take advantage of as part of the "new normal." In 2021, it's now more critical than ever to continue to invest in technology.

COMPANY BENEFITS

HEALTH PLAN RULES — TREATING EMPLOYEES DIFFERENTLY

Over my 20-plus years in employee benefits employers have asked one question more than any other: “Can I provide better benefits for some employees?” For example, some employers consider implementing the following plan designs:

- Different levels of benefits for groups of employees such as owners, managers and all other employees; and/or
- Varied employer contribution rates based on employee group such as 100% for owners, 80% for managers and 70% for all other employees

In general, employers may treat employees differently, as long as they are not violating federal rules that prohibit discrimination, however, the nondiscrimination requirements for fully insured health plans have been delayed indefinitely.

The Affordable Care Act (ACA) includes a requirement that non-grandfathered, fully insured group health plans follow many of the same nondiscrimination rules that have historically applied only to self-insured health plans under Code Section 105(h). These nondiscrimination rules were set to be effective for fully insured health plans for plan years beginning on or after Sept. 23, 2010. However, they have been delayed indefinitely, pending the issuance of regulations from the Internal Revenue Service (IRS).

Health plans cannot however, discriminate in favor of highly compensated employees with respect to eligibility for benefits. An employer cannot provide health insurance to only a select group of employees. If you offer health insurance, you have to offer it to all employees that work 30 hours or more a week.

In general, a health plan will not have problems passing any applicable nondiscrimination test when the employer treats all of its employees the same for purposes of health plan coverage (for example, all employees are eligible for the health plan, and the plan’s eligibility rules and benefits options are the same for all employees). Examples of plan designs that may cause problems with nondiscrimination testing include:

- Only certain groups of employees are eligible to participate in the health plan (for example, only salaried or management employees);
- The health plan has different employment requirements for

plan eligibility (for example, waiting periods and entry dates) for different employee groups;

- The employer maintains separate health plans for different groups of employees, PPO plans for management and only HMO plans for all other employees.

Because fully insured health plans are not subject to the Section 105(h) nondiscrimination rules, employers generally **have more flexibility to treat employees differently** under their fully insured group health plans.

Insurance carriers do not regulate what employers do in these areas of offering health insurance. For example, employers contributions may be a flat dollar amount or a percentage of a plan according to carrier underwriting rules even though a flat dollar amount may cause an employee discrimination issue based on labor laws.

Under the ACA health insurance, rates are age-based and in California that is for employers with 2-100 employees. An employer that contributes a flat dollar amount may increase their risk of an age discrimination lawsuit because an employee in their 20’s can buy much better coverage than an employee in their 50’s.

We always recommend a percentage of a health insurance plan since it does not discriminate based on age.

Your health insurance agent or broker should be educating you as to what the health plan rules are and make sure you are in compliance with them as well as the ACA required employee benefit notices. If you are not receiving compliance help, you are at risk, give me a call.

Thanks to Zywave for additional information.



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

PURCHASE ORDER FINANCING

What if you're a small to medium-sized company and you're awarded a large purchase order but have no access to working capital to complete the transaction? The solution you could be looking for is called Purchase Order (PO) Financing.

We are seeing a lot of deal flow involving companies sourcing from overseas suppliers given increased production lead times resulting from COVID. Longer lead times has led to longer cash conversion cycles and increased financing needs particularly as it relates to sourcing and manufacturing inventory to fill customer orders.

PO financing enables good companies to complete their viable trade transactions. It's most suitable for fast growing and relatively small, undercapitalized companies with large, seasonal or opportunistic orders. Like many other alternative financing programs, this solution serves as an alternative to equity.

WHAT SECTORS MIGHT BE A GOOD FIT:

- Import
- Seasonal
- Low-Tech
- Light Assembly
- Cosmetics & Food produced at a co-packer

TYPICAL BUYERS:

- Big Box retailers
- Government entities
- Subscription box companies
- Credit approved smaller companies

FUNDING WILL COVER UP TO 100% OF THE TRANSACTION COSTS, INCLUDING:

- Cost of Goods (inclusive of factory deposits)
- Freight

- Duty
- Insurance
- Trucking

KEY FEATURES

- Understandable Product
- Management Expertise
- Transaction cycle on average between 30-90 days
- Presold Product
- Quality & Qualified Buyers
- Funding available for deals as small as \$10,000 and as large as \$1,000,000+

SAMPLE TRANSACTION

The client received multiple orders from Walmart for an auto accessory. The factory in China required a 30% cash deposit to begin production. Total cost of goods, packaging, duty, and ocean freight for three containers exceeded \$120,000.

Within a week the client and transaction were approved without the need for an upfront application fee. Deposits were paid by the Purchase Order Financing company and the factory acquired materials. Forty-five days after receipt of the deposit, the balance was paid to the factory and the finished product was placed in a container and shipped to Los Angeles. The product landed in the US, was delivered to multiple Walmart distribution centers, invoiced and paid within three weeks.

This client received multiple reorders but only required the PO Financing on the initial order. The PO financing company didn't require any long-term commitments, upfront fees or any further obligation, unless requested, since they work on a transaction-by-transaction basis.

BASIC REQUIRED INFORMATION TO EVALUATE TRANSACTION

Corporate:

- Current Financial Statements
- Most recent Federal Tax Return
- A/R and A/P agings

Transaction:

- Copy of Buyer PO
- Copy of Supplier PO
- Description of Transaction

PROSPECTIVE CLIENT EVALUATION CRITERIA

While a prospective client's current financial condition will be evaluated, other criteria are also considered:

- Management expertise: Management must have a proven track record.
- Product Sourcing and Quality: Vendors must have a demonstrable ability to fulfill client's purchase orders with a quality product.
- Logistical Control of Product: Must be able to monitor the movement of raw material and finished good from vendors to end buyer.
- Creditworthiness of Client's Customers: Verifiable purchase orders from reputable companies
- Verifiable Repayment: By a financially stable factoring company or direct payment from the client's customer.

We have established relationships with the most trusted and active PO finance companies available. If you are considering this type of funding for your business, let us connect you to a potential funding source and work to get you an offer.

WE CAN DO BETTER

LITTLE PLATOONS



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.salexceleration.com

Last June I wrote about the George Floyd death at the hand of a White police officer. This event caused protests and social unrest and brought up so many feelings for me and many Black people in this country.

At the time many White Americans reached out showing empathy, compassion, and wanting to learn more. I think there has been so much education shared and I have been blessed to participate in webinars, podcasts, and networking groups to share a story. We even built a web site, www.lifeinbw.com to provide a place for support and information.

I have been encouraged that so many people wanted to learn more, and I simply have been humbled in seeing many people in authority believing there are injustices, that only those people in power, primarily White men, can solve.

I have since gotten involved with a project called "Highway of Hope" whose goal is to rebuild the Minneapolis area that was so broken by the unrest and has yet to be completely rebuilt.

Our goal is to bring awareness to the outsiders that played a part in this unrest, and how it has destroyed the resources of a community already on the margins. Also, to provide video support of how we can together, rebuild to bring hope and dignity back to these mostly, good people.

Last week we saw video of another young black man, Daunte Wright, only 20, being killed by a police officer who said she mistakenly pulled her gun instead of her taser, just 10 miles away from where George Floyd died. This caused a perfect storm to bring us back to last June during this trial which caused protests and unrest. As a black person in America, I have to say I am exhausted.

Even though justice was served in the George Floyd death, and I am thankful for his family and so relieved, we are still seeing young black people being killed by law enforcement it seems, every day.

But we must continue to have hope.

This combination of exhaustion and hope takes me to the bible verse that says. "We are afflicted in every way, but not crushed; perplexed, but not despairing; persecuted, but not forsaken; struck down, but not destroyed." Then I see this video done by the Highway of Hope team named "Little Platoons" <https://vimeo.com/528481402/8cf04adf88> and we see the essence of goodness. We see the belief in one another and how with empathy and compassion we can be stewards for those who are oppressed and hurting. We see how even in small groups, "Little Platoons," we can address the injustices and misunderstandings that separate us.

We hope to build on this video series, with the help and generosity of others, so that those who want to address these issues can support something good, something that will accomplish business growth, but also provide dignity, pride, and hope, in even the most challenging of areas. We will get through this but only working together with compassion and empathy. As they said in the beginning of the video, "Love your neighbor." I hope we all can embrace those words.

CFO Insights

WHO SHOULD I SELL MY BUSINESS TO? – PART 1

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

Now that you are confident you have a saleable business, the next question is who to sell to. In the March 2021 issue, my article “Are You Ready to Sell Your Business? You Sure?” discussed determining your financial and mental readiness to sell your business. This readiness will help determine the most appropriate buyer to meet your objectives. In this article I will discuss the primary types of buyers and their motivations.



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

At the highest level, there are two types of buyers, internal buyers and external buyers. An internal buyer is associated with the business or its owner. An external buyer does not have a direct connection to the business or its owner. I will discuss internal buyers in this article and external buyers in the June 2021 issue.

INTERNAL BUYERS

Internal buyers may include family members, trusted employees, and employee stock ownership plans (“ESOP”). A common characteristic of internal buyers is that they generally do not have the financial resources to outright buy the company. They may need to rely on external financing, seller financing or both. The purchase price internal buyers will be able to pay is also generally lower than external buyers. This is due to lack of financial resources for family members and trusted employees. For employee stock ownership plans, there are regulatory requirements related to company valuation that may lower the purchase price relative to other options. The internal buyer will need to primarily rely on the cash flows of the business to fund the debt service. As such, these cash flows place a cap on the sales price.

Why would I sell to an internal buyer if the sales price is low, and I must assume the risks of financing the purchase? There are several reasons:

- You have a high level of financial readiness and want to pass on your legacy to your children or trusted employees.

- You have a low level of emotional readiness but would like to monetize some or all your ownership. In this case selling to an ESOP allows monetization and retention of management control. This option may have favorable tax benefits.
- Selling to an external buyer is unlikely and this is your only option, even though it comes with risks.
- The likelihood of sale is improved due to lower due diligence requirements. The internal buyer knows the business well requiring a less rigorous due diligence process. Additionally, the internal buyer has an emotional motivation which may result in the internal buyer accepting risks that an external buyer would not.

In my February 2021 article, “Beginning with the End in Mind” I told you about Joe who had a serious medical condition requiring him to sell his business at an unexpected time. Joe sold to his employee Greg because he had no other option. This sale had many of the characteristics described above regarding an Internal Buyer.

Are you ready to sell your business? Would you like to learn more about which buyers may be most appropriate for your business? If you are ready to start planning your exit now or would just like to know more about what exit planning is all about, please call me.



SOCIAL MEDIA

BUILDING BRAND LOYALTY WITH INTEREST DRIVEN MARKETING



Attention is the new currency in the world of digital marketing. Your brand's first impression is definitely important, but grabbing that attention and keeping it - otherwise known as "brand loyalty" - is ultimately the key to marketing success. So how do you begin to start building that loyalty with your customer base? That's where an interest driven marketing approach comes in. If you have a solid foundation of clients, now is a good time to create a retention strategy.

An interest driven approach allows you to focus on what really matters to your audience, and how those interests differ with various demographics. There are numerous marketing tools that allow your strategy to move away from the sales pitch and deliver personalized messaging to someone who has already engaged online in some way.

EMAIL MARKETING

[Email marketing](#) needs to be a consistent part of your retention strategy because it gathers the necessary insight needed to connect with your audience directly, and form a lasting relationship. Learn specifics about your audience like

what subject lines grabs their attention, or what messaging will influence them to visit your website, and so much more.

You can even segment your audience based on different interests to personalize your communications further. When using an interest based approach, your email campaigns add value to recipients' inboxes, which encourages them to open your message to begin with and continue engaging with your brand. From automated welcome messaging to weekly or monthly newsletters, the possibilities are virtually endless.

SEO

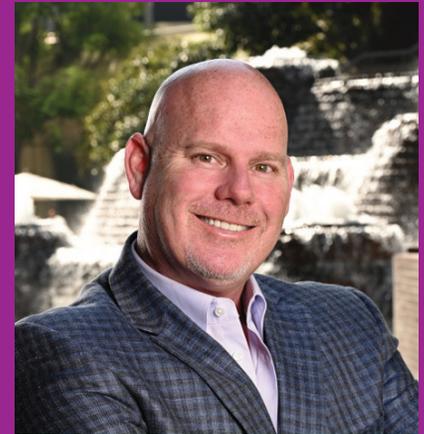
Take your retention strategy one step further by integrating [Search Engine Optimization](#). SEO generates organic traffic to your website by making informed decisions based on your audience's interest and behavior. An easy way to improve SEO is by including a blog on your site. Topics and keywords used in your blog develop your brand's story and SEO, thus online exposure.

LOYALTY REWARDS

In most cases, it is easier to attract repeat customers than to acquire new ones. According to Nielsen Global research, [Consumers are 84% more likely](#) to make a return purchase with a company that offers a rewards program. Whether using points or discounts for return purchases, retention programs are a valuable exchange for both sides.

USER-GENERATED CONTENT

User-generated content is like a virtual conversation where your customers are



Jonathan E. Boring

President

SocialSpice Media

jon@socialspicemedia.com

(805) 482-8312 ext. 101

www.socialspicemedia.com

posting on [social media](#) about your company without even being asked. That's free publicity!

For instance, points can be earned with each purchase, and customers can also receive reward points for connecting on social media, posting a selfie with products, or writing reviews. The consumer is now incentivized to promote the brand, rewarding their relationship.

The most effective method to gain knowledge about your audience and build relationships is with an interest-based strategy. The digital marketing experts at [Social Spice Media](#) can help integrate all of these elements needed to build strong brand loyalty. After thoroughly assessing your marketing goals, we will develop a game plan to fully streamline your marketing assets to function as an effective, seamless machine.

[Get in contact](#) with our digital marketing experts to get your brand off the ground and to the top level!

INSOLVENCY ADVISING

ADDING VALUE IS ESSENTIAL

Love is lovelier the second time
around
Just as wonderful with both feet on
the ground
It's that second time you hear your
love song sung
Makes you think perhaps that love,
like youth, is wasted on the young
Love's more comfortable the second
time you fall
Like a friendly home the second time
you call
Who can say what led us to this mira-
cle we've found?
There are those who'll bet
Love comes but once and yet
I'm oh so glad we met
The second time around
Who can say what led us to this mira-
cle we've found?
There are those who'll bet
Love comes but once and yet
I'm very glad we met
The second time around

-Frank Sinatra

The second time around both in love and business can be exhilarating, challenging, and ultimately rewarding. Personally, it took the second time of dating that I saw the light and proposed to my wife.

My wife did not change, I on the other hand was more mature, self-confident, and ready to make a commitment.

A father and son team built up a multi-million-dollar hair care company and sold it for a favorable profit. Five years later, after the non-compete expired, the duo wanted to go back into the hair care business. This time instead of fighting

the forces of mass-market retail, they sharpened their focus on distributors that sold to hair salons. The second time around would be flush with hopes of high margins and a collaborative environment. Retailers had become adversarial. The difficulties experienced left a bad taste they did not want to revisit.

An aging salon brand developed by a chemist came up for sale. The brand had a reputation for being the first to market innovated ingredient solutions to strengthening hair. However, the brand became tired, lost favor, and declined in value.

With the financial backing of an equity sponsor, the company bought the brand in a distressed deal. Shortly after purchasing the brand there were problems with the reps and warranties of the assets purchased. Formulas they thought were proprietary turned out to be owned by the contract manufacturer. Frustrated, they filed a lawsuit. Working capital was exhausted because it was used on litigation. Company prevailed in the lawsuit and got a haircut (pardon the pun) on the purchase price. Nevertheless, it had severe cash flow issues. Indeed, the equity sponsor as well as the asset-based lender were concerned and did not have financial transparency.

Father and son knew what to do from a marketing, sales, and production standpoint. However, their time was tapped; they did not have the bandwidth to focus attention on the financial end. Previous financial leadership were ineffective in assuaging the concerns of the equity sponsor and the asset-based lender. Furthermore, vendors were threatening to



Jonathan J. Wernick (J.J.)

Managing Director

B. Riley Advisory Services

jwernick@brileyfin.com

310-909-6121

www.brileyfin.com

stop shipping raw materials and packaging. A new head of finance was needed.

After extensive interviews with the equity sponsor, I was hired to oversee the finance function. On day one, the dad pulled me aside and stated, "your skill set is above what we need, but we look forward to the added value you will provide." He also said one of the formulas could address my growing bald spot.

Vanity aside, I started to communicate with all vendors and re-established terms and facilitated continued shipments of raw materials and supplies. I updated financial reporting, applied rigorous cost accounting to underscore product and customer retention rationalization and prepared realistic cash flow projections with results that ultimately aligned with plan.

I was able to allay the concerns of the asset-based lender to the point that audits occurred once a year instead of quarterly. Inevitably, we regained confidence of the equity sponsor to the point that they curtailed their pressures of scrutiny and skepticism and scaled back oversight. This in-turn freed up management to focus on sales growth and innovation.

ESTATE PLANNING

MOTHER'S DAY!

Mother's Day is approaching. This year, get her something different: the peace of mind of an [estate plan](#).

Wait, what?

Yes, it's not pretty or poetic but hear me out. If you could do something that 1) honored her wishes, 2) avoided wasting money in court and 3) maintained family harmony, wouldn't that be the perfect gift? Yes, it's super practical but it creates a peace of mind unlike any bouquet of flowers, fine dining or consumer gift.

An [estate plan](#) is the perfect gift for mothers of any age. It is also for every single person over 18 years old. It's not just for the wealthy or elderly.

FOR ALL MOMS

Whether you have young, adult or four-legged furry kids or you are thinking about your wife or mom, this article is for you!

Filling out form documents or just having a [Will](#) is insufficient. A comprehensive [estate plan](#) allows your mother to express her wishes to enable others to carry them out if she becomes incapacitated or when she's gone.

- **Do you know** all of the details of how your mom wants to be cared for if she loses mental capacity? Without an [Advance Health Care Directive \(AHCD\)](#), no one can legally make decisions about her medical decisions, where she lives, who takes care of her, etc.;

- **Do you know** who she wants to make legal and financial decisions for her if she is unable? Without a [Durable Power of Attorney \(DPOA\)](#), no one can legally handle these important affairs;
- **Do you know** most [Wills](#) go through probate? With a Trust, you get a Pour Over Will that serves as a safety net to the Trust and names guardians for minor children; and
- **Do you know** how your mother wants her assets distributed? A [Trust](#) clarifies that and avoids probate. You can also control from the grave and sprinkle assets over time for younger beneficiaries.

That's just the tip of the iceberg. While there are many "quick and dirty" resources out there, be forewarned that you get what you pay for. **Over 95% of the [estate plans](#) we see have a fatal flaw, typically unbeknownst to our client.**

Moms, if you are reading this ...when the Mother's Day celebrations are over, take a moment to gift back to your family by making sure you have a comprehensive [estate plan](#).

- Don't assume they know all of your wishes. That assumption creates a huge burden;
- Allow your family the time and space to seamlessly care for you or grieve and avoid court; and



Rebecca Goldfarb

Goldfarb & Luu

A Professional Law Corporation
Quality Estate Planning & Elder
Law. Simplified.™

800.489.1984

rebecca@goldfarbluu.com

www.GoldfarbLuu.com

- Most importantly, maintain family harmony.

If you already have an [estate plan](#), GREAT! We recommend reviewing your plan every 5 years or with any big life change.

[Make the call](#). Mark it on your calendar. When the time comes to use your plan, your family will be grateful you have cared for yourself and for them by creating or updating your plan. And yes, even for your "mothering" from the grave!

An [estate plan](#) is the gift that keeps on giving. When the time comes, it's invaluable, and the peace of mind will last a lifetime.

Remember, once we turn 18, everyone needs an AHCD and DPOA. God forbid, your kid gets into an accident, don't you want to still care for them?