

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 that curves upwards and to the right, symbolizing growth or revenue. The background is a blurred office setting.

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Dear Friends,

It's a new year and an opportunity to hit "re-start" and move forward.

My article this month is about the five promises you need to make (and hold yourself accountable) so that you will have a breakthrough year in 2022.

Being the leader in 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 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
- CFO Insights
- We Can Do Better
- Social Media
- Insolvency Advising
- Estate Planning
- Mergers & Acquisitions
- Business Law
- Intellectual Property
- The Future Explained

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. Let's hope 2022 is better for all mankind.

Sincerely,

Ken Keller

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

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BUSINESS GROWTH & PROFITS

MAKE 2022 A BREAKTHROUGH YEAR

The month of January provides the opportunity for a fresh start for every company. At no other time during the year does such a profound occasion exist.

As the first quarter unfolds, CEOs have incredible optimism that great things will take place; that breakthrough relationships, products and possibilities will surface and come to fruition as reflected on the profit and loss statement.

High hopes aside, if the leaders in the organization don't, won't or can't change, the business results are not likely to change much either.

The biggest disappointment to befall any CEO is to end a year with the business in worse condition than when the year started.

To have a better 2022, I recommend that you make five promises now that you will hold to until the end of the year.

First, stop selling commodities. Continuing to sell a "me too" like everyone else does only leads to shrinking margins. Many companies get into the trap of selling only on price because

they have not correctly positioned themselves in the market, but more importantly, because there is no viable reason for a buyer to pay more.

A breakthrough organization is always on the hunt for a more compelling competitive advantage, hopefully a sustainable difference, and the quest for higher margins by developing products that are worthy of a higher price.

Second, retain your best employees and either engage or replace the rest. Business success is based on the quality of the people in the organization. The challenge of the CEO is to retain the very best managers and to engage as many employees as possible.

A superior management team is one that can execute quickly, effectively, and efficiently. An engaged workforce of employees makes the difference in providing client care over and above what is expected.

People that don't want to be engaged can find work elsewhere.

Third, don't balk at paying for performance. Good people who work hard and deliver the right results are an investment in the future of your company. Give people the opportunity

to earn a return on what they deliver.

Two things to remember. First, in this economy, employees have choices. Second, it isn't all about the money. It's about the money and the recognition that comes from being a winner on a winning team.

Fourth, lead from the front and stay there. One thing that makes Pete Carroll, the head coach of the Seattle Seahawks, stand out in my mind as a leader is his over whelming display of enthusiasm and energy. He is focused on winning and it shows; he leads from the front. In years like this he may not have a winning record, but he is totally engaged until the end of each game.

Not everyone can be Pete Carroll. Not everyone needs to be Pete Carroll. But every leader needs to be visible, focused and transferring enthusiasm to the team they lead to win.

Last, get and keep everyone aligned. The responsibility of the CEO is to define what winning is for the company and each team and individual in it; provide the tools and the atmosphere to win, and to keep the team focused and moving towards the goal of winning.

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

Learn about Strategic Advisory Boards by watching <https://youtu.be/cYTOZmVjaAM>



Ken Keller

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

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TAX NEWS

ARE YOU IN THE TOP TIER?



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I have emphasized providing accounting, business advisory, financial planning and taxation services to start-up, small and middle market businesses and their owners for a period of 30 years. During this period many things in the for-profit business world have changed, if not been turned up-side-down on their heads, at a break neck pace. I am not aware of any company, industry or ownership group that has not been affected. The reality for the surviving companies and their owners has been to either modify their business plans, strategies and behavior, or become an "endangered species" irrelevant and ceasing to exist.

Although all owners or CEO's and their companies have unique DNA characteristics (family-backgrounds, education, life and work experiences, goals, dreams, etc.), I have identified common characteristics which regularly lead to a sustained successful business and a secure semi or total retirement. I have found most business owners know these matters should be attended to in a serious and ongoing disciplined manner, but the owners that do not follow through have a litany of rationale and reasons.

Naturally, no one can guarantee if all of the following are evaluated and implemented, business and personal financial success will be achieved; but based on my experiences and observations, not doing them often results in much less favorable, and sometime negative outcomes.

The following have been identified as common characteristics shared by successful companies and their owners. The

list is not intended to be all-inclusive and is not specifically in order of importance or priority:

- Business Plan
- Basic Financial information
- Budgets
- Internal and External Capital Sources
- Communications
- Trusted Advisors
- Qualified Retirement Plan
- Risk Management
- Business Exit Strategy
- Estate Planning
- Retirement Planning
- Wealth and Personal Financial Planning

I will now expound on the Basic Financial information bullet above. A more thorough analysis of all bullets are included on my blog page thereaderreport.com:

BASIC FINANCIAL INFORMATION

All business clients, no matter what size, should have accurate and timely financial statements and detailed account-management summarizations available for review, discussion and evaluations by their owners. With the availability of inexpensive business accounting software and hardware, this information should be on an owner's desk no later than 21 days after a month's end; we recommend "preliminary-draft" information be on the owner's desk no later than 7 days after month's end. It is not uncommon for some clients to want this information weekly. Depending on the client and its method of accounting, the minimum information provided would be:

- Balance Sheet
- Statement of Income
- Statement of Cash Flows
- Accounts Receivable Aging
- Accounts Payable Aging
- Statement of Work/Jobs in Process
- Other Information deemed critical/important to owner

The above information is important in order for the owner to reconcile that their understanding and perception of how the business activities are doing, are in fact borne out by the dollars reported in the various financial and management reports.

Having accurate and timely basic financial information requires business owners make it a "must have priority" and implement it as a vital business process and procedure. Responsibly company employees must understand its importance to the success of the business; they must be adequately trained, given the required tools and properly supervised. Feedback, questions and discussions between owners and company accounting staff regarding the basic financial information should be constantly occurring.

COMMERCIAL INSURANCE

IDENTIFYING AND MANAGING COMMERCIAL PROPERTY RISKS

When a potential risk becomes a reality for a small to medium sized business, being well-prepared can minimize the impact on earnings, lost time and productivity, and negative impact on customers. Physical, or Property Risks, are some of the most common for small to medium sized businesses. Some Physical Risks can destroy a business, while others cause serious damage that is costly and time-consuming to address.

Building risks are often the most common type of physical risk. Think fires, collapse, or explosions. To manage building risk, it is important that organizations do the following:

- Account for all processes that might cause a fire, explosion or building collapse.
- Confirm that electrical systems are all updated to meet all safety codes.
- Make sure employees have not modified the electrical system on their own.
- Plumbing systems too should be regularly inspected, maintained, and updated to avoid loss from leaks, or sewer backups, especially on higher floors.
- Hire a fire sprinkler service to maintain and regularly test your sprinkler system.
- Install central station fire and burglar alarms systems designed specifically for your company's facilities and operations.
- Hire an outside fire and burglar alarm company to monitor your buildings.
- Store all flammable materials like pallets, shipping and

packing materials, and trash, outside and away from your building's walls.

- Use approved flammable storage devices inside the building if needed.
- Keep vertical storage throughout buildings at least 6 feet below sprinkler heads.
- Work with your local fire department to address all explosion risks.

Hazardous materials risk is present where spills, fires, explosions and spontaneous combustion are possible. Many lesser hazardous material risks are not considered, ignored, or are not properly addressed. Businesses should account for all hazardous materials risks and address them to the level that minimizes or eliminates their threat.

People who work with hazardous materials should be properly equipped, and formally trained to handle them safely. The employer should support these employees' continuing education, and there should be a well thought out incident response plan in place.

Organizations should create a plan to handle the immediate effects of a hazardous materials release with government agencies, and local fire departments. These organizations also provide information to prevent these accidents. Such agencies can also provide advice on how to control them and minimize their damage if they occur.

Stock and Materials have become a more threatening risk than ever before due to the current supply chain crisis. Look for additional suppliers in advance of need, and segregate key supplies and materials in different locations throughout your building or buildings, so one loss won't completely stop production. Also, be certain that your property insurance policy has a Selling Price Endorsement included in it, that will pay for lost profits in the event of a large loss.

Every business has its own unique Property Risk Profile. Enlist your broker and property insurance carrier to help you identify your business' key exposures to physical loss, and address them properly.



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HUMAN RESOURCES COMPLIANCE

A TASTE OF 2022 CALIFORNIA LABOR LAWS PART 2

In December, I highlighted four new labor laws out of sixteen that affect employers. This month I want to focus on a new law that affects warehouse and distribution companies. All employers should pay attention to all new laws in order to mitigate lawsuits, criminal liability and governmental fines and penalties.

If you missed JorgensenHR's 2022 Labor Law Update Webinar in December, email me and I can send you the recording and slides.



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

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AB 701 WAREHOUSE DISTRIBUTION CENTERS & QUOTAS

AB 701 broadly applies to establishments that are primarily engaged in operating merchandise warehousing and storage facilities selling:

- Durable and/or nondurable goods to other businesses
- Merchandise using non-store means, such as through the Internet or catalogs
- Applies to employers of 100 or more employees at a single warehouse distribution center, or 1,000 or more employees at one or more distribution warehouse centers in California
- Must include in the population count workers who are provided through third parties, such as staffing agencies
- Must also include in the count *all employees* of the "commonly controlled group" who work at distribution warehouse centers in California

Employers may implement quotas for their nonexempt warehouse employees, but those quotas now have specific restrictions

A "quota" is a work standard assigned to an employee that the employee must complete within a defined time period or face an adverse employment action

A work standard is a requirement that the employee perform a specified productivity speed, perform a quantified number of tasks, or handle or produce a quantified amount of material.

Employers cannot require quotas that prevent compliance with meal or rest periods, use of bathroom facilities (including the time to travel to and from such facilities), or occupational health and safety laws

WRITTEN QUOTA REQUIREMENTS

- Starting January 1, 2022, employers must provide to each new hire a written description of applicable quotas
- Employers must give written descriptions of quotas to all current employees by January 31, 2022
- A compliant written description must include each work standard, the defined time period the work standard must be completed in, and any potential adverse employment actions if the quota is not met
- AB 701 also introduces many enforcement mechanisms

If you sell merchandise using the internet or catalogs this law applies to you even if you outsource the logistics and have fewer than 100 employees. You should make sure your vendor is following this law.

If your company is a wholesaler and have your own warehouse this law also applies to you.

If you missed our webinar that reviewed all 16 new labor laws please email me and I am happy to provide you with the recording and slides.

Have a healthy, happy and prosperous new year.

MANUFACTURING EXCELLENCE

MANUFACTURING CHALLENGES FOR 2022

Manufacturers face a multitude of challenges in 2022. Many of these challenges are beyond our control. This will force manufacturers to focus on those dynamics we can control.

Inflation is a brutal reality hitting all manufacturers. Commodity prices of raw materials are up across the board. Shortages of some critical materials will continue well into 2022. Energy costs and capacity constraints will continue to drive up the costs of moving and transporting product. Utilities will continue their upward climb.

Perhaps even more critically, workforce shortages will persist throughout 2022. The consulting firm Deloitte estimates that there are currently 800,000 unfilled manufacturing positions in the United States. By 2030 they project a shortfall of 2.1 million skilled jobs. [\(us-2021-manufacturing-industry-outlook.pdf \(deloitte.com\)\)](#)

So what can manufacturers do to manage through what looks to be a very challenging year? Whether your markets are still struggling due to COVID-19 impacts, or demand is far exceeding your ability to deliver, both extremes are stressing cash flow, margins and long-term viability.

The first area to consider is pricing. Every manufacturer needs to re-evaluate their

pricing models for 2022. The inefficiencies inherent in the current industry dysfunction is incurring costs simply not captured by standard cost accounting models. Labor, overhead and capital costs built into your quoting methods must be re-evaluated.

Every manufacturer fears the loss of business to competition, but realize that in this environment, the competition is struggling with labor constrained capacities just as you are. Do not get caught in the drive to the bottom. Your customers will do everything to make you believe that they have plenty of supply to get you to drive down your prices. This is the exact opposite of what you need to be doing if you plan to survive in 2022. There will be no more government support which enabled manufacturers to survive in 2021. Prices have nowhere to go but up.

Secondly is the ongoing lack of skilled employees. The older, skilled generation is retiring in record numbers. Manufacturers must learn to attract a new generation of employees.

In the Deloitte survey referenced earlier, manufacturing executives identified their top three staffing concerns for 2022 as: attracting skilled staff, staff retention and re-training. How can this be done in a pool of young millennials not conditioned to considering manufacturing in their career plans?

The first step is for manufacturers to get over the reality that this generation is different, and is not going to change. They

are not interested in working in what they perceive as old school manufacturing.

Manufacturers need to change their recruiting message. Explain to potential recruits that they will be working in a clean, safe, healthy environment on the leading edge of digital innovation. If these words do not reflect your manufacturing environment, you will not be successful and recruiting the next generation of manufacturing workers. It is that simple.

Leading experts in lean manufacturing and digitalization have been preaching this message to manufacturers for over 30 years. Yet some manufacturers are still not on board. Those manufacturers will continue to decline.

Many manufacturers have made progress, but now is the time to clean things up. Have you moved to paperless systems? Have you deployed all available automation technologies? Are you using mobile apps which are already at center of millennial personal and work lives? Or are you expecting them to somehow enter a time warp when they enter your workspace? Are work areas clean and demonstrably safe? Is COVID-19 prevention and support front and center? Are training programs and promotional opportunities explained and core to your strategic vision?

Manufacturers have the opportunity to embrace the millennial generation. So far the results have been spotty and they are rejecting manufacturing. Change the paradigm. Embrace the millennial with all of his/her quirks and "unreasonable" expectations. Whether manufacturers like it or not, they are your future.



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INFORMATION TECHNOLOGY

A CONVERSATION re DOWNTIME

I recently had a rather interesting conversation with a client. Actually, it didn't start out as a conversation, but rather as a directive. Our client was telling me (quite emphatically no less) that they couldn't be down at all, ever. Not for maintenance. Not for upgrades. Let alone as the result of a disaster. Never. Literally 5 nines (ie: 99.999%) of uptime wasn't even good enough.

I understood what our client was asking for, unfortunately I don't believe they really understood it. Keep in mind, we're not talking a mission critical system, a health care life support system, or even a business that was taking orders 24x7. It was a "regular" brick and mortar office with pretty much your standard 9 - 5 hours of operation. Essentially, it was just that the owner never wanted to be without access to his system whenever he happened to want it.

Again, I certainly understood his request (many of our clients never want to be without access). However, while this doesn't really seem all that unreasonable, what was most frustrating was the lack of any openness to a discussion about it. The problem wasn't that they couldn't have any downtime. The problem was that they didn't have a clear understanding of what this really meant and what this really costs. They're simply under the perception that "our system has never gone down before, therefore it should never go down in the

future". And the vibe I was getting was if it ever does "go down", it's our fault. Keep in mind, this is a network we inherited with all sorts of issues and we had only been supporting it for a short period of time.

I've found through the years that one of the most difficult situations to overcome is building a trusted relationship while the business owner's perception of their network doesn't jive with the actual state of their network - especially during that growth phase from a small business with 1 or 2 servers and like 10 workstations to a multi-server network with 25 or more users. While the business systems and related processes have become more complex and the underlying network infrastructure has also grown more complex, the perception of technology within the business hasn't kept pace. Many business owners seem to have trouble accepting what this change means. Ie: more maintenance; more sophisticated tools and management processes; and more expertise and understanding as to the role technology plays in the overall business plan. Yet the business owner views things statically.

It's not unreasonable to want uninterrupted service. What is unreasonable is to think that it doesn't come at a cost - both in time, understanding, and the added complexity of redundancy. This is one of the more compelling arguments for moving things "to the cloud". However, the key point here is about the perception of



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technology, its related complexity, and the underlying costs.

Getting back to the initial conversation, the problem wasn't that they couldn't be down. The problem was that there were so many points of failure that our client didn't see and acknowledge and therefore wasn't willing to address financially. Little or no proactive maintenance. No downtime for server patching. No required redundancy. Somehow the word "back-up" translated into they'll never be down. Again, it was this antiquated mindset that was getting in the way - they never went down before, so how could they be down in the future?

It's interesting to see how much technology changes over time, yet the mindset change needed to effectively run it doesn't keep pace. The way we see it, the more your technology changes, the more your mindset about running and securing it needs to keep pace.

WE CAN DO BETTER

ALI, THE GREATEST



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Many people of this generation heard of Muhammad Ali but not many knew of the sacrifice he made. People are aware he was a great boxer, but many do not know what he did and what he said about it. I would like to share that with you. While Ali was the heavy weight champion, he was drafted into the Vietnam War. He refused induction as a conscientious objector and in 1967 was convicted of draft evasion and sentenced to 5 years in prison. His passport was seized, he was fined heavily and was punished with a three-year ban from boxing. This meant that even if he got out of prison, they would not even let him earn a living at his craft. When this happened Ali said,

“I ain’t draft dodging, I ain’t burning no flag. I ain’t runnin’ to Canada, I am staying right here. You want to send me to jail, fine, you go right ahead. I have been in jail for 400 years; I can be in jail for 4-5 more. But I ain’t going ten-thousand miles to go help murder and kill other poor people. If I want to die, I will die right here, right now fighting you, if I want to die. You are my enemy, not no Chinese, no Viet Cong, no Japanese. You my oppressor when I want freedom, you my oppressor when I want justice, you my oppressor when I want equality. Want me to go somewhere and fight for you? You won’t even stand up for my rights and my religious beliefs. You won’t even stand up for me here at home.”

When I did a podcast on Liberty, I told the moderator I had a complicated relationship with that word. We all are taught to believe we live in the greatest country in the world with so much opportunity, that’s why so many people come here. We are even told to leave if we hint at

feeling something different. But for people of color, it doesn’t always feel as great as it should. Ali’s words from 1967 ring true today as we now have more blacks under criminal supervision

than all the slaves in the 1850’s. So, when he says he has been in jail for 400 years, he speaks for all the challenges that his people have endured because of unfair treatment and a lack of understanding. So, what do we do? We can read books that enlighten us, we pay attention to these words; we don’t dismiss them. We get out of our comfort zone, and we have conversations with our black friends and employees to learn their perspective. We don’t allow microaggression’s to go without discussion especially from those who live in the white community. It is obvious we have made progress since Ali spoke these words, but we still need people to choose the “harder right.” It is hard to go against the norms, it is difficult to meet people where they are at and understand. But to repair the feelings that Ali addressed we must all start with ourselves. Your black friend is trying to be ok, please acknowledge the pain that Ali spoke of, sacrificing everything; and please show compassion. The answer to every question is...Compassion.

CFO Insights

MARKETING YOUR BUSINESS FOR SALE

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

The time has come. Your business is operating at peak performance. You are emotionally and financially ready to sell. The markets are in your favor. **The Success Team™** advises that now is the time to begin marketing your business. You say yes, and the process begins.

First and foremost, do not let all the hard work you have put in to ready your business for sale go to waste by taking

your eye off the ball. Your business must continue to perform well to achieve your objectives. That means your priority is to lead your business to success. The sale will have many demands. Rely on **The Success Team™** as much as possible. For that you must attend to personally, determine how to do it without impacting the operations of the business.

It is time for the investment banker to get busy. The first step is to determine which method of sales process is to be used, a negotiated sale or an auction.

- A negotiated sale is where a select few potential buyers are identified and contacted to determine interest in buying the company. In this type of sale, there are likely relatively few buyers interested in the company and / or the seller's do not want to indicate broadly their intention to sell.
- In an auction, the investment banker prepares a one-page confidential flyer, that generally describes the business, which is distributed to a broad list of potential buyers. Interested buyers sign a non-disclosure agreement and are then sent detailed information on the company. The investment banker will contact all potential buyers to address any questions or additional information needs they may have. The goal is to obtain multiple offers providing the seller with options to evaluate relative to price, terms and deal structure.

Before the sales process can begin, the

investment banker will need to prepare the one-page confidential flyer and the information memorandum that will be provided to interested buyers who sign an NDA.

The information memorandum will contain detailed information about the business, including its structure, markets, operations, financials, personnel, etc.

While the investment banker is working on the marketing, other members of **The Success Team™** and company staff need to start organizing all of the anticipated documents that will be required for the due diligence process. While I will not go over the exhaustive list of documents, they will include financial statements, customer, vendor and employee lists, contracts, employee benefit plan information, intellectual property details, etc. (A detailed listing of documents that may be requested in due diligence can be found in B2B CFO's® **The Exit Strategy Handbook**.) The documents are typically organized in a confidential data room, which can be either physical or virtual. Ensuring your documents are complete, accurate and well organized will significantly improve the chances of successfully completing the due diligence process.

Are you ready to sell your business? Would you like to learn more about how much your business is worth? 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.



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

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SOCIAL MEDIA

5 MUST-HAVE PAGES FOR YOUR BUSINESS WEBSITE

Is your website designed with your target consumer in mind? Remember, your website isn't for you – it's to showcase your business in a way that resonates with and is easily understood by your users.

Obviously, the home page of your website must be aesthetically pleasing, intuitively structured, and informative – if not, all those potential customers will bounce back to your competition.

In terms of content, however, there are several other pages besides the standard home page, about page and product pages that people will want to see on your website. Below you'll find the 5 essential pages every business website should have.

1. FAQ PAGE

The FAQ page provides quick answers for users and saves you the hassle of having to answer the same questions a gazillion times. This list will vary from niche to niche, but an effective FAQ page should assist consumers at [every stage of their buying journey](#), drive traffic to relevant internal pages, and promote trust.

2. TESTIMONIALS/REVIEWS PAGE

Highlight what your fans are saying on a dedicated testimonial page. Make sure your reviews can be traced back to the source by including the reviewer's name, and business name where applicable to add authenticity. Each review should have an eye-catching headline, as well.

3. CONTACT PAGE

Contact pages that only include forms asking for consumer details but neglects to have the business contact details makes people think twice about filling it out – it gives the impression that your business has something to hide. Also, be sure to keep contact forms simple – you don't want your consumer to have to jump through hoops to get a hold of you.

4. BLOG PAGE

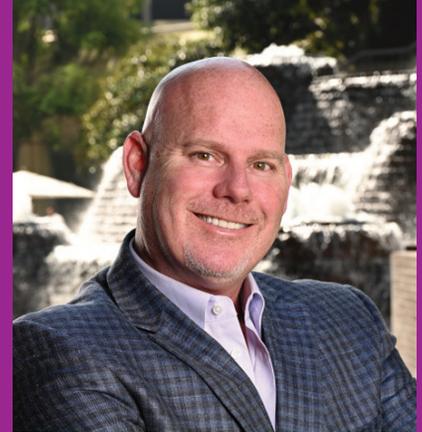
Blogging is absolutely essential for any business who wants to [amp up lead generation](#): B2B companies generate 67 percent more leads through active blogging, while B2C companies rake in 88 percent more leads.

Business blogs allow you to provide fresh content that builds brand awareness, demonstrates your credibility and expertise, pushes you to the top of SERPs, and makes a connection with your audience.

5. PRIVACY POLICY PAGE

The privacy policy page is meant to assuage user apprehension when it comes to their personal information by informing users exactly how you will be using their data. Transparency is key here.

Your privacy policy page should tell consumers what information you collect, how you collect it (e.g. with "cookies"), how you intend to use it (e.g. to contact them with newsletters, marketing, or promotional materials), and anything regarding security measures and changes



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to the policy.

Check out our [privacy policy page](#) to get an idea of what a comprehensive one should include.

A WORD ON WEBSITE AESTHETICS

As we said before, consumers will judge your book by the cover – and that first impression is everything. Before they even read a word, visitors will be taking in the aesthetic design of your site.

A high-performing website will have an updated, eye-catching design with intuitive navigation and dynamic response to screen size. If you want to put your best foot forward with a website that reflects your amazing business, [contact](#) Social Spice Media. We offer a full spectrum web development package that includes design, content, and SEO services for a sharp and sophisticated website that outperforms your competition.

INSOLVENCY ADVISING

TURN (INVENTORY) AND EARN

To everything (turn, turn, turn)
There is a season (turn, turn, turn)
And a time to every purpose, under
heaven

—Pete Seeger

According to the Marine Exchange of Southern California, on December 14, 2021, 101 cargo ships were spread across 1,000 miles waiting for a berth space at the ports of Long Beach / Los Angeles. With 11 days left until Christmas the likelihood of any of these goods getting into the hands of consumers is remote.

Covid-19 has wreaked havoc on the supply chain. There are many reasons being cited for the demise. Everything from consumer hoarding double or triple their household needs, warehouse scarcity, and shortages of truck chassis are being thrown around as reasons for the delays. Whatever the reason, the delay in supply chain has deprived businesses of countless turns of their inventory. These turns are key to profitability.

When I worked for a specialty food retailer, I remember that the only item on the CFO's bulletin board was an article titled "Turn, You Earn". It was referring to inventory turns. Inventory turnover measures how many times in a given period a company is able to replace the inventories that it has sold. The article underscored that the rate at which a company can sell inventory is a critical measure of business performance.

Businesses that move inventory out faster tend to outperform. The longer an item is held, the higher its holding cost will be, and the fewer reasons consumers will have to return to the shop for new items. For example, an overabundance of ski parkas may lead to unsold inventory and lost profits, especially as seasons change and retailers restock with new, seasonal inventory. Such unsold stock is known as dead stock or obsolete inventory.

Many of my clients have had problems with managing their inventory. Having too much, ties up cash. Having



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too little will result in lost sales. The key is to manage inventory levels and monitor. A key metric is calculating inventory turns.

Companies can also calculate inventory turnover by:

1. Calculating the average inventory, which is done by dividing the sum of beginning inventory and ending inventory by two.
2. Dividing sales by average inventory.

The results should be compared to industry averages to determine if a business meets best practices.

We all hope that the supply challenges related to Covid are short lived and business can again turn and earn.

ESTATE PLANNING

HOW IS IT ALREADY JANUARY 2022?

January was named for the Roman god, Janus, the protector of gates and doorways. He is depicted with two faces, one looking back and one looking forward. He symbolizes endings and beginnings.

It's been a difficult 2 years but looking forward, things are better. How can you make it a great year? *We can control what we want to experience or achieve and who we want to be. Don't let obstacles get in your way. We only have one life to live.*

Grab a cup of your favorite hot beverage, pad of paper and a pen to write out your goals in the following 5 areas. Once you have your list of goals, insert them into your 90-day, then weekly and then daily plans.

ME

Many of us are focused more on others than ourselves. There's a balance between focusing on others and taking care of ourselves. We spend time caring for those we love but we also spend time on social media and other platforms focused on others – even strangers – instead of on ourselves.

There are countless self-improvement books and speakers. It doesn't matter who you follow. They all have one thing in common, if we take care of ourselves – our

nutrition, exercise, sleep, joy – we have a full reserve to be our best selves and to be there for others.

FAMILY/ROMANCE

Are we with the love of our life? If not, what can we do about it? Love is the greatest blessing of all. Feeling loved and being able to love someone feeds us on so many levels. In looking forward, how can we make our relationships better? Again, there are a million books and speakers on this but they all prioritize communication. Do we share our wants, needs and dreams and do we listen and elicit that from those we love?

CAREER

For many, this is a tough one. Are you working in a job or a career? Are you doing what feeds your soul and provides for your financial needs and goals? If you think it's not possible to have both, it is. This takes effort to figure out!

FINANCE/LEGAL AFFAIRS

This might be the most neglected category of all. It keeps slipping to the bottom of the to do list. Have you set up a retirement plan? Are you contributing to it? Do you have a budget that includes a



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savings plan and an account for having fun now and not waiting for retirement? All it takes is baby steps....

Ah, your legal affairs... All I can say is sh*t happens when we least expect it. Don't wait till it's too late and you've saddled your family with having to make tough decisions, court and family drama. You can save time, money, feel empowered and take care of your life, love and legacy by getting your estate plan done or updated. [Click here to start.](#)

COMMUNITY/GIVING BACK

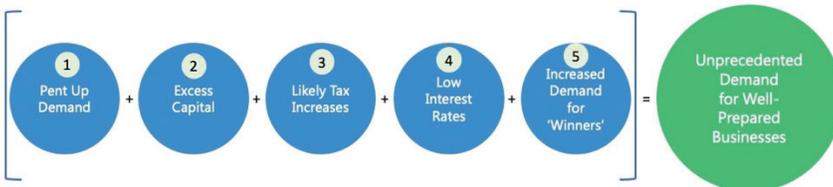
Participating in our community and giving back is extremely rewarding. Whether we donate money or volunteer, together we can make a difference and make our community a better place.

Take time to reflect and build your plan for 2022. This will not only help you but those around you. Don't let another year slip by, time is all we have.

BUSINESS MERGERS & ACQUISITIONS

FIVE REASONS WHY 2022 IS THE PERFECT TIME TO SELL YOUR BUSINESS

If you are considering selling your business, 2022 may be the perfect time. The M&A market is experiencing tremendous activity given the confluence of five unique factors. There may not be a better time to sell over the next decade. Here are five key factors driving this seller's market:



1. PENT-UP DEMAND

Many deals were put on hold due to the impact of COVID (especially in specific industries) and the uncertain global economy. Since most industries have now recovered, many stalled M&A processes have become active again. Private Equity and Strategic Buyers that were unable to fulfill acquisition mandates and deploy capital in 2020–2021 now seek to accelerate acquisition efforts in 2022.

2. BUYERS ARE FLUSH WITH CAPITAL

Financial buyers have an abundance of capital ready to deploy. Private Equity firms have [raised \\$1.6 Trillion in committed capital](#) and are now seeking businesses to invest in. As the economy recovers, buyers have additional urgency to put capital to work, having effectively lost two years of investment opportunity.

3. LIKELY TAX INCREASES

While we don't yet exactly know the full impact of Biden's tax plan, it is safe to assume that corporate, individual, and capital gains taxes will be increasing. Business owners considering selling

in the next few years should ask themselves:



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We are an integrated M&A Advisory and Consulting firm helping owners of companies with revenues between \$5M-\$50M plan and execute the sale of their businesses at the highest possible value.

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"Why kill myself for a few more years to sell later, only to net the same amount of after-tax proceeds, even if the company grows between now and then?" **This is the right question!**

4. HISTORICALLY LOW INTEREST RATES

We know that current interest rates are extremely low. In fact, we likely won't see rates this low again. Acquisitions are analogous to the housing market where interest rates are inversely correlated to purchase price—the lower the interest rate, the higher-priced house you can buy. Similarly, the lower the interest expense, the more

one can borrow (assuming, of course, that your business has sufficient cash flow to support debt coverage.) Rock-bottom rates enable buyers to pay more for businesses and have sufficient cash flow to service debt.

5. INCREASED DEMAND FOR PANDEMIC "WINNERS"

Just as the pandemic has [widened the wealth gap](#), it has also exposed the strengths and weaknesses of various businesses. Naturally, when [ten years of e-commerce adoption occurs over three months](#), there are clear winners and losers. The wide swath of COVID winners, including digitally native brands, work-from-home products, and plumbing/HVAC (to name a few) are especially in demand. Buyers will pay premiums for pandemic-resilient businesses.

Aside from these five factors, business owners are re-evaluating their life priorities given the past two tumultuous years. The cumulative effects of COVID, social unrest, increased regulation, and emerging cyber threats has caused business owners (especially ones approaching retirement age) to realize that having time to enjoy a better quality of life might be their highest priority.

For the reasons mentioned above, we expect the M&A market

to be especially hot in 2022. If you are a business owner considering selling, it may now be the time to reduce risk and gain liquidity.

If you are interested in learning more about how you can take advantage of this unique seller's market, we'd love to have a confidential conversation with you.

BUSINESS LAW



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ARE YOU REQUIRED TO REIMBURSE YOUR EMPLOYEES FOR USING THEIR CELL PHONE?

Most businesses understand that they're responsible for paying an employee's necessary business expenses such as required training, tools necessary to do the job, or health and safety measures such as ergonomic support.

However, with more and more employees working remotely, did you know you might also be responsible for reimbursing your employees for a portion of their cell phone bill or wifi?

If an employee is required to use their personal cell phone for work, the employer is required to provide reimbursement for a reasonable percentage of their cell phone bill. Reimbursement is required even if the work calls didn't actually cause extra financial

expense to the employee. Unfortunately, the state hasn't given much guidance about what a reasonable percentage actually means.

It is clear, luckily, that this percentage does not have to be based on the employee's actual cell phone bill. It can be based on what a reasonably priced cell phone bill might be (not the one with unlimited data and four people on it!). From there, a reasonable reimbursement would be related to how much they're required to use the phone.

One common formula is to identify a reasonably-priced cell phone plan. Let's say you do some research and see that a popular cell phone provider offers single-line plans for \$80 a month. Your employee works full-time at 40 hours a week. A 40 hour workweek out of 168 total hours in a week would mean they're potentially using their cell phone for work 28% of the week. 28% of \$80 is roughly \$23. So,

in this scenario, there is a good argument that a \$23 a month stipend to all full-time remote workers is a reasonable reimbursement. As you may note, this calculation will vary based on the location of the worker, the type of work, and how much they're using their cell phone at work. Also remember, this same rule might also apply for their home wifi payments, or other home expenses, tools, or supplies if their use is mandatory.

If this is your first time hearing about this rule, and you're struck with panic because your employees have been required to work from home during the pandemic, what do you do? First off, make sure to add a policy into your employee handbook about how your company handles and calculates reasonable reimbursements, so going forward, you're sure to be in compliance. And if you want to truly cover your bases, the best practice would be to calculate any reimbursements you would have owed up to now and send them to your employees.

Better late than never! (And better late than lawsuit.)

If an employee ever complains that the reimbursement isn't high enough, do make sure you have a method for reviewing the policy and its application to that employee to make sure it's defensibly reasonable. If not, you could find yourself in court.

Remember -- these rules only apply if the worker is **required** to use their cell phone (or other tools) for work. If they have the option to work in the office or have a phone line provided to them and they choose to use their cell phone instead, you're probably off the hook.

INTELLECTUAL PROPERTY

FAIR USE UNDER U.S. COPYRIGHT LAW

The doctrine of copyright fair use in the United States permits limited use of copyrighted material without having to first obtain permission from the copyright holder. Google Books case illustrates the four factors of fair use.

After a class action against Google status was challenged, a District Court granted summary judgement in favor of Google, dismissing the lawsuit and affirming the Google Books project met all legal requirements for fair use. A Federal Circuit Court of Appeals upheld the District Court's summary judgement in October 2015, ruling Google's "project provides a public service without violating intellectual property law." The U.S. Supreme Court subsequently denied a petition to hear the case

Specifically, the courts ended years of legal wrangling over the legality of Google's scanning and indexing of copyrighted works for its Google Books project. In *Authors Guild, Inc. v. Google Inc.*, SDNY, No. 05 Civ. 8136 (DC), the courts ruled that Google's work amounted to "fair use" of the books.

"Fair use" is an exception to a copyright holder's exclusive right to the use of a protected work. The United States Code specifies four factors that shall be analyzed when determining whether a particular use of a work

is fair use. The four factors are:

1. The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes
2. The nature of the copyrighted work
3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole
4. The effect of the use upon the potential market for or value of the copyrighted work

The courts found that Google prevailed handily on three of the four fair use factors and lost narrowly on one.

With respect to the "purpose and character of the use," the courts found that Google Books helps people find books and facilitates data mining, "thereby opening up new fields of research."

Noting that works of fiction merit more careful consideration of copyright, the courts pointed out that most of the works in Google Books are non-fiction, which indicates fair use.

The courts acknowledged several conflicting factors concerning the "amount and substantiality of the portion used." First, Google makes complete copies of the works, which were duplicated across its servers. The courts held that did not necessarily



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preclude fair use, and that in any case, Google limits the amount of text displayed in response to any search. Still, the courts held that the third factor weighed "slightly against a finding of fair use."

The courts held that the fourth factor, the effect of the use upon the market or value of the product, weighed strongly in Google's favor. The courts noted that although Google Books could drive traffic to Google's other websites, the company does not directly commercialize the copyrighted works. It does not sell the full scans or the snippets presented to users, nor does it run ads on the pages containing snippets.

The question of fair use is a fact intensive one, and it often comes up in terms of what content can be posted on a web site without violating copyright laws. Consulting with an intellectual property attorney in advance, is the best way to proceed.

THE FUTURE EXPLAINED

WHAT IS A BLOCKCHAIN?

YOU AND PETE

Imagine you're 8 years old in elementary school. It's trading week and you've decided to **swap your favourite book for your best friend's Hot Wheels**.

Your mom has asked you two things:

- Keep track of the transaction, because she's not willing to buy that book again for Christmas.
- Make sure Pete's parents agree to the exchange.

The next day, you go to class and explain the trade situation to your teacher. Remember, you're 8. Your educator Anneliese -she has German origins- offers a solution. **She will talk to Pete's folks to obtain their green light with the deal. She will also consign the transaction in a special binder that can be consulted if needed, where you and Pete will sign the agreement.**

It all goes according to the plan! You get a shiny Hot Wheels, Pete gets his new book and you **rely on a central trusted authority**: Anneliese.

GOODBYE ANNELIESE!

Things start to get a bit out of control after Christmas.

Anneliese is stuck in Germany, Pete finished the book and hated it. He received an incredible new Hot Wheels track

from Santa and wants his car back. Your mom talks to Pete's mom on the phone. She says she never heard of a trade for a book, or spoke with Anneliese regarding a trade. Pete seems to have forgotten about the terms of the exchange as well and is getting angrier with every non Hot Wheels minute.

Your parents **can't locate the binder -or ledger- where the deal was** and Anneliese is now AWOL. She can't help you, she can't confirm the original contract or the negotiations that went along with the terms. Your central authority is failing you.

Your mom hands back the toy, your book is gone. Pete and you are no longer buddies.

REVENGE!

Growing up, you start thinking about a solution that could have spared you the trouble, and this is what you design: a **transparent transaction** which cannot be altered, **validated by a network of peers**, consigned in a **public ledger** always available (because it is **distributed**), where it will exist forever and **anonymously** between the former and the following transactions. Any alteration of your deal would alter **the entire chain** of subsequent deals. The records are **immutable**. As transactions keep piling up, you call them blocks. They're **blocked** together in an **irreversible chain**.



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Auf Wiedersehen Frau Anneliese! You have **decentralized the transaction** and **disintermediated the teacher!**

ALTERNATIVE TRADE WITH PETE

So, back to the trade, once you and Pete (and his parents) agreed to it, it was **sent off for validation to other pupils (your peers)**. They had to **crack a riddle** to make sure they were aware of it and not just blindly attesting. The **transaction -or block- was then added to the ledger**, after V. and S.'s trade. A few seconds later, A. and M.'s transaction was added to the ledger, and so on...

The ledger is **updated in real time and distributed publicly** throughout the schools of the country, and you just got involved in the biggest innovation since the internet. Congratulations!



We bring CEOs together for education, accountability and association to improve their businesses and their lives. We provide tools, resources and coaching for already successful individuals to become even better leaders.

We facilitate a half day meeting once a month that includes:

- Continuing Executive Education
- A Focused Business Review
- A review of each company's status on goal achievement using the Strategic Growth Navigator™
- An opportunity for issues to be addressed in the Roundtable
- A completely confidential and safe environment to share information

Between monthly meetings, executive one on one coaching is available.

Each May we hold an All Hands Meeting where CEOs and their management teams gather for learning and mid-year reflection.

Each October is the Annual Planning Retreat where participants set company and personal goals for the year ahead.

If you are tired of being alone at the top, reach out to us for a conversation on how we can work together for you to have a better company and a better life.