

Welcome to IDOA DSD 2022 Business Conference Virtual Series

From Vision to Action

Today's Webinar:

Creating and Maintaining Value

August 11, 2022 | 10:00 – 11:30 a.m.

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Things to keep in mind before we begin:

1. Your microphones will be muted during the webinar unless you are a speaking presenter. Please raise your hand to be unmuted.
2. Feel free to use the chat functions for all questions or comments during this session to remain engaged.
3. This is a recorded session. You are welcome to keep camera on or off during this session.

DSD Facilitators

- **Kesha Rich, Deputy Commissioner, Division of Supplier Diversity**
- **Graham Melendez, Director of Business Development and Outreach, Division of Supplier Diversity**

Today's Panelists

- Naomi Kwang – Barnes & Thornburg LLP
- Zainab Bass – Periculum Capital Company
- Jennifer Mendel – Barnes & Thornburg LLP
- Jennifer Miller – Katz, Sapper, & Miller's Transaction Advisory Services Group





Legal Landmines for Business Owners

Naomi Kwang, Partner
Corporate, M&A

I. Maintaining Proper Records

1. Agree on and Properly Document Founders' Roles and Responsibilities
2. Corporate/ Company records

II. Equity Financing

1. Entity Choice
 - a. Corporations vs. LLCs
 - b. Indiana vs. Delaware

2. Seed Round
 - a. Friend & family; Angel investors
 - a. *Beware of Securities Laws!*
 - b. \$50,000 and \$2 million

3. Resources:
 - a. TechPoint
 - b. Elevate Ventures
 - c. Venture Club of Indiana
 - d. 50 South Capital (Next Level Fund)

III. Intellectual Property

- Do you own your IP?
- Considerations
 - NDAs
 - Patents
 - Trademarks; Domain names; Social Media handles, etc.
 - Assignment of IPs
 - Form agreements with employees and contractors
- Data privacy and online marketing compliance

IV. Labor & Employment

- Proper classification/ FLSA compliance
- Independent Contractors vs. Employee
- Unpaid interns?
- PEOs?

V. Commercial Relationships

- Standard T&Cs/ POs
- Insurance coverage

An Advisor's Guide to Pre-M&A Planning



PERICULUM

This presentation is not an offer to sell or a solicitation of an offer to purchase a security. If the transaction is deemed to be a securities transaction it will be done under the supervision of Periculum Capital Markets, LLC, Member FINRA.

Section I

Preparation & Planning

When Is The Right Time to Sell?

How do you define "Value"?

- ▶ The monetary worth of something
- ▶ The regard that something is held to deserve; the importance, worth, or usefulness of something
- ▶ A person's principles or standards of behavior

What is important in life?

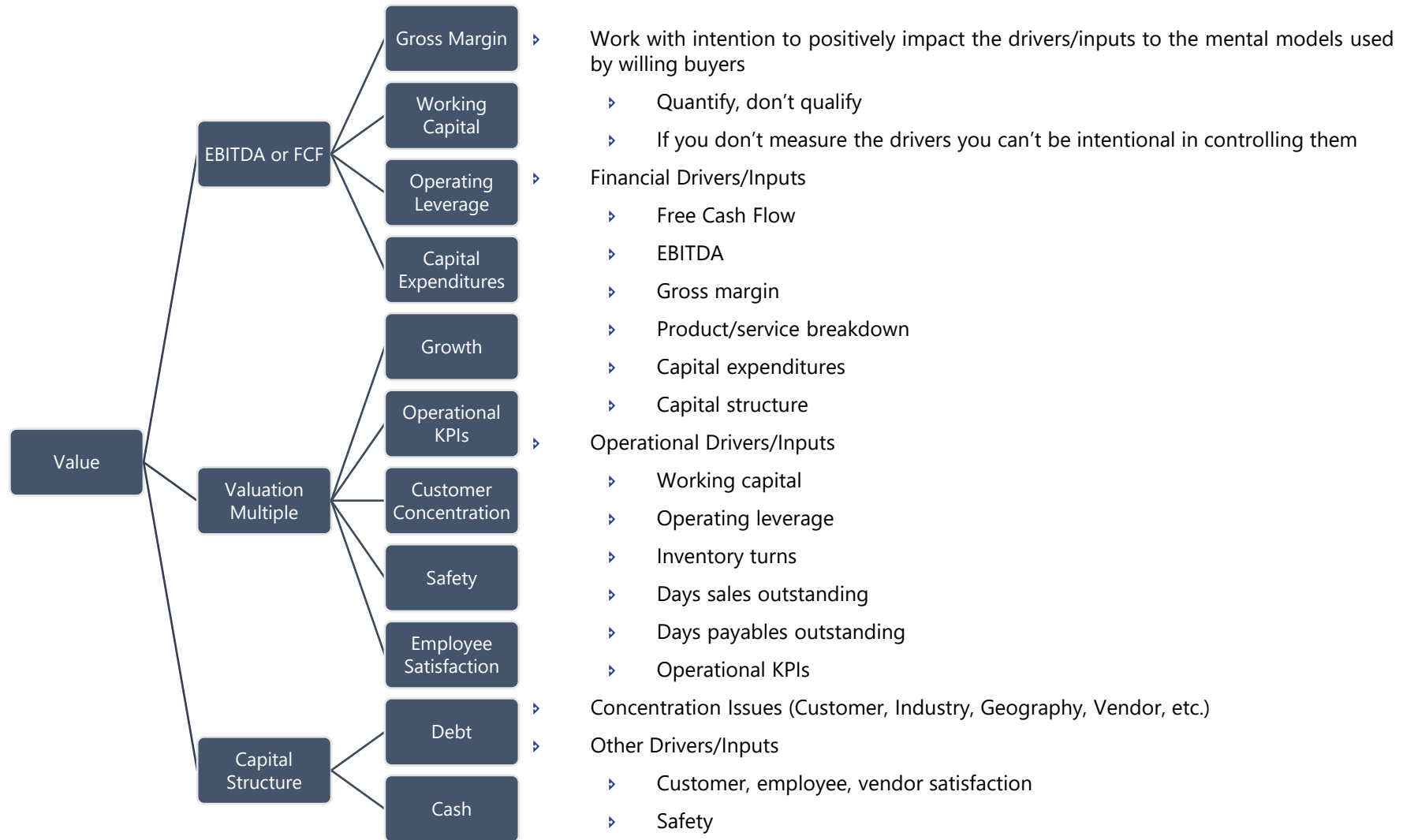
- ▶ Have you documented your personal life goals?
- ▶ Do your financial goals align with your personal life goals?
- ▶ What is your time horizon to achieve each goal?
- ▶ Is your business strategy designed to achieve your financial and personal life goals within your time horizon?

Align your business ownership goals with your personal goals

Value Management Considerations

- Your business may not be for sale, but always treat it as if it is
 - Manage like a private equity owner
 - Perpetual data room
 - Audited financials (especially if you have inventory)
 - Rolling 12-month and rolling 12-quarter forecast
- Your value creation team
 - Investment Banker – valuation, market dynamics, acquisition opportunities, capital structure
 - Estate Planning attorney
 - Outside M&A attorney
 - Outside CPA – Quality of Earnings
 - Current lender – on the ready financing
 - Other lenders – have warm back up plans
 - Wealth advisor – long-term personal goals related to wealth position and business goals

Value Creation and the Importance of Metrics



Attractive Attributes for Buyers

Desired Company Attributes – Strategic Buyers

- Platform to drive future revenue growth
- Historically stable price business
- Strong and defensible gross margins
- Leading/growing market share
- Established customer relationships
- Scalable business model
- Attractive industry fundamentals
- Recognizable revenue and cost synergies

Desired Company Attributes – Financial Buyers

- Expanded buyer universe for a larger company at time of exit strategy
- Highly fragmented consolidating market
- Ample bolt-on acquisition opportunities
- Proven ability to generate cash flow
- Strong and defensible normalized EBITDA margins
- Leading market player



Estate Planning for Business Owners

Jennifer A. Mendel, Partner
Private Client Services

Overview

- Core Estate Plan documents – get the basics in place
- Business Succession Planning – ensure your business has the proper structure to avoid costly issues
- Advanced Planning – plan ahead for wealth and tax planning

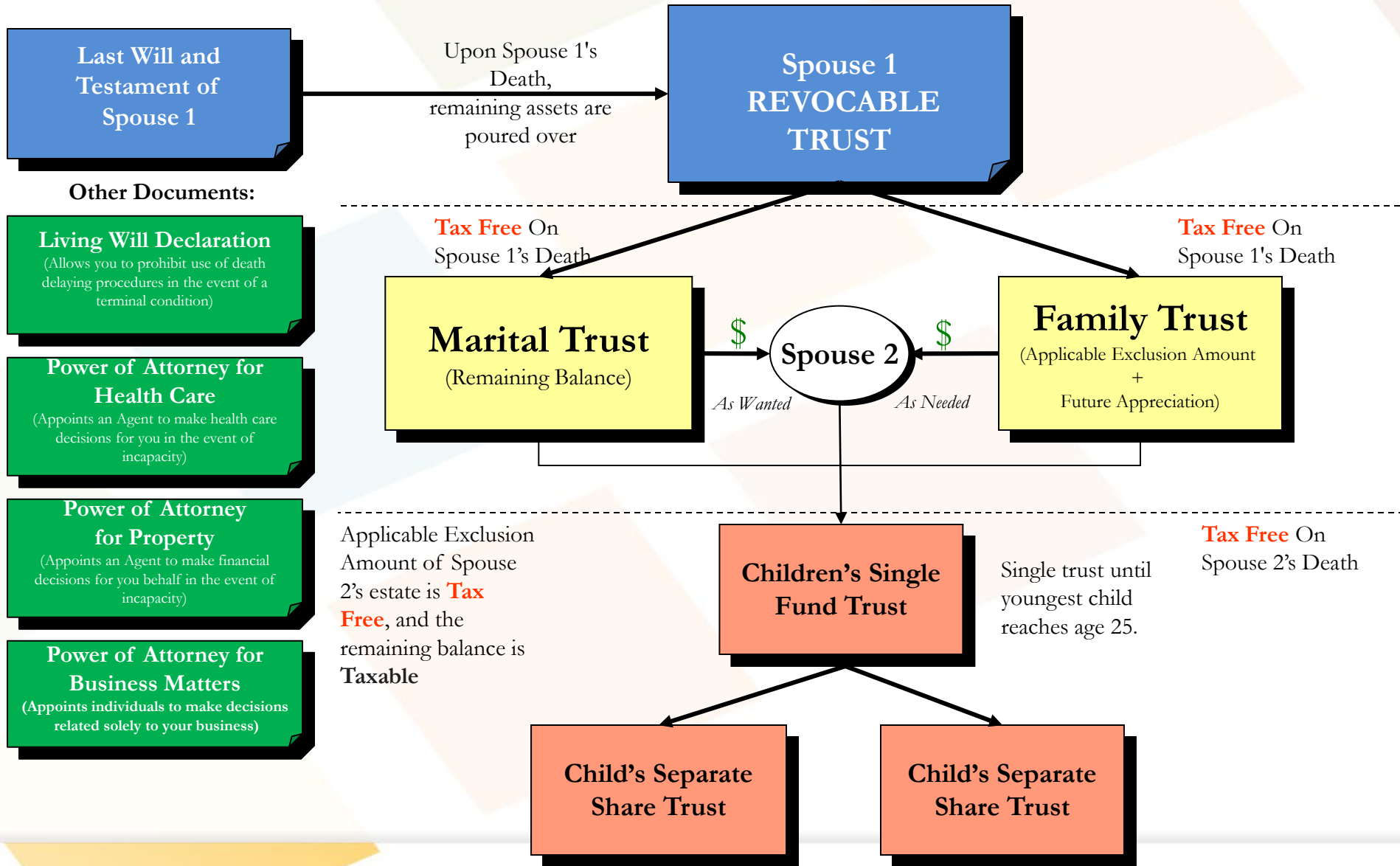
Why prepare an estate plan?

- You control decisions at incapacity and death!
- Without documents, courts or state statute determine who, what and when.
- Ensure final decisions on your life are private, not public.
- Maintain generational wealth for beneficiaries – protect assets from creditors and spending, maximize use of available tax exemptions.

Core Estate Planning Documents

- Will
- Revocable (Living) Trust
- Powers of Attorney – Property, Health Care and Business Matters
- Living Will Declaration

** For purposes of illustration, Spouse 1 is assumed to predecease Spouse 2*



Last Will and Testament

- Allows You to:
 - Name guardians for minor children
 - Determine allocation of assets at your death (as opposed to the default of state statute)
 - Name executors to file your final tax returns, pay your bills, distribute assets (without a trust) or transfer assets to your revocable trust.

Powers of Attorney

Healthcare

- Allows You to name Agents to make decisions on your behalf regarding your medical decisions when you are not able to make decisions yourself.

Living Will Declaration

- Allows You to make a declaration during your life regarding life-sustaining treatment

Property

- Allows You to name Agents to make decisions on your behalf regarding your personal investments and financial decisions when you are not able to make decisions yourself.

Business Matters

- Allows you to name an Agent to make decisions related to your business

Revocable Trust

- Allows You to:
 - Determine who will receive your assets and at what time or times;
 - Name who should oversee the administration and disposition of the trust during your incapacity and/or after you have passed; and
- If funded during your life, allows your estate to avoid probate (public, delays and expensive).
- If funded during your life avoids a court administered guardianship of your estate.

Business Succession Planning

- Ensure you have proper governing documents in place
- Have a team of professionals who understand your structure
- Provide for the succession of your business in the event of incapacity or death, including buy-sell provisions

Planning Ahead for the Future

- Identify goals and thoughts regarding **wealth transfer** to descendants or charitable organizations (either lifetime or at death)
- **Sale of business** – plan ahead for income tax and transfer tax consequences – have structure (i.e. – gift trusts or holding LLCs) in place
- Properly structured and thoughtful planning preserves the value and wealth you have worked hard to maintain

Questions to Ask Advisors

Set expectations and ask questions:

- Timing of engagement
 - When will it begin?
 - When will I get returns or documents?
 - How long will the engagement take?
- How much will it cost?
- How will I be billed? (i.e. every call, every email, flat fee?);
- Ask for references!

Financial Considerations for Business Owners

Jennifer Miller

Partner, Transaction Advisory Services

August, 2022



The Importance of managing your business finances

- Managing finances can be a challenge for any small business owner. Often, the reason your small business is successful is because of the skills you bring to making your product or providing your service. If you don't have a lot of experience with managing business finances, it can feel like a chore and you could be slipping into bad financial habits that could one day harm your business
- The most important step for any business owner is to educate themselves. By understanding the basic skills needed to run a small business – like doing simple accounting tasks, applying for a loan or drafting financial statements – business owners can create a stable financial future and avoid failure.
- There is nothing more terrifying, costly or risky than showing up at your accountant's office at the end of the year with a shoebox of receipts and nine of your last 12 bank statements. It is impossible to overstate the importance and benefit of properly tracking your financial information throughout the year.

Tips for managing business finances

- Pay yourself
- Invest in growth
- Don't be afraid of loans
- Keep good business credit
- Have a good billing strategy
- Spread out tax payments
- Monitor your books
- Focus on expenditures but also ROI
- Set up good financial habits
- Plan ahead

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Next Webinar:

The Building Blocks of Bonding

August 25, 2022 | 10:00 – 11:30 a.m.

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