

CFO Forum Lehigh Valley November 2021 Minutes

Part Two-Planning for an exit

Back in September, Part One of planning for an exit addressed the “what if” an exit is on the horizon (and hopefully several years away). Mark and Paul of KB Partners are experts in this area and they addressed the human side of exits including the lack of planning, the complexity of a closely held or family business and some of the best and worst practices they have observed. The feedback from our group included-“sure could have used this session five years ago” and similar comments as well as the comments that several of us are facing this situation right now.

So, as planned, the Part Two session addressed the Exit itself and the short term planning and execution. The recording and the slides are worth visiting or revisiting but here are some of the highlights:

Part of the session addressed wealth transfer in a closely held firm and introduced the alternative of a dividend recapitalization bank loan solution. This is a not a familiar topic and very worthwhile for a CFO in a family or closely held firm to become very familiar with. Mark is glad to chat with you.

The role of the CFO in an exit is extremely demanding and critical. Handling an exit will be the hardest task you will deal with in your career-much hard than an acquisition since there is no one to blame!

The financials have to be perfect and business oriented (in other words, clean up the balance sheet and get rid of the beach house, boat, cars, art)

Get your audit firm elevated-a review for several years is the minimum and the tax returns should be complete and done by the same firm. Spend a few dollars for the obvious benefits.

Clean up your accounting and reporting. Inventory swags are not going to be acceptable and neither are year end true ups in cost of sales, inventories, reserve creation and writeoffs. Two reasons-make the business more businesslike and professional AND elevate your role so perhaps the buyer wants to retain your services.

All fiduciary steps are current. 401k, healthcare, business insurance, HR handbook, work comp claims, loss runs, policy copies—get everything in order.

Be prepared to create a data room—IF you have done all of the above, it will be much easier and less stressful. If not familiar with the content or the organization, ask me or Mark. If you don't know the mechanics of Dropbox or a similar secure data room, get educated. Confidentiality is crucial and your IT person or outsourced firm CANNOT be trusted to keep everything confidential so do it yourself and off the network!

Be prepared to engage an advisor. Faster, smoother AND better valuations. Sure it costs hundreds of thousands of dollars but they yield a million or more. Talk to Mark and schedule a general discussion. First discussion is with the CFO. Second discussion is with the owners and Third would be with the Board.

Next session will be Wednesday, January 19th. Please mark your calendars and this may be of interest to your HR counterpart or the CEO if recruiting, onboarding, training are priority issues. This will be a ZOOM session and will be from 8 15 to 10 30AM.

Housekeeping:-Minutes, slides and CPE letters are available at www.thecfosolution.org under the events tab but only for participants. IF you were a guest, contact me if you want a copy.

CPE letters usually take about a week or two to get posted. If you are missing one from 2021, let me know and I will provide it. If you need CPE credits, send me a note so I am aware.