

# M & A Update®

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**Mike Ertel is a Certified M & A Advisor and a Principal Broker with Legacy Advisors Group, a full-service M & A Advisory firm with an office in Tampa, Florida specializing in representing sellers and buyers of small- to mid-sized companies. Prior to joining Legacy Advisors Group, Mike's business career spanned 30+ years with Fortune 500 and Fortune 1000 Companies, with senior management roles in Marketing, Operations and Logistics. Mike also served as President, COO of a mid-sized Manufacturing company headquartered in Tampa. Mike also holds a BS in Electrical Engineering and an MS in Industrial Administration, both from Purdue.**

## Saving Green By Going Green

*Bart A. Basi, CPA/Attorney at Law  
The Center for Financial, Legal & Tax Planning, Inc.*

### Introduction

During the past 8 years there has been a lot of attention cast on saving energy because the cost of energy has become extensively higher, sometimes by the month. We have seen gas go from approximately \$1.35 per gallon in 2003 to a peak of approximately \$4.24 per gallon in 2008. Electric costs have gone from 45% to 80% in some parts of the country. Natural gas and liquefied petroleum have risen as well. Nearly every form of energy has increased in price well above the percent of inflation.

The increased costs have taken their toll on American businesses as well. Airlines, trucking firms, and other transportation firms have directly felt the effect of increased fuel costs. Automotive manufacturers and retailers have also felt the indirect effect of energy cost due to an economy that has been greatly affected by energy costs. Saving money and giving your company energy resilience doesn't have to be an expensive proposition. Reaching for the low fruit on the energy tree is simple and inexpensive.

### Lighting

There are some good places to start when

your business's energy needs more efficient. First, regular light bulbs can be replaced as they wear out with compact fluorescent light bulbs (CFLs). These light bulbs use 75% less electricity and produce 75% less heat; further decreasing your business's cooling costs. Further, CFLs last substantially longer than regular light bulbs. Start the New Year by changing all light bulbs in your home as well as your businesses.

### Fuel Efficient Vehicles

Many businesses use vehicles that are much bigger and use much more gas than necessary to do daily tasks. An example of this includes using full size trucks when small trucks or even a car will suffice. The immediate solution to this energy dilemma is to trade the vehicle in when fuel costs go up. However, utilizing the vehicle as much as possible is the best way to avoid unnecessary expenses when fuel costs go up. This is because when fuel costs rise; the trade-in allowance of large vehicles goes down radically, increasing the loss on the

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## A CASE STUDY

The Tax Court has held that a buy-sell agreement was irrelevant in the valuing of closely held stock. In the case, the owner / decedent held a controlling interest in the business. His brother-in-law was also a part owner in the company. Together the two had a buy-sell agreement restricting lifetime transfers and at death. The agreement required THE COMPANY to buy the shares upon death. This is known as a stock redemption agreement.

The IRS refused to acknowledge the buy-sell agreement as the proper avenue to value the estate of the deceased. The agreement was originally executed long before the decedent's death and called for book value. After the decedent's death, the buy-sell was modified causing the sale price to be substantially lower than in the books. This agreement was not allowed for valuation purposes.

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trade-in. When fuel costs are up, it is best to hold on to the vehicle, replacing the vehicle with a fuel efficient vehicle when a decent trade-in can be made for the larger truck.

Two words on hybrids; if you intend to purchase a hybrid, many domestic models still qualify for the federal tax credit. Further, the increased cost of the gasoline-electric hybrid may not result in any cost benefit to your business. Many hybrids are far more expensive than gasoline models and the initial costs of the vehicle may never be recovered, despite the cost of gasoline.

### Heating and Cooling

A lot can be said for heating and cooling needs. Replacing a heating and cooling system can be expensive. The increased cost of energy does not justify an immediate replacement of a heating or cooling system. With that said, some employers have opted for four-day work weeks. The four day work week allows the company to heat the office to working temperature one less day of the week. Other heating tips include 1) lower the thermostat at night to substantially less than regular operating temperature and 2) set the thermostat at one temperature and do not adjust the temperature throughout the day.

Purchasing an energy efficient heating and cooling system is always a wise choice from a money saving and tax saving perspective.

The cost of the new unit is depreciable and the energy savings can be substantial if you are already on a four day work week and/or have made temperature adjustments.

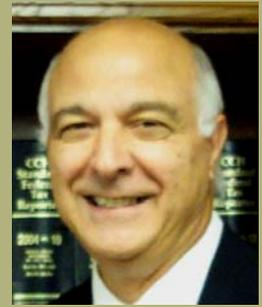
### Office Equipment

Much office equipment, including computers, printers, copiers, and other equipment are left on 24 hours per day. Purchasing Energy Star qualified equipment is always a wise choice when replacing business equipment. Energy Star equipment has features which make the equipment enter low power mode when the device is not in use; substantially reducing electricity costs for the device.

Other easy energy saving strategies for office equipment include setting computers and screen to enter energy saving mode and shut off mode quickly as opposed to their default settings which may be 30 minutes or longer.

### Conclusion

For decades, the world has neglected many energy saving opportunities. Energy was cheap and many people disregarded energy and utility costs as an afterthought, as opposed to an opportunity to save money. Now, saving energy and being green is cost effective, not only financially, but also from a tax perspective as many tax deductions are available at both the federal and state level.



**Dr. Bart A. Basi is an attorney, CPA, and the Senior Advisor of The Center for Financial, Legal & Tax Planning, Inc, a full service company specializing in financial, legal & tax matters. Basi is a nationally recognized author, lecturer, and advisor on how to structure deals to minimize taxes. Tax structure makes the difference between getting the deal done and watching the deal fall apart. Many of you may be familiar with Basi and the topics he covers in the Financial, Legal & Tax Advisory which may be read in various industry-specific trade publications.**

### A CASE STUDY CONTINUED:

**Editor's Comment:** Buy-Sell agreements are critical documents for anyone involved in any business. Here, the IRS rejected the claim for the lower estate value 1) because the original agreement had been modified and 2) the decedent was the controlling shareholder with the ability to modify the agreement at any time. Had this decedent had a binding agreement with a valid method to determine value, the buy-sell would have been allowed by the IRS for estate tax purposes.

I encourage everyone to have a buy-sell arrangement. Under a properly drafted buy-sell, businesses have better longevity and estate taxes can be limited in appropriate circumstances. If you are interested in a buy-sell agreement, contact the Center. It is critical that your buy-sell agreement be binding on all parties and have a valid method which can be used to value the stock. Book value is not a valid method.



Legacy Advisors Group  
1101 Channelside Drive, Suite 291  
Tampa, FL 33602-3611

The Center for Financial, Legal & Tax Planning, Inc.  
4501 W. DeYoung St., Suite 200  
Marion, Illinois 62959

## Points of Interest

- **Nearly every form of energy has increased in price well above the percent of inflation.**
- **Increased costs have taken their toll on American businesses.**
- **Being green is cost effective to your bottom line, not only financially, but also from a tax perspective as many tax deductions are available at both the federal and state level.**



The Center for Financial, Legal & Tax  
Planning, Inc.  
4501 W. DeYoung St., Suite 200  
Marion, Illinois 62959

Legacy Advisors Group  
1101 Channelside Drive, Suite 291  
Tampa, FL 33602-3611

## Introducing Legacy Advisors Group

**Mike Ertel, CBI/ M&AMI/ CM&AA**

After eight rewarding years of working together with Jay Bradway and The Bradway Group, Jay has accepted an excellent opportunity with another full service, real estate brokerage office in Palm Beach, and I have decided to start my own company and open my own business brokerage office in Tampa.

To service all of my Bradway Group clients through the end of their contracts, I will also continue to do business as The Bradway Group of Tampa Bay through the middle of 2009. All new clients and renewals will be channeled to my new company.

My new company is called Legacy Advisors Group (LAG), and we will continue to assist buyers and sellers of mid-sized companies in structuring win-win business acquisition transactions.

The primary focus of our practice has been and will continue to be assisting owners of mid-sized companies who have spend most of their working lives building equity in their company until for various reasons it's time for them to successfully transition the business to a new owner, who can free up the seller's equity.

Thus, the reason for our name: Legacy Advisors. It's estimated that the average business owner has 70% - 90% of his personal net worth tied up in – or pledged in the way of a personal guarantee to – support his business. Thus, the quality of the business owner's lifestyle in retirement, his capacity for charitable giving, and the size of his estate to ultimately pass on to his heirs, will be impacted for better or worse by his success in selling and transitioning his business.

While most successful business owners are experts at running their own businesses, they are relative novices when it comes to selling their business, and realize that they will likely realize a much better result if they engage a professional M&A advisor to assist them in this process.

If you know of a business owner who's thinking of selling or buying a business and who might benefit from a free consultation with us, have them contact me, or any of the M&A professionals at [www.legacyadvisorsgroup.com](http://www.legacyadvisorsgroup.com)

**Legacy Advisors Group**

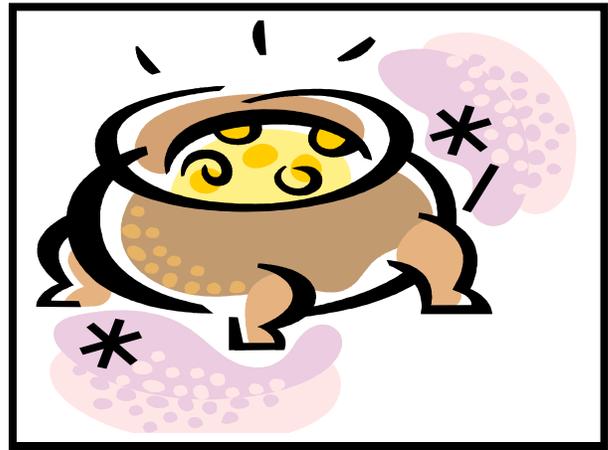
**813.299.7862 Direct**

**[ertel@legacyadvisorsgroup.com](mailto:ertel@legacyadvisorsgroup.com)**

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Legacy Advisors Group  
1101 Channelside Drive, Suite 291  
Tampa, FL 33602-3611  
Phone: 888-864-6610  
Fax: 866-353-0382

The Center for Financial, Legal & Tax  
Planning, Inc.  
4501 W. DeYoung St., Suite 200  
Marion, Illinois 62959  
Phone: 618-997-3436  
Fax: 618-997-8370  
Satellite Office:  
Longboat Key, FL 34228  
Phone and Fax: 941-383-3338



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## Frequently Asked Questions...



**Q: I have begun estate planning this year. How much is the estate tax exemption this year?**

**A: The estate tax exemption is \$3,500,000 until December 31, 2009.**

**Q: Is my business worth more or less this year due to the dampened economy?**

**A: Generally, most businesses will see a slight dip in their value this year due to the slow down in the economy. The silver lining to this is that the depressed value allows business owners to transfer more stock to their successors on a tax free basis, as opposed to when the economy and their business value is inflated. This fact makes 2009 a great time to begin estate planning and business succession planning.**

**Q: If the annual gift tax exemption is \$13,000 per person and \$26,000 per couple in 2009, how can I begin transferring a business interest when the assets of the business must work as a whole to continue business?**

**A: Estate planners are aware of and attune to many different ways to make business succession plans work. One way to begin transferring a business is to gift an undivided interest to children year by year. Another way is simply to sell the business to them under favorable terms.**

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