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Beyond Eggs, Bread, Milk, and Toilet Paper: Do you have a Continuation Plan in Place for Your Business and Employees?

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

Two weeks ago, Winter Storm Jonas dumped nearly 2 feet of snow on the east coast. Three weeks before that, the Mississippi was flooding the Midwest. Both events lead to huge business and economic losses. March is 26 days away and with March comes the beginning of tornado season. Statistically, this country experiences 1000 tornados per year. On average, there are 10 named storms in the Atlantic with over half of those becoming hurricanes. Mississippi has an average of 875,000 lightning strikes per year, or 18.4 per square mile, Louisiana has over 900,000 lightning strikes, an average 19.7 per square mile. And watch out Florida! Florida has 1.4 million lightning strikes per year. That is 24.7 lightning strikes per square mile. Combine that with an average of 35 earthquakes worldwide per week with the ever-present forest fires in the Northwest, anyone can come to the conclusion that we live in a shooting gallery!

The events can range from minimal impact events such as snow and ice, to severe impact events (wild fires and hurricanes). Depending on the scale of the event and a business's level of planning for disasters, the business will either move on or close forever. Natural disasters frequently result in property loss, termination of certain employees, injury to employees, loss of revenue or catastrophes up to and including loss of the business or lives as well. Every company can and should plan to continue in at least some capacity after a natural disaster.

Planning for the Worst

The absolute worst thing to do in preparation for a natural disaster is to do nothing at all. Waiting until it is broadcast on the radio or seeing a major storm system develop on the news is not the time to begin your preparation for a disaster.

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A CASE STUDY

Playing Chicken

A district court sentenced a former CEO to 27 months in prison and one year of supervised release. The former CEO repeatedly filed false tax returns for his investment firm. Guidelines for the crime were 27-33 months. At sentencing the IRS was unpersuaded to give the former CEO probation.

The defense for the former CEO tried to lay out mitigating factors and pointed to the fact the former CEO had no prior convictions any level including the local, state and federal levels. The person was a decent individual who created about 100 jobs during his tenure. In this light, the defendant was given 27 months in federal prison.

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At that point, communications and electrical systems may already be failing area-wide. Critical supplies (oil, gasoline, diesel fuel) and emergency supplies such as AAA cell batteries, D cell batteries, battery power back-ups for computer and electronic systems, generators and even flashlights, needed for business and human continuation may have already been sold out of stores by a panicked population. If you don't believe it, Google the terms: eggs bread milk toilet paper. Then click Images.

The best thing a business owner can do to continue business during and after a disaster is to begin preparation well in advance. Here are three basic planning activities to get business owners started in short form below. The full article is on our website at taxplanning.com.

1) Written Instruments and Communication

Along with any disaster plan, written instruments are a necessity. Reducing a plan to writing is a sure sign that the plan is being developed in a manner which is achievable.

2) Security

Reasonable measures must be taken in order to, if not defend the store; provide footage for law enforcement to catch the individuals responsible for the crimes there committed.

3) Finances

Modern day financing relies heavily on electronic mediums such as credit card readers and telecommunications. Bottom line, if there is no power, there is no money. Your employees will also need financial assistance during this time period as well. Two weeks of pay can ensure that employees 1) can pay their bills and endure, and 2) come back as they will be obligated to work for the pay advance you provided them with.

Conclusion

Every business should have a disaster plan in place in order to survive a natural disaster ranging from the smallest to devastating. People face challenges and businesses do as well. It is important that a natural disaster does not become a personal or business bankruptcy, where a continuation would have been entirely possible and necessary for the surrounding community.

Roman Basi and his firm frequently devise similar (albeit much more involved) plans involving business succession, business operational manuals (including disaster planning) and business valuations. You can view the [ready.gov](http://www.ready.gov) Preparedness Planning for Your Business site at <http://www.ready.gov/business>, or you can go to www.taxplanning.com, and follow our link.

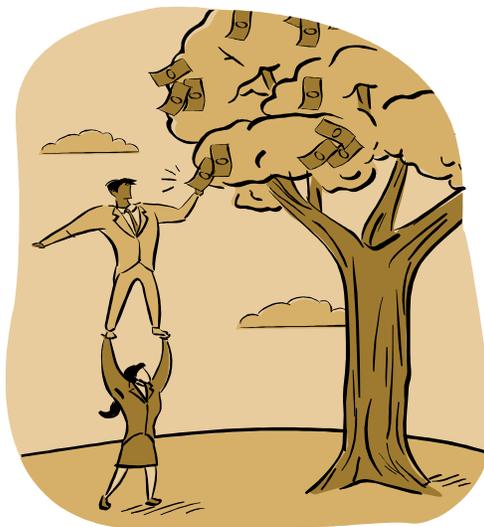


About the author:

Roman A. Basi, President of The Center, is an Attorney, Real Estate Broker, and Title Insurance Agent. Roman speaks and advises The Center's clientele on such matters as Business Law, Succession, Estate & Tax Planning and Real Estate.

Points of Interest

- **March is 26 days away and with March comes the beginning of tornado season.**
- **The absolute worst thing to do in preparation for a natural disaster is to do nothing at all.**
- **Every business should have a disaster plan in place in order to survive a natural disaster**



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A CASE STUDY CONTINUED:

Editor's Comments:

Unfortunately, a lot of people try to play the IRS. This is a very bad idea. If your position is not supported by law, any law; or, if your expenses are not supported by fact, short and simple. Don't!

Every time a practitioner or officer of a company signs a tax return, the potential for monetary fines, conviction, and up to and including prison exist. The question becomes, do I want to risk prison to shave a few dollars on my tax return or on a client's tax return. The answer should be simple. Do not take deductions or not include income on a legally unsupported position.



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Do I Need an M&A Advisor if I Already Have a Buyer?

In many cases the answer is "No." There is no legal requirement that a business must be sold through an intermediary, and indeed, many thousands of businesses are sold every year without one.

If the buyer is a family member or a trusted employee, and the value of the business is mutually agreed upon, and the seller is going to carry most of the financing, the sale may be structured and overseen by a closing attorney, who is acceptable to both parties.

On the other hand, if the seller needs to realize the maximum possible proceeds from the sale to fund retirement or other plans, and doesn't want to carry much, if any, of the financing, or if the buyer has a different opinion about the value of the business, then the seller may be well advised to engage the services of a qualified M&A advisor.

A qualified M&A professional can assist both parties in determining the market value of the business, and can also assist the parties in identifying possible sources of financing for the buyer to minimize - or even eliminate - the need for seller financing. If need be, an experienced M&A advisors can launch a confidential marketing campaign to attract other buyers based on the company's merits as an investment.

An experienced M&A advisor can assist the parties in structuring the terms of the deal to maximize the seller's net proceeds, which in the end is really much more important to the seller than the selling price.

An experienced M&A advisor can also serve as a facilitator and a buffer in the sometimes awkward and time consuming negotiations, freeing the seller to stay focused on running the business, and minimizing the risk that key employees, customers and suppliers will learn that the company is being sold.

Lastly, many M&A transactions that ultimately close seem to hit a brick wall at some point in the process when both parties retreat to their respective corners and are no longer even speaking. An experienced M&A advisor can frequently find a way to get the parties back together and ultimately close the deal.

If you know someone who's thinking of selling or buying a business and who might benefit from a free, confidential, consultation with us, have them contact me at mertel@lmaallc.com

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Frequently Asked Questions...



Q: When should someone evacuate versus sheltering-in-place?

A: In general, sheltering-in-place is appropriate when conditions require that you seek immediate protection in your home, place of employment, school or other location when disaster strikes. People should take steps to prepare in advance in case local officials direct you to evacuate. This includes having a disaster supply kit that is portable and can be taken with you.

Q: Can you clarify your recommendations on the storage of medications in an emergency kit?

A: Always keep a written copy of your prescriptions and orders for medical equipment and supplies with you, a list of all medications, equipment and supplies you use (including over-the-counter) and perhaps an electronic copy on a flash drive, even if you don't use a computer.

Q: Where can I have my immediate needs met?

A: If you have immediate needs, you may want to contact the American Red Cross at 1-800-REDCROSS (1-800-733-2767) or the United Way by dialing 2-1-1 from a landline phone.

Credit: Ready.gov

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