



MID-STATES ADVISORS
A Private Placement and Business Brokerage Firm
Newsletter

Mid-States Advisors, Inc. Monthly Article & Updates

Good Morning,

The Covid-19 vaccine continues to roll out, government requirements are easing, businesses are returning to "normal" as many are starting to bring employees back to the office and, in general, people are finally able to take a deep breath. But, as is being reported in the news, nearly every company we meet with is seeking employees but cannot find talent willing to work. Drive down any commercial street in Southeast Michigan and you will likely find sign after sign seeking help at increased hourly rates and offering signing bonuses. This is common from manufacturing to the restaurant industry. We are all hoping these issues are resolved as people get more comfortable returning to the workplace.

We are excited to be returning to in person meetings, over coffee, lunch or drinks and would be happy to get together with any of our contacts looking to catch up.

This issue's article deals with the Team any business owner/top management should be regularly utilizing in order to maximize performance and to ensure all matters are attended to appropriately. We discuss the roles of some of top management but also of the external team, including CPAs, Attorneys, and Insurance Agents. These are all value add members of the team that, when chosen appropriately, add significant value to the business.

As always, if you are interested in learning more about this week's content or if we can help you or a client in any way please feel free to reach out to one of our team members.

Best Regards,
The Mid-States Team

Joseph P. Alam III, 313-670-5713, jp3@midstatescapital.com
Joe Alam, 313-215-1700, jpa@midstatescapital.com
Jim Mies, 248-766-7884, jm@midstatescapital.com

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The TEAM

Successful organizations are not built on a single individual. They require a competent organizational structure to manage the business: an operations staff, a sales department, accounting department, and an administrative staff, all pulling in the same direction to achieve the organization's goals. Oftentimes, also critical to a prosperous enterprise are the services of the outside professional team, including competent Attorneys, Certified Public Accountants, Lenders, Insurance Agents (commercial, life and health), Financial Advisors and their respective organizations. These professionals are not at the business every day, but should be kept regularly informed of significant changes to the operations, goals, concerns, problems, etc. of the company.

We have seen many businesses, especially smaller privately held companies, where often the trusted professionals are the only persons an owner can, or is willing to, turn to for confidential or specialized advice. The owner could very well have a very motivated and trustworthy internal team, but they may, and probably do, lack the experience and expertise that specialized professionals bring to the table. The internal team is focused on the operations and execution of their daily responsibilities, which means they might not have time to be concerned with managing the nuances outside core business functions – taxes, funding, employee benefits, insurance, estate planning, succession planning, to name a few. And many times, the owner does not want to share information or appear “unknowing” to his staff, so he/she won't raise questions or address potential concerns with them!

Time and again it is proven critical that the external professional team must be on the same page when advising clients. They might not always agree on the same path or strategy, but they should all be working from the same information. Many times, they cannot provide counsel in a vacuum, but in concert with others on the professional team, can arrive at the best solution. For example, a comprehensive estate plan for an owner cannot be developed by an attorney without information and discussions regarding the tax issues, the life insurance in place or available, the retirement plan projections, family goals (and capabilities) for succession planning, and more. We recommend periodic scheduled meetings or calls with the professional team to keep all informed.

Mid-States Advisors spearheads the effort to locate new funding for our clients, to locate a buyer for a sale of a company, or to assist our client in finding acquisitions, but we cannot and do not do it alone. It takes a Team effort. Who are the usual members of the team? Most critical to us getting the process started are the **senior executives of the client company**, usually a combination of the CEO, CFO, Controller or chief accountant. Once we begin soliciting Proposals, a skilled TEAM of professional advisors comes into play.

The process of closing a loan, sale or purchase can get complicated, and require a great deal of specialized expertise. For example, because of tightening of regulator mandated credit restrictions, a difficult operating environment, poor operating performance and what appears to be a move away from relationship-based lending, closing a loan has become much more labor intensive. All of the members of the TEAM work together to achieve a successful closing.

Below we will take a more detailed look at the role each member plays in completing a transaction.

The Role of the Attorney

Attorneys play a vital role in any closing process. You want to make sure you have a deal maker and not a deal breaker. An experienced and trusted transaction attorney should review and provide comments on Term Sheets, Commitments, and all aspects of the transaction and related documents, and sometimes works with and assists us in the late stages of the negotiation process. An added benefit is that experienced transaction attorneys may have prior experience with the lender or buyer and or their attorney that can lend credibility and help navigate through sticky documentation language. Additionally, when selling or acquiring a company, legal advice as to structure, indemnification, laws impacting the industry, environmental considerations, and the impact of actual or threatened litigation is a must.

The Role of the Certified Public Accountant

Lenders will require any loan of substance to meet very specific lending criteria. For loans of any size, one requirement often mandated will be to provide annual CPA Audited, Reviewed, or sometimes Compiled financial statements. The preparation of financial statements by independent CPAs provides the lender with a degree of certainty that the cash flows and collateral required for their loan are in place and that they are being reported according to Generally Accepted Accounting Principles. Additionally, the CPA is frequently the most knowledgeable when it comes to the client's records, accounts, and detailed financial history.

As to the sale of an entity, the CPA is critical in providing historical financial reports and the information for restated EBITDA as well as assisting in structuring the transaction in the client's best interest, negating potential tax effects. In an acquisition scenario, the CPA works with the seller's CPA to gather all the due diligence information needed, will coordinate the transition to his firm, and will assist in structuring the transaction in his client's best interest.

The Role of the Insurance Agent(s)

In a funding transaction, the roles of the commercial and benefits agents are generally limited to ensuring that coverages satisfy any requirements of the lender. With a sale of a company, the agents should work on a smooth transition to eliminate gaps in coverage and to make sure the seller is fully protected against possible claims arising from activity before the sale was consummated. In an acquisition, the insurance agents play a significant role in eliminating gaps and overlaps in coverage, in managing benefit plans that are consistent among entities, in coordinating directors and officers and employment practices coverage and probably most importantly, in ensuring that the purchaser is protected from activities that occurred before the transaction closed.

The Role of Mid-States Advisors

Mid-States Advisors plays multiple roles in the financing, sale and acquisition processes. As a highly focused and specialized Financial Advisor with deep knowledge of the markets, buyers, sellers and individual lenders, we explain the options available to our clients, assist in the preparation of, and regularly prepare, sophisticated Financial Models, and develop the confidential information memorandum and other materials needed for presentation to

potential lenders and buyers. For a funding engagement we determine who should receive a Funding Request, negotiate rates, term, guarantees, and covenants, pre-screen Proposals to assure that they meet the client's needs, advise on the advantages or disadvantages of different proposals, interface with the attorneys reviewing loan documents, and provide whatever other assistance is required to fund the transaction. For sales or acquisitions, we play a similar role, and determine who should receive transaction packages, who is the best fit for the anticipated transaction, work with other professionals on the structure of the transaction and often play a role assisting with the financing.

Through our extensive network and experiences with professional service firms we can recommend the appropriate professionals to assist our clients if needed.

We want to be part of your TEAM. If you would like to discuss our services in more detail, please contact us to learn more about how we can assist your company or client. Below are the direct phone numbers and emails for a Mid-States team member who can answer your questions (yes, we answer our own phones):

Joseph P. Alam III at 313-670-5713, JP3@midstatescapital.com
Joe Alam at 313-215-1700, JPA@midstatescapital.com
Jim Mies at 248-766-7884, JM@midstatescapital.com.

[See our team at Midstates Advisors' website](#)
