

## GFA Guidance/Recommendations-2021

- With sector rebounding President is prepared to sell to another PE firm as company has grown in sales from \$70.0mm to \$165.00mm organically and the result of 4 bolt on acquisitions. GFA developing presentation/tear sheet and financial analysis
- Evaluating corporate and personal domicile change to mitigate State income taxes and SALT.
- Advised to sell a concentrated stock position which had appreciated 10X to lock in gains, create liquidity for other investments and de-risk. Identified other positions to take losses to mitigate gains.
- Presented a CLAT and the compelling tax and charitable benefits as founder makes annual charitable donations, needs tax sheltering and asset will return to heir's tax gift tax free in 10 years
- Recommendations on how to manage substantial cash positions and generate real rates of return for relatively low risk.
- Increase general liability insurance from \$10.0mm to \$30.0mm as client has a variety of drivers, vehicles and residences.
- Working with counsel, founder and key persons regarding startup enterprise involving son of founder and 2 other operating partners. Drafted term sheet, met with founder and team to gauge personalities. Process ongoing entity creation, executed operating agreement, regulatory approval being sought with outside consultants guiding process

## Impact

- Creating marketing book for strategic and financial buyers
- **Estimated tax and cash flow benefits \$1.8mm**
- **How to exit concentrated stock positions and enter into equity markets efficiently?**
- **Increase liability coverage 3 fold with Zero(0) increase in premium**

Existing Client: Founder/President  
Aerospace Distributor and Manufacturer, 2<sup>nd</sup> liquidity event

## GFA Guidance/Recommendations-2020

- Industry is experiencing significant pressures. Reviewed existing liquidity, balance sheet, investments and family obligations to education, careers, etc. Hence lower company value.
- Outlined the intentionally defective grantor trust strategy and ability to shift potential growth of out taxable estate. Key element moving forward was the optionality to either (1) recapture the discounted value of the initial sale amount via repayment of the note or (2) forgive the note and transfer to a greater amount of the trust without incurring a taxable event. **Transaction executed**
- Determined need to reexamine multi policy (6) insurance portfolio acquired over many years and strategy to enhance existing estate tax mitigation plan in light of potential estate tax code change and depressed value for business.
- Comprehensive evaluation of insurance portfolio (6 products) which included whole life, variable life and universal life policies underwritten by a variety of top carriers (4).
- Presented findings in the context of current return environment, guarantees and funding levels.
- Client decided to move forward with restructuring, medical was taken and issues arose
- Brought in underwriting specialist to examine physician's records and argue cogently that insured applicant's medical history did not warrant a table rating.
- Ran a process to identify commercial real estate broker to consider selling building. Completed

## Impact

- Brought in nationally recognized valuation firm, **reduced fee by \$10k**
- **Saved \$1.0mm in potential gift tax by reducing value of asset by \$2.mm**
- **Increased death benefit coverage by 42%**
- **Reduced annual outlay 53%**
- Increase guarantee until age 90 from age 84

**Existing Client: Founder/President**  
Aerospace Distributor and Manufacturer

# Case Study Clients: Business

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## Client

Founder-  
Aerospace  
Company  
(2015-2017)

## GFA Guidance & Recommendations

- Introduced seller to mid-west strategic buyer (MFO Fund), able to drive sale process between PE firm that had been courting seller for years (I had encouraged restraint with prior offers years earlier) and the strategic.
- Seller was able to capture a 22% premium, reduction in holdbacks i.e. for reps and warranties, close the transaction, increase post closing salary, understand tax implications and ways to mitigate.
- Introduced seller to competent counsel(member of GFA's specialist team) to advise client. Counsel advised and assisted global accounting firm on actual structure (on shore, off shore, multiple entities/types, etc.).
- Assisted/facilitated interaction/idea generation btw seller, buyer's counsel/accounting advisors, offered practical solutions and protections for seller.
- Introduced regional bank/asset based lender to compete against current and other money center banks, KEY: reduced owner guaranty from \$10.0mm to \$1.0mm, increased ability to use LOC by \$5.0mm.

## Impact

- \$6.0mm increased realization
- \$3.0mm increase in cash flow at closing and decrease in risk
- Facilitated the process, reduced fees, stress and closed the sale
- Reduced personal guaranty by \$9.0mm
- Increased LOC \$5.0mm