

THE HORN



Published by:
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Bulletin No. 583

December, 2016

AAACT NEW MAILING ADDRESS!!!

Effective January 1, 2017, the new Association mailing address will be . . .

**AAACT, Inc.
P.O. Box 97993
Raleigh, NC 27624.**

Please change your records accordingly.

LEGAL / LEGISLATIVE

Federal Judge Halts Overtime Rule

A federal judge in Texas put the brakes on the Department of Labor's (DOL's) new federal overtime rule, which would have doubled the Fair Labor Standards Act's (FLSA's) salary threshold for exemption from overtime pay.

Twenty-one states filed an emergency motion for a preliminary injunction in October to halt the rule. They claimed that the DOL exceeded its authority by raising the salary threshold too high and by providing for automatic adjustments to the threshold every three years. The states' case was consolidated last month with another lawsuit filed by the U.S. Chamber of Commerce and other business groups, which raised similar objections to the rule.

What's Next?

For now, the overtime rule will not take effect as planned Dec. 1, but it could still be implemented later down the road. Employers may continue to follow the existing overtime regulations until a decision is reached.

A preliminary injunction isn't permanent, as it simply preserves the existing overtime rule—which was last updated in 2004—until the court has a chance to review the merits of the case objecting to the revisions to the regulation.

The DOL will likely challenge the decision. Lawmakers are forecasting no changes, until after the Federal administration changes on 1/21/17.

Social Security Announces Wage Base Increase for 2017

The Social Security Administration recently announced that the monthly Social Security and Supplemental Security Income (SSI) benefits for more than 65 million Americans will increase 0.3% in 2017.

The 0.3% Cost-Of-Living Adjustment (COLA) will begin with benefits payable to more than 60 million Social Security beneficiaries in January 2017. Increased payments to more than 8 Million SSI beneficiaries will begin on December 30, 2016. The Social Security Act ties the annual COLA to the increase in the Consumer Price Index as determined by the Department of Labor's Bureau of Labor Statistics.

Some other adjustments that take effect in January of each year are based on the increase in average wages. Based on that increase, the maximum amount of earnings subject to the Social Security tax (taxable amount) will increase to \$127,200 from \$118,500. Of that estimated 173 million workers who will pay Social Security taxes in 2017, about 12 million will pay more because of the increase in the taxable maximum.

Information about Medicare changes for 2017, when announced, will be available at www.medicare.gov. For some beneficiaries, their Social Security increase may be partially or completely offset by increases in Medicare premiums. The Social Security Act provides for how the COLA is calculated. To read more, please visit www.socialsecurity.gov/cola.

MANAGEMENT NOTES

The Impact of Value Drivers on Sale Price

[By: Carl Rogers]

Business experts may mention "Value Drivers" as if everyone knows what they are, how they work, and where their impact will be greatest. It can be difficult or frustrating to know that building business value is a frequent topic of discussion, but *actually building value* is sometimes easier said than done.

It may be the case that one business has buyers lined up willing to pay top dollar while another sits on the market for months or even years. What do buyers look for in a prospective business acquisition?

There are many opinions about which attributes or characteristics buyers seek, but here's what we have observed: The characteristics buyers seek must exist before the sale process even begins, and it is your job as the owner to create value within your business prior to the sale. We call characteristics that impact value "Value Drivers."

Look At Your Business Through A Buyer's Eyes

To grasp the importance of Value Drivers when preparing to sell a business, owners must put themselves in the buyer's shoes. Consider the following case study, which illustrates how a buyer might approach the search for effective Value Drivers.

The Alpha Company has earnings before interest, taxes, depreciation, and amortization (EBITDA) of \$2 million, an owner who runs the business, and systems and processes that create growth. The Alpha Company does not have a true management team in place, and the owner generates a majority of its sales. The owner is the locus of the company, holding both the CEO and CFO positions. With such overwhelming responsibilities, the owner is burning-out quickly.

By comparison, the Beta Company has EBITDA of \$2 million and a solid management team that runs the business, systems, and processes. The management team creates efficiencies within the business, and the owner vacations for six weeks a year.

If you were a buyer comparing these two companies, which factors would you consider more likely to lead to a successful acquisition? How much more would you pay for a business with a strong management team (one of the most important Value Drivers)? Would you be interested in buying a business whose management team (i.e., the owner) walks out when you walk in?

Experts in getting businesses sold understand that companies that lack strong Value Drivers also lack a strong pool of buyers. The buyers that do come to the table do not arrive with pockets full of cash.

The Most Common Value Drivers

Consider the following important Value Drivers common to all industries.

- **A Stable and Motivated Management Team:** If owners can wait a year to sell their businesses, they should consider an incentive compensation system that is either cash or stock based and rewards key employees based on how the company performs (usually measured by increases in pre-tax income). Sophisticated buyers know that with a solid management team in place, prospects are good for continued business success. Without a strong management team, it may be difficult to sell the business to a third party or transfer it to an insider.
- **Operating Systems That Improve Cash Flow Sustainability:** Operating systems include the computerized and manual procedures used in the business to generate its revenue and control expenses (i.e., create cash flow), as well as the methods used to track how customers are identified and how products or services are delivered. The establishment and documentation of standard business procedures and systems demonstrate to a buyer that the business can be maintained profitably after the sale.
- **A Solid, Diversified Customer Base:** Buyers typically look for a customer base in which no single client accounts for more than 10% of total sales. A diversified customer base helps insulate a company from the loss of any single customer. If the majority of an owner's customer base is made up of only one or two good customers, the owner should consider reinvesting profits into additional capacity that will make developing a broader customer base possible.
- **A Realistic Growth Strategy:** Buyers tend to pay premium prices for companies with realistic strategies for growth. Even if an owner expects to retire tomorrow, it makes sense to have a written plan describing future growth and how that growth will be achieved based on industry dynamics; increased demand for the company's products; new product lines; market plans; growth through acquisition; and expansion through augmenting territory, product lines, and manufacturing capacity. This properly communicated, detailed growth plan helps attract buyers.
- **Effective Financial Controls:** Financial controls are not only critical elements of business management but also safeguards for a company's assets. Effective financial controls support the claim that a company is consistently profitable. The best way for owners to document that their companies have effective financial controls and that their historical financial statements are correct is through a certified audit or a verified financial statement from an established CPA firm.
- **Stable and Improving Cash Flow:** Ultimately, all Value Drivers contribute to stable and predictable cash flow. It is important that the company's cash flow remains substantial and continues to grow, especially in the year or so preceding the sale of the business. Owners can begin increasing cash flow today by focusing on ways to operate their businesses more efficiently by increasing productivity and decreasing costs.

You can install these Value Drivers and better position your company to secure a premium price upon your exit with the help of a trained Exit Planning Advisor.

If you have any questions about increasing the value of your business prior to your exit, please contact us to discuss your particular situation. We can help you identify and strengthen the current Value Drivers in your business, install additional Value Drivers, and create a road map to meet your overall Exit Objectives. We also have resources that explain Value Drivers in more detail and can help you apply these concepts to your business.

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INSURANCE NEWS

Hodges Insurance Agency: Medical Insurance

The AACT would like to remind you that we do recommend a company to help everyone negotiate the complicated medical insurance and employee benefits market. Hodges Insurance Agency of Louisburg (NC) offers their 25+ years of experience and market knowledge to all AACT members. Hodges Insurance Agency will be happy to help companies of all sizes review medical plans and offer competitive options to manage costs. Hodges Insurance Agency is also a certified marketplace intermediary helping individuals navigate the federal health insurance exchange and obtain premium subsidies. Please call Chris, Traci or Bryan at Hodges Insurance Agency at 1-800-257-3803 or email Chris Perdue at chris@hodgesinsurance.com.

AACT NEWS

Online Applications Available Now for 2017 GAAS Scholarships

Applications are being accepted online for the 2017 **Global Automotive Aftermarket Symposium (GAAS)** scholarships, which are awarded to students planning automotive aftermarket careers. The application process is entirely electronic through the GAAS scholarship website, www.automotivescholarships.com. The deadline to apply is March 31, 2017.

Thinking about an automotive aftermarket career? Good Choice! Servicing or supplying parts to more than 250 million vehicles in the U.S. and Canada can be a rewarding career. An automotive scholarship can help pave the way. Scholarships are available for students training to become automotive, heavy duty or collision repair technicians, and to students in business, marketing, engineering, or other major courses of study.

The Global Automotive Aftermarket Symposium, GAAS, and more than 30 additional organizations award automotive scholarships.

Your one, complete online application will automatically be considered by every organization where you meet their qualifications. More than 2,500 scholarships have been awarded by GAAS and collaborating organizations since 1998.

By completing a single online application on the website, students will be considered for GAAS scholarships, and students from North Carolina, South Carolina, and Tennessee will also be considered for **AACT Scholarship Fund** scholarships with no requirement to enter the automotive aftermarket.

2017 Vacation Schedules

For many years, your Association has provided Vacation Schedules for members. We have attached a 2017 Vacation/Leave Schedule (*Page 6*) that Rita has created for your use.

AACT Office Holiday Schedule

The AACT office will be closed the following days during the upcoming holiday season:

- **Christmas** – Friday, December 23rd and Monday, December 26th.
- **New Years** – Monday, January 2, 2017.

MERRY CHRISTMAS!!!

*Randy Lisk, Executive Vice President; and
Rita Wieskamp, Member Services Coordinator*

AAACT COMMITTEES – 2016-2017

EXECUTIVE – Chair Max Miller, Benson, NC; Rick Brown, Winston-Salem, NC; Bobby Flowers, Hickory, NC; Ron White, Burlington, NC; Doug Moore, Pickens, SC; Sandy Crews, Jacksonville, NC; Eddie Williams, Lincolnton, NC.
This Committee shall act for the Board of Directors in between meetings of the full Board, and shall meet at the call of the Chair.

INSURANCE – Chair Scott Winchester, Charlotte, NC; (3-Year Terms) Devon Miller, Benson, NC; Ralph Dickson, III; (2-Year Terms) Hoyt Woodard, Asheville, NC; Allan Rouzer, Salisbury, NC; (1-Year Terms) Doug Moore, Pickens, SC; Graham Jenkins, Rockingham, NC.
These Trustees shall work closely with the AAACT CEO and the Association's insurance administrators in the oversight of the Association's Group Insurance Plans.

EDUCATION TRUSTEES – Chair Bobby Flowers, Hickory, NC; (3-Year Terms) Jeff Thomas, Mebane, NC; Durand Gurley, Princeton, NC; (2-Year Terms) Mike Edwards, Goldsboro, NC; Eddie Williams, Lincolnton, NC; (1-Year Terms) Richard Gerard Jr., Washington, NC; Doug Moore, Pickens, SC.
These Trustees shall have responsibility for all facets of the AAACT Scholarship Program, including Fund-Raising for the Education Trust.

2017 CONFERENCE – Chair Sandy Crews, Jacksonville, NC; Scott Winchester, Charlotte, NC; Mark Savage, Rockingham, NC; Jack Scholler, Statesville, NC; Hoyt Woodard, Asheville, NC; Steve Lowman, Raleigh, NC; Rick Brown, Winston-Salem, NC; Graham Jenkins, Rockingham, NC.
This Committee shall work closely with the Association staff in the planning and implementing of the Convention in September.

NC LEGISLATIVE COMMITTEE – Chair Rick Brown, Winston-Salem, NC; Dan Walker, Raleigh, NC; Mike Edwards, Goldsboro, NC; Steve Johnson, Statesville, NC; Buddy Kittrell, Morehead City, NC; Alan Hinnant, Wilson, NC.
This Committee shall alert the Association to pending legislation, which would affect the local jobber or AAACT. It shall work closely with the AAACT legal counsel in proposing legislation favorable to North Carolina jobbers, and in supporting or opposing other legislation, which would help or hurt the jobber or the Association.

SC LEGISLATIVE COMMITTEE – Chair Doug Moore, Pickens, SC; Carey Cook, Dalzell, SC; Rick Towne, Summerville, SC; Gary Mole, Estill, SC.
This Committee shall alert the Association to pending legislation, which would affect the local jobber or AAACT. It shall work closely with the AAACT legal counsel in proposing legislation favorable to South Carolina jobbers, and in supporting or opposing other legislation, which would help or hurt the jobber or the Association.

TN LEGISLATIVE COMMITTEE – Chair Tim Reagan, Chattanooga, TN; Donnie Eatherly, Goodlettsville, TN; Dennis Dewald, Mount Carmel, TN; Jacob Murdock, Lawrenceburg, TN.
This Committee shall alert the Association to pending legislation, which would affect the local jobber or AAACT. It shall work closely with the AAACT legal counsel in proposing legislation favorable to Tennessee jobbers, and in supporting or opposing other legislation, which would help or hurt the jobber or the Association.

MEMBERSHIP – Chair Frank Jenkins, Rockingham, NC; Mark Savage, Rockingham, NC; Jeff Thomas, Mebane, NC; Jack Scholler, Statesville, NC; Steve Lowman, Raleigh, NC; Rich Blose, Dallas, TX; Richard Gerard, Jr., Washington, NC.
This Committee shall work closely with AAACT staff in enlisting new members and in collecting delinquent dues and/or accounts receivables.

FINANCE – Chair Ron White, Burlington, NC; Richard Gerard Jr., Washington, NC; Sandy Crews, Jacksonville, NC; Frank Jenkins, Rockingham, NC; Bobby Flowers, Hickory, NC; Rick Brown, Winston-Salem, NC.
This Committee shall work closely with the AAACT staff in preparing budget, etc. for AAACT, Inc.

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