



MOWERY & SCHOENFELD
Transaction Advisory

SEARCH FUND ADVISORY SERVICES





SEARCH FUND SERVICES

At Mowery & Schoenfeld, we partner with you to navigate the complex and often high-risk situations inherent in the search fund process—from the formation of the fund to its operating phase and beyond. Central to our Firm are the ongoing accounting and advisory relationships we build with search funds seeking investments of all sizes, as well as closely-held businesses similar to the typical investment.

The search, acquisition, and management of a company require a great deal of physical and emotional energy, as well as the ability to handle high levels of uncertainty, change, and stress. For those who can deal with the challenges, the result can be professionally and financially rewarding. We are here to act as your partner through the search phase.

THE SEARCH FUND PROCESS

We help aspiring entrepreneurs navigate the search fund process every step of the way.



1

RAISING SEARCH CAPITAL

Entrepreneurs raise capital by selling units, or shares, in the fund to investors.

HOW WE HELP

- Accounting and expense tracking system consulting
- Payroll and partner draw consulting
- Fund tax compliance
- Investor K-1s

2

IDENTIFYING AND ACQUIRING A COMPANY

After determining a target company, we help the entrepreneur evaluate purchase factors, perform due diligence and guide the transaction structure.

HOW WE HELP

- Quality of earnings engagements
- Quality of working capital engagements
- Quality of revenue engagements
- Tax structuring
- Pre-closing working capital reviews
- GAAP conversions
- Cybersecurity assessments
- IT infrastructure assessments

3

OPERATING AND CREATING VALUE

New owners immerse themselves in their business, focusing on management and growth of the company.

HOW WE HELP

- Post-closing dispute assistance
- Post-closing working capital review
- Purchase price allocations
- Opening balance sheet and annual financial statement audit
- GAAP conversions and consulting
- Tax planning and compliance
- Outsourced accounting
- CFO advisory and CIO advisory
- Accounting system implementation
- Technology infrastructure
- Cybersecurity consulting

4

EXITING THE FUND

At the end of a fund's life, the principals and investors evaluate exit strategies so they can gain liquidity and realize returns.

HOW WE HELP

- Sell-side quality of earnings engagements
- Tax planning and optimization
- IRR calculations and distribution waterfalls
- Fund wind down assistance



QUALITY OF EARNINGS DUE DILIGENCE

ASSESSING YOUR POTENTIAL INVESTMENT

When buying or selling a company, you want to negotiate the most favorable deal. Our rigorous analysis provides a thorough understanding of the financial situation of the target company. We will help you examine and validate the financial aspects of the deal. This reveals risks and opportunities to be addressed before and after the purchase is made.

Our due diligence methodology will uncover improper accounting such as:

- Revenue and expenses reported in incorrect periods
- Expenses that are missing
- Discontinued operations
- Improper add-backs making earnings look better than they actually are

As a buyer, you need to be confident in your decision. As a seller, you need to be confident that when a deal is on the table, there aren't any surprises. Partnering with Mowery & Schoenfeld for buy- or sell-side due diligence will give you the confidence you need to close the deal.



TRANSACTION STRUCTURING

SETTING THE FOUNDATION FOR SUCCESS

The Transaction Advisory Services team at Mowery & Schoenfeld provides expert advice on structuring a deal that offers the greatest advantage to our client. We build out various structuring alternatives, assess the implications of each, and then help you choose the structure that offers the greatest business, financial, and tax benefits that align with your overall objectives.

WHICH STRUCTURE WORKS BEST FOR YOU?

We will help you model different purchase structures to achieve the optimum legal and tax outcome. There may be a number of different purchase scenarios, falling into the following three structuring options:

STOCK Purchase of the target company's outstanding equity.

ASSET Asset acquisition and liability assumption, including tangible and intellectual property, equipment and machinery, inventory, accounts receivables, cash and more.

EQUITY & ELECTION For those situations where the Buyer requires the benefits of both stock and asset acquisitions, we are able to advise on complex alternatives.

TECHNOLOGY ASSESSMENT

WHAT IS A TECHNOLOGY ASSESSMENT?

A technology assessment is an opportunity for any organization at any level to get a clear picture of current IT practices and vulnerabilities. This is important for developing a baseline to measure all future mitigating efforts and understand potential investment.

WHO NEEDS A TECHNOLOGY ASSESSMENT?

1. Does your target have any employees who work remotely, either full- or part-time?
2. Does your target have customer data?
3. Does your target store important company or employee information on computers, servers, or in the cloud?
4. Are you concerned about an unexpected data breach or cybersecurity event?

If you answered "yes" to any of the questions above, we recommend you consider a technology assessment as part of the due diligence process.

ONCE THE ASSESSMENT IS COMPLETE, WHAT'S NEXT?

We will provide a thorough assessment report based on a one-day scan and questionnaire. Based on this report, we will provide preliminary recommendations for actions the organization should take to help secure data. Searchers may also engage with us to create a one-, three-, and five-year technology roadmap.



TAX PLANNING

OPTIMIZING YOUR TRANSACTION

When you are beginning to plan for an M&A transaction, it can be easy to overlook something like tax considerations. The implications of your tax positions will not be translated into dollars until long after the deal is closed. Developing and implementing a tax strategy for the transaction from day one can help prevent regrets later on.

The team at Mowery & Schoenfeld has the specialized knowledge and expertise to help you take advantage of the favorable tax positions available to you—now and in the future. From the early stages of deal structuring through the post-transaction stage, we create tax strategies that help our clients minimize their tax burdens, leaving them with more resources to better operate their companies.

HOW WE HELP

At Mowery & Schoenfeld, we look at your big picture, including your business objectives and factors that may impact your business in the future. Our approach emphasizes thinking beyond the transaction to help you make tax decisions in line with your long-term business goals.

BUY-SIDE TRANSACTION SERVICES

- Navigate tax issues
- Improve your future earnings with risks and opportunities
- Increase operating efficiencies
- Improve return on investment

SELL-SIDE TRANSACTION SERVICES

- Increase shareholder returns
- Consider alternative tax strategies before the deal closes
- Understand how to use existing assets for a favorable retirement

RESTRUCTURING TRANSACTION SERVICES

- Create and implement strategies that align the transaction with your long-term goals
- Understand the tax implications of restructuring alternatives
- Reap the value of tax assets
- Minimize tax costs



POST TRANSACTION SUPPORT

ENSURING A SMOOTH INTEGRATION

Closing on a merger or acquisition is not the end—it is just the first step. After taking ownership, you will need to integrate it into your existing operations and culture, as well as make necessary changes. The professionals at Mowery & Schoenfeld have years of experience in developing and implementing successful post-transaction solutions for our clients.



PREPARING FOR SALE

A business valuation will provide a starting point for your sale by determining your company's worth and helping you identify areas that need attention before you go to market.

In addition to a business valuation on the front end, buyers, brokers, and intermediaries will often request a due diligence engagement during negotiations. The goal of this is to verify the assumptions made in the sales transaction (such as projected revenue, earnings, and working capital) are reasonable. You will be asked to provide your EBITDA and all relevant supporting documents.

When you prepare to sell your business, give special attention to the following:

PERSONAL EXPENSES

Personal expenses (including non-business-related travel, meals, entertainment, utilities and vehicle expenses) should be added back to adjusted EBITDA.

NON-RECURRING ITEMS

Non-recurring items may include capitalizable costs that were expensed, deal-related transaction costs, or non-recurring income. These should be excluded from your EBITDA.

FIXED ASSET ACCOUNTS

Record depreciation properly and be sure to remove any assets in your books you no longer own.

INVENTORY

Make sure your inventory levels accurately reflect what is available to convert to cash and that all gains and losses are recognized in the appropriate year.

ACCOUNTS RECEIVABLE

Balances that are not expected to be collected should be written off or adequately reserved.

CASH

Reconcile your cash accounts and follow up with customers on any outstanding invoices.

If you do not do so already, establish accounting policies that provide realtime financial statements, track your sales pipeline to develop a financial forecasting model, and organize your historical tax documents. Having easy-to-access financial information will help provide the most accurate picture of your business to reduce risk and help eliminate any surprises during deal negotiations.

ABOUT OUR FIRM

Mowery & Schoenfeld was founded in 1996 by members of large firms looking for a new, more personal way to do accounting. With a focus on building a community of the highest-quality accountants—partnering each day with our diverse network of clients—we realize this vision.

In 2016, Michael Kidd start our dedicated Transaction Advisory practice with a key focus on helping business entrepreneurs through a successful search process. Since that time, we have worked with over 250 searchers in successfully finding, purchasing, and operating a business.

We focus on helping clients solve problems each day. We strive to always maintain our personal touch and entrepreneurial spirit. Our organization is focused on providing personalized service to each client and building a lasting and trusted relationship. We offer comprehensive tax, assurance, transaction advisory, outsourced accounting, wealth management, international onboarding, business advisory services, and technology services.

Made up of 19 partners and over 130 total employees, our Firm ranks among the top 10 in the state of Illinois. We continue to grow our expertise, client base, and employee count each year. Our founders and leadership team remain accessible and involved in the growth and support of all staff members. Our Firm is committed to offering exposure to multiple disciplines and projects while providing the systems and support employees need. We pride ourselves on being nimble and entrepreneurial while looking at all projects and engagements through the lens of our clients.







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