

**ACCOUNTING & FINANCIAL MANAGEMENT
FOR
MANUFACTURING BUSINESSES**

*Manufacturing is about making things.
That's what you do best.
The **business** of manufacturing
is about making money.*



Helping you do that is what we do best.



HOLBROOK & MANTER, CPAs
PROFESSIONAL SERVICES FIRM

Manufacturing by the numbers— accounting and business consulting services that make the numbers work to your advantage



“Manufacturing is one of our “sweet spots,” where we have a wealth of industry-specific knowledge, skill and experience to bring to bear for our clients.”

Stephen Smith
H&M Principal

Most manufacturing operations live by the numbers: production quotas, tolerance specs, utilization levels and so on. Quantitative measurement and analysis are a way of life on the shop floor. Surprisingly though, that same rigorous, by-the-numbers mentality isn't always prevalent in the administrative office or executive suite— even though the intelligent use of sound accounting practices, procedures and business performance metrics can pay off handsomely. So, how do you stay on top of it all when you have a manufacturing operation that demands your full attention?

One way that's proven successful for several manufacturers in Central Ohio is to engage the services of Holbrook & Manter. Instead of trying to be all things to all clients, we opt to work for only *some* clients with *certain* qualifications doing business in *selected* fields. “Manufacturing is one of our “sweet spots,” where we have a wealth of industry-specific knowledge, skill and experience to bring to bear for our clients,” notes Stephen Smith at Holbrook & Manter.

Experience matters— especially in the highly competitive world of manufacturing where growth, profitability and sustainability often depend on controlling cost and managing assets while still developing products and improv-

ing processes. It especially matters when you're able to help clients find ways to prosper. For instance, have you looked into the utility cost and tax savings you might realize by going green? Are you aware of the sizeable tax break available to firms exporting U.S. sourced goods and services? Do you qualify for a R&D tax credit? Have you considered using cost segregation to free up cash flow for capital expenditures or operating funds?

Have you considered outsourcing? We understand the challenges, risks and opportunities manufacturers face today, and we have the wherewithal to help you effectively address them. We offer a full suite of professional services from which clients can select, adapt and apply to their own situation. In addition, we can seamlessly integrate with your in-house staff to provide only the services you need as you need

them. Thus, you get continually right-sized support that comes without a long-term contractual commitment.

Our manufacturing business know-how gives us an edge in getting positive results for our clients. To illustrate, we asked three of our manufacturing clients to share their real-world experiences in working with us. To see what they have to say, please read on . . .



DK Manufacturing



DK Manufacturing makes components like head and taillight assembly housings, engine compartment covers, and evaporator casings for various Honda vehicles like this Honda CR-V.

DK Manufacturing (DKM) may be Ohio's oldest injection molding company but its approach to managing the business, including its financial health, is anything but anti-

quated. Privately held, the company makes high quality injection molded parts and components, primarily for the automotive industry. With two manufacturing facilities in central Ohio, DKM has over 200 full-time employees who run the company and operate over 30 injection molding machines, and do the painting, welding and assembly for the company's end products.

Dan Keifer grew up in a manufacturing environment and spent practically all his working life in the midst of people and equipment that make things— particularly in the injection molding industry from the mid-80's on. In early 2004, a rare opportunity presented itself to Dan. The owner of what today is DK Manufacturing approached him about buying his injection molding business. However, as Dan put it “I was a manufacturing guy who knew a lot about how to make injection molded parts but almost nothing about how to place a value on a business or buy it.

That's where Holbrook & Manter came into the picture,” Dan said. “Stephen Smith (at Holbrook & Manter) was an acquaintance, but I didn't really know

a whole lot about his firm or what he did there. But, when I reached out to him about this possible opportunity of mine, he stepped up, laid out a logical game plan and we started working our way through it. That's how I became a Holbrook & Manter client.”

Dan acknowledges that “it was a long, tough process and I'm not sure what the outcome might have been without



DK Manufacturing President Dan Keifer outside his corporate offices in Dublin, Ohio.

Stephen's leadership and insight. There wasn't much reliable financial information available, and there weren't any audited records so we had to create financials. H&M proved to be invaluable to me though the whole acquisition process.”

The acquisition was finalized some nine months later, but, not without some eleventh-hour drama. “Our worst day during this ordeal was December 23rd when a huge snow storm hit and we were only four days away from closing. There were still many things to do— not the least of which was dealing with restructuring

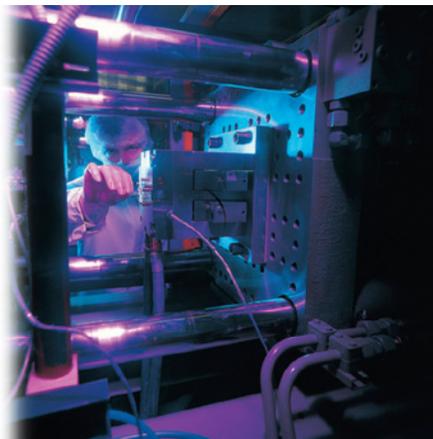
“I was a manufacturing guy who knew a lot about how to make injection molded parts but almost nothing about how to place a value on a business or buy it ... H&M proved invaluable to me throughout the whole acquisition process.”

Dan Keifer
DK Manufacturing

“Holbrook and Manter is very proactive in helping us find ways to improve our financial position.”

Brad Williams
DK Manufacturing

Injection molding machines create plastic items of virtually any shape or size.



the note because of some unaccounted for assets. So, we were trying to finalize everything and get ready for Christmas and this incredible snow storm threatened to bring everything to a halt. But, there was Stephen Smith and Holbrook & Manter, undaunted and finding a way to get it done—helping me find ways to lend credence to our sales projections, ironing out the terms of the loan, working with my attorney to help finalize the Asset Purchase Agreement and all the rest. A tremendous amount of due diligence still had to be done with very little time left, but we did it. Soon thereafter, we were relying pretty heavily on H&M to help us get the systems and structure in place that we needed to effectively manage the financial side of the business.”

Today, H&M helps DKM in several ways including annual audits (no longer required by the bank but still performed as a matter of good business practice), tax preparation, financial planning and more. Noted Brad Williams, DKM partner and CFO, “Holbrook & Manter is very proactive in helping us find ways to improve our financial position. For instance, they have been instrumental in helping us take full advantage of R&D tax credits to lower our overall tax liability. Also, as an automotive supplier, a “cost down” trajectory is the industry norm in return for a long term purchasing commitment.

Amazingly, H&M has done much the same with us—in constant dollars, their fee structure has actually gone down over the years despite some aspects of the services rendered getting more



Dan Keifer holding an injection molded piece made by DKM and destined for Honda’s assembly line.

involved. And, this is with no sacrifice in quality which has remained consistently great.”

Keifer adds, “Holbrook & Manter is well aware of how important good communications are to a successful business relationship. For instance, we researched the market value of our building leases and sent the data to H&M in the afternoon. I got an email back that night from Stephen who said he was on vacation, but that he would be back to me right away. It’s not uncommon to hear from Stephen or anybody from H&M at any time of the day or night. From the beginning of our relationship, H&M has never been late. They always meet the due dates and deadlines.

Just like us, they have grown a lot since we started with them . . . more people, more locations and more services are available now. However, all along the way, they have kept that small, easy-to-work with, mentality. When I started the company, I would have been intimidated in dealing with a big accounting firm, but there’s never been a time when I felt that way with H&M. They are exceptionally good at what they do and the way they do it.”

RobotWorx



Based in Marion, Ohio, RobotWorx is a leader in industrial robot applications.

“One of the things that stands out about Holbrook & Manter... is the “personality” of the organization. Everyone there is very capable but, just as importantly, they are very personable with the other firms I always felt more like I was getting ‘audited’ than getting ‘help’.”

Stacey McGill
RobotWorx

Based in Marion, Ohio, RobotWorx is a leader in the field of integrating industrial robots into factory automation settings. See-

ing a gap in the market between the large integrators and small distributors doing industrial robot installations, Keith Wanner started RobotWorx in 1992. Today, one of the keys to success for RobotWorx has been its unwavering commitment to keeping costs low with no sacrifice in quality. In this pursuit and others that have made significant contributions to the company’s financial well-being, Holbrook & Manter has been a willing and able partner.



Stacey McGill,
CFO for RobotWorx

Stacey McGill, CFO for RobotWorx, is primarily responsible for the company’s accounting. However, as the need arises, she also gets involved in some other areas such as managing the company’s website. “Our web presence is a major component of our marketing program,” McGill says. Just Google ‘industrial robot integration’ or something similar and you’ll likely

find us among the top listings.”

In the early 2000’s, RobotWorx’s was enjoying a sustained period of growth and some welcome growing pains. This led to a search for a more compatible business consulting partner. McGill confides “before our growth spurt we were a comparatively small shop dealing with a one-person CPA firm. We met once a year on taxes. But, as our growth accelerated, we were confronted with new challenges, and we soon recognized that we needed a firm with a broader, deeper range of capabilities.” The search to find such a partner concluded in 2008 and led RobotWorx to select Holbrook & Manter for this role.

“Today H&M is really like an in-house business consultant for us,” McGill acknowledges. “Not only do they dot the i’s and cross the t’s on a routine tax filing, but they work with us on everything from company business plans to personal estate plans. Whether the question is major or minor, H&M is always available to help us find the answer. Even when I’m not sure about something or just want a second opinion, H&M is my go-to. This aspect of our relationship is invaluable.”

One example of this involves state sales tax. Stacey explained “we were doing ecommerce sales through our website and found sales tax to be a difficult area for us. We were selling to customers around the nation, but each state had a different set of rules. So, we went to H&M for help. Turns out, H&M didn’t have the expertise on staff, but they knew who did. They put

us in touch with a firm that specializes in sales tax requirements, state-by-state. I was very impressed that H&M



RobotWorx industrial robots equipped for automated welding.

not only provided us with a capable resource but also elected to put us in direct contact with this firm instead of attempting to stumble through it,” said McGill.

“Justin (Linscott) is our primary contact; he’s extremely competent and helpful. I can always count on Justin to give me a correct answer or point me in the right direction. For instance, we wanted to implement an ERP system that only worked with QuickBooks® so we had to convert our Peachtree accounting platform to QuickBooks Enterprise.

When I reached out to Justin, he didn’t hesitate to pass the baton to Danielle Irvine, H&M Manager, who is a QuickBooks ProAdvisor. With her help, we managed to successfully export all of our data into QuickBooks and we were up and running on schedule with our new ERP system. H&M is very responsive and quick to get things done—when we have a deadline to meet, they are normally finished with the work before it’s due,” commented McGill.

“I really can’t think of any area where Holbrook & Manter hasn’t met or exceeded my expectations. The quality of work is excellent and everyone takes great pride in their work. For example, Justin was disappointed when he filed a tax return that had to be later amended because he had been given some erroneous data from an outside source. It was unfortunate but unavoidable and out of his control. Justin’s always striving for perfection in his work,” noted Stacey.

“One of the things that stands out about Holbrook & Manter compared to other CPA firms I’ve dealt with is the ‘personality’ of the organization,” remarked McGill. “Everyone I work with there is very capable, but, just as importantly, they are very personable. And, I think this winning combination is kind of hard to come by in that industry. With the other firms I always felt more like I was getting ‘audited’ than getting ‘help.’ You don’t get a condescending attitude from anyone at H&M.”

“I really can’t think of any area where Holbrook & Manter hasn’t met or exceeded my expectations.”

Stacey McGill
RobotWorx



Welding is just one of the many different tasks industrial robots are able to perform.

Kinetics Noise Control

Kinetics Noise Control is in the business of manufacturing products that control sound and vibration. Founded in 1958 in Dublin, Ohio, today Kinetics Noise Control (KNC) remains an innovator and the clear leader in its field. Imagine the sound control needs that must be met in the lunch room, band room, auditorium, performing

arts center, or mechanical equipment room for a new school. Or, visualize what it takes for a hospital's building structure and medical equipment to remain securely in place during an

earthquake so it can continue to operate. These are typical of the applications that KNC's products are engineered to solve.

At the helm at Kinetics Noise Control is company president and CEO, Virgil Temple. Virgil is passionate about all things KNC, not the least of which is the company's finances. Fresh out of college, Virgil joined KNC in 1973 as a cost accountant. His first assignment was to develop reliable estimates of the direct labor and material costs for each of the company's products. He has a lot more on his plate today but, as CEO, he still stays close to the company's accounting and financial management. He noted that "since most of our contracts are fixed price, it's very important for us to effectively manage the cost side of our business. You can sell it too cheap, you can engineer it wrong, you can make a mistake in production, or accounting can



Virgil Temple, President and CEO, Kinetics Noise Control

make a slip of the pencil—but we have a lot of checks and balances in place to help ensure that we make money at the end of the day.”

KNC shares pertinent financial data from its Visual Manufacturing ERP system with Holbrook & Manter on a routine basis. “This arrangement has worked so well that even though our business has almost tripled since I became President in 1998, we haven’t taken on any additional accounting people,” says Virgil. “Our accounting staff and H&M are very proactive in analyzing sales and costs for our operations. As a result, they help us make additional dollars fall to the bottom line.”

KNC was locally owned until Peabody International bought it in 1976. Ten years later, Peabody was acquired by Pullman which was subsequently purchased by Forstmann Little two years hence. “Initially they were going to keep us but when they didn’t raise enough cash from the other Pullman entities they sold, they changed their mind,” Temple points out, “and decided to let our management buy the company. We were with Peat, Marwick at the time but, when we bought the company and went private, we were ready for a smaller, more agile firm to take charge. After some due diligence, we decided that firm would be Holbrook & Manter. We have a controller on staff but H&M has kept us on the

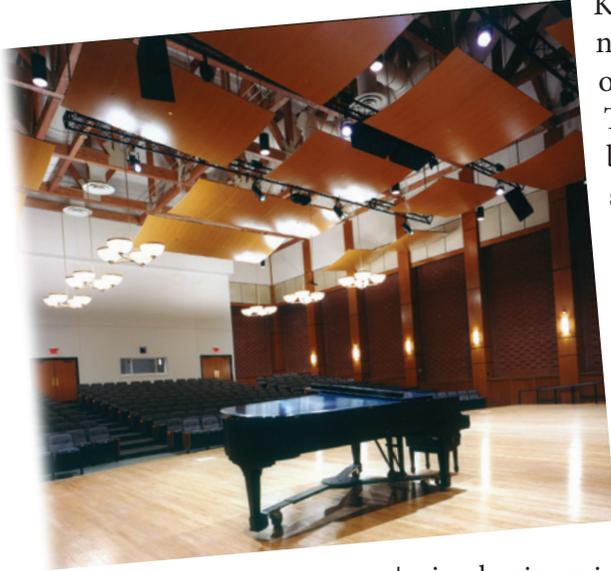


Kinetics Noise Control's main entrance sign appears in the foreground with the company's 160,000 sq.ft. headquarters and manufacturing facility in Dublin, Ohio, in the background. The company also has operations in Canada and Hong Kong, and offices in Chicago, Los Angeles and Las Vegas.

“Our accounting staff and H&M are very proactive in analyzing sales and costs for our operations. As a result, they help us make additional dollars fall to the bottom line.”

Virgil Temple
Kinetics Noise Control

straight and narrow for taxes and accounting. It's been a very good, win-win, team effort."



To enhance sound quality, this performing arts center uses acoustical reflector panels from Kinetics Noise Control.

"We have H&M fully engaged in real time as we plan for the future because we see them as an integral part of our management team."

Virgil Temple
Kinetics Noise Control

KNC acquired its Canadian manufacturing operation in 1996. Mr. Temple recalls, "Holbrook & Manter consulted with us when we expanded into Canada and later on into China from both a legal and accounting standpoint. They helped us set up each entity and make sure we did everything right. We were purchasing an existing business in Canada but we started from scratch in Hong Kong. When I looked at the situation in Canada, it became clear that if someone didn't buy this business soon they might be going out of business. After going over the books, H&M came to the same conclusion, but we all saw the potential for a turnaround. So, H&M helped us throughout the acquisition process and we ended up buying the company for considerably less than the original asking price."

With an international presence and customers around the world, Kinetics Noise Control faces many country-specific tax challenges. To cope, Virgil notes that "with operations in the U.S., Canada and Hong Kong, we've relied on H&M to set up these entities and work our way through a myriad of international tax challenges. Transferring funds from these entities to the States or how to treat inter-company sales from one entity to the other are examples. H&M helps us deal with the recognition of sales and profit, repatriation of funds, and all the associated tax implications so that we drive as much profit to our bottom line as

we can. At the end of the day, H&M is helping us send products, sales and profits, back and forth and prepare the statements, and do the taxes for each of our entities. H&M works seamlessly on an ongoing basis with our accountants in Canada and in Hong Kong, communicating across the border and preparing our consolidated financial statements and tax filings," Temple explained.

"From my perspective," observes Mr. Temple, "Holbrook & Manter is going to continue to help this company grow. We're looking at possibly establishing another entity on the West Coast, and we're looking at growing our presence in India through a joint venture arrangement. H&M will help us get established and grow in these new frontiers in the same way they have in Canada and Hong Kong."



Another acoustical panel in the making at Kinetic Noise Control's manufacturing facility in Dublin, Ohio.

One of my objectives is to keep this company locally owned and in the hands of those coming up the management ladder. Holbrook & Manter has been heavily involved in helping us plan for this succession working both with us and with our legal counsel, Kegler, Brown. We have H&M fully engaged in real time as we plan for the future because we see them as an integral part of our management team."

Some of the H&M services at your disposal:



Financial Statements

H&M can compile monthly, quarterly and annual financial statements, like P&Ls, Balance Sheets and Cash Flow statements, from your records for sound business management and tax compliance.

Audits & Reviews

If you already have financial statements, H&M can perform an independent audit to certify that they are fair, accurate and conform with generally accepted accounting principles. A review is similar to an audit but less comprehensive.

General Accounting Tasks (Various)

H&M can be your go-to source for bill paying, invoicing, preparing monthly statements, reconciling bank statements and credit card accounts, depositing funds, collecting receivables and other similar tasks.

Closing the Books

Call on H&M to help you close and balance your books (typically monthly or quarterly) and get ready to move forward into the next accounting period and reporting cycle.

Payroll Services

H&M can prepare your payroll for each pay period, make tax deposits,

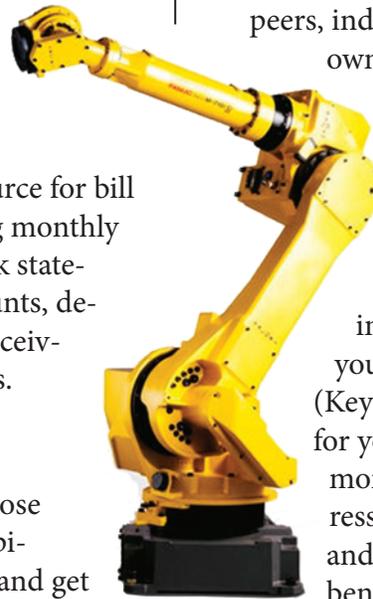
file payroll returns and year-end W-2's and perform annual reconciliations.

Management Reporting

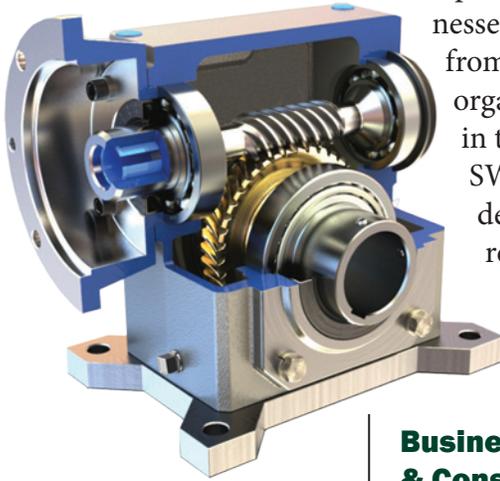
We can help you identify, prioritize and organize what items of information need to be measured and monitored in order to best manage your business. We can also help format this information into useable management reports from summary overviews to detailed data sets.

Benchmark & KPI Comparisons

Let us help you determine how your business measures up against your peers, industry norms and your own targets by benchmarking. H&M can develop a meaningful set of benchmarks that will provide insight as to how your business compares to others in the industry. We can also help you establish a set of KPI's (Key Performance Indicators) for your business so you can monitor and measure progress toward company goals and objectives. Customized benchmark and KPI performance reports can be created for you using graphs and other data presentation techniques that will help you readily comprehend the contents.



We help clients develop strategic business plans, based on their own competitive realities. These plans include meaningful objectives, measurable goals and supporting action items for implementation against a prescribed timetable.



In central Ohio, H&M is known and respected as a competent, reliable source for independent business value assessments. Many of the area's leading legal, lending and financial institutions refer their clients to us for valuation services.

SWOT Analysis

A deliberate review and analysis of a company's SWOT—strengths, weaknesses, opportunities and threats, from both within and without the organization, can be a useful tool in the business planning process. SWOT reviews are an excellent device for matching company resources and capabilities to the competitive environment for established or new market opportunities.

Business Planning & Consulting

In business, failing to plan is planning to fail. We help clients develop strategic business plans, based on their own competitive realities. These plans include meaningful objectives, measurable goals, and supporting action items for implementation against a prescribed timetable.

Controller and CFO Assistance

We can help newly appointed Controllers and CFO's grow into their positions by providing oversight, coaching and mentoring. Or, if there are projects that are better outsourced than kept in-house under the Controller's or CFO's purview, we can accommodate.

Tax Planning, Preparation & Reporting

H&M can help you plan for compliance while minimizing your exposure to various types and levels of taxation. Of course, we will also prepare and file returns on your behalf. We stay abreast of new regulations, IRS rulings, and court decisions, including those that are specific to manufacturing; and we keep up at all levels that

pertain—federal, state and local and, as needed, international. We can help you devise strategies that take best advantage of the prevailing tax codes as they apply to your company and, as appropriate, your individual tax circumstances.

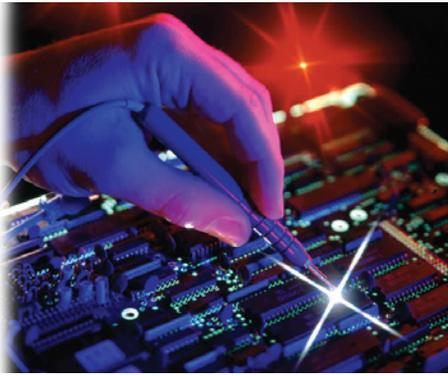
Succession and Retirement Planning

It's usually advisable to have a solid plan forward for the company's future leadership and perhaps ownership. Going into these uncharted waters can be difficult for the uninitiated but H&M can guide you through the process to develop a plan that's consistent with your vision and objectives. We know the tough questions that need to be asked and how to deal with the responses. We also make individual estate and retirement planning services available to our clients.

Mergers & Acquisitions

Whether you are a prospective buyer or seller, H&M can assist you in evaluating your prospects and consummating the transaction in your best interest. This can include joint venture, licensing and other contractual commitments you may have under consideration.





Business Valuation

For a variety of reasons, owners of privately held businesses want to know what their business is worth (now or projected into the future). In central Ohio, H&M is known and respected as a competent, reliable source for independent business value assessments. Many of the area's

leading legal, lending and financial institutions refer their clients to us for valuation services.

Startup, Expansion and Relocation Assistance

The costs and potential tax incentives associated with establishing a new operation, or relocating, or expanding, are often very instrumental in reaching a well-informed, go or no-go decision. H&M can help— we have the expertise and experience to help you understand the tax incentives, estimate the costs and evaluate all the strategic implications.

H&M can help you plan for compliance while minimizing your exposure to various types and levels of taxation.

QuickBooks® & Peachtree Service

Let H&M help with set up, training and support for either of these two popular bookkeeping programs. We are a Certified QuickBooks Professional Advisor versed in QuickBooks Basic, Pro, Premier and QB-Web. We also have over 20 years of experience with Peachtree programs.

Don't See It Here?

Please ask if you don't see it here. As a full service accounting and consulting firm, if you need it, we can provide it. No two clients are alike and each support package is tailored to suit.

Holbrook and Manter's Manufacturing ISA Team Leaders*



Stephen C. Smith
Principal & Team Leader



Jason Keller
Principal



Justin Linscott
Manager



Danielle Irvine
Manager

*Industry Service Area



HOLBROOK & MANTER, CPAs
PROFESSIONAL SERVICES FIRM

HolbrookManter.com

COLUMBUS
614-340-3400

DUBLIN
614-766-3696

MARION
740-387-8620

MARYSVILLE
937-644-8175