

Mergers & Acquisitions

Negotiating A Definitive Acquisition Agreement

Part IV



In the last newsletter I discussed how to negotiate a Definitive Acquisition Agreement. I indicated that numerous Deal Killers should be addressed and resolved between buyer and seller. For the seller, I indicated that they are usually centered around the amount and quality of consideration to be paid, the risk of personal or company guarantees, and limiting future liabilities.

If the amount of consideration to be paid has changed in either the mind of the seller, or in the buyer's mind, deal with this issue first. The amount and type of consideration to be paid should have been established in the original Letter of Intent. **If the buyer or the seller have found reason to change the purchase price or type of consideration to pay stock, cash, notes, etc., you must renegotiate immediately.**

The amount and quality of consideration paid issues, are usually associated with the quality of securities (stock or debt securities), offered or with contingent payments. **For buyers offering shares of stock** in exchange for the seller's business, the seller wants to know how soon those shares can be sold and at what price. If your stock is highly volatile, the seller is at risk for any limitations imposed on marketing shares of stock paid for the purchase of the business. If the shares have a limited market, the sale of a large block of shares at one time can force a stock price down. **There may be accounting, tax or securities rules and regulations that limit the marketability of the shares.**

Debt can have similar risks for the seller. If the seller takes back a note or debt security in consideration for the purchase of the business, what is the liquidity of that debt? **What is your ability to repay the note? What collateral is behind the note** if you fail to repay it? If there is a perceived risk on the part of the seller, your note or debt security will be discounted and the seller will either want further consideration or he/she will demand additional security for the business.

Contingent purchase payments are common in today's acquisition marketplace. The risk to the seller is that contingencies are controllable through actions taken by the buyer. If you propose additional payments to be made in future years, based on achieving certain minimum sales volume, who controls the sales force? If you propose additional payments based on achieving certain minimum earnings, who controls the accounting rules (depreciation rates, warranty reserves, inventory reserves, capitalization policy)?

How do you address these qualities of consideration issues? First, provide the seller with all available information describing your

RETIREMENT PLANS: CONTRIBUTION & BENEFIT LIMITATIONS FOR 1998

If you are an employee investing in your employer's 401(k) retirement plan or SIMPLE plan (a Savings Incentive Match Plan), or you are an employer with a retirement plan in which employees can participate, here are some updated limits on contributions and benefits for 1998:

- * **For an employee in a Section 401(k) retirement plan,** the maximum annual amount that an employee can defer into the plan has increased from **\$9,500 in 1997 to \$10,000 in 1998.**
- * **For an employee/self-employed person** participating in a SIMPLE plan, the maximum contribution has stayed at the **1997 level of \$6,000.**
- * **For employees of state and local governments,** and tax-exempt organizations, the annual deferred compensation limit has been increased from **\$7,500 in 1997 to \$8,000 in 1998.**
- * **The annual contribution limit** to a defined benefit plan remains at **\$30,000** for this year.
- * **The maximum amount of compensation** that may be considered in a qualified plan is still **\$160,000 for 1998.**
- * **For employers with "highly compensated employees,"** the income amount for the discrimination test remains at **\$80,000 for 1998.**
- * **For employees receiving retirement benefits** under a defined benefit plan, the maximum annual normal benefit amount has increased from **\$125,000 in 1997 to \$130,000 in 1998.**

(Excerpts taken from CPA Client TaxLetter)

In This Issue...

Mergers & Acquisitions...Part IV **pg 1 & 6**
How to Conduct Performance Reviews **pg 2 & 6**
Strengthening A Company's Cash Flow **pg 3**
How to Defend Yourself Against the IRS **pg 4**
Transportation News **pg 5**



A. W. Ahern, CEO and Founder of Ahern & Associates, with daughter, Megan.

How To Conduct Performance Reviews

Human resources have become an integral part of the operations of successful companies. Because we have become such a litigious society, a lack of procedures can be a critical weakness if your firm is involved in a lawsuit. **Legally, there are no laws** that require you to have a performance evaluation policy or procedure. **However, to protect yourself from litigation**, it is important that a structured program be designed and implemented.

When structuring a program it is important that employers understand that most employees feel that they are underpaid, overworked and entitled to more benefits. **However, surveys show that many employees are overpaid** for the work that they actually perform.

Why do so many employees feel that they are overworked and underpaid? They moan and groan the fact that there isn't enough hours in the day to do the work; they need more help; and more money or benefits. **It's because many employees feel they are entitled** - they have developed an "entitlement attitude."

You or your managers may have created this entitlement attitude in your operation. Symptoms of entitlement are manifested because:

- 1) **Employees collect their pay checks regardless** of whether they produce a lot or a little, regardless of quality.
- 2) **They receive regular scheduled raises regardless** of their contribution.
- 3) **Longevity** is the reason for promotions.
- 4) **Employees expect** a raise every year.

How do employees develop this attitude of entitlement? First, we have a tendency to be a "nice guy" so we don't rate employees the way we should by conducting quality performance reviews. **Second, we don't hold people accountable** for their performance, development and growth. We haven't responded to the program that **if people want to get more, they have to earn it.**

Can you, as a company, afford entitlement any more? Can you afford to carry non-productive people on your payroll? Finally in this competitive, technical world, can you survive and prosper with employees who don't take responsibility of self-development and growth?

The performance review, when properly administered, lets the employees know where he/she stands. It allows for an agreement of what the next steps are in their development and growth. It is important that your company have **standards of performance**; develop true pay for performance systems; and train supervisors who know how to delegate to the employees. **The performance review,** when done on a regular,

systematic basis, **must motivate** the employee rather than degrading them. This is vital to any organization.

A skillful performance review is the foundation for all management activities. Low morale, poor interpersonal skills, unethical behavior and sloppy work habits can often be attributed to either poor performance or no performance reviews. **Employees must come out of a review with a positive, resilient, energized attitude** knowing what weaknesses they have, as well as their strengths and knowing what their next steps are.

Legally, as previously stated, there are no laws that require you to have a performance evaluation policies or procedures. But as stated, in order to protect yourself legally, this is a necessity.

A quality job description is the basis of the appraisal process, since it provides the objective standards against which to measure performance.

continued on Page 6

IRS UPDATES FOR 1998

Mileage Rates

The mileage rate for business travel has been increased from 31.5 cents per mile in 1997, to 32.5 cents per mile in 1998.

For use of an automobile for charitable purposes, the mileage rate has been increased from **12 cents per mile in 1997 to 14 cents per mile in 1998.**

Payroll Taxes

In 1997, the maximum annual earnings subject to Social Security taxes was \$65,400.00, but in 1998, the amount is \$68,400.00. There is no wage or earnings limit for the Medicare payroll tax. **The percentage, however, that employers and employees pay for Social Security and Medicare payroll taxes (FICA - Federal Insurance Contributions Act) has not changed for 1998,** and will remain at 6.2%. But, the increase in wage base (or up to what dollar amount is taxed), **means that Social Security taxes paid by the employee and employer will go up from \$4,054.80 each in 1997 to \$4,240.80 each in 1998.**

If you are self-employed, the payroll tax rates for Social Security and Medicare remain the same at 15.3% for 1998.

If you're receiving Social Security benefits, in 1998, the cost of living increase is 2.1%.

If you are age 65 through 69, the maximum earnings amount is \$14,500.00. For every \$3.00 earned over \$14,500.00, \$1.00 in benefits will be withheld.

Social Security benefits are not reduced for workers age 70 or over, regardless of the amount of wages they earn during the year.

(Excerpts taken from the CPA Client Tax Newsletter)





Strengthening A Company's Cash Flow

Ways to Prepare for a Bad Earnings Year

Lagging sales and high costs mean many businesses are bracing for a poor earnings year. It is important to devise legal tax strategies to strengthen a company's cash flow as profits erode by using the tax code to the company advantage.

If a company made money in one year, but expects to lose money in the next, it can effectively avoid paying any tax that is still owed for earlier, money-making years by filing **Form 1138**. This extends the time for repaying the earlier year's taxes until the date the present return is due, **and the loss shown on the return can be carried back** to wipe out the earlier year's tax bill.

A company with losses can get a quick refund of previous years' taxes through its loss carryback by filing Form 1139. The IRS must generally respond to this request within about ninety (90) days. The company must file its regular tax return before the Form 1139 is filed. **So file the previous year's tax return as quickly as possible.** When using an **S corporation status**, this represents an additional opportunity for company owners when the company faces a loss. Shareholders of an S corporation, who materially participates in running the business, can deduct the firm's operating losses on their personal tax returns. **So, they can use the company's losses to cut taxes on their income** from other sources. (Non-participating stockholders are, however, subject to the paths-of-loss rules).

A company with thirty-five (35) or fewer shareholders may consider reorganizing under Sub-chapter S to take advantage of this tax break. As an S corporation election must be filed in the first two and one-half (2½) months of the company's tax year. For a calendar year firm, the deadline is March 15.

There is a limit to the amount of losses that an S corporation shareholder may deduct. The limit equals the adjusted basis of the shareholders' stock (basically its cost), plus the amount of any debts owed by the company to the shareholder. **Owners frequently overlook this limit.** Losses that exceed this limit may be carried forward by the shareholder to a year when he/she has additional basis in the corporation.

When it comes to estimated taxes, many firms routinely base on year's payments on the previous year's tax liability. The resulting tax payments may be too high if this year's income goes down. **So, be sure the company's accountants base estimated payments on actual earnings** as the year progresses. During a stretch when a company is losing money, it need not pay any estimated taxes at all. If business turns good later in the year as the economy picks up, the company may wind up with a large tax liability after all. **And the IRS may ask why** the company did not make any estimated tax payments during the course of a profitable year. **If this occurs, file form 2220** at the beginning of the

year. It will show them which records must be kept to protect the company from tax penalties.

If the company is locked into making large pension-plan contributions this year and is afraid that it may not be able to afford them, plan now to ask the IRS for a waiver of the contribution requirements.

The company must be able to show that it is suffering from genuine economic hardship in order to qualify for a waiver and it must show that the waiver is in the best interest of the pension-plan's participants and will help the company regain economic strength and continue in business.

Often businesses are operated through several different corporations and the swift-changing economic conditions may affect the separate companies differently. Some profit while others lose. **Look at the effects of filing a consolidated tax return.** The profits of one company may then be offset by the losses of another.

And the next tax bill may be reduced. The consolidated return does not have to be decided upon until the normal time for filing the tax return. At that point, with all the good and bad news in, the results of consolidated and separate filings can be compared to see which ones produce the best outcome for the company as a whole.

There are two things a company should not do when confronted by financial difficulties. Never ignore an IRS communication about a tax problem. The IRS takes the worst actions when companies are silent. Instead, have the company's tax advisor answer the IRS in a businesslike manner. **And never use taxes withheld from employees' wages** to meet a cash need of the business. **That use of withholding is a crime, involving a possible fine and/or jail term.**

*Source: Henry A. Garris, Tax Manager
Richard Eisner & Co., New York*

IRS BOLSTERS ROLE OF INDEPENDENTS

Furniture delivery drivers who are responsible for significant investments in their work (including their trucks) have the ability to realize a profit or loss are independent contractors, not employees, according to a new Internal Revenue Service ruling.

An IRS letter regarding a home delivery service is considered significant to trucking because it provides insight into how the agency is addressing the definition of "independent contractors".

Previous IRS rulings on the employee status of truck drivers have placed more importance on training and instruction or the notion that work is performed exclusively for one firm.

"The reasoning in this ruling is a good sign that the IRS is taking a more enlightened view as to what constitutes an independent contractor in various segments of trucking", said Kenneth D. Simonson, American Trucking Association's Chief Economist and Tax Expert.

According to the IRS letter, which does not name the furniture company, the drivers in question performed their services full time for periods of two (2) to five (5) years between 1988 and 1994. They had a written contract with a company stating they were independent contractors.

No federal taxes or obligations were withheld from paychecks and no employees-type benefits were provided by them the firm, according to the letter.

All the drivers had a major individual investment in their delivery vehicles. All said they did not own or lease prior to their association with the firm.

The workers were paid a percentage of the delivery charge paid by the customers and in turn, paid all truck and operating expenses according to the IRS.

(Excerpts taken from Transport Topics)



How To Defend Yourself Against The IRS

The recent Congressional Hearings on IRS abuses of taxpayers, have demonstrated how even simple mistakes and innocent errors can lead to years of nightmarish problems with the tax agencies. The IRS will always use audits to examine inconsistencies in tax returns.

But, you can limit audited abuses by individual IRS Agents if you know your rights, Then, you must take the appropriate steps to resolve problems before complications arrive.

It is important to know your rights. This is the first step towards defending yourself from the IRS. **You should obtain a copy** of the IRS Publication No. 1 - **“Your rights as a taxpayer”**. This details the taxpayer’s Bill of Rights and explains your rights throughout the tax collection process. Know it all - from scheduling an audit...to appealing audit results...to taking a case to court.

The IRS is required to send copies of that publication to taxpayers that it selects for an audit. **DON’T WAIT UNTIL YOU ARE AUDITED TO READ THE PUBLICATION! REQUEST A COPY NOW!**

When a problem with the IRS arises, see that it is resolved at the earliest possible time...and before complications set in. For example, problems with the IRS often arise needless, when taxpayers ignore IRS Notices...make careless mistakes in answering them...**or assume that after making a single response to an IRS Notice, the problem has been resolved - instead confirm that it has.**

Diligence can keep many potential nightmares from ever occurring. The key is to **never assume** that the IRS sent you a notice because it hasn’t yet processed the payment you made or received your response to a prior notice. Answer every notice that the IRS sends you with a full explanation of your position.

Whenever you send a payment to the IRS, on the face of your check write your full name, your social security number, the number of the IRS Tax Form, in regard to which payment is being made, and the time period for which payment is being made. **If a check lacking this information becomes separated from your return, the IRS may not be able to process it** - leaving your tax bill unpaid and the IRS taking additional actions to collect it. Additionally, it might be applied to a tax liability other than the one you intended - leaving a tax bill unpaid that you think has been paid. **A cancelled check is clear proof of payment.**

The IRS is a huge and segmented bureaucracy. You must send your response to the right IRS office address for it to be effective. For example, generally all notices concerning tax returns, filings and audits come from your IRS Service Center.

The best course of action is to have accurate record keeping. If there is a problem with the IRS, the agent who opens your letter probably will know nothing about your case. **Always respond to an IRS Notice with all the information** the agent will need in order to understand and resolve your problem right away:

1. **A photocopy of the IRS Notice** to which you are responding.
2. **A Brief, clear explanation** of why you disagree with the IRS Notice.

3. **Photocopies of any other documents** (such as a cancelled check), needed to support your position.

Always keep copies of correspondence received from and sent to the IRS. Send all the letters to the IRS by Certified Mail - Return Receipt Requested to prove delivery. If you move, file an IRS Form 8822 - Change of Address.

Even after exercising all possible care, seemingly impossible difficulties with the IRS bureaucracy can still arise. Individual taxpayers generally deal with inexperienced IRS personnel. **If that becomes a problem, you should take your problem to the next higher level** which in most cases, will be a more skilled IRS personnel before positions get hardened and complications start to set in.

It is important to recognize that every IRS Agent has a boss - and the taxpayer Bill of Rights give you the right to speak with the supervisor of any agent who you believe is treating you unreasonably or unfairly.

In reference to audit problems, statistics show that the average Appeal results in a forty percent (40%) decrease in the amount of taxes, penalties, and interest imposed by the auditor. Only one (1) out of every sixteen (16) audits of taxpayers goes to IRS appeals. **Many more should.**

If an auditor does not understand the position you have taken on your tax return, you can meet with the auditor’s supervisor to discuss the matter.

If you disagree with the results of an audit, you can appeal. This is very important. **Be aware that the audit result is not the end of the case.** An auditor who knows that you know of your appeal rights, may act more reasonably.

Auditors do not like to have their cases go to appeal. An auditor who knows of your willingness to appeal, may make more of an effort to reach a result you can both accept.

There is an additional IRS Publication Number 5 entitled “Appeal Rights in Preparation of Protest for Un-agreed Cases”. No matter how diligent you may be, there still can be problems with an IRS Service Center. Incorrect and/or unexplained notices sent to you by an IRS Service Center, may be more difficult for you to contact an individual agent or supervisor. No particular agent may handle them, the notices may be sent out by computer. **However, you have an effective alternative option** by contacting the **IRS Problem Reservation Officer (“PRO”).** The PRO is a **taxpayer advocate** within the IRS. The PRO has the power to cut through the IRS red tape to resolve administrative problems, mis-credited payments, missing refunds, unexplained tax bills, etc. **Generally, you must be able to show that you tried to resolve your problem** through the normal channels before going to the PRO. This is a very good reason for keeping a **“paper trail”** of prior contacts with the IRS.

If you have a hardship situation, you can file IRS Form 911, Application for Taxpayer Assistance Order, to get immediate attention from the PRO for your case. It is important in an emergency situation, such as when an imminent lien, levy of property seizure is threatened.

(Excerpts taken from Bottom Line Personal)

TRANSPORTATION NEWS

INTRENET, INC. ACQUIRES REGAL TRANSPORTATION, INC.

Intrenet, Inc. acquired Regal Transportation, Inc., through its affiliate ECK Miller Transportation Corporation, located in Rockport, Indiana.

Regal Transportation provides regional flatbed service and generated revenues of approximately \$10.0 million in 1997. Intrenet's President, John Delavan, called the acquisition "an excellent fit". AHERN & Associates, Ltd., assisted in a management consulting capacity and acted as acquisition advisor to Intrenet, Inc.

PAN AMERICAN EXPRESS, INC., ACQUIRES ZERO MOTOR FREIGHT, INC.

Pan American Express, Inc., Laredo, Texas, acquired Zero Motor Freight Inc. of San Antonio, Texas. Zero Motor Freight generated sales of approximately \$11.0 million for the year ending December 31, 1997. Pan American Express is a van carrier and Zero Motor Express is a refrigerated carrier.

Arturo Volpe, President and Chief Executive Officer of Pan American called the acquisition an "excellent fit". AHERN & Associates, Ltd., assisted in a management consulting capacity and acted as acquisition advisor to Pan American Express, Inc.

LIQUID TRANSPORT TO ACQUIRE KAW

Liquid Transport Corp., of Indianapolis, Indiana, will expand its bulk chemical petroleum hauling business with the acquisition of KAW Transport Co., Kansas City, Missouri.

The preliminary agreement for the asset purchase is subject to due diligence, regulatory approval and other conditions, but is scheduled to close April 1, 1998. Terms were not disclosed. The acquisition includes two hundred (200) power units and three hundred fifteen (315) trailers, as well as customer lists and leases on five (5) terminals. LTC will retain KAW's drivers and owner/operators as well as its operation management team throughout the network.

KEEN BUYS VAUGHAN

Keen Transport Company, Hudson, Ohio acquired the operating assets of Vaughan Cartage Co.; a dry van truckload carrier based in La Grange, Georgia.

Vaughan Transport will be operated as a separate subsidiary of Keen, along with Keen Transport, Cressler Trucking, Hubert Jones, Inc. and P.D.Q. Transport.

"This acquisition meets the need that we had identified several years ago ... in the Northwest", Keen President, William R. Keen, stated. Terms of the sale were not announced.

(Excerpts taken from TT News/Transport Topics)



FAMILY & MEDICAL LEAVE ACT (FMLA)

The Family and Medical Leave Act of 1993, applies to all companies with fifty (50) or more employees in each working day in twenty (20) or more weeks of a year. Qualifying employees (those who have been employed there for at least twelve (12) months, with at least 1,250 work hours in the preceding twelve (12) months) must be permitted to take up to twelve (12) weeks unpaid leave per year without penalty, for personal family health needs. Employees returning after a leave must be reinstated in the old job, or in a position of equivalent responsibilities, working conditions and compensation (there is an exception for top executives, who need not be reinstated if their absence has severely impaired corporate operations).

FMLA leave is available when the employee needs hospitalization, continued medical treatment, or if the employee serves as a caretaker for a spouse, child or parent with a serious health condition. Leave must also be granted for the birth or adoption of a child. The leave can take the form of a reduced schedule or a period of several days at a time - it is not necessary the employee be absent for an extended period of time to qualify for a leave.

The statute contains a requirement that employees give advance notice of the need for non-emergency leave. Employers can require medical certification of the need for that leave.

According to the Western District of Michigan, it is permissible to discharge an employee who is eligible for FMLA leave, but failed to satisfy the regulations that require at least verbal notice to alert the employer to the presence of an FMLA claim. However, the Fifth Circuit says that employees are entitled to the protection of the FMLA even if they fail to specifically invoke the statute when they apply for medical leave.

In a Pennsylvania case, the employee handbook stated that the un-paid parenthood leave could be as long as sixteen (16) weeks, but did not mention that the right of reinstatement was forfeited if the leave extended past the FMLA's twelve (12) week protected period. The Court treated the inadequate notice as actionable as an interference with FMLA rights, if its affect was to induce employees to extend their leaves long enough to forfeit reinstatement.

The District of Columbia's District Court says that the 1995 FMLA regulations, including the employers' responsibility for notifying the employees of eligibility requirements before leave begins, cannot be applied retroactively. Furthermore, "hours of service" for computing eligibility for FMLA leave are hours actually worked, not vacation, holiday, sick leave or maternity leave hours.

(Excerpts taken from the Lawyers Desk Book; Tenth Edition; Prentice Hall)

business history and your plans for future business. **Secondly, you should point out to the seller** the risk of continuing to operate the business. It is not your intent to eliminate all business risk to the seller with the transaction. **Finally, you may have to revise a transaction structure to improve the quality of the consideration** given to the seller in exchange for the business.

A common concern is the risk of Personal and Company Guaranties. For the seller, repeated requests for unconditional representations on the quality of the assets and liabilities to be sold, may come as a shock. **The seller may be asked to guarantee** that all inventory is good and useable in the next year of operation, that the receivables are all collectable, and that there are not any unrecorded accounts payable or employee liabilities. **The buyer's attorney has put all of those representations in the agreement** in order to get the seller to respond with assurances that you, as a buyer, are requiring what the financial statement says he/she is acquiring. **All parties should know that financial statements are only partially accurate.**

Keeping in mind the real value of the business is not the accuracy of accounting, but in the success of your strategic initiative. You should be willing to negotiate some "basket" dollar amount which you will not expect the seller to reimburse you for errors in his/her financial representations. **For example, if receivables were recorded at \$1,200,000 (Net of Reserve),** you may agree to pursue a claim against the seller or it's company if you find more than \$60,000 uncollectible. **If the seller is not willing to accept reasonable responsibility for financial representations made to you and your acquisition team, you must question the integrity of the seller and terminate the transaction.**

Once you address the quality of consideration to be paid and the personal and company guaranties, you must now resolve how to limit future liabilities with the seller. In your

initial draft acquisition, you may have asked the seller to assure that there are no future contingent liabilities such as, claims for environmental pollution, workers' compensation claims, or product liability claims. **The seller's position usually centers around the notion that these are ongoing business risks.** Your position may be that you will accept risk for future liabilities as long as they are not based on prior management decisions or oversight. **You may want to assure that some liabilities remain the full responsibility of the seller.** It is important to point out to the seller that he/she is currently fully responsible for these liabilities. **Again comprehensive discussion of these issues usually reveal the liabilities of most concerns to the seller.** If they represent real risk, they must be dealt with in the acquisition agreement. **If they are hypothetical risks** imagined by attorneys, develop hypothetical or imagined solutions. **Often deals break apart when one or the other party is trying to protect against all possible risk. Both parties should be satisfied with risks comparable to that which they face in the normal course of business.**

Once you have dealt with the Deal Killers, the normal procedure is for the attorneys to lead you through an exercise where you take each page of the agreement and address the issues raised by both parties. **Since the Deal Killers are behind you,** now you and the seller should be able to work out reasonable compromise agreements or trades on the remaining issues. **Once this phase in the negotiation is complete, the attorneys will schedule signing and closing for the transaction.**

Once the deal is closed and you have an executed a Definitive Agreement, it is important to understand that the acquisition is not over until you have successfully completed the next step in the acquisition process - **the integration step.**

(Excerpts taken from Strategic Acquisitions, Bruce Robertson and Walter Peterson)

By measuring against performance standards which are part of the job description, you should prevent conclusory, subjective comments which may be more harmful than helpful if litigation ensues.

In addition, frequent communication with employees concerning performance is essential to any employee's morale and performance. Positive communications can motivate and reinforce outstanding performance. Prompt discussions of problem areas will help prevent it from becoming a major problem later.

The performance review (evaluation data), helps determine wage increases and promotion decisions, as well as training needs, skill inventories or other employee information systems for validating selection procedures and, for documentation for terminated employees. **A good evaluation will:**

1) **Provide a direct link** between the job's requirements and standards used to measure performance.

- 2) **Give each supervisor** a means of determining the type of management guidance and development the employee needs.
- 3) **Provide direction to the employee** to assure that the employee's efforts are channeled in the best direction for the company.
- 4) **Give each supervisor** the means for analyzing an employee's performance.

Following the review, the combined decisions reached in discussing the evaluation should be given to the employee, with two copies signed by both parties and each keeping a copy. This report should come sometime after the review, following careful consideration of the review.

(Excerpts taken from Giant Steps in the 21st Century by Robert G. Peterson)