

Maximize Price, Minimize Risk . . . *Successfully sell your business*

Good news for owners of small and midsized companies: Buyers are looking to acquire well-run businesses -- just like yours.

The press tends to focus on megafunds and their large acquisitions. Last year, U.S. private equity funds raised a record \$86 billion to buy companies such as Hertz, Toys “R” Us and Neiman Marcus. However, your \$5 million to \$50 million business is an attractive target to investors when it’s positioned correctly.

If you’re thinking about selling, focus on these seven areas to maximize your price, and to manage the process efficiently.

1. Know who’s buying. Buyers for companies like yours fall into several categories. Smaller private equity funds, with \$25 million to \$150 million to spend, are plentiful across the country. Also, businesses looking to expand often buy competing companies, or those with complementary products or services.

Then, there’s the “consolidation players.” They look for a number of small businesses in the same field, and combine them under a single umbrella, to leverage economies of scale in purchasing, inventory management, administration and operations. Finally, there are plenty of high-net-worth individuals and groups, too young or restless to stay on the sidelines. Your company represents their entry back into the game.

2. Know what your company is worth. Valuations metrics for smaller, private companies tend to be lower

than for larger, public companies. Before attempting to sell, you must have a realistic goal of what a buyer will spend. The most common valuation technique is based on a company’s operating cash flow, before accounting for payments of interest on debt and taxes, and non-cash charges for depreciation and amortization (known as EBITDA). A range of multipliers, often four to seven for businesses under \$50 million, is applied to operating cash flow to establish a ballpark value.

Valuation relies as heavily on subjective factors as it does on hard numbers. In addition to financial statements, potential buyers will look at historical growth (for the industry and your company), projected growth, the size of the market in which your company competes, and your company’s position and reputation in the market.

Savvy buyers will analyze potential ways to increase your company’s value by reducing costs and increasing revenue. Based on these and other factors, potential buyers likely will value your company differently, much like professional sports teams evaluate draft prospects differently. Ultimately, your company is worth what a buyer is willing to pay. The market sets the price.

3. Time it right. Sellers have different motivations for cashing out. Financial considerations are often most compelling. Even so,

continued on page 2

Do You Know?

- Small businesses generate 60 to 80 percent of net new jobs annually and account for 50 percent of the private sector output.
- Of the \$750 billion in U.S. currency notes circulating around the world, the U.S. Secret Service estimates that one of every 10,000 bills is fake.
- In every year since 2000, stocks rated “sell” by Wall Street have outperformed stocks rated “buy” or “hold.”
- Over the past four years, stocks that the Street has been telling you to sell have risen 19 percent per year on average. Meanwhile, the “buys” and “holds” have risen just 7 percent.
- There are hundreds of SUNBELT Business Advisors Offices around the World.



Inside This Issue

Maximize Price	
Minimize Risk	1-2
Why Sunbelt	2
Healthy Conflict	3
Read Notify.....	3
Who We Are	4

Maximize Price, Minimize Risk . . . (concluded) *Successfully sell your business*

selling the business you have built for years is a difficult decision. Emotions aside, try to time your sale to coincide with attractive market conditions, specifically the buyer's access to inexpensive debt funding. Today's interest rates are still low by historical standards, giving you, the seller, an edge.

Furthermore, take your company's life cycle into account. A company with a proven growth record in an expanding market will fetch a higher price than a stagnant or declining company in a down industry or cycle, even where their sales and profits may be comparable for one year.

4. Put your best foot forward. To maximize sales price, clean up your company to pass a buyer's muster. Get rid of any skeletons in the closet, settle any legal disputes, and make sure financial and corporate books and contracts are so clean they squeak.

Sophisticated buyers will perform rigorous due diligence, looking for the bad as well as the good. You should be open and honest in all disclosures to potential buyers. Better they learn even the bad stuff directly from you than from another source.

Buyers want confidence in the accuracy of your financial statements and will dig deep to verify them. Sloppy records dampen a prospective buyer's confidence and will result in a lower purchase price -- if not kill the deal.

5. Patience is paramount. From starting line to successful closing, the sales process takes a minimum of six months, and often can take a year or more. You'll need to prepare for the sale, identify and contact potential buyers, have potential buyers evaluate your company first-hand, and then get one or more offers. Only then do negotiations begin.

6. Be prepared. The successful sales process is often a full-time job in itself. Selling can be a big distraction from the day-to-day functions. It takes finesse to keep your eye on the prize while maintaining daily operational success.

7. Assemble an expert team. Objective advisors are essential to a successful sale. Selling a company is, for most, a once- or twice-in-a-lifetime event. Expert supporting players will ease your burdens -- both emotional and tactical -- and help you get the most benefit from your sale.

First, retain a business advisor like Sunbelt with proven experience selling companies. This key advisor must have experience successfully selling businesses similar to yours and they will also help set realistic valuation goals, locate potential buyers for your company and help negotiate the best possible purchase price.

Second, enlist help with your numbers. A first-rate accountant will ensure your financial records are in shape, and will anticipate and strategize for the tax consequences of the sale.

Finally, hire expert legal counsel that specializes in mergers and acquisitions. The eventual purchase agreement between you and your buyer is the legal document that allocates risk. Your attorney must be relied upon to manage and minimize your risk in the sale. Furthermore, a sound attorney will guide your sales process strategically, resulting in a fair and favorable outcome to you.

With careful preparation, patience and a team of experts behind you, 2006 may be the perfect year to appeal to buyers in the market for businesses just like yours.

Why Sunbelt?

We are able to provide intermediary services between a Buyer and Seller of businesses in all price ranges and industries. Our broker professionals can give you the crucial confidentiality you need throughout the buying process and national network exposure you need to bring the right buyer to you.

The Sunbelt name has the reputation to support the sale of your business from initial listing all the way through closure. Our awards support our achievements. Our advertising supports our growth, and our client satisfaction keeps us at the forefront of the business brokerage industry.

For FAQ's about selling your business call your local Sunbelt Business Advisor (back page) or log on to:

<http://www.sunbeltnetwork.com/sellers/faq.jsp>

Another Satisfied Client!

"I discovered that all roads led to Sunbelt Business Brokers."

Larry O-Brian

Read Notify

A big concern when transacting business via e-mail is “DID THEY GET MY MESSAGE?”, or “WILL THEY RETURN THE READ RECEIPT?”.

It does get old to keep clicking that little popup when there are many messages going back and forth.

BUT there’s a really GREAT program to use when e-transacting called READ NOTIFY.

This program enables you to, without doing anything but adding a few letters to the recipient’s e-mail address, track when recipient opened the message, from where (to make sure they really are the one who opened it), and even how long it took them to do so--without any effort on their part! It also logs your sent and received (opened) messages.

The program is inexpensive (36 dollars a year) and provides you with the easy assurance that your message and its attachments were read/opened.

Check it out at www.ReadNotify.net and ENJOY!



Voicing an Opinion can Lead to Conflict . . . *Healthy Conflict*

Having an opinion is like ... you know the jokes. And voicing it in business as well as your personal life can lead to conflict. We enter into conflicts reluctantly, cautiously, angrily, nervously, confidently – and emerge from them battered, exhausted, sad, satisfied, and triumphant. Yet, still many of us underestimate or overlook the merits of conflict – the opportunity conflict offers every time it occurs.

Conflict isn’t necessarily something to be avoided; in fact, it can prove highly productive. Conflict signals the presence of diverse points of view, which in struggle or reconciliation can spark creativity, nourish growth, jump-start productivity, and strengthen relationships.

Most of us experience abundant opportunities for conflict. From the breakfast table to the bedroom, from the water cooler to the conference room, a hundred things each day can lead to discord, most of which are natural and unavoidable. The level of conflict in your business can also greatly affect your profits. Increasing tension in your organization can actually increase profit in your bottom line. The leaders of any business have to have strategic tension and conflict alive in order to go from surviving to thriving.

Here are a few pointers from someone that specializes in “Healthy Conflict”, Kendall Colman of Colman & Company. She takes a look at the inherent balance between artificial harmony and destructive conflict by first finding out why companies don’t engage or promulgate conflict? She finds that is usually because there is a need for unanimity (vs. consensus) and a need to be certain – 100% correct.

She also proclaims that conflict should allow all knowledge to surface so that you can move forward productively and with commitment, which is not the same as everyone agreeing. If you don’t have buy-in there could be ambiguity about direction and priorities and/or windows of opportunity close because of excessive analysis and unnecessary delays.

Some conflict strategies you can impose to bring about desired results are: Abandoning, Avoiding, Dominating, Obliging, Humor, Postponing, Compromise, Integrating, and Collaboration/Problem solving.

Helping to address and resolve conflict with your current clients or prospects can certainly affect your profits as well. Especially when you’re marketing to women – statistics show that in 80 % of the nation’s households, women are the primary decision-makers regarding purchases. That includes the decision of choosing a financial planner, insurance or real estate agent. A 2005 survey shows that once women find the right advisor they are very loyal. 54% of women would follow their advisor if he or she changed jobs compared to only 47% of me. In addition, 66% of women feel their advisor is a counselor to them as compare to only 58% of men.

Healthy conflict management can clear the air, improve relationships, and produce creative solutions to tough problems. Learning and applying healthy conflict resolution skills can be key to retaining a client and getting a new one.

Having conflict resolution skills will put you light years ahead of your competition.

SUNBELT – Who We Are

SUNBELT Business Advisors LLC is the largest office network of business brokers in the world. Whether you are looking to buy or sell a business, we have the resources to help you reach your goals. With hundreds of offices worldwide, and the most skilled brokers in the industry, SUNBELT Network has behind it the marketing savvy and worldwide exposure that you can only get when you list your business for sale with us. And if you are looking to buy a business or buy a franchise, no other business brokerage company can offer the selection and quality of businesses that SUNBELT brokers can provide.

So when you decide to buy or sell a business, don't look any further than our highly-trained network of SUNBELT professionals.



**The Largest Business Brokerage Network in the World.
Rated #1 in Category by Entrepreneur Magazine in 2004.
Over 1200 professionals in hundreds of offices worldwide.**

