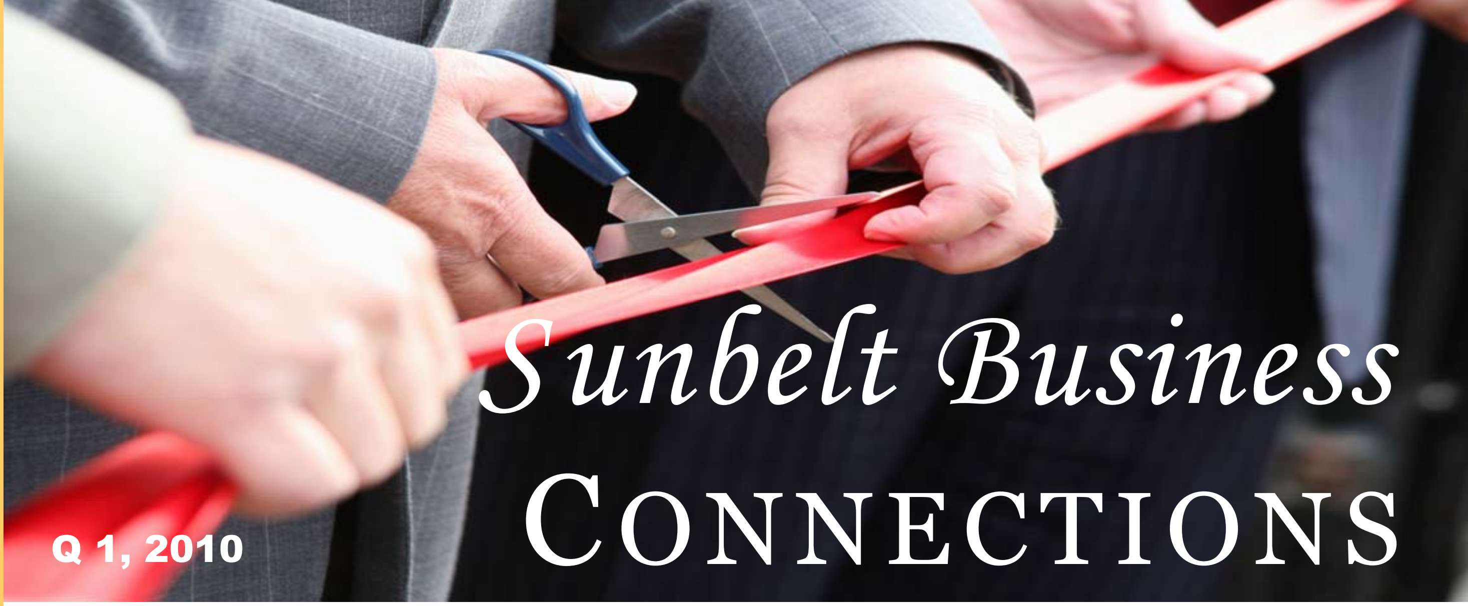

Sunbelt Business Connections

Q 1, 2010

2010: The Year to do something!

By John H. Brown, President, Business Enterprise Insti-

"The way to get started is to quit talking and begin doing." - Walt Disney

In 2004 Peter Daniels (a fictional owner of a fictional company) wanted to leave his food processing plant in five years by selling it for $5 million. A quick review of the company's financials suggested that with a current annual cash flow of $250,000, the company was worth closer to $1 million. I suggested creating and implementing a step-by-step roadmap to increase value, minimize taxes, and protect existing value from loss. "That's exactly what I need to do," I recall him saying. I also recall that he never did more: never designed an exit plan, never implemented one.

Five years later, Daniels Food Processing, Inc. was pretty much unchanged. But now Peter was frustrated. The economic downturn caused his business cash flow to decrease meaning the company's value decreased as well. Peter had addressed neither the need to create or update business systems, nor his inadequate and under-motivated management team. Peter remained at least five years away from his exit.

Why does this happen—or more accurately—why does *nothing happen* even when owners know they want to sell their businesses in the near future?

Rationalizing Delay. In working with thousands of business owners over the span of nearly 30 years, I've found that most put off planning their exits because they can't get their arms around the scope of the project. According to Piers Steel, a Professor of Human Resources and Organizational Dynamics at the University of Calgary, "People procrastinate when they're not confident that they can complete a project …" and it seems that an exit is something owners can address later, when they have more time—a time which never seems to occur.

Owners like Peter Daniels use many reasons as justification not to act. Some owners postpone their decision to sell for another year. Others will decide as to make a decision about leaving when the economy and the M&A market improve. If postponement or delay is your choice, ask yourself:

* Will your company be ready for sale when that yet-to-be-decided day dawns?
* Will your company stand out from the thousands of others on the market?
* Will you be able to attract a buyer willing to pay a premium price for your company?
* If you believe the business is as ready as it will ever be, but it doesn't fetch an offer sufficient to provide you with financial security, what then?

Remember, even in active M&A years, the reality is that many businesses on the market do not sell. The main reason for this, I strongly believe, is that *most businesses are not ready to be sold when the owner is ready to sell.* But businesses do sell and some owners—even during difficult economic times—figure out how to get their companies ready to sell.

Decide to Start. Lee Iacocca summed up the importance of just getting started, "So what do we do? Anything. Something. So long as we just don't sit there. If we screw it up, start over. Try something else. If we wait until we've satisfied all the uncertainties, it may be too late." Applying Mr. Iacocca's sentiment to Exit Planning the message is: you don't have to do everything at once to get yourself and your business ready for transition. Doing so will likely be overwhelming and discourage you from even starting. However, you do need to start by creating a series of discrete, achievable steps, as suggested below, and tackle them one by one. The task can be made easier by:

1. Breaking your distant goal of exiting your company into more immediate objectives; and
2. Creating a list of small action steps for each objective, *with deadlines,* that will serve as a road map to your exit.

In my experience, it is rare for owners to maintain the momentum and discipline to see their plan come to a happy end, unless they take these steps. *(Cont. page 3)*

Community lenders hit the funding jackpot

By Catherine Clifford

Goldman Sachs' banking titans and top congressional Democrats don't often see eye to eye. But here's something the megabank and Capitol Hill agree on: One of the best ways to get financing to worthy small businesses is through a little-known community lending vehicle called a CDFI. A CDFI is a Community Development Financial Institution, a certification conferred by the Treasury Department.

Taken together, Goldman Sachs and the federal government have earmarked more than $300 million to invest in these local financiers in 2010. This funding pool is almost three times bigger than any they have ever had before.

The CDFI program gives low-interest government loans, grants and tax credits to organizations that specialize in economically developing low-income and otherwise underserved markets. CDFIs were a hot topic at the small business lending forum Treasury Secretary Timothy Geithner convened last month to brainstorm solutions to the ongoing credit crunch small companies face. Wary of lending to firms struggling through the recession, banks slashed their small business credit this year. That left CDFIs, which specialize in riskier loans, scrambling to pick up the slack. Funding requests surged. For the 2010 fiscal year, the CDFI Fund received applications totaling $467 million, a 97% jump from 2009.

Entrepreneur William Ortiz-Cartagena turned to the Opportunity Fund, a California CDFI, for the $10,000 loan that launched his San Francisco parking logistics company. Gentle Parking now has a staff of 12. Opportunity Fund got Ortiz-Cartagena the money he needed and walked him through the steps of starting a business.

The success CDFIs have had getting money out into communities through the downturn is now being rewarded. For fiscal year 2010, Congress appropriated $247 million for the Treasury's CDFI Fund, a funding level President Obama signed into law in December. That's a giant jump from the $107 million the fund got in 2009. Goldman Sachs added more financial fuel with the "10,000 Small Businesses" initiative it launched in November. Over the next five years, Goldman Sachs will dole out $300 million to CDFIs across the U.S. A bank spokesman said $50 million of that money will be distributed through grants, with loans making up the other $250 million.

Goldman Sachs said it chose to work through CDFIs because of their track records and community expertise. "They have deep knowledge of local markets and relationships with the borrowers and businesses that are the least-served by the traditional banking system," said Alicia Glen, managing director of Goldman Sachs' Urban Investment Group.

The first CDFI to get an infusion of Goldman capital was Seedco Financial in New York City. The organization landed a $20 million loan, which it will in turn begin lending out early next year. Part of the money will go to create a new financing program aimed at more mature small companies. Seedco will target businesses that have been around for at least three years, generate annual revenue of $300,000, and have five or more employees.

Targeting small but established companies serves a key goal of both Seedco and Goldman Sachs: Financing job creation.

For one small engineering firm in New York City, a recent Seedco loan is translating directly into financial salvation and two new jobs. Founded in 2003, IAQ Systems grew steadily until the end of 2008, when the recession hit home.

"We have been hammered on the payment part," IAQ founder and President Sai Barade said. "We were not getting paid on time, and the demand was such that we had to deliver. The ends were not meeting; there was a big gap." Seedco Financial turned around a $200,000 loan within two weeks. "Seedco was very responsive," Barade said. "They understood where we were."

The company has 10 employees now and plans to soon add two more. "There is this credit crunch for small businesses, and there is this reality that we need more loans to flow to small business if we are going to have a robust job creating recovery," said Eric Weaver, Opportunity Fund's CEO and founder. Opportunity Fund has developed a niche lending to day care and health care providers who work out of their homes. Its interest rates typically run from 6% to 8%.

"For a very small amount of capital, you can start or expand that business," Weaver said. "It is hard work, but it is very important work and it is real income to a family."

For the full story go to cnnmoney.com; keyword: CDFI.

Useful Small Business Email Marketing Apps by TJ McCue

Email marketing is one of the dominant ways that a small business reaches out to customers and prospects. Email marketing is about relationships– and successful relationship marketing involves a lot more than simply firing off a newsletter via email. Below is a handful of small business email marketing applications to grow customer relationships, the full list of 30 is available at www.smallbiztrends.com.

-Constant Contact– They offer a free 60-day trial and have a strong arsenal of tools from HTML newsletter templates to personal coaching on how to get your email campaigns done right. Online survey tools to gather information.

-Emma– Web-based service that combines do-it-yourself with free personal assistance when you need it (custom email design comes at an additional charge). Strong tracking and analytics components help you learn what works and what doesn't for your prospects.

-GetResponse– They offer video email and social media tools. For example, your email subscribers can easily receive your Twitter updates via the GetResponse service.

-Contact29– Email marketing provider focused primarily on the real estate and mortgage industries.

-myNewsletterBuilder– Email marketing site that provides pre-written content that you can use in your newsletters and emails, by industry segment. They have recently partnered with eVoiceSpot, which is a multimedia rich presentation service that you can embed into your email or newsletter.

-eConnect– First provider to offer a tagging system for your emails. This allows you to tag specific items in an email or campaign and view the top five tags of interest to your recipients.

Sunbelt Book Club

How to Run Your Business So You Can Leave it in Style by John H. Brown. Use this book to take control of the succession planning process. A step-by-step plan even the busiest owner can master leads straight to ultimate success: reaping top dollar when you sell or transfer your business. Real life case studies and progressive checklists help you: 1) create/preserve value within your business using tools you already have; 2) transfer ownership and value as profitably as possible; and 3) integrate personal, financial and estate planning goals with the goals of the business to maximize profit and minimize tax liabilities. The book retails for $24.95.

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Lords of Finance: The Bankers Who Broker the World by Liaquat Ahamed. Winner of the 2009 Financial Times and Goldman Sachs Business Book of the Year Award; this book draws strong parallels between the events prior to the Great Depression and the events leading to the past two years of economic and financial turmoil. Ahamed "reminds us that tumult in financial markets wasn't created in the 21st century", says Lloyd Blankfein, chief executive of Goldman Sachs. The hardcover book is available for $32.95.

The Year to do something (cont.)

Set Immediate Objectives. In the long term, you want to exit your company with the amount of money you desire to live a financially secure life. What short term goals can you set to get you from where you are today to that successful exit?

Goal One: Make company more valuable/saleable. I recommend that owners list the areas that they believe should be addressed first. As guidance I suggest you concentrate your efforts in four areas: 1) Maximizing Cash Flow, 2) Preserving and Protecting Value, 3) Creating and Maximizing Value and 4) Reassessing Strategic Objectives.

Goal Two: Set Ownership Objectives. As Yogi Berra said, "You've got to be very careful if you don't know where you're going, because you might not get there." Set your three most important ownership exit goals: 1) On what date do you want to exit your company? 2) Do you want an outside third party or insiders (key employees, children) to succeed you? 3) How much cash will you need from the sale of the company to enjoy a financially secure post business life?

Goal Three: Quantify Your Resources. As a business owner your "resources" are both in the business and outside of it. You need to know the value of each so you can then determine if there is a gap between amount of money you will need in the future and what you have today. This gap must be quantified and you must create and implement a plan to close that gap. Most owners use an experienced

As a business owner, remember that your most valuable asset is likely to be your business so you may need the help of a transaction intermediary. Because of the financial turbulence of the past year or two, many owners are realizing they may need more in income producing assets to produce the income stream desired.

Take advantage of the enthusiasm of a new year and decide that 2010 is the year to do something for yourself: develop a real plan to begin exiting your business. Start with the three goals and take the actions for each described above. Each is a small, but critical step leading to your ultimate exit.

If you'd like more information about how to get started on creating an exit plan tailored to meet specific your goals, we are happy to help. Please contact your local Sunbelt office for additional information and access to Business Enterprise Institute's informational materials. Contact information for the Sunbelt offices can be found at www.sunbeltnetwork.com.

John H. Brown is the president of Business Enterprise Institute, the leading provider of Exit Planning education, marketing support and plan design for business owner advisors. He is the author of the best-selling Exit Planning book mentioned in the sidebar and the newly released book, Cash Out Move On: Get Top Dollar – And More – Selling Your Business. For more information on Exit Planning please visit www.exitplanning.com.

Ask an expert: top 10 trends for small businesses in 2010

By Steve Strauss

As has become a tradition now, this is the time of year when I offer my annual look at the top 10 trends in small business. While not a prediction column, there is a tad of prediction in it, since trends, by their very nature, are gathering forces:

10. **The New Frugality:** People are spending less, saving more, and looking for bargains.

9. **The New Employee:** More and more, employees are shifting, or being shifted, to part-time or independent contract status and full-time employment with full-time benefits is becoming harder and harder to find, and to offer.

8. **Less Money, More Responsibility:** While the trend is less money to go around (although it will certainly be better than 2009), the financial demands on small businesses continue to grow.

7. **Welcome the Era of Hyper-Connectivity:** Whereas your online life and brand used to consist of independent activities that were essentially stand-alone silos, the accelerating trend is towards a variety of tools to create an e-interconnectedness.

6. **Green Opportunities:** There is and will continue to be a growing and lucrative market for products that heal the environment.

5. **Social Media Grows Up:** Have you noticed that "social media" is a term that doesn't really describe the experience that well anymore? Yes, it is social, and it's media, but for business it has become so much more than that.

4. **Going Local:** Customers are increasingly looking for a local angle when looking where to spend their hard-earned dollar.

3. **Sharing vs. Shared Experiences:** For the small business person, it is vital to realize that 1) people look for, and increasingly expect, the personal, and 2) small, localized, immediate user-created media are where the eyeballs are headed.

2. **Mobile Mania:** Maybe the only marketing trend that is hotter than social media is mobile mania. Why? Because there are four-times more cell phones than PCs worldwide.

1. **The Start-Up Economy:** While the state of the economy will continue to be the most significant trend affecting small business, the outlook is both brighter and calmer. It is calmer because things are slowly get back to, if not normal, at least something recognizable. And it is brighter because out of the rubble, a new, vital, innovative start-up economy is being born. With 10% unemployment for as far as the eye can see, with the unemployed running out of benefits, and with the benefits not what they once were for the employed, start-ups of all shapes and sizes are taking root. These are the folks who, with their creative energy, drive, ingenuity and hard work will be leading us out of this anything but great recession.

Read the full list at usatoday.com; keyword: 2010 small business trends

COMPANY PROFILE: SUNBELT

Sunbelt Business Sales and Acquisitions of New England (SunbeltNE) is one of the top franchises of Sunbelt Network, the world's largest business brokerage firm with over 300 offices throughout the world. The Sunbelt team consists of seasoned business brokers who provide expert advice in buying and selling business or franchises. In operations since 1978, Sunbelt Network brokers over 3000 business transactions every year.

SunbeltNE is a renowned business brokerage firm from the New England region that provides advisory services for buying and selling of businesses in Massachusetts (MA), Rhode Island (RI), Vermont (VT), New Hampshire (NH) and Maine (ME). Based in Woburn, SunbeltNE provides buyers and sellers access to our networks national listings as well as our local offerings. With SunbeltNE, sellers can derive the maximum value for their business while buyers see SunbeltNE as their source for navigating through the buying process.

SunbeltNE provides services for Mergers and Acquisitions, Cross Border brokering for both buyers and sellers, Business Financing, Business Valuations and Transition Consulting for business.

One of the key attributes of SunbeltNE is our ability to broker buy and sell deals for Main Street Business, Franchise Business Sale or Re-sales and Middle Market companies that have enterprise values between $1 and $10 million not typically serviced by the M&A industry.

Visit us online at www.sunbeltne.com

Thank you for reading this newsletter. We'll see you again next quarter.
Comments or suggestions? We'd like to hear from you at mark@sunbeltne.net.

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