

Selling One Location or Part of your Business?

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managing their companies. An audit is the third and most extensive service. An audit is appropriate for entities that must offer a higher level of assurance to outside parties.

You would need to invest in at least a review to separate your company's different parts. Also, it is very important that your internal accounting and record

keeping be corrected so that going forward your company is not continuing to co-mingle the profit centers.

What about your employees- both direct and indirect? Who stays with what entity? How are the marketing and advertising dollars allocated? An Entering party is looking to buy a company with solid systems and

procedures. Will splitting your company affect costs and synergies? Conceivably. These variables need addressed before going to market.

If you are thinking about Exiting part of your company, a solid plan needs to be devised and implemented. If not, your efforts could be futile.

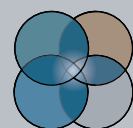
BANKERS ADVOCATE is a Boutique Sales, Mergers and Acquisitions firm specializing in companies with enterprise values of \$1-20 million dollars. We design and help implement both Entering and Exiting Business Ownership strategies for Entrepreneurs.

We also have a very talented group of professionals that can help improve your businesses profitability and cash flow. This can lead to an improved lifestyle and a more successful exit from business ownership. For those Entering business ownership, this can also lead to finding a better business in the "hidden market". Our logo represents how we help entrepreneurs throughout the complete cycle of business - Evaluating, Entering, Enhancing & Exiting Business Ownership...

Our services include:

- Exit Strategies
- Targeted Searches
- Business Appraisals
- Recapitalizations & Liquidity Events
- Business Enhancements

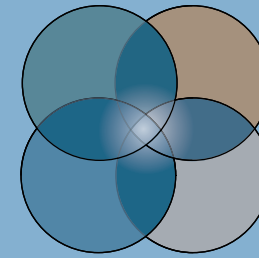
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The Cult of Personality No-No...

Many entrepreneurs are do-it-all, take charge types who cannot delegate any business duties. Their argument is that no one can do it better than them. The problem with this scenario is that the owner has created themselves a job, not a company. There is only one constant in this world- change. The owner will inevitably become sick, be ready to retire, lose their fire, divorce, die, etc. What value has been created that can be transferred to a new owner?

Your company has more value and would be stronger if it can be run without you. In this increasingly relationship driven world, the critical customer, vendor and partner relationships need moved to your management team. You are one person and you can only do so much. If you spread your current work load among key employees, what important tasks could you now dedicate precious time to?

The potential buyers of your

company want solid systems and procedures in place. The "one man band" will drive many prospective buyers away and will lead to fewer and smaller offers. Ask yourself every day, can I delegate the current task I am working on? Is this the wisest use of my time? What would happen to my company if I couldn't work?

Your goal should be to minimize your company's need for you to maximize the selling price when you exit.

BUSINESS APPRAISALS • EXIT STRATEGIES • TARGETED SEARCHES

Chris Curtin, COO



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Leading Edge Mergers and Acquisitions Services... Bankers Advocate Group

- Evaluate your business for a Successful Exit...
- Enter Ownership with our Successful Targeted Search Program...
- Enhance your Systems & Cash Flow for a Successful Exit...
- Exit Ownership with our Winning Strategies...

Price Cutting, a Race to the Bottom...

In this tough business environment, it is tempting to cut prices to pick up or hold onto sales. However, margin erosion has to be monitored carefully.

See the following chart:

Price Change		5%	5%	10%
		Decrease	Increase	Increase
Sales	\$1,000,000	\$950,000	\$1,050,000	\$1,100,000
Costs	\$700,000	\$700,000	\$700,000	\$700,000
Gross Profit	\$300,000	\$250,000	\$350,000	\$400,000
% Profit Change		-16.7%	16.7%	33.3%
<i>Sales Change to keep profits at \$300,000:</i>				
	Sales Needed	\$1,140,000	\$900,000	\$825,000
	% Change	14.0%	-10.0%	-17.5%

As you can see, small changes in price can greatly affect profit and plant/people utilization. If you are forced to cut prices, costs need attacked aggressively. Take a hard look at your sales force. Are they just "order takers" who sell on price alone or do they up sell your product with a focus on solutions and value.

When is the last time you looked at your vendor relationships and made sure pricing and terms cannot be improved? How about your staff? Is your labor costs based on old production/sales levels?

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We are getting more calls from potential Exiting clients wanting to sell part of their business; two stores, one clinic, a manufacturing plant, etc.

A big road block to this is that many times the books and records are not setup to reflect "subsidiary companies". In addition, the CPA has been providing the client a compilation or tax returns with no regard for analyzing the different profit centers of your business.

There is good chance that the potential Entering party will need financing. Lenders typically want three years of tax returns plus year to date financials. How can this be overcome? Your CPA can go back and build three years of reviewed and YTD financials of the "subsidiary" you want to sell.

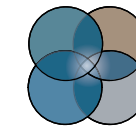
On a side note, what is the difference between a compilation, a review and audit? A CPA may provide a client with three distinct services involving



financial statements. Each is designed to meet a different need.

A compilation is useful to small, privately held entities that need help in preparing their financial statements. A review, on the other hand, may be adequate for entities that must report their financial positions to third parties, such as creditors or regulatory agencies. Reviewed financial statements may also be useful to business owners who are not actively involved in

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SBA Urges Lenders to Offer Loan Deferment Relief...

Note: "I found this press release from the SBA a few months back very interesting." Chris

WASHINGTON – In response to the financial crisis, the U.S. Small Business Administration today announced it is strongly encouraging its participating 7(a) lenders and Certified Development companies to work with business borrowers to provide them with the flexibility they need to keep their businesses running during these difficult economic times. As access to credit and capital has tightened, many businesses face increased challenges in meeting their financial obligations. This is especially true of small businesses hit hard by the recent economic slowdown that are now unable to make payroll, or purchase essential inventory.

SBA is reminding participating lenders they have the authority on a case-by-case basis to extend temporary payment relief for qualifying

borrowers with 7 (a) and 504 loans who are struggling to make their payments." The SBA is here to help small businesses during these difficult economic times. We are encouraging our lending partners to follow suit by extending three-month payment deferrals on their SBA guaranteed loans to qualified borrowers who need relief," said SBA Acting Administrator Sandy K. Baruah. "We recognize that small business owners are faced with challenging decisions right now. By providing three-month deferrals to qualifying borrowers who are struggling, our lending partners can help small business owners free up the capital they need to maintain their businesses." If a deferment longer than three consecutive monthly payments is needed for a loan, borrowers can work directly with their lenders who in turn

will work closely with the SBA to identify the best solution.

At the same time, the SBA is asking its lenders not to broadly call borrower loans due to changing financial variables, such as fluctuations in personal credit scores, declining collateral values, and reduced home equity, which are currently affected by the disruption in the financial markets. The SBA has issued a notice that will be distributed widely to its lenders and 120 field offices encouraging them to look at these cases individually and to work with individual borrowers in order to facilitate the longer term success of these small businesses.