

“FOR EVERY ACTION, THERE IS AN EQUAL AND OPPOSITE REACTION.”

By Eric Gagnon, GABB Treasurer

In today's perfect storm of economic bad news and government action, this phrase commonly known as "Newton's Third Law of Motion", often leads to unintended consequences for Buyers and Sellers. Business Brokers must learn how to identify these trends in order to develop strategies and adapt their own business model.

Americans, more than any other nation, typically call on individual initiative in times of struggle. In fact, this may be the greatest catalyst to inventiveness and creativity as they work to 'beat the system.' This has led to countless new ways of thinking over history. Some are quite positive, while others bring long-term harm. Well-known corporations, such as Dell and Microsoft were born in dorm rooms and garages during the 1970's, when interest rates and stagflation stifled almost all traditional growth and unemployment was at a modern day high. The massive impact felt by their eventual contribution to the world economy - for an industry that didn't even exist a decade earlier - dwarfed the short-term decline in gross domestic product of those recessionary years. On the other hand, organized crime established massive fortunes and power bases in major urban cities. From 1917-1933, illegal supplies of alcohol were available in direct opposition to government prohibition. The bold and bloody history of the Mafia is the "stuff of movies" and is repeated in modern day illegal activities. Both were unintended consequences of the economic conditions and specific government regulation.

It is clear that in fact, "for every action, there is an equal and opposite reaction." We are all unsure of where the current government policies and economic trends will leave us. As Business Brokers, we are experiencing new trends in our industry worth acknowledging. Based on a rapidly changing political and economic landscape, here are a few of the trends emerging from Buyers and Sellers undergoing fundamental shifts in their behavior.

Everyone's in Trouble – Here's my Offer. The constant drumbeat by the media of bad news from Wall Street to Main Street have convinced Buyers that a lowball offer is the only offer to make. Certain Buyers no longer apply reason and rationale to their offers, but are acting emotionally as if businesses are real estate and the bottom is falling out. Buyers are ignoring today's actual numbers to focus on tomorrow's downward potential, even with strong earnings on the books. **Trend to watch for:** Buyers attempting to prey on Sellers in a "Buyer's market" while Sellers hold onto the businesses and wait out the storm. Smart Business Brokers should acknowledge this trend, know their numbers and sell on business fundamentals, not emotion. **Strategy:** Modify your Buyer qualification process and develop questionnaires to more carefully qualify and identify Buyers, so you don't burn time and money on those with no serious intention of buying.

They don't pay theirs, I won't pay mine. Two years ago most Business Brokers could not sell a Business without excellent books and records. Those who had "stated" earnings or a separate ledger hidden under the counter were told simply, "If it's not on the books, you can't get paid for it." In actuality, these Sellers had already received the benefit of undeclared income by avoiding relevant taxation. Today, there are calls increasing from Buyers seeking cash businesses.

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MEETING NOTICE: TUESDAY - APRIL 28, 2009 AT 10:30 AM

"WHAT'S HAPPENING WITH THE SBA?"

- FEATURED GUEST SPEAKER – TERRI DENISON, District Director for the Georgia Office of the U.S. Small Business Administration.

**** NETWORKING STARTS AT 9:45 AM ****

AFFILIATES CORNER:

MARY BETH TEDDER, BUSINESSBROKER.NET

"Please join Mary Beth as she hosts our popular Affiliate's Corner Networking starting at 9:45 AM. Be early for some great complimentary refreshments!"

MEETING COORDINATOR: BERNARD ANTHONY

"In Her Own Words"...

Member Comment by Melinda Hubbard, The Hatteras Group

"My experience with GABB has been well worth the annual dues. I especially appreciate the opportunity to discuss the current market with other Brokers and what steps they are taking to weather this downturn. Our membership is made up of Brokers who are new to the business and others who have experienced just about everything imaginable. I find that being able to call on their experience is invaluable to me. This is my sixth year as a Broker and I find that every business presents a learning curve. I have received some valuable tips on how to handle difficult Buyers and Sellers. These "tricks of the trade" from experienced Brokers have saved me a lot of time and heartache."

THE CODE CORNER by James Welch, GABB Past President

When Business Brokers in Georgia accept an engagement with a Client, we agree to act on behalf of our Client and have certain obligations, as more specifically described in the Real Estate Laws of Georgia. We need to be familiar with the language, especially as it pertains to Agency representation. We also need to be knowledgeable of the obligations we have to the Customer and other Business Brokers, as well. Article Six in the GABB Code of Ethics focuses our attention to this fact.

GABB Code of Ethics, Article Six: A Business Broker, in accepting employment as an agent, pledges to protect and promote the interest of the Client. This obligation of absolute loyalty and honesty to the Client's interest is primary, but it does not relieve the Broker from the obligation of dealing fairly with all parties to the transaction.

FOR EVERY ACTION... CONTINUED

Our firm recently negotiated a contract on a listing in Florida, where we pointed out to the Listing Broker that the business was less valuable without books and records. He replied, "Are you kidding me? Everyone wants a business like this with income off the books. That makes it MORE valuable, not less." This is the unintended consequence of increased government taxation and confirmation of government officials who haven't paid their tax bills. **Trend to watch for:** More tax cheats and less overall tax receipts. Smart Business Brokers will acknowledge that Buyers looking for cash income may be a reality of today's market and take listings they might not have considered in the past. **Strategy:** Consider strengthening language that indemnifies you in the books and records you provide, but don't ignore a very real segment of the market that want to buy and sell income "off the books."

Contracts are meaningless, go ahead and sue me. More than one Business Broker has told me he is seeing an "uptick" in contracts written and walked away from. "Cram-down" legislation passed that gives authority to the courts to ignore contract covenants between two parties will lead to unintended consequences – that equal and opposite reaction theorem again. Some Sellers and Buyers are thinking a contract could be worth less than the paper it's written on. Business Brokers are working harder and producing more paper, but closing ratios are down. Deal flow and activity may make us busy, but it won't make us money. **Trend to watch for:** Less committed Buyers who need strong and consistent reinforcement to get to closing. **Strategy:** Business Brokers must stay on top of checklists for closing and should work on shortening time to closing. Time is your enemy when contracts are at risk.

They are leaving Wall Street for Main Street. Increasingly, Buyer activity is driving from the corporate sector where a combination of taxation on six-figure earnings, potential for wage control, and the economic layoffs are forming a healthy group of Buyers ready to figure it out on their own - that's the upside. The downside is that while many of these were prime candidates for financing, the credit lockdown has them frozen out of the market unless they are walking with plenty of cash. **Trend to watch for:** Buyers that take a package and take a walk out of corporate America. **Strategy:** Savvy Brokers can capitalize by changing marketing materials to appeal to this Buyer who will want more information, "slicker" presentations, and a lot more numbers since they come from a quantitative background.

Recessions come and go, but American resilience and adaptation to change is a constant. Look for other trends in the coming months that will be the unintended consequences of the current economic and political climate. Business Brokers must apply their own set of survival skills and innovation to the changing political and economic landscape. Adapt your business methods to both survive and thrive despite the recession.

IBBA International Conference

Henry L. Hicks, CBI - Fellow of the IBBA



Don't miss it! In just six short weeks, the **IBBA Conference For Professional Development** will begin in Atlanta. At the Conference, you can choose between 26 courses and 33 workshops that are taught by Business Brokers from across the country. Their "real life" experiences will be invaluable tools to improve your practice – the instructors provide an exciting, fun and great learning opportunity!

The CBI and M&AMI professional designations are awarded to IBBA members who have satisfied the educational requirements, are experienced in the profession, have passed a qualifying exam and conform to the ethical standards of IBBA. You can earn over one-half of the credits needed for the **CBI (Certified Business Intermediary)** designation at the Atlanta Conference. Join other Business Brokers for Unparalleled Networking. Learn how to **Set Expectations for The Future Of Your Business** at the IBBA Conference. You can gain many new "tricks of the trade" through chit-chat with other Business Brokers in classes, on coffee breaks, during workshops and by mingling with the attendees at the receptions on Thursday evening and Friday evening.

Also, please keep Friday morning at 8:00 AM, June 12, 2009, reserved on you calendar. As hosts for the **IBBA Conference**, all GABB Members are encouraged to be present for the opening ceremonies and Keynote Speaker.

Set yourself apart from the competition. Join the 1,900 members of IBBA and earn your Professional Designation. View a video about membership in IBBA and learn more about the Conference at www.ibba.org.

THE LENDER MINUTE

BY: JACKIE HART, PARK AVENUE BANK

Changes! That's what you can expect from the SBA world right now!

As discussed at the meeting, SBA Stimulus Package has approved \$8.7 billion for the following:

90% Guaranty

1. 90% Guaranty for loans up to \$1,666,666.
2. Take into consideration any existing SBA Loans when figuring the 90% Guaranty.
3. Lenders are not allowed to cancel loans approved prior to February 17, 2009, and resubmit to get fee relief.

Fee Elimination

1. SBA loans approved on or after February 17, 2009, with a maturity of 12 months or longer.
2. **Eliminate** Guaranty fees on all 7(a) loans up to a loan amount of \$2,000,000. This could be a savings up to \$53,750 for the borrower.
3. The SBA eliminated Third Party Fees and the CDC Processing Fee on 504 Loans. On a loan amount of \$1,000,000, the savings would be around \$20,000.

Stay tuned, the SBA is currently working to unlock the Secondary Market so banks can sell their 7(a)/504 Loans! If they are successful, it may ultimately help SBA Lenders make new loans to borrowers.

Should you have any questions, please call me at 770-880-1032.

"GABB MILLION DOLLAR CLUB" CONGRATULATES:

TOP PRODUCER: *Jeff Merry.*

TOP FIVE: *Patricia McDonald, Nick Modares, Matt Slappey, James Welch.*

MULTI-MILLION DOLLAR MEMBERS: *C. David Chambless, Bina Cline, Van Watkins.*

MILLION DOLLAR MEMBERS: *Jay Fenello, Eric Gagnon, Charles Jay, Satwant Singh, Joseph Sofet, Hank Tanner.*

Meet A Business Broker Member “Up Close and Personal”

JOHN LUISZER

Business Broker

Metro Brokers/GMAC Real Estate | Cellphones: 239-699-5041 or 770-864-7880

GABB Associate Member Since 2008 | Business Broker Since 1999

How long have you been with the company?

About 1 year

What role do you play within your company?

Business Broker

What is the focus of your company, and how does it differentiate itself?

Serves all aspects of commercial, business and residential sales, with extensive educational courses for its agents.

What are your company's target markets?

Medical, manufacturing and information technology.

What led you to this line of work?

Strong business background, running a \$65 million plant for a Fortune 20 company.

What experience did you have in doing transactions before you became a broker?

Essentially none.

Have you always lived in Atlanta? If not, where else?

Lived in Connecticut for 20 years, and over 20 years on Sanibel Island.

Professional Affiliations

Atlanta Commercial Board of Realtors

Florida Real Estate License

IBBA

Metro Brokers/GMAC Certified Business Broker

Personal Affiliations

Rotary

Episcopal Church

Windward Yacht Club

All About You

We moved to Alpharetta from Sanibel over a year ago, when my wife Maureen accepted a promotion as Regional Director of Operations for a very large assisted living corporation. While in Florida, I was presented 2006 and 2007 Million Dollar Club awards, specializing in Specialty Contractors. I partner with Sandra Dohn at Metro Brokers/GMAC, and we have listed a diversity of industries. I especially enjoy weekends in a boat on Lake Windward with my wife and our 6-year-old Golden Retriever, Bogart. We are also fortunate to have Maureen's brother and a large family network, which gives us a strong rooting base for the New York Jets, Giants and Yankees.

Accomplishments

An MBA. Something that many people do not know and one that I generally do not share is - I am a member of my high school "Football Hall of Fame" as a linebacker.

MARY BETH TEDDER

Broker Member Representative & Customer Service

BUSINESSBROKER.NET

Direct: (770) 391-5056, or (877) 342-9786 (toll free)
GABB Affiliate Member Since 2008

How long have you been with the company?

Almost 2 years

What is the market focus of your firm: what does it do?

Oldest 'Business for Sale' advertising Website service.

What role do you play within your company?

I wear many "hats": All customer service, account setup, marketing and tradeshow representation—anything that has to do with Broker accounts.

What is the particular focus of your company, and how does it differentiate itself?

We have excellent "organic search" results in Google and Yahoo when searching "Businesses for Sale" (ranked in the top 3 results returned). We are the only company where customer service is a priority. You will actually receive a call back, by me personally.

What are your company's target markets?

Business brokerage and commercial real estate firms. Our redesigned website WILL be launched this month.

What led you to this line of work?

Interest in real estate and customer service.

Have you always lived in Atlanta? If not, where else?

I'm from Charlotte, NC and have been in Atlanta for 3 years.

Professional Affiliations

IBBA
GABB
Phi Beta Kappa
Licensed GA Real Estate Salesperson.

Personal Affiliations

Support animal rescue organizations.

All About You

My husband, Baron, and I are wine enthusiasts. Our hobby is winemaking (drinking ;-). Baron is a 25-year veteran of Apple Computer, Inc. We love to travel to Charleston (Isle of Palms), SC and the beach. We have recently adopted a Bichon from a rescue organization (where she was rescued from a puppy mill in Jackson County). Baron and I also own a townhome in Charlotte, where my Mom lives currently. We often travel to Charlotte to visit friends/family and enjoy the town very much. Our children together are our 3 dogs. Baron is a grandfather of 3 (I'm just related by marriage ;-)

Accomplishments

Graduating Cum Laude; being part of one of the first professional women sales teams within Digital Equipment Corporation; being a mentor/positive role model and having many good friends and close family ties.

Tips/Advice for GABB Members

Stay positive and do the 'right thing'. Karma is a very powerful force.

NEW MEMBER ORIENTATION

All New Members are required to attend the New Member Orientation on April 28th, beginning immediately following the regular GABB meeting. Various Committee Members will discuss important information about GABB By-Laws, Co-brokerage, the GABB Code of Ethics, Forms and other topics. Lunch will be provided - RSVP with J. Snypp at j@preferredbrokers.com, or **404-966-5989**, to order your lunch and materials.

THE FOLLOWING BUSINESS BROKERAGE REFERENCE GUIDES ARE STILL AVAILABLE FOR SALE:

“Complete Guide to Business Brokering”

Retail \$139 / Sale \$104

“Business Reference Guide”

Retail \$120 / Sale \$90

“Business Brokers Newsletter”

Retail \$125 / Sale \$93

“Resource Guide with CD”

Retail \$149 / Sale \$112

To take advantage of this opportunity to purchase an excellent resource, remember to bring your checkbook to the GABB Meeting on April 28th.

GABB SPRING CONFERENCE UPDATE

We want to thank you for your attendance and participation at the GABB Spring Conference, held on Friday, March 20th at the Metro Brokers/GMAC conference center. It was a great turnout, and many prospective members also attended to take advantage of the highly informational topics presented by many qualified professionals. We especially want to thank our sponsors for their contribution.

PLATINUM: The Blue Oak Group, LLC – John Harman

GOLD: The Cross Group/Merrill Lynch – David Cross
Winslett & DeFoor CPAs, PC – Greg DeFoor

SILVER: BusinessBroker.net – Mary Beth Tedder
Mozley, Finlayson & Loggins, LLP – Lawrence B. Domenico
Community West Bank – Carolyn Robinson

The GABB Fall Conference is being planned for OCTOBER -- Watch for details!

*Thank you,
Sponsors!*

☆☆☆ UPCOMING EVENTS ☆☆☆

April 23rd

6th Annual Dream House for Kids Golf Classic
 – Olde Atlanta Golf Club, Suwanee, GA
For information: www.dreamhouseforkids.org

April 28th

8:30 AM – GABB Board Meeting
 9:45 AM – Networking
 10:30 AM – Membership Meeting
 12:15 PM – New Member Orientation
 @ South Terraces – Lunch Provided

New Member Attendance Mandatory!!
RSVP with J. Snynn - j@preferredbrokers.com or 404-966-5989
 12:15 PM – Forms Committee Meeting

May 19th

7:00 PM - GABB "Million Dollar Club" Dinner

May 21st

5:30-7:30 PM – "Happy Hour"
 @ Westin Atlanta Perimeter North
 7 Concourse Parkway, Atlanta

May 22nd

9:00 AM – 4:00 PM - BBMS Training
 @ Metro Brokers/GMAC -North Fulton Office
 1580 Holcomb Bridge Road, #26, Roswell 30076

May 26th

8:30 AM – GABB Board Meeting
 9:45 AM – Networking
 10:30 AM – Membership Meeting
 12:15 PM – Forms Committee Meeting

June 8-13

IBBA-M&A Source Spring 2009
Joint Conference for Professional Development
 – Atlanta, GA
For information: www.ibba.org

June 30th

8:30 AM – GABB Board Meeting
 9:45 AM – Networking
 10:30 AM – Membership Meeting
 12:15 PM – Forms Committee Meeting

NEW MEMBERS

JOHN P. THRASHER
 Josey, Young & Brady
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 770-683-1800

MICHAEL FERRELL
 ConsultKAP, Inc.
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