

# GABB Today

Volume 105 Issue 2 Newsletter of the GA Association of Business Brokers February 2004

## from your President- Preparing a Privately Held Business for Sale

A business owner recently asked me to succinctly define what a privately held company and owner must do in order to prepare the business for sale. I segmented my response into major categories as follows:

**I) Financial:** Since all business sales are based upon a multiple of the cash flow (either EBITDA or Discretionary Cash Flow), the owner must have all of the financial records segregated and in good order. At a minimum, we would suggest having three years of financial statements and tax returns. If there are substantial differences between taxable income and book income (e.g. cash basis vs. accrual), those must be identified and explained. Culling out all significant discretionary expenditures along with isolating any unusual and non-recurring expenditures and losses will be important.

**II) Operations:** The Seller will want to identify all products and services provided by his (her) company and the specific markets served. In this

review, it will be important to define the strategic advantages enjoyed by the company in their respective niche as well as comparative gross profit margins for each product and service.

**III) Growth Opportunities:** While buyers will purchase a business at a price predicated on current and historical cash flows, the main impetus for the purchase will be the ability of the buyer to grow the business at a rate that exceeds the norm for similar opportunities. It is important for the Seller to visualize those growth possibilities and define them tangibly in terms of products extensions to current lines, existing products to new markets, better market penetration, wider geographical distribution and etc.

**IV) Management Structure:** In addition to transitioning the current customer base in an acquisition, the buyer will have concerns about the depth, breadth and ability of the current management team and their willingness to stay on board after

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### MEETING NOTICE:

Tuesday, February 24, 2004, 10:30 AM

The DeKalb BOARD OF REALTORS

1414 Montreal Road, Tucker 30084-8140

770 410-7582 ♦ [www.gabb.org](http://www.gabb.org)

### Speakers:

**Where is the Market heading for 2004?**

David Cross- Morgan Stanley

&

**SBA Teaser for Spring Conference SBA Panel**

Leigh Milton- Temecula Valley Bank

Carolyn Robinson- Goleta National Bank

Jenni Shover- Community South

Claudia Wilson- CIT

**From Your President (continued from page 1)**

the deal is consummated. The Seller should have an Organization Chart which defines the direct reports to the CEO along with their titles and responsibilities. Ideally, you would have a management profile available that gives a brief resume of each manager along with his salary history and longevity with the firm.

**V) Deal Structure:** The preponderance of transactions in the sale of privately held companies are handled as an asset sale (versus sale of stock). This type of sale will result in the buyer receiving a stepped up basis in the assets purchased (which generates future tax deductions) while concurrently avoiding unwanted contingent liabilities that result from a stock sale. The owner must sit down with his CPA and/or attorney and understand the tax implications of this transaction under each scenario so that he will not be surprised at closing or worse yet, when preparing his individual and corporate tax return. **Remember, its not what you get but what you keep that counts!**

**VI) Available Financing:** Most owners would prefer to be cashed out of the transaction at closing and do as little owner financing as possible. To a large degree, this will be dependent upon the basic cash flow add backs including net income, depreciation, interest and owner compensation. Most lending institutions whether SBA or conventional, will typically shun discretionary add backs falling outside these parameters. In aggregating these cash flow components, the financing companies will consider: required compensation of new owner, debt amortization period, debt coverage ratios and available collateral to determine the extent of financing offer.

As you can well see, there are plethora of items that must be addressed in the sale of any existing business. The more time spent in developing comprehensive answers to these questions and issues upfront will pay dividends in the end with an easier due diligence period as well as a smoother close.

It was great to see so many new faces at our January GABB meeting and I look forward to talking and working with each one of you.

*Pat Haskins*

A special thanks to  
Carolyn Robinson at Goleta National Bank  
For generously donating to the Holiday Party.

PLEASE WELCOME NEW MEMBERS

*Paula Charles*  
*Thomas Chialastri*  
*David Chambliss*  
*Julie White*  
*Keith Daniels*  
*Robert David Hendee*  
**Abraxas Business Services**  
Roswell, Ga.  
404-351-5144

*Melinda Hubbard*  
**The Hatteras Group**  
Atlanta, Ga.  
678-581-5662  
*John Kim*  
**Metro Brokers GMAC**  
Marietta, Ga.  
404-843-2500

**2004 Committee Chairs:**

Education: **Charles Jay**, 478-477-6272

BBMS: **Henry Hicks**, 770-569-8880

Forms: **Nick Nicholson**, 404-874-6262

Public Relations: **James Welch**, 404-843-2500

New Member Orientation:

**Jeff Merry**, 770-534-6630  
& **Hank Tanner**, 770-534-5868

Membership: **Gloria Hall**, 404-843-2500

Monthly Speakers: **David Still**, 770-962-8399

GABB Today: **Gina Carr**, Editor, 770-241-7246

Internet: **Kathryne Pusch**, 770-918-9390

Million Dollar Club:

**John Soublis**, 404-454-9630

Professional Standards:

**Catherine Bienert**, 770-977-7334

Golf Outing: **Jeff Merry**, 770-534-6630

Christmas Party: Open



**Register now**

***Spring Conference!***

**We hope you are planning to attend the**

***10th Annual GABB Spring Education Conference***  
**on March 5th and 6th.**

It is less than a month away! If you are still not convinced of this educational value, please take a look at the **new agenda that shows the CBIs, lenders, accountants, attorneys, and industry experts that have agreed to present each subject.**

<http://www.gabb.org/gabbconference2004.pdf>

We look forward to seeing you there. If you have any questions, please e-mail me.

Todd Morrell, Spring Conference Chairman  
[tmorrell@morrell-browning.com](mailto:tmorrell@morrell-browning.com)

**MILLION DOLLAR CLUB**

**for 2004 will be discussed at the February meeting.**

**Thanks,  
JOHN SOUBLIS**



Featuring  
Ken Hoganson

## 10th Annual Conference



**Friday Keynote Speaker:**  
**Mr. Ken Hoganson**  
IBBA Instructor

*"IBBA Course M&A"*

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**Conference Questions:**  
**Contact Todd Morrell**  
Spring Conference Chairman  
Phone: 770-316-5306  
or  
**Charles A. Jay**  
Education Chairman  
Phone: 478-477-6272

**Reception: Friday, March 5, 2004 6:30-8:30PM**  
Includes Hors D'oeuvre Buffet for Registrant & One Guest.

**Seminar: Saturday, March 6, 2004 7:30 AM– 5:00 PM**  
Includes Continental Breakfast, Seminar Materials & Luncheon.

Subjects will include:

- Agency Relationship
- The Internet
- Protecting Your Commission
- Buying and Selling Franchises
- Reading and Recasting Financial Statements
- Pricing the Business
- Legal Forms
- Understanding Deal Structure and Successfully Negotiating the Deal
- Performing Due Diligence

### Registration Form for Conference

**Name** \_\_\_\_\_

**Company** \_\_\_\_\_

**Address** \_\_\_\_\_

**City** \_\_\_\_\_ **State** \_\_\_\_\_ **Zip** \_\_\_\_\_

**Bus Phone:** \_\_\_\_\_

**Fax:** \_\_\_\_\_ **Alternate Phone:** \_\_\_\_\_

**Email:** \_\_\_\_\_

**Fee:**      **Saturday ONLY**      **Friday ONLY**      **Friday & Saturday**

**GABB Members:** \$155.00      \$155.00      \$290.00

**Non-Members:** \$170.00      \$170.00      \$320.00

- There will be a late registration fee of \$15.00 after March 3rd.
- An additional fee will be charged to receive CE credits.
- \$100.00 application fee for joining GABB will be waived for prospective members who attend the Spring conference.

### Make Checks Payable to GABB & Mail to:

DeFoor Services, Inc.  
Greg DeFoor - GABB Treasurer  
68 Austin Avenue  
Marietta, GA 30060



## 2004 DUES INVOICE

*DUE Now!*

**Current Members: Make Check Payable to GABB and Mail to:**

Georgia Association of Business Brokers  
C/O DeKalb Board of Realtors  
1414 Montreal Road  
Tucker GA 30084-8140

**COMPANY OR INDIVIDUAL ACTIVE MEMBERSHIP(Brokerage) : \$145.00**  
**ASSOCIATE MEMBER/AGENT OF ACTIVE MEMBER: \$125.00**  
**AFFILIATE(Non-Brokerage Support Profession) MEMBERSHIP: \$125.00**  
**AGENT OF AFFILIATE MEMBER: \$125.00**

*"I am eligible for renewal under the terms of the Attendance Requirements attached. Enclosed is my check number \_\_\_\_\_ in the amount of \_\_\_\_\_, which is payment in full for my 2004 membership dues."*

*"I am not eligible for renewal as I have not met the minimum Attendance Requirements. In addition to Dues, please find the \$100 Re-Application Fee. I understand the Membership Chairman may contact me for any additional information required to process my Membership Re-Application. Check # \_\_\_\_\_ and total amount \_\_\_\_\_ remitted."*

YOUR Name: \_\_\_\_\_

Active Member or Affiliate Member Company Name: \_\_\_\_\_

Product/Service if Affiliate (Support Profession) \_\_\_\_\_

Company Address: \_\_\_\_\_

Office Phone: \_\_\_\_\_ Fax Number: \_\_\_\_\_

Pager: \_\_\_\_\_ Cell: \_\_\_\_\_

E-mail Address: \_\_\_\_\_ Web Address: \_\_\_\_\_

Spouse's Name: \_\_\_\_\_ Home Phone: \_\_\_\_\_

Home Address: \_\_\_\_\_

*I am up-to-date in my GABB BBMS payments to BizMLS, a requirement of Active*

*(Brokerage) Membership" \_\_\_\_\_ Signed*

**NOT a member, but want to be?**

**Contact Gloria Hall, Membership Chair,**

**404.843.2500, TODAY for Application Package.**

<p><b>President:</b> <i>Patrick Harkins</i> 770-649-7666</p> <p><b>Vice President:</b> <i>David Still, CBI</i> 770-962-8399</p> <p><b>Secretary:</b> <i>Art Lenning</i> 678-852-6228</p> <p><b>Treasurer:</b> <i>Greg DeFoor</i> 678-581-5966</p> <p><b>Directors:</b> <i>Gloria Hall</i> <i>Henry Hicks, CBI</i> <i>John Soublis</i></p> <p><b>Past President:</b> <i>Kathryne Pusch, CBC</i> 770-918-9390</p>	<p><b>COMMITTEES:</b></p> <p><b>Education:</b> <i>Charles Jay, CBI, Chair</i> 478-477-6272</p> <p><b>BBMS:</b> <i>Henry Hicks, Chair</i> 770-569-8880</p> <p><b>GABB Forms:</b> <i>Nick Nicholson, CBI, Chair</i> 404-874-6262</p> <p><b>Membership:</b> <i>Gloria Hall, CBI</i> 770 491-3710</p> <p><b>New Member Orientation:</b> <i>Jeff Merry</i> 770-534-6630 <i>Hank Tanner</i> 770-534-5868</p> <p><b>Monthly Speakers:</b> <i>David Still</i> 770-962-8399</p>	<p><b>GABBMLS:</b> <i>Ken Stebbins</i> <i>Ariel Gonzalez</i> 866 881-7861</p> <p><b>GABB TODAY Newsletter:</b></p> <p><i>Gina Carr, Editor</i> 770-241-7246 gina@georgiabusinessgroup.com</p> <p><i>Kristy Farrell, Production</i> 770-760-7595 farre11s@yahoo.com</p> <p><b>Articles Due by the 5th</b></p> <p>Listings, Information, Members, and GABB Newsletter On-Line</p> <p><b>GABB Website: <a href="http://www.gabb.org">www.gabb.org</a></b></p>
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Tucker, Georgia 30084-8140