

INFORMATION

**THE CERTIFIED BUSINESS
 COUNSELOR**

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EDITOR'S COLUMN



Welcome to 2006!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!

Interesting marketplace right now, isn't it?

I don't know what you see, but here's what I am finding in my backyard and in my region:

- Private equity money of all kinds is available and hungry for good deals.
- Lots of corporate execs who have left the corp world or been downsized are looking for businesses to buy.
- Bob Ross' Brokers' Network Group web site (to which I and many other ICBC members subscribe) is seeing record activity.
- Lots of mid-market business owners have climbed out of the trough of post-April 2000 and post-9/11.

Some want to get out while the getting is good, some are getting greedy and want to hang on to their income.

- Lots of investors still licking their burned fingers from the tech melt-down are holding tight for really good deals and nothing else.
- Very few good companies to sell.
- Good companies sell fast; and for decent – but not obscene – multiples.

Sound familiar? I am hearing the same thing all over the country. There is momentum, there is optimism, there is caution and people's memories are longer than they were in the late, frothy 90s. I feel we will look back on this some day and call these good old times. It is a good time to be a professional and if we work together, I think we will all profit.

Make sure to see the announcement about our next Annual Meeting in warm southern California!

Onward,
 Michael Coates

If you need additional information or assistance or if you have any information or articles you would like to share, please submit them to:
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ICBC COMMITTEES

Listed below are the ICBC 2005-2006 committees. Committee chairs are in the process of selecting members for the year. If you are interested in supporting these committees, please feel free to contact the appropriate chairman.

2005 Conference

Chair, Mark Richardson

Education:

Chair, Michael Coates

Ethics & Standards:

Chair, David Finsterwald

Membership:

Co-Chairs, Bud Sandberg and Jim Palmer

Mentoring:

Chair, Charles Edmonds
All mentors are members

Planning:

Chair, K.C. Conrad
Ray Hanson

Executive Committee:

KC Conrad
Jeff Adam
David Finsterwald
Bob Ross
Bud Sandberg
Brian Wendler

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PRESIDENT'S MESSAGE

Now that we are into 2006, I want to talk about the past five years. For over two decades Wally Stabbert ran a great organization. As his health started to fail the organization started to have problems. I was not sure if there was a future for ICBC when I went to the annual conference in Las Vegas in 2001. We were in disarray and the membership was falling and there was the bitter vote on whether to merge into ASA. We had gone through four or five presidents in less than two years. Two-thirds of the membership voted to try to rebuild ICBC. This was a job that required a lot of time from many members.

Charles Edmonds assumed the presidency mid-way of his term as first vice-president and did a good job of starting the rebuilding of stability over the next eighteen months. Ray Hansen worked to complete more programs we were working on during his term as president. KC Conrad refined our position and made my life easier when I became president last November. Good leadership has been the key to our growth and stability. We all owe these past presidents a lot of gratitude for their efforts. The board of directors during this time period keyed their success.

We were \$50,000 in debt in 2001 and we were able to repay Wally in full by the end of Ray Hansen's term. The organization is now financially sound. Mary Ann Gray has been a great addition to the organization as the administrator.

One of the keys to our growth has been the great annual conferences we have had during this period. Starting with Boston, then Scottsdale, Chicago, and San Antonio we have become the premier conference in our industry. We have the conference set for the next three years. Mark Richardson is making great headway for the 2006 conference in Orange County, CA. Drew Smith is working on Annapolis/Baltimore for 2007 and Doug Robbins will chair the conference in Hamilton, Ontario, Canada in 2008.

Membership is growing each year. Great leadership and great membership have made this possible. Wally it is my pleasure to continue the great work you started and have devoted so much of your life toward its success. Let's continue to work to grow ICBC.

Bob Ross, MCBC, BCB, CBB
Fuller-Ross Group/Fuller-Ross Advertising,
Inc./ICBC President



**ANNUAL ICBC CONFERENCE
SEPTEMBER 27-30, 2006**

Save the Date!

The Institute of Certified Business Counselors is pleased to announce its

2006 Annual Conference

September 27-30, 2006

Radisson Hotel Newport Beach, Newport Beach, CA

If you are interested in:

- building your professional practice
- learning new ways to help your clients and
- networking with experienced business advisors then:

You can't miss this most informative conference

Call 877-282-7146 Today to Register

A special hotel room rate of \$119 is available by calling 949-833-5070.
(Code ICBC)

Limited Sponsorship opportunities are still available.
Call Mark Richardson at 877-282-7146 or email mark@jmrichardson.com

ICBC Members

We are pleased to provide ICBC members with a copy of the organization's January newsletter.

Comments or suggestions for future newsletters should be submitted to the editor. Volunteers to author articles for the newsletter are always encouraged.

Have a happy and prosperous month.

Michael Coates, Newsletter Editor

LESSONS LEARNED WHILE TEACHING

BY KIRK RELFORD

Recently I was asked by a representative of the Colorado State Association of Property Managers to conduct a seminar about helping Property Managers understand the value of their own businesses and the process of selling them. Always on the lookout for an opportunity to gather new leads I eagerly accepted. I have also learned over the years that the best way to learn more about something is to teach it, and goodness knows, I can always learn more about valuing a business. Little did I realize, however, that I would learn more about my method of earning a living than I ever expected.

The first thing I decided to do was to seek a better understanding of my mission and to develop a lesson plan. After gathering what I could from the Association, I set to work preparing my outline for the seminar. After all, how tough could it be, valuing and selling businesses is what I do for a living isn't it? I've had countless classes on the subject, having completed all of the required courses for the CBI designation, and attended all of the Colorado real estate courses over the years, first to become licensed, and second to remain licensed. I thought it would be simple.

But of course, the plans of mice and men . . . After reviewing my material on the subject I quickly realized that presenting a program on valuing and selling a business couldn't be done in an hour and one-half. Such a program, remember I'm talking about what I do for a living here, would require several days or even a week. Some of my own courses had been for an entire day or two and that was just to learn about taxation, or recasting a profit and loss statement, or the various methods of evaluating a business. How could I summarize everything these very professional people would want to know in only an hour or more?

So I went back to the person who invited me to speak and I asked her if she could break it down for me a little more specifically. What would these people *really* want to talk about it and learn more about? After just a few minutes she and I concluded that it essentially would come down to just two key questions, and after further thought, I realized that it probably always does for most business owners. In fact, somewhere in the first few minutes of almost every telephone conversation or face-to-face meeting these questions are the ones I'm asked. First, what is the value of my business and second, how do you sell it? It can be expressed in a variety of ways, and hopefully, I've done a good job of establishing a relationship before these questions are asked, but somewhere, somehow they are going to be asked of me by every single seller, and how I answer them are going to be among the keys of whether or not I'm going to gain their confidence and get their listing.

The seller may eventually want to learn more about the *process* of evaluation and the *process* of marketing, but initially what he or she wants to know is how much and how soon? Tell me how much my business is worth and how you are going to sell it as

soon as possible. So, of course, in response to their request, I set out to complete a broker's opinion of value, normally on a relatively short work sheet and computer program that our company has established and I have modified for the purpose and after a few days I return to the buyer with my answers. Here is what I think your business is worth and here is how I'm going to sell it, and with that I provide a thick packet of examples of our web site, our internet advertising, our printed advertising locations and sample ads, summaries of our current listings, references to our data base of buyers, and a complete list of businesses we have sold in the past. I talk about our brokers, our offices, and our education and training. I list our professional affiliations, and I provide a long list of recent references. During the few days interlude I usually visit the company work site, I check their Internet presence, their yellow page ad, and anything I can find out about the owner. I check the industry patterns, the surrounding community, and I look at comparative sales.

In essence I use my experience and my resources over several days or even a week to prepare a valuation that is given freely to the seller and I then explain the existing systems of our company that will enable us to market the business. Now, of course, if I get the listing and the company does sell, I get paid. But if my valuation is too low for the seller or if my competitor was better looking, (they couldn't be more qualified), or if the seller never intended to sell in the first place but merely wanted to know the value of his business, or the business doesn't sell because of a changing economy or my excitement over a new listing is not matched by the reality of its value to any potential buyer, I do not get paid. And since I do not get paid much more often that I do get paid, it seems that I am compelled to charge a much higher commission than the work merits, simply so that the ones that sell can pay for all of those that do not. That does not make sense and it does not seem fair.

So what does seem fairer? I think I heard it at our last conference in San Antonio. I think a cost plus system with a success fee, or selecting a third party to conduct the valuation and charging the seller for the assessment and include a fee for me as part of the cost, or simply charging for my own valuations, anything to create and increase a fee system and reduce the commission system. It's more fair for me, it's more fair to the successful seller, and it's even more fair to the unsuccessful seller for he or she now has something of value to use for business planning, to present to their bankers, or even for arguments with another broker. I don't know what the perfect or the right fee based system is yet, but I'm learning, and by our next conference I hope to have something to report.

Kirk D. Relford, CBC
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8 New Year's Resolutions To Make Your Dreams Come True

Have you ever thought of making New Year's Resolutions for your business exit strategy? Often we just make resolutions to lose weight, or spend more time with the family, or make more time slots in our schedules to play golf – but how often do we plan a strategy well in advance in our business to make our personal dreams a reality? If you plan to exit from your business:

PLAN 3 TO 5 YEARS IN ADVANCE. Selling a business is a process, not an event. The fastest transaction I have ever been involved in was only three and a half days of negotiations. However, there were six weeks of prep time before we entered negotiations and closing took three and one half months. Many times tax structuring can take one to two years to devise and implement.

CONSULT YOUR ACCOUNTANT TO REVIEW YOUR TAX STRUCTURE. Most sellers have not thought about the various opportunities available to them to save or defer taxes when they sell their business. Take advantage of spousal capital gains exemptions, and perhaps even that of your children, by using a family trust.

RETAIN A KNOWLEDGEABLE TRANSACTION ATTORNEY. Business law can be complex and diverse and few lawyers are specialized in commercial law as it relates to the sale of a business. Ensure that your corporate minute books are up-to-date; that all legal documents such as leases, employment contracts; shareholder agreements, supply contracts, license agreements, distribution agreements, and all other legal documents are in order and readily available for inspection.

RETAIN A COMPETENT INTERMEDIARY. Have the intermediary work with your accountant and other specialists to evaluate your business and develop an accurate “offering document” to have available for qualified purchasers. All purchasers should be qualified from the 3M perspective (Money, Management and Motivation) and your intermediary should be familiar with taking your business to market using a NAP program (no asking price). Your intermediary should research the market to identify both strategic and synergistic buyers. Also, your intermediary should free you from most of the responsibilities surrounding the sale, allowing you the time to focus on the continued operation of your business.

COMPLETE DUE DILIGENCE ON YOUR COMPANY as if you were a purchaser, or better still, have your intermediary conduct due diligence for you. The due diligence should not only be to review the accuracy of the offering document, but it should show the results of research that will support the future prospects of the Company's revenue and profitability. Always include a profit and loss projection for three years that is fully supported by historical results and the research for future opportunities.

IDENTIFY IMPEDIMENTS OR OBSTACLES that could hamper or prevent the sale of your business and take the appropriate corrective action. Such things as environmental issues, compliance with laws, rules or regulations can seriously affect the value of your business.

HAVE YOUR BUSINESS EVALUATED. You need to have a realistic view of the range of values that your business will have to prospective purchasers. Be aware that the value of the business will change based on the type of buyer. Using a current evaluation, your intermediary, accountant and lawyer will have the flexibility to work together as a team to structure your transaction.

OPERATE YOUR BUSINESS AS THOUGH IT WAS NOT FOR SALE. The sale of the business can often times be a long arduous process, taking between 12 and 36 months. The timing of the sale can depend on the type of business, the economy, political stability, acts of terrorism, Acts of God, and so on. If you take your eyes off the business in order to focus on the sale, you stand to lose business opportunities, revenues and profitability – thereby, reducing the ultimate value you will receive for the business.

Remember to commit to New Year's Resolutions for your business, as well as your personal life, to make your dreams come true.



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**ICBC CONFERENCE 2005
LIMERICKS**

In keeping with ICBC history, conference attendees were challenged to create a limerick for presentation at the conference in San Antonio. Below are just a few of those created by talented ICBC members.

- ◆ The ICBC held a meeting in Texas attended prominently by Doug and several Robbinex'es, with the transfer of knowledge it was almost like college and I can't wait to find out where the nex' is.
- ◆ There once was a man named KC favored with vision was he, and when KC said yes this organization was blessed and that's how this year came to be!
- ◆ A fellow who was quite a joker, soon became a business Broker, man, he wheeled and he dealed, became quite good in his field, and thought it was a lot like playing poker.

◆ **Ode to Terry Wright**

There once was name Terry who always filled our hearts with merry. But one day he forgot what note he was at so he hummed a tune he could not carry.

- ◆ When I left home I said to my honey I'm still looking for ways to make money so I'm stopping in Texas to learn from the best where the're serious but still a bit funny
- ◆ As I look around here down in Tex for the signs of our neighbors in Mex a new trend has appeared they all seem quite endeared half this group now is called Robbinex.

ICBC Membership Rates

At the Board Meeting held during the 2005 Annual Conference, the ICBC Board of Directors approved a revision in the membership rates. The primary change allows for offices that have more than one qualifying employee/agent at the same location. If you have any questions, feel free to contact the ICBC office.

Annual membership dues	\$325
Annual fee for CBC designation	\$ 25
Retired annual membership dues	\$100
Multi-office employee/agent dues structure:	
Two memberships within one office	\$549
Additional charge per member (above first 2 members) from the same office	\$250 each
Annual fee for each CBC designation	\$ 25 per member