

FEBRUARY 12, 2009

NEXT WEEK:

The **next meeting** of the Tri-Valley Executives' Association will be held on **February 19** at Vic's All-Star Kitchen at 7:00am.

You will be GREETED by **Darlene Crane-Peel** of Residential Pacific Mortgage and **Dave Jones** of Tiger Carpet Cleaning.

Dave Jones of Tiger Carpet Cleaning will be giving his CLASSIFICATION.

MEMBERSHIP PROPOSAL:

1st Posting:

Classification: Communications – Phones & Cabling

Proposed firm: Westward Communications

Represented by: Gary Ward

Address: 2382 Bluebell Dr. Livermore

Phone: 606-8227, Fax: 606-7285

E-mail: jonayward@earthlink.net

Proposed by: Manny Martin

If you have any comments, questions or objections, please call Mike Peel or Manny Martin on the Membership Committee.

DID YOU GIVE A REFERRAL THIS WEEK?

ELECTIONS:

Thank you to Dan Brown of Onstad's Insurance, Mark VanSlambrook of The Swenson Group and Dave Silva of Silmar Flooring for volunteering to be on the Board!

Start thinking of whom you'd like to vote for as Executive of the Year... elections are in March.

CLASSIFICATION:

Ron Johnson was born and raised in southern California. He has been married for over 40 years and has 3 sons.

Out of high school he started working for Pacific Bell and was soon drafted into the Army to serve during the Viet Nam War. His service allowed him to go to college and get his degree from Long Beach State. He went back to work for PacBell where he stayed for 27 years, just long enough to take early retirement.

He searched for 6 months for a business to purchase and found nothing that appealed to him. The business broker that he was working with suggested that he work with him selling businesses while he was searching for a business that suited him. He became a business broker in 1991 and bought the business in 1995.

Businesses are sold for many reasons including owner retiring, burnout, health issues, relocation, or disputes of partners, among others. Buyers look for a reasonable price, provable financial records, fixed assets, training, leverage and terms, a good lease, non-compete covenant and a good reason for the business to be sold. The best time to sell a business is when it is doing well.

A business' worth depends is determined by the seller's discretionary cash flow (SDE), but also depends on the perspective of each individual buyer. Typically, the business is listed for a price that is roughly three times the SDE.

The basic value is determined by the current value of fixed assets, earnings trends, factors

that impact future earnings, competition, location, industry and the economy. In final analysis, the price must pass the “sanity test”: must cover debt service, must provide reasonable income for the buyer and must allow for working capital fluctuations.

The actual value of a business is determined by an analysis that takes 5-10 hours and is done using the Income approach and the Market approach.

Financing always includes buyer’s cash, typically 20-50%, which may include a home equity loan. Seller financing of at least 10% is common. In past years 80% of a business purchase could be financed through the Small Business Administration. With current market conditions, the SBA now wants 50-60% down and the buyer must have industry experience.

The environment has changed versus two years ago. Where Ron would look through his book of 40 listings on average and have to pull out one because they have closed their doors, this past year he had to pull out 6 who closed rather than sell.

As a part of the “Economic Stimulus Package” the SBA will raise its maximum loan amount from \$2 million to \$3 million and will be waiving the loan fee.

ABI Business Sales has three tiers to their business: Main Stream (usually capped around \$2MM), M&A (\$3MM-50MM), and Investment Banking (usually \$100MM and up).

Ron Johnson is a certified business intermediary (CBI) and a mergers and acquisitions master intermediary (M&AMI) as well as a fellow of the IBBA. He

specializes in business appraisals and selling preferred, diamond-certified businesses.

If you know of someone thinking of buying or selling a business, or to find out more about the market for your business, call Ron at 838-8150 for a confidential consultation.

MEMBERSHIP:

We all know someone that could benefit from being a member of the Execs, now more than ever!

Here are some ideas of open Classifications:

Housekeeper	Limo Service
Roofer	Dermatologist
Photographer	Pool Service
Pest Control	Architect
Handyman	Caterer
Candy Maker	Graphic Artist
Baker	Gutter Cleaning
Party Rentals	Window Cleaning
Wine & Spirits	Distributor

Remember: more members = more leads = more money for us all!
