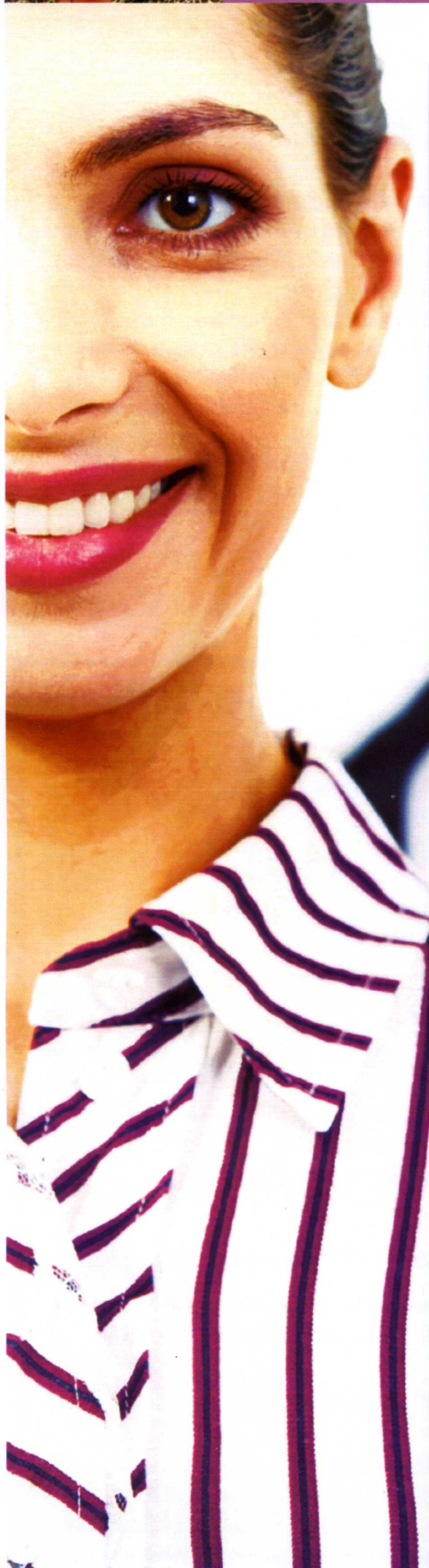


RAISING CAPITAL



Penny Hulbert, Principal of Links Financial LLC, a financial intermediary firm (www.links-financial.com), is 2010 chairman of the ACG Florida Capital Connection. In a professional career of more than 20 years, Hulbert has worked for premier firms in the financial services industry, focusing on debt financing, financial management/consulting, project and process management, team and leadership development and problem loan resolution.

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A Financial Intermediary YOUR COMPANY'S NEW

BFF

As the tight economy continues to pose challenges to growth, many business owners are realizing they need help finding and accessing capital. And increasingly, business owners are looking to financial intermediaries to bridge the gap for them.

But what really is a financial intermediary? The classic definition was an institution that acts as the middleman between investors and firms raising funds, such as a chartered banks, insurance companies, investment dealers or mutual funds. The problem with this definition is that these institutions are, for the most part, the organizations with the money – rather than the middlemen.

Today's definition is somewhat broader, referring to the financial intermediary simply as someone who serves as a middleman, bringing together capital and deals – exactly what most business owners are looking for.

Value provided by the financial intermediary

The financial intermediary's role is evolving and can adapt to the business owner's needs. Timing is an interesting factor, as well; when cash was plentiful, it was much easier to get a banker's attention directly. Now the situation is entirely different.

In today's climate, it's likely that companies will need someone to open doors and create a more compelling reason for the financial institution to consider them as a client. For example, we've seen business owners who had identified an appropriate lender, but just didn't know which person to approach. The financial intermediary who understands the industry may know exactly the person to speak with – and this can make all the difference.

In another case, we worked with a small manufacturer who was doing well and growing fast, but needed additional capital to support growth. Their existing bank didn't want to increase its exposure, so we identified an asset-based lender to handle their receivable collections on an outsourced basis. The result has been more robust receivable collection, providing more cash for growth. Everyone is happy, including their original lender.

Sometimes a business owner wanting to sell the business may first try to "go it alone." This is understandable, because owners often know the most likely buyers. The challenge comes in presenting the company's story in the most favorable way and negotiating the best terms in the most timely way. Yes, there is a fee, but if the intermediary can create additional value in the transaction and make the process easier and smoother while still netting more for the seller, isn't that worth the percentage paid for the service?

However, the intermediary's value proposition is not limited to the business owner. Private equity firms typically don't have the staff or the marketing budget to go directly to prospective clients and rely instead on investment bankers and financial intermediaries to introduce them to deals. In today's economy, smaller intermediaries are becoming even more important, as their client relationships offer them (and the private equity firm) access to deals that haven't been overshadowed to the marketplace.

How the process works

The first consideration is who is most likely to benefit from working with a financial intermediary. Rather than this being a function of industry or size, the factors are more qualitative. The first group of likely candidates includes business owners who don't have the time or inclination to "do deals" themselves. The second is owners who just aren't skilled in negotiation.

Next, companies must know how to identify the right financial intermediary. Typically, referrals are the best source of leads – whether from another business owner, an attorney, accountant or even banker.

Another consideration relates to the types of financial intermediaries that are focused on particular market segments. In a more difficult

economy, some investment banks "go downmarket" to include smaller businesses in their marketing strategies. Unfortunately, when the economy corrects itself, these organizations will go back upstream, leaving smaller and mid-sized businesses without access to the capital they had hoped for.

The final step is selection – analyzing the intermediary's track record of experience and results, and deciding how comfortable the relationship feels. However, this isn't a one-way process. The intermediary is conducting a similar evaluative process, because his/her credibility is on the line each time a deal is proposed.

Gaining additional access

One way to get to know the right people is to attend the 2010 Florida Capital Connection, sponsored by the Florida Chapters of the Association for Corporate Growth. Held at the Renaissance Vinoy Nov. 16 and 17, this year's Capital Connection will be the largest in Florida history, attracting 750 financial intermediaries, investment bankers, private equity professionals, corporate executives and professional advisors. If the saying is correct that "you can't win if you're not in the game," business owners looking for financing should find this the best game in town.

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