

WHERE THE MONEY IS

SPECIAL REPORT

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Oken



Eitler



Boland



Spaulding



Hulbert



Connery

Working around a recession

BY MARGARET CASHILL
STAFF WRITER

While investors wait for the economic skies to clear, they are strategizing and rethinking their approach. The market will be slow for a while, agreed the participants of a TBBJ roundtable discussion April 16.

For these local businesspeople, all members of the Association for Corporate Growth - Tampa Bay, the question becomes: How long will the recession last and what can be done in the meantime?

Expect at least three more months of tight credit, said Bryan Spaulding, owner of securities broker dealer Stock Sale Compliance LLC and the Spaulding Group, a Florida real estate regulated company, as well as the president-elect of ACG Tampa Bay.

"There is an air of uncertainty out there," said Spaulding. "When some of the governmental issues are resolved then I think people will be more willing to lend."

Economic improvement may not come until next year, said Mike Eitler, a partner with Tatum LLC, an executive services, consulting and search firm. Still, Eitler has observed "pockets of private money" from investors who are looking beyond traditional vehicles of investment. In several acquisitions, individuals have stepped in and taken

a role traditionally assumed by the bank. "Maybe they didn't like returns on bonds. They are willing to accept more risk if they understand the deal," Eitler said.

"It's a heck of a time to be an active lender," said Glenn Oken, a partner with Mangrove Equity Partners LLC, which acquires profitable, private businesses around the country.

Those who once found success building large banks are now pursuing their own investing. "Whereas they may have been more diverse in the past, right now they are focusing on taking advantage of the opportunity as active lenders," Oken said.

No matter what the climate, the motivation behind many transactions is human and they cannot be put on hold, said Oken. "Some of these things just don't wait. There are folks whose life circumstances make waiting less attractive and they will pursue a transaction now."

BRIDGING THE GAP

Recovery may be even further ahead still, more in the range of 12 to 18 months, said John Connery, a shareholder in the corporate and tax group at Hill Ward Henderson PA.

With resolution uncertain, the challenge becomes finding a way to bridge the gap.

Investors may be well served to take advantage of the current low interest rates, Connery said.

"Deals are still getting done. It's a different kind of buyer, different kind of deal," he said. "I think people will make a lot of money during these times because if you have money there are tremendous opportunities."

For businesses trying to get financing, the restrictions, covenants and due diligence processes imposed by financial institutions are especially stringent, said Penny Hulbert, president of ACG Tampa Bay and president of financial consulting firm Links Financial LLC.

Not every business gets financing from a commercial bank. A number of people obtain financing from asset-based lenders, although a lot of the asset-based lenders have exited the market, she said.

The bottom line, said Hulbert: "If you don't have to go to debt markets right now, don't."

A LESSON LEARNED

It will take a lot of planning and an aggressive approach, but companies should trim as many excess expenses and get as lean as possible in the downtime. They can take advantage of future growth op-

portunities by taking market share now, said Oken.

"We should be generating cash off of the balance sheet as your inventory shrinks," he said. "As your receivables shrink, you should be able to generate some cash."

It means doing more with less, right-sizing payables and receivables, creating working capital and strengthening the balance sheet. Bringing liquidity in will allow a company to position itself for growth when opportunity comes along, Eitler said.

"If you can't grow today, you can be working on bringing yourself the ability to grow when it's right," Eitler said.

Job growth is not coming from the multibillion-dollar corporations as much as it is the smaller, entrepreneurial, little market companies, said Spaulding.

The smaller companies also provide a platform that is hard to penetrate, said Eitler. The distributors, manufacturers, warehousing operations, call centers and construction companies strengthen the Tampa Bay community.

"It keeps you from falling too far when times are tough," said Eitler.

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Opportunities exist in Tampa Bay if you look, ACG members say

BY MARGARET CASHILL
STAFF WRITER

From the entrepreneurial ventures of displaced executives to investment from overseas, there's economic energy in Tampa Bay. Though harder to find, opportunities still exist in the region, said the members of the Association for Corporate Growth - Tampa Bay.

Penny Hulbert, Links Financial LLC: There are a lot of folks in corporate America who will be displaced. As people reassess, looking to do something more entrepreneurial, [we] will see increase in that activity, people looking at other options. A number of people have approached me about finding an opportunity.

Suzie Boland, RFB Communications Group: [I am] involved with the STARTEC Accelerator, and they are seeing a lot of interest on the part of first-time entrepreneurs as well as serial entrepreneurs having moved from corporate management positions into something that will lead them into a new career.

Glenn Oken, Mangrove Equity Partners LLC: The types of players that are still active [in lending] are different. We are not seeing any active cash flow-oriented, one-stop lenders that we used to use. We are closing deals using debt

partners who are mezzanine lenders and folks who are asset-based lenders as opposed to pure cash lenders.

'I am
to see deals at

again.'

Bryan Spaulding, John Connery Stock Sale Compliance LLC/The Spaulding Group: In the mergers and acquisitions area, oft times the seller is playing banker — now more in the middle market than before.

John Connery, Hill Ward Henderson PA: For a while the pipeline wasn't as full as it was a couple of years ago, but I am starting to see deals at different stages again. Deals at term sheet level, deals that are getting

closed, deals that we're talking about.

Hulbert: We used to make jokes [about] syndicated deals getting done or club deals where a group of banks would come together. ... We used to call them "Covenant Lite" because they had no types of covenant restrictions. Maybe the pendulum had swung too far one way, but now the pendulum has swung so far the other way. ... At the end of the day the way that financial institutions make money is by lending money. Eventually the pendulum will swing back.

'Eventually, the

will swing

Penny Hulbert
President
Links Financial LLC

Mike Eitler, Tatum LLC: I was surprised how many little companies exist here that you run into. We may not have the sizzle and pop of a lot of other cities, but I believe that the business community provides a platform for the standard of living you enjoy personally.

Spaulding: That is where the job growth is coming from. It is not coming from the multibillion-dollar corporations as much as it is the smaller, entrepreneurial, little-market companies.

Eitler: There is no shame in positioning yourself to be opportunistic. If it's not today, it will be tomorrow. Work on your business. Acquire talent that has been displaced. Buy functions that might be out there. Work on your balance sheet. Put yourself in the position to be successful tomorrow when it does make sense to you, when it is comfortable, when it is the right time.

Hulbert: Here in Florida we will continue to benefit from foreign investment. You look at this market, we have a lot of Canadians, folks through Latin America. When you look at foreign investment opportunities for folks wanting to come into the U.S., or buy a business in the U.S., we will continue to see that.

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