

SMALL BUSINESSES MATTERS & SOME OF YOUR AVAILABLE RESOURCES

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SBA REPORTS THE FOLLOWING
ABOUT SMALL BUSINESS FIRMS

SMALL BUSINESSES CONSTITUTE (MAKE UP):

- 99.7% of U.S. employer firms,
- 48.5% of private-sector employment,
- 46 percent of private-sector output,
- 37% of high-tech employment,
- 98% of firms exporting goods, and
- 33% of exporting value.

Source: U. S. Census Bureau, Statistics of U.S. Businesses, Current Population Survey, International Trade Association, Bureau of Labor Statistics, Business Employment Dynamics, Advocacy-funded research, Small Business GDP, Update 2002 – 2010, www.sa.gov/advocacy/7540/42371

ACCORDING TO THE SBA'S MOST RECENT FIGURES:

- **Since the end of the recession (mid-2009 to mid-2013), small firms accounted for 60% of net new jobs.**
 - **Small firms in the 20 – 499 employee category led job creation.**
 - **In 2011, there were 28.2 million small businesses (20–499 employees) and 17,700 firms with 500 employees or more in the U.S.**
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SEC GOVERNMENT-BUSINESS FORUM ON SMALL BUSINESS CAPITAL FORMATION

In his opening remarks on the importance of small businesses at the SEC Forum, September 24, 2007, then SEC Chairman Christopher Cox Commented:

- “Innovative smaller firms produce 13 times more patents per employee than large firms.”
- “Small business employs over 40% of all the high-tech workers in the United States, and seems always to get more bang for the buck.”
- The March 2014 SBA Advocacy posting reflects that of high patenting firms (15 or more patents in a four-year period), small businesses produced 16 times more patents per employee than large patenting firms.

CHARACTERISTICS OF AN ENTREPRENEUR

- Entrepreneurs tend to be highly motivated individuals who are willing to make tough decisions.
 - Owners relish making the decisions, structuring operations to reflect their management style and philosophies.
 - Successful entrepreneurs operate and grow companies by establishing an effective work environment for employees.
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WHAT ARE THE BENEFITS OF OWNING A COMPANY

The Federal Reserve provided the most definitive answer to that question in a 2007 Survey of Consumer Finances the Federal Reserve released in June of 2009.

- The average net worth of American families headed by a person that is an employee of a firm (i.e. not a business owner) was \$352,000.
 - The average net worth of American families headed by a self-employed person was \$1.96 million.
 - Owners, by growing their businesses, tend increase earnings, build equity and enhance the value of their companies.
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KEY FACTORS IN STRUCTURING A SUCCESSFUL SUCCESSFUL TRANSACTION & TRANSITION

Questions on this topic were addressed July 11, 2007 by
William V. Glastris, Founding Partner of Prospect Partners, LLC
& others at a full day “M&A Broker” Presentation for the
Division of Market Regulation staff of the
Securities and Exchange Commission
& Members Of the Finders Project Group of the
North American Securities Administrators Association



BILL GLASTRIS SAID HIS ADVICE TO OWNERS WHO HAD NOT YET ENGAGED A BROKER'S SERVICES WAS CONSISTENTLY:

- Hire an M&A Broker to educate you on the transaction process, what difficulties may arise on the road to a closing table, and to assist you in avoiding or working through those potential road blocks.
 - Your accountant will also play an essential role in working with your M&A Broker on the financials, especially during the due diligence process. An experienced Transaction Attorney is another key support team player.
 - The Seller's having an experienced Broker participating in the process not only saves time, it substantially enhances the probability of successfully closing .
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YOUR RESOURCES - PROFESSIONAL ASSOCIATIONS

Brokers focused on providing truly professional services often belong to the following Professional Associations:

- MBBI – Midwest Business Brokers Association, www.mbbi.org
- IBBA – International Business Brokers Association, www.ibba.org
 - ❖ IBBA website includes Affiliates throughout the United States
- M&A Source, www.masource.org
- AM&AA, Alliance of M&A Advisors, www.amaaonline.com

Members post Acquisition Opportunities on most of these sites.

OUR INDUSTRY “CAMPAIGN FOR CLARITY”

- ✓ Most small to medium sized transactions cannot support the cost of representation by licensed broker dealers, whose compliance costs are sizeable.
 - ✓ IBBA’s efforts to provide a level playing field for Owners of small to medium size businesses date back to 2003 (in my files).
 - ✓ IBBA’s first major stepping stone on this industry journey was the CBI (Country Business Inc.) No Action Letter from the SEC in November 2006.
 - ✓ As mentioned earlier, industry Leaders met with SEC and NASAA Representatives in 2007.
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OUR INDUSTRY'S MORE RECENT RESULTS INCLUDE

- SEC M&A Broker No Action Letter 2014
 - Unanimous passage of H.R. 2274, The Small Business Mergers, Acquisitions, Sales and Brokerage Simplification Act of 2014.
 - The Senate's companion bill S 2274 was not brought to a vote.
 - In May 2015 NASAA sent a letter to the House and the Senate approving current clarified 2015 bills which are pending in the House and the Senate. Those Bills are H.R. 686 and S1010
 - NASAA Adopted a Model Rule for M&A Brokers September 29, 2015 which needs to be enacted into law in all states and to a large extent mirrors HR 686 and S1010.
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YOUR HELP IS NEEDED TO IMPACT & FACILITATE YOUR CURRENT & FUTURE TRANSACTIONS!

- **Contact your Representatives in Congress to support and pass HR 686 and S1010!**
- **Contact your State Legislative Representatives for their support in enacting the NASAA Model Rule!**
- **For Additional Information on this issues involved, please send your request to: Linda J. Purcell**
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