



CONNECTIONS

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Summer 2001

LONG-TERM CARE INSURANCE AND YOU

By **FRANCINE SMITH • Insurance Consultant**

The cost of long-term health care concerns many Americans. As people get older, the risk of chronic, lengthy illnesses increases. At the same time, health care costs are outpacing inflation and steadily rising.

Moreover, chances are relatively high that a situation involving long-term care will affect you or your spouse. Thirty-six percent of 65-year-old men and 50% of 65-year-old women eventually need long-term care services, and one-third of individuals entering a nursing home will stay at least 2.9 years.

Faced with the probability of needing long-term care, you should be aware of the costs involved. A nursing home stay in the United States currently averages \$55,000 per year; in some large metropolitan areas, the cost can top \$100,000. And public assistance programs, such as Medicare and Medicaid, strictly limit benefits for long-term care.

But there is good news: insurers now offer long-term care insurance to help protect you and your family.

Deciding to purchase long-term care insurance is an important step.

Did you know 40 percent of those needing long-term care are working-age adults, and that once your health begins to fail or you suffer a debilitating accident, you may no longer qualify for coverage? Also, because premiums are based on your age at the time you apply for coverage, the younger you are when you buy, the lower your premiums will be for life.

Bottom line: long-term care will affect many of us. Researching your options early will give you the time and information necessary to make the best decisions for you and your family. The insurance specialists in SBRN stand ready to help.

Francine Smith is a long-term care insurance specialist with National Health Administrators. She can be reached at (904) 221-8061 or Insure-Ltc@juno.com

Dear Reader,

We've just begun a new, exciting chapter in the life of Jacksonville.



At the beginning of 2001, we began a \$2.2 billion remodeling of our city. That's about twice as much as was spent building EPCOT. The money from the Better Jacksonville Plan promises to fund new libraries and sports arenas. We'll see more orange barricades and off-duty officers than we care to see as new roads are built and more utility lines are buried. But remember, all that work means more jobs for construction workers . . . and they need materials . . . and their equipment needs repairing . . . and those workers need to eat . . . and have their laundry done . . . and most of those needs will be met by our small businesses.

That's who we are and whom we support. We make our city run. Sure, we're all thrilled when a major announcement is made about a new employer locating here, resulting in hundreds of new jobs. What's even more stimulating are the opportunities our small businesses have in providing goods and services to that new employer. And all of those small businesses will need help managing new work from SBRN professionals. What an inspiring time to be in our great community!

In less than four years, we'll be hosting the most watched annual event in the world, the Super Bowl. But I see even more excitement in the building of our city's future right now. More importantly, we're establishing a broad based economic future from which we can all benefit. Welcome to the new millennium!

Sincerely,



Mark Patrick
Mark Patrick, CPA
Patrick & Associates, P.A.
2001 President
Small Business Resource Network

SBRN is a joint project of: UNF Small Business Development Center and the City of Jacksonville.

Con-nec-tions

1. The act of connecting, or the state of being connected.
2. That which joins or relates; a bond or link.
3. Group of associates, often considered influential in some way.
4. **Small Business Resource Network.**



Spotlight on...

VENTURE CAPITAL: RAISING MONEY FOR YOUR BUSINESS

By SCOTT L. GLAZIER • Attorney at Law

Regardless of size, all businesses benefit from increased working capital or an infusion of cash into their business.

For start-up businesses, capital is needed to acquire the assets necessary to operate the business and to provide adequate working capital to operate until the business begins generating cash flow. **A growing or mature business can benefit from an injection of cash** by expanding, either through the addition of personnel or locations, acquiring competitors, or increasing its advertising and marketing budget.

Given the assumption that all businesses benefit from increased capital, and assuming the owners have exhausted or reached their limit of personal contributions or borrowing capacity, two key questions then arise: what is the cost of capital and what are the sources of raising the capital?

The most traditional source of capital is the bank loan. However, a start-up business may not have sufficient assets to collateralize a loan, and the lack of an operating history limits the borrowing capacity of a start-up business. A mature business often seeks to avoid debt due to the interest

costs and the impact on its balance sheet. **Even with a mature business, lenders frequently require personal guarantees from the owners and collateral.** Generally, once a business is mature, its owners are less likely to take additional risks to grow or expand by incurring debt. Therefore, if a



debt instrument with the expectation of a return of the invested capital and an above "market" return on the investment.

Under both state and federal law, **the sale of such an interest is considered the sale of a "security"** regardless of the amount.

Generally, both federal and state law regulate the offering and sale of a security, and unless an exemption

traditional loan is not available, sufficient, or desirable, the business owner would need to seek "venture capital."

Venture capital, in this instance, would be money invested in a business by an individual or entity, **in exchange for an ownership interest or**

applies, every offer and sale of a security must be registered with the Securities and Exchange Commission (SEC) and applicable state securities authorities.

From a federal standpoint, to simplify the process of selling securities in transactions not involving a "public offering," Congress has implemented various laws providing exemptions from registration. **If a business can comply with these rules, then its security sale will be exempt from the registration and reporting requirements of the SEC.**

At the heart of the federal exemptions is the overriding rule that exemptions will only be available to "private transactions." Thus, the issuer may not engage in general solicitations or advertising of the securities, including the posting of a securities offering on the internet.

Notwithstanding the availability of a registration exemption for the securities offering, **federal and state "anti-fraud" rules still apply to any securities transaction.** These laws operate to prohibit persons engaged in the offer and sale of securities from making materially misleading statements or omissions, or engaging in conduct that tends to work a fraud on purchasers of securities.

Thus, issuers are frequently advised by cautious and experienced securities counsels, to provide all potential offerees with a written memorandum concerning the investment, the business, and the risks of the

(continued on next page)

UNDERSTANDING THE LEGALITIES OF VENTURE CAPITAL

(continued from Page 2)

investment to avoid potential fraud claims if the investment fails.

Once you wind your way through the federal securities laws, an issuer of securities must also grapple with applicable state securities laws. Although most states have adopted legislation that provides that any security exempt from a federal standpoint is also exempt from the registration requirements of state laws, **some states still require notice filings any time securities are offered or sold within their state.** Under Florida law, no general solicitation or advertising of the sale of an unregistered security is permitted.

For example, under Florida law, if securities are sold to five or more persons in the state, each investor must be provided with a three-day right of rescission from the date funds were invested or from the date the right of rescission was given to the investor.

Assuming a business owner (and his or her securities counsel) has traversed through the various laws, regulations and exemptions for a securities offering, **he or she now faces perhaps the most important issue: deciding the percentage of**

the business that they're willing to give up (sell) to raise the capital.

Venture capital investors may demand preferred returns or preferred rights with respect to cash distributions and upon liquidation. In addition, **investors in start-up companies demand higher rates of return and thus a higher percentage of equity in the business.** The ultimate amount invested and the amount of equity sold may be determined through the willing buyer and willing seller process.

With respect to a mature business, more traditional means of valuation might be employed to determine the amount of equity to be sold. **Using a valuation expert might be beneficial in establishing the offering price for the securities.** Also, mature businesses would be better positioned to retain controlling interests in the company and might be more resistant to issuing securities involving preferential rights.

One final hurdle in the venture capital process, especially for start-up companies, is finding qualified investors. Since general solicitation isn't permitted, the business owner must seek investors through pre-existing relation-

ships. Another possible route is using a compensated broker.

Anyone considering raising capital for their business through the issuance of a security should consult with as many sources as possible, including securities lawyers, investment advisors, bankers, CPA's, valuation experts and other entrepreneurs who have successfully raised money for their company. The process of raising capital for a business must be carefully analyzed and structured, and should be economically plausible to attract seasoned and experienced investors.

Scott Glazier is an attorney with more than 15 years' experience in representing businesses and business owners in transactional, securities and tax law. He can be reached at (904) 997-1033 or sglaze1@bellsouth.net.

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LOOK



SBRN Members: If you're reading this,
so will everybody else.

Call Art Hardie, 448-4494, to place your ad or story in the next newsletter.

JOB VACANCY

WorkSource Proves An Invaluable Resource

By LAURIE THOMAS
Agency Representative

SBRN member Christine Sundberg, President of BayHill Computer Care, recently encountered a problem that seems to be getting more common each day: she needed a knowledgeable computer guy fast, and didn't want to spend hundreds of dollars finding him.

And, as businesses become more reliant on technology, this problem is one that isn't unique to computer companies.

Sundberg's solution: she sent her job information to WorkSource. Little did she know that only two weeks later, she'd hire a new information technology (IT) troubleshooter, who was affordable and qualified.

Plus, the only time she invested was spent reviewing a handful of resumes and interviewing a few candidates.

As President of Bay Hill, Sundberg's first responsibility is to her customers. Without that IT troubleshooter in place, she said her clients' needs weren't being met.

"We were really in a crunch. This is a position we just can't go without," said Sundberg.

She sent her position information to WorkSource and started receiving resumes the next day.

"The process was very simple. There wasn't any resume that I felt wasn't qualified," she said.

Sundberg also took advantage of labor market information available through the WorkSource website. She wanted to make sure BayHill offered a competitive salary for the position.

"We're a small company so we have to

pay more to get people in, versus a large corporation with benefits," said Sundberg.

The site offers valuable information on industry statistics, comparisons and peer analysis. There is also a list of



links that allows you to extend your research beyond the WorkSource site.

By reviewing this information and positioning BayHill's job in the upper

half of the recommended wage range, Sundberg increased Bay Hill's chances of receiving a candidate more likely to have the skills and experience she wanted.

"The best thing was I didn't have to go through the hassle of placing an ad. We got right to the qualified people right away with very quick turnaround," she said.

Sundberg's experience illustrates many of the resources available through WorkSource: no-cost advertising for job openings, referral of candidates who meet an employer's criteria for skills and experience, and access to the area's most current and meaningful labor market information.

For more information on these and other services, visit our website at www.worksourcefl.com, or contact WorkSource Employer Services at (904) 359-6690.

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HARTMAN, BLITCH & GARTSIDE, CPAs

WORK THESE NUMBERS FOR A WINNING WEBSITE

By CHARLIE GLISSON • Internet Consultant

What you're about to learn will cost me. That's because website consultants usually bill for this kind of advice.

When you launch or enhance your website there are certain numbers you should consider. The number of dollars involved comes to mind; how many dollars go out versus how many benefits come in. This could be measured by the number of dollars saved or the number of dollars or benefits generated as a result of having a website. These are important numbers. Work these numbers carefully but consider the following less obvious numbers as you do.

7 seconds - That's all the time you have to get the attention of a visitor to your Website.

Provide a reason for someone to "click and stick" to your site within seven seconds or they probably won't hang around. Be sure your message is engaging and pictures load quickly. If the home page doesn't load in seven seconds or less, people are likely to leave your site and go elsewhere (i.e. your competitor).

30 seconds - Generally speaking, most people stop listening before you stop talking.

Experts in human behavior have

validated the aphorism, "Brevity is the soul of wit." Basically we all have a short attention span. On the average, 30 seconds is all the time you have to get your point across. Obviously business communications can and do take longer than 30 seconds, but when it's time to make your point, 30 seconds might be the limit. Your web page should address this quirk in human behavior. Certainly you'll need additional time and space to amplify your message, and you'll have a greater opportunity to do so if the first page gets your point across. People can't drink from a fire hose. Let your visitors enjoy a

"Provide a reason for someone to 'click-and-stick' to your site within seven seconds or they won't hang around."

information arrives. The top four inches of your Web page is where you make your first impression. This is where you place a concisely worded,

highly effective message and a compelling, visually appealing, fast-loading picture to put you or your company in the spotlight. If no perceived value is found in the top four inches of your site, visitors will likely go elsewhere (again, your competitor).

Hits in the millions - Don't be impressed by the number of hits your website receives.

If millions of hits translated into thousands of dollars, hundreds of dot-com companies would still be around. A more important number is the amount of individuals you identified and began communicating with as a result of the website. Focus on numbers of identifiable people. Hits are important only to the extent that they allow you to identify individuals. Make it easy and rewarding for visitors to identify themselves with at least their e-mail address.

If you've got a Website or you're thinking about getting one off the ground, consider these numbers. Work the numbers and put them to work for you to improve your business effectiveness on the web. Everyone will be a winner!

Charlie Glisson is president and CEO of 1i, Inc., specializing in website design and development, and internet strategies. He can be reached at 396-4444 or emailed at WeDoWebsites@1i.com.



refreshing sip for the trip!

4 inches - The most valuable "real estate" you have on the web measures 44 square inches.

A Website fills a screen from the top down and the eye scans as the

WORKING WITH A FINANCIAL ADVISOR

Six Steps to Help You Get the Most Out of the Relationship

By **KENNETH WU • Insurance Consultant**

Would you trust your medical diagnosis to a casual acquaintance? Do you cut your own hair or dry clean your own clothes?

For some services, it makes more sense to pay professionals who have the expertise to deliver the best results. A professional financial advisor can help you build a sound estate plan, designed to help you reach your long-term planning goals. These six steps can help you locate and get the most out of this important relationship.

1. Choosing Your Financial Advisor – One of the best ways to find a financial advisor is through a referral of a friend or relative. Your accountant or lawyer may also provide you with a referral. Since they come with a recommendation from someone you trust, referrals can help you feel more confident about your choice of financial advisor. You can also find a financial advisor by attending an investment seminar or reading the business section of your local newspaper.

2. Set Up a Consultation – Your first meeting is an opportunity to become acquainted with the advisor and find out if you feel comfortable working together. You should make sure a prospective advisor is a good match for your financial outlook and personality. Ask the advisor about the types of clients he or she is currently working with and try to evaluate if your financial objectives are well matched to their areas of expertise. Follow up with questions about education, experience, and qualifications. Before selecting an advisor, you should feel confident that a prospective advisor can accurately explain the financial arena and the benefits of different financial tools.

3. Discuss Your Goals and Obligations – In order to help you clarify your financial goals, your financial advisor will need detailed information about you and your financial situation, philosophy and risk tolerance. Be candid about your income, debts, future obligation, current assets and anything else that may impact your financial situation.

4. Ask Plenty of Questions – The more you know about financial planning, the more control you have over your financial future. Use your financial advisor as a resource. Financial advisors have access to current information that can help you better understand their recommendations and the performance of your plan. And if you don't understand something, make sure to ask.

5. Meet or Speak Regularly – your financial advisor has the expertise and knowledge about planning, but won't be able to fully understand the details of your financial situation unless you share them. To keep your estate plan moving in the right direction, your advisor needs up-to-date information on life changes that may have financial implications, including: marriage or divorce, the birth or adoption of a child, the purchase of a home, a change in your work

status, or that of your spouse, additional current financial responsibilities, such as college payments or care for aging relatives, and an inheritance or other financial windfall.

6. Listen – Professional advisors can draw from years of experience and help you maintain a long-term perspective on your investment plan through good markets and bad. You'll get more out of your relationship if you are open-minded about your advisor's



recommendations. While you may not agree with every idea your advisor presents, being a good listener can help increase your investment knowledge.

The Small Business Resource Network is an excellent source for finding a financial advisor who specializes in the unique needs of a small business person. Following these six steps can help you begin and succeed from a relationship with the advisor of your choice.

K. Kenneth Wu MBA is a registered representative and investment advisor, Lincoln Financial Advisors, Corp. He can be reached at (904) 354-3726, or kwu@Inc.com.

MSAs GIVEN NEW LIFE

By KEN SMITH • Insurance Consultant

The Fall 2000 *Connections* discussed medical savings accounts (MSAs), which were scheduled to phase out December 31st.

But now, last minute legislation has extended this federal program for another two years. In addition, the program has been renamed Archer MSA's, to recognize the vital role that Ways and Means Committee Chairman, Bill Archer, played in supporting the MSA concept.

Medical savings account plans allow a small business person to pay for specified medical ex-

penses with income tax free dollars. MSA plans are composed of a specially designed, high deductible major medical insurance policy, and the medical savings account itself.

Present law provides self-employed persons a 60% partial write-off of their health insurance premiums for years 2000 and 2001, increasing to 70% in 2002, and 100% in 2003. The write-off for the savings account element of an MSA plan is 100%. Example: premium for the high deductible major

medical insurance policy, \$100.00... write off \$60.00, in 2001; contribution to savings account element, \$100.00...write off \$100.00, in 2003. Self-employed persons take these write-offs on lines 25 and 28 of IRS Form 1040.

There are limits on the amounts that can be contributed to MSAs, and annual deductibles on their major medical insurance elements are indexed to medical inflation. To qualify for the major medical health insurance policy, applicants must be in excellent health because these plans are fully underwritten. This

is a federal program, and doesn't fall under Florida's guaranteed issue mandate for small business. Without the health insurance, the savings account can't be established. As the ballad from the 1940's says, "All or nothing at all..."

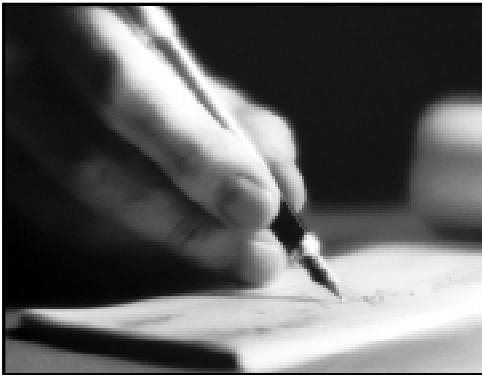
Once established, MSAs may be tapped to cover a broad range of medical bills, including dental and vision expenses. When used to pay for appropriate medical expenses, amounts taken from the savings

account are income tax free (tax free going in, tax free coming out). After age 65, amounts accumulated in MSAs may be used for any purpose, subject to ordinary income tax just like an IRA. Meanwhile, the major medical insurance policy hedges out potentially large medical expenses in excess of its annual deductible.

For many business owners the MSA concept makes sense: set up a tax favored fund from which to pay everyday medical bills and maintain a high deductible health insurance policy to avoid a catastrophic loss. The savings account dollars will accumulate tax free interest if used to pay qualified medical bills, or tax deferred interest if used to supplement retirement funds after age 65. And business owners recapture premium dollars that otherwise would have gone down a one way street to the Impersonal Noserice Health Insurance Company of the Northern Hemisphere.

For more information, see the insurance section of the Small Business Resource Network directory for names of qualified insurance professionals.

Ken Smith, CLU, FLMI, owns Insurance Planning Services, and specializes in life, medical and liability insurance, and pension plans. He can be reached at (904) 285-5255 or emailed at ksmith6288@aol.com.



UPCOMING EVENT

HOLD THE DATE!



Whether you just started your business or your small company is starting to grow, the **Small Business Connections** event offers too much worthwhile support and knowledge for you to miss.

The event, called **Small Business Connections**, will be held July 19, 4 p.m.- 7:30 p.m. at the Gateway Mall, and includes workshops, a resource fair and networking reception. From 10 a.m. - 2 p.m., there will be a Job Fair at WorkSource at Gateway Mall.

This **Connections** will be the summer meeting out of a series of quarterly meetings. Read about the spring event on the last page of this newsletter, and mark your July calendar now.

SMALL BUSINESS CONNECTIONS A SUCCESS

The Small Business Resource Network, in partnership with WorkSource and the Small Business Center, hosted **Small Business Connections** on May 22, 2001 at the Small Business Center at Gateway Mall.

There were 110 attendees at the event in May, which featured keynote speaker, Mike Weinstein, Executive Director of the JEDC and Chairman of the Super Bowl 2005 committee. Mr. Weinstein addressed how small and minority-owned businesses can participate in Super Bowl activities and preparations.

Beginning next year, the Super Bowl committee will sponsor in-depth workshops for business owners and volunteers interested in participating in the Super Bowl activities. It's estimated that there will be more than 100 events tied to the Super Bowl and a need for more than 7000 volunteers.

The job fair at WorkSource allowed 14 participating employers to connect with more than 200 prospective employees.

Other workshops held from 4:30-5:30 p.m. were "Timely Tips for Small

Business Marketing" presented by Bonnie Barnes, AAT Design; "Start-up, Growth and Sale of Your Business" presented by Scott Glazier, Glazier & Glazier, P.A.; and "Credit Repair and Obtaining Financing," presented by Ed Gaston, First Union and Mark Gruszecki, Business Development Corp.

For any small business person, the **Connections** event is a valuable resource available to you. If you missed out in May, you can make up for it at the next event: June 19. Call Nancy Boyle, 620-2489, for more info.

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