

THE NEWSLETTER FOR OWNERS PARENT COMPANIES

HOW TO MANAGE THE BUSINESS FOR GREATER SUCCESS AND PROFITABILITY



STERLING COOPER, INC.

MANAGEMENT FEES

Every parent company and business owner is charged with the task of determining: what is the proper monthly amount to charge the operating entity for the services routinely provided by the parent company or owner.



First of all, all “Parents” are not alike, since each operating company has different needs for different levels of services that may be necessary to be provided to the operating entity, and therefore the fees for those services will vary widely, based on the needs of that particular business.

The best way to determine the fees to be charged is to review the actual services that are provided to the operating entity.

That specific list can be compiled from any management agreement or policies that have been established for such services to be provided, and then such listing is supplemented by an estimate of time spent in rendering such services.

Large or publicly traded companies should have a formal management agreement approved by the Parent company’s Board of Directors, while smaller businesses can simply maintain a listing of the services as a check list to make sure that

they are in fact being provided or necessary arrangements to do so are made through third parties.

A written agreement/arrangement is best for purposes of justification for the fees that may be needed for third parties, lender justification or for other reasons to justify the charges. Routine inter-company payments may be also documented as a routine arrangement, as well as payments that may be related to the Parent’s need to receive funds and transfers from the operating company to pay acquisition loans, and related costs.

THERE IS NEVER TOO MUCH DOCUMENTATION, THE MORE THE BETTER FROM A CORPORATE STANDPOINT, AND RATIFICATION BY STOCKHOLDERS OR THE BOARD OF DIRECTORS IS FURTHER PROOF OF THE ADEQUATE PROVISIONS FOR SUCH FEES TO BE PAID.

Management fees can be labeled for accounting purposes as general and administrative costs, consulting fees, and any other terms that allow for classification and later calculations of the adjusted EBITDA, to show the true earnings from that operating business for the Parent.

The actual management Agreement does not have to be overly wordy or complicated but may describe all the services that are generally provided by the parent organization listing all matters that may come for its typical coverage and advice rendered to the operating business.

The typical agreement provides for either a monthly flat fee or is billed in accordance with a schedule of the services provided and billed for.

Typical services provided by the parent may include but are not limited to:

- **MANAGEMENT ADVICE AND CONSULTATION**
- **PROVIDING BOARD OF DIRECTOR MEMBERS**
- **PURCHASING MANAGEMENT/ INVENTORY CONTROL FUNCTIONS**
- **CASH MANAGEMENT FUNCTIONS/ BANKING/LOANS**
- **PAYROLL AND HR FUNCTIONS AND RELATED**
- **EMPLOYEE RECRUITMENT SERVICES**
- **EMPLOYEE BENEFIT MANAGEMENT AND PROCUREMENT**
- **CONTRACT NEGOTIATION AND CONTRACT REVIEW**
- **LEGAL AND ACCOUNTING SERVICES AND TAX ADVICE**
- **ADVERTISING AND PROMOTION SERVICES**
- **SOFTWARE, HARDWARE, INTERNET, SERVERS AND RELATED**
- **OPERATIONAL SHORT TERM AND LONG TERM PLANNING**
- **RENTAL AND LEASING SERVICES, LOCATING AND RELOCATING**
- **TRAVEL MANAGEMENT AND CREDIT CARD BILLING MANAGEMENT**
- **GENERAL ADMIN FUNCTIONS NOT DONE BY OPERATING COMPANY**

It is generally recommended that the Agreement is ratified by the Boards of both the parent and operating company.

IMPROVING OPERATING MARGINS THROUGH CASH BACK DEALS FOR PURCHASES, REBATES AND LOYALTY BONUSES



The leading banks have started a competition for your businesses and personal credit card and are offering various versions of cash back or rebates for purchases using the cards that vary from 1% to 3% of all purchases and sometimes offer additional purchase discounts or rebates from certain additional vendors such as office supply and gasoline and travel purchases.

In addition to the banks, certain vendors may offer various rebates or cash back promotions for their products directly through a loyalty card of their own. So on those deals, you are doubling your rewards by using that company's loyalty card, plus if you are making the payment for the services or products using a high rebate credit card, your rebate may be substantial.

These programs reduce the cost of the purchases paid for using the card and depending on what you purchase and how much, many do not have a limit on the amount of the rebate for instance, thus can provide substantial savings. Most offer these rebates on a monthly or quarterly basis, so your income statement can see the impact quickly.

Retailers and dealers of big ticket items are using rebate programs as a loyalty based reward system.

For instance when you have several suppliers of a product that you have a choice of purchasing from several vendors, it may be worth while to

consolidate your purchases from several vendors and direct them to just one or two to maximize the rebate available for VOLUME PURCHASES.

Contact your manufacturers or suppliers, and if they offer a rebate, try to get another point or two just by asking for it. If they do not, ask them to do so, by telling them that their competitors are offering volume discounts and you would like to deal with them by directing the business to them.

Additionally, asking for better terms, or just asking for a discount for faster payments or cash payments can significantly decrease costs.

Finally, comparing costs on similar items, you may discover that overall costs from a particular supplier are overall better and thus better than a rebate from another supplier!

With most businesses showing operating profits of 5%-10%, a reduction of costs of 3%-5% can result in a significant improvement to the bottom line.

REDUCING “FIXED” COSTS FOR PROFIT IMPROVEMENT



Businesses often budget as fixed monthly costs, many expenses that for the most part have a flat cost amount such as rental amounts, insurance expenses, internet costs, software maintenance

and many other costs that tend to be regular costs of operations, and thus appear to be of a seemingly “fixed” and static amount.

These costs however, are not necessarily “fixed” unless you do nothing about making them by making them a “variable” cost due to your monitoring of these expenses and constant vigilance as to their impact on the bottom line.

We just recently had two clients reduce their “fixed” rental costs by significant amounts.

One offered to pre-pay the rent for several months, and in return received a 15% discount for that, since the landlord liked getting the added cash right away, he offered to do the same in the future whenever the client wanted to propose it. In this case that was a \$150,000 annual cash savings that went right to the bottom line!

Another who had a long term lease commitment showed comparable properties and explained that he was being solicited to consider those properties and got a 10% reduction in the existing lease and better terms on the shared lessee costs. Another great way to reduce costs is to regularly check insurance policies for the business such as general liability and related, since this is an easy to compare “apples to apples” comparison of costs.

Insurance companies regularly update their premiums, but do not ever tell policy holders, so a reduction in premiums is not communicated to policy holders, especially if you are using a broker, since his commissions are dependent on the larger premium.

But likewise, a broker gets a bigger fee for a new insurance policy so he may also be willing to connect with a new policy that is lower for you, but pays him a bigger commission since it is new!

Also do not forget on general liability, adding a million or more will generally result in very little premium difference, but will provide your business with additional coverage. In today’s litigious society, that is always helpful.

Consider that literally all “fixed” costs can be reduced through negotiation and insistence...so monitor them regularly to see what may be possible.

CAN NEW PRODUCTS ADD TO REVENUES AND PROFITS?

You are reviewing your income statement, and the revenues are healthy and growing, and profits are there as expected.

But, as a retailer or wholesaler did you have available products that could have added to your revenues and profits that are available and you do not carry them?

Asking your supplier or manufacturer “what is selling now?”, is an easy way to see if you are carrying the hottest sellers right now and not missing the opportunity, letting someone else get that sale!

We had a client in a specialty electrical distribution business not realizing that one of his manufacturers had a “hot” seller and he was not aware of it since he was selling the regular sku’s that always did well for him. He added and reformulated his product offering to increase sales substantially as clients wanted to try the new item, which had previously generated no sales at all.

Retail entities are especially prone to not updating or restructuring their inventory that presents new products, instead of just what was always offered.

For instance, one of our clients noticed that when customers were picking up their own loads on pick up trucks, they often had the load extending

way past the length of the pick up bed, making the transportation of products difficult, or subject to size limitations.

The client noticed a simple “load extender” product that attached to the hitch of the pick up truck and allowed the customers to easily extend the ability of the load to be safely transported, and each such load extender was hot item to be purchased by the customers at the time of the loading of their pick up trucks, and resulted in an additional easy \$79 sale each time as well.

New products can easily be announced by having them close to the checkouts or near entrances so that customers can spot them right away to see how well they sell.

The check out counter is another place that many high impulse items can be sold, often some of the highest margin items. Unique or very useful items should be placed at those locations as customers are waiting, and will buy due to need or curiosity.

Self service vending machines dispensing food items, drinks and the like are an easy way to add revenues. Additionally ask vendors to provide self service sales “kiosks” or displays that sell their product though colorful self storage (for added inventory) right on the sales floor.

Consider convenience items added to your inventory such as promotional pricing on 24 packs of drinking water for instance in hot summer days, stacked on a skids to be showing a “deal” or things that normally would reflect the season and be in need such as quick not perishable snack packs for lunch for instance, or selling other convenience replacement items such as cleaning chemicals and related.

New items to try and see how they sell can often be purchased from the vendors at better pricing or terms as they want to introduce the new products and would like to promote it though special offers.

New added products which are added to an existing product offering, will generally create new sales,



and not replace the normal sales, so that typically will add to revenues, and create a future stream of new sales of that product!

Use the word FREE, as an incentive to offer FREE products with the purchase of three, for instance....get the fourth item free (in essence a 25%) discount.Often the vendor will cooperate with special pricing for such a promotion. Literally any product you want to move more of will greatly benefit from that FREE product promotion...but get that added incentive on your purchase from the vendor to keep your margin on that particular product.

START AND MAINTAIN A CUSTOMER LOYALTY PROGRAM



You want customers to keep coming back to buy your product since they are accumulating a REWARD of some type based on the value of their purchases.

Otherwise, they have no reason other than maybe convenience to continue to be “loyal” to your business. Don’t think that because you offer “good service” they keep coming back. Research shows that price and service typically go together, and loyalty programs work, that is why savvy businesses offer them.

Think about that...every airline wants you to accumulate points or miles on their airline so that you are more “loyal” to them than some other one.

Retailers routinely offer some type of rewards for being a loyal customer, such as special discounts on certain products, or secret sale promotions known only to them or eligibility for prizes, trips and rebates or special deals.

DO NOT OVERLOOK SETTING UP A SIMPLE LOYALTY PROGRAM TO KEEP YOUR CUSTOMERS COMING BACK!

One of the simplest loyalty programs without an official one is to offer a “entry” into a contest to win a big ticket item such as a camper, car, or vacation, by writing the name address, phone and email on any purchase receipt or a 3 by 5 card (requiring no purchase). Show the item in promotional displays and have a deposit box prominently displayed in the sales area.

Often the item can be donated by a vendor to minimize your cost, but it is always a great draw to get customers coming back when it is well publicized. They can enter as often as they want with every sale for instance.

You will also be gathering valuable names and addresses to use for email and direct mail campaigns for the future to target your customers!

ADVERTISING FLYERS AND PRODUCT CATALOGS/BROCHURES



No matter how much we all love the new media such as email and related, nothing still puts forward your company message when “in hand” by a customer.

That advertising circular or catalog is still the best way to reach your customers with your message describing your business, your product or of course the “special pricing” on certain items on sale or promotion.

The USPS (US POSTAL SERVICE) has started a new program called “ EVERY DOOR DIRECT”, which means exactly what it says: it delivers your circular or whatever you want to send to EVERY

DOOR in a zip code without having to go through that tedious process of personally addressing and preparing a label or imprint for each address to be delivered.

The postmen themselves like that a lot better too as they do not have to sort each mail piece by address, since instead they just deliver to every mail drop, without having to sort the mail. Why it took them 250 years to figure this service out, nobody will know. When one of our investors was on the board of the postal commission 25 years ago we tried to sell them on the idea, but it went nowhere at that time. Now it's here and it is just a great way to promote inexpensively whatever your company is selling or promoting!

This new distribution method is best suited for mass distribution in your company's market as it definitely gets your brochure, advertising flyer or catalog in the hands of the consumer locally or wherever you want to get that distribution and promotion marketed.

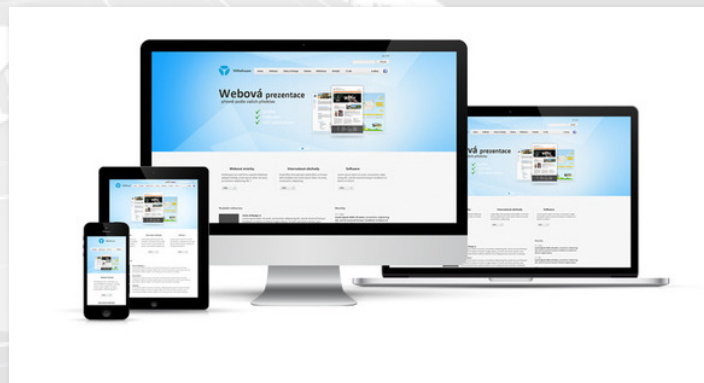
We highly suggest that this is used best for a 24 page, self covered flyer/catalog/brochure that promotes your business product offering, and has a few items on "special pricing" or coupons for products available at your business, and a reason to come into your place of business such as dropping off the entry form for the give away or promotion.

These types of brochures can be easily put together or you may check with your vendors if they already have a ready to go brochure that just imprints your business's name and address on it and is ready to go alone or as a newspaper insert.

This brochure can also be used as a newspaper insert for distribution. This type of brochure is something that the customer will save as a reference about your business, to save and keep at home instead of a one type flyer that gets thrown away.

This is a very effective way to make sure the customer has your information in hand, and a reason to keep it handy as a reference. Add the flyer to your website, and make sure there is a link.

MAKE YOUR WEBSITE SELL FOR YOU!



Every business must have a web site, even if for just identifying the basic business and its location, phone and a reply or inquiry page.

But this is the opportunity to **SELL** your product or service!

The website should allow visitors to understand your business, promote your business and make some type of inquiry or a possible purchase or request for contact to be made.

Signing up for a newsletter or filling in an application for credit, or printing a discount coupon to bring in for a minimum purchase, or a specific dollar value to be used toward a purchase is another way to connect sales to your website and business and track its real value as a sales tool.

Another useful tool is to have a u-tube video related to your business, or product or a how to video. This site is a very high rank so it will show up in search results and find your site.

Google and others have ways to show your site in local results looking for your product or service, use it, it is well worth it.

Setting up multiple websites that highlight your specific products by categories, product lines and then linking back to the main site is another way to expand the website reach of your business.

Buy as many domains that relate to your business, and then link them back to the main site by

redirecting to it. That is an easy way to maintain your presence in the industry that you are involved in.

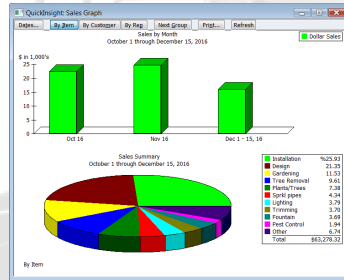
DAILY SALES/REVENUE REPORTING AND ANALYSIS

The analysis of daily reports relating to sales or revenue production is vital to ascertain the possible trends that may be underlying the current business. Revenue alone is not a good indicator of trends, but a closer analysis of margins by category, especially in a retail or wholesale business is necessary to properly manage the daily trends.

Small changes in margins, or sales categories swinging up and down with no analysis can have the management lose sight of what is happening on a day to day business, and can be lost on a year to date or a month to date analysis.

BUSINESS SEARCHES

Looking for international cargo airline based in the USA or Asia; electrical equipment manufacturers; wholesale distributors any products including cigarettes/tobacco candy sundries; pro-lumber building materials suppliers; contract manufacturers consumer products-Asia; OEM automobile parts; heavy equipment stamping plants; web and sheet-fed printing plants with long term contracts; real estate office buildings new (1-3 year old), in foreclosure in major metro areas; custom machining for the auto industry or Tier 1 supplier of automobiles parts/drive-trains;



RECRUITING AND MAINTAINING AN AGGRESSIVE SALES FORCE

Sales and a sales force no matter how small or large is the lifeblood of any business. Building an effective sales force involves two very important ingredients; sales management and sales training, new customer mining and training and training!

Successful sales forces have one thing in common-never ending training and ongoing customer relations and follow-up as well as new customer recruitment.

There are no magical formulas, just constant training, analysis of sales calls, discussion with salespeople of their feedback and repetition.

There is no let-up, there is no time off from sales!

Internal training is effective, when it creates new opportunities for the sales force to present to potential clients, while another quick way to expand the sales force, is even more effective, by recruiting successful salesmen from competitors that can bring new clients quickly into the business.

Solicitation can be through industry publications, and the various job recruitment websites which are now so popular, which provide candidates to review, without “stealing” salesmen from a competitor.

Stealing from a competitor can expose you to various possible legal actions needlessly, so why do it, when you can recruit without doing so. When hiring, make sure that the new salesmen are not under non-compete agreements or other contractual arrangements that prohibit them from bringing in or soliciting previous clients.

Salesmen need a “pitch” what is your pitch? It is effective to get the new clients to your business... to do business with your company?

There are as many possible ways to sell your product or service, so make sure that it works

for your business. Do not use “off the shelf” presentations, make it your unique presentation for your product or service.

No matter what industry you are in, no matter how many competitors exist, your product or service can stand out, if you make it stand out through a custom marketing program that shows your company in the best possible light or differentiates its product or service.

Look how an international airline that competed with all the top of the class airlines catering to the international traveler, who demands the best, was able to create a new identity that instantly placed it in the top-Korean Airlines. It simply created “an image” that translated into the travelers seeing themselves in the lap of luxury and impeccable service, and started booking this airline!

Before this image change, the airline was considered a secondary travel provider, now it has transformed itself into one of the top world airlines.

Image, and its creation, is the first order of business in creating an effective sales force with a product that sells!

Do you have a product that sells, that differentiates from others in your business?

Do your salesmen, know the product, do they seem better, wiser, offer better terms or better quality or customer service? If not, fix that!

GROWING YOUR REVENUES 50%-100% ANNUALLY

It's tough to grow internally and show 50%-100% sales growth year over year, but that type of growth is possible through well planned add-on acquisitions of similar or complimentary businesses.

It is much easier to grow by acquiring a similar sized business than trying to expand the sales

force, or expand your warehouse or manufacturing plant and hope for the best (or pray for some good outcome).

Every business should have a plan to review and target potential acquisitions as the best and easiest way to expand the existing business.

Adding a business through acquisitions, will allow you to potentially acquire new salesmen, new ideas, new products, and a new perspective. But best of all, it will grow your business revenues without all that hard work of internal expansion.

You can then consolidate office/occupancy costs, eliminate duplicate services and duplicate management, and possibly consolidate vendors for better terms! All that will result in an improved bottom line!

The many nuances of the acquisition should be carefully examined in the due diligence phase to make sure that salesmen do not leave for a competitor, valuable employees do not want to retire, and that the remaining personnel are the ones you want to retain. After all the reason you acquired the add-on business was to add to revenues, so you do not want revenues to trail off after an acquisition.

FINANCING YOUR EXISTING BUSINESS OR ACQUISITION

Working capital is always necessary in every business. It is the driving force to accomplish its business plan, pay vendors timely and show financial strength and staying power to customers, as well as maintaining adequate inventories of products that are being sold.

For instance OFFICE DEPOT has started a guarantee that provides for many staples for an office to never be out of stock of those staple products, to allow the customer to be able to buy everything at one place, always from them, and then combined it with a customer loyalty program

that provides a rebate quarterly as well, insuring that there will be repeat customer business.

That guarantee was not possible without the financial support of a credit line to maintain such a business model.

Office Depot was purchased by Office Max, when that combination made sense to add revenues to Office Max. After the acquisition, the new parent company found ways to retain the customer base and to reduce costs substantially by eliminating the duplication of administrative costs and facilities, it will close 200 duplicate stores as well. Revenues went up, costs down, overall margins up.

Obtaining the required financing will require a presentation to bankers showing the ability to maintain the necessary costs of the working capital facility, and providing assets, or adequate cash flow available as collateral to the lender.

Every business needs a good relationship with a lender or a lending group syndicate that understands the business and its needs. Show in the presentation to the lender the future forecast of operations, profits expected from the combination and cost savings.

Make a simple one page listing of assets available for financing for the bank's consideration as collateral, and the available cash flow for servicing the interest and principal repayment, and a description of the business and management plans.

WE PROVIDE ENTIRE BANK PRESENTATIONS FOR A FLAT FEE OR PROVIDE COACHING TO ASSIST YOU WITH THE PREPARATION.

ADDING REMOTE SALES OFFICES/ SALES TERRITORIES

Today your business can be national and even international by establishing remote sales offices

or a presence in literally any part of the country or the entire world.



There is no more the need to spend major capital expenditures on establishing local offices and a sales team there to boot, since there is a plethora of specialty companies that provide office space or even warehouse space as needed for reasonable flat monthly fees.

That creates a local presence for a company with full service capabilities when and if needed.

For instance, instead of devoting a sizeable budget to establishing a new office, your company simply makes an arrangement for having such an office at a business location, a prestigious business location by using one of these firms that provide such a location, and local telephone and office support services.

You are able to then have an instant office presence at costs that can be under \$100 a month!

Now with that office presence, you can recruit independent contractors to be your local sales force, and they can actually use the offices or conference rooms at that remote location to meet clients or make presentations if needed.

Warehouse space if necessary can also be arranged with local full service warehousing companies that can store, ship and handle your products without

a long term commitment for an entire warehouse. They typically charge per cubic foot for warehouse space, and then a handling charge as applicable.

For manufacturers and distributors, you may also utilize the services of a manufacturer representative organization that works within your industry and calls on accounts adding your product to its sales capabilities.

This does not require any office space or additional costs as they are covered though a typical commission of the products sold ranging from 5%-10% of the gross sales.

Last to consider, but very effective is a “work from home” arrangement for independent commission salesmen that work out of your home office on paper, but actually work from their home remotely, according to your established fee/commission rates, or they can use the services/location of the “local office”.

KEEPING HAPPY CUSTOMERS/ IDENTIFYING PROBLEMS YOU MAY NOT READILY KNOW ABOUT

Every business that deals with clients or customers that interact in any way with your staff, sales force, retail checkouts, deliveries or phone contact and customer service is exposed to providing a great experience for its customers, or to the contrary, provide a horrific experience that is never known to management due to the fact that the unhappy customer just stops doing business with your business.

In this example, not only do customers stop doing business with your business, but they tell everyone they can about their bad experience thus eliminating new potential customers from doing business with your company.

On the other hand, customers that are pleased with their experience provide a great source of NEW business though their high or glowing recommendations.

No matter what you may as management think about the wonderful service or product your company is supposed to be providing, you will be always well served to really know what is the perception of your service or products, not just what you may think from your employee input or the wonderful training that you may be providing to the various employees.

Your company can easily send out a customer inquiry and satisfaction card by mail or email, routinely on every sale to really learn about how happy your customers really are with your product or service.

Just the very fact that you send out such an inquiry, psychologically shows customers and clients that you care about the service that you provide, and that itself gives a higher satisfaction rating relating to your business.

Every business can use this satisfaction rating inquiry. Consider how the highest rated automobile dealers, are rated by the customer satisfaction rating sent back to the manufacturer about their dealership. They always want you to give them “five stars”, and will do anything to satisfy your issues or problems, if any, till you are 100% satisfied. Now that is service that you will recommend to others!

These surveys can be even more effective when asking for specific names of the employee that is related to the comment, and provides even more input to the business at employee review time as to the most valuable staff members to reward and retain.

It is amazing at the employee attitude improvement throughout the business when such comments are sought, and good customer interaction is rewarded.

Creating an effective customer comment program is a vital ongoing program for the long term business retention from established clients. It is much easier to retain a customer than to find a new one.

FREE PRODUCTS WITH MINIMUM PURCHASE

Everyone loves getting something for free, and there is no better time to lure a customer to add some additional products to an order that he was placing anyway, just to qualify for the “freebie”.

The best way to establish this minimum purchase level is to consider the current “average sale” per invoice and then add a percentage factor that provides clearly full cost coverage of the “freebie” as well as additional profit on the additional sales necessary to qualify for the free item.

One office supply company that is competing in such a crowded marketplace of office supply companies offers various seasonal “freebies” such as Mrs. Fields cookies, or cupcakes, and other choices such as camping supplies or entry into a contest drawing for bigger prizes.

The “freebie” is always prominently shown on all advertising, catalogs and the website in placing an order. They have found that literally every order meets the minimum criteria to qualify...sometimes just a dollar or two more, which clearly shows that it is being specifically placed to qualify for the free item!

MAKING YOUR OPERATING BUSINESS STAND OUT WITH VENDORS

The operating subsidiary can present itself as a professional organization that earns the respect of its vendors through a well produced ANNUAL REPORT that describes its operations, management and business accomplishments during the past year.

The report may or may not contain a synopsis of consolidated financial statements or be customized to send out with or without the financial information to particular vendors as needed or necessary.

Photos, especially in color of the business, add a professional touch and compare to the professional reports put out by publicly traded companies. Even the smallest business can look professional with an Annual Report.

There are many templates that can be used to prepare such a report or it can simply be a well organized WORD or WORD PERFECT document in PDF form.

REFINANCING BUSINESS DEBT WITH EXISTING LENDER OR NEW LENDER FOR BETTER TERMS AND LOWER FEES

Every business owner or parent organization should carefully review at least semi-annually its existing debt and financing in place to see if it can be improved in some way.

Typically, due to the competition relating to interest rates, the rates may not be too much to consider changing, but even a quarter or half point on an annual basis, means more cash in hand retained by the ownership, instead of giving it to the bank or financing source.

The biggest place to amend any existing financing is to try and change any lending or advance formulas that may be in the existing agreements such as percentage advances on ABL loans, or restructuring term loans to their original amounts to provide more available cash for working capital.

Real estate values may have moved up; it may be a good time to get new updated appraisals on real estate assets and properties to see if additional working capital availability can be established. Updated appraisals are less costly and you can help establish higher values if there were improvements to the property or additional value creation, so make sure the appraiser knows it.

You can also search for comparable sales locally to establish possible values that have increased and make that known to the appraiser.

GET NEW EQUIPMENT AND CAPITAL ASSETS THOUGH LEASING INSTEAD OF BUYING OUTRIGHT

Leasing your equipment needs, including new computers, printers and equipment of every type including trucks and heavy equipment allows the deduction for leased equipment, but then again a low buyout at 5% of cost or even \$1, at the end will get you the equipment you may need and lessen the cash outlay to get what your business may need.

Negotiate to have the smallest possible down payment or no down payment, as leasing companies now are offering deals on new equipment, but compare companies as a different interest rate will increase or decrease your monthly payments significantly.

Saving your working capital is the primary reason for leasing equipment rather than buying.

DECLARING DIVIDENDS OR PAYING MANAGEMENT FEES, WHICH IS BETTER?

All owners have the need to receive regular income from the operating company, and evaluating which is best may depend on many factors all related to the best tax treatment for the receiver.

Just remember that dividends are paid AFTER taxes are first paid or incurred by the operating company, so in effect it could be double taxation.

In the United States, the corporate tax rate is essentially the highest of all the top countries in the world. US based parent companies have been re-incorporating in low tax countries such as Ireland and even the UK to lessen their overall, tax rates, if they have worldwide income, and not just in the USA.

Paying a regular management fee or administration fees to the owner/parent is usually the best, but every owner/parent should get accounting advise to see what is most appropriate for their situation.

Merchant Banking Consulting

Sterling Cooper, Inc., concentrate our activities on an old business idea founded by the Dutch East India Company. Merchant Banking consulting.



We are ready to assist to acquire a business with its management. We can assist with management consulting services or assist in a merger or disposition of a division which is no longer a strategic fit with its parent company.

Business transactions today require the ability to structure all elements with speed and precision and we are very aggressive in both areas. Decisions can be made quickly, and with impact.

The largest transaction that our principals completed to date was the purchase of an \$888 million revenue company. We know deal making and all related such as public relations, proxy material preparation, news releases and stockholder communications



Mergers & Acquisition



We offer one of the strongest M&A consulting departments of any merchant banking firm as well as significant experience in hostile/friendly tender offers.

Our principals started the LBO buyout frenzy relating to retail store chains with our purchase of a 100 year old, New York Stock Exchange listed, department store chain, and participated in some fashion in all major buyouts of the 80's: through

arbitrage, making a buyout offer, accumulating stock or putting a company into play.

Business transactions today require the ability to structure all elements with speed and precision and we are very aggressive in both areas. Decisions can be made quickly, and with impact.

We also work with all major investment banking firms and intermediaries to locate and acquire or sell any type of business quickly, for our clients.



Tender Offer / Acquisition Advisory Service

We act as your confidential source to identify an acquisition target that meets your criteria. Then, we handle all the planning for a takeover (if the target is a public company) or handle all negotiations with sellers directly, to meet your purchase objectives.



Business Valuation Service

When you get an appraisal of your business, you want to know that it can truly “sell” for that price.

Our appraisal services are handled in two ways:[I] We provide a true going value business appraisal that involves us being ready to buy the business at the appraisal price or, [II] We provide an asset appraisal as a standalone at market value, orderly sale value or auction value. No appraisal firm provides you with our unique



going business acquisition value, at which we will buy the business

Retail Service

We act as your confidential source to identify an acquisition target that meets your criteria. Then, we handle all the planning for a takeover (if the target is a public company) or handle all negotiations with sellers directly, to meet your purchase objectives.

Management Buyouts



We assist, coordinate, plan, structure and obtain all financing for management buyouts of public and private corporations, if you so desire.

In each transaction, we act as the advisor for purchase along by senior management who will continue to operate the business on a day to day basis. We can also structure an ESOP ownership depending on various needs of the seller.

Asset Purchase

We will provide contacts who will acquire any assets, including trucks, tractors, and trailers by either a cash purchase or thought debt assumption.



In addition, areas of special interest would be printing equipment and new retail inventories.

Equity, Mezzanine and Subordinated Debt

Mezzanine or subordinated debt can be arranged through providers in these specialty areas, with our introduction.

Management Consulting



Our experienced group of senior managers will provide your “instant response” team for any problem situations involving operations or cash flow.

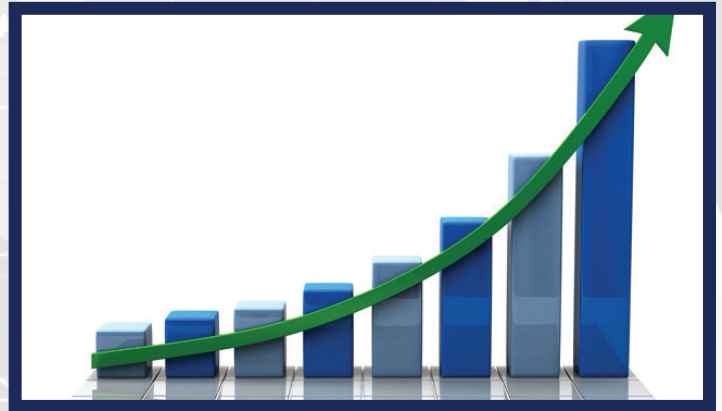
We don't just make recommendations; we follow through by implementing the solution. We are willing to stay on as your principals to assist and obtain financing or refinancing or stay on for or through, a reorganization.

Whether you have a management problem, financial problem or marketing weakness, call the “instant response” team, call us.

Business Turnaround Service

Our business recovery group focuses on assisting crisis situations toward a stable daily operation. We work with vendors, lenders and employees to address the difficulties and to bring them under control.

We develop a Business Plan for optimal use of cash and prepare cash flow projections for survival and recovery. In addition, we work to restructure debt and obtain new or alternative financing



We produce press releases and related information to creditors.

Our Company

We operate through regional and international offices in the conduct of our business. Whatever your business needs, we are your “instant response” team.

- Merchant Banking Consulting
- Advertising / Marketing
- Public Relations
- Web site Design and Optimization





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