



## **Mark Your Calendar for Our Next Event**

### **Leadership & Management Effectiveness.....Thursday, October 25<sup>th</sup>**

This seminar will address management processes and leadership practices for our "Twitter" world including:

- + the hallmarks of effective management
- + what to expect from employees in key positions
- + what investors require from a company's business model
- + the purpose of governance and the roles of a company board and advisors

The panel will present guidance and best practices on making sure that investors believe in the integrity and abilities of a company's employees, as well as tips on measuring progress and success coupled with leadership skills.

## **Recap: Useful Capital & Financial Management**

### **Barton Goodwin, Co-Founder Cypress Growth Capital**

Barton is a native Texan with over 30 years of success working at premier companies in the information technology sector, with a focus on growth initiatives, M&A and management consulting. Prior to Cypress Growth Capital, Barton co-founded Cypress Point Partners an advisory firm focused on providing funding and driving revenue growth for emerging technology companies. His experience also includes serving as an executive at nGenera, a venture backed company focused on the business application of social media and collaboration. Barton spent 16 years at CSC, where he served as a Managing Partner in the U.S. consulting practice. During his tenure, he led the company's Southwest Region, growing the unit from \$20M to \$80M over a five-year period, including the Enterprise Resource Planning, Supply Chain and Customer Relationship Management organizations. Barton began his career in information technology at Accenture, where he spent nine years in their Houston office. He received a double major in Economics and Managerial Studies in 1978 from Rice University. As a member of the Rice golf team, Barton earned All Southwest Conference honors three years, All America honors in 1976, and was elected to the Rice Athletic Hall of Fame in 1991.

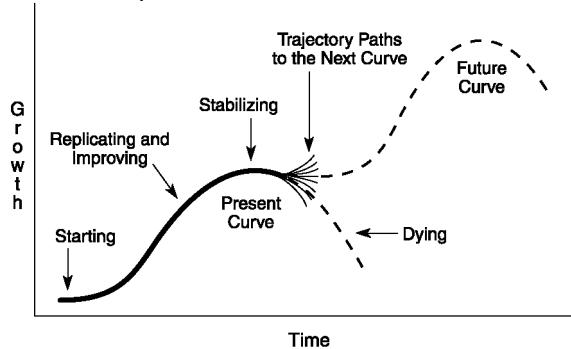
### **William M. Ashbaugh, Senior Vice President, Capital Southwest**

Bill joined Capital Southwest Corporation in 2001. He serves as Senior Vice President, member of the investment staff and director of business development. Previously, he spent 19 years in the investment banking industry, serving as Managing Director in the corporate finance departments of Hoak Breedlove Wesneski & Co, Principal Financial Securities, Inc. and Southwest Securities and as First Vice President with Rauscher Pierce Refsnes (now RBC Dain Rauscher). He began his career as a banking officer in the Energy Lending Group of Republic Bank (Bank of America). His experience includes providing M&A advisory services, managing public offerings, business development, reviewing prospective investment opportunities, structuring and negotiating investments, due diligence and serving on the boards of portfolio companies. He holds an MBA summa cum laude from The University of Texas at Austin and a BS summa cum laude from Texas A&M University. He has been married for 30 years and has four children.

## Panel Discussion Recap:

**Question: What are the hallmarks of effective financial management?**

**From Bill Ashbaugh:** Know where you are at on the S-Curve and plan your capital use, growth, hiring, and sales and marketing spending accordingly. Without management to the S-Curve your company will decline. Capital options and their availability are directly dependent upon where you are on the S-curve. The cost to shift to a different trajectory requires capital so planning in advance is required to efficiently attract capital.

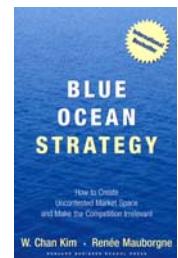


Once you know where you are at on the S-Curve, the hallmarks of effective management includes having an accurate budget and forecast and managing to them. Failure to do so is why companies don't scale.

**Question: What are the best strategies for attracting Useful Capital?**

**From Bill Ashbaugh:** Equity comes in a lot of flavors. My three (3) requirements are:

1. A sizable market opportunity is defined. Depending on whether you are a "Blue Ocean or Red Ocean" opportunity dictates available capital sources and terms.
2. Differentiation in both the product and leadership team is clear and more compelling than alternatives. The product and team is a better story than alternatives. The right team includes a professional CFO, CPA, and legal advisor.
3. Can you see the results/differentiation in the KPIs?



The single biggest failure is the inability to build the right team. The right team includes a professional CFO, CPA, and legal advisor. Also, founder's most overcome the founder's dilemma.

Read more here: <http://hbr.org/2008/02/the-founders-dilemma/ar/1>

### The Trade-Off Entrepreneurs Make

Founders' choices are straightforward: Do they want to be rich or king? Few have been both.

		FINANCIAL GAINS	
		WELL BELOW POTENTIAL	CLOSE TO POTENTIAL
CONTROL OVER COMPANY	LITTLE	Failure	Rich
	COMPLETE	King	Exception

If you want to have capital, you must be willing to give up control.

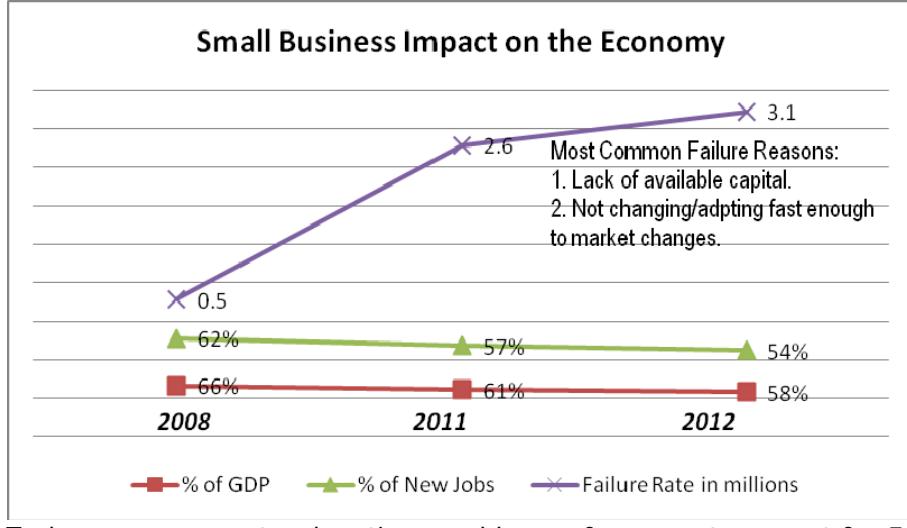
**From Bart Goodwin:** Every business faces inflection points. At each inflection point the business plan and capital plan must be re-aligned. It's hard for founders to migrate from a bootstrapped mentality to a growth mentality. My advice: Don't be a one-man band. Don't be too focused on one employee or one product. Constantly bring in better people and create a portfolio.

- a) Focus on your business model attributes which are illustrated/demonstrated to investors via KPI metrics beyond financial reporting ratios and cash flow and EBITDA.
- b) Focus on attracting leaders and outside resources for assistance in developing the company before capital is required.

## Discussion Recap:

### Question: What is the economic landscape for growth?

**From Garry E. Meier:** It is forecast that in 2013, small businesses will represent the lowest percentage of the GDP at 55% and account for 49% of new jobs, since the great depression. The majority of businesses started since 2007 will have failed (3 million businesses will fail in 2013 alone).



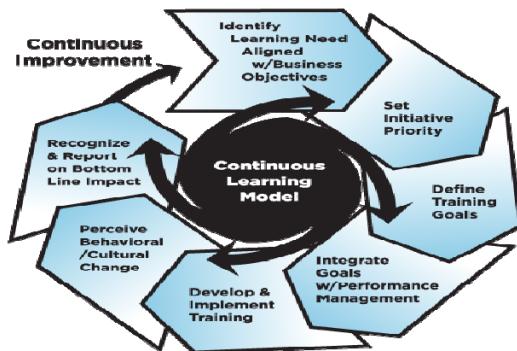
Today, government, education, and law enforcement account for 5.5 out of every 10 jobs created in the economy (6 out of every 10 jobs by 2013).

- The IRS recent announcement to hire approximately 6,500 new agents into training to enforce Obama Care illustrates just a small example of this trend.
- The Labor CMS department hired 1800 inspectors for healthcare compliance to attack the offshoring of jobs.

The reality for small business today is highlighted from the findings of a recent survey conducted on behalf of the National Federation of Small Business which found that in addition to the fact that growth for the first two quarters of 2012 was flat that:

- 84% responded that they had not hired or expect to hire until 2013 (and most new hires would be temporary or part-time).
- 89% responded that they will not increase Capex anytime soon (Capital expenditures, or Capex are expenditures creating future benefits. A capital expenditure is incurred when a business spends money either to buy fixed assets or to add to the value of an existing fixed asset with a useful life extending beyond the taxable year).
- 91% responded that they expect no increase in sales and new customers, in the near-term.

Clearly the economy for the small business sector slowed in the 1<sup>st</sup> half of the year. Job growth fell far short of expectations, with inventory and Capex levels reverting back to the Q3 2009 all time lows. Political uncertainty and the effects of the social engineering efforts of the past 4 years have clearly taken its toll. We all need to be at the top of our game to succeed and create wealth.



## **Discussion Recap:**

**Question: What is the economic landscape in Texas?**

**From Garry E. Meier:** Here in Texas we reflect in a more precise manner what our country has experienced over the past 50 years and will be experiencing in our current new economy including the significant **redistribution of wealth** that has and will continue to occur at least in the near-term.

From the 1950's thru the 1990's we were a resource driven economy in Texas like the rest of the entire country. As in this case of Texas as oil and gas went so went the Houston economy and it wasn't until the 1990's that we started to diversify. At that time we started to take boom or bust out of the economy by diversifying into information technology, service industries, and healthcare sectors.

The facts are that personal household wealth increased 2x from 1948 thru 1988 and then 2x again from 1988 to 2008. Now that has all changed.

Now we have an economy that has changed from resource driven to knowledge and technology driven.  
*Accept this and embrace it and you will be privileged.*

You and your business future will be driven by what you learn, how effective you change and most importantly how you apply that knowledge daily

The truth is in Texas we are a society of migrants and immigration heritage and we must prepare our businesses to migrate and adjust to change.

- o In 2014 we will have more Hispanics than there are Anglo's (40% will be Hispanic and 36% Anglo).
- o Other diversified nationalities represent nearly 25% of our workers and consumers (Chinese and Indian being the largest).
- o Couple that with nearly 76m baby boomers nationwide rolling thru the economy of which of our 27m in Texas people nearly 5m are baby boomers.

Knowledge plus planned participation in the redistribution of wealth, coupled with a lot of change and commitment to success will allow us to be successful participants in this new economy.





Your Useful Network for Wealth Creation



TeXchange is the premier resource and networking organization in Texas for executives of technology enabled businesses, or businesses that are dependent upon technology to execute their strategic objectives.

**Mission:** To provide a useful and relevant resource network for technology-enabled businesses and their executives.

### Content Curriculum

- A Playbook for Success: Business Model Strategies for Wealth Creation
- Strategy Development and Implementation: Growth Options Go-to Market Venues and Techniques for Revenue Generation
- Financial & Capital Management
- Leadership Practices

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