

With the Right Advice, What Starts "Small" Can Become a Big Success



COMPILED BY MILES Z. EPSTEIN
EDITOR, COMMERCE

From startups to family companies, accounting firms, banks and law firms can play a significant role in helping to plot a path to profitability and future growth.

THE NURTURING OF SMALL businesses is a key to future economic growth and job creation, and a vital part of the free enterprise system. The role that CPA firms, banks and law firms play in this process is an important one. Here are some best practices in the form of case studies that show how the right counsel can be the difference between success and failure for many entrepreneurs and their ventures.

ACCOUNTING



EisnerAmper LLP

By Jay L. Weinstein, CPA,
NJ Partner-in-Charge

We recently assisted a family business client transition their firm to the next generation. The husband and wife operated a successful business with increasing annual earnings. They were also blessed with young adult children who returned from the corporate world to assume active roles within the company. While each child performed well, one was making sacrifices and stepping into the role of future leader, while the other had family responsibilities and was unable to take on as much. Despite the obviously unequal contributions by their children, the parents remained committed to transferring equal ownership. Recognizing the possible implications to the business and family fabric, we helped the owners craft an equitable succession plan that included gifts, stock sales and trusts to distribute wealth while also bringing ownership responsi-

bility to the child who could more easily help the business prosper in the future. With the second generation in charge, the business increased in value and, eventually, was sold after multiple offers from suitors. Building a business, transitioning to the second generation, and a successful exit are, individually, remarkable achievements. To accomplish all of them is exceedingly rare, and we were proud to play our part.



Goldstein Lieberman & Company LLC

By Phillip E. Goldstein, CPA,
Managing Partner

For one of the region's most profitable law firms—a family business—passing the leadership from one generation to the next presented some formidable challenges. The lawyer who built the firm created it over time on the strength of his will and determination. He kept a lot of his knowledge to himself. He wasn't reluctant to share how things worked—he simply had never had the time to document in detail how the office ran. He was now ready to step back and eventually step out of the business leaving his two sons and one daughter in charge. Having three children, all of which were attorneys, to contend with made the succession triply difficult for us. We first had to assess and understand the metrics of the organization. We then had to help the father determine who should handle which specific aspects of the business. We eventually learned the skills and aptitude of each—one excelled at the management of revenues, another was

adept at handling marketing and a third could tackle personnel. It was a long and laborious learning process that yielded tangible results. The firm has grown exponentially since the succession and the children's reliance on our firm's expertise has become even more firmly rooted over time.



Kreinces Rollins and Shanker, LLC

By Maria T. Rollins, CPA,
MST, Member

Leasing cars, trucks and equipment to businesses in the Tri-State area is what one agency's owner knew best and had been doing since 1978. He knew having timely, accurate data on his firm's financial position was critical to his company's success and to maintaining solid credit lines with his banks. However, his full-time, in-house bookkeeper was not giving him what he needed to run the company effectively. He came to us and we sent in one of our Business Services bookkeepers for a few hours a week. Our client later reported to us that our bookkeeper did more work in one day than his employee would do in a week. He now had more confidence in the timeliness and accuracy of his financial data, and was pleased that he was saving on payroll and benefits. In fact, he turned over all the company's accounting functions and financial reporting to us, replacing an accountant who was a leasing specialist. He told us that by doing so, he didn't have to worry about "monthly this or quarterly that," which enabled him to focus on driving the growth of his business.

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BANKING



Bank of America

By Bob Doherty, President, New Jersey

Bank of America recently helped a small, New Jersey-based health and beauty supply wholesaler obtain a line of credit (LOC) to grow its business. The company, which sells to online retailers and large wholesalers like Costco, has expanded from a small startup to a \$6.5 million company over the last seven years. Although Bank of America had previously suggested securing an LOC on several occasions, the business did not open one despite the recommendation, and missed out on an important opportunity to increase the company's growth by prepaying for an order during a business convention. As a result of that missed opportunity, the business owner finally realized that Bank of America's earlier counsel about setting up an LOC was the best path forward for his business. At that point, we worked closely with him to create a \$650,000 revolving line of credit that was ready within a just a few days. With our customer-focused strategy and a commitment to deliver the best client experience possible, the business owner realizes Bank of America is his partner and we are invested in his success.



Lakeland Bank

By Thomas Shara, President and CEO

We were working with a prospect who had purchased a property management business in Hudson County, New Jersey. She had the finances to secure the business, but had concerns about her financial ability to manage staffing expenses and new business development. The previous owner had employed a vice president/property manager, an account manager, a full-time accounting person and one part-time staff member. We knew this type of staffing compliment would be difficult for her to maintain due to the salary expense for this many employees. Our small business representative proposed a plan that would allow her to open her business with one assistant. Utilizing Lakeland Bank's technology solutions, we streamlined the need for additional staff by providing the ability to process payments with a lockbox, online banking and remote deposit capture. This client is located outside of our primary market, but never visits a branch since all of her transactions are processed remotely. However, for her convenience, we open accounts at her office location as needed. This solution has provided the opportunity for our client to focus on her customers as well as develop the business. We are now working to provide the financing she needs to expand the service she offers with items such as portal

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service, online account review and electronic distribution of reports.



North Jersey Federal Credit Union
By Lourdes Cortez,
President and CEO

At North Jersey Federal Credit Union, we specialize in working with small businesses with \$7 million in revenues or less, a market that many larger retail banks are not interested in servicing. We recently had a member come to us wanting to refinance their commercial mortgage and open a line of credit. Starlite Windows is a 27-year old, family-owned business with two generations working successfully together. Located in Paterson, New Jersey, the company switched from manufacturing windows to installing and repairing windows primarily for the residential market. The owners, Jose and Mercedes Rodriguez, had originally approached the bank that they had their business

accounts with for the loans. However, they were considered too small for the funding that they wanted. We were able to refinance their commercial mortgage at a lower rate, allowing the company to save thousands of dollars in interest expense over the life of the loan. We were also able to provide a working capital line of credit that is enabling them to expand their business into selling and installing kitchen cabinets, which Starlite will begin offering in 2016.



Peapack-Gladstone Bank
By Doug Kennedy,
President and CEO

Black River Veterinary Hospital in Chester, New Jersey, was recently involved in an extensive renovation that seemingly had no end. Its facility increased in size from 2,284 square feet to 5,650 square feet with additional kennels, exam rooms, and surgery and dental suites. In lieu of

an expensive construction loan, we provided a home equity line of credit to fund the majority of the expansion. As is typical, delays and cost overruns occurred. That's when we stepped in to provide additional financing through a commercial line of credit. Black River Veterinary Hospital has been a client since 2002, and it was important for us to make this work. We were able to set financing parameters and provide adequate funding, while implementing guidelines to ensure the project would remain on task and within budget. "Big-picture" thinking helped our client realize the scope of the project and visualize its completion. Peapack-Gladstone Bank provided the necessary capital, along with the flexibility required, to transform a property physically out of space, into a completely modern facility that includes four examination rooms, two surgery suites and one dental suite. The hospital can now hire additional veterinarians and is expecting to grow 15 percent to 20 percent over the next five years.

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Valley National Bank
 By Gerald H. Lipkin,
 Chairman, President and
 CEO

Recently, our commercial loan officers and branch sales associates worked together to assist a small business with aggressive growth aspirations. This particular company felt that they were being ignored by their current bank and turned to us for solutions that could accommodate their need for expansion. We immediately helped them move their deposit relationship over to Valley National Bank and set them up on VNBConnect®, our full-service, online banking platform designed specifically for small businesses. Next, we established a working line of credit so that the company had sufficient capital on hand to finance seasonal and growth needs. The company's rapid growth called for expanded facilities. We are providing commercial real estate financing for this property and Valley National

Title Services, Inc., our full-service title agency, is providing all of the title work. All of these transactions are being expedited to meet their year-end deadline for tax considerations. This company needed a banking partner that could provide the resources and solutions that would support their growth. By providing personalized attention and customized financial solutions, we have supported this small business to overcome some significant financial challenges, and established a new relationship that is mutually beneficial.



Wells Fargo & Co.
 By Lou Gallo, Business
 Banking Area Manager,
 New Jersey

When we first met Nestor Galvis, principal of Nickabella's Trucking in Kenvil, New Jersey, he voiced his concerns about the impact operating

expenses—fuel, tolls, insurance, and truck maintenance—had on his company's cash flow. He was also concerned about a factoring agreement that called for a percentage of revenue to be paid out in commission (\$184,000 in 2014 alone). Nickabella's operating expenses were being paid through a company card that carried a small limit, and was reporting as a personal liability for Nestor. Wells Fargo approved a \$125,000 working capital line of credit, eliminating the need for the company to factor its receivables. Nickabella's was also approved for a \$375,000 WellsOne commercial card, which improved cash flow by extending operating expenses by 30 calendar days. With the \$375,000 credit limit, Nickabella's was able to utilize the card for all expenses and did not have to pay it down every day. The card approval also meant that liability was shifted away from Nestor. Revenue for 2012 was just over \$2.6 million; their 2015 revenue is projected to reach \$9.5 million. Our team solved Nickabella's

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operating expense challenges, and they are flourishing as a result.

LAW



Connell Foley LLP

By Philip F. McGovern Jr., Esq., Managing Partner

Connell Foley provides tailored solutions that address the unique challenges of small businesses. For example, a long-time client outgrew its office space and wanted new space in the same town. Due to the nature of the company's operations (small explosive device manufacturing), they needed to obtain a use variance for their new location. Given the heavily regulated nature of the business, this was a significant challenge. However, it was critical for the company's future that it expand into larger space in the same geographic area. Connell Foley determined the best way to present the case to the local zoning board was to



accentuate the varied end uses of the company's products. In addition to manufacturing components for our armed services' Tomahawk and TOW missile systems, the company makes devices with commercial applications, including underwater bolt cable cutters and fire suppression system caps. National Geographic even uses the company's devices to attach cameras to blue fin tuna to chart their migratory habits. By focusing on the positive aspects of the client's products, we convinced the zoning board of the company's inherently beneficial use. Ultimately we provided the client with a substantial benefit by helping it relocate to an improved office/manufacturing facility in the geographic location it desired.



Gibbons P.C.

By Patrick C. Dunican Jr., Esq., Chairman and Managing Director

Gibbons P.C. takes a multi-disciplinary approach in addressing the challenges small businesses face. One example involves our representation of a New Jersey physical therapy business since its formation in 2009. Recently, the business was looking to expand into New York, but faced strict laws and regulations regarding its ownership and management. The client's existing structure needed to be modified to comply with New York law. In order to accomplish this, corporate and healthcare attorneys from Gibbons devised an ownership structure that complied with New York professional service corporation laws. Due to the highly regulated nature of healthcare, we also needed to ensure that our client did not run afoul of federal regulations. One wrinkle in this process was that the

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State of New York rejected our client's proposed name because it contained some of the same words used in the New Jersey company's name. While the state claimed this would cause confusion, the client wanted to keep the existing name, which had brand recognition. We worked with our client and the State of New York to develop a name that satisfied both parties, working closely with our intellectual property lawyers to also protect our client's IP rights in the name.



Harwood Lloyd, LLC
By Curtis J. Turpan, Esq.,
Co-Managing Partner

Last year we assisted a client who was starting a new technology-related small business. Initially, we recommended to our client an accountant to assist him with tax and financial aspects related to the formation and structure of his new business venture. Once it was decided to establish the



business as a limited liability company, we formed the new company, filed the certificate of formation, drafted related formation documents and issued membership certificates. We prepared an initial draft of an operating agreement. Because there were several members of the LLC (rather than a single-member entity), there were lengthy negotiations to complete an operating agreement acceptable to all members. Additionally, there were intellectual property issues relating to trademark and copyright law requiring the assistance of a firm that specialized in that area of the law. Because of our working relationship with

an intellectual property law firm, we were able to assist our client in obtaining that specialized representation. So besides Harwood Lloyd's representation in forming and papering the new LLC, because of our working relationships with other professionals, we were able to assist our client in addressing, at one time, the many issues that arose in the formation of this small business.



McCarter & English, LLP
By Stephen M. Vajtay, Jr.,
Esq., Managing Partner

Tech and tech-enabled startups and emerging growth companies often grow rapidly early in their development cycle. Focused mainly on research, innovation, product development and market penetration, these enterprises often do not onboard employees and consultants appropriately, sometimes failing to secure agreements and restrictive covenants regarding invention assign-

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Bill Hagaman, CPA, CGMA, Managing Partner, CEO



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ments and confidentiality. This oversight can have costly consequences that can delay or break deals, especially those featuring capital raising or monetization events. Investors and acquirers seek assurances regarding chain of title to intellectual property and protection of innovations. Having seen many companies unable to meet this routine diligence request, including recently in a sell-side transaction by a Somerset County-based, new e-commerce client, our venture capital and emerging growth company lawyers, under the direction of David Sorin, recommended that these important provisions and agreements be embedded in equity incentive plans. Doing so ensured that anyone who received an equity incentive would be bound by these provisions. We routinely counsel our clients to focus on having such agreements executed in a timely fashion, preferably upon employment or engagement. But when, as here, there is a failure of process, we have been able to add bind-

ing, enforceable restrictive covenants in favor of the company.



NPZ Law Group

*By David H. Nachman, Esq.,
Managing Attorney*

Small businesses tend to be treated (by immigration authorities) differently than large corporations for U.S. immigration law benefits. There are specifically two areas where small businesses are heavily scrutinized. First, the U.S. Department of Homeland Security (DHS), Citizenship and Immigration Service (USCIS), will look closely at an organization's size with regard to its ability to have a sufficient workload for an H-1B Non-immigrant Professional and Specialty Occupation Worker. Also, in the PERM (Immigrant Visa process for a green card), the immigration authorities are concerned about an organization's "ability to pay" a federally mandated prevailing wage. In the past several years, we

have assisted companies to respond to Requests For Evidence (RFEs) from the USCIS challenging the ability of a small business to pay a designated wage or to have sufficient work. Working with the corporate counsel and the accountants, we develop corporate and financial data which successfully convinces the USCIS that, just because a company may be "small," it does not mean that the organization is not financially viable or unworthy of being treated like its larger commercial counterparts for U.S. immigration law benefits. ■



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