



MONTHLY NEWSLETTER

Vol. 4 • Issue 2 • October 2010



The President's Letter

We kicked off September with another great wine tasting event at the King Plow Art Center. We had approximately 350 attendees, including dozens of folks that travelled to Atlanta just to attend this event.

On October 5, 2010, we had our first breakfast panel on "International Growth through Expansion and Acquisition", sponsored by Habif, Arogeti & Wynne, LLP, featuring the following panelists: Tim Sheehan (BNY Mellon Wealth Management) as the moderator, Justin Jones (Heritage Plastics), Rik Katz (Pak-Lite, Inc.), Brian Parlotto (InComm), and George Tracy (Atlanta Export Assistance Center). This panel continued our tradition of bringing great content and substance to our breakfast programs.

On October 21, 2010, Jim McCurry, President and Chief Executive Officer of Pediatric Services of America (PSA), will be the keynote speaker at our monthly dinner event at the W Atlanta Midtown. PSA Healthcare, Inc. is the nation's leading provider of in-home nursing care for medically fragile children. Since Mr. McCurry joined the company, PSA has turned around years of declining revenue and earnings and is now entering into its second consecutive year of double-digit revenue growth, while at the same time he has more than tripled its operating profits. We are looking forward to hearing more about the keys to the company's success and his vision for PSA's continued growth and success.

Please note that the nomination process for our two community service awards has begun. Our Community Service Committee, led by Truc To (KPMG, tto@kmpg.com), has appointed Ed Fisher (SouthPointe Ventures, edfisher@southpointeventures.com) and Nancy Halwig (UPS Capital, nhalwig@ups.com) to chair the Award Selection Committees. Our annual grants to non-profit organizations will now be named in their honor for their many active and thoughtful years of contributions to ACG. Please let Truc, Ed or Nancy know if you would like to participate on the Award Selection Committees or if you know of a potential nominee that fits the description for either or both awards.

Our wine tasting event brought out the top dealmakers in the Southeast. I had the good fortune of sharing some wonderful conversation with several folks discussing family-owned businesses, when a well-known person from a well-known private equity group, who will remain nameless, reminded us of the opening line from Leo Tolstoy's novel *Anna Karenina*: "All happy families resemble one another, each unhappy family is unhappy in its own way."

Very truly yours,

Dominic C. Mazzone
Managing Director, Mazzone & Associates
President, ACG Atlanta
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Calendar of Events

Tuesday, October 21, 2010: 7:00 p.m. - 9:00 p.m. • W Hotel Midtown

Monthly Dinner Meeting

Speaker: Jim McCurry, Chief Executive Officer, Pediatric Services of America (PSA)

Sponsored by: Cherry Bekaert & Holland

SAVE THE DATE

Thursday, November 18, 2010
Monthly Dinner Meeting

Tuesday, December 7, 2010
ACG Academy Breakfast

Thursday, January 20, 2011
Monthly Dinner Meeting

Wednesday, February 9, 2011
Atlanta ACG Capital Connection
Cobb Galleria Centre

Tuesday, March 1, 2011
ACG Academy Breakfast

Thursday, March 17, 2011
Monthly Dinner Meeting

Thursday, April 21, 2011
Monthly Dinner Meeting

Tuesday, May 3, 2011
ACG Academy Breakfast

Thursday, May 19, 2011
Monthly Dinner Meeting

Thursday, June 16, 2011
Georgia Fast 40 Dinner Event

New Members

Anthony Begando, *Tenon Consulting / MCS*

Sheldon Friedman, *Friedman, Dever & Merlin, LLC*

Charles Garner, *MedAssets*

Ronelle Genser, *Genser International Consulting*

Scott Luton, *Definity Partners*

Richard Luton, *West, a Thomson Reuters business*

Steve McGrath, *Atlanta Equity Investors, LLC*

Bart McLean, *MSouth Equity Partners*

Rob Piatkowski, *Servidyne*

Ted Schwartz, *Ackerman & Co.*

Jackie Tardy, *The Coca-Cola Company*

Call for Volunteers...

If you are interested in getting more involved in ACG, please reach out to Margie Poole at ACG Atlanta by calling 770 991 2170 or via email at acgatlantia@informedhorizons.com with your interests or ideas.

We are always thankful for more involvement from our members.

– Margie Poole
ACG Atlanta Executive Director



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Cherry, Bekaert & Holland, LLP

Kurt Putkonen
PNC Business Credit

Allen Taylor
Bank of America Merrill Lynch

Experts' Consensus: No Double-Dip Recession, but No Feelings of Recovery Either

The good news is that it is unlikely that we're headed for a double-dip recession.

The bad news is that it will be a while before we really feel as though we're in a recovery.

That is the consensus of three Atlantans who are close observers of the economy. Their views, however, differ on what factors will influence the economy going forward.

"I think the odds of a double-dip recession are very small; I would put it in the 10 percent camp," said Justin Ryan, a senior portfolio manager for UBS in Atlanta. "My forecast would be for very subdued growth."

Ryan, who works with high net worth clients, expects that there will be 2 percent to 2.5 percent GDP (Gross Domestic Product) growth. "I think that's what we should get used to for the next six to seven years," he said.

But Ryan did hedge his forecast by saying: "a policy blunder out of Washington, D.C. could change that." For example, his fear is that there could be total dysfunction in Congress, which could impact the extension of the George W. Bush's tax cuts.

Roger Tutterow, an economist and professor at Mercer University, said that officially the recession ended in the summer of 2009, more than a year ago.

"But it's hard for many businesses and households to accept that because they are equating the end of a recession with the beginning of a strong rebound," Tutterow said, adding that this is the deepest recession in 70 years so "it will take a while longer to work our way through it."

Tutterow added that "it is more likely than not that we will continue this sustained expansion rather than having a second downturn." But he added that the "pace of growth will remain quite timid in the next several quarters."

Sandra Morelli, Southeast regional director and portfolio specialist for Capital

Group Private Client Services in Atlanta, also does not anticipate a double-dip for several reasons.

"One, there's such robust growth in the emerging markets and developing world. That's an underpinning of the global economy that many people underestimate," Morelli said, adding that the new middle class in China, India and other developing countries will fuel a global demand for consumer products.

Morelli's firm, which works with high net worth individuals, families, foundations and endowments, does not anticipate a double-dip because central banks have "demonstrated a willingness to provide whatever is necessary to support full recovery" from the recession, she said. "We think the equity market is solidly positioned for long-term investors."

She added that "there's little historic precedence for a double-dip" recession.

If there is another downturn, Tutterow said "it likely will be judged as an independent recession" because the country has been out of a recession for more than a year.

Morelli said that her firm sees "sluggish growth year over year," especially in the developed world, where there will be "anemic" growth. "Developed economies have got a lot of work to do to reduce the extraordinary level of debt that resulted from rescuing the financial sector," Morelli said.

Ryan said Americans also have changed their spending habits as a result of the past recession. Their first reaction was to write down their debts.

"Historically the largest block of spenders have been the baby boomers," Ryan said, adding that they now are focused on their savings. "Historic spenders are

now saving for their retirement years. Although I do think the consumer is alive, I don't think consumer spending is going to grow."

High unemployment is another reason the economy has not had a robust recovery. "If you are not college-educated, it feels like a double-dip recession," Ryan said, adding that as companies have cut staff and tightened their belts, they have realized they can do more with less."

As a result, "corporate balance sheets are as healthy as I've seen in my career," Ryan said. "Corporations have been hoarding cash. I believe you will see an environment of increased mergers and acquisition."

Tutterow, however, said there is continued weakness in the commercial real estate market and the banking system.

"As long as there's restriction on the access to credit, it will deter businesses from making large capital commitments and households from making big ticket purchases," Tutterow said.

It also will take awhile to replenish the number of jobs that have been lost in the country and in Georgia. "Nationally, we dropped 8.4 million jobs. In Georgia, we dropped about 350,000 jobs," Tutterow said. "It will be 2013 or 2014 before the labor market comes back to where it was before the recession."

Metro Atlanta also has a couple of other challenges. Back in the 1990s, Atlanta was adding twice as many jobs as the national average. It will be a long time, if ever, before that kind of growth returns.

"We need to recognize that from the mid 1970s to 1990s, Atlanta was really the only show in the Southeast in terms of growth," Tutterow said. "The Southeast



Maria Saporta is one of Atlanta's outstanding journalists and observers of local business. She was with the *Atlanta Journal-Constitution* for 27 years as a reporter and business columnist. In addition to writing for ACG Atlanta, Maria currently writes for the *Atlanta Business Chronicle* focusing on the Greater Atlanta business community.

Maria Saporta's Column continued...

landscape has become much more competitive" with the emergence of other cities such as Charlotte and Nashville.

That means Atlanta's business community has had to adjust to less growth, in much the same way as has the rest of the nation.

"Recessions are painful times, but recessions also are times when we recalibrate things," Tutterow said. As a result, businesses "have a lot of cash" available to invest, he added.

"There has been some uptick in M&A activity," Tutterow said. "There's a lot

of cash out there, but the cash is being deployed in very thoughtful, cautious ways."

But companies want to know "what the tax system is going to look like going forward," Tutterow said. "They want to know the rules of the game. Once businesses understand the climate that they're in, they might be more willing to deploy capital."

Until the economy is more stable, Tutterow said he would prefer to see the Bush tax cuts stay in place. "It's not the time to talk about raising income taxes rates on anyone," he said.

Morelli agreed. "Tax increases are another risk to economic growth," she said. "Significant increases could restrain the recovery. But we feel at this point that the probability of onerous increases is probably lower than it appeared might be the case earlier this year as political will is increasingly focused on sustaining the economy."

Ryan summed it up this way. "The beauty of my business is that there is no right answer," he said about economy. But he added: "I do think we have a very resilient economy."

Thought Leadership

Occupational Fraud: It's not a matter of if it's happening, but how much right now?

By Dave Peacos and David Kloess

In today's tightening economy, with mounting personal debts and the added stresses of unemployment and rising prices, the unfortunate reality is that fraud – that age old tactic of quietly and stealthily stealing a company's assets without using a gun – is on the rise. Fraudulent practices are ravaging the financial health of businesses ranging from storefront "mom and pop" companies to businesses operating on Wall Street.

Small businesses are especially vulnerable to occupational fraud, which is defined as a person using his or her job for personal enrichment. The fraud scheme is usually performed by the deliberate misapplication of the employing organization's resources or assets. It can also occur through asset misappropriation, corruption and financial statement fraud. Other typical fraud schemes include skimming, cash larceny, fraudulent billing, check tampering, bogus expense reimbursement, cash register disbursements, and theft of cash-on-hand.

Who has been found to be hardest hit by fraud? According to a study by the Association of Certified Fraud Examiners (ACFE) the industries affected with the largest actual dollar losses include technology, telecommunications, manufacturing, and construction.

Senior management in all organizations should ask itself not "Is it happening?" but "How much of it is happening right now?" An organization's leadership can implement the following steps to protect the company against these prevalent and damaging crimes.

First, understand motives and mindsets. Not surprisingly, when the behavior of fraud perpetrators is examined, the list of explanations range from complaints about not having enough

authority to exhibiting a "wheeler-dealer" attitude. And one major red flag is those individuals who are found to be living beyond their means, probably the most visible tell-tale sign any employer can spot.

It is important, especially for small businesses, to implement strong, effective internal controls. Ineffective or insufficient internal controls have been found as the most common factor that allows fraud to take place.

ACFE, the national network of experts who help companies detect and fight corporate fraud, recommends that executives think about fraud in the following six categories:

- Fraud risk oversight
- Fraud risk ownership
- Fraud risk assessment
- Fraud tolerance and management policy
- Implementing entity level controls (soft versus hard controls)
- Proactive fraud detection.

The benefit of evaluating the risk of fraud, and how to stop it, is that it can be the least expensive way to identify your organization's weaknesses. It can also preserve profits and growth that is the lifeline of any company. The good news is that a strong anti-fraud prevention plan provides an increased level of confidence in your organization from your board of directors, audit committee, regulators (when applicable), and shareholders.

Dave Peacos (dpeacos@windhambrannon.com) and David Kloess (DKloess@WindhamBrannon.com) are Principals in the assurance practice at Windham Brannon, an Atlanta-based CPA firm.

Michael Levy

Managing Director, Merger and Acquisition Services, Habif, Arogeti & Wynne, LLP



Please describe for our readers your current responsibilities: I am the Managing Director of Merger and Acquisition Services for Habif, Arogeti & Wynne, LLP (HA&W). I have over 15 years of audit and merger, acquisition, divestiture due diligence and structuring experience. Prior to joining Habif, Arogeti & Wynne, I was a member of PricewaterhouseCoopers Transaction Services group from September 2002 through January

2004 and Deloitte's M&A Transaction Services group from January 2004 through October 2009.

I have assisted both financial and strategic clients in domestic and international merger, acquisition and divestiture transactions. In my capacity as the Managing Director of Merger and Acquisition Services, my primary responsibilities include assisting clients with developing structures, performing buy-side and sell-side due diligence, closing assistance and post-transaction integration assistance.

Over my career, I have served a wide range of clients in the manufacturing, technology, distribution, and consumer business industries. I have worked on transactions varying in size from \$2 million to approximately \$10 billion.

What do you look for in your ACG membership? To build and maintain both my own network and HA&W's network within the deal community. To acquire continued knowledge of the "pulse" of the deal/business market.

Where do you get most of your business leads and connections? Professional organizations such as ACG and introductions by HA&W's partners, directors and senior managers. As HA&W is a firm with 300+ personnel, we all work together to bring maximum value to our clients while minimizing their risk.

How is the current economy impacting your firm's or company's sector of the market, and what do you see? Conditions have stabilized in certain sectors of the economy, and there are growing signs that the reins on credit availability have loosened from that of 2009 and early 2010. Investor and buyer sentiment is trending in a positive direction and the business fundamentals

necessary to drive a bullish merger and acquisition market are increasing. Further, large amount of capital on the "sideline" at Private Equity Investors (PEI) and strategics will drive increased M&A transactions in 2011.

Hobbies: Travel, spending time with family (two daughters – Lilly (5 years old) and Sophie (3 years old)), and college football (especially, the University of Alabama).

What is a recent book you have read that you would recommend to our members? *Comeback America: Turning the Country Around and Restoring Fiscal Responsibility* by David Walker.

What is your favorite book of all time?

The Da Vinci Code.

What is the best advice you have received in connection with your career? Always collaborate with others to gain insight and the expertise of others in order to deliver the most value to clients. Teamwork is an essential tool for managing, meeting and exceeding client expectations and needs.

Quotable Quotes - what advice can you share with our members? "Never settle short. Always work to exceed the expectations of clients."

Provide a brief summary of your Company/your position: For more than 50 years, Habif, Arogeti & Wynne has offered a diversity of innovative services and successfully incorporated rapidly changing government regulations to help our clients achieve their goals. We are the largest independent accounting and consulting firm in Georgia, and one of the top 100 firms in the United States.

HA&W offers the range of services and geographic presence of an international firm, with the close, personal attention of a local firm. Our services range from traditional accounting to specialized tax services, including international, state and local tax planning and compliance. Additional services include management consulting, retirement plan design and administration, and business coaching and advisory services.

Presented by
ACG Atlanta



The Southeast's Premier M&A Event

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FEBRUARY 9, 2011
Cobb Galleria Centre • Atlanta, Georgia

The Atlanta ACG Capital Connection is a forum hosted by ACG Atlanta and has become the premier networking and educational event in the Southeast for participants in all facets of corporate growth and deal making. The event presents the opportunity for intermediaries, CFO's, accountants, lawyers and other deal makers to meet and greet with top private equity principals.

For more information,
please contact the
conference secretariat:

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ACG Atlanta

MONTHLY NEWSLETTER

The newsletter is a great way for you to share your expertise and news with the other 500 ACG Atlanta members and the broader deal-making community.

There are two opportunities:

- **Thought Leadership article** – ACG Atlanta invites its members to submit a 500-word article with the author's picture and a brief bio. Only original, previously unpublished articles on a topic or issue that is both relevant to our organization and that members would find important to their business / mergers and acquisitions will be considered.
- **Member News and Announcements** – please tell us about your deals and your good news, such as new jobs, promotions, and awards.

ACG Atlanta reserves the right to select and edit all submissions. Please send all items for consideration to the attention of the Editor at acgatlantat@informedhorizons.com. **We will respond promptly to your submission.**



Programs Update

Around the World Wine Tasting

September 30, 2010 - 342 attendees



Programs Update

ACG Academy Breakfast: International Growth through Expansion and Acquisition

October 5, 2010 - 90 attendees



We wish to thank our 2010/2011 sponsors:

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If you would like more information on sponsoring ACG Events, please contact Margie Poole at ACG Atlanta by calling 770 991 2170 or via email at acgatlanta@informedhorizons.com.