

NHHTC Position on LLC and Partnership Tax



Fred Kocher
NHHTC President

NH Legislative Report – Jan. 19, 2010

Per a timely conference call of the Legislative Committee as the State Legislature got underway, the NHHTC has taken positions on two issues already in this new legislative session:

- Application of Interest & Dividends Tax to LLCs and partnerships – NHHTC requests repeal.
- Exemption of newly established NH companies from the Business Enterprise Tax for the first three years of their existence – NHHTC favors.

LLC & Partnership Taxation

The Board's letter spells out the basis for requesting repeal, and suggests a review of all business taxation with the goal of creating a NH tax climate that is conducive to entrepreneurship and economic vitality. It was hand-delivered to the offices of the Governor, Senate President, House Speaker, Dept. of Revenue Administration Commissioner, and the Union Leader.

Business Enterprise Tax Exemption

NHHTC President, Fred Kocher, testified before the House Ways and Means Committee on a hastily called hearing on three bills by State Representative Peyton Hinkle to provide tax relief to NH businesses. While the intent of all three bills is positive, there is only one that has any reasonable chance of passing in this legislative session. It's HB 1616, which provides that newly established companies in NH would be exempt from the Business Enterprise Tax for the first three years of their existence. This would be of particular interest to high tech start-ups that typically have high expenses but no profits for the first several years.

The other two bills have good intent, but also have the potential to cut into the state budget too much, and are very likely to be opposed. HB 1464 would increase the threshold before a company has to pay the Business Enterprise Tax, and HB 1603 would increase the carry forward period for the Business Enterprise Tax.

NH Business Climate Picking Up

As we come out of the worst recession in most of our lifetimes, there are growing hints of a general business pick up on many



Matt Pierson
NHHTC Chairman

fronts. Venture capital financing rebounded in the last quarter of 2009. Mergers and acquisitions, essentially on hold for much of the past eighteen months, are also making the headlines. A recent survey by the NHHTC shows that many small to medium sized businesses are planning to add jobs in 2010, a dramatic change compared to one year ago.

Earlier this month the NHHTC and SwANH co-sponsored an angel investment forum. Twenty-one small businesses attended, picking up practical advice on how to prepare to raise from several hundred thousand dollars to up to \$2 million. You can view all of the presentations at www.nhhtc.org. A follow on forum was suggested on how to understand a term sheet. Stay tuned for more details on this forum, as well as info on Speed Venture Summit 2010.

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Chairman's Message to Members... continued from page 1

Business taxation has dominated most of my discussions with our members over the past couple months. The uncertainty surrounding new taxes on LLC distributions, the definition of "reasonable compensation," and the flawed process to approve these new taxes often come out in a single, anguished gasp. There is no doubt that we face a challenge in attracting and retaining businesses as taxation on businesses, already 38th highest of the 50 states, ramp up.

While we face many fiscal challenges on the horizon, there is no doubt we have the right people and skills to meet them. The NHHTC will certainly be at the forefront of any discussions.

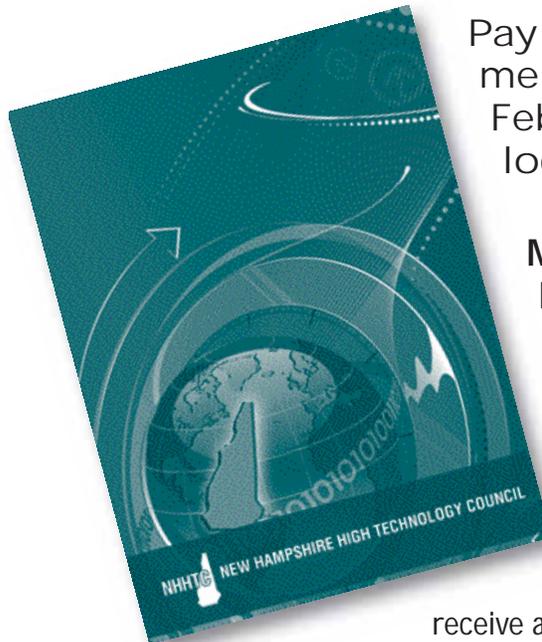
One of our chief objectives is to make sure that all stakeholders in our economy have access to hard facts on business's role in making New Hampshire a great place to grow a career and a family.

I'm always interested in hearing from you. Please email me at mattpierson@comcast.net with any questions or ideas you may have.



Matt Pierson
Chairman
NHHTC

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Pay for your membership before February 15 to lock in 2009 Rates.

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receive a FREE pass to the Entrepreneur Forum slated for May.

603-924-8324 • www.nhhtc.org

NHHTC 2010 Employer Survey Results

The NHHTC has just surveyed its member businesses along with businesses that attend NHHTC events on a regular basis. The survey, conducted during January, attempted to get a snapshot of their current thinking on hiring, revenues, skill sets and taxes. The results are listed below. In short, the majority of 134 respondents said they're going to hire in 2010, that revenues will increase, that they're looking for engineers and sales/marketing help, and that business taxes in NH are reasonable or average, despite some comments opposing the so-called LLC tax. Here are the survey results, question by question.

1) How many employees do you have?

1-5	37%
6-19	25.4%
20-49	17%
50-199	11.9%
200+	12.7%

2) Do you think that annual revenues for your company will increase in 2010 over their levels in 2009?

Yes	61.9%
No	12.7%
Stay same	14.2%
Not sure	11.8%

3) What is the primary focus of your company?

Technology	40%
Manufacturing	23.5%
Professional Services	37.4%
Medical	5.2%
Education	4.3%

4) Do you expect to hire part or full time employees in 2010?

Yes	54.9%
No	27.1%
Not sure	11.9%

5) If you answered yes to question 4, how much experience will they need to have?

None	11.6%
1-3 years	44.2%
4-5 years	34.9%
6-10 years	32.6%
11+ years	11.6%

6) What level of education will they need to have?

High school diploma	12.4%
Professional training beyond high school	21.3%
Associates degree	16.9%
Bachelor's degree	69.7%
Master's degree	13.5%
Higher	13.5%

7) What skill sets will you be looking for when making hiring decisions?

Engineering	42.5%
Sales/marketing	46.3%
Information technology/web	36.3%
Financial/accounting	23.8%
Manufacturing/assembly	23.8%
Administrative	30%

8) What skills would you consider going back to college or a professional training program to upgrade yourself and become more employable?

Some responses: engineering, business management, sales/marketing, updated software skills, programming, web design, project management, database development

9) Do you expect to hire contract or temporary workers in 2010?

Yes	53.1%
No	46.9%

10) What advice would you offer to an unemployed high tech worker with 10 or more years of experience but unable to find a job in last 6 months?

Some responses: work with recruiters, be flexible on title and pay, work part-time, update skills, keep positive attitude, change career, more education, retraining, network with peers, relocate

11) Is business taxation in NH reasonable for your company. If not, what would you change?

Very reasonable	6.7%
Mostly reasonable	33.6%
Average	34.5%
Somewhat unreasonable	16.8%
Very unreasonable	8.4%

Some responses to question: small company input to tax decisions not sought; trend toward more taxes on smaller businesses; LLC tax a threat/may move out of state; reasonable if LLC tax repealed, lower simpler taxes always better, NH should look at states like NC and see why companies are moving their jobs to that state.

As reported by Fred Kocher, NHHTC President

LLC Update... continued from page 1

NOTE: Given the estimated budget deficit being faced by the State Legislature at \$600 million+, the NHHTC is working closely with a coalition of business organizations, including the Business & Industry Association, the NH Home Builders & Remodelers, the NH Bankers Association, the Retail Merchants Association of NH, the Manchester and Nashua Chambers of Commerce, the NH Restaurant & Lodging Association, the Independent Insurance Agents, the NH Grocers Association, etc. There is concern the Legislature will look at business taxes and/or credits to help address the deficit. ■

(Note: As this newsletter was going to press, we learned of an effort to craft a legislative solution to the application of the Interest & Dividends Tax to LLCs and partnerships. There is a bi-partisan effort underway in both the NH Senate and NH House to completely re-write the Interest & Dividends Law, (which was first written in 1923), and in the process, address the LLC & partnership tax issue in a positive way. Stay tuned. Fred Kocher, Pres., NHHTC)

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Being the Conversation...

The Community Approach

I. Cows Browse. People Communicate.

Developing an online strategy was much easier for enterprises just a few short years ago. If you were in business you knew you needed to have a Web presence in order to be taken seriously. But at some point over the years, things changed. Actually, people changed. The audience cruising the internet became bored with the whole boilerplate didactic Web experience – passively browsing content with no opportunity to interact with the information or to add commentary. Web visitors didn't want to browse anymore. They wanted to communicate. They wanted to engage in a dialogue, not read a monologue. They wanted to share information with family and friends or even with strangers who had the same interests. The new audience no longer saw the Web as a group of static "pages," but rather as a band of real-time communities allowing people to learn, communicate and share information – be it the latest news from family or about the hottest new technology.

II. Developing a Strategic Approach

If you're an enterprise, you should be thinking about this latest twist on communicating with your audience. But when you decide to get into the social media game, how should you go about it? Should you put all your chips into the pot, or should you make the minimum bet? The answer is YES. Either option can work, but both are open to failure too, unless you've developed a coherent approach to a corporate social media strategy. The first step is to build upon your existing audience. If you've had a Web site for any length of time, you already have an established audience, one already aware of your brand and your messages. The chances are good they're your customers, your champions and probably your critics, too. They're the people who can help you spread your message, both through such social sites as LinkedIn, Facebook, Twitter and even YouTube, and also inside your own social community.

III. The Community Approach – Filling a Need

For example, a major financial site recognized that social media offered a tremendous opportunity to build a community from their existing audience. Rather than simply being a resource for stock quotes, the site expanded into a community that allows members to share common interests, ideas and experiences.

Among other tools, this community approach gives members the power to:

- Rate stocks and connect with other community members to view their stock picks
- Receive insights from top industry experts
- Find the latest news and community events
- Follow favorite blogs and authors
- Ask other community members financial questions

In essence, the site recognized its audience's primary need – to become better-informed investors – and answered that need through their community site. When you're thinking about social media, think about meeting your audience's need, because if you don't... your audience will go elsewhere.

IV. Becoming Part of the Conversation

Even with your existing audience there to help you build a larger community, you'll need to reach out and make your company part of the conversation.

Social media is a tool to facilitate discussion among individuals, not corporations. The old adage about "employees being our most valuable resource" has never been more important than in the era of social media. Your community will want to have conversations with people in your company who are experts in their area, who are passionate about their work and who are empowered to act on the feedback they receive.

V. The Community Approach Revisited – Being the Conversation

As the community approach demonstrates, the natural step after becoming part of the conversation is to make your site the destination for the conversation. By introducing social networking to your Web site you can create a community where your audience can connect with you and with others who share the same interests. Adding social media to your site allows customers to connect directly with your employees and for your support people to accelerate problem-solving and issue resolution. A social network on your site can become the perfect catalyst for customer testimonials and success stories, a place to enhance communications with your existing customers and the means to help attract new customers.

Forums provide a place where visitors can exchange ideas, discuss news, share experiences, tips and information and ask questions.

Blogs offer both a voice for your internal experts and for external champions to share their insights about your company and its products and services. Blogs allow your company to tap into the passion that already exists among your customers and gives them a place to express that passion.

Wikis allow your audience to collaborate and share content. No one knows your products and services better than your customers. Leverage that expertise by encouraging your customers to document their experiences, make suggestions and even let you know about new ways they have found to use your product.

These are just a few of the social networking tools that you can use to become the destination for the conversation.

Continued on page 5

Welcome to Our New Members

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Being the Conversation... continued from page 4

VI. Keeping Pace with Change

As the generation that grew up with the Web enters adulthood, social media is going to become critical to business, as important as establishing a Web site was a decade ago. In addition to more traditional efforts, forward-thinking companies need to start thinking of how to implement social networking to maintain and enhance their Web presence.

Social media is becoming an integral part of the overall digital strategy for organizations that care about their online reputation. According to Charlene Li and Josh Bernoff's "Groundswell: Winning in a World Transformed by Social Technologies," social media will be one of the most disruptive movements to ever impact business, as people use technology to connect directly with each other, bypassing traditional institutions such as corporations.

Passive Web sites are no longer enough. The "Social Web" is busy being born, and business needs to pay attention. ■

Mike Pascucci began his online community experience in 1998. Mike writes a social strategy blog at: www.ektron.com/mikepascucciblog/ and he can be found on Twitter @mikepascucci.

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“Hey Buddy, Can You Spare \$10 Mil?”



Catherine Blake

January 2010 - Entrepreneurs, be encouraged. Money is out there, you just have to do a few things first to find it. My recent fireside chat with Matt Pierson,

Chairman of the New Hampshire High Technology Council, revealed a few insights on the investment climate in New Hampshire. And Matt is a guy you should listen to. He has successfully started several high tech companies like Jittergram and is an angel investor, but don't tell him I told you!

So here it goes, although there are challenges, the past 60 to 90 days have changed for the better. Six months ago, angel's portfolios (and everyone else's for that matter) dropped a crashing 40-50%. You could almost hear their breaths sucking in as they asked, "what is the marketing going to go?" There are signs of hope, the world is not going to end, and the United States and other nations are positioned for meaningful growth. We are all getting stronger and are going to make it through this downturn. Alas, angels are getting comfortable with investing again. Thank heavens!

What's a bit different in this environment is that, oh no, investors are looking for more personal involvement in their investments. So, rather than investing in real estate or the stock market (Yikes!), investors are looking to put their cool \$10 million or less into companies that can grow and impact the economy in New Hampshire. The other new dynamic is that the cost to launch a new product or service has

dropped to around \$ 50K. Lean and mean you have to be if you want a first look from those with deep pockets. Entrepreneurs are expected to produce sweat equity to demonstrate their commitment and those looking for the \$100K salaries, good luck. "See ya, wouldn't want to be ya."

Matt Pierson had some great advice for those looking for their angels: when pitching to investors, make sure you provide due diligence vis-à-vis the market, provide the details and site your references. Don't lay on the unsubstantiated claims. They need facts and proof. Also, keep it real – who will eat your lunch today and tomorrow? Make sure you provide a comprehensive competitive analysis. What are the barriers to entry? How easy is your product or service to replicate? What do you have to protect? In the software world it can't just be lines of code, it only has value if people are using it. Furthermore, demonstrate that there is a demand for what you have. If you can show revenue, that's even better.

Entrepreneurs in teams are stronger than a lone wolf. And once you've formed your team, be very clear about equity splits and ownership valuation. Many partnerships and or multiple owner situations have fallen apart when parties have mismatch expectations on equity, valuation, and exit strategies. Matt's advice is to pay attention to how the business organization comes together and document. Be realistic and educated. Finance is another ball game completely. Make sure you have the pie pieces figured out before the embarrassment of sitting there, mouth agape, when your investor wants an equity stake. Surprise!

Prepare for it.

There are lots of wonderful resources out there to help like Southern New Hampshire University business plan competition, the Small Business Development Center business plan on-line software and programs, and the Entrepreneurial Forum though the New Hampshire High Technology Council. Better yet, any entrepreneurial boot camps can save you time, money, and making common mistakes. The U.S. Small Business Administration (SBA) Office of Technology offers a Small Business Innovation Research (SBIR) Program. You can go after the \$ 2 billion available in awards to small high-tech companies. Finally, on the west coast check out the Y Combinator, an innovative company that makes small investments (under \$ 20K) in return for a piece of the action, (2-10%). Their value? They are experts and can become a sounding board or advisory board.

So, if you're looking to invest your \$10 mil or you're looking for a little help getting your gig off the ground, don't do it alone. There is a wealth of advisors, mentors, and sometimes well healed retirees willing to help you for free. Just make sure they are people you can trust.

PS: Let me know how it's going! ■

*Catherine Blake, President
Sales Protocol International
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The NHHTC Entrepreneur Forum offers a unique opportunity to tap the experience and advice of proven experts on a forum panel. Business issues discussed typically include planning, organization, marketing, product development and financing. You'll be sure to walk away with new ideas and strategies on how to grow your business.

The following program was held on February 3. *Watch for recap in the March Newsletter.*

Presenting Company: AmberWave
Speaker: C. Wade Sheen, Ph.D.
 GM of LED Products and
 VP of Business Development

Presenting Company: Zweave
Speaker: David Buck
 Co-Founder/CTO

Panelists:
 Peter Antoinette, President and CEO
 Nanocomp Technologies

Panelists:
 Thomas Zarrella, Managing Director
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SETTING SAIL



Kevin Hallenbeck

With the great economic storm over the last year, many businesses wisely pulled back into safe harbors for a period of time. In fact, those that failed to make adjustments and continued their course were likely wiped out or at least seriously damaged. Unwise use of credit and perhaps a bit of bad luck has taken its toll on many. However, perhaps you are one of those businesses that made the proper course corrections by making the difficult and sometime painful choices. By reducing overhead, limiting losses and maintaining profitability you may have survived 2009, but there now is a new question: Is it time to set sail again?

For most businesses, the painful lessons of the past year will not be easily forgotten, but is it time to move from safe harbors and again set your sights on growth and increased profits? While we are by no means economists we certainly see the signs of economic growth all around. The seas are still choppy and the way is not certain, but many small and mid-size New Hampshire businesses are actively moving to take advantage of new opportunities. We see this mostly in the large volume of new investment in marketing and sales efforts. While the economic recovery is largely “jobless” according to national reports, this is certainly NOT true when it comes to sales positions. Dozens of New Hampshire companies, many in the technology space, are actively recruiting and hiring salespeople at a torrid pace. In the last four months alone we have seen well over a dozen companies hire new salespeople... and most of these are not replacements of lost positions, but rather actual additions to their headcount.

So who are they hiring, and what is their logic? For these and many companies, the number one challenge is the need to grow sales and improve margins. Training current sales people is often much more cost effective than hiring additional people, and using the latest customer relationship management (CRM) tools is essential to remain competitive in the future. Chances are that your competition cut back on their marketing, sales and customer service, so those who are willing to set sail by spending on these resources can have a distinct advantage. Hiring professional salespeople who are capable of prospecting for new business, qualifying and closing profitable deals can be money well spent. Technology companies in particular tend to rely on developing the next greatest product to gain competitive advantage, but an effective sales and marketing effort must be a part of any long term effort since no company can have the absolute best products all the time. Additionally, spending money on marketing from websites and search engine optimization to traditional broadcast and print media is worthwhile, and most of those willing to do so find that great deals abound for the moment.

Here are a few questions to ask yourself before you set sail in this new economy:

- Are your marketing efforts generating sufficient results? Perhaps it's time to look for a new marketing agency, but maybe it's simply time to listen to them and spend more in this area.
- Is your current sales team capable of executing on the sales strategy required in these challenging times? If not, do they need additional training and support or should they be replaced? Many senior

salespeople have really been account managers and are now struggling because they lack the skills (and in some cases desire) to prospect and find new business.

- Do you have enough outbound sales efforts? Plenty of salespeople are good at taking orders, but does your team consistently prospect for new business by calling on decision-makers in your target accounts?
- Do you simply need to hire more sales resources? If lack of sales is the number one challenge in your company, is your senior management team as focused on new business development as they need to be? Like anything in life, a half-hearted effort will yield poor results.
- Have you identified the key performance indicators (KPIs) for your business, particularly in the marketing in sales areas? Identifying and measuring appropriate sales activities is now relatively easy with modern CRM tools. Developing a sales “dashboard” will help manage and monitor the status of the sales effort.

Waiting for calm economic seas may allow your business to survive, but many have decided that now is the time to set sail again by investing their sales and marketing efforts. If you have decided sailing is better than sitting then we look forward to seeing you on the high seas of New Hampshire business.

Good Selling! ■

Kevin Hallenbeck has been principal of Sandler Training in Manchester, NH, since 1994 and can be reached at kevinh@bestsalespeople.com or by calling 603-232-1520.

Member News

January/February 2010

The U.S. Navy awarded a Phase I Small Business Innovative Research contract to **ArgenTech Solutions, Inc.**, a Durham, NH-based small business, on December 16th, 2009.

Teresa Rhodes Rosenberger has been named New Hampshire State President for **FairPoint Communications**. In her new role, Rosenberger will be responsible for regulatory matters, governmental relations, and economic development for FairPoint Communications in the Granite State.

Black Duck Software's growth surged 37% in 2009. 1) Record Q4 and 2009 bookings performance, 2) New world-class customers including SAP, Compuware, and SITA, 3) Achieved positive management operating income in Q4 and for all of 2009. Podcast with CEO Tim Yeaton is at <http://ducks.blackducksoftware.com/>

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Editorial Calendar

March/April 2010

- Business Tax Challenge
- Entrepreneurship
- Manufacturing Jobs

May/June 2010

- Education and NH
- Cash Flow
- Social Media

July/August 2010

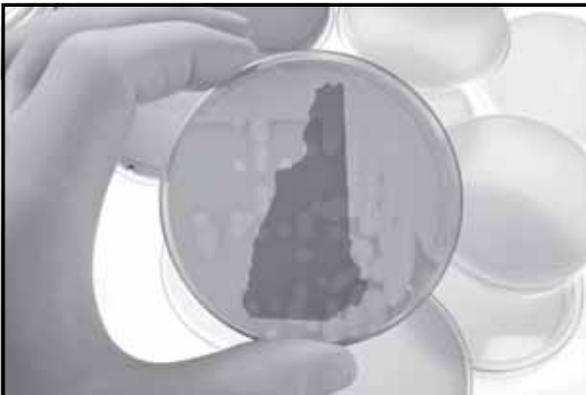
- Human Resource
- Bulls & Bears
- Small Business Growth

September/October 2010

- Venture Capital
- Healthcare
- Cash Flow

November/December 2010

- Trademarks
- Cash Flow
- Export



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Members and Friends of the New Hampshire High Technology Council:

NHHTC is pleased to announce its

CALL FOR APPLICATIONS FOR THE NHHTC 2010 ENTREPRENEUR OF THE YEAR AWARDS PROGRAM.

This will be our twenty-second annual competition – quite a milestone! More than 50 New Hampshire high tech entrepreneurs have been recognized by the Council over the years. These past recipients are part of a very impressive group, and their names are listed in the application form available on the NHHTC web site, www.nhhtc.org. We're proud of their achievements and look forward to the opportunity to welcome other successful New Hampshire high tech entrepreneurs to join their ranks.

As in past years, a distinguished panel of judges will review applications submitted by entrepreneurs from throughout New Hampshire's technology community. We hope that you or someone that you recommend will be one of them. The deadline for applications is March 19, 2010.

The 2010 NHHTC EOY Awards Dinner will be held on Monday, May 10, 2010, at the Radisson Hotel in Manchester. Additional sponsorship opportunities are available.

If you have any questions or need additional information, or if you would like to recommend someone as a nominee, please call the Council's office at 603-924-TECH (603-924-8324).

Thank you for your support of the Council and its activities.

Jim Cook
NHHTC EOY Committee Chair

Fred Kocher
NHHTC President

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APPLICATION

(SHORT FORM)



The twenty-second anniversary of the **New Hampshire High Technology Council Entrepreneur of the Year Awards Program** will be held on Monday, May 10, 2009. This award honors individuals who have made significant contributions to the advancement of high technology business in New Hampshire. You can use this short form to get started. Fill it out and **fax it to 603-924-4312**.

GUIDELINES

Eligibility

1. Any founder, owner, or senior level manager of a business in New Hampshire who has successfully organized, developed, or managed a high technology concept into a commercial product or service may apply for an award.
2. The business may be a sole proprietorship, partnership, limited liability company, or corporation, or a subsidiary or division thereof, based in NH.
3. To meet the high technology requirement of the competition, the Applicant's business must develop, manufacture, or distribute a commercially successful technology-based product or service.
4. To be eligible to receive an award, the Applicant must be an owner/manager who is primarily responsible for the recent performance of the company and an active member of top management. The Applicant's company must be at least two years old. If the company is publicly held, the Applicant must be an active member of top management.

Judging of Entries

1. Entries will be judged on the nominee's contribution to the success of the high tech company. Honorees must demonstrate outstanding entrepreneurial achievement with measurable business results. Factors to be considered include risk, innovation, growth, competition, profitability, employment, etc.
2. Judging will be conducted by a distinguished panel of professionals experienced in the development and commercialization of high tech entrepreneurial companies.

Deadline For Applications

1. Applications must be postmarked no later than **March 19, 2010**.
2. Complete application form is ONLINE at **www.NHHTC.org**
New Hampshire High Technology Council, Inc.
14 Depot Square, Peterborough, NH 03458
3. Fax this **SHORT** application form to: 603-924-4312.

APPLICANT BIOGRAPHICAL INFORMATION

Applicant's Full Name _____

Home Address _____

City _____ State ____ Zip _____

Home Phone () _____

Applicant's Title _____

Company Name _____

Street _____

City _____ State ____ Zip _____

Business Phone () _____

Business Fax () _____

NOMINATED BY

Full Name _____

Company Name _____

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2010 NHHTC Calendar

Mark Your Calendar - Register at www.nhhtc.org

Human Resources Exchange

- Mar 3 *Topic - Who Are You? Do We Really Want to Know? (Yes!): I-9 Compliance Tips*
Sheehan Phinney Bass + Green, Manchester 8:00-9:30 am
- Apr 7 *Topic - Spring Ahead or Fall Back? Best Approaches to Documenting Employee Achievements or Shortcomings*
Sheehan Phinney Bass + Green, Manchester 8:00-9:30 am

Kocher Scholarship Applications

- Feb 28 Reminder: Student Application Deadline 5pm

Entrepreneur of the Year Banquet

- Mar 19 Entrepreneur of the Year Applications Deadline 5pm
May 10 Center of NH, Radisson Hotel, Manchester 5:30-8:30pm

2010 Spring NHHTC Entrepreneur Forums

- May 26 *FIRST*, Manchester 5:30-8:30pm

For more information - 603-924-8324 or info@nhhtc.org

CALL FOR APPLICATIONS
2010 Entrepreneur of the Year
Deadline: March 19
www.nhhtc.org

NEW HAMPSHIRE HIGH TECH NEWS

A publication of the
New Hampshire High Technology Council
OUR MISSION

Founded in 1983, the New Hampshire High Technology Council's mission is to encourage the development and success of technology-based businesses in New Hampshire.

Membership in the New Hampshire High Technology Council is open to high tech companies and their service companies. Companies wishing to join, or who want more information on the Council, should go to www.nhhtc.org and register or call the New Hampshire High Technology Council.

For more information, call or go online:
New Hampshire High Technology Council
14 Depot Square, Peterborough, NH 03458
Tel: 603-924-TECH (8324) Fax: 603-924-4312
e-mail: info@nhhtc.org www.nhhtc.org

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