

Business Review



GOVERNMENT:

BUMPY RIDE

Medicaid is just one of several looming issues in 2010.

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Companies • Trends • Entrepreneurs • CEOs

The Weekly Newspaper for Gulf Coast Business Leaders

COFFEE TALK



GULF COAST BUSINESS BUZZ

+ Rooney resigns from Bank of Florida board

Francis Rooney, whose billion-dollar construction and manufacturing conglomerate is the largest shareholder in Bank of Florida, resigned from the Naples bank-holding company's board of directors.

A Securities and Exchange Commission filing did not cite the reason for Rooney's resignation and Rooney couldn't be reached.

However, Rooney resigned on June 17 and the bank didn't disclose it until Oct. 15. A bank spokeswoman says the late filing was an inadvertent oversight.

Filings show Rooney Holdings still controls 7.2% of the stock of Bank of Florida, one of the largest financial institutions on the Gulf Coast with \$1.5 billion in assets. Rooney purchased the bank stock in 2008, at about the same time he acquired Naples-based Kraft Construction, the Gulf Coast's largest commercial construction firm.

Last year, Forbes ranked Naples-based Rooney Holdings as the 273rd largest private company in the U.S. with \$1.8 billion in annual revenues.

Bank of Florida recently filed a registration statement to sell more shares to raise an undisclosed amount for future growth, loan-loss reserves, acquisitions, operating expenses and redeem preferred stock. Bank executives declined to disclose details of the common-stock issue, citing regulatory rules. The company's stock is publicly traded (symbol: BOFL; recent price: \$1.62.)

+ Rubio surges in race for U.S. Senate

When Miami politician Marco Rubio visited Sarasota soon after he was named speaker of the Florida House of Representatives in 2007, he mused about his newfound camaraderie with Gov. Charlie Crist.

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2010 ECONOMIC FORECAST



Economic Extraction

Entrepreneurs such as Mary Forristall, who runs a demolition firm, are in for the business fight of their lives in 2010. Their ability to persevere will define the Gulf Coast's economy.

Mark Wemple



2010 ECONOMIC FORECAST By Mark Gordon, Jean Gruss and Alex Walsh

Battle Royale

Gulf Coast business owners hear the chatter about the supposed end of the recession. While many cling to optimism on that front, the reality is that 2010 could be another Toughest Year Ever for many businesses.

The economic prognosis for 2010 is bipolar.

On one front are dozens of businesses, from multi-million-dollar companies in Tampa to a specialty-wiring firm in Fort Myers, whose chief executives and owners aren't ready to call the recession over.

On the other side stand a small army of economists and a handful of companies that already have declared the recession that started in December 2007 to be history. Politicians in power are already claiming victory. Government intervention saved the day, they claim.

But anecdotal evidence the Review staff has compiled suggests at least another six months of economic hardship. And when the economy recovers, perhaps later in 2010, it will be thanks to entrepreneurs you read about in these pages.

C.J. Fishman, who runs Fishman & Associates, a Venice-based commercial kitchen design and installation company, reflects the attitude that's prevalent on the Gulf Coast: Says Fishman: "The recession will be over when real optimism returns."

The Review spoke with business owners and executives in all three regions of the Gulf Coast to gauge where they think the economy is headed in 2010. Here's a closer look at each region.

TAMPA BAY THE BOTTOM IS APPROACHING

Business professionals in the Tampa Bay area agree that the local economy is likely at or near its bottom.

But until that day comes, many local business executives in the area are worrying about the now.

Some have already adopted a new outlook on short-term economic growth prospects. Terry Hedden, CEO of Infinity Business Systems, is one of those who say the market has changed profoundly.

"I believe we are living in the new normal," Hedden says. He expects year-over-year growth to resume in the 2% to 4% range, rather than quickly returning to what the areas saw as recently as two years ago.

Infinity's new normal, however, includes this abnormal nugget: The company is acquiring competitors to spur expansion. In fact, Hedden's growth projection for 2010 may double if his business executes successfully.

Nonetheless, the general expectation of slow growth is something many local business leaders seem to agree on. So much so that from builders to bankers, and from restaura-



Darrell Turner, who owns a Bradenton-based landscaping firm, says his economic forecasting for 2010 includes going as far south as Fort Myers and as far north as Hernando County for work.

teurs to chauffeurs, the refrain is the same: "2010 is going to be a lot like 2009."

The debate instead will continue over the exact timing of the turnaround.

Tampa Bay's technology sector may alleviate some of the dependence on real estate markets that other Gulf Coast cities face. But its banks have felt the ill effects of the troubled real estate market, just like many other industries.

"Banks have really changed what they do," says Bill West, president of the Bank of Tampa. The industry is working with different standards now. One change: less focus on guarantor strength, and more focus on the strength of the actual business borrowing money.

Resuming business growth,

of course, will require capital. And businesses may have to continue to wait while banks tidy up balance sheets before resuming lending practices in any meaningful way.

Despite the slowdown, many banks are continuing to lend money, says West — a proclamation many in the small business community would likely disagree with. "There is some sentiment that banks aren't lending money," West recognizes.

But when asked if that thought is accurate, his response is direct: "Not true," says West. Any bank that intends to be profitable must continue to issue loans, he contends.

With customers depositing more of their resources in savings accounts and certificates

of deposit, money has never been cheaper for banks to use. Since most of those accounts yield less than 2% interest, banks have a unique opportunity to generate profits.

But, West admits, banks aren't "lending the same way." As one unsurprising example, any real estate project involving the word "speculative" is unlikely to draw any interest.

Moreover, core business strength is becoming a newfound focus inside many institutions. In 2010, banks will look for "stable" businesses, West says, with "a solid history of cash flows."

In short: yes, bankers are lending. But for right now, they're not lending as much.

Rather than go back to the lending environment of before,

West advocates waiting for the return of consumer confidence to restart the economy. Of course, that might take a while.

In many ways, the current scenario is turning into one big waiting game: Businesses are waiting on banks for capital. Banks are waiting on consumers to generate cash flows for businesses. And with statewide unemployment at 11%, thousands of potential consumers are continuing to look for the means to contribute to that consumer spending.

SARASOTA-MANATEE MORE HARD WORK

Paige Hartman, owner of an extended stay hotel on Siesta Key, recently received the sort of e-mail most business owners wish for.

The note was from a repeat customer, a New York snowbird, who wanted to add two weeks to her trip planned for next January. "It's getting cold up here," wrote the customer. "We want to stay longer."

While Hartman relishes a note like that, she realizes it's not enough to be a trendsetter of future sales projections at her hotel, Siesta Key Suites. It's not even enough to give Hartman hope that 2010 will be significantly better than 2009, one of her toughest years ever.

Hartman isn't alone. Several business owners, senior executives and entrepreneurs in the Sarasota-Bradenton market are facing similar circumstances: There's the occasional nugget of positive news, but nothing that would signal the end of the recession or even the beginning of the end.

Mary Forristall, president of Palmetto-based Forristall Enterprises, a construction demolition company, believes the downturn could last all of next year. Says Forristall: "As long as we have unemployment near 11%, foreclosures in the droves and dreadful economic policies ahead of us, we cannot hope to climb out of this recession, regardless of how hard we all work."

One thing is certain: people are working harder than ever. Take Darrell Turner, who runs Turner Tree & Landscape, a Bradenton-based tree farm and commercial landscaping firm. "I have never worked this hard to have us stay this busy," he says.

Turner says in 2010 he projects seeking more jobs in places further away from his company headquarters than ever before. In 2006, the company hit revenues of \$15 million by just staying near Bradenton. Now Turner is projecting \$8 million to \$10 million in revenues for 2010 by going as far south as Fort Myers and as far north as Spring Hill in Hernando County.

Turner says one savior for his company has been the federal stimulus package, especially when it comes to highway-improvement projects in the state. He has met regularly with state transportation officials to figure out when and where to bid for work.

Face-to-face meetings like those, says Turner, are the key to surviving the recess-



Ted Bill, president of Pelican Wire Co. in Naples, says he expects customers in medical technology to help boost sales in the second half of 2010.

Left: **Roger Miles**, of Lakewood Ranch-based Miles Media, says the region won't recover from the recession until the job market makes a comeback.

sion. Turner, already known in Bradenton business circles for his busy networking schedule, says he plans to do even more glad-handing in 2010. "You want people to think about you whenever they need your type of services," says Turner.

Turner and Hartman, despite being in two vastly different industries, are struggling with another component of the recession, a struggle likely to last all of 2010: Pricing.

Both businesses follow the mantra that cutting prices too much just to grab a sale will tell customers that prices will always be this low. But it's a tough balance. Turner, for example, instituted a "recession recovery" program this year, which offers a free tree upgrade to certain customers. He plans to continue the program throughout 2010.

Hartman, selling hotel rooms on Siesta Key, is more loathe to make price cuts. But, she admits, if the difference between booking and losing a walk-in customer is a 20% price cut, she will give the discount to keep the guest.

Roger Miles, president of Lakewood Ranch-based Miles Media, a tourism-publishing firm that prints travel guides and runs travel-based Web sites in more than 15 states and 10 countries, sees Hartman's dilemma from the mountaintop view. "The overall tourism industry will continue to be challenged and you fight that challenge by offering more value to drive occupancy," says Miles. "This will significantly impact margins."

Like many other businesses in the area, Miles Media will feel the margin hit, too, says Miles. He projects his \$30 million company will gain market share in 2010, but at less revenue per account.

And add Miles to the list of those saying the recession isn't over yet and could last into 2010.

"Anecdotally people are still losing their jobs, hours have still been reduced in many cases and wages have been frozen," says Miles. "Until that very granular

condition is changed, recovery from this recession will not be visible, at least not in our industry."

LEE-COLLIER POCKETS OF HOPE

The animal spirits are starting to wake from their deep recessionary slumber.

Consider Christer Kallstrom, who is planning an initial public offering to raise capital for his company, Maestro Shield.

Kallstrom, whose Bonita Springs-based company makes a unique semi-transparent curtain of meshed steel and Kevlar for hurricane protection and shade, hopes to raise \$1 million by listing his company on the Nasdaq stock exchange late this year or early next year.

Kallstrom says that despite the small number of public offerings this year, the stock market is the only way to raise capital today. "The banks don't operate anymore," he says. "We've been operating five years and we can't even get a line of credit."

In 2010, Kallstrom forecasts sales growth of about 50% through a network of about 1,200 dealers in the U.S. and in 10 foreign countries. "If you have a growing business in this economy, you're pretty unique," he says.

Kallstrom isn't the only one who is sensing a positive change in the economy. "I'm actually a little excited," says Edward Fox Jr., president of Fox Electronics in Fort Myers. He's forecasting 15% to 20% growth in his business, which provides components for computers and other electronic devices. Of course, a good portion of those sales comes from overseas customers, not on the Gulf Coast.

Fox says manufacturers of all sorts of electronics pared down drastically during the recession, but many are increasing production now because of rising demand in places such as Asia. "The factories around the world are starting to get to full production," he says.

That's good for component prices, which have stopped falling. "Now the price pressure is a

lot less severe," Fox says. "That's huge in our business."

Developers of commercial space are reporting an increase in inquiries from prospects outside the market, another positive sign. Bill Price, executive vice president with Fort Myers-based McGarvey Development, says one undisclosed company is scouting the area for 125,000 square feet of office space, enough to fill more than two football fields.

"The silver lining is that Fort Myers, from an affordability standpoint, is much better than it was two or three years ago," Price says. "Three years ago, senior executives were having a hard time finding something they could afford."

Even homebuilders that suffered the brunt of the downturn are starting to see some interest from buyers, particularly in upper-end homes.

A rebounding stock market has helped wealthy people regain some of the paper losses they suffered through the downturn. Some have held off buying for more than two years as they've waited to see where the economy was headed, creating pent-up demand for second homes in desirable places such as Naples, says Mark Wilson, president of luxury homebuilder London Bay Homes.

Although Wilson expects stronger sales of luxury homes next year, the degree to which that happens will be dictated by something that's hard to measure: investor psychology. The better the economic data becomes through 2010, the better mood people will be in and the better Wilson's sales will be.

But you don't have to wait for macro-economic data to tell you the economy will likely improve in 2010 in Fort Myers and Naples. Two manufacturing companies — Shaw Development in Bonita Springs and Pelican Wire Co. in Naples — are starting to see signs of a recovery in the latter half of next year.

"Fourth quarter of next year we'd look to see growth from most of our customers," says Kevin Hawkesworth, president and chief executive of Shaw



Gary Griffin of B&I Contractors in Fort Myers estimates it will take at least six months for the Southwest Florida economy to rebound.

Development. The company makes fuel caps and other parts for the heavy-equipment industry.

"Any GDP growth globally has to result in increased sales to the big mining and earth-moving companies like Caterpillar," Hawkesworth says. Countries like China and Australia are still growing despite recessions in other parts of the world.

Shaw Development has invested in new products that help customers' heavy vehicles comply with stricter emissions requirements. "That'll be growth for us next year," Hawkesworth says.

But Hawkesworth cautions that sales won't turn from cold to hot overnight. "We don't expect a big increase in booking on Jan. 1," he says. "It'll be gradual."

At Pelican Wire, executives are also expecting to see growth in the second half of 2010. The company sells special wiring used in industries such as medical technology, aerospace and semiconductors, "The first half of next year will still be a very lean period, but we're hopeful the second half will see pickup," says Ted Bill, president of Pelican Wire.

Bill, who expects Pelican's sales to rise as much as 25% next year from depressed levels in 2009, says customers in

medical technology and aerospace are already reporting a slight increase in business. "If the economy picks back up, we could be back to 2008 levels," Bill says.

An increase in economic activity from larger employers will flow to other smaller businesses that depend on their success. "We're going to crawl our way out of this situation," says Ron Brodeur, partner in custom clothier Brodeur Carvell in Fort Myers.

Brodeur Carvell closed its Naples store to reduce overhead, borrowed more money to keep its Fort Myers store open and launched a women's clothing line in a bet that the economy won't worsen. "If they're all feeling better about their investments, they might start easing back into restaurants and buying new clothes," Brodeur says.

Commercial construction will probably be the last to feel the recovery. Sales will drop about 20% next year, says Gary Griffin, president of B&I Contractors in Fort Myers, a commercial heating and air-conditioning contractor. "We've got another six months to a year before things start to pick up," Griffin says.

Griffin says next year's comparisons with 2009 will be difficult because B&I recently completed some large projects. The firm has expanded to other areas of the state such as the Tampa Bay region and the east coast of Florida, where there's more business than in Lee or Collier counties. "We can be very competitive in those markets," he says.

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