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*If your company is going to survive, you'll have to act like Leri Greer—or compete with him. Here are eight bulletproof strategies.*

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## Want to Make a Deal? Find A Rich European Suitor

by Charles Stein



### Venturing Spooks

The CIA is entering the VC business. Its \$28.5 million nonprofit fund, In-Q-It, will invest in the latest inventions in security and information technologies in exchange for equity stakes. Joint venturing is also on the agency's radar screen.

Jim Dolce could have sold his startup business to a U.S. company. Several were interested in his Redstone Communications, a hot company that makes equipment that will speed the flow of data and voice traffic over the Internet. But Dolce decided to sell to Siemens, the German industrial giant that was looking to strengthen its U.S. presence in the telecommunications business. It didn't hurt that Siemens agreed to pay \$500 million for the 18-month-old, privately held firm and allow Dolce to stay on and run the company. "Their model was attractive," he says.

Not many entrepreneurs will get the kind of mega-offer Dolce did, but the list of small and emerging companies selling out to foreign suitors is growing. These buyers have crossed the ocean in search of two kinds of companies: those that can give them a foothold in the lucrative U.S. market, and those that can give them access to technology. The main targets are ventures in e-commerce, consumer brands, and telecommunications.



▲ Millionaire Jim Dolce: sold out to Siemens

"America is the lead market, and you have to compete on that battlefield," says Thomas Rambold, the Siemens executive who spent \$1 billion this year to buy Redstone and two other Boston-area startups, Argon Networks, and Castle Networks. The deals were sweet. Argon's investors divvied up \$240 million, and Castle's split \$315 million. The founders of Castle and Redstone both stayed on as vice presidents of a brand-new business, Unisphere Solutions, an amalgam of the three companies that was launched in October. The founders of Argon left amicably.

Foreign investment in U.S. companies reached a record \$256 billion in the first nine months of

1999, according to J.P. Morgan and Co. That was up from \$230 billion for all of 1998 and \$64 billion for 1997. The bulk of the money is flowing from Europe, where companies are rushing to extend their global reach to be competitive. Asian companies, which were active buyers here earlier in the decade, have turned inward as their economies have faltered.

Lloyd Greif, an investment banker in Los Angeles, says there can be real advantages to selling to an international buyer. Many pay a premium for deals. Foreign firms also are more willing than U.S. buyers to keep founders in place, because they need local talent.

But international deals are not always easy, say experts, who offer the following advice for those considering selling to a foreign buyer: Ask your accountant to recommend an investment bank with experience in cross-border deals. Get paid in U.S. dollars to avoid volatility in the foreign currency market. If you want to stay involved in the business, get an employment contract. And sign a confidentiality agreement to protect your company should the deal fall apart. Above all, be patient. "These deals take longer," says Greif, because the foreign buyer will probably do more due diligence than a U.S. buyer will. ☺

