

DAILY REPORT

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Institute's Launch Drew Big and Small Fish

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More than 1,100 minority and women small-business owners turned out for The Resource Institute's launch party at the Georgia Aquarium last week, lured by the opportunity to connect with capital, as well as the change to see

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the fish, or, more properly, "aquatic animals," as Bernie Marcus calls them in the visitor brochure.

Outside the tanks, the big fish were the companies that want to help small businesses in hopes that they will grow into big clients.

The Home Depot was the major corporate sponsor, and Powell Goldstein signed on as the law firm sponsor at the suggestion of Helen G Zalik, business and finance associate at the firm who is the new organization's counsel and the wife of David Zalik, one of The Resource Institute's creators.

The new non-profit is the brainchild of Michelle Johnson, Home Depot's director of supplier diversity, and David Zalik, co-founder of GreenSky Financial, which supplies bridge loan to small businesses.

According to Zalik, the two were in a meeting and Johnson said, "I wish I had a resource bank where I could send good emerging vendors, so I could give them a purchase order for \$10 million instead of \$1 million."

Zalik said, "Let's do it."

And The Resource Institute was born.

The Powell Goldstein connection goes further. Managing partner James J McAlpin Jr. and Johnson were classmates in leadership Atlanta this year.

Powell Goldstein's Stuart C. Johnson, a finance lawyer, threw out some numbers to explain his firm's interest in small, woman- and minority-owned companies. Minority firms in the United States have grown 37 percent since 1997, he said—a growth rate three times the national average of other businesses. What's more, 18 percent of U.S. businesses are minority-owned—and will account for 90 percent of business growth over the next few years.

"That is where the growth is in the U.S. Economy," he said. "That's why The Resource Institute is here, and that's why we're here."

The Home Depot's Johnson said The Resource Institute wants to nurture small businesses by providing access to large corporate customers (such as her company), training, connections



Small businesses came seeking capital. Jellyfish were a bonus.

to other resources and capital.

"The biggie is capital," she said. Lots of times, she said, the vendors she works with get a big purchase order but can't get the capital to fill it—and lose a big fish.

Johnson told the crowd that Home Depot wants to spend an eye-popping \$5 billion annually with small vendors.

Zalik's partner in GreenSky is Lawrence A. Smith, who was the general counsel of Home Depot for 19 years before retiring in 2002.

When I left Home Depot, I never thought I'd work again until I was excited about something," Smith said,

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sounding somewhat bemused to be back in business so soon.

“I liked helping people at Home Depot. It was easy for me to pick up the phone and make things happen,” he



Ex-Home Depot GC Larry Smith now helps small businesses grow.

said, adding that he likes doing the same thing at GreenSky.

There are lots of small companies that don't qualify for bank loans, Smith said. They may raise their initial money from friends and family, but when a major order comes along, they

don't have the money to fill it. GreenSky bridges the gap for them.

GreenSky is a factor, not a bank. Factors lend money to businesses using their accounts receivable as security.

“Call me a factor, just don't call me fear factor,” Smith joked.

He said his clients are small, growing businesses with \$1 million to \$15 million in sales. GreenSky makes loans for as short as a day or as long as 90-120 days—until the borrower can get paid by its customers.

As for the interest charged, Smith said, it's “more than a bank and less than equity.”

He pointed out that to get capital, some small companies are forced to give up a chunk of equity—which they may regret down the road. As Smith's customers grow, he said, they graduate to bank loans, and his company often can help connect them with banks.

Another PoGo partner, W. Scott Sorrels, manned a booth with brochures about his firm. Sorrels, one of the leaders of the firm's new special matters and investigations practice (and a former SEC enforcement attorney), explained the he is also the firm's marketing partner.



Scott Sorrels and other PoGo lawyers hoped to find new clients.

“I told Jim McAlpin that I thought we could be doing more marketing and I got the job,” he said cheerfully, handing a reporter a copy of PoGo's new magazine, Arc.

The Resource Institute will host its first event for small vendors and prospective customers on January 17 at Home Depot's offices. Called “speed selling,” the idea is to invite executives from six corporations and ask them to bring their top officers, buyers and suppliers to network with prospective vendors.