

# THE Southwest Press

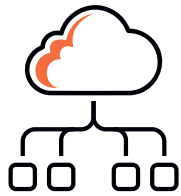
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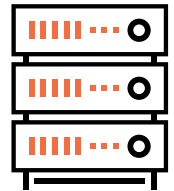
**Why Employees Stay**  
**Leaving a Legacy**  
**Lawsuit Prevention**  
**The Net Worth of Networking**  
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# Why Employees Stay



It's article time again! I have been quite honored at the feedback and encouragement I have been given by all who have read my articles. The last article focused on why employees quit or the psychology of "the quit" so I thought it would be most fitting on studying and writing on why employees stay. After all, shouldn't we stack the cards in our favor to keep well trained, great employees? I think it should be a driving force within our daily routine.

Here is a list of why employees stay, according to my research.

- Pride in the organization
- Supportive management/good boss
- Meaningful work/engaged
- Recognition
- Work life balance
- Work with great people
- Part of something special
- Fair pay
- Exciting work and challenged
- Career growth and personal development
- Shown respect
- Great culture
- Personal contribution makes a difference

Now, let's concentrate on three.

## 1. Meaningful work / engaged

In a Gallup study done in 2015, 32 percent of U.S. workers felt engaged in their jobs. Henry S. Miller defined engagement as a "desired outcome that occurs when workers feel a heightened mental and emotional connection to their jobs, their manager, their co-workers, and/or their organization and its mission."

Employee engagement, I believe, is extremely important in motivating staff to not only stay, but to also excel and achieve. When employees are engaged, they have an emotional connec-

tion to their work and organization that motivates them to put in the extra time, energy, and resources to meet their organizational goals. According to another Gallup study, employees who are "engaged and thriving" are 59 percent less likely to look for a job with a different organization.

## 2. Great environment / people

When discussing new stores we say "Location, Location, Location." I believe with staffing the phrase should be "Culture, Culture, Culture."

I have had the privilege over the past 10 years of traveling and speaking to different insurance groups. I recently visited one of the new offices for Liberty Mutual. They have created as much of a utopia for staff as possible. They had all the amenities you could possibly ask for to make you feel connected and important...beautiful office space, multiple dining options, Starbucks (of course, right!), and an in-house doctor in case you're not feeling your best.

Another smaller insurance carrier I visit frequently has standard office space and cubicles (functional, not fancy) but leads in great culture. They almost always have some kind of contest going among the staff that is non-work related, like the best dessert contest, fitness contest, fantasy sports contest, etc. This company is conservative on pay but many of the employees I have become friends with tell me it's the best company they have ever worked for and they can't see themselves ever leaving. Several have had job offers for significantly more money and have chosen to stay. Great employees stay because separating from the culture is a deeply personal and professional price to pay, and should they separate, they will yearn to be part of it once again.

## 3. Great leadership / supportive management

As owners and managers, we need to take our leader role very seriously. Our staffs look for

# SDA Membership & Board Meeting

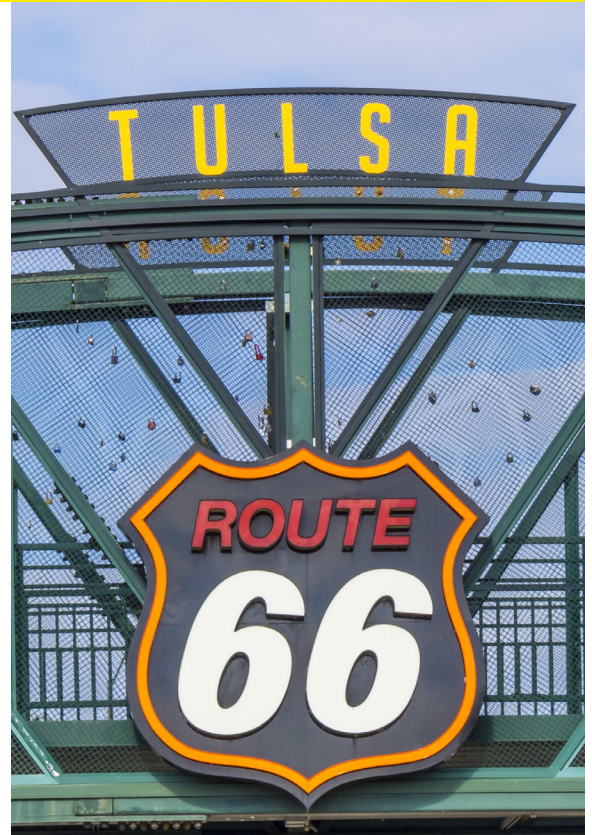
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*Seminar*

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Details at [www.sda-dryclean.com](http://www.sda-dryclean.com)

## Why Employees Stay

*(Con't)*

our praises and want recognition for working hard. Don't be the reason why employees leave. Help foster their respect and develop them as employees. Great employees leave when they have to keep looking over their shoulders. Great employees stay when trust is a living core value at all levels.

I had the pleasure of being at the New Orleans Clean Show. What a fantastic event! Thanks to all the vendors and speakers that make it so great. Of course, the constant conversation is employee hiring and retention. My challenge to you is this: evaluate whether the relationship connections your company has with employees is nurturing on all levels. Remember it is not just about the money, but what the company stands for and creating a bond with the hearts and minds of its employees.

I will leave you with a final quote from a conversation I had with James Peuster, a friend and respected consultant in our industry. "One retention strategy is to create a work-life balance atmosphere. Today's employees find that working for someone who cares about the external schedule will stay longer. Second one, keep your aces in their places. Find what your staff excels at and enjoys and keep them there. The number one mistake dry cleaners do is cross train everyone to work all departments."

As always, I welcome your comments and am looking forward to seeing many of you at our tradeshow in Fort Worth, in 2020. It's going to be great!

*Craig Campbell*

President, Southwest Drycleaners Association



# Great Uses of Hydrogen Peroxide

By "Stain Wizard" Jeff Schwarz

Similar to your home toolbox, every chemical in your drycleaning plant has a function. Every chemical on your spotting board is a tool. One tool removes rust, another tool removes ink, another removes unwanted dyes, etc. (Some people believe if you can't fix it with a hammer, it must be an electrical problem...Ha!)

Hydrogen Peroxide (HP) is an amazing tool and it comes in different strengths - 3% you can buy at the grocery/ drug store; 15% (approximately) from hair care stores; some distributors carry a higher percentage of 30-35%.

Commercial medical linen plants use HP at 90% strength, in 55 gallon drums, as their main bleaching agent because it won't set medicine type stains like chlorine will. These giant facilities dilute this down to formula specs. No one would ever use that strong of a bleach, without diluting it. (see photo)



For this article, let's talk about the uses with 3% HP. It comes in a brown bottle and almost any sprayer nozzle you have in your plant will fit; some bottles

have a sprayer nozzle on it already. Keep your peroxide in this brown bottle and never store it in a clear container. If you buy higher concentrations of peroxide, keep it away from heat and sunlight.

## Hydrogen Peroxide (HP) Uses in Your Plant

**1. General Stains.** HP at 3 % it is safe on almost any garment and color. It can be used to remove perspiration stains, red wine, food, etc. I know that it's especially good on silk neckties and Tommy Bahamas shirts.

Spray onto the stain and put the garment in the sun, or boiler room. Heat and light activate this bleach; it then turns to water and evaporates. Re-apply every 15-20 minutes until the stain is gone, which may take 5-6 applications.

**2. Testing Stains.** HP is great for testing blood stains. Spray on the stain, if it's blood or another protein, the peroxide will turn white.

**3. Stains on White & Cream Colors ONLY.** Use HP and ammonia together to remove old perspiration stains, even on silk. Turn garment inside out and apply HP to armpit stained area. Add Ammonia at 9% or 26% (it doesn't matter). Use steam gun to heat, then flush out. If affected areas turn brown, that's O.K....flush out completely, then follow using RustGo. The RustGo will remove the brown color change.

**4. Perspiration Stains.** Many times HP will remove the white salt perspiration/ deodorant stains on suit jackets. Spray on inside and outside of jacket affected areas. Re-apply until stain disappears.

**5. HP on Set Sugar Stains.** HP will remove sugar stains on drycleaned garments. Sugar stains are invisible, so you won't see them at the counter. Sugar won't come out in the drycleaning process, but with heat and age, the yellowish brown stain will appear.

An example of this is a "Dryclean Only" wedding dress that the bride spilled champagne, or white wine, on the garment. I saved an \$11K purple, raw silk wedding dress for a Colorado cleaner, using nothing but store bought peroxide, a Z rack and the heat from the boiler room. It only took 2 applications and the dress was perfect!

I simply applied 3 % HP to the dress, hung it in the boiler room on a Z rack and re-applied HP 20 minutes later to all affected areas of the gown. I came back for third application and all the stains were gone, even though these sugar stains had been pressed into the dress.



# Lawsuit Prevention: Document Your Interview Process

By Frank Kollman, Kollman & Saucier, P.A.

Most employers pay more attention to the firing process than the hiring process. This is a mistake. First, a failure to hire can result in a lawsuit just as easily as a discharge can. Second, if you hire the right person, the likelihood of having to fire him or her someday is greatly reduced.

Whenever you hire one employee, you are deciding not to hire every other applicant. Months or years later, if you are sued, it may be difficult to remember why you hired applicant #7 in a group of 15. Each of those 14 unsuccessful applicants could theoretically claim that your decision was motivated by illegal reasons, like sex, age, or race. For this reason, employers need to take more care in documenting their hiring decisions at every stage of the process.

You need to keep records of interviews, the reasons why a candidate was eliminated, and the reasons why the successful hire was selected. Obviously, you want to select the best qualified, but the best qualified may not always be apparent from the information on a resume or employment application. If you cannot convince 12 strangers (coincidentally, the typical number of jurors) that you have picked the best qualified person, seek legal assistance.

You should have your employment application reviewed to make sure it complies with federal

and state law. Many questions that were permitted 20 years ago are illegal now. In some states, you have to put specific language on applications and have the applicant sign it. Make sure that you do not have illegal questions on your application because there is a presumption that if you asked a question, it was a factor in your decision.

During interviews, stick to relevant questions. Questions that could disclose improper information must be avoided. Several bad questions could be: (1) Where were you born? (2) Where do you go to church? (3) Are you married? (4) Has anyone ever told you how pretty you are? (5) Have you ever filed a workers' compensation claim? Or (6) How's your health? Better to ask why they want this job and why they want to leave their current job.

Finally, be on the lookout for loaded questions from the applicants. Be prepared to answer questions like:

- Does it matter that I'm pregnant?
- Can I do work from home?
- How strict are you about showing up on time?

*Frank Kollman of Kollman & Saucier, P.A. is the DLI "Ask the Legal Expert." DLI/SDA members can enter the members' only section at [www.dlionline.org](http://www.dlionline.org) to access this member benefit.*

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## Great Uses of Hydrogen Peroxide

*(Con't)*

Like using any tool, caution must be exercised. When using HP in higher concentrations, always wear gloves and protective eyewear. When using any bleaching agent stronger than 6%, remember to neutralize. HP and sodium perborate, or percarbonate, can be neutralized by 2-3 high rinses or by using 2 oz. of acetic acid/ gallon of water. If you don't have acetic

acid, you can substitute 4 oz. of your tannin formula/ gallon cool water, soak for 20 minutes and rinse.

Your customers want their garments returned to them like new. Using all your tools in your toolbox will help you achieve that.



*The leaves are changing fast...*

*We deliver faster!*



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# Texas Treasures

Drycleaners became more prevalent in the 1920s and 1930s when “mom and pop” cleaners were in every neighborhood. Few industries change as much as this one and continue to grow, let alone an individual business staying in business through the times of change.

Look across America and you’ll find a handful of drycleaners who have stood the test of time, through all the changes of the drycleaning process, economy and demands of their customers. These cleaners have a rich history with most of them being handed down from generation to generation, leaving a legacy in the halls of our economy.

The Texas Historical Commission recognizes businesses that have provided employment opportunities and supported the state’s economy for at least 50 years through the Texas Treasure Business Award. This program pays tribute to the state’s well-established businesses and their exceptional historical contributions towards the state’s economic growth and prosperity.

This prestigious award is nominated by an elected state official or a business representative and this year, two SDA members were added to the list of 439 businesses awarded as a Texas Treasure. For a closer look into what it took to build their legacies, SDA interviewed award winners Bill Stocker, CED, Palace Cleaners in McAllen, TX, and Danny Bahlman, CGCP, Bahlman Cleaners in San Angelo, TX.



*Bill Stocker, CED, Palace Cleaners (at podium) receiving the Texas Treasure award at the McAllen City Hall July 23, 2018.*

## PALACE CLEANERS Bill Stocker, CED

Palace Cleaners was founded in 1925 in McAllen, TX and went through seven owners until it found a real home when siblings Spencer Stocker and Ruth Davis purchased the business in 1951. In 1975, with thoughts of retirement on his mind, Spencer went into partnership with his son, Bill Stocker, CED, for four years, until Bill became full owner.

### Why did Spencer & Ruth enter the drycleaning business?

Aunt Ruth, dad (Spencer), their mom and children moved to McAllen in 1948 in search of a new life and the warm Texas Weather. Spencer

*Continued*

# Leaving a Legacy

was a furniture representative and Ruth, a widow, was a teacher. Previously in the real estate business, Ruth wanted to build. Spencer, of course, had a desire to support his wife and family of five children. She and Spencer paid cash for Palace Cleaners and started their new adventure. Neither of them knew the business, but she knew how to manage the books and he knew how to manage the people.

## What was the turning point in history for Palace Cleaners?

When dad and Ruth bought Palace Cleaners, it was in a bad part of town. Soon after they opened, there was a freeze that wiped out about 80% of the crops in the area; so no one had any money. They needed to borrow money from the bank to essentially move the business to a different part of town, but were denied.

Ruth went back to her hometown to borrow money from banks in St. Louis. While staying with a family friend, she told them why she was going to request a loan for \$15K and they told her that she didn't have to go to the bank. They would loan her the money. They moved the cleaner and it flourished.

## What made you decide to enter the drycleaning business?

I started at 5 years old in the drycleaning business along with all my siblings. Honestly, out of everyone, I was the least likely to stay in the business. After the military, I met my wife, Sally, in Washington DC and got my degree while working. Some time after that, Aunt Ruth called me and said if I had any interest in the business, there's probably a real opportunity to buy because my father wanted to retire. Dad taught me all he knew and after about 5 years, I bought him out.

## What's the biggest highlight you've experienced through Palace Cleaners?

It's ridiculous to be a dry cleaner and have the time of your life. I didn't realize the passion I have for the business until I entered it - and I'm still passionate about it. It's such a privilege to meet and know everyone in this industry and in

the community. It's very rewarding and more than I ever dreamed.

## What's the funniest experience you've had in the business?

I had our number on the cleaner's building in the west part of town. Thanksgiving eve I get a call from a customer desperately needing her clothes, so I opened it up to oblige. Christmas Eve I get a call from the same customer - same request. I thought 'it's Christmas Eve, I should be nice' and gave her clothes to her. New Year's Eve comes along and, you guessed it.

## What's your life advice for others?

If you earn it - you learn it. Experiment! I've worked at a credit bureau, picked cotton and was even a clerk at first 7-11 ever opened. Realize life is one adventure after another - find out what really hits your button and do it.



City of McAllen representatives and family join Bill Stocker (fourth from left) and Sally Stocker (on his right) for the Texas Treasure celebration.



**How to Become  
a Texas Treasure**

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[www.thc.texas.gov](http://www.thc.texas.gov)

# Leaving a Legacy



*Danny Bahlman (centered with red tie), Representative Drew Darby (in pink tie) and Danny's wife Kande Bahlman to the left of Danny. On Kande's left are Stephanie Bahlman, Shari Riley, and Terry Bahlman. They are joined by representatives from the Texas Historical Commission and the Office of the Governor for the Texas Treasure presentation.*

## BAHLMAN CLEANERS Danny Bahlman, CGCP

Bahlman Cleaners has been serving West Texas since 1947, starting with Melvin Bahlman's first cleaner in Robert Lee, TX. After expanding to several neighboring cities, Leon Bahlman, Melvin's brother, purchased the San Angelo locations in 1978. The 'big deal' came when Levi Strauss contracted with Bahlmans to pre-wash and press as many as 10,000 jeans a day.

Today, the Odessa locations, operating as Fashion Cleaners, are owned and operated by Donnie and Sherri Bahlman Riley, while the Sweetwater location is owned by the founder's daughter. Danny Bahlman, CGCP, SDA First Vice President, and his wife Kande, own and operate the San Angelo locations.

### Why did Melvin, Leon and you enter the drycleaning business?

Melvin started in the business after WWII because he simply needed money to support a

family. He was working for a cleaner and leased the business, which led to him buying it. Dad (Leon) joined with him after that purchase. I entered the business primarily to earn enough money to buy a car. At the time, I didn't know it was going to be a life-long commitment.

### What's the biggest challenge they faced starting the business?

They starting at 0 and acquired the business from long established dry cleaners. The town was smaller, but there were about 20 cleaners in town, all mom and pops. So there was practically a cleaner in every neighborhood. There were only two ways to get customers - either the town is growing or you're taking someone else's customer.

### What's the biggest highlight you've experienced through Bahlman Cleaners?

Running and owning a business has allowed me the flexibility to have more family time and see the kids' after school activities. Of course, that means extra work other times, but it's been well worth it.

### What's your life advice for others?

Kande and I led our church youth group from 7<sup>th</sup> grade to graduation. My advice to them is the

*Continued on page 13*



*The Governor's Office also honored Danny with recognition of Bahlman Cleaners' contribution to the state.*

# Leaving a Legacy

## It's a Family Tradition

You don't have to be a cleaner to have drycleaning in your family veins. Goscin Sales Company ([www.goscinsales.com](http://www.goscinsales.com)), started by Ed Goscin, has been a member of the Southwest Drycleaners Association since their business started in 1948. SDA asked Linda Stuart, Ed's daughter who's now running Goscin Sales Company, to give some insight to the early days of Goscin and how she and her brother, Dave Goscin, continue the tradition of servicing the industry.

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By Linda Stuart, Goscin Sales Company

Goscin Sales Company was founded in 1948 by Ed Goscin. He became a Manufacturer's Representative in the laundry and dry cleaning industry with his primary lines being laundry and dry cleaning textiles, identification tags, packaging products, safety pins and accessory items.

Dad was originally based in Oklahoma City and covered several states. In the earlier years, most small cities had at least one full service laundry and several dry cleaning plants. He told us that you could easily find the laundry by looking for the tallest smokestack in town!

As the industry changed, his territory expanded to cover the entire Southwest, and Dad moved his headquarters to Dallas in 1961. Dad would start each work week on Sunday with travel by car to the distributors arriving home Friday

evening just in time to take our Mom out to dinner! Saturday evenings were considered family night and he was on the road again on Sundays to start preparing for his week to call on the distributors.

In 1981 Dave, Ed's son, started working with Cal-Ed Chemical. He joined Goscin Sales Company in 1986 and continued building the offering for our valued distributors. Dave and Dad traveled the Southwest by car, calling on distributors for many years. Dave tells us *"I'm the lucky kid to have traveled the country with my business partner who happened to be my Dad. I know every time I hit the road today my business partner (Dad) will always be riding shotgun with me."*

In 1990, I joined the business to computerize and organize Goscin Sales. Within 6 months, I was calling on distributors and plant owners as well! My brother, Dave, knew I had gained knowledge from working with the customer base and products and organized a "sure sale" when he asked me to call on a drycleaner and sell them tagforms! After the sale, my tires didn't touch the ground until I returned to the office to share my success with Dad and Dave! Ha, little did I know until later I had been set up!



*Ed Goscin of Goscin Sales Company & SDA Member since 1948.*

# Leaving a Legacy

When folks reminisce about our Dad with us, they smile and tell us they always remember he referenced his business card each time and mentioned what was new with each and every line. He was a gentleman and known in the industry as a “gentle man.” Our Dad was a great example as a father, a friend and a business associate. He taught us well.

Hal Zelazny of Fabriclean Supply recently told me that Dad was always friendly and willingly tutored him along with others as they learned the business. He believes he was one of the most respected representatives in the business as he never heard a negative word about our Dad, only that he was a pioneer in the industry, approachable, loyal and could always be trusted. Our Father, Ed, passed away at the age of 95 in 2014.

We proudly carry on the Goscin name and look forward to continue being of help with our re-



*Ed Goscin with his kids , Linda Stuart, Steve Goscin & Dave Goscin.*

spective companies! Dave works with Epsilon Plastics and I represent several lines under the Goscin Sales Company umbrella.

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## Texas Treasures

*(Con't)*

same advice to everyone else. Go out and go to work and be respectful of the rules already laid out. If you have ideas, go through existing channels to show value and how it helps.

### **What's the funniest experience you've had in the business?**

Well, I can't publicly mention some, but we did have a mailman take his ripped pants off right in the store for an alteration.

### **What would you say is your greatest achievement?**

Being able to give our children an education and seeing them become successful. Also, getting the Texas Treasure award was pretty ful-

filling and honoring to my parents. Before dad died he said, “I never dreamed the cleaners would be in business as long and this size.”

### **Final thoughts?**

Of all the successes and times of failure over 70+ years, the one thing I wish we had done is track the college students that worked for us to see where they are today. I know we have 2 and maybe 3 doctors, a vet, attorney, school superintendent, many teachers, nurses, accountants, and others. I would like to think we had a part in their success as collegians and adults.



# Networking: What's the Net Worth

By James Peuster, The Route Pro

Pros is "should I join a chamber or do some other type of networking, like Rotary, Lion's Club, etc. in order to build my routes." What about BNI or Le'Tips or other referral based groups? These are all great opportunities that provide you the chance to see the whites of professional's eyes in order to promote both your routes and stores.

So what do you do in order to measure the net worth of networking?

First of all, realize that the goal is not to just get the members of the event to becoming customers, but to determine who they know. I always use the following formula in assessing a network group by basing it on 25 members knowing 200 potential customers I don't know.  $25 \text{ members} \times 200 \text{ leads} = 5000 \text{ potential leads}$ .

This means that you are one tier away of having them refer 200 people you don't know and multiplying that by 25 members, which gives me access to 5000 potential leads. Then take that one step further:  $5000 \text{ leads} \times 200 \text{ leads} = 1,000,000 \text{ tier 2 leads}$

Ok, some say I may be dreaming, but you are two tiers away from 1 million leads. Granted, you are not going to increase your route by 1,000,000 customers, otherwise you might need 3000 vans, but you are able to build your own network by getting in front of 25 people.

The second most important aspect is the identity or mission of the group. Some are designed to just be a small meet and greet. I'm good with these as long as you approach this as an opportunity to set future appointments. Go in with a farmer mindset, not a hunter. Set up one-to-one meetings and introduce each other and see if you are a good, cross marketing fit.

A third key step is to be involved in a group that commits to attendance. Selling takes commitment and this is why I love groups and require attendance. Otherwise you will go when you want to and so will the other members. Selling should be proactive-not reactive.

My fourth and final component is measure your time more than the money spent on networking. If you or your staff member is spending 5 hours a week networking and not producing results,

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**The goal is not to just get the members of the event to becoming customers, but to determine who they know.**

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then you might look elsewhere. Just like the time you spent in the field selling, business events should eventually provide you with results as well.

The bottom line is that networking gives you a chance to be in front of potential customers as well as potential referral sources while increasing your professionalism in front of your community. Get involved, stay active and committed and you will see results in both your stores and routes.

*James Peuster (james@theroutepro.com) is CEO of the Route Pro, a consultancy firm specializing in working with dry cleaners to increase revenue by establishing a route service.*

# When Considering Purchases Consider Those that Support Our Industry



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# Growing Your Dry-Cleaning Business with Opportunity Zone Incentives

By Gerald J. Reihsen, III

## Building Business with...

- ◆ **Negative Interest Rate Loans**
- ◆ **Low-Cost Capital**
- ◆ **Tax-Free Upside**



The Opportunity Zone (OZ Law) incentive program introduces multiple tax benefits upon investment of capital gains into “Qualified Opportunity Funds” (QO Funds) which invest in real estate development, tangible non-real estate business property and businesses connected to designated private equity investment funds called Qualified OZ Funds within six months (180 days) after such gains are realized or, with good fortune and careful planning up to 18 months after such gains are realized. These benefits are “nice”, “great” and “fabulous”!

- **NICE.** Tax on those invested capital gains (let’s call them the OZ Capital) can be deferred up to seven years.
- **GREAT.** The taxable portion of that OZ Capital can be reduced by up to 15% if kept invested for that entire period.
- **FABULOUS.** The investment gains above the original OZ Capital can be tax free if the investment is held ten years or longer!

With more than 8,700 Opportunity Zones spread throughout our country and its territories all of our nation’s businesspersons with designs on growing their businesses for possible sale should be taking a close look at leveraging that eventual sale within the Opportunity Zone ecosystem.

Despite the OZ Law having been enacted in the fall of 2017, there has been very little activity yet directed to financing non-real estate businesses within the program. The main reason for this is, while it’s coming up on two years since the OZ Law’s enactment, the rules for business investment are still being written. The IRS has been diligent in its work on these rules and it has already proposed two sets. However, the OZ Law is novel and the IRS is trying to be sure the rules are reliable, thorough and supportive of the goals of the statute. The expectation is that the proposed rules that have been published so far are very close to the full set and will be subject only to refinement. So, it’s time to start planning how businesses can leverage Opportunity Zone incentives and be prepared for the fully nuanced rules to be finalized later this year.

The OZ Law is very flexible. This helps to allow it to be broadly applied across many industries and business models. But it also means that it must be considered with specificity to whatever industry and business model that is to be leveraged. This will almost always mean tweaks to the business structure will be required. The extent of any such tweaks and the cost and effort of compliance with the OZ Law’s requirements must be weighed against the benefits.



When thinking about the OZ Law, it helps to visualize the waterfall structure required by the OZ Law. Let's visualize a waterfall that borrows a common drycleaner business model. The visualization on the right shows that it all starts with the Investors that have generated OZ Capital. It is at this level that all of the of the direct benefits apply, the nice, the great and the fabulous.



So, if the benefits are all to the top line Investor, why would a business want to structure to become the bottom of the waterfall Qualified Opportunity Zone Business (QOZ Business). There are three great reasons.

First, competition for growth capital is intense. Those investment opportunities that can bring something extra to their impressive investment thesis have a huge advantage against others seeking capital. An Investor is going to put its capital into a business with tax free upside (among the other OZ Law benefits) before one without that, all other things being equal. And because this capital benefits from the OZ Law incentives it should be lower cost and more patient than other capital sources.

Second, the market is being flooded with OZ Capital and there are a growing number of investment vehicles (QO Funds) that must place capital into Opportunity Zone investments to maintain compliance with the OZ Law.

Third, the Investor can be the business owner and the QO Fund can be an entity created and controlled by the business owner.

There can be a mix of the above considerations as well. For instance, the business owner may create a QO Fund in which the business owner has an interest that is leveraged by taking in third party OZ Capital.

And speaking of flexibility, in the structure above it is important to keep in mind QOZ Businesses do not need to have all of their assets in an Opportunity Zone nor must their revenue come from that zone. The rules as currently conceived permit an QOZ Business to remain compliant with the OZ law so long as (1) at least 70% of the tangible property owned or leased by the QOZ Business is located in an Opportunity Zone and meet certain requirements and (2) at least 50% of the QOZ Business's gross income is derived from the active conduct of its trade or business in an opportunity zone.

The currently proposed rules provide a great deal of helpful flexibility for meeting both of these requirements. For instance, the rules permit the QOZ Business to source its income globally, not just in an Opportunity Zone, so long as it meets certain safe harbors (or otherwise can show) that the income is dependent on its activities in the zone.

***So, in the example of the above dry cleaner business model, locating the dry-cleaning plant in the Opportunity Zone can enable multiple pick up stores within practical delivery distance to the plant so long as in aggregate the asset and income tests remain met.***

The effect of the OZ Law is that in exchange for investing through its system the federal government provides the investor a loan of up to 7 years of the tax that would have been due on the original capital gains and pays that investor an interest rate of up to 15% - comparable to a negative interest rate loan.

*Continued*

# Opportunity Zones

(Con't)

Further, OZ investing can be much like 401(k) or IRA investing where the investor's capital grows and the growth comes out after 10 years tax free.

Don't try this at home! There are many nuances and limitations under the OZ Law which cannot be addressed in this brief article and non-compliance can have expensive consequences. Consult with good business attorneys who have become expert in the area. But by all means do reach out to those experts. Don't be the one who ignored this once in a generation tax incentive and regrets substantial non-taxed proceeds on the sale of your business ten years from now.

*Mr. Reihsen is a business attorney with the law firm of Reihsen & Associates and the founder and chief executive officer of Coasis Coalition Companies PB LLC. Mr. Reihsen's legal background includes business and investment fund formation, corporate structuring, capital formation and investment structuring, and the full range of business transactions, including mergers and acquisitions.*

*Coasis Coalition's mission is to engage the opportunity zone investment community and opportunity zone residents with support and ser-*

*vices that advance their solutions and interests and the goals of the opportunity zone program. Coasis is the organizer of the national Coasis Coalition Opportunity Zone SuperConference held twice per year.*

## Opportunity Zones Helpful Links

### Where are the Zones?

[View on map](#)

[www.opportunitydb.com/location](http://www.opportunitydb.com/location)

[View by census tract number](#)

[www.irs.gov/pub/irs-drop/n-18-48.pdf](http://www.irs.gov/pub/irs-drop/n-18-48.pdf)

### Learn More about Zones

[www.coasiscoalition.com](http://www.coasiscoalition.com)

[www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions](http://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions)



[www.DLionline.org/education](http://www.DLionline.org/education)

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