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ADVISERS**

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Business Transfer & Valuation Information

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Managing Multiple Buyer Prospects

As the number of prospective buyers in an acquisition process increases, so does the complexity of managing this multitude of active participants.

Like any group of investors, buyers have varied resources, motives, and priorities. These attributes directly affect the timing, terms, and confidentiality of the transaction. Though we are not likely to change a buyer's resources, motives, or priorities, an effective adviser can influence the timing, terms and confidentiality by managing the sales process to align these factors with the seller's desired results.

Confidentiality is crucial to most business owners pursuing the sale of their business. The majority of buyers stringently adhere to the integrity of a confidentiality agreement. However, some do not and mistakenly think their actions won't jeopardize the confidentiality of the transaction or be disruptive to the seller's business. For example, buyers recognize the advantage of working with an inexperienced seller and will sometimes approach the seller directly despite their execution of a confidentiality agreement. This happened to a BCC client on a recent project. Since the client was coached on how to handle such a situation, they appropriately did not engage this buyer in discussions and immediately contacted BCC. Having an

adviser facilitate buyer inquiries helps keep the seller from sharing too much information, keeps the transaction confidential, and prevents disruption to the seller's daily business operations.

A competitive bidding scenario most likely occurs if offers are submitted within the same general timeframe. This can be a challenge, as buyers move at very different paces. Some candidates are stronger than others with a clear objective and the ability to make decisions quickly. Others are simply opportunistic and wish to take their time in considering a buy. There are several methods that can be employed to coordinate the timing of offers. Recently, BCC used a laddered approach to contact prospects. The more opportunistic prospects were contacted first, giving them more time to consider the opportunity and hold internal discussions. Then, the more aggressive candidates were contacted. This strategy proved to be effective as offers were received during a similar time period.

Another method of managing timing includes setting deadlines for each step of the process. For example, if confidentiality agreements, letters of interest, and purchase offers have deadlines for submission in order to be considered, the desired timeline is more likely to be achieved.

Despite the challenges of effectively maintaining timing expectations and the increased risk of confidentiality breaches, what drives sellers and M&A advisers to contact larger numbers of prospects is the bottom line – price and terms. The most effective price accelerator is competitive bidding, which also enhances favorable acquisition terms for the seller. Keep in mind that an overly-aggressive seller or adviser can push the best buyers out of the mix. There is a fine line between ethically encouraging higher price offers and turning qualified prospective buyers off to the opportunity. Experience is the greatest asset for managing this phase of the sales process.

If you'd like expert assistance managing your sale process, contact the experienced M&A professionals at BCC Advisers.

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By Mark Esbeck

Legacy from Two Different Sets of Eyes

According to Webster, the word “legacy” means a gift transferred by an ancestor and received by an heir. It is viewed to be something of substantial value that endures for the benefit of future owners. It stands for a powerful concept of value creation, systematic organization, fiduciary maintenance and progressive planning for future transfer. I am not sure, but I would venture that this term may have been held in noble esteem by business leaders of the past. In business, it can connote a lifetime of building forward to a goal of passing on the accumulated benefit to the next generation (or new owner). It can also be viewed as value building.

However, changing times cause people to look at things differently. Today the dictionary meaning may still hold true, but “legacy” has also come to stand for something once valuable and no longer of such special use. Everywhere we hear terms of “legacy systems” and “legacy products.”

Today we tend to look at legacy and its meaning more through the eyes of the grantee rather than through the eyes of the grantor.

These different perspectives have always existed. Today things are moving so rapidly and we are undergoing such fundamental change that what two succeeding generations might see for the future can differ markedly. It almost can be seen as the old getting in the way of the new.

If you apply this to your business you can look at things quite clearly. You may have worked decades to build something that has premier value to you and many others. You may be preparing for an eventual point in the future to transfer the business and to generate personal liquidity. You have been working to build a legacy. This is legacy from your perspective. At the point in time where you attempt to pursue a business transfer transaction, you will encounter legacy from the perspective of the new owner. Their viewpoint might be quite different.

Perhaps it is best to approach legacy not from the eyes of the builder and transfer authority, but from the eyes of the heir. Then a business is able to challenge itself in ways that it might not be able to justify when it is operating in a conservative and maintenance mode. New energy and investment in business tools, processes and channels can put the business on a path to an exciting future. Fresh input can also enhance existing value, whereas the status-quo may result in erosion of value. Build your company’s legacy (value) so that it truly stands for the old meaning of the word and not the modern (diluted) meaning. Try to view your business from a new perspective to better realize your goal of building enterprise value for future transfer.

BCC Expands to Lincoln & Omaha NE

BCC Advisers is expanding to Lincoln and Omaha, Nebraska with the addition of offices in both cities. R. Brad Harse of Lincoln has joined the firm as partner and general manager of BCC’s western division.

Harse is a Nebraska native and University of Nebraska graduate (BS ‘71, MBA ‘78). He has an extensive background in distribution, manufacturing, technology and international business. A frequent speaker to undergraduate and graduate students and faculty, Harse was previously a principal with Concept Marketing Inc., a Lincoln, Nebraska-based consulting firm. Harse’s areas of concentration were international manufacturing and strategic relationship consulting.

Commenting on the expansion, BCC Advisers President Steve Jacobs stated, “We have long had an active interest in serving the needs of a broader range of clients. The addition of these offices in Nebraska’s principal cities, under the guidance of Brad Harse, provides BCC with the base and expertise to serve a wider geography and deepens our firm’s expertise in both industry specific and international transaction ability.”



R. Brad Harse

Our Newest Acquisitions



Jennifer Julander joined BCC Advisers in August 2007 as Manager in the firm’s Business Valuation & Litigation Support practice. Previously a Manager at RSM McGladrey, Jennifer brings over 10 years of valuation experience in a variety of industries, with significant experience in family limited partnerships and limited liability companies. Jennifer attended Iowa State University and received her Bachelor of Science degree from Drake University, graduating with honors. Jennifer is married and has three daughters.

In October 2007, **Justin Koester** joined BCC Advisers’ Mergers & Acquisitions practice as a Financial Analyst after a successful internship with the firm. Justin earned his bachelor’s degree in Economics: Business Analysis in 2007 from the University of Northern Iowa, where his academic career included a trip to Russia when he was selected to present an economic research paper he’d written to students and faculty at a Moscow business college. Originally from Mason City, Justin now lives in West Des Moines.



“Simply put, we could not have completed the sale without BCC; they were critical to the process and the favorable outcome.”

The Complexity of Selling a Multigenerational Family-Owned Business

Families that have owned businesses for several generations have developed very strong attachments and have multitudes of concerns associated with transferring their business to new owners. The impact on employees, the community and family members (both active and inactive with the business) can be substantial. Recently, BCC assisted with such a family business in a sale advisory assignment.

First Bank & Trust (FB&T) was purchased by Wayne C. Currell in 1945 and remained in the Currell family for over 60 years. The oldest financial institution in Dickinson County, FB&T provided a full range of commercial and consumer banking services through its three locations in Spirit Lake, Iowa. For three generations the Currell family owned the local bank, so making the decision to sell was extremely difficult. However, the owners considered the timing for exit to be appropriate and therefore decided to explore strategic options.

Selling a family-owned business can be a very emotional process, so the Currells considered a potential sale with caution. Aside from addressing their own objectives, they wanted to ensure customers, employees and community stakeholders were not adversely impacted by a transfer of ownership. They desired an acquirer that would provide the same level of customer service that FB&T had provided to the market for over a century, and they wanted to ensure the employees that contributed to FB&T's success would retain their jobs following the transaction. Confidentiality was a top priority. If customers and/or employees learned the bank was on the market they might leave, negatively affecting the bank's value to a potential acquirer.

Managing a sale internally would mean one or more members of the family would need to take considerable time away from their current responsibilities, at the expense of the bank operations. The Currells were equally concerned about their lack of experience in actually selling a business. The family had spent several generations building the bank and wanted to make sure maximum value could be achieved in a sale. Ultimately, the M&A professionals at BCC Advisers were engaged to value the bank and provide business transfer services.

Maintaining confidentiality was critical as BCC approached a large number of qualified local, regional and national banking institutions with this acquisition opportunity. When a prospective buyer contacted the Currells directly, bypassing the adviser and despite executing a confidentiality agreement, BCC helped re-direct their approach back to the desired process. BCC advised the Currell family how to communicate to key employees when suspicions arose internally, sharing that buyers are always knocking on the doors of successful companies. And when rumors started to circulate in the small community causing local media to inquire, BCC assisted the family in developing a press release to deal with concerns. With BCC managing the M&A process, the Currell family was able to focus on operating the bank, preventing any slippage in productivity.

The Currell family achieved all objectives of their exit strategy, obtaining a sale price that exceeded their expectations. Steve Currell, FB&T Vice President, stated, "Simply put, we could not have completed the sale without BCC; they were critical to the process and the favorable outcome."

Definitive documents were executed with Liberty Bank, and the transaction closed on November 1, 2007. Liberty Bank operates over 30 bank locations across Iowa. The acquisition of FB&T's three locations compliments Liberty's existing branch in the nearby town of Arnolds Park, making Liberty one of the largest banking operations in the Iowa Great Lakes region.

If you desire the expertise of seasoned M&A professionals who understand the complexity of selling a family-owned business, contact Steve Jacobs, president of BCC Advisers, for a no-obligation consultation.



Clearly the Right Partner in the U.K.

BCC's IMAP colleague in the United Kingdom is Clearwater Corporate Finance. With over 300 completed transactions, Clearwater is one of the largest middle-market M&A advisory firms in the U.K. Clearwater has 11 managing partners and is headquartered in London with offices in Birmingham, Nottingham and Manchester.

BCC and Clearwater were instrumental in creating the new Retail and Consumer Goods industry group for IMAP. Both firms have substantial experience in this sector and observed an increasing number of companies seeking cross border acquisitions as a means for entering new markets. "We recognized a need to assemble a team of experts from around the world that will be able to effectively serve retail and consumer goods companies looking to expand internationally," said Clearwater's Marc Gillespie, who chairs this IMAP industry group. "Additionally our sell-side clients benefit from access to the most likely buyers from around the globe."

The industry group currently consists of 24 IMAP colleagues located in 17 countries, and held its first formal meeting at the IMAP Fall Conference in Prague, Czech Republic last October. The group will meet regularly via teleconference to discuss M&A opportunities in this sector.

Industries outside of the retail and consumer goods industries make up a number of assignments on which BCC and Clearwater are collaborating. BCC recently



Marc Gillespie

contacted nearly two dozen U.S. private equity firms to present an investment opportunity in a U.K. manufacturer of medical devices, represented by Clearwater. Two of these firms submitted offers, and one was chosen to move ahead to the next round. Final offers and transaction closing are expected to take place in the first quarter of 2008.

In another sell-side project, BCC will be taking a manufacturer of niche agricultural equipment to market early in 2008. It is anticipated there will be substantial interest from foreign investors. Clearwater has already identified a number of solid buyer candidates from the U.K. and, at the appropriate time, will be approaching them on behalf of BCC's client.

The close relationship between BCC and Clearwater makes transatlantic collaboration a natural component of many M&A assignments. Clearwater is a valuable resource for BCC's M&A clients seeking buyers or sellers in the U.K. and Western Europe.

on the dotted line

Some Recent BCC Advisers Transactions:

Assisted in the sale of a dry ice manufacturing company.

Advised a Midwest bank in the sale to a Midwest competitor.

Prepared fair market valuations for 12 portfolio companies for a private equity firm.

Assisted in the sale of a Brazilian optical retailer.

Prepared fair value appraisals of an acquired Midwest consumer products distributor for financial statement reporting purposes under SFAS 141.

Provided value consulting services to assist service provider in sale of company.

The Market Front

Some opportunities available through BCC Advisers:

U.S. Agricultural Equipment Manufacturer - is seeking a buyer.

European Branded Pork Products Producer - is seeking a buyer.

Midwest Contract Manufacturer - is seeking a buyer.

U.S. Hard Goods Manufacturer - is interested in making acquisitions in the Midwest.

Midwest Sheet Metal Contractor/Manufacturer - is seeking a buyer.

European Diversified Plastics Manufacturer - is seeking acquisitions of niche plastics manufacturers in the U.S.

South American IT Company - is seeking a buyer.

For mergers and acquisitions, contact Steve Jacobs or Brad Harse. For valuations, contact Al Ryerson or Greg Weber.

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INTERNATIONAL NETWORK OF M&A PARTNERS

The International Network of M&A Partners (IMAP) is an exclusive global partnership of leading Merger & Acquisition advisory firms. Formed in 1971, IMAP unites a select group of professional organizations active in international transactions into a seamless global partnership. Each member firm shares a mutual commitment to delivering the highest caliber advisory services for middle-market transactions across the globe. IMAP advisors provide strategic merger, acquisition, divestiture and related corporate finance services. Sellers of mid-size companies and corporate acquirers alike rely upon IMAP for essential local market knowledge and industry expertise delivered with unparalleled global reach. Through their global partnership, IMAP firms are able to access strategic buyers, merger candidates and financial resources around the world to deliver exceptional results for their clients.



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