



ACG San Francisco
West Coast Capital Conference
THE POWER OF CAPITAL

STRATEGIES FOR 2011

February 10, 2011, San Francisco
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KEYNOTE SPEAKER:



**A Look at the Economy:
 Fully Charged or Still Unplugged**

Gary Schlossberg
 Chief economist,
 Wells Fargo

Schlossberg assesses the state of the U.S. economy and what impact international influences will have on M&A and the deployment of capital during 2011 and beyond.

Event Host:



Media Sponsor:



Conference organizers (clockwise from left):

Chris Andersen, Founder, Atlas Business Advisors, Conference Chair

Bart Penfold, Executive Vice President & Managing Director, DHR International, ACG San Francisco President

Peter Morgan, Managing Director, The Spartan Group, ACG San Francisco President Elect

SPENCER BROWN



ACG WEST COAST CAPITAL CONFERENCE

The Power of Capital Strategies for 2011

By Carol Piasente

This year's annual Association for Corporate Growth's (ACG) conference takes place at a time of increasing confidence in the economic outlook among private capital and corporate professionals from California, according to the most recent ACG-Thomson Reuters DealMakers survey. In the next 24 months, 66 percent of California-based respondents believe that the economy will improve, with the number increasing to 78 percent when asked about the next 36 months.

Sixty-one percent of California-based dealmakers expect an increase in M&A activity in the next six months – eight percent see a significant increase and 53 percent predict a moderate increase.

But, given the credit crunch, the nature of transactions has changed. According to a Wharton report, buyout firms are increasingly looking to the middle market and, in many cases, are teaming up with strategic buyers and corporations in new types of transactions.

"That's why the conference is broader this year in terms of its focus," says **Chris Andersen**, founder of Atlas Business Advisors and chairman of ACG San Francisco's West Coast Capital Conference.

"Companies have cleaned up their own balance sheets, fixed problems and they are ready for growth. The equity and debt providers are coming back and people are ready to get deals done. 2011 will be a good year – much better than we've seen the last three years."

With more than \$1 trillion sitting on U.S. corporate balance sheets and more than \$500 billion of capital committed to private equity firms, **Gary E. Schlossberg**, senior economist at Wells Capital Management, will deliver the keynote address, "A Look at the Economy: Fully Charged or Still Unplugged?"

The Anatomy of a Deal

At a private kickoff event for corporate development officers, Capital Connection™ participants and intermediaries such as investment bankers, M&A advisors and business brokers, **Robert Knauss**, a partner in the Los Angeles firm of Munger, Tolles & Olson LLP, will facilitate a conversation on "The Anatomy of a Deal: The Why, The How and The Outcome."

Among the panelists will be Jim Ford, managing director and senior vice president, at Oaktree Capital Management LLC, and the CEO of a publicly traded company who recently sold his company to a private equity firm.

"There are lots of ways to 'skin the cat' – lots of ways to put money to work these days," says Knauss, "Given that the days are gone where money was easily available and banks were ready lenders to the M&A market, investing in smaller chunks has become an attractive alternative."

Capital for the Middle Market

Terry Mech, senior vice president, PNC Business Credit, will lead a panel that looks at where this capital is coming from.

Speaking on the theme, "Capital for the Middle



Chris Andersen
Founder,
Atlas Business Advisors



Gavin Grover
Partner,
Morrison + Foerster



Marc Chiang
Director of Transaction
Advisory Services,
Grant Thornton LLP

Market: Propelling Growth or Sitting on the Sidelines?" will be John Palmer, principal, Hanover Partners, a private investment company; John Thornton, managing director of Tregaron Capital; Kevin Murphy, director of Encore Consumer Capital, a private equity firm built specifically to help consumer products companies grow; and John Felix, senior vice president of DE Shaw & Co. LP, a global investment and technology development group.

"What's happening in the marketplace right now is that financing for the big, strong deals has come back pretty significantly, and is a lot easier to come by. It's the lower middle market deals, cash-flow-based financing for companies with less than \$10 million of EBITDA, that have been slower to recover," says Mech.

"Lenders have experienced losses in this sector. Although lenders tend to make the same mistakes through different cycles, in general they don't make the exact same mistakes."

"Private equity groups are buying companies, but these buyers may not necessarily have a committed pool of capital," explains Mech. "These unfunded equity sponsors, almost by nature, focus on smaller deals because it's easier to raise smaller amounts of equity to get deals done. However, the cash flow markets remain circumspect on those smaller deals."

Alternatives to traditional structures

Gavin Grover, Hendrik Jordaan and Michael O'Bryan, partners in the law firm of Morrison + Foerster, will form a panel on alternatives to traditional M&A structures, including minority investments by private equity firms and strategic investors, joint ventures and strategic alliances, and recapitalizations, restructurings and other similar transaction structures.

"Capital is abundant for the right growth opportunities," says Grover. "We see great effort being put forward by investors toward deal structures that balance the different objectives of deal participants. Constituencies in a transaction may have widely diverging goals. Deal structures can often help the parties to find alignment and supply capital, management resources and know how to exploit growth opportunities while at the same time enabling legacy investors to achieve liquidity."

Morrison + Foerster partner **Kenneth Muller** will lead a panel focused on current trends in fund formation practices and fund raising strategies in the private equity environment.

Private equity in a Goldilocks economy

"2011 is the year," says **Peter Morgan**, managing director of the Spartan Group LLC. "The economy has a better feel to it than it has for the last couple of years, but it's a 'Goldilocks' economy – not too hot and not too cold. If things get too hot, the Federal Reserve will put the brakes on, if it gets too cold we'll be in for a surprise second dip."

Morgan will moderate a panel on "The M&A Outlook from the Private Equity Perspective," which will discuss how they see the environment in terms of general flow, valuation, trends they are excited about and

investment themes.

Participants include Hadley Mullin, managing director, TSG Consumer Partners; Jeff Webb, managing director, Industrial Growth Partners; and Rob Wolfson, managing director, H.I.G. Capital LLC.

"One of the things happening is a tremendous amount of capital sitting on corporate balance sheets," says Morgan. "There are a lot of buyers out there with access to capital. What's surprising is the lack of sellers."

There is also a great deal of interest from foreign buyers, especially from Asia and China, who are looking to buy companies that are leaders in their niche, says Morgan.

Sweet deals

Marc Chiang, director of Transaction Advisory Services for Grant Thornton LLP, will facilitate a breakout session with the intriguing title of "Eat, Drink and Be Acquired."

The Bay Area, Chiang explains, has a very strong culture of starting and growing food and beverage companies. Examples abound of great brands, like Joseph Schmidt Confections, Clif Bar, Scharffen Berger and Popchips that start out small, look to capital for growth and eventually an exit strategy.

"These companies are interesting to the industry as a whole because they are the innovators," says Chiang. "And they all need capital."

Chiang's panel will look at why successful Bay Area food and beverage companies chose the route they did – whether they chose to get private equity involved, were bought out by a conglomerate or "went IPO" – and how it helped build the success of the company.

"You have to be very clear about your core values and your product's core benefits, and you have to be able to articulate your brand," advises Chiang. "Investors have to see authenticity in everything you do. If the brand isn't driving all of your decisions, it won't come across as genuine."

And, says Chiang, "You have to build a leading, world-class management team, which can be hard for a product-focused business." He emphasizes that management has to have the depth to deal with the complexities of manufacturing, sales and marketing, national distribution, advertising, financing.

"A strategic investor will give you a higher valuation if they think you're going to take off, and they better buy you now versus a year later when will have to pay more," says Chiang.

The Capital Connection™

Where dealmakers come to meet



SPENCER BROWN

By Carol Piasente

“It’s always easier to get a deal done when you have a relationship with someone” says **Theresa Matacia**, vice president at Bonocore Technology Partners LLC.

Jason Payne, managing partner at Mainsail Partners, couldn’t agree more. “It’s definitely possible to meet an investment banker at the Capital Connection™ and to pitch them on a deal,” says Payne, “but it’s also a fact that a big part of doing deals in the middle market is building relationships – and the place to do that is ACG’s



Capital Connection™.

The bottom-line, he says, “is you’re never going to get as consolidated a group who can actually make deals happen as at a Capital Connection™.”

The Capital Connection™ networking expo is where lenders, service providers, intermediaries and entrepreneurs come to meet or to reconnect with old friends. The event caps off ACG San Francisco’s annual conference from 4-6:30 pm in the Palace Hotel’s famed Garden Court.

Participants enjoy networking and wine tasting as they meet more than 60 private equity firms and debt providers representing billions of dollars of assets under management – all of which are looking for opportunities to put their capital to work.

The dealmaker’s marketplace

The Capital Connection™ is a true marketplace where buyers, sellers, financiers and intermediaries – anyone who is looking to deploy capital and looking for deals comes to do business,” says **Chris Andersen**, founder of Atlas Business Advisors and chairman of ACG San Francisco’s West Coast Capital Conference.

“It’s also a great resource for service providers to middle market companies and those that work with companies that are owned by private equity firms,” he adds.

ACG has expanded the capacity of this year’s Capital Connection™ to include a lot more firms and a broader range of capital providers.

“We’re building on the theme of the conference, which is that there are a growing number of people who are looking to put capital to work,” says Andersen. “They have a lot more confidence in the economy and they’re willing and have the ability to invest going forward.”

Private equity sponsors set up shop in the form of display tables, and participants are able to talk with them about what kind of deals they are looking for, their criteria, and to pitch a transaction.

An elevator pitch for a short building, not a high rise

“Capital Connection is the perfect nexus that brings buyers and sellers or their representatives together,” says **Phil Estes**, managing member at Horizon Holdings.

“You can talk to investment bankers and intermediaries over two hours that would take weeks or months to do if you were trying to go see all of them individually. It’s a great way to cover a lot of ground in a short period of time.”

Estes’ advises participants to bring a big stack of business cards and to practice a short, pithy pitch.

“Think of it as an elevator pitch that you could deliver in a short building, not a high rise,” he laughs.

It’s also highly recommended that those seek-



ing capital bring a one-page executive summary, something investors can quickly evaluate to see if it meets their criteria.

“You meet so many people over the course of the Capital Connection™ session,” says Payne, “having something they can take back to the office helps them remember you.”

The value of refreshed connections with old colleagues and suppliers of deals or buyers of deals resonates with **Biff Barnard**, managing partner at Barnard / Montague Capital Advisors.

“My job as an investment banker is getting the best price, the best value and the best partner for the business owner,” says Barnard. “By getting to know the private equity sponsors as people and building deeper relationships, I know what they do and how they will act as a partner for my clients.”

Participating wineries include Hanna, Jessup Cellars, Honig Vineyard & Winery, Grgich Hills and Tempus Fugit Spirits.



Theresa A. Matacia, CFA
Vice President,
Bonocore Technology Partners LLC



Phil Estes
Managing Member,
Horizon Holdings



Biff Barnard
Managing Partner,
Barnard/Montague Capital Advisors