

AM&AA Announces New Advisory Council Members

New leaders, structure put
focus on member benefits,
growth

The Alliance of Merger
& Acquisition Advisors®
(AM&AA), announced its new
advisory council members,
appointed to advise the
organization and guide
membership initiatives.

The advisory council includes
seven AM&AA members, with
leadership roles appointed
to Chris Blees, President,
BiggsKofford Capital, as
Chairman and David
Asmus, Managing
Director, CKS Advisors,
as Vice Chairman for a
two- and three- year
term, respectively.

AM&AA Advisory Council Members:

- **Chris Blees**, President,
BiggsKofford Capital—
Chairman
- **David Asmus**, Managing
Director, CKS Advisors,
LLC—Vice Chairman
- **Kevin Carlie**, Chief
Corporate Development
Officer, Simmons Hanly
Conroy
- **Chris Dalton**, CPA, Partner
& National Practice Leader,
Transaction Services, BKD,
LLP
- **Bill McCalpin**, CEO,
Capitalize Network
- **Brian Wendler**, Principal,
National Business Valuation
Services

Six new subcommittees will be established and implemented over the next year:

- Conference Planning
Committee
- Education & Certification
Committee
- Government Affairs
Committee
- Marketing & Communications
- Membership Benefits
Committee
- Regional Chapters
Committee

AM&AA MidMarkettalk

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JANUARY/MARCH 2020

Dear AM&AA Members, Welcome to the AM&AA 2.0!

The year 2020 will no doubt make an indelible mark in history. The World is fighting the coronavirus, businesses and economic markets are being shattered and we're all learning new phrases like "flatten the curve", "social distancing" and "stay-in-place". Hopefully the history books will also contain stories of unprecedented market rebounds and business successes in the later part of the year! Meanwhile, in almost infinitely less important news... the Alliance of Merger & Acquisition Advisors (AM&AA) is announcing a new Advisory Council and has asked me to serve as the first Chairman.

It has been just over 20 years since the AM&AA was formed with the goal of bringing together M&A professionals to better serve the Private Middle Market. As many of you know, the organization was founded by Mike Nall and has benefited from a group of volunteer advisors led for the first 10-years by Kevin Carlie and then by Mike Adhikari for the next 10. All of those gentlemen have been my friends, mentors and colleagues as I built my own Middle-Market M&A career over this same 20-year period.

Last year, the AM&AA went through a transition of leadership with Five Star Global, a national event, publishing and marketing firm based in Dallas Texas. One of Five Star's goals is to invigorate a new Advisory Council with added structure and membership. Together, with a group of devoted and well connected members, the Advisory Council will help Five Star make the AM&AA even more relevant and beneficial to us, the members.

I've been an active member of the AM&AA for most of its existence and many of you know me from the Certified M&A Advisor (CM&AA) program that I've been teaching for years. Like all of you, I am passionate about helping Middle-Market companies complete capital transactions. We all know these companies are the life-blood of the World's economy and these transactions provide needed capital for growth and ownership transitions and even today - survival. As a result, we all have a role in this global economic recovery. Through our membership and collaboration in the AM&AA we can help each other continue this important work.

Go Capitalism!

—Chris

Chris Blees
AM&AA Advisory Council Chair
President & CEO
BiggsKofford Capital



The Latest ««««

High Yields: Maximizing Deal ROI

By Bill Wiersema

Record levels of capital have flooded the markets, resulting in high deal multiples. Some buyers even engage in flipping their purchases within a year or two, at unheard-of returns. Whether as an owner or manager preparing for sale, or one holding for the long term, market trends favor divestiture of non-core divisions and sale of assets such as real estate. Not only will these strategies raise cash, but they also are likely to increase the value on what remains afterward.

The idea is that the parts may be worth more than the whole. This is not in the context of Gordon Gekko from the movie Wall Street, destroying BlueStar by liquidating its assets. It's

Continued...

How to Improve Business Negotiations Using Emotional Intelligence

By Frank Williamson

*This article originally appeared in
Corporate Counsel on March 3, 2020.*

In my work as an investment banker, I frequently work with attorneys who specialize in M&A transactions. In general, I group them into two categories. Some fill a primarily technical role, working to execute the client's wishes efficiently. Others act almost as counselors, weighing the available options to help clients make the best choice for their business.

If you happen to be in

Continued...

AM&AA Welcomes New Members:

- **Nicole Bodoh**, Attorney
- **Joseph Caffarelli**, Executive Vice President, Alliant Insurance, A Blackstone Group Company
- **Anne Marie Carson**, Attorney, Miller Johnson
- **George Christopoulos**, Athens Advisors LLC
- **Anthony Cohen**, James Capital Advisors Associate
- **Kristen Cusack**, President, BCB Consulting
- **Frances Dare**, Heresy Consulting Ltd.
- **Duke Deen**, Senior Associate, Whitley Penn LLP
- **Brent Dillinger**, CEO, Crossroads of Western Iowa
- **Andrew Fenton**, Managing Director, Skyway Capital Markets
- **Julie Fleming**, Senior Associate Whitley Penn LLP
- **Terrence Hannafin**, Managing Director, Carter Morse & Goodrich
- **John Harrison**, Managing Director, A111
- **Susan Hasty**, Growth Advisor, 360 Profit Masters
- **Kathryn L. Hickey**, Partner, PlieroMazza PLLC
- **Chris Hren**, Business Development Officer, MCM Capital Partners LP
- **Robert Kibby**, Shareholder, Munsch Hardt Kopf & Harr PC
- **David Killion**, Brown Smith Wallace LLC
- **Mengxi Li**, Sr. Strategic Business Ventures Manager, US Pharmacopeia
- **Adam Lysinski**, President, Lysinski & Associates
- **Frank Massaro**, Attorney, PlieroMazza PLLC
- **Scott McRill**, Shareholder, Transaction Advisory Services, Clark, Schaefer, Hackett & Co.
- **David Melton**, President, Melton Mergers & Acquisitions
- **John Oden**, Senior Manager, Transaction Advisory Services, Whitley Penn LLP
- **Susan Powell**, Partner, Whitley Penn LLP
- **Duke Punhong**, Managing Partner, Graycliff Partners
- **Dorine Rivers**, CEO, Alpha 81
- **Melissa Rodriguez**, Associate, PlieroMazza PLLC
- **Chas Schlaack**, Principal, Backbone Capital Advisors
- **George Shaw**, Partner, DiCicco, Gulman & Company LLP
- **Michael Sluka**, Partner, B2B CFO
- **Bertrand Smyers**, Managing Partner, 2003
- **Ryan Turbes**, Partner, Boulay PLLP
- **Leo Valentine**, Associate Director, Protiviti Inc.
- **Robert Villalobos**, Associate, Vertess Advisors, LLC
- **Kurt Walcutt**, Partner, Thornhill Financial
- **Brent White**, Consultant

Continued from "High Yields.."

more like finding money or even priceless gems in your sofa cushions. It's a matter of monetizing non-core assets. The growing markets of interest in this regard include corporate divestitures, intellectual property, sale-leaseback, and life settlements.

For maximum returns, it behooves sellers to engage specialists. Each area has its nuances and pitfalls that can vary outcomes between double or nothing.

#1. Divestitures

Divestitures of desirable divisions, whether entirely or of a partial interest, have become exceedingly rewarding, often achieving valuations of twice sales or higher. Sales of intellectual property (IP), viewed as flexible and portable, are also expanding. Consider the following facts (sources below):

- Consistent with high valuations, 75% of companies surveyed by a major accounting firm intend to pursue divestitures in 2020.
- One study indicated 30% of synergies expected by a strategic buyer of a divestiture on average are shared with the seller.
- Average EBITDA multiples of S&P 500 companies range from 11 to 14, roughly double those in the middle market.

Taken together, these facts indicate enormous opportunities for selling non-core divisions and IP to large strategics. Because strategic buyers are likely to achieve synergies, they can pay more for the business. Public companies can afford even higher multiples.

In pursuing this plan, sellers are well-advised to seek outside specialists. Identifying the best potential buyers requires market knowledge and research. Key to success is understanding which non-core product lines or services are most desirable to strategic buyers. Early-stage divisions may be particularly attractive candidates.

Sellers should engage a specialized broker or investment banker to assist. Intermediaries have experience in marketing businesses, screening buyers, and negotiating the best deal. They provide offering documents that present the business in the best possible light. Their first market is to strategic buyers, looking to add the seller's operations to their existing ones. Because potential buyers may be competitors, extreme care must be taken to maintain confiden-

tiality.

As to selling IP, universities today have it down to a science. They utilize technology transfer offices to market their IP and find targets. One highly successful transaction involved Northwestern University and the drug Lyrica. Professors at the University developed this drug over a period of many years. The intellectual property ultimately was sold, adding nearly \$2 billion to the university's endowment, bringing it to \$10 billion, a level comparable to that of top Ivy League schools.

Sell-side quality of earnings reports are also critical, in the absence of standalone financial statements, which will make due diligence more challenging for a buyer. Investing in the exercise beforehand avoids being blind-sided by financial issues. It can also document and even identify more add-backs to EBITDA for a higher valuation.

Sales of divisions are asset sales, subject to taxation at maximum rates unless planned. An idea for savings is to precede the sale with a spinoff to allow for a stock sale of the division as a separate legal entity, especially regular C Corporations that otherwise incur double taxation. However, there must be a supportable non-tax purpose for doing it.

Alternatively, selling a minority share of the entire business or division that can become a stand-alone may be a homerun. This possibility arises for sellers still committed to the division, but with up to 20% outside ownership. Similar to divestitures, major public company buyers can pay substantial premiums, given their earnings per share metrics. Sometimes, proceeds exceed the buyer's original purchase price.

#2. Sale-Leaseback and Non-Operating Assets

The sale-leaseback option has become extremely attractive in the current market. Interest rates and investor cap rates are down so that valuations of rental real estate are up. Valuation is in the eye of the beholder. According to a Wall Street Journal writer's empirical studies, sellers under sale-leaseback arrangements enjoy a 13% premium on average over non-sale-leaseback transactions. Premiums as high as 20% are not uncommon. Even the Financial Accounting Standards Board, which is the U.S. accounting standards setter, acknowledges that individual elements of the sale-leaseback package may not reflect standalone market values.

Premium valuations are justifiable. If an investor in real estate had to incur the cost to build out and repurpose a facility, market the idle property, and locate a worthy long-term tenant, he or she would expect high costs. However, buying and leasing back a facility from its current owner for terms ranging from 10 to 15 years is a way of avoiding the startup costs and hitting the ground running.

Beyond the premium are even more benefits to sellers. Effectively, 100% loan-to-value is achieved, so the balance sheet is freed up. Rent is 100% deductible as opposed to interest and depreciation for owned property. Implicit rates are below that of junior capital and only a bit higher than mortgage rates. There are no debt covenants. However, leases are generally triple-net, so the seller will continue to incur the costs of taxes, maintenance, and insurance as a lessee. Also, under new accounting standards effective in 2021 for private companies, most leases must be presented by lessees in a manner similar to debt in financial reports.

While many variables enter into identifying the most desirable opportunities, the more the business depends on its location, the better. This occurs with main street businesses all the way through heavy manufacturers. A broker can add value, as the type of property must be suitable for the potential investor.

Life settlements are also a growing segment. According to an industry outlook report by Magna, the market has experienced double-digit growth each year since 2015. The expansion is driven in part by direct marketing through the internet and better regulation, protecting consumers. The advantage to a seller is in obtaining more than available from an insurer upon lapse or surrender for those over age 70. For maximum settlement, policies need to be permanent rather than term only.



Bill Wiersema is an accountant/CPA specializing in audit and M&A. He feels that making a difference through his exciting work with owners of middle market businesses and private equity groups contributes greatly to his satisfaction in helping clients make the right decisions.

the latter group, it's worth considering how you can contribute to making the negotiation process run more smoothly and harmoniously. I suggest using the practice of emotional intelligence (EQ) in your dealings with the client and the other negotiating team. You can also encourage a client to adopt this method into their standard practices. By doing so, you can make the negotiation process smoother and more harmonious—resulting in a deal where both parties walk away satisfied.

Let's examine emotional intelligence in a bit more detail and explore how it can be used before, during and after a deal.

Emotional Intelligence Leading up to a Deal

Emotional intelligence involves four specific learned skills: self-awareness, self-management, social awareness, and social skills. Self-awareness is an understanding of one's own emotions and how they're

negotiation process, executives will evaluate potential deal partners not just on the basis of how a partnership might look on paper, but how it might affect the team's overall cohesion or resilience.

Attorneys working with an emotionally intelligent seller can guide the company toward a potential partner who seems more likely to continue fostering the workplace's productive, cohesive atmosphere. The seller will also be aware of how this creates value for the company and will pitch that as a selling point. Attorneys working with prospective buyers, meanwhile, should help their client probe into the motivators and communication styles of any potential partner organizations. Before an offer takes place, it's essential to learn about an organization's strengths and weaknesses, as well as the level of cooperation and conflict among individual team members. By helping your client consider how an influx of new people might affect the team's current dynamics, you can begin to strategize for the

without conflict. In a business negotiation, the two parties are sometimes going to be working toward mutually exclusive goals, which can lead to tension. An attorney can help to clear the air by adopting a learning mentality—asking questions of both sides to get them to explain their perspectives—and fine-tuning their approach to accommodate the parties' individual personalities. Prioritize the gathering of information over making sure your side gets heard. If the conversation takes a turn into tricky territory, keep asking questions, and focus on being a respectful listener, even if—especially if—the responses offend or frustrate you.

2. Keeping both parties at the table. It's much better to work through a difficult conversation than to try to bring one party back to the negotiating table after they've left. To do that, keep in mind that both parties, ultimately, simply want to feel that their ideas are being heard and considered.

I recently read a masterful example of this in a lawyer's letter to a client. The letter started by acknowledging the problem that this party was trying to solve, then gave a detailed explanation of how the party's proposed solution would play out—using facts and estimated costs. The close of the letter was open-ended, encouraging further conversation between both parties to resolve the issue. By using emotional intelligence in a thoughtful way, it left the door open for a respectful, productive discussion.

3. Addressing some issues one on one. Business negotiations could be described as a team sport. Each side has several key players who mostly interact with their counterparts—frequently in groups of two or three. Lawyers speak to lawyers, executives to executives, investment bankers to investment bankers, and so on.

But sometimes, these group interactions aren't the best way to handle certain sensitive aspects of a deal. A one-on-one conversation incorporating emotional intelligence can be helpful in working through small but critical issues that don't need to be brought to the full group. The entire team can then reconvene to pick up the discussion where they left off.

4. Leaving flexibility within a schedule. Each deal presents unique challenges, and reaching a successful outcome does require a degree of flexibility on

both sides. One party might need to complete a deal within the current fiscal year, for example, or may have to pause until the start of the next one. My maxim for the ideal pace of deals is "as fast as possible, but no faster." That can mean putting a deal together over weeks, months or longer. Just make sure that both parties stay in frequent, open communication about whatever obstacles they might be facing that could delay finalization of the deal.

Emotional Intelligence After a Deal

Once the ink on a contract is dry, the hard work begins. Post-merger integration involves integrating teams, putting new leaders in place, and creating new workflows. It's a significant challenge even under the best of conditions. However, using emotional intelligence can make the process easier.

It's important to view team members not as pieces to be moved around, but as individuals with unique qualities and needs. Attorneys can encourage their clients to design teams that consider the skill set, communication style and preferred work setting of each employee. By being intentional about building a functional team with harmonious internal relationships, executives can help untangle the snags that often result from combining two companies.

A properly executed merger or acquisition can set a company on the path to greater success, but working out the finer points of a deal can be a challenge. Try to counsel your client on the importance of nourishing an emotionally intelligent work atmosphere instead of solely focusing on quantitative goals. Having a stable, supported team can pay huge dividends throughout the entire transition process.



Frank Williamson is the Founder of Oaklyn Consulting, a consulting firm that helps investor groups and private businesses, from startup to middle market, with mergers, acquisitions, capital-raising, investor relations, succession, and other strategic corporate finance decisions. Oaklyn Consulting does not work as a broker but as an extension of clients' boards and management teams, charging time-based fees for investment banking advice.

When these principles are used in the workplace, it can increase a team's level of cooperation and collaboration, as well as make employees happier and more devoted to the organization as a whole.

expressed to others. This ties into self-management, which is the ability to take responsibility for one's behavior and regulate one's emotions when necessary. Social awareness is the ability to consider and empathize with the perspectives of others, and then to use social skills to cultivate positive interactions with them.

When these principles are used in the workplace, it can increase a team's level of cooperation and collaboration, as well as make employees happier and more devoted to the organization as a whole. And once emotional intelligence is integrated into an organization's internal dynamics, it can affect the way executives approach relationships outside the company as well. During the

work that would potentially need to be done during post-deal integration.

Emotional Intelligence During Negotiations

The business negotiation process can be enormously stressful, especially if the company being sold is in financial distress. But by cultivating an attitude of emotional intelligence, an attorney managing the negotiation process can reduce moments of conflict, foster a cooperative spirit, and give a fair hearing to the concerns of each party. Here are a few situations where EQ can be incorporated:

1. Getting through difficult conversations



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Congratulations to our first 2020 CM&AA Class

January 2020—University of Tampa, Tampa Bay, FL

Thank you to Speros Margetis, Professor of Finance, University of Tampa, Silvana Capaldi, Inspirare Group and the Tampa Chapter for their support.

Burke, Richard

Owner
Burke Financial Services, LLC
Bartlett, IL
Accountant/CPA

Condon, Robert

Managing Partner
Condon Capital Advisors
Houston, TX
Accountant/CPA

Dillinger, Brent

CEO
Crossroads of Western Iowa
Council Bluffs, IA
M&A Intermediary

Hajek, Paul

Managing Director
ACT Capital Advisors
Cheney, WA
M&A Intermediary

Hartley, Lawrence

Senior Vice President
Risk Strategies Company
Irving, CA
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Li, Mengxi

Sr. New Ventures Manager
US Pharmacopeia
Rockville, MD
Accountant/CPA

McEntee, Paul

Partner
B2B CFO
Riverside, IL
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Mitchell, Glen

Partner
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Moore, Jonathan

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PKF O'Connor Davies, LLP
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Accountant/CPA

Mullin, Ryan

Senior Associate
PKF O'Connor Davies, LLP
New York, NY
Accountant/CPA

Naser, Emran

Senior Manager
PKF O'Connor Davies, LLP
New York, NY
Accountant/CPA

Oetken, David

Consultant
Louisville Small Business
Development Center
Louisville, KY
Consultant-Management/Value
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Consultant)

Rosenthal, Joel

Shareholder
Schneider Downs & Co., Inc.
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Accountant/CPA

Sluka, Michael

Partner
B2B CFO®
Plantation, FL
Financial Advisory Consultant

Turgeon, David

Managing Director
Vertess Advisors, LLC
Norton, MA
M&A Intermediary

Villalobos, Robert

Associate
Vertess Advisors, LLC
Fort Worth, TX
Marketing/Branding (Director
of Business Development,
VERTESS Healthcare
Intermediary)

Von Hake, Carl

Associate Principal
Rusk O'Brien Gido + Partners
Sudbury, MA
Investment Banker/Broker

White, Brent

Consultant/Private Investor
Brent White Consulting
Fort Thomas, KY
Consultant/Management/Value
Growth

Congratulations to the 2019 AM&AA Award Recipients



Thought Leader of the Year

Walker Deibel

Acquisition Entrepreneur and Author, "Buy Then Build"

Walker Deibel co-founded three startups and has acquired seven companies, and exited two. He holds an MBA from the Olin School of Business at Washington University in St. Louis where he received the Declaration of Achievement in Entrepreneurship from the Skandalaris Center of Innovation and Entrepreneurship. Walker is a Certified M&A Advisor and former SEC licensed stock broker. Walker is the author of Buy Then Build: How Acquisition Entrepreneurs Outsmart the Startup Game released fall 2018 by Lioncrest Publishing.



AM&AA Member of the Year

Chris Blees

President, BiggsKofford Capital Chair, AM&AA Advisory Council Chair, AM&AA Education & Certification Committee

Chris Blees directly oversees several sectors of BiggsKofford's business, including the firm's mergers and acquisitions practice. The firm has become a recognized M&A leader throughout the Western United States, with involvement in over 300 merger, acquisition, or sale transactions across California, Arizona, New Mexico, and Colorado. Blees is a Certified Merger & Acquisition Advisor, is the lead instructor for the CM&AA designation, and sits on the board of the Alliance of Merger & Acquisition Advisors.





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