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Consider a partner to spark company growth



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Your business has solid growth potential, but requires additional capital. You, the owner, are three to five years away from retirement and are hesitant to make such a financial commitment at this stage of your life. You probably thought your only options were to let an opportunity for additional growth pass you by or "bet the farm." However, there is a third alternative to consider - recapitalization.

If you want personal liquidity capital for growth and favorable tax treatment then recapitalization may be what you need.

A recapitalization is the partial sale of a successful company to a financial partner. A financial partner may be an individual or an institution.

Most recapitalizations involve institutions that are in business of investing in successful privately held businesses.

These financial partners believe there are many small to medium-sized companies that can achieve important strategic goals partly as a result of a partnership with an experienced equity fund.

Now that you know what a recapitalization is, here are some benefits to consider.

Liquidity. A recapitalization allows an entrepreneur to "take chips off the table" without harming the company or overloading it with debt.

Control. While ownership control will likely be transferred to a financial partner, day-to-day operating control remains with incumbent management. In fact, a financial partner is usually reluctant to get involved in the business.

Substantial equity for sellers and management. Recapitalizations can be ideal for sellers who desire personal liquidity, yet wish to participate in future growth of the business. This is achieved while sellers continue to operate the company as substantially as they have in the past.

Flexible structures. Investments are tailored to meet the needs of both the selling shareholders and operating managers.

Confidentiality. Most financial partners are private, with no public registration requirements or mandates for public disclosure, even after a transaction is complete.

Power for growth. Financial partners are most intrigued to invest if the target company not only has internal growth opportunities, but also is poised to identify and lead the process of acquisitions and consolidation.

Successful add-on acquisitions can rapidly and dramatically increase the value of an enterprise. So while you may own a smaller "piece of the pie," the pie can grow much bigger.

Post-acquisition activities can include: serving as a sounding board for advice; partnering for growth; and financing alternatives that may include going public, a private sale, or even another recapitalization to give the owner a "second bite of the apple" that is even bigger than the first.

Specifically, the structure allows the selling shareholders to meet their personal liquidity objectives, while keeping a significant piece of company ownership.

Management still controls all day-to-day operations, but they also had a well-



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funded financial partner to fuel future growth.

So, if a recapitalization sounds appealing as you plan ahead for your retirement begin your research with an experienced firm that has the contacts to find a good equity partner for your unique situation.

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