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New Tenant In Downtown USA

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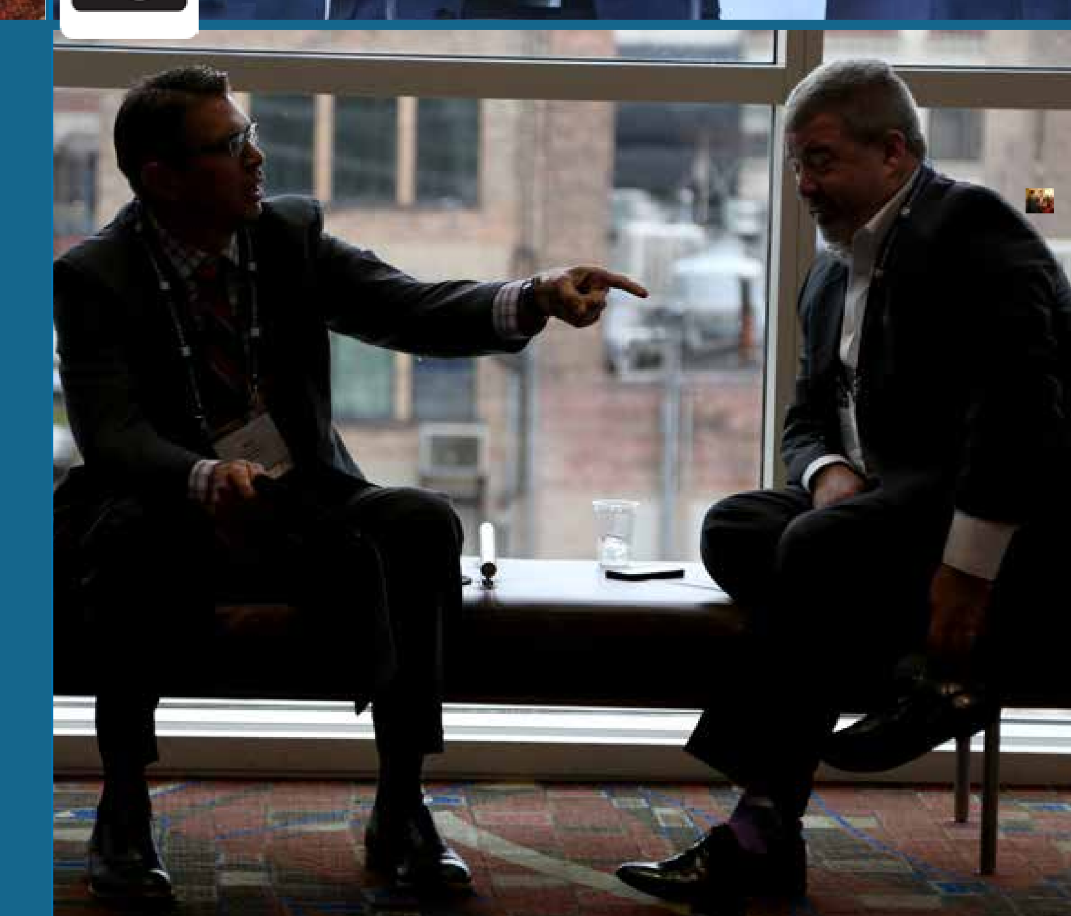

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De-Mystifying Sustainable Valuation

By Steve Carr, Managing Director, Dresner Corporate Services

There is much at stake when an investment in a company is realized through a public offering of stock, a round of growth capital or in a sale to an interested buyer. At the heart of the matter is ensuring full value for the equity that is sold to provide liquidity and secure growth capital, or, more directly, to ensure the best price possible for selling a percentage of the business that founders, managers or a private equity group worked so hard to build.

While the exit value of an investment is a bit of crystal ball gazing, it is the foundation of the valuation process. The critical question to consider is what improvements can be made to increase the exit value? While certain improvements can be made with respect to financial engineering and operations, the next improvement, which is often overlooked in the valuation process is perception. Perception becomes the tangible differentiator.

Whether an enterprise is private and considering a sale or initial public offering, or a private equity firm is evaluating those options to exit an investment, wide and positive public perception is often necessary.

Step one in the perception process is quantification of the inherent value in the business. Step two in the process is to articulate that value through a variety of specialized communications. Step three, post-IPO or post-sale, is the ongoing targeting of new investors to create a strong shareholder base and commitment to shareholder value.

A short checklist for pre-IPO companies or privately held companies considering their options to build a tailored, cost-effective investor relations program is as follows:

- Determine investment appeals and thesis
- Create leverage by integrating those appeals with corporate and marketing messages
- Provide senior executive presentation training
- Analyze peer companies and compare valuations
- Create an earnings model and achievement milestones
- Document investment appeals through market research, such as qualitative perception study and other benchmarks
- Establish third-party credibility through media placement, investment conferences, trade conferences, advisory boards and other forums
- Establish communications guidelines through offering quiet period
- Create roadshow investor presentation
- Prepare for new regulations, including corporate governance practices
- Identify and prepare to meet information needs of new audiences
- Prepare staff training for investor relations responsibilities in new environment
- Create a calendar of events such as quarterly conference calls, news releases, investor meetings, conferences
- Target investor for after-market support and creation of a strong shareholder base
- Draft materials for dissemination immediately after quiet period ends
- Institute post-offering media relations

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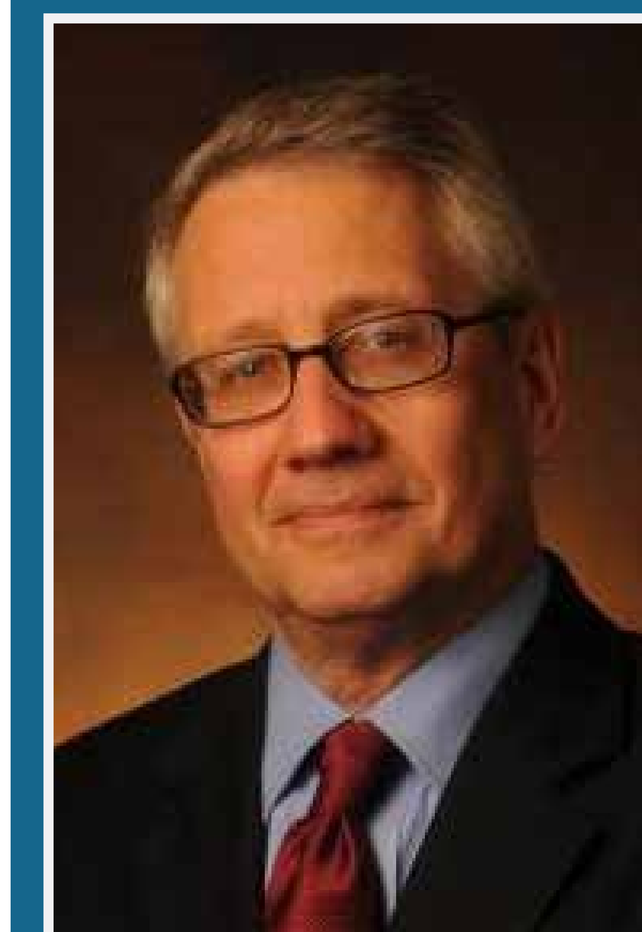
In recent years many valuable communications tools have emerged to help businesses keep in touch with audiences such as customers and investors—websites, webinars, webcasts, social media and e-mail. Yet the need for face-to-face management meetings with the investment community persists, in order to build credibility for corporate goals and strategies. Many private companies are attending industry-specific conferences or investment conferences to investigate acquisition opportunities, or meet potential financiers and underwriters, for example. And of course, the exhaustive nature of in-person investor road shows in the IPO process is well-known.

The non-deal road show (or NDR in industry parlance) has been raised to an art form and is a mainstay of investor relations for all public companies. For micro- and small-cap companies with little or no research coverage, getting on the road to meet with current and prospective shareholders and sell-side analysts is vital given the crowded field and competition for capital. Additionally, the need for these companies to build awareness and improve liquidity, which can be especially challenging for smaller companies, is paramount.

Putting the management team in front of decision-making investors is the main goal of the NDR, and should never be forgotten. Organizing these meetings is a balance between mechanics and strategy. They can be held in sync with management's travel schedule, for example in concert with plant visits, board meetings or customer visits.

About The Author



Steve Carr, *Managing Director, Dresner Corporate Services, is a trusted counselor experienced in meeting the investor relations and corporate communications needs of mature portfolio companies of private equity firms as well as young companies seeking to grow or go public. He is a long-standing board member of the National Investor Relations Institute and holds a J.D. from John Marshall Law School.*

Meetings also are often organized on a periodic basis, focused on geographic areas of shareholder concentration or on areas where greater holdings are desired, or piggybacked onto trade shows and investment conferences

A system should be in place to provide travel logistics, investor/analyst identification and screening, preparation of materials and management, and meeting follow-up, including contact list creation and maintenance, for best effect. Pre-meeting preparation with dossiers created on investment styles, "hot buttons" and other holdings of the investor also must be available in advance.

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The New Model for Investor Presentations

Communicating the corporate story to the right type of investor is key to achieving the highest sustainable valuation. The old model of investor relations is similar to a shotgun approach or a large-scale ambush, because it focuses on reaching the largest audience. It fails to look at the financial trends often times employed by the buy-side investment community.

The new and more effective model is to integrate financial analysis, valuation metrics and investor communications. Covering all avenues of quantitative and qualitative targeting methods, a solid institutional targeting program will reveal fund managers and independent money managers that seek companies with similar financial characteristics as the company in focus.

The key to success is to identify the most logical investors, communicating the value drivers that are most relevant and then introducing management to these targeted investors. The outcome is to bring the company's story vividly to the attention of the fund managers, analysts and investors most likely to take action and make a difference to the company's ownership profile.

Market by Market

In terms of organizing the overall meeting effort, we recommend a market by market approach. Usually, management teams seeking to create awareness through meetings with high-quality investors gravitate to the East Coast, where it is true, a high percentage of U.S. institutional money is managed. However, we recommend also targeting investors who reside in so-called second-tier cities, where many high-quality meetings can be obtained. Cities including Orlando, Chicago, Minneapolis, Milwaukee, St. Louis, and San Francisco, among others, have investors who offer the same in-depth industry and market knowledge as those in Boston and New York. This strategy provides a great opportunity for management to introduce their company's investment thesis to a new audience as well as current holders who may want to increase their investment.

Therefore, to make the best use of management team's time, we advise that the CEO, CFO or other designated investor spokespersons calendarize their travel plans for the year. Meetings in cities off the beaten path could yield considerable goodwill and could improve your company's awareness across a wider group of investors!

Going Beyond the Traditional

Posting updated investor presentations and any related visual aids (such as video of manufacturing plants, overseas facilities, research labs, interviews with management etc.) is a best practice and will oftentimes result in fruitful meetings, as it allows investors to better prepare. A web provider typically can track visits to the website, providing additional investor prospecting opportunities: Did any of the firms visit the site for more color on your story? That's an important signal of interest.

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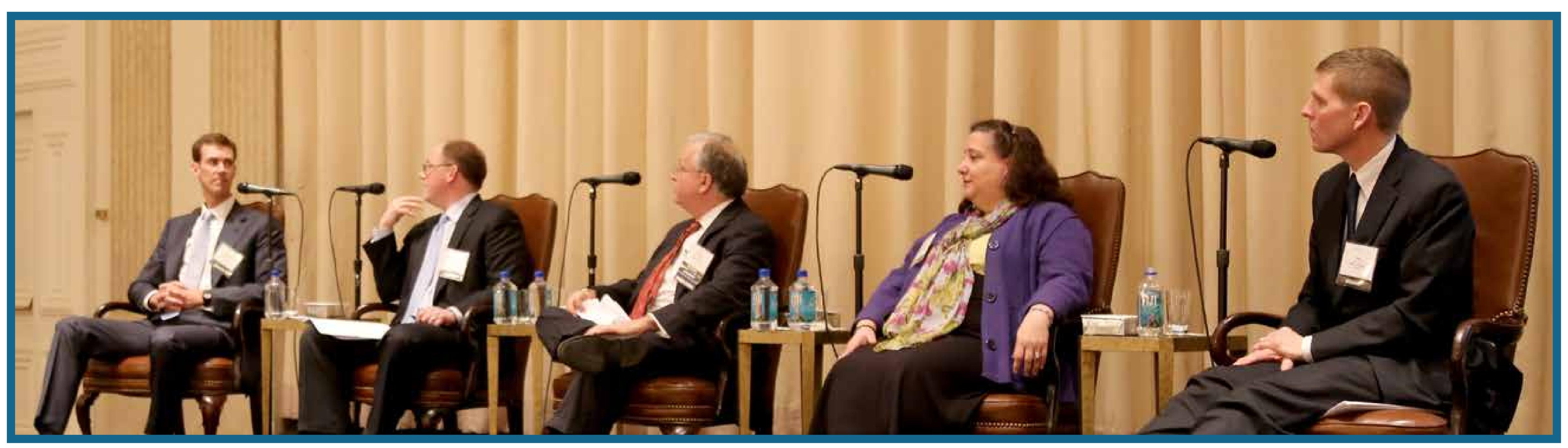
Additionally, depending upon a company's industry category, product portfolio, management team and technological sophistication, ongoing public relations programs and social media usage may well add some topspin to a program. The end result is a company ready to deal with the rigors of its next stage of growth, the public markets and new investors.

Dresner Corporate Services is a strategic communications agency specializing in investor relations and public relations, with offices in Chicago and New York. Because of its investment banking origins and affiliate relationship with a successful investment bank, Dresner Corporate Services is ideally qualified to help pre- IPO & private companies achieve the best valuation in today's market at every stage as we are uniquely able to financially engineer and position a company to assist in maximizing its valuation for the public markets, sale or raising growth capital. It is affiliated with Dresner Partners, a FINRA-registered, middle-market investment bank headquartered in Chicago, Illinois with offices in New York City, Palo Alto, Calif., and Richmond, Va. More information is available at www.dresnerir.com

The Annual M&A Market Trends Breakfast: Review

Earlier this month, we had a record attendance of over 400 M&A professionals at the Annual M&A Market Trends Breakfast. The panel discussion was moderated by Steve Dresner of Dresner Partners and featured a conversation among Nathan Brown from Wind Point Partners, Walter Florence from Frontenac Company, Jacqueline Hopkins from FirstMerit, and Ian Larkin from Maranon Capital. The discussion covered topics such as variances between core and lower middle market M&A, the seller's market, increasing deal flow, strong liquidity, high multiples, regulatory impact on lending and adding value through operations. Read the transcript below for an excerpt of the panel's conversation about family offices' impact within private equity.
To watch the whole discussion, [click here to view the video](#).



Steve: Let's take another topic that I think really applies to both sides. And that's your attitude about what I would call "off-the-grid" infrastructures for getting transactions done. Be it fundless sponsors, be it working with a private equity group versus an independent company or fundless sponsor. Do you have any sense of which do you prefer? Or don't prefer? Do you stick with sponsor groups or non-sponsor groups? What is your feeling about it?

Jacqueline: That's a really easy question. That's part of our group's strategies, which will be different probably for Ian, but we are only willing to lend to sponsors with committed funds. We don't do the family office. It's a dodgy neighborhood when you're doing a cash flow loan with an over 4 million dollar company. Right? You know, you can lose your shirt. The thought process, at least with FirstMerit is that we want to have some capital provided that has the experience, the integrity and the capital to support credit default. Our strategy is it needs to be a sponsor that has a committed capital fund. And that's all.

Ian: Yeah, I completely disagree. (*audience laughter*) But this time I really do. All kidding aside, that's a great strategy and I totally buy into that. We will do sponsor but also non-sponsor. But the world has fragmented. I mean for anybody that's calling on private equity firms, just to pick up Crain's and start calling those folks, you're missing 80% of the market. 20 years ago you would have hit 80% of the market. Now you are missing 80%, because there is so much out there that's getting done by what I would say are really good independent sponsors with lots of money who are going support their businesses. So back in the day, you used to see independent sponsor more like the deal broker or one of the bigger private equity person and then committed fund. And the world, at least in our minds, there has been a lot of blurring of the lines. There are folks out here, Dave Hawkins, and Chip Grace, and others who, yes their working with some committed funds, but they are seasoned private equity professionals who have a lot of deal experience, who don't show up on a lot of those lists, yet. Now, at some point they will pop into those and people will see them along side GTCR, and Frontenac and Wind Point, etc. But I think you are missing, we would be missing, a lot of our world if we weren't really thinking about the family offices, going directly to independent sponsors. You know one of the biggest private equity firms in Chicago that's been created over the last few years, is the Pritzkers. One arm of the Pritzkers is trying to put out $250 million dollars a year. You know that's not in a lot of lists yet. Another would be BDT Capital, no one has heard of them. But they just raised $5-6 billion dollars. I don't even think they have a website. So you really have to, in today's world, because of the fragmentation of deal sources, to really try to mine those other sources of transactions. We track 2200 private equity firms and only about 30% of those hit a platform last year. So Nathan and Walter, they do 2-3 platforms, they are one of the top, most active private equity firms in the country. So I know they are talking

about a "niche strategy" and "we are very focused", but if they really peel down through the numbers they should feel very, very good about where they stand because 70% of private equity firms last years didn't do a platform or a lot of acquisitions.

Walter: It felt like we worked really hard, last year. My feel on things, very briefly is we, and this is a quick commercial, love the independent sponsors. Anybody that is out here that is an independent sponsors, we would love to talk to you. We can partner with you effectively to try to get deals done. For us, it's an additional source of deal flow. It's not competition. We are not the right capital partner for a lot of those groups, but we welcome talking to them. Usually they have an angle, and an insight and access to a transaction and they are looking to try and get them done and we are open for business. In that regard, the family offices, I think, it is great for our industry. I think they are great long-term patient capital. They are great buyers of our business. They actually do what they say they are going to do. They show up in processes. They are looking for slightly different types of access. If what we do successfully, is grow a business to get to scale and professional with maturity; they are arguably are better long-term owners, if they are going to be in business long term. And so that is a great new source of exits for us. I think it is great in that context. And third they are great source

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of capital for us and our funds. That's a great way to form a partnership. They don't have to be huge investors, they can be investors and it adds to our mutual network. It's a big market, there's room for everybody and we welcome doing business with anybody on both sides.

Steve: Nathan, any comments on that?

Nathan: I think the increased competition is evitable; there is just a lot of capital out there chasing returns. We have great returns in private equity over a long period of time. It is interesting to see the different forms that it takes. I think it reemphasizes that fact that you do need to be very focused and have a very particular strategy. And a lot of the family offices and some of the pensions funds that have direct investing capabilities. They really want a strong management team in place. At this point, we are really not running up against them as direct competition in a lot of deals. But they are clearly a huge factor.

Ian: In your add-ons, are you running up against independent sponsors and family offices for the add-ons maybe not the platforms?

Nathan: We are. In fact, our biggest deal we did was just last year was an add-on. It was a $570 million dollar transaction, and it was an add-on to a packaging platform we had. And we only won because ran really hard at it. And did a lot of our diligence up front. There was family office here in Chicago that had a higher bid at the second round bid. Just speed and certainty won us the deal.

Steve: Those are good answers. As an investment bank, we are seeing a lot more fundless sponsors out there, and to integrate what people are saying here, sometimes I think they add a lot of value. I think you just have to be selective with who you working with. Some of them are outstanding; some of them have private equity guys that know what they are doing. And they work with funds like yourselves. And they can add value to you. I think it is indicative of the fact that it is a more competitive market. People are looking for deal flow.

New Tenant in Downtown, U.S.A.

Change in Education Delivery System Increases Competition for Urban Spaces

By Phil Utigard, Executive Vice President, Transwestern Tenant Advisory Services

While urban office buildings typically have attracted financial institutions and professional services firms, a new type of tenant is emerging as an important part of the downtown mix. Higher education institutions and graduate-level professional schools are contributing to urban renewal by relocating from suburban and standalone campuses to Central Business Districts (CBDs). Driving this trend is a desire to be closer to their targeted student population. For example, the Chicago Loop is home to the largest concentration of higher education in the country, with approximately two dozen institutions in a 1.65-mile area that is easily accessed by their more than 200,000 students living and/or working downtown, as well as those commuting from the suburbs.

Chicago is not unique. The situation is taking place in CBDs around the country as higher education institutions move closer to students who work full time. According to Forbes, 60 percent of students graduate from four-year universities without the skills necessary to work in their chosen field. Subsequently, enrollment is increasing in post-graduate programs for industries such as teaching, nursing, information technology and psychology. That's despite the recent reduction in undergraduate enrollment as people begin to question the value of a high-priced education. Students who enroll in post-graduate programs typically take classes at night to get qualified for a different career than the one in which they currently work. For students who already work in their chosen profession, many pursue advanced degrees to increase their chance for promotion. To meet these lifetime learning needs of working students, schools have realized that they need to be located in close proximity to business centers and public transportation.

Just as today's progressive companies select office space that appeals to younger employees, schools want to locate in highly visible buildings in 24/7 environments that meet their students' desire to live, work and play in a central location. As a result of this cultural shift, educational providers are competing with traditional CBD tenants for office and retail space in the urban core. This has required higher education institutions to revisit, and in many cases transform, their real estate strategies to accommodate where people learn. Also, some educational institutions have downsized or merged with other providers, which has triggered relocations, consolidations and workplace reconfigurations in an effort to drive greater value from real estate.

In addition to changes in where people learn, educational institutions are also navigating changes in *how* people learn. Driven primarily by advances in technology, many professional and masters-level classes are being offered online instead of through lectures in large classrooms. In some cases, students learn facts online and then gather at the school or in neighborhood practicums to apply and discuss what they've learned.

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To accommodate this new delivery model, higher education providers are leasing space with fewer and smaller classrooms and more collaborative areas.

Providers also configure space to encourage students to linger, extending discussion and learning between classes. To achieve this objective, the physical space must be high-tech and have comfortable furniture in flexible settings. From a real estate perspective, a creative, disciplined approach can pay off. A professional college in Chicago worked to apply these strategies in a new 100,000-square-foot space; now, students spend two and a half times more time at school than they did at the previous location. In Boston, the Massachusetts School of Professional Psychology relocated from insufficient space to a larger facility with plenty of gathering places for students, policy makers, practitioners and mental health advocates. According to the school's president, the move, and space design that inspires learning, resulted in a substantial increase in enrollment and decrease in operating costs.

The urbanization movement within the education sector may endure for yet another reason: Once higher education providers enter a CBD setting, they could be less likely to leave than typical office tenants. Whether it's a traditional office building, vacant big-box space or strip shopping center, higher education institutions and vocational schools that need state-of-the-art technology throughout their space may spend $130

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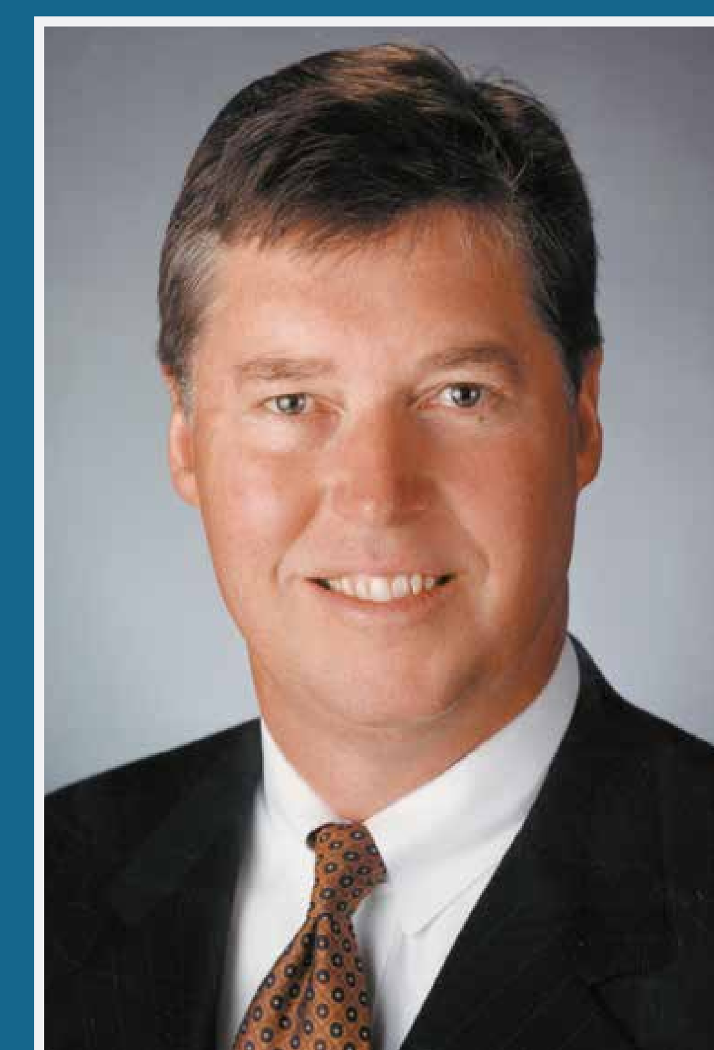
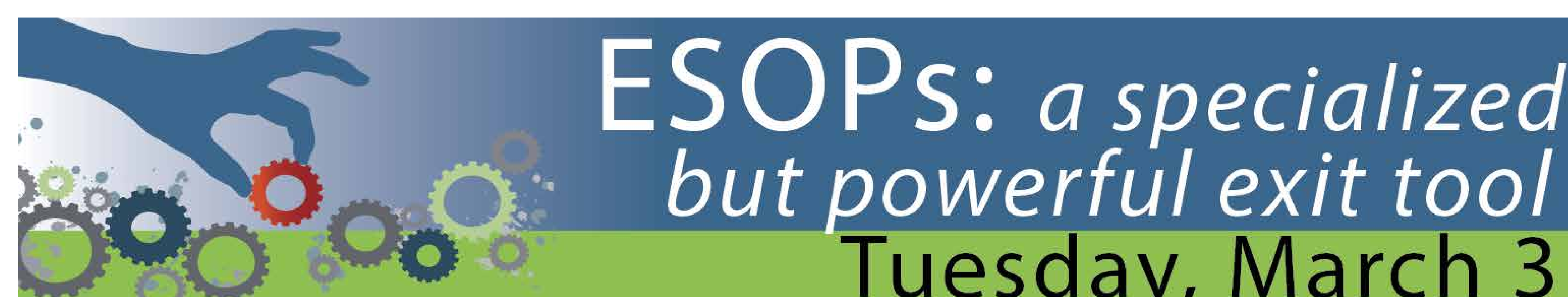
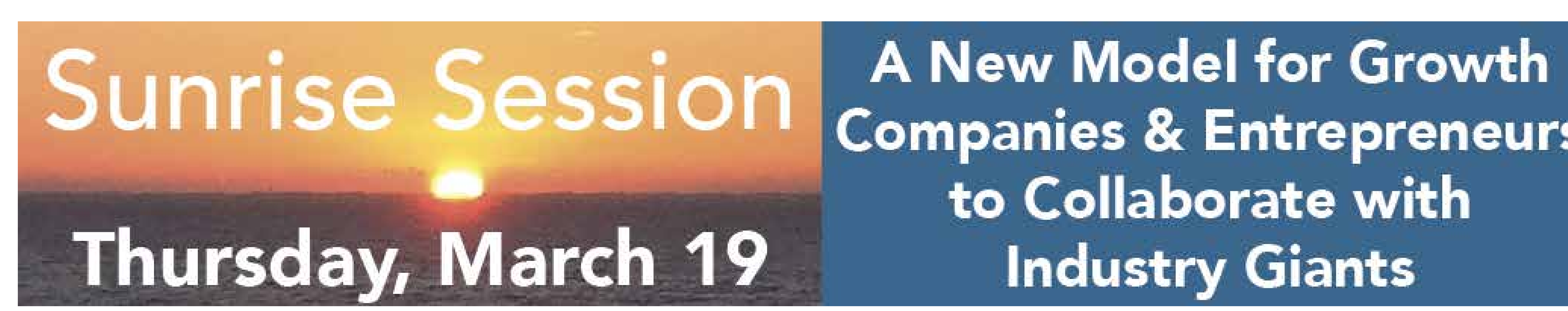


Phil Utigard, *Executive Vice President, Transwestern Tenant Advisory Services. Based in Chicago, Phil specializes in global portfolio advisory services and assists corporate clients, nonprofits, public sector, and technology firms with their real estate needs. An expert at tenant representation and strategic planning, he serves as the national leader of Transwestern's Education Advisory Group.*





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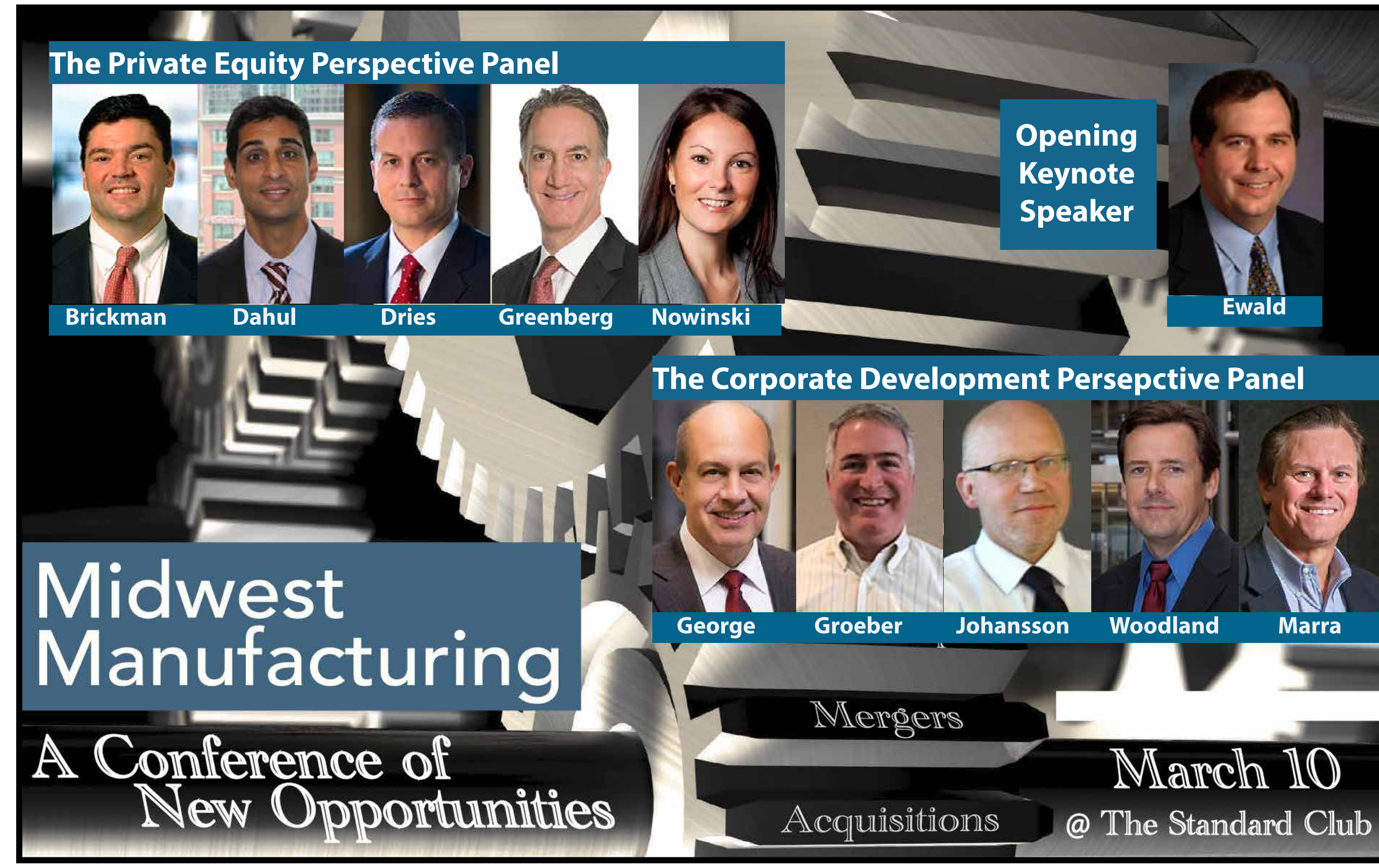
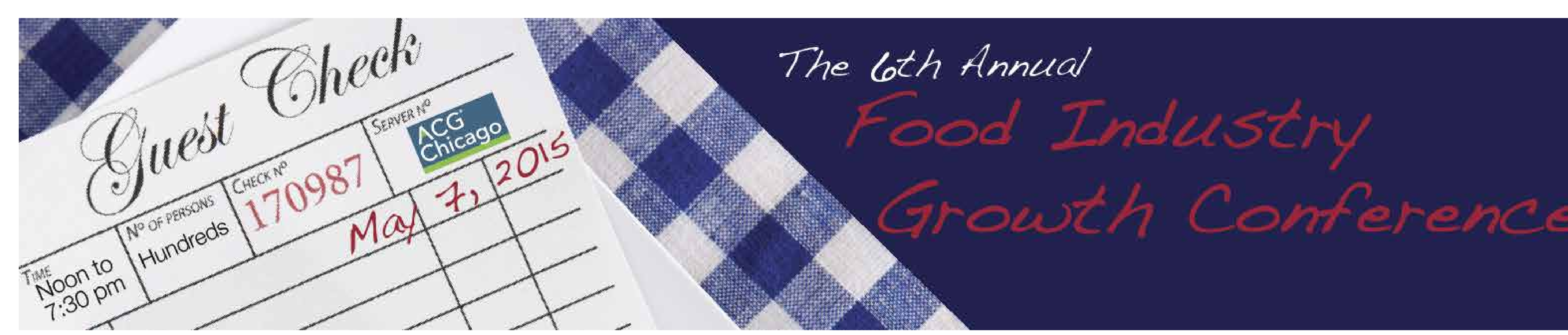
to $150 per square foot on build-out, creating a financial incentive to maintain the facility for as long as possible. As the education relocation trend continues, expect to see more suburban campuses closing and additional competition for prime urban real estate.

Transwestern is a privately held real estate firm specializing in tenant advisory, agency leasing, property and facilities management, capital markets and sustainability. Specific examples in this article are a small sample of Transwestern projects. The global enterprise leverages competencies in office, industrial, retail, multifamily and healthcare properties to add value for investors, owners and occupiers of real estate. A member of the Transwestern family of companies, the firm capitalizes on market insights and operational expertise of independent affiliates specializing in development, real estate investment management and research.





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