

IVEY

Pierre L. Morrisette
Institute for
Entrepreneurship

CROSBIE

IVEY CROSBIE ROUNDTABLE SERIES

Managing Your Legacy

Mid Market Survey

2013

Message from the Partners

We are pleased to share with you research from the Ivey Crosbie Roundtable on the views of leading business owners about monetizing their legacy. This report is part of our goal to add insight that can help increase the value of the business of our clients over the long run, in particular to owners who may be contemplating a transaction.

The Ivey Crosbie Roundtable, hopefully, gave owners a chance to cast their sights on the horizon and focus on steps to get them the best value for their business.

As an active advisor in the mid-market, Crosbie is keen to ensure that our clients understand all of their options early on in their decision-making, and identify the best partner to complete their transaction. Crosbie will support business owners leading towards a transaction to ensure they achieve their objectives.

We provide confidential support in developing options for fuelling growth, maximizing value or obtaining liquidity.

We hope that this report from the Ivey Crosbie Roundtable will inspire ideas. If helpful, Crosbie would be glad to discuss these findings and more with you and your partners.

Ed Giacomelli
Ian Macdonell
Colin Walker
Partners – Crosbie
416 362 7726



Ed Giacomelli (Crosbie) with David Simpson (Ivey) and Tom Manenti and Gene Toombs – the MiTek Industries team.



Ed Giacomelli (Crosbie) with David Simpson (Ivey) David Walderman (Belmont Meats), John Hutton (McNally) Colin Walker (Crosbie) John O'Connell (Davis Rea)

Key Findings

During the conference, a survey was taken and the results are shown in this report, along with the comments made by the presenters. In summary, the survey reveals that the number one concern for business owners is being undervalued and underpaid for their business. Sellers surveyed also reported that their interest in exploring the sale of their company would be kept completely confidential due to the risk of impact on both their key employees and their customers.

The majority of the owners are still heavily involved in the day-to-day operations of their companies and are planning to sell to an outsider. The family business owners surveyed reported that a growing number have embraced having a Family Council.

As businesses strive to grow their revenues, the “buy it” or “grow it” view on business development has changed. With the economy slowing in the past few years, it is a struggle for many companies to grow their business by building the capacity through their own efforts. Consequently, in recent years, for companies such as MiTek, acquisitions have become a frequently chosen strategy. We are in the age of acquisition driven growth.

This increased pool of potential buyers similar to MiTek who seek out mid-market companies brings a unique time for owners to capitalize on selling their business and achieving a higher sales price.



David Walderman (Belmont Meat Products Ltd.)



David Simpson – (Ivey) Gene Toombs (MiTek Industries Inc.)

Ivey Crosbie Roundtable Series-2013

The Richard Ivey School of Business collaborated with Crosbie to create a small gathering of leading business owners and CEOs at the IVEY CROSBIE ROUNDTABLE. The purpose was part of Crosbie's goal to provide peer-to-peer education. Participants gain valuable insights from other business owners about how to prepare to sell a business - so when it comes time to monetize the legacy, they are able to do so smoothly. It is critically important that owners know how to get the best result – both in maximizing value but also in finding the best cultural fit.

The Ivey Crosbie Roundtable, held at The National Club in April 2013, featured six accomplished entrepreneurs and business leaders who have successfully bridged the gap between Bay Street and Main Street, and who shared their experiences and perspectives in an intimate and interactive setting.

Warren Buffett's Berkshire Hathaway Inc. is an active buyer of Canadian companies. Gene Toombs, Chairman Emeritus of MiTek Industries, Inc., a subsidiary of Berkshire Hathaway, along with Thomas Manenti, Chairman and CEO of MiTek Industries, Inc., discussed the "scorecard" used by Berkshire Hathaway when buying businesses. Integrity was the top quality, followed closely by good communications and knowing how to sell a business professionally.

John Hutton, formerly an owner of McNally Construction Inc., David Walderman, former owner and CEO of family business Belmont Meat Products Limited, John O'Connell, Chairman and CEO of Davis Rea, and Colin Walker, Managing Director of Crosbie shared insights into how to build your business and develop a highly compelling value proposition. They provided useful insights and ideas on the value drivers of a business and how to take steps to get to the next level.

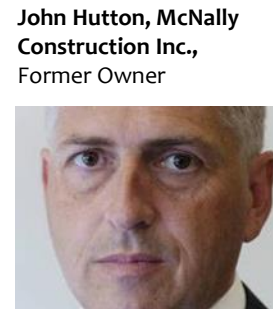
David Simpson, The Richard Ivey School of Business, Business Families Centre, facilitated the conversations. The survey of the CEOs and Owners attending the event reported that 100% rated the event as highly educational and 98% would like to be invited back to the next Ivey Crosbie Roundtable.



Gene Toombs,
MiTek, Chairman Emeritus
Gene, formerly Chairman,
President and CEO from
1993 to 2011, currently
serves as Chairman
Emeritus and a Senior
Advisor.



Thomas Manenti,
MiTek, Chairman & CEO



**John Hutton, McNally
Construction Inc.,
Former Owner**



John O'Connell,
Davis Rea, Chairman
and CEO



David Walderman,
Belmont Meat Products,
CEO, Part-Owner

Top 8 Concerns Related to Selling

The number one concern for the sellers of businesses by a significant margin, is that their business will be under-valued and they will be under-paid for their business.

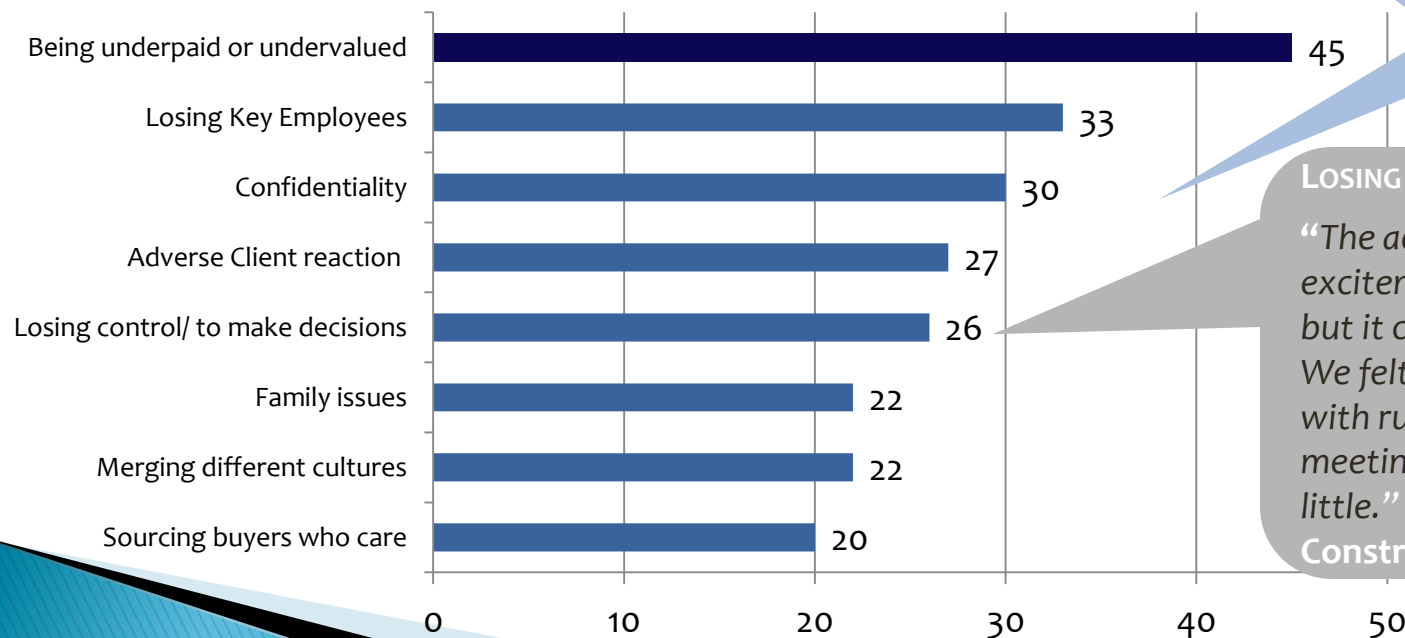
The fear of undervaluation was the top concern for nearly 50% of the business owners surveyed. The next issue was the threat of losing key employees if they heard the business was up for sale which means confidentiality is of paramount importance. Another issue for 27% of the owners was the adverse effect of their clients founding out about their interest in selling their business. The speakers at the roundtable gave recommendations as the best protection against undervaluation: start early to develop a strong story and prepare with a professional. The outside expert can deal with the due diligence and increase the pool of interested buyers beyond the known list.

CONFIDENTIALITY IS CRITICAL

“Our CFO knew and family members and some management, but the sale was kept confidential to within two weeks of closing.”

John Hutton - McNally Construction Inc.

Chart 1: Ranking of Top Concerns of Sellers



LOSING CONTROL

“The advisor is there to create the excitement about the business, but it comes back to the owner. We felt in control and we got on with running the business and the meetings distracted us only a little.” John Hutton - McNally Construction Inc.

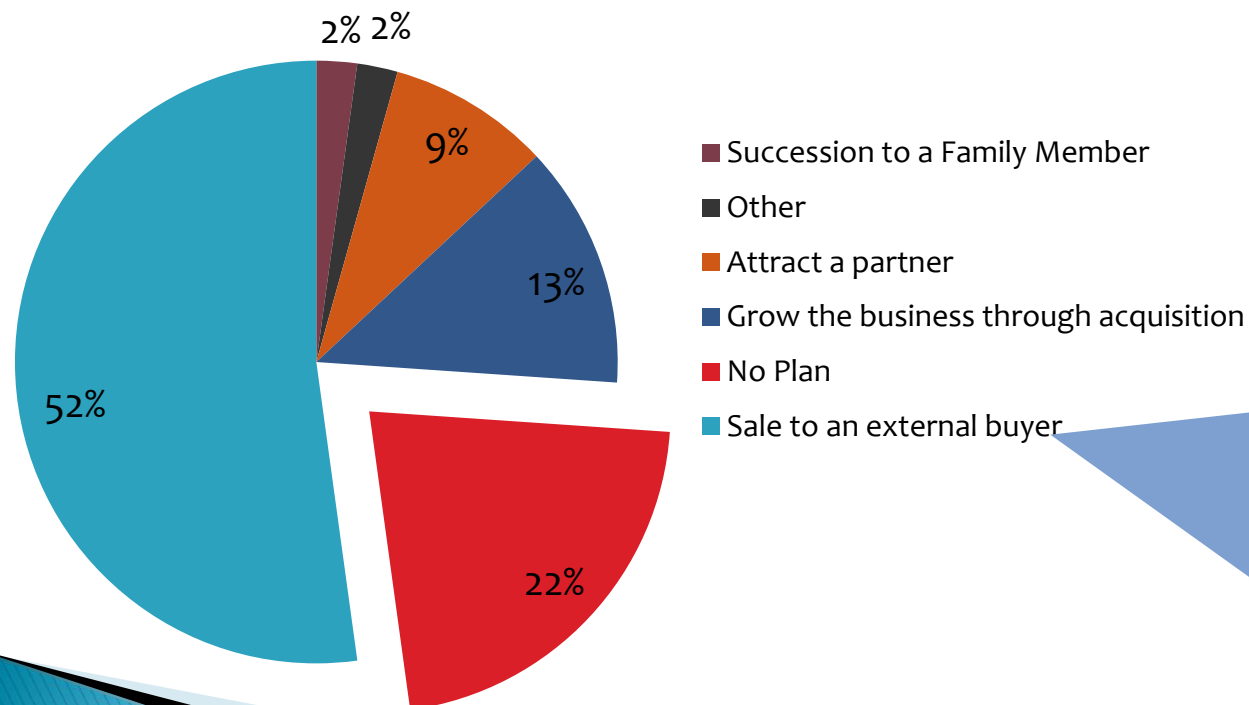
Source: Ivey Crosbie Roundtable Survey, April 2013

Succession Plan Over Next 10 Years

The overwhelming majority of business owners are planning to sell their business to an outside buyer.

Transitioning the business can occur in stages but 52%, the majority of owners surveyed, would prefer an outright sale. The big surprise revealed by the survey is the exceptionally low number of family business owners interested in succession to a family member. Only 2% are planning a succession to a family member.

Chart 2: What are your Succession Plans?



SUCCESSION IS NO LONGER TO FAMILY

“All three of us brothers were in the business. We had different roles and skill sets. One brother wanted to sell but how do you take one brother out of the business? We consulted outside experts and decided to sell the business.

Liquidity was the driver.”

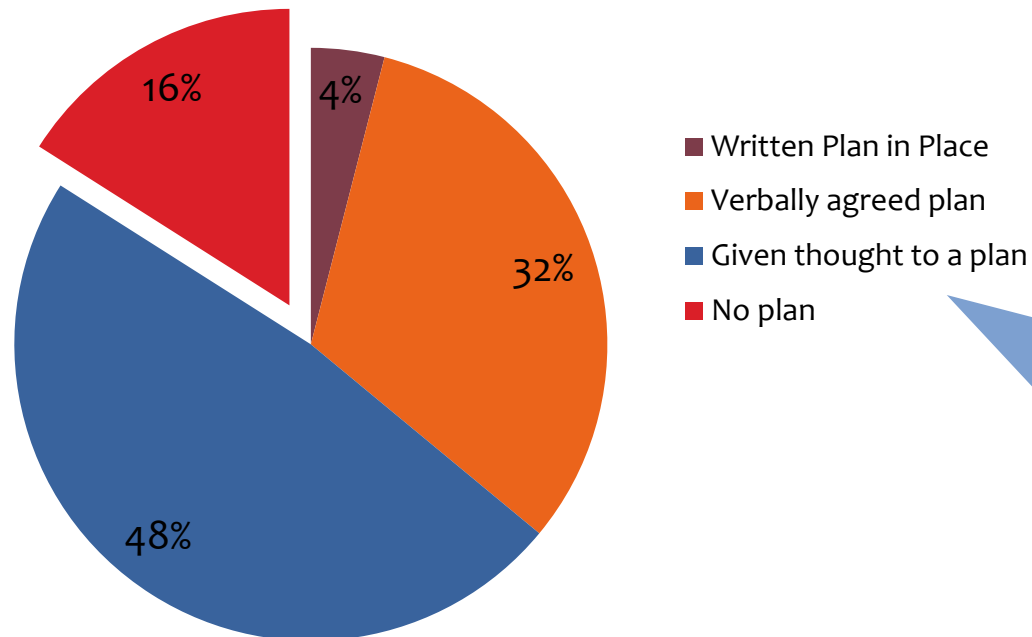
David Walderman, Belmont Meat Products Ltd.

Succession Plan in Place?

A succession plan is critical, particularly as owners only get to sell their business once. Despite the importance of preparing well ahead of time to earn a higher valuation, only 4% of the company owners reported having a succession plan in place.

One third (32%) have verbalized their ownership transition that lies in the horizon, while 48% have only given their succession some thought. Most worrisome is that 16% of the business owners surveyed do not have a plan at all.

Chart 3: Do you have a Succession Plan?



PEOPLE LEAVE IT UNTIL IT'S TOO LATE

“My experience in talking to a lot of business owners, is that very few of them have plans. If you want to have a successful sale, you need to be thinking long term. You need to get ready for the dance and position the best light possible.”

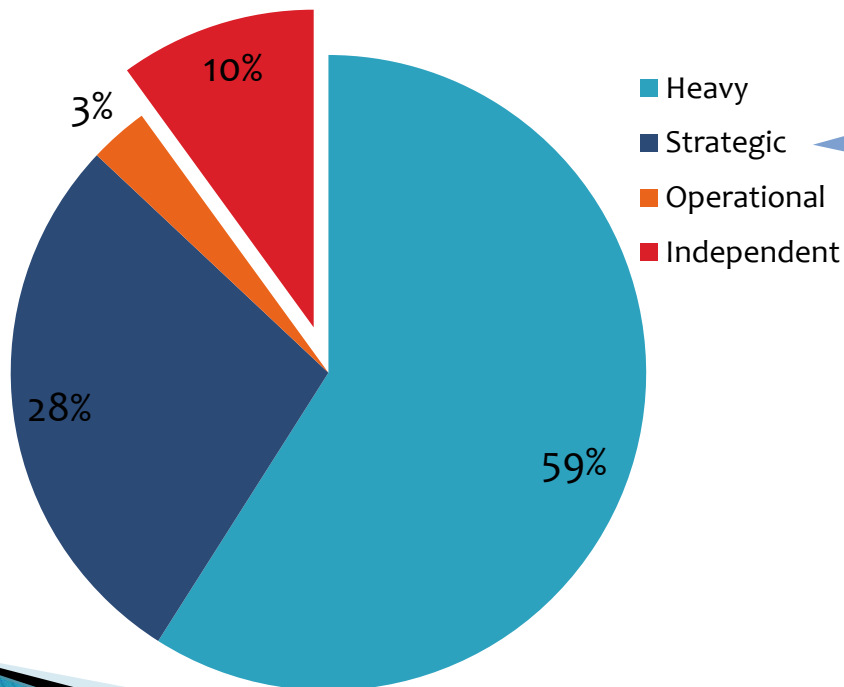
John O’Connell, Davis Rea

Current Involvement in Business

Nearly two thirds of respondents report that they are heavily involved in the operations of the business.

It may be more of a challenge for business owners to get the top valuation for their business if buyers perceive that they are central to the success of the business.

Chart 4: Involvement in Business



WE RELY ON THE MANAGEMENT

“When we buy a business, we do not like to get too involved. If the owners want to stay and the management want to keep some ownership and carry on running the business, we like that situation.”

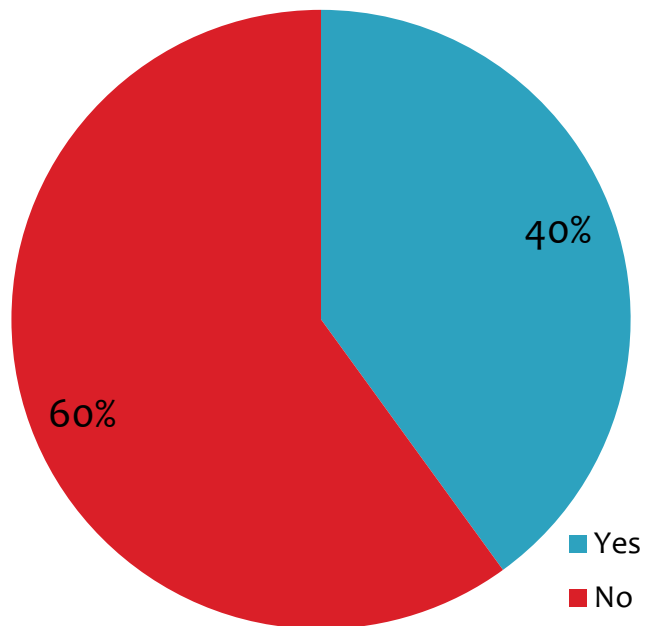
Gene Toombs, MiTek Industries, Inc., a subsidiary of Berkshire Hathaway

Governance – Family Business

The research surveyed the family business owners present. 40% of them reported using a family council, which demonstrates a positive approach to communication and planning which buyers appreciate.

60% of the family business owners reported that they do not use a family council.

Chart 5: Do you have a Family Council in place?



COUNCIL PROVIDES A FORUM FOR THE FAMILY BUSINESS

“The Family Council helped avoid misunderstandings. There was no entitlement. We were able to clear about the future and agree it was better to sell..”

John McNally, McNally construction

GOVERNANCE FOR THE FAMILY BUSINESS

“I think a Family Council is an excellent idea. I think you need to think long term and assess your children to see who does have the ability and the desire to take on the business.

My observation is that it is a big risk to assume the family will take on your business. You’re crazy not to plan.”

John O’Connell, Davis Rea

The Seller's Perspective

ARM YOURSELF WITH AN UNDERSTANDING OF THE M&A PROCESS

"We had months to work on the company and to develop views on how to present the management team and position our people. We had forecasts and had to make an argument for the higher valuations. The family thought it would be one of three buyers, but two did not bid and one was the lowest bidder. We sold to another family business not on our list. The process was highly important."

John Hutton, McNally Construction Inc.

CONFIDENTIALITY IS CRITICAL

"The advisor is there to create the excitement about the business, but it comes back to the owner. We felt in control and we got on with running the business and the meetings distracted us only a little. Our CFO knew and family members and some management but the sale was kept confidential to within two weeks of closing."

John Hutton, McNally Construction Inc.

CONCERN ABOUT CLIENTS HEARING ABOUT THE TRANSACTION

"The food business is so small. We managed to keep our cards close to the vest and kept it very quiet. The buyer needed to get their financing to borrow on a leveraged buyout and went to their bank. Then the news began to get out. We were asked, 'Is your business for sale?' Our customers wanted to know if this was going to affect them."

David Walderman, Belmont Meat Products Ltd.

PENNY WISE, POUND FOOLISH

"Selling is almost a full time process. The due diligence process is onerous and owners underestimate the time spent to make a deal close. There are black swan events and a lot of emotion. People change their minds. Our advisor guided us through a process we did not understand and kept us on track. Every company is unique and so is their deal. You think you know best but you need the support."

David Walderman, Belmont Meat Products Ltd.

The Buyer's Perspective

FOUNDATION OF INTEGRITY

"Integrity must be the number one value in the company. Everyone in your business must understand what integrity means. It is not something you can switch on."

Gene Toombs, MiTek Industries Inc., subsidiary of Berkshire Hathaway

DON'T ASSUME YOU KNOW

"Communicate early and often. Do not over promise and under deliver. The perception is maybe 'I just assumed that you would know,' but check back."

Tom Manenti, MiTek Industries Inc., a subsidiary of Berkshire Hathaway

THE SELLER NEEDS TO PRESENT THEMSELVES PROFESSIONALLY

"We like sellers to know what they are doing. Get an advisor to sell your business as they are the experts. It's like selling a house without a realtor. It's common sense; it's not magic."

Gene Tombs, MiTek Industries Inc., a subsidiary of Berkshire Hathaway

PEOPLE LEAVE IT UNTIL IT'S TOO LATE

"My experience in talking to a lot of business owners, is that very few of them have plans. If you want to have a successful sale, you need to be thinking long term. You need to get ready for the dance and positioned the management team in their best light possible."

John O'Connell, Davis Rea

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John O'Connell, Davis Rea

PROTECT YOUR RELATIONSHIP WITH THE BUYER

"If you are a seller, they are a buffer between you and the buyer. Your adviser can play an invaluable role as you can allow them to take the heat and leave your own relationship intact. If there is to be an ongoing relationship, this is highly relevant."

John O'Connell, Davis Rea

YOU CANNOT UNDERESTIMATE THE ROLE OF YOUR ADVISOR

"I think it is a tremendous mistake to not use an advisor to sell your business. I think that there is no question that having an advisor is a hugely important. The more information you can give your advisor and the faster you can do it, the better. You cannot underestimate the role of your advisor during the whole process. This is a negotiation. There are numbers but you have to convince someone that those numbers are the way that they should see them. You're foolish not to use every tool in the book."

John O'Connell, Davis Rea



Methodology

SURVEY POPULATION	Canadian-based mid-market (\$5MM - \$250MM in revenue)
INCIDENCE	The survey respondent population is made up of those mid-market executives at firms currently open to, interested in or engaged in M&A activity and/or raising capital in the region of Ontario.
PROFILE OF SURVEY RESPONDENTS	<p>Senior executives or owners directly involved in the decision making about corporate development.</p> <p>Titles: Owners, CEO/Presidents, Directors</p> <p>Core Industries: Food, Distribution, Transportation, Technology, Construction, Retail & Consumer Goods, Real Estate.</p>
DATA COLLECTION	April, 2013
QUANTITATIVE SURVEY METHOD	Surveys handed out and collected at a conference on M&A

Crosbie Services

- Buy Side/Sell Side
- Public/Private
- Takeover Defence
- Distress

- Private Capital
- Debt/Equity
- Recapitalizations
- MBOs
- Strategic Partnerships



- Succession
- Strategic Options
- Shareholder Issues
- Governance
- Tactics

- MI 61-101 Valuations
- Fairness Opinions
- Advocacy
- Shareholder Negotiations



We have experience advising a variety of stakeholders including private company owners, special committees, minority shareholders and business families

Selected Recent Transactions

PRIVATE M&A


Teck

Teck Resources Limited has sold its Battery Technology Group, a designer and supplier of equipment to lead acid battery manufacturers to



a Berkshire Hathaway company


SALE ADVISORY



McNALLY

McNally International Inc.

A privately-held tunnelling and marine construction company has been acquired by



SALE ADVISORY



RipNET Limited

A privately-held internet services provider in Eastern Ontario has been acquired by



SALE ADVISORY




Construction Control Inc.

A consulting engineering firm providing building science services has received an equity investment from



RECAPITALIZATION

PUBLIC M&A



NORTHLAND POWER INCOME FUND

A TSX-listed power income fund has acquired Northland Power Inc., its Manager, in a related party transaction

MERGER ADVISORY & MI 61-101 VALUATION



VIRTEK

Virtek Vision International Inc.

A TSX-listed provider of industrial laser solutions defended a hostile bid and negotiated an alternative sale transaction at a significantly higher price with



ADVISORY



armtec

Armtec Infrastructure Income Fund

A TSX-listed manufacturer of infrastructure products and engineered bridging solutions has acquired the pre-cast concrete division of



ACQUISITION ADVISORY



Clean Power
Income Fund

Canadian Environmental Energy Corporation, the manager of environmentally preferred power generating facilities for this TSX-listed income fund, has negotiated the termination of its management agreement in connection with the sale of the fund

FINANCIAL ADVISORY

CAPITAL RAISE



CDI
More Computers,
Same Budget.

CDI Computer Dealers Inc.

A leading supplier of recertified computer equipment to the North American education market has been recapitalized in a management buy-out transaction

MBO ADVISORY



RUTTER

A TSX listed technology, engineering and automation company has raised subordinated debt and term debt financing from




ACQUISITION FINANCING

DISTRESS

SUTHERLAND-SCHULTZ S-S

A Subsidiary of Stork B.V.

A provider of trade contracting and industrial services has been acquired by



SALE ADVISORY



Office DEPOT

A NYSE-listed supplier and retailer of office products has sold its Canadian Business Solutions Division to



SALE ADVISORY

Selected Transactions



McLEAN BUDDEN
LOOK FORWARD[®]

The minority employee shareholders of this leading Canadian investment manager have sold their shares to the majority shareholder



Sun Life Financial

SHAREHOLDER ADVISORY – SALE


VenGrowth
FUNDS

Assets of the five VenGrowth labour-sponsored venture capital funds have been acquired by




COVINGTON
GROUP OF FUNDS

SALE & FAIRNESS OPINION



FIRST NATIONS BANK
OF CANADA

A Canadian bank serving the retail and commercial needs of Aboriginal communities has received equity financing to transition control to Aboriginal shareholders from



TD Bank Financial Group

EQUITY FINANCING



Desjardins
Credit Union

A leading financial services co-operative in Ontario has merged with



Meridian
CREDIT UNION

Ontario's largest credit union

SALE ADVISORY




Davis Rea

A leading investment counsellor providing discretionary money management services to high net worth clients has been acquired by

Solutions Investment Management Inc.


ACQUISITION ADVISORY



Mapleridge Capital Corporation

A privately held manager of hedge fund assets acquired certain minority shareholder interests

MINORITY BUYOUT



Since 1965
USC
EDUCATION SAVINGS PLANS INC.

A leading provider of registered education savings plans with over \$2.0 billion in assets under administration

MERGER ADVISORY



Cunningham Lindsey

A TSX-listed provider of independent insurance claims and adjusting services has been taken private in a related party transaction by



FAIRFAX
FINANCIAL HOLDINGS LIMITED

MI 61-101 VALUATION & FAIRNESS OPINION



UBS

A global leader in providing wealth management and banking services to private, institutional and corporate clients

ACQUISITION ADVISORY



BLUMONT
CAPITAL

A TSX-V listed manager of alternative asset investment products received an insider bid from



IAM
Integrated Asset Management Corp.

MI 61-101 VALUATION & FAIRNESS OPINION



MONEY CONCEPTS[®]


Money Concepts (Canada) Limited

A national financial planning company with franchised offices across Canada has been acquired by



AEGON

SALE ADVISORY



Financial Concept
Group Inc.

A subsidiary of Merrill Lynch Canada has been acquired by



Assante

SALE ADVISORY

Canadian Mid-Market M&A

PUBLIC M&A



PRIVATE M&A




Contact Us

Crosbie has key senior partners in our Financial Advisory Services business who would work on your behalf. Consider investigating a professional in the sale of businesses.

You are the expert in your business. Crosbie is the expert at supporting their clients through the M&A process and has assisted hundreds of owners with their transactions. We can support you in developing a strategy, positioning your story, building a pool of buyers, negotiating, ensuring the compliance of the deal and executing the transaction, both professionally and confidentially.

Over the course of the past year, we earned several distinctions in our core business, including the following:

 **EMDA AWARDS**
EXEMPT MARKET
DEALS OF THE YEAR
2013 AWARD WINNER

2013 - Deal of the Year – The Exempt Market Dealers' Association of Canada

 **EMDA AWARDS**
EXEMPT MARKET
DEALS OF THE YEAR
2012 AWARD WINNER

2012 - Financial Industry Deal of the Year, Desjardins Credit Union merger with Meridian Credit Union, awarded by The Exempt Market Dealers' Association

Media and Client Statements

“Toronto-based Crosbie & Co. Inc., which defines itself as a specialty investment banking firm, has now filled a void on the importance of private equity to the mid-market.”

Financial Post

“Crosbie’s complete approach to guiding the recapitalization process, advising family shareholders, creating a competitive environment and finding the right partner for our business was outstanding from start to finish. The Crosbie team exceeded our expectations for professionalism and personal service, as well as providing valuable business advice to our family members.”

David Walderman, President & CEO, Belmont Meat Products Ltd.

To learn more about how Crosbie private business owner professionals can support your business in financing, sale and acquisitions, please contact

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CROSBIE