

Financial Advisory

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Fall 2010

de Visscher & Co.



de Visscher & Co. Celebrates 20 Years!

On September 30th, de Visscher & Co. celebrated its 20th Anniversary in business during a festive cocktail reception at the Belle Haven Club in Greenwich, CT. Current and past clients, as well as fellow family business advisors from numerous disciplines, travelled from as far as California, Philadelphia, Boston and Europe to share music, hors d'oeuvres and cocktails with de Visscher team members, family and friends. A sparkling birthday cake was unveiled and dessert and hearty congratulations were shared by all.

Judy Green, Executive Director of the Family Firm Institute was the guest speaker following some acknowledgements and thanks from François de Visscher and Jim Murphy. During her comments, Judy announced the creation of the de Visscher Annual Scholarship for Next Generation Consultants and Advisors to Family Enterprise in honor of the Company's 20 years in business.

The following comments are excerpts of Judy's address to the party guests:

"In 1990, when the field of family business consulting and advising was barely entering its fifth year François formed de Visscher & Co. Put another way, when there really was no professional field, no research agenda, and zero public awareness of family enterprise as a distinct entity, François imagined one – and imagined a field in which niche firms like de Visscher & Co. could not only survive, but thrive and lead the way.

In the next 20 years a great deal would happen: the field would both solidify and grow. More companies like de Visscher & Co. would come into existence, family business forums would emerge (now 150+ around the world), family business research would find its voice in the vast halls of academia and the media would turn from "horror stories" on family business to far more thoughtful pieces on the value, challenges, and unique characteristics of family enterprise.

As the field grew, so did de Visscher & Co., constantly working to identify standards while holding themselves and others consistently accountable to those standards.

As president of FFI from 2001-2004, François was key to the development of the FFI certificate programs that are increasing *de rigueur* for professionals in the field. I am pleased to announce tonight that de Visscher & Co. is establishing a scholarship for emerging consultants in the field. This scholarship will annually underwrite an emerging professional's participation in the FFI certificate program. *Merci beaucoup*, François and Jim!



As the field increasingly embraced collaboration as the norm for family enterprise advising, de Visscher & Co. led the way in modeling collaborative work. I know that many of you here tonight have been part of the actual and virtual collaborations so typical of de Visscher & Co....

...de Visscher & Co has also supported the efforts of the Family Business Review, Family Business Magazine and Campden Publishing to disseminate information and data on the field, furthering the founder's vision of differentiation.

And finally, no field can exist without public awareness and articulate spokespeople. To this end, François and his colleagues have been willing and compelling resources for the press to bring to life the exciting statistic that family business represents 90% of the world's economy.

In summary, I want to congratulate François, his great colleagues, with whom I have had the pleasure of working over the years, and the company itself, on leading the way in collaborative models, devotion to education and research, and willingness to be a public face for the field."

Judy Green
FFI Executive Director

The de Visscher & Co. Annual Scholarship for Next Generation Consultants and Advisors to Family Enterprise

To celebrate its 20th year as a company devoted to advising family enterprises, de Visscher & Co. is establishing an annual scholarship for next generation consultants and advisors in the field.

This scholarship will provide annually for the enrollment of emerging consultants in the FFI Certificate Program in Family Business Advising and the related courses and conferences.

Candidates for this scholarship are individuals with established credentials in the fields of law, finance, behavioral science or management science who wish to specialize in advising or consulting with family enterprises by enrolling in the FFI Certificate Program.

For more information please visit: www.FFI.org



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June 2010

Life Care Services
LLC

LCS Holdings, Inc.
has secured
\$50,000,000

of strategic common equity financing to provide
shareholder liquidity and growth/acquisition capital
from

The undersigned served as exclusive financial
advisor to LCS Holdings, Inc.

de Visscher & Co.

This announcement appears as a matter of record only.

The Value of “Patient Capital”

de Visscher & Co assisted the Board of Life Care Services, the leading independently-owned senior housing management and development company, deciding which options or alternatives were available to balance the Company’s need for business capital, shareholder liquidity and continued control. We assisted in accessing longer term (5-10 years), “patient capital” to achieve a number of objectives simultaneously. The \$50MM, minority ownership, equity position accomplished three major goals:

Business Objective: Provide the cash necessary to acquire companies and property interests at today’s attractive prices while strengthening the balance sheet and making an increase in lower cost debt more available;

Liquidity Objective: Provide cash liquidity to some of its shareholders while securing the capital for future liquidity needs;

Governance Goal: The strengthening of the cash position allowed the shareholders to take in experienced financial partners, involve outside Directors, and improve the long term governance structure to ensure longevity into the future.

The depth of the Company’s management team and its valuable business franchise attracted many proposals and allowed the Company to find a like-minded, longer term, business partner.

Matching Capital With Your Family's Needs

By François M. de Visscher

Wendell Technology is a third generation family business that manufactures and distributes components for the cable and telecommunications industries. In 2005, when Henri III, the grandson of the founder, assumed control of the business there was jealousy and bad will among the other branches of the family. There was a lot of talk among the family about nepotism, giving too much control to one branch of the family, and of cashing in some of their holdings in Wendell—this, despite Henri Sr.'s speech to the whole family three years before his death, expressing his wish that Wendell Technology remain in the family for generations.

Often in family businesses, the growth of the business conflicts with the objectives of the active and inactive shareholders on the one hand and the liquidity needs of the family on the other hand. I call this relationship the family business triangle. Strains within the triangle become particularly acute when the family seeks outside capital to finance a growth opportunity or to satisfy the liquidity needs of shareholders. The challenges with outside capital arise because these funds have a much shorter timeframe than the family's patient capital.

A family's patient capital includes their financial investments along with their non-financial capital, such as values and stewardship. These assets have a very long time horizon and are meant to be nurtured and grown so they may serve the family for generations. Conversely, the time horizon for most outside capital is finite, often not much longer than five years and therefore should only be used to effectuate a transition.

To successfully utilize outside funding, the goals of the family must be aligned with the objectives of the business and outside funding source. To ensure alignment, the following four components must be addressed:

Family Governance Structure

A strong family governance structure helps define the needs and objectives of the family. What are the family's ownership goals, how do they make decisions, and how much wealth do they want to tie up in the business?

The Wendell family needs a governance structure to discuss and decide on the amount of control to give to Henri III. The form of any family's governance structure is less important than the family's commitment to following a well-defined process.

Family Liquidity Needs

A family business typically needs liquidity to provide income to shareholders, to balance the investment risk of the shareholders portfolio, and to provide flexibility for unforeseen

needs. All those liquidity needs must be defined before the entry of an outside capital partner because most outside partners operate under the principle of last in, first out.

The Wendells need to survey the family on future liquidity needs, define a dividend policy that satisfies all family members, and establish a long term asset allocation that addresses expected and unforeseen liquidity needs.

Strategic Plan

All businesses need an annually updated strategic plan that reflects current market and business developments. The strategic plan is the GPS of the business and is generally required to obtain outside sources of capital. For family businesses, the strategic plan follows a family mission statement and a business mission statement. The plan also incorporates any capital investments needed to achieve the plan's goals as well as the liquidity needs of the shareholders.

Henri Wendell III, the board, and the management will have to define the dream of their generation and design a strategic plan.

Appropriate Capital Partner

The choice of a capital partner is guided by the use of proceeds, the cost of the capital, the amount of capital required, and the duration of the funding need. Debt financing is usually the most cost effective funding source for short-term needs. To fund significant growth, a private equity partner is appropriate, but brings several disadvantages. Family businesses seeking capital often want to simultaneously fund a large liquidity event and a growth opportunity for the business. Private equity funds are usually reluctant to fund liquidity events where the capital is not staying in the family business. Private equity funds also have a short investment horizon, which typically does not match the long-term investment cycle of most family businesses.

Most recently single family offices (SFO) have increasingly made direct investments as capital partners in family businesses. As a result de Visscher & Co., has formed "Family Capital Partners" to attract long-term patient capital investments from single family offices. The notion of "families investing in families," has several advantages. SFOs have long-term investment horizons, are willing to take non-control/minority positions, understand the dynamics and intricacies of a family business, and are value-added partners, investing their intellectual and family capital alongside the founding family.

We are pleased to announce the formation of Family Capital Partners

Family Capital Partners (“FCP”) provides long-term equity capital solutions from Family Offices and other patient capital investors. Growing Family Owned Companies can benefit from trustworthy, value-added and like-minded capital partners

For a number of growing Family Businesses, the management of the family wealth requires the assistance of a private equity partner for shareholder liquidity needs, risk diversification and/or acquisitions and growth financing. As the long-term stewards of family patient capital, the family shareholders wish to partner with longer-term, like-minded and trustworthy equity partners.

Single Family Offices looking to make long-term equity investments are unique sources of capital to family businesses because of their discretion, their long-term investment orientation and their understanding of the stewardship of the family wealth.

Family Capital Partners (“FCP”) identifies long-term equity capital from Family Offices and other patient capital sources, either singularly or under an equity syndicate eager to make direct investments in family companies.

“Families Investing in Families”™

For further information, please contact Terry Hannafin at thannafin@devisscher.com



Jim Murphy presented on the “Importance of Cultivating Patient Capital” at the Essentials for Family Business owners conference in Philadelphia on September 23rd. The conference was hosted by Regeneration Partners and sponsored by Pitcairn, de Visscher & Co., Frank Crystal & Co. and Morgan Lewis and Brockius.

de Visscher & Co.’s Upcoming Speaking Engagements

Family Firm Institute Conference
Chicago, IL
October 13-15, 2010
www.ffi.org

Family Presentation
October 27, 2010
New York, NY
www.relative-solutions.com

European Family Office Conference
November 9-10, 2010
London, England
www.campdenconferences.com

Employee News

Terry and Ann Hannafin welcomed a new beautiful baby boy, Patrick Thomas on July 9th, 2010, 7lbs. 4oz., 20” long.

de Visscher & Co.

is an independent financial advisor to business owning families and closely held businesses worldwide. Through a unique combination of financial advisory, capital raising and investment banking services the team at de Visscher & Co. creates high value-added solutions to the liquidity needs of shareholders and the capital needs of their businesses.

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A National Affiliate Network of seasoned, professional services firms dedicated to providing growth advisory and investment banking services to middle market and family-owned companies and their principals.

Website: www.businessgrowthalliance.net



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