

Financial Advisory

Investment Banking

Private Equity



Winter 2001

## Reorganization

In an effort to streamline our various activities and provide the highest quality services to our clients, we have reorganized de Visscher, Olson & Allen effective January 1, 2002.

Our Financial Advisory and Investment Banking Services to Business Owning Families and Individuals will be provided by **de Visscher & Co.**, led by François de Visscher and Jim Murphy as Partners, Chris Craley and John Willert as Vice Presidents and Richard Allen as Senior Advisor.

Our Private Equity Fund, Family Capital Growth Partners, will continue to be managed by **Family Capital Growth Advisors** having as partners François de Visscher, David Olson, Richard Allen and Jim Murphy.

**Pitcairn Trust Co.** will remain a partner in de Visscher & Co and in Family Capital Growth Advisors.

The rapidly changing business and financial environment in which High Net Worth individuals and family businesses operate requires greater collaboration and specialization among advisors. This reorganization will allow us to more rapidly grow each of our lines of businesses (often in collaboration with other advisors) and be ever more responsive to the needs of our business owning family clients.

## Providing Solutions to Business Owning Families

**Financial Advisory** – Designing and structuring capital and liquidity solutions for family businesses and their shareholders.

- ▶ Consulting on Shareholder Value Creation
- ▶ Evaluation of Capital & Liquidity Options
- ▶ Structuring of Liquidity Programs

**Investment Banking** – Assistance in raising the debt or equity financing for continued growth and liquidity achievement.

- ▶ Sourcing of Equity and Debt Financing
- ▶ Mergers & Acquisitions
- ▶ Sales & Divestitures
- ▶ Strategic Joint Ventures

**Private Equity** - Fulfilling growth capital and shareholder liquidity needs of family-owned and closely held businesses.

- ▶ Recapitalizations
- ▶ Funding of Management Buyouts
- ▶ Shareholder Buyouts
- ▶ Majority and Minority Investments
- ▶ Common & Preferred Equity and Subordinated Debt

## No time to go into a cave...

By François M. de Visscher  
(Adapted from *Family Business Magazine*, Spring 2002)

"Family businesses have a history of persevering through hard times," notes the *Financial Times* of London (Oct. 30). One reason, the *Financial Times* suggests, is that they "traditionally take a long-term view. Even in turbulent times, they maintain a relatively high level of research and development spending. They rarely compromise their strategy and generally continue to reinvest in their business."

Most economic news today seems to point to a global recession or at least a significant slowdown in the growth of the world three largest economies. While most family businesses did survive many economic storms, it is not without some very deliberate and decisive action plans. Best financial practices in Family Businesses suggest undertaking the following actions in order to prepare for or to sail through an economic slowdown. *Continues on Page -2-*

December 2001

**G/E General Refrigermetics**



has been acquired by  
York International Corporation (NYSE: YRK)

**YORK** INTERNATIONAL  
CORPORATION

The undersigned served as exclusive financial advisor to General Refrigermetics Corp. in this transaction



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**Revise your business plan.** A recession will obviously negatively impact cash flow, let alone any growth plans you may have entertained. Also consider what expenses you can cut or defer during these uncertain times. This doesn't necessarily mean you should abandon your expansion plans. In fact, this may be a great time to consider acquiring competitors, especially if you can take advantage of outside financing opportunities.

**Rethink your capital structure.** What ratio of equity vs. debt will you need to carry your firm through a possibly lengthy recessionary period? What is your debt capacity? Do you have financing flexibility to satisfy the continued expansion of the company, plus working capital, if cash becomes short? Banks and some credit institutions are tightening up so don't count on having the same lines available, at least not on the same favorable terms.

The private equity market on the other hand is still flush with cash for investing in family-owned companies—and the number of sound investment is limited. Consequently, private equity investors are reducing their return expectations.

**Re-evaluate shareholder liquidity needs.** Some shareholders may be tempted to sell out due to uncertainty in the current market or to meet personal cash needs. If your company's cash is already tight, what are some alternatives? This may be the time to survey your shareholders and develop a menu of different alternatives to fund their liquidity needs. There are various alternatives, from internal solutions such as loan programs or redemption programs, to external programs such as ESOP's or private equity solutions.

**Nurture the patient capital of your shareholders.** During tough times, owners and managers alike tend to hunker down and not communicate with shareholders, especially when they're uncertain about where their company and industry are headed. If you have less capital available for dividend payouts, for example, you may be tempted to shield inactive shareholders from such unpleasant news. Resisting that temptation and keeping them informed in challenging times is the surest way to rally their support.

**Don't forget to access your company's social capital.** Make employees and shareholders, and their networks, part of your solution, by giving them incentives (not necessarily monetary) to collect ideas for saving money and pursuing new business.

This is no time to go into a cave. It's a time to keep your own eyes and ears open for opportunities. Call your advisers, board members, friends, relatives—even your competitors—just to check in and reinvent your information sources. Stay open to ideas.

During economic slowdowns, many owners just sit, worry and wait to get hit by the recession. Not enough business owners step back, search for ideas and revise their plans. Those who do are more likely to survive. And they'll undoubtedly emerge stronger when the economy gets back on track.

## Teaming Up with Traditional Family Advisors in Early Decline Cases

By Christopher L. Craley, Vice President

(Adapted from *The Journal of Corporate Renewal*, September 2001 Issue)

Distinctions between the roles of traditional family business advisors and pure turnaround consultants are often blurred in a later-stage turnaround or restructuring situations, such as the filing of Chapter proceedings. Although differences in the responsibilities of the two professionals are more pronounced in the early stages of decline, their roles can be complementary.

For both types of professionals, family businesses — particularly multigenerational family businesses — present a unique set of challenges beyond typical business problems. Working in concert, the two can manage family expectations and implement changes far more rapidly and extensively than either could alone.

### Galvanizing Support

In early decline situations, family business advisors can serve a decisive role in:

1. Guiding a family through an unfamiliar and difficult process.
2. Separating family and business issues.
3. Implementing processes and mechanisms to remove or involve a family in the business, as the situation dictates.
4. Assisting a family in taking the business forward in a revitalized and strengthened form.

An advisor who is familiar with family business dynamics can play a critical role in guiding a family through unfamiliar and frightening territory. The culture of a family business is typically paternalistic, with value placed on loyalty, and it includes a commitment to community. Moreover, businesses with long, successful operating histories may have enjoyed seemingly unassailable market positions that made their owners complacent, resulting in a lack strategic planning and critical analysis about market shifts or the erosion of their competitive positions. Unfortunately, these laudable characteristics can also result in decision-making inertia and an unwillingness to accept change or to make some hard decisions that a financial turnaround dictates.

Acting as an educator, coach and confidant, the family business advisor can galvanize the necessary family consensus for the decisive action needed. Often, a family business owner is surprised to learn that his business is in jeopardy, especially if he is part of a large base of inactive minority shareholders.

A series of family or shareholder meetings, facilitated by the family business advisor, can help to guide family members through the unfamiliar process and reassure them that their financial issues and other matters important to them will be heard and that their views will be represented.

Along with such meetings, the family business advisor may employ tools such as a formal shareholder survey to ensure that family issues, such as liquidity, succession or sibling conflicts, are properly identified and addressed.

In a turnaround engagement, the family business advisor can assist in separating family and corporate issues. Often family issues involving succession, liquidity or sibling rivalry exacerbate the poor operating performance of a business. When these issues are not properly identified and resolved, the turnaround effort may be unsuccessful or the results short-lived. *Continues on Page -4-*

## News from Family Capital Growth Partners

### Flexible Funding Resources

Our affiliated private equity fund, Family Capital Growth Partners has a flexible investment charter that may provide a particularly attractive financing alternative for family business owners and their advisors in uncertain economic times. A number of family business consultants and commentators have noted that family businesses tend to hold up well under uncertain and stressful market conditions. By the same token, however, family businesses have ongoing financing needs for growth capital and/or shareholder liquidity that remain fairly constant regardless of the abundance or scarcity of bank credit or investment capital. Thus, more flexible solutions, that can either fill a financing void or simultaneously address more than one need, are especially helpful.

FCGP's capital is particularly well suited to address the following needs:

- **Working Capital/Refinancing** - funds to supplement or replace declining bank loans or lines of credit;
- **Investment Capital** - funds to develop new products, invest in information technology, new equipment or increased sales and marketing resources;

### BlessingWhite Companies, Inc.

Family Capital Growth Partners is proud to announce the closing of its first investment in BlessingWhite Companies, Inc., a leader in providing a broad range of professional training and services in the areas of business leadership, culture and values, performance management and career development. BlessingWhite serves primarily large Fortune 2000 companies in a variety of industries. It has specialized programs to address the needs of technical employees, new hires and high growth, technology-oriented companies.

By leveraging its investment banking affiliate's expertise in the corporate training market FCGP was able to understand the opportunity presented by management and to conduct due diligence in a timely manner to successfully fund this transaction.

[www.blessingwhite.com](http://www.blessingwhite.com)

- **Shareholder Buyout Capital** - funding for inactive or non-management shareholders who prefer liquidity and diversity while enabling active management/shareholders to increase their ownership percentage;
- **Acquisition Capital** - capital to acquire attractively priced product lines or complementary or competitive businesses;
- **Reducing Risk/Wealth Diversification**—Capital to reduce shareholders' exposure to the business without losing control of operations.

We believe that creative, flexible solutions will be the antidote to tight credit markets. Quality family owned and closely held companies are always in demand and there is a silver lining in today's capital markets. While prime borrowing rates are at all time lows (Prime Rate below 6%) and business opportunities are increasingly becoming available for well situated family companies. For businesses that have survived the challenges of generational transfers and numerous cyclical downturns, the present market can represent a significant period of opportunity. Family Capital Growth Partners has the flexibility to partner with management on either a minority or majority control basis and it can provide investment capital for either growth purposes or for shareholder liquidity, or a combination of both.

### 2001 Closings

June 2001

Family Capital Growth Partners L. P.

has invested

**\$2,300,000**

In Convertible Preferred Stock to facilitate the management buyout of



This announcement appears as a matter of record only.

### Family Capital Growth Partners L.P.

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## The 3<sup>rd</sup> Annual European Family Office Conference

On November 13th and 14th, François chaired for the third time the European Family Office Conference ("EFOC") in London. EFOC is one of the first meeting of delegates of families and family offices in Europe gathered in a private setting to discuss how families can manage their human and business assets more efficiently and more effectively. More than 150 delegates attended this year's conference. With the background tapestry of today's unsettling world events, families discussed such lively topics as:

- The evolving role of the Family Office when the family grows from a nuclear family to a network of families (Dr. Barbara Murray, Glasgow and Barcelona);
- The rising trend of multi-family offices, including a presentation on the experience of Rockefeller & Co. and other large multi-family offices;
- Alternative strategies for generation transitions such as reconcentration and recapitalization of ownership;
- The role of Philanthropy in the "new" family office.

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For example, selling off a poorly performing business unit may solve an immediate cash-flow shortage but upset a delicate sibling balance of power, leaving one family member without a clearly delineated role in the business. Failing to recognize the potential for such conflicts is a common mistake made by inexperienced turnaround managers. When this happens, disgruntled family members often become the chief critics and obstruct crucial board decisions.

In other cases, corporate and family issues may be identifiable, but resolutions remain elusive. Burgeoning shareholder liquidity demands can often result in a lack of reinvestment in the business or, perhaps more insidiously, stymie major strategic decisions, imperiling the business through paralysis.

In crisis or bankruptcy situations, a heavy-handed approach to all family discretionary payments and perquisites may be the

only viable option for gaining control of the situation. A more diplomatic approach is required in early decline situations to counter family objections to the mandate of the turnaround consultant.

### Focusing on Business

Working with a turnaround consultant, the family business advisor can institute processes and mechanisms that allow the family to focus on the strengths of the business, once family issues have been addressed. For example, establishing family councils can help keep family issues out of the boardroom while giving family members a forum in which to voice their concerns. Family councils can also play a role in developing values and mission statements that focus the family and allow it to speak with one voice to the board, management and employees.

In cases in which most family shareholders are not actively involved in the business, the family business advisor can also work with the board and management to develop an ongoing shareholder communications program to encourage quicker and more-informed shareholder decision-making. If an early decline situation requires cuts in shareholder distributions, a family business advisor can work with the family to establish other liquidity events such as a recapitalization to help prevent family members from feeling trapped in nonliquid investments.

In other cases, the family business advisor may begin working to ensure that deep-rooted, fundamental differences are not simply patched over, only to erupt

again later. For instance, the basic conflict between sets of shareholders over the proper ratio of liquidity to reinvestment can sometimes be resolved only by one group of shareholders buying out the other.

While a turnaround consultant focuses on improving immediate performance and reversing the early decline, the family business advisor can try to determine the financial and ownership objectives of each shareholder and raise the necessary financing to structure a shareholder buyout.

In a turnaround situation, a shareholder buyout most likely will be implemented by an infusion of new third-party equity rather than by adding senior debt. Increased specialization in private equity funds, coupled with a growing appreciation for family businesses, has resulted in new options in such situations. To fit the focus of the private equity fund to the family's goals and objectives, as well as to those established for the business, a separate track for this process in the context of a turnaround is wise.

### Getting Noticed

More vulnerable in transition, the 43 percent of family businesses expecting management and leadership changes over the next five years will provide ample work for turnaround consultants.

As has already been shown by the successful collaboration of other types of family business advisors, a multidisciplinary approach with traditional family business advisors and pure turnaround professionals heightens the chances of success in early decline cases.

## de Visscher & Co.

*is an independent financial advisor to family-owned and closely-held companies specializing in designing and implementing successful financial solutions to the liquidity needs of shareholders and the capital needs of their businesses. Our affiliated Private Equity Fund, Family Capital Growth Partners, provides equity and sub-debt to growth oriented closely held and family-owned businesses.*



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