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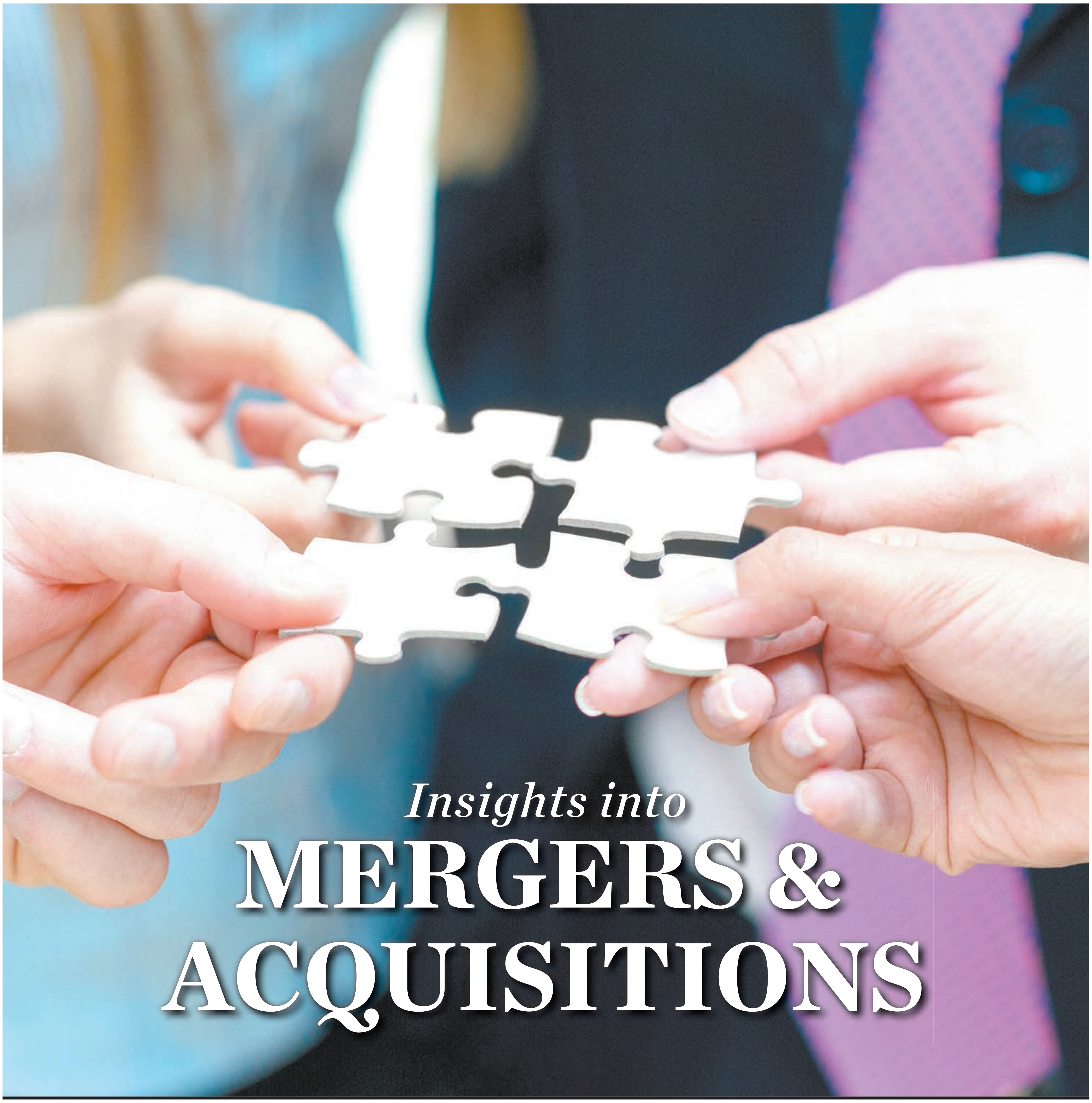

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Founders Investment Banking

Duane Donner is an accomplished entrepreneur and business advisor with comprehensive industry experience and knowledge. As Founder and Managing Partner of Founders Investment Banking, Duane leads a team of skilled merger and acquisition advisors and financial analysts.

Over his entrepreneurial business career, Duane has started, operated, bought, and sold businesses—and advised clients—across a broad range of industries and transaction structures. Duane is an active member of the Alliance of Merger & Acquisition Advisors and the Association for Corporate Growth, and he is passionate about helping companies gain access to the critical resources and capital needed to achieve their full potential. Duane serves on the boards of several operating companies including: Louisiana Marine Operators, Lakehomes.com, Plantation Patterns LLC, Atchafalaya Measurement, Inc., and Spartan Energy LLC.

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Brad Wood is a Shareholder in Maynard Cooper & Gale's Corporate, Securities & Tax Practice and Mergers & Acquisitions/Private Equity Practice groups. He serves on the firm's Governance, Recruiting and Pricing Committees. Brad has over 10 years of experience advising clients on corporate matters, including private equity and venture capital financings, mergers, acquisitions, minority and dividend recapitalizations, joint ventures, divestitures and other complex business transactions. A significant portion of Brad's legal practice focuses on mergers and acquisitions, having represented numerous global, national and regional companies from a wide range of industries. He also works with private equity funds and their operating companies to provide counsel on a broad scope of business matters, including general corporate, legal and strategic advice. While Brad has represented publicly held and privately owned companies of all sizes, he has developed a particular expertise in middle-market private company transactions on both the buy-side and sell-side. Brad received his J.D. from Vanderbilt University School of Law, and he holds a Master in Accountancy from the Brock School of Business at Samford University. Brad is a founding member and sits on the Steering Committee of the Association for Corporate Growth (ACG) Birmingham Network.

The Discussion

Q: What is the biggest thing a company should consider when contemplating a merger or acquisition?

Duane Donner: I think the biggest thing they need to contemplate is trying to understand what their goals and objectives are in a merger or acquisition. A lot of times people get into deals and they really don't understand what they're trying to accomplish. So, I think trying to have a strategic view of what your goal is, and the objective and the kind of criteria or the target – if you're trying to sell – that you're trying to accomplish is very important.

Brad Wood: I certainly agree with that. Strategic objectives have to be on the forefront of a business owner's mind when considering an acquisition. I think it's important to keep the strategic vision, both mid-term and long-term in mind, and not allow one's self to be driven solely by current market conditions. You've got to know the timing is right and the market conditions are right to make the deal as effective as possible, but overall it's really got to fit into the strategic objectives of the company.

Harold Kushner: I obviously agree with what they're saying about the importance of a strategic plan. I think – as you start to see your strategy indicates you should acquire a certain type of company – I think you need to, pretty early on, start looking at what risks you're taking on, what risks you're willing to take on, and what risks particular companies likely have. You may start to figure out which direction you're going between various potential companies. I think you look at costs and risks pretty early on. It's kind of hard, in a way, to separate that away from a strategy. You're looking at a general approach to which company makes sense, but then there are various companies, so you've got to start look at costs and risks of each as well as the broader picture things.

Edward Christian: I agree with all that. It's critical to have a strategic view or idea of what the desires or goals for the transaction are, both for the buyer and seller. I think, especially from a seller's point of view, you pretty well need to define this is as something you in fact want to do and you're not just testing because it's a tremendous amount of time, a large expense and a huge disruption to your business.

Q: What types of companies or strategic partners should a small business owner work with when completing an M&A transaction?

Kushner: I think that a lot of that depends on his industry, size and shape. When you say a small business, I'm usually thinking in terms of somebody that's not traded in the public markets and that can be a very small company that can't afford the people I would say should be retained by private companies generally. As they start to look at selling their company, the company should

start to consider investment bankers, financial advisers, lawyers, accountants as a minimum. Certainly, you've got to bring in various consulting experts. I think outside consultants in specialty areas are more important in some businesses than others. For instance, for businesses with major industrial sites, you may need an environmental engineer to come work with you – probably at a pretty early point. In certain areas, you may want consultants than can help you with technology. But I think the core people are going to be your investment banker, lawyer and accountant. Those are the ones that I would tend to think you need. And some of that depends on how strong the internal people are. Sometimes sellers really want their in-house people to have a very limited involvement because of confidentiality, especially in the early stage. The more they exclude their in-house people, the more they need to bring in some pretty strong outside people.

Wood: I certainly agree with Harold on the core three strategic partners being your accountants, your legal counsel and your investment banker. Often times, a small business owner will already have engaged an accountant that's going to be very familiar with the business. That person is going to be a key player early on, especially with structuring the transaction. In addition, in the middle to lower middle market, we often times see that business owners do have legal counsel but they're often times not M&A experts. Sometimes you get into a situation where a small business owner thinks that they should just continue to use the legal counsel they use for day-to-day operations in an M&A transaction. We feel that it's actually very important to have legal counsel that has deep experience and expertise in the M&A field. In addition, a small business owner typically will never have actually engaged with an investment banker or other deal broker and, really, we see investment as very important in driving value and allowing a small business owner to enter into some form of finalized auction process.

Kushner: Along the lines he's talking about, I think an investment banker's important. One of the hardest areas for smaller companies is to find an investment banker that's willing to take it on. It's sometimes hard, it depends on the industry. A lot of times, it's really hard to help small companies find somebody that really fits them that knows the industry and is willing to work like an investment banker will on a larger deal. I don't know the answer to that. If one guys owns a company that's going to sell for seven or eight million and he's getting all the proceeds, it's the biggest transaction he'll have in his life and it may be difficult to get the very best team and that's something we struggle with for smaller clients a lot.

Donner: To piggyback on that, I think within these services, it's important to go a layer deeper. For instance, when choosing legal counsel, it's important to choose a person who's familiar with doing M&A transactions because that can be a very tough situation when they don't really understand the nuances of a transaction. In regards to Harold's comments about finding a good M&A adviser or investment banker for a small deal it is definitely challenging. Below a certain valuation threshold, it gets challenging because the economics don't work to get the quality of service. There are people who specialize in certain industries that are willing many times to take smaller deals, and they're very good because they know the space and they have a lot of connectivity, so it doesn't take as much resources to make a market. Of course, they've got to still make their risk adjusted minimum fee – but it doesn't take as much resource for them to get the work done because they know the space. For small deals in sectors that we, Founders, don't have expertise, it is best to find an industry expert and make the connection. That being said, there are still challenges, in certain industries they don't have that person, necessarily, so it's hard on the sell-side if you have a small company. On the buy-side, it is also helpful to find industry experts to help out in the diligence process, especially in industries that are unique or not straight forward like technology-related businesses or government-regulated businesses.

Christian: I think we've hit all the professionals that you would need. I'd also like to add I think it's important for the buyer and the seller – the seller in particular – to understand the tax implications of the transaction and how the sale or purchase will be treated for tax purposes for both the buyer and seller. This is usually significant issue and can be addressed by either or both of accountants or tax attorneys.

Q: What is a question businesses should definitely ask before making an acquisition, but often don't?

Wood: I would say the integration plan, what the post-closing integration plan is for the target is a question that just doesn't get asked early enough in the process. Often times, it's looking at important aspects of a potential transaction such as the strategic fit, the market condition, is the purchase price right. But, often times, the buyers don't think about how the company's target is going to be integrated, sometimes as late as after signing the purchase agreement and leading up to closing. I think there's a number of issues that can be addressed and risks mitigated that require a real focus on the integration plan early on, if not in the very beginning of a transaction. You have a number of social issues to consider, such as with a large acquirer acquiring a small private company or a family owned company. There's a host of cultural issues that are going to exist when the larger company takes on that smaller, closely held target. You also really have to, I think, focus on what the plans are going to be for the target's management team. If you want to keep them on, you're going to have to think about how to properly incentivize them going forward especially if they've received a nice payout at the closing.

Christian: I think that's right and I think the question to ask is, and we've touched on this a little bit, is why the seller's selling – what's the reason for the sale?

Donner: That's a good one!

Christian: Are there problems with customers, are there problems with the business, is the seller wanting to cash out and hit the beach, does the buyer need that seller to stay around, as was just mentioned? To me, that's just sort of a threshold question – what's the reason for the sale?

Donner: I agree. I think all those are dead on. I would add to something you touched on briefly, Brad. Is there a layer of management and leadership underneath the owner and how committed they are going forward? Are they properly aligned? That's very important for the continuity. And of course customer relationships are very important. Buyers have got to understand the customer relationships, but sometimes those can be tricky. Actually having customer calls and talking to the customers is very important.

Kushner: I would agree. I think that last point you made is one of the ones that I see the most, that people fail to understand the impact that the deal may have on customer relationships. A lot of times it doesn't kill the whole deal, but may be a big disappointment to the projections and impact the valuation. I would say analyzing the fit with integration – of the buyer and seller – is crucial to both sides but especially to the buyer. The seller, may be rolling over an interest or he may stay on working and continue on have an interest kind of indirectly.

When this happens the fit is important to the seller as well. A lot of times the sellers want to get money, they want to get liquidated and they see they're moving toward that and do not look at the post transaction company. I have been working with a seller who recently terminated a transaction because he didn't think it would work well even though he would have received a lot of money. It seems to me that's something that sellers don't look at and they probably have a lot of knowledge to share with the buyer about how well the integration plan is going to work because they know their employees, they know their customers, they know their business model better than anybody. I don't know that sellers usually analyze it as well as they could.

Donner: I think it's a little bit risky, sometimes, for these guys to be fully transparent because they are nervous about disclosing a concern that might devalue the deal. So I think it's a tough, tricky deal because sometimes people's motivations are a little hidden and they may want them to be. Of course the other thing is, they don't know how it's going to be on the other side, so they're kind of hedging a little bit.

Kushner: They may see that something looks fine on the other side. The buyer can change it the day after closing and– the seller might not know it, but the buyer may be about to merge with another competitor that the seller doesn't like at all.

Donner: There are a lot of unknowns in new relationships after the deal is closed, similar to getting married. You really don't know all the details until you are deep in the relationship.

Wood: Just to add one more layer. The reality of a small business owner is they have probably run the show at their company for quite some time and they just assume post-closing, they're going to keep running their company like before. And that's just not, generally, how it works. Even in a private equity sponsored deal, when they keep the management team on and rely on them to run the company, there's going to be people looking over that owner's shoulder going forward and that's a difficult reality to accept.

"I think you need to, pretty early on, start looking at what risks you're taking on, what risks you're willing to take on, and what risks particular companies likely have."

- Harold Kushner

Kushner: I'm always amazed at how often we spend a lot of time and effort negotiating the employment agreement for the original founder because everybody senses he's going to be pretty involved, and within three to six months, we're back negotiating the buyout of his contract because he's in the way. It's kind of interesting, I think the role of the founder going forward is probably not looked at very carefully.

Donner: I think you don't know how they're going to be able to deal with it until you do the deal, and they're all different.

Q: With the retirement of the baby boomers, we're seeing a lot of companies change hands. What has that meant for the M&A activity in the U.S.?

Christian: Generally, whether because of baby boomers or other economic factors, the last 9-12 months have been extremely active.

Wood: I would say, certainly, 2015 was a banner year for M&A. In fact, some statistics show it exceeded 2007, which had previously been a record setting year. I think it's really a convergence of factors, in addition to just the baby boomer dynamic. You're seeing a lot of large, private equity funds that historically have never dipped into the middle market or even the lower middle market, really coming down looking for quality assets. The competition right now for quality assets is extraordinary and that, in combination with elevated purchase price multiples, is really creating a bit of a feeding frenzy and a really competitive environment for acquisitions. You are also seeing a restoration of the credit markets along with a period of extraordinary low interest rates for financing. And while it's not as easy as it was to get pre-recession, financing has certainly become more accessible and very cheap, historically speaking.

Kushner: I think the concept of baby boomers is, it's certainly a factor that people are becoming older and don't have succession. They're ready to retire, but I think there's also some pent-up demand for acquisitions. There was a slow up during the economic turndown. I think, with people seeing the economy doing pretty good – all the potential candidates say it's not – but it looks to me like it's doing pretty good. There's always a need for people to sell, they're worried about succession

and how they will get out. I think that varies by industry. I think a lot of startups – technology and drug research and things – not a 100 percent, but a lot of those are founded by pretty young people and they sell out, it seems to me, pretty fast. So I don't know that age and succession is as big of a problem there as some of these people get their companies going and they need a lot more money and resources. I think it's industry specific.

Donner: I mean, the only thing I could add – just to tag on to that – I do think the demographics have some impact on a lot of the companies we work with. The deals are being driven by people wanting to transition. But I think it's more driven by the proliferation of private equity and the amount of capital that's wanted to invest in these deals, because it's hard to find returns in the market, risk adjusted. So there's just a lot more liquidity and a lot more opportunity, which drives a lot of deals because every business owner's getting a call about every day asking 'do you want to sell your company?" Of course most of these folks are just fishing for an opportunity.

Q: What should business owners keep in mind when developing an exit strategy?

Christian: I would keep in mind the time horizon that the owner's looking at, keeping in mind the time it's going to take to sell your business or to find someone to come in after you. There are clients that are 10 years away from retirement that already have a plan in place of how they want it to go. They have both a long-term strategy of how they want it to go and how they perceive the change happening. And they also have a short-term strategy in case something happens to the founder.

Kushner: I think an exit can mean multiple things. It can mean selling the company, as we talked about, or it could just mean stepping down and developing a management team that's going to take over. I think, if that's the route, finding and developing the right team is crucial.

If you're headed toward a sale, and even if you're headed toward a team coming in and taking over., I think you need to always be mindful at the depth of due diligence that a buyer goes through when it's time to sell. Often, the seller is not ready for the buyer's due diligence. It is up to a seller to get ready for that. He may have 20 to 30 years, depending on how long he's been running the company, to get ready for it and all of a sudden he's calling an investment banker at the last minute wanting to know how that works. They should be preparing over a long period of time.

Donner: I say amen to that.

Wood: To expand upon that, I think business owners need to really be keenly aware of how their company will be viewed by a potential buyer. Time and time again, we see business owners who just view certain issues as ordinary, day-to-day operational matters as a buyer will view those exact same issues as major risk factors. One example that we all probably see more often than we like is a small business owner will be operating under either unexecuted customer contracts or expired customers contracts because that business owner has had that relationship, potentially, for years and is very comfortable with that customer and knows that customer is coming to them day in and day out, no matter what the contract says. But if those customer contracts represent a significant portion of the purchase price, the buyer is going to want to see signed customer contracts and renewed customer contracts. And that sort of thing is what could potentially delay a closing, creating closing risks and potentially resulting in renegotiating the purchase price. That's really our job to insure that these issues get handled as early in the process as possible so that we have the opportunity to message and manage them in the appropriate manner.

Donner: I think these are all good. I think the various aspects of timing are very important and most business owners don't really consider the different aspects of timing. Most people think of timing relative to their personal timing, which is very important. But there's also a business life cycle, and you need to understand where you are in your business life cycle. And that leads back into what Harold said. Get your business market ready and understand the different dimensions of timing so you can go when the stars align and the timing is right. This can be a make or break for a good deal. Being market ready means having your records in good order, but it also means having a clear growth plan and strategy. You need a good game plan on where you're trying to go because the future's what people are buying and if you haven't thought about that or done anything, it makes it very challenging to get the premium value for a business. And by the way, it pays off for them because if they have a game plan they normally perform a lot better, too.

Kushner: Absolutely.

Q: What are some of the legal and accounting concerns that come up in an M&A transaction?

Donner: How much time you got?

Wood: This sort of thing really does vary from company to company, as it's very company specific. A lot of the legal and accounting issues stem from operating the business in the ordinary and not with an exit in mind. By doing that, you're doing what you need to do to serve your customers, but you're not necessarily putting yourself in the position to execute a transaction. The biggest issues that come up from a legal perspective are really litigation matters that aren't disclosed early on, customer contracts not being in proper order as I mentioned in my response to the previous question, and then not appreciating the lead time required for third-party consents or approvals.

Christian: The topic that's in every transaction are the personal indemnification obligations between the buyer and the seller. A lot of times, the owners or the seller will be a corporation or an LLC but the owners of that entity don't comprehend at the outset that they're standing personally behind what they're saying and are they will to do that.

Kushner: I would say that in a typical deal there may be 20-30 paragraphs, each one of which has a separate warranty, or representation of the current status of the business. The owners of the selling company are frequently going to be called on to make personal guarantees of the indemnities that stand behind those reps and warranties. I think that those reps and warranties are very important. I try to meet with clients a few times as we go through drafting and negotiating agreements. I know that they're not going to focus on every detail, but I try to get them to focus on reps and warranties because every one of those, potentially, could be a liability for the seller. I think some of the accounting things – some clients may have never had an audited statement and their financial statements, may look very different when somebody comes in and requires an audit and restates their financial statements. If they have not had an audited statement in the past, they probably ought to either do one or get a good idea from their accountant what it's going to look like when somebody analyzes it from that perspective. That's what a lot of buyers are going to look at. Another item involves the determination of net working capital requirements of the company. Frequently, the buyer is offering a price for a company assuming that it will have working capital of X and then you get into an argument about what is X and how are we going to determine that post-closing. And I would say the tax issues around these things are also pretty complex and difficult, so I think the clients need to be focused on that with the accounting and legal.

Donner: I think that covers most everything. The only thing I'd say is most business owners that we see of closely held private companies, they generally have a mindset to maximize cash and minimize tax, they really try to – obviously – get the most out of their business and sometimes, especially if they don't have audits and they're not professionally run, their books are not reconcilable to true earnings because they're using some tax strategies. That can be challenging when you talk about a transaction and trying to really get to the maximum economic value of a company. Obviously, much of what we do is help companies get prepared for market and many times it takes a lot of work and may be tough to defend if it is not a common practice for the business. Many times it costs the business a lot more than maybe they think if they would just do it the proper way.

Q: What are some of the often-overlooked aspects of the due diligence process that companies should focus more on?

Christian: I guess it depends on whether you're buying or selling, but from the sale side – I think Duane touched on this earlier – it's understanding of how in-depth and broad the buyers' due diligence is going to be and all the questions that they're going to ask, and the documents they're going to want to see. So, you want to be market ready going in and have your house in order – all your contracts are up to date, your corporate records are in good shape and there's nothing unwanted out there and that you are ready for the process before it begins.

"I would keep in mind the time horizon that the owner's looking at, keeping in mind the time it's going to take to sell your business or to find someone to come in after you."

- Edward Christian

Kushner: I think we talked about some of these things earlier. It is important to look at customer relationships as well as agreements, which are important but are frequently overlooked. Even if there's a contract with a customer, the buyer needs to understand the relationship with each customer.

Donner: One thing we've seen that has bitten a couple of clients, but we were able to get through it, is when you have – key people that have key domain knowledge and so forth, and maybe they haven't signed any kind of non-disclosure or noncompeting agreement … We've seen that to be a big issue. When you're trying to get a deal closed you don't want to have a key employee hold a company hostage or even kill a deal because the right agreements are not in place prior to closing.

Wood: Ed spoke from the seller's perspective, so I'll take it from the buyer's perspective – I think one of the more overlooked issues is the regulatory overlay. Specifically, the timing issues that are created when needing to get pre-closing approvals or licenses. A lot of times, there's work arounds – powers of attorneys, etc. – but when there's a closing date in mind the regulatory issues can often times create significant delays which, as we all know, creates closing risk. I think a very important aspect of the diligence process for a buyer is getting a clear understanding of the regulatory overlay and what they're going to need in place and what approvals and licenses need to be prior to closing.

Q: What types of questions should a business ask when trying to choose a strategic partner to assist with M&A transactions?

Kushner: When you say strategic partner, I assume that means people like us. I would think that in your hiring, you are looking at someone with experience in your industry, as well as someone who knows about mergers and acquisitions. I think a big issue is to talk to them in person. These guys are going to be talking to you like every day. The personal relationship that's going to develop is important. And I stress with clients, experience in an industry is good, but I think the real business -- if I'm hiring an investment banker or I'm looking for someone that has experience in selling or merging a business – that's a business in and of itself. A guy may know a lot about technology and licenses, but may never have been through a merger or acquisition. It's helpful to have someone who knows about technology, but also important that he has been through a lot of mergers and acquisitions. I think the business of these strategic partners is M&A work. The best of all worlds is to have a lot of experience in M&A, and a lot of experience in the industry.

Donner: I would say, going a layer deeper, if you have an M&A lawyer and you're doing a private equity deal, does the M&A lawyer and his or her firm have experience in doing private equity work? I would say that, touching on what Harold mentioned, I do think industry expertise is good, but I think – for instance – when you're dealing with closely held private companies and the nuances that go on, especially in family businesses, it is very important to understand the psychological, emotional sensitivities and nuances of dealing with a closely held family business. And I think that's very important, because many times if you're doing a deal with private equity from their perspective it's a transaction. It's all about dollars and cents. When you're doing it with a guy that's built a company over 20 years, it's a whole lot more than dollars and cents. Obviously, the economics matter a lot, but you're dealing with a living, breathing enterprise. So, I think it's very important that the relationship and how do you approach those softer pieces of the deal are very important. You really need to be very good at listening, communicating and educating so your client understands the process, because many business owners may only experience this process one time in their lifetime.

Christian: I agree with that. I think that the comfort factor for the client – the buyer or the seller – goes way up if they feel like the lawyer, the accountant, whoever it is understands their business, what's important to them and how their business runs, and what they do on a day-to-day basis. I think that greatly increases their company.

Wood: I think it's also really important that the approach of a strategic adviser take in the transaction is consistent with the approach and the values of the owner engaging that adviser because, after all, that strategic adviser is a representative of the owner. There's a broad spectrum on how advisers approach a transaction from a legal perspective. There's the ask for everything type … the worst that can happen is that they say no, even if it means making them pretty angry on the other side, to the other end of the spectrum where there's a more easy-going process of 'let's just get the deal done and only focus on material issues.' Lawyers fall all across that spectrum and when a business owner is looking for a strategic partner those values have to match up in order for it to be a smooth and enjoyable relationship.

"If you have an M&A lawyer and you're doing a private equity deal, does the M&A lawyer and his or her firm have experience in doing private equity work."

- Duane Donner

Q: What's the outlook for M&A activity in the next 12 months? Are any particular industries seeing more activity than others?

Donner: Right now, we see a lot of activity and I guess with the political landscape – the presidential election – I am not sure what the future holds. I think everybody's a little nervous about what that means for business in general. We're pretty optimistic at Founders. Of course, we were optimistic in 2007-2008 and everything fell apart. The second part of that is, there are certain industries that we see are really doing well. Anything around construction-related services and seems to be doing well – commercial construction support. The oil and gas industry's been way down. That's been kind of a negative, but right now we're seeing a lot of activity in that space, and we're hoping we've hit the bottom and everybody sees a path forward. There are many well financed buyers looking to make a move and I think there will be a lot of opportunity there in the near term. So I'm very optimistic. Of course, I'm always pretty optimistic.

Wood: Likewise, I'm optimistic at this point. While 2016 has not been quite as robust as 2015, that is really a tough comparison when give the levels of M&A activity in 2015. 2016 has been a very good year so far and there are still a lot of signals that it's going to continue to be a good year for M&A activity. I think, over the last several years, you've really seen a transformative shift in the capital markets toward private equity and currently there's approximately $1.3 trillion in "dry powder" that private equity funds are sitting on ready to deploy. That money is going to get spent and it is going to get spent on M&A activity. That's going to drive a lot of deal flow in the near term. As far as industries seeing more activity, I agree with Duane – the oil and gas industry has been, obviously, hit very hard by the recent economic environment. But I think a lot of players in that industry, especially the bigger ones are waiting for the bottom and then are going to try to get really good bargains. Also, I think the banking and financial sectors are going to start to see an increase in M&A activity. The regulatory landscape in that industry has become so onerous that the smaller players – struggle to operate efficiently any more so they're going to start looking to partner with bigger financial institutions to help spread that regulatory expense.

Christian: I think we've been going at a pretty heated pace for the last 12-18 months and it has continued into 2016, from what I've seen. I've talked to others, and people seem to expect things to slow down the latter part of this year. However, I have not seen that coming yet. Deals are still coming in and things are still going on – going pretty hot and heavy, so we'll see.

Kushner: I agree with everything that's been said. I don't know how to project that kind of stuff very well.

Donner: I don't think anybody does.

Kushner: As long as the economy's reasonably healthy and interest rates are low … I still think there's some pent up demand where people were not buying a few years ago.

Q: How can companies find and analyze acquisition opportunities?

Christian: That's Duane's question!

Donner: The bottom line, these guys know, is that you've got to get in the flow of opportunities and that can be very challenging for private companies. If you have a private company that says 'hey, I want to go do some acquisitions,' and they haven't been in the flow of deals and they don't have a dedicated M&A professional on their team focused on developing deal flow – which most small companies don't – it can be challenging. So you either hire somebody on your team who can start focusing on creating that deal flow opportunity. Or, as most small companies do, you have to engage an M&A professional to be that outsourced partner for your company. We're doing that for a few companies. You have to be very focused in the process because it's a very competitive market. Good deals are hard to come by and there are a lot of people knocking on doors. So you have to have a value proposition that's different than everybody else and a strategy. And you have to go out and just do some old fashioned business development and knock on doors, go see people and create opportunity. We generally do that by having a focus on a particular industry. There are certain acquisition criteria to include size, services, geographies and we try to build a focused strategy. We make calls, we build lists and then we go have meetings. And we start analyzing deals to try to get them down in a funnel and create deal flow. And we also do that through a network of people in the business to include COIs, private equity and other investment bankers. Just being in that network and being very focused. For most business owners, it's hard for them to do that and run a business so they need some outside help if they really want to grow through acquisitions.

Kushner: I've had clients, I've got one in mind, he's been in business for about 40 years and he gets prospects all over the Southeast. He just gets in his car periodically, rides around and talks to the owners of the prospective companies. He's done a lot of small acquisitions. It's about knowing his competitors and when they're ready to sell, he goes and talks to them and kind of keeps notes about their children and their ages and he keeps checking back.

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– Brad Wood

Donner: That's a great strategy, by the way.

Kushner: He has the discipline to keep doing that.

Donner: He probably enjoys it, too.

Kushner: I think you're going to see more people on the buy side engaging (or it makes sense for more people on the buy side to engage) investment bankers to look for selling companies.

It's interesting how many times people think the only buyers are certain companies and they never identify the companies that an investment banker finds to buy their company. I'd say the truest statement anybody said here is that it's hard to find a good deal on either side, it's increasingly difficult.

Wood: To that point, it just requires a lot of patience because unless you just get extraordinary lucky in this current environment … it's going to take time and resources to find the right investment opportunity. It's becoming more of a specialist world. Looking to investment bankers and deal brokers to source deals is a great way to get a lot of bang for your buck as far as investment of time and money.

Donner: I'd just like to add to that. It is hard, because most business owners don't understand that, and they don't see the value. On a buy side, it's very hard to influence outcome and you don't want to get too aggressive on the buy side because you want to be very thoughtful and get good assets for good value. Generally, you need to see a lot of deals to find a good one to purchase. Many owners don't understand and don't have the patience or discipline. You can get deal flow, which is what you want, but it might take a year or two to find the right deal to buy, and these guys are like 'well, let's just go buy some companies.' It really is hard. I'd just like to say that strategy your friend or client employs, to me it's the best strategy. The best deals come through relational network. Especially if you have an industry that's national and you're involved in your industry trade association and so forth, those are where … we see a lot of opportunities that come from those relationships built over time and that's really where you get the best opportunities. If you have to compete on the open market for a deal you are going to have to pay up in today's market. There are very few bargains to be found.