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WASHINGTON D.C.
SEPTEMBER 13, 2010

Top Stories

Building Value: Aecon Says Size Matters and Seeks No. 1 Spot

AECON Aecon Group announced the company has purchased a \$51.2M minority stake in Churchill Corporation, another acquisition in a wave of Canada's consolidation in construction and engineering companies. The Churchill Corporation also recently announced its buy of Seaclyff Construction Corporation. To finance a portion of the Seaclyff deal, Churchill issued approximately 6M subscription receipts that can be exchanged for common shares. Aecon purchased nearly half of the subscription receipts at \$16.75. The Company said its investment in Churchill will translate into a 14.9% stake in the company. Aecon also acquired Lockerbie & Hole, a mechanical construction contractors firm, last year for \$220 M.

Premium Connection: SonicWall Gets Increase Offer

SONICWALL IT security company SonicWall Inc., announced that a privately held company has offered to acquire it for \$12 a share—besting an earlier offer from private equity firm Thoma Bravo.

Q&A

International Expertise



Jabril Bensedrine

Jabril Bensedrine is Managing Partner of The Triana Group, Inc., which supports small and mid-sized European companies with market entry and development in the U.S. In addition to providing turnkey services, business expertise and operational support, Triana offers its member companies a high-level business network and priority access to financing solutions through its partnership with Meeschaert Capital Markets. The Group's offices are located in Paris, France, and New York.

We asked Bensedrine for his expertise on in-bound activity and EU technology opportunities.

M&A Advisor: Your firm has been engaged in the EU technology and life sciences markets in Europe for some time. How do you compare the US market in these sectors?

Jabril Bensedrine: The Triana Group supports small and mid-sized European technology and life sciences companies with market entry and development in the U.S. The most obvious difference we see between the EU and the U.S. technology and life sciences sectors is the fact that the U.S. is one large market for both these industries. In Europe, once a company experiences success at home, it begins to branch out to neighboring countries, each with its own regulations and unique

Earlier this month, Thoma Bravo had offered to acquire SonicWall for \$11.50 a share, or approximately \$717M. New offer values the company at 26 times forward earnings. According to Thomson Reuters, SonicWall currently trades at about 23 times forward earnings. SonicWall said it is in discussions with debt-financing sources of the strategic party's proposal. Once SonicWall verifies that the loan and equity financing behind the \$12 bid is legitimate, the deal is highly likely. SonicWall has said its board has not approved, adopted or recommended the proposal, or declared the offer superior to its merger agreement with Thoma Bravo.



Organic Growth: Sino-Forest to Buy Majority Stake



SINO-FOREST

Canada's Sino-Forest Corp announced it will take a majority stake in Hong Kong-based Omnicorp Ltd., by purchasing more shares worth HK\$418.6M (\$53.8M). The move is to help meet the rising wood demand in China. Sino-Forest will buy 230M shares of the investment holding company at HK\$1.82 each—raising its voting interest to approximately 53.7% from 19.9%. Omnicorp and Sino-Forest

are also joint venture partners in South American forest concession operator Greenheart Resources Holdings Ltd. Omnicorp holds a 60.4% stake in Suriname-based Greenheart while Sino-Forest holds the rest through its Sino-Capital Global Inc., unit. Greenheart owns a 178,000-hectare hardwood concession with a harvestable standing stock volume of about 4.4 M cubic meters, Sino-Forest said. The Company also announced, upon conversion of Omnicorp notes, its stake will increase to 60.1%. Separately, Omnicorp announced it will raise \$25M by issuing new convertible notes to Greater Sino Holdings Ltd.

Cash for Company: Tibco to Buy Proginet for \$19.7M



Tibco Software Inc., announced the Company will acquire file-transfer software maker Proginet Corp., for approximately \$19.7M in cash. Proginet

shareholders, under the terms of the deal, are to receive \$1.15 per share in cash, a premium of 22% of the stock's close on Monday, June 22, 2010. The deal is anticipated to close during Tibco's fiscal third quarter. In the third quarter, Proginet recorded a net income of \$4.4K or break-even per share on revenues of \$2.05M. In March of this year, Tibco acquired privately held enterprise data matching software maker Netrics for an undisclosed amount.

business culture. The American market, on the other hand, is often larger than the combined European Union market. It has a more homogeneous business culture and one set of federal regulations, but with many exceptions, of course. America also is the leading market where a technology innovator has to succeed to really take a global scale. So it's very important for a small- to mid-sized, entrepreneurial company that wants to become a global player to set up a successful business in the United States.

M.A.: Why is your firm focused on in-bound US deals?

J.B.: There are lots of expansion strategies for European companies into the U.S. market, but a very high failure rate when you consider the technology and business success these same companies achieve in Europe. Although research and development in Europe are well supported by governments and institutions, even with some of the best engineering in the world, very few European technology companies make it in the U.S. Many successful European retail, automotive and technology companies never transitioned viably into the U.S. market.

At Triana Group, we see a gap between what these European companies can do and what they actually achieve, and it's not due to a lack of technology or funding. For them, it's not realistic to try and build a presence from scratch in the U.S. There's just too much deal making here that requires an insider's know how.

At Triana Group, we help European companies become successful in America by working with Americans in the American way. We fill that gap and serve as their initial business partner for the U.S. market. We match each company up with U.S.-based financial, legal, technical and marketing partners who can ensure the success of our portfolio companies just as they have done for U.S. companies. For a well managed U.S. midsized company, making multi-dozen or multi-hundred million-dollar deals and reaching \$1-to-\$2 billion in annual revenue is a good but not exceptional performance. For a European company, doing the same and reaching such a size on the U.S. market is rarer



Pipeline Profile

Need an operational assessment? If so, reach

out to Kevin Moyer, President and Principal of Global Pathways, LLC. The firm is an executive management company focused on strategic planning, business development, revenue growth, emerging markets and technologies, operational assessment and performance improvement. The firm specializes in M&A, third party evaluations and due diligence, investment analysis, deal making, negotiations, start-ups, supply chain and partner development, project finance transactions, and business and technology integration. You can find Kevin [here](#) on our M&A Advisor network.

Metrics Meter

Across the pond, so far this year, 826 mergers and acquisitions worth roughly \$41.2B, have been announced in the UK. The number represents an 18% drop in number and a 51% drop in the total deal value compared with the first half of 2009.

The picture in the mid-market, however, is much rosier. While the number of M&A transactions with a value below \$744M decreased by 16% to 787, the total value of deals in this segment increased by 70% to \$23.97B, which some say is attributed to acquirer and vendor price alignment.



In Praise of Financing

Roger's Corner
by Roger Aguinaldo

I am pleased to announce the winners of our 2010 Financing Awards. Hosted by FOX Business reporter Jeff Flock, this past Monday, a vibrant crowd attended the M&A Advisor's 5th Annual Middle-Market Financing Awards Gala at the Drake Hotel in Chicago, IL.

As I have said before, in these tough economic times we should praise both our winners and nominees for rising to the challenge to seize and close middle-market deals. All financing award recipients are true industry leaders and it is our honor to recognize them.

The Financing Awards Gala honored deal-teams, deal-makers, and firms whose activities set the standard for the industry. This year, 99 finalists in 26 categories were chosen. An independent body of experts who represent a cross-section of the middle-market financing industry determined the ultimate recipients of the awards. Winners were revealed "Academy-Award style" at the gala.

The award recipients are as follows (*Nominating companies or deal sponsors in italics*):

Middle-Market M&A Financing Deal of the Year (\$100 mm and Above)
Refinancing of Hostway Corporation

than it should be.

Triana also works with a panel of numerous industry experts who hold leadership positions in the private and public sectors. It includes CEOs and senior executives within the worlds of finance and private equity, directors of public institutions, and managers of international corporations.

In addition, we are looking for U.S. companies that want to expand and connect with European companies and markets. The level of globalization potential of U.S. private equity-funded companies starting to look at global markets and expansion into the European market is considerable. Within our industry fields, we have the experience and people required to make this happen.

M.A.: What advice is your financial partner giving you with regards to acquisitions and/or sales?

J.B.: Triana Group recently announced a partnership with Meeschaert Capital Markets, Inc., the North American arm of France's first private banking company. This partnership enables Triana to accelerate our current and future portfolio companies' development and allows Meeschaert Capital Markets to provide a range of attractive investment opportunities.

The Triana Group works with a dozen promising portfolio companies. As the need arises, we present these companies and others who are positioned to expand internationally to Meeschaert Capital Markets for investment and other financing solutions. Meeschaert Capital Markets conducts its due diligence and make investment decisions independently.

Because Meeschaert is both a European and a U.S. company with presence in both places, it has the right mindset for this assignment. Meeschaert manages funds and has access to everything from wealthy families to venture capital funds. So they can provide a range of financing options from an angel investment to VC or private equity. They also can provide the appropriate follow on financing as needed.

Right now we are looking for a U.S.

Houlihan Lokey

Middle-Market M&A Financing Deal of the Year (Below \$100 mm)
Acquisition of a 422MW wind portfolio from 3E by AES Corporation
Jordan, Knauff & Company

Debt Financing Deal of the Year (\$75 mm and Above)
Refinancing of Hostway Corporation
Houlihan Lokey

Debt Financing Deal of the Year (Below \$75 mm)
Refinancing of San Diego Union Tribune by PNC Business Credit
Platinum Equity

Equity Financing Deal of the Year (\$100 mm and Above)
Sale of Ovation Pharmaceuticals to *H. Lundbeck A/S GTCR*

Equity Financing Deal of the Year (Below \$100 mm)
Common Stock Follow-on Offering for Broadwind Energy, Inc.
Macquarie Capital (USA) Inc.

Distressed Financing Deal of the Year
Reorganization and Acquisition of Recycled Paper Greetings, Inc.
Akin Gump Strauss Hauer & Feld LLP

Acquisition Financing Deal of the Year
ESOP buyout of International Intimates, Inc.
CSG Partners, LLC

Debt Financing Deal-Maker of the Year
Christopher D. Wilson, Fortitude MB, LLC

Equity Financing Deal-Maker of the Year
Thomas E. Knauff, Jordan, Knauff & Company

SECTOR DEAL CATEGORIES

Media, Entertainment or Telecom Deal of the Year
Refinancing of Hostway Corporation
Houlihan Lokey

Consumer and Retail Products Deal of the Year (\$50 mm and Above)
The Great Atlantic & Pacific Tea Company's equity and bond offerings
Akin Gump Strauss Hauer & Feld LLP

Consumer and Retail Products Deal of the Year (Below \$50 mm)
Investment in Sambazon by Verinvest,
RC Fontis Partners and Partnership Capital Growth Partnership Capital Growth

Consumer Services Deal of the Year
Sale of ATI Enterprises, Inc. to BC Partners
Robert W. Baird & Co.

Energy Deal of the Year (includes alternative energy, etc)
Acquisition of leases and assets from Pacific Energy Resources Ltd. by *Rise Energy Beta, LLC; Beta Operating Company, LLC; and SP Beta Properties, LLC* Haynes and Boone, LLP

Financial Services Deal of the Year (institutional or consumer services)
Acquisition of Logical Information Machines, Inc. by Morningstar, Inc.
Marlin & Associates

acquisition in the IT services field for a midmarket European software company. The current valuation of this European company is one-third of what it will probably be at the end of the acquisition process. This is typically the kind of opportunity that Meeschaert is able to help us with and can also bring to its clients and partners.

M.A.: What competitive advantages do you look for in a potential portfolio company?

J.B.: We identify companies for whom we could be the first-level U.S. partner. Ideally, these are great companies that are leaders in their fields with an innovative technology with solid barriers to entry and revenue generating, blue-chip clients, as well as a world-class management team with a smart view of the global marketplace. For instance, we recently had a French portfolio company visiting New York and introduced them to several potential partners. Each and every one of those partners remarked on how "phenomenal" the portfolio company's offering is. This wasn't a surprise to us since the company has consistently gained market share in the European market and is winning against competitors that are also present here, and with large corporate customers that are often similar in size and requirements in the U.S. and in Europe. But until we introduced it to U.S. partners, the company was still totally unknown here, and it would be under-valued because it lacked data regarding its U.S. growth potential. Validating its U.S. potential increased its "virtual" valuation considerably.

Our ability to broker deals is very important for small to mid-sized companies who are focused on their existing customers back in Europe. Instead of them doing business with one or two U.S. partners, we can arrange for them to do so much more and really experience a solid U.S. expansion.

Triana Group assesses companies and represents them here, but we are not investment bankers, so we don't broker deals. But the Meeschaert group has such capability; it's part of what they bring to the table. However, we can also internally bring value into the deal making process. For example, we represent a leading

Healthcare/Life Sciences Deal of the Year (pharmaceutical, biotech, etc)
Sale of Ovation Pharmaceuticals to *H. Lundbeck A/S GTCR*

Industrial Manufacturing/Distribution Deal of the Year
Sale of Tangent Rail Corporation to Stella-Jones Inc.
BB&T Capital Markets/Windsor Group

Information Technology Deal of the Year (includes internet, computers, etc)
Acquisition of Vhayu Technologies by Thomson Reuters
Marlin & Associates

Professional Services Deal of the Year (B-to-B focus)
Sale of Vista Research to Guidepoint Global
Marlin & Associates

FIRM AND PRODUCT/SERVICE OF THE YEAR CATEGORIES

Investment Banking Firm of the Year
Houlihan Lokey

Boutique Investment Banking Firm of the Year
Partnership Capital Growth

Law Firm of the Year
Akin Gump Strauss Hauer & Feld LLP

Debt Financing Agent of the Year
Golub Capital

Equity Financing Agent of the Year
Houlihan Lokey

Product/Service of the Year
Merrill Datasite Virtual Data Room Solution

Again, Congratulations to all the winners!

European ERP software company seeking to expand in the U.S. Our assignment is to be their permanent antenna and strategically identify and qualify companies for them that could potentially become acquisitions. So there are many synergies and mutual reinforcement with our partner, definitely a solid platform for much more growth in the U.S.

M.A.: What are some of the regulatory issues that inbound deals pose here in the US?

J.B.: In the life sciences and health care field in general, the FDA is clearly the major reference for anyone, whether American or new entrant. In manufacturing, but also other sectors, regulatory differences among 50 States are often unexpected for European entrants who thought they were approaching one homogeneous market. For example a company whose business is strongly dependent on Environmental, Health & Safety regulations, realized that it has to adjust to totally different regulatory landscapes. They must deal with EPA and OSHA regulations not only at the Federal level, but also their equivalents across 50 different states, many of them with internal heterogeneity from county to county, and sometimes from city to city. As one CEO put it, "some of these internal US differences are wider than regulatory differences between Sweden and China."

M.A.: What type of access to research here in the US is integral to your portfolio companies? (If any?)

J.B.: Some portfolio companies address niche markets that are poorly covered even in the US. Seen from the outside they look impenetrable or definitely misunderstood. The only research available can be difficult to find, or offered at such a high price that we end up performing our own research. It is interesting how some pockets of the US industry are only known to those inside the industry; very little is published about them. When we uncover them, we discover an entire world with its industry players, major changes and many opportunities for anyone interested in the middle market. Looking at these markets with a pair of new eyes – those of a foreign new entrant – is an exciting experience, and we often

get a positive reaction from US counterparts.

M.A.: What types of legal issues have you faced putting together cross-border deals (both here in the US and the EU)?

J.B.: These are not necessarily issues we have faced, but engaging in cross-border deals definitely raises concerns regarding employment law and legal issues related to human resources in general. While some US companies have employment law apprehension regarding European deals, European companies have equally high concerns regarding other types of legal issues in the field of human resources in the US. More generally, fundamental differences between the Common Law vs. Civil Law legal systems have almost infinite ramifications.

M.A.: What are some of the exposure issues EU companies face here in the US?

J.B.: Legal issues, of course, but also market-related issues ranging from competitive landscape to post-deal management issues, and many others. European executives are sometimes totally oblivious to issues that are considered as obvious here in the US. They don't realize how dramatically such differences may affect their business models and projections. For example, what appears to them as a relatively minor issue to be ironed out by the company's lawyers might be considered here as a deal breaker. But the same is true for US executives regarding European exposure issues. However, sometimes EU companies' perception of risk exposure is inflated and leads to hesitation regarding the US market, which leaves large opportunities on the table. Others have tried, failed and never came back. Many European business people and investors interpret these failures as victims of "risk exposure" issues, whereas they reflect poor management decisions and execution instead. Many deals could happen and lead to successful businesses with better control of risk exposure through more thoughtful market entry strategy and deal making decisions, execution and post-deal management.

M.A.: How do you compare the deal

process here in the US to the EU (from funding to exit)?

J.B.: This is not a statistically significant statement, but based on our observation and those of others, the process definitely seems much faster in the US. The diligence process, however, may be much heavier here in the US and especially from the legal standpoint. In some countries and industries, political, social, administrative, cultural and, sometimes, personal networks considerations have much heavier influence on a deal process – whether in favor of or as a hindrance to the process. From a US standpoint, the European deal making mechanics may appear much less transparent and challenging to penetrate. The reverse is not as frequent.

The deals that lead to the most successful and viable market entry strategies are those that follow a sufficiently long process of market observation and organizational learning process and take well calculated tactical steps that are part of a larger and longer term plan. These types of deals can lead at some point to one major breakthrough, such as a large acquisition or investment. There are probably many counter-examples though, with successful strategies with large upfront deals, but our observation is that they remain exceptions rather than the rule. The opposite is not true either, though. Deals fraught with lengthy and timid processes that are under-budgeted and poorly managed by expatriates who are not deeply rooted in the market rarely lead to something significant. But their failures often get blamed on some other reason. I don't think the management teams or their board members like the idea that they are the real reason for lack of successful cross-border deal making and expansion of their companies.

M.A.: Thanks Jabril.

For more on The Triana Group and its portfolio companies see [here](#).