ACG Chicago

THE JOURNAL

Fall 2005

Capital Connection on the Move

ACG Chicago's Signature Event Shifts to McCormick Place

Steve Wynn Is Featured Speaker

ACG Chicago's Capital Connection is on the move – and this year's event promises to be bigger and better than ever!

If you haven't registered yet for this landmark event at the Grand Ballroom of the South Building at McCormick Place on October 20, now is the time. Check the ACG Chicago website at www.acg.org/chicago or call Terry Cobb, our chapter administrator at 630-455-1740, for registration details.

Inside

The reason for the move is not unexpected for an organization that's the leading authority on corporate growth – it's to accommodate further growth.

"We selected the Grand Ballroom of McCormick Place because it could accommodate more attendees and more exhibitors," says Susan Wilson of Lincoln Partners and co-chair of the event with Barry Freeman of Goldsmith Agio Helms.

This means there will be 90 exhibitors representing private equity firms available for the popular Capital Connection portion of the program, up from 70 last year. This incredibly powerful networking opportunity brings together deals with the capital to fund them.

The new facility will also allow for as many as 800 attendees, although tickets are going quickly.

In addition to the largest one-day deal market in the Midwest, ACG Chicago's Capital Connection also brings together outstanding speakers to provide perspective on the economic forces affecting the global growth environment. This year's keynote speaker is Steve Wynn, one of the prime builders of the economic miracle known as Las Vegas.

Through his entrepreneurial brilliance in real estate and his vision of a desert city that could become a haven for people seeking an entertaining escape from daily life, Wynn raised the standard for resorts and leisure living around the world. When his flagship property, the 3,000-room Mirage, first opened, it ignited a $12 billion building boom that transformed Las Vegas into the fastest growing city and most popular tourist destination in the world.

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Register Now!

2005 Midwest ACG Capital Connection

October 20, 2005

McCormick Place, South Building Ballroom

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We welcome submissions of content pieces of interest to our membership. Articles should be under 1000 words in length and must focus on a relevant issue, topic or situation; marketing materials will not be considered. We reserve the right to select and edit all submissions. Please send articles for consideration to ACG Chicago at chicagoacg@acg.org

Upcoming Events

Sep 20, 2005
The China Option:
Build, Buy or JV?
Luncheon Meeting
The Metropolitan Club, Sears Tower
11:30 am – 1:15 pm

Sep 29, 2005
Off Ramps and On Ramps
Evening Presentation
Renaissance Chicago Hotel
5:00 pm - 7:00 pm

Oct 7, 2005
Breakfast Meeting
The Metropolitan Club, Sears Tower
7:30 am - 9:15 am

Oct 20, 2005
Midwest Capital Connection
McCormick Place South Building
Grand Ballroom
8:00 am - 4:00 pm

Nov 3, 2005
Professional Development
Program
The Metropolitan Club, Sears Tower
4:30 pm – 6:30 pm

Nov 15, 2005
Luncheon Meeting
The Metropolitan Club, Sears Tower
11:30 am – 1:15 pm

Dec 13, 2005
Luncheon Meeting
The Metropolitan Club, Sears Tower
11:30 am – 1:15 pm

Craig A. Miller
Oak Ridge Capital

It's all about you!

And that's the way it's supposed to be. You see ACG is not a thing. It is the people. *The Leading Authority on Corporate Growth* is really you - the collection of leading authorities that we know as ACG members. The board of ACG Chicago has been meeting to strategically plan our next stages of growth so that we prudently invest in building this network for you. In doing this, we asked some of the basic questions:

Where are we today?

- We are approaching 700 members. This maintains our position as the second largest chapter of ACG (Boston is first in case there are any competitive juices out there);
- We consistently rank in the top few chapters for member retention & growth;
- We are financially strong with 6 months operating reserves and capital to invest in programs like the international conference and the upcoming diversity program;
- We are reaching the media with front business page articles about your bullish attitudes on M&A in The Chicago Tribune and The Chicago Sun Times;
- We have converted to monthly eNews updates to keep you informed about programs, members news and other immediate ACG highlights;
- We are producing bi-annual print editions of this Journal featuring much of the expertise from our thought leaders;
- Our conferences are nationally-recognized as best-in-class from our highly successful Capital Connections to our award-winning International Conference.
- We are producing 18 events in 2005 from breakfast and luncheon programs to the conferences to social outings with other organizations that extend your networking reach;
- You can add to this ACG headquarters support through:
    - The M&A Dealmakers' Journal with strong transaction data, member news, and technical content;
    - A commitment to better web interfaces, media exposure, and strong chapter support including hiring our first CEO, Dan Varroney; and
    - A strong international organization for you to expand into as your needs and desires require;
- All of this returns us to the fact that our members embody the brand: You are The Leading Authorities on Corporate Growth

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ACG Chicago

Where do we go from here?

Thoughtful Targeting is the theme which has clearly evolved and will provide guidance as we review our marketing, programs, operations, membership and new value propositions.

- We need to increase awareness within your firms about the value you add to ACG and the "expertise" branding associated with being an ACG member;
- We need to thoughtfully target firms, individuals and other organizations which will continue to expand the depth and breath of our network of leading authorities on corporate growth;
- We need to maintain and build a quality membership network that you can grow with and rely on;
- We need to provide access to information and content to expand your knowledge not only in programs but with proprietary research and better access;
- We need to continue to develop our committees and board to encourage direct involvement and new ideas;
- We need to reach beyond the basic meetings to provide more networking and community building opportunities;
- We need to understand these are things you want through a membership survey that will help us continue refining our efforts;

We need your help to achieve all of the above. Tell us about yourself, your co-workers, and other experts who should be members. Tell us what information we can make available to you. And if possible, get active with our committees.

With all this theory and planning, it all comes down to the opening fact that it's all about you. Since this is my last President's letter, I would like to thank all of you who have helped build the ACG Chicago family. I was recently reminded that the best we can do is reach out and build relationships. As a tribute to that friend and as recognition of the core aspect of this group, reach out to someone you haven't talked to in a while. Tell them what you've been doing and even more importantly, ask them what they've been up to. You'll be happily surprised how much can be built upon these relationships. They let us all grow a little and, in this process, continue to build the leading authority on corporate growth.

Craig Miller

Off-Ramps and On-Ramps:

Keeping Talented Women on the Road to Success
September 29, 2005
Renaissance Chicago Hotel
5:00pm-7:00pm

Sylvia Ann Hewlett

Best-selling author and economist Sylvia Ann Hewlett will share her insights into how professional women can help companies capitalize upon their growth opportunities in a special ACG Chicago program on September 29.

“This is an outstanding program that has a wide appeal not only for women, but also for any manager who wishes to make the most of the human resources within their organizations,” says Carol Carsella of LaSalle Bank, and immediate past president of ACG Chicago.

The event begins with a networking reception, including members of the Chicago Finance Exchange and the Turnaround Management Association, beginning at 5 p.m. at the Renaissance Chicago Hotel at One West Wacker Drive.

Dr. Hewlett is director of the Gender and Public Policy Program at Columbia University’s School of International and Public Affairs. She is also the founder and president of the Center for Work-Life Policy, a not-for-profit organization that develops policies that enhance work-life balance.

The thought-provoking program is aimed at anyone who wishes to maximize the human resources within their organization, as well as women who are seeking to make the most of their careers.

The presentation is based upon Dr. Hewlett’s latest Harvard Business Review article that is charting new ground for professional women and the companies that employ them.

Her latest research demonstrates how many corporations provide women with many “off-ramps” that prompt them to exit from the career highway, but provide them with few “on-ramps.” The result is a significant exodus of talented women from the labor force.

Dr. Hewlett will describe how these organizations can create new and improved opportunities for qualified women who wish to either re-enter or “ramp up” their corporate careers. She also offers valuable insights into the role of ambition in women’s careers, noting that young women need to be as strategic and intentional about family life as they are about their own careers. She also calls upon business and government leaders to create new policies and benefits designed to help women reconcile family life with careers.

Her most recent book, *Creating a Life*, details the difficulties of professional women who find it challenging to combine high-flying careers with motherhood. The book was named one of the ten best of 2002 by Business Week, it was featured in cover stories in Time and People magazines, and Dr. Hewlett appeared on 60 Minutes, Oprah, The Today Show, Charlie Rose, Good Morning America, and NBC Nightly News.

Dr. Hewlett was born one of six daughters in the mining valleys of South Wales, graduated from Cambridge University, earned a Kennedy scholarship to Harvard University, and completed her Ph.D in economics at London University. Her past experience includes teaching at Barnard College, Columbia University, and executive director of the Economic Policy Council, a New York-based labor management think tank. In 1993 she founded the National Parenting Council, a non-profit organization dedicated to developing family friendly policies in workplaces and the wider community.

In addition to *Creating a Life*, Dr. Hewlett has written five other critically acclaimed books.

You can assure your place at this valuable program through ACG Chicago’s website at www.acg.org/chicago or calling the chapter’s office at 630-455-1740.

Capital Connection on the Move

...continued from cover page.

Wynn subsequently built the Treasure Island and the Bellagio and ultimately his properties were merged into the MGM corporation controlled by legendary financier Kirk Kerkorian. But Wynn wasn't out of the business for long, buying the former Desert Inn property and plunging some $2.5 billion into the construction of the new Wynn Las Vegas.

Wynn entertains audiences with his inspiring tale of success, full of anecdotes from the worlds of business and entertainment, and challenges people to raise their own standards and then surpass them.

The breakfast program features two speakers who will bring economic perspectives from both sides of the political aisles.

R. Glenn Hubbard is dean of the Columbia Business School, former chairman of the White House Council of Economic Advisors, and one of the chief architects of President George Bush's economic plan.

Gene Sperling is former White House National Economic Advisor for President Bill Clinton and former director of the National Economic Council. He is currently a senior fellow for economic policy and director of the Center on Universal Education at the Council of Foreign Relations.

This year's ACG Chicago Capital Connection represents the sixth annual major October event the chapter has sponsored, each growing in participation and importance to the attendees with every year.

Many thanks to the ACG Chicago team putting this year's outstanding event together – co-chairs Susan Wilson and Barry Freeman, as well as C. Christopher Coetzee of Robert W. Baird & Co., William F. FitzSimons of Marsh USA Inc., L. Thomas Gregory of American Capital Strategies, Ltd., Mark R. Grossmann of Katten Muchin Rosenman LLP, Thomas P. Guido of Wynnchurch Capital Ltd., Demian Kircher of American Capital Strategies Ltd., Dirk B. Landis of Tatum Partners, Ian M. Larkin of American Capital Strategies, Ltd., James A. McNair of Lincolnshire Management, Richard W. Porter of Kirkland and Ellis, LLP, and Christopher J. Veber of Equity Risk Partners, Inc.

26 Sponsors Provide ACG Chicago Support

Hats off to the 26 local firms who are underwriting ACG Chicago's success as sponsors for the 2005-06 year.

Sponsorship co-chairs Joseph Davisson of GE Commercial Finance and Kimberly Jablonski of Wells Fargo Business Credit successfully completed our roster of supporters for the fifth year of the sponsorship program.

Platinum Sponsors for the 2005-06 program year are Dresner Investment Services; KPMG LLP; LaSalle Bank /LaSalle Business Credit, LLC; PNC Business Credit, RSM McGladrey Inc.; and Ungaretti & Harris LLP.

This represents the fifth consecutive year of platinum support for LaSalle and Ungaretti & Harris and the fourth year of platinum participation for Dresner and PNC. RSM McGladrey is making its second consecutive appearance and we welcome KPMG in its first year at the platinum level.

The ten Gold Sponsors for the 2005-06 program year are Billow Butler & Company, L.L.C.; Crowe Capital Markets LLC; DLA Piper Rudnick Gray Cary US LLP; Duane Morris LLP; Grant Thornton LLP; Harris Nesbitt; Jenner & Block LLP; Katten Muchin Rosenman LLP; Lincolnshire Management, Inc; and Sonnenschein Nath & Rosenthal LLP.

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These outstanding contributors provide a strong financial base that enables ACG Chicago to maintain stability and flexibility in delivering outstanding programming and events for the entire membership throughout the year.

Thanks to their help, ACG continues to be the leading authority on corporate growth.

Many thanks to them and to the team of Sponsorship Committee members helping Joe Davisson and Kimberly Jablonski pull together these outstanding sponsors. They include: David Enghauser of Fifth Third Bank's Structured Finance Group; Hugo Gravenhorst of Black Diamond Capital Management; Thomas Jones of Concord Financial Advisors; and Michael O'Malley of Wells Fargo Business Credit.

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When Hedge Funds Start to Look Like Private Equity Investors

This article is one in a series of contributions by ACG Chicago's Platinum Sponsors.
We appreciate their support.

by Shaun T. Kelly, Partner in Charge Americas, Transaction Services, KPMG LLP

KPMG's Transaction Services practice provides divestiture, merger, and acquisition support by placing a strong emphasis on stakeholder value and identifying key risks and benefits early. Our Transaction Services professionals can guide you on a deliberate path from early deal planning toward desired business results. Divestiture, merger, or acquisition capabilities differ dramatically from one company to another, and from one deal to the next. We tailor our approach to focus on risks, complement your strengths, and support your areas of need. We provide support throughout the transaction life cycle on both the buy side and the sell side to both strategic and financial buyers. This support includes pre-bid assessments; financial, tax, commercial, and information systems due diligence; integration risk assessments; and accounting and tax transaction advisory services.

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Historically, hedge funds have used a myriad of investing strategies—including merger arbitrage, distressed debt investing and events driven stock selection—to name just a few. On occasion, hedge funds have also used their shareholder positions to influence management. For example, earlier this year, Barington Capital Group threatened a proxy battle to replace the CEO at the shoe company, Steven Madden, Ltd. The issue was resolved in February after the company agreed to increase its dividend and/or its share repurchase program. However, more recently, hedge funds have taken a more active role in actually acquiring whole companies that are attractive due to their deflated stock prices, turnaround potential, or for other reasons.

In these cases, hedge funds are beginning to look—and on occasion to act—like private equity funds. For example, the hedge fund Highfields Capital Management, which owned about 7 percent of the electronics retailer Circuit City, made a $3.25 billion bid for the whole company earlier this year. After buying a large stake in Kmart, hedge fund manager Edward Lampert orchestrated its $11 billion merger with Sears. And the trend looks like it is just beginning. According to Business Week, in 2004, hedge funds and their affiliates announced takeover deals for at least 23 companies, valued at $30 billion.

In asset values alone, hedge funds far outstrip private equity funds. There are approximately 9,000 hedge funds with almost $1 trillion in assets, compared to approximately 3,000 private equity funds with less than half that amount of capital to deploy, according to industry sources. In fact, the large capital inflows may in part be responsible for the hedge funds interest in private equity investing. Michael Littenberg, a corporate partner at the law firm of Schulte Roth & Zabel, says that there has been a tremendous inflow of money into hedge funds, making it even more challenging for hedge funds to take advantage of arbitrage situations, which in turn has caused them to look for other asset classes to invest in.

The size of this very private industry may be one of the reasons the Securities and Exchange Commission (SEC) recently passed regulations that require hedge funds that manage over $30 million to register as investment advisors and make their books available to the SEC. Those rules are scheduled to take affect in February 2006. However, hedge fund managers do not have to register if their clients agree to a minimum two year lock up period, during which time investors cannot remove funds. Extended lock up provisions are, of course, commonly found in agreements between private equity funds and their investors, further blurring the line between the two. Indeed, many industry watchers see something amounting to a convergence between hedge funds and private equity investors. Many investors are now beginning to categorize both of these sectors together as "alternative investments."

...many industry watchers see something amounting to a convergence between hedge funds and private equity investors.

The Hedge Fund Edge
Industry watchers have noted that hedge funds may in fact have several advantages over private equity firms in certain acquisition situations. First, they may have more flexibility in their investments strategy and financing abilities. The open-ended business models of hedge funds gives them the ability to invest across capital structures. Second, a much smaller percentage of a hedge fund's investor base tends to be made up of institutional investors, who may balk at unfriendly or hostile deals. In addition, hedge fund managers may have a competitive advantage because of the way their compensation structure works, says David Rubenstein, Founding Partner and Managing Director of The Carlyle Group. He notes that hedge funds calculate carried interest annually, instead of when the investment is sold, and that private equity funds tend to calculate preferred returns before fees are determined. Those compensation models are more beneficial to hedge fund managers. "The private equity model developed over 40 years ago and has not changed much," Rubenstein says, "and it may not be the most efficient way to raise and deploy capital."

Indeed, recently several private equity funds have started their own hedge funds. For example, Texas Pacific Group recently launched a $3 billion hedge fund. Blackstone, Investcorp, and Bain Capital all have longstanding hedge funds, and Investcorp recently unveiled a fund of funds. Private equity investors may find being associated with hedge funds beneficial because of the advantages of being able to share information about sector trends and the ability to attract investors who are interested in both types of alternative investments. In addition, private equity firms may find that by adding a hedge fund or fund of funds, they can lower their overall risk by incorporating a recurring management fee revenue stream. One interesting future option--some of these private equity affiliated hedge funds may eventually be used to make more traditional private equity investments in order to take advantage of the superior compensation model.

The Private Equity Advantage
But this convergence does raise certain issues for both private equity firms and hedge funds. While private equity investors need to be concerned about their competitors, hedge funds have several other challenges of their own. Hedge funds may have substantially less experience with issues of due diligence and corporate governance, in addition to dealing with actual corporate management and operational issues. Rubenstein believes that private equity firms still have the advantage of a large reservoir of experience people, which is most valuable when the target is a complicated technology company or one with unique business issues, such as dealing with a host of defense contracts. Experience with due diligence issues may give private equity investors the edge in certain circumstances.

Conclusion
Although it is currently unclear how the market will evolve, both private equity and hedge fund managers are watching each other and tracking each other's investment strategies. And investors are eagerly watching the performance of both investment vehicles to see which will deliver the most sustainable returns in today's challenging market.

Family Owned Private Companies: The Next Generation of M & A Activity?

This article is one in a series of contributions by ACG Chicago's Platinum Sponsors.
We appreciate their support.

By Tim Coleman, Senior Managing Director, Dresner Investment Services

Dresner Investment Services is a registered broker-dealer and NASD member firm that provides family-owned and closely-held private companies with sophisticated investment banking solutions in the area of mergers, acquisitions, capital formation, valuations and other advisory services. Please visit our website at www.dresnerco.com. For more information, please contact Steve Dresner, Tim Coleman or John Riddle at 312-726-3600.

It is often said when conditions are ideal for a particular event that the sun, the moon and the stars are all aligned. In today's merger and acquisition environment, it can certainly be said that the sun (a glut of potential buyers, particularly private equity groups), the moon (readily available transaction financing at historically low rates) and the stars (solid operating results for many businesses) are all aligned, and that this has created a high volume of merger and acquisition activity.

But close examination shows that what has been driving much of this activity are private equity groups. From the buy side, there continues to be a significant overhang of uninvested capital among private equity groups, and that overhang may be increasing as private equity groups' fund raising efforts outpace their acquisition activity. Private equity groups are also leading the way on the sell side, selling portfolio companies into an active M&A market with the expectation that they will achieve a return on investment that will bolster their capital raising efforts for their next fund.

The question we face today is what will continue to support an active M&A market after private equity groups have exhausted all of the exit opportunities among their portfolio companies. Our prediction is family-owned and closely-held private companies.

When an active M&A market creates a window of opportunity for a sale transaction, private equity groups are usually the first to jump through that window, and for two reasons. Private equity groups' core business is transactional and they monitor developments in the M&A markets very closely; and their operating model is built around an exit strategy, so when an exit opportunity occurs they can be quick to move.

For family-owned and closely-held private companies, their core business is operational not transactional, and their operating model is not based on rates of return for their investors, but on the objectives of their shareholders. Many of these private companies endured operating difficulties during the recession but now have a track record of 12 to 18 months of strong operating results and are in position to seriously consider shareholder objectives in the context of an active M&A market. The shareholder objectives that we see being addressed today relate to liquidity, risk, diversification and succession.

Liquidity
The prototypical example of liquidity needs in a family owned company is a company with four siblings as equal shareholders, two of whom are actively involved in the company and two who are passive shareholders. The two passive shareholders would like liquidity to fund their children's education or support their current life style, while their siblings would like to continue reinvesting capital into the business they operate. A logical solution to these competing objectives is a debt or equity recapitalization.

Risk
An example here is the founder who after years of building a business in a leveraged environment now has a more conservative debt level and a risk profile that has evolved from that of an optimistic entrepreneur with a focus on growth to a successful business owner seeking to preserve the value of what he or she has built. Preserving value requires continued growth, and the sale of the company to a strategic or financial buyer would potentially put the company in the hands of an owner with a risk profile and access to capital to better fund that growth.

Diversification
For many shareholders whose ownership position in a privately held company represents the lion's share of their net worth, the period from 2001 to 2003 was a wake up call. They saw the value of their company and their stake in the company put in serious jeopardy. Today, many of these shareholders are evaluating ways to diversify their net worth while still participating in what they believe will be the successful future of their company. In some cases, an equity or debt recapitalization represents a logical strategy to meet these objectives.

The question we face today is what will continue to support an active M&A market after private equity groups have exhausted all of the exit opportunities among their portfolio companies.

Succession
For the founder or majority shareholder who is running a company and has no family member or operating manager to take over as head of the business, the availability in today's market of both active strategic acquirers and proactive financial buyers with relevant industry expertise and/or operating executives ready to step into a managerial role present realistic solutions to the succession issue.

Our expectation is that as family owned and closely held private companies complete their analysis of shareholder objectives and how those objectives can be achieved in the current M&A market, there will be a significant increase in private company transaction activity. Whether this activity will be sufficient to maintain the current pace of M&A transactions set by private equity groups will be a function of many factors, not the least of which are the continued alignment of the sun, the moon and the stars.

ACG/Thompson Financial Survey

Merger and Acquisition Climate Is as Good as It Gets

If you're feeling good about the prospects for mergers and acquisitions in the months ahead, you have a lot of company.

The mid-year survey conducted by the Association for Corporate Growth and Thompson Financial revealed that M&A professionals are exceedingly bullish about the current environment, particularly in Chicago.

"Dealmakers' tremendous satisfaction with the current M&A environment and slightly tempered view of the next six months reflect a deal market hitting on all cylinders and the feeling by some that these boom times can't last forever." says Daniel Varromey ACG CEO.

Nationally, the percentage of dealmakers who view the current M&A environment as good or excellent jumped to 85 percent in the most recent survey, compared with 72 percent who felt that way at the end of 2004 and just 45 percent with a positive view at the end of 2003.

Among Chicago's respondents, the rosy view of the M&A climate was 90%.

"The marketplace conditions are very positive and merger pros in Chicago are very active," explains Craig Miller, President of ACG Chicago and Principal of Oak Ridge Capital. "Private equity professionals, investment bankers, corporate development officers, lenders, lawyers, and consultants in Chicago and beyond continue to remain bullish. Their feelings are tempered somewhat, however, by the feeling that the pace of deals may slow down a bit later this year."

Nationally, investment bankers are the most bullish, with 91 percent calling the current environment good or excellent, compared with 79 percent at the end of last year.

Among other members of the profession, lenders and finance providers were 84 percent positive (compared with 72 percent at year-end), private equity professionals were 82 percent positive (compared with 75 percent), service providers were 85 percent (compared with 67 percent), and corporate professionals and entrepreneurs were 82 percent (compared with 67 percent). "Things could hardly be better in the M&A world," said new ACG CEO Daniel Varroney. "Dealmakers tremendous satisfaction with the current M&A environment and slightly tempered view of the next six months reflect a deal market hitting on all cylinders and the feeling by some that these boom times can't last forever."

The percentage of respondents – both nationally and in Chicago – who think the M&A environment will improve further in the second half of 2005 dropped to 68 percent from 87 percent at the end of last year.

Still, each segment of the industry remains optimistic about the future deal environment – with investment bankers sentiment for improvement at 80 percent, corporates at 70 percent, lenders at 59 percent, and private equity professionals at 56 percent.

"I'm pleased that nearly 40 percent of the ACG respondents to the survey indicated that some of their deals and new business came because of their membership in ACG," Varroney said. "My intent is that the next survey will reveal an even higher score because we are going to leverage the current momentum within ACG to create a more powerful organization that helps all members."

Looking forward
The sectors that will experience the most M&A activity over the balance of 2005 are expected to be technology, healthcare and life sciences, and manufacturing and distribution, according to survey respondents.

Half of the merger professionals (55 percent locally) said that the primary goal of a merger or acquisition today is to increase revenues and profitability, while another 34 percent (31 percent locally) said the goal was to grow market share. The company attributes that are most important to an acquirer today are sales and revenue growth, followed by an attractive business sector, profitability, management strength, and proprietary technology.

"This market is in stride because savvy players know that the time to act is when so many others are hot to do deals," said T. Patrick Hurley, ACG President-Elect and managing director of MidMarket Capital Advisors in Philadelphia. "Eager buyers willing to compete in auctions draw sellers confident of premium values. Everybody gets in on the action and ACG members are driving a lot of the action."

Dealmakers say that in mergers today, shareholders' interests (66 percent) are most critical to CEO's, followed by their own interests (18 percent), customers (12 percent), employees (3 percent), and the community (less than 1 percent). Survey respondents also said that disagreement on valuation (60 percent) is the greatest impediment to closing an M&A transaction (74 percent in Chicago), followed by lack of chemistry between management of the target and acquirer (13 percent nationally and 7 percent in Chicago) and economic uncertainty (11 percent nationally and 9 percent in Chicago).

Only 7 percent of national respondents and 5 percent of those in Chicago said that due diligence is an issue in closing a transaction, compared to 13 percent at year-end 2004. However, 70 percent of dealmakers said that their due diligence costs have increased and 86 percent said that the cost and transparency required under Sarbanes-Oxley is a concern for taking a company public, or remaining public.

International flavor
Globalization is also a growing factor in the M&A environment, according to the survey.

Half of the respondents say 25% or more of their clients conduct business outside of the United States. Some 53 percent say it is likely they will conduct a transaction between the U.S. and Europe or Asia this year, with 51 percent saying cross-border deals are becoming increasingly important to their firms.

"Cross-border deals in the middle market are becoming more frequent and more important as small-to-medium sized companies, as well as private equity funds, look to overseas acquisitions to support their global manufacturing and distribution strategies," said William Weirich, ACG Vice President for International Expansion and managing director of Matrix Capital Partners. The survey, conducted in May and June of 2005, was completed by 1,590 ACG members and Thomson Financial customers.

Respondents were comprised of private equity, venture capital, and LBO firm members (24 percent); investment bankers, intermediaries, and brokers (24 percent); lenders and finance providers (9 percent); corporate professionals and entrepreneurs (18 percent); and service providers such as lawyers, workout specialists, accountants, and consultants (25 percent).

Lifetime Achievement Award

ACG Chicago Honors William Wrigley, Jr.
Lifetime Achievement Award Dinner
January 18, 2006
Four Seasons Hotel

William Wrigley, Jr.

For the past 114 years, the names Wrigley and Chicago have been as inextricably intertwined as the famed Doublemint Twins.

The Wrigley Company has been a pillar of the business community since it was founded in 1891, its Wrigley Building headquarters is a downtown landmark, and the friendly confines and ivied fences of Wrigley Field have become a baseball icon. So it's only natural that William Wrigley, Jr., chairman, president and CEO of the Wm. Wrigley Jr. Company and the fourth generation of the Wrigley family to run the international organization, should be honored with ACG Chicago's prestigious Lifetime Achievement Award.

Wrigley will accept the award at a special dinner ceremony on January 18, at the Four Seasons Hotel, 120 East Delaware Place, so be sure to mark your calendars now.

"We are honored to salute an outstanding business leader like William Wrigley, Jr. and to hear his perspectives on the future of the business environment in Chicago as part of what has become one of the signature events of ACG Chicago," says Gary Levenstein of Ungaretti & Harris, past president and chairman of the Lifetime Achievement event. "I know this is an event that all our members will want to attend." Previous winners of the Lifetime Achievement Award have been Larry Levy, co-founder of Levy Restaurants and the Levy Organization; Gordon Segal, founder of Crate and Barrel; and Norman Bobins, chairman, president, and CEO of LaSalle Bank.

The Wrigley Company is the world's largest manufacturer of chewing and bubble gum and home to some of the best-known brands in the world, including Juicy Fruit, Doublemint, Big Red, and Wrigley's Spearmint gum. Though publicly traded since 1923, the company has been led by the Wrigley family since it was originally founded by William Wrigley, Jr., our honoree's great-grandfather and namesake. The current CEO joined the Wrigley Company in 1985. He became a Director of the company in 1988, became a vice president in 1991, was named president and CEO in 1999, and became Chairman of the Board in 2004.

Wrigley served notice that the once-conservative company was seeking aggressive growth opportunities in 2002 when he made a dramatic $12 billion bid for Hershey Foods Corp., an offer that was subsequently declined by the Hershey board.

Undeterred, Wrigley has successfully acquired the powerful Altoids and Life Savers brands from Kraft Foods for some $1.5 billion and also acquired Joyco, a Spanish chewing gum company, for the equivalent of some $260 million. In addition, the company is developing new products internally, such as Orbit White, a tooth-whitening gum, and expanding its international manufacturing capabilities with new factories in China and Mexico.

"In Wrigley, you have a company that is focused on aggressive, yet attainable goals and a powerful team committed to our long-term vision of doing what's right for the business and our shareholders," Wrigley stated at the company's Annual Meeting of Shareholders. Indeed, the Wrigley Company's results reflect its aggressive new policies. Annualized sales are running at a $3.8 billion level, reflecting a five-year growth rate of 12.1 percent and annualized income of $513 million represents a 10 percent five-year growth rate. Wrigley products are a part of everyday life in more than 180 countries around the world, it operates two dozen manufacturing facilities worldwide, and employs more than 14,000 people, having just been added to Fortune magazine's prestigious list of America's 100 Best Companies to Work For. If that's not enough, even the fabled Doublemint Twins – advertising icons from the 1960s – reappeared on behalf of Wrigley this year.

Mark your calendars for January 18 because you won't want to miss this inspiring Lifetime Achievement presentation.

ACG Chicago Growth Awards

Fortune Brands and Juno Lighting Group in the Spotlight

Fortune Brands, based in Lincolnshire, and Juno Lighting Group, headquartered in Des Plaines, are this year's growth award winners selected by ACG Chicago's Awards Committee.
Fortune was selected as the outstanding growth company in the area and Juno was named as the emerging growth company, according to Awards Committee co-chairs Raymond Daly of IBM Global Financing and Mary Warmus of Kensington Financial Consultants.

Representatives of these two outstanding growth companies will accept their awards later in the year as part of our luncheon programming.

Fortune Brands
Fortune Brands is a conglomerate with 2004 sales of $7.3 billion, representing an 18 percent increase over the previous year, and a workforce of some 32,000 people.

In commenting on Fortune's 2004 results, Chairman and CEO Norm Wesley noted that sales, operating income, and earnings per share all grew on an underlying basis at the fastest rates in Fortune's eight-year history.

Fortune's strategic goal is to manage a portfolio of subsidiaries that are either number one or two in their markets. Its current holdings fall into four major categories – home and hardware, spirits and wine, gold, and office products.

Major brand names in its home and hardware category are Moen faucets, Aristokraft, Schrock, Diamond, and Omega cabinets, Therma-Tru door systems, Master Lock padlocks, and Waterloo tool storage. Major spirits and wine brands include Jim Beam and Knob Creek bourbons, DeKuyper cordials, Starbucks Coffee Liqueur, The Dalmore single malt Scotch, Vox Vodka, and Geyser Peak and Wild Horse wines. Golf area brands include Titleist, Cobra, and Footjoy. Office brands include Swingline, Wilson Jones, Kensington, and Day-Timer.

Fortune Brands was formed in 1997 when its predecessor company, American Brands – at one time the world's largest cigarette manufacturer – spun off its tobacco holdings and reorganized its existing brands under the Fortune Brands heading. Its earnings per share have grown at a double-digit rate since that time.

And the company continues to take steps to accelerate its growth in the future, planning to purchase from Pernod Ricard several of the premium spirits and wine brands included in

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Pernod Ricard's proposed acquisition of Allied Domecq.

These new brands include Sauza tequila, Maker's Mark bourbon, Courvoisier cognac, and Canadian Club whisky, as well as Clos du Bois wines and leading spirits brands in the United Kingdom, Spain, and Germany.

Successful completion of the deal would more than double Fortune Brands' spirits and wine sales, significantly increase its international presence, and place it among the top four spirits companies in the world.
Fortune Brands was sponsored by committee members John Weber of National City Bank and Gary Levenstein of Ungaretti & Harris.

Juno Lighting Group
Founded in 1976, Juno Lighting has grown through product innovation and acquisition to become a leading manufacturer of commercial, residential, and industrial lighting in North America today.

The company employs some 1,000 people at its 510,000 square foot corporate headquarters and manufacturing facility in Des Plaines, as well as at three other plants in Indiana, Canada, and Mexico.

Its 2004 sales (fiscal year ending Nov. 30) were $242 million, a 21 percent increase over 2003 sales of $200 million, representing a 39 percent increase since 2000. Net income of $16 million represents a 120 percent increase since 2000.

Juno began with a single product line – the Trac-Master lighting system – and a vision to offer high-quality lighting fixtures that are attractive, well-engineered, and easy to install. Today, its 2,100 distributors offer four additional lighting systems – Acculite, Alfa Lighting, Indy Lighting, and the new ModuLight system, introduced in 2004. The Juno Lighting Group has supplemented its continued innovation in lighting systems by acquiring Indy Lighting in 1988, Dana Light in 1992, Canada-based Acculite in 2001, and Alfa Lighting in 2002. It shares its design and application expertise with specifiers, distributors, contractors, and end-users at its IdeaLab in Des Plaines, as well as at regional lighting education centers located in Los Angeles, Atlanta, Philadelphia, and Toronto.

Juno Lighting Group was sponsored by committee member Carol Carsella of LaSalle Bank.

Many thanks for another year of hard work in identifying outstanding growth companies are due to the entire Awards Committee, Co-Chairs Raymond Daly of IBM Global Financing and Mary Warmus of Kensington Financial Consultants. Committee members Carol Carsella of LaSalle Bank, John Hayes of Anchor Planning & Valuations, Daniel Howell of Mesirow Financial, Garry Karch of KPMG Peat Marwick, Gary Levenstein of Ungaretti & Harris, David Sherer of LaSalle National Bank, and John Weber of National City Bank.

Previous Winners

Previous winners of the ACG Chicago Outstanding Corporate Growth Award include:

Dean Foods Company
1985-86

The Quaker Oats Company
1986-87

Waste Management Company
1987-88

R.R. Donnelley & Sons Co.
1988-89

Illinois Tool Works
1990-91 and 1998-99

Motorola Inc.
1991-92

McDonald's Corporation
1995-96

ServiceMaster Ltd Partners
1996-97

Tellabs
1999-2000

CDW Computer Centers
2000-01

Household International
2001-02

Equity Office Properties
2002-03

Biomet
2003-04

Alberto-Culver
2004-05

Companies that have been selected for the ACG Chicago Emerging Growth Award include:

Arthur Neilsen Company
1982-83

Arthur J. Gallagher & Co.
1985-86

Lyphomed, Inc.
1986-87

Dynascan Corporation
1987-88

Newell Co.
1988-89

Federal Signal Corporation
1992-93

System Software Associates
1993-94

U.S. Robotics, Inc.
1994-95

Tellabs, Inc.
1995-96

Idex Corporation
1996-97

Wisconsin Central Railroad
1997-98

DeVry, Inc.
1998-99

Whitmann-Hart
1999-2000

Communications Supply Corporation
2000-01

Stericycle
2002-03

Zebra Technologies
2004-05

Chicago Chapter growth winners who have subsequently received the International ACG growth award in their category are Waste Management, Motorola, U.S. Robotics, and Idex Corporation.

Boat Cruise

ACG Chicago, along with The Turnaround Management Association and the Midwest Business Brokers & Intermediaries Association, hosted a special evening aboard the Mystic Blue Cruise Boat!

Many of our members enjoyed conversation, open bar and a buffet dinner while cruising along our beautiful lake.

David Pasquinelli, Gaia Tech Inc
Joe Fobbe, PNC Business Credit ▶

Janelle Brittain, Dynamic Solutions Group
Tom Ablum, Franklin Street Equity Partners

Andy Chidester, Duff & Phelps, LLC
Mike Carsella, LaSalle Business Credit LLC
Jim Atkinson, JP Morgan Chase Bank

Paul Krantz,
GMAC Commercial Finance
Champ Davis,
Stout Risius Ross Inc.

Joan Heggen, U.S. Bank
Ruth Huet,
Smith Whiley & Company

Carl Skoog,
JP Morgan Chase
Jeff Schneiders,
Fort Dearborn Advisors, LLC

Scott Goldstein, Northwestern Mutual Financial Network
Bob Moore, RSM McGladrey, Inc.
Jeff Feulner, Fifth Third Bank

Eric Lundstrom,
Focus Capital Advisors
Bill Hubbard,
Hubbard Business Counsel
Gerry Eisenstein,
RSM McGladrey, Inc.

Terry Bressler, Cleary Gull
Mitch Rasky, LaSalle Business Credit

Gold Sponsors

Billow Butler & Company, L.L.C.

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DLA Piper Rudnick Gray
Cary US LLP

Duane Morris LLP

Grant Thornton LLP

Harris Nesbitt

Jenner & Block LLP

Katten Muchin Rosenman LLP

Lincolnshire Management, Inc.

Sonnenschein Nath &
Rosenthal LLP

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Mesirow Financial
Schwartz Cooper Greenberger & Krauss
Seyfarth Shaw LLP
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Wells Fargo Business Credit, Inc.

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