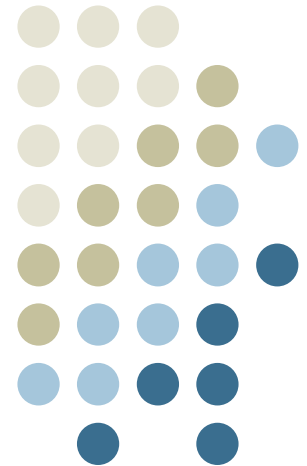


USING MERGERS AND ACQUISITIONS FOR SUCCESSFUL MANAGEMENT SUCCESSION

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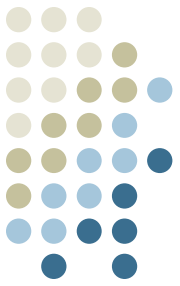


SUCCESSION OPTION

M&A AS OPTION FOR SUCCESSION PLANNING



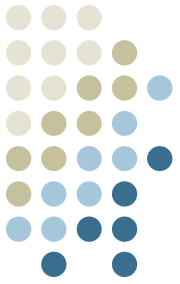
1. General Manager or President Retires
2. Opportunity to ask honest questions
3. Are we positioned for growth?
4. Do we have the right talent across the board?
5. Do we have excess capacity?
6. Are our systems old?
7. Do we have buying and pricing leverage?



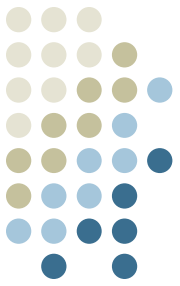
BENEFITS OF M&A

1. Solution for Succession Plan
2. Combine Duplicate Functions
3. Better Utilize Excess Capacity
4. Achieve Economics of Scale
5. Risk Spreading
6. Reduce Cost of Capital
7. Better Cash & Inventory Management
8. Improve Market Power
9. Improve Safety Profile
10. Position for growth, profit and success

WHEN TO PLAN M&A EVENT



1. Ideally, 2 years before General Manager or President Plans to Retire



TIMETABLE

1. Hire Investment Bank or Broker – 2 months
2. Prepare book and circulate – 2-3 months
3. Merger Target or Buyer conducts due diligence – 2-4 months
4. Merger or Purchase Documentation – 2 months
5. Closing – 1 month later
6. Post-Closing Adjustments – 1-2 months after closing
7. Integration (employees, systems, accounting, management) – 1 year

Merger



Combining 2 companies with 1 survivor

Preferred Strategy for Cooperatives

Pros

- (1) Both companies throw in together; all target employees come with
- (2) Acquiring company can typically obtain the target company's contracts without the consent of the other party to the contract
- (3) Additional Members and patronage

Cons

- (1) Assume all liabilities of target, including all employment liabilities
- (2) Sorting out key personnel, leadership issues
- (3) Integration issues (e.g., integrating 2 different accounting and billing systems and licensure and accreditations)
- (4) Membership and Board integration

Asset Acquisition



One company acquires certain assets and liabilities of another company

Preferred Strategy for Private Sector

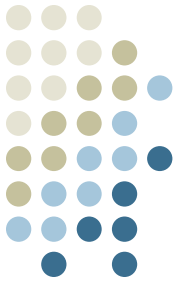
Pros

- (1) Acquirer can pick and choose assets and exclude liabilities
- (2) Acquirer can pick and choose which of seller's employees to join
- (3) Control risk – exclude certain employment related liabilities
- (4) Buyer avoids issues of lingering constituents of the seller

Cons

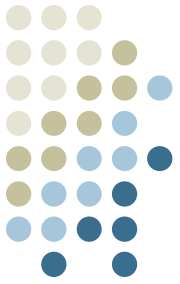
- (1) May require third party consents to transfer non-assignable contracts, e.g., leases
- (2) May require state and local regulatory approvals to transfer licenses

KEY TAKEAWAYS



1. M&A IS AN OPTION FOR SUCCESSION PLANNING
2. USE THE OCCASION TO TAKE STOCK IN YOUR COMPANY
3. IF M&A IS THE ANSWER, PLAN EARLY
4. CURRENT GENERAL MANAGER OR PRESIDENT IS KEY FOR INTEGRATION EFFORT AND SUCCESSION SUCCESS
5. TREAT EXITING GENERAL MANAGER OR PRESIDENT WITH RESPECT AND DIGNITY – DON'T FORGET THE HUMAN SIDE

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