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'Perfect storm' of dealmaking activity brewing in Tampa Bay

Premium content from Tampa Bay Business Journal - by Margie Manning, Senior Staff Writer

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TAMPA — [HSN Inc.](#) is ready to deal.

The St. Petersburg e-commerce retailer, with \$344 million in cash on its balance sheet on March 31, is evaluating its options, which could include an acquisition, said **Mindy Grossman**, chief executive officer.

That puts HSN (Nasdaq: HSNI) among a growing number of firms interested in mergers and acquisitions. M&A activity in the United States totaled \$268.4 billion in the first quarter of 2011, which was the busiest quarter for dealmaking since mid-2007, according to mergermarket, an independent intelligence service.

In Florida, M&A activity in the first quarter comprised 36 deals worth \$4.8 billion, representing a 336 percent increase in deal value over the first quarter of 2010, mergermarket said.

Low interest rates, large cash reserves built up during the credit crunch and business owners who want to sell in 2012 before capital gains rates go up are driving some of the activity. Additionally, private equity funds that raised money in 2006, before the economic downturn, need to deploy that money now, before they go to market to raise new funds, said **Brian Smith**, managing partner of LCG Capital Advisors LLC in Tampa.

It amounts to a "perfect storm of activity," said Smith. LCG, with a staff of 32 in 10 major cities is among the advisors at the center of the storm.

Interested buyers

The accelerating deal climate has a positive impact on the economy, said **Nelson Castellano**, shareholder at [Trenam Kemker](#) in Tampa.

"Hopefully we'll see companies growing, which leads to more job opportunities and investment opportunities," he said.

One gauge of the uptick in activity is the level of interest **Jay Calhoun** saw when he decided to sell his company, [Vanus Inc.](#), a traffic engineering and planning firm in Tampa. Calhoun was looking for a succession plan and lacked the option many engineering firms use — to sell to senior managers — so he worked with **Mike Xenick**, managing partner at LCG, and **Nathaniel "Nat" Roland**, a shareholder at Trenam Kemker, to find a buyer.

"Given that we had seven interested parties, that was a good indication that this was a good time [to sell]," said Calhoun, who sold Vanus to [Gannett Fleming](#), an international planning, design and construction management firm headquartered in Harrisburg, Pa.

The deal was one of 33 transactions LCG advised on in 2010. But there's more than just M&A keeping the company busy. It also does credit advisory work, with 471 engagements from 52 financial institutions last year, mostly handled by a sister company, [Lenders Consulting Group Inc.](#)

Due diligence

Banks hire the company to do due diligence on prospective borrowers. For instance, a bank considering a loan to a manufacturer with multiple locations might not have the manpower to perform a mini-audit, visiting distribution centers, counting inventory, and tying purchase orders to financial records, so it hires Lenders Consulting to do the work.

There's more of that work to go around, now that banks have written off a lot of their bad loans and want to put their capital to work, said **Lindsay Lipsky**, vice president and client manager at [Florida Bank](#) in Tampa.

"We need to put loans on the book in order to produce interest income," Lipsky said. "Most of my clients had a better 2010 than 2009 and they're feeling better about making investments."

Investment bankers also can help companies understand what institutional investors are looking for, said **Blair Frantzen**, principal, managing director and portfolio manager at [Frantzen Capital Management Inc.](#) in Tampa.

Frantzen Capital, a registered investment advisor, got into real estate last year when it launched the Frantzen Tampa Bay Property Fund, putting together a limited partnership to buy, rent and hold properties in distressed markets. LCG provided feedback on similar partnerships in other parts of the United States.

"The residential market — where we are at — has never been a product for the institutional world. It's all new territory for everyone," Frantzen said. Using LCG as an investment bank "legitimizes our ability to work with larger institutional clients."

The strength of the deal market locally is underscored by the May 9 announcement that HFF Inc. (NYSE: HF) would open an office in Tampa. The Dallas company provides capital markets services to the U.S. commercial real estate industry, including debt placement,