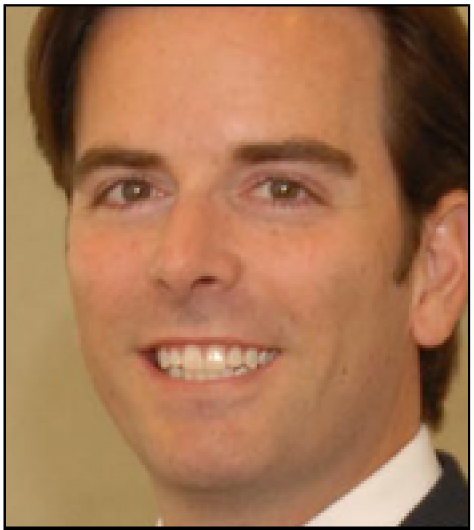
Dealmakers

Miami attorney leads team in $105 million buyout

August 11, 2010

By: Review staff



David Seifer

Dealmaker: David Seifer

The Deal: The attorney with Stearns Weaver Miller Weissler Alhadeff & Sitterson led an eight-attorney team representing four of the member holding companies of FabSouth, a fabricator and erector of structural steel products, in Canam Steel's $105 million buyout of its partners in the company.

The deal closed on March 26.

Details: The transaction boosted CanAm's stake in FabSouth from 15 percent to 80 percent, with an obligation to buy the remaining 20 percent within three years.

FabSouth operates plants in Fort Lauderdale and Daytona Beach, three near Winston-Salem, N.C., and one near Atlanta. It employs about 500 people, and annual sales averaged more than $325 million per year between 2007 and 2009.

The buyer is a subsidiary of Canam Group, which specializes in the design and fabrication of construction products. The operations of FabSouth in the southern United States are expected to enhance and complement those of Canam Group's structural heavy-steel construction business unit.

From the sellers' perspective, "the timing and the opportunity and the pricing were good," Seifer said.

Timing and structuring were the transactions' two main challenges, Seifer said. The deal, completed in six weeks, placed enormous time pressure on Seifer and his team.

"The reason was primarily that the buyer wanted to have the deal signed prior to their annual earnings announcement," Seifer said.

"We knew what the deadline was so both sides were working very quickly to do their best to get it done before that. I believe that we signed the deal and made the announcement the day before their annual earnings release came out."

On the structure side of the deal, Seifer said that the challenge was whether to do the transaction as an asset deal or as a membership interest, or stock purchase.

"In either case, how do you deal with the fact that you have six separate plants located in three different states?" Seifer asked.

"While they're all held in a holding company structure," he said, "each operating plant is a separate entity — each owned by FabSouth LLC as a holding company. While they all worked together as the same company, these are six separate plants run by six separate sets of managers. How do you deal with, basically, six different businesses?"

One advantage is that no matter which owner runs the plant, in a holding company structure each entity is pulling together for a common cause.

"It's an all-for-one, one-for-all situation," Seifer said. "When you're selling it, though, when you're doing your due diligence at six different sites or you are doing analysis regarding the operations, you want to make sure you're taking a look at the different sites in addition to just looking at it on a consolidated basis. While much of that is a buyer concern, it's just logistically difficult to get it all together in that type of a time frame."

While ultimately the deal was structured in the form of a stock purchase, "there are certainly elements of taxation and real estate that were important to the transaction," Seifer said.

That's why attorneys in both specialties were brought in as part of the Stearns Weaver Miller team.

"A tax attorney, for example, is looking for the most efficient structure within which to sell with the least tax impact," he said.

"On the real estate side, what does the real estate look like? What is the condition of the site, terms of leases and consents?"

Seifer said the transaction ultimately resulted in just selling the securities of the holding company, "so ultimately we end up not having to do the full-blown work in three different states, because it's a stock deal instead of an asset deal."

The reason a stock deal is called a "membership interest purchase," Seifer explained, is because "in a corporation, they would be selling stock, but in a limited liability company, you're selling a membership interest," Seifer explained.

Background: Seifer is a shareholder in the Stearns Weaver Miller corporate department. Seifer was assisted by Jeffrey Oshinsky and Donald "Rocky" Thompson, shareholders in the corporate department; David Messinger, a shareholder in the real estate department; Curtis Sitterson, a shareholder in the tax department; Eric Solomon, an associate in the corporate department; and Kearey Wan and Heather Yearwood, associates in the real estate department.

FabSouth vice president Thomas Tucker and chief financial officer Timothy Burns headed the transaction team on behalf of the member holding companies.

The Charlotte, N.C.-based law firm Womble Carlyle Sandridge & Rice represented the buyer.

— Wayne Tompkins

Cushman & Wakefield brokers close $4.9 million Pompano sale to Rexall

Dealmakers: Sky Groden, Rick Etner, Christopher Metzger, Christopher Thomson and Justin Cope

The Deal: Public Storage of Glendale, California, sold a 62,000-square-foot industrial building on a 3.9-acre parcel in Pompano Beach for $4.9 million, or about $80 per square foot. Rexall Sundown of Bohemia, New York, was the buyer. The deal closed on July 27.

Details: Public Storage paid $745,200 for the land in 1997 and in 2001 developed the facility at 3001 Center Port Circle, within the Center Port Industrial Park.

Rexall makes, distributes and sells consumer health products, such as vitamins and nutritional supplements. The 34-year-old company will use the Pompano Beach facility to manufacture, package, store and distribute its products, said Groden, whose Cushman & Wakefield industrial team represented Public Storage in the deal.

Rexall plans to renovate the facility and move its operations there from Boca Industrial Park.

The facility had been occupied by storage company SmartBox, which left earlier this year for a smaller Pompano Beach facility, Groden said.

With sellers being cautious, and buyers hunting for bargains, deals tend to drag out. The sale to Rexall was no exception despite initial interest from the company and several other potential buyers, Groden said. Public Storage first listed the facility in October 2009.

Rexall “was looking at other properties,” Groden said.

“We started negotiating with them in November while talking to other [potential] purchasers,” he said.

Before the sale went under contract, Rexall executives inspected the facility to ensure it complied with U.S. Food and Drug Administration standards, Groden said. Once Rexall was comfortable with the facility, the parties settled on a price about 10 percent below Public Storage’s initial asking price, Groden said.

The deal was helped by the location of the industrial park just west of Interstate 95, combined with the fact that the building is relatively new.

“This is a well-built park that is not old and appeals to the corporate image” of Rexall, Groden said.

Background: Groden is a senior director; Enter and Metzger are executive directors; Thomson is an associate director; and Cope is an associate at Cushman & Wakefield.

CB Richard Ellis senior vice president Jeffrey Kelly represented Rexall in the deal.

Terranova’s Messinger brokers LexisNexis Boca Raton lease renewal

Dealmaker: Real estate broker Gordon Messinger

The Deal: Messinger helped landlord Granite Meridian re-sign LexisNexis as the sole tenant of the Meridian Commercial office complex in Boca Raton.

The 10-year deal, one of the largest leases in South Florida this year, closed on July 23.

Details: LexisNexis provides information to the legal, risk management and accounting industries.

Messinger worked on the deal for almost a year. LexisNexis’s lease at 6601 Park of Commerce Blvd. was set to expire early next year, and the company had reached out to other landlords in the Boca Raton submarket to negotiate a better deal.

Once LexisNexis analyzed the proposed lease deals and compared them with what Granite Meridian offered, including the installation of a new roof for the building, the company decided to stay. Lexis also factored in how much it had spent to upgrade the facility, Messinger said.

“They invested over the past couple of years a significant amount of money into the building, which included a new generator and expanding their data center inside the building,” he said. The company also realized the cost of moving its data center to another location might eat up the savings gained from concessions.

LexisNexis runs its risk solutions division out of the Boca Raton office. It moved into the building in 2004 after acquiring Seisint, which had been the sole tenant of the property since 1998.

Background: Messinger is a senior commercial associate with Terranova in Miami Beach.

Cushman & Wakefield broker Chris Constant represented LexisNexis.