SMART MONEY

What do Michael Dell, private equity firms and this Stanford MBA have in common? They've all bet on the Green Industry.

A MAN, WITH A TRUCK AND A MOWER, EMBARKS ON A DREAM.

He's in the field everyday and invoices every evening. He works hard. His service and product are high quality. He grows quickly, makes mistakes, learns from them and becomes successful.

It's a great story. But you've heard it before.

Try this tale.

A man goes to Omaha's Creighton University with the goal of becoming a doctor. He gets a minor in biology but instead of going to med school, follows a passion for business and graduates with a degree in accounting. He works as an accountant for three years to build up the required experience necessary to attend Stanford's MBA program. While at Stanford, he interns for the CFO of Disney, researching and evaluating its product lines. After receiving his MBA, he works as a consultant at McKinsey & Co., studying various business operations. He conducts a public study of Warner Bros. and a private study of a multi-million dollar East Coast newspaper, helping them create more efficient systems.

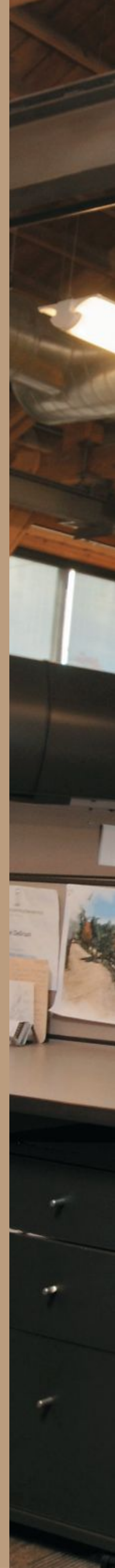
At 35, he gets back into small business (he worked in his family's farmer's market in Nebraska when he was a boy). He gets involved with The Professional Landcare Network. He conducts research on the industry for a year and a half, visiting landscape companies, networking, building relationships and attending industry trade shows.

(At this point, by the way, he still doesn't own a landscape business.)

Relocating to Denver in 2004, he calls five of the top local companies and has them create plans for his landscape, simultaneously gathering corporate intelligence. He finds a business he feels has best-in-class products and services, and tells the owner he

continued on page16

BY ***NICOLE WISNIEWSKI***, EDITOR-IN-CHIEF



Michael Hupf,
CEO, Lifescape Associates

PHOTO BY: LARRY LASZLO; WWW.PHOTOLASZLO.COM

continued from page 14

wants to bring the company best-in-class processes and profit to complete the business picture. Instead of starting from scratch, he invests in an existing business.

Though he came into the industry at the height of the housing bubble in 2006 (admittedly not the best time), he holds his own through the recession because though quality services aren't garnering the same price, his focus on processes has elevated productivity and retained some profit. And obtaining investments from private partners in the Green Industry in 2010 to help his company through this economy and eliminate some risk wasn't a bad strategy, either.

Meet Michael Hupf, CEO of Lifescape Associates. He has studied and continues to study business. He has researched and continues to research the Green Industry. He's your new typical landscape business owner and networking peer. He's also your new competition. And his investment dollars, among others, are drawing lots of attention to the industry.

THE INDUSTRY

Considering today's tough economy, "it's ironic there's a lot of money out there right now" for investing, says industry consultant Judy Guido, Guido & Associates. As the economy suffered, people took their money out of anything high risk and put it into more guaranteed investments — cash or money market positions. "If they did it in time and didn't get hammered, they still have money to invest today," Guido explains.

And since many people "got burned with traditional investments in the recession, now they are looking for something different that has stability, recurring revenue streams and is in line with growing trends," Guido adds.

Enter landscape services, which at this point have developed a track record for weathering recessions well.

During the 2002 economic downturn, for instance, the landscape and garden industry saw growth (12%) where others fell short, according to Business Wire. In fact, "gardening held its own in the recessions of 1982, 1987 and 1990-1991," says Bruce Butterfield, market research director for the National Gardening Association. "It doesn't, therefore, make sense to fear dramatic losses in this industry even if the economy is facing hard times again," adds Raymond Lawrence, a franchising expert and author for EZine.

There's proof of stability.

For recurring revenue, look no further than maintenance. The recession proved the "hardiness of the 'maintenance is king' business model," explains Brian Corbett, managing partner of Atlanta-based CCG Consultants. According to *Landscape Management*'s Industry Pulse report, the average maintenance company grew 6.6% in 2010 — more than any other service. Despite real estate's hardships through the recession, it's still one of the "most expensive assets anywhere so people have to protect and maintain it," Guido says. "They will do what's necessary to keep property values up."

continued on page 17

The next big announcement will be…

MANY INDUSTRY OBSERVERS, mergers & acquisitions advisers and consultants agree there is a growing amount of investment dollars already in the Green Industry, and this activity will continue to attract other investors.

But the biggest impending announcement this year may be the sale of a portion of the biggest property of all — TruGreen, No. 1 on the *LM*150 list, reporting \$1.3 billion in 2009 revenue.

In November 2010, in its filing with the Securities and Exchange Commission, TruGreen's parent company ServiceMaster publicly announced its intent to exit the landscape maintenance and design/build segments of the industry with the potential sale of its TruGreen LandCare division.

This came after a nearly 8% decrease in revenue in its landscape segment and a 2010 third quarter that amounted to a \$5.2 million decrease in operating income, a 9% drop in contract maintenance and an 8.3% decline in enhancement sales compared to one year prior.

"That's a \$225 million piece of business that's up for grabs right now," says Mark Long, a partner with BlueSky Group in Powell, OH. "It'll be interesting to see what happens here."

TruGreen LandCare was born in the mad acquisition dash in 1998-1999 of prominent regional landscape companies by ServiceMaster and rollup upstart Landcare USA, which sold to competitor ServiceMaster in March 1999, shortly after the landscape arms race began.

Today, TruGreen LandCare has operations in more than 100 locations in 40 states and generates about 14% of ServiceMaster's annual revenue. By contrast, the TruGreen LawnCare segment delivers 32% of the company's revenue.

ServiceMaster has engaged Morgan Stanley and Goldman Sachs as its advisers and Sidley Austin as its legal adviser in the process. Pat Spainhour, ServiceMaster CEO, says the options could include business sale, sale of certain business assets or a restructuring of the business.

"I would think this would happen right away," predicts Long, who spent nearly 20 years with Barefoot Grass and almost a decade running Scotts LawnService. "Strategic buyers looking at acquiring the whole thing may think, 'ServiceMaster wants out badly so I can get this on the cheap.' But if a buyer doesn't come to the table with an offer that makes sense, it may not happen that way."

continued from page 16

This is particularly the case with commercial properties — "retailers who want to attract customers and office parks that want to retain tenants and keep properties safe for employees to come and go," Guido points out. "People may not be building new apartment complexes and office buildings, but they know if they don't take care of the external appearance of the buildings they do have, they will not rent them," adds Ron Edmonds, president, The Principium Group, Cordova, TN.

The recession also brought additional maintenance opportunities with tending foreclosed homes and stabilizing suspended construction sites, Guido adds.

Then there's the growing sustainability movement, though "the correlations between the Green Industry and sustainability are not that clear yet to a lot of people," Edmonds says. "I think it may be part of the sizzle but not necessarily the steak," industry consultant Jeffrey Scott adds. "But it's a trend where investment dollars are likely to show up," Edmonds confirms. "Efforts toward sustainable landscapes will attract more interest."

"THE **BEST AND BRIGHTEST MINDS IN THE WORLD**, LIKE MSD CAPITAL AND LEONARD GREEN, HAVE SCOURED ALL THE INVESTMENTS OUT THERE AND **CHOSE THE GREEN INDUSTRY** AS A PLACE TO PUT THEIR MONEY."

– JUDY GUIDO

The reason? Landscaping is gaining a reputation as something "we can't stop doing or it could have a negative effect on the earth," Guido says. "You can't cut down all trees or replace all turf that helps limit erosion or use up water without care — life would cease to exist. It's a life science we need."

What investors look for are guarantees. And sustainability does bring this where regulation and compliance issues related to depleting natural resources and environmental quality are concerned, Guido says. "Landscape companies can become the answers to problems like runoff and stormwater management or water conservation," she explains. "There is also a new generation of products, such as smart irrigation controllers, that will need to be installed to update properties and bring them up to compliance to avoid fines or penalties."

Ultimately, this trend may still take some time to play out since "no one has been able to identify actual savings in sustainability just yet," explains Edward Schatz Jr., president, Yellowstone Landscape Group's Southeast Region.

Though some of these Green Industry attributes have been known for a long time — like the recurring revenue and resilience of maintenance as a service offering — today "these

PHOTO BY: LARRY LASZLO; PHOTO (ABOVE) COURTESY: GUIDO & ASSOCIATES

The investment circle

WHEN MICHAEL HUPF invested in Denver's Lifescape Associates, he approached company founder Charles Randolph with some outside perspective ideas for his business.

He didn't really know he was saying all the things that, at the time, Randolph really wanted to hear, including the words "succession plan."

They worked out a deal where Hupf buys some of the company up front coming in as a minority owner and then buys more of the company over time, giving the employees time to adapt and Randolph a chance to slowly exit the business.

At the time, the company was 95% design/build and 5% maintenance.

Of course, Hupf admits at the time he didn't see the recession coming as harshly as it did. He knew he'd need to make Lifescape a more balanced company.

Today, the 35-year-old, nearly $5 million business is 85% design/build and 15% maintenance. Since these transitions don't happen overnight, Hupf sought out what he provided Randolph with in 2004: investors. He approached industry friends and laid out his strategic vision, asking them if they wanted to be a partner in that growth. A few private industry investors "helped us stabilize and move forward — that's where the investment dollars go so we can focus on growing," Hupf says.

Hupf believes business owners in today's economy have to be able to quickly adapt. And if that means not doing everything yourself, that's OK. "Don't be too proud to seek out consultants and advice from others or bring in partners and even investors," he says, adding that by developing a streamlined sales and marketing strategy with the help of an industry consultant he was able to grow Lifescape's close ratios from 30% to 70% in five years. "It'll help you improve your processes and become more efficient. It's all about working smarter — that's how we'll get through this recession."

elements of the industry are showing up on people's radar screens as more attractive on a long-term basis," Edmonds says, "and others are just beginning to be understood."

THE MONEY

Hupf isn't the only one of his kind in the Green Industry today. In fact, the top three companies on the *LM*150 list are all backed by investment dollars: Clayton, Dubilier & Rice holds a majority stake in ServiceMaster, TruGreen's parent company; Leonard Green backs Brickman; and Michael S. Dell's MSD Capital backs ValleyCrest.

"The best and brightest minds in the world have scoured all the investments out there and chose the Green Industry as a place to put their money — that says something," Guido points out. As a result, "we see a lot more people from the outside looking in."

"There's definitely more of an interest in the industry today," Edmonds concurs. "We know the major players are investing. We know there's a lot of discipline in the investment process and that they've done extensive homework before choosing where to put their money."

Edmonds has received more than a couple of calls from investment bankers who lost their jobs in the recession and want to invest in the industry. Scott mentions clients from the IT industry who have invested in the landscape market recently — one a 20-year veteran of IBM. "There's no doubt the influx of people in the industry at the local level has been people voluntarily or involuntarily leaving the corporate world looking for something in which they can control their own destinies; it's more significant than it's been in the past," Edmonds explains.

And while the majority of deals happening this year will be coming from the larger, established strategic buyers, such as ValleyCrest, Brickman and Yellowstone, predicts Mark Long, a partner with BlueSky Group in Powell, OH, ((ValleyCrest's purchase of Raymow Enterprises and Nanak's Landscaping and BIO Landscape's (Yellowstone) purchase of Agrilawn are a few examples from December 2010)), the private investment category may prove more exciting to watch over the next couple of years, Edmonds says.

"Michael Dell is the zenith of the family wealth category of investors, sure, but there are so many others," Edmonds says. "There is more money in the family wealth category than in all the private equity firms put together. What's neat about them is they invest in similar ways to private equity firms but their attitude toward exit strategies isn't confined to what they committed to when raising the money for the fund. A private equity firm may have committed to a five- to 10-year term but a private investor may be focused on an opportunistic goal in the future that doesn't limit them to a time period."

This means the possibilities for investments to continue in the industry are endless, Edmonds adds. First of all, exit activity in general was up 25% in 2010, according to figures released in January by Dow Jones VentureSource. Second, according to Wayne Simpson, CPA with Utah Business Consultants, Baby Boomer entrepreneurs will bequeath $10 trillion worth of assets, much of which is tied up in privately owned businesses, over the next two decades. "It is estimated that more than 70% of these businesses will change hands during the next 10 to 15 years," he says. And many won't just go to the next generation, particularly if there isn't a next generation lined up to take over.

An example of this is December 2010's sale of Nanak's Landscaping to ValleyCrest Cos. Nanak's founders Sampuran Khalsa and Mahan Kalpa Khalsa don't have children in the business. And their $35 million business was too big to try and sell to the employees, says Corbett, who represented Nanak's in its sale to ValleyCrest. "They needed a plan for the future and this made the most sense for them," he explains.

"WE KNOW THE **MAJOR PLAYERS ARE INVESTING.** WE KNOW THERE IS A LOT OF DISCIPLINE IN THE INVESTMENT PROCESS AND **THEY'VE DONE EXTENSIVE HOMEWORK** BEFORE CHOOSING WHERE TO PUT THEIR MONEY."

– RON EDMONDS

PHOTO COURTESY: THE PRINCIPIUM GROUP

THE BOTTLENECK

Nanak's Landscaping is also a good example of what all of the members of this increasing pool of outside industry investors are after: commercial maintenance. The problem? Large, 100% commercial maintenance companies like Nanak's available for sale are, as Schatz describes, "pretty picked over," especially in certain markets like the Sunshine state.

"Investors are hesitant to look at firms with sizable pieces of design/build in their revenue mixes" since the construction industry, and design/build companies in the landscape market as a result, suffered so much through the recession, Long says.

In fact, "at the end of the day, not a dollar of value is being placed on installation work — where $1 of EBITA in maintenance will get you a multiple, $1 of installation will get you less than one," Schatz says. "We will take some exposure to design/build as long as the company is primarily maintenance driven and shows profitable growth. Even if they have a niche or solid backlog of work, there is still not much value being placed on it, and I don't see this changing for at least the next 24 to 36 months."

And since the residential housing market suffered first, commercial was the target for design/build companies looking to expand into safer territory, stabilize and, ultimately, grow.

But don't leave out the opportunity in residential maintenance, some industry observers insist — Edmonds has noticed some deals moving on the residential side. In commercial maintenance, "competition is fiercer then it's ever been," he says. Efficient businesses have the edge because they can offer more competitive pricing. So "the margins are better in residential right now because you don't have as many sophisticated companies going after the same contracts," explains Robert Taylor, president of Yellowstone's Southwest Region.

Another option is to focus on niche maintenance services that aren't as affected by price as a result of heated competition, such as tree care or lawn care. "Tree care has been pretty stable," Taylor says, adding for this reason BIO purchased Texas Services in December 2009. "I think almost everyone places a high value on every tree they have so people are less likely to cut in that particular area.

"Lawn and fertilization programs are also still making margins, but sales are a lot harder," Taylor adds.

In general, all investors today are driving a harder bargain.

In a recent *New York Times*' article, Business Valuation Resources' Adam Manson says "acquisitions are recovering more favorably for companies with revenues over $5 million." Sales prices for small businesses have been on a downward trend, with companies selling for an average of .52 times net sales in 2008 and .48 times net sales in 2009. But companies with revenue less than $1 million sold for an average of .29 times net sales in 2009, according to data from Toby Tatum, a certified business appraiser using the BizComps database.

In the landscape industry, multiples of roughly 3 to 5 have been the norm, Edmonds says, adding "a 5 transaction is getting pretty rare. Opening rounds of negotiations have been starting lower."

In addition to offering maintenance, companies that have strong brands and customer relationships, quality niche services and good margins will get the best valuations, Guido says.

THE NEW FACES AT THE TABLE

As investments continue in the Green Industry, one of the most intriguing benefits is the outside experience bringing a fresh perspective to the business of landscape contracting.

continued on page 23

The exit strategy

WHAT HAPPENS WHEN all these investors flooding into the Green Industry want to cash out and exit the business? Not much. In fact, as Scott Brickman, Brickman's CEO says, it's like changing banks.

In 1998, Brickman brought in private equity partner CIVC Partners "to create liquidity for my family." In 2007, he did it again with Leonard Green & Partners — this time to create liquidity for his family, the Brickman management team and for CIVC.

And since in both instances the private equity partner owned less than 50% of the company, nothing changed from an operational and leadership perspective — it was "business as usual," Brickman says. "It's a way to manage our capital structure." Brickman, who acquired Colorado's $13 million The Green Plan in early 2010, was No. 3 on the *LM*150 list of landscape businesses with 2009 revenue of $687 million.


Scott Brickman

The continued investment by private equity firms in Green Industry businesses like Brickman "creates awareness for the industry and our business model," Brickman says. "It raises our industry's profile with investors and others in the financial world. It benefits the industry as a whole."

But buying and selling businesses isn't where the process ends, Brickman insists. At the end of the day, "we're landscapers," he says, adding he spent this particular morning with two region managers talking about spring plants and staffing for edging and mulching work, as well as best methods of performing those services. For Brickman, who views acquisitions as opportunistic as they come along and prove to be a good fit for the business, this means retaining teams and retaining customers. "In 80% of the acquisitions we have made, the customer renewal rates at those companies have stayed at historic levels or improved," Brickman boasts. Since acquiring D. Foley Landscape in Walpole, MA, "CEO Dan Foley has renewed 100% of every job he had for the last two years and almost doubled the size of his business," he adds, proudly. "It's all about creating value."

continued from page 20

Not only do the companies involved in these investments benefit, but so do industry peers who share roundtables and peer groups with these new players.

"A lot of successful people in the industry woke up one day and realized they were making a lot of money — it was sort of right place, right time," Edmonds explains. "And our industry became oversaturated with installation companies when the market was hot," Schatz adds.

"Now we're seeing people kicking the tires more trying to understand the business and knowing they can be successful at it," Edmonds says. "It's a different kind of mentality, a different kind of owner."

Schatz explains the trend: "I think our industry is becoming more sophisticated and commercialized. As you draw more intelligence to the industry and operations become more efficient, it raises the level of competition and drives innovation. The more intelligence you have working with you, the more intelligent you become."

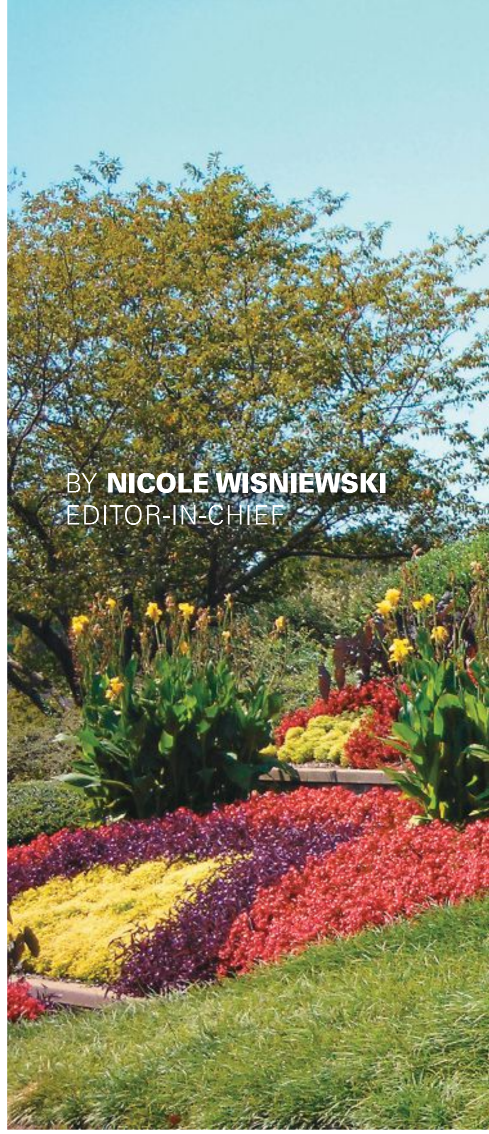
As the industry adapts and grows, "this will continue to attract more investment dollars," Hupf adds.

And, maybe the best benefit, as Guido points out, is "all of this activity will continue to raise the caliber of the industry." LM

PHOTO COURTESY: BRICKMAN

BUY & BUILD

Yellowstone's focus proves to be its greatest strength.



BY **NICOLE WISNIEWSKI**
EDITOR-IN-CHIEF

WHEN GRIDIRON Capital-backed Yellowstone Landscape Group first debuted in 2008 with the acquisitions of Houston's BIO Landscape & Maintenance, Atlanta's Piedmont Landscape Contractors and Bunnell, FL's Austin Outdoor, it had a specific focus: "Create regional platforms that didn't compete with Brickman and ValleyCrest on a national level but competed well with them in a tight geographic region. Buy good brands in local markets and bring value to the table by creating infrastructure to accelerate and support organic growth and providing capital to do acquisitions," explains Owen Tharrington, principal of private equity firm Gridiron.

The purchase of these three companies — $19 million BIO, $30 million Piedmont and $42 million Austin Outdoor (as reported in the *LM*100 list at the time) — was to create critical mass out of the gate, giving them an instant industry presence. Then those three companies were charged with growing organically and making additional acquisitions in their respective markets. By 2010, they were No. 11 on the LM150 list with more than $80 million in revenue.

While Austin was predominantly commercial maintenance, BIO and Piedmont had more design/build in their service portfolios. Though based in a tight geographic spread across the Sunbelt states of Texas, Arkansas, Mississippi, Alabama, Tennessee, Florida, Georgia, the Carolinas and the Bahamas, this was enough diversification to counter economic challenges during the recession — even with that bit of design/build in the mix. "We had planned on the construction business trending downward, not jumping off of a cliff," Tharrington says. "We focused the companies on building their maintenance business from day one and had just enough geographic diversity to have balance in a tough economy."

While the economy's total effect on design/build hit many businesses, it was also a reminder for Yellowstone, which is now altogether 80% maintenance. "If the economy were better we might have been more inclined to keep expanding beyond what we laid out in our original business plan," Tharrington says, explaining they could have acquired more companies in new states that may have veered from their core focus. "Now, we say here's what we set out to do, let's focus on this and not get distracted chasing what might be a good deal in an area in which we're not yet established."

And this eagle eye focus on its core goals is proving to be Yellowstone's greatest strength.

Shared business intelligence

Contrary to popular belief, Yellowstone's plan isn't all about acquisitions.

"We've passed up some opportunities because we were unwilling to grow for the sake of growing," says Edward Schatz Jr., president, Yellowstone's Southeast Region, and founder of Austin Outdoor in 1994. "We want profitable growth."

Today, Yellowstone Landscape Business is an overall 80% maintenance company, with a large focus on commercial properties.

PHOTO COURTESY: YELLOWSTONE LANDSCAPE GROUP

Tharrington agrees. In today's economy, "maintenance is stable — it's not explosive growth, but it's solid, steady growth that brings good cash flow," he says. "If you have a good base of business in an industry that's so fragmented like the Green Industry, that leaves you opportunity to grow organically, set up branches in new local markets and upsell enhancement work at good margins.

"And if we also get an acquisition done in that market, that's great — it's gravy," he adds.

A good example comes with Yellowstone's initial Texas-based acquisition BIO. BIO's founder and president of Yellowstone's Southwest Region Robert Taylor is looking at $38 million in revenue in 2010 — more than doubling in size after selling to Yellowstone at $17 million in 2008. The majority of that growth was organic ($11 million) with $10 million coming from acquisitions. The driver was growing the sales team from two to 15 people, Taylor says. "The goal I set when we sold was I wanted to be at $50 million by the year 2013, and we're on track."

When acquiring companies, Yellowstone has stuck to its mission — "local knowledge and focus with a national presence," Schatz describes. This means acquiring people in addition to companies. "Yellowstone buys companies where the owners want to stay on board and remain engaged, bringing their own strengths in operations or sales to the organization," Tharrington explains. "We haven't done a deal yet where the owner hasn't come to work for us."

To create infrastructure, Yellowstone, the holding company, has relied on people with experience outside of the industry to bring a new perspective to operations at its three operating companies in historically challenging areas for landscape business owners, namely finance, IT, HR, acquisitions and other business management support. The company's CEO John Miller is one example. He's worked for General Motors, General Electric and telecommunications and renewable energy businesses. CFO Cork Van Den Handel also has more then 30 years of experience in finance and engineering. Even BIO's Taylor brought outside industry experience to the organization with a history as an accounting exec at Exxon before he started BIO in the 1980s. "We create value by identifying areas of improvement and bringing business best practices to the table," Tharrington says.

This is something they call "shared business intelligence" or "support that brings a fresh perspective, yet still let's you operate solo," Taylor says. "You come up with a strategy and decide how much you can grow organically and how much will come from acquisitions and you build a plan. But you also have some direction — instead of being a small boat bobbing in the ocean, you're an ocean liner charting a careful course."

Long-term focus

Just like any other business today, Yellowstone has had to battle the challenges that come with recession.

In Florida, for instance, "it feels like no one can call the bottom but it seems to have slowed down to the point where we're starting to see incremental improvements in certain areas," Schatz explains. "Florida is so overbuilt and there's so much lagging inventory. During the past three years, we've been dealing with service reductions and becoming more efficient so we can still deliver on the expectations of clients."

Tharrington "can't imagine the industry can get much worse than it's been the past 18 to 24 months. "It's somewhat energizing to know we've gotten through the worst of it. The management team is

continued on page 26

continued from page 25

still motivated, and if we can get a tailwind from the economy, the hard work we put in the past 18 to 24 months will pay off in terms of having picked up marketshare, improved operations and streamlined systems. If you take corrective measures when things are down, you rebound much quicker."

But at the end of the day, an investment isn't a successful one until the money is in the bank, Tharrington says. "We're focused on our end goal: creating a significant, regional landscape maintenance organization with an established leadership team and good business practices that should be attractive to a strategic or financial buyer."

And to achieve this takes long-term focus, which is a natural part of the commercial maintenance game plan. "Maintenance is a much harder business to grow compared to design/build," Tharrington says. "The sales cycle is longer with annual or multi-year contracts. If you're targeting a specific property, that work doesn't always come up for bid very often, especially if the existing service provider is doing a good job. You have to keep account attrition low to grow the business. So, as an investor, you can't expect to get in and out very quickly.

"We were unwilling to grow for the sake of growing. We want profitable growth." — ED SCHATZ

In 2011, "we are starting to see signs of an economic recovery, and the improvements we've made to the business over the past three years are paying off," Tharrington adds. "Plus, the lending and economic markets haven't killed mergers & acquisitions activity, and we have plenty of capital." LM

POWERED BY DELL

The largest family business in the industry is backed by the largest family investment firm in the country.

BY **NICOLE WISNIEWSKI**

IN DECEMBER 2010, two name brands in Florida landscape maintenance ($34.5 million, Longwood-based Nanak's Landscaping and $12.5 million, Oldsmar-based Raymow Enterprises) merged with Calabasas, CA-based ValleyCrest Cos. Combined, the deals increased the size of ValleyCrest Landscape Maintenance 10%; the company now employs more than 3,100 people in the state.

But what does this acquisition show above all else? According to Brian Corbett, managing partner of Atlanta-based CCG Advisors, "it shows that MSD Capital is committed to continuing to help ValleyCrest grow with the focus on acquiring exclusively maintenance businesses."

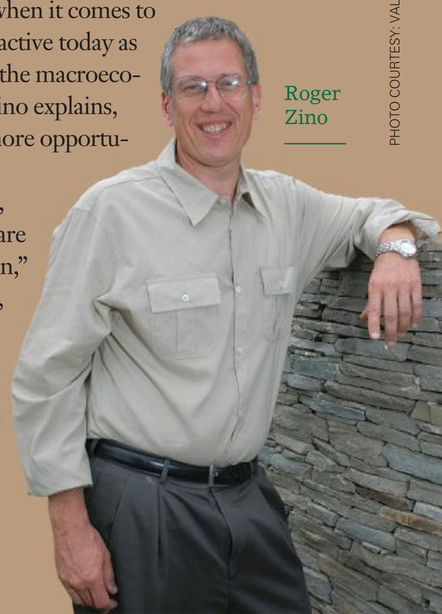
MSD Capital is the firm computer mogul Michael S. Dell created to manage the majority of his fortune. MSD Capital bought 51% of ValleyCrest Cos. in 2006 and has an estimated $17 billion fortune that is spread across a diverse portfolio of companies, including restaurants, car-related companies and landscaping, as reported in *The New York Times* in November 2009. "MSD Capital has set a pattern of jumping into consolidated markets and using its capital to give one player an edge in scale and efficiency," *The New York Times* reported.

And Dell's investment in ValleyCrest has done well. "Despite the roughest economy in decades, ValleyCrest … is growing, as it has historically, by about 12% a year," *The New York Times* explained.

These most recent acquisitions by ValleyCrest in Florida also show the company's focus on design/build is changing when it comes to buying businesses. "Design/build is not as attractive today as it once was from an investment standpoint — the macroeconomics aren't as healthy as they once were," Zino explains, adding the company's acquisition strategy is more opportunistic than planned.

It also gives hope to landscaping in Florida, one of the first states hit by recession. "There are pockets of Florida now coming out of recession," Corbett says. "Construction in Florida is dead, but maintenance is still strong."

As Zino says, "the landscape is not a static thing — it's a living, breathing organism that needs maintained. And, luckily, trees and turf don't read *The Wall Street Journal* — they're still growing." LM



Roger Zino

PHOTO COURTESY: VALLEYCREST COS.