

**Client:** Microfield Group Inc.

**Transaction:** Reverse Merger

## The Situation

It can be challenging for mid-sized companies to access the financial resources they need to grow their businesses. Around the country and especially in the Pacific Northwest, middle market companies find themselves underserved when searching for capital. To many, it appears that new ventures or large companies have a greater variety of options when searching for capital to fund their objectives.

Christenson Electric, an established Portland, Oregon-based electrical services company, found itself in this position in the mid 1990s. With the assistance of knowledgeable and innovative business advisors and investors, it charted a new path that has brought it the success and solutions it sought.

Founded in 1945, Christenson Electric spent the next half-century successfully growing its business. In 1996, the unthinkable happened. Christenson Electric's owner unexpectedly passed away, leaving its management team to guide the company. However, in 1999, management succession issues arose. As a result, the company president approached their longtime partner Aequitas Capital Management and structured an acquisition by Aequitas that provided the liquidity the managers desired. It also gave the management team an opportunity to continue as minority owners and at the same time realize future appreciation in the company's value.

## The Transaction

In 2000, after Aequitas acquired a controlling interest in the company, Christenson Electric's business was negatively impacted by unrealized, large construction job losses, followed by a recession, a downturn in the wind power construction business, (a core competency of Christenson) and other macro-economic factors. Faced with these difficult conditions, the company was forced to lay off employees and change its business model.

From 2001 to 2003, it focused on returning to profitability by ceasing work on large, low-margin construction projects, cutting corporate overhead, improving its billing and collection processes and putting new management in place. After several years of weathering difficult market conditions while focusing on improving operations, Christenson Electric began to see light at the end of the tunnel. The next hurdle was to find the capital it needed to de-leverage its balance sheet and fund acquisitions to improve its value proposition for its customers.

Concurrently, Aequitas had been assisting another client, Microfield Group, Inc., a company that had originally produced digital whiteboards. Microfield became a public company in 1996, but ran short of capital in 1999. Aequitas began working with Microfield in the late 1990s and lent the company money to support it until it was able to sell its product line to Steelcase Corporation. As part of the transaction, Aequitas received 40 percent ownership of Microfield as partial consideration for the risk it accepted. By 2001, Microfield was basically a shell of publicly held company that had shareholders, but no revenues or operations.

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Through its intricate knowledge of both companies and a history of handling complex transactions, Aequitas had the vision to combine the companies in a unique way. In 2003, Aequitas orchestrated a process known as a reverse merger – combining two of Christenson Electric’s four divisions and another company, called Velagio, Inc., into a subsidiary of Microfield. Velagio specialized in information technology services that complemented Christenson Electric’s services. The combined entities formed Christenson-Velagio, Inc., a subsidiary of Microfield Group, Inc.

Recognizing that a strong, capable chief executive officer was needed to integrate the operations and drive the anticipated growth of the organization, business veteran William McCormick, past chairman and CEO of Precision Castparts, Inc., joined the company as interim CEO. He put a new president in place, and to stabilize the financial footing of the company again turned to Aequitas to fund \$2.2 million in working capital.

### **The Results**

Throughout 2004, Microfield continued to rebuild and improve its newly acquired business, Christenson-Velagio. In the third quarter of 2005, Microfield began generating positive operating profits again. With Aequitas’ counsel, Microfield reintegrated the remaining utility-renewable energy division of Christenson Electric. Completed in mid 2005, the acquisition of privately held Christenson Electric provided Microfield with operational and administrative synergies that helped it achieve its first annual operating profit in many years.

Despite the obstacles experienced throughout the process, Microfield never lost sight of the need to explore opportunities for a stronger future. In 2003, Aequitas, on behalf of Microfield, began exploring a relationship with a company based in California called EnergyConnect, Inc. After two years of negotiation, Microfield merged with EnergyConnect and became a subsidiary of Microfield, thereby combining a solid operating platform with a growth engine.

As Aequitas has demonstrated with many clients across multiple industries, providing mid-sized companies with the right business advice and customized financing alternatives and solutions can greatly enhance their shareholder value.

Today, Microfield’s publicly traded stock is trading from \$3 to \$5 per share, up from \$0.15 per share in early 2000, and operating results have been consistently improving. Aequitas continues to provide financial support and remains a significant shareholder.

