

TransContinental Title Company

Brief Overview

Anyone purchasing a home or property knows that among the stack of documents required to close the transaction is evidence of title. Less appreciated is the work required to identify and carefully examine title records for evidence of ownership and encumbrances, and to provide a safety net to the buyer in the form of title insurance. It is in this world that Florida-based TransContinental Title Company has grown to national prominence since its 1987 origin. Led by its CEO and sole shareholder William Baumgart, TransContinental is a comprehensive, nationwide outsourced provider of title and loan closing services to national and regional lending institutions.

Averaging more than 8,000 mortgage transactions per month and with annual revenue surpassing \$60 million, TransContinental agreed in December 2005 to be acquired by one of the nation's two largest title insurers, First American Title Insurance, with more than \$8 billion in annual revenue. To ensure success,

prospective buyer encountered difficulty raising funding during a broad capital-market downturn.

To continue improving its business operations while it contemplated the possibility of a later sale, TransContinental made a decision to upgrade its finance infrastructure, including financial management systems, people and processes.

Why Tatum

The decision was prompted in part by TransContinental's satisfaction with due-diligence work Tatum had conducted in preparation for the company's 2003 presumed sale. Based on insights into the company's finances that the Tatum effort produced, TransContinental engaged Tatum and its financial leadership services.

In the past, the company's accounting, tax and finance work had been handled by an outside accounting firm. Now, with Tatum in place, TransContinental had the benefit of a more structured, perceptive approach to assessing its financial condition, weighing the advantages of expanding or discontinuing regional offices, and otherwise operating from a more informed posture.

The Results

Tatum served TransContinental in both tactical and strategic manners from the onset. Among the tactical contributions made by Tatum was a renegotiation of overnight delivery services—an essential tool for the fast-paced title insurance business—that produced more than \$500,000 in annual savings. The renegotiation was fortified by Tatum's extensive experience in the category, including valuable information about prevailing rates and cost structures in the overnight delivery business.



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Sound financial leadership raises selling price for national provider of title and loan closing services

“Tatum's experience both in raising private capital and in assisting with initial public offerings for growing companies provided valuable guidance in TransContinental's presentations to prospective acquirers. This insight resulted in a higher selling price.”

TransContinental engaged Tatum to help in preparing for the transaction and to help introduce a more sophisticated and structured financial management approach.

Situation

In a rapidly consolidating industry, TransContinental has long stood out as a prized independent company with extensive lender relationships and strong transaction volume. But a planned sale to a private equity group was scuttled in 2003 after the



Tatum Solutions: TransContinental Title Company

BEFORE TATUM	TATUM SERVICES	WITH TATUM
Reliance on outside CPA firm to handle basic tax and accounting functions obscures detail and perspective on financial impact of business decisions	Tatum FasTrack Services	Tatum's application of sophisticated financial analysis techniques and provision of detailed monthly reports provides insights into profitability metrics and aids management in decision making
Presentations to prospective buyers lack financial detail and supporting data essential for proper due diligence	Tatum Merger & Integration and Private Equity Services	Tatum's preparation of detailed presentation book impresses potential acquirers and elevates valuation over an aborted 2003 offer
Certain supplier agreements presumed to offer competitive rates aren't subject to informed scrutiny and diligent negotiation	Tatum CFO Services and Intellectual Capital	Based on knowledge gleaned from Tatum network, Tatum renegotiates key overnight delivery agreements, producing annual savings of more than \$500,000

Tatum also formalized the company's financial reporting processes by producing detailed monthly reports that offered management an unprecedented view of business trends and important metrics such as revenue per transaction and the relative profitability of retail branch offices. TransContinental made changes to its mix of retail branches based on the new visibility, closing some offices and expanding others to improve overall profitability.

On the strategic side, Tatum played a prominent role in supporting the sale of the company in several ways. First, Tatum engaged a regional investment banking firm that identified prospective acquisition candidates and introduced them to TransContinental. Again, the Tatum network played a key role. The selected firm had impressed Tatum in a previous assignment, and within a few months of its engagement TransContinental had received several letters of intent from private equity firms and other strategic suitors. Tatum also aided in establishing a favorable fee structure for this engagement, saving TransContinental several hundreds of thousands of dollars.

Subsequently, Tatum produced a comprehensive report that provided prospective buyers with detailed information on the company's performance and its trend lines. Packed with statistics that provided exacting detail on up-to-date financial metrics, the report elevated the perceived value of the company.

"Tatum's organization of the financial accounts of the company to provide accurate and timely financial data to potential buyers was critical to instilling confidence in buyers in the operations of the company," said John Hill, the senior managing director of Hyde Park Capital Partners, the investment firm that brokered the sale. After completing this evaluation, Tatum Partner Marc Bendesky used his relationship-building know-how to introduce a leading investment firm to TransContinental Board and Executive team.

During the sale, Tatum was present at meetings and discussions with prospective buyers to provide insight and detail about the company's financial posture. Tatum's experience both in raising private capital and in assisting with initial public offerings

for growing companies provided valuable guidance in TransContinental's presentations to prospective acquirers. This insight, combined with a mortgage lending boom that lifted TransContinental's revenues, resulted in a higher selling price than the aborted 2003 offer had provided.

The sale ultimately negotiated with First American calls for TransContinental to continue to operate under its current name and management structure, working in conjunction with First American's National Lenders Advantage unit.

The events leading up to the sale of the company underscored Tatum's reputation across the business community. TransContinental executives were pleased with the broad network of service providers that know and respect the Tatum brand, and today recommends Tatum to similar growth companies.

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