AN INTERVIEW WITH JEFF ROGERS, FOUNDER FOR ONEACCORD & KIROS
CHAIR FOR PARK PLACE MOTORS





Jeff Rogers is Chair for OneAccord & Park Place Motors. Jeff founded OneAccord after 20 years with The Southwestern Company. OneAccord provides senior leadership to private companies to build their value. The goal is to empower business owners who are ready to transition out of their business to meet their personal goals. Recently, as co-founder of Legato Equity, they acquired Park Place Motors – the premier auto enthusiast car dealership in the Pacific Northwest.

Jeff also founded KIROS in 2001, an organization that equips business people to make a deeper connection between faith and work.

Jeff & Amy have been married for over 30 years with 3 grown girls, Lauren, Addy, and Camryn. Amy founded Doingood.org, which has developed schools in Uganda. As a hobby, Jeff has been racing for 10 years in an open-wheel vintage Formula car.

Andy: Good to be here with you. Thank you for taking the time. Let's start with a little background about you and your business.

Jeff: I'm from Edmonds. I'm part of a fifth generation Seattle family on my mom's side. My mom was Miss Ballard in the Seafair parade, and my dad was an Olympic athlete from Seattle. They met through the Seafair parade, so I'm about as Seattle as you can get.

When we think about real estate, we think about investing; we think about business. I think multi-generationally, and I think of impact, community, and what we're part of, and the legacy, and the roots that we have, whereas, you know, there's a lot more people in this area that are not from here than are from here. So how do we create culture, community and relationships through the places we call home?

After 20 years of working for a company out of Nashville, I started our first company - OneAccord, and have worked at OneAccord since fall of '99, so 25 years now. Through OneAccord we ventured in a couple more things that we can get into, as well as involvement in nonprofit work. There's an organization called KIROS, which brings the marketplace together for the faith-based business community to support each other. I'm one of the founders it's not my day job, but it's something I feel passionate about.

Amy and I are parents of three grown daughters, and they still call me dad so that's a good thing.

Andy: What's the work that OneAccord focuses on related to business owner transition? What's the mission of the company?

Jeff: At OneAccord, our mission statement is very simple. It's "Building value. Built on values."

Our focus is really on making companies more valuable for the owner, who typically is looking at some form of transition. We've worked at about 450 companies in 29 states and nine countries. This is typically

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an owner that says okay, I'm ready for my next chapter. The next chapter could be a generational transfer like daughters or sons. It could be an employee buyout which is sometimes called an ESOP, or a management buyout of a team getting together. Most commonly, though, there's no one in the business ready to take it over with the liquidity, so the owner ends up selling it. Our job is to make sure that goes well. We're not the M&A firm; we're the firm that makes sure that the transaction and the preparation are done well so everybody thrives and succeeds when it's through.

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Our M&A experience set up for the launch of what is now called "Legato," and Legato in Greek means Legacy. The mission of Legato, which is a separate entity totally, is to be training up to 50 emerging leaders in five companies every five years. Our goal is looking at business to keep it local, northwest-centric, but bringing in emerging leaders to develop them as future leaders.

Thinking back to community, real estate, legacy, and family, how do you keep that legacy continuing through an owner transition, where it's often lost?

Andy: It's an extremely important mission, especially with baby boomers and the transition, which will transfer the most wealth in history.

Jeff: If you don't have people to run those companies, then what's going to happen by default, is that they'll get swallowed up – consolidated. They become part of big rollups; it doesn't have to be that way if we train up the next generation of leaders.

Andy: If you're acquiring a business, how much value do you typically place on real estate versus the business? We know there are values for both. What are your thoughts on how you look at them?

Jeff: You can't overvalue the importance of real estate for a business. You could overpay for it, but in your equation, the real estate component, unless it's just an online business, is extraordinarily important. If you look at most privately held companies, legitimately that are sub $50 million in revenue, often the real estate is ironically worth more than the business.

In the auto dealer space, many people would say they're in the real estate space, and the dealership helps cash flow it. They're really in the land space and optimizing the land in terms of return. I'll use this as an example because they're pretty big footprints of land and you need to be in a geography



with enough population around to support it. The highest and best use of the land will often be in a redevelopment and that dealership may move elsewhere. That's happening in all sorts of segments where you're seeing multifamily come in, and mixed-use, and commercial, residential.

So, we buy a business based on the business and its value creation where there's an ability to add components to that business that they're not doing. The real estate is always part of the conversation in how you're overall valuing the business when you buy a company.

Let me give three scenarios related to real estate.

First, is you have an owner with a company that owns the land. That's an ideal scenario where you could buy the company and the land, or you could buy the company, and the owner retains the land. They'll use that for a future liquidity event or ongoing cash flow.

The second scenario you have is a company that doesn't own its land. As a result, you have to look at the long-term future of this business and ask how we will address the real estate needs.

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Third, is where you're saying okay, well, do we put a separate pool together to buy a space, be it a building or land, to develop as a separate entity from the business.

You could do it those three different ways. In my experience, having an expert on that part of real estate and value is an important asset in the overall understanding of a transaction.

Andy: Do you care if the real estate is owned or leased, and how is it viewed from a private equity standpoint?

Jeff: Without question, there are two things I'll add. If you have ownership, you have a greater level of protection around an economic event like COVID-19, right? So, we have acquired eight different companies through the private enterprise. We had different landowners treat the businesses differently during COVID-19 based on lease flexibility because some businesses were hit harder than others and because we didn't have the ability to control that, we were at the whim of the owner. So, considering that, how does it affect private equity?

Let me put three groups of buyers out there for context because I think it's the same in real estate investing.

First, you have individuals or small consortiums of people that come together to form an entity, and they buy property.

Second, there are a lot of family offices, and sometimes, a family office gets misconstrued as private equity, but they can have as much money as private equity funds have.

Third, you have what would typically be known as true private equity, where many people, such as a syndication, put their money together, have an investment thesis, and go look for whatever meets their criteria.

The second and the third group, particularly, are going to really consider derisking it in terms of the value, and so the single biggest issue they have is owner dependency. What happens when you take the owner out? That's the number one risk.

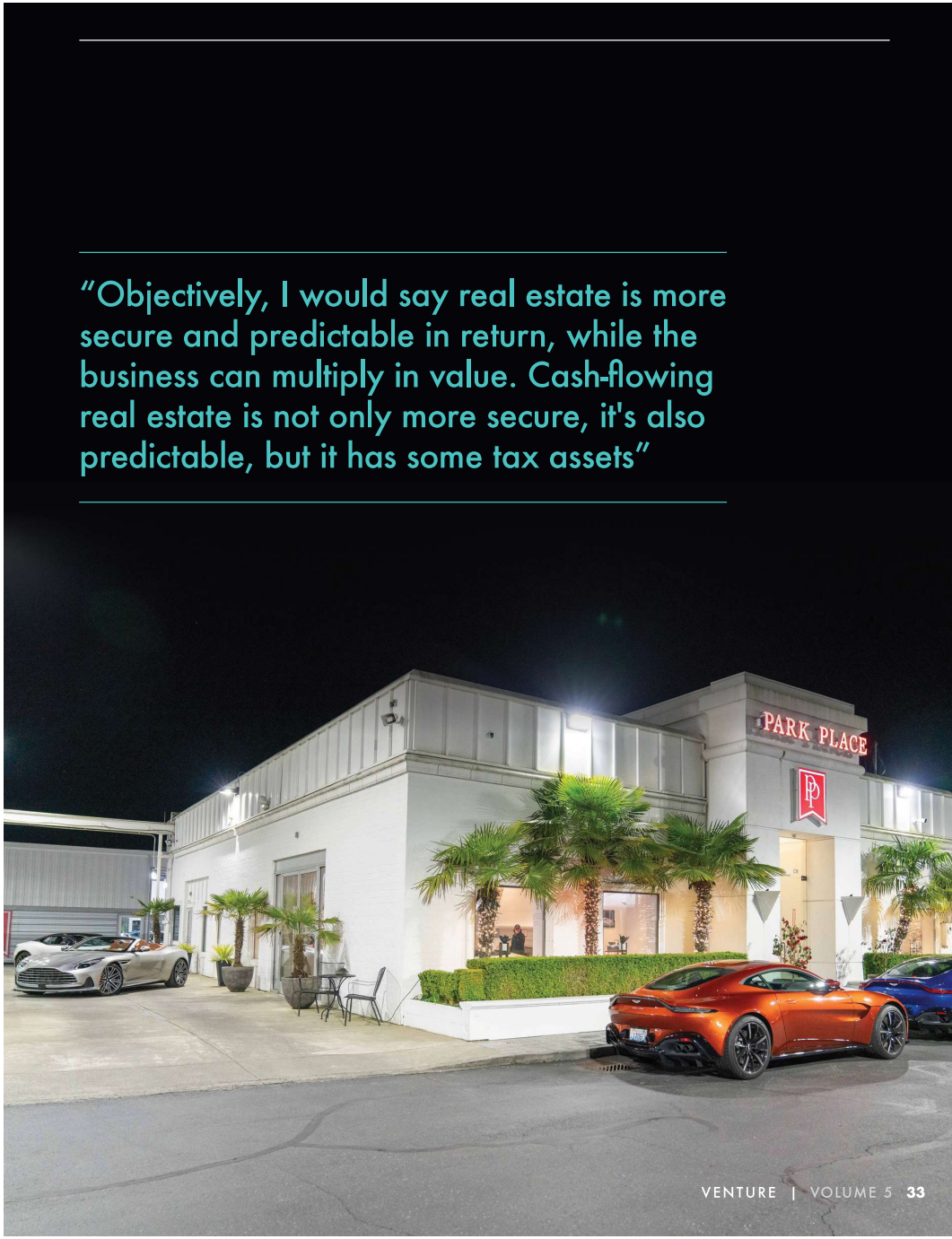
I would say the second is real estate. It dramatically affects the value because if they feel like I've got a factory and I have to pick up and move a 50,000-square-foot factory with all the machinery, what's that cost to move it? What's the downtime? What's the new lease? What are the TIs? So it really gets into play.

Andy: Return-wise, where would you say the biggest return is?

Jeff: Objectively, I would say real estate is more secure and predictable in return, while the business can multiply in value. Cash-flowing real estate is not only more secure, it's also predictable, but it has some

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tax assets. There are some things on the business side that's called "opportunity zones" for example, where the government is really incenting businesses to be there or to invest there. Same on the real estate side. The likely multiples of exit is going to be more on the business side, whereas on the real estate, it's more predictable, but over time, if you look at it, what has been the best investment in the US over the last hundred years? Real estate.

> "We're a port city, we have relatively low power costs, you've got really strong education, you've got transportation by water and air, so there's a whole bunch of things that lend itself well to this area doing well"

Andy: How do you look at the real estate component? There are tax advantages to owning. As a landlord you own it, and you have fewer restraints and constraints. You have more control over costs, and you can keep rents consistent, but do you have any other thoughts on how you approach the real estate component side of it?

Jeff: In general, we'll consider looking at real estate and always would like to own it. Here's the downside to owning. We own the building that OneAccord is in. We purchased that in 2012, so 12 years later, on Market Street in Kirkland. Great location; however, the building is only the right size for the business for a season. It's either not quite big enough or a little too big.

We wish we had more space because we'd like to have more inventory, but we only have so much space. If I want, and the building next door comes up, I could lease it. So, the asset of not owning is you can dial it up or down a little more easily; however, you're not getting the return on the real estate appreciation and the tax advantage in doing it.

Andy: Yeah, it frees you up so you can stay focused on the business, which is a big deal.

Jeff: The great thing about being in the real estate space as a business is it is a less volatile, more predictable investment strategy over the long term. I'm going to give you two data sets. Over time, does real estate tend to appreciate? Yes. Okay, subset it. What percentage of businesses that are started are successful?

Andy: Supposedly 10%

Jeff: That's what I've heard. So, 90%—let's say it's 80 or let's say 50—real estate is traditionally better than that. I think the risk associated with business is really tough. I heard less than 2% make it over 20 years. OneAccord is 24 years old.

If you look at the last decade, what major region or metro area has had the highest percentage growth in development and jobs?

Andy: Fastest growing in the US in the last decade? I would probably say somewhere in Texas.

Jeff: It's here. Most people don't know that. Now will it continue? It depends on a lot of economic policy out of our county and our state government and taxes and so on, but I think we're the best on the West Coast in terms of tax and business-friendly. As long as we stay better than the other two states on the West Coast, we're a port city, we have relatively low power costs, you've got really strong education, you've got transportation by water and air, so there's a whole bunch of things that lend itself well to this area doing well.

Within that, you're going to have all these baby boomers transition. Here's another macroeconomic consideration for you. We have a disproportionate number of enterprise public companies in this region compared to other cities of the same size – for example, name companies based in Kansas City or Minneapolis.

Now, public companies that are well known in Seattle are Boeing, Starbucks, Amazon, Microsoft, UPS, Costco, etc. I bring that up because our region has a few really gigantic enterprise companies, but we have a big gap in what's called mid-market. We don't have a lot of mid-million, 100 million to billion, then we've got disproportionately large, what you would say small, so 10 million to a billion or 10 million to 100 million, whatever you want to say, smaller companies. Most of those own real estate and most of their value is in real estate.

There will be a huge opportunity for investors in the commercial space and development in this region because those boomers will transition their businesses and their property.

Andy: I fully agree. I've also seen and heard more about the need for more because there are so many startups and local businesses, many smaller companies, and a lot of capital unavailable to these companies. There's a lot of capital out of private equity ventures out of either Silicon Valley or New York. As we've grown and made more relationships across the country, we have seen a desire to invest more in this region.

Jeff: For what it's worth, in private equity as a ratio, the Pacific Northwest is the least-served Private Equity Market in the US in terms of per capita. Consequently, many firms out of New York, Chicago, and San Francisco are looking for opportunities here, but as a private investor in both business and real estate, you have a leg up because you're local.

Andy: Jeff, thank you. Fantastic, thank you for taking the time.