

**Personalities: Plantagenet 's C. Derek Anderson Explores Buyouts with
Viking-like Fervor
Hung Tran**

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Buyouts

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Innovator. Explorer. Pioneer. These are some of the terms that can best describe C. Derek Anderson , senior managing partner at San Francisco-based Plantagenet Capital Management LLC. Like his ancestors the Plantagenets, who governed Western France and England with progressive measures of law and governance during 1216-1399, Anderson continues to navigate and explore the forefronts of the buyout industry with much tenacity and ardor.

Where It All Began

Anderson says he first thought about going into private equity 10 years ago as a money manager for high-net-worth individuals in San Francisco. "One individual came to me with some bonds from a men's apparel company that went into default, and I was curious to find out where all of the money had gone with the bond issue that this company raised in 1986," he says.

"The company had been poorly managed for 15 years and yet it had a very strong brand name dating back to 1889. And I thought perhaps there was some value there that could be realized if the company were to rationalize and reorganize. I've always been a hands-on type of manager so I developed a re-organizational plan with the local council in San Francisco and presented it to management. Although they were not happy about it, they went along with it under Chapter 11 of the U.S. bankruptcy code and it became the shortest bankruptcy in the history of Minnesota, which lasted less than a month."

The company then found a chief executive in Tom Gleason who was able to fine-tune its operations and define its strategy to the point where it became highly profitable and attractive as an acquisition candidate.

"I found out that I had a particular interest in navigating through highly-charged situations.

Anderson says it was apparent from that point on that great opportunity can

arise from negative situations if one can keep a cool head and identify it. From then on, Anderson began working with several special purpose partnerships, which invested in three or four different companies that would eventually define Anderson and Plantagenet 's investment philosophy as a buyout firm.

Subsequent investments include companies in the energy and pet food sectors such as Bonneville Pacific, which was an alternative energy company in Salt Lake City, and Dalgety PLC, a U.K.-based maker of pet foods and supplier of beef patties and other frozen foods products to restaurant chains such as McDonald's. In both investments, Plantagenet Capital urged management of both companies to unload its non-core assets in order to restructure its balance sheet. "Investors had lost approximately \$500 million in the Bonneville Pacific investment and in that situation, we bought convertible debentures and became chairman of the bondholder committee," Anderson says. "Ultimately, we not only made a triple-digit return on our bonds, but we also made a nice double-digit return on equity that we bought as the company was being re-constituted and was then sold in two different transactions at the end of 1999 and the beginning of 2000."

Dalgety PLC, which also operated a pig-breeding unit, was a company that suffered from poor management and ill-defined strategy, Anderson says. "In that situation, we bought a small equity portion of the company and had backing from institutions in London that owned approximately 72% of the equity. When the company announced a restructuring, we politely disagreed and pointed out to the management of the board that the only plan that really made sense for the company was to shed all of its units with the exception of the pig breeding operation. This resulted in a handsome profit for Plantagenet as well as other investors," he says.

Until the Last Fires Burn...

Anderson says one element that differentiates Plantagenet from their brethren is their tenacity and drive to win in any given situation. "Once we get involved with a company, we don't leave. Rather, we take very active roles at the board level depending on the situation and we are very proactive in making sure management is doing what needs to be done to revitalize the company and if they fail in that objective, we move quickly to implement changes."

Anderson compares Plantagenet 's investment tactics to those of smoke jumpers that parachute into the most perilous of situations like forest fires.

"But besides putting out the fire, we stick around to make sure the trees grow back and the forest becomes productive again," he says.

Anderson attributes his innovative and progressive way of thinking to his Viking ancestors the Plantagenets whose laws and governance, he says, are the foundation of present day American and English law. "I've always wanted to be an explorer. It is somewhat inherent because of my Viking heritage. The Plantagenets were a very forward thinking group of rulers that both the French and the English today would rather forget about because they were neither Catholics nor of royal descent."

He also attributes his own style of investing to that of Marty Wittman of New York-based MJ Wittman and Co. "He has a good understanding of and a very discerning eye for where value lies that may not be so apparent and is less tangible than what other people might see. He's always been someone I've always held in admiration," Anderson says.

Second to None

As a testament to his ancestry, Anderson says he was one of the first discount stock brokers in the U.S. and also one of the first to offer online investing in 1983-albeit about a decade too early. "I have always been a pioneer and at the forefront of the fields that I've chosen."

Anderson is quick to point out that Plantagenet Capital is at the forefront of the buyout industry in startup and international investments. "Those that have management experience are finding that because they can handle turnaround situations as well as startup companies because a lot of the problems buyout firms run into with startups are not dissimilar to those of turnarounds. The other area we think we're at the forefront in is international investment. We have an office in Paris, France and we did that because we felt that values were becoming fully priced in this country and that there would be opportunities in Europe, especially with the formation of the European Union and common currency."

Because Plantagenet Capital does not have a lot of staff, each investment is very important, says Anderson. "The other thing that's sets us apart from other buyout firms is that we have a broadly diversified portfolio," he says.

Since pairing up with John Zappetini, who has a knack for turning around technology companies, in 1996, Anderson says Plantagenet Capital has invested in 23 companies and has returned on average 45% to its investors.

The buyout industry is moving in the direction of getting involved in early-stage situations as well as later stage buyouts, says Anderson. "I think that is a new trend within the industry. Larger venture firms will probably want to move upstream and do some later stage buyout so they have a little more on the asset side of the balance sheet that they could count on in order to diversify their revenue stream," he says.

Plantagenet Capital completed its first Internet turnaround in November 1998 when it acquired Web site advertising service Big Book Direct, which runs a network of homepages for small U.S. businesses (BUYOUTS Dec. 21, 1998, p. 8). "We've put in new management and a new strategy focusing on Web site development and split the company into an operating and technology unit," says Anderson. "The assets of the operating company were just sold in a five company combination called Wirestone LLC, which now has revenues of \$12 million and will soon have revenues of \$20 million to \$25 million."

"I think there is going to be a lot of investments in this area that haven't worked out and we expect to look at a lot more Internet later stage turnarounds," Anderson says. "We are opportunists and we will go where we see value that we can fully realize from a hands-on, tenacious and decisive management style."

Roots

When he isn't in his office or on the road putting together the next wave of buyouts deals Anderson, true to his Viking heritage, likes to get away from it all by spending time exploring the woods in Northeastern California near Volcanic National Park.

"My wife and I discovered the area almost 20 years ago. It was a very old-fashioned resort where the cabins did not have electricity, but kerosene lamps. It was the only place I can find in California where one cannot call direct, but through an operator. We would go up there for a week at a time, hike all day long, and read a good book having nothing to do with finance in the evening and watch the foliage, which in that part of the world is very beautiful. We just fell in love with the area and bought a house on a 52-square mile lake nearby. We have had it now for three years and it is like opening a door to a different world of relaxation and non-business type thinking."

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**Fact Sheet
Editorial Staff**

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C. Derek Anderson , senior managing partner, Plantagenet Capital Management

Born: May 14, 1941, Los Angeles

Education: Colorado School of Mines and Santa Monica City College

Career Path: Pacific Stock Exchange 1966; Moble, Cook 1966-1968; West America Securities 1968-1972; Shuman, Agnew 1972-1974; CD Anderson & Co. 1974-1985; Anderson Capital Management 1985-1993; Plantagenet Capital Management 1993-Present

Last Book Read: Endurance: Shackleton's Incredible Voyage by Alfred Lansing

Favorite Book: 1984 by George Orwell

Last Movie Seen: Cider House Rules

Favorite Movie: The Maltese Falcon

Favorite Food: "Whatever my wife makes."

Favorite Travel Destination: Kingdom of Tonga

Pet Peeve: Moving

Most Admired Historical Figures: Theodore Roosevelt and Abraham Lincoln

Favorite Quote: "This above all -- to thine own self be true, And it must follow, as the night the day, Thou canst not then be false to any man. Farewell. My blessing season this in thee!" -- William Shakespeare, from

Hamlet

Investment Philosophy: "Invest in troubled companies where management has an entrenched way of thinking."

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