

St. Pete company Buffeted

Priority One becomes area's first to land in Berkshire Hathaway fold

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ST. PETERSBURG -- The long arm of legendary investor Warren Buffet has reached out and anointed a small St. Petersburg business as one of his company's latest acquisitions.

As of this week, Priority One Financial Services Inc. is the only Berkshire Hathaway holding based in the Tampa Bay area.

Forest River Inc., a wholly owned Berkshire Hathaway Inc. (NYSE: BRK.A and BRK.B) subsidiary in Elkhart, Ind., acquired Priority One. Financial details of the transaction were not disclosed.

Forest River is one of the country's largest manufacturers of recreation vehicles. The company has 40 brands of recreational vehicles, 2,800 RV dealers around the country and more than \$1 billion in gross sales.

With 2006 revenue of \$6.2 million, Priority One is a finance and insurance services provider for more than 600 marine and recreation vehicle dealerships. That's up from 2005 revenue of \$5.6 million, as reported in Tampa Bay Business Journal's Book of Lists.

The year over year growth wasn't huge, in part because the company has been investing in its infrastructure instead of its footprint to prepare for future growth, which now will be easier, said Lisa Gladstone, founder and president of Priority One.

Keeping local leadership

Gladstone and her management team will continue to run the company, a typical Buffet strategy for businesses brought into the Berkshire Hathaway fold.

"The Berkshire Hathaway business model is clearly to find well-run companies with market leadership and experienced management and acquire them without changing the people running them," said Brad Mart, Forest River's GM. "There is no reason to change anything at Priority One."

For Gladstone, the unsolicited buyout comes amidst courtship by other companies.

"It was really nuts," she said. "We weren't looking to sell, but last year, six different companies -- Fortune 500 companies -- were interested in us. Most of them were lenders that wanted to change our business model. Then I got a call from Forest River, which turned out to be just an amazing fit for us."

The call from Mart, who left a message with his mobile telephone number, set the stage for the deal. He and Gladstone spent nearly three hours in Priority One's conference room, and he returned about a month later to walk through the business.

It was a familiar scenario for Mart and others at Forest River. In 2005, Buffet telephoned Peter Liegl, Forest River's founder and CEO, and made a purchase offer.

Six days later, the two men shook hands to seal the deal.

"Forest River has the same philosophy -- a handshake and see you later," Gladstone said. "When you look at Berkshire Hathaway, when they buy a company they remove the obstacles and help you grow. Simply having that name behind you opens doors."

Company to double in size

Founded in 1989, Priority One currently has 60 employees. Gladstone predicts that number will grow to more than 150 within several years.

Forest River purchased Priority One's building in addition the business, but now Gladstone does not expect to be there a long time.

"We're forecasting our growth and only plan to be here until the end of 2008," she said. "We won't have enough room here."

For Forest River, the acquisition means more sales and profit for its dealers, Mart said. One of the factors that drew Forest River to Priority One was the finance and insurance services it provides because many RV dealers do not offer the services in-house.

"We were compelled by what they can offer to a dealer," he said. "It helps get deals done and increases dealership profits. It's really an extension of a dealership."

Priority One's business model fits into Forest River's strategy of organic growth, and it is better positioned in the finance and insurance services industry than other companies Forest River evaluated, Mart said.

"Priority One has been doing it better and longer," he said. "It was the only one we entered into conversations with."

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