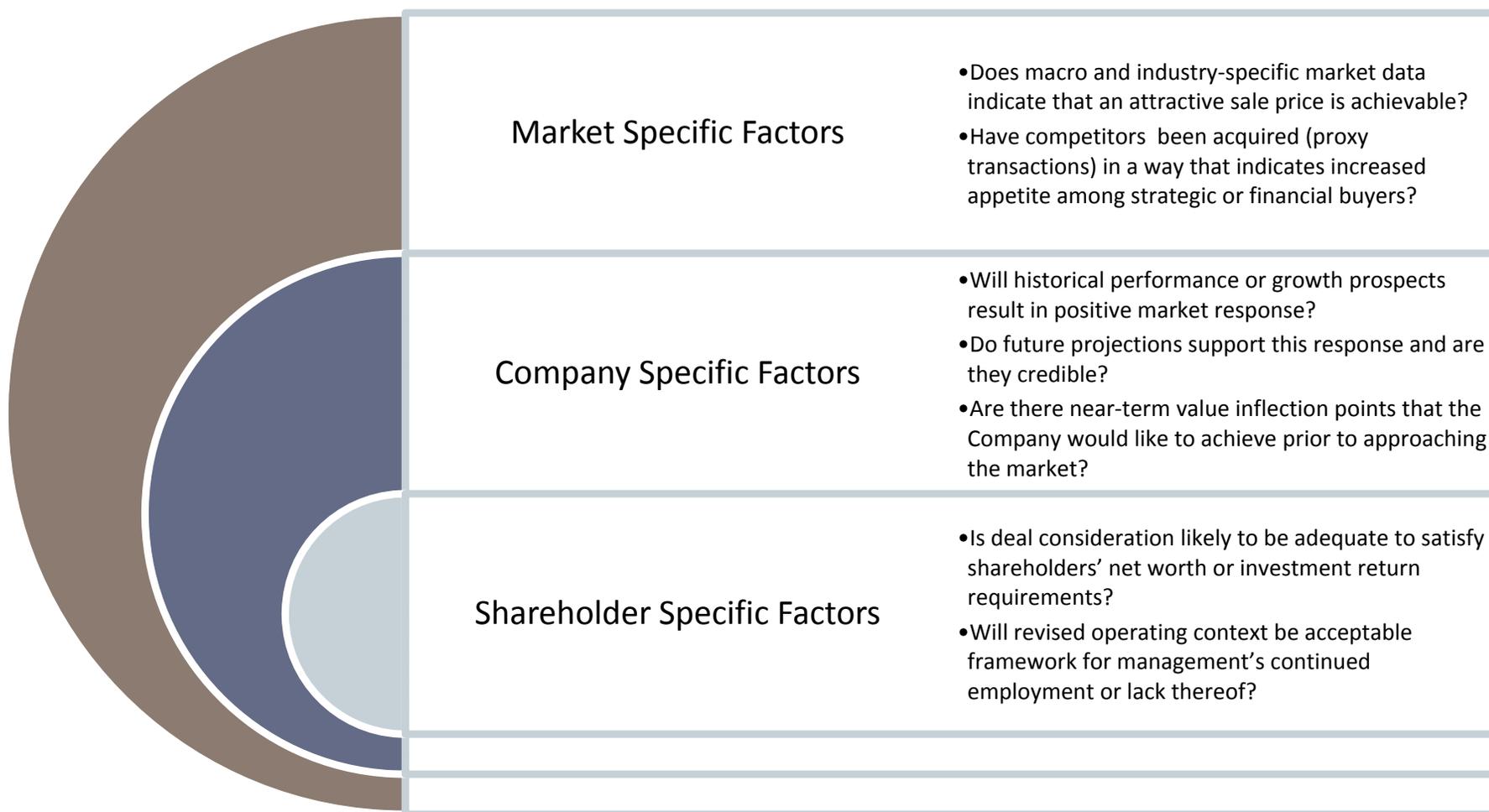


KEY M&A CONSIDERATIONS

AN OVERVIEW OF THE TIMING AND PROCESS INVOLVED IN THE DECISION TO SELL A COMPANY BY USING A FINANCIAL ADVISOR

WHEN IS THE RIGHT TIME TO SELL MY COMPANY?

Broadly speaking, this is one of the most important questions to answer for a company's shareholders and Board of Directors. While a healthy and growing company may not "have to sell", the opportunity for an increased valuation at certain points in a company's development nonetheless represent a trade-off against other investment opportunities, career objectives, and yes, even the desire to enjoy a higher quality of life.



IMPACT OF PERFORMANCE ASPECTS ON M&A OUTCOMES

Throughout a market and M&A transaction cycle, emerging growth and middle market companies are affected by growth expectations as it relates to both the macro economy as well as specific markets. Viewed as a trade-off relative to a particular company's historical performance, it is customary for "growth characteristics" and the potential for revenue synergies with a particular acquirer to be valued more highly than historical financial performance in the early part of a cycle.

➤ Early Cycle

- Favorable M&A outcomes driven greatly by expectations of growth markets
- Higher multiples of trailing earnings-related metrics (i.e. EBITDA), outlier transactions occur for companies with elite growth characteristics and those with potential for product-distribution synergies (revenue-based synergies)

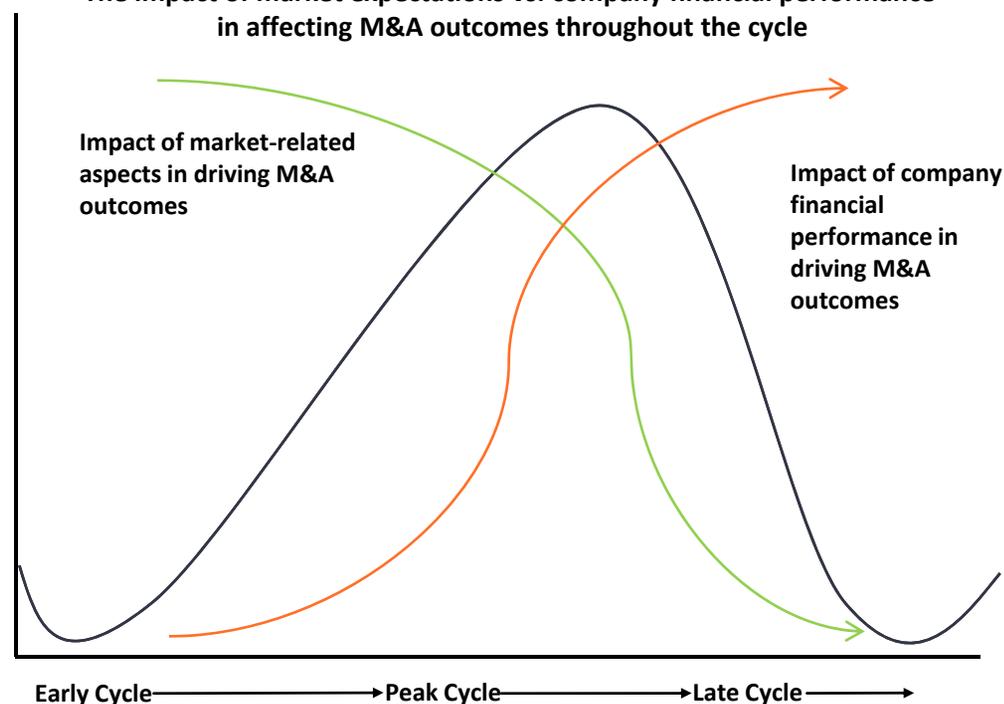
➤ Peak Cycle

- Favorable M&A outcomes driven either by market-related or financial performance-related dynamics
- Competition, overall market optimism drive growth in average transaction values and multiples, but also convergence of outlier transactions

➤ Late Cycle

- Lower multiples of trailing earnings-related metrics
- Consolidation of market share in maturing segments of market, early growth markets play less of a role in driving acquisition decisions. Cost-based synergies have a greater impact on justification of M&A transaction values.

The impact of market expectations vs. company financial performance in affecting M&A outcomes throughout the cycle



M&A PROCESS ALTERNATIVES

Clients have the ability to choose the deal process that best achieves their goals

	Preemptive	Targeted Solicitation	Limited Auction	Broad Auction
Description	<ul style="list-style-type: none"> Screen and identify most likely acquirers 	<ul style="list-style-type: none"> Focused approach to most likely acquirers 	<ul style="list-style-type: none"> Limited range of logical potential acquirers contacted 	<ul style="list-style-type: none"> Broad range of potential acquirers contacted
Number of Acquirers	1 – 5	5 – 10	10 – 25	25+
Advantages	<ul style="list-style-type: none"> Efforts focused on best acquirer Maximum confidentiality Speed of execution Minimum disruption of business 	<ul style="list-style-type: none"> Speed of execution Confidentiality maintained Limited business disruption Avoids perception of business being shopped 	<ul style="list-style-type: none"> Reasonably accurate test of market price Minimizes disruption relative to full auction Creates sense of competition 	<ul style="list-style-type: none"> Accurate test of market price Competition results in greatest chance to achieve best price
Disadvantages	<ul style="list-style-type: none"> Unlikely to maximize value Results tied to 1-2 negotiations Possibility that transaction is not closed 	<ul style="list-style-type: none"> Requires senior management time and commitment May not maximize value 	<ul style="list-style-type: none"> Not as broad a market test as a full auction 	<ul style="list-style-type: none"> Highest risk of business disruption More difficult to maintain confidentiality even with appropriate agreements in place
Circumstances	<ul style="list-style-type: none"> Have very clear sense of most logical acquirer Have strong negotiating position 	<ul style="list-style-type: none"> Have limited group of logical acquirers Have key objectives of confidentiality and limiting any business disruption 	<ul style="list-style-type: none"> Seek balance between maximizing value, speed of execution and minimizing business disruption 	<ul style="list-style-type: none"> Focus on maximizing shareholder value
Timing (months)	4 – 5	5 – 6	6 – 7	7 – 8

TYPICAL M&A PROCESS FOR A LIMITED AUCTION

