

Sell Side Process

A Word About Confidentiality

We understand the sensitivity of taking your business to market as well as the risk of disseminating information about your business. Certain information in the wrong hands could damage relationships with customers, suppliers and employees. Our multi-step process is designed to disclose business critical information only to those buyers that have expressed a bona fide interest and who have a proven ability to execute a transaction. Protecting your business and its value is our primary concern.

Determine Your Best Path

Your personal goals set the framework for the entire process. We work with you to understand and clarify your personal goals and objectives, which differ widely among business owners. For example, in some cases an outright sale of the business will achieve a business owner's goals. In other cases, a recapitalization or a strategic alliance is more appropriate. In some cases, a business owner will desire to depart the business immediately on sale. In others, the business owner may wish to continue working in the business for some specified time.

We understand the ramifications of different deal structures and will help you determine the path forward that will best realize your goals and objectives.

Develop Marketing Strategy

Your timing and confidentiality concerns, as well as the state of your industry and business, will drive our marketing strategy. The shorter your time horizon and greater your confidentiality concerns, the more limited the marketing strategy. The longer your time horizon and the less your confidentiality concerns, the broader the market strategy can be. We can market your business to a select group of likely buyers or we can market your business broadly and generate a controlled auction. Whatever marketing strategy is formulated for your business, you can be assured that it will address your timing, confidentiality and other concerns.

Identify Best Buyers

Whichever marketing strategy is selected, identifying qualified prospective buyers is critical to achieving the maximum price and terms acceptable to you. We conduct extensive research to gain a thorough understanding of your business and industry. This research becomes the basis for accurately profiling your ideal buyer. We then use a combination of our proprietary databases together with several public databases to identify those buyers that fit that profile. Prospective buyers may include customers, suppliers, competitors and financial buyers (i.e., private equity groups). We

understand the importance of concealing your identity to certain prospective buyers. For example, you may not want to contact certain competitors or suppliers, or you may want to contact them late in the process. We will work with you to determine which prospective buyers should be contacted and the timing of that contact.

Prepare Client Profile and Offering Memorandum

The Client Profile is the first document delivered to prospective buyers. The Client Profile (which does not identify you by name) is a one or two page document that describes your business in general terms and helps a prospective buyer determine if it wants to further explore an acquisition. We craft the Client Profile so that it anonymously describes your company, its achievements, its value drivers and its future growth potential. We focus on identifying the significant attributes of your business that are likely to be valued by buyers and highlight these attributes in the Client Profile.

The Offering Memorandum is the central marketing piece for your business. It describes your industry and your business in detail, including its operations, achievements, competitive advantages, history, employees, management, financial results and future growth potential. Your Offering Memorandum will go to great lengths to identify and describe the significant attributes of your business that are likely to be valued by buyers. For example, your business may have technologies, manufacturing capabilities, intellectual property, customer base, supplier relationships or distribution channels that may be prized by buyers. We will examine your business from all angles applying our knowledge of the attributes buyers seek and craft an Offering Memorandum that highlights both the obvious and not so obvious positive attributes of your business.

Taking Your Business to Market

Marketing your business is a four stage process, specifically tailored to meet your needs:

Stage 1: Targeted marketing to prospective buyers. At this stage, we deliver the summary Client Profile to each identified prospective buyer. Remember, the Client Profile contains only a summary description of your business and masks its identity. Our strategy is to reach as many prospective buyers as the marketing strategy requires and yet maintain confidentiality. Those prospective buyers expressing an interest in your business proceed to Stage 2. Note: Each prospective buyer must sign our Confidentiality Agreement before moving forward in the process.

Stage 2: Providing prospective buyers with further information. Because the Client Profile contains limited information about your business, an interested buyer will require further information to determine if it wants to pursue an acquisition. Cognizant of the ever-present need for confidentiality, we screen each interested prospect before divulging any more information about your company. We use our experience to determine their true level of interest (are they window shopping or fishing for information?) and ability to close (do they have the funds or do they have access to financing to buy the business?). Upon passing this screening, we deliver the Offering Memorandum, your central

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marketing piece, only after the prospective buyer delivers a signed Confidentiality Agreement to us. The Confidentiality Agreement prohibits the buyer and his/her agents from disclosing any information about your business, including the identity of your business, to third parties or using any of that information to their advantage.

As an additional control over confidentiality, we watermark each Offering Memorandum with the prospective buyer's name to prevent its further distribution.

Stage 3: Follow Up and Further Information Exchange. We contact each interested party within 10 days after delivery of an Offering Memorandum to gauge their interest and begin a further dialog about acquiring your business. Those expressing continued interest undoubtedly will want to discuss your business in further detail and request additional documents.

At this stage, our goal is to set expectations as to how the process will be handled and see to it that prospective buyers are provided with the information they need to make an offer for your business. However, as with the Client Profile and the Offering Memorandum, we use our 25 years of investment banking experience to sanitize and filter the documents given to these prospective buyers to protect your proprietary information.

Our experience as a gatekeeper not only ensures that your business will be presented to prospective buyers in the best light, but also:

- Protects your confidential and proprietary information;
- Insulates your management team's busy days from the time consuming data gathering process;
- Protects your competitive edge; and
- Streamlines the information exchange with prospective buyers.

Stage 4: Letters of Interest. After receipt of the Offering Memorandum and other requested information, each prospective buyer has sufficient information to determine if your business is a good acquisition candidate. It is time to determine which prospective buyers want to move forward. We ask them to submit a Letter of Interest outlining a purchase price range and other material terms of a potential transaction.

Often times, we will receive multiple Letters. Keeping your ultimate goals and objectives in mind, we will assist you in analyzing and comparing each preliminary bid. We will use industry experience and prior conversations with the prospective buyers to determine each buyer's true level of interest and ability to actually close the transaction. Those prospective buyers deemed unable or unlikely to purchase your company are culled from the process. Then, together with you, we select a limited number of qualified buyers with which to proceed.

Management Presentations

Prospective buyers still in the running at this stage need to meet management and learn additional strategic details about your business. This is an important final step for the buyer to determine if they truly have an interest in acquiring your business. Just as importantly, you need to meet the prospective buyers to ensure their interests are aligned with yours. This is most effectively done through presentations, facility tours and management meetings – all arranged to maintain the degree of confidentiality you require. Our knowledge of your business and the key value drivers that buyers seek allow us to prepare you for these presentations, tours and meetings so that you can present your company in the best light. We will be at your side throughout the entire management presentation process.

Obtain Letters of Intent and Buyer Selection

After the prospective buyers have acquainted themselves with your operations, management and facilities, it is time for the buyers to commit to moving forward. We contact each prospective buyer and request that they submit a Letter of Intent specifying a purchase price and material terms of purchase. In simple terms, a Letter of Intent states that the prospective buyer will purchase your business for a set price on set terms assuming nothing unexpected is found during its due diligence investigation.

The selection of a buyer is a critical juncture in the sale process. You are about to select the buyer with which to proceed.

The highest offer price is not necessarily the best offer. Many factors such as financing, payout terms and post-closing terms must also be considered and compared. Subjective factors also come into play: What is the rapport between you and the buyer? What does the buyer intend to do with the company post-acquisition? Does the buyer have the means to close the transaction? Will the buyer walk away if negotiations do not go smoothly? Will the buyer make unreasonable last minute demands? Will the buyer be difficult in negotiations?

Selecting a buyer is an art, not a science; and you will not be alone at this critical juncture in the process. Applying our experience in transaction structures and using the knowledge we have gained about each prospective buyer, we will help you compare offers that might appear to be apples and oranges. This, in turn, will enable you to choose the offer that best achieves your goals.

Manage Due Diligence

Although the selected buyer already knows quite a lot about your business, it will want to investigate further by conducting diligence. Most requested diligence is in the form of paper such as leases, detailed financial information, corporate records, customer and supplier information, etc. For most transactions, we manage this paper through a VDR (“virtual data room”) eliminating, in most cases, the need for the buyer to send representatives to your business

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premises. Diligence is a very detail oriented and time consuming process. Management's involvement is inescapable; however, our knowledge of the buyer's needs and "hot buttons" helps us streamline the process and take much of the burden off management.

Negotiate Sale Agreement

Sale agreements can be overwhelming. We will work with your legal and accounting representatives to help you understand the various provisions of the sale agreement. With our thorough knowledge of your business and our many years of transaction experience, we can anticipate issues that a buyer may raise during the negotiation process. We will collaborate with you to develop solutions before they arise, giving you the advantage during negotiations and protecting the material terms of your agreement.

Close Transaction

We will work with you all the way to the final closing day to ensure that your objectives are met and your goals are satisfied.