

**"Winning Business Strategies"
Webinar Series**



Do You Know the Value of Your Business?

Presented by:

Clifford M. Bishop & Beverly F. Shillito



You may have an idea of what you think your business is worth, but what would the outside market tell you right now? There are many factors that drive the value of a business. Please join us as we discuss these issues, current market conditions, and several things that you should focus on in order to maximize the value of your company.

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VALUE OF YOUR BUSINESS

- A Business Is Worth What a Buyer Will Pay For It, Not What You Need To Retire.
- How Are Businesses Generally Valued?



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VALUE OF YOUR BUSINESS

- Cash Flow Drives Value (Free Cash Flow)
 - Earnings Before Interest Taxes Depreciation Amortization (EBITDA) explanation
 - Discussion of "add backs"
 - Officer salaries
 - Discretionary expenses
 - One time expenses



VALUE OF YOUR BUSINESS

- Capital Expenditures
- Valuation Methods
 - Multiple of EBITDA
 - Comparable Transactions
 - Public Company Analysis
 - Discounted Cash Flow/Leveraged Buyout Analysis
 - Asset Values



VALUE OF YOUR BUSINESS

- What other Value Drivers do Buyers focus on when evaluating a business?
 - Expected synergies
 - Risk of Owner's Continuation/Departure
 - Management
 - Reliable financial information
 - Repeated periods of profitability
 - Transferable and strong customer relationships



VALUE OF YOUR BUSINESS

- What other Value Drivers do Buyers focus on when evaluating a business?
 - Future repeatable performance
 - Growth and expansion opportunities
 - Barriers to market entry
 - IP advantages
 - Owner's willingness to reinvest in company
 - Limited risk



VALUE OF YOUR BUSINESS

- Current Market Conditions
 - More Buyers than Sellers
 - Growth through Acquisitions
 - Tremendous amount of Liquidity
 - Profitable companies are commanding good multiples
 - Valuations for companies with marginal performance are anemic
 - Credit markets are showing signs of life



VALUE OF YOUR BUSINESS

- Process
 - Indications of Interest
 - Term Sheet / LOI
 - Due Diligence
 - Definitive Agreement



VALUE OF YOUR BUSINESS

- Structure
 - Escrows, baskets and caps, etc.
 - Employment agreements / Leases
 - Seller Financing
 - Earn Outs



VALUE OF YOUR BUSINESS

- Due Diligence
 - Financial
 - Review of Contracts
 - Customers
 - Suppliers
 - Leases
 - Employment Agreements
 - Legal



VALUE OF YOUR BUSINESS

- Roles
 - Owner
 - Management Team
 - Investment Banker/Broker
 - Valuation Firm
 - Accountant
 - Lawyer
 - Banker



QUESTIONS?

Thank you for participating.

Do You Know The Value of Your Business?

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APPENDIX A



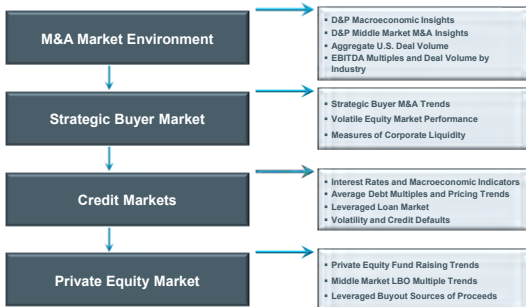
Duff & Phelps Securities, LLC

September 14,
2010

Current M&A and Capital
Markets Conditions

Duff & Phelps Securities, LLC. Member FINRA/SIPC

M&A and Capital Markets Update



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D&P Macroeconomic Insights: The Broader Economy is Rebounding from its Early '09 Weakness

- In 2008-2009, the economy contracted four consecutive quarters for the first time since the 1930's
- However, the recession continued to ease in the U.S. in the second half of 2009, as real GDP increased at a rate of 2.2%, after dropping 6.4% and 0.7% in the first and second quarters, respectively
- Economists are predicting that real GDP will continue to increase throughout 2010
 - Real GDP is grew at 1.6% in the second quarter of 2010 after increasing 3.7% in the first quarter of 2010
 - Private business inventories increased \$75.7 billion in the second quarter of 2010, following an increase of \$44.1 billion the previous quarter and a decrease of \$36.7 billion during the fourth quarter of 2009
- The Consumer Confidence Index stood at 52.7 in June of 2010, down sharply from May's reading of 62.9 reflecting consumer apprehension about the general state of the economy and job market
 - Consumer spending is showing signs of rebounding, although at a slow pace
- The labor market appears to be nearing a bottom, as the number of mass layoff events fell 35.3% in the first quarter of 2010 from the last quarter of 2009
 - The unemployment rate edged down to 9.5% in June 2010
 - The four week moving average of initial claims for unemployment benefits at the week ending June 19, 2010 was approximately 462,750 - down 24% from 607,500 one year ago
- The housing market showed some signs of improvement in 2009 as demand was fueled by the first time homebuyer tax credit, with existing home sales rising 4.9% over 2008, the first annual sales gain since 2005.
- Existing home sales decreased consecutive months in June and May 2010 by 5.1% and 2.2%, respectively, after rising in April and March 2010 by 7.6% and 7.0%, respectively

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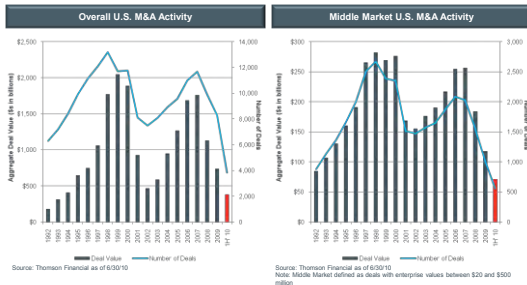
D&P Middle Market M&A Insights: Signs of M&A Market Resurgence

- Valuable market intelligence generated through D&P's recent sale processes illustrate tempered M&A and financing markets, though Q4 2009 and Q1 2010 produced reason for optimism:
 - The M&A landscape has fundamentally changed as tighter credit markets have eliminated the availability of cheap credit, which drove M&A activity and valuations up until 2008
 - The credit crisis has brought large cap buyouts to a near halt, and while middle market buyouts have been less effected, activity has slowed
 - M&A activity among strategic acquirors is limited to those strategics that have a healthy balance sheet and those that depend on acquisitions for growth
 - With debt financing less readily available, private equity firms continue to be willing buyers with plenty of capital to put to work – choosing now to "over-equitize" investments, provide growth equity or take minority positions
 - As credit is now less abundant and more expensive, private equity firms are forced to invest more equity to fund transactions, which is subsequently forcing firms to lower valuations to achieve their required rates of return
- However, recent activity indicates that market conditions are increasingly conducive to heightened M&A activity in the second half of 2010:
 - Capital markets are opening / financing is more available
 - » The M&A and leveraged loan markets showed signs of recovery in the second half of 2009 and the cost of debt has moderated
 - » Strategic buyers with cash-rich balance sheets are actively pursuing M&A in order to drive top-line growth
 - Valuations remain reasonable and sellers' expectations are more realistic
 - Over \$400 billion of private equity dry powder available for investments

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Aggregate U.S. Deal Volume

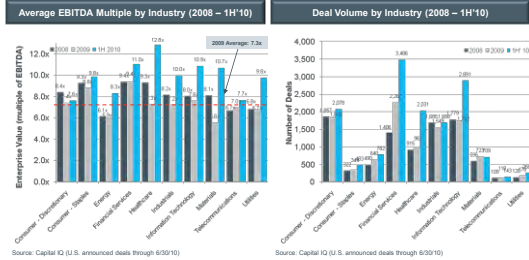
- Tight credit markets, which have sidelined many private equity buyers, resulted in a second consecutive year of decreased M&A activity however, Q4 2009 results provided positive signs going into 2010
 - Announced M&A deals declined 15.9% in 2009 and middle market M&A volume declined by 34.4%
 - Announced M&A deals decreased 4.3% y-o-y in 1H 2010 although middle market M&A volume increased by 30.2%



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EBITDA Multiples and Deal Volume by Industry

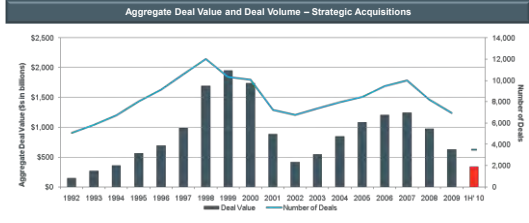
- In 2009, purchase price multiples fell over the prior year across most major industries. However, the first half of 2010 has seen multiples recover across most industries.
 - Most industries experienced flat deal volume in 2009 with the notable exception of financial services
 - Buyers are reluctant to invest in cyclical industries and deal volume and valuations reflects this uncertainty
 - Distressed M&A has driven activity across multiple sectors and is expected to persist throughout 2010



Source: Capital IQ (U.S. announced deals through 6/30/10)

Strategic Buyer M&A Trends

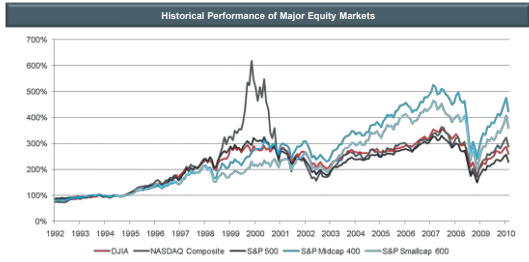
- After peaking in 1998, strategic acquisitions fell precipitously, bottoming out in 2002
- Since then, cheap public market valuations, an increase in distressed M&A activity and large opportunistic corporate buyers with balance sheet flexibility have sustained strategic buyer M&A activity
- In 2009, strategic M&A deal activity declined 15.2% and aggregate deal value declined 35.5%. However, in 1H 2010, strategic deal count increased by 6.9% over the same period in 2009 and aggregate deal value increased 2.7%



Source: Thomson Financial (U.S. targets as of 6/30/10)

Volatile Equity Market Performance

- Since early 2003, mid-cap and small-cap stocks have outperformed the overall market
- Since bottoming out in March 2009, U.S. stock markets have demonstrated resilience with the S&P 500 and Dow Jones Industrial Average finishing 2009 up 23.4% and 18.8%, respectively
- However, the S&P 500 and Dow Jones Industrial Average have decreased by 7.7% and 9.0% respectively since the start of 2010



Note: Nov. 1994 = 100, S&P Smallcap 600 began in Nov. 1994, as of 6/30/10

Measures of Corporate Liquidity

- Balance sheet and debt service management have become increasingly critical across all industries as top-line organic growth remains largely illusive and input cost pressures tighten margins

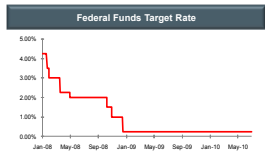
Measures of Corporate Liquidity					
Industry	Total Debt / EBITDA	Current Ratio	EBITDA / Interest Exp.	Debt/Equity	Debt/Total Capital
Consumer - Discretionary	3.3x	1.3x	6.6x	71.0%	33.4%
Consumer - Staples	2.3x	1.2x	8.4x	59.6%	31.6%
Energy	1.7x	1.3x	12.7x	45.9%	28.2%
Financial Services	4.6x	1.9x	3.6x	274.1%	57.5%
Healthcare	1.7x	1.8x	11.1x	59.5%	31.0%
Industrials	4.6x	1.3x	5.6x	94.0%	39.6%
Information Technology	1.4x	1.7x	16.3x	35.9%	24.1%
Materials	2.7x	1.9x	7.4x	54.8%	30.0%
Telecommunications	1.9x	0.9x	9.0x	74.5%	36.4%
Utilities	4.1x	1.0x	4.9x	165.2%	45.7%

Source: Capital IQ, as of 9/30/10
All values are the average of public companies operating in the respective industry

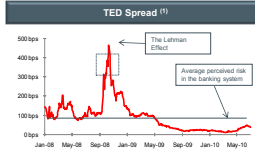
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Interest Rates and Macroeconomic Indicators

- Over \$1 trillion of Federal initiatives to support the economy
- Most measures of perceived stability in the banking system have returned to pre-economic crisis levels
 - LIBOR – perceived inter-bank lending risk
 - TED Spread – perceived risk of banks relative to the U.S. Government
 - VIX – volatility in the public equity markets
- Despite the unprecedented increase in the federal deficit over the past year, U.S. Treasury rates hover near historical lows
- Little perceived near-term inflationary risks



Source: Bloomberg



Source: Bloomberg

Source: Bloomberg
*Spread between interest rates on interbank loans and short-term U.S. government debt, calculated as the difference between the 3-month T-bill interest rate and 3-month LIBOR, generally viewed as a measure of perceived risk in the banking system

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Average Debt Multiples and Pricing Trends

- In general, senior leverage (senior debt to EBITDA) is now in the 4.0x range, with total leverage slightly higher at 4.3x (at 9/30/10)
 - Second lien market is limited, companies have increased use of mezzanine debt to fill out capital structures
- Credit spreads increased significantly in 2008, 2009 and through 2010
- Lenders are now seeking greater protections (e.g. stricter covenants, more collateral and greater amortization) and higher compensation (e.g. higher pricing and upfront fees)



Source: S&P LCO

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Note: Data unavailable for '09 and '10Q9

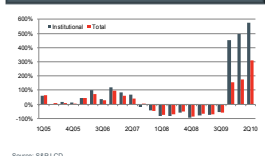
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Leveraged Loan Market – New Issuance Remains Stagnant

- 2009 experienced the lowest issuance for leverage loans since 1991
- Volume during 2009 plunged over 50% to \$77 billion from \$157 billion in 2008 (which was dramatically off of the \$535 billion issued in 2007)
- 1H10 has seen a significant increase in new issuance (on an annualized basis would yield ~\$220 billion, which is nearly the prior two years combined)
- The leveraged loan market experienced nine consecutive quarters of decline until Q4 2009 (which benefited from virtually no new issuance in Q4 2008)
- Sponsored leveraged loan issuance has declined significantly since 2007, but is improving



Year-Over-Year Change in Leveraged Loan Volume



Sponsored Leveraged Loan Volume

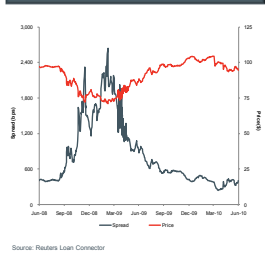


Source: S&P LCD 25

Volatility and Credit Defaults: Loan Defaults are on the Rise

- Turbulent credit markets, coupled with the global recession, have resulted in a significant increase in defaults
- However, S&P projects default rates will decline to 5% in 2010, though consumer sectors remain susceptible
- CDS spreads have tightened over the past 12 months to pre-crisis levels despite fears of future corporate defaults as investors continue to question the sustainability to current earnings (which have generally been positive despite declining sales results), spreads could once again widen

LCDX Index – Credit Default Swap Index



Lagging 12-Month Default Rate as % of O/S Loans

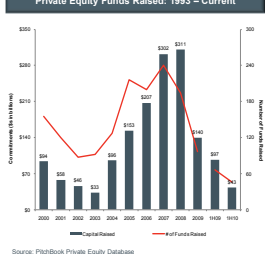


Source: Reuters Loan Connector 26

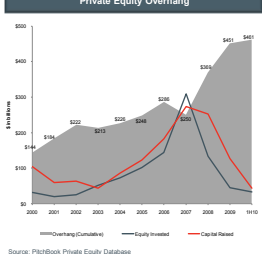
Slowing Private Equity Fund Raising but Still Plenty of “Dry Powder”

- Private equity fundraising has slowed but the market still has plenty of “dry powder”
- In 2009, the fund raising environment was less favorable than in previous years, with 97 funds raising \$140 billion (\$311 billion raised by 194 funds in 2008)
- In 1H10, 46 funds raised \$43 billion compared to 66 funds having raised \$97 billion in 1H09
- Private equity firms still have plenty of uninvested capital and were reluctant to deploy capital in 2009 (despite the increase in recent activity in 1H10) – there is an estimated \$400+ billion in uninvested private equity capital

Private Equity Funds Raised: 1993 – Current



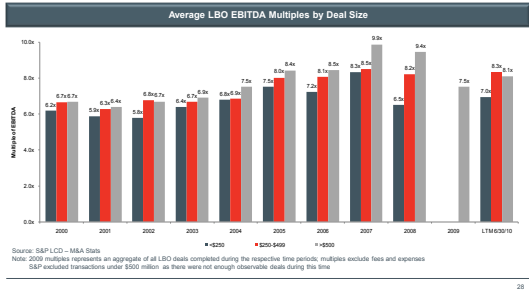
Private Equity Overhang



Source: PitchBook Private Equity Database 27

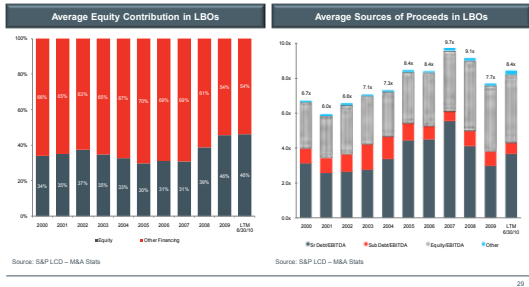
Middle Market LBO Multiple Trends

- From 2003 to 2007, LBO valuation multiples increased due to the availability of cheap debt and intense competition among private equity firms to invest enormous levels of capital
- As debt markets have tempered, private equity firms have been forced to invest a greater percentage of equity in transactions, subsequently forcing firms to lower valuations to maintain their required rates of return
 - Because of the lack of available credit to finance LBOs, private equity firms have increasingly resorted to all equity buyouts, growth equity capital infusions and minority equity investments to put capital to work



Leveraged Buyout Sources of Proceeds

- The tight credit markets and stricter terms (e.g., high interest rates, strict covenants, large upfront fees) of the debt capital that is available has forced private equity firms to invest more equity to fund transactions
 - Equity contributed to fund LBOs has risen to ~46% as of LTM period ended 6/30/10
- Prior to the credit crisis, bank debt was the primary funding source for LBOs (averaging ~50% of total proceeds)
 - In 2009, bank debt constituted under 25% of total proceeds, with other forms of secured debt (primarily from specialty lenders and hedge funds) accounting for nearly 20% of proceeds



APPENDIX B

(the "Company")
DUE DILIGENCE CHECKLIST

OUTLINE OF CHECKLIST

- A. Basic Corporate Documents of the Company
- B. Bank Corporate Documents of Subsidiaries and State Corporations
- C. Capitalization
- D. Material Contracts, Agreements, Information, and Literature
- E. Litigation Disposition/Status
- F. Audit Documentation
- G. Employee Documentation
- H. Financial Documentation
- I. General Operations
- J. Regulatory Matters
- K. Intellectual Property

The following documents are requested for the Company. Please indicate the status of delivery of each requested item and provide any items that have not previously been provided as soon as possible. Additional requests may be made after receipt of the information described below.

NO.	ITEM DESCRIPTION	PREVIOUSLY PROVIDED	PROVIDED HEREWITH	TO BE PROVIDED	NOT APPLICABLE
(A)	BASIC CORPORATE DOCUMENTS OF THE COMPANY:				
A1	Certificate or Articles of Incorporation including all amendments				
A2	Bylaws, including all amendments				
A3	Minutes of all meetings of directors, committees of directors, and stockholders, including any minutes of all such meetings where written notices were given, and copies of all written consents				
A4	List of all states and foreign countries where property is owned or leased or where operations are located or carried regularly				

SEBALY SHILLITO + DYER, a legal professional association
Due Diligence Checklist



