

BUSINESS SUCCESSION PLANNING SEMINAR

Session 2 - October 25

Investment Banker and Private Equity Group Panel

Panelists: Barry Johnson - Windward Advisors
Rob Mitchell - Alpha Omega Capital Partners
Rick Naschold - Dominion Partners
Tom Tullidge - Cary Street Partners
Andy Brusman - Albion Investors
Scott Bryant - Pine Creek Partners
Matthew Engle - Quad-C Management, Inc.

Moderator: Ben English - Hirschler Fleischer, PC

Introduction.

Overview of the topic and recap of Session One

- Process for transitioning ownership and control to new players.
- Process includes identifying goals, assessing risks, evaluating condition of the company and those around it, assembling a team and implementing the plan, with re-evaluation. Timing considerations are important and often beyond the control of the owner.
- Session One explored scenarios of intra-family succession and management-lead leveraged buyout of the founder.

Session Two will focus on exit strategies, first with a panel of investment bankers and private equity investors, then with a panel of business owners who have gone through the process. This presentation is designed to provide the audience with an understanding of the role an investment banking firm can play as an intermediary in helping the company prepare for and negotiate an exit scenario or a succession event, and the roles of private equity groups in providing the financial and intellectual capital necessary to assist the owners of companies in diversifying their personal wealth while growing their companies beyond their capabilities.

Investment Banking Panel

Introduction of panelists and their firms.

Discussion Questions and Issues:

- What does the process of selling a company involve and how can an investment banker help to manage the process?
- How should a company prepare for a sale transaction?
- How do potential buyers value a company they are interested in buying? Is there a difference in how different types of buyers (financial vs. strategic) approach valuation? What is the impact of recent developments in the financial markets?
- How can a company minimize the impact of the sale process on its operations?

Private Equity Panel

Introduction of panelists and their firms.

Discussion Questions and Issues:

- In considering an acquisition, what are a private equity investor's goals and how does he evaluate a candidate in light of those goals?
- What are the differences between private equity and strategic buyers?
- What is the significance of control in structuring a private equity deal?

Audience Questions

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Agenda and Related Issues for Session 2 - October 25

Client Entrepreneur Panel

Panelists: Chris Ziegler, Former CEO of Compass Energy Services, Inc.
Bob Bailie, former principal of Insulation Consulting and Supply Corporation

Moderator: Carroll Hurst - Keiter, Stephens, Hurst, Gary & Shreaves, P.C.

Introduction of Chris Ziegler, former CEO of Compass Energy Services, Inc.

Discussion Questions and Issues:

- How did the company's decision to start the business with six equal shareholders affect the company's strategic plans, its flexibility, its growth capability, and its ability to consummate the sale of the business?
- What factors did management consider in choosing its suppliers of gas, and how did the company's relationships with its gas suppliers affect its ability to grow and finance that growth?
- What factors led management to first consider exit strategies, and what alternatives were considered as viable options? How did the ultimate exit decision compare to any earlier exit planning scenarios that were considered, and how early in the company's existence were possible exit alternatives considered?
- How united were the shareholders in the decision to sell the company, and to what extent did the negotiations concentrate on the various roles of the shareholders in the acquiring company following the sale?
- What were the principal reasons the shareholders decided to conduct exclusive negotiations with its primary supplier to be the buyer of the company, and was the initial proposal suggested by the company or its primary supplier? What were management's plans in the event the negotiations had been unsuccessful?
- How sensitive was the exchange of confidential information with the company's largest supplier during due diligence? Did management have plans on how damage could be mitigated if the supplier had chosen to not purchase the company but instead entered the market as a competitor, or was this not a viable option for the supplier?

Introduction of Bob Bailie, former CEO of Insulation Consulting and Supply Corporation

Discussion Questions and Issues:

- How rapidly had the company grown in the years leading up to the decision to consider exit strategies? Did you feel this growth was sustainable or could be expanded, and what risks did you feel were associated with the continued growth of the business?
- To what extent did you feel growth could be best achieved through acquisition? How much additional capital did you feel would be needed to execute the optimal acquisition strategy, and what alternatives were considered for executing this strategy?
- What were the principal factors that led to the decision to consider partial exit scenarios, including any personal or non-business issues, issues related to management structure and depth, availability of capital, and economic conditions?
- Prior to initiating discussions to recapitalize the company, how long had you been considering possible exit strategies, and how did your ultimate decision differ from earlier considerations?
- How important was the nature of your role in the company after the recapitalization on your ultimate decision to recapitalize rather than sell the company outright?
- Were only private equity firms considered for this transaction, or did you also consider a sale to a strategic investor?
- Was there a significant variation in the percentage of equity versus debt that the competing private equity firms proposed for the transaction, and if so, how did these differences affect your ultimate decision?
- What was the nature of the assistance provided by the private equity firm to management following the recapitalization, and were the private equity firm's stated plans consistent with what actually unfolded following the acquisition?

General Questions for Both Panelists

Audience Questions