

WHAT YOU NEED TO KNOW ABOUT THE EXIT PROCESS

Presented Michael Butler and Josh Curtis
Footprint Capital

YEAR IN REVIEW 2020

Footprint Capital focuses on advising owners of privately held lower middle market companies

8 Deals Closed in 2020

QUEENCITY HOSPICE
A PORTFOLIO COMPANY OF
STONEHENGE PARTNERS, INC.
Private Capital Solutions
HAS ACQUIRED CERTAIN ASSETS OF
CARE CORP
Home Health & Hospice
EXCLUSIVE BUY-SIDE ADVISOR

MWE
HAS PARTNERED WITH
PROVARIANT EQUITY PARTNERS
TECUM CAPITAL **Centerfield Capital PARTNERS**
EXCLUSIVE SELL-SIDE ADVISOR

SUNVERA
A PORTFOLIO COMPANY OF
Ridgemont EQUITY PARTNERS™
HAS PARTNERED WITH
ROHR EYE & LASER CENTER
EXCLUSIVE BUY-SIDE ADVISOR

MANUFACTURER OF ORTHOTIC DEVICES IN CANADA
WAS ACQUIRED BY
CONFIDENTIAL BUYER
EXCLUSIVE SELL-SIDE ADVISOR

HONEYMOON
Paper Products, Inc.
WAS ACQUIRED BY
SCT SOUTHERN CHAMPION TRAY
Paperboard Packaging Specialists Since 1927
EXCLUSIVE SELL-SIDE ADVISOR

TRISKELION EQUITY PARTNERS
HAS ACQUIRED
AN AFTERMARKET AUTOMOTIVE MANUFACTURER
EXCLUSIVE BUY-SIDE ADVISOR

SUPERIOR DRAINAGE
Plumbing • Drain • Septic
HAS PARTNERED WITH
HEARTLAND HOME SERVICES
A PORTFOLIO COMPANY OF
NORTH BRANCH CAPITAL
EXCLUSIVE SELL-SIDE ADVISOR

JAAS SYSTEMS
HAS SOLD ASSETS TO
Acumatica
The Cloud ERP
A PORTFOLIO COMPANY OF
IEQT
EXCLUSIVE SELL-SIDE ADVISOR

ABOUT FOOTPRINT CAPITAL

- Boutique Investment Bank
- Based in Columbus, Ohio
- Sell Side Advisory
- Buy Side Advisory
- Management Buyouts
- Ownership Transition Planning



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50+ DEALS SINCE 2015

8 DEALS CLOSED 2020


Introduction – Michael Butler

3

Michael Butler is a Senior Director at Footprint Capital. Michael is responsible leading sell-side and buy-side engagements with business owners. In addition, Michael cultivates relationships with clients, prospects, centers of influence, private equity firms, and family offices.

In addition to his role at Footprint, Michael is also a Partner of NCT Ventures, a venture capital firm founded by entrepreneurs. At NCT, Michael is responsible for evaluating investment opportunities, taking a hands on approach in facilitating the growth and development of these early stage companies, and raising capital for NCT's fund. Michael's experience as an investor and board member provides value to each and every engagement he engages on at Footprint.

Prior to joining NCT, Michael was President and Chief Distribution Officer of Nationwide Fund Distributors, LLC. In that role, he was responsible for distribution for all Nationwide funds. During his 20-year tenure at Nationwide, Michael also served as Vice President, Mutual Fund Strategy; Senior Vice President, Qualified Plan Sales; and Manager of their independent broker-dealer channel comprised of 85 field-based financial services wholesalers.

Prior to Nationwide, Michael served as CFO for an Ohio based manufacturing and distribution company and as a Senior Consultant with Ernst & Whinney.



Education

Ohio State University, Fisher College
B.A., Business Administration, Finance

Professional Accreditations

Certified Merger & Acquisition Advisor
Certified Public Accountant (non-practicing)

Associations & Memberships

Alliance of Merger & Acquisition Advisors
United Way of Central Ohio
Boys & Girls Club
Big Brothers/Big Sisters

Introduction – Josh Curtis

4

Josh Curtis is Managing Director at Footprint Capital. Mr. Curtis advises business leaders in ownership transitions and liquidity events, including sell-side and buy-side transaction engagements as well as succession planning, strategic growth, management buyouts, ESOP formations, capital raises, and leveraged recaps. His career has been dedicated to facilitating strategic initiatives for both private and public companies with revenue ranging from a few million to over a billion across all industries in the U.S.

Prior to leading Footprint Capital, Mr. Curtis served as Vice President with Insource Spend Management Group in Hilliard, Ohio. At Insource, Mr. Curtis directed the company's strategic growth initiatives, including acquisitions, strategic partnerships, and alliances. He led the company through two synergistic acquisitions and ultimately, through the sale of Insource to AFS Logistics, Inc., a strategic buyer. Additionally he acted as CFO.

Foregoing his work at Insource, Mr. Curtis had tenures at GBQ and Fifth Third Bank in Columbus, Ohio. He served in a Director role at GBQ Capital, a boutique investment bank owned by GBQ Partners. He started in GBQ's business valuation practice and became an essential contributor to the formation, development, and success of the merger and acquisition practice. Mr. Curtis began his career at Fifth Third Bank, where he held several positions in Commercial Lending, including Relationship Manager. In this role, Mr. Curtis served companies with sales ranging from \$5 to \$500 million in Central Ohio.

Mr. Curtis currently serves on the Board of Directors of Great Lakes Assemblies, LLC, Gulf Shore Assemblies, LLC, and Indiana Assemblies, LLC. In addition, he is on the Advisory Boards of Silver Threads, LLC and Telecommunication Technologies Group, LLC.



Education

Wittenberg University
B.A., Business Management, Finance

Professional Accreditations

FINRA Series 7, 79, 63
CEPA – Certified Exit Planning Advisor

Associations & Memberships

Association of Corporate Growth
Alliance of Merger and Acquisition Advisors
Exit Planning Institute
Ohio Foundation of Independent Colleges

Unfamiliar Territory

5

- Process
- EL with an IB
- Buyer pool
- Teaser
- NDA
- CIM
- IOI
- LOI
- DD
- PA

Agenda

6

- Exits and exit planning
- Advisors and their role
- Sell side process

What is Exit Planning

7

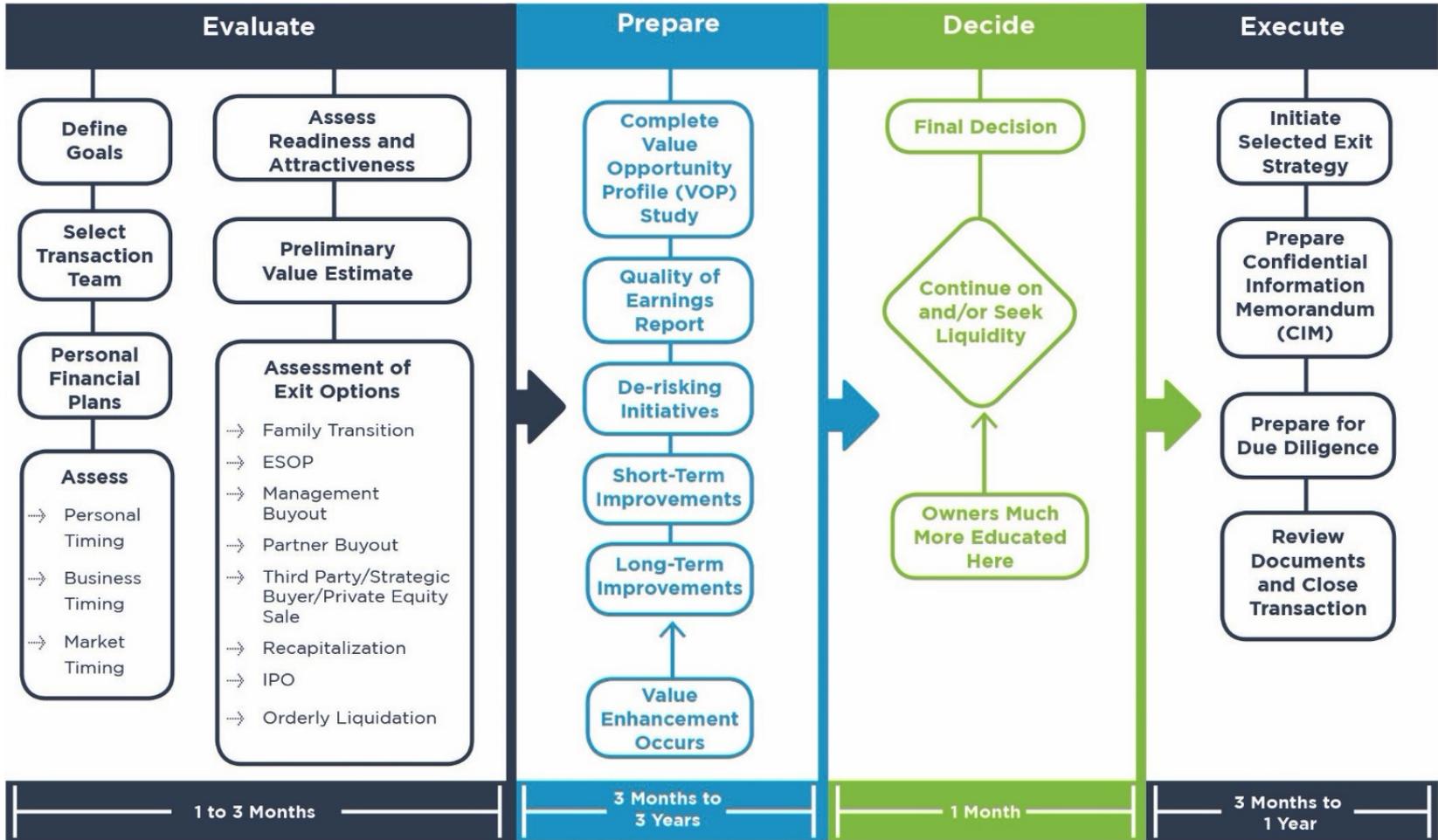
Exit planning combines the plan, concept, effort and process into a clear simple strategy to build a business that is transferrable through strong human, structural, customer and social capital.

- Exit planning is business strategy
- Build, harvest, and preserve wealth
- Identify, Protect, Build, Harvest, Manage Enterprise Value
- Simplify the process and clarify the roadmap to success
- Create and document a plan



Exit Planning Process

8



Types of Exits

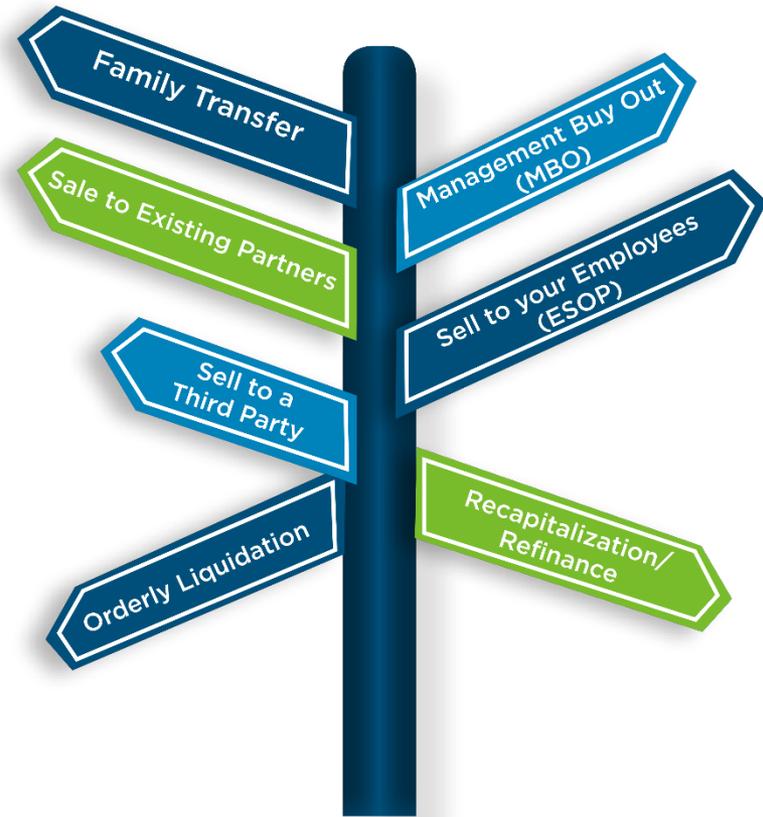
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“Inside” transition

- Family transfer
- Sale to employee (ESOP)
- Management buyout
- Partner buyout

“Outside” transition

- Strategic buyer
- Private equity
- Family Office
- Independent sponsor
- Individual buyer
- Liquidation



Inside – Family Transfer

10

Pros:

- Business legacy preservation
- Planned
- Lower cost
- More control
- Less disruption

Cons:

- Family dynamics
- Illiquid buyers / lack of funding
- Lower sale price
- Key employee flight risk
- Tradition may outstrip good strategy
- Path of least resistance – but not always the path to growth or success

Inside – Management Buyout

11

Pros:

- Business continuity
- Highly motivated buyers (pent-up desire)
- Preserves key human capital
- Planned
- Can be combined with private equity to access additional capital and resources for growth

Cons:

- Distraction
- Threat of flight (coercion of owner)
- Illiquid buyers
- Lower price and generally heavy seller financing (increases risk)

Inside – ESOP

12

Pros:

- Business stays in the “extended family”
- Shares purchased with pre-tax dollars by the ESOP
- Taxable gain on the shares sold to the ESOP by the owner may sometimes be deferred (1042 rollover)
- ESOP is an employee benefit and may cause employees to act like owners

Cons:

- Can be complicated and expensive
- May not work for some entities (culture)
- Company compelled to buy-back shares from departing employees (repurchase obligation)
- Generally will not maximize proceeds (Fair Market Value standard)

Outside – Strategic Buyer

13

Pros:

- Higher Price (generally highest of all options)
- More cash up front
- Walk away faster
- Stability of deal terms

Cons:

- Can create distraction or loss of focus
- May give way to privacy concerns
- Can be emotional for owner
- Potential employee concerns

Outside – Private Equity, Family Office

14

Pros:

- Higher Price (generally at or near highest of all options)
- Often the ability to maximize total value and retain equity
- Retention of employees and incentive to key people
- Experienced and professional buyers

Cons:

- Generally required to remain working post close
- Can create distraction or loss of focus
- May cause privacy concerns by involving certain key employees
- Sometimes seems complex

Potential Advisors

15

Customarily Involved:

- Investment Banker / M&A Advisor
- M&A Attorney
- CPA
- Financial Planner/Wealth Manager

Other Possibly Involved:

- Spouses and family members
- Lender
- Estate planner
- Personal friend
- Insurance professionals

Role of IB/M&A Advisor

16

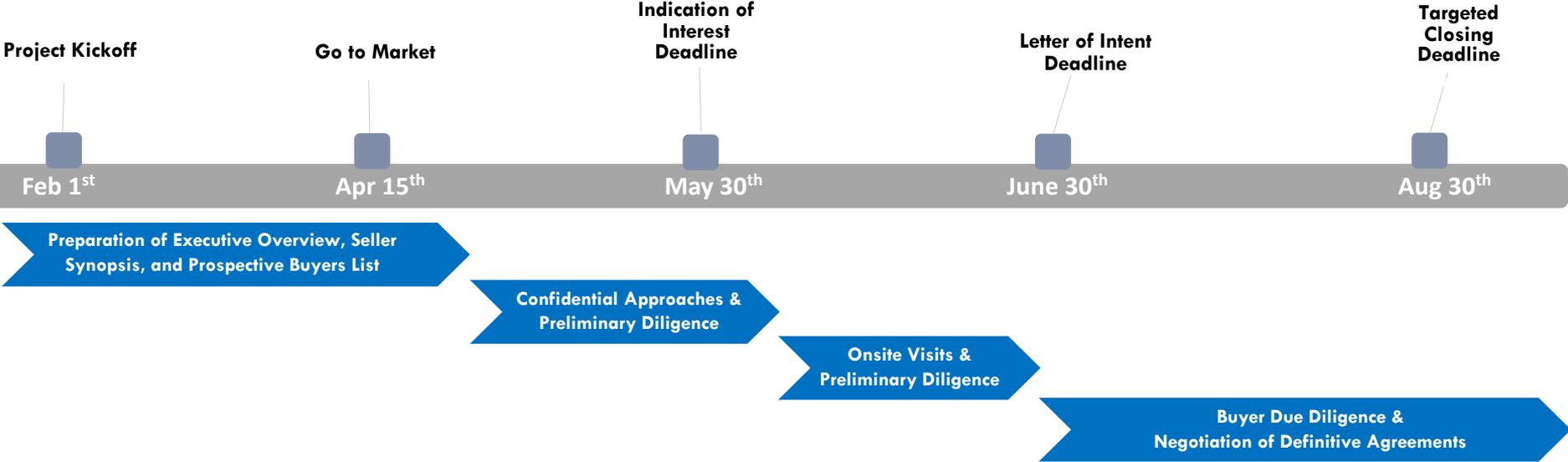
- Objectivity – market value, warts, etc.
- Confidentiality
 - Customers
 - Suppliers
 - Employees
 - Competitors
- “Bad cop” – you might work for the acquirer for a while
- Experience
- Market knowledge - terms
- Databases of potential buyers – PE, Strategies, Family offices
- Focus – you on your business, us on your exit
- Aligned interest - compensation
- Coordination of other advisors
- Emotional support – stressful process

Sell Side Process

17

- Getting to know the business
- Estimation of value
- Identifying “Value Gaps”
- Engagement Letter (EL) Fee proposal
- Confidential Information Memorandum (CIM or book)
- Potential buyers
- Confidential “Teaser”
- Non disclosure agreement (NDA)
- Target Indication of Interest (IOI) submission deadline and content
- Management meetings
- Letter of Intent (LOI)
- One bidder selected
- Deep due diligence (DD)
- Closing – Purchase Agreement (PA)

Example IB Process & Timeline



2/01 – 2/31	Preliminary Meetings and Data Sharing
2/01 – 4/15	Preparation of Confidential Information Memorandum, Seller Synopsis, and Prospective Buyers List
4/15	Go to Market – Confidential Approaches Begin
4/15 – 5/30	Prospective Buyer Communication and Preliminary Examination by Buyers
5/30	Indication of Interest Deadline – Letters due by 5:00pm on the 15th
5/30 – 6/7	Review of Indications of Interest Received with Management
6/7	Confirm 3-6 prospective buyers who will make on-site visits with management
6/7 – 6/15	Management Presentations
6/30	Letter of Intent Deadline – Letters due by 5:00pm on the 15th
6/30 – 8/30	Buyer Due Diligence and Preparation & Negotiation of Definitive Agreements
8/30	Targeted Closing Deadline

Getting to know the company

Example Initial Information Request

I. General Information

- a) Background on Company's history including major milestones events;
- b) Any sales, marketing, or other collateral and/or presentations;
- c) Any details or pictures of the Company's capabilities, services, facilities, etc.;
- d) An organizational chart;
- e) A list of key employees, including their role, tenure, and brief bio;
- f) Detail of pay rates, compensation structures, sales commissions, etc.
- g) A description of the facility as to square footage (office and warehouse), docks, etc.;
- h) A list of any industry or trade groups that the Company belongs to;
- i) Copies of any prior valuations, appraisals, business plans, board presentations, etc.;
- j) List of major competitors, along with location and relative size;
- k) Copies of major contracts or agreements that affect the marketability of the Company;
- l) Information regarding any pending litigation or contingent liabilities the Company is subject to; and
- m) Any other information that would be beneficial to our understanding of the business.

II. Financial Information

- a) Year-end financial statements for the last 5 fiscal years as well as year to date 2019;
- b) A complete detailed listing of all fixed assets;
- c) List of top vendors for the last year and approximate percentage of purchases represented;
- d) Any analyses or breakdowns of the Company's revenue that may provide insight into the business (e.g., by product line, by customer, by division, by time of year, by industry served, etc.);
- e) Working capital for each of the last 12 months broken out by each component of working capital;
- f) Any information regarding supplier contracts and pricing methodology;
- g) Summaries of any non-recurring, unusual, or extraordinary income or expense items that occurred in the aforementioned financial statements; and
- h) Any budgets, forecasts, or projections that were completed, ideally in the same format as the pro-forma financials.

What makes a business valuable?

20

What makes a business attractive?

- Market factors
- Business factors
- Forecast factors
- Investor considerations

What makes a business ready?

- Is the Owner and Business ready?
- Owner has spent time and money to define goals, have realistic expectations and develop a plan
- “House is in order”
- Advisory Team chosen

Valuation

21

Income Approach

- Based on a company's anticipated future cash flows and an investor's required rate of return

Market Approach

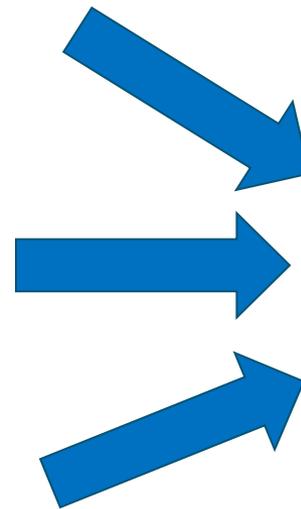
- Compare the company to publicly traded and/or privately transacted companies and apply valuation multiples

Asset Approach

- What are the company's assets and liabilities worth?

CoreValue

- Informal valuation, but used as starting point for discussion



**Valuation
Conclusion**

Core Value

22

- **Tool we licensed**
- **Developed out of MIT**
- **Identify “Value Gaps”**
- **Exit readiness and health of the business**
- **Used by over 35,000 companies**
- **Two phases**
 - **Discover**
 - **Unlock**
- **Usual business model is Discover is free, Unlock is \$2,500, consulting to fill “value gaps”**
- **18 value drivers**

Phase I output

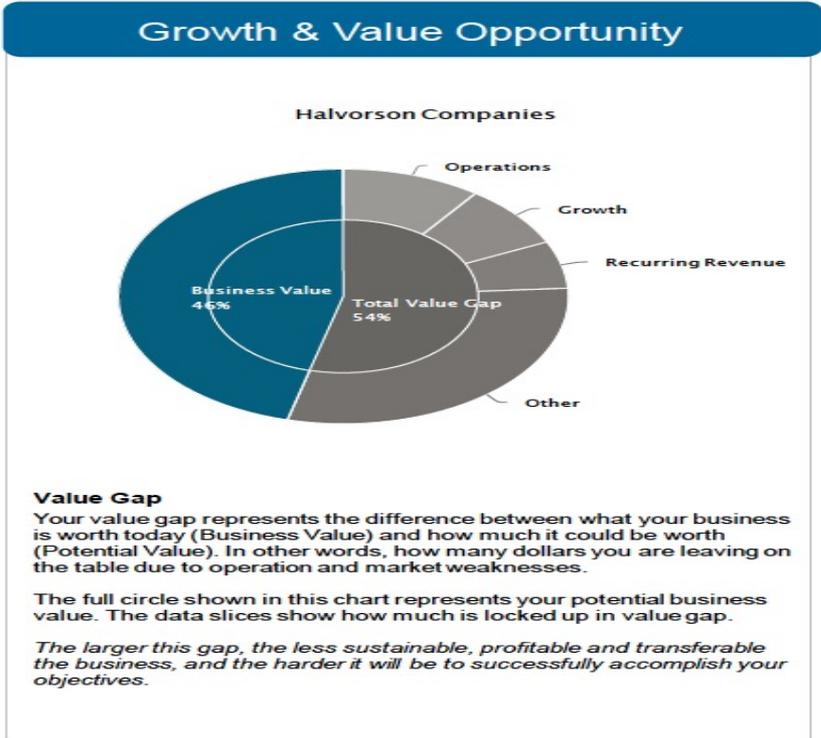
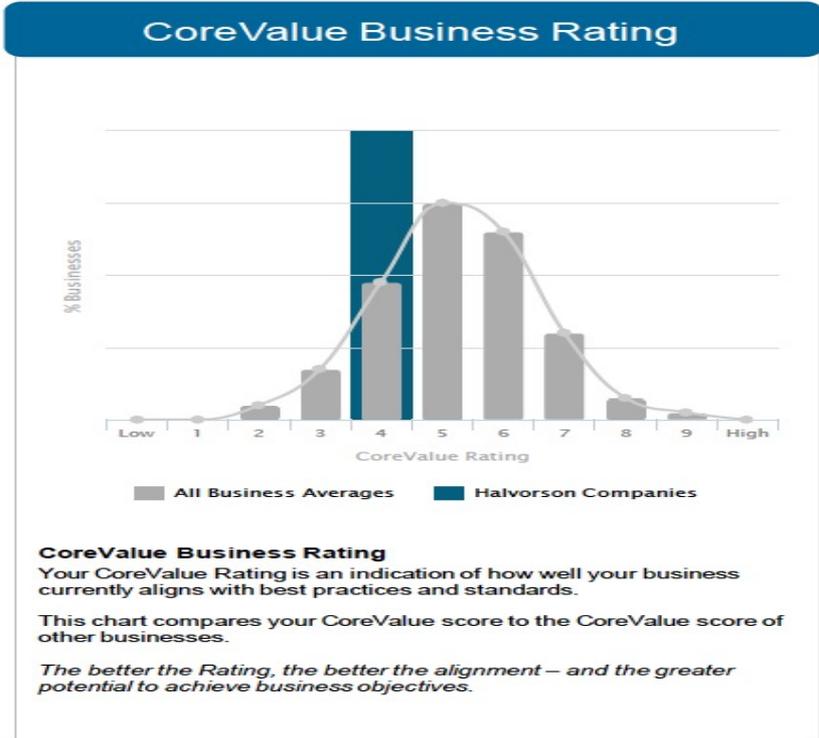
Halvorson Companies Discover Report

Name: Abe Halvorson
Industry: Manufacturing
Objective: Sustainable Growth
Completed: Oct 27, 2017 09:31 AM

Potential Business Value
\$12,778,000

Value Gap
\$2.46M - \$4.57M

Based on the [answers you provided](#), we've identified multiple opportunities to unlock the potential for growth and value trapped inside your business.



Phase 2 output

24

Total Enterprise Value Gap: \$3,140,000

Suggested		Active	Completed	Show Detail	Hide Detail	SORT BY: Bang for Buck ▼			
	Large Potential Market Future Market Growth					SCORE 0.0	VALUE GAP \$88,300	2.8%	
	Large Potential Market Niche Clarity					SCORE 0.0	VALUE GAP \$88,300	2.8%	
	Margin Advantage Margin Trends					SCORE 0.0	VALUE GAP \$53,000	1.7%	
	Large Potential Market Competitive Monitoring					SCORE 2.0	VALUE GAP \$70,600	2.2%	
	Product Differentiation Financial Differentiation					SCORE 0.0	VALUE GAP \$177,000	5.6%	
	Large Potential Market Market Size					SCORE 1.0	VALUE GAP \$79,500	2.5%	
	Financial Audits » Independent Review					SCORE 3.0	VALUE GAP \$28,200	0.9%	
	Margin Advantage Margin Advantage					SCORE 0.0	VALUE GAP \$70,600	2.2%	
	Legal Litigation					SCORE 0.0	VALUE GAP \$134,000	4.3%	
	Product Differentiation Product/Service Lifecycle					SCORE 0.0	VALUE GAP \$70,600	2.2%	
	Barriers to Entry Legal Barriers Documentation					SCORE 0.0	VALUE GAP \$35,300	1.1%	
	Company Overview Company Story					SCORE 1.0	VALUE GAP \$26,400	0.8%	
	Customer Diversification Future Customer Diversification					SCORE 0.0	VALUE GAP \$53,000	1.7%	

Engagement letter

25

- Engagement letters may be cumbersome
- Exclusivity is generally 12-24 months
- Length is generally 9-12 months
- Other terms
- Retainer or Commitment Fees common
 - If retainer fee, then it offsets the ultimate success fee
 - For successful firms, these fees are more a sign of commitment from the client vs. revenue generating
 - Certain firms promise a lot of work, but make money on up front payments, certain signs will show the difference
- Success Fee - a contingent fee paid at the time of closing
 - The percentages are higher, as much as 10% for small deals, and scale down towards 1% for big deals
 - Most have some tied approach on the sell-side, whereby the fee gets larger as the deal value goes up to align incentive and motivate the advisor to reach max value

Potential Buyers

26

- The roll of the investment bank or M&A advisor is to develop a list of prospective acquires and contact those parties on a confidential basis
- Certain smaller brokers may try to “advertise” companies for sale on websites, in media outlets, and through other advisors – this can be a risk to company owners
- Creating the list of prospective buyers generally includes utilizing expensive databases, obtaining industry lists, conducting research, and attending M&A events
- Most times, advisors will focus on the following (sometimes in a tiered fashion):
 - Strategics
 - Competitors
 - Suppliers
 - Distributors
 - Products with similar customer base
 - Other industry players
 - Private Equity (PE)
 - Platform – typically \$5m EBITDA minimum
 - Add-on – usually in similar business to a Platform, could be as low as \$0 EBITDA
 - Independent Sponsor
 - Family Offices

Confidential Profile aka Teaser

27

Used to provide high level overview of business to include:

- Summary of business service / industry
- Location(s)
- Top line, bottom line
- Enough to get a buyer interested but not enough to identify the specific company



PROJECT POWER

*High-growth, value-added distributor of consumer generators, outdoor equipment, and aftermarket industrial products
Company designs products in-house and goes to market with industry leading, internally developed brands
and a blue-chip consumer brand operated under a perpetual global license*

\$58.9M

LTM Pro-Forma Revenue

\$8.7M

LTM Pro-Forma EBITDA

INVESTMENT HIGHLIGHTS

- Company maintains a mix of direct to consumer, traditional wholesale, and blue-chip online retail
- Exclusively partners with proven global manufacturers to bring high quality products to market
- Revenue is comprised of recurring replacement part sales and event-driven original equipment purchases
- Continuous new product development allows the Company to leverage its brands to attack market openings and capture market share
- Full-time content curation staff that creates top-tier consumer-facing marketing materials as part of a comprehensive search-engine optimization and customer conversion strategy

FINANCIAL OVERVIEW

- Low capital requirements highlighted by less than \$1.5M in gross fixed assets on balance sheet
- Expectation of continued growth through multiple private label supply agreements secured with blue-chip customers as well as the introduction of already developed new products through exciting sales channels
- Company has maintained low working capital requirements through effective vendor terms negotiations



COMPANY OVERVIEW

- Company founded in 2009; executed a strategic acquisition in 2016
- Serves as a value-added distributor of a broad portfolio of products sold through multiple channels and marketed under a suite of industry brands
- Five strategically located distribution facilities across North America with headquarters in Midwestern United States staffed with ~70 non-union employees
- Founder and President is an experienced and knowledgeable industry veteran

TRANSACTION OBJECTIVES

- The current owner and founder prefers to retain a meaningful minority ownership position and continue to function in his current role
- The owner is seeking a financial or strategic partner to help continue to accelerate the Company's growth

Non Disclosure Agreement - NDA

28

Objective to protect confidential information, focused on:

- Who is covered on buyer's side
- What information is covered for company
- Employees
- Customers
- Standard Terms

CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

1. The undersigned recipient ("Recipient") of this Confidentiality and Non-Disclosure Agreement ("Agreement") has received or will receive information concerning an acquisition opportunity with respect to **Project Power, a distributor of branded industrial products, including generators, outdoor power products, tracks and tires** (together with its affiliates and subsidiaries, the "Company") from Footprint Capital, LLC or other Representatives (as defined below) of the Company, and is desirous of reviewing certain Confidential Information relating to the Company for the purpose of evaluation of an acquisition and possible further involvement with the Company concerning various strategic alternatives. "Confidential Information" means any and all information relating to the Company that Recipient receives from Footprint Capital, LLC or other Representatives of the Company including, but not limited to, all information concerning the Company's properties, intellectual property, trade secrets, know-how, operations, strategies, marketing programs, costs, pricing, suppliers, personnel data, products, services, customers, plans, prospects and financial condition and forecasts, including the information in the Company's Executive Overview Memorandum (to the extent it is available), whether such information is provided by the Company or its affiliates, directors, officers, employees, financial and legal advisors, lenders, investors, accountants, consultants or other agents (collectively, "Representatives"), whether or not specifically identified as confidential, and whether such information is in electronic, visual, audio, oral, written or any other form, and however communicated, and all memoranda, summaries, notes, analyses, compilations, studies or other documents prepared by Recipient that contain, are based on, or reflect any such information.
1. In order to gain access to the Confidential Information, Recipient agrees to maintain the Confidential Information in confidence and agrees not to use the Confidential Information for any purpose, other than those described in Paragraph 1 above, without the prior written consent of the Company, except as required by law. Recipient shall not disclose to others any information related to the Company including without limitation the fact that Recipient is evaluating the Confidential Information nor shall Recipient disclose to others the fact that discussions or negotiations are taking place or have taken place concerning a possible transaction, or any terms, conditions or other facts, including the status, of any potential transaction, except as required by law. Likewise, the Company and its Representatives shall not disclose that discussions are taking place with Recipient, nor the status thereof, except as required by law.
1. Recipient shall disclose the Confidential Information only to its Representatives (including agents, possible sources of financing, investment partners, attorneys, equity co-investors, accountants, consultants, financial advisors, and their respective Representatives) who have obligations to Recipient at least commensurate with Recipient's obligations under this Agreement and who have a legitimate business need to know the Confidential Information for the purpose of assisting Recipient with evaluating and negotiating a possible transaction with the Company. Recipient shall use the same degree of care (but in no event less than reasonable care) to avoid disclosure of the Confidential Information as it uses with respect to its own information of like importance, and Recipient represents that Recipient exercises reasonable care to protect Recipient's own confidential information. Recipient agrees that it shall be fully liable for and shall indemnify and save harmless the Company from and against any breach of this Agreement by Recipient or failure of its Representatives to adhere to the terms of this Agreement as if they were a party hereto and agrees, at Recipient's sole expense, to take all reasonable measures (including but not limited to, court proceedings) to restrain Recipient's Representatives from prohibited or unauthorized disclosure or use of the Confidential Information. Recipient agrees not to modify or alter any Confidential Information. Recipient agrees that Recipient shall not remove any copyright, confidentiality, proprietary right, or intellectual property notices attached to or included in any Confidential Information.

Confidential Information Memorandum

29

Overview

Company Overview

Strategic Infrastructure

Customer Conversion

Channel Management

Current Products

Growth Initiatives

Financial Summary

COMPANY
OVERVIEW

STRATEGIC
INFRASTRUCTURE

CUSTOMER
CONVERSION

CHANNEL
MANAGEMENT

CU
PR

Supply Chain

The Company maintains a diverse global supply chain for its products with several strategic partners. This allows the Company to leverage its purchasing power while mitigating concentration and geopolitical risks.

A single generator supplier represents more than 40% of total material purchases for the most current fiscal year. The supplier has capacity to handle the Company's current and future production levels and is an existing supplier to several competitors. The supplier's global footprint is critical to the Company's tariff mitigation strategy (see discussion in financial summary).

Excluding the single generator supplier, no vendor accounts for more than 7% of total purchases. All top ten vendors are located in Asia.



Indications of Interest – IOI

Date established

Sample:

The existence and context of any IOI's submitted are subject to the NDA and we request you to specifically include the following:

(i) Based upon the information reviewed by you to date, the amount, on an enterprise value basis, that you are prepared to pay for the company. This valuation should assume a debt-free, cash-free balance sheet. In the event that your IOI includes a valuation expressed as a range, such range should be reasonably narrow and must be accompanied by an explanation as to the factors that may cause your valuation to vary within such range.

(ii) Any assumptions you have made with respect to the Company's financial performance, including the basis of your valuation.

(iii) The identity and a brief overview of the acquirer and any other participants that would be involved in a potential transaction, either as co-investors or related entities (i.e. portfolio company).

(iv) Your expected sources of funding, including cash and debt. If external debt and/or equity financing is required, please indicate the intended amount, source, level of commitment, timeframe to secure, and any expected contingencies related to such financing.

(v) Any other material conditions, terms, or assumptions upon which you are basing your proposal, including any such terms that are intended to satisfy Seller's principal objectives outlined above.

(vi) Your proposed timetable for completing a transaction and any material conditions affecting your timing, including a description of any corporate shareholder, regulatory, or other approvals or consents necessary to complete a transaction.

(vii) A description of the key steps you will need to take prior to executing a definitive agreement and closing, including major areas for due diligence or specific diligence requests.

Management Meetings

31

- Depending upon the size of the business and organizational structure, this meeting may include just the owners or as many as 4-5 of the key management team.
- The purpose of this meeting is for both sides to decide the prospective fit, learn about one another, etc. There are generally formal aspects of the meeting, and oftentimes lunch or dinner that is more personal, with less business discussion.
- Agenda of a typical meeting:
 - Company Overview
 - Management / Employees
 - Operations
 - Sales
 - Equipment
 - Safety
 - Safety
 - Customers
 - Financials

Letter of Intent - LOI

32

- A detailed summary of terms that is the basis for the final purchase documents.
- Exclusivity is granted to the buyer.
- Leverage typically shifts from seller to buyer.
- Lawyers typically get involved at this stage in the process.

A summary of principal terms is shown below:

1. Purchase Price, Valuation and Structure

The purchase will be structured as an "Asset Purchase".

Based upon IMC's preliminary diligence, IMC will pay \$12 Million in cash at closing less any customary adjustments. Our price assumes the cash purchase of The Company will include an appropriate average level of working capital and a balance sheet free of cash, debt, intercompany payables / Receivables, officer receivable transaction, and significant contingent or other liabilities.

2. Customary Adjustments

Working Capital Escrow- estimated at 10% of average working capital of \$3.0 Million or \$300,000.

- The final working capital will have a floor of \$2.8MM and a ceiling of \$3.2MM. If the final working capital is less than \$2.8MM, the seller will pay the buyer the difference between \$2.8MM and the final balance sheet working amount, or the "deficit". If the final working capital is greater than the ceiling, the buyer will pay the seller the difference between the ceiling and the final balance sheet amount, or the "surplus".
- The working capital escrow will be settled 90 days after close and after the final balance sheet provided by the seller as of the closing date.

Due Diligence - DD

33

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<input type="checkbox"/>	☆  1. Financial	73 MB	2/26/19	J. Meine
<input type="checkbox"/>	☆  2. Operations	3 MB	2/26/19	J. Meine
<input type="checkbox"/>	☆  3. Real Estate EH&S	277 MB	2/26/19	J. Meine
<input type="checkbox"/>	☆  4. Human Resources	4 MB	2/26/19	J. Meine
<input type="checkbox"/>	☆  5. Information Technology	43 MB	2/26/19	J. Meine
<input type="checkbox"/>	☆  6. Intellectual Property Legal License Arrangements	37 MB	2/26/19	J. Meine
<input type="checkbox"/>	☆  2019 Drivers Pay (For Sherrie, Mike, & Stephen)	6 MB	4/25/19	J. Posey
<input type="checkbox"/>	☆  Buckeye Resources Equipment Lease Agreements	8 MB	3/20/19	J. Posey
<input type="checkbox"/>	☆  Buckeye Resources Logos	54 KB	5/3/19	J. Posey
<input type="checkbox"/>	☆  Buckeye Resources Property Insurance Information 2016-2019	83 MB	3/20/19	J. Posey
<input type="checkbox"/>	☆  Buckeye Resources Tax DD For Old Castle	3 MB	3/20/19	J. Posey
<input type="checkbox"/>	☆  GL Account 6930-03 Equipment Rentals Reports Fiscal 2017 & 2018	88 KB	4/5/19	J. Posey
<input type="checkbox"/>	☆  GL Account 8030 Misc Income Fiscal 2017 & 2018	79 KB	4/5/19	J. Posey
<input type="checkbox"/>	☆  Sales History For Fiscal 2017 & 2018 Columbus Warehouse (107)	51 KB	4/5/19	J. Posey
<input type="checkbox"/>	☆  Total Marketing Contract Information	766 KB	4/25/19	J. Posey

Definitive Agreements and Closing

- Typical period between LOI and closing is 60 – 90 days
- Lawyers on both sides lead this process, M&A experience is very valuable
- Reps and warranties
- Indemnification
- Escrows and hold backs

	ARTICLE 1	
	PURCHASE AND SALE OF PURCHASED ASSETS	
1.1	PURCHASED ASSETS	2
1.2	EXCLUDED ASSETS	4
1.3	NON-ASSUMPTION OF LIABILITIES	4
1.4	PURCHASE PRICE	5
1.5	WORKING CAPITAL ESTIMATE; ADJUSTMENTS TO PURCHASE PRICE	5
1.6	CLOSING STATEMENT; POST-CLOSING ADJUSTMENTS TO PURCHASE PRICE	5
1.7	PURCHASE PRICE ALLOCATION	7
	ARTICLE 2	
	CLOSING	
2.1	CLOSING	8
2.2	CONDITIONS TO PURCHASER'S OBLIGATIONS	8
2.3	CONDITIONS TO SELLERS' OBLIGATIONS	9
2.4	SELLERS' CLOSING DELIVERIES	9
2.5	PURCHASER'S CLOSING DELIVERIES	11
2.6	PRORATIONS	12
2.7	SELLERS' POST-CLOSING ACTIONS	12
	ARTICLE 3	
	REPRESENTATIONS AND WARRANTIES OF SELLER	
3.1	DUE ORGANIZATION	12
3.2	DUE AUTHORIZATION; NO CONFLICT	12
3.3	FINANCIAL STATEMENTS	13
3.4	ABSENCE OF UNDISCLOSED LIABILITIES	13
3.5	NO MATERIAL ADVERSE CHANGE	14
3.6	CONDUCT OF BUSINESS	14
3.7	PURCHASED ASSETS	14
3.8	TAX MATTERS	15
3.9	CONTRACTS	15
3.10	COMPLIANCE WITH LAWS	16
3.11	ENVIRONMENTAL MATTERS	16
3.12	EMPLOYEE MATTERS	17
3.13	LITIGATION	18
3.14	NAMES AND LOCATIONS	18
3.15	BROKERAGE AND TRANSACTION BONUSES	18
3.16	CUSTOMER LIST AND CUSTOMER REVENUE	18
3.17	ACCOUNTS RECEIVABLE; ACCOUNTS PAYABLE	18
3.18	FULL DISCLOSURE	19
	ARTICLE 4	
	PURCHASER'S REPRESENTATIONS AND WARRANTIES	
4.1	DUE ORGANIZATION	19
4.2	DUE AUTHORIZATION; NO CONFLICT	19

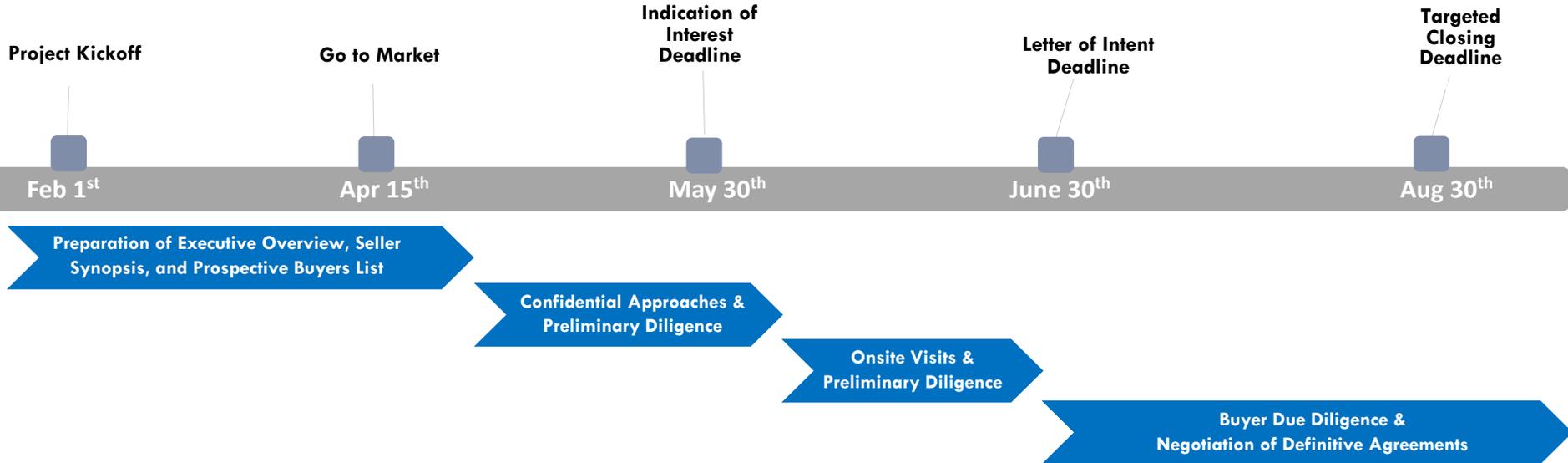
Sell Side Process

35

- Getting to know the business
- Identifying “Value Gaps”
- Estimation of value
- Engagement Letter (EL) Fee proposal
- Potential buyers
- Confidential “Teaser”
- Non disclosure agreement (NDA)
- Confidential Information Memorandum (CIM or book)
- Target Indication of Interest (IOI) submission deadline and content
- Management meetings
- Letter of Intent (LOI)
- One bidder selected
- Deep due diligence (DD)
- Closing – Purchase Agreement (PA)

Example IB Process & Timeline

36



2/01 – 2/31	Preliminary Meetings and Data Sharing
2/01 – 4/15	Preparation of Confidential Information Memorandum, Seller Synopsis, and Prospective Buyers List
4/15	Go to Market – Confidential Approaches Begin
4/15 – 5/30	Prospective Buyer Communication and Preliminary Examination by Buyers
5/30	Indication of Interest Deadline – Letters due by 5:00pm on the 15th
5/30 – 6/7	Review of Indications of Interest Received with Management
6/7	Confirm 3-6 prospective buyers who will make on-site visits with management
6/7 – 6/15	Management Presentations
6/30	Letter of Intent Deadline – Letters due by 5:00pm on the 15th
6/30 – 8/30	Buyer Due Diligence and Preparation & Negotiation of Definitive Agreements
8/30	Targeted Closing Deadline

Other Items

37

- Preparation is important and takes time
- Price is not always the only concern
 - Timing of payment(s)
 - Terms
 - Legacy
 - Employees
 - Transition
 - Seller note
 - Roll equity
- Earn outs

Review

38

Types of exits

All businesses will exit, planning is key

The role of the advisor

Experience can make a difference

The sell-side process

Demystifying this will be helpful

Conclusion

39

You should now feel more confident in your knowledge of a exit process

Action Steps

40

Business owners need to start to prepare your business – CoreValue

Business owners need to start to prepare themselves
“running from something, running to something”

Business owners need to start to assemble their advisor team

Thank you

41

Thank you – it was our pleasure to be here today.

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