

Start Here

AN INSIDER'S GUIDE TO SELLING
YOUR BUSINESS

If you want the best value for
your company, run a process —
and start here. >

Start Here: An Insider's Guide to Selling Your Business

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Published by FourBridges Capital Advisors
1300 Broad Street, Suite 201
Chattanooga, Tennessee 37402

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Visit our website: www.fourbridgescapital.com

We help you find and achieve your best future.

FourBridges serves business owners who are thinking about selling their company, or growing through refinancing or acquisition.

Whether you want to take a few chips off the table, or sell everything and head to the beach, we use our proven process, global networks and industry expertise to get you the best value, on the best terms.

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Why an e-book?

Experts don't keep secrets.

Pro anglers show us how to pick the right lure. Master chefs show us how to grill the perfect steak. Tour pros show us how to play the best shot.

There's a theme here: lots of experts are "open-sourcing" their knowledge, skills and methodology, so that others can experience – or aspire to – the same success.

But that's not always the case.

While selling your business is more important than landing a 10-pound bass – and getting the most value for your company feels better than sinking a hole-in-one – there aren't a lot of how-to's for owner-operators who are thinking about transitioning ownership. In fact, most of our clients have never seen a Confidential Information Memorandum (CIM) or a Letter of Intent (LOI).

So, as professional advisors with decades of investment banking expertise, we've codified the proven process that we help our clients navigate when they're ready to sell their business.

Because when it comes to making the life-changing decision to sell your company, there should be no secret sauce, no smoke and mirrors. Instead, you should know all of the hows and whys – so that you won't ever have to ask: **what if?**

What's inside — and what's not.

The sale of a business is a story best told by its paper trail.

While every deal is different, there's always plenty of strategy and hard work, a lot of science and a little art. The documentation behind the transaction tells that tale: it captures every input and every outcome.

That's what this e-book is for. We'll walk you through a typical sale process, chapter by chapter, taking a look at each document — why it's important, and how it drives the deal forward.

What you won't find in this e-book

Selling your company is a once-in-a-lifetime decision. A lot of our clients come to us before they've made up their minds. So our first step is helping them determine whether a transaction is right for them, right now. Sometimes it is, and sometimes it isn't; finding that answer is a big part of what we do at FourBridges.

But that's not what this particular e-book is for. In fact, it's not what any e-book is for: while you can find incredible resources for just about anything with the click of a button these days, the decision to sell your business is best made with a trusted team of advisors — whether that's your investment banker or your legal counsel, your business partner or your better half. (Or, preferably, all of the above.)

So if you're looking for guidance or more information about what's next for your company, give us a call:

Andy Stockett | 423.266.6979

Chris Rowe | 423.266.4630

Ralph Montgomery | 423.702.7499

If you're curious about what happens when you say go — **read on!**

Some clarity

What exactly is an investment banker?

We'll be the first to admit: "investment banker" is a misleading term, because we aren't actually investors — and we don't lend money. (You might also hear investment bankers called M&A advisors, financial advisors, or business brokers). Regardless: we are trusted advisors who provide guidance and expertise before, during and after a transaction process.

When you're selling your company, we become your best and strongest advocate.

We get to know you and your business backwards and forwards. We understand exactly what you want to achieve and why. Then, we do the heavy lifting: from setting the strategy to managing the timeline, from drafting documents to negotiating final offers.

That way, you can focus on what's important to you — running your company — while we're driving toward a deal that helps you get where you want to go.

Maybe that means retirement, maybe it means taking some chips off the table while staying involved in the company you've spent your life building. Whatever your ultimate objective, ours is always the same: to help you achieve it, by getting the best value for your company, on the right terms, with the right party.

The FourBridges Process

When you're working with an investment banking firm to sell your business, you'll probably take the same general path, more or less. But what you're about to learn is the specific and proven process that FourBridges uses with our clients.

We'll be showing you sample documents in each chapter. While most of these look different for every deal, they are based on the actual templates that we use, and they're intended to paint an accurate picture of what to expect at each point in the process.

Company names and details have been changed to protect the innocent (our happy clients).

> CHAPTER 1

PROCESS MAKES PERFECT



Why a process?

If you've ever sold anything of value — a car, a house, a piece of furniture or equipment — you know that sometimes, getting an offer is the easy part.

But getting a good offer? That's a little harder. And getting the right offer — well, that can be downright difficult.

Many of our business owner clients get offers from potential buyers before the thought of selling ever crosses their mind. When they're really ready to retire and hit the beach, or move on to the next big thing, it can be tempting to take the money and run. But our advice is always the same: **not so fast.**

Because the first offer is rarely the right offer. And the obvious buyer isn't always the right buyer.

So we encourage business owners to run a process that:

- > positions your company in the best light
- > identifies and attracts quality buyers, and ultimately
- > maximizes the value of your company.

Essentially, running a process creates an auction for your company — and when the best bidder wins, so will you.

One process, three phases

The selling process has three phases:



THE DEVELOPMENT PHASE consists primarily of analyzing and reformatting company financial statements, creating a list of potential buyers and preparing marketing documents that describe the company's business, history, management team and prospects for the future. We also identify value drivers and detractors — that is, the factors that can positively or negatively impact the valuation of a business.

THE MARKETING PHASE involves *confidentially* contacting and working with potential buyers, soliciting initial offers, conducting company visits by a small group of qualified parties and selecting a buyer through negotiations and signing a Letter of Intent.

THE CLOSING PHASE includes helping the buyer complete his "due diligence" — the equivalent of a house inspection — as well as negotiating and drafting legal documents to effect the sale.

Now, we'll show you what the entire process looks like, document by document.

> CHAPTER 2

THE INFORMATION REQUEST

A request (FYI)

Ready, set, go

The sell-side process usually kicks off with the initial Information Request. It's a list of everything that your investment banking team needs to tell the story of your company to potential buyers. (Most of this information will also be required by your ultimate buyer during Due Diligence, so it's good to have it on hand from the start.)

Generally, your investment banking team will handle most of the heavy lifting throughout the selling process. At this point, however, you — the business owner — will need to be somewhat involved to ensure the right information is conveyed completely, accurately and in a timely manner.

While the Information Request looks simple enough, it represents a deep dive into your company's past, present and future. In addition to a brain dump from your executive team, it often requires some digging for legal files and financial documents, equipment lists and org charts, logos and photos, to provide a 360-degree view of your company.

More than a list

The Information Request also is used to help track and manage this discovery stage. The format of the Information Request shows the status of each particular item, indicating:

- › Data exists, is readily available and easily submitted
- › Data exists but needs to be tracked down and submitted
- › Data does not exist, but can be created and submitted
- › Data does not exist and cannot be created
- › Target date to be received by the advisor from the client
- › Person responsible for obtaining and submitting

The Information Request is meant to help prioritize information — i.e., what's critical and what can wait. Ideally, it's renewed and updated in a quick conference call at the end of every week.

American Widget Company LLC

Information Request

Date: 1/9/17

Status	Description
Critical	To be received with target date
Required	To be received with target date
On Hold	On hold for now, to discuss further
Received	Received
Per. Update	To be received periodically throughout process
Mgmt Interview	To be discussed in mgmt interview
N/A	Not applicable

Status	Target Date Received Date	Responsible	Comments
--------	------------------------------	-------------	----------

1 Financial Information and Assets

1.1	3 Years of Financial statements from Accountant (Audited, Review or Compiled)				
1.2	Internal Financial Statements				
1.2.1	3 Year Annual Statements				
1.2.2	Monthly YTD and Previous YTD Financial Statements				
1.2.3	Year end trial balances and adjusting entries				
1.3	Tax returns (3 years)				
1.4	Adjustments to normalize historical financials (see explanation below)				
1.5	Sales by Product/Service Segment (3 Years and Current YTD)				
1.6	Sales by Customer (3 Years and Current YTD)				
1.7	Gross margin by product, market and/or customer (3 Years and Current YTD)				
1.8	Fixed Asset Listing				
1.9	Capital expenditures for last 3 years broken down between maintenance and growth				
1.10	Notes payable & leases				
1.11	Related party transactions				
1.12	Appraisals				
1.13	Budget for the current year, if any				
1.14	Other				

2 Company

2.1	Corporate Documents (Articles of Incorporation, Shareholder Agreements, etc.)				
2.2	Capitalization Table				
2.3	Description of facilities and plant diagrams				
2.4	Key production equipment list				
2.5	Digital pictures of products, production equipment, facilities				
2.6	Key management reports				
2.7	Brief history of the company / Key Milestones				
2.8	Copies of any strategic, marketing or business plans last 3-5 years				

3 Products

3.1	Brief description of product lines, including technological overview				
3.1.1	SKUs				
3.1.2	Product/Service Costing				
3.1.3	Size of Average Order				
3.2	Warranty details and experience				
3.3	R&D initiatives or plans				

4 Operations

4.1	Description of primary processes				
4.2	Production Reports				
4.3	Quality Assurance/Primary measures of quality and experience				
4.3.1	Quality Manuals and Procedures				
4.3.2	Quality Scorecards and Experience				
4.3.3	Preventative Actions				
4.4	Description of IT and software systems, communication systems, etc.				

American Widget Company LLC

Information Request

Date: 1/9/17

Status	Description
Critical	To be received with target date
Required	To be received with target date
On Hold	On hold for now, to discuss further
Received	Received
Per. Update	To be received periodically throughout process
Mgmt Interview	To be discussed in mgmt interview
N/A	Not applicable

	Status	Target Date Received Date	Responsible	Comments
4.5	Purchases by vendor (Top 5 suppliers with volume for last 3 years at a minimum)			
4.6	Vendor contracts, if any			
5 Sales and Marketing				
5.1	Promotional materials, including catalogues, if any			
5.2	Sales pipeline and backlog, if any			
5.3	Pricing, selling and quoting strategy/process (Target Gross Margins)			
5.4	Customer Service			
5.5	Customer Contracts			
5.6	Customer Presentations			
5.7	Miscellaneous			
6 Industry and Competition				
6.1	Sources of industry data - trends, growth rates, trade publications, associations, etc.			
6.2	Macro market drivers			
6.3	Market share info or estimates			
6.4	List of company's major competitors and their focus			
6.5	Comparison to competitors - product, cost, quality, service, innovation, technology			
6.6	Other advantages and/or disadvantages vs. competitors			
7 Management and Employees				
7.1	Management Bios, Resumes, etc.			
7.2	Organization chart			
7.3	Employee list by department and shift, with salary/wage rate, tenure			
7.4	Schedule of employee benefits (pension, profit-sharing, 401(k), insurance, etc.)			
7.5	Company training manuals, if any			
7.6	Employee safety handbook and/or policy manual			
7.7	Summary HR Statistics (turnover, etc.)			
7.8	Workers' Compensation Experience/MOD (Three years)			
7.9	Employee Agreements (Contracts, Non-Competes, etc.)			
8 Miscellaneous				
8.1	Insurance policies and loss runs			
8.2	Info on any environmental matters (Phase I or II, history of any issues)			
8.3	Intellectual property - patents, trademarks, copyrights, incld. applications (if any)			
8.4	Description of any past, current or threatened litigation			
8.5	Other - Hazardous Materials, etc.			

Explanation

- 1.4 Usually a positive adjustment to earnings, but can sometimes be negative. Purpose of adjustments is to reflect pro forma earnings that would have been realized by a buyer. Examples include the following: unusual or non-recurring items (such as start-up costs, litigation, etc.), compensation paid in excess of (or below) market, personal expenses of shareholders paid by company, etc.)

> CHAPTER 3

THE WORKING GROUP LIST

A close-up, grayscale photograph of a hand pointing its index finger to a specific entry in a printed directory or contact list. The list contains names, addresses, and phone numbers, though they are mostly out of focus. The hand is in sharp focus, pointing towards the lower-left quadrant of the frame.

Circle of Trust

The Working Group List serves as a mini-telephone directory that includes every person involved in the selling process. In it, you'll find roles and titles, email addresses, mailing addresses, office numbers and cell phone numbers.

The players are always different, and their participation varies, but here is a list of the kinds of people who often make up the Working Group List.

YOUR TEAM

- › CEO/President
- › CFO
- › *(And any other members of your executive team that should be in the know)*

INVESTMENT BANKING TEAM

(High involvement throughout)

- › Senior advisor
- › Associate
- › Analyst
- › Clerical

LAW FIRM

(High involvement during Closing)

- › Corporate/Securities attorney
(the “legal quarterback,” who helps to review and negotiate the Purchase Agreement)
- › Tax attorney
(as needed for structuring the transaction tax effectively)
- › HR attorney
(as needed for reviewing potential Due Diligence issues)
- › Associates
- › Paralegal

CPA FIRM *(as needed)*

- › Audit Manager
(depending on quality of financial reporting)
- › Tax Manager
(as needed for structuring transaction tax effectively)
- › Bookkeeper

INSURANCE AGENT

(to facilitate buyer Due Diligence and address early policy termination)

- › Property and casualty
- › Health and Employee Benefits
- › Workers Comp

Once a buyer has been selected and a Letter of Intent executed, their team will also be included in the list.

American Widget Company

Working Group List

Client Name

Address

Phone: XXX; Fax: XXX

Name/Title	Email	Office Number	Cell Number

FourBridges Capital Advisors

1300 Broad Street, Suite 201

Chattanooga, Tennessee 37402

Phone: (423) 266-7490; Fax: (423) 266-7081

www.fourbridgescapital.com

Name/Title	Email	Office Number	Cell Number
Andy Stockett <i>Managing Director</i>	astockett@fourbridgescapital.com	423-266-6979	423-802-8315
Chris Rowe <i>Managing Director</i>	crowe@fourbridgescapital.com	423-266-4809	347-703-0940
Ralph Montgomery <i>Managing Director</i>	rmontgomery@fourbridgescapital.com	423-702-7499	404-644-2591
Keely Hungate <i>Analyst</i>	kstockett@fourbridgescapital.com	423-266-6873	423-802-3662
Davis Fry <i>Analyst</i>	dfry@fourbridgescapital.com	423-702-7508	423-298-6497

Client Counsel

Address

Phone: XXX; Fax: XXX

website

Name/Title	Email	Office Number	Cell Number

American Widget Company

Working Group List

Client Account/Other Advisor

Address

Phone: XXX; Fax: XXX

website

Name/Title	Email	Office Number	Cell Number

Buyer Name

Address

Phone: XXX; Fax: XXX

Name/Title	Email	Office Number	Cell Number

Buyer Counsel

Address

Phone: XXX; Fax: XXX

website

Name/Title	Email	Office Number	Cell Number

Buyer Accounting/DD Team

Address

Phone: XXX; Fax: XXX

website

Name/Title	Email	Office Number	Cell Number

> CHAPTER 4

THE BUYER LIST

Wider cast, bigger pool

Identifying prospective buyers is a lot like fishing.

They won't always come to you, so you have to know how to find them. The type of fish — ahem, buyer — you're looking for depends on several factors, like the kind of company being sold, the industry in which it operates, and your objectives (personal, financial, corporate) as the owner.

Active buyers in today's marketplace for private companies include:

- > **Private equity funds** seeking new “platform” companies to own and operate (private equity funds managing a committed pool of capital from endowments, pension funds, and high net worth individuals)
- > **Private equity funds with existing platform companies** that can be grown through acquisitions referred to as “add-ons” or “bolt-ons”
- > **Pension funds** with private equity investment arms
- > **Family offices** (extremely wealthy families who wish to own companies directly instead of through investments in private equity funds)
- > **Strategic acquirers** not owned by private equity funds (i.e., publicly or privately held operating companies)
- > **Independent sponsors**, or firms without committed capital

How do you track them down?

Investment bankers use extensive (and expensive) databases and industry research — as well as their own proprietary networks — to generate a high-quality pool of potential buyers for their clients' companies.

- > As investment bankers, we often start with our broad network of buyers with whom we've established strong relationships.
- > Pricey databases, like CapitalIQ or PitchBook, can generate lists of transactions related to a particular industry, providing the target company name and the acquirer, but not necessarily the purchase price and terms (unless one of the parties is publicly traded and the size of the transaction was meaningful). These transactions help us to learn which buyers are active in a certain industry.
- > An advisor's participation in industry groups, such as the Association for Corporate Growth, results in a deep understanding of what kinds of companies and transactions private equity funds are pursuing, as well as what types of valuations a seller might expect.
- > Additionally, your company may have a list of parties that have contacted or pursued your business. Some are just kicking the tires, but occasionally, it's a genuinely interested acquirer.

American Widget Company

Excerpt from Buyer List

Tier	Type	Source	Firm/Company	Contact	Email	Notes	Status
A	Strategic	FBCA Research	American Electric Power	Pat Allen	pallen@aep.com	Sent teaser and memo 5/18	6-Memo Sent
A	Strategic	FBCA Research	Lowe's	Sarah White	swhite@lowes.com	Left VM	0-Not Contacted
A	Strategic	FBCA Research	Home Depot	Joe Whiteside	joe@homedepot.com	Sent teaser and memo 5/18	2-Teaser Sent
A	Strategic	FBCA Research	Ryerson Steel	Daniel Garry	dgarry@ryerson.com	Email follow up 5/21	5-Decline Pre-Memo
A	Strategic	FBCA Research	John Deere	Richard Boyd, VP of Business Development	rboyd@jd.com	5/24 - Emailed Richard Boyd. Next step is to call.	2-Teaser Sent
A	Strategic	FBCA Research	Miller Industries	Jon Flint	jflint@millerindustries.com	emailed contact for insight emailed Jon teaser	5-Decline Pre-Memo
B	Strategic	FBCA Research	Terex Corporation	Ed Williams	ewilliams@terex.com	LM for Ed, followed up 5/13	2-Teaser Sent
B	Strategic	FBCA Research	Gerdau, Inc.	Sandy Vincent	sv@gerdau.com	LM for Sandy	0-Not Contacted
B	Strategic	FBCA Research	Komatsu	Joe Whiteside	joe@e-a.net	6/1 sent teaser and spoke with Joe	2-Teaser Sent
B	Strategic	FBCA Research	Koch Industries	Amanda Darby	adarby@kochindustries.com	(Seeking Acquisitions/Investments)	3-CA Received
B	Strategic	FBCA Research	Berkshire Hathaway	Gerald Bradshaw	gbradshaw@bh.com	5/24 - Emailed GB. Next step is to call.	2-Teaser Sent
C	Strategic	FBCA Research	AB Volvo	Terrence Smith	tsmith@abv.com	emailed teaser. Memo sent 5/23	8-Indication
C	Strategic	FBCA Research	Dover Corporation	William Hunt	williamhunt@dover.com	Talked to William 6/1	6-Memo Sent

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Please Note:

*Theoretically, there could be thousands of buyers for a single company.
It is the job of your investment banking team to narrow them down to well-qualified list.*

American Widget Company

Excerpt from Buyer List

Tier	Type	Source	Firm/Company	Contact	Email	Notes	Status
A	Financial	FBCA Research	Maple Street Partners	Dennis Ju	dju@maplestreetpartners.com	will pass teaser along 5/23 sent email asking for status	8-Indication
A	Financial	Axial	Oak Street Partners	Jay Whitehurst	jw@oakstreetpartners.com	5/23 sent Jay teaser. 7/6 - sent memo and process letter.	7-Decline Post-Memo
A	Financial	FBCA Research	Sycamore Street Partners	Matt Padilla	mpadilla@ssp.com	6/1 - Sent teaser. 6/7 - sent another email	8-Indication
A	Financial	Direct Inquiry	Chestnut Street Partners	Stephen Johnson	stephenj@chestnut.com	Received NDA 6/20/16.	8-Indication
A	Financial	FBCA Research	Dogwood Street Partners	Harry Andrews	handrews@dogwoodstreet.net	Received NDA 6/29/16.	6-Memo Sent
A	Financial	Other	Pear Street Partners	Garry Erickson	garye@pearstreet.net	5/10 - Left message. 5/13 - sent teaser.	6-Memo Sent
A	Financial	FBCA Research	Peach Tree Partners	Nancy Graves	nancygraves@peach.com	Sent teaser and memo 5/18	6-Memo Sent
B	Financial	FBCA Research	Pine Street Partners	Don Green	dwhite@pinestreet.com	Left VM	0-Not Contacted
B	Financial	FBCA Research	Apple Street Partners	Chris Amos	chrisamos@applesp.com	Sent teaser and memo 5/18	2-Teaser Sent
B	Financial	FBCA Research	Birch Street Partners	Tony Samson	tonysamson@birchstreet.com	Email follow up 5/21	5-Decline Pre-Memo
C	Financial	FBCA Research	Hickory Street Partners	Allen Armstrong	allena@hsp.com	5/24 - Emailed Allen.	3-CA Received
C	Financial	FBCA Research	Cherry Street Partners	Peter Bowling	pbowling@cherrystreet.com	emailed teaser to Pete	5-Decline Pre-Memo
C	Financial	FBCA Research	Beech Street Partners	Heidi Russell	hrussell@bsp.com	LM for Heidi 5/23	2-Teaser Sent

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Please Note:

*Theoretically, there could be thousands of buyers for a single company.
It is the job of your investment banking team to narrow them down to well-qualified list.*

> CHAPTER 5

TEASER AND CONFIDENTIALITY AGREEMENT

Sneak peek

The Teaser is a one-page summary of a company. It's intended to give a "30,000-foot view" of the business and its operations, without disclosing the name or location.

While the amount of detail can vary, a Teaser often includes:

- › Description of the business: industry, products and services, etc.
- › Regional location: Southeast, West Coast, Midwest...
- › Last Twelve Months (LTM) Revenues and Adjusted EBITDA
- › Key selling points: for example, recurring revenues, long-term contracts, patented processes
- › Owner objectives: in other words, what you wish to accomplish with this transaction — sell 100% and retire, sell control but continue to run the company, etc.

Generally, the Teaser is the “first touch” for prospective buyers. It’s typically e-mailed to every contact on the Buyer List (see Chapter 4), along with a Confidentiality Agreement.

If prospective buyers want to learn more about the company after reading the Teaser, they will sign and return the Confidentiality Agreement. Sometimes they will make changes to the Confidentiality Agreement, which will then be reviewed by your investment banking team and/or your legal counsel.

Once the Confidentiality Agreement has been signed by a potential buyer, the buyer will receive a copy of the Confidential Information Memorandum, or CIM — which we’ll discuss in the next chapter.

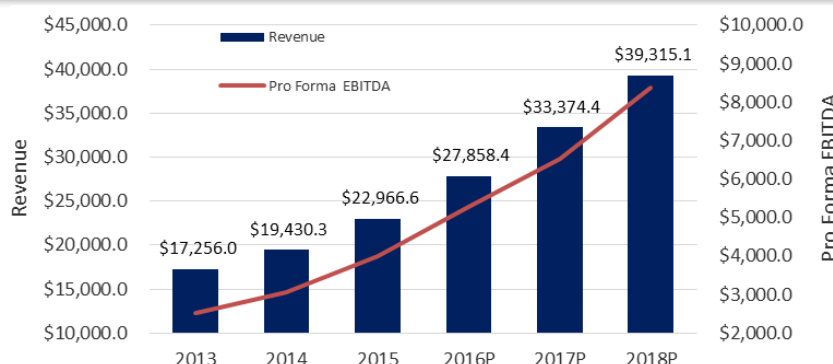
Based in the Southeast, “Widget” is an engineering and technology-driven company that provides value-added services and products for manufacturers. The Company utilizes the latest industry innovations, resulting in high quality, high margin, cost-effective and customized solutions that maximize production and efficiency. Generating gross margins of 50%, lines of business include: fabrication, precision machining, machine/assemble, and design/machine/assemble.

Originally established to sell machine replacement parts to a single global manufacturer, the Company was acquired by the current owner in 2010 — with \$8 million in sales. Utilizing the owner’s engineering background and 20 years of Fortune 100 manufacturing and sales experience, management has focused on positioning the Company for rapid growth by investing in technology and engineering-focused personnel; building a reputation for satisfying high-profile customers; and implementing standardized corporate systems and metrics typically found in much larger companies. The Company received ISO 9001:2008 certification in 2014.

As a result, the Company has expanded its revenues to approximately \$23.0 million, and its customer base now consists of many of the region’s premier manufacturers, including several worldwide corporations. End markets for the Company’s services include automotive, power generation, flooring, metal stamping, industrial material suppliers, and industrial controls and automation. Armed with the addition of AS9100 certification in the coming months and a demonstrated track record of delivering Widget products and services, the Company will be entering the aerospace and defense markets as well.

Strong Historical and Projected Financial Performance

- Continued sales growth for the past several years
- Stable gross margin performance of 50%
- 2015 Adjusted EBITDA of \$4.0 million on revenues of \$23.0 million, a 17.4% margin
- 2016 Projected EBITDA of \$5.3 million on revenues of \$27.9 million
- Highly visible path to revenue of \$39.3 million and EBITDA of \$8.4 million by 2018 that assumes no major new customers or products



Investment Considerations

- Established base of recurring revenues through sticky customer relationships
- Excellent gross margins of approximately 50%; adjusted EBITDA margin greater than 17%**
- Fortune 100 trained CEO experienced in building and guiding rapidly growing companies
- Minimal CAPEX required to double revenues
- Positive macro trends driven by manufacturers’ continued relocation to and re-investment in the Southeastern U.S.
- Demonstrated ability to meet demands and specs of world-class, engineering-driven customers
- Investment to date in personnel, infrastructure, and plant and equipment now positions the Company for accelerated growth

Opportunity

- The owner/CEO is seeking partial liquidity of his ownership in the Company
- His objective is to partner with a value-added strategic and/or financial investor to fully capitalize on the Company’s near-term growth opportunities and pursue an exit at later date
- FourBridges has been engaged to evaluate various strategic alternatives, including a sale of the company

For further information, please contact the following:

Andy Stockett – 423.266.6979 – astockett@fourbridgescapital.com
Chris Rowe – 423.266.4630 – crowe@fourbridgescapital.com

PROJECT [NAME]
CONFIDENTIALITY AGREEMENT

FourBridges Capital Advisors (“FourBridges”)
1300 Broad Street, Suite 201
Chattanooga, Tennessee 37402

Ladies and Gentlemen:

In connection with our consideration of a possible transaction (“Transaction”) with your client, Project [NAME], a [INSERT DESCRIPTION] (the “Company”), whose name will be disclosed to us in the confidential information memorandum (“CIM”), we have requested certain confidential and other information concerning the Company.

We agree to treat any information concerning the Company and its affiliates, whether furnished to us before or after the date of this letter, together with any and all analyses or other documents prepared by us or any of our directors, employees, advisors, attorneys, accountants, consultants, subcontractors, representatives or lending institutions (collectively, “Representatives”) which contain or otherwise reflect such information (collectively, “Evaluation Material”), in accordance with this agreement. The term “Evaluation Material” does not include information which (a) was already in our possession prior to the time of disclosure to us by the Company or FourBridges or their respective Representatives, provided that such information was not furnished to us by a source known by us to be bound by a confidentiality agreement with the Company, or otherwise prohibited from disclosing the information to us, (b) was or becomes generally available to the public other than as a result of a disclosure by us or our Representatives, (c) becomes available to us on a non-confidential basis from a source other than the Company or FourBridges or their respective Representatives, provided that such source is not known by us to be bound by a confidentiality agreement with the Company, or otherwise prohibited from disclosing the information to us, or (d) which can be demonstrated to have been independently developed by us without violating our obligations hereunder.

The Evaluation Material will be used solely for the purpose of evaluating the Transaction between the Company and us, and will be kept confidential by us and our Representatives (it being understood that such Representatives shall be informed by us of the confidential nature of the Evaluation Material). We shall be responsible for any breach of this agreement by any of our Representatives as if such Representative had been substituted for “us” as a party and signatory to this letter.

In the event that we or any of our Representatives are requested or required by law, regulatory authority or other applicable judicial or governmental order to disclose any Evaluation Material, we will provide the Company with prompt notice of any such request or requirement so that the Company may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this agreement. In the event that such protective order or other remedy is not obtained, or that the Company waives compliance with the terms hereof, we may disclose only that portion of the Evaluation Material which is legally required.

In addition, without the prior written consent of the Company, we will not, and will direct our Representatives not to, disclose to any person (a) that the Evaluation Material has been made available to us or our Representatives, (b) that discussions are taking place concerning a Transaction, or (c) any terms or other facts with respect to the Transaction, including the status thereof.

It is understood and agreed that money damages may not be a sufficient remedy for any breach of this agreement, and that each of the Company and FourBridges is entitled to seek specific performance and injunctive or other equitable relief. Such remedy shall not be deemed to be the exclusive remedy for breach of this agreement, but shall be in addition to all other remedies available at law or equity to the Company and FourBridges.

Neither the Company nor FourBridges shall be deemed to have made any representations or warranties as to the accuracy or completeness of the Evaluation Material. Only those representations or warranties which are made by the Company in a final definitive agreement regarding a Transaction, when, as and if executed, and subject to such limitations and restrictions as may be specified therein, will have any legal effect.

Within ten days after being so requested by the Company or FourBridges, except to the extent we are advised by legal counsel that complying with such request would be prohibited by law or regulatory authority, we will return or destroy all Evaluation Material. Any destruction of materials shall be confirmed by us in writing. However, we may retain one copy of the Evaluation Material in accordance with our internal document retention or archival policies for the purposes of (i) establishing compliance with any laws, regulations or professional standards or (ii) resolving any disputes that may arise under the Agreement. Any Evaluation Material that cannot be returned or destroyed (such as oral Evaluation Material) shall remain confidential, subject to the terms of this agreement.

This agreement binds the parties only with respect to the matters expressly set forth herein. As such, unless and until a subsequent definitive written agreement regarding a Transaction between the Company and us has been executed, (a) neither the Company nor us will be under any legal obligation of any kind whatsoever to negotiate or consummate a Transaction, and (b) we shall have no claim whatsoever against the Company or FourBridges or any of their respective directors, officers, owners, affiliates or representatives arising out of or relating to any Transaction or Evaluation Material.

All inquiries and other communications are to be made directly to FourBridges or employees or representatives of the Company specified by FourBridges. Accordingly, we agree not to directly or indirectly contact or communicate with any executive or other employee of the Company concerning a Transaction, or to seek any information in connection therewith from such person, without the express written consent of FourBridges.

Additionally, we agree not to solicit for employment any Company employees to whom we may be introduced or with whom we otherwise had contact as a result of our consideration of a Transaction for a period of two years after the date of this agreement, provided that we shall not be restricted in any general solicitation for employees (including through the use of employment agencies) not specifically directed at any such persons, and provided further that we shall not be restricted in hiring any such person who responds to any such general solicitation.

This agreement constitutes the entire agreement between the parties hereto regarding the subject matter hereof. No amendments, changes or modifications may be made to this agreement without the express written consent of each of the parties hereto. If any term or provision of this agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms and provisions of this agreement shall remain in full force and effect and shall in no way be affected,

impaired or invalidated. We agree that the Company is a beneficiary of this Agreement. No failure or delay by the Company or FourBridges in exercising any right hereunder or any partial exercise thereof shall operate as a waiver thereof or preclude any other or further exercise of any right hereunder.

This agreement shall be governed by the laws of the State of Tennessee. In the event of a dispute between the parties arising out of this agreement, the prevailing party shall be entitled to recover its reasonable costs and expenses, including attorneys and expert fees, associated with successfully pursuing or defending its claims or defenses.

Our obligations under this agreement shall remain in effect for a period of two years from the date hereof, except as otherwise stated herein.

The parties have executed this agreement effective the ____ day of _____, 2015.

Very truly yours,

By: _____
Name: _____
Title: _____
Company: _____

Accepted and agreed to as of the date first written above:

PROJECT [NAME]

By FourBridges Capital Advisors, solely as Company's representative

By: _____
Name: _____
Title: _____

> CHAPTER 6

CONFIDENTIAL INFORMATION MEMORANDUM

The inside story

If the Teaser provided the sizzle, this is the steak.

The Confidential Information Memorandum, or CIM, is the story of your company. While it's not a complete tell-all, it includes everything a prospective buyer should want or need to know if they're truly considering an acquisition — from operations to finances to customer concentration to employee turnover to legal issues to growth opportunities to — well, you get the idea. Everything.

A good CIM is accurate and paints a full picture.

A CIM isn't meant to be "sales-y," but you do want to maintain a tone of understated confidence. It should position your company in the best light, which isn't always easy to do — even for the best companies. Every business comes with warts and skeletons, and it's tempting to gloss over those details

in the CIM. But a buyer will inevitably uncover them during their Due Diligence review, which can bring a deal to a screeching halt. It's always best to anticipate and (artfully) address concerns in the CIM to avoid surprises down the road that can derail the deal.

It's important that whoever is writing the CIM has done it before and knows what they're doing.

(And yes, it's possible to have the former without the latter.) A seasoned investment banking team has the CIM down to a science because they know that this document will directly impact the course of the transaction process.

The goal: to elicit a serious, fully informed offer from a legitimate, interested buyer that has a high probability of closing.

Prospective buyers will use the CIM to submit an initial "Indication of Interest" (we'll get there in a minute) without having spoken to management, visited the facilities, or talked with customers. So, we can't stress this enough: it's crucial that anything in the CIM can be verified, supported and substantiated under the spotlight of Due Diligence prior to closing. Otherwise, what appears to be an attractive offer up front may be reduced, if not rescinded, if things aren't quite what they seemed.

What does it look like?

Fifteen years ago, potential buyers received “books” — a paragraph by paragraph *War and Peace* description of the company. Thankfully, everyone realized that it’s better to boil it down, so the book evolved into a “deck:” a Power Point-type format using bullet items and charts to convey the key aspects of a company. The end product can still be 40-60 pages, but it’s somewhat easier for the prospective buyer to digest the information and disseminate it to an investment committee or board of directors.

Scroll down (or turn the page) to find a sample table of contents for a CIM. While no two are alike, this provides a general idea of the information that’s included and where it goes.

AMERICAN WIDGET COMPANY, LLC

Confidential Information Memorandum



IMPORTANT NOTICE

This Confidential Information Memorandum (the “Memorandum”) contains confidential information regarding American Widget Company, LLC (referred to herein as the “Company”). FourBridges Capital Advisors (“FourBridges”) has been engaged by the Company as its advisor to assist in the potential sale or recapitalization of the Company. This Memorandum and any other written or oral communication made available to prospective investors are for the purpose of introducing the Company in connection with the acquisition opportunity.

By acceptance hereof, each recipient agrees that it will cause its directors, officers, employees, legal and financial advisors, accountants, and other agents and representatives (“Representatives”) not to copy, reproduce or distribute to others the Memorandum in whole or in part, at any time, without the prior written consent of the Company except as expressly permitted in a Confidentiality Agreement delivered by the recipient to FourBridges and that it will keep, and will cause the Representatives to keep, permanently confidential all information contained herein not already public and will use this Memorandum solely for the purpose set forth below.

The information contained herein was obtained from the Company and other sources. This Memorandum does not constitute an offer to sell or a solicitation of offers to buy securities of the Company. All information presented in the Memorandum with respect to the existing business and historical operating results of the Company and estimates and projections as to future operations are based on material prepared by the Company’s management and involve significant elements of subjective judgment and analysis which may or may not be correct. FourBridges has not independently verified, and will not independently verify, any of the information contained herein or hereafter provided and assumes no responsibility for its accuracy or completeness. The Memorandum does not and, if hereafter supplemented, will not contain all the information that may be required to evaluate a potential transaction with the Company. The Company and FourBridges make no representations or warranties, express or implied, as to the accuracy or completeness of the information contained in the Memorandum and nothing herein is, or shall be relied upon as, a representation or warranty with respect to past or future facts or results. If and when authorized by the Company, prospective purchasers will be allowed to conduct a comprehensive due diligence review of the operations and financial condition of the Company, including discussions with senior management of the Company. Prospective purchasers will be responsible for conducting their own independent analysis in making an investment decision regarding the Company. The Company reserves the right to require the return of this Memorandum at any time.

In furnishing the Memorandum, neither the Company nor FourBridges undertakes any obligation to provide the recipient with access to any additional information. The Company and FourBridges expressly reserve the right, at any time and in any respect, to amend or terminate this process, to terminate discussions with any or all prospective purchasers, to reject any or all proposals, and to negotiate with any party with respect to a transaction involving the Company.

If you have questions or need more information, please contact:

Andy Stockett	423.266.6979	astockett@fourbridgescapital.com
Chris Rowe	423.266.4630	crowe@fourbridgescapital.com

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> CHAPTER 7

PROCESS LETTER



Let the games begin

Keep things moving

After all of the CIMs have been distributed to qualified, interested buyers, your investment banking team will send a Process Letter to all parties. This lets them know that the train is leaving the station: if they're truly interested in acquiring your company, they need to submit a "preliminary, non-binding Indication of Interest" by a certain date.

Essentially, the Process Letter asks the buyer:

- > Assuming everything in the CIM is 100% accurate and verifiable, what would you propose to pay for the company (even if it's a range), and
- > How would you structure and finance the transaction?

Clear the market

Ultimately, the objective of the Process Letter is to elicit a cluster of “market clearing” offers. That allows you to focus on the frontrunners who have the highest valuations and most attractive structures before inviting them to visit the company and take up valuable management time.

On the next page, you’ll see what a Process Letter looks like, and then we’ll talk money.

December 15, 2016

Dennis Ju
Maple Street Partners
dju@maplestreetpartners.com

RE: American Widget Company (“AWC” or the “Company”)

Dear Dennis:

Thank you for your interest in AWC. In order to determine your level of interest in acquiring the Company, we would request that you submit a preliminary, non-binding indication of interest (the “Proposal”) by close of business on Monday June 20, 2016. Please send your Proposal by e-mail to Chris Rowe (crowe@fourbridgescapital.com) and Andy Stockett (astockett@fourbridgescapital.com).

In order to evaluate your interest in the Company, your Proposal should include the following:

1. **Valuation:** Please include the value or range of values for the Company, assuming a purchase of 100% of the Company on a cash-free, debt-free basis, and the methodology used to determine the value;
2. **Structure:** Please indicate structure of your Proposal, including the form of consideration and other relevant information regarding the proposed transaction structure;
3. **Financing Requirements:** Please discuss your preliminary plans regarding the sources of financing for the transaction; and, if applicable, the anticipated steps required to secure necessary funds and the present status of any discussions with providers of such funds;
4. **Approvals:** Please include a description of any internal or external approvals necessary for you to complete the transaction, whether a subsequent formal offer would be conditioned upon receiving such approvals and whether this indication of interest has been approved by your board of directors or other governing board;
5. **Key Assumptions:** Please include a summary of any key financial, operational, or management assumptions upon which your indication of interest is dependent, including the level of earnings you have assumed;
6. **Due Diligence Requirements:** In order to help us meet your due diligence requirements in an expeditious manner, please include a description of due diligence requirements and any

p 423.266.7490

f 423.266.7081

www.fourbridgescapital.com

additional information and/or investigation that you may require to ultimately complete the transaction;

7. **Timing and Other:** Please include your proposed timing for completing the transaction and any other significant considerations you believe would be helpful to us in evaluating your proposal.

We will be available to answer questions prior to the deadline. AWC, together with its financial and legal advisors, will evaluate Proposals immediately following receipt, using the parameters set forth above as the primary criteria. Based on this evaluation, the Company's intention is to select parties who would be invited to conduct more extensive due diligence, including management meetings.

We appreciate your interest in the Company and look forward to working with you in connection with this potential transaction. Thank you in advance for your interest, time and participation. If there is anything else we can do to help in your analysis, please do not hesitate to give us a call.

Sincerely,

FourBridges Capital Advisors

<i>Name</i>	<i>Phone</i>	<i>Email</i>
<i>Andy Stockett</i>	<i>423-266-6979</i>	<i>astockett@fourbridgescapital.com</i>
<i>Chris Rowe</i>	<i>423-266-4630</i>	<i>crowe@fourbridgescapital.com</i>

> CHAPTER 8

INDICATION OF INTEREST

Talking turkey

What's the IOI?

The Indication of Interest, or IOI, is a high-level, non-binding document submitted by potential buyers in response to the Process Letter.

If a buyer submits an IOI, that means he is still interested in acquiring your company at this stage in the game. Depending on how many potential buyers are interested, you could get two IOIs, or you could get 20.

Typically, the buyer will use the IOI to tell you:

"We really like your company."

"We'd really like to own your company, and we think we're the right people to buy it."

"Here's what we're willing to pay for your company, and here's how we might structure the transaction."

The numbers game

An IOI won't show a hard-and-fast number. Instead, each buyer will generally provide a range of values that he might consider offering for the company, and on what terms. Your buyers aren't comparing notes with each other, and there are several variables at play, so no two IOIs will look exactly alike — although there will probably be some overlap.

Keep in mind: IOIs can give you an idea of what the market is willing to pay for your company and which buyers might be leading the pack, but nothing is set in stone. Consider it the first foray into the negotiation process. (And everything in the IOI is up for negotiation.)

Maple Street Partners LLC
555 Fifth Avenue
19th Floor
New York, New York 10019
Telephone (212) 555-5555

December 11, 2016

Mr. Andy Stockett &
Mr. Chris Rowe
FourBridges Capital
1300 Broad Street, Suite 201
Chattanooga, TN 37402

CONFIDENTIAL

Dear MSSRS Stockett & Rowe:

Maple Street Partners LLC (together with its affiliates, “Maple Street Partners”) is pleased to submit this non-binding indication of interest regarding an investment (the “Proposed Investment”) in American Widget Company, LLC. (“AWC” or the “Company”) on the terms and conditions and for the consideration as generally described herein. These terms are based upon information provided by FourBridges relating to the Company and various assumptions made by Maple Street Partners in interpreting and analyzing that information.

1. Purchase Price

Based upon Maple Street Partners’ review of information that has been made available regarding the Company, and subject to further due diligence, Maple Street Partners would place an enterprise value range on the company of \$33.0 to \$38.0 million (this assumes that the Company will be free of debt and cash, but have sufficient net working capital to support the anticipated near-term operation of the business).

2. Assumptions

The foregoing assumes that the Company will achieve 2016PF Adjusted EBITDA of \$4.78 million, which includes adjustments that are verified by and acceptable to Maple Street Partners. We have based this on a multiple range of 7x – 8x 2016 PF EBITDA.

3. Financing

The funds for the Proposed Investment would be obtained from a combination of equity capital and debt financing. We have long-term debt financing relationships, which include groups that are lenders to our current portfolio companies. Given the relatively small size of this deal for our fund, we would consider an all-equity transaction, if the returns can justify this.

4. Description of Purchaser

Maple Street Partners has been an active investor in branded consumer businesses for 25 years. We have made over 50 investments in the apparel, food, beverage, and other consumer sectors.

5. Due Diligence Requirements

Maple Street Partners anticipates that its due diligence would be customary for a transaction of this type, including without limitation meetings with key executives, a tour of facilities, customer calls, and a review of financial statements, material contracts, sales data, and definitive legal documents. The foregoing shall be conducted by Maple Street Partners and its representatives so as not to interfere with the operations of the Company. We understand that AWC is a private family company; please know that we always operate with the highest discretion. Our team is immediately available to work on this project.

6. Required Approvals & Timing

Members of the investment committee of Maple Street Partners have reviewed the information materials and are familiar with the Company. We do not expect any unusual regulatory or other approvals to be required to consummate the Proposed Investment. Based on our initial review of the information, we are confident that we will be able to conclude our due diligence 45-60 days following notification by you that you would like us to move forward to the next phase of the process. Our “Quality of Earnings” review typically takes 2-3 weeks, and our business review and legal review run concurrently.

7. Other Contingencies

At this time, we aren’t aware of any unusual contingencies that would affect our ability to consummate the Proposed Investment.

8. Advisors

We have engaged Weil, Gotshal & Manges LLP as our legal counsel. We plan to engage KPMG to perform financial/accounting diligence. We also plan to engage advisors for business consulting, employee benefits, environmental and other matters but have not chosen specific third parties yet. Each party that we have engaged or will engage has completed numerous transactions with Maple Street Partners in the past.

9. Cultural Fit

We are a values-based organization. Over 25 years, we have found a “playbook” that has been a major factor in our success in brand-building and business-building. We prefer to back the existing team and supplement where appropriate. We invest for the long-term (10-year horizon, even if we might sell sooner), and we don’t over-leverage our investments. We are responsive in all of our relationships and set clear objectives for our management teams. We favor sales and marketing organizations (over manufacturing assets). We put in place strong financial planning to assist our management teams. We are focused on delivering quality products, that will be recommended by our customers to others and that will have high repurchase rates. We have strong references from founders who have entrusted us with their businesses and employees.

10. Contacts

David M. Michaels, Managing Director (212) 555-5551
Stephen Johnson, Vice President (212) 555-5552
Eric Matthews, Associate (212) 555-5553

This letter is not intended to be a binding contract, except with respect to the provisions regarding confidentiality set forth in the paragraph immediately below.

We are providing this letter with the understanding that neither FourBridges nor the Company will disclose to any persons the terms of this letter or the fact that any investigation, discussions or negotiations are taking place concerning a possible investment in the Company by us, other than to managers, officers, employees, and representatives of the Company who are informed of the confidential nature of this letter and the subject matter hereof and who agree to keep such information confidential.

We believe we would be an excellent partner for American Widget Company and are excited by the opportunity to continue our dialogue. We are available to discuss the terms of this letter in greater detail and encourage you to contact any member of the Maple Street Partners transaction team at your convenience.

We appreciate the opportunity to learn more about the Company and look forward to working with you.

Sincerely,
Maple Street Partners L.P.
BY Maple Street Partners MANAGEMENT LLC
ITS GENERAL PARTNER

> CHAPTER 9

PROVIDING GUIDANCE



Apples to apples

A little help from your friends

Once potential buyers have submitted their Indications of Interest, or IOIs, you'll have some internal discussion with your advisory team, analyzing and comparing the IOIs.

But just like you can't compare apples to oranges, it's hard to compare IOIs that are very different. So, at this point, it's the job of your investment banking team to talk directly to your potential buyers and give them feedback. Essentially, your advisor is trying to turn any "oranges" into "apples." (Or at the very least, pears.)

Now, you may have heard the old saying, “don’t price your own mule.” That applies here. When buyers ask your advisor what your price expectations are, your advisor won’t give them a hard number. Instead, they’ll “provide guidance.”

The goal: to motivate the “frontrunners” to revise their suggested valuations upward, so that they approach (or exceed) the highest valuation you received.

Confused? Here's an example.

One of our clients recently received seven IOIs from potential buyers. Each IOI suggested a different range of value for our client's company:

- | | |
|--------------------|--------------------|
| 1. \$16-18 million | 5. \$30-32 million |
| 2. \$25-27 million | 6. \$30-33 million |
| 3. \$27-30 million | 7. \$30-36 million |
| 4. \$29-31 million | |

We advised Buyers 1 and 2 to drop out because, to be taken seriously, their numbers would need to increase significantly.

While Buyer 7 was leading the pack, Buyer 5 and 6 were close enough to make the cut. So we “provided guidance” to Buyers 3 and 4, telling them that their “bottom number needs to have a 3 in front of it” if they hoped to continue the process.

(P.S. There's no document to display here: "providing guidance" is a lot of phone calls, emails and poker faces.)

> CHAPTER 10

COMPANY VISITS AND MANAGEMENT PRESENTATION



Meet and greet

Your turn

After your investment banking team has “provided guidance” to your potential buyers, some offers will be revised, and some won’t. Either way, you’ll work with your advisors to narrow down the playing field to just a few parties. Then, your advisors will schedule company visits: a day or two when each potential buyer will visit your headquarters and see how the sausage is made (and where it’s made, and who makes it).

Up until this point, your investment banking team has managed all communications to potential buyers on your behalf. They’ve advocated for you and lobbied for the value of your business. Now, it’s your turn to shine.

Seeing the sites

You know how you frantically clean the house before your in-laws visit? This is kind of like that. (Except, no hiding.)

When buyers visit, you have the opportunity to impress them, so everything should be in order — from your plant to your office space, from your employees to your equipment. This is a “smell test” for your buyers, and while they’ll usually be friendly, they’ll also be looking at everything with a critical eye.

Management presentation

After a tour of your facility, the management presentation is given — usually by your CEO, CFO, head of marketing, or all three. (Don’t worry: your advisors will prepare the presentation for you, and you’ll have plenty of time to practice.)

The management presentation is a CliffsNotes version of the CIM. It’s intended to start and guide the conversation between you and your potential buyers. While you’ll probably need to field questions from your audience, this is also an opportunity for you to feel out the people who could own your business in the not-so-distant future. If you need to know more about them, now is the time to ask.

AMERICAN WIDGET COMPANY, LLC

Management Presentation



AGENDA

- | | |
|-------------------------------|-----------------------------|
| I. Transaction Rationale | VII. Referral Relationships |
| II. Company Overview | VIII. Expansion Plans |
| III. History | IX. Metrics |
| IV. Investment Considerations | X. Financials |
| V. Management and Employees | XI. Competition |
| VI. Locations | |

> CHAPTER 11

TERM SHEET (AKA LETTER OF INTENT)

Round Two

Here we go again

The term sheet is essentially another version of the Indication of Interest. But now, things are getting a little more “real.”

Unlike the IOI, the term sheet will include an exact purchase price, preferred payment method, assets to be included and specifically how the deal will be structured.

It's still not binding, except for two things:

1. Confidentiality: neither party can discuss the deal with any other party that has not signed a confidentiality agreement.
2. The exclusivity period: should you accept a buyer's term sheet, the buyer will then complete a Due Diligence review, which lasts anywhere from 60 to 90 days. Due Diligence takes time and money, so you can't entertain offers from any other buyers at this point.

OAK STREET CAPITAL

January 11, 2017

Mr. Christopher D. Rowe, Managing Director
1300 Broad Street
Suite 201
Chattanooga, Tennessee 37402

Dear Mr. Rowe:

Oak Street Partners II, L.P. ("Oak Street") is pleased to present this Letter of Intent ("LOI") to acquire all of the assets and assume specified operating liabilities (the "Assets") of American Widget Company LLC ("AWC" or the "Company"). Oak Street and its affiliates would provide 100% of the proposed equity investment and would form a new entity ("Newco") to purchase the Equity. While this letter is evidence of our desire to pursue this transaction, nothing herein, except for Section 7 -- Binding Provisions, should be construed to be a legally binding offer by Oak Street.

This Letter addresses our valuation, transaction structure, financing, plans for management, transaction timing, and other areas of importance to Mr. John Smith ("Seller"), the Company and management, as well as to Oak Street. Also attached is a draft commitment letter evidencing Southeast Capital's strong interest in providing debt financing.

We are enthusiastic about the prospect of a transaction between Oak Street and the Seller, allowing Oak Street to provide longer term leadership for the Company and, equally important, to partner with key members of the existing management team in taking the Company to the next level. Besides providing capital, Oak Street has a long track record of providing strategic, operational and financial expertise that we believe could be a significant resource to AWC.

1. Valuation and Transaction Structure

Based on our due diligence to date, Oak Street proposes that Newco would acquire all of the Assets of AWC, assuming the industrial development bonds equal to no more than \$5.255 million will remain on the Company balance sheet, for a cash purchase price, excluding transaction costs of \$30.745 million. The cash purchase price would be enhanced by an additional \$1 million earnout payment twelve months after the closing date assuming AWC achieves, during that twelve-month period, Earning Before Interest, Taxes, Depreciation and Amortization (EBITDA) of \$6.4 million or more. Our offer would include a net working capital adjustment based on recent monthly financial statements, and we would also like to ensure that Seller operates in the interim, in a manner such that a sufficient level of net working capital to support the operations of the business remains at the time of closing. Finally, we would propose that the Seller receive \$2 million in Newco preferred stock, on a deferred basis, upon

the achievement by Newco of an appropriate two-year performance target. The expected sources and uses for this transaction are set forth below:

Sources and Uses of Funds (\$ in millions)

Sources		Uses	
Revolver	\$4.00	Cash Purchase Price	\$30.75
Term Debt	\$17.75	Industrial Bonds	\$5.25
Industrial Bonds	\$5.25	Earnout Payment	\$1.00
Seller Preferred	\$2.00	Seller Preferred	\$2.00
Oak Street Equity	\$12.00	Est. Transaction Costs	\$2.00
Total Sources	<u>\$41.00</u>	Total Uses	<u>\$41.00</u>

Our purchase price assumes that (i) there have been no material adverse changes in the Company or its results of operations, financial condition or prospects since its most recent audited financial statements; (ii) there are no undisclosed, under-represented or contingent liabilities, or other liabilities for which a reserve has not properly been taken on the financial statements, (iii) AWC continues to be on plan to achieve its 2017 adjusted EBITDA forecast of \$6.4 million, and achieves a minimum of \$4.8 million in TTM EBITDA at closing, and (iv) working capital continues to be managed in the ordinary course of business through the closing date of the transaction.

2. Debt and Equity Financing

Debt: Over the past few weeks we have had discussions with several senior lenders, including Ares, Madison and LaSalle, regarding the debt financing for this transaction. We have devoted substantial time reviewing the Company with these lenders and facilitating their preliminary due diligence efforts.

These lenders have a high level of interest in providing senior debt financing for this transaction in amounts sufficient to support the total funded debt range described in Section 1, including a draft commitment letter from Ares. Oak Street is confident that the debt financing necessary for the transaction will be achieved on terms and conditions satisfactory to Oak Street.

Equity: Oak Street and its affiliates will provide 100% of the equity financing for this investment. In addition, Oak Street will use its best efforts to provide the opportunity for the management team, including all Vice President level personnel, the Controller, Plant Managers, and other appropriate Company officers to co-invest with Oak Street in the Equity at the same share price. We not only endorse, but encourage co-investment by Company

management. Oak Street does not require external investor approvals to authorize an investment in AWC. Oak Street just closed its 4th equity fund, a fund with approximately \$200 million in committed capital, which will provide Oak Street's equity for the transaction.

3. Management

Oak Street is very enthusiastic about partnering with AWC's management team. We also recognize the need for a transition over time to a new top management team, a process we very much intend to be a cooperative, collaborative one. We would like to discuss appropriate employment contracts and non-compete agreements with at least the top four members of the team going forward.

Management compensation would involve three components – base salary, incentive bonus, and a long-term stock option plan. Oak Street would allocate approximately 15% of base equity value in the form of performance and time-based options available for the senior members of the management group, both current and prospective new team members.

4. Timing and Due Diligence

Upon execution of the LOI, Oak Street will immediately devote the financial and personnel resources necessary to consummate the transaction. Oak Street has worked extensively with each of its advisors on prior transactions. We would anticipate having committed financing and signing a Definitive Agreement within 60 days of the execution date of this LOI. We envision the following key activities during our due diligence process:

- Develop a twelve month, or longer, transition plan for the CEO and COO positions;
- Meet further with AWC management to finalize financial forecasts, strategic plans and capital expenditure plans for 2007 - 2008;
- Visit operating locations;
- Conduct customer and vendor interviews;
- Complete confirmatory legal, environmental, accounting, tax, benefits and risk management due diligence;
- Complete financing arrangements and provide commitments;
- Finalize definitive agreements and other relevant documents.

5. Conditions to Closing

Consummation by Oak Street of the transaction contemplated by the LOI would be subject to the following conditions:

- a) Where appropriate, negotiation and execution of satisfactory employment and non-competition arrangements with key members of the AWC management

team;

- b) Creation of a stock option plan for management;
- c) Negotiation between Oak Street and the Seller of a Definitive Agreement incorporating the terms herein and other mutually acceptable terms and conditions;
- d) Satisfactory receipt of senior debt financing commitments on terms and conditions acceptable to Oak Street;
- e) Oak Street shall have completed its due diligence and shall be satisfied with the results thereof.

6. Representations and Warranties

Oak Street's proposal assumes that the definitive agreements will contain mutually agreeable representation, warranties, covenants and indemnities that are customary for such a transaction. Fundamental representations and warranties (e.g., as to title to stock, authorization, execution and delivery and binding effect of agreement and other key matters) and tax indemnities will survive until the expiration of the relevant statute of limitations.

The following Section 7 of this letter is the legally binding and enforceable section of this agreement between the parties. Section 7 is the only legally binding and enforceable language in this agreement.

7. Binding Provisions

a) As an inducement for Oak Street to incur expenses and to proceed with arrangements for the Proposed Transaction and as a condition to any further discussions regarding the Proposed Transaction, the Company will, and will cause, their stockholders, officers, directors, advisors and agents (collectively, "Representatives") to immediately terminate all other discussions, direct and indirect and without regard to the party initiating such discussions, with third parties or their Representatives regarding any transaction involving the transfer or acquisitions of any significant portion of the assets or business of AWC (including by means of a merger or recapitalization) or involving the sale, transfer or issuance of equity or debt securities of AWC, and agree that neither AWC, the Stockholders, or their Representatives will initiate, solicit or participate in any such discussions. The Company and the Stockholders agree to negotiate exclusively and in good faith with Oak Street with respect to such transaction until the date that the Binding Provisions are terminated in accordance with Section 7(h) of this Letter.

i. Further, during the period from the date this Letter is signed by AWC and the Stockholders until the date that the Binding Provisions are terminated in accordance with Section 7(h) of this Letter, the Stockholders and AWC will promptly (within 24 hours) notify Oak Street if they become aware of any contact between the Company or their Representatives and any other person (a "Third Party") regarding any offers,

proposals or any related inquiries.

b) Disclosure. Except for any disclosures to its representatives and potential financing sources, and to the extent required by law, without the prior written consent of the other Party, neither Oak Street nor the Company will, and each will direct Representatives not, make, directly or indirectly, any public comment, statement or communication with respect to, or otherwise to disclose or to permit the public disclosure of the existence of discussions regarding, the Proposed Transaction or any of the terms, conditions or other aspects of the Proposed Transaction.

c) Conduct of Business. Unless Oak Street otherwise consents, during the period prior to the date that the Binding Provisions are terminated in accordance with Section 7(h) of this Letter, AWC (i) shall operate its business as currently operated and only in the ordinary course and will not make any distributions in cash or in kind to its shareholders, and (ii) shall use its reasonable best efforts to preserve intact such business and AWC's relationships with its employees and persons having dealings with it.

d) Confidentiality. Oak Street confirms that it will continue to be governed by the terms and conditions of that certain AWC' Confidentiality Agreement (the "Confidentiality Agreement") in accordance with all the terms and conditions therein.

e) Due Diligence. Oak Street will be allowed, until the date of termination of this Letter in accordance with Section 7(h), to conduct a due diligence investigation of AWC and its business operations covering the areas discussed in Section 4 above. AWC will provide Oak Street and its Representatives reasonable access during normal business hours to AWC' facilities, books and records and will cause its Representatives to reasonably cooperate with Oak Street and its Representatives in connection with such due diligence investigation.

f) Expenses. In the event the proposed transaction is not consummated, each party will bear its own expenses. For purposes of clarity, Seller will pay all investment banking fees.

g) Transaction Fee. In addition to any fees required by any debt financing providers, Oak Street would receive a \$650,000 transaction fee payable at closing of this transaction. This fee is included in the estimate of transaction expenses provided in Section 1 above.

h) Miscellaneous

(1) Other than with respect to the Confidentiality Agreement by and between the Parties, the Binding Provisions constitute the entire agreement between the Parties and supersede all prior oral and written agreements, understandings, representations

and warranties, and courses of conduct and dealing between the Parties regarding the subject matter hereof. Except as otherwise provided herein, the Binding Provisions may be amended or modified only by a writing executed by all of the Parties.

(2) The Binding Provisions, the Definitive Agreement and all other definitive documents related to the Proposed Transaction will be governed by and construed under the laws of the State of Texas without regard to conflicts of laws or principles.

(3) This Letter may be executed in one or more counterparts, each of which shall be deemed to be an original copy of this Letter, and all of which, when taken together, shall be deemed to constitute one and the same agreement. The exchange of copies of this Letter and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Letter as to the Parties and may be used in lieu of the original letter for all purposes. Signatures of the Parties transmitted by facsimile shall be deemed to be their original signatures for any purpose whatsoever.

(4) The paragraphs and provisions of this Letter (other than Section 7) are non-binding and do not constitute and will not give rise to any legally binding obligation on the part of any of the Parties. Moreover, except as expressly provided in Section 7 of this Letter (or as expressly provided in any binding written agreement that the Parties may enter into in the future), no past or future action, course of conduct, or failure to act relating to the Proposed transaction, or relating to the negotiation of the terms of the Proposed Transaction or the Definitive Agreement, will give rise to or serve as a basis for any obligation or other liability on the part of the Parties.

(5) Except as otherwise expressly provided herein, this Letter shall insure to the benefit of and be binding upon the successors and assigns of each of the Parties whether so express or not. No Party may assign this Letter without the prior written consent of all the other Parties; provided that Oak Street may assign this Letter to any one of its affiliates financially capable of performing the obligations of Oak Street hereunder without the consent of the Company and, in such even, shall promptly thereafter provide to the Company evidence of such assignment and such information with respect to said affiliate as AWC may reasonably deem necessary.

(6) The Binding Provisions (Section 7) will automatically terminate if the Company fails to accept this Letter (by delivery of an executed copy to Oak Street by facsimile or otherwise) on or prior to 5:00 p.m. Eastern Daylight Time on June 7, 2007. Following execution of this Letter by the Parties, the Binding Provisions of this Letter may be terminated (i) by mutual consent of the Parties, (ii) by any Party unilaterally upon written notice to the other Party at any time on or after the 90th day after the execution date of this letter if the transaction contemplated herein has not closed, except for delays caused by any regulatory agencies, (iii) by any Party unilaterally upon written notice to the other Party at any time on or after the 75th day after the execution date of

this Letter, if the Parties have not entered into a definitive agreement (iv) by the Company upon written notice to Oak Street at any time on or after 60 days from the execution date of this Letter, if within the 60th day after the execution date of this Letter Oak Street does not deliver to the Company a draft of senior and subordinated financing commitment letters that includes terms and conditions that set forth Oak Street's ability to fund, at Closing, the senior and subordinated debt amounts contemplated under the Proposed Transaction or (v) by any non-breaching Party upon written notice to the other Party at any time after such other Party has breached or violated any of the Binding Provisions; provided, however, that the termination of the Binding Provisions will not affect the liability of any Party for breach of any of the Binding Provisions prior to such termination. Upon termination of the Binding Provisions, the Parties will have no further obligations hereunder, except as stated in Section 7 (a), (b), (d), (f) and (h) of this Letter, which will survive any such termination. It is also understood and agreed that the Binding Provisions will automatically terminate upon execution of the Definitive Agreement.

We look forward to further pursuing this transaction. Please do not hesitate to contact Harry Andrews at 214-555-5555 with any questions regarding this Letter.

If you are in agreement with the foregoing, please sign and return one copy of this Letter which thereupon will constitute our agreement with respect to its subject matter.

Very truly yours,

OAK STREET PARTNERS IV, L.P.

By: OAK STREET MANAGEMENT COMPANY II, L.P.
Its: General Partner

By: OAK STREET MANAGEMENT LIMITED II, L.L.C.
Its: General Partner

By: _____
Harry Andrews, Principal

AMERICAN WIDGET COMPANY

By: _____

Date: _____

> CHAPTER 12

BUYER COMPARISON



Picking and choosing

Once again, it's time to compare fruit.

With term sheets in, we've got new apples and oranges to compare, and your advisors can help you do this without going completely bananas. The buyer comparison chart is an organized and logical method used to evaluate buyers as we near the end of the process.

More than a number

While purchase price is important, there are many other factors to consider when you're weighing the pros and cons of each buyer.

Some factors are pretty black-and-white — like whether there are consulting agreements or financing contingencies, or how involved the buyer would want (or allow) you to be, post-transaction.

Other factors require more of a “gut check.” Does the buyer's business philosophy align with yours? Do you have chemistry with the executive team? Are these the people you want to work with, or transition your business to?

And then there are a few factors that your advisors should weigh in on. Specifically: does this buyer really have the ability (and the desire) to close?

Buyer Comparison

Value	Ability to Close	Structure (Stock vs. Asset)	Personal/ Operations	Resources	Total	Rank	Notes
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Unweighted (1-5)

Buyer 1	5.0	5.0	4.0	5.00	5.0	24.0	
Buyer 2	4.0	5.0	3.0	3.00	5.0	20.0	
Buyer 3	5.0	5.0	1.0	2.00	5.0	18.0	
Buyer 4	3.0	3.0	4.0	4.33	3.0	17.3	
Buyer 5	3.0	5.0	2.0	4.33	5.0	19.3	
Buyer 6	4.0	5.0	5.0	-	5.0	19.0	

Weight (1-5)

5 3 5 4 2

Weighted

Buyer 1	25.00	15.00	20.00	20.00	10.00	90.0	1
Buyer 2	20.00	15.00	15.00	12.00	10.00	72.0	2
Buyer 3	25.00	15.00	5.00	8.00	10.00	63.0	6
Buyer 4	15.00	9.00	20.00	17.33	6.00	67.3	4
Buyer 5	15.00	15.00	10.00	17.33	10.00	67.3	4
Buyer 6	20.00	15.00	25.00	-	10.00	70.0	3

Weighted Contribution

Buyer 1	27.8%	16.7%	22.2%	22.2%	11.1%	100.0%
Buyer 2	27.8%	20.8%	20.8%	16.7%	13.9%	100.0%
Buyer 3	39.7%	23.8%	7.9%	12.7%	15.9%	100.0%
Buyer 4	22.3%	13.4%	29.7%	25.7%	8.9%	100.0%
Buyer 5	22.3%	22.3%	14.9%	25.7%	14.9%	100.0%
Buyer 6	28.6%	21.4%	35.7%	0.0%	14.3%	100.0%

> CHAPTER 13

WORKING CAPITAL ADJUSTMENT

The squarest deal

Almost there (but not quite)

A deal can always go off the rails, even if the end is in sight. When that happens, the Working Capital Adjustment is a likely culprit.

Why?

- > It's usually addressed late in the game
- > Hundreds of thousands of dollars (or more) can be at stake
- > Business owners don't always understand what it is, or how to address it

(Disclaimer: if what we're about to explain seems confusing: it is. But a good investment banking team will handle the math, advocate on your behalf, and of course, make sure you understand every possible outcome and implication.)

First: what's working capital?

Working capital is the amount of operating liquidity available to a business at a certain point in time. Businesses need to have working capital to operate. Let's start with the textbook definition of working capital:

$\text{current assets} - \text{current liabilities} = \text{working capital}$

Current assets are those items that are readily expected to turn into cash, or to be sold or exchanged during the next 12 months. So, in addition to the Cash on the balance sheet, current assets would also include Accounts Receivable ("A/R"), Inventory and Prepaid Expenses.

Current Liabilities are those items that must be paid or "discharged" during the next 12 months, such as Accounts Payable ("A/P") and Accrued Expenses (things like payroll, vacation, property taxes, etc.). These accruals need to be accounted for even if a Company does not typically book them.

However, in the context of a transaction, the seller typically keeps the cash but must pay off any debt or capitalized leases. In financial speak, this means the buyer is making an acquisition of stock or assets on a cash-free, debt-free basis.

After eliminating cash and debt/capitalized leases from the calculation, there are typically four balance sheet accounts that primarily contribute to working capital: A/R, inventory, A/P, and accrued expenses.

Okay, so how does working capital impact a deal?

The buyer needs to be sure that on the day of closing, there is enough working capital to keep the business running. And theoretically, a seller could manipulate the working capital accounts in an attempt to increase the cash that he's entitled to when he sells the business.

For example: in the weeks before closing, the seller could stop replenishing inventory. This would increase the amount of cash at closing, and the seller would pocket more money. However, the buyer would then have to purchase new inventory, which effectively increases the price he is paying for the business.

Conversely, prior to closing, the seller could be spending a good deal of money on inventory that will be used to make sales post-transaction for the benefit of the buyer. This outlay of capital may reduce cash or increase Accounts Payable above normal levels. Without a Working Capital Adjustment, this could be detrimental to the seller.

Working Capital Target and Adjustment

To protect both buyer and seller from any swings in working capital, we determine the “Working Capital Target.”

This is a fixed dollar amount based on historical levels of working capital in the company, and both seller and buyer must agree to it. After closing, a third party will analyze the closing balance sheet. If the net working capital exceeds the agreed-upon Working Capital Target, the seller is owed the difference in a cash payment. If the net working capital is below the Target, then the seller owes the difference to the buyer. This adjustment is called the Working Capital Adjustment.

It’s not an exact science — and therein lies the problem: subjectivity can jeopardize a transaction. So, nailing down the Working Capital Target takes expertise and experience and some good old-fashioned negotiation. The goal is to land on a number that’s fair to both seller and buyer, and to keep the train on the tracks. Ultimately, the Working Capital Adjustment shouldn’t be a windfall to either party — or be a way to extract value.

Sample Working Capital

Target Closing Date 9/30/16

	Target	Actual Delivered	Adjustment	Basis for Target
Current Assets				
Accounts Receivable	\$ 1,500,000	\$ 1,575,000	\$ 75,000	Six months average
Inventory	700,000	600,000	(100,000)	Six months average
Total Current Assets	2,200,000	2,175,000	(25,000)	
Current Liabilities				
Accounts Payable	350,000	300,000	(50,000)	Six months average
Accrued Expenses				
Payroll (incl. payroll taxes)	119,953	143,943	23,991	Calculated below
Bonuses	55,000	85,000	30,000	Calculated below
Vacation	50,000	45,000	(5,000)	Calculation depends on policy
Property Taxes	37,000	55,500	18,500	Calculated below
Total Current Liabilities	611,953	629,443	17,491	
NET WORKING CAPITAL	\$ 1,588,047	\$ 1,545,557	\$ (42,491)	Seller owes buyer \$42k due to working capital deficit

Bonus Accrual			
	<i>Quarterly</i>	<i>Annual</i>	
2016 Estimated Bonus	\$ 10,000	\$ 100,000	
Target	5,000	50,000	50.0%
Actual %	100%	75.0%	
Actual	\$ 10,000	\$ 75,000	

Monthly Payroll	
Direct Labor	\$ 375,000
Other Salaries	125,000
Owner Salaries	20,000
Payroll Taxes	39,780
Total	559,780
Number of Weeks	5
Weekly Payroll	\$ 111,956

Property Taxes Accrual		
Annual Property Taxes	\$ 74,000	
Target Accrual	37,000	6.0 Months
Actual Accrual	\$ 55,500	9.0 Months

Accrued Payroll Calculation	
Monthly Payroll	\$ 111,956
Min # of days outstanding	4.0
Max # of days outstanding	11.0
Average # of days	7.5
Target Accrual	119,953
Actual # of Days	9.0
Actual Accrual	\$ 143,943

> CHAPTER 14

PURCHASE AGREEMENT

A background image on the left side of the slide showing a close-up of several US coins, including quarters and pennies, with some text like 'LIBERTY' and 'IN GOD WE TRUST' visible. The image is faded and serves as a decorative element.

The price is right

Bound and determined

The purchase agreement is a binding legal document that specifies the terms of the transaction. (Did we mention it's binding?)

It's also long. It includes everything from the value to be paid to how that value is structured. Earn-outs, representations and warranties, indemnifications, disclosure schedules — it's all in there.

Usually, the buyer will draft the first round. Because of the term sheet, you'll have a general idea of what to expect when it comes to financial terms, but there may be further negotiation around other terms.

STOCK AND ASSET PURCHASE AGREEMENT

by and among

GLOBAL CONGLOMERATE, INC.,

and

AMERICAN WIDGET COMPANY, LLC

January 11, 2017

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> CHAPTER 15

CLOSING DINNER AND TOMBSTONE



Champagne, anyone?

Signed, sealed, time for dinner.

Sure, putting your John Hancock on the Purchase Agreement formally seals the deal. But it's not really over until you've popped the cork at the closing dinner. We do have some photo evidence of a typical closing dinner...but that's what confidentiality agreements are for, right?

What we can show you is a tombstone.

Most people don't get the opportunity to enjoy their own tombstone in this life, but in the world of M&A, that's not the case. Also called a deal toy or lucite, the tombstone is a physical memento that commemorates the deal with a description of who sold what to whom.

Turn the page to see a sampling of tombstones for deals executed by FourBridges.

And, of course, if you'd like one for yourself, you can always give us a call.

Andy Stockett | 423.266.6979

Chris Rowe | 423.266.4630

Ralph Montgomery | 423.702.7499



Southern Tool Steel

has been sold to

RYERSON
(NYSE:RYI)

DELTA SERVICES, INC

has been sold to



a portfolio company of

BB&T CAPITAL PARTNERS



has been sold to



a portfolio company of



has been sold to

Sandvik AB (ST:SAND)



Waxler Transportation Company

has been sold to

SCF Marine, a subsidiary of
Seacor Holdings (NYSE: CKH)



Missouri Barge Line and
Cape Girardeau Fleeting, Inc.

has been sold to

AEP River Operations,
a subsidiary of
American Electric Power
(NYSE:AEP)



NORTH RIVER
PHYSICAL THERAPY

has been sold to



a portfolio company of



has been sold to

**COMMUNITY
BROADCASTERS**



has been sold to



has been sold to



has been sold to

Grey Mountain
PARTNERS



has received an
equity investment from



