A UNIQUE PRIVATE EQUITY PROGRAM FOR CEO'S & OTHER EXECUTIVES

Bob Bellano and cFour Partners (www.cfour.com) have assisted thousands of executives in preparing resumes and presentations for employers and private equity funds over the past 20 years. John Geer, President of Private Equity Partners, has reviewed and evaluated thousands of business plans and management resumes over a 20 year period.
Working together, cFour/IIC and Private Equity Partners offer executives the opportunity to present themselves and a business proposal which are specifically oriented to the needs and requirements of selected private equity funds. We will assist talented business leaders in differentiating themselves from the thousands of executives and business plans received by private equity sources each year.

CRITICAL ELEMENTS OF OUR PROGRAM

1. Substantial Equity Participation

   Too many executives create dramatic improvements in the value of the companies they run, but do not share meaningfully in the capital gains they generate for the owners. We will assist you in reaping what you have sown, substantial capital gains generating independent wealth.

2. The Right Value Added Equity Partner

Currently, there are hundreds of private equity sources in the country. Many add little or no value to the business beyond their equity dollars. Some will seek and take every advantage at anyone's expense, including their management teams. To such funds, senior executives are simply employees or fungible assets.

A number of funds approach their investments believing that their own judgment is superior to that of executives who have dedicated their careers to understanding and succeeding in an industry segment. Such funds will micro-manage the business, dictate day to day management decisions and hiring decisions of key personnel. Such attitudes create little hesitation to alter management's business plan and budget, against the better judgment of the senior executives.

We will select sources of private equity with your participation and approval, based upon the size and nature of the opportunity and the value the equity source will add to the business. Currently, we have established working relationships with multiple funds. In any given opportunity you may present, we will identify several equity sources which may have interest, based on our blind introduction to the investment prospect. We will recommend the source or sources that have a high level of interest and can move quickly. Unlike an executive who knows a single source of equity, we do not risk opportunity cost for a prolonged maybe which turns into an ultimately declined investment. Such situations commonly result in a lost opportunity. Multiple qualified options save time and increase prospects for a successful transaction.

Importantly, each of our equity sources has a verifiable record of success and the highest integrity and fairness in their relationships with their management partners.

Each of our sources regards management as true partners who are critical to the success of the investment. None seek to micro-manage the business or dictate hiring decisions.

Our equity sources will add substantial value at the board level and will utilize their networks to provide you with incremental assets, business contacts and expertise to assist you in achieving your growth plan. Where appropriate, they will assist you in identifying add-on acquisitions to enable you to accelerate growth of volume and functional capabilities.

3. Funding For a Broad Range of Companies of All Sizes and Funding Requirements

Our selected equity providers cover a broad range of investment strategies and areas of interest and expertise. Some of our equity sources have widely diversified portfolios but offer extensive experience in equity investing over many years. These funds commonly have experience in most sectors and exceptional records of success for their investors and management partners.
Other sources have diversity in their portfolios, but deep experience in several business segments where they have concentrations of investment dollars.
Specialty funds are also an important component of our selected sources, including software, internet and retailing.
Under managed and distressed companies are also a specialty area. Our sources include funds which specialize in larger companies (in excess of $100 million in revenue) as well as smaller, middle market businesses (less than $100 million).

The size of the funding need requires the right kind of equity investor, since the capability of an equity fund depends on fund size and how much of that fund has been deployed or committed.
We can assure the funding of a business opportunity that requires as little as $2-3 million of equity and as much as $1 billion. Most transactions will involve companies with revenues between $15 million and $1 billion. Funding may include 100% buyouts, recapitalizations (both majority and minority interest purchases) and equity funding for growth of the business (control and minority interest).

4. Assistance in Developing the Opportunity

Our collective experience has been that few resumes are properly prepared for the sophisticated audience of private equity investors. Similarly, few business plans reflect an understanding of the requirements of private equity sources.
We will assist you in preparing a business plan and resume which stands apart from the crowd. Our goal is to assure that in presenting you and the opportunity well, we have addressed the issues of greatest importance to the equity source. In so doing, we demonstrate our understanding of the needs of a potential equity partner, answering many common questions before they are asked.

WHO COULD BENEFIT FROM OUR PROGRAM

1. Executives Running a Company With Little or No Equity Participation

Too many executives don't share in the value they are creating. Good salaries and bonuses are no substitute for wealth creating capital gains as the fruit of their labor.
The owners may be interested in getting full or partial liquidity for themselves. There may be an opportunity for a buyout of owners, initiated by the executive or, if appropriate, by the equity sponsor (avoiding a conflict issue if there is one).
If some owners want to sell and others not, the company could be recapitalized, creating significant equity opportunity for the executive and other members of the management team. (Recapitalizations are discussed below).

Owners may not want to sell out, but would like to get some liquidity to diversify their assets. Again, a recap would provide an appropriate vehicle and allow the executive and other mangers to obtain meaningful equity.
There may be opportunities to take a public company private or acquire one of its operating units.
In each of these situations, an executive obtains a value-added equity partner with a deep pocket to fund growth of the business, both organically and through acquisitions which could dramatically accelerate growth.

2. Executives with an acquisition strategy and knowledge of an industry segment

Niche businesses and fragmented industries are attractive and can and do lead to attractive capital gains for management and its equity partner. We will assist you in developing and funding the acquisition of a company which would be the platform for further growth and tuck in purchases that enhance the value of the platform.
We have been involved with numerous businesses which have improved EBITDA significantly in a 2-3 year timeframe, creating great value for management and their financial backers.

3. Executives who are being approached by an owner to manage a business

   We have seen countless examples of a professional manager who is promised a great deal, but never gets operating control of the business or the promised equity in the company. We have also seen owners retake control of the company after the hired professional has corrected problems and improved performance. Often these executives receive a thank you and a pink slip.

   A recapitalization can be a good solution for an executive who can bring significant equity to the table, along with superior management skills and experience. Owners can achieve full or partial liquidity and the executive has the opportunity to share meaningfully in the value he/she creates. Importantly, the executive is assured of operating control of the business and the ability to make the business decisions which need to be made, without the frustration of sacred cows and other impediments to good business judgment.

4. Executives of public and private companies that seek to recapitalize the business for future growth.
   A recapitalization of a company run by an executive may be necessary or desirable to improve the balance sheet, provide liquidity for some shareholders and position the company for future growth. The recapitalization structure is discussed below.

5. Executives who can improve the performance of an under managed or distressed business.

   If our decades of collective experience have taught us anything, it is that good execution creates business value. Many companies fail or wind up in chapter proceedings because of execution failures. Our equity sources understand this aphorism and the opportunity to create value with the right executive at the helm.
   As economic uncertainties increase, opportunities for good executives to take over poorly managed companies also increase. We have equity sources that specialize in

under performing and distressed businesses and value the role a strong CEO will play in turning the company around.

6. Executives who know a business which could be acquired or recapitalized—but would not run the business themselves.

   A well networked executive may know of a company whose owners are poised to sell or where some of the owners would like to sell their interests. You may hear of such an opportunity through business contacts, friends, accountants, attorneys or others. This may involve a company where current management would continue to run the business or simply a company which an executive isn't interested in running (due to the industry segment involved, geography or other reasons). A company may need additional equity for growth which cannot be achieved by stretching borrowing capacity to untenable levels.

   We would share a fair and reasonable portion of the consulting fee with executives who refer us to such a situation which is not on the market or in an auction process. We would quickly reach agreement with such executives on fee sharing and proceed together to close a transaction. The consulting fee sharing agreement will vary from one transaction to another, depending on your desired participation in the process. You may desire to become a member of the Board of the target company, post closing. Such involvement could include board fees and options independent of the fee sharing agreement.
   At the end of the day, our guidepost for your participation is fairness. Furthermore, we will quickly reach an agreement with which you will be comfortable.

KINDS OF COMPANIES THAT WOULD QUALIFY

Any of the kinds of companies described could be private or public. Private companies are very attractive since transactions can be concluded on a negotiated basis and more quickly than tenders for public companies. Publicly held companies need to be approached on a non-hostile basis, preferably with the support of a significant block of shareholders and hopefully with board support.
Proprietary opportunities are preferred, where a privately negotiated transaction is achievable. Companies represented by brokers who seek to introduce a small handful of suitors present higher probability situations than full blown auctions run by large investment banks. The auction process reduces our likelihood of success and is not our favored opportunity, but there is a significant exception. If an executive has extensive experience in the sector and, better yet, knows a good deal about the company, our prospects improve significantly. If the company has no adequate management succession, few (if any) private equity funds are likely to be bidders. With good leadership and a strategic plan, even an auction situation can present an attractive acquisition opportunity.

1. Manufacturers

A manufacturing company which has proprietary aspects or other added value which does or can generate attractive EBITDA margins is in our sweet spot. Although generalities are difficult, a manufacturer which can generate EBITDA margins of 10% or better is a preferred opportunity. Some businesses currently fail to achieve double digit EBITDA

margins but could, if changes in production, sourcing, vendors or other changes could be implemented. In some cases, moving some production off shore could result in substantial performance improvement.
Companies that focus on design, development and marketing of products produced off shore are intended to be addressed, including consumer products as well as industrial products and components produced for a wide variety of applications.

2. Service Companies

Service businesses which are not dependent on the skills and customers of a few people are attractive in our Program. We seek to avoid a situation where the assets of the business walk out the door each night when a few key executives leave. The larger the business, the less likely it is that the business is vulnerable to a few people taking their business elsewhere. Service businesses can generate very attractive margins and growth opportunity. Many service business sectors would be of interest, certainly including (but not limited to) healthcare, entertainment, media and others.

3. Value added distributors

Value added distribution is an attractive segment in our Program. Some distributors, however, are strictly commodity businesses which are vulnerable to price competition and economic downturns. These businesses commonly generate very thin EBITDA margins, which are 5% or less. The devil is always in the details and large distributors may have a sustainable niche which we would want to explore with you.

4. Retailers

Large retail operators are always of great interest. Smaller retailers which have a niche business are also well covered in our Program. Retailing covers a broad spectrum, including restaurant chains and non-traditional retail concepts applied to a variety of businesses.

5. Under performing or distressed businesses capable of turnaround

As discussed above, execution failures commonly cause poor performance which can be addressed with good management. Many such companies do not represent a deep turnaround which will take years to restore to profitability. P&L improvements can be made in some areas inside a year, while others take longer before positive results can be obtained.
We understand these issues as do our selected equity sources.

DEAL STRUCTURE

1. Buyouts

A business could be acquired in its entirety, either through the purchase of all of its stock or the purchase of all or substantially all of its assets.
Our private equity source will provide the equity required to make the purchase, coupled with debt financing from sources which commonly are used by the fund for its senior loans. Depending on the situation and size of the transaction, a mezzanine loan would also be

used to support the purchase price. A critical attribute of the capital structure is the balance of debt to equity used in the acquisition. Our sources are experienced and will not over leverage a company and jeopardize their investment and management's equity opportunity. In each case, a management equity pool is established, commonly based on a vesting schedule which assures the equity investor that management will continue to manage the business after the closing. This is the common generally accepted approach used in the private equity community. Although there is considerable variance in the amount of equity reserved for the management pool, the equity available to CEOs is commonly sufficient to create independent wealth. Additional management equity can be achieved based on very good performance, which is not unreasonable to be achieved. As one might expect, the equity pool varies with the size of the business. The guidepost is fair and adequate incentive to executives who can expect exceptional capital gains with good performance. With our experience, we will assist and advise our CEOs in this critical matter to assure the appropriateness of the equity opportunity for the company involved.

2. Recapitalizations

A recapitalization involves the restructuring of the capital structure of a company. Commonly, a recap involves the sale of part of the equity of the company to the equity investor and the repayment of the existing debt of the company. Like a buyout, the equity source will provide the equity needed for the transaction and will use a lending source among those with which the equity investor has previously worked. Often, the recap involves a change of control of the company to the equity investor and its management team.
As with a buyout, a management equity pool is established. We will assist and advise the CEO in this matter.

Situations in which a recapitalization is excellent vehicle include:
a) One or more management shareholders wish to retire.
b) Family members or other shareholders not involved in the business seek liquidity
c) Business owners seek to sell part of their ownership for estate planning or other purposes, but would like to retain some ownership to share in the future growth of the business

3. Growth Financings

A company may need additional capital to fund growth which cannot be reasonably achieved with additional leverage which could jeopardize the future of the business.

PRIVATE EQUITY PROGRAM PROCESS

1. We will enter into an agreement with the executive to be his/her exclusive advisors and consultants with respect to the opportunity (as described above) for a period of one year. We are receptive to agreements of longer duration where we would work with an executive on opportunities developed under a mutually acceptable consulting fee sharing arrangement.

2. We will work with you to develop a strategy, approach and structure for the opportunity. With our assistance and advice, you will prepare a preliminary plan which

would highlight opportunities for growth of the business, organically and by acquisition, where appropriate. This plan would describe growth prospects through channel, product line and geographic expansion. It would describe the competitive landscape and specific acquisition targets, if the market is sufficiently fragmented. We will assist you in identifying add-on acquisition targets. Margin improvement potential would be delineated, which would include S G & A reductions, improvement in purchasing efficiencies, plant floor productivity improvements and other margin improvement potential.
In so doing, we would focus on why an investor should view the opportunity as a good investment. Specifically, we would demonstrate how growth in the company's EBITDA would be achieved.
Equally importantly, we would emphasize how a liquidity event could be accomplished for the investor and substantial capital gains realized for the investor, as well as for the CEO and management team. Attention would be paid to the timeframe for liquidity, who would be logical buyers and why such buyers would view the company as an attractive or compelling acquisition. Prospects for an initial public offering would also be addressed.

3. With our assistance and advice, you would prepare a detailed resume which emphasizes your relevant experience for the opportunity. A summary of your P&L experience would be included, with focus upon the growth in revenue and EBITDA achieved in prior positions.

4. We will present your resume and preliminary plan for the opportunity to one or more carefully chosen equity sources with which we have an established relationship. We will select sources with your participation and approval.

5. We will move quickly to set up an initial meeting with equity sources during which we will discuss the opportunity. You will be able to discuss their backgrounds, track record, interest level and approach to the opportunity. This meeting is a two way street. The chemistry you have with the equity source is paramount. At that meeting or a follow up meeting, we will confirm our plan for initial contact with the owners of the target. In many cases, you will present our expression of interest to the owners, based upon your prior relationship with them. In such cases, the equity investor will prepare a Letter of Interest in providing the financing for the purchase or recapitalization. The Letter of Interest will set forth their financial qualifications, industry experience and intent to proceed with a funding with you as CEO.
   In other cases, it may be desirable to have the equity source contact the owners directly but not indicate your involvement for a number of reasons (such as perceived conflict with your current employment).

6. Following a positive response to the Letter of Interest, a non-disclosure agreement would be executed between the equity source and the owners. Due diligence would then begin.

7. Upon receipt and evaluation of the preliminary due diligence information provided by the owners (with your direct participation), an offer would be made to the business owners, subject to satisfactory completion of due diligence.

8. As soon as the offer is accepted, more detailed financial due diligence begins

(commonly with the assistance of an accounting firm) and legal documents are prepared. Accounting and legal functions are performed by firms with extensive transaction experience that have worked with the equity source on many prior transactions.

9. You and members of your executive team would be intimately involved in the preliminary and final due diligence process. Your input would be important to the process and all discovered facts would be known to you prior to closing.

All of the foregoing may appear cumbersome and time consuming to those who have not previously acquired a business. The process, from acceptance of an offer to closing, commonly takes between 60-120 days.