



MATRIX CAPITAL MARKETS GROUP is a leading middle market investment bank headquartered in Richmond, Virginia. Since 1988, Matrix has focused on providing merger & acquisition and financial advisory services for privately-held and private equity owned companies, including sales & divestitures, **Staged Liquidity Transactions®**, management buyouts and debt & equity placements.

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STAGED LIQUIDITY TRANSACTION®

This Matrix signature transaction can provide the necessary capital for growth, achieve personal liquidity and diversify risk for our clients. As the name suggests, a Staged Liquidity Transaction® gives a business owner the opportunity to sell a portion of their company while still maintaining a significant ownership stake – in essence creating liquidity and risk diversification today, while setting the stage for a second “payday” down the road. These transactions enable our clients to partially cash out of their investment in the business and capitalize on the enormous amount of sweat equity they have put into their business over the years.

A Staged Liquidity Transaction® represents an alternative to a complete sale of a company. The original owner can continue as a partner and/or manager of the company, while the new partner is a private equity firm that shares the business owner’s culture and vision for the future. Unlike some strategic acquirers who purchase with a view towards eliminating overhead redundancies, private equity firms prefer a more passive or board level involvement and a collaborative relationship with the existing owner and management. As partners, these private equity firms are able to bring strategic opportunities to the company that were not previously available, and can provide strategic management experience in order to assist the company to its next level of growth.

Middle market companies often struggle over not having sufficient capital to fund growth or pursue strategic acquisitions, while at the same time, the shareholders have their entire net worth tied up in the company’s equity and have no more capital to commit.

ADVANTAGES

- Can provide the capital for growth and achieve personal liquidity and risk diversification for the shareholders through a partial sale of the company’s equity to a passive institutional investor, while simultaneously refinancing (or “recapitalizing”) the company’s capital structure.
- Represents an alternative to a complete sale, and Matrix is an industry leader in creatively structuring these complex transactions.

CRITERIA

- Ideal candidates are private, family owned companies (Sub S, C-Corp and LLCs) which have solid management teams, healthy margins and stable cash flows, strong market and competitive positions, and attractive growth opportunities.

STAGED LIQUIDITY TRANSACTION®

MORE THAN SIMPLY SELLING YOUR BUSINESS

- **Liquidity:** Business owners can realize significant personal/family liquidity by selling part of the business and extracting 80% - 90% or more of their company's current value, while retaining a disproportionate share of the remaining equity.
- **Diversification:** Avoids the risks of having personal/family wealth tied to a single business enterprise – allows for prudent diversification of your wealth.
- **Upside:** Entrepreneurs can participate in a “second bite of the apple” in 3 to 5 years by maintaining a meaningful ownership stake (30% or more) – by aggressively growing the business, you can create significant additional wealth.
- **Management:** Owners and existing management maintain operational control of the business, and with new partners, focus on accelerated growth. An option program can broaden the equity participation to other tiers of management.
- **Partner:** A well-capitalized partner with deep pockets and extensive business connections sets the stage for strong growth internally and/or through acquisitions.

STAGED LIQUIDITY TRANSACTION® VS COMPLETE SALE

Issues:	Staged Liquidity Transaction®	Complete Sale
Valuation	Full, fair values are achieved where lending market conditions provide an upper bound on value	Higher values can be achieved with the expectation of realizing revenue and/or expense “synergies”
Ownership Interest	Sell 50% to 90% of the ownership and “roll-over” a retained equity interest typically on a tax deferred basis; provide second tier management with equity through a stock option plan	Sell 100% of the ownership of the company, with limited chance for future equity participation
Management's Role	Management will retain operational control of the Company; financial owners typically act as advisors at the board level	Nominal transition period is usually 6 to 18 months
Capital for Growth	Private equity groups are committed to investing capital and are determined to pursue aggressive growth initiatives	Willingness to invest growth capital varies based on corporate strategy and resources
Employees	Management remains in control of personnel decisions, as well as other day-to-day operational decisions	Redundant employees are eliminated as part of the “synergies” between companies
Corporate Image	Corporate name and image continues and the brand/franchise value is built	Seller's corporate identity is eliminated, unless significant “brand equity” exists

STAGED LIQUIDITY TRANSACTION[®]

EXAMPLE TRANSACTION

Valuation	
Estimated 2007 EBITDA	\$ 5,500,000
Purchase Price EBITDA Multiple	6.00x
Enterprise Value	\$ 33,000,000
Less: Notes Payable	(3,000,000)
Equity Value	\$ 30,000,000
Proceeds to Shareholders	
Equity Value	\$ 30,000,000
Plus: Excess Balance Sheet Cash	-
Plus: Other Excess Liquid Company Assets	-
Gross Proceeds to Shareholders	\$ 30,000,000
Less: Reinvestment	(2,750,000)
Net Proceeds to Shareholders	\$ 27,250,000

Sources & Uses of Funds			
Sources			
Senior Term Debt	\$ 16,500,000	x EBITDA	3.00
Subordinated Debt	5,500,000	1.00	
Financial Sponsor Equity	8,250,000	1.50	
Reinvested Equity	2,750,000	0.50	
Total Sources	\$ 33,000,000	6.00	
Uses			
Purchase Price	\$ 33,000,000		
Total Uses	\$ 33,000,000		


Proforma Equity		<u>Undiluted</u>	<u>Diluted</u>
Financial Sponsor Equity	\$ 8,250,000	75.00%	67.50%
Reinvested Equity	2,750,000	25.00%	22.50%
Subordinated Debt	-	0.00%	5.00%
Management Stock Option Plan	-	0.00%	5.00%
Total Equity	\$ 11,000,000	100.00%	100.00%

NOTES & ASSUMPTIONS

- The company is recapitalized at a valuation of 6.0x EBITDA.
- Company debt of \$3.0 million is retired by the selling shareholder, resulting in net proceeds of \$30 million.
- Any excess cash or other excess liquid assets would be retained by shareholders.
- Current owners "roll-over" \$2.75 million tax deferred and retain 25% of the equity – results in \$27.25 million net cash to shareholders.
- Sellers pay transaction expenses and taxes out of net cash proceeds.
- A cash-flow based senior debt facility equivalent to 3.0x EBITDA is arranged.
- Mezzanine debt of 1.0x is arranged.
- Private equity group invests cash of \$8.25 million for 75% of the equity.
- Current owners "roll-over" \$2.75 million tax deferred and retain 25% of the equity.
- Sub-debt lender typically requires up to 5% warrants.
- Management is provided with stock options for up to 5%.

Net Result: Shareholders are able to extract 91% of the equity value of the company in cash while still retaining 25% ownership.

SELECT TRANSACTIONS



**Tri State
FOAM**
"Quality In All Dimensions"
Martinsville, VA

A leading manufacturer of expanded polystyrene foam

has been acquired by

Harbert Private Equity Fund II, LLC
Birmingham, AL



**DIMEX
CORPORATION**
Marietta, OH

Manufacturer of extruded plastic profiles

has been recapitalized by

Brookside International, Inc.
Greenwich, CT
A private equity firm



IMPLUS
Morrisville, NC

The #1 manufacturer and distributor of performance insoles and related consumer products

has been recapitalized by

FdG Associates
New York, NY
A private equity fund



ASC INDUSTRIES INC.
North Canton, OH

A leading manufacturer of automotive water pumps for the aftermarket

has been recapitalized by

American Capital Strategies, Ltd.
New York, NY
A leading U.S. private equity fund




Excel Homes
Harrisburg, PA

A custom modular home builder

has been recapitalized by

Huron Capital Partners
Detroit, MI
A middle market private equity firm



ProMark **NAL**
UTILITY LOCATORS NORTH AMERICAN LOCATING
Chatham, VA

Outsourced providers of underground utility line locating services and subsurface utility engineering services

have merged with

Consolidated Utility Services, Inc.
Delaware
An acquisition holding company formed by two private equity firms, River Associates and American Capital Strategies

OUR EXPERTISE

OUR SERVICES -

- **CONFIDENTIAL SALES AND DIVESTITURES** • In an exclusive sale or divestiture representation, Matrix serves as lead financial advisor in developing and executing an appropriate divestiture strategy of the client's shareholder equity. Matrix professionals execute a disciplined and confidential transaction process designed to create maximum value.
- **STAGED LIQUIDITY TRANSACTIONS®** • Matrix's Staged Liquidity Transaction can provide outside capital for growth and provide shareholders with personal liquidity and risk diversification through a partial sale of the company's equity, while simultaneously refinancing the company's capital structure. A Staged Liquidity Transaction represents a compelling alternative to a complete sale.
- **MANAGEMENT BUYOUTS** • Matrix professionals are recognized experts in executing complex management buyout transactions. We represent management by negotiating the most favorable price and transaction terms, simultaneously leveraging our extensive relationships with capital providers to facilitate the funding of the buyout on the most favorable rates and terms available. In many cases, management contributes a negligible amount of equity.
- **PLACEMENTS OF DEBT AND EQUITY** • Matrix has significant experience raising capital to facilitate acquisitions and expansions, to refinance for balance sheet stability, or to recapitalize the company for shareholder liquidity. We have extensive relationships with private capital markets participants, including private equity and mezzanine funds, trust and insurance companies, and bank and non-bank lenders.

OUR TEAM - At Matrix, from top to bottom, we roll up our sleeves and focus on the vital interests of our clients. Every resource of our firm is at your disposal and we provide senior level attention from start to finish. Our professionals execute each assignment with critical and creative thinking, passion and exceptional attention to detail. Our relationships, built on trust and client satisfaction, reliant upon our expertise and professionalism, are the key to our success.



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Vice President of Business Development

C. Bryan Johnson
Senior Vice President

Cedric C. Fortemps
Senior Vice President

COMMITMENT & RESULTS - We have extensive experience negotiating complex financial structures and a proven track record of maximizing transaction values and exceeding our client's goals and objectives. Our consistent success and impressive closure rate has resulted in maximizing value for more than 200 clients. Our results are what many Fortune 500 companies would expect from Wall-Street firms. But it's what you might not expect - our passion and genuine enthusiasm - that makes us stand out. At Matrix, we leave no stone unturned in creating maximum value for our clients.