

Private Equity FAQ

• Is my company a candidate for a Private Equity Group (PEG)?

We have contacted you since your business meets the acquisition search criteria of two or more of our preferred Private Equity Groups. Your company is included in this search based on a specific SIC code match or the PEG requested that we contact you to gauge your interest.

If your business has an annual re-casted EBITDA (Earnings before Interest, Taxes, Depreciation & Amortization) of \$1 million or more, you may qualify. By definition, "Re-casted EBITDA" includes addbacks such as owner's compensation, personal expenses/perks, insurance (health & life), family compensation and significant one-time items such as moving expenses or major repairs.

• What are the benefits of a Private Equity transaction?

Some benefits of a Private Equity Transaction are:

1. Diversify your holdings by liquidating all or part of your company
2. You have control over terms & deal structure
3. You can retain an equity interest in the company (if you want to)
4. You receive compensation for operating the business and/or consulting services
5. Eliminate personal guarantees
6. Access to capital for growth
7. You and/or your management team runs the day-to-day operations
8. Assist with estate planning considerations
9. Access to new industry contacts and resources

• What is your role at Transact Partners as an Intermediary?

Transact Partners works with the Private Equity Groups to source acquisition opportunities that meets their search criteria. It is our role at Transact to qualify prospective acquisition targets before we provide the PEG with your company's information. This qualification process allows your company information to remain Confidential and we will only forward it to the PEG with your approval.

In regards to our fee, Transact is compensated by the buyer if a transaction is completed. We do not charge fees for needless valuations nor are we representing you in any way.

• How is my company information kept Confidential?

We take extreme measures to safeguard your company's vital information. First, we will present you with a Confidentiality Agreement and/or sign one that you provide. Second, every PEG we interact with must sign our stringent Non-Disclosure Agreement. Third, we do not "blast" your information all over the world via the Internet. We work with a select group of PEGs and we understand their criteria, so we do not blindly submit your information to these groups. As we mention below, we qualify your company first and only submit them your information with your approval.

• What information do I initially need to provide & why?

It is our role at Transact to qualify a prospective acquisition target before we submit your company's information to the PEG. If you are a match and you approve, we will provide the PEG with an Executive Summary that highlights your company. In addition, the PEGs we work with typically request the following information:

1. 2 Years of Financial Statements (Balance Sheet & Income Statements)
2. Year-to-date Financial Statements by month
3. A description of Seller Addbacks (detailed above)
4. Upcoming and Ongoing Capital Expenditure Requirements
5. What is your ideal scenario post sale (run the company, transition the company, etc.)
6. Management Team Post Sale
7. Any price expectations or specific deal structure

This information gathering process saves everyone a great deal of time in the long run. In most cases, business owners will email us the financial data and we will talk through the rest.

• What are the types of Private Equity Group transactions?

Private Equity Groups will structure a transaction that meets the needs of everyone involved in the deal including management and shareholders. Typically, a transaction offered by one of these organizations will fit into the following categories:

1. *Full or Partial Buyout* - The group will acquire most if not all of the equity of the business. The owner may have the option for "trail" equity and receives compensation for running the business.
2. *Management Buyout* - The group will invest in and with a strong management team to acquire an operating division/subsidiary of a larger company or with the purchase of a private company. This is relevant in situations where the owner wishes to exit the business and not retain an equity position.
3. *Recapitalizations* - The group provides the equity capital and arranges the debt financing to provide the current shareholders of a business with partial liquidity. The ownership will continue to operate the business on a daily basis.
4. *Family Succession* - Family members can also be assisted in buying the ownership from the senior generation or from outside shareholders. In this case, the active family members secure operating control and a significant equity ownership, while the elder selling shareholders achieve liquidity.
5. *Turnarounds* - Many groups are seeking companies that are struggling during this difficult economic period. The key is to find a company that can be turned around or integrated into another organization.