

Confidential

Red Hawk Associates, Ltd.

February 8, 2011



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Objectives of Today's Discussion

Objectives of this meeting

- Review current situation and management's objectives
- Develop and agree upon an approach and scope to search
- Agree upon mutual roles and involvement
- Review and agree upon a general timetable
- Outline financial arrangements

Search Considerations

Search Considerations

Stated Criteria Review as understood

- SEO competitors
- Marketing firms
- Other issues to keep in mind
 - Geographically w/in 1 hour travel (including air travel)
 - Limit on number of transactions
 - Limit on size of transactions – revenues under \$4 mm, generally, transaction size \$2 mm
- Opportunistic acquisitions, non-core?

Search Process

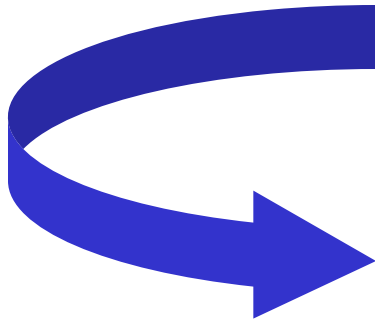


ASSOCIATES, LTD.

The Search Process

Critical Issues

Before starting the search process, your objectives and key issues must generally be understood and resolved



- Management's time commitment during process
- Timing
- Confidentiality – is Red Hawk identifying you as its Client?
- Target ownership retention, other compensation
- Any transaction issues that are unique to you?
- Deal sources – do you receive solicitations from intermediaries now to sell/buy?
 - Industry sources
 - Other

Key Issues in the Search

Key Issues in the Search

Initial Due Diligence

Marketing Preparation

Marketing Effort

Due Diligence

Review of Opportunities

Negotiations of Terms

Purchase Agreement

Required Approvals

Closing



Issues

- Understanding you and its industry
- Anticipating seller/buyers' issues
- Becoming knowledgeable about company's history (financial, strategic advantages, other) and its own acquisition
- Preparing descriptive materials for potential deal sources
- Support internal discussions
- Select and target the best contacts through the best channels
- High responsiveness to seller and buyer issues and needs
- Serve as gatekeeper of information and access
- Conserve management time
- Buffer to aggressive and demanding sources
- Select opportunities
- Conduct further due diligence
- Work with your team
- Analyze and strategize regarding non-price issues
- Weigh distance to push seller
- Proceed to purchase agreement and resolve issues
- Keep interest of other opportunities
- Consider approval issues for shareholders and legal concerns
- Advise on timing of post-closing adjustments
- Public announcements

Sample Timetable and Approach

This Timetable assumes an effort between February and July 2011, approximately 24 weeks. Red Hawk assists in negotiations with the acquisition target.

<u>Phase</u>	<u>Red Hawk Associates Activities</u>	<u>Estimated Timing</u>
Red Hawk Due Diligence	Red Hawk performs due diligence to develop a stronger understanding of the business.	Weeks 1 to 2
Marketing Preparation Preparation of materials about search criteria	Red Hawk writes a search criteria narrative. This phase will also include the development of the search plan including its targets, approach, positioning, confidentiality, and timing.	Weeks 1 to 2
Marketing Effort Identifying, approaching, and determining the best deal sources	We work closely with management to identify potential deal sources and the appropriate strategy for approaching them. Monthly status review meetings with management	Weeks 3 to 24

Approach and Timetable

Phase

Red Hawk Associates Activities

Timing

Initial Indications of Interest

Red Hawk analyzes opportunities and shares information with management. We manage the information flow to and from these parties, arrange visits with them and act as a conduit for further discussions. We also evaluate all opportunities and clarify them as needed for you

Weeks 6 to 24

Final Offers and Acceptance

Red Hawk can/will prepare both IOIs and Letters of Intent/Term Sheets to minimize legal fees and management time

Weeks 12 to 24

Red Hawk assists management with efforts to improve pricing and terms. We work with management's entire team to win the best deal. The offer at this point takes the form of a term sheet that leads to a purchase agreement.

Approach and Timetable

Phase

Red Hawk Associates Activities

Timing

Due Diligence and Final Approvals

Red Hawk provides support to management as final approvals are obtained (from its Board and other stakeholders) and complete due diligence.

Weeks 12 to 24

Closing

Red Hawk works with management and owners to ensure a successful closing and subsequent news announcements as appropriate.

Week 24

Targets

To be determined during search preparation phase

- Directly to targeted companies in certain industry segments
- Competitors
- Intermediaries

Next Steps

Next Steps

I suggest the following steps

- Confirm agreement on your goals, our role and financial arrangements
- Get up to speed on your Company (industry, strategy (if available, a written plan), current financials and last year end statements and begin development of search plan

Arrangements for Engagement

Arrangements

- Red Hawk Associates, Ltd. will be the exclusive financial advisor to the Company while retained, with a tail
- Your investment will be a combination of retainer (credited 100% to the success fee) and success fee