



Materials prepared for discussion



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ASSOCIATES, LTD.

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Deal Environment

- The total value of all reported transactions at \$1.25 billion in the second half of 2009 was nearly as high as the total for reported transactions in the prior 12 months at \$1.36 billion (source: Alliance of Merger & Acquisition Advisors).
- Both M&A Brokers and Advisors showed an increase in deal closing rates. In the second half of 2009 M&A Brokers closed transactions at an annualized rate of 3.3 per year compared to only 2.6 in the prior twelve months, while M&A Advisors improved from a rate of 4 per year to 8.1.
- Both average and median transaction multiples were up by approximately *half a turn of EBITDA* in the second half of 2009 compared to the prior 12 months with the average EBITDA multiple across all industries increasing from 4.69 to 5.22 and the median increasing from 4.23 to 4.75.
- Refinancing landscape:
 - few lenders are willing to take a new customer when incumbent lender has received less than face value
 - Collateral “airballs” may be financed, but over short time frame
 - Most lenders want 12-24 months of net profit
 - KeyBank criteria example: TTM operating income/fixed charges > 1.0
 - Fixed charges = principal + interest + distribution + taxes + capx + lease payments



Factors Affecting Value and Positioning Issues Include...

1. Goals and objectives of your Company
 1. Confidentiality
2. Customer issues; are customer agreements assignable? How will customers react to a transaction?
3. Financial issues
 1. Sales forecast soundness
 2. Interim financials accuracy
 3. Value of current Gross Margin business to an investor
 4. Asset appraisal value
4. Human capital
 1. What are objectives of key existing employees regarding a transaction?



Key Issues in a Transaction

Initial Due Diligence



Marketing Preparation



Marketing Effort



Due Diligence



Review of Bids



Negotiations of Terms



Transaction Agreement



Required Approvals



Closing

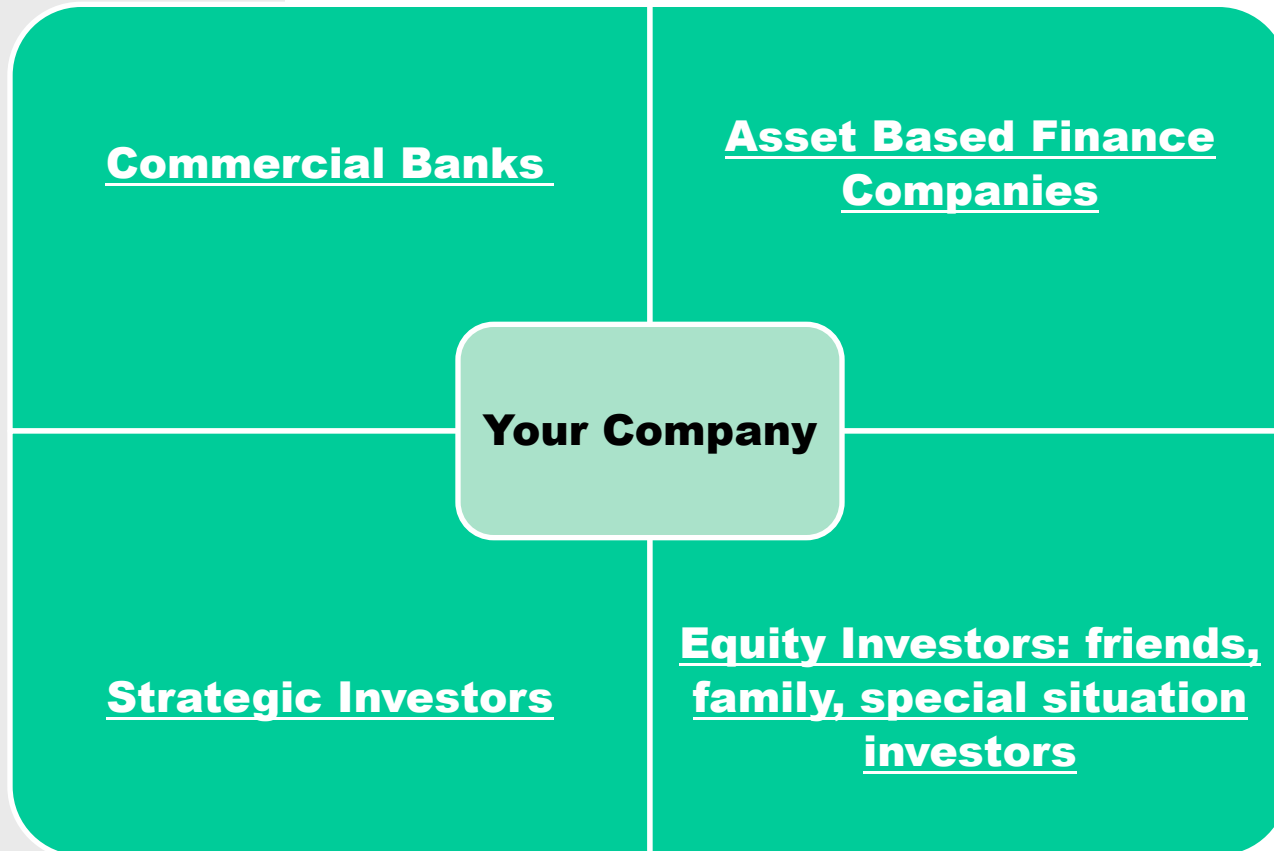
- Understanding the company and industry
- Anticipating seller/capital sources' issues
- Becoming knowledgeable about company's history (financial, environmental, other) and previous acquisitions
- Preparing descriptive materials for potential capital sources
- Support internal discussions
- Select and target the best contacts through the best channels
- High responsiveness to seller and sources' issues and needs
- Serve as gatekeeper of information and access
- Conserve management time
- Buffer to aggressive and demanding sources
- Select finalists
- Conduct further due diligence
- Analyze and strategize regarding non-financial issues
- Weigh distance to push sources
- Proceed to purchase agreement and resolve issues
- Keep interest of other sources pre-close
- Consider approval issues for shareholders and legal concerns
- Public announcement



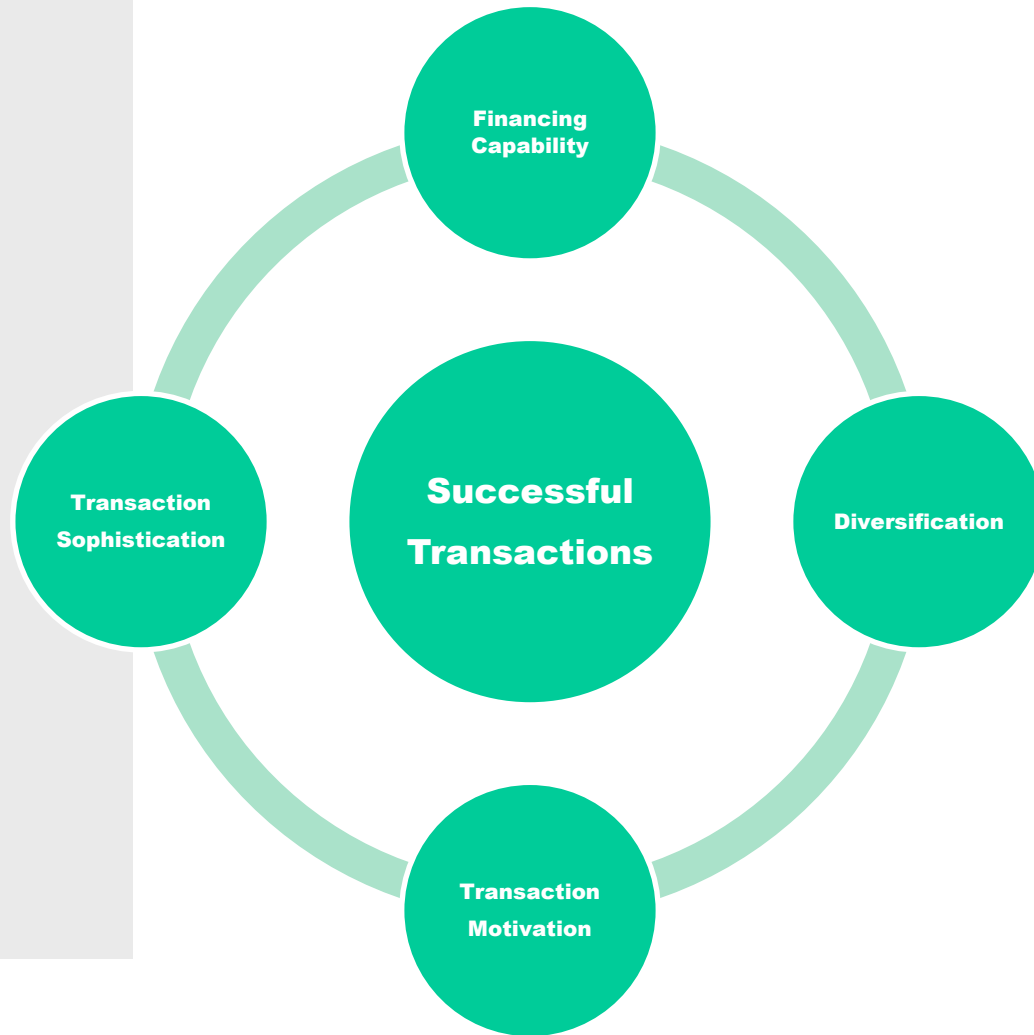
Managed Transaction Timeline, approximately 75 to 90 days, by end of 4th quarter 2010

Date	Item of Importance
Week 1	Meeting with Company to assemble due diligence data
2	Completion of On line data room for txn. (Phase 1/Ph 2 letters/Confid. Agrmt/Due Diligence)
3	Draft copy of Memorandum completed for Client review
3	Memorandum and Summary Memo Completed
3	Marketing list completed for Client review
3	Direct contact made, by phone, with targets. Ph 1 letter and confidentiality agreement mailed/emailed.
4	As CA's received as needed, screen respondents, enable access to Virtual Data Room at lowest level, to view summary information
5	Receive preliminary indications of interest, screen respondents, allow access to full memorandum and due diligence information
6	Receive revised IOIs, screen respondents, hold management presentations and additional due diligence responses
7	Trxn. agreement provided, final indications of interest
8	Selection of final party, agreement signed
10	Closing

Potential Source Universe



Capital Sources that can close are what we produce



- **Red Hawk Associates, Ltd.** (founded in 1998) is a professional firm providing private investment banking and related services to the lower middle market to help our Clients improve value and liquidity. We bring a wide range of experience and expertise to bear
- **Mission:** To help business shareholders, managers and stakeholders avoid the trauma of business failure and to exploit value creation opportunities



What Do We Do?

Our Services:

■ **Private Investment Banking and Advice**

- Client Profiles:
 - Lower to middle market privately held companies: Client revenues generally from \$3 mm to \$50 mm, transaction values generally from \$500,000 to \$25 mm
 - Difficult deals: Restructurings, turnarounds, Chapters 11 or 7
- Sell-side or buy-side advisory
- Corporate Finance: Refinancing Debt or raising Equity
- CFO or Controller Assistance
- Business Valuations through our Strategic Partner (who holds CPA/ABV, ASA certifications)
- **Hands-on Restructuring** advice typically includes (Clients from \$5 mm to \$250 mm)
 - Analyzing cash flow, developing projections and providing cash flow improvement advice/implementation
 - Developing a plan to keep the good part(s) of the business, successfully exit the bad
- In or Out of Chapter 11
 - **Recent results: Led turnaround of leading manufacturer of rubber products:** Developed and led plan reversing average annual EBITDA of -15% to +10% per year within 18 months. Plan focused on improving productivity of assets and labor, compromising trade creditors. Gross margin improved by 1400 bps
 - **Recent Results: As de facto Head of Mfg. Operations** improved EBITDA from negative 30% to trending to plus 10% within 8 months
- **Performance Improvement** advice typically includes (Clients from \$5 mm to \$1 bn)
 - Developing strategy and marketing plans
 - Improving operating effectiveness through Six Sigma/Lean-based and Turbocharged Company approaches

■ **Commercial Real Estate Services for Troubled Owners or Lenders**

- With Strategic Partner, H & M Management, providing Clients with consulting, property preservation, maintenance, and management services



Recent Advisory Assignments in Restructuring and Investment Banking

Business outsourcing services	\$8 mm revenues	Sold business under Article 9 of UCC for 14X TTM EBITDA Total time from engagement letter to closing: 120 days
Contract Manufacturer	\$15-25 million revenues	Structured and arranged \$7 mm Senior Debt financing, permitting incumbent lender to exit at par, also reduced current liabilities through creditor composition
Manufacturer	\$ 10-20 million revenues	Structured and arranged \$5 mm Senior Debt financing, also reduced current liabilities through creditor composition
Distributor	\$200 mm revenues	Provided acquisition advisory search services focusing on value investments
Two Private Equity Firms <ul style="list-style-type: none"> • Boston-based • Chicago-based 	Boston firm backed by \$22 billion hedge fund	Provided buy-side search services focusing on value investments in lower middle market

Why Choose Us?

- **Experience:** Red Hawk's deal and consulting teams specialize in **the lower middle market** and have succeed in dozens of situations
- **Expertise:** David Brown and several Red Hawk Advisory Directors are published authors, speakers or expert witnesses
- **Approach:** We begin by reaching agreement with our Client on what should be done and what their investment will be. Then we work collaboratively, "side by side" with our Client.



Red Hawk's Restructuring and Investment Banking Team

David Brown, CTP, MBA

Prior to forming Red Hawk in 1998, Mr. Brown was a partner in a specialized investment banking/restructuring firm. Prior to that, he was Vice President of Corporate Finance at McDonald & Co. (now Key Capital Markets) and a senior consultant at Touche Ross (now Deloitte).

David's professional profile is as a turnaround expert, entrepreneur, dealmaker and investor with more than 2 decades of focus on the middle market. He has actively improved more than 75 businesses in a variety of industries, and initiated and closed numerous corporate finance transactions.

David has advised or been referred by numerous lenders and equity sponsor groups including Bank One (now JP Morgan Chase), National City Bank(PNC), Key Bank, Huntington Bank, FirstMerit and Foothill Capital (Wells Fargo).

He holds an M.B.A from Carnegie-Mellon University and a Bachelors of Science in Economics from Georgetown University's School of Foreign Service. He has worked in more than 60 countries and speaks proficient French. He is a member of a number of organizations including the ACG and the Turnaround Management Association (he is one of approximately 500 Certified Turnaround Professionals). He is Past President of the Ohio chapter of the TMA. David is also Vice President of Programming and a member of the Board of Trustees of the Ohio Venture Association and Treasurer of the Mayfield Sand Ridge Club.

Stephen Kaplan, CPA

Steve helps Red Hawk clients in the areas of strategic planning, marketing and raising both equity and debt. In his long career he has extensive experience in management and financial areas of companies ranging from startups to turnaround situations. His experience includes six years with a "Big Four" accounting firm, twenty years in the financial services industry and ten years as an independent consultant.

He has worked with numerous companies including manufacturers, real estate investors, service providers, retail operations and distributors. He holds an AB from the University of Missouri and is a member of the Turnaround Management Association.



Brad Eldridge, CPA/ABV, ASA, CIRA, MBA, CFFA

A 1976 graduate of Cornell University, Brad Eldridge subsequently received an MBA from Carnegie-Mellon University. While attending Carnegie-Mellon, he was the recipient of the alumni fellowship in economics. He holds a Certificate of Accounting from Northwestern University which he received in 1978.

Prior to affiliating with Red Hawk Associates, Mr. Eldridge was the managing partner of the local office of a regional accounting firm as well as lead partner for consulting, valuations and litigation support for another regional firm. His experience also includes time spent with Arthur Young (now Ernst & Young) as well as with two large multinational oil companies. He has a strong background in real estate, not-for-profit organizations, mergers and acquisitions, leading refinancings for privately held companies including manufacturers, retailers, insurance, oil and gas and construction companies and business valuation and support.

Mr. Eldridge is a member of the Ohio Society and American Institute of Certified Public Accountants, the American Society of Appraisers, the Association of Insolvency and Restructuring Advisors and has served on numerous boards of community organizations including BalletMet, Junior Achievement of Columbus, Children's Hospital, Ohio Statewide Development Corporation, and the Columbus Chamber of Commerce Small Business Council. He has also served as a member of the Operations Improvement Task Force of the State of Ohio, the Committee to Select Tax Commissioners for the State of Ohio and the Governor's Export Credit Committee.

Ron Caporossi, MBA

Ron is a general management professional with over 30 years of business experience. He has held various senior management positions with P & L responsibility and is recognized for having strong leadership skills and analytical ability. Areas of expertise include marketing/sales, business development, strategic planning and operations improvement.

Ron holds BS degrees in Administration and Management Science and Economics and an MS in Industrial Administration from Carnegie Mellon University. He is also a certified six sigma black belt.



Marty Cohen, MBA

Marty has been an active leader in the real estate investment property ownership and management fields in Northeast Ohio for 30 years. He is the managing partner of H & M Management and is the sole owner of Capital Mortgage, and Smart Realty L.L.C. At the peak of his career, he was the general partner/owner of nine apartment communities totaling 1200 apartment units, a half dozen retail shopping plazas, a 400 space parking garage, and a 71,000 square foot industrial building. In addition, Marty had been involved and invested in commercial properties in Florida, Texas and California and the rehabbing or construction of single family homes in the Cuyahoga County area. He had served as a consultant to Broadview Savings and Loan (1983-1986) advising and assisting the institution with a \$300,000,000 loan and development portfolio in Florida. Marty is a member of the Board of Directors of Third Federal Bank. In 1994, Marty served as President of the Northeast Ohio Apartment Association.

Marty earned his B.S. at Carnegie Mellon University (1975) and his M. B. A. at Case Western Reserve University (1977). While earning his graduate degree, Mr. Cohen taught the introductory classes of Finance and Banking at the Graduate School at Case Western Reserve. After graduating, Mr. Cohen continued teaching part time at Case Western Reserve until 1984. He started his professional career as an Assistant Vice President in the Internal Financial Reporting department at Cleveland Trust, (later Ameritrust and now Key Bank) in 1977-1980. Upon leaving the bank, he has devoted his energies to his own businesses.

