

FOLEY EXECUTIVE BRIEFING SERIES



SELLING YOUR COMPANY

December 15, 2010



COVINGTON ASSOCIATES

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Market Overview

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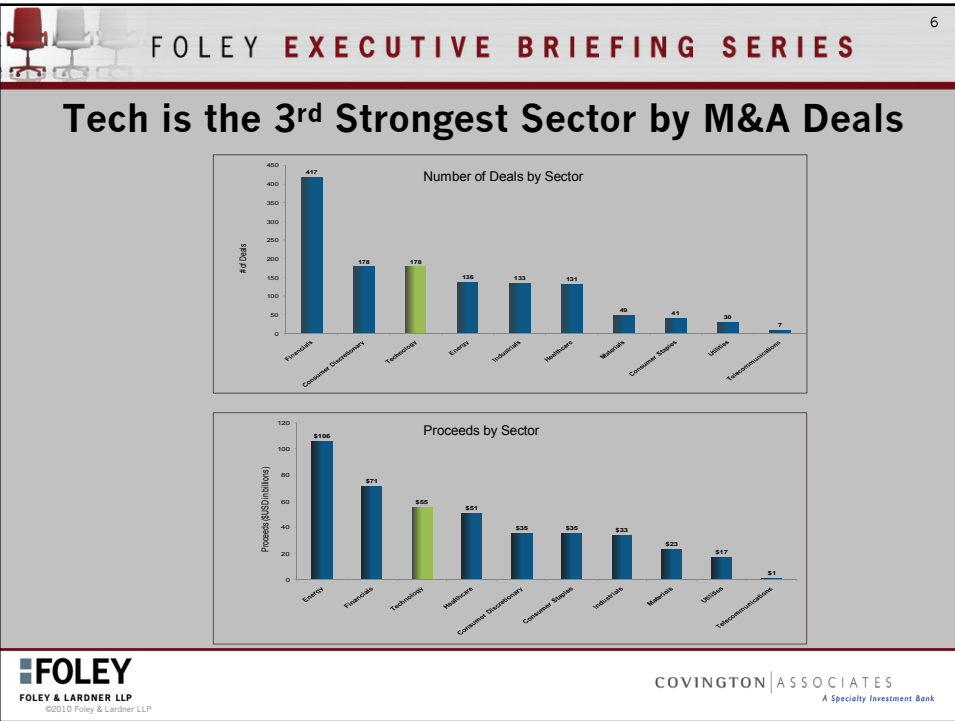
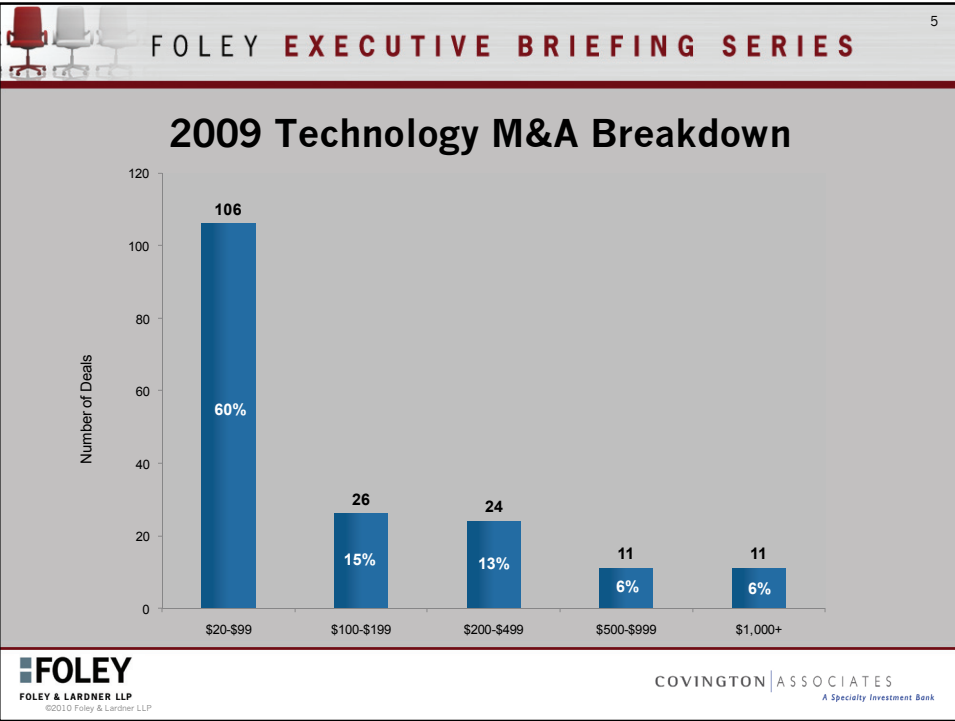
Tech M&A Dominates Tech IPOs

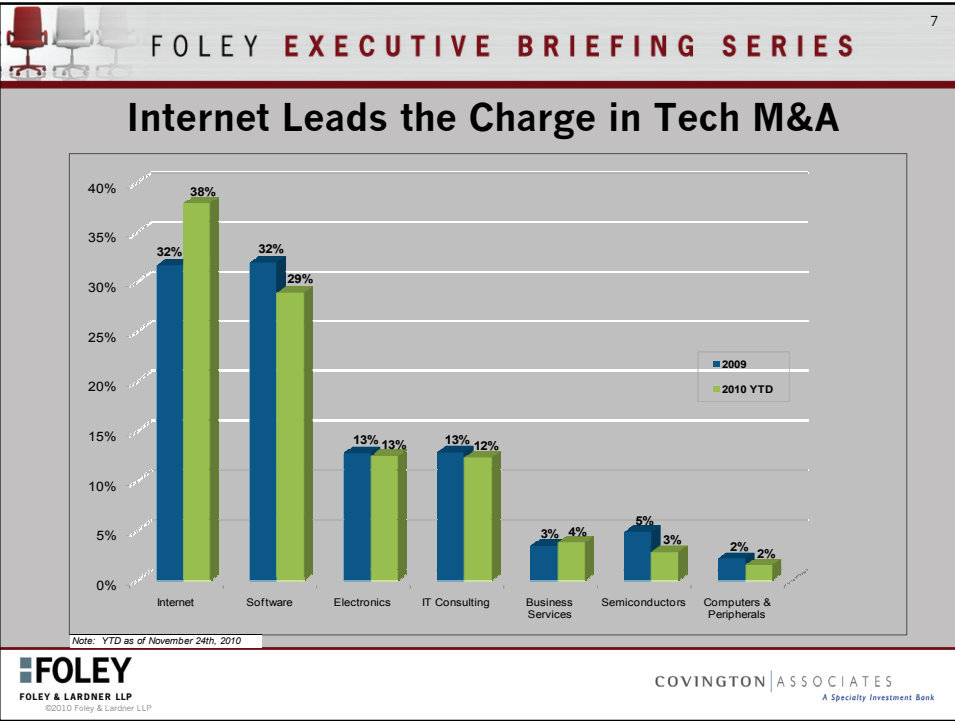
Year	M&A (# of Deals)	IPO (# of Deals)	NASDAQ Index
1991	41	46	~500
1992	55	56	~600
1993	64	95	~700
1994	80	97	~800
1995	144	148	~1,000
1996	203	203	~1,200
1997	243	129	~1,500
1998	328	85	~2,000
1999	449	308	~3,000
2000	625	221	~4,000
2001	277	19	~2,500
2002	270	16	~1,500
2003	247	23	~1,800
2004	331	54	~2,000
2005	366	40	~2,200
2006	381	41	~2,500
2007	307	60	~2,800
2008	180	28	~2,000
2009	178	47	~1,500

Source: Capital IQ, US M&A Transactions > \$20mm based on date of announcement

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When to Sell

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Best Times to Sell

- Right After Something Great
- Right Before Something Great
- Never in the Middle



Factors That Drive Timing

Seller Considerations

- Lack of capital
- Business growing beyond comfort level
- Boredom / burnout
- Other interests

Buyer Considerations

- Slow organic growth
- Competitive pressures
- Diminishing market share
- Globalization of industry

Market Considerations

- Favorable economic and M&A climate
- Low interest rates
- Advantageous tax treatment of deals
- Government regulatory changes

- Before something great
- After something great
- Never in the middle



Owner Holding Risks

Operating Risks can Lead to Lower Valuation in the Future

Perceived Execution Risks

- Economic Change
- Industry Change
- Business Change
- Natural Disaster
- Change in Personal Circumstances

- Economic downturn
- Rising interest rates
- Decrease in spending
- Regulatory / government changes
- Increased competition
- Threat of foreign / new entrants
- Loss of key customers / vendors
- Substitute goods / product obsolescence
- Earthquake
- Hurricane
- Flood
- Health problems
- Divorce



Key Things to Know/Do



Demonstrate Credibility

- Know 'Comparables'
- Functioning Systems
- Reason for Sale



Audit

- Required for Public Company Acquisition
- Protects Financial Positioning



Employee Incentives

- Encourages Strong Management Presentation
- Delivers Management to Buyer
- Protects Seller Post Closing



Real Estate Issues

- Flexibility in Sale Structure
- Lease Can Add Post Closing Value
- Avoid/Minimize Environmental Deal Risk



Estate Planning

- Minimize Tax Exposure
- Succession Planning
- Wealth Transfer



IP Housekeeping

- Confidentiality Agreements
- TM/Patent Protection
- Work for Hire Agreements
- Right Record Ownership



Paint

- Appearance Counts



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