SELLING YOUR COMPANY

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Market Overview

Tech M&A Dominates Tech IPOs

Source: Capital IQ, US M&A Transactions > $20mm based on date of announcement
2009 Technology M&A Breakdown

- Total deals: 106
- $20-$99: 60%
- $100-$199: 15%
- $200-$499: 13%
- $500-$999: 6%
- $1,000+: 6%

Proceeds by Sector:

- $20-$99: $0-$49
- $100-$199: $50-$99
- $200-$499: $100-$199
- $500-$999: $200-$499
- $1,000+: $500-$999

Tech is the 3rd Strongest Sector by M&A Deals

Number of Deals by Sector:

- $20-$99: 4
- $100-$199: 1
- $200-$499: 3
- $500-$999: 1
- $1,000+: 6

Proceeds by Sector:

- $20-$99: $49
- $100-$199: $133
- $200-$499: $136
- $500-$999: $41
- $1,000+: $49
Internet Leads the Charge in Tech M&A

Note: YTD as of November 24th, 2010

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

**Market Considerations**
- Before something great
- After something great
- Never in the middle
Owner Holding Risks
Operating Risks can Lead to Lower Valuation in the Future

- 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

Perceived Execution Risks

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

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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