

**SMALL BUSINESS FORUM COMMITTEE
OF THE PROGRAMS SECTION**

1. **Next scheduled meeting of the Committee:** May 30th in Grand Rapids, early fall for southeastern, MI, with interim planning meetings in the meantime.
2. **Council Approval:** NONE
3. **Membership:** The second West Side event is to be held in Grand Rapids. Its pre-registration rate is lower, I believe because it is so close to Memorial Day. It will probably be considered a good turn out if it has as many as 20 attendees. We continue to anticipate that the upcoming Grand Rapids event will significantly increase participation from the Grand Rapids area and that the programs we do at the Institutes will also add new members.
4. **Accomplishments Toward Committee Objectives:** Our primary objectives are:
 - Increase involvement of smaller firms in the Section and to add a few new Forum Leaders. We have one additional attorney interested after the last event.
 - Create a bridge between business attorneys and the small business community.
 - Provide resources and networking opportunities between attorneys, CPAs, lenders, investment bankers, financial professionals and related advisors.
 - Provide time-efficient, educational and fun events.
 - Create perception of lawyers as valuable members of a business team.
 - Improve perception of Michigan as a good environment in which to do business.
 - Help attorneys gain new tools and contact to provide quality service to business owners.
 - Develop outreach opportunities to the business community.

Our objectives for this year are:

- To increase participation level to about 50 attorneys from across Michigan who primarily represent closely-held and family businesses with less than \$50 million in annual gross sales.
- Host four useful events each full year, some here and some on the West Side.
- Involve small business owners in at least two of our events. This remains a challenge.
- To get the SBF to a point where it is largely self-sustaining from a budget perspective. We are moving toward this goal, with some hiccoughs.

We have held three events so far this year. Two were a Step-by-Step Guide to Selling a Business. The first was held January 31st in Birmingham, had 70 people prepaid and registered and about 50 people show up. It cost the section a little over \$1,000. The second was held in Lansing and produced small revenue. The third was concerning increasing value of manufacturing companies. The materials and speaker information is attached. Attendance was low (again we think we got too close to Memorial Day) with about 25 people attending. We increased the charge to \$25 for this event think this event will have cost the section about \$650. We plan to hold our next event at a large office conference room to defray its costs. A broad mix of attorneys (including some in house counsel), CPAs, business owners (on a VERY limited basis) and other professionals continue to attend, with most of the lawyers coming from smaller firms.

5. **Meetings and Programs:** The 3 programs already held were described above. Our program topics and event plans are 4 events throughout the rest of 2007 as follows: (1) A Step-By-Step Guide to selling a Business (in Grand Rapids on May 30), (2) Valuation Issues (Already held in Birmingham; Grand Rapids TBD, if at all); (3) Identifying and Assisting Troubled Companies (in the early fall in Grand Rapids and Southeastern Michigan) and (4) Marketing and Client Management (to tie in with ICLE's Closely Held and Family Business Institute in Plymouth). The Program Committee has approved these.
6. **Publications:** We do not intend to publish at this time. The SBF and its events continue to be featured in a number of news outlets, however, including Legal News, and the Oakland Business Review.
7. **Legislative/Judicial/Administrative Developments:** Not applicable
8. **Miscellaneous:** If any committees are looking for members, a quick email to me outlining your plans and what you are looking for would be great as I could then announce this at the SBF meetings. This may encourage smaller firms to participate in Bar activities outside of the SBF.



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Small Business Forum

Increasing the Value of Manufacturing Companies

Jeffery M. Risius – Managing Director

Gene P. Bitonti – Vice President

May 23, 2007



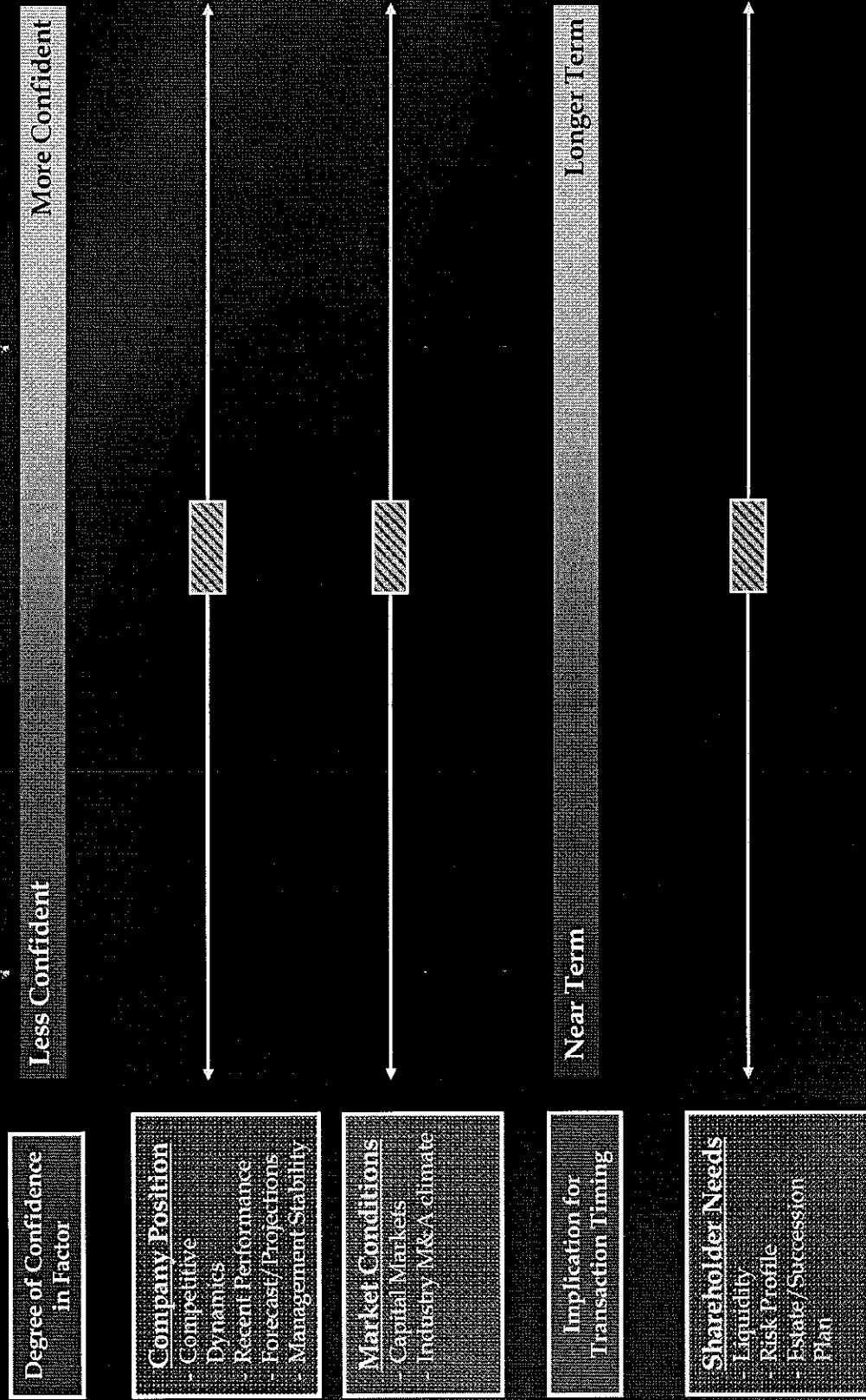
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- Context of value
- Opportunities to increase value
- What drives value in manufacturing companies (auto supplier example)
- What factors are driving M&A activity
- M&A market metrics

- Purposes of Business Valuations
 - Financial reporting
 - Corporate tax planning
 - ESOP & ERISA advisory
 - Succession and shareholder planning
- Value in M&A Transactions
 - Market-based considerations
 - Concept of “willing buyer and willing seller”

- Timing considerations
- Process considerations
- Company-specific considerations
- Market considerations

Transaction Timing Considerations



Sale Process Considerations

Marketing Approach

- Company's strengths
- Unique acquirer attributes
- Industry dynamics

Method of Sale

- Open auction
- Controlled auction
- One-on-one negotiation
- Management buyout



Optimal Process

Objectives:

- Market clearing process
- Fair price/value maximization
- Protect franchise/preserve value

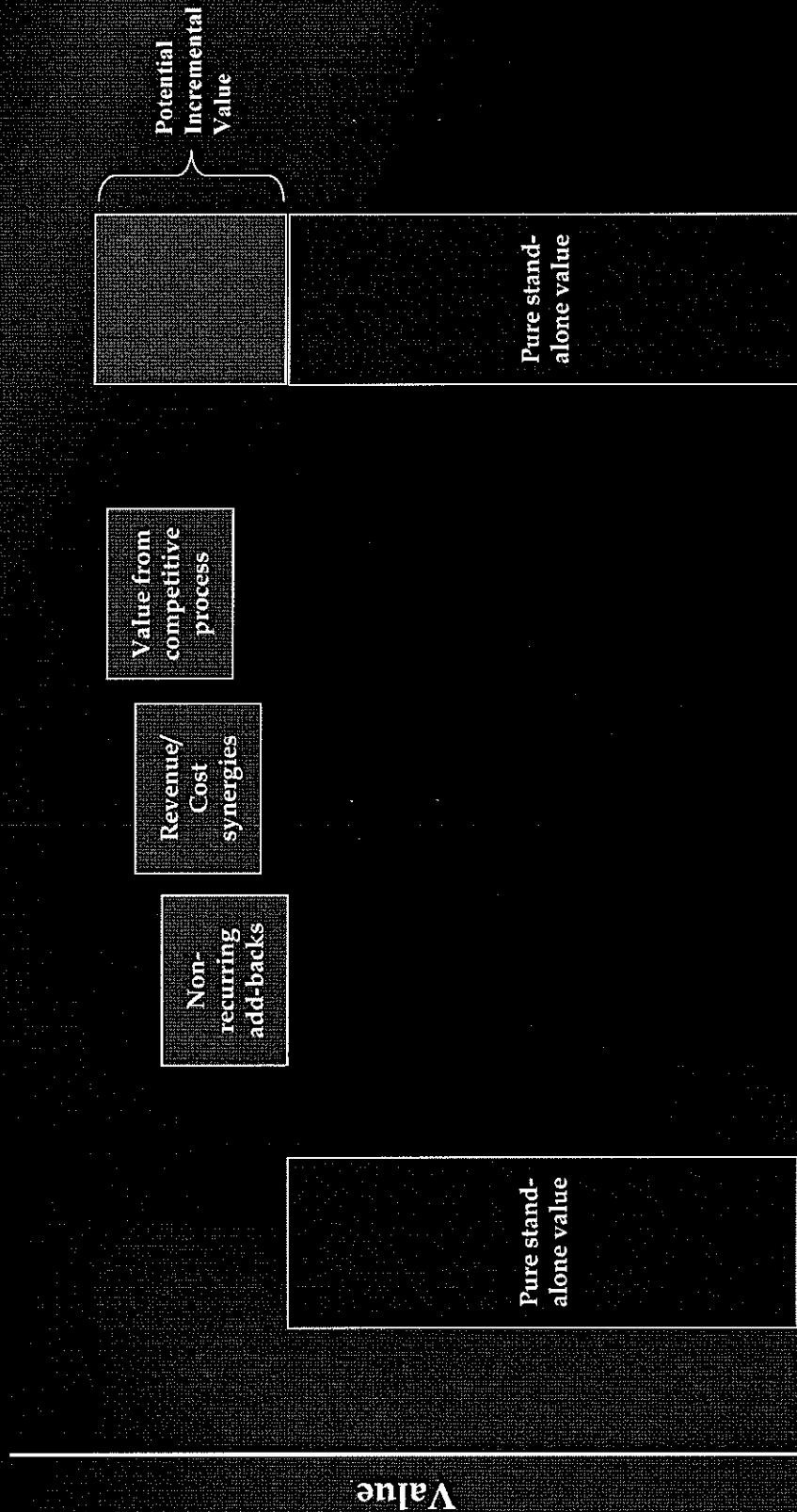
Strategic/Competitive Value Enhancement

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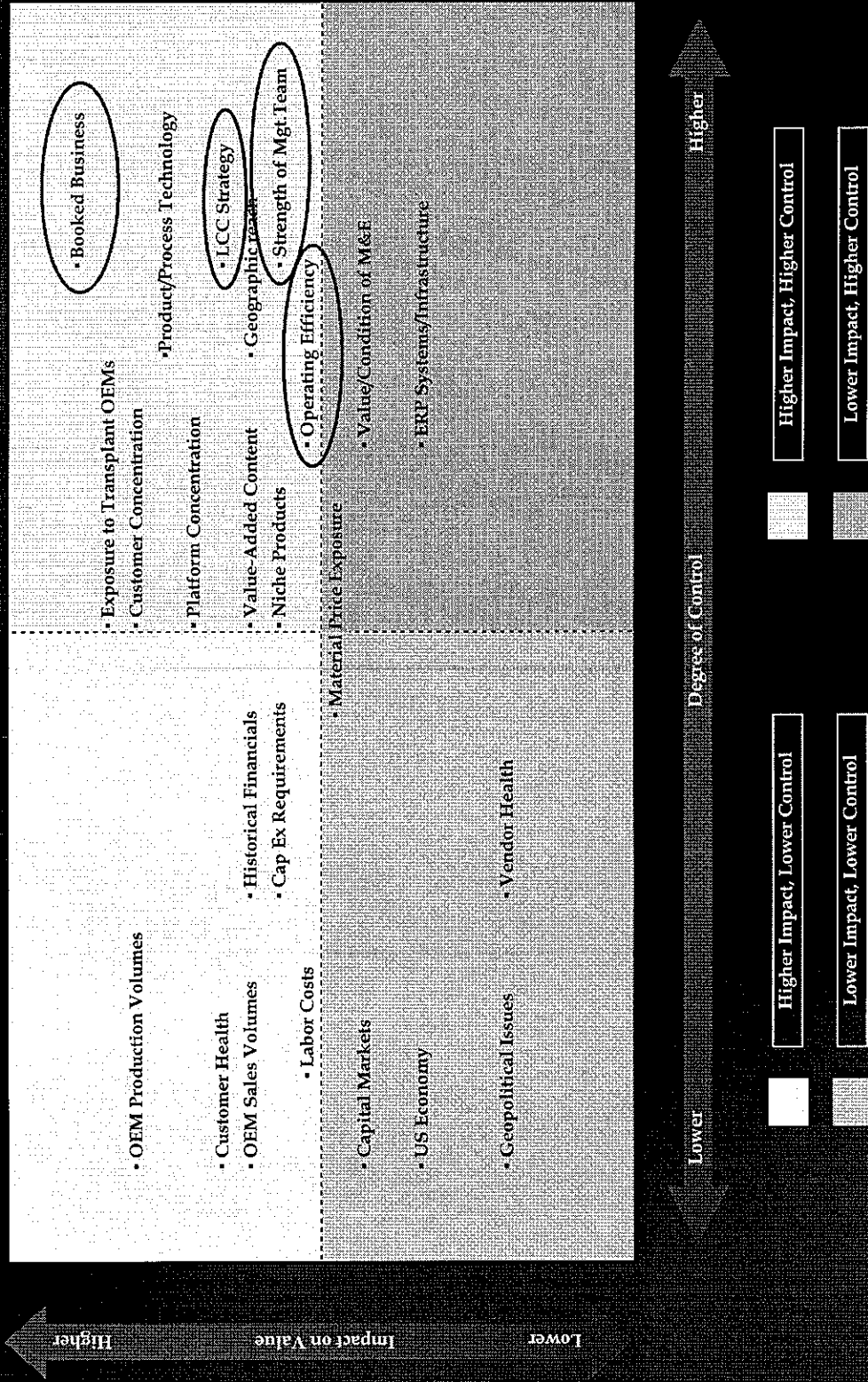
Pure stand-alone value Potential Value Enhancements Potential Competitive/Strategic Value



Value

Automotive Supplier Relative Value Drivers

Auto Supplier Relative Value Drivers



Key Factors in Auto Supplier Transactions

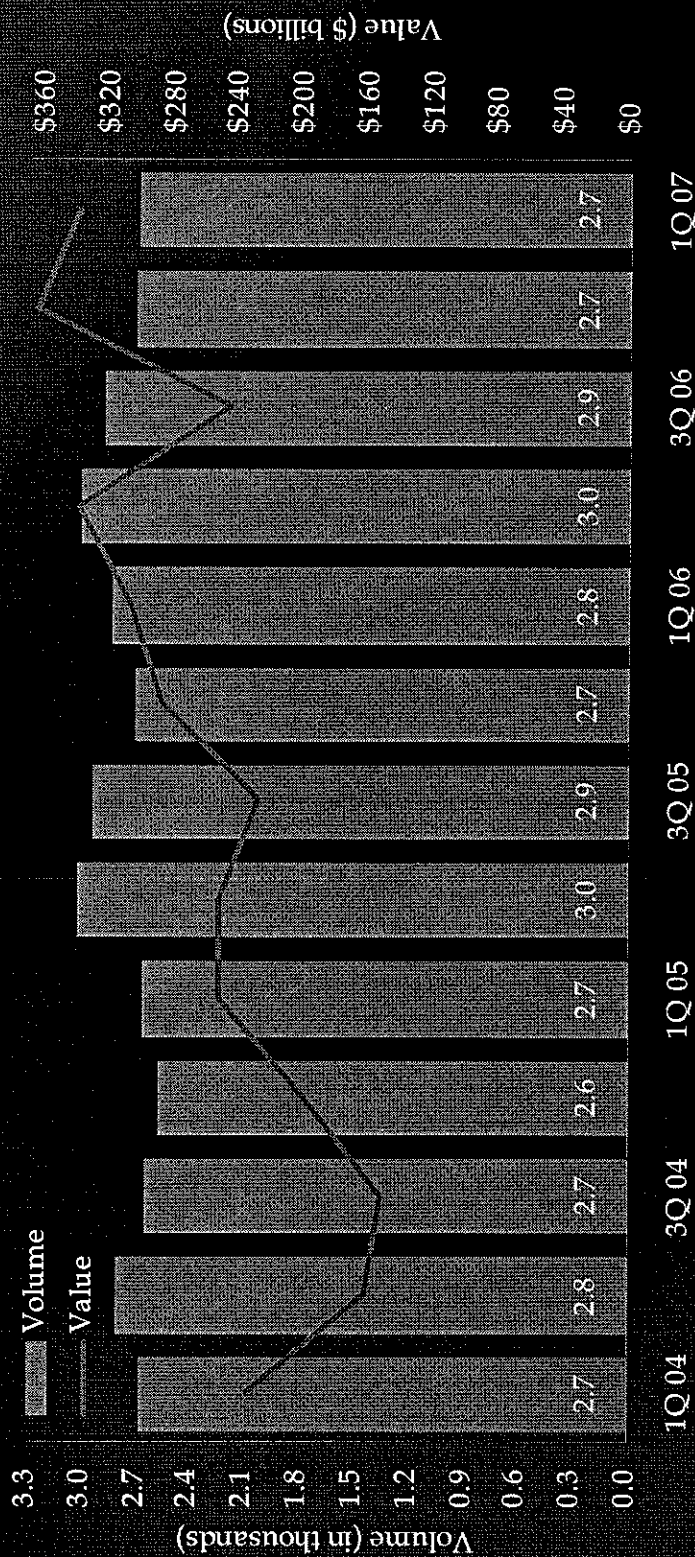
- Booked business or backlog
- Product/Process technology
- Low cost country strategy
- Geographic reach
- Strength of management team
- Exposure to transplant OEMs
- Customer concentration
- Platform concentration
- Value-added content
- Niche products
- Operating margins

- Economies of scale
- Vertical integration
- Customer diversification
- Geographic diversification
- Complementary product lines
- Growth (beyond organic potential)
- Market share
- Industry-specific rationale

Drivers of Auto Supplier Consolidation

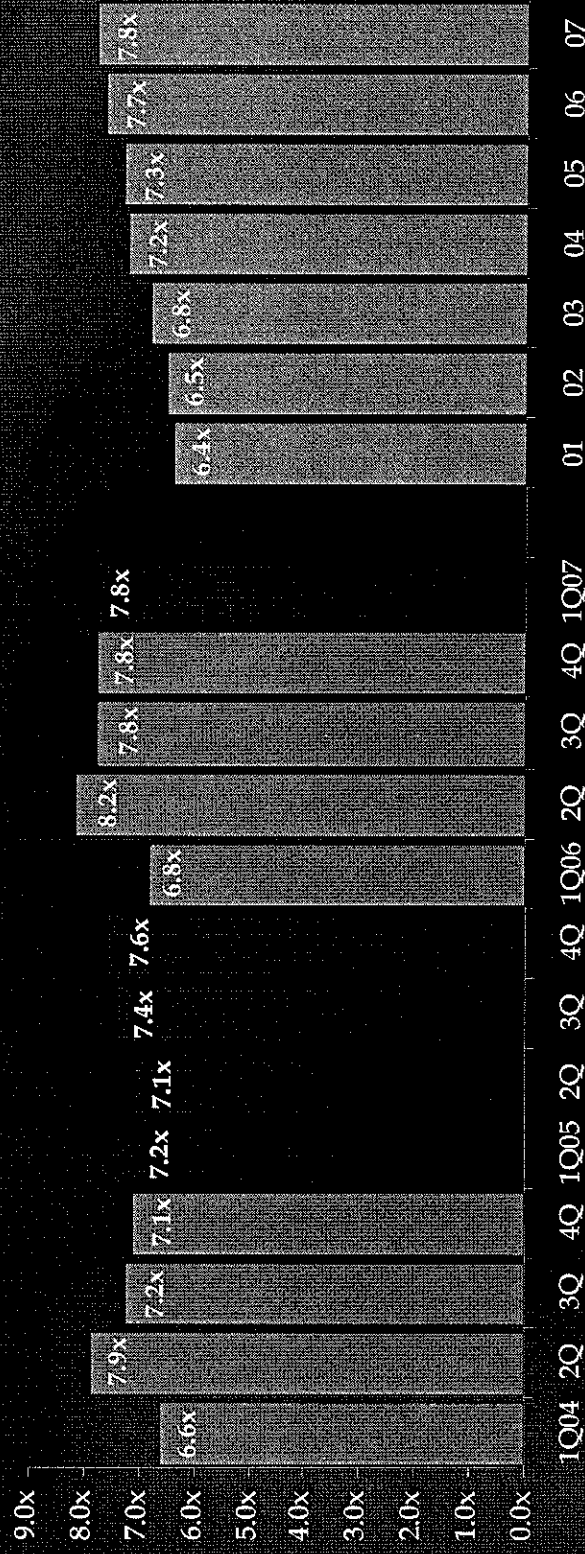
- Considerable overcapacity in North America
- Shifting purchasing practices at OEMs and major Tier I suppliers
- “Commonization” of components across vehicle segments
- Low Cost Country pricing standards at OEMs and major Tier I suppliers
- Resourcing from troubled suppliers
- Streamlined purchasing of commoditized components
- Interest from prospective foreign buyers in North American assets
- Renewed interest of private equity and hedge funds
- Availability of transaction financing

Total U.S. M&A Deal Volume and Value
1Q04 - 1Q07



Source: Mergerstat

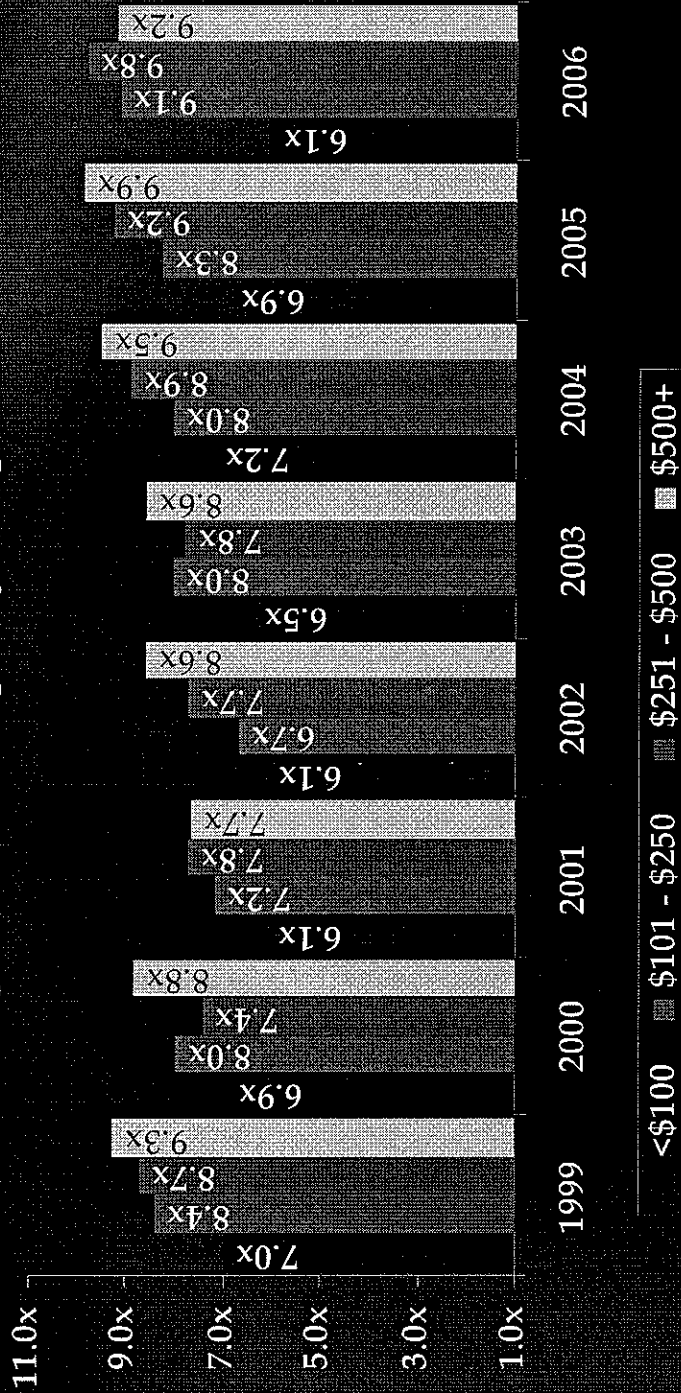
U.S. Middle Market M&A Enterprise Value Multiples



Deals below \$500 million; excludes outliers, as well as Banking & Finance and Insurance transactions.

Source: Mergerstat

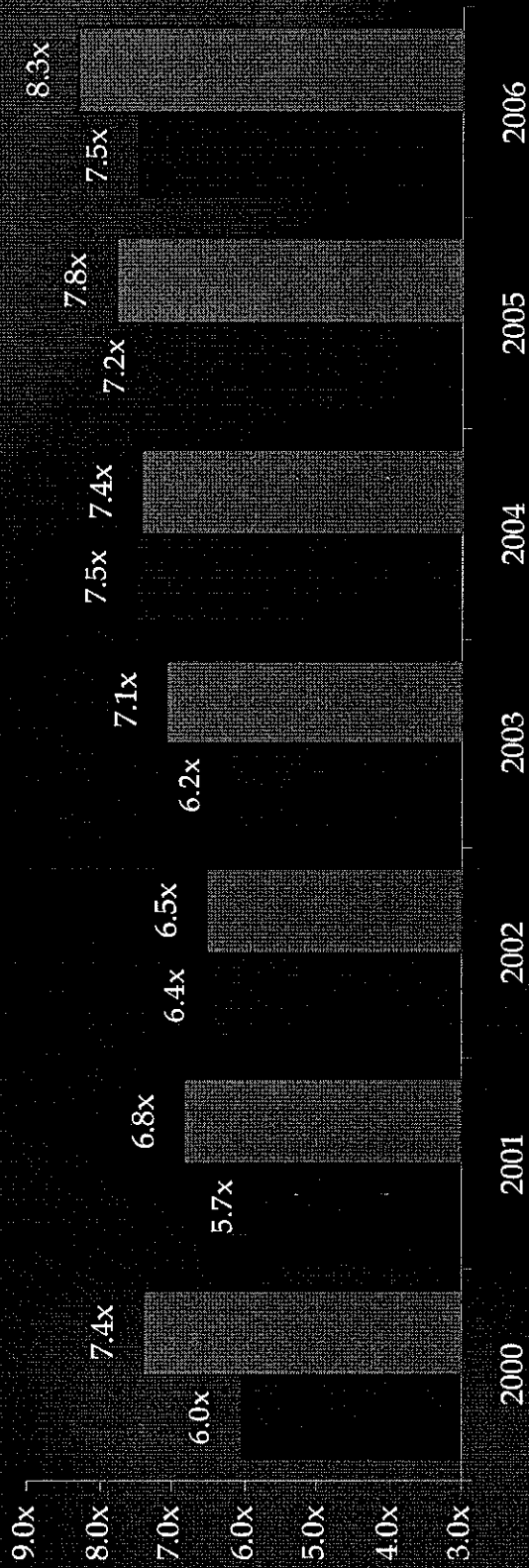
Average EBITDA Multiples by Enterprise Value



All years exclude outliers.

Source: Mergerstat

Strategic Buyer vs. LBO Multiples



LBO Transaction Strategic Buyer

Deals below \$500 million; excludes outliers, as well as Banking & Finance and Insurance transactions.

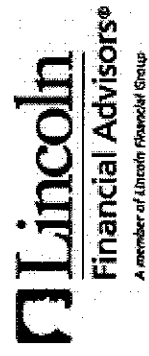
Source: Mergerstat

How is Value Maximized?

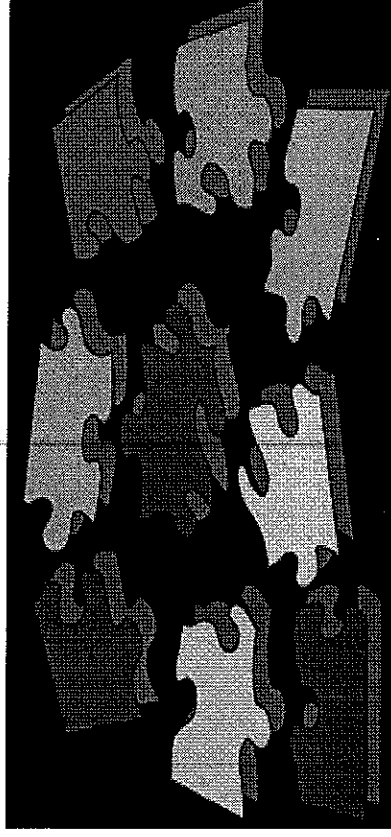
- Launch process at optimal time given corporate, market & shareholder considerations
- Carefully plan sale process
- Properly prepare and position Company
- Approach appropriate universe of potential buyers (strategic and financial)
- Create a competitive environment
- Avoid losing focus on running the business

Exit Planning

John J. Turcotte
Lincoln Financial Advisors



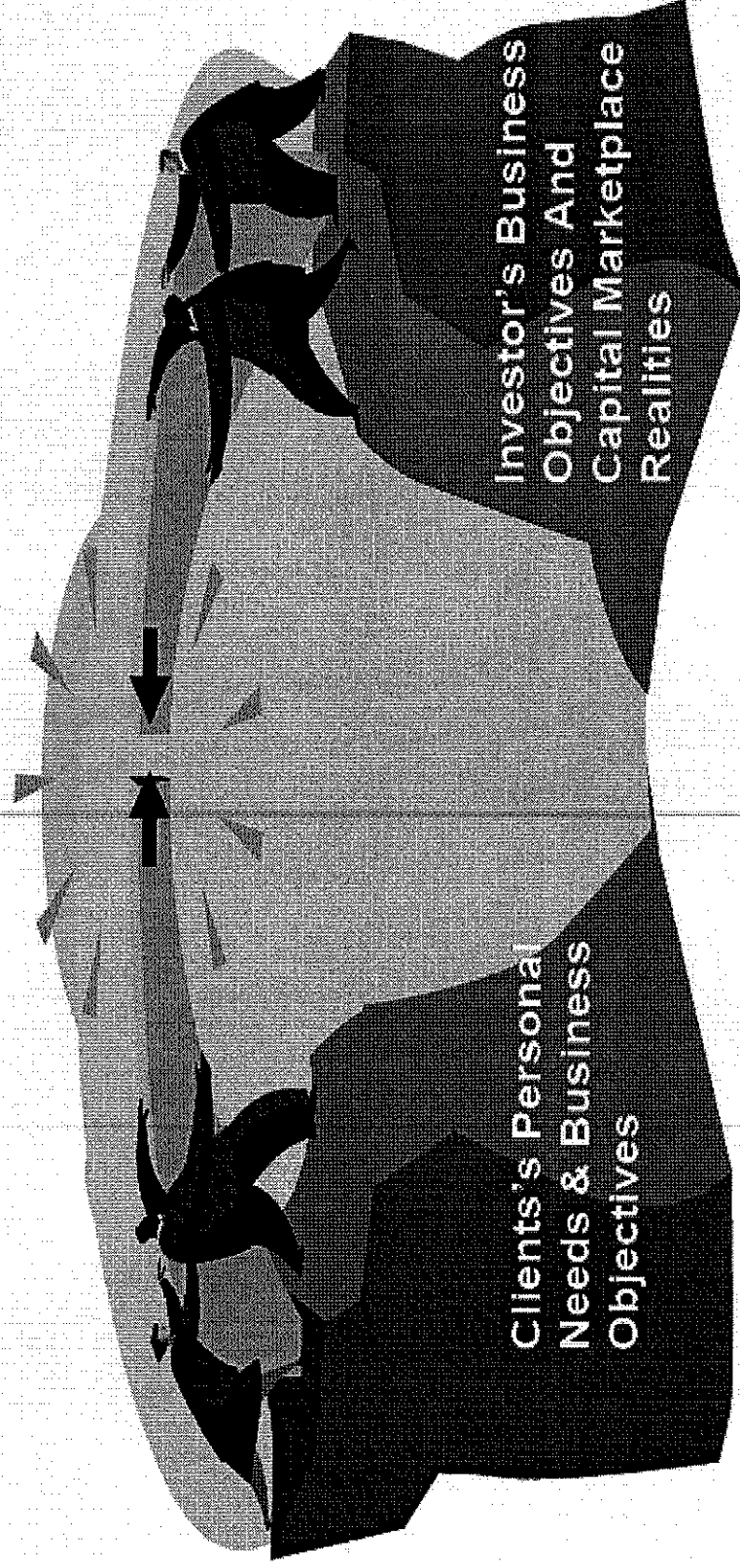
Today's Fragmented Approach to working with Business Owners



Most financial professionals focus almost exclusively on just 1 or 2 of the pieces, investments, Buy/Sells, estate planning, employee benefits, etc. – They fail to completely address the owner's fundamental needs and comprehensively evaluate his/her overall business exit strategy

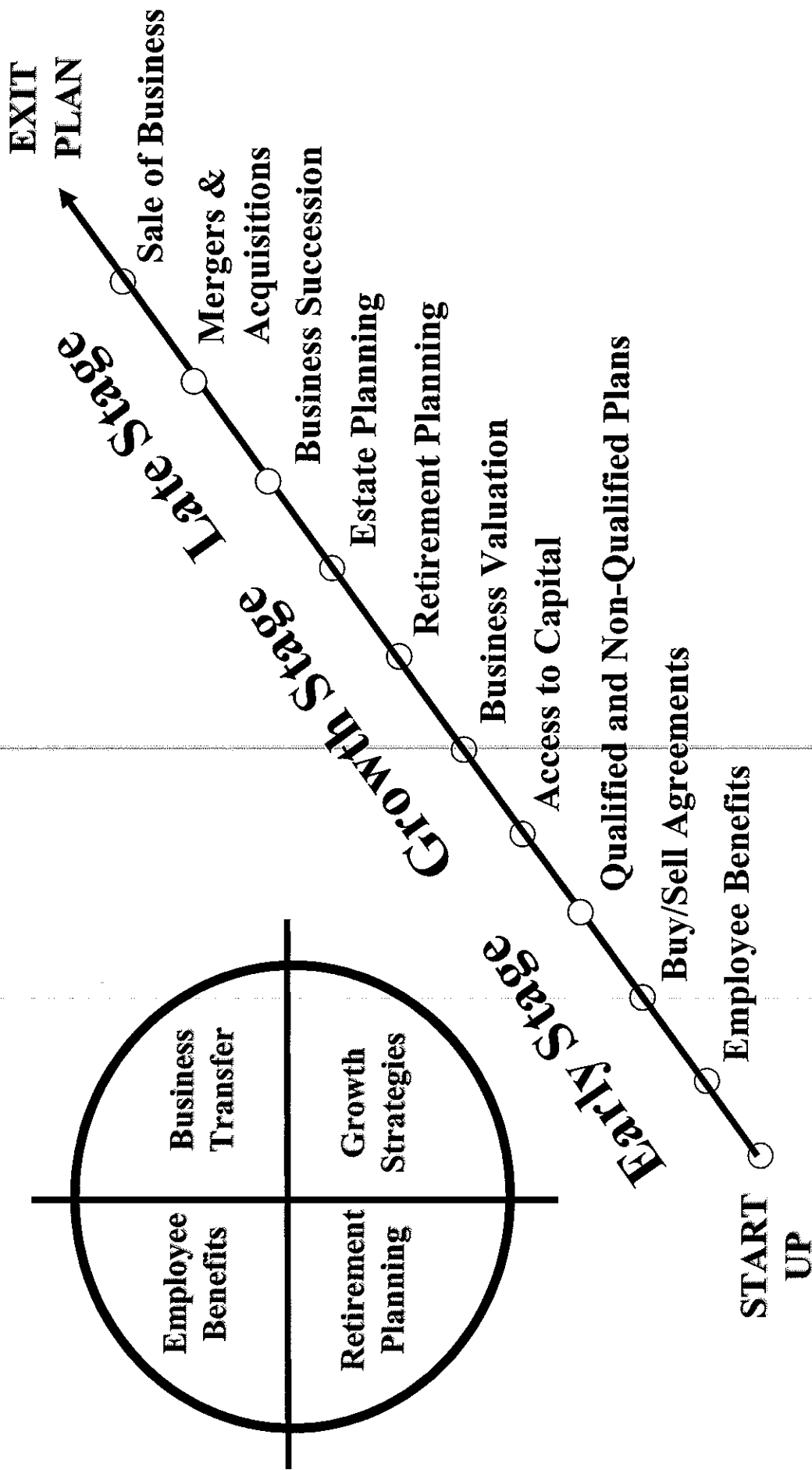
Equity Strategies Group

“Bridging the Value Gap”



The Process: We Create Solutions to Bridge the Gap

Value PathSM



Why Exit Planning?

- At some point, every owner leaves his or her business – voluntarily or otherwise.
- At that time, every owner wants to receive the maximum amount of money in order to accomplish personal, financial, and estate planning goals.

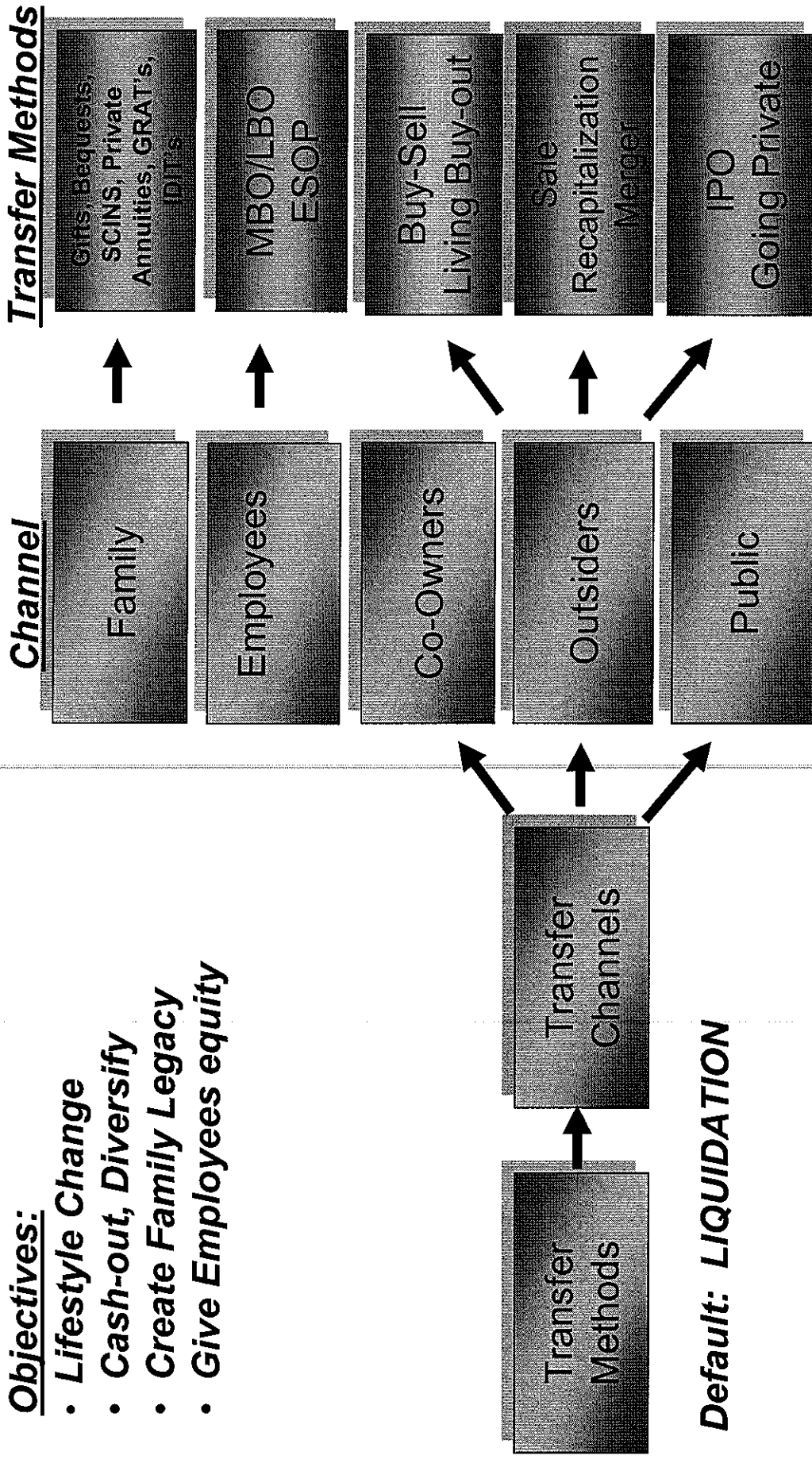
Why Do Owners Decide to Exit Their Business?

- Fatigue, burn-out
- Boredom: ready to start a new chapter in life
- Decreased tolerance for risk
- Desire to remove financial chips from table
- Spousal pressure or divorce
- Unwilling or unable to take company to the next level
- No successor
- Health issues

Exit Planning Scenarios

Objectives:

- Lifestyle Change
- Cash-out, Diversify
- Create Family Legacy
- Give Employees equity



Default: LIQUIDATION

Exit Planning – 7 Step Process

- 1. Setting Exit Objectives**
- 2. Determining Value/Price**
- 3. Preserving, Protecting and Promoting Value**
- 4. Converting Business Value to Cash – The Sale**
- 5. Transferring the Business**
- 6. Contingency Planning for Business**
- 7. Wealth Preservation Planning**

Plus . . . Invest the proceeds

Business Owner Planning Checklist

1. Have you decided:

- when you want to leave your business?
Yes ☐ No ☐
- what amount of cash or annual cash flow you will need when you exit? and
Yes ☐ No ☐
- to whom you want to transfer your business?
Yes ☐ No ☐

Business Owner Planning Checklist

2. Based on future cash flow, do you know how much your business is worth today?

Yes ☐ No ☐

3. Do you know how to best maximize the income stream generated by your ownership interest – both before and after you leave your business?

Yes ☐ No ☐

Business Owner Planning Checklist

4. Do you know how to sell your business to a third party and pay the least possible taxes? Do you know if your business is even marketable?

Yes ☐ No ☐

5. Do you know how to transfer your business to “insiders” (family, employees, or co-owners) while paying the least possible taxes and enjoying maximum financial security?

Yes ☐ No ☐

Business Owner Planning Checklist

6. Do you have a plan for your business if the unexpected happens to you?

Yes ☐ No ☐

7. Have you taken steps to protect your family's wealth?

Yes ☐ No ☐



Jeffrey M. Risius

Jeffrey M. Risius is Managing Director of the **Valuation & Financial Opinions Group**. He has extensive experience in the field of valuation, litigation advisory, and mergers & acquisitions. His advisory experience encompasses a broad range of industries and has been performed for numerous purposes including fairness and solvency opinions, estate and gift taxation, Employee Stock Ownership Plans, marital dissolution, shareholder disputes, wrongful death claims, breach of contract matters, intellectual property disputes, tortious interference cases, disputes related to business transactions, employment matters, bankruptcy and reorganization, purchase price allocation, purchase and sale advisement, and other tax, corporate, and litigation related matters.

Among the many industries Mr. Risius has served are automotive, banks and thrifts, broadcasting, communications, computer software, construction, consumer products, entertainment, graphics and printing, health care, manufacturing, petroleum, publishing, retailing, security systems, staffing, textiles, metal stamping, motion picture theaters, plastics, steel, tire and rubber manufacturing, transportation, and wholesale distribution.

Contact

Jeffrey M. Risius
Managing Director
248.432.1240
jrisius@srr.com

Mr. Risius has lectured and presented numerous continuing education seminars on the subjects of valuation, litigation advisory services, succession planning, and transaction advisory services. In addition, Mr. Risius has testified as an expert witness at trial in state and federal courts, public service hearings, arbitration, and in deposition.

Prior to joining our firm, Mr. Risius was a senior manager with Price Waterhouse in its Valuation Services Group in Chicago. During his tenure with Price Waterhouse, he planned, performed and supervised valuation and litigation consulting engagements.

Mr. Risius earned an MBA with a concentration in Finance from Indiana University. He also earned a BS with Honors in Accounting from Indiana University's School of Business. He is a Certified Public Accountant accredited in business valuation (CPA/ABV), licensed in the state of Illinois. Mr. Risius is a senior member of the American Society of Appraisers (ASA), and has also earned the Chartered Financial Analyst (CFA) designation. Mr. Risius is a past Vice President of the Michigan Chapter of The ESOP Association and a past member of the Valuation Advisory Committee of The ESOP Association. He is a member of the American Institute of Certified Public Accountants, the Michigan Association of CPAs (MACPA), the Litigation / Business Valuation Committee of the MACPA, the CFA Institute, the Investment Analyst Society of Chicago, and the Financial and Estate Planning Council of Metropolitan Detroit.

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Gene P. Bitonti

Gene P. Bitonti is a Vice President in the **Investment Banking Group**. Mr. Bitonti's investment banking experience includes the execution of a variety of transactions including merger and acquisition advisory, 363 asset sales, shareholder recapitalizations, leveraged and management buyouts, and the private placement of senior and subordinated debt.

Prior to joining our firm, Mr. Bitonti was with Plante & Moran, PLLC. While at Plante & Moran, he was responsible for the planning and execution of a variety of engagement types, including audits, reviews, compilations, tax planning, buy and sell-side due diligence, agreed-upon procedures and bankruptcy and restructuring advisory. Mr. Bitonti had several transaction related engagements whereby he provided structuring, tax planning and financial due diligence assistance to clients. He focused primarily on clients in the manufacturing industry, and has also served clients in a wide range of other industries including contracting, leasing, professional service and education.

Contact

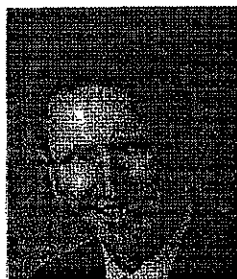
Gene P. Bitonti
Vice President
248.432.1301
gbitonti@srr.com

Mr. Bitonti earned an MBA with a dual concentration in Finance and Accounting and a BA in Accounting from Michigan State University. He is a member of the American Institute of Certified Public Accountants, the Michigan Association of Certified Public Accountants, and the Turnaround Management Association.

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**John J. Turcotte, ChFC, CLU
Financial Planner**

John has twenty seven years of experience in the insurance and financial services industry. He specializes in developing estate and business succession planning for highly compensated executives, professionals, physicians, and owners of closely held corporations. John joined Sagemark Consulting, formerly CIGNA, in September of 1992 as a Manager in the Detroit Agency. Prior to that time he spent four years in the banking industry and seven years as an insurance agent with Mutual Benefit Life and Mass Mutual. While in the insurance industry, he qualified for several honors. John was promoted to Senior Assistant Manager in 1994, Unit Vice President in 1996, RCEO in February 1999, and Managing Director for the Southern Ohio RPG in October 2003. From May of 2004 to February 2007, John was the Managing Director of the Mid America RPG with offices in Detroit and Cincinnati. The offices in his region have a long history of being recognized as the premier Estate and Financial Planning firm servicing the affluent and super affluent market place.

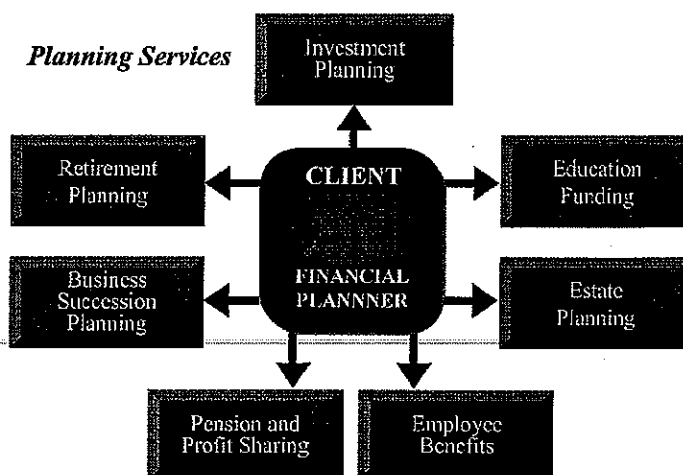
John has a Marketing Degree from Northern Michigan University, in Marquette, Michigan. He holds the Chartered Financial Consultant and Chartered Life Underwriter designations. His professional memberships include: the National Association of Life Underwriters, the American Society of Financial Service Professionals, the Estate Planning Council of Detroit, and the Financial Planning Association.

John resides in West Bloomfield, MI with his wife, Nancy, and their two children, Gregory and Danielle.

Planning for your financial success may seem complicated in today's world. A broad knowledge of everything from complex investment products to elaborate tax laws is required.

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- Develop a financial plan based on sound advice and knowledge
- Implement your plan if desired
- Update the plan on a regular basis

Throughout this process, we never lose sight of one essential element – personal service. At Lincoln Financial Advisors, you'll find the best of both worlds: the resources of a large company and the personal attention you need to establish a plan for financial success.

1000 Town Center 26th Floor Southfield, MI 48075

Phone: 248-948-5101 Fax: 248-948-5140

E-Mail: John.Turcotte@lfg.com

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