

Valuing & Selling Your Private Company
New Orleans BioInnovation Center

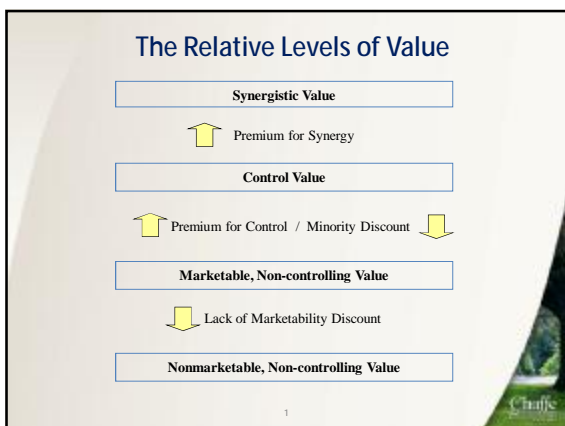
July 25, 2013

Securities transaction offered through Chaffe Securities Inc., member FINRA/SIPC

See the Chaffe Difference.

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The Relative Levels of Value



Synergistic Value
↑ Premium for Synergy

Control Value
↑ Premium for Control / Minority Discount ↓

Marketable, Non-controlling Value
↓ Lack of Marketability Discount

Nonmarketable, Non-controlling Value

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Fair Market Value

“Fair market value is the price at which the valued interest would sell, for cash, in an ‘at arm’s length’ transaction between a knowledgeable, willing buyer and a knowledgeable, willing seller, neither being under any compulsion to transact.”

—Source: I.R.S. Rev. Rul. 59-60, 59-1 CB 237.

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Illustrative Process and Timeline

1. Gather Company data
2. Research economic and industry information
3. Analyze company financial statements
4. Site Visit/Management Interview
5. Valuation
6. Report

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Adjustments to Financial Statements


§ Balance Sheet

- Non-Operating Assets
- Market Value versus Book Value

§ Income Statement

- Non-recurring items
- Discretionary items
- Personal expense items

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Approaches to and Tests of Valuation

§ Asset-Based Approach

- Adjusted Book Value
- Liquidation Value

§ Market Approach

- Previous Sales or Offers
- Public Peers
- Transactions
- Rules of Thumb

§ Income Approach

- Capitalized Cash Flows
- Discounted Cash Flows
- Leveraged Buyout
- Excess Earnings Model

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Synergistic and Strategic Premiums

- §Reflects the value to a specific buyer
- §Synergistic buyer can pay more due to perceived earnings benefits from a merger
- §Not a part of "Fair Market Value" but a key piece of an auction process

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Auction Process Results

Valuation Findings and Auction Result

Number of Values

Offer Value

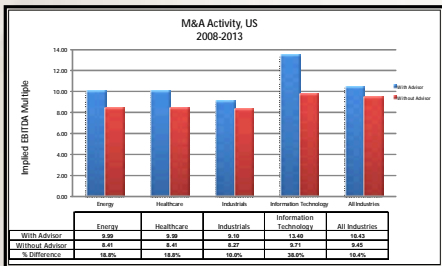
The auction process is designed to find those buyers who will pay at the top end of the valuation range or above, and to provide the best overall terms for the Company.

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Why Hire An Investment Banker? & Case Studies

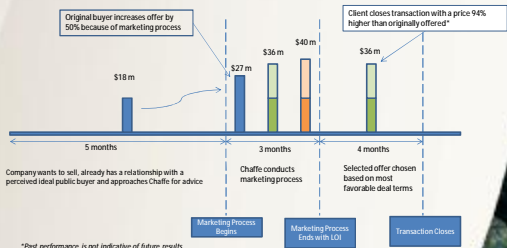
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Why Do You Need an Investment Banker?



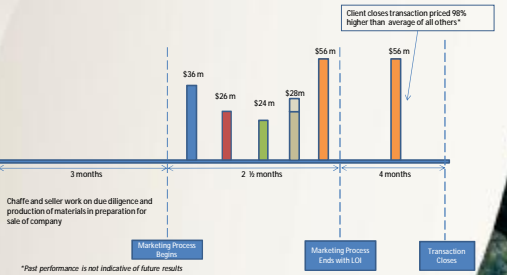
Source: S&P Capital IQ, June 2013
• Values given are median results on all announced or closed US M&A transactions, 1/2008 – 6/2013.
• "With Advisor" indicates the involvement of a financial advisor in the M&A transaction process.

Case Study 1 – Seller Approached A Single Buyer

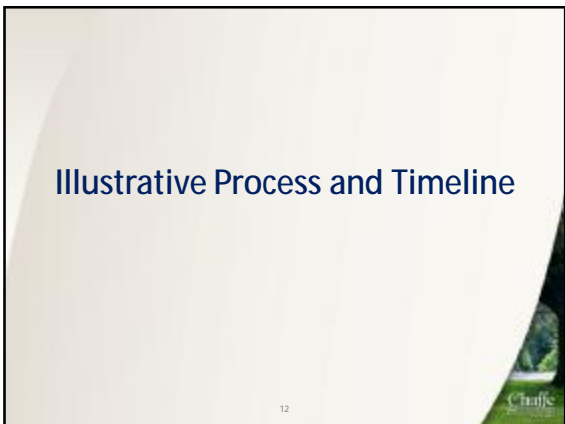


*Past performance is not indicative of future results.
• Values represent enterprise values of offers.
• Demarcations of total enterprise value indicate cash portion as dark shades and contingent portion as lighter shades.

Case Study 2 – Seller Undergoes Full Marketing Process



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• Values represent enterprise values of offers.
• Demarcations of total enterprise value indicate cash portion as dark shades and contingent portion as lighter shades.



Process Alternatives

	Exclusive Negotiation	Limited Auction	Broad Auction
Process	Potential acquirers are prioritized according to their projected interest and are contacted one at a time, beginning with the most likely acquirer.	A select number of the most likely acquirers are contacted as a group; each is informed the company is in discussion with a "select few" other potential acquirers.	Indications of interest are solicited from a broad spectrum of potential acquirers with the goal of maximizing a competitive bidding environment.
Advantages	<ul style="list-style-type: none"> Highest degree of confidentiality. Greatest control over process (can terminate process most easily). 	<ul style="list-style-type: none"> Auction encourages competitive bidding, increasing likelihood that maximum value is attained. Control tempo. Control is maintained over confidential information. Limited wasted effort with unlikely acquirers. 	<ul style="list-style-type: none"> Broad distribution and competitive environment increase likelihood that maximum value is achieved. Little chance of missing "dark-horse" acquirer.
Disadvantages	<ul style="list-style-type: none"> Less likely to achieve maximum selling price. Weakened negotiating position. 	<ul style="list-style-type: none"> Possibility that "dark-horse" is not contacted. Some buyers reluctant to participate in a competitive process. 	<ul style="list-style-type: none"> Considerably higher risk of confidentiality breach. Process could take up more management time. Slowest process.

Chaffin recommends a "limited auction" to balance confidentiality requirements with likely buyer pool.

Process Timing

Phase I	Phase II	Phase III	Phase IV
Valuation and Preparation	Offer/ Marketing and Evaluation	Due Diligence/ Binding Proposals	Execution and Closing
3-6 Weeks	4-6 Weeks	4-6 Weeks	4-8 Weeks
<ul style="list-style-type: none"> Advisor due diligence and valuation Define and rank potential acquirers Prepare confidential information memorandum ("CIM") and "teaser" document Prepare confidentiality agreement ("CA") 	<ul style="list-style-type: none"> Contact potential acquirers Distribute "teaser" document Provide CIM to parties who execute CA Invite parties to submit non-binding expressions of interest Evaluate proposals Select parties for Phase III due diligence 	<ul style="list-style-type: none"> Due diligence (data room) Management presentations and meetings Site visit Invite parties to submit final binding proposals Negotiation of terms Selection of preferred bidder(s) 	<ul style="list-style-type: none"> Confirmatory due diligence Committed financing Negotiation of Purchase agreement Regulator and other approvals Closing

Typical transacting timing takes between 15 - 26 weeks to close.

Selected Mergers and Acquisitions Transactions

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Questions?

For more information about the topics, the speakers, or Chaffe & Associates, Inc., please visit www.chaffe-associates.com.

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