

Confidential Evaluation Report

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Quick Reference

What's Needed for an Evaluation

- The past 3 years of Income Statements & Balance Sheets that closely match the tax returns.
- Year-to-date Income Statement & Balance Sheet.
- Real Estate Information if Applicable
- List Owner Perks/Add backs.
- Include any prior business valuations if applicable.

We Do Not Charge Upfront Fees for our Services

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Market Forces - Capital Gains Rates & Value

As you have heard repeatedly (and why you have received so many calls) over the past few years, it is a historic time in the market for selling privately held companies. On the strength of this market, many business owners are considering selling their companies to gain liquidity for the asset that usually represents the majority of their net worth.

In regards to timing and value, there are other economic factors to consider during this process. Perhaps the most critical component is the likely increase in the Federal Capital Gains Rate in 2009 and beyond. As one Republican pundit recently put it... "Capital gains taxes are going up no matter who gets elected president, or what party they're from. That's just how it's going to be."



The first question is "how is that going to affect the market for privately held businesses?" Foremost, owners are looking to sell their businesses now rather than in late 2009 or 2010, in order to avoid paying what they believe will be higher capital gains rates. Furthermore, the value of privately held companies remains high since there is a lack of quality businesses on the market at this time. This philosophy is predominantly felt in the small to middle market buyout space, particularly when it comes to selling family-owned or private, closely held companies.

Consider this example; a company is sold for \$8 million in 2008 or 4 times its earnings/EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization) of \$2 million. An EBITDA multiple of 4 is considered "typical" for companies with \$8-20 million in revenues. The impact of the federal capital gains tax rate is shown below:

Year Sold	EBITDA	Sales Price	Fed Cap Gains Rate	Interest on proceeds	Owner's Yield (2010)
2008	\$2 million	\$8 million	15%	+\$1 million	\$7.8 million
2010	\$2 million	\$8 million	25%	0	\$6 million

Since we are using a conservative estimate of a 10% increase in the cap gains rate, this company would have to increase its EBITDA and sales price 30% by 2010 to provide its owner the same yield as selling the company in 2008 or early 2009.

As a business owner you have options if you are considering selling all or part of your company. Are you a candidate for a Private Equity Group or a Corporate Acquirer? Do you have a management team that is interested in owning the business? At Transact, our objective is to help you determine the best course of action with no pressure and no obligation. If you want to know more, please contact us today. Your inquiry is completely confidential.

Is a Private Equity Transaction Right for YOU?

Over the past 10 years, Private Equity Groups (PEGs) have developed a new industry for the purpose of acquiring or investing in profitable privately held businesses. PEGs provide the owners of private companies with the opportunity to extract some or all of their equity from their businesses .

It is important to remember that PEGs only invest if there is a solid earnings history and continued growth potential. The foundation of their business model is centered on the belief that medium-sized growth companies will produce superior investment returns. If your business has a re-casted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) of \$1 million or more, you may qualify.



At Transact, we will provide you with a free, confidential no obligation evaluation of your company to see if you qualify. FYI...in many situations, our fees are paid by the buyers. Contact us today for more information.