

# Alderman & Company Capital

## **Sale Advisory Practice**

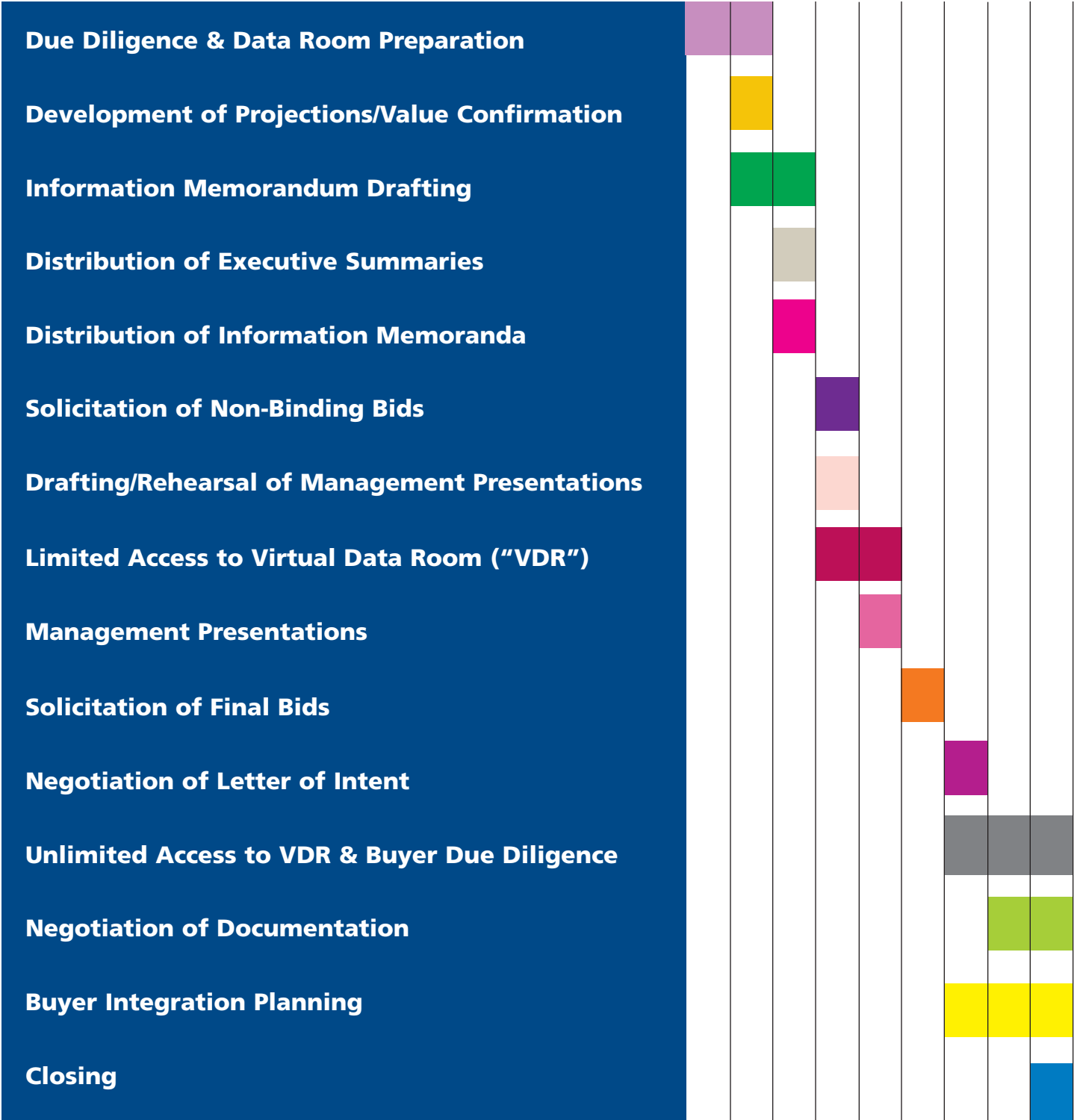


Investment Bankers to the Aerospace and Defense Industry

*Financial Industry Regulatory Authority  
Member, Securities Investor Protection Corporation*

# The Alderman Sale Process

*Approximate Timing in Weeks*      3   6   9   12   15   18   21   24   27



**Objectivity**

**Clarity**

**Client Success**

## The Alderman Sale Process

### **Due Diligence & Data Room Preparation**

Alderman & Company Capital (“Alderman”) conducts detailed preliminary due diligence, including review of all material contracts and documentation related to the Company (“Due Diligence”). The information collected through Due Diligence is compiled into a set of documents referred to as (the “Data Room”). The Data Room is presented to select bidders during the sale process and is used by the buyer of the Company to conduct Due Diligence. Accordingly, the Data Room is comprehensive, and Alderman works with the Company and its attorneys and accountants to ensure that the Data Room is complete. Alderman’s own Due Diligence includes a detailed assessment of the Company, including its business, strategic position within the aerospace and defense industries, competitive strengths and weaknesses, operations, management, assets, liabilities, financial condition, past performance, and likely future performance. Alderman’s Due Diligence also includes extensive discussions with the client and management, and on-site due diligence, as necessary. Of note, many of our clients are now utilizing the services of Virtual Data Room providers, which offer secure internet-based data room hosting and enhance process efficiency, and can decrease the time required to complete the sale process.

### **Development of Projections and Value Confirmation**

Based upon the information obtained during our preliminary Due Diligence, Alderman builds detailed financial models to value and/or confirm the value of the Company using three valuation methods: (1) Income; (2) Market; and (3) Replacement Cost. The income method valuation, commonly referred to as a discounted cash flow analysis, or DCF, is developed utilizing financial projections for the company. The market and replacement cost valuations are developed using Alderman’s comprehensive proprietary database of recent transactions, as well as general experience and insight into current market conditions.

### **Information Memorandum Drafting**

Based upon the information obtained during our Due Diligence and in generating the DCF, Alderman drafts a detailed Information Memorandum for use in marketing the Company. Content of the Information Memorandum includes, but is not limited to, a description and analysis of the Company’s market, historical financial performance, competitive strengths, products and programs, customers, executive management, employees, facilities, and shareholder rationale for pursuing a transaction. The Information Memorandum also includes detailed five-year financial projections for the Company (used in constructing the DCF).

### **Distribution of Executive Summaries and Information Memoranda**

Alderman develops a list of potential buyers who might find the Company attractive. Alderman manages the process of soliciting interest from potential buyers and distributing to them the Executive Summaries and Information Memoranda, pursuant to Confidentiality Agreements. Depending upon the goals and timing of the Client, the solicitation may be narrowed or expanded from an initial list of potential buyers. Alderman provides advice to the Client regarding the risks and benefits of expanding and narrowing the search for buyers.

## The Alderman Sale Process

### **Solicitation of Non-Binding Bids**

Alderman manages the overall bidding process and advises the Company in regard to bidder screening and initial negotiations. Alderman communicates daily with the Company to update the Client on critical timely information, and we provide regular written reports to the Client regarding all bidding activity and in obtaining non-binding indications of interest from interested parties (“IOI”). Alderman advises the Company on the selection of 5-10 finalist bidders to be invited to tour the facilities of the Company, to attend a formal presentation made by management, and to be granted access to the Company’s Data Room (or Virtual Data Room, as the case may be).

### **Management Presentations & Buyer Preliminary Due Diligence**

Alderman assists the management team in the production of a formal presentation to be presented to the finalist bidders. We provide guidance and coaching to management, help them rehearse their presentations, and assist management in preparing for the most likely and most difficult questions and concerns that may be raised by potential buyers. Typically, a half day will be allocated for each of the bidders that are invited to attend the Management Presentations.

### **Solicitation of Final Bids and Negotiation of Letter of Intent**

Alderman advises and assists the Client in requesting each bidder to submit a final bid following the last Management Presentation. Alderman provides extensive support to the Client in regard to negotiating the highest possible price, developing an optimal structure for the sale, and selecting the best overall final bid. In the event that non-cash consideration is used in the sale, Alderman advises the Client in regard to the risk adjusted value of said consideration. Alderman works with the Company’s legal counsel in the negotiation and documentation of a letter of intent (“LOI”) for the sale of the company.

### **Buyer Due Diligence, Structuring, Negotiations and Documentation**

Following execution of an LOI, Alderman assists the Client and their legal and accounting professionals in structuring the sale, managing the due diligence process, negotiating terms, and documenting the transaction.

### **Approvals and Closing**

Alderman supports the Client and their legal and accounting professionals in the process of obtaining third party approvals, including bank consents, Hart-Scott-Rodino filings (if necessary), and the final closing of the transaction.

## Qualifications

*Alderman & Company Capital is a boutique investment bank serving the middle market of the aerospace and defense industry.*

### WILLIAM H. ALDERMAN



William Alderman is the founder and President of Alderman & Company Capital, LLC. During his 20-year career in aerospace and finance, he has completed more than \$1 billion in mergers, acquisitions, and related transactions. Mr. Alderman started his career at Bankers Trust Company and has held senior positions in investment management and corporate development at GE Capital, Aviation Sales Company, and most recently as Managing Director of the aviation investment banking practice of Fieldstone. He also serves on the boards of Breeze-Eastern Corporation (NYSE AMEX: BZC) and TeamStaff (NASDAQ: TSTF). Mr. Alderman has been an FAA-licensed pilot since 1983, a member of the Wings Club of New York since 1992 and frequently speaks at aerospace industry conferences in the United States and abroad. He has been quoted as an industry expert by Bloomberg TV, CBS Marketwatch, *USA Today*, *The Chicago Tribune*, *The Los Angeles Times*, and *The Washington Post*. Mr. Alderman, age 48, resides in Ridgefield, Connecticut.

### PROFESSIONAL LICENSES

NASD: Series 7, General Securities Representative

NASD: Series 24, General Securities Principal

NASD: Series 63, Uniform Securities Agent

NASD: Series 65, Investment Advisor Representative

FAA: Pilot's License (PPSEL) with complex and high-performance type ratings

### EDUCATION

MBA, J. L. Kellogg Graduate School of Management, 1989. Majors in Finance and Marketing; Minor in Accounting.

AB Kenyon College, 1984. Major in History. Academic All-Ohio Soccer Team 1983, Kearney Award for outstanding sportsmanship 1981, 1982.

### PROFESSIONAL EXPERIENCE

#### **2001– Present: *Alderman & Co.***

In March, 2001, Mr. Alderman founded Alderman & Company Capital and its affiliates to provide investment banking and business valuation services to the aerospace and defense industry, with a specialization in the market for companies with revenues under \$100 million. His success is shown in the quality of the firm's clientele, which includes some of the world's most respected aerospace and defense companies.

## Qualifications

### **PROFESSIONAL EXPERIENCE** *(continued)*

#### **1999 – 2001: *Fieldstone, New York, NY***

Mr. Alderman joined Fieldstone in 1999 as Managing Director of its Aviation Practice, responsible for securities transactions with North American clients in the aerospace and defense industry. Services provided included private placements, leveraged buyouts, mergers and acquisitions, strategic financial planning, and business valuations. Mr. Alderman exceeded his budget in each reporting period with Fieldstone, including such measures as transaction originations and fee generation.

#### **1996 – 1999: *Aviation Sales Company, Miami, FL***

Mr. Alderman joined Aviation Sales Company as Senior Vice President responsible for Sales & Marketing, Military Programs, Corporate Strategy, and Mergers and Acquisitions immediately following the initial public offering of the company and its listing on the New York Stock Exchange in 1996. By 1999, the company had completed 10 acquisitions, had total revenues in excess of \$700 million and nearly 3,000 employees. Mr. Alderman's specific responsibilities included business valuations, developing corporate strategy, presenting acquisition opportunities to the board of directors, and structuring, documenting and integration planning for mergers and acquisitions.

#### **1991 – 1995: *General Electric Company, Stamford, CT***

Mr. Alderman joined GE Capital in 1991 as a Registered Securities Representative and Senior Associate. He continued working in investment banking, with a specific focus on the aviation industry. During his five-year tenure with GE Capital, Mr. Alderman completed more than \$1 billion in financings, private placements, and mergers and acquisitions in aerospace and defense industry. Mr. Alderman was promoted approximately every 18 months, rising to the position of Vice President in 1994. As evidence of Mr. Alderman's excellence in his field, he received the coveted GE Capital Circle of Excellence award in 1994.

#### **1989 – 1990: *Bankers Trust Company, New York, NY***

Mr. Alderman gained his initial investment banking training as an Investment Banking Associate of BT Securities, the securities unit of Bankers Trust Company. As a member of the Investment Banking Associates Training Program, he received extensive professional training in such areas as business valuations and securities regulation, and gained substantial transaction experience including, but not limited to, private placements, leveraged buyouts, and mergers and acquisitions.

## Completed Transactions\*

Sale of Soundair Aftermarket Group to Jetpower (price not disclosed)

Sale of Shaw Aero Devices to Parker-Hannifin (price not disclosed)

Sale of Aerotron AirPower, Inc. to Stork N.V. (price not disclosed)

Sale of Nasco Aircraft Brake to K&F Industries Holdings for \$19 mm

Sale of Hoffman Engineering to Harris Watson plc (price not disclosed)

Sale of GenMech Aerospace to SPX Corporation for \$14 mm

Sale of Metalcraft Technologies to Management (price not disclosed)

Sale of TecoMetrix to ESCO Corporation (price not disclosed)

Sale of Dixie Aerospace to Wencor West for \$17 mm

Sale of ASMC to Barnes Aerospace for \$41 mm

Acquisition of Kitty Hawk Oscoda by Aviation Sales Company for \$22 mm

Acquisition of TIMCO by Aviation Sales Company for \$70 mm

Acquisition of Whitehall Corporation by Aviation Sales Company for \$118 mm

Acquisition of Caribe Aviation by Aviation Sales Company for \$25 mm

Acquisition of Kratz-Wilde by Aviation Sales Company for \$42 mm

Acquisition of Aerocell Structures by Aviation Sales Company for \$17 mm

*\* The transactions noted above were completed by one or more of the following: William H. Alderman individually; William H. Alderman doing business as Alderman & Co.; Alderman & Co., LLC, a New York corporation; Alderman & Company Consulting, LLC, a Connecticut Corporation; or Alderman & Company Capital, LLC, a Connecticut Corporation.*

## Fees

### Sale Advisory Fees

Alderman & Company Capital's sale advisory fees comprise three components, as follows:

- **Retainer:** Our retainers range from \$7,500–\$12,500 per month, based upon the size and complexity of the company. All retainers net against the success fees to be paid at closing.
- **Base Success Fee:** Our minimum fee is \$250,000.
- **Additional Incentive Success Fee:** We seek to structure our compensation so that our interests are optimally aligned with those of our clients. We typically achieve this by structuring our compensation to have a substantial additional incentive above our fixed base minimum fee. We structure our fees on a case by case basis to match the needs and goals of each client. Our most commonly utilized additional incentive fee structure is a stepped fee, whereby the additional incentive fee amount is calculated as an increasing percentage of the gross sale price.

### Client Obligations

Our clients are responsible for providing to Alderman & Company Capital access to Client's accounting, tax, and legal professionals. Clients are also responsible for the cost of their virtual data room hosting services.

### Exclusivity

We require exclusivity in all of our engagements. Specifically, we require that in the event the Company is sold prior to 24 months following the termination of our engagement, we would still have a right to our success fees. Alderman & Company Capital will be paid the Success Fees as set forth above.

### Indemnification

We require that our clients indemnify and hold us harmless against any and all claims associated with the sale, other than those that arise out of our gross negligence or willful misconduct.

Alderman & Company Capital

INVESTMENT BANKERS TO THE AEROSPACE & DEFENSE INDUSTRY

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