Overview:

Financing for Value Creation

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Corporate Transformation Partners LLC

Financing for Value Creation Program: Executive Summary

- Rather than merely respond to client requests for financial instruments, top Relationship Managers proactively propose the amount and types of instruments that are appropriate for their clients and demonstrate their superiority over other alternatives.

- The Financing for Value Creation Program (FVC) gives Relationship Managers the knowledge and skills they need to do this.

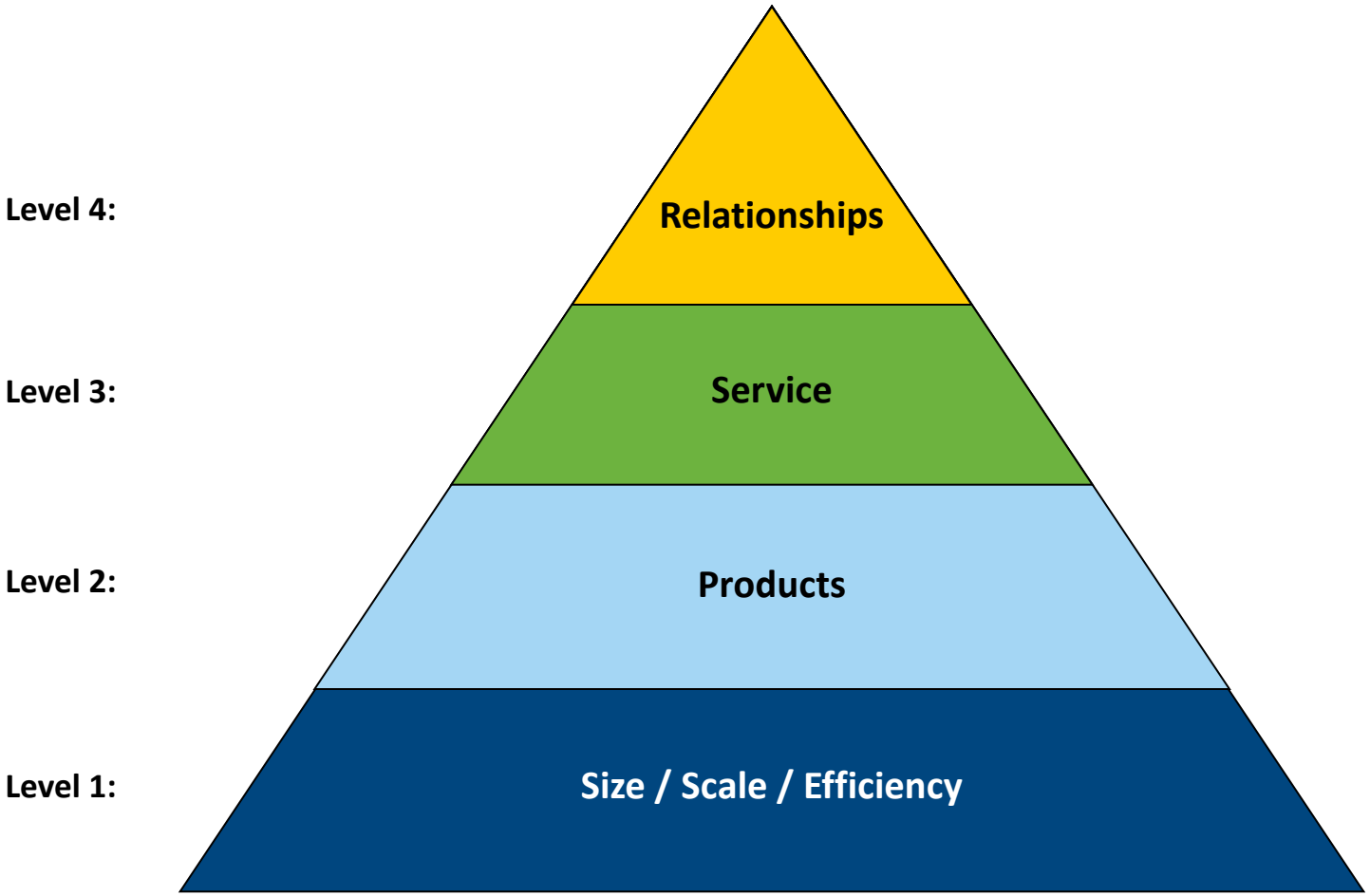
- We cover the full range of financing options that clients can select.
  - Debt (Senior, Subordinated and Convertible)
  - Leases
  - Securitization
  - Equity (Common, Preferred, ESOPs)
  - Derivatives

- For each, this Program helps Relationship Mangers to:
  - Know when each is appropriate
  - Determine how each impacts the value of the client company
  - Identify which combination(s) might be most appropriate and why
  - Build presentations that demonstrate the value of their financing proposals

We'd welcome the opportunity to explore whether our Program could help you achieve your objectives

Financial institutions increasingly compete on the basis of relationships

Evolution of Competition in Financial Services



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Building strong relationships involves adding value to your clients and their companies

- Taking clients to lunch or to ball games is simply not differentiating
- However, your bank can't just say, "Go out and add value!" and hope for the best
- Instead, top banks are helping their Relationship Managers to use a consultative sales framework to become Value Added Advisors to their customers

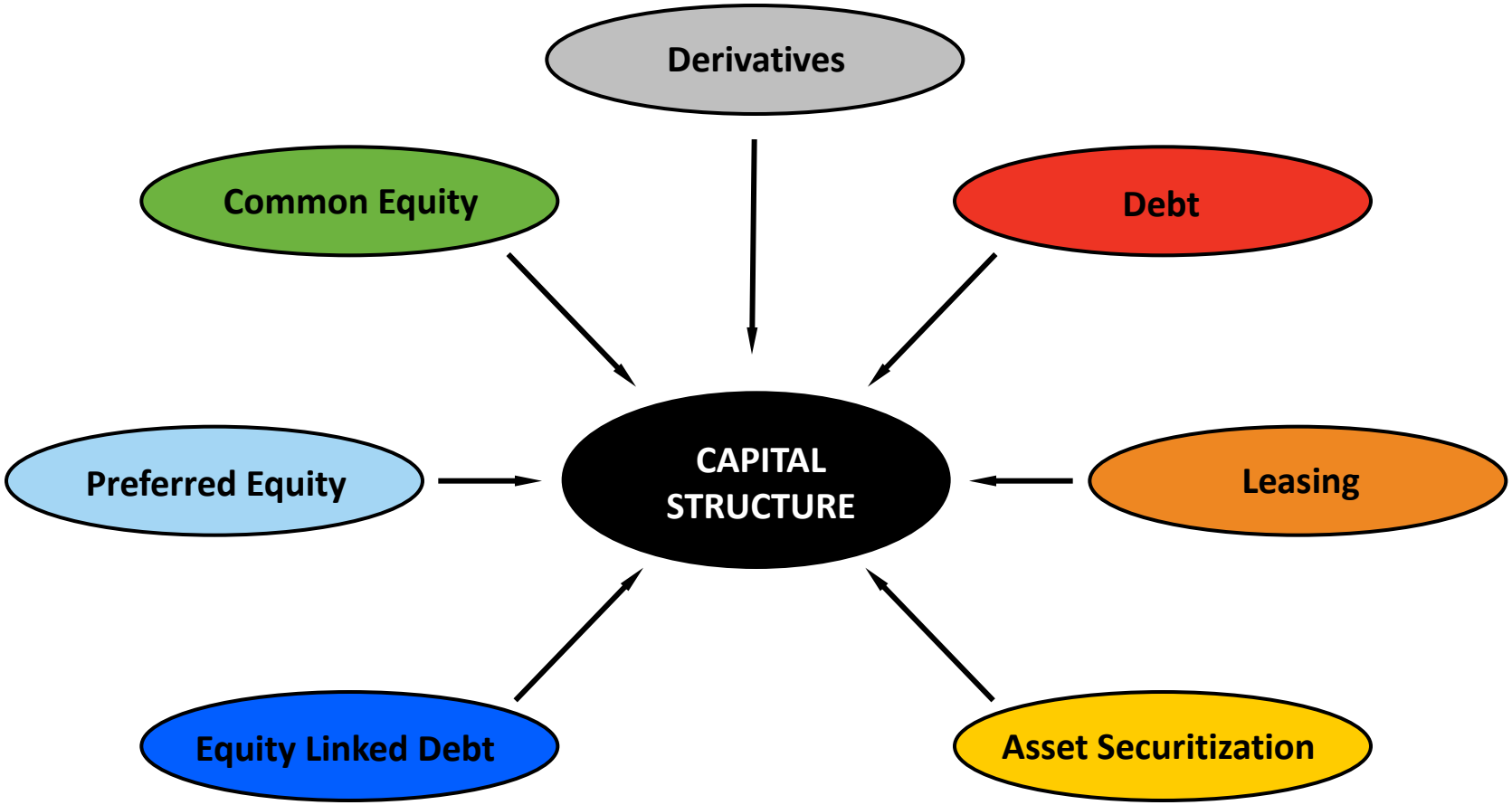
Activities of a Value Added Advisor

- **Understand your clients' needs**
- **Pro-actively engage with clients on those issues**
- **Add value by bringing new capabilities and ideas**
  - **Strategic and operating ideas that enhance competitive advantage and value**
  - **Financing ideas that will enable client businesses to thrive**
  - **Ideas regarding how to protect and enhance value to the owners**
- **Package the full range of Bank solutions to meet their needs**
- **Demonstrate the value of proposed solutions**

There are 4 objectives for the Financing for Value Creation Program

Financing for Value Creation Program Objectives
1. Increase familiarity with a broad range of financing instruments
2. Understand how each financial instrument impacts value
3. Discuss the factors that influence the choice of financing alternatives
4. Understand when each may be appropriate

Once an appropriate capital structure has been estimated, a combination of financing instruments must be selected



The FVC Program Explores Each in Detail

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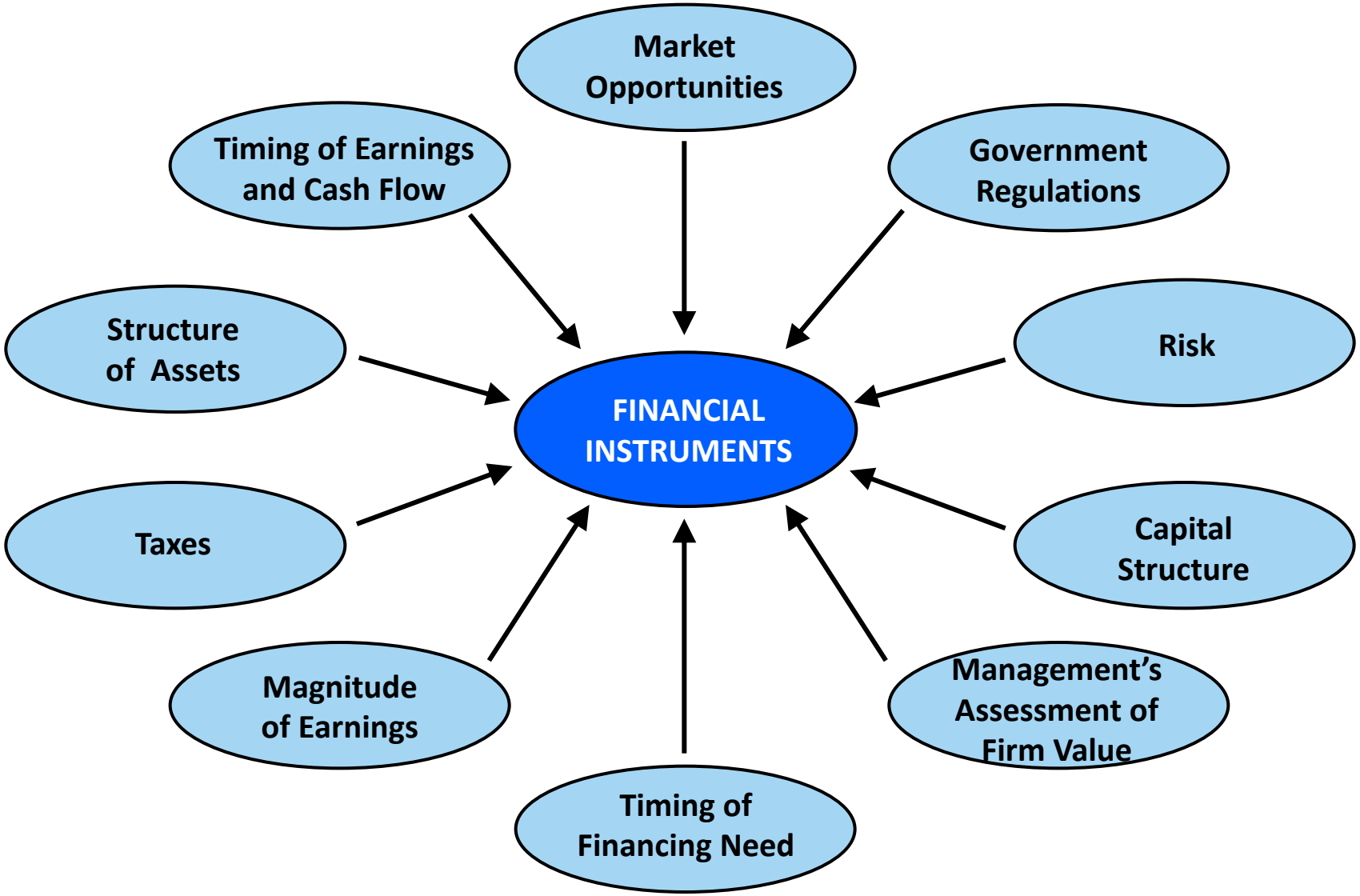
Many factors affect the choice of appropriate financial instruments



An appropriate choice of financing instruments can enhance value in many ways

Ways Financial Instruments Can Impact Value

- Provide the ability to fund positive NPV projects when they arise
- Minimize overall financing costs
- Minimize taxes
- Provide operating flexibility
- Relieve / create financial distress
- Hedge risks
- Send "signals" to investors
- Take advantage of market anomalies
- Expropriate wealth from other investors

Each instrument is studied for these impacts and matched to client needs

The FVC Program usually involves a combination of self-study and an in-person workshop

- Participants usually start with self-study to become thoroughly acquainted with common financial instruments
  - Sources include
    - Product literature from the Bank and elsewhere
    - Study guides and videos from CTP on the potential value impacts of each
  - However,
    - FVC IS NOT A "BANK PRODUCT" PROGRAM
    - Instead, it provides the full range of financing alternatives available to clients so that RMs can advise clients on what's best for them

- We then get together for an in-person workshop
  - Review each instrument
  - Learn to assess each instrument's impact on value
  - Conduct case studies that build skills in and crafting financing to meet client needs
  - Practice making client presentations

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The FVC Program builds on thinking from world renowned experts in finance, valuation, strategy, management and negotiations

Area	Expert	Thought Leadership
Finance / Valuation	Al Rappaport*	"Creating Shareholder Value"
	Tom Copeland*	"Valuation"
	Sharpe & Lintner	Capital Asset Pricing Model
	Steve Ross*	Arbitrage Pricing Theory
	Miller & Modigliani	Optimal Capital Structure
Strategy & Innovation	Michael Porter	"Competitive Strategy", "Competitive Advantage"
	Peter Diamandis*	"Abundance"
	Salim Ismail*	"Exponential Organizations"
	Clayton Christensen	"Innovator's Dilemma"
Management	Alan Shapiro*	"Multinational Financial Management"
	Lenos Tregeorgis*	"Real Options: Managerial Flexibility and Strategy"
	Jon Katzenbach*	"The Discipline of Teams", "Teams at the Top"
Negotiation	Leigh Thompson*	"The Heart and Mind of the Negotiator"
	Jeanne Brett*	"Negotiating Rationally" and "Negotiating Globally"
	Fisher & Ury	"Getting to Yes"

* Mr. Nodine has direct collaboration experience with these experts

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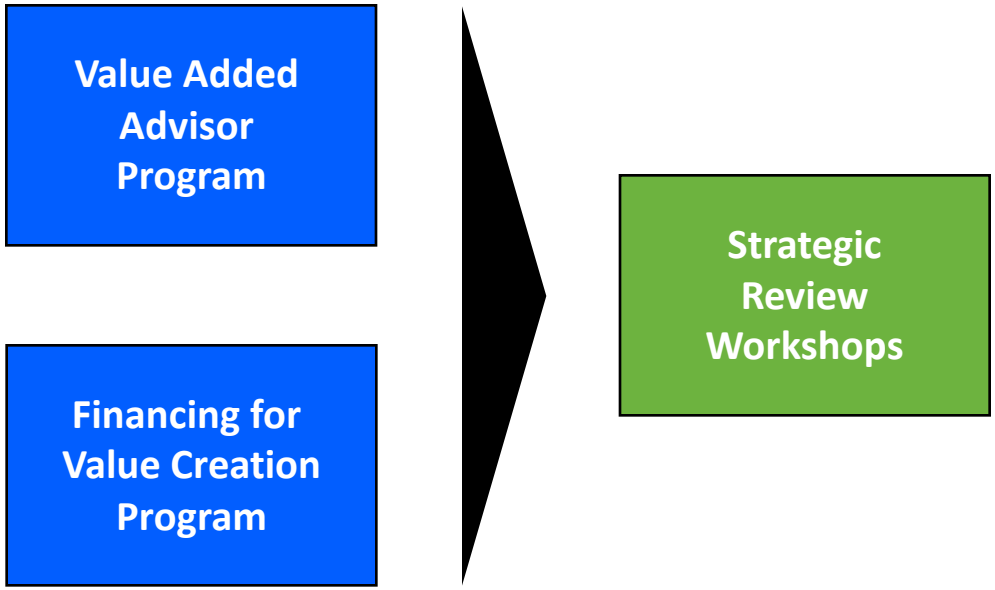
FVC participants emerge knowing how to select an appropriate blend of financing instruments and demonstrate their value to clients

Criteria for Selecting Financing Instruments

Instrument	All-in Costs	Ability to Maximize Capital Raised	Tax Savings Potential	Ability to Match Asset Duration	Ability to Hedge Risks	Reduced Upside for Current Owners
Debt	Low	Low	High	High	None	Low
Equity	High	High	Low	Low	Low	High
ESOP	Medium	Medium	Low	Low	Low	Medium
Preferred Equity	Medium	Medium	Low	Low	Low	Med. - Low
Equity Linked Debt	Medium	Medium	Medium	Medium	Med. - Low	Medium
Leases	Medium	Med. - Low	Low	Low	None	Low
Asset Securitization	Low	Med. - Low	Low	Low	None	Low

The FVC Program is often followed by Strategic Review Workshops to generate business for the Bank

- New knowledge and skills should be applied to be retained and reinforced



- After our Value Added Advisor and Financing for Value Creation programs, our clients often hold "Strategic Review Workshops" where Relationship Managers work in teams to apply course concepts and prepare presentations to take to their clients *(see Strategic Overview Review Document for more details)*

The Financing for Value Creation Program is a win for clients, Relationship Managers and the Bank

The "Win-Win-Win" of the FVC Program

Clients Win	Relationship Managers Win	The Bank Wins
▪ A more valuable company ▪ A bank partner with detailed understanding of their company ▪ New ideas on financing ▪ Stronger link between strategy, operations and financing	▪ More business ▪ Get more experienced as their career progresses ▪ Improve their abilities to add value over time ▪ Become partners to their clients vs. "just" vendors	▪ More business ▪ More cross-selling ▪ Stronger client relationships ▪ Less client turnover ▪ Better underwriting decisions based on a deeper understanding of client companies and their strategies