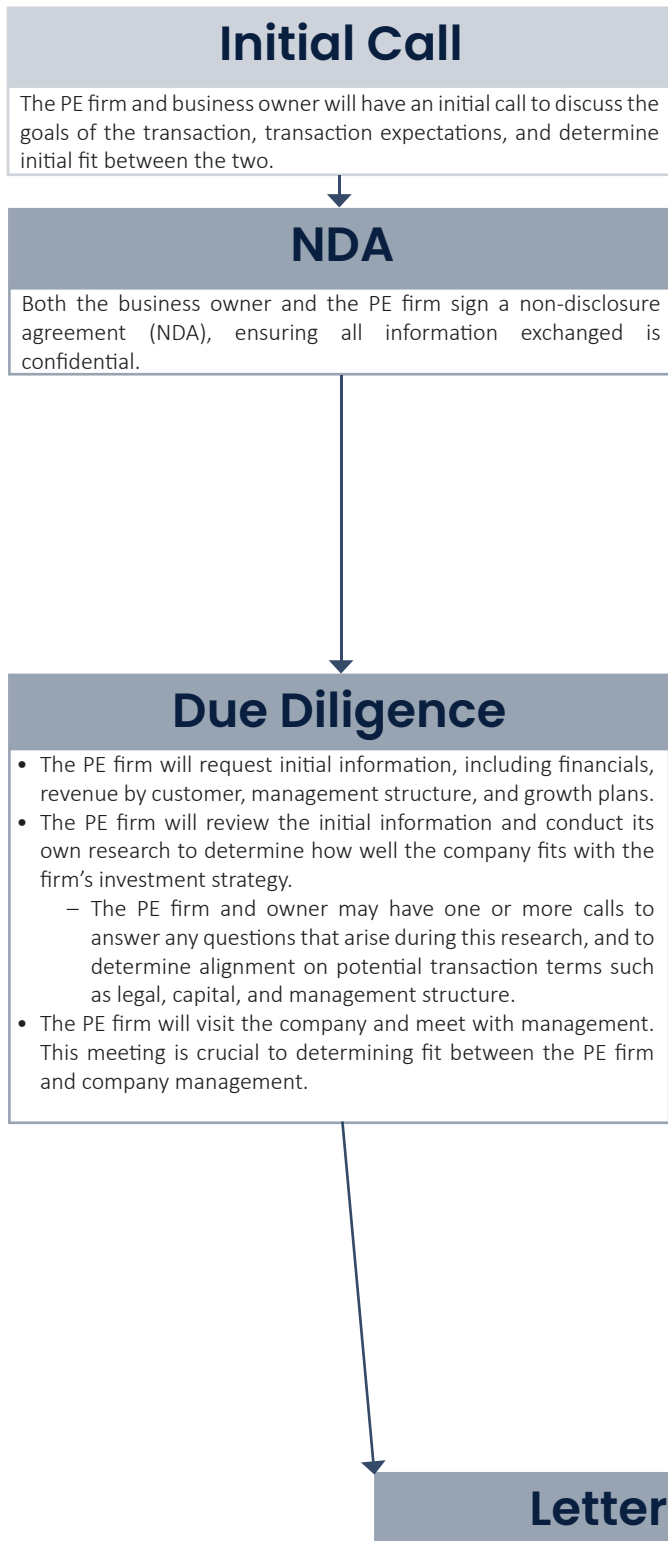


You've explored your options for exiting your business and are considering selling to a private equity firm. The transaction process can seem long and complex, but most transactions follow a typical pattern. Below we outline the most common steps you'll face when receiving an investment from a private equity firm like Montage Partners.

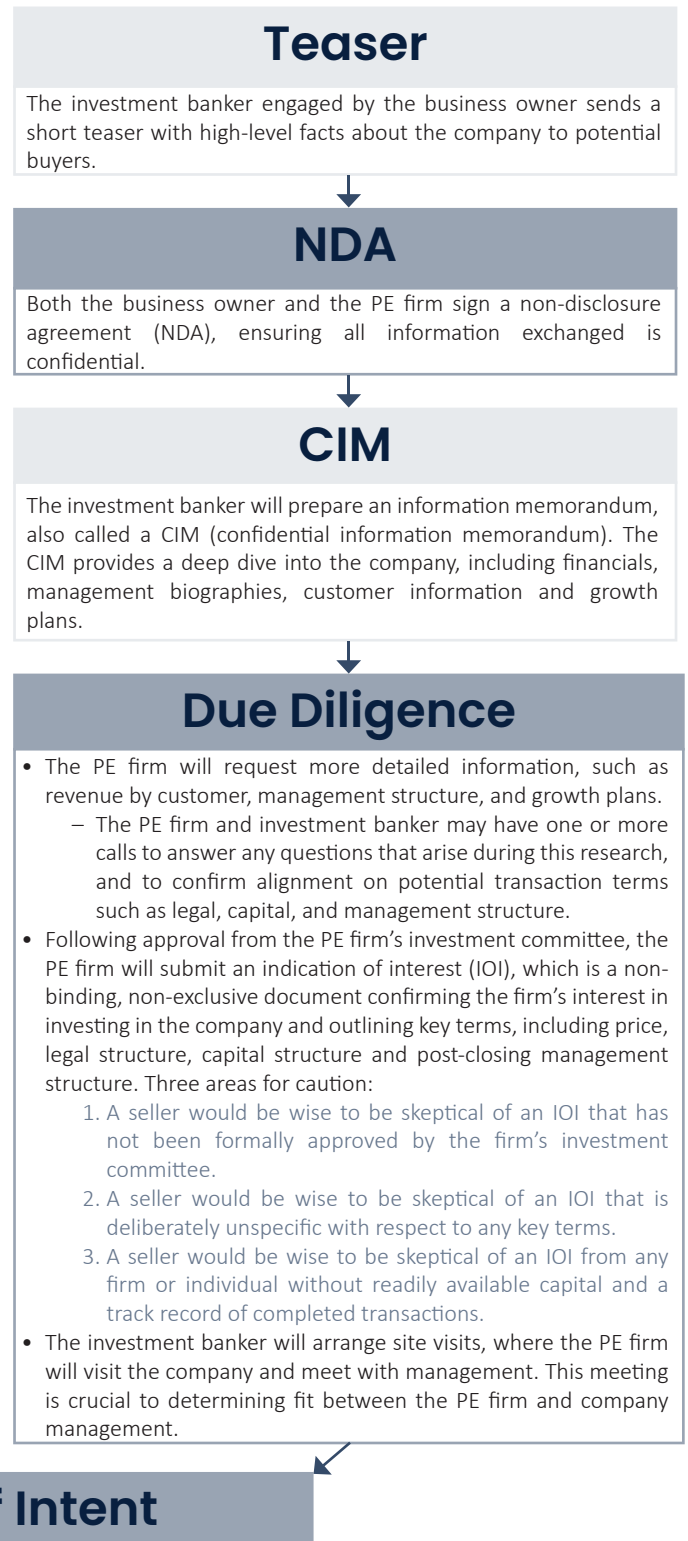
No Investment Bank

If you are selling your company without an investment banker, or with help from other advisors such as an attorney or accountant, you will interact with the potential private equity buyer sooner:



With Investment Bank

If you've engaged an investment bank to sell your company, the investment bank will handle much of the initial interaction with the private equity firm in exchange for a fee:



Letter of Intent

The PE firm drafts a letter of intent (LOI) to document key terms of the transaction. The LOI will include an exclusivity provision for the period of time necessary to complete confirmatory due diligence and prepare definitive documentation.

Confirmatory Due Diligence

- Post-LOI due diligence is often referred to as confirmatory due diligence because it largely consists of confirming what was learned during pre-LOI due diligence.
- The PE firm will submit a list of remaining information requests. Requests may include financial statement supporting documents, personnel information, insurance policies, customer and supplier contracts, leasing and equipment contracts, etc.
- During this time, the business owner can also complete “reverse” due diligence. This may include asking the PE firm for references from sellers and/or management at companies in which the PE firm has previously invested.

What is “Reverse” Due Diligence?

Similar to calling a job candidate’s references prior to hiring them, sellers can perform reference calls about potential buyers. These references can include founders and/or management of companies the firm has invested in previously. Ask things like:

- What is the firm like when things are going well?
- What is the firm like when things are not going well?
- How did they work through differences during legal documentation negotiations?
- Did the firm try to renegotiate the purchase price?
- How is performance post-closing, and how has the firm contributed value to the company?

Quality of Earnings

The PE firm will typically order a Quality of Earnings report from a third party accounting firm, which will confirm the accuracy of the company’s financial statements and highlight any deviations from generally accepted accounting principles (GAAP).

Customer Calls

The PE firm will request that the company arrange calls with the company’s top customers to gather feedback on the customers’ perception of their relationship with the company. These calls also serve as an important opportunity to notify top customers of the transaction, to reassure these customers of the continuity of the relationship, and to proactively address any questions from top customers.

Legal

The PE firm’s attorney will draft the definitive purchase agreement (mirroring terms of the LOI and incorporating customary representations and indemnities) for review by the seller’s attorney. The seller’s attorney will prepare disclosure schedules to be attached to the purchase agreement. Disclosure schedules serve to inform the PE firm of pertinent details and to protect the seller from an inadvertent breach of any of the representations contained in the purchase agreement.

Closing & Post Closing

All parties sign the legal documents and funds are wired from the PE firm to the seller. At Montage Partners, post-closing is an exciting time. We typically visit the company again, work with management to set a plan for the first 100 days after closing, and collaborate to set priorities through a 3-year strategic plan.

Founded in 2004 and headquartered in Scottsdale, Arizona, Montage Partners is a people-first private equity firm dedicated to helping established businesses reach transformative growth. Montage Partners invests in companies in diverse industries, including business services, consumer, healthcare, industrial and technology. Above all other investment criteria, Montage Partners invests in exceptional people. Montage Partners is actively seeking new investments in companies in the U.S. with EBITDA between \$1 million and \$5 million.