

# Private Sales Referral Network

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# Private Company Middle Market Focus

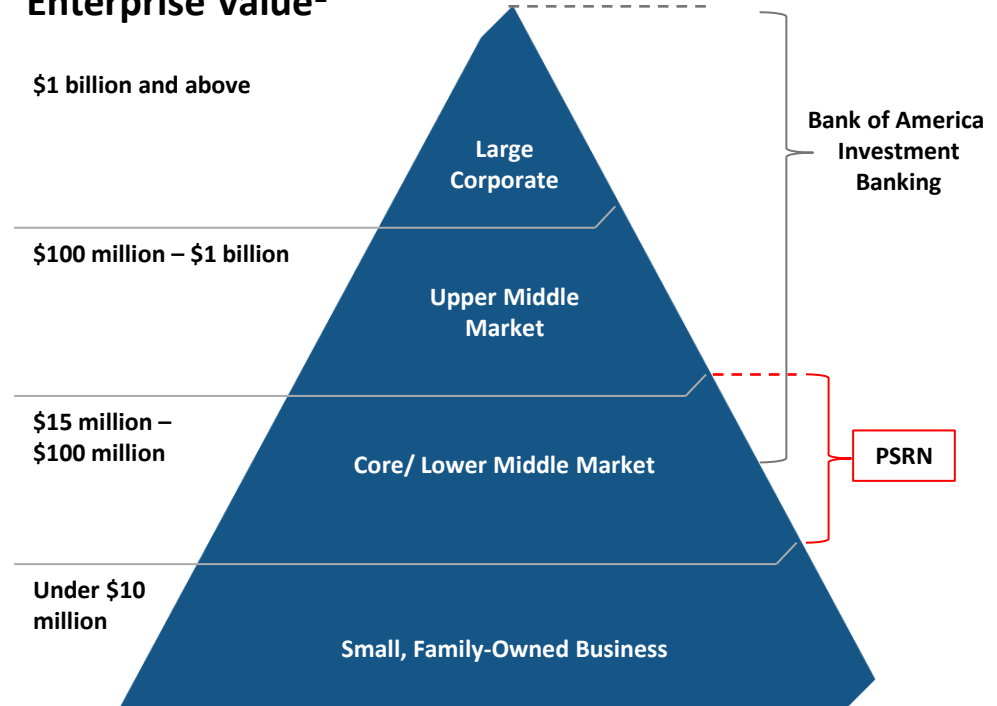
## Opportunities for Middle Market Business Owners

–BofA Securities, Inc. offers business owners direct access to third-party, industry-specific investment banking advice and execution through its Private Sales Referral Network (PSRN)

This network facilitates:

- Third-party investment banker review and introduction
- Exit strategy advice
- Presentation of a company's business model to prospective investors
- Access to capital to help meet business objectives

## Enterprise Value<sup>1</sup>



<sup>1</sup> As of January 2024.

BofA Securities offers M&A solutions for midsize companies with \$2 million+ of trailing EBITDA. Investment banking boutiques in the Private Sales Referral Network are registered broker-dealers with the SEC. Each operates independently, is not an agent of Bank of America, N.A., BofA Securities, Inc., and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as “MLPF&S” or “Merrill”) and will be the exclusive provider of investment banking services.



# Private Sales Referral Network (PSRN)

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- PSRN is an outsourced investment banking model that arranges business sale, merger, acquisition, ESOP solutions, recapitalization services and special situations for enterprises with a minimum value of \$15 million
- The PSRN focus is on privately held companies that sit within the “Lower Middle Market” and are not a fit for BofA Securities, Inc.’s internal Investment Bank. These companies generally have trailing EBITDA of \$2 million or more.
- The network is presently comprised of independent boutique investment banks hand-selected for their investment talent and industry expertise
- The PSRN team reviews all independent third-party boutiques within the network to match clients with the right industry specific investment bankers, who can:
  - Offer alternative solutions to clients on transactions that are not a fit for BofA Securities, Inc.’s internal investment banking group
  - Work with your Merrill or Bank of America Private Bank advisor to help plan for liquidity event
- **Transaction minimums:**
  - M&A assignment - \$15 million
  - Capital Raise assignment - \$10 million for a business with a minimum value of \$20 million
  - Restructuring assignment - \$20 million in outstanding debt



# Private Sales Referral Network (PSRN) – Special Situations

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- **Special Situations Capabilities:**
  - Crisis / Turnaround Management Support
  - Private Equity Financing – Minimum Equity of \$10 million
  - Debt Restructure Financing - Minimum Total Debt of \$20 million
  - Bankruptcy (Guidance, Structure & Advice, 363 sale processes)
  - Strategic Advisory / Distressed or Accelerated M&A processes
- **Crisis / Turnaround Management Support**
  - Negotiating with Lenders to Restructure Existing Company Debt
  - Advise companies on capital structure management
  - Assess liquidity, cash flow and optimal debt profile
  - Secure covenant waivers and amendments
  - Lead negotiations with lenders on behalf of clients
- **Private Equity Financing / Debt Restructure Financing**
  - Structured debt and equity financing solutions to refinance existing debt and/or provide incremental liquidity
  - Deep network of senior, subordinated and alternative lenders as well as special situations funds that are eager to put capital to work in the current environment
- **Bankruptcy / Distressed Asset Sales – Out of Court or In Court 363 Sales**
  - Mergers & Acquisitions advisory services for clients in distressed situations, including 363 sales processes in the context of Chapter 11 or out-of-court proceedings
  - Significant expertise in negotiating and structuring sales transactions that provide fair recoveries for key constituents and ensure the ongoing operations of the business
- **Strategic Advisory – Counsel Companies on Recapitalization and Restructuring Landscape and Options**
  - Provide insight on opportunity set, proactive steps to be taken, general considerations in managing current environment





# PSRN / Middle Market Solutions

		Ownership					
		Liquidity					
		Status Quo	Debt Recapitalization	Minority Recapitalization	ESOP Transaction	Majority Recapitalization	Strategic Sale
B E N E F I T S		<ul style="list-style-type: none"> <li>Grow revenue and earnings in an effort to increase future valuation</li> <li>Maintain control and maximize upside</li> </ul>	<ul style="list-style-type: none"> <li>Provides access to growth capital and opportunity for Shareholder liquidity</li> <li>Enables Shareholders to maintain economic control</li> <li>Establishes lending relationships on which the Shareholders can capitalize for additional capital requirements in near-term</li> </ul>	<ul style="list-style-type: none"> <li>Creates liquidity and source of future growth capital</li> <li>Opportunity to benefit from prevailing industry trends</li> <li>Enables Shareholders to maintain economic control</li> <li>Can be pursued in conjunction with acquisition growth strategy</li> </ul>	<ul style="list-style-type: none"> <li>Creates liquidity and asset diversification</li> <li>Competitive valuation to majority recapitalization</li> <li>Shareholders determine process and criteria</li> <li>Ownership incentives for employees</li> <li>Limited organizational change because stocks stay in friendly hands</li> </ul>	<ul style="list-style-type: none"> <li>Creates liquidity and source of future growth capital</li> <li>Opportunity to benefit from prevailing industry trends</li> <li>Minimizes future business risk</li> <li>Can be pursued in conjunction with acquisition growth strategy</li> </ul>	<ul style="list-style-type: none"> <li>Can maximize current payout</li> <li>Eliminates business risk</li> <li>Capitalizes on potential synergies and product expansion opportunities</li> <li>Valuation not solely a result of capital markets environment</li> </ul>
		<ul style="list-style-type: none"> <li>Risk associated with execution of growth strategy</li> <li>No near-term liquidity or capital for growth</li> </ul>	<ul style="list-style-type: none"> <li>Tighter leverage standards and overall lending criteria</li> <li>Liquidity will be limited in an "un-sponsored" transaction</li> <li>Debt service requirements</li> </ul>	<ul style="list-style-type: none"> <li>Tighter leverage standards and overall lending criteria</li> <li>May reduce Shareholders' potential to realize upside</li> <li>Expectation that certain members of management will remain with the Company</li> <li>Potential valuation discount for investment</li> </ul>	<ul style="list-style-type: none"> <li>Tighter leverage standards and overall lending criteria</li> <li>ESOP administration costs</li> <li>Potential greater risk for employee retirement funds</li> <li>Corporate obligation to repurchase shares</li> <li>May reduce Shareholders' potential to realize upside</li> </ul>	<ul style="list-style-type: none"> <li>Tighter leverage standards and overall lending criteria</li> <li>Optimal timing</li> <li>May reduce Shareholders' potential to realize upside</li> <li>Ability to facilitate due diligence</li> <li>Expectation that certain members of management will remain with the Company</li> </ul>	<ul style="list-style-type: none"> <li>Industry performance and timing</li> <li>Company positioning</li> <li>Uncertainty of Shareholders' and management's future roles</li> <li>Integration and cultural issues</li> </ul>



# Appendix I:

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## Value of an Investment Banker

- Regardless of how profitable or competitive a company may be, the value an owner ultimately derives from its sale or divestiture will depend largely on its perceived value among buyers
- A chosen Investment Banker from the PSRN network can help develop, manage and optimize the results of a sale, divestiture or recapitalization process by:
  - Managing the M&A process
  - Communicating a company's business model and value to prospective investors
  - Creating a competitive bidding process through effective engagement
  - Adding credibility to seller
  - Navigating complex negotiations with sophisticated buyers
  - Structuring a deal to help achieve particular financial objectives
  - Serving as an emotional buffer between potential buyers and key stakeholders
  - Assisting with execution from initial offers through closing



# Appendix II:

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## Additional elements to consider in Pre-Transaction Preparation

- The decision to sell should not be entered into lightly or without sufficient preparation
- Finding the optimal valuation and deal structure can be a time intensive, distracting and disruptive multi-year process
- If you are considering selling your business, there are a number of steps you should consider taking in order to find optimal value and terms, some are listed below
- Designate a transaction team consisting of:
  - A skilled, industry relevant and product qualified investment banker
  - A trust, estate, and tax expert
  - An M&A attorney with a history of successfully executing similar transactions
  - A wealth management advisor
- The earlier you can address these changes the better
- Many of these steps address potential due diligence items that can derail a transaction, including management, litigation and meeting financial projections

