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Renewable Energy - Food - Agribusiness



Creative Solutions for Financing Growth

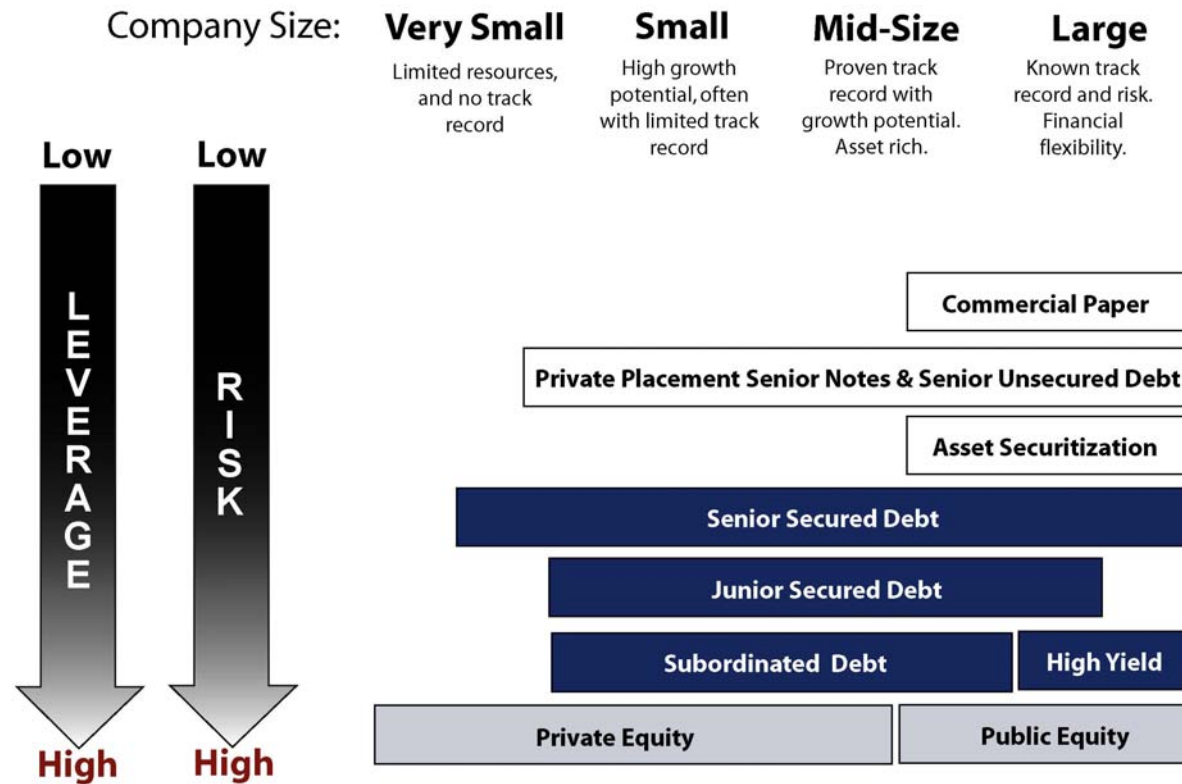
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Agenda

- Financing options for small and middle market companies
- Types and application of equity
- Keys to success
- Valuation and private equity criteria

Common Financing Alternatives

Common Financing Alternatives



Source: Fleet Securities

Options for Small or Early Stage Companies

- Grants
- Rural development or economic development loans
- SBA loans
- Small business loans
- Venture leasing
- A/R financing
- USDA loans
- Private equity

Options for Middle Market Companies

- Bank debt
- Bonds
- Leasing
- Mezzanine (subordinated debt)
- Private equity
- IPO – public equity

Types of Private Equity

- Friends and family
- Angel investors
- Venture capital funds
- Socially conscious funds
- Slow capital movement
- Private equity funds
- Hedge funds

Types of Private Equity

- Private Equity Securities
 - Mezzanine debt with warrants
 - Convertible debt convertible into common stock
 - Preferred stock
 - Common stock

Applications for Private Equity

- Start-up capital
- Growth capital
- Growth recapitalizations
- Industry consolidations/roll-ups
- MBOs/LBOs & spin-outs
- Turnarounds
- Distressed recapitalizations

Keys to Success when Raising Capital

- Having a well thought-out business plan
- Value added business case
 - Ability to generate earnings
 - Ability to create sustainable competitive advantage
 - Ability to manage risk
- Realistic projections
- Adequate capitalization
- Strong management team and/or advisors
 - Ability to execute

Keys to Success

- Alignment of investor and management/founder expectations
- Realistic business value expectations (today versus tomorrow)
 - Realistic budget and management performance guidelines
 - Realistic exit strategy and timing

Business Value Expectations

- Business valuation generally accepted methodologies:
 - Discounted cash flow
 - Multiple of EBITDA or earnings
 - Multiple of revenues
 - Internal rate of return targets
 - Public and private company comps
 - “Beauty is in the eye of the beholder”

Business Valuation Expectations

- Business Value Range Affected by
 - Internal factors
 - Cash flow consistency and sustainability
 - Operating margins
 - Capital intensity
 - Future growth
 - Company size
 - Financial returns

Business Valuation Expectations

- Business Value Range Affected by (continued)
 - External factors
 - Economy
 - Credit markets
 - Strategic versus financial buyer/investor
- Minority versus Majority Investor
 - Business valuation - imputed equity value of enterprise
 - Type of transaction
 - Equity required relative to imputed equity value of business

Private Equity Fund Criteria

- What are they looking for?
 - Business opportunities that exhibit present and/or future cash flow, earning power and growth
 - or businesses that can be quickly turned around
 - Ability to exit their investments in 3 to 7 year time frame
 - Ability to achieve private equity returns (IRR) over time of 25% plus
 - Returns either achieved through internal growth or through acquisitions
 - Ability to assist portfolio investments to achieve their potential
 - Good chemistry and communication between business owner(s) and fund manager

Summary

- Know the financing options available to you
- Know their criteria, needs and expectations and adjust your offering accordingly
- Prepare solid business case and valuation model
- Define approach to financing sources and execute either internally or with outside resources

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