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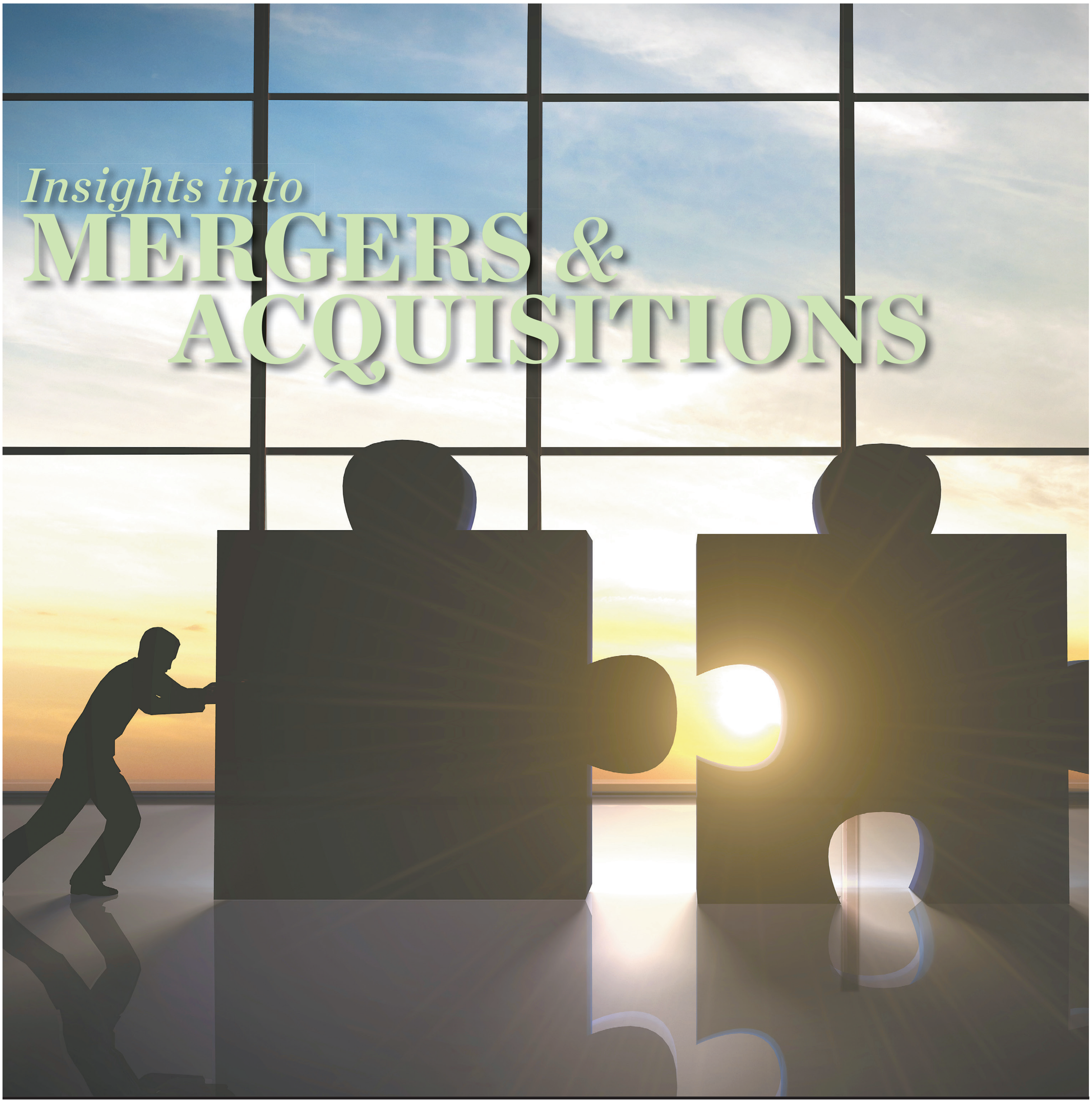

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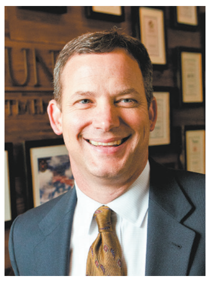


Duane Donner

Founders Investment Banking

Duane is an accomplished entrepreneur and business advisor with comprehensive industry experience and knowledge. As Founder and Managing Partner of Founders Investment Banking, Duane leads a team of skilled merger and acquisition advisors and financial analysts.

Over his entrepreneurial business career, Duane has started, operated, bought, and sold businesses—and advised clients—across a broad range of industries and transaction structures. He is an active member of the Association of Corporate Growth and is passionate about helping growing companies gain access to the critical resources and capital needed to achieve their full potential. He currently serves on the board of several growing companies to include: Spartan Energy Services, Plantation Patterns, Louisiana Marine Operators, Nature Blinds, Atchafalaya Measurement Inc., and Lakehomes.com Realty.

Duane is a native of Lafayette, Louisiana and holds a B.S. in Engineering from the University of Louisiana, Lafayette as well as a M.B.A. from the University of Alabama, Tuscaloosa. He also holds his Series 79 and 63 securities licenses.

Lee McGee

Warren Averett

Lee McGee joined Warren Averett in 2015 and is a Member and Managing Director of the Firm's Transaction Advisory Division. Lee has more than 25 years of end-to-end transaction experience, on both the buy-side and sell-side. He assists private equity groups and business owners in navigating the complexities of transactions, including due diligence, valuation, exit readiness and post-acquisition integration activities.

Ernesto Pereda

BBVA Compass

Mr. Pereda joined BBVA in May 2011 and is currently the Managing Director and Head of Corporate Finance USA, which consists of a team of five based in Houston, Texas. Mr. Pereda is responsible for originating and executing Mergers and Acquisitions advisory mandates as well as supporting the execution of Equity Capital Markets assignments for global, large middle market, global and financial sponsor clients. In his current role, his team advises in sell-side and buy-side mandates and is also engaged by clients to deliver fairness opinions and valuation reports. Most typically, the transactions where his team is engaged have a cross-border component with other geographies where the BBVA group is present.

Mr. Pereda serves as a member of the BBVA Compass Executive Management Team. Prior to his current assignment, between January 2012 and July 2013 Mr. Pereda was Executive Director, Co-Head of Corporate Finance Mexico based out of Mexico City, and between May 2011 and January 2012 he was Executive Director, Corporate Finance Spain based out of Madrid, advising corporate clients in the Real Estate, Leisure and TMT industries.

Andy Robison

Bradley Arant Boult Cummings LLP

Andy Robison is chair of the firm's Corporate & Securities Practice Group and co-chair of the Family-Owned Business Team. He sits on the firm's Recruiting Committee and is a former member of the Business Review Committee.

Andy advises, on a nonexclusive basis, privately-held companies and private equity funds and their operating companies in corporate and finance matters. He also represents public and private clients in connection with mergers and acquisitions, securities offerings, divestitures, joint ventures, corporate finance transactions, proxy contests and general corporate and securities law matters. Andy's clients engage in a wide range of business and industries, including manufacturing and distribution, professional services, retail, real estate development, banking and financial services, construction materials, steel, insurance, transportation and health care technology.

Andy represents the Birmingham Museum of Art and its supporting organizations in pro bono matters. He is also a member of the Washington & Lee Law School Council.

The Discussion

Q: What is the current mergers and acquisitions environment like? What trends are you seeing?

Lee McGee: The transaction volume is definitely increasing back to pre-recession levels, before 2009. We know 2015 is going to be an active year. There are a lot of reasons for it, but one driving factor among private companies is the demographics of the aging baby boomers. Among our client base in the Southeast, we estimate that 75 to 80 percent of them are in that demographic. You have a situation where, for estate-planning purposes, they have to start looking for some kind of transaction and maybe even a full exit sale. So over the next five to seven years, we are definitely expecting to see more transactions.

Andrew Robison: What we're seeing is our clients and companies in town are executing on their strategic plans. ServisFirst, for example, that's the way they're going to grow. So you have some companies that are just conducting business the way they planned to conduct business. But there are also a lot of acquirers with cash. If it's a fund, they may have time limits of when they need to spend that cash, and if they don't spend it they have to give it back to their investors. So you have that combination along with the demographic factor that will result in increased transactions.

Duane P. Donner II: The M&A environment is very active. It is currently a seller's market for most industries and sectors. There is large amounts of capital chasing deals. Since the '90s there has been a continued proliferation of private equity funds, which currently have over $1 trillion in dry powder. We are also seeing increased demand from corporate buyers who have a lot of cash on the balance sheet and are looking to fuel growth through M&A. The bottom line is that there is a lot of capital looking to be put to work through acquisitions. Some cyclical commodity based industries like oil and gas have recently taken meaningful declines due to declining commodity prices. Those industries have quickly reverted to more of a buyer's market with substantial discounts to valuations due to lower projected earnings and uncertainty in the market. However, when industries are contracting you will see consolidation through mergers, as well as value-conscious buyers entering the market.

Ernesto Pereda: Last year was the year when M&A recovery was confirmed, being the third-highest global annual total by deal value according to some databases, with a total of $3.5 trillion. By type of investor, private equity is still a driving force, especially in the middle market. In large public companies, activist investors have been behind a large number of divestitures and even sub-sector consolidation, thanks to their estimated $200 billion war chest. In terms of sectors, energy, mining and utilities was the leading sector by value, followed by TMT (technology, media and telecommunications) and pharma and biotech.

McGee: You look at any survey out there, and they say that private equity has uninvested cash to spend, and it's at higher levels than we've seen in many years. Second, corporate cash balances are higher, and these corporations are needing to put the cash to work and are looking for growth opportunities. And then the credit environment, at least for now, is excellent. All of that helps stimulate better acquisition growth.

Robison: As we watch this play out over the next five to seven years, the one interesting counterbalance is you have people who say, "I know there's money out there, but where do I reinvest the proceeds from a sale?" So some people are just holding onto their businesses and continuing to work.

McGee: That's why we're really concentrating more on advising clients to be exit ready. One of the biggest problems is that they don't prepare, and then decide to sell making the process more difficult and potentially with a lower valuation.

Q: What is the current financing market for mergers and acquisitions?

Donner: Credit is easier to come by as interest rates remain low and commercial and industrial loan volumes have fully recovered from the last recession. According to PitchBook, the median debt percentage used to finance middle-market transactions last year was 71 percent versus around 55 percent in 2009-2011. At Founders, we are seeing this firsthand. This, of course, is one of the primary factors driving valuations higher.

Pereda: At BBVA we had a good start of the year on the back of a very positive 2014. We are currently seeing a healthy pipeline of M&A related financing, especially in the higher end of the spectrum of $300 million and above.

Robison: The financing market is strong for good, quality credit companies. The hesitancy to lend that you saw right after the recession, I really don't see that anymore. People are getting financing. Sometimes it's a mixture of senior and subordinated mezzanine-type financing. There are a ton of those lenders out there, and they have a lot of cash to deploy. All in all, I think the financing market is pretty strong right now.

McGee: Absolutely. We're seeing a lot of competition, and that's good for the company itself that is looking at the market. Everyone is speculating that the Fed is going to move the rate, it's just a matter of when. So some of this is about taking advantage of it sooner rather than later. But it's strong right now and competitive. In the transaction market, we're seeing more activity in healthcare, pharma and biosciences. Then it's tech and telecom, followed by oil and gas.

Robison: I wouldn't be surprised if we see more energy and oil and gas deals, just based on the disruption in the market caused by the drop in the price of oil. As for interest rates, they're still at such a historically low level that the fear in the market of a rise in interest rates is more media driven than anything. If it goes up 50 basis points, it's not like the transactional world is going to come to a halt. It's a slightly more expensive cost of money, but I don't fear that the way investors and the stock market seems to fear the slightest hint of an interest rate hike.

Q: What are some questions every business should ask before considering a merger or acquisition?

McGee: Why am I doing it? What do I want to accomplish? In other words, do I want to sell out completely and just get out of the business, or do I want to take some money off the table, sell 80 percent of the business and have growth capital provided by the acquirer? You can then sell the other 20 percent later and have better value in total. That's number one. You have to figure out simply what you want to accomplish. Secondly, who are the right advisors? Check the market. Look at it as a one-time situation for you, where you get the best advice you possibly can from investment bankers, attorneys and accounting advisors. Don't be too caught up in how much it's going to cost you in the end. This is possibly going to disrupt your business, so you have to be prepared for it. And know that this is going to be an emotional experience, but having the right advisors is going to help you get through that process. Starting this process five years in advance is not too soon, but realistically if it's a year or two, that's fine. Unfortunately, what you see is people decide, "I'm ready to sell now." That's a problem. Ideally, you need at least two years, because it gives you time to look at all these issues.

Robison: You need to have a good sense of your financials. Where are they? What is the buyer expecting? What is the buyer's lender going to expect? You have integration issues. How are my employees going to fit in? Are they going to have a job? You have to think about how you are going to manage the transaction with your employees. Because you cannot do it by yourself. You're going to need your CFO to be involved and your COO, or whatever the equivalent is in your company. Because when someone comes in to buy your company, there's going to be diligence that has to be done, and they're going to kick the tires. The CFO and COO know all the details that a buyer is going to ask about. So you have to manage that properly in order to maintain the value of your company. At the same time, your employees are nervous about whether they'll have a job after this. It really is client specific. Some people know going in that they're not going to survive this. But normally what we see is you have some sort of financial arrangement that really helps keep them engaged in the transaction, and also allows for a graceful transition period so they can figure out what they're going to do next. It's going to get out internally that you're selling, so how do you manage that with your employees? That's important, because in order for the owner to maintain the perceived value of the company, you have to present a company that is thriving and not one where everybody is leaving. So you have to think that through on the front end in order to manage it properly.

Pereda: For individual owners in a sell side, the question most of the times is about what is the right approach to a succession or personal estate planning issue. For institutional investors considering a sale, the questions is more about asset allocation, capital recycling or fundraising, so timing is always an issue. For buyers, the main focus should be on value creation, so the questions that need to be answered will have to focus on more strategic or operational considerations, value arbitrage, integration costs, etc.

Donner: First and foremost, company owners and shareholders should work to clearly define their goals and objectives in regards to liquidity and continuity of the business. Timing is also very important when considering M&A, and there are both internal and external factors you need to investigate and understand, including shareholder needs, business lifecycle, industry dynamics, capital markets, tax implications, etc. The biggest issue we see is that very few business owners spend time thinking about these things and don't properly prepare their companies for an exit or liquidity event. They are mostly reactive and opportunistic, and this can really impact the outcome of a transaction.

McGee: When is the right time to tell everybody? It's a tough question. But put yourself in their shoes. The worst way for them to find out is through the rumor mill. If they find out that way, it's disruptive. You know who is probably least likely to survive, so come up with a plan to make it worthwhile for them to stay onboard. You have to decide when the right point is to tell the employee base. It's really the philosophy of treating them like you'd want to be treated. If you're dealing with a public company, now you have an issue that is more complicated because you have certain regulatory requirements. However, in a private company transaction, it's about maintaining the asset value of the business.

Robison: The identity of the buyer makes a huge difference. If it's a strategic acquirer who already has people in their business, that's one thing. If it's a financial buyer, they may have no operational support whatsoever. They're relying on that company to stay as is, it's just going to be a different ownership. All of that would inform how you go about that process.

McGee: Think about the media and the word "private equity." When a company's employee base hears that it's a private equity firm, they think of corporate raiders who are here to pillage and plunder. When I was with a Private Equity group we fought that battle. We tried to show them that we really want the base of employees and the operators, because they understand the business the best. We're providing the capital, and we're investing in you to grow it. But people think, "Merger, acquisition, I'm losing my job." That's what you're up against. The owner has to be honest and say, "Here is the outcome, and even if you are going to lose your job, I'm going to compensate you to retain you." Because it's the right thing to do, and it helps maintain stability in the business. The first time you might tell your employees is when you engage an investment banker and transaction attorney. But you're still confidentially exploring, and if the market is not right, it may still be another year or so.

"In the transaction market, we're seeing more activity in healthcare, pharma and biosciences. Then it's tech and telecom, followed by oil and gas."

- Lee McGee

Robison: You always have to keep in mind that this deal might not go through.

Q: What experts / advisers should a business consult before seeking a deal?

Robison: Most deals are going to involve your accountant, investment banker and lawyer. Those are the main three. Depending on the type of business you might have an environmental consultant, employee consultants, insurance brokers and consultants. There are a variety of more specialty advisors that you pull in depending on the type of deal. One of the trends we're seeing is buyers getting representation and warranty insurance. That brings in this whole other specialty insurance consultant that adds another party to the mix.

McGee: With every client we meet with, probably the second questions I ask after outlining their goal is, "do you have a transaction attorney?" That's very important. It makes a big difference, and it can be really difficult sometimes. You have an attorney who has been with you as you've built your business over 30 years, but they're not a transaction attorney. The first place where a deal will go bad is if you have an inexperienced attorney. They're out of their comfort zone, and they're arguing over points they really shouldn't be arguing. That makes the seller more nervous. This is usually a one-time thing for them, so it's all difficult. I had a deal that took 10 years to complete, and part of it was because of this. It truly makes a big difference.

Pereda: Our clients usually engage their commercial banking client manager – someone from (BBVA Compass Birmingham CEO) Alan Register's team – early in the process. They then reach out to my team to provide additional expertise in certain areas. Beyond that, it typically depends on the budget, but I would say that at a minimum, both seller and buyer will want to hire a tax expert and a corporate lawyer. If you are a buyer, you might typically require a good CPA or financial due diligence provider as well. And depending on the depth of diligence required, you might want to hire other due diligence specialists to go over insurance, technical, operational, IT, HR, environmental or commercial matters. As a seller, especially if you want to make sure that the selling process is competitive, I would say that we M&A bankers will add significant value. If you are a buyer, having an M&A advisor will also be valuable if the process is time-constrained, since you might want to outsource part of your transactional work, or if you require a valuation or fairness opinion report.

Donner: CPA and/or tax planner, corporate lawyer and investment banker/M&A advisor should all be consulted before doing a deal. Good advisors play a critical role in getting a deal done and mitigating risk, while driving value and increasing the after-tax proceeds a seller will receive at close.

Robison: The best thing you can do is talk to someone who does this every day from an investment-banking standpoint, just to get some advice. They may tell you that this is a great or terrible time to go to market. You need to know that.

McGee: A good investment banker and transaction attorney are going to get you a price that's better than what you could get otherwise, and that's going to more than compensate for the fees.

Robison: It's not just about the first dollar amount that you see in the contract. It's the total mix of what that number is, and then how the buyer starts to try to take that back from you throughout the contract. That's where good advisors really do prove their worth.

McGee: Too many people focus on the purchase price. But then there's risk allocation. Your purchase price may be great, but the risks you maintain may dilute the purchase price.

Q: What are the tax ramifications of an acquisition?

Pereda: Tax consequences will depend on several factors, including the form of consideration. A cash deal will be taxable for the seller when the deal is closed, while a stock-for-stock deal will not be immediately taxable for the seller, but rather tax-deferred. In addition, the type of deal – purchase of assets versus purchase of equity – also matters. An asset deal or a stock deal with a 338 election has different tax implications than a stock deal. In an asset deal or a stock deal with a 338 election, the tax basis of the target's assets is stepped-up. Therefore, the target's assets and liabilities are marked-to-market also from a tax standpoint, and for this reason depreciation will be typically greater going forward, which is important because depreciation is deductible for tax purposes. Also, in an asset deal or a stock deal with a 338 election, goodwill is deductible for tax purposes. Goodwill can be amortized over 15 years just for tax purposes. In a stock deal the tax basis of the target's assets is carried over. Therefore, the target's assets and liabilities are not marked-to-market and depreciation will not be greater going forward. In addition, goodwill is not deductible for tax purposes in a stock deal. Goodwill is not amortizable for tax purposes, same as for accounting purposes).

Furthermore, in cross-border deals, dividend withholding taxes are very important to consider as dividend repatriation from the international subsidiary has typically a tax leakage. Lastly, especially when your client has a relatively short investment horizon, capital gain taxes are also important to take into account.

Robison: It really depends on the structure of the deal. If there is an offer, most of our conversations are then about how we structure. Because depending on what you do, it can be a tax-deferred deal to the seller. It can be a deal where taxes are triggered at the time of the deal. There are various reasons for structuring deals in certain ways, and a lot of it goes into what are you buying, how are you buying it, and why are you buying it? What is the purpose of the transaction? If a seller is only selling a portion and wants to keep a stake, we can structure it where you pay tax only on the portion you sell. That's a big component of a lot of transactions. So you have to have this comprehensive conversation with all the parties to determine what the various goals are. Some are compatible, some are not, and how do we find the best mix for everyone? That includes not only the business accountants and advisors but also individual owners and their tax advisors. So it can be a pretty involved conversation, but it's one of the first things you have to do. Because if you don't, it's going to muddy the entire rest of the transaction.

McGee: When we talk about exit readiness, this is one of the things to think about. Then it's going to depend on the offer. Is it a stock or asset transaction? That's why you never, ever sign a letter-of-intent without having your advisors look at it first. You'd be surprised at the number of people who show up with a letter-of-intent and say, "I told them this looks pretty good." Stop. That's why it's important to contemplate all this in advance. It gives you time to think about a plan and have the best structure you possibly can tax-wise. Then once they make the offer, it's about negotiating the best structure for you as a seller.

Donner: It depends on the company's legal structure, whether it is a C-Corp, S-Corp or LLC, and whether the transaction is structured as an asset or stock purchase. There are lots of other variables that must be taken into consideration once you get past the structure, and it can get quite complicated. So it is always wise to have a team of experienced advisors to help you navigate the process. In regards to tax implications, the net proceeds can vary meaningfully depending on structure, and having a good advisor can literally save you millions of dollars. We have a deal right now that has a tax delta of $9 million to our clients, due to the buyers preference on structure and purchase price allocation, thus we have negotiated with the buyer to gross up the cash at closing to offset the tax burden.

Q: What are some common challenges that come up during the M&A process?

Donner: There are a wide variety of challenges that can arise during the M&A process. For the seller, the challenges start with identifying the right buyer, and coming to terms on valuation and structure. At Founders, we believe this is best accomplished through a competitive market process, which is created by soliciting offers from multiple pre-qualified and informed buyers. This is typically executed through an investment banking sell-side process. Other challenges include continuity issues that arise with owners who may want to exit or retire from the business, but are still playing a critical role in the leadership of the business. This can be especially challenging if the company is being sold to a financial buyer. Retaining management and key employees post-transaction is also a big deal and can sometimes get complicated when employees are not properly incented because most buyers want the key employees to sign non-compete agreements. There are also legal issues that arise in regards to how to partition risk and who is responsible for liabilities pre- and post-transaction. In many cases there can be latent liabilities that cannot be quantified like environmental or pending lawsuits, and these can cause heartburn for the buyer and seller when trying to negotiate legal docs.

Pereda: M&A processes are seldom simple. Typically, difficulties arise from a combination of several factors. Unreasonable price, timing or structuring expectations by either buyer or seller. Actions driven by emotion, or by wrong advice. Ill-prepared processes and difficulties to deal with standard due diligence requirements. Sudden changes in macro or industry specific conditions. And anti-trust issues.

McGee: It's a difficult time for a seller because there are a lot of emotions involved. So you constantly are trying to make sure that person feels in-the-know, and that they use their advisors. A lot of times somebody on the acquiring side will try to go around the advisors and talk directly to the owner and try to get them to agree on something. You have to really counsel them to trust us. We're going to work with you and everything is going to be out in the open. But don't be doing deals and agreeing to things on the side, because we all need to be on the same page. The other thing is just the diligence process. It's disruptive. Most people don't have an enormous staff sitting around who can deal with it. So along with the transaction attorney, we can help you pull together what has to be done and get the right presentation. It's an onerous process. You basically have to lay out everything you have to the acquirer.

Robison: One thing is the family dynamic. You may have multi generations or siblings or a combination of both. Everyone has a viewpoint. From the advisor side, you're dealing with a lot of listening and discussion and counseling. It's really about just trying to help them get comfortable with what they ultimately think they want to do. And that may not be the same thing for all the shareholders, so you're trying to work through that. It can be a challenge. I often say I should have had more psychology classes in college, because a lot of it is just

trying to deal with the human element, since the process can be disruptive and scary. Another thing is what you find while you're doing the diligence process. You may be rocking along and everything is fine. But the buyer's accountants usually are going to come in and do a quality-of-earnings and make sure the financial statements are correct. Out of that you may find lawsuits that haven't been disclosed or environmental issues. Those are things that can be completely disruptive to the deal. That goes back to the point of having people who have done this before. If you say to somebody who has never done this before that there is an environmental issue, they may freak out. But somebody who has done this 20 times, they'll just work through it and deal with it in the contract. It's a comfort level that an advisor can provide to help guide that client through the process and ride through that wave of emotions.

McGee: Many times another difficult thing is for the seller – this is their baby, this is the company that they built – there is a diligence process and the acquirer is asking all these questions. Don't be defensive. It's difficult, but just know that they're asking these questions because they have to have all this documented. Sometimes if it's a 60-year-old owner talking to a 25-year-old guy on the other side, it can be a real issue. Don't get defensive, don't worry. We'll work through it. Just understand that they're asking these questions to better understand the business. They're not necessarily challenging your business decisions. They wouldn't be here if they didn't like your business.

Q: Are there any legal protocols that companies need to follow when pursuing an M&A transaction?

Robison: The legal protocols will vary depending on the deal. If it's a public company deal, you certainly have the entire securities law overlay and how you deal with disclosure and confidentiality and trading and all the things in that process. Depending on the size of the deal, you may have anti-trust filings that you have to make. That's a collaborative effort between the buyer and the seller, because they both make filings. If there is a lot of risk, the Justice Department might want to look at it further. That can impact your closing. This is where it really helps to have a lawyer at the start. From the outset, a good confidentiality agreement and non-disclosure agreement is really the best protection a seller can start with. That's one of the first things we say to people.

McGee: Some of this is about having a certain level of trust in the marketplace. If you have that and you're dealing with credible people, by signing an agreement it reminds them that they can't talk about it. On letters-of-intent or memorandums-of-understanding, those can be very loose or very extensive. Once again, this is where it's important to have the right advisors, particularly on the legal side. As a seller, figure out what is really important to you in this transaction and have that tied down in the letter-of-intent. Because while it's non-binding, you're going to give an exclusivity for a period of time to this one party, which is binding. But you can draft it to say that if you change X, your exclusivity goes away. So think about the things that are really important to you and tie those down in a letter-of-intent. At least then when you sign it, as long as they don't find something really negative or the market changes dramatically, you can feel pretty good the deal will go forward. But if you sign a really loose one, what you're inviting is someone to just take a free look at your business.

Donner: It is critical that they engage a qualified transaction lawyer who is experienced in doing M&A transactions of similar size and complexity. M&A transactions are unique, and even more so when they involve private equity buyers. It is very important that the legal counsel be familiar with the current market terms for transactions of similar size in regards to things like escrow, indemnification caps, baskets, reps and warranties, non-competes, etc. If an M&A advisor or investment banker is involved, the typical protocol is to have a transaction lawyer enter the process once a buyer has been selected and basic economic terms have been agreed to between buyer and seller. At this point a Letter of Intent is typically drafted and submitted by the buyer and reviewed by the seller's legal counsel. The LOI really lays the framework for the purchase agreement, the contract between buyer and seller.

Pereda: Many legal issues need to be addressed when pursuing an M&A transaction including, but not limited to, corporate – such as contractual, governance and shareholders' rights – securities, tax, labor and anti-trust laws.

Q: How do you expect the M&A environment to change in Birmingham over the next five years? What can Birmingham do to drive M&A activity?

Pereda: Most recently, Birmingham firms have been targeted for acquisition. Moving forward, the best indicator is to look around at what companies and/or industries are growing in Birmingham that are candidates to achieve growth through acquisition, or if there are any businesses in the region that could command an attractive premium given their growth profile. My bet is for healthcare, transportation, and industrials to be the best represented in the near-future.

Robison: I don't think we're going to see a return to the number of public companies we once had in Birmingham. There have been some systemic trends that I don't think are going to change. I think you're going to continue to see most of the business and the wealth and the investment go into privately held companies. The continued regulation and cost of running a public company isn't attractive to a lot of people. The companies here that have made it as big successes all started off as a smaller, less-dominant player. And through visionary business leaders and the natural resources that we have and other pro-business things, we allowed those companies to grow in a way that ultimately benefited the city, the region, and the owners of those companies. So we need to do everything we can as a city and a region to be pro-business, with a tax-and-regulatory atmosphere that helps drive businesses. It's doing what we can to bring in the entrepreneurs who are going to start businesses. Whatever we can do to promote that will help drive M&A activity. Because those folks are building a business probably to make some money and then sell out and take that money to do something else. They're probably not just going to do one deal. It's a mindset. As a region, we need to continue to do things to encourage people to come here and grow their businesses.

McGee: You have to be inviting to a business in so many ways. We need to do some outward marketing to bring in companies. As an example, we were meeting recently with a private equity professional in New York who has a company in Birmingham he's invested in. He said, "I love Birmingham. My friends in New York don't have a clue about this place." It's an image thing. One of the best things the state of Alabama did was the Robert Trent Jones Golf Trail. What it did was bring people here who had no idea about all the great things about the state. We have to recognize the image that is out there in a lot of places. You need a government situation where they are thinking about bringing in business and the advantage to the community. So you do everything you possibly can, from tax breaks to creating a better image.

Donner: It is hard to predict what will happen over the next five years because there are so many variables that impact M&A activity and valuations. There is a thesis that at some point in the near future there will be a large wave of sellers entering the market due to the demographics of our nation and the many baby boomers who own companies and are approaching retirement age. If the timing of this coincides with a down cycle in our economy, this could really make for a great buying opportunity and not so good of a selling opportunity. As far as Birmingham and the Deep South regions as compared to other regions, I think long-term outlook is great. Economic growth in the South has outpaced the rest of the country for some time now, and lower costs and warmer weather continues to influence internal migration of both people and businesses to the South. This bodes well for our economy and will attract investment in green field operations and M&A.

Q: What's an often-overlooked aspect of M&A deals that companies should be aware of?

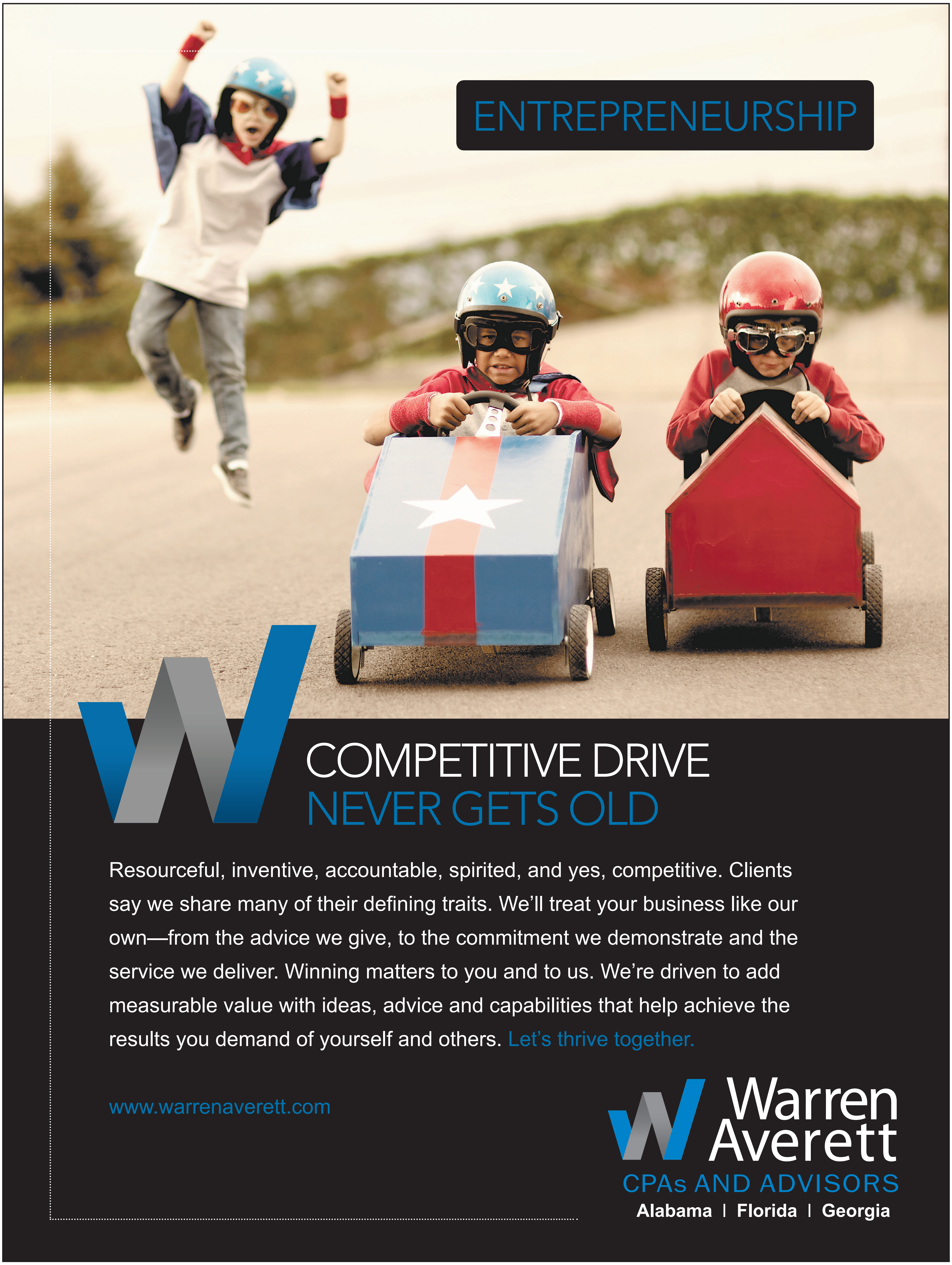
Robison: You cannot overestimate the importance of a good start to a transaction. That really sets the tone. It's everything from how the advisors deal with each other to how the business people deal with each other to the level of trust that exists between the parties. The sooner you start thinking about things, the more confident you are. You know your business as well as anybody, so you can prepare to tell about it, both good and bad. Because no business is perfect. There's always going to be something. How you as a business owner can help tell that story is going to set a tone for that transaction and make everything better for all to go through that process.

McGee: There is a negotiation process. But don't think you're going to hold out this piece of information and not bring it up. Lay it all out on the table. Because more often than not, it's the trust factor that kills a deal. That's why exit-readiness can help, in that you talk about these kinds of things ahead of time. Lay it all open, because it's going to come out. And when it does, then it's even worse. The trust is gone, and the buyer is probably going to run for the hills.

M&A deals can be complicated, lengthy and transformational (for good or bad). This is especially true when a deal is international in nature. As part if BBVA Group – with more than 50 million customers across 30 countries – we actually have global resources that's help facilitate transactions across among firms with any kind of international presence. The other thing is that we will sometimes see clients who try to take short cuts within the transaction process. When acquiring a company or an asset, there are legal, financial, or accounting intricacies, to name a few, that need to be assessed by an external advisor with deal experience. The client usually does not manage M&A processes on a frequent basis so they should have advisors, who do, on their side.

Donner: The thing that most private company owners underestimate is what's involved in preparing a company for sale and achieving the best outcome. Most business owners will only sell their companies once, and it is oftentimes the largest single transaction of their lives. Successful business owners know their business and industry very well. But what they need to understand is that when they go to sell their company, they are entering a different business. In that regard, it is very prudent to proactively build and prepare your company for M&A and seek professional help in the process. This takes time and intentionality, but really creates tremendous value if done properly. Many times business owners simply react to solicitation from suitors and pursue one-off transactions. For the right companies, running a proactive sell-side process will always yield the highest valuation and typically result in achieving a premium valuation. Finally, timing is key to maximizing value, and there are many aspects of timing to be considered, not just when you are ready to cash in or retire. Timing can be the difference in not only receiving an out sized valuation, but in getting a deal done at all.

Pereda: M&A deals can be complicated, lengthy and transformational, for good or bad. This is especially true when a deal is international in nature. As part of the BBVA group – with more than 50 million customers across 30 countries – we actually have global resources that help facilitate transactions among firms with any kind of international presence. The other thing is that we will sometimes see clients who try to take short cuts within the transaction process. When acquiring a company or an asset, there are legal, financial, or accounting intricacies that need to be assessed by an external advisor with deal experience. The client usually does not manage M&A processes on a frequent basis, so they should have advisors who do on their side.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