

FINALLY!

Tobin Solitario Investment Banking Group has created a newsletter! This newsletter has been many months, well years, in the making and you finally have something in your hands!

Many of you have known us at Tobin Solitario for years. Others of you are new to our network and just figuring out who we are. We hope that this newsletter allows you to become more familiar with us and to let us stay in touch with you. We also hope that at that crucial moment when you realize you need a competent, knowledgeable, integral, sound investment banker, that you will be reminded to give Tobin Solitario a call.

We intend to publish our newsletter on a quarterly basis. We will review all kinds of topics, and we hope to keep this newsletter light and conversational. All of us here at Tobin Solitario hope that you find this letter useful to your business purposes and inspiring to your business life.

Tobin Solitario Investment Banking Group LLC was founded in February of 2001 by Justine Tobin, a former Wall Street banker. Tobin has worked at Goldman, Sachs & Company and Salomon Brothers Inc in New York City. Tobin also served as a Managing Director of Bank of America prior to founding Tobin Solitario.

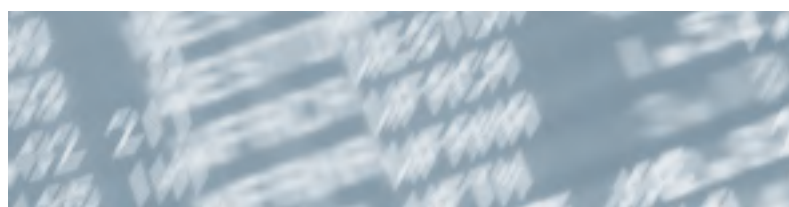
Tobin was joined by Solitario, a.k.a. Paul, in 2005. Paul Solitario has worked at First Union Capital Markets (the predecessor to Wachovia) and as a private banker. Solitario also founded PPN Wireless.

Tobin Solitario Investment Banking Group LLC is dedicated to advising small and middle market business owners on many strategic issues, including mergers and acquisitions.

With backgrounds at the nation's leading investment and commercial banks, our people bring to the small and middle market the big firm expertise, integrity, skill sets and professionalism that have traditionally only been available to owners of larger companies.

Tobin Solitario serves both publicly-traded and privately-held companies, working with dedication on their behalf to ensure the best possible results and strategic outcomes.

TOBIN SOLITARIO, A MEMBER OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA), IS A REGISTERED BROKER-DEALER.



SERVICES: WHAT WE DO

Investment Banking

Is your Investment Banker Regulated? In July of this year, the National Association of Securities Dealers, Inc. and the New York Stock Exchange merged to create a new organization called The Financial Industry Regulatory Authority, or FINRA. Tobin Solitario is a member of FINRA.

To quote FINRA directly, FINRA is the largest non-governmental regulator for all securities firms doing business in the U.S. All told, FINRA oversees nearly 5,100 brokerage firms, including our affiliate, Tobin Solitario Securities LLC.

FINRA was created in July 2007 through the consolidation of the NASD and the member regulation, enforcement and arbitration functions of the New York Stock Exchange. FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services.

Tobin Solitario is a member of FINRA for a number of reasons. We obviously deal in securities and FINRA regulates the securities industry. So while few smaller investment banks submit themselves to such jurisdiction, we believe it is prudent for us as a firm to be a member of FINRA. We believe that this is especially important for our clients.

Why should you retain the services of an investment bank who is a member of FINRA and who therefore is required to comply with all securities laws, both federal and state?

- You can have greater confidence in the controls and processes of your investment bank, including retention of all correspondence, observance of securities rules, etc.;
- You can be confident that your transaction will not be unwound due to the lack of securities laws being met;
- You know that each of your bankers has met standards and tests required by FINRA.

While no organization can legislate ethics, members of FINRA are required to uphold certain codes of conduct and extensive reporting requirements, all of which protect our clients. Membership in FINRA exhibits a set of ethics and competencies recognized worldwide.

**SHOULDN'T YOUR INVESTMENT BANK BE
SUBJECT TO THE SAME STANDARDS AS
THE TOP INVESTMENT BANKS IN THE WORLD?**



Street Wise

VOL. 1 / OCTOBER 07
p. 704-334-2772
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“The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What every thing is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people.”

ADAM SMITH, *An Inquiry into the Nature and Causes of the Wealth of Nations*
(Fifth Edition, 1789), Book I, Chapter V

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NEWS & TRENDS:

What is your exit strategy?

Here at Tobin Solitario Investment Banking Group we are often asked by our prospects who are contemplating selling their companies what steps they should take in order to prepare themselves and their company for sale. Over the course of issuing this newsletter in the future, we will address this question with many different answers.

To initiate this discussion, here is our first, often knee-jerk, answer: **Develop and maintain excellent records.** As a general rule, the better your corporate records, the easier the marketing process, the cleaner the due diligence process and the better the price you will receive for your company.

Your most important corporate financial records are your company financial statements. With the advent of the Sarbanes-Oxley Act, the best financial statements are audited financial statements which have been audited by a reputable certified public accounting firm ("CPA"). You should have at least three years of audited historical financial statements for your company. Audited financial statements put to rest many of the due diligence questions and issues that could otherwise arise in an acquisition, particularly regarding revenue recognition practices, quality of assets and documentation of the company's capital structure.

If you aren't employing an accountant to audit your financial statements, there is no better time to start than now. Even if you are the sole owner of your company, an audit is a useful asset when seeking financing for your company. Further, audited financials are critical when there is more than one owner of your company. (Even Tobin Solitario's financial statements are audited!)

However, if you do not yet have audited financial statements and are reticent to take the dive, then ask your accountant to initially "compile" your financial statements. The next best thing after a "compilation," but not quite as good as an audit, is a "review" of your company's financial statements.

When interacting with your accountant, make sure your internal statements are prepared with great care and in a manner as close as possible to those an outside auditing firm would prepare. Consult regularly with your CPA in the preparation of your company's financial statements and make sure to fully understand the adjusting entries required to deliver the audit of your Company's financial statements.

If you need help finding a CPA to audit your company's financials, speak to your attorney or other folks in your business network. Or you can call us at Tobin Solitario IBG. We will see who we can introduce you to in our network who might be able to help you out.



M&A Terminology

EARN-OUT:

Conditional supplementary payments incorporated in the purchase agreement for an acquisition. The future earn-out payments are typically contingent on the future performance of the acquired company. Earn-outs are considered deferred components of the purchase price, or the total consideration paid to the target company and/or its shareholders by the acquiror.

BASKET:

The dollar amount set forth as the minimum loss that must be suffered by the acquiror before the acquiror can recover damages under the indemnification provisions of the purchase agreement. There are generally two kinds of baskets: A Dollar-One Basket and a Deductible Basket.