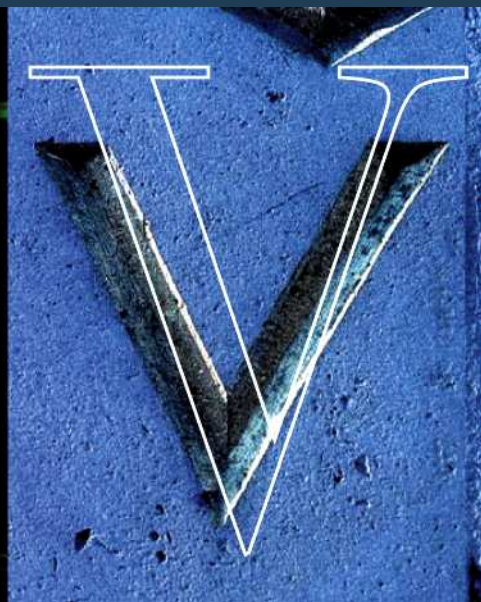
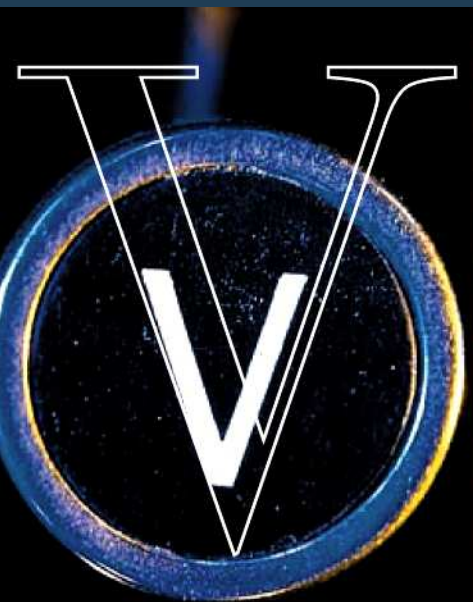


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Sell-Side Event Series

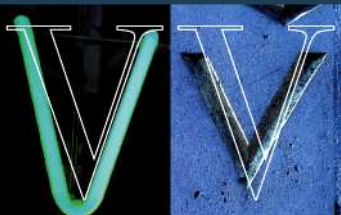
June 27, 2013



Introduction

- Overview of the Middle Market M&A Historically*
 - Over the last 10 years (2003-2012), stock purchases occurred in approximately 80% of the reported M&A transactions
 - Almost 80% of the consideration paid in the reported transactions during that period (i.e., stock and assets) were in the form of cash
- Types of Buyers
 - Financial Buyer (Platform vs. Add-On Acquisition)
 - Strategic Buyer

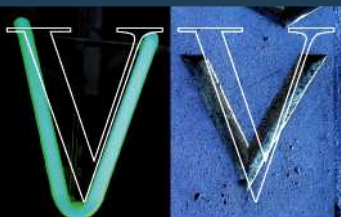
*Information obtained from Houlihan Lokey's Purchase Agreement Study for transactions completed in 2012 and prior years (the "HL Study").



Introduction (continued)

2012 and 2013 Federal Wealth Transfer Taxes

	2012	2013
Estate, Gift, and Generation-Skipping Transfer (GST) Tax Highest Rate	35%	40%
Estate, gift, and GST tax exemption	\$5,120,000 as indexed for inflation since 2010	\$5,250,000* as indexed for inflation since 2010
Basis of Inherited Assets	Fair Market Value	Fair Market Value
Portability of Estate and Gift tax	Yes	Yes
Gift Tax Annual Exclusion	\$13,000	\$14,000



Introduction (continued)

State Wealth Transfer Taxes - Maryland

		2013
Maryland Estate Tax Highest Rate		16%
Maryland Estate Tax Exemption		\$1,000,000
Basis of Inherited Assets	Fair Market Value	Fair Market Value
Maryland Gift Tax		None
Maryland Inheritance Tax (Limited Applicability)		10%



Introduction (continued)

2013 Federal Rates for High-Income Taxpayers (Married Filed Jointly)

Type of Income	Tax Rate	Health Care Tax	Deduction Limitation ⁴	2013 Total Rate
Long Term Capital Gains	20.00%	3.80%	1.20%	25.00% ¹
Short Term Capital Gains	39.60%	3.80%	1.20%	44.60% ¹
Qualified Dividends	20.00%	3.80%	1.20%	25.00% ¹
Interest and Nonqualified Dividends	39.60%	0.90%	1.20%	44.60% ¹
Earned Income	41.05% ⁵	0.90%	1.20%	43.15% ²
Operating Income From a "Pass-Through" Entity (such as a LLC or Subchapter S Corporation)	39.60%	0.00%	1.20%	40.80% ³
Qualified Plan Distributions	39.60%	0.00%	1.20%	40.80% ³

¹ Includes highest marginal income tax rate, surtax on investment income, and impact of loss of itemized deductions ("Stealth Tax").

² Includes highest marginal income tax rate, "Stealth Tax" change and Medicare tax change.

³ Includes highest marginal income tax rate and "Stealth Tax" change.

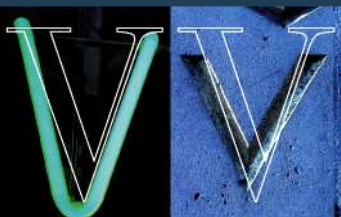
⁴ This is the "Pease Limitation" or, more commonly known as, the "Stealth Tax."

⁵ Represents the highest marginal tax rate, plus the Medicare tax rate of 1.45%.

Introduction (continued)

2013 Corporate Income Tax Rates (C Corporations)

Tax Bracket	Amounts
15% Bracket	\$0 - \$50,000
25% Bracket	\$50,000 - \$75,000
34% Bracket	\$75,000 - \$100,000
39% Bracket*	\$100,000 - \$335,000
34% Bracket	\$335,000 - \$10,000,000
35% Bracket	\$10,000,000 - \$15,000,000
38% Bracket**	\$15,000,000 - \$18,333,333
35% Bracket	over \$18,333333
<p>*The 39% tax bracket applies until the benefit of the 15% bracket and the 25% bracket have been “phased out,” and the average tax rate then becomes 34%.</p> <p>**The 38% tax bracket applies until the benefit of the 34% has been “phased out,” and the average tax rate then becomes 35%.</p>	



Introduction (continued)

2012 and 2013 Comparison of Long-Term Capital Gains, Dividends, and Maximum Marginal Combined Tax Rates

Tax Rate on Long-Term Capital Gain (Non-Corporate Taxpayers)

2012	2013
15% maximum rate	20% maximum rate

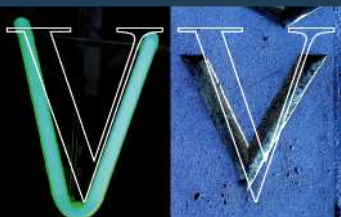
These rates also apply to net long-term capital gain that flows through an S corporation, LLC, or partnership to its shareholders, members or partners.

Tax Rate on Dividends (Non-Corporate Taxpayers)

2012	2013
15% (qualified dividends); 35% (non-qualified dividends)	20% (qualified dividends); 39.6% (non-qualified dividends)

Maximum Marginal Combined Federal Tax Rate on C Corporation's Income or Gain that is Distributed as Dividends to its Shareholders

2012	2013
44.75%	48% (for distributions of qualified dividends); 60.74% (for distributions of non-qualified dividends)



Pre-Sale Planning

- Wealth Portfolio Analysis and Life Style Objectives
 - Managing Increased Complexity
 - Working Collaboratively
 - Recognizing the Value of Diversification
- Minimizing the Tax Bite
 - Wealth Transfer Tax Considerations (Structuring Business Ownership; Lifetime Gifting; Grantor Retained Annuity Trusts; Sales to Grantor Trusts; Charitable Lead Annuity Trusts; Charitable Remainder Trusts)
 - Income Tax Considerations
- Preparing the Business for a Possible Sale/Due Diligence Considerations



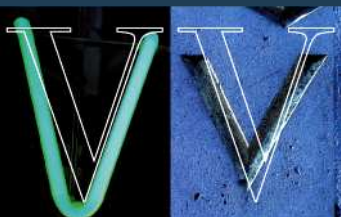
The Sale Event

- Valuation Considerations
- Transaction Structure
 - Sale of Stock v. Assets
 - Type of Consideration Paid – Cash, Stock or Combination of Cash, Stock, Seller Notes, Earnouts or Contingent
- Earnouts, Rollovers and Seller Notes
- Indemnification Considerations



Post-Sale Planning

- “True-Up” Calculations
- Measurement of Contingent Consideration
- Dispute Resolution
- Wealth Transfer and Income Tax Planning Considerations



Thank you for attending.

