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GETTING YOUR BUSINESS READY TO SELL

How to Get Top Dollar For Your Company

We have all heard about the growing importance of home-sellers "staging" their home to make it look its best to potential buyers. This process is no less important when trying to sell your business – especially if you hope to get an above-market price.

Many of our clients have asked the question "What do I need to do to get top dollar for my business in the next 3-5 years?" While every situation is unique, the following 5 principles apply in most every circumstance:

1. Know your business. You need to be able to articulate, clearly and concisely, your compelling value proposition to your customers, how you cost-effectively reach those customers, what your competitive positioning is, and what barriers to entry make your advantage sustainable.

2. Manage the numbers. You also need to know, and successfully manage, the numbers. Most Buyers will pay more for a well-run organization which has a track record of performing on plan and whose management team is accustomed to being held accountable for results. Develop a budget; track performance relative to budget and the prior year; develop a departmental accountability system; and get an audit. All of the above will enhance the Buyer's confidence that you can hit your future projections, leading them to be more willing to pay top-dollar for the business.

3. Build the team. This can be a tough one for owner-operators as it means letting go of some of the self-actualization that comes with being the go-to guy for all

issues. The more the business is dependent on one individual (whether due to branding, relationships, reputation, or organizational structure), the less valuable the business. Smart sellers-to-be will develop a management team that will allow the owner to exit the business following a sale with little disruption to either the staff or the customer base. This lowers the Buyer's risk, increases confidence that transition issues will be limited, and invariably increases the purchase price.

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"The more the business is dependent on one individual, the less valuable the business."

LEADERS IN THE COMMUNITY Roger Akers, Co-founder of Akers Capital LLC



Who is he?

Co-founder of Akers Capital LLC, a Sacramento based venture capital firm dedicated to making private equity investments in emerging technology companies. Prior to Akers Capital, Roger built PRODATA Inc., a regional IT consulting firm that provided management and technical IT consulting services to public and private sector clients in the western US. Roger sold PRODATA in 1996 after successfully growing the business to over 480 employees.

How did you become a venture capitalist?

I spent some time trying to figure out what I wanted to be after I sold PRODATA. I had done some consulting work for Cisco Systems and Intel, and helped both organizations investigate acquisition candidates. From that experience, I was able to do some organizational assessment work; market segmentation, financial and technical analysis and wrote reports that helped in the procurement evaluation. One of the Intel clients said,

"Hey, you really get this stuff. You ought to start a venture capital company." I took 1998 to research what that would entail. In mid-1998 I found my partner (Tom Loutzenheiser) and in 1999 we started raising money.

Did you always have a knack for investing or has it been a learning process?

By nature I am a pretty conservative guy. I have found though, that I treat other people's money better than my own. Investing in early stage businesses is certainly a fascinating learning process.

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"Find some additional quality partners to work with...and have some fun."

- Mr. Akers on his future aspirations

AKERS:

I have taken some informed risks with certain people and businesses and would have to say that I have a much better sense of opportunity and risk than ever before.

What do you like most about your job? What do you dislike most?

I really enjoy the fact that I get to meet and work with the brightest people in the region. I also enjoy watching how technology and the marketplace evolve over time and being a part of that process. However, there are things that I dislike as well. While this job allows for a lot of personal growth, it also allows for having some failures. In particular, I do not enjoy seeing what failure does to people. Some people can handle failure and others can't. They do not know how to pull themselves up by their bootstraps and continue on – it can be devastating.

Are there advantages /disadvantages to being located in Sacramento?

Absolutely. One advantage is that we finally have a solid infrastructure to support early stage businesses. Also, on a personal level, it is a wonderful place to raise a family and build a career. The thing that holds Sacramento back is the lack of senior level managers to put into early stage businesses. We have to recruit from the outside to fill a lot of those positions. Obviously, we do not have many larger corporations or subsidiaries of those corporations to help feed our organizational development engine. We are getting better but we are not there yet.

Is there a limit to the amount of venture capital activity that the Sacramento area can support?

No, there is no limit. Contrary to initial thinking, no local investment firm will put all of their money to work in this area anyway. Having them housed here – and investing independently or syndicating with other firms – helps get more companies funded in Sacramento. We can handle as many of them as can be developed. I am pretty proud of the fact that I was the first early stage tech VC in the region and I think that my legacy might be, "if that Akers guy can do it, we ought to start one."

Did you have to spend a lot of time educating people about venture capital and the investment process since you were the first investor in the region?

No, I was not really the first investor by any stretch; just the first tech-based venture fund. A lot of that education had been started earlier by the legal

firms and angel investors. We are blessed in Sacramento to have some real quality legal minds that have worked in the early stage business world for quite some time. People like Cary Adams, Gilles Attia, Chris Chediak and Chris Russell to name a few. Those are the people that did a lot of the upfront education and facilitated early stage angel investing in the area. That plowed a lot of ground.

How many opportunities do you look at in a given year?

I probably get around 300-400 opportunities a year and will look at 30-40 of them closely. Of those, I make around 3-5 investments a year. It is important to realize that Fund 1 is in the harvest stage at this point, so currently I am investing my own money.

How many of those investment opportunities are in the Sacramento area?

as a percentage, it is probably closer to 80%.

How important is the management team? Would you ever invest in a company that had a great product if the management team was lacking?

As a general rule, you are investing in the management team. Obviously, they have to have some sort of product – and if it is a great one it is a good thing. But what are you investing in when you first go in? You fall in love with the team, no doubt about it.

Do you go into investments with an exit plan in mind or does it develop throughout the duration of the investment? How often is that exit an IPO?

Anybody that says they have an exit plan when they initially invest is kidding themselves. The exit opportunity evolves over time in every investment. How often is the exit an IPO for me? Never. These

Hometown

A potato farm just north of Pocatello, Idaho

Education

CPA in accounting; BS in Computer Science, Idaho State University;
MBA, Idaho State University

Hobbies

Traveling, white-water rafting, fishing and cooking

Most influential people

Charlie Soderquist, who was a great local philanthropist and taught Roger how to give back

Most influential books

Harold Geneen's autobiography ITT, *The Tipping Point* by Malcolm Gladwell, *Crossing the Chasm* by Geoffrey A. Moore

Favorite Restaurant

Wasabi Sushi

First Job

Selling fishing worms on the side of the road in Idaho; first professional job was at the Idaho State University Computer Center.

We go through cycles in the Sacramento area relative to investment opportunities. We just went through what I would characterize as a minor uptick. That stimulated more local investment. We went through an uptick earlier in the decade and then we went through the big downturn. Not too many investments were made then. We were just trying to make the ones we had successful. I am pretty upbeat about the future of early stage investment here in the Sacramento area. There is a lot of infrastructure in place right now to support early stage companies. Also, there has been a big emphasis on green energy. SARTA has helped developed the Clean Tech Program that is currently nurturing around 40 companies in the green space. It could be a very viable local investment opportunity.

How many of your investments do you expect to be successful? What percentage?

I expect all of them to be successful – but

days IPO structures are few and far between. Who knows what will come in the future but up until now there have been no IPO's.

What advice would you give somebody planning to enter the venture capital industry?

There are a few different entry points into venture capital. One way is to work your way up from the analyst level with a firm and gain your expertise that way. Another way is to buy your way in. What I recommend is to fall in love with an industry. Once you find that industry, go be successful in it – gain knowledge, gain expertise and make connections. Then you can leverage yourself with a venture capital firm and help companies grow.

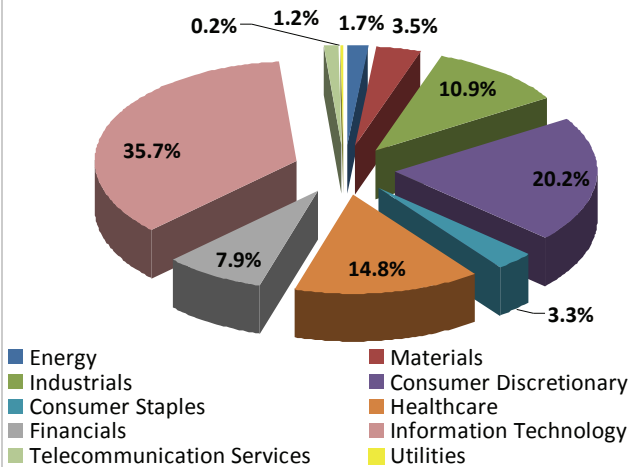
What are your future aspirations?

To find some additional quality partners to work with in the future...and have some fun. •

REGIONAL M&A MARKET

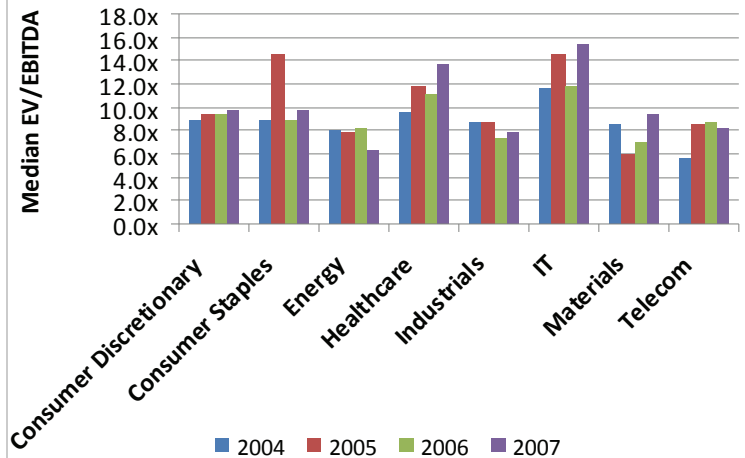
Merger and acquisition activity among middle-market companies (less than \$500M firm value) in the California and Greater Southwest region remained relatively robust in 2007, with 521 deals closed during the year. This year, compared to the broader M&A market across North America (N.A.), the region has been particularly active in transactions in primarily two sectors: Information Technology (representing about 36% of the region's deals this year vs. 20% in N.A.) and Healthcare (about 15% of regional deals vs. 11% in N.A.). These two sectors have also seen some of the highest valuations this year among middle-market transactions. While we expect valuation multiples to moderate over the coming year as credit tightens, we continue to believe the regional M&A market remains healthy and the timing is favorable for well-positioned sellers, especially in IT and Healthcare.

2007 Regional M&A Transactions by Sector



Source: Capital IQ

M&A Valuation by Sector



Source: Capital IQ

SELL: KNOW WHO YOUR BUYERS ARE

Furthermore, if you can convince a Buyer that your role is unnecessary to the ongoing business, they may allow you to add back 100% of your compensation to the EBITDA of the business, the financial measure on which purchase prices are often based. For example, if you are earning \$400,000 and the Buyer is willing to pay 8x EBITDA, the fact that you are unnecessary to the ongoing business post-sale should allow you to garner an extra \$3.2 million in purchase price.

4. Maintain corporate compliance.

Get with your attorneys early in the process to make sure that you are in good standing, your minute books are in order, there are no outstanding shareholders you cannot locate, etc. We have seen several deals fall apart in due diligence simply due to poor housekeeping. This is good practice notwithstanding a potential sale, but is particularly important when entering a sale process.

5. Know your buyers.

We have often defined marketing as "presenting the facts in their most favorable light". Well, since beauty is truly in the eye of the beholder, it is important to know who your likely buyers are, and what is likely to be important to them, well in advance of beginning a sale process. In many cases, this will help you make certain strategic decisions, such as whether to invest in infrastructure, expand

the team, aggressively grow revenue, or simply maximize cash flow. Knowing the buyers, how they would assimilate your organization into theirs, what aspects of your business they value most, and how they tend to value acquisition targets can provide vital insights in helping you to maximize value.

Again, while every situation is unique, we have never seen a company receive a lower valuation after having done any or all of the above. Maximizing value is a business process, similar to the process you utilize every day to make your company successful. If you manage it that way, we are confident that you will enjoy similar success. •

GETTING YOUR BUSINESS READY TO SELL

5 PRINCIPLES TO GETTING TOP DOLLAR FOR YOUR COMPANY

1. Know Your Business
2. Manage the Numbers
3. Build the Team
4. Maintain Corporate Compliance
5. Know Your Buyers

DCA CAPITAL PARTNERS COMPLETES EQUITY INVESTMENT IN DECIPHER, INC.

DCA Capital Partners, a Sacramento-based private equity fund, has announced the closing of its equity capital investment into Decipher, Inc. Decipher, based in Fresno, is a leading provider of online marketing research services to corporations and full-service market research firms across the country. The company specializes in online survey programming, data collection, data processing/reporting and custom technology development.

"Decipher is a market leader in providing customized market research services to high-profile clients operating around the globe and has built a strong reputation for quality in this rapidly expanding market," says Jeremy Wolfe, a Partner at DCA. "They are highly regarded by customers and competitors alike and continue to develop leading services and tools for the industry. We hope our investment and partnership with the company will accelerate that success."

The proceeds of the financing will be used primarily to pursue additional growth opportunities as well as further expand the operations and development staff. "We are thrilled to partner with DCA in capitalizing on the exciting growth prospects we see ahead of us," says Jamin Brazil, Co-CEO of Decipher Inc. "We could not be more energized by the attractive growth opportunities we're seeing in the marketplace and believe this is the right time to raise institutional capital to seize those opportunities," says Decipher Co-CEO Jayme Plunkett.

Decipher Inc. was first introduced to DCA Capital Partners at the 2006 Central Valley Venture Forum in Fresno, hosted at the Lyles Center for Innovation and Entrepreneurship, where the company won the "Best in Show" competition. "We work to support innovation in the Central Valley region and are excited to see private equity firms like DCA dedicated to investing in and supporting growing companies in Fresno," says Dr. Timothy M. Stearns, Director of the Lyles Center. "DCA's investment in Decipher is another testimony to how promising companies in this region can in fact attract a sophisticated financial partner to help them expand and manage rapid growth. This is another important step in Fresno's evolution to becoming an attractive venue for entrepreneurship and innovation."

The California Central Valley region is an important geographic area for DCA Capital Partners, which provides expansion capital to businesses in underserved markets across Northern and Central California and the Greater Southwest. "Decipher is a perfect example of the undiscovered talent and businesses being cultivated in this region," says DCA Partner Curt Rocca, who will also be joining the board of Decipher. "We believe this management team is well suited to drive sustainable growth within the online market research industry and further build upon its competitive positioning."

DCA's investment will be the first time Decipher has received outside equity financing. •

ABOUT DCA PARTNERS

Since 2001, DCA Partners has earned its reputation as one of the nation's finest middle market investment banking firms, delivering exceptional results for clients in a wide variety of industry sectors. With offices in Roseville, CA and Phoenix, AZ, DCA works primarily with companies in the broader Northern and Central California regions, as well as certain adjacent underserved markets across the western U.S. We will also advise and invest in companies outside our targeted geography where our Partners possess particular industry expertise.

Investment Banking The firm specializes in providing private and public growth companies with both buy-side and sell-side merger and acquisitions advisory services, as well as financial advisory and opinion services

Private Equity Through the firm's affiliated private equity fund, DCA Capital Partners, the firm also makes direct investments in promising middle-market growth busi-

CULLEN SCHANNAP JOINS DCA PARTNERS SACRAMENTO-REGION'S LEADING INVESTMENT BANKING FIRM CONTINUES TO EXPAND



DCA Partners announced today Cullen Schannap joined DCA Partners as an Associate in June 2007, and is involved with both the investment banking business and the firm's associated private equity fund. With his primary responsibility to the investment banking business, Mr. Schannap provides support to DCA's mergers and acquisitions advisory practice, as well as the firm's divestiture and fairness opinion services.

"We are very excited to have Cullen join DCA," said Curt Rocca, Managing Partner for DCA Partners. "His strong background and exceptional work ethic will complement our team well as we strive to be the region's leading investment banking firm and private equity fund. We expect Cullen to be a valuable asset to DCA and we are fortunate to have him join us."

Prior to joining DCA, Mr. Schannap was an analyst in Lehman Brothers' Investment Banking division. While at Lehman, he was a member of the Financial Sponsors Group where his assignments included mergers and acquisitions advisory, high-yield debt financings and public equity offerings. In this role, Mr. Schannap was responsible for performing valuation analysis, conducting company and industry due diligence, constructing leveraged buyout and merger consequence models, and preparing financing and strategic alternatives presentations to clients across various industries.

Mr. Schannap graduated Cum Laude from the University of California, Los Angeles with a B.A. degree in Business Economics and a minor in Accounting. •



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