

INSIDE THIS ISSUE

Page 1

Featured Article:
**“Success Strategies
For a Challenging
Business
Environment”**

Page 1

**Leaders in the
Community**

Page 3

**Turnaround
Management
Services**

Page 4

**Regional
M&A Market**

SUCCESS STRATEGIES FOR A CHALLENGING BUSINESS ENVIRONMENT

We work with a lot of companies in all industries and across all segments of company and industry life cycles. Over the past several months, there have been very few of these companies who have remained unaffected by the current economic climate - some directly and others more indirectly - but nearly all would agree that these are indeed very challenging times to run a business.

However, as with all great challenges, sometimes it is the difficult times that bring out the best in us and cause us to accomplish things that we never thought possible. In our travels we are witnessing some very inspiring success stories, and we thought it made sense to share some of these success strategies with you in case any of these strategies might apply to your business.

Rally the Troops

With food and energy costs skyrocketing and unemployment in the region at 7.5%, most people have several friends or relatives who have lost their jobs, lost their homes, or are struggling to make ends meet for one reason or another. Let them know your commitment to them, your vision for the Company, what their role is in ensuring the company's success, and why that success is important to them. In tough times, it is important to set short-term achievable goals whose accomplishment you can celebrate. If you need to implement a cost reduction strategy, it is best to do that first, and then share the reasons behind the cuts and sell them on why those cuts are in their, and the Company's best interest.

Get Intimate with your Customers

This is critical for a number of reasons: 1) it will help you identify customer pain points and opportunities for you to provide additional products or services, 2) it will help to preserve your existing business volume, 3) it will give you insights as to what your competition is doing and, 4) it will give you a sense for how they are doing financially to help you manage your credit risk with them.

Find the Pain

As stated above, one benefit of getting intimate with your customers is that they will share their current business challenges and opportunities with you. As you listen, you may uncover additional opportunities for you to increase your business relationship with that customer. One company, in a struggling industry, increased revenue 15% this

SUCCESS, PAGE 3

LEADERS IN THE COMMUNITY **Scott Syphax, President & CEO of Nehemiah Corporation of CA**



“A forest does not grow back until it has had its cleansing fire. I think that we are about two-thirds of the way through the cleansing fire...”

- Syphax on the rebound of the Sacramento economy

Who is he: President and CEO of Nehemiah Corporation of California, a Sacramento based non-profit, founded in 1997. Currently, he serves as Chairman of the Financial Solvency Board for the California State Department of Managed Health Care, and a Commissioner for the Sacramento County Civil Service Commission. He also serves as a Vice Chairman of the Corporate Fund Board for the John F. Kennedy Center for the Performing Arts in Washington, D.C., and has been appointed by the Bush Administration as a Director of

the Federal Home Loan Bank of San Francisco. Mr. Syphax is a member of the Los Angeles Business Council and serves on the Advisory Board for the College of Business at California State University, Sacramento.

Tell us a little bit about Nehemiah Corporation of America.

Nehemiah Corporation of America is a national community development corporation that seeks to provide opportunities for wealth creation for working class individuals and family. It was

founded in 1994 by a local attorney named Don Harris with seed capital provided by his father's church - the Antioch Progressive Baptist Church. Nehemiah has been the nation's largest provider of down payment assistance. We also have a community reinvestment fund that raises institutional capital to provide low cost lending for real estate development in underserved communities across the United States. Additionally, we have a real estate equity fund called the Nehemiah Sacramento Valley Fund that is a \$30 million real

SYPHAX, PAGE 2

SYPHAX:

estate equity fund. The fund makes equity investments into innovative real estate development projects in underserved communities throughout the Sacramento metropolitan region. We also have Nehemiah Ventures, which is the holding company for downtown Sacramento's second largest real estate development. The project will ultimately provide 3,000 units of housing, 1,000,000 square feet of office space and over 20 acres of parks. Nehemiah operates in 4,900 cities in every state and territory except for Guam.

What provided you with the inspiration to join the organization?

I heard about Nehemiah while I was in the healthcare world. I heard how they were helping people have their shot at the American Dream that were being left out. As a person who had struggled, whose family did not have the means to help him to buy his first home, I really identified with the vision of the program. So, I volunteered to help them out. I was volunteering there for over a year when the founder of Nehemiah said – you know, you work so many hours here that I feel like I should pay you something. I became an employee and was eventually asked to be the CEO.

How many people have you helped put into a home since Nehemiah's inception?

Since the creation of the program in 1997, we have put over 320,000 families into home ownership and given away over \$1.5 billion in grants to those families. The financial assistance comes from our innovative business model which essentially raises money from the real estate sector and provides down payment grants to deserving families who are otherwise qualified for home ownership.

Given that, why have the FHA and HUD opposed DPA in the past?

Frankly, the government does not like competition. We are more effective than the FHA, or state or local governments in putting people into home ownership. Let me give you an example: in a good year, a state government housing finance agency might be able to put 1,000 families into home ownership. This past September, Nehemiah – with only 38 employees in the U.S. – put over 15,000 families into home ownership. With-

out a single dime of direct government subsidy. We are just a more effective bang for the buck.

Given the current market conditions and the changed landscape for DPA, what will the next chapter look like for Nehemiah?

First of all, our real estate development projects have continued to grow – despite market conditions. Second, while the landscape has changed, we are utilizing our brand strength and network of almost 200,000 realtors, mortgage professionals and homebuilders to continue to evaluate opportunities to provide down payment assistance help to the families that we have historically served.

Are you disappointed or energized by some of the changes in the market?

<p>Hometown Detroit, Michigan</p> <p>Education Bachelor's degree in Business Administration from CSU Sacramento with a concentration in Real Estate Development; graduate of the Sacramento Entrepreneurship Academy; Executive Fellow of the Coro Foundation; Fellow of the American Leadership Forum.</p> <p>Hobbies Spending time with his children; reading comic books; entrepreneurship.</p> <p>Most influential people Parents; Steve Thompson (former boss at the California Medical Association); Senator Robert Presley.</p> <p>Most influential books <i>The Bible; the Autobiography of Malcolm X; Think and Grow Rich</i></p> <p>Favorite Restaurant Del Posto in New York, NY</p> <p>First Job Night club promoter</p>

I am actually very energized – in the sense that there has not been a better market in over a decade for home ownership among working families. The decline in values has opened up home ownership opportunities for families that were either completely locked out of the market or forced to take products that were eventually going to harm them. Our mission now is to find out how to effectively connect those families, who can take advantage of this market, to the opportunity that presents itself.

What advice would you give to a first time homebuyer looking to buy a home in this market?

The first thing that I would do is take a course in home ownership education. Before you start working with any real estate professional, you need to be smart enough to understand not only what they say, but to be able to do

more than just take the information at face value. The second thing that I would do is interview three different realtors and three different mortgage professionals. On the mortgage side, I would interview somebody that worked for a bank, somebody that worked for a credit union, and a mortgage broker. I would then compare and contrast the advice of those folks. Finally, I would explore – and ask the lending professionals for their advice on – both governmental and non-governmental programs that might be available to me that I am qualified for. It is important to remember that you may not be able to take advantage of all that you have learned, but you should learn all that you might take advantage of. Ultimately, you need to be in the driver's seat when making the decision.

What is your prognostication for the

eventual rebound of the Sacramento economy?

A forest does not grow back until it has had its cleansing fire. I think that we are probably about two thirds of the way through the cleansing fire, but we are not done yet. Ultimately, asset values have to line up with incomes. I do not think that we are completely there yet. I still think that there is some excess value in the middle-tier and upper-tier of the housing market in this community. Also, we have not seen the market correction in the commercial area – particularly around retail. That wave is coming.

What are your future aspirations?

To write a book on the opportunity that this country provides – opportunity that many of us take for granted. Also, to volunteer to teach the importance of entrepreneurship and civic leadership to young people. •

SUCCESS:

past year using this simple yet effective strategy.

Price Strategically

It may sound counter-intuitive to increase pricing during difficult economic times, but for many companies it may be exactly the right thing to do. For a Company with 10% operating margins, a modest 5% increase in pricing (which all goes straight to the bottom line) represents a 50% increase in net income. This can be effective if there are high customer switching costs or if you have a unique ability to solve your customers' needs. Increasing fuel, commodity, food, health-care, and other costs provide a rationale for such price increases without alienating your customers.

By contrast, if you have a high fixed-cost, but low variable-cost business, you may want to price extra aggressively in this market to attract new customers who will now switch suppliers due to price because of their own business challenges. This will allow you to increase market share during the downturn and emerge as a stronger, more dominant company.

Diversify into new Markets

Whether new product extensions, new geographies or new market segments, a diversification strategy can help leverage investments you have already made. The weakness of the dollar in many overseas markets makes US produces goods and services appear as bargains to many foreign buyers. You should also look for vulnerabilities in your competition and step in to exploit them whenever you can.

Focus

The counterbalance to 'diversification' is 'focus'. In many circumstances, a slowdown is a time for your to re-examine all of your initiatives and business practices and focus on those core business initiatives that are currently profitable and key to your long-term success. Since you may have more limited resources to invest, it is critical that those resources are channeled into the most critical and most impactful areas of your business. You may have fewer staff, and if those staff members are spread too thin, they may do nothing well, customers may get frustrated and leave, and you will find yourself in a difficult downward spiral.

Cut Costs

Look at your business and separate the "need to haves" from the "nice to haves". A market downturn is not a time for the latter category of expenses. Focus your energies on those areas of your business that enhance product quality, operational efficiency and customer intimacy. Where possible, look for ways to convert fixed costs to variable costs (such as outsourcing non-core functions); this will allow you to better weather a revenue decline and also provide better visibility on exactly what it costs you to perform that function.

Partner with Suppliers

Discuss your issues with your suppliers, and seek assistance from them. They have a vested interest in your success, and will often times provide more assistance- whether in the form of new client referrals, pricing concessions, extended payment terms, etc. – than you ever expected. They know things are tough all over and you will not be the first one to ask for their help. Your competitors may already be getting help from them, putting you at a marked disadvantage for not asking for concessions.

Communicate Proactively

Nothing is more scary to people – customers, suppliers or employees – than the fear of the unknown. In these unusual times, it is important to proactively communicate with people both the good news and bad news so that they can know exactly where things stand, what is at stake, and what their responsibilities are to make them better. In reality, things are rarely as bad as people fear they "might be", so alleviating their fears will allow them to focus on the tasks at hand, and will go a long way toward building the loyalty that will sustain you through good times and bad.

Acquire Struggling Competitors

For companies who are faring better than their competitors, now is a great time to act as a market consolidator. In many cases you can acquire companies for little or no cash...they just want to take care of their employees, their customers, their reputation, and have a hope for a better future. Put together a compelling vision of where you are taking your company and be willing to share that vision with struggling competitors. By exploiting this market opportunity, you can emerge from the downturn as a more dominant player.

All in all, while the current market environment has provided many challenges, we are encouraged and impressed by the many companies who are employing these and other strategies to indeed make lemonade out of the current abundance of seemingly endless lemons. •

DCA TURNAROUND & RESTRUCTURING SERVICES

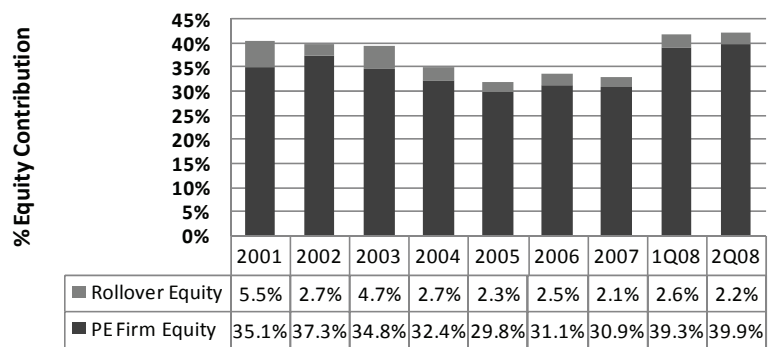
DCA Partners offers comprehensive turnaround and restructuring services, having advised some of the region's most successful and most promising businesses. Turnaround and restructuring services are specifically customized to every individual situation, but generally include:

- Comprehensive strategic assessment of the business
- Compilation of alternative turnaround strategies
- Detailed financial modeling and sensitivity analysis
- Development of contingency plan
- Negotiation with bankers, landlords and other creditors
- Evaluation of financing opportunities
- Pursuit of financing and other strategic relationships
- Evaluation of potential M&A transactions
- Expense reduction strategies
- Revenue enhancement action plans
- Development of action plan and team accountability
- Communication strategy to maintain internal and external goodwill

To learn more, contact Curt Rocca at crocca@dcapartners.com

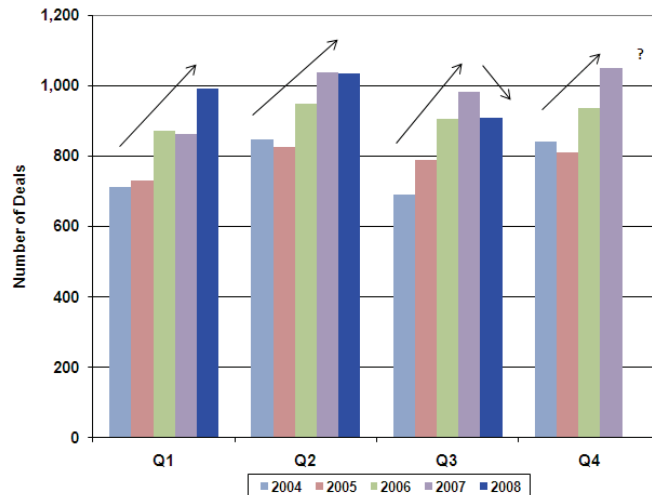
2008 has proved to be a challenging year for the regional M&A landscape. While select companies will still manage to successfully be sold and/or raise capital, we believe the overall M&A environment has decisively shifted to a more buyer-friendly market. According to a study by BDO Stoy Hayward, due to the current economic conditions, private equity firms are holding their investments longer, citing that over 70% of these firms have already delayed commencing a sale process. Those firms with rock-solid balance sheets and healthy cash reserves will find themselves able to weather the economic downturn and potentially in the right position to purchase other companies at attractive prices. The credit markets, however, remain exceptionally tight, forcing potential buyers to use more equity to fund transactions (the average equity required in middle-market leveraged buyout deals has risen from 33% in 2007 to 42% in 2Q08, according to S&P). The weak public equity markets in 2008 have also created unique buying opportunities. During the first nine months of 2008, unsolicited/hostile takeover transactions have increased to 22.5% of total US deal volume, up from 5.8% last year (in the last decade, only 2001 at 23.7% saw a higher percentage). While the overall current M&A environment favors the buyer, in the private early-stage equity markets, we believe venture capital firms are beginning to tighten the purse strings, largely driven by concern of the potential impact of a severe economic downturn, a virtually non-existent IPO window, and uncertain future financing options for their portfolio companies. According to the National Venture Capital Association (NVCA), VC deal volume in the US was down 8% y/y in 3Q08 and down 12% sequentially. "We have yet to see the full impact of the capital markets crisis in the venture capital performance numbers," said Mark Heesen, president of the NVCA. •

Average Middle-Market LBO Equity Contribution



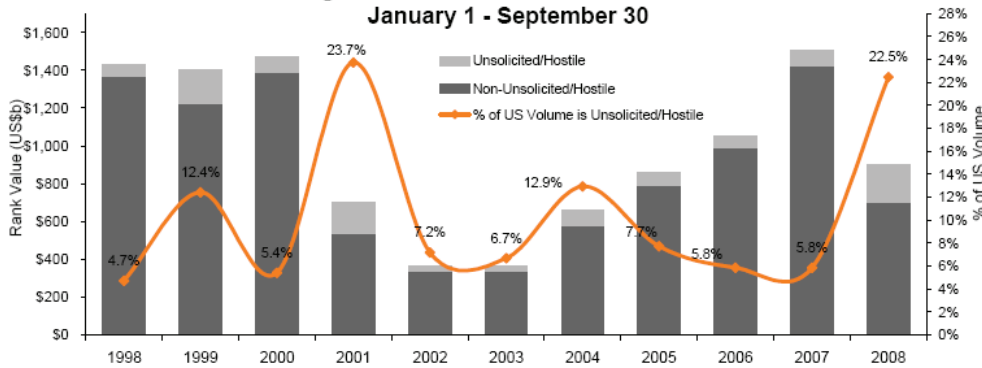
Source: S&P, For transactions with EBITDA of \$50mm or less. Excludes Media, Telecom, Energy and Utility Deals.

Quarterly US Venture Capital Deal Volume



Source: National Venture Capital Association

US Target Unsolicited and Hostile Transactions January 1 - September 30



Source: Thomson Reuters

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 businesses in DCA's defined areas of focus.

