

WHAT ARE THE TRUE COSTS OF DEAL ORIGINATION?

(all responses should be on an annual basis unless otherwise indicated)

1. **Fixed Costs** – associated with business development and deal origination.
 - a. Employee overhead burden dedicated to strictly to *Business Development*? _____, (include percentage of each employee’s time and costs dedicated strictly to Biz Dev)
 - b. Employee overhead allocated to deal origination *review and diligence* process? _____, (include percentage of each employee’s time and costs allocated to this process)
 - c. Marketing Costs? _____ (web site, brochures, newsletters, tombstones, PR firm costs, print and electronic media purchased, databases purchased, memberships, etc.)
 - d. Corporate burden allocation _____ (oversight, review and administrative and infrastructure costs – rent, computers, cell/smart phones, phone cell plans, etc.),
 - e. Outside professionals on retainer? _____. (Legal, tax, ex-recruiter, other, etc.)

Total Fixed Costs (\$MM) _____.

2. **Variable Costs** – associated with biz dev, deal review and due diligence.
 - a. Travel and Entertainment costs associated strictly with *Biz Dev* efforts? _____, (trade shows, periodic visits with deal origination sources, site visits during courting process prior to passing the baton to execution team, attending customer and deal source functions)
 - b. Travel and Entertainment costs strictly associated with *due diligence* process? _____, (site visits, meetings with prospect/target company/outside advisors, reimbursement of expenses of outside professionals on diligence team, etc.)
 - c. Costs of outside advisors related to transaction *prior to LOI*? _____, (Attorneys, Accountants, Industry experts, access to database searches, retained buy-side intermediary, diligence review firms, etc.)
 - d. Costs of outside advisors related to transaction *post LOI* issuance? _____, (Attorneys, Accountants, Industry experts, access to database searches, retained buy-side intermediary, diligence review firms, etc.)
 - e. Success fees due intermediaries? _____.
 - f. Internal costs – phone, printing, postage & shipping, copying and other administrative costs associated with process? _____.



- Total Variable Costs (\$MM) _____.
- 3. **TOTAL ANNUAL COSTS (1+2=Total Costs) =** _____.
- 4. **TOTAL FUNDS INVESTED (Equity + Deal Expenses on all transactions)** _____.
- 5. **TOTAL ENTERPRISE VALUE (Debt+Equity+Deal Expenses of ALL deals)** _____.

DEAL ORIGINATION PERFORMANCE METRICS

- 1. Opportunities by Source (#):
 - a. Nat'l/Regional Investment Bank,
 - i. Number of deal opportunities? _____.
 - ii. Number of Broad Auctions? _____.
 - b. Boutique Investment Bank,
 - i. Number of deal opportunities? _____.
 - ii. Number of Broad Auctions? _____.
 - c. Business Broker/Professional Advisors/Other,
 - i. Number of deal opportunities? _____.
 - ii. Number of Broad Auctions? _____.
 - d. Direct,
 - i. Number of deal opportunities? _____.

TOTAL _____.

- 2. Number of management site visits conducted by source:
 - a. Nat'l/Regional Investment Bank (#)? _____.
 - b. Boutique Investment Bank (#)? _____.
 - c. Business Broker/Prof. Advisors/Other (#)? _____.
 - d. Direct (#)? _____.

TOTAL _____.

- 3. Number of Expressions of Interest/LOI's issued by source:
 - a. Nat'l/Regional Investment Bank (#)? _____.
 - b. Boutique Investment Bank (#)? _____.
 - c. Business Broker/Prof. Advisors/Other (#)? _____.
 - d. Direct (#)? _____.

TOTAL _____.

- 4. Deals CLOSED by source?



- a. Nat'l/Regional Investment Bank (#)? _____.
- b. Boutique Investment Bank (#)? _____.
- c. Business Broker/Prof. Advisors/Other (#)? _____.
- d. Direct (#)? _____.

TOTAL _____.

5. Funds Invested by source? (include actual deal costs + prorata portion of firm overhead burden)

- a. Nat'l/Regional Investment Bank (\$MM)? _____.
- b. Boutique Investment Bank (\$MM)? _____.
- c. Business Broker/Prof. Advisors/Other (\$MM)? _____.
- d. Direct (\$MM)? _____.

TOTAL _____.

6. Total Enterprise Value by source? (include actual deal costs + prorata portion of firm overhead burden)

- a. Nat'l/Regional Investment Bank (\$MM)? _____.
- b. Boutique Investment Bank (\$MM)? _____.
- c. Business Broker/Prof. Advisors/Other (\$MM)? _____.
- d. Direct (\$MM)? _____.

TOTAL _____.

SUMMARY

1. Efficiency Analysis (ALL sources):

- a. Closing % of opportunities (total opp's/closed deals) - _____.
- b. Closing % of EOI/LOI issued (Cls'd Deals/(EOI+LOI)) - _____.
- c. Total Deal Costs as % of Total Equity Invested - _____.
- d. Total Deal Cost by source as % of Total EV - _____.

2. Efficiency Analysis (by Source):

Nat'l/Regional IB's

- a. Closing % of opportunities rec'd (total opp's/closed deals) - _____.
- b. Closing % of EOI/LOI issued (Cls'd Deals/(EOI+LOI)) - _____.



-
- c. Total Deal Costs as % of Total Equity Invested - _____.
 - d. Total Deal Cost by source as % of Total EV - _____.

Boutique IB's

- a. Closing % of opportunities rec'd (total opp's/closed deals) - _____.
- b. Closing % of EOI/LOI issued (Cls'd Deals/(EOI+LOI)) - _____.
- c. Total Deal Costs as % of Total Equity Invested - _____.
- d. Total Deal Cost by source as % of Total EV - _____.

Business Broker/Professional Advisors/Other

- e. Closing % of opportunities rec'd (total opp's/closed deals) - _____.
- f. Closing % of EOI/LOI issued (Cls'd Deals/(EOI+LOI)) - _____.
- g. Total Deal Costs as % of Total Equity Invested - _____.
- h. Total Deal Cost by source as % of Total EV - _____.

Direct

- i. Closing % of opportunities rec'd (total opp's/closed deals) - _____.
- j. Closing % of EOI/LOI issued (Cls'd Deals/(EOI+LOI)) - _____.
- k. Total Deal Costs as % of Total Equity Invested - _____.
- l. Total Deal Cost by source as % of Total EV - _____.

DEFINITION OF TERMS

BROAD AUCTION – Where more than 25 other potential buyers are competing for same deal opportunity.

EOI – Expression of Interest

LOI – Letter of Intent

EV- Enterprise Value