

Role of Intermediaries

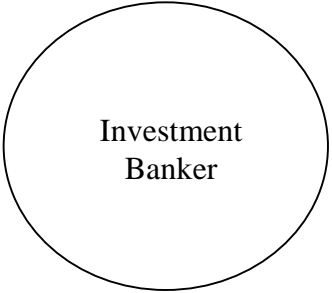
Why Deals Fail

- Different Kinds of Intermediaries
- Differences in Approach
- Common Causes for Failure

Probability of Success as a Function of School Character and Intermediary Type

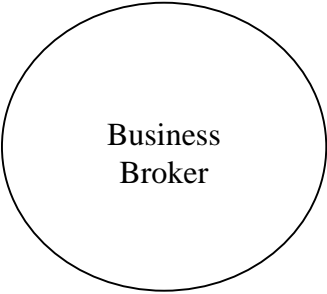
Probability
of
Success

High



Investment
Banker

Larger Schools,
Greater Buyer Interest



Business
Broker

Smaller Schools,
Less Buyer Interest

Low

Low

High

Expertise and Effort

Comparison of Intermediary Approaches

Business Brokers

- Minimal Due Diligence
- Minimal Analysis and Discussion of Strategic Alternatives
- Limited Offering Materials

Investment Bankers

- Extensive Due Diligence
- Substantial Analysis and Discussion of Strategic Alternatives
- Comprehensive Offering Materials

Comparison of Intermediary Approaches (cont.)

Business Brokers

- Competitive Atmosphere Limited
- Sequential Negotiations

Investment Bankers

- Significant Actual or Potential Competition
- Often Use Auction Approach which Reduces Negotiation Required

Comparison of Intermediary Approaches (cont.)

Business Brokers

- Communications with Buyers Not Strictly Controlled, Intermediary often Only Lightly Involved

Investment Bankers

- Communications with Buyer(s) Strictly Controlled

Why Deals Fail

- Surprises Late in Process
 - Inadequate due diligence
 - Lack of full disclosure
 - Improper financial presentation
- Not Meeting Forecast

Why Deals Fail (cont.)

- Not Attractive Opportunity in the First Place
- No Competition/No Fall Back (Weak Positioning)
- Lack of Trust (Inconsistencies, Errors, Obvious Lack of Knowledge/Reliability)