



Getting Projects Over The Finish Line

Capital Markets Review

Capital Sources And Availability
Market Trends
Funding Statistics

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Private Capital Markets

Situation Summary

- Bank loans began contracting in late 2008, and continue to do so
 - About 2/3 of small and medium size business loans are rejected
 - The number of FDIC classified “troubled” banks has risen dramatically – banks are skittish
 - Privately, bank executives concede that regulators are much more involved in their activities as compared to 3 years ago
 - For new and young ventures/businesses, banks are unlikely to provide funding – companies should seek other alternatives

- Investment funds have about \$400 billion in cash for private investment purposes
 - These funds actively invest in small and medium size businesses and projects
 - Much of this money must be invested in the next 2-3 years in order to comply with fund agreements

Private Capital Markets

Situation Summary

- Venture capital and IPO markets show signs of strength

- Asset based lenders, who lend as a percentage of accounts receivable, inventory and other assets, have accelerated their loan activity in 2010
 - Bank borrowers are refinancing as a result of uncooperative banks and the need for more stable capital sources

- Strategic investors (operating and industrial companies) may seek to accelerate their investment activity
 - Ample cash on corporate balance sheets can fill a void left by banks

Private Capital Markets

Looking Forward

- For emerging/growing businesses, depending on banks is a risky proposition – negative lending trends may not change before 2012
- Private funds and other alternative finance providers are the best source of capital for many businesses
- Strategic investors will probably be active

Sources Of Capital

Traditional And “Non-Traditional” Sources

Traditional financing sources

- Banks
- Insurance companies
- Leasing companies
- Friends and family
- IPOs and venture capital

Non-Traditional financing sources

- Investment funds – manage money for pensions, endowment funds and other money pools
- Asset based lenders and specialty finance companies
- Family offices
- Industrial and operating companies – strategic investors
- Specialized bank finance subsidiaries

Capital Market Trends And Characteristics

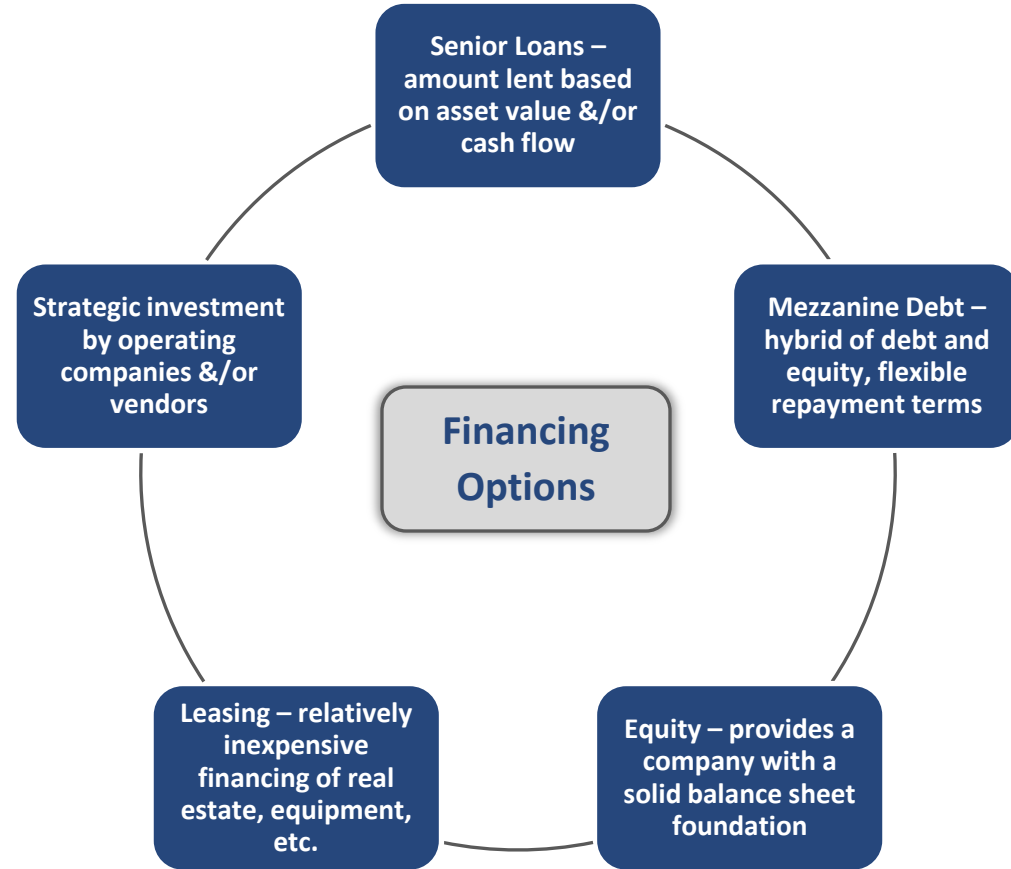
Primary Capital Sources For Businesses – Second Quarter 2010

Bank Loans	<ul style="list-style-type: none"> • Down trend - 2/3 of company loan requests are rejected
Asset Based Lenders	<ul style="list-style-type: none"> • Up trend - volume and deal activity have accelerated
Private Investment Funds	<ul style="list-style-type: none"> • Up trend - \$400 billion to invest
Venture Capital	<ul style="list-style-type: none"> • Up trend - over \$6 billion deployed in 2Q 2010
High Yield/Institutional Loans	<ul style="list-style-type: none"> • Stable/down trend - activity has slowed of late
IPOs	<ul style="list-style-type: none"> • Stable/up trend - market shows signs of rebounding
Operating Companies & Strategic Investors	<ul style="list-style-type: none"> • Up trend – larger companies are seeking to partner with smaller firms

Funding Alternatives

Types Of Capital

- **Senior loans** – from banks, asset based lenders and specialized lenders, collateralized by certain assets in a transaction
- **Equity investment** – solid balance sheet foundation for the acquired company
- **Mezzanine debt** – a hybrid between equity and mezzanine debt, helps to bridge funding gaps between senior debt and equity
- **Joint venture or strategic equity investment** with a strategic investor/company, e.g. a company with complimentary products or a vendor; usually in the form of equity plus sales royalty
- **Leasing** of real estate, equipment and/or other assets
- **Combined financing** – often more than one option is used to fund a deal, e.g. many deals are funded utilizing senior debt and equity

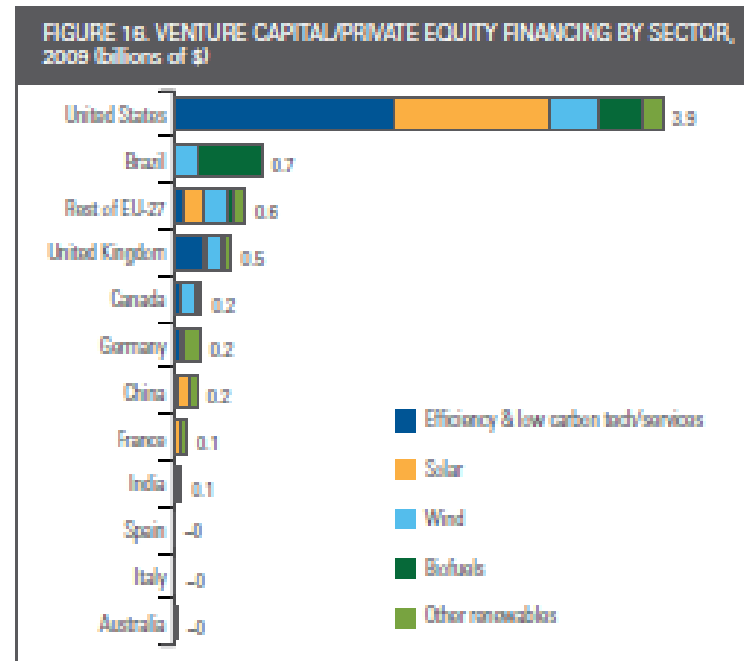
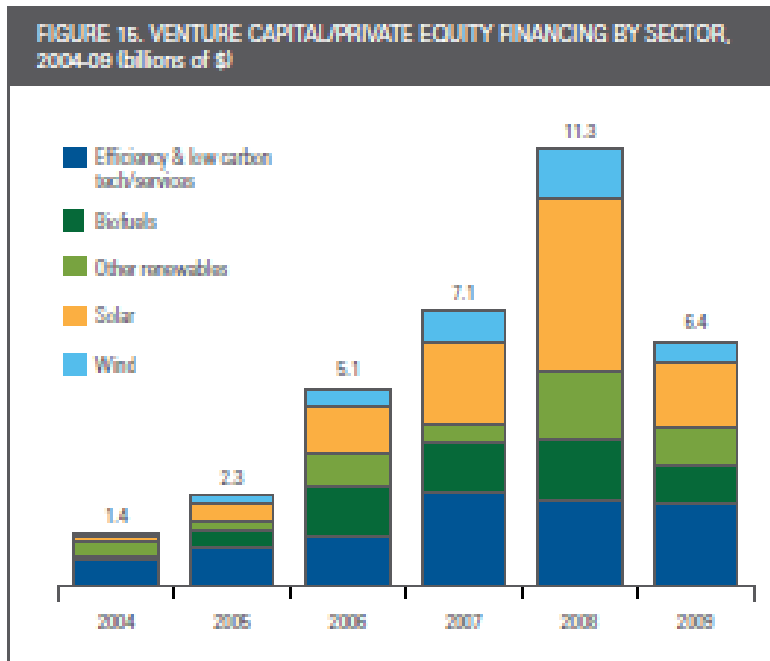


Small And Medium Size Companies

Clean Technology – Popular With Early Stage Investors

- Venture capital is playing a huge role in financing clean tech

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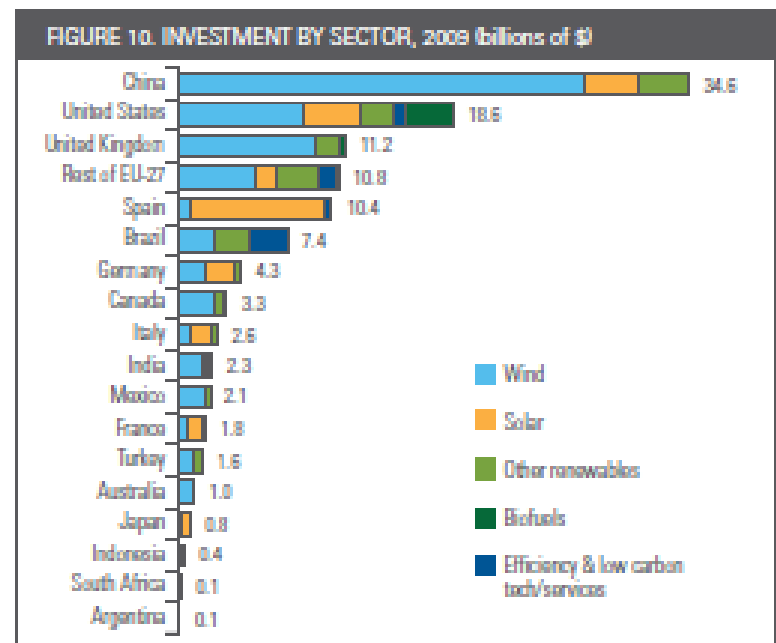
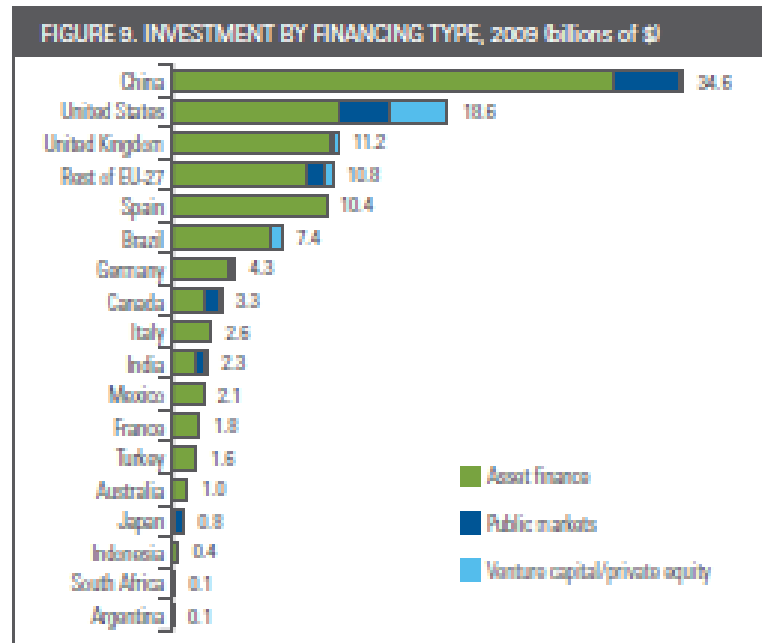


Source: Pew Charitable Trust

Small And Medium Size Companies

Clean Energy Investment Worldwide – US Is Second To China

- Wind and solar are the leading sectors

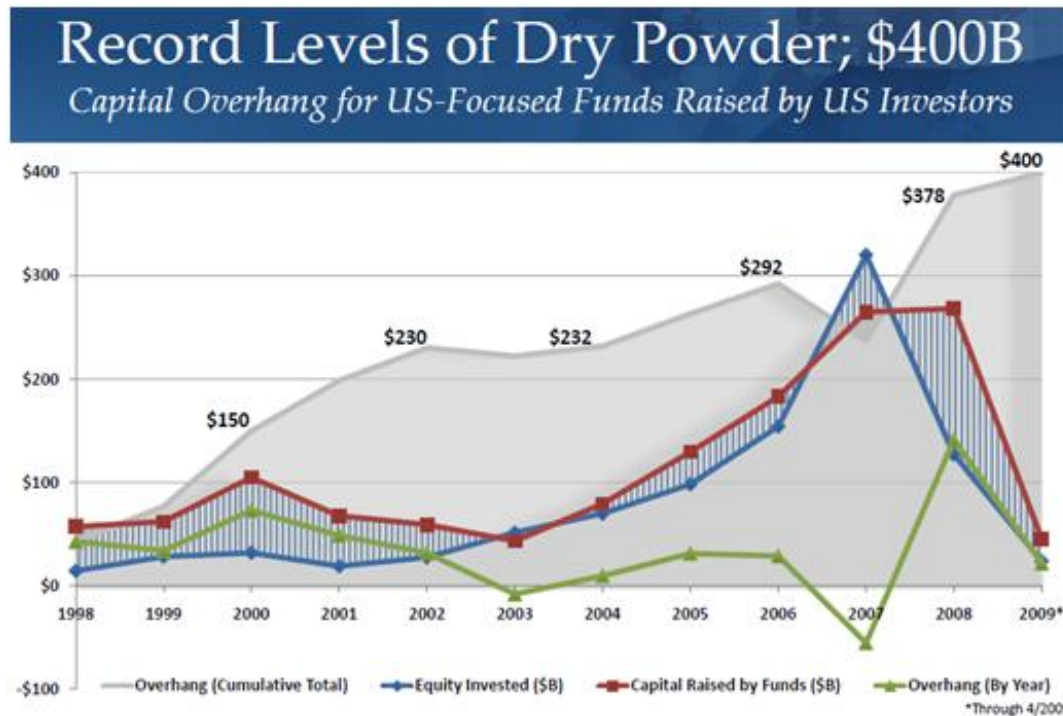


Source: Pew Charitable Trust, The Cleantech Group

Private Investment Funds

Flush With Cash - \$400 Billion To Invest As Of Year End 2009

- According to Preqin, an investment research group, 420 new clean tech funds have started in the last five years
- In 2009, on average over \$500 million was raised **each week** for investment in clean tech and energy – nearly \$27 billion in total



Source: Pitchbook

Getting A Deal Done

Investor Requirements

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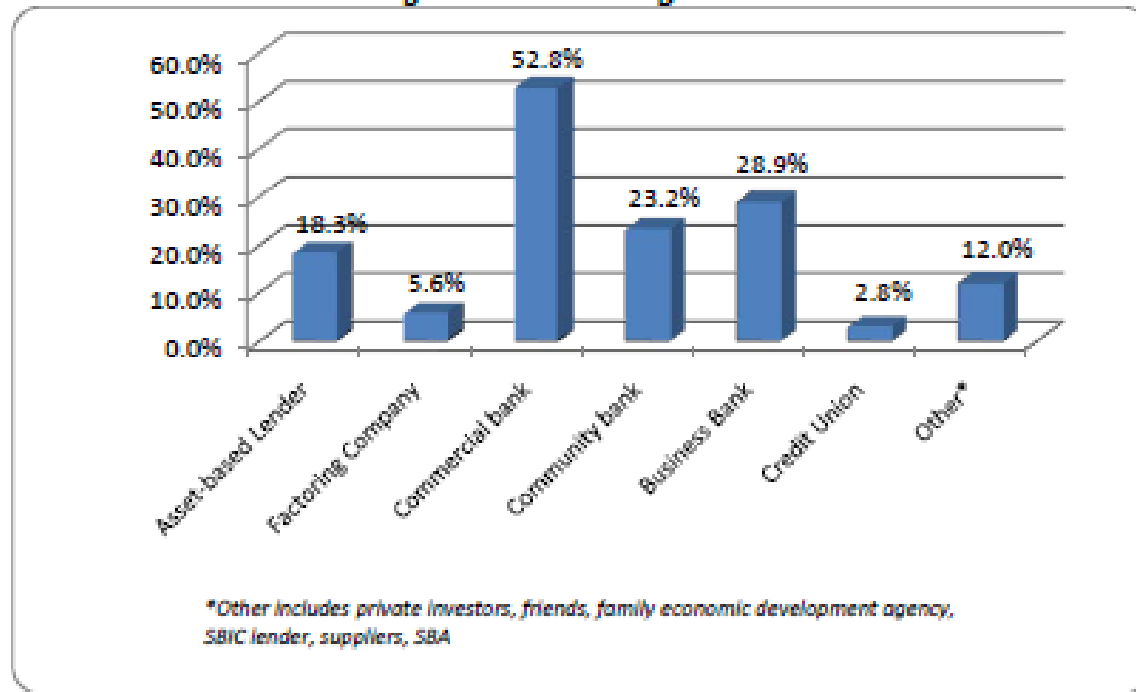
Appendix

Small And Medium Size Companies

These Companies Traditionally Depend Heavily On Banks

- Historically, banks are by far the most important source of capital for small and medium size businesses

Figure 131. Borrowing Sources



Source: Pepperdine Private Capital Markets Survey 2010

Banks

Tightening Credit Standards – Bad For Small And Medium Size Businesses

- Lending has contracted - availability of bank credit has become highly uncertain
- Commercial and industrial loan growth was down about 20% in 2009
- Recently 2/3 of business loan requests have been turned down

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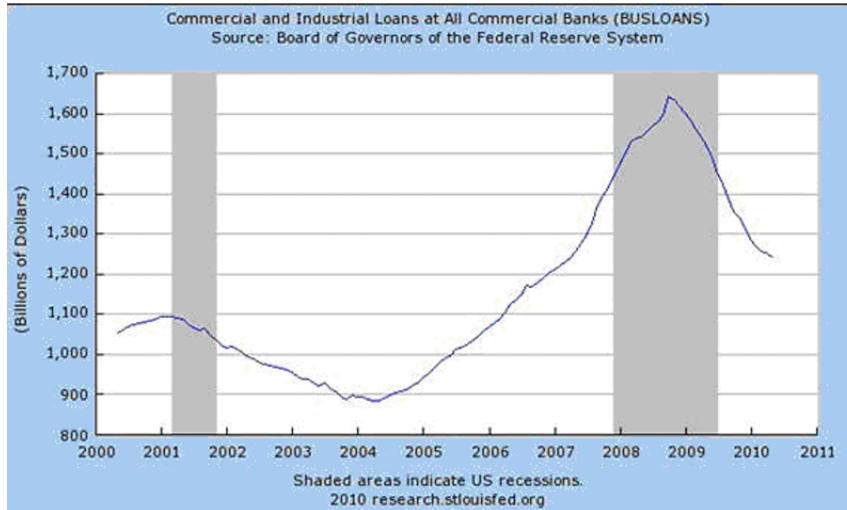


Table 2. Action Taken on Loans

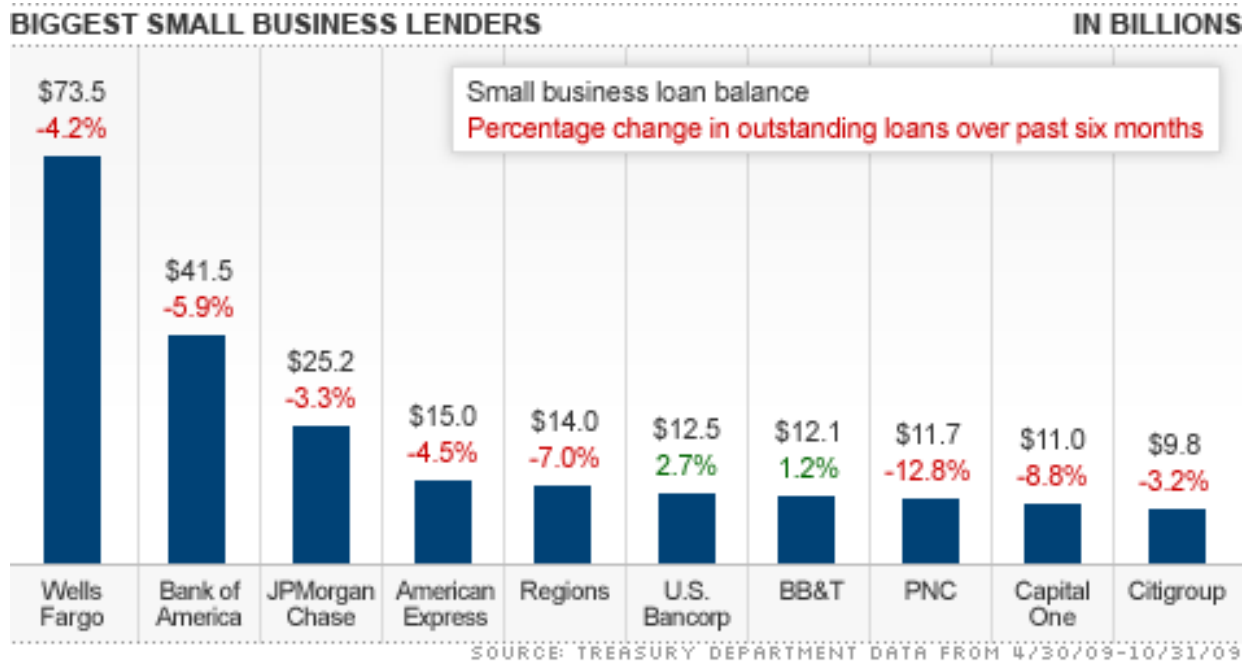
	Declined %	Offer %	Book to offer %
Cash flow-based	67.3%	31.7%	58.6%
Collateral-based	63.3%	36.7%	60.4%
Real estate-based	60.3%	39.0%	75.6%

Source: Federal Reserve, Pepperdine Private Capital Markets Survey 2010

Banks

Large Banks Are Not Providing Support To Small Businesses

- Small business lending at most large banks has decreased
- Increased regulatory scrutiny has contributed to banks becoming somewhat paralyzed



Sources: www.huffingtonpost.com/rj-eskow/big-banks-vs-american-bus_b_612202.html
 US Treasury Department

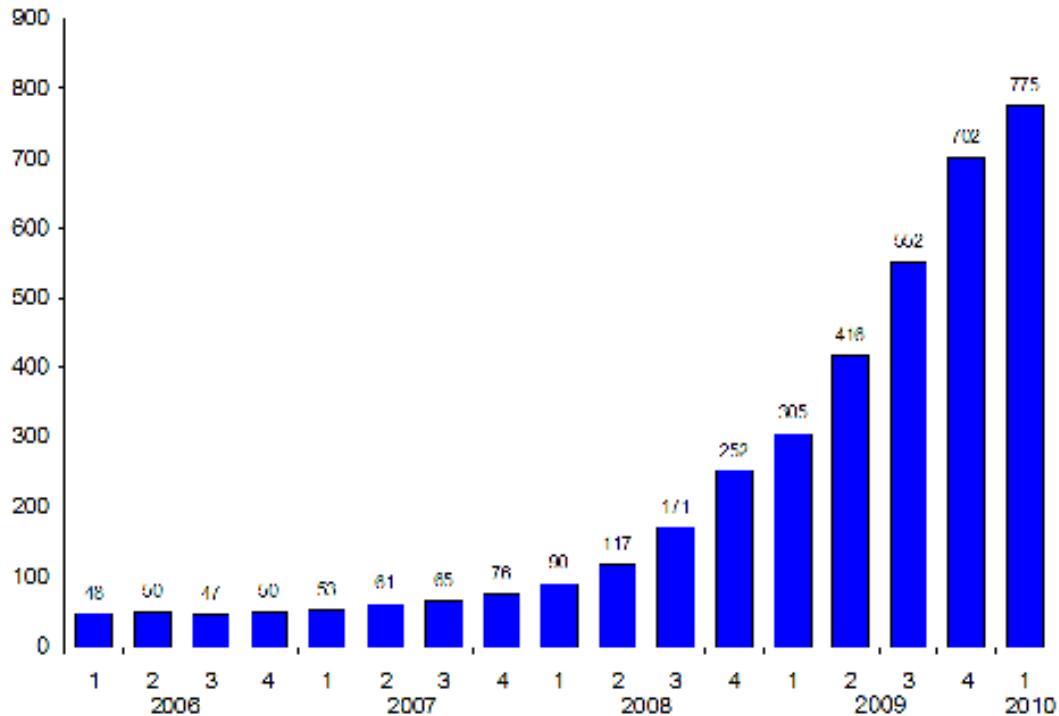
Banks

An Increasing Number Of Banks Are On The FDIC's "Troubled Bank" List

- Financial problems are causing numerous banks to curtail lending activity
- From 90 troubled banks in the first quarter of 2008 to 775 in 2010

Number of FDIC-Insured "Problem" Institutions, 2006-2010

Number of Institutions



Source: FDIC

Asset Based Lenders

Volume Trends Are Up, Bank Loans Are Being Refinanced

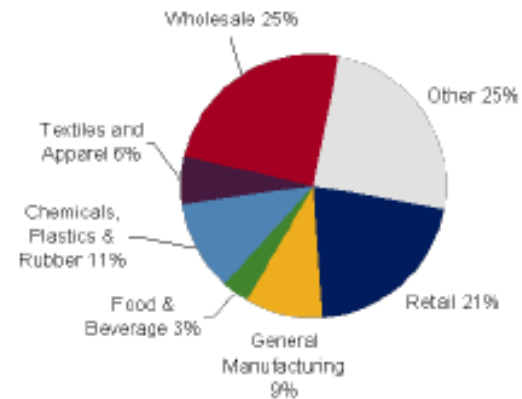
- As banks continue to curtail lending activities, asset based lenders (“ABL”) are providing more loans - \$29 billion so far in 2010
- Many companies have ample assets and are able to arrange attractive asset based loan facilities – ABL’s are active in a variety of industries

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ABL Volume Trends



1H10 Volume by Industry



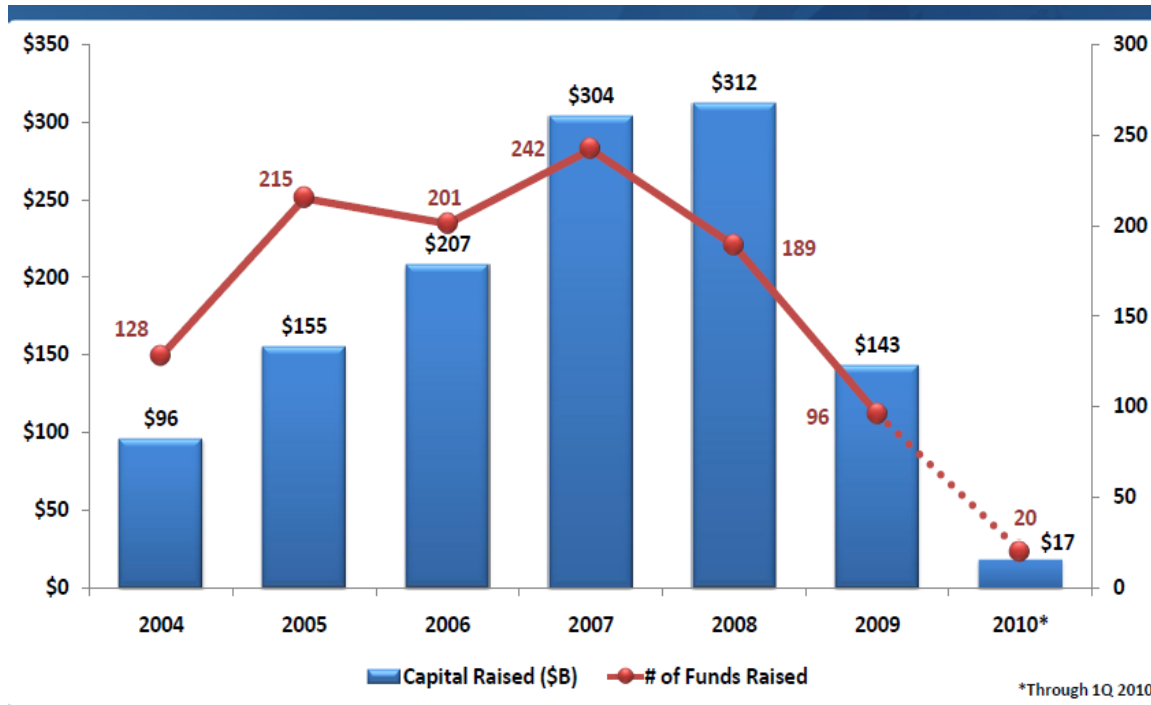
Sources: Bank of America Merrill Lynch, Thompson Reuters LPC

Private Investment Funds

Significant Fund Money Is Available

- Private funds, who raise capital from large “money pools” such as pension funds, college endowments, banks and insurance companies, have raised over \$700 billion since 2007

Capital and Number of Investment Funds Raised



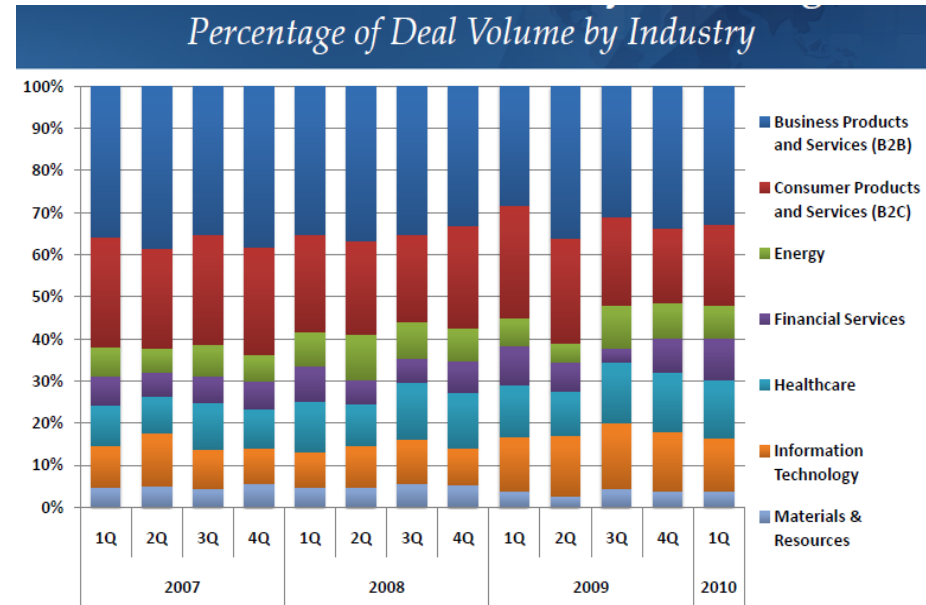
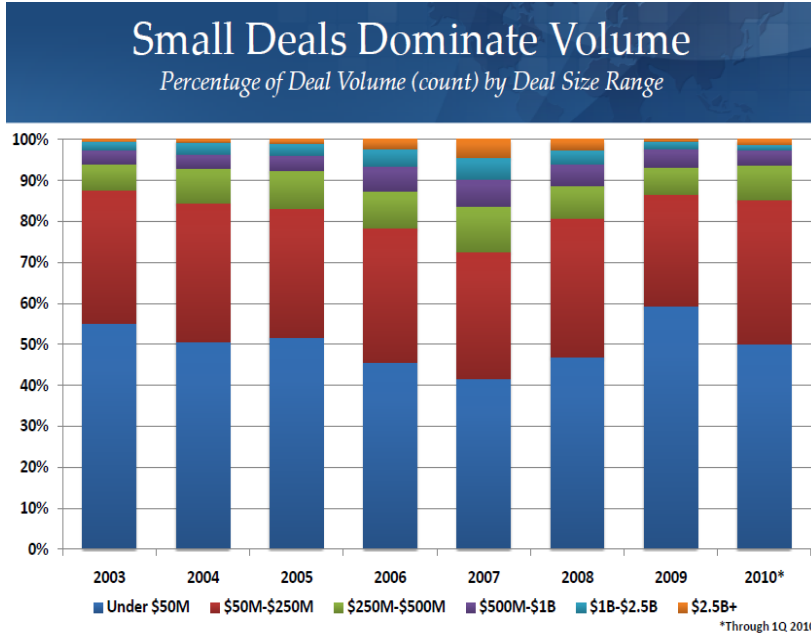
Source: Pitchbook

Private Investment Funds

Highly Active With Financing Deals From \$1 – 250 Million

- Private funds provide financing to companies in a wide variety of industries

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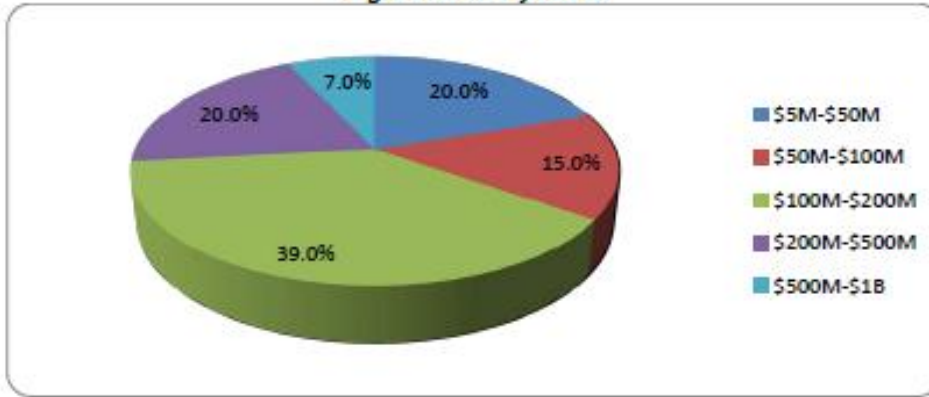
Over 50% of deals are less than \$50 million
Over 80% are \$250 million or less

Source: Pitchbook

Private Investment Funds

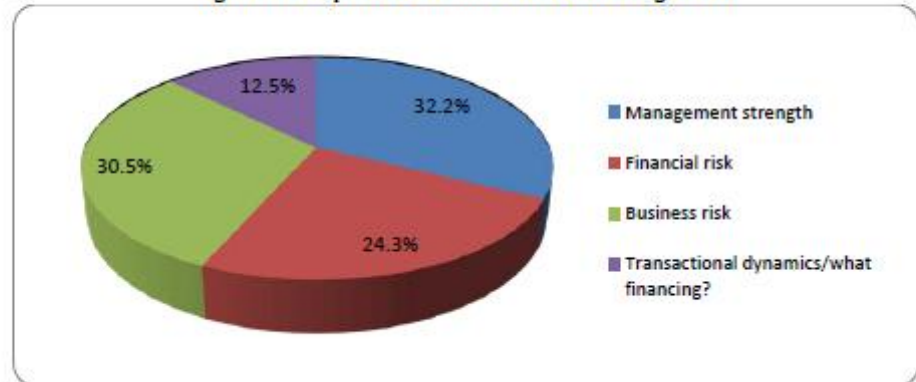
Funds Vary In Asset Size, And They Focus On Management Acumen

Figure 26. Size of Funds



When extending a loan, mezzanine funds report the following factors as being important in order of weight: management strength, business risk, financial risk, and transactional dynamics.

Figure 36. Important Factors When Extending Credit



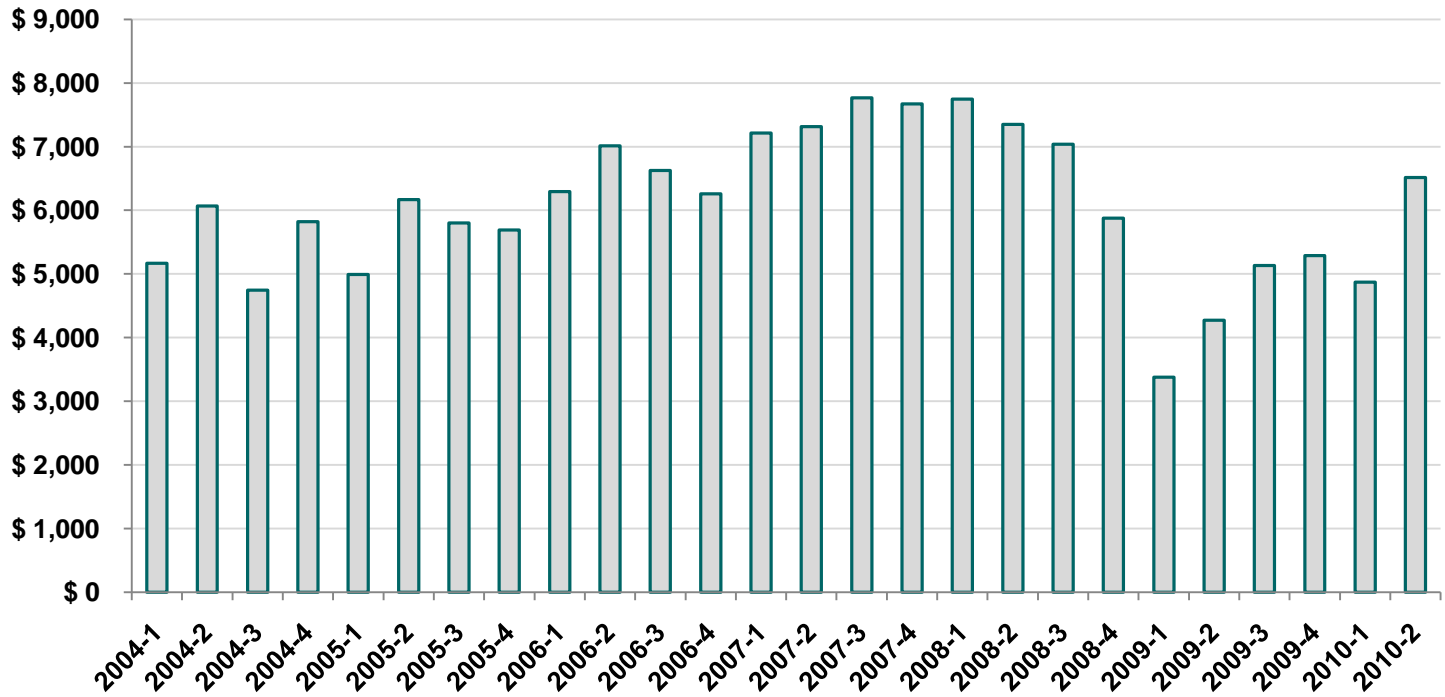
Source: Pepperdine Private Capital Markets Survey 2010

Venture Capital

Steady Deployment Of Capital, Rising Trend

- Activity has doubled since the first quarter of 2009 to over \$6 billion in 2Q 2010

Venture Capital Investments Per Quarter
(\$ in millions)

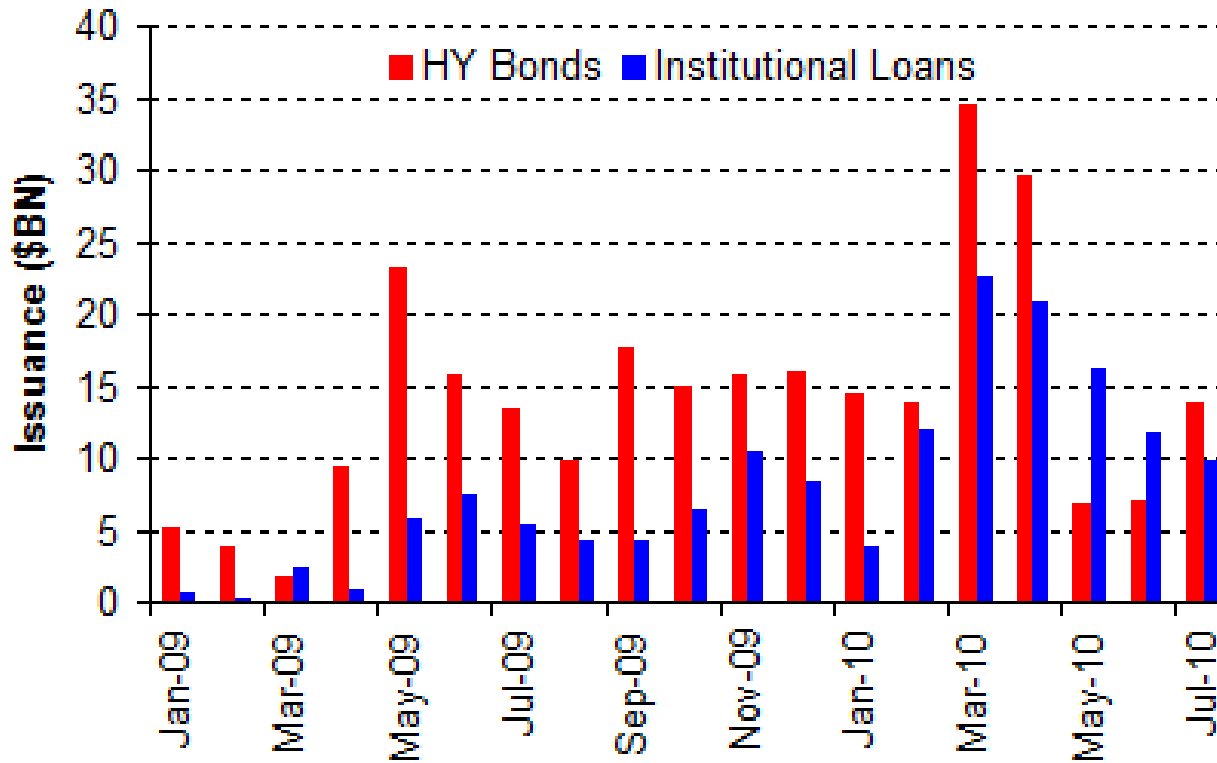


Source: PricewaterhouseCoopers

High Yield Bonds And Institutional Loans

New Issuance Now Trending Down

- The High Yield bond market is calming down after huge months of issuance during the Spring of 2010



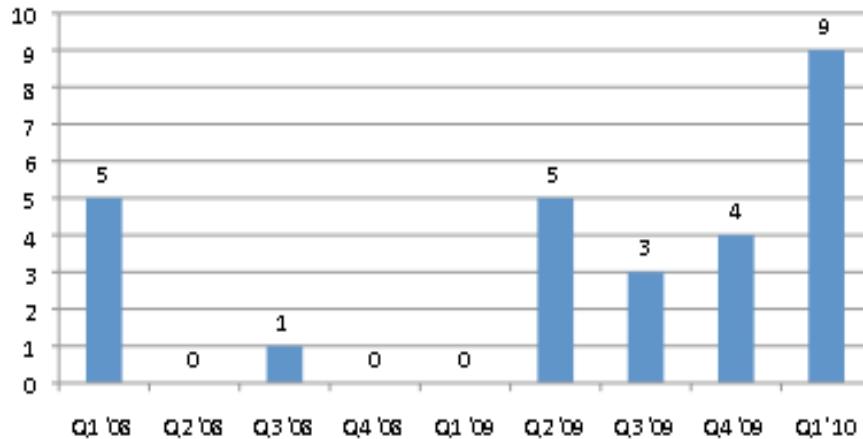
Source: Thomson Reuters LPC

IPO Market

Activity Has Improved After A Moribund 2008/2009

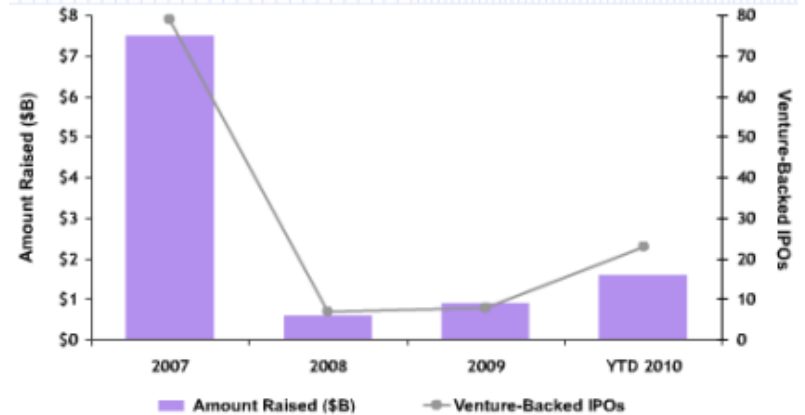
- IPOs are still down considerably from 2007

Total Venture Backed IPOs



IPO Market Gains Momentum

Number of IPOs & Total Amount Raised, 2007 – Q2 2010



Sources: National Venture Capital Association , http://www.techflash.com/seattle/2010/07/ipo_market_shows_signs_of_life.html

Summary/Conclusion

Capital Is Available For Small And Mid Size Companies

- Private funds and asset based lenders are the best alternatives for many companies – these capital providers have cash and are actively deploying it
- Management skill is a key consideration to investors
- Fund investors built up significant capital during 2007-2009 – many of them focus on small and medium size businesses
- Bank credit is tight and probably will continue to be – presently, banks are the laggards in the financial industry
- Venture capital has gained momentum, and IPO activity is showing signs of life
- Capital is available for good companies and projects – companies just need to know how to access this capital

River Capital Partners LLC (“RCP”) is a niche investment banking firm located in the Charlotte NC area. Senior personnel at RCP average 20 years in the finance industry, and they have worked with some of the most well known investment banks and capital markets firms in the world.

RCP specializes in assisting management teams with identifying prospective investors and lenders, structuring financing transactions, and with securing funding for businesses. The people at RCP have worked in a wide variety of industries including energy, telecommunications, retail, media, distribution, business services, manufacturing, clean energy, real estate and many others. During their careers the people at RCP have been involved in over \$5 billion of financing transactions.

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