



RECOGNIZING DIRECT INVESTMENT OPPORTUNITIES

George Jones

PRIOR EXPERIENCE

- CEO of **Borders**
- CEO of **Saks Department Store Group**
- President of **Warner Bros. Consumer Products**
- CEO of **Roses Stores**
- EVP of **Target**
- Boards of **Liz Claiborne** and **Guitar Center**

BORDERS[®]



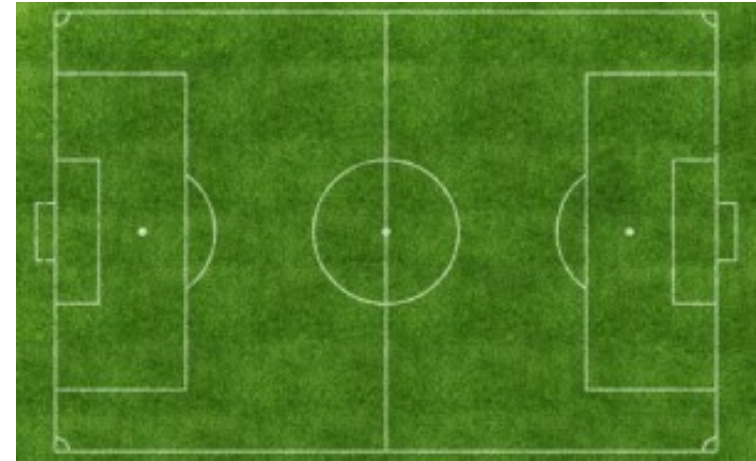
IN TERMS OF STRATEGY, 4 TYPES OF COMPANIES

- No clearly defined longer-term strategy
- Wrong strategy
- Right strategy, but poor execution
- Right strategy, properly executed



UNDERSTAND THE PLAYING FIELD

- Weak sector, low prospects for future growth
- Healthy sector with good growth potential, but exceptionally competitive
- Sector with clear, not fully exploited growth opportunities



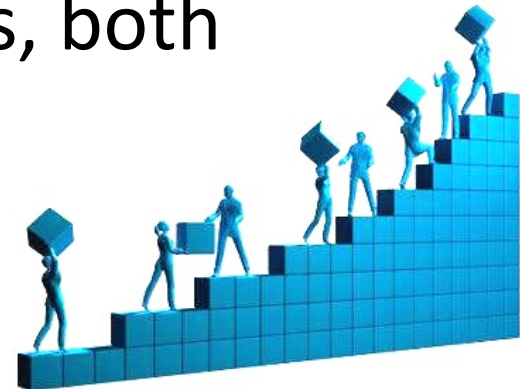
HOW DOES THE COMPANY STACK UP VERSUS COMPETITORS?

- MUST be a reason for customer to buy here versus competition



IF THE COMPANY IS PERFORMING WELL, EVALUATE FUTURE GROWTH POTENTIAL

- Future outlook for sector
- Estimate potential for incremental sales from current real estate/assets
- Quantify potential of ecommerce growth
- Determine expansion opportunities, both domestic and international
- Determine exit scenarios



IF THE COMPANY IS NOT PERFORMING WELL, HOW DIFFICULT IS IT TO FIX?

- Fixable with a revamped strategy and/or improved execution?
- How much will it cost and how long will it take?
- Is the current leadership strong enough to fix, with the right funding and direction, or will a change be required?



MUST HAVE THE RIGHT CEO

- If incumbent appears strong, determine why company has been underperforming or not achieving potential
- CEO must be action-oriented and a problem solver. Preferably experience fixing a company.
- Must have track record of building a strong management team
- The RIGHT CEO will build a strong management team, which is essential



MUST HAVE THE RIGHT CFO

- Pre-requisite financial background, preferably in same industry.
- Top priorities - Don't do anything illegal and "keep the company out of the ditch."
- Must always be looking ahead, anticipate potential problems



DON'T OVERPAY

- Proprietary deals are most desirable. If possible, best to avoid an auction process
- Okay to pay a competitive EBITDA multiple if you determine the growth opportunity warrants and desired IRR is achievable
- Don't pay for improvements you will need to make
- Understand and allow for additional funding which may be needed



EXPERTISE REQUIRED TO MANAGE INVESTMENT

- If you don't know the industry well, best to have a partner who does
- Big advantage if General Partner has prerequisite industry experience and knowledge
- General Partner should have a track record of successfully overseeing companies and creating incremental shareholder value





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