

Alderman & Company Advisors

Investment Advisory Practice



Investment Advisors to the Aerospace and Defense Industry

Alderman & Company Advisors, LLC, is a registered investment advisory firm that provides investment advice to institutional investors exclusively in regard to securities of companies in the aerospace and defense industries.

Registered with the State of Connecticut Department of Banking

Qualifications

Alderman & Company Advisors is a highly respected investment advisor exclusively serving institutional clients investing in the aerospace and defense industry.

WILLIAM H. ALDERMAN



Mr. Alderman started his career at Bankers Trust Company and has held senior positions in investment management and corporate development at GE Capital, Aviation Sales Company, and most recently, as Managing Director of the aviation investment banking practice at Fieldstone. He also serves on the Board of Zan Alpha Growth & Opportunity Fund and TeamStaff (NASD: TSTF). Mr. Alderman has extensive training, expertise, and experience in the field of business valuations in the aerospace and defense industry and is considered a business valuation litigation expert. He has been quoted in leading publications and networks, including CBS, CNN, Bloomberg, Dow Jones/*The Wall Street Journal*, *USA Today*, *Forbes*, *The Los Angeles Times*, and *The Washington Post*. Mr. Alderman has also been a keynote speaker regarding valuations and mergers and acquisitions in the aerospace and defense industry at leading conferences throughout Europe and the United States. Mr. Alderman has been an FAA-licensed pilot since 1983, and a member of the Wings Club of New York since 1992. Mr. Alderman, age 45, has two daughters and resides in Norwalk, Connecticut.

PROFESSIONAL LICENSES

NASD: Series 7, General Securities Representative

NASD: Series 24, General Securities Principal

NASD: Series 63, Uniform Securities Agent

NASD: Series 65, Investment Advisor Representative

FAA: Pilot's License (PPSEL) with complex and high-performance type ratings

EDUCATION

MBA, J. L. Kellogg Graduate School of Management, 1989. Majors in Finance and Marketing; Minor in Accounting. GPA 3.6/4.0.

AB Kenyon College, 1984. Major in History. Academic All-Ohio Soccer Team 1983, Kearney Award for outstanding sportsmanship 1981, 1982.

PROFESSIONAL EXPERIENCE

2001 – Present: *Alderman & Co.*

In March, 2001, Mr. Alderman founded Alderman & Co. to service the aerospace and defense industry, with a specialization in the middle market. His success is shown in the quality of the firm's clientele, which includes some of the world's most respected aerospace and defense companies.

PROFESSIONAL EXPERIENCE (continued)**1999 – 2001: *Fieldstone, New York, NY***

Mr. Alderman joined Fieldstone in 1999 as Managing Director of its Aviation Practice, responsible for securities transactions with North American clients in the aerospace and defense industry. Services provided included private placements, leveraged buyouts, mergers and acquisitions, strategic financial planning, and business valuations. Mr. Alderman exceeded his budget in each reporting period with Fieldstone, including such measures as transaction originations and fee generation.

1996 – 1999: *Aviation Sales Company, Miami, FL*

Mr. Alderman joined Aviation Sales Company as Senior Vice President responsible for Sales & Marketing, Military Programs, Corporate Strategy, and Mergers and Acquisitions immediately following the initial public offering of the company and its listing on the New York Stock Exchange in 1996. By 1999, the company had completed 10 acquisitions, had total revenues in excess of \$700 million and nearly 3,000 employees. Mr. Alderman's specific responsibilities included business valuations, developing corporate strategy, presenting acquisition opportunities to the board of directors, and structuring, documenting and integration planning for mergers and acquisitions.

1991 – 1995: *General Electric Company, Stamford, CT*

Mr. Alderman joined GE Capital in 1991 as a Registered Securities Representative and Senior Associate. He continued working in investment banking, with a specific focus on the aviation industry. During his five-year career at GE Capital, Mr. Alderman completed more than \$1 billion in financings, private placements, and mergers and acquisitions in aerospace and defense industry. Approximately every 18 months, Mr. Alderman was promoted, eventually rising to the position of Vice President in 1994. As evidence of excellence in his field, Mr. Alderman received the coveted GE Capital Circle of Excellence award in 1994.

1989 – 1990: *Bankers Trust Company, New York, NY*

Mr. Alderman gained his initial professional business valuation experience serving as a Registered Securities Representative and Investment Banking Associate of BT Securities, the securities unit of Bankers Trust Company. There, as a member of the Investment Banking Associates Training Program, he received extensive professional training in such areas as business valuations, securities regulation and transaction execution, private placements, leveraged buyouts and mergers and acquisitions.

Clients

The following is a partial list of institutional clients who have been provided investment advice by one or more of the following: William H. Alderman individually; Alderman & Co., LLC; and Alderman & Company Advisors, LLC.

Angelo Gordon

Fortress Capital

Loeb Partners

Marathon Capital

Mason Capital

Mellon Bank

Orn Capital

Ritchie Capital

Sandell Asset Management

Strategic Value Partners

Wynnefield Capital

Investment Advisory Process

Alderman & Company Advisors, LLC, bases all of its investment work on traditional fundamental valuation analysis and our belief that as securities analysts our function is to try to predict the price at which a willing buyer and a willing seller would enter into a transaction to exchange their securities of a business. Given that buying securities is a human endeavor, and future human behavior is impossible to predict with certainty, it is similarly impossible to predict the exact value at which a willing buyer and a willing seller will exchange a security. Furthermore, there are substantial non-cash costs and benefits to be negotiated and considered in the sale of any security, including but not limited to, the following:

- Control
- Related employment, severance and non-compete agreements
- Structure (asset vs. stock sale)
- Taxation
- Known and unknown liabilities
- Product and environmental liabilities
- Changing technologies
- Changing customer behavior

As valuation fundamentalists, we seek to predict the future behavior of likely buyers for the subject security. To do so, Alderman & Company Advisors, LLC, utilizes its expert knowledge of the middle market of the aerospace and defense industry to forecast industry and program demands and optimally predict the future cash flows of the company that has issued the target security.

By using industry-based forecasts and models, Alderman & Company Advisors, LLC, is able to generate securities pricing models that are tied to expected future market performance. Our company-developed securities valuation approach comes from our expert knowledge of the market for middle market aerospace and defense companies and our years of experience working with investors, managers, buyers, and sellers of these types of companies.

Specifically, Alderman & Company Advisors, LLC, employs three separate valuation methods to develop a holistic view of the value of the business. These three methods include the Income Method, the Market Method and the Replacement Cost Method, all described on the following pages.

Valuation Methods

The Income Method

The Income Valuation Method is built on the assumption that investors in a business will formulate their view of the value of a business based upon their expectation of the future income (or free cash flow) that the business will generate. This method of valuation is highly sensitive to subjective assessments of the future performance of a business and to the discount rate to be used to discount those cash flows. This method is also sensitive to the expected holding period for the buyer (also called the life of the investment, which is often expressed mathematically via a perpetuity cash flow or exit multiple).

Clearly, the company's future performance is the single most critical variable under the income valuation method. While it is impossible to actually know in advance what a given company's future cash flows will be, Alderman & Company Advisors, LLC's substantial experience in working with middle market aerospace and defense companies gives us excellent guidance into predicting the future cash flows of companies in the middle market of the aerospace and defense industry. In summary, Income Method valuations are only accurate in valuing securities when the projections utilized in the valuation are closely aligned with the actual future performance of the subject company.

To develop our Income Method based securities prices, we utilize a proprietary Discounted Cash Flow ("DCF") model that we have developed in-house and modified extensively during the six years that we have been using it. The model, in base form, is roughly 20 pages in length and includes a complete forecast for balance sheets, income statements, and cash flow statements, typically for a five-year projection period. In addition to securities pricing, our DCF models have been used to buy and sell companies and for expert witness testimony in complex litigation. Sample DCF models can be provided to prospective clients, upon request, following execution of an agreement of confidentiality.

The Market Method

The Market Valuation Method assumes that there exists a market for securities similar to the subject security and that the subject security should trade at a comparable price. The greatest difficulty with this method is in identifying securities of companies that are truly comparable to the subject security, in terms of all attributes including but not limited to programs and backlog. Alderman exerts considerable effort to track middle market companies in the aerospace and defense industry, and maintains a database of companies and the aerospace and defense programs that drive their earnings. This method is often referred to as the Comparable Transactions method or "Comps." Based upon the fact that most investors in middle market aerospace companies tend to use multiples of trailing EBITDA (earnings before interest, taxes, depreciation and amortization) and multiples of trailing revenue, these are the two market value methods most frequently utilized by Alderman & Company Advisors, LLC.

EBITDA Multiple: $\text{Adjusted EBITDA} \times (\sum \text{Price} / \sum \text{EBITDA})$

Revenue Multiple: $\text{Revenue} \times (\sum \text{Price} / \sum \text{Revenue})$

Replacement Cost Method

The Replacement Cost Method is used less often than the other two methods to value securities in the middle market of the aerospace and defense industry. However, some investors in aerospace and defense securities study replacement cost when investing in this market.

Often, the complexity in developing a valuation under the replacement cost method is in dealing with intangible assets, including but not limited to, goodwill, trade names, intellectual property, patents, proprietary technology and knowledge, customer relationships and customer lists. Given our active and extensive knowledge of this market, Alderman & Company Advisors, LLC, is extremely well-positioned to provide expert guidance in regard to replacement cost securities analysis.

WEIGHTING

Finally, we weigh the three valuation methods noted above to develop a holistic view of the value of a security. Which methods and the exact models that we will use depends on numerous variables, including but not limited to, the type of company, unique attributes of the business, and current market conditions. Based upon our experience and knowledge of the target company's markets and specifics of the target security, Alderman & Company Advisors develops a weighting that we believe most accurately sets forth the current value of the subject security.

VALUATION PROCESS

While each investment advisory engagement is tailored to the specific needs of the client, most of our securities recommendations are built on the following procedures:

- Collecting and studying available historic financial data, including but not limited to:
 - Financial statements
 - SEC Filings
 - Annual Reports
- Collecting publicly available business data, including but not limited to:
 - Backlog (by program, by customer)
 - Known new products under development
 - Changes in company and market technologies
- Financial Modeling and Analysis
 - Security Valuation
 - Investment Report Drafting

PRICING

Alderman & Company Advisors provides investment advisory services on an hourly basis. Our hourly fee is \$450.00.

Form ADV II

Alderman & Company Advisors, LLC, is registered with the State of Connecticut Department of Banking. In compliance with the banking regulations of the State of Connecticut, Alderman & Company Advisors' Form ADV II is available on the Company web site: www.aldermanadvisors.com.

No Solicitation or Investment Advice

Alderman & Company Advisors, LLC, only provides investment advice to institutional clients. The material contained in this brochure is for informational purposes only and Alderman & Company Advisors, LLC, is not soliciting any action based upon such material. The material is not to be construed as an offer or a recommendation to buy or sell a security nor is it to be construed as investment advice. This publication is not intended to provide information upon which to base an investment decision, and should not be construed as such. The material presented reflects information known to the Alderman & Company Advisors, LLC, at the time this publication was written, and this information is subject to change. No warranties, expressed or implied, are made regarding the accuracy of this material. From time to time, officers, directors and members of Alderman & Company Advisors, LLC, or its affiliates may have positions in the securities of the companies which the firm covers and they may receive compensation that is affected by overall firm or affiliate profitability. Alderman & Company Advisors, LLC, or its affiliates may from time to time provide other services to companies that are the subject of investment recommendations.

The logo for Alderman & Company Advisors, featuring the company name in a serif font on a dark blue background.

INVESTMENT ADVISORS TO THE AEROSPACE & DEFENSE INDUSTRY

Alderman & Company Advisors, LLC
399 Main Avenue
Suite 516
Norwalk, CT 06851
(203) 274-6086
www.aldermanadvisors.com