

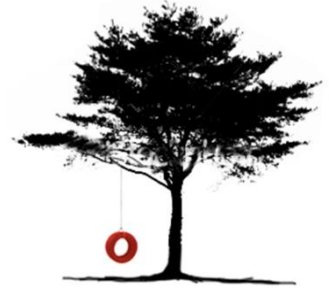
*Helping to Save Rural Commerce,
One Business at a Time*

June 2016

Special presentation to:



The Problem



Over 4K small/medium sized KS businesses risk being shuttered due to owner retirement and lack of successor

Impact:

- Loss of equity for owner
- Loss of tax base for community
- Loss of business services

Need:

- Educated, qualified, trained, mentored replacement management

The Solution



RedTire will act as a **matchmaker** between rural business owners and highly qualified graduates from various KS universities who have the expertise and ambition to run those businesses.

RedTire is a new venture from KU Entrepreneurship Works for Kansas, an initiative from the KU School of Business, working cooperatively with all regional universities

RedTire Program



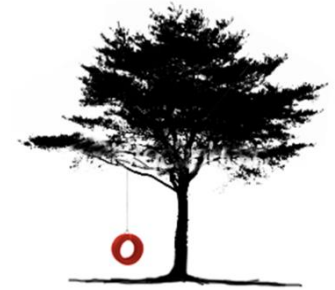
RedTire will:

- Find and qualify replacement owners
- Facilitate business ownership transition
- Provide post transaction mentoring to insure business growth

Single requirement: exiting owner ‘**re**defines **re**tirement’ and helps assure successful transition

RedTire is funded from a US Dept. of Commerce grant so services are free of charge

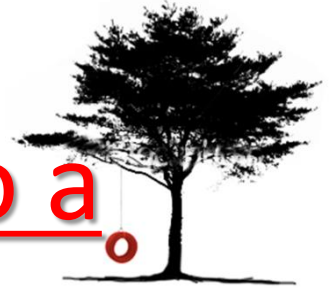
Current Status



REDTIRE TRANSACTIONS	# OF BUSINESSES	GROSS SALES / COLLECTIONS	# EMPLOYEES / JOBS
PROGRAM PARTICIPANTS	75	\$84.4M+	± 694 jobs
CURRENTLY ASSISTING	55	\$66.8M+	± 530 jobs
COMPLETED TRANSACTIONS	18	\$17.6M+	± 164 jobs

RedTire is assisting 55 companies, has helped 18 companies transition to new ownership and helped protect 164 jobs in Kansas

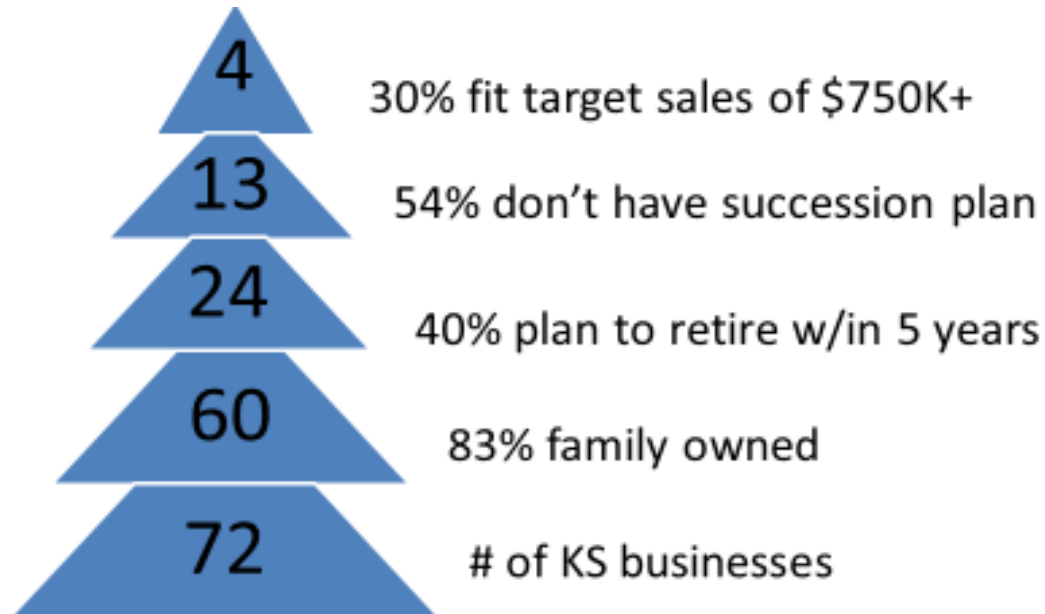
RedTire Provides Assistance to a Broad Range of Businesses



TYPE OF BUSINESS / TRANSACTION SEGMENT	# OF BUSINESSES	GROSS SALES / COLLECTIONS	Adj. EBITDA / SDE (PROFIT)	* VALUATION ESTIMATE	# EMPLOYEES / JOBS SAVED
Agricultural Businesses	1	\$1.25M+	\$0.18M+	\$0.5M+	8 Jobs
Dentistry Practices	17	\$10.56M+	\$3.42M+	\$7.38M+	97 Jobs
Financial Institutions	4	\$3.38M+	\$1.78M+	\$11.83M+	22 Jobs
Manufacturing Businesses	4	\$23.35M+	\$4.3M+	\$16.56M+	174 Jobs
Optometry Practices	3	\$2.6M+	\$0.85M+	\$1.94M+	24 Jobs
Other Medical Practices	2	\$3.35M+	\$0.47M+	\$1.34M+	21 Jobs
Pharmacy Practices	5	\$7.16M+	\$1.18M+	\$3.07M+	30 Jobs
Veterinary Practices	14	\$10.17M+	\$2.25M+	\$6.52M+	120 Jobs
Sundry / Misc. Businesses	5	\$4.95M+	\$1M+	\$2.76M+	34 Jobs
TOTAL BEING ASSISTED	55	\$66.8M+	\$15.4M+	\$51.9M+	± 530 jobs

** Valuation Estimate: for RedTire purposes excludes cash, receivables, inventory, liabilities and facilities.*

Opportunity



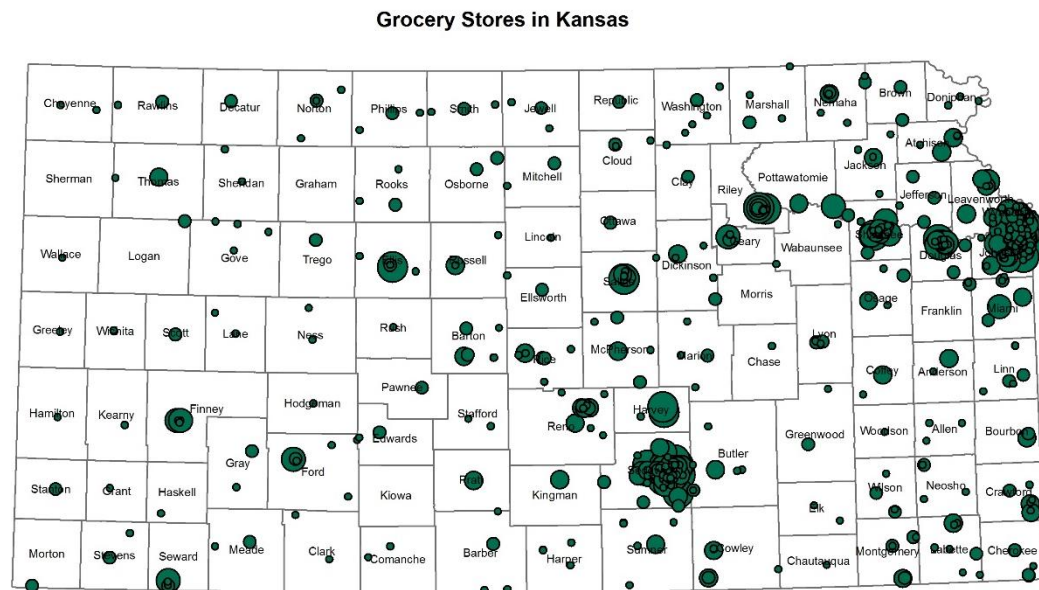
Sources: Mass Mutual, <www.usdce.org/fbf/downloads/2007_MM_familybusiness.pdf>"2007 American Family Business Survey", 2007, US Census Bureau, <<http://www.census.gov/epcd/www/smallbus.html>>2002, Statistics of US Business, 2002

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- 175 RedTire program participants
- 3825 more companies to serve

Rural Grocery Opportunity

- Avoiding the shuttering of rural grocery stores is critical to economic and quality of life maintenance in KS:
 - About 200 independent supermarkets, employing 10K and paying \$250M in taxes
 - Loss of even one outlet in some areas would mean significant hardship, each must be preserved and grown:

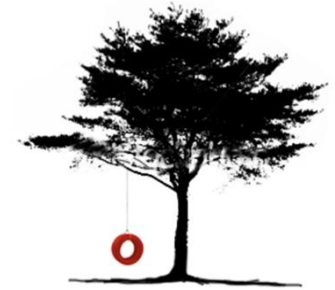


Source: Institute for Policy & Social Research, The University of Kansas; data from ESRI/Infogroup 2015.

Number of Employees

• 1 - 20

Summary



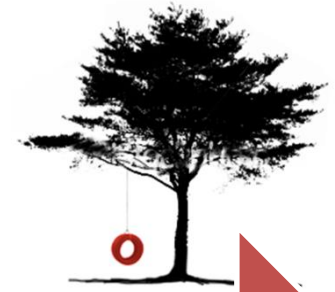
We believe:

- RedTire can be an effective address to the state and regional small business shuttering crisis; a staggering 1.3 million U.S. and 4,000 Kansas businesses don't have a succession plan in place
- RedTire can enhance rural community value and quality of life, potentially reducing current brain drain and population deterioration
- RedTire can maintain local economy strength and vibrancy
- Want to know more?
 - Visit www.redtire.org; write me at wmeyerjr@ku.edu



<http://www.redtire.org/>

RedTire Process Flow



Candidate Company Selection / Purchase Opportunities

Attributes:

- Essential Service
- Owner Retiring <5years
- Sales >\$500K

Process:

- Marketing Outreach
- NAICS / SIC / Industry
- “Fit” with Program
- SWOT & Web Listing
- Business Valuation

Current Status:

- 100+ Businesses involved
- 35+ Companies Assessed
- Working with Top 15

Identify / Evaluate Replacement Management Candidates

Candidate Profile:

- Management Skills
- Professional Qualifications
- Financially Qualified

Process:

- Identify Sources / Lists:
 - Regents Institution Alumni
 - Other Industry / Referrals
- Qualify Credentials
- “Fit” with Program

Current Status:

- 150+ Applicants
 - 60+ Veterinarians (DVM)
 - 50+ Pharmacists (PharmD / RhP)
 - 50+ Assortment Industries

Match Candidates and Business Opportunity

Process:

- Match Parties
- Review Valuation
- Compatibility / WB5P (WorkPlace Big 5 Profile)
- Nondisclosure (NDA)
- Arrange Introductory Meeting
- View Facilities / Location
- Present Sales Memorandum

Current Status:

- 10+ Deals in various stages of Transition
- 3 Deals Imminent

Navigate Ownership Transition

Steps / Meeting Process:

- Outline of Agreement (LOI)
- Introduce alternative financing resources
- Prepare Seller Financing Scenario
- Draft business transaction docs / legal outlines

Current Status:

- 1st Deal: Flint Hills Vet Hospital - Feb 2014
- 2nd & 3rd Deals being negotiated

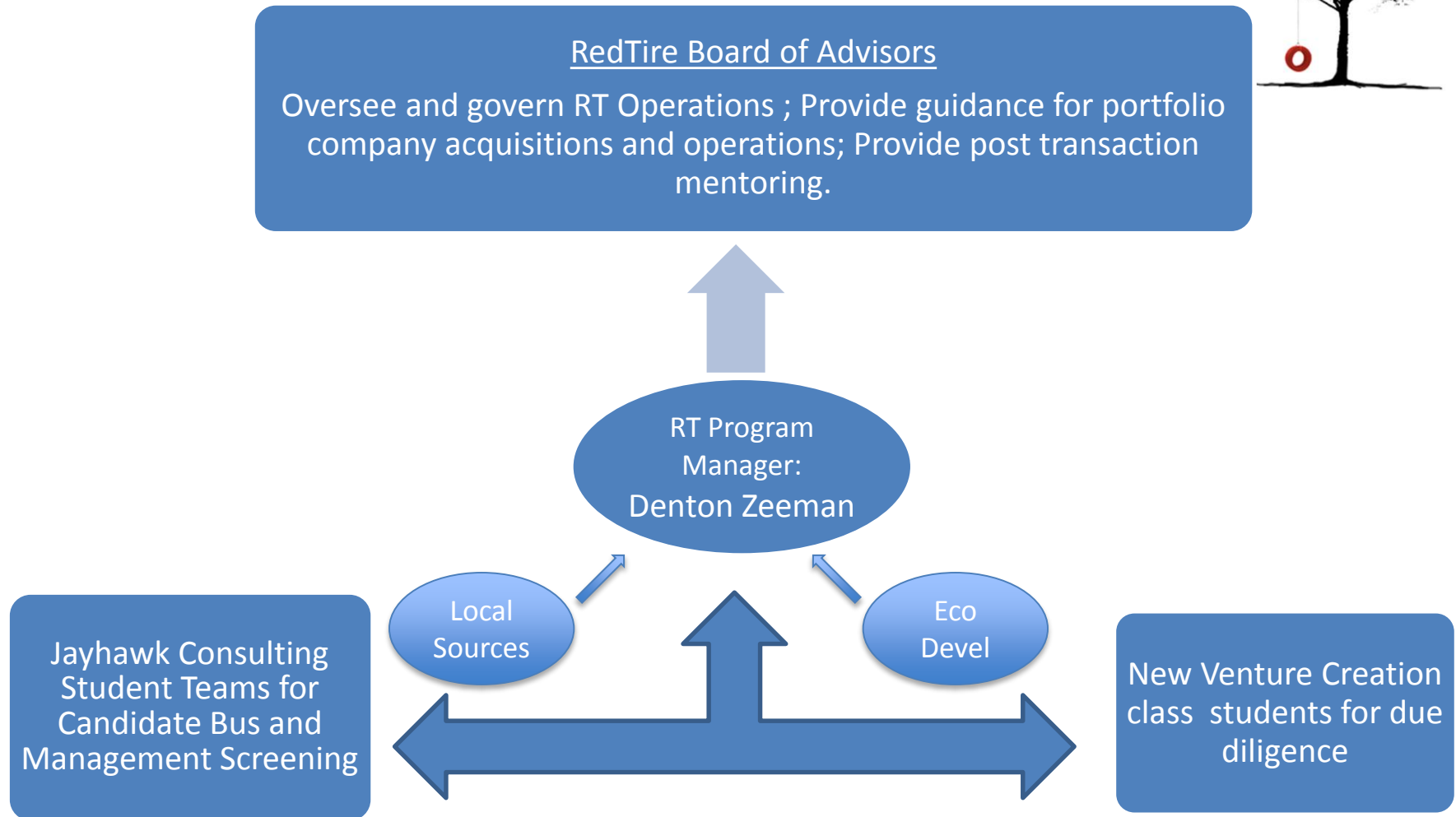
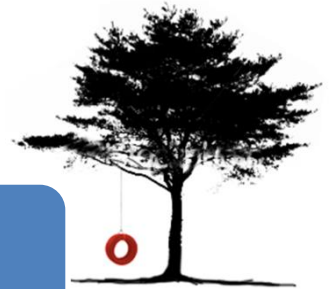
Counsel / Mentor

Close Deal

- Identify post-transaction Mentoring Needs
- Allocate RedTire Advisory Resources
- Periodic Review / ‘Board’ Meetings
- Business Growth & Viability Advice

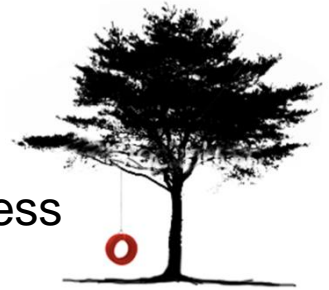
Sustaining the economic wellbeing of rural U.S.

Organizational Structure



RedTire is entitled a 501 (c) 3 due to its association with the KU Center for Research, which will also provide backroom financial and grant administration support

RedTire Board of Advisors



- **Ron Ash** | Dir.of Management, Professor - KU School of Business
- **Duane Cantrell** | Chair - Kansas Bioscience Authority
- **Bruce Davison** | Partner - SNR Denton
- **Kent Glasscock** | President - KSU Institute for Commercialization
- **George Hansen** | Chair - Enterprise Center of Johnson County
- **Pat Healy** | Co-Founder - C3 Capital, LLC
- **Jay Meschke** | President - EFL Associates & CBIZ Human Capital Services
- **Wally Meyer** | Director - KU Center for Entrepreneurship
- **Mike Michaelis** | President & CEO - Emprise Bank
- **Ralph Richardson** | Dean – College of Veterinary Medicine at KSU
- **Tony Rock** | Founding Partner - Cimarron Infrastructure Group
- **Linda Sadler** | CFO - KU Research & Graduate Studies
- **Bill Taylor** | Former partner - Ernst & Young
- **Doug Funk** | Former owner – Funk Pharmacy