

CASE STUDY

The following represents a Case Study whereby Tullius Partners assisted Waltham Services and its ownership over a period of two years to most advantageously position the company for sale and then assist in successfully facilitating that event. At the time of sale in July 2010, Waltham Services was ranked as the 33rd largest pest control company in North America by *PCT Magazine*, the leading industry trade publication.

While we had known Clarke Keenan, the majority owner of Waltham Services, for several years, he retained Tullius Partners in 2008 to chart an exit strategy that would align with his goals for the company, as well as him personally. Those goals included:

- Exit via a sale of the company sometime in or around 2010.
- Attempt to ensure that at that time, the business was operating as close to “best in class” as possible in every respect.
- Ensure that the business was in the best position possible to successfully survive the due diligence process of any potential transaction.
- Be positioned by 2010 to sell to a buyer that would appreciate the Waltham legacy, and seek to leverage that legacy into the future.
- Do whatever possible in the interim to make sure that Waltham only went through the sale process once; in other words, there would be no failed transaction that did not reach a successful closing.

With these objectives in mind, our first step at Tullius Partners was to perform a detailed analysis of Waltham Services, with the greatest attention paid to those metrics that we know most significantly correlate to the value of a pest control company. This culminated in a presentation report that included the following:

- Analysis of all Key Value Indicators (approximately a dozen), in addition to where Waltham ranked at that time relative to “best in class” status within the pest control industry (to facilitate this, Tullius Partners drew on its industry knowledge, including prior working assignments on behalf of and/or including over 50 industry companies).
- Valuation of Waltham as of 2008, including what a potential transaction structure might look like.
- Straightforward list of Recommendations and Action Plan for improving certain Key Value Indicators as a means towards enhancing the value of Waltham between 2008 and that time at which Clarke chose to explore the sale of Waltham (estimated to be within two to three years of that date).
- Timeline for carrying out Action Plan as well as the time requirements for facilitating a successful sale of Waltham (including any potential post-transaction involvement that might be required of Clarke).

After we went through a complete presentation of our analysis to Clarke, we continued to be in touch periodically to answer any questions and/or provide any guidance that could be of value to the company. Additionally, the company sent us their quarterly financial statements, which we would review and monitor, and then provide feedback to Clarke as to how the company was performing relative to our suggested Action Plan. During this time, from late 2008 through late 2009, Clarke would also route to us any inquiries he received from prospective buyers claiming to be interested in acquiring Waltham Services. If necessary, we would confidentially reach out to these prospective buyers, gauge their interest, and pre-qualify them. In most instances, where we already knew the buyers from prior dealings, we would simply provide our professional feedback to Clarke.

In late 2009, Clarke decided that it was time to begin exploring the sale of Waltham Services. We commenced this process by preparing a credible and confidential Descriptive Memorandum on behalf of Waltham Services. Once complete and once this document had met the final approval of Clarke, we

began discreet and confidential discussions with a very select group of prospective buyers. Once we had binding Confidentiality Agreements executed, we presented the Descriptive Memorandum to each of the prospective buyers and requested that each interested party submit a Letter of Intent (LOI) that met with certain pre-stated criteria by a certain date. Upon receipt of these LOI's, we evaluated each carefully with Clarke, and set forth a strategy for negotiations. This process culminated with an executed and agreed upon LOI between Waltham Services and Rollins, Inc. The LOI was signed by both parties towards the end of May 2010. We then moved into an expedited due diligence process, which as part of the Waltham team, Tullius Partners helped to facilitate. The Definitive Purchase Agreement was executed by the middle of July 2010 and the transaction was closed and funded on July 30, 2010.

As with many long-time owners of pest control companies, Clarke had his hands firmly on the pulse of the goings-on in the pest control industry. That said, of the factors that compelled him to retain Tullius was that even though Clarke felt he knew a lot of the details of some of the more notable recent or relatively recent transactions, he was realistic enough to know that unless you see the actual and final purchase agreements on these deals, you can't possibly know all, or even most, of the actual key details to the deals (i.e. exact price, cash down, amount and term of any escrow, working capital, NAV, assumed liabilities, rep/warranty exposure, indemnity caps/baskets, survival periods, etc.). And to this end, he knew he didn't know for sure how hard or far these buyers could be pushed on any one or all of these issues. He knew that we understood these metrics intimately. This was critical to him as it should have been. People tend to talk in generalities and rarely if ever, share all of the facts to a deal; yet even relatively minor movement in just any one of the above referenced details to a transaction can effectively make a difference of millions of dollars in the case of companies the size of Waltham.

Clarke Keenan has offered to share his experience with anyone that Tullius might suggest. In closing, Clarke Keenan was quoted as saying, "Tullius Partners was instrumental in preparing my company for a positive reception amongst the potential buyers. Their (Tullius') advice and coaching was invaluable. They urged patience when necessary...and helped me decide to move forward when the time was right...They further earned their fee by managing every possible detail, clearing ambiguities, smoothing over some rough edges and certainly allowing for me good nights of sleep rather than insomnia."