PRAIRIE

Minimize Risk and Protect Shareholders with Financial Opinions

The role of the board of directors is to represent the shareholders' interests and hold the management team accountable. Fulfilling these duties can be difficult, and this is even more true during uncertain financial times. Today, boards of directors are on heightened alert regarding their obligation as fiduciaries and are seeking advice from legal and financial experts to guide them through these difficult times. COVID-19 issues and the recent disputes between oil producers have upended the performance of many companies and industries, as a result, boards of directors are faced with business issues and financial scenarios that would have been unthinkable a few months ago. Third-party impartial analysis provides valuable decision-making tools to assist boards of directors in their role as fiduciaries.

While the global economic crisis we are facing is unprecedented, historically, market downturns have increased M&A activity and created unique opportunities. As the nation prepares to reopen, companies and boards of directors will be faced with a number of difficult decisions. The professionals at Prairie have advised corporate boards, special committees, management teams and other fiduciaries of private, middle-market and public companies to help achieve their growth and transition objectives for over 20 years. While the environment may be unique, many of the issues boards of directors face today are not.

When presented with these issues, fiduciaries turn to Prairie's investment banking professionals to render fairness and solvency opinions to minimize risk and protect shareholders.

Boards of directors request fairness opinions from independent third parties for a number of reasons. Fairness opinions provide an independent, objective opinion of the proposed transaction, while providing the board of directors with a full understanding of its complexities. Fairness opinions reduce and eliminate potential conflicts of interest, allowing the board of directors to fulfill their fiduciary duties.

Prairie has extensive experience providing fairness opinions for transactions of all sizes and levels of complexity, ranging from Employee Stock Ownership Plan (ESOP) transactions involving minority interests to complex multi-investor situations that present sophisticated securities design issues, equity incentive analysis and compensation structures. To ensure that the interests of sellers are being served, we provide an independent financial opinion that considers all aspects of the contemplated transaction. Our professionals understand the importance of analyzing a transaction in its entirety and effectively communicating the results to the client. We have rendered over 100 fairness opinions over the past 10 years, were named the 2020 U.S.A. Fairness Opinion Advisor of the Year by M&A Atlas and consistently rank as a Top 10 fairness opinion provider by Refinitiv (formerly Thomson Reuters).

While M&A deals tend to require fairness opinions, solvency opinions are used by boards of directors, special committees, management teams and lending institutions to assess leverage and the company's ability to repay debt obligations. As an example, through split-up/spin-off transactions, debt obligations may be apportioned to one business more than the other. In this case, a solvency opinion will give comfort to the fiduciaries that the levered company will continue as a going concern. In addition, companies may declare a special dividend which requires debt financing. In these situations, it is prudent for the board of directors to request a solvency opinion in connection with the borrowing and subsequent dividend.

Boards of directors are not required to make these difficult decisions independently, using only their collective knowledge and experience. Soliciting independent third parties for analytical support and the formation of special committees allows the members to uphold their fiduciary duties and protect the shareholders. Prairie's professionals have decades of experience providing unbiased analytics and financial opinions to fiduciaries. Whether the board of directors is contemplating a transaction or recapitalization, Prairie's investment banking team can assist and provide analysis to protect the board of directors and allow them to make fully-informed decisions.

The solvency opinion issued by Prairie professionals answers four questions:

- **Will the fair value of the company's assets (including intangible assets) exceed the fair value of current and contingent liabilities after the proposed transaction?**
- **Can the company meet its debt obligations as they become absolute and mature after the proposed transaction?**
- **Can the company meet its operating expenses, capital expenditures and debt obligations?**
- **Will the company have an unreasonably small amount of capital for the business after the proposed transaction?**

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