

Recipe for a Successful Closing

The closing of a transaction is a bit like baking a cake: It takes a precise list of ingredients, in a particular order, to achieve a smooth outcome and, like a cake, a dab of too much here and not enough there, can cause a major difficulty or disaster.

Patience, understanding and experience are key ingredients in achieving a successful transaction closing. Every business sale is a complex process, and we believe that the presence of an experienced investment banking professional improves the chances for success and eases the process for both Buyer and Seller. Here is a list of “**ingredients**” that comprise the closing steps of a transaction:

The Attorney: Negotiations toward a business closing are not always easy (or friendly) and it is important to have experienced and knowledgeable attorneys who understand the issues and know how to resolve them. Having an attorney who is a great litigator but lacks significant business experience is an ingredient that almost always harms the deal, increases cost, delays the transaction and adds unpleasantness to what is an important transaction to both sides. An attorney who specializes in negotiating business deals helps both parties achieve their goals without destroying the deal because a specialist will be able to identify, clarify and resolve key issues based upon past experience and success.

The week before closing becomes a crucial time for putting the “ingredients” together so that the closing process progresses without unexpected delays. Making sure that the attorneys have prepared and read all documents and have approved or submitted changes to them will insure that any “surprises” will be kept to a minimum. It is imperative that attorneys for both sides communicate and form an understanding of what needs to be accomplished.

COME MEET US

We will be attending the following trade shows this Fall. We would enjoy meeting with you. Please call (414) 453-4488 to set up an appointment in advance.

Sept. 29 - Oct. 1
CDMA
*Union League of Chicago
Chicago, IL*

October 24-26
NPCA
*Palmer House Hilton
Chicago, IL*

October 27
FSCT/ICE Show
*McCormick Place
Chicago, IL*

The Banker: If a bank (or other financing source) is involved in the transaction, all instructions needed to transfer funds should be provided in advance. Bankers can be very helpful if guidelines are set up early in the relationship and costs are identified. However, Bankers can also destroy a transaction by procrastinating in their commitment to financing, by demanding excessive guarantees, or by trying to “micromanage” the deal.

Environmental: It is our experience that when the Phase 2 environmental study has been initiated early, the environmental issues usually are not a problem.

The “Notifiers”: The strategy and execution of notifying employees has an important impact upon the future continuity of business and is usually at the top of a buyer’s concerns. This is why the notification of ownership change must be thought out carefully so that customers, employees, suppliers and the world in general have knowledge that they “need to know” and will support a smooth transition.

The Accountants: Generally, as the time of closing approaches, the accountant’s most challenging function is the verification of inventory. From all perspectives it is important the final inventory be taken properly and that the Buyer’s representative verify the numbers. Equally crucial is that the definition of “good and usable inventory” is agreed upon prior to closing.

Final Steps: Both parties always realize that some degree of compromise is necessary, but there is a tendency as one approaches the closing to believe that “only our side is compromising.” In the end, successful deal making is about people. Each side should be sensitive to the other’s needs and goals. Making and meeting commitments by both sides is crucial in establishing trust, and trust is the most important ingredient in our recipe, because trust on both sides will help ensure success.



What is the Biggest Threat To Your Chemical Business?

We believe that the biggest threat to your chemical business is not your competitors. We don’t think it is the maturity and lack of growth for much of our business. In general, it is not even our own errors and misjudgments that hinder our efforts toward success.

The biggest threat to the growth of your chemical business is the number one growth industry in our country: the Federal Government and its waste and extravagance.

Since 1930, the average Federal Government spending per person has increased from \$33 to \$5,700. This is a growth of over 17200%. The Federal deficit, which was \$1 trillion in 1981, is now \$7.3 trillion. Your business is very much dependent upon a free America, but how much longer can we have a free America, when the majority continues to vote for candidates who promise them the most money from the Federal treasury?

During the past few years, interest rates have been at historic lows, but what happens if

INSL-X Products Corporation

Stony Point, New York

has acquired certain assets of

Wattyl U.S.

*Edgewater, Florida
and*

Baltimore, Maryland

operating units of

Wattyl Ltd.

Blacktown, Australia

The undersigned acted as advisor to Wattyl Ltd. in negotiating this transaction

EINHORN ASSOCIATES, INC.

Milwaukee, Wisconsin

MERGERS & ACQUISITIONS, BUY-OUTS & TRANSACTION FINANCING
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interest rates double? In this case, virtually every penny of individual income taxes that are paid would go to pay for the interest on the debt alone. Currently, foreigners control about 40% of the Federal debt, and Europeans have seen 30% of their investment disappear during the past couple of years because of the Euro's increase in value. These are not happy investors, and, if they decide to withdraw their money or demand better terms, this will be a major problem.

The fact is, for the American chemical industry to thrive, it is necessary for the Federal Government to shrink. Although President Bush is currently being accused of creating the current deficit, both Republicans and Democrats deserve equal blame for the accumulated debt and the fiscal mess in Washington. Neither presidential candidate has come forth with any plan for curtailing governmental services, and both sides are too afraid to even suggest that any of the thousands of Federal departments should be shut down. There is no job so secure as Federal employment (only 1 in 5000 Federal employees is fired or terminated each year.)

Whatever you can do to encourage your legislators to vote for less spending, to make programs and departments more efficient, to eliminate programs and departments which are no longer necessary and to privatize those functions which are not vital, will accrue to the benefit of your company and those who work with you.

We believe that if you do not attack the major problem of the Federal Government's irresponsibility, then this problem will attack all of us -- and threaten our chemical industry as well as our way of life.

As Mark Twain said, "There is only one criminal class in the United States, your Congress!" Unfortunately, this statement still seems to hold true 140 years later!

The Sherwin-Williams Company

Cleveland, Ohio

has acquired the stock of

Duron, Inc.

Beltsville, Maryland

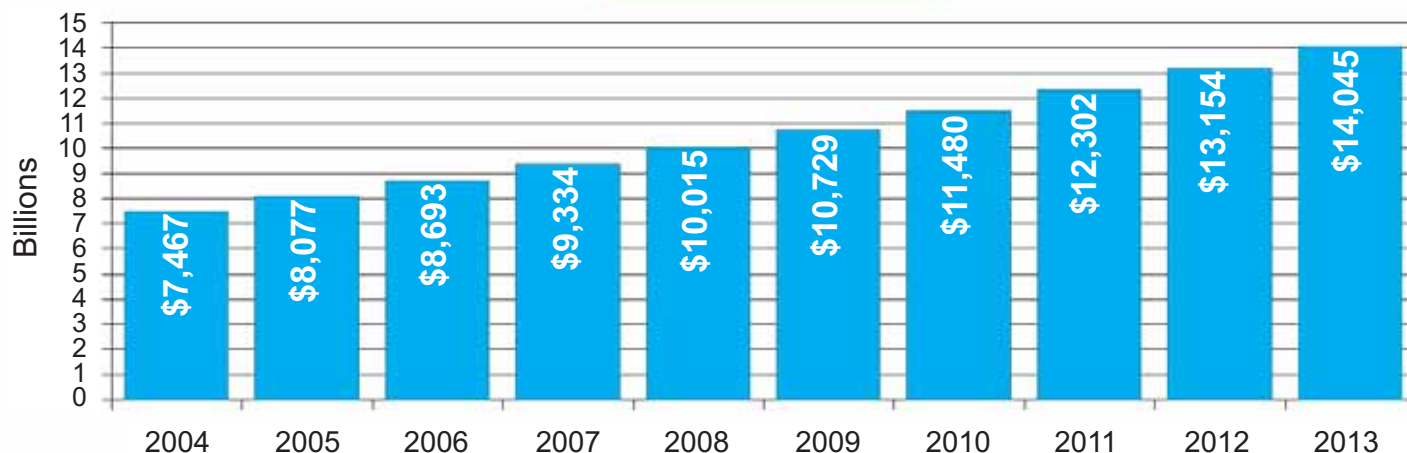
The undersigned initiated this transaction on behalf of Sherwin-Williams

EINHORN ASSOCIATES, INC.

Milwaukee, Wisconsin

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Projected Total Debt



Source: Mid-to Long-Term Deficit Projections, September 29, 2003, Joint Report Center on Budget Policy Priorities of the Committee for Economic Development, the Concord Coalition, and author's calculations ("America the Broke" by Gerald J. Swanson)



Stephen Einhorn, President, founded Einhorn Associates in 1975 and has participated in over 200 transactions, foreign acquisitions, acquisition searches, management buy-outs, and sales of privately held businesses. He has worked in the specialty chemical industry for 37 years, including the last 28 years in mergers and acquisitions. Mr. Einhorn has published numerous articles related to mergers and acquisitions in the specialty chemical field and is regularly quoted in trade publications.



Einhorn Associates, Inc. is an investment banking firm that serves the specialty chemical industries exclusively, with primary emphasis on coatings, adhesives, and specialty chemicals. We provide strategic advisory and financial sourcing services for mergers, acquisitions, corporate divestitures, and management buyouts. Since 1975, Einhorn Associates has been the principal advisor on hundreds of transactions within the chemical field. The firm also negotiates financings for biotech firms related to biochemistry.



Arlene Spanier, Senior Vice President, manages projects for our chemical buyer and seller clients, specializing in the paint & coatings field. Arlene is a magna cum laude graduate of Marquette University with a degree in Organizational Management, as well as an honors graduate of Oakton College with a degree in Industrial Psychology.

We understand and address issues unique to the chemical industry - rapidly evolving technologies and markets, environmental concerns, and regulatory issues.



Jaclyn Christiansen, Vice-President, supervises Einhorn Associates' staff of analysts and is responsible for managing the firm's proprietary chemical industry database. Ms. Christiansen's primary area of industry expertise is in the paint and coatings area, where she has completed valuations and offering memoranda on over 100 businesses. Recognized as an expert in the area of paint and coatings M&A, Ms. Christiansen has authored numerous articles in industry trade publications.

Our clients range in size from multinational conglomerates to small and medium-sized privately held businesses and venture capital projects.



Alvin Vitangcol, Vice President-Biotech, has responsibility for overseeing the firm's biotech efforts including the preparation of company business plans and financial statements for fund-raising efforts, new client development and market research. Alvin's education includes an MS in Management (emphasis in eBusiness) with honors from the University of Wisconsin-Milwaukee, a BS in Sociology with honors from Andrews University, and he has a diverse educational background including minors in chemistry, math and computer science.



Janine Marek, Administrative Assistant, provides administrative support for Einhorn Associates in the new business area as well as client project support. She has extensive experience in the public and private sector business fields.



Daniel Einhorn, Consultant, provides market research and analysis in the specialty chemical segment. He also prepares company valuations and assists in new client development efforts. Daniel's education includes an MBA in Finance from the Cox business school at SMU, as well as a BS from Cornell University.



Karen Hacker, Administrative Assistant, provides administrative support for Einhorn Associates and assists with client projects. Ms. Hacker holds a BS degree in Communication from Carroll College. Her previous work experience has been in the broadcasting and marketing fields.



Katy Almond, Administrative Assistant, is the office manager for Einhorn Associates. She has provided administrative assistance and project support for a wide variety of client projects. She holds a BS degree in Related Arts from the University of Wisconsin.



Nancy Einhorn, Officer and Bookkeeper, has overall responsibility for the internal accounting for the company, its broker/dealer operation, and various other internal functions. Mrs. Einhorn is a graduate of Cornell University with a BA degree in economics.