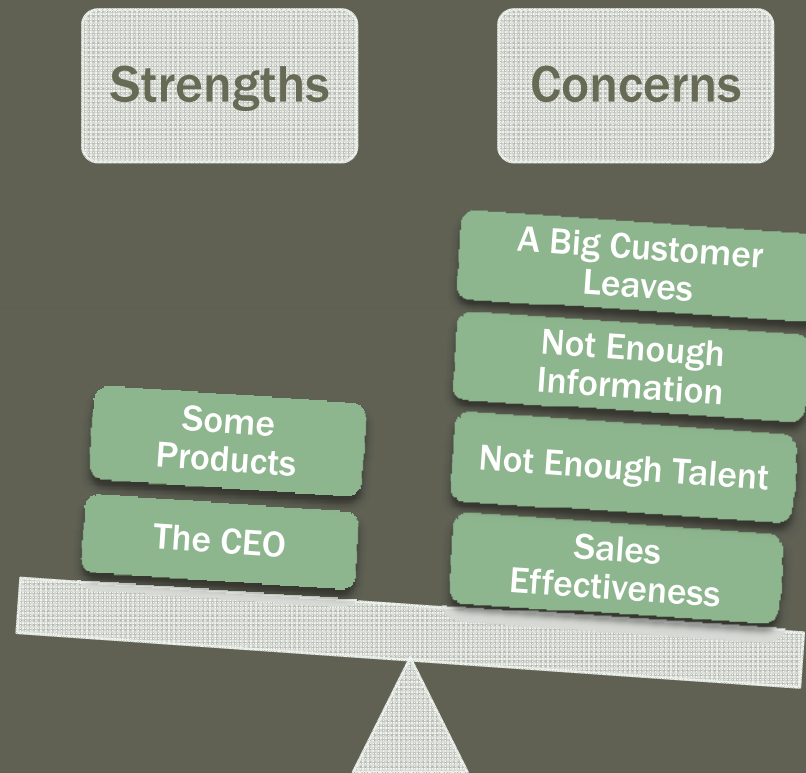


What Do The Early Warning Indicators Tell Us?

We work in Uncertain, Disappointing and Pre-Turnaround Situations for Investors and Executives of Small and Medium Sized Companies whose Early Warning Indicators tell them Improvement is Necessary.



Our goal is to quickly re-balance the underlying strengths and concerns of Companies who still have significant potential upside.

Companies can quickly become unbalanced when Selling Conditions or Economic Conditions become more adversarial... some faster than others.

Market Responses are Favorable and the Economy is doing Well	These Companies might be in trouble when conditions change	The Optimal Situation
Some Markets are not Responding Favorably and the Economic Outlook is Uncertain	Disappointing, Uncertain and, Pre-Turnaround Situations	Some Improvements Are Necessary
	The Business is Not Yet Fully Efficient and Effective	The Business is Fully Efficient and Effective

It is easy to tell when Your Company is still not fully effective or efficient

What to look for:	These Early Warning Indicators Require Closer Examination	The Potential for Significant Decline is High	Pre-Turnaround Situation
Are your company's revenues and profits growing at above industry average levels?	Profits are not above industry average levels	Revenues and profits growth are below industry average levels	Revenues and profits are flat to negative
Are revenues and profits per employee growing?	Mixed	No	No and we are having a tough time reversing the trend
Are your cash flow projections reliable?	Not very reliable beyond 90 days	Not reliable beyond 60 days	Not reliable beyond 45 days
Do you have a stable customer base?	Mixed	No	No
Is your management team talented enough ?	Mixed	Probably missing some talent in key positions	No

How much time you have before an irreversible value draining spiral begins... often depends on the accumulated effect of these five factors:



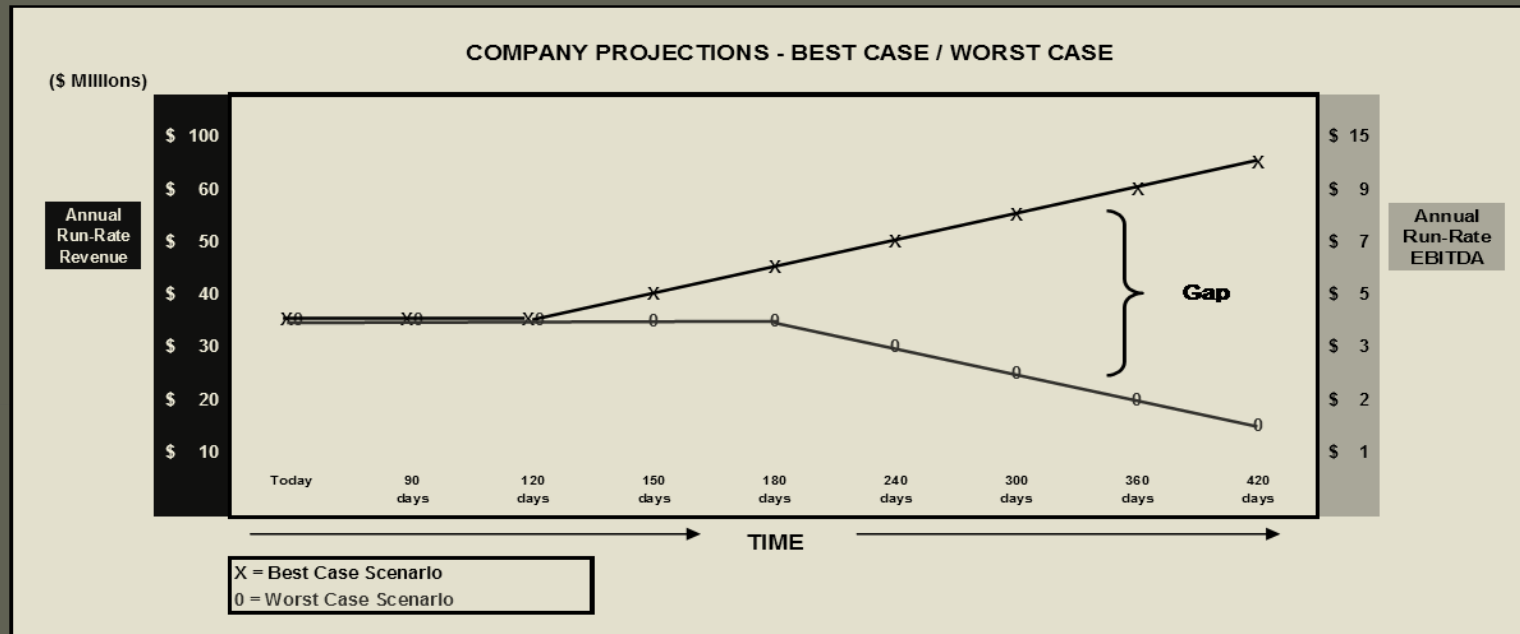
When economic uncertainty increases, smart executives take a fresh look at their recent assumptions and plans

In fact, much like the rigor applied before the last large liquidity event in the life cycle of the business, when external economic times become uncertain, the core premises and pro-forma scenarios that guide decisions making should be completely re-examined.

The last thing a good executive wants when the outside world is changing is to guide the company with the certitude built up from an old set of facts.

The next few pages are designed to provide a thoughtful self assessment for executives who want to take a step back from the daily grind and re-establish the direction of their Company.

Is there a large gap when you compare your future best case scenario to the possible worst case scenario?



If the realistic range of possible future performance looks like this, there is a high degree of potential volatility in your business considering that your customers are now also facing more uncertain times

In this situation, minimizing range of possible outcomes needs to become priority #1 and the cost versus risk of pursuing all out high growth needs to be re-examined

The next factor to re-examine is the degree of concentration in your revenue base

What percent of your overall revenue comes from:

Your largest customer?

The top five customers?

The top 10 percent of all your customers?

The top 20 percent of all your customers?

How likely are they to continue ordering at past levels?

How much revenue do you get from new customers each year?

Just how comfortable are you that past is prologue?

If you go to market through distributors, how much power do you have in each channel?

What percent of the revenue of each channel partner do your products and services represent?

What acquisitions, terms or profit levels would change that?

How can you make selling your products as easy as possible for sales reps of channel partners? Often making selling easier produces a better result than increasing the rewards for selling your products

Do the sales reps in your distribution channels have something new to say and new messages to pass on to their customers or because there is nothing new to say do they risk annoying prospective buyers?

Do you know the likely return from completing your critical priorities? Or have some of them run into obstacles which change their likely level of return?

Which priorities offer the highest potential return ?

Which priorities are the most likely to happen?

Which priorities are likely to make a bottom line difference sooner?

Should any be accelerated?

Should some be de-emphasized so more valuable initiatives are sure to get done?

Is the Management Team really focused on the initiatives that matter most?

Considering all your direct reports, how many initiatives, objectives and projects is your company working on? Most likely, you will find this is a very long list.

What percent of those projects are completed fully and on time?

50-75?

75-90?

What percent are fully and completely implemented and now standard operating practice?

Would the highest priorities get done quickly, fully and well if there were less priorities?

Since it takes much more selling time and effort to get new customers in new market segments than in segments you already dominate, are your sales efforts really as focused as possible?

Time and Effort to retain an Existing Customer in a core market segment	Time and effort to get a New Client in a core market segment	Time and effort to get a New Client in a market segment where the value proposition is not dominate	Time and effort to get a New Client in a new market segment
1 x	5 x	15 x	25 x

Do you have a solid basis for competitive differentiation in every segment you wish to grow into?

How much future growth and consequent cash flow and profitability is dependent on new customers in new markets? If significant, there is a high degree of risk in the go-forward strategy.

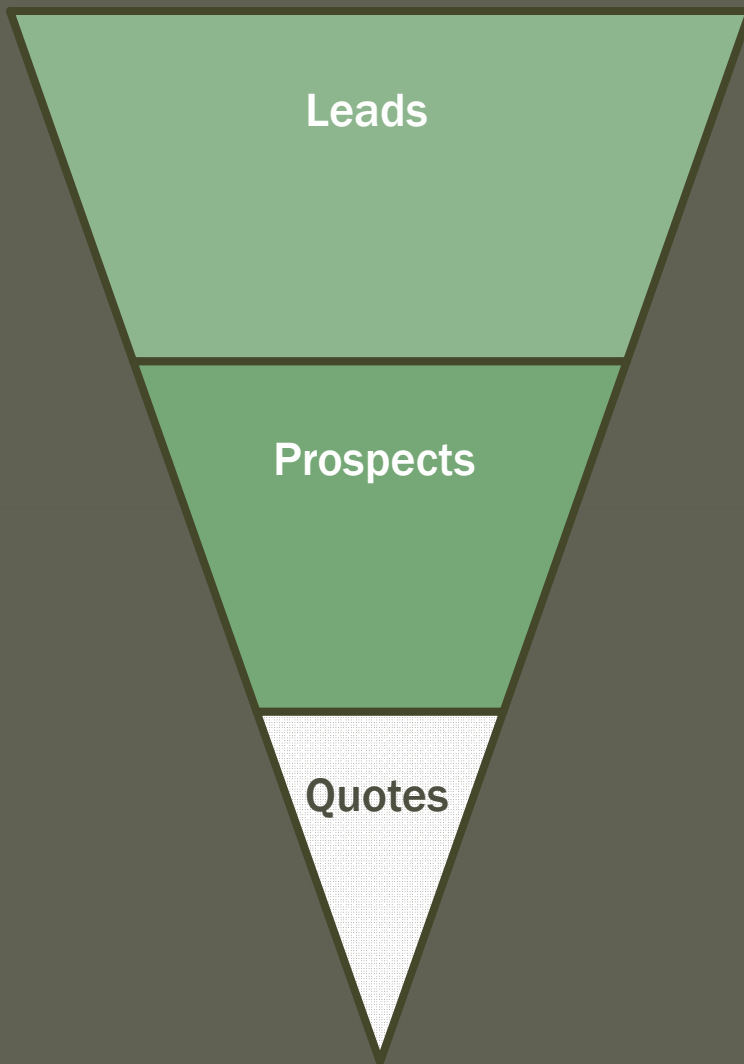
Are your original Value Propositions still compelling and distinct in each important market segment?

Is your original value proposition to customers still as competitively differentiated, sharp and compelling as it needs to be?

Is it as specific and different in each market segment it needs to be?

Would you benefit from “re-launching “ the core products, services or overall company so a new set of messages and impressions drives new levels of attention to your Company?

Do you actively manage the Sales Prospect Funnel?



Is the funnel getting larger or smaller?

Who watches the big prospects through the sales process?

How much effort goes into filling the top of the funnel?

How can you increase face to face selling time?

Take the top 50 customers from two years ago. How many of them are top 50 customers this year? What happened?

How many sales calls do you have for every one quote? How many quotes for every sale? How many calls for every new customer? Is the sales force trending to higher or lower productivity?

What are you doing to call on the prospects with the most potential even if they may take awhile before becoming customers?

How much higher would profits be if you charged prices that were one percent higher and costs stayed the same?

Would annual profits be:

5% higher?

10% higher?

15% higher?

What changes (if any) would need to be made so you could realize an overall pricing increase of 1%?

How far out and how reliable are your cash flow projections?

How Far Out ?

How Reliable

30 Days?	+/- 10%
60 Days?	+/- 15%
90 Days?	+/- 20%
Six Months?	+/- 30%
Nine Months?	+/- 40%
Twelve Months?	+/- 50%

What information, actions and assumptions would it take to get one increment more predictable and one increment further out?

What are the best ways to improve cash flow?

What do the Early Warning Indicators tell you:

What is your current run-rate revenue and EBITDA?

What assumptions regarding gains made on the new initiatives are imbedded within this run-rate?

What risks to customers, pricing, margin or required capital investment are assumed to be mitigated or funded by the current run-rate?

What is your current run-rate SG&A? Are recent additions masking reductions in run-rate EBITDA?

What is the gross margin imbedded in backlog?

Are margins stable, growing or shrinking?

What do your non financial, but critical, Early Warning Indicators tell you:

How is your company performing against its key competitors in the areas of:

Revenue & market share

GM%

SG&A %

EBITDA \$'s and %

About the time it takes to bring a new person up to full productivity?

Revenues and profits per person over the last three years?

Employee turnover levels?

DSO Levels?

Inventory turns?

Hopefully, some of these questions provoked some useful avenues of inquiry. We would be happy to help your Company prepare for the road ahead.

You can explore how we have helped other companies like yours by visiting our website or calling us:

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