

## Mercer Capital Now an ESOP Company

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Mercer Capital announces the formation of an Employee Stock Ownership Plan (ESOP) effective January 1, 2006. Under the terms of the plan, approximately half of Mercer Capital's stock has been acquired and will be apportioned to employees at no cost to the recipients.

In a joint statement, CEO Z. Christopher Mercer and President Kenneth W. Patton explain this historic change in structure as a long-term commitment to a fundamentally new operating vision. “Mercer Capital has been owned by myself and Ken Patton for over twenty years now. I'm pleased to say that the firm has grown over that time to become one of the largest and most prestigious business valuation and investment banking firms in the country. As we both looked to the future, we realized that for the firm's continuing success, we had to expand the ownership,” commented Chris Mercer.

“We came to recognize many benefits of entering into a new partnership. We also recognized that those benefits would only be realized by making the right choice of whom to partner with. Chris and I could have entertained offers from buyers of niche financial services companies, but we were just not interested in that option. It has been our intention all along to reward the people here who make the firm's success possible,” Ken Patton remarked on the analysis leading to the ESOP decision.

Chris Mercer added, “The ESOP provides our people with an ownership stake in the company and a vested interest in its continuing success. There was never any question that the right partner was the employees of Mercer Capital, with whom we have built this firm together.”

Ken Patton has been pleased at how well the news of the ESOP has been received by both business colleagues and clients. “Our current and prospective clients have reacted very positively to the news of the ESOP. Not many professional service firms, especially in our profession, are employee-owned. People want to know more about it and more about Mercer Capital as a result.”

Responding to the ESOP announcement, Timothy R. Lee, senior vice president, said, “I am ecstatic for all our people. We work hard to provide both the quality and client service our clients expect from us. This

### ALSO IN THIS ISSUE

- » Mercer Capital Named One of Tennessee's Top Investment Banking Firms - *see page 3*
- » Mercer Capital's Newest Book - *Buy-Sell Agreements: The Do's & Don'ts from a Business Appraiser's Perspective* Reserve Your Copy at the Special Pre-Publication Rate (publication date early summer 2006) - *see page 3*
- » Mercer Capital on the Road - *see page 5*

ESOP is another way to reward those people that make good things happen. Matthew R. Crow, senior vice president, commented, "Because of the business that we're in, our people innately understand the benefits and obligations of ownership, so an ESOP makes sense for us. It allows us to better live into the vision that we have for ourselves."

Coincident with the ESOP, Mercer Capital's management structure has also changed. Mercer Capital has added three members to its board of directors, Matthew R. Crow, Timothy R. Lee, and Barbara Walters Price, all currently senior vice presidents. In addition, Lisa L. Doble, senior vice president, and Travis W. Harms, vice president, serve as trustees of the ESOP.

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## Employees get piece of Mercer Capital

by Christopher Sheffield

When the owners of Mercer Capital decided to sell a significant portion of their business valuation and investment banking firm, they didn't have to look too far for a buyer. In fact, they found 40 of them right in their office.

As of Jan. 1, 49.9% of the Memphis company is now owned by its employees as part of a newly initiated Employee Stock Ownership Plan.

Christopher Mercer, Mercer's founder and CEO, and Kenneth Patton, co-owner and president, are both 58 and decided the time was right to think about the future of their company. The owners considered several options before choosing an ESOP, Mercer says. The decision was also made to expand the company's board of directors by three, adding senior vice presidents Matthew Crow, Timothy Lee and Barbara Walters Price.

"This is a major step," says Mercer, who prior to forming Mercer in 1982 was a bank stock analyst with Morgan Keegan & Co. Mercer sold 19.9% of his 70% ownership, while Patton, who came to Mercer Capital in 1983 from then-Union Planters, sold his entire 30% ownership.

"That was a way to make (the deal) large," says Patton, who has no plans to leave the business.

The sale is a windfall for employees, says Kelly Finnell, president of Executive Financial Services, Inc., who designed the plan and represents the ESOP.

"The participants will do very well," Finnell says. Also, the business got the liquidity and ownership diversification Mercer and Patton wanted, he says.

Finnell has worked on hundreds of ESOPs in 25 years, but this deal was unusual because it was an ESOP created for a firm that evaluates ESOPs, and it was structured so annual dividends are paid to the ESOP to service the debt instead of the company borrowing the money and loaning it to the ESOP.











Also, Mercer and Patton opted to continue the company's 401(k) and profit-sharing plan.

Lisa Doble, a senior vice president and the company's general counsel, is also serving as co-trustee of the ESOP. She says the decision to sell the business was a bit of a shock, but creating an ESOP wasn't.

"They try to reward everyone's contributions to this company," she says. "The ESOP is a good way to do that and get (the employees) more involved in the success of the company."

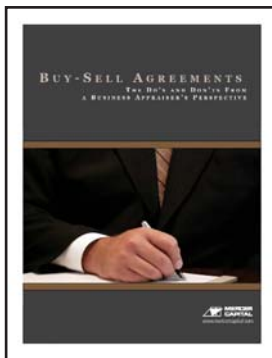
## MERCER CAPITAL NAMED ONE OF TENNESSEE'S TOP INVESTMENT BANKING FIRMS

Mercer Capital has been named one of the top investment banking firms in Tennessee, according to *Business Tennessee* magazine's TopRank Tennessee Survey. The TopRank Tennessee Survey is a yearly examination of the industries that bolster the economy in the state of Tennessee. Below is a sampling of recent transactions.

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|  <p><b>Wittichen Lime &amp; Cement Co., Inc.</b><br/><i>Memphis, Tennessee</i></p> <p>has acquired<br/><b>General Shale Brick, Inc.</b><br/><i>Johnson City, Tennessee</i></p> <p>Mercer Capital acted as financial advisors to Wittichen Lime &amp; Cement Co., Inc.</p>  |  <p><b>Collateral Investment Corporation</b><br/><i>Birmingham, Alabama</i></p> <p>Mercer Capital served as Financial Advisor regarding the Reorganization and Liquidation of Collateral Investment Corporation</p>  |  <p><b>MemphisFirst Corporation</b><br/><i>Memphis, Tennessee</i></p> <p>Mercer Capital provided a fairness opinion on behalf of MemphisFirst Corporation regarding the sale of newly issued common shares to an outside investor group</p>  |  <p><b>CTB Financial Corporation</b><br/><i>Ruston, Louisiana</i></p> <p>Mercer Capital represented CTB Financial Corporation in the acquisition of First United Bank, Farmerville, Louisiana</p>  |  <p><b>Cumberland Gap Provision Company</b><br/><i>Knoxville, Tennessee</i></p> <p>Mercer Capital provided a Fairness Opinion on behalf of Cumberland Gap Provision Company regarding the proposed merger with Cumberland Acquisition Group</p>  |
|--|--|--|--|--|

For more information or to discuss a transaction in confidence, call Tim Lee or Nick Heinz at 901.685.2120.

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**May 2, 2006**

“Viewpoints on Valuation: the Appraiser, the Attorney, the IRS & the Judge”

Philadelphia Estate Planning Council Annual Seminar  
Philadelphia, Pennsylvania

**Z. Christopher Mercer, ASA, CFA**

**May 3, 2006**

“Business Succession & Exit Planning Strategies”

Mississippi Financial Planning Conference  
Jackson, Mississippi

**Timothy R. Lee, ASA**

**June 1, 2006**

“Buy - Sell Agreements: Ticking Time-Bomb or Reasonable Resolution?”

NACVA’s Annual Conference  
San Francisco, California

**Z. Christopher Mercer, ASA, CFA**

**June 15, 2006**

“The Basics of Business Valuation”

Business Law Institute  
St. Louis, Missouri

**Z. Christopher Mercer, ASA, CFA**

**August 21, 2006**

CPA Associates  
Philadelphia, Pennsylvania

“Buy - Sell Agreements: Ticking Time-Bomb or Reasonable Resolution?”

**Matthew R. Crow, ASA, CFA**

“FAS 141 Issues”

**Travis W. Harms, CPA/ABV, CFA**

**September 18, 2006**

“Buy - Sell Agreements: Ticking Time-Bomb or Reasonable Resolution?”

Virginia Society of CPA’s 7th Annual Business Valuation, Fraud and Litigation Services Conference  
Richmond, Virginia

**Z. Christopher Mercer, ASA, CFA**

**October 19-20, 2006**

“Today’s Word on Lack of Marketability”

CICBV/ASA Annual Conference  
Toronto, Canada

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**November 6, 2006**

“Marketing with the Newest Technology Tools”

IGAF Conference  
Las Vegas, Nevada

**Barbara Walters Price**

**December 3, 2006**

“Buy - Sell Agreements: Ticking Time-Bomb or Reasonable Resolution?”

AICPA Business Valuation Conference  
Austin, Texas

**Z. Christopher Mercer, ASA, CFA**

**December 4, 2006**

“Business Valuation Experts Panel”

AICPA Business Valuation Conference  
Austin, Texas

**Z. Christopher Mercer, ASA, CFA**

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- Is Your Business Ready for Sale?<sup>TM</sup>
- Purchase Price Allocation
- Valuation of Employee Stock Options
- Litigation Support and Expert Testimony
- Valuation of Privately Held Businesses, Partnerships, or LLCs
- Financial Institution Valuation
- ESOP Valuation

**To book a Mercer Capital professional as a speaker at your next conference or CLE/CPE meeting, please contact Barbara Walters Price at [priceb@mercercapital.com](mailto:priceb@mercercapital.com).**

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- Valuation for Corporate Income Tax Issues
- Valuation for ESOPs
- Purchase Price Allocations
- Valuation of Employee Options
- Goodwill Impairment Testing
- Valuation of Intangible Assets
- Fairness Opinions

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### Headquarters:

5860 Ridgeway Center Parkway, Suite 400  
Memphis, Tennessee 38120  
901.685.2120 • Fax 901.685.2199

### Midwest Office:

511 South 5th Street, Suite 206  
Louisville, Kentucky 40202  
502.585.6340 • Fax 502.585.6345

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