

Closely-held and Family-owned Business Practice



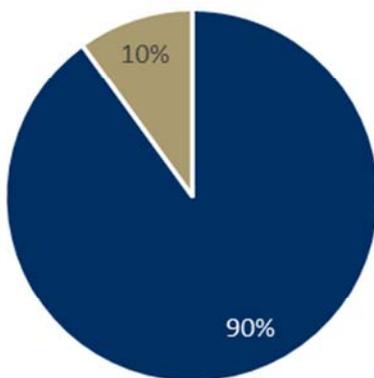
DRESNER PARTNERS
INVESTMENT BANKING

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Family Business

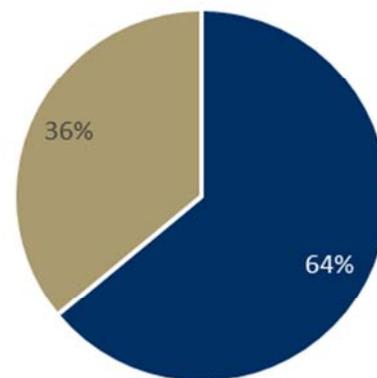
- Family businesses are the cornerstone of the U.S. economy accounting for 62% of U.S. employment and 78% of new job creation.
- 35% of Fortune 500 companies are family companies.
- Women-run businesses in the U.S. have grown 37% in the past five years.
- Only 40% of family-owned businesses survive to the second generation, 12% to the third, and 3% to the fourth.
- At some point in the evolution of every family-owned company, the primary focus of family shareholders will shift from wealth creation to wealth preservation.
- In our experience, few businesses and families objectively assess where they fall along this continuum.

U.S. Businesses



■ Family Business ■ Other

U.S. Gross Domestic Product



■ Family Business ■ Other

Sensitive Considerations Impacting M&A of Family Businesses

Family businesses require considerations with greater sensitivities beyond those present in a typical M&A transaction.

Family-Specific Issues	Cultural Factors	Stakeholder Family Dynamics
<ul style="list-style-type: none"> • Estate planning • Taxes • Work styles and strategy • Transition/succession plan • Longevity • Personality <ul style="list-style-type: none"> • Myers-Briggs • Ability to handle adversity • Governance • Planning 	<ul style="list-style-type: none"> • Leadership style • Personal success • Adaptability (ability to change, attitude for change) • Community (corporate or social responsibility) • Family focus • Client-centric or product/service-centric approach • Economics/compensation • Employee focus (attitude, involvement, etc.) • Discipline • Diversity • Philanthropy • Partner choice <ul style="list-style-type: none"> • Financial vs. strategic • Permanent capital • Corporate joint venture • Family vs. private equity • Pricing 	<ul style="list-style-type: none"> • Grandparents/parents/children/grandchildren • Father/mother (divorce) • No children • Siblings <ul style="list-style-type: none"> • Competition/rivalry • Work styles • Future generations (succession planning) • “Family”-in-law • Non-family members <ul style="list-style-type: none"> • Board • Management • Advisors

Astute bankers and advisors proactively identify and resolve potential issues.

Investment Banker Qualities

- Proactively identify issues
- Creative solutions
- Maximize value and outcome for all constituents
- Persistent
- Knowledge of and ability to navigate an entrepreneurial mindset
- Live and own the family business dynamic

Partner Choices

For nearly a quarter of a century, Dresner Partners has walked alongside the owners of family businesses in the difficult decision of selling their most important asset. We are unique among investment banks, understanding the cultural dynamics and psychology in motion behind the scenes that facilitate a successful transfer of ownership. We work to tailor an investor to the specific desires of the long-term owner and/or creator of the business. This includes **patient capital**, for those who wish for a permanent home to their business. We work with several providers of patient capital that mirror the culture and investment philosophy of Berkshire Hathaway. This is a very attractive choice for large multigenerational family businesses, but it is also highly selective and they strive to pay a “fair” price rather a large premium.

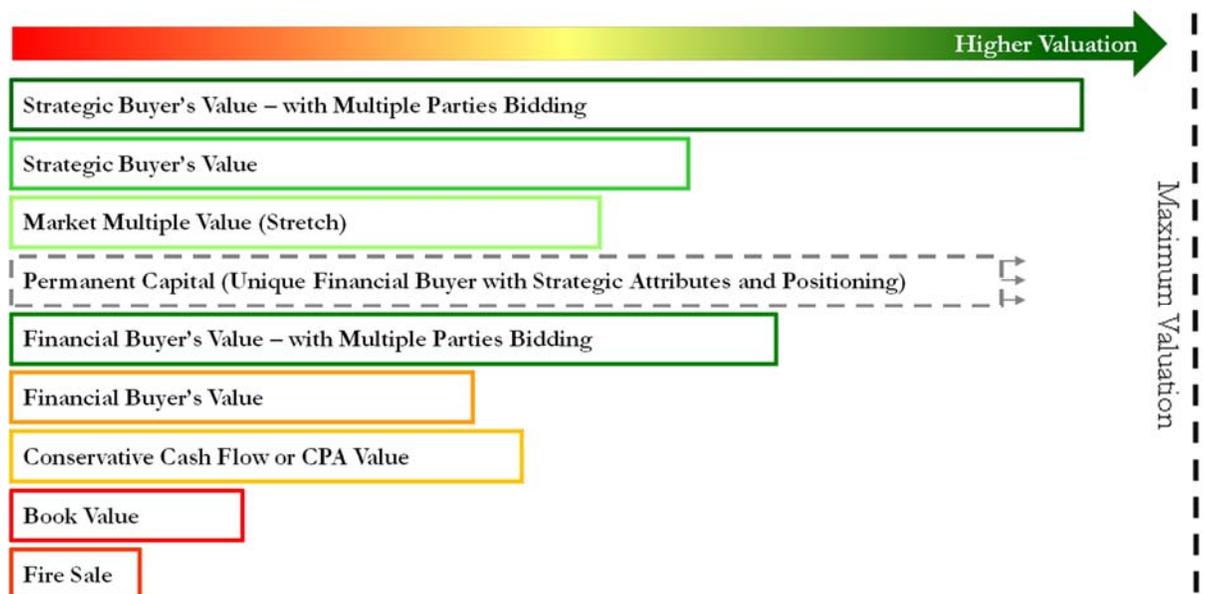
Private Equity is another option for the seller. Although private equity receives a good share of bad press, they do serve a purpose and can give the business owner an outstanding result. Understanding the company culture and wealth preservation goals are key in finding the most

compatible partner. In general, private equity tends to pay a higher price than patient capital, but the previous owners long term vision of the business may be significantly altered.

Strategic buyers tend to pay a higher initial price than both patient capital and private equity. A higher price paid by a strategic acquirer will usually be complimented by a realization of synergies that will generally make the original business operations unrecognizable.

Finally, we have the **Family Office**, which is usually a large family-owned fund that acquires companies by acting as one of the above three types of acquirers. All of these acquirers have unique attributes that are attractive to the proper business owners, but they also have qualities that can be disastrous if the terms are not properly communicated and understood by the seller. Dresner Partners listens to client goals and concerns to sort out the appropriate home for their business.

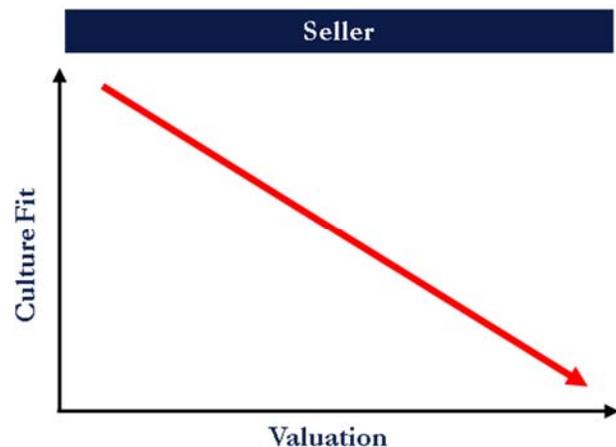
Value Chart



Culture Fit

- From the buyer’s perspective, the better the culture fit, the greater the willingness to offer a higher valuation for the business.
- From the seller’s perspective, the better the culture fit, the greater the willingness to accept a lower valuation than market rate.

Common Cultural Values				
Leadership Style	Decision Making Style	Ability to Change	Ability to Work Together	Beliefs/Ideology
Dictatorial	Consensus	Risk Tolerant	Structured Roles	Community Relations
Consultative	Top Down	Status Quo	Informal	Family Involvement
Macro	Reactive	Risk Seeking	Team	Religious
Micro	Proactive	Adaptable	Individual	Political



Advantages & Disadvantages of Structure

	Pros	Issues to Consider
Recapitalization (Debt)	<ul style="list-style-type: none"> • Dividend and/or cash out certain shareholders • Capital available for expansion/growth initiatives • Retain 100% ownership • Limited transaction risk 	<ul style="list-style-type: none"> • Reduced financial flexibility (restricted by financial and negative covenants) • Need to be comfortable working in a higher leverage environment
Public Offering/ Reverse Merger	<ul style="list-style-type: none"> • Capital available for expansion/growth initiatives • Create liquidity • Increase recognition • Stock used for acquisition and additional capital 	<ul style="list-style-type: none"> • Closer monitoring and greater reporting requirements • Ongoing regulatory burden and increased expenses • Capital windows fluctuate, Could be difficult raising follow-ons • Reverse mergers historically had a negative connotation, but that has recently been changing
Sale to Permanent Capital/Family Office	<ul style="list-style-type: none"> • Maintain culture and family environment • Diversification/wealth preservation • Stability • Minimal community disruption • Hands-off approach 	<ul style="list-style-type: none"> • Fair price vs. maximum price • Family office may desire change • Lose majority stake • Flexibility with shareholder liquidity options
Sale to Financial Buyer	<ul style="list-style-type: none"> • Unlock shareholder value • Opportunity for premium valuation due to favorable industry conditions and strategic market position • Benefit of having “smart money” assist with strategic planning • Opportunity to retain some upside potential, 2nd “bite at the apple” 	<ul style="list-style-type: none"> • Lose majority control • Need to be comfortable working in a higher leverage environment • Management involvement will likely be critical
Sale to Strategic Buyer	<ul style="list-style-type: none"> • Lock in value today • Opportunity for premium valuation due to favorable industry conditions and strategic market position • A strategic buyer may be willing to stretch on valuation given potential revenue growth or cost savings synergies 	<ul style="list-style-type: none"> • Lose majority control • Likely no participation in upside • Ongoing involvement on a case-by-case basis

Note: Some financial buyers are also strategic.

Dresner Partners Focuses on Advising Family Businesses

\$100,000,000
Senior Subordinated Notes

 **MACLEAN-FOGG**

Financing was provided by

 **ARES**

 **DRESNER PARTNERS**
INVESTMENT BANKING

\$105,000,000
Preferred Equity


MACLEAN POWER SYSTEMS

a subsidiary of

 **MACLEAN-FOGG**

Financing was provided by

 **TRILANTIC** CAPITAL PARTNERS

 **DRESNER PARTNERS**
INVESTMENT BANKING


Postle Aluminum Co.

has been acquired by

 **SC** STRENGTH CAPITAL

 **DRESNER PARTNERS**
INVESTMENT BANKING


PRESS-GANEY
SATISFACTION MEASUREMENT

has been acquired by

PGA, Inc.

a corporation formed by
American Securities Capital
Partners, LLC, selling
shareholders and management

 **DRESNER PARTNERS**
INVESTMENT BANKING


Educational Insights

has been acquired by


LEARNING RESOURCES

Financing was provided by

CHASE 

 **DRESNER PARTNERS**
INVESTMENT BANKING


ZENITH CUTTER CO.

has been acquired by


the fisher barton group

 **DRESNER PARTNERS**
INVESTMENT BANKING


VITNER'S

has been acquired by


Snak King
"King of Snacks"

 **DRESNER PARTNERS**
INVESTMENT BANKING


Damian
SERVICES CORPORATION

has been acquired by


STERLING NATIONAL BANK

 **DRESNER PARTNERS**
INVESTMENT BANKING


Playing Mantis

has been acquired by


RC2

 **DRESNER PARTNERS**
INVESTMENT BANKING

Dresner Partners Senior Team

Dresner leadership averages over 20 years of investment banking experience.



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Our Mission

In family owned and closely held private companies, maximizing shareholder value and meeting shareholder objectives are inexorably linked; one cannot be successfully accomplished without the other. In our experience, the goals, dreams, and concerns of shareholders and family members provide the foundation for every successful transaction.

Values & Value

At Dresner Partners, values and value are the core principles with which we provide investment banking services to family owned and closely held private companies. We value our clients and the businesses they have built; we value the relationships that have made our firm successful; and we seek to maximize value in every merger, acquisition, capital raising, or advisory engagement we undertake.

Dresner — The Best Advisor for Family Owned Businesses

The Dresner Difference	Relevance
M&A, Restructuring and Financing Experience	<ul style="list-style-type: none"> • Our top priority is always to optimize our client's financial and non-financial goals • Leaders in managing innovative and appropriate processes tailored for today's deal environment • Extensive experience executing complex transactions for privately held and public businesses • Strong M&A, restructuring, and financing experience — market intelligence
Commitment to Senior Banker Involvement	<ul style="list-style-type: none"> • Our business model allows us to dedicate the necessary senior-level attention to clients — senior bankers provide dedicated day-to-day leadership on all transactions • The Dresner team feels a personal responsibility to deliver an exceptional result for our clients • Reputation for outstanding results
Industry Focus and Effectiveness	<ul style="list-style-type: none"> • Dedicated industry coverage means knowledge, relationships, and access • Extensive, long-term relationships with relevant corporates, financial sponsors, and capital sources • The Dresner team has global experience and relationships
Global Access	<ul style="list-style-type: none"> • Dresner Partners, through its International Network of Mergers and Acquisition Partners ("IMAP") affiliation, has access to decision makers globally • Global deal flow leads to superior market intelligence and insights into key transaction dynamics
Integrity and Objectivity	<ul style="list-style-type: none"> • Dresner Partners is an independent private advisory firm without investment research, debt or equity underwriting, or equity positions — this enables us to provide our clients with completely objective advice without any conflicts of interest • We work for our clients, not for the transaction • Focus on long-term value creation

"We appreciate Dresner's assistance with this transaction. They ran a very professional and efficient transaction process." John Mink, President and Chairman of the Board, Zenith Cutter Co.

"Dresner Partners located the appropriate buyer very early in the transaction process. Snak King is an ideal home for the Vitner brand and we are extremely pleased with the outcome." Bill Vitner, President and CEO at C.J. Vitner

"The Dresner team recognized the benefits to the owners of divesting a non-core asset while continuing high quality linen service to each hospital. I truly appreciate their availability, responsiveness, and guidance in reaching the desired outcome. We are extremely pleased with the results of this transaction..." Gary Krugel, Chairman of the HLS Board

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