

Recapitalizing Your Business With Prospect Partners



Ready to Take
Your Company to
the Next Level?



Prospect Partners, LLC

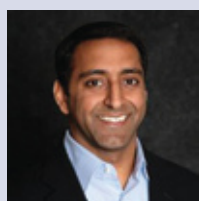
Private Equity Expertise. Small Company Focus.

Who is Prospect Partners?

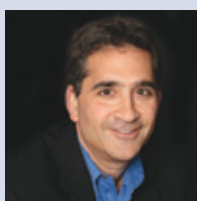
Prospect Partners is a Chicago-based private equity firm focused exclusively on investing in small, growing companies with niche strategies. Since 1998, we have partnered with the owners and management teams of more than 75 leading businesses throughout the United States. A highly experienced and professional partner that manages \$270 million in two funds, we are committed to working together to build more valuable companies over time. Given our investment focus, we offer particular expertise when it comes to serving the financing and business development needs of the smaller business owner.

Meet Our Team

The experience of Prospect Partners is deep and time-tested. Our investment expertise spans many types of industries, companies and situations.



Maneesh Chawla
Principal



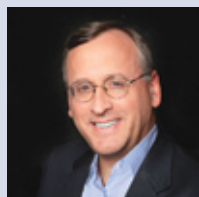
Bill Gastris
Principal



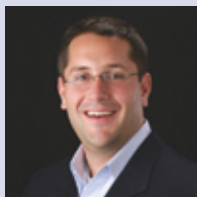
Lou Kenter
Principal



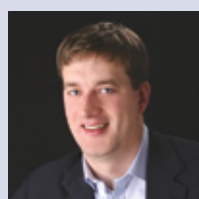
Erik Maurer
Principal



Rick Tuttle
Principal



Brett Holcomb
Vice President



Brad O'Dell
Vice President

Recapitalizing Your Business With Prospect Partners

Back in 1999, Ken Horne faced a dilemma. His company, Virginia College, a fast-growing post-secondary career college, needed money to open new campuses and develop new degree programs. At the same time, Horne, then 56, wanted to plan for his eventual retirement while continuing to grow the business, but did not want to risk losing his personal wealth in the process.

"It could have been a good time to sell, but I still wanted to run and build Virginia College," Horne recalls. So the veteran school operator instead recapitalized his Birmingham, Ala.-based vocational school with Prospect Partners, LLC, a private equity firm that invests in small companies.

"By recapitalizing, I took out a lot of my net worth but kept day-to-day control of the business," Horne explains. "I also was able to give equity stakes to my hard-working management team, which kept everyone focused on growing Virginia College. And grow we did, in a way that would have been inconceivable on our own."

By 2004, Virginia College had become the leading post-secondary career school system in the southeastern United States. During its partnership with Prospect Partners, Virginia College opened seven new campuses across four states, introduced 35 new programs, tripled its student body and saw its revenue jump fivefold to \$60 million.

Recapitalizations Explained

Many business owners think they have only two options in managing the direction of their company: to keep going or to sell out. There is another way – a sponsored recapitalization. In this type of transaction, a "partial sale," an owner sells equity in the business to an outside financial partner, and then reinvests part of the cash proceeds in return for a continuing and meaningful ownership stake in the restructured company.

Recapitalizing with a professional private equity firm like Prospect Partners also provides numerous other benefits often out of reach for many smaller businesses. Among them: access to larger banks and better loan terms; professional counsel at the Board of Directors level on key business issues like strategy, management recruitment, marketing, operations, information technology and financial systems; and an advisor whose incentives and goals are aligned with their own.

Who Should Recapitalize, and When?

A recapitalization can be attractive for successful small company owners who are excited about their business prospects yet seek outside resources to help achieve any number of business or personal goals. Such needs might include:

- Additional capital to support plans for growth – to develop new products, services or systems, expand geographically, invest in equipment, acquire other companies, and so on;
- Help in managing and further building a rapidly-growing company;
- The ability to provide managers equity in the company to reward their efforts and ensure they stay with the business;
- Access to other professional perspectives and approaches on taking a business to the next level;
- Reducing the amount of personal/family risk tied up in the business;
- Sharing risk with a partner in order to grow the company more aggressively than the owner feels comfortable doing on his/her own; and
- Freeing up money to use toward financial needs unrelated to the business, like retirement, estate-planning and paying for college.



Prospect Partners invests in many different kinds of companies and industry segments, from manufacturers to marketers to service providers in a variety of niche business-to-business, business-to-consumer and industrial markets.

Because owners, and their management teams, stay on to run the business, everyone is focused on building shareholder value. As a result, all investors' stakes in the company have great potential to get even more valuable over time.

The Types of Companies Prospect Partners Backs

Prospect Partners focuses exclusively on management-led leveraged recapitalizations and buyouts of unique small companies. Specifically, we invest in:

- **niche leaders** – leaders or potential leaders of a niche market that occupy a strong and defensible position within it.
- **small, growth-ready companies** – those that generate revenues typically between \$10 million and \$50 million. We also invest in smaller "add-ons" to our existing platform companies. For example, we invested in Master Containers, a maker of foam cup products, to expand the product line and geographic reach of portfolio company Spirit Foodservice Products, Inc. For such "add-ons," we consider companies with revenues of at least \$2 million.
- **the right opportunity** – Because we evaluate each company for its potential growth, we invest opportunistically in a broad range of niche market segments, including consumer, commercial, manufacturing, distribution and specialty business and consumer services. Our investments run the gamut from specialty store fixtures and niche equipment rentals to foodservice disposables, corporate training/leadership development services and ethnic foods.
- **companies throughout the United States** – Our investment interests have been nationwide in cities big and small, like Boston, Cleveland and Phoenix and Walker, Michigan and Yakima, Washington.

For more information, please visit us online at www.prospect-partners.com or call us at 312.782.7400.

Why Work With Prospect Partners?

In short: Because we understand. We have been backing small-company management teams for 25 years, long before we joined together to form our firm. We know that transitioning your company requires, on our part, an intimate understanding of how your business works as well as the flexibility to meet your needs. When you choose Prospect Partners, you get more than a professional investor in your business. You get:

- **Responsiveness and integrity.** Through the process of every transaction, Prospect Partners works closely with owners and managers, ensuring ongoing, open dialogue and strict confidentiality.
- **Our relationship-oriented philosophy.** Every business, every management team, is unique. You have a dream to fulfill as you write your company's next chapters. We care about your goals, and about building strong relationships that endure.
- **Unparalleled experience.** Over the last 25 years, our investment professionals have taken key roles in more than 140 smaller-company investments. If there is an unusual situation, we have probably seen it. We have grown our portfolio companies through all kinds of economic cycles, market conditions and business circumstances.
- **A true partner.** We won't micromanage the way you run your company, yet can provide resources as needed. Your management team will continue to run the business and drive its day-to-day success.
- **A focus on shareholder value.** We will work with you and your management team as collaborative Board-level advisors for the sole purpose of increasing your company's value over time.
- **The backing of quality institutions.** Limited Partners of our current fund include such major institutional investors as Goldman, Sachs & Co., General Motors Investment Management Corporation, JPMorgan Asset Management, the University of Notre Dame, Wilshire Associates, Inc., Private Advisors, LLC and the Northern Trust Corporation.
- **Performance.** Our best success indicators are the business owners who have chosen Prospect Partners to help successfully transition their companies. We encourage you to talk to every one of them.

Business Owner Perspectives: Why We Recapitalized

Prospect Partners sat down with some of our business owners and asked them why they decided to recapitalize their companies. Here, in their own words, is what they had to say.

Brent Moss, Chief Executive Officer

Codel Entry Systems, Tacoma, WA
(Provider of residential entry door systems and accessories)

After borrowing \$100,000 on my house to start Codel in 1997, I wondered what I'd just done. But I had an idea I thought could work – and it did, better than I ever imagined. I never thought I'd sell, yet by the summer of 2004, the business I thought would be 12 employees had grown to 100. Codel was doing great, and we had good people and no debt. But I faced so many decisions – about money, about people, about products, about where to take the business. Having everything rest on my shoulders was sometimes overwhelming, and I didn't necessarily have the right team for what the company had become and where it now needed to go. It was time to bring in some partners. I always planned to stay – I am really involved in my work.



What happened: After speaking with a number of private equity firms, I chose to recapitalize with Prospect Partners in 2005. They felt like the right fit, both professionally and personally. Since then, I've been able to give Codel what it needed. I brought on a Chief Financial Officer, and our financial systems are now solidly in place. We've expanded into new locations and have developed new products, programs and software. I'm running the company like always, but feel a lot better now that I work with a Board of Directors whose opinions I trust. When we make big decisions, we jump together. The burden no longer is only on me.

Steve Altmayer, Former Chief Executive Officer

Wrap Pack Products Corporation, Yakima, WA
(Provider of tissue wrap packaging for fresh fruits and molded pulp trays)

I had owned the business since 1988. We were a small, but dominant, fruit wrap manufacturer. By 2001, I was looking to sell and leave so I could pursue a variety of hobbies I'd always wanted to try. I got sidetracked because I enjoyed interacting with Prospect Partners so much. So I stuck around in the business.

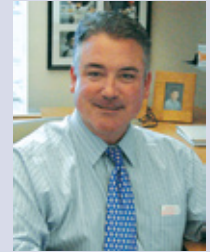


What happened: I'm pleased I stayed because it turned out to be a win-win deal for me and my management team. In our three years with Prospect Partners, we developed new products, made significant capital investments that improved our margins, and acquired a complementary business. In 2004, I recapitalized again and finally retired. Prospect Partners gave me, and my management team, the financial security to set out on our personal quests.

Paul Fraser and Kevin Barbary, Principals

Office Resources Holding Company, Boston, MA
(Distributor of high-end office furniture and systems)

It was 1999. Office Resources was growing rapidly; revenues had increased more than tenfold since we started the firm three years earlier. We'd already gone through three banking relationships. We didn't want to cash out but decided to recapitalize for three main reasons: We needed strong, ongoing counsel from an experienced partner at a critical time in our business; we sought to reduce our personal risk since we literally had invested everything we had into ORI; and finally, we wanted to improve our lending relationships.



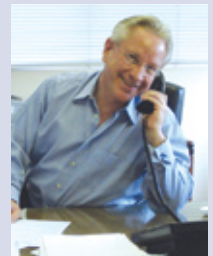
Kevin Barbary

What happened: We're still running the business. We've expanded to four locations and are annually ranked as one of the top five distributors of Knoll office furniture. Prospect Partners has been a great financial partner that has provided invaluable other benefits, like guidance on everything from human resources to business strategy. What's more, we've been able to access lenders and lending terms we would not have been able to achieve on our own with the small regional banks we knew, and that has been a big factor in facilitating our growth.

George Thorsen, Chief Executive Officer

Gold Star Food Service, Inc., Los Angeles, CA
(Specialty foodservice distributor to public school districts)

In 2006, my business partner of 29 years, Lenny, expressed a desire to retire. I wanted to stay on; Gold Star Foods was growing at a good pace and I wanted to make sure it continued on that path and remained well-positioned to provide ongoing opportunities for all of our staff. By recapitalizing, we were able to establish an exit strategy for Lenny and create additional ownership opportunities, especially for Lenny's daughter, Cindy, who had been with Gold Star for 14 years.



What happened: We recapitalized in late 2007. Lenny retired, and Cindy became Chief Operating Officer. Since that time, we've hired new people, created new sales training programs, and deepened our presence in California and Arizona school markets. Prospect Partners allows me to run my business and brings a professionalism and a level of financial guidance and knowledge we never had.