



PRIVATE EQUITY CLIENT CRITERIA
3rd QUARTER 2011

<i>Private Equity Client 1:</i> New York-Based Private Equity Group	
Founded in 1998, this private investment firm with over \$300 million in their current fund is focused on making equity investments in America's smaller middle-market companies. They seek to generate long-term capital appreciation through a value oriented investment strategy. Their ultimate goal is to create value – for customers, employees, suppliers, lenders and shareholders. Their objective is to help management move their companies to a better, more profitable position.	
<i>General Criteria:</i> Revenues: \$40 - 200mm EBITDA Range: \$8 - 30mm Margins: 13% + EBITDA margins Geography: Nationwide Structure: <ul style="list-style-type: none">• Control positions, always partner with management• Utilize senior debt only (no mezzanine or sub-debt), in addition to their equity investment which is usually 30% to 60% of the capital structure initially	<i>Target Industries:</i> Stable demand industries that possess: <ul style="list-style-type: none">• Strong defensible market positions• High operating margins• Strong operating management• Multiple growth opportunities
<i>Past and Current Portfolio Companies Include:</i> Financial advisor/asset manager to state and local governments; dining and entertainment cruises; independent specialty retailer catering to resorts and casinos; folded carton packaging manufacturer; shelf stable bakery products for the military, eyewear and eye care accessory products; premium Asian appetizers and entrees; promotional products/home-based solution network.	



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Private Equity Client 2:
Mid-Atlantic Based Family Office

Private Capital Research LLC is currently retained by a private investment management company/family office that is seeking to acquire branded product manufacturing companies that are US based. The Company currently has platforms in two business segments: dental equipment and supplies; and outdoor power equipment for lawn and gardening.

General Criteria: Branded Products that are domestically manufactured.

Revenues: \$25 to \$500 million

Gross Margins: 30% or greater

EBITDA: \$5mm to \$40mm

Geography: Anywhere in the USA

Management & Staff: Prefer that management stay but not necessary

Transaction Type: 100% buyout preferred

Target Industry Niche Focus: Branded product manufacturers that are focused on targeted industry niches. Any industry, business-to-business or business-to-consumer.

Target Descriptions: Wide range of industry interests, but the products must be branded and have brand equity. Iconic brands that are out of favor but have inherent staying power. Groups of various brands that are related in their industry, that have multiple distribution channels (direct, one-step, two-step, etc) are preferred.

Past and Current Portfolio Companies Include: Lawn and Garden Equipment manufacturing platform with 7 leading brands in niches including edgers, hedge trimmers, blowers, composters, dethatchers, commercial mowers, sod cutters, leaf and debris vacuums, tillers, tractors, turf aerators, turf seeders, truck loaders, etc. Dental Equipment Manufacturing platform with multiple leading brands in niches including high-speed handpieces, fiber optics, chairs, stools, lights, vacuum/blower systems, dust collectors, water pumps, compressors, workstations, modular systems, etc.

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Private Equity Client 3:
Mid-Atlantic-Based ESOP Holding Company

An ESOP Holding Company that seeks to partner with both ESOP and non-ESOP owned companies. Uses a diversified holding company structure with the holding company acting as a sponsor of the ESOP, rather than the individual operating companies. This structure diversifies participants' retirement benefits and shifts fiduciary responsibilities and ESOP administration from the operating company level to the holding company. Under this structure, senior management of each operating company is compensated through equity-based incentive programs independent of the ESOP structure.

General Criteria:

Revenue: Between \$15 – 150mm; if target is currently ESOP-owned, size criteria is less of a focus due to potential stock exchange

EBITDA: Between \$2 – 10mm

Transaction Type: Recapitalizations, Acquisitions

Transaction Structure: Must acquire at least 80% post acquisition; if seller not selling 100%, seller may reinvest at the operating company level. A phantom stock equity plan may be used as an incentive for management of operating company.

Growth: Proven earnings history; sustainable cash flows

Geography: North America

Target Industries:

- Mature and profitable industrial, construction products or commercial manufacturing companies.

Current Portfolio Companies Include: Concrete pole manufacturer; PVC pipe manufacturer; traffic control enclosure manufacturer; industrial air/gas blower and vacuum manufacturer, electronic manufacturing services (EMS) company for OEMs.

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Private Equity Client 4:
Mid-Atlantic Based Private Equity Group

Private Capital Research LLC is currently retained by a successful, niche private equity firm that adheres to a disciplined investment approach focused on making investments in small, profitable, domestic manufacturing companies. The team has a long history of seeking out niche manufacturing businesses and collaborating with family owners and management teams to maximize revenue growth potential and enhance competitive advantages to realize operating margin improvements and value creation.

General Criteria: Domestic niche manufacturing companies.
Revenues: \$25mm or more, but have considered smaller revenue levels coupled with high profitability.
Gross Margins: 20% or greater
EBITDA: \$5mm to \$15mm historical performance.
Equity Check: \$35mm max initially
Geography: East of the Rockies: Northeast, Southeast and Midwest preferred
Management & Staff: Require management to co-invest a meaningful amount
Transaction Type: Buyouts, Majority Recaps

Target Industry Niche Focus: Capital Equipment, aerospace/defense/security, medical products, building products, material solution providers, robotics and industrial components. No contract manufacturing or low-tech commodity-type products.
Target Descriptions: Actively looking for companies or divisions of larger corporations that manufacture unique or highly engineered products to either a niche market or a diverse customer base. Works well with private, family owned businesses as well as corporate divestitures. Collaborates with existing management to enhance company performance.

Past and Current Portfolio Companies Include: A provider of high quality water purification and heat transfer solutions to the military, pharmaceutical, energy and bottled water industries. A designer and manufacturer of tactical shelters, containers and subsystems noted for mobility, and used in both critical emergency and military applications. A manufacturer of critical, specialty components for bridges, elevated roadways, highways, airfield pavement structures and other elements of the transportation infrastructure. A worldwide supplier of equipment for the industrial and hydraulic hose industry. A producer of mineral wool insulation products for commercial and industrial applications.



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<i>Private Equity Client 5:</i> Mid-Atlantic Family-Backed Private Equity Firm	
<p>Focused on taking a controlling interest in specialty manufacturing, value-added distribution and niche service companies that have a definable business model, a proprietary product, process or market coupled with a substantial opportunity for growth and value creation. The firm seeks to partner with strong management teams already in place. With no outside limited partners, the office seeks to create a structure designed for long term success past the usual five year holding period of traditional private equity funds.</p>	
<p><i>General Criteria:</i> Enterprise Value: \$15 – 100mm EBITDA Range: \$2 – 15mm Margins: Profitable Valuation: Reasonable, market purchase multiples Growth: Minimum 10% annual growth projections Geography: Eastern US</p>	<p><i>Target Industries:</i> Largely opportunistic as to industry.</p>
<p><i>Past and Current Portfolio Companies Include:</i> Residential and commercial security, fire, medical and CCTV alarm system sales, installation, maintenance and monitoring, as well as aggregation of central station monitoring contracts; military and student housing; wholesale lending services.</p>	



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Private Equity Client 6:

New York-Based Family-Backed Holding Company

This privately held investment firm is structured as a holding company, not as a limited partnership, with more than \$200mm in equity available for investment, and seeks to make investments in companies with up to \$75mm in total enterprise value that are leaders in a niche industry and offer proprietary competitive advantages. They excel using a “buy, build, and hold” strategy by joining with management to help solidify and grow already strong entities over an indefinite holding period. Their "hands-off" approach to the day-to-day operations allows management to run the companies, while they focus at the board level.

General Criteria:

Revenues: \$15 - 100mm

EBITDA: \$2 – 15mm

Transaction Type: Control Investments, select non-control

Need:

- Proprietary Competitive Advantages
- Strong Barriers to Entry
- Stable Cash Flows
- High Margins Relative to Industry Norms

Geography: Mid-Atlantic, Midwest, Southeast

Target Industries:

- Manufacturing
- Commercial Distribution
- Car/Taxi Dispatch Services
- Consumer Products/Services
- Intellectual Property/Content
- Specialty Publishing
- Restaurants
- Infrastructure

Current and Past Portfolio Companies Include: A leading supplier of replacement industrial/commercial HVAC condensers and coils; two marine supply businesses that distribute heavy anchors, chain, wire rope and related hardware to, among others, the shipping, oil and gas and commercial fishing industries; a manufacturer of commercial and naval mooring hardware, including chain, anchors, and related fittings; a leading consumer-focused Lincoln Town Car dispatch service; an aluminum and zinc die-casting business that manufactures sacrificial anodes for recreational marine applications; an electricity submetering company that manufactures submeters and interval data recorders, and develops automatic meter reading and analysis software.

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Private Equity Client 7:
Midwest-Based Private Equity Group

Founded nearly 40 years ago, and investing from their ninth fund, this Private Investment Firm invests patient capital from several families and a few financial institutions in high-quality, closely-held and family-owned companies with the flexibility to consider a longer investment horizon, and when appropriate, retain portfolio companies for many more years than a typical investment firm. The Firm's unique approach of identifying executives with outstanding industry knowledge and past performance has led to the financing of 200+ family business transitions over the past 35 years.

General Criteria:

Revenues: \$50 - 250mm

EBITDA: \$5 - 25mm

Total Enterprise Value: \$50 - \$150mm

Investment Size: \$20 - 75mm capital over the life of investment

Transaction Type: Control Position through Buyout or Recapitalization

Holding Period: 5 – 10 years, typically

Geography: North America

Target Industries:

Seeking scalable, profitable, well-managed companies positioned for long-term growth organically, through acquisition, or both often partnering with owners and operators who retain partial ownership.

Generally opportunistic as to industry. Business services companies tend to fit well.

Current and Past Portfolio Companies Include: information and compliance services to corporate Environmental Health and Safety (EH&S) departments; specialty infusion and injectable pharmacy services; outsourced janitorial and facilities maintenance services; outpatient cancer services, including imaging and treatment; legal information management services; distributor of equipment, components and parts to the mining and construction industries; outsourced staffing services to hotels; a healthcare-focused marketing and communications agency; diversified channel marketing services including marketing administration activity, automation, marketing communication, event marketing and creative services; a face-to-face marketing services company; technology and engineering services to government agencies; importer and master distributor of ductile iron and cast iron fittings, restraints, municipal castings; computer systems maintenance services; payment processing systems to financial and commercial customers.

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<p><i>Private Equity Client 8:</i> Mid-Atlantic-Based Private Equity Group</p>	
<p>Founded 1999, this Private Equity Group provides capital and trusted counsel in partnership with proven managers to drive the growth of promising companies into outstanding enterprises. They will acquire a majority interest in partnership with proven managers, and are also comfortable supporting managers as a non-control investor, providing flexible investment structures designed to uniquely meet the needs of both the company and its owners.</p>	
<p><i>General Criteria:</i></p> <p>Revenues: \$10 - 75mm</p> <p>Investment Size: \$3 - 10mm</p> <p>Transaction Type: Buyouts, recapitalizations, non-control growth equity investments</p> <p>Geography: Mid-Atlantic and Eastern US; will consider Midwest and Southeastern US</p>	<p><i>Target Industries:</i></p> <p>Seeking growing, well-managed companies which need counsel and support as they grow into market leaders. Always strong partner with existing/recapping management. Opportunistic as to industry. Interested in opportunities with complications or unique attributes that may repel other potential buyers. Business and consumer services and products tend to fit well.</p>
<p><i>Current and Past Portfolio Companies Include:</i> Special event digital photography services; point-of-sale products and lifecycle support services for retailer store automation; fragrance, bath and body products; portable x-ray and mobile diagnostic health services; private cable operator and broadband solutions provider; janitorial and maintenance services provider; regional railroad system; designer, seller and distributor of active wear; regional provider of home infusion and respiratory therapy services; toxicology laboratory.</p>	



CORPORATE CLIENT CRITERIA
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Corporate Client – Strategic Buyer
Custom and Pre-Engineered Bearings Company

Private Capital Research LLC is currently retained by a world leading manufacturer of both custom and pre-engineered bearings. Our client is focused on both bearings and related technology. They are looking to expand by acquiring a business in the Precision Equipment Manufacturing and Repair Industry.

General Criteria:

Revenues: Between \$5.0mm and \$20.0mm

Gross Margins: > 30% for product manufacturers; but can be lower for MRO and Parts sales companies.

Growth: GDP Growth or better

EBITDA: \$1 – 4mm historical- no distressed situations.

EBITDA Margins: 10% +

Customers: Diversified customer base

Geography: USA-based targets only, with a focus on Mid-Atlantic, Houston TX, Indiana, Ohio

Management & Staff: Key management personnel will be retained for at least one year post acquisition.

Transaction Type:

100% ownership preferred with some flexibility.

Asset purchase preferred.

Target Industry Niche Focus:

Primary NAICS Codes:

- 332991 - Ball and Roller Bearing Manufacturing
- 33361 – Engine, Turbine and Power Transmission Equipment Manufacturing.
- 333613 - Mechanical Power Transmission Equipment Manufacturing.
- 811219 – Other Electronic and Precision Equipment Repair and Maintenance

Additional Target Descriptions:

- Precision Equipment Manufacturing and Repair
- Bearings and Seals Manufacturing, Repair, Services
- Rotating Components Manufacturing, Services
- Turbine Parts and Components (blades and rotating parts) Manufacturing, Services, Maintenance
- Power Transmission Equipment Manufacturing, Services, Maintenance
- Oil and Gas Industry Equipment and Services
- Naval and US Government Equipment Suppliers and Manufacturers OEM or Aftermarket Businesses with a preference to growing the *Aftermarket Business*

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