Lincoln International

DEALREADER | Privately-Held Businesses

The merger and acquisition newsletter for owners of private companies and their advisors

September 2009

Inside this Issue

Welcome to the September 2009 issue of the Privately-Held Businesses DealReader, a newsletter focused on merger and acquisition trends, transactions and events of interest to owners of private companies and their advisors.

In this issue, we pose five questions to Michael Lux, partner-in-charge of the Transaction Services group at Crowe Horwath LLP, one of the leading public accounting and consulting firms in the United States. Lux offers insights into the practice of post-transaction financial due diligence, and how performing financial due diligence on your own company prior to embarking on a sale process can identify potential deal problems before they arise.

Other topics covered in this issue include:

- Outlook for private company M&A
- Key M&A market and contract statistics
- Common characteristics that acquirers seek in industrial distribution companies
- Profile of Freedom Plastics, a Wisconsin-based private company sold in a court-supervised receivership sale process in March 2009

Finally, Lincoln International is proud to share with you several awards our firm has recently won for our efforts in the difficult M&A market of the last eighteen months. These awards from *The M&A Advisor*, *Buyouts* and *ACQ Finance* magazines would not have been possible without the collaboration of our clients, and we thank them for choosing Lincoln during these turbulent times.

We hope you find this newsletter a useful tool, and we welcome your comments.

Lincoln International

Five Questions For: Michael Lux, Crowe Horwath LLP Transaction Services

Michael G. Lux, at Crowe Horwath LLP in Chicago, is the partner-in-charge of the firm's Transaction Services group

Crowe Horwath LLP is one of the leading public accounting and consulting firms in the United States. Under its core purpose of "Building Value with Values®," Crowe assists public and private company clients in many sectors, including financial and diversified financial services, healthcare, government, private equity sponsored, inventory-based, retail, not-for-profit, higher education, and food and commodities, through audit, tax, risk, and consulting services.

Michael Lux joined Crowe Horwath's Chicago office in 1994, and was named a partner in 2004. During his tenure, Mr. Lux has worked on mergers and acquisitions of family- and private equity-owned middle-market companies in the construction; healthcare; food and agriculture; manufacturing and distribution; and financial and business services industries, among others. Mr. Lux and the Crowe Horwath Transaction Services team help private business owners on transactions ranging from less than $10 million to over $500 million.

We asked Mr. Lux five questions about how private companies can prepare for a potential buyer's financial due diligence:

Q: What is "Transaction Services"?

A: Transaction Services means "any help we can provide to a client that is contemplating a transaction." Most often, the help involves Crowe assisting a client that is considering acquiring another business by performing due diligence on the target company.

We typically assist by performing accounting and tax due diligence on the target company's financial statements and tax filings. When necessary, we can also provide other services, such as information technology, employee benefits and/or pension plans, and operations analyses, to name a few.

"Preparing to go through a sale process and then dealing with the due diligence is above and beyond what most accounting departments can tackle without neglecting their day-to-day work requirements."

Crowe Horwath

Lately, we are increasingly finding ourselves on the other side of the table, assisting a seller who might be preparing to divest all or part of its business. We don't take the role of an investment banking advisor. Rather, depending on the client's needs, we tailor a "sell-side" due diligence engagement where we provide the same services and perform analyses similar to a buy-side project, but we're helping the seller instead.

Q: What are the areas of accounting and financial controls and statements where you most often see privately-held companies have difficulty?

A: Whether we're working on the buy-side or sell-side, we typically see three weaknesses in the accounting and reporting infrastructure at owner-operated companies. They are (i) lack of bandwidth and limited or no deal experience in the finance and accounting function, (ii) inconsistent rigor in the monthly closing and reporting, and (iii) lack of expertise when it comes to identifying the

(Continued on page 2)

(Crowe Horwath, continued)

items within the historical financial statements that could affect purchase price in either direction.

Functional bandwidth is self-explanatory. Most companies have limited finance and accounting resources. As a result, preparing the necessary information to go through a sale process and then dealing with the due diligence itself is usually above and beyond what most accounting departments can tackle without neglecting their day-to-day work requirements.

Inconsistency in monthly closing and reporting has to do with comparing what the management team does to close the financial statements during a month that is not year-end with the year-end close procedures. Often, trailing-twelve-months ("TTM") earnings is the most important metric in determining the transaction's value. If that TTM period covers a start and end date that does not coincide with the company's fiscal year, there is a significant margin for error in the earnings number if the company does not close its monthly financial statements applying the same level of scrutiny as it does at year end, calling into question the "quality of earnings." It is interesting to note that when we're on the buy-side, we typically find more issues in the balance sheet from a year ago, as opposed to the most recent close. That's because most companies start to clean up their financials when they're heading toward a transaction. But were the financial statements clean a year ago? We're not always sure, and those issues from the balance sheet twelve months ago, if material, will most certainly affect TTM earnings and the resulting purchase price.

The final issue deals with the fact that most accounting personnel at an owner-operator company do not have transaction experience, either buying or selling. There is GAAP accounting and reporting, and then there is "pro forma" reporting. The pro forma reporting typically takes into account the non-recurring items or "private company expenses," the effects of which one might argue should be removed from the historical financial statements. Often, these items take the form of excess expenditures that can be "added back" to the earnings. Someone who is not accustomed to working in a transaction environment might not be capable of finding, analyzing, and concluding on the effects of these items. When working on the buy-side, we frequently find items that the seller and its advisory team missed that could have resulted in an earnings increase, a multiple of which may have been realized when transferred to the purchase price.

Q: When you are working for a buyer, is it the goal of financial due diligence to find a reason for the buyer to reduce their offer for the target?

A: No, it sometimes only seems that way. Our goal is to help the client properly manage and mitigate risks connected to the areas on which we perform due diligence. That involves quite a bit more than just trying to help the client negotiate a purchase price reduction.

"Our goal is to help the client properly manage and mitigate risks connected to the areas on which we perform due diligence."

Q: How does Crowe's role differ when you are engaged by the seller pre-transaction?

A: We bring the same skills to the table when we're working for a seller as we do when working for a buyer, with the primary difference that our transaction experience is at the disposal of the seller. On some jobs, the seller just needs help organizing the financial statements and going through a dry run of the due diligence. In these cases, everything we do will be from the perspective of the buyer's due diligence team. We don't have a crystal ball, but we have enough experience to put a seller through a very rigorous dress rehearsal for buy-side due diligence.

On other engagements, the issue is the seller's pro forma adjustments, or "add backs." In that case, we have two goals. First, we help the seller articulate those adjustments, i.e., the reason that they are non-recurring items and the income statements effects should be removed. Second, we help the seller pull together the necessary documentation so that a buyer's due diligence team can review the add backs and, hopefully, arrive at the same conclusion. In this situation, everything we do for the seller has the general tone of "when we work for a buyer or lender, they like to see X." The only difference is that we're working for the seller and, hopefully, we've eliminated most of the surprises before they come up from the buyer.

Q: If an owner-operator is considering selling their company in 2010 or 2011, when would be the best time to begin working with an advisor like Crowe?

A: Ideally, it would be best to spend some time with an advisor at least a year before you intend to bring the company to the market. Doing so will give the company at least twelve months of financial statements that are better prepared for scrutiny. The final step would be some work before the company opens up to buy-side due diligence. This is the best-case scenario. The reality is that most prospective clients call us well after when they should have requested help. This is not a problem, though; it just alters the time table and intensity-level of the work that needs to be performed. ■

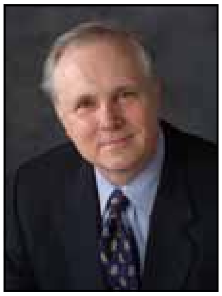
About Crowe Horwath LLP & Transaction Services

- **Founded in 1942, Crowe serves clients throughout the United States and worldwide as a leading member firm of Crowe Horwath International, a global organization with more than 140 member firms and business affiliates in 50 countries**
- **Transaction Services ("TS") team includes more than 50 U.S. members with extensive transaction experience, and personnel in over 50 countries worldwide**
- **Team members are dedicated to TS projects and business development and have no recurring Assurance (audit) engagement responsibilities**
- **TS personnel's experience levels range from 3 to 25+ years, and have advised or assisted in transactions totaling more than $15 billion throughout the world**
- **Significant cross-border transaction experience, including throughout North America, Europe, Asia, South America, Australia and South Africa**
- **Industry expertise includes:**
  - **Manufacturing and Distribution**
  - **Healthcare**
  - **Food and Agriculture**
  - **Construction**
  - **Financial & Business services**
- **Pre-transaction engagements typically last one to four weeks, with post-transaction (M&A Integration) engagements typically lasting one to nine months**
- **Typical project costs (financial due diligence only) range from $40,000 – $175,000, with multi-country international engagements usually subject to a minimum fee**

More information on Crowe Horwath LLP and the firm's Transaction Services team can be found at www.crowehorwath.com

Contact Michael Lux at 1-312-899-7006 or michael.lux@crowehorwath.com

State of the Private Company M&A Market: Looking Ahead To 2010



Patrick Goy

For those business owners among the 100,000 baby boomers who reached age 60 each month during 2008, the prospects of achieving a liquidity event after years of work and investment must have seemed enticing. And for the first eight months of 2008, many businesses were in fact selling for excellent valuations in most industries, allowing owners to diversify their net worth under favorable capital gains rates. *(Please see the charts under "Mid-Market M&A Activity and Outlook" on page 5 for more information.)*

In the fall of 2008, however, a series of unprecedented economic events effectively led to a suspension in mergers-and-acquisition activity, a condition that yet persists as we march into late 2009. The failure of several major investment and commercial banks and liquidity issues in the auto and housing industry caused investors to flee the equity markets. Combined with the S&P 500 and Dow Industrial averages declining more than 40% each, crude oil topping $140 per barrel, and the Federal Reserve's pronouncement that the U.S. economic recession started in December 2007, it is no surprise to business owners that current conditions are as difficult as any in memory.

How Long Will The Credit Freeze Last?

The most important factor affecting M&A in the middle market, however, was and is the absence of acquisition financing for transactions. Often described as the "jet fuel" driving private equity groups, acquisition financing allowed these groups to offer ultra-competitive bids built on leverage.

This changed, though, when commercial banks and cash flow lenders entered a deleveraging mode in September 2008, "freezing" credit availability and resulting in virtually no cash-flow lending available for transactions with less than $20 million in earnings before interest, taxes, depreciation and amortization ("EBITDA").

"The most important factor affecting M&A in the middle market, however, was and is the absence of acquisition financing for transactions. "

With short-term Treasuries at effectively 0% yields, it seems unlikely that an easing of credit terms for acquisitions will occur anytime soon and risk has again become a four letter word. Despite recent signs that risk can now be priced with corporate bond issuers coming back to the market, a stabilization of LIBOR and a few public companies able to extend their expiring loan agreements, albeit on much more expensive rates and terms, our view is that the credit markets will ease slightly beginning in the first half of 2010. Banks are stabilizing their balance sheets and their view of lending will "thaw," since with their cost of funds close to 1%, lending at 7%-8% plus origination fees will be very good business.

(Continued on page 6)

Executive Summary

- **Unprecedented economic events have led to a suspension in mergers-and-acquisition activity, a condition that persists as we march through 2009 and into 2010**
- **The most important factor affecting M&A in the middle market was and is the absence of acquisition financing for private equity groups**
- **Lincoln's view is that credit markets will begin to ease slightly in early 2010, making acquisition financing more available**
- **Valuations for transactions in 2010 will be lower than during the height of the M&A market in 2007 and early 2008**
- **It is not too early to take the essential steps that would clear the way for a successful sale in 2010 and 2011**

Award-winning 2009 for Lincoln International

In March 2009, Lincoln International was announced as a winner at the M&A Advisor 2009 Turnaround Awards among 107 other finalists. The firm won the "Distressed M&A Deal of the Year under $100 million" award for its outstanding work in advising Reunion Industries, Inc. on its sale of CP Industries to Everest Kanto Cylinder in April 2008.

THE M&A ADVISOR TURNAROUND AWARDS 2009 WINNER

Buyouts

In April 2009, Lincoln International was named "Middle Market Investment Bank of the Year" by *Buyouts* magazine, one of the most widely read publications in the private equity community. In its ninth annual *Buyouts* awards program, all six of the nominated firms for Middle Market Investment Bank of the Year were judged on transaction volume, innovation, flexibility, timeliness, deal prices, the ability to overcome obstacles and overall reputation in the marketplace.

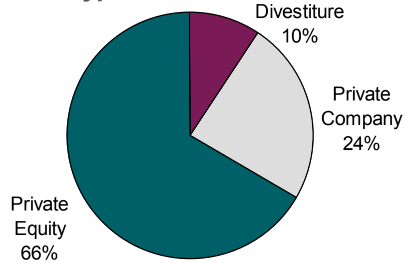
In May 2009, Lincoln International was awarded the distinction of "International M&A Advisory Firm of the Year" by *ACQ Finance Magazine*. Now in its fourth year, the *ACQ Finance Magazine* awards program aims to recognize excellence in deal-making by selecting winners through an independent poll of *ACQ* readers, contributors and industry experts. Award winners are independently determined and recognized for their contributions to making deals happen over the prior twelve months.

ACQGLOBAL AWARDS2009

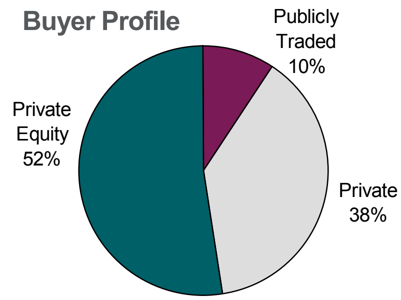
The Market Pulse: Data That Affects The Mid-Market M&A Landscape

Lincoln Completed Transaction Data - Last 12 months ended June 30, 2009

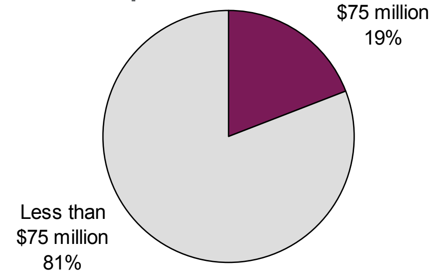
Seller Type



Buyer Profile



Enterprise Value



Valuation Statistics: Average Enterprise Value Multiples

Compared to last 12 months ended June 30, 2008

	EV / LTM EBITDA				EV / LTM Revenue			
	Adj. Mean		Median		Adj. Mean		Median	
Less than $75 million	4.65x	▼	4.32x	▼	0.61x	▼	0.59x	►
Greater than $75 million	7.36x	▼	7.36x	▼	1.08x	▼	1.08x	►

Note: Arrows denote comparison with transactions completed during the 12 months ended June 30, 2008; Adjusted mean excludes high and low values prior to mean average calculation

Observations

- Valuation multiples have declined amid softening of lending and business environments
- Enterprise values for larger companies, as measured by EBITDA and Revenue multiples, remain at relatively healthy levels

Key Purchase Agreement Terms - Lincoln's U.S. Transactions

Compared to last 12 months ended June 30, 2008

Escrow as a Percentage of Purchase Price

	EV < $75 mm				EV > $75 mm			
	Mean		Median		Mean		Median	
All Sellers	**6.10%**	▼	**5.71%**	▼	**4.80%**	▼	**4.95%**	▼
Public Buyers	10.00%	▲	10.00%	►	n/a		n/a	
Private Equity Buyers	5.75%	▼	4.99%	▼	4.65%	▲	4.65%	▼
Private Buyers	5.03%	▲	5.05%	▲	4.95%	▼	4.95%	▼
Private Sellers	**6.70%**	▼	**7.20%**	▼	**6.25%**	▲	**6.25%**	▲
Public Buyers	10.00%	►	10.00%	►	n/a		n/a	
Private Equity Buyers	n/a		n/a		7.50%	▲	7.50%	▲
Private Buyers	5.05%	▲	5.05%	▲	5.00%	▲	5.00%	▲

Indemnity Cap as a Percentage of Purchase Price

	EV < $75 mm				EV > $75 mm			
	Mean		Median		Mean		Median	
All Sellers	**14.80%**	▲	**10.12%**	▲	**8.13%**	▼	**8.70%**	▲
Public Buyers	15.00%	▼	15.00%	▼	n/a		n/a	
Private Equity Buyers	9.13%	▲	10.00%	▲	8.70%	▼	8.70%	▲
Private Buyers	29.73%	▲	26.49%	▲	7.55%	▲	7.55%	▲
Private Sellers	**36.35%**	▲	**36.35%**	▲	**7.50%**	▼	**7.50%**	►
Public Buyers	20.00%	▼	20.00%	▼	n/a		n/a	
Private Equity Buyers	n/a		n/a		10.00%	▼	10.00%	▲
Private Buyers	52.70%	▲	52.70%	▲	5.00%	▲	5.00%	▲

Basket as a Percentage of Purchase Price

	EV < $75 mm				EV > $75 mm			
	Mean		Median		Mean		Median	
All Sellers	**0.72%**	▼	**0.73%**	▲	**0.76%**	▼	**0.78%**	►
Public Buyers	0.80%	▲	0.80%	▲	n/a		n/a	
Private Equity Buyers	0.67%	▲	0.62%	▲	0.88%	▼	0.88%	▲
Private Buyers	0.78%	▼	0.72%	▼	0.65%	►	0.65%	►
Private Sellers	**0.55%**	▲	**0.55%**	▲	**0.63%**	▼	**0.63%**	▼
Public Buyers	0.90%	▲	0.90%	▲	n/a		n/a	
Private Equity Buyers	n/a		n/a		0.75%	▼	0.75%	►
Private Buyers	0.20%	▲	0.20%	▲	0.50%	▲	0.50%	▲

Indemnity Term (in months)

	EV < $75 mm				EV > $75 mm			
	Mean		Median		Mean		Median	
All Sellers	**15.94**	▲	**18.00**	▲	**19.25**	▲	**18.00**	▲
Public Buyers	15.00	▲	15.00	▲	n/a	▲	n/a	
Private Equity Buyers	15.38	▲	16.50	▲	21.00	▲	21.00	►
Private Buyers	16.80	▲	18.00	▲	17.50	▲	17.50	▲
Private Sellers	**20.00**	▲	**18.00**	▲	**20.50**	▲	**20.50**	▲
Public Buyers	18.00	▲	18.00	▲	n/a		n/a	
Private Equity Buyers	n/a		n/a		24.00	▲	24.00	▲
Private Buyers	21.00	▲	21.00	▲	17.00	▲	17.00	▲

Basket - Back to First Dollar (% of Transactions)

	EV < $75 mm		EV > $75 mm	
All Sellers	**23.53%**	▼	**25.00%**	▲
Public Buyers	0.00%	▼	0.00%	►
Private Equity Buyers	17.65%	▲	25.00%	▲
Private Buyers	5.88%	▼	0.00%	▼
Private Sellers	**0.00%**	▼	**25.00%**	▲
Public Buyers	0.00%	▼	0.00%	►
Private Equity Buyers	0.00%	►	25.00%	▲
Private Buyers	0.00%	►	0.00%	►

Note: Arrows denote comparison with transactions completed during the 12 months ended June 30, 2008

Source: Lincoln International

Observations

- In general, terms have become more buyer-friendly when compared to the 12 months ended June 2008, as less competition for deals has reduced sellers' negotiating leverage
- In particular, length of indemnity term has risen for all types of sellers

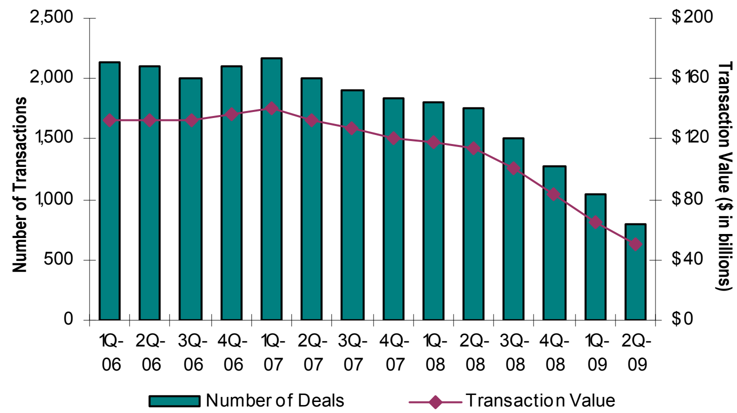
Legend	
▲	Increase vs. prior period
▼	Decrease vs. prior period
►	No change

Mid-Market M&A Activity and Outlook

- Mid-market M&A activity has continued to decline through Q2 2009
- Leverage multiples have come down from their 2007 peak and continue to decline
- As leverage levels have come down, buyers' percentage equity contributions increased substantially through 2008 and into 2009

	Number of Deals		
	12 Months Ended		
Deal Size	7/31/2009	7/31/2008	Change
$1 Billion +	44	121	(63.6%)
$500M to $999.9M	46	117	(60.7%)
$250M to $499.9M	90	165	(45.5%)
$100M to $249.9M	158	307	(48.5%)
$50M to $99.9M	139	354	(60.7%)
$25M to $49.9M	208	369	(43.6%)
$10M to $24.9M	239	464	(48.5%)
Under $10M	521	931	(44.0%)
Undisclosed	4,861	6,416	(24.2%)
Total	**6,306**	**9,244**	**(31.8%)**

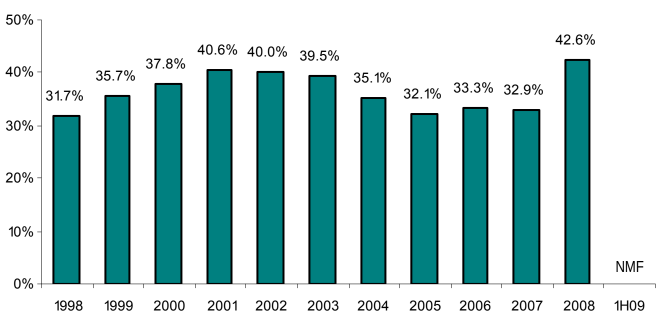
Source: Factset Mergerstat



Source: Factset Mergerstat

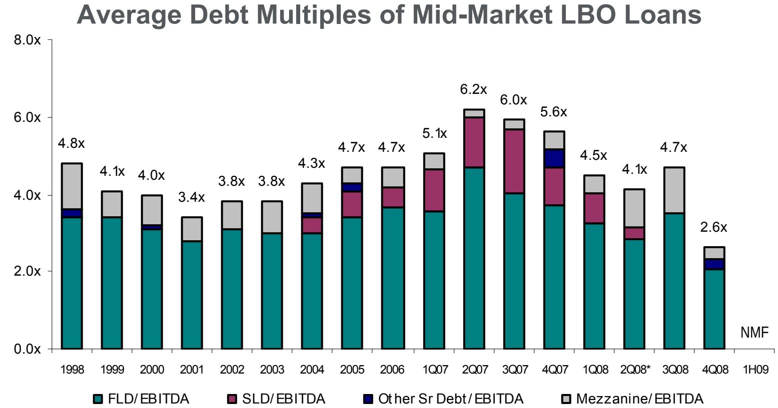
Current Financing Market Statistics

Equity as a Percentage of Total LBO Capitalization



Source: Standard & Poor's Leveraged Commentary and Data; too few data points were available to form meaningful samples for 1H09
Note: Transactions for companies <$50mm EBITDA

Average Debt Multiples of Mid-Market LBO Loans



Source: Standard & Poor's Leveraged Commentary and Data; too few data points were available to form meaningful samples for 1Q09 or 2Q09
Note: (*) Based on LI deal flow and market observations

They Said It

"Don't congratulate us when we buy a company. Any fool can buy a company. Congratulate us when we sell it and when we've done something with it and created real value.

- Henry R. Kravis
Co-founder, Kohlberg Kravis Roberts

"A corporation is a living organism; it has to continue to shed its skin. Methods have to change. Focus has to change. Values have to change. The sum total of those changes is transformation."

- Andrew S. Grove
Founder, Intel Corporation

Facts & Figures

64%

Percentage of net new jobs (gains minus losses) in the United States between 1993 and Q3 2008 attributable to firms with fewer than 500 employees, or 14.5 million.

Continuing firms accounted for 68% of these net new jobs, with the other 32% reflecting net new jobs from new firms minus those lost in firm closures.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Business Employment Dynamics

(State of M&A market, continued)

Are There Buyers For My Business?

There are always buyers for quality businesses, but valuations for transactions in 2009 and early 2010 will generally be lower than during the height of the M&A market in 2007 and early 2008. Some market segments—including food, business services, and aerospace and defense—continue to trade at very attractive multiples.

Additionally, cash buyers remain on the look out for "deals." Public company stock trading multiples are down, impacting their offers as they look to avoid acquisitions that are dilutive to earnings. In the end, a business will command a valuation premium only if is a "must have" for a strategic acquirer.

"There are always buyers for quality businesses."

How Can I Prepare My Business For Sale?

It is not too early for business owners to take the essential steps that would clear the way for a successful sale in 2010 and 2011. A smarter focus on manufacturing costs, sourcing, computer and marketing expenses are key areas for owners' attention. Though it may be tempting, do not shelve new product development or needed capital expenditures, as buyers will look to deduct deferred investments such as these that are crucial to maintaining the business from their valuation.

It is also a good time to review the depth of your management team, shore up labor contracts, extend real estate lease expirations, clean up contingent liabilities and pre-emptively address environmental issues. While this list seems daunting, it may be that hiring a consulting firm for a third-party review of to what your business may need could be the best investment.

Lincoln International's counsel to owners of private companies is that 2009 will not be a good year to sell your business, but 2010 may herald a new beginning for M&A activity. Surviving a recession is never enjoyable and it seems it will never end while you are in it. Yet difficult times do pass. Banks, fortunately, have short term memories and they will eventually be back looking to extend credit for the acquisition of quality businesses. When that happens, private equity and strategic acquirers will again return to the market and M&A activity and prices will rise again. ■

Patrick Goy, Managing Director, is Co-Head of Lincoln International's Restructuring and Special Situations Group, Head of the Privately-Held Business Group and a member of the firm's Global Industrial Group.

Patrick has been advising public and private companies in mid-market M&A transactions for over 30 years and has led deal teams in over 200 transactions. In particular, Patrick has extensive expertise working with privately-owned and family businesses, as well as extensive credentials working with under-performing companies and those going through the bankruptcy process.

Contact Patrick Goy at 1-312-580-8320 or pgoy@lincolninternational.com

Industry Spotlight: Industrial Distribution

Lincoln International has observed several characteristics of successful industrial distribution companies that often result in the desirable financial performance characteristics sought by investors:

Lower ← Valuation → Higher

Visibility of "Value-Add"	None	Hidden	Demonstrable
Cyclicality of Demand	Volatile	Predictable	Recurring / Countercyclical
Customer Responsiveness	Low	Medium	High
End Market / Customer / Product Line / Sourcing Concentration	High (>30%)	Medium (15% to 30%)	Low (<15%)
Other Business Model Attributes – Proprietary products – Scalability of services – Company-specific growth opportunities – Strength and depth of management	Low	Medium	High

The presence or absence of certain business model characteristics can be a key determinant of the value of a industrial distribution company to potential acquirers or investors

1. Visibility of "Value-Add"

Increased competition is leading companies to emphasize process efficiency and customer responsiveness. As a result, companies have accelerated outsourcing of business tasks that are non-essential to their core businesses but critical to their success. Tremendous switching costs can be created by linking a clients' business success to your company's ability to provide differentiated service or products.

2. Cyclicality of Demand

With customer demand soft within many market segments, independence from end market cyclicality or exposure to countercyclical or recurring demand products—such as MRO products—will result in relatively less business cyclicality, an attractive investment consideration for many buyers.

3. Customer Responsiveness

Similarly, many industrial distribution businesses gain a competitive advantage if they are able to provide to customers what they need when they need it wherever they do business. In some cases, this advantage may include maintaining proprietary assets, either informational (such as databases) or physical (such as trucks, processing facilities, or warehouses).

4. Concentration of Sales

Limited dependence on a small number of customers, or product lines, as well as serving a diverse cross-section of end markets, provides security to a buyer (and lenders) that the business can continue to operate profitably in the event of a major customer loss. Similarly, redundancy of supply for key products protects against unforeseen disruption of the supply chain.

5. Other Business Model Attributes

In addition, a company that 1) provides proprietary products, 2) can quickly scale its business in response to changes in demand, 3) has growth opportunities unique to the company, and 4) has a strong, experienced management team with the expertise necessary to capture those opportunities will be extremely attractive to a potential acquirer and will command higher relative valuations. ■

For more information on Lincoln International's Industrial Distribution practice, contact Curtis Tatham at (312) 580-8329 or ctatham@lincolninternational.com

Selected Recent Lincoln International Transactions

HARVEST MANOR FARMS

has been sold to

Ralcorp

- **Sell-side transaction (March 2009)**
- **Harvest Manor is a large U.S. provider of nuts and other snacks with a long history dating back to the founding of its predecessor company in 1913. The Company has a leadership position in packaged cashews, mixed nuts, peanuts, candy-coated nuts, and other savory snacks. Harvest Manor's products are sold in through grocery, club, big box retail, foodservice, and vending/concession channels. In addition to its national brands such as Hoody's®, All American®, Treat Time®, and Manor Creek Naturals®, Harvest Manor is also a major private label supplier to North American retailers.**
- **Acquired by Ralcorp Holdings, Inc., producers of Post® branded cereals, as well as a variety of value brand and store brand foods sold through foodservice, grocery, mass merchandise and drugstore retailers**

Silver Ventures

has sold

ECCE PANIS

to

Campbell's

- **Sell-side transaction (May 2009)**
- **Ecce Panis manufactures premium par-baked artisan breads that are sold primarily through the in-store bakeries of leading retailers and grocery chains across the country. Utilizing a unique "Hand Crafted" and "Stone Baked" process, Ecce Panis delivers a superior and premium product line. The par-baked breads and rolls are shipped to customers frozen where the baking process is finished within their in-store bakeries.**
- **Acquired by Campbell Soup Company, a global manufacturer and marketer of high-quality foods and simple meals, including soup, baked snacks, and healthy beverages**

Private Company Transaction Spotlight: Freedom Plastics, Inc.

On February 2, 2009, Freedom Plastics Inc. commenced a court-supervised receivership sale process in Wisconsin and the sale of the Company was completed through an auction held on March 16, 2009 in Milwaukee. Substantially all of the assets that comprised Freedom Plastics were sold to four different strategic acquirers for cash consideration and the post-closing collection of accounts receivable and sale of inventory.

Headquartered in Janesville, Wisconsin, Freedom Plastics manufactured Poly Vinyl Chloride ("PVC") pipe and fittings for the water, wastewater, plumbing, irrigation and industrial markets. Since its founding in 1976, Freedom Plastics developed an extensive product line of both PVC pipe and fittings. Freedom operated PVC pipe extrusion lines in both Janesville, Wisconsin and Fort Pierce, Florida as well as fittings fabrication facilities in Janesville and Preston, Idaho.

The sale was completed in an expedited timeframe, with the four transactions closing approximately 60 days after Freedom Plastics commenced the court-supervised proceeding. The sale process was completed following an assignment for benefit of creditors in accordance with Section 128 of the Wisconsin Statutes and was approved by the Circuit Court for Rock County in Wisconsin.

Lincoln International worked closely with Freedom Plastics to craft a comprehensive marketing strategy which involved contacting more than 125 potential acquirers, coordinating the due diligence process, selecting a stalking horse bidder, assisting with the bid procedures and negotiating four separate purchase agreements.

"Lincoln's intimate knowledge of sale transactions in an insolvency process combined with its extensive experience in working with companies in the building products industry proved invaluable ."

The Company's Janesville pipe manufacturing assets were acquired by North American Pipe Corporation, a unit of Westlake Chemical Corporation, while Harco Fittings, Inc. acquired the fittings fabrication assets in Janesville. The Fort Pierce manufacturing assets were acquired by Silver-Line Plastics Corporation and the equipment in the Preston facility was acquired by NACO Industries.

FP Freedom Plastics, Inc.

has sold certain of its assets to each of the following

Westlake Chemical / North American Pipe Corporation

Silver-Line

HARCO

NACO

"Lincoln's intimate knowledge of sale transactions in an insolvency process combined with its extensive experience in working with companies in the building products industry proved invaluable," said Steve Scaccia, President, Freedom Plastics.

"Lincoln quickly created a highly competitive, disciplined sale process that produced a positive outcome in the best interests of everyone connected with the Company, including its employees, customers and creditors." ■

Lincoln International's Global Footprint

More than 70 professionals in the United States

More than 60 professionals plus a 24-person advisory board in Europe

Office in Japan and strategic partnerships in China and India

Indicates Lincoln International office

Indicates strategic partnership and/or Lincoln International personnel

About Lincoln International

Lincoln International specializes in merger and acquisition services, debt advisory services, UK pensions advisory and providing fairness opinions and valuations for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, London, Los Angeles, New York, Madrid, Paris, Tokyo and Vienna and strategic partnerships with China Everbright in China and ICICI Securities, Inc. in India, Lincoln International has strong local knowledge and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at **www.lincolninternational.com.**

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- Automotive and Truck
- Building and Infrastructure
- Business Services
- Chemicals
- Consumer
- Electronics
- Industrials
- Packaging
- Technology

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