Middle Market

Perspective:

October 2012

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Insider

Inside the Middle Market is published by Brown Gibbons Lang & Company, a leading independent investment bank serving middle market companies throughout the U.S. and internationally.

PERSPECTIVE: DANIEL G. BERICK

The 2012 Election and Tax Considerations for the Middle Market

Election-year speculation about taxes is as inevitable as are the taxes themselves. Along with debates, public and private, over wide-ranging matters of public, foreign, and domestic policy, each election cycle brings with it attempts to predict the likely effect of each potential election scenario on United States tax policy. Each possible outcome—Who will win the Presidency? Who will control the House? the Senate? —provides endless fodder for debate and prediction.

All that can be stated with certainty is that there will be an election in November. Beyond that statement lies the world of speculation. In broadest outline, either President Obama or Governor Romney will win the Presidency. And the House and the Senate will each end up controlled either by the Republicans or the Democrats, although it's not clear whether either party will have a "filibuster-proof" majority in the Senate. We have polled our tax specialists, who closely monitor the progress of tax legislation and legislative proposals, for their views as to how various combinations of these possible outcomes could affect U.S. tax policy and, thus, the owners of middle-market businesses.

Each candidate's campaign has its own stated corporate tax policy. The Romney campaign calls for a reduction in the corporate income tax rate to 25 percent. It also calls for a switch to what it calls "territorial" corporate tax, explaining that the United States currently operates under what is known as a "worldwide" tax system, meaning that a U.S. person's business income is taxed at the U.S. rate regardless of whether the income is earned within American borders or overseas. The Romney campaign calls for a transition to a "territorial" system, which—generally speaking—would defer U.S. tax on foreign business activities until the time related profits are repatriated to the United States. The Romney campaign states that the change will increase the competitiveness of U.S. businesses that operate globally. The Romney campaign further calls for increases in certain investment tax credits, an additional one-year extension of the write-off for capital expenditures, and reductions in payroll taxes, all as further aids to job creation and economic growth.

"...Washington will face pressure to address the budget deficit, whether through spending cuts, revenue increases, or both. And the corporate income tax and the estate tax—two of the most important policy items for owners of middle-market businesses—are on both candidates' agendas."

—Daniel Berick
Squire Sanders

The Obama administration also calls for reductions in the corporate tax rate, coupled with other structural changes to the U.S. corporate tax. The Administration proposes a reduction of the corporate income tax rate to 28 percent, but has set forth a number of proposals to broaden the corporate tax base by eliminating all "tax expenditures" for specific industries, such as LIFO accounting, certain oil and gas preferences, and the taxation of carried interest income at capital gains rates. The Administration would also reform the current domestic production activities deduction by focusing the deduction on manufacturing activity, expanding it to 10.7 percent, and increasing it even more for advanced manufacturing. The Obama campaign states that this would effectively cut the top corporate tax rate for manufacturing income to 25 percent, and would have the effect of reducing that maximum rate even further for advanced manufacturing.

All of which makes for excellent campaign literature, but what is likely to happen after Election Day? That's the point at which the rhetoric of the campaign collides with the reality of the legislative process and a bicameral legislature. One scenario is that

Romney is elected President and the Democratic Party loses control of the Senate, while the Republican Party maintains control of the House of Representatives. In that scenario look for efforts to reduce the corporate income tax rate (after all, both candidates are calling for that). Broadening the corporate income tax base (whether through the methods proposed by the Obama campaign or otherwise) would be a possibility, but any broad efforts in that direction might strike some Republicans as being too akin to "raising taxes" to be palatable. There will likely be a push from the Republican Party for a general repeal of the Patient Protection and Affordable Care Act (aka "Obamacare"). That that may be too ambitious a result for the Republicans to achieve without control of both the House and the Senate, but it would seem likely that the Republicans would at least target the tax provisions of that Act. Some attempt to reform the taxation of international business activities may be likely as well, as this is another area that both campaigns have addressed, although in different forms.

If the President is re-elected but loses control of the Senate, the legislative outlook may not be dramatically different than where we find ourselves today. The Democrats do not hold a "filibuster-proof" majority in the Senate at present, and, while loss of the current Democratic majority would certainly impede the President's legislative program (as to tax matters and more broadly), the status quo itself does not insure against filibuster tactics. Perhaps, as to this scenario, all that can be said is that it raises the specter of even more political gamesmanship, in the form of vetoes, filibusters, and efforts to override vetoes.

The outcome considered likely by many commentators is a continued split of control of Congress, with the Republicans holding the House and the Democrats keeping a majority of seats in the Senate. In that scenario, no matter which candidate wins, we wouldn't expect any dramatic restructuring of corporate taxation. A Romney administration may be able to push through a modest version of its campaign's corporate tax proposals; likewise, a second term Obama administration may be able to find an area or two (international tax, perhaps, or estate tax) of compromise.

And what of the estate tax? Along with corporate income tax rates, the estate tax is a key concern of owners of middle-market businesses. The Obama campaign's proposals would reinstate the estate tax at 2009 levels—meaning that estates worth more than $3.5 million would be subject to the tax and would face a top rate of 45 percent, the lifetime exemptions would be rolled back to $3.5 million for estate and generation-skipping transfer (GST) purposes while the gift tax lifetime exemption would be reduced to $1 million. By contrast, the Romney campaign's proposal would be to repeal the estate tax entirely but preserve the gift tax rate at 35 percent. These widely-differing proposals—if either could actually be enacted—would have dramatic effects on owners of middle-market businesses and their succession and family wealth planning.

An election year brings uncertainty and, with uncertainty comes speculation. We believe that, whatever the outcome of the Presidential and Congressional elections, Washington will face pressure to address the budget deficit, whether through spending cuts, revenue increases, or both. And the corporate income tax and the estate tax—two of the most important policy items for owners of middle-market businesses—are on both candidates' agendas. ■

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Sell-Side Due Diligence

Sell-side due diligence is a cornerstone of divestiture preparation and strategy, enhancing seller credibility and deal value for both buyer and seller.

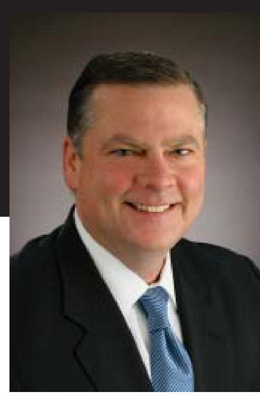
Sell-side due diligence is a staple of the divestiture process. Once the divestment decision is made, sell-side due diligence compels the seller to examine the business from potential buyers' perspectives including relevant opportunities, risks, synergies and other salient issues. Sell-side due diligence requires the seller to think like a buyer, discerning what drives value and where potential risks may exist. This can provide the seller with a unique advantage in negotiations that can help maximize value in a divestiture.

To view a transaction through a buyer's eyes, it is essential to understand the likely pool of buyers and their different needs and views on value. The onus is on the seller to identify a sound value story and illustrate how current and future financial performance reflects that value proposition.

"The onus is on the seller to identify a sound value story and illustrate how current and future financial performance reflects that value proposition."

—Gregory Stemler

Ernst & Young LLP



Sell-side due diligence helps prepare management to respond to buyer questions and challenges with fact-based positions of strength. A well-prepared management team is able to articulate a sound strategy and reveal detailed knowledge of what has driven historic performance, and what likely could drive future performance.

Focus areas

Sell-side due diligence should be both broad and deep. This means addressing such factors as historical financial results, pro forma and forecast financial results, the specific assets involved in the deal and implications for the seller's remaining businesses, including stranded costs and discontinued businesses. All one-time, transition and residual costs, as well as any transition service agreements or other needed commercial relationships between the seller and the business going forward, should be taken into account. In addition, sellers should develop a stand-alone business model for the entity being divested depending on the buyer pool.

Sophisticated global buyers often ask whether a spun-off or carved-out entity is ready to implement International Financial Reporting Standards (IFRS). Sellers can expect questions about compliance with other regulations, such as Section 404 of the Sarbanes-Oxley Act of 2002, along with associated compliance costs. Sellers should also conduct advance work with respect to tax planning and structure, which can add significant value to a deal.

Principal forms of sell-side due diligence

Sell-side due diligence can aid the buyer and thus add to the attractiveness of a transaction. A supplement to the offering memorandum, which is the primary selling document, can vary depending on the nature of the sell-side due diligence. The main forms include:

- Independent report. An independent report is developed by a qualified third party. For example, Ernst & Young's sell-side due diligence report (SDD) provides potential bidders with information to assist in their decision making and due diligence. It includes detailed analysis of the financial aspects of the transaction, along with relevant commercial and operational details. An SDD also delves into key separation considerations.

- White paper. An alternative to an SDD is a due diligence white paper. Prepared by the seller, this consists of schedules, analysis and accompanying memoranda identifying key issues and matters of potential interest to the purchaser. This information can be provided to buyers or used for management purposes only.

The key advantages of sell-side due diligence are as follows:

- Clarity, particularly when explaining a complex carve-out or a complex business model

- Up-front communication, providing bidders with an early notice of potential challenges or untapped value
- Efficiency, enabling the seller to simultaneously address the diligence requirements of multiple bidders
- Focus, streamlining demands on management enabling greater focus on the ongoing business during the sale process
- Speed, often reducing bidders' overall information demands and accelerating deal processes
- Ability to identify and understand enterprise value opportunities and risks

Data rooms

Perhaps the most important task associated with sell-side due diligence is the establishment of a complete and transparent electronic data room –typically an online repository of information which the seller makes available to buyers via a third party provider.

Although access to "complete and robust data" is the guiding principle of data room construction, it is not always in a seller's interest to provide everything buyers may want, particularly in the early stages of due diligence. Full disclosure often makes sense for a seller working with a single buyer, but sellers seeking to create competitive tension among a group of buyers may find value in releasing information selectively or in phases. Additionally, sellers may want to provide different sets of data to strategic buyers who compete in the same industry than that given to private equity buyers without competitive interests. Most electronic data rooms allow sellers to assign different levels of access to different buyers at different stages of the deal.

Buyers also vary from one deal to the next and use different guidelines or metrics to establish value. Compared to a financial buyer, a strategic buyer may more easily determine the value of business based on its own experience and integration plans. The financial buyer may need more exhaustive detail in order to develop its business case.

A data room will contain all key performance, financial, tax, organizational, operational and legal data that potential buyers will need to understand a business and develop their own view of value.

ESSENTIALS for your data room

- Adequate information to support a controlled question-and-answer process
- Full information on commercial and legal matters
- Validation of key valuation assumptions
- Alignment of data room with financial reporting structures
- Audited financial statements
- Presentation of normalized stand-alone financial statements
- Compelling support for stand-alone costs, run rates and projections
- Location and use of corporate real estate (owned, leased, ventures)

A well-run data room will contain data that is relevant, consistent and logically organized. It is also crucial that this information be aligned with that presented in the offering memorandum and any management presentations. Inconsistencies lead to concerns with the overall control and reporting environment, often leading to deal failure. It is also crucial that senior management, especially the CFO or controller, as well as others involved in the deal, be intimately familiar with the information loaded into the data room.

Synergies

An important aspect of sell-side due diligence is building a compelling synergies story for strategic buyers. Some corporate buyers will have clear synergies in mind and care little about the seller's view. Others may envision modest synergies based on slightly different expense projections. In many cases, a convincing presentation of likely synergies could increase the chance of a successful sale. ■

Gregory Stemler is a partner with Ernst & Young LLP's Transaction Advisory Services who advise clients on all aspects of their Capital Agenda.

The views expressed herein are those of the authors and do not necessarily reflect the views of Ernst & Young LLP.

PERSPECTIVE: PAM HENDRICKSON

Small Firms, Big Resources

Three and a half years ago, I was asked to testify at a Congressional hearing to explain how private equity fit into the continuum of a small business' ability to access capital. It was at that moment I realized how few people understood our industry, even people from the investing community. Since that moment, we at Riverside decided to go on an educational quest to explain to policy makers, media and anyone else who would listen what private equity firms actually do to create value.

One common misconception is the "equity" in private equity begins and ends with money. Indeed, new financing can help companies expand during a downturn, add staff or manufacturing capacity, and pay down loans, but today's successful firms must bring intellectual capital to the table to be successful.

As the economy remains challenging, it's increasingly important for companies of all stripes to find new ways to grow revenues and earnings. Finding the resources to drive growth can be difficult for smaller enterprises, which is why many turn to private equity firms when they want to supercharge their expansion.

"As the economy remains challenging, it's increasingly important for companies of all stripes to find new ways to grow revenues and earnings."

—Pam Hendrickson
The Riverside Company

Private equity firms are uniquely able to add value to these smaller businesses because they combine the nimbleness of an entrepreneur with the deep resources normally only available to Fortune 500 companies. This is one of the key reasons that private equity-backed companies have been shown to grow faster. Here are some specific resources that the most effective private equity firms provide:

- **Operating expertise.** Talented operating resources can deliver value in countless ways, including implementing lean manufacturing, improving sales and marketing efforts, optimizing pricing, building new facilities, implementing financial controls, and integrating add-on acquisitions. Strong private equity firms retain a deep bench of operating experts, most of whom have decades of experience not in private equity, but in companies and industries much like those they support. This process brings a wealth of experience to entrepreneurs, who may not have faced similar situations and opportunities before.

- **Training opportunities.** Thanks to holding dozens of companies, private equity firms can often support and provide learning opportunities dedicated to providing portfolio company managers opportunities to share best practices and to access cutting-edge techniques for growth and management. Riverside runs a series of in-person and virtual training events that provides learning opportunities that drive results by teaching leaders how to improve sales, lower costs, and increase efficiency.

- **International expansion.** Multinational locations and local boots on the ground all around the world allow private equity firms to deliver direct contacts to helped companies buy and sell products from and to markets all around the world.

- **A massive Rolodex.** Private equity firms interact with valuable business resources all the time, and remember those that are most effective. Frequently through industry "linked in groups" and industry conferences private equity firms share information about what resources are most effective. This helps smaller companies access dozens of trusted and vetted consultants and senior advisors who provide counsel and services geared for growth. Portfolio companies can hire trusted firms to help with sales and marketing, IT, management, HR, and other vital areas.

- **Purchasing power.** Harnessing the purchasing power of a large portfolio allows small companies to get favorable pricing on services and commodities like shipping, office supplies, and health insurance. Many private equity firms coordinate efforts to control costs, and proactively support expense controls, such as sharing best practices for reducing healthcare expenses.

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The Riverside Company

Since my initial visit to Congress I have been spending a lot of time in D.C. and elsewhere talking about these valuable differentiators on behalf of the entire private equity industry. I am a passionate advocate of the industry because I've seen it work again and again. Private equity and the companies in which we invest thrive by applying all kinds of equity—intellectual and otherwise. Private equity firms must deliver real and lasting value to their portfolio companies in order to provide investors with superior returns. Coupled with the unique alignment of interests between shareholders and management that private equity provides, these efforts to make companies stronger ultimately serve everyone involved. ■

Pam Hendrickson is the Chief Operating Officer of The Riverside Company. The Riverside Company is a global private equity firm focused on acquiring growing businesses valued at up to $200 million (€ 200 million in Europe). Since its founding in 1988, Riverside has invested in 300 transactions. The firm's international portfolio includes more than 70 companies. For more information, please visit www.riversidecompany.com or www.riversideeurope.com.

Global Insights:

Germany

Christian Kollmann
Managing Director, InterFinanz

Christian Kollmann leads Global M&A's Industrial Growth sector team, which focuses on automation, controls and electrical products, as well as automotive and industrial products. Kollmann is also a member of the executive team.

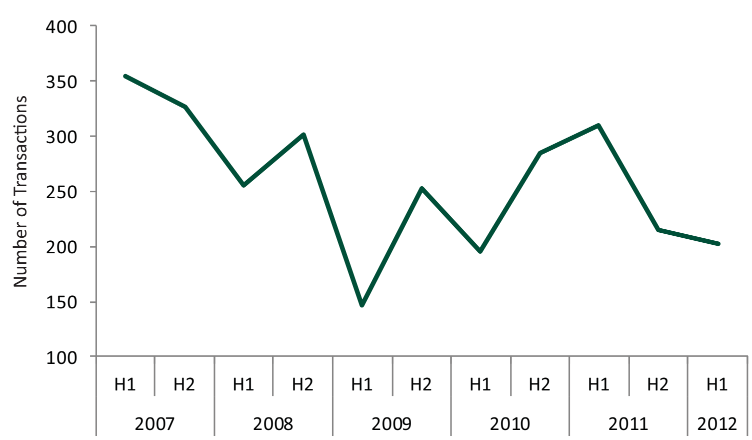
Kollmann joined InterFinanz, the German member of Global M&A, in 1995. Prior to that, he gained extensive international experience in industry and administration in Tokyo, Mumbai, and Los Angeles. Kollman graduated with a Master of Business Administration from the University of Erlangen-Nuremberg. He also trained as a reserve officer before pursuing a career in finance and investment banking.

What is the market focus of InterFinanz?
InterFinanz is an M&A advisory firm headquartered in Düsseldorf, Germany. Since 1958, InterFinanz has specialized in advising sellers of middle market businesses—small- to mid-sized family owned companies and corporate subsidiaries with annual revenue ranging from EUR 5 to 500 million. We also advise buyers on acquisitions of targeted companies in Germany and abroad.

The decision to concentrate on this market was a strategic one. About 99 percent of German companies are middle market businesses with revenue of less than € 50 million. In aggregate, this group accounts for total revenue of more than € 415 billion. These "hidden champions," many with patented technologies and high profit margins, are the core focus of our business. Because many are family owned and dealing with succession issues, we are able to assist them with a comprehensive range of services, including strategic alternatives analysis and M&A advisory—business valuation, market research, and support in all negotiations during a sale process—always assuring the highest level of confidentiality.

How was the small- and mid-cap M&A market in Germany impacted by the recent crisis?
The German M&A market is continuing to improve following the 2008/2009 crisis, and the role of strategic buyers is becoming more and more important.

Pre-crisis, private equity firms were very active. Full valuation multiples made possible by highly-leveraged financing structures enabled this buyer group to successfully outbid corporate acquirers in many auction processes. Particularly in the context of the current European debt crisis, the constrained financing environment has reduced the availability of credit and resulting leverage in



Deal counts reflect closed transactions in period.
SOURCE: mergermarket and InterFinanz Research.

transaction structures which has had a negative impact on private equity participation in M&A transactions. Additionally, the economic crisis and ensuing wave of insolvencies caused by overleveraged balance sheets at some private equity portfolio companies has changed sellers' confidence in this buyer group. For entrepreneurs today, it is about more than just purchase price. They are looking for the best partner to direct the future growth and financial stability of their companies. For these reasons, strategic buyers are being viewed as an attractive partner to a greater degree than perhaps in the past.

Buyers in emerging markets are now very active. Recent acquisitions of German middle market companies by Chinese buyers—Schwing, Putzmeister, Kiekert, KSM Coatings, and Saargummi—are harbingers of this trend. The number of potential acquirers in other developing markets is also steadily increasing.

The crisis has also instilled a sense of financial uncertainty about the future which is keeping some sellers on the sidelines. Reinvesting sale proceeds in traditional vehicles such as bonds and stocks to "save" for the next generation seems a riskier proposition today and is a risk that is often difficult for sellers to assess. Except for the "urgent" situations which require a liquidity event, many potential sellers are electing to postpone a sale until the current volatility in the financial markets subsides. As a result, we are seeing prospective domestic and international buyers competing aggressively for fewer suitable targets "available" in the market. And in the case of the really attractive targets, strategic buyers have to again compete with private equity firms that, in such situations, still have access to sufficient capital to fund transactions.

What is your advice for a company considering investments in Germany today?
Our advice to strategic buyers is to be proactive and not wait for an invitation to participate in an auction process. Auctions present numerous hurdles, namely high competition in terms of time, price, and number of available targets. Our experience has shown that a targeted search affords a buyer time to analyze the market and identify suitable targets to approach. Such an approach should be organized and methodical to ensure the highest level of confidentiality for both buyer and seller.

InterFinanz, together with the assistance of our Global M&A partners, have closed several transactions where we have served as exclusive advisors to strategic buyers in Germany. Using a domestic M&A advisory firm offers buyers several advantages. Particularly in Germany, buyers are very prudent. Comprehensive research on target company ownership, operations, and financial position prior to initial contact saves time and preserves confidentiality. This selective and confidential approach conducted by an established and trusted M&A advisor is a critical first step and helps to open doors. By initiating that early dialogue with the entrepreneur, the buyer often has the opportunity to negotiate on an exclusive basis, significantly increasing the probability of a closing a deal over participating in an organized auction process.

BGL's Global Reach

Brown Gibbons Lang & Company with its Global M&A partnership provides support and opportunities locally and internationally for clients buying or selling companies as well as financings, corporate restructurings, and other corporate finance transactions.

With partner offices in more than 40 countries across 5 continents, we are represented in all key markets and use a common infrastructure to deliver seamless access to the best buyers, investors, sellers, and opportunities around the globe.

With access to the expertise of 12 industry sector teams and over 300 senior advisors, Brown Gibbons Lang will put together an international team appropriate for each particular mandate.

Are there M&A opportunities for U.S. investors in Germany?
In the past, U.S. investors have been very active in Germany and have established a very good reputation among German entrepreneurs. However, since buyers from emerging countries are becoming more important, U.S. firms should be more proactive. As the German member of Global M&A and a partner of Brown Gibbons Lang & Co., InterFinanz is able to support U.S. companies in cross-border buyside projects in Germany with the highest level of competence. ■

If you want to learn more about opportunities in Germany, please contact Christian Kollmann at +49-211-168 02-23 or ckollmann@globalma.com.

Case Studies in Value Creation

BGL Client:

EZ Energy USA Inc.

— acquired by —

ELEVEN

BROWN GIBBONS LANG & COMPANY

EZ Energy USA Inc.

EZ Energy USA Inc. (EZ Energy) is the U.S. operation of Israel-based EZ Energy Ltd., which is traded on the Tel Aviv stock exchange under the ticker TASE:EZ.

Based in Seven Hills, Ohio, EZ Energy is an operator of convenience stores and retail fuel outlets ("c-stores") in the Midwest United States. In 2007, the company launched an aggressive acquisition-driven consolidation strategy in the highly-fragmented c-store industry, growing to 91 stores and dealer locations in Central Ohio, Northeastern Ohio, and Western Pennsylvania. EZ Energy's c-stores are branded under its proprietary "Easy Trip" and "ampm" brands, and distribute BP and Marathon fuels.

Results:

Completed the sale of EZ Energy to 7-Eleven Inc. in an all-cash transaction valued at $64 million.

BGL's role in value creation:

- Conducted a strategic review of the business and market dynamics, which included examining a range of recapitalization alternatives. Flexibility was critical to thoroughly explore the range of strategic alternatives available to the client and manage expectations throughout the process.
- Completed sale to a highly acquisitive strategic buyer which drove value in the transaction.

Undisclosed Front-End Retail Entertainment and Vending Solutions Provider

— acquired by —

Undisclosed Private Equity Investor

BROWN GIBBONS LANG & COMPANY

Retail Entertainment and Vending Solutions Provider

The Company is a leading amusement vending service provider that has, over the course of its 23-year history, defined front-end retail and restaurant entertainment with a diverse portfolio of platforms, including but not limited to skill-crane games, capsule toy/confection stands, video games, and kiddie rides. The Company's dominant market position is fortified by multi-year, national contracts with leading mass merchandisers, supermarket chains, and national restaurant chains, including over 2,000 clients and 15,000 locations across the United States.

Completed the sale of the Company to an undisclosed private equity investor.

BGL's role in value creation:

- BGL advised the shareholders not to accept an unsolicited preemptive bid to acquire the company and instead pursue a broad marketing process which resulted in increased value at closing.
- BGL contacted various types of investors to explore liquidity options for the shareholders, which included examining dividend and minority and majority recapitalizations with senior debt, mezzanine debt, and equity. BGL conducted a lender webinar to assist interested private equity firms in securing financing for the proposed transaction and help drive competition for a majority recapitalization alternative.
- BGL advised the Company to complete a sell-side quality of earnings simultaneously with the marketing process, which provided interested parties more comfort on the Company's financial performance and helped expedite the buyer's quality of earnings review.

Case Studies in Value Creation

BGL Client:

SuperiorTube
COMPANY, INC
Shaping tomorrow...performing today.

— acquired by —

Watermill Group

BROWN GIBBONS LANG & COMPANY

Superior Tube Company, Inc.

Founded in 1934 and headquartered in Collegeville, Pennsylvania, Superior Tube is a leading North American manufacturer of tight tolerance, custom specification tubing from stainless steel, nickel alloys, high temperature alloys, titanium, and reactive metals that form mission critical products for industry leading customers in the growing medical, aerospace, nuclear, and durable goods markets.

finetubes

— acquired by —

Watermill Group

BROWN GIBBONS LANG & COMPANY

Fine Tubes, Ltd.

Incorporated in 1943 and located in Plymouth, United Kingdom, Fine Tubes is a leading European manufacturer of high precision metal tubing in stainless steel, nickel, titanium, and zirconium alloys designed for use in environments that endure extreme temperatures, pressure, dynamic stress, and corrosion, including critical-tolerance applications in the aerospace, medical, and energy industries.

The companies have fully integrated facilities for the manufacture and research and development of high-quality metal tubes in seamless, welded, and welded-and-drawn forms. Each has a long history of success stemming from the proven ability to consistently develop and manufacture complex, high-performance engineered tubing that meets the stringent quality requirements of the world's most demanding applications.

Results:

Superior Tube and Fine Tubes were portfolio companies of Superior Group, a Philadelphia-based holding company. The management of Superior Group engaged BGL as its exclusive financial advisor to evaluate and advise the company regarding the sale of the two businesses and provide a fairness opinion to the board of directors.

BGL's role in value creation:

- Effectively positioned the combined business as a critical component supplier to a diverse set of growing end markets.
- Generated broad interest through a global auction which involved contacting strategic and financial buyers.
- Identified buyers interested in combining the two entities which drove value in the transaction.
- Successfully transferred the company's pension and environmental liabilities to the buyer.

Inside the Middle Market

Case Studies in Value Creation

ECS REFINING

— recapitalized by —

ZS Fund L.P.

BROWN GIBBONS LANG & COMPANY

BGL Client:

ECS Refining, LLC

Established in 1980, ECS is one of the nation's largest full-service recycling and end-of-life services providers for electronics, industrial equipment, and related hazardous waste. ECS' unique and broad set of capabilities represents a complete "end-to-end" solution for IT and other electronic products (i.e., zero landfilling or overseas processing), spanning precious metals recovery and refining, cathode ray tube (CRT) glass recycling, and asset management, refurbishment, and resale. In 2011, the company was featured on Inc. magazine's list of Fastest Growing Private Businesses in America.

Results:

ECS Refining LLC was recapitalized by ZS Fund L.P. The partnership will bring capital and additional operating resources to pursue a national expansion strategy with the Midwest and East Coast regions in focus.

BGL's role in value creation:

- BGL played a significant role in advising the business on its growth strategy, including (i) evaluation of merger opportunities, (ii) completion of acquisitions, and (iii) broadening of services (e.g., a reverse logistics program for a major international retailer and CRT glass recycling).
- Generated broad interest through a global auction process which involved contacting strategic and financial buyers. Following management meetings, BGL managed two potential buyers through final due diligence, ultimately selecting ZS Fund to close on a majority recapitalization of the business—a transaction that enabled the shareholders to generate a substantial liquidity event while partnering with an investor that shares management's vision for growth.

RemTec International

— acquired by —

A-GAS

— a portfolio company of —

LDC

BROWN GIBBONS LANG & COMPANY

RemTech International

Founded in 1986, RemTec International (RemTec) provides products and services involving Ozone Depleting Substances (ODS) and substances high in Global Warming Potential (GWP) on a worldwide basis. The company's patented and proprietary equipment is used to recover and reclaim halons and their replacement agents used in the fire protection industry and CFCs, HCFCs, and HFCs used in refrigerant and HVAC applications. RemTec's capabilities represent a complete "end-to-end" solution for clients' controlled halocarbon needs.

Completed the sale of RemTec to U.K. headquartered A-Gas International, a company backed by U.K. private equity firm LDC Ltd.

BGL's role in value creation:

- Generated broad interest through a global auction process which involved contacting strategic and financial buyers, ultimately partnering with a buyer that shared the strategic vision of the shareholder.
- Negotiated a transaction structure that maximized value and allowed the shareholder to benefit from future growth of the combined entity.

Global Leaders

Who We Are

Leading Independent Firm

- Independent investment banking advisory firm focused on the middle market
- Senior bankers with significant experience and tenure; partners average over 20 years of experience
- Offices in Chicago, Cleveland, Salt Lake City, and Seattle
- Founding member and the exclusive U.S. partner of Global M&A, the world's leading partnership of investment banking firms focusing on middle market transactions
- Deep industry experience across core sectors of focus, including: Business and Environmental Services, Basic Industrials, Consumer Products, Healthcare and Life Sciences, and Real Estate

Comprehensive Capabilities

M&A Advisory	Private Placements	Financial Advisory
Sell-Side Advisory Acquisitions & Divestitures Public & Private Mergers Special Committee Advice Strategic Partnerships & Joint Venture Formation Fairness Opinions & Fair Value Opinions	All Tranches of Debt & Equity Capital for: Growth Acquisitions Recapitalizations Dividends	General Financial & Strategic Advice Balance Sheet Restructurings Sales of Non-Core Assets or Businesses §363 Auctions

For questions about content and circulation, please contact editor, Rebecca Dickenscheidt, at rdickenscheidt@bglco.com or 312-513-7476.

Global Leaders

Representative Transactions:

ECS REFINING
— recapitalized by —
ZS Fund L.P.
BROWN GIBBONS LANG & COMPANY
ENVIRONMENTAL SERVICES

BATORY FOODS
— acquired —
Massey Fair
— a portfolio company of —
High Street Capital
BROWN GIBBONS LANG & COMPANY
CONSUMER

Celsis International Ltd.
— sold —
Celsis | Analytical Services
to
AAIPHARMA SERVICES
— a portfolio company of —
Water Street
BROWN GIBBONS LANG & COMPANY
HEALTHCARE

Edgetech
— a wholly-owned subsidiary of
Lauren International, Inc.
— acquired by —
Quanex building products
BROWN GIBBONS LANG & COMPANY
BUILDING PRODUCTS

Superior Tube Company, Inc
— acquired by —
Watermill Group
BROWN GIBBONS LANG & COMPANY
METALS

METACA
— a division of —
Secure Products International
— acquired by —
cpi card group
— a portfolio company of —
Tricor Pacific Capital, Inc.
BROWN GIBBONS LANG & COMPANY
CONSUMER

Metrics Marketing Group
— acquired by —
NWM
— a portfolio company of —
KCP
BROWN GIBBONS LANG & COMPANY
MARKETING & MEDIA

NOVAPAK
PVC Container Corporation
— a portfolio company of —
KCP
— merged with —
Pretium Packaging
— which has been acquired by —
Castle Harlan, Inc.
BROWN GIBBONS LANG & COMPANY
PLASTICS & PACKAGING

PharMedCorp
— obtained financing — provided by
OXFORD FINANCE
BROWN GIBBONS LANG & COMPANY
HEALTHCARE

SKIPJACK FINANCIAL SERVICES
— acquired by —
Fifth Third Bank
BROWN GIBBONS LANG & COMPANY
BUSINESS SERVICES

BHP Management
and affiliated
skilled nursing facilities
— obtained financing — provided by
OXFORD FINANCE
BROWN GIBBONS LANG & COMPANY
REAL ESTATE

TAD
TAD Metals, Inc.
— acquired by —
O'NEAL
BROWN GIBBONS LANG & COMPANY
META;LS

TEMPUS
— acquired by —
Grupo Financiero monex
BROWN GIBBONS LANG & COMPANY
BUSINESS SERVICES

Visual Physics, LLC
— a subsidiary of —
Nanoventions
— acquired by —
Crane & Co.
BROWN GIBBONS LANG & COMPANY
GOVERNMENT & SECURITY

Obtained Financing for Construction of the Aloft Hotel in Beachwood, Ohio
aloft
— provided by —
usbank
and
Private Equity Investor
BROWN GIBBONS LANG & COMPANY
REAL ESTATE

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