



# Privatization of Ohio's Liquor Distribution Business

January 6, 2011

**WESTERN RESERVE**

PARTNERS LLC

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# Executive Summary

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# Introduction

## **Western Reserve Partners has considered privatization as a method to generate proceeds for the State of Ohio to help close its projected \$8.0 billion 2012 – 2013 deficit**

- Understanding that “all ideas are on the table,” Western Reserve preliminarily evaluated several State functions as candidates for privatization:
  - Bureau of Workers’ Compensation
  - Department of Corrections
  - Department of Liquor Control (“ODLC”)
  - Lottery Commission
  - Public Employees Retirement Systems
  - Turnpike Commission
- Based on the criteria below, Western Reserve believes that privatizing Ohio’s liquor distribution business represents the leading single privatization alternative:
  - Significant and immediate dollar value
  - Non-core business function
  - Limited number of government employees affected
  - Potential for seamless transition
  - Low execution risk
- Our analysis is based on our review of the ODLC’s business model, industry and valuation trends, as well as interviews with privatization lawyers and liquor industry participants

# ODLC Privatization Benefits

The State could generate **\$2.0 – \$2.5 billion** in a control sale of its liquor distribution business, allowing it to redeem or defease its liquor bonds and contribute **\$1.0 – \$1.5 billion** to its General Fund

## Transaction Summary

Control Sale Proceeds	\$2.0 – \$2.5 billion
Less: Liquor Bond Redemption / Defeasance	700 million
<u>Less: Foregone 2012 -2013 Liquor Profits</u>	<u>300 million</u>
<b>Net Proceeds to Reduce Budget Deficit</b>	<b><u>\$1.0 – \$1.5 billion</u></b>

### Ancillary Benefits:

- Sends message, “Ohio is open for private business”
- Does not compromise Ohio citizens’ customer service or pricing experience
- Retains the State’s pricing control and safety oversight, while removing any perceived conflict of interest

### Doable Transaction:

- Would attract investors given its large market, steady growth, 30%+ EBITDA margins and low capex
- Active M&A market for liquor distributors (e.g., Berkshire Hathaway’s McLane Co., Lindsay Goldberg)
- Political momentum exists as Ohio is one of only 19 remaining liquor control states, 7 of which are publically discussing liquor privatization (i.e., NC, NH, PA, SC, VA, WA)

### Timing:

- A transaction could be completed by the end of 2011
- Legislative action must be undertaken before implementation can proceed

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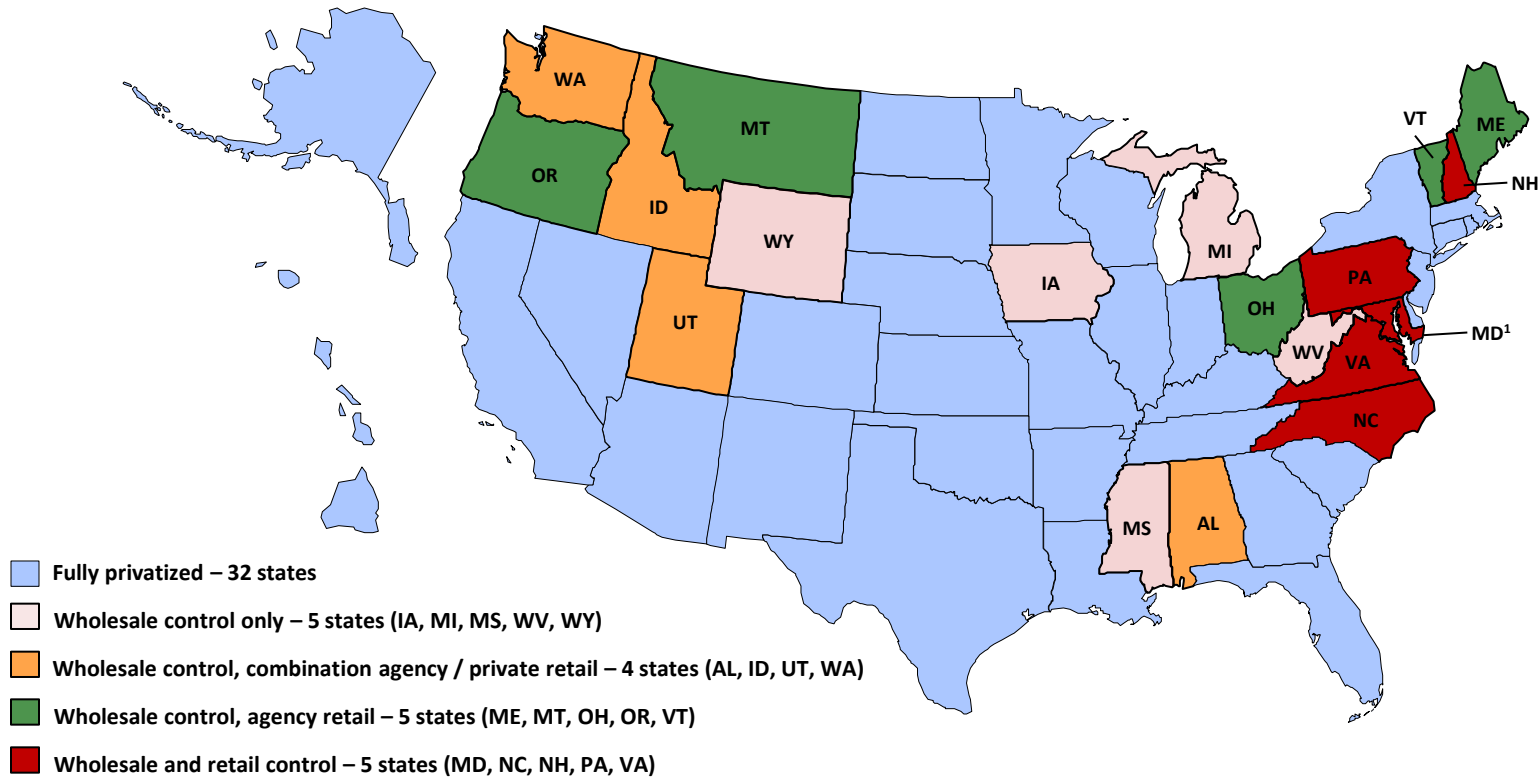
# **ODLC Privatization Case Study**

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# Ohio Is One of 19 Remaining Liquor Control States<sup>1</sup>

Most states do not control liquor distribution to the extent that Ohio does

## State Liquor Laws

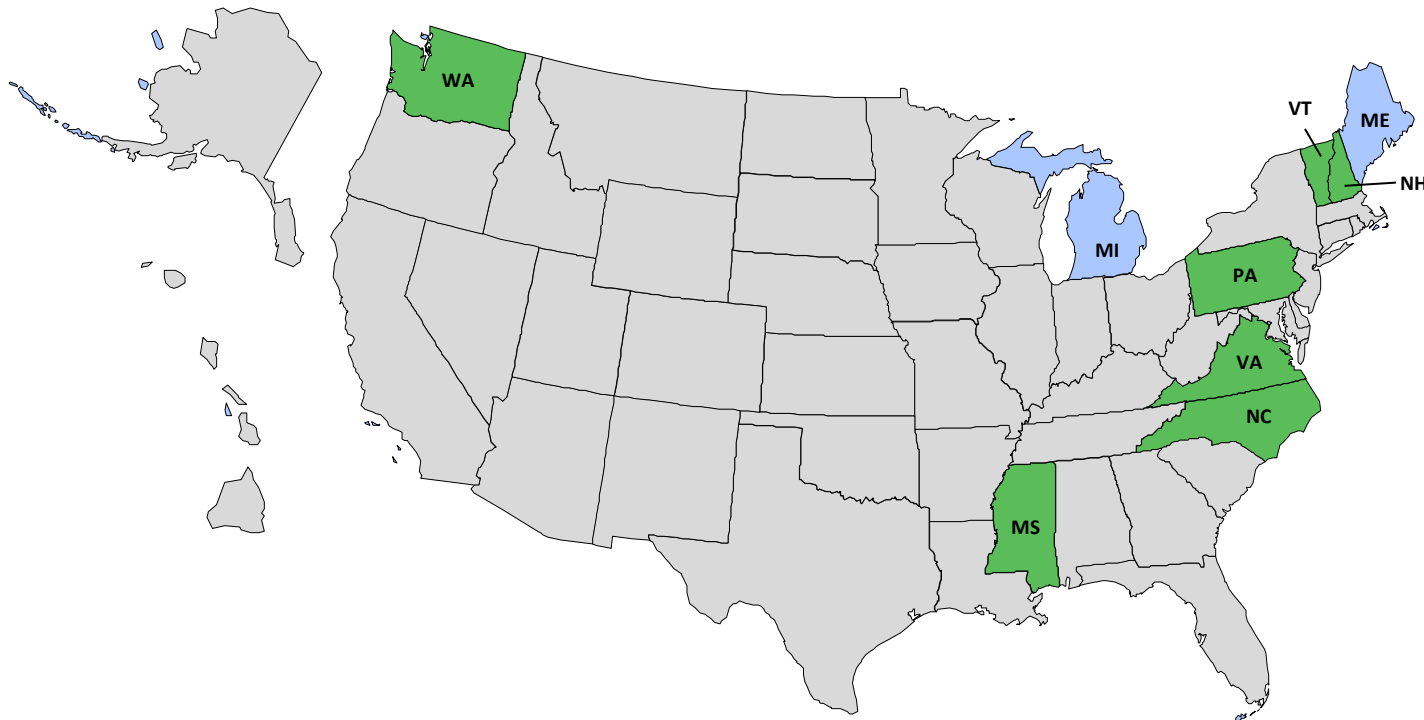


<sup>1</sup> Maryland is considered a control state as its Montgomery County is a controlled jurisdiction and a member of the National Alcoholic Beverage Control Association  
 Source: State liquor control board websites, National Alcoholic Beverage Control Association, Stateways Magazine

# Liquor Privatization is Actively Being Discussed by Other Control States

Nine of the 19 control states are either considering privatizing their liquor operations (7) or have leased their wholesale operations to private owners (2)

## Privatization Initiatives



**Recent privatizations:** Maine leased its distribution monopoly for 10 years to a consortium of distributors led by Lindsay Goldberg in 2004; Michigan privatized its warehousing and distribution functions in 1997

**Public discussions:** Republican governors Tom Corbett (PA) and Bob McDonnell (VA) have been especially vocal on privatizing their states' liquor distribution; Washington governor Christine Gregoire (D) remains open to liquor privatization following the narrow defeat of two ballot initiatives to do so in November 2010



# Michigan and Maine have recently privatized their liquor businesses

## Maine



### Liquor System Prior to 2004

- State was the wholesaler for all spirits
- Retail stores were both state operated and privately licensed

### Liquor System After 2004

- State wholesale operations are licensed to private companies, with the state continuing to control prices and sharing in part of the profit
- All liquor stores became privately licensed, and receive a commission on sales

### Privatization Process Detail

- Acting to close a \$1.2 billion budget shortfall, the state issued a request for proposals to lease its distribution monopoly for 10 years to the highest bidder
- Winning bid was a \$125 million upfront payment, plus annual supplemental payments up to \$40 million to Maine's general fund based on volume, from Martignetti Cos. of Massachusetts
  - After lawsuits and appeals from local Maine distributors, Martignetti Cos., backed by the private equity firm Lindsay Goldberg, worked out an agreement with Pine State Trading Co.; they together formed Maine Beverage Co., which was awarded the license
  - State has since received \$19 million from the profit-sharing provision of the agreement, for a total value of \$144 million thus far
- In light of budget concerns, a mid-contract study of Maine's agreement with the Maine Beverage Co. has triggered interest in receiving greater value
  - Fair market value of the liquor distribution business was estimated to be \$378 million in a 2009 study
  - Experts estimate the state will receive \$40 million a year in revenue from wholesale liquor sales (in addition to taxes collected on retail sales) if the state took over the wholesale business in 2014 as planned

## Michigan



### Liquor System Prior to 1997

- State ran liquor distribution operations
- State licensed the manufacture, importation and sale of liquor

### Liquor System After 1997

- State continues to license retail business that sell alcohol, and does not operate such retail locations
- Private wholesalers warehouse and supply these retailers with liquor
- State sets minimum prices and buys spirits from suppliers pursuant to licensee orders, but no longer physically handles liquor

### Privatization Process Detail

- Under a privatization plan implemented in January of 1997, the Commission ceased its warehousing and distribution functions, which had been state operated since 1933
  - The Michigan Liquor Control Commission closed all 63 wholesale state liquor stores and its three liquor warehouses, as well as reduced its employees from 532 to 152
- These functions are now carried out by authorized distribution agents
  - Distribution agents are certified and regulated by the state
  - Distribution agents are responsible under a contractual arrangement with the suppliers of spirits to warehouse and deliver spirit products to retail licensees

“The transition to private distributors has allowed the Commission to offer many more brands and sizes, provide free weekly deliveries, and liberalize its policy on selling single bottles. Privatization can and does work.”

– Kathy Wilbur, Michigan Department of Consumer & Industry Services

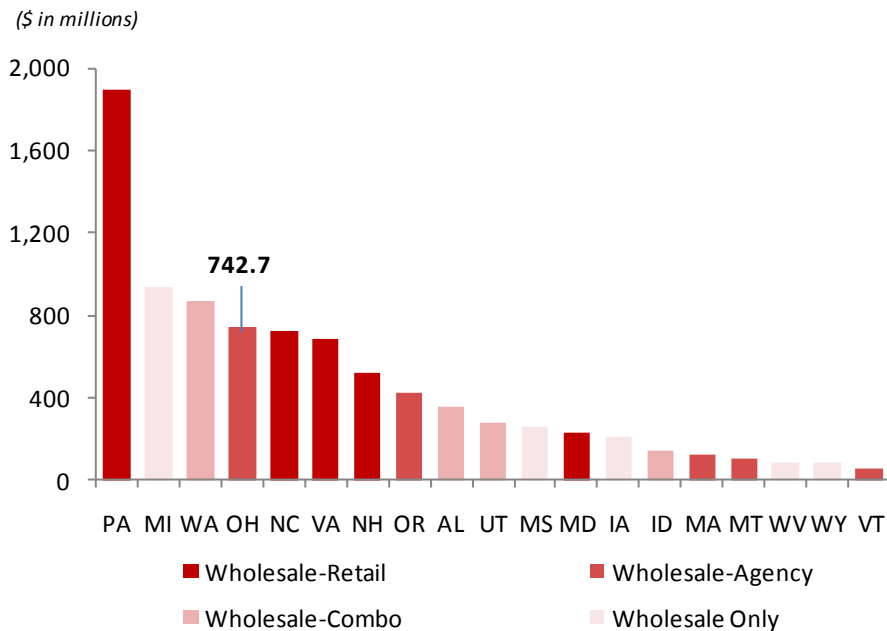
## Other Notable State Privatization Discussions

State / Governor	Current System	Recent Developments
<b>Pennsylvania</b> <b>Incumbent: Ed Rendell (D)</b> <b>Elect: Tom Corbett (R)</b>	<ul style="list-style-type: none"> <li>▪ State owns/operates 750 stores and distribution</li> <li>▪ Collected \$1.7 billion in sales and transferred nearly \$500 million to the state treasury</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tom Corbett, who was just elected as governor in November, made privatization of the Pennsylvania Liquor Control Board an explicit part of his campaign platform: “Given the current economic climate in Pennsylvania, state government can no longer be in the liquor store business. We need to...refocus state government on its core functions and services.”</li> <li>▪ House Majority Leader Mike Turzai has introduced legislation to replace state-run stores with licenses that are auctioned off, as well as replace mark ups and special taxes with a tax per gallon, stating that privatization could potentially bring \$2 billion for the state via wholesale and retail license grants.</li> </ul>
<b>Virginia</b> <b>Incumbent:</b> <b>Bob McDonnell (R)</b>	<ul style="list-style-type: none"> <li>▪ State owns/operates 274 stores and distribution</li> <li>▪ State liquor agency contributed \$322mm to VA’s general fund from profits and excise taxes in 2009</li> </ul>	<ul style="list-style-type: none"> <li>▪ Governor Bob McDonnell, who made privatization of his state’s liquor stores a key piece of his campaign two years ago, plans to sell off the state’s monopoly on the sale of distilled spirits to make Virginia the first state to move from total control of liquor sales to a fully private market.</li> <li>▪ Republican state senator Mark Obenshain introduced legislation that would require the state to auction off licenses to sell distilled spirits to retailers; the state would continue to receive tax from liquor sales, along with licensing fees.</li> <li>▪ Expects to generate up to \$500 million in one-time funds to spend on transportation improvements.</li> </ul>
<b>Washington</b> <b>Incumbent:</b> <b>Christine Gregoire (D)</b>	<ul style="list-style-type: none"> <li>▪ Monopoly over both retail and wholesale liquor sales</li> </ul>	<ul style="list-style-type: none"> <li>▪ Last year, Democratic state senator, Tim Sheldon, tried to push the state to turn over its liquor distributorship and retail system to private industry to help alleviate a \$2.6 billion deficit for the two-year fiscal period ending in mid-2011.</li> <li>▪ Just this past November, two initiatives that would privatize liquor were narrowly defeated, despite leading in polls prior to the election.</li> <li>▪ Initiative 1100 would privatize liquor retailing and also enable retailers to buy directly, while Initiative 1105 would privatize liquor retail but keep in place laws that protect liquor distributors.</li> </ul>
<b>North Carolina</b> <b>Incumbent:</b> <b>Beverly Perdue (D)</b>	<ul style="list-style-type: none"> <li>▪ State owns/operates 411 stores and distribution</li> <li>▪ 167 local ABC boards</li> </ul>	<ul style="list-style-type: none"> <li>▪ Democratic governor Bev Perdue has asked her independent Budget Reform and Accountability Commission to place a dollar value on the state’s 411 alcoholic-beverage stores and the state’s wholesaler, along with possible options for changing the system.</li> <li>▪ Alcohol Beverage Control chairman Haywood Simpson said it’s likely a commission formed to study potential solutions to the state’s \$3.5 billion deficit will recommend privatization of liquor sales to Gov. Beverly Perdue.</li> <li>▪ Such action was prompted by “embarrassing revelations about local board employee salaries and industry entertainment.”</li> </ul>

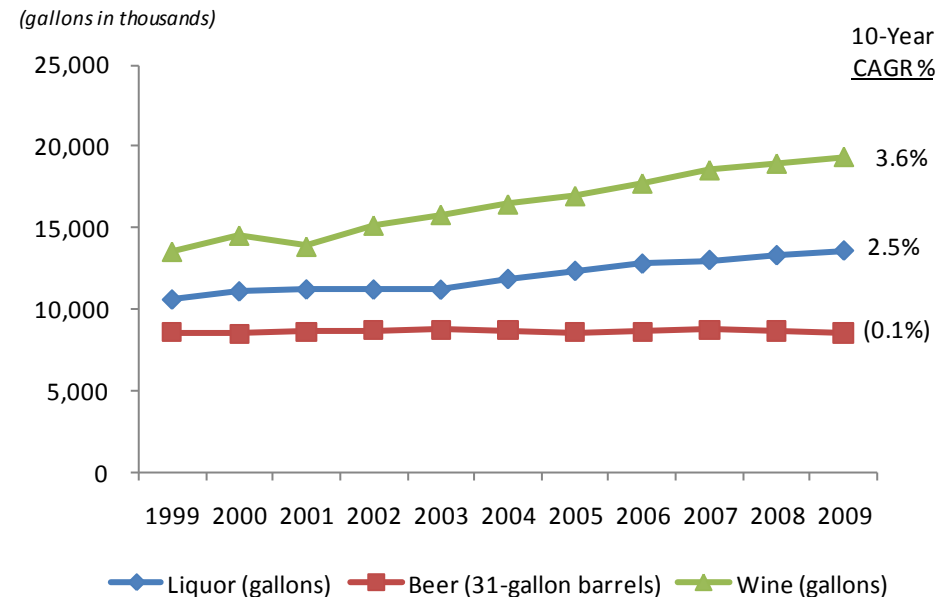
# Ohio's Liquor Business Is Large and Growing

Buyers will view Ohio, the fourth largest control state and a growing \$740 million liquor market, as an attractive strategic asset

2010 Alcohol Sales by Control State<sup>1</sup>



Ohio Alcohol Sales Volume



[1] Alcohol sales in PA, WA, NH, UT, MS, MD and WY include wine sales in addition to liquor. MI, OH and NC alcohol sales include liquor only.  
 Source: State liquor control board websites

# The ODLC Acts as the State's Sole Liquor Distributor

Created by the Liquor Control Act of 1933, the Ohio Division of Liquor Control, is responsible for controlling the distribution and sale of spirituous liquor (>21% alcohol by volume) throughout the state

## Responsibilities

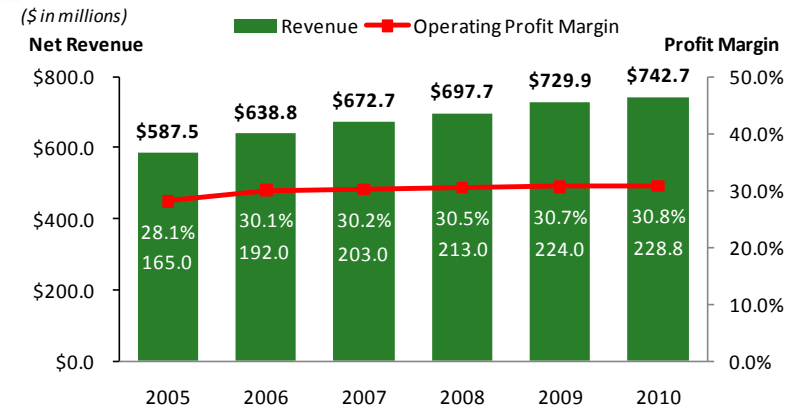
- Acts as the state's sole purchaser and distributor of liquor by selecting brands sold and setting retail prices
- Oversees outsourced warehousing and distribution to 452 privately-owned contract liquor agents
- Issues permits to 24,000 alcoholic beverage manufacturers, distributors and on-premise retailers
- Regulates industry compliance with laws pertaining to beer, wine, and mixed beverages
- Collects \$3.38 gallonage tax and permit fees

## Operations

### ODLC Division

	<u>Employees</u>
Investigative Services	35
Licensing	29
Agency Field Staff / Auditors	15
Agency Office Staff	13
Legal	7
Other	8
<b>Total Employees</b>	<b>107</b>

## Financial Performance



## Ohio Budget Contributions

2010 liquor sales/taxes contributed \$310.5M to Ohio's budget

(\$ in millions)

### Sources

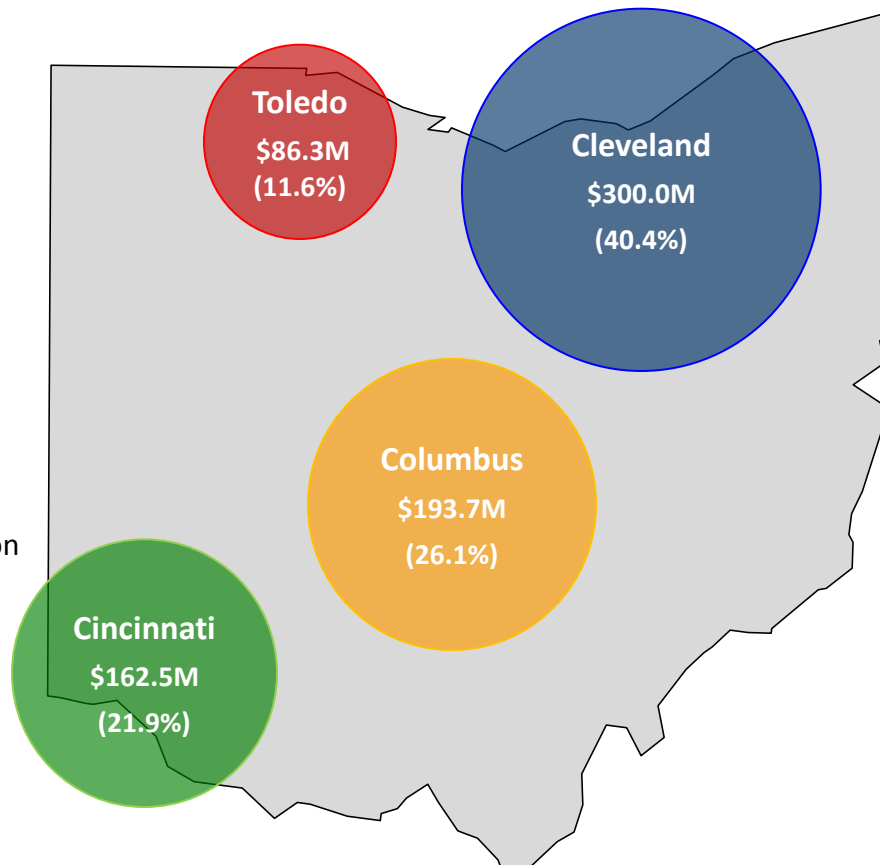
Liquor Sale Net Profits	\$214.7	<u>General Revenue Fund</u>	\$167.0
Permit Fees	37.2	State Taxes to Treasury	71.7
State Gallonage Tax	36.6	Economic Development Bonds	35.9
State Sales Tax	35.1	Health/Safety Departments	15.9
Cuyahoga County Tax	5.1	Revitalization Bonds	14.9
(Surplus)/Deficit	(18.2)	Cuyahoga County Tax	5.1
<b>Total Sources</b>	<b>\$310.5</b>	<b>Total Uses</b>	<b>\$310.5</b>

Source: ODLC

# The ODLC Segments Ohio's Liquor Market into Four Regions

The ODLC operates four distribution centers in Cleveland, Toledo, Columbus and Cincinnati, from which it supplies privately-owned liquor agencies with liquor inventory on consignment

## ODLC Revenue by Distribution Center



## Retail Agencies

- 452 agencies in 2010
- Agency commissions
  - Wholesale (4%)
  - Retail (6%)
- Inventory held on a consignment from the State (\$20k - \$80k)
- Daily deposits made into ODLC's bank account for the previous day's liquor sales receipts
- Permit fees
  - Fee (\$3,906)
  - Surety bond premium on the inventory (\$80 - \$235)

## Wholesale Distribution

- Approves spirituous liquor brands to be sold in the State
- Purchases liquor directly from suppliers
- Distributes via 4 warehouses
- Sets retail prices
- Issues 24,000 liquor permits
- Monitors safety programs
- Facilitates effective tax collection

Source: ODLC

# Ohio's Liquor Distribution Operations Are Substantially Privatized Today

The ODLC's logistics backbone is virtually privatized as it outsources its warehousing and freight to private companies and permits five national wholesalers to act as brokers within the state

## ODLC Contractors by Distribution Center

### Contract Warehouses

Handl-It, Inc. (W1)

■ Cleveland

Spartan Warehouse

& Distribution Co. (W2)

■ Toledo

North Coast Logistics (W3)

■ Columbus

Lewis and Michael, Inc. (W4)

■ Cincinnati

### Contract Freight

UPS Ground Freight, Inc. (S1)

▲ Cleveland

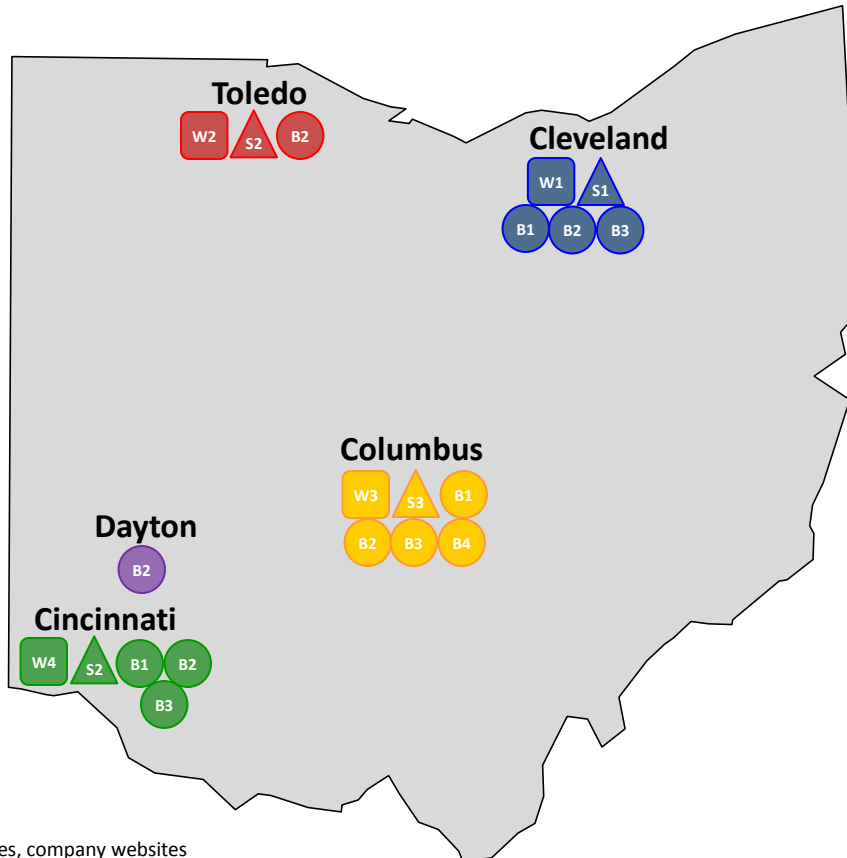
Thomas Transport, Inc. (S2)

▲ Toledo

▲ Cincinnati

North Coast Logistics (S3)

▲ Cleveland



### Control State Brokers

Glazers of Ohio (B1)

● Cleveland

● Toledo

● Columbus

● Cincinnati

Heidelberg Spirits

Marketing Group (B2)

● Cleveland

● Columbus

● Cincinnati

● Dayton

Southern Wine & Spirits (B3)

● Cleveland

● Columbus

Republic National (B4)

● Cincinnati

Schuster Beverage (B5)

● Columbus

Source: ODLC, Ohio Department of Administrative Services, company websites

Brokers headquarters: Glazers (Saint Rose, LA), Heidelberg (Dayton, OH), Southern Wine (Miami, FL), Republic National (New Orleans, LA) and Schuster Beverage (Columbus, OH)

# ODLC's Business Model Generates Substantial Cash Flow

Ohio's liquor distribution business has grown each year since 2006 and generates profit margins (30.2%) given its efficient business model

## ODLC Profit & Loss Statement

(\$ in millions)

For the Fiscal Years Ended June 30,

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Retail Sales	\$403.5	\$433.7	\$461.7	\$494.7	\$511.2
Wholesale Sales	250.3	254.3	251.1	250.2	246.2
<b>Gross Sales</b>	<b>653.8</b>	<b>688.0</b>	<b>712.8</b>	<b>744.9</b>	<b>757.4</b>
Less: Wholesale Discount	15.0	15.3	15.1	15.0	14.8
Net Sales	\$638.8	\$672.7	\$697.7	\$729.9	\$742.6
Cost of Goods Sold	364.4	385.3	399.2	417.8	426.0
State Gallonage Tax	33.5	34.4	34.9	35.9	36.6
COGS	397.9	419.6	434.0	453.7	462.6
Gross Profit	\$240.9	\$253.1	\$263.7	\$276.2	\$280.0
<i>Margin</i>	36.8%	36.8%	37.0%	37.1%	37.0%
Agency Commissions	34.4	36.3	38.2	40.1	40.6
General Expenses	14.9	13.6	12.4	11.8	10.7
Operating Profit	\$191.6	\$203.2	\$213.0	\$224.2	\$228.8
<i>Margin</i>	29.3%	29.5%	29.9%	30.1%	30.2%
Misc. Income	(1.3)	(1.1)	(1.2)	(1.2)	(1.1)
Other Deductions	13.9	14.6	14.3	15.0	15.2
Net Income	\$178.9	\$189.7	\$199.9	\$210.5	\$214.7
<i>Margin</i>	27.4%	27.6%	28.0%	28.3%	28.3%

Source: ODLC

# ODLC's Liquor Revenue and Taxes Fund Several State Programs

Ohio contributes the funds it generates from liquor sales profits, permit issuances and state gallonage tax to fund primarily the State's General Revenue Fund, Treasury and various programs

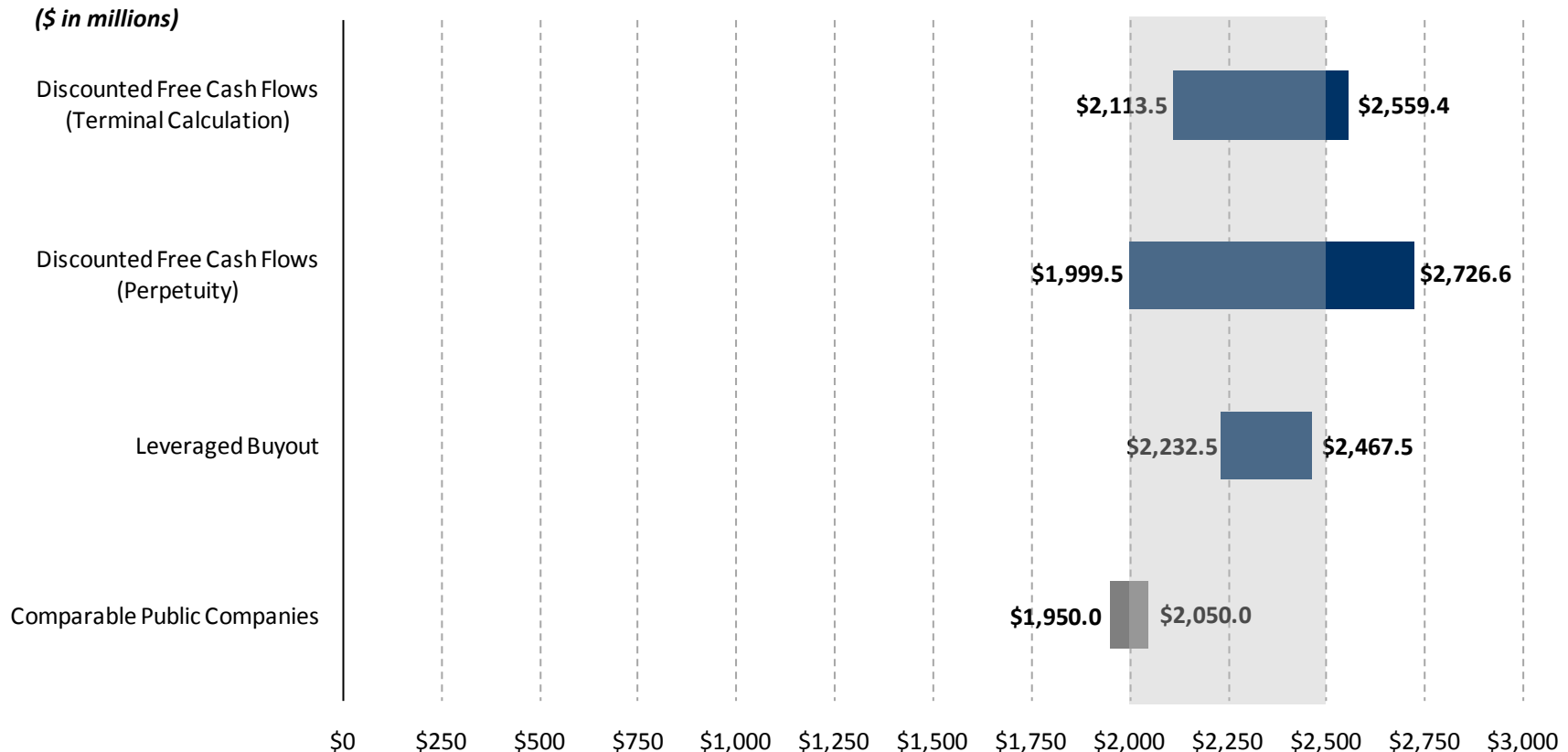
ODLC Funding Sources & Uses				
<i>\$ in millions</i>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Sources</b>				
Liquor Sale Net Profits	\$189.7	\$199.9	\$210.5	\$214.7
State Gallonage Tax	34.4	34.9	35.9	36.6
Sales Tax	29.4	28.3	33.9	35.1
Cuyahoga Gallonage Tax	5.1	5.0	5.1	5.1
Permit Fees	37.7	37.1	37.4	37.2
<b>Total Sources</b>	<b>\$296.2</b>	<b>\$305.3</b>	<b>\$322.7</b>	<b>\$328.8</b>
<b>Uses</b>				
General Revenue Fund	\$135.0	\$167.0	\$163.0	\$167.0
State Gallonage Tax to Treasury	29.1	35.0	35.8	36.6
Retirement of Economic Development Bonds	29.6	31.4	30.4	35.9
State Sales Tax to Treasury	34.3	31.3	33.7	35.1
Retirement of Clean Ohio Revitalization Bonds	9.1	12.5	14.9	14.9
Dept. of Public Safety	10.1	10.0	10.1	10.0
Gallonage Tax for Cuyahoga County Gateway Stadium Project	5.1	5.1	5.1	5.1
Dept. of Alcohol and Drug Addiction Services (ODADAS)	3.8	4.0	4.1	4.2
Dept. of Health	1.0	1.0	1.2	1.0
Liquor Control Commission	0.7	0.7	0.7	0.7
	<b>\$257.8</b>	<b>\$298.0</b>	<b>\$299.0</b>	<b>\$310.5</b>
Surplus / (Deficit)	\$38.4	\$7.2	\$23.7	\$18.2

Source: ODLC, WRP reconciliation of Sources/Uses giving ODLC financials



# Enterprise Valuation Summary

**Western Reserve calculates that ODLC's enterprise value would be approximately \$2.0 billion to \$2.5 billion in a control sale transaction**



**\$2.0 billion to \$2.5 billion**  
 8.7x to 10.9x FY2010 EBITDA



# Preliminary List of ODLC Buyers

Western Reserve has preliminarily identified 25 potential acquirers of ODLC's distribution business

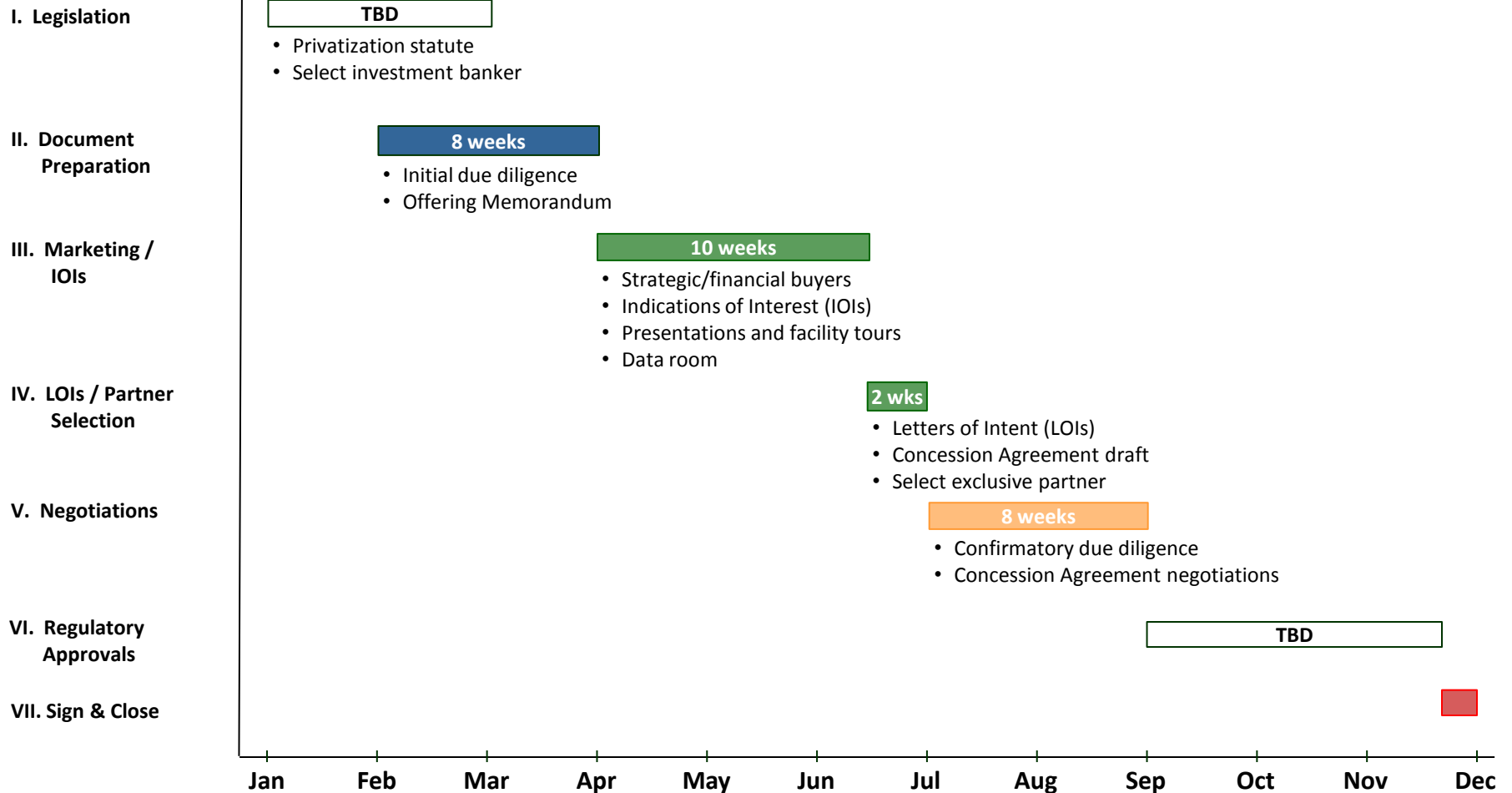
	Rationale	Preliminary Buyers	
<b>Alcohol Distribution Companies</b>	<ul style="list-style-type: none"> <li>Expand geographic reach</li> <li>Expand product offering into a more profitable market segment</li> <li>Potential to become sole liquor distributor in Ohio</li> </ul>	<ul style="list-style-type: none"> <li>Allied Beverage Group</li> <li>Charmer-Sunbelt Group</li> <li>Constellation Brands Inc.</li> <li>Georgia Crown Distributing Co.</li> <li><b>Glazer's Distributors</b></li> <li><b>Heidelberg Distributing Company</b></li> <li>National Wine &amp; Spirits</li> <li>Pernod Ricard USA</li> </ul>	<ul style="list-style-type: none"> <li><b>Republic National Distributing Company</b></li> <li>Reyes Holdings</li> <li><b>Southern Wine &amp; Spirits of America</b></li> <li>Suntory International Corp.</li> <li>Young's Holdings, Inc.</li> </ul>
<b>Financial Buyers (with Relevant Portfolio Companies)</b>	<ul style="list-style-type: none"> <li>Opportunity to expand platform company operations</li> <li>Additional distribution expertise / insight for existing portfolio company</li> <li>History of successful acquisition integration</li> </ul>	<ul style="list-style-type: none"> <li>Berkshire Hathaway, Inc. (McLane Co.)</li> <li>Endeavour Capital, Inc. (CoHo Distributing LLC)</li> <li>First Beverage Capital (Altamar Brands, LLC)</li> <li>Freeman Spogli &amp; Co. (Winebow)</li> </ul>	<ul style="list-style-type: none"> <li>Lindsay Goldberg (Maine Beverage Company)</li> <li>Wetterau Associates (Quality Beverage)</li> </ul>
<b>High Net Worth &amp; Family Offices</b>	<ul style="list-style-type: none"> <li>Longer investment horizon (10+ years)</li> <li>Typically value cash flow over IRR</li> </ul>	<ul style="list-style-type: none"> <li>Berwind Corporation</li> <li>CVC Capital Partners</li> <li>EBSCO Industries, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>Oak Hill Capital</li> <li>The Pritzker Group</li> <li>The Stephens Group</li> </ul>

\* **Bolded names** are national liquor distributors that operate as liquor brokers in Ohio

# Transaction Process

Western Reserve believes that the liquor privatization process could be closed during 2011

**Marketing Process:**



# Privatization Strategy Discussion

A decision would have to be made how to accomplish liquor privatization: **Outright Sale vs. Licensing Agreement?** We have assumed outright sale since it would maximize the transaction proceeds.

	Rationale	Mitigating Factors
Outright Sale	<ul style="list-style-type: none"> <li>~\$2.0B cash infusion to defease bonds, accrue interest and fund budget</li> <li>Ongoing gallonage tax (\$36.6M in 2010) and permit fee (\$37.4M in 2010) collection</li> <li>Reserve auction strategy would preserve State's status quo option (e.g., &gt;\$2.0B)</li> <li>Steady, recurring cash flow and liquor M&amp;A momentum increase buyer competition</li> </ul>	<ul style="list-style-type: none"> <li>Thorough, well-negotiated process critical as monetization would be a one-time payment</li> <li>Experience and network to elicit attractive bids from suitable buyer with enough "dry powder" to close the transaction</li> <li>Transparent marketing process to facilitate public / union approval</li> <li>Experienced legal team required to manage regulatory requirements</li> </ul>
License Agreement	<ul style="list-style-type: none"> <li>Moderate immediate cash infusion with recurring revenue stream from licensing</li> <li>"Reserve" auction strategy would preserve State's status quo option</li> </ul>	<ul style="list-style-type: none"> <li>Initial cash infusion and subsequent interest income would be required to defease bonds</li> <li>State would technically still own assets</li> </ul>
Status Quo	<ul style="list-style-type: none"> <li>Valuations do not sufficiently defease liquor bonds so as to make deal attractive</li> <li>Liquor profits pledged to bonds</li> </ul>	<ul style="list-style-type: none"> <li>Ohio continues to own non-core assets</li> </ul>

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# Western Reserve Partners Proposal

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# Western Reserve Partners Proposal

**Western Reserve proposes to assist the Kasich Administration in evaluating and implementing privatization opportunities and is prepared to serve in the capacity most useful to the State**

- Financial advisor addressing a broad range of privatization issues,
- Financial advisor specifically focused on ODLC privatization,
- Investment banker to broker the ODLC, or
- However the Governor believes we would be most useful

# Why Western Reserve Partners?

## Western Reserve Partners is uniquely positioned to assist the State in exploring and implementing privatization opportunities

- Western Reserve was founded by highly experienced senior bankers with a proven track record of success on the principle of providing superior M&A and advisory services:
  - More than 150 years of combined investment banking experience among WRP's partners
  - Experience directly executing more than 550 transactions and managing more than 1,400 transactions
  - Ohio corporate and community leadership
  
- We would commit a team lead by our senior professionals:
  - Ralph Della Ratta — 30+ years of M&A experience; former Sr. Managing Director and Manager of Investment Banking at KeyBanc Capital Markets and McDonald Investments Inc.; former Chairman of the Ohio Venture Capital Authority and board member of Rainbow Babies & Children's Hospital National Leadership Council, Rock and Roll Hall of Fame and Business Volunteers Unlimited
  - Mark Filippell — 30+ years of M&A experience; former Senior Managing Director and Manager of the M&A Practice at KeyBanc Capital Markets and McDonald Investments Inc.; former Co-Chairman of "New Cuyahoga" ballot initiative to restructure Cuyahoga county govt.; Executive Committee of Board of Great Lakes Science Center and Executive Committee of Board of ideastream
  - Joseph Carson — 13+ years of M&A experience; CPA (inactive); Board of Directors for the Hospice of the Western Reserve and the Board of Directors for the Greater Cleveland Chapter of Habitat for Humanity
  
- Western Reserve has worked successfully with leading Ohio companies:



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# Appendices

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## Prospective Buyer Detail

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# Alcohol Distribution Companies with Ohio Operations

## Southern Wine and Spirits of America, Inc.



*Southern Wine & Spirits*  
Dedicated to Sales & Service

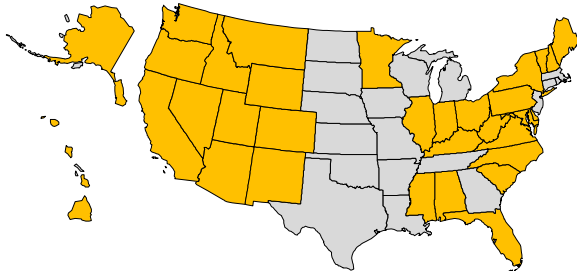
Miami, Florida

[www.southernwine.com](http://www.southernwine.com)

Founded in 1968, Southern Wine and Spirits of America, Inc. ("Southern") is the largest wine and spirits distributor in the U.S., serving 32 states nationally. Southern has been actively expanding with entry into over 20 markets since 2000. Additionally, Southern is present in 16 of the 18 Control State jurisdictions in the United States, which is more than any other wine and spirits distribution company in the business.

### Company Characteristics:

- **Estimated Revenue:** \$6.5 billion
- **Estimated Number of Employees:** 10,300
- **Recent Market Entrances:** In 2007, Southern entered Ohio, the country's third largest Control jurisdiction, followed in January 2008 by entry into Delaware. Southern's most recent market entry was Indiana in 2009.
- **Recent Ohio Acquisitions:**
  - Southern acquired Paramount Distillers Brokerage operations of Paramount Distillers, Inc., a distillery based in Cleveland, Ohio, in 2007.
  - Southern acquired Postiy Wine & Spirits of Ohio, a wine and spirits distributor based in Columbus, Ohio, in 2008.



## Republic National Distributing Company, LLC



New Orleans, Louisiana

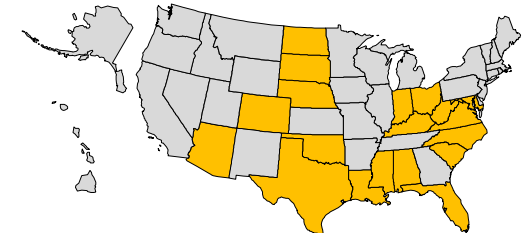
[www.rndc-usa.com](http://www.rndc-usa.com)

Republic National Distributing Company is the product of a merger between Republic Beverage Company and National Distributing Company, which occurred on May 1, 2007. Both businesses were family owned and have a combined presence in 17 states and the District of Columbia. Republic National Distributing Company is the second largest distributor of premium wine and spirits in the U.S., with joint venture operations in Ohio.

### Company Characteristics:

- **Estimated Revenue:** \$4.0 billion
- **Estimated Number of Employees:** 6,000
- **Recent Acquisition Activity:**
  - In October 2010, Republic National Distributing Company signed an agreement to sell its subsidiary, Tennessee-based Horizon Wine and Spirits, Inc., to Empire Distributors, Inc. and McLane Company, Inc.
  - In June 2010, Republic National Distributing Company agreed to acquire several wine brands of Virginia-based Freeman Beverage Company, Inc.
  - In March 2010, Republic National Distributing Company announced it would enter the Indiana market with its acquisition of certain assets of National Wine & Spirits, a distributor of wine and spirits for retail outlets in Indiana and Michigan.

### Distribution Network:



# Alcohol Distribution Companies with Ohio Operations

## Glazer's Distributors

Dallas, Texas

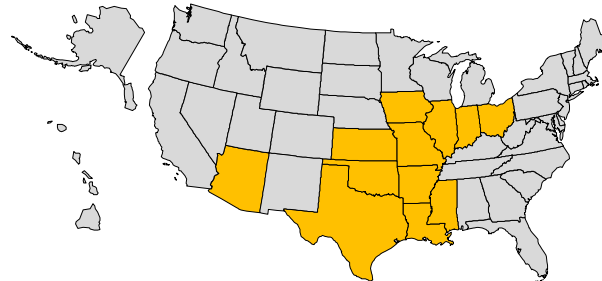
[www.glazers.com](http://www.glazers.com)



Founded in 1933, Glazer's Distributors is a family-owned and operated distributor of wine, spirits, and malt beverage products, with 40 offices in 11 states. Glazer's Distributors serves grocery, convenience and package stores, membership clubs, military installations, restaurants and bars, and hotels. The company distributes and markets beverages across Ohio, as well as Texas, Arkansas, Louisiana, Oklahoma, Mississippi, Missouri, Indiana, Illinois, Kansas, Iowa and Arizona.

### Company Characteristics:

- **Estimated Revenue:** > \$3.0 billion
- **Estimated Number of Employees:** 2,900
- **Recent Acquisition Activity:**
  - In January 2010, Glazer's Distributors acquired G & G Distributing Corporation and Harbor Distributing Company, which distribute alcoholic beverages in Louisiana.
  - In October 2008, Glazer's Distributors sold its 50% stake in Judge & Dolph Ltd., which is a liquor distributor in Illinois, to Wirtz Beverage Group.
- **Recent Ohio Activity:** Glazer's Distributors entered Ohio in 2000 and is currently the only full-service statewide distributor/broker company.
- **Distribution Network:**



## Heidelberg Distributing Company

Dayton, Ohio

[www.heidelbergdistributing.com](http://www.heidelbergdistributing.com)



Founded in 1938, Heidelberg Distributing Company is a family-owned distributing company that markets and delivers beer, wine, spirits and other beverages to more than 20,000 retail establishments throughout Ohio and Kentucky. Impact Magazine and Beverage World have listed Heidelberg in the "top 20" distributors for beer volume in the U.S. each year since 2003, with Beverage World ranking Heidelberg Distributing Company as the 16<sup>th</sup> largest. Heidelberg Distributing Company has facilities in Dayton, Cincinnati, Evendale, Cleveland, Toledo, Columbus, Lorain, Norwalk and Covington, Kentucky.

### Company Characteristics:

- **Estimated Revenue:** \$200 million
- **Estimated Number of Employees:** 1,400
- **Recent Acquisition Activity:**
  - In December 2009, Heidelberg Distributing Company acquired Eagle Beverage Company, Inc., a distributor of beer under the Anheuser-Busch InBev brand based in New York.
  - In 2008, Heidelberg purchased the stock of a high-end wine marketing firm, Wine Trends, and a two-facility wine and beer company in northern Ohio, Goodman Beverage and Mid-Ohio Wines.
- **Distribution Network:**



# Other Alcohol Distribution Buyers

## The Charmer Sunbelt Group

New York, New York

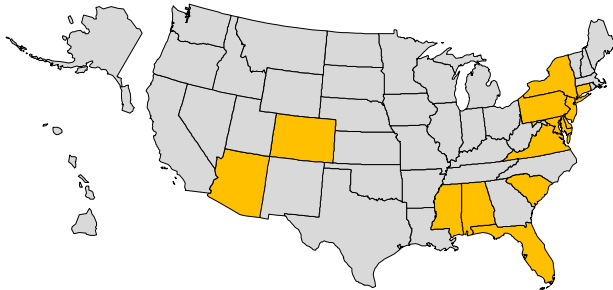
[www.charmer-sunbelt.com](http://www.charmer-sunbelt.com)



Founded as a combination of two companies that began in 1934 and 1944, the Charmer Sunbelt Group ("Charmer") is the nation's second largest distributor of fine wines, spirits, beer and other beverages. As a group of privately held companies, "Charmer" operates local distributor and/or brokerage houses in 15 markets. Charmer has continued to expand mainly through strategic partnerships in various states.

### Company Characteristics:

- **Estimated Revenue:** \$4.1 billion
- **Estimated Number of Employees:** > 7,000
- **Recent Acquisition Activity:**
  - In 2007, two mergers sponsored by Charmer subsidiaries Charmer Industries and Service Universal in New York were the largest single state distributor transactions in the history of the wine and spirits industry.
  - Associated Distributors, LLC, a member of The Charmer Sunbelt Group, announced its plans to acquire the assets of Virginia Distributing Company of Richmond, Virginia on October 1, 2010.
- **Distribution Network:**



## Georgia Crown Distributing Co.

McDonough, Georgia

[www.georgiacrown.com](http://www.georgiacrown.com)



Georgia Crown Distributing Co. is a family-owned full service beverage distributor selling imported and domestic spirits, wines, beers and specialty products, with wholesale operations doing business in Alabama, Georgia and Tennessee. In 1990, Georgia Crown entered the home and office bottled water business with its new division, Poland Spring Water Distributing Company and in 1991 opened its first bottling plant producing bottled water from its spring in Dahlonega, Georgia.

### Company Characteristics:

- **Estimated Revenue:** NA
- **Estimated Number of Employees:** 475
- **Ohio Involvement:** Although not currently active in Ohio, Georgia Crown Distributing Co. unloaded the first carload of legal liquor in Columbus following the end of Prohibition.
- **Distribution Network:**



# Quasi-Strategic Financial Buyers

## Berkshire Hathway Inc.

BERKSHIRE HATHAWAY INC.

Omaha, Nebraska

[www.berkshirehathaway.com](http://www.berkshirehathaway.com)

Berkshire Hathaway Inc. ("Berkshire") is a holding company owning subsidiaries engaged in a number of diverse business activities. Berkshire's operating businesses are managed on an unusually decentralized basis, although Berkshire's corporate office management participates in and is ultimately responsible for significant capital allocation decisions, investment activities and the selection of the Chief Executive to head each of the operating businesses.

### Firm Characteristics:

- **Total Cash:** \$34.5 billion (Sept. 30., 2010)
- **Net Debt:** \$24.2 billion (Sept. 30., 2010)
- **Market Capitalization:** \$201.1 billion (Dec. 3, 2010)
- **Enterprise Value / EBITDA:** 10.8x (Dec. 3, 2010)
- **Number of Portfolio Companies:** 91

### Key Portfolio Investment: McLane Company, Inc.



- **Company:** McLane Company, Inc. ("McLane") is a supply chain services company based in Temple, Texas, which provides grocery and foodservice supply chain solutions for thousands of convenience stores, mass merchants, drug stores and military locations, as well as thousands of chain restaurants throughout the United States. With \$34 billion in revenue, McLane uses its 38 distribution centers to supply products to more than 54,000 locations.
- **Purchase:** McLane was purchased from Wal-Mart Stores, Inc. by Berkshire Hathway Inc. for \$1.5 billion in 2003.
- **Recent Activity:** McLane entered the liquor distribution business when it acquired Empire Distributors, Inc., which serves Georgia and North Carolina, in April 2010. In October 2010, McLane announced its second liquor distribution company acquisition, Horizon Wine & Spirits Inc., which granted it access to the Tennessee market.

## Lindsay Goldberg

New York, NY

[www.lindsaygoldbergllc.com](http://www.lindsaygoldbergllc.com)

LINDSAY GOLDBERG

Lindsay Goldberg is a private equity firm specializing in buyouts, acquisitions, recapitalizations, industry consolidation financing and other transactions. The firm has a focus on long-term growth with its portfolio companies. Lindsay Goldberg has collectively invested in over 92 follow-on acquisitions, which, combined with initial equity investments represents, over \$15.2 billion of enterprise value.

### Firm Characteristics:

- **Recent Fund:** Lindsay Goldberg & Bessemer III, L.P. – \$4.7 billion
- **Number of Portfolio Companies:** 26
- **Western Reserve's Proprietary Knowledge:** Lindsay Goldberg has been actively evaluating several privatization opportunities nationally.

### Key Portfolio Investment: Maine Beverage Co.



- **Company:** Maine Beverage Co. is the wholesale supplier of liquor in the state of Maine. Maine Beverage is responsible for the warehousing, order management, and delivery of spirits to all Agency Stores across the state.
- **Origination:** Lindsay Goldberg formed Maine Beverage Co. in 2004, which signed a 10-year contract with the state of Maine in 2004 to become the wholesale supplier of liquor to the state's 364 Agency Stores and formed a public-private partnership. Maine Beverage Company and Lindsay Goldberg partnered with the Martignetti Companies, a family-owned liquor wholesaler based in Massachusetts with over 70 years of liquor experience, and with Pine State Trading Company, a family-owned business based in Maine, with over 60 years of experience in warehousing and delivery systems.

# Family Office Investors

## Wetterau Associates LLC

St. Louis, Missouri



Wetterau Associates, an investment group led by Mark Wetterau, is a principal investment firm specializing in acquisition financing. The firm typically invests in real estate, retailing, manufacturing, distribution, and food-related sectors. It seeks to take a majority stake in its portfolio companies. The firm was founded in 1993. The Wetterau family owned Wetterau Inc., a grocery distributor that was sold to Supervalu in 1992 to \$1.1 billion.

### Key Portfolio Investment: Quality Beverage, LP

- **Company:** Founded in 1985 and based in Massachusetts, Quality Beverage, LP distributes alcoholic and non-alcoholic beverage products. It offers malt beverage and liquor, carbohydrate light lager, ale, fruit beer, water, energy drinks, flavored malt beverage, vodka, and spirits products.



golden state foods

### Key Portfolio Investment: Golden State Foods

- **Company:** Founded in 1947, Golden State Foods is one of the largest diversified suppliers to the foodservice industry, servicing more than 20,000 restaurants from three continents. The \$4 billion company is has approximately 4,000 employees worldwide, GSF's core businesses include: processing and distribution of liquid products, meat products, produce, bakery and other services, providing a variety of networked solutions for the total supply chain spectrum.
- **Purchase:** Wetterau Associates partnered with The Yucaipa Cos. To purchase Golden State Foods in 1998. In 2004, Wetterau Associates purchased the remaining share of Golden State Foods from The Yucaipa Cos.

## Oak Hill Capital Partners

Stamford, Connecticut

[www.oakhillcapital.com](http://www.oakhillcapital.com)



Oak Hill is a private equity firm that embraces long-term relationships. The company is focused on being a value added partner that can provide action plans to implement strategic visions, capital and creative financial solutions, merger and acquisition analysis, and apply structure and capital market expertise knowledge for the benefit of its portfolio companies.

### Firm Characteristics:

- **Recent Fund:** Oak Hill Capital Partners III, L.P. – \$3.8 billion
- **Number of Portfolio Companies:** 35

### Relevant Current Investments:

- Southern Air Holdings, Inc. offers air freight and cargo transportation services. The company focuses on long-haul and heavy-lift operations and caters to commercial and government organizations.
- Jacobson Companies, Inc. provides supply chain management solutions and services in the United States, Canada, and internationally. The company offers warehousing and distribution, contract packaging and manufacturing, logistics and freight management, and contract staffing solutions and temporary services.

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# Preliminary Valuation Overview

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# Key Valuation Assumptions and Procedures

For income statement purposes, Western Reserve relied upon ODLC's historical financial statements through 2010 and used conservative growth projections beyond

	Ohio Division of Liquor Control Income Statement									
	Actual Year Ending June 30,					Projected Year Ending June 30,				
	2006	2007	2008	2009	2010	2011P	2012P	2013P	2014P	2015P
<i>(\$ in millions)</i>										
Retail Sales	\$403.5	\$433.7	\$461.7	\$494.7	\$511.2	\$529.1	\$547.6	\$566.8	\$586.6	\$607.2
Wholesale Sales	250.3	254.3	251.1	250.2	246.2	248.7	251.2	253.7	256.2	258.8
<b>Gross Sales</b>	<b>653.8</b>	<b>688.0</b>	<b>712.8</b>	<b>744.9</b>	<b>757.4</b>	<b>777.8</b>	<b>798.8</b>	<b>820.5</b>	<b>842.8</b>	<b>865.9</b>
Less: Wholesale Discount	15.0	15.3	15.1	15.0	14.8	15.2	15.6	16.0	16.4	16.9
Net Sales	\$638.8	\$672.7	\$697.7	\$729.9	\$742.6	\$762.6	\$783.2	\$804.5	\$826.4	\$849.0
Cost of Goods Sold	364.4	385.3	399.2	417.8	426.0	437.4	449.3	461.4	474.0	487.0
Depreciation	0.4	0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
State Gallonage Tax	33.5	34.4	34.9	35.9	36.6	37.6	38.6	39.7	40.8	41.9
Total Cost of Goods Sold	\$397.9	\$419.6	\$434.0	\$453.7	\$462.6	\$475.2	\$488.1	\$501.3	\$515.0	\$529.1
Gross Profit	\$240.9	\$253.1	\$263.7	\$276.2	\$280.0	\$287.4	\$295.1	\$303.1	\$311.4	\$319.9
<i>Margin</i>	<i>36.8%</i>	<i>36.8%</i>	<i>37.0%</i>	<i>37.1%</i>	<i>37.0%</i>	<i>36.9%</i>	<i>36.9%</i>	<i>36.9%</i>	<i>36.9%</i>	<i>36.9%</i>
Agency Commissions	34.4	36.3	38.2	40.1	40.6	41.7	42.8	44.0	45.2	46.4
General Expenses	14.9	13.6	12.4	11.8	10.7	10.9	11.2	11.5	11.9	12.2
Operating Expenses	49.3	49.9	50.7	51.9	51.2	52.6	54.0	55.5	57.0	58.6
Operating Income	\$191.6	\$203.2	\$213.0	\$224.2	\$228.8	\$234.8	\$241.1	\$247.6	\$254.4	\$261.4
<i>Margin</i>	<i>29.3%</i>	<i>29.5%</i>	<i>29.9%</i>	<i>30.1%</i>	<i>30.2%</i>	<i>30.8%</i>	<i>30.8%</i>	<i>30.8%</i>	<i>30.8%</i>	<i>30.8%</i>
Depreciation	\$0.4	\$0.4	\$0.4	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
<b>EBITDA</b>	<b>\$192.0</b>	<b>\$203.7</b>	<b>\$213.4</b>	<b>\$224.5</b>	<b>\$229.0</b>	<b>\$234.9</b>	<b>\$241.3</b>	<b>\$247.8</b>	<b>\$254.6</b>	<b>\$261.6</b>
<i>Margin</i>	<i>29.4%</i>	<i>29.6%</i>	<i>29.9%</i>	<i>30.1%</i>	<i>30.2%</i>	<i>30.2%</i>	<i>30.2%</i>	<i>30.2%</i>	<i>30.2%</i>	<i>30.2%</i>
<b>Key Income Statement Assumptions</b>										
Retail Sales Growth		7.48%	6.47%	7.13%	3.35%	3.50%	3.50%	3.50%	3.50%	3.50%
Wholesale Sales Growth			(1.28%)	(0.33%)	(1.61%)	1.00%	1.00%	1.00%	1.00%	1.00%
Wholesale Discount as a % of Gross Sales		2.22%	2.11%	2.02%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Cost of Goods Sold as a % of Gross Sales		56.00%	56.00%	56.09%	56.24%	56.24%	56.24%	56.24%	56.24%	56.24%
State Gallonage Tax as a % of Gross Sales		5.00%	4.89%	4.82%	4.84%	4.84%	4.84%	4.84%	4.84%	4.84%
Agency Commissions as a % of Gross Sales		5.28%	5.36%	5.38%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%
General Expenses as a % of Gross Sales		1.97%	1.74%	1.59%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%
Depreciation as a % of Gross Sales		0.06%	0.06%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Cap Ex as a % of Gross Sales		0.07%	0.03%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%



# Valuation Methodologies Employed<sup>[1]</sup>

## *Discounted Free Cash Flow Analysis (Terminal Calculation)*

Present value of the future expected cash flows and terminal value of the business, discounted back to the present using the Company's estimated weighted average cost of capital

## *Discounted Free Cash Flow Analysis (Perpetuity Calculation)*

Present value of all future cash flows of the Company using its estimated weighted average cost of capital and an assumed perpetual growth rate

## *Leveraged Buyout Analysis*

Analysis of the Company's value from a financial buyer's perspective assuming maximum leverage and required returns on capital deployed

## *Comparable Public Companies Analysis<sup>[2]</sup>*

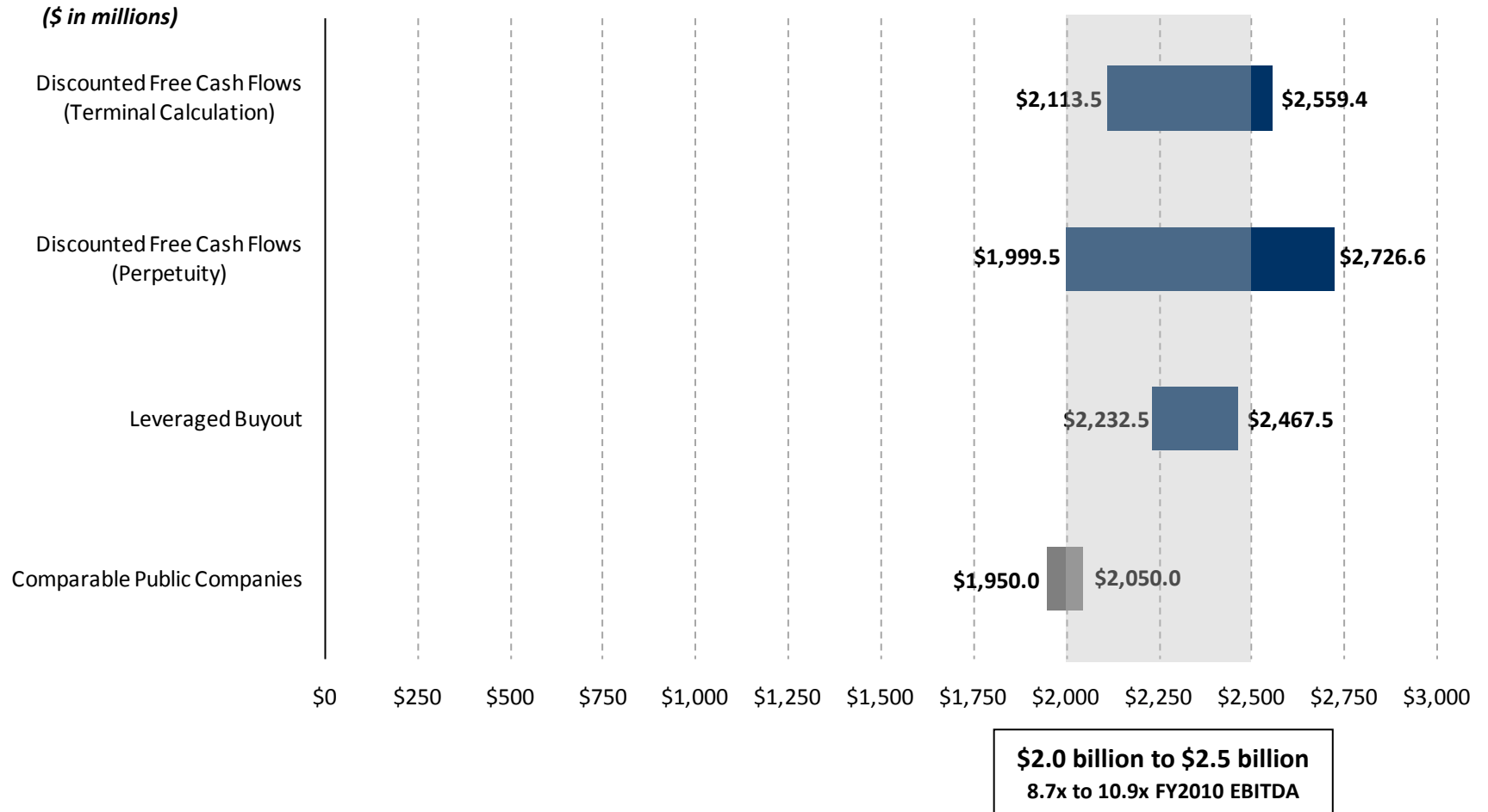
Review of comparable public companies and multiples of enterprise value to revenue and profitability measures, both on a historical and a forward-looking basis

[1] A lack of publically available information on relevant M&A transactions precluded Western Reserve from including that analysis in its valuation of the ODLC

[2] Western Reserve conducted a valuation analysis of public food and beverage distribution companies, but attributed more weight to the first three valuation analyses given significant differences between the ODLC and its public comparable companies' market dynamics and business models

# Enterprise Valuation Summary

**Subject to further diligence, Western Reserve believes that ODLC's enterprise value would be approximately \$2.0 billion to \$2.5 billion in a control sale transaction**



# Discounted Free Cash Flow Analysis

(\$ in millions)	Projected Year Ending June 30,				
	2011	2012	2013	2014	2015
Operating Profit (EBIT)	\$234.9	\$241.3	\$247.8	\$254.6	\$261.6
Tax Rate @ 38.0%	89.3	91.7	94.2	96.7	99.4
Net Operating Profit After Tax <sup>[1]</sup>	\$145.7	\$149.6	\$153.7	\$157.8	\$162.2
Plus: Depreciation & Deductible Amortization	0.2	0.2	0.2	0.2	0.2
Less: Changes in Working Capital	0.4	0.4	0.4	0.4	0.5
Less: Capital Expenditures	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Less: Changes in Other Assets & Liabilities	0.0	0.0	0.0	0.0	0.0
Net Investment	\$0.5	\$0.6	\$0.6	\$0.6	\$0.6
<b>Free Cash Flow (FCF)</b>	<b>\$146.2</b>	<b>\$150.1</b>	<b>\$154.2</b>	<b>\$158.4</b>	<b>\$162.8</b>
Discount Factor <sup>[2]</sup>	0.9578	0.8787	0.8062	0.7396	0.6785
<b>Present Value of FCF</b>	<b>\$140.0</b>	<b>\$131.9</b>	<b>\$124.3</b>	<b>\$117.2</b>	<b>\$110.4</b>

Weighted Average Cost of Capital

9.0%

### Summary Enterprise Valuation

Total Present Value of FCF	\$623.9
Present Value of Terminal Value <sup>[3]</sup>	1,701.2
<b>Enterprise Value</b>	<b>\$2,325.2</b>

### Note:

[1] 38.0% assumed tax rate based on tax structure of a private owner

[2] Discount factor assumes mid-year convention, where cash flows occur evenly throughout the year

Years	0.5	1.5	2.5	3.5	4.5
Factor	0.9578	0.8787	0.8062	0.7396	0.6785

[3] Terminal Value Calculation:

2015 EBITDA	\$261.8	
<b>Assumed Exit Multiple</b>	<b>10.0x</b>	
2015 Enterprise Value	\$2,617.6	
Discount Factor	0.6499	-- TV discount factor assumes Company is sold at the end of the year
PV of Terminal Value	\$1,701.2	

# Discounted Free Cash Flow Analysis: Perpetuity Calculation

(\$ in millions)

## Perpetuity Valuation Calculation

Fiscal 2010 Operating Profit (EBIT)	\$228.8
Less: Taxes @ Rate of: 38.0%	86.9
Net Operating Profit After Tax <sup>[1]</sup>	\$141.8
Plus: Depreciation & Deductible Amortization	0.2
Less: Changes in Working Capital	8.0
Less: Capital Expenditures	(0.0)
Less: Changes in Other Assets & Liabilities	0.0
Net Investment	\$8.1
<b>Fiscal 2010 Free Cash Flow (FCF) Before Misc. Income &amp; Other Deductions</b>	<b>\$150.0</b>
Discount Rate (Weighted Avg. Cost of Capital)	9.0%
Assumed Terminal Growth Factor	2.5%
<b>Perpetuity Enterprise Value [ <math>FCF \div (Discount\ Rt. - Growth\ Rt.)</math> ]</b>	<b>\$2,307.1</b>

**Note:**

[1] 38.0% assumed tax rate based on tax structure of a private owner

# Leveraged Buyout Analysis

(\$ in millions)

<b>Financial Sponsor Purchase Price</b>	<b>\$2,350.0</b>
---	------------------

Sources		
Excess Cash	\$42.6	1.8%
Revolving Credit	11.1	0.5%
Senior Term Debt	1,100.0	45.8%
Subordinated Debt	0.0	0.0%
Convertible Preferred Equity	0.0	0.0%
Management Equity	0.0	0.0%
New Sponsor Equity	<u>1,250.0</u>	52.0%
<b>Total Sources</b>	<b>\$2,403.8</b>	

Uses		
Retire Revolving Credit	\$0.0	0.0%
Retire Senior Term Loan	0.0	0.0%
Retire Subordinated Debt	0.0	0.0%
Cash to Shareholders	2,377.6	98.9%
Management Rollover Equity	0.0	0.0%
Financing Fees	11.1	0.5%
Transaction Expenses	<u>15.0</u>	0.6%
<b>Total Uses</b>	<b>\$2,403.8</b>	

Ownership Analysis		
<b>Equity Ownership</b>	<b>%</b>	<b>IRR</b>
New Common Equity	100.0%	16.6%
Subordinated Debt	0.0%	NA
Preferred Equity	0.0%	NA
Mgmt Equity - Rollover	0.0%	NA
Mgmt Equity - Incentive	0.0%	NA
Total Equity Raised		\$1,250.0
Management Participation in Newco		<u>0.0%</u>
New Sponsor Equity		\$1,250.0

Debt Sources		
	<b>Bps &gt;</b>	
	<b>Spread</b>	<b>Rate</b>
Revolving Credit (LIBOR)	400	4.30%
Senior Term Debt (U.S. Treasury)	85	4.35%
Subordinated Debt	-	12.00%
Convertible Preferred Equity	-	7.00%
3-Month LIBOR		0.30%
10-Year U.S. Treasury		3.50%

Valuation	
Enterprise Value	\$2,350.0
Plus: Cash	42.6
Plus: Equity Investments	0.0
Less: Total Debt	0.0
Less: Minority Interest	<u>0.0</u>
Equity Value	\$2,392.6
2010 EBITDA	\$229.0
EV / LTM EBITDA at Purchase	10.3x
EV / LTM EBITDA at Exit	10.3x

Goodwill Calculation	
Purchase Price	\$2,377.6
Plus: Existing Goodwill	0.0
Less: Book Value Acquired	<u>(29.8)</u>
Goodwill	\$2,347.8
Amortization Period	15.0
Annual Goodwill Amortization	NA

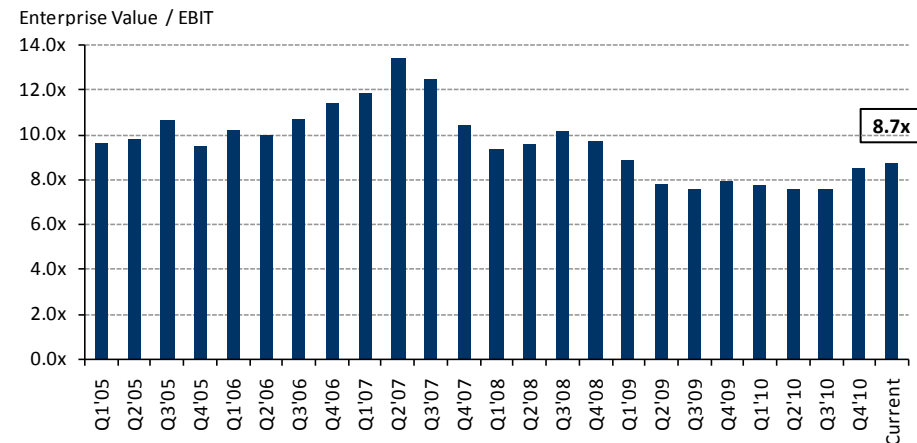
Pro Forma Capitalization Structure		
	<b>2010E</b>	<b>2011P</b>
Total Senior Debt	\$1,111.1	\$919.8
Subordinated Debt	0.0	0.0
Total Debt	<u>1,111.1</u>	<u>919.8</u>
Less Cash	0.0	0.0
Total Net Debt	1,111.1	919.8
Book Equity	<u>1,235.0</u>	<u>1,423.6</u>
Total Capitalization	\$2,346.1	\$2,343.4

Key Coverage Ratios			Key Leverage Ratios		
	<b>2010E</b>	<b>2011P</b>		<b>2010E</b>	<b>2011P</b>
EBITDA / Total Interest	5.2x	5.3x	Total Debt / Total Capitalization	47.4%	39.3%
EBITDA / Cash Interest	5.5x	5.6x	Total Debt / Equity	90.0%	64.6%
(EBITDA - Capex) / Total Interest	5.2x	5.3x	Senior Debt / EBITDA	4.9x	3.9x
(EBITDA - Capex) / Cash Interest	5.5x	5.6x	Total Debt / EBITDA	4.9x	3.9x

# Food & Liquor Distribution: Public Comparable Companies

Company	Description
<b>AMCON Distributing Co.</b> Revenue: \$675m EBIT Multiple: 4.7x EBITDA Multiple: 4.2x Revenue Multiple: 0.11x	<ul style="list-style-type: none"> <li>Engages in the wholesale distribution of a range of consumer products in the Great Plains and Rocky Mountain regions, as well as in the operation of 13 retail health food stores in Florida and the Midwest</li> <li>Distributes approximately 14,000 consumer products, including cigarettes and tobacco products, groceries, etc. to approximately 4,000 retailers</li> </ul>
<b>Core-Mark Holding Company, Inc.</b> Revenue: \$5.4bn EBIT Multiple: 9.5x EBITDA Multiple: 6.2x Revenue Multiple: 0.07x	<ul style="list-style-type: none"> <li>Distributes approximately 42,000 stock keeping units of packaged consumable goods, including cigarettes, tobacco products, snacks, fresh products, dairy, non-alcoholic beverages, merchandise and health and beauty care products</li> <li>Serves convenience stores, grocery stores, drug stores and liquor stores</li> </ul>
<b>Metcash Ltd.</b> Revenue: \$10.8bn EBIT Multiple: 9.3x EBITDA Multiple: 8.5x Revenue Multiple: 0.33x	<ul style="list-style-type: none"> <li>Engages in the wholesale distribution and marketing of groceries, liquor, and associated products in Australia and New Zealand</li> <li>Operates 9 distribution centers to deliver 18,000 items to over 2,500 independent retail grocery stores</li> </ul>
<b>Nash Finch Co.</b> Revenue: \$5.1bn EBIT Multiple: 7.7x EBITDA Multiple: 5.7x Revenue Multiple: 0.16x	<ul style="list-style-type: none"> <li>Operates as a food distribution company, serving approximately 1,700 independent retail locations in 28 states across the U.S.</li> <li>Also distributes food products to the military and operates retail sites</li> </ul>
<b>Spartan Stores Inc.</b> Revenue: \$2.5bn EBIT Multiple: 8.2x EBITDA Multiple: 5.4x Revenue Multiple: 0.22x	<ul style="list-style-type: none"> <li>Operates as a grocery distributor and grocery retailer principally in Michigan and Indiana, with approximately 96 retail supermarkets</li> <li>The Distribution segment provides approximately 43,000 stock-keeping units, including dry groceries, produce, dairy products, etc.</li> </ul>
<b>Sysco Corp.</b> Revenue: \$37.9bn EBIT Multiple: 9.8x EBITDA Multiple: 8.1x Revenue Multiple: 0.51x	<ul style="list-style-type: none"> <li>Markets and distributes a range of food and related products primarily to the foodservice industry in the United States</li> <li>Operates nearly 200 distribution facilities serving approximately 400,000 customers</li> </ul>

## Public Comparable Median EBIT Multiples



## EBIT Multiple & Enterprise Value Calculation

(\$ in millions)	EBIT Margin	Enterprise Value to LTM EBIT
AMCON Distributing Co.	2.3%	4.7x
Core-Mark Holding Company, Inc.	0.7%	9.5x
Metcash Ltd.	3.6%	9.3x
Nash Finch Co.	2.1%	7.7x
Spartan Stores Inc.	2.7%	8.2x
Sysco Corp.	5.2%	9.8x
Mean	2.8%	8.2x
Median	2.5%	8.7x

ODLC FY 2010 EBIT	\$228.8
Median EBIT Multiple	8.7x
<b>ODLC Implied Enterprise Value</b>	<b>\$2,000.0</b>

Source: Capital IQ



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# The Western Reserve Privatization Team

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## Joseph G. Carson – Managing Director

Mr. Carson has more than 14 years of investment banking and financial consulting experience in mergers and acquisitions, divestitures, fairness opinions, capital structure and valuation analyses and general financial advisory services for private and public companies. Prior to joining Western Reserve, Mr. Carson served as a Senior Vice President at KeyBanc Capital Markets and McDonald Investments Inc., where he focused on providing leading middle-market companies with mergers and acquisitions advisory services and raising private and public equity and debt.

Representative clients of Mr. Carson include Adorn, Inc., Advance Mixer, Anthem, Inc., Avtron Corp., The Burger Iron Company, Crossmann Communities, Excel Mining Systems, Inc., Ferro Corp., Finishmaster, FirstEnergy Corp., Group Dekko, H.H. Gregg, Johnson Oil, Inc. (d/b/a Bigfoot Food Stores), LDI, Inc., NiSource, Inc., The Ohio Molding Corporation, Red Simpson, Inc., SEMCO, Inc., Spartan Stores, Inc. and Stonehenge Partners (L.E. Technologies).

Mr. Carson's educational background includes a Bachelor of Science and Business Administration in Accounting (cum laude) from Miami University and a Master of Business Administration from the Weatherhead School of Management at Case Western Reserve University. Mr. Carson is a Certified Public Accountant (inactive) and serves on the Board of Directors for the Hospice of the Western Reserve and the Board of Directors for the Greater Cleveland Chapter of Habitat for Humanity.



## Mark A. Filippell – Managing Director

Mr. Filippell brings to Western Reserve Partners over 26 years of investment banking experience during which he personally completed over 130 merger and acquisition transactions. Prior to joining Western Reserve Partners, he was Manager of the Mergers & Acquisitions Dept. at KeyBanc Capital Markets and McDonald Investments. His clients have included Advanced Ceramics Corporation, Allis Chalmers Industrial Truck Division Acquisition Group, American Precision Industries Inc., Bronx International, Inc., Computational Systems Inc., Eaton Corporation's AC&R Division, Excel Mining Systems, Inc., Group Dekko, Liqui-Box Corporation, Mascotech Inc., Naporano Iron & Metal Co., National Machinery Company, Novar Electronics Corporation, Praegitzer Industries Inc., TruSeal Technologies, Inc. and Wiseco Piston Company Inc.

Prior to running KeyBanc's M&A department, Mr. Filippell led the Bankruptcy and Distressed Business Practice. In this capacity, he led the teams which sold Grabill Corp.'s 14 subsidiaries, sold six TIC United divisions, reorganized Eagle-Picher Industries Inc. and Sudbury Inc.; and represented the equity in Elder-Beerman Stores Corp.'s reorganization; Autodie Corporation and Kapaco Group Inc.

Prior to joining Key, Mr. Filippell served as Assistant to the General Manager of Comau Spa, a \$300 million factory automation company in Torino, Italy, then owned jointly by Fiat and Bendix. Prior to Comau, he worked as an associate with McKinsey & Company for three years.

Mr. Filippell authored the book *Mergers & Acquisitions Playbook: Lessons from the Middle-Market Trenches*, published by John Wiley & Sons, Inc. (Copyright 2011).

Mr. Filippell was graduated class valedictorian with a B.A. in Economics from DePauw University in 1975. He received an M.B.A from Harvard Business School in 1977 and a J.D. from Michigan Law School in 1979 where he was a Senior Editor of the Michigan Law Review. He is on the Board of Directors of CHT Nuclear, LLC, member of the Executive Committee of the Board of the Great Lakes Museum of Science, Environment and Technology, a member of the Executive Committee of the Board of ideastream (Cleveland public radio and television), past Co-Chairman of "New Cuyahoga", the successful ballot initiative to restructure Cuyahoga County government, past Chairman of the Cleveland Center for Economic Education, Past Chairman of Hawken School's campaign for a competition swimming pool and Past President of the Harvard Business School Club of Northeast Ohio. An avid cyclist, he speaks both Spanish and Italian.

## Ralph M. Della Ratta, Jr. – Managing Director

Mr. Della Ratta has over 30 years of experience in investment banking and commercial banking. Prior to founding Western Reserve Partners, Mr. Della Ratta managed the Investment Banking Division of McDonald Investments Inc. During his 12 year tenure as Senior Managing Director and Manager of Investment Banking, Mr. Della Ratta increased the headcount of bankers from 18 to 236 and grew the revenue over ten-fold. He also positioned the firm to consistently rank among the top 15 M&A advisors nationally and in the top 5 for M&A transactions below \$250 million. At McDonald he was responsible for the firm's business with its corporate clients and for the firm's activities in initial and secondary public offerings, private placements, private equity, and mergers and acquisitions. Subsequent to the sale of McDonald to Key Corp. Mr. Della Ratta remained Manager of Investment Banking and was a member of KeyCorp's Executive Committee, the Equity Underwriting, Debt Underwriting and M&A Commitment Committees.

Prior to joining McDonald Investments Inc. in 1987, Mr. Della Ratta was employed at American Fletcher Corporation, Indianapolis, N.A. (now JPMorgan Chase) for ten years, most recently in the capacity of a Division Manager in the Corporate Group. His previous experiences at Bank One, Indianapolis include: Manager, International Banking Division, Board Member and an Executive Director of American Fletcher Bank Suisse, S.A.; General Manager of the European Branch, Luxembourg; and Area Manager for Europe, Middle East and Africa. Mr. Della Ratta was a member of numerous management committees at American Fletcher Corporation, Indianapolis.

Mr. Della Ratta's educational background includes a Bachelor of Arts from Duke University (Dean's List), a Master of Business Administration from Thunderbird School of Global Management (with Honors) and a graduate degree in Banking from the Stonier Graduate School at Rutgers University. Mr. Della Ratta serves on the Board of Directors of numerous private and public companies including such companies as MTD Holdings Inc., Olympic Steel Inc., MAI Wealth Advisors LLC and NDI Medical. He is a past corporate board member of McDonald & Company Securities, Inc. and Hyland Software. Mr. Della Ratta has been actively involved in various charities and not-for-profit organizations and currently serves on the Board of University Hospitals of Cleveland, where he serves as Chairman of the Investment Committee and as Chairman of the Rainbow Babies & Children's Hospital National Leadership Council. He also serves on the Board and Executive Committee of Business Volunteers Unlimited and the Rock and Roll Hall of Fame Board of Directors. He is the Past President of the City Club of Cleveland. He is also a member of the 50 Club of Cleveland and was appointed by Governor Ted Strickland to the position of Chairman of the Ohio Venture Capital Authority. His past public service includes serving on the Executive Committee of the Annual Fund of Duke University, the Board of the Duke Alumni Association, the Board of the Cleveland Center for Contemporary Art, Past Chair for the United Cerebral Palsy Telethon, Past Chair of INROADS of Northeast Ohio, Past President of the Achievement Centers for Children and Past Treasurer of the Capital Improvements Board of the City of Indianapolis.

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## **Overview of Western Reserve Partners**

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## Western Reserve's Mission and Approach

**Western Reserve Partners** is dedicated to providing customized investment banking solutions executed in a superior manner for middle market companies.

Our clients deserve focused attention from seasoned senior professionals to address the intricacies and nuances of their specific transactions. We are committed to providing the superior level of service which is fundamental to exceeding our clients' expectations in each and every engagement.

As a trusted financial partner, Western Reserve works side-by-side with its clients in achieving their strategic goals by providing:

- Thoughtful, unbiased advice and keen market insight
- Decades of product-specific expertise in a focused set of financial advisory service offerings
- Transactional expertise across a wide spectrum of industries and sectors
- Creative and tailored solutions to unique situations, oftentimes employing multiple product disciplines
- NASD licensed credentials and professionals with Series 79, 24 and 63 designations
- Extensive experience, having directly executed more than 550 transactions

# Full Service Financial Advisory Capabilities

## Mergers & Acquisitions

Sell-Side and Buy-Side Advisory

Divestitures

Valuations, Fairness Opinions and Solvency Opinions

Mergers, Joint Ventures and Strategic Partnerships

## Capital Raising

Private Placements of Senior and Subordinated Debt

Private Placements of Equity

Leveraged Recapitalizations

Structured Finance

## Real Estate Advisory

Private Equity and Joint Ventures

Distressed Assets

O.P. Unit Exchanges

Credit Tenant Lease  
(CTL) Transactions

## Restructuring & Bankruptcy

Refinancing or Replacement of Existing Secured  
Indebtedness

Restructuring of Unsecured Debt and Raising of  
Equity Capital

Out-of-Court and Section 363 Sales

Advisory Services in Chapter 11 Cases

## Mergers & Acquisitions Practice

- Western Reserve professionals have directly executed more than 270 sell-side transactions and more than 50 buy-side transactions
- Specific merger and acquisition advisory services include:
  - Coordinating and leading all aspects of a traditional sale process
  - Coordinating and leading all aspects of divestitures of non-core assets or business units
  - Conducting financial sponsor-led recapitalizations
  - Assisting companies in identifying and executing strategic acquisitions
  - Providing valuations and fairness opinions
  - Fully analyzing the strategic and financial implications of other strategic alternatives, including joint ventures, partnerships, long-term supply arrangements and other business development initiatives

### **Our Solution:**

We apply our extensive transactional experience to each sale, divestiture, acquisition and recapitalization assignment and work with our clients to develop a strategy to maximize shareholder value and achieve the most favorable transaction terms

# Capital Raising Practice

- The capital raising practice of Western Reserve is product neutral, focused on providing the appropriate product solution, independent of market bias
- The professionals at Western Reserve have been involved in transactions that have raised in excess of \$2 billion of capital for clients over the past five years, which have included such service offerings as:
  - Arranging and syndicating bank credit facilities
  - Arranging and placing capital with institutional investors
  - Structuring leveraged recapitalizations
  - Arranging buy-side financing related for buy-side mergers & acquisitions
  - Arranging project financing for special situations

## Our Solution:

Regular contact with investors from a variety of capital market sources allows us to provide clients with timely and insightful understanding of current capital market conditions

Established relationships with a number of public capital markets firms allows us to draw upon their expertise when assisting our clients in those markets, when appropriate

## Real Estate Advisory Practice

- The professionals at Western Reserve draw upon more than 20 years of structuring unique and innovative real estate investment banking solutions for their clients
- Today, Western Reserve focuses on the following types of transactions:
  - Real Estate Private Equity and Joint Ventures – We are in constant contact with institutional providers of real estate equity for development of single and programmatic projects
  - Distressed Assets – We advise clients and structure transactions for distressed real estate acquisitions or divestitures
  - O.P. Unit Exchanges – We have deep relationships with many public REITs willing to structure these transactions
  - Credit Tenant Lease (“CTL”) Transactions – We have experience in executing over \$1 billion of CTL transactions having been one of the top producers in the U.S.

### Our Solution:

Each client has unique needs, and every transaction is different - we bring our extensive relationships and more than 20 years of diverse transaction experience to each assignment

All of our clients deserve and receive customized solutions to achieve maximum results



## Restructuring & Bankruptcy Practice

- Our practice is led by three managing directors who have more than 70 years of collective experience in addressing the strategic, financial, operational and legal issues associated with the reorganization or disposition of troubled enterprises
- Specific restructuring and bankruptcy advisory services include:
  - Refinancing or replacement of existing secured indebtedness
  - Restructuring of unsecured indebtedness
  - Raising of additional equity capital
  - Out-of-court divestiture of assets, division or controlling interest
  - Section 363 “going concern” sales in bankruptcy cases
  - Formulation or evaluation of Chapter 11 plans of reorganization
  - Debtor-in-possession loans and exit financing loans for Chapter 11 cases

### **Our Solution:**

Our extensive restructuring and bankruptcy expertise – supported by Western Reserve’s capabilities in mergers and acquisitions, debt and equity financing and business valuation, as well as knowledge of a broad spectrum of industries – enables our clients to identify, analyze and pursue the best strategic options for achieving their goals in either out-of-court settings or Chapter 11 reorganizations

# Experience Across a Wide Range of Industries

Aerospace

Automotive & Transportation

Building Products

Business Services

Capital Goods

Chemicals

Consumer Products

Distribution & Logistics

Electrical & Electronics

Energy

Environmental

Financial Services

Financial Sponsors

Food & Beverage

Healthcare

International

Metals

Mining & Minerals

Packaging

Plastics & Rubber

Real Estate

Restaurants & Leisure

Specialty Retail

Technology



# Fortune 1000 Experience

Western Reserve has provided financial advisory services to or negotiated against numerous Fortune 1000 companies





## International Capabilities

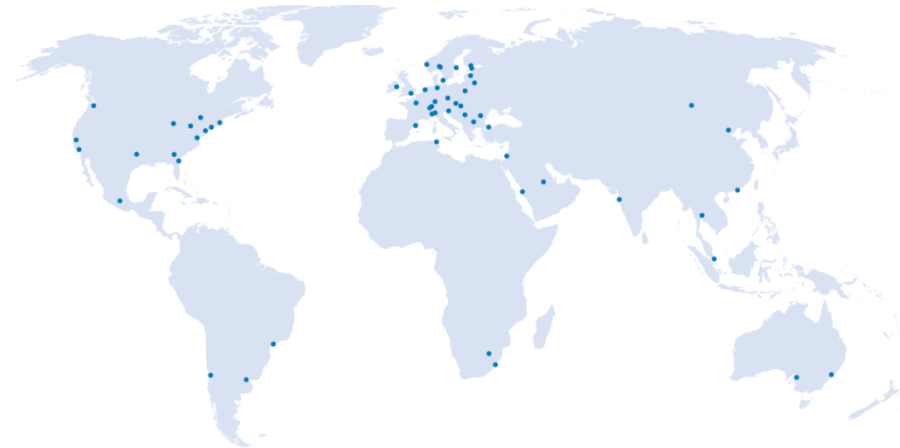
### Western Reserve's membership in M&A International provides our clients access to prospective foreign buyers and investors

Western Reserve Partners believes that access to international purchasers, sellers and investors is fundamental to maximizing value for our clients. This is why we are members of M&A International Inc., the premier international alliance of investment banking firms. Established in 1985, M&A International's 45 members have more than 500 professionals working in 40 countries, giving the alliance unparalleled international resources and access to purchasers, sellers and investors. During 2009 alone, M&A International's members completed more than 224 transactions collectively worth \$20.4 billion.

M&A International enhances Western Reserve Partners' direct experience and contacts to execute cross-border transactions for our clients. For more information on M&A International, please visit <http://www.mergers.net>.

In addition to our membership in M&A International, we have extensive foreign experience. Western Reserve's partners have completed more than 25 corporate finance transactions involving non-U.S. companies, primarily from Europe and Asia. Two of our managing directors have worked as expatriate executives, providing them direct understanding of the nuances of international business practices. Furthermore, members of our staff speak French, German, Italian, Russian and Spanish.

### M&A International Member Offices



# International Experience

Western Reserve has provided financial advisory services to or negotiated against many international companies




# Dedicated Professionals

## Western Reserve strongly believes in and practices a firm-wide commitment to community service and support


- Nearly all of the professionals at Western Reserve are active at the Board level of non-profit organizations; they include:
  - Achievement Centers for Children
  - Auburn Twin Oaks Charities
  - Business Volunteers Unlimited
  - Case Western Reserve University
  - The City Club of Cleveland
  - John Carroll University Entrepreneurs Association
  - The Gathering Place
  - Great Lakes Museum of Science, Environment and Technology
  - The Greater Cleveland Partnership
  - Habitat for Humanity
  - Harvard Business School Club of Northeast Ohio
  - Hospice of Western Reserve
  - ideastream (public television and radio)
  - Lake Erie Nature & Science Center
  - Minds Matter
  - The Ohio Venture Capital Authority
  - Playhouse Square Partners
  - Rainbow Babies & Children's Hospital
  - Recovery Resources
  - Rock & Roll Hall of Fame
  - University Hospitals of Cleveland
  - United Way of Greater Cleveland

# Selected Recent Transactions

November 2010



has been acquired by



fives

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The undersigned acted as the exclusive financial advisor to Bronx International, Inc. in this transaction

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**WESTERN RESERVE**

PARTNERS LLC

September 2010

**Billion Dollar Manufacturer of Engineered Industrial Products**

Sale of shares by majority shareholder to ESOP

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The undersigned provided the fairness opinion to the Board of Directors in this transaction

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**WESTERN RESERVE**


PARTNERS LLC

August 2010



**FAIRMOUNT**  
MINERALS

has been acquired by



**AMERICAN SECURITIES**

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The undersigned provided the fairness opinion to the Board of Directors of Fairmount Minerals in this transaction

---

**WESTERN RESERVE**

PARTNERS LLC

July 2010

**Billion Dollar Manufacturer of Outdoor Consumer Products**

Acquired a significant portion of the shares outstanding

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The undersigned acted as financial advisor and provided a valuation opinion to the Board of Directors in this transaction

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**WESTERN RESERVE**

PARTNERS LLC

June 2010

The Ohio and Florida Ready-Mix Assets and Eastern Cement Corporation division of the Bankruptcy Estate of

**Schwab Industries, Inc.**

has been acquired by



Oldcastle  
Materials

a division of CRH plc

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The undersigned acted as financial advisor to the Bankruptcy Estate of Schwab Industries, Inc. in this transaction

---

**WESTERN RESERVE**

PARTNERS LLC

April 2010



PECO II.

has been acquired by



LINEAGE POWER

a portfolio company of

**THE GORES GROUP**

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The undersigned acted as exclusive financial advisor to PECO II, Inc. and rendered a fairness opinion to the Company's Board of Directors in this transaction

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**WESTERN RESERVE**


PARTNERS LLC

March 2010



Partners In Plastics, Inc.

has been acquired by



AUSTIN CAPITAL PARTNERS, L.P.

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The undersigned acted as exclusive financial advisor to Partners In Plastics, Inc. in this transaction

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**WESTERN RESERVE**

PARTNERS LLC

February 2010



**KNING**  
ENERGY

Acquired 24.1% of the Company's fully diluted common shares from certain shareholders

---

The undersigned provided the fairness opinion to the Board of Directors of King Energy in this transaction


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**WESTERN RESERVE**

PARTNERS LLC

# Selected Recent Transactions (cont'd)

February 2010



*has sold its Construction and Engineering Services Division to*

**John A. Martell and Bonnie M. Martell**


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*The undersigned provided the fairness opinion to the Board of Directors of MISCOR in this transaction*

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**WESTERN RESERVE**  
PARTNERS LLC

December 2009



**Technical Consumer Products, Inc.**

**Recapitalization**

*Senior Secured Revolving Credit Facility*

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*The undersigned acted as financial advisor in the refinancing of Technical Consumer Products, Inc.*

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**WESTERN RESERVE**  
PARTNERS LLC

November 2009



*a division of*



*has been acquired by*




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*The undersigned acted as exclusive financial advisor to Cranel, Inc. in this transaction*

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**WESTERN RESERVE**  
PARTNERS LLC

October 2009



**Vitex Packaging Group**

*has been recapitalized by*



**National City Equity Partners**


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*The undersigned acted as financial advisor to Vitex Packaging Group in this transaction*

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**WESTERN RESERVE**  
PARTNERS LLC

September 2009




**The G.C. Hanford Manufacturing Co.**

*has sold its Cephalosporin Finishing Facility to*



*sterile antibiotic specialists*

*a subsidiary of*





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*The undersigned acted as exclusive financial advisor to the G.C. Hanford Manufacturing Co. in this transaction*


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**WESTERN RESERVE**  
PARTNERS LLC

January 2009




*a portfolio company of*



**SUMMIT PARTNERS**

*has been acquired by*



*a portfolio company of*

**Berkshire Partners**


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*The undersigned acted as exclusive financial advisor to Summit Partners in this transaction*

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**WESTERN RESERVE**  
PARTNERS LLC


December 2008



**Refinancing**

*Senior Secured Revolving Credit Facility*

*Senior Secured Term Loans*





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*The undersigned acted as exclusive financial advisor in the recapitalization of Reese Central Wholesale, Inc.*

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**WESTERN RESERVE**  
PARTNERS LLC

December 2008



*...something better, to grow on®*

*has sold certain assets to*




---

*The undersigned acted as financial advisor to Yoder Brothers, Inc. in this transaction*

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**WESTERN RESERVE**  
PARTNERS LLC





# Selected Recent Transactions (cont'd)

December 2008



*a portfolio company of*




*has been recapitalized by*



*The undersigned rendered valuation advisory services to the Board of Directors of the Company in this transaction*

**WESTERN RESERVE**  
PARTNERS LLC

September 2008




**\$7,000,000**

*Series C Redeemable Convertible Participating Preferred Stock*


*The undersigned acted as financial advisor to Simbionix in this transaction*

**WESTERN RESERVE**  
PARTNERS LLC

September 2008



Bankruptcy Estate of Driggs Farms of Indiana, Inc.  
*has been acquired by*



Land-O-Sun Dairies, LLC  
*an affiliate of Dean Foods*

*The undersigned acted as financial advisor to the Bankruptcy Estate of Driggs Farms of Indiana, Inc. in this transaction*

**WESTERN RESERVE**  
PARTNERS LLC

August 2008



*has been acquired by*



*The undersigned acted as financial advisor to Gallo Displays, Inc. in this transaction*

**WESTERN RESERVE**  
PARTNERS LLC

August 2008



*has been acquired by*




The David J. Joseph Company  
*a wholly owned subsidiary of*



*The undersigned acted as exclusive financial advisor to American Compressed Steel, Inc. in this transaction*


**WESTERN RESERVE**  
PARTNERS LLC

May 2008



*has sold its coupon redemption operations to*

**ProLogic Redemption Solutions**  
*a portfolio company of*



*The undersigned acted as investment banker to IOS in this transaction*

**WESTERN RESERVE**  
PARTNERS LLC

May 2008



**&**




*Have Formed a Real Estate Joint Venture*


*The undersigned acted as the exclusive financial advisor to Weston, Inc. in this transaction*

**WESTERN RESERVE**  
PARTNERS LLC


February 2008



*has been acquired by*



*a subsidiary of*



*The undersigned acted as financial advisor to LANTEC Winch & Gear Inc. in this transaction*

**WESTERN RESERVE**  
PARTNERS LLC



# Selected Recent Transactions (cont'd)

February 2008



*a subsidiary of*



*has been acquired by*





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*The undersigned provided a fairness opinion to the Board of Directors of Cohesant Technologies in this transaction*


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**WESTERN RESERVE**  
PARTNERS LLC

January 2008



*has been acquired by*



ONE STEP AHEAD.


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*The undersigned acted as financial advisor to Sharon Custom Metal Forming in this transaction*


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**WESTERN RESERVE**  
PARTNERS LLC

January 2008



*has been acquired by*





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*The undersigned provided a fairness opinion to the Board of Directors of Claymont Steel in this transaction*


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**WESTERN RESERVE**  
PARTNERS LLC

November 2007



*has been acquired by*




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*The undersigned acted as financial advisor to SolmeteX, Inc. in this transaction*

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**WESTERN RESERVE**  
PARTNERS LLC

November 2007



*has been recapitalized by*



MORGENTHAUER  
and  
Members of Management


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*The undersigned acted as financial advisor to Avtron Manufacturing, Inc. in this transaction*


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**WESTERN RESERVE**  
PARTNERS LLC

May 2007



*has been acquired by*





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*The undersigned acted as financial advisor to LESCO, Inc. in this transaction*


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**WESTERN RESERVE**  
PARTNERS LLC

May 2007



*has been acquired by*





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*The undersigned acted as financial advisor to The Astrup Company in this transaction*


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**WESTERN RESERVE**  
PARTNERS LLC

March 2007



*has been acquired by*




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*The undersigned acted as financial advisor to Arnco Corporation in this transaction*

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**WESTERN RESERVE**  
PARTNERS LLC

