

2	<b>ABOUT US</b>
7	<b>OUR COMPANIES</b> Family Business Management Buyout Sale/Partial Sale
18	<b>WORKING WITH US</b>
22	<b>INSIGHTS</b>

## **ABOUT US**

Patient, collaborative investors, experts at growing small businesses

We founded Hadley Capital nearly 20 years ago specifically to invest in and grow small businesses. Since that time, we have completed more than 20 acquisitions, partnering with management teams, families and owner/executives to deliver results for our companies and investors.

### **Small company success**

We focus exclusively on buying small, profitable companies. We are an ideal partner for owners seeking liquidity, families completing generational transitions, and managers seeking to acquire their companies. Over the years we have consistently demonstrated a knack for working collaboratively and productively with management teams to achieve the company's goals.

### **Patient investors**

We seek to invest in improvements that build on past successes. We are patient investors with a "first, do no harm" philosophy, guiding and supporting decisions based on meeting long-term growth objectives. We are not looking to flip companies.

### **Capital for acquisitions**

Because of our approach and track record, we have been successful in raising committed equity capital from investors to acquire small companies. We are big investors in our own funds, a level of personal commitment that business owners and management teams appreciate.

## **OUR PEOPLE**

Experienced partners, personally invested and involved

Hadley Capital's principals have worked together for more than a decade. We have dedicated our careers to working with small companies. We work collaboratively with the managers of our companies to create value over the long term. We also invest personally in each company. The owners who have sold us their companies and the executives who work with us to grow them are our best references.

## **Scott Dickes**

General Partner

Scott founded Hadley Capital in 1998 with the objective of bringing a professional investment strategy to the small company market. Scott has spent the better part of two decades financing and growing small companies. It's in his blood ... he grew up visiting small companies on family vacations with his dad who was also a small company investor.

Scott works with Gillinder Glass, S&S, Custom Label, Harris Seeds, ISS, and W.C. Rouse, and was previously the chairman of the board of Packaging Specialists, JRI Industries and Kelatron, all former Hadley Capital companies.

He enjoys traveling with his family, flying (instrument rated pilot), rock climbing, golf, paddle tennis, and water skiing. Scott recently took up beekeeping as a hobby.

Scott is a Trustee of the Hadley School for the Blind (no affiliation). He holds a BA from Duke University and received his MBA from the Kellogg School of Management at Northwestern University. Scott and his wife have two teenage children.

## **Clay Brock**

General Partner

Clay made his first small company investment in the late 90's and never looked back, joining forces with Scott in 2004 to raise Hadley Capital Fund I. Over the past twenty years he has worked closely with nearly a dozen small companies on growth and improvement initiatives.

Clay currently works with Storflex, and previously served as chairman of the board of directors for Bluff Manufacturing and SGA Production Services, both former Hadley Capital companies.

Clay is the firm's annual leader in vertical feet skied, a competitive cyclist and an instrument-rated pilot. He is also actively involved in a number of community and non-profit organizations.

Clay received a degree in English from Gettysburg College and his MBA from the University of Chicago. He and his wife Amy have three children, and a black lab named Dexter.

## **Paul Wormley**

General Partner

Paul joined Hadley Capital in 2005. He has spent his entire career working with small and emerging companies. Paul grew up in a family business environment and is an owner of his family's community newspaper business. Paul works with GT Golf Supplies, Pneu-Con, Open Sky Media and Centare. He was the chairman of the board of directors for i-deal Optics, a previous Hadley Capital company.

Paul is an outdoor enthusiast who enjoys fishing, hunting, riding motorbikes, Crossfit and an occasional craft beer. He works closely with a number of non-profit organizations including One Acre Fund and Trout & Salmon Foundation, and serves as chairman of the Finance Committee at his church.

Paul is a graduate of the University of Colorado at Boulder and received an MBA from the Kellogg School of Management at Northwestern University. He and his wife, Rosemary, have three children.

## **George Malone**

Vice President

George joined Hadley Capital as Vice President in 2014. He observes on the boards of multiple Hadley Capital portfolio companies, leads deal-sourcing efforts, and manages Hadley Capital Limited Partner communications.

George began his career in public accounting with Faulkner Mackie & Cochran, P.C. serving clients ranging from large publicly traded companies to small family owned businesses. He discovered his passion for investing in small and emerging companies after operating a small distribution company in the Southeast.

George graduated with Honors from the Owen Graduate School of Management at Vanderbilt University and received his Bachelor of Science in Accounting from Birmingham Southern College. He lives in Chicago with his wife and their 100 pound St. Berdoodle, and is an avid hiker and traveler.

## **Jason Kemeny**

Associate

Jason recently joined Hadley Capital as an Associate in 2017. He oversees the accounting and administrative duties revolving around day to day operations.

Jason began his career as an Analyst for a small environmental consulting firm in Calgary, Alberta and later transitioned into public accounting working in the assurance practice for the Banking & Capital Markets group at PricewaterhouseCoopers in New York City.

Jason graduated from Florida State University with a Bachelor of Science in Accounting and Finance. He is an avid chess player and skier.

## **Tim Purdie**

Operating Partner

Timothy joined Hadley in 2015 and is actively advising Storflex and Centare, two Hadley Capital portfolio companies, serving as interim CEO. He is working closely with each company's leadership team creating and executing strategic growth initiatives.

Previously, Timothy was a senior executive spanning over three decades. Since 1986, he has developed successful business strategies leading to double digit growth for a variety of consumer and industrial products companies.

Timothy is an avid sports enthusiast who enjoys sport fishing, soccer and golf.

Timothy earned a degree in Business from the University of Baltimore and an MBA from the University of Phoenix and is a retired Registered Radiology Technologist. He and his fiancée Patty live in the Outer Banks of North Carolina and together have five children.

## **Michael Mayberry**

Operating Partner

Drawing on deep experience as a corporate executive and a successful small company owner, Mike works closely with portfolio company leadership teams on growth and improvement initiatives. He is currently actively serving in an advisory capacity and as a board member at W.C. Rouse & Son, a Hadley Capital portfolio company. Mike previously served as a board member at i-deal Optics and SGA, both former Hadley Capital portfolio companies.

Mike was previously a Senior Vice President at American Express Health Systems. He also built and sold an educational publishing company in partnership with his wife, Sherry.

Mike and Sherry live in Charlotte, NC and enjoy fitness activities, continuous learning, traveling and time with their three boys and their growing families.

## OUR COMPANIES

### Well-run small businesses

All our companies are small businesses that are established leaders in their markets with room to grow through increased investment. All are well managed with healthy margins, potential for improvement and come to us looking for new ideas and capital for getting to the next level of value.

## FAMILY BUSINESS

Address the often competing needs of multiple generations while leaving the business in the hands of good stewards.

The sale of a family business is often highly emotional. It is also an excellent opportunity to address the often competing needs of multiple generations.

We work to understand the dynamics of each family business, the specific needs of the family and then to develop a transaction that will accomplish their goals. While each situation is unique, there are recurring themes that arise in family business transactions including retained family ownership, on-going employment for family members, family legacy in the community, and distribution of proceeds among active and inactive family members, among others.

Over the past 20 years, we have helped 2nd generation to 6th generation family businesses accomplish their goals through a sale of the family business.

### **Gillinder Glass**

Gillinder Glass has been a world leader in the manufacture of soda-lime and borosilicate glass for over 155 years. Its current products “Engineered for Tomorrow’s Technology” include lenses, domes, globes and prisms with precision coloring, low coefficient of expansion, enhanced thermal change endurance, and high impact resistance. The company’s products are used by leading, global companies in airfield, aircraft, military, industrial and many others industries.

Gillinder Glass maintains a fully-equipped in-house mold and design shop and its staff of chemists, physicists and engineers provide free technical

development and design advice to assist customers in development of custom solutions for complex applications.

The company was founded in 1861 and is based in Port Jervis, New York.

Hadley Capital acquired Gillinder Glass from a 6th generation member of the Gillinder family who was running the business as President. With no 7th generation family member to run the company, Hadley Capital transitioned the business to a new President.

## **i-deal Optics**

i-deal Optics designs, imports and sells value eyewear to optometrists, multiple-location retail optical chains and optical labs. The company markets approximately 600 styles under seven proprietary, trademarked brands and one licensed brand to approximately 5,000 customers in the United States, Canada and Mexico.

Since its founding in 1996, i-deal has built a reputation as a trusted brand known for delivering high value via its innovative, long-lasting designs, excellent customer service and affordable prices.

i-deal Optics is located in Troy, Michigan.

## **Pneu-Con**

Pneu-Con designs, manufactures and installs turnkey and custom pneumatic conveying systems that serve as a critical component of dry bulk material handling systems. Pneu-Con serves a broad spectrum of the commercial economy including food, plastic, pharmaceutical, nutraceutical, chemical, and agriculture industries, among many others. Pneu-Con is an industry leader with a great brand: The Company is known for its deep engineering expertise and for manufacturing high-quality systems that perform to the specific demands of the target material and process.

Pneu-Con is based in Ontario, California, east of Los Angeles.

Pneu-Con was founded nearly 40 years ago and the founder's son had worked in the business his entire life. When the founder was ready to retire, Hadley Capital partnered with his son to acquire the business.



## **Storflex Fixture Corporation**

Storflex designs and manufactures metal gondola display shelving, custom metal and wood fixtures, walk-in coolers and ancillary products. The company counts some of the nation's largest supermarkets and specialty retailers as customers. These customers rely on Storflex to deliver high-quality modular shelving with high load factors under short lead times. Over the past twenty-five years, Storflex has developed one of the strongest brands in the shelving industry.

Storflex operates out of a state-of-the-art 170,000 square-foot manufacturing facility in Corning, New York.

With multiple generations of a family running the business, Storflex is the definition of a family business. Hadley Capital acquired the business in partnership with a 2nd generation family member and promoted her to President.

## **W.C. Rouse & Son**

W.C. Rouse (WCR) is the Southeast's leading provider of commercial and industrial boiler equipment sales and service. As a manufacturers' representative for the industry's leading boiler, burner and ancillary equipment manufacturers, WCR also has certified service technicians to provide on-call, around-the-clock service. The company focuses on improving boiler system efficiency, safety and reliability through its products and expertise.

W.C. Rouse is based in Greensboro, NC with additional locations in Charlotte, Raleigh and Wilmington NC, and Columbia and Greenville, SC. W.C. Rouse was a multi-generation family business that had been in operation for more than [50] years. Hadley Capital acquired W.C. Rouse from the 2nd generation of the Rouse family. Following our acquisition, we worked with the Rouse family to transition the business.

## MANAGEMENT BUYOUT

Acquire the business you manage, become an owner and pursue a growth strategy with an experienced partner.

A management buyout can be an ideal way to address the needs of business owners and their dedicated management teams.

For business owners, a management buyout may allow them to create substantial liquidity through a sale and to exit day-to-day management while leaving the business in the hands of an experienced and capable team – the people already running the business! For a management team, pursuing a management buyout provides the opportunity to become a meaningful owner in a business that they know very well, to drive growth and participate in the upside that results from growth, and to gain an experience, well-capitalized partner in Hadley Capital.

Over the past 20 years, we have worked with multiple management teams to acquire the business that they operate.

### **Bluff Manufacturing**

Bluff Manufacturing is a leading provider of steel and aluminum boards and plates, portable yard ramps, and warehouse safety equipment to companies throughout North America. Bluff's longstanding commitment to the highest quality and outstanding customer service has helped to sell its dock solutions products to companies both large and small, including Ford, FedEx, General Motors, Kraft and Exxon.

Bluff was founded more than 40 years ago and is based in the Dallas-Fort Worth metroplex.

Hadley Capital acquired Bluff Manufacturing via a management buyout with the President of Bluff. Prior to Hadley Capital, Bluff was owned by an absentee family that lived in another state.

Bluff grew rapidly during our ownership and was sold in 2016 to a private equity firm.

## **Centare**

Centare provides application development and agile coaching and training services. The company delivers mobile, web and enterprise applications utilizing agile techniques and leading-edge technologies. Centare teams use short-cycle, iterative methods to deliver working software in extremely short delivery windows. Centare's agile coaching and training teams help clients drive transparency into everyday operations and leverage effective ways to validate business ideas before significant investments are made.

Centare employs more than 100 Centarians in Milwaukee and Madison, Wisconsin, and Chicago, Illinois. Centare has been recognized as a Top Workplace in Milwaukee for five consecutive years.

Hadley Capital acquired Centare via a management buyout with several members of the executive team at Centare. Prior to Hadley Capital, Centare was owned by a husband and wife team that wanted to sell the business and pursue new opportunities.

## **New Age Cryo**

New Age Cryo is the leader in ethanol plant cleaning services. The company provides industrial cleaning services including hydro, dry ice and sponge blasting services to ethanol plants in the Midwest and Plains states and other industrial customers. New Age Cryo serves approximately 40% of the ethanol plants in its target geographies and is exclusively focused on industrial cleaning which allows them to be innovative with their cleaning solutions.

New Age Cryo is based in Ringwood, Illinois.

Hadley Capital partnered with the brother of NACI's founder to acquire the business. The two brothers had been managing the business together for several years. The founding brother was ready to retire while the remaining brother wanted to continue to grow and develop the company. By providing liquidity to the founding brother, we were able to meet his needs for retirement while at the same time freeing up the remaining brother to pursue his passion for the business. This has benefited all stakeholders, most particularly the company's loyal customers and employees.

## **SALE/PARTIAL SALE**

Sell all or a portion of your business in order to create liquidity and position your business for future success.

For many founders and owners of successful small businesses their occupation and their primary financial asset is their business. After 20 or 30 years of hard work they frequently face a crossroads – they must evaluate selling all or a portion of their business in order to conduct an orderly transition from day-to-day management and to secure their financial nest egg.

We work with founders and owners to gain appreciation for their occupational and financial goals. Occupational goals can range from retiring tomorrow in order to play more golf or spend more time with family to staying involved in the business but shedding management responsibilities and focusing on areas of the business that provide a lot of energy and excitement. Financial goals typically involve receiving a significant cash payment at closing in order to secure their pending or eventual retirement as well as estate planning goals. Each situation is unique, but Hadley Capital has a lot of experience in helping founders and owners to put together a plan that allows them to achieve their goals through a sale or partial sale of their small business.

Over the past 20 years, we have assisted many founders and small business owners accomplish their personal and professional goals through a sale or partial sale of their business.

### **Cambridge Major Laboratories**

Cambridge Major Laboratories, Inc. (CML) is a leading global chemistry outsourcing partner to the pharmaceutical and biotechnology industries. CML produces pharmaceutical intermediates and active pharmaceutical ingredients, from early preclinical development to commercial manufacturing. In October 2013, CML announced a merger with AAIPharma Services Corp, a leading provider of pharmaceutical analytical testing, product development and manufacturing services worldwide, to form a premier global supplier of integrated chemistry, manufacturing and control services.

We purchased Cambridge Major Laboratories from the widow of the company's founder. She had been running the business for a few years following her husband's death and wanted to retire. We partnered with the company's Chief Chemist to buy the company. He stepped into the

role of President and quickly grew Cambridge Major into a major force in the world of small scale pharmaceutical ingredients.

## **Custom Label**

Custom Label is a narrow-web flexographic and digital printer. For more than 30 years, Custom Label has provided high-quality custom labels and printed packaging for wine bottles, food and consumer packaging, and pharmaceutical products.

Custom Label is on the leading edge of printing technology, offering UV flexography, personalized labels, combination flexo/hot stamp/embossed, promotional coupons and digital label printing.

Custom Label's quality management system is ISO 9001:2008 certified, demonstrating the company's ability to consistently provide product that meets customer and applicable statutory and regulatory requirements.

Custom Label is located in the San Francisco Bay Area.

## **GT Golf Supplies**

GT Golf Supplies sources and sells grips, tees and other accessories to golf courses, golf course management companies and off-course retailers. GT Golf Supplies is known for its broad product offering, short lead times, competitive pricing and excellent customer service. The Company's customers include some of the most recognized and sophisticated golf course operators and retailers in the world including Worldwide Golf, Pebble Beach Resorts, ClubCorp and PGA Tour Superstores.

GT Golf Supplies is headquartered just north of San Diego, California with an additional location near Charleston, South Carolina.

The founder of GT Golf Supplies successfully ran the business for 20 years but wanted to spend more time on his charity and transition leadership of the business. Hadley Capital acquired a portion of GT Golf and, together with the founder, is supporting the future leaders of the business.

## **Harris Seeds**

Harris Seeds provides the finest vegetable and flower seeds available to smaller commercial growers and home gardeners through mail-order catalogs and the Internet. The company aims to provide the finest products available at a fair price, coupled with friendly and courteous service.

Members of the Harris Seeds staff travel throughout the United States, selecting the finest of the new varieties of vegetables and flowers for sale to its customers. Harris Seeds is an active member of the American Seed Trade Association, the National Garden Bureau and the Mail-Order Gardening Association.

Harris Seeds has operated in Rochester, New York, since 1879.

## **International Specialty Supply**

International Specialty Supply (ISS) is a one-stop shop for commercial sprout growers. ISS is the only company that does it all: commercial sprout equipment, sprouting seeds, sprout packaging and sprout industry consulting.

ISS also grows and sells sprouts under the Sungarden label to major grocery store chains and food distributors in the Southeast. Sungarden recently introduced a dried sprout product line that is incorporated as an ingredient into finished products, including nutritional supplements and food products.

ISS is an industry leader and maintains rigorous quality and food safety processes and procedures to ensure its products are among the safest in the industry. The company is based in Cookeville, Tennessee.

ISS was founded more than [20] years ago. The founder started the business in his home and grew it into one of the leading suppliers of sprouting seeds and equipment and a grower of live sprouts. The founder was ready to retire and was seeking a buyer to help transition the business to new management.

## **JRI Industries**

JRI Industries is one of the largest and most experienced parts washer manufacturers in the United States. With a large portfolio of parts washers and cleaning systems, JRI is the go-to provider for a long list of leaders in the heavy equipment, remanufacturing, mining, railroad, aerospace, automotive and general manufacturing industries. The company has a well-earned reputation for rapid turnaround time, excellent customer service and the ability to develop solutions tailored to customer need.

Founded in 1993, the company operates out manufacturing facilities in Missouri and Connecticut.

## **Kelatron**

Kelatron Corporation is a world leader in raw material bioactive mineral nutrients for the nutritional, food, dietary supplement, and medical industries. Backed by outstanding technical and applications expertise, Kelatron offers premium products to manufacturers in the nutritional supplement, sports nutrition and functional food segments. In November 2011, Kelatron was acquired by Innophos, a prominent global producer of speciality phosphate products.

Hadley Capital owned Kelatron for [13] years and was sold to a public company in [2016].

## **Open Sky Media**

Open Sky Media publishes city and lifestyle magazines that appeal to affluent readers living in healthy, fast-growing markets. The company was formed via the acquisition of Austin Monthly and San Antonio Magazine. Open Sky Media later acquired 405 Magazine, Marin Magazine and Gulfshore Life Magazine. Open Sky's market-leading media brands produce the dominant lifestyle titles in their respective markets as well as a variety of digital, event and custom publishing products.

Open Sky Media employs approximately 80 people in Austin and San Antonio, Texas, Oklahoma City, Oklahoma, and Naples, Florida. Open Sky Media was created when Hadley Capital acquired two Texas-based magazines from a media business that wanted to spin out the magazines. Open Sky Media subsequently acquired three additional magazines in California, Oklahoma and Florida.

## **Packaging Specialists**

Packaging Specialists (PSI) designs and manufactures custom protective packaging solutions for leading industrial manufacturing companies located in the southwestern United States. The company delivers advanced packaging solutions constructed from polyurethane, polyethylene, corrugated cardboard, wood and a variety of recyclable materials. PSI's customers include leading players in the defense, electronics, semiconductor, aerospace, consumer products and solar industries.

Packaging Specialists has been in business for more than 30 years and currently operates out of a 100,000 square foot facility in Phoenix, Arizona.

Hadley Capital owned PSI for nearly [8] years and sold the business to a large, integrated packing company 2017.

## **Schmidt**

Schmidt designs, builds, and implements marking systems for manufacturing companies throughout North America. The company is at the forefront of innovative marking technology and has a comprehensive range of marking systems that provide permanent identification and traceability for any part.

Schmidt is based in Niles, IL.

## **SGA Production Services**

SGA Production Services is the nation's leading provider of venue transformation services, including audience risers, temporary and portable stages, seating systems, drapery and scenic set design. More than 25 years ago, SGA invented the temporary audience riser for use in corporate meetings and events. Today, the company is the leading provider of staging and audience risers and temporary seating systems for corporate meetings and high profile sporting events.

SGA, based in Lansing, Michigan, has nearly 100 employees across six offices in Nevada, Florida, Texas, Georgia and Michigan.

The founder of SGA Production Services ran the business for [20] years along with his wife. The founder and his wife were ready to retire and pursue new passions. Hadley Capital bought SGA and worked with the existing management team to implement a growth strategy.

SGA grew substantially under Hadley Capital's ownership and was sold in 2016 to a larger private equity firm.



## **Filter Holdings**

S&S designs and manufactures specialty filter bags and related products. Pharmaceutical companies, food products manufacturers and other industrial producers such as asphalt plants use S&S's filters to recover small particles in static sensitive, high temperature and/or chemically aggressive environments. S&S is known for its deep product know-how, large stock of high performance fabrics, high quality fabrication and fast delivery.

S&S is based in Union, NJ, near New York City.

Hadley Capital acquired S&S from its founder who had successfully built the business over a 30 year period. Hadley Capital acquired the company and transitioned the business to a new management team including key members of the previous team.

## WORKING WITH US

Successful Small Companies with Growth Potential

### INVESTMENT FOCUS

#### Ideal Small Company Characteristics

- Revenue between \$5.0 million and \$30.0 million
- Cash flow between \$1.0 million and \$3.0 million

#### At least one of the following:

Proven management team  
Leadership position in a niche market  
Quality brand name  
Established, proprietary product line  
Strong regional presence

#### Types of Companies We Own

- Manufacturing
- Distribution
- Business Services

### AQUISITION PROCESS

A step-by-step guide on what to expect in the aquisition process

#### Overview

What to Expect in a Sale or Partial Sale of Your Business

There are many factors that influence the time required to complete a sale or partial sale of a small business and the process can take as short as a few months or last more than a year.

## Step 1: Introductions

Business owners often contact us directly to determine if we are interested in acquiring their company or partnering with them to invest in and help grow their business. To see if Hadley Capital might be a good fit for you, please see our Investment Focus section.

In other cases, intermediaries, including business brokers, investment bankers, commercial bankers, accountants, etc. introduce business owners to Hadley Capital. Frequently, the intermediary has been engaged by the business owner. Intermediaries can help owners reach a larger pool of buyers, guide owners through the sale process and assist owners in identifying qualified transaction advisors (such as attorneys).

Hadley Capital has acquired companies where intermediaries were involved and those where they were not. Choosing an intermediary—or not—is a personal decision. We have established relationships with intermediaries from all over the country and would be happy to make introductions to them.

Of the 1,000 or so companies we are introduced to each year, approximately 25% proceed to Step Two.

## Step 2: Preliminary Review

Once we have determined that your business meets our investment criteria, and you have determined that Hadley Capital is a legitimate buyer, we typically exchange a Confidentiality Agreement, so you can share the following information with us:

- Summary of the needs of the business owner (outright sale, recapitalization or partial sale, management buyout, etc.)
- 3–5 years of financial results (P&L and balance sheet)
- Review of annual Owners Benefits
- Summary of top customers
- Other information that is particularly relevant based on the type of business (for example, annual capital expenditures in a capital-intensive business)

After reviewing this information and a follow-up telephone conversations, we will either confirm our interest and discuss next steps or politely decline. If we move ahead, Hadley Capital will typically issue a term sheet and arrange an on-site visit.

Of the 1,000 or so companies that we are introduced to each year, approximately 10% proceed to Step Three.

### **Step 3: Detailed Conversations and Formal Agreement**

From Term Sheet to LOI

After a successful visit, the process becomes more involved and more formal. Additional information is exchanged, and another site visit may take place. As Hadley Capital continues to learn about your business, and you learn more about us, further discussions regarding company valuation and transaction structure occur. The term sheet from Step 2 may be revised multiple times during this stage and, eventually, lead to a formal Letter of Intent.

A Letter of Intent, or “LOI”, is a formal, written document indicating the terms a buyer is offering a seller in a proposed acquisition or investment. A LOI states a serious intent, by both parties, to carry out the proposed transaction. Hadley Capital is very selective about issuing LOIs because they indicate that we will be dedicating substantial resources to acquiring your business under the terms outlined in the LOI.

Less than 1% of the companies we review result in a Letter of Intent and proceed to Step 4.

### **Step 4: From Letter of Intent to Closing**

Due diligence is a rigorous 30-day review of the business and includes a detailed analysis of accounting history and practices, operating practices, customer and supplier references, management references and market reviews. The due diligence process is managed by a Hadley Capital partner with the assistance of third party advisors such as accountants.

Hadley Capital has the committed capital required to complete acquisitions. But, in nearly all cases, we use some form of debt financing to supplement our equity capital. The debt financing process includes identifying lenders interested in partnering with Hadley Capital to complete the acquisition. Hadley Capital maintains a large Rolodex of

lenders that we partner with to complete acquisitions. The final step in the acquisition process is the legal documentation and funding step. Upon completion of the legal process, the acquisition funds are wired to the seller and the acquisition is complete. When the deal is finally done, we can celebrate the beginning of our mutually beneficial and profitable future together.

## **PARTNERSHIP APPROACH**

We take a long-term approach creating growth and value over time

### **Our Strategy**

Long-term vision, realized through thoughtful improvements over time.

We support achievement of increased growth and value through patience and hard work, guided by a long-term strategic view. We get to know each company thoroughly so we can help make thoughtful improvements. We don't seek to fix what isn't broken.

### **Patience and collaboration**

We have never been a firm that invests for fast profits. Instead, our objective is long-term capital appreciation, with ownership in our companies that averages more than seven years. We work closely with management teams to assure an alignment of interests, typically implementing equity plans for company executives to give them a stake in their company's success.

### **Adding value**

Our goal is to make good small companies even better. We do this over time by providing the resources, knowledge and talent to implement positive, growth-producing changes.

At Hadley Capital, we are not looking to run companies. We believe each company's management team should run the company. In some cases, business owners continue to manage their business after a sale. In other instances, the owners retire and transition out fairly quickly.

## INSIGHTS

### VALUATION GUIDE

#### What is Your Business Worth?

##### **Common Methods of Valuation**

Ultimately, the value of anything being sold is what someone is willing to pay for it. There are, however, many accepted methods for determining value when it comes to your business: Book Value, Discounted Cash Flow, Multiple of Cash Flow, and Multiples of something else—for example, some industries are valued at a multiple of subscribers, a multiple of revenue, etc.

##### **Our Approach to Valuation**

Hadley Capital values Companies based on their ability generate sustainable, operating cash flows. We typically apply a multiple to the annual, sustainable operating cash flow of a business to estimate its value. We use EBITDA as a rough but good estimation of operating cash flow. To determine sustainable cash flow, we adjust EBITDA to include some positive and negative add backs.

Positive add backs that increase EBITDA may include:

- Owners excess compensation
- Rental expense above market rates
- Owners' Benefits that are not required to run the business such as automobiles, vacations, etc.

Add backs that may decrease EBITDA include:

- Rental expense below market value
- Substantial annual capital expenditures
- Additional salaries required when the owner departs