

From the Partners at ClearLight: Michael Kaye, Jay Shepherd, Josh Mack and Joe Schmidt

The last couple years have been eventful and positive for ClearLight Partners. We have had three successful sales of portfolio companies, made several promising new investments, added a number of great folks to our team, and raised our third fund. We're glad to share these developments with you, and thank you for taking a moment to review this note.

**Successful Sales:**

Over the last year or so we have three great examples that we'd like to share. We worked closely with our management teams to oversee the successful sales of three of our portfolio companies, finding new homes for The Outsource Group, TASI, and Apple & Eve. We had been invested in each of these companies for seven to eight years, all commencing prior to the difficult years of the recession. Each story is different, but each was a success in its own way, as told briefly below. Combined, the three exits produced over \$450 million in profit dollars to all stakeholders (including management) with a blended IRR of over 21% and close to 4x invested capital.



**The Outsource Group:** We founded the Outsource Group in 2004 with CEO Michael DiMarco. At that time, hospitals across the country were under severe profit pressure, with costs rising and reimbursement decreasing. The Outsource Group sought to help hospitals manage and maximize all revenue sources. Our first acquisition was a small collections company with EBITDA of only \$1.5 million. Over the course of the following 8 ½ years, with strong organic growth, a dozen fold-in acquisitions, the addition of multiple new product lines and a dramatically expanded geographic footprint and strengthened management team, we grew the company to over \$100 million of revenue, with a blue-chip base of satisfied hospital customers around the country. Last summer we sold the company to the Parallon division of HCA. HCA has over \$35 billion in revenues, and is one of the largest hospital and ambulatory care center companies in the country.



**TASI:** We invested in TASI – a designer, manufacturer, and marketer of test and measurement equipment – in May of 2007. At that time, TASI had a strong core management team – ably headed up by CEO David Huberfield – and a leadership position in a few attractive domestic niche markets. We believed that the company had outstanding growth potential and could develop a greater presence in the global test and measurement space. To achieve that potential, we worked closely with our management team to develop an aggressive growth strategy that included entering new geographic markets, entering new vertical markets, and developing new products. We launched a number of organic growth initiatives, pursued add-on acquisitions across the globe, and added a number of talented operating executives to the management team. As a result, we dramatically increased revenues from rapidly growing international markets, developed a strong presence in attractive new markets like energy and medical, and significantly increased the percentage of revenue derived from new products. Additionally, we made four add-on acquisitions – in England, Switzerland, Northern Ireland, and Italy – that provided new technologies and access to new markets. After significantly increasing revenue and profit, we elected to exit to Berwind, a large family-owned investment company.



Apple & Eve: In October of 2007 we acquired a majority interest in Apple & Eve, a multi-hundred million dollar juice company and the only remaining independent juice company in the US of significant size. We invested along with the founder and CEO, Gordon Crane. Our plan was to work with management to continue to introduce innovative, healthy juice beverages to the US market, and to continue to expand distribution, building on the success and great brands that Gordon and his team had developed so successfully over the prior four decades. We indeed did so, introducing products like Fruitables, a fruit/vegetable juice mix for kids that was a leader in its category. We weathered some dramatic increases in input costs – apple juice concentrate – and some tough competition from the Pepsis and Cokes of the world, but at the end of the day were able to successfully grow revenues and profit. We sold the company in a negotiated transaction to Lassonde, a publicly traded Canadian juice company, for \$150 million, earlier this year. There are strong synergies with Lassonde for A&E, and the fit should be a strong one all around.

**Recent Investments:**

 <b>PepperBall™</b> United Tactical Systems (“UTS”)
<ul style="list-style-type: none"><li>▪ ClearLight acquired a majority interest in UTS, the provider of the leading brand (PepperBall™) of less-than-lethal projectiles &amp; air launchers used by police and security forces globally for crowd control</li></ul>
 Taymax
<ul style="list-style-type: none"><li>▪ ClearLight acquired a majority ownership interest in the Planet Fitness franchisee Taymax Fitness, LLC, a leading health club operator in Texas and Tennessee</li></ul>
<b>Intoxalock®</b> Consumer Safety Technology (“CST”)
<ul style="list-style-type: none"><li>▪ ClearLight acquired a majority ownership interest in CST, a designer and developer of breath alcohol monitoring devices under the Intoxalock® brand</li></ul>

## **Our Team:**

We are a small group of dedicated professionals. Everybody's money is equally green, and insofar as we distinguish ourselves it will be by the caliber, experience and commitment of our people. We have had several key personnel developments we are glad to share with you.



We are pleased to announce the promotion of Josh Mack to Partner effective as of the commencement of ClearLight Partners III. Josh has been with ClearLight since interning as an undergraduate student in the summer of 2000, and his joining the partnership represents a significant milestone for both him and for ClearLight.



ClearLight recently welcomed Joe Schmidt in the newly-created role of Operating Partner. Joe brings over 30 years of experience as a successful entrepreneur and CEO. Joe serves as a sounding board for our portfolio company CEOs and helps implement a number of value-creation strategies in our portfolio companies.



We recently welcomed John McAlpine as ClearLight's Chief Financial Officer. John has over 25 years of senior financial leadership with an excellent operating track record as a portfolio company CFO with four different private equity firms. John leads ClearLight's back office Finance and Accounting functions and offers guidance to our portfolio company CFOs.



ClearLight welcomed back Mark Gartner in the role of Vice President of Investment Development to oversee the firm's deal origination efforts for Fund III. Mark rejoined ClearLight after leading deal sourcing for a \$1.5 billion fund in the San Francisco Bay Area. Mark previously served as Senior Associate with ClearLight where he sourced and executed transactions in the business services, consumer products and industrials end markets.

## **Our Newest fund:**

Finally, we are very happy to report that with the progress reported above, we were able to launch our newest fund, ClearLight Partners III, in January of this year, with \$300 million of committed capital. Similar to our prior two funds, we will continue to invest in established, profitable middle-market companies with generally over \$5 million in EBITDA in a range of industries. We have particular interest in the following sectors:

- Specialty Manufacturing / Industrial Technologies
- Consumer Products and Services
- Healthcare Services
- Business Services
- Education and Training

## Investment Criteria:

We are actively seeking new platform investments for ClearLight Partners III and remain eager to find add-on acquisitions for several of our existing investments. In addition, we have established executive alliances with experienced CEOs to specifically seek investments in the consumer services and the retail healthcare sectors.

Investment Types	<ul style="list-style-type: none"><li>- Control investment transactions</li><li>- Management-led industry consolidations / roll-ups</li><li>- Minority investment transactions / growth capital</li></ul>
Company Characteristics	<ul style="list-style-type: none"><li>- Strong management team in place</li><li>- History of growth and profitability</li><li>- Strong underlying fundamentals; low capital intensity</li><li>- Generally over \$5 million of Operating Income / EBITDA</li></ul>
Investment Size	<ul style="list-style-type: none"><li>- \$10 - \$50 million of equity</li><li>- Can also provide debt financing with our equity investments</li></ul>
Geography	<ul style="list-style-type: none"><li>- Companies based in the U.S. or Canada</li></ul>

## Current Portfolio Companies:

Consumer Safety Technology  
Alcohol Monitoring Devices  
Des Moines, IA



Evriholder Products, Inc.  
'Impulse' Purchase Housewares  
Anaheim, CA



Katzkin Leather Interiors, Inc.  
Custom Leather Auto Interiors  
Montebello, CA



PHSI  
Commercial Grade Purified Water Coolers  
Chicago, IL



Richardson  
Corporate Sales Training and Performance Improvement  
Philadelphia, PA



Taymax  
Franchisee of Planet Fitness Gyms  
New Bedford, NH



United Tactical Systems ("UTS")  
Crowd Control Products  
Chicago, IL



## **CEO Alliance Spotlight:**



We like to partner with seasoned executives to help us identify and invest in great companies – our CEO Alliance Program. Currently, we are working with David Humphrey in this manner, looking for investments in the franchising or consumer services sectors. We are seeking acquisition targets with \$3-20 million of EBITDA.

Subsectors of interest include:

- Health & Wellness (e.g., weight loss, yoga studios)
- Children’s Education / Entertainment (e.g., tutoring)
- Personal Care Services (e.g., spas, hair care)
- Senior Care Services
- Home Services (e.g., lawn care, handyman services)

Mr. Humphrey is an experienced global executive who has spent nearly 30 years in the consumer services and health & wellness sectors. Most recently, Mr. Humphrey served as CEO of Massage Envy, a franchisor of massage facilities, where he doubled the number of locations and quadrupled EBITDA during his tenure. Mr. Humphrey’s prior experience includes serving as the President of Tree of Life, a \$1.3 billion distributor of natural and organic foods and personal care products, and Vice President of Philips Electronics.

## **ClearLight Partners Firm Overview:**

ClearLight Partners, LLC is a \$900 million private equity firm headquartered in Southern California that invests in established, profitable middle-market companies. ClearLight invests across a range of industry sectors including specialty manufacturing / industrial technologies, consumer products and services, healthcare services, business services and education and training. Our team has extensive operating and financial experience, and we have a history of successfully partnering with owners and management teams to drive growth and create value.