

Socius Capital

Your New Partner

OVERVIEW

Socius Capital invests in closely-held middle market companies seeking a financial partner to replace an outgoing equity holder or to fund an acquisition strategy.

So·ci·us (sō'-shē-'³s) *n.* (Latin) a partner, comrade, associate, ally

From offices in Denver and San Francisco, Socius works with companies throughout the western United States. Over the course of extensive careers managing and investing in small and mid-sized businesses, the principals have developed a disciplined approach to addressing the needs of selling shareholders and then becoming the new partner that remaining owner/managers desire and deserve.

We work hard to help drive significant increases in equity value for our partners - both remaining owner/managers and our investors.

Our investment philosophy can best be summarized as follows:



Like other interpersonal relations, sometimes what started great with a business partner needs, well, to change.

Socius Capital brings money, real-world business experience, and a willingness to be flexible to help remaining owners/managers take their business to new levels of success."

- Back business builders
- Invest in proven, profitable companies with business plans that have manageable execution risk
- Focus on event-driven transactions, such as partnership disputes, generational transitions, growth through acquisitions and recapitalizations to buyout retiring or inactive shareholders
- Provide flexible capital structures that utilize combinations of debt and equity to minimize dilution to existing owners
- Support portfolio companies through active board participation and by facilitating access to world-class functional expertise to create enduring equity value

INVESTMENT STRATEGY

Socius Capital partners when an issue or event other than business performance has created a need for capital:

Family Succession: “While our parents left us a great business, my brother really doesn’t want to be involved anymore...”



Personal Change: “My partner has effectively retired and wants to liquidate his interest. I think we have great growth prospects and don’t want to sell the company...yet”

Growth/Acquisition : “I have an opportunity to acquire my closest competitor. It would be a great strategic fit...”



Partner Conflict: “We could just no longer see eye to eye...”

INVESTMENT CRITERIA

Socius Capital understands that every business and every management team is unique, with its own strengths and weaknesses. That said, the ideal circumstance for us would be to partner with a strong owner/manager with a significant personal stake in a business that fits the following criteria:

- Stable or growing revenues (is not a turn-around or start-up)
- Attractive industry fundamentals
- Minimum EBITDA of \$2 mm
- Manufacturing, distribution or service sectors
- Reasonable enterprise value based on historic cash flows
- Capital needs of \$3 mm to \$15 mm
- Based in the western United States

APPROACH

It is one thing to sell your company outright. It is an entirely different matter to select a partner with whom you can build a long-term relationship to help you achieve your financial and business objectives. Socius understands the complexities and challenges of identifying a qualified, compatible partner and of building that successful partnership.

At Socius we have built our business around a few core principals that we also look for in those with whom we associate:

Attentive

Listening is more important than talking. Only by understanding the issues, circumstances and concerns of our partners can we hope to build a truly productive relationship.

Flexible

Socius structures transactions utilizing combinations of debt and equity to match the cash flow characteristics and to minimize the dilution to business owners of each business in which we invest. In some cases, we may acquire equity directly from departing shareholders. In other situations we might employ a leveraged recapitalization to allow remaining shareholders to increase their ownership position. In all cases, we expect equity appreciation of the business to be a significant component of our returns.

We want to be viewed as an active financial partner, although most often as a minority shareholder.

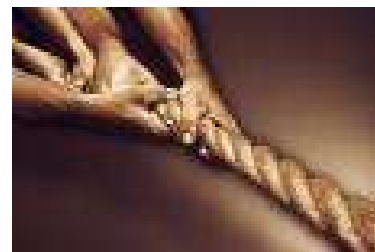
Responsive

Time is more valuable than money. The speed with which one responds tells a great deal about how you are valued. It can also indicate an ability to make timely decisions and direct required resources. Socius responds quickly to inquiries. If the fit seems right, we will schedule a face-to-face meeting within two weeks. (If there is not a good fit, we will tell you right away.) Following the initial meeting, we will get back to you within a few days, if not immediately, with our preliminary response.

Socius does not have bureaucratic committees nor do we keep a backlog of investments under consideration. Our investors and advisors have all committed to responding to opportunities within the time frames outlined above.

Helpful

Socius may not be unique in saying that we offer more than money. But dig a little deeper and our differentiation becomes clear: Partners with over 20 year experience each and who have actually started and run successful (and even some not-so-successful) businesses. Investors who are highly successful entrepreneurs, business owners and executives with a broad array of impressive connections and useful experience. An Advisory Council of truly world-class professionals who, while typically very busy are committed to providing the resources to support partner companies. Socius partners, investors and advisory council members actively support the businesses in which we invest.



"Unlike most investment firms, the people at Socius Capital were successful business executives and entrepreneurs first. Yes, they provide money, financial strategy and transaction expertise, but their real value is in being the partner the company needs."

The first 100 days are typically the most intensive as we work with management to develop a clear plan for building enterprise value. Following this period we provide board-level assistance, acting as a strategic advisor, headhunter, investment banker, human resource consultant and therapist.

Patient

Socius understands the time it can take to unlock the full potential of a business. Our capital comes primarily from the principals and a few successful business people. We have all learned through experience that the impatient or desperate rarely maximize value. At the same time, eventually we do need to realize returns on our investments. Typically, Socius and its new partners agree on an exit plan within four to six years. This can be accomplished through an outright sale or by the company or our partner shareholders repurchasing our equity position.

TEAM

Choosing a partner is one of the most important things one can do – in business and life. While Socius Capital's money often goes to departing shareholders, we focus on being the partner that the remaining owners and managers desire and deserve. Most importantly, we listen. We then bring significant industry and financial experience, along with extensive contacts and resources to bear to help drive the growth of business value.

Managing Partners

Jeffrey Lamb



Jeff is a cofounder and Managing Director of Socius Capital. He has been President of several small to medium size businesses (SMBs). He helped drive the growth of one of his companies, which provides human resource outsourcing services to SMB companies, from 60 employees to over \$1.2 billion in revenues.

Jeff has negotiated and managed numerous successful investments and acquisitions as part of his companies' growth strategies.

Previously, Jeff was in Sales and Marketing with Richardson Vicks, Inc. (now a part of Procter & Gamble) and Sun Microsystems, and was a consultant with McKinsey & Company.

Jeff holds an M.B.A. from Harvard Business School and a B.A. from Northwestern University.

David Woodward



David is a cofounder and Managing Director of Socius Capital. He has spent the last 18 years investing in mid-sized businesses, most recently as Managing Director of Vintage Capital, a structured debt and equity fund based in Los Angeles.

Before Vintage, Dave was co-head of the Mezzanine Investment Group at GATX Capital. Dave's background also includes five years as a General Partner of Pacific Mezzanine Fund.

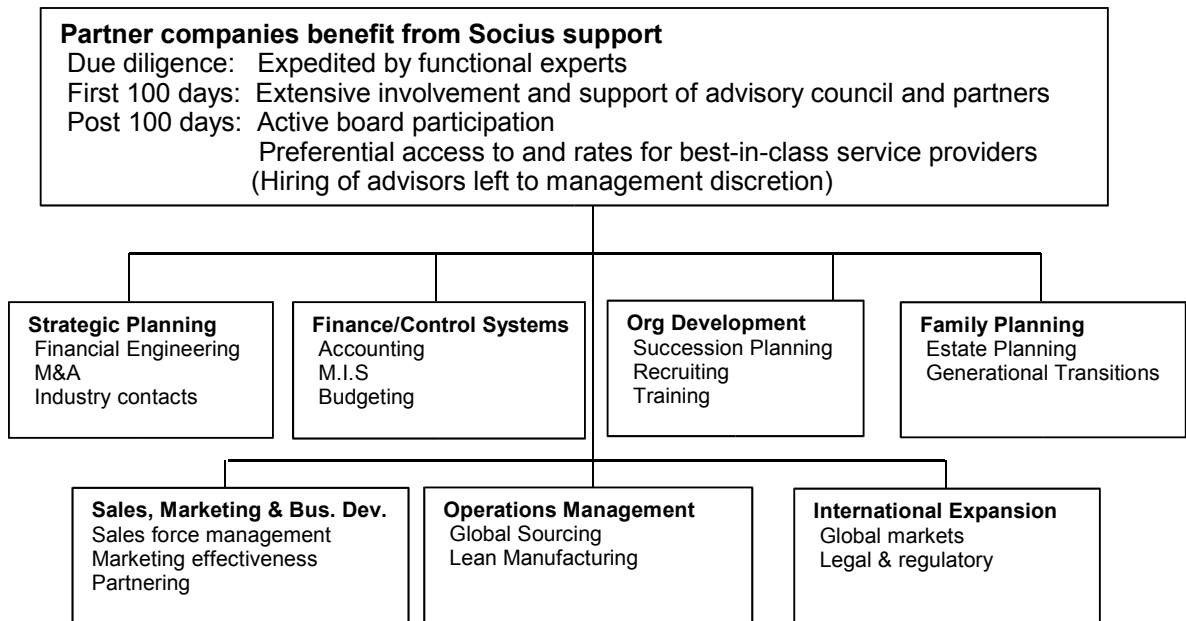
Dave began his direct investing career in 1987 as an investment manager and later as a General Partner of Amsterdam Pacific Corporation, a San Francisco-based merchant bank.

David's first ten years included success in sales with General Electric and as a management consultant with Bain & Company. He was a member of the first consulting team at Bain & Company to relocate to Australia to establish operations there.

Dave graduated with a B.A from Yale University and received his M.B.A. from Harvard Business School.

Advisory Council

The Socius Capital Advisory Council is comprised of successful entrepreneurs and senior business leaders with deep industry expertise. It also includes a group of best-in-class service providers offering critical functional expertise. All of the Socius partner companies and managers gain access to this valuable resource.



CONTACT US

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