A tale of two families

The Nash Case: Turning growth challenges into liquidity and value opportunities

As a venerable, multi-generational family business with a 100 year history of industrial engineering excellence, the Nash Engineering Company has turned many challenges into opportunities. Recently, when confronted with a slowdown in its global markets, it seized the opportunity to merge with a German-based, vacuum equipment supplier thereby creating the world leader in industrial vacuum technology. This merger/recapitalization, implemented with de Visscher & Co.'s assistance, realigned the family's assets reduced overall risk, provided for on-going liquidity, allowed for significant future shareholder value creation and preserved the Nash family's ownership legacy.

The Nash Engineering Company and elmo vacuum technology GmbH, a subsidiary of Siemens AG, have merged to create a world leader in industrial vacuum technology.

Audax Group provided equity capital for the transaction and will be the majority shareholder. The Nash family retains equity in the new company.

GE Capital provided debt financing for the transaction.

The undersigned served as exclusive financial advisor to The Nash Engineering Company in this transaction.

de Visscher & Co.

The Nash Engineering Company traces its roots back to 1905 when its eponymous founder, Lewis H. Nash, left his position with National Meter Company to manufacture a new type of industrial pump that he had invented. Production of his liquid ring vacuum pump incorporating what is now known as the Nash Principal began in 1908 at a facility in Norwalk, Connecticut with Lewis H. Nash serving as president and overseeing the growth of the Company until his death in 1923. Over the years the Nash family continued its involvement with the Company, providing three Company presidents prior to 1978 and several current, non-executive employees as well as the Chairman of the Board. As with many multi-generational family-owned businesses, the ownership of the business grew more diffuse.

Paralleling the growth of the family, the business developed into a global leader designing, manufacturing, servicing and selling its liquid vacuum pumps to world-leading customers at locations around the world. While growth followed the business cycles of its end use customers, until the late 1990's, the almost century long trend of Nash revenue was upwards.

Partially fueled by growth in Asia during the mid-1990's, the business experienced tremendous growth. At the same time, the family was going through a generational transition. In 1995 de Visscher was asked to advise the shareholders and the Company on capital and liquidity options and implemented a preferred stock recapitalization, which provided the senior generation with liquidity, through dividend paying preferred stock, and transferred to the fourth generation common stock to capture future growth in shareholder value. Several years after the successful implementation of this generational transfer, the Company's end use markets began a cyclical decline, such that by the year 2000, the Company stood at a crossroads. The cyclical downturn and increased global competition meant dwindling funds for R&D, staff development and business development.

At this juncture a unique opportunity materialized, when Nash was presented with the chance to acquire a large competitor and merge the two companies.

The options for the family were clear: not to pursue the opportunity meant an uncertain future with 100% ownership maintained but likely long-term erosion of the competitive position. Pursuing the merger meant dilution of

(Continued from page 1)

ownership and sourcing a value-added partner with additional capital to effect the transaction. Opportunity for significant value creation, however, went beyond that likely under a "go it alone" scenario. Working with the family chairman and the non-family CEO, de Visscher & Co. determined that, if properly structured, the acquisition could meet important family goals of diversification, continued family business ownership and shareholder value creation, while at the same time meeting business goals of profitable growth and management opportunity.

de Visscher played roles throughout the transaction in: 1) Working with the family and outside management team of both companies to develop the business plan, merger synergies and restructuring costs for a global company with major manufacturing on four continents and employees in more than 15 countries; 2) Identifying and marketing the opportunity to value-added private equity partners both in America and in Europe; 3) Conducting parallel transaction negotiations with Siemens and the private equity partner; 4) Structuring the transaction to meet family goals; 5) Communicating the transaction and its benefits to the board of directors, the trustees and the family shareholders. After 18 months a new Nash Family Holding Company was created with liquid assets to meet family liquidity needs and to hold the family's significant remaining equity stake in the new company, which was formed by the merger of the two operating companies, Nash and elmo vacuum technology.

For the family, the transaction secured a reduction in risk and wealth diversification while maintaining the tradition of business ownership with significant upside potential, alongside a value-added equity partner in the new company. For the management team, the transaction provided the chance to create a global leader with new growth opportunities and equity incentives. For the private equity partner, the merger presented an attractive partnership opportunity alongside a business owning family in a market leading company.

The merger highlights de Visscher & Co.'s ability to guide and advise a very complex and diverse shareholder base and to analyze, position, market and structure a complex transaction for a global company to targeted private equity partners, balancing the liquidity and control needs of the family-business. During times of complex change and opportunity, de Visscher & Co. can add significant value in the capacity of a “navigator” to the family shareholders as they endeavor to create shareholder value.

The InnaTech Case: Life after liquidity

de Visscher & Co. acted as exclusive financial advisor to InnaTech LLC in its acquisition of the assets of Lebanon Plastics Inc.

InnaTech, a technological leader in multi-shot injection molding, is a family-owned business now run by Bill McCardell, for whom we had provided financial advice during the sale of his long established automotive connector business, Cardell Corporation, in 1999. Our initial introduction was made through our partners at Pitcairn Trust Co. After the sale of his business, Bill decided to take on the expansion of a new enterprise together with some family members. In the fall of 2001, he provided de Visscher with his specific acquisition criteria for InnaTech and we initiated an acquisition search process. We screened some 1,000 candidates down to 10, engaged in dialogue with their Owners/CEO's and narrowed the process down to Lebanon by December. Lebanon was also a family-owned business, whose location, customers and assets fit well with InnaTech's growing business, almost doubling its sales revenue.

de Visscher then assisted InnaTech’s management group in the negotiating process and delivery of a letter of intent in January, followed by an asset purchase agreement and successful closing this April.

This acquisition is indicative of de Visscher’s recurring client relationships and our ability to identify, access and close transactions on a timely basis in buy-side as well as sell-side situations.

May 2002

innaTech

has acquired substantially all the
operating assets of

DEPENDABILITY LEBANON PLASTICS, INC.

InnaTech is a technological leader in
multi-shot injection molding

The undersigned served as exclusive financial advisor to InnaTech

de Visscher & Co.

You need outside watchdogs, if only to bolster shareholder confidence.

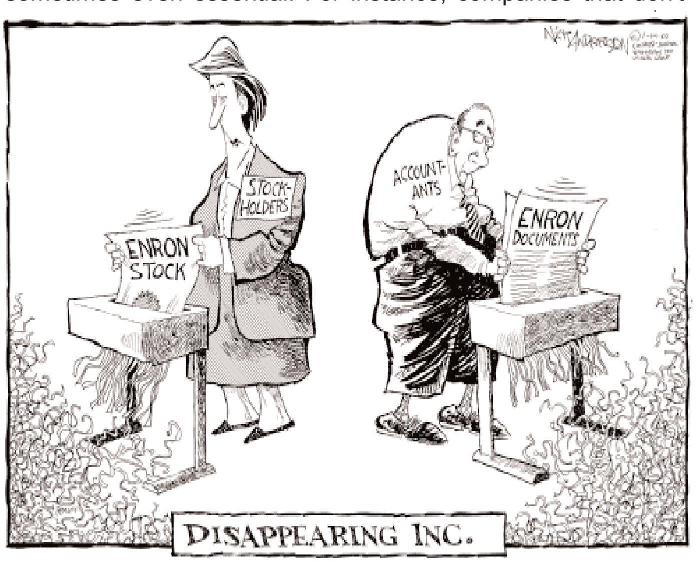
By François M. de Visscher
(Adapted from Family Business Magazine, Autumn 2002)

What do family businesses have in common with Adelphia, Enron and other troubled corporations in the news? More than you may think. Family partnerships, personal loans and other off-balance sheet transactions that triggered scandals at these publicly traded corporations months ago are all too common in family businesses.

In fact, family businesses all but invented off-balance-sheet transactions as a way for founders to allocate business assets or cash flow to the next generation. Often family stockholders pledge their illiquid shares as collateral for loans in order to provide liquidity to shareholders or to fund a venture outside the family business. The family company typically agrees to guarantee those loans or, at a minimum, to repurchase those shares pledged as collateral from the lender in the event the venture fails and the shareholders default on their loans. Because the bank is lending the money directly to the shareholders, such loans are off the company's books, just as the agreement between the bank and the company is not part of any formal financial records.

So what was the fatal faux pas for Enron and Adelphia Communications? Both companies' leaders failed to disclose the loans and outside partnerships behind their transactions. Adelphia had guaranteed $2.3 billion in outstanding off-balance-sheet loans for Rigas family members to repurchase publicly traded Adelphia shares and to finance cable ventures. Enron's executives were guilty of more than mere silence: They touted their company's health while they quietly sold their shares at a profit right before the company collapsed. In both cases, investors, employees and vendors were badly burned.

Off-balance-sheet transactions per se are perfectly valid and sometimes even essential. For instance, companies that don't



"NO, YOU IDIOT – I SAID TO COOK THE BOOKS!"

provide liquidity for inactive shareholders through a company-sponsored loan program may cause restless or resentful shareholders to destroy the family business by selling their shares. Or a separate family real-estate partnership, designed to purchase the property and lease it back to the company, can provide income to inactive family shareholders while spinning off appreciating real estate from the business to the family's next generation. But such transactions carry significant potential risks.

When credit is tight, banks require corporate guarantees on loans to shareholders. If the borrower defaults, the company's unwitting shareholders could wind up holding the bag. Yet these guarantees rarely appear on a company's financial statements.

Even without a corporate guarantee, pledging corporate shares as collateral may significantly endanger the family business. Consider a family business that invested $20 million in a family member's new chain of apparel stores. To help the venture expand, the family company structured some off-balance-sheet loan guarantees. When the venture hit some tough times, the family business guaranteed still larger amounts of debt. What began as an effort to "shelter" assets ended up putting an enormous amount of essential corporate assets at risk.

At Adelphia, the Rigas family used company loan guarantees to purchase potentially profitable but risky cable companies not for Adelphia (where they owned only 40% of the stock), but for themselves. The family members also used personal loans backed by their Adelphia shares for an aggressive buyback of Adelphia's shares- most likely to consolidate their control of the company.

The Rigas family's strategy backfired badly. When the value of Adelphia's shares dropped, the public learned that the family had borrowed $2.3 billion on very favorable terms, mostly to buy shares of the company. The Rigases hadn't had to pledge shares or provide other safeguards because Adelphia had done that for them. Adelphia's non-family shareholders were outraged, and rightly so. And loss of shareholder confidence can be the first step towards sale of a company.

How to avoid Adelphia's quandary? The following guidelines for off-balance-sheet transactions should help.

(Continues on page 4)

Out Of The Press ....

As quoted from the L.A. Times on September 16, 2002, de Visscher & Co. is working with the shareholders of Freedom Communications to construct a recapitalization to transfer control of the company to the fourth generation and achieve the liquidity goals of other shareholders.

More to come !

FYI

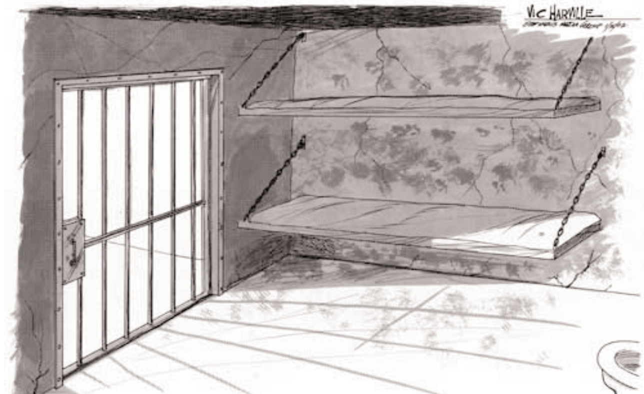
de Visscher & Co. has been very busy this past quarter with many speaking engagements including: the Turnaround Management Association, Loedstar, SCORE "Service Corporation of Retired Executives" of the SBA, New York Business Forum, Family Investment Workshop, The Wealth Preservation Group Seminar, and the Institute for International Research.

The European Family Office Conference 2002 will be held on November 19th & 20th in London. As in the past years, François de Visscher will be chairing this event. For more information contact Campden Publishing Tel: 011 44 20 7214 0544.

Employee News

A warm welcome to Tina Videtto, who joined our team in August as an Administrative Assistant.

Congratulations to Chris and Shannon Craley on the birth of their son Thomas Michael on May 20th and to Chris and Kim Lemone on the birth of their son Ryan Nicholas on June 10th.



Adelphia's New Executive Suite

"Watchdogs" Continued from Page 3

Guide to Off-Balance-Sheet Transactions

1. Maintain a detailed inventory/disclosure of all off-balance-sheet transactions. Review it regularly with your board, making sure everyone is still comfortable with the risks.

2. Control the amount of off-balance-sheet transactions relative to the company's total debt. The definition of excessive is different for each family business. The board or audit committee should set up guidelines your company can live with.

3. Strengthen the role of your outside board of directors. The presence of, or plans for, off-balance-sheet transactions should outweigh any reservations you may harbor against having an outside board. In such a case, you need outside watchdogs, if only to bolster shareholder confidence.

4. Delegate to the audit committee of the board the task of crafting policies for transactions such as loans to family members or financing family ventures.

The clarity of your own financial books, their independent oversight, and keeping your company's true financial ratios at or above the median of investment-grade companies will significantly protect your company (and all its stakeholders) from risky off-balance-sheet exposure and go a very long way to inspire the confidence of your stakeholders.

de Visscher & Co.

is an independent financial advisor to family-owned and closely-held companies specializing in designing and implementing successful financial solutions to the liquidity needs of shareholders and the capital needs of their businesses. Our affiliated Private Equity Fund, Family Capital Growth Partners, provides equity and sub-ordinated debt to growth oriented closely held and family-owned businesses.

104 Field Point Road
Greenwich, CT 06830
Tel: 203-629-6500 Fax: 203-629-6547
Website: www.devisscher.com e-mail: worldhq@devisscher.com

News Family Capital Growth Partners L.P.

Family Capital Growth Partners ("FCGP") is actively seeking investment opportunities. FCGP has a flexible investment charter that provides a particularly attractive financing alternative for family business owners and their advisors.

To its investment partners Family Capital Growth Partners brings:

- Family Business Focus — FCGP is a committed private equity fund for family businesses that was raised from other wealthy families under the concept of *Families Investing in Families*℠.
- Flexibility — FCGP is a flexible source of capital that can invest in growth and/or liquidity situations, minority or majority positions and equity or subordinated debt securities.
- Patient Capital — FCGP's typical investment horizon is 5 to 7 years and we have been innovators in structuring a range of creative exit alternatives.
- Partnership Philosophy — FCGP adds value to its portfolio companies in the areas of: strategy formulation, business development and acquisitions and financing expertise. FCGP provides meaningful equity ownership incentives to its portfolio company managers.

PORTFOLIO COMPANIES

BlessingWhite

BlessingWhite, Inc., is a leader in providing a broad range of professional training and services in the areas of business leadership, culture and values, performance management and career development. BlessingWhite serves primarily large Fortune 2000 companies in a variety of industries. It has specialized programs to address the needs of technical employees, new hires, high growth and technology-oriented companies. www.blessingwhite.com

INVESTMENT OPPORTUNITIES

FCGP is currently evaluating several investment opportunities:

- a very profitable, fast growing digital printing and fulfillment company;
- a family-owned, pharmaceutical/medical equipment and tooling company;
- a rapidly growing niche publisher.

ADVISORY BOARD

FCGP welcomes Richard M. Clarke as its newest Advisory Board member. Mr. Clarke brings to FCGP a wealth of international management and operational experience in the chemical, plastics and industrial engineered products industries. Currently the CEO of Nash-elmo Industries, a $250mm industrial vacuum technology company headquartered in Trumbull, CT, Mr. Clarke's career includes prior positions such as CEO of Akzo America, Inc., CEO of Wickes Industrial Group and Chairman of Hoechst Celanese Corporation and Director of Hoechst AG. In addition to his current responsibilities at Nash-elmo Industries, Mr. Clarke serves on several other corporate and non-profit boards.

Family Capital Growth Partners L.P.

104 Field Point Road
Greenwich, CT 06830
Tel: 203-629-1760 Fax: 203-629-6547
www.FCGPLP.com
For further information, please contact:
James A. Murphy or Christopher L. Craley
jmurphy@devisscher.com ccraley@devisscher.com