Platinum Capital Partners (PCP)

by

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As the spring of 2002 approached, Julie Robins, the chief investment officer of the Angel Foundation, was considering whether to invest in Platinum Capital Partners new buyout fund. Platinum invested in the small end of the buyout middle market and was seeking to raise $250 million. The Angel Foundation allocated roughly 10% of its $10 billion portfolio to private equity. Robins was responsible for choosing the investments that made up the private equity portfolio. Platinum seemed to be one of the more interesting buyout funds she had recently seen.

1. The LBO Market

By most accounts, the buyout business was at its most challenging point since its inception in the early 1980s. Institutional investors were beginning to rethink their allocations to buyout funds after years of increases. In fact, commitments to buyout funds in 2001 had dropped below their level in 1997. Exhibit 1 provides a time series of commitments to buyout funds.

Some of the decline in 2001 and forecast decline going forward could be attributed to investor uncertainty regarding the returns to buyout funds. Buyout funds were traditionally marketed as providing above market returns and diversification at the same time. Recent return history cast doubt on the claim of above market returns. Exhibit 2 provides a time series of returns to buyout partnerships.

A Brief History

LBO partnerships came into being and prominence in the early 1980s. Buyout investors discovered that a combination of management incentives (the carrot), debt (the stick), and board oversight led to improved operating performance. Those LBO strategies were initially applied following a period of poor stock market performance. Consequently, acquisition prices, as a multiple of cash flow, were historically low. A relative abundance of inefficient conglomerates provided ready-made targets for buyout firms able to secure the necessary financing. Finally, buyout leverage (in the form of both senior and subordinated debt) was relatively plentiful until

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1 The discussion in this section is partially based on Asset Alternatives (2001) and Holmstrom and Kaplan (2001).
1989, when the high yield market collapsed and regulators began to focus on the risks to the economy of swollen portfolios of leveraged loans.

Exhibit 2 shows that buyout returns were impressive in the first half of the 1980s. Returns in the second of the 1980s declined as more capital entered the buyout market, more marginal deals were financed, and higher multiples were paid. The returns and the multiples reported in Exhibit 2 are net of fees paid to the general partner or buyout funds. Realized investments refer to investments the general partner has exited or distributed. Unrealized investments refer to investments the buyout fund still holds, but has not exited. Unrealized investments, therefore, generally do not have a market price, but have a value estimated by the general partner / buyout fund. IRRs are calculated including unrealized values.

In the early 1990s, fundraising was relatively low and buyout capital relatively scarce. This combination appears to have led to good returns for this period. However, by the mid-1990s, buyout firms were operating in a healthier macroeconomic environment. Related to this economic strength, the U.S. industrial landscape offered far fewer ready-made buyout deals, such as bust-ups of traditional conglomerates or roll-ups of highly fragmented industries. Furthermore, the U.S. economy continued its shift away from manufacturing industries with leverage-able, tangible assets toward service industries with a higher reliance on intangible assets that are not so easily leveraged.

As a result of these and related developments, corporate valuations rose for companies of all sizes. While valuations of companies in the “old economy” never rose to the levels of those in the “new economy” technology sectors, they nevertheless reached historically high levels. That made it more difficult for buyout firms to produce investment returns that beat the returns on venture capital investments, or even public market benchmarks.

**Current Situation**

The longer term industry trends and economy-wide trends seemingly made it more difficult to achieve exceptional returns through traditional buyout strategies. Many of these trends can be summarized by the phrase “tougher targets.” It had become increasingly difficult to identify companies ripe for traditional buyout deals. For example, fewer U.S. companies maintained low-and, arguably, sub-optimal debt-equity ratios. Similarly, the use of incentive-based compensation had spread throughout the economy during the 1990s. The growing ubiquity of incentive compensation reduced one of the primary advantages that buyout firms relied on in the 1980s. In fact, from to 1980-2000, equity compensation to public company CEO’s rose by a factor of ten.

Buyout fund managers generally agreed that attractive buyout opportunities had become harder to come by in comparison with the 1980s. They also generally agreed that target companies were better managed than they had been a decade before – although this was more true of large companies than of small to mid-sized businesses. Across the board, investors also agreed that target companies were better advised on acquisition pricing and that competition among financial buyers had substantially increased. In part, this was a function of the far larger
amount of buyout equity available today than at any time in the past, much of it concentrated in “mega” funds of $1 billion or more.

Obtaining debt capital also had become increasingly problematic for buyout investors. This had resulted in less leveraged capital structures for buyouts in the 1996-2000 period relative to a decade earlier. Leverage ratios declined from roughly four times equity in the 1980s, to only about two times equity in recent years. Conversely, the average equity component had risen to 32 percent of total transaction value from 18 percent.

As a consequence, the relative sources of buyout investment return had changed as well. Fund managers estimated that, on average, about 40 percent of the investment return during the 1980s derived from the application of leverage, while post-acquisition operating improvements accounted for just 34 percent. During the 1990s, they estimated these contribution rates had roughly reversed, with 23 percent of returns deriving from the application of leverage and 43 percent from operating improvements.

The difficulty in finding targets combined with the large increase in fundraising appeared to have led to poor returns in the second half of the 1990s. This conclusion had to be qualified by the fact that many funds were still deploying capital and had not realized their investments, so it was possible that realized returns would improve.

**Going Forward**

Because of the better understanding of LBOs on the part of both financial buyers and strategic buyers, it appeared likely to some that it would be increasingly difficult for large LBO funds to continue to generate attractive investment returns. In addition, because financial engineering had become more commoditized and better understood, funds would need to turn to enhancing operational expertise.

Buyout investors indicated that they did not believe the slow-down heralded a return to the traditional buyout strategies of the 1980s. Instead, they indicated that they would continue to maintain a relatively strong growth orientation during the coming investment cycle. This apparently was in recognition that, despite the market correction, there were still relatively few real “value” opportunities in the U.S. economy.

Furthermore, buyout investors did not anticipate a return to the high-leverage multiple enjoyed in the 1980s. They expected that post-acquisition operating improvements would continue to provide fully half of investment returns over the next investment cycle, while the leverage contribution would continue to decline. As a result, buyout investors would have to continue to move up the operational learning curve in order to garner attractive returns. To do so, buyout firms began seeking closer cooperation with both strategic investors and strategy/management consulting firms.

According to Asset Alternatives, the most promising buyout strategies were expected to include:
• Investing in the less-efficient small-company market;
• Maintaining a coherent and distinct investment focus;
• Developing post-acquisition operational expertise;
• Diversifying into new geographic markets, such as Europe
• Broadening the firm’s focus beyond buyouts, to encompass mezzanine, venture capital and other areas of specialized asset management.

2. Platinum Capital Partners

Rick Delman, Alan Stanley and Steve Tasler were the lead partners of Platinum Capital Partners. Platinum had been doing “club” buyout deals since 1983. Platinum had raised the capital for each of these deals on a deal-by-deal basis rather than having a fund. Platinum felt they had generated very attractive returns operating in this manner.

Over time, however, the partners had come to feel that the deal-by-deal basis put them at a competitive disadvantage. They needed more time than other bidders to put a bid together. And they were sometimes constrained in the amount of money that they could invest in any one transaction. As a result, the partners had come to the conclusion that it would be advantageous to raise a fund.

Unfortunately for Platinum, they had chosen to launch the fund in the fall of 2001. This just after the huge run up in commitments to buyout funds by institutional investors. As noted above, by 2001, many of these investors were beginning to rethink and cut back on their new commitments to buyout funds and to private equity in general. Platinum’s bad timing was compounded by the tragic events of September 11, 2001.

In the fall of 2001 and winter of 2002, Platinum’s partners took as many meetings as they could get with potential investors. After an understandably slow fall, the number of meetings had picked up in the winter.

3. The Decision

On Julie Robins’ desk were three neat, but separate piles consisting of offering documents from various buyout funds that were seeking to raise money. The first pile consisted of unread prospectuses that had been received in the last couple of days. The second, largest pile, was made up of prospectuses that had been reviewed and did not meet her investment criteria. Julie referred to many of these as JAMMBOGs – Just Another Middle Market Buyout Group. A JAMMBOG was a fund that had nothing unique to offer in terms of investment strategy or focus and was indistinguishable from its peers in the pile. The third pile, which consisted of only a handful of prospectuses, were those that Robins deemed very strong candidates for investment.
It was time for her to decide in whether Platinum was a JAMMBOG or whether Platinum belonged in the third pile.

References


Exhibit 1

Capital Commitments to Buyout Partnerships
1980 - 2001

Source: Private Equity Analyst
### Exhibit 2: Buyout Partnership Performance by Vintage Year

**IRR**

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<td>0.9</td>
<td>0.8</td>
<td>0.7</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: Venture Economics.

Note: Performance is measured through December 2001 and is net of fees.
### Exhibit 3: Platinum Investment History and Performance
Measured through the end of 2001

#### Individual Investments

<table>
<thead>
<tr>
<th>Initial Investment Date</th>
<th>Initial Amount</th>
<th>Initial Investment Value*</th>
<th>Additional Investment Date</th>
<th>Additional Amount</th>
<th>Additional Investment Value</th>
<th>Exit Date</th>
<th>Realized Value</th>
<th>Unrealized Value</th>
<th>Gross Capital</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum Communications Corp</td>
<td>2Q-86</td>
<td>$7,500</td>
<td>4Q-89</td>
<td>$8,223</td>
<td>1.10</td>
<td>2.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Platinum Radio Development</td>
<td>3Q-86</td>
<td>$100</td>
<td>3Q-87</td>
<td>$1,150</td>
<td>11.50</td>
<td>1050.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sullivan Learning Systems, Inc. (1)</td>
<td>1Q-87</td>
<td>$2,179</td>
<td>4Q-96</td>
<td>$161,487</td>
<td>24.91</td>
<td>47.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fortress Food Products, L.P.</td>
<td>1Q-88</td>
<td>$1,325</td>
<td>2Q-92</td>
<td>$763</td>
<td>0.29</td>
<td>-25.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J Co</td>
<td>3Q-89</td>
<td>$1,000</td>
<td>2Q-99</td>
<td>$17,500</td>
<td>1.89</td>
<td>8.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Millennium LLC</td>
<td>3Q-89</td>
<td>$5,000</td>
<td>2Q-99</td>
<td>$18,400</td>
<td>3.01</td>
<td>31.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alpha Acquisition Corp.</td>
<td>2Q-90</td>
<td>$2,077</td>
<td>2Q-96</td>
<td>$5,470</td>
<td>4.86</td>
<td>32.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WITB Acquisition Corp</td>
<td>3Q-90</td>
<td>$900</td>
<td>2Q-96</td>
<td>$5,470</td>
<td>4.86</td>
<td>32.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pacific Premium Brands, Ltd. (1)</td>
<td>2Q-91</td>
<td>$3,000</td>
<td>4Q-96</td>
<td>$18,400</td>
<td>3.01</td>
<td>31.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ribbon Packing Company, Inc.</td>
<td>3Q-91</td>
<td>$200</td>
<td>2Q-95</td>
<td>$17,000</td>
<td>85.00</td>
<td>227.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After Seven Holding Corp.</td>
<td>4Q-92</td>
<td>$364</td>
<td>2Q-97</td>
<td>$0</td>
<td>0.00</td>
<td>-100.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cube Testing Services, LLC.</td>
<td>2Q-96</td>
<td>$2,500</td>
<td>2Q-98</td>
<td>$18,600</td>
<td>7.44</td>
<td>172.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salsa Communications, L.P.</td>
<td>2Q-96</td>
<td>$4,600</td>
<td>2Q-97</td>
<td>$22,000</td>
<td>4.78</td>
<td>378.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Library of Verse, L.P.</td>
<td>4Q-97</td>
<td>$10,827</td>
<td>1Q-98</td>
<td>$24,400</td>
<td>2.25</td>
<td>2479.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Collectors Consortium, L.P.</td>
<td>4Q-97</td>
<td>$6,365</td>
<td>2Q-98</td>
<td>$4,075</td>
<td>0.35</td>
<td>-25.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intelli-Student/Zoom Web.com, LLC</td>
<td>2Q-98</td>
<td>$1,500</td>
<td>1Q-99</td>
<td>$5,700</td>
<td>3.80</td>
<td>46.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Hathaway Group, Ltd.</td>
<td>3Q-98</td>
<td>$4,600</td>
<td>1Q-99</td>
<td>$800</td>
<td>1.17</td>
<td>5.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supreme Learning Systems, LLC</td>
<td>1Q-99</td>
<td>$10,550</td>
<td>$863</td>
<td>$1,200</td>
<td>1.20</td>
<td>11.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total**

| | $64,587 | $22,955 | $309,244 | $30,554 |

#### Aggregate Investments

<table>
<thead>
<tr>
<th>Initial Investment Date</th>
<th>Initial Amount</th>
<th>Initial Investment Value*</th>
<th>Additional Investment Date</th>
<th>Additional Amount</th>
<th>Additional Investment Value</th>
<th>Exit Date</th>
<th>Realized Value</th>
<th>Unrealized Value</th>
<th>Multiple of Invested Capital</th>
<th>Gross IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inception through 2001</td>
<td>$64,587</td>
<td>$22,955</td>
<td>$309,244</td>
<td>$30,554</td>
<td>3.88</td>
<td>31%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully-realized investments only</td>
<td>$39,995</td>
<td>$13,616</td>
<td>$53,611</td>
<td>$300,693</td>
<td>5.61</td>
<td>36%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Investments initially funded:**

- 1986 through 1990 | $20,081 | $12,087 | $32,168 | $200,744 | $10,466 | 6.57 | 32% |
- 1996 through 2000 | $40,942 | $7,339 | $48,281 | $73,100 | $20,088 | 1.93 | 231% |
Appendix: Excerpts from Platinum Capital Partners Offering Memorandum

I. Executive Summary

Platinum Capital Partners, L.P. (the “Fund”) is a Delaware limited partnership organized to structure and fund small buyout transactions. The Fund will seek superior returns through a disciplined and value-added investment methodology. The Fund’s general partner, Platinum Capital (“Platinum” or “General Partner”), is responsible for the Fund’s management and investment decisions.

The Fund intends to make approximately 10 to 20 investments of $10 million to $20 million each. Investment interests totaling $250 million are being offered by the Fund. Of this total, the principals and other partners of the General Partner will collectively commit no less than 4% of the Fund’s commitments up to $15 million.

The Fund and the General Partner were formed by the principals of Platinum, a private equity firm founded in 1983 and active in buyouts since 1986. Platinum is engaged in buyouts, venture capital and real estate investments and has generated superior returns in each of these categories. Through 1999, the firm raised capital for its investments on a deal-by-deal basis.

Operating successfully in a variety of economic and market environments, the principals of Platinum have completed over 35 acquisitions, including strategic add-ons. The product of their experience over time is a consistent, disciplined and repeatable process that has yielded outstanding results. The firm’s buyout investments have generated gross annual Internal Rates of Return (“IRR’s”) of 32%, 132% and 254% for investments funded during the five years ended December 31, 1990, 1995 and 2001, respectively, while yielding 3.9 times invested capital.

The Fund’s primary investment focus will be the acquisition of controlling interests in operating companies with enterprise values between $15 million and $100 million. Buyouts in this size range have historically generated returns superior to those of larger transactions. These results reflect a number of favorable factors, including low EBITDA purchase multiples and relatively small amounts of institutional capital devoted to the segment. (See The Case for Small Buyouts). The General Partner believes the timing of the Fund is compelling, given the current conditions of the debt and equity markets, which are further reducing purchase multiples for this segment.

Platinum’s investment philosophy is that deep industry knowledge and specialization improve the ability to source and create investment opportunities, conduct effective due diligence, develop strong relationships with management teams and identify potential buyers. The General Partner will therefore focus on business segments in which its principals have significant operating and investment experience and which it believes offer the best potential for superior returns. These segments include:

- Direct Marketing
- Education / Testing / Training
- Franchising
- Healthcare
- Specialty Distribution
- Specialty Manufacturing

Platinum’s success reflects its ability to identify attractive investment opportunities, purchase companies on favorable terms, create optimal financial structures, encourage growth through effective oversight and management, and achieve timely and profitable liquidity events. Platinum’s 15-year presence in the buyout community and extensive database of deal sources, which includes a network of over 50 CEO’s within its investor base, provide for substantial deal flow. The firm’s rigorous investment policies and procedures provide for a disciplined investment process.
Central to Platinum’s successful oversight and management of its investments has been the firm’s Business Value AcceleratorSM (“BVA”) methodology. BVA is a process by which Platinum becomes actively involved in its investments, adding value at multiple stages of a company’s development. This proprietary methodology was developed by Platinum and reflects the cumulative experience of its principals, a team that has extensive expertise in the acquisition and management of operating companies. Among the investments to which Platinum has applied this methodology is Sullivan Learning Systems, Inc., which has grown under the firm’s oversight from under $10 million to over $300 million in annual revenue.

BVA places a strong emphasis on developing and coaching management teams while providing portfolio companies with critical resources, including human resource management, strategic planning, technology consulting, marketing, public relations and financial structuring. The methodology includes both internal elements, such as the establishment of best practices, as well as external elements, such as the creation of strategic alliances. The principals of the General Partner have successfully and consistently applied this methodology in the past, enabling their investments to reach a profitable liquidity event sooner than might otherwise have been the case.

Overview of Platinum

In 1983, Platinum’s founders identified an emerging information technology that led to an innovative venture that was the inaugural investment of Platinum. Since the sale of that business in 1985, Platinum has engaged in a diverse range of activities, including the acquisition and management of operating companies, the funding and incubation of early-stage ventures and the acquisition and management of commercial real estate.

Each of Platinum’s investment divisions (Private Equity, Real Estate and Venture Capital) focuses on specific industries or sectors within its asset class. The firm’s investment philosophy is that deep industry knowledge and specialization improve the ability to source and create deals, conduct effective due diligence, develop strong relationships with management teams and identify potential buyers. While each division is highly focused on its own investment activities, Platinum’s firm-wide network of resources has helped to create, identify and ensure the success of many investment opportunities.

Through 1999, Platinum raised capital for its investments on a deal-by-deal basis. During that year, the firm began the transition to a fund-based investment model, launching Platinum Venture Partners, L.P., a $136 million, early-stage venture capital fund. Platinum Capital Partners, L.P. represents Platinum’s second fund.

In acquiring and operating portfolio companies, Platinum has applied a disciplined and selective approach based on careful planning and active involvement. This practice has placed great emphasis on acquiring and building companies that offer outstanding long-term growth potential. Platinum’s size and structure have allowed it to remain flexible so that it can address the unique characteristics of each transaction and capitalize on opportunities quickly.

The success of many of Platinum’s acquired companies has been due to its focused approach to corporate growth, which includes growing companies organically as well as through strategic add-ons. In addition to structuring transactions, Platinum generally provides valuable financial and strategic support each company’s management and access to Platinum’s significant industry resources. Through its access to capital and a disciplined approach to due diligence and management, Platinum believes it has
demonstrated a consistent ability to build corporate teams and establish systems that yield superior returns in a variety of industries and markets.

II. The Case for Small Buyouts

The Fund’s target market offers a tremendous opportunity. For the past 13 years, returns for small buyout funds (those with up to $250 million under management and which typically focus on smaller acquisitions) have exceeded those of large buyouts funds (those with at least $500 million and which typically focus on larger acquisitions) by at least 500 basis points every year. Small buyouts have generated superior returns as a result of several factors, which distinguish them from larger transactions.

➢ Attractive Purchase Multiples

As illustrated in the graph below, smaller buyouts typically occur at relatively low multiples of EBITDA. Applying moderate leverage to a company acquired at a low multiple of EBITDA can offer an attractive return on equity, even before giving effect to the potential for growth in earnings or the possibility of selling at a higher EBITDA multiple. To realize the same return on equity for a company acquired at a higher multiple of EBITDA requires more aggressive leverage.

**EBITDA Multiples by Transaction Size**

➢ Mismatch of Opportunities and Capital

Another factor influencing the small buyout market is the mismatch of institutional capital devoted to this segment and the number of opportunities available. There are over 250,000 private companies with revenue between $5 million and $100 million in the United States, but only about 20,000.

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2 Source: Venture Economics
3 Source: Private Advisors, LLC
with revenue over $100 million. In contrast, small buyout funds represent only about $10 billion of equity capital, while larger buyout funds represent over $60 billion of equity capital.

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**Multiple Arbitrage**

In addition to investing at low multiples of EBITDA, the Fund will seek to exploit the EBITDA multiple arbitrage that can result from increasing the size of a portfolio company. Platinum’s success in growing its portfolio companies, both organically and through acquisition, has allowed the firm to exploit this arbitrage and thus enhance its returns in two ways. First, the underlying profitability of a portfolio company has improved, and, second, the resulting larger company has commanded a higher multiple at the time of its sale.

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**Favorable Negotiating Environment**

A major factor that affects efficiency and competition in the small buyout market is the environment in which companies are acquired. It is more common for small companies to be acquired through discreet negotiation as opposed to open auction. This phenomenon often reflects a seller’s interest in keeping the news of a prospective sale from employees, customers, or competitors.

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**Impact of the Capital Markets**

The current conditions of the debt and equity markets should serve to increase the number of small private companies that become available for sale over the next several years. The absence of a healthy initial public offering ("IPO") market (coming immediately on the heels of an IPO market that was increasingly less receptive to low-technology companies) has increased the number of closely-held companies unable to obtain shareholder liquidity or growth capital through the public markets. Many of these companies are therefore likely to seek liquidity through a private sale. Restrictive debt markets may encourage the owners of already leveraged companies or those struggling to obtain growth capital to consider a sale as well. Finally, a number of companies that are already public may consider the sale of a specific business unit as a viable alternative to raising cash through the issuance of debt or equity securities.

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**Succession Issues in Family-Owned Companies**

Several factors are likely to increase the number of family-owned businesses that become available for sale to third parties. Among these are: the tremendous growth in the number of privately held businesses since World War II, an aging population and a sociological shift away from the generational transfer of family-owned companies. In addition to creating a supply of potential investments for the Fund, such companies often represent ideal candidates for Platinum’s Business Value AcceleratorSM methodology, particularly with respect to the development of management teams and the implementation of professional management methodologies, including key performance metrics, financial controls and marketing strategies.

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4 Source: Dun & Bradstreet
5 Source: Venture Economics
III. Investment Strategy

Identifying Opportunities

In identifying prospective Fund investments, the principals of the General Partner will place particular emphasis on certain business segments in which they have developed considerable investment and operating experience and in which they expect to have access to substantial deal flow. These segments include:

- Direct Marketing
- Healthcare
- Education / Testing / Training
- Specialty Distribution
- Franchising
- Specialty Manufacturing

The General Partner believes that its expertise and knowledge in these segments will increase the likelihood of successful investment decision-making, oversight and guidance. In addition, the General Partner will have access to significant industry contacts, creating opportunities for commercial partnerships (customers, suppliers, joint ventures with strategic partners, etc.) and providing access to prospective management, strategic acquisitions and profitable liquidity events. Examples of such investments previously made by Platinum include Cube Testing Services, an investment to which Platinum brought considerable prior education and testing industry experience, and Salsa Communications, an investment to which Platinum brought extensive broadcasting industry expertise. In both cases, Platinum was able to recruit key management, forge critical strategic relationships, and to achieve significant growth, resulting in a profitable liquidity event.

Critical to the Fund’s success in acquiring attractive investments on favorable terms will be its ability to identify and create non-auction opportunities. The General Partner intends to follow Platinum’s past practice of leveraging existing relationships, including contacts within the capital markets and certain industries to gain proprietary or first access to many opportunities.

With offices in Baltimore and Chicago and existing and past portfolio investments throughout the United States, Platinum enjoys access to a wide variety of investment opportunities. Many of these opportunities are the product of long-standing relationships with intermediaries (business brokers and investment bankers), professionals (lawyers, bankers and accountants), investors (many of whom are CEO’s of companies in the industries on which the Fund will focus), and the management of the companies in which the principals of the General Partner have invested. The Fund will also benefit from an extensive network of current and former CEO’s, including over 50 individuals who will be partners of or advisors to the General Partner or who will be investors in the Fund.

Investment Criteria

The Fund will seek companies with strong fundamentals and the potential for growth (either organic or through acquisition). Prospective acquisitions will generally have enterprise values between $15 million and $100 million. The Fund anticipates that its investment in a typical transaction will be between $10 million and $20 million. In evaluating prospective investments, the General Partner will place particular emphasis on certain factors, including:

- Strong fit with Platinum’s industry experience
- Strong management in place or available
- Defensible franchise / competitive advantage
- Distinctive or proprietary product or service
- Superior industry fundamentals
- Potential to accelerate value creation through BVA methodology
- Financial projections which support outstanding returns for the Fund

In buyout transactions, Platinum has generally focused on companies with predictable revenue, stable historical cash flows and a strong existing capacity to meet debt service requirements. Typically such companies are not only subject to less risk but serve as stronger and more stable platforms for future growth. Even with its emphasis on acquiring stable companies, Platinum has also pursued opportunities to enhance under-managed or non-optimized businesses, through a reconfiguration of corporate assets including the purchase of complementary businesses or the divestiture of selected business units. The process of absorbing corporate expenses across multiple business units or reducing redundant operating expenses following the consolidation of multiple companies has played a critical role in optimizing cash flow and corporate value.

**Investment Process**

As the principals of Platinum attribute much of the firm’s success to a consistent, disciplined and repeatable investment process developed over the past 15 years, the Fund will maintain a rigorous approach consistent with Platinum’s historical practices. This process will require adherence to the Fund’s strategy and investment criteria and includes an evaluation of potential exit strategies prior to committing to a prospective investment. A critical component of the investment process is identifying opportunities for the General Partner to apply its principals’ expertise in building and supporting management teams as well as in developing and implementing strategy.

The process of assessing the risks and opportunities of a prospective investment is critical to properly valuing a buyout transaction. Even in the context of reviewing a fundamentally strong and profitable business, the General Partner will be particularly sensitive to valuation. As the price at which companies are acquired can have a significant impact on the investment returns of a buyout fund, the General Partner believes that it is important to avoid highly competitive circumstances where the Fund’s sole advantage is a willingness to outbid other investors. While the Fund will attempt where possible to avoid auction processes in pursuing deals, there may be situations where the Fund has a significant competitive advantage over other acquirers – in its ability to enhance value through industry knowledge or contacts, or its ability to realize synergies with existing investments – and is therefore able to pay more than a typical “financial buyer” might pay.

Prior to making an investment, the Fund will complete a rigorous due diligence investigation. This process considers both internal and external factors likely to influence the outcome of a prospective investment. In conducting its due diligence investigations, the Fund will follow Platinum’s due diligence procedures as documented in the firm’s *Investment Policies and Procedures* manual. The process includes a thorough examination of a prospective portfolio company, including its management, internal systems, financial statements, customer and supplier relationships and sales and marketing strategies. In addition to assessing the target company itself, a number of external factors are considered as well. These typically include analysis of industry and competitive dynamics, exit strategies, existing and prospective strategic relationships, technological developments influencing the company, and regulatory considerations.
The Fund will seek superior returns on invested capital through the profitable disposition of its investments. As the Fund expects to invest primarily in private companies, there is unlikely to be a pre-existing, liquid market for its investments. The principals of the General Partner have gained significant experience developing high-value exit strategies for their investments. These profitable exits reflect a disciplined process that includes preparing a company for a liquidity event while carefully assessing and proactively identifying strategic buyers, value-added intermediaries or other parties critical to the sale process. In addition to the profitable sale of portfolio companies to private acquirers, Platinum has also successfully had several of its companies complete public market exits – either through initial public stock offerings or through sales to public companies.

For a detailed description of Platinum’s Buyout Record, please see Exhibit 3. The returns in Exhibit 3 are not adjusted for fees.

**Business Value Accelerator℠**

The General Partner will actively participate in the oversight of its investments. This will include the application of Platinum’s proprietary Business Value Accelerator℠ methodology in building and coaching management teams and sharing best practices. The General Partner intends to participate in strategy development and implementation and to provide critical assistance in the form of human resource management, technology consulting, marketing, public relations and financial structuring. Platinum believes this methodology has, in the past, encouraged management teams to develop and mature more quickly and enabled its investments to reach a profitable liquidity event sooner than would otherwise have been the case.

The Business Value Accelerator methodology places a strong emphasis on Human Resources (“HR”). The effective assessment of prospective managers and the implementation of successful HR policies provide a critical competitive advantage to the firm and its portfolio companies. The Fund’s management includes an HR executive, who plays a critical role in the due diligence investigation of Platinum’s prospective investments and in the establishment of HR policies and strategies for acquired companies, including staffing and recruiting.

Platinum believes the effective oversight of its portfolio companies is critical to optimizing the return on its investments. Included in the Business Value Accelerator methodology are the establishment of best practices and the creation and tracking of key metrics for each portfolio company. In many instances, Platinum is able to assist management in the integration of information technology with business processes. Strategic planning and review also represent important components of Platinum’s approach, and the firm’s principals have worked closely with portfolio company CEO’s to develop and refine corporate growth strategies. These strategies may include organic expansion, strategic alliances and/or complimentary acquisitions.

In applying the Business Value Accelerator℠ to its portfolio investments, the General Partner will seek to maximize the Fund’s return by achieving significant value-added transformations. These may take several forms. First, the General Partner will identify opportunities to improve cash flow through organic growth, increasing efficiencies and/or completing synergistic acquisitions. At the outset of each investment, the General Partner will establish management equity incentives that align the interests of investors and management. In many cases, the General Partner will assist management in implementing (to the extent they do not already exist) professional financial controls and reporting.

The development and refinement of marketing and branding strategies is also important to Platinum’s investment strategy. By focusing on brand equity as a platform for sustainable corporate
growth, the principals of Platinum have been able to operate and scale substantial businesses with leading market positions. Examples include Sullivan Learning Systems, Inc., which Platinum acquired and established as the leader in multiple segments of the education market, growing sales from under $10 million to over $300 million, and Pacific Premium Brands which has expanded its Richards® food brand across multiple new product lines.

The General Partner will also seek opportunities to apply advanced working capital management and financing techniques. At a broader level, the Fund’s objective will be to optimize a company’s overall capital structure. In many instances, this approach, which is based upon the prudent use of leverage, will yield a significantly higher return on equity than a company had previously been able to achieve.

For detailed descriptions of Platinum’s management team, please see below.

Leveraging Affiliation with Platinum Capital, Ltd. and Platinum Venture Partners

The General Partner’s relationship with Platinum will provide a wide spectrum of business expertise and resources. The diverse activities of Platinum reflect expertise in all stages of a company’s life cycle – from early stage, through growth, to maturity. Among the firm’s strengths is its principals’ significant experience in both managing and investing in businesses. In addition to its own management team, the Fund will have access to additional professionals with investment, due diligence, operations, financial, accounting and human resources expertise. These individuals have worked with companies of various sizes and stages of growth and under dynamic circumstances, including start-ups, turn-arounds and consolidations. The General Partner intends to take advantage of these resources where appropriate – particularly as a means of addressing interim management and operating needs at the Fund’s portfolio companies.

The relationship with Platinum will also provide access to additional deal flow, industry relationships and knowledge. In particular, the General Partner anticipates substantial synergy between the Fund and Platinum Venture Partners, L.P., Platinum’s venture capital fund. Platinum Venture Partners focuses primarily on early-stage, non-controlling investments, but applies many of the Fund’s core practices, including a disciplined investment approach, emphasis on management development and application of the Business Value AcceleratorSM methodology. The relationship with Platinum Venture Partners will also provide the Fund access to additional industry expertise and knowledge of new technologies of potential benefit to the Fund’s portfolio companies.

Decisions involving real estate can have a significant impact on an operating company’s growth and profitability. Platinum’s real estate professionals have historically provided critical resources and expertise to the firm’s buyout portfolio. The General Partner anticipates that these professionals will be able to assist the Fund in assessing the ongoing space needs for portfolio companies and structuring leases. From a transactional perspective, they will be able to assist in the evaluation and due diligence assessment of real estate assets included in a prospective acquisition.

IV. Proven Performance

Platinum has a consistent track record of outstanding investment results. In managing the Fund, the General Partner will apply the same investment strategies and discipline that Platinum has used in its previous buyout investments.
VII. Summary of Principal Terms

The following summary is subject to the detailed provisions of the Agreement of Limited Partnership of Platinum Capital Partners, L.P. (the “Fund Agreement”) and is qualified in its entirety by reference to such Fund Agreement and the Subscription Agreements relating to the purchase of limited partner interests in the Fund.


The General Partner: The sole general partner of the Fund will be PC Partners, L.P., (the “General Partner”). The principals of the General Partner shall be collectively referred to herein as the “Principals.” The General Partner will control the business and affairs of the Fund.

Committed Capital: The Fund is targeting commitments aggregating $250 million (the “Commitments”). Commitments in excess of or less than this amount may be accepted at the discretion of the General Partner.

Minimum Investment: The minimum Commitment of a limited partner (collectively, the “Limited Partners”) will be $1 million, although individual Commitments of lesser amounts may be accepted at the discretion of the General Partner. The General Partner and the Limited Partners are sometimes referred to collectively as the “Partners.”

Investor Qualifications: Initially the General Partner expects that the Fund will be offered only to a limited number of investors that qualify as (i) “qualified purchasers” and (ii) as “accredited investors.”

General Partner Commitment: The General Partner, its partners, the Principals and certain of their affiliates will commit to the Fund at least 4% of the Fund’s aggregate Commitments, up to $15 million.

Closing: The initial closing will occur as soon as practicable. The General Partner may establish the Fund with such minimum Commitments as the General Partner in its discretion deems sufficient to carry out the investment objectives of the Fund, with additional closing for subsequent Commitments to be held thereafter at the General Partner’s discretion; provided that the final closing of the Fund will occur no later than 12 months after the initial closing.
Commitment Period: At the end of the period (such period, the “Commitment Period”) commencing on the later of the initial closing date and the date the General Partner determines that the Principals have commenced reviewing investment opportunities for the Fund (the later of such dates, the “Effective Date”) and ending on the sixth anniversary of the Effective Date, all Partners will be released from any further obligation with respect to their unfunded Commitments, except to the extent necessary to: (i) cover expenses, liabilities and obligations of the Fund, including Management Fees (as defined below); (ii) fund then existing commitments and complete investments by the Fund in transactions which were in process as of the end of the Commitment Period; and (iii) effect follow-on investments in existing portfolio companies not covered in (ii) above (with such follow-on investments after the end of the Commitment Period not to exceed 15% of aggregate Commitments).

Term: The term of the Fund will terminate on the tenth anniversary of the Effective Date (or such shorter term as determined by the General Partner in its sole discretion), but may be extended for up to a maximum of three consecutive one-year periods at the discretion of the General Partner to allow for an orderly termination and liquidation of the Fund’s investments. The Fund’s term is subject to early termination upon certain circumstances as set forth in the Fund Agreement.

Diversification: The Fund will not invest in securities of any single portfolio company more than 20% of the Fund’s aggregate Commitments.

Drawdowns: Commitments are expected to be drawn down as needed, with not less than 10 days’ prior written notice. Any amounts returned to the Partners either (i) as a return of Commitments called in anticipation of an unconsummated Fund investment or (ii) as repayment of capital contributions with respect to a Fund investment that is realized within 12 months of the date such investment is made by the Fund will be available for future Fund investments and expenses. In addition, (a) to the extent Fund expenses are funded by the Partners’ capital contributions, any amounts returned to the Partners will be available for future Fund investments and expenses and (b) 50% of all distributions to the Partners shall be subject to recall by the Fund to pay indemnification expenses.

The initial drawdown for each Limited Partner will include such Limited Partner’s proportionate share of: (i) Management Fees (as defined below) retroactive to the Effective Date; (ii) organizational and other expenses attributable to the Fund; and (iii) the original cost of any portfolio company investment made at or prior to such drawdown. In addition, Limited Partners admitted at any closing subsequent to the Effective Date will be required to pay to the Fund interest at the prime rate plus 2% on their share of: (a) Management Fees retroactive to the Effective Date; (b) organizational and other expenses; and (c) the original cost of any portfolio company investment made prior to such drawdown. Any amounts paid to the Fund under (ii) and (iii) above (and any interest paid under (b) and (c) above) will be distributed to, or held on behalf of, the Partners that participated in prior closings. Distributed
amounts described in (ii) and (iii) above will be added to unfunded Commitments and will be subject to recall by the Fund.

**Distributions:**

Net proceeds attributable to the disposition of investments in portfolio companies, as well as distributions of securities in kind, together with any dividends or interest income received with respect to investments in portfolio companies, generally will be distributed in the following order of priority:

(a) first, 100% to all Partners in proportion to funded Commitments until the cumulative amount distributed in respect of investments then and previously disposed of equals the aggregate of:

(i) the funded Commitments attributable to all realized investments plus the amount of write-down, if any, with respect to each unrealized investment written down as of that time;

(ii) the funded Commitments attributable to all organizational expenses, Management Fees and other expenses paid to date and allocated to realized investments and unrealized investments to the extent they are written down as of that time; and

(iii) a preferred return on amounts included in (i) and (ii) above at the rate of 8% per annum compounded annually from the last day of each month in which there is a drawdown (the “Preferred Return”);

(b) second, 100% to the General Partner until such time as the General Partner has received, as its carried interest, 20% of the sum of the distributed Preferred Return and distributions made pursuant to this paragraph (b); and

(c) thereafter, 80% to all Partners in proportion to funded Commitments and 20% to the General Partner.

A distribution relating to a partial disposition of an investment will be subject to the above formula, with the Preferred Return and the carried interest based pro rata on the original cost of, and the cumulative distributions made with respect to, the disposed portion of such investment.

All short-term interest income, other than short-term interest income received from portfolio companies, will be distributed 100% to the Partners in proportion to funded Commitments; provided that any short-term investment income on the undistributed net profits from the disposition of, or otherwise with respect to, a portfolio company will be distributed to the Partners pro rata according to their respective shares of such undistributed net profits. Such amounts will not be considered in determining the General Partner’s carried interest.
The Fund anticipates that it will distribute net cash proceeds from disposition of portfolio company investments within 90 days of realization and will distribute dividends, interest and other income received with respect to portfolio company investments at least annually, in each case other than reasonable amounts held in reserve to meet Fund expenses, obligations and liabilities.

Prior to the termination of the Fund, distributions will be in cash or marketable securities solely in the discretion of the General Partner. Upon dissolution of the Fund, distributions may also include restricted securities or other assets of the Fund.

The Fund may make cash distributions to the General Partner in an amount sufficient to pay the General Partner’s income taxes on income allocated for tax purposes to the General Partner.

**General Partner Giveback:**
Upon termination of the Fund, the General Partner will be required to restore funds to the Fund to the extent that it received cumulative distributions in excess of amounts otherwise distributable to the General Partner pursuant to the distribution formula set forth above, applied on an aggregate basis covering all transactions of the Fund, but in no event more than the cumulative distributions received by the General Partner with respect to its 20% carried interest, less income taxes thereon.

**Allocation of Income, Expenses, Gains and Losses:**
Income, expenses, gains and losses of the Fund will generally be allocated among the Partners in a manner consistent with the distribution of proceeds described above.

**Temporary Investments:**
Capital that is contributed by the Partners for a Fund investment that is realized within 12 months of the date such investment is made by the Fund (such investment, a “Temporary Investment”) and that is returned to the Partners will be added to unfunded Commitments and will be subject to recall by the Fund.

**Management Fee:**
During the Commitment Period, the Fund will pay the General Partner an annual management fee (the “Management Fee”), payable semi-annually in advance, equal to 2% of aggregate Commitments. Commencing with the first Management Fee due date after the expiration of the Commitment Period, the Management Fee will equal 2% of (i) the aggregate funded Commitments, less (ii) distributions constituting returns of capital and write-downs. In addition, the Management Fee will be reduced by 50% of any: (i) directors’ fees, financial consulting fees or advisory fees earned by the General Partner or the Principals from portfolio companies; (ii) transaction fees paid by portfolio companies to the General Partner or the Principals; and (iii) break-up fees from transactions not completed which are paid to the General Partner or the Principals.
The Management Fee will commence as of the Effective Date based on total Commitments, regardless of when a Limited Partner is actually admitted. The Management Fee will be paid out of current income and disposition proceeds of the Fund and, to the extent necessary, from drawdowns which will reduce unfunded Commitments.

Organizational Expenses: The Fund will reimburse the General Partner for up to $750,000 of the Fund’s organizational and startup expenses, including legal, travel, accounting, filing, capital raising and other organizational expenses. Organizational expenses in excess of this amount, if any, will be borne by the General Partner. The General Partner will bear the cost (through an offset against Management Fees or otherwise) of any placement fees payable to any placement agent in connection with the formation of the Fund. Limited Partners will not bear any such fees.

Other Expenses: The General Partner will pay all ordinary administrative and overhead expenses incurred in connection with managing, originating and monitoring investments, including compensation for employees’ salaries, rent, utilities, etc.

In addition to the Management Fee, the Fund will pay all other costs and expenses of the Fund that are not reimbursed by portfolio companies, including legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with the Fund’s financial statements, tax returns and K-1s; out-of-pocket expenses incurred in connection with transactions not consummated; expenses of the Advisory Committee (as defined below) and annual meetings of the Limited Partners; insurance; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Fund.

Co-investment Policy: The General Partner may, but will be under no obligation to, provide co-investment opportunities to one or more Limited Partners or other parties.

Other Funds: The General Partner will not commence the operation of another pooled investment partnership with objectives substantially similar to those of the Fund until the earlier of: (i) the end of the Commitment Period; or (ii) such time as at least 70% of the Commitments have been invested, committed or allocated for investment, used for Fund expenses or organizational expenses, or reserved for follow-on investments or reasonably anticipated expenses of the Fund.

Advisory Committee: The General Partner will establish an advisory committee (the “Advisory Committee”) composed of Limited Partner representatives selected by the General Partner. The Advisory Committee will provide such advice and counsel as is requested by the General Partner in connection with the Fund investments, potential conflicts of interest, and other of the Fund’s matters. The General Partner, however, will retain ultimate
responsibility for all decisions relating to the operation and management of the Fund, including, but not limited to, investment decisions.

**Default Provisions:** If any Limited Partner (the “Defaulting Partner”) fails to fund any portion of its commitment when called by the General Partner or otherwise make a payment when due, the General Partner will have the option, among other rights, to (a) terminate the Defaulting Partner’s right to participate in future Fund investments, (b) have the Defaulting Partner’s interest in the Fund acquired by electing Partners in return for a non-interest bearing, non-recourse, 10-year promissory note payable to the Defaulting Partner in an amount equal to the portion of the Defaulting Partner’s capital account (adjusted to include unrealized depreciation, but not unrealized appreciation, in the Fund’s assets) being purchased by such Partners or offer such interest to one or more third parties (which may or may not include other Partners) on the same terms, and/or (c) pursue and enforce all other rights and remedies which the Fund may have against the Defaulting Partner.

**Reports to Limited Partners:** The Fund will furnish (i) audited financial statements to the Limited Partners annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each Partner’s tax returns, and (iv) descriptive investment information for each portfolio company annually.

**Limited Partner Meetings:** The Fund will hold an annual meeting of Limited Partners to review and discuss the Fund’s investment activities.

**Transfers and Withdrawals:** Generally, a Limited Partner may not sell, assign or transfer any interest in the Fund without the prior written consent of the General Partner, which may be withheld in the General Partner’s sole discretion. In addition, generally a Limited Partner may not withdraw any amount from the Fund, except that a Limited Partner subject to ERISA (or a Limited Partner which is a “governmental plan” (as described in Section 3(32) of ERISA)) will be permitted to withdraw from the Partnership, and to receive a distribution in connection therewith, in order to avoid a violation of, or the breach of a fiduciary duty under, ERISA.
The Platinum Capital Partners Team

The management of the General Partner will include the following individuals who will devote a substantial majority of their business time to the Fund:

Steven M. Tasler
Managing Partner

Mr. Tasler is a Managing Partner of the General Partner, and, along with Mr. Delman, is responsible for the management of the General Partner and the Fund.

Mr. Tasler co-founded Platinum in 1983 and has been involved in all of the firm’s private equity investments. He has been responsible for the firm’s strategic planning and investment policy. In addition to overseeing the growth and investment strategies of the Platinum, he has worked with the CEO’s of many of Platinum’s portfolio companies in establishing and implementing corporate growth strategies and high value exit strategies.

Mr. Tasler has served on the boards of directors of many of the companies in which Platinum has invested. He also sits on the Investment Committees of Platinum Venture Partners, L.P., Platinum’s venture capital fund, and Platinum’s real estate practice. Mr. Tasler received a BS in Accountancy with Honors from the University of Illinois.

Rick Delman
Managing Partner

Mr. Delman is a Managing Partner of the General Partner, and, along with Mr. Tasler, is responsible for the management of the General Partner and the Fund.

Since joining Platinum in 1987, he has been involved in all of the firm’s buyout transactions, having played a key role in the acquisition and sale of many portfolio companies. Mr. Delman has also been responsible for the oversight of portfolio company operations. In this capacity, he has worked closely with CEO’s, particularly in the implementation of best practices and the establishment and analysis of key operating metrics. Mr. Delman has been a director of numerous portfolio companies.

Prior to Platinum, Mr. Delman worked in institutional sales at Goldman Sachs & Co. He also owned and operated a chain of pharmacies in the Boston area. He founded the Little Elves, one of the largest nostalgia businesses in New England, which he sold in 1980.

Mr. Delman received a BA in Economics and Political Science from Tufts University and an MBA in Finance from the University of Chicago.

Alan Stanley,
Partner

Mr. Stanley joined Platinum in 1986. His responsibilities at Platinum have included sourcing, structuring and financing buyout transactions. Mr. Stanley has worked with CEO’s and CFO’s of portfolio companies on structuring strategic acquisitions and securing and negotiating senior and subordinated debt. He has also worked with management and audit committees on creating and
implementing sophisticated financial modeling, budgeting and reporting systems, and establishing
treasury management and financial performance metrics. In addition, Mr. Stanley has played a central
role in the public offering and successful sale of portfolio companies.

Prior to joining Platinum, Mr. Stanley worked at Alex. Brown & Sons, Inc. in equity research.
Mr. Stanley serves on the board of The Johns Hopkins Pediatric Oncology Friends and on the Selection
Committee for the Maryland Incubator Company of the Year Awards. Mr. Stanley received a BA in
Economics from Yale University and an MBA in Finance from the Wharton School.

Brian Berger, CPA
Partner

Mr. Berger joined Platinum in 2000. He has been responsible for sourcing, closing and
monitoring Platinum’s private equity investments, with a particular focus on the oversight and
management of portfolio companies.

Prior to joining Platinum, Mr. Berger was a Managing Director of Cerberus Capital Management,
L.P., a $6.5 billion special situation hedge fund investing in distressed corporate debt and private equity
transactions.

Mr. Berger has extensive experience working with under-performing businesses as a crisis
manager, including six years with Jay Alix and Associates and two years at Zolfo, Cooper & Co. At these
firms, Mr. Berger worked extensively on financial and operational restructurings. He also served in
management roles as CEO, CFO and COO in a wide array of industries and businesses ranging in size
from $20 million to $800 million. Mr. Berger began his career at KPMG where he served as a Senior
Manager and participated in that firm’s Advanced Development Program in its Executive Offices. Mr.
Berger received a BS in Accountancy with High Honors from the University of Illinois. Mr. Berger is a
Certified Public Accountant and a Certified Valuation Analyst.

Tom Bowman
Principal

Mr. Bowman joined Platinum in 1992, as general counsel. Previously, Mr. Bowman practiced
law with Pedersen & Houpt, P.C. Both at the law firm and with Platinum, he has provided legal counsel
and management advisory services to a wide range of businesses.

Since joining Platinum, Mr. Bowman has been responsible for the structure and documentation of
all of Platinum’s buyout transactions. Among his responsibilities has been the oversight and management
of outside legal counsel. He has also played a significant role in negotiating the terms of Platinum’s
private equity transactions and financing agreements.

Mr. Bowman has extensive experience in mergers and acquisitions, sales and reorganizations
(representing sellers, buyers and lenders), including the use of complex debt and equity arrangements
such as warrants, options and convertible debt. He has also provided “hands on” management advisory
services to business executives dealing with day-to-day operations and strategic issues, including
structuring and financing investments. He has substantial experience in public and private offerings of
debt and equity securities for corporations, partnerships and limited liability companies. Mr. Bowman
received an AB in Economics with High Honors from the University of Illinois and a JD from the
University of Illinois Law School.
The following individuals allocate their business time between more than one area of Platinum, but will devote substantial time to the Fund:

**Stan Ertela**  
**Principal and Chief Financial Officer**

Mr. Ertela joined Platinum in 2000 and is Chief Financial Officer of the General Partner. He is responsible for treasury management and accounting and will be actively involved in the due diligence assessment of financial systems and financial reporting in the Fund’s prospective investments. He was formerly the CFO of Cramer Rosenthal McGlynn, an SEC-registered investment adviser where he focused on private investments in small capitalization public entities. Prior to that, Mr. Ertela was with Ernst and Young where he worked in several capacities, first as an auditor, then as a consultant to companies below $100 million in revenue and finally in corporate finance, where he focused on transactional work including M&A due diligence, valuations and restructurings. Mr. Ertela received a BBA magna cum laude from Loyola College in Maryland and was an Austin Scholar at Northwestern University’s Kellogg Graduate School of Management.

**Stephen Johnson**  
**Principal**

Mr. Johnson joined Platinum in 2000 and serves as the Human Resources Executive for the General Partner. He has extensive experience in implementing systems, processes, and structures that have enabled organizations to accelerate their success through focused human resource management. He brings over 20 years of business and human resources experience to Platinum. Mr. Johnson has served as Senior Vice President of Human Resources for NeighborCare and Vitalink Pharmacy Services, Inc. His previous experience also includes Datapoint Corporation, ManorCare, and Gulf + Western.

Mr. Johnson will play a critical role in the management due diligence of the Fund’s prospective acquisitions. He will also be active in reviewing human resources, incentive and stock options plans for prospective acquisitions. Once the Fund acquires companies, Mr. Johnson will be critically involved in staffing and recruiting as well as with the implementation of professional human resources plans. Mr. Johnson received a BA from Hardin-Simmons University and an MS in Human Resources Management from Columbia Southern University.