

SCORPION  
CAPITAL PARTNERS II

Mission:

Leverage the outstanding track record of the management team making change of control investments in family-owned/founder-operated private companies having an enterprise value up to \$100 million.

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The management team has a spectacular track record of building partnerships with world class industry leaders with strong operational skill sets and proven ability to drive value creation post-acquisition.

### ▶ Equity Investing Strategy

Companies in areas where we have a successful track record

Businesses with enduring long-term prospects

Operated by shareholder-focused managers  
Companies at under-recognized valuations

### ▶ Investment Methodology

Business Criteria

Management Criteria

Financial Criteria

Acquisition Criteria

### ▶ Management

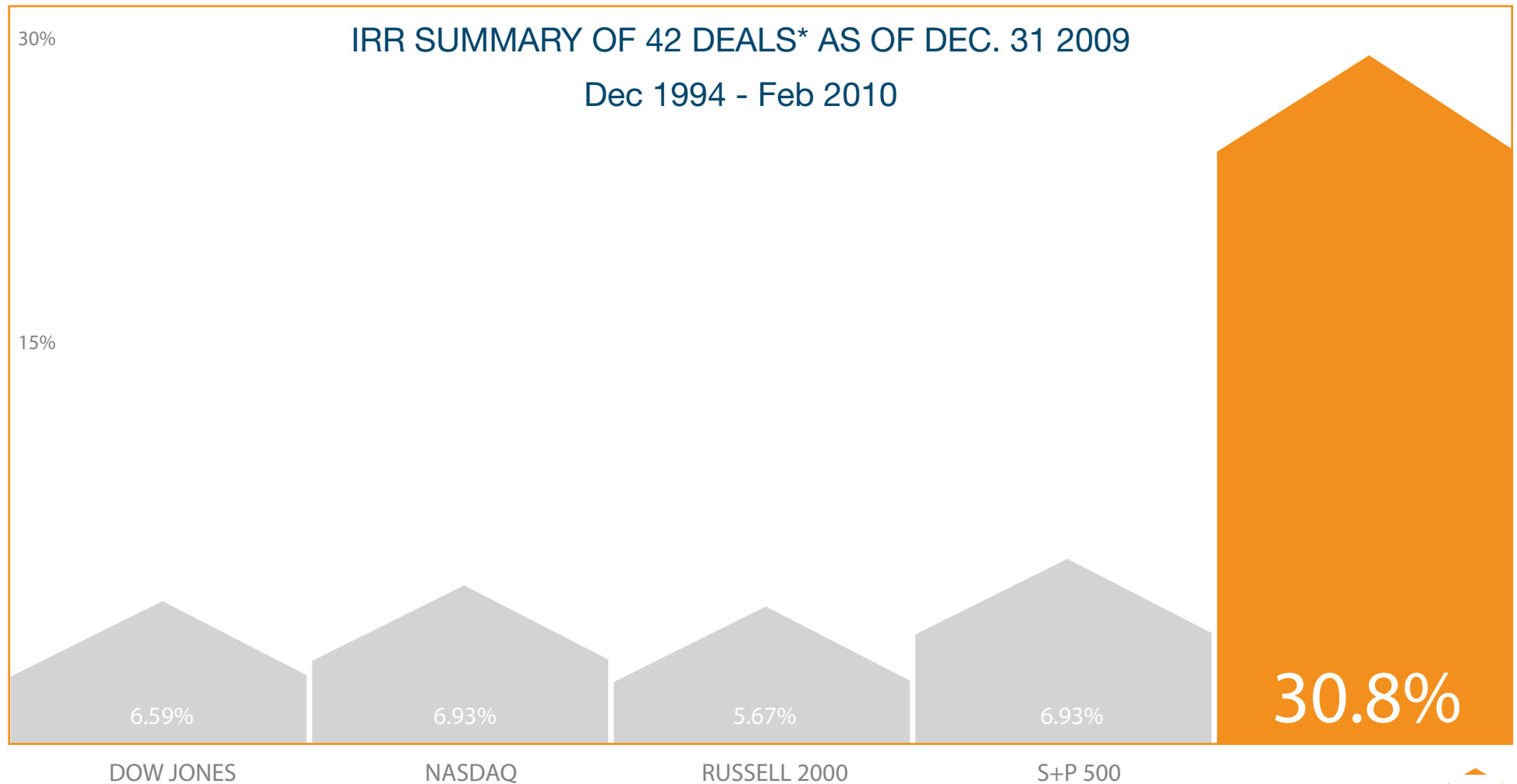
Deep experience in successful value creation

Exemplary track record

Recognized skills



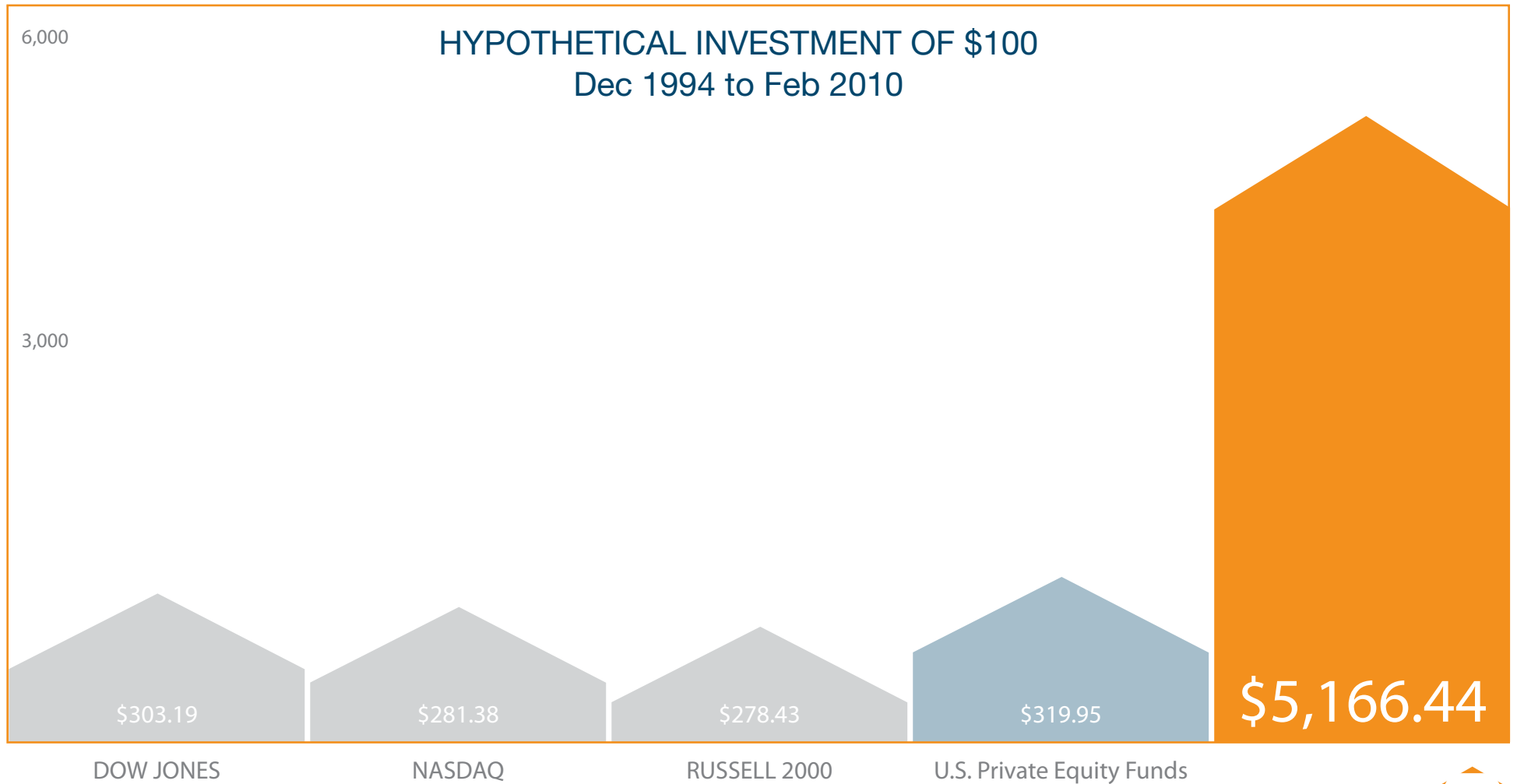
Outstanding historical investment performance by the management team through 42 deals and over 16 years.



The returns of the Dow, NASDAQ and Russell 2000 represent their average annual return of the same time period.

\*Please see PPM Summary on page 14





Past results are not necessarily indicative of future performance. All indexed returns calculated assuming reinvested dividends.



The management team of the fund has demonstrated the ability to generate proprietary deal flow. Of the forty-two transactions, only two were completed using an investment banking firm.

▶ **Private Companies**

▶ **Later Stage**

▶ **Change of Control**

large universe of private companies with owners set to retire or “burned out”

smaller size ‘change of control’ transactions are generally less competitive

owners unable or unwilling to invest for future growth

principals and strategic partner are active investors who exercise majority control at the board level

▶ **Private Companies**

less than \$100 million in annual sales

▶ **Investment Size**

\$4-10 million

▶ **Multiple Exit Opportunities**



Rigorous due-diligence process which yields proprietary insights by a team with extensive due-diligence experience.

### Business Criteria

#### Understanding The Business

is the differentiating factor that distinguishes the business oriented investor from most speculators who merely buy stocks.

#### Consistent Operating History

generally assures the best returns. 'Turn-arounds' seldom do.

#### Favorable Long Term Prospects

are enjoyed by companies with the ability to easily raise prices, earn significantly on capital and even tolerate mismanagement.

### Management Criteria

#### Management Rationality

is distinguished by its ability to allocate the company's capital. What is done with the company's earnings - whether reinvestment in the business or returning money to shareholders - determines shareholder value.

#### Consistent Operating History

is portrayed by its distribution of all data that helps the financially literate reader determine a company's economic performance, its value, and its ability to meet future obligations.

#### Management Courage

is evidenced by its ability to discuss failure openly. Too many managers report to shareholders with excess optimism rather than honest explanation.



## Investments producing 25% IRR gross to the fund.

### Financial Criteria

#### FOCUS ON RETURN ON EQUITY

to determine how well management accomplishes its task of generating a return on the operations of the business given the capital it employs.

#### COMPANIES WITH HIGH PROFIT MARGINS

#### CALCULATE SHAREHOLDER EARNINGS

**+** Net Income  
Depreciation + Amortization

**-** (Capex + Any Additional Working Capital)

**=** True Reflection of a Company's Cash Flow Generation

### Management Criteria

#### VALUE

If a business has operated with consistent earnings, future cash flows can be determined with a high degree of certainty.

#### PRICE

We buy a business only when our analysis demonstrates that the company is for sale at a significant discount to our determination of the company's intrinsic value. We will only purchase a company at a price that provides for a margin of safety and that offers substantial downside protection.



Long standing relationship  
of the management team  
built on trust, commitment  
and success over 12 years.

▶ **Nuno Brandolini**

25 years Private Equity experience

Co-founder - Scorpion Capital Partners

Co-founder - Scorpion Holdings

Co-founder - Independence Holdings

▶ **Robb Matzner**

17 years Private Equity experience

Founder - RAMCO Capital Corp.

▶ **Kevin McCarthy**

17 years Private Equity experience

Co-founder - Scorpion Capital Partners

Co-founder - Scorpion Holdings

Co-founder - Independence Holdings



# Nuno Brandolini

has built successful organizations  
and teams during the past 25 years.

## ▶ 25 Years Private Equity Experience

Co-founder, Scorpion Capital Partners, LP, a \$120 million private equity SBIC fund

Co-founder, Scorpion Holdings, Inc. a manager of three families Alternative investments with a total asset value of \$100 million.

Co-founder, Independence Holdings, Inc., a \$100 million fund-of-funds

Co-founder/Managing Director, Rosecliff, Inc., a \$150 million buyout fund

Principal, Logic Capital/Baltheus Group, a venture capital firm

Mr. Brandolini has participated in over 75 transactions during his career

## ▶ 6 Years Investment Banking Experience

Vice President, Corporate Finance, Salomon Brothers  
Associate, Mergers and Acquisitions, Lazard Freres

## ▶ MBA, Wharton School, University of Pennsylvania

## ▶ Law Degree, University of Paris



## Robb Matzner's

training as a trader and competitive athlete combines instinct, experience, and reason, providing the clarity necessary for making successful, high-pressure judgment calls in real time.

### ▶ 17 Years Private Equity Experience

Founder/Chairman/CEO Ramco Capital Corp.

Floor Trading member of the Intercontinental Exchange USA (I.C.E. Futures U.S.A.)

Floor Trading member of the New York Futures Exchange (NYSE)

Mr. Matzner has achieved elite status as a competitive athlete. He recently retired from FEI competition at the Prix St.Georges/Intermediare I in the equestrian discipline of Dressage.



## Kevin McCarthy

is a consummate value investor.

His deep accounting background and

M&A experience are ideally suited

to determine the true reflection of a

company's cash flow generation and

shareholder value.

### ▶ 17 Years Private Equity experience:

Co-founder, Scorpion Capital Partners, LP, a \$120 million private equity SBIC fund

Co-founder, Scorpion Holdings, Inc. a manager of three families Alternative investments with a total asset value of \$100 million.

Co-founder, Independence Holdings, Inc., a \$100 million fund-of-funds

Sr. Vice President/Chief Financial Officer Rosecliff, Inc., \$150 million buyout fund

### ▶ 11 Years Public Accounting experience:

Partner, Ernst & Young Mergers and Acquisitions Group

Manager, Arthur Young, Entrepreneurial Services Group

BS Accounting, Babson College

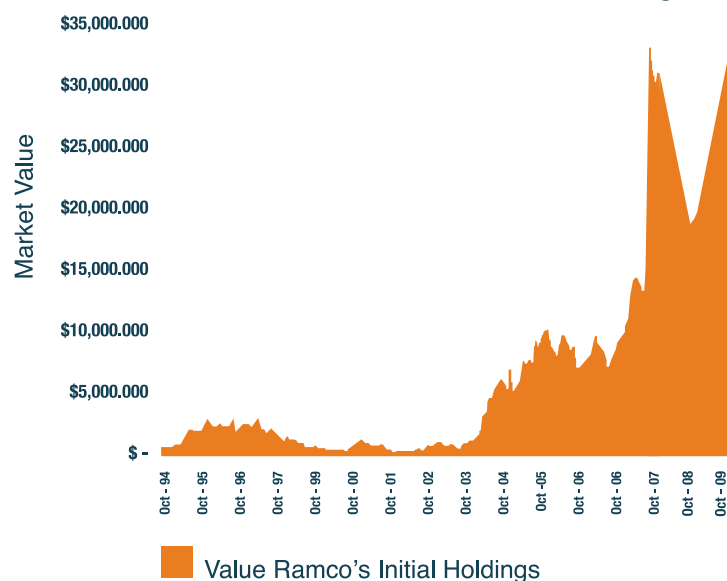


GP's have their interests exactly aligned and their money invested right alongside their LP's.

- ▶ Target partnership size  
\$ 50 million
- ▶ Minimum investment commitment  
\$ 250,000.--
- ▶ General Partner commitment  
\$ 1 million
- ▶ Commitment period  
5 years
- ▶ Management Fee  
2.0%
- ▶ Performance Fee  
80%/20%
- ▶ Reporting  
Semi- annual reports
- ▶ Term of the Fund  
10 years



Value RAMCO's Initial Holdings



In 1994 Mr. Matzner, through Vertical Financial, acquired 400,000 shares (11%) of the common stock of Stratasys (NASDAQ - SSYS), then a development-stage company engaged in the design, manufacture and distribution of proprietary and patented desktop rapid prototyping technology and hardware, at a basis of \$5.00 per share.

SSYS trades today at a stock price of \$25 and has a total market cap of \$500 million.

## STRATASYS

### Business Criterion

The company had favorable long term prospects.

### Management Criterion

The Crump family was honest and competent with a history of building successful companies.

### Financial Criterion

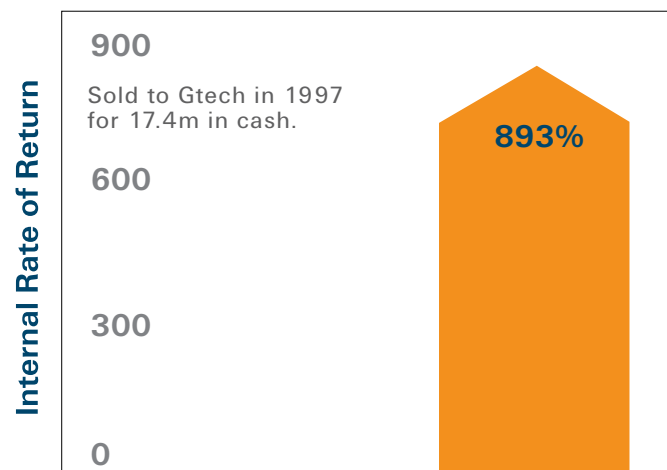
The company had sustainable high profit margins owing to the patented product and management's ability to keep costs low.

### Market Criterion

The company could be purchased at a significant discount to Mr. Matzner's determination of its intrinsic value.



### Sale of Acquisition



In April of 1996, Mr. Matzner led an investor group in acquiring a minority and non-controlling position in VideoSite, a company whose business was corporate intra-mural web hosting.

Teaming with new management, Mr. Matzner acquired a 24% stake in the multimedia company at a \$1m pre-money valuation. Mr. Matzner worked with new management to upgrade the product offering, build-out the new senior management team and add European and Asian product distribution. VideoSite was successfully sold 15 months after initial investment to Gtech (NYSE: GTK) in October of 1997 for \$17.4m in cash, producing a 893% IRR.

## VIDEOSITE

### ▶ Business Criterion

The business model was both rational and robust.

### ▶ Management Criterion

Jack McDonald's primary objective was to maximize the total return on the shareholder's investment.

### ▶ Financial Criterion

The company sustained high profit margins due to Jack's tight cost controls.

### ▶ Market Criterion

In Mr. Matzner's determination, the company was significantly undervalued.



In 1999 Ramco Capital, with Scorpion Capital Partners, led the LBO of 100% of WalkAbout Computers, a rapid growth stage company and market leading manufacturer of ruggedized tablet computers.

In 2000/2001, when tech spending tanked and the manufacturing sector melted down, WalkAbout was badly shaken. In 2001, the company was restructured, refinanced and repositioned to the military market. WalkAbout was sold in June of 2005 to DRS Technologies (NYSE:DRS), the leading purveyor of electronic hardware to the military market.

## WALKABOUT COMPUTERS DRS TACTICAL SYSTEMS, Inc.

### ▶ Business Criterion

The business had a consistent operating history.

### ▶ Management Criterion

The SMT (founders of the company) were candid, competent, and committed to tight cost controls.

### ▶ Financial Criterion

Prior to the downturn in tech spending, management generated a remarkable return on equity. The cash generating ability of the business was 'off the charts' due to low fixed assets to profits.

### ▶ Market Criterion

The company was bought for 2x "owners earnings", a remarkable value.



In January of 2007, Scorpion and Farrel management purchased 100% of the stock of Farrel Corporation, a publicly listed company that designs, manufactures, services and sells a broad range of equipment for multiple compounding applications in the rubber and plastics industries. Teaming with management, Scorpion was able to purchase the company for approximately 2.5x 2006 EBITDA. As a result of environmental issues at Farrel's US facility and an underfunded pension plan in the UK, Scorpion was able to negotiate a favorable purchase price with Farrel's shareholders. As a result of extensive due diligence, Scorpion was able to determine that both issues were manageable.

In December 2008, Scorpion and management successfully sold the company to a strategic buyer for \$26.6 million of cash and retained real property with a fair market value of approximately \$6.0 million resulting in an IRR of 304%.

## FARREL CORPORATION

### ► Business Criterion

As a somewhat cyclical business, Scorpion believed that Farrel was poised for exceptional growth in both revenues and EBITDA. The company had made significant inroads selling to emerging markets such as China and India. Within two years of the acquisition date, Farrel's EBITDA had almost doubled.

### ► Management Criterion

Scorpion believed that Al Shaio, the CEO of Farrel, was an exceptional leader who demonstrated the capability to effectively navigate all aspects of a multi-national corporation.

### ► Financial Criterion

The company was in the early stages of showing consistent and solid top-line and EBITDA growth.

### ► Market Criterion

Farrel is a market leader in providing world class compounding equipment to the rubber and plastics industries. Nonetheless, the risks associated with the investment were not insignificant. However, Scorpion believed that by taking the company private, incentivizing management by making them significant equity owners in the transaction and allowing Mr. Shaio the latitude to effect the necessary change, the potential for outsized returns far outweighed the risks.



In July 2007, RAMCO along with Scorpion Capital Partners made a significant investment in 3-D Medical Manufacturing. 3-D is a best-in-breed contract manufacturer of high precision machined components specialized in orthopedic implants and specialty instruments for the major medical device OEMs. The company custom machines titanium and other precious metals into a variety of medical products used in arthroscopic, orthopedic, laparoscopic, cardiovascular, spinal and medical diagnostic markets. 3-D was founded in 1994 by the Davis family who remain partners and senior management. Excellence and innovation distinguish the company as an industry leader.

## 3-D MEDICAL MANUFACTURING

[www.3dmachining.com](http://www.3dmachining.com)

### ► Business Criterion

The company has excellent long term prospects propelled by a trend toward outsourcing by major medical device OEMs and demographics of fast-aging Baby Boomers, injury-prone weekend athletes and an overweight population.

### ► Management Criterion

3-D continues to be managed by Jim and Joe Davis, sons of the founder, who are experienced engineers and successful entrepreneurs with significant business experience.

### ► Financial Criterion

The company has a consistent history of double-digit growth in annual revenue and adjusted EBITDA margins > 30%.

### ► Market Criterion

3-D is a business that has operated with consistent earnings thereby permitting our determination of future cash flows with a high degree of certainty.



# IRR Summary

PPM SUMMARY

As of December 31, 2009

Investment type:  
 C - Change of control  
 P - PIPE  
 L - Later/growth stage  
 O - Other

INVESTMENT	TYPE	START DATE	AMOUNT INVESTED	AMOUNT REALIZED	CURRENT VALUE	GAIN/ (less)	IRR
Government Property, Inc.	C	Jul - 94	21,296	32,314	0	11,018	12.4%
Stratasys, Inc.	O	Jul - 94	1,950	8,620	0	6,670	NM
Vermont Castings, Inc.	C	Sep - 94	4,700	33,782	0	29,082	105.7%
Media Marketing, Inc.	C	Sep - 94	4,266	0	0	(4,266)	NM
Paul Sebastian, Inc.	C	Nov - 94	5,499	0	0	(5,499)	NM
Ames, Inc.	C	Oct - 95	2,700	8,955	0	6,255	160.0%
Hydrodynamics, Inc.	C	Nov - 95	1,946	0	0	(1,946)	NM
PF Changs China Bistro	L	Feb - 96	2,250	12,002	0	9,752	70.2%
Tasco Sales, Inc.	C	Mar - 96	1,900	0	0	(1,900)	NM
Artra Group	P	Mar - 96	2,500	4,260	0	1,760	1512.7%
VideoFax	O	Mar - 96	1,240	10,034	0	8,764	578.1%
National Insurance Group	C	May - 96	4,094	8,196	0	4,102	27.2%
Video Technologies, Inc.	O	Jul - 96	800	0	0	(800)	NM
PacPizza, LLC	C	Aug - 97	5,580	5,433	0	(147)	NM
Acrodyne Industries, Inc.	P	Nov - 97	1,600	2,056	0	456	30.5%
BSR/Cheniere Energy, Inc.	O	Dec - 97	1,900	2,090	0	190	7.3%
Cheniere Energy, Inc.	P	Dec - 97	1,452	45,869	0	44,417	75.3%
Relationship Marketing	L	Feb - 98	2,967	2,167	0	(800)	NM
San Francisco Toymakers	L	Apr - 98	6,450	1,400	0	(5,050)	NM
Franchise Services Company	L	Jun - 98	26	2,515	0	2,489	260.1%
Metis, Inc.	O	Aug - 98	1,130	3,674	0	2,544	17.5%

\* Figures are in thousands | Numbers in parenthesis are negative



INVESTMENT	TYPE	START DATE	AMOUNT INVESTED	AMOUNT REALIZED	CURRENT VALUE	GAIN/ (less)	IRR
Beta Oil and Gas	P	Jan - 99	2,000	5,663	0	3,663	196.5%
Senetek plc	P	Apr - 99	5,000	6,890	0	1,890	8.3%
Red V Networks	O	Jul - 99	500	0	0	(500)	NM
WalkAbout Computers, Inc.	C	Nov - 99	5,242	4,414	0	(828)	NM
LifePoint, Inc.	P	Jun - 01	4,063	0	0	(4,063)	NM
Wellpartner, Inc.	L	Nov - 04	7,010	0	12,869	5,859	13.8%
Velocity Express, Inc.	P	Dec - 04	8,750	0	0	(8,750)	NM
Miravant, Inc.	P	Mar - 05	4,000	0	0	(4,000)	NM
Pacific Building Care, Inc.	C	Jan - 06	8,800	0	21,356	12,556	27.2%
Zanco, LLC	L	Jun - 06	4,200	0	0	(4,200)	NM
Farrel, Inc.	C	Jan - 07	2,000	32,569	0	30,569	304.0%
Club Holdings, LLC	L	Jan - 07	8,000	0	24,900	16,900	48.9%
Craftsmen Industries, Inc.	C	Jan - 07	8,063	0	8,063	(0)	0.0%
Rivulet Systems, Inc.	O	Mar - 07	2,089	0	0	(2,089)	-37.8%
Island Seafood, Inc.	C	Mar - 07	8,250	0	500	(7,750)	NM
3D Machining, Inc.	C	Jun - 07	7,750	0	11,367	3,617	16.5%
Wasabi Systems, Inc.	O	Jul - 07	3,072	0	0	(3,072)	NM
Neterion, Inc.	O	May - 08	3,000	0	648	(2,352)	0.0%
The Creative Group, Inc.	C	Jun - 08	6,247	0	6,247	0	0.0%
Cheniere Energy, Inc.	P	Aug - 08	8,500	0	9,983	1,483	0.0%
CBC Broadband Holdings, Inc.	C	Mar - 09	1,500	0	1,500	0	0.0%
<b>TOTAL</b>			<b>\$ 184,282</b>	<b>\$ 233,103</b>	<b>\$ 96,785</b>	<b>\$ 145,607</b>	<b>30.8%</b>

\* Figures are in thousands | Numbers in parenthesis are negative



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