MASON WELLS

Newsletter — Summer 2008

In This Issue:

- Private Equity and the Family Business

Portfolio Company Updates:

- Dedicated Computing, LLC
- Coating Excellence International, LLC
- Oliver Products Company

Private Equity and the Family Business

Family businesses are the pillar of the U.S. economy, accounting for 50% of the gross domestic product, 60% of the nation's employment and 78% of new jobs. Today it is estimated that over 80% of the businesses in the United States are family businesses including nearly one third of the Fortune 500 companies. While many family businesses successfully transfer ownership from one generation to the next, there are a number of factors that may cause the family to contemplate a sale of the business.

In some cases, the owner is ready to retire from the company but there is not a successor, or the successor is not ready to take over the company. In other cases, the business is struggling to compete in today's global environment or the owners realize they no longer have the expertise or experience to take their business to the next level. Finally, the owners may want to gain some liquidity on their family business investment in order to diversify their net worth. When considering a sale, many family business owners think their only alternative is to sell to a larger strategic buyer, oftentimes a competitor of the business. Based on our 25 years of experience in working with family businesses, we believe that private equity can be an attractive alternative for family businesses that are considering selling all or a portion of their business.

One of the greatest concerns of family business owners who are considering selling their business, is how the sale will affect the family legacy. Selling to a corporate buyer will usually result in the family business being absorbed into the larger entity and losing its identity. In addition, a sale to a strategic buyer can have a negative impact on the company's management team and employees, as they may lose their jobs as a result of the consolidation of the two companies. Partnering with a private equity firm allows the family to preserve its legacy by keeping the company independent, maintaining its presence in the local community and retaining its workforce. Usually, most members of the management team continue to run the business and are given an opportunity to participate in the equity of the business going forward.

An investment in a family business can be substantial, but is often highly illiquid. With a private equity transaction, owners can achieve partial or full liquidity on their equity ownership, diversifying net worth for estate planning purposes. Some family business owners choose to retain minority ownership because they can assume a reduced role while staying involved in the business. Most private equity firms seek a majority share in the company, but are flexible in working with the owners to determine how much they want to sell and how involved they want to be. This makes it possible to retain some equity in the business, allowing the family to participate in the future growth of the business.

One of the most significant reasons to partner with a private equity firm is to foster growth. Many private equity groups are eager to invest in established businesses with strong fundamentals and growth potential – criteria that many family-owned companies meet. Most private equity firms act as a catalyst to grow a company. With access to industry experts, private equity firms can bring in a structured growth plan that provides financial and internal controls. This helps generate new products and services; identify and enter new markets, both domestic and global, that may not have been accessible in the past due to limited financial resources; and integrate value-added processes like lean manufacturing.

A private equity firm's greatest strengths in growing a business are its focus on providing strategic planning and its ability to offer additional resources. It's about more than just access to capital; a firm may have a network of other resources, such as board members with experience in a specific industry to assist management teams in achieving strategic objectives.

Private equity isn't the solution for every family business but is a viable alternative in the right situation.

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Portfolio Company Updates

Donald Schlidt joined Dedicated Computing as Chief Executive Officer in June. Don was formerly President of Arrow/Zeus Electronics, a division of Arrow Electronics, located in Englewood, Colorado. Previous to his position at Arrow, Don was President of both the Michigan and Illinois Operating Groups of Corporate Express. Don graduated from the University of Wisconsin, Madison. Don has an impressive track record of leading high performance organizations through rapid growth. He is an excellent addition to the Dedicated management team.

Coating Excellence International, LLC (CEI) was recently listed as one of the top 25 largest converters in North America by Flexible Packaging magazine. This list includes film manufacturers, printers, laminators and pouch/bag converters that sell flexible packaging across a range of markets. To identify the top 25, Flexible Packaging magazine researched nearly 100 companies using several sources including SEC documents, annual reports, various databases and company websites. Rankings are based on sales for fiscal year 2007 and only include sales for flexible packaging.

In May 2008, Coating Excellence also received five awards including the "Best of Show" honor in the wide-web category of the Flexographic Technical Association's (FTA) Excellence in Flexography Awards competition. Another top contender in the "Best of Show" category was CEI's Multiuse Paper Ream Wrap.

In addition to receiving "Best of Show" honors for the Malta Cleyton Bag and a gold medal for the Staples Ream Wrap, CEI also received silver medals for the W.B. Mason Flagship Premium Copy Paper Wrapper and Tiger Bond Ream Wrap. CEI also received a bronze medal for the Boise HDP Glossy Color Laser Wrapper.

Oliver Medical, LLC, a subsidiary of Oliver Products Company, announced that John Merritt was named Managing Director-International. This new position, combined with the move in April to Oliver Medical's new expanded facility in Venray, The Netherlands, and the 2007 opening of the Oliver Medical sales office in China, will target growth in the value-added medical packaging segments overseas.

John has 30 years experience in medical device and medical packaging, with roles in engineering and management. John earned his BS degree in Natural Sciences at Erskine College, an MSME in Manufacturing Engineering from Columbia University, and an MBA in International Business from the University of Rhode Island.

Randy Troutman, Technical Director of Oliver Medical, was recently honored by being named one of the 100 notable people in the medical device industry by the Medical Device & Diagnostic Industry (MD&DI). Randy was selected as a noted expert on packaging material selection, shelf-life testing, performance testing, and equipment validation. Randy also serves on the working group of the Association for the Advancement of Medical Instrumentation (AAMI).

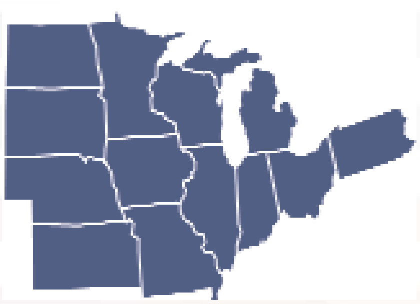
Investment Criteria

Mason Wells is a leading private equity firm with over $500 million under management. For 25 years the principals of Mason Wells have been successfully investing in Midwest-based middle-market companies.

Financial Characteristics:

- Company Revenue $25 – $250 Million
- EBITDA $5 – $30 Million

Company HQ Location:



Transaction Types:

- Management Buyout of a Closely Held/Family-Owned Business
- Management-Led Buyout of a Non-Core Division
- Owner Recapitalization
- Management-Led Buyout of a Public Company

Targeted Industries: