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GRYPHON
INVESTORS

PARTNERS IN BUILDING BUSINESSES



Gryphon (grif' on): with the head, foreclaws, and wings of an eagle and the torso of a lion, the gryphon is a mythical animal that protects hidden treasures while symbolizing strength and vigilance.

Gryphon Investors helps build great companies.

Our capital, contacts, and proactive strategies complement portfolio company management teams and, together, we transform good businesses into true industry leaders. We focus on \$25 million to \$75 million equity investments in the lower-end segment of the middle market, a segment proven to offer superior prospects for differentiated, value-added investing and successful business-building strategies.

Middle-Market Focus. Our focus on middle-market businesses with \$25 million to \$250 million in revenue provides numerous means to generate superior returns for fellow shareholders and our investors. We proactively target industry sectors and diligently analyze opportunities, pursuing on business segments where we have developed domain expertise and relevant relationship networks. Our focused investment strategy is supported by a dedicated Gryphon team of former operating executives with proven abilities to assist middle-market companies. Our approach of fully integrating investment and operational professionals is unique and has proven invaluable for all.

Proactive Business Building. The companies in which we invest are capable of meaningful market share gains and cash flow growth. For various reasons, however, these companies have not yet maximized their full potential when Gryphon makes its initial investment. From this launch point, our mission is to help management teams proactively build their businesses into sustainable industry leaders. Together, we focus on capitalizing on what works, and reworking what does not. We help Gryphon-backed companies build high performance teams, optimize operations, and aggressively pursue key market growth opportunities and selected add-on acquisitions. Throughout, we remain focused on the best possible exit strategy. At every turn, Gryphon's paramount goal is to increase the intrinsic operating value of our portfolio companies and, as a result, generate superior risk-adjusted returns for fellow shareholders and our investors.

Gryphon statistics:

- Founded in 1995
- 50+ acquisitions completed
- 17 investment and operations professionals
- Three industry specialty groups
- A fully integrated Operations Resources Group

Investment criteria:

- \$25 million to \$75 million equity investments
- Traditional buyouts, leveraged build-ups, and growth equity investments
- Control or shared-control positions
- Three to seven-year investment holding periods

Gryphon's strategy and business model have been built specifically to make attractive investments in the middle market throughout the economic cycle.

"Back to Basics." Following the pop of the technology/telecom bubble, "back to basics" has become the business and investment mantra for the new millennium. Hindsight is 20/20. Although Gryphon was headquartered in the epicenter of the Internet craze, we maintained our disciplined focus on the "basic" but challenging goal of making business-building investments in real companies where operating value can be increased significantly.

Substantial and Inherent Inefficiencies. Middle-market companies with annual revenues in the \$25 million to \$250 million range number 80,000-plus today. That's a big, growing, and constantly changing part of the U.S. economy. Yet, these companies attract only 25% of all private equity capital, with most such capital focused on either risky venture companies or large and mega-market companies with questionable growth prospects. In addition, many owners of companies in the lower-end segment of the middle market properly value confidentiality, speed, and certainty when selling their businesses—characteristics not generally found when conducting protracted, disruptive, and intrusive investment banking auctions. Gryphon offers middle-market business owners the potential for high "returns on time" as a result of our dedication to their market and our adherence to processes designed for certainty and efficiency.

Operating Value Creation. Optimizing the operations of a large or multi-national corporation is a daunting challenge. It's complex, costly, time consuming, and, in the end, not always profitable. However, in the middle market, smart management teams and financial partners like Gryphon can have a direct, immediate impact on companies. Upgrading IT systems, expanding into a related market, recruiting an impactful key executive, correcting under-capitalized balance sheets, and targeting accretive add-on acquisitions are all typical initiatives that a middle-market company and Gryphon can precisely plan and execute quickly. For shareholders, that means bigger returns sooner.

Specialized Niche Opportunities. The middle market has innumerable niche industry segments, each with unique competitive and growth prospects. Gryphon capitalizes on this dynamic by organizing our efforts along three industry specialty groups which, in aggregate, cover the bulk of the United States' economy. With our specialty group focus, we are able to efficiently identify attractive niche opportunities. We have a deep network of contacts in each group, which often provides us insights and has been important to Gryphon's extensive track record of efficiently closing proprietary and privately negotiated transactions. With team members focused on specific sectors, we are able to analyze critical issues faster without compromising the quality of our judgment, as well as counsel our companies with relevant, value-added advice from the very inception of our relationship.

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Our three industry specialty groups all reflect Gryphon's firm-wide commitment to two key tenets; "knowledge is good", and "relationships matter".

Gryphon's commitment to three industry groups allows us to maintain deep domain knowledge and specialized industry relationships by sector. Within these sectors, we proactively target companies where we believe attractive growth results can be achieved with strong management teams and the highly focused Gryphon approach. Industry factors of interest include high fragmentation, scale advantages, and strong underlying demographics or demand drivers. We also search for "contrarian" plays within cyclical businesses.

Business Services — Gryphon is attracted to the superior growth prospects and high fragmentation of this relatively young \$2.5 trillion sector, as the U.S. continues to evolve to a knowledge-based economy with an increasingly important role for service providers. Our conviction in this sector is borne from our belief that people matter, long-term cycles will prevail, and the customer will always be king. Our portfolio companies in this sector have ranged from Allied Security, a \$500 million provider of outsourced security guard services, to Miller Heiman, a small but leading provider of sales force training and consulting services to Fortune 500 companies around the world.

Consumer/Retail — The consumer/retail sector, representing \$2 trillion of the United States' gross domestic product (GDP), is well suited for Gryphon's attraction to fundamental value within stable markets. Our consumer/retail group generally looks for companies at the crossroads of demographic trends, lifestyle changes, and brand power. When relevant targets are identified, we are prepared to execute with speed and agility. The collective investment and operating history of Gryphon professionals in the consumer/retail arena is rich, including experience with such household products leaders as Clorox, P&G, and Hunt Wesson, as well as our portfolio companies Bright Now! Dental, Eight O'Clock Coffee, and The Gingiss Group.

General Industry — Our definition of "General Industry" brings together 11 industry sectors which, in aggregate, represent more than \$4 trillion of the United States' GDP. The professionals of Gryphon have extensive experience in many segments of our general industry sector, including automotive, chemical, general manufacturing, health care, and hotels. General industry portfolio company investments of Gryphon range from the buyout of MSD Ignition, a leading manufacturer of branded performance automobile parts for the aftermarket, to the formation of Intelligrated, a company dedicated to becoming the industry leader in high speed, automated material handling solutions.

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Given the stage of the economic cycle in the late 1990's, Gryphon was highly focused on investments in recession-resistant industries with stable but superior growth prospects. Such focus resulted in a proactive industry initiative to build a company with a strategy of higher quality services in the \$12 billion security guard industry. After contacting over 70 potential platform companies, Gryphon acquired in 1998 SpectaGuard, a leading regional company with \$70 million of revenues that focused on recruiting, training, and retaining quality guards, and enjoyed industry leading profit margins. Management and Gryphon then aggressively focused on attractive consolidation opportunities through add-on acquisitions and organic growth initiatives. Renamed Allied Security in 2000, the company targeted its higher quality services on six vertical markets, including "class A" high-rise office buildings and shopping centers. With a large sales and marketing team built during Gryphon's ownership, Allied Security ultimately became a national company and the market leader in many major U.S. cities. Five years after our initial investment, Allied Security was the industry's largest private company with revenues in excess of \$500 million. Gryphon sold the company in 2003 through a management buyout and realized 3x our total investment.

All private equity firms are not created equal.

It is a combination of the character of the people on the team, the relevance of their experience, their thinking, and their tools that differentiates one firm from the next.

Our investment approach is focused and deliberate. We concentrate our attention and investments in targeted areas of the lower-end segment of the middle market where we often form proactive exclusive partnerships with proven executives.

We work diligently to stay abreast of industry changes and market dynamics, and actively share that knowledge both internally and with our networks. Our proactive initiatives allow us to see a lot of deals—exposure that provides us with invaluable knowledge on an array of companies, numerous benchmarks to help accurately evaluate future investment opportunities, and visibility to future M&A candidates for our companies. Our volume of transactions and deep domain expertise have also allowed us to develop a due diligence process that is fast and thorough.

Once an investment is made, the interaction between Gryphon and our portfolio companies continues to grow. Our value goes much deeper than the capital we provide. For each company, we gauge our interactions to ensure that we continually provide management teams with ready access to the appropriate Gryphon professionals, tools, and connections. Our extensive network of contacts, from top industry executives to blue-chip law and executive search firms, are truly “on call” for Gryphon companies.

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Gryphon's investment in Bright Now! Dental began when the firm proactively targeted the \$70+ billion dental services industry in partnership with a health-care services management team including Steve Bilt. A potentially highly profitable, yet highly fragmented industry, Gryphon and Mr. Bilt were convinced there was an opportunity to create a market leader and jointly identified the right acquisition to build a platform company. We completed the acquisition of Consumer Dental Offices, renaming the entity Bright Now! Dental, and within 90 days had orchestrated two additional acquisitions that provided the company a total of 46 dental offices in four key U.S. markets. That was 1998. Subsequently, Mr. Bilt was named CEO and, together with Gryphon, built a team and an infrastructure that is now the envy of the industry. Today, following years of exceptional organic growth, new office openings, and the recent add-on acquisitions of publicly traded Monarch Dental and Castle Dental, Bright Now! Dental is the industry's leading company with a national network of approximately 300 offices and revenues approaching \$400 million. More importantly, Mr. Bilt's and Gryphon's disciplined partnership to build a high value-added company should enable Bright Now! Dental to more than double its business in the next few years.

The operating advantage.

Gryphon was founded on the belief that many middle-market companies offer exceptional opportunities for generating untapped equity value when the right strategic emphasis, operational improvements, and business-building initiatives are applied. But often, middle-market companies lack the resources, time, or tools to pursue all of their opportunities for value creation.

Our Operations Resources Group provides a unique advantage to Gryphon-backed companies. With frontline experience running companies and building teams, and with proven processes and tools, our team is an immediate, meaningful resource for Gryphon portfolio company executives. We work closely with company CEOs, CFOs and other managers to tackle real-world problems: How do we build and better manage a sales pipeline? How can the company's days sales outstanding be reduced or profit margins improved? What is the right plan for upgrading the IT systems? For management teams already in a grooved swing, the Operations Resources Group serves as a valued sounding board and conduit of communication so that all team members remain fact-based and responsive.

The Gryphon Operations Resources Group approaches its contributions through four key life-cycle stages of a portfolio investment:

Pre-Closing. The group works closely with Gryphon's investment professionals in assessing proposed investments and mapping a strategy for smooth operational transition to Gryphon ownership.

Start-Up. Our paramount goal is to work with companies to optimize their operations and identify under-leveraged growth opportunities (either through market or product/service line expansion or via strategic acquisitions). Early emphasis is placed on financial and management reporting, comprehensive planning, and upgrading value-added processes.

Going Concern. We work closely with management to track execution of the company's plan, assisting on an as-needed basis on special projects, and providing access to qualified resources, including legal, accounting and domain-specific consultants.

Exit. Our integrated approach with Gryphon investment professionals and senior management helps maximize shareholder value by confirming achievable financial projections, resolving early any management succession issues if they exist, and assisting in a smooth sale process.

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Building leading businesses is hard work but creates real value. For example, Gryphon uncovered in 2003 a “diamond in the rough” within the attractive coffee industry. The “diamond” was Eight O’Clock Coffee, an under-managed branded company nearly 150 years old with an over-50% share in the packaged whole bean coffee market. The “rough” was the combination of Eight O’Clock’s Coffee’s ownership by a distressed, cash constrained grocery chain and the fact that Eight O’Clock Coffee was not stand-alone company—it depended on extensive corporate services, office space, and management resources from the parent company. Where other private equity firms saw headaches and challenges, Gryphon saw opportunity to build a leading consumer product company. Since acquiring the company in late 2003 with its President, Barbara Roth, we have together executed our plan of: hiring a CFO, VP of Sales, and VP of Operations; supporting the major introduction of a ground coffee product line; implementing new IT systems; improving manufacturing operations; relocating into stand-alone corporate headquarters; and, launching an exciting TV advertising campaign for the first time in company history. The result? In record time, Eight O’Clock Coffee has been built into a company on the move, with a distinct value gourmet product offering and independent capabilities to guide its own destiny.

In the investment business, the value of the team is incalculable.

Good chemistry and synergistic skills among the firm's employees, advisors, and portfolio management teams are crucial. Within the increasingly competitive dynamics of American business, the value of highly functional teams can be the difference between success and failure—especially in the people-intensive lower-end segment of the middle market.

The Gryphon team includes 20+ professionals and 30+ total employees, all dedicated to capitalizing efficiently on deal opportunities and working with our companies to optimize their performance and grow their businesses. Gryphon's truly differentiated business model includes specialized investment and operations professionals that work on a fully integrated basis to maximize results. We've been able to recruit top talent at all levels based on our team-oriented culture, our differentiated strategy, and the tangible successes of our investments.

Gryphon's executive advisors.

Our firm is also fortunate to count a number of top executives as trusted Gryphon advisors. The members of our Executive Advisory Board are organized by Gryphon industry group where they contribute their respective specialized expertise, experiences, and personal contacts. Such contributions include analyzing industry segments, screening targets, referring specialized resources, and maintaining winning strategies for Gryphon in our activities.

Access our team.

The collective experience of Gryphon's professionals, our executive advisors, and our specialized consultants is invaluable. From "big industry" to "start-ups", the "old" to the "new" economy, finance to operations, legal to marketing, our team has a diversity of deep insights not often available to companies in the lower-end segment of the middle market. Access to and utilization of such resources is a fundamental value provided to Gryphon portfolio companies and executives. Gryphon's daily integration of the tenets "knowledge is good" and "relationships matter" enhances further our ability to build leading businesses in the middle market.

Using credit or debit cards instead of cash has become commonplace for today's consumers. Combine this trend with the move by many financial institutions to outsource management of their point of sale (POS) systems, and Rocklin, California-based TASQ Technology was at the center of a hot market. Through a proactive industry initiative targeting this sector, Gryphon's proprietary analyses and discussions revealed that TASQ was developing a leading competitive position that could be built upon further. In 1998, the founders of TASQ and Gryphon completed a leveraged recapitalization that provided the company with capital to fuel market expansion while providing the founders with sizable personal liquidity. In partnership, Gryphon and TASQ management aggressively pursued a plan to firmly establish TASQ as the long-term leader in its sector. A successful growth strategy was executed that ultimately included two add-on acquisitions. In parallel, the company built a 100,000 square foot state-of-the-art facility to absorb the dramatic increases in volume as revenues doubled to \$100 million in just three years. Viewed by strategic parties as the leader in its field as a result of these efforts, TASQ was acquired by First Data Corporation in 2001, providing Gryphon with a return of 4x our original investment.



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Contact us today.

Gryphon Investors welcomes investment proposals and referrals from executives, investment banking firms, lenders, business brokers, attorneys, accountants, and business owners/managers.

Every introduction and potential opportunity receives proper consideration and a timely response from Gryphon. We recognize the delicate nature of confidential information and handle each interaction with absolute discretion.

*Proposals and inquiries should be directed to a
Gryphon professional in our San Francisco office at:*

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*For more information on Gryphon, including a summary
of our recent announcements, please see our website at:*

www.gryphoninvestors.com



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