To Sell or Not Sell The Family Business- YES

Moderator
Professor Lloyd E. Shefsky
Founder & Co-Director,
Center for Family Enterprise
Kellogg School of Management

Panelist
Ben Shapiro
Manager, Mason Avenue Investments &
Former Owner of Prairie Packaging, Inc.

Clay Mathile
Aileron Founder & Former Owner of
The IAMS Company

Jim Stephen
Executive Chairman,
Weber-Stephen Products, LLC

John Honney
Practice Lead- Business Owner
Advisory Services, Northern Trust
Diversification and protection of family wealth are the principal obligations of our generation. Having all our eggs in one basket is irresponsible, a violation of our fiduciary duty and a sign of arrogance. We aren’t our (grand)father/mother. Things are different now, and we must reinvent.

Moderator: Professor Lloyd E. Shefsky, Founder & Co-Director, Center for Family Enterprises, Kellogg School of Management

Panelists:
• Clay Mathile, Aileron Founder & Former Owner of The IAMS Company
• Ben Shapiro, Manager, Mason Avenue Investments & Former Owner of Prairie Packaging, Inc.
• Jim Stephen, Former CEO of Weber-Stephen Products, LLC
• John Honney, Senior Vice President, Northern Trust
FAMILY BUSINESS INVITATIONAL CONFERENCE

WELCOME
Wednesday, May 14, 2014

Professor Lloyd E. Shefsky
Founder & Co-Director of the Kellogg Center for Family Enterprises
Clinical Professor of Entrepreneurship
Kellogg School of Management, Northwestern University
Someday, son, all of this will be yours.
Someday, son, none of this will be yours.
I’m selling the family business.
Someday, son, all of this will be yours.

Someday, son, none of this will be yours. I’m selling the family business.
To Sell or Not to Sell the Family Business - YES
The IAMS Company Story

Clay Mathile
Aileron Founder & Former Owner
of The IAMS Company
Background

- G.M. 1962 – 1963
- Campbell Soup 1963 – 1970
- Joined IAMS June 1970
- Purchased IAMS 1981

Born in 1941, Graduated Ohio Northern 1962, Married High School Sweetheart, Mary, 1962

Work Experience:

- G.M. 1962 – 1963
- Campbell Soup 1963 – 1970
- Joined IAMS June 1970
- Purchased IAMS 1981

(5) Children (5) Married-Ins (15) Grandchildren

TIMELINE

- 1970-75
- 1982
- 1982 Prof. Mgt.
- 1985 IAMS U.
- 1986 BOD
- 1990 Hired COO
- 1991-99 Grew 500%
- 1999 Sold to P&G

2x
IAMS - Keys to Success

- Technology (Nutrition)
- Professional Management
- IAMS University
- Outside Board
- Hired COO
- CCPP Strategy
IAMS - Reasons for Selling

- Industry
- Retail Channel
- Debt

Succession Plan
- GRATS (1992)
- Family Office (1993)
- Family Council (1995)
- Decision to Sell (1997)

- More Resources to Pursue More of Our Dreams
IAMS - Concerns About Selling

- Family
- Community
- Science
- People
IAMS - What I Wanted...

- IAMS to Remain in Dayton
- Employees are Rewarded
- Buyer will Respect the Integrity of the Company’s Science and Technology
- Valuation Based on Strategic Perspective
- P&G Satisfied Those Better than Anyone
1. The IAMS Company would survive and prosper forever.

2. The IAMS Company would be recognized as the world leader in dog and cat nutrition.

3. Use our talent, knowledge and wealth to help people less fortunate reach their full potential.

4. I would do my part to perpetuate the “Great American Dream” by supporting our free enterprise system and entrepreneurism.

5. A Family United Forever.
Mathile Family Office
"Education is the greatest social and economic equalizer."
- The Mathile Family
87 Mothers and Children building their future stories
Significant Improvements within Six Months
76,000+
Hours Invested in Helping Businesses
Grow in 2013
My Advice

Have something more important/fun to do!
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To Sell or Not Sell The Family Business- YES

Ben Shapiro
Mason Avenue Investments & Former Owner
Prairie Packaging, Inc.
<table>
<thead>
<tr>
<th>Date</th>
<th>History</th>
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<tbody>
<tr>
<td>1911</td>
<td>Russian immigrant Joseph Shapiro and his four brothers start an ice cream cone bakery firm</td>
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<td>1919</td>
<td>The business relocates to Baltimore and becomes Maryland Baking Company</td>
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<td>1957</td>
<td>Responding to the competitive threat of paper cups, the company begins manufacturing paper and plastic cups and changes name to Maryland Cup Company</td>
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<td>1961</td>
<td>Family combines their businesses into one company for initial public offering</td>
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<td>1980</td>
<td>Sales reach $580 million after two decades of steady growth</td>
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<td>1983</td>
<td>Maryland Cup Company is acquired by Fort Howard Paper Company; Shapiro family exits</td>
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<td>1986</td>
<td>Third-generation Earl Shapiro founds Prairie Packaging, Inc. in Chicago as a green-field manufacturer of disposable plastic dinnerware</td>
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<td>1995</td>
<td>Fourth-generation Matthew Shapiro joins Prairie Packaging as Vice President, Marketing</td>
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<td>1995</td>
<td>Prairie Packaging receives its first Sysco Top 100 Supplier award – an honor it continues to receive in each of the thirteen subsequent years</td>
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<td>1998</td>
<td>Fourth-generation Benjamin Shapiro joins Prairie Packaging as Vice President, Strategic Planning</td>
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<td>2003</td>
<td>Prairie Packaging named Sysco Supplier of the Year</td>
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<td>2007</td>
<td>Sales grow to over $500 million entirely through organic growth; Prairie is largest supplier of disposable plastic dinnerware to Sysco Corp., McDonalds, and Sam’s Club</td>
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<td>2007</td>
<td>Pactiv Corp. offers $1 billion for Prairie Packaging; Shapiro family accepts offer and exits</td>
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<td>2014</td>
<td>Benjamin and Matthew Shapiro seek a long-term investment in manufacturing businesses where they can leverage their strong customer relationships and operational skills to generate substantial growth</td>
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Prairie Packaging Gross Sales 1998 – 2007E
2007 Strategic Issues

• Customer Concentration
• Potential Margin Pressure
• Law of Large Numbers- Slowing Top-Line Growth
• Founder’s Health
Should We Sell? Our Decision Matrix

• Approach The M&A Market From A Position of Strength
• Valuations And LT Gains Tax Both Historically Favorable
  – Need To Grow Business 50% If Reversion To Mean
• Fear Of Public Auction
• PE Versus Strategic Buyer?
To Sell or Not Sell The Family Business- YES

Jim Stephen
Weber-Stephen Products, LLC.
Executive Chairman
Weber-Stephen Products LLC
A Family Story...
The Offer You Can’t Refuse
Urban Myth?

John K. Honney
Northern Trust
Director, Business Owner Advisory Services
Capital Overhang Keeping Multiples High

U.S. Private Equity Overhang
(Committed, Uninvested Capital)

$126 billion at least 5 years old.

Source: PitchBook.

U.S. PE Fundraising by Year

Source: PitchBook.

Middle Market Deal Activity and Valuations

Source: PitchBook.
Considerations in the Sell Versus Hold Decision

- Personal Factors
- Public Alternatives
- Compulsions
“Most individuals and families… needed to be propelled into the market by specific circumstances in the life of the family business or its industry – what David Heller of Bertram Capital… describes as ‘Event-Driven’ selling.”

- Andy Greenberg, CEO of GF Data Resources
Succession Data Highlight the Need for a Backup Plan

- **30%** of businesses make it from the founders to second generation

- Less than **18%** survive into the third generation

- **30%** of businesses taken to market fail to sell

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