

Christopher J. Collins
Vice President
312.870.1359

July 18, 2003

Scott K. Parrish
Investment Officer – Private Equities
Teachers' Retirement System of the
State of Illinois
2815 West Washington
Springfield, Illinois 62794

Dear Scott:

As we discussed this morning, enclosed please find a completed Private Equity Manager Questionnaire for Glencoe Capital Partners III, L.P., respectfully submitted by Glencoe Capital, LLC.

We appreciate your continued interest in Glencoe and look forward to speaking with you further after you have had an opportunity to review this information. In the meantime, please do not hesitate to contact me with any comments or questions.

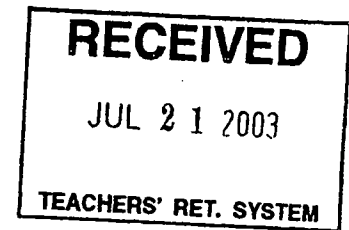
Best regards,

A handwritten signature in black ink, appearing to read "Chris Collins".

Christopher J. Collins

Enclosure

**Teachers' Retirement System
of the State of Illinois**



Private Equity Manager Questionnaire

The Teachers' Retirement System of the State of Illinois ("TRS") Private Equity Manager Questionnaire will be the primary source of information for TRS to evaluate **GLENCOE CAPITAL, LLC** (the Manager) as a potential provider of services. For this reason, it is important that the information provided be complete and in the format requested. Please keep your response to each question to one or two pages. In addition, please restate the question on each response. Many questions can be answered with a brief response. Please submit your completed questionnaire with attached exhibits, tabbed accordingly, as a bound document.

Organization and Management

1. Contact and Company Information:

Name of Firm: Glencoe Capital, LLC
Mailing Address: 222 West Adams Street, Suite 1000
City: Chicago State: IL Zip Code: 60606
Phone: 312-795-6300 Fax: 312-795-0455

Federal Employer Identification Number: 36-4178164

Contact Person(s):

Name: Christopher J. Collins Phone: 312-870-1359
Title: Vice President Fax: 312-795-0455 Email: ccollins@glencap.com

- 2. Is your firm currently registered as an Investment Advisor under the Investment Advisors Act of 1940? If yes, please attach a copy of your most recent SEC Form ADV (tab as Exhibit A). If no, please explain why.**

Glencoe Capital is not currently registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisors Act"). The Firm is not in the business of advising others regarding securities and therefore does not fit within the definition of "investment advisor". Furthermore, even if Glencoe Capital were deemed an investment advisor, the Firm would be exempt from registration under Section 203(b)(3) of the Advisers Act since it had fewer than 15 clients during the last 12 months and it neither holds itself out as an investment adviser nor does it advise an investment company or business development firm.

3. Is your firm currently registered to do business in the State of Illinois as an Investment Advisor?

No. As stated in question #2, Glencoe Capital is not in the business of advising others regarding securities and therefore does not fit within the definition of "investment advisor".

4. Describe the entity TRS would contract with for the proposed investment advisory services, and the ownership structure of that entity. Provide each identified entity's involvement in private equity within the last five years.

TRS would invest in Glencoe Capital Partners III, L.P. ("Fund III") as a Limited Partner. Glencap Managers III, LLC, a Delaware limited liability company, is the general partner for Fund III (the "General Partner"). The manager of the General Partner is Glencoe Capital, LLC, a Delaware limited liability company.

Glencoe Capital is a merchant bank formed to source, execute, and manage proprietary private equity investments, as well as to engage generally in alternative investment management, merchant banking, investment banking, independent research, and strategic management consulting activities. As of June 2003, Glencoe Capital has approximately \$750 million of private equity assets under management.

Glencoe Capital has been retained to provide services to Fund III. It is responsible for identifying, structuring, negotiating, arranging financing, executing, managing, and ultimately realizing value in the portfolio company acquisitions made by Fund III. It will also be responsible for the day-to-day operations of Fund III. Compensation to Glencoe Capital for these services will be its ownership interest in the General Partner and/or the assignment of certain fees payable to the general partner.

The services of the Managing Directors and Investment Professionals are available to Fund III through Glencoe Capital, which also actively manages the activities of the Executive Network and the portfolio companies of Fund I and Fund II. The Managing Directors and investment professionals will devote substantially all of their time to Fund III and its affiliates as well as outstanding Fund I and Fund II matters.

Since 1993, Glencoe Capital has been responsible for completing 15 lead-sponsored acquisitions for Fund I and Fund II, totaling \$215 million in private equity investments. Glencoe Capital has also arranged in excess of \$600 million in committed debt financings in support of these acquisitions.

In addition to the above involvement by Fund I and Fund II, Glencoe Capital's Managing Directors have more than 60 years of combined experience in private equity investing and merchant banking with particular expertise in acquiring micro-cap publicly-traded and private companies. These individuals have collectively completed in-depth evaluations of more than 150 such companies and have managed significant acquisitions of a number of them. In addition, the Managing Directors have extensive experience in the strategic management of micro-cap publicly-traded and private companies, including service on boards of directors; development of in-depth strategic business plans; capital raising; merger and acquisition projects; assistance in management recruitment; design of incentive compensation plans; and management of liquidity strategies for major shareholders and key executives.

5. Is the management entity covered by errors and omissions insurance? If yes, how much coverage do you have? If no, please explain why.

The Glencoe entities are currently covered by an errors and omissions policy. The limit of liability is \$10 million and the deductible is \$150,000. Glencoe Capital annually reviews the policy's limits to determine whether a greater amount of coverage is necessary based on the capital under management.

7. What safeguards for the investors is your firm providing in the event there is turnover of key people in the firm (e.g. limited partner advisory board, key person provisions, and/or no-fault termination provisions)?

Glencoe Capital, a merchant bank formed to source, execute, and manage proprietary private equity investments, as well as to engage generally in alternative investment management, merchant banking, investment banking, independent research, and strategic management consulting activities, is the Advisor to Fund III. Glencoe Capital has entered into a advisory services agreement with Fund III and, accordingly, employs the Managing Directors and investment professionals responsible for carrying on these activities. Glencoe Capital believes that the limited partners in Fund III will be protected through the following structural safeguards.

1. Key Man Provision

The Fund III agreement provides for a key man provision that, if triggered, will suspend the commitment period of the fund.

2. Limited Partner Advisory Board

Fund III will establish an advisory board (the "Advisory Board") consisting of representatives of certain Fund III limited partners. The Advisory Board will work with Glencoe Capital in setting general and strategic policy. Upon the request of Glencoe Capital, the Advisory Board will also provide advice and counsel with Fund III's investments, strategic assessments, potential conflicts of interest, and other matters.

3. Managing Directors' and Investment Professionals' Carried Interest Plan

Glencoe Capital has established a plan to allocate the General Partner's carried interest to all Managing Directors and other professionals of the Firm. The plan provides both substantial financial inducements for professionals to remain with the Firm as well as meaningful forfeiture penalties for termination of employment with the Firm.

4. Management Structure

Glencoe Capital employs three Managing Directors, each of whom has been actively involved in investments in micro-cap publicly-traded and private companies for between 10 years and 30 years. The Managing Directors meet in person on at least a weekly basis to discuss pending transactions, portfolio company matters, and other Glencoe Capital related strategic issues. Accordingly, Glencoe Capital is not dependent upon any one individual Managing Director and could operate successfully in the unlikely event that one of these individuals resigned from the Firm. In addition, there are nine other professionals directly responsible for private equity investing activities.

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- 8. Provide an organizational chart (tab as Exhibit B). Include the number of investment professionals and non-professionals. Identify your key employees by title, years with your firm, years as an investment professional, years of Private Equity experience, and educational background. Also, please provide a short biography of the individuals.**

See Exhibit.

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9. Give a brief description of your firm's compensation arrangements for investment professionals (e.g. salary, bonus, group/individual performance incentives, profit sharing, equity ownership, etc.).

Glencoe Capital compensation program provides for base salaries, coupled with bonus performance incentives, meaningful participation in the Firm's "Carried Interest" plan, as well as direct investment in Fund III.

The Firm has a compensation committee (the "Compensation Committee") which governs all compensation matters. The Compensation Committee has established a plan (the "Carried Interest Plan") that provides for the allocation of the General Partners' Carried Interest to certain Firm Professionals. This is a significant and critical part of each professional's incentive performance motivation.

The following summarizes the key elements of how a professional at the Firm is compensated:

Base Salary

Base salaries tend to be set at amounts competitive with and comparable to positions for similar size private equity firms as reported in the *Private Equity Analyst*. The compensation program is designed to create a highly financially incentivized compensation structure.

Bonus Plans

Formal bonus plans have been established at the Firm:

- **Performance Bonus Plan:** The Performance Bonus Plan establishes minimum and maximum bonus targets for all professional staff. Minimum Performance Bonuses will be paid beginning first with the entry level positions proceeding up to the Managing Director level; to the extent profits are available. Minimum Performance Bonuses will not be paid if the Firm has insufficient revenues or if the person resigns or is not meeting performance expectations. Payments made under this plan, in excess of the minimum level, will be considered in determining the amounts payable under the Profit Sharing Bonus plan.
- **Profit Sharing Plan:** Forty percent (40%) of all profits (after reduction for performance bonuses in excess of minimum amounts) are allocated to the Profit Sharing Bonus pool. Each participant will receive, at the beginning of each year, points in the pool based on their professional level. There will also be a reserve of unallocated points ("Float Points") to be allocated to the Chairman at year-end. Each participant's Profit Sharing Bonus will be determined by calculating their pro rate portion of the allocated points to the pool based on the ratio of their awarded points plus Float Points over the total points in the pool.
- 60% of profits are retained by the Firm. Retained profits are currently invested in the following high priority development areas:
 1. Targeted Marketing Programs Related to Private Equity Investing Activities
 2. Executive Network Operations
 3. Technology Systems Expansion
 4. Professional Staff Training

5. European Market Initiatives

Carried Interest / Equity Participation Plan

All professional staff above the entry level of analyst are eligible to participate in the General Partners' carried interest incentive profits from the activities of the Fund. Carried interest participation is generally allocated on the basis of seniority and responsibility within the Firm. A substantial portion of carried interest profit realization is tied to continued employment with the Firm during the investment identification, execution, monitoring and exiting phases of the investment process. Substantial forfeiture penalties for allocated carried interests exist for departure from the Firm.

Equity Investment in the Fund

Based upon current commitments of the Principals and professional staff eligible for the Carried Interest Plan, all individuals will participate in the General Partners' equity investment in the Fund.

10. Is your firm planning to hire any additional personnel, professional or support, in connection with the management of the new fund? If yes, please explain. If no, please explain.

Glencoe Capital currently employs eleven professionals focused on lead-sponsored private equity investments, and the organization's team includes seven Executive Network chairmen. The Executive Network Chairmen are integral in Glencoe's investing activities, spending approximately 10 days a month (or a substantial portion of their "business time") on Glencoe Capital activities. In close coordination with Glencoe professionals, these seven senior executives lead the activities of the Executive Network industry specialty groups, including an active participation in the proprietary sourcing, operational assessment, and strategic designing of investments.

At present, Glencoe Capital is seeking to add two to three additional professional staff resources in conjunction with a final closing of Fund III. In addition, as has historically been its practice, the Firm expects to maintain the flexibility to opportunistically address future staffing needs as they arise at any level within the organization.

11. Does your firm do business in areas other than asset management (brokerage, consulting, etc.)? If so, please provide a listing of your firm's divisions along with their contribution to the firm's total revenues and expenses (in percentage terms). Is it anticipated that the entity TRS is considering retaining will use the services of affiliate firms? Do you consider this a conflict of interest? Why or why not?

Glencoe Capital's sole business is in the area of asset management, predominantly serving an institutional client base (public pension funds, insurance companies, endowments, etc.). At present, Glencoe Capital's asset management activities center around providing alternative investment products, both lead-sponsored and co-investment services, to its clients.

Glencoe Capital's lead-sponsored private equity investing activities are conducted through the Glencoe Capital Partners Funds, including Fund I, Fund II, Fund III, and the Co-Investment Fund, for which Glencoe Capital has been contracted as advisor. Glencoe Capital is responsible for identifying, structuring, negotiating, arranging financing, executing, managing, and ultimately realizing value in the portfolio company acquisitions made by Fund III. It will also be responsible for the day-to-day operations of Fund III. Compensation to Glencoe Capital for these services will be its ownership interest in the General Partner of Fund III and/or the assignment of certain fees payable to the general partner.

In addition, Glencoe Capital's parent company, Glencoe Limited, LLC, owns an entity called Stockwell Capital. Stockwell Capital manages the activities of the Stockwell Funds, a family of funds targeted toward large institutional investors to jointly develop alternative asset programs. Presently, the sole activity of the Stockwell Funds is serving as the exclusive manager for the direct investment activity of a large public pension fund. The Stockwell Funds are staffed by a separate team of professional resources than the Glencoe Capital Partners Funds, though the two entities do submit investment proposals to the same Investment Committee.

Although similar in business scope, the business activities of the Glencoe Capital Partners Funds and the Stockwell Funds are completely separate and Glencoe Capital does not deem them to be a conflict of interest. Aside from the separate staff resources dedicated to each business unit, strong formal anti-conflict provisions and "Chinese Wall" safeguards are in existence to further mitigate any potential conflicts of interest.

12. Did or will the firm provide or share, agree to provide or share, or arrange to receive, provide or share any payment, compensation, benefit or reciprocal influence, direct or indirect, to any individual or entity for assisting in: (a) soliciting, marketing for, or obtaining the engagement; or, (b) maintaining the engagement or performing the services pursuant to the engagement? If the answer is "yes," provide for each such individual or entity: (a) the name and address of the individual or entity, (b) a description of the assistance provided, and (c) the payment, compensation, benefit or reciprocal influence. *(In the event the investment manager has agreed to pay a third party any introduction or referral fee in the connection with the proposed investment management relationship with the System, Staff shall disclose to the Board in writing before the investment relationship is approved by the Trustees the identity of the payee as well as the terms of any such proposed payment prior to the System becoming obligated to proceed with the investment.)*

Sheldon Pekin, a co-founder and Chairman Emeritus of Glencoe Capital, receives payments in connection with his outside consulting activities for the firm. His consulting work focuses on developing Illinois-based institutional investors for Glencoe Capital. It is estimated that in connection with his consulting work, Mr. Pekin will receive \$150,000 per annum over the next three years for his work as it relates to TRS.

13. Provide the firm's most recent financial statements (tab as Exhibit C).

See Exhibit.

Legal Issues

14. Has your firm ever been involved in any litigation arising from the firm's role as an investment manager? Is your firm currently involved in any litigation? Please comment.

None.

- 15. Has a civil legal judgment of any kind ever been entered against a shareholder, partner, member, officer or key employee of your firm? If the answer is yes, please provide the details including the date of judgment, jurisdiction and the current status of the proceeding.**

After extensive due diligence, none to the best of our knowledge.

- 16. Has any current shareholder, partner, member, officer or key employee of your firm ever been terminated or forced to resign from his/her employment for reasons related to professional competence, ethical and/or financial improprieties and/or unsatisfactory performance? If the answer is yes, please provide the details including the name of the individual and the identity of the former employer. Please send a copy of the reference authorization letter to the terminated individual.**

After extensive due diligence, none to the best of our knowledge.

17. Has any shareholder, partner, member, officer or director of your firm ever been charged with and/or convicted of a criminal offense (other than traffic court violations) or charged by any regulatory agency with violations of any of its rules and/or regulations or, to your knowledge, investigated by any regulatory agency for potential violations of any of its rules and/or regulations? If the answer is yes, please provide all details including the caption of the proceeding and its resolution and/or status.

After extensive due diligence, none to the best of our knowledge.

Assets Under Management

18. Describe the total investment portfolio currently managed by your firm, including the total assets currently under management. Provide gross and net returns for prior fund(s) and for all investments made since inception. Provide a separate list for all private equity investments made, in the format requested in Schedule A (tab as Exhibit D).

As of July 2003, the Glencoe Capital entities have approximately \$750 million of private equity assets under management. The Glencoe Capital Partners Funds have approximately \$275 million of unrealized value in current investments and \$175 million of committed, available capital for Fund III. The Stockwell Funds have approximately \$300 million in invested and available capital.

Gross and net IRR's for Fund I and Fund II are provided in Exhibit D, as is a listing of all previous private equity investments in the form of Schedule A.

19. Provide a list of “hard” and “soft” commitments to the fund you are currently marketing. Please provide the allocation each investor has made, or is anticipating making, to your new fund. Please provide the total dollar amount of commitments you are seeking for the new fund. Also, please provide the maximum dollar amount of commitments your firm will accept for the new fund.

Fund III is seeking total commitments of \$250 million, and has a maximum limitation of \$400 million pursuant to the terms of the Partnership Agreement. As of May 2003, Fund III has closed on \$174.5 million. Fund III's current investors and their respective commitments are listed below.

<u>Investor</u>	<u>Commitment</u>
Caisse de Depot et placement du Québec	\$30.0
Ontario Teachers' Pension Plan Board	30.0
State of Michigan Retirement System	25.0
Massachusetts Mutual Life Insurance Co.	20.0
Public Endowment ⁽¹⁾	20.0
Phoenix Life Insurance Company	10.0
John Hancock Financial Services	7.5
Sahara Investments, LLC	5.0
BMO Nesbitt Burns	5.0
New York Life Insurance Company	3.0
Comerica Bank	3.0
Ahlberg Family	3.0
DLJ Fund Investment Partners III, L.P.	2.0
General Partner & Executive Network	<u>11.0</u>
	<u>\$174.5</u>

⁽¹⁾ Pursuant to the terms of a confidentiality agreement with this investor, Glencoe is prohibited from disclosing their identity without prior written permission.

20. Provide a schedule showing the projected capital calls to the new fund and projected distributions from the new fund for each year of the partnership.

The following presentation is based upon the following assumptions:

Glencoe Capital Partners III, LP closes with \$250 million.

Investments are made in the following years:

2003	2
2004	4
2005	4
2006	3
2007	1

Investments are sold in the following years (average holding period of four years):

2006	1
2007	2
2008	3
2009	4
2010	3
2011	1

The average transaction requires an equity investment of \$17.85 million.

The average investment returns 28.0%.

Carried interest of 20% is paid to the General Partner

	<u>Capital Calls ⁽¹⁾</u>	<u>Distributions</u>
2003	\$35,700	\$0
2004	\$71,400	\$0
2005	\$71,400	\$0
2006	\$53,650	\$40,700
2007	\$17,850	\$96,000
2008	\$0	\$144,000
2009	\$0	\$192,000
2010	\$0	\$184,500
2011	\$0	\$48,000
	<u>\$250,000</u>	<u>\$705,200</u>

⁽¹⁾ Excludes payment of organization costs, partnership expenses and management fees.

Deal Flow

21. How does your firm generate deal flow?

Deal flow is generated in several discreet ways:

Executive Network. The industry contacts and relationships of Executive Network members represent the most productive form of deal sourcing for Glencoe Capital. Executive Network members often provide Glencoe Capital with the advantage of being one of the first, if not the only, investors to evaluate a specific potential investment. In certain Glencoe Capital sponsored transactions, the firm has been the only party to assess the proposed opportunity in depth. All members of the Executive Network form this proprietary sourcing system, which has resulted in a significant portion of Fund I and Fund II investments (75% of all platform projects) being secured through Executive Network member relationships.

Investment Banking Relationships. Glencoe Capital's investment professionals have established a broad base of relationships with regional and national commercial and investment banking firms, which they utilize as a source of investment opportunities. National and regional investment banking firms approach Glencoe Capital regularly as a value-added provider of private equity capital in the firm's targeted industry sectors. Further, Glencoe Capital is often approached to consider "public to private" transactions. These organizations often have lending or advisory relationships with micro-cap publicly traded companies that fit Fund III's investment criteria.

Other Investment Management Firms. The Managing Directors have co-invested with other venture capital, private equity, leveraged buy-out, and mezzanine debt investor groups. These relationships offer Fund III the opportunity to exploit other investors' expertise, diversify its portfolio, and broaden executive relationships in addition to the Executive Network. Fund III will co-invest with such investor groups only when it has a high degree of confidence in the lead investor and has appropriate contractual protections. In addition, Glencoe Capital has also established an informal relationship with one of the largest private equity funds in the U.S. whereby they are referred Executive Network generated projects meaningfully outside the scope of Fund III's activities. In turn, this group refers opportunities smaller than their investment objectives, to Glencoe Capital.

European Strategic Alliance. The terms of Glencoe Capital's European strategic alliance arrangement provide that under appropriate circumstances the strategic alliance partner will provide deal opportunities and ideas to Glencoe Capital and will assist Glencoe Capital in identifying, analyzing, structuring, negotiating, documenting, executing, and managing follow-on acquisitions in Europe. In certain circumstances, this cooperation may extend to co-investment with Fund III in European follow-on acquisitions.

22. How extensive is your firm's network of contacts that serve as a source of potential investments?

The following are the key elements of Glencoe Capital's transaction sourcing network:

- The Executive Network – Over 40 Fortune 1000 CEOs and COOs, successful entrepreneurs, and high-level business executives with specialized skill sets. Significantly, over 75% of the platform investments in Fund I and Fund II were sourced by an Executive Network member – as opposed to a financial intermediary.
- A database of over 2,000 business executives, merger & acquisition professionals, investment bankers, lawyers, accountants, commercial bankers, private equity firms and other financial intermediaries who have established relationships with Glencoe Capital and/or its Managing Directors. These relationships cover fully the United States and Canada.
- An organized effort with selected national and regional investment banking firms (William Blair, Piper Jaffray, McDonald & Co., George K. Baum, Schroeders) to actively target public company Micro-Cap revitalizations. Glencoe's expertise in this area makes it a preferred choice as a capital provider when these firms become aware of a revitalization opportunity.

23. How many potential investments does your firm review in a year? How many investments are made in an average year?

Glencoe Capital evaluates approximately 250-300 potential transaction opportunities annually; in an average year, we would expect to make 3-4 investments.

Investment Strategy and Process

24. Why do you believe institutional investors should consider investing in private equity in the current market? Please discuss both favorable and unfavorable characteristics of private equity from the perspective of institutional investors.

Alternative investments offer an attractive diversification technique for an institutional investor. Alternative investments provide the sponsor and investor a higher degree of control over the investment relative to typical public, common stock investing. The sponsor will be able to control the management and strategy of the enterprise in which the investment is made. Alternative investments offer the opportunity to structure the investment security to enhance return while simultaneously allowing the investor to pro-actively manage risk. These advantages are generally unavailable to a traditional, public stock investor. This is partially due to the illiquidity of the investment but also due to the fact that these opportunities are being created by some event and are not actively offered to the much broader public exchange. Glencoe Capital believes that these investments, when exited, can carry values in excess of their private market valuation due to a more extensive sales process, which may include public market registration and distribution. There is typically a significant spread between private equity valuations and middle to large capitalization public equity valuations.

Glencoe Capital believes that its "revitalization" and "focused growth" investing strategies identify and invest in companies (both public and private) that are valued at meaningful discounts to their larger publicly traded comparable companies. The Firm's strategy is to acquire these companies, improve operating performance, expand the business typically via acquisitions and exit the business at a higher multiple value reflective of the change and improvement in the investment.

The most significant unfavorable characteristics of alternative investments are the lack of liquidity, and their generally greater level of risk relative to public market alternatives.

This strategy allows investor returns to benefit from both profit improvement and valuation multiple expansion. Increased value from the joint effect of profit improvement and cash flow multiple valuation expansion magnifies the positive return effect. These returns can be many times greater than either factor alone.

25. What type of private equity strategy does your firm employ? How does it differ from your peers?

Following the same investment strategy utilized in Fund I and Fund II, Glencoe Capital will seek investments for Fund III for which the Managing Directors and the Executive Network have a competitive advantage and/or demonstrated expertise. Fund III's investments will focus on private and public company leveraged buyouts, recapitalizations, and growth equity investments of companies with enterprise values between \$50 million and \$350 million that are generally in one of the six Executive Network industry specialty groups. Particular focus will be given to investments in businesses that Glencoe Capital believes will benefit from revitalization or focused growth.

Revitalizations are situations that require the application of financial resources, strategic management, or major acquisition initiatives to restore growth and momentum to a fundamentally strong and profitable business that has experienced a period of stagnation and undervaluation. Excellent candidates for revitalization include small publicly traded micro-cap companies, orphan divisions of large corporations, and closely-held private companies requiring generational transfers of ownership, new product initiatives, manufacturing or distribution efficiencies, new management, or assistance in transitioning to the "new economy". Companies that would most often benefit from a focused growth strategy are those for which the EBITDA multiple of larger entities within a specific industry sub-sector is meaningfully higher than for similar smaller businesses.

Glencoe Capital believes that the following key aspects of its private equity investing strategy/process serve to differentiate the Firm from its peers:

- **Executive Network.** The Executive Network represents a valuable, highly productive, and unique resource to Glencoe Capital for sourcing, evaluating, and executing investment transactions. Significantly, 75% of all Fund I and Fund II platform investments were sourced by the Executive Network – as opposed to a financial intermediary. In addition, members of the Executive Network provide ongoing advice and counsel to portfolio companies, serve on their Boards of Directors, and assist in identifying and designing exit strategies. Further, Executive Network members invest significant personal capital in the specific companies with which they become involved on terms substantially similar to the respective fund's investment terms.
- **Shared Commitment to Each Investment.** All aspects of Glencoe Capital's process emphasize shared commitment to each fund investment by the firm's professionals and Executive Network members. The firm's Investment Committee consists of the two senior Glencoe Capital professionals and three members of the Executive Network, including one member with extensive buyout experience. In addition, the Executive Network Chairman must co-sponsor with Firm professionals any project that is to be given serious consideration for investment. Executive Network members and Glencoe Capital professionals commit personal capital to each investment, which also further reinforces this shared commitment to each individual investment. This constant sharing of effort is an integral part of the historical success of the Glencoe Capital process.
- **Sophisticated Acquisitions/Divestitures and Corporate Finance Skill Set.** Glencoe Capital's investment professionals have the experience, capabilities and creativity to structure special situation investments, including: revitalizations that require strategic changes and significant

growth initiatives; complex going private and other public company recapitalization transactions; unique divestitures and joint ventures; and family owned business transactions with liquidity, tax, and succession concerns. Each of the Fund I and Fund II investments reflects this innovative financial approach to enhancing potential returns through value-added structuring of the specific transaction.

- **European Strategic Alliance.** Glencoe Capital formed a strategic alliance with a leading European middle-market private equity firm to enable both parties to utilize their proprietary senior executive relationships as well as their experience and expertise when identifying, structuring, negotiating, and completing follow-on acquisitions for portfolio companies crossing the Atlantic Ocean. Glencoe Capital was selected by this strategic alliance partner over a number of significantly larger U.S. private equity firms based on its unique investment process and the proprietary deal sourcing and evaluation capabilities of the Executive Network.

26. The investment opportunity that has been presented to TRS by your organization has been defined in general as a private equity opportunity. Below, please indicate which investment strategy, as defined by TRS, best describes your proposed investment strategy. Please comment as necessary.

- Venture Capital**
- Buyout**
- Subordinated Debt (Mezzanine)**
- Special Situations**
- Restructuring/Distressed Debt**
- Other (Please list)**

An investment by TRS in Glencoe Capital Partners III, L.P. would best be classified as a "Buyout" investment strategy, as defined by TRS.

Fund III has been formed to make privately negotiated equity investments in leveraged buyouts and recapitalizations, including going private transactions for publicly traded micro-capitalization companies. For its platform investments, Fund III will target companies with enterprise values between \$50 million and \$350 million having their principal business activities in the United States. Fund III's investments will primarily be lead-sponsored, control acquisitions that require investment of \$10 million to \$75 million of equity capital. In most situations, Fund III will provide \$5 million to \$30 million of the required equity financing.

27. Please provide, based on your firm's current private equity strategy and policies of diversification in building a portfolio of private equity, the following diversification breakdown. What would be your firm's largest recommended exposure in the diversification models listed below?

For its platform investments, Fund III

	<u>% of Investment</u>	<u># of Investments</u>
<u>By Industry Sector Strategy</u>		
Business & Media Services	30%	4
Consumer Products	30%	4
Financial Services	20%	2
Food Products	30%	4
Industrial Products	30%	4
Specialty Chemicals	30%	4
<u>By Geography</u>		
United States and Canada	100%	
<u>By Investment Stage Strategy</u>		
Buyout	100%	

28. If applicable, please describe the firm's experience in international private equity investing.

Glencoe Capital's Managing Directors have historically been, and are currently, involved in evaluating portfolio company acquisitions in foreign markets, most particularly Canada and Europe. Additionally, Glencoe Capital's European strategic alliance provides the Firm with enhanced sourcing, evaluating, and structuring capabilities for follow-on acquisitions in Europe. Notwithstanding this, it is expected that all platform company acquisitions will be resident in North America.

29. What size of a position (% of total capitalization) do you typically purchase in companies?

Glencoe Capital will typically purchase between 10% and 50% of the total capitalization of companies in which it invests. However, it should be noted that purchase transactions will be structured with varying degrees of debt depending on the business characteristics of the company and the revitalization plan. The 10% to 50% of total capitalization noted here represents the share of total dollars, including debt, committed by all sources to the transaction.

Fund III will typically purchase a controlling interest in the fully-diluted equity securities of the target company. This position may be realized through purchase of common stock, convertible preferred stock, convertible debentures and/or warrants.

In situations where Fund III purchases less than a controlling interest, it will seek to protect its investment through agreements with the other investors and equity holders. Customary protections found in such agreements include one or more of the following:

- Board representation and/or visitation rights.
- Rights-of-first refusal.
- Registration rights.
- Anti-dilution provisions.
- Buy /sell provisions.
- Preemptive rights on new equity issues.
- Ability to adjust management's ownership or remuneration based on performance.
- Review of salaries, capital expenditures, debt, contingencies and liabilities.
- Provisions to remove or replace management if the portfolio company is not achieving its objectives.

Investment Due Diligence

30. What key management qualities are sought in potential investments?

The required qualities for a management team will vary with each situation. The ability to develop a strategic vision for the company, communicate the ideas to the employees, and create an environment where the employees can effectively execute the plan, is central to good management. In addition, the management team must have an internalized set of long term goals that will create shareholder value as well as customer and employee satisfaction.

Good management teams first develop an objective understanding of the company's market and the company's position within it. This would include detailed competitive analysis. As a result of this analysis, management develops clear measurable goals and develops a plan, including milestones, to reach those goals. A good management team will see the failure to achieve these milestones as an early warning sign and will react to the problem by developing and communicating an adjustment to the plan. This is an ongoing effort.

Ideally the above qualities would be manifested in a track record in similar situations. However, it will often be the case that the management track record will not be directly comparable to the investee company's industry. Demonstrated skills in problem solving, strategic analysis, and plan execution may have to be inferred from analogous situations. In addition, the assessment skills afforded by Executive Network members (most with 25 plus years of business leadership experience) are invaluable in assessing the key qualities of a CEO and a senior management team.

31. How are objective references obtained?

A major source of objective references is the Executive Network. These executives, with decades of experience in their industries, have access to an abundant supply of references. They also have calibrated those references and understand before they make a reference call how the reference evaluates people. In addition, executive search firms, psychological evaluations, and private investigative reviews of key employees can reveal positive factors or warning flags of which business associates may be unaware.

32. What questions are the references asked?

First the reference is qualified. The standard questions would include the following:

- How long did the reference know the candidate?
- In what role?

In addition, we need to make judgments about the reference.

- How has the reference's career advanced?
- What kind of positions has the reference held before and since working with the candidate?
- With what kind of companies has the reference been involved?

The environment where the candidate and the reference worked together should be explored to provide context for the comments.

- What were the challenges that faced the company?
- What was the work environment like? Why?

Given the above context, we should be able to have an in-depth discussion about the candidate. In the context of the challenges the company faced, we can explore those attributes that would have been tested. Some issues to be explored include:

- Management style and ability to motivate.
- Ability to think strategically.
- Demonstrated skill or appreciation for marketing, sales, operations/manufacturing and finance.
- Areas and examples where the candidate performed well.
- Skills the candidate did not have an opportunity to demonstrate.
- Anecdotes of success and failure.
- Any negatives or surprises picked up in other reference checks.

The goal of keeping the discussion in the context of the problems faced and how they were addressed increases the probability of getting some meaningful insights. It is also important to let the reference know that you may have additional questions for them. This provides the opportunity to pursue any issues that may arise in other references.

33. How are the products/services of a potential investment evaluated?

Glencoe Capital's Executive Network is often able to provide excellent insights into the products/services and markets of a potential investment. Additionally, all public sources of information including trade magazines and associations, investment research and general news sources are searched for relevant information.

The due diligence process also entails the sales and marketing executives of the target company explaining their views of the company's products and markets. Depending on the complexity of the product or the perceived product risk, even the early meetings may include additional industry consultants.

This view of the product and markets is then examined in light of the experience of the Executive Network member(s) participating in the transaction, external research, and the historical results of the company. This data is then used to examine the projections for reasonableness given the product position and market. Questionable assumptions such as suddenly increasing market share or blockbuster products are questioned and additional justification sought. As early as practical in the process, customer calls begin. These contacts generally include existing customers, former customers and, if possible, customers contemplating purchase. The goal of the customer calls is to understand the following:

- What is the history of the relationship with the company?
- Who makes the purchasing decision?
- Why did the company win or lose the business?
- What other products were reviewed?
- How did they compare to the company's products?
- What other services or products would the customer like from the company?

Based upon the work described above, the Glencoe Capital team, including the Executive Network member(s), develops an independent view of the products and market. This view is incorporated in the process of developing pricing, capital structure, and strategy for the business, including the structure of the new management team.

In many situations, Glencoe Capital involves a management consulting/market research firm to further assess key product and market issues. The framework for these assessments is developed by the combination of Executive Network members, Glencoe Capital professionals and the consulting firm. The finished output is typically a written report summarizing the relevant conclusions of the analysis.

34. How is the past performance of a potential investment evaluated?

The historical financial statements serve as the starting point for the evaluation process. If possible, sales and profitability by product for several years are obtained and sales trends and margins are examined for potential opportunities and risks. Sales in dollars and units are examined to make sure pricing and market trends are understood. The manufacturing cost and manufacturing process is examined to get a complete understanding of the cost structure, particularly the mix of fixed and variable costs. Cost data is carefully analyzed to determine if cost allocations are having the effect of exaggerating profits on some products and understating profits on others.

Corporate costs are examined to determine if there have been allocations of costs that have distorted results. All costs are analyzed to see if, as a result of the contemplated transaction, they would be expected to change. This often results from the loss of purchasing power as a result of being separated from a large corporation or from reduced head count due to less internal reporting requirements.

Working capital requirements are carefully analyzed for large inventory requirements or extended receivables. This determines not only the cash required for the business, but may indicate other business issues. High days sales outstanding may indicate aggressive revenue recognition policies or customer dissatisfaction. High inventory levels may highlight obsolete inventory or a need for substantial vendor financing that needs to be kept in place after closing.

Analysis of competitors' financials over similar periods of time is critical to highlighting potential cost disadvantages or other issues which may not be apparent in an evaluation solely of the the target company. The Executive Network members involved in the transaction often provide a valuable set of insights, giving Glencoe Capital an indication of potential problems even before the due diligence process begins. The Executive Network members also provide insight as to what are realistic goals for the future.

35. How are the pro forma projections for potential portfolio companies analyzed?

Glencoe Capital, in cooperation with the Executive Network members and the expected management team, develops its own set of projections for the business. This process incorporates all of the information gathered through the due diligence process. Differences between the Firm's assumptions and analytical approach and those of the seller are examined and reconciled. The Glencoe Capital model is then tested to determine if it responds to changes in assumptions in the same manner as one would expect the company's financial performance to vary.

Glencoe Capital also develops a set of assumptions reflecting our management team's business plan. Costs are examined to determine if they reflect our plans for the business. We also begin to test various capital structures to see how they accommodate our business plan, the volatility of the business and our return requirements. An important part of this volatility testing is exploring downside scenarios. This includes testing both events beyond the management team's control and failures to execute plans as effectively as expected.

36. How is the rate of return analyzed for a potential portfolio company?

Often, the most important assumptions in a rate of return analysis are the exit multiple and the underlying key variable business assumptions in the financial forecast. Glencoe Capital's Executive Network enables a much more precise calibration of these issues relative to a simple financial investor evaluation. In doing its valuation review, Glencoe Capital examines various potential exit strategies and their valuation implications. In addition to financial measures, such as price earnings ratios and cash flow multiples, industry specific ratios, such as value per subscriber or ton of manufacturing capacity, are used in our valuation analysis.

Glencoe Capital then combines the range of valuation measures with various projections to determine if the returns in what we view as a conservative expected case were reasonable given the range and likelihood of a whole range of outcomes. Generally, it is very unlikely that our expected case analysis would use a higher exit multiple than what is indicated by our purchase price. Notwithstanding this, in realized investments, Glencoe Capital's exit multiple has been higher than its "going-in" purchase price multiple.

For Fund III, Glencoe Capital will seek equity investments offering the reasonable prospect of yielding at least a 28% annual IRR. Equity investments will be made only after taking into account the long-term requirements of the prospective portfolio company and Fund III investment criteria.

37. How are potential investments valued (multiples, cash flow, etc.)?

Glencoe Capital, in doing its valuation review, examines various potential exit strategies and their valuation implications. In addition to financial measures such as price earnings ratios and cash flow multiples, industry specific ratios such as value per subscriber or ton of manufacturing capacity are used in our valuation analysis. These ratios are developed from data on publicly traded companies as well as merger and acquisition transactions.

The valuation parameters applied to the potential investment data serve as one valuation point. The Firm then applies those valuation parameters to our range of projections for the business to begin to develop what we think the value of the business. An important element of this analysis is an evaluation of whether the current market multiples are sustainable.

The final valuation utilizes the empirical data discussed above and takes into account the potential upside and downside of the transaction to achieve acceptable returns.

38. What internal review processes are used to screen potential investments?

Preliminary Evaluation. Glencoe Capital's preliminary evaluation of a potential platform project determines whether it meets some or all of the following investment criteria, including:

- *Demonstrated market acceptance of the company's products or services*
- *Minimum of \$75 million in annual revenues*
- *Profitable or cash flow positive operations of at least \$10 million*
- *Potential to achieve an industry leadership position with barriers to entry*
- *Potential to achieve a position as a low-cost producer*
- *A complete or near-complete management team*

Glencoe Capital's evaluation criteria for Fund III will also emphasize capital-driven expansion opportunities where the successful completion of an event, such as a major strategic acquisition, holds significant potential to increase the cash flow and earnings valuation multiple of the business.

After a favorable initial screening, one of the Managing Directors, and one or more of the Investment Professionals, as well as Executive Network members are assigned to an evaluation team. This group conducts a detailed preliminary assessment of the opportunity that ultimately results in the project being rejected or submitted to the firm's Banking Review Committee. The Banking Review Committee consists of the entire Investment Committee membership and is designed to assess a project's potential prior to the expenditure of significant resources on the development of an investment opportunity. A Banking Review memorandum typically addresses the following key issues:

- *Transaction overview and corporate finance requirements*
- *Company background and market position assessment*
- *Industry dynamics and competition overview*
- *Key historical financial and operating events*
- *Management overview*
- *Investment merits, risks, and mitigating factors*
- *Financial analysis of preliminary prospective returns*

Comprehensive Review. Upon approval by the Banking Review Committee, the substantive detailed assessment of a proposed investment commences. A complete team consisting of a primary and secondary partner, a vice president, junior professional staff resources, an Executive Network Chairman, and other members of the Executive Network are assigned to the detailed project evaluation. In addition, Glencoe Capital has designated teams of lawyers, accountants, consultants, and insurance specialists to work directly with the evaluation team. The comprehensive evaluation of each potential investment focuses on an analysis and evaluation of all aspects of a business with an emphasis on current and expected future cash flow. The valuation of a proposed investment must be supported by extensive industry research, evaluations by members of the Executive Network, analyses of comparable merger and acquisition transactions and publicly traded companies, fundamental equity research, and financial analyses of private market values.

Although the investment evaluation includes an analysis of the company's historical financial performance, the vast majority of due diligence focuses on several other key issues such as:

- *Analysis of industry growth trends/opportunities/outlook*
- *Competitive position within its industry*
- *Quality of management team and its ability to manage growth*
- *Acquisition/industry consolidation opportunities*
- *Customer/supplier relationship issues*
- *Ability to generate acceptable returns assuming a prudent capital structure*
- *Analysis of viable exit strategies*

Glencoe Capital and members of the Executive Network extensively review each potential investment in order to develop financial projections based upon in-depth industry experience and knowledge. The Executive Network members assist in identifying positive and negative operational characteristics that may be difficult for investors to recognize who are relying solely upon financial expertise and knowledge.

Third party advisors deliver written reports regarding key aspects of potential investments. In addition to Glencoe Capital's own due diligence, the information gathered by these third-party advisors will be used to gain a more complete understanding of the strengths and weaknesses of the company and its industry.

39. Who makes the final decision to invest? Under what circumstances would you decline an investment?

Any investment commitment for Fund III will require the affirmative vote of a majority of the Investment Committee, which will have full discretionary authority with respect to the investments of Fund III. The Investment Committee is comprised of three senior Glencoe Capital professionals, including its head of Portfolio Management, and two Executive Network members.

Investment Committee Decision Process. Upon completion of a detailed investment review, negotiation of draft purchase and related corporate finance agreements, a comprehensive framework for management's strategic plan, negotiation of management compensation and equity participation agreements, and other elements of the proposed specific investment, the project is submitted to Glencoe Capital's Investment Committee. A detailed written investment memorandum addresses the following issues for the Investment Committee's consideration:

- *Investment Considerations* – Investment merits, risks, and issues
- *Company Overview* – History, products and services, sales and marketing, customers, suppliers and vendors, management and employees, information systems, litigation and environmental
- *Market Position* – Company's current and historical position relating to competition and competitive trends and projected repositioning
- *Industry Overview* – Market overview, current industry trends, segment analysis, competition
- *Business Strategy* – Organic growth initiatives, acquisition strategy, 30 day, 90 day and 1 year action plans, exit strategy
- *Transaction Summary* – Transaction overview, summary of financing terms, valuation and return analysis
- *Financial Summary* – Historical and projected financial data

In addition, the Investment Committee investment memorandum typically contains detailed exhibits including:

- *Report of Independent Accounting Review*
- *Financial Modeling Scenarios*
- *Market Studies Reports*
- *Vitaes and Background Checks on Management*
- *Customer Queries*

This memorandum must demonstrate how the potential investment satisfies Fund III's investment criteria. All lead-sponsored investments require a recommendation by an Executive Network Chairman, in addition to at least two Glencoe Capital professionals, prior to its consideration by the Investment Committee.

Typical shortcomings of a potential investment that might result in a declination from the Investment Committee could include:

- Price.
- Unacceptable management team (that we cannot replace).
- Company is permanently disadvantaged as compared to competitors.
- Unmanageable liabilities (i.e. environmental or product).
- The industry is subject to long term negative forces that make it unattractive.

40. Describe how post-investment decisions related to the investment will be conducted.

Portfolio Management. A core element of each Investment Committee memorandum is the Business Strategy analysis. Contained within the Business Strategy analysis is a "90 day and 1 year" key action outline. This action outline forms the core focus between portfolio company management, Glencoe Capital, and the Executive Network members involved in the investment during the critical first year period after closing. Glencoe Capital has dedicated portfolio management resources, led by Jack Burgman (Director of Portfolio Management), that focus on the investment's strategic, operational and financial performance in the post-acquisition period. Mr. Burgman has over 35 years of business experience with emphasis on strategic planning, acquisitions and divestitures, restructuring of under-performing businesses, and post-acquisition integrations. He is assisted by other members of the Portfolio Management Team with broad experience in these and other business issues. Glencoe Capital strategically manages portfolio companies utilizing these professionals and the Executive Network. Portfolio management includes:

- *Actively participating on the portfolio company's board of directors and key committees*
- *Evaluating budgeted and actual financial performance of the company*
- *Monitoring the progress of the strategic initiatives identified during the acquisition process*
- *Assisting management in developing and evaluating a long-range strategic plan, operational strategies, financing and acquisition activities, and exit strategies*
- *Ensuring that key internal strategic objectives are quantified and performance in attaining them is monitored and addressed*
- *Assessing interim performance by monitoring various operational metrics designed to highlight key drivers of performance*

Typically assisting the Portfolio Management Team with portfolio company oversight are a Managing Director and the Chairman (and usually at least one other member) of the respective Executive Network industry group. Glencoe Capital's Chief Financial Officer and a Vice President oversee the financial reporting and financing requirements of each company, tracking performance and measuring it against both bank covenants and internally developed matrices.

Glencoe Capital utilizes the experience of Executive Network members in operating and managing portfolio companies. Executive Network member participation includes board membership, acting in interim senior management positions (when necessary), and providing the company with the operational expertise and industry contacts.

41. How is the due diligence process documented?

Starting with the initial description of and the rationale for each transaction, electronic copies of all communications, with the exception of verbal discussions, are made available to all professionals at Glencoe Capital. The regular updates of the Investment Committee and exchanges on issues are also included. Issues raised by the Investment Committee members are posted with the deal team's answers, forming a conversational thread.

This occurs not as a separate process, but rather is incorporated into our core communication system. Reports from outside professionals and consultants are also included in these electronic files, providing a transparent process permitting all of the Investment Committee members to be aware of the issues raised and the responses to those issues. It also provides an opportunity to review the development of the investment thesis over time and to make sure it represents a deepening of understanding as opposed to rationalization.

42. What portions of the due diligence process does your firm outsource or subcontract (e.g. legal, audit)? Please describe.

On every lead-sponsored investment, Fund III will be represented by counsel and will employ auditors. In cases where Fund III is not the lead investor, it would still be represented by counsel and would expect the lead investor group to have hired auditors. In a Fund III-led transaction, legal counsel would be added to the team at the earlier of drafting of letters of intent or when the Fund was given the opportunity to perform legal due diligence. Auditors would be added when access to records is achieved. Based upon the unique features of any given transaction, the Firm might use environmental engineering consultants, marketing consultants or other specialists to evaluate the risks and opportunities in a particular transaction. In almost all circumstances, private detectives will be used to investigate potential management team members and if appropriate sellers.

The Glencoe Capital project manager will coordinate all aspects of the due diligence process. This includes the involvement of the Executive Network, Glencoe Capital professionals as well as all external professionals. Based upon Glencoe Capital's view of the risks and opportunities associated with the particular transaction, the project manger will decide which advisors are required for the transaction and when their participation would be appropriate. The project manager would make these decisions taking into account the feedback from the Investment Committee.

Negotiation

43. Describe the key considerations and deal points in negotiating the pricing, terms, conditions, representations, and warranties of an investment.

One of the major responsibilities of the Glencoe Capital project manager is to take what has been learned through all aspects of the due diligence process and use it to negotiate agreements that are beneficial to Fund III. The project manager needs to decide which issues have the highest economic value to Fund III and which issues are less important. The project manager also needs to understand what issues are important to the seller. Creative agreements often come from recognizing where the buyer and seller attribute different economic value to contract issues. The project manager will have a full grasp of all due diligence areas from financial to operational and legal. Consequently, he can make trade offs across the various functional areas giving him the maximum flexibility.

In pricing negotiations it is important to understand what the seller needs. Does the seller need maximum amount of cash, a high apparent value, protection from looking foolish for selling low? Is the seller more concerned about certainty of closing than economic value? These concerns provide opportunities for creative solutions. The project manager might choose to pay a higher price in exchange for leaving behind a large amount of difficult to manage liabilities such as environmental or product liability. At the same time, if the project manager and the management team feel they are better able to manage the liability in the acquisition company, they may assume the liability in question to conserve cash. A creative package of securities may permit the seller to advertise a higher price than Fund III is actually paying.

In the areas of representations and warranties, it is very important to keep focused on the goals and facts. A laundry list of warranties from a seller who may be insolvent, or in the case of individuals who may be judgment proof, does not have much real value. The time would be better spent negotiating the size of an escrow or earnout rather than getting extensive representations on a minor point. Conversely, asking for an escrow when buying from a Fortune 500 company may create ill will substantially in excess of any value.

The other purpose of representation is disclosure. The project manager needs to be focused on what the biggest risks are and where he is least able to independently verify the data. If the potential portfolio company has a few large customers, even if there has been direct contact with those customers, representations about negative communication with a customer might be very significant. If substantial layoffs are contemplated, representations about past severance policy might be important.

The material adverse change clause is always a significant area of contention. How long is our window of exposure? It is important to understand if the target company is the kind of business where the current business might be unharmed while it's prospects could be decimated by some event.

The key to the contract negotiation exercise is to realize that each situation is unique and make sure the contract represents this.

44. Do you conduct investment negotiations in-house, and to what degree do you use outside counsel in the negotiation process?

The Glencoe Capital project manager is responsible for all negotiations. Legal counsel is an integral part of both the negotiating and due diligence team. On any given issue or at any given meeting, the Glencoe Capital project manager would decide which member of the negotiating team would have lead responsibility.

45. How many times in the last five years has the firm discontinued interest due to negotiation of terms and/or pricing?

Glencoe Capital's Investment Committee is charged with establishing key standards in each proposed investment prior to investment authorization. Ultimate discretion on any proposed investment rests with this committee. The firm has discontinued investment discussions for valuation and other key issues when these standards are not met. Although there are many examples of situations where Glencoe has discontinued interest due to negotiations of terms or pricing, the following are several specific examples of such actions:

- 1) In the acquisition of Golden Bear Oil Specialties, Glencoe Capital initially withdrew from the competitive bidding process after being informed that another group had bid \$65.0 million for the business. Glencoe Capital did not believe that a transaction at this price was economically feasible or justified and was not willing to commit more resources to the proposed acquisition. Upon learning that the original winning bidder was unable to execute a credible financing package at the original bid price, Glencoe Capital submitted a winning bid with the full support of senior management and was successful in closing the transaction at a final sale price of \$51.5 million.
- 2) In another situation that is still subject to confidentiality strictures, Glencoe Capital discovered the existence of questionable business practices in the course of performing its due diligence on a \$70.0 million acquisition. After extensive discussions with our legal counsel and the seller, the transaction was terminated.
- 3) In another situation, Glencoe Capital entered into a letter of intent for the purchase of a cabinet manufacturing company. Amongst preliminary due diligence issues focused upon was the company's exposure to a Superfund clean up sight near their manufacturing facility. After numerous conversations with our legal counsel, environmental experts, insurance providers, investors and the company's management team, the Investment Committee ultimately decided that the investment potential did not outweigh the potential liabilities associated with the environmental problems and investment discussions were terminated.
- 4) In another situation, Glencoe Capital entered into a letter of intent to simultaneously acquire eight separate companies. The Principals of the eight businesses had aligned themselves and were marketing their companies as a combined platform entity for a roll-up strategy in their industry. After due diligence, Glencoe Capital was not able to satisfy itself with the propriety of the financial records of two of the eight companies due to the lack of financial controls. Glencoe Capital was, however, able to complete the transaction with six of the eight companies.
- 5) In another situation, Glencoe Capital entered into a letter of intent to acquire a specialty paper manufacturing company. In the course of due diligence, it was discovered that prior year financial information was misstated. After extensive negotiation with the seller regarding a reduction in purchase price, Glencoe Capital discontinued its interest in acquiring the company.

Documentation and Closing

47. Describe the process used in the documentation and closing of investments.

Glencoe Capital's Investment Committee is charged with establishing key standards in each proposed investment prior to investment authorization. Ultimate discretion on any proposed investment rests with this committee. Although there are numerous examples of contract provisions that Glencoe Capital has incorporated in transactions to protect its investments, the following are several specific examples of those key provisions:

1) Lafayette American Bancorp

The investor group required the establishment of an Executive Committee, which governed major corporate actions. The Executive Committee was structured to be comprised of four representatives from the investor group (including a new president recruited by the investor group) and three members from the existing board of directors. The Committee was specifically structured to allow the investor group to effectively revitalize the operations of the business while at the same time ensuring that the institution remained in compliance with Bank Holding Company Act regulations.

2) Golden Bear Oil Specialties

Due to the environmental concerns surrounding the acquisition, Glencoe Capital specifically excluded from the purchase agreement certain land parcels and structured a comprehensive indemnification agreement with the seller that materially reduced the investor group's exposure to both known and unknown environmental liabilities. In addition, the managerial structure between the board of directors (which includes investor representatives) and the senior management team is structured in such a way as to reduce the possibility of an investor board member being found individually liable for any environmental problems while at the same time ensuring the board of directors carries out its fiduciary duty with respect to environmental compliance.

3) Rimrock Corporation

Due to the nature of the business and its historical family ownership, Glencoe Capital specifically excluded any claims that Glencoe Capital may have in the future resulting from either tax or environmental representations and warranties made by the sellers from both the basket and the overall indemnification limitation.

4) Kar Products

This joint venture, a distribution company in the industrial manufacturing sector, with a NYSE partner was entitled to a significant discount with a large freight company as a result of its combined freight volume with other business units of the NYSE company. Glencoe Capital negotiated a reduction in the purchase price in the event that the discount was lost as a result of the business being contributed to a joint venture that was controlled by Glencoe Capital.

48. What portions of the documentation and closing process does your firm outsource or subcontract, (e.g. legal, audit)? Please describe.

Outside legal counsel is used to prepare the legal documents. A member of the Glencoe Capital team has primary responsibility for the closing process itself.

Exiting/Liquidity

49. How does your firm plan for liquidity in private equity?

Glencoe Capital recognizes that liquidity planning is critical to each institutional investor. Investors realize their returns only when Fund III makes distributions. Therefore, one of the factors in evaluating a potential alternative investment must be potential exit strategies, which typically can include public offerings, stock mergers and cash sales.

Glencoe Capital's strategy is to focus primarily on \$50 million - \$350 million enterprise value transactions that require certain "change agents" in order for them to resume growth. As a result, Fund III's investment period is likely to be four to five years. Because of this relatively long period, a fixed exit strategy cannot be set at the time of investment. Instead we begin considering multiple exit strategies based on varying future market conditions at the time we evaluate the investment opportunity.

A major issue for many companies we look at is size. Many are too small to command attention in the public markets. Nevertheless, at times the public markets can be the most attractive exit strategy. For any investment we make there will be a growth plan which is designed to substantially increase the size of the company so that it can become an attractive candidate for an initial public offering if stock market conditions permit. Typically, this will involve establishing a plan for significant acquisitions.

Under a public offering exit strategy, liquidity is realized through the sale of stock in one or more public offerings, in subsequent market trading and, for any residual amounts, through distribution of fully registered shares. A public offering exit strategy may also serve as an effective mechanism for establishing a base price for a subsequent sale of the company.

As we have seen, strong stock market conditions won't always exist. Even with strong IPO markets, the M&A market often offers premium pricing. This can be particularly true when building a company to critical size for the public markets. In some cases, a merger may be part of the growth strategy and not an exit strategy in and of itself. For any investment we make, there will also be an awareness and regular monitoring of industry conditions. In this way we will know the likely merger candidates and the likely candidates that would be interested in acquiring the company. The Executive Network members will often play a role in assessing these options.

Under a merger strategy, Fund III may receive a marketable, liquid security. In that case, liquidity options would be public offering, market sales or distribution. Under a sale strategy, Fund III would seek to receive cash; to the extent it received securities it would have a liquidity plan in place.

Market and industry conditions may change significantly over the life of an investment. Fund III is well positioned to monitor both public market and industry exit strategies. The Managing Directors have significant financial markets expertise with emerging growth companies, public offerings, mergers and acquisitions, merchant banking and sales of companies. This is powerfully enhanced by the industry expertise and connections of the Executive Network members. Each investment will be monitored by a team comprised several Glencoe Capital professionals and one or more Executive Network members. In this way, Fund III will be well positioned to regularly evaluate alternative exit strategies and to execute a transaction in the most favorable market.

50. How many investments has your firm managed through to disposition or complete liquidity?

Glencoe Capital has managed three of its investment platforms (representing 5 total investments) thought to disposition or complete liquidity – Lafayette American Bancorp, PlayCore, Inc., and Golden Bear Oil Specialties. In addition, Glencoe Capital has managed two significant, partial realizations in its Specialty Foods Group, Inc. and Bell & Howell Company investment platforms. Types of exit strategies utilized to date have included a strategic sale, a sale to a financial buyer, a strategic merger, and an initial public offering.

51. How many public offering exits from private investments has your firm accomplished?

To date, Glencoe Capital has accomplished one public offering exit from its private investments. In March 2003, Glencoe completed the initial public offering of 55% of Specialty Foods Group's (formerly referred to as Premium Foods Group) equity on the Toronto Stock Exchange under a Canadian income trust structure. The combination of the sales proceeds and the remaining ownership stake represent an IRR of 46.9% and a 2.53x return on invested capital as of March 2003.

52. Describe your firm's policy and outlook on public offering versus trade sale exits.

Glencoe Capital's strategy is to focus primarily on middle-market transactions. These companies typically have an enterprise value of \$350 million or less. A major issue for many of these companies is size. Many are too small to command attention in the public markets at the time the Fund makes its investment. In a market that defines small-cap as \$600 million market value or more, few research analysts follow micro-cap companies. Trading in the stocks of micro-cap companies is usually relatively illiquid.

For any investment it makes, Fund III will have a growth plan that is designed to substantially increase the size of the company. This plan may include increased market share, product extension and/or key acquisitions. We believe that this approach can substantially enhance value, not simply from the growth itself, but also by achieving a higher valuation multiple. Larger, liquid public companies often command a higher multiple of earnings or cash flow than do small, illiquid situations.

Similarly, building a company through increased market share, product extension and/or key acquisitions can also increase its value to an industry partner. Therefore, the expected exit strategy does not determine the investment plan; similarly, the investment plan does not determine the exit strategy.

Fund III's objective is to realize investment returns for investors. At times the public markets can be the most attractive exit strategy. However, even with strong IPO markets, the trade sales often offer premium pricing.

Glencoe Capital will execute exit strategies on an opportunistic basis.

- A public offering can be an important tool for intermediate expansion and partial exit strategies. For example an initial public offering may provide partial liquidity to investors at the same time it creates a stock currency for the company to use for follow-on acquisitions. This, in turn, may further enhance valuation and investors' total returns. A public offering exit strategy may require several stages for full liquidity.
- A trade sale often represents a simpler exit strategy. If it is a cash sale, it is a one-step strategy. Some trade sales, though, may involve securities. If the securities are readily marketable securities, the Funds will seek to liquidate or distribute them. If the securities are not readily marketable, Glencoe Capital will continue to actively manage the investment until they are so.

Market and industry conditions may change significantly over the life of an investment. Fund III is well positioned to monitor both public market and trade sale exit strategies and will seek to execute partial and full exit transactions in the most favorable market on an opportunistic basis.

53. Does your firm plan to make in-kind distributions or cash only? If in-kind distributions are expected, under what circumstances will you make in-kind distributions?

Glencoe Capital will typically seek to realize and distribute cash.

Fund III may elect to distribute marketable securities to investors under certain circumstances including:

- If Glencoe Capital's role in the company, and its ability to contribute value in managing the investment, has been significantly diminished.
- If investors may be able to realize a higher value through direct sale rather than through a registered offering by Fund III.

Glencoe Capital will consider the amount of securities to be distributed in comparison to:

- a) the total market capitalization of the company issuing the securities and
- b) the trading volume in the securities being distributed.

Fund III may also make an in-kind distribution of any securities remaining in Fund III at the end of its life.

Monitoring and Adding Value

54. What observer/directorship rights does the partnership have in a typical investment?

Fund III will require directorship rights in any investment it leads or co-leads. Typically, it will have the right to name or approve a majority of the board. Board members named by Fund III will include one or more Glencoe Capital senior professionals, one or more Executive Network members and, in certain situations, other executives who have a particular, applicable skill set. Glencoe Capital Managing Directors and/or Executive Network members will typically chair the board and key committees.

55. What does your firm do to add value to the investments after they are made? Please provide an example of how your firm's active participation enhances investor value once an investment is made.

Glencoe Capital's investing philosophy is to capitalize on the joint utilization of the Executive Network's strategic and operational expertise and the financial acumen of the firm's investment professionals. After an investment is made, Glencoe Capital utilizes the experience of Executive Network members in operating and managing portfolio companies, including board membership, acting in interim senior management positions, aiding in the development of the optimal exit strategy, and providing the companies with general operational and strategic insights. To help facilitate this process, Glencoe Capital relies upon its dedicated Portfolio Management team, led by Jack Burgman, to focus on the investment's strategic, operational, and financial performance post-acquisition. Please also refer to Questions #40 and #61.

A specific example of how Glencoe Capital's active participation can significantly enhance shareholder value can be seen in our Bell & Howell portfolio company. Even before the acquisition of Bell & Howell had closed, Glencoe had engaged various Executive Network members to review and evaluate certain aspects of the company, which it did not fully comprehend. Executive Network members with expertise in areas of lease financing, lean manufacturing practices, as well as software development and commercialization were asked to review these aspects of the Company and provide recommendation. The recommendations were included in the Company's strategic 90 day and 1 year initiatives. As noted in Question #40, the Portfolio Management team then monitors the progress of these initiatives with the Company's management and discussed with the Executive Network to determine the progress and whether or not the initiative should be modified.

Subsequent to the acquisition, some of these Executive Network members were asked to sit on the Board of Directors to provide a more active leadership role within the company. Driven primarily by Glencoe's Executive Network, Bell & Howell focused on reducing its infrastructure cost by identifying duplicative efforts across the Company, instituting lean manufacturing processes, consolidating manufacturing facilities, streamlining business practices, evaluating product offerings and sales processes, analyzing and documenting software strategy, and instituting more cohesive administrative procedures through the use of information technology, which will align the formerly separate divisions. Despite the distraction associated with the number and magnitude of management projects, the Company continued to perform at expected levels as a direct result of the leadership and guidance provided through the Executive Network.

56. How frequently is your firm in contact with the management at the companies your firm has invested in? How often does your firm occupy a Board seat on the companies your firm has invested in?

Through its Portfolio Management function, the firm is in constant communication with the portfolio companies. Each portfolio company reports preliminary financial results as well as agreed upon operational metrics to the Portfolio Management Team on a monthly basis. With formal communication at least monthly, the Team will get operational business updates on a more frequent basis depending upon the initiatives currently underway at the company. Under some circumstances, the Portfolio Management Team has had on-site presence at the operation. This has been done during times of transition and when the portfolio company requires additional resources to manage the strategic initiatives.

As discussed in Question #54, Fund III will always require Board seats in any investment it lead or co-leads. In addition to board meetings at least quarterly, Glencoe Capital's representatives on the Executive Committee of the board review the monthly board reports with management. Typically, though, there is frequent contact with management between monthly reviews on matters such as acquisitions, financings, strategic direction and personnel issues.

Several of the existing portfolio investment companies are beginning to communicate with Glencoe Capital electronically and transmit their financial reporting packages directly into the firm's electronic information system. Going forward all portfolio investment companies will be required to do so.

57. Describe the methods employed to determine investment valuations in reporting to investors.

The methods for determining investment valuations are governed by provisions of the Partnership Agreement. Generally, it calls for a three-step valuation process as follows:

1. Normal Valuation

- Listed Securities. The value of an investment security which is listed on a recognized securities exchange or on the NASDAQ National Market ("NASDAQ") shall be the average of its last "bid" prices on each trading day during the five trading day periods ending immediately prior to the date of determination, or if no sales occurred on any such day, the mean between the closing "bid" and "asked" prices on such day;
- Over-The-Counter Securities. The value of an investment security which is traded over-the-counter (other than on the NASDAQ) shall be the average of its last "bid" prices on each trading day during the five trading day periods ending immediately prior to the date of determination, or if no sales occurred on any such day, the mean between the closing "bid" and "asked" prices on such day; and
- Non-Traded Securities. The value of all other investment securities shall be the fair market value as determined by Glencoe Capital in its reasonable discretion. In making such determination, Glencoe Capital will consider public market values of similar securities of comparable companies and private market transactions of which it is aware.

2. Discounts

Any investment security:

- which is held under a representation that it has been acquired for investment and not with a view to public sale or distribution,
- which is held subject to any other restriction on transfer, or
- where the size of the Fund's holding compared to the trading volume would adversely affect its marketability, shall be valued at such discount from the "normal valuation" described above as Glencoe Capital deems reasonably necessary to reflect the marketability and value of such investment security.

3. Advisory Board Review

Fund III will have an Advisory Board that, among other responsibilities, will review the valuations determined by Glencoe Capital. If a majority of the Advisory Board members object to the valuation of any investment security, the Advisory Board may determine the value of such security in the manner it deems appropriate, provided, however, that if such valuation is in connection with a distribution of securities or the liquidation of Fund III, Glencoe Capital shall cause a nationally recognized investment banking firm mutually acceptable to Glencoe Capital and a majority of the Advisory Board members to review such valuation, and such expert's determination shall be binding on all parties.

58. Has your firm ever managed an investment in a crisis? Please give a brief description.

The experiences of the Glencoe Capital professional staff as well as the Executive Network provide a broad depth of experience in all aspects of the crisis process. These skill sets include operational restructuring, debt/creditor negotiations, financial analysis and assessment, merger and acquisition capabilities, and strategic turnaround planning. The collective operational experience of the Executive Network members encompasses approximately 1,000 years of business leadership experience, including numerous turnaround assignments. In addition, each of the Managing Directors has been involved in turning around and restructuring portfolio companies or directly similar situations.

Utilizing these resources, Glencoe Capital has undertaken projects, including:

- Negotiating bank restructurings
- Changes in management/interim management by Executive Network members
- Short term cash flow forecasting and monitoring
- Operational initiatives, such as lean manufacturing
- Cost reduction initiatives, such as overhead structure reviews

59. What information is required to be reported by portfolio companies? How often is this information reported?

Glencoe Capital requires the management of each portfolio company to prepare a monthly report to that company's board of directors. Glencoe automatically receives the monthly report through its representation on the board with a copy to Glencoe's Portfolio Management team.

Glencoe Capital's philosophy of reporting is that monthly reports should reflect the important financial and operational dynamics of the particular company and its marketplace. The monthly board report should begin with an overview and summary memo report from the CEO.

Certain financial information we expect in each company's report includes:

- company-wide income statement, balance sheet and cash flow statements.
- divisional income statements.
- capital expenditures status.
- sales to key accounts.
- accounts receivable.
- inventory levels.

This information is presented for the month and year-to-date with comparisons to the prior year period and to budget.

In addition, Glencoe Capital works with management to define and regularly redefine key performance measures specific to the company and its industry. These serve to monitor operating and financial performance and to monitor progress on the company's revitalization plan. These also are reported monthly.

For public companies we also expect the monthly board report to include information on:

- stock performance of the company and its peer group.
- changes in institutional holdings.
- copies of any new research reports on the company or its industry.

60. What key financial performance measures does your firm use to evaluate the financial statements of portfolio companies?

Glencoe Capital works with the management of each portfolio company to define and regularly redefine key performance measures specific to each company and its industry. These key performance measures are incorporated into the company's annual, quarterly and monthly financial report and plans. These serve to monitor operating and financial performance and to monitor progress on the company's revitalization plan.

The ultimate test of performance for a portfolio company is the return on investment to investors. For "revitalization" and "focused growth" investments, this, generally, is a function of increased profits and expansion of market valuation multiples.

- Increased profits are primarily a function of:
 - 1) revenue growth,
 - 2) operating margin improvement and
 - 3) in may cases, product line extensions and acquisitions.

- Expansion of market multiples are primarily a function of:
 - 1) a broader, more diversified business base which may command a higher multiple because of greater stability and growth potential,
 - 2) increased market awareness which may be a function of company size,
 - 3) the outlook for future profit increases and
 - 4) market confidence in the outlook .

As a result, the key performance measures specific to each company focus primarily on the factors which impact and measure profits. For example:

- In addition to revenue growth and operating margins noted above, measures include factors such as growth in EBIT, EBITDA, cash flow, free cash flow and other indices of profitability as appropriate for the company and its industry.
- Balance sheet measures include factors such as accounts and days receivable, capital expenditures, debt levels, debt leverage ratios, interest coverage ratios and other financial covenants in bank financing agreements.

Other measures include ones specific to the particular industry such as number of subscribers, same store sales, new and repeat orders, service capture rates, and manufacturing efficiency indices.

61. What post investment services does your firm provide to the investment companies?

In addition to the portfolio management function outlined in Question #40, Glencoe Capital is often able to add significant value to its portfolio companies through developing both follow-on acquisition and exit strategies for the investment.

Follow-On Investments. Follow-on investments provide excellent opportunities to improve a portfolio company's operating efficiencies, increase its earnings, and enhance its strategic position. Each follow-on investment is evaluated using the same criteria as an initial investment. All of Glencoe Capital's capabilities, expertise and investment processes are employed in developing and executing follow-on transactions.

Glencoe Capital and the Executive Network spend significant time with each portfolio company's senior management to assess potential follow-on acquisition strategies and opportunities. Emphasis is placed upon acquisitions which not only enhance the financial performance of the portfolio company, but also increase the valuation multiple of the company's cash flow. This favorable result is often best achieved through the combined focus of business and financial strategic planning of the Glencoe Capital process. Glencoe Capital's structured Executive Network system ensures that the full resources and capabilities of this group are brought forth in optimizing the follow-on acquisition process. A representative example of this result is Kar Products acquisition of Brafasco. This acquisition idea and contact was generated by an Executive Network member relationship which secured the project without the property being marketed to any other party. Further, the Board (including three Executive Network members) reviewed the strategic rationale for this project, in depth.

Glencoe Capital's European strategic alliance also enhances follow-on acquisition initiatives. This includes not only the identification of potential opportunities, but also the ability to execute and monitor completed acquisitions post closing. Further, the strategic alliance partner's principal capital capabilities add another dimension in optimally accomplishing European follow-on activity. Glencoe Capital believes these European based capital resources enable potential equity co-investments, joint ventures, and other corporate finance alternatives to accomplish portfolio company growth objectives in Europe.

Exit Strategies. The expected average holding period for an investment by Fund III will be three to seven years, depending on the type of investment, the progress of the investment, the state of the buy-out or merger and acquisition market, the condition of the public markets, and the general prevailing economic conditions. Executive Network members' insight into industry trends assist Glencoe Capital in determining the optimal timing of a particular exit strategy. Exit strategies for a portfolio company may include:

- *a sale of the company to a strategic buyer*
- *a public offering*
- *a sale of shares in the open market after an initial public offering*
- *a recapitalization*
- *a distribution of equity securities to the Limited Partners, if such equity securities are traded on a recognized stock exchange or over the counter*

Emphasis will be given to seeking exits through sales to strategic buyers. Glencoe Capital anticipates managing, revitalizing and developing platform companies for Fund III in a manner that will position them as attractive acquisition candidates for strategic buyers. The combined experiences of the Glencoe Capital professionals and the Executive Network often lead to the development of exit strategies which are unique, value optimizing and not necessarily accomplished through a traditional auction process. Executive Network members often aid Glencoe Capital in assessing how different potential acquirers could realize value by acquiring a portfolio company. Further, discreet inquiries can be conducted which minimize business disruption risk.

62. In what situation(s) would your firm replace the management of a portfolio company?

Glencoe Capital works through its board representation and seeks board consensus on matters of such importance as replacing management. Typically, a majority of the board will be Glencoe Capital senior professionals, Executive Network members and/or others identified by the firm as having particularly relevant skills. As a result, Glencoe Capital can be confident that the board will have the breadth needed for constructive deliberations on such difficult matters. In situations where Glencoe Capital does not have the right to name the majority of the board, it would seek to work through its rights under the applicable equity-holders' agreement.

Situations that would lead us to seek replacement of a member of management include:

- consistent under-performance of the company against budgets and objectives agreed upon with senior corporate management.
- consistent under-performance of a division against budgets and objectives agreed upon with divisional management.
- the realization that an individual does not have the necessary skill set to effectively carry out his/her responsibilities and the determination that the shortfall can not be effectively addressed by a realignment of responsibilities and/or augmentation through additional management personnel.
- breach by the individual of his/her employment contract.
- breach of the company's Code of Conduct or Code of Ethics
- evidence of fraud.
- evidence of conduct that is contrary to the company's best interests.

Partnership Reporting

63. Briefly describe your internal accounting capabilities and your abilities to fulfill the necessary reporting requirements of an institutional client.

The financial reporting function at Glencoe Capital is the responsibility of Louis Manetti, the Chief Financial Officer. Mr. Manetti has significant knowledge of financial reporting, investor relations, federal and state income taxes, budgeting, financial modeling, and cash management. In addition to Mr. Manetti, Glencoe Capital employs a financial staff that has significant financial modeling and accounting skills that can be called upon to assist in the required reporting to any institutional client.

Glencoe Capital has retained Ernst & Young to perform the annual audit of Fund III, similar to Fund II. Ernst & Young has significant experience in working with private equity firms and in dealing with the financial reporting and tax issues that occur in structuring transactions.

64. Is your firm flexible in generating investor requested reports?

Yes. As stated previously, the accounting function at Glencoe Capital is the responsibility of Mr. Manetti. Mr. Manetti has significant knowledge of financial reporting, investor relations, federal and state income taxes, budgeting, financial modeling, and cash management. In addition to Mr. Manetti, Glencoe Capital employs a financial staff that has significant financial modeling and accounting skills and can be called upon to assist in the required reporting of any institutional client.

Glencoe Capital meets regularly with the institutional investors to discuss financial reporting requirements. These discussions include an update on portfolio company financial performance as well as a review of "best practices" for investor reporting.

65. Attach a sample of the most recent quarterly financial report your firm prepares for investors (tab as Exhibit E).

See attached Exhibit.

66. Describe your firm's information management system. Please provide specifics on hardware and software.

The nature of the private equity business is such that investment professionals are frequently sourcing and executing transactions from locations outside of their main offices. Accordingly, in designing the information management system for Glencoe Capital, the Firm specifically designed a system that facilitates communication and transaction processing and monitoring from remote locations.

In 2002, Glencoe Capital underwent a significant information system upgrade by implementing a firewall/virtual private network (VPN) solution. We also introduced the Sonic Wall PRO (SWP) into our environment. The SWP is an Internet appliance that enables users to access the internal network in a secure and encrypted manner. SWP creates a VPN tunnel between the users Internet Service Provider (ISP), whether high speed (e.g. DSL or Cable) or Dial Up and the Glencoe LAN.

Each professional at the firm carries a laptop computer which ensures that workflow is uninterrupted by geography. Another advantage of our information management system is that we can create shared deal folders, permitting a centralized location for all information related to each closed and pending transaction. We believe that this creates an extremely efficient transaction management environment permitting us to make informed decisions much quicker than other organizations. All information is scanned into our central computer thereby allowing all professionals to have access to transaction files.

References (tab as Exhibit F)

67. Provide a complete current client list with the contact person, address and telephone number. Please specify the type of client (e.g. public fund, endowment, corporate, or private investor). Also provide a list of former clients, with contact person, address and telephone number, who have discontinued their relationship with your firm in the past five years and state the reasons the client discontinued the relationship. Please send a copy of the reference authorization letter to all listed contacts. Please also send a copy of the authorization letter to TRS.

See attached Exhibit.

68. Provide a complete current investment list with the name, address and telephone number of the CEO for each investment. Also provide a complete list of liquidated investments with the name, address and telephone number of the CEO for each investment. Provide a complete list of contact persons, addresses and their telephone numbers for co-investors and/or financing sources in any of the investments listed. Please send a copy of the reference authorization letter to all listed contacts. Please also send a copy of the authorization letter to TRS.

See attached Exhibit.

69. Provide a list of all legal firms, audit firms, and principal banking relationships your firm has used in the last five years, with contact name, address and phone number, and any other relevant information. Please send a copy of the reference authorization letter to all listed contacts. Please also send a copy of the authorization letter to TRS.

See attached Exhibit.

Other

70. Include any additional information that TRS should be aware of to complete the due diligence process.

The undersigned hereby attests that the information provided herein is true and accurate. The undersigned also acknowledges that he/she is aware that pursuant to the Illinois Pension Code, 40 ILCS 5/16-198 that "any person who knowingly makes a false statement or falsifies or permits to be falsified any record of this Retirement System in any attempt to defraud such System as a result of such act, or intentionally or knowingly defrauds this Retirement System in any manner is guilty of a Class A misdemeanor."

GLENCOE CAPITAL, LLC

By: 

David S. Evans

Its: Chairman

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
Private Equity Manager Questionnaire
Page 80

Please return one copy of the questionnaire to Teachers' Retirement System of the State of Illinois:

Scott K. Parrish
Investment Officer – Private Equities
Teachers' Retirement System of the State of Illinois
2815 West Washington
Springfield, IL 62702

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EXHIBIT B

Organizational Chart

Glencoe Capital, LLC Organizational Chart July 2003

Investment Committee

David Evans, Chairman
Gary Appel
Jack Burgman
Tom Garvin, Executive Network
Hollis Rademacher, Executive Network

Investment Operations Project Development

David Evans, Chairman
William McGrath, Vice Chairman
Ron Wray, Managing Director
Jason Duzan, Vice President
Ben Kahn, Vice President
Beth Satterfield, Vice President
Mark Agnew, Associate
Peter Martay, Associate

Portfolio Management

Jack Burgman, Principal
Louis Manetti, Principal

Executive Network

Chris Collins
Vice President

Administrative Staff

Judy Tran, Accountant
Michelle Stone, Office Manager
Laura Kalo, Executive Assistant
Cessy Vollen, Executive Assistant
Caren Evers, Receptionist

David S. Evans *Chairman*

Mr. Evans has 19 years of experience in merchant and investment banking, principal investing, and private equity, and has been responsible for over \$750 million in private equity investment transactions. Prior to co-founding Glencoe Capital in 1993, he was a merchant banking and mergers and acquisitions specialist at Donaldson, Lufkin and Jenrette from 1985-87 and 1988-93. Mr. Evans also served as Associate Director of the University of Michigan's Growth Capital Foundation and as a principal of Handelsman & Co., a venture capital firm. Mr. Evans is the Chairman of the firm's Investment Committee and currently serves on the Boards of Premium Foods Group, Inc. and Bell & Howell Company (Fund II). Previously, Mr. Evans served on the Boards of Playcore, Inc. and Golden Bear Oil Specialties (Fund I); Kar Products, LLC, Strategic Equipment and Supply Corporation, and Rimrock Corporation (Fund II); as well as MIS International, Inc. Mr. Evans has also served as an expert witness for the Kansas Public Employees Retirement System with respect to certain of its alternative investments. He is a member of the Board of Directors of the Gastro-Intestinal Research Foundation at the University of Chicago and the Visiting Committee of the University of Michigan. Mr. Evans earned a B.G.S. in economics and history from the University of Michigan and an M.B.A. with Honors from the University of Chicago Graduate School of Business.

William J. McGrath *Vice Chairman*

Mr. McGrath has over 30 years of experience in mergers, acquisitions, divestitures and joint ventures with substantial experience in private equity investment, corporate governance, strategic alliances, going private tender offers, as well as other aspects of securities and finance. He served as General Counsel of Glencoe Capital (including its predecessors) from 1993 to 2000, and as Vice Chairman of the Investment Committee for Fund II since its formation in 1998. In these capacities, Mr. McGrath was directly involved in the analysis and structuring of all Prior Investments. He has also been the Vice Chairman of Glencoe Capital's Board since 1997. Mr. McGrath joined McDermott, Will & Emery in 1970 and has been a partner since 1976. Mr. McGrath is currently a director of Rimrock Corporation (Fund II) and Tomy Corporation, and previously served on the Boards of Directors of Doane Agricultural Services Company, Soft Sheen Products, Inc., and Hobart-McIntosh Paper Company. He served on both the Management and Executive Committees of McDermott, Will & Emery. Mr. McGrath has lectured at numerous conferences and courses presented by the American Management Association and KPMG Peat Marwick's conferences on acquisitions as well as at the Loyola University Family Business Forums. Mr. McGrath earned an A.B.cl., *magna cum laude*, from John Carroll University, an M.S. in political science from Loyola University of Chicago, and a J.D. from Harvard University Law School.

Ronald D. Wray *Managing Director*

Mr. Wray has 10 years of experience in private equity and principal investing. Prior to joining Glencoe Capital, Mr. Wray was Executive Vice President of the Pritzker Family Investment Office (1991-1998), where his responsibilities encompassed developing, structuring, and executing private equity transactions, monitoring portfolio companies and developing exit strategies as well as capital asset management. Prior to the Pritzker Family Investment Office, he was a tax and audit professional at Ernst & Young in Chicago (1986-1990). Mr. Wray currently serves on the Boards of Kar Products, LLC, and Strategic Equipment and Supply Corporation (Fund II). Previously, Mr. Wray served on the Board of PlayCore, Inc. (Fund I), as well as Rimrock Corporation and Premium Foods Group, Inc. (Fund II). Mr. Wray earned a B.S. in Accountancy, *summa cum laude*, from Northern Illinois University, an M.S. in Taxation with Distinction from DePaul University, and a J.D. from Chicago Kent College of Law.

Jon A. Burgman *Principal and Director of Portfolio Management*

Mr. Burgman has over 30 years of diverse management experience, including positions in operations, marketing, sales, strategy, accounting, finance, and general management. He also has extensive experience in

mergers and acquisitions, restructuring of under-performing businesses, and post acquisition integrations. Most recently, Mr. Burgman was a partner with Tatum CFO Partners, LLP, where one of his projects included Glencoe Capital's Bell & Howell Company's separation from its publicly-traded selling corporate parent. He also provided strategic, operational, and financial consulting services to a variety of businesses. From 1987 to 1995, he was Chief Financial Officer and Treasurer of Culligan Water Technologies, Inc., as well as responsible for its international subsidiaries. From 1986 to 1987, Mr. Burgman was President of Transco Products, Inc., which provided engineered products and related services. From 1980 to 1986 he was with AM International Corporation, serving both as Vice President of Field Operation (with responsibility for sales, service and marketing) and Vice President of Finance and Administration. Mr. Burgman's early career included positions at Apeco Corporation (1976-1980), Boss Manufacturing Co. (1973-1976), and Price Waterhouse & Co. (1963-1973). He is an adjunct faculty member of both Roosevelt University and Lake Forest Graduate School of Management. Mr. Burgman earned a B.B.A. in accounting from Loyola University of Chicago, and an M.B.A. from the University of Chicago Graduate School of Business.

Louis J. Manetti *Principal and Chief Financial Officer*

Mr. Manetti has over 20 years of experience in all aspects of mergers and acquisitions. Most recently, Mr. Manetti was Integration Manager for Eastman Kodak Company responsible for the integration of the CustomerFirst service and support business into Kodak. From 1993 to 2000, Mr. Manetti held various executive positions with Bell & Howell Company, including Vice President Operations and General Counsel of Bell & Howell Imaging Company. His responsibilities included executing North American and European based acquisitions and joint ventures, managing, integrating, and restructuring acquired businesses, and establishing and evaluating financial reporting systems for multiple divisions. Prior to joining Bell & Howell Company, Mr. Manetti was a Senior Manager with Price Waterhouse in Chicago (1983-1993), where he advised private equity clients on the tax structure of numerous transactions, conducted due diligence, and lead in-house training sessions on corporate reorganizations. Mr. Manetti earned a B.B.A. in Public Accounting from Loyola University of Chicago, a J.D. from The John Marshall Law School, and an M.B.A. from the Kellogg School of Management at Northwestern University.

Christopher J. Collins *Vice President*

Mr. Collins focuses on both the Executive Network and transaction development and execution in all industry areas. Previously, Mr. Collins was a Vice President in commercial banking at The Northern Trust Company. Prior to joining The Northern Trust, he was a financial analyst at ANB Mezzanine Corporation. Mr. Collins earned a B.A. in economics and political science from the University of Michigan and an M.B.A. from the University of Chicago Graduate School of Business.

Jason L. Duzan *Vice President*

Mr. Duzan has experience in executing and managing private equity investments in publicly traded and private companies in a variety of industries, specializing in food and industrial product industries. Prior to joining Glencoe Capital, he was a financial analyst at Harris Trust and Savings Bank specializing in financial advisory work in the food, food product and agri-business industries. Mr. Duzan earned a B.S. in agricultural economics with a concentration in finance from the University of Illinois and is currently pursuing an M.B.A. at the University of Chicago Graduate School of Business. He is also a Chartered Financial Analyst.

Benjamin C. Kahn *Vice President*

Mr. Kahn has four years of experience completing private equity and investment banking transactions. Prior to joining Glencoe Capital, Mr. Kahn was with Madison Dearborn Partners, where he was involved in analyzing, executing and monitoring principal investment opportunities. Previously, he was a financial analyst in the investment banking division at Bear, Stearns & Co. Mr. Kahn earned a B.S. in finance and accounting from New York University's Leonard N. Stern School of Business, and an MBA from the Kellogg School of Management at Northwestern University.

Beth A. Satterfield *Vice President*

Ms. Satterfield has expertise in consumer products, manufacturing, and business services industries. Ms. Satterfield was previously a First Vice President in the leveraged finance group at LaSalle Bank where she worked with Glencoe Capital's portfolio companies from a senior debt lending perspective. Prior to joining LaSalle, she was an Assistant Vice President in commercial banking at NBD Bank Illinois. Ms. Satterfield earned a B.S. in finance from the University of Illinois and an M.B.A. from the University of Chicago Graduate School of Business.

Mark S. Agnew *Associate*

Mr. Agnew joined Glencoe Capital from Rivien Communications, where he was a mergers and acquisitions associate. Prior to this, he was a financial analyst in the basic industries investment banking group at Deutsche Banc Alex. Brown. Mr. Agnew earned a B.S. in hotel administration with a concentration in finance and management from Cornell University.

Peter W. Martay *Associate*

Prior to joining Glencoe Capital, Mr. Martay was a financial analyst in the Financial Sponsor Group, Chemical Industry Group and Food & Beverage Industry Group at Deutsche Banc Securities Inc., where he was involved in a variety of corporate finance and leveraged buyout transactions. Mr. Martay earned a B.B.A. with a concentration in finance from the University of Michigan.

EXHIBIT D

Track Record

GLENCOE CAPITAL, LLC
IRR Calculations
As of March 2003

Fund I	Glencoe Entities Investment at Cost	Date of Exit	Glencoe Entities Realized Value	Glencoe Entities Unrealized Value ⁽¹⁾	Total Value	Multiple of Cost	Gross IRR	Net IRR ⁽⁴⁾
LaFayette American Bancorp, Inc	24.9	Jul-96	75.4		75.4	3.03	58.4%	55.5%
PlayCore, Inc.	16.8	Apr-00	34.5		34.5	2.05	22.5%	21.4%
Golden Bear Oil Specialties	12.7	N/A		1.9	1.9	0.15	-33.4%	-33.4%
Total Fund I -- Realized Investments	41.7		109.9		109.9	2.64	43.9%	41.8%
Total Fund I -- Unrealized Investments	12.7			1.9	1.9	0.15	-33.4%	-33.4%
Total Fund I -- Realized & Unrealized Investments	54.4		109.9	1.9	111.8	2.06	25.9%	24.2%
Fund II								
Premium Foods Group, Inc.	60.5	Mar-03	66.6	86.2 ⁽²⁾	152.8	2.53	46.9%	44.0%
Rimrock Corporation	13.6	N/A		4.1	4.1	0.30	-31.0%	-31.1%
Strategic Equipment and Supply Corporation	25.7	N/A		25.7	25.7	1.00	N/A	-0.1%
Kar Products, LLC	33.3	N/A		33.3	33.3	1.00	N/A	-0.1%
Bell & Howell Company	29.3	Jan-03	143.9	120.8 ⁽³⁾	264.7	9.03	372.9%	299.5%
Total Fund II -- Realized Investments	89.8		210.5	207	417.5	4.65	153.2%	127.4%
Total Fund II -- Unrealized Investments	72.6			63.1	63.1	0.87	-5.8%	-5.8%
Total Fund II -- Realized & Unrealized Investments	162.4		210.5	270.1	480.6	2.96	82.1%	67.8%

Notes:

- (1) Unrealized investments are valued at cost, net of reserves, except where noted.
- (2) Value represents remaining shares as priced in March 2003 public offering.
- (3) Represents a sale of 50% of the holding in December 2002. The remaining 50% is stated at the expected put price and is discounted to a NPV at 10%.
- (4) Net of management fees. Assumes full 20% carried interest for Fund I investments. Fund II calculations give effect to reduced carried interest for co-investment amounts.

SCHEDULE A

Fund Name: Glencoe Capital Partners III, L.P.
Manager: Glencoe Capital, LLC

(\$ in millions)

<u>Company</u>	<u>Investment Date</u>	<u>Exit Date</u>	<u>Location</u>	<u>Investment Stage</u>	<u>Security Type</u>	<u>Investment Amount</u>	<u>Realized Amount</u>	<u>Current Value ⁽¹⁾</u>	<u>IRR ⁽²⁾</u>
Lafayette American Bancorp	Feb-94	Jul-96	Hamden, CT	Recap	Equity	24.9	75.4	0	58.4%
PlayCore, Inc. (formerly Swing-N-Slide Corp.)	Feb-96	Apr-00	Janesville, WI	Buyout	Equity	16.8	34.5	0	22.5%
Golden Bear Oil Specialties	Jul-97	Jul-01	Oildale, CA	Buyout	Equity	12.7	0	1.9	N/A
Specialty Foods Group, Inc. (formerly Premium Foods Group)	Oct-99	Mar-03	Crestview Hills, KY	Buyout	Equity	60.5	66.6	86.2 ⁽³⁾	46.9%
Rimrock Corporation	Dec-99	N/A	Columbus, OH	Buyout	Equity	13.6	0	4.1	N/A
Strategic Equipment and Supply Corporation	Jan-00	N/A	Dallas, TX	Buyout	Equity	25.7	0	25.7	N/A
GC-Sun Holdings (commonly referred to as Kar Products, LLC)	Mar-00	N/A	Des Plaines, IL	Buyout	Equity	33.3	0	33.3	N/A
Bell & Howell Company	Sep-01	Jan-03	Lincolnwood, IL	Buyout	Equity	29.3	144.0	120.8 ⁽⁴⁾	372.9%

Notes:

- ⁽¹⁾ Unrealized investments are valued at cost, net of reserves, except where noted.
- ⁽²⁾ As of March 2003.
- ⁽³⁾ Value represents remaining shares as priced in March 2003 public offering.
- ⁽⁴⁾ Remaining value stated at expected put price and discounted to a NPV at 10%.

EXHIBIT E

Sample Quarterly Reporting Package

GLENCOE CAPITAL PARTNERS II, L.P.

**Report to the Partners
for the Quarter Ended March 31, 2003**

CONFIDENTIAL

**Glencoe Capital, L.L.C.
222 W. Adams St., Suite 1000
Chicago, IL 60600
Phone: 312-795-6300
Fax: 312-795-0455**

David S. Evans
Chairman
812.795.6307

To the Partners of Glencoe Capital Partners II, L.P.:

Executive Summary

The first quarter of 2003 was marked by significant activity for Glencoe Capital, including partial realizations of two portfolio companies (Bell & Howell and Premium Foods Group), as well as a move of the firm's office space to accommodate the considerable growth our business experienced over the last few years. In addition in May, as previously reported, we held the final closing of Glencoe Capital Partners III, L.P. ("Fund III"), which together with its companion institutional co-investment fund, has \$330 million of equity capital to deploy in new projects.

We are also pleased to report that the firm's new project pipeline is robust, with multiple transactions being pursued within each of our six Executive Network industry specialty groups. The firm remains quite enthusiastic about the quality of ideas being considered. In addition, we are beginning to see signs of stronger credit markets and general economic conditions, which lead to our optimism that the next 18-24 months will be an exciting period for the firm to execute its investment strategy.

Attached are financial and operational highlights for each of the portfolio companies, as well as unaudited financial statements for the Fund as of March 31, 2003.

June 25, 2003

22469

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Böwe Bell & Howell Company

Overview. In September of 2001, Glencoe Capital Partners II acquired the North American Mail & Messaging Technologies, Scanners and Financial Services businesses from ProQuest Co. (formerly Bell & Howell Company). Glencoe also acquired the Bell & Howell trademark and all of the acquired businesses continued to operate under the Bell & Howell name. Glencoe Capital Partners III later acquired an interest in Bell & Howell through its purchase of structured bridge convertible units from another investor.

Bell & Howell Mail & Messaging Technologies is a recognized market leader in the manufacturing, marketing, and service of high-volume, high-speed automated mail processing systems. With more than 60 years of experience in the industry, Bell & Howell mail processing equipment has been built on a reputation for providing the highest quality products and service to its customers. Bell & Howell Scanners manufactures and markets high-volume document scanners, and Bell & Howell Financial Services provides equipment leasing and factoring financing solutions.

On December 31, 2002, Filemaster Holdings, Inc. (Parent company of Bell & Howell Company) and Böwe Systec, Inc., a subsidiary of Böwe Systec, AG, merged its North American Operations and changed its name to Böwe Bell & Howell Company. Subsequently, on January 2, 2003, Böwe Bell & Howell Company successfully closed a joint venture arrangement with Böwe Systec AG (a leading provider of intelligent automated mailing, plastic card and cutting solutions), whereby Böwe Systec AG acquired 50% of the investment interest. The transaction combined the individual strengths of both organizations and gave Bell & Howell access to Böwe Systec AG's advanced Production Card and Mailing products.

Recent Results. Since the combination at the beginning of the year, Böwe North American Operations (Böwe NA) and Bell & Howell have been working through the transition period. Consequently, Böwe NA results are not included in the first quarter results in the table, but have been reported by the Böwe NA team as follows. Böwe NA Q1 results are Revenue of \$5.3 million and EBITDA of \$1.54 million compared to Plan revenue of \$6.6 million and Plan EBITDA of \$1.50 million. (Böwe NA results will be included in future periods.) In addition, \$5.1M of transaction bonuses has been excluded from the results in the table.

First quarter Bell & Howell revenue and gross profit underachieved Plan revenue and Plan gross profit by \$5.5 million and \$0.5 million, respectively. Overall, the shortfall was primarily driven by sales delayed until second quarter. The shortfall in gross profit attributable to lower sales was offset by a favorable \$1.9 million percentage of completion adjustment to the long-term postal contract. Operating Expenses were favorable to plan, driven by lower commissions on lower sales, delayed timing of marketing expenses and reduced G&A spending. First quarter interest expense was \$2.1 million, including a \$0.8 million catch-up entry made to account for interest expense on the \$60 million redemption note due to BH Equity Holdings, LLC.

	2003	2002	2001	2000	1999
Sales	\$ 92,181	\$ 97,705	\$ 83,316	\$ (5,524)	\$ 8,865
Gross Profit	24,202	24,677	21,861	(475)	2,341
Operating Expenses	16,112	17,472	14,809	(1,360)	1,303
EBITDA	\$ 8,090	\$ 7,205	\$ 7,052	\$ 885	\$ 1,038

Premium Foods Group, Inc. ("PFG")

Overview. In October 1999, Glencoe Capital led the acquisition of the assets and business operations of Mickelberry's, Inc. from Willow Foods, a wholly owned subsidiary of Richelieu Foods, Inc. In August 2000, Premium Foods Group, Inc. ("PFG"), a newly created holding company formed to execute Glencoe Capital's specialty meat platform, acquired 100% of the capital stock of SMG Holdings, Inc. ("SMG") and the Mickelberry business was folded into PFG. In November 2001, PFG acquired International Fish & Meat USA, L.L.C. ("IFM"), which included its Fischer and Field operations. PFG is headquartered in Crestview Hills, Kentucky, and is now one of the largest independent processed meat marketers in North America.

In the first quarter of 2003, PFG pursued a partial exit through an initial public offering ("IPO"). The IPO was structured through the issuance of units in Specialty Foods Group Income Fund (the "Trust"), an open-ended limited purpose trust established under the laws of Canada. The Trust units are traded on the Toronto Stock Exchange under the symbol HAM.UN. The proceeds from the IPO (including the over-allotment) were used to indirectly purchase approximately 55% of the outstanding common stock of the Company. As a result of the restructuring associated with the IPO, the Fund received cash, common stock of a Specialty Foods Group U.S. Holdings, Inc. (a holding company) and notes in Specialty Foods Group LLC (an affiliate).

Recent Results. As a result of the IPO, the Company paid off its outstanding debt and entered into new credit agreements during the first quarter. Under the terms of the IPO, the Trust will pay monthly dividends to its unit holders out of cash generated through the Company's operations. As these cash flows are required to be made in Canadian dollars, the Company entered into foreign currency exchange contracts to fix the U.S./Canadian exchange rate.

The first quarter results were adversely impacted by several factors, including high raw material prices, competitive pricing pressures, operational issues associated with management's announcement to close the Bloomfield, CT plant, and senior management focus on the IPO. Sales and EBITDA for the quarter ended March 31 were \$82.7 million and \$6.9 million, respectively. EBITDA were 9% short of plan and 16% under the prior year. March 2003 Corporate results included an income benefit related to the U.S. - Canadian dividend hedge of \$0.8 million.

To offset adverse market conditions, management has been focusing on various initiatives to address operational productivity through the better utilization of production capacity and reduction of overhead expenses. In addition, management is putting public reporting procedures in place.

	2003	2002	2001	2000	1999
Sales	\$ 82,652	\$ 86,167	\$ 85,598	\$ (3,515)	\$ (2,946)
Gross Profit	24,248	26,673	28,105	(2,425)	(3,857)
Operating Expenses	17,306	19,060	19,837	(1,754)	(2,531)
EBITDA	\$ 6,941	\$ 7,613	\$ 8,268	\$ (672)	\$ (1,327)

Strategic Equipment and Supply Corporation ("SESC")

Overview. In January 2000, six of the leading U.S. independent food service equipment supply companies were consolidated into one company, Strategic Equipment and Supply Corporation ("SESC"), and Glencoe completed the control acquisition of 65% of SESC's equity with the balance retained by the selling principals. In September of 2000, SESC executed its first follow-on transaction by acquiring 100% of the assets of Tampa Distributors, Inc. the holding company for W.H. Reynolds Distributors, Inc. SESC is a leading, full-service provider of services, equipment and supplies to the foodservice industry.

Recent Results. During the first quarter, the Company closed a joint venture transaction to combine its San Antonio based fabrication business with a Dallas based stainless steel fabrication operation. The fabrication operations have been consolidated in Dallas and will provide the Company with access to a more cost effective product through the combination of volumes in a cost efficient plant.

Sales for the quarter ended March 31, 2003 were \$38.2 million, short of plan, but flat with the prior year. EBITDA were \$0.5 million behind plan and \$0.2 million behind prior year. The Company continues to pursue several new revenue initiatives. Chick-fil-A was awarded foodservice equipment procurement to the Medley Division. Scruggs Division was awarded the first Wolfgang Puck unit, and is coordinating sales activities for deeper system-wide penetration and was named primary provider for Logan's Roadhouse. Palm Division began servicing Old Country Buffets in March 2003. Gernsbacher Division was named primary provider for Café Express. SESC began distributing replacement smallwares for Ruby Tuesday on March 1, 2003, through various division locations. In addition to the revenue initiatives and in recognition of its service performance, Outback Steak House named SESC's Medley division supplier of the decade.

There are early indications to suggest a significant market contraction for 2003 and overall market conditions are weak. Although attaining budget will be challenging, senior management has been working with Glencoe Capital and the Executive Network to identify areas to strengthen the EBITDA results. Project development has been delayed at Palm Division, \$1.4 million behind plan for the quarter, although March showed great improvement that will carry into the second quarter. Dallas location (formerly "National Accounts") projects a significant sales shortfall as some major customers have either temporarily stopped or reduced development plans.

Quarter	Actual	Plan	Prior Year	Change vs. Plan	Change vs. Prior Year
Sales	\$ 38,273	\$ 41,963	\$ 38,523	\$ (3,690)	\$ (250)
Gross Profit	8,285	8,957	8,030	(672)	255
Operating Expenses	7,813	7,968	7,331	(155)	482
EBITDA	\$ 472	\$ 989	\$ 699	\$ (517)	\$ (227)

Rimrock Corporation ("Rimrock")

Overview. Glencoe Capital led the recapitalization of Rimrock Corporation ("Rimrock") in December 1999 and acquired a 75% ownership position in the Company. Rimrock is the leading North American developer of productivity solutions for the aluminum die casting industry. The Company designs, engineers and manufactures a full array of automation equipment and provides services that improve customers' manufacturing productivity and profitability. Rimrock maintains a fiscal year end of September 30th.

Recent Results. In January of 2003, the Company closed a restructuring plan with senior lenders, subordinated debt holders and equity participants. Under the agreement, Rimrock received a capital infusion and executed a new credit agreement with its lenders.

Sales and EBITDA for the quarter ended March 31 were \$4.9 million and \$0.4 million, respectively. Quarter-to-date sales exceeded plan and prior year by 11% and 16%, respectively. EBITDA exceeded plan by 8%, but was short of the prior year by 16%. EBITDA were adversely affected by the costs of restructuring that were expensed during the quarter. Without these expenses, the operating expenses would have been in line with prior year with an associated increase to EBITDA.

While sales for robotic solutions have been strong, capital equipment sales have been sluggish. The adverse gross margin impact from this product mix is offset by the strong sales of spare parts and spray accessories. The Company's management has been focusing on expanding market opportunities by extending its automation expertise to other related areas and has been able to maintain high levels of order backlog through a focus on its quoting activities.

Quarter-to-date	Actual	Plan	Prior Year	Change vs. Plan	Variance vs. Prior Year
Sales	\$ 4,928	\$ 4,429	\$ 4,262	\$ 499	\$ 666
Gross Profit	2,487	2,226	2,080	261	407
Operating Expenses	2,047	1,819	1,557	228	490
EBITDA	\$ 440	\$ 407	\$ 523	\$ 33	\$ (83)

GC-Sun Holdings ("GC-Sun")

Overview. In March 2000, Glencoe Capital and SunSource, Inc. ("SunSource") formed GC-Sun to acquire SunSource's expeditor business consisting of Kar Products, Inc. and A&H Bolt & Nut Co., Ltd. (collectively "Kar"). Headquartered in Des Plaines, Illinois, Kar is one of the leading U.S. national distributors of maintenance, repair, and operating ("MRO") supplies in the industrial expeditor sector. In October 2000, GC-Sun executed its first follow-on acquisition by acquiring 100% of the capital stock of Brampton Fastener Co., Ltd. ("Brafasco"). In August 2001, GC-Sun closed the acquisition of C&J Fasteners, Inc. ("C&J"). The Brafasco and C&J acquisitions represented GC-Sun's expansion of the MRO business into a branch based distribution model in the U.S. and Canada.

In 2002, GC-Sun negotiated a buyout of its partnership interest from SunSource. In addition, in June 2002, Glencoe Capital Partners II, LP loaned \$2 million to GC-Sun Holdings in an agreement with the Company's senior lenders to improve the liquidity of the Company.

In February 2003, GC-Sun negotiated and closed the sale of its expeditor business, Kar Products and A&H Nut & Bolt Company, to Barnes Group Inc. The sale price of \$78.5 million was a combination of cash and shares of Barnes Group common stock. The cash was used to immediately pay off a significant portion of its senior bank debt.

Recent Results. As noted above, in February 2003, William Blair & Co. assisted with the sale of two of the GC-Sun Holdings II, L.P. investments (the assets of Kar Products and A&H Nut & Bolt Company), the proceeds of which were used to reduce the debt of GC-Sun Holdings II, L.P. As a result of the transaction, the majority of Company's operations are located in Canada. Glencoe's Portfolio Management team is preparing a new strategic growth plan for the remaining businesses held by GC-Sun Holdings II, L.P. - Brafasco Holdings, Inc. and C&J Fasteners, Inc.

The results below reflect the remaining businesses held by GC-Sun Holdings II, L.P., Brafasco Holdings, Inc. and C&J Fasteners, Inc. Management is currently evaluating future working capital requirements and determining the number of new stores to open in 2003. As a result, the Plan for 2003 has been set at the 2002 actual level and will be revised when the number of new stores and standalone costs has been finalized. Sales for the combined businesses for the quarter were \$5.6 million and EBITDA were \$1.3 million. Sales increased 13% over prior year and EBITDA increased 27.9% over prior year. The increases in sales and EBITDA are attributable to increased sales of stores opened in 2001 and 2002, and the weakening of the U.S. dollar compared to the Canadian dollar in the first quarter of approximately 5%.

Quarter	Actual	Plan	2002 Actual	2001 Actual	2000 Actual
Sales	\$ 5,640	\$ 4,990	\$ 4,990	\$ 650	\$ 650
Gross Profit	3,482	3,158	3,158	324	324
Operating Expenses	2,223	2,174	2,174	49	49
EBITDA	\$ 1,259	\$ 984	\$ 984	\$ 275	\$ 275

* * * * *

Please feel free to contact Chris Collins at (312) 870-1359 with any questions or comments.

Respectfully submitted,

GLENCOE CAPITAL, LLC

June 25, 2003

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GLENCOE CAPITAL PARTNERS II, LP
BALANCE SHEET

March 31, 2003

	<u>March 31, 2003</u>	<u>December 31, 2002</u>
	UNAUDITED	AUDITED
<u>Assets</u>		
Cash and cash equivalents	-	-
Contributions receivable	23,747	21,063
Interest receivable		12,752
Investments	110,530,362	164,167,627
Due from affiliates	18,480	-
Fixed assets, net of accumulated depreciation and amortization	-	-
Other assets	55,535	-
	<u>\$ 110,628,123</u>	<u>\$ 164,201,442</u>
<u>Liabilities and members' capital</u>		
Liabilities		
Accounts payable	-	-
Prepaid revenue	-	-
Accrued expenses	-	47,541
Due to affiliates	168,220	100
Total liabilities	<u>168,220</u>	<u>47,641</u>
Members' capital	110,459,903	164,153,801
	<u>\$ 110,628,123</u>	<u>\$ 164,201,442</u>

GLENCOE CAPITAL PARTNERS II, LP
STATEMENT OF OPERATIONS

Quarter ended March 31, 2003

	Three Months Ended March 31, 2003	Twelve Months Ended December 31, 2002
	UNAUDITED	AUDITED
<u>Unrealized gain on investments</u>		
Net change in unrealized appreciation (depreciation) on investments	-	107,724,089
Previously Recognized Unrealized Gains	(47,231,333)	-
<u>Realized gain on investments</u>		
Investment Realized Gains	47,231,333	-
<u>Revenues</u>		
Transaction fees, net	-	-
Management fees	-	-
Interest income	170,992	701,209
Other income	-	-
Total revenues	<u>170,992</u>	<u>108,425,298</u>
<u>Expenses</u>		
Consulting fees	-	125,000
Travel and entertainment	9,321	27,170
Professional fees	-	32,354
Management fee	-	-
Insurance	55,535	128,316
Miscellaneous	288	8,081
Total expenses	<u>65,143</u>	<u>320,921</u>
Net income (loss)	<u>\$ 105,849</u>	<u>\$ 108,104,377</u>

GLENCOE CAPITAL PARTNERS II, L.P.
STATEMENT OF PARTNERS' ACCOUNTS

Period Ended March 31, 2003

UNAUDITED

	General Partner	Limited Partners	Total
Members' capital, December 31, 2000	876,907	35,992,440	\$ 36,869,347
Capital contributions	301,657	13,021,970	13,323,627
Net income	-	399,277	399,277
Members' capital, December 31, 2001	1,178,564	49,413,687	50,592,251
Capital contributions	\$ 122,024	\$ 5,335,149	5,457,173
Net income	24,585,288	83,519,089	108,104,377
Members' capital, December 31, 2002	\$ 25,885,876	\$ 138,267,925	\$ 164,153,801
Capital contributions	\$ 14,399	\$ 446,379	460,778
Capital distributions	\$ (10,428,242)	\$ (43,712,281)	(54,140,523)
Net income	-	105,849	105,849
Members' capital, March 31, 2003	\$ 15,472,033	\$ 95,107,872	\$ 110,579,903

GLENCOE CAPITAL PARTNERS II, L.P.
ANALYSIS OF PARTNER ACCOUNTS

Three Months Ended March 31, 2003

UNAUDITED

	Balance 12/31/2002	Capital Contributions	Capital Distributions	Capital Transfers	Total Allocation of Y-T-D (Loss) Income	Balance 3/31/2003
General Partner						
Glencap Managers LLC	\$ 25,885,875	\$ 14,399	\$ (10,428,242)	\$ -	\$ -	\$ 15,472,032
Limited Partners, Class A						
State of Michigan	56,190,906	240,052	(17,768,118)	-	39,793	38,702,633
Kenmont Capital Private Equity Partners L.P.	11,238,180	48,062	(3,553,624)	-	7,959	7,740,576
Sahara Investments, LLC	6,742,906	28,863	(2,132,176)	-	4,775	4,644,368
Marsh USA Inc.	4,495,271	19,263	(1,421,448)	-	3,183	3,096,269
Premier Partners	4,495,271	19,263	(1,421,448)	-	3,183	3,096,269
Marshall Butler	738,053	-	-	-	-	738,053
Massachusetts Mutual Life Insurance Company	875,559	-	(412,223)	-	923	464,259
MassMutual High Yield Partners II L.P.	634,023	-	(298,500)	-	669	336,192
DLJ Fund Investment Partners II L.P.	2,247,633	9,664	(710,725)	-	1,592	1,548,164
Limited Partners, Class B						
Massachusetts Mutual Life Insurance Company	19,569,247	5,308	(6,184,354)	-	13,848	13,404,049
MassMutual High Yield Partners II L.P.	14,170,835	3,844	(4,478,325)	-	10,028	9,706,382
Kenmont Capital Private Equity Partners L.P.*	-	-	-	-	7,959	7,959
Phoenix Home Life Mutual Insurance Company	16,870,040	60,286	(2,665,670)	(8,435,020)	5,969	5,835,605
DLJ Strategic Partners, L.P.	-	9,772	(2,212,506)	7,001,066	4,954	4,803,286
DLJ Strategic Partners Parallel Fund, L.P.	-	2,002	(453,164)	1,433,954	1,015	983,807
Members' Capital	\$ 164,153,800	\$ 460,778	\$ (54,140,523)	\$ -	\$ 105,849	\$ 110,579,903

GLENCOE CAPITAL PARTNERS II, L.P.
SCHEDULE OF INVESTMENTS

March 31, 2003

UNAUDITED

	Fair Value	Cost
MHD Holdings, LLC (1)	\$ 30,504,226	11,468,333
Rimrock Investors, LLC (2)	3,341,744	8,000,100
Strategic Equipment & Supply Corporation	13,232,705	13,232,705
G.C. Sun Investors, LLC (3)	9,279,505	9,279,505
G.C. Sun Holdings, LP	2,453,699	2,305,753
Bell & Howell	51,838,483	4,108,128
	<hr/>	<hr/>
Total	\$ 110,650,362	\$ 48,394,524
	<hr/> <hr/>	<hr/> <hr/>

- (1) Premium Foods Group, Inc.
- (2) Rimrock Corporation
- (3) Brafasco, C&J

EXHIBIT F

References

Provide a complete current client list with the contact person, address and telephone number. Please specify the type of client (e.g. public fund, endowment, corporate, or private investor). Also provide a list of former clients, with contact person, address and telephone number, who have discontinued their relationship with your firm in the past five years and state the reasons the client discontinued the relationship. Please send a copy of the reference authorization letter to all listed contacts. Please also send a copy of the authorization letter to TRS.

Current Investors:

**State of Michigan Retirement Systems
Alternative Investments Division**

Public Pension Fund

Robert G. Clone
Senior Portfolio Manager
2501 Coolidge Road, Suite 400
Lansing, MI 48823
(517) 373-6257

Phoenix Life Insurance Company

Insurance Company

Paul M. Chute
Managing Director, Private Placements
56 Prospect Street
Hartford, CT 06115
(860) 403-5594

Marsh, Inc.

Insurance Company

Steven H. Kerr
Managing Director
500 West Monroe Street
Suite 2400
Chicago, IL 60661
(312) 627-6828

**Kenmont Capital, LP
(formerly K-2 Capital, LP)**

Fund of Funds

Donald R. Kendall, Jr.

**Massachusetts Mutual Insurance Company
(David L. Babson & Company, Inc.)**

Insurance Company

Michael P. Hermsen
Managing Director
1500 Main Street
Springfield, MA 01115
(413) 226-1615

**DLJ Fund Investment Partners III, L.P.
(Credit Suisse First Boston)**

Corporate

David M. Russell
Director
11 Madison Avenue, 16th Floor
New York, NY
(212) 325-4406

New York Life Insurance Company

Insurance Company

Hugh Wade
Madison Capital Funding
303 West Madison Street
Chicago, IL 60606
(312) 596-6905

Caisse de Depot et placement du Québec

Public Pension Fund

Luc Houle
Vice President and Group Head

Managing Director
401 Louisiana
Suite 800
Houston, TX 77002
(713) 223-9933

1981, Avenue McGill College
9th Floor
Montreal, Quebec H3A3C7 Canada
(514) 847-2464

Sahara Investments, LLC

Closed End Investment Company and
Family Trust

Thomas L. Gahlon
Vice President
Three First National Plaza
70 West Madison, Suite 2000
Chicago, IL 60602
(312) 782-2690

**Ontario Teachers Pension Plan Board
(Teachers' Merchant Bank)**

Public Pension Fund

Kathleen J. Cira
Portfolio Manager, Merchant Banking
5650 Yonge St.
Toronto, Ontario
Canada
M2M 4H5
(416) 730-3788

BMO Nesbitt Burns

Corporate

Patrick J. McDonnell
Managing Director
111 South LaSalle Street, 10th Floor
Chicago, IL 60603
(312) 461-5054

Comerica Bank

Corporate

James R. Grossett
Senior Managing Director
MC3270
P.O. Box 75000
Detroit, MI 48275
(313) 222-5502

Ahlberg Family

Private Investors

Hal Ahlberg
1616 Travis Circle
Irving, TX 75038
(972) 753-6502

Public Endowment Partner ⁽¹⁾

Public Endowment

Brett M. Johnson
(510) 287-3844

John Hancock Financial Services, Inc.

Insurance Company

Stephen J. Blewitt
President, Hancock Mezzanine Advisors
200 Clarendon Street, T-57
Boston, MA 02117
(617) 572-9624

All institutional investors from Glencoe Capital's previous funds (Fund I and Fund II) are currently also investors in Fund III, with the exception of Marsh, Inc. and Kenmont Capital.

Marsh has recently received a new allocation for investments in alternative assets and has informed Glencoe that it will be making an investment in Fund III, subject to final board approval, which is expected by August 2003. Kenmont, a fund of funds, has not yet raised its next investing vehicle, and therefore has not made an investment in Fund III to date.

Notes:

(1) Pursuant to the terms of a confidentiality agreement with this investor, Glencoe Capital is prohibited from disclosing their identity with prior written consent. They are, however, very receptive to taking reference calls.

Provide a complete current investment list with the name, address and telephone number of the CEO for each investment. Also provide a complete list of liquidated investments with the name, address and telephone number of the CEO for each investment. Provide a complete list of contact persons, addresses and their telephone numbers for co-investors and/or financing sources in any of the investments listed. Please send a copy of the reference authorization letter to all listed contacts. Please also send a copy of the authorization letter to TRS.

Current Investments:

Specialty Foods Group, Inc.
Thomas D. Davis
Chief Executive Officer
2890 Chancellor Drive, #210
Crestview Hills, KY 41017
(859) 344-4080

Kar Products, LLC
Robert M. San Julian
President
461 North Third Avenue
Des Plaines, IL 60016
(847) 390-4957

Rimrock Corporation
Thomas DeJong
President and CEO
1700 Jetway Boulevard
Columbus, OH 43504
(614) 509-4190

Strategic Equipment and Supply Corporation
Kevin P. Bruce
President and CEO
5949 Sherry Lane
Suite 835
Dallas, TX 75209
(214) 373-6630

Bowe Bell & Howell
John Lombard
President
3501B Tri-Center Boulevard
Durham, NC 27713
(919) 767-4365

Liquidated Investments:

Lafayette American Bank & Trust Co.
Robert B. Goldstein
Former President
49 Turkey Hill Road South
Westport, CT 06880
(203) 227-7903

PlayCore, Inc.
Frederic L. Contino
Former Chief Executive Officer
12109 Grandview Terrace
Apple Valley, MN 55124
(952) 454-8324

Golden Bear Oil Specialties
Carl R. Soderlind
Former Chairman and CEO
40 Misty Acres Road
Rolling Hills Estates, CA 90274
(310) 541-8848

Provide a list of all legal firms, audit firms, and principal banking relationships your firm has used in the last five years, with contact name, address and phone number, and any other relevant information. Please send a copy of the reference authorization letter to all listed contacts. Please also send a copy of the authorization letter to TRS.

Legal Firms:

McDermott, Will & Emery

Scott M. Williams
227 West Monroe Street
Chicago, IL 60606
(312) 984-3656

Latham & Watkins

Mark D. Gerstein
233 South Wacker Drive
Chicago, IL 60603
(312) 876-7666

Torys

Phil Brown
Partner
79 Wellington Street West
Suite 3000
Toronto, ON M5K 1N2
Canada
(416) 865-8238

Brobeck Phlegar & Harrison, LLC

Edward A. Reilly, Jr.
1633 Broadway
47th Floor
New York, NY 10019
(212) 237-2575

Goodwin Procter & Hoar

Stephen A. Boyko
Associate
599 Lexington Avenue
New York, NY 10022
(212) 813-8829

Audit Firms:

Ernst & Young LLP

Kathy Pawlus
Partner
233 South Wacker Drive
Chicago, IL 60603
(312) 879-3167

McGladrey & Pullen

Randy D. Abeles
Partner
10 South Wacker Drive
Suite 2200
Chicago, IL 60606
(312) 207-0870

Morrison & Morrison

Warren M. Katz
Partner
19 South LaSalle Street
Suite 1100
Chicago, IL 60603
(312) 346-2141

PriceWaterhouseCoopers LLP

Jon Oleniczak
Partner
203 North LaSalle Street
Chicago, IL 60601
(312) 516-2929

Principal Banking Relationships:

Antares

Daniel J. Barry
Director
311 South Wacker Drive
Suite 6400
Chicago, IL 60606
(312) 697-3954

GE Capital/Heller

Salman Muhktar
500 West Monroe Street
Suite 17-223
Chicago, IL 60661
(312) 441-6842

Harris Nesbitt

Patrick J. McDonnell
Managing Director
111 West Monroe Street
Chicago, IL 60603
(312) 461-5054

KeyBank

William R. Koehler
Managing Director
McDonald Investments
800 Superior Avenue
Cleveland, OH 44114
(216) 443-2717

LaSalle Bank

Michael Foster
Managing Director
Midwest Mezzanine Funds
135 South LaSalle Street
Chicago, IL 60603
(312) 992-4583

Madison Capital Funding

Hugh J. Wade
Managing Director
303 West Madison
Suite 1200
Chicago, IL 60606
(312) 596-6905

Merrill Lynch Capital

Jeffrey L. Jelm
Managing Director
222 North LaSalle Street
16th Floor
Chicago, IL 60601
(312) 499-3366

ORIX Business Credit

Mark E. Tauber
Managing Director
846 E. Algonquin Road
Suite A100
Schaumburg, IL 60173
(847) 303-6130

National City Bank

Matthew Klinger
Vice President
One North Franklin
Suite 3600
Chicago, IL 60606
(312) 739-0953