

PRUDENTIAL-BACHE CAPITAL PARTNERS
(Limited Partnerships I & II)

As President and Chief Executive Officer, JFM, was responsible for the management of two venture capital limited partnerships created exclusively for and restricted to the senior executive officers of Prudential-Bache Securities, Inc. The partnerships had total combined capital of \$72,737,000 of which \$14.5 million was funded by individuals, \$58.2 million by the parent, Prudential Insurance Company Limited.

Responsibilities included: formulating investment criteria; supervising the internal procedures necessary for investment and disinvestment decisions; all necessary monitoring activities of portfolio investments; establishing offices in New York City and San Francisco; staffing each office with senior professionals and appropriate support staff and the establishment of co-investor relationships with other professional institutional venture capital investors.

PBCP I

PBCP I closed on 6/19/87 with 138 investors providing capital of \$7,530,303 and when combined with the 4-to-1 leverage provided by Prudential Insurance Company of \$29,820,000 created total capital available for investment of \$37,350,303.

LPI returned 100% of investor capital (\$37.4 million) and as of 1/1/95 returned an additional 115% of investor profits (\$43.1 million) from the sale of 17 investments. Remaining assets were then "merged" into LP II for administrative purposes.

PBCP II

PBCP II closed on 10/21/88 with 152 investors providing capital of \$7,055,000 and when combined with the 4-to-1 leverage provided by Prudential Insurance Company of \$28,220,000 plus the above \$20 million limited partnership investments from PBCP I, created total investment capital available of \$55,386,667.

LP II returned 100% of investor capital (\$35.3 million) and as of 1/1/95 returned an additional 85% of investor profits (\$30 million) from the sale or merger of 18 remaining investments.

Decision to Cease the Limited Partnerships

After four years of successive record operating losses by Prudential-Bache Securities, Inc., the parent company, Prudential Insurance Company, abandoned the brokerage firm's original concept of establishing a major top-tier competitive investment banking division, known as "Project 89", and reduced the securities firm to a retail brokerage firm. Consequently, almost all executives in the investment banking division, both domestically and internationally, were discharged in addition to senior executives of the securities firm, including its chairman and CEO, George Ball. Simultaneously, the Prudential Insurance Company canceled the concept of any future PBCP limited partnerships and decreed that any remaining uninvested funds in PBCP II were to be restricted to supporting existing investments in the Prudential-Bache Securities, Inc. merchant banking division, thereby further reducing the parent's financial obligations to the brokerage firm and its merchant banking division activities.

Even though the two limited partnerships and the corporate general partner produced sufficiently positive internal cash flow to be financially self supporting of all management and operating expenses, at no cost to the securities firm, and in addition, even though capital appreciation of the majority of investments in both portfolios was clearly significant and cash distributions to the investors were far in excess of expectations, the concept of continuing the annual venture capital limited partnerships was ended due to the successive and increasingly large operating losses of the securities firm.

"PARTNERSHIP DISCLAIMER"

**Prudential-Bache Capital Partners
Limited Partnership I & II**

The PBCP Limited Partnerships were created as economic incentives solely for and restricted exclusively to executives of Prudential-Bache Securities, Inc. as "in-house" investment funds. Annual executive participation in each Fund was determined by the Board of Directors of the securities firm as part of each executive's annual bonus review and compensation package.

The PBCP Limited Partnerships **were not connected** to the numerous limited partnerships which were formulated by Prudential-Bache Securities, Inc. through its Direct Investment Group during the 1980's and were sold to the public through the retail brokerage division of the securities firm as a retail product.

These retail limited partnerships were the subject of a series of lawsuits brought on behalf of retail investors who were "defrauded" into buying interests in a series of limited partnerships which have been determined by federal and state regulators to have been intentionally misleading to investors and to have misrepresented to investors various facts about their safety, management and results. As part of a settlement agreement reached in October, 1993, between the regulators and the parent company, Prudential Insurance Company, \$330 million was agreed to as a minimum reimbursement payment for the retail investors affected and a New York Times projection as high as \$800 million has been estimated.

JFM, the management of the PBCP Limited Partnerships and the two PBCP Limited Partnerships themselves were completely separate investment partnerships from the above retail limited partnerships and shared no management responsibility nor investments with the above retail limited partnerships. The PBCP Limited Partnerships are not now, nor ever have been, subject to the above lawsuits directed at the securities firm's retail limited partnerships.

PRUDENTIAL-BACHE CAPITAL PARTNERS (Limited Partnerships)

Corporate History

Concept

PBCP was created to be a series of annual, legally separate limited partnerships, each with a 12 year life for the exclusive benefit of executives of Prudential-Bache Securities, Inc. (PBS). Executives were "invited" to invest in each year's new limited partnership at the time of their annual performance review and bonus distribution. Investors were restricted entirely, and without exception, to executives of the securities firm and no clients of the firm, retail or institutional, were permitted to invest. Each dollar invested by an executive received the economic benefit of 4-to-1 non-recourse leverage (in addition to his own investment) directly from the parent, Prudential Insurance Company. Such leverage benefited the investor with four times the value of his investment in the profit of each limited partnership but limited any losses in his account to his original investment only.

The concept for this executive "perk" investment opportunity was started in 1986 by the publicly stated intent of Prudential-Bache Securities, Inc. to establish a competitive top-tier investment banking division by 1989 and was named "Project 89." Consequently, participation in the first two annual limited partnerships was concentrated in the investment banking division as a method of attracting candidates to join the new division of the securities firm: 72% of all investors in these first two limited partnerships were executives from the investment banking division.

Management

The general partner, Prudential-Bache Partners, Inc., had management responsibility for each partnership including the sourcing, monitoring and sale of all portfolio investments. Under JFM, President and CEO of the general partner as well as a Managing Director of Prudential-Bache Securities, Inc., dual offices were established in New York City and San Francisco with senior professionals and appropriate support staff. Investment and disinvestment decisions were approved by an 11-member investment committee (including JFM), comprised of members of the Prudential-Bache Securities, Inc. Executive Committee; Board of Directors; and other principal officers of the securities firm.

Investment Criteria

The investment objective was capital appreciation through equity or equity related investments in a portfolio of venture capital investments and leveraged or management buyouts. The principal criteria was diversification of investment risk by investing in companies in a variety of industries at different stages of development and with a geographical balance.

DESCRIPTION OF INVESTMENTS
(Venture Capital)

• **Garnet Resources, Houston, TX**

(PBCP I & II)

7/87 - 6/90

In July, 1987, PBCP I, as part of an investor group, participated in a private placement for this company which is engaged in exploration and development of oil & gas properties outside the United States, primarily in Papua, New Guinea, and Colombia, South America. Originally founded in 1986, Garnet acquired a 40% non-operating interest in 1987 in a license to explore for oil & gas in Papua, New Guinea, owned by Peabody PNG Ventures PTY, Limited, covering approximately one million acres adjacent to, and surrounded by, seven blocks of licensed area owned by major international oil companies, including one on which Chevron made a major oil discovery in 1986. Garnet subsequently acquired 59% of the outstanding stock of Argosy Energy, Inc., whose primary asset was an interest in oil & gas properties in Colombia. In September, 1988, Garnet acquired the remaining 41% of Argosy by exchanging 722,112 shares of common stock of Garnet.

PBCP I's investment of \$503,118 was made in two stages at an average cost of \$3.50 per share. PBCP II invested \$498,750 in April, 1989, at an average cost of \$5.50 per share. Following an Initial Public Offering at \$5.00 per share in September, 1987, both PBCP I & II sold their investments by June, 1990, at prices ranging from 11-7/8 to 12-1/4 per share, realizing profits of \$1,219,000 and \$642,000, representing investment returns of 3.5 and 2.25 times original cost, respectively.

Qualification: JFM originally negotiated for and recommended to the 11 member investment committee of the Partnership a \$1 million investment at \$3.50/share in PBCP I's initial 7/87 investment and made the same recommendation for PBCP II's initial 4/89 investment but in both cases the investment committee reduced the \$1 million recommendations to \$503,118 and \$498,750 respectively. The resulting gains, therefore, were approximately 50% less than they could have been.

• **The Hulton-Deutsch Collection Ltd., London, U.K.**

(PBCP II)

1/89-4/90

In January, 1989, PBCP II in partnership with management, provided the initial seed capital for a private and unique photographic collection known as The Hulton-Deutsch Collection, Ltd., which owns the copyrights to all negatives and prints of two of the largest English commercial photographic libraries: the Hulton Picture Library and the Keystone Library Collection as well as the reproduction rights to same and all services connected therewith. Both libraries total 11 million photographs (black/white and color), 3 million lithographs and over 15 million negatives representing a unique, historical and largely irreplaceable pictorial record going back over the last 120 years. Both collections cover British and world events from both World War I and II; Olympic Games and all sports; the British Royal Family and all manner of "world life" events covering people, places and events.

PBCP II invested \$4.4 million in a combination of equity and debt for a 35% ownership interest. Debt repayment of \$1.8 million was made on schedule in July, 1989, and in April, 1990, the balance of the investment was sold for a profit, including a 12% per annum dividend on the preferred stock, representing a cumulative 20% annualized rate of return.

• **Baker Communications, Inc., Beverly Hills, CA**

(PBCP II)

3/89 - 12/89

In March, 1989, PBCP II invested in this publicly-traded company involved in the publication and distribution of local newspapers in selected affluent areas of Southern California including Beverly Hills, Newport Beach/Costa Mesa, Palos Verdes and Agoura/Westlake. Since its formation in 1983, the company has started two newspapers (*Beverly Hills "213"* and *Newport "714"*) and acquired five others (*The Newport Ensign*, the *Acorn*, the *Costa Mesa News*, the *Palos Verdes Peninsula News* and *The Beach Reporter*).

PBCP II invested \$4 million in a Senior Convertible Note with detachable warrants and as the result of a company refinancing in December, 1989, the Note was repaid in full, including accrued interest plus a negotiated premium of over \$1 million, which, in total, provided a return on investment of 25%. Additionally, the Partnership retained a warrant to purchase 100,000 shares @ \$4/share which expired unexercised in March, 1994.

• **Embarcadero Inn Associates, L.P., San Francisco, CA**

(PBCP II)

3/89 -

In March, 1989, PBCP II, as part of an investor group, provided initial capital in Embarcadero Inn Associates, a limited partnership formed to develop, own and operate the "Griffon Hotel," a small, European-style hotel and restaurant (Bistro Roti) which opened in April, 1989, and is located in San Francisco's financial district. The General Partner, which committed capital in a limited partnership interest on the same basis as PBCP I, consists of key principals of Pacific Union Company and Real Restaurants, Inc., experienced Northern California real estate developers and restaurateurs, respectively, each with excellent reputations and proven successes. Net operating profit for the year ended 12/31/93 was \$1.2 million up 3% from 1992. These results were due to a very good year at the hotel and were partially offset by a down year at the restaurant.

On 3/15/89, PBCP II invested \$2 million in Embarcadero Inn Associates, LP, and in December, 1989, funded an additional \$201,600 as part of its pro rata share of a construction overcall provision. The Partnership is entitled to a 12% cumulative preferred return, paid out of 99% of an annual net cash flow (1% to the General Partner) until return of all invested capital and a 33.7% equity interest thereafter. As of March, 1994, total distributions have been \$170,279. A sale or significant liquidity event is not expected in the immediate future.

• **Criterion Venture Partners, III, Houston, TX**

(PBCP I)

2/88 -

In February, 1988, PBCP I invested as a "special" limited partner in the third venture capital limited partnership to be formed since 1983 by the corporate General Partner, Criterion Investments, Inc., a publicly-held investment management firm with \$13 billion of assets under management. CVP I and II are fully invested and CVP III is a \$10.6 million limited partnership investing in emerging or rapidly growing technology, bio-technology and health care oriented companies located in Texas and throughout the Southwest. The Managing General Partner and its Advisory Board have direct ties to the Texas Medical Center, Johnson Space Center/NASA, Microelectronics & Computer Technology Corp., University of Texas Health & Science Center and similar institutions providing research with proprietary and unique commercial applications. As of 12/31/93, CVP III has made equity investments totaling \$9,871,635 in portfolio companies.

PBCP I's \$2 million limited partnership interest provides for 100% return of capital before the General Partner's 20% carried interest is effective and, in addition, through its "special" Limited Partnership Agreement, PBCP I participates in 10% of the General Partner's carried interest. As part of this Agreement, PBCP I has the right to co-invest directly, at its discretion, in any of CVP III's transactions at cost. CVP III has made distributions to PBCP I as of 12/31/93 totaling \$411,920 and in March, 1994 distributed 36,523 shares of common stock of CenCall Communications Corp., which is traded OTC,

representing a market value of \$840,029 @ \$23/share. CVP III continues to hold another 27,000 shares of PBCP I's pro-rata share with a current market value of approximately \$621,000.

- Children's Discovery Centers of America, Inc., San Rafael, CA (PBCP I) 6/88 - 10/92

PBCP I invested \$1,250,000 in June, 1988, as part of an investor group in a private offering of common stock at \$3 per share for an 8% equity interest in the nation's fifth largest chain of child-care centers located primarily in the northeastern and western United States. The company acquires child-care centers with an existing community presence and concentrates in areas of high-growth potential within the preschool/child-care field.

Following a turnaround in earnings for the 1988 fiscal year from a \$500,000 loss to a profit of \$150,000, the stock traded publicly at \$6 just eight months after investment, representing an unrealized gain of double PBCP I's cost. 1989 earnings and revenues increased 40% and 45%, respectively, but 1990 earnings were negatively impacted by a \$1.8 million write-off relating to disposal of one child-care center (Mary Moppets). After a 1991 net loss of \$300,000 on revenues of \$19.8 million, the current PBCP management group (successor group to JFM's management group) elected not to participate in a 1992 public offering thereby diluting PBCP I's investment and in 10/92 sold the original investment of \$1.250 million for \$169,270.

Qualification: *The current PBCP management group (successor to JFM's management group) elected to forego the originally agreed-to investment plan for this specific company which included both follow-on investment, if necessary, and a long term investment expectation. The change of investment philosophy caused a premature, significant and unnecessary loss since the publicly traded stock rose after the 1992 public offering and throughout 1993. As of 3/94, it was priced at 13 down from a high of 14.*

- Triax USA Associates, LP, Denver, CO (PBCP II) 4/89 -

PBCP II invested \$4 million in April, 1989, plus another \$1,577,778 in May, 1992, as a limited partner in a partnership formed to acquire and operate Cable Systems USA Associates, which owns a 135,000-subscriber cable network. The General Partner is an affiliate of Triax Communications Corporation, a privately-held cable systems management company. The lead limited partner is Media Ventures, LP, an investment fund which makes equity investments in private companies operating in the communications and media industries, and senior debt investors include Connecticut General Life Insurance and the Mutual Life Insurance Company of New York. The system is in predominantly smaller, "classic" cable markets which are generally remote rural areas where over-the-air television is poor or non-existent, and alternative entertainment choices are limited. The five operating regions covered by the systems are: 1) Western Pennsylvania and Eastern Ohio; 2) Upper West Virginia; 3) Lower West Virginia; 4) parts of Indiana and Illinois; and 5) parts of Missouri, Arkansas, and Tennessee.

In the event of a sale or liquidation, distributions will be made first to the limited partners until 100% return of capital and then 84% and 16% to the Partners and the managing General Partner, respectively. As of 12/31/93, operating cash flow was \$28.1 million vs. \$27 million for 1992 and basic subscribers totaled 148,010 and pay subscribers 75,475 which was within budget.

- US Gold, Denver, CO (PBCP I) 11/88 - 2/92

PBCP I invested \$750,000 in a private placement in November, 1988, in this Denver company which is engaged in the exploration and development of mining properties in the western United States and in the

production of gold and silver. The company's strategy is to acquire properties with existing mineralization and then convert them to profitable mines. The company developed a patented bio-leaching process using ferr-oxidous bacteria to leach gold from complex sulfide ore and has been trying to implement the process at the Tonkin Springs Mine. Participating with PBCP I were Travelers Insurance Company and Geneve & Company which invested \$10 million and \$2 million, respectively.

Initial results in the first 9 months of 1989 reflected net income increasing to \$1.4 million on revenues of \$11 million from 1988 net income of \$1.1 million on revenues of \$5.3 million. The company produced 28,808 ounces of gold, an increase of 101% during the same periods. However, significant cost overruns on the Tonkin Springs property forced the company into default on certain loan agreements and this, in turn, has led to the signing of a joint venture with Homestake Mining Company, who will further develop the bio-leaching process at the Tonkin Springs Gold Mining subsidiary. The Senior and Subordinated Debtholders agreed to a 30-month standstill on all interest payments. In February, 1992, the above Debtholders converted their principal and accrued interest into common stock diluting PBCP I's equity interest to 1.53%. The common shares were sold for nominal value during the second quarter of 1993 resulting in a loss of \$637,000.

• **Tidel Systems, Inc., Carrollton, TX**

(PBCP II)

8/89 - 12/91

In August, 1989, PBCP II invested \$1.5 million for a 10% equity interest through a private placement of common stock in this Texas manufacturer of products primarily for use within the convenience store and retail industries. Principal products are electronic cash control machines (90% market share), designed to reduce exposure to theft by limiting access to available cash and in-tank monitoring systems used to measure liquid volume, providing both inventory control and leak detection functions. In light of EPA legislation in 1988 requiring the installation of leak detection equipment for all such tanks by no later than 1994, the company expected strong market potential for its monitoring systems among gasoline retailers and other users of in-ground storage tanks.

1989 year-end operating profit of \$1 million on \$16 million in sales was considerably below projections due to several factors, including accounting discrepancies resulting in the replacement of the CFO and disappointing sales due to contract delays (American Express) and the need to revise strategic marketing plans. 1990 results, reflecting continuing problems including accounting procedures, higher than projected production costs and disagreements between current management and investor concerns, culminated in an operating loss and the prospect of having to write off the investment in 1991.

• **J.W. Holdings, Inc., Chicago, IL**

(PBCP I)

6/87 - 12/88

In October, 1986, J.W. Holdings was formed by an investor group in a \$5 million private placement to acquire control of Real Estate Research Corporation (RERC), a national consulting firm in real estate valuation, market research and analysis, originally founded in 1931. PBCP I invested in an acquisition financing in June, 1987, to purchase a national consulting firm for large real estate development projects and a national market research firm servicing owners and developers of shopping centers. In a 2-stage financing, the Partnership invested \$773,829 for a 5.8% equity interest.

In 1988, the dramatic impact of the change in the tax laws on the real estate market contributed to a significant decrease in demand for RERC's services. Additionally, significant and unresolvable differences of management philosophy and personalities between the senior officers of the two acquired companies and J.W. Holdings proved irreparable and impaired the ability of the company to operate properly. A tentative sale in August, 1988, was negotiated for the RERC division to Touche Ross, which would have both eliminated all bank debt and provided significant cash reserves for the company and its remaining two divisions. Unfortunately, these negotiations deteriorated, and after renegotiating lower terms and affecting a sales agreement in principle, Touche Ross elected not to close and withdrew. The Board decided to cease operations in December, 1988, and the investment has been written off.

In a \$52.3 million private placement offered through, and managed by, Prudential-Bache Securities' Investment Banking Division (specifically the Direct Investment Group) in October, 1987, PBCP I participated in the \$17.3 million equity portion of this financing by investing \$1.5 million for a 2.5% interest. Originally a British company registered in the U.K., Mediscus and its affiliates engaged in the distribution of specialty medical products, principally the Mediscus Low Air-Loss Bed, a therapeutic specialty bed designed to prevent the development of bed or pressure sores. The company also acquired National Medical Specialties, Inc. (NMS), a wholly-owned subsidiary of National Medical Enterprises, Inc., a distributor of respiratory, anesthesia and critical care products for the surgical and intensive care units of hospitals.

Due to significantly lower than expected sales in the NMS Division, which dramatically affected holding company earnings, several senior management changes were implemented at Mediscus, including a series of changes at the CEO and CFO levels. The company continued to perform below budget throughout 1988 and 1989, culminating in operating losses. During 1990, the company completed a financial restructuring significantly diluting PBCP I's equity interest and ceased to retain Prudential-Bache Securities as its investment banker. Consequently, the Partnership decided to sell its shares for a nominal value, creating a tax loss benefit which exceeded the then-current value of the investment.

Qualification: *Contrary to the originally agreed to PBCP investment criteria and contrary to assurances given to JFM by the parent firm, Pru-Bache Securities, Inc., at the outset of the limited partnerships that - "PBCP investments would not be used to facilitate the sales efforts of an investment banking deal" - the investment committee arbitrarily committed PBCP I to be an initial equity investor in order to enhance the sales effort in anticipation of seeking other investors for this specific Direct Investment Group deal.*

DESCRIPTION OF INVESTMENTS
(LBOs & MBOs)

Leveraged Buyouts (LBOs) and Management Buyouts (MBOs), in which Prudential-Bache Securities' merchant banking division known as Prudential-Bache Interfunding (PBIF) participated as an originator, investor and monitor, permitted the inclusion of either PBCP I or II as an investment partner. Such participation by either PBCP I or II was permitted at the Pru-Bache merchant banking division's cost of investment and was limited to a maximum 20% participation of their total equity investment, but similar participation in the debt portion of the financings was not permitted.

• **Gilbarco, Inc., Greensboro, NC**

(PBCP I)

7/87 - 8/87

PBCP I invested \$109,936 for a 1.8% equity interest in an MBO organized by Pru-Bache merchant banking division and Citicorp Venture Capital to acquire the company's business from Exxon. Gilbarco was the leading manufacturer and supplier of motor vehicle fuel dispensing equipment and related after-market products and services for the motor vehicle fuel retailing industry.

Gilbarco was sold to General Electric Company (U.K.) on August 31, 1987, resulting in a gain of \$1,474,602 to the Partnership.

• **Diamandis Communications Corporation, New York, NY**

(PBCP I)

10/87 - 6/88

PBCP I invested \$1 million for a 4.7% equity interest in an MBO organized by Pru-Bache merchant banking division, Prudential Capital Corporation and existing management to purchase the CBS Magazine Division (publisher of approximately 21 specialty magazines) from CBS, Inc., in October, 1987.

Diamandis was sold to Hachette Publications, Inc., France's largest publisher on June 1, 1988, and yielded a gain to PBCP I from its investment of approximately \$13,951,000.

• **Filmtrax Copyright Holdings, Inc., New York, NY**

(PBCP I)

4/88 - 7/90

PBCP I invested \$98,000 for a 9.8% equity interest in an LBO to purchase all of the outstanding shares of the Music Publishing Group from Columbia Pictures Entertainment, Inc., in April, 1988.

Filmtrax was sold to the Ensign Trust in July, 1990, resulting in a net capital gain to the Partnership of \$2,022,000.

• **Reliance Electric Company, Cleveland, OH**

(PBCP I)

4/87 - 5/92

PBCP I, in April, 1987, invested \$1.4 million for a 3.4% equity interest in an MBO organized by Pru-Bache merchant banking division, Citicorp Venture Capital and existing management to purchase Reliance from Exxon Corporation, which was originally completed in December, 1986. Reliance is a leading manufacturer of industrial motors, electrical devices, mechanical power transmission products and systems, and other industrial usage equipment.

After a series of refinancings in which PBCP I increased its equity holdings, including a \$765 million private equity and debt refinancing, the Partnership in December, 1989, sold 41% of its holdings through a tender offer, realizing a net capital gain of \$6.6 million. PBCP I retained a 2.5% equity interest through its remaining investment of \$1.3 million. In May, 1992, the remaining investment of common stock (812,042 shares) was distributed in kind, pro rata, to the limited partners and a subsequent IPO priced at \$19 valued the distribution at \$15.4 million for a total net capital gain of \$22 million.

• **Spreckels Industries, Inc., Pleasanton, CA**

(PBCP I & II)

7/87 - 11/92

PBCP I invested \$859,000 for a 5.8% equity interest in an MBO organized by senior management and Pru-Bache merchant banking division to acquire the company from Amstar in July, 1987. Spreckels Industries includes the Spreckels Sugar Company, a California beet refinery selling directly and wholesale to the food service industry on the West Coast, and Amstar's Industrial Products Group which manufactures and sells, through distributors, industrial hoists, jacks, rotary unions, and actuators under the name of Duff-Norton. In December, 1988, Spreckels acquired Yale Industrial Products, a manufacturer of industrial hoists, for approximately \$30 million.

After achieving record sales and earnings in fiscal 1990, sales and profits declined dramatically in 1991 due to economic conditions and adverse weather conditions which severely impacted the sugar business. In early 1992, Spreckels was in default under several covenants of its senior bank facility and in November, 1992, the company filed for protection under Chapter 11 of the bankruptcy code. In September, 1993, Spreckels emerged from Chapter 11 reorganization and PBCP I received 24,000 shares plus warrants exercisable at \$11.67/share and PBCP II received 204,000 shares plus warrants exercisable at \$9.17/share. The common shares trade OTC at approximately \$10/share as of 4/94.

• **York International Corporation, York, PA**

(PBCP II)

9/89 -

PBCP II invested \$7.2 million for a 4.8% equity interest in an LBO originally formed in August, 1988, by Citicorp Venture Capital to acquire this leading manufacturer of air conditioning and refrigeration equipment. The Partnership invested in September, 1989, in a bridge financing provided by Pru-Bache merchant banking division and again in August, 1990, in a refinancing. Record earnings and sales were established for 1989 of \$132 million and \$1.35 billion, respectively. 1990 earnings increased to \$137 million and sales increased 3% over 1989 to \$1.4 billion.

A successful IPO in October, 1991, refinanced the debt holdings of both PBCP II and the Pru-Bache merchant banking division resulting in distributions of \$9,146,000 and \$202,340,000 respectively. A second public offering in April, 1992, allowed PBCP to exercise warrants for 200,000 shares and after sale of such shares the Partnership realized a net gain of \$6 million. In September, 1992, PBCP II sold an additional 304,542 shares thereby providing an additional \$10.5 million in proceeds. In September, 1993, PBCP II sold another 250,000 shares generating \$10,003,600 more of profits resulting in a total gain to date of approximately \$26.5 million. PBCP II retains 250,000 shares with a current market value as of 4/94 of approximately \$9.2 million at \$37 per share.

• **Dr Pepper/Seven-Up Companies, Inc., Dallas, TX**

(PBCP I)

4/88 - 9/93

PBCP I invested \$1,868,000 for a 0.8% equity interest in a \$331 million LBO structured by Pru-Bache merchant banking division in May, 1988. The company markets and distributes soft-drink extracts, concentrates and fountain syrups, primarily in the United States through independent licensed bottlers. It is the third largest producer in the U.S. with principal brands of Dr Pepper, 7Up, Cherry 7Up, I.B.C. Beer and related diet drinks. 1988 operating profit of \$99 million on sales of \$510 million increased in 1989 to \$114 million on sales of \$527 million. 1990 operating profit increased to \$123 million, enabling the company to reduce bank debt and fund its interest payments. After establishing continued profitability in 1991, an IPO worth \$600 million was attempted in mid-1992 and canceled due to market conditions.

In January, 1993, an IPO was completed by raising \$307.5 million through the sale of 20.5 million shares at \$15 per share. Post the 180 day lock-up period imposed upon PBCP I by the underwriters, the Partnership distributed the shares pro rata to each limited partner in September, 1993. As of September, 1993, the \$20 share price on the NYSE valued the original \$1,868,000 investment at \$6,389,960 for a capital gain of approximately \$4.5 million.

• Leewards Creative Crafts, Elgin, IL

(PBCP I & II)

4/88 -

PBCP I initially invested \$762,530 in preferred and common stock for a 14% equity interest in an LBO organized in April, 1988, by Pru-Bache merchant banking division to purchase Leewards from Munford, Inc. The company owns and operates a retail chain of craft stores which sell knitting and needlepoint supplies, floral arrangements and custom framing services and other arts and crafts supplies. The company sells through 80 retail stores in two states. PBCP I, in August, 1988, as part of a refinancing, sold to Mutual Life Insurance Company of America \$60,000 of common and \$225,000 of preferred stock at cost, reducing the Partnership's equity interest to 8%. In June, 1992, as part of a \$10.5 million refinancing to finance additional store openings, PBCP I increased its investment to a total of \$1,325,966 through the purchase of additional preferred shares and PBCP II invested, for the first time, a total of \$1.1 million. PBCP II invested another \$510,989 in 1993 bringing its total investment to \$1,603,764.

1988 year-end income and sales met projections, and 1989 operating profits of \$5.75 million and sales in excess of \$70 million were slightly ahead of budget. 1990 results were below projections due to the depressed retail markets, but the company opened 12 new stores during the year. 1991 was negatively impacted also, partly due to management diversion caused by efforts to sell an IPO. 1992 however was a record year for Leewards and the company added 14 stores in 1993. 1993 sales were even with 1992. The company expects in 1994 to complete an IPO or a private equity financing to accommodate additional growth.

• American Specialty Retailing Group, Drayton Plains, MI
(DUNHAM'S)

(PBCP II)

3/89 -

PBCP II invested \$162,000 for a 14% equity interest in an MBO structured in March, 1989, by Pru-Bache merchant banking division and management of Dunham's Athleisure Corporation, which through a reverse merger resulted in the purchase of Dunham's parent, American Specialty Retailing Group, Inc., from Primerica Holdings, Inc. The company is a leading retailer of sporting goods.

1989 operating income of \$2.4 million on sales of \$98.5 million was down slightly from 1988. 1990 operating income was \$3 million on sales of \$97 million and 1991 and 1992 results continued on budget. In 1993 an additional 17 stores were opened bringing the total to 81 stores. 1993 sales increased 23% and net profit before taxes increased 10% over 1992. The company is considering access to the private or public equity markets in order to finance continued growth.

• Fairmont Communications Corporation, New York, NY

(PBCP I)

9/87 - 12/91

PBCP I invested \$82,000 for a 3.8% interest in an MBO organized by Pru-Bache merchant banking division, Citicorp Venture Capital and the management of Osborn Communications Corporation to purchase four radio stations (San Francisco, Detroit, Nashville, and Albuquerque) from Price Communications in September, 1987.

Operating income increased in 1989 to \$10 million from \$6 million in 1988, but 1990 results reflected losses at several stations and a corporate negative cash flow, prompting the company to investigate alternative means of refinancing or a possible sale. In 1991 the company defaulted on its loan agreements and PBCP I has written off its equity investment.

• City Centre Cable, Limited, London, U.K.
(Strogino Limited)

(PBCP I)

10/87 - 4/91

PBCP I, in October, 1987, invested £1,042,204 (\$1,867,515) for an 8.5% equity interest as part of a founding investor group, including Pru-Bache merchant banking division and new management, to form CCC which, in turn, bought a 45% equity interest in Westminster Cable Company, Ltd. WCC owns

cable franchises in the London boroughs of Kensington, Chelsea, Hammersmith, Fulham, Brent, and the City of Westminster. As a result of several refinancings, PBCP I's investment of £1,042,204 was split into £500,000 in CCC and £542,204 in WCC.

In 1990, due to CCC's inability to achieve long-term funding for development of several of the awarded franchises, PBCP I sold its £500,000 CCC investment at cost to Videotron Corporation, Ltd., and retained its £542,204 investment in WCC, representing a 7.3% equity interest. This latter investment was sold in April, 1991, to British Telecom for £322,000 creating a tax loss of £220,000 (\$374,000) which was passed through to the limited partners.

- Van Camp Seafood Holdings, Inc., St. Louis, MO

(PBCP I)

11/88 - 3/92

PBCP I, in November, 1988, invested \$1,868,000 for a 3.7% equity interest in an LBO structured in August, 1988, by Pru-Bache merchant banking division, P.T. Mantrust and management to purchase the company from Ralston Purina. Van Camp operates the "Chicken of the Sea" brand name, tuna and salmon canning operations, canned pet food and can production plants which are distributed nationally through independent brokers.

1989 earnings of \$19.3 million on sales of \$287 million were 50% below projections. As a result of continued earnings decline in 1990, the company failed to meet numerous debt payments and a major refinancing was negotiated in February, 1991, with its lenders agreeing to the forgiveness of certain interest and principal payments in exchange for new notes and new preferred stock. Continuing defaults under the lending agreements caused a second financial restructuring in March, 1992, in order to avoid bankruptcy. The net result of this caused both PBCP I and Pru-Bache merchant banking division to sell their respective preferred stock back to the company for nominal value creating a tax loss for PBCP I of \$1,867,500.

- Harlin Holdings PTY, Ltd., Melbourne, Australia
(Elders IXL)

(PBCP II)

8/89 - 12/92

PBCP II, in August, 1989, invested \$5.5 million for a 1.4% equity interest in a \$5.5 billion MBO structured by Pru-Bache merchant banking division, numerous major international institutional investors and ten senior executives of Elders IXL, the second largest company in Australia, to control Elders through a new holding company -- Harlin Holdings PTY, Ltd. Elders was a leading manufacturer and investor in brewing, natural resources, finance businesses and as a processor and trader of agricultural commodities.

Due to declining business revenue overall and a A\$1.7 billion loss between 1989 and 1990 directly related to the enormous debt restructuring, Elders decided, in March, 1990, to focus on its international brewing businesses and to divest its other assets. This restructuring involved the sale of its agribusiness and natural resource assets and the winding down of its Elders Finance business. Elders, in late 1990, sold a 17% equity interest in its Foster Brewing Group subsidiary to Asahi Breweries of Japan to assist in reducing debt and interest payments. The remaining principal assets of Elders were Foster Brewing Company, the fourth largest brewer in the world and No. 1 brewer in Australia and Molson Brewing Company, Canada, the No. 1 brewer in Canada and the U.K. After continuing losses in 1991 and through November, 1992, plus the inability of management and the above senior investor group to restructure the burdensome debt load the company was unable to pay the senior bank debt. PBCP II in December, 1992, took a tax loss of \$5,460,000 equivalent to its entire investment.

- Marketchief plc, London, U.K.
(Imry plc)

(PBCP II)

9/89 - 12/90

PBCP II invested \$406,000 for a 5% equity interest in an LBO structured by Pru-Bache merchant banking division to acquire Imry plc, a leading U.K. commercial real estate and development company. It was the intent of the new holding company, Marketchief plc, to divest Imry's investment and trading property portfolios to repay substantially all acquisition financing and focus on the development operations.

Due to a significant decline in values and liquidity in the U.K. real estate market shortly after the investment, a study conducted by Jones Lang Wootton, a leading U.K. real estate advisory firm, concluded that during 1990, if the balance of Imry's investment portfolio and development were to be sold at the then-current market, it was likely that Pru-Bache merchant banking division would lose its entire debt investment, and that both it and PBCP II would lose all of their equity in Imry. In December, 1990, the investment was sold, through a subsidiary of Prudential Insurance Company, for a nominal value and the carrying value was written off against PBCP II's capital gains for 1990.