

PUBLIC TO PRIVATE CASE PART 1

You sit on the Board of Directors of a public company with eight directors, three of whom are family members who own a substantial portion of the company's outstanding shares.

The company is a diversified industrial and consumer goods manufacturer with operations and offices in six different countries around the world that support the three distinct and different divisions of the company.

You are the lead director, and you have been approached by one of the family members and large shareholders to discuss whether or not the company should remain public.

WHAT IS THE VERY FIRST QUESTION THAT YOU SHOULD ASK?

Consolidated Statements of Operations *(In thousands of dollars, except per share amounts)*

	Years Ended December 31	
	2014	2013
Netsales	\$208,733	\$201,628
Cost of products sold	159,991	148,909
Selling, general & administrative expenses	49,873	48,678
(Loss) income from operations	(1,131)	4,041
Other income (expense)		
Interest expense	(835)	(916)
Other income	499	1,033
	(336)	117
(Loss) income before income taxes and other items	(1,467)	4,158
Provision for (benefit from) income taxes	186	(1282)
Net (loss) income	(1,653)	4,286
Noncontrolling interests	(1)	(55)
Net (loss) income from continuing operations of the controlling interest	(1,654)	4,231
Net income of discontinued operation, net of noncontrolling interests (including gain on deconsolidation of \$53,565)		52,938
Net (loss) income attributable to		

controlling interest	<u>\$ 1,654</u>	<u>\$ 57,169</u>
Net (loss) income attributable to controlling interest per common share		
Basic		
Continuing operations	\$ (0.48)	\$ 1.23
Discontinued operation		<u>15.38</u>
	<u>\$ (0.48)</u>	\$ 16.61
Diluted		
Continuing operations	\$ (0.48)	\$ 1.23
Discontinued operation		<u>15.36</u>
	<u>\$ (0.48)</u>	\$ 16.59
Weighted average shares outstanding		
Basic	3,444,762	3,441,431
Diluted	3,444,762	3,446,042

Consolidated Balance Sheets Assets
(In thousands of dollars)

	December 31	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 979	\$ 867
Short-term investments	2,400	1,400
Accounts receivable, less allowances for doubtful accounts and discounts of \$1,842 in 2011 and \$1,792 in 2010	20,087	21,887
Inventories	39,460	38,606
Income taxes	217	631
Prepaid expense & other current assets	2,310	2,502
Total current assets	65,453	66,893
Property, plant & equipment, net	28,502	29,891
Other assets:		
Insurance for asbestos-related liabilities	17,646	17,646
Other assets	8,799	8,800
	26,445	26,446
 Total assets	 \$120,400	 \$123,230
Liabilities		
Current liabilities:		
Accounts payable	\$ 9,154	\$ 8,829
Accrued expenses	14,330	16,864
Notes payable	8,995	4,639
Current portion of long-term debt	1,458	1,487
Total current liabilities	33,937	31,819
Long-term debt, less current portion	4,299	5,851
Asbestos-related liabilities	17,700	17,700
Other liabilities	20,557	16,771
Total liabilities	76,493	72,141
Stockholders' equity		
Common stock, par value \$.01, authorized 15,000,000 shares, issued 4,607,902 shares	46	46
Additional paid-in capital	20,116	20,148
Less cost of 1,160,760 and 1,166,545 shares of common stock in treasury at December 31, 2011 and 2010, respectively	(14,958)	(15,133)
Retained earnings	45,115	46,769
Accumulated other comprehensive loss	(7,355)	(1,683)
Total stockholders' equity of controlling interests	42,964	50,147
Noncontrolling interests	943	942
Total stockholders' equity	43,907	51,089
 Total liabilities and stockholders' equity	 \$120,400	 \$123,230

Consolidated Statements of Cash Flows

(In thousands of dollars)

	Years Ended December 31	
	2014	2013
Operating activities		
Net (loss) income	\$(1,653)	\$ 57,224
Net income of discontinued operation, net of noncontrolling interests (including gain on deconsolidation of \$53,565 in 2010)		(52,938)
Net (loss) income from continuing operations	(1,653)	4,286
Adjustments to reconcile net (loss) income from continuing operations to net cash provided (used) by operating activities:		
Depreciation and amortization	4,343	4,494
Provision for doubtful accounts	2,447	2,768
Stock compensation expense	164	198
Deferred taxes	643	(1,724)
Change in operating assets and liabilities:		
Accounts and notes receivable	(917)	(5,642)
Inventories	(1,352)	(5,133)
Prepaid expenses and other assets	181	(189)
Accounts payable and accrued expenses	(1,300)	2,614
Income taxes	(1,095)	
Other	(1,998)	1,108
Net cash (used) provided by operating activities	(537)	2,780
Investing activities		
Investments in property, plant and equipment	(2,569)	(2,001)
Purchase of short-term investments	(4,800)	(4,800)
Proceeds from sale of short-term investments	4,800	4,800
Net cash used in investing activities	(2,569)	(2,001)
Financing activities		
Net short-term borrowings	4,402	538
Payments on long-term debt	(1,581)	(1,244)

Proceeds from exercise of stock options Purchase of treasury stock

Net cash provided (used) in financing activities	2,823	(707)
Effect of foreign exchange rate changes on cash	395	393
Net increase in cash	112	465
Cash and cash equivalents at beginning of year	867	402
Cash and cash equivalents of continuing operations at end of year	<u>\$ 979</u>	<u>\$ 867</u>

