

Alleghany

Capital

Alleghany and Alleghany Capital

- **Alleghany Capital Corporation (“Alleghany Capital”)** is a wholly-owned subsidiary of Alleghany Corporation that engages in and oversees strategic investments and acquisitions.
- **Alleghany Corporation (NYSE:Y) (“Alleghany”)** was founded in 1929 as a railroad holding company and over the following decades diversified its interests to include finance, insurance, mining, transportation, and steel production. Today, Alleghany is a diversified holding company anchored by a core position in insurance and reinsurance.
 - 85 years as a public company
 - Investment grade credit rating
 - Over \$23 billion in assets
 - Over \$19 billion in total cash & investments
 - Over \$7 billion in book value

Alleghany Capital Vision

To partner with entrepreneurial management teams to grow and enhance their businesses over the long term.



Strategy

- Our strategy is to partner with motivated owners and managers of companies that will benefit from our permanent capital, autonomous operating model, and a time horizon that allows them to pursue long-term value creation.
- We are particularly interested in investing in family-run and non-institutionally held businesses that are considering ownership transitions and whose existing owners and management share our long-term investment view.

We Provide a Unique Option for Owner-Managers

Privately Held Business: Status Quo

- Succession issues and concentration of net worth.
- Limited financial resources outside of debt and owner equity.



Sell to a Competitor/Strategic Acquirer

- Corporate culture and legacy often lost in integration with acquirer.
- Loss of management control.
- Potential workforce reductions and facility closures.



Sell to a Private Equity (“PE”) Fund

- PE “Hamster Wheel” (disruptive auction process every 3-5 years).
- Excessive leverage limits flexibility.
- Investments with long-term pay-offs shunned.



Sell Majority Stake to Alleghany Capital

- Independent operating model allows for the preservation of corporate culture/legacy and continued management operating control.
- Alleghany Capital is not a company flipper; we are focused on long-term growth, not financial engineering.
- We employ limited leverage, creating opportunities in downturns.
- Financial backing of NYSE-listed, investment grade company with \$23 billion in total assets.

Why Partner with Alleghany Capital?

Long-term investment horizon

- Our permanent and scalable capital allows us to build long-term investment plans and have the patience to see such investments through to maturity.
- Since we are not a fund, we do not face pressures to sell our investments within a given time period.

Entrepreneurial climate

- Our operating subsidiaries function as quasi-autonomous enterprises.

Focus on business growth, not financial engineering

- We believe excessive leverage endangers the sustainability of even the best businesses and will not risk the health of a business simply to generate a few extra points of return.

Financial resources/flexibility

- Alleghany, our parent company, has an investment grade balance sheet with over \$23 billion in total assets and ample financial resources to provide ongoing capital support.

Experience/consistency

- Since its formation in 1929, Alleghany has successfully partnered with management teams from a diverse set of businesses through numerous economic cycles.

Investment Criteria

We prefer majority acquisitions of companies that have:

- Minimum annual EBITDA of \$15 million.
- Experienced management with a clear growth plan for their business.
- Business operations focused on providing essential products or services.
- Sustainable competitive advantages.
- High returns on equity without the need for excessive leverage.
- Limited technological, legal, and regulatory risk.
- Scalable business models that will benefit from a relationship with a long-term capital provider.
- Headquarters in North America.

Our Transaction Process

Alleghany Capital has developed an efficient process that limits disturbance to seller operations and establishes the working relationships that will be critical post-close.



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|---|--|---|
| <ul style="list-style-type: none">▪ Alleghany Capital searches for businesses that meet our investment criteria with owners/managers that share our long-term horizon.▪ Ongoing | <ul style="list-style-type: none">▪ Management meetings.▪ Site visits.▪ Review of historical and projected financial and operating metrics.▪ Application of Alleghany Capital Investment Criteria.▪ Detailed valuation work culminating in a verbal indication or term sheet.▪ ~1 - 2 months | <ul style="list-style-type: none">▪ Further management meetings, site visits, and background checks.▪ Interviews of select customers and suppliers. Competitor and industry research/analysis.▪ Accounting, legal, environmental, and tax reviews.▪ Negotiate definitive documentation (e.g., purchase, stockholders, and employment agreements).▪ ~2 - 4 months |
|---|--|---|

Assuming a responsive management team and a collaborative process, we target a transaction timeline of 3-6 months.

Post-Closing Support & Value Creation

Alleghany Capital works closely with its management team partners to grow their businesses.

Board Level Strategy and Tactics

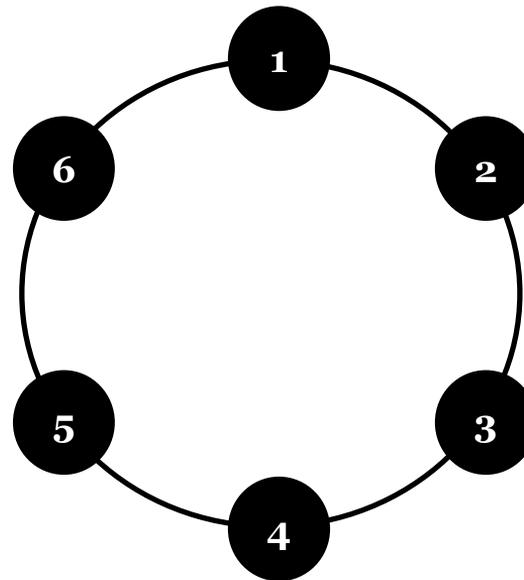
- Strategic sounding board.
- Generalist, multi-industry perspective.

M&A and Capital Raising

- Expertise in structuring, negotiation, due diligence, and financial modeling.
- Broad network of banking, lending, accounting/tax, and legal relationships.

Market Analysis

- Economic, industry, and customer research.
- Competitive analysis and benchmarking.



Day-to-Day Business Issues

- Constant availability.
- Active support when needed.
- Financial analysis.

Employee Matters

- Help define needs and roles.
- Assist with screening candidates.

Leveraging the Backing of Alleghany

- Access to resources of NYSE-listed company.
- Exposure to network of CEOs and senior managers in a wide variety of industries.

Our Companies

Company	Description	Sector	Founded
	<ul style="list-style-type: none"> ▪ Bourn & Koch, Inc. (“Bourn & Koch”) is a manufacturer of precision machine tools and provider of related replacement parts and services. ▪ Bourn & Koch is headquartered in Rockford, IL. 	Manufacturing	1975
	<ul style="list-style-type: none"> ▪ IPS-Integrated Project Services, LLC (“IPS”) is a provider of technical consulting, design and engineering, construction management, and compliance services for highly complex research and production facilities. ▪ IPS is headquartered in Blue Bell, PA. 	Business Services	1989
	<ul style="list-style-type: none"> ▪ Jazwares, LLC (“Jazwares”) is a licensed toy and consumer electronics company. ▪ Jazwares is headquartered in Sunrise, FL. 	Consumer	1997
	<ul style="list-style-type: none"> ▪ R.C. Tway Company, LLC (“Kentucky Trailer”) is a leading manufacturer of custom trailers and truck bodies for the moving and storage, mobile medical, and other niche markets. ▪ Kentucky Trailer is headquartered in Louisville, KY. 	Manufacturing	1879
	<ul style="list-style-type: none"> ▪ Stranded Oil Resources Corporation (“SORC”) is an exploration and production company focused on enhanced oil recovery. ▪ SORC is headquartered in Austin, TX. 	Energy	2011

Select Special Situations Investments

Company	Description	Sector	Founded
	<ul style="list-style-type: none"> American Homes 4 Rent (“American Homes”) is a REIT focused on acquiring, renovating, leasing, and operating single-family homes in the U.S. as rental properties. American Homes is headquartered in Agoura Hills, CA. 	REIT	2011
	<ul style="list-style-type: none"> Petratex International Ltd. (d/b/a GASNGO) is a provider of automated vehicle identification products, technology, and service systems for fuel delivery and fleet management. GASNGO is headquartered in Israel. 	Technology	2005
	<ul style="list-style-type: none"> Homesite Group Incorporated (“Homesite”) is a provider of homeowners insurance with a unique technology-enabled distribution platform. Homesite is headquartered in Boston, MA. 	Financial Services	1997
	<ul style="list-style-type: none"> ORX Exploration, Inc. (“ORX”) is a regional oil and gas exploration and production company. ORX is headquartered in New Orleans, LA. 	Energy	1984

Investment Team

David Van Geyzel — President & CEO

Mr. Van Geyzel is the President & CEO of Alleghany Capital Corporation (“Alleghany Capital”). He is a member of the board of directors of Bourn & Koch, Inc., Jazwares, LLC, ORX Exploration, Inc., R. C. Tway Company, LLC, Stranded Oil Resources Corporation.

Prior to joining Alleghany Capital in 2007, Mr. Van Geyzel was an investment professional at Copper Arch Capital LLC, where he focused on investments in the public equity markets, and Brown Brothers Harriman’s 1818 Mezzanine Funds, L.P. (“BBH”), where he focused on a variety of private equity and mezzanine debt transactions in a wide range of industries. Before BBH, Mr. Van Geyzel worked in UBS Warburg LLC’s Leveraged Finance Group.

Mr. Van Geyzel graduated from Columbia University with a B.A. in both History and Economics. He also holds an M.B.A. from Columbia Business School.

John Daly — Vice President

Mr. Daly is a Vice President of Alleghany Capital. Prior to joining Alleghany Capital in 2013, Mr. Daly was an Associate at BBH Capital Partners L.P., the private equity arm of Brown Brother’s Harriman, where he executed transactions and worked with portfolio companies in a variety of sectors, with a particular focus on technology-enabled business services, media, and telecommunication investments.

Prior to BBH, Mr. Daly worked in the Financial Institutions coverage group and Corporate Mergers and Acquisitions team at J.P. Morgan Securities, Inc.

Mr. Daly graduated from Dartmouth College with a B.A. in English. He also holds an M.B.A. from The Wharton School of the University of Pennsylvania.

Udi Toledano — Chairman

Mr. Toledano is the Chairman of Alleghany Capital. He is a member of the board of directors of Bourn & Koch, Inc., Jazwares, LLC, Petrateg International Ltd., R.C. Tway Company, LLC, Stranded Oil Resources Corporation.

Prior to joining Alleghany Capital in 2013, Mr. Toledano managed UTA Capital LLC, an Alleghany Capital-funded special situation fund. Prior to that, he managed Millennium 3 Opportunity Fund, a venture capital fund. Previously, Mr. Toledano was President of Andromeda Enterprises, Inc. and CR Capital Inc., both private investment companies, where he invested in industries such as manufacturing, real estate, healthcare, technology, and shipping. Earlier in his career, Mr. Toledano worked at Interactive Data Corporation and Peat, Marwick and Partners. He is the lead director of Universal Stainless & Alloy Products Inc. (NASDAQ:USAP), which he co-founded in 1994, and has served on numerous public and private boards.

Mr. Toledano holds a B.S. in Physics and Mathematics and an M.B.A. from the Hebrew University of Jerusalem.

Rob Hulick — Vice President

Mr. Hulick is a Vice President of Alleghany Capital. Prior to joining Alleghany Capital in 2013, Mr. Hulick was an Associate at BBH Capital Partners L.P., the private equity arm of Brown Brothers Harriman, where he focused on leveraged buyouts, recapitalizations, and growth equity transactions across a wide range of industries, including transaction and portfolio coverage experience in the healthcare, infrastructure, and manufacturing sectors.

Prior to BBH, Mr. Hulick worked in Cronus Partners’ Manufacturing & Industrial and Health Care investment banking groups.

Mr. Hulick graduated from Princeton University with a B.A. in English. He also holds an M.B.A. from The Wharton School of the University of Pennsylvania.

Contact

Owners or representatives of businesses that fit Alleghany Capital's investment criteria are invited to contact:

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Appendix

Bourn & Koch

Business/Transaction Description

- Bourn & Koch is a manufacturer and remanufacturer/retrofitter of precision machine tools and supplier of related replacement parts and services under several brand names.
- Alleghany Capital acquired 80% of Bourn & Koch in April 2012.

Transaction Rationale

- Alleghany Capital was impressed by Bourn & Koch's driven management team, niche markets, long-term customer relationships, solid cash flow dynamics, and future growth opportunities.
- Alleghany Capital's long-term investment horizon and willingness to put limited leverage on the company were critical to the partnership with Tim Helle (President) and the other shareholders of Bourn & Koch.

Investment Date:

April 2012

Transaction Type:

Acquisition

Sample Products



IPS-Integrated Project Services

Business/Transaction Description

- IPS is a provider of technical consulting, design and engineering, construction management, and compliance services used primarily for highly complex research and production facilities in the pharmaceutical and biotechnology industries.
- Alleghany Capital acquired a majority interest in IPS in October 2015.

Transaction Rationale

- Alleghany Capital was impressed by IPS’s deep management team, industry-leading knowledge base, “one-stop shop” capabilities, blue-chip customer relationships throughout the biopharma industry, and ability to expand internationally and into adjacent industries.
- Alleghany Capital’s permanent and scalable capital and ability to build a long-term investment plan, along with the preservation of the company’s unique corporate culture, were compelling to Dave Goswami (CEO and Managing Director) and the rest of the IPS management team as they look to accelerate their next stage of expansion.

Investment Date: October 2015

Transaction Type: Acquisition/Recap

Sample Projects



Business/Transaction Description

- Jazwares is a family-held toy and consumer electronics company with licenses to popular properties including *Minecraft™*, *Star Wars™*, *Chuck & Friends™*, *NBA Heroes™*, *Ella the Elephant™*, *Terraria™* and *Peppa Pig™*.
- Alleghany Capital acquired 30% of Jazwares in July 2014.

Transaction Rationale

- Alleghany Capital was impressed by the creativity, vision, energy, and track record of the Jazwares management team and the company’s organic and acquisition growth opportunities.
- Alleghany Capital’s long-term perspective, public company backing, and history of supporting entrepreneurial management teams were key factors in the decision of Judd Zebersky (Founder and CEO) to partner with Alleghany Capital to drive Jazwares’ next stage of growth.

Investment Date:	July 2014
Transaction Type:	Minority Investment
<u>Sample Products</u>	

Kentucky Trailer

Business/Transaction Description

- Kentucky Trailer is a manufacturer of custom trailers for the moving and storage, mobile medical and other niche markets.
- Alleghany Capital currently owns ~80% of Kentucky Trailer through investments made in August 2013 and January 2014.

Transaction Rationale

- Alleghany Capital was impressed by the quality of the Kentucky Trailer management team, the solid reputation of the company with its customers, and the company's leading market positions and growth opportunities.
- Alleghany Capital's differentiated business model compared with standard private equity funds was critical to Gary A. Smith, Sr. (CEO) and the Tway family, as they evaluated how to expand on the legacy built over the past 100+ years .
- Alleghany Capital recapitalized the company with limited leverage, encouraged ongoing participation of the Tway family, and has supported the company's bolt-on acquisition strategy.

Investment Dates: August 2013 and Jan. 2014

Transaction Type: Acquisition/Recap

Sample Products





Stranded Oil Resources Corporation

Business/Transaction Description

- SORC is an exploration and production company focused on enhanced oil recovery (“EOR”) operations in the United States.
- SORC was formed in June 2011 and is progressing on a multi-year business plan based on acquiring mature oil fields and applying the company’s innovative EOR techniques.
- Alleghany Capital has an economic interest of approximately 80% in SORC and has invested in the company on an ongoing basis since formation.

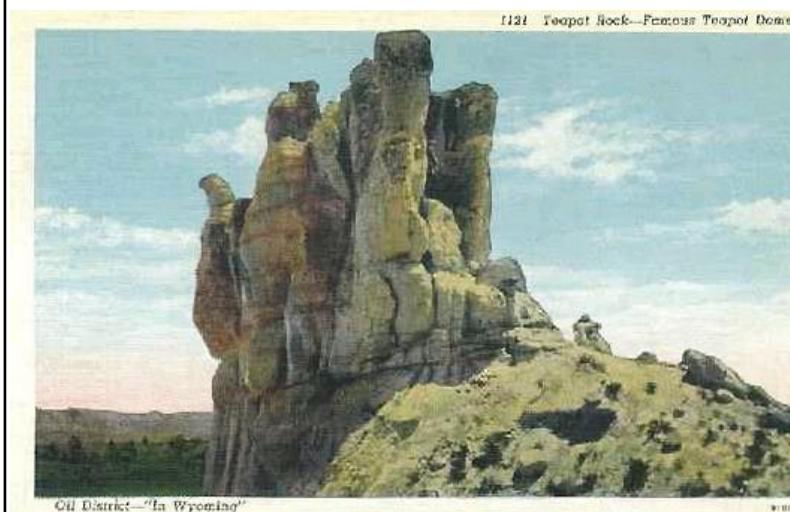
Transaction Rationale

- Alleghany Capital was impressed by the experience and vision of Mark See (CEO), SORC’s novel EOR process, and the opportunity to unlock additional oil resources from mature producing fields.
- Alleghany Capital’s ability to deploy large sums of capital and act as the company’s sole capital source for ongoing operations was critical to SORC management, which did not want to interrupt business operations every few years to raise money for new projects.

Investment Dates: June 2011 and ongoing

Transaction Type: Growth Capital

In January 2015, SORC acquired the historic Teapot Dome Oilfield from the United States of America



Alleghany: Six Eras of Stable Leadership

1929-1936: Otis and Mantis Van Sweringen's first venture was in real estate, building one of the largest upscale communities in the United States in their hometown of Cleveland. From there, they entered the railroad business. In 1929 they formed a super holding company named Alleghany to control over 200 companies.



Otis & Mantis Van Sweringen

By the time the brothers founded Alleghany, they had amassed five major railroad systems and controlled nearly one-fifth of the track mileage in the United States. The company began trading on the New York Stock Exchange under the single letter Y in 1929.



Allan Kirby

1958-1966: While Robert Young was the public face of Alleghany, **Allan Kirby** was influential behind the scenes. When Robert died suddenly in 1957, Allan was the obvious choice to succeed him.

As CEO, Allan believed Investors Diversified Services was a more valuable investment than the railroads, and began selling off these interests. During his tenure, the market value of Alleghany's interest in IDS increased, and for the first time ever, the company began paying dividends.

1929

1936

1957

1966



Robert Young

1937-1957: By 1936, Alleghany found new leadership in **Robert Young** and Allan Kirby, who purchased the company after the Great Depression had battered Alleghany's finances. Robert became Chairman. Allan, whose father co-founded the F.W. Woolworth Company, became Alleghany's largest shareholder.

In 1949, Robert diversified Alleghany by acquiring 91% of the voting stock in Investors Diversified Services, the world's largest mutual funds group.

Alleghany: Six Eras of Stable Leadership (cont.)

1967-1992: Allan Kirby's son, **F.M. Kirby II**, became CEO of Alleghany in 1967. F.M.'s management philosophy, which called for a decentralized yet creative parent company structure, was key to the company's expansion.



F.M. Kirby

Under F.M.'s 25 years of leadership, Alleghany grew steadily into an operating company with interests in finance, mining, transportation, steel production, and insurance.

2004-Present: In 2002, John Burns recruited **Weston Hicks**, CFO of The Chubb Corporation, to join Alleghany. Under Weston's direction, in 2003 Alleghany acquired RSUI, a specialty wholesale underwriting agency, and transformed it into an integrated insurance company which has produced almost \$1 billion in underwriting profits.



Weston Hicks

In 2007, Weston directed the establishment of Alleghany Capital Partners, LLC (now Roundwood Asset Management), which manages the company's public equity portfolio. Weston also oversaw the growth of Alleghany Capital and, in March 2012, the acquisition of Transatlantic Re, a leading international reinsurance organization.

1967

1992

2004

Present



John Burns

1992-2004: When F.M. Kirby II stepped down as CEO in 1992, he recommended that **John Burns**, Alleghany's President since 1977, succeed him as CEO. John oversaw the growth of Chicago Title and Trust into a leader in the title insurance industry and re-established Alleghany's presence in the railroad industry, acquiring a stake in the Santa Fe Pacific Corporation.

It was John who articulated the management philosophy that still guides Alleghany today: "Shun investment fads and fashions in favor of investing in basic financial and industrial enterprises that offer long-term value to the investor."