STRATEGIC ADVISORS

Middle Market Investment Bankers

Bringing Efficiency to Inefficient Markets

2011

M&A AND CORPORATE FINANCE OVERVIEW

Third Quarter

Merger & Acquisition
Corporate Finance Advisory
Strategic Consulting

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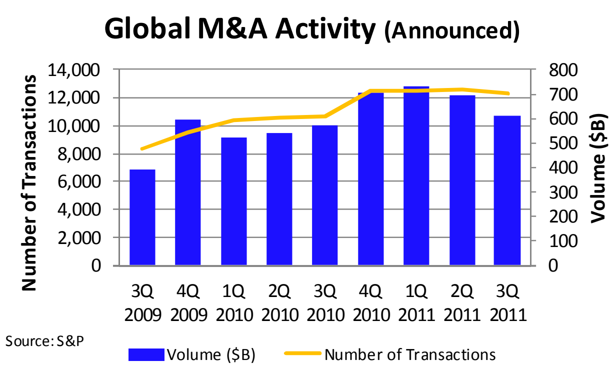
Strategic Advisors is a middle market investment banking firm that helps clients achieve financial and business goals by providing merger and acquisition advisory, corporate finance advisory and strategic consulting services. Along with many years of experience in advising middle market clients, our Managing Directors have experience investing in and managing portfolio companies. As such, Strategic Advisors not only has expertise in advisory services but also firsthand knowledge of what stakeholders, investors and lenders expect and desire.

Merger and Acquisition Overview

- Global M&A activity in the third quarter (3Q) of 2011 declined from the previous quarter, but was higher than the activity exhibited in the third quarter of last year. According to S&P, there were over 12,000 transactions announced in 3Q 2011, representing approximately $614 billion in volume worldwide.



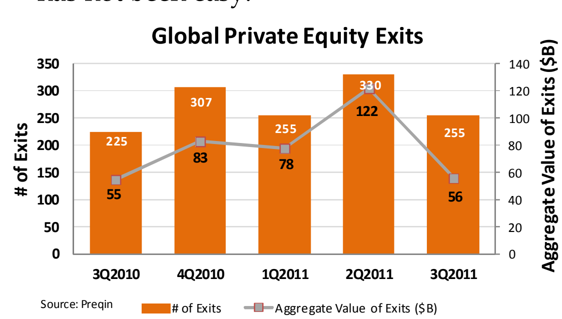
- M&A activity for targets located in the United States was approximately $819 billion through the first three quarters of 2011, according to Dealogic. This is 21% higher than the first three quarters of last year and represents the highest nine-month volume since 2008.

- Through the first three quarters of 2011, the Real Estate sector has led global M&A activity with approximately $210 billion in deal volume. The Finance sector has been the second most active sector so far in 2011 ($199 billion), followed by Oil & Gas, which led the ranking last year.

- U.S. private equity groups (PEGs) invested approximately $31 billion for M&A deals in 3Q 2011. This is slightly lower than the previous quarter. Less capital was invested as the number of closed deals dropped. U.S. PEGs closed approximately 336 deals in the third quarter, which was the first quarter in which fewer than 400 deals were closed since the fourth quarter of 2010, according to Pitchbook.

- While U.S. PEGs were less actively acquiring companies in 3Q 2011, they were still actively divesting portfolio companies. In the third quarter, U.S. PEGs sold 101 portfolio companies, which is comparable to the activity seen during the first and second quarters in 2011. Through the first three quarters, U.S. PEG exits have accounted for $81.6 billion of deal volume. The majority of PEG-divested companies have been acquired by strategic buyers, though sales to other PEGs have been popular as well. Uncertainty in stock markets has dissuaded many PEGs from exiting via an initial public offering.

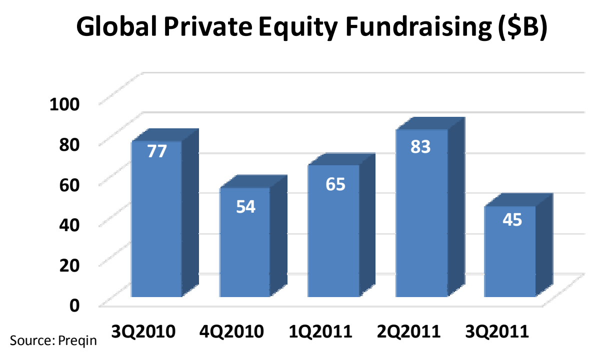
- U.S. PEG exit activity is expected to be strong for the foreseeable future as many portfolio companies are approaching the end of their investment horizon. Each year from 2005 to 2009, U.S. PEGs averaged an investment holding period less than 4 years. In 2010, the holding period averaged 4.71 years and through the first three quarters of 2011, the average holding period has reached 4.83 years. Typically, PEGs plan to hold investments for 5 years or less so that they can return divestiture proceeds to their limited partners in a timely manner. However, as economic activity has been inconsistent during the past few years and company valuations have oscillated, determining the appropriate time to sell a portfolio company has not been easy.



Capital Markets Overview

- Global private equity fundraising dropped precipitously from the second quarter to just under $45 billion in the third quarter. Preqin reports that 97 private equity funds reached final close in the third quarter, and 109 funds reached an interim close for a total of $42.7 billion.

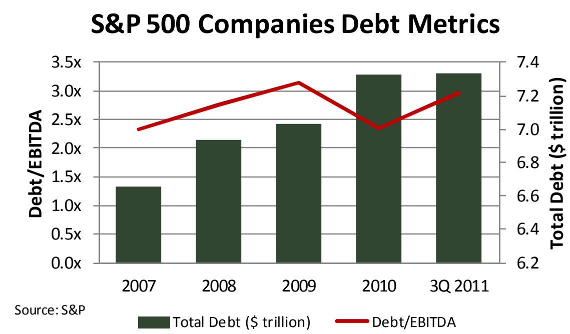
- Limited partners have taken advantage of poor fundraising conditions by asking PEGs for concessions on terms and conditions. The days of automatic re-ups are over. Limited partners are being more vocal in negotiating lower commitment fees and/or lower carried interest to general partners. In addition, limited partners are increasingly scrutinizing portfolio performance.



- Although fundraising has been challenging for PEGs, they still have ample cash to deploy. There is approximately $390 billion of dry powder available to PEGs worldwide. To put this in perspective, from 2008 to 2010, PEGs called up a total of $396 billion from limited partners to acquire companies. So, although fundraising waned in the third quarter, PEGs are not in danger of running out of funds to invest anytime soon.

- The Federal Reserve estimated that U.S. nonfinancial companies had $2.05 trillion in cash and other liquid assets at the midpoint of 2011. This is nearly 50% higher than the levels estimated at the end of 2008. S&P estimates that the companies in the S&P 500-stock index have enough cash to operate for 73 months. Capital equipment manufacturers and dealmakers alike are looking for a much more expeditious deployment of this cash.

- Although companies have hoarded cash to protect themselves in the event of a downturn, they have also leveraged up their balance sheets. Issuing debt can be very inexpensive for quality companies in the current credit market. Therefore, companies have taken advantage of low rates despite not having precise plans for the use of borrowed funds.



- Debt structures remain comparable to what has been seen earlier in the year. Companies with EBITDA less than $10 million may have difficulty obtaining senior debt at 3.0x EBITDA unless they have significant assets. Companies with more than $10 million in EBITDA are seeing senior leverage multiples of 3.0x to 3.5x EBITDA, with an additional turn of mezzanine generally available.

- Pricing for senior debt has ticked up a bit as banks have grown wary of near-term economic conditions. Pricing for middle market companies is generally LIBOR + 350-500 basis points with no floor.

- The confidence necessary for a healthy M&A market is still undermined by many uncertainties. Debt concerns in the Eurozone continue to create global instability. The public stock and commodity markets are jittery at best, resulting in a lack of consumer confidence. Fortunately, banks remain willing to lend and buyers have ample capital to invest in acquisitions. In addition, many economic indicators for the U.S. continue to point towards slow steady growth rather than a pending recession. We don't expect M&A to activity to be as robust as 4Q 2010, but deals will continue to get done as buyers remain aggressive.

For more information, please contact any of the professionals listed below or visit our website at www.strategicad.com

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When considering a sale of your business, the acquisition of a business, or the restructuring or recapitalization of your balance sheet, the best pathway for achieving your expectations is a well-run sale process that addresses all your business and personal goals. Strategic Advisors is accustomed to working with business owners to determine the best pathway to achieve their goals and objectives. Give us a call to discuss your possibilities.