STRATEGIC ADVISORS
Middle Market Investment Bankers

Bringing Efficiency to Inefficient Markets

2010

M&A AND CORPORATE FINANCE OVERVIEW

Third Quarter

Merger & Acquisition
Corporate Finance Advisory
Strategic Consulting

400 Southpointe Boulevard, Plaza I, Suite 440
Canonsburg, PA 15317 • Tel. 724-743-5800
Fax 724-743-5870 • www.strategicad.com

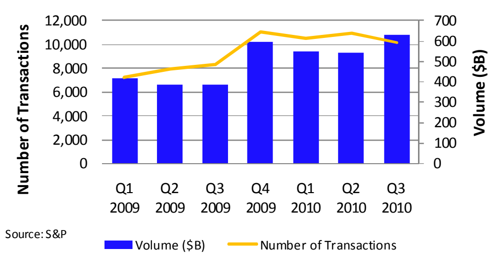
An Affiliate of BPU Investment Management, Inc.
One Oxford Centre, 301 Grant Street, Suite 3300
Pittsburgh, PA 15219 • Tel. 412-288-9150
www.bpuinvestments.com • Member FINRA, SIPC

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 of 2010 showed the highest transaction volume since the second quarter of 2008. Additionally, transaction volume was up 62% from 3Q 2009. The number of transactions, however, dipped slightly from the previous quarter, indicating a larger average deal size.

Global M&A Activity (Announced)



- Private equity M&A activity continues to improve. The 515 buyout transactions registered globally in 3Q 2010 was the highest quarterly level in two years, according to Preqin. In addition, the $67 billion of transaction volume in the third quarter was over three times the volume exhibited in 3Q 2009.

- Private equity groups (PEGs) have been very active as buyers and sellers alike so far this year. Through the third quarter, Pitchbook has registered nearly 300 PEG exits, up from just 122 through the first three quarters last year. As valuations have improved significantly from last year, PEGs have been able to selectively exit their investments and provide desirable returns to the limited partners.

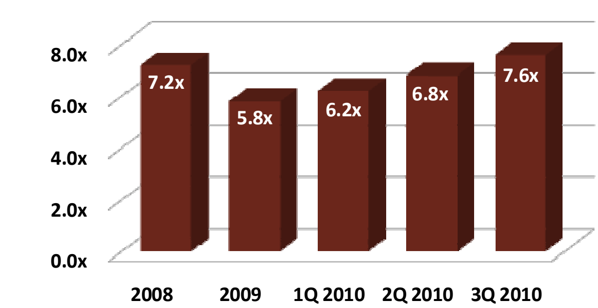
- In general, PEGs have increased their investment holding period the past few years because of their inability to exit investments while still providing quality returns to investors. Through 2004-2008, the average time to exit for PEG portfolio companies was approximately four years. Time to exit increased to 4.7 years in 2009 and stands at 4.9 years thus far in 2010.

- Outstanding leveraged loan volume has consistently decreased since the end of 2008 as PEG transaction volumes declined and banks were less inclined to make these types of loans. As banks have transitioned some of their focus from overseeing their current book of clients to expanding their client base via the M&A market, total outstanding leveraged loan volume has increased to $515 billion at the end of the third quarter.

- Payment defaults and bankruptcies in leveraged loans have also decreased. Since the end of 2009, leveraged loans in default or bankruptcy have fallen from $57 billion to $31 billion, according to the S&P. Likewise, default rates have decreased from 11% at the end of 2009 to 6% at the end of the third quarter of this year.

- U.S. middle market transactions multiples continued to improve as they averaged 7.6x EBITDA in the third quarter. In 2009, average purchase price multiples were considerably depressed due to the inclusion of distressed sales, which generally fetch very low multiples. As the concentration of these types of transactions has dwindled, average purchase prices have continued to improve.

Middle Market Purchase Price / EBITDA Multiples

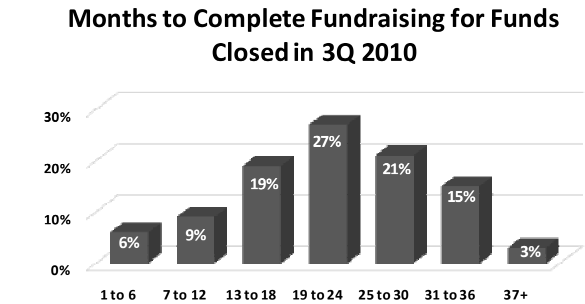


Source: Angle Advisors

Capital Markets Overview

- According to Pitchbook, U.S. PEG fundraising this year fell from $29 billion in the second quarter to $20 billion in the third quarter. Over the past five quarters, fundraising has remained within the $15 to $30 billion range. From 2006 through mid 2008, quarterly fundraising was generally near to the $100 billion mark. No funds greater than $5 billion, which generally account for at least a third of all fundraising, have been raised to date.

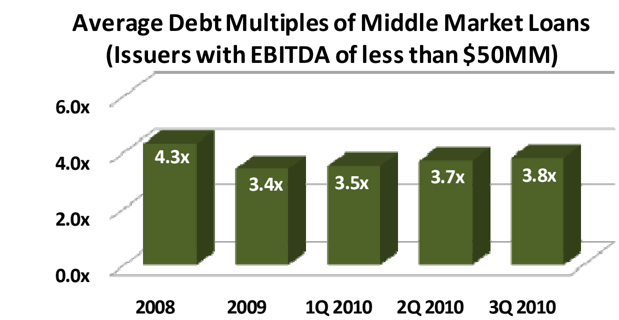
- PEGs have found difficulty raising capital for new funds, which often can take more than two years to complete. As of the end of the third quarter, there were over 1,500 PEGs in the market attempting to close funds, according to Preqin.



Source: Preqin

- M&A has driven an increasing proportion of the loans originated this year. Through the first three quarters, M&A has represented 39% of total new loan volume. This is well above the 17% exhibited during the same span last year, but still below the average of 60% registered from 2006-2008. Refinancing was also a significant purpose for originating new loans; it too represented 39% of the new loan volume through the first three quarters of the year.

- PEGs continue to put 40-45% equity into transactions, down from over 50% during 2009. As lenders have increased overall leverage thus far in 2010, PEGs have been able to reduce their equity investment to achieve the same amount of total invested capital. With plenty of dry powder available in the private equity market, some PEGs are willing to invest more than half equity into high quality deals to get them closed.



Source: S&P

- The credit markets remained comparable to previous quarters from a total leverage standpoint. Total debt remained around four times leverage for middle market loans, with senior lenders extending their turns a bit. Mezzanine lenders remain active.

- As lenders have extended their leverage thresholds, they have demanded compensation for the increased risk. For B+/B loans, pricing increased to LIBOR + 476 in the third quarter. This is 50 to 75 basis points above the pricing seen over the last year-and-a-half. Average upfront fees remained in the 150-200 basis points range.

- Economic indicators continue to suggest a slow recovery for the U.S. and talk of a double-dip recession has moderated (again). The Fed has indicated it is prepared to take action should the economy falter. Unemployment has improved very little over the course of the year, and data on the housing market has been mixed. Election results should have an impact on policies passed in Washington D.C. and therefore have a significant impact on future governmental efforts to stimulate economy. The expiration of the Bush tax cuts remains a highly debated topic and is yet to be settled. Regardless, many business owners who started sales processes in the first half of the year are hoping to close their transactions prior to the end of the year. Strategic Advisors anticipates a significant amount of deal flow in the fourth quarter, driven by the fear of capital gains tax increases.

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

Andy Hays	***Managing Director and Founder***	arhays@strategicad.com	724-743-5810
Andy Bianco	***Managing Director and Founder***	ajbianco@strategicad.com	724-743-5820
Matt Dalton	***Associate***	mmdalton@strategicad.com	724-743-5840
Matt Steve	***Associate***	masteve@strategicad.com	724-743-5830

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.