STRATEGIC ADVISORS
Middle Market Investment Bankers

Bringing Efficiency to Inefficient Markets

2010

M&A AND CORPORATE FINANCE OVERVIEW

Fourth Quarter

Merger & Acquisition
Corporate Finance Advisory
Strategic Consulting

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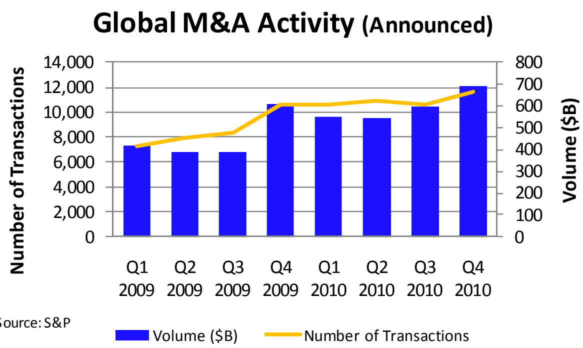
Strategic Advisors is a middle market investment banking firm that helps clients achieve financial and business goals by providing merger and acquisition advisory, corporate finance advisory and strategic consulting services. Along with many years of experience in advising middle market clients, our 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 fourth quarter of 2010 reached the highest number of transactions and volume since the M&A pinnacle was achieved in 2007. Business owners were driven to sell by the impending expiration of the Bush tax cuts, which were ultimately extended just before the end of the year. Year-over-year, deal activity increased by approximately 30%.



Source: S&P

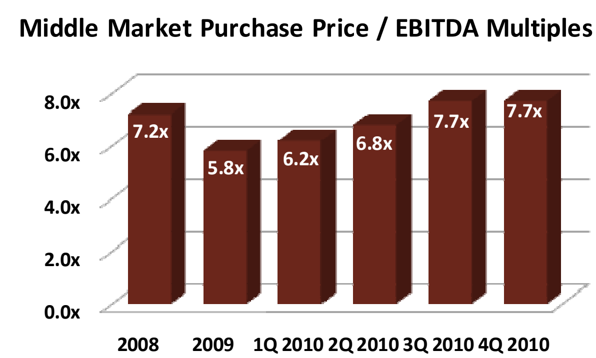
- U.S. private equity M&A activity was also very strong in 4Q 2010. The $50 billion of capital invested during this period nearly equaled the $61 billion invested in all of 2009. 395 private equity transactions were registered in the U.S. in 4Q 2010, the highest quantity in two years. Total U.S. private equity deal flow for 2010 was $132 billion compared to just $61 billion in 2009. While this is a marked improvement, it is still dwarfed by the $595 billion of deal flow in 2007.

- Add-on transactions as a percentage of total U.S. private equity deal flow increased for the sixth consecutive year, according to Pitchbook. Add-on acquisitions represented a record 41.4% of private equity transactions in 2010. This indicates not only a long-term strategic shift in building around a platform company but also a short-term strategy to gain market share during challenging times by acquiring struggling competitors and expanding into new markets and complementary business lines.

- Investment holding periods for private equity groups (PEGs) have increased over the past three years. The median holding period for PEG exits in 2007 was 3.5 years. In 2010, the median holding period increased to over 5 years. Holding periods were prolonged as some portfolio companies would have fetched lower purchase prices due to depressed earnings and lack of economic visibility.

- The number of private equity-owned firms increased to a record at the end of 2010, nearly eclipsing 6,000 total U.S. companies. Approximately 18% of these companies were acquired prior to 2004, indicating that the typical 5-year holding period has passed. Many PEGs will likely attempt to divest these investments as the M&A market has improved from the previous two years.

- U.S. middle market transaction multiples held steady quarter-over-quarter at 7.7x EBITDA. Business owners who postponed selling their company during the past couple of years due to depressed valuations can now consider entering the market as expected purchase price multiples are more aligned with historical levels.

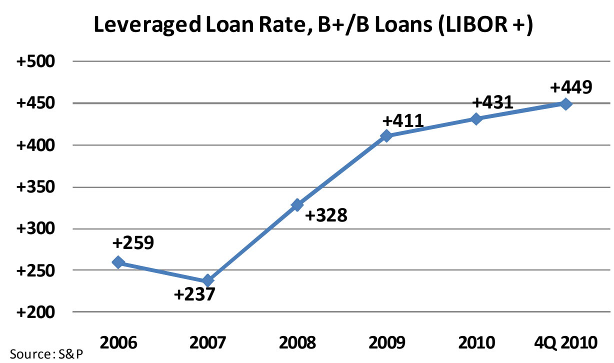


Source: Angle Advisors

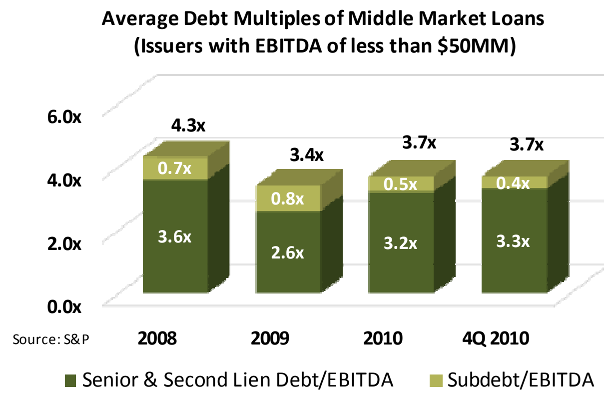
Capital Markets Overview

- U.S. private equity fundraising fell for the second consecutive year. The $86 billion raised in 2010 was 16% below the $102 billion raised in 2009. While mega funds were the hardest hit, funds focusing on a particular industry, mezzanine financing and distressed debt were able to improve on previous year's fundraising totals. As PEGs are hastening the pace at which they divest portfolio companies, limited partners will be receiving their invested funds and associated gains, which PEGs are hoping will be reinvested into the asset class.

- Pricing for leveraged loans continued its quarterly creep upwards in 4Q 2010 and remained higher than levels seen in previous years. As lenders saw a significant number of defaults on leveraged loans over the past few years, they are demanding to be compensated for the higher risk associated with these types of loans. For instance, the average spread for debt levels between 5.0x-6.0x EBITDA was 498 basis points in 4Q 2010. For the same period, the average spread for loans with total leverage between 3.0-4.0x was just 380 basis points.



- The par amount of leveraged loans volume in default or bankruptcy has fallen over the past few quarters. After reaching over $56 billion at the end of 2009, the amount in default has fallen by over half to $26 billion. The associated default rate has fallen from 11% to 5% over the same period. Many borrowers, however, were forced to refinance these loans in 2010, often resulting in the inclusion of a piece of subordinated debt.



- The credit markets remained comparable to previous quarters from both a total leverage and debt structure standpoint. Total debt remained shy of four times leverage for middle market loans, and mezzanine lenders remain active.

- Global new issue M&A loan volume catapulted from $18 billion in 2009 to $85 billion in 2010, according to S&P, illustrating the significant impact the banking sector can have on the M&A market. As a percentage of total loan volume, M&A accounted for 36% new issue loans in 2010 compared to 24% in 2009.

- On average, PEGs are contributing a lower portion of equity to their deals. In 4Q 2010, the average equity contribution to leveraged buyouts was 41%. This is down from over 50% in 2009, yet remains above the average equity contributions seen from 2004-2007, which averaged approximately 33%.

- As expected, the 4Q 2010 yielded strong results for the M&A market, capping a year of recovery for the industry. Strategic Advisors expects 2011 deal flow to be strong, particularly in the private equity market. There is a large overhang of equity that needs to be invested within the next few years, and the holding period of many current portfolio companies has exceeded or is approaching five years. Banks and mezzanine groups have abundant cash to lend, further enabling deal flow.

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.