



Year-to-date M&A Update

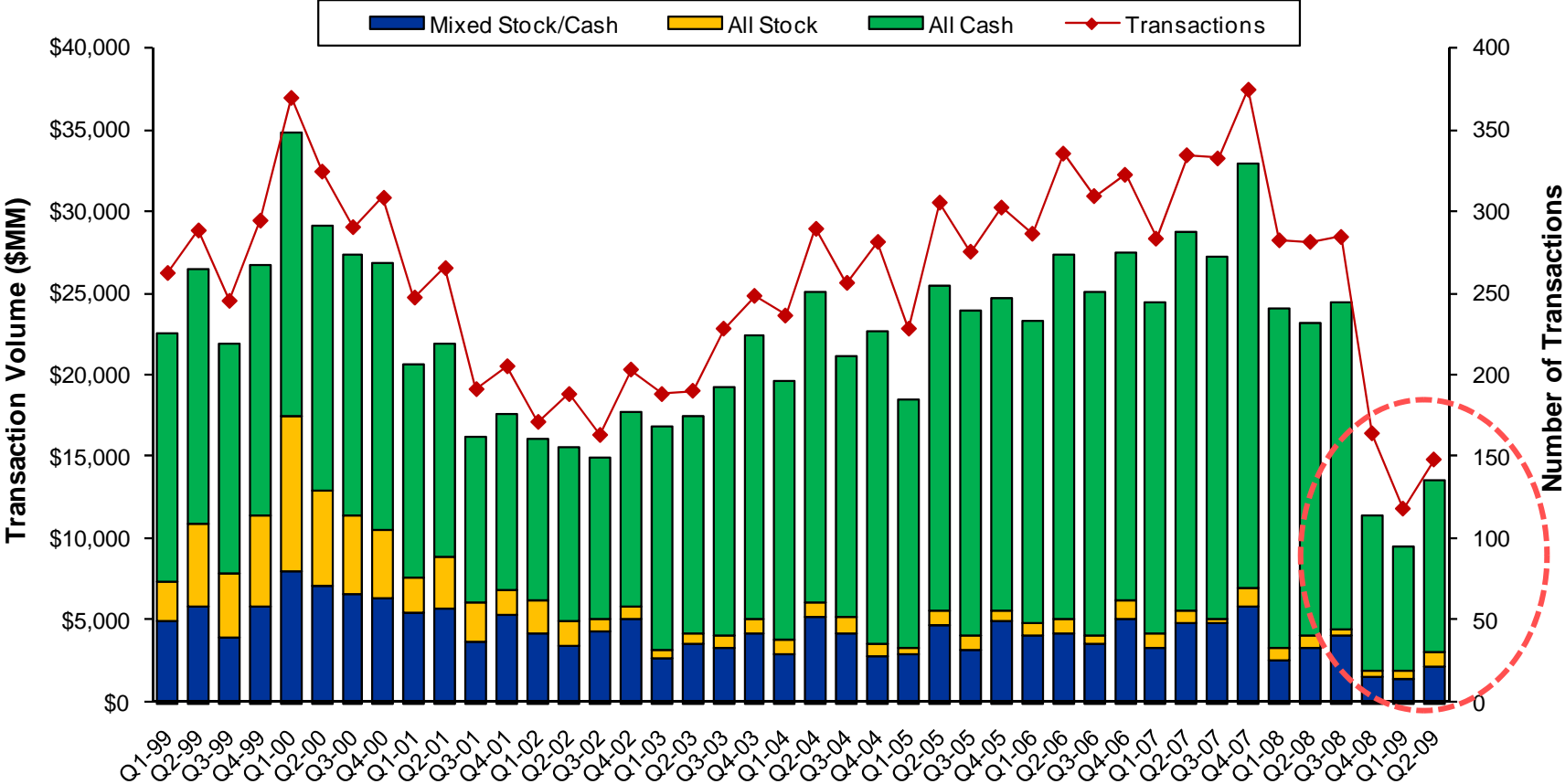
July 2009

Mid-Market M&A Is Showing Signs of Recovery

Experience after the “.com” bubble suggests that transaction activity tracks the decline of market indices, which are recovering

- The exception tends to be public companies, which typically need about one year of trading within a new valuation band to consider a corporate sale at market premiums (e.g. 25%-35%)

North American M&A \$25MM - \$250MM (ex-financials)



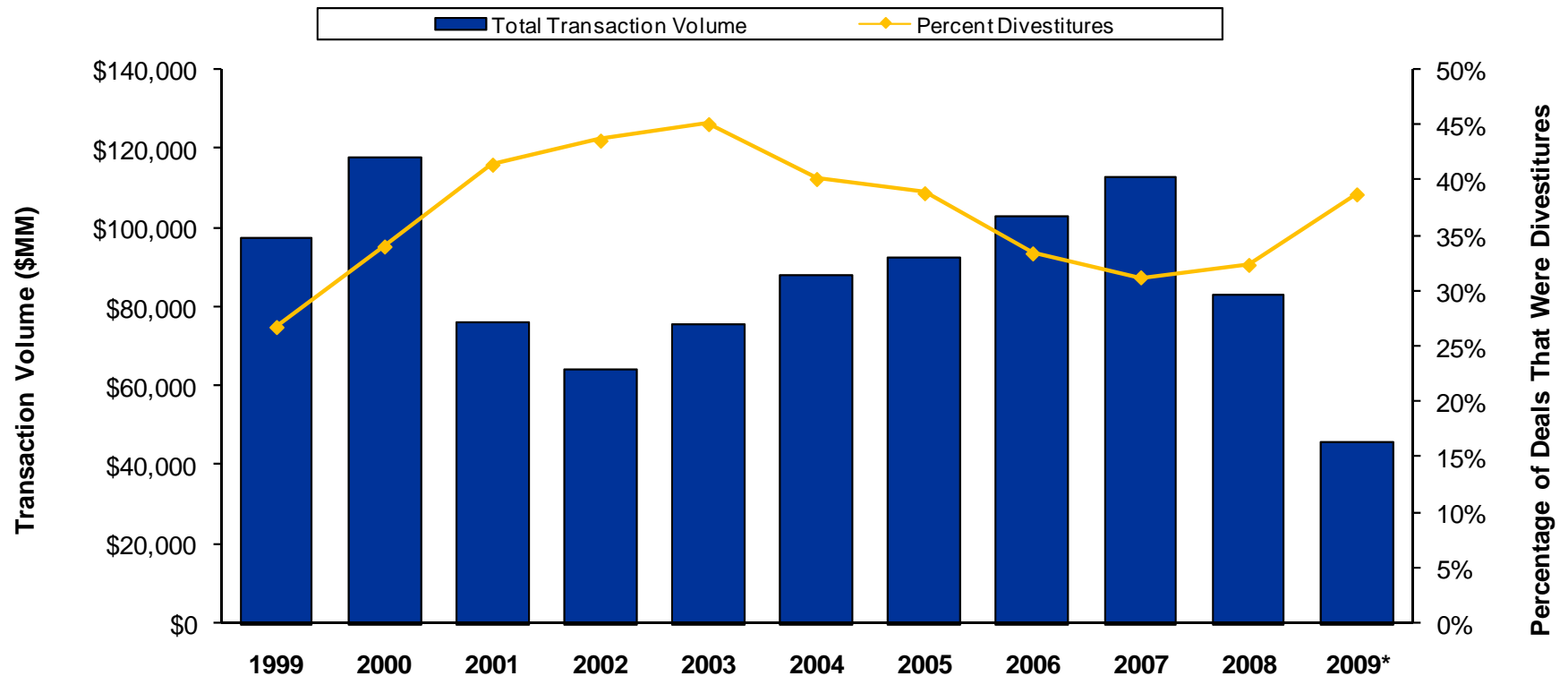
North American transactions with disclosed dollar values between \$25.0MM and \$250.0MM, excluding Financials sector. Source: Capital IQ / Standard & Poors.

Divestitures are a Growing Part of M&A Volume

Distressed divestitures have mainly been worked through, and the focus is now corporate pruning

- Shareholders tend to demand management focus on core businesses in downturns
- Divestitures afford sellers the resources and management bandwidth to become opportunistic buyers

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* First half 2009 data annualized.

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... And a Good Source of Value Creation ...

Divestitures drive above average returns ...

- Mid-market M&A historically remains more active and recovers sooner than the broader environment
- Studies show economic downturns create an opportunity to generate above average M&A returns, especially for buyers and sellers involved in divestiture transactions ⁽¹⁾
 - A target whose value proposition remains intact but has recently-depressed margins presents an exceptional value-creation opportunity
 - Above average premiums paid on low-multiple targets do not depress returns to acquirors

Divestiture rationale is re-enforced by a potentially long-term need for mid-market companies to self-finance

- The price of risk (and the perceived risk of the mid-market) will remain much higher than that experienced from 2002 to 2007
- The poor long-term track record of the NASDAQ index will increase the cost of capital for growth companies
- Asset pruning through divestitures followed by consolidating transactions designed to improve cash flow will likely be key strategies for corporate self-funding

Share repurchases are typically poor drivers of value creation and therefore poor uses of cash

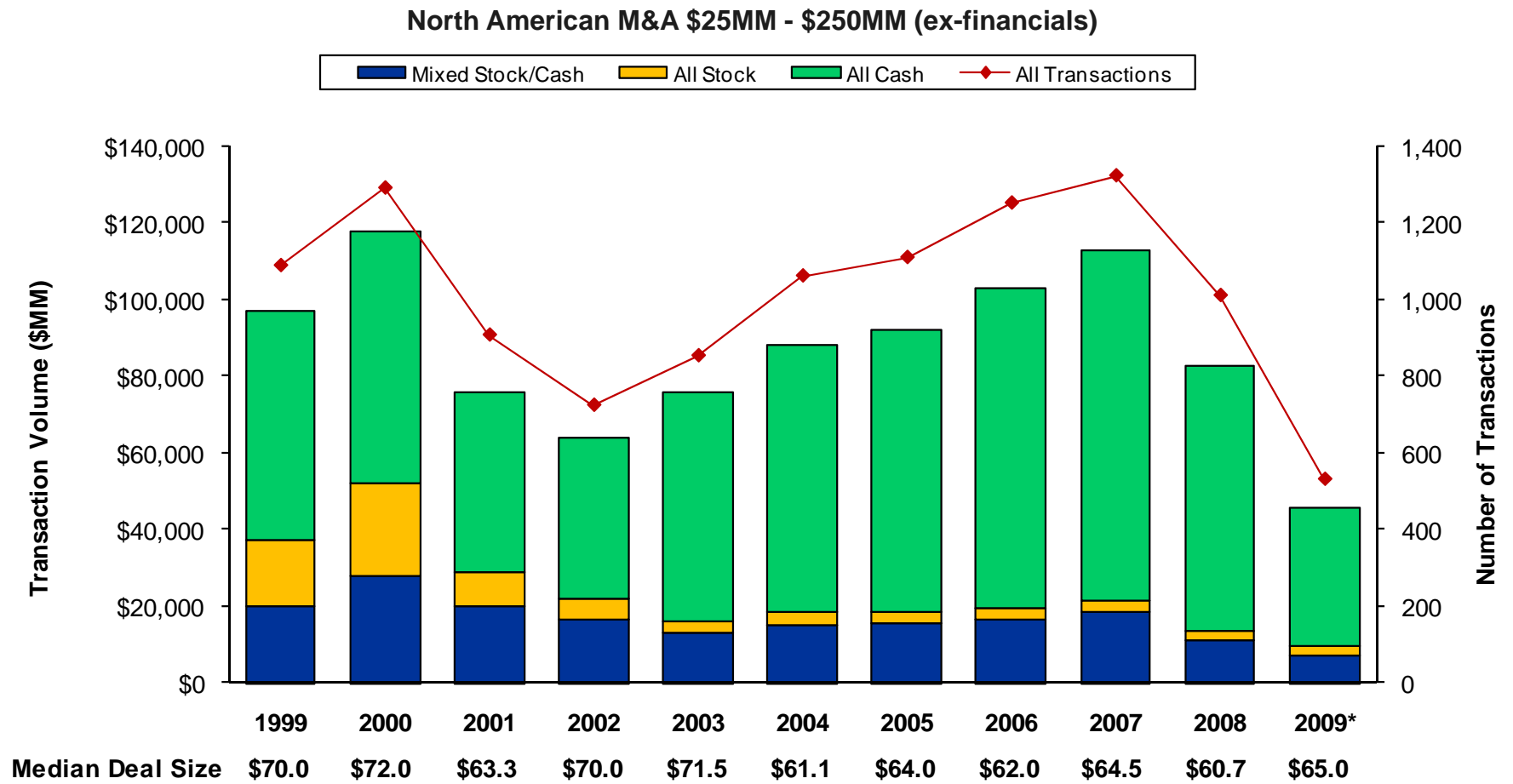
For additional reports and detail on mid-market M&A, managing through a downturn and share price impact of repurchase plans please visit www.gtkpartners.com. For occasional comments on current developments, please see www.gtkpartners.com/blog.

(1) "Return of the Strategist" , *The Boston Consulting Group*, May 2008

Even So, 2009 Volume Will Likely Set a 10-Year Low

M&A activity showed a recent peak in Q4 of 2007 and annualized H1 2009 numbers reflect a decline of 44% vs. 2008

- Financial acquirors are responsible for approximately 14% of the total transaction volume shown below. Activity among this group grew steadily from a low in 2001 to a high in 2006 of approximately 9% and 19%, respectively

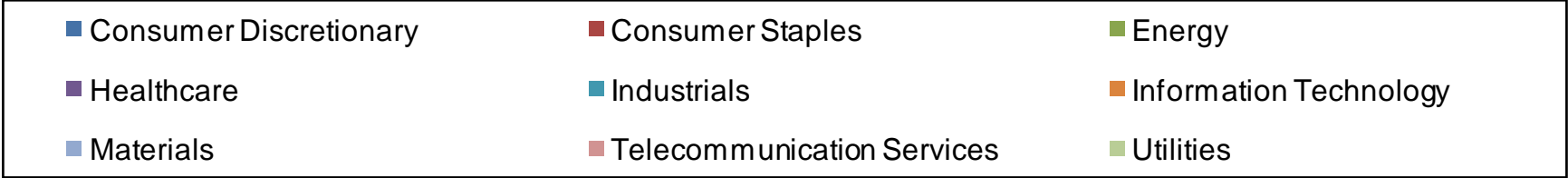
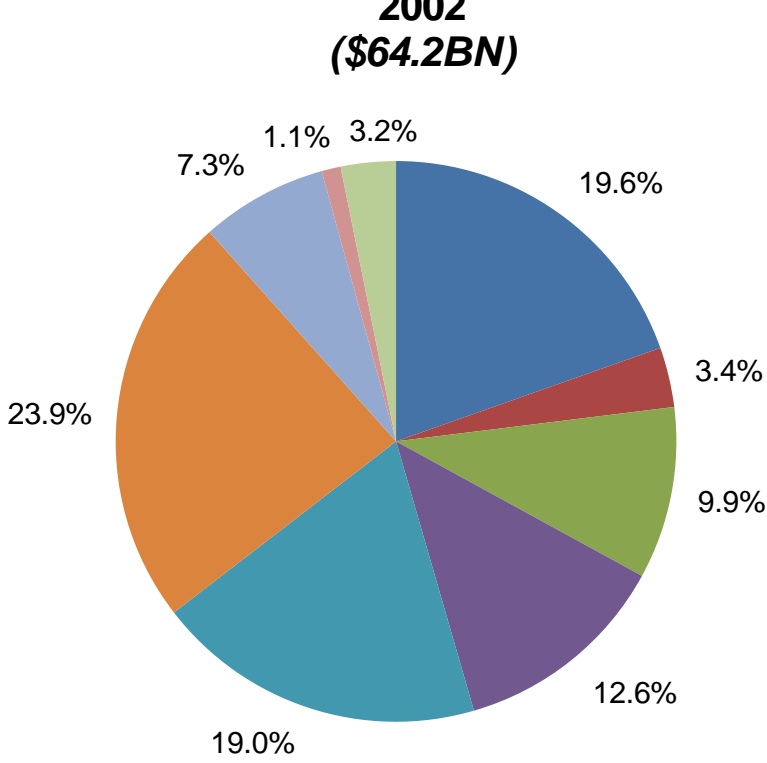
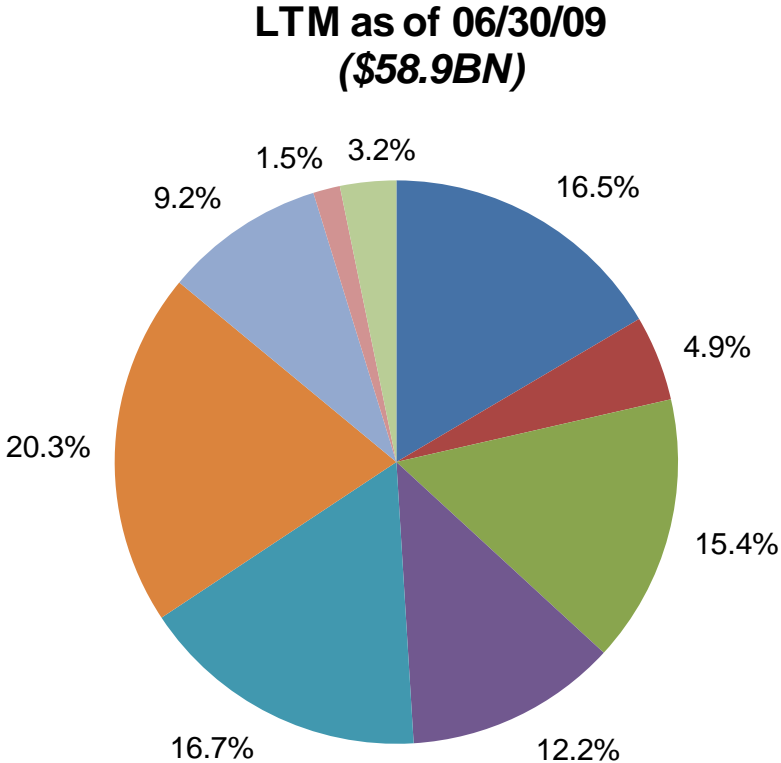


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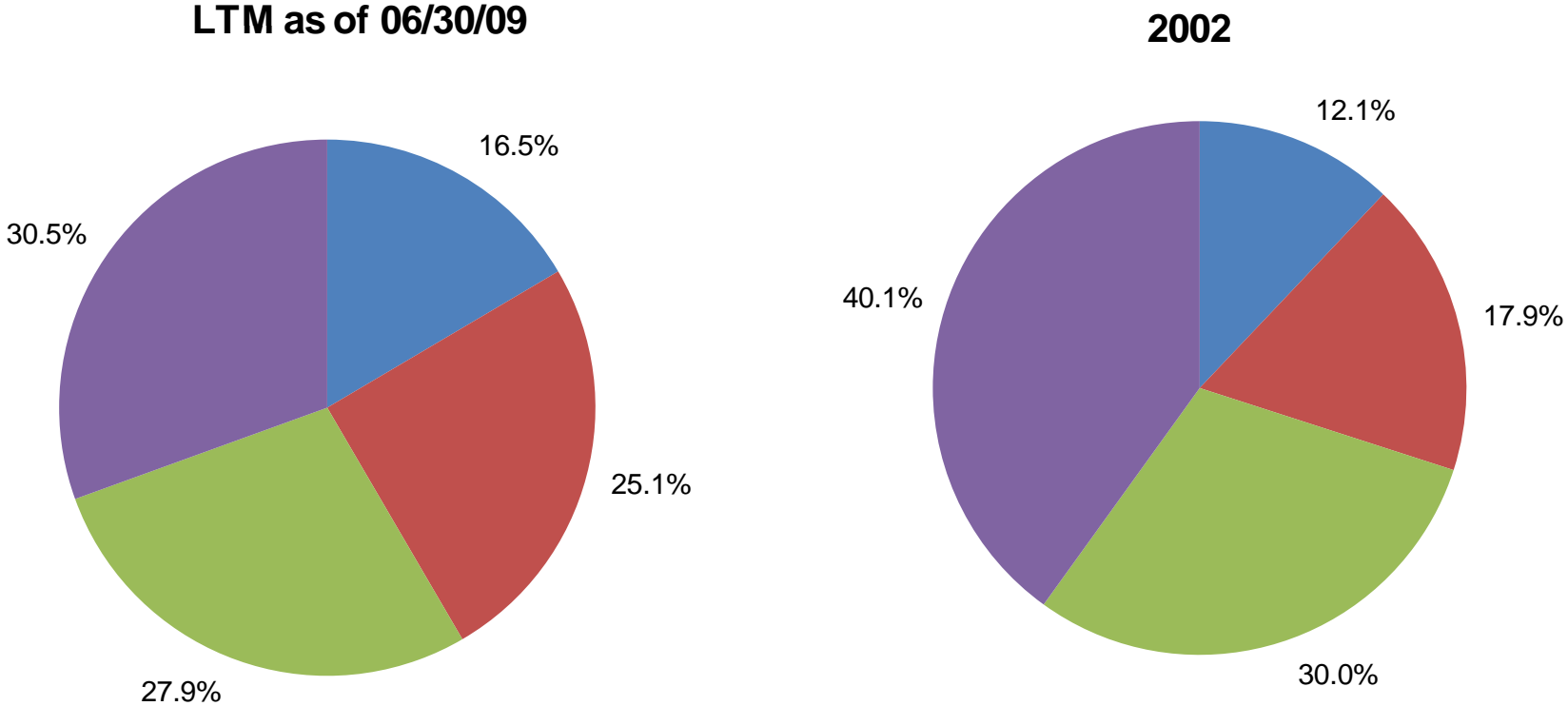
M&A Activity by Primary Sector



North American transactions with disclosed dollar values between \$25.0MM and \$250.0MM, excluding Financials sector.
Source: Capital IQ / Standard & Poors.

Private Companies Are Significant Transactors

Private companies remain the most significant driver of M&A activity within the middle markets



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