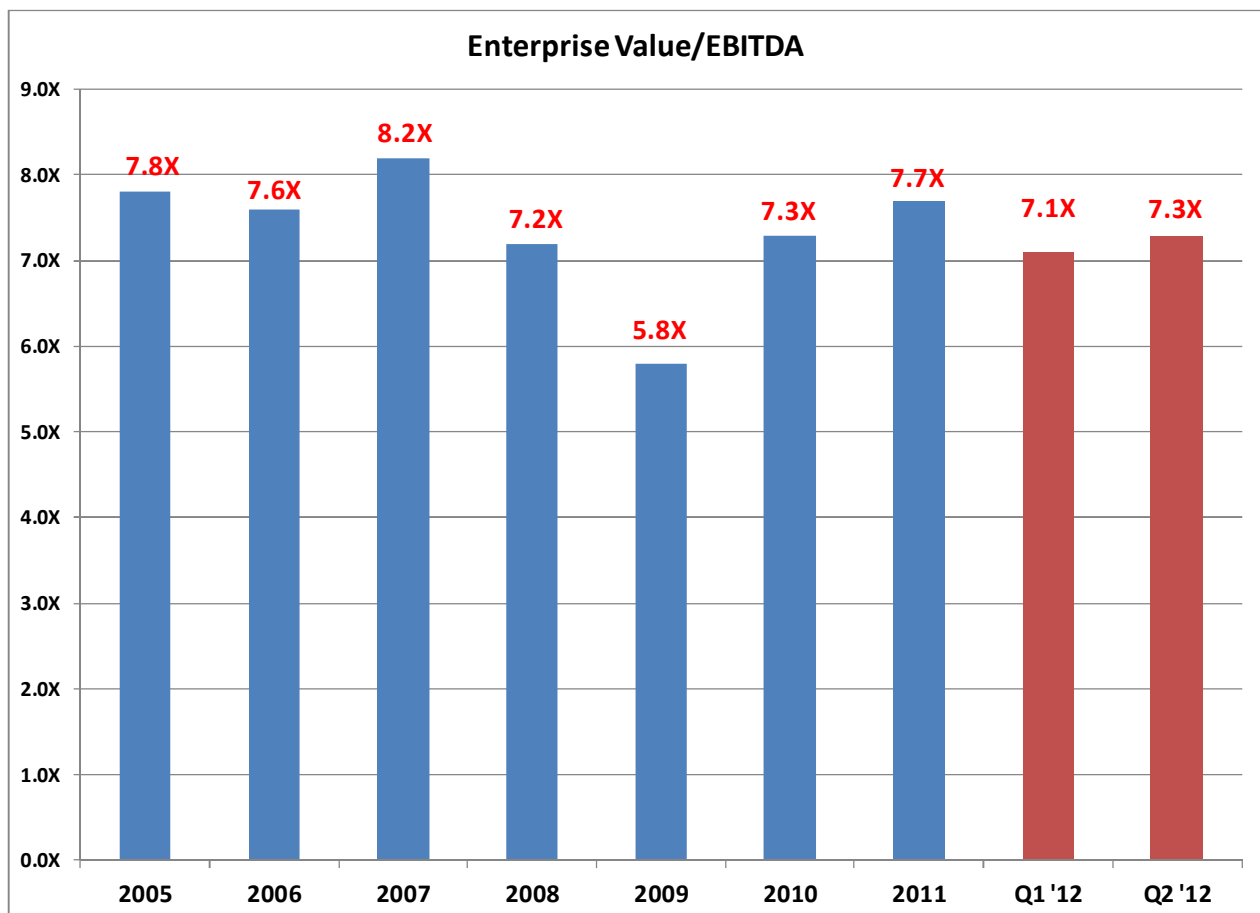


**Middle Market M&A Overview
September 2012**

Market Overview

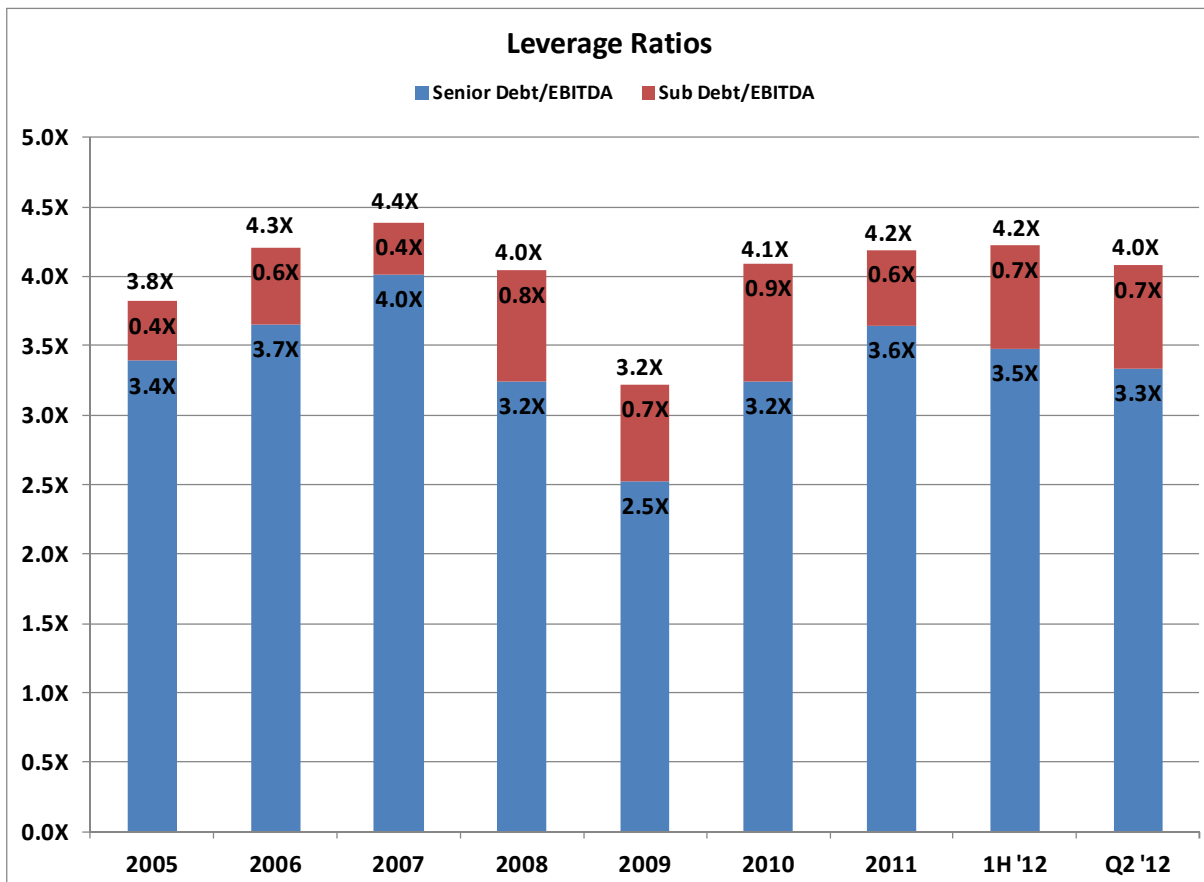
Middle market deal activity (Enterprise Value between \$10 million and \$500 million) demonstrated resilience in Q2 '12 overshadowing global economic concerns as deal volumes surged 28.7% compared to Q1 '12 and were equal to Q2 '11 totals. Smaller deals gained traction with volumes increasing and the average deal size declining 15.1% to \$72 million in Q2 '12 from \$84 million in the previous quarter. Total deal volume (all transaction sizes) increased 5.7% in Q2 '12 over the first quarter. Despite declines in leverage volumes and multiples, average deal multiples increased in Q2 '12 to 7.3x (Enterprise Value to EBITDA) compared to 7.1x in Q1 '12. This trend suggests strategic buyers were becoming more active while financial buyers responded with increased equity contributions to remain competitive.



Source: Capital IQ and Angle Advisors

Debt Markets

For five consecutive quarters, middle market LBO new issue volume has declined suggesting that strategic buyers continue to dominate the M&A market. To make matters worse for financial sponsors, senior debt multiples have fallen for the third consecutive quarter requiring an increase in average equity contributions to 45.6% in Q2 '12 versus 40.7% for all of 2011. LBO loan volumes in Q2 '12 totaled \$0.85 billion compared to \$0.92 billion in Q1'12 and \$1,280 billion in Q2 '11. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to- EBITDA was lower, averaging 4.07x in Q2 '12 versus 4.22x for the first half of 2012. Senior debt multiples decreased to 3.34x in Q2 '12 compared to the first half average of 3.48x. Subordinated debt held steady at 0.74x, whereby partially offsetting senior debt declines.



Source: S&P LCD – middle market LBO less than \$50 million

| | DEBT PRICING | | | |
|---------------|---------------|-------------|---------|-----------------|
| | Senior | Senior Lien | Subdebt | Minority Equity |
| Jun-12 | L + 3.0%-4.5% | L + 9%-10% | 14%-17% | 25%-35% |
| Jun-11 | L + 3.0%-4.5% | L + 7%-10% | 15%-17% | 25%-30% |