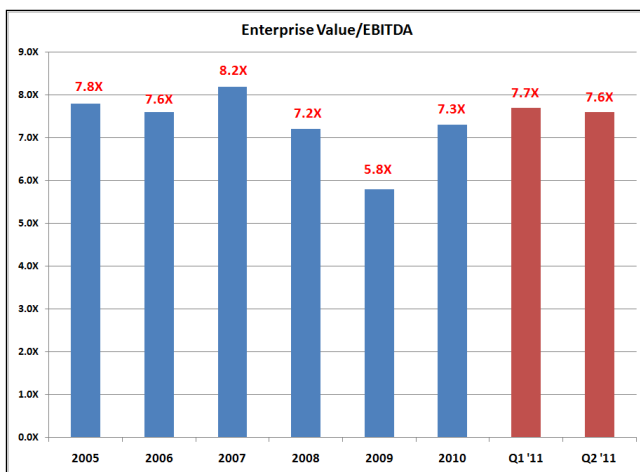


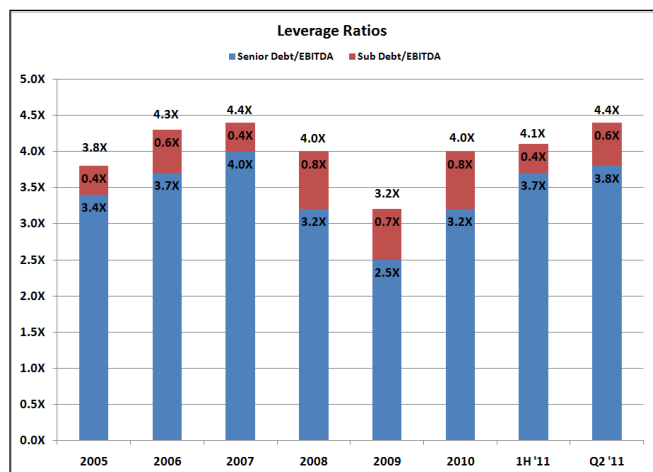
**Middle Market M&A Overview  
August 2011**

**Market Overview**

In the second quarter, middle market deal activity (Enterprise Value between \$10 million and \$500 million) spiked 44% after a 26% decline in the first quarter. Overall M&A activity remains very active as the total number of all M&A transactions increased 15% in the quarter and middle market deal volumes were up 40% versus Q2 2010. Improving earnings have been prompting sellers to enter the market with aggressive strategic and financial buyers becoming more acquisitive since the trough of the recession. Deal multiples held steady at 7.6X (Enterprise Value to EBITDA) in Q2 2011 and compare favorably to the 2010 average of 7.3X. In spite of improving leverage multiples, declining loan volumes and tight credit requirements have pushed average equity contributions up in Q2 2011 to 42% compared to 37% for the first half of 2011 and 44.7% for all of 2010.



Source: Capital IQ and Angle Advisors



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

**Debt Markets**

Debt ratios improved during Q2 2011 despite middle market LBO new issue volume and acquisition loan volume declining from the previous quarter. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to-EBITDA averaged 4.4X in Q2 2011 versus 4.0X in the first half of 2011. Senior debt multiples increased to 3.8X in Q2 2011 compared to the 2010 average of 3.2X. Senior debt pricing has risen from a year earlier with second lien and subordinated debt rates falling. LBO loan volume totaled \$1.1 billion in the second quarter compared with \$1.3 billion in Q1 2011 or \$1.4 billion for first half of 2010.