

BELLMARK PARTNERS
3RD QTR 2010 M&A MARKET UPDATE

M&A Market Update

The U.S. M&A market continues to show signs of improvement for the nine month period ending 2010 versus the same period in 2009:

- Total deal volume increased approximately 36% from 6,279 deals in 2009 to 8,550 deals in 2010
- Total dollar value of M&A deals increased approximately 39% from \$348 billion in 2009 to \$483 billion in 2010
- Total leveraged buyout deal volume increased approximately 69% from 679 deals in 2009 to 1,147 deals in 2010
- Total leveraged buyout deal value increased approximately 172% from \$44 billion in 2009 to \$120 billion in 2010

While significantly below the peak M&A activity levels seen in 2007 and the first half of 2008, the uptick has been largely attributable to slow, but improving economic conditions, recovering credit markets, and increasing capital availability from corporations and private equity firms. These factors should continue to drive market improvement.

U.S. Economic Recovery

The U.S. economic recovery from the “Great Recession” can be characterized as slow and volatile. Strong corporate earnings coupled with extraordinary governmental stimulus measures have been offset by high unemployment rates, lackluster consumer spending patterns, and declining housing markets. While fears of a second recession have largely subsided, the economic outlook remains uncertain: 1.) GDP growth remains below historical norms at approximately 2%; 2.) inventory restocking which drove recent corporate earnings is not expected to continue beyond 2010 according to a November 2010 publication by the National Bureau of Business Economists; 3.) commodity prices are expected to increase compressing future profit margins according to an October 2010 release by the USDA. As such, the Federal Reserve has announced another round of economic stimulus measures, including a \$600 billion quantitative easing program, designed to lower long-term interest rates and increase spending.

Unprecedented Cash Availability

Corporations and private equity firms have record amounts of capital available for acquisitions. According to a Wall Street Journal article on October 4, 2010, the 500 largest U.S. corporations (excluding financial firms) currently hold approximately \$1 trillion in cash and short-term investments, equal to approximately 10% of total assets representing the largest such percentage of cash over the past 40 years. Additionally, private equity firms have approximately \$425 billion in availability (excluding debt financing) after fund raising from 2004 to 2009 has resulted in limited investment activity. Such firms are also facing time constraints as their fund investment periods near expiration.

Easing Credit Markets

Credit markets have improved after a major retrenching during the latter half of 2008 and 2009. According to Buyouts Magazine October 18, 2010 issue, total debt to EBITDA multiples for middle market deals ranged from 3.0x-4.0x, with equity contributions comprising 40-50% of the total deal value. Senior leveraged loan pricing has also improved approximately 100 basis points from the prior year, ranging from LIBOR + 500 to 600 basis points with floors of 1.75-2.0%.

Upcoming Changes

- *Capital Gains Tax Hike* – The anticipated cap gains tax increase in 2011 from 15% to 20% is now in doubt given the recent November elections. With Republicans now in control of the House, it's possible that the Bush era tax cuts will be extended for at least one year. With an increase still uncertain, however, the cap gains issue may continue to drive M&A activity through 2010.

BellMark Partners, LLC is a boutique investment banking firm that provides financial advisory and investment banking services to middle market and lower middle market companies in the consumer, industrial, business services, and healthcare industries. BellMark advises family businesses, entrepreneurial or closely-held companies, private equity-owned companies, and small-cap public companies on M&A advisory, strategic alternative reviews, restructuring assignments, and valuations & fairness opinions.

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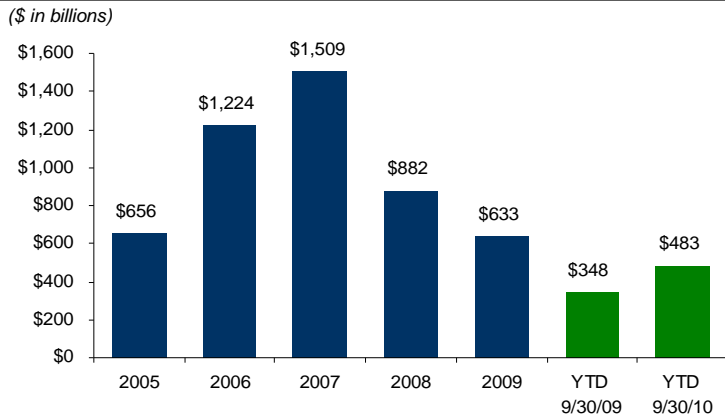
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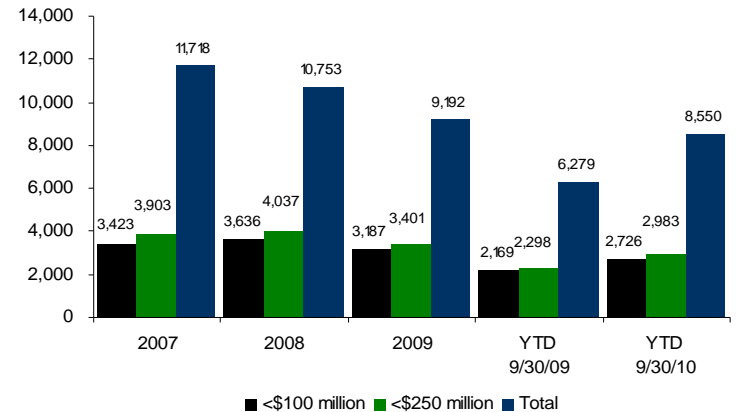
M&A AND GENERAL MARKET STATISTICS

U.S. M&A Market Activity by Value



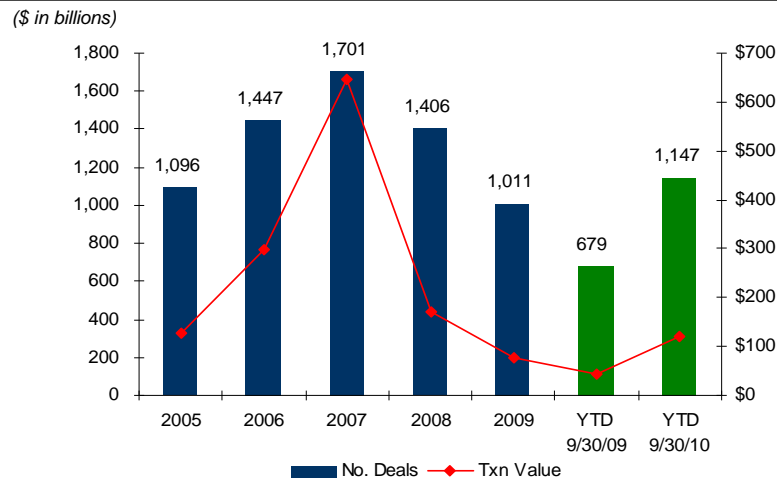
Source: Capital IQ

U.S. M&A Market Activity by No. of Deals



Source: Capital IQ

U.S. LBO Market Activity by No. of Deals and Value



Source: Capital IQ

U.S. Economic Data

Statistic	Current	5-Year Avg.
GDP Growth (%)	2.00% ¹	3.58%
Inflation Rate (%)	1.14% ²	2.54%
Annual Housing Starts	610,000 ³	1,336,700
Unemployment %	9.60% ⁴	5.88%
Price Crude Oil/Barrel	\$80.00	\$68.77

1. 2010 Q3 GDP percentage based on chained 2005 dollars (annualized and seasonally adjusted)

2. Year-over-year change in CPI index, seasonally adjusted (September 2009 vs. September 2010)

3. September preliminary housing starts (annualized and seasonally adjusted)

4. September unemployment number (seasonally adjusted)

Source: Bureau of Economic Analysis (GDP), Bureau of Labor Statistics (Inflation & Unemployment), National Association of Home Builders (Housing Starts), U.S. Energy Information Administration (Crude Oil)