

Middle Market Metrics



Spring 2009

It's Getting Interesting

Mark Twain suggested, "History does not repeat itself, but it does rhyme." Our current recession is no exception to Twain's suggestion. We have experienced the longest expansion in U.S. history and are now entering a period of retrenchment as companies take stock of the current reality to determine their next logical steps. With this environment comes opportunity. Historically, we tend to move out of these recessions after an intermediate period of stagnation or contradicting economic data. In our experience, strategically-minded and forward-thinking firms are looking for new opportunities during these transitional periods. Many companies — particularly those that have been conservatively capitalized — see and are in a position to capitalize on compelling acquisition situations that will allow them to expand into new markets or product lines or to capture additional market share. For other companies that are still facing operational challenges or an overlevered balance sheet, the new financing markets now afford them the opportunity to find more patient and thoughtful investors and capital partners who are committed to their strategic objectives and to rebuild a capital structure capable of withstanding cyclical disruptions. From our perspective, the good news is that there is still capital available today looking at and, importantly, getting put to work in all of these different situations. Admittedly, it takes a bit longer to find the right partner in this more difficult environment and the terms are not nearly as favorable as in recent years. However, the capital is out there and we can help companies and their owners successfully navigate through this environment to achieve their objectives.

At Dresner Partners, we are actively assisting companies with opportunistic acquisitions, capital raising, divestitures, growth financings, restructurings and assisting distressed companies so they can survive to participate in the next period of economic expansion.

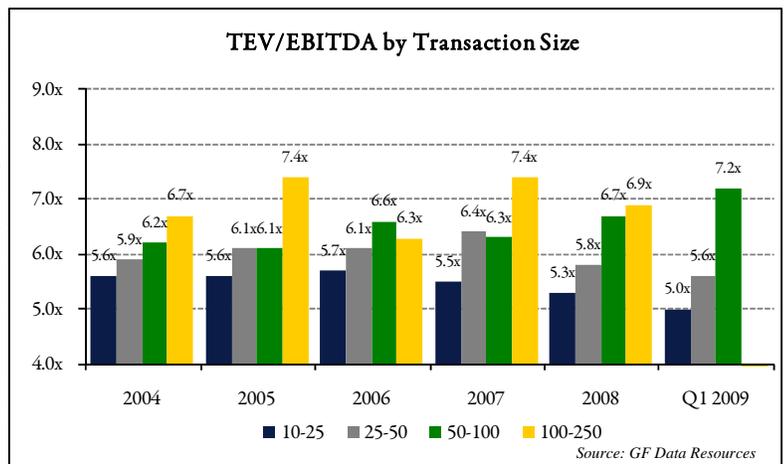
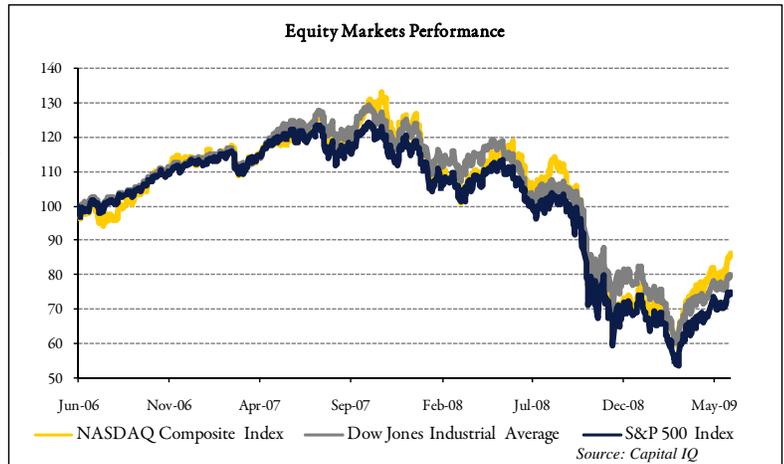
How the Metrics Stack Up

Middle-market transaction activity, like most markets, experienced a downturn in the second half of 2008 into early 2009, and has begun to stabilize in recent months. According to GF Data Resources, EBITDA multiples held up fairly well in 2008 considering the breadth of the financial crisis, especially in the mid to lower-end of the middle market. While multiples appear to have declined further in 2009, indications are that we may now be seeing a bottom.

Late in 2008, we hunkered down to prepare for significantly reduced activity levels, but as of this publication, we are experiencing a steady increase in activity. We expect multiples to stabilize and slowly trend upward as the economy recovers into 2010. The stimulus and other fiscal policies of the U.S. government and the Federal Reserve, while controversial, are substantial, and we believe they will begin to take hold by the end of this year. The road to recovery will be bumpy, for certain, and there will likely be some more negative surprises before any strong growth in gross domestic product reappears.

Finding and Structuring the Capital

With the financing markets turned upside over the past eight months, we have had a good deal of success on our clients' behalf finding non-traditional capital providers and utilizing non-traditional capital structures, filling a gap left by some of the larger financial institutions that significantly curtailed their new investment activity in the face of troubled assets in the existing portfolios. *continued on the next page*



MIDDLE MARKET METRICS

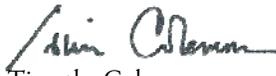
It's Getting Interesting (cont.)

Within the senior lending market, we have been working more closely with smaller regional and privately-owned community-oriented banks, many of whom did not have significant subprime or commercial real estate exposure and did not have to take TARP funds. While their underwriting standards are still conservative, many are willing to extend credit to build relationships with well-run companies. Lower down the capital structure, we have also found an increasing number of mezzanine and minority equity investors participating in non-control transactions, structuring solutions to allow owners to avoid selling all or a majority of their businesses in a difficult valuation environment. On the distressed front, while DIP financing is still challenging to secure, we have begun to see some recovery as well as new groups enter the market, seeking to capitalize on the healthy spreads and the modest relatively modest risks. On the buyout front, equity investors are consistently stepping up with larger equity checks to fill the gaps in the capital structure, helping soften the declines in transaction values resulting from the more limited financing availability.

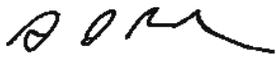
Companies in Need

While the markets have changed dramatically in the past several months, the roadmap to successfully completing a transaction has remained constant. Circumstances and opportunities have created a greater sense of urgency for certain participants. Importantly, the middle-market financing and transaction markets, while not nearly as active as they were 18 months ago, are still open for business. For middle-market companies seeking financing, restructuring or liquidity, there are still opportunities available to meet your objectives. Please contact one of our professionals at Dresner Partners to help guide you through these opportunities.


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BLUEWOLF
Blue Wolf Capital Fund II, L.P.

has acquired substantially all the assets of



HLS
Hospital Laundry Services, Inc.

The undersigned served as exclusive financial advisor and structured and negotiated the transaction on behalf of HLS's owner, a consortium of not-for-profit, Chicago-area hospitals.





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INVESTMENT BANKING

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SEMEX
SEMEX Corporation (OTCPK:SEMEX)
a portfolio company of ACI Capital

has been acquired by



COINING

a portfolio company of River Associates
Investments, LLC

The undersigned served as exclusive financial advisor and initiated, structured and negotiated the transaction on behalf of SEMX Corporation.



