DRESNER PARTNERS
INVESTMENT BANKING

Family Matters: Indiana

Welcome to the inaugural issue of Family Matters: Indiana, a financial newsletter that will be published quarterly by Dresner Partners with the goal of giving Indiana-based, family-owned and closely-held private companies and their trusted advisors a quick, early and easily accessible look at the opportunities available to them in the capital and M&A markets.

Volume 1, Issue 1 September 2008

Dresner Partners Hosts Panel Discussions with Thought Leaders on Capital Gains Tax

Dresner Partners recently sponsored a series of private panel discussions examining the likelihood and potential impact of an increase in capital gains taxes. The panel discussions were hosted by Tim Coleman, Senior Managing Director and Head of Investment Banking at Dresner Partners. On the panel were Chris Chocola, former member of the House of Representatives from Indiana; David Boles, Managing Director at Goldman Sachs & Co.; and Matt Phillips, Senior Vice President at Dresner Partners.

The tax rate on capital gains has fluctuated greatly over the years. In 1990, the rate was 28%; by 2000, the rate had fallen to 20%; and today it stands at 15%. The current 15% capital gains tax rate was put in place in 2003 as part of the Jobs and Growth Tax Relief Reconciliation Act. This 15% tax rate was originally set to expire at the end of 2008. In 2005, the Tax Increase Prevention and Reconciliation Act extended the 15% capital gains tax rate through 2010, when the rate will revert to the pre-2003 rate of 20%.

Congress has the power to both extend the current 15% capital gains tax rate beyond its scheduled 2010 expiration and raise or lower the rate before the 2010 expiration. Few people in Washington anticipate a decrease in capital gains taxes, so the question today is: how long will the capital gains tax rate stay at its current low level?

Below are some excerpts from this very interesting discussion:

Question: What is the likelihood of a Congressional initiative to raise the capital gains tax?

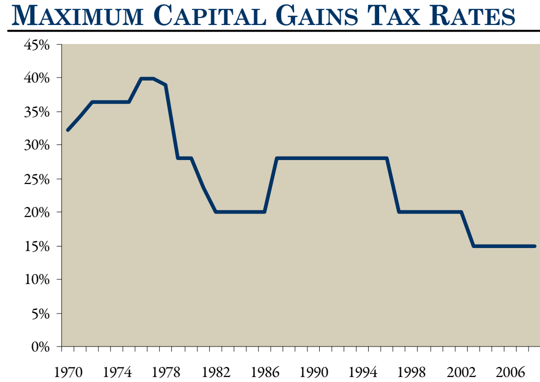
Chris Chocola: Congress can successfully raise capital gains rates in one of two ways. It can affirmatively pass legislation raising rates, or it can let the current 15% rate expire at the end of 2010, at which time the rate will revert to 20%. The first way requires action on behalf of Congress as well as action by the President. The second way is easier and requires no action whatsoever by Congress. My experience in Washington has taught me that Congress is very good at not taking action, so reverting to 20% is a very real possibility.

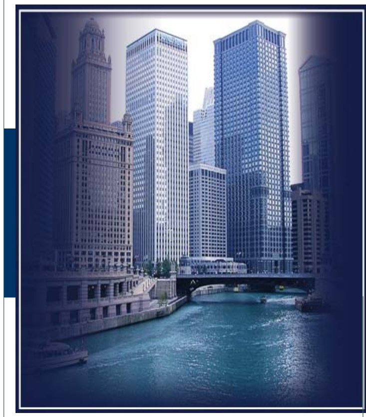
David Boles: The incoming President will drive an increase in the capital gains tax rate. In our view, the magnitude and timing of that increase will depend on who wins the election, Obama or McCain.

Question: What will happen to the capital gains tax rate if Barack Obama wins the election?

David Boles: If Obama wins the election, the capital gains tax will increase much higher and faster than if McCain is elected. *(continued on page 2)*

Maximum Capital Gains Tax Rates





Why family-owned and closely-held private companies?

Because they are an integral part of our nation's economy, accounting for over 50% of U.S. GDP and generating over 60% of U.S. employment. Family-owned and closely-held private companies also have unique issues to address, one of which is succession. In the next five years, an estimated 30% of family-owned businesses will experience a change in leadership due to retirement or semi-retirement, creating the largest intergenerational transfer of wealth in U.S. history.

At Dresner Partners, we utilize our investment banking resources to address the very needs of family-owned and closely-held private companies. We believe that by providing a full-suite of investment banking services to our clients, we can help them address issues specific to their companies and create optimal results to satisfy their concerns.

Sources: Institute for Family Owned Businesses, University of North Carolina, Ashville, and University of Southern Maine

Inside this issue:

Dresner Partners Hosts Panel Discussions on Potential Capital Gains Tax Increases

(from page 1) Obama has made increasing taxes an important part of his campaign. He has talked about increasing the maximum tax rate on ordinary income from 35% to 39.6% and the effective tax rate on both dividends and capital gains from 15% to a range of 20% - 25%.

> *"The incoming President will drive an increase in the capital gains tax rate… the magnitude and timing of that increase will depend on who wins the election."*

Chris Chocola: If Obama is elected President with a Democratic-controlled House or Senate, the capital gains tax will go up quickly – probably sometime in mid 2009 – to a rate that could be as high as 28%. Even if Republicans win significant representation in Congress this fall, the capital gains tax rate will still likely go up – there will still be enough "squishy" Republicans who will go along with an increase – but probably not until sometime in 2010.

Question: What will happen to the capital gains tax rate if John McCain becomes President?

David Boles: If McCain wins, the capital gains tax rate will go up, but not immediately. He is not particularly interested in making this a key focus of his presidency and, therefore, will likely do as little as possible for as long as possible, probably not making changes until the end of 2010 when the current capital gains tax rate expires.

> *"Private business owners who may be even remotely interested in a potential liquidity event … should investigate how a capital gains tax increase could impact the after tax value of their business."*

Chris Chocola: McCain has not made higher taxes an important part of his platform, but keeping taxes low is not a priority for him either. As a result, I would expect the capital gains tax rate to go up in a McCain administration, but probably not until 2010 when the current legislation expires. I should point out, however, that if the Democrats make significant gains in the Senate and wind up with 60 seats (enough to block a filibuster), there is a possibility (albeit remote) that Congress will put a tax increase bill in front of McCain before 2010. Given McCain's expressed ambivalence and mixed voting record, it is not clear if he would take a stand on a rate hike versus other issues that may be more important to him.

Question: What is the likelihood of any increase in the capital gains tax rate being made retroactive to January 1, 2009?

David Boles: Tax increases are an important part of the Obama platform, so one cannot rule out the retroactive tax increases. However, it is our firm's view that a retroactive capital gains tax increase to January 1, 2009 is unlikely.

> *"Accelerating any capital gains…would be a sensible strategy in the context of a prospective increase in the capital gains tax rate."*

Chris Chocola: We will see an increase in the capital gains tax rate, probably to somewhere between 20% and 28%, and it will likely take place sometime between July of 2009 and the end of 2010, when the current legislation expires. I think it would be very difficult politically for members of Congress to make any increase in the capital gains tax rate retroactive to January 1, 2009.

Question: Are there tax planning strategies that should be explored in the context of an expected tax increase?

David Boles: Accelerating any capital gains, whether it involves the sale of a security or the sale of a company, would be a sensible strategy in the context of a prospective increase in the capital gains tax rate. In terms of planning for the potential sale of a company, estate taxes should probably be the initial focus. Estate taxes are likely to move higher in an Obama administration. Planning techniques that can be used to minimize estate taxes include discounted valuations, Grantor Retained Annuity Trusts ("GRATs") and Charitable Remainder Trusts ("CRTs").

Question: Are there transaction planning strategies that should be explored in the context of a projected tax increase?

Matt Phillips: Tax considerations alone should never drive business decisions, but with the near certainty of higher capital gains taxes now on the horizon, private business owners who may be even remotely interested in a potential liquidity event over the next few years should investigate how a capital gains tax increase could impact the after tax value of their business. The calculation involves comparing the after-tax value of your company with today's 15% capital gains tax rate versus the after-tax value of your company 2-3 years from now with a potential capital gains tax rate of 20%-28%. If you calculate the growth in revenue and profitability that a business owner would need to achieve during that period to offset the higher tax rate and to achieve after-tax parity with the proceeds from a transaction today, the results may be quite surprising. *(See accompanying article on next page)*

Question: Where do you expect the capital gains tax rate to be in 2010?

David Boles: Assuming Obama is elected President, I would expect the capital gains tax rate in 2010 to be in the vicinity of 20% - 25%.

Chris Chocola: We will see a hike in the capital gains tax rate: probably 20%, but potentially as high as 28%.

The Impact of a Capital Gains Tax Increase on the Sale of a Business

It looks very certain that the capital gains tax rate will be going up, although the exact timing and amount of the increase will have to await the election results in November. What exactly does this mean for a business owner who is contemplating an exit or a liquidity strategy within the next few years? We took a closer look at this question, and the answer might be surprising.

Our Model & Assumptions

We analyzed a number of different scenarios that compare the decision to pursue a transaction today (assumed to close at the end of the year with a 15% capital gains tax) with the decision to wait and pursue a sale in 36 months (assumed to close at the end of 2011 with projected capital gains tax rates of 20%, 25%, and 28%). For simplicity's sake, our model assumes the subject Company is either an S-corporation or a limited liability company in which the earnings flow through to the owners and are taxed at the individual level only, and the transaction is structured as a sale of stock or membership interests as opposed to an asset sale. A sale of the stock or assets of a C-corporation would have significantly more onerous tax implications due to the extra layer of taxation, as well as a number of other considerations, and would result in a less favorable after-tax comparison than shown in our model.

After Tax Impact of Sale (Dec. 2011 vs. Dec. 2008)

Summary Financial Projections

	2008	2009	2010	2011
Revenue	$50,000	$53,750	$57,781	$62,115
EBITDA	$6,000	$6,450	$6,934	$7,454
Capex	$350	$376	$404	$435
Working Capital	$5,000	$5,268	$5,549	$5,846

NPV of After Tax Proceeds from December 2011 Sale & Interim Cashflows

		New Capital Gains Rates		
		20%	25%	28%
WACC	16%	$29,206	$27,835	$26,980
	18%	$27,871	$26,569	$25,757
	20%	$26,621	$25,383	$24,610

2011 Proceeds Higher/(Lower) than 2008

		New Capital Gains Rates		
		20%	25%	28%
WACC	16%	($126)	($1,497)	($2,352)
	18%	($1,461)	($2,764)	($3,576)
	20%	($2,711)	($3,950)	($4,722)

Implied Annual Revenue Growth Required for After Tax Parity

		New Capital Gains Rates		
		20%	25%	28%
WACC	16%	7.7%	10.0%	11.5%
	18%	9.9%	12.2%	13.7%
	20%	12.1%	14.4%	16.0%

Our subject company is expected to generate $6 million in EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) for calendar year 2008 on revenues of $50 million. We assume that the Company grows revenues by 7.5% over each of the next three years and maintains its operating margins at current levels. We further assume that the Company has modest capital expenditure requirements equal to roughly $350,000 (or 0.70% of revenues) and has approximately $5 million in net working capital (excluding cash, short-term borrowings and taxes).

For purposes of our transaction analysis, it is assumed that the Company is valued (on an enterprise basis) at 5.75 times EBITDA, has no debt, a nominal basis in its stock and distributes all of its free cash flow to its owners.

The Results of Our Analysis...

If the owners pursued a transaction today that closed at the end of 2008 with capital gains taxes at 15%, they would realize after-tax proceeds of roughly $29.3 million on a gross transaction value of $34.5 million. For comparison, we looked at the after-tax proceeds if the owners sold the Company at the end of 2011 for $42.9 million (5.75x 2011 EBITDA of $7.5 million) under different capital gains tax rates (20%, 25% and 28%) as well as the free cash flows that would be distributed to the owners for 2009, 2010 and 2011. To put these figures on a comparable basis, we discounted the interim cash flows as well as the after tax sale proceeds back to the end of calendar 2008 using several different weighted average cost of capital rates (16%, 18% and 20%).

Our results shown in the chart above indicate that the owners would actually net $2.8 million more in after tax proceeds under a 2008 transaction (or roughly 10.4% more than what they would receive in a 2011 sale) assuming a 25% capital gains rate and a discount rate of 18%. Further, these additional proceeds increase to $4.7 million (or 19.2% more than the net after tax proceeds under a 2011 transaction) with an assumed 28% tax rate and a 20% discount rate.

To provide some additional perspective on this analysis, we sensitized our capital gains tax model to the assumed revenue growth rate and framed the question a bit differently: How much would the company have to grow revenues over each of the next three years to achieve after tax parity with a 2008 sale, assuming operating margins are held constant? As the chart demonstrates below, the growth hurdle is significant -- ranging from 7.7% to 16.0%. The implication here is that a company will generally need to achieve double digit growth in order to overcome the burden of a higher capital gains tax.

We should also note that the model assumes that interim earnings are taxed at a combined 40% federal and state rate. As we discuss elsewhere in this newsletter, it is probable that individual income tax rates will also go up, particularly under a Democratic administration, which would reduce the interim cash flows to the owners and further widen the gap between a 2008 sale and the proceeds available under a 2011 transaction. Also, as mentioned above, while it is beyond the scope of this preliminary analysis, the shareholders of a C-corporation could be significantly worse off than what is shown here) if they elected to defer a transaction for 36 months. Beyond the double taxation issue, which would be substantial, they would also likely have to bear the impact of an increased dividend tax on cash generated between 2009 and 2011.

Conclusion

We would never suggest that tax considerations should drive business decisions. However, the impact of a prospective increase in the capital gains tax rate, as described above, would have a significant impact on the after-tax proceeds of business owners selling their companies in the years ahead. As a result, we strongly recommend that company owners who are facing issues related to succession, liquidity, business risk, etc., and who may be contemplating a potential sale of their company include capital gains taxes in their analysis of when to pursue a potential transaction.

Taxes Beyond Capital Gains: How do McCain and Obama Compare?

While much of our attention and that of private business owners has been focused on capital gains taxes, they are only one aspect of tax policy. Private business owners are impacted by the entire spectrum of tax issues. Barack Obama has not been shy about his plans to raise taxes, while John McCain has tried to take the opposite tack, making a "read my lips"-style pledge against higher taxes earlier in his campaign. A number of analysts and reporters, however, have suggested that McCain is not genuinely committed to pro-growth tax cuts, pointing to the fact that he voted against the original Bush tax cuts in 2001 and 2003. Others also argue that McCain is not likely to be able to push tax relief through a Democratically-controlled Congress with the federal deficit approaching $500 billion. For his part, Obama is also not without critics pointing out the redistributive effects of his tax plan as well as the inconsistencies and ambiguities in his campaign positions, particularly in such areas as payroll taxes.

Generally the plans of both Obama and McCain would increase the federal deficit, since neither candidate plans to raise revenues or other taxes enough to compensate for the revenue that will be lost if the Bush tax cuts don't expire in 2011. According to the Tax Policy Center, Obama's plan would increase the national debt by about 3.4 trillion by 2018, while McCain's plan would raise it by $5.0 trillion. The plans also vary in terms of their distributional effect. McCain's plan would benefit the average American a bit more than Obama's. The Tax Policy Center estimates that for the average taxpayer, McCain's plan would cut their tax bill by roughly $1,200; this compares with a $160 tax savings for the average tax payer under the Obama plan. The top quintile of tax payers (earning above $111,645) will see their tax bill go up on average by $4,115 under Obama's plan versus a reduction of $6,498 under the McCain plan. Here's a snapshot of how McCain and Obama compare on a number of specific tax issues:

Comparing the Candidates' Proposed Tax Policies

	John McCain	Barack Obama
Individual Income Taxes	Make permanent the 2001/2003 Bush tax cuts (10, 15, 25, 28, 33 and 35% tax brackets).	Make permanent the 2001/2003 Bush tax cuts for the four lowest tax brackets (10, 15, 25 and 28%). Restore the 36 and 39.6% rates on the highest income taxpayers.
Capital Gains Taxes	Make permanent the current rate structure (5% for 10 and 15% tax brackets (going to 0% in 2008); 15% for 25, 28, 33 and 35% brackets); short-term rates to stay at permanent ordinary income levels.	Increase the capital gains tax rate for the two highest tax brackets to 25%. Make permanent the current structure for the four lowest income brackets (maximum rate of 15%); short-term rates to be set equal to ordinary income tax levels.
Tax on Dividends	Make permanent the current rate structure (5% for 10 and 15% tax brackets (going to 0% in 2008); 15% for 25, 28, 33 and 35% brackets).	Increase the dividend tax for the two highest brackets to 25%. Make permanent the current structure for the four lowest brackets (maximum rate of 15%).
Social Security Taxes	Uncertain. In recent interviews, McCain has remarked that payroll tax increases may be considered as a means to fund the social security shortfall.	Would increase social security taxes for individuals earning above $250,000. The exact impact of this is unclear, since Obama has not provided detail on how this would be implemented.
Corporate Taxes	Reduce the top corporate rate from 35 down to 25% (phased in between 2009-2015).	Unchanged.
Estate Taxes	Make estate tax permanent with a $5 million exemption and a 15% tax rate.	Make estate tax permanent with a $3.5 million exemption and a 45% tax rate.

Source: Tax Policy Center

Indiana: current Happenings

Local M&A Activity

Merger and acquisition transaction activity in the middle market has continued to move forward on a solid pace despite a soft economy and the dislocation taking place in the financial services sector. In Indiana, many companies continue to show strong results, and financing for middle market transactions is still available.

For acquirers, this presents an opportunity for strategic growth through transactions that consolidate existing markets…

- Miller Supply, a family-owned distributor of industrial, medical and specialty cases in South Bend, has announced an agreement to be acquired by a subsidiary of Praxair, the largest industrial gas company in the country. Praxair had, in the previous year, acquired ten similar companies.
- ADESA, a used car auction company in Carmel, has acquired used car auction operations in Minneapolis and Nashville
- Brown & Brown, the seventh-largest insurance intermediary in the U.S., has acquired Burt Associates, an Elkhart-based provider of employee benefit insurance products
- Sentry Safe, the world leader in residential and small office security and storage containers, has acquired Lafayette-based Schwab Corp., a manufacturer of security and fire resistant files and tapes
- American Med-Scan, a provider of insurance and risk management solutions in Carmel, has been acquired by Wells Fargo Insurance Services
- Dose Shield Corp., a Noblesville supplier of automatic dose delivery systems for the healthcare sector has been acquired by Position Corp., a manufacturer of complementary products
- Seating Technology, Inc., an RV furniture supplier in Goshen, has agreed to be acquired by Lippert Components, a supplier of a broad range of products to the RV industry
- Vogel Specialized Hauling, an Indianapolis-based provider of time-sensitive transportation has been acquired by Perkins Logistics, LLC

or provide entry into new markets…

- OFC Brands, a family-owned office furniture manufacturer in Huntingburg, is acquiring Lowenstein, Inc., a Florida-based furniture manufacturer focusing on the hospitality sector
- Wabash National in Lafayette has acquired Benson International, a manufacturer of aluminum trailers and intends to create a premium, all-aluminum platform trailer line with lower weight and lower fuel consumption
- Eastern Insurance Holdings has acquired Indianapolis-based Employers Security Holding Company, a provider of workers' compensation insurance products, in an effort to expand its Midwest presence
- Harris Steel, a subsidiary of Nucor Corporation, has acquired Auburn-based Ambassador Steel Corporation to expand its rebar fabrication capabilities in the Midwest
- Grubb & Ellis Healthcare, a real estate investment trust, has acquired Medical Portfolio 3, owner of thirteen healthcare-related properties in Indianapolis
- Buehler Foods in Jasper, operator of twenty-two Buy Low stores in Indiana, has been acquired by Kentucky-based Houchens Industries
- Touch Support, a server administrator management service firm in Lafayette, has been acquired by The Planet, a dedicated hosting Company

And for owners of companies, current M&A market conditions present the opportunity to address shareholder objectives and the strategic needs of their company…

- Lucid Energy Technologies, a Goshen company that designs, engineers, and sells hydrokinetic power generation systems, has sold a 50% interest in the company to Vigor Clean Tech, a Canadian company with a strong international presence
- PTS Electronics, a Bloomington-based consumer electronics service and repair provider, has been acquired by CMGI, a Massachusetts company that will provide PTS with access to end-to-end supply chain solutions
- Dow AgroSciences in Indianapolis has acquired Dairyland Seed Co., a family-owned business founded 100 years ago that had developed world-class genetics, but was seeking access to biotechnology assisted breeding and other emerging technology only available at larger corporations

At the same time, the weak dollar has brought increased interest and acquisition activity from international acquirers seeking middle-market acquisitions…

- Pac-Van, an Indianapolis manufacturer of modular buildings and mobile offices, has been acquired by General Furnace Corp., a leading provider of portable storage solutions in Australia and New Zealand
- Red Spot Paint & Varnish Co., in Evansville is being acquired by Fujichem, a Japanese coatings company seeking entry into the U.S. market

While private equity groups with more than $250 million to invest in the acquisition of operating companies continue to be active in the middle market…

- HIG Capital, a Florida-based private equity group, has acquired Stant Corp., a Cornersville-based manufacturer of vapor and fluid control components
- Specialty Coating Systems, an Indianapolis-based provider of parylene coating systems and materials has been acquired by Berwind Corp., an investment group headquartered in Philadelphia. Specialty Coating Systems' owner, Bunker Hill Capital, is a New York-based private equity group that had acquired the company from Cookson

Source: Inside Indiana Business

Indiana: Employment Update

High-impact firms create Indiana jobs and growth

"High-impact" firms create Indiana's new jobs and growth, according to a recent study, *High-Impact Firms: Gazelles Revisited,* which was released by the Office of Advocacy of the U.S. Small Business Administration. The study concludes that high-impact firms account for almost all employment and revenue growth in the national economy.

High-impact firms are defined as those companies whose sales have at least doubled over a four-year period and have an employment "growth quantifier" (the firm's absolute change in employment multiplied by the percent change) of two or more. The study discovered that high-impact firms are found across all industries and in all geographic regions.

The study finds that high-impact firms are not start-ups, but are on average around 25 years old, and that they come in all size classes. According to the study, job creation by high-impact firms over the 12 years studied (1994-1998, 1998-2002, and 2002-2006) was an impressive 58% in small firms (those employing less than 500). The study also noted that nearly all job losses came from large, low-impact firms.

Indiana is home to 6,777 high impact firms identified by researchers nationwide. Several Indiana Metropolitan Statistical Areas are key contributors to the high impact firms:

Indiana High-Impact Firms

MSA	High-Impact Firms	Total Firms	% High Impact
Indianapolis	1,904	89,729	2.1%
Fort Wayne	642	26,560	2.4%
Lafayette	181	15,636	1.2%
South Bend	349	13,440	2.6%
Elkhart-Goshen	293	10,273	2.9%
Terre Haute	167	6,577	2.5%
Bloomington	161	5,914	2.7%
Muncie	121	5,146	2.4%
Kokomo	98	4,488	2.2%

Comparing Indiana to the U.S.

Data as of July 2008	Latest Period	Prior Period	Year Ago	Change over Year Ago
Employment				
U.S.	137,615	137,666	137,831	-0.2%
Indiana	2,970	2,987	2,987	-0.6%
Manfuacturing Employment				
U.S.	13,501	13,536	13,884	-2.8%
Indiana	524	536	551	-4.9%
Non-Manfuacturing Employment				
U.S.	124,114	124,130	123,947	0.1%
Indiana	2,446	2,450	2,436	0.4%

Comings and Growings: Expansion in Indiana

Indiana's economic activity is a reflection of the nation's economy.

With oil prices at record highs and gasoline prices rising above $4.00 per gallon, recreational vehicle dealers are selling fewer RV's and that is impacting northern Indiana...

- In Goshen, Keystone RV announced layoffs impacting nearly 300 employees
- In Middlebury, Pilgrim International has temporarily closed facilities idling more than 150 employees
- In Elkhart County, Monaco Coach has announced plans to close three plants, eliminating 1,400 jobs

And, with the subprime residential mortgage crisis crippling the housing industry, Indiana companies selling products into new home construction are seeing significantly reduced revenue and profitability...

- Master Brand Cabinets, a cabinet maker in Richmond with 275 employees, has closed its doors, with local economic development officials saying that on a daily basis, the plant was producing 2,000 more cabinets than it could sell

But not all of the nation's economic news is negative, and many of the markets served by Indiana companies are showing solid growth...

Outsourcing

- LiquiDebt Systems, an accounts receivable management firm in Fort Wayne, has announced plans to increase its workforce by 30% by the end of the year
- Unified Group Services, a third-party administrator that processes medical, dental and vision claims, has expanded its facility in Anderson by nearly 70%

Pharmaceutical Distribution

- Pharmacon CTC Pharmacy, a provider of pharmaceuticals and packaged medications to psychiatric hospitals and long-term care facilities, is moving to a larger location outside Indianapolis
- Medco Health Solutions has announced plans for a new automated pharmacy in Boone County that will create more than 1,200 new jobs
- Arcadia Healthcare is relocating its Detroit pharmaceutical packaging operations to Indianapolis

Warehousing & Logistics

- Ranger Enterprises in Seymour is adding 122,000 sq. ft. of capacity

Aerospace

- Northstar Aerospace, an Anderson-based manufacturer of helicopter parts, is planning a double-digit increase in employees as it responds to increased revenue opportunities

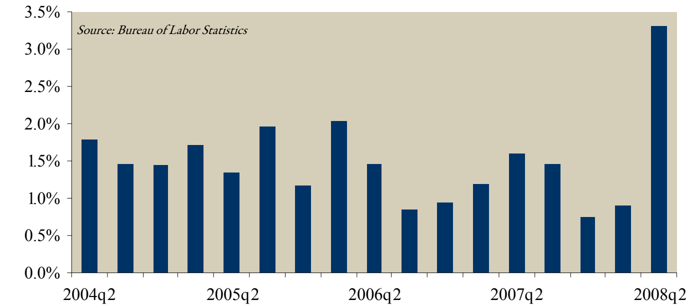
Military

- GTA Containers, a manufacturer of collapsible containers to temporarily store drinking water and fuel, has been offered two five-year contracts by the U.S. Army and is exploring ways to expand its South Bend facility to accommodate the new orders

Source: Inside Indiana Business

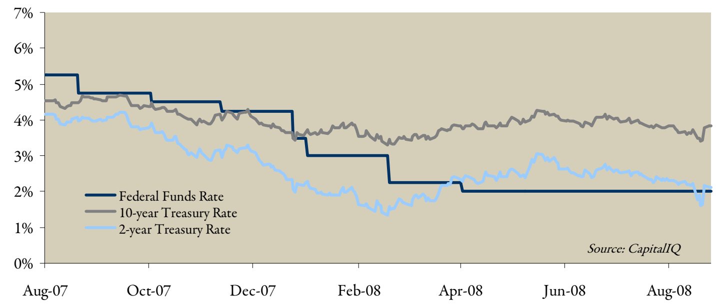
Eye on the Economy: Current Indicators Impacting Middle Market Companies

U.S. GDP Growth by Quarter



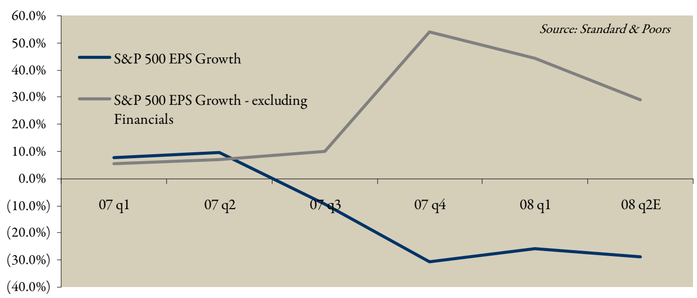
GDP grew by 3.3% in the second quarter of 2008, a significant improvement from the first quarter growth of just 0.9%. This news was heralded by many as evidence that the country is not in the midst of a recession, generally defined as 2 or more consecutive quarters of negative GDP growth.

Benchmark Fed Rates



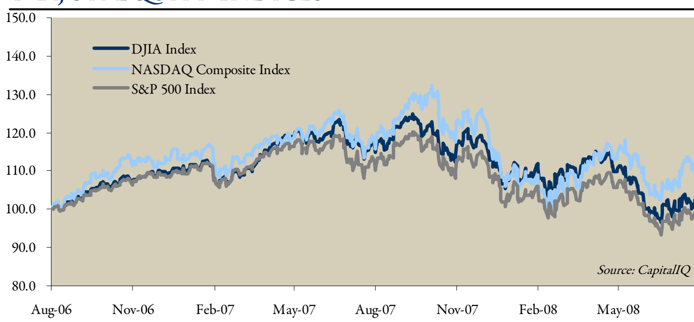
Although Treasury yields have dipped in early 2008, this is believed to be more a function of the market's expectation regarding a potential rate hike than a reflection of concerns about the recovery of the U.S. economy.

Corporate Earnings (Growth over Prior Year)



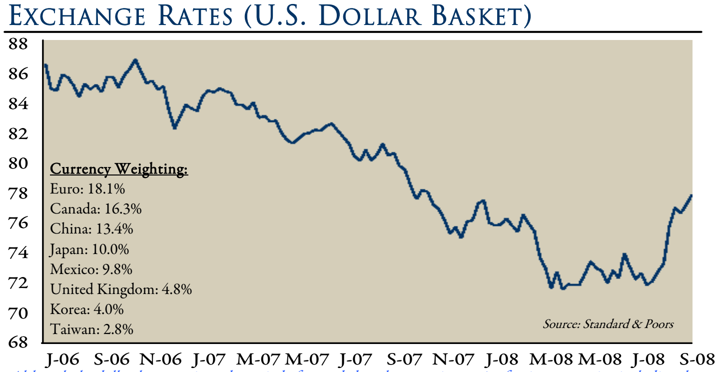
Investors continue to scrutinize banks' earnings, which have included record losses due to the fall-out of the subprime mortgage crisis. However, when excluded from the broader S&P measure, the rest of the S&P 500 has actually enjoyed significantly higher profitability and earnings growth in recent quarters.

Major Equity Indices



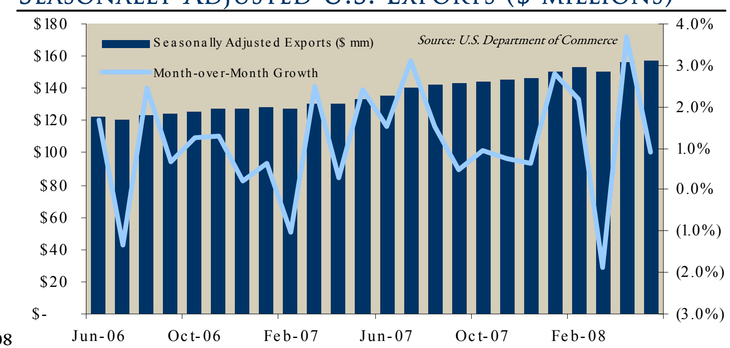
While off significantly from their respective highs of October 2007 and showing significant volatility, the major U.S. equity indices are holding their ground in the current environment, remaining slightly above where they were trading 24 months ago.

Exchange Rates (U.S. Dollar Basket)



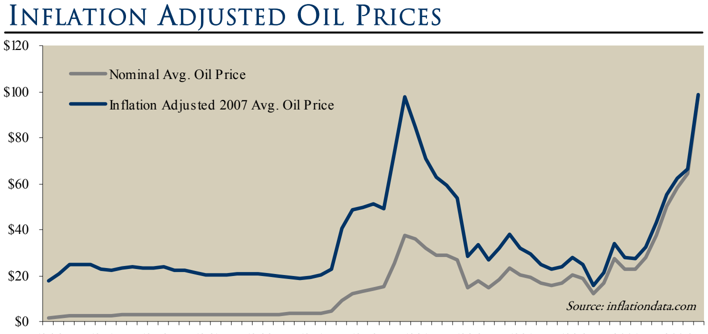
Although the dollar has experienced a period of extended weakness against major foreign currencies, including the Euro, Yen, and Yuan, there are increasing signs that a reversal is underway, particularly with inflation fears rising across Europe and Asia and overseas central bank rates likely headed higher.

Seasonally-Adjusted U.S. Exports ($ millions)



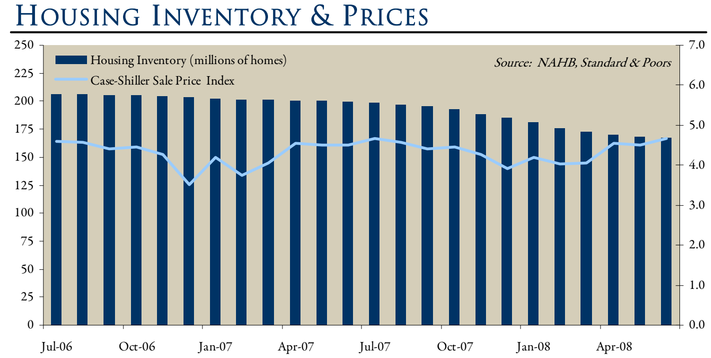
The weakened dollar along with strong growth from overseas currencies has also helped boost the value of goods and services exported from the U.S., which have grown dramatically over the past twelve months.

Inflation Adjusted Oil Prices



While nominal and inflation-adjusted oil prices reached an all-time high earlier this year, oil prices have started to retreat in recent weeks and many analysts believe that the worst is over. Moreover, the U.S. economy and the American consumer have shown continued resilience in the face of these prices, a clear sign that we are less dependent on oil than in 1979-1980.

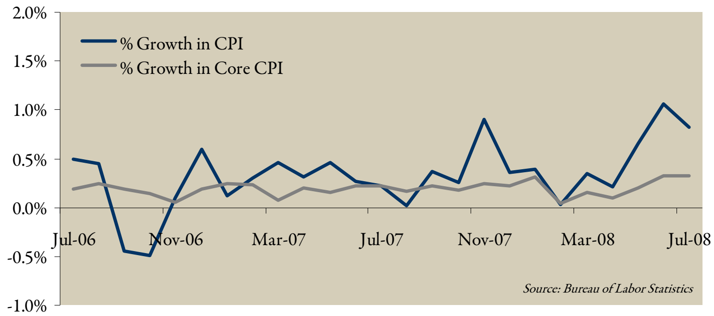
Housing Inventory & Prices



While housing inventories remain elevated and home prices have experienced significant declines in recent months, a number of analysts have cited the unexpected increase in pending home sales in early summer as evidence that the housing market is beginning to stabilize.

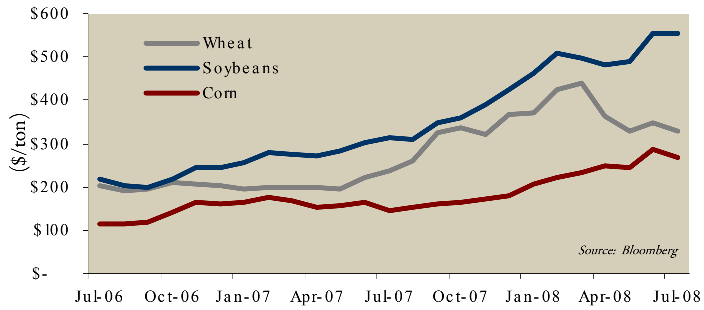
Eye on the Economy: Current Indicators Impacting Middle Market Companies

Consumer Price Index



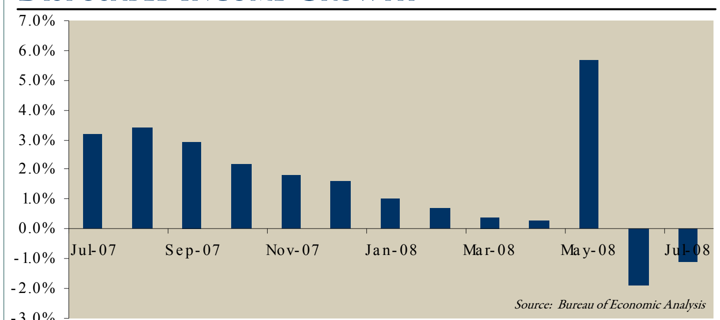
Increases in CPI have largely been driven by volatile oil and agricultural commodity prices, which appear to have stabilized. Core inflation, arguably a better long-term target for federal regulators, remains at an annualized 2-3%.

Selected Commodity prices



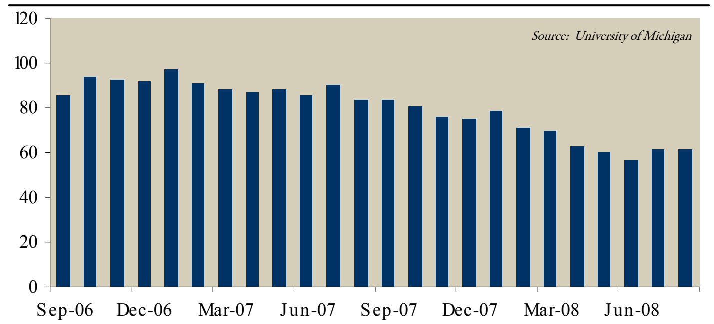
While agricultural commodity prices have been pushed higher recently due to crop and weather conditions, they have begun to retreat and most analysts expect pricing to normalize in the near term. In the meantime, the high prices have significantly helped U.S. farmers and have contributed in part to the strength of U.S. exports.

Disposable Income Growth



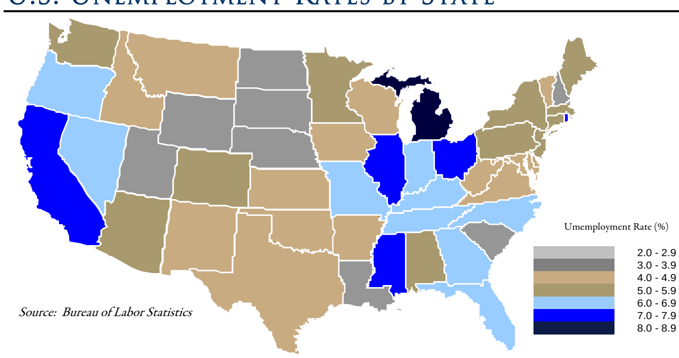
Disposable personal income growth has slowed somewhat since mid-2007, but received a boost with the $50 billion of economic stimulus checks which were mailed in April and May of 2008.

Consumer Sentiment Index



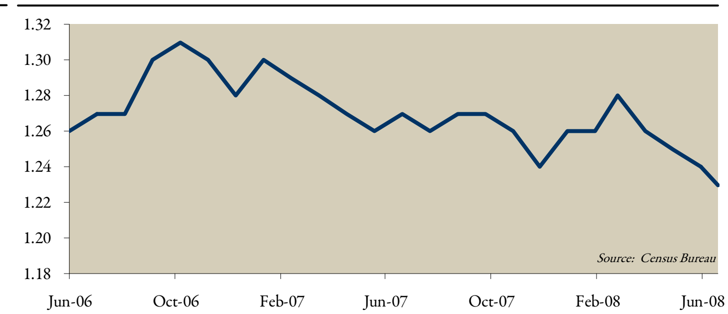
Consumer confidence has demonstrated a rebound in June, July and August of 2008, driven by tax rebates which put extra cash in Americans' pockets and optimism regarding government aid to the housing market.

U.S. Unemployment Rates by State



Despite an increase in the U.S. national employment rate, a state-by-state profile shows that the rate is fueled by higher unemployment in only a handful of states. In fact, 34 of the 50 U.S. states have employment rates below the national rate of 5.7%. Only 12 states have rates higher than 6%.

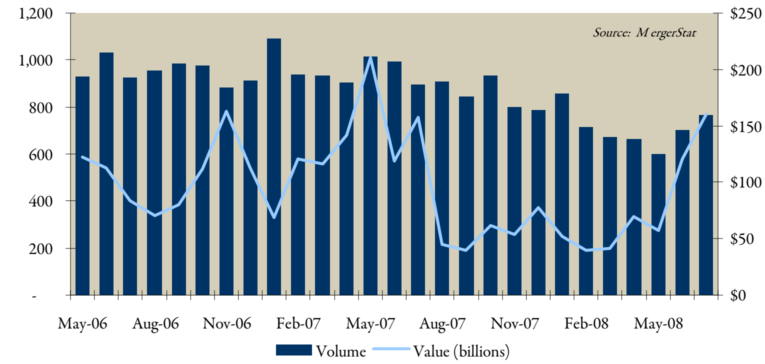
Total Business Inventory/Sales Ratio



The ratio of total business inventories to sales has been trending downward in recent months, which is viewed by many as a positive sign that the economic slowdown will not be long-lived.

EYE ON THE ECONOMY: MIDDLE MARKET M&A TRANSACTION ACTIVITY

M&A TRANSACTION ACTIVITY



The volume of U.S. announced mergers and acquisitions activity continued to grow over the past several months, confirming our belief that transaction opportunities remain available for solid middle-market companies.

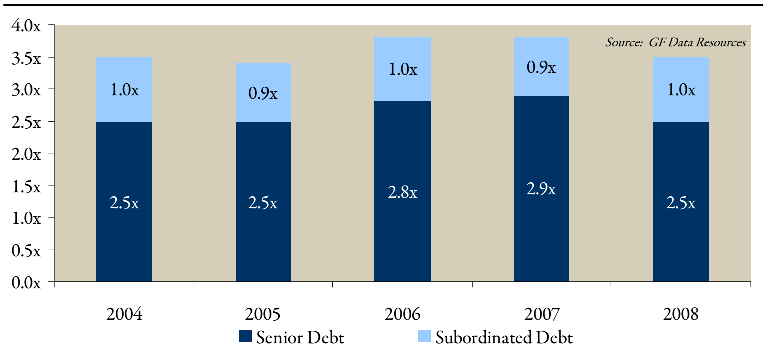
M&A ENTERPRISE VALUE/EBITDA MULTIPLES

Source: GF Data Resources

	Ent. Value/Adj. EBITDA			1H07-2H07	2H07 -1H08
Enterprise Value	1H07	2H07	1H08	% Change	% Change
$10-25 mm	5.6x	5.5x	5.0x	(1.8%)	(9.1%)
$25-50 mm	6.7x	6.0x	5.9x	(10.4%)	(1.7%)
$50-100 mm	6.6x	5.8x	6.2x	(12.1%)	6.9%
$100-250 mm	7.8x	7.4x	6.4x	(5.1%)	(13.5%)
All Deals	6.3x	5.8x	5.7x	(7.9%)	(1.7%)

Transaction values in the first half of 2008 declined slightly from 2007 levels, but remain stable as a whole, due in part to the availability of capital and strong financial investor interest on privately held, middle-market businesses. The decline is primarily due to the $100-$250 million deals, which declined 13.5%. However, this was offset by the increase in multiples for deals in the $50-$100 million range.

M&A LEVERAGE MULTIPLES



Unlike the mid-cap and large-cap markets, which experienced huge run-ups and subsequent declines in transaction leverage, lending for middle-market transactions has historically been very stable and consistent. While senior leverage has declined slightly in 2008, mezzanine lenders have actually shown more aggressiveness, mitigating the overall impact on availability.

CURRENT CAPITAL MARKETS DEVELOPMENTS AND THE IMPACT ON THE MIDDLE MARKET

As we go to press, Secretary of the Treasury Henry Paulson is proposing a plan in which the Treasury would purchase up to $700 billion in distressed residential and commercial mortgages. The purpose of the plan is to prevent a large-scale collapse of the credit markets that could potentially impact companies of all sizes throughout the country.

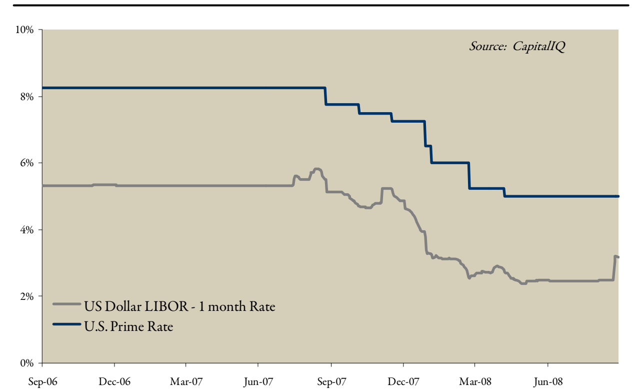
In the middle-market, the consequences of a potential collapse in the financial markets would be grave. However, as we survey the financing environment for middle market merger and acquisition transactions today, there is some cause for optimism.

Many of the financial institutions lending to the middle market are not heavily burdened with sub-prime mortgage portfolios. These are lenders that only eighteen months ago may have been viewed as overly selective, but that today are a mainstay of middle market financing availability.

In an interesting twist, pricing on middle market loans, both cash flow and asset based, has increased in some cases by as much as 200 basis points. However, the cost of these loans to borrowers has often decreased. That is because the loans are priced off of either the prime rate or the 30-day LIBOR rate, both of which have declined significantly. The prime rate, 7.75%, at this time a year ago, is now 5%; and 30 day LIBOR, over 5.0% this time last year, is now 2.75%.

There continues to be significant uncertainty on Wall Street and in global credit markets around the world, but, at least at the present time, the financing needs of the middle market continue to be met.

HISTORICAL LIBOR AND PRIME RATES



DRESNER PARTNERS INVESTMENT BANKING

Headquartered in Chicago, Illinois, Dresner Partners was founded in 1991.

Dresner Partners is a middle market investment bank specializing in merger & acquisition advisory, institutional private placements of debt and equity, valuation and strategic consulting. We are deeply committed to exceeding client expectations and maintaining the highest levels of integrity. Our experienced professionals have the foresight necessary to navigate through highly complicated transactions to maximize value for our clients.

At Dresner Partners, values and value are the core principles with which we provide investment banking services to family-owned and closely-held private companies. We value our clients and the businesses they have built; we value the relationships that have made our firm successful; we seek to maximize value in every merger, acquisition, capital raising, or advisory engagement we undertake.

For more information, please contact one of our professionals :

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RECENT TRANSACTIONS

POSTLE DISTRIBUTORS, INC. ALUMINUM EXTRUSIONS

has been acquired by

SCP STRENGTH CAPITAL PARTNERS

Birmingham, Michigan

PRESS GANEY SATISFACTION MEASUREMENT

has been recapitalized by

Vestar Capital Partners

Cohen & Green Salvage Company, Inc., Lumberton Recycling Company, Inc., & Raeford Salvage Company, Inc.

have been acquired by

OmniSource

a subsidiary of

SDI Steel Dynamics, Inc.®

MERCER

has been acquired by

LIBERTY IRON & METAL HOLDINGS LLC SCRAP SPECIALISTS