



Middle Market Metrics



DRESNER PARTNERS
INVESTMENT BANKING

Fall 2007

While the credit markets are still reeling from this summer's sub-prime residential mortgage debacle, the outlook we see for our middle-market clients as they enter the fourth quarter continues to be positive.

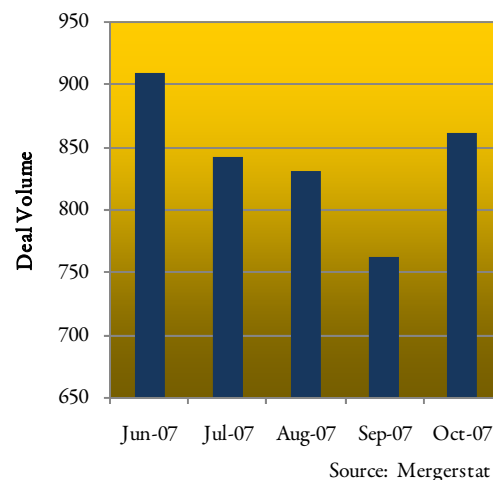
Consumer spending, particularly by those consumers even tangentially impacted by the fallout from the sub-prime mortgage market, continues to be a concern. Container traffic shipped from Asia to the west coast and transported by rail and truck to stock shelves throughout the U.S. is showing little growth from last year as we approach the busy holiday shopping season. But, the utilization of the containers to ship goods from the U.S. back to Asia is substantially higher than it was a year ago. Global growth, especially in China, combined with a weak dollar has improved the U.S. trade deficit and created business opportunities for middle-market companies throughout the country.

With operating results in the middle market holding up very well, our transaction activity at Dresner Partners is quite strong, and we expect this to continue (see article on the following page). Many of our middle market clients are facing both growth opportunities at their companies and issues related to the needs of their shareholders. The current merger and acquisition environment for middle-market companies provides us with the ability to construct transaction solutions for our clients to help them work through these issues and opportunities, and we expect continued stability in our market into 2008.

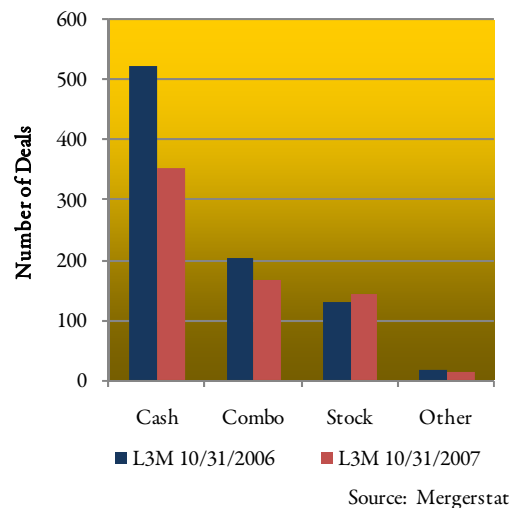
Foreign acquirers have been a positive contributor to middle-market transaction activity. Foreign buyers have announced \$275 billion in M&A transactions in the U.S. so far this year. That accounts for 22 percent of all M&A transaction activity in the U.S. in 2007, which is the highest level since 1990. Much of this activity is driven by the dollar, which has declined 45 percent against the Euro in the past few years, and closer to home, is now at a 31 year low against the Canadian dollar.

The implosion in the sub-prime residential mortgage market has had a major impact on transaction activity with private equity firms. Private equity transactions averaged approximately \$100 billion per month in the first half of this year. Private equity activity in September dropped to \$18 billion.

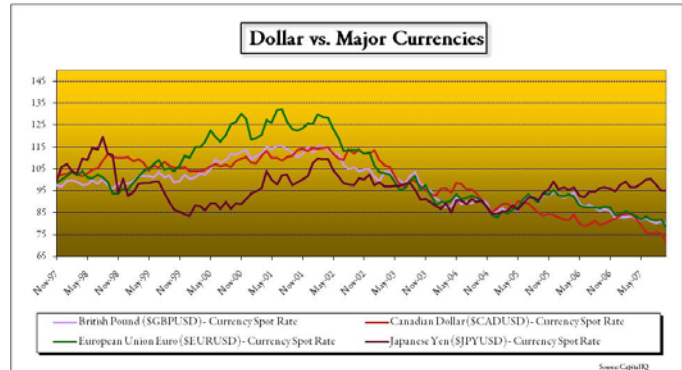
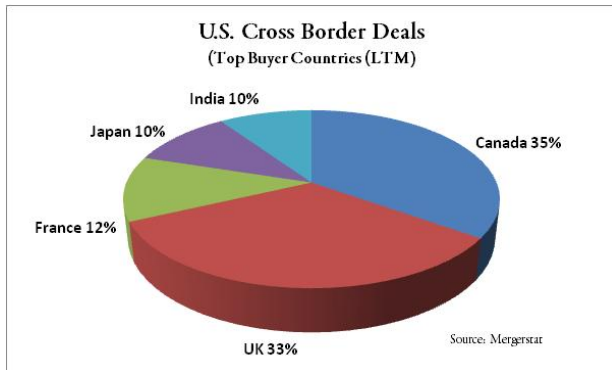
Recent M&A Activity



Payment Methods



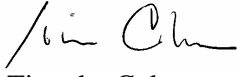
Optimism Remains in the Middle Market (continued)

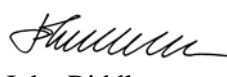


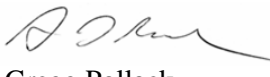
Upon close observation, however, it is clear that large transactions that rely on non-bank financing sources like collateralized loan obligations have been impacted to a far greater extent than transactions in the middle market. Transaction activity for deals above \$1 billion fell 57 percent in the third quarter. In contrast, middle-market transactions fell only 15 percent¹. Financing for middle-market transactions, albeit at higher spreads, is still available, and we expect this to continue. The default rate on leveraged loans is currently about 1 percent, which is well below historical averages of between 4 percent and 5 percent. This, combined with record levels of private equity capital and the prospect of another interest rate cut from the Federal Reserve, are all cause for optimism.

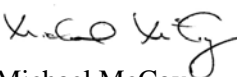
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¹ McSherry, Mark, "U.S. mid-market M&A takes glory as big deals slow," *Reuters*, 27 Sept. 2007

Dresner Advises AMR ProNurse in Sale to Medical Staffing Network (NYSE: MRN)

Strategic acquirers have been increasingly active in the middle market, as evidenced by a recent transaction in which Dresner Partners served as exclusive financial advisor to AMR ProNurse in its sale to Medical Staffing Network Holdings, Inc. AMR ProNurse is the dominant provider of vendor management services (VMS) to the Chicago healthcare staffing market, and its merger with Medical Staffing Network, the third largest healthcare staffing company in the U.S., will allow AMR ProNurse to deliver its proprietary OneSource VMS program to healthcare markets throughout the country.



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