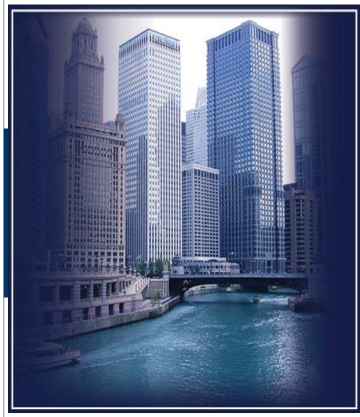


DRESNER PARTNERS
INVESTMENT BANKING

Family Matters

Family Matters is a financial newsletter published quarterly by Dresner Partners with the goal of giving 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 3, Issue 1 February 2010

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 decade, 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:

Strategic Solutions to Shareholder Succession

For many shareholders of family owned and closely held private companies, 2009 was a year of waiting…waiting to see how severely the recession would impact their businesses and, for those shareholders looking for a liquidity event, waiting to see when the M&A market would allow them to transition ownership at an appropriate value.

In the pages ahead, you will see that economic conditions have markedly improved from the financial turmoil that existed at this time last year (see pages 3-4), which has us cautiously optimistic about business conditions in the coming year. Merger and acquisition transaction activity, while down significantly in 2009 (see page 5), is showing signs of improvement, and this improvement is coming almost entirely from strategic M&A transactions. According to MergerStat, M&A activity with strategic buyers as acquirers is down 14% for the twelve months through November 2009, compared to transaction activity with private equity firms as acquirers, which is down nearly 48% over this same timeframe[1]. Dollar values of transactions announced in the last two months of 2009 were four times as large as dollar values for the same period a year ago, with much of this activity coming from strategic acquirers[2]. Among the larger transactions announced were Exxon Mobil's $31 billion acquisition of XTO Energy, Comcast's $30 billion acquisition of NBC, Berkshire Hathaway's $26 billion acquisition of Burlington Northern Santa Fe (Warren Buffett's largest acquisition to date) and Stanley Works' acquisition of Black & Decker.

Stanley Works' acquisition of Black & Decker is a good example of the mind set behind current strategic transaction activity, large and small. The economy may be turning positive, but growth in many sectors including new construction, a major end market for both Stanley Works and Black & Decker, is still soft. Strategic M&A transactions, in this context, are a source of top line growth for acquirers. Strategic transactions are also a source of increased profitability; this, in an environment where many companies have already cut costs to maximize profitability. In the case of Stanley Works and Black & Decker, there are very few duplicative products between Stanley Works' hand tools and construction products and Black & Decker's power tools. Still, company executives expect cost savings of up to $350 million through the consolidation of purchasing, manufacturing and distribution functions.

The question going forward as we look ahead to 2010 is whether this increased activity in strategic transactions will continue. We think the answer is yes. The large transactions announced in the last few months are not without risk, and it is a measure of the confidence level that the CEOs involved in these transactions have in the outlook for the coming year that they are willing to take on that risk. In a recent Ernst & Young survey of CEOs, about a third of the respondents indicated that they were likely or highly likely to make an acquisition in 2010 that compares to about 16% twelve months ago. *(Continued on page 2)*

[1] *Source: MergerStat*

[2] *Source: Wall Street Journal, Thomson Reuters*

Strategic Solutions to Shareholder Succession

(Continued from Page 1)

(From Page 1) Portfolio companies of private equity groups are also taking a confident approach to strategic acquisitions. From Tim Fay, Managing Partner at Key Capital Partners in San Francisco: "We basically want to use our balance sheet on behalf of our portfolio companies to fund strategic acquisitions that grow revenues and increase market share."

If the desire for strategic transactions does remain in place in the months ahead, what about the ability to finance these transactions? That too looks positive to us. Operating companies have been aggressively cutting costs throughout the recession, and as a result, according to the Commerce Department, U.S. companies have had annualized cash flow of more than $1 trillion in each of the last three quarters. That's the highest level since the government began tracking this information in 1947. Operating companies have not only been generating cash, they have been conserving it. According to a Wall Street Journal survey of large publicly traded companies, these companies have the highest percentage of cash on their balance sheets in the last 40 years. That cash, which is generating modest returns at today's interest rates, is earmarked for growth; either internal growth through expansion, or external growth through acquisition.

MacLean Fogg, a family-owned diversified manufacturing company in Chicago, has made nearly 20 acquisitions in the past 15 years and, according to George Cook, MacLean Fogg's Chief Financial Officer, the company's acquisition initiatives will continue in 2010: "Despite the challenging economic climate, we are actively engaged in looking at acquisitions on both the automotive side of our business as well as the power systems side. These transactions become even more critical to MacLean Fogg's growth strategy in the current environment given the slow down in our organic growth rates."

So what does this mean for owners of private companies waiting for an exit opportunity? It means that they would be well served to closely examine the potential for a strategic transaction. If the potential exists, the next step is to examine all that your company brings to a potential acquirer. In strategic transactions, premium valuations are garnered not by focusing on EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization), but by calculating contribution margin – how much your company will contribute to a strategic acquirer's operating income after eliminating all duplicative costs and expenses. This contribution margin will, by definition, be higher than traditional EBITDA, and while strategic acquirers may not pay a 7-8x multiple on contribution margin, the value they will pay may result in an EBITDA multiple that will look like a premium valuation in today's market.

Transaction Spotlight: Nephrology Inc.

Nephrology Inc. is a privately owned network of kidney dialysis centers in Northern Indiana with a strong track record of successful growth. The owners of Nephrology Inc., all of whom had played a significant role in the company's success, were seeking significant liquidity for personal reasons, but, at the same time, they wanted to have the opportunity to share in the continued success of their business. Dresner Partners was able to accommodate continued ownership and an attractive liquidity event by structuring a transaction in which Fresenius Medical Care AG, a German based company and global leader in renal care, assumed majority control of each of Nephrology Inc.'s existing and planned dialysis centers.

Timothy Coleman, Senior Managing Director and Head of Dresner Partners' Investment Banking Practice, indicated that the transaction "represented the best possible outcome for the Company and its owners. The joint venture provides Nephrology's long-tenured owners with both significant liquidity and a strong partner for growth. It also creates a unique and attractive opportunity for the company's newer shareholders to participate in the future growth of the Company by investing in each of the planned facilities scheduled for future construction."

Nephrology Inc.

has entered into a joint venture with

Fresenius Medical Care North America

a wholly-owned subsidiary of

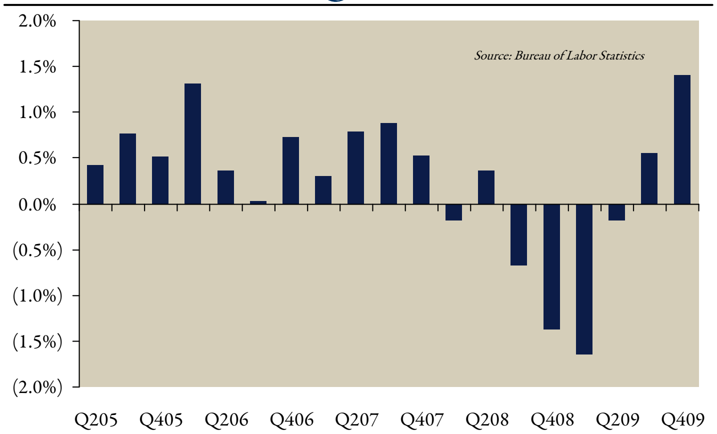
Fresenius Medical Care AG & Co. KGaA

The undersigned acted as exclusive financial advisor and initiated, structured, and negotiated the transaction on behalf of Nephrology Inc.

DRESNER PARTNERS INVESTMENT BANKING

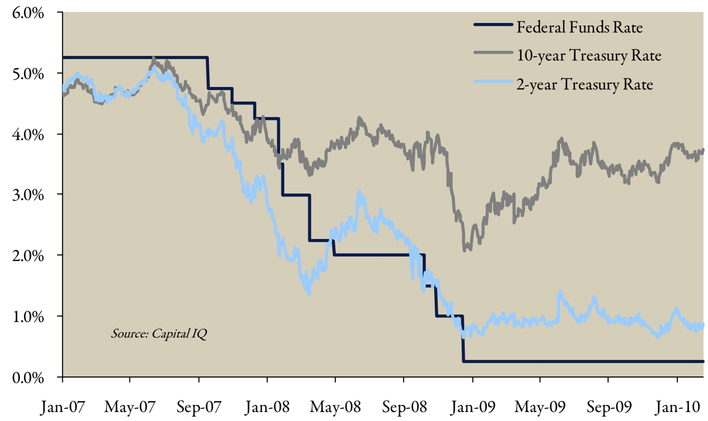
Eye on the Economy: Current Indicators Impacting Middle Market Companies

U.S. GDP Growth by Quarter



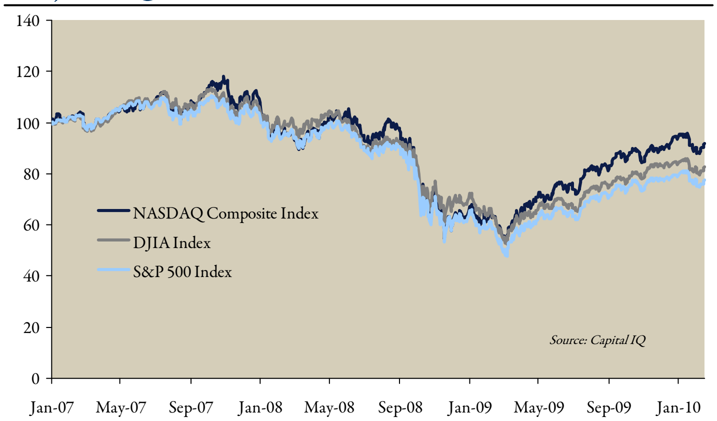
Following annualized growth rates which declined more than 5% for two consecutive quarters (the first time since the Great Depression), GDP has shown a sharp improvement. Overall, personal consumption has improved, but importantly, investments in residential housing investment turned positive and companies refocused on investing in inventory, reflecting optimistic signs for future economic activity should these levels continue.

Benchmark Fed Rates



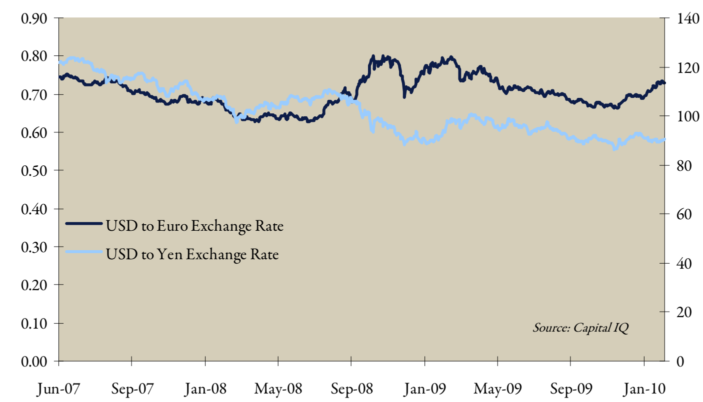
Since their sharp decline through 2008 and continuing through 2009, Treasury yields have since stabilized, even showing signs of improvement. Some analysts are expecting a sharp increase in Treasury yields in the coming months, as the Federal Reserve ends its program to buy mortgage-backed securities.

Major Equity Indexes



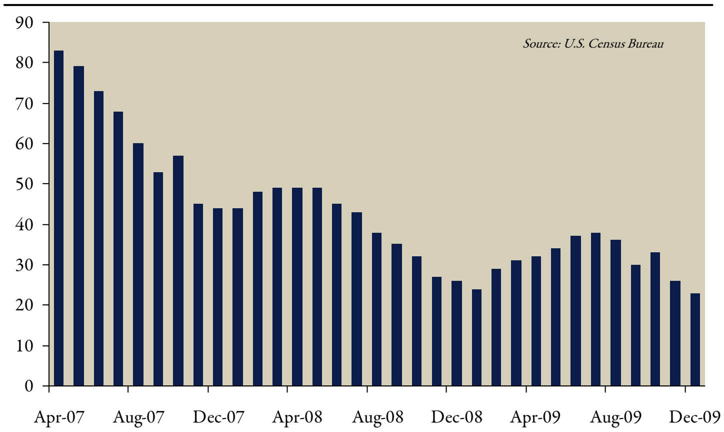
After reaching their lowest points since 2002 in the beginning of March, major equity indices have increased between 60% and 80%, driven by confidence that the economy and financial sector are closer to stabilizing.

Exchange Rates (U.S. vs. Euro and Yen)



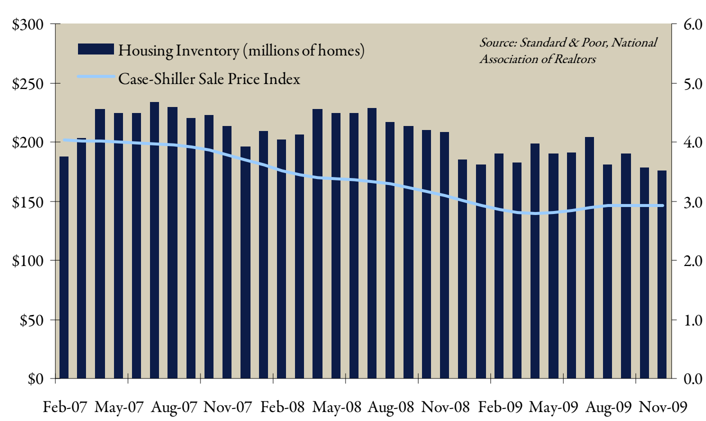
Increased confidence that the recession is easing has weakened the demand for the U.S. dollar, which is a safe-haven for investors in times of increased volatility and risk. As global equity markets continue to recover and risk appetite increases, the dollar will continue to weaken as other currencies experience greater demand relative to the dollar.

New Home Sales (Units Thousands)



Unit sales of new homes trended upwards through the summer of 2009 due to the government's efforts to free up mortgage lending to consumers. Since then new home sales declined, likely a result of the expected end of the home buyer tax credit program, which was slated to expire in November 2009. However, the extension of the program through spring 2010 is expected to improve new home sales in the first part of the new year.

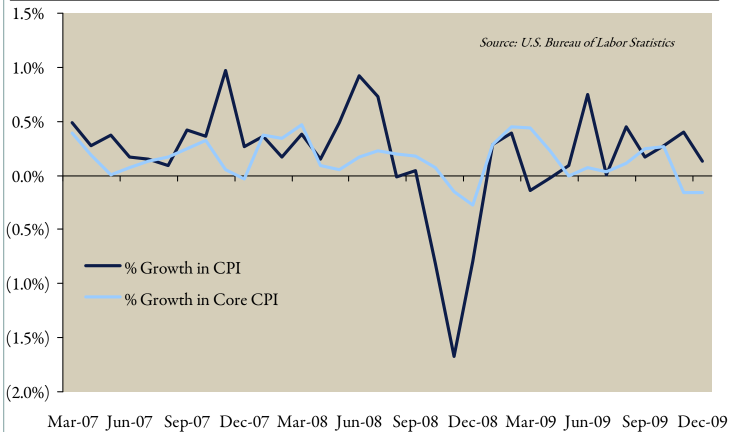
Housing Inventory & Prices



With historically low interest rates, stabilizing prices and tax credit refund incentives in place, housing inventory levels have continued a downward trend after peaking in the spring of 2009. Further, the average sale price of homes has shown modest signs of improvement after a low in April 2009, suggesting the housing market is trending in a favorable direction.

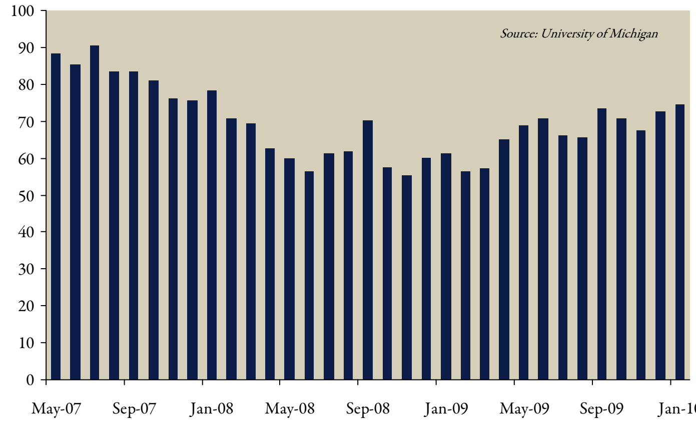
Eye on the Economy: Current Indicators Impacting Middle Market Companies

Consumer Price Index



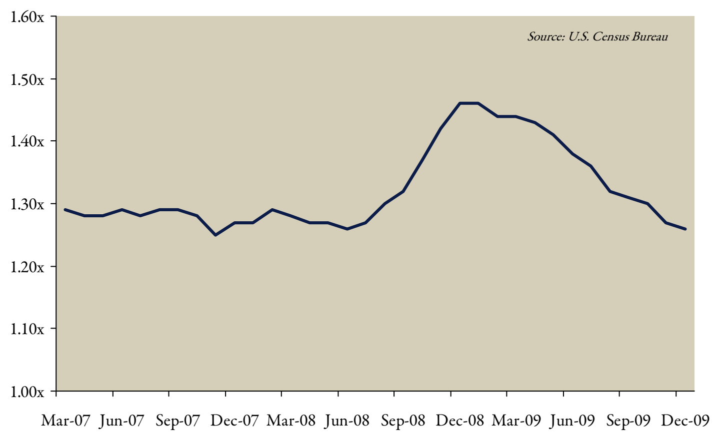
The December Consumer Price Index rose 0.1%. The increase is broad based, with the indexes for food, energy, and all items less food and energy all posting modest increases. Over the last 12 months, the index increased 2.7%, primarily due to the energy index, which rose 18.2% during 2009 after falling 21.3% in 2008. Core CPI rose 1.8% during 2009, the same increase as in 2008.

Consumer Sentiment Index



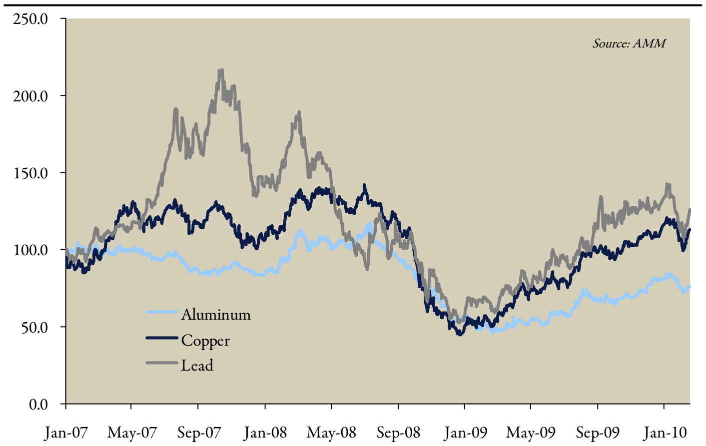
In September, consumer confidence rose to its highest level since the collapse of the credit markets in October 2008. Further, the January 2010 figure reached 74.4, reflecting an easing of concern as the pace of job cuts slowed (below). Improved sentiment may help fuel spending and sustain the recovery entering 2010.

Total Business Inventory/Sales Ratio



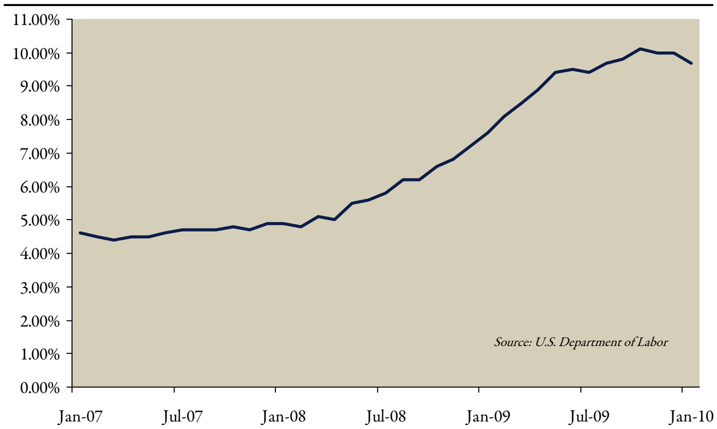
Total business inventory to sales ratio is showing signs of stabilization and recovery, after increasing every month from June 2008 to January 2009. The ratio returning to historical levels (~1.3x) reflects the notion that businesses have worked through their excess inventory on hand.

Select Commodity Prices

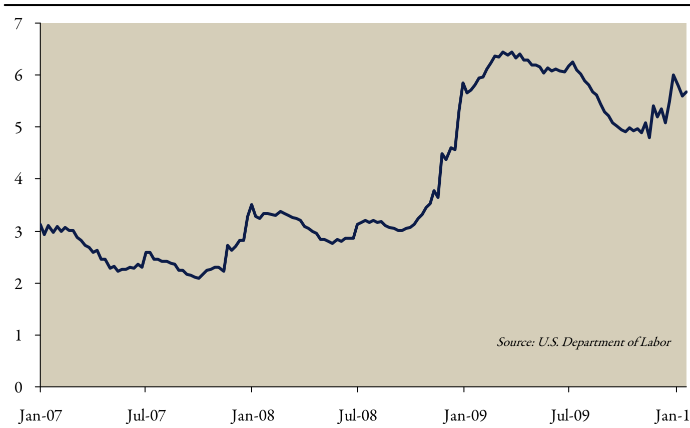


Since bottoming in January 2009, metal prices have steadily increased. Though prices appear to have returned to, even surpassed, levels achieved in late 2007 and 2008 for the most part, prices have done so with significantly less volatility.

National Unemployment Rate



Active Unemployment Claims (In Millions)



The unemployment rate and active jobless claims have remained at high levels, with unemployment at 9.7% in January 2010, and unemployment claims at 5.7 million. However, trends appear to be improving. The pace of job losses has slowed dramatically since a record number of jobs were shed in January 2009, even turning positive in November 2009. A spike in demand for temporary workers in December is also encouraging, as many employers have the tendency to add part-time or temporary labor to their workforce while assessing the economy before hiring full-time employees.

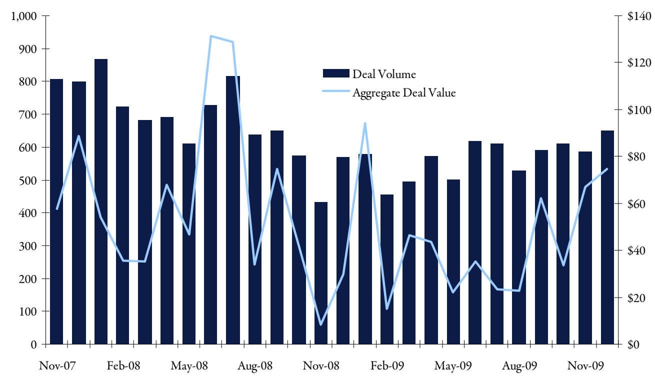
Transaction Outlook: Light at the End of the Tunnel

Transaction activity for most of 2009 was expectedly dismal. Merger and acquisition volume among closely-held private companies in 2009 was anemic. In hindsight, however, this was to be expected. Ours is a lagging indicator of the state of the overall economy, with M&A transactions typically requiring a nine-month timeframe from start to finish. Transaction closings were scarce in 2009, in part, because very few transaction mandates were initiated in the last half of 2008 and into the early months of 2009.

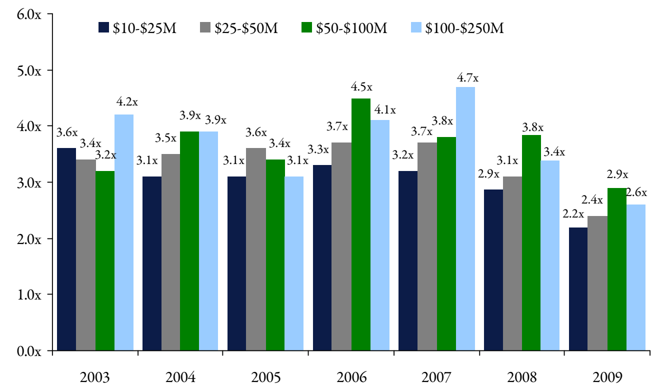
Financing, or lack thereof, continues to be a critical gating item that has kept many private equity acquirers on the sidelines. However, this market did open up and showed some improvement in the 4th quarter of 2009. According to S&P, M&A leveraged loan volumes reached $9.9 billion in the 4th quarter of 2009. This exceeded the first three quarters of 2009 combined ($8.2 billion) and was nearly double the volume in the 4th quarter of 2008. Importantly, anecdotal evidence from middle market private equity groups suggests that financing sources are starting to return to the middle market and at better than anticipated leverage levels. From Charles Larkin, General Partner at Webster Capital in Boston: "Last year, transaction financing was extremely scarce. Today, for companies with more than $10 million in EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), its decidedly better; and for companies with less than $10 million in EBITDA, things are improving."

Looking forward to 2010, one light at the end of the tunnel of transaction activity is the potential for transactions involving private companies owned by members of the baby boom generation seeking liquidity. In the 2008 White Horse Advisors Survey of Closely-Held Business Owners, more than half of the baby boom (born between 1946 and 1964) business owners surveyed indicated an intention to exit their business in the next ten years, with only about 15% expecting to pass along the business to family members. From Ann Dugan, founder of the Institute for Entrepreneurial Excellence at the University of Pittsburgh: "Baby boomers have developed their businesses as part of their life, not the primary driver of their life. Their view is that 65 is the new 45 and liquidity provides resources for the next phase of their lives."

U.S. Announced M&A Activity



Total Debt/EBITDA By Transaction Size



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Dresner Partners is a middle market investment bank founded in 1991 and specializing in merger & acquisition advisory, institutional private placements of debt and equity, valuation and financial 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.

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Recent transactions closed by Dresner Partners:

MEDICAL RESOURCES, INC.
Healthcare Imaging Specialists

has been acquired in separate transactions by multiple buyers

RADNET MANAGEMENT, INC.
INSIGHT IMAGING
TRI-STATE IMAGING CONSULTANTS LLC

among others

DRESNER PARTNERS INVESTMENT BANKING
Dresner Partners acted as the exclusive financial advisor to Medical Resources, Inc.

Logan's
Logan's Linens

has been acquired by

THOMPSON STREET CAPITAL PARTNERS

DRESNER PARTNERS INVESTMENT BANKING
Dresner Partners acted as financial co-advisor to Logan's Linens

Carle
The Carle Foundation

has sold its skilled nursing and dementia care businesses to

TRADITIONS MANAGEMENT
Dunedin, Florida

DRESNER PARTNERS INVESTMENT BANKING
Dresner Partners acted as the exclusive financial advisor to The Carle Foundation