



Middle-Market Metrics

Welcome to the Winter 2006 issue of Middle-Market Metrics, Dresner Partners' quarterly report on the middle-market transaction environment. M&A activity in the middle-market continues to be very strong, both in the private equity community and among strategic acquirers. Overall transaction multiples have stabilized, but continue to inch upwards in several industries.

The first two transactions we completed in 2006 involved strategic acquirers in sectors where we have significant expertise. In January, our healthcare group advised Biologic Systems Corp. (NASDAQ: BLSC), a manufacturer of electrodiagnostic systems and disposable supplies for hearing, neurological and sleep disorders, in its sale to Natus Medical (NASDAQ: BABY), a publicly traded company that will use Bio-logic's products to diversify its product portfolio and broaden its addressable patient market.

In February, our business services group advised Bay

Area Labels in its sale to Illinois Tool Works (NYSE: ITW). Bay Area Labels is a California-based manufacturer of custom printed panel overlays, membrane switches, and pressure sensitive labels, and sells primarily into the technology and medical sectors. Bay Area Labels will become part of ITW's Marking and Sealing Group. We continue to see significant activity among strategic acquirers in both healthcare and printing & packaging, and if you would like information on these or other industry-specific transactions, please call us at 312-726-3600.

Best regards,

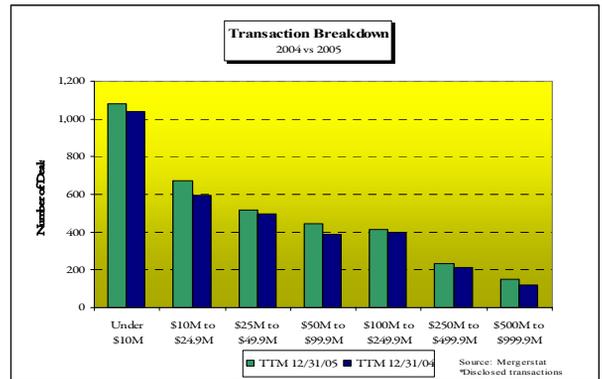
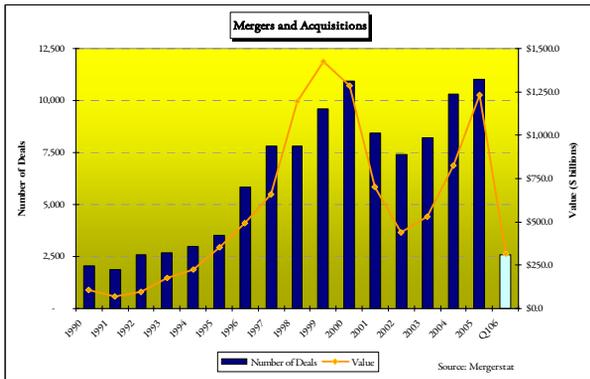
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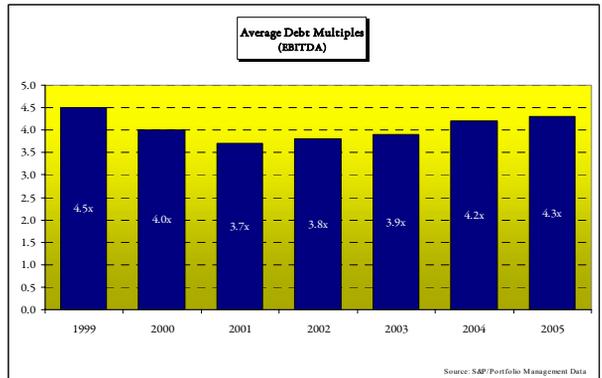
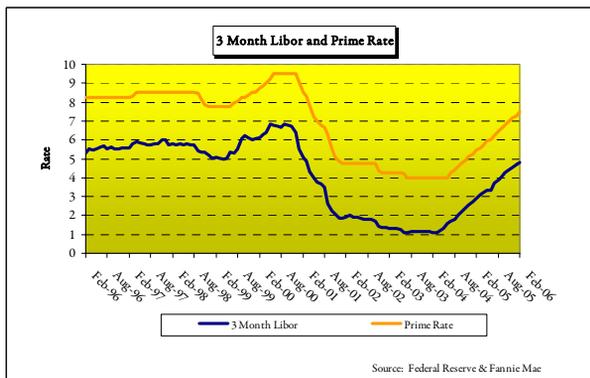
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Middle-market transaction activity continues to accelerate



Interest rates are on the rise at least into early to mid-2006



About Dresner Partners

Dresner Partners is a registered broker-dealer and NASD member firm that was founded fourteen years ago with the sole purpose of providing middle-market companies with sophisticated investment banking solutions in the areas of mergers, acquisitions, capital formation, valuation and other advisory services. Please visit our website at www.dresnerpartners.com.



Common Misconceptions about Selling the Family Business

By Matthew Phillips, Vice President, mphillips@dresnerco.com

We have to decide to either hold or sell the business ...

This decision does not have to be black or white – sell it all or keep it all. With the dramatic growth of the private capital markets over the past 15-20 years, there now exists an abundance of new types and sources of capital seeking to invest in privately-held businesses. As a result, family businesses now have an almost limitless range of possible transaction structures available to them. Minority stake or non-control transactions have become increasingly more common as a vehicle to provide a degree of liquidity for shareholders, while allowing the family to retain control of the business. Similarly, if a control transaction is more desirable, it is also possible to retain a significant ownership stake (typically ranging from 10-40%), allowing the owners to continue to meaningfully benefit from the growth opportunities and future value appreciation of their company. This high degree of freedom and flexibility in structuring a transaction means that families can narrowly tailor a transaction to meet the needs of all of the family members, not all of whom may have the same needs and/or goals. Private equity groups have been an active source of liquidity for family-owned businesses, raising a tremendous amount of capital over the last several years. These groups are often very flexible in meeting shareholder objectives.

If I sell the business, I will no longer be involved ...

Successful business owners may also be apprehensive about selling the family business because it has been their life and their passion for as long as they can remember, consuming every waking and sleeping moment. They may be nervous and unable to comprehend what they'll do with themselves after the transaction. The truth is that most owners and founders will have an opportunity to continue to be involved for a period of time after the new owner comes in. (Depending on the owners' wishes as well as the specifics of the situation, this period may range anywhere from a few months to many years.) A buyer will recognize that the founders or key shareholders possess a wealth of knowledge and expertise as well as important relationships that will need to be accessible if the business is to continue to thrive and grow. In fact, in most cases, acquirers (especially financial buyers) will ask the key shareholders or founders to serve in an advisory or consulting capacity for a period of time, either sitting on the board of directors or acting as a strategic resource for the company. If the next level of management is not yet ready to assume leadership, there may also be an opportunity for the founder or key shareholder to remain in a more active day-to-day leadership role until the leadership transition can take place smoothly.

If I sell the business, there's a good chance that my employees will leave or they'll be fired by the buyer ...

Most buyers know that it makes good business sense to retain a company's employee base. This is particularly true of financial buyers, who prefer to partner with strong management teams and talented employees. Having made a significant investment to purchase your company, most financial investors are wary of making dramatic changes that could materially impact the health and profitability of the business. Beyond that, most financial buyers look to achieve investment returns through growth rather than through headcount or cost reductions. Nonetheless, some strategic buyers will be in a unique position to eliminate redundant staff or to consolidate certain facilities in connection with a transaction, which often allows them to offer the seller a premium price. But keep in mind that, with the help of an experienced banker, you'll have the ability to qualify potential suitors based on the cultural fit with your organization and based on their intentions for the business and the employees. Additionally, it is often possible to negotiate contractual protections for certain employees who might otherwise be at risk in an ownership transition. The most important point to remember is that you (and you alone) control the decision as to who -- and on what terms -- you sell your business.

I know the right buyer for my business, so I don't need an outside advisor ...

Like most family business owners, you've probably been approached over the years by competitors or others interested in acquiring your business. Even if you haven't, you still probably have a good idea of who the best or most logical buyers for your business would be. Nonetheless, you will still benefit significantly from retaining an outside advisor to help you successfully navigate the complex transaction process. Having a qualified M&A professional to assist you will ultimately increase your negotiating leverage by setting up a more competitive environment and by having the company's investment merits presented in a more professional manner. Perhaps most importantly, using a qualified investment banker minimizes the significant business disruption that you would otherwise experience if you were attempting to orchestrate a sale transaction on your own. Your banker also serves as an important buffer, effectively insulating you from negotiations that would otherwise be awkward and time consuming were you to handle them on your own.

For additional information please feel free to contact us.