

M&A and Capital Markets Update

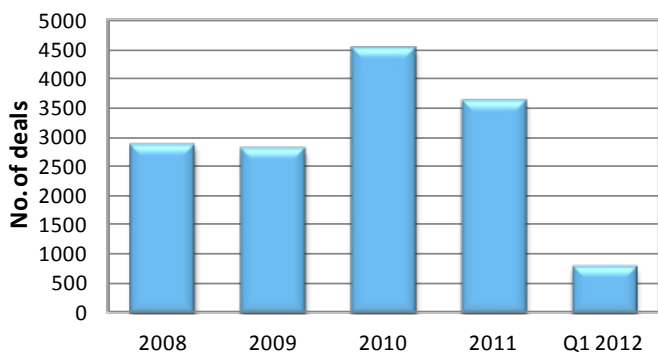
First quarter 2012



Candor. Insight. Results.

The first quarter of 2012 resulted in strong middle-market M&A activity, below the rapid pace of activity in 2010 and 2011, but greater than 2008 and 2009. Activity continues to be fueled by a surplus of cash on corporate balance sheets and uninvested private equity capital, along with a favorable tax environment and motivated owners looking to exit businesses. Additionally, valuations for performing businesses have returned to pre-recession levels and are driving some sellers to consider a transaction. There exists a significant divide as high-performing companies and/or companies serving attractive end markets are achieving above average multiples, while underperformers and middle-of-the-road companies are realizing little to no market-driven premium. Baker Tilly Capital continues to see a high level of activity.

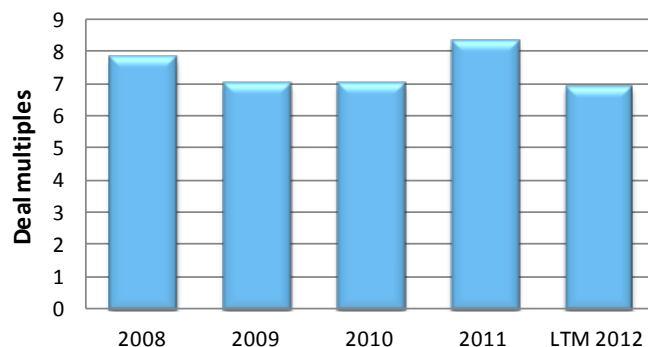
US middle-market M&A activity (Deals < \$100 millions)



Source: Dealogic and Robert W. Baird & Co.

Deal activity slowed in 2008 and especially in 2009 during the recession, and bounced back to record pace in 2010. A strong volume of activity continued in 2011 and Q1 2012 is just slightly below activity of Q1 2011. There exists a shortage of sellers in the marketplace, to which an increase would fuel deal activity.

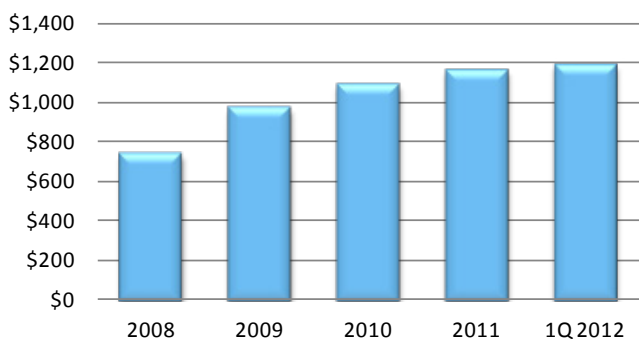
US middle-market M&A enterprise value (Deals < \$100 million)



Source: Capital IQ and Robert W. Baird & Co.

During the recession, middle-market deal multiples fell only slightly, whereas larger deals (often highly leveraged) dropped off significantly. Similarly, multiples grew within a tighter range as the economy recovered. Keep in mind that there is often a size premium on larger transactions driven by organizational depth, customer diversification and professional management teams that are characteristics of sizable enterprises.

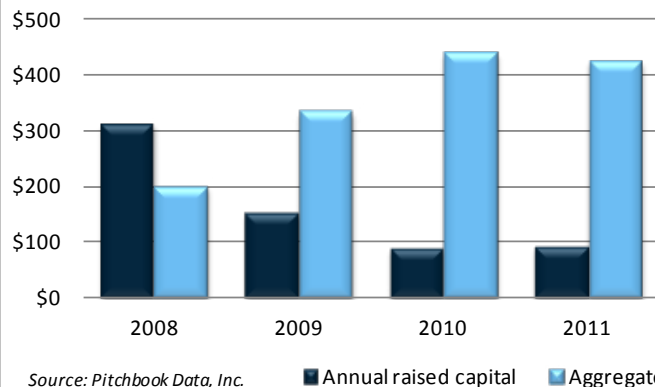
Cash and short-term investments of S&P 500 (in billions)



Source: Capital IQ, excludes financial companies

Driven by cost cutting, reduced capital expenditures and saving during the recession and following years, the average company has a stronger balance sheet than pre-recession. Available (and growing) capital, along with a more optimistic macro outlook has fueled M&A interest from corporate buyers.

Private equity capital raised (in billions)



Source: Pitchbook Data, Inc.

Private equity groups continue to make up roughly 15-20% of all M&A deals. While the amount of fund raising has decreased in 2010 and 2011, the aggregate amount of raised capital available for acquisitions is near record highs at \$425 billion.



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