














**Brookwood Associates 2010 Mid-Year Report**  
*Strong Results in a Dynamic Environment*

We are pleased to report that conditions in the middle-market investment banking business have improved substantially in 2010. M&A and financing activity for our stronger clients has been robust, and we are beginning to see some daylight for our distressed clients. Transactions are absolutely harder to complete today. We believe that we have helped our clients achieve abnormally good outcomes because of the market knowledge, judgment and hard work that our experienced teams are bringing to transactions. We present below more details about the market and some Brookwood news.

Recent transaction announcements:

<p align="center"><b><u>Mergers &amp; Acquisitions Advisory</u></b></p> <div align="center">  <p><b>WHEATON</b> Industries Inc.</p> </div> <p align="center">Sale of value-added laboratory products manufacturer and repackager to PNC Equity Partners on behalf of River Associates</p> <div align="center">  <p><b>TOP CHICK</b> THE ORIGINAL SINCE 1988</p> <p><b>Southern Quality Meats</b> Since 1962</p> </div> <p align="center">Sale of chicken and sausage processor to H.I.G. Capital on behalf of Tennessee Valley Ventures</p>	<p align="center"><b><u>Fairness Opinions</u></b></p> <div align="center">  <p>PGA TOUR PGA TOUR SUPERSTORE</p> </div> <p align="center">Rendered Fairness Opinion for transaction involving golf equipment retailer</p> <div align="center">  <p><b>VECTORPLY</b></p> </div> <p align="center">Rendered Fairness Opinion for transaction involving manufacturer of highly-engineered composite fabrics</p>			
<p align="center"><b><u>Distressed Advisory Assignments</u></b></p> <table border="0"> <tr> <td data-bbox="228 1472 553 1745"> <div align="center">  <p><b>Pizza Hut</b></p> </div> <p align="center">Represented American Huts, an operator of Pizza Hut restaurants, in a recapitalization</p> </td> <td data-bbox="561 1472 967 1745"> <div align="center">  <p><b>WELLSTONE GROUP</b> Pursuing Excellence</p> </div> <p align="center">Represented ring-spun yarn manufacturer in sale to Parkdale Mills</p> </td> <td data-bbox="976 1472 1377 1745"> <div align="center">  <p><b>Famous Dave's</b> Legendary Pit Bar-B-Que</p> </div> <p align="center">Represented North Country BBQ, an operator of Famous Dave's restaurants, in a Section 363 sale</p> </td> </tr> </table>		<div align="center">  <p><b>Pizza Hut</b></p> </div> <p align="center">Represented American Huts, an operator of Pizza Hut restaurants, in a recapitalization</p>	<div align="center">  <p><b>WELLSTONE GROUP</b> Pursuing Excellence</p> </div> <p align="center">Represented ring-spun yarn manufacturer in sale to Parkdale Mills</p>	<div align="center">  <p><b>Famous Dave's</b> Legendary Pit Bar-B-Que</p> </div> <p align="center">Represented North Country BBQ, an operator of Famous Dave's restaurants, in a Section 363 sale</p>
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We are pleased to report that the third quarter is off to a good start as well. We have closed two substantial sale assignments in different segments of the packaging industry, and our current transactions in the market are receiving encouraging levels of interest.

### *Middle-Market Update*

As compared to the pre-recession period, we view the current middle-market environment to be significantly more complex and dynamic. Some observations:

- Most middle-market M&A activity is bifurcated between: (i) strong, well-positioned companies that performed well during the recession (including many healthcare, food, education and outsourced service providers); and (ii) businesses that are not doing well and need to be sold (notably undercapitalized, more cyclical businesses).
- Buyers and financiers of businesses are much more discerning about the differences between strong, less cyclical businesses as compared to weaker, more cyclical companies. Risk management by investors of all types is palpable.
- Some privately-held business owners are rushing to close transactions prior to the expected tax increase, but we suspect that many are waiting until they establish a more solid earnings record. As usual, many private equity firms are selling stronger portfolio companies and, in many cases, establishing the track record for a new fund. For distressed businesses, most lenders that have the ability to influence the timing of an exit have elected to defer sale processes in the hopes of an improved economy and better valuations.
- Successful business sales require more market knowledge, work, judgment and, in most cases, more elapsed time than the pre-recession environment.
- Reflecting recent GDP announcements, our industrial clients are typically beating their forecasts – while higher-ticket consumer discretionary businesses remain under pressure. Many of our healthcare clients are pursuing consolidations to gain the scale and market share that will be essential for surviving under health care reform.
- Our restaurant clients are operating in a dynamic environment, with performance widely varied across segments and geographies over the last 18 months. Recent work in this sector has included distressed situations as well as healthy companies that have outperformed the industry. We expect to continue to see both turnaround opportunities and growth situations with positive trends.
- Across all sectors, strong, well-positioned companies are achieving high levels of buyer focus and attractive valuations (in most instances, very attractive valuations), while buyers are currently applying substantial valuation discounts to companies that did not perform well and have limited visibility.

- The private equity community has enormous capital available, but there are diverse views among firms regarding whether the current period is a time to be aggressively investing capital. We have repeatedly seen the value of a thorough approach to finding the best buyer.
- The middle-market senior debt markets are thinner, more conservative and populated by several new capital providers as compared to before the recession; however, recent activity and interest in middle-market senior loans is increasing as more lenders are returning to the market. The sub-debt lending market has become highly competitive with a lot of capital chasing too few opportunities, which is driving lower pricing.
- Strategic buyers in many segments are being proactive in approaching attractive targets, often in the hopes of finding growth and significant synergies, but at an attractive valuation. While many strategics are motivating seller interest, most interest has been “opportunistic” and has not led to attractive valuations for sellers.
- We are optimistic about continued improvement in both valuation levels and the level of transaction activity over the next 18 months as companies continue to recover, the economic outlook improves and pent up interest in liquidity increases.

### *Brookwood Update*

We believe Brookwood Associates was one of very few investment banking firms that did not downsize during the recession. We have continued to work diligently with our clients and prospective clients to advise them in a manner we judge to be in their best long-term interests, which included discouraging several clients from proceeding with transactions during 2008 and 2009. We are pleased to be able to give them much more encouragement in 2010.

We believe that we are succeeding in this difficult environment for many reasons:

- the level of experience we offer (all of our MDs have been through multiple recessions and recoveries during their careers);
- the level of senior focus our business model affords our clients;
- the stability of our organization; and
- the consistency and quality of our results.

Please do not hesitate to reach out to us with any questions regarding our services. The path to economic rebound is likely to remain somewhat unpredictable, and working with trusted, experienced advisors has never been more critical. We appreciate our relationship with you and look forward to opportunities to share our perspectives.

*About Brookwood Associates:* Brookwood was founded in 1989 and has grown to become one of the largest independently owned middle-market investment banking firms. Brookwood's 22 professionals in Atlanta and Charlotte offer advisory services regarding mergers and acquisitions, financings, fairness opinions and bankruptcies/restructurings ([www.brookwoodassociates.com](http://www.brookwoodassociates.com)).

**Brookwood**Associates

*When the Outcome Really Matters*