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EXCELLENCE ON A CONSISTENT BASIS

ENTREPRENEUR & FAMILY BUSINESS NEWSLETTER

QUARTERLY UPDATE

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MERGERS & ACQUISITIONS | CAPITAL RAISING | STRATEGIC ADVISORY

NEWSLETTER CONTENTS

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THE NAME METRONOME IS SYMBOLIC OF THE IMPORTANCE OF TIMING AND OF ACHIEVING EXCELLENCE ON A CONSISTENT BASIS. FROM MARATHONERS TO SYMPHONY CONDUCTORS, A SEASONED PERFORMER'S RHYTHM, HARD WORK, DEDICATION, AND EXPERIENCE DICTATE THE OUTCOME.

SPOTLIGHT: IS 2012 THE RIGHT TIME TO SELL YOUR COMPANY?

A business owner's largest asset is often the business itself, and their largest expense is typically taxes. Thus, evaluating the tax implications of a potential sale should be of upmost concern. With the Bush-era tax cuts set to expire at the end of 2012, the long-term capital gains tax rate will increase from 15% to 20%. Additionally, beginning in 2013, the 2010 Health Care Reform Act will impose a 3.8% tax on unearned income, which is applicable to capital gains. Given recent dialogue in Washington, D.C., the possibility exists for the long-term capital gains tax rate to increase to as high as 30%. These potential tax changes can have a significant impact on proceeds from the sale of a business, as illustrated below.

ILLUSTRATIVE CAPITAL GAINS TAX SCENARIOS ($MM)

Transaction Analysis			
Purchase Price	$100.0	$100.0	$100.0
Tax Basis	$20.0	$20.0	$20.0
Taxable Proceeds	$80.0	$80.0	$80.0
Long-term Capital Gains Rate	15.0%	23.8%	30.0%
Capital Gains Tax Expense	**$12.0**	**$19.0**	**$24.0**

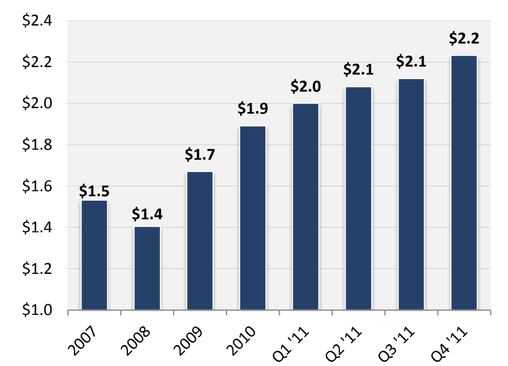
For illustrative purposes only. Business owners should speak with their tax advisors about their specific situation.

Completing a transaction before the end of 2012 saves the business owner in the above scenario $7.0 million or $12.0 million in capital gains taxes if tax rates increase to 23.8% or 30.0%, respectively.

Additional market dynamics should also be considered when planning an exit. First, as a result of private business owners postponing sale processes throughout the 2008-2009 recession, there exists a significant pipeline of businesses ready for market. Furthermore, a number of family business owners are on the forefront of the baby boomer generation. This demographic is expected to begin retiring over the next 15 years, which could potentially flood the market with excess supply.

Second, there is a vast amount of dry powder on the sidelines. Private equity firms are sitting on approximately $400 billion in unspent capital. Half of that capital hangover stems from 2007 and 2008 vintage funds and is under mandate to be invested within the next two years. Consequently, private equity groups are eager to invest the excess capital at their disposal. Corporate buyers have also been amassing record amounts of cash and are now seeking strategic acquisitions.

TOTAL LIQUID ASSETS ON CORPORATE BALANCE SHEETS ($T)



Source: Federal Reserve

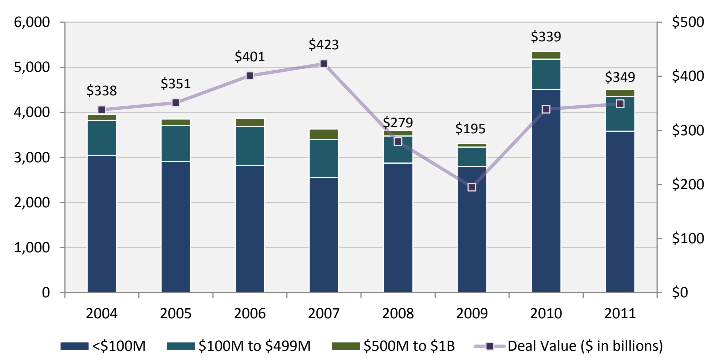
As a result of these trends, there is a level of built-up demand that far exceeds supply, which should influence higher valuations during 2012. It's important to note that the typical duration of a sell-side M&A process is six months, so those contemplating a transaction are advised to plan accordingly.

Please contact our firm's principals to discuss your company's strategic alternatives, including majority and minority transactions as well as recapitalizations. We have more than 75 years of deal experience and have sold over 200 companies, including numerous family and entrepreneur-owned businesses. Metronome recently completed a transaction with family business owners and a summary of the deal is provided on the following page.

M&A Market Update: U.S. Middle Market Transactions

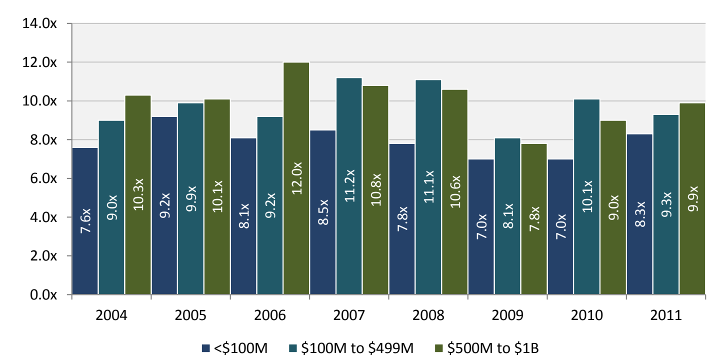
The middle market continues to account for the vast majority of M&A transactions, and lower middle market transactions, those deals valued at under $100 million, accounted for nearly 80% of total middle market deal volume in 2011. The proposed capital gains tax change on January 1, 2011 drove activity in 2010 and, as discussed above, a similar situation is likely to play out in 2012. Corporate buyers, supported by large cash reserves and difficulty achieving organic growth, remain extremely acquisitive. Further, Enterprise Value / EBITDA multiples have strengthened since the recessionary levels seen in 2009. A shortage of attractive, high-quality investment opportunities have been successful in driving multiples higher. The M&A environment is expected to improve throughout 2012 as the U.S. economy continues to strengthen and sellers look to exit before potential tax law changes in 2013.

Middle Market M&A Activity by Transaction Value



Source: Dealogic

Median Enterprise Value / EBITDA Multiples



Source: Dealogic

Recent Transaction: Reserve Management Group

Metronome served as exclusive financial advisor to Reserve Management Group ("RMG"), a family-owned business, and assisted shareholders with the evaluation of possible strategic alternatives. Following a comprehensive review of its options, RMG shareholders chose to pursue a dividend recapitalization. Metronome worked with management to prepare offering materials, facilitate investor meetings, assist with investor due diligence, and evaluate proposed terms.

Reserve Management Group is a leading independent ferrous and non-ferrous scrap metal recycler and serves several major Midwest and Eastern U.S. markets through six strategically located processing operations. RMG is unique by virtue of the company's focus on niche-grade scrap materials and value-added metal processing services.

Driven by a steadfast commitment to quality, RMG has established long-term customer relationships with domestic integrated steel mills and foundries, aluminum smelters and producers, ductile and grey iron foundries, as well as a variety of third-party scrap metal processors and end-users. In addition, the company offers information technology asset management and recycling services for obsolete electronic and electrical equipment ("eScrap"). eScrap clients include Fortune 500 companies, major electronics retailers, municipalities, schools, and consumers.

December 2011

METRONOME PARTNERS LLC

is pleased to announce its role as exclusive financial advisor to

RMG RESERVE MANAGEMENT GROUP

in its successful recapitalization

Metronome Partners, LLC is an independent, Chicago and Memphis based M&A advisory firm that specializes in managing, structuring, and negotiating transactions of varying sizes and complexities in a broad range of industries. With over 200 transactions completed by Metronome's principals, the firm guides its clients through critical, value-based corporate finance alternatives, including strategic sales, recapitalizations, divestitures, and debt and equity placements. The firm focuses on middle-market businesses nationwide, valued from $30 million to over $500 million.