

"I made my money by
selling too soon"

- Bernard Baruch

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WATERVIEW ADVISORS

MERGERS & ACQUISITIONS

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THE MARKET

FOR PRIVATELY HELD COMPANIES

Topics Relevant to Middle Market Mergers & Acquisitions

M&A Activity – Q1 2008 Data

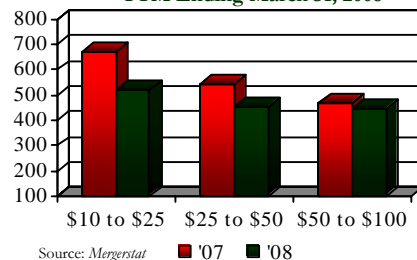
Merger and acquisition activity remains **extremely active in software, business services, and distribution**. Although active, transaction volume has moderated relative to the peaks experienced in 2006. Transaction volume (including public and private companies of all sizes) for the TTM ended March 2008, was 15% lower than the same period in 2007. Pricing, albeit lower than that experienced in 2006 and early 2007, remains high relative to historic levels.

Transaction Volume for the Lower Middle Market

The chart below includes both public and private transactions for the lower middle market and reveals that transaction volume has moderated in all three size categories.

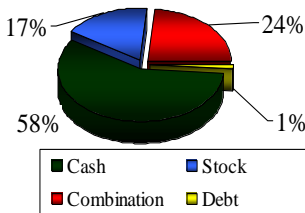
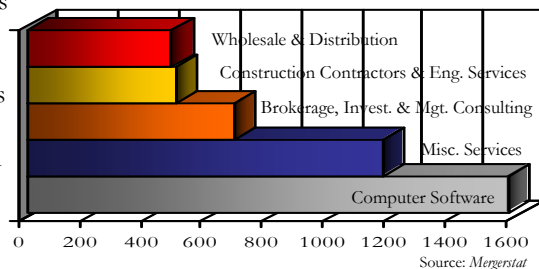
The number of transactions in the \$50 to \$100 million enterprise value category fell only 4% compared to the prior year. Transactions in the \$25 to \$50 million enterprise value category decreased 17%, and transaction volume in the smallest category (\$10 to \$25 million) slowed 22%. The number of deals with undisclosed values only dropped 15%. It is highly likely that most of these deals are under \$25 million in value.

Transaction Volume by Size
TTM Ending March 31, 2008



Which Industries are Most Active?

Activity in most industries remains robust, and the chart below reveals the five most active industries in terms of transactions closed for the 12 months ended March 31, 2008. In addition to the industries listed in the chart, the following industries also exhibited high transaction volume: Leisure & Entertainment; Drugs, Medical Supplies & Equipment; Retail; Insurance; Banking & Finance; Health Services; and Communications.



Pricing and Structure

In spite of the slowdown in transaction volume, **valuations remain attractive** for private companies. EBITDA multiples are approximately 5-10% below those observed in 2006 and 2007 and remain greater than 2003 and 2002. **Another positive note** - cash is still king. 58% of the transactions completed in the three months ending March 2008 were all-cash transactions.

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 - ◆ Sell Side Representation (marketing to both strategic and financial buyers)
 - ◆ Private Equity Sponsored Leveraged Recapitalizations (optimal for generational transfers)
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 - ◆ Business Valuations for Gift & Estate Tax purposes
 - ◆ Valuations and Financial Analysis to Support Business & Tax Planning