

“Whenever you see a successful business, someone once made a courageous decision.”
 - Peter Drucker

THE MARKET

FOR PRIVATELY HELD COMPANIES

Topics Relevant to Middle Market Mergers & Acquisitions

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WATERVIEW ADVISORS
 MERGERS & ACQUISITIONS

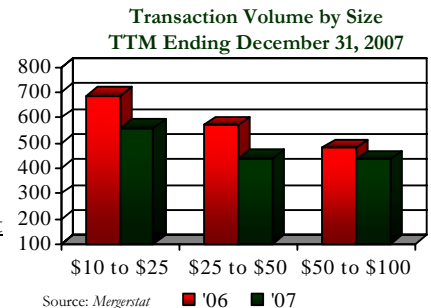
M&A Activity – Q4 2007 Data

Merger and acquisition activity remains **extremely active in software, business services, and distribution**. In spite of the slowdown in the second half of 2007, transaction volume (including public and private companies of all sizes) for the TTM ended December 2007 was only 9% lower than the peak in 2006. Pricing remains high relative to historic levels.

Transaction Volume for the Lower Middle Market

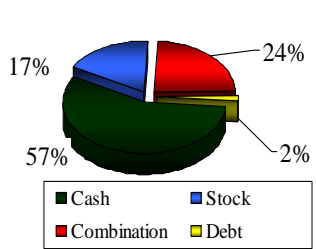
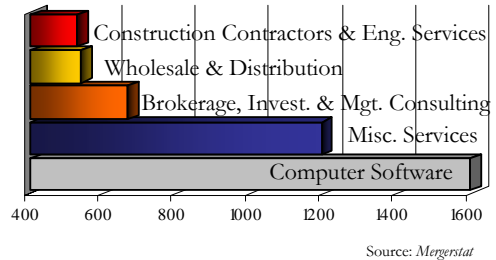
The chart below includes both public and private transactions for the lower middle market and reveals that transaction volume has moderated in all three size categories.

The number of transactions in the \$50 to \$100 million enterprise value category fell 9%. The number of transactions in the \$25 to \$50 million enterprise value category decreased 23%, and transaction volume in the smallest category (\$10 to \$25 million) slowed 19%. Deals with undisclosed values only dropped 6%. It is highly likely that most of these deals are under \$25 million in value.



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 December 31, 2007. In addition to the industries listed in the chart, the following industries also exhibited high transaction volume: Leisure & Entertainment; Banking & Finance; Drugs, Medical Supplies & Equipment; Retail; Insurance; and Health Services.



Pricing and Structure

Complementing the active markets are **attractive valuations** for private companies. EBITDA multiples are consistent with 2006 and 2005 and remain approximately 10% greater than 2003 and 30% greater than those observed in 2002. **The final bit of good news** - cash is still king. 57% of the transactions completed in the three months ending December 2007 were all-cash transactions.

Waterview Advisors is a Sell Side Intermediary and Valuation Advisory Firm

- The Mergers & Acquisitions Division serves client companies with revenue between \$5 million and \$100 million:
 - ◆ Sell Side Representation (marketing to both strategic and financial buyers)
 - ◆ Private Equity Sponsored Leveraged Recapitalizations (optimal for generational transfers)
- The Valuation Advisory Division provides the following services:
 - ◆ Fairness Opinions
 - ◆ Business Valuations for Gift & Estate Tax purposes
 - ◆ Valuations and Financial Analysis to Support Business & Tax Planning

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