



Mergers & Acquisitions Update

Third Quarter 2008



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We hope you find the Malibu Group Mergers & Acquisitions Update to be useful. In addition to the information offered here, you can learn more about The Malibu Group and other M&A topics at www.themalibugroup.com.

Sun Well Services, Inc., Recapitalization

In October, The Malibu Group, LLC, completed a recapitalization of Sun Well Services, Inc., of Williston, N.D. Sun Well currently operates in the Williston Basin, which includes sites in Williston and Tioga, North Dakota, and Sidney, Montana. Sun Well operates oil and gas well work-over rigs and is capable of a variety of well completion and well maintenance jobs.

Sun Well's partner in the recapitalization is Chicago-based Unicorn Investment Bank. Formed in 1981, Sun Well is led by Marv Kaiser, who will continue to guide the company's operations. "This partnership with UIB will ensure that we continue to provide our customers with premium service through highly-trained rig crews who utilize top-notch equipment," Kaiser said. "Our service will only improve as we gain additional capital resources to expand the company and its scope of services. It's a win-win for the company, our employees and--just as importantly--the region."

The Williston Basin includes the emerging Bakken Oil Formation, which produces oil that is 41 degree light, sweet crude - highly desired by oil producers. A U.S. Geological Survey field report estimated there are billions of barrels of undiscovered, technically recoverable oil on the U.S. side of the Bakken. In fact, the report confirms the Bakken is the largest "continuous" oil accumulation ever assessed by the USGS.

"I've worked with Malibu on finding the right partner for a lengthy period of time," Kaiser noted. "We evaluated numerous proposals and every step of the way, the Malibu team encouraged patience and provided objective guidance. They knew I wanted a partner who understood the growth potential of this company and this region, wanted to collaborate in growth plans, and truly valued my management team.

"To that end, Malibu helped structure a transaction that not only allowed me to capture current value and upside potential but also provided UIB with a great deal that has almost unlimited potential."

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Understanding the Difference between Fair Market Value and Actual Market Value

One of our previous newsletters addressed the issue of succession planning for businesses. We touched on a few of the fundamental questions that business owners must ask themselves as they plan for exit or succession – two of the foremost being:

1. *Upon the sale of my business, how much cash – after tax – will I require to maintain my standard of living?*
2. *What is the current market value of my business?*

The reason we highlight the word “market” in the second question is that many business owners are under the mistaken impression that any business valuation will report to them the “true” market value of their business. In reality, virtually all business valuations are designed to give an opinion of “Fair Market Value” – which, while rigorously defined by the IRS (among other various governing bodies), tends only to have a coincidental relationship with market value, which is the highest value available in the marketplace.

For most business owners the difference between “Market Value” and “Fair Market Value” is purely semantic - as the vast majority of valuations are performed for compliance purposes (ESOPs, taxes, etc) only. However, the difference becomes critical when a “Fair Market” valuation is used as a proxy for “Market Value” and relied upon as the foundation of a transition or exit plan.

The primary danger in such cases is when a business owner operates under the mistaken impression that he/she will be able to exit their business for an amount reflected in the fair market valuation and the reality is that the actual market value is much lower. As a result, the business owner will either have to postpone retirement or retire with less money than anticipated.

By partnering with an experienced M&A advisor, business owners can obtain a valuation that provides a realistic assessment of how the market will view their business, thereby minimizing the likelihood of any surprises when the time comes to sell. Moreover, the right M&A advisor will also be able to offer advice that can help business owners improve the market value of their business – more on that subject in the next issue.

In short, the valuations for privately-held businesses fluctuate just like their larger, publicly-held counterparts. If a succession or exit plan hinges on a price that reflects market value, make sure your valuation is based on the opinion of the market, not the IRS.



Local, Regional & National Deal Activity

Following is a list of some of the largest transactions from the second quarter of this year. For an expanded list, visit <http://www.themalibugroup.com/node/176>.

Deals of Local Interest – Cincinnati Target/Seller

Target	Buyers/Investors	Deal Value
▶ Sabin Robbins, LLC	Blackbird Capital Group	undisclosed
▶ T K Engineering Associates, Inc	CDI Corp. (NYSE:CDI)	undisclosed
▶ Barefoot Advertising, Inc.	BBDO Worldwide Inc.	undisclosed

Deals of Local Interest – Cincinnati Buyer

Target	Buyers/Investors	Deal Value
▶ Fox Television Stations, Inc., Eight Fox Television Stations	Local TV LLC	\$ 1,100,000,000
▶ Intervoice Inc.	Convergys Corporation (NYSE:CVG)	\$ 322,270,000
▶ Nioxin Research Laboratories, Inc.	Procter & Gamble Co. (NYSE:PG)	undisclosed

Deals of Regional Interest

Target	Buyers/Investors	Deal Value	Target Location
▶ Wendy's International Inc.	Wendy's/Arby's Group, Inc.	\$ 2,929,130,000	Columbus Area
▶ ProCentury Corp.	Meadowbrook Insurance Group Inc. (NYSE:MIG)	\$ 301,850,000	Columbus Area
▶ GE Consumer & Industrial, Warranty	Assurant Inc. (NYSE:AIZ)	\$ 140,000,000	Louisville Area

National Mergers & Acquisitions Summary

Third Quarter 2008		Third Quarter 2008	
▶ Total Number of Transactions:	2065	▶ Total Deal Value (\$million)	\$ 248,248
▶ Percentage Change from Second Quarter 2008	-5%	▶ Percentage Change from Second Quarter 2008	43%
▶ Percentage Change from Third Quarter 2007	-20%	▶ Percentage Change from Third Quarter 2007	-35%

Source: Capital IQ

The Malibu Group

The Malibu Group provides mergers and acquisitions services that help business owners improve their companies, prepare for sale, position for growth or plan for the future. Our specialized expertise in the transaction process supplements the valuable advice of attorneys and accountants, helping our clients achieve greater value, identify better transaction partners, reach smarter decisions and negotiate more favorable deals.

The Malibu Group has an unwavering commitment to conduct business in a principled manner. We're hard-working, responsive and completely committed to our clients' success ... we're on your side.

For more information about the Malibu Group's services, visit <http://www.themalibugroup.com/our-services.html-1>.