



Quarterly M&A Update

Second Quarter 2009

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Discipline—the Benefits of Due Diligence

No one doubts the post-recession landscape will be quite different from the one in which we all have been operating for the past few decades. Consumers are not likely to return to their old spending habits. The financial markets will certainly operate differently, and the long-term impact on the M&A market will require adaptation.

Overall M&A activity has decreased significantly this year; however, the good news is that middle market deals have not declined at the same rate. Certain segments, such as healthcare and some technology niches, have continued to see brisk activity. As evidenced during the recession of 2001-2002, deals done in downturns generate typically higher returns, and the decrease in the number of deals is expected to turn around as companies take advantage of the opportunities developing in the marketplace. The crucial element to a successful deal will be *due diligence*.

Due diligence is a detailed, comprehensive process critical to the success of any M&A transaction. The successful buyer will gain a complete understanding of the target company. Following is a partial list of those elements that should be researched:

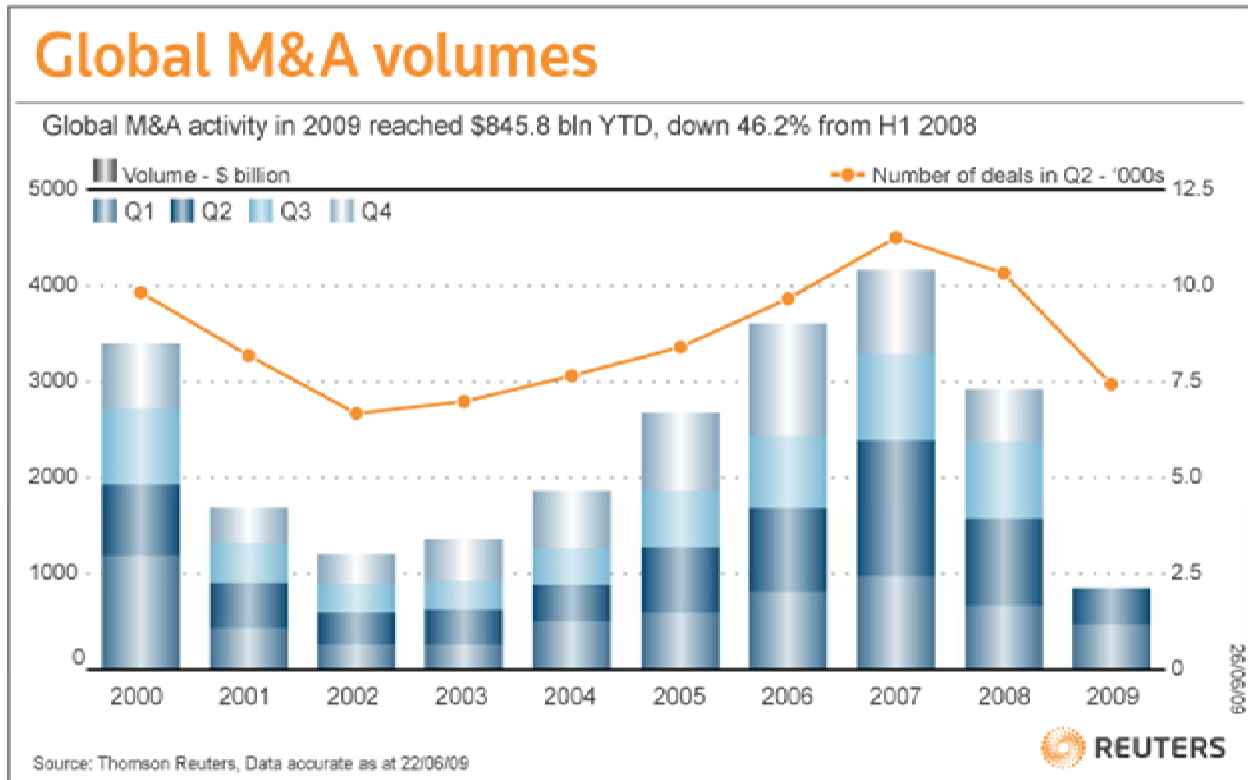
- The company's product lines, markets, industry conditions, and competition;
- The operations including facilities, production, purchasing, and inventories;
- Human resources, including employee benefit plans;
- Financial review, historic performance, management projections, as well as internal controls and processes;
- Key management;
- Risk management review; and
- Legal matters.



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When considering an acquisition, buyers should not underestimate the importance of rigorous due diligence. Assembling a team of experienced professionals who have the right expertise is critical to success.

Global M&A Trends



The global M&A market declined 40.2% to \$941 billion in the first half of 2009. The number of completed deals for the first half of the year was down 20.4% from the same period last year.

This decline in M&A demand is putting downward pressure on market valuations, making many companies look like good deals. However, because of tight credit and low global demand, many strategic buyers are feeling the need to conserve cash.

In the midst of the current credit crisis, the

hardest hit has been private equity firms. Aggregate spending for the first half of 2009 was \$32.9 billion. Announced deals were down 78.8%, with private equity accounting for only 3.5% of all announced transactions.

However, recently there has been an increase in distressed investments and this is expected to continue. Working with distressed companies is an area where many private equity players excel, and with over \$1 trillion waiting to be utilized, it may not be long before there is an uptick in private equity spending.

The Malibu Group provides mergers and acquisitions services that help business owners prepare their companies for sale, position their companies for growth, and plan for the future.

We are comprised of the largest group of M&A and strategic finance experts in our region, possessing experience in divestitures, acquisitions, due diligence, valuations and financing. We identify solutions for complex strategic and financial issues, helping our clients realize greater value.

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U.S. M&A Trends

PE Funds Seeking Minority Positions

Over the last three months more private equity funds than ever have contacted Malibu concerning acquiring minority equity stakes in private companies. Many business owners who had considered selling, but now hold companies with lower-than-normal valuations do not want to sell 100% of their company. Instead, they can sell a minority stake, giving them some liquidity, diversification and potential help in growing their company.

Capital Gains Increase

It is not a matter of if but WHEN capital gains rates will begin to increase. The current Congress and Administration have been promising a rate increase but new rumors are circulating that it may happen now at the end of 2010 when the current law expires. The increase is expected to be 33% or more. A new rate of 20% or even higher versus today's 15% rate. This could be a swing of millions of dollars in taxes for the founder of a company to the benefit of the Fed.

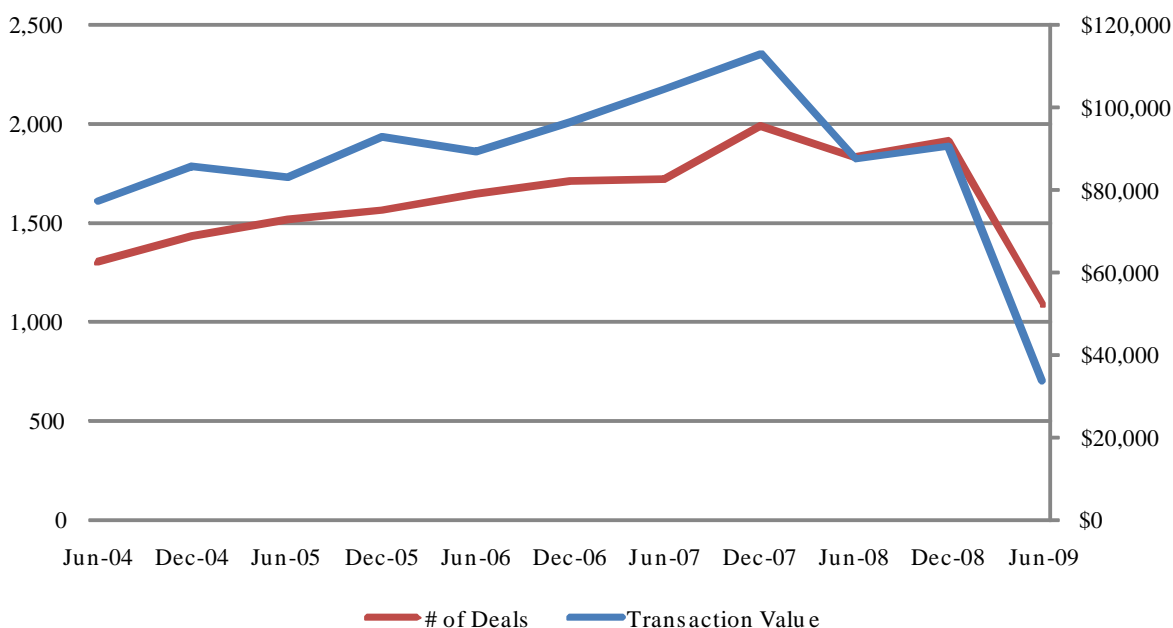
Middle Market Transactions Increase

U.S. middle market M&A transactions (defined as acquisitions of companies with an enterprise value below \$500 million), have increased as a percentage of total deals, representing 94% of all transactions in Q1 2009. Of that percentage, the greatest increase was in transactions with values less than \$250 million. As is indicated by the numbers, middle market transactions tend to fluctuate less than their larger counterparts because they generally have a larger universe of buyers, greater flexibility in deal structure, and are easier to finance.

Stock-for-Stock Deals Increase

As banks tightened their purse strings making financing expensive and difficult to obtain, cash deals declined while stock-for-stock deals increased. In the period February through May 2009, cash deals dropped to 49.4% from 55.8% in the same time period last year. In contrast, stock-for-stock deals made up 29% of deals, up from 21.9% in 2008.

U.S. M&A Deals vs Value



Deals of Local Interest

<u>Target</u>	<u>Buyers/Investors</u>	<u>Deal Value (\$mm)</u>
Fifth Third Bank Processing Solutions	Advent International Corporation	561.0
Irwin Union Bank and Trust Company	First Financial Bank, National Association	undisclosed
FKI Logistex North America	Intelligrated, Inc.	40.0
ZIRH Holdings, LLC	Procter & Gamble Co. (NYSE:PG)	undisclosed
Powerplus Electric, Inc.	Bowlin Group, LLC	undisclosed
Financial & Professional Risk Solutions	Great American Insurance Company	undisclosed
Trailmobile Parts & Service Corp.	New Life Transport Parts Center, Inc.	undisclosed
The Art of Shaving, LLC	Procter & Gamble Co. (NYSE:PG)	60.0
HCS Infusion Network	CarePoint Partners, L.L.C.	undisclosed
VICTORY Turbine Systems, LLC	Victory Industrial Products, Inc.	undisclosed
Spirit Express Trucking, Inc.	R+L Carriers, Inc.	undisclosed
HSR Business to Business Inc.	GyroHSR	undisclosed
Hexion Specialty Chemicals	Collins Ink Corporation	undisclosed
First Bank of Idaho, FSB	U.S. Bank National Association	undisclosed
RF Linx, Inc., Direct Sales Business Unit	Streakwave Wireless, Inc.	undisclosed

Deals of Regional Interest

<u>Target</u>	<u>Buyers/Investors</u>	<u>Deal Value (\$mm)</u>
Two Ground Leased Land Parcels	undisclosed	10.7
Irwin Union Bank and Trust Company	First Financial Bank, National Association	undisclosed
US Railcar LLC	Value Recovery Group, Inc.	undisclosed
James T. Kienle & Associates Inc.	Moody-Nolan, Inc.	undisclosed
Somerset Lakes Apartment Complex	Gene B. Glick Company, Inc.	undisclosed
Methodist Professional Center 2	The Sanders Trust	undisclosed
REGISTRAT, Inc.	Mapi S.A.	undisclosed
Marsh Employees Federal Credit Union of Fishers	Indiana Members Credit Union Of Indianapolis	undisclosed
Austin, Nichols Distilling Co., Inc.	Gruppo Campari SpA	575.0
Atkins, Inc.	Awrey Bakeries, LLC	undisclosed
Hosting.com Incorporated	HostMySite, Inc.	undisclosed
ANGEL Learning, Inc.	Blackboard Inc. (NasdaqGS:BBBB)	10.67
Ohio Valley Electric Corporation	Buckeye Power Generating, LLC	252.0
Report Hawk, LLC	Expesite LLC	undisclosed
Hexion Specialty Chemicals	Collins Ink Corporation	undisclosed
Dave Gill Pontiac GMC Truck Inc.	Len Immke Buick, LLC	undisclosed
The Ricwel Corporation	ExamWorks, Inc.	undisclosed
DataCities, Inc.	GlowHost.com, Inc.	undisclosed
Fairbanks Hospital Inc., One to One EAP	Supportive Systems, LLC	undisclosed
Central Products LLC	K+K America Corporation	83.0
Moore Security, LLC	Securitas AB (OM:SECU B)	undisclosed

National M&A Summary

<u>Second Quarter 2009</u>			
Total Number of Transactions	1,707	Total Deal Value (\$mm)	51,531.35
Percentage Change from First Quarter 2009	-0.76%	Percentage Change from First Quarter 2009	-75.25%
Percentage Change from Second Quarter 2008	-30.78%	Percentage Change from Second Quarter 2008	-71.73%

Sources of data include CapitalIQ, BVMarketData, Thomson Reuters, and other news organizations. The factual statements herein have been taken from sources believed to be reliable, but we do not guarantee such statements as accurate or complete. This report was prepared by The Malibu Group for informational purposes only; this is not a solicitation or offer to purchase or sell securities. Recipients of this report should not interpret the information herein as sufficient grounds for any type of decision, investment or otherwise. Historical data is not in indication of future results.