



Quarterly M&A Update

Second Quarter 2010

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What's happening, and to whom?

With the possible expiration of the Bush Administration's capital-gains tax rate reduction and the first wave of "baby boomers" reaching the retirement age of 65 in January 2011, there may be increased motivation for business owners to sell. What can they expect from the strategic and the financial buyers?

Prior to the middle of the last decade, strategics were willing to pay more for assets, based on synergy expectations, than financial buyers. From 2005 through the middle of 2007, declining interest rates and lowered lending standards made debt cheap and easy to get, allowing private equity to complete larger transactions.

Tightened credit markets continue to affect both strategic buyer and private equity deals. However, strategics typically close deals without financial contingencies and deals have leaned more towards corporate buyers over the past 18 months. Additionally, strategics may be able to handle some of the company traits that would scare off potential financial buyers. For example, strategics can more easily mute the risk associated with a company's customer concentration where a few clients represent more than 50% of a target's revenue.

It is no secret that private equity has an abundance of "dry powder," over \$400 billion, to invest and according to one research group, the volume of private equity deals has tripled year-over-year to \$43 billion. Completed PE deals for the first 6 months of 2010 are up 8% from the same time last year. However, experts agree that there is a shortage of quality assets available and higher prices are being paid for their acquisition as multiples continue to rebound from recent lows in Q3 2008.

Multiples are up and there is a lot of capital ready to be invested. But that may not mean that today is the best time to sell. Research, education and the right counsel are still important considerations in our up and down market.■

The Malibu Group outlines recent M&A trends in the Current Economic Environment

- M&A deal volume and value has been in decline for the past two years. However, the middle market is poised for generational change as the number of business owners planning to retire continues to increase.
- Liquidity is still high. Private Equity Funds are still flush with cash commitments and have more than \$400 billion currently available for new deals.
- Both buyers and lenders are doing more extensive due diligence because of an increased focus on risk. Consequently, PE Funds are in a Catch-22 of wanting to use higher benchmark returns in ROI models, but being forced to put more equity into deals because of reduced leverage ratios.

National Middle Market M&A Summary			
Second Quarter 2010			
Total Number of Transactions	2,791	Total Deal Value (\$mm)	\$156,556
Percentage Change from 1st Quarter 2010	9.9%	Percentage Change from 1st Quarter 2010	-3.5%
Percentage Change from 2nd Quarter 2009	63.5%	Percentage Change from 2nd Quarter 2009	203.8%

Deals of Regional Interest			
Target	Buyers/Investors	Deal Value	Geographic Location
iPay Technologies, LLC	Jack Henry & Associates Inc.	\$301,140,000	Louisville Area
Blairex Laboratories, Inc., (Simply Saline Product Line)	Church & Dwight Co. Inc.	\$70,000,000	Indianapolis Area
LADD Inc.	Deutsch Engineered Connecting Devices	\$55,000,000	Dayton Area
Limited Stores, LLC	Sun Capital Partners, Inc.	\$32,000,000	Columbus Area
LBX Company, LLC	S.C.M. (America), Inc.	\$29,000,000	Lexington Area
Professional Data Management Again, Inc.	Exlservice Holdings, Inc.	\$14,500,000	Indianapolis Area
Nationwide Energy Partners, Ltd.	LMS Capital plc	\$11,990,000	Columbus Area
Clark Regional Medical Center, Inc.	Lifepoint Hospitals Inc.	\$10,100,000	Lexington Area
Joseph James & Associates Insurance Agency, Inc.	Arthur J Gallagher & Co.	\$9,950,000	Columbus Area
Delphi Corp.	Indiana Metals LLC	\$3,100,000	Dayton Area
Fusion Graphics, Inc.	The Standard Register Company	\$2,500,000	Dayton Area
Former Mazer Corp.	Target Management and Leasing, Inc.	\$780,000	Dayton Area
River's Edge Utility, Inc.	Wastewater One, LLC	\$11,000	Louisville Area
K-Kitz, Inc.	Bacterin International Holdings, Inc.	Undisclosed	Columbus Area
Capital Media Group, LLC	Digitex Computer Products, Inc.	Undisclosed	Columbus Area
Lynn's Associate Services	Ed Broerman Heating & Cooling, Inc.	Undisclosed	Dayton Area
North Coast Custom Molding Inc.	Ball, Bounce, and Sport Inc.	Undisclosed	Columbus Area
The New Washington State Bank (Branch Office)	River Valley Financial Bank	Undisclosed	Louisville Area
Gary Yagley Broker LLC	Bailey Green Inc.	Undisclosed	Dayton Area
Big Run Urgent Care, Ltd.	Urgent Care Specialists, LLC	Undisclosed	Columbus Area
Mount Carmel Health System, Inc.	Urgent Care Specialists, LLC	Undisclosed	Columbus Area
Alley Cat Embroidery	Alley Cat Designs, Inc.	Undisclosed	Dayton Area

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

Deals of Local Interest (Cincinnati-based Buyers or Sellers)		
Target	Buyers/Investors	Deal Value
Hillman Companies Inc.	Oak Hill Capital Partners	\$815,000,000
Cyrus Networks LLC	Cincinnati Bell Technology Solutions Inc.	\$525,000,000
K-Tron International, Inc.	Hillenbrand, Inc.	\$441,260,000
Integra Bank N.A. (3 Banking Offices & Mortgage Loans)	United Community Bank	\$105,400,000
Convergys Corporation (HR Management Business)	NorthgateArinso, Inc.	\$100,000,000
Quick-Tag, Inc.	Hillman Companies Inc.	\$11,500,000
Procter & Gamble Co. (Bibsters® Product Line)	Hamco, Inc.	\$1,800,000
TransCare Of Kentucky, Inc.	Rural/Metro Corp.	\$1,400,000
TriVirix International Inc.	Nortech Systems Inc.	\$403,000
Liberty Savings Bank, F.S.B (Two Branches)	First Commercial Bank	Undisclosed
Canterbury International Inc.	The Verdin Company	Undisclosed
Alliance - Saint-Laurent Caskets, Inc.	Aurora Casket Company, Inc.	Undisclosed
Kroger Personal Finance, LLC	U.S. Bank	Undisclosed
Employer Health Care Alliance	Employers Health Coalition of Ohio, Inc.	Undisclosed
Supervalu Inc., (Bigg's store in Harrison)	Remke Markets, Inc.	Undisclosed
Albright Consulting Inc.	Clark Schaefer Hackett & Co.	Undisclosed
CardioPolymers, Inc.	Lonestar Heart, Inc.	Undisclosed
Cincinnati Dental Services Inc. (Non-Clinical Assets)	American Dental Partners, Inc.	Undisclosed
Natura Pet Products, Inc.	Procter & Gamble Co.	Undisclosed
RPC Mechanical Services	Thomas J. Dyer Company, Inc.	Undisclosed
Kattus Pro Team Sports, Inc.	Sport Supply Group, Inc	Undisclosed
Boutique Media Group, LLC	ST Media Group International, Inc.	Undisclosed
Rib Loc Pipe Pty Ltd.	CONTECH Construction Products, Inc.	Undisclosed
Kadient, Inc.	The Sant Corporation	Undisclosed
Xanodyne Pharmaceuticals, Inc. (Global Rights of Lysteda)	Ferring Holding SA	Undisclosed
El DuPont de Nemours & Co. (Two Product Lines)	Ticona Polymers, Inc.	Undisclosed
VICTORY Industrial Products, LLC	The Armor Group, Inc.	Undisclosed
Performance Realty	Coldwell Banker West Shell, Inc.	Undisclosed
West Shell Commercial, Inc.	Colliers Int'l Property Consultants, Inc.	Undisclosed
Justice & Young, Inc.	Strata-G Communications, Inc.	Undisclosed
RxFreecard.com	Triplefin LLC	Undisclosed
Novarra, Inc.	Nokia Corporation	Undisclosed
Symbios Clinical, Inc.	Medpace, Inc.	Undisclosed
Tradewinds Beverage Company	Sweet Leaf Tea Company	Undisclosed

The Malibu Group is comprised of the most experienced group of M&A and strategic finance experts in our region. We have extensive experience in divestitures, acquisitions, due diligence, valuations and financing.

Our specialized expertise helps our clients achieve better value, identify better transaction partners, reach smarter decisions, and negotiate more favorable outcomes.

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