

Considering Capital Transactions

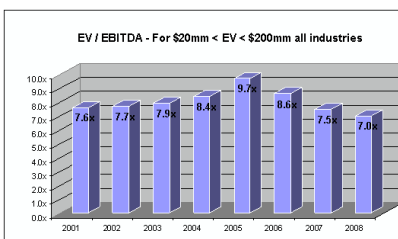
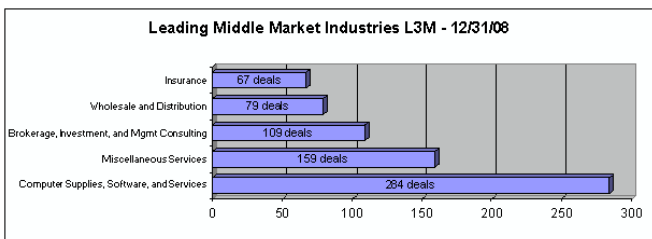
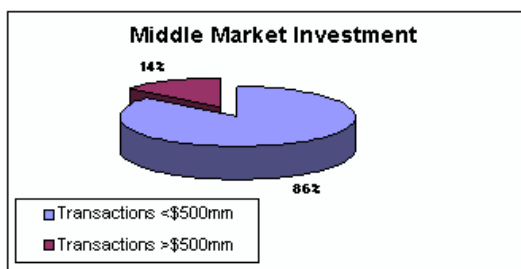
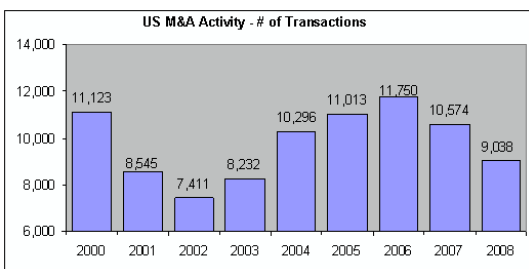
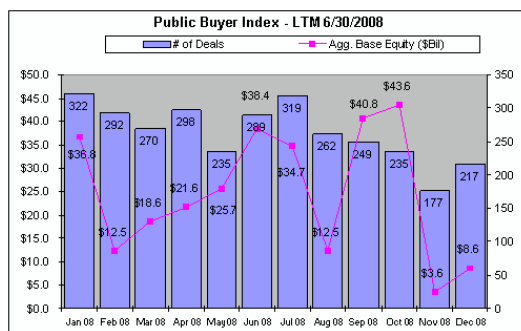
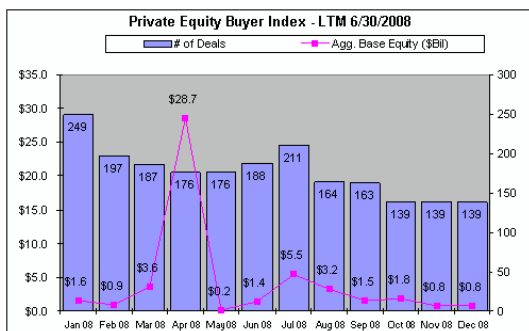
The M&A numbers confirm what every news source has been reporting - times are tough. The fourth quarter of 2008 was an anemic end to a difficult year, though not appreciably worse than the third quarter. Fewer transactions were consummated at all tranches of the middle market, and at lower valuations than in the recent past. This held true both for private equity and public buyers. A longer time horizon, however, reveals a picture that is in line with historic M&A volume - more transactions were made in 2008 than in 2001, 2002, and 2003.

As expected, the vast majority of companies that were bought and sold had enterprise values of less than \$500 million. All industries reported downturns, with the curious exception of Packaging and Containers which reported a modest uptick in number of transactions. The top five leading industries were (1) Computer Supplies, Software, and Services, (2) Miscellaneous Services, (3) Brokerage, Investment, and Management Consulting, (4) Wholesale and Distribution, and (5) Insurance.

Note: The data source used was FactSet MergerStat.

US Lower Middle Market M&A Transaction Metrics

Deal Size (\$ mm)	Number of Transactions			Aggregate Base Equity (\$ mm)		
	12/31/2008	12/31/2007	Change	12/31/2008	12/31/2007	Change
\$100 - \$250	172	249	-31%	28	40	-29%
\$50 - \$100	169	291	-42%	12	20	-40%
\$25 - \$50	218	323	-33%	8	11	-31%
\$10 - \$25	270	421	-36%	4	7	-35%
Under \$10	381	685	-44%	2	3	-41%
Total	1,210	1,969	-39%	54	81	-33%



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