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M&A  
Market  
Analysis  
October 2009

MERGER TRACKER

Monthly Overview of Global  
Middle-Market M&A Activity

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## OVERVIEW

While the results for September indicated continued weakness in M&A activity compared with the corresponding period last year, we continue to see signs which indicating a possible pickup in activity might be just around the corner. These signs include a surging stock market, near-record amount of private-equity capital available for investment, and increased optimism that the worst of the economic downturn and financial crisis has passed. These factors have contributed to the recent uptick in the \$1 billion-plus transactions announced over the past month. While the economic outlook remains uncertain, we sense a more positive tone and outlook among our clients and an increased willingness to entertain and consider acquisition opportunities. However, it will still take at least several months before this activity translates into actual announced transactions. As a result, we expect the announced transaction activity over the next several months to remain at or near the current depressed levels and will likely result in 2009 totals that are significantly below 2008 results.

## GLOBAL M&A HIGHLIGHTS

M&A activity continued to show broad weakness across virtually all major geographic regions.

- For September, the number of announced global transactions totaled 2,706, a decline of 20.7% compared with the corresponding period last year. The total disclosed dollar volume for the month was \$204.7 billion. Although this was a decline of 9.8% compared with the corresponding period last year, it represented the second-highest monthly total over the past 12 months due to a flurry of billion-dollar public-company transactions announced during the month.
- For the year-to-date period, the total number of transactions is down double digits both in aggregate and for each individual geographic region compared with the corresponding period last year. Overall, the year-to-date total number of transactions has declined 18.8%, ranging from a 13.7% decline for Europe to a 35.0% decline for Latin America. The announced dollar volume has experienced a much steeper decline, with the year-to-date volume of just \$1.43 trillion representing a decline of 36.5% compared with the corresponding period last year. This decline is primarily attributable to significant declines in the two most active markets, Europe and North America.
- The total number of announced global middle-market transactions declined 28.5% compared with the corresponding period last year, driven by sizable double-digit declines in all regions. The total dollar volume of announced transactions declined 20.8% compared with the corresponding period last year, as an 11.2% increase in activity for Asia-Pacific helped offset sizable double digit-declines in both Europe and North America.

## U.S. M&A HIGHLIGHTS

U.S. M&A activity in September was mixed, as the results showed an increase in announced dollar volume despite another sizable decline in the number of transactions.

- Announced U.S. M&A activity in September totaled just 640 transactions, a decline of 36.1% compared with the corresponding period last year and also significantly below the trailing-12-month monthly average of 759.
- However, a number of public companies announced billion-dollar-plus transactions, driving the disclosed transaction dollar volume total to its second highest monthly total since July 2009. Although the \$97.3 billion was just a 2.4% increase compared with corresponding period last year, it was significantly above the trailing-12-month monthly average of \$60.0 billion.
- Middle-market activity for the month was not as strong, as the number of deals declined 41.4% compared with the corresponding period last year, while the announced dollar volume declined 38.3%.
- There were 86 private-equity transactions, less than one-half of the number in the corresponding period last year and also well below the monthly average of 113. The trailing-12-month monthly average of 113 transactions represents a decline of 32.3% compared with the monthly average of 167 transactions in the corresponding period last year. This decline in the average number of monthly transactions is significantly larger than the 22.9% decline for the overall market, underscoring the severity of the drop in private-equity activity both in relative terms and relative to the overall market.

- The total disclosed dollar value for the month was \$13.7 billion, a 29.8% increase compared with the corresponding period last year and also well above the monthly average of \$9.2 billion. This increase in volume was attributable to a number of larger transactions, resulting in a fourfold increase in dollar volume.
- The computer and electronics sector remains the most active for private-equity investors, with 243 announced transactions year-to-date. This total remains nearly twice the number of healthcare deals, which remains the second most active industry, just barely ahead of the professional services category. These three industries alone continue to represent slightly more than 50% of the total year-to-date announced deals. The finance sector is by far the most active area based on dollar volume, with \$28.1 billion in announced year-to-date dollar volume, representing more than one-third of the total.
- Overall EBITDA multiples continue to decline, reflecting the slowdown in the economy and reduced competition between strategic buyers and private-equity firms. For the overall market, the valuation multiple has declined to 7.5x EBITDA, compared with 9.3x for 2008. In the middle market, the multiple has declined from 8.2x EBITDA in 2008 to 7.1x EBITDA.

### EUROPEAN M&A HIGHLIGHTS

European M&A activity also continues to trail the prior-year levels, with continued sizable across-the-board declines.

- The total number of announced deals for the month was 1,149, a 9.7% decline compared with the corresponding period last year. This total was also below the trailing-12-month monthly average of 1,243.
- The total dollar volume for the month was \$92.5 billion, a decline of 17.7% compared with the corresponding period last year, although it was the second-highest monthly total for the year and nearly twice the total for the prior month, as well as significantly above the trailing-12-month monthly average of \$66.4 billion.
- European middle-market activity was just 412 announced deals, down 22.1% compared with the corresponding period last year, while the dollar volume of \$22.6 billion represented a 39.9% decline.
- The median enterprise value/EBITDA multiple for all European transactions continues to decline, coming in at 7.2x EBITDA for the LTM period, down from 9.4x for all of 2008 and 11.0x for 2007. For middle-market deals over the past 12 months, the median enterprise value/EBITDA multiple has declined to 6.8x, down from 8.6x for 2008.

- Global M&A activity continues to show substantial declines compared with activity in the prior periods.
- For September, the number of announced global transactions totaled 2,706, a decline of 20.7% compared with the corresponding period last year. The total disclosed dollar volume for the month was \$204.7 billion. Although this was a decline of 9.8% compared with the corresponding period last year, it represented the second-highest monthly total over the past 12 months due to a flurry of billion-dollar public-company transactions announced during the month.
- For the year-to-date period, the total number of transactions is down double digits both in aggregate and for each individual geographic region compared with the corresponding period last year. Given the current level of activity, it is likely that the 2009 full-year totals will fall far short of the totals reached in 2008. Overall, the year-to-date total number of transactions has declined 18.8%, ranging from a 13.7% decline for Europe to a 35.0% decline for Latin America.
- The announced dollar volume has experienced a much steeper decline, with the year-to-date volume of just \$1.43 trillion representing a decline of 36.5% compared with the corresponding period last year. This decline is primarily attributable to significant declines in the two most active markets, with Europe experiencing a 51.9% decline compared with the corresponding period last year and North America experiencing a 39.2% decline.

## Global M&amp;A Activity Detail

	NUMBER OF DEALS				DEAL VALUE			
	2007	2008	2009	% Change	2007	2008	2009	% Change
				'09 vs. '08				'09 vs. '08
<b>SEPTEMBER</b>								
North America	928	974	580	(40.5%)	\$52,932	\$81,461	\$54,322	(33.3%)
Latin America	97	92	62	(32.6%)	\$5,471	\$4,089	\$16,408	301.3%
Europe	1,021	1,093	1,034	(5.4%)	\$78,183	\$94,087	\$67,201	(28.6%)
Africa / Middle East	80	86	54	(37.2%)	\$9,726	\$3,681	\$10,187	176.7%
Asia Pacific	1,172	1,169	976	(16.5%)	\$42,837	\$43,719	\$56,664	29.6%
<b>TOTAL</b>	<b>3,298</b>	<b>3,414</b>	<b>2,706</b>	<b>(20.7%)</b>	<b>\$189,149</b>	<b>\$227,037</b>	<b>\$204,782</b>	<b>(9.8%)</b>
<b>YTD</b>								
North America	9,227	8,239	6,217	(24.5%)	\$1,324,703	\$844,790	\$513,326	(39.2%)
Latin America	919	822	534	(35.0%)	\$63,997	\$76,094	\$62,303	(18.1%)
Europe	9,623	10,982	9,482	(13.7%)	\$1,382,725	\$881,397	\$423,887	(51.9%)
Africa / Middle East	532	788	543	(31.1%)	\$70,498	\$44,240	\$49,135	11.1%
Asia Pacific	10,181	10,731	8,860	(17.4%)	\$476,176	\$415,273	\$387,428	(6.7%)
<b>TOTAL</b>	<b>30,482</b>	<b>31,562</b>	<b>25,636</b>	<b>(18.8%)</b>	<b>\$3,318,098</b>	<b>\$2,261,793</b>	<b>\$1,436,078</b>	<b>(36.5%)</b>
<b>LTM</b>								
North America	11,684	11,443	8,666	(24.3%)	\$1,816,724	\$1,135,692	\$623,480	(45.1%)
Latin America	1,149	1,113	781	(29.8%)	\$91,577	\$105,718	\$91,004	(13.9%)
Europe	12,366	14,677	12,384	(15.6%)	\$1,835,800	\$1,296,746	\$578,927	(55.4%)
Africa / Middle East	656	1,030	745	(27.7%)	\$82,545	\$80,968	\$60,106	(25.8%)
Asia Pacific	13,179	14,627	12,275	(16.1%)	\$656,787	\$598,363	\$524,265	(12.4%)
<b>TOTAL</b>	<b>39,034</b>	<b>42,890</b>	<b>34,851</b>	<b>(18.7%)</b>	<b>\$4,483,433</b>	<b>\$3,217,487</b>	<b>\$1,877,781</b>	<b>(41.6%)</b>

Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

## Middle-Market Regional Transactions

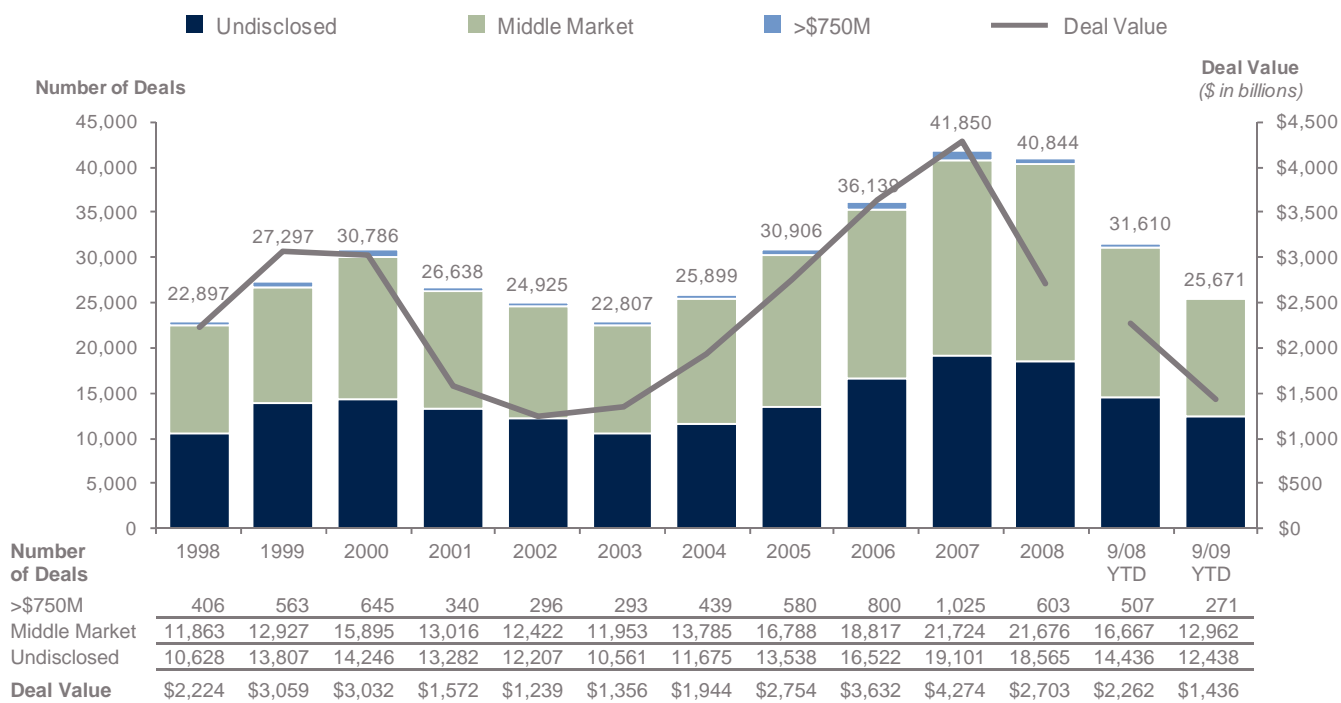
- Global middle-market activity also remains weak, although results for the month were somewhat mixed.
- In September, the total number of announced middle-market transactions declined 28.5% compared with the corresponding period last year, driven by sizable double-digit declines in all regions.
- The total dollar volume of announced transactions declined 20.8% compared with the corresponding period last year, as an 11.2% increase in activity for Asia-Pacific helped offset sizable double-digit declines in both Europe and North America.
- As is the case with the overall market, all regions remain solidly down for the year-to-date period compared with the corresponding period last year, and it appears highly unlikely that the current pace of activity will result in full-year totals anywhere near the 2008 levels.
- Overall, the total year-to-date number of transactions has declined 22.2% compared with the corresponding period last year, with three of the five regions experiencing declines in excess of 30%.
- The year-to-date disclosed dollar volume also remains significantly below the corresponding period last year. The current dollar volume of \$519.0 billion is 42.8% below the corresponding period last year. Latin America has experienced the smallest decline, at 15.9%, while European activity has experienced the largest decline, at 57.7%.

## Global Middle-Market M&amp;A Activity Detail

	NUMBER OF DEALS				DEAL VALUE			
	2007	2008	% Change		2007	2008	% Change	
			2009	'09 vs. '08			2009	'09 vs. '08
<b>SEPTEMBER</b>								
North America	320	443	251	(43.3%)	\$26,037	\$27,765	\$17,931	(35.4%)
Latin America	58	44	29	(34.1%)	\$4,623	\$2,994	\$3,221	7.6%
Europe	451	431	239	(44.5%)	\$34,983	\$28,643	\$18,486	(35.5%)
Africa / Middle East	55	44	25	(43.2%)	\$5,393	\$2,605	\$1,134	(56.5%)
Asia Pacific	887	864	762	(11.8%)	\$29,416	\$25,984	\$28,903	11.2%
<b>TOTAL</b>	<b>1,771</b>	<b>1,826</b>	<b>1,306</b>	<b>(28.5%)</b>	<b>\$100,452</b>	<b>\$87,992</b>	<b>\$69,673</b>	<b>(20.8%)</b>
<b>YTD</b>								
North America	3,039	3,520	2,867	(18.6%)	\$297,264	\$243,344	\$139,033	(42.9%)
Latin America	478	420	276	(34.3%)	\$39,636	\$30,123	\$25,337	(15.9%)
Europe	4,017	4,293	2,898	(32.5%)	\$367,032	\$340,176	\$144,017	(57.7%)
Africa / Middle East	355	434	298	(31.3%)	\$31,643	\$29,516	\$16,453	(44.3%)
Asia Pacific	7,735	7,999	6,623	(17.2%)	\$277,015	\$263,842	\$194,144	(26.4%)
<b>TOTAL</b>	<b>15,624</b>	<b>16,666</b>	<b>12,962</b>	<b>(22.2%)</b>	<b>\$1,012,590</b>	<b>\$907,001</b>	<b>\$518,984</b>	<b>(42.8%)</b>
<b>LTM</b>								
North America	3,890	4,680	3,974	(15.1%)	\$384,519	\$333,162	\$181,946	(45.4%)
Latin America	588	587	406	(30.8%)	\$50,660	\$46,549	\$31,506	(32.3%)
Europe	5,351	5,837	3,976	(31.9%)	\$488,253	\$469,537	\$203,574	(56.6%)
Africa / Middle East	437	581	415	(28.6%)	\$40,153	\$41,565	\$23,549	(43.3%)
Asia Pacific	10,019	11,079	9,200	(17.0%)	\$362,498	\$380,892	\$264,434	(30.6%)
<b>TOTAL</b>	<b>20,285</b>	<b>22,764</b>	<b>17,971</b>	<b>(21.1%)</b>	<b>\$1,326,082</b>	<b>\$1,271,706</b>	<b>\$705,010</b>	<b>(44.6%)</b>

Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

Global M&A Activity



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

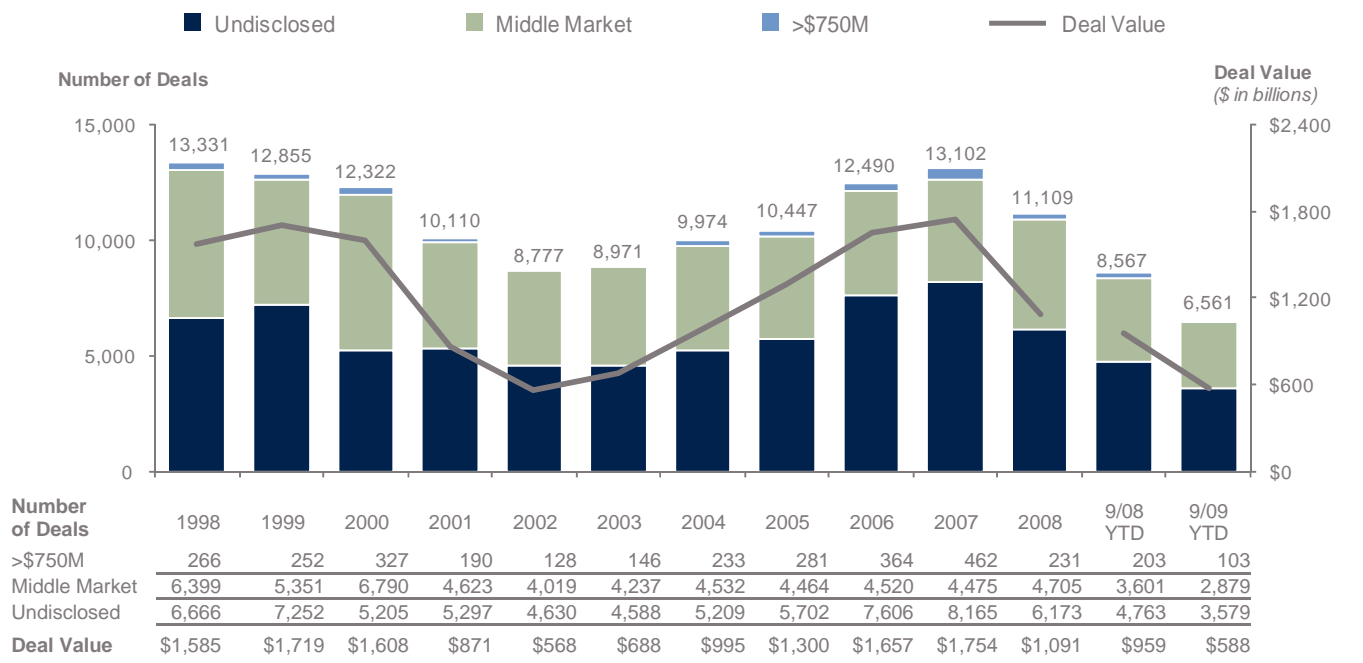
- Announced U.S. M&A activity in September totaled just 640 transactions, a decline of 36.1% compared with the corresponding period last year and also significantly below the trailing-12-month monthly average of 759.
- However, a number of public companies announced billion-dollar-plus transactions, driving the disclosed transaction dollar volume total to its second highest monthly total since July 2009. Although the \$97.3 billion was just a 2.4% increase compared with corresponding period last year, it was significantly above the trailing-12-month monthly average of \$60.0 billion.
- Middle-market activity for the month was not as strong, as the number of deals declined 41.4% compared with the corresponding period last year, while the announced dollar volume declined 38.3%.
- Year-to-date, total U.S. dollar volume has declined 38.7% compared with the corresponding period last year, although the decline in the number of transactions has been less dramatic, down 23.4%.
- Overall, the lower end of the middle market continues to show the most strength, with the year-to-date number of transactions in the less-than-\$50 million segment declining just 2.2% compared with the corresponding period last year. Although this segment has experienced the smallest percentage decline in year-to-date dollar volume, it has still experienced a double digit decline of 20.7%.

## U.S. M&amp;A Activity Detail

	NUMBER OF DEALS				DEAL VALUE			
	2007	2008	2009	% Chg. '09 vs. '08	2007	2008	2009	% Chg. '09 vs. '08
<b>SEPTEMBER</b>								
< \$50M	199	294	176	(40.1%)	\$3,090	\$3,837	\$2,191	(42.9%)
\$50M-\$250M	99	114	56	(50.9%)	\$11,068	\$13,196	\$6,451	(51.1%)
\$250M-\$750M	41	39	30	(23.1%)	\$17,771	\$17,719	\$12,784	(27.8%)
<b>Total Middle-Market</b>	<b>339</b>	<b>447</b>	<b>262</b>	<b>(41.4%)</b>	<b>\$31,929</b>	<b>\$34,751</b>	<b>\$21,427</b>	<b>(38.3%)</b>
Monthly Average	358	400	332	(17.1%)	\$38,263	\$34,812	\$17,853	(48.7%)
> 750M	18	14	19	35.7%	\$30,204	\$60,251	\$75,900	26.0%
Undisclosed	640	540	359	(33.5%)	–	–	–	–
<b>Total Deals</b>	<b>997</b>	<b>1,001</b>	<b>640</b>	<b>(36.1%)</b>	<b>\$62,134</b>	<b>\$95,002</b>	<b>\$97,327</b>	<b>2.4%</b>
Monthly Average	1,065	984	759	(22.9%)	\$161,773	\$108,451	\$59,957	(44.7%)
<b>YTD</b>								
< \$50M	1,799	2,230	2,181	(2.2%)	\$30,156	\$33,676	\$26,698	(20.7%)
\$50M-\$250M	995	997	517	(48.1%)	\$114,152	\$112,365	\$59,713	(46.9%)
\$250M-\$750M	477	374	181	(51.6%)	\$207,318	\$158,473	\$75,345	(52.5%)
<b>Total Middle-Market</b>	<b>3,271</b>	<b>3,601</b>	<b>2,879</b>	<b>(20.0%)</b>	<b>\$351,626</b>	<b>\$304,514</b>	<b>\$161,756</b>	<b>(46.9%)</b>
> 750M	364	203	103	(49.3%)	\$1,059,612	\$654,607	\$426,279	(34.9%)
Undisclosed	6,229	4,763	3,579	(24.9%)	–	–	–	–
<b>Total Deals</b>	<b>9,864</b>	<b>8,567</b>	<b>6,561</b>	<b>(23.4%)</b>	<b>\$1,411,238</b>	<b>\$959,121</b>	<b>\$588,035</b>	<b>(38.7%)</b>
<b>LTM</b>								
< \$50M	2,372	2,952	3,037	2.9%	\$40,094	\$44,644	\$38,120	(14.6%)
\$50M-\$250M	1,306	1,330	715	(46.2%)	\$151,240	\$152,166	\$81,500	(46.4%)
\$250M-\$750M	616	523	231	(55.8%)	\$267,827	\$220,937	\$94,614	(57.2%)
<b>Total Middle-Market</b>	<b>4,294</b>	<b>4,805</b>	<b>3,983</b>	<b>(17.1%)</b>	<b>\$459,161</b>	<b>\$417,747</b>	<b>\$214,234</b>	<b>(48.7%)</b>
> 750M	474	301	131	(56.5%)	\$1,482,112	\$883,668	\$505,252	(42.8%)
Undisclosed	8,009	6,699	4,989	(25.5%)	–	–	–	–
<b>Total Deals</b>	<b>12,777</b>	<b>11,805</b>	<b>9,103</b>	<b>(22.9%)</b>	<b>\$1,941,273</b>	<b>\$1,301,416</b>	<b>\$719,485</b>	<b>(44.7%)</b>

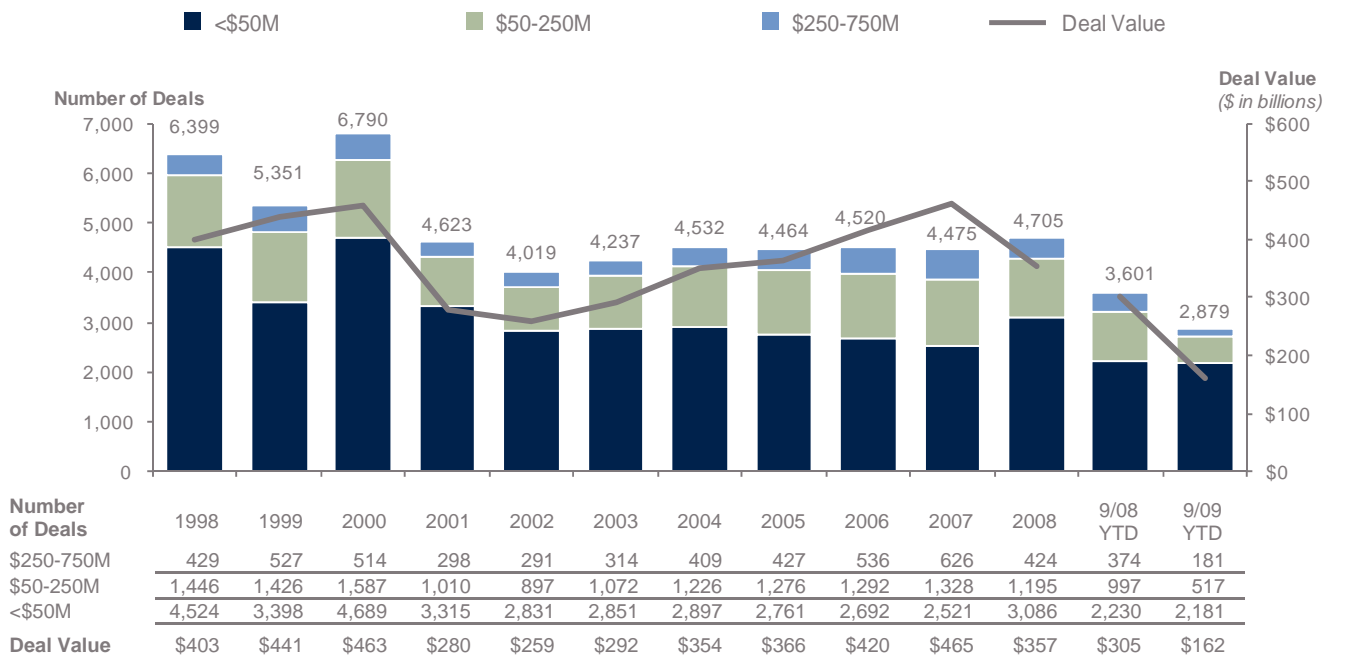
Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

U.S. M&A Activity



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

U.S. Middle-Market M&A Activity



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

Valuation Multiples

- Overall, acquisition multiples as measured by enterprise value/EBITDA remain well below their 2008 levels, reflecting the uncertain economic outlook, reduced corporate profits, tight credit markets, volatile equity markets, and reduced competition between strategic and financial buyers.
- The one-week and four-week acquisition premiums paid for public companies remain at their highest levels in more than a decade. However, given the recent sharp rebound in equity prices, we believe that these premiums will likely begin to trend lower.

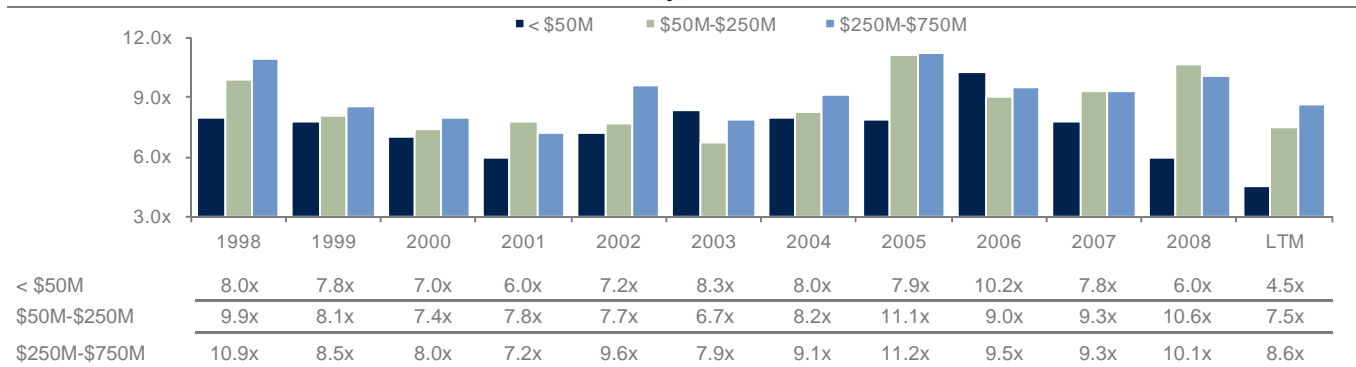
U.S. EV/EBITDA Valuation Multiples<sup>(1)</sup>



(1) Effective with the July 2009 issue, we revised our parameters to exclude transactions in the financial institutions sector. All periods have been recalculated and the current results are not comparable to those published prior to July 2009.

Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

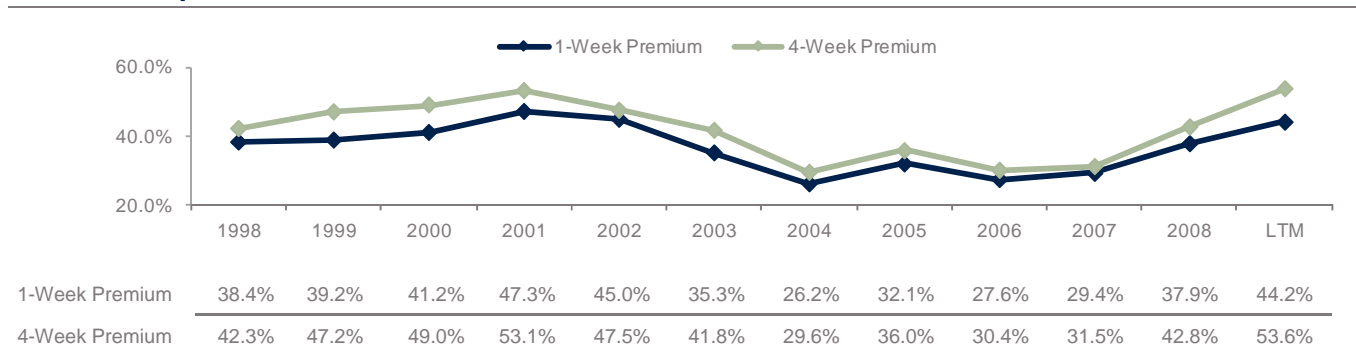
U.S. EV/EBITDA Middle-Market Valuation Multiples<sup>(1)</sup>



(1) Effective with the July 2009 issue, we revised our parameters to exclude transactions in the financial institutions sector. All periods have been recalculated and the current results are not comparable to those published prior to July 2009.

Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

Median Acquisition Premiums



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

## Private-Equity Transaction Analysis

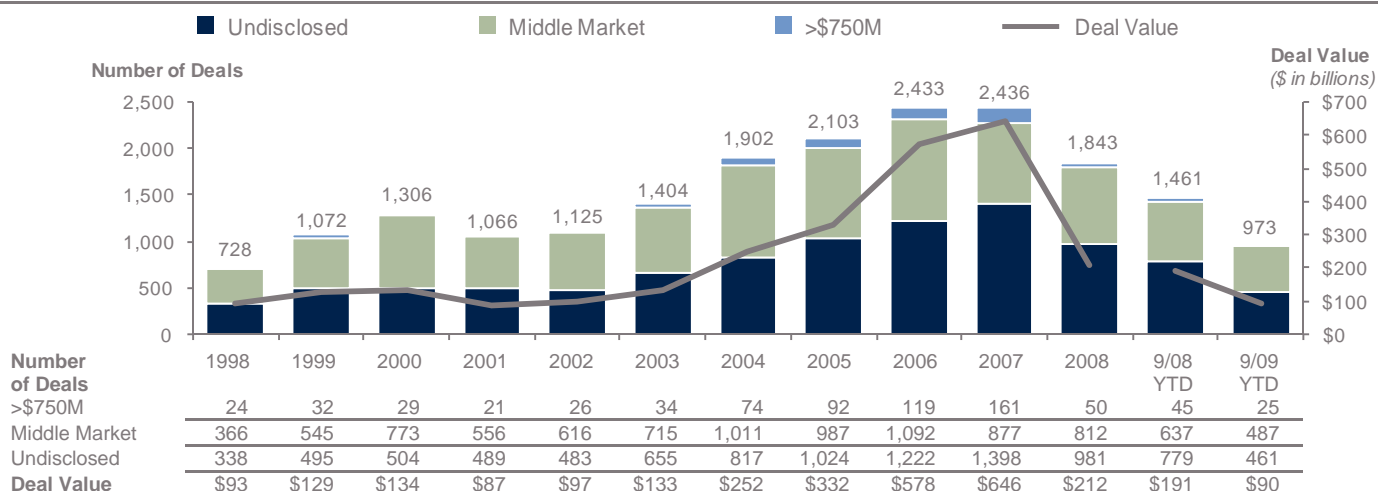
- September had just 86 private-equity transactions, less than one-half of the number in the corresponding period last year and also well below the monthly average of 113.
- The total disclosed dollar value for the month was \$13.7 billion, a 29.8% increase compared with the corresponding period last year and also well above the monthly average of \$9.2 billion. This increase in volume was attributable to a number of larger transactions, resulting in a fourfold increase in dollar volume.
- Year-to-date, there have been just 973 announced transactions, 33.4% less than the corresponding period last year, and almost 50% below the 2007 total. The dollar volume has experienced an even more dramatic decline, down 52.8% compared with the corresponding period last year and down a staggering 83.8% compared with 2007.

### U.S. Private-Equity Activity Detail

	NUMBER OF DEALS				DEAL VALUE			
	2007	2008	2009	% Chg. '09 vs. '08	2007	2008	2009	% Chg. '09 vs. '08
<b>SEPTEMBER</b>								
Middle-Market	67	84	34	(59.5%)	\$9,138	\$8,619	\$4,102	(52.4%)
Monthly Average	75	70	55	(21.3%)	\$11,830	\$8,865	\$3,790	(57.2%)
> 750M	6	1	5	400.0%	\$10,747	\$1,903	\$9,554	402.1%
Undisclosed	127	102	47	(53.9%)	–	–	–	–
<b>Total Deals</b>	<b>200</b>	<b>187</b>	<b>86</b>	<b>(54.0%)</b>	<b>\$19,885</b>	<b>\$10,522</b>	<b>\$13,656</b>	<b>29.8%</b>
Monthly Average	205	167	113	(32.3%)	\$63,802	\$23,284	\$9,223	(60.4%)
<b>YTD</b>								
Middle-Market	673	637	487	(23.5%)	\$109,569	\$77,446	\$33,707	(56.5%)
> 750M	135	45	25	(44.4%)	\$448,312	\$113,733	\$56,437	(50.4%)
Undisclosed	1,089	779	461	(40.8%)	–	–	–	–
<b>Total Deals</b>	<b>1,897</b>	<b>1,461</b>	<b>973</b>	<b>(33.4%)</b>	<b>\$557,881</b>	<b>\$191,180</b>	<b>\$90,144</b>	<b>(52.8%)</b>
<b>LTM</b>								
Middle-Market	896	841	662	(21.3%)	\$141,962	\$106,377	\$45,483	(57.2%)
> 750M	169	71	30	(57.7%)	\$623,656	\$173,026	\$65,187	(62.3%)
Undisclosed	1,392	1,088	663	(39.1%)	–	–	–	–
<b>Total Deals</b>	<b>2,457</b>	<b>2,000</b>	<b>1,355</b>	<b>(32.3%)</b>	<b>\$765,618</b>	<b>\$279,403</b>	<b>\$110,670</b>	<b>(60.4%)</b>

Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

### U.S. Private-Equity Activity



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

## Private-Equity Transaction Analysis (cont'd)

- The computer and electronics sector remains the most active sector for private-equity investors, with 243 announced transactions year-to-date. This total remains nearly twice the number of healthcare deals, which remains the second-most-active industry, just barely ahead of the professional services category. These three industries alone continue to represent slightly more than 50% of the total year-to-date announced deals.
- The finance sector is by far the most active area based on dollar volume, with \$28.1 billion in announced year-to-date dollar volume, representing more than one-third of the total. Taking over second place is computers and electronics, with \$13.4 billion, while healthcare slipped to third place with \$11.7 billion.

## Private Equity Activity by Target Sector

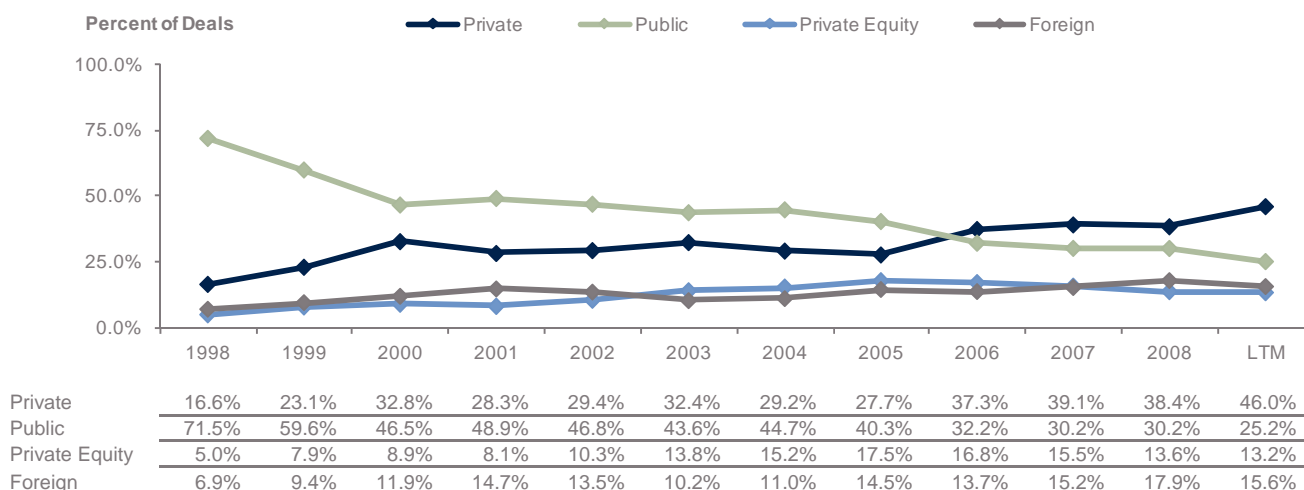
	NUMBER OF DEALS				DOLLAR VOLUME			
	2006	2007	2008	2009 YTD	2006	2007	2008	2009 YTD
Aerospace	17	19	11	6	\$4,947	\$7,769	\$2,555	\$1,050
Agribusiness	9	7	7	3	–	\$75	\$150	\$50
Auto/Truck	57	55	45	27	\$5,266	\$19,588	\$746	\$597
Chemicals	61	78	54	21	\$14,190	\$18,982	\$5,350	\$808
Computers & Electronics	495	404	382	243	\$56,687	\$44,006	\$22,886	\$13,371
Construction/Building	94	86	77	32	\$10,229	\$15,855	\$3,504	\$611
Consumer Products	96	132	67	24	\$9,650	\$15,922	\$5,947	\$1,590
Defense	3	7	4	1	\$410	\$905	\$25	\$214
Dining & Lodging	49	46	29	12	\$19,024	\$39,553	\$3,710	\$739
Finance	81	127	97	53	\$20,757	\$77,639	\$33,303	\$28,143
Food & Beverage	64	57	55	23	\$9,952	\$16,277	\$8,380	\$5,024
Forestry & Paper	23	28	14	2	\$5,136	\$7,474	\$750	–
Government	2	4	2	–	\$8	–	\$8	–
Healthcare	244	223	169	125	\$81,633	\$48,188	\$14,966	\$11,677
Holding Companies	18	25	16	3	\$4,172	\$6,801	\$1,857	\$30
Insurance	40	60	42	16	\$4,669	\$13,572	\$3,006	\$3,209
Leisure & Recreation	37	39	26	18	\$33,925	\$7,456	\$2,212	\$1,483
Machinery	70	80	53	26	\$5,374	\$4,762	\$1,791	\$1,516
Metal & Steel	61	57	45	18	\$8,124	\$6,999	\$3,027	\$630
Mining	11	15	11	5	\$1,673	\$2,630	\$911	\$14
Oil & Gas	73	59	61	21	\$12,584	\$19,089	\$8,252	\$2,627
Professional Services	328	343	247	119	\$29,767	\$41,555	\$16,103	\$2,844
Publishing	79	73	34	29	\$8,921	\$7,247	\$1,416	\$1,905
Real Estate/Property	38	41	44	14	\$77,603	\$46,315	\$4,937	\$3,350
Retail	73	93	63	38	\$37,620	\$27,125	\$4,509	\$2,135
Telecommunications	150	111	67	45	\$64,281	\$66,592	\$37,507	\$3,604
Textile	26	28	17	4	\$825	\$6,130	\$1,206	\$228
Transportation	73	83	54	20	\$20,877	\$14,720	\$3,290	\$529
Utility & Energy	61	56	41	25	\$29,494	\$62,754	\$19,371	\$2,147
<b>TOTAL</b>	<b>2,433</b>	<b>2,436</b>	<b>1,834</b>	<b>973</b>	<b>\$577,796</b>	<b>\$645,977</b>	<b>\$211,675</b>	<b>\$90,124</b>

Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

Transaction Breakdown

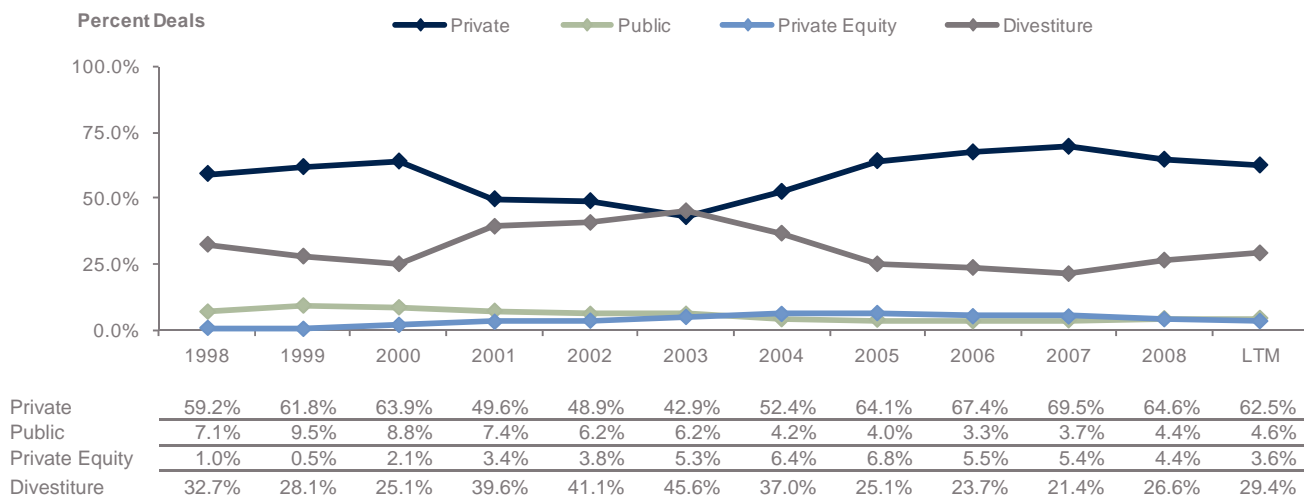
- Effective this month, we have adjusted the following two graphs to include transactions with no disclosed value, rather than just middle-market deals. Because the annual number of undisclosed deals typically exceeds the number of middle market deals, we believe that this expanded universe better represents the overall market. As a result, the numbers in prior reports are no longer comparable.
- While this change more than doubled the number of observations, it had no impact on the current results, although it yielded a shift in the historical results compared with prior reports. Looking at transactions by acquirer, the biggest impact was an across-the-board increase in the percentages attributable to private companies. Our previous data showed that private company activity overtook public activity within the past 12 months, while the revised data indicates that private companies have been increasing their share over the past three years.
- There was no significant change to the data for the activity by target, with a modest increase in the totals for private companies and a modest decline in the public company results.

U.S. Middle-Market M&A Activity by Acquirer



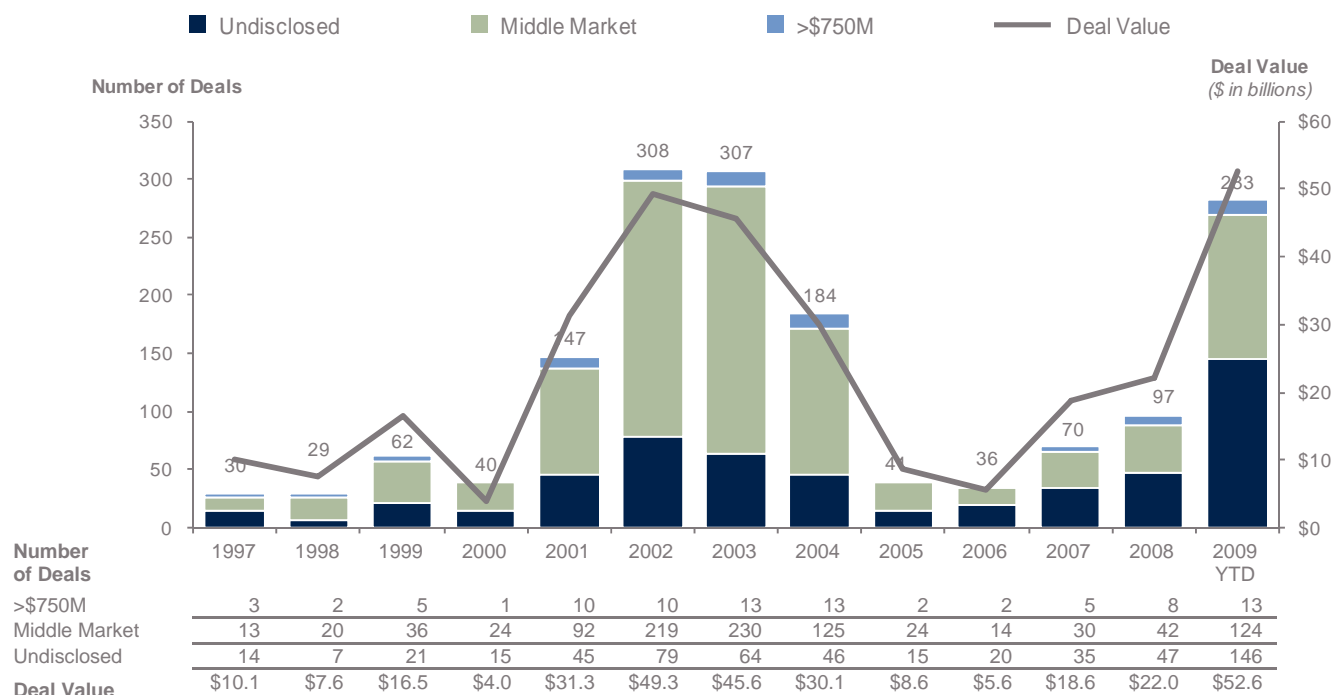
Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

U.S. Middle-Market M&A Activity by Target



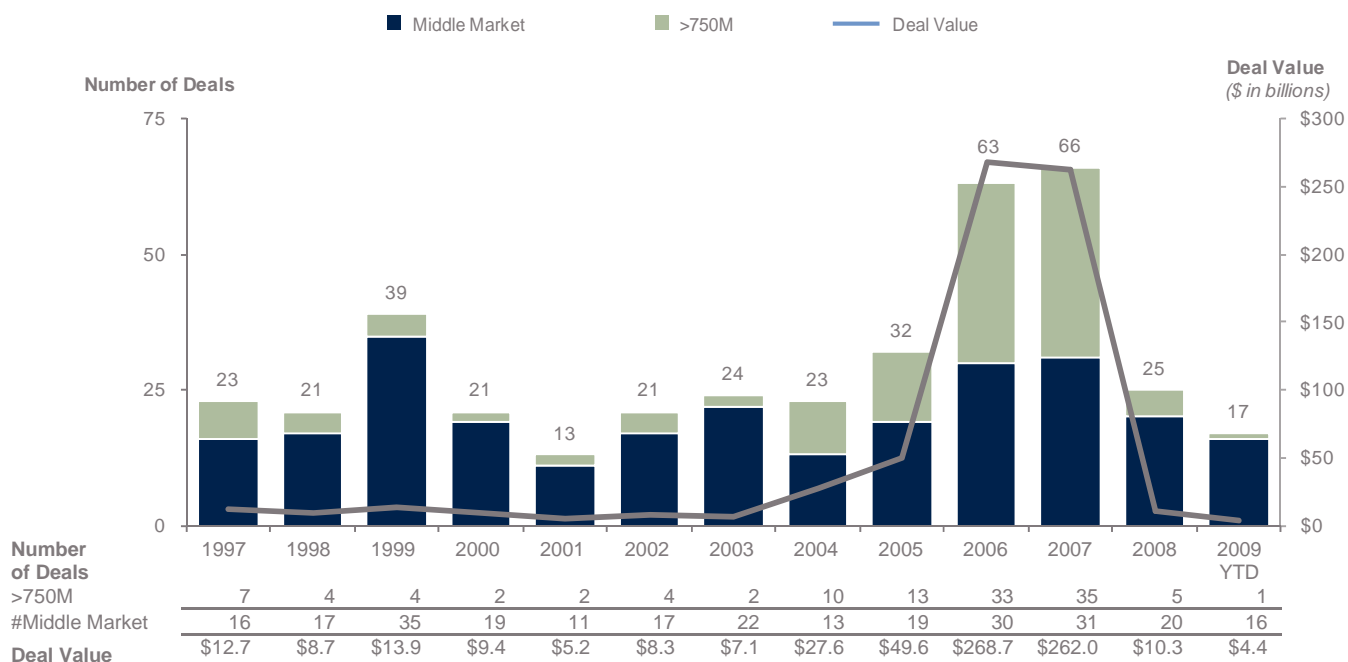
Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

### Distressed U.S. M&A Activity



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

### U.S. Take Private Transaction Activity



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

- The downturn in activity remains steep and broad, affecting virtually all industry sectors. For the overall market, just one (healthcare) of the 14 industry sectors we track currently is showing an increase in the year-to-date number of deals compared with the corresponding period last year. In terms of dollar volume, just two segments (industrial products and healthcare) are experiencing a year-over-year increase, while seven of the 14 segments (an improvement from 11 segments last month) are down in excess of 50% compared with the corresponding period last year.
- In the middle market, the picture is similar, with just two of the industries seeing an increased number of transactions compared with the corresponding period last year. In terms of dollar volume, telecom is the only sector showing an increase.

**Transaction Activity by Target Sector**

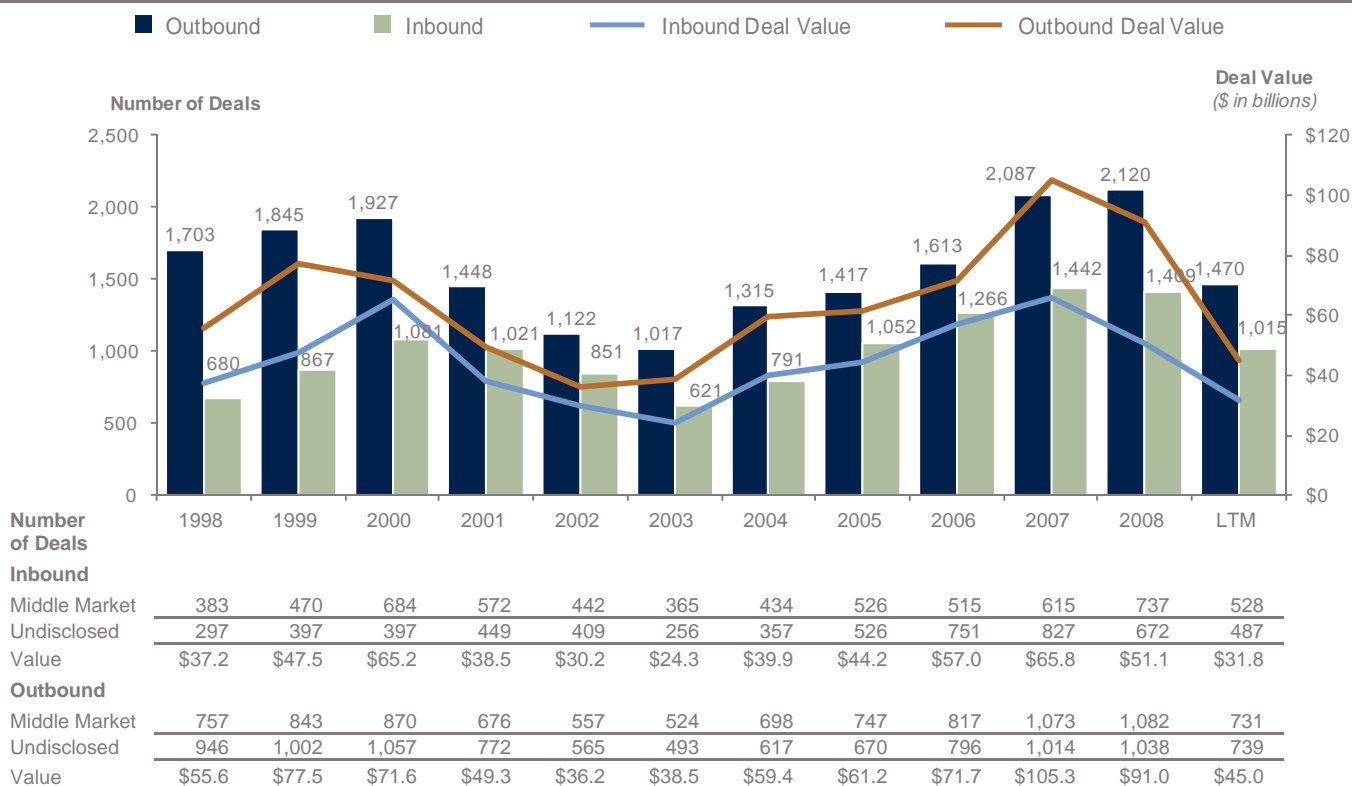
TRANSACTIONS	2006		2007		2008		2008 YTD		2009 YTD	
	Mid-Mkt	Total	Mid-Mkt	Total	Mid-Mkt	Total	Mid-Mkt	Total	Mid-Mkt	Total
Business Services	361	1708	344	1743	362	1294	269	993	238	734
Computers & Electronics	701	1,800	618	1730	724	1665	520	1225	603	1192
Construction/Building	82	407	79	398	73	311	60	264	32	149
Consumer Products	74	291	111	455	83	238	69	195	32	115
Consumer Services	241	697	176	666	150	420	117	343	119	268
Energy & Power	291	684	306	730	398	709	314	554	241	432
Financial	278	889	271	1006	254	772	189	578	120	483
Food & Beverage	57	215	41	203	47	172	40	141	26	90
Healthcare	431	962	350	934	439	879	326	655	377	661
Industrial Products	114	499	118	499	129	420	105	331	64	186
Materials	161	532	188	646	219	576	171	464	122	301
Real Estate/Property	280	548	238	558	200	424	157	315	94	185
Telecommunications	217	489	159	451	160	342	116	269	110	223
Transportation	69	222	57	250	57	198	40	158	24	75
Other	60	223	60	223	65	179	50	142	19	72
<b>TOTAL</b>	<b>3,417</b>	<b>10,166</b>	<b>3,116</b>	<b>\$10,492</b>	<b>3,360</b>	<b>8,599</b>	<b>2,543</b>	<b>6,627</b>	<b>2,221</b>	<b>5,166</b>
<b>\$ VOLUME (B)</b>										
Business Services	25.53	61.24	26.03	91.44	19.43	31.50	17.88	29.04	7.47	13.15
Computers & Electronics	43.86	115.67	42.43	119.90	28.85	75.30	24.53	68.08	15.69	48.11
Construction/Building	8.59	31.69	7.63	45.40	5.46	8.67	5.08	8.28	1.67	4.77
Consumer Products	7.31	17.55	7.51	29.01	5.15	21.29	4.94	21.07	1.17	1.93
Consumer Services	27.40	130.79	21.45	85.62	11.66	24.59	9.55	21.70	7.41	14.68
Energy & Power	34.73	160.74	44.07	210.63	45.83	103.43	39.50	89.22	20.95	37.04
Financial	32.16	174.72	33.11	210.61	24.74	147.52	19.08	119.45	10.19	74.76
Food & Beverage	7.77	11.85	4.44	30.01	4.11	98.72	3.64	95.74	1.29	16.64
Healthcare	35.56	177.87	32.37	140.85	28.14	137.69	24.16	126.09	16.72	152.06
Industrial Products	9.71	25.28	14.06	45.48	9.37	11.32	8.18	10.13	3.42	14.16
Materials	19.28	90.45	23.03	100.65	15.00	61.23	13.59	59.82	7.39	24.84
Real Estate/Property	32.16	164.89	36.65	139.39	21.17	33.40	17.85	30.08	6.41	7.71
Telecommunications	18.19	204.51	18.63	83.26	10.21	82.30	8.98	66.37	9.05	34.65
Transportation	7.63	22.14	8.94	31.25	5.02	11.73	4.26	9.82	1.70	1.70
Other	4.62	9.22	5.42	18.72	5.81	6.63	4.55	5.37	0.80	3.35
<b>TOTAL</b>	<b>\$314.50</b>	<b>\$1,398.61</b>	<b>\$325.78</b>	<b>\$1,382.23</b>	<b>\$239.96</b>	<b>\$855.32</b>	<b>\$205.75</b>	<b>\$760.27</b>	<b>\$111.33</b>	<b>\$449.54</b>
<b>ENT. VALUE/ EBITDA</b>										
Business Services	11.8x	12.1x	11.2x	13.3x	8.9x	10.8x	8.9x	10.8x	11.3x	10.6x
Computers & Electronics	14.6x	15.1x	14.7x	15.3x	13.9x	13.7x	14.5x	14.2x	10.1x	11.5x
Construction/Building	8.7x	10.7x	8.8x	10.2x	4.9x	6.4x	4.9x	6.4x	NA	NA
Consumer Products	11.0x	10.4x	10.1x	11.7x	NA	10.9x	NA	10.9x	NA	NA
Consumer Services	12.4x	13.0x	11.2x	13.4x	10.9x	11.3x	11.9x	12.1x	10.7x	10.7x
Energy & Power	11.9x	11.7x	8.0x	9.9x	12.1x	12.9x	12.1x	12.9x	6.4x	8.6x
Financial	10.6x	10.4x	10.2x	10.8x	9.5x	9.5x	9.8x	9.8x	9.0x	8.7x
Food & Beverage	7.7x	7.6x	16.0x	16.7x	4.9x	13.5x	NA	13.5x	9.0x	9.2x
Healthcare	12.8x	14.9x	10.9x	13.9x	11.1x	15.9x	4.9x	15.7x	7.1x	10.2x
Industrial Products	9.1x	11.6x	13.3x	11.6x	11.9x	11.9x	11.1x	11.9x	11.4x	11.4x
Materials	9.5x	10.7x	9.7x	9.9x	10.7x	12.1x	11.9x	12.1x	6.3x	5.9x
Real Estate/Property	11.4x	16.1x	12.1x	14.2x	20.0x	17.4x	NA	14.7x	5.7x	5.7x
Telecommunications	13.1x	13.9x	13.3x	13.7x	18.0x	12.5x	10.7x	14.0x	10.3x	10.3x
Transportation	13.4x	13.2x	11.5x	12.4x	NA	7.5x	NA	7.5x	7.3x	7.3x

Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

## Cross-Border Transaction Analysis

- Overall U.S. cross-border activity and middle-market cross-border activity continue to decline moderately from prior levels.
- For the overall market, the LTM transaction breakdown is about 60%/40% in favor of outbound transactions, similar to the totals for all of 2006 and 2007.
- In the middle market, the LTM transaction breakdown favors the outbound transactions 60% to 40%.
- For middle-market and undisclosed transactions, the most actively targeted U.S. industries by foreign buyers continue to be computers/electronics, healthcare, and professional services, which has moved past mining for third place.
- The most active foreign buyers making acquisitions in the United States are from Canada, the United Kingdom, and Japan.
- The top industries outside the United States targeted by U.S. buyers remain the same: computer/electronics, professional services, and healthcare.
- The top countries targeted by U.S. buyers were Canada followed by the United Kingdom and China.

### U.S. Middle-Market Cross-Border M&A by Number of Deals



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

**U.S. Cross-Border M&A — Number of Transactions**

	INBOUND			OUTBOUND			TOTAL		
	2007	2008	2009 YTD	2007	2008	2009 YTD	2007	2008	2009 YTD
Middle Market	615	737	385	1,073	1,082	505	1,688	1,819	890
> \$750M	93	53	16	64	37	16	157	90	32
Undisclosed	827	672	347	1,014	1,038	521	1,841	1,710	868
<b>Total</b>	<b>1,535</b>	<b>1,462</b>	<b>748</b>	<b>2,151</b>	<b>2,157</b>	<b>1,042</b>	<b>3,686</b>	<b>3,619</b>	<b>1,790</b>

**U.S. Cross-Border M&A — Transaction Value**

	INBOUND			OUTBOUND			TOTAL		
	2007	2008	2009 YTD	2007	2008	2009 YTD	2007	2008	2009 YTD
Middle Market	\$65,770	\$51,064	\$25,144	\$105,263	\$91,003	\$32,084	\$171,033	\$142,067	\$57,227
> \$750M	\$297,322	\$233,800	\$42,376	\$149,044	\$82,527	\$47,555	\$446,366	\$316,327	\$89,931
Undisclosed	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>\$363,093</b>	<b>\$284,864</b>	<b>\$67,520</b>	<b>\$254,307</b>	<b>\$173,529</b>	<b>\$79,638</b>	<b>\$617,399</b>	<b>\$458,394</b>	<b>\$147,158</b>

**U.S. Cross-Border M&A Transactions — 2009 YTD**

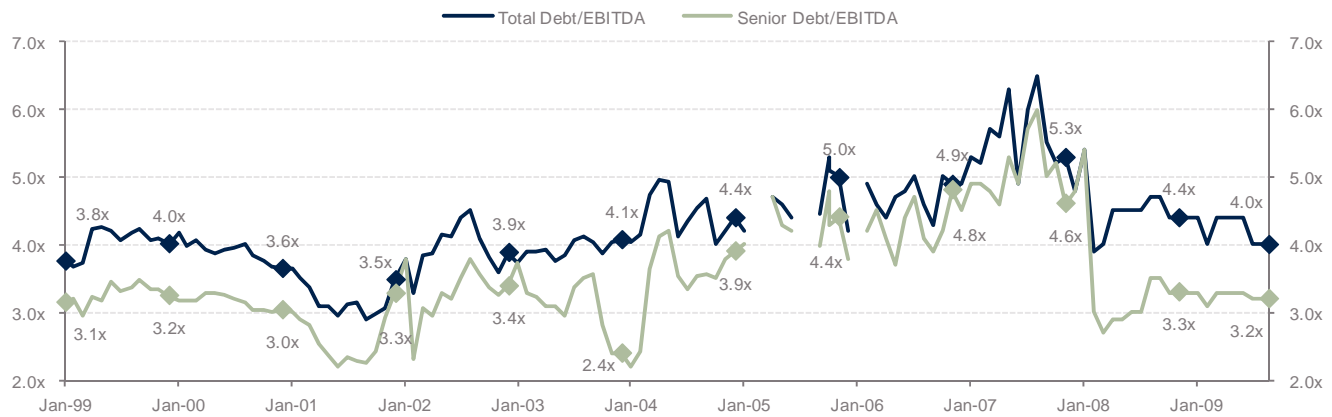
INBOUND to U.S.				OUTBOUND from U.S.			
Target Industry	Deals	Acquiror Country	Deals	Target Industry	Deals	Acquiror Country	Deals
Computers & Electronics	139	Canada	204	Computers & Electronics	203	Canada	183
Healthcare	97	United Kingdom	106	Professional Services	136	United Kingdom	123
Professional Services	62	Japan	59	Healthcare	87	China	87
Mining	60	Australia	50	Mining	62	Japan	62
Oil & Gas	57	Germany	34	Finance	54	Australia	57

**U.S. Cross-Border M&A Transactions — 2008**

INBOUND to U.S.				OUTBOUND from U.S.			
Target Industry	Deals	Acquiror Country	Deals	Target Industry	Deals	Acquiror Country	Deals
Computers & Electronics	262	Canada	382	Computers & Electronics	417	Canada	304
Healthcare	145	United Kingdom	184	Professional Services	229	United Kingdom	267
Professional Services	140	Australia	88	Finance	158	China	213
Mining	109	Japan	80	Healthcare	122	Japan	163
Oil & Gas	103	Germany	74	Real Estate/Property	102	India	141

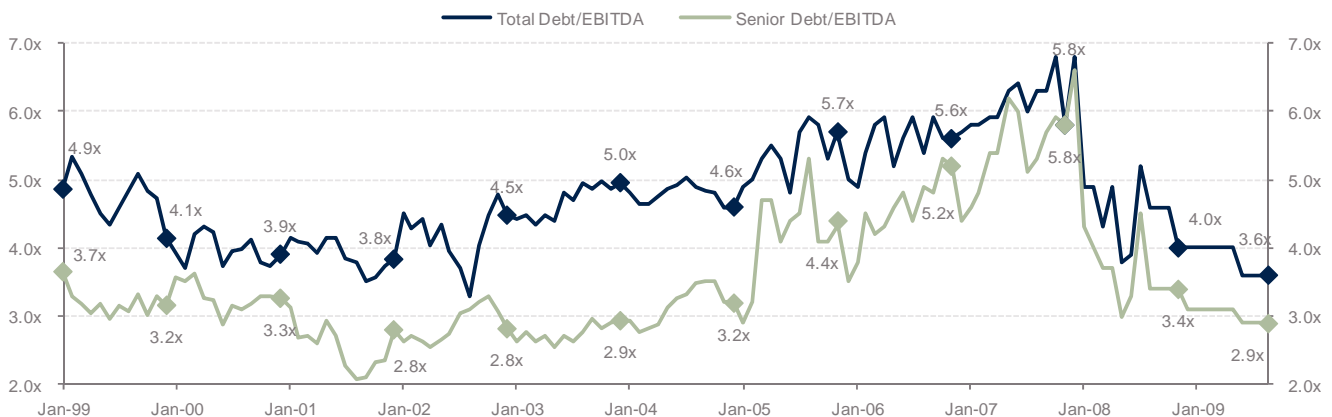
- The average debt multiple for LBO loans continues to decline, with total debt/EBITDA for transactions with companies below \$50 million of EBITDA currently at 4.0x, down from 4.4x at the beginning of the year and 5.3x at the beginning of 2008.
- The average total equity contribution for the LTM period through September 30, 2009, was 43.9% for all transactions, which is at the top end of the historical range.
- Loan pricing is up significantly due to the near-absence of institutional investors and heading higher as a result of the current turmoil. For the first half of 2009, the average spread of all LBO loans jumped to LIBOR +633, up from LIBOR +422 for 2008.

**Average Pro Forma Adjusted Credit Statistics of Middle-Market LBO Loans (Issuers with EBITDA of Less Than \$50M)**



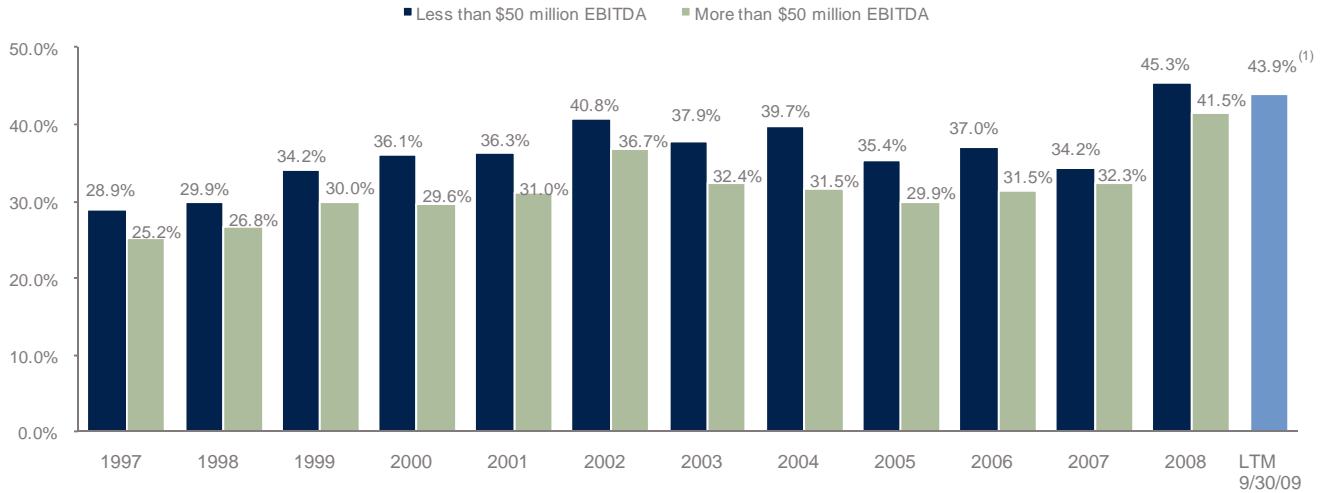
(1) Total Equity equals common, preferred and rollover equity.  
Source: S&P's Leveraged Lending Review.

**Average Pro Forma Adjusted Credit Statistics of Middle-Market LBO Loans (Issuers with EBITDA of More Than \$50M)**



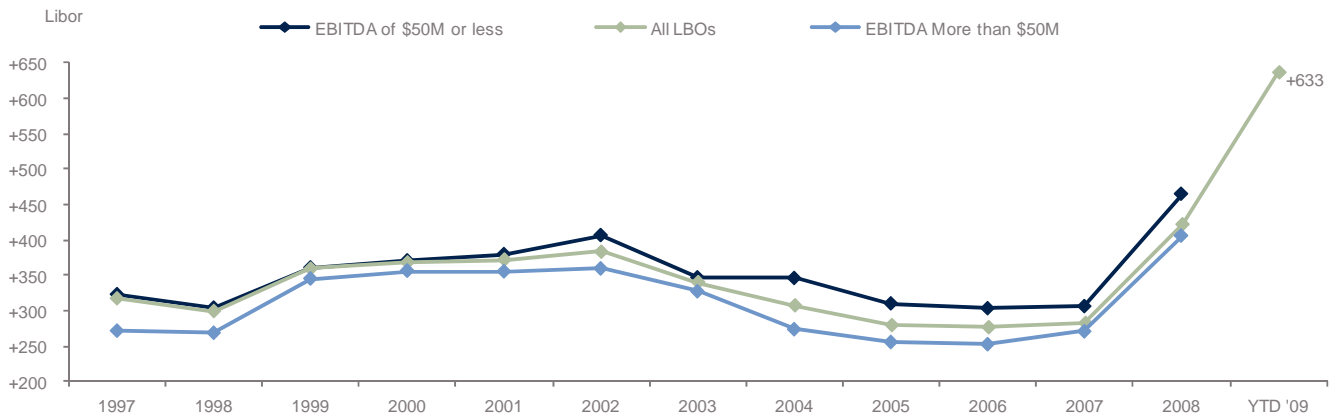
Source: S&P's Leveraged Lending Review.

### Average Total Equity Contribution



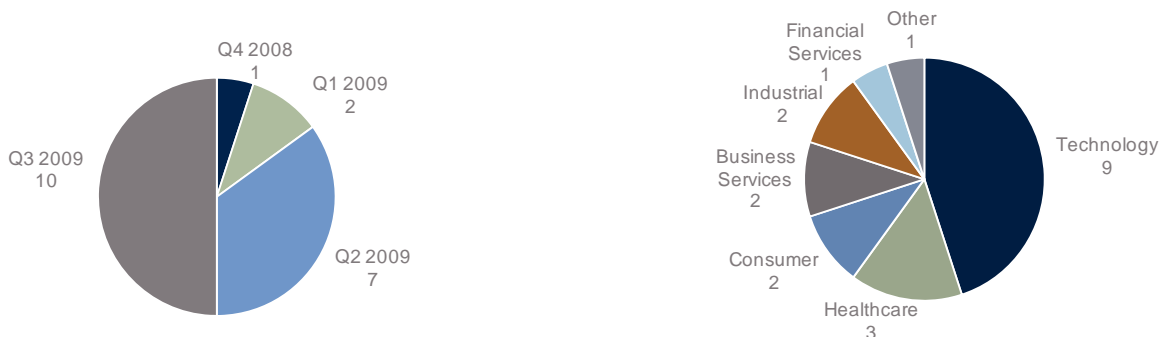
(1) Total Equity equals common, preferred and rollover equity.  
Source: S&P's Leveraged Lending Review.

### Average Institutional Spread of LBO Loans

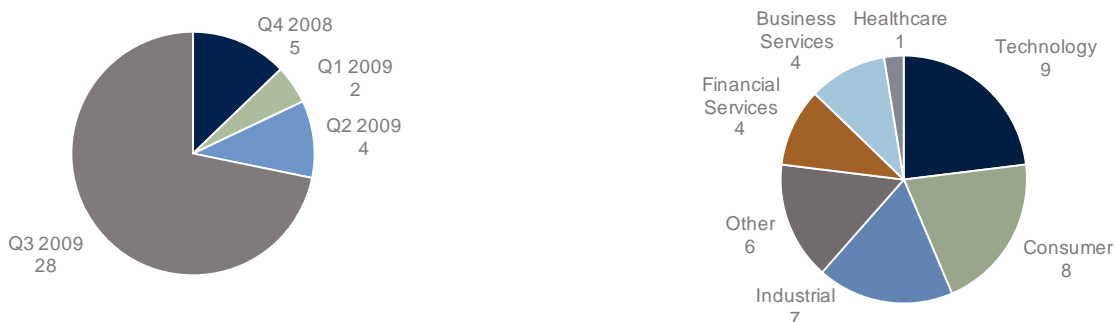


Source: S&P's Leveraged Lending Review.

**IPO Pricings by Sector — Last 4 Quarters: 20 Total Deals**

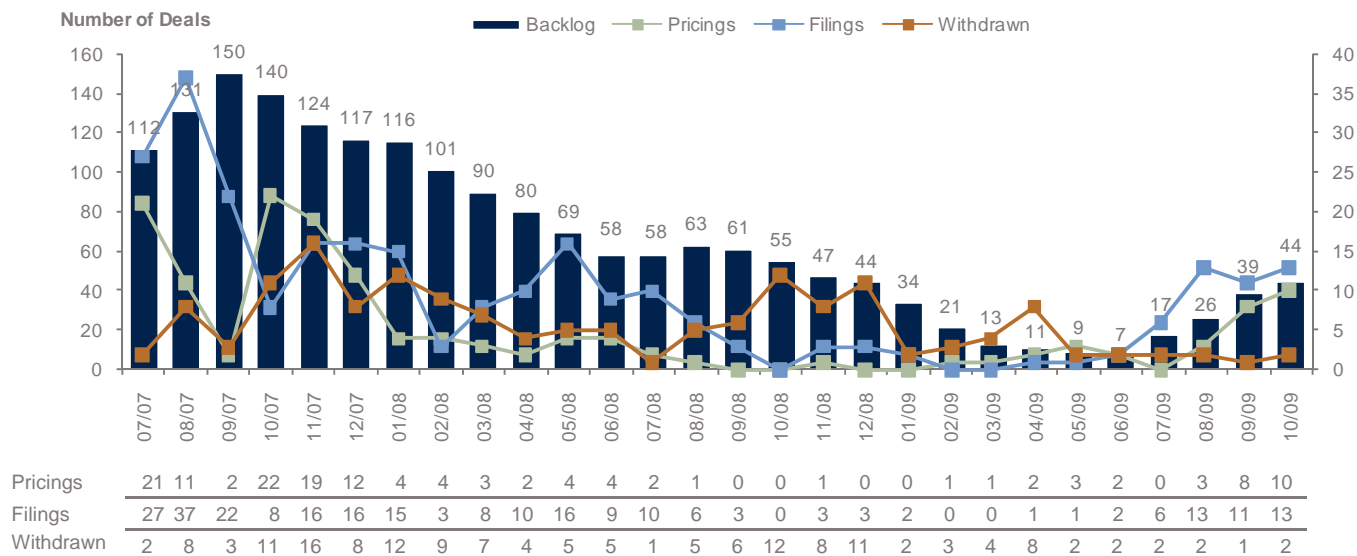


**IPO Filings by Sector — Last 4 Quarters: 39 Total Deals**



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

**IPO Backlog\***



\*Backlog defined as IPOs filed or revised within the last 180 days, excluding SPACs, REITs and Rule 144A Offerings.

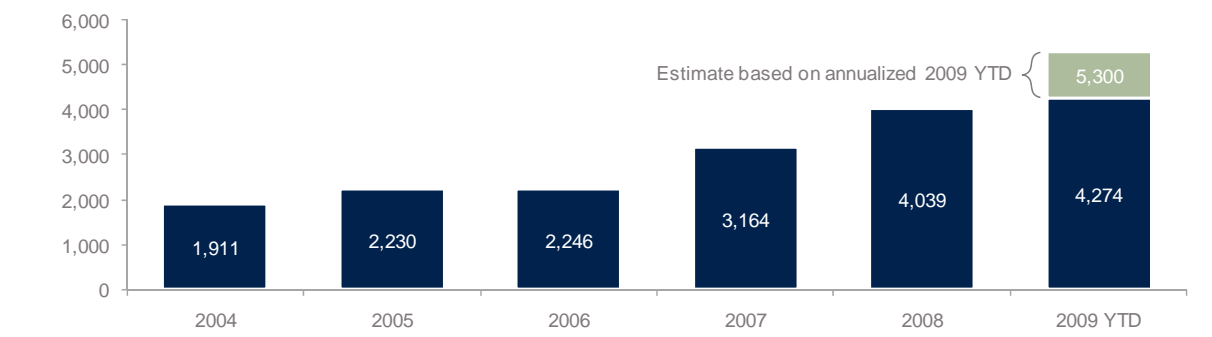
Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

### KICKING THE CAN DOWN THE STREET: AMEND-AND-EXTEND AGREEMENTS PROVIDING BREATHING ROOM TO CERTAIN BORROWERS

The number of companies filing for Chapter 11 relief continues to accelerate from the 2004 trough. According to *The Deal Pipeline*, filings in 2009 year-to-date have increased by 36.1%, to 4,274, from 3,141 during the corresponding period in 2008 and have already surpassed the 4,039 total filings of 2008.

#### CHAPTER 11 FILINGS INCREASING

##### Number of Chapter 11 Filings by Year



Source: *The Deal Pipeline*; data as of October 22, 2009.

Some companies are successfully resorting to amend-and-extend agreements to defer near-term debt maturities and obtain covenant relief in anticipation of a healthier credit environment.

#### AMEND-AND-EXTEND AGREEMENTS

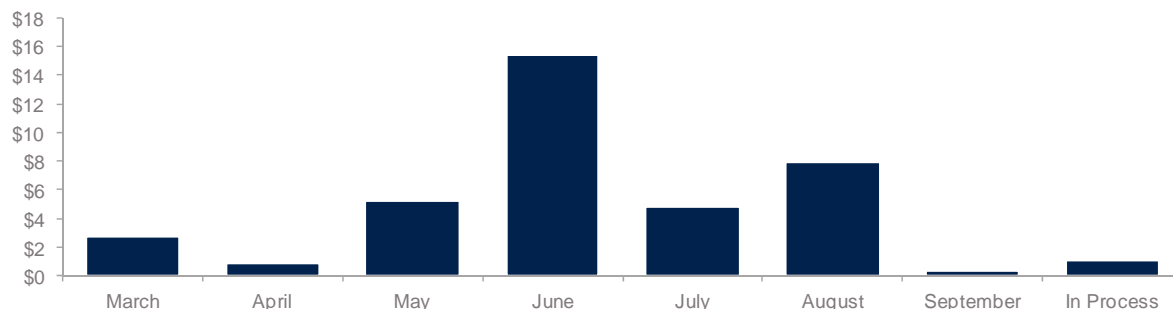
Amend-and-extend arrangements are emerging as a more common out-of-court debt restructuring solution in the face of covenant violations. With fewer secured lenders and reduced appetite among survivors, amend and extend arrangements with existing lenders are an increasingly viable option for certain borrowers. In an amend-and-extend transaction, the existing loan remains in place, while the lenders permit a maturity extension and provide covenant relief, often in exchange for significantly higher pricing and reduced flexibility.

Lender Demands	Borrower Requests
<ul style="list-style-type: none"> <li>▪ Maturity Acceleration</li> <li>▪ Increase Security/Collateral</li> <li>▪ Reduction in Revolver Commitments</li> <li>▪ Increase in LIBOR spreads (~50-600 bps)</li> <li>▪ Addition of LIBOR floors (~2-3%)</li> <li>▪ Partial Principal Repayments</li> <li>▪ Equity Contributions and Warrants</li> <li>▪ Tightening of Capital Expenditure and Acquisition Buckets</li> <li>▪ Hiring of Consultants and Advisors (e.g., Chief Restructuring Officer)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Maturity Extension</li> <li>▪ Increase Liquidity Under Asset-Based Revolvers</li> <li>▪ Permit Issuance of Additional Debt, Such as Second Lien and High Yield</li> <li>▪ Replace Existing Covenant Package Entirely With Minimum EBITDA Requirements</li> <li>▪ Relaxing of Covenants Through Multiyear Resets or Shorter Term/No Testing of Covenants</li> <li>▪ Removal of Step-Downs in Leverage and Step-Up in Interest Coverage/Fixed-Charge Coverage Ratios</li> </ul>

According to Thomson Reuters Loan Pricing Corporation, approximately \$40 billion of amend-and-extend issuances have occurred year-to-date in 2009.

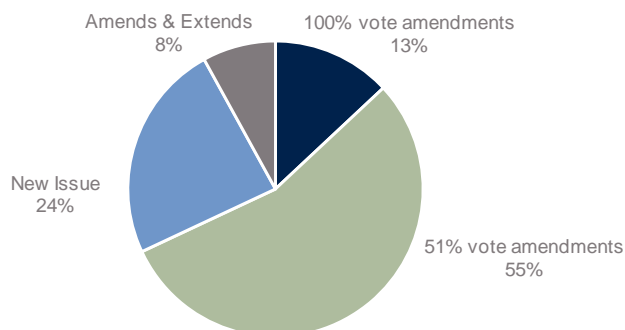
## Extended Volume

(\$ in billions)



Source: Thomson Reuters LPC.

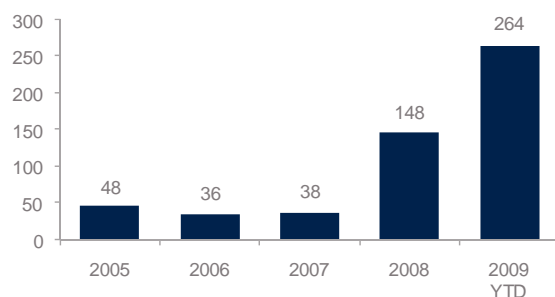
## 2009 YTD Leveraged Lending Breakout



Source: Thomson Reuters LPC.

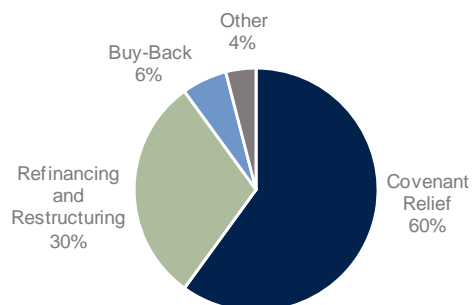
Amendments to existing credit facilities have spiked since 2007, increasing by 289.5% to 148 in 2008, and year-to-date amendments are expected to double 2008 volume by year-end. The two major purposes of these amendments in 2009 have been to provide covenant relief (60%) and refinancing and restructuring (30%).

## Amendments to Credit Facilities



Source: Standard & Poor's.

## Amendment Purpose



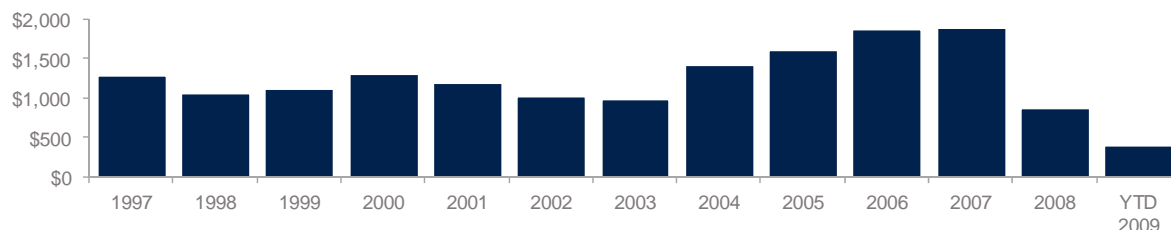
Source: Standard & Poor's.

## MATURITY AND REFINANCING CLIFF LOOMING

The strong M&A market and abundance of liquidity prior to the current recession led to nearly \$6.8 trillion of debt issued from 2004 to 2007 in the Americas alone, according to Thomson Reuters. As a result, many companies are facing debt maturities in the following five years.

### Issuance

(\$ in billions)

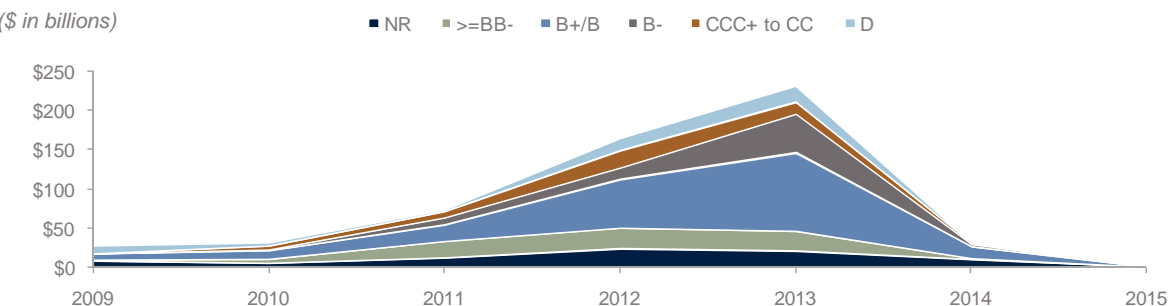


Source: Thomson Reuters LPC.

The following chart represents the volume of expected refinancing in anticipation of maturities:

### Volume of Expected Refinancing Schedule by Rating

(\$ in billions)

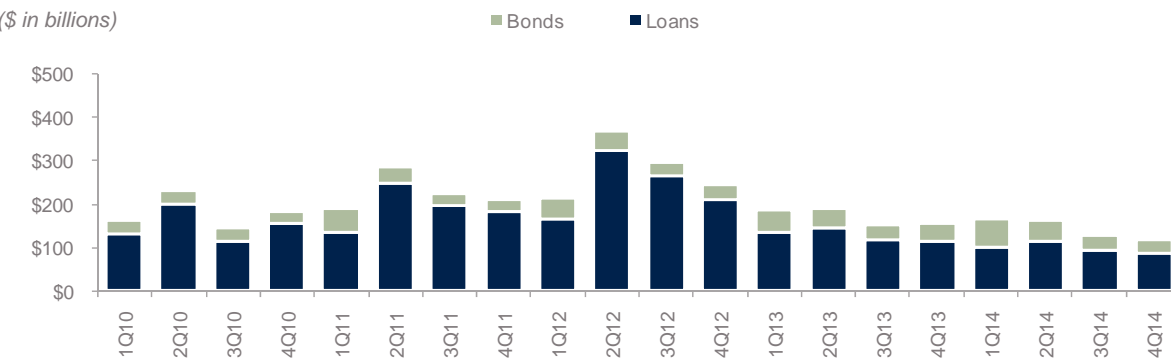


Source: Thomson Reuters LPC.

The refinancing cliff is nearing, with \$718.2 billion of debt set to mature in 2010, \$905.6 billion in 2011, and \$1.1 trillion in 2012.

### Volume of Upcoming Loan Maturities

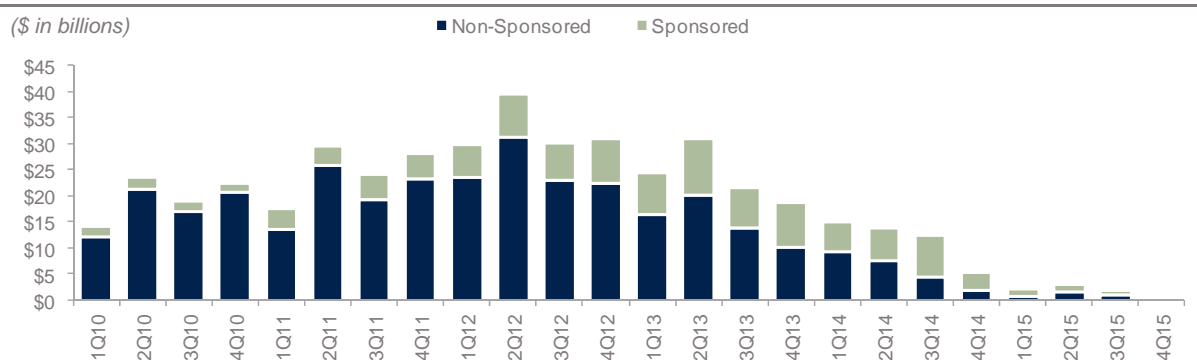
(\$ in billions)



Source: Thomson Reuters LPC.

Within the middle market (borrower revenue or deal size less than \$500 million), \$80.0 billion of debt is set to mature in 2010, increasing to \$100.0 billion in 2011 and \$130.7 billion in 2012.

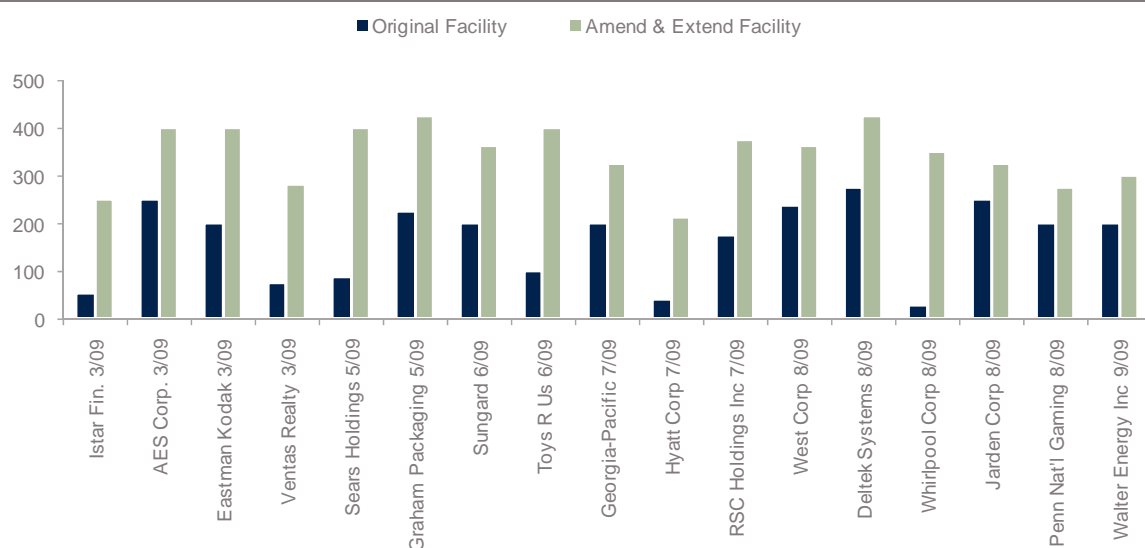
### Volume of Upcoming Middle Market Loan Maturities



Source: Thomson Reuters LPC.

The following chart represents select recently completed amend-and-extend agreements, highlighting the differences in spreads between pre- and post-amended interest rates:

### Original Facility and Amend and Extend Facility Spreads (drawn LIBOR spread in basis points)



Source: Thomson Reuters LPC.

The use of amend-and-extend agreements have enabled lenders and certain borrowers to defer debt maturities in anticipation of a return to a stronger economy. Deferring this decision does not eliminate the need to contend with this issue, however, and the sheer volume of corporate loans coming due in the next few years will create systematic stress within the capital markets. Unless market liquidity returns with force, we expect a number of borrowers to have limited refinancing options.

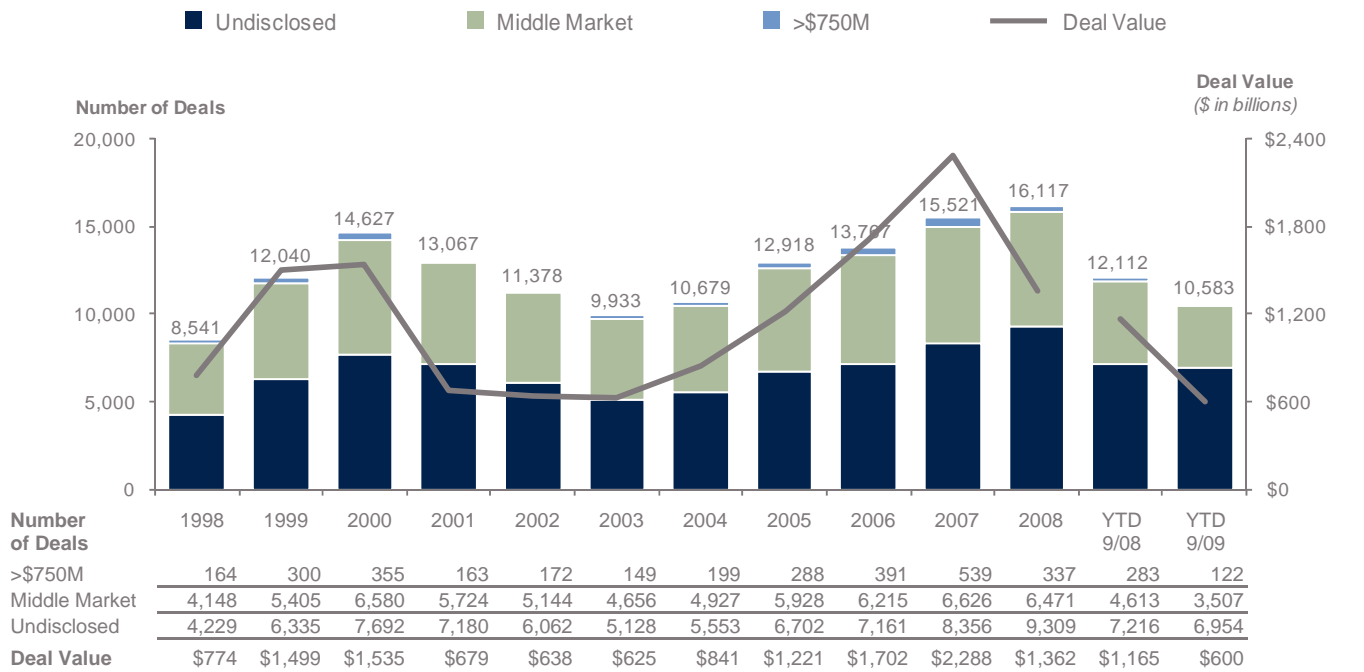
- European M&A activity also continues to trail the prior-year levels, with continued sizable across-the-board declines.
- The total number of announced deals for the month was 1,149, a 9.7% decline compared with the corresponding period last year. This total was also below the trailing-12-month monthly average of 1,243.
- The total dollar volume for the month was \$92.5 billion, a decline of 17.7% compared with the corresponding period last year, although it was the second-highest monthly total for the year and nearly twice the total for the prior month, as well as significantly above the trailing-12-month monthly average of \$66.4 billion.
- European middle-market activity was just 412 announced deals, down 22.1% compared with the corresponding period last year, while the dollar volume of \$22.6 billion represented a 39.9% decline.

## European M&amp;A Activity Detail

	NUMBER OF DEALS				DEAL VALUE			
	2007	2008	% Change		2007	2008	% Change	
			2009	'09 vs. '08			2009	'09 vs. '08
<b>SEPTEMBER</b>								
< \$50M	348	362	312	(13.8%)	\$5,297	\$5,096	\$3,141	(38.4%)
\$50M-\$250M	141	124	74	(40.3%)	\$15,861	\$15,069	\$8,627	(42.8%)
\$250M-\$750M	52	43	26	(39.5%)	\$22,475	\$17,428	\$10,826	(37.9%)
<b>Total Middle-Market</b>	<b>541</b>	<b>529</b>	<b>412</b>	<b>(22.1%)</b>	<b>\$43,634</b>	<b>\$37,592</b>	<b>\$22,594</b>	<b>(39.9%)</b>
Monthly Average	528	580	403	(30.5%)	\$49,024	\$48,046	\$22,390	(53.4%)
> 750M	26	24	17	(29.2%)	\$49,773	\$74,850	\$69,955	(6.5%)
Undisclosed	611	719	720	0.1%	–	–	–	–
<b>Total Deals</b>	<b>1,178</b>	<b>1,272</b>	<b>1,149</b>	<b>(9.7%)</b>	<b>\$93,407</b>	<b>\$112,442</b>	<b>\$92,549</b>	<b>(17.7%)</b>
Monthly Average	1,249	1,480	1,243	(16.0%)	\$190,164	\$141,291	\$66,418	(53.0%)
<b>YTD</b>								
< \$50M	2,889	3,336	2,653	(20.5%)	\$43,951	\$45,370	\$27,662	(39.0%)
\$50M-\$250M	1,337	1,315	642	(51.2%)	\$154,015	\$152,549	\$73,021	(52.1%)
\$250M-\$750M	582	491	212	(56.8%)	\$247,605	\$215,247	\$92,097	(57.2%)
<b>Total Middle-Market</b>	<b>4,808</b>	<b>5,142</b>	<b>3,507</b>	<b>(31.8%)</b>	<b>\$445,570</b>	<b>\$413,167</b>	<b>\$192,781</b>	<b>(53.3%)</b>
> 750M	405	283	122	(56.9%)	\$1,311,268	\$751,422	\$406,924	(45.8%)
Undisclosed	5,971	7,216	6,954	(3.6%)	–	–	–	–
<b>Total Deals</b>	<b>11,184</b>	<b>12,641</b>	<b>10,583</b>	<b>(16.3%)</b>	<b>\$1,756,838</b>	<b>\$1,164,589</b>	<b>\$599,705</b>	<b>(48.5%)</b>
<b>LTM</b>								
< \$50M	3,817	4,435	3,662	(17.4%)	\$57,469	\$61,642	\$39,874	(35.3%)
\$50M-\$250M	1,752	1,826	880	(51.8%)	\$203,915	\$211,809	\$102,492	(51.6%)
\$250M-\$750M	767	699	294	(57.9%)	\$326,905	\$303,105	\$126,311	(58.3%)
<b>Total Middle-Market</b>	<b>6,336</b>	<b>6,960</b>	<b>4,836</b>	<b>(30.5%)</b>	<b>\$588,289</b>	<b>\$576,556</b>	<b>\$268,676</b>	<b>(53.4%)</b>
> 750M	538	417	176	(57.8%)	\$1,693,675	\$1,118,933	\$528,346	(52.8%)
Undisclosed	8,108	10,379	9,906	(4.6%)	–	–	–	–
<b>Total Deals</b>	<b>14,982</b>	<b>17,756</b>	<b>14,918</b>	<b>(16.0%)</b>	<b>\$2,281,965</b>	<b>\$1,695,489</b>	<b>\$797,022</b>	<b>(53.0%)</b>

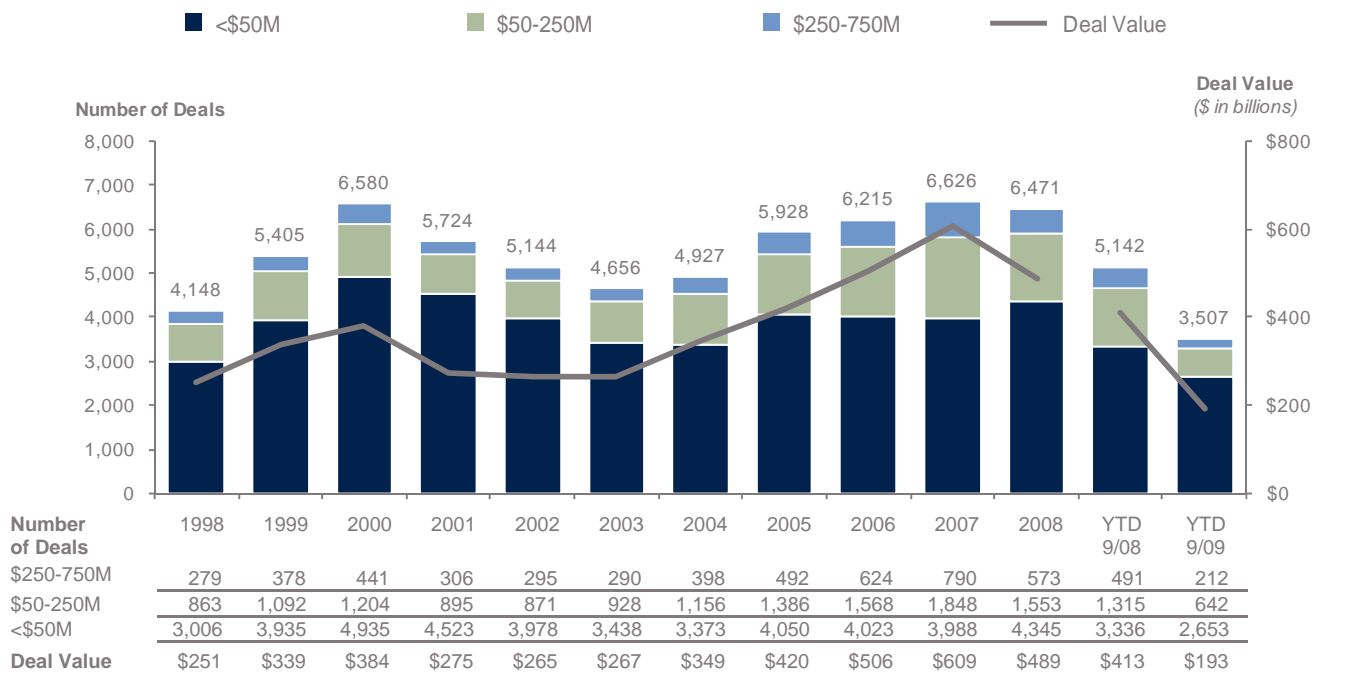
Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

European M&A Activity



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

European Middle-Market M&A Activity

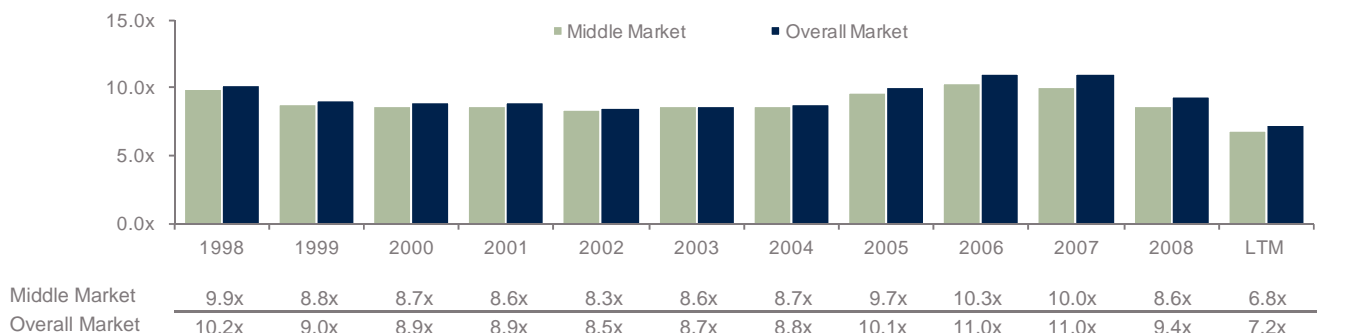


Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

Valuation Multiples

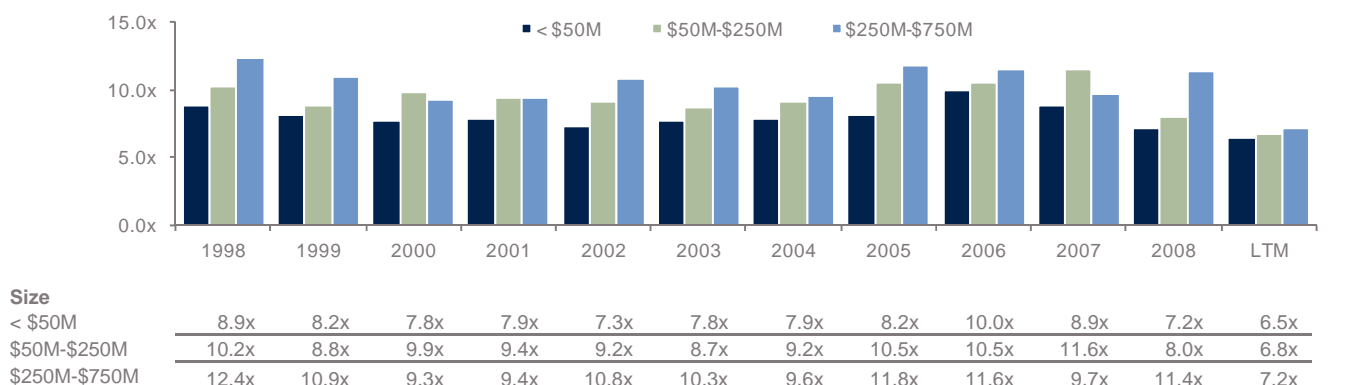
- The median enterprise value/EBITDA multiple for all European transactions continues to decline, coming in at 7.2x for the LTM period, down from 9.4x for all of 2008 and 11.0x for 2007.
- For middle-market deals over the past 12 months, the median enterprise value/EBITDA multiple has declined to 6.8x, down from 8.6x EBITDA for 2008.
- One-week and four-week acquisition premiums continue to be at near-record highs due to the weak equity markets.

European EV/EBITDA Valuation Multiples



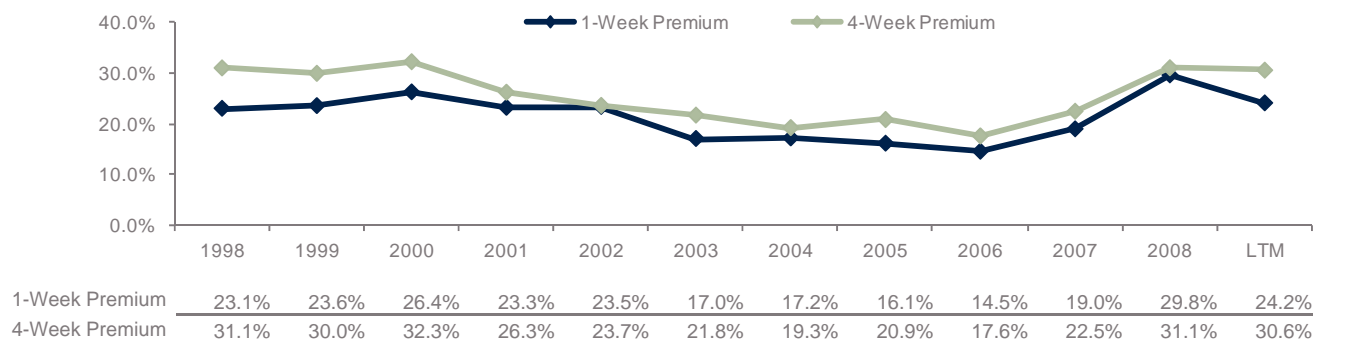
Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

European EV/EBITDA Middle-Market Valuation Multiples



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

European Middle-Market Median Acquisition Premiums

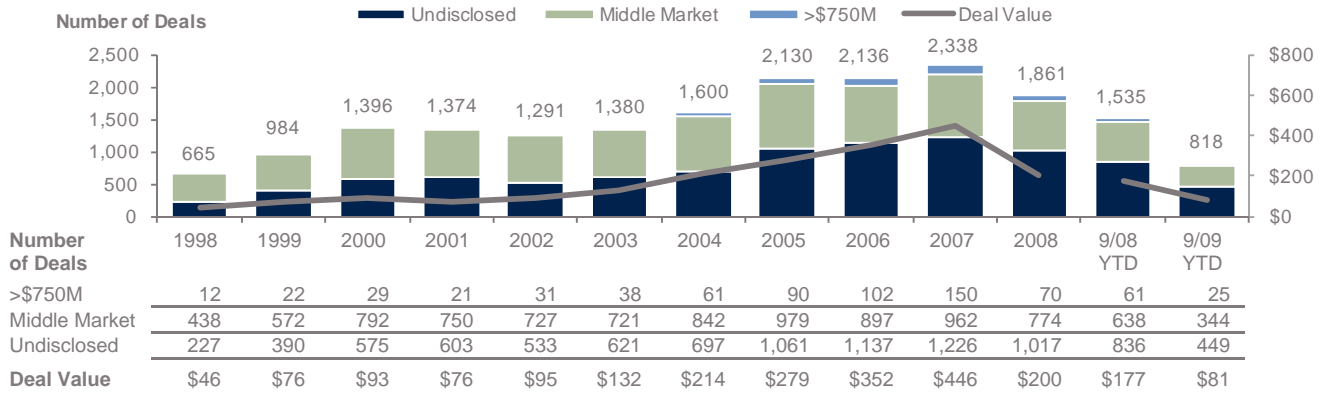


Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

## Private-Equity Transaction Analysis

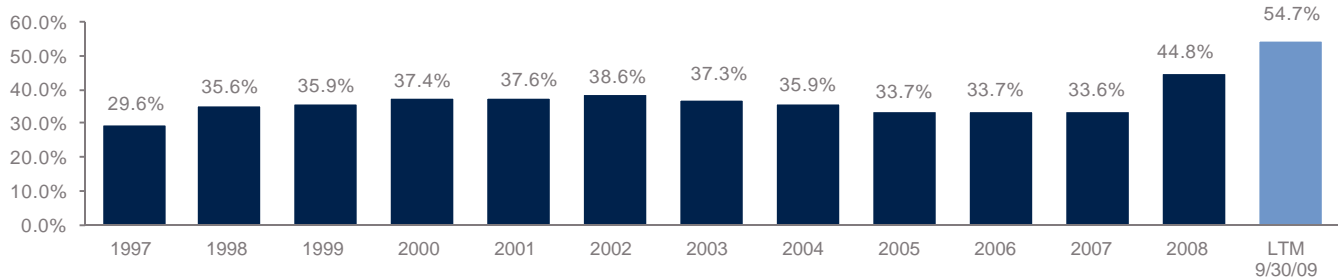
- European private-equity activity is down substantially, mirroring the activity in the United States.
- For the month, there were 105 announced private-equity transactions, well below the 152 transactions in the corresponding period last year.
- The dollar volume for the month was just \$10.8 billion, as the market continues to suffer from the lack of large transactions. For the month, there were just three private-equity transaction in excess of \$750 million, compared with an average of six in 2008 and 13 in 2007.

### European Private-Equity Activity



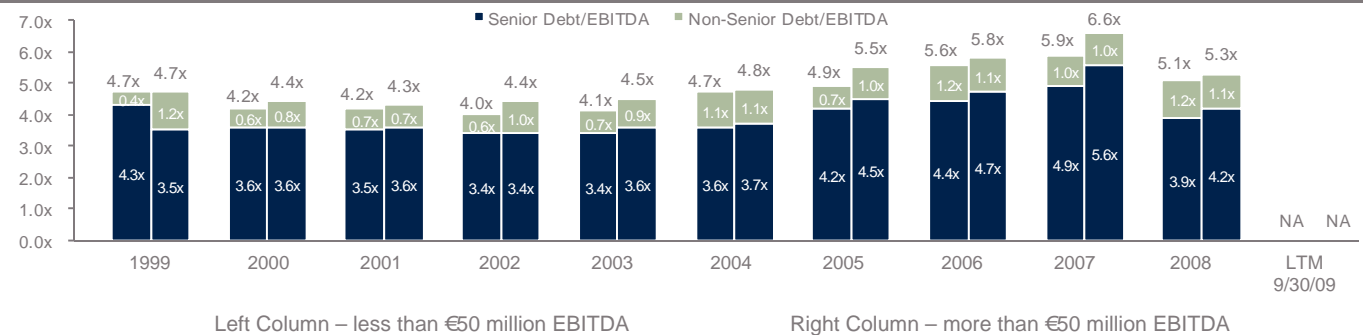
Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

### Average Total Equity Contribution



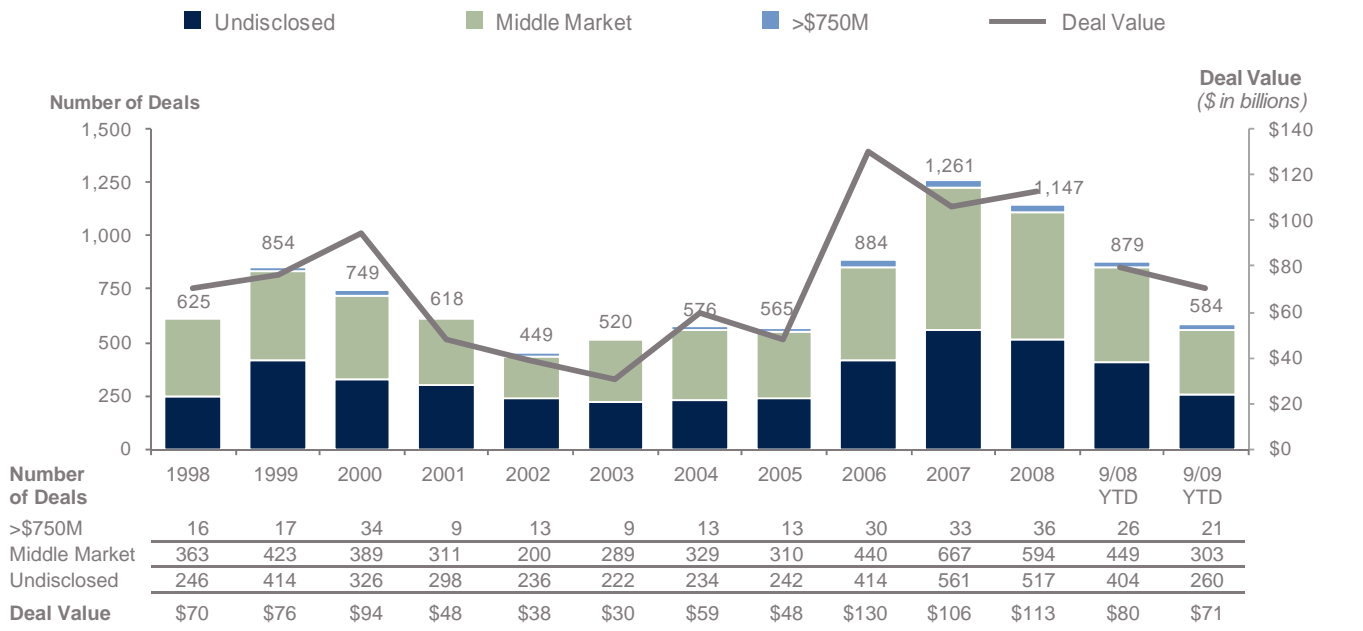
(1) Total Equity equals common, preferred and rollover equity.  
Source: S&P's Leveraged Lending Review.

### Average Debt Multiples of LBO Loans



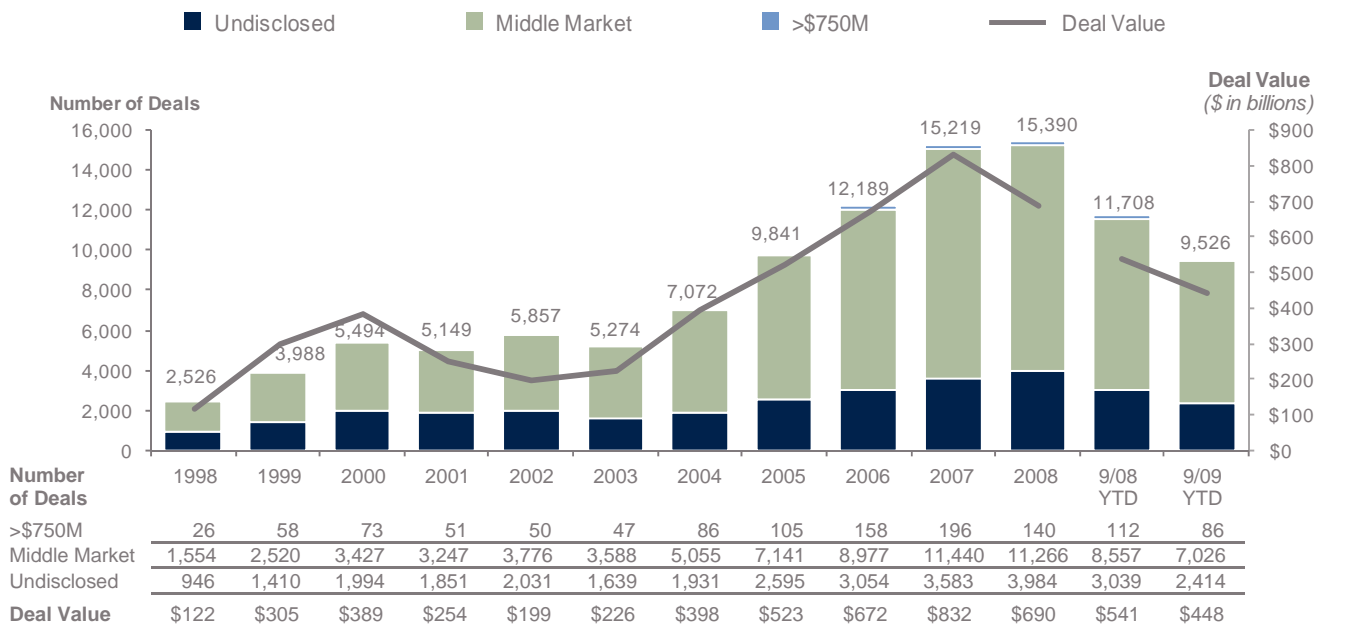
Source: S&P's Leveraged Lending Review.

Latin American M&A Activity



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

Asian M&A Activity



Source: Dealogic and William Blair & Company, L.L.C. Mergers and Acquisitions market analysis.

## Select William Blair & Company Transactions

CLOSE DATE	BLAIR CLIENT	CLIENT DESCRIPTION	TRANSACTION DESCRIPTION	DEAL VALUE
9/28/09	<b>Auctionpay, Inc. (Appian Ventures, Maveron Equity Partners)</b>	Leading provider of fully integrated payment processing and software solutions that improve and enhance fundraising activities for nonprofit organizations and schools.	Sale to <b>Global Payments, Inc.</b> , a provider of electronic payments transaction processing services.	ND
9/10/09	<b>Temcor, Inc. (Solis Capital Partners)</b>	Aluminum geodesic domes design and manufacturing	Sale to <b>CST Industries, Inc.</b> , the leading provider of steel tanks for water and wastewater storage and treatment. The company is owned by The Sterling Group.	ND
9/01/09	<b>Vcommerce Corporation</b>	SaaS enterprise e-commerce solutions for online retail	Sale to <b>Channel Intelligence</b> , a performance marketing and services company and partner company of Internet Capital Group and Aweida Capital Management	ND
8/27/09*	<b>Schulerhilfe GmbH</b>	The leading provider of private tutoring services to the German and Austrian primary and secondary education markets	Sale of <b>Schulerhilfe GmbH</b> , a subsidiary of Educate, Inc., to <b>Paragon Partners GmbH</b> , a Munich-based private-equity firm	ND
8/21/09	<b>Crownline Boats, Inc.</b>	Engages in the manufacture, marketing and distribution of boats	Sale to <b>Leisure Properties, LLC</b>	ND
8/13/09*	<b>LEWA GmbH (Deutsche Beteiligungs AG and Quadriga Capital)</b>	A global leader in the development, design, manufacture, and service of technologically advanced, highly engineered process and metering pumps and systems	Sale to <b>Nikkiso Co., Ltd</b> , a publicly listed company on the Tokyo Stock Exchange, and which operates through four business units: Fluid Technologies, Industrial Solutions, Composite Technologies, and Medical Equipment.	ND
8/10/09	<b>Maximum Performance Group</b>	Manufactures a line of remote HVAC and lighting controllers under the eMAC and uMAC brand names	Sale of <b>Lime Energy Company</b> subsidiary to <b>ELUTIONS, Inc.</b> , a provider of wireless enterprise automation solutions that help companies improve their asset performance, energy usage, and workforce productivity	ND
8/07/09*	<b>Emerisque Capital Limited and S. Kumars Nationwide Limited</b>	Emerisque is a London-based private-equity firm and SKNL is an Indian textile company listed on the Mumbai Stock Exchange that manufactures and distributes tailored and ready-to-wear men's and women's apparel	Acquisition of substantially all of the assets of Chicago-based apparel manufacturer <b>Hartmarx Corporation</b> pursuant to §363 of the United States Bankruptcy Code.	\$125.0
7/24/09	<b>Waterworks, Inc. (Berkshire Partners)</b>	Designer, marketer and retailer of high-end bath fixtures, fittings and furnishings, operating 15 showrooms in affluent markets across the United States	Sale to investment firm <b>Design Investors, LLC</b> pursuant to a §363 sale	ND
5/20/09	<b>Robbins Bros. Corporation</b>	Chain of engagement ring stores in the United States	Sale of <b>Robbins Bros. Jewelry, Inc. &amp; Spence Diamonds, Inc.</b> jewelry store chains	ND
4/11/09	<b>American Corrective Counseling Services, Inc.</b>	Provider of outsourced educational diversion programs in the U.S.	Sale to <b>Levine Leichtman Capital Partners</b> , a middle market private equity firm	\$26.3
3/26/09	<b>Filtrona plc (Filtrona Extrusion Holding Companies)</b>	One of the largest extruders of thermoplastic profile, tube and sheet in North America	Divestiture of its North American profile, tube and sheet extrusion business ("Filtrona Extrusion") to private equity firm <b>Saw Mill Capital Partners, L.P.</b> and Management	\$115.0
3/23/09	<b>FCA Inc.</b>	Supplies high value-added, industrial heavy-duty packaging and related supply chain services	Sale to <b>Ancor Capital Partners</b> and <b>Prairie Capital Partners</b>	ND
3/18/09*	<b>The Cambridge Group</b>	Business strategy consulting firm hired by Fortune 1000 companies to design and implement growth strategies	Sale to <b>The Nielsen Company</b> , a global information and media company with leading market positions in marketing and consumer information, television and other media measurement	ND
3/16/09	<b>Allscripts' Medication Services Group</b>	Provides point-of-care medication management and medical supply services and solutions	Sale to <b>A-S Medication Solutions</b> , a national provider of managed care solutions	\$26.0

\* Represents cross-border transaction.  
ND – Transaction value not disclosed.

## Select William Blair & Company Transactions (cont'd)

CLOSE DATE	BLAIR CLIENT	CLIENT DESCRIPTION	TRANSACTION DESCRIPTION	DEAL VALUE
3/12/09*	<b>Pivotal Research Centers</b>	Contract research organization with extensive experience in multiple therapeutic areas	Sale of <b>Pivotal Research Centers</b> , a subsidiary of Pioneer Behavioral Health (AMEX: PHC) to Premier Research Group, Limited, a privately-held contract research organization based in the United Kingdom.	ND
3/06/09	<b>ExtruMed, LLC (Inverness Graham Investments, L.P.; Wedbush Capital Partners, L.P.)</b>	Precision thermoplastic medical tubing manufacturer	Sale to Vesta, Inc. which provides products to the OEM medical device industry and is a portfolio company of <b>Roundtable Healthcare Partners</b>	ND
2/27/09*	<b>Photo Therapeutics, Limited</b>	Aesthetic dermatological devices	Sale to <b>PhotoMedex, Inc.</b> a provider of a wide range of medical products and services	\$13.3
2/09/09	<b>Payformance Corporation</b>	Healthcare IT	Sale to <b>ABS Capital Partners</b>	ND
1/30/09	<b>Saleen, Inc.</b>	Manufacturer of high-performance niche automobiles and aftermarket parts	Sale to <b>Cyltec LLC</b> , a manufacturer of automotive parts	ND
1/23/09	<b>Niman Ranch</b>	Producer of all-natural fresh beef, pork, and lamb, as well as prepared foods	Sale to <b>Natural Food Holdings</b>	ND
1/22/09	<b>Xactly Corporation</b>	Leading software-as-a-service (SaaS) provider of on-demand sales compensation solutions	Acquisition of <b>Centive, Inc.</b> a provider of on-demand sales compensation solutions	ND
1/18/09*	<b>ICON Medical Imaging</b>	Medical Imaging CRO	Sale to <b>ICON PLC</b> , a clinical research organization	ND
12/31/08	<b>Gateway Ethanol</b>	Ethanol plant production	Sale to DIP lender <b>Dougherty Funding, LLC</b>	\$63.0
12/22/08	<b>Pensar Electronic Solutions, LLC</b>	Provider of low-to-medium volume, high mix (broad line of relatively shorter run SKUs) outsourced electronic solutions across a diverse range of end markets	Sale to <b>LaBarge, Inc.</b> a contract manufacturer of electronic, electromechanical, and interconnect systems	\$45.0
12/19/08*	<b>Sorex Holdings Ltd. (Indigo Capital LLP)</b>	Independent manufacturer and supplier of a broad range of chemical and non-chemical pest-control systems	Sale to <b>BASF SE</b> , the world's leading chemical company	ND
12/15/08*	<b>TDX Group Limited (Blenheim Chalcot)</b>	Multinational provider of proprietary, analytics-based arrears management solutions for defaulted consumer debt.	Sale to private equity firm <b>Investcorp Technology Partners</b>	\$110.2
11/20/08	<b>Francisco Partners</b>	Global private-equity firm focused exclusively on investments in technology companies	Acquisition of <b>API Software, Inc.</b> which develops labor cost management applications for hospitals and health systems	ND
11/18/08*	<b>Stainton Metal Company Limited (NVM Private Equity)</b>	Designer, manufacturer and supplier of an extensive Range of galvanized and stainless-steel support structures	Sale to <b>Valmont Industries, Inc.</b> , a global designer and manufacturer of poles and towers, irrigation equipment and commercial tubing.	ND
11/14/08	<b>Chockstone, Inc.</b>	Loyalty card provider and marketing services	Sale to <b>Heartland Payments Systems, Inc.</b> , a provider of credit/debit/prepaid card processing, payroll, check management, and payments solutions	ND
11/06/08	<b>The J.M. Smucker Company</b>	Manufactures and markets branded food products	Acquisition of Folgers Coffee Company from <b>Procter &amp; Gamble</b>	\$3,425.0
11/05/08	<b>Molex Incorporated</b>	Manufactures and sells electronic components	Purchase of related party stockholdings	\$26.7
10/31/08	<b>TMG Health, Inc. (SCP Partners NewSpring Capital)</b>	Business process outsourcing services firm providing a variety of administrative services to the Medicare and Medicaid health plan markets	Sale to <b>Health Care Service Corporation</b> , the largest customer-owned health insurer in the United States and the fourth-largest health insurer in the country overall	ND

\* Represents cross-border transactions.  
ND – Transaction value not disclosed.

## Select William Blair & Company Transactions (cont'd)

CLOSE DATE	BLAIR CLIENT	CLIENT DESCRIPTION	TRANSACTION DESCRIPTION	DEAL VALUE
10/24/08	<b>IntelliTax</b> (a division of TRE Financial) (Platform Partners)	Tax software company	Sale to <b>CCH Small Firm Services</b> , a leading global information services and publishing company	ND
10/17/08*	<b>EBEWE Pharma</b> <b>Ges.m.b.H Nfg.Kg.</b>	International pharmaceutical company	Acquisition of Liba Laboratuarlari Anonim Sirketi, a distributor of pharmaceutical products for a number of leading international companies within Turkey	ND
10/16/08	<b>Coria Laboratories, Ltd.</b>	Pharmaceutical company specializing in research, development and marketing of dermatology products	Sale to specialty pharmaceutical company <b>Valeant Pharmaceuticals International</b>	\$95.0
10/08/08	<b>CBOT Metals Complex</b> (a division of CME Group)	Commodities Exchange	Sale to securities exchange <b>NYSE Euronext</b>	ND
10/06/08	<b>Wm. Wrigley Jr. Company</b>	Chewing gum company	Sale to <b>Mars, Inc. &amp; Berkshire Hathaway</b>	\$23,100.0
9/29/08*	<b>MicroCal, LLC</b> (Riverside Partners)	Designs and manufacturers micro calorimeters used in drug discovery and the life sciences	Sale to <b>GE Healthcare, Ltd.</b> , a provider of medical products and healthcare information technologies	ND
9/23/08	<b>ChartOne, Inc.</b> (Warburg Pincus)	Provider of medical record workflow Solutions to hospitals and physician clinics	Sale to <b>HealthPort Technologies, LLC</b> , a provider of healthcare information technology and strategic solutions	ND
9/22/08*	<b>Allied Richard Bertram Marine Group</b>	After sales service and marketing of new and pre-owned motor yachts	Sale to luxury yacht dealer <b>Ferretti, SpA</b>	ND
8/29/08	<b>MedVenture Technology Corp.</b>	Medical outsource solutions provider	Sale to private equity firm <b>Ampersand Ventures</b>	ND
8/22/08	<b>CME Group</b>	International commodities exchange	Acquisition of <b>New York Mercantile Exchange</b>	\$7,914.0
8/22/08	<b>Habeas (Canaan Partners, Diamondhead Ventures, SkyMoon Ventures)</b>	Provides email reputation intelligence	Sale to <b>ReturnPath</b> , provider of integrated e-mail reputation management and deliverability services	ND
8/01/08	<b>Bemrose Booth</b>	Specialist in security printing and associated services	Sale to investment firm <b>American Industrial Acquisition Corporation</b>	ND
7/31/08	<b>Skywire Software LLC</b> (Hall Financial Group)	Provides software and services to the insurance industry	Sale to <b>Oracle Corporation</b> , the world's largest enterprise software company	ND
7/21/08*	<b>BPO operations of Skywire Software</b> (Hall Financial Group)	Provides BPO services such as print and mail services, Web publishing, electronic bill payment, and Web hosting	Sale to <b>KUBRA Data Transfer, Ltd.</b> , which develops and markets customer communication management (CCM) solutions	ND
7/15/08	<b>NetSpend Holdings, Inc.</b> (Oak Investment Partners)	Leading marketer and processor of prepaid payment solutions	Acquisition of <b>Skylight Financial, Inc.</b> an issuer, acquirer, marketer, and processor of debit accounts and stored-value cards and portfolio company of JLL Partners	ND
7/08/08*	<b>180 Connect</b>	Provides residential media installation services for cable and satellite providers	Sale to <b>DirectTV, Inc.</b> a provider of direct-to-home digital television services and multichannel video programming distribution	\$103.3
7/02/08	<b>CelluTissue Holdings, Inc.</b> (Weston Presidio)	Manufactures and markets a variety of specialty tissue hard rolls and machine-glazed paper	Acquisition of <b>Atlantic Paper &amp; Foil</b> , a convertor and distributor of tissue and paper products	\$68.0

\* Represents cross-border transactions.  
ND – Transaction value not disclosed.

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**INDUSTRY GROUPS**

BUSINESS SERVICES	COMMERCIAL & INDUSTRIAL	CONSUMER & RETAIL	FINANCIAL SERVICES	HEALTHCARE	TECHNOLOGY
<ul style="list-style-type: none"> <li>▪ Accounts Receivable Management</li> <li>▪ Business Process Outsourcing</li> <li>▪ Consulting</li> <li>▪ Distribution</li> <li>▪ Education</li> <li>▪ Government Services</li> <li>▪ Information Services</li> <li>▪ Legal Services</li> <li>▪ Marketing and Advertising Services</li> <li>▪ Parking Services</li> <li>▪ Route-based Services</li> <li>▪ Staffing</li> <li>▪ Transportation &amp; Logistics</li> <li>▪ Training and HR Services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Building Products, Technologies &amp; Automation</li> <li>▪ Capital Goods Mfg.</li> <li>▪ Contract &amp; Electronics Mfg.</li> <li>▪ Energy</li> <li>▪ Engineering &amp; Construction</li> <li>▪ Environmental Technology &amp; Services</li> <li>▪ Facility Management &amp; Services</li> <li>▪ Industrial Distribution</li> <li>▪ Industrial Products</li> <li>▪ Material Handling</li> <li>▪ Manufacturing Equipment</li> <li>▪ Metal Fabrication</li> <li>▪ Metal Production, Processing &amp; Distribution</li> <li>▪ Paper, Plastic &amp; Packaging</li> <li>▪ Printing and Imaging</li> <li>▪ Process Controls &amp; Technology</li> <li>▪ Pumps, Valves &amp; Filtration</li> <li>▪ Safety Products &amp; Services</li> <li>▪ Test, Measurement &amp; Metering</li> <li>▪ Water &amp; Waste Water</li> </ul>	<ul style="list-style-type: none"> <li>▪ Apparel</li> <li>▪ Branded Consumer Products</li> <li>▪ Cruise Lines and Resorts</li> <li>▪ Discount Stores</li> <li>▪ Drugstores</li> <li>▪ E-Commerce</li> <li>▪ Fitness Clubs</li> <li>▪ Food Processing &amp; Distribution</li> <li>▪ Gaming</li> <li>▪ Hardgoods</li> <li>▪ Home Furnishings</li> <li>▪ Leisure</li> <li>▪ Media</li> <li>▪ Power sports</li> <li>▪ Personal Care</li> <li>▪ Restaurants</li> <li>▪ Specialty Retail</li> <li>▪ Toys &amp; Gaming</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset Management</li> <li>▪ Brokerage</li> <li>▪ Commercial Finance</li> <li>▪ Consumer Finance</li> <li>▪ Specialty Insurance and Insurance Services</li> <li>▪ Trust Services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Aesthetics &amp; Dermatology</li> <li>▪ Animal Health</li> <li>▪ Biotechnology</li> <li>▪ Contract Research Organizations</li> <li>▪ Dental Products &amp; Services</li> <li>▪ Diagnostic Products &amp; Services</li> <li>▪ Healthcare Distribution</li> <li>▪ Healthcare IT</li> <li>▪ Healthcare Services</li> <li>▪ Imaging Technology &amp; Services</li> <li>▪ IT-Enabled Services</li> <li>▪ Medical Devices</li> <li>▪ Payer IT Services</li> <li>▪ Pharmaceutical Outsourcing</li> <li>▪ Pharmaceuticals</li> <li>▪ Revenue Cycle Management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Application Software</li> <li>▪ Barcode/Auto Identification</li> <li>▪ Computer/ Telephony</li> <li>▪ Digital Media</li> <li>▪ E-Commerce Infrastructure</li> <li>▪ Electronic Components</li> <li>▪ Electronics Manufacturing Services</li> <li>▪ ERP Software</li> <li>▪ Financial Technology</li> <li>▪ HR Outsourcing</li> <li>▪ IT Services</li> <li>▪ Payroll Services</li> <li>▪ Semiconductor Capital Equipment</li> <li>▪ Software as a Service (SAAS)</li> <li>▪ Telecom Equipment</li> <li>▪ Telecom Services</li> <li>▪ Transaction Processing</li> </ul>

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