

WEST RIDGE ASSOCIATES, LLC provides merger and acquisition, corporate finance and related investment banking services at the highest level of quality, professionalism and integrity. The firm supports established middle market businesses, earlier stage companies with high growth potential, and commercialization stage companies in all industries.

Mid-Market Review Winter 2008

2007 Mid-Market Recap

- During the first half of 2007, we saw record levels of M&A activity as overall deal volume and value were up across all sectors.
- The trend of large take-private transactions continued from 2006 propelling record level LBO activity.
- Spurred by increasing participation from foreign buyers, strategic activity grew over the first three quarters of 2007.
- The financing market for private placements followed the record levels of M&A activity with a 5.6% increase in transaction volume.
- During the second half of 2007, the meltdown in the sub-prime mortgage market initiated a credit crunch which led to a necessary correction to overly aggressive financing terms.

2008 Mid-Market Forecast

- M&A is likely to cool from the rapid pace of 2007, but not likely to hit the recession levels of 2002 and 2003, primarily due to the strength of the global economy.
- Institutional investors are still willing investors with plenty of capital to put to work although lack of available leverage may affect valuations adversely.
- Foreign buyers will continue to play an increasing role, boosted by overall global growth, a weak dollar and the increasing prominence of sovereign funds.
- Mid-market M&A activity will likely remain steady, possibly weakening slightly due to overall economic instability and expanding holding periods by private equity investors.
- The key to sustained mid-market M&A is the health of the economy with significant factors including the housing market, interest and unemployment rates and the election year factor.

2007 Overview – Market Observations

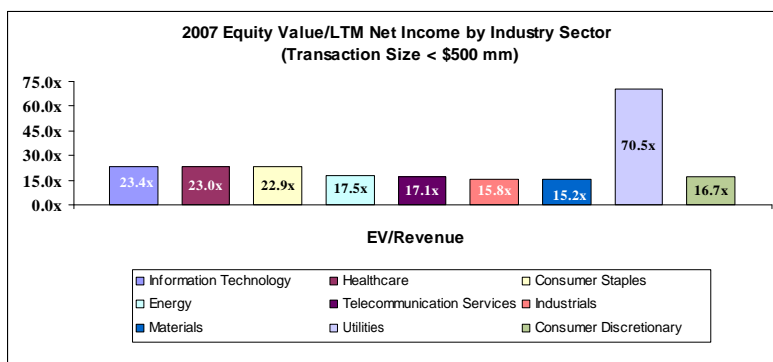
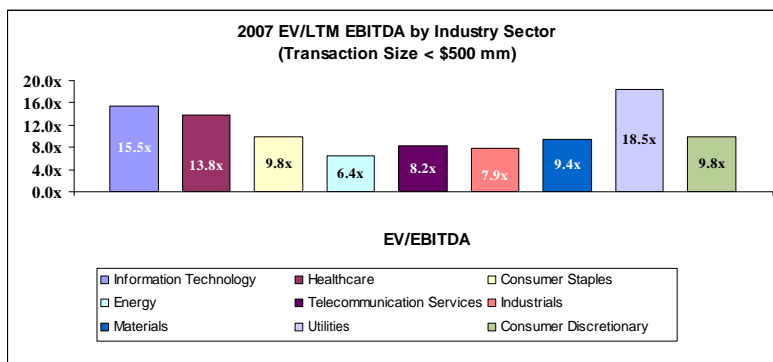
M&A

- The vigorous pace of M&A activity in 2006 continued in 2007 with over \$1.5 trillion in U.S. M&A activity.
- However, for deals with transaction sizes up to \$150 mm there has been a decrease in both deal volume and aggregate transaction value.
- Transactions in the Technology/IT, Utilities, and Healthcare sectors obtained the highest EV/EBITDA multiples while transactions in the Industrials and Energy sectors obtained the lowest EV/EBITDA multiples.
- The Technology/IT sector M&A set new record highs with 2,260 transactions announced totaling \$197 bn in 2007.
- Although the first half of 2007 saw record M&A activity, the overall 2007 M&A performance decreased due to the slowdown in the second half resulting from the credit crunch.

U.S. Mid-Market M&A Deal Metrics

Deal Size (\$ in mm)	Number of Deals ⁽¹⁾		Aggregate Value(\$ in mm) ⁽¹⁾	
	Year End	Yr to Yr % Change	Year End	Yr to Yr % Change
\$250-\$500	260	-2.6%	\$93,664.6	-1.0%
\$150-\$250	245	8.9%	\$47,501.4	9.7%
\$100-\$150	191	-5.0%	23,705.5	-5.1%
\$50-\$100	461	-0.9%	33,106.5	-2.1%
\$1-\$50	2,186	-3.4%	33,388.9	-6.1%
Total	3,343	-2.3%	\$231,366.8	-0.4%

⁽¹⁾ Based on announced deals.



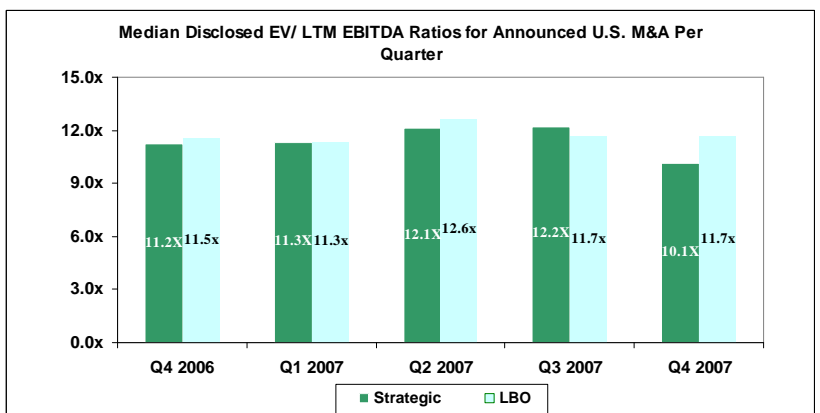
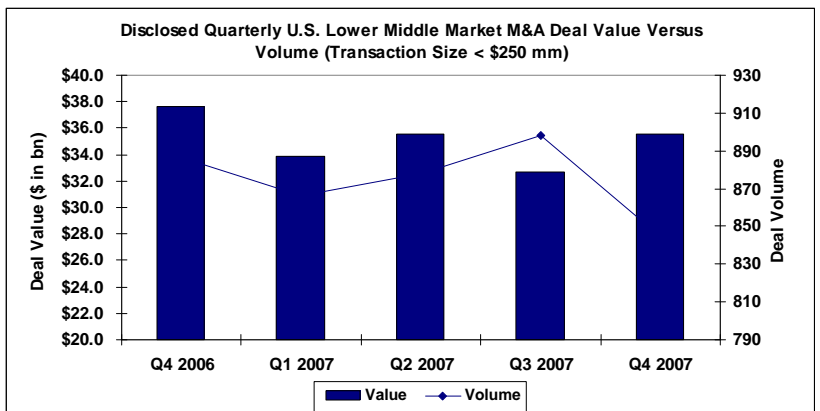
5 Largest Lower Middle Market US M&A Deals Announced In Q2 2007

Announced	Acquirer	Target	Deal Value	Industry
6/21/2007	ONCAP	CiCi Enterprises, L.P.	\$250.0	Restaurants
4/17/2007	Publishing & Broadcasting Ltd.	Fontainebleu Resorts	250.0	Hotels, Resorts, and Cruise Lines
8/1/2007	Behrman Capital	Ark Holdings, Inc.	250.0	Healthcare Services
10/31/2007	Parametric Technology Corp.	CoCreate Software GmbH & Co. KG	250.0	Software Machinery
10/4/2007	Citizen Watch Co. Ltd.	Bulova Corporation	250.0	Consumer

2007 Overview – Market Observations (cont.)

M&A

- Lower Middle Market M&A deal volume and aggregate deal value growth flattened in 2007 compared to the spike in Q4 2006. This suggests that more of the vast pools of institutional capital have been chasing the larger deals.
- Transaction multiples in M&A transactions reached historically high levels in Q2 2007 and have declined since.
- As the credit crunch started making its impact in Q3 2007 and Q4 2007 transaction multiples for both strategic and LBO deals began to drop.
- We expect recent disruptions in credit markets to have little effect on middle market transactions.



Source data obtained from Capital IQ.

2007 Overview – Market Observations

Private Equity

- While there was moderate growth (1.8%) in the volume of institutional (private equity, venture capital and hedge funds) investments of less than \$25 mm in 2007, there was significant growth (25.5%) in the volume of institutional investments in the \$20 mm to \$25 mm range.
- Aggregate value of institutional investments of less than \$25 mm in 2007 increased by 7.2% in total with a positive increase across the entire range of investments of this size category.
- Total venture capital investments in North American companies decreased in 2007 with \$36.4 bn in total transaction value, down from \$36.9 bn in 2006.
- However, total private equity investments in North American companies increased in 2007 with \$528.5 bn in total transaction value, up from \$429.0 bn in 2006 due to the trend of the large take-private transaction in the first half of 2007.
- The Technology/IT sector saw the largest value of institutional investments in 2007 with approximately \$13.9 bn in total investments below \$25 mm.

2007 Institutional Investments Below \$25 mm in Transaction Value

Deal Size (\$ in mm)	Number of Deals		Aggregate Value(\$ in mm)	
	Year End 2007	Yr to Yr % Change	Year End 2007	Yr to Yr % Change
\$20-\$25	256	25.5%	\$5,859.0	25.1%
\$15-\$20	364	7.1%	\$6,567.2	7.7%
\$10-\$15	582	0.0%	7,375.8	1.8%
\$5-\$10	1,112	1.4%	8,564.6	2.9%
Under \$5	2,259	0.0%	4,976.3	5.0%
Total	4,573	2.0%	\$33,342.8	7.2%

2007 Most Active Institutional Investors in Transactions < \$25 mm

Firm	# of Deals (below \$25 mm)
MineralFields Group	151
Goldman Sachs Group	102
Intel Capital	85
Sequoia Capital	73
Enable Capital Management	68
New Enterprise Associates	68
3i Group Plc	65
Yorkville Advisors LLC	64
Draper Fisher Jurvetson	62
The Carlyle Group	51

