

M&A MARKET NEWS

M&A News from the middle-markets is largely drawn from empirical data and day to day observations and experiences marketing and closing M&A transactions. Much independent data is available, but it needs to be tempered and blended with daily feedback from actual markets to develop any meaningful updates or “News”.



MIKE RYAN

In fact, market data, news and feedback can even be affected by definition of “middle-markets”. There is no strict definition of “middle-market”. In some cases the middle-market is defined as transactions between \$1 million and \$500 million, while in other cases the middle-market is defined as \$250 million through \$500 million transactions, with smaller transactions defined as “lower middle-market”.

Therefore, true M&A Market News depends on the definition of “market size” combined with empirical data, experiences and observations. Clients are encouraged to speak with an M&A professional from The Transition Companies for more detailed and defined information to help get the lives they want.

continued on back

IMPROVING LEADERSHIP DURING ECONOMIC DOWNTURNS

LEADERSHIP IS A DIFFICULT JOB during normal times, but during challenging tough times it is all the more daunting while also all the more necessary. The need for quality leadership is apparent as we are reminded daily on the news about the problems facing our country and the politicians in office expected to fix those problems.

Several surveys have reported that the percentage of people who believe we have a leadership crisis to be well over 80%, while only approximately 45% have confidence in their business leadership. It is not very encouraging with statistics like these.

Therefore, one should consider ways to improve their leadership skills to help rise to excellence, even during economic downturns.

FACE THE PROBLEM

All employees and staff recognize the times when they are hard and difficult. Ignoring that there are problems or a crisis can quickly drag an organization down by destroying morale and trust in management. Do not try to avoid the issues or problems, but rather communicate that problems exist, that management is meeting the issues head-on,

and how the crisis will impact the company. Employees will then believe and trust management when strategies and solutions are implemented.

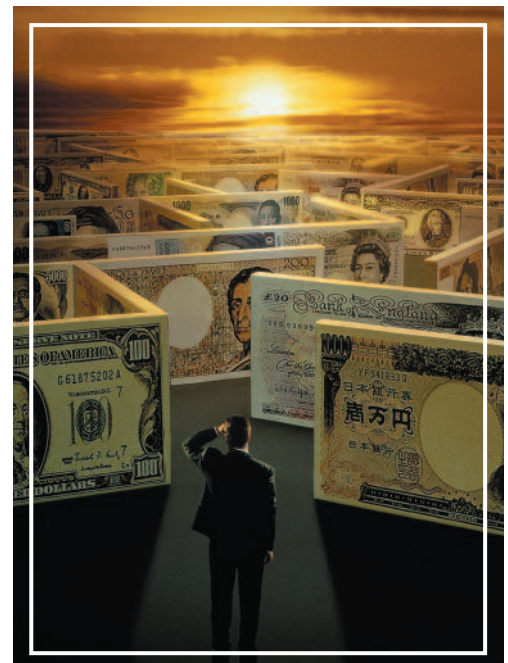
CONSTANTLY COMMUNICATE

Employees must be constantly reminded of the vision, why it is changing, and how it

continued on back



RANDALL
BRINKMAN



“True M&A Market News depends on the definition of ‘market size’ combined with empirical data, experiences and observations. Speak with an M&A professional from The Transition Companies for accurate information.”

Leadership, continued

will be better. The only constant is change, therefore, the destination must be articulated and the vision painted so that all employees see the same portrait in their minds. This simple exercise will create teamwork and will allow the entire company to pull in the same direction.

Constantly communicate the vision.



DOWNTURNS AFFECT EVERYONE

Companies are not alone during economic crises; therefore the competition is facing the same crisis. It is imperative, then, that you capitalize on the company's strengths that truly provide value to customers. Managing during downturns involves much more than margins, and so the leadership team must involve employees and ask for new ideas that could improve value. Out of many suggestions could come the one innovative idea that could separate you from your competition and significantly improve the company's profits. If you do not ask, most likely no one will offer. Additionally, employee involvement will reduce anxiety and encourage honest communication.

LEAD BY EXAMPLE

History has shown the way when it comes to leading by example. Alexander the Great would never have gotten out of Asia Minor, let alone conquered India and Egypt if he had lead from the rear of the battle field. Ulysses Grant would surely have been defeated early in the Civil War, had he not lead and inspired the troops to follow him against the higher numbers of Confederates.

Likewise today's business leaders cannot expect the staff to suffer during poor economic times all on their own, while the leaders appear to be unaffected. Cost-cutting steps should be implemented across the board as the company continually stabilizes itself. If a company is operating at the ten percent profit level, it will take \$10,000 in new sales to add \$1,000 to the profit line, whereas cutting \$1,000 in costs adds that \$1,000 immediately. Which of these actions is the most efficient? Therefore, when cuts are required, ensure that management shares in the pain and is leading the employees by example out in front of the charge, not from the hilltop in the rear.

M&A Markets, continued

What's happening in the lower middle-markets now?

1. Contrary to conventional wisdom, given rise to the buying power of European companies based on exchange rates, Canadian firms have been the biggest buyers of U.S. companies over the past 12 months ending November 30, 2009. Canadian firms announced 212 deals for U.S. companies during that period.
2. Stock for stock transactions have increased 22% for the trailing three months of December 2009 over 2008. This method of payment helps the buyer reserve cash and mitigates taxes for the seller.
3. Driven by market conditions, payment methods have also migrated to include more owner financing, earn outs and transaction structure. We're seeing an increase of 50% to 60% of offers include additional amounts

of transaction structure. This type of deal provides higher values to sellers while off setting any temporary performance issues during a sideways economy.

4. The breakout of different types of buyers active in this market has changed, with private buyers (37% of activity L3M 11-30-09 compared with 29% L3M 11-30-08) more active than public buyers (38% similar time frame compared with 41%). Private money is seeking private opportunities rather than stomach the volatility of the stock market.
5. Private Equity Group activity has decreased from 13% to 9% of buyer activity L3M 11-30-09 compared to 11-30-08. However, funds with private sponsors seem to be as active as ever.
6. Interest rates remain low for the moment, allowing buyers to

grow by acquisition, which is easier and more cost effective especially in a very competitive market. However, interest rates are expected to rise in 2010, which will reduce buying power and may result in lower values.

7. Based on empirical data as of December 1, 2009 values of privately-held companies, based on offers for those companies in market, have not changed materially (if at all) in this market.

