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What It's Worth

Excerpts from 2011 Mergerstat Review

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FactSet Mergerstat®

FactSet Mergerstat compiles statistics on publicly announced mergers, acquisitions and divestitures involving operating entities. FactSet Mergerstat has tracked these statistics and published its findings for over 45 years. These statistics are useful to a wide variety of readers — foremost, anyone buying or selling an operating company or anyone valuing a company. Or, anyone who is serious about investments or investing. The *Mergerstat Review* provides insight into trends in prices, methods of payment, premiums and other critical information. The statistics reveal which industries are most active and what their respective premium and TIC/EBITDA, TIC/EBIT, and P/E averages are compared to the market as a whole.

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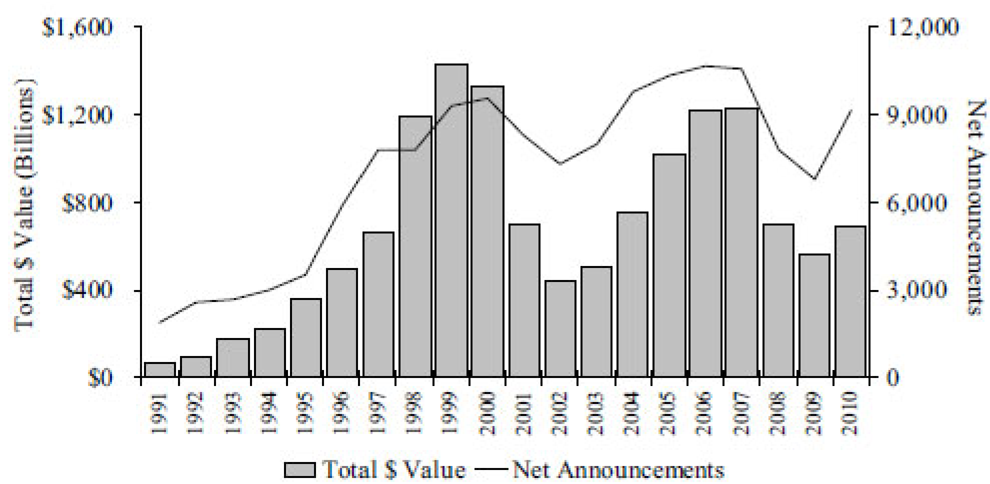
Aggregate Merger and Acquisition Announcements

A decrease in merger and acquisition activities began in 2000, but deal flowstarted recovering slightly in 2003 and steadily increased through 2006-2007. Thenumber of mergers and acquisitions announced in 2010 was 9,116. Thisrepresents an increase of about 34% from 2009. The total value of announcedmergers and acquisitions that disclosed a purchase price increased by about 24%to $690 billion.

TRENDS IN MERGERS AND ACQUISITIONS 1991 - 2010
Chart 1 - 1



Historical M&A Activity Excerpted from the 2011 Mergerstat Review.

HISTORICAL MERGER AND ACQUISITION ACTIVITY

Highlights of key periods of merger and acquisition activity dating back to the turn of the 20th century are identified:

1. 1893 - 1904: Activity dominated by same-industry consolidations of many small firms, resulting in monopolistic entities. Some believe the Sherman Antitrust Act of 1890 helped foster these horizontal mergers, since the Sherman Act outlawed collusion but not mergers.
2. 1915 - 1929: Characterized by horizontal mergers of secondary firms, resulting in oligopolies, in which a few large firms dominated an industry.
3. 1940s: Activity consisted of friendly acquisitions of many small, privately held businesses by large companies. Burdensome estate taxes forced smaller corporate owners to sell out.
4. Mid-1950s - 1969: Identified as the longest and largest merger and acquisition wave with the highest number of transactions. Conglomerate mergers were characterized by small and medium-sized companies acquiring other small and medium-sized firms in unrelated industries. The conglomerate merger wave was propelled by the theory of diversification, which held that the control of a variety of businesses would lessen the risk during business cycles.
5. Mid-1970s - 1980s: Characterized by two main trends, takeovers of very large, public corporations and the divestiture of unrelated or unprofitable operations. As a result, the number of deals announced began to decline in the mid-1970s and, in turn, the dollar value offered began to steadily increase. The 1980s ushered in a decade of megadeals with the overall acceptance of hostile takeovers, leveraged buyouts and strategic megamergers. The introduction of the junk bond market made financing easier to obtain and allowed banks and brokerage firms to fund LBOs.
6. 1990s: Driven by deregulation and consolidation, the banking, utilities, office supply and health care industries combined their operations to increase market share, achieve economies of scale and expand product offerings. This period was characterized by megadeals creating dominant market players. The globalization of business has also been a catalyst for megadeals.
7. 2000 - 2005: The new millennium started with the U.S. M&A market at an all-time peak in dealflow. The market then steadily declined in 2001 and 2002, driven lower by the bursting of the internet bubble, recession in the overall economy, corporate scandals, terrorist attack and conflict with Iraq. After a slow start in 2003, the market turned the corner on the strength of private equity firms deploying more capital and buying more U.S. companies than at any other time. By the end of 2004, the U.S. M&A market saw a return of more strategic buyers, more megadeal announcements and renewed confidence in deal-making. Little did everyone know that 2005 would turn out to be even better. With lending rates remaining low, the U.S. M&A market built upon its success in 2004 to reach even greater heights. Total deal flow soared to an all-time high and the amount of money invested in the market reached its highest level since 2000.

Excerpt from the 2011 Mergerstat Review.

HISTORICAL MERGER AND ACQUISITION ACTIVITY (continued)

8. 2006 - 2007: Few imagined that the 2005 U.S. M&A market could be surpassed so soon, but 2006 was a year that exceeded all expectations. The transformational deal-making of private equity groups (PEGs) played an important role in making 2006 one of the best markets ever in M&A history. PEGs helped to push up deal multiples to record levels, clubbed together to pursue megadeals, took a record number of public companies private, raised mammoth funds for new investment and spurred even more deal activity in the market by buying portfolio companies from and selling them to other PEGs. The average price of a deal jumped from $246 million to $332.1 million while the median price of a deal rose from $20 million to $35.4 million. It seemed as if nothing could stop PEG buyers — through the first half of 2007. But after posting one of the greatest six-month runs in M&A history, the U.S. market was upended by a devastating credit crunch that knocked out large-leverage PEG investing for good and hobbled M&A activity in general. What's more, mounting fears of an economic recession in 2008 further subdued the pace of M&A activity, which by the end of the year had become relatively modest, though still historically respectable.
9. 2008 - 2010: A steady slide in new announcements, a dearth of available financing for deals and a worsening recession combined with the collapse of the U.S. banking system made 2008 a year that few in the finance industry will be able to forget. High profile hostile takeover battles, withdrawn deals, revised offers, distressed sales and bankruptcies captured main stream news media headlines. Hotly contested proxy fights and poison pill adoptions dominated corporate boardrooms. Strategic buyers clung increasingly to caution when evaluating deal opportunities, even those companies with still enough cash on hand to do transactions, and PEG buying was generally spare and modest in size. Two of Wall Street's bulge bracket investment banking behemoths – Bear Stearns and Lehman Brothers – toppled, Merrill Lynch was forced into a rapid-fire sale to Bank of America, and Goldman Sachs and Morgan Stanley converted to bank holding companies to gain access to new government safety nets, marking the end of the pure-play investment banking model. Deal announcements at every level shrank sharply and aggregate spending on M&A was slashed dramatically. After the upheaval of the marketplace in 2008, few dealmakers looked optimistically at the start of 2009, given the persistent storm clouds hanging over the economic and financial landscapes, and deal flow and spending continued to slip to its lowest annual level since the mid-1990s. However, the market, it seems, had nowhere to go but up, with dealflow increasing in each quarter of 2009, the longest such trend since 1995-1996 , and the only time it has happened in a full calendar year for the past 20 years. In 2010, the recovery continued as deal activity increased 34% to 9,116 announced transactions. Yet dealmakers remained cautious as the Mega Deals normally associated with such deal activity stayed behind.

PUBLICLY TRADED SELLERS

In 2010, the number of completed or pending acquisitions of publicly traded companies increased 24.7% from 2009 levels, and the total price offered for such transactions decreased 10.3%.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES*
($ in Millions)
1996 - 2010
Table 1 - 33

				Transaction Value	
	Total Transactions	Dollar Value Offered	Base	$100MM or More	$1,000MM or More
1996	478	$285,185.0	454	227	58
1997	603	374,399.5	564	358	69
1998	627	884,713.7	590	348	100
1999	746	963,715.9	708	434	114
2000	676	831,388.3	636	235	116
2001	591	309,786.4	511	207	62
2002	411	145,589.4	366	111	15
2003	463	217,578.1	400	154	37
2004	372	380,867.7	315	176	55
2005	448	551,830.1	399	233	90
2006	488	683,350.4	433	290	109
2007	480	603,171.8	453	306	127
2008	309	382,206.4	275	135	44
2009	292	289,424.4	228	77	35
2010	364	259,717.4	302	188	64

* *Includes the purchase of controlling equity interests.*

HISTORICAL NOTE

Acquisition activity started to increase as the economy began to recover in late 1982 and 1983. The widespread availability of financing, particularly higher yielding junk bonds, facilitated the upward movement of activity throughout the 1980s, reaching a peak in 1988. Public takeovers began a period of decline in 1989, initially due to the collapse of the junk bond market. Economic conditions in the early 1990s caused a further decline in the public takeover market. The beginning of an economic recovery began in 1992 and continued through the end of the 1990s. After 2000, the technology bubble burst in the U.S. market and acquisitions of publicly traded companies started to decline. M&A activity rebounded from 2004-2008, until the financial crisis affected the US and Global markets, which saw deal levels stopped. In the second half of 2010, we saw a rebound in deal activity.

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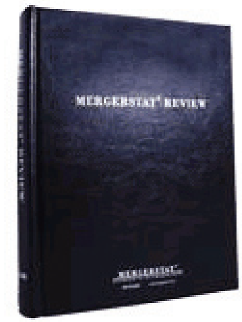

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