



Charting the Course 2007

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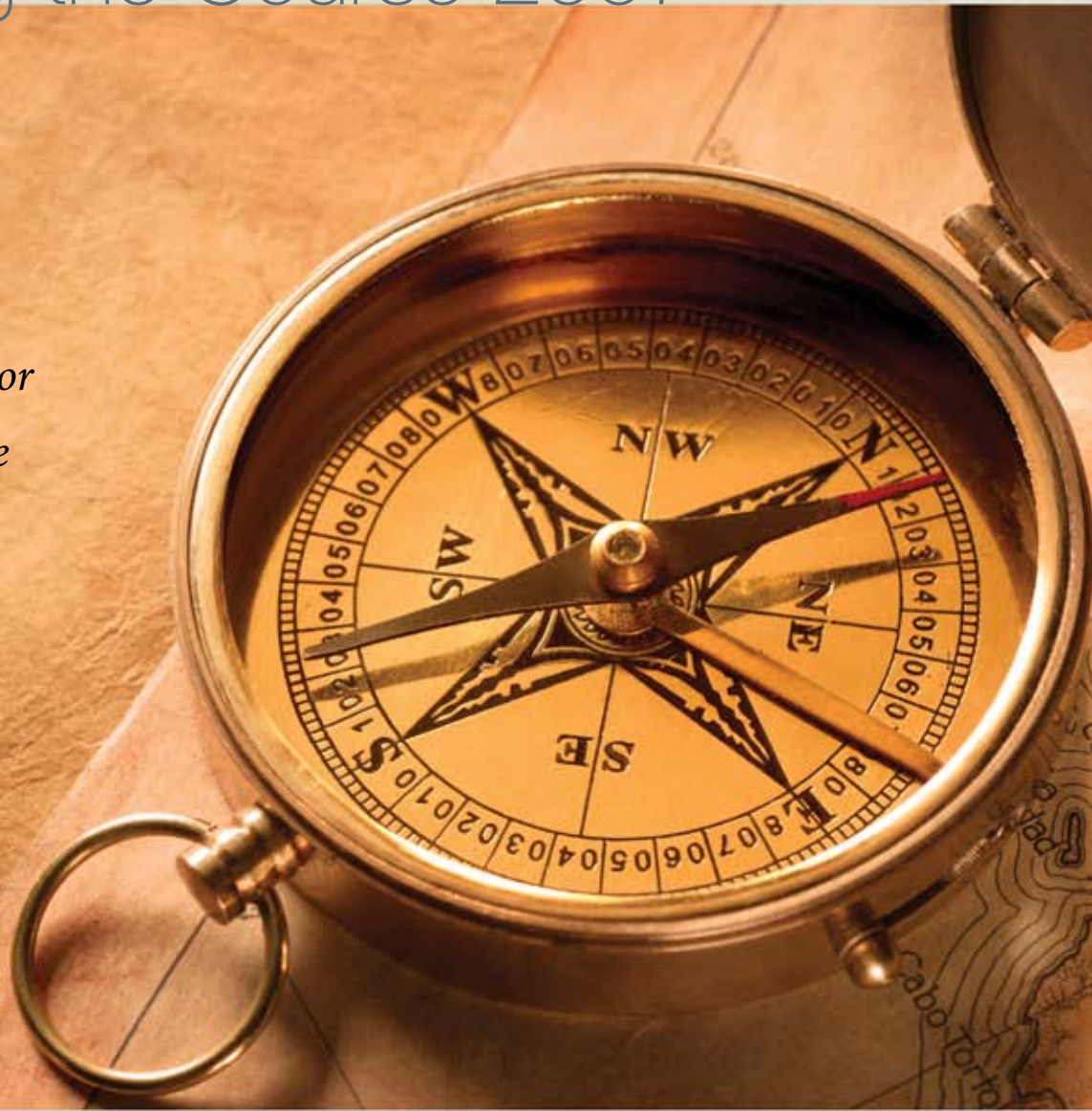
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*We don't expect the door
to close quickly on the
M&A market, but...*

– Alan J. Scharfstein,
Founder/President of
The DAK Group



Middle Market Merger & Acquisition Survey

The **DAK** Group
Investment Bankers to the Entrepreneur



**COLUMBIA
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Introduction

By all accounts, 2006 was a great year for mergers and acquisitions in the middle market. For virtually all industries and geographies, the number of transactions and their aggregate value reached levels in 2006 not witnessed since the record levels of 1999. M&A in 2006 was supported by several factors, including strong balance sheets and increased confidence among strategic acquirers, a private equity community with unprecedented uninvested capital to put to work in the middle market and a buoyant debt market with banks anxious to fund deals at increasingly higher multiples. These M&A drivers remain largely intact and early indications are that M&A is off to a strong start in 2007. However, in the 2007 DAK Group Columbia Business School Middle Market M&A Survey business owners expressed concern about M&A as a strategic tool, as well as about growth opportunities and the general economy. The study includes responses from owners and/or senior managers of 703 privately held companies with revenues ranging from under \$5 million to in excess of \$100 million.

Business Owners Express Concern About M&A Opportunities

Survey responses indicate that middle market business owners are proceeding with caution, as M&A expectations fell moderately compared to last year. As shown in Exhibit 1, 43% of respondents expect their companies to be sold or merged in the next three years, down from 52% in 2006. “Survey responses indicate that middle-market business owners are proceeding with caution,” said Alan J. Scharfstein, president of The DAK Group. “Interestingly, business owners expressed similar concern in the 2006 survey, when the percentage of respondents expecting to sell fell for the first time in several years from 64%. As we now know, 2006 proved to be one of the strongest M&A years on record, continuing the growth trend that began in 2003 after several down years in M&A.” Data through January suggests that M&A in 2007 is off to a good start. “Based on this,” Scharfstein said, “we believe the M&A market has momentum to sustain itself for the next 12 to 18 months, after which this trend reversal may be cause for concern.”

Business Owners Plans to Sell Over the Next Three Years

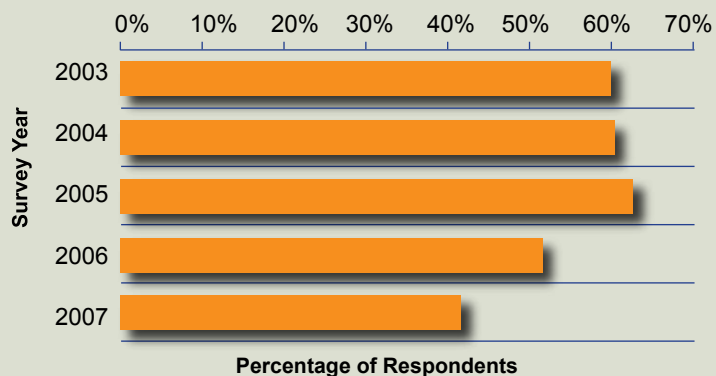


EXHIBIT 1

Business Owners Temper Growth Expectations

Business owners' expectations for growth is generally a good indication of confidence in the business and the general economy, and survey respondents indicated that confidence has waned somewhat thus far in 2007. For the first time since 2003, the number of respondents that expect their company's revenue to increase in the next 12 months decreased, reversing a trend that grew from 46% to 89% over that period. According to this year's survey, the number of respondents expecting revenue to increase in 2007 declined to 83%, as shown in Exhibit 2 below. Further, only 71% of respondents expect their respective industries to experience revenue growth, down from 79% in 2006. In addition,

owners hinted that they will curb investment in their businesses, perhaps as a result of revenue growth limitations. According to the survey, the number of companies expecting to decrease capital expenditures in 2007 more than quadrupled to 19%, from only 4% in 2006. Accordingly, business owners' expectations for value have also been tempered for the first time since 2002. According to this year's survey, only 71% of respondents believed that the value of their business increased last year, compared to 79% in the prior year. More interestingly, the number of respondents expecting their business to increase in value in the following year decreased to 75%, from 87%, the first such decrease since 2003.

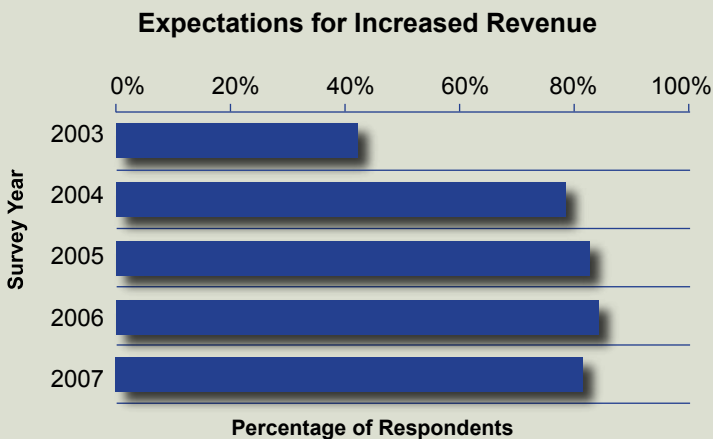


EXHIBIT 2

Survey respondents indicated that general economic conditions was expected to be the primary obstacle to growth for middle market businesses in 2007. More than half of the survey respondents selected general economic conditions as a primary obstacle to growth, up substantially from 28% in 2006. "In general, our clients have maintained a growth posture through Q1 2007, so we don't expect the door to close quickly on the robust M&A market. However, there is no denying the reversal of trends indicated by this year's Survey," explained Alan Scharfstein. "Clearly, middle market business owners are more concerned about the economy and how it will impact their businesses in 2007."

Business owners are increasingly concerned about technology limitations in their industries. The number of respondents citing technology concerns grew to 11%, its highest in four years, from 6%, 6%, 4% and 1% in 2006, 2005, 2004 and 2003, respectively. Concerns over foreign competition dropped below 20% for the first time since 2000. Further, for the first time since 2001, the number of business owners citing management shortage as a major obstacle declined, to 9%, from 21%, 16%, 8% and 3% for the last four years.

Private Equity Grows In Importance

The continued participation of the private equity community has been especially important to the growth in middle market M&A activity in recent years. The number of private equity firms and the amount of uninvested capital has grown exponentially, creating competition for quality companies between private equity and strategic acquirers and generally higher multiples. As a result, investment bankers and their business owner clients are considering private equity a viable option when seeking liquidity and is often a preferred option due to the potential for equity rollover and the proverbial "second bite at the apple" that comes when the private equity firm exits several years later. We asked respondents to consider the extent to which potential acquirer groups would be interested in investing in their respective companies. 41% of respondents expect moderate to maximum interest in their company from private equity firms, compared to 45% from public strategic acquirers and 57% from private strategic acquirers. Private equity investment has become particularly attractive to the younger generation of business owners that exist today, primarily due to a business culture that encourages young entrepreneurs to avoid being "married to the business" forever. Previous generations of business owners generally maintained their stake in the company until retirement age or later when ownership was passed to the next generation. As shown in Exhibit 3, the distribution of ages has shifted away from the 60 to 70 year old business owner toward the 40 to 50 year old business owner. As indicated, nearly 500 of the 703 respondents (70%) are between the ages of 40 years old and 60 years old. These "younger" business owners are generally more interested in exchanging equity (or control) for liquidity, growth capital, and sharing of risk, making them ideal candidates for private equity investment.

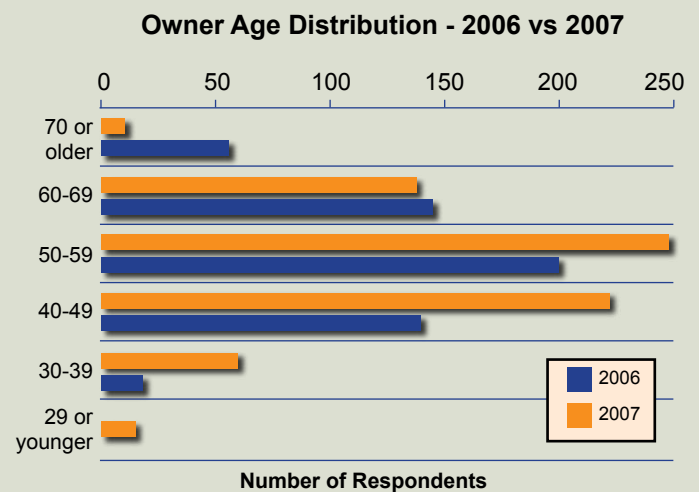


EXHIBIT 3

The DAK Group

The DAK Group is a leading mergers and acquisitions firm providing sophisticated investment banking services to middle market companies not appropriately served by Wall Street firms. Since 1984, The DAK Group has executed over 450 transactions across a wide range of industries. We specialize in strategic sales, acquisitions, mergers, private placements, valuations and fairness opinions.

The DAK Group
Investment Bankers to the Entrepreneur

Eugene M. Lang Center for Entrepreneurship Columbia Business School

The mission of the Lang Center for Entrepreneurship is to instill entrepreneurial thinking throughout the core MBA curriculum and to create a community of business practitioners with a lifelong commitment to achieving social and economic progress through entrepreneurship. For students interested in launching their own ventures, The Lang Center offers specialized courses and finding opportunities.



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DAK Representative Transactions

 has acquired DAK	 has been acquired by DAK	 has been acquired by DAK	 has been acquired by Tetra Tech, Inc. (NASDAQ: WATR) DAK
Emabond Solutions LLC has acquired The Emabond business of ASHLAND (NYSE: ASH) in a management buy-out DAK	 has been acquired by Dimension Data Holdings Plc (London Stock Exchange - DDT) DAK	 has been acquired by LaFarge Road Marking, Inc. (A Subsidiary of LaFarge S.A., Paris Bourse) DAK	 has been acquired by Ducommun Incorporated Los Angeles, California (AMEX) DAK
 has been acquired by Photonic Products Group (NASDAQ: PPHG) DAK	 has acquired Fluid Dynamics from AQUA-AEROBIC SYSTEMS, INC. DAK	 has been acquired by (NASDAQ: BBOX) DAK	Precision Plus Vacuum Parts, Inc. has been acquired by The BOC Group, plc. DAK
 has been acquired by Communication Systems USA A Subsidiary of Northwestern Corporation (NYSE: NCR) DAK	Volttronics Corporation and Volttronics International Corporation have been acquired by Dielectric Laboratories, Inc. a Division of Dover Corporation DAK	The Wafer Fabrication Division of Lansdale Semiconductor, Inc. has been acquired by DAK	 has been acquired by DAK

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