



2008 ARIZONA DEAL SURVEY

M&A and Private Equity Placements Struggle in Arizona in 2008

According to Columbia West Capital's annual Arizona Deal Survey, M&A transactions disclosed for companies headquartered in Arizona declined from \$39.9 billion to \$20.0 billion in 2008, a fall of 49.9% over 2007. This decline was driven by unit volume decreases across every industry category, with the total number of disclosed deals declining to 48 deals from 98 deals. The average deal size actually increased to over \$417 million from \$407 million, in 2008 and 2007, respectively.

The year was characterized by fewer large transactions in Arizona, with one major exception being Republic Services' acquisition of Allied Waste. Including only transactions under \$1 billion, disclosed 2008 M&A transactions decline substantially, falling 60.2% to \$2.3 billion from \$5.8 billion in 2007. The average deal size in 2008 was \$52.1 million and the median deal size was \$8.5 million on 44 deals, down from an average \$61.3 million and median \$15.0 million on 94 deals in 2007, demonstrating again that unit volume, and to a lesser extent average deal size, both drove the 2008 decline in the middle market.

In 2008 there was strong sector performance in Healthcare, Consumer/Retail, and Manufacturing by total volume, driven by deal size despite lower unit volumes.

Private Equity Placements for middle market companies in Arizona (transaction size between \$5 million and \$300 million) in 2008 also declined, from 29 to 21 Private Equity placements, representing a unit volume decrease of 27.6% and a dollar volume decrease of 50.9% from \$970 million to \$476 million. This total included large placements for i/o Data Centers, Hypercom and Stirling Energy Systems.

In all, we believe Arizona transaction volume will progress slowly in 2009 in line with the national economy. Price sensitive owners of healthy companies may remain on the sidelines, but those who desire to sell for operating or lifestyle reasons ultimately will face the current market's lower pricing (still attractive by historical standards) causing M&A unit volume to recover. Still, M&A in 2009 will likely be characterized by low leverage and high equity contribution, contingent payments, and/or seller debt.

Private placements in 2009 are expected to have greater unit volume relative to M&A, driven by the fact that growing companies must continue to raise capital to survive, irrespective of price, and the proliferation of financial sponsors historically focused on majority deals who now are considering minority investments.

If you would like more detail on our Arizona Deal Survey, please feel free to call us at (480) 664-3949.

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ARIZONA DEAL SUMMARY BY INDUSTRY

Includes only M&A Transactions

(\$ in millions)

	2008			2007			Variance		% Growth	
	\$	%	#	\$	%	#	\$	#	\$	#
Medical / Healthcare / Biotech	\$ 3,379	16.9%	7	\$ 1,230	3.1%	12	\$ 2,150	(5)	174.8%	(41.7%)
Consumer / Retail	1,355	6.8%	5	393	1.0%	9	961	(4)	244.6%	(44.4%)
Manufacturing	93	0.5%	3	46	0.1%	6	47	(3)	102.7%	(50.0%)
Business Services	13,079	65.3%	12	2,554	6.4%	20	10,525	(8)	412.1%	(40.0%)
Financial Services	6	0.0%	2	240	0.6%	5	(234)	(3)	(97.5%)	(60.0%)
Electronics / Semiconductors	57	0.3%	4	357	0.9%	12	(301)	(8)	(84.1%)	(66.7%)
Technology / Software / Services	105	0.5%	7	596	1.5%	13	(491)	(6)	(82.3%)	(46.2%)
Gaming / Leisure / Lodging	0	0.0%	1	15	0.0%	1	(15)	-	(96.8%)	-
Construction Services / Homebuilding	87	0.4%	1	212	0.5%	3	(126)	(2)	(59.3%)	(66.7%)
Oil & Gas	-	-	-	1,478	3.7%	4	(1,478)	(4)	NM	(100.0%)
Telecom	241	1.2%	3	1,081	2.7%	5	(841)	(2)	(77.7%)	(40.0%)
Transportation / Logistics	1,580	7.9%	2	3,739	9.4%	4	(2,158)	(2)	NM	(50.0%)
Natural Resources	34	0.2%	1	27,983	70.1%	3	(27,949)	(2)	NM	(66.7%)
Real Estate Services	-	-	-	3	0.0%	1	(3)	(1)	(100.0%)	(100.0%)
Totals	\$ 20,017	100.0%	48	\$ 39,928	100.0%	98	\$ (19,911)	(50)	(49.9%)	(51.0%)
% Growth										

* Excludes Real Estate, Mining, Project Finance and 144a transactions.

TOP 10 2008 M&A DEALS:

(\$ in millions)

1: Allied Waste Industries Inc.	\$ 12,799
2: Ventana Medical Systems Inc.	2,841
3: Honeywell Consumables Solutions	1,063
4: CSK Auto Corp.	1,022
5: Landmark Aviation	517
6: Sun Health Corporation	316
7: Radyne Corp.	224
8: Abitibi-Consolidated Sales Corporation	161
9: Calence, LLC	160
10: VistaCare Inc.	145

TOP 10 2008 PRIVATE EQUITY DEALS:

(\$ in millions)

1: Stirling Energy Systems, Inc.	\$ 100
2: Hypercom Corp.	60
3: i/o Data Centers, Inc.	56
4: Zounds, Inc.	41
5: LifeLock, Inc.	25
6: Ulthera Inc.	23
7: TPI Composites, Inc.	20
8: NutraCea	20
9: EverSpin Technologies, Inc.	20
10: Diversified Human Resources, Inc.	16

* Excludes Real Estate, Mining, Project Finance and 144a transactions.