

Cogent Valuation’s Middle Market M&A Review summarizes our periodic studies of acquisitions primarily of middle market private companies by public companies. The data utilized in the studies is sourced from the proprietary Cogent Valuation M&A Database. The database contains detailed information on approximately 1,900 acquisitions (most of them strategic) completed between 1995 through 2009. Access to individual transactions in the database is available on a subscription basis. For more information about the database, visit [cogentvaluation.com](http://cogentvaluation.com).

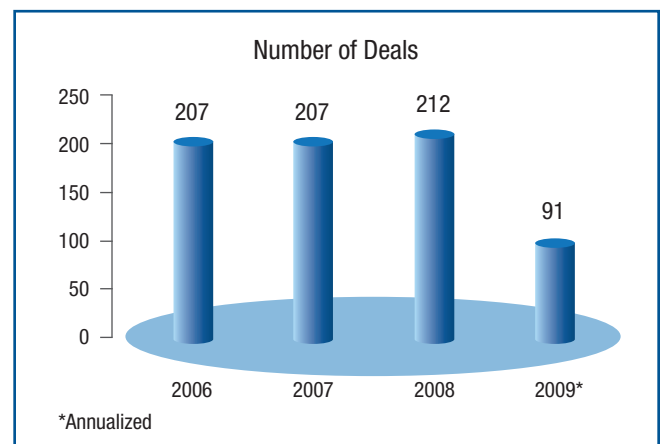
## DEAL VOLUME, SIZE, AND MULTIPLES WAY DOWN IN 2009

### DEAL VOLUME

Chart 1 indicates the number of transactions in our database for 2006 through the first half of 2009 (annualized). While our database represents only a subset of all public company acquisitions (for example, we generally exclude reverse mergers), we use consistent selection criteria and believe that our transaction count provides a fair representation of the direction of overall public company acquisition activity. We note the following:

- The annualized level of public company acquisition activity in our database in the first half of 2009 is less than half of what it was in each of the previous three years. This indicates that public companies, despite being somewhat less dependent on credit availability than financial buyers, sharply curtailed acquisition activity in the first half of the year.
- Deal volume was relatively stable from 2006 through 2008. Despite the market crash in the Fall of 2008, deal volume remained strong through the end of 2008. This suggests that most deals that were in progress at the time of the financial crisis were consummated.

CHART 1

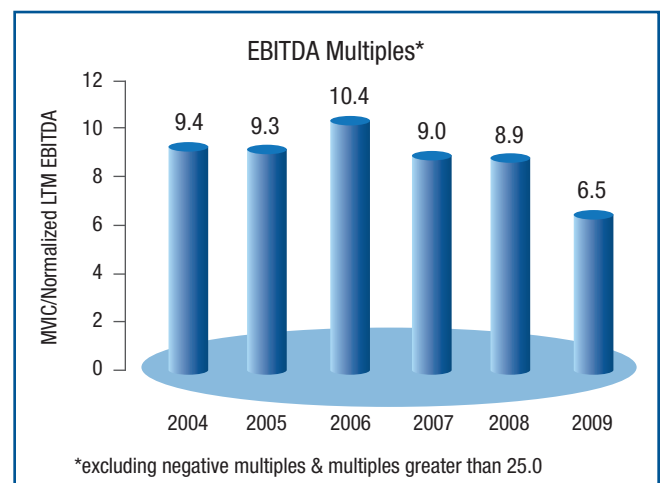


### EBITDA MULTIPLES

Chart 2 indicates median EBITDA multiples for the acquisitions in our database from 2004 through the first half of 2009. We note the following:

- The median EBITDA multiple dropped dramatically in the first half of 2009 to a period low of 6.5 times, 38% below the 2006 peak and 27% below the 2008 level. This provides ample evidence that the adverse market conditions have led to a decline in the multiples that public companies are willing to pay for strategic acquisitions.
- Though the median multiple peaked at 10.4 times in 2006, representing the height of recent M&A activity, it fluctuated within a fairly narrow range from 2004 to 2008.

CHART 2



continued...

## EDITDA Multiples continued...

- For all periods, median EBITDA multiples are higher than those reported in other studies for comparable time periods. We believe that there are several possible reasons for this, including: 1) virtually all of the acquisitions in our database are strategic (and strategic buyers often

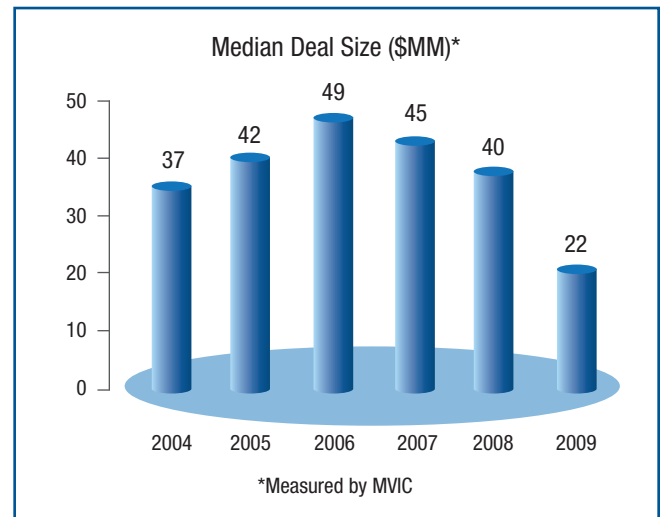
pay a premium to the target's stand-alone value), and 2) inflation in the multiples resulting from the inclusion of non-cash consideration in many of the transactions in our database.

## DEAL SIZE

Chart 3 indicates the median deal size for transactions in our database for the years 2004 through the first half of 2009. Deal size is measured by market value of invested capital (MVIC) which includes: 1) cash to seller(s), 2) acquiring company stock, 3) seller financing, 4) interest-bearing debt of target assumed by buyer, and 5) contingent consideration. We note the following:

- In the first half of 2009, the median deal size fell to \$22 million, about half of the levels of the previous years, indicating that in addition to the fewer deals in 2009, those that are getting done are generally much smaller.
- The median deal size peaked in 2006 at \$49 million before tapering off slowly in 2007 and 2008, prior to the dramatic drop in 2009.

CHART 3

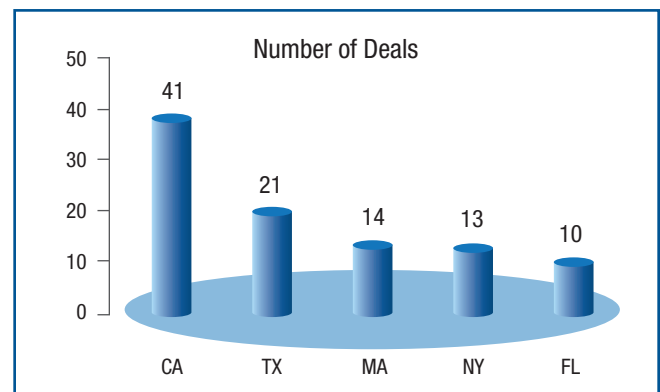


## WHERE THE DEALS WERE: LOCATION

Chart 4 indicates the number of transactions in our database by target company location since the beginning of 2008. We note the following:

- California was home to the largest number of target companies (41) by a substantial margin. While this is not surprising given that California is the largest state, its share of domestic acquisitions in our database during that time (18%) was significantly greater than its share of population and GNP. Consistent with California's diverse economy, no one industry dominated its transaction count, though the technology sector was well represented.
- Texas was home to the second largest number of target companies (21). While, no one industry dominated its transaction count, there were, not surprisingly, more transactions in the energy sector than in any other.

CHART 4



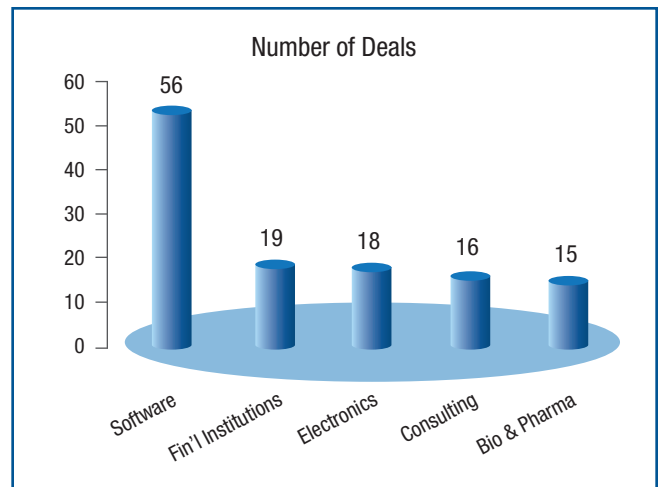
- Massachusetts (14) had more transactions than New York (13), largely focused in the technology sector. While New York was a surprising fourth in the transaction count, New York and New Jersey (9) combined had slightly more transactions than Texas.

### WHERE THE DEALS WERE: INDUSTRY

Chart 5 indicates the number of transactions by industry in our database since the beginning of 2008. We note the following:

- By far the largest number of acquisitions was in the software and related computer services field (56). The majority of these companies were losing money.
- After software, no other industry represented more than 8% of the total transaction count. The next most prominent industries were financial institutions, electronics, consulting and biotech/pharmaceuticals.

CHART 5

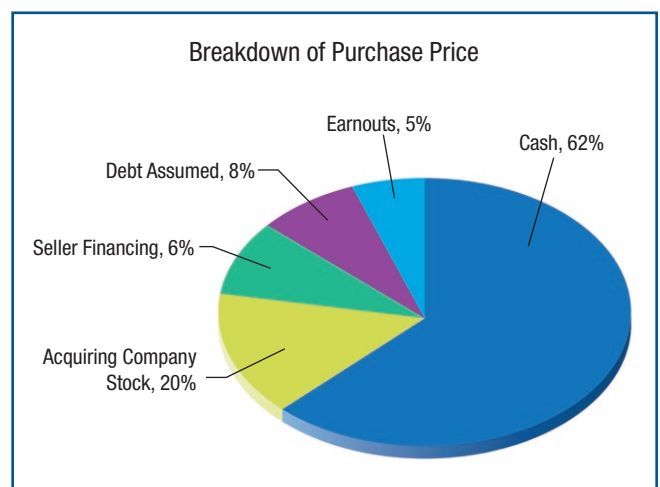


### BREAKDOWN OF PURCHASE PRICE

Chart 6 indicates the average percentage of the total purchase price represented by each form of consideration for the transactions in our database since the beginning of 2008. We note the following:

- Cash to sellers represented the majority of purchase consideration.
- Acquiring company stock represented the next largest component of consideration at 20% on average. However, when acquiring company stock was used in a transaction (about 45% of the time), it represented an average of 43% of the purchase consideration.
- Earn outs and other forms of contingent consideration represented only 5% of consideration on average. However, when earn outs were present (only 16% of the time) they represented 29% of the purchase consideration on average (and this percentage has been growing).

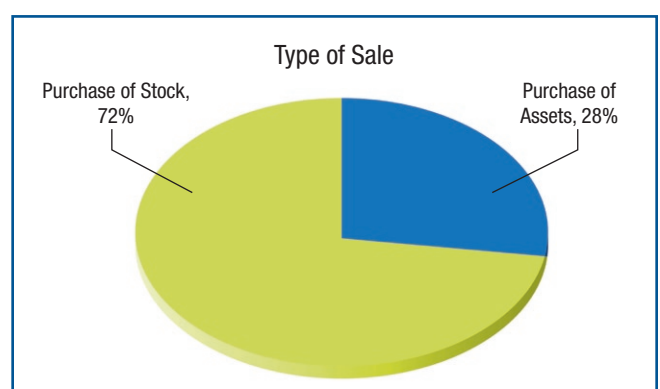
CHART 6



### TYPE OF SALE

Chart 7 indicates the percentages of transactions in our database since the beginning of 2008 represented by purchases of stock and purchases of assets, respectively. As shown, acquirers purchased stock 70% of the time. This suggests that in general public companies are less skittish about assuming the contingent liabilities that accompany stock purchases than are many private buyers.

CHART 7



## COGENT VALUATION

Cogent Valuation is a nationally recognized firm that has provided independent valuation and financial advisory opinions in thousands of situations since 1991. Cogent Valuation provides securities valuation and corporate advisory services to parties requiring an expert's opinion on pricing, structure, fairness or solvency in connection with the following matters: mergers and acquisitions, buyouts,

employee stock ownership plans, partnerships, gift and estate and other tax situations, recapitalizations, corporate finance, litigation support, financial reporting, intangible assets, and fraudulent transfers. Over the years, the firm has been retained by public and private corporations (large and small); financial institutions; fiduciaries; government agencies; boards of directors; attorneys; accountants and stockholders.

## COGENT VALUATION M&A DATABASE

The Cogent Valuation M&A Database contains detailed information on approximately 1,900 M&A transactions from 1995 through 2009, covering a broad range of industries, with an emphasis on middle market private companies acquired by public companies. The Database was specifically designed to address the two major shortcomings of most other transaction databases: 1) lack of detailed financial and other information for the transactions covered, and 2) the prevalence of acquisition multiples that are not meaningful. The Cogent Valuation M&A Database provides a substantial volume of information on each transaction, including: 1) up to three fiscal years and interim income statements, 2) balance sheet data, 3) financial ratios (profitability, leverage, growth, liquidity, and turnover), 4) market multiples of revenues, gross profit, EBITDA, EBIT, pretax income, net income, cash flow, and net book value

(all on a latest period, fiscal year-end, two year average and three year average basis), and 5) purchase price broken down and quantified into the following components: cash, stock, seller notes, interest-bearing debt and contingent payments. The Cogent Valuation M&A Database employs normalization procedures to make the market multiples more meaningful, including adjustments to earnings to better represent the earnings level upon which the buyer based their purchase price. Another unique feature is the ability to select individual transactions (up to ten) and automatically generate a report containing a side by side comparison of acquisition multiples and financial ratios. For more information about the database, contact Bret Tack or John Leonardi at (800) 977-8999 or visit [cogentvaluation.com](http://cogentvaluation.com).

## SINGLE TRANSACTION REPORT

SINGLE TRANSACTION REPORT					
Previous Search Results · Previous Search Criteria · New Search					
Excel Format · Printer Friendly					
<b>Target</b>	CFS Bancshares, Inc.				
<b>Acquirer</b>	Citizens Bancshares Corp				
<b>Acquisition Date</b>	2/28/2003				
<b>Target SIC Code</b>	6035				
<b>Type of Purchase</b>	Stock Purchase				
<b>Target Tax Status</b>	C Corporation				
<b>Target Location</b>	AL				
<b>Target Latest Reported Quarter</b>	9/30/2002				
<b>Target Latest Reported FYE</b>	9/30/2002				
<b>Target Business Description:</b>					
A holding company for Citizens Federal Savings Bank, which is a federally chartered stock savings bank.					
<b>Purchase Price Breakdown:</b>					
	<b>Amt</b>	<b>Pct</b>	<b>Target Acquisition Multiples:</b>		
<b>Cash</b>	9.1	99.5%	<b>MVIC/Revenues</b>	LTM: 1.5	FYE: 1.5
<b>Acquirer Preferred Stock</b>	0.0	0.0%	<b>MVIC/Gross Profit</b>	2.7	2.7
<b>Acquirer Common Stock</b>	0.0	0.0%	<b>MVIC/Normalized EBITDA</b>	8.9	8.9
<b>Notes Issued to Seller</b>	0.0	0.0%	<b>MVIC/Normalized EBIT</b>	10.6	10.6
<b>IBD Assumed</b>	0.0	0.5%	<b>MVE/Normalized Pretax Earnings</b>	10.5	10.5
<b>Implied MVIC</b>	9.1	100.0%	<b>MVE/Normalized Net Income</b>	15.9	15.9
<b>Contingent Payments</b>	0.0		<b>MVE/Normalized Cash Flow</b>	12.3	12.3
			<b>MVE/Net Book Value</b>	1.0	1.0
<b>Purchase Price Notes:</b>					
In purchase price, assumed number of shares outstanding at the time of the acquisition was the same as in the balance sheets for 2002 and 2001.					
<b>Target Normalized Income Statements:</b>					
	<b>Latest Period</b>	<b>Fiscal</b>	<b>Fiscal</b>	<b>Fiscal</b>	
<b>Revenues</b>	6.1	100.0%	6.1	100.0%	6.7
<b>Cost of Sales</b>	2.7	44.3%	2.7	44.3%	3.5
<b>Gross Profit</b>	3.4	55.7%	3.4	55.7%	4.0
<b>Operating Expenses</b>	2.4	39.0%	2.4	39.0%	2.1

## MULTIPLE TRANSACTION REPORT

MULTIPLE TRANSACTION REPORT					
Previous Search Results · Previous Search Criteria · New Search					
Excel Format · Printer Friendly					
<b>Company</b>	<b>Vetco, Inc.</b>	<b>Terra-Mar, Inc.</b>	<b>Massachusetts FinCorp, Inc.</b>	<b>CFS Bancshares, Inc.</b>	
<b>Acquirer</b>	Prestige Brands, Inc.	U.S. Laboratories, Inc.	Abington Bancorp, Inc.	Citizens Bancshares Corp	
<b>Latest Rpt Qtr</b>	9/30/2004	3/31/2002	6/30/2002	9/30/2002	
<b>Latest Rpt FYE</b>	12/31/2003	12/31/2001	12/31/2001	9/30/2002	
<b>Acq Date</b>	10/6/2004	5/1/2002	9/13/2002	2/28/2003	
<b>Location</b>	N/A	TX	MA	AL	
<b>Form of Purchase</b>	Stock Purchase	Stock Purchase	Stock Purchase	Stock Purchase	
<b>Purchase Price Breakdown</b>					
<b>Cash</b>	50.0	3.0	6.3	9.1	
<b>Acquirer Preferred Stock</b>	0.0	0.0	0.0	0.0	
<b>Acquirer Common Stock</b>	0.0	2.5	9.5	0.0	
<b>Notes Issued to Seller</b>	0.0	2.9	0.0	0.0	
<b>IBD Assumed</b>	0.0	0.8	12.1	0.0	
<b>Implied MVIC</b>	50.0	9.2	27.8	9.1	
<b>Transactions Multiples</b>					
<b>MVIC/Revenues</b>				<b>Median</b>	
<b>LTM</b>	3.5	0.6	3.5	1.5	2.5
<b>Latest FYE</b>	3.9	0.6	3.3	1.5	2.4
<b>3 Year Avg</b>	N/A	N/A	3.7	1.4	2.5
<b>MVIC/EBITDA</b>					
<b>LTM</b>	8.2	4.9	11.9	8.9	8.5
<b>Latest FYE</b>	10.9	5.7	12.3	8.9	9.9
<b>3 Year Avg</b>	N/A	N/A	14.7	8.5	11.6
<b>MVIC/EBIT</b>					
<b>LTM</b>	8.2	6.5	13.3	10.6	9.4
<b>Latest FYE</b>	10.9	8.0	13.8	10.6	10.8
<b>3 Year Avg</b>	N/A	N/A	15.0	10.8	13.8
<b>MVE/Net Income</b>					
<b>LTM</b>	13.7	10.2	16.1	15.9	14.8
<b>Latest FYE</b>	15.1	12.9	15.6	15.9	17.1

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