



# THE COVE QUARTERLY

VOLUME I, ISSUE I JULY 2009

## MARKET SUMMARY

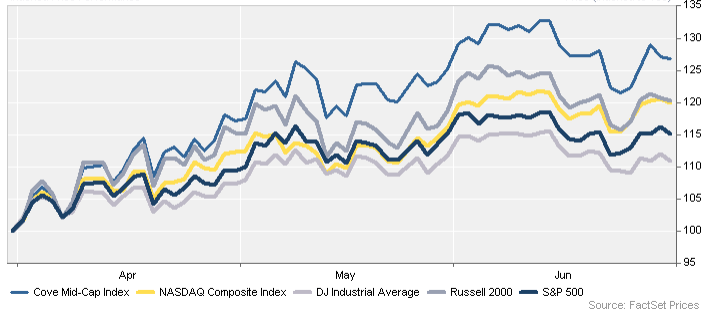
The Nasdaq, S&P 500, and Dow Jones Industrial Average suggested in the second quarter that recovery is close at hand. The market has run up substantially since its rock bottom in March. The S&P surged 15% during the second quarter, its best quarter since 1998. Both Nasdaq and Dow Jones had the best quarter since the second quarter of 2003, gaining 21% and 12% respectively. However, stocks slid at the end of June due to the news in the June 2009 Consumer Confidence Survey by the Conference Board. The Consumer Confidence Index regressed in June, after sizeable advances in May. The CCI presently stands at

49.3, decreasing 5.5 points from May.

In the first quarter, the GDP decreased by 5.5% in the United States. Experts predict that the economy will continue to contract but at a much slower rate. The Federal Reserve predicts that “economic activity is likely to remain weak for a time.”

The market has run up and people are beginning to wonder if the stock market has advanced ahead of the economic recovery. The Labor Department reported that the jobless rate is the highest in 25 years at a staggering 9.4%, up from 8.9% in April. The Labor Department predicts that the June

Cove Mid-Cap Index vs. Peers  
Indexed Price Performance



Cove Mid- Cap Index			
Index	4/1/2009	6/30/2009	% Change
Cove Mid Cap	101.32	126.84	25.2%
Nasdaq	101.50	120.05	18.3%
Russell 2000	101.52	120.23	18.4%
DJIA	102.01	111.01	8.82%
S&P 500	101.66	115.22	13.34%

jobless rate will be .2% higher. Jobless rates increased in all 372 cities that it tracks. The highest unemployment rate nationwide is

Single family housing appears to be stabilizing as the market appears to be testing a potential bottom. Eight cities nationwide have shown increases in property values during the second quarter and experts believe that prices have begun to level off.

## COVE AFFILIATES WITH TRANSLINK INTERNATIONAL

Cove Partners has recently teamed up with Swiss-based Translink International, a cross border network of independent M&A firms. Translink International’s affiliated offices have over 50 professionals in 17 different countries on

4 continents. Founded in 1972, Translink International operates under stringent rules of procedures and quality controls to

deliver value-added services to middle market companies.

For more information, please visit: [www.translink-](http://www.translink-)

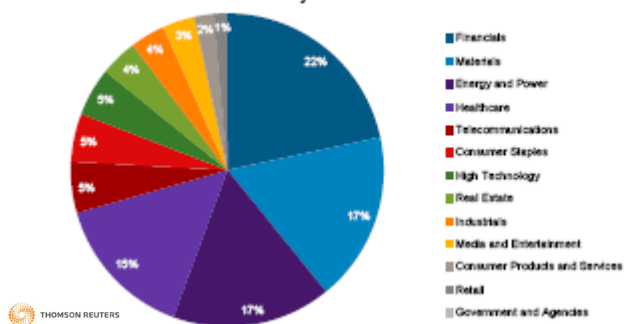


### The Cove Mid-Cap Index

The Cove Mid-Cap Index is comprised of 1,949 public companies, excluding banks, utilities, and insurance companies with market capitalizations between \$50 and \$250 million.

# MERGERS AND ACQUISITIONS UPDATE

Worldwide Announced M&A by Target Industry  
January 1 - June 30



In the first half of 2009, the number of M & A deals worldwide dropped 40% compared to 2008 according to Thomson Reuters. Activity in the United States fell even more than the worldwide average at 49.5%. The global total volume of announced mergers and acquisitions for the first half of 2009 was \$941 billion.

This is the lowest deal activity level since 2004.

Estimated fees of deals for the second quarter were at the lowest level since 1998, when recording began.

According to The-Deal.com, buyers, "are leery of target's shaky cash flows due to the slow-down in ad spending

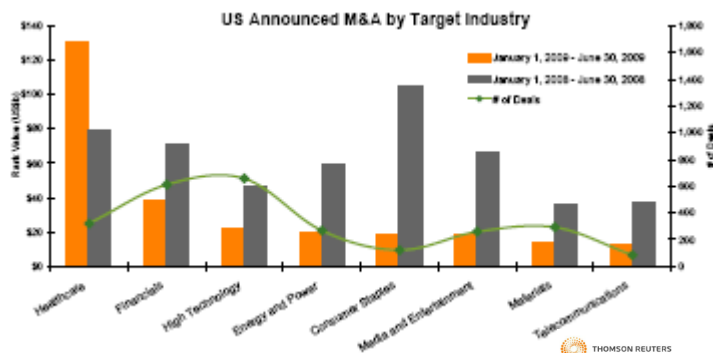
coupled with high debt loads."

Not everyone was a loser. Canada saw an almost 20% increase in M & A activity. Healthcare and Materials also saw a gain year over year by value.

Deal making in the first half of the year was dominated by government spending for the first time ever, totaling 20.9% of worldwide M & A.

Private equity firms saw the largest drop in the first half of 2009 since the first half of 1998.

Despite the gloomy news experts believe that middle market M&A will rebound this year since there is pent-up supply that is waiting for a market turnaround and a high demand from financial buyers. However, given the market's volatility everything could change very rapidly.



## Published By:

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Cove Partners LLC provides innovative and high quality investment banking, corporate restructuring and financial advisory services to middle market companies in a wide variety of industries.

Our expertise allows us to conceive, manage, and execute creative, complex, and cost effective transactional solutions relating to institutional private placements of debt and equity capital, buy and sell-side merger and acquisition assignments, corporate restructurings, valuations, and other financial and strategic advisory services designed to build lasting shareholder value.

Our concentration is on middle market companies with transactions and enterprise values between \$10 million and \$200 million.

## RECENT TRANSACTIONS

Richard A. Mager, *Managing Director*  
John B. Jackman, *Managing Director*  
Randall Stein, *Business Development Sr VP*  
Stuart Davidson, *Vice President*  
Courtney Jerzyk, *Associate*  
Amy Brandt, *Analyst*

**Corporate Line of Credit**

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