

FLOW & PROCESS CONTROL EQUIPMENT & COMPONENTS

MERGER & ACQUISITION MARKET REPORT—2007

SPECIAL POINTS OF INTEREST:

* *Approximately 280 M&A transactions in the process & flow control industry were announced in 2007.*

* *M&A activity should increase in '08 as owners of private companies anticipate that the federal capital gains tax rate will be increased*

* *Strategic buyer interest remains strong, valuations are attractive, and financial buyers have increased activity in this current "sellers market"*

* *Consolidation continues due to technological advancements and global competition pressures*

* *The weak \$US is making domestic companies more attractive targets to overseas acquirers*

M&A activity in all segments of the flow & process control industry (incorporating flow, control, pumps, sensor equipment etc) throughout 2007 has remained strong, consistent with trends exhibited in 2005 and 2006. Approximately 280 transactions have been announced in the industry to date, only a slightly lower figure than in 2006, which was a record year for M&A activity across most sectors.

The industry has been consistently consolidating for several years, and this is expected to continue for the following reasons: the industry's strong fundamentals; the great number of large, financially-strong companies seeking acquisitions to fill gaps in their product lines and technology; the large universe of privately-owned companies with unique, often proprietary products making them ideal acquisition candidates for larger companies.

Owners of small to medium size, private companies in the sector have been motivated to explore affiliation with a larger company or a private equity firm

for many reasons, namely age, estate planning purposes, enhancement of growth prospects by being strategically aligned with a large company or financial sponsor, as well as access to greater distribution channels and abundant financial resources.

Also, concern that the current very-favorable federal capital gains tax rate is expected to be raised in the near future is prompting owners of privately held companies to reconsider their short to medium term business and personal goals.



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MARKET OVERVIEW (cont.)

With the domestic economic forecasts looking highly uncertain for 2008, we see this sector as a relative 'bright spot' amongst the gloom. A major reason for this is the fact that many companies in the industry are selling to OEM industries with outstanding long-term growth prospects, most notably the aerospace/defense, medical device / biotech, oil & gas equipment, and water / waste water treatment industries.

Competitive pressures are continuing to spur corporate acquirers into action. Large organizations are continuing to use acquisitions as a means to enter immediately higher growth segments of the market, to access special technologies that are scalable, and to enter niche segments of the market.

Since the middle of 2007 the credit markets have been a major topic of discussion, due to the once abundant levels of credit being squeezed substantially. We have not seen any ill effects of this in the

middle to lower end of the market (< \$250M) to date. Although we are uncertain as to the effects the state of the credit markets may have on the sector in 2008, we are optimistic due to the large number of acquisitions being made by large corporations (where the financing risk to the seller is very low) and the experience of the private equity players that are participating in the industry at present.



DEAL ENVIRONMENT / INDUSTRY TRANSACTIONS

Calendar year 2007 represented another strong year of deals in the industry. Although slightly off the pace of 2006, the major deals have been no less-relevant than the major deals of '06, and have included the involvement of high-profile private equity firms.

Notable deals for 2007 include the acquisition of Tektronix Inc. by Danaher Corporation, a deal valued at just under \$3Bn (USD), which was transacted at over 16x EBITDA. Renowned private equity firm, The Carlyle Group, acquired Sequa Corp. at an implied enterprise value of over \$2.5Bn (USD), representing an EBITDA multiple of over 11x. Argo Tech Corp. was acquired by Eaton Corp. at the very end of 2006 for \$672.3M, or 2.91x revenue and 11.97x EBITDA.

In the middle market, deal activity has been solid. A recently closed transaction involves the sale of Maxon Corporation to Honeywell International for \$185M (USD). Maxon was an investment of middle-market private equity firms Hammond, Kennedy, Whitney & Co. and CID Capital.



DEAL ENVIRONMENT / INDUSTRY TRANSACTIONS (cont.)

Middle market activity continued with IDEX's mid-November bid for Nova Technologies, a provider of meters and flow services for the water and waste water market, for a reported \$158M and just over 2x revenue.

Valve Systems and Controls, a Houston based company, was acquired in June by Curtiss-Wright Flow Control Corporation for \$75M at a 1.25x revenue multiple. GE Osmonics, a manufacturer of products used in the filtration, separation and processing of fluids, was acquired by Mar Cor Purification, Inc. for \$30.6M at a 1.53x revenue multiple in March.



SELECT RECENT M&A TRANSACTIONS

Date	Target	Acquirer	Deal Size (\$M)	Multiples	
				Revenue	EBITDA
* 11/14/2007	Nova Technologies Inc.	IDEX Corp. (NYSE:IEX)	158.0	70.0	2.26
11/05/2007	Maxon Corporation	Honeywell International Inc.	185.0	-	-
10/14/2007	Tektronix Inc. (NYSE:TEK)	Danaher Corp. (NYSE:DHR)	2,833.91	2.51	16.32
09/12/2007	OI Corp. (NasdaqNM:OICO)	American International Industries Inc. (NasdaqSC:AMIN)	19.94	0.671	10.2
07/08/2007	Sequa Corp. (NYSE:SQA.A)	The Carlyle Group	2,658.09	1.21	11.37
06/21/2007	SPM Flow Control, Inc.	The Weir Group PLC (LSE:WEIR)	653.0	4.64	15.19
06/15/2007	IRCON, Inc.	Fluke Electronics Corporation	33.0	-	-
06/08/2007	Airpax Corporation	Sensata Technologies, Inc.	276.0	-	-
06/08/2007	Roxar ASA	OcrOcean ASA	365.72	2.13	-
06/01/2007	Valve Systems and Controls	Curtiss-Wright Flow Control Corp.	75.0	1.25	-
05/31/2007	Total Automated Solutions, Inc.	ClearLight Partners, LLC, Black Canyon Capital LLC	-	-	-
05/15/2007	Microchemical Systems SA	e2v Technologies plc	9.88	-	-
03/30/2007	GE Osmonics	Mar Cor Purification, Inc.	30.6	1.53	-
02/14/2007	Faure Herman SA	IDEX Corp. (NYSE:IEX)	-	-	-
12/24/2006	Argo Tech Corp.	Eaton Corp.	672.31	2.91	11.97
12/04/2006	TopTech Systmes	IDEX Corp. (NYSE:IEX)	-	-	-
10/31/2006	Damcos A/S	Emerson Electric Co. (NYSE:EMR)	225.17	-	-

* Announced deal, not yet closed

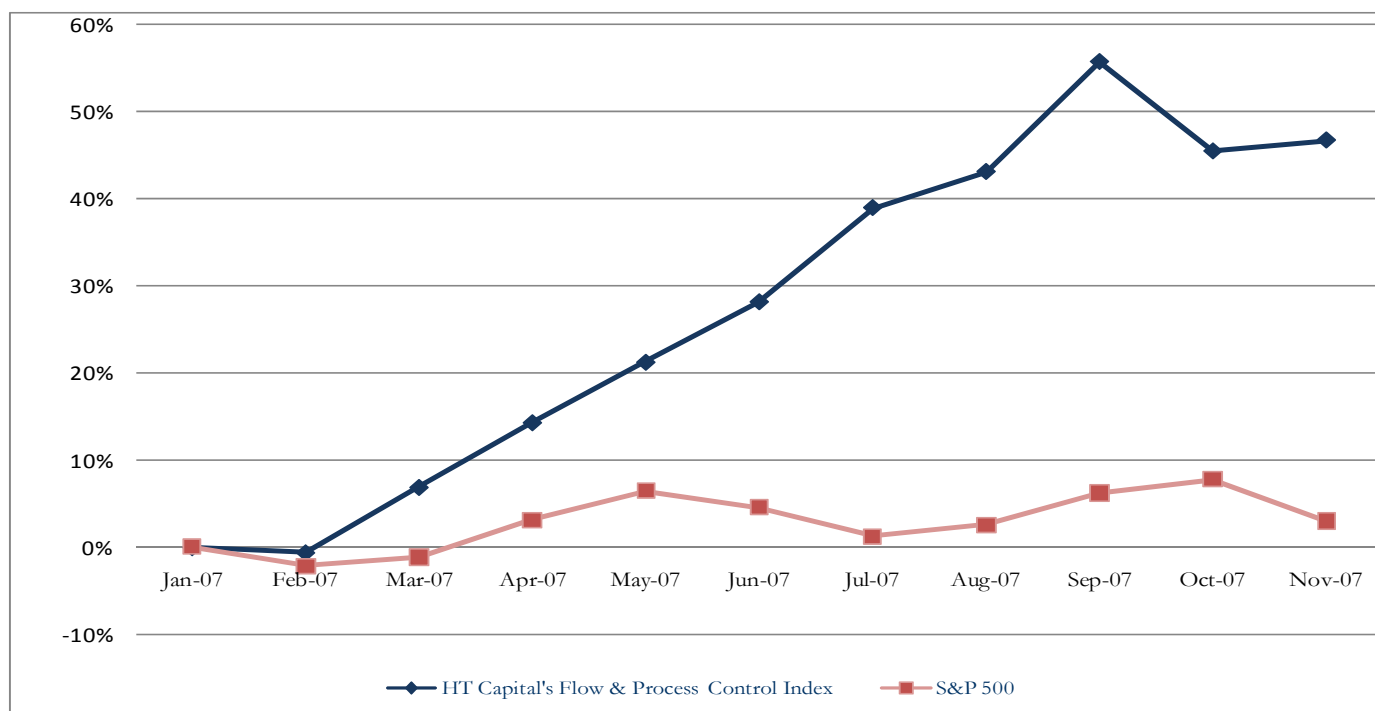
MAJOR INDUSTRY PARTICIPANTS

	Share Price (12/31/07)	Market Capital (millions)	Revenue Multiple (EV ₁ /LTM Revenue)	EBITDA Multiple (EV/LTM EBITDA)
Badger Meter (BMI)	\$ 42.83	\$634.1	2.8x	18.5x
Cameron International Corp. (CAM)	\$ 50.81	\$11,396.7	2.6x	14.6x
Circor International Inc. (CIR)	\$ 44.23	\$746.9	1.1x	10.3x
Emerson Electric Co (EMR)	\$ 54.91	\$44,043.3	2.1x	11.3x
Flowserve Corp. (FLS)	\$ 93.74	\$5,493.9	1.7x	14.5x
FMC Technologies (FTI)	\$ 63.48	\$8,440.2	2.0x	18.1x
Ilex Corporation (IEX)	\$ 34.75	\$2,907.6	2.4x	10.8x
IMI Plc. (LSE:IMI) *	\$ 7.75	\$2,496.7	0.9x	6.6x
Roper Industries (ROP)	\$ 58.71	\$5,373.1	3.1x	12.4x
Schlumberger Limited (SLB)	\$ 99.52	\$122,349.2	5.6x	15.0x
Smith International (SII)	\$ 73.50	15,123.9	2.0x	11.4x
Spirax Sarco (LSX:SPX) *	\$ 17.42	\$1,317.7	1.7x	8.5x
Teledyne Technologies Inc (TDY)	\$ 51.67	\$1,828.3	1.3x	10.5x

*Companies listed on the London Stock Exchange, converted to \$USD at \$197

1 EV = Enterprise Value (Market value of the company's equity plus the value of the company's net debt)

HT CAPITAL FLOW & PROCESS CONTROL INDEX 1



1. Process Control Index is a weighted index of the stock price performance (vs S&P500) of: BMI, CAM, CIR, EMR, FLS, FTI, IEX, IMI, ROP, SLB, SPX, TDY

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For more information regarding the current transaction environment, or to discuss your company and how HT Capital might be of service, please contact C.A. Burkhardt, Philippe De La Chapelle, or Steven Rathbone in our New York office.

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