

Windows on Wall Street

From Lincoln International

Statistics showing a contracting economy have become far more prevalent during the past 12 months. Federal Reserve Chairman Ben Bernanke, before the U.S. Congress on April 1, even noted the possibility of a recession in 2008. Housing starts continue to demonstrate a downward trend; preliminary February numbers from the U.S. Census Bureau came in at 1,065 million thousand units, down 28.4% from the February 2007 level of 1,487 million units. Even in light of the negative economic data recently published, prices in the housing sector are starting to suggest a pending recovery in the market. While the *Window & Door* stock index has yet to recover from the housing crisis, having fallen 24.2% in the past year (compared to a 5.1% loss in the S&P 500 during the same period), several components have outperformed the S&P 500 during the first months of 2008. The SPDR S&P Homebuilders, a fund that tracks home builders, closed at a six-month high of \$23.74 on April 4. Two drivers contribute to these positive trends. The first is the increasingly common view that stock prices in the sector have fallen too far out of favor and now represent a good value, even in the current housing environment. The second driver is fortuitous relief from Congress. The Senate agreed on April 2 to a \$15 billion relief plan that will spur home purchases. Economists hope that the economic stimulus from the relief plan will also have a broader impact in consumer sentiment and prevent a protracted economic downturn.

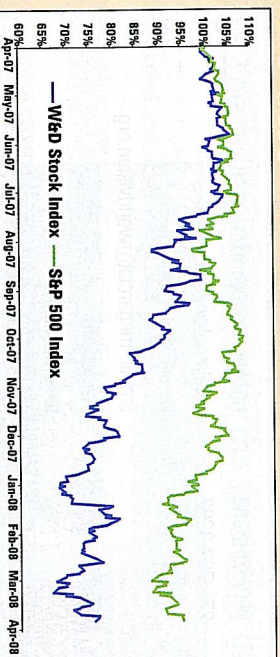
WD Stock Watch

As of April 4, 2008

Company	Current Price (\$)	52 Week High	Low	*EV/EBITDA
Black & Decker Corp.	\$70.69	\$97.01	\$61.71	7.5x
Building Materials Holding Corp.	4.74	18.14	3.66	6.9x
Drew Industries Inc.	26.62	44.18	20.17	6.5x
Fortune Brands Inc.	73.92	90.80	62.13	9.5x
Home Depot Inc.	28.79	41.19	23.77	6.7x
Huttig Building Products Inc.	2.69	8.77	2.17	82.3x
Lowes's Companies Inc.	24.26	33.19	19.94	6.7x
Masco Corp.	19.95	31.58	17.78	7.0x
PPG Industries Inc.	64.81	82.42	57.15	7.9x
Quanex Corp.	52.44	55.51	36.08	6.9x
Wolseley PLC	10.67	27.56	9.38	6.2x

The WD Stock Watch includes a select list of publicly-traded companies involved in the window and door industry, for *EV/EBITDA. EV (enterprise value) = Market value of stock plus debt outstanding minus cash, and EBITDA = Earnings before interest, taxes, depreciation and amortization. Data provided courtesy of Lincoln International.

WD Stock Index



Note: Local currency converted to USD using historical spot rates. The WD Stock Index consists of the above stocks weighted by market cap. Data provided courtesy of Lincoln International.

Contact Information: Andrew Bohunivsky, managing director, 312.580.2805, abohunivsky@lincolninternational.com, and Greg T. Hicks, analyst, 312.505.2730, ghicks@lincolninternational.com. Lincoln International specializes in merger and acquisition services and private capital raising for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, Los Angeles, New York and Paris, and partner firms in Asia, Lincoln International has strong local knowledge of and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolninternational.com.

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Market Snapshot—Remodeling

Falling consumer confidence and a weakening economy are inhibiting remodeling spending, according to Harvard's Joint Center for Housing Studies. Its Leading Indicator for Remodeling Activity index sees homeowner spending for home improvement activity continuing to decline, falling by an annual rate of 4.8% through the end of 2008. "Spending on home improvements continues to be sluggish, as homeowners respond to falling home prices," notes Nicolas P. Retsinas, joint center director. "The fall-off in pending home sales suggests a long and slow recovery." "It looks unlikely that we will see any improvement in the remodeling market until 2009," adds Kermit Baker, director of the center's Remodeling Futures Program. "Currently, the second half of this year is shaping up to be weaker than the first half."

Leading Indicator for the Remodeling Industry



Source: Harvard University Joint Center for Housing Studies

Homeowners—Staying Put

More evidence is emerging to show that U.S. consumers are avoiding the housing market. First-time homebuyers are afraid to enter and current homeowners are stalling on upgrades, according to an Associated Press-AOL Money & Finance poll released in April. Sixty percent of respondents said they definitely won't buy a home in the next two years, up from 53% who said so in an AP-AOL poll in 2006. Only 11% are certain or very likely to buy soon, down from 15% two years ago. "This is a great time to buy, but not necessarily to sell," homeowner Robert Jackson told AP. He said he would love to purchase a larger home, but can't because even if he found a buyer, he would probably lose thousands on his house, which he bought less than two years ago. "We're just going to have to slap a Band-Aid on it and stay here until the market gets a little bit better."

Closing Thoughts—Willing to Work

"Even in a recession, there's always a shortage of talented, hardworking people in every field. Be one and, even if the recession gets really bad, you can whistle past the graveyard. You may have to move locations. You may have to learn new skills. But a willingness to work will get you everywhere you want to be." —Ben Stein, on a Yahoo! Finance blog.