



JANCO PARTNERS INC.

**Investment Banking Services for Telecom, Media
& Technology Companies**

Raising Capital in the Nuclear Winter

March 4, 2009

Member FINRA/SIPC



The New World

- Market meltdown has transformed healthy companies into distressed ones
- Valuations have dropped 10-30%
- VC marketing for new funds hugely challenging
- Hedge funds disappearing at high rate due to losses, redemptions
- Great time to be in the distressed asset business



Raising Equity in the Private Markets

- VCs still investing, but distracted by sick portfolio companies
- Private equity groups still investing; best positioned institutions
- Issuers competing with deeply discounted corporate debt for investment dollars
 - Stable corporate paper trading at 50-60% discounts; effective yields > 20%
- Lack of readily available leverage reduces IRRs, requires VCs to get more equity in return, which is exacerbating downward pressure on values



Raising Debt in the Private Markets

- Mezzanine debt still available; committed before recent market downturn
- Pricing has increased significantly
 - Last summer, 12-15% pricing
 - Now 15-20% (coupon+PIK+warrant)
- Covenants more stringent to account for higher market risk



Raising Equity in the Public Markets (PIPEs)

- Hedge fund universe expected to contract by 35-50% by year end
- Investors looking for big, liquid names
- Steep drop in stock prices has been deterrent to selling equity/PIPEs
- Forms of toxic converts and death spiral terms creeping back into mkt



Creative Financing Options

- Vendor financing is an option
- Off loading hardware costs to EU
- Selling majority control to finance growth, appreciation of equity stub
- Alternative public offering + PIPE
 - \$30M in rev, 20%+ margins, minimum
- Stimulus money for broadband



Conclusions

- Survive, survive, survive
- Market and values will rebound but competition will impede rise in values
 - WiMax
 - Cable companies offering biz services
 - RBOCs will continue to impede growth
- If liquidity event becomes necessary, start early

COMPTEL – Financial and Investment Trends








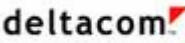
Discussion Materials

March 4, 2009

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Competitive Telecom Sector

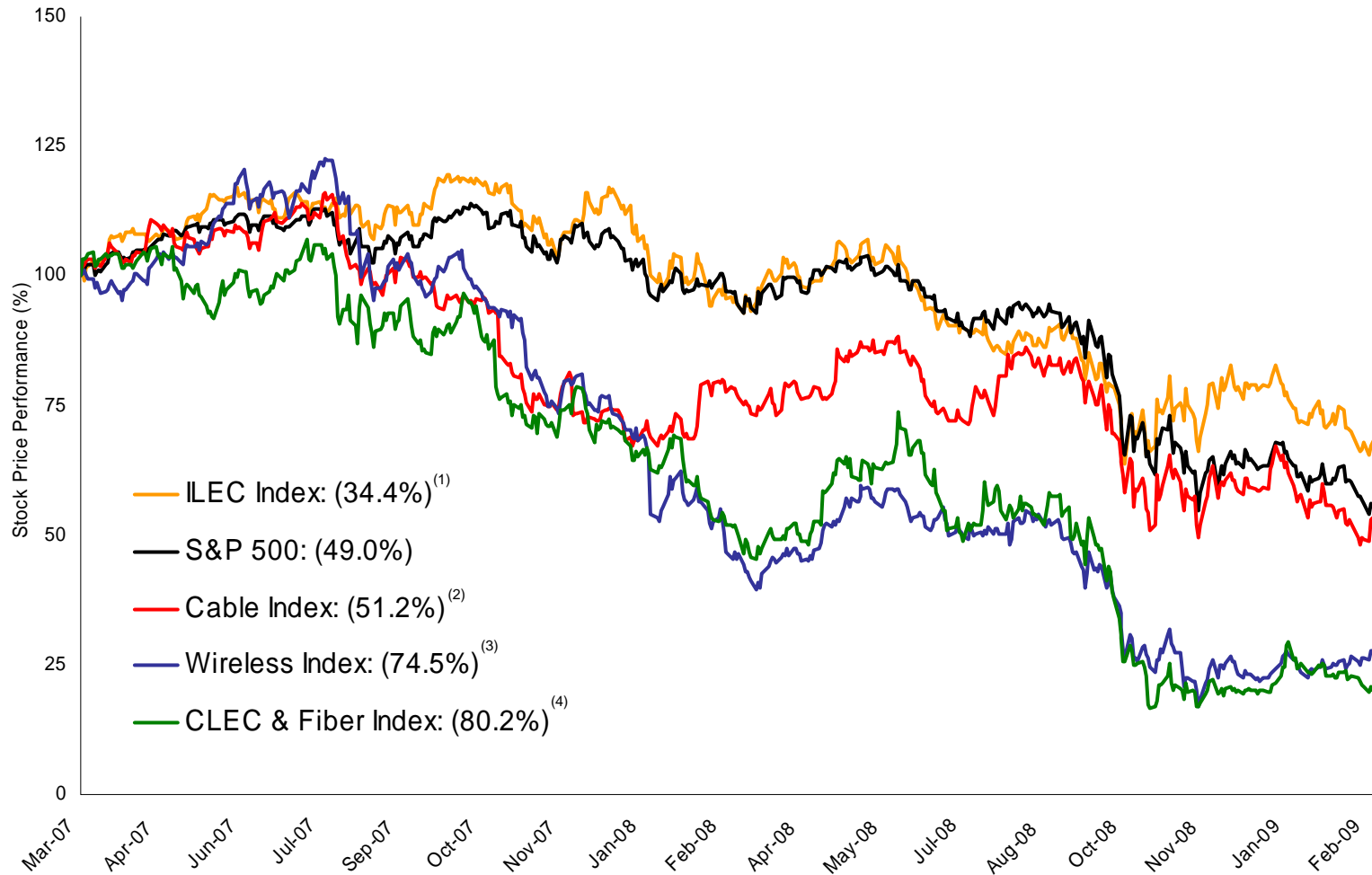
Pure-Play Public Companies

	Company	Equity Value	Enterprise Value
Fiber Based	 Level(3) COMMUNICATIONS	\$1.2 billion	\$7.3 billion
	 tw telecom	\$1.1 billion	\$2.1 billion
	 Global Crossing	\$398 million	\$1.5 billion
	 xO Communications	\$31 million	\$690 million
	 cogent COMMUNICATIONS	\$272 million	\$451 million
Switch Based	 PAETEC	\$184 million	\$1.0 billion
	 CBeyond COMMUNICATIONS	\$389 million	\$346 million
	 deltacom	\$40 million	\$298 million
	Total	\$3.6 billion	\$13.7 billion

Source: Company filings, Capital IQ, Wall Street Research, Waller Capital analysis. Market data as of 3/2/09.

Communications Stock Indices Performance

2-Year Performance



Source: Capital IQ. Market data as of 3/2/09. Market Cap Weighted.

1. ILEC Index includes: T, VZ, Q, EQ, CTL, TDS, CBB, FTR, WIN, FRP, CNSL

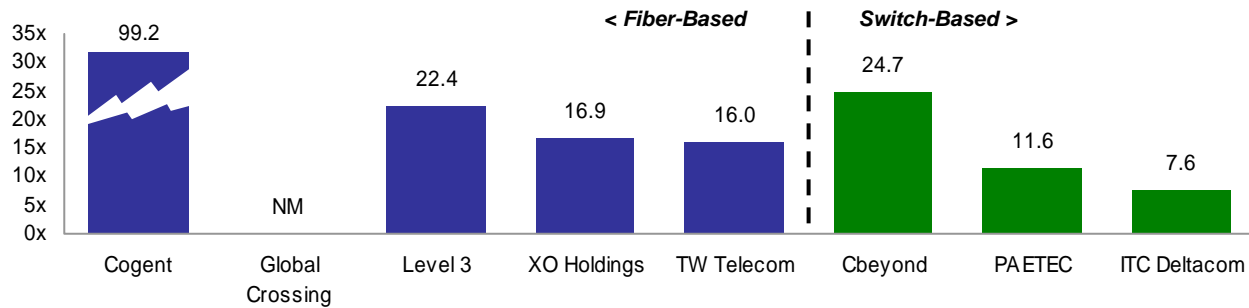
2. Cable Index includes: TWC, CMCSA, CVC, MCCC, RCNI, KNOL

3. Wireless index: S, USM, CYCL, NTLN, SHEN, PCS, LEAP, CLWR

4. CLEC & Fiber Index includes: TWTC, LVLT, CBEY, CCOI, PAET, ITCD, XOHO, GLBC

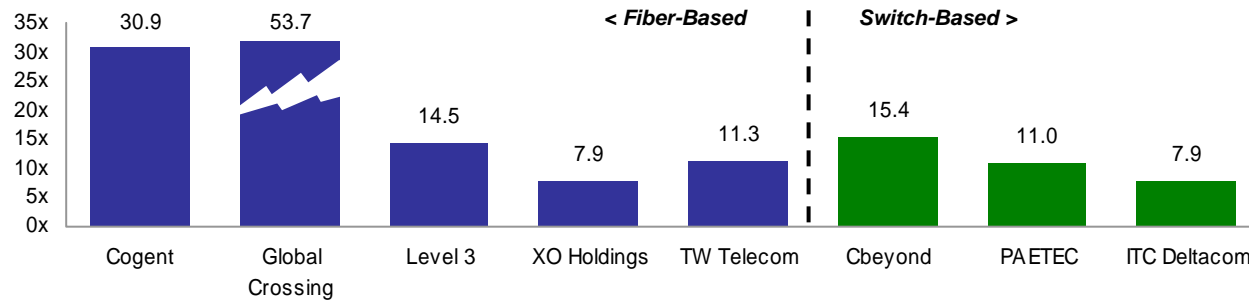
Historical and Current Market Valuation

EV / LTM EBITDA as February 28, 2007



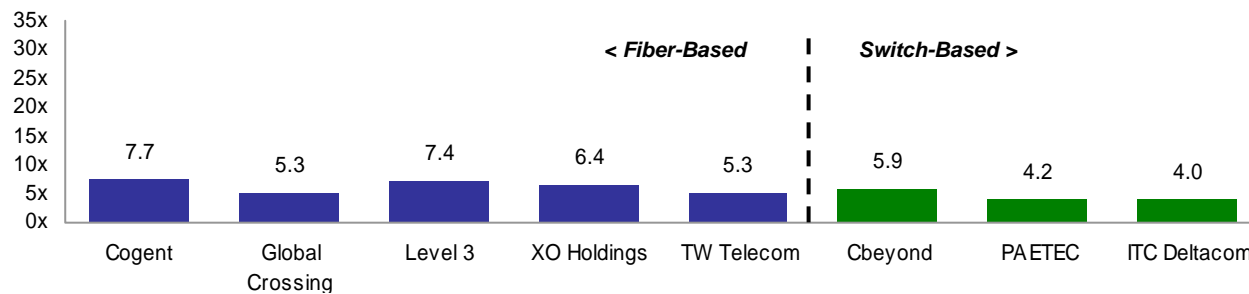
**Average
16.5x**

EV / LTM EBITDA as February 27, 2008



**Average
11.3x**

EV / LTM EBITDA as March 2, 2009



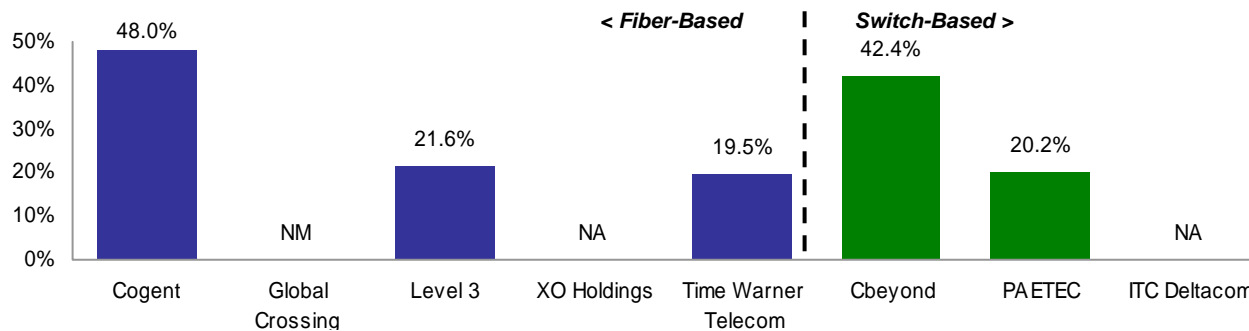
**Average
5.8x**

■ Fiber Based
■ Switch Based

Source: SEC filings, Wall Street research, Capital IQ, Waller Capital analysis.

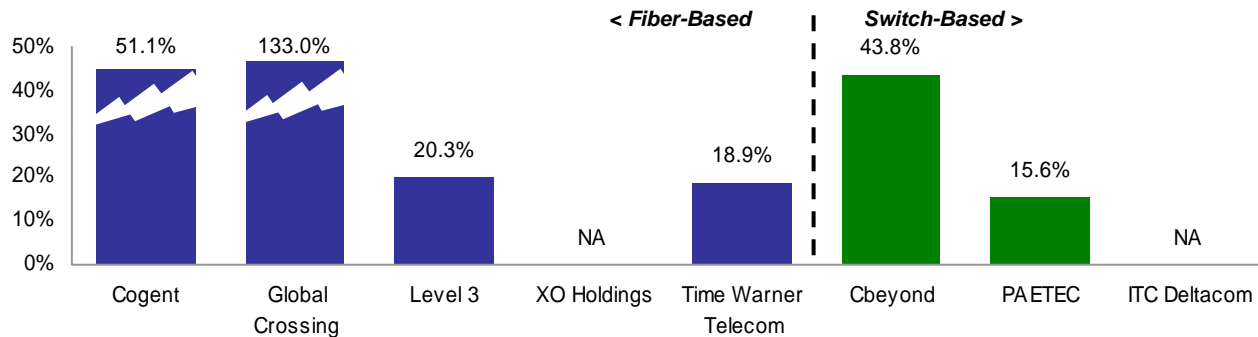
Historical and Current Projected EBITDA Growth

Two Year EBITDA CAGR (2006 – 2008E) as February 28, 2007



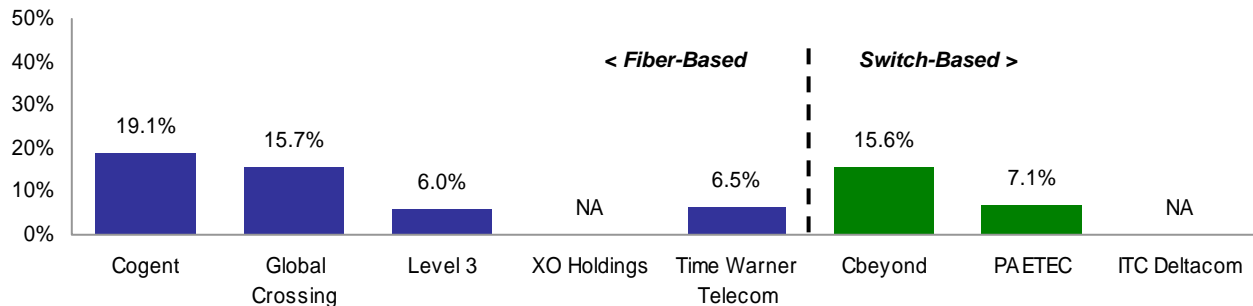
**20% - 40%
per year**

Two Year EBITDA CAGR (2007 – 2009E) as February 28, 2008



**15 - 40%
per year**

Two Year EBITDA CAGR (2008 – 2010E) as March 2, 2009



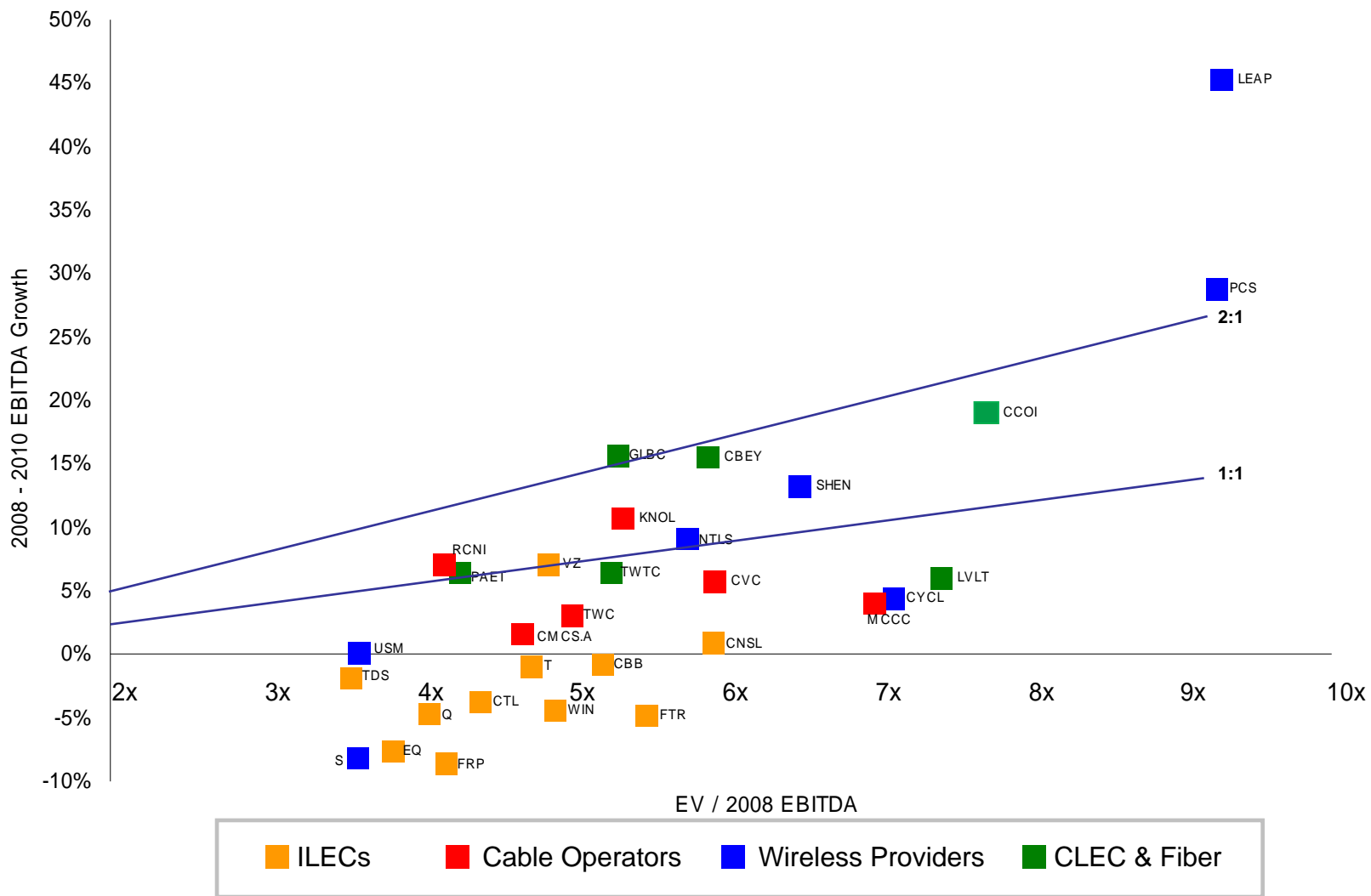
**Average
10% per year**

■ Fiber Based
■ Switch Based

Source: SEC filings, Wall Street research, Capital IQ, Waller Capital analysis. No projections are available for XOHO and ITCD

Communications Stock Value and Growth

With the fall of stock prices, nearly all public telecom and media companies trade between 3x – 8x LTM EBITDA



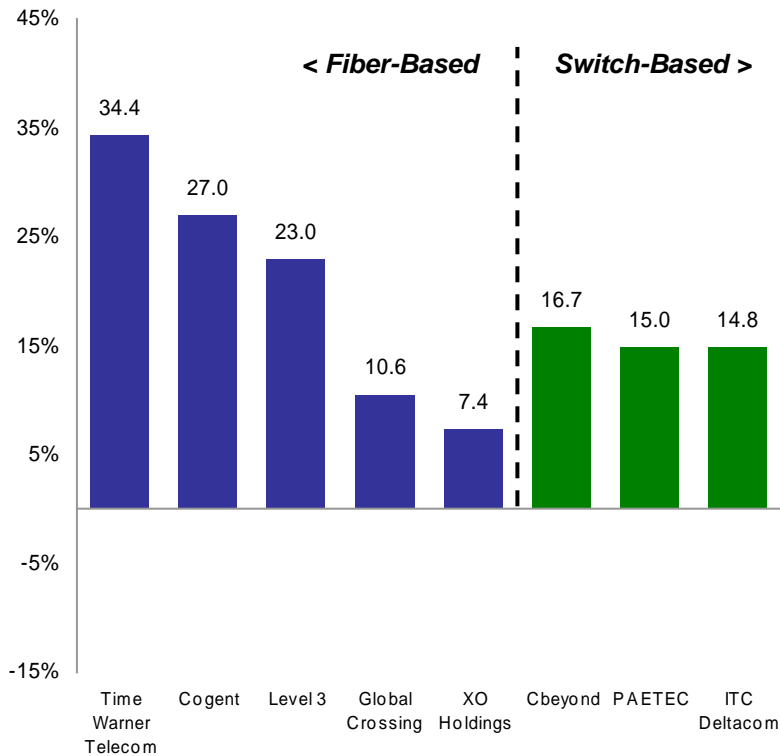
Source: SEC filings, Wall Street research, Capital IQ, Waller Capital analysis. Market data as of 3/2/09.

1. Analysis excludes ITCD, and XOHO because 2008 - 2010 EBITDA estimates are not available. CLWR excluded due to negative EBITDA.
2. Comcast and Cablevision value based on cable assets only.

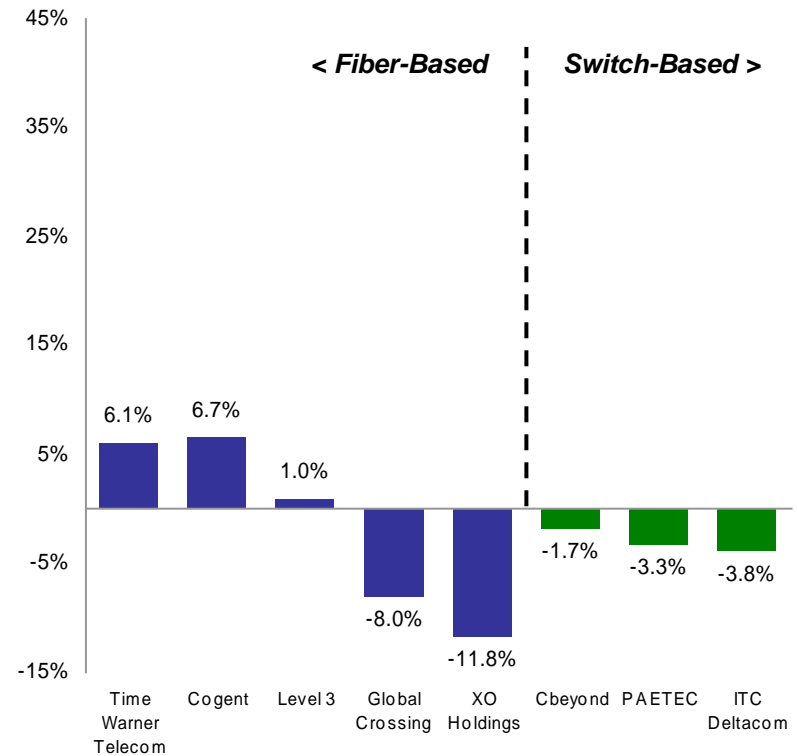
Competitive Telecom Margins

2008E EBITDA and Free Cash Flow Margins

2008E EBITDA Margin %



2008E Free Cash Flow¹ Margin %



**Average
0% Free Cash Flow Margin**

- Fiber Based
- Switch Based

Note:
Source: Company filings, Capital IQ, Wall Street Research, Waller Capital analysis.
1. FCF defined as EBITDA less Capex, Interest, Taxes and Working Capital (Uses) / Sources

Waller Capital PARTNERS