

M&A REVIEW

CORE CAPITAL'S QUARTERLY NEWSLETTER
SUMMER 2011



Welcome to Core Capital Group's quarterly newsletter, *M&A Review*, which highlights activity and trends in mergers and acquisitions (M&A), including a comprehensive recap of middle-market M&A transactions as well as specific data (including multiples) for the technology sector.

CELEBRATING 20 YEARS OF SERVICE

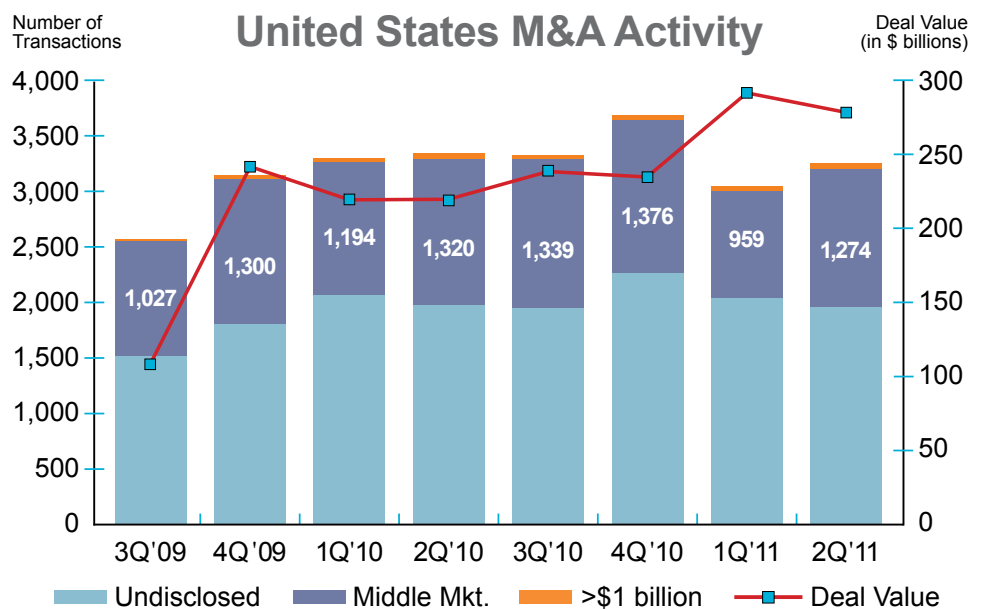
Core Capital Group is celebrating our 20th year in business. We focus exclusively on representing middle-market companies, with an emphasis in the technology sector. Core is a founding member of AICA, the Alliance of International Corporate Advisors, a global investment banking partnership with 30 member firms in 18 countries on five continents — and over 100 professionals who will leverage their resources to provide you maximum exposure.

M&A ACTIVITY: THE PAST TWO YEARS

Unless otherwise specified, Lower Market = \$0-\$100 million and Middle Market = \$101 million-\$500 million

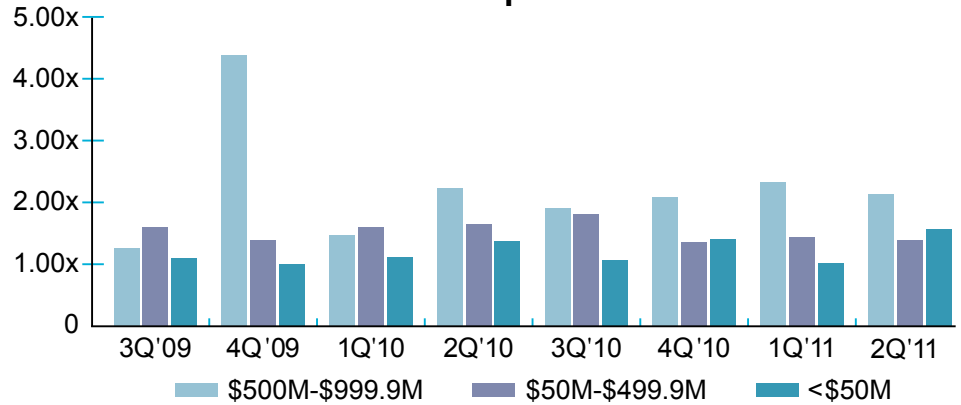
■ The number of transactions for 2Q 2011, which totaled 3,286, was down slightly compared to 2Q 2010, which came in at 3,341. However, dollar volume was up 27%.

■ On a year-over-year (YOY) basis, volume increased by 32.4% compared to \$1,043.9 billion previously. Overall, the middle-market transactions for 2Q 2011 (1,274) was down 3.5% compared to 2Q 2010 (1,320).



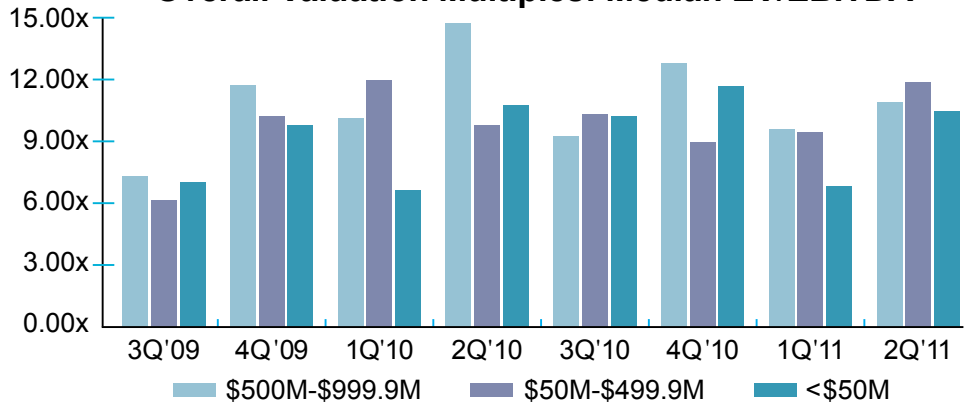
■ The most dramatic shift in valuation multiples was for transactions under \$50 million. 2Q 2011 increased by 55.4% compared to the previous quarter as well as by 14.6% compared to 2Q 2010. Multiples for transactions valued at \$50-\$499.9 million and \$500-\$999.9 million both decreased compared to the previous quarter and 2Q 2010.

EV/Revenue **Overall Valuation Multiples: Median EV/Revenue**



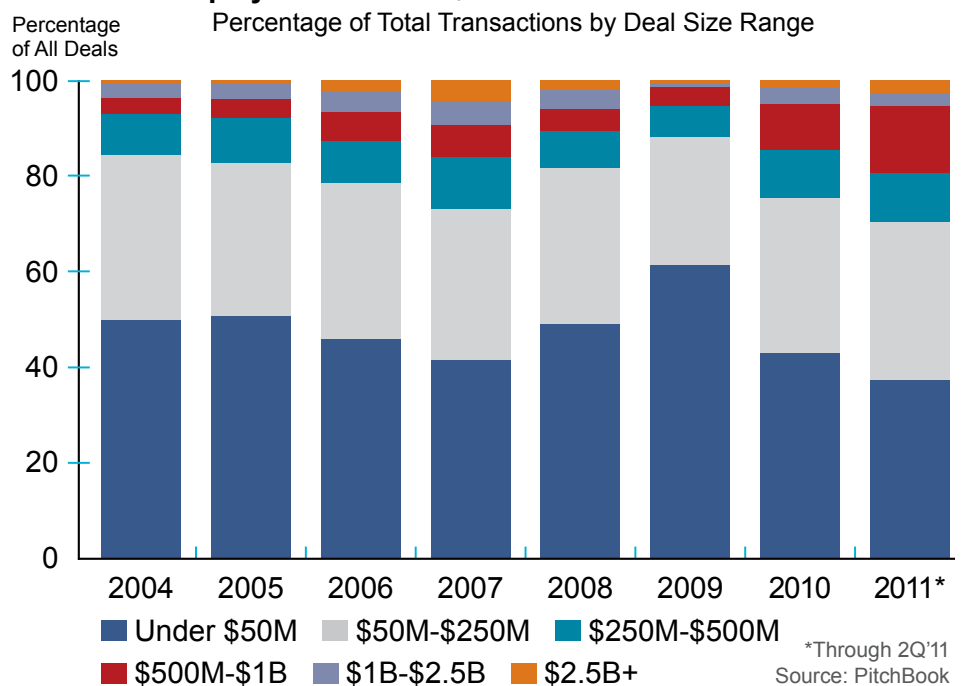
■ While multiples for EV/EBITDA for transactions of \$500-\$999 million in 2Q 2011 increased by 13.9% compared to the previous quarter, they showed a significant 25.9% drop compared to 2Q 2010. Multiples for deals in the \$50-\$499.9 million range increased compared to both 2Q 2010 (by 17.7%) and 1Q 2011 (by 20.4%).

EV/EBITDA **Overall Valuation Multiples: Median EV/EBITDA**

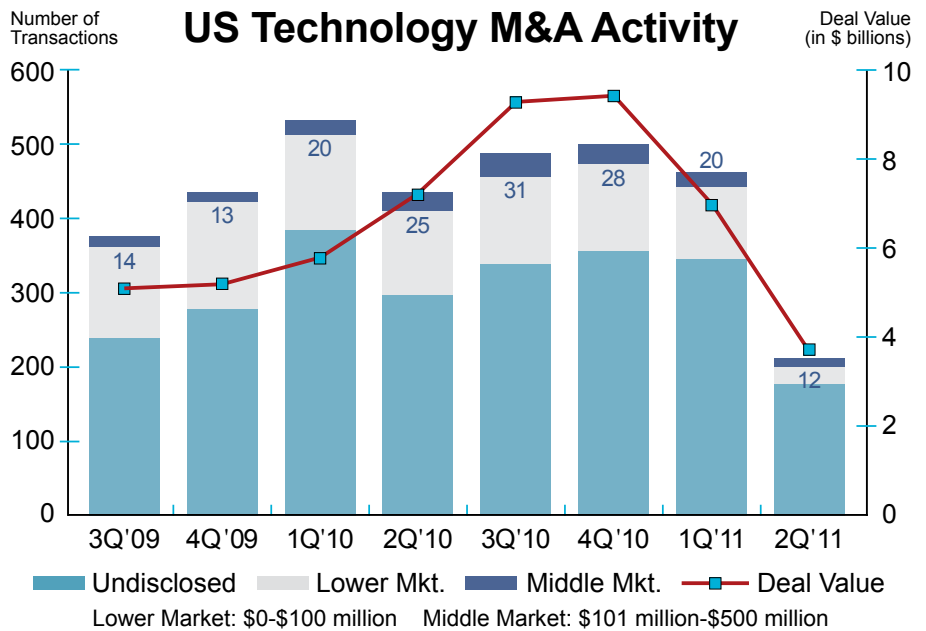


■ Mergers and acquisitions in the Private Equity sector is alive and well for small- to mid-sized businesses, as the graph clearly shows. There are still plenty of Private Equity dollars waiting for deals.

Private Equity Deals Under \$500M Account for 87% of Deal Flow

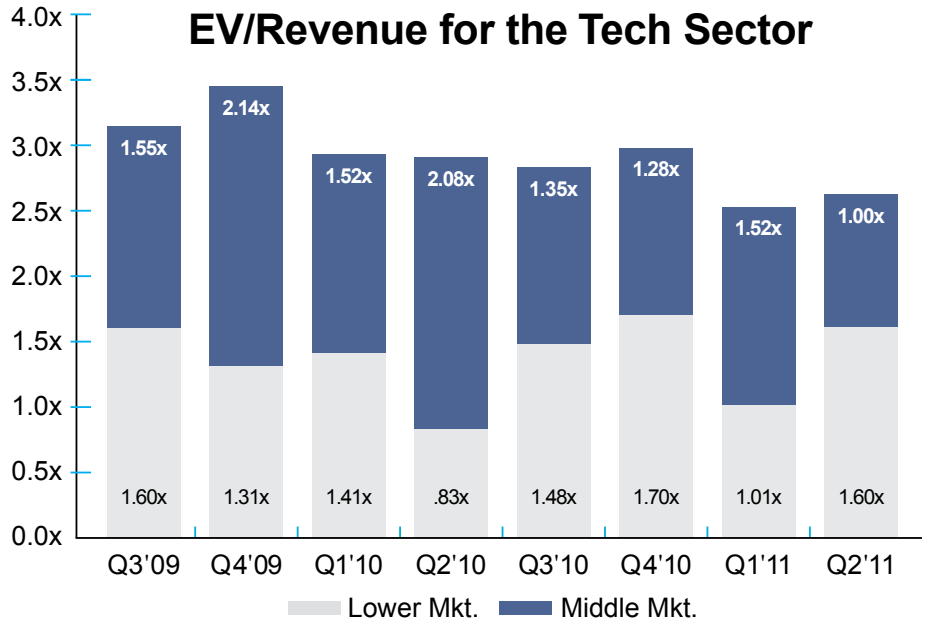


Overall, M&A activity in both the lower and middle markets was sluggish. The number of transactions decreased in 2Q 2011 compared to 2Q 2010 by 213 transactions or 51%. The dollar volume of transactions totaled \$3.6 billion, 48% lower than 1Q 2011 volume. The volume showed a decline of 50% compared to \$7.2 billion in 2Q 2010.



The lower market showed an increase, going from 1.01x in 1Q 2011 compared to 1.60x in 2Q 2011. It nearly doubled compared to the same quarter last year.

The middle market decreased on both a QOQ and YOY basis.



Capital IQ, the source of the chart data, had no reportable EBITDA data for the lower market in 2Q. The middle-market data was significantly skewed by several deals with high multiples, therefore no EV/EBITDA data is presented for 2Q.

