

M&A REVIEW



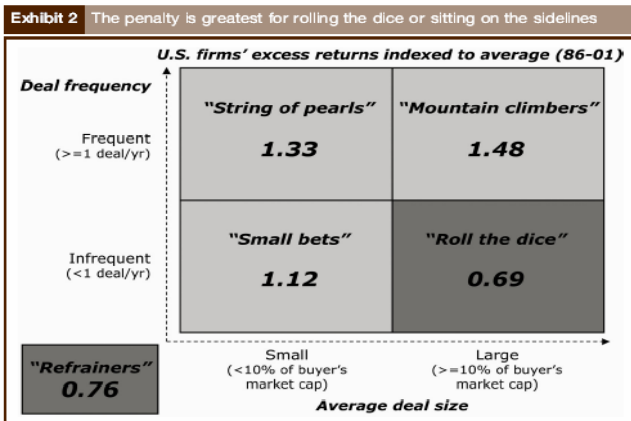
Volume 5, Issue 1

January 2007

“Taking Your Company To The Next Level” Conference

Core Capital Group in conjunction with regional legal, accounting and financial institutions recently concluded its third annual conference for middle market business owners and executives. The central theme of this year’s highly successful conference was “growing your business through acquisition”. Following are highlights from several of the presentations made at the conference.

The first question addressed was “why should a company consider including acquisitions as part of their overall strategy for growth?” This question was addressed with the results of an extensive Harvard study that monitored over 1600 companies as they completed over 11,000 acquisitions over a 15-year period.



Excess returns in this study were defined to be total return to shareholders, including dividends, minus the cost of equity.

A number of “lessons learned” came out of the study. The primary reasons cited for acquisitions that failed were:

- Buyer paid an excessive premium
- Synergies were overestimated and integration planning was inadequate.

Key recommendations distilled from this study included:

- Be in the game in good times and bad—don’t try to time the market
- Start small—build your team and expertise doing lower risk deals
- Create a core deal team—don’t rely on rookies
- Get the line in early—line managers must buy into the deal
- Chill “deal fever”—set compensation to long-term success

Jack Welch was recently quoted in Business Week as saying “M&A remains the fastest, most powerful, tool a company can use to change its competitive game”. He also highlighted what he (continued)

Newsletter 1

Conference Highlights (Continued)

referred to as the “Six Sins of M&A”. These were:

- Beware of mergers of equals as teams spend months dueling over who is in charge
- Recognize that the cultural fit of two companies is as important as the strategic fit
- Don’t overpay by as much as 20% or 30%
- Don’t be so anxious to acquire the target company that you make too many concessions to the seller
- When it come to integration, boldness is the most sensible
- Don’t fall into the syndrome of installing your people everywhere—installing the best team often means letting go of some of your team

Core Capital Group Act as Advisor in Sale of Advancia Corporation

Oklahoma City, OK
has been acquired by

POTAWATOMI
Capital Company
Milwaukee, WI

The undersigned acted as advisor to the seller in this transaction

Advancia Corporation provides information technology and related professional engineering services to state and Federal Government clients. The Potawatomi Capital Company is owned by Potawatomi Business Development Corporation and seeks to diversify the Tribe’s business interests.

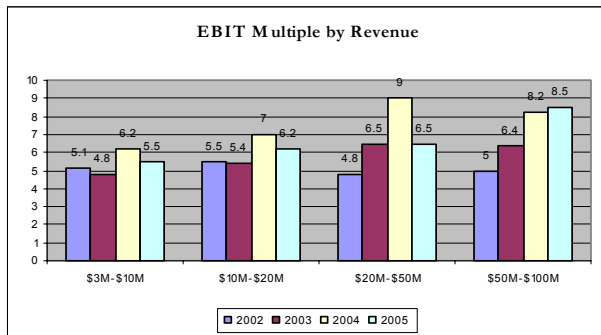
Core Capital Group focuses exclusively on providing a full range of M&A services to middle market companies within the technology sector. We are a member company of the International Network of M&A Partners (IMAP), a global partnership of leading merger & acquisition advisory firms with over 60 member firms located in 20 countries worldwide. We invite you to visit our web site at www.corecapital.net to learn more about us and how we might be of service to you now or in the future.



INTERNATIONAL NETWORK OF M&A PARTNERS

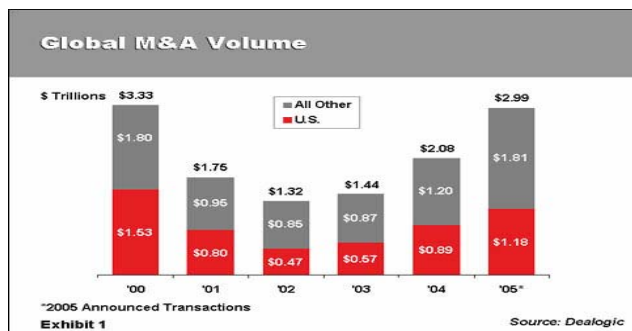
Mid-Sized Private Firms Don't face Pricing Penalties

But discounts based on small size are another matter. It could be called the yeti of M&A pricing—that often cited but rarely seen liquidity discount that supposedly imposes a reduced price on privately owned targets merely because they don't have publicly traded shares. If this haircut ever really existed it was long ago washed away by the emergence of a more systematic, more efficient M&A market. In fact the only sector of the marketplace where there is clear evidence of discounts is in the lower tier of the middle market, and its pegged to size—targets of \$10 million to \$50 million in sales.

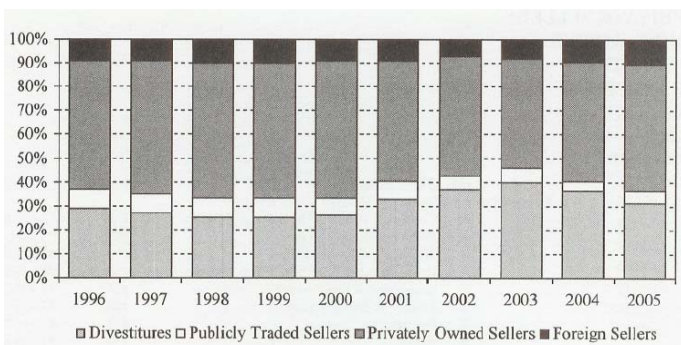


M&A Market Dynamics Update

Acquisition volume is up—\$3.79 trillion in 2006 exceeds previous record in 2000.



With private companies continuing to lead all sales.



Recent Transactions

For 2006, merger and acquisition announcements targeting US information and communication companies totaled 1,672 compared to 1,671 in 2005. In December, the Software sector accounted for 30% of all announced transactions followed by IT Services (29%), Hardware (17%), eCommerce (14%) and Telecom Services (10%). US buyers accounted for 86% of the 135 transactions. Foreign acquirers from countries with more than two announced transactions included Canada (7) and the United Kingdom (2).

Lockheed Martin Corp. [MD] acquires Management Systems Designers Inc. [VA]

Lockheed Martin Corp. (NYSE: LMT), a manufacturer of guided missiles and space vehicles, agreed to acquire Management Systems Designers Inc., a provider of information technology services.

Check Point Software Technologies Ltd. [Israel] acquires NFR Security Inc. [MD]

Check Point Software Tech Ltd. (Nasdaq: CHKP), a developer of Internet security solutions, agreed to acquire NFR Security Inc., a developer of network and host security software, for an estimated \$20,000,000.

Constellation Software Inc. [Canada] acquires Manatron Inc. [MI]

Constellation Software Inc. (Toronto: CSU), an Investment holding company for vertical market software, planned to launch an unsolicited tender offer to acquire all the outstanding common stock of Manatron Inc., a provider of software, hardware, and services for the state and local government, for \$9 in cash per share, or an total value of \$47,253,000.

Perot Systems Corp. [TX] acquires QSS Group Inc. [MD]

Perot Systems Corp. (NYSE: PER), a provider of information technology and outsourcing services agreed to acquire QSS Group Inc., a provider of information technology services, for \$250,000,000 in cash.

IP Unity Inc. [CA] acquires Glenayre Messaging [GA]

IP Unity Inc., a developer of hardware and software-based applications, agreed to acquire Glenayre Messaging, a provider of voice mail, video mail, multimedia messaging, and short message services, from Glenayre Technologies Inc., for \$25,000,000 in cash.

Protiviti Government Services [VA] acquires Enspier Technologies Inc. [VA]

Protiviti Government Services, a provider of internal audit services and risk management services, acquired Enspier Technologies Inc., a provider of information technology and management consulting services.

www.corecapital.net

Our website contains additional information about Core Capital Group and the investment banking services we provide. You can also sign up to receive this newsletter in electronic form. Please take a moment to visit us on the web!