

**Core Capital Group**  
*is celebrating our 18th year  
in investment banking  
services for middle market  
technology companies.*

*Whatever the stage of  
your company's lifecycle,  
we have the expertise  
and resources to deliver  
superior results for you.*  
[www.corecapital.net](http://www.corecapital.net)

- In this issue:**
- *IMAP Ranking & Valuations Report*
  - *1st QTR Government Contractor M&A Report*
  - *Recent Deals*

Core Capital Group is a partner firm in the International Network of M&A Partners (IMAP). With 55 partner offices located in 40 countries, IMAP partners closed 252 transactions in 2008 with a combined value of \$13 billion.



INTERNATIONAL NETWORK OF M&A PARTNERS

## IMAP Ranks No. 5 in Global Middle Market M&A for 2008

Core Capital Group has been an active member/partner in the International Network of M&A Partners (IMAP) since 2003. Formed in 1973, IMAP is the world's most established and experienced middle-market M&A organization. IMAP provides creative solutions for middle-market M&A through a partnership of hand-selected independent advisory firms. The IMAP organization brings an exceptional combination of local depth and global breadth to the transaction. IMAP advisors, representing more than 60 offices in nearly 40 countries throughout North and South America, Eastern and Western Europe, Australia and Asia, provide strategic merger, acquisition, divestiture and related corporate finance services. Sellers of mid-size companies and corporate acquirers alike rely upon IMAP for essential local market knowledge and industry expertise delivered with unparalleled global access.

IMAP ranked No. 5 worldwide among the global middle market advisory organizations for deals with a value of up to \$50 million, based on volume of completed transactions, for 2008 according to the recently-released Thomson Financial League tables. Thomson (NYSE: TOC) is a leading provider of information-based services to the global business community.

Market conditions for the majority of 2008 were excellent for seller valuations. During the first three quarters, equity was abundant and lender financing was widely available at reasonable rates of interest. This was true throughout the world. IMAP transaction multiples reached their zenith during the third quarter of 2008. The average transaction multiple of EBIT hit historical record highs in the third quarter. There was some carry-over of strong valuations in the fourth quarter, but on average the multiple values dipped and were dropping as the year 2008 was concluding.

IMAP Ranking Worldwide Deal Size up to \$50 Million		
Region	No. of Trans.	Rank
Worldwide	156	5
Benelux	15	9
China	5	3
Eastern Europe	18	5
Europe	113	4
France	20	5
Latin America	7	10
Nordic	31	1
UK	29	9
US	32	7

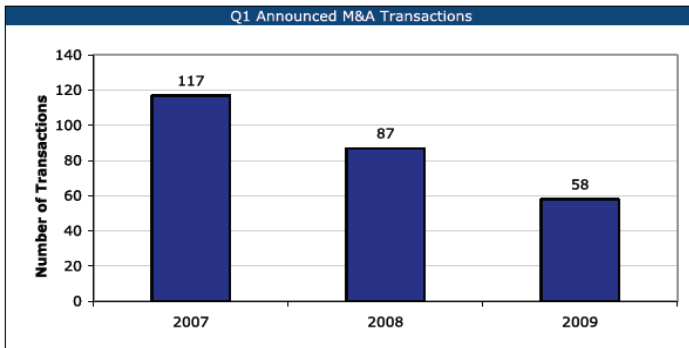
*Source: Thomson Reuters Financial Mid-Market M&A Tables*

US & Canada All Manufacturing Co's by Revenue		
Annual Revenue	# of Trans.	Median Multiple
\$50 Million +	12	5.6
\$20 - \$50 Million	13	6.3
\$10 - \$20 Million	6	7.2
Under \$10 Million	12	4.8
<b>Total</b>	43	

US & Canada All Companies by Product or Type		
Annual Revenue	# of Trans.	Median Multiple
Non-Proprietary Mfg. (B)	19	5.5
Proprietary Consumer Mfg.	11	6.1
Proprietary Industrial Mfg.	10	5.8
Hi-Tech, Propr. Mfg.	3	14.2
Distribution	6	4.1
Service, InfoTech (C)	6	7.8
Service, Non-InfoTech	21	5.7
<b>Total</b>	76	

## 2009 First Quarter Government Contractor M&A Activity

Despite the broad based economic downturn, defense and government services M&A activity for the first quarter of 2009 was relatively strong. There were 58 transactions announced in the first quarter, compared with 117 and 87 in the first quarters of 2007 and 2008, respectively.



A central factor that continues to drive M&A activity in the defense and government services market is that the industry structure lends itself readily to consolidation. Unless they have a very niche product or capability, middle market companies in this segment find themselves in a very difficult position – sandwiched between full and open competition with prime contractors and their substantial resources and the set-aside preferences the government gives to small businesses through the various set-aside categories such as 8(a).

Demand and premiums remain relatively strong for mid-market and small cap companies with desirable customers, e.g., intelligence community, current contracts with substantial backlog, and niche technologies and skill sets. ICF International's acquisition of Macro International, a contractor providing advisory and implementation services to government customers in Health and Human Services and Veteran Affairs, illustrates the focus on adding capabilities in high growth areas of the new administration's spending priorities.

Despite the debt market's current lack of support for highly leveraged transactions, private equity's appetite for acquisitions in the first quarter remained relatively strong. It's important to note that in lieu of additional platform acquisition purchases, most private equity group activity was focused on smaller "add on" purchases for existing portfolio companies (as well as direct investments into the existing portfolio to shore up these company's balance sheets). Noticeably absent during the period were private equity and financial sponsor exits.

Is it a good time for buyers? It appears that a considerable amount of capital is still waiting to be deployed, and there may be substantial opportunities. On a daily basis, we are seeing sellers increasingly willing to enter into transactions. Several factors contributing to this include potential future increases in capital gains taxes, uncertainty surrounding new government spending priorities and defense supplemental spending, inability to roll over financing, and owners seeking to lock in value after the downturn in the equity markets over the past year. Time will tell!

## Recent Transactions

In April, the Software sector accounted for 37% of all announced transactions followed by Hardware & Services (30%), IT Services (26%) and Telecom Services (7%). During April, there were 9 transactions over US\$100 million, with an aggregate value of US\$11.3 billion. The largest transaction in April was Oracle Corporation's agreement to acquire Sun Microsystems for US\$8.3B in total consideration. The second largest transaction was Broadcom Corporation's offer to acquire Emulex Corporation, a provider of storage networking solutions for US\$763M in cash. US buyers accounted for 89% of the announced transactions.

**Microsemi Corp [CA] acquires Endwave Corp-Defense [CA]**  
Microsemi Corp, a manufacturer of semiconductors and related products, acquired the defense electronics and security business of Endwave Corp, a manufacturer and wholesaler of radio frequency subsystems.

**Harris Corp. signed a definitive agreement to acquire M/A-COM Private Radio Systems, Inc. of Tyco Electronics, Ltd.**  
Harris Corp. signed a definitive agreement to acquire M/A-COM Private Radio Systems, Inc., a company which offers communications solutions to land mobile radio customers, from Tyco Electronics, Ltd.

**Harris Corp [FL] acquires Crucial Security Inc [VA]**  
Harris Corp, a manufacturer of communications systems and equipment for government and commercial customers, acquired Crucial Security Inc, a provider of Internet security systems and services.

**Rockwell Collins Inc. to acquire DataPath, Inc.**  
Rockwell Collins Inc. entered into an agreement to acquire DataPath, Inc., a company which designs, produces, installs, and supports customized satellite earth terminals and network solutions assembled from off-the-shelf applications, from a group of investors.

**ManTech International Corp [VA] acquires DDK Technology Group Inc. [MD]**  
ManTech International Corp. (Nasdaq:MANT), a provider of innovative information technologies and solutions and services for mission-critical national security programs for the Intelligence Community, acquired DDK Technology Group Inc., a provider of information technology solutions.

**En Pointe Technologies, Inc. to acquire En Pointe Technologies, Inc. (Nasdaq: ENPT)**  
En Pointe Technologies, Inc.'s President & CEO, Attiazaz "Bob" Din, Naureen Din and members of Din's family entered into a definitive merger agreement to acquire En Pointe Technologies, Inc., a provider of information technology hardware and software products and services in the US.

**Control Solutions Inc [WA] acquires Compsee Inc [NC]**  
Contact Solutions Inc., a developer of mobile software, acquired Compsee Inc, a developer of mobile software, from McRae Industries Inc.

**Tyler Technologies Inc. [TX] acquires Assessment Evaluation Services Inc. [CA]**  
Tyler Technologies Inc., a developer of information management software and government integrated software applications and services, acquired Assessment Evaluation Services Inc., a developer of integrated tax property software.