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OPTIMAL VALUE

# M&A Marketplace



MAZZONE & ASSOCIATES  
INTEGRITY | EXECUTION

2010 3<sup>rd</sup> QUARTER REVIEW

The capital markets are starting to come alive. After showing moderate activity over the first three quarters, mergers and acquisitions appear to be rebounding in the second half of 2010. As we talk to our clients, who include family-owned businesses, private equity groups with various middle market companies and several larger public companies, we continue to hear positive results and growth, and have started seeing a significant increase in deal activity.

We initially believed coming into 2010 that there would be a significant increase in deal activity in the second half of 2010 because of the scheduled increase in capital gains taxes. It turns out that, at least anecdotally, very few if any sellers are being driven by the increase in capital gains taxes likely in 2011. Instead, we believe the increasing activity results from more consistency in results, moderate growth and more reasonable seller expectations. Clearly, it is not a result of wide-open debt markets.

We believe that there are some good opportunities for stable businesses interested in selling right now because of strong demand from strategic buyers and private equity groups – both of which are sitting on significant levels of cash to

deploy for acquisitions – for good-solid businesses to buy.

Traditional asset-based lenders are remaining active, and cash flow lending is beginning to happen again – particularly in the upper middle market (companies with at least \$20 million of trailing twelve month EBITDA). Consequently, we continue to find success as we help our clients navigate through the capital markets. As leverage remains low, valuations in mergers and acquisitions are likely to remain lower than the peaks in 2006 and 2007, but deal activity is likely to remain fairly stable for the next couple of years as buyers flush with cash seem to be willing to pay a larger percentage of equity for good businesses.

In light assets businesses like technology and distribution businesses, we continue to see strong activity in mergers and acquisitions. We expect this activity to increase through the rest of 2010 and into 2011 as companies continue pulling through inventories and start re-investing in technology investments they put off in 2008 and 2009. We are also seeing robust activity in economy-leading industries like staffing.

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**MAZZONE & ASSOCIATES, INC**  
*A Mergers and Acquisitions Advisory Firm*

Mazzone & Associates is a middle market mergers and acquisitions advisory firm experienced in delivering successful results to our clients. Our dynamic professionals provide direction, access to capital markets and the intellectual horsepower to drive our clients' objectives forward with proven expertise and integrity.

We successfully navigate each transaction with our specialized processes and focused service. We measure success by exceeding our clients' objectives and delivering optimal bottom line results.

Mazzone & Associates provides comprehensive transactional services for middle market companies, private equity groups and individuals buying and selling companies, raising capital and structuring debt.

Our firm is relationship focused. We appreciate that our assignments are "life events" for our clients – particularly for management teams, entrepreneurs and family-owned businesses who have substantial portions of their net wealth at risk in their business. Mazzone & Associates has experience working on over 300 transactions valued in excess of \$50 billion across a broad range of industries. Yet, our focus remains the single most important advantage we provide to our clients. Let us help plan your route to maximum value.

**MAZZONE & ASSOCIATES, INC**

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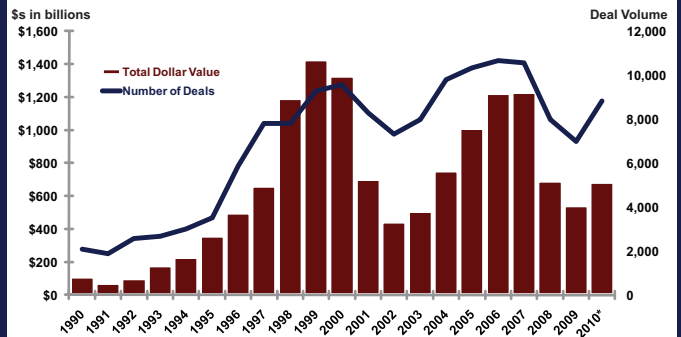
# U.S. Middle Market Watch

## Merger & Acquisition Activity

Deal Size	Number of Deals			Change
	12 Months Ended		Change	
	Sep-30-2010	Sep-30-2009		
More than \$1,000	140	58	141%	
\$500 to \$1,000	122	48	154%	
\$250 to \$500	167	93	80%	
\$100 to \$250	325	163	99%	
\$50 to \$100	296	163	82%	
\$25 to \$50	333	249	34%	
\$10 to \$25	417	324	29%	
Less than \$10	916	842	9%	
Undisclosed	5,829	4,792	22%	
<b>Total</b>	<b>8,545</b>	<b>6,732</b>	<b>27%</b>	

Source: Merger Stat Review and Flashwire Monthly

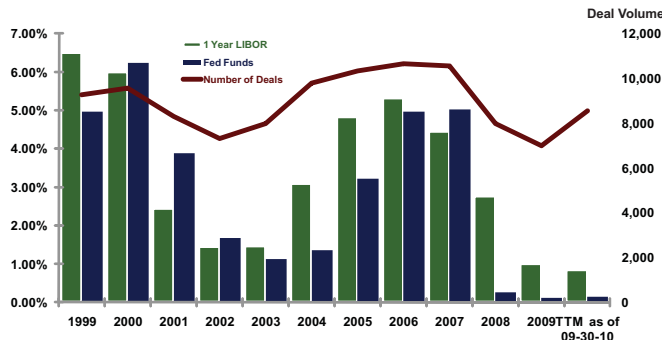
## Recent Trends



\* YTD activity through September 30, 2010 annualized  
Source: Merger Stat Review and Flashwire Monthly

Although 2009 deal volume and values were down compared to recent years, activity has stabilized at the 20-year average and 2010 deal volume is on pace to exceed 2009.

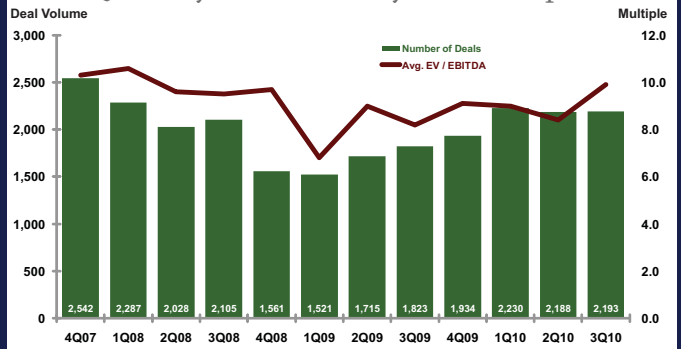
## Interest Rates and Deal Volume



Source: Merger Stat Review and Flashwire Monthly, the Wall Street Journal and MoneyCafe.com

Although interest rates are at all-time lows, liquidity/access to capital, though improving, is still impacting the M&A market.

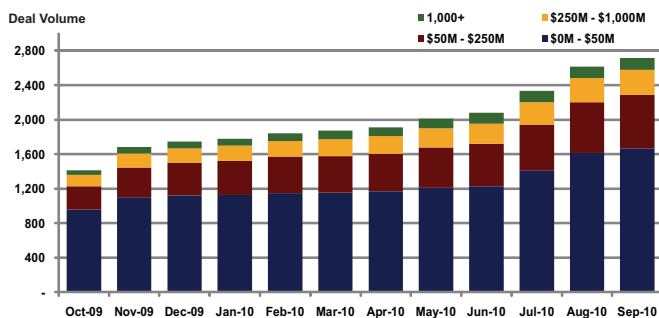
## Quarterly M&A Activity and Multiples



Source: Merger Stat Review and Flashwire Monthly

Recently, deal volume increased slightly and is still above 2009 levels for the fourth straight quarter with multiples stabilizing below the four-year average but markedly higher than the trough in 1Q2009.

## Trailing Twelve Month Deal Activity by Transaction Size



Source: Merger Stat Review and Flashwire Monthly

Middle market (\$0-\$250 million) deal volume accounts for 86% of total deal volume and has steadily increased since October 2009.

## U.S. Mid-Market M&A up to \$500m by Target Industry



Thomson Reuters

Energy & Power and Technology continue to be the most active sectors for mid-market M&A activity.

Announced/Closed Transactions 3<sup>rd</sup> Quarter 2010

For deals with total enterprise value between \$5 million and \$400 million

Date	Target	Buyers/Investors	Size (\$s in millions)
7-Jul	MSC Software Corporation	Symphony Technology Group	\$ 386.7
27-Sep	Aspect Medical Systems, Inc.	Covidien plc (NYSE:COV)	267.4
8-Sep	Intellon Corporation	Atheros Communications Inc. (NasdaqGS:ATHR)	245.7
2-Sep	Wayne-Dalton Corporation, Overhead Door Business	Overhead Door Corporation	230.0
14-Sep	NetQoS, Inc.	CA Technologies (NasdaqGS:CA)	200.0
26-Aug	EverPower Wind Holdings, Inc.	Terra Firma Capital Partners Limited; Good Energies Inc.	200.0
3-Aug	Patriot Capital Funding, Inc.	Prospect Capital Corporation (NasdaqGS:PSEC)	199.0
20-Jul	Health Net of the Northeast, Inc.	Oxford Health Plans LLC	180.0
6-Jul	Jewish Hospital of Cincinnati, Inc.	Mercy Health Partners	180.0
24-Aug	VeriSign Inc., Messaging Business	Syniverse Technologies, Inc.	174.5
20-Aug	Qimonda Richmond, LLC, Chip Manufacturing Equipment	Texas Instruments Inc. (NYSE:TXN)	172.5
11-Sep	Mint Software, Inc.	Intuit Inc. (NasdaqGS:INTU)	171.0
30-Sep	eCopy, Inc.	Nuance Communications, Inc. (NasdaqGS:NUAN)	170.1
7-Sep	Imagine Schools, Inc., 22 Locations	Entertainment Properties Trust (NYSE:EPR)	170.0
30-Jul	MX Logic, LLC	McAfee, Inc. (NYSE:MFE)	168.5
16-Sep	Valley Health System Service Corporation	Physicians for Healthy Hospitals, Inc.	160.2
6-Aug	Monsanto Company, Global Hybrid Sunflower Seed Business	Syngenta AG (SWX:SYNN)	160.0
6-Jul	R. W. Beck, Inc.	SAIC, Inc. (NYSE:SAI)	155.0
26-Aug	NYFIX, Inc.	NYSE Technologies, Inc.	153.6
17-Sep	Porex Corporation	Aurora Capital Group	141.9
8-Sep	Lexcom, Inc.	Windstream Corporation (NasdaqGS:WIN)	141.0
4-Aug	On2 Technologies Inc.	Google Inc. (NasdaqGS:GOOG)	139.5
14-Aug	Sparks Health System	Health Management Associates Inc. (NYSE:HMA)	138.2
27-Aug	Free & Clear, Inc.	Alere LLC	135.3
6-Aug	Specialty Products & Insulation Co.	Superior Plus Corp. (TSX:SPB)	135.0
16-Sep	Hi-Shear Technology Corporation	Chemring Group plc (LSE:CHG)	132.3
9-Sep	Direct Drive Systems, Inc.	FMC Technologies, Inc. (NYSE:FTI)	120.4
30-Jul	Marion Energy Investments, LLC	REX American Resources Corporation (NYSE:REX)	102.1
2-Jul	eRx Network, LLC	Emdeon Inc. (NYSE:EM)	100.3
29-Jul	Continental American Insurance Company, Inc.	AFLAC Inc. (NYSE:AFL)	100.0
25-Jul	CDX Gas, LLC, San Juan Properties	EnerVest Management Partners, Ltd.	98.4
12-Jul	iBasis, Inc.	KPN B.V.	93.3
2-Sep	Montour, Sunoco and Mohawk Home Comfort Services	Superior Plus US Holdings Inc.	86.0
17-Aug	Smart Business Holdings, Inc.	LECG Corporation (NasdaqGS:XPRT)	82.7
26-Aug	Cynergy Data, Inc.	Comvest Investment Partners	81.0
10-Aug	Global Gaming RP, LLC	Global Gaming Solutions, LLC	80.3
30-Sep	The Members' Own Federal Credit Union	Alaska USA Federal Credit Union	80.0
31-Aug	Fortent, Inc.	Actimize, Inc.	73.5
21-Sep	Eli Lilly & Co., OpRA III	Adolor Corp. (NasdaqGM:ADLR)	72.0
30-Sep	Schoeneman Beauty Supply, Inc.	Beauty Systems Group LLC	71.0
31-Jul	Horizon Behavioral Services, Inc.	Aetna Inc. (NYSE:AET)	70.0
16-Aug	Goldleaf Financial Solutions, Inc.	Jack Henry & Associates Inc. (NasdaqGS:JKHY)	66.5
14-Sep	Mec Lone Star, L.P.	Global Gaming Solutions, LLC	62.9
15-Jul	The Edgewater Funds	Lazard Group LLC	61.6
28-Jul	Power Medical Interventions, Inc.	United States Surgical Corporation	60.8
17-Sep	Environmental Support Solutions, Inc.	IHS Inc. (NYSE:IHS)	59.0
6-Jul	People Media L.L.C.	Match.com, LLC	57.0
30-Sep	GPS Industries Inc. (OTCPK:GPSN.Q)	Falconhead Capital, LLC; Great White Shark Enterprises, Inc.	54.1
8-Jul	Becton, Dickinson And Company, ACE Product Line	3M Co. (NYSE:MMM)	51.0
11-Sep	Nacogdoches Power LLC	Southern Power Company	50.3
31-Jul	Spencer N. Enterprises, Inc.	21st Century Group, LLC; Ancor Capital Partners	50.0
2-Jul	PacketVideo Corporation	NTT DOCOMO, Inc. (TSE:9437)	45.5
3-Aug	Endeavor Pipeline Inc.	Kinder Morgan Tejas Pipeline, LLC	36.0
4-Sep	Teledyne ODI, Inc.	Teledyne Instruments, Inc.	25.5
3-Jul	RISI, Inc.	United Business Media Limited (LSE:UBM)	14.3
10-Sep	The Peninsula Chicago LLC	HSH Chicago, Inc.	11.7
24-Aug	NeurogesX, Inc. (NasdaqGM:NGSX)	Sphera Funds Management Ltd	9.5