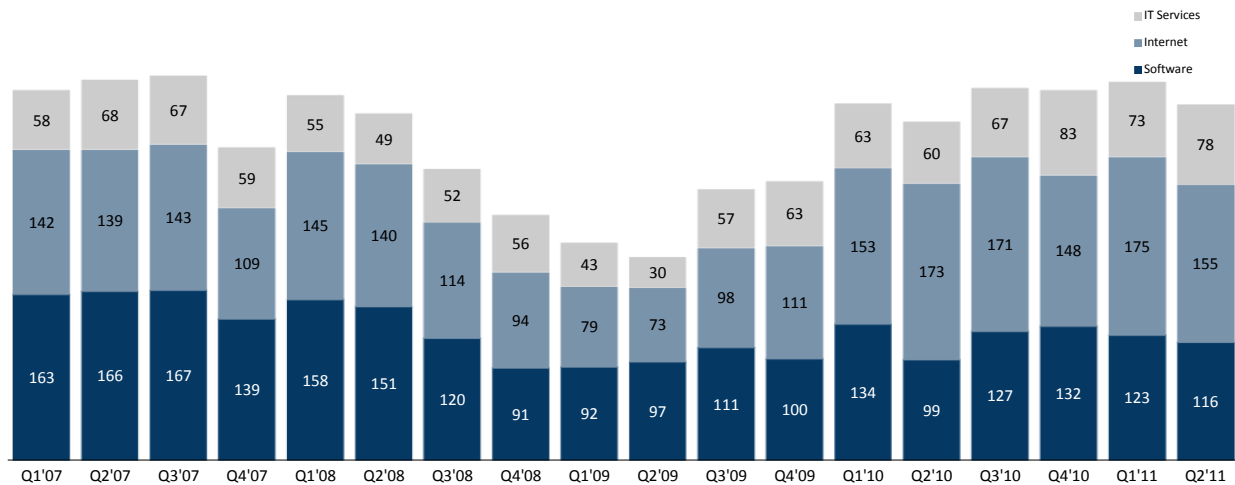


Summer 2011

Technology M&A Volume Slows Slightly

Technology M&A in the software, internet, and IT services markets decreased slightly in the second quarter of 2011 with the total number of transactions falling 5.9% to 349 from 371 transactions in Q1 2011. Despite the quarter-over-quarter drop, Q2 announced transactions in St. Charles' covered sectors represented a 5.1% increase over Q2 2010, driven by transaction growth in the IT services and software spaces.



Source: Capital IQ

Summer 2011 Technology Market Review and Outlook

Our intent was to get our technology market report out to you in late July, but given the market uncertainty of the last few weeks we felt it best to wait until we had more perspective on the current market. The reality is that this has been hard to come by. The ups and downs of the last few weeks have not done much to clarify the longer-term picture. However, we do know that public market comparables in our focus sectors are off approximately 21.6% from their year-to-date high experienced in late April. Despite this, M&A and capital raise transactions continue to push forward, and we are seeing interest in new offerings being brought to the market. For now, most of the buyers and investors we speak with continue to execute their strategies as if this is a short-term fluctuation. If the next few weeks prove that a more serious correction, and possibly a recession, is coming, then we may see a slowdown in technology M&A and investment activity and decreased valuation levels. At St. Charles, we continue to see strong interest from mid and large-cap technology companies as they seek strategic deals to fill product gaps, "buy" growth, leverage customer relationships, or accelerate time-to-market of new product releases. This is especially true for IT services firms and software and internet companies (please see Deal Spotlight on two recent St. Charles Capital transactions). We continue to see rapid growth around cloud solutions and a widening gap between the valuation of on-premise license model software companies and true SaaS, single instance, multi-tenant, subscription-based offering providers.

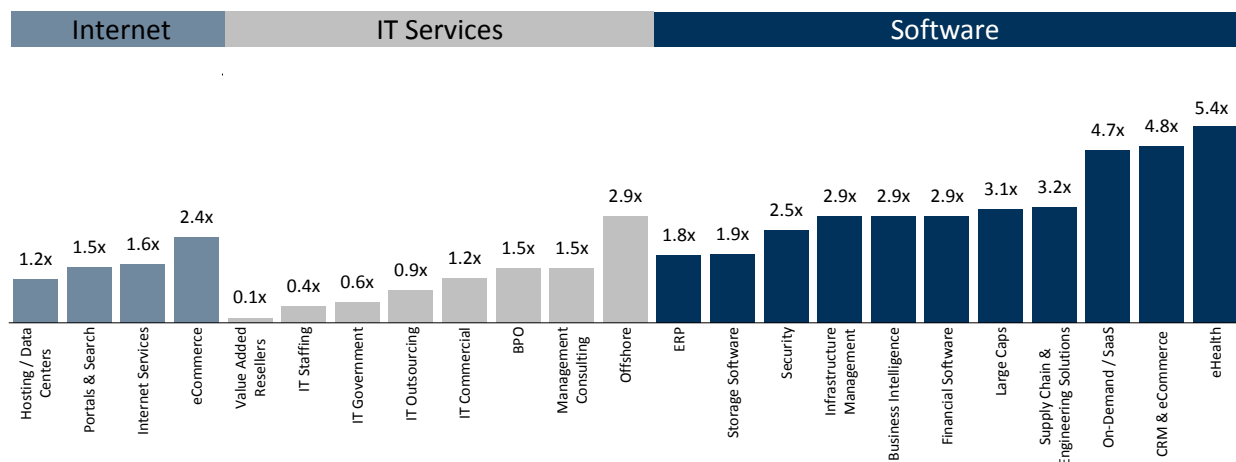
The first half of 2011 has been outstanding for St. Charles, with five closed technology transactions and several engaged transactions across our focused vertical sectors. We continue to expand our team with the addition of Jonathan Cooper as an Associate, bringing our technology group to 12 professionals. We welcome the opportunity to discuss your strategic objectives and market timing issues.

TECHNOLOGY MARKET REPORT

Technology Public Equity Valuation Analysis

St. Charles Capital closely monitors more than 160 publicly traded companies across 23 sub-sectors of the technology industry to assess valuation multiples and capital markets trends. Public market valuations for this set of technology companies were up from Q1 2011 levels in seven of the 23 sub sectors we follow. The most dramatic gains were in Portal & Search and eHealth, where both groups increased by at least a half of one turn of revenue.

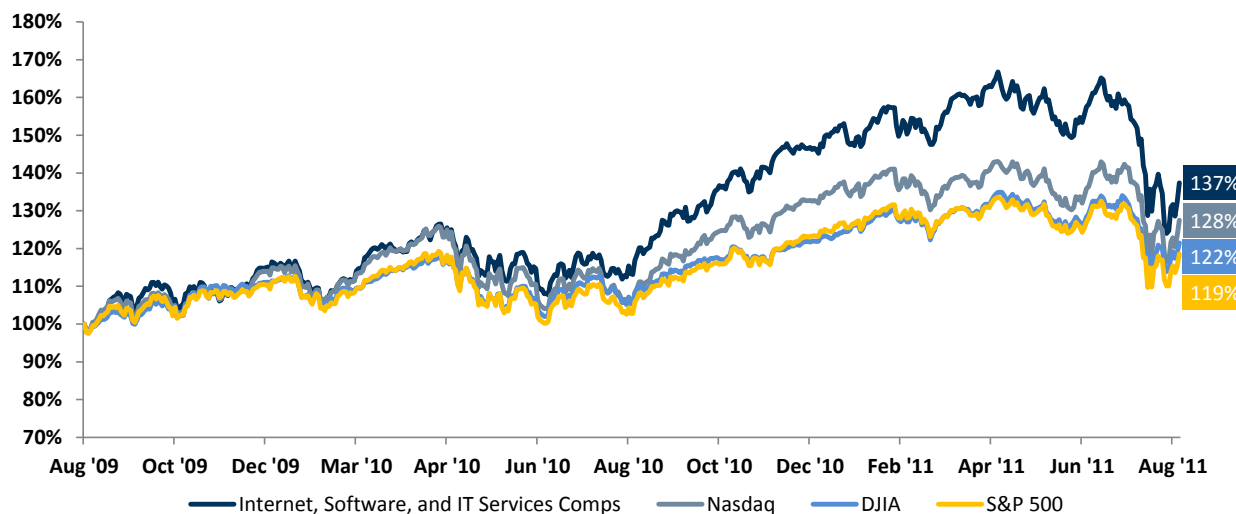
LTM Enterprise Value / Revenue Multiples by Sub-Sector as of July 31, 2011



Technology Public Equity Performance

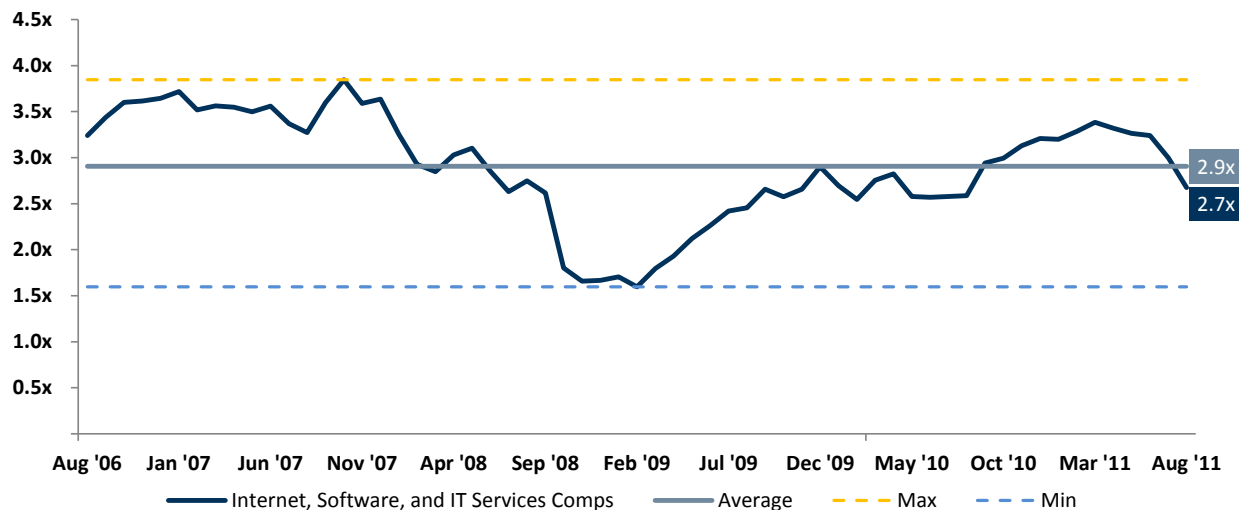
The charts below depict the public stock price and valuation performance of the over 160 publicly traded companies in the sub-sectors we follow. While grouping all of these companies together does not necessarily tell the most accurate story of what is occurring within each sector (we would encourage you to contact us for more specifics), it does provide an overall picture of the public technology equity markets.

Two-Year Comparable Company Relative Market Performance vs. Nasdaq, DJIA, and S&P 500



TECHNOLOGY MARKET REPORT

Five-Year Comparable Company Average LTM Enterprise Value to Revenue Multiple Performance



St. Charles Capital Deal Spotlight – JCB Partners, LLC Sale to Perficient, Inc. (Nasdaq: PRFT)

St. Charles was the exclusive advisor to JCB Partners, LLC in its July 1, 2011 sale to Perficient, Inc. (Nasdaq: PRFT). JCB Partners is a business and technology consulting firm focused on enterprise performance management, analytics, and business intelligence solutions, primarily leveraging the IBM Cognos suite of software products. Perficient, Inc. is a leading information technology consulting firm serving Global 2000 and other large enterprise customers. Perficient employs more than 1,500 professionals and serves clients from strategic locations across North America and offshore locations in China, Europe, and India. The combination with JCB Partners bolsters Perficient's existing IBM Cognos service offerings as well as its status as one of the premier management and information technology consulting firms. Kathy Henely, Perficient's Chief Operating Officer noted, "The addition of JCB further strengthens Perficient's position as one of the leading business intelligence and enterprise performance management consulting firms in the country. It increases our access to CFO suites, is a great complement to our business consulting offerings, and presents a strong opportunity for pull-through of additional development, implementation, and integration services."


 has been acquired by

Perficient®
The undersigned acted as financial advisor to JCB Partners

Member FINRA

St. Charles Capital Deal Spotlight – ESM, LLC Sale to ACS, Inc., A Xerox Company

St. Charles was the exclusive advisor to Education Sales and Marketing, LLC (ESM) in its July 16, 2011 sale to Affiliated Computer Services, Inc., A Xerox Company (NYSE: XRX). ESM is a premier provider of technology-enabled business process outsourcing solutions to for-profit and traditional higher education institutions. ESM provides inbound and outbound call inquiry services including qualify and transfer, appointment setting, and application completion services, marketing services for online education providers, as well as retention, alumni development, and counseling services that assist borrowers with implementing tailored repayment plans for their student loans. Xerox Corporation is a \$22 billion, leading global enterprise for business process and document management. Through ACS, Xerox offers extensive business process outsourcing and IT outsourcing services, including data processing, HR benefits management, finance support, and customer relationship management services for commercial and government organizations worldwide. ESM's ability to handle inquiry calls and provide student enrollment services will enable ACS to begin offering broader services to assist post-secondary schools in attracting and retaining the most-qualified students. The combination brings diversification to ACS' services offering and will complement the services ACS currently provides to more than 700 colleges and universities, including managing almost nine million student loans worth more than \$100 billion. Rick Fort, the founder and chairman of ESM commented, "This acquisition will allow ESM to take the next step in its growth by offering our unique capabilities to Xerox's client list. ACS' financial aid services will dovetail nicely with our admissions capabilities. St. Charles was instrumental in helping ESM to navigate through a complex process and was critical to us achieving a successful transaction outcome."



has been acquired by



A **xerox** Company

The undersigned acted as financial advisor to ESM



Member FINRA

April to July 2011 Select M&A Transactions Within SCC's Coverage Universe

\$ in Millions

	Date	Target	Target Description	Buyer	Enterprise Value	EV / Revenues
	Announced					
Software	07/26/2011	Seismic Micro-Technology, Inc.	Develops geophysical and geological interpretation software for the exploration and production industry.	IHS Inc.	\$500.0	-
	07/21/2011	iWare Inc.	Develops and offers cloud computing software and infrastructure tools.	Acer Inc.	\$395.0	-
	07/13/2011	Global 360, Inc.	Provides business process management and optimization solutions for international financial services, government, insurance, and retail organizations.	Open Text Corp.	\$260.0	2.9x
	06/30/2011	Blackboard Inc.	Provides enterprise software applications and related services to the education industry.	Providence Equity Partners LLC	\$1,751.9	3.8x
	06/29/2011	Interactive TKO, Inc.	Provides a software suite for testing service-oriented architectures.	CA Technologies	\$330.0	1.0x
	05/19/2011	Clearwell Systems, Inc.	Provides eDiscovery management platforms for litigation, regulatory inquiries, and internal investigations.	Symantec Corporation	\$390.0	7.0x
	05/15/2011	Iron Mountain Inc., Key Assets of Digital Division	Offers records management services, data protection and recovery services, and information destruction services.	Autonomy Corp. plc	\$380.0	-
	05/10/2011	Equitrac Corporation	Offers print management and cost recovery solutions.	Nuance Communications, Inc.	\$157.0	-
	04/28/2011	Coradiant, Inc.	Provides network and website monitoring solutions to manage, optimize, and troubleshoot web applications.	BMC Software Inc.	\$125.0	-
	04/27/2011	IdenTrust, Inc.	Provides digital identity authentication solutions to financial institutions, government agencies, corporations, defense, energy, and supply chain markets.	Polaris Software Lab Ltd.	\$23.5	2.6x
	04/26/2011	SchoolNet, Inc.	Provides data-driven decision-making and web-based products and solutions for K12 school districts.	Pearson plc	\$230.0	-
	04/23/2011	Explore Information Services, L.L.C.	Develops and distributes insurance technologies and eGovernment applications.	Audatex North America, Inc.	\$520.0	6.8x
	04/04/2011	Epicor Software Corporation	Designs, develops, markets, and supports enterprise application software solutions and services.	Apax Partners LLP	\$951.5	2.1x
	04/04/2011	Activant Solutions Inc.	Provides business management solutions to small and mid-market retail and distribution businesses.	Apax Partners LLP	\$1,451.6	3.9x
Median:					\$385.0	3.3x

IT Services	07/25/2011	Paradigm Holdings Inc.	Provides IT, information assurance, and business continuity solutions, including enterprise optimization, strategic consulting, and systems, software, and database engineering.	CACI International Inc.	\$61.5	1.5x
	07/16/2011	Education Sales & Marketing, LLC*	Provides technology-enabled business process outsourcing solutions to for-profit and traditional higher education institutions.	Affiliated Computer Services, Inc.	-	-
	07/01/2011	JCB Partners, LLC*	Provides business and technology consulting services, including enterprise performance management, analytics, and business intelligence IBM Cognos solutions.	Perficient, Inc.	\$18.0	1.6x
	06/28/2011	OneNeck IT Services, Corporation	Provides a suite of enterprise resource planning outsourcing solutions to mid-market companies.	TDS Hosted & Managed Services, LLC	\$95.0	2.6x
	06/02/2011	High Performance Technologies, Inc.	Provides architectural services for the IT sector.	Dynamics Research Corp.	\$143.0	1.5x
	06/01/2011	Stream Global Services, Inc.	Operates as a global business process outsourcing service provider.	Trillium Capital, LLC	\$578.3	0.7x
	05/28/2011	Agilysys Technology Solutions Group	Provides back-up data and resorative solutions.	OnX Enterprise Solutions Ltd.	\$64.0	0.1x
	04/26/2011	Apptis Holdings, Inc.	Offers IT and communications services to the federal government.	URS Corporation	\$260.0	0.9x
	04/05/2011	Headstrong, Inc.	Provides consulting and technology services for financial services, public sector, and service industries.	Genpact Ltd.	\$550.0	2.5x
	04/01/2011	Encore Discovery Solutions, Inc.	Provides electronic and paper discovery solutions to law firms and corporations.	EPIQ Systems, Inc.	\$100.0	2.4x
Median:					\$100.0	1.5x

Internet	07/11/2011	Znode, Inc.	Develops eCommerce solutions to improve various aspects of online commerce, store development, sales analytics, and the shopper experience.	Yell Group plc	\$19.2	-
	07/05/2011	Traveler Global Business Payments, Inc.	Provides business-to-business payment solutions.	Western Union Co.	\$975.3	4.3x
	06/29/2011	CashEdge, Inc.	Provides online financial applications for banks, credit unions, and wealth management companies.	Fiserv, Inc.	\$465.0	-
	06/29/2011	MySpace, Inc.	Operates a website to create a private online community.	Specific Media, Inc.	-	-
	06/24/2011	Alloy Multimedia, Inc.	Operates as an online publisher of English learning programs.	Archipelago Learning, Inc.	\$2.0	-
	05/26/2011	MerchantCircle, Inc.	Provides online marketing and advertising solutions for small businesses.	Reply! Inc.	\$60.0	-
	05/24/2011	eCarList, LLC	Provides a web-based inventory management and distribution platform, vehicle pricing analytics, and search and marketing solutions for car dealers.	DealerTrack / AAX, Inc.	\$45.3	6.5x
	05/17/2011	Direct EDI, Inc.	Provides eCommerce SaaS solutions for small, medium, and large businesses.	SPS Commerce, Inc.	\$9.8	2.2x
	04/27/2011	LoopNet, Inc.	Owns and operates an online marketplace for the commercial real estate industry.	CoStar Group Inc.	\$654.4	8.2x
	04/26/2011	Plateau Systems, LTD.	Provides SaaS-based HCM and talent management solutions.	SuccessFactors, Inc.	\$290.0	-
04/21/2011	OpenFeint Inc.	Provides a mobile social gaming network for iPhone, iPad, and Android devices.	GREE International, Inc.	\$104.0	-	
Median:					\$82.0	5.4x

*Denotes St. Charles transaction

Sources: Capital IQ and 451 Group; Includes only U.S.-based targets

St. Charles Capital, LLC, based in Denver, Colorado, provides expertise in mergers and acquisitions, raising private capital, and financial advisory services for middle-market companies across the United States. Visit our Technology Industry page at www.stcharlescapital.com.

TECHNOLOGY MARKET REPORT

About Our Technology Practice

St. Charles Capital assists technology companies in achieving their strategic and financial business objectives by providing merger and acquisition, private capital formation, and financial advisory services.

The St. Charles Capital Advantage: St. Charles combines a history of technology transaction experience with a team that is actively engaged in the middle market. St. Charles' principals have managed transactions for nearly 100 companies in the technology industry. In addition to providing financial expertise, our team leverages extensive knowledge of the industry's competitive landscape as well as relationships with technology business leaders and private equity providers to obtain optimal value for our clients in the transaction process.

Changes to the St. Charles Capital Technology Team

Jonathan Cooper has joined our team as an Associate focusing on executing transactions in our software, IT services, and internet technologies practice. Prior to joining St. Charles, Jonathan advised technology, healthcare, and diversified industrial clients through M&A transactions at both Duff & Phelps and Grant Thornton Corporate Finance. Jonathan earned his MBA from New York University's Stern School of Business in May 2011.

Molly McMahon has joined our team as an Analyst focusing on supporting and executing transactions across each vertical in our technology practice. Prior to joining St. Charles, Molly was a private equity intern at KRG Capital. She attended the University of Denver, where she earned bachelor's degrees in Business and Spanish. She earned an MBA, with a concentration in Finance, from the University of Denver in June 2011.

Stephan Tuchfeld has been promoted to Senior Analyst in our technology practice. Stephan joined St. Charles in July 2010 and earned a BSBA in Finance, with a Minor in Economics from Colorado State University.

Technology Practice Team Members

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