

The Compass Newsletter

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Dear Friends and Colleagues:

After suffering through the dizzying collapse of the global financial markets in 2008, we rang in the New Year eager to embrace any glimmers of hope. We even made a few predictions about expected momentum in Internet Services M&A in 2009. But even the "hope" of a new president and the "hope" of Captain Sully landing his doomed jet safely on the Hudson couldn't clear the doom and gloom that kicked off the year. As we hit rock bottom in Q2, we could only hope that a few trillion dollars of stimulus spending might rouse some deal activity. Despite the spring rally in the overall market, the "shell-shock" persisted across all of Gridley's sectors as we didn't see any notable deals until late summer. Clearly, the average handicap of our readers must have improved significantly this summer as there was definitely more focus on golf than deals. We expected people to come back in September with that "Back to School" like energy. Thankfully, we did see some pick up in M&A and IPO activity in September. However, it is only more recently that we've seen the level of deal interest creep up to where we thought we would be three months ago. But, as the old adage goes, "Better late than never".

We enter 2010 cautiously, knowing that the market is looking better than most of us expected and that we all "feel" better than we did a year ago. However, as we all know too well, there is still *much* to be concerned about. More on that later.

Meantime, as usual, please do settle in with your favorite January beverage (probably water this year as that's all anyone can afford!) and take a few minutes to read our year end thoughts on the markets and activity/themes in our sectors.

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Summary of Economic Statistics

Interest Rates:

Short Term: As part of its plan to stimulate the economy and ease the liquidity drought, the Fed kept the target federal funds rate at 0.00% - 0.25% for all of 2009. In December, Ben Bernanke reaffirmed the Fed's plan to keep interest rates near zero for "an extended period" due to uncertainties about the economic outlook, which should mean at least several months. The Fed will take the recent "signs of strength" as well as inflation into account in their monetary policy. We will have to see how the Fed manages the delicate process of moving away from the emergency Fed policies enacted throughout 2009 without stunting economic growth. Investors expect the Fed to start gradually increasing short-term interest rates in the second half of 2010.

Long Term: The large flight to Treasuries began reversing in 2009 as investor appetite for the equity markets started to return. The benchmark 10-year U.S. Treasury yield ended the year at 3.84%, up 160 basis points from 2.24% at the end of 2008. The 10-year yield also increased 160 basis points from 2.25% at the end of 2008 to 3.85% in 2009 versus the drop of 179 basis points in 2008. The spread between the 2-year and 10-year Treasury notes began the year at 158 basis points and ended the year at 271 basis points as investors continued to turn to short-term U.S. backed securities.

Oil Price: Oil in 2009 was less of a roller coaster run than in 2008. This time no analyst dared to predict oil at \$200 per barrel as the global recession and drop in demand kept oil prices more grounded. Oil started the year at \$46.60 per barrel and from there it essentially tracked the economic outlook as oil dropped to the high \$30s throughout January and hit its lowest close of \$33.98 on February 12th. Oil finally closed above \$50 near the end of March. From then on, oil slowly but steadily climbed and hit a 2009 high of \$81.37 on October 21st before going below \$80 on November 19th. At the end of 2009, oil closed at a seven-week high of \$79.36. Analysts predict that the year-end rally was mainly due to seasonal trends and cautioned that longer term improvements in demand and more signs of economic strength will be required to sustain the rally into 2010. Political unrest in the Middle East, especially Iran, was also cited as risk factors for oil prices as investors continue to watch cautiously.

U.S. Dollar: The U.S. dollar has slid downward since March as the Fed continued its aggressive monetary policy. The U.S. dollar eventually rallied in December as investors factored a drop in U.S. jobless claims into expectations of how soon the Fed will raise interest rates. The greenback ended the year down 2.0% against the Euro, 9.0% against the British pound, 13.9% against the Canadian dollar, and 25.2% against the Brazilian real. The dollar ended the year up 2.0% against the Yen. The Yen has traditionally been the cheapest stable currency to borrow due to Japan's low interest rates, but the Fed's policy of keeping interest rates low has caused the greenback to increasingly replace the Yen as the preferred "carry trade" currency. A weak U.S. economy, continued unemployment, and the expected continuation of aggressive stimulus measures by the Fed will continue to put pressure on the dollar in 2010. However, these factors may be offset by greater perceived problems in other currencies such as the Euro and British Pound as well as fears of the potential international fallout from continued terrorist activity and potentially bankrupt countries such as Greece.

Inflation: Core inflation fell to a low of 1.4% in August before finishing the year at 1.7% (as of November 2009 - last available report as of December 16th). This is in the range of what is believed to be the Fed's informal target of 1.7%-2.0% set in February 2009. The current forecast calls for inflation to remain relatively flat through 2010.



Consumer Confidence: The University of Michigan Consumer declined for the second consecutive year, ending 2009 at 52.9, down significantly from 2008. The consumer confidence index hit a historic low of 25.3 in February. It enjoyed a three-month climb from March through May, fueled by signs that the economy might be stabilizing. However, since June, it has bounced along anemically between 47 and 55 as rising unemployment took a toll. The bright spot in December's confidence index was consumers' six-month outlook, which gained the most since December 2007 to reach 75.6. But, the other main component, which measures shoppers' assessment of the current economy, fell from 12.2 to 18.8, a 26-year low. So in essence, consumers' outlook for the future was more optimistic, but they felt as though times had gotten tougher. As a positive, the holiday season got off on the right foot as Black Friday saw a pick-up in retail store sales (0.5%). Online sales were also up 35% and Cyber Monday tied an all-time high of \$887 million, a growth rate of 5% from last year as the number of overall online buyers rose 6%. However, early data shows that customer traffic for the full holiday season plummeted 16% and total retail sales sank 2.3%. Those are more pessimistic than previous estimates (9.9% drop in traffic and a 0.1% increase in sales). Not only were people not shopping as expected, it appears that shoppers were only looking for blow-out deals. Once again, the winners seem to be the Amazons and WalMarts of the world and not the Hermes and LVs. Consumer confidence can take a long time to recover, especially in a jobless recovery like the one we seem to be experiencing. For example, in the early 1990s, it took three years for confidence to rebound to healthier levels because the economy was in a jobless recovery.

Housing and Commercial Real Estate: Housing struggled to recover in 2009. The housing prices in October 2009 were 29% shy of their peak July 2006 according to the S&P/Case-Shiller Home Price Index, which tracks home prices in 20 major American markets. The good news is that the housing market stabilized as the Fed cut mortgage rates to 50-years lows. Home prices rose modestly for six consecutive months through October. The number of foreclosed homes for sale also declined as a result of new government programs designed to assist at-risk borrowers. But this silver lining is only a temporary façade. The progress in the housing market in 2009 relied heavily on government programs which are scheduled to soon fade out. The Fed cut mortgage rates by purchasing up to \$1.25 trillion in mortgage-backed securities. Once this program expires in March 2010, mortgage rates may rise and stifle any housing recovery. The numbers show one in ten homeowners are behind on their mortgage payments and one-third of homeowners with a mortgage owe more than their homes are worth. YIKES! The \$8,000 tax credit given to first-time home buyers also is scheduled to expire in 2010, which may lead to decreasing demand and falling prices. The foreclosure front is contributing further to the bleak 2010 outlook. Foreclosures are expected to climb next year, lowering prices and deepening the wounds of commercial real estate. As of November 2009, U.S. commercial real estate transactions recorded only \$42 billion, compared to \$136 billion and \$489 billion during the same period in 2008 and 2007, respectively. In addition, recovery in 2010 could be further stunted if unemployment levels remain high and U.S. government support is removed. Investors are still on the sidelines waiting for prices to drop further, but some optimists believe that when buyers regain confidence in the market, the upward climb is going to be a quick one. Regardless, it seems that withering confidence levels have yet to hit rock bottom and this market continues to be a very fragile one.

Unemployment: An improvement in the labor markets is probably the most important factor in any economic recovery. Without it, consumer spending will continue to stay depressed, retail inventory levels will remain low, and corporate purchasing cycles will become delayed, thereby making the recent market rally unsustainable. According to the Bureau of Labor Statistics, the unemployment rate reached a 26 year high of 10.2% in October before falling back to 10% in November and December. After job losses in September and October turned out to be far



less than previously reported (250,000 instead of 409,000) and the November report came in at only 11,000 jobs lost, the December report dashed any hopes that employment conditions might be improving as an additional 85,000 jobs were cut. With December's job losses, there were 7.2 million fewer jobs than in December 2007, when the recession began. The only reason the unemployment rate was unchanged at 10% from November was the fact that many workers stopped looking for work and weren't counted in the statistic. A broader measure of unemployment, including those no longer looking for work, increased from 17.2% in November to 17.3%. Lastly, given the large number out of work and the historic hiring rate of 300,000 per month during strong times, it will take at least five years to get unemployment back to a "normal" rate of 5%.

U.S. Deficit: The numbers in 2009 broke records but they are not pretty. At the end of the 2009 fiscal year on September 30th, the U.S. deficit racked in a recording breaking \$1.42 trillion, tripling the previous record set in 2008. Although the numbers have since decreased, there is still much work left to be done. In 2010, U.S. policy makers must face the harsh reality and convince the world that the U.S. government can get its financial situation off life support. According to the U.S. National Debt Clock, which is calibrated using information from the U.S. Department of Treasury, as of January 6th, 2010, the current U.S. debt stands at a whopping \$1.23 trillion. The financial havoc and the additional government stimulus efforts of this past year have only made the situation worse. With stimulus programs and interest rate cuts being extended into 2010, policy makers will have their plates full trying to figure out how to lower the deficit.

Gold: Gold, as with metals overall, performed very well in 2009, ending the year up 24% at \$1095.20 per troy ounce after reaching a record high of \$1,227.50 on Dec. 3rd. This year marks the ninth consecutive yearly gain for gold. Demand had spiked due to investors hedging against inflation and central banks diversifying their foreign reserves, in particular central banks in India and Russia. The investor demand expanded into gold-backed ETF's, such as SPDR Gold Shares, which increased its gold holdings by 45%. Analysts predict that gold will continue to be a hot commodity as depressed interest rates, inflation worries, and joblessness encourage investors to hedge against the U.S. dollar and place their money into more insulated, commodity investments.

Conclusion: The year in retrospect shows an amazing rebound in the markets. For example, the Dow rose 59.3% since its March 9th low and this was the fastest recovery since 1933. However, the underlying economic data reveals a less optimistic picture. Corporate earnings have been stronger than expected, but primarily due to effective cost cutting efforts, not fundamental growth. Consumer confidence and spending remain anemic at best. The massive government stimulus programs that helped to prop up the economy in 2009 are coming to an end. Finally, thanks to the Fed, we have enjoyed an environment of unusually low interest rates to help stimulate consumer and corporate spending. This too must come to an end at some point.

The good news is that people "feel" better today than they did six and 12 months ago. However, we are not out of the woods yet by any means. The real question is: as interest rates inevitably increase and government stimulus programs expire, can the economy recover enough to justify current market levels? Look into your crystal ball on that one.



Thoughts Regarding Our Sectors in 2009

Gridley's Top M&A Themes and Noteworthy Activity for 2009

1. Our Sectors Follow the Market Overall - Paltry M&A Volume through Most of the Year

The year in deal making started off strong and ended strong with most of the largest deals announced during the opening and closing months of the year. Of the 10 largest deals eight occurred in the 1st and 4th quarters with Q2 and Q3 2009 providing some of the quietest, leanest deal activity stretches of the decade. Our sectors were no different as the top five deals occurred in either Q1 or during the final four months of the year.

Adding to the dismal nature of 2009's M&A environment was the fact that the top five deals in our sectors for 2009 were much smaller when compared to the top deals in 2008 and 2007. It is interesting to note, almost ironic, that two of the top deals were acquisitions by private equity firms-TPG's \$5.1 billion acquisition of **IMS Health** and **General Atlantic's** \$1.7 billion acquisition of **TASC**. In addition, two of the top five deals were acquisitions of business process outsourcers-Xerox's \$8.1 billion acquisition of **Affiliated Computer Services, Inc.** and Dell's \$3.8 billion acquisition of **Perot Systems**.

Top 5 Overall M&A Deals in Gridley Targeted Sectors
2007 - 2009

(\$ in millions)							
Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to LTM Revenue	LTM EBITDA	Forward P/E	Premium Paid to Stock Price 30 Days Prior to Ann. Date
2007							
04/01/07	Kohlberg Kravis Roberts & Co.	First Data Corp	\$27,673.5	3.80x	14.0x	27.2x	37.5%
04/21/07	Cerberus Capital Management (Terminated)	Affiliated Computer Services	8,411.4	1.5x	8.2x	17.7x	14.5%
05/17/07	Blackstone Group (Terminated)	Alliance Data Systems	7,933.8	3.83x	14.2x	21.6x	24.4%
05/17/07	Microsoft Corp.	aQuantive	5,746.1	11.7x	41.6x	71.1x	111.3%
05/30/07	Fidelity National Financial / TH Lee	Ceridian Corporation	5,032.9	3.2x	14.0x	26.0x	6.6%
Subtotal			\$54,797.7				
2008							
01/31/08	Microsoft Corp (Terminated)	Yahoo!	\$41,729.0	5.99x	24.3x	72.4x	32.5%
05/13/08	Hewlett-Packard	Electronic Data Systems	14,174.4	0.64x	5.3x	17.9x	47.1%
02/20/08	Reed Elsevier	ChoicePoint, Inc.	4,212.8	4.29x	14.3x	27.9x	54.6%
07/02/08	WPP Group plc	Taylor Nelson Sofres plc	2,905.3	1.37x	9.9x	15.4x	2.5%
03/27/08	American Express Company	GE Corporate Payment Services	2,300.0	NA	NA	NA	NA
Subtotal			\$65,321.5				
2009							
09/15/09	Xerox Corp.	Affiliated Computer Services, Inc.	\$8,072.2	1.24x	7.8x	15.1x	39.6%
11/05/09	TPG; CPP Investment Board	IMS Health	5,071.9	2.34x	9.8x	14.7x	48.3%
03/31/09	Fidelity National Information Services	Metavante Technologies, Inc.	4,616.9	2.70x	10.0x	17.4x	43.1%
09/20/09	Dell Inc.	Perot Systems Corp.	3,772.3	1.43x	13.1x	31.3x	79.4%
11/08/09	General Atlantic LLC; KKR	TASC, Inc.	1,650.0	1.03x	NA	NA	NA
Subtotal			\$23,183.3				



**Top 5 M&A Deals in Gridley Targeted Sectors
2008 vs. 2009**

(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to LTM Revenue	Enterprise Value to LTM EBITDA	Forward P/E	Premium Paid to Stock Price 30 Days Prior to Ann. Date
Marketing Services							
2008							
07/09/08	WPP Group plc	Taylor Nelson Sofres plc	\$2,905.3	1.37x	9.9x	15.3x	2.5%
02/27/08	Union Street Acquisition Corp. (Withdrawn)	Archway Marketing Services, Inc.	80.3	0.89x	7.6x	NA	NA
06/25/08	Ipsos SA	Livra Panels	45.4	NA	NA	NA	NA
04/28/08	Alterian plc	Mediasurface plc	35.0	1.46x	NM	NA	200.0%
02/27/08	Union Street Acquisition Corp. (Withdrawn)	RAZOR Business Strategy Consultants,	30.0	1.80x	5.6x	NA	NA
Subtotal			\$3,095.9				
2009							
04/06/09	NTT DoCoMo, Inc.	Oak Lawn Marketing (51% Stake)	\$603.7	NA	NA	NA	NA
10/05/09	Sykes Enterprises, Incorporated	ICT Group Inc.	206.9	0.52x	6.9x	35.3x	44.4%
06/18/09	BIC Graphic USA	Norwood Promotional Products, Inc.	162.5	0.52x	7.0x	NA	NA
11/09/09	Mill Road Capital	Cossette Inc.	123.9	0.60x	6.2x	25.6x	50.0%
11/03/09	Groupe Aeroplan Inc.	Carlson Marketing Group, Inc.	168.8	NA	NA	NA	NA
Subtotal			\$1,265.8				

**Top 5 M&A Deals in Gridley Targeted Sectors
2008 vs. 2009**

(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to LTM Revenue	Enterprise Value to LTM EBITDA	Forward P/E	Premium Paid to Stock Price 30 Days Prior to Ann. Date
Internet Services							
2008							
01/31/08	Microsoft Corp (Terminated)	Yahoo!	\$41,729.0	5.99x	24.3x	72.4x	32.5%
05/15/08	CBS	CNET Networks	1,761.0	4.31x	24.0x	NM	47.6%
09/03/08	Gannett	CareerBuilder (10% stake)	1,350.0	NA	NM	NA	NA
03/13/08	AOL (Time Warner)	Bebo	860.0	NA	NA	NA	NA
04/30/08	United Online, Inc.	FTD Group, Inc.	696.5	1.08x	7.2x	10.2x	7.3%
Subtotal			\$46,396.6				
2009							
04/15/09	Investment Consortium	Skype Technologies S.A.	\$3,115.4	5.09x	NM	NA	NA
09/15/09	Adobe Systems Inc.	Omniure Inc.	1,558.8	4.65x	22.3x	35.3x	47.5%
04/15/09	eBay, Inc.	Gmarket, Inc.	960.4	4.47x	21.4x	27.7x	56.4%
11/09/09	Google	AdMob	750.0	13.0x-17.0x	NA	NA	NA
08/09/09	Publicis (VivaKi)	Razorfish	530.0	1.39x	NA	NA	NA
Subtotal			\$6,914.6				



**Top 5 M&A Deals in Gridley Targeted Sectors
2008 vs. 2009**

(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to		Forward P/E	Premium Paid to Stock Price 30 Days Prior to Ann. Date
				LTM Revenue	LTM EBITDA		
Financial Technology							
2008							
03/27/08	American Express Company	GE Corporate Payment Services	\$2,300.0	NA	NA	NA	NA
04/28/08	First Data Corp. (Terminated)	InComm	1,230.0	4.10x	NA	NA	NA
02/12/08	TH Lee and Goldman Sachs	MoneyGram International	960.0	0.75x	4.3x	2.1x	(47.3%)
10/06/08	eBay, Inc.	Bill Me Later	904.7	NA	NA	NA	NA
09/22/08	McAfee Inc.	Secure Computing	500.2	2.01x	26.0x	19.7x	32.0%
Subtotal			\$5,894.9				
2009							
03/31/09	Fidelity National Information Services	Metavante Technologies, Inc.	\$4,616.9	2.70x	10.0x	17.4x	43.1%
03/27/09	Advent International Corp.	Fifth Third Bank Processing Solutions	2,350.0	3.31x	8.2x	NA	NA
10/08/09	First American Corp.	First Advantage Corp.	1,135.3	1.53x	8.9x	22.8x	35.4%
06/12/09	Global Payments, Inc.	HSBC Merchant Services	628.0	3.06x	5.8x	NA	NA
05/07/09	Western Union Co.	Custom House Ltd.	371.0	NA	NA	NA	NA
Subtotal			\$9,101.2				

**Top 5 M&A Deals in Gridley Targeted Sectors
2008 vs. 2009**

(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to		Forward P/E	Premium Paid to Stock Price 30 Days Prior to Ann. Date
				LTM Revenue	LTM EBITDA		
Data Services							
2008							
02/21/08	Reed Elsevier	ChoicePoint, Inc.	\$4,212.8	4.29x	14.3x	27.9x	54.6%
06/06/08	Silver Lake Sumeru	i2 Limited	185.0	NA	NA	NA	NA
05/19/08	ANTs Software	Inventa Technologies, Inc.	30.0	6.00x	NM	NA	NA
02/20/08	CMGI, Inc.	Open Channel Solutions	16.1	NA	NA	NA	NA
Subtotal			\$4,443.9				
2009							
11/05/09	TPG; CPP Investment Board	IMS Health	\$5,071.9	2.34x	9.8x	14.7x	48.3%
07/27/09	International Business Machine Corp.	SPSS Inc.	783.7	2.70x	9.0x	25.9x	50.6%
10/20/09	Equifax Inc.	IXI Corporation	124.0	NA	NA	NA	NA
11/02/09	Equifax Inc.	Rapid Reporting Verification Company	72.5	NA	NA	NA	NA
12/11/09	Morningstar Inc.	Logical Information Machines, Inc.	51.5	2.58x	NA	NA	NA
Subtotal			\$6,103.7				



Top 5 M&A Deals in Gridley Targeted Sectors
2008 vs. 2009

(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to LTM Revenue	LTM EBITDA	Forward P/E	Premium Paid to Stock Price 30 Days Prior to Ann. Date
SaaS and Outsourcing Services							
2008							
05/13/08	Hewlett-Packard	Electronic Data Systems	\$14,174.4	0.64x	5.3x	17.9x	47.1%
04/11/08	CCC Information Systems (Withdrawn)	Mitchell International	1,400.0	7.00x	NA	NA	NA
01/28/08	Stream Holdings Corporation	Global BPO Services Corp.	582.0	NA	NM	NA	NA
09/19/08	Ayala Corp./Providence Equity Partners	eTelecare	336.6	1.18x	12.4x	0.4x	NA
02/11/08	Dell Inc.	MessageOne, Inc.	164.0	NA	NA	NA	NA
Subtotal			\$16,657.0				
2009							
09/15/09	Xerox Corp.	Affiliated Computer Services, Inc.	\$8,072.2	1.24x	7.8x	15.1x	39.6%
09/20/09	Dell Inc.	Perot Systems Corp.	3,772.3	1.43x	13.1x	31.3x	79.4%
11/09/09	General Atlantic LLC; KKR	TASC, Inc.	1,650.0	1.03x	NA	NA	NA
10/26/09	Dassault Systemes SA	International Business Machines Corp.,	600.0	1.50x	NA	NA	NA
04/13/09	Tech Mahindra	Satyam	582.0	NA	1.1x	NA	NA
Subtotal			\$14,676.4				

2. For the Second Year in a Row: Internet Services was "Where the Action Is" and "Bubble like" Prices Returned in Fourth Quarter

In our 2008 year end newsletter, we predicted an active M&A market in internet services for 2009. For the first six months of the year, it would certainly be a stretch to say that we were right on this one. In particular, one of the themes that we thought we'd see is larger, well funded private companies taking advantage of market conditions to build market share and expand product offerings by acquiring smaller, more vulnerable competitors and companies. Unfortunately, we were surprised to see that there wasn't a lot of "courage" out there on this point and there weren't a lot of private equity firms wanting to invest more capital in their companies. The "shining star" award on this topic goes to online performance marketer **Adknowledge, Inc.** who made two acquisitions in the first seven months of the year. The company first acquired **MIVA, Inc.**'s ad network for \$11.6 million in March 2009 and then virtual currency platform, **Super Rewards**, in July 2009. Kudos to them for their courage as we think it will pay off well for them.

The Internet Titans also nibbled on small deals during the first half. **AOL, Inc.** went local in picking up local news platform, **Patch Media Corporation**, and social events site, **Going, Inc.** **Yahoo!, Inc.** snacked on search engine technology company, **Xoopit, Inc.** **Microsoft Corporation** spent the first half focused on adding small tuck-ins including video-gamer, **BigPark Inc.**, and medical data platform, **Rosetta Biosoftware.** And **Google, Inc.** acquired or invested in photo e-commerce platform, **Pixazza, Inc.**, and video software company, **On2 Technologies, Inc.**

But in July, we started to feel a real kind of "hope". **Apax Partners** stepped up and bought out well respected public lead-gen giant, **Bankrate, Inc.**, for \$572 million, or an enterprise value of \$516 million, representing a rich 10.0x multiple of LTM EBITDA. With the successful **OpenTable, Inc.** IPO in May as well as a **Facebook** financing at a +\$10 billion valuation, our summer gin & tonics started to taste a little better again.

By August, **Microsoft** found a new home for **Razorfish**, unloading its leading interactive agency to **Publicis Groupe** for \$530 million. As we headed back to school in September, **Adobe Systems, Inc.** showed that the West Coast



strategic buyer was back. It acquired **Omniure, Inc.** for \$1.6 billion representing a 22.3x multiple of LTM EBITDA. Now we're talking - new buyer to the industry and nice multiple!

Google continued the Q3 2009 M&A momentum with five transactions in Q4 2009 alone, including its acquisition of mobile ad network **AdMob, Inc.** for \$750 million. The transaction, announced at a rumored eye-popping valuation of between 15.0x-20.0x LTM revenue, was one of several "bubble-like" transactions that occurred during the quarter. **GSI Commerce Inc.** continued building out its full-service capabilities agreeing to acquire **Retail Convergence Inc. (RCI)**, the owner of the popular invite-only shopping portal RueLaLa.com for \$350 million on October 27th. In addition, Q4 2009 had high octane activity from the world of online social-gaming. On November 9th, **Electronic Arts Inc.** announced its acquisition of UK-based **Playfish Limited** for up to approximately \$400 million, while **Zynga, Inc.** and **Playdom, Inc.**, two of the top three social gaming networks, each closed substantial funding rounds of \$180 million (December 15th) and \$43 million (November 11th), respectively

eBay Inc. ended 2008 with a bang, acquiring **Bill Me Later, Inc.** for \$905 million, strengthening its payments division, already the largest on the web. The company continued to restructure itself in 2009 and realign assets to focus on growth. The first of two transformational transactions in 2009 was its acquisition of **Gmarket Inc.**, the largest online marketplace in South Korea, for \$1.2 billion in April or a \$960 million enterprise value. The acquisition positions eBay as the #1 player in the growing Korean market and provides it with a launching pad to enter other Asian countries, especially Japan. During the same month, the company announced its plans for a 2010 IPO of its **Skype Technologies S.A.** subsidiary. The stated benefits of the once high-flying merger never realized, eBay considered the asset non-core and expendable in its long-term strategy. Skype never made it to 2010 as eBay sold a majority stake (65%) in the company to a consortium of investors, including previous owners, at an implied value of \$3.1 billion, 75% of the price tag eBay paid for it in 2005. Rumors have since circulated that the company's payments division, PayPal, could be its next cast-off.

3. The Slow Return of the Internet Services IPO

While we are "fessing up" to some of our 2008 predictions that didn't hold up so well, let's talk about Internet Services IPOs in 2009. We really thought that we would see a bunch of Internet Services IPO filings in Q4 2009 for the following reasons:

- a. The stock market was on an almost unprecedented "tear" off of its March lows;
- b. Everyone was well relaxed from their overly long summer vacations and should have been focused on work and opportunities for liquidity;
- c. With interest rates continuing at near 0%, investors needed to find some growth vehicles; and,
- d. Open Table's successful IPO caught a lot of attention in the private equity community - "if them, why not my internet portfolio company?"

Instead, there were only a few filings in Q4 2009: **ReachLocal, Inc.**, and **Quinstreet, Inc.** This was disappointing at best. However, we will still stick with the prediction into 2010 as maybe we were just a few quarters too early in our thoughts. We continue to believe that there will be a significant number of filings in Q1 and Q2 2010 as long as the market holds up. Let's see if we are right this time.



2009 Internet Services IPO Pricings & Filings

(\$ in millions)

Company	Filing Date	Pricing Date	Filing Size	Pricing Size
ReachLocal, Inc.	12/22/09	-	-	\$100.0
Quinstreet, Inc.	11/19/09	-	-	250.0
Archipelago Learning, Inc.	09/03/09	11/19/09	\$75.0	103.1
Ancestry.com Inc.	08/03/09	11/04/09	75.0	100.0
Vitacost.com, Inc. ⁽¹⁾	06/12/09	09/23/09	143.0	132.0
Changyou.com Limited	04/01/09	04/01/09	120.0	138.0
OpenTable, Inc.	01/30/09	05/21/09	40.0	60.0

Source: Public Filings and CapIQ

(1) Filed initial S1 on 6/20/07, refiled S1-A on 6/12/09

4. Consolidation of Outsourcing Firms Continue as Vendors Look to Offer Higher Value-Add Services

In 2008, we saw **Hewlett Packard** acquire **EDS** for \$14.2 billion. In 2009, we saw **Dell's** response with their \$3.8 billion acquisition of **Perot Systems**. The deal was announced on September 20th. Shortly thereafter, **Xerox Corporation** announced the acquisition of **Affiliated Computer Services** for \$8.1 billion. All of these deals reflect an effort by the acquirors to offer higher value-added services as an expansion of their core offering.

Transformational IT Services Company Transactions

(\$ in millions)			Implied	LTM	LTM	1-Day Prior	52-Week High
Date	Acquiror	Target	Enterprise Value	Revenue	EBITDA	Premium/ (Discount)	Premium/ (Discount)
5/13/2008	Hewlett-Packard Company	Electronic Data Systems Corporation	\$14,174.4	0.64x	5.3x	3.6%	(53.3%)
9/21/2009	Dell Inc.	Perot Systems	3,772.3	1.43x	13.1x	70.2%	65.3%
9/28/2009	Xerox Corporation	Affiliated Computer Systems	8,072.2	1.24x	7.8x	21.7%	9.9%

5. Teleservices Consolidation

The teleservices sector saw big winners in 2006 and early 2007, but weakening results across the billing, customer care, and HR segments resulted in significant declines in stock prices for the group during the second half of 2007, all of 2008 and through Q1 2009. The sector's low historical valuations present at the beginning of 2009 spurred consolidation efforts by industry leaders, some successful, some not.

On October 5th **Sykes Inc.**, a provider of BPO and customer care services, announced that it was going to acquire rival teleservices provider **ICT Group**. Sykes will pay \$15.38 per share of ICTG for a total ~\$250 million or an enterprise value of \$207 million. This represented a premium of 46% vs. ICT's closing price the day before the announcement. The transaction represents a valuation of 8.2x 2009 and 6.0x 2010E EBITDA. Overall, the deal makes sense since Sykes and ICT have similar businesses, but essentially no customer overlap. Hence, there should be significant synergies in the deal.



On August 14th, **Stream Global Services Inc.** entered an agreement to acquire **eTelecare Global Solutions Inc.** from **Ayala Corporation, Providence Equity Partners LLC** and other shareholders for \$140 million. The valuation was 0.36x LTM revenue and 3.9x LTM EBITDA. The expanded Stream is a merger of complementary companies. The deal meshes a diversified Fortune 1000 customer base in the technology, retail, entertainment, media telecommunications and financial service sectors. It pulls together a very experienced executive team and a comprehensive BPO services portfolio. It also gives the 'old' Stream a stronger foothold in the Philippines, where eTelecare started out from, and which has become the key English-language alternative to India for high-touch offshore customer care programs. The transaction closed on September 8, 2009.

On January 29th, the CEO of **APAC Customer Services, Inc.**, Theodore G. Schwartz, announced his proposal to take the company private through a management buyout using **Tresar Holdings LLC**, an acquisition vehicle formed to execute the transaction. However, following a blow-out quarterly earnings report which resulted in a significant improvement in the company's stock price, APAC's board and Tresar jointly agreed not to pursue the transaction further. As part of the proposed deal, Tresar intended to purchase the 30.8 million shares, or 63% of shares outstanding, not owned by Mr. Schwartz for \$1.61 per share. The share price would have valued the company at approximately \$87 million and represented a premium of 24.8% and 66.0% to its prior day and 30 day prior closing price, respectively, but was 15% underwater compared to the share price on the termination date (March 9th).

6. Fidelity and Metavante-The Two Most Aggressive Fin Tech Buyers Decide to Merge

On March 31st, **Fidelity National Information Services**, a leading provider of technology services to financial institutions announced that it would acquire **Metavante Technologies** in an all stock deal valued at \$4.6 billion. Metavante is a provider of banking and payments technologies and a direct competitor of Fidelity in many of its businesses. This transaction marries two powerhouses in financial technology and creates the largest global provider of integrated payment and processing services.

Fidelity and Metavante Combined Products / Services

	FIS	MV	Combined
Core Processing	●	●	●
Image / Item Processing	●	●	●
Bill Payment / Online Banking	◐	●	●
Prepaid Card	●	●	●
Debit Card / EFT Network	●	●	●
Credit Card / Loyalty	●	◐	●
Risk Management	◐	◐	◐

● Full Capabilities ◐ Moderate Capabilities ○ Minimal to No Capabilities

Furthermore, the transaction brings together two M&A powerhouses. Both Fidelity and Metavante have long been considered the leading deal makers within the industry. Below is a listing of significant transactions done by Fidelity and Metavante over the last few years.



Fidelity National Financial / Fidelity National Information Services Significant Transactions

Announced Date	Company	Target	Description	Implied Enterprise Value (in millions)
Mar 2009	Fidelity National Information Services	Metavante Technologies	Banking technology services	\$4,617
Oct 2007	Fidelity National Information Services	Lender Processing Services	Spin off	2,900
Jun 2007	Fidelity National Information Services	eFunds Corp.	Electronic payments services	1,806
May 2007	Fidelity National Financial	Ceridian Corp.	Payroll processing	5,033
Sep 2005	Fidelity National Financial	Certegy	Payment processing	7,600
Nov 2004	Fidelity National Financial	InterCept	Payment processing	450
Feb 2004	Fidelity National Financial	Aurum Technology	Banking technology services	305
Jan 2004	Fidelity National Financial	Sanchez Computer Associates	Banking software	147
Jan 2003	Fidelity National Financial	ALLTEL	Financial services	1,039

Source: CapIQ

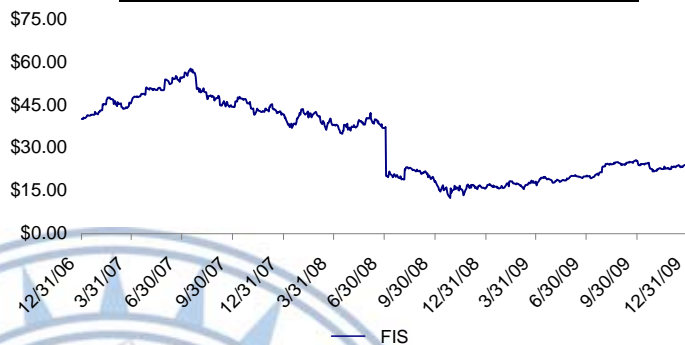
Metavante Significant Transactions

Announced Date	Company	Target	Description	Implied Enterprise Value (in millions)
Mar 2009	Fidelity National Information Services	Metavante Technologies	Banking technology services	\$4,617
Jan 2008	Metavante Technologies	BenSoft Incorporated	Benefits administration	NA
Apr 2007	Marshall & Ilsley	Metavante Technologies	Spin off	5,384
Jan 2007	Metavante Holding Company	Valutec Card Solutions	Gift / Loyalty programs	41
Jun 2006	Metavante Holding Company	VICOR	Payment processing	NA
Nov 2005	Metavante Holding Company	AdminiSource	Payment processing	NA
Oct 2005	Metavante Holding Company	Link2Gov Corporation	Payment processing	NA
Oct 2004	Metavante Holding Company	VECTORsgi	Payment processing	135

Source: CapIQ

Neither Fidelity nor Metavante were strong performers in the market over the last few years prior to the deal being announced. Fidelity's stock price is down 41.5% over the last three years, but is up 28.8% since the deal was announced. Metavante's stock price prior to the deal announcement was down 30.0% since its spin-off in October 2007, but has since increased 68.8%, for a total return of 18.2%.

FIS 3 Year Price Performance: (41.5%)



MV Price Performance Since Spin-off: 18.2%



It appears that a key driver of the deal was cost synergies and consolidation of market share to compete with larger potential competitors. Fidelity does not plan on consolidating the two companies' core platforms, but does expect to achieve \$210 million of realized cost savings by the end of 2010 and \$260 million in annual cost synergies by 2012. In addition to cost synergies, another determining factor in the deal's success will be Fidelity's ability to cross-sell its combined products and services into the company's 2,250 core clients: 1,400 from Fidelity and 850 from Metavante. If everything goes according to plan, the combined company should provide a more profitable,



faster growing, and competitive service offering and be able to better compete with the likes of Fiserv, IBM, and Oracle. The deal closed on October 1st.

7. Noteworthy Financial Technology Buyers in 2009: Intuit and American Express

The end of 2009 completed an active 13 months for **Intuit Inc.** as it closed four deals aimed at continuing its corporate transformation, focusing on its core strengths and capabilities. On December 1st, staying true to its strategy of providing connected services that help consumers and small businesses, Intuit sold its **Intuit Real Estate Solutions, Inc.** division to **Vista Equity Partners** for \$128 million in cash as it deemed the asset and its enterprise client base non-core. Following the belief of keeping your friends close and your enemies even closer, on September 11th, Intuit Inc. decided to pay a "bubble like" valuation of approximately \$170 million in cash for **Mint.com**, an early stage direct competitor that was doing less than \$10 million in revenue. With only the public beta launch back in September 2007 and its official launch in October of 2008, Mint had become a viable threat to Intuit's Quicken Online service, boasting more than 1 million users, while tracking more than \$175 billion in transactions and \$47 billion in assets. Still, the price tag seems pretty hefty. In addition, Intuit closed its acquisition of **PayCycle, Inc.**, a provider of online payroll services to small businesses and non-profit employers, on July 23rd for \$169 million and announced its acquisition of **Entellium, Inc.**, a developer of on-demand customer relationship management software for \$7.7 million on December 2nd, 2008.

On November 18th, **American Express Company** became the first major network to enter the alternative payments sector announcing its acquisition of **Revolution Money**, a **Revolution LLC** company for about \$300 million. Revolution Money provides secure payments through an internet based platform in conjunction with a PIN-based card product that functions without the use of names or account numbers. This deal marks a strategic shift away from American Express' focus on its traditional card business and should be an important milestone for growth going forward.

8. A Few Large Private Equity Deals Get Done

On July 22nd, **Apax Partners**, a global private equity firm with over \$35 billion in assets under management, announced its acquisition of **Bankrate, Inc.**, for \$28.50 per share in cash. This transaction represented the first major private equity deal of the year and surprisingly was done entirely out of existing equity funds (i.e. no leverage) and at a substantial premium to current multiples. The total transaction value of \$572 million or a \$516 million enterprise value excluding \$55 million of cash, representing trailing LTM and 2009E revenue and EBITDA multiples of 3.4x and 10.0x and 3.6x and 10.7x, respectively. While the premium looked pretty good given the state of the overall market at the time, the offer price was still 59% below Bankrate's 52-week high.

IMS Health's acquisition by **TPG Capital** and the **CPP Investment Board** on November 5th for \$5.1 billion ranked amongst the top private equity deals of the year and seemed to signal a potential return of the private equity mega-deal. The deal set off a string of private equity transactions that helped close out the year on a positive note, including **Apollo Management, L.P.'s** acquisition of **Cedar Fair LP** (\$2.2 billion) and **General Atlantic LLC** and **Kohlberg Kravis Roberts & Co.'s** acquisition of **TASC, Inc.** (\$1.7 billion).



9. Mobile's Day is Finally Here?

Google's announced transaction of Admob for \$750 million during Q4 2009 marked the "coming out" of mobile advertising companies. After that deal was announced, there were several others including Apple, Inc.'s acquisition of Quattro Wireless for a rumored \$275 million (estimated 10x forward revenue). Both of these companies were relatively small. We're almost scared to think about what effect these "bubble like" valuations will have on the expectations for future transactions in this sector.

Mobile Advertising Transaction Activity Post Google/AdMob Announcement

Announcement Date	Target	Acquiror / Investors	Transaction Type	Transaction Value
11/9/2009	AdMob, Inc.	Google Inc.	M&A	\$750.0
11/13/2009	Millennial Media, Inc.	Bessemer Venture Partners; Charles River Ventures; Columbia Capital LLC; New Enterprise Associates	Private Placement	16.0
12/2/2009	Smaato, Inc.	Aeris Capital AG	Private Placement	4.5
12/18/2009	MobGold Ltd	Fast Global Investments	Private Placement	12.0
12/22/2009	My Screen Mobile, Inc.	Global Financial Enterprises LLC	Private Placement	5.0
1/4/2010	ShoZu Ltd.	Critical Path, Inc.	M&A	N/A
1/5/2010	Quattro Wireless, Inc.	Apple Inc.	M&A	275.0

10. Aol's Long Awaited IPO Debut

On December 9th, the famed AOL ticker began regular-way trading on the open market after Aol (previously AOL, Inc.) was officially spun out by Time Warner Inc. at an estimated value of around \$2.5 billion. After opening for "when-issued" trading on November 24th at \$27.00, the stock had a rollercoaster ride during its first six weeks. The stock dropped immediately to a low of \$22.75 on November 25th, peaked at \$26.35 on December 14th only to drop again to \$23.18 on December 22nd before closing at \$25.68 on January 8th. Will Aol ever become the market mover it used to be in its prime?

What we Said in our 2008 Year End Newsletter

Now that we have offered our reflections on 2009, we thought you might be curious as to what we said last year. Here were our top thoughts last year. (Note that there were five last year and ten this year. Maybe that's a good sign for more activity in our sectors.)

1. Fewer "Blockbuster" Transactions
2. As we predicted, Internet Services Was Where the Action Was
3. Two of the Three "Bet the Company" Deals That We Wrote About in 2007 Are Not Working
4. Sir Martin Sorrell Continued to Transform WPP with the \$2.9 Billion Acquisition of Taylor Nelson Sofres plc
5. Strategic Consolidation by Industry Leaders in Outsourcing Services

As the old cliché goes, it is interesting to see what a difference a year makes.



Performance of Key Market Indices

After the market hit bottom on March 9th, all of the major indices posted eye-catching gains in 2009. The technology-heavy NASDAQ surged 43.9% recording its biggest annual point gain since 1999 and marking the second-biggest annual point gain in its history. On a percentage basis, the NASDAQ had its best year since 2003. The S&P 500 climbed 23.5% for the year, marking its best year since 2003. The S&P 500's technology sector was its best-performing category, while the consumer-discretionary and materials sectors also had particularly strong years. The telecommunications and utilities sectors, meanwhile, were laggards. The Dow Jones Industrial Average, trailing the pack rising, rose 18.8% marking its biggest annual point gain since 2006 and its best year on a percentage basis since 2003. The Dow is now up 59.3% from its 12-year closing low of 6,547.05 (hit on March 9th), but still remained 26.4% below its record closing high of 14,164.53 it hit on Oct. 9, 2007. The year's gains were driven by a combination of government stimulus, highly attractive borrowing rates, corporate cost cutting and a belief that things can only get better.

Stock Price Performance of Key Market Indices					
	Q4			Year End	
	2007	2008	2009	2008	2009
S&P 500	1.6%	(3.8%)	(22.6%)	(38.5%)	23.5%
Dow Jones	3.6%	(4.5%)	(19.1%)	(33.8%)	18.8%
Nasdaq	3.8%	(1.8%)	(24.6%)	(40.5%)	43.9%

Source: Capital IQ

Performance of Our Targeted Industry Sectors

It should come as no surprise to anyone that after a tumultuous 2008 with the markets hitting rock bottom on March 9, 2009, the public market resurgence witnessed during the remainder of 2009 resulted in a significant revaluation of just about every company in just about every sector within our targeted industries. In fact, the degree and pervasiveness of this correction is quite mind numbing with the overall market coming so far out of the doldrums so fast. For the first time in three years, there were more "winners" (stock price appreciation of more than 20.0%) than "losers" (stock price decline of more than 20.0%) in our targeted industry sectors, by an overwhelming margin. Amazingly, of the 212 stocks that we follow, 188 stocks (89%) within our targeted sectors increased and 161 (76%) would be considered "winners" - up more than 20%. Even more astonishing was the fact that 60 of the 161 winners were up over 100%. Conversely, only 24 decreased during 2009 with only nine being considered "losers" - down over 20%. By comparison, there was only one winner and an inconceivable 171 losers in 2008 and 21 winners and 55 losers in 2007. Furthermore, all of our targeted sectors were up over 20% on a median performance basis. The Marketing Services, Internet Services, and SaaS and Outsourcing Services sectors were all up more than 60% on a median performance basis. Here's one more encouraging stat. Only 39 companies (18.4%) in our targeted universe now have market values less than \$100 million compared to 54 (26.9%) at the end of 2008. Even though the macro economic climate is still sending mixed signals regarding the health of the overall economy and the prospects for 2010, hopefully the public company CEOs in our sectors are at least sleeping a bit better at night than they did at this time last year.



Median Stock Price Performance of Targeted Industry Sectors

	Q4			Year End	
	2007	2008	2009	2008	2009
Marketing Services	(6.4%)	(45.7%)	2.2%	(52.7%)	68.9%
Internet Services	(7.4%)	(38.0%)	1.4%	(58.2%)	68.6%
Financial Technology	(5.9%)	(31.8%)	2.3%	(40.7%)	36.1%
Data Services	(8.5%)	(23.1%)	4.0%	(30.2%)	23.6%
SaaS and Outsourcing Services	(5.1%)	(30.2%)	9.3%	(49.2%)	62.0%

Source: Capital IQ

2009 Stock Price Performance of Public Companies in Targeted Sectors

Sector	Number of Public Companies	% of Stocks		Number of	
		Increased	Decreased	Winners	Losers
Marketing Services	33	90.9%	9.1%	28	2
Internet Services	83	90.4%	9.6%	66	2
Financial Technology	46	89.1%	10.9%	32	4
Data Services	16	81.3%	18.8%	9	0
SaaS & Outsourcing Services	34	85.3%	14.7%	26	1
Total	212	88.7%	11.3%	161	9

Source: CapitalIQ



Winners and Losers 2007 - 2009

Sector	2007		2008		2009	
	Winners	Losers	Winners	Losers	Winners	Losers
Marketing Services	3	3	0	26	28	2
Internet Services	14	25	0	65	66	2
Financial Technology	3	16	1	41	32	4
Data Services	1	4	0	13	9	0
SaaS & Outsourcing Services	3	10	0	26	26	1
Total	24	58	1	171	161	9

Source: CapitalIQ



Below are the top winners and losers in each sector over the past three years.

Stock Price Winners & Losers in Gridley's Targeted Sectors 2007 - 2009		
(\$ in millions)	Market Cap as of 12/31/09	2007 - 2009
Financial Technology		
Winners (5)		
Ebix, Inc.	\$552.7	100.2%
CSG Systems International Inc	670.6	29.7%
Trintech Group PLC	54.0	29.2%
athenahealth, Inc	1,524.1	25.7%
Global Cash Access Holdings, Inc.	527.3	23.6%
Losers (5)		
Jackson Hewitt Tax Service Inc.	\$126.6	(86.1%)
MoneyGram International, Inc.	237.6	(81.3%)
VASCO Data Security International, Inc.	235.4	(77.5%)
Deluxe Corporation	757.3	(55.0%)
Heartland Payment Systems, Inc.	492.0	(51.0%)

Stock Price Winners & Losers in Gridley's Targeted Sectors 2007 - 2009		
(\$ in millions)	Market Cap as of 12/31/09	2007 - 2009
SaaS and Outsourcing Services		
Winners (5)		
Infosys Technologies Limited	\$32,195.7	47.3%
Patni Computer Systems Limited	1,348.4	46.2%
Solera Holdings Inc	2,507.4	45.3%
SuccessFactors, Inc.	1,185.9	40.3%
Cognizant Technology Solutions Corp.	13,359.4	33.6%
Losers (5)		
Salary.com, Inc.	\$38.6	(81.8%)
Satyam Computer Services Ltd.	2,482.9	(78.2%)
Virtusa Corporation	215.9	(47.7%)
COMSYS IT Partners, Inc.	187.8	(43.7%)
Hudson Highland Group, Inc.	126.6	(43.5%)

Stock Price Winners & Losers in Gridley's Targeted Sectors 2007 - 2009		
(\$ in millions)	Market Cap as of 12/31/09	2007 - 2009
Marketing Services		
Winners (5)		
APAC Customer Services, Inc.	\$310.6	422.8%
Valassis Communications, Inc.	879.4	56.2%
SYKES Enterprises Inc	1,053.6	41.5%
ICT Group, Inc.	262.6	36.7%
VisionChina Media Inc	780.6	28.5%
Losers (5)		
MKTG Inc	\$3.4	(86.0%)
Rainmaker Systems, Inc.	32.0	(77.0%)
Focus Media Holding Ltd	2,313.2	(72.1%)
AirMedia Group Inc.	492.4	(66.4%)
Kana Software Inc	36.3	(63.3%)

Stock Price Winners & Losers in Gridley's Targeted Sectors 2007 - 2009		
(\$ in millions)	Market Cap as of 12/31/09	2007 - 2009
Data Services		
Winners (1)		
Experian PLC	\$10,193.4	54.9%
Losers (4)		
Intersections Inc.	\$86.2	(41.2%)
Morningstar Inc	2,348.7	(37.8%)
Reed Elsevier plc	10,023.2	(34.8%)
Interactive Data Corp	2,385.4	(23.4%)

Stock Price Winners & Losers in Gridley's Targeted Sectors 2007 - 2009		
(\$ in millions)	Market Cap as of 12/31/09	2007 - 2009
Internet Services		
Winners (5)		
eGain Communications Corp.	\$23.1	131.1%
Netflix, Inc.	3,010.3	106.9%
Netease.com Inc.	4,869.0	98.4%
priceline.com Incorporated	9,599.3	90.2%
IncrediMail, Ltd.	94.6	78.9%
Losers (5)		
Atrinsic, Inc.	\$13.6	(95.4%)
TheStreet.com, Inc.	73.5	(84.9%)
Vertro, Inc.	15.1	(78.0%)
Glu Mobile, Inc.	34.8	(78.0%)
Inuvo, Inc.	23.0	(77.6%)



"Winners" and "Losers" in Our Targeted Industry Sectors for 2009

Marketing Services

The Marketing Services sector was a big turnaround story in 2009. The median 2009 stock increased 68.9% compared to an overwhelming decline of 52.7% in 2008. The year ended with 28 winners and two losers. By comparison, in 2008 the sector had no winners and 26 losers. Of the 33 stocks within the sector, eight ended with gains over 100% including three in excess of 200%: **Valassis Communications, Inc.** up 1,283.3%, **APAC Customer Services** up 392.6% and **ICT Group, Inc.** up 256.6%. Valassis experienced a year-long freefall in 2008 while reeling from its \$1.1 billion acquisition of marketing services company **ADVO**, hitting a low of \$1.20 on December 26th. The company ended 2008 at a paltry \$63.4 million market cap, down from \$560 million at the end of 2007 and \$1.4 billion prior to the acquisition announcement. In 2009, Valassis came back to end the year up 1,283.3% despite weakness and bankruptcies in the newspaper industry. This speaks to the strength of Valassis' free-standing inserts and coupons business in recessionary times. The Teleservices companies also had a particularly strong comeback year with four of the top ten winners in the sector and a median increase of 126.9%. APAC represented the group's biggest winner up 392.6%, **ICT Group** increased 256.6%, **TeleTech Holdings, Inc.** was up 139.9%, and **Soundbite Communications Inc.** gained 126.9%. APAC had a proposed management buyout but it was canceled on March 9th. On October 5th, ICT Group agreed to be acquired by **Sykes Enterprises, Inc.** for approximately \$250 million in cash and stock or an enterprise value of \$207 million, and a shareholder vote will be held in February. During a time of enterprise cost containment, a larger amount of spend is moving towards outsourcing and Teleservices companies are reaping the benefits, especially from communications and retail banking customers. The sector's biggest loser was micro-cap **MKTG Inc.**, down 72.2%. **National Research Corp.**, a healthcare industry-focused market research firm, was the only other loser in the sector, dropping 28.5%.

Internet Services

Internet Services was the worst performing sector in 2008 but the best performer in 2009, increasing 68.6%. The sector had more winners (66) in 2009 than it had losers in 2008 (65). Of the 83 companies we follow in the Internet Services sector, only eight declined, including two losers. Almost half of the winners (31) increased over 100%, with 12 of them over 200%. The top ten winners include six companies with market caps of less than \$100 million and two above \$1 billion (**Baidu, Inc.** and **MercadoLibre, Inc.** with gains of 214.9% and 216.1%, respectively). Capitalizing on the price sensitive consumer, the improvement in the airline industry environment, and the abundance of hotel room inventory, the online travel companies performed exceptionally well in 2009, returning a median gain of 158.8%. **Expedia Inc.** and **priceline.com Inc.** led with gains of 212.3% and 196.6%, respectively. As the consumer sought out retail bargains and continued to shift commerce search and spending to the internet, the online retailers posted significant gains for 2009 with a median increase in price of 116.8% (excluding OTA's). **U.S. Auto Parts Network, Inc.** led all e-tailers posting a gain of 274.1% on the improvement in key operating metrics including web traffic, conversion rate, revenue capture, and most importantly, EBITDA as it doubled from prior year results through Q3 2009. MercadoLibre, Inc., "the eBay of Latin America", witnessed a significant rebound in its price with a gain of 216.1% as a result of improved revenue growth in its core marketplace business, the increased growth and penetration of its payments segment and the ramp in the advertising business. Despite already being a behemoth, **Amazon.com Inc.** increased 162.3% for the year as the company continues to take share while fear of competition from companies such as Walmart.com and Target.com may be overblown based on recent data. For example, despite Amazon.com's large existing revenue and user base, it was still the fastest growing e-commerce site in terms of dollar sales for the holiday season. **GSI Commerce Inc.**, having priced two follow-on offerings during the year in addition to its continued acquisition activity, enjoyed positive momentum as



its price improved 141.3% on the year. The company's same store sales continue to outpace e-commerce growth resulting in increased market share as well as higher 2009 and 2010 estimates. The Big Three, **Google Inc.**, **Microsoft Corporation**, and **Yahoo!, Inc.**, ended the year up 101.5%, 56.8%, and 37.5%, respectively. The newly traded **Aol, Inc.** which open trading on a "when-issued" basis at \$27.00 on November 24th ended the year down 13.8%.

Despite the success of the overall sector, there were two losers: **Atrinsic, Inc.** and **LookSmart, Ltd.**, both with market caps below \$20 million.

Financial Technology

Financial Technology showed strong performance across all areas. The sector experienced a 36.1% increase for the year after declining 40.7% in 2008. The sector had 32 winners and four losers in 2009 compared to 41 losers and only one winner in 2008. All but five of the sector's 46 stocks were up for the year and nine had growth of over 100%. The three standout performers each posted gains over 200%: **Newtek Business Services Inc.**, **Global Cash Access Holdings, Inc.**, and **VeriFone Holdings Inc.** Newtek is a provider of business services and financial products to the small- and medium-sized business market and was the sector's best performer increasing 345.5%. On October 29th, the company announced a one-time \$0.02 special dividend, and on November 2nd, it announced the repayment of its debt. With a 2009 gain of 237.4%, Global Cash Access Holdings has remained resilient despite the poor economy's effect on the gaming industry. Wall Street research states that the company's unique technologies coupled with an overall improved gaming climate should help lead to revenue growth and margin enhancement. VeriFone Holdings Inc. became a \$1 billion market cap company during 2009, posting a gain of 234.3% as strong cash flow performance in FY2009 and more stable results addressed many concerns around the company. Management also provided FY2010 guidance that was above consensus estimates, as well as comments that it expects continued momentum in Asia and Latin America and a rebound in Russia and Eastern Europe to drive performance. The big turnaround story of the sector was **MoneyGram International, Inc.**, the biggest loser of 2008 and the fourth top winner in 2009. After falling victim to the subprime fallout and suffering severe losses on asset-backed securities in its float portfolio in 2008, the company brought in a new CEO, improved its leverage, and positioned itself for global growth in emerging markets. The company ended the year up 182.4%. Finally, **Mastercard Inc** and **Visa Inc** performed well despite the weak economy and softness in consumer spending. They ended the year up 79.1% and 66.7%, respectively.

Crawford & Company, 2008's biggest and only sector winner (up 241.0%), was 2009's largest loser (down 72.9%). The company experienced the majority of its decline in the first half of the year as revenue and profitability significantly underperformed compared to 2008 results. After falling 50.4% in 2008, **Jackson Hewitt Tax Services Inc.** slid another 81.0% by March 9th. However, unlike many of its peers, the company wasn't able to make a dramatic recovery, only gaining 48% from March 9th on, finishing down 72% from its 2008 close. Heading into 2010, Jackson Hewitt is under new management and still faces operational pressures as one of its two bank partners for Refund Anticipation Loans (representing 50% of profitability in recent years) is struggling while trading at distressed levels. The final two losers of 2009 were **VASCO Data Security International, Inc.** and **Heartland Payment Systems, Inc.** which had declines of 39.2% and 25.0%, respectively. Heartland Payment Systems shares continued to be pressured by uncertainty around its potential legal liability related to a data breach and Verifone's decision to stop providing support to HPY merchants who used Verifone terminals due to a patent dispute over end-to-end terminal encryption.



Data Services

Unlike last year when Data Services fared the best of all our sectors, roles reversed as it performed the worst - relatively speaking - with an increase of "only" 23.6% in 2009. Data Services had nine winners and no losers and only had three declines out of our universe of 16 companies. **infoGROUP Inc** was the sector's best performer with a gain of 69.2%. The company's performance over the year was driven by cost savings initiatives, the return to profitability, its ongoing company sale process, and increased cooperation with the SEC. **Acxiom Corporation** had a great second half, finishing the year up 65.6%. By mid-year, the company's clients began to increase their marketing spend. As a result, Acxiom showed healthy growth in 2H 2009 and its stock rose 42.0% in Q4 2009. **FactSet Research Systems Inc**, the sector's third largest gainer, was up 71.9% through December 14th on what was believed to be stabilizing user and client count metrics. However, the company's stock then declined 12.1% upon the release of disappointing guidance. As a result, the company only finished the year up 48.9%. **IMS Health Inc.** ended the year up 42.5% after its November 5th announced sale to **CPP Investment Board** and **TPG**.

SaaS and Outsourcing Services

SaaS and Outsourcing Services had a median sector increase of 62.0% and tallied 26 winners with only one loser. This represented a complete 180 degree turn-around from 2008 when it had no winners and 26 losers. In fact, out of the 34 companies followed, 29 increased while 12 had gains of over 100% and four over 200%. **Unisys Corporation** was the sector's best performer rising 353.6%. The company's on-going cost reduction efforts, its growing government business and its successful debt restructuring helped to drive its 2009 price appreciation. However, 2010 might see a reversal if its broad-based revenue contraction across all business segments and geographies isn't remedied. Offshoring was the sector's best performing sub-sector as all but one of the companies followed had gains of over 100%: **Patni Computer Systems Limited** increased 276.3%, **Wipro Limited** went up 190.9%, **WNS (Holdings) Limited** rose 186.3%, **Infosys Technologies Limited** climbed 133.1% and **ExlService Holdings, Inc.** increased 111.8%. Despite the weak economy and tough corporate earnings, investor optimism in these companies has remained high. The only loser was **Satyam Computer Services Ltd.** which represented the sector's only loser, declining 42.4% on the heels of its financial accounting scandal announcement.

The charts on the following pages illustrate each sector's stock price "winners" and "losers" for 2009. Please visit our website, www.gridleyco.com, for a full listing of the public companies in our targeted industry sectors.



**Stock Price Winners & Losers in Gridley's Targeted Sectors
Year End 2009**

(\$ in millions)	Market Cap as of 12/31/09	Stock Price Performance				2009
		Q1	Q2	Q3	Q4	
Marketing Services						
Winners (28)						
Valassis Communications, Inc.	\$879.4	18.9%	289.2%	192.6%	2.1%	1283.3%
APAC Customer Services, Inc.	310.6	181.0%	50.9%	15.4%	0.7%	392.6%
ICT Group, Inc.	262.6	21.6%	56.7%	20.3%	55.5%	256.6%
eLoyalty Corporation	97.7	77.6%	71.3%	1.6%	(14.2%)	165.3%
Lamar Advertising Co.	2,856.2	(22.4%)	56.6%	79.7%	13.3%	147.5%
TeleTech Holdings, Inc.	1,248.4	30.4%	39.1%	12.6%	17.4%	139.9%
MDC Partners Inc.	237.9	5.8%	63.7%	21.6%	10.4%	132.4%
Soundbite Communications Inc.	48.1	3.1%	76.9%	30.8%	(4.8%)	126.9%
VisionChina Media Inc	780.6	18.1%	(5.3%)	30.3%	37.2%	100.0%
Havas SA	1,719.5	32.2%	(9.8%)	65.7%	(3.7%)	90.1%
Interpublic Group of Companies, Inc.	3,587.6	4.0%	22.6%	48.9%	(1.9%)	86.4%
China Mass Media International Advertising Corp.	62.8	30.6%	180.0%	(30.3%)	(27.1%)	85.7%
Arbitron Inc	621.4	13.0%	5.9%	30.6%	12.8%	76.4%
Rainmaker Systems, Inc.	32.0	(28.2%)	145.9%	(4.0%)	3.5%	75.3%
Focus Media Holding Ltd	2,313.2	(25.2%)	18.5%	37.0%	43.6%	74.4%
Harte-Hanks, Inc.	685.3	(14.3%)	72.9%	49.5%	(22.1%)	72.8%
Clear Channel Outdoor Holdings, Inc.	3,695.3	(40.3%)	44.4%	32.1%	48.4%	68.9%
StarTek, Inc.	111.2	(30.3%)	158.7%	8.2%	(13.8%)	68.1%
Convergys Corp	1,321.9	26.1%	14.9%	7.1%	8.1%	67.7%
Rewards Network Inc	110.2	35.1%	8.3%	20.8%	(8.0%)	62.7%
Aegis Group Plc	2,238.8	11.1%	11.2%	21.7%	6.6%	60.3%
AirMedia Group Inc.	492.4	(12.7%)	53.7%	14.1%	2.2%	56.5%
Publicis Groupe	7,637.7	5.0%	12.5%	26.1%	4.0%	54.9%
WPP PLC	12,344.9	(2.4%)	2.7%	33.2%	13.5%	51.4%
Omnicom Group Inc.	12,185.1	(13.1%)	35.0%	17.0%	6.0%	45.4%
Unica Corp	161.6	(11.9%)	13.5%	39.1%	1.7%	41.4%
SYKES Enterprises Inc	1,053.6	(13.0%)	8.8%	15.1%	22.3%	33.2%
Kana Software Inc	36.3	(1.4%)	7.2%	8.1%	10.0%	25.7%
Losers (2)						
MKTG Inc	\$3.4	(35.4%)	16.1%	8.3%	(65.8%)	(72.2%)
National Research Corp	137.9	(14.2%)	(1.8%)	(1.1%)	(14.2%)	(28.5%)



**Stock Price Winners & Losers in Gridley's Targeted Sectors
Year End 2009**

(\$ in millions)	Market Cap as of 12/31/09	Stock Price Performance					2009
		Q1	Q2	Q3	Q4		
Internet Services							
Winners (66)							
Inuvo, Inc.	\$23.0	200.0%	50.1%	(14.9%)	47.8%	466.7%	
IncrediMail, Ltd.	94.6	57.1%	55.7%	48.4%	18.0%	328.3%	
eGain Communications Corp.	23.1	80.0%	11.1%	68.0%	23.8%	316.0%	
LivePerson Inc.	338.1	24.7%	76.2%	26.0%	38.3%	283.0%	
U.S. Auto Parts Network, Inc.	155.2	15.1%	135.6%	44.6%	(4.6%)	274.1%	
Local.com Corp.	83.9	51.8%	44.1%	46.8%	16.4%	273.6%	
Tree.Com, Inc.	99.8	77.7%	107.8%	(21.4%)	21.2%	251.9%	
Bluefly Inc.	34.6	30.2%	29.8%	40.2%	45.0%	243.5%	
Mercadolibre, Inc.	2,288.2	13.0%	44.9%	43.1%	34.9%	216.1%	
Baidu, Inc.	14,264.6	35.3%	70.5%	29.9%	5.2%	214.9%	
Expedia Inc.	7,429.6	10.2%	66.4%	58.5%	7.4%	212.3%	
Vistaprint N.V.	2,442.2	47.7%	55.1%	19.0%	11.6%	204.5%	
Copernic Inc.	5.6	46.1%	63.1%	(13.3%)	43.6%	196.7%	
priceline.com Incorporated	9,599.3	7.0%	41.6%	48.7%	31.7%	196.6%	
Amazon.com Inc.	58,244.9	43.2%	13.9%	11.6%	44.1%	162.3%	
Blue Nile Inc.	922.0	23.1%	42.6%	44.5%	1.9%	158.6%	
Shutterfly, Inc.	457.3	34.0%	48.9%	19.2%	7.1%	154.8%	
Drugstore.com Inc.	309.7	(5.6%)	56.4%	32.8%	27.2%	149.2%	
Bottomline Technologies Inc.	455.2	(7.3%)	36.9%	43.2%	36.2%	147.5%	
GSI Commerce Inc.	1,515.5	24.5%	8.8%	35.5%	31.5%	141.3%	
Art Technology Group Inc.	572.6	32.1%	49.0%	1.6%	16.8%	133.7%	
WebMediaBrands Inc	32.5	5.0%	37.6%	31.2%	22.2%	131.6%	
Glu Mobile, Inc.	34.8	(4.0%)	160.4%	(6.4%)	(1.7%)	130.0%	
Vertro, Inc.	15.1	31.2%	(22.9%)	143.2%	(6.7%)	129.5%	
DG FastChannel, Inc.	662.4	50.4%	(2.5%)	14.4%	33.4%	123.8%	
Autobyte Inc.	45.2	(40.0%)	58.9%	63.2%	42.9%	122.2%	
Travelzoo Inc.	202.1	12.4%	75.4%	28.9%	(13.0%)	121.0%	
Bridgeline Software, Inc.	13.4	105.4%	17.4%	(11.1%)	0.0%	114.3%	
Health Grades Inc.	127.8	(1.5%)	92.6%	26.6%	(13.3%)	108.3%	
Changyou.com Limited	1,826.6	NA	NA	(7.5%)	(6.5%)	107.6%	
Google Inc.	196,701.3	13.1%	21.1%	17.6%	25.0%	101.5%	
Sina Corp.	2,734.8	0.4%	26.8%	28.8%	19.0%	95.2%	
Orbitz Worldwide, Inc.	614.8	(66.8%)	47.3%	225.3%	18.8%	89.2%	
Netflix, Inc.	3,010.3	43.6%	(3.7%)	11.7%	19.3%	84.3%	
Alloy Inc.	100.7	(0.7%)	26.0%	28.0%	14.9%	83.9%	
Harris Interactive Inc.	64.2	(61.5%)	64.0%	148.8%	16.7%	83.1%	
Web.com Group, Inc.	170.8	(9.3%)	69.6%	25.9%	(7.9%)	78.4%	
QuoteMedia Inc.	12.5	(24.1%)	28.3%	(27.3%)	150.0%	77.2%	
Adobe Systems Inc.	19,263.9	0.5%	32.3%	16.7%	11.3%	72.8%	
Netease.com Inc.	4,869.0	21.5%	31.0%	29.8%	(17.6%)	70.2%	
Healthstream Inc.	85.2	(14.2%)	26.0%	76.2%	(11.0%)	69.5%	



**Stock Price Winners & Losers in Gridley's Targeted Sectors
Year End 2009**

(\$ in millions)	Market Cap as of 12/31/09	Stock Price Performance				2009
		Q1	Q2	Q3	Q4	
Internet Services (cont'd)						
Winners (66)						
eBay Inc.	\$30,423.4	(10.0%)	36.4%	37.8%	(0.3%)	68.6%
WebMD Health Corp.	2,236.3	(100.0%)	NA	NA	16.2%	63.2%
Dice Holdings, Inc.	409.3	(31.9%)	67.3%	41.1%	(0.2%)	60.5%
DealerTrack Holdings, Inc.	759.4	10.2%	29.7%	11.3%	(0.6%)	58.0%
Microsoft Corporation	270,635.6	(5.5%)	29.4%	8.2%	18.5%	56.8%
ValueClick Inc.	867.0	24.4%	23.6%	25.4%	(23.3%)	48.0%
LoopNet, Inc.	343.0	(10.9%)	27.5%	16.6%	9.8%	45.6%
Monster Worldwide, Inc.	2,187.2	(32.6%)	44.9%	48.0%	(0.5%)	43.9%
zipRealty Inc.	76.9	10.2%	(8.2%)	56.7%	(10.5%)	41.9%
Hollywood Media Corp.	43.5	(10.0%)	74.4%	(3.8%)	(7.3%)	40.0%
comScore, Inc.	531.5	(5.2%)	10.2%	35.2%	(2.6%)	37.6%
Yahoo! Inc.	23,509.7	5.0%	22.2%	13.7%	(5.8%)	37.5%
InsWeb Corp.	15.6	(12.2%)	58.9%	(4.5%)	2.5%	36.6%
Internet Brands, Inc.	353.2	0.9%	19.3%	14.0%	(1.9%)	34.5%
IAC/InterActiveCorp.	2,702.8	(3.2%)	5.4%	25.8%	1.4%	30.2%
OpenTable, Inc.	569.6	NA	NA	(8.7%)	(7.6%)	27.3%
Overstock.com Inc.	309.7	(15.1%)	30.7%	22.7%	(7.6%)	25.8%
KANA Software Inc.	36.3	(1.4%)	7.2%	8.1%	10.0%	25.7%
Archipelago Learning, Inc.	519.7	NA	NA	NA	25.5%	25.5%
Rediff.com India Ltd.	73.4	(7.5%)	47.8%	17.8%	(22.5%)	24.9%
Market Leader, Inc.	51.4	(14.1%)	26.7%	16.8%	(2.5%)	23.8%
Answers Corporation	69.4	(10.7%)	26.5%	13.0%	(4.0%)	22.7%
The Knot, Inc.	339.6	(1.4%)	(3.9%)	38.6%	(7.8%)	21.0%
Sohu.com Inc.	2,202.8	(12.7%)	52.1%	9.5%	(16.7%)	21.0%
Constant Contact, Inc.	453.8	5.6%	41.8%	(3.0%)	(16.9%)	20.8%
Losers (2)						
Atrinsic, Inc.	\$13.6	3.5%	12.6%	(18.7%)	(40.4%)	(43.5%)
LookSmart, Ltd.	17.5	(37.0%)	30.4%	(12.8%)	(12.1%)	(37.0%)

Note: Changyou.com Limited, Archipelago Learning, Inc., and OpenTable Inc. stock price performance since IPO date of 04/01/09, 11/19/09, and 05/21/09, respectively.



**Stock Price Winners & Losers in Gridley's Targeted Sectors
Year End 2009**

(\$ in millions)	Market Cap as of 12/31/09	Stock Price Performance					2009
		Q1	Q2	Q3	Q4		
Financial Technology							
Winners (32)							
Newtek Business Services Inc	\$35.3	59.1%	37.1%	27.1%	60.7%	345.5%	
Global Cash Access Holdings, Inc.	527.3	72.1%	108.4%	(8.2%)	2.5%	237.4%	
VeriFone Holdings Inc	1,383.8	38.8%	10.4%	111.6%	3.1%	234.3%	
MoneyGram International, Inc.	237.6	15.7%	50.8%	76.4%	(8.3%)	182.4%	
Wright Express Corporation	1,214.9	44.6%	39.8%	15.9%	8.0%	152.9%	
Trintech Group PLC	54.0	(15.4%)	43.8%	57.4%	31.2%	151.3%	
Dollar Financial Corp.	570.4	(7.6%)	44.9%	16.2%	47.6%	129.5%	
Ebix, Inc.	552.7	4.0%	26.0%	76.8%	(11.8%)	104.3%	
Advent Software Inc	1,045.7	66.8%	(1.6%)	22.8%	1.2%	104.0%	
Euronet Worldwide, Inc.	1,114.4	12.5%	48.5%	23.9%	(8.7%)	89.1%	
Mastercard Inc	33,214.2	17.2%	(0.1%)	20.8%	26.6%	79.1%	
Fundtech Ltd	201.5	22.8%	18.5%	15.0%	5.6%	76.8%	
Citrix Systems, Inc.	7,613.8	(3.9%)	40.9%	23.0%	6.1%	76.5%	
Cybersource Corp	1,407.4	23.5%	3.3%	9.0%	20.6%	67.7%	
Visa Inc	64,950.2	6.0%	12.0%	11.0%	26.6%	66.7%	
Global Payments Inc	4,364.8	1.9%	12.1%	24.7%	15.3%	64.3%	
Discover Financial Services	7,986.4	(33.8%)	62.8%	58.0%	(9.4%)	54.4%	
Computer Services, Inc.	283.1	9.6%	25.2%	8.8%	2.5%	53.1%	
Digimarc Corporation	108.8	(3.0%)	29.3%	20.8%	(1.3%)	49.6%	
PRG-Schultz International Inc	136.9	(30.4%)	(4.9%)	107.4%	5.5%	44.9%	
Fidelity National Information Services Inc	8,730.9	11.9%	9.7%	27.8%	(8.1%)	44.1%	
Net 1 UEPS Technologies Inc	880.3	11.0%	(10.7%)	54.2%	(7.4%)	41.6%	
Alliance Data Systems Corp	3,375.8	(20.6%)	11.5%	48.3%	5.7%	38.8%	
Fiserv, Inc.	7,461.0	0.2%	25.4%	5.4%	0.6%	33.3%	
Portfolio Recovery Associates, Inc.	694.8	(20.7%)	44.3%	17.0%	(1.1%)	32.5%	
The Western Union Company	13,046.3	(12.3%)	30.5%	15.4%	(0.4%)	31.5%	
ActivIdentity Corp.	107.8	14.5%	23.4%	9.5%	(15.2%)	31.3%	
Intuit Inc	9,734.1	13.5%	4.4%	1.1%	7.8%	29.2%	
VeriSign Inc	4,662.4	(1.1%)	(1.9%)	27.9%	2.3%	27.0%	
Fair Isaac Corp	1,005.7	(16.5%)	9.9%	39.0%	(0.8%)	26.4%	
Total System Services Inc	3,405.4	(1.4%)	(3.0%)	20.3%	7.2%	23.4%	
athenahealth, Inc	1,524.1	(35.9%)	53.5%	3.7%	17.9%	20.3%	
Losers (4)							
Crawford & Company	\$205.1	(53.8%)	(28.6%)	(8.1%)	(10.7%)	(72.9%)	
Jackson Hewitt Tax Service Inc.	126.6	(66.7%)	19.9%	(18.5%)	(13.7%)	(72.0%)	
VASCO Data Security International, Inc.	235.4	(44.1%)	26.7%	1.5%	(15.4%)	(39.2%)	
Heartland Payment Systems, Inc.	492.0	(62.2%)	44.8%	51.6%	(9.5%)	(25.0%)	



**Stock Price Winners & Losers in Gridley's Targeted Sectors
Year End 2009**

(\$ in millions)	Market Cap as of 12/31/09	Stock Price Performance					2009
		Q1	Q2	Q3	Q4		
Data Services							
Winners (9)							
infoGROUP Inc	\$461.3	(12.2%)	37.3%	22.8%	14.4%	69.2%	
Axiom Corporation	1,061.8	(8.8%)	19.3%	7.1%	42.0%	65.6%	
Factset Research Systems Inc	3,115.9	13.0%	(0.2%)	32.8%	(0.6%)	48.9%	
Experian PLC	10,193.4	1.1%	4.0%	15.9%	16.8%	42.4%	
IMS Health Inc	3,846.8	(17.7%)	1.8%	20.9%	37.2%	38.9%	
Morningstar Inc	2,348.7	(3.8%)	20.7%	17.8%	(0.5%)	36.2%	
Verisk Analytics, Inc.	5,388.5	NA	NA	NA	37.6%	37.6%	
CoStar Group, Inc.	859.3	(8.2%)	31.8%	3.4%	1.3%	26.8%	
NeuStar, Inc	1,713.4	(12.4%)	32.3%	2.0%	1.9%	20.4%	
Losers (0)							



**Stock Price Winners & Losers in Gridley's Targeted Sectors
Year End 2009**

(\$ in millions)	Market Cap as of 12/31/09	Stock Price Performance					2009
		Q1	Q2	Q3	Q4		
SaaS and Outsourcing Services							
Winners (26)							
Unisys Corporation	\$1,630.5	(37.6%)	184.9%	76.8%	44.4%	353.6%	
COMSYS IT Partners, Inc.	187.8	(1.3%)	164.7%	9.4%	38.9%	296.9%	
Patni Computer Systems Limited	1,348.4	0.0%	101.0%	77.6%	5.4%	276.3%	
Taleo Corporation	902.3	50.8%	54.7%	23.9%	3.9%	200.4%	
Wipro Limited	21,481.0	5.1%	53.9%	59.3%	12.9%	190.9%	
SuccessFactors, Inc.	1,185.9	32.9%	20.3%	53.3%	17.8%	188.9%	
WNS (Holdings) Limited	647.4	(1.0%)	73.1%	77.6%	(5.9%)	186.3%	
Cognizant Technology Solutions Corp.	13,359.4	15.1%	28.4%	44.8%	17.3%	151.0%	
Infosys Technologies Limited	32,195.7	18.5%	34.2%	29.9%	12.9%	133.1%	
Salesforce.com Inc	9,213.9	2.2%	16.6%	49.1%	29.6%	130.5%	
RightNow Technologies	552.2	(2.1%)	55.9%	22.4%	20.3%	124.7%	
ExlService Holdings, Inc.	525.6	0.6%	30.0%	32.6%	22.1%	111.8%	
Sapient Corporation	1,097.2	0.7%	40.7%	27.8%	2.9%	86.3%	
Lionbridge Technologies, Inc.	133.7	(21.6%)	87.8%	41.3%	(11.5%)	84.0%	
Diamond Mgt. & Technology Consultants, Inc.	198.5	(39.4%)	64.7%	63.1%	7.6%	75.1%	
Computer Sciences Corporation	8,768.7	4.8%	20.2%	19.0%	9.1%	63.7%	
Kenexa Corporation	293.9	(32.5%)	114.7%	16.5%	(3.3%)	63.3%	
Virtusa Corporation	215.9	9.9%	29.5%	18.2%	(4.5%)	60.6%	
International Business Machines Corp	171,950.6	15.1%	7.8%	14.5%	9.4%	55.5%	
Solera Holdings Inc	2,507.4	2.8%	2.5%	22.5%	15.8%	49.4%	
CGI Group Inc	3,992.0	6.0%	1.6%	21.3%	13.6%	48.3%	
Hudson Highland Group, Inc.	126.6	(66.9%)	76.6%	55.1%	56.3%	41.8%	
Concur Technologies, Inc.	2,096.3	(41.5%)	62.0%	27.9%	7.5%	30.3%	
Affiliated Computer Services Inc	5,831.0	4.2%	(7.2%)	21.9%	10.2%	29.9%	
Accenture Ltd.	26,245.6	(16.2%)	21.7%	11.4%	11.3%	26.6%	
LogMeIn Inc.	444.9	NA	NA	NA	9.0%	24.7%	
Losers (1)							
Satyam Computer Services Ltd.	\$2,482.9	(77.5%)	84.9%	67.9%	(17.7%)	(42.4%)	

Note: LogMeIn Inc. stock price performance since IPO date of 06/30/09.



Overall U.S. Equity Market Transaction Volume

Q4 2009 U.S. Equity Market Transaction Volume

Q4 2009 was a drastically different story than Q4 2008 in the equity markets. Q4 2009 saw 33 IPOs that raised \$9.5 billion, while Q4 2008 had only two IPOs that raised a total of \$128.9 million. There were 253 total equity offerings in Q4 2009, raising a total of \$136.0 billion. This compares to 87 equity offerings in Q4 2008 that raised a total of \$38.2 billion. Investor appetite for IPOs clearly increased in Q4 2009 and there are big expectations for 2010. However, a bit of an alarming stat is that five of the six last IPOs priced in December did so below the expected range. That's not exactly an overwhelming vote of confidence heading into 2010.

2009 U.S. Equity Market Transaction Volume

The full year analysis leads us to the same conclusion. Though the markets have not recovered to 2007 levels (and may never return to those levels), 2009 overall was an improvement over 2008. The number of equity offerings increased from 528 to 945 transactions in 2009 and total dollar volume increased from \$329.7 billion to \$404.4 billion, representing a 22.6% increase. While 2008 only had 51 IPOs during the year, 2009 had 76 IPOs, though volume was less at \$19.3 billion versus \$28.1 billion in 2008. When looking at 2008 performance without the Visa IPO, which accounted for \$19.7 billion, or two-thirds of 2008 transaction volume, it becomes even more apparent that the equity markets are becoming healthier.

US Equity Market Transaction Volume Full Year 2008 vs. Full Year 2009							
(\$ in millions)	Full Year 2008		Full Year 2009		Change		
	Deals	\$	Deals	\$	Deals	\$	% Amt.
Gridley & Company Universe							
IPO	3	\$19,886.6	11	\$3,386.4	8	(\$16,500)	(83.0%)
Follow-On Offerings	5	487.3	10	1,310.0	5	\$823	168.8%
Equity Linked Offerings	2	1,380.0	4	1,238.8	2	(\$141)	(\$0)
Total	10	\$21,753.9	25	\$5,935.2	15	(\$15,819)	(72.7%)
Overall US Equity Transactions							
IPO	51	\$28,050.9	76	\$19,253.9	25	(\$8,797)	(31.4%)
Follow-On Offerings	337	251,378.2	726	319,800.8	389	\$68,423	27.2%
Equity Linked Offerings	140	50,271.6	143	65,311.9	3	\$15,040	29.9%
Total	528	\$329,700.7	945	\$404,366.6	417	\$74,666	22.6%

Source: Capital IQ; includes equity offerings on major US exchanges only

Q4 2009 U.S. Equity Market Transaction Volume in our Sectors

Our targeted industry sectors raised \$3.2 billion from 12 equity offerings in Q4 2009, compared to one equity offering in Q4 2008. Q4 2009 actually had only one less equity transaction than Q4 2007, which had 13 transactions (nine IPOs and four follow-on offerings). So even when comparing to 2007's higher levels, 2009 seems to paint a picture of moderate recovery in the equity markets for our sectors.

2009 U.S. Equity Market Transaction Volume in our Sectors

The full year of 2009 had 25 equity offerings in our targeted sectors, compared to ten in 2008. The total dollar volume of capital raised in our sectors decreased by 72.7% to \$5.9 billion in 2009, compared to \$21.8 billion in



2008. However, the volume in 2008 was driven almost entirely by the \$19.6 billion IPO of **Visa Inc.** Excluding that transaction, total dollar volume in 2009 would have increased by 182.2%. In 2009, there were 11 IPOs in our sector compared to three in 2008. Seven of the 11 IPOs closed the year positively, with the best performing IPO being **Changyou.com Limited**, which closed the year up 107.6%. In addition, our data services sector had the third largest IPO of the year - **Verisk Analytics** (\$1.9 billion IPO on October 6th). In 2009, there were ten follow-on offerings that raised a total of \$1.3 billion, compared to five in 2008 that raised a total of \$487.3 million.

**US Equity Market Transaction Volume in Gridley Sectors
Full Year 2008 vs. Full Year 2009**

(\$ in millions)	Full Year 2008		Full Year 2009		Change		
	Deals	\$	Deals	\$	Deals	\$	% Amt.
Marketing Services							
IPO	1	\$49.1	0	\$0.0	(1)	(\$49.1)	(100.0%)
Follow-On Offerings	0	0.0	2	198.4	2	198.4	NM
Equity Linked Offerings	0	0.0	2	718.8	2	718.8	NM
Total	1	\$49.1	4	\$917.2	3	\$868.2	1770.0%
Internet Services							
IPO	1	\$187.5	5	\$533.1	4	\$345.6	184.3%
Follow-On Offerings	2	160.6	4	493.5	2	332.9	207.3%
Equity Linked Offerings	0	0.0	0	0.0	0	0.0	NM
Total	3	\$348.1	9	\$1,026.6	6	\$678.5	194.9%
Financial Technology							
IPO	1	\$19,650.0	0	\$0.0	(1)	(\$19,650.0)	(100.0%)
Follow-On Offerings	0	0.0	0	0.0	0	0.0	NM
Equity Linked Offerings	2	1,380.0	2	520.0	0	(860.0)	(62.3%)
Total	3	\$21,030.0	2	\$520.0	(1)	(\$20,510.0)	(97.5%)
Data Services							
IPO	0	\$0.0	2	\$2,123.9	2	\$2,123.9	NM
Follow-On Offerings	0	0.0	0	0.0	0	0.0	NM
Equity Linked Offerings	0	0.0	0	0.0	0	0.0	NM
Total	0	\$0.0	2	\$2,123.9	2	\$2,123.9	NM
SaaS and Outsourcing Services							
IPO	0	\$0.0	4	\$729.4	4	\$729.4	NM
Follow-On Offerings	3	326.7	4	618.1	1	291.4	89.2%
Equity Linked Offerings	0	0.0	0	0.0	0	0.0	NM
Total	3	\$326.7	8	\$1,347.5	5	\$1,020.8	312.5%
Total All Sectors	10	\$21,753.9	25	\$5,935.2	15	(\$15,818.6)	(72.7%)

Source: CapIQ



Completed IPOs in Gridley Targeted Sectors Full Year 2009

(\$ in millions)

Company	Pricing Date	Offering Size	12/31/09 Market Cap	IPO Stock Price	12/31/09 Stock Price	% Change
Marketing Services						
No IPOs in 2009						
Internet Services						
Archipelago Learning, Inc.	11/19/09	\$103.1	\$519.7	\$16.50	\$20.70	25.5%
Ancestry.com Inc.	11/04/09	100.0	594.1	13.50	14.01	3.8%
Vitacost.com, Inc.	09/23/09	132.0	286.4	12.00	10.42	(13.2%)
OpenTable, Inc.	05/21/09	60.0	569.6	20.00	25.46	27.3%
Changyou.com Limited	04/01/09	138.0	1,826.6	16.00	33.21	107.6%
Financial Technology						
No IPOs in 2009						
Data Services						
China Real Estate Information Corporation	10/15/09	\$248.4	\$1,569.3	\$12.00	\$10.98	(8.5%)
Verisk Analytics, Inc.	10/06/09	1,875.5	5,388.5	22.00	30.28	37.6%
SaaS and Outsourcing Services						
Team Health Holdings, Inc.	12/15/09	\$159.6	\$874.9	\$12.00	\$14.02	16.8%
Echo Global Logistics, Inc.	10/01/09	79.8	272.8	14.00	12.69	(9.4%)
Emdeon Inc.	08/11/09	367.4	1,376.1	15.50	15.25	(1.6%)
LogMeIn Inc.	06/30/09	122.7	444.9	16.00	19.95	24.7%

Source: Public Filings and CapIQ

Secondary Offering Performance in Gridley Targeted Sectors Full Year 2009

(\$ in millions)

Company	Pricing Date	Offering Size	12/31/09 Market Cap	Secondary Stock Price	12/31/09 Stock Price	% Change
Marketing Services						
Gartner Inc.	12/09/09	\$135.8	\$1,728.5	\$17.06	\$18.04	5.7%
Bowne & Co. Inc.	08/06/09	62.6	267.8	5.96	6.68	12.1%
Internet Services						
GSI Commerce Inc.	12/07/09	\$50.1	\$1,515.5	\$23.50	\$25.39	8.0%
ChinaCast Education Corporation	12/02/09	46.7	334.8	6.85	7.56	10.4%
OpenTable, Inc.	09/22/09	195.3	569.6	28.00	25.46	(9.1%)
GSI Commerce Inc.	08/12/09	201.5	1,515.5	17.00	25.39	49.4%
Financial Technology						
No secondary offerings in 2009						
Data Services						
No secondary offerings in 2009						
SaaS and Outsourcing Services						
Taleo Corp.	11/19/09	\$131.6	\$902.3	\$20.25	\$23.52	16.1%
LogMeIn Inc.	11/19/09	57.8	444.9	18.50	19.95	7.8%
SuccessFactors, Inc.	10/20/09	213.9	1,185.9	15.50	16.58	7.0%
SXC Health Solutions, Corp.	09/17/09	214.8	1,617.7	41.50	53.95	30.0%

Source: Public Filings and CapIQ



Select 2009 Marketing Services Completed Offerings, Filings, and Withdrawals

The Marketing Services sector had two secondary offerings in 2009, **Gartner Inc.** and **Bowne & Co. Inc.** Together, they raised \$198.4 million. **Convergys Corporation** and **WPP Group** raised \$125.0 million and \$593.8 million, respectively, in convertible debt offerings. Though activity was still low, 2009 fared better than 2008, which only had one Marketing Services equity offering, the **China Mass Media** IPO for \$49.1 million. There was one IPO filing in Q4 2009 - **West Corporation** for \$500 million.

- **West Corporation**, a provider of business process outsourcing services, filed its IPO on October 2nd. The company plans to raise up to \$500.0 million.
- **Gartner Inc.**, a provider of independent research and analysis on communications and technology industries, priced a \$135.8 million secondary offering on December 9th. All of the 8.0 million shares offered were secondary. No greenshoe was exercised. The offering priced at \$17.06, an 8.1% discount to the previous close, and finished the quarter up 5.7% over the offering price to \$18.04.

Select 2009 Internet Services Completed Offerings, Filings, and Withdrawals

Similar to 2008, Internet Services was the most active of our sectors in 2009. Compared to 2008's one IPO that raised \$188 million, 2009 saw five IPOs that together raised \$533.1 million (**Archipelago Learning, Inc.**, **Ancestry.com, Inc.**, **Vitacost.com, Inc.**, **OpenTable, Inc.**, and **Changyou.com Limited**). One of the more successful IPOs, OpenTable, Inc., later raised an additional \$195.3 million in a secondary offering. There were a total of four secondary offerings in the sector that raised a combined \$493.5 million, compared to two in 2008 that raised \$160.6 million. In Q4 2009, there were two IPOs that raised a total of \$203.1 million and two secondary offerings that raised a total of \$96.8 million. Two companies filed for IPOs in Q4 2009 - **Quinstreet, Inc.**, and **ReachLocal, Inc.** Both of these will be closely watched in 2010 as investors look to see new valuation benchmarks and to determine just how open the IPO market is for business.

- **Ancestry.com Inc.**, a subscription-based online resource for family history, priced its \$100.0 million IPO on November 4th. 3.3 million of the 7.4 million shares offered were secondary. No greenshoe was exercised. The offering priced at \$13.50 and finished the quarter up 3.8% over the offering price to \$14.01.
- **Archipelago Learning, Inc.**, a subscription-based online education company, priced its \$103.1 million IPO on November 19th. 3.1 million of the 6.3 million shares offered were secondary. No greenshoe was exercised. The offering priced at \$16.50 and finished the quarter up 25.5% over the offering price to \$20.70.
- **Quinstreet, Inc.**, a provider of online direct marketing and media services, filed its IPO on November 19th. The company plans to raise up to \$250.0 million.
- **ReachLocal, Inc.**, a provider of a suite of online marketing and reporting solutions, filed its IPO on December 22nd. The company plans to raise up to \$100.0 million.



- **ChinaCast Education Corporation**, a China-based provider of e-learning and training services, priced a \$46.7 million secondary offering on December 2nd. None of the 5.9 million shares offered were secondary. A greenshoe of 0.9 million shares was exercised. The offering priced at \$6.85, a 6.0% discount to the previous close, and finished the quarter up 10.4% over the offering price to \$7.56.
- **GSI Commerce Inc.**, a provider of e-commerce and interactive marketing services, priced a \$50.1 million secondary offering on December 7th. All of the 2.1 million shares offered were secondary. No greenshoe was exercised. The offering priced at \$23.50, a 2.2% discount to the previous close, and finished the quarter up 8.0% over the offering price to \$25.39.

Select 2009 Financial Technology Completed Offerings, Filings, and Withdrawals

Financial Technology only had two convertible debt offerings in 2009, **Alliance Data Systems Corporation** and **Coinstar**, raising a total of \$520.0 million. In 2008, the sector had **Visa, Inc.**'s \$19.7 billion IPO and two convertible debt offerings raising \$1.4 billion. There was no equity activity in Q4 2009.

Select 2009 Data Services Completed Offerings, Filings, and Withdrawals

The Data Services sector had two equity offerings in 2009, the IPOs of **China Real Estate Information Corporation** and **Verisk Analytics, Inc.**, raising \$248.4 million and \$1.9 billion respectively. Verisk Analytics, Inc. was the third largest U.S. IPO of the year. This makes 2009 a successful year when comparing to 2008, when there was no equity activity in the sector. Both IPOs priced in Q4 2009.

- **Verisk Analytics, Inc.**, a leading provider of data, analytics, and decision-support services to the insurance industry, priced its \$1.9 billion IPO on October 6th. All of the 85.3 million shares offered were secondary. No greenshoe was exercised. The offering priced at \$22.00 and finished the quarter up 37.6% over the offering price to \$30.28.
- **China Real Estate Information Corporation**, a provider of real estate information, consulting services, and advertising services in China, priced its \$248.4 million IPO on October 15th. None of the 18.0 million shares offered were secondary. A greenshoe of 2.7 million shares was exercised. The offering priced at \$12.00 and finished the quarter down 8.5% below the offering price to \$10.98.

Select 2009 SaaS & Outsourcing Services Completed Offerings, Filings, and Withdrawals

SaaS & Outsourcing Services had four IPOs that raised a total of \$729 million in 2009 compared to none in 2008. There were also four secondary offerings totaling \$618.1 million raised in 2009, compared to three in 2008 that only raised \$326.7 million. **LogMeIn Inc.** supplemented its Q2 \$122.7 million IPO with a \$57.8 million secondary offering on November 19th. The majority of the year's equity activity occurred in Q4 2009, totaling \$642.7 million in capital raised. There were three IPO filings in Q4 2009.

- **Echo Global Logistics, Inc.**, a provider of BPO services serving transportation and logistics needs, priced its \$79.8 million IPO on October 1st. None of the 5.7 million shares offered were secondary. No greenshoe



was exercised. The offering priced at \$14.00 and finished the quarter down 9.4% below the offering price to \$12.69.

- **Team Health Holdings, Inc.**, a provider of outsourced physician staffing and administrative services, priced its \$159.6 million IPO on December 15th. None of the 13.3 million shares offered were secondary. No greenshoe was exercised. The offering priced at \$12.00 and finished the quarter up 16.8% over the offering price to \$14.02.
- **SPS Commerce Inc.**, a provider of on-demand supply chain management solutions, filed its IPO on December 3rd. The company plans to raise up to \$46.0 million.
- **Language Line Holdings, Inc.**, a provider of over-the-phone interpretation services, filed its IPO on December 7th. The company plans to raise up to \$400.0 million.
- **Bright Now! Dental, Inc.**, a provider of business support services for independent dentists in the United States, filed its IPO on December 18th. The company plans to raise up to \$143.8 million.
- **SuccessFactors, Inc.**, a provider of on-demand performance and talent management software, priced a \$213.9 million secondary offering on October 20th. None of the 12.0 million shares offered were secondary. A greenshoe of 1.8 million shares was exercised. The offering priced at \$15.50, a 3.7% premium to the previous close, and finished the quarter up 7.0% over the offering price to \$16.58.
- **LogMeIn Inc.**, a provider of on-demand remote-connectivity solutions, priced a \$57.8 million secondary offering on November 19th. 3.0 million of the 3.1 million shares offered were secondary. No greenshoe was exercised. The offering priced at \$18.50, a 7.3% discount to the previous close, and finished the quarter up 7.8% over the offering price to \$19.95.
- **Taleo Corp.**, a provider of on-demand talent management software solutions, priced a \$131.6 million secondary offering on November 19th. None of the 6.5 million shares offered were secondary. No greenshoe was exercised. The offering priced at \$20.25, a 4.3% discount to the previous close, and finished the quarter up 16.1% over the offering price to \$23.52.



M&A Market Transaction Volume - Announced Deals with U.S. Targets

Q4 2009

M&A activity continued its upward momentum in Q4 2009 posting the highest number of deals and volume of the calendar year. As measured by the number of announced deals, M&A activity increased by 8.8% in Q4 2009 compared to Q4 2008 but decreased by 8.2% compared to Q4 2007. On a total dollar volume basis Q4 2009 significantly outperformed Q4 2008, increasing by 73.7% from \$126 billion in 2008, while posting a slight increase of 1.1% compared to \$216 billion in Q4 2007. A sign that the economy could be getting healthier is the fact that unlike in 2008 when the U.S. Government was the acquirer in 20 of the top 25 deals for the quarter, they were not involved in one single top 25 deal during Q4 2009.

2009

2009 deal activity trailed both 2008 and 2007, as activity only existed during Q1 and the last four months of the year (over 66% of total 2009 announced deal volume). However, as the year came to a close, both the mega deal and PE activity appeared to start returning. Three of the top 5 deals of the year occurred during the last two months, while two of the top six deals were PE backed. The number of announced M&A deals in the U.S. in 2009 was 9,261, a decrease of 14.1% and 24.2% vs. 10,783 in 2008 and 12,211 in 2007, respectively. The dollar volume of \$662.4 billion decreased 41.9% from \$1,139.3 billion in 2008 and 39.2% from \$1,562.0 billion in 2007. The five largest U.S. based acquisitions in 2009 were **Pfizer / Wyeth** (\$78.6 billion), **Merck / Schering-Plough** (\$50.7 billion), **Exxon Mobil / XTO Energy** (\$40.8 billion), **Berkshire Hathaway / Burlington Northern Santa Fe** (\$36.9 billion), and **Comcast / NBC Universal** (\$13.8 billion). Note the lack of transactions in the financial services sector compared to 2008.

U.S. M&A Transaction Volume Announced Deals with U.S. Targets						
(\$ in billions)	Q4				Full Year	
	2006	2007	2008	2009	2008	2009
Number of Deals	2,930	2,868	2,419	2,633	10,783	9,261
<i>Percent Change from 2008</i>	-	-	-	8.8%	-	(14.1%)
<i>Percent Change from 2007</i>	-	-	(15.7%)	(8.2%)	(11.7%)	(24.2%)
<i>Percent Change from 2006</i>	-	(2.1%)	(17.4%)	(10.1%)	(4.5%)	(17.9%)
Total \$ Volume	\$534.1	\$215.9	\$125.6	\$218.2	\$1,139.3	\$662.4
<i>Percent Change from 2008</i>	-	-	-	73.7%	-	(41.9%)
<i>Percent Change from 2007</i>	-	-	(41.8%)	1.1%	(27.1%)	(57.6%)
<i>Percent Change from 2006</i>	-	(59.6%)	(76.5%)	(59.2%)	(25.0%)	(56.4%)

Source: CapIQ; includes canceled deals



M&A Deals in Our Targeted Industry Sectors

Q4 2009

M&A activity in our sectors picked up significantly toward the end of Q4 2009.

Select Q4 2009 Marketing Services M&A Deals

Q4 2009 was a relatively quiet quarter for deals in the Marketing Services sector, with only three noteworthy transactions.

On November 3rd, **Groupe Aeroplan Inc.**, the Canada-based international loyalty management company, announced its acquisition of Carlson Marketing, a privately-owned, U.S.-based loyalty marketing services provider for a net purchase price of \$175.3 million including transaction costs. The company expects Carlson to generate between \$36 million and \$48 million of EBITDA (between 6% and 8% EBITDA margins), implying a modest 4.2x to 5.6x 2010E EBITDA, a discount to Groupe Aeroplan's multiple at the time of acquisition (6.0x 2010E EBITDA). The acquisition will not only be immediately accretive, but will help Groupe Aeroplan expand its geographical reach and service offering, provide an entry point and foothold in the U.S. loyalty market, and help diversify its current earnings base. Carlson Marketing's global platform, comprised of 130 clients and operations in 15 countries, will help accelerate Groupe Aeroplan's plan to launch additional coalition programs in new markets by leveraging Carlson's existing relationships, infrastructure and market knowledge. Furthermore, the acquisition will significantly diversify the company's revenues as the turnover generated from its top four partners would decline to 55% in 2010E from approximately 80% in 2009. Carlson Marketing will operate as an autonomous entity. The transaction closed on December 7th.

Gartner finished 2009 announcing two complementary acquisitions during the last five weeks of the year. On November 29th, **Gartner Inc.**, an IT research and advisory company announced its acquisition of **AMR Research Inc.**, a Boston based firm that provides proprietary research and advisory services to supply chain and IT executives in the consumer products, life sciences, manufacturing, and retail sectors. Gartner paid \$63 million in cash, valuing AMR at approximately 1.60x 2009E revenues. AMR, which is expected to post about \$40 million of revenues in 2009, has grown consistently in recent years. We believe the deal makes strategic sense for both companies. AMR will be able to leverage Gartner's widespread sales network (930-plus for Gartner vs. 45 for AMR) to grow faster and improve its market share in its space while providing Gartner an opportunity to cross-sell its offerings to AMR's clients. The AMR acquisition will not affect Gartner's 2009 results. On a GAAP basis, the deal is expected to be EPS dilutive by \$0.09-\$0.11 in 2010 and accretive by about \$0.01-\$0.04 in 2011. On December 30th, Gartner announced it acquired **Burton Group, Inc.**, a reputable, mid-sized research, advisory, and consulting services focused on executives and frontline technologists, for \$56.0 million in cash. The acquisition is valued at approximately 1.9x 2009E revenues as Burton is expected to post about \$30 million in revenues for 2009. Up until 2009, revenues grew at a more than 20% CAGR from 2000-2008. As is the case with AMR, Burton is small with a domestic focus. With only 40 sales reps and 80% of revenues generated in the U.S., Gartner should be able to immediately expand Burton's market opportunity and upsell IT research across its broader distribution platform.

On December 23rd, after a prolonged battle and bidding war with **Cosmos Capital Inc.**, private equity firm **Mill Road Capital** took **Cossette Inc.** - Canada's largest marketing communications company - private for CDN\$8.10 per share in cash, for a total purchase price of about CDN\$140.5 million. The transaction values the company at 0.6x and 6.2x LTM revenue and EBITDA, respectively. The process started in July with an unsolicited bid of CDN\$4.95



by Cosmos, led by François Duffar, the former Vice Chairman and President of Cossette. The bidding war between Mill Road and Cosmos was great news for Cossette shareholders, as the company had been struggling over the past two years due to recessionary pressures and lost business and helped increase the price 190% from a 12-month low of CDN\$2.78.

Select Q4 2009 Internet Services M&A Deals

Internet Services provided the most deal action of the quarter, with several significant transactions.

On October 9th, **QuinStreet, Inc.**, an online direct marketing and media services company, acquired the Insure.com domain name and related media assets of publicly-traded **Insure.com Inc.** for about \$16 million in cash. Insure.com, Inc. will change its corporate name to Life Quotes, Inc. and will continue its business under its Life Quotes and Consumer Insurance Guide brand names. It is likely that Quinstreet will augment the Insure.com business and assets into its own version of the "BankRate" lead gen machine. With its continued outstanding financial performance, posting record FY2009 revenue and EBITDA results of \$260.5 million and \$56.9 million, respectively, and its recent S1 filing on November 19th, this transaction could mark just the beginning of a lead-gen market roll-up strategy. We think that Quinstreet is one of the better managed online marketing companies out there and believe it will enjoy a highly successful life as a public company.

On October 27th, **GSI Commerce Inc.**, a leading e-commerce platform provider with a fast growing interactive marketing services division, announced its agreement to acquire **Retail Convergence Inc. (RCI)**. RCI owns and operates RueLaLa.com - an invitation-only private sale website and SmartBargains.com, an online retailer of merchandise. The transaction, valued at \$350 million, includes \$180 million at closing (half cash and half stock) and an earn-out of up to \$170 million over three years with over 40% to be paid out in 2012. The deal implies a valuation of about 2.6x LTM revenues. The acquisition is expected to be accretive to GSI's non-GAAP income from operations per share beginning in fiscal year 2010. The invite-only private sale forum is a recent phenomenon in e-commerce, gaining a lot momentum in the U.S. with Gilt Groupe's \$43 million private placement. Rue La La's membership has grown to more than 1.2 million members in 18 months and continues to grow rapidly. This growth is being driven by highly effective viral marketing and email marketing services, powered by e-Dialog, GSI's e-mail marketing division. According to GSI Commerce CEO, Michael Rubin, Rue La La can offer GSI's clients access to a new way of selling opportunistic inventory in a manner that enhances a client's brand image and further drives consumer engagement and believes this new way of shopping will continue its "remarkable growth trajectory". The Rue La La acquisition marks GSI's third acquisition of 2009.

On November 9th, **Google Inc.** announced its acquisition of **AdMob, Inc.**, the leading mobile display ad network and technology provider, for \$750 million in stock. The \$750 million valuation implies a steep rumored LTM revenue multiple in the range of 15.0x-20.0x. Despite the transaction's high price, we think that the acquisition makes perfect strategic sense for Google, which has heavily invested in its mobile internet business through the development of the Android and AdSense platforms. Google has stated that, going forward, it will be making more money from mobile than from the fixed line Internet. The deal will provide Google with a head start in mobile display advertising and establish it as a clear frontrunner in the mobile search and advertising business. Based on market research firm IDC's controversial November 2009 Mobile Ad market report, the combined companies' 2009 mobile ad revenue of \$68 million would provide it a 24% market share. At a minimum, the acquisition helps validate the importance of mobile and owning mobile "real estate". As evidence of this belief, only four days later, **Millennial Media, Inc.**, a top five mobile ad network, closed its own \$16 million round of funding. We believe Google's move



will spur a wave of consolidation as everyone - from Yahoo!, Microsoft and AOL to the big ad networks - vies for their own piece of the mobile pie. Even **Apple, Inc.** weighed in with its \$275 million acquisition of **Quattro Wireless**, a competitor to Admob. The Admob deal is expected to close in the next few months and could face close regulatory scrutiny given Google's powerful position in online advertising. The AdMob deal was but one of four M&A deals that Google completed in the quarter. The company also acquired **Gizmo5 Technologies, Inc.**, providing it with a potential technology to compete directly against Skype on its mobile platform products, **Teracent Corporation**, a provider of multi-variate ad serving technology enhancing the capabilities offered by the DoubleClick Exchange, and **AppJet Inc.**, a Web-based word processor provider. Google's \$110 million acquisition of video compression software company **On2 Technologies, Inc.** is still in progress due to delays in On2 shareholder approval. Google seems to be on target with its "one deal a month" strategy that is so famously announced a few months ago. And, like a camel in the desert looking for water, we sure won't complain about that announcement!

On November 9th, **Electronic Arts Inc.** announced its acquisition of UK-based **Playfish Limited** for about \$300 million in cash with up to an additional \$100 million contingent on achieving specified milestones through December 2011. Playfish, the #2 social networking gaming company with about 60 million active monthly users across its 10 games, was purchased for a 2010E revenue multiple between 3.0x - 4.0x based on research estimates. With the acquisition, EA is diving further into the lucrative world of social online games, a booming business already estimated to be worth upwards of \$1 billion. The Playfish acquisition comes at an interesting time for EA as it has experienced sustained softness in its console title sales and continues to attempt to right-size its cost base, announcing the most recent reduction in headcount of 1,500 during the current quarter. Notwithstanding EA's timing, gaming industry players see online social gaming as a growing cash-cow. On the heels of that acquisition, the #1 (**Zynga, Inc.**) and #3 (**Playdom, Inc.**) social gaming networks both closed substantial funding rounds. Zynga raised \$180 million on December 15th bringing its total capital raised to \$219 million while Playdom raised \$43 million in a Series A round on November 11th, valuing the year-old start-up at an estimated whopping \$260 million. As social networks continue to become a key monetization focal point of the online universe and the growth of traditional gaming sales during the current console cycle slows, other game publishers may follow EA's lead - making online social gaming a space to watch out for in the near term.

On November 9th, **VeriSign Inc.** announced the \$19 million sale of **m-Qube**, a mobile messaging aggregator, to **Mobile Messenger, Inc.**, a mobile solutions provider helping companies market, distribute, and monetize digital content to mobile devices and m-Qube's largest client. Mobile Messenger obtains m-Qube's direct connections to carriers in the U.S. and Canada, as well as its entire business delivering commercial messaging and mobile content to customers throughout North America. According to Mobile Messenger, the company now holds the 50% of the North American mobile messaging market and an enhanced position worldwide. By combining m-Qube's technology gateway with Mobile Messenger's content management platforms, the company would be able to streamline processes and manage all facets of mobile marketing campaigns—from content creation, consulting and messaging connections, to payment processing and campaign ROI analysis. The acquisition will also put Mobile Messenger closer to numerous carriers. Possibly the most interesting piece of the story is the fact that VeriSign sold m-Qube, thought to be a key component of its mobile strategy when acquired, for a measly fraction of the original \$250 million price tag it paid in cash in March 2006. This represents just another pre-credit crunch deal gone bad.

December 9th officially marked the end of the largest media merger in history and the symbol of the height of the internet bubble as **Time Warner Inc.** spun off **AOL** (previously AOL, Inc.) at an estimated value of around \$2.5 billion. Once again the famed AOL ticker began trading on the open market. AOL Inc. had originally purchased Time



Warner for \$164 billion in stock hoping to create a revolution in media and content distribution through the Internet. However, the two divergent cultures never meshed, sought after synergies never came to fruition, and ultimately the two companies never pursued a fully integrated strategy. Currently, Aol has "fewer than 1000" advertisers vs. Yahoo!'s "several hundred thousand" and Google's "over one million". Ex-Google CEO Tom Armstrong is well respected in the industry and hopes to shrink the monetization gap between Aol and its peers. Aol's long-term goal is to focus on advertising, content and communications while pursuing short-term plans of divesting itself of non-core assets (Bebo, anyone) and right-sizing its cost structure. Aol already announced plans to cut costs by laying off more than a third of its staff and had already cut 100 jobs on November 10th. Armstrong's comments during an analyst day implied that the turnaround will take somewhere between 2-4 years while management will focus on execution over the next 12 months. We will see if Aol will once again become a behemoth whose name is synonymous with the Internet or will fade into the deep black hole of failed internet endeavors.

Select Q4 2009 Financial Technology M&A Deals

Financial Technology had several noteworthy deals in Q4 2009, albeit mostly small in size.

On October 28th, private investment firm **Comvest Investment Partners** acquired the assets of **Cynergy Data, Inc.**, a merchant credit card processing firm for small and large businesses, for \$81 million. ComVest was the designated "stalking horse bidder" at the bankruptcy auction, creating what was thought to be a bidding floor that was never passed. ComVest is looking for Cynergy to achieve its considerable growth potential with its lower cost structure and strong balance sheet. ComVest already owns a controlling interest in a number of companies in the electronic payment processing industry, including **Pipeline Data**, **CardAccept**, **AirCharge**, **SecurePay** and **Northern Merchant Services**.

On October 29th, **Jack Henry & Associates, Inc.**, a leading provider of integrated technology solutions and data processing services for financial institutions, announced the \$60 million acquisition of Washington-based **Pemco Technologies**, a wholly owned subsidiary of PEMCO Corporation and one of the nation's leading providers of payment processing solutions primarily for the credit union industry. Pemco Technologies' payment-related products and services are currently supporting approximately 235 financial institution customers. This acquisition supports Jack Henry's expansion in the growing electronic payments industry as well as its presence in the credit union space.

On November 18th, **American Express Company** announced its acquisition of **Revolution Money**, a **Revolution LLC** company for about \$300 million. Revolution Money, an alternative payment solution, provides secure payments through an internet based platform in conjunction with a PIN-based card product that functions without the use of names or account numbers. Revolution's peer-to-peer payment platform will provide AmEx a solution to directly compete with **PayPal**, the incumbent king of online P2P payments. This deal marks a strategic shift away from American Express' focus on its traditional card business. The deal will enhance its ability to offer PIN-based debit products, capture more online spend and re-loadable prepaid card products, and diversify its credit risk and revenue base. Revolution Money will operate as a subsidiary of American Express and will become the first component of the firm's Enterprise Growth unit, designed to facilitate American Express' entry into alternative payment areas, a future focus for AmEx. We expect competition within this growing sector to intensify as American Express moves to expand its online and mobile payments presence. The deal is expected to close in the first quarter of 2010.



On November 18th, **Palladium Equity Partners LLC**, a private equity firm focused on the U.S. Hispanic market, announced its acquisition of the branded money transfer businesses **DolEx** and **Europhil** from **Global Payments Inc.**, a Georgia-based provider of electronic transaction processing services. Palladium will pay \$85-\$110 million for the acquisition depending on the operating performance of the business. The purchase price values the businesses at 0.6x-0.8x and 5.0x-6.5x LTM revenue and LTM EBITDA, respectively. This transaction will allow Global Payments to focus exclusively on expanding the company's merchant acquiring presence around the world. The company intends to reinvest the sale proceeds in future merchant acquiring growth opportunities. The DolEx and Europhil subsidiaries were acquired by Global Payments in 2003 and 2004, respectively. Like VeriSign's sale of m-Qube above, this deal is representative of a transaction gone bad as Global Payments received less than half for what it paid for the two assets.

Select Q4 2009 Data Services M&A Deals

On October 20th, **Equifax Inc.** announced its acquisition of **IXI Corporation**, a marketing information services firm that operates a closed exchange of proprietary consumer wealth data, for \$124 million in an all cash deal. Customers, primarily in financial services, use IXI to optimize marketing efforts, manage risk, and perform customer segmentation. According to management, privately-held IXI was valued at less than 4.0x 2010E revenue and about 12.0x 2010E EBITDA. The acquisition is expected to be moderately cash accretive in 2010. Equifax sees strong synergies between its credit data and IXI's comprehensive data sets. The two data sets combined indicate propensity to pay (Equifax) and ability to pay (IXI). Thus, a combined score would be a proxy for a customer's likelihood to pay. With this combination, Equifax expects to offer a unique value proposition as compared to its competitors, Experian and TransUnion. Equifax previously had announced a joint venture with IXI to develop a combined score in December 2008. Clearly, Equifax liked what it saw (enough to buy the company outright). IXI was Equifax's first of two acquisitions during the quarter. On November 2nd, the company announced its acquisition of **Rapid Reporting Verification Company**, a privately-held national provider of IRS tax transcript information and social security number authentication services through a web-based portal, for \$72.5 million in cash. Along with the IXI purchase, this acquisition is part of Equifax's strategy of continually adding data sources in order to improve the quality and scope of services offered to lenders. We shall see if Equifax's acquisition strategy gives the company an edge over its competitors. The IXI and Rapid Reporting transactions closed on October 27th and November 2nd, respectively.

On November 5th, **IMS Health**, a leading provider of market intelligence to the pharmaceutical and healthcare industries, announced that it had agreed to be acquired by **TPG Capital** and the **CPP Investment Board** in a transaction valued at \$22.00 cash per share, or an aggregate value of approximately \$5.1 billion. The deal values IMS Health at about 2.3x and 9.8x LTM revenue and LTM EBITDA, respectively. This deal signals the return of private equity megadeals, as it ranks among the top private equity deals of the year. This deal also reaffirms a general consensus that financial sponsors are being more selective with their targets. IMS Health provides subscription-based specialty business intelligence and analytics to the growing healthcare industry, which makes it exactly the type of target private equity firms are looking for in this conservative, liquidity-strapped era: specialized services, recurring revenue, long-term contracts and minimal customer concentration. The parties expect the transaction to close by mid-February 2010.

Select Q4 2009 SaaS and Outsourcing Services M&A Deals

Despite a relatively quiet quarter for SaaS and Outsourcing Services, there were two notable transactions.



On October 26th, French software provider **Dassault Systemes SA** announced its acquisition of sales and customer support unit for **International Business Machine Corp.**'s product lifecycle management software for \$600 million in cash. The deal includes the division's software portfolio, software customer contracts, and related assets. IBM's PLM division, the last remainder of IBM's applications-software business, handled virtually all of sales and support issues related to Dassault's computer-aided design and product management software. The \$600 million valuation implies an LTM revenue multiple of between 1.0x-2.0x based on research estimates. This deal is not only a milestone for Dassault - being the largest in the firm's history - but also a strategically sound move eliminating the artificial boundary between the two organizations' sales forces. The transaction is expected to close by the second quarter of 2010.

On November 8th, **Northrop Grumman Corporation** announced an agreement to sell its **TASC Advisory Services** unit into a private equity partnership of **General Atlantic and KKR**, in conjunction with TASC management, for \$1.65 billion in cash. The deal was driven by Northrop Grumman's compliance needs resulting from evolving U.S. Government Organizational Conflict of Interest (OCI) regulations. This deal also represents a continued increase in private equity activity late in the year, albeit on a very selective basis. The deal was valued at 1.03x and between 8.0x-10.0x LTM revenue and LTM EBITDA, respectively.

The charts on the following pages illustrate each sector's M&A transactions for the full year 2009.



**Select M&A Deals in Gridley's Targeted Sectors
Full Year 2009**

(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to LTM Revenue	Enterprise Value to LTM EBITDA	Forward P/E	Premium Paid to Stock Price 30 Days Prior to Announcement Date
Marketing Services							
12/30/09	Gartner Inc.	Burton Group, Inc.	\$56.0	NA	NA	NA	NA
12/15/09	Definition 6, LLC	Leach Communications, Inc.	NA	NA	NA	NA	NA
12/15/09	Knowledge Networks, Inc.	Caduceus Marketing Research LLC	NA	NA	NA	NA	NA
12/08/09	DM Group, L.C	Eagle Direct, LLC	NA	NA	NA	NA	NA
12/08/09	MDC Partners Inc.	CommuniFX Corporation	NA	NA	NA	NA	NA
12/07/09	AMF Media Group	Tressel Communications	NA	NA	NA	NA	NA
12/07/09	Brite Media Group, LLC	Intelligent Media Corporation	2.0	NA	NA	NA	NA
12/01/09	Forrester Research Inc.	Strategic Oxygen, LLC	NA	NA	NA	NA	NA
11/29/09	Gartner Inc.	AMR Research, Inc.	63.0	1.96x	12.4x	NA	NA
11/24/09	Slate Venture Group; New Markets Venture GroupM	eCoast Sales Solutions Ltd.	10.0	NA	NA	NA	NA
11/23/09	Invicta Group Inc.	Mediamark Research & Intelligence, LLC, AdMeasure	NA	NA	NA	NA	NA
11/20/09	Invicta Group Inc.	Target Marketing Inc.	NA	NA	NA	NA	NA
11/11/09	Mint Technology Corp.	Loyalty Access Solutions Corporation	NA	NA	NA	NA	NA
11/10/09	Incoming, Inc.	Pentrose, LLC	NA	NA	NA	NA	NA
11/09/09	Mill Road Capital	Cossette Inc.	123.9	0.60x	6.2x	25.6x	50.0%
11/06/09	Catalyst Group Holdings Corp.	Real Estate Promotional Services, Inc.	0.3	NA	NA	NA	NA
11/03/09	Groupe Aeroplan Inc.	Carlson Marketing Group, Inc.	168.8	NA	NA	NA	NA
11/03/09	Liquid Agency, Inc.	Neutron LLC	NA	NA	NA	NA	NA
10/30/09	NuMobile, Inc.	Textalacarte, Inc.	NA	NA	NA	NA	NA
10/26/09	MidOcean Partners	Allant Group, Inc.	NA	NA	NA	NA	NA
10/23/09	e-Rewards, Inc.	Research Now Plc	121.8	1.64x	13.9x	NA	21.1%
10/20/09	PlayNetwork, Inc.	Channel M, Inc.	NA	NA	NA	NA	NA
10/19/09	FaceTime Strategy, LLC	Cantele, Sedivy & Associates Advertising, Inc	NA	NA	NA	NA	NA
10/15/09	Magic Media, Inc. (nka:Fairway Magic Outdoor,	Fairway Outdoor Advertising, Inc.	NA	NA	NA	NA	NA
10/14/09	Invicta Group Inc.	Magnificent Mile Marketing, LLC	NA	NA	NA	NA	NA
10/06/09	Compuware Corp.	Gomez, Inc.	290.0	5.53x	43.0x	NA	NA
10/05/09	Reynolds DeWalt Corporation	RiverView Marketing Consultants Ltd.	NA	NA	NA	NA	NA
10/05/09	Sykes Enterprises, Incorporated	ICT Group Inc.	206.9	0.52x	6.9x	35.3x	44.4%
10/01/09	Jacob Tyler Creative Group	Van Vechten Creative, LLC	NA	NA	NA	NA	NA
09/22/09	TargetCast Networks, Inc.	Ripple Networks, Inc.	NA	NA	NA	NA	NA
09/20/09	Beckerman Public Relations	Wise Public Relations	NA	NA	NA	NA	NA
09/09/09	arvato digital services GmbH	Protexis, Inc.	NA	NA	NA	NA	NA
09/04/09	Augeo Incent, LLC	IncentOne, Inc. (Performance and Loyalty Solutions	NA	NA	NA	NA	NA
09/01/09	Boundless Network, Inc.	PromoCorp, Inc.	NA	NA	NA	NA	NA
09/01/09	Information Resources, Inc.	The Hendry Corporation	NA	NA	NA	NA	NA
08/31/09	T&P Investments, L.L.C.	Ascend Media, LLC, Event and Custom Media Division	NA	NA	NA	NA	NA
08/24/09	Barkley	Boasberg/Wheeler Communications Inc.	NA	NA	NA	NA	NA
08/18/09	Cascadia Investments, Inc.	PharmADs.com	NA	NA	NA	NA	NA
08/18/09	Triton Media Group LLC	Enticent, Inc.	NA	NA	NA	NA	NA
08/18/09	US Farm Data, Inc.	New Century Marketing Services Inc.	NA	NA	NA	NA	NA
08/16/09	Youth Pulse LLC	SurveyU, Inc.	NA	NA	NA	NA	NA
08/14/09	Wildfire, LLC	Keystone Marketing Company, Inc.	NA	NA	NA	NA	NA
08/10/09	CG Holdings Ltd.	MediaNet Group Technologies Inc.	NA	NA	NA	NA	NA
08/04/09	Next Fifteen Communications Group plc	M Booth & Associates, Inc.	17.3	1.66x	NA	NA	NA
07/31/09	United Business Media plc	The Fuel Team, LLC	7.0	2.00x	NA	NA	NA
07/22/09	Cinema Internet Networks Inc.	Onext Media Corporation	NA	NA	NA	NA	NA
07/20/09	Communications Media, Inc.	Singularity Design, Inc.	NA	NA	NA	NA	NA
07/14/09	Alterian plc	Techrigy SM2	5.1	NA	NA	NA	NA
07/14/09	McCarthy Group, LLC	Peak 10, Inc.	NA	NA	NA	NA	NA
07/09/09	Kirtland Capital Partners	Northwest Mailing Service, Inc. and Linden Taylor Corp.	NA	NA	NA	NA	NA
07/06/09	Danoo, Inc.	IdeaCast, Inc.	NA	NA	NA	NA	NA
07/01/09	Alloy Marketing and Promotions, LLC	Rock Coast Media, Inc.	3.6	NA	NA	NA	NA
06/26/09	MeritDirect, LLC	Mail Marketing Incorporated	NA	NA	NA	NA	NA
06/25/09	Reward Media Group, LLC	City Rewards Network	NA	NA	NA	NA	NA
06/22/09	South Florida Media Group LLC	Welcome Wagon International, Inc.	NA	NA	NA	NA	NA
06/24/09	Acquilla Incorporated	PJ Inc.	NA	NA	NA	NA	NA
06/24/09	Hakuhodo Inc.	Mendelsohn Zien Advertising, LLC	NA	NA	NA	NA	NA
06/18/09	BIC Graphic USA	Norwood Promotional Products, Inc.	162.5	0.52x	7.0x	NA	NA
06/16/09	Boundless Network, Inc.	Big Frey Promotional Products	NA	NA	NA	NA	NA
06/16/09	Sapient Corp.	Nitro Group LLC	44.7	NA	NA	NA	NA



Select M&A Deals in Gridley's Targeted Sectors
Full Year 2009

(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to LTM Revenue	Enterprise Value to LTM EBITDA	Forward P/E	Premium Paid to Stock Price 30 Days Prior to Announcement Date
Marketing Services (cont'd)							
06/15/09	The New York Observer LLC	Very Short List (IAC)	NA	NA	NA	NA	NA
06/12/09	Turnstile Publishing Company, Inc.	Vincent Publishing LLC	NA	NA	NA	NA	NA
06/10/09	Schmidt Printing, Inc.	Solar Communications, Inc.	NA	NA	NA	NA	NA
06/09/09	IntrinsiQ LLC	WWMR, Inc.	NA	NA	NA	NA	NA
05/31/09	Sage Communications LLC	JDG Communications, Inc.	NA	NA	NA	NA	NA
05/27/09	Lorton Data, Inc.	Aldata	NA	NA	NA	NA	NA
05/18/09	United Entertainment Group, Inc.	Acme Brand Content LLC	NA	NA	NA	NA	NA
05/19/09	MailSouth, Inc.	Saving Source Direct	NA	NA	NA	NA	NA
05/18/09	Merkle, Inc.	CognitiveDATA	NA	NA	NA	NA	NA
05/15/09	Hughes Advertising, Inc. (Terminated)	Ngage LLC	NA	NA	NA	NA	NA
05/12/09	Seakinetics Corp.	Marketing Concepts International	\$1.0	NA	NM	NA	NA
05/11/09	NTN Buzztime, Inc.	Instant Access Media LLC	0.5	NA	NA	NA	NA
05/01/09	McGovern PR	Create Affinity	NA	NA	NA	NA	NA
04/29/09	Ybrant Digital	Dream Ad	NA	NA	NA	NA	NA
04/28/09	Fisher Vista, LLC	Outcalt & Associates, Inc.	NA	NA	NA	NA	NA
04/27/09	HSR Business to Business LLC	Gyro International	NA	NA	NA	NA	NA
04/15/09	Tango Management Consulting, LLC	InSite Analytics	NA	NA	NA	NA	NA
03/31/09	imageTech Marketing	EventPhotoMarket.com	NA	NA	NA	NA	NA
03/31/09	imageTech Marketing	Denny Electra Vision Co., Inc.	NA	NA	NA	NA	NA
04/08/09	Cineplex Entertainment	Onsite Media Network, Inc.	1.4	NA	NA	NA	NA
04/06/09	NTT DoCoMo, Inc.	Oak Lawn Marketing (51% Stake)	603.7	NA	NA	NA	NA
03/23/09	SmartReply	mSnap, Inc.	NA	NA	NA	NA	NA
03/18/09	Agora Marketing Solutions, Inc.	USA Pubs, Inc.	NA	NA	NA	NA	NA
03/04/09	AXIS	Kolbrener USA	NA	NA	NA	NA	NA
03/04/09	Mark Altman & Associates	Dynamic Mail Solutions, Inc.	NA	NA	NA	NA	NA
02/24/09	CSG Openline	BLUEROADS	NA	NA	NA	NA	NA
02/10/09	Melissa Data	M1 Data & Analytics	NA	NA	NA	NA	NA
01/29/09	Theodore G. Schwartz (Withdrawn)	APAC Customer Services, Inc.	87.0	0.35x	2.1x	NA	NA
01/13/09	Newport Coast	Technology & IP (NextMedium)	NA	NA	NA	NA	NA
01/12/09	WeissComm Group	ODA	NA	NA	NA	NA	NA
Subtotal			\$1,976.3				



Select M&A Deals in Gridley's Targeted Sectors
Full Year 2009

(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to			Premium Paid to Stock Price 30 Days Prior to Announcement Date
				LTM Revenue	LTM EBITDA	Forward P/E	
Internet Services							
12/22/09	Flurry, Inc.	Pinch Media, Inc.	NA	NA	NA	NA	NA
12/21/09	Limelight Networks, Inc.	EyeWonder, Inc.	\$128.7	NA	NA	NA	NA
12/18/09	StrongMail Systems, Inc.	The Email Advisor LLC	NA	NA	NA	NA	NA
12/16/09	Ontela, Inc.	Photobucket, Inc.	NA	NA	NA	NA	NA
12/15/09	Deltek, Inc.	mySBX, Inc.	NA	NA	NA	NA	NA
12/14/09	PR Newswire Association LLC	Virtual Press Office Inc.	10.0	NA	NA	NA	NA
12/11/09	MenQ Technology Group Limited (nka:China	China Interactive Education, Inc., Prior to Reverse	NA	NA	NA	NA	NA
12/10/09	St-Georges Minerals Inc.	ACFAW.COM Inc.	NA	NA	NA	NA	NA
12/10/09	WebMediaBrands Inc	Social Times, Inc.	NA	NA	NA	NA	NA
12/09/09	MOL AccessPortal Bhd	Friendster, Inc.	NA	NA	NA	NA	NA
12/08/09	Movitas, LLC	PhindMe, LLC	NA	NA	NA	NA	NA
12/08/09	Cascadia Investments, Inc.	MyPersonalRingtone.com	NA	NA	NA	NA	NA
12/08/09	Riverdale Capital Ltd.	Link Jacket	0.3	NA	NA	NA	NA
12/08/09	Global Grind Digital, Inc.	CelebrityTweet	NA	NA	NA	NA	NA
12/04/09	Apple Inc.	La La Media Inc.	NA	NA	NA	NA	NA
12/04/09	Google Inc.	AppJet Inc.	NA	NA	NA	NA	NA
12/03/09	NGHT, Inc.	ScienceBlogs, LLC	NA	NA	NA	NA	NA
12/02/09	SimpleTuition, Inc.	The College Company, Inc.	NA	NA	NA	NA	NA
12/02/09	Cheil Communications Inc.	The Barbarian Group LLC	NA	NA	NA	NA	NA
11/23/09	Google Inc.	Teracent Corporation	NA	NA	NA	NA	NA
11/20/09	Invicta Group Inc.	Target Marketing Inc.	NA	NA	NA	NA	NA
11/20/09	CDC Software Corporation	Truition, Inc.	NA	NA	NA	NA	NA
11/18/09	MySpace, Inc.	Imeem, Inc.	NA	NA	NA	NA	NA
11/11/09	Churchill Downs Inc.	Youbet.com Inc.	122.0	1.09x	10.8x	21.8x	11.6%
11/09/09	Electronic Arts Nederland B.V.	Playfish Limited	391.3	NA	NA	NA	NA
11/09/09	Google Inc.	AdMob, Inc.	750.0	15.0x-20.0x	NA	NA	NA
11/06/09	Catalyst Group Holdings Corp.	Real Estate Promotional Services, Inc.	0.3	NA	NA	NA	NA
11/03/09	Liquid Agency, Inc.	Neutron LLC	NA	NA	NA	NA	NA
10/29/09	TripAdvisor LLC	Kuxun.cn	12.0	NA	NA	NA	NA
10/30/09	NuMobile, Inc.	Textalacarte, Inc.	NA	NA	NA	NA	NA
10/27/09	GSI Commerce Inc.	Retail Convergence, Inc.	350.0	2.60x	NA	NA	NA
10/26/09	Accel-KKR LLC	Kana Software, Inc., Substantially All Assets	42.0	NA	NA	NA	NA
10/09/09	QuinStreet, Inc.	Insure.com Inc.	16.0	NA	NA	NA	NA
09/30/09	AT&T Interactive, Inc.	Plusmo, Inc.	NA	NA	NA	NA	NA
09/27/09	GovDelivery, Inc.	GovLoop	NA	NA	NA	NA	NA
09/24/09	ConnectEdu, Inc.	Efficient College Applications, LLC	NA	NA	NA	NA	NA
09/23/09	Shutterstock Images, LLC	BigStockPhoto, Inc.	NA	NA	NA	NA	NA
09/17/09	PM Digital Corp.	SpinShark, LLC	NA	NA	NA	NA	NA
09/16/09	Google Inc.	reCAPTCHA Inc.	22.0	NA	NA	NA	NA
09/15/09	Rubicon Project, Inc.	Others Online, Inc.	NA	NA	NA	NA	NA
09/15/09	Adobe Systems Inc.	Omniure Inc.	1,558.8	4.65x	22.3x	35.3x	47.5%
09/14/09	NAVTEQ Corporation	Acuity Mobile, Inc.	NA	NA	NA	NA	NA
09/14/09	OpenTable, Inc.	GuestBridg, Inc.	3.0	NA	NA	NA	NA
09/11/09	Nokia Corp.	Plum Ventures, Inc.	NA	NA	NA	NA	NA
09/10/09	Shutterfly, Inc.	Tiny Pictures, Inc.	3.4	NM	NM	NA	NA
09/08/09	Disney Interactive Studios, Inc.	Wideload Games Inc.	NA	NA	NA	NA	NA
09/04/09	Top Level Domain Holdings Ltd.	DotEco LLC	1.3	NA	NA	NA	NA
09/02/09	TheFind, Inc.	Kriyari, Inc.	NA	NA	NA	NA	NA
09/01/09	Investment Consortium	Skype Technologies S.A.	3,115.4	5.09x	NM	NA	NA
08/28/09	Channel Intelligence, Inc.	Vcommerce Corporation	NA	NA	NA	NA	NA
08/27/09	DivX, Inc.	AnySource Media, LLC	15.0	NA	NA	NA	NA
09/01/09	GSI Commerce Inc.	pepperjam, Inc.	NA	NA	NA	NA	NA
08/29/09	Adobe Systems Inc.	Business Catalyst Systems LLC	NA	NA	NA	NA	NA
08/26/09	Delivery Concepts, LLC	Eats Media, LLC	NA	NA	NA	NA	NA
08/25/09	AZCAR Technologies Incorporated	Matchframe Video, LLC	0.4	NA	NA	NA	NA
08/25/09	ORBIT Systems, Inc.	Voyageur I.T.	NA	NA	NA	NA	NA
08/24/09	Canpages, Inc.	GigPark Inc.	NA	NA	NA	NA	NA
08/24/09	Live Gamer, Inc.	TwoFish, Inc.	NA	NA	NA	NA	NA
08/21/09	AdMob, Inc.	AdWhirl, Inc.	NA	NA	NA	NA	NA



Select M&A Deals in Gridley's Targeted Sectors
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(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to Revenue	Enterprise Value to EBITDA	Forward P/E	Premium Paid to Stock Price 30 Days Prior to Announcement Date
Internet Services (cont'd)							
08/19/09	MySpace, Inc.	iLike, Inc.	\$19.5	NA	NA	NA	NA
08/10/09	Facebook, Inc.	FriendFeed, Inc.	NA	NA	NA	NA	NA
08/10/09	MSNBC Interactive News, L.L.C.	EveryBlock, LLC	NA	NA	NA	NA	NA
08/09/09	Publicis (VivaKi)	Razorfish	530.0	1.39x	NA	NA	NA
08/04/09	Google Inc.	On2 Technologies Inc.	135.0	7.56x	NM	NM	92.3%
08/04/09	Student Love Connection LLC	CollegeDatingAdvice.com	NA	NA	NA	NA	NA
08/04/09	WatchGuard Technologies, Inc.	BorderWare Technologies, Inc.	NA	NA	NA	NA	NA
08/03/09	Student Love Connection LLC	CollegeDatingForum.com	NA	NA	NA	NA	NA
07/31/09	Atrinsic, Inc.	Shopit.com, Inc.	2.7	NA	NA	NA	NA
07/31/09	Caivis, Inc.	Active Response Group, Inc.	1.3	NA	NA	NA	NA
07/30/09	McAfee, Inc.	MX Logic, Inc.	168.5	NA	NA	NA	NA
07/28/09	Military Advantage, Inc.	CinCHouse, LLC	0.6	NA	NA	NA	NA
07/30/09	WebTrends Corporation	Widemile, Inc.	NA	NA	NA	NA	NA
07/29/09	Cyberplex Inc.	Burst Media Corporation	6.9	0.27x	120.8x	NM	81.1%
07/29/09	Internet Brands, Inc.	NicheDirectories, LLC, KidsCamps.com	NA	NA	NA	NA	NA
07/28/09	Sparxent, Inc.	Cemaphore Systems, Inc.	NA	NA	NA	NA	NA
07/23/09	Neudesic, LLC	Avitiva, Inc.	NA	NA	NA	NA	NA
07/23/09	ROAR, LLC	Girililla Marketing, LLC	NA	NA	NA	NA	NA
07/22/09	Apax Partners Worldwide LLP	Bankrate Inc.	516.5	3.36x	10.0x	20.0x	13.6%
07/22/09	OpenAir, Inc.	QuickArrow, Inc.	19.4	NA	NA	NA	NA
07/22/09	Yahoo! Inc.	Xoopit, Inc.	NA	NA	NA	NA	NA
07/21/09	Meredith Corp.	The Hyperfactory (USA) Inc.	NA	NA	NA	NA	NA
07/21/09	Tree.Com, Inc.	LeadRelevance, LLC	NA	NA	NA	NA	NA
07/20/09	EducationDynamics, LLC	Aslanian Group, Inc.	NA	NA	NA	NA	NA
07/15/09	Adknowledge, Inc.	Super Rewards	NA	NA	NA	NA	NA
07/15/09	AOL, LLC	MMAFighting.com	NA	NA	NA	NA	NA
07/15/09	Teakwood Capital, L.P.	HVAC Agent LLC	NA	NA	NA	NA	NA
07/10/09	Blackboard Inc.	Terriblyclever Design, LLC	4.0	NA	NA	NA	NA
07/13/09	Match.com, LLC	People Media L.L.C.	57.0	NA	NA	NA	NA
07/08/09	Hostopia.com Inc.	MerchEngines	NA	NA	NA	NA	NA
07/07/09	Q Interactive, Inc.	Postmaster Direct	NA	NA	NA	NA	NA
07/06/09	Thomson Reuters Corporation	Streamlogics, Inc.	NA	NA	NA	NA	NA
07/02/09	Acsys Interactive Inc.	Innovative Internet Marketing Solutions	NA	NA	NA	NA	NA
06/30/09	StrongMail Systems, Inc.	PopularMedia, Inc.	NA	NA	NA	NA	NA
06/30/09	Platinum Studios, Inc	WOWIO, LLC	3.2	NA	NA	NA	NA
06/26/09	ToLuna PLC	Greenfield Online, Inc. (Internet Survey Solutions)	40.0	0.46x	NA	NA	NA
06/23/09	Global Compliance Services, Inc.	SilentWhistle, Inc.	NA	NA	NA	NA	NA
06/23/09	Mail.com Media Corp.	DeadlineHollywoodDaily.com	NA	NA	NA	NA	NA
06/16/09	A9.com, Inc.	SnapTell, Inc.	NA	NA	NA	NA	NA
06/12/09	Internet Capital Group, Inc.	SendTec, Inc.	0.9	NA	NA	NA	NA
06/11/09	AOL LLC	Going, Inc.	10.0	NA	NA	NA	NA
06/11/09	AOL LLC	Patch Media Corp.	10.0	NA	NA	NA	NA
06/11/09	Saratoga Technologies, Inc.	iPlenus LLC	NA	NA	NA	NA	NA
06/09/09	Cascadia Investments, Inc.	www.ticketweet.com	NA	NA	NA	NA	NA
06/08/09	Sabse Technologies, Inc.	jaxtr, Inc.	NA	NA	NA	NA	NA
06/04/09	Cascadia Investments, Inc.	Tiny Twirp.com	NA	NA	NA	NA	NA
06/02/09	Lithium Technologies, Inc.	Keibi Technologies, Inc.	NA	NA	NA	NA	NA
06/01/09	ITEL, Inc.	RoofingMatch.com	NA	NA	NA	NA	NA
06/01/09	Straight North LLC	Whoast, Inc.	NA	NA	NA	NA	NA
06/01/09	Sugar, Inc.	Shopflick, Inc.	NA	NA	NA	NA	NA
05/28/09	SourceForge, Inc.	Ohloh Corp.	2.6	NA	NA	NA	NA
05/27/09	Fortune Media Market, Inc.	SmartAD	4.3	NA	NA	NA	NA
05/27/09	Good Technology, Inc.	InterCasting Corp.	NA	NA	NA	NA	NA
05/27/09	Saratoga Technologies, Inc.	GilCom Networks, Inc.	NA	NA	NA	NA	NA
05/27/09	Voxeo Corp.	Imified LLC	NA	NA	NA	NA	NA
05/26/09	Rediff.com India Ltd.	Examville.com LLC	NA	NA	NA	NA	NA
05/20/09	Limelight Networks, Inc.	Kiptronic, Inc.	1.0	NA	NA	NA	NA
05/21/09	The Knot, Inc.	Felicite.com Patents and eWish	NA	NA	NA	NA	NA
05/21/09	Venturian Media Ltd.	BoxedUp.com	NA	NA	NA	NA	NA
05/19/09	HostMySite	Hosting.com	NA	NA	NA	NA	NA
05/19/09	Noobis, Inc.	BidSellBuy.com	NA	NA	NA	NA	NA



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Internet Services (cont'd)							
05/14/09	Empresario	Mamma.com (Copernic), Ad Network (Copernic)	NA	NA	NA	NA	NA
05/14/09	Greenhouse Telecommunications	Media Works Ltd., Neobee.net Ltd.	NA	NA	NA	NA	NA
05/08/09	Velti	Ad Infuse, Inc.	\$4.0	NA	NA	NA	NA
05/06/09	Florida Merchant Capital Investors	WorkTree.com	NA	NA	NA	NA	NA
04/30/09	it's learning	Netmedia Education	NA	NA	NA	NA	NA
04/30/09	Intelius, Inc.	Spock Networks, Inc.	NA	NA	NA	NA	NA
04/30/09	Disney - ABC Television Group	Hulu, LLC	NA	NA	NA	NA	NA
04/30/09	NetLogic Microsystems, Inc.	Integrated Device Technology, Inc.	90.0	NA	NA	NA	NA
04/29/09	WebMediaBrands, Inc.	Brandsoftheworld.com	1.5	NA	NA	NA	NA
04/28/09	Parked.com	WhyPark	NA	NA	NA	NA	NA
04/27/09	ARI	Channel Blade Technologies Corp.	6.8	1.50x	NA	NA	NA
04/27/09	Web.com	Solid Cactus	4.8	NA	NA	NA	NA
04/22/09	Move Networks	Inuk Networks	NA	NA	NA	NA	NA
04/21/09	PlaySpan	Spare Change	NA	NA	NA	NA	NA
04/20/09	Bain Capital and Spectrum Equity Investors	SurveyMonkey.com, LLC	NA	NA	NA	NA	NA
04/20/09	IPMG	BlueFreeway Ltd.	34.6	0.60x	NM	NA	135.3%
04/20/09	Trilogy, Inc. (Terminated)	Autobyte, Inc.	NM	NM	NM	NA	45.9%
04/16/09	TRUSTe	Haute Secure	NA	NA	NA	NA	NA
04/15/09	eBay, Inc.	Gmarket, Inc.	960.4	4.47x	21.4x	27.7x	56.4%
04/13/09	GlowHost.com	DataCities.com	NA	NA	NA	NA	NA
04/13/09	Sherpaloo Venutres, Accel Partners,	StumbleUpon	NA	NA	NA	NA	NA
04/09/09	LivingSocial	buyyourfriendadrink.com	NA	NA	NA	NA	NA
04/08/09	CarDomain Network	StreetFire.net	NA	NA	NA	NA	NA
04/08/09	Open Text Corp.	Vizible Corp.	0.9	NA	NA	NA	NA
04/07/09	4D Media, Inc.	GetSeats.com, LLC	NA	NA	NA	NA	NA
04/07/09	DM, PLC	PDV	1.7	NA	NA	NA	NA
04/07/09	Limbo	Brightkite	NA	NA	NA	NA	NA
04/02/09	Infomedia 18 Ltd.	Burrpl Software Pvt. Ltd.	NA	NA	NA	NA	NA
03/24/09	eWayDirect, Inc.	The Catamount Group, LLC	NA	NA	NA	NA	NA
03/12/09	Adknowledge	MIVA Media (MIVA, Inc.)	11.6	NA	NM	NA	NA
03/07/09	Cruvee for Wineries	scrugy.com	NA	NA	NA	NA	NA
03/03/09	Paramore Redd Online Marketing	Cora Syndicate	NA	NA	NA	NA	NA
02/25/09	First on Mars	PrisonBreakCrazy.com	NA	NA	NA	NA	NA
02/25/09	Sedo	RevenueDirect	NA	NA	NA	NA	NA
02/11/09	Princeton Fulfillment Solutions	M&B Technologies	NA	NA	NA	NA	NA
02/10/09	Haggin Marketing	SolutionSet	NA	NA	NA	NA	NA
02/04/09	Tree.com	JustThrive.com	NA	NA	NA	NA	NA
02/04/09	Alloy Media + Marketing	TAKKLE.com	0.8	NA	NA	NA	NA
02/02/09	Apartments.com	Apartment Home Living	NA	NA	NA	NA	NA
01/30/09	Vana Blue, Inc. (Withdrawn)	Karveck Corporation	NA	NA	NA	NA	NA
01/29/09	Purewire, Inc.	Opinity	NA	NA	NA	NA	NA
01/29/09	IAC's ServiceMagic	Magic Hardware	NA	NA	NA	NA	NA
01/29/09	ALC	Empathy Lab	NA	NA	NA	NA	NA
01/29/09	Transcontinental	Conversys	NA	NA	NA	NA	NA
01/29/09	Glam Media	AdaptiveAds	NA	NA	NA	NA	NA
01/28/09	HealthCentral	Wellsphere	NA	NA	NA	NA	NA
01/27/09	The Knot Inc.	WedSnap	3.2	NA	NA	NA	NA
01/23/09	Active Network	ReserveAmerica (IAC)	35.0	NA	NA	NA	NA
01/23/09	Trader Corporation	Dealer.com	175.0	NA	NA	NA	NA
01/19/09	Dydacomp	StoreFront.net	0.3	NA	NA	NA	NA
01/05/09	Journey Education Marketing, Inc.	Academic Superstore	NA	NA	NA	NA	NA
Subtotal			\$9,405.7				



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Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to LTM Revenue	LTM EBITDA	Forward P/E	Premium Paid to Stock Price 30 Days Prior to Announcement Date
Financial Technology							
12/05/09	Mascon Global Ltd	C-SAM, Inc.	NA	NA	NA	NA	NA
12/04/09	Navigation Capital Partners, LLC	Prepaid Solutions USA (nka:Prepaid Solutions, Inc.)	\$6.5	NA	NA	NA	NA
11/24/09	Interactive Data Corporation	Dow Jones & Company Inc., Online Financial Solutions	13.5	NA	NA	NA	NA
11/19/09	Higher One Inc.	Informed Decisions Corp.	36.0	NA	NA	NA	NA
11/18/09	American Express Company	Revolution Money Inc.	300.0	NA	NA	NA	NA
11/18/09	Palladium Equity Partners, LLC	DolEx Dollar Express, Inc. and United Europhil, S.A.	85 - 110	0.60x-0.80x	5.0x-6.5x	NA	NA
11/09/09	Mobile Messenger, Inc.	m-Qube, Inc.	18.5	NA	NA	NA	NA
11/06/09	The Carlyle Group; Carlyle Partners V, L.P.	OpenLink Financial, Inc.	NA	NA	NA	NA	NA
11/05/09	TriLinc Global, LLC	PAES, Inc.	7.5	NA	NA	NA	NA
11/02/09	Klik Technologies Corp.	Cash Management Services, Inc.	NA	NA	NA	NA	NA
10/30/09	Undisclosed	Merchant Processing International, Inc., TransFirst LLC	NA	NA	NA	NA	NA
10/29/09	Jack Henry & Associates Inc.	Pemco Technology Services, Inc.	60.0	NA	NA	NA	NA
10/19/09	First Derivatives plc	Kx Systems, Inc.	52.2	NA	NA	NA	NA
09/30/09	Ebix Inc.	E-Z Data, Inc.	48.3	2.25x	NM	NA	NA
09/30/09	Ebix Inc.	Peak Performance Solutions, Inc.	9.5	NA	NA	NA	NA
09/29/09	WorkThink, Inc.	FiveRuns Corporation	NA	NA	NA	NA	NA
09/28/09	Global Payments Inc.	Auctionpay, Inc.	NA	NA	NA	NA	NA
09/24/09	Financial Software Systems, Inc.	Spot Systems Inc.	NA	NA	NA	NA	NA
09/24/09	YellowBrix, Inc.	Pinnacor Inc.	NA	NA	NA	NA	NA
09/11/09	Intuit Inc.	Mint Software, Inc.	171.0	NA	NA	NA	NA
09/01/09	The Cash Store Financial Services, Inc.	Affordable PayDay Loans Inc.	0.7	NA	NA	NA	NA
08/31/09	Actimize, Inc.	Fortent, Inc.	73.5	NA	NA	NA	NA
08/27/09	Minati Capital Corp.	First Global Data Corporation	NA	NA	NA	NA	NA
08/26/09	Comvest Investment Partners	Cynergy Data, Inc.	81.0	NA	NA	NA	NA
08/21/09	Centrra, Inc.	BarNone, Incorporated	NA	NA	NA	NA	NA
08/21/09	Reval.com, Inc.	FXpress Corporation	NA	NA	NA	NA	NA
08/16/09	Jack Henry & Associates Inc.	Goldleaf Financial Solutions, Inc.	65.1	0.85x	7.9x	NM	78.2%
08/10/09	Elavon, Inc.	MB Financial Inc. (Merchant Card Processing Business)	NA	NA	NA	NA	NA
08/05/09	Bottomline Technologies Inc.	Bank of America Corporation (PayMode@)	19.8	1.56x	NA	NA	NA
08/03/09	Thomson Reuters PLC	Vhayu Technologies Corp.	NA	NA	NA	NA	NA
07/31/09	NCI Information Systems, Inc.	TRS Consulting, Inc.	23.2	NA	NA	NA	NA
07/28/09	Evolution Benefits, Inc.	BEMAS Software, Inc.	NA	NA	NA	NA	NA
07/27/09	Vista Equity Partners	MicroEdge, Inc.	30.7	NA	NA	NA	NA
07/21/09	Alliance Data Systems Corporation	Big M, Inc. (Private Label Credit Card Portfolio)	NA	NA	NA	NA	NA
07/17/09	Teranet Inc.	Atsource Solutions Inc.	NA	NA	NA	NA	NA
07/06/09	BluePay, Inc.	Landmark Merchant Solutions, LLC	NA	NA	NA	NA	NA
06/26/09	First American Corp.	First Advantage Corp.	1,135.3	1.53x	8.9x	21.5x	35.4%
06/18/09	R.R. Donnelley & Sons Company	Prospectus Central LLC	3.0	NA	NA	NA	NA
06/17/09	First American CoreLogic, Inc.	BasePoint Analytics, Inc.	NA	NA	NA	NA	NA
06/16/09	BOKU, Inc.	Paymo, Inc. and Vidicom Ltd.	NA	NA	NA	NA	NA
06/15/09	Softpro Systems Ltd.	Cura Risk Management Software (Pty) Ltd.	19.0	2.38x	NA	NA	NA
06/12/09	Global Payments, Inc.	HSBC Merchant Services	628.0	3.06x	5.8x	NA	NA
06/08/09	CRIF SpA	FLS Services, Inc.	NA	NA	NA	NA	NA
06/02/09	Intuit, Inc.	PayCycle, Inc.	169.0	NA	NA	NA	NA
05/07/09	PNC Equity Partners, II, L.P.	APEX Analytix, Inc.	NA	NA	NA	NA	NA
05/06/09	Western Union Co.	Custom House Ltd.	371.0	NA	NA	NA	NA
05/06/09	QinetiQ, PLC	Cyveillance, Inc.	80.0	7.69x	NA	NA	NA
04/30/09	BSI, Inc.	First Advantage Corp. (Supply Chain Security Division)	NA	NA	NA	NA	NA
04/27/09	Longtop Financial Technologies Ltd.	Sysnet Info-tech Corp.	26.4	2.92x	NA	NA	NA
04/15/09	Harris Corp.	Crucial Security, Inc.	33.0	NA	NA	NA	NA
04/02/09	Guard Dog, Inc.	Identity Defenders, LLC	NA	NA	NA	NA	NA
03/31/09	Fidelity National Information Services	Metavante Technologies, Inc.	4,616.9	2.70x	10.0x	17.4x	43.1%
03/27/09	Advent International Corp.	Fifth Third Bank Processing Solutions	1,100.0	NA	NA	NA	NA
03/20/09	SS&C Technologies	Evare LLC	3.5	NA	NA	NA	NA
03/11/09	iVolution	Professional Healthcare Billing Services	NA	NA	NA	NA	NA
03/09/09	Mortgagebot	Netupdate	NA	NA	NA	NA	NA
02/20/09	GiftCards.com	Swapagift.com	NA	NA	NA	NA	NA
02/03/09	Finsbury Solutions	Compassoft, Inc.	NA	NA	NA	NA	NA
01/20/09	Tier Technologies, Inc.	ChoicePay Inc.	12.7	1.31x	NM	NA	NA
01/07/09	Aeon Holdings, Inc.	Novori, Inc.	NA	NA	NA	NA	NA
Subtotal			\$9,312.2				



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Data Services								
12/21/09	The Bank of New York Mellon Corporation	Portsmouth Financial Systems	NA	NA	NA	NA	NA	
12/11/09	Morningstar Inc.	Logical Information Machines, Inc.	\$51.5	2.58x	NA	NA	NA	
11/09/09	The Gulf of Maine Research Institute	The Gulf of Maine Ocean Observing System	NA	NA	NA	NA	NA	
11/05/09	TPG; CPP Investment Board	IMS Health Inc.	5,071.9	2.34x	9.8x	14.7x	48.3%	
11/05/09	Quantros, Inc.	MediQual	NA	NA	NA	NA	NA	
12/18/09	Rosca, Inc.	Secure Path Technology LLC	16.0	NA	NA	NA	NA	
10/20/09	Equifax Inc.	IXI Corporation	124.0	NA	NA	NA	NA	
11/02/09	Equifax Inc.	Rapid Reporting Verification Company LP	72.5	NA	NA	NA	NA	
10/30/09	Verisk Analytics, Inc.	Enabl-u Technologies Corp.	2.7	NA	NA	NA	NA	
08/26/09	Belmont Partners LLC (Investment Arm)	Data Storage Consulting Services, Inc.	NA	NA	NA	NA	NA	
07/27/09	International Business Machine Corp.	SPSS Inc.	783.7	2.70x	9.0x	25.9x	50.6%	
07/10/09	EBSCO Publishing, Inc.	AgeLine Database	NA	NA	NA	NA	NA	
07/03/09	United Business Media plc	RISI, Inc.	29.8	1.43x	NA	NA	NA	
07/01/09	Access Intelligence, LLC	Contexo Media, LLC	NA	NA	NA	NA	NA	
07/02/09	i2 Limited	Knowledge Computing Corporation	NA	NA	NA	NA	NA	
05/05/09	Rogue Wave Software, Inc.	Visual Numerics, Inc.	NA	NA	NA	NA	NA	
04/20/09	Morningstar, Inc.	Global Reports LLC (Financial Filings Database)	NA	NA	NA	NA	NA	
04/16/09	SENTEL Corp.	24/7 Solutions	NA	NA	NA	NA	NA	
04/08/09	Thomson Reuters	World Trade Exective, Inc.	NA	NA	NA	NA	NA	
01/20/09	Compliance 360, Inc.	Tavilo, Inc.	NA	NA	NA	NA	NA	
Subtotal			\$6,152.2					



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SaaS and Outsourcing Services							
12/18/09	ManTech International Corporation	Sensor Technologies Inc.	\$242.0	NA	NA	NA	NA
12/16/09	International Business Machines Corp.	Lombardi Software, Inc.	NA	NA	NA	NA	NA
12/15/09	Rivermine Software, Inc.	MBG Expense Management, LLC	NA	NA	NA	NA	NA
12/08/09	Allan Williams	VillageEDOCs Inc.	NA	NA	NA	NA	NA
12/07/09	Francisco Partners Management LLC	Quadrated Corp.	109.9	0.76x	6.7x	NA	27.2%
12/01/09	ICF International Inc.	Jacob & Sundstrom Inc.	NA	NA	NA	NA	NA
11/24/09	Mediware Information Systems Inc.	Healthcare Automation, Inc.	4.5	NA	NA	NA	NA
11/23/09	Aurionpro Solutions Limited	Silicon Tech Corporation	NA	NA	NA	NA	NA
11/19/09	Sword Group SA	AgencyPort Insurance Services, Inc. (nka:Sword AgencyPort)	NA	NA	NA	NA	NA
11/18/09	Pharmaceutical Product Development Inc.	BioDuro, LLC	77.0	NA	NA	NA	NA
11/16/09	Search Global International, Inc.	Premier Background Search, Inc.	NA	NA	NA	NA	NA
11/16/09	Thomson Reuters Corporation	Sabrix, Inc.	NA	NA	NA	NA	NA
11/11/09	Blue Frog Solutions, Inc.	Prospect9, LLC	NA	NA	NA	NA	NA
11/09/09	Hellman & Friedman LLC: JMI Equity	Datatel, Inc.	NA	NA	NA	NA	NA
11/09/09	EJustice Solutions, LLC	CrimeCog Technologies, Inc.	NA	NA	NA	NA	NA
11/08/09	General Atlantic LLC: Kohlberg Kravis Roberts	TASC, Inc.	1,650.0	1.03x	8.0x-10.0x	NA	NA
11/07/09	William Koehler	Trilliant Technology Group Inc.	NA	NA	NA	NA	NA
11/06/09	Fresenius Medical Care North America	Health IT Services Group, LLC	NA	NA	NA	NA	NA
11/04/09	JDA Software Group Inc.	I2 Technologies, Inc.	561.4	2.42x	9.0x	15.3x	13.3%
11/03/09	Internet Pipeline, Inc.	AgencyWorks, LLC	NA	NA	NA	NA	NA
11/03/09	Railcar Management, LLC	SS6 Innovations LLC	NA	NA	NA	NA	NA
11/02/09	Dolan Media Company	DiscoverReady LLC	37.0	NA	NA	NA	NA
10/30/09	Automatic Data Processing, Inc.	HRinterax, Inc.	NA	NA	NA	NA	NA
10/29/09	PSC Info Group, Inc.	North Shore Agency, Inc., Data Proc., Printing and Mailing Unit	NA	NA	NA	NA	NA
10/28/09	Alpha Analytical, Inc.	Boston Analytical, Inc.	NA	NA	NA	NA	NA
10/27/09	AlphaStaff Group, Inc.	Selective HR Solutions, Inc.	13.0	NA	NA	NA	NA
10/26/09	Dassault Systemes SA	International Business Machines Corp., Sales and Customer	600.0	1.00x - 2.00x	NA	NA	NA
10/15/09	Intermedix Corporation	ESO Solutions Inc., ESO Pro Billing Services	NA	NA	NA	NA	NA
10/13/09	Barracuda Networks, Inc.	Purewire, Inc.	NA	NA	NA	NA	NA
10/12/09	Comp-U-Learn Tech India Limited	Boden, Inc.	2.5	NA	NA	NA	NA
10/12/09	Homestar, LLC	Performance Drive SVC	1.1	NA	NA	NA	NA
10/09/09	SK3 Group Inc.	Nurses On-Line, Inc.	1.2	NA	NA	NA	NA
10/08/09	Diversified Information Technologies, Inc.	Active Data Services, Inc.	NA	NA	NA	NA	NA
10/06/09	BroadSoft, Inc.	Packet Island, Inc.	NA	NA	NA	NA	NA
10/06/09	CO-OP Financial Services, Inc.	The LoanLink Center	NA	NA	NA	NA	NA
10/05/09	Athenahealth, Inc.	Anodyne Health, Inc.	30.0	NA	NA	NA	NA
10/05/09	Pentaho Corporation	LucidEra, Inc., Clearview Technology	NA	NA	NA	NA	NA
10/02/09	Total Attorneys, Inc.	Virtual Law Office Technology, LLC	NA	NA	NA	NA	NA
10/01/09	CriticalControl Solutions Inc.	Southport Data Systems, Inc.	2.1	NA	NA	NA	NA
10/01/09	AT&T, Inc.	VeriSign Inc., Global Security Consulting Business	4.9	NA	NA	NA	NA
10/01/09	GFI Software Ltd.	Katharion Inc.	NA	NA	NA	NA	NA
09/30/09	Ebix Inc.	Peak Performance Solutions, Inc.	9.5	NA	NA	NA	NA
09/29/09	Salary.com, Inc.	Makana Solutions, Inc.	NA	NA	NA	NA	NA
09/28/09	Symphony Technology Group, Elliott	MSC Software Corp.	238.4	1.02x	8.5x	66.8x	18.1%
09/22/09	TeleTracking Technologies, Inc.	RadarFind Corporation	NA	NA	NA	NA	NA
09/20/09	Dell Inc.	Perot Systems Corp.	3,772.3	1.43x	13.1x	31.3x	79.4%
09/14/09	Connectwise, Inc.	CoreConnex, Inc. (ConnexIT)	NA	NA	NA	NA	NA
09/14/09	RecruitHire, LLC	Dayak, Inc.	NA	NA	NA	NA	NA
09/14/09	Taleo Corp.	Worldwide Compensation, Inc.	18.1	NM	NA	NA	NA
09/10/09	NGP Software, Inc.	Patton Technologies, LLC	NA	NA	NA	NA	NA
09/09/09	The IQ Business Group	eVisory, Inc.	NA	NA	NA	NA	NA
09/08/09	Cognizant Technology Solutions Corp.	Pepperweed Advisors, LLC	NA	NA	NA	NA	NA
09/08/09	Rightnow Technologies Inc.	HiveLive Inc.	13.4	18.54x	NM	NA	NA
09/03/09	Harris Computer Systems, Inc.	MediSolution Ltd. (Resource Management Business)	27.1	NA	NA	NA	NA
09/01/09	Smilebox, Inc.	Preclick Corporation	NA	NA	NA	NA	NA
09/01/09	Net@Work, Inc.	Solution Strategists, Inc. (Sage Software Consulting Practice)	NA	NA	NA	NA	NA
08/31/09	Noble Systems Corporation	Touchstar Software Corporation	NA	NA	NA	NA	NA
08/19/09	NuGrowth Solutions LLC	Strategic Insurance Software Inc.	NA	NA	NA	NA	NA
08/17/09	Camber Corporation	I2S, Inc.	NA	NA	NA	NA	NA
08/17/09	Comsys IT Partners, Inc.	RCA Research, Inc.	NA	NA	NA	NA	NA
08/17/09	WTS Acquisition Corp.	On-Site Services, Inc.	NA	NA	NA	NA	NA
08/14/09	Blytheo, LLC	Synergistic Software Solutions LLC, MAS Practice	NA	NA	NA	NA	NA
08/14/09	Stream Global Services Inc.	eTelecare Global Solutions Inc.	105.4	0.36x	3.9x	NA	NA
Subtotal			\$16,468.9				



Select M&A Deals in Gridley's Targeted Sectors
Full Year 2009

(\$ in millions)

Announcement Date	Acquirer	Target	Implied Enterprise Value	Enterprise Value to LTM Revenue	Enterprise Value to LTM EBITDA	Forward P/E	Premium Paid to Stock Price 30 Days Prior to Announcement Date
SaaS and Outsourcing Services (cont'd)							
08/12/09	Renew Data Corp.	Digital Mandate, LLC	NA	NA	NA	NA	NA
08/10/09	TAKE Supply Chain	EntComm, Inc.	NA	NA	NA	NA	NA
08/10/09	Artemis Technology, LLC	VSD Technologies, Inc.	NA	NA	NA	NA	NA
08/07/09	Versata Inc.	Everest Software, Inc.	NA	NA	NA	NA	NA
08/05/09	Interactive E-Solutions LLC	SimplifyIT LLC	NA	NA	NA	NA	NA
07/31/09	Health Systems International, LLC	@Global, Inc.	NA	NA	NA	NA	NA
07/30/09	CriticalControl Solutions Corp.	BPO Management Services Ltd	\$4.4	NA	NA	NA	NA
07/27/09	Vista Equity Partners	MicroEdge, Inc.	30.7	NA	NA	NA	NA
07/17/09	CCH, Inc.	Axentis, Inc.	NA	NA	NA	NA	NA
07/17/09	Xerox Corp.	Affiliated Computer Services, Inc.	8,072.2	1.24x	7.8x	15.7x	39.6%
07/16/09	Tyler Technologies, Inc.	Parker-low & Associates of North Carolina, Inc.	0.7	NA	NA	NA	NA
07/14/09	Allegiance, Inc.	Inquisite Inc.	NA	NA	NA	NA	NA
07/10/09	Mangrove Software, Inc.	Access1Source	NA	NA	NA	NA	NA
07/09/09	Motionsoft, Inc.	Belmont Associates, Inc.	NA	NA	NA	NA	NA
07/08/09	Keane, Inc.	Bearingpoint Inc.	5.5	NA	NA	NA	NA
07/07/09	ClickSoftware Technologies Ltd.	AST Solutions Group, LLC	1.8	NA	NA	NA	NA
07/07/09	Safe Systems, Inc.	Total Data Services, Inc. (Network Services Division)	NA	NA	NA	NA	NA
07/06/09	RCM Technologies Inc.	Project Solutions Group Inc.	2.5	NA	NA	NA	NA
07/01/09	ITI TranscendData	Proficiency, Inc.	NA	NA	NA	NA	NA
06/25/09	Coastal Capital Acquisition Corp.	Helix Design and Creation, Inc.	NA	NA	NA	NA	NA
06/15/09	Beacon Application Services Corporation	Newmerix Corporation	NA	NA	NA	NA	NA
06/11/09	Golden Gate Capital	SoftBrands, Inc.	80.5	0.81x	6.6x	NA	217.2%
06/10/09	LLR Partners	I-many, Inc.	41.2	1.12x	NM	NA	221.1%
05/21/09	Broadridge Financial Solutions, Inc.	Access Data Corp.	45.0	NA	NA	NA	NA
05/18/09	Accel-KKR LLC	SumTotal Systems Inc.	108.4	0.95x	14.6x	NM	160.9%
05/13/09	Oracle Corp.	Virtual Iron Software	NA	NA	NA	NA	NA
05/11/09	Bakbone Software, Inc.	ColdSpark, Inc.	15.4	11.37x	NM	NA	NA
05/01/09	Open Text Corp.	Vignette Corp.	162.0	1.02x	14.5x	38.9x	91.7%
04/22/09	Pipeline Financial Group, Inc.	3D Markets Inc.	NA	NA	NA	NA	NA
04/20/09	Lumension Security, Inc.	Securityworks, Inc.	NA	NA	NA	NA	NA
04/16/09	Unify Corp.	AXS-One Inc.	9.0	0.74x	NM	NA	(11.9%)
04/13/09	Tech Mahindra	Satyam Computer Services, Ltd.	210.2	0.10x	0.4x	2.6x	47.9%
04/09/09	NextStep Defined Contribution, Inc.	BenefitStreet, Inc.	NA	NA	NA	NA	NA
04/09/09	Pearson	EduStructures, LLC	NA	NA	NA	NA	NA
04/07/09	Savana Partners, LLC	Epitome Systems, Inc.	NA	NA	NA	NA	NA
04/01/09	Data Dimensions Corporation	Olim, LLC	NA	NA	NA	NA	NA
03/24/09	Affiliated Computer Services, Inc.	e-Services Group International	93.8	1.44x	NA	NA	NA
03/05/09	Trinet Group	Gevity	64.7	0.12x	2.6x	19.6x	89.6%
03/03/09	JPB Enterprises, Inc.	The HR Team, Inc.	NA	NA	NA	NA	NA
01/21/09	Manatron, Inc.	Software Techniques, Inc.	NA	NA	NA	NA	NA
Subtotal			\$16,468.9				



Private Equity / Venture Capital Financing Transactions

Private Equity:

Q4 2009

Despite an uptick in activity, private equity fundraising was at its lowest point in more than six years during Q4 2009 with an aggregate of \$35.1 billion raised by 75 funds during the period. North American funds led the pack raising \$19 billion followed by Europe-focused funds (\$11 billion) and Asia and Rest of World funds at \$5 billion. While deal volume dropped from 702 deals in Q3 2009 to 677 deals in Q4 2009, deal value jumped from \$22 billion in Q4 2008 to \$39 billion in Q3 2009 and \$48 billion in Q4 2009, indicating an increase in the large deal. In fact, six of the top ten largest private equity acquisitions for the year were announced in the fourth quarter, fueling hopes that private equity deal-making is returning in earnest.

2009

During 2009, only 482 global funds raised \$246 billion, down 61% from the \$636 billion raised in 2008. This was the weakest fundraising year since 2004. The number and aggregate target of funds in the market seeking capital continued to fall throughout the year. By year-end, the number of funds on the road fell to \$699 billion, down 21% from its peak of \$888 billion in January 2009. Even worse, not only are less funds on the road, the average length to close has increased from one year to 18 months. Lastly, of the Prequin Ltd. investors surveyed in December 2009, only 60% made a new commitment to a private equity fund in 2009 and less than half are hesitant about investing in the first half of 2010. Many investors are moving away from mega-buyout funds towards smaller and regionally focused investments.

2009 Top Ten Largest Private Equity Deals

Rank	Announcement Date	Implied EV (\$US billions)	Target	Acquiror
1	11/5/2009	\$5.1	IMS Health	TPG, CPP Investment Board
2	3/31/2009	5.1	Macquarie Comm. Infrastructure Group	CPP Investment Board
3	9/7/2009	3.1	Chartered Semiconductor Manufacturing Ltd.	Advanced Technology Investment Company
4	7/27/2009	3.5	Delphi Corp	Elliott Management Corp, Silver Point Capital
5	12/11/2009	3.4	Springer Science	EQT, GIC
6	10/15/2009	3.4	AB InBev CEE	CVC Capital Partners
7	9/1/2009	3.1	Skype	Silver Lake, Andreessen Horowitz, CPP Investment Board, Index Ventures
8	10/21/2009	2.5	Gatwick Airport	Global Infrastructure
9	12/16/2009	2.2	Cedar Fair LP	Apollo Management, L.P.
10	10/7/2009	2.7	Busch Entertainment	Blackstone

Venture Capital:

Q4 2009

Venture-backed company activity showed promising signs during Q4 2009 but fell far short of historical norms according to the Exit Poll report by Thomson Reuters and the National Venture Capital Association (NVCA). There were five venture-backed IPOs valued at \$649.3 million in Q4 2009, a slight increase from Q3 2009. There were 67 M&A, nearly the same as Q3 2009. Investors seem to be cautiously optimistic that Q4's improvements are indicative of improved exit activity for 2010. Though many believe that the VC asset class will continue to shrink in size over the next five years, investors believe there will be gradual increases in investment levels and exit transactions, especially in clean technology investing, growth equity and later stage companies, and ongoing opportunities overseas.



2009

Venture capital exit activity for the year showed moderate growth towards the end but still failed to come close to expectations. With 13 venture-backed IPOs during 2009, the annual total more than doubled activity in 2008, by dollars raised and number of offerings. However, the last two years have been the slowest consecutive years for U.S. venture-backed IPO activity since 1974-1975. The 2009 VC-backed M&A tally was 262 exits at a disclosed value of \$12.5 billion, compared to 348 deals worth a disclosed value of \$13.7 billion in 2008 a decrease of 8% and 25%, respectively. To discover early-stage opportunities in this tough market, firms have expanded geographically as well as invested in profitable, cash-rich companies that don't immediately need the capital. While IPO markets have been slowly recovering, most firms still consider M&A their best exit strategy.

According to Venture View, an annual predictions survey conducted by the National Venture Capital Association (NVCA) that polls venture capitalists across the U.S., some predictions for 2010 include: more venture dollars going into more portfolio companies, more venture dollars flowing to Asia, increases in later stage investment, improving exit signs, and a contracting industry.

2009 Top Ten VC-backed M&A Exits

Rank	Announcement Date	Target	Deal Size (billions)	Acquirer	Seller
1	6/1/2009	Data Domain	\$2.5	EMC	Greylock Partners, New Enterprise Associates
2	10/12/2009	Starent Networks, Corp.	2.4	Cisco Systems	North Bridge Venture Partners, North Bridge Venture Partners IV, L.P., Highland Capital Partners, Highland Capital Partners V, L.P., Matrix Partners, Matrix Partners VI, L.P.
3	7/22/2009	Zappos.com	0.9	Amazon.com	Venture Frogs, LLC, Sequoia Capital, Tenaya Capital, Millennium
4	2/23/2009	CoreValve	0.9	Medtronic Inc.	Sofinnova Partners, HealthCap, Apax Partners SA and Maverick Capital
5	11/9/2009	ADMob	0.8	Google	Accel Partners, Draper Fisher Jurvetson, Northgate Capital Group, L.L.C., Sequoia Capital
6	5/18/2009	Pure Digital Technologies	0.6	Cisco Systems	Benchmark Capital, Crescendo Venture Management LLP, Focus Ventures, Industry Venture, Sequoia Capital, Steamboat Ventures, LLC, VantagePoint Venture Partners
7	9/30/2009	WildBlue Communications	0.6	ViaSat Inc.	Intelsat, Tennenbaum Capital Partners, the National Rural Telecommunications Cooperative, Liberty Satellite & Technology, Inc., Liberty Media Interactive and Kleiner Perkins Caufield & Byers
8	8/7/2009	SpringSource	0.4	VMWare Inc.	Accel Partners, Ameritech Capital Partners, Bay Partners, DAG Ventures, LLC and Benchmark Capital
9	11/10/2009	LifeSize Communications	0.4	Logitech International	Mark B. Vogel, Austin Ventures, Norwest Venture Partners, Pinnacle Ventures, Redpoint Ventures, Sutter Hill Ventures, and Tenaya Capital
10	9/2/2009	Visiogen Inc.	0.4	Abbott Labs	CMEA Capital, Foundation Medical Partners, New Leaf Venture Partners, Novartis Venture Funds, Prospect Venture Partners, Technology Partners, Three Arch Partners



Select Private Equity Deals in Gridley's Targeted Sectors - Q4 2009

Marketing Services

(\$ in millions)

Date	Investor	Company	Description	Investment Amount
12/21/09	Angelo, Gordon & Co.; Strategic Value Partners, LLC	NextMedia Group, Inc.	NextMedia Group, Inc. owns and operates radio stations and outdoor advertising properties in the United States. It operates digital billboards, bulletins, sheet posters, bus shelters, and wallsapes.	\$55.0
12/18/09	Undisclosed	PowerReviews, Inc.	PowerReviews, Inc. provides solutions for consumer product reviews for brands and retailers. The company offers customer reviews services for retailers to capture, moderate, and display customer reviews and recommendations.	9.0
12/11/09	Undisclosed	Scanbuy, Inc.	Scanbuy, Inc. provides mobile marketing solutions for media companies, marketers, handset manufacturers, and carriers. Its 2D barcode capture technology enables customers to provide personal address books or calendars, transport schedules, SMS, interactive content, and news updates.	11.2
12/9/09	Diversified Web Holdings	Provision Interactive Technologies Inc.	Provision Interactive Technologies Inc. develops 3D holographic display technologies, software, and integrated solutions.	NA
11/30/09	MMV Financial Inc.; ROI Capital Ltd.	ClickSquared, Inc.	ClickSquared, Inc. provides interactive relationship marketing solutions, including strategy and campaign management.	6.5
11/4/09	RiTEK Corp.	MaxOnline	MaxOnline creates and publishes advertising solutions. It also offers services in concepts, creation, execution, management and optimization, reporting, research, and email advertising solutions.	20.0
10/1/09	General Catalyst Partners; Sequel Venture Partners	NextAction Corporation (nka:DataLogix, Inc.)	DataLogix, Inc. provides data and technology-driven solutions to direct marketers and brand advertisers for customer acquisition, retention, and branding programs on traditional and online marketing channels. It offers a database of SKU-level consumer purchasing behavior and an online advertising platform for data based on users' offline behaviors and attributes.	15.2



Select Private Equity Deals in Gridley's Targeted Sectors - Q4 2009

Internet Services

(\$ in millions)

Date	Investor	Company	Description	Investment Amount
12/22/09	August Capital; Maveron LLC	LiveMocha, Inc.	LiveMocha, Inc. provides web based language learning solutions integrating online instructional content with a community of language learners. It offers English, Spanish, French, Hindi, German, and Mandarin Chinese languages learning programs.	\$8.0
12/17/09	Allegis Capital; Private Equity Investors, Inc.; Sid R. Bass Associates L.P.	Inertia Beverage Group, Inc.	Inertia Beverage Group, Inc. provides solutions for the development and expansion of online wine marketplaces. It also provides direct-to-consumer and direct-to-trade e-commerce, wine club processing, content management system, business development, and marketing.	14.0
12/15/09	Syncom Venture Partners	AlikeList, Inc.	AlikeList, Inc. operates as a social-local platform and directory for listing, referring, and discovering local businesses in the United States.	5.0
12/15/09	Institutional Venture Partners; Tiger Global Management LLC; Digital Sky Technologies Limited; Andreessen Horowitz; Andreessen Horowitz L.P.	Zynga, Inc.	Zynga, Inc. operates as an online social gaming company. It offers casino games, word games, board games, role playing games, and party games, as well as casual online games.	180.0
12/15/09	General Catalyst Partners	Article One Partners, LLC	Article One Partners, LLC, an online research community, provides compensation for submitting prior art evidence for selected patents. It serves medical diagnostics, pharmaceutical, and software sectors.	NA
12/7/09	Cable News Network LP, LLLP; Betaworks; Village Ventures; Milestone Venture Partners; Union Square Ventures; New York City Investment Fund Manager, Inc.	Outside.in, Inc.	Outside.in, Inc. provides a data and technology platform that develops, organizes, and distributes hyperlocal news online. It monitors news, blogs, and discussions on the web and maps them to offline locations.	7.0
12/3/09	MDV-Mohr Davidow Ventures	Rocket Fuel Inc.	Rocket Fuel Inc. provides an ad serving technology platform for agencies and advertisers to manage, run, and evaluate online campaigns using automated segmentation technology and audience targeting technologies.	3.8
12/3/09	H.I.G. Ventures, LLC	Triad Digital Media, LLC	Triad Digital Media, LLC creates, manages, and operates online advertising and media programs for retailer and e-commerce websites.	NA
12/2/09	Accel Partners; New Enterprise Associates	Groupon, Inc.	Groupon, Inc. operates a website that offers group discounts for products and services in various areas.	30.0



Select Private Equity Deals in Gridley's Targeted Sectors - Q4 2009
Internet Services (cont'd)

(\$ in millions)

Date	Investor	Company	Description	Investment Amount
12/2/09	iNovia Capital; Draper Fisher Jurvetson; Greycroft, LLC	Vizu Corporation	Vizu Corporation operates as an online market research and opinion polling company that measures the effectiveness of online brand ad campaigns for publishers, agencies, and brand advertisers in real-time.	\$6.8
12/1/09	Adams Street Partners, LLC; Trinity Ventures	gWallet, Inc.	gWallet, Inc. operates a virtual currency platform for social media developers in various platforms, including social gaming, virtual worlds/online MMO, mobile platforms, and micro-transaction environments/abandoned shopping carts.	10.5
11/30/09	Kodiak Venture Partners; StarVest Partners, L.P.; Constellation Ventures	ideeli, Inc.	ideeli, Inc. owns and operates an online shopping community that connects luxury brands with consumers.	22.0
11/25/09	Bessemer Venture Partners; Canaan Partners; ATA Ventures	Zoosk, Inc.	Zoosk, Inc. operates as an online social dating network. Its network can also integrate with Facebook, MySpace, Bebo, and Hi5.	30.0
11/25/09	Accel Partners; Austin Ventures	Complex Media, LLC	Complex Media, LLC operates as an online portal for content, including retail news and product releases, fashion, video and music content, art, gaming, entertainment, and sports.	12.8
11/25/09	Atlas Venture LLP; Egan-Managed Capital; Massachusetts Technology Development Corporation; Kepha Partners; CommonAngels	OwnerIQ, Inc.	OwnerIQ, Inc. provides targeted marketing solutions based on consumer purchases and ownership. The company also operates an advertising platform in conjunction with its ownership targeting.	5.8
11/19/09	InSight Venture Partners	Chegg, Inc.	Chegg, Inc. provides an online textbook rental service that also allows students to buy and sell goods such as furniture, event tickets, housing, and electronics products.	57.0
11/18/09	Technology Crossover Ventures	ExactTarget, Inc.	ExactTarget, Inc. provides on-demand email marketing software solutions that enable clients to create, target, deliver, track, and manage permission-based email marketing communications.	70.0
11/18/09	Onset Ventures; Voyager Capital	1020, Inc.	1020, Inc. develops an online advertising solution using location-based information across the web, mobile, and Wi-Fi. Its platform also manages a publisher's web and mobile inventory, as well as serves targeted ads and messages into outgoing emails.	5.0
11/16/09	SoftBank Capital	NetPickle, Inc.	NetPickle, Inc. creates and distributes widgets and applications on the social web. The company offers customized branding and advertising opportunities on various social networks and RockYou, an advertising platform for brands and advertisers to reach application users.	50.0



Select Private Equity Deals in Gridley's Targeted Sectors - Q4 2009
Internet Services (cont'd)

(\$ in millions)

Date	Investor	Company	Description	Investment Amount
11/16/09	Charles River Ventures	Glyde Corporation	Glyde Corporation operates an online marketplace for buying and selling new and used items.	\$6.0
11/13/09	Bessemer Venture Partners; Charles River Ventures; Columbia Capital LLC; New Enterprise Associates	Millennial Media, Inc.	Millennial Media, Inc. operates as a mobile media networks company. Its products and solutions include MBrand, a mobile advertising network; Decktrade, a performance-based mobile advertising network; and Motion, a rich-media mobile advertising platform.	16.0
11/12/09	Undisclosed	Siri, Inc.	Siri, Inc. develops a virtual personal assistant that interacts with the internet and online services through mobile devices.	15.5
11/12/09	Split Rock Partners, LLC; Shasta Ventures; Doll Capital Management	Caring, Inc.	Caring, Inc. operates as a community and content website that helps people care for the aged. The company provides eldercare guidance.	10.0
11/11/09	New Enterprise Associates; Norwest Venture Partners; Lightspeed Venture Partners	Playdom, Inc.	Playdom, Inc. operates as a social game developing company. It delivers games, including Overdrive, Sorority Life, and Poker Palace, on Facebook, MySpace, and iPhone.	43.0
11/10/09	Kodiak Venture Partners; First Round Capital; Venrock	AppNexus, Inc.	AppNexus, Inc. develops and manages online ad exchange in the United States and the United Kingdom. It provides on-demand production infrastructure and offers AppNexus cloud, an ecosystem in which enterprises collaborate and share industry-specific information.	5.0
11/9/09	Draper Fisher Jurvetson; Greylock Partners; Madrona Venture Group; Vulcan Capital; The Hillman Company	Redfin Corporation	Redfin Corporation operates as an online residential real estate brokerage company in the United States. It offers maps, listings, tax records, and analytics.	10.0
11/9/09	Undisclosed	ShoeDazzle.com, Inc.	ShoeDazzle.com, Inc. operates an online shoe store for women in the United States. The company offers personalized styling by fashion experts based on individual personality and tastes.	7.0
11/4/09	Sequoia Capital	Mollyguard Corporation	Mollyguard Corporation, doing business as Eventbrite, provides online registration solutions to event organizers. It offers online event management, event promotion, and ticketing services.	6.5
11/4/09	Yaletown Venture Partners Inc.; Granite Ventures, LLC	Indicee Inc.	Indicee, Inc. operates an online application that allows users to merge data from various business systems, reports, and spreadsheets, as well as analyze and share that data with co-workers, colleagues, and customers in an online environment.	6.0



Select Private Equity Deals in Gridley's Targeted Sectors - Q4 2009
Internet Services (cont'd)

(\$ in millions)

Date	Investor	Company	Description	Investment Amount
11/4/09	Undisclosed	liveBooks, Inc.	liveBooks, Inc. designs customized portfolio websites that allow creative professionals to promote and manage their businesses online. The company caters to photojournalists, artist representatives, architects and interior designers, graphic designers, photographers, and students and educators.	\$5.0
11/2/09	InterWest Partners; Trinity Ventures	CubeTree, Inc.	CubeTree, Inc. provides social networking software as a service. It offers CubeTree API, a REST web services API, which allows applications to query and manipulate the resources provided by the CubeTree web application.	8.0
11/2/09	BIA Digital Partners LP; BIA Digital Partners II, L.P.; Patriot Capital Partners Fund II, L.P.; Patriot Capital, L.P.	The Motley Fool, Inc.	The Motley Fool, Inc. operates as a multimedia financial-services company. The company provides financial solutions and information for various investors.	25.0
10/28/09	Undisclosed	Aylus Networks, Inc.	Aylus Networks, Inc. provides multimedia sharing solutions for mobile networks. It develops MediaShare, a technology that allows wireless carriers to deploy communications experiences, including video blogging, video sharing, and video telephony.	9.3
10/27/09	Clearstone Venture Partners; Prism VentureWorks; Time Warner Investments	Six Degrees Games, Inc.	Six Degrees Games, Inc. operates as a videogame and virtual world publisher for videogame systems and personal computers. It offers Action AllStars, a sports-themed virtual world designed for ages six to fourteen years old.	7.0
10/26/09	Shasta Ventures; GRP Partners; Belo Corp.; A. H. Belo Corporation; Emergence Capital Partners	ResponseLogix, Inc.	ResponseLogix, Inc. provides software and internet services to automotive dealers. It specializes in the development of internet lead management, relationship development, and marketing software solutions.	5.6
10/25/09	The Sporting Exchange Limited; Cnaan Partners	Watercooler, Inc.	Watercooler, Inc. operates FanSection and TVLoop online communities that enable users to access a network of online fan communities in sports and television entertainment.	5.5
10/20/09	August Capital; Mayfield Fund; Accenture plc	Adchemy, Inc.	Adchemy, Inc. operates as an online customer acquisition technology company. Its flagship product, Adchemy Actions, is designed to help companies in career education and mortgage industries.	30.0
10/19/09	Scale Venture Partners; General Catalyst Partners; Matrix Partners	HubSpot, Inc.	HubSpot, Inc. offers B2B inbound marketing software. The company also provides search engine optimization, business blogging, competitor analysis, closed-loop marketing analytics, lead tracking and intelligence, landing page wizard, marketing intelligence, social media, and inbound marketing solutions.	16.0



Select Private Equity Deals in Gridley's Targeted Sectors - Q4 2009
Internet Services (cont'd)

(\$ in millions)

Date	Investor	Company	Description	Investment Amount
10/16/09	Undisclosed	MyWedding LLC	MyWedding LLC provides online wedding planning tools for engaged couples in North America. The company operates mywedding.com, a community of wedding auests, vendors, brides, and arooms.	\$8.0
10/15/09	Balderton Capital; Lightspeed Venture Partners; Meck, Ltd; CampVentures	Bling Nation, Ltd.	Bling Nation, Ltd. provides mobile payment services for local and community financial institutions. The company facilitates financial transactions between consumers and merchants.	20.0
10/9/09	Sierra Ventures; Rembrandt Venture Partners	Ooyala, Inc.	Ooyala, Inc. provides video solutions to video content providers, advertisers, publishers, and consumers. The company enables businesses to transcode, manage, deliver, analyze, and monetize their video assets.	10.0
10/9/09	Undisclosed	Jet Set Games, Inc.	Jet Set Games, Inc. offers products for mobile devices and console platforms, including Who's Buying, an iPhone app that determines who pays for dinner and drinks, and BottomLine, an iPhone app that enables small business owners to track key financial data.	9.0
10/7/09	Undisclosed	VectorMAX Corporation	VectorMAX Corporation develops and markets real-time and on-demand video products that broadcast live content via LAN, WAN, or internet connections; help manage digital publishing; and provides an IP video and 3D delivery platform for the mobile market.	15.0
10/5/09	Undisclosed	TidalTV, Inc.	TidalTV, Inc. operates an online platform that offers access to video programming on the internet. It offers branded broadcast, cable, and web programming. The company enables to access its services through desktop, personal home page, or social network sites.	16.0
10/5/09	Integral Capital Partners; Mayfield Fund; MeriTech Capital Partners; MDV-Mohr Davidow Ventures	AudienceScience Inc.	AudienceScience Inc. offers a behavioral targeting platform and marketplace for the digital media industry. It also collects, measures, and segments people's interests and intent through their web behaviors.	20.0
10/2/09	MeriTech Capital Partners	PopCap Games, Inc.	PopCap Games, Inc. develops and publishes casual games. Its games are played on the web, desktop computers, cell phones, smartphones, PDAs, pocket PCs, iPods, iPhones, game consoles, and in-flight entertainment systems.	22.5
10/1/09	Institutional Venture Partners; Sutter Hill Ventures	Yext, Inc.	Yext, Inc. provides online directories. It focuses on representing various businesses across the United States.	25.0



Select Private Equity Deals in Gridley's Targeted Sectors - Q4 2009

Financial Technology

(\$ in millions)

Date	Investor	Company	Description	Investment Amount
11/2/09	Undisclosed	CashStar, Inc.	CashStar Inc. provides multi-channel payments solutions to consumers and retailers and offers a platform that allows companies to offer interactive gift cards on its website.	\$5.0
10/29/09	Flybridge Capital Partners; RockBridge Equity Partners, LLC	Ready Financial Group, Inc.	Ready Financial Group, Inc. provides READYdebit, a prepaid Visa card, and online check-writing services for consumers. It also offers Visa gift card for direct-mail campaigns.	7.0
10/21/09	Maples Investments	MPOWER Mobile, Inc.	MPOWER Mobile, Inc. engages in the development of mobile payment applications. The company's YAP product suite and payment processing platform enables individuals, consumers, and merchants to buy, sell, and transfer with text-messaging.	5.0
9/29/09	Syntek Capital AG	eCommLink, Inc.	eCommLink, Inc. offers virtual, transaction processing, custom program development, cardholder services, and mobile commerce solutions. The company also supports prepaid debit card programs that allow customers' mobile phones to operate as a virtual bank account with mobile payment capabilities.	10.0
8/4/09	August Capital; Emergence Capital Partners; Doll Capital Management	Bill.com, Inc.	Bill.com, Inc. offers an electronic cash management service. The company offers CashView, which is a web-based system that allows companies to store and analyze documents, processes, messages, and transactions.	8.5
7/22/09	Moriah Partners, LLC; Moriah Growth Fund, L.P	Apollo Enterprise Solutions, LLC	Apollo Enterprise Solutions, LLC provides web-hosted payment and collection solutions for primary creditors, collection agencies, debt buyers, and legal recovery companies.	7.7
7/2/09	Lightspeed Venture Partners; Meck, Ltd; CampVentures	Bling Nation, Ltd.	Bling Nation, Ltd. provides mobile payment services for local and community financial institutions. The company facilitates financial transactions between consumers and merchants.	8.0



Select Private Equity Deals in Gridley's Targeted Sectors - Q4 2009

Data Services

(\$ in millions)

Date	Investor	Company	Description	Investment Amount
12/11/09	Hummer Winblad Venture Partners; Palomar Ventures; Leapfrog Ventures	Ace Metrix, Inc.	Ace Metrix, Inc. provides in market and on-demand television advertising analytics. The company offers advertising creative measurement services, including Ace PreTest that provides custom ad pre-testing, and Ace Macroscope, which provides ad analytics.	\$6.0

Select Private Equity Deals in Gridley's Targeted Sectors - Q4 2009

SaaS & Outsourcing

(\$ in millions)

Date	Investor	Company	Description	Investment Amount
12/23/09	Bessemer Venture Partners; Red Rock Ventures; Venrock	Retail Solutions, Inc.	Retail Solutions, Inc. develops and delivers a suite of software-as-a-service solutions for retailers and consumer packaged goods manufacturers in the Americas and Europe. It offers solutions for retailer data, including point-of-sale, supply chain, merchandiser feedback, customer loyalty, and EPC data.	\$14.0
11/11/09	Oak Street Investments	Arrowsight, Inc.	Arrowsight, Inc. is a developer and 3rd party provider of remote video auditing (RVA) services and software. The company's remote video auditing service transforms video and related data into tools for security, operational, and marketing improvements.	6.8
11/9/09	Cisco Systems, Inc.	Aravo Solutions, Inc.	Aravo Solutions, Inc. provides on-demand and software-as-a-service supplier information management (SIM) software and services for enterprises. The company also provides implementation, education, and support services.	27.0
10/20/09	Pilot House Ventures Group LLC; Commonwealth Capital Ventures	Coppanion, Inc.	Coppanion, Inc. offers software as a service tax document automation technology. It provides web-based applications to read, classify, and extract data from paper-based forms and PDF files.	10.2
10/16/09	Undisclosed	Evolv, Inc.	Evolv, Inc. offers a software as a service platform based call center hiring management solutions. It offers Evolv Foresight, an on-demand sourcing, selection, and hiring platform primarily for call centers.	8.3
10/5/09	Undisclosed	DeepDyve, Inc.	DeepDyve, Inc. offers software solutions in the areas of information retrieval and concept based search. It offers products and solutions for life sciences companies and legal organizations.	5.0



Outlook for the Market

Has the market gotten ahead of itself? Unemployment still remains at its highest point in decades. Consumers are still keeping their precious savings close (if they have any). The housing market has moved from its lows but still remains significantly depressed and corporate "earnings" are still next year's promise. Everyone will be watching the leading indicators and corporate results during the first six months of 2010 to determine if in fact the economy has exited its recession or whether it has been propped up by a house of government stimulus cards. When the government turns off its spigot and potentially raises rates during the middle of the year, will the economy be healthy enough to stand on its own?

The one clear bright spot is in our sectors as we believe that investors will be searching for growth in 2010. The last two years have been all about cost cutting and survival. As we hopefully start to move out of the deepest part of the recession, we believe that investors and acquirers will be looking for growth. And, that's exactly what our targeted industry sectors offer. In particular, as we said in last year's Q4 newsletter and throughout this year, internet services is where the action is. The world is moving digital and mobile and there should be lots of deals in 2010 that support that trend.

Outlook on our Sectors for 2010

We are pleased to report that many of the predictions in our year end 2008 newsletter in fact did come true. Internet Services was "where the action was" with online video and mobile having a bit of a "coming out" party just as we predicted. The importance of search was seen in the high price expectations for the potential sale of industry leading search agency **iCrossing** toward the end of the year. Traditional advertising and marketing services did have a very tough year in 2009, again, as we predicted. **WPP's** CEO, Sir Martin Sorrell's prediction at our conference last year that the advertising environment would get better mid year just didn't happen. Instead, his outlook seemed to become more pessimistic with each progressing quarter. Database marketing companies didn't shine as much as we thought, but did fare significantly better than most other traditional marketing services. In Financial Technology, we expected a quiet year as banks needed to focus on cutting costs and their own survival, not on new technologies. With the exception of the "big kahuna" merger between **Fidelity** and **Metavante**, we were correct. M&A activity in the financial Technology sector was much quieter than it has been in recent years. The only sector that we were really wrong on was SaaS and Outsourcing Services. We thought this sector would have a tough year given the recessionary climate. Instead, lots of funding went into the SaaS sector and two of the largest M&A deals in our sectors this year were sales of Outsourcing Services companies-**Affiliated Computer Services** and **Perot Systems**.

As for our predictions this year for 2010, the crystal ball is looking pretty cloudy. The uncertain path for the market overall will almost certainly affect the performance of our sectors. Nonetheless, here we go...

Internet Services-Last Year's Consolidation Trends Continue

We predicted continued consolidation in this sector last year and we expect that to be true in 2010 as well. As we said earlier in the newsletter, the world is going digital and there's no turning back. Companies need to beef up their digital capabilities to address changing consumer behavior patterns. Look for new strategic buyers in this sector and continued examples of "bubble like" valuations for tier one private companies. We expect to see more activity in mobile, online video, and social media as strategic buyers solidify capabilities in these important growth



areas. Also, as many readers know, the online ad optimization and analytics area is a key focus for us. We see LOTS of interest in this sector and expect to see some interesting financings and M&A activity here in 2010. Also, we were disappointed not to see more Internet Services IPO's in 2009. However, we think that call might just have been a little early and so we will stick with this as a big prediction for 2010 (assuming the overall market holds up). As we said last year, "The internet is and will continue to be a key growth area and certainly the best one amongst our sectors". We look for a great 2010 here.

Marketing Services-Improvement in 2010, but Slow Deal Environment

Although we believe that ad spending will look better in 2010, we aren't particularly excited about this sector in terms of deal activity. Even if one looks at the top five M&A deals in this sector for each of the last two years, for the most part, the deals have been very small. We don't expect that to change. Furthermore, we expect the traditional buyers of these businesses (i.e. the Ad Holding Companies) to be more focused on building up their digital capabilities, not buying traditional advertising and marketing services businesses. The exception to this would be database marketing and data analytics where there is always plenty of strategic interest. We may see some consolidation in sectors like market research where we think business will remain soft in 2010. Finally, the key consideration for this sector is growth. The attractiveness of any M&A candidate depends on that issue as we think growth is a murky question for many companies in this sector.

Financial Technology-More M&A in 2010, but Smaller Deals Continue to Prevail

With the recently completed merger of **Fidelity** and **Metavante**, the two most aggressive buyers in this sector are likely out of the M&A market, at least for the first six months of the year. However, maybe some new buyers will emerge as **American Express**, **Intuit**, and **Jack Henry** all did interesting deals in 2009 and we expect them to continue on their acquisition path in 2010. **VISA** and **Mastercard** have been a disappointment in that regard. It's not clear that will change for 2010, but we hope so. We applaud American Express's efforts to get into alternative payments and we recommend that VISA and Mastercard do the same or face the consequences of their core business declining. The same could be said for **First Data**. Are they really in good enough shape to go public this year as many believe? Speaking of going public, watch for some good potential IPO's in this sector as we expect a few of them. Finally, this is the year to learn more about alternative payments as it might just be the beginning of the transformation of the payments industry. 2010 is the time to start placing your bets in this area.

Data Services-Look for More M&A Activity in 2010

For the first time in a few years, we saw **Equifax** reenter the M&A market in 2009 with several acquisitions. So, that's a company to watch in 2010. Another one to watch is the newly public **Verisk Analytics** as they should have a healthy appetite for acquisitions. Finally, watch for the fate of **InfoGroup** whose announced sale process is still going on. Separately, there continues to be lots of interest in data analytics of all sorts and niche data companies. We have been looking a bit at data services around financial risk and compliance and think that might be an interesting area to watch in 2010. Finally, we hope that some of the big database marketing companies (**Acxiom**, **Experian**, **Equifax**, and **TransUnion**) will make further inroads into digital marketing and move further toward more multi-channel offerings.

SaaS and Outsourcing Services-Bullish Outlook for Both

We believe that both of these areas will have a good year in 2010. If there is a good IPO market, SaaS will be part of it as these companies typically have very attractive growth characteristics and there's lots of innovation going on. In terms of Outsourcing Services, there seems to be a lot of interest around healthcare (for obvious reasons)



and we continue to be bullish on niche capabilities. Companies will continue to evaluate outsourcing options as an effective cost control mechanism, even in an improving economy. Finally, the big Outsourcing Services deals of the past two years-Hewlett Packard/EDS, Dell/Perot Systems, and Xerox/Affiliated Computer Services-bodes well for continued interest in this sector as companies look to offer expanded and higher value services to their clients.

Final Thoughts Regarding Our Sectors

The chart below shows a comparison of median multiples for public companies in our sectors at year-end 2008 vs. year-end 2009. There was significant revenue, EBITDA and P/E multiple expansion in each of our sectors during 2009. This comes as no surprise as a combination of cost cutting programs, a vastly improved equity market and 2010 economic growth expectation led to an increase in the market value of most companies. Current multiples seem fairly priced relative to historic norms. If only we had all bought more of these stocks at the beginning of the year.

Comparison of Median Valuations of Our Target Industry Sectors						
	Median TEV / Revenue		Median TEV / EBITDA		Median P/E	
	2008A	2009E	2008A	2009E	2008A	2009E
Marketing Services	0.65x	1.00x	5.2x	7.9x	9.6x	16.4x
Internet Services	0.93x	2.26x	5.5x	12.1x	19.4x	26.1x
Financial Technology	1.67x	2.01x	7.7x	8.8x	13.8x	15.8x
Data Services	2.20x	2.72x	6.8x	8.5x	13.9x	17.9x
SaaS and Outsourcing Services	0.62x	1.13x	4.2x	9.8x	13.1x	21.7x

Source: CapitalIQ



A Word about Gridley & Company LLC

As with most investment bankers, 2009 is a year that we'd just as soon forget. The M&A and private equity fundraising markets were moribund for most of the year, much more so than the strong equity markets would suggest. Thankfully, in mid August, we saw the return of the strategic buyer and, more recently, we've noticed a significant up tick in interest for doing transactions from private companies and private equity firms. Perhaps the best example of this is to look at our expected record turnout for our upcoming conference. We have over 485 confirmed attendees including approximately 50 public companies, 175 private companies, and 90 private firms—more than ever before! Hopefully, that is indeed a sign that more people are interested in doing deals in 2010. We have an action packed day scheduled for our conference. And, given the very tough deal market this year, we are particularly thankful to this year's sponsors of our conference. We sincerely appreciate their support.

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Best wishes for a prosperous 2010 and please keep us in mind for any investment banking needs that you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Gridley".

Linda Bornhuetter Gridley
On Behalf of the Team at Gridley & Company LLC

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