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Sent: Wednesday, December 07, 2011 4:19 PM
To: David Bonrouhi
Subject: Calabasas Capital Completes 3rd Transaction in Last 12 Months

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Dear David,

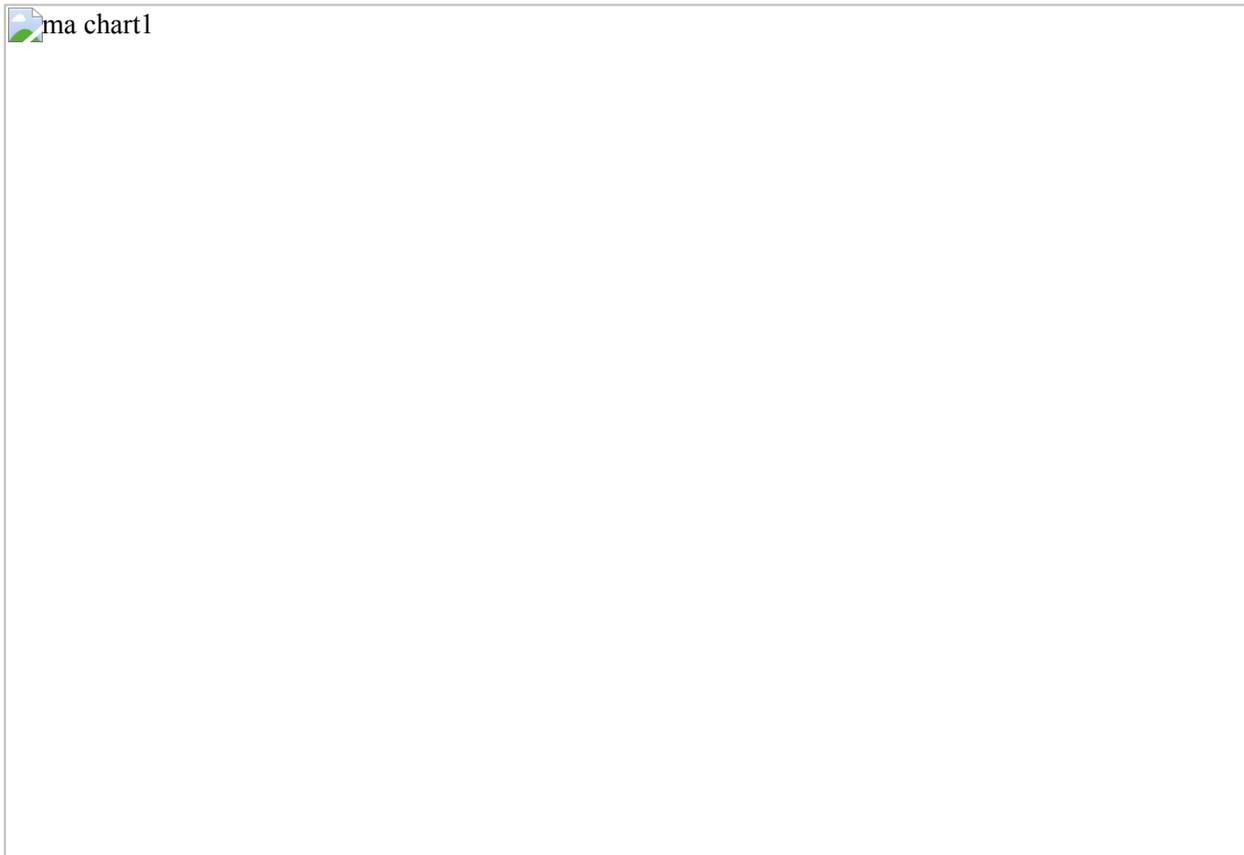
Happy Holiday.

We are pleased to announce our third successful transaction in the last 12 months with the recent sale of a technology-enabled business services company (details to come once the companies announce the transaction) for whom we served as exclusive financial advisor. Our other two recent deals were a private capital financing for Background Images, an equipment rental company, and a buy-side M&A assignment for our client Stix Holdings in its acquisition of Pick Up Stix, a 77-store Asian fast casual restaurant chain.

M&A Market Update:

- During the first three quarters of 2011, the overall M&A market showed continued signs of improvement as the level of activity held somewhat constant for the last eight quarters. The deal market appears to be settling at a market bottom. The volume of transaction activity remains low relative to the pre-recession levels of 2006 and 2007. However because the demand for quality acquisitions exceeds the supply, there is increasing incentive for more sellers to enter the market.
 - According to Capital IQ, deal volume for the first three quarters of 2011, totaled approximately 6,500 transactions, roughly equivalent to the 6,400 transactions reported in the first three quarters of last year, a relatively flat year-over-year performance.
 - M&A deal dollar value has been more volatile and has trended lower in the first three quarters of 2011 reflecting a trend toward smaller average transaction sizes.
- Because of the lower volume of quarterly deals, companies that have successfully weathered the recession, have shown improved earnings and cash flow, and have good management teams, are attracting significant buyer interest. While uncertainty in the current economic environment remains, today's M&A market might present an attractive opportunity for some owners to consider a company sale.

Total U.S. M&A Deal Volume and Value (2Q 2008 - 3Q 2011)*



*Source: Capital IQ

Middle Market Deal Valuations:

- According to data from GF Data, middle market valuations for the first half of 2011, are returning to the valuation levels achieved in the pre-recession year of 2007. The laws of supply and demand, too few attractive deals with too many hungry buyers, are helping increase middle market deal valuations.
 - Specifically, transactions with valuations of \$50 million or more have bounced back quickly, and in a lower transaction volume environment, are seeing their valuations bid up by buyers.
 - Transactions with valuations below \$50 million, because of the more limited access to capital, have not quite reached the pre-recession valuation levels, however, as we've seen in our own deal flow, those with strong growth rates and high margins are in fact getting valuations similar to those in 2007.

Total Enterprise Value / EBITDA by Deal Size (2007 - 1H 2011)*

ma chart2

*Source: GF Data.

Calabasas Capital, LLC is a boutique financial advisory firm providing the following investment banking services primarily to lower-middle-market privately-held companies, business owners and entrepreneurs:

- Sell-Side and Buy-Side Mergers & Acquisitions
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring
- Late-stage Venture Capital Raising
- Sales of non-core assets/divisions of larger public and private companies

Our principals have significant investment banking and private equity experience working with companies in a broad range of manufacturing and services industries with particular expertise in consumer products (food, apparel, footwear, electronics, household goods) and services (online, financial), retail (including restaurant chains), business services (online and offline, including financial, marketing, janitorial, media and telecom) and technology.

Thank you for continuing to keep us in mind for future opportunities. I wish you and your families a healthy and happy holiday season!

Regards,



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