



Q2 2013 Market Update

July 2013



Investment Banking Solutions for the Middle Market

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Executive Summary

- Following a favorable 2012 for public equity market indicators, the first half of 2013 (“H1 2013”) continued with upward trends in performance
- Mergers and acquisitions (“M&A”) activity declined significantly in H1 2013 after a sustained period of steady growth and a peak in activity in the fourth quarter of 2012 (“Q4 2012”)
- The outlook for M&A activity remains cautious while many uncertainties remain in the global macroeconomic environment
- This report will review recent trends related to the following topics:
 - Performance of the major equity indices, including performance by industry sector
 - Public offering activity, including the volume and transaction value of initial public offerings (“IPO”) and follow-on offerings (“follow-on”) and performance by industry sector
 - M&A activity, including the volume and transaction value of lower middle market strategic and financial sponsored transactions, performance by industry sector, and M&A valuation

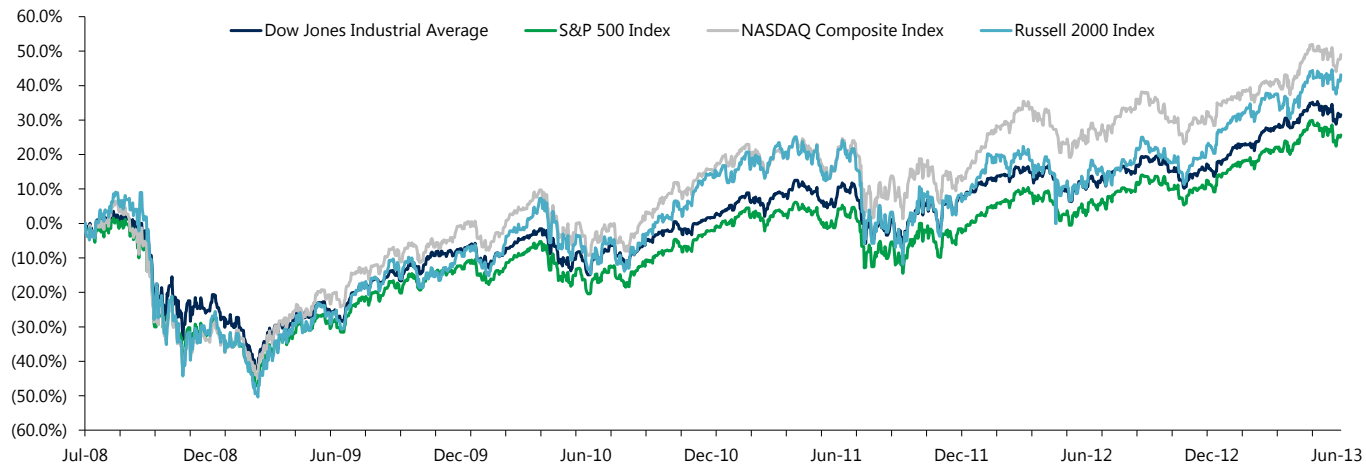
Major Equity Index Performance

- By the beginning of Q1 2012, following more than three years of steady improvement, all of the major equity indices had returned to and exceeded price levels observed in July 2008
 - Following a significant market-wide correction at the outset of Q3 2011, the major equity indices stabilized in Q4 2011 and have steadily improved through Q2 2013
 - Record-setting performances for all of the major equity indices were observed in Q2 2013, providing positive momentum for the remainder of 2013
- While the major equity indices followed similar patterns in performance, the Dow Jones Industrial Average and the S&P 500 Index displayed slightly lower gains, albeit with less volatility than the NASDAQ Composite Index and Russell 2000 Index
 - All of the major equity indices are at their highest price levels in the last five years

Major Equity Index Performance

Period Began July 1, 2008 and Ended June 30, 2013

(% change in closing prices)



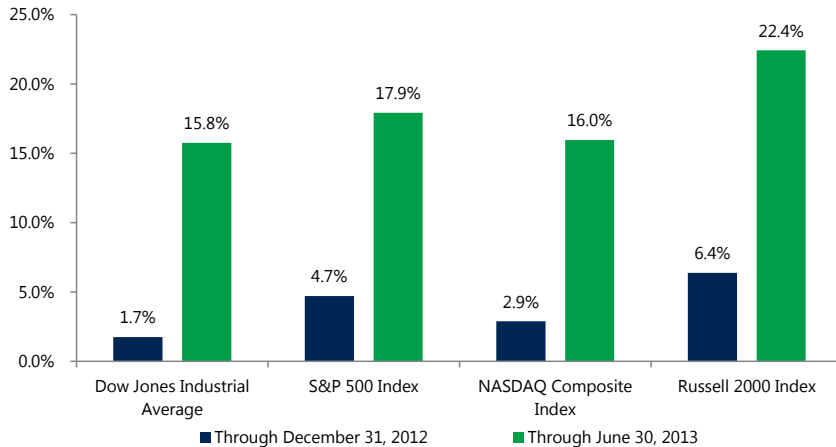
Source: CapitalIQ

Major Equity Index and Industry Sector Performance

- Following positive performances in H2 2012, all four major equity indices posted strong gains in H1 2013
 - All of the major equity indices demonstrated significant improvement, increasing more than 15% within the last twelve months, at least 13% of which occurred within the last six months
 - The Russell 2000 Index registered the strongest six-month and full-year returns of 16% and 22%, respectively
- For the last twelve months ended June 30, 2013, all of the S&P 500 industry sector indices posted positive gains with performance varying by industry sector
 - The Financials, Consumer Discretionary, and Healthcare sectors demonstrated the greatest growth with over a 25% improvement
 - The Industrials, Energy, and Consumer Staples sectors also demonstrated strong growth with over a 10% improvement

Major Equity Index Performance

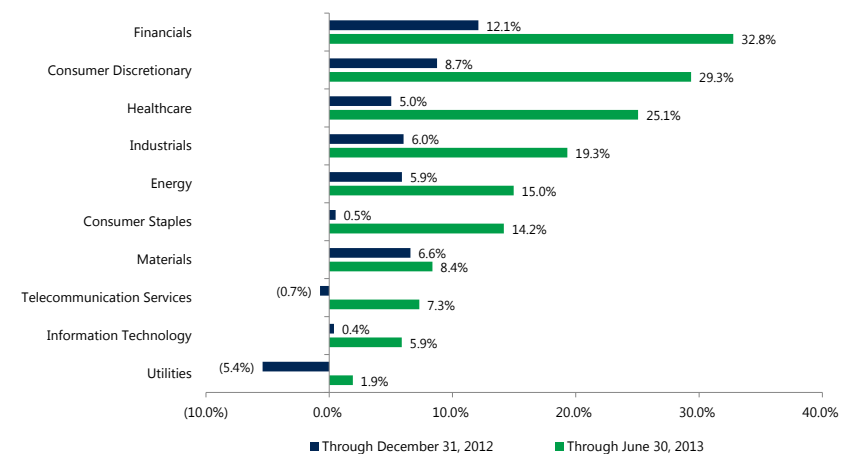
Periods Began July 1, 2012 and Ended December 31, 2012 and June 30, 2013
 (% change in closing prices)



Source: CapitalIQ

S&P 500 Industry Sector Performance

Periods Began July 1, 2012 and Ended December 31, 2012 and June 30, 2013
 (% change in closing prices)



Source: CapitalIQ

Public Valuation Trends

- Public valuation trends are based on multiples of total enterprise value to earnings before interest, taxes, depreciation, and amortization ("TEV/EBITDA") and price to normalized earnings per share ("P/EPS")
 - The S&P 500 Index has been characterized by stable and consistently improving valuations since a market-wide correction in early Q3 2011
 - Improvement in TEV/EBITDA and P/EPS multiples from Q4 2011 through Q2 2013 has allowed valuations to reach levels close to those observed in Q2 2010
- On June 30, 2013, TEV/EBITDA and P/EPS multiples reached 9.1x and 18.8x, respectively
 - Valuations observed at the end of Q2 2013 exceed those observed throughout 2012 and Q1 2013 and are trending towards their five-year peaks
 - The strong performance observed in Q2 2013 provides the basis for increasingly favorable valuations in H2 2013

S&P 500 Index Valuation Multiples

Period Began July 1, 2008 and Ended June 30, 2013

(multiples of TEV/EBITDA and P/EPS)



Source: CapitalIQ

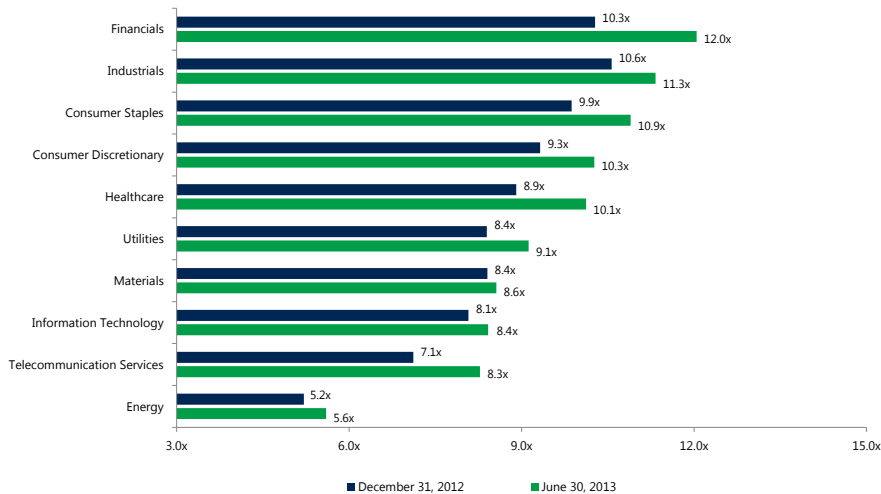
Industry Sector Valuation Trends

- The Financials, Industrials, Consumer Staples, Consumer Discretionary, and Healthcare sectors demonstrated strong TEV/EBITDA multiples of more than 10.0x as of June 30, 2013
- Valuations for all ten covered industry sectors improved through the last six months ended June 30, 2013, with the Financials sector registering the strongest increase in TEV/EBITDA multiples
 - Valuations for the Financials, Consumer Staples, Consumer Discretionary, Healthcare, and Telecommunication Services sectors increased by more than 10%
 - Alternatively, valuations for the Information Technology and Materials sectors increased by less than 5%

S&P 500 Industry Sector TEV/EBITDA Multiples

As of December 31, 2012 and June 30, 2013

(multiples of TEV/EBITDA)

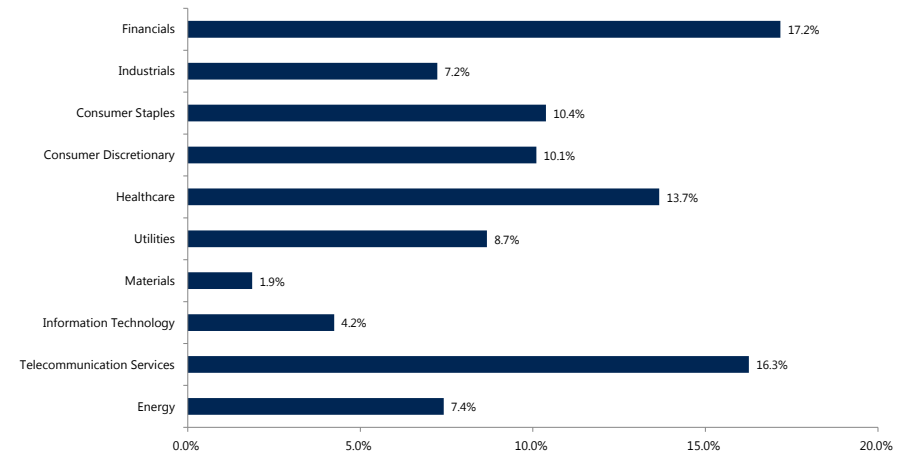


Source: CapitalIQ

S&P 500 Industry Sector TEV/EBITDA Multiples Percent Change

As of December 31, 2012 and Ended June 30, 2013

(% change in TEV/EBITDA multiples)



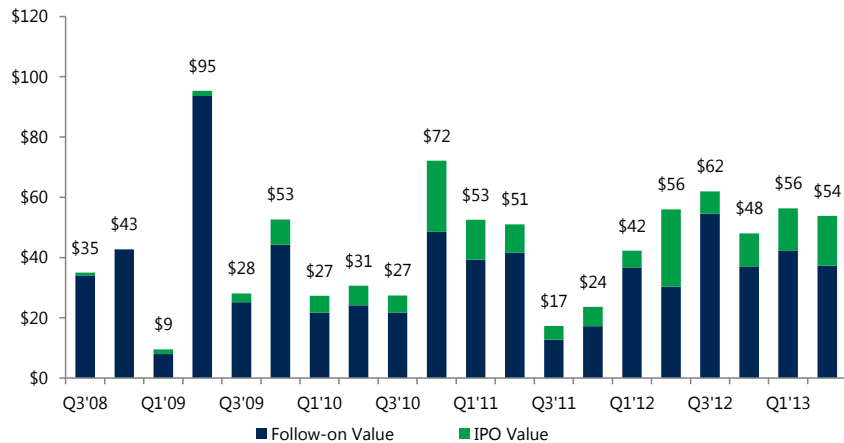
Source: CapitalIQ

Public Offering Activity

- Since five-year lows observed in Q4 2008 and Q1 2009, IPO and follow-on offering activity has maintained an improved level of performance through Q2 2013
 - Total transaction value decreased by approximately 4% in Q2 2013 versus Q1 2013 and Q2 2012
 - Total transaction volume decreased by approximately 1% in Q2 2013 versus Q1 2013, although total transaction volume has increased by 35% compared to Q2 2012
- In Q2 2013, IPO volume increased to approximately 24% of total transaction volume compared to 19% during the last twelve months ended June 30, 2013
 - IPO transaction value represented 31% of total transaction value in Q2 2013, compared to 22% during the last twelve months ended June 30, 2013

Public Offering Transaction Value

Quarters Ended September 30, 2008 – June 30, 2013
(\$ in billions)

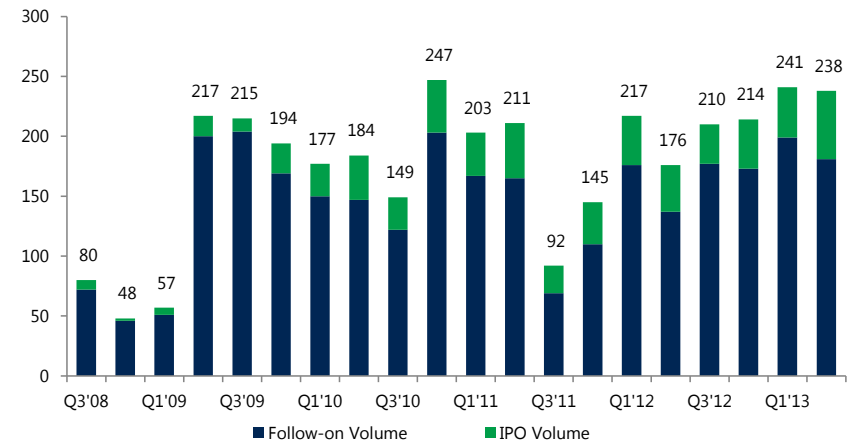


Includes public offerings closed from July 1, 2008 through June 30, 2013, with the issuer and exchange based in the United States.

Source: CapitalIQ

Public Offering Transaction Volume

Quarters Ended September 30, 2008 – June 30, 2013
(number of transactions)



Includes public offerings closed from July 1, 2008 through June 30, 2013, with the issuer and exchange based in the United States.

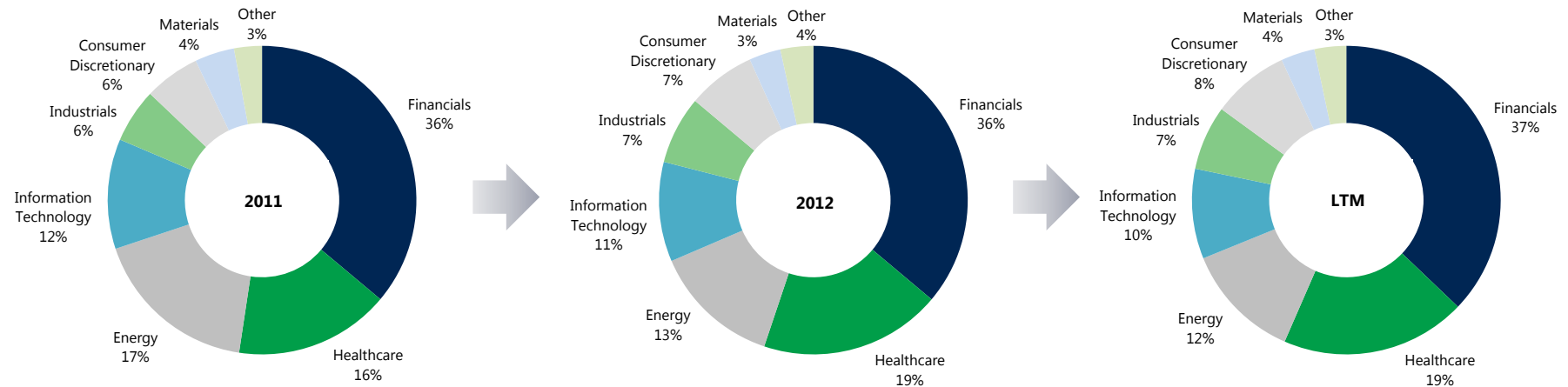
Source: CapitalIQ

Public Offerings by Industry Sector

- For the last twelve months ended June 30, 2013, the Financials, Healthcare, Energy, and Information Technology sectors accounted for nearly 80% of overall public offering activity
- The Financials sector has historically accounted for the largest share of public offering activity, representing 37% of public offerings for the last twelve months ended June 30, 2013
 - Increases in relative public offering activity from 2011 to the last twelve months ended June 30, 2013 were observed in the Healthcare and Consumer Discretionary sectors, representing 19% and 8% of public offering activity, respectively
 - Conversely, the Energy and Information Technology sectors demonstrated small decreases in relative public offering activity over the same time period, representing 12% and 10% of public offering activity, respectively

Public Offerings by Industry Sector

Years Ended December 31, 2011 – 2012 and Last Twelve Months Ended June 30, 2013
(% of transactions)



Includes public offerings closed from January 1, 2011 through June 30, 2013, with the issuer and exchange based in the United States.

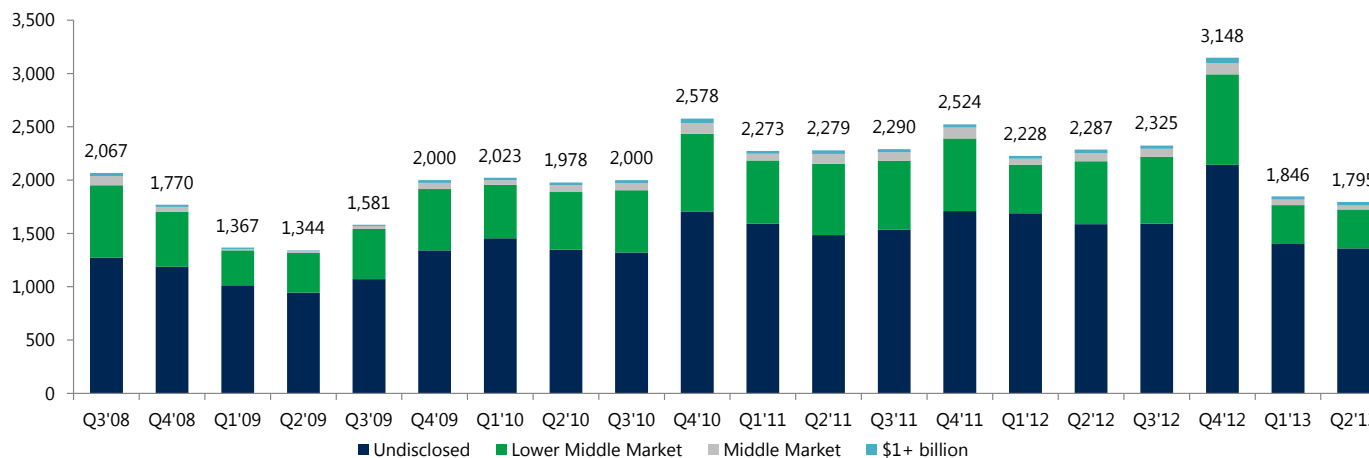
Source: CapitalIQ

M&A Activity

- Overall M&A activity has declined significantly in H1 2013, falling below 2,000 transactions in consecutive quarters for the first time since Q2 and Q3 2009
- M&A transaction volume decreased 22% from Q2 2012 to Q2 2013
 - Lower middle market transaction volume (i.e., deals with values less than \$250 million) fell by 38% from Q2 2012 to Q2 2013 but still represented 84% of disclosed M&A transactions in Q2 2013
 - Middle market (i.e., deals with values ranging from \$250 million to \$1 billion) and \$1+ billion transactions accounted for approximately 9% and 7% of disclosed M&A transactions, respectively, in Q2 2013
 - The decrease in M&A transaction volume observed in H1 2013 may be at least partially attributed to a hangover from the surge in M&A transaction volume that occurred in Q4 2012

M&A Transaction Activity

Quarters Ended September 30, 2008 – June 30, 2013
(number of transactions)



Includes qualified M&A transactions closed from July 1, 2008 through June 30, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector. No transaction value provided for undisclosed deals. Lower middle market deals have transaction values less than \$250 million. Middle market deals have transaction values ranging from \$250 million to \$1 billion.

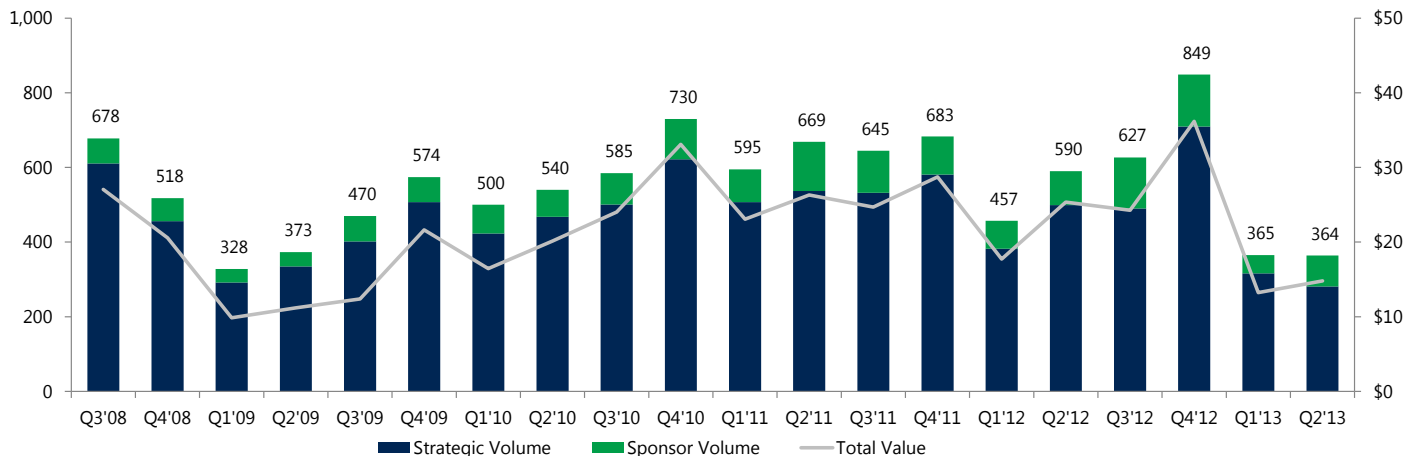
Source: CapitalIQ

Lower Middle Market M&A Activity

- Since 2008, qualified lower middle market M&A transactions have followed the same general trends as those observed in overall M&A activity
- Lower middle market transaction volume remained relatively flat from Q1 2013 to Q2 2013 while transaction value increased by 12%
- While the overall volume of M&A activity was significantly down, the proportion of deals completed by financial sponsors grew in relation to strategic acquirers
 - Sponsor deals account for a moderately growing share of all lower middle market M&A transaction volume, increasing from 19% during the last twelve months ended June 30, 2013 to 23% in Q2 2013
 - Alternatively, strategic deals account for a declining share, decreasing from 81% of transactions during the last twelve months to 77% in Q2 2013

Lower Middle Market M&A Transaction Activity

Quarters Ended September 30, 2008 – June 30, 2013
(number of transactions, \$ in billions)



Includes qualified lower middle market M&A transactions with disclosed transaction values less than \$250 million, closed from July 1, 2008 through June 30, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ

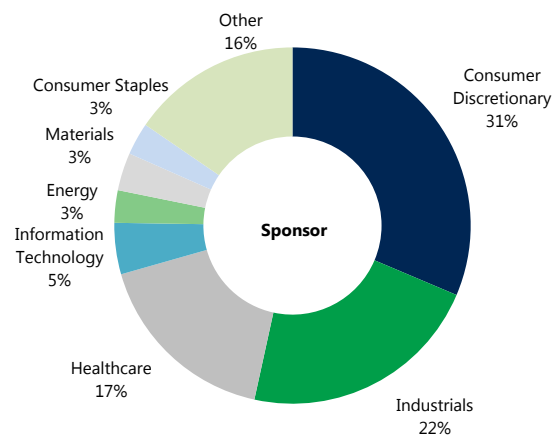
Lower Middle Market M&A Activity by Acquirer Type

- Financial sponsors account for a growing share of lower middle market M&A transaction volume and are acquiring a proportionately greater share of targets operating in the Consumer Discretionary and Industrials sectors
 - Approximately 31% of sponsor acquisitions during the last twelve months ended June 30, 2013 were of Consumer Discretionary targets, compared to only 20% of strategic acquisitions
 - Sponsor acquisitions of Industrials targets represent 22% of sponsor deals during the last twelve months compared to only 16% of strategic deals
- Strategic acquirers are targeting a proportionately greater share of companies operating in the Information Technology and Energy sectors
 - Strategic acquisitions of Information Technology targets represent 17% of strategic deals during the last twelve months ended June 30, 2013, compared to only 5% of sponsor deals
 - Strategic acquisitions of Energy targets represent 11% of strategic deals in the last twelve months, compared to only 3% of sponsor deals

Lower Middle Market Sponsor M&A Transaction Activity by Target Industry Sector

Last Twelve Months Ended June 30, 2013

(% of transactions)



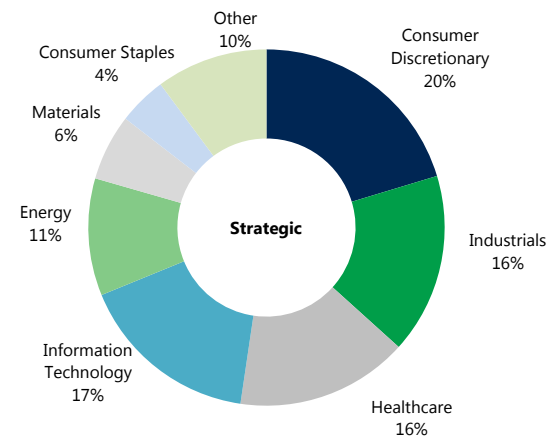
Includes qualified lower middle market M&A transactions with disclosed transaction values less than \$250 million, closed from July 1, 2012 through June 30, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ

Lower Middle Market Strategic M&A Transaction Activity by Target Industry Sector

Last Twelve Months Ended June 30, 2013

(% of transactions)



Includes qualified lower middle market M&A transactions with disclosed transaction values less than \$250 million, closed from July 1, 2012 through June 30, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ

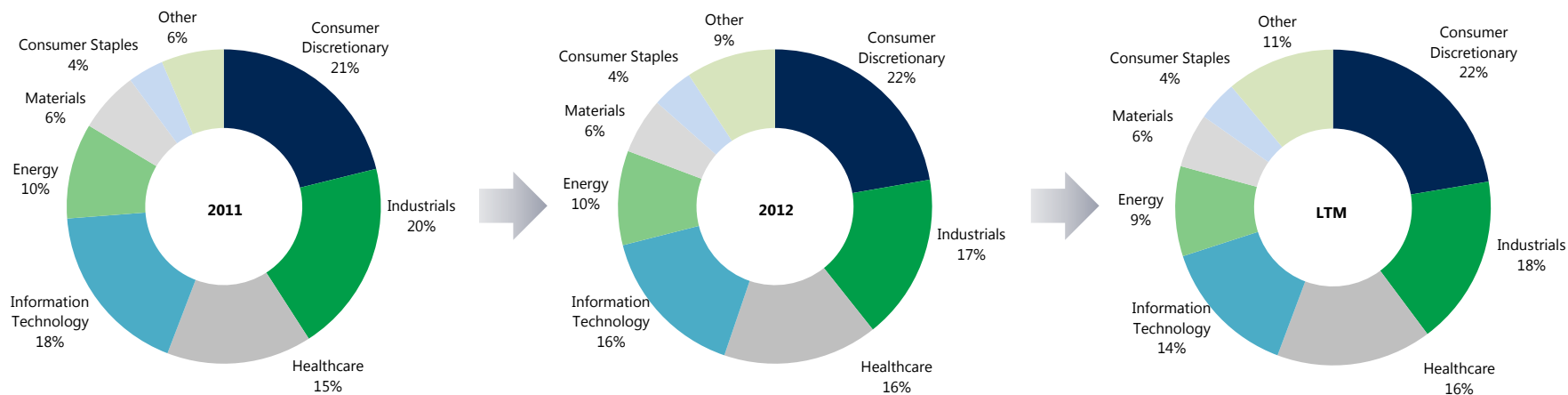
Lower Middle Market M&A Activity by Industry Sector

- For the last twelve months ended June 30, 2013, the Consumer Discretionary, Industrials, Healthcare, and Information Technology sectors accounted for 70% of M&A transactions in the lower middle market
- The Consumer Discretionary sector accounts for the largest share of lower middle market M&A transactions and experienced an increase in relative transaction activity from 2011 through the last twelve months ended June 30, 2013
 - While relative transaction activity in the Information Technology and Energy sectors declined, the Consumer Discretionary and Other sectors demonstrated an increase in relative transaction activity during this period
 - The Healthcare and Materials sectors demonstrated consistent transaction activity over the last three years

Lower Middle Market M&A Transaction Activity by Target Industry Sector

Years Ended December 31, 2011 – 2012 and Last Twelve Months Ended June 30, 2013

(% of transactions)



Includes qualified lower middle market M&A transactions with disclosed transaction values less than \$250 million, closed from January 1, 2011 through June 30, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

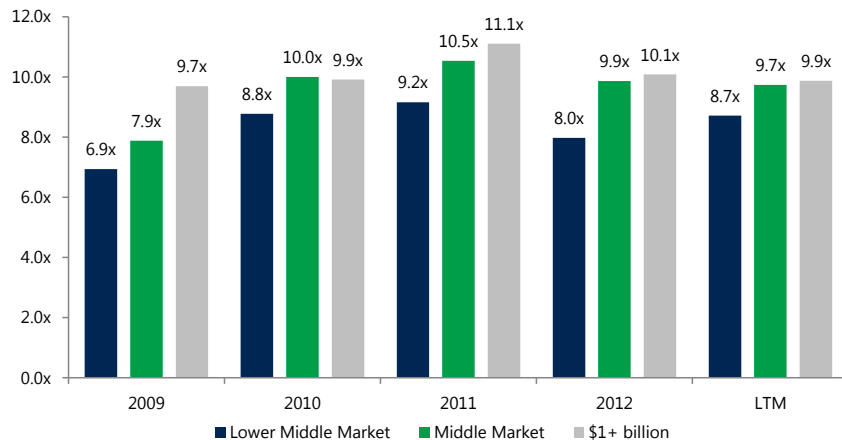
Source: CapitalIQ

M&A Valuation Trends

- M&A valuations observed among middle market transactions and those greater than \$1 billion have declined in the last 18 months
- Since 2009, the strongest recovery in valuations has been observed in lower middle market transactions, where TEV/EBITDA multiples have increased by 26% to 8.7x
- For the last twelve months ended June 30, 2013, lower middle market M&A valuations were highest in the Information Technology sector, with TEV/EBITDA multiples equal to 11.1x
 - The Telecommunication Services, Consumer Staples, Consumer Discretionary, and Healthcare sectors also performed well with TEV/EBITDA multiples above 9.0x

Valuation Multiples by Transaction Size

Years Ended December 31, 2009 – 2012 and Last Twelve Months Ended June 30, 2013
(multiples of TEV/EBITDA)

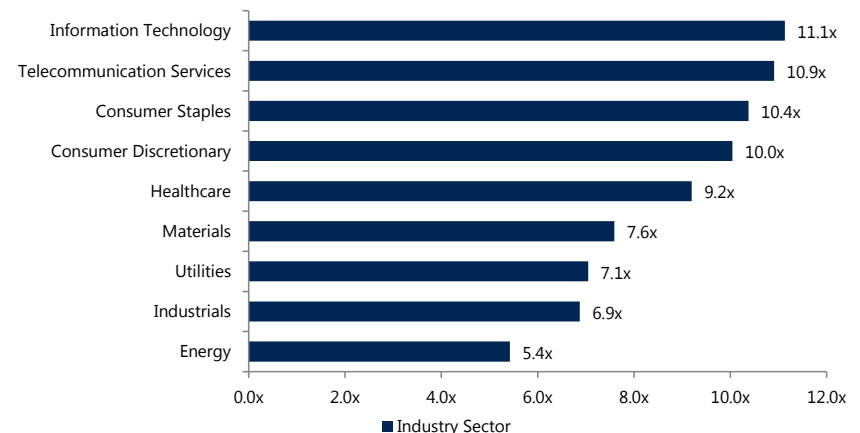


Includes qualified M&A transactions with disclosed and meaningful transaction values, closed from January 1, 2009 through June 30, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ

Lower Middle Market Valuation Multiples by Industry Sector

Year Ended June 30, 2013
(multiples of TEV/EBITDA)



Includes qualified lower middle market M&A transactions with disclosed and meaningful transaction values less than \$250 million, closed from July 1, 2012 through June 30, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ

Recent M&A Observations

League Park's professionals have observed several recent M&A trends worth noting

- The outlook for global M&A markets is expected to remain tempered due to persistent macroeconomic and geopolitical uncertainty
- A steady recovery in domestic consumption will continue to drive M&A activity in consumer-related businesses
- Lower middle market transaction volume is being driven by increased add-on acquisition activity by private equity funds, improving liquidity, and succession planning in entrepreneurial-owned enterprises
- Financial sponsors remain active acquirers, as sponsors continue to seek new avenues in which to deploy capital and long-term private equity returns continue to outpace those of other asset classes
- The average transaction time-to-completion has increased recently, driven by heightened market uncertainty, longer than usual pre-bid and post-announcement periods, and more rigorous due diligence practices
- These trends emphasize the importance of qualified advisors with deep experience in deal strategy and execution

Selected Recent Transactions

League Park delivers superior outcomes by tailoring solutions to meet the specific needs of each client

Mergers and Acquisitions

enovate

has merged with

STINGER
MEDICAL

a portfolio company of

Riverside
PARTNERS

League Park acted as financial advisor to Enovate on the transaction

An affiliate of

ACHILL PARTNERS

has acquired



Tri-County Maintenance

League Park acted as financial advisor to Achill Partners on the transaction



360 Fresh

has been acquired by



League Park acted as financial advisor to 360Fresh on the transaction

Outsourced Corporate Development

ForTec Medical
Forwarding Technology

has acquired

Falls Church Laser

League Park acted as financial advisor to ForTec Medical on the transaction

Safeguard
PROPERTIES

has acquired

Bank of America Field Services
Bank of America

League Park acted as co-advisor to Safeguard Properties on the transaction

Recapitalizations



B.J. Alan dba Phantom Fireworks

has been recapitalized by



League Park acted as financial advisor to B.J. Alan on the transaction

VanDeMark
Phosphate Chemistry • Custom Chemicals

a portfolio company of

BUCKINGHAM
CAPITAL PARTNERS

has been acquired by



League Park acted as financial advisor to VanDeMark on the transaction



has been acquired by Praxair, Inc.

PRAXAIR

League Park acted as financial advisor to American Gas Group on the transaction

LexiComp

has been acquired by

Wolters Kluwer

League Park acted as financial advisor to Lexi-Comp on the transaction

FERRO

Ongoing Strategic Advisory

League Park serves as financial advisor to Ferro in connection with ongoing acquisition strategies

CAMPBELL
HAUSFELD

Ongoing Strategic Advisory

League Park serves as financial advisor to Campbell Hausfeld in connection with ongoing acquisition strategies

VanDeMark
Phosphate Chemistry • Custom Chemicals

a portfolio company of

BUCKINGHAM
CAPITAL PARTNERS

has been recapitalized by



League Park acted as financial advisor to VanDeMark on the transaction

About League Park

League Park is a boutique investment bank that professionally and ethically advises clients on strategies aimed to maximize shareholder value. We assist middle market companies with transactions that generate value through mergers and acquisitions, recapitalizations, capital raising, and outsourced corporate development.

Whatever the transaction, our clients receive specialized attention from senior bankers at every step in the deal process. Our team has decades of investment banking, corporate development, private equity, and operational experience, completing over 300 transactions across a diverse range of industries in the past 25 years.

Advisory Capabilities

- Mergers and Acquisitions
- Recapitalizations
- Capital Raising
- Outsourced Corporate Development

Industry Expertise

- Business Services
- Consumer and Retail
- Industrial
- Technology
- Healthcare

LEAGUE ★ PARK

J.W. Sean Dorsey

Founder and CEO

(216) 455-9990

sdorsey @ leaguepark.com

Brian Powers

Managing Director

(216) 455-9988

bpowers @ leaguepark.com

Joseph Foley

Director

(216) 455-9991

jfoley @ leaguepark.com

Wayne Twardokus

Director

(216) 455-9989

wtwardokus @ leaguepark.com

1100 Superior Avenue East • Suite 1650 • Cleveland, Ohio 44114 • www.leaguepark.com

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