



Q3 2012 Market Update

November 8, 2012



Investment Banking Solutions for the Middle Market

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Executive Summary

- Following a correction in public equity market indices in the fourth quarter of 2011 (“Q4 2011”) and the first quarter of 2012 (“Q1 2012”), the second quarter of 2012 (“Q2 2012”) and third quarter of 2012 (“Q3 2012”) were marked by upward trends and continued improvement

- Mergers and acquisitions (“M&A”) markets showed signs of continued softening in Q3 2012 with moderating activity from both strategic buyers and financial sponsors

- An uptick in lower middle market M&A activity and improvement in M&A valuations in Q3 2012 may provide a favorable outlook for the lower middle market in Q4 2012 and into 2013

- 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

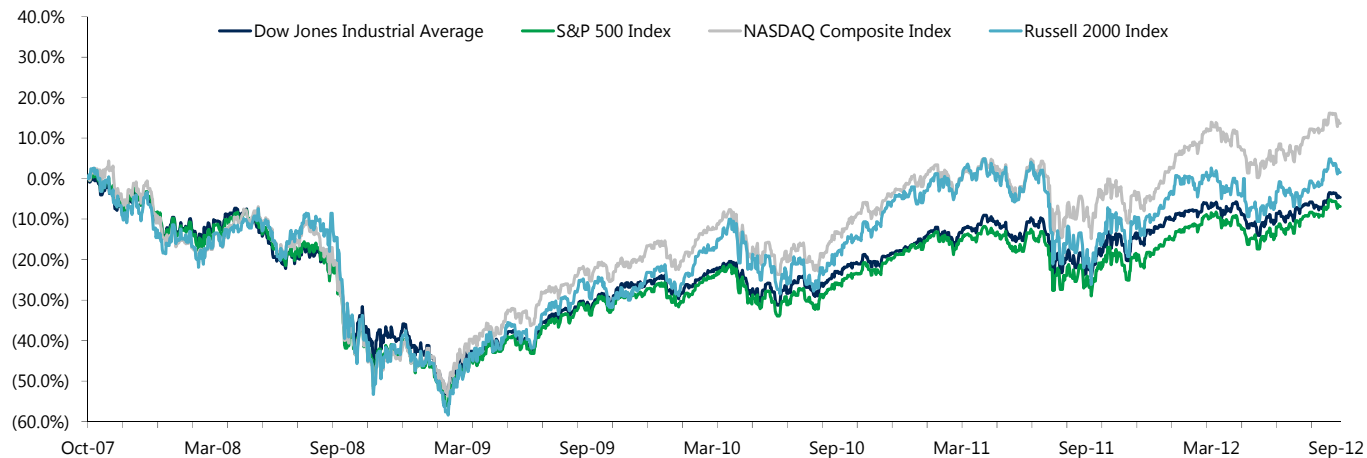
Major Equity Index Performance

- By August 2011, following three years of modest improvement, two of the four major equity indices had returned to and exceeded price levels observed in October 2007
 - A sharp decline in performance in Q3 2011 returned all of the major equity indices to Q3 2010 price levels
 - Performance of the major equity indices stabilized in Q4 2011 and has steadily improved through Q3 2012, providing positive momentum for the remainder of 2012 and into 2013
- While the major equity indices followed similar patterns in performance, the Dow Jones Industrial Average, the S&P 500 Index, and the Russell 2000 Index displayed weaker performance, albeit with less volatility than the NASDAQ Composite Index
 - The variability in relative performance, combined with the strong performance observed from Q3 2011 to Q3 2012, was observed across not only the major equity indices, but also various industry sectors

Major Equity Index Performance

October 1, 2007 – September 30, 2012

(% change in closing prices)



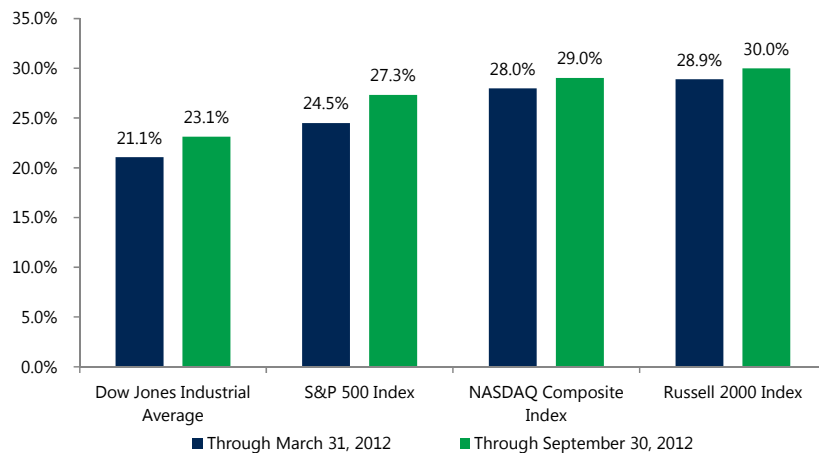
Source: CapitalIQ.

Major Equity Index and Industry Sector Performance

- After a strong performance in Q4 2011 and Q1 2012, all four major equity indices continued to grow through Q3 2012, with the Russell 2000 Index registering the strongest returns over the last twelve months (“LTM”) ended September 30, 2012
 - The Russell 2000 had a 30% return over the LTM ended September 30, 2011
 - The Dow Jones Industrial Average and S&P 500 Index both increased approximately 2% within the past six months
- All industry sectors improved over the LTM period; however, performance varied substantially by industry sector
 - The Consumer Discretionary, Financials, and Information Technology sectors demonstrated the greatest growth and generated over a 30% improvement in the LTM period
 - Telecommunication Services, Healthcare, Industrials, Materials, and Energy sectors also demonstrated strong growth with over 25% improvement in the LTM period
 - The Utilities sector lagged other sectors in the LTM period

Major Equity Index Performance

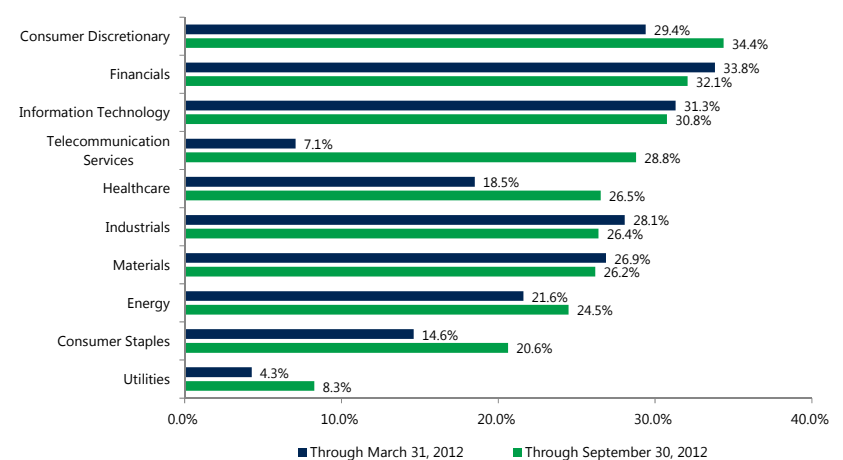
Periods Began October 1, 2011 and Ended March 31, 2012 and September 30, 2012
 (% change in closing prices)



Source: CapitalIQ.

S&P 500 Industry Sector Performance

Periods Began October 1, 2011 and Ended March 31, 2012 and September 30, 2012
 (% 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 demonstrated volatility in valuations over the last five years with steep multiple contraction observed in Q3 2012
 - Subsequent improvement in TEV/EBITDA and P/EPS multiples in Q4 2011 through Q3 2012 has allowed the indices valuation to reach levels close to those observed in Q2 2011
- On September 30, 2012, TEV/EBITDA and P/EPS multiples reached 11.4x and 16.8x, respectively
 - Valuation multiples observed in Q3 2012 are higher than those observed throughout the LTM period and are trending towards multiples prior to the drop in Q3 2011
 - The stabilization of valuation multiples observed in the second half of 2011 (“H2 2011”), followed by a steady recovery through Q3 2012, are likely to provide a foundation for increasing confidence in growth and more favorable valuations going forward

S&P 500 Index Valuation Multiples

Period Began October 1, 2007 and Ended September 30, 2012

(multiples of TEV/EBITDA and P/EPS)



Source: CapitalIQ.

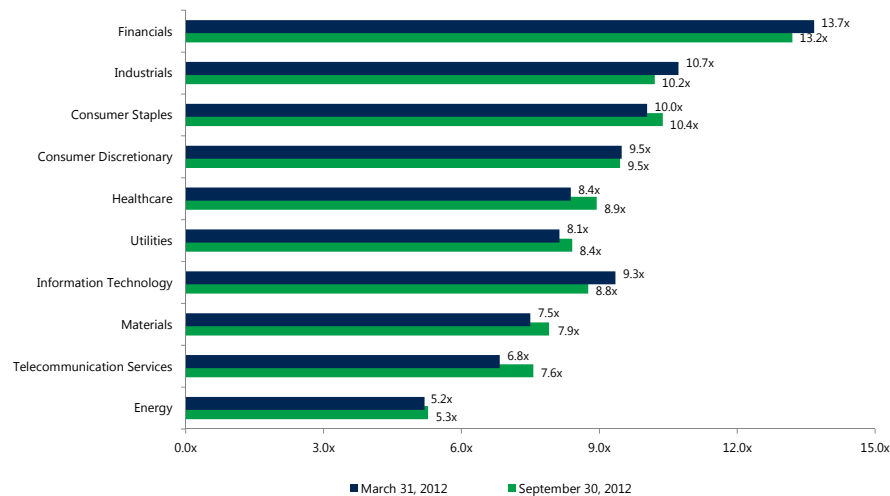
Public Valuation and Industry Sector Trends

- The Financials, Industrials, and Consumer Staples sectors demonstrated strong TEV/EBITDA multiples of over 10.0x on September 30, 2012
- Following the increase in TEV/EBITDA multiples observed in Q1 2012, six out of ten industry sectors continued growth in Q2 2012 and Q3 2012, with the Telecommunication Services sector registering the strongest increases over the last six months
 - Consumer Staples, Healthcare, Materials, and Telecommunication Services sectors demonstrated the strongest growth in valuation multiples
 - Financials, Industrials, and Information Technology valuation multiples declined

S&P 500 Industry Sector TEV/EBITDA Multiples

Periods Ended March 31, 2012 and September 30, 2012

(multiples of TEV/EBITDA)

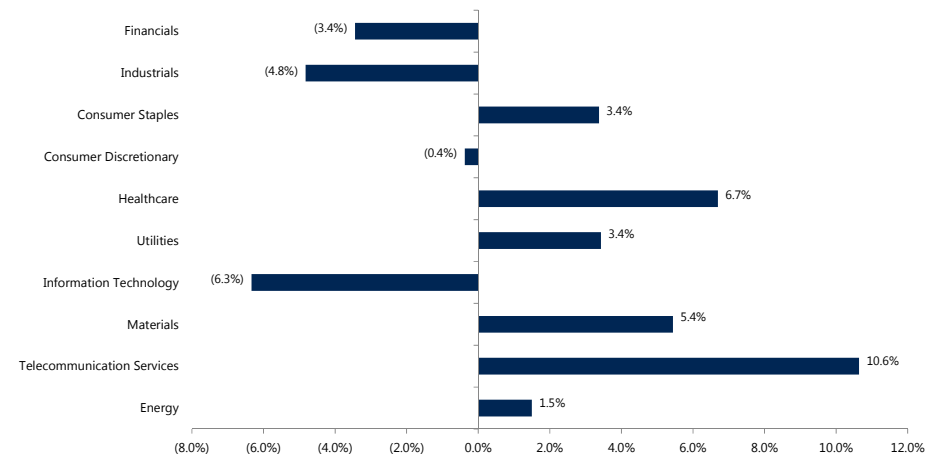


Source: CapitalIQ.

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

Period Began March 31, 2012 and Ended September 30, 2012

(% change in TEV/EBITDA multiples)



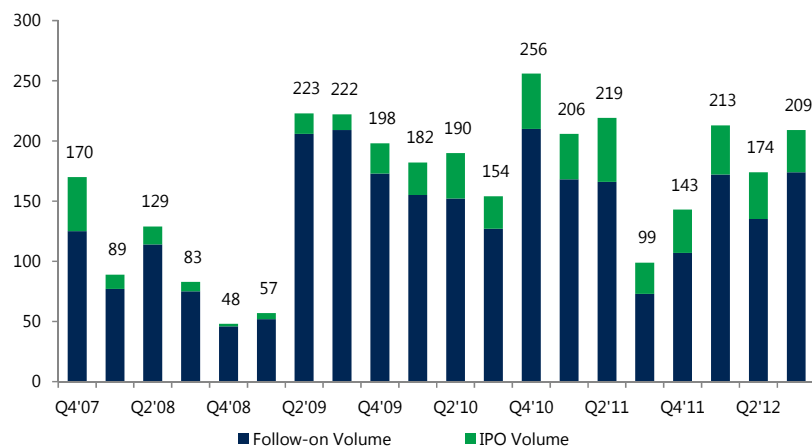
Source: CapitalIQ.

Public Offering Activity

- Since the economic downturn in 2008, IPO and follow-on offering activity maintained an improved level of performance from Q2 2009 through Q2 2011
 - Following similar trends as the major equity indices, the total volume and transaction value of public offerings decreased significantly in Q3 2011
 - Public offering activity rebounded in Q4 2011 and continued to improve through Q3 2012, providing what we believe to be a positive momentum for the remainder of 2012
- In Q3 2012, IPO volume was down to approximately 17% of all public offerings compared to 22% in Q2 2012
 - IPO transaction value represented 12% of total value across all public offerings in Q3 2012, back to normal levels after a temporary boost due to the Facebook IPO in Q2 2012

Public Offering Transaction Volume

Quarters Ended December 31, 2007 – September 30, 2012
(number of transactions)

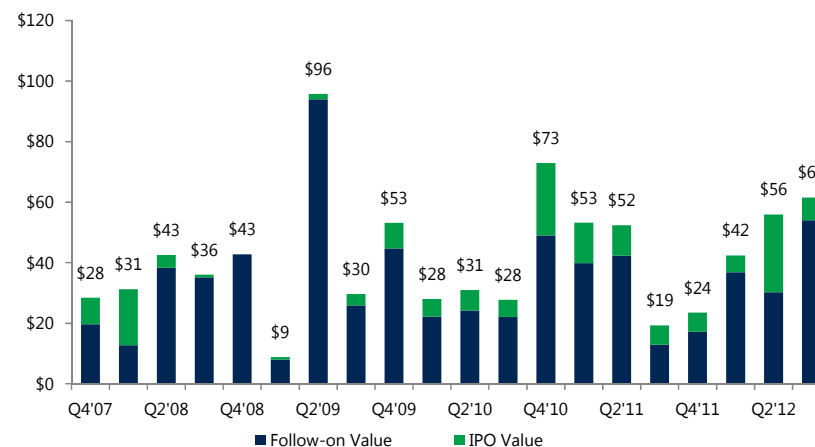


Includes public offerings closed from December 31, 2007 through October 30, 2012, with the issuer and exchange based in the United States.

Source: CapitalIQ.

Public Offering Transaction Value

Quarters Ended December 31, 2007 – September 30, 2012
(\$ in billions)



Includes public offerings closed from December 31, 2007 through October 30, 2012, with the issuer and exchange based in the United States.

Source: CapitalIQ.

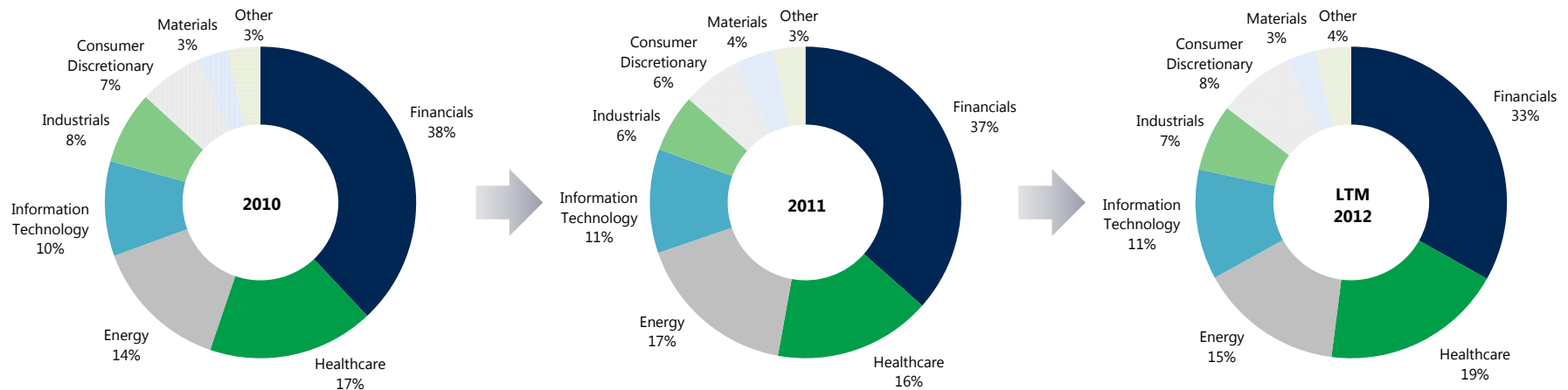
Public Offerings by Industry Sector

- For the LTM period ended September 30, 2012, the Financials, Healthcare, Energy, and Information Technology sectors accounted for approximately 78% of overall public offering activity
- While the Financials sector accounted for the largest share of public offerings, this sector experienced a decrease in relative activity in the LTM period relative to other sectors
 - Increases in relative public offering activity were observed in the Healthcare and Energy sectors from 2010 through 2012
 - Conversely, the Industrials sector demonstrated a decrease in relative public offering activity, while the Information Technology, Consumer Discretionary, Materials, and Other sectors have demonstrated the most consistent public offering activity from 2010 through 2012

Public Offerings by Industry Sector

Years Ended December 31, 2010 – 2011 with LTM Ended September 30, 2012

(% of transactions)



Includes public offerings closed from January 1, 2010 through September 30, 2012, with the issuer and exchange based in the United States.

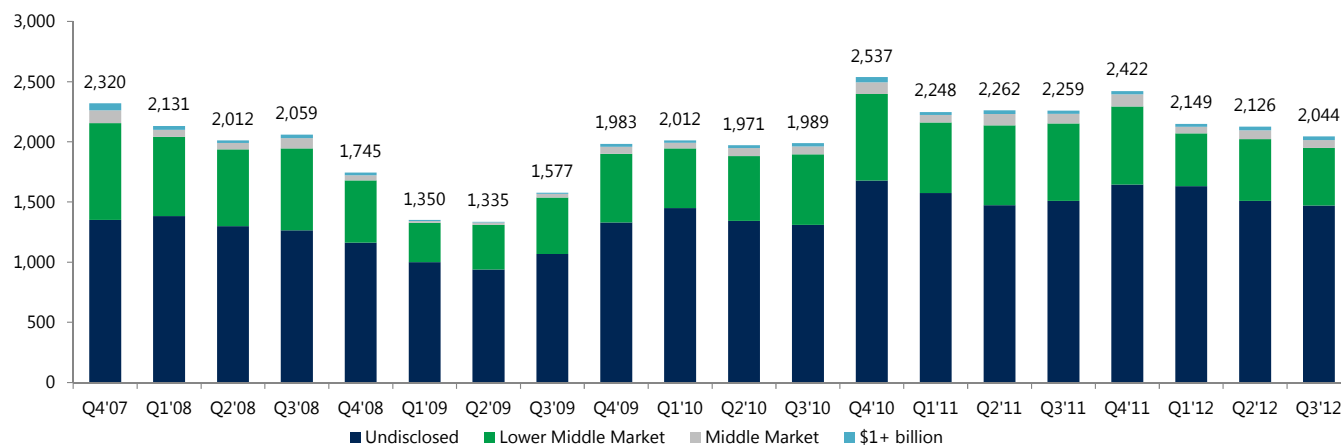
Source: CapitalIQ.

M&A Activity

- Since the economic downturn in 2008 and 2009, overall M&A activity increased consistently year over year for comparable periods from Q4 2009 through Q3 2011, with a peak in M&A transactions observed in Q4 2010
- While a preliminary analysis showed a decline in overall M&A activity in Q3 2012, the transaction volume for the lower middle market (i.e., deals with transaction values less than \$250 million) remained steady
 - Key drivers of the decline in M&A activity may include a number of uncertain factors such as the debt crisis in Europe, concerns over growth in the global economy, upcoming fiscal cliff, and the recent presidential election
 - Despite record levels of cash, uncertainty in the global economy may have weakened the confidence of strategic buyers contemplating acquisitions
- However, the outlook for M&A activity in Q4 2012 and beyond remains favorable, driven by the continued strengthening of the domestic economy, the ongoing reconciliation of the debt crisis abroad, and anticipated tax changes less perceived uncertainty following the elections

M&A Transaction Activity

Quarters Ended December 31, 2007 – September 30, 2012
(number of transactions)



Includes qualified M&A transactions closed from October 1, 2007 through September 30, 2012, 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.

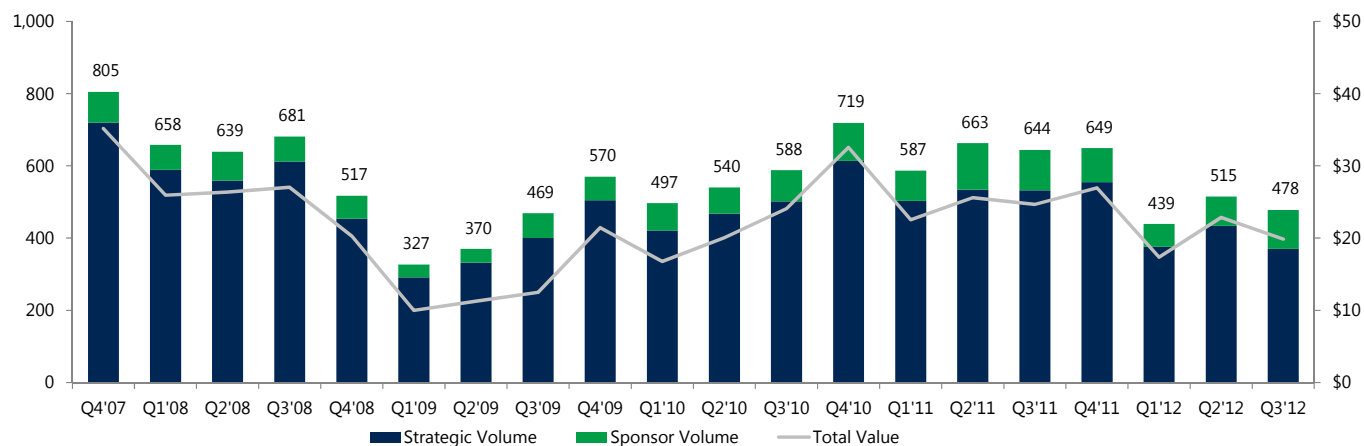
Lower Middle Market M&A Activity

- The qualified lower middle market M&A activity from Q2 2012 to Q3 2012 declined by 7.2%
- The volume of strategic and sponsored lower middle market M&A transactions demonstrated a 14.7% decline and 33.3% increase, respectively, from Q2 2012 to Q3 2012
 - Strategic deals account for a moderately declining share of all lower middle market M&A transaction activity, decreasing from 89.0% in 2008 to 86.5% in the last twelve months
 - Sponsored deals account for a growing share of all lower middle market M&A transaction activity, increasing from 11.0% in 2008 to 13.4% in the last twelve months
- These trends may be at least partially the result of transactions that have yet to be reported and are subject to variations in reporting practices from year to year

Lower Middle Market M&A Transaction Activity

Quarters Ended December 31, 2007 – September 30, 2012

(number of transactions, \$ in billions)



Includes qualified lower middle market M&A transactions with disclosed transaction values less than \$250 million, closed from October 1, 2007 through September 30, 2012, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ.

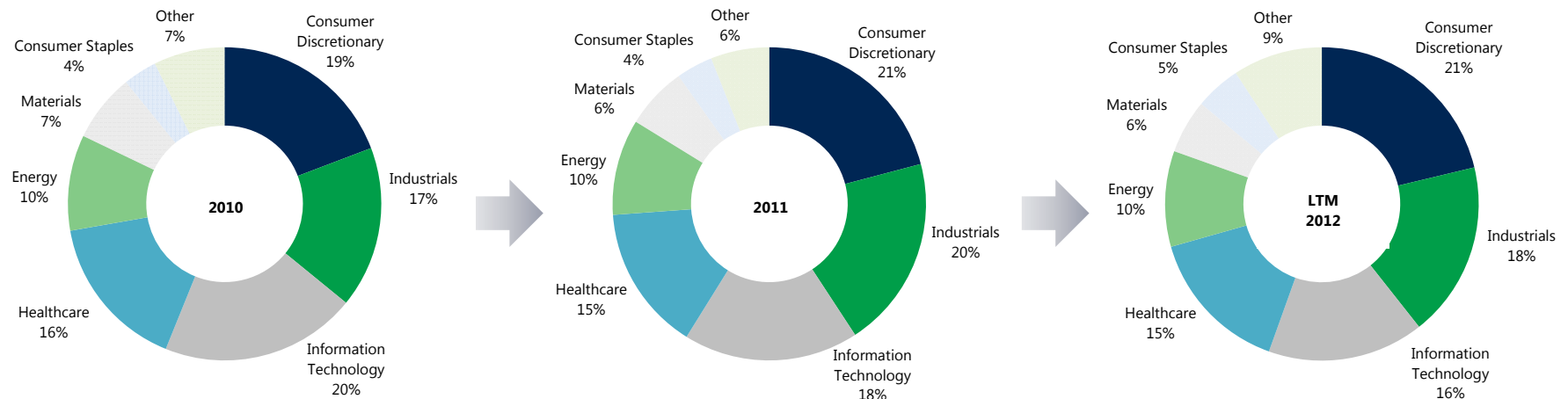
Lower Middle Market M&A Activity by Industry Sector

- For the LTM period ended September 30, 2012, the Consumer Discretionary, Industrials, Information Technology, and Healthcare 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 over the last three years
 - The Information Technology, Healthcare, and Materials sectors demonstrated consistent transaction activity over the last three years
 - While the Industrials sector demonstrated an increase in relative transaction activity over the last three years, M&A activity in the Energy, Consumer Staples, and Other sectors were relatively consistent

Lower Middle Market M&A Transaction Activity by Industry Sector

Years Ended December 31, 2010 – 2011 with LTM Ended September 30, 2012

(% of transactions)



Includes qualified lower middle market M&A transactions with disclosed transaction values less than \$250 million, closed from January 1, 2010 through September 30, 2012, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

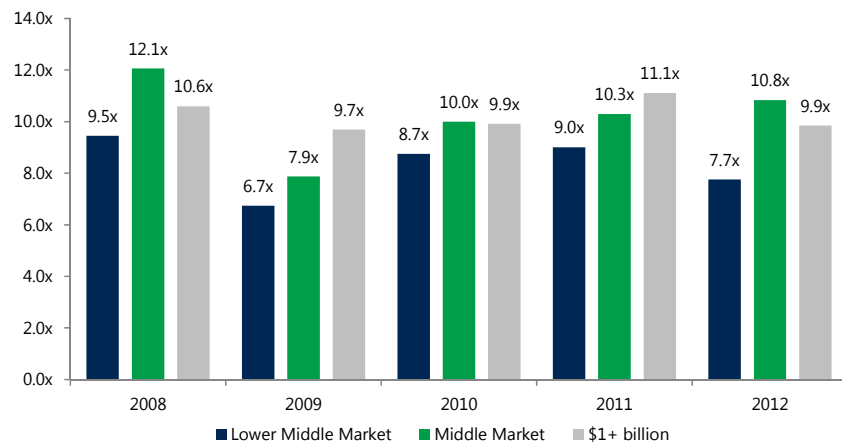
Source: CapitalIQ.

M&A Valuation Trends

- M&A valuations have improved from Q1 2009 through Q3 2012, with the highest TEV/EBITDA multiples observed among middle market transactions
 - While overall M&A valuations declined by 3.3% from Q2 2012 to Q3 2012, the lower middle market suffered from a 13.9% decline in valuation
 - TEV/EBITDA multiples for transactions of all sizes remained approximately 1 to 2 turns of EBITDA lower than valuations observed prior to the recession
- During the last twelve months, lower middle market M&A valuations were highest in the Utilities sectors, with TEV/EBITDA multiples equal to 13.7x
 - The Materials, Consumer Staples, Consumer Discretionary, and Information Technology sectors also performed well with TEV/EBITDA multiples ranging from 8.0x – 9.5x for the LTM period

Valuation Multiples by Transaction Size

Years Ended December 31, 2007 – 2011 with LTM Ended September 30, 2012
(multiples of TEV/EBITDA)

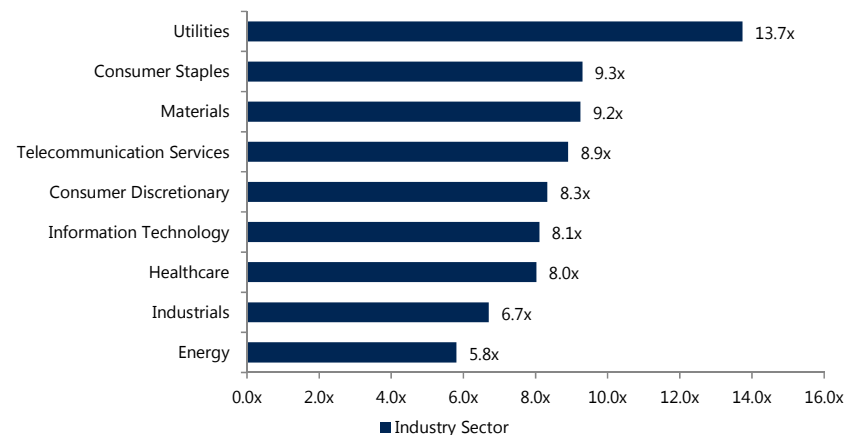


Includes qualified M&A transactions with disclosed and meaningful transaction values, closed from January 1, 2007 through September 30, 2012, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ.

Lower Middle Market Valuation Multiples by Industry Sector

LTM Ended September 30, 2012
(multiples of TEV/EBITDA)



Includes qualified lower middle market M&A transactions with disclosed and meaningful transaction values less than \$250 million, closed from October 1, 2011 through September 30, 2012 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 trends in M&A activity that are applicable across all industry sectors

- Private equity firms are increasingly adopting a focused approach to their portfolios, seeking to invest in niche market leaders with defensible positions
- With excess cash on hand, buyers may be willing to execute on higher valuation multiples for high-quality and unique businesses
- Potential changes in tax legislation are becoming increasingly important to small business owners as a key consideration for long-term estate planning
- Senior lenders have tighter leverage guidelines for financing deals, resulting in more discipline in valuation practices and deal structures, which has driven the proliferation of non-traditional lending institutions
- Increasing regulatory oversight from the Environmental Protection Agency ("EPA"), Occupational Safety and Health Administration ("OSHA"), and other federal government agencies has resulted in environmental, human resources, legal, and related issues becoming a focal point of due diligence

Selected Recent Transactions

 <p>ForTec Medical Forwarding Technology</p> <p>Ongoing Strategic Advisory</p> <p>League Park serves as financial advisor to ForTec Medical in connection with ongoing acquisition strategies</p>	 <p>Safeguard PROPERTIES</p> <p>has acquired</p>  <p>Bank of America Field Services Bank of America</p> <p>League Park acted as co-advisor to Safeguard Properties on the transaction</p> <p>(Announced)</p>	<p>An affiliate of</p>  <p>ACHILL PARTNERS</p> <p>has acquired</p> <p>a controlling interest in</p>  <p>SFI CAPITAL GROUP, LLC</p> <p>League Park acted as financial advisor to Achill Partners on the transaction</p>	 <p>FERRO</p> <p>Ongoing Strategic Advisory</p> <p>League Park serves as financial advisor to Ferro in connection with ongoing acquisition strategies</p>	 <p>PHANTOM FIREWORKS</p> <p>B.J. Alan dba Phantom Fireworks</p> <p>has been recapitalized by</p>  <p>MAIN ST</p> <p>League Park acted as financial advisor to B.J. Alan on the transaction</p>
 <p>Lakeside Scrap Metals, Inc. Ferrous and Nonferrous Metal Trading and Recycling</p> <p>has received financing from</p>  <p>FIRSTMERIT</p> <p>League Park acted as financial advisor to Lakeside Scrap Metals on the transaction</p>	 <p>CAMPBELL HAUSFELD</p> <p>Ongoing Strategic Advisory</p> <p>League Park serves as financial advisor to Campbell Hausfeld in connection with ongoing acquisition strategies</p>	 <p>NEWAY</p> <p>has been acquired by</p>  <p>BOWDEN Capital Group, LLC</p> <p>League Park acted as financial advisor to Neway on the transaction</p>	 <p>VanDeMark Fluorine Chemistry • Custom Chemicals</p> <p>a portfolio company of</p>  <p>BUCKINGHAM CAPITAL PARTNERS</p> <p>has been recapitalized by</p>  <p>PROSPECT CAPITAL</p> <p>League Park acted as financial advisor to VanDeMark on the transaction</p>	 <p>VanDeMark Fluorine Chemistry • Custom Chemicals</p> <p>a portfolio company of</p>  <p>BUCKINGHAM CAPITAL PARTNERS</p> <p>has received financing from</p>  <p>FIRST NIAGARA</p> <p>League Park acted as financial advisor to VanDeMark on the transaction</p>

Selected Recent Transactions



has been acquired by Praxair, Inc.



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



has been acquired by



League Park acted as financial advisor to Cardinal Fastener on the transaction



has been acquired by



League Park acted as financial advisor to Global Security Glazing on the transaction



Ongoing Strategic Advisory

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



has been acquired by



League Park acted as financial advisor to TPC Metals on the transaction



has been acquired by



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



Strategic Advisory

League Park acted as financial advisor to Imalux Corporation



has redeemed the membership interest of



League Park acted as financial advisor to Beech Technology Systems on the transaction



Ongoing Strategic Advisory

League Park serves as financial advisor to PreEmptive Solutions



has been acquired by



League Park provided strategic advice to Dots in connection with 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
- Healthcare
- Industrial
- Technology
- Retail and Consumer Products

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