



Q1 2013 Market Update

May 1, 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 quarter of 2013 (“Q1 2013”) continued with upward trends in performance
- Mergers and acquisitions (“M&A”) activity was down significantly in Q1 2013, after a sustained period of steady growth from 2009 through 2012
- M&A activity will remain conservative 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”) with performance by industry sector
 - M&A activity, including the volume and transaction value of lower middle market strategic and financial sponsored transactions with performance by industry sector

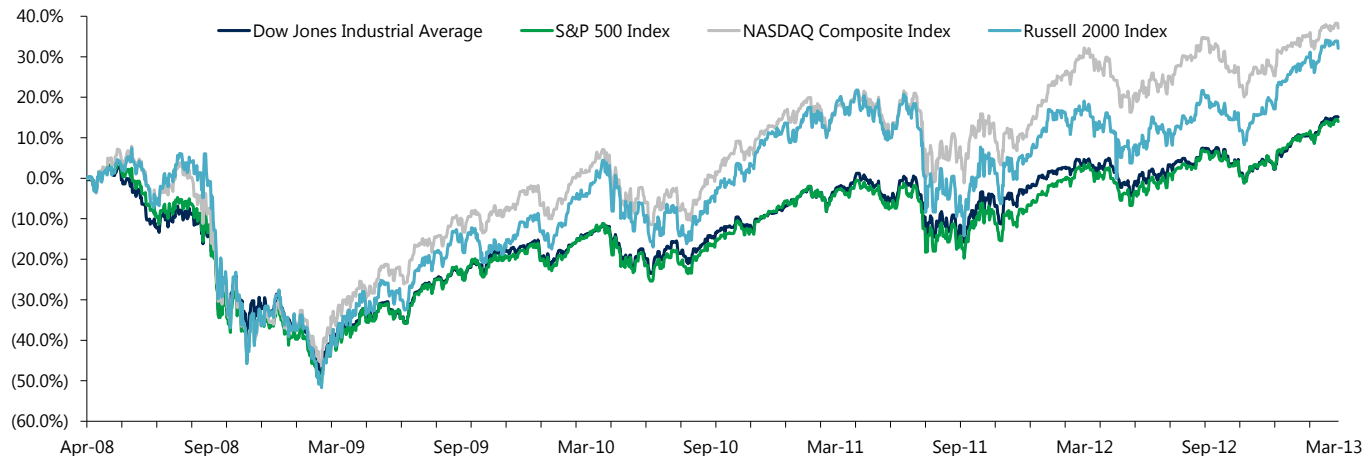
Major Equity Index Performance

- By Q2 2011, following three years of improvement, all four major equity indices had returned to and exceeded price levels observed in Q2 2008 prior to the recession
 - A strong increase in performance in Q1 2013 has driven all of the major equity indices above 2012 price levels
 - Following a significant market-wide correction in Q3 2011, performance of the major equity indices stabilized in Q4 2011 and has steadily improved through Q1 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 weaker performance, albeit with less volatility than the NASDAQ Composite Index and the Russell 2000 Index
 - All four major equity indices are at their highest price levels in the last five years

Major Equity Index Performance

April 1, 2008 – March 31, 2013

(% change in closing prices)



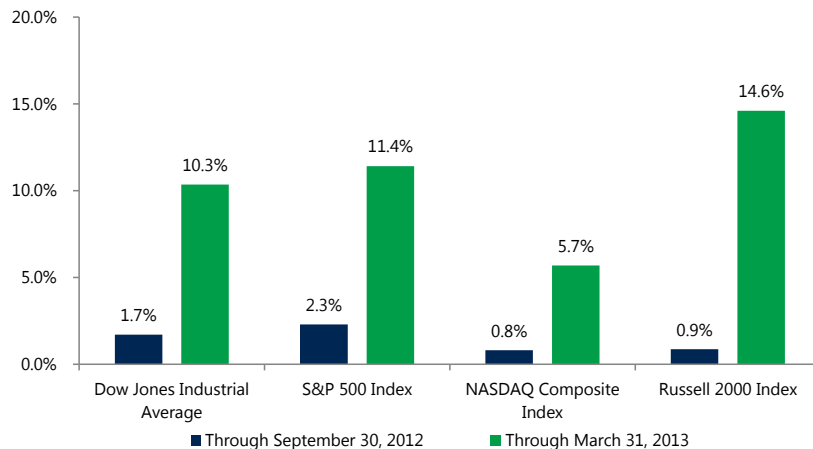
Source: CapitalIQ.

Major Equity Index and Industry Sector Performance

- Following positive performance in the six months ended September 30, 2012, all four major equity indices grew substantially through Q1 2013, with the Russell 2000 Index registering the strongest full-year returns
 - The Dow Jones Industrial Average, S&P 500 Index and Russell 2000 Index demonstrated the strongest improvements, increasing more than 10% for the last twelve months ended March 31, 2013
- Almost all industry sectors improved over the year with varying performance by industry sector
 - The Healthcare and Telecommunication Services sectors demonstrated the greatest growth with over 20% improvement in the last twelve months
 - The Financials, Consumer Discretionary, Industrials, Consumer Staples, and Utilities sectors also demonstrated strong growth with over 10% improvement in the last twelve months
 - The Information Technology, Materials, and Energy sectors lagged relative to others in the same period

Major Equity Index Performance

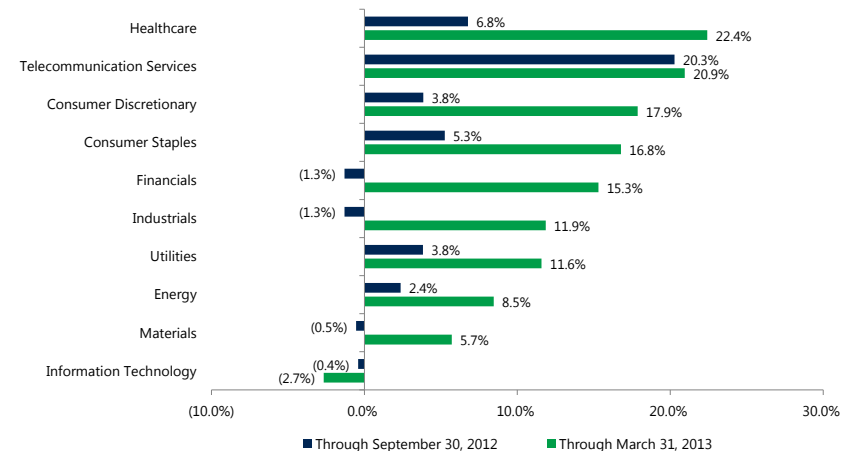
Periods Began April 1, 2012 and Ended September 30, 2012 and March 31, 2013
 (% change in closing prices)



Source: CapitalIQ.

S&P 500 Industry Sector Performance

Periods Began April 1, 2012 and Ended September 30, 2012 and March 31, 2013
 (% change in closing prices)



Source: CapitalIQ.

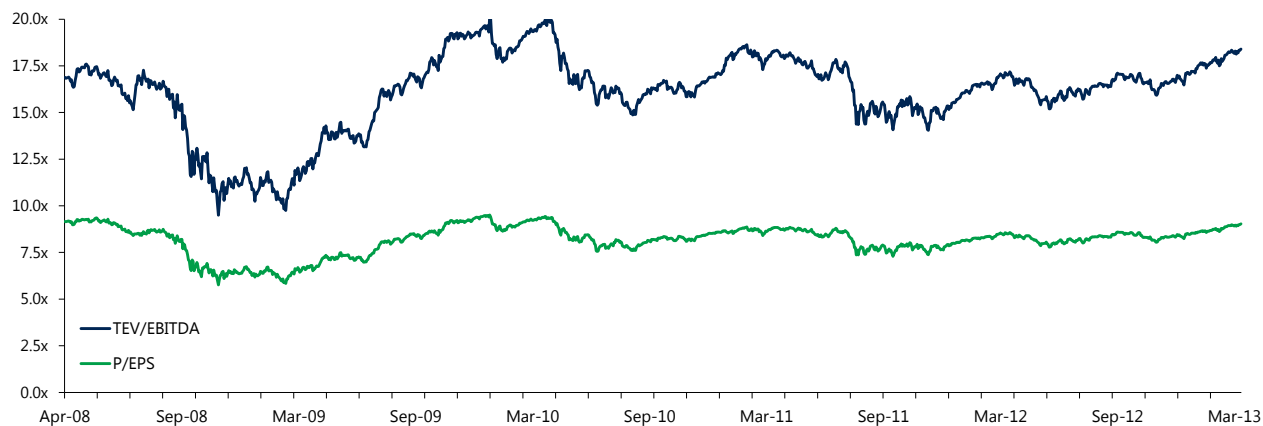
Public Valuation Trends

- 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 valuation multiples since a market-wide correction in Q3 2011
 - Improvement in TEV/EBITDA and P/EPS multiples in Q4 2011 through Q1 2013 has allowed valuations to reach levels close to those observed in Q2 2010
- On March 31, 2013, TEV/EBITDA and P/EPS multiples reached 9.0x and 18.4x, respectively
 - Valuation multiples observed in Q1 2013 are similar to those observed throughout 2012 and are trending towards their 5-year peaks
 - The improvement in performance observed in Q1 2013 provides the basis for more favorable valuations throughout 2013

S&P 500 Index Valuation Multiples

Period Began April 1, 2008 and Ended March 31, 2013

(multiples of TEV/EBITDA and P/EPS)



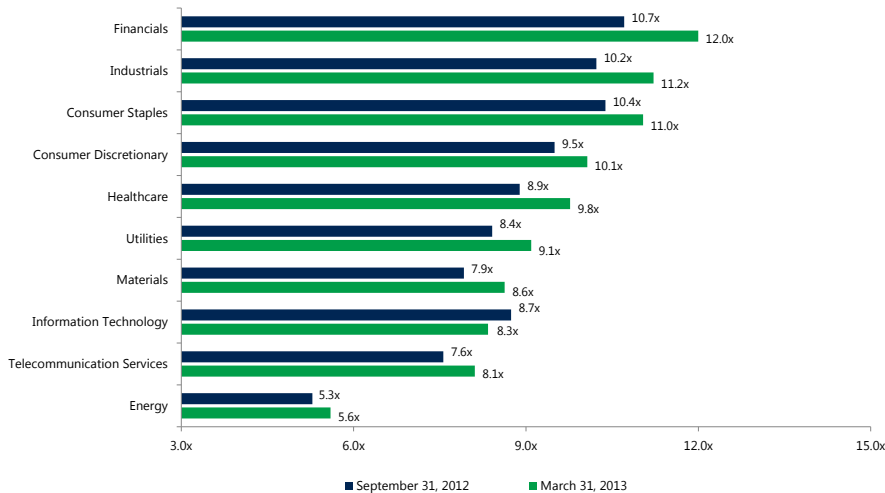
Source: CapitalIQ.

Public Valuation and Industry Sector Trends

- The Industrials, Financials, Consumer Staples, and Consumer Discretionary sectors demonstrated strong TEV/EBITDA multiples of over 10.0x as of March 31, 2013
- TEV/EBITDA multiples for nine out of ten industry sectors improved in the last six months, with the Financials sector registering the strongest TEV/EBITDA increase
 - The valuation multiples for the Financials, Industrials, Healthcare, Utilities, and Materials sectors increased by over 8.0% in the last six months
 - The Information Technology sector was the only sector to experience multiple contraction in the last six months

S&P 500 Industry Sector TEV/EBITDA Multiples

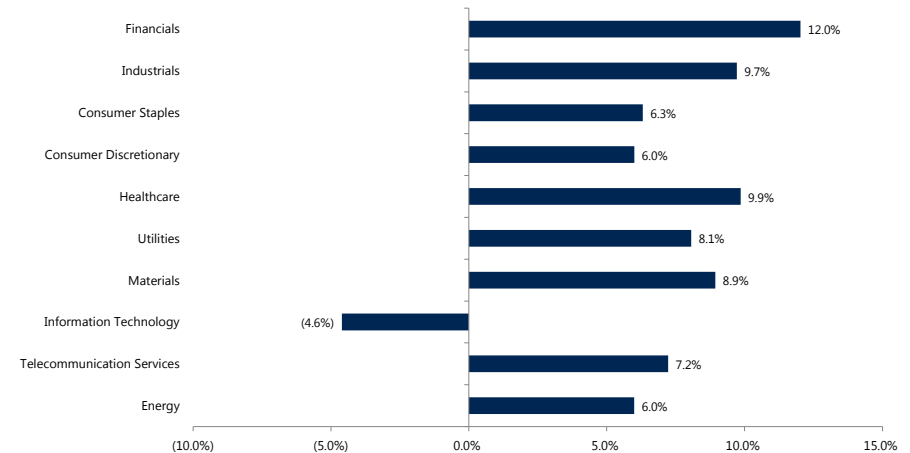
Periods Ended September 30, 2012 and March 31, 2013
(multiples of TEV/EBITDA)



Source: CapitalIQ.

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

Period Began September 30, 2012 and Ended March 31, 2013
(% change in TEV/EBITDA multiples)



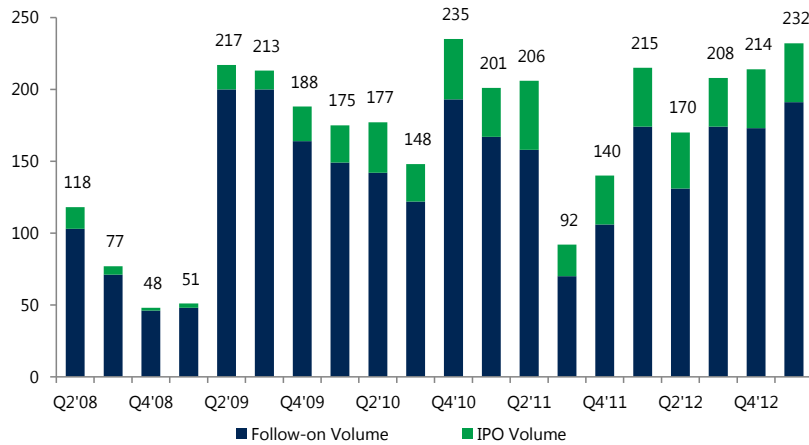
Source: CapitalIQ.

Public Offering Activity

- Since the economic downturn in 2008, IPO and follow-on offering activity has maintained an improved level of performance through Q1 2013
 - Total transaction volume nearly reached Q4 2010 levels and increased 8% in Q1 2013 versus Q4 2012
 - Total transaction value of public offerings increased by approximately 16% in Q1 2013 versus Q4 2012
- In Q1 2013, IPO volume was up to approximately 17% of all public offerings compared to 19% in Q4 2012
 - IPO transaction value represented 25% of total value across all public offerings in Q1 2013, up approximately 2% from Q4 2012

Public Offering Transaction Value

Quarters Ended June 30, 2008 – March 1, 2013
(\$ in billions)

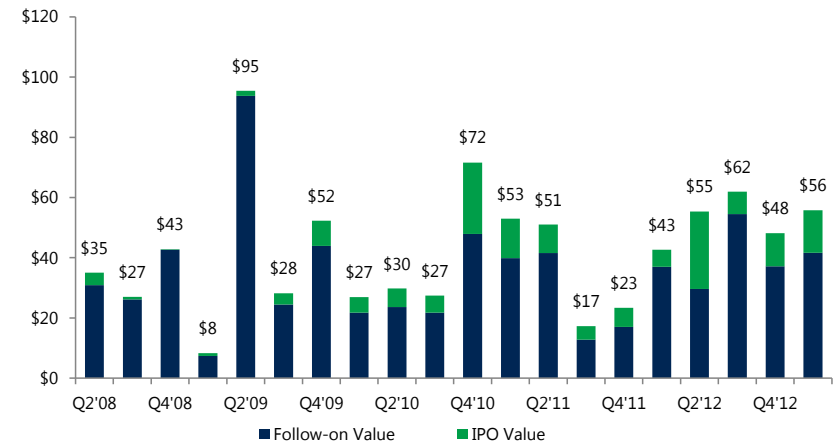


Includes public offerings closed from April 1, 2008 through March 31, 2013, with the issuer and exchange based in the United States.

Source: CapitalIQ.

Public Offering Transaction Volume

Quarters Ended June 30, 2008 – March 1, 2013
(number of transactions)



Includes public offerings closed from April 1, 2008 through March 31, 2013, with the issuer and exchange based in the United States.

Source: CapitalIQ.

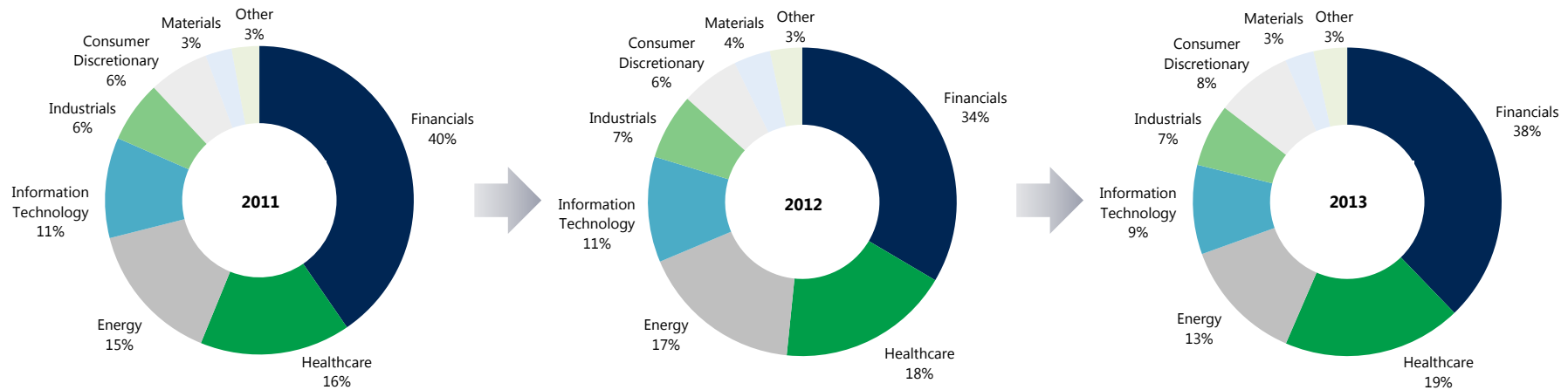
Public Offerings by Industry Sector

- In the last twelve months ended March 31, 2013, the Financials, Healthcare, Energy, and Information Technology sectors accounted for approximately 80% of overall public offering activity
- The Financials sector has historically accounted for the largest share of public offering activity, representing 38% of public offerings for the last twelve months ended March 31, 2013
 - Increases in relative public offering activity were observed in the Healthcare, Industrials, and Consumer Discretionary sectors
 - The Materials and Other sectors have demonstrated the most consistent public offering activity, accounting for 6% of public offering activity
 - Conversely, the Energy and Information Technology sectors demonstrated small decreases in relative public offering activity, representing 13% and 9% of public offering activity, respectively

Public Offerings by Industry Sector

LTM Periods Ended March 31, 2011 – 2013

(% of transactions)



Includes public offerings closed from April 1, 2010 through March 31, 2013, with the issuer and exchange based in the United States.

Source: CapitalIQ.

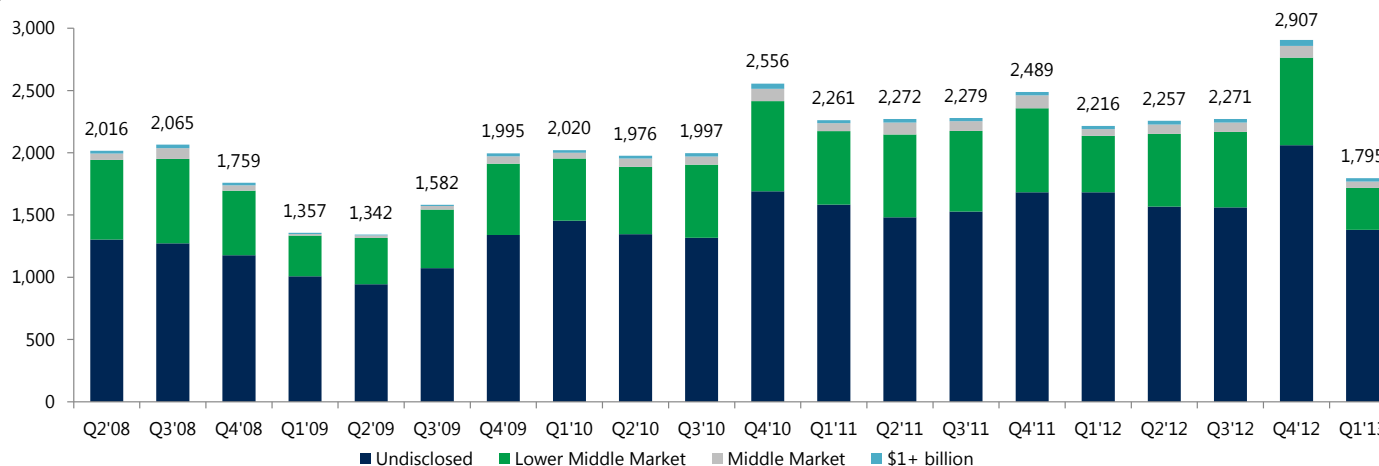
M&A Activity

- Overall M&A activity was significantly down in Q1 2013, falling to historical low levels last observed in Q3 2009
- M&A transaction activity decreased 19% from Q1 2012 to Q1 2013, demonstrating the caution in the M&A market
 - Lower middle market transactions (i.e., deals with values less than \$250 million) represented 95% of disclosed M&A transactions in Q1 2013
 - Middle market (i.e., deals with values ranging from \$250 million to \$1 billion) and \$1+ billion transactions accounted for 3% and 2% of disclosed M&A transactions, respectively in Q1 2013

M&A Transaction Activity

Quarters Ended June 30, 2008 – March 31, 2013

(number of transactions)



Includes qualified M&A transactions closed from April 1, 2008 through March 31, 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.

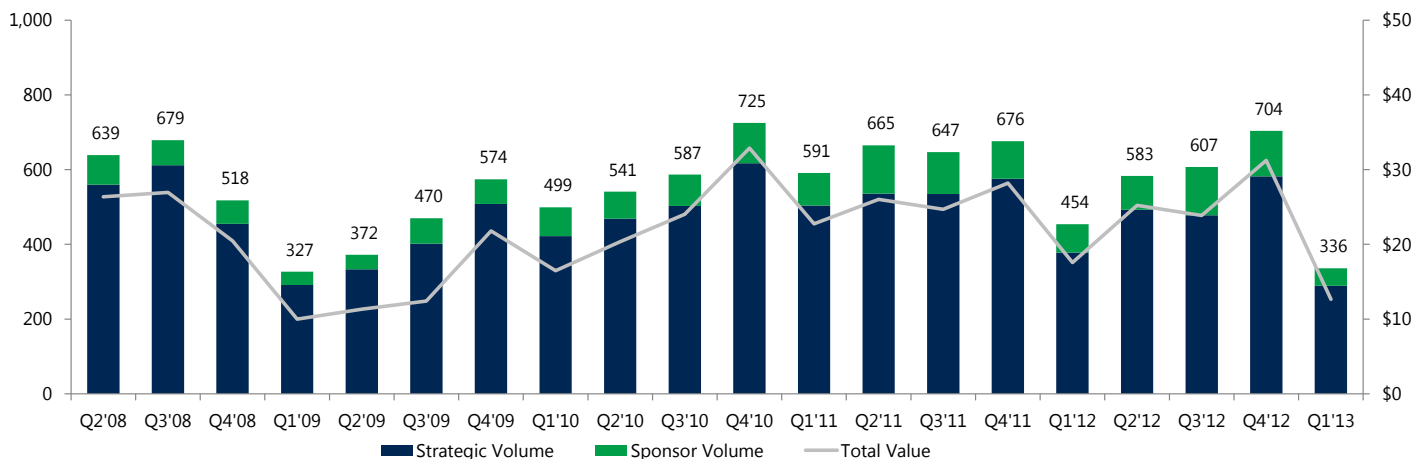
Lower Middle Market M&A Activity

- Since 2008, qualified lower middle market M&A transactions have followed the same general trends as those observed in overall M&A activity
- While the overall volume of M&A activity was significantly down, the proportion of deals completed by strategic acquirers grew in relation to financial sponsors
 - Strategic deals account for a moderately growing share of all lower middle market M&A transaction activity, increasing from 82% in Q4 2012 to 86% in Q1 2013
 - Sponsored deals account for a declining share of all lower middle market M&A transaction activity, decreasing from 18% in Q4 2012 to 14% in Q1 2013
- 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 June 30, 2008 – March 31, 2013

(number of transactions, \$ in billions)



Includes qualified lower middle market M&A transactions with disclosed transaction values less than \$250 million, closed from April 1, 2008 through March 31, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ.

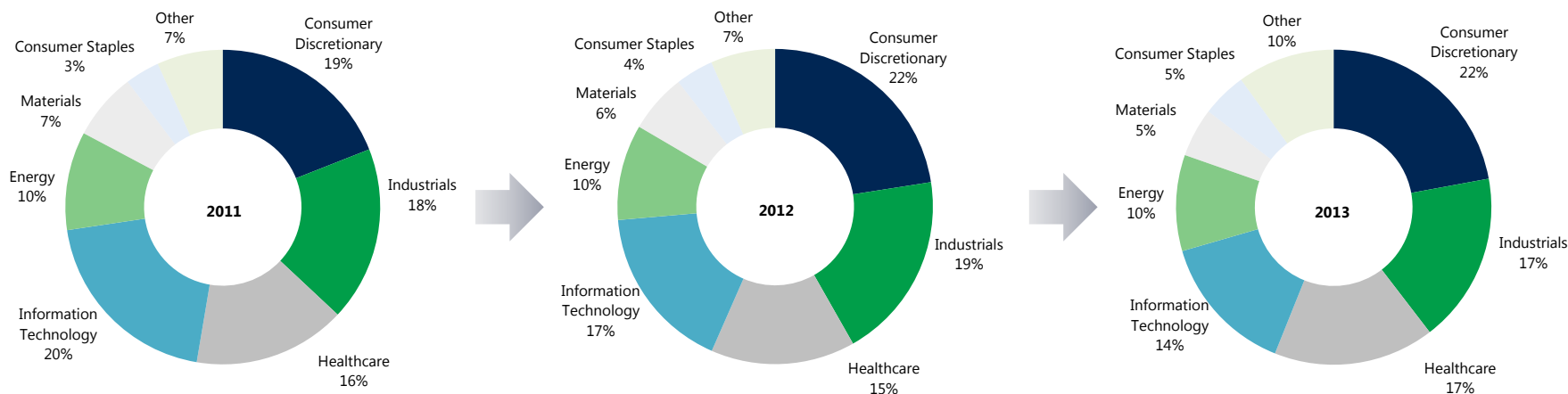
Lower Middle Market M&A Activity by Industry Sector

- For the last twelve months ended March 31, 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 2013
 - The Industrials, Healthcare, and Energy sectors demonstrated consistent transaction activity over the last three years
 - While the M&A activity in the Information Technology and Materials sectors declined, Consumer Discretionary, Consumer Staples, and Other sectors demonstrated an increase in relative transaction activity over the last three years

Lower Middle Market M&A Transaction Activity by Industry Sector

LTM Periods Ended March 31, 2011 – 2013

(% of transactions)



Includes qualified lower middle market M&A transactions with disclosed transaction values less than \$250 million, closed from April 1, 2011 through March 31, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ.

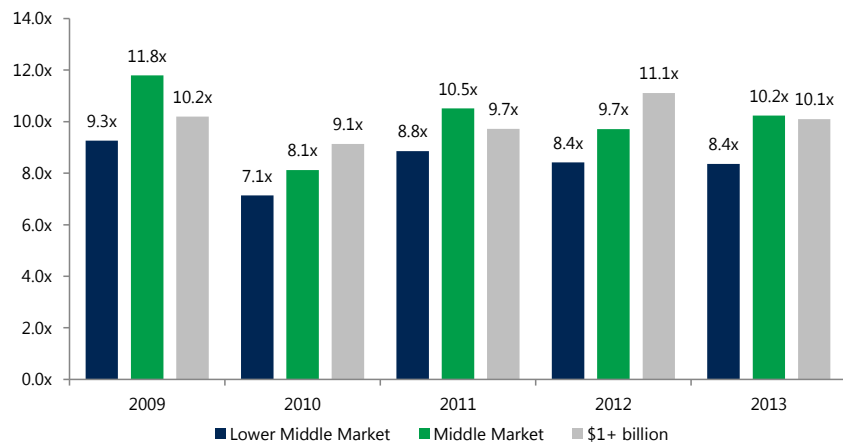
M&A Valuation Trends

- M&A valuations, observed among transactions greater than \$1 billion declined in Q1 2013
- Since 2010, the strongest recovery in TEV/EBITDA multiples has been observed in middle market transactions, where valuations have increased to 10.2x
 - TEV/EBITDA multiples for transactions of all sizes remained approximately one to two turns of EBITDA lower than valuations observed in 2009
- In Q1 2013, lower middle market M&A valuations were highest in the Utilities sector, with TEV/EBITDA multiples equal to 14.5x
 - The Utilities, Information Technology, Telecommunication Services, and Healthcare sectors also performed well with TEV/EBITDA multiples above 10.0x in 2012, while Consumer Discretionary and Consumer Staples valuation multiples were above 8.0x

Valuation Multiples by Transaction Size

Years Ended March 31, 2009 – 2013

(multiples of TEV/EBITDA)



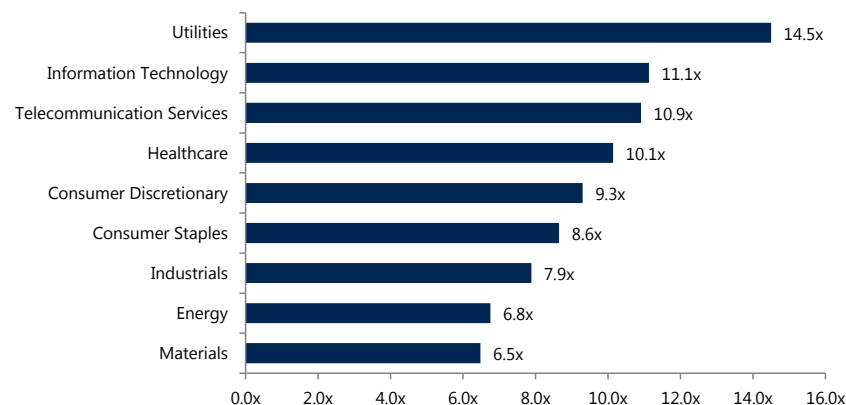
Includes qualified M&A transactions with disclosed and meaningful transaction values, closed from April 1, 2008 through March 31, 2013, with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ.

Lower Middle Market Valuation Multiples by Industry Sector

Year Ended March 31, 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 April 1, 2012 through March 31, 2012 with the target based in the United States. Excludes M&A transactions with the target participating in the Financials sector.

Source: CapitalIQ.

Selected Recent Transactions

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

Mergers and Acquisitions



has been acquired by



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



has been acquired by



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



a portfolio company of



has been acquired by



League Park acted as financial advisor to VanDeMark on the transaction

Outsourced Corporate Development



has acquired

Falls Church Laser

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



has acquired



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



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 Global Security Glazing on the transaction



has been acquired by



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



Ongoing Strategic Advisory

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



Ongoing Strategic Advisory

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



a portfolio company of



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

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