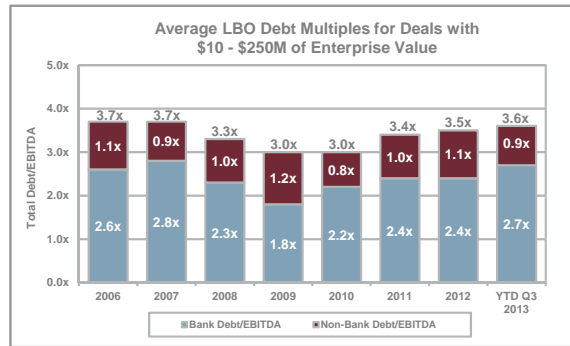


LEVERAGE MULTIPLES INCREASE



Source: GF Data Resources

STRONG FINANCING MARKETS

Senior Debt Multiples Expand

Senior debt market support for lower middle-market LBOs increased during the first nine months of 2013.

According to GF Data, average senior debt/EBITDA multiples increased to 2.7x during the most recent nine month period, compared to 2.4x during 2012. Low interest rates, improved bank performance, and competition for new assets continued to drive pricing and terms for senior debt.

These trends are likely to continue into 2014, keeping the market attractive for borrowers.

Total debt/EBITDA increased more modestly to 3.6x for the first nine months of 2013 from 3.5x for 2012.

The proliferation of mezzanine funds, SBICs, BDCs, and unitranche lenders is making competition for mezzanine debt significant. However, the improving senior debt market continues to squeeze mezzanine lenders.

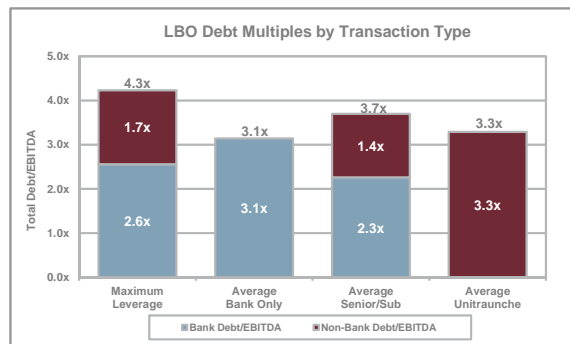
Many Capital Structure Choices

GF Data further analyzed capital structures for lower middle-market LBOs during the first nine months of 2013 comparing EBITDA multiples for different types of capital structures utilized by buyers.

The maximum level of debt observed in lower middle-market LBOs was 2.6x senior debt and 4.3x total debt. For transactions where only senior debt was utilized, 3.1x bank debt was available. For transactions with an equity sponsor that used both senior and mezzanine debt, senior debt averaged 2.3x and total debt reached 3.7x. Deals with a unitranche lender had, on average, 3.3x total debt.

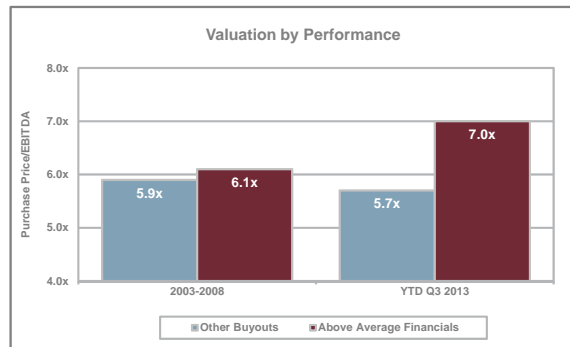
If you are considering an acquisition, refinancing, or sale, it is important to have an advisor that understands the debt markets, as the appropriate capital structure has a large impact on the success of a transaction.

VARIETY OF AVAILABLE CAPITAL STRUCTURES



Source: GF Data Resources

COMPANIES WITH STRONGER FINANCIALS REALIZED HIGHER VALUATIONS



Source: GF Data

Significant Premium for Quality Companies

According to GF Data, LBO purchase price multiples in the first nine months of 2013 were significantly higher for companies with above average financial characteristics. Companies with these characteristics sold for 7.0x EBITDA compared to 5.7x EBITDA for other transactions.

For purposes of these calculations, “above average financial characteristics” is defined as companies having either latest twelve months (LTM) EBITDA margins or LTM revenue growth above 10%, or both metrics above 8% and combined metrics greater than 20%.

During 2003-2008, the gap was only 0.2x. As in many areas of the investment world, the emphasis on quality has increased during the last several years.

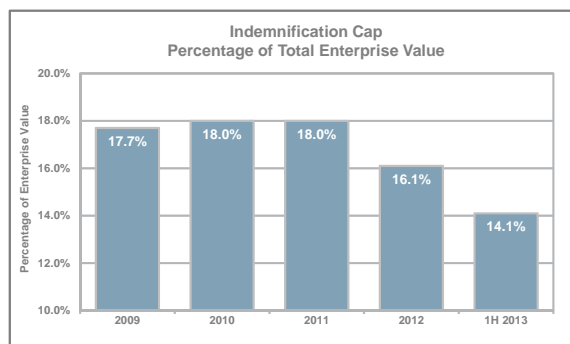
Mixed Trends in Seller Contract Terms

Contract terms are an important part of any transaction.

According to a recent GF Data study, average rep and warranty indemnification limits for LBOs with less than \$250 million enterprise values continued their recent year decline. During the first half of 2013, limits declined to 14.1% of enterprise value compared to 16.1% in 2012.

Unfortunately for sellers, several other terms moved slightly the other direction. Escrow/holdbacks increased to 6.7% of enterprise value during the first half of 2013 compared to 6.6% during 2012. Average “baskets” declined slightly to 0.6% from 0.8% during the same period. The average indemnification period also increased slightly to 20.9 months from 18.5 months during the same period.

INDEMNIFICATION LIMITS DECLINE



Source: GF Data

FIRM OVERVIEW

Cleary Gull Inc. is an employee-owned firm providing specialized financial services since 1987 to individuals, institutional investors, and middle-market companies through two operating divisions: Investment Banking and Investment Management Services. *“A Firm Belief in the Entrepreneurial Spirit”* is our core ideology and the foundation for all of our client engagements.

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