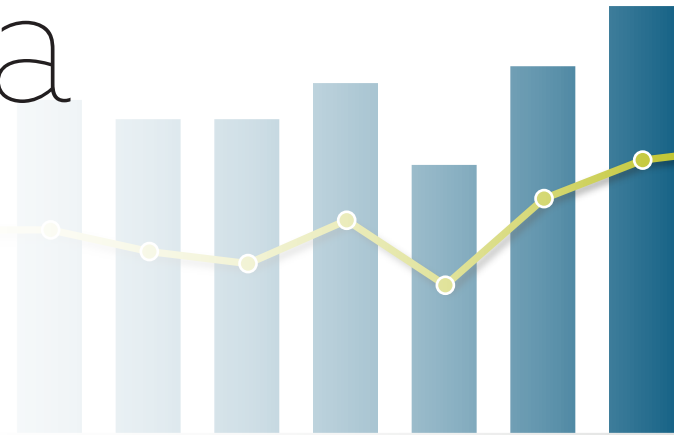


Market Data Trends and Highlights



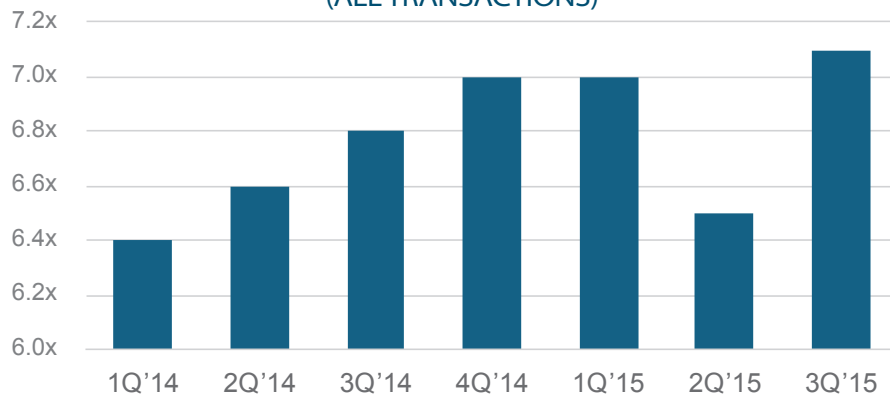
Through the first six months of 2015, middle market data from over 200 financial sponsors outlines current valuations in what can be described as a ripe “seller’s market.” Compared to a year ago, transaction volume in the first 6-months of the year is up modestly. However, this total fell short of predictions cast by a number of analysts on Wall Street; market conditions seemed to suggest that a record number of business owners would pursue a sale due to market multiples and seller leverage. The third quarter of 2015 represented more of the same for private middle market M&A—or less of the same, depending on what you are looking at. Valuations for the third quarter of 2015 averaged 7.1x, the highest quarterly mark in 13 years.

ALL TRANSACTIONS	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
# of Deals	41	53	50	64	63	51	37
TEV/EBITDA	6.4x	6.6x	6.7x	7.0x	7.0x	6.4x	7.1x
Total Debt/EBITDA	3.6x	4.0x	3.7x	3.7x	4.0x	4.0x	4.1x
Senior Debt/EBITDA	2.4x	2.9x	2.7x	2.7x	3.3x	2.9x	3.2x

Valuations for the third quarter of 2015 averaged 7.1x, the highest quarterly mark in 13 years.

Deal activity in 3Q represented “more of the same” in the sense that market drivers identified in the first half of the year were as evident or more so in the latest period.

**TOTAL ENTERPRISE VALUE (TEV)/EBITDA
(ALL TRANSACTIONS)**

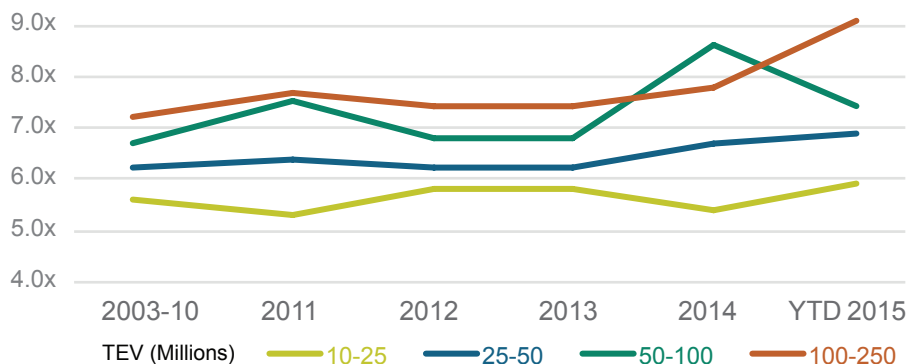


The so-called size premium remained at a near-record level.

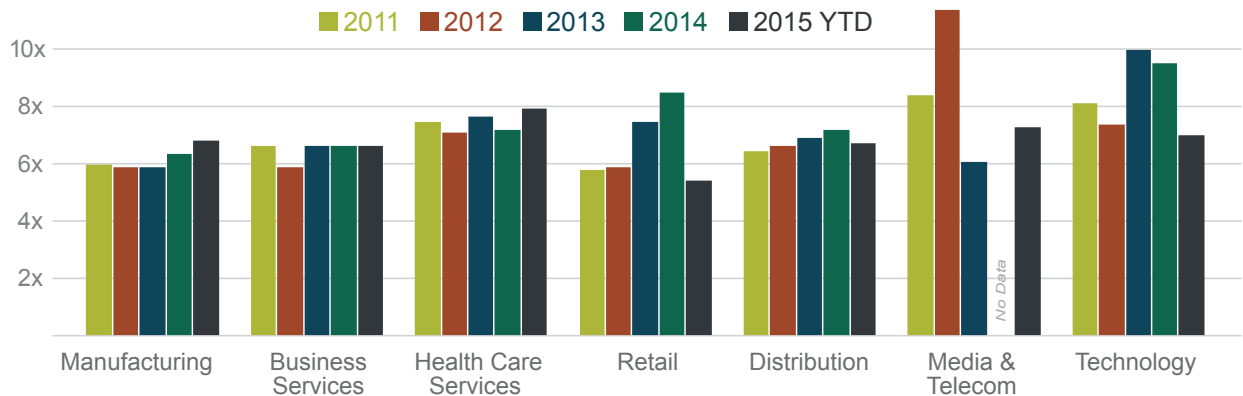
Deals in the \$50-250 MM TEV range traded at an average of 8.0x in the first nine months of the year while the average at \$10-50 million was 6.3x.

The spread of 1.8x compares to a historical average of 1.5x.

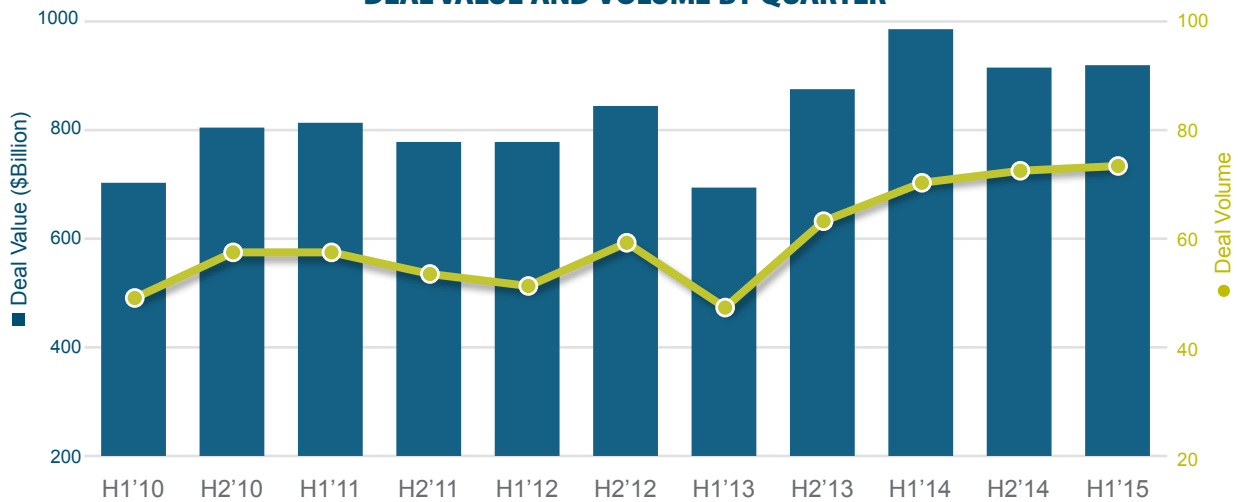
TOTAL ENTERPRISE VALUE (TEV)/EBITDA



U.S. MIDDLE MARKET TOTAL ENTERPRISE VALUE (TEV)/EBITDA MULTIPLES

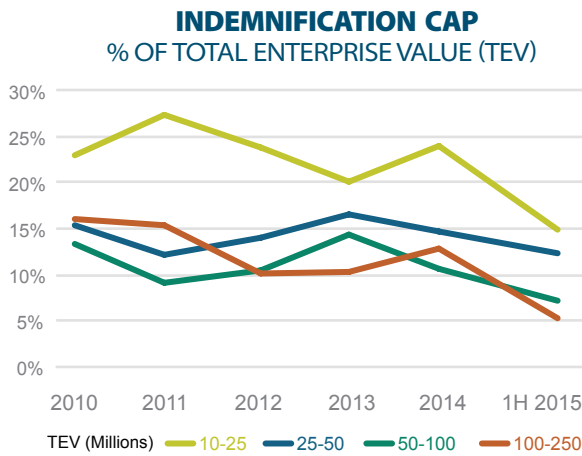


DEAL VALUE AND VOLUME BY QUARTER



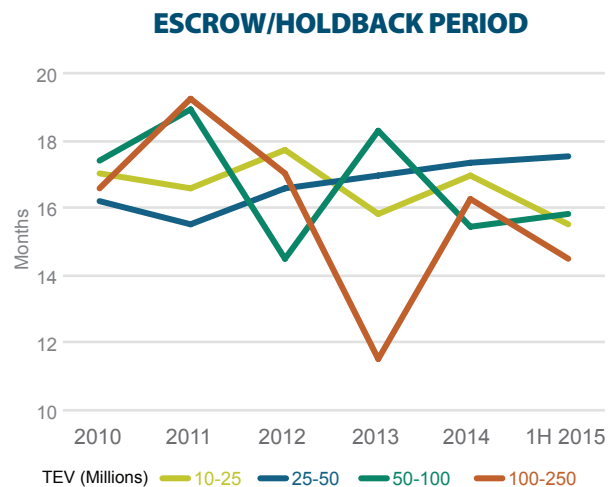
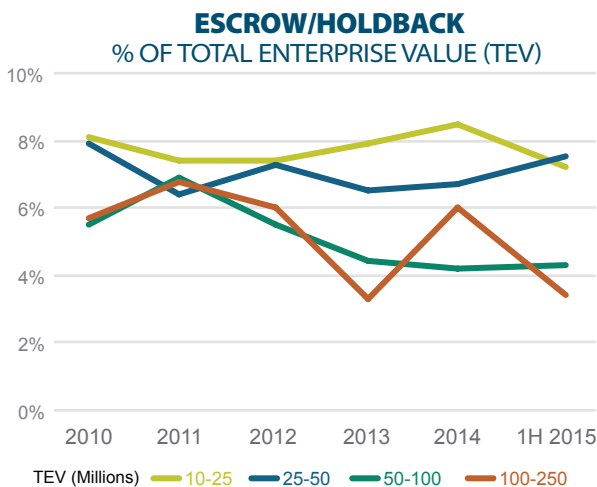
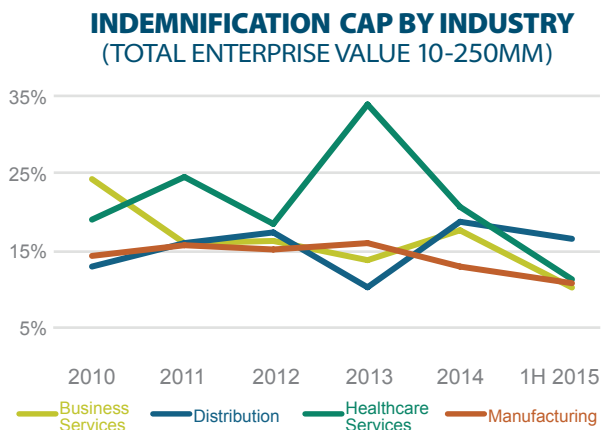
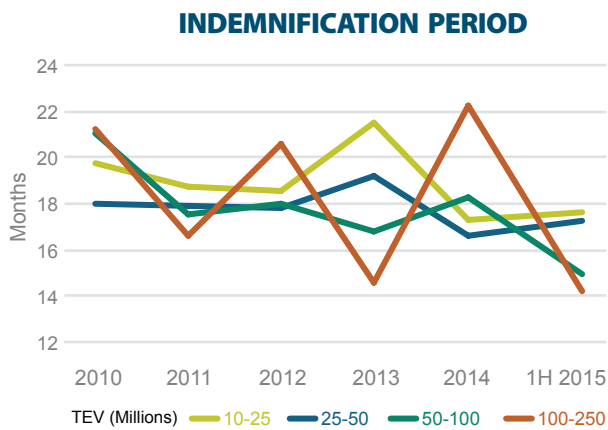
In addition to overall market valuation trends, this report provides data that describe "Key Deal Terms," such as indemnification cap, indemnification term, escrow/hold back, and escrow/hold back length.

The graphs and charts in this report provide further evidence that we are deep within a seller's market.



The average cap on indemnification of reps and warranties is 12.0% of TEV in the year to date, down from 17.2% in 2014. This figure is 5 percentage points below the average between 2010-2014.

The average escrow/holdback in the first half of 2015 was 6.3% of TEV, declining from 7.4% in 2010.



SELLER FINANCING/EARNOUT IMPACT — ALL DEALS (2014)

TEV	All Transactions			No Seller Financing or Earnout		Seller Financing or Earnout		% of All Deals
	TEV/Adj. EBITDA	N =	Indem Cap	TEV/Adj. EBITDA	Indem Cap	TEV/Adj. EBITDA	Indem Cap	
10-25	5.4	73	23.9%	5.7	20.5%	5.1	28.6%	45.2%
25-50	6.7	63	14.7%	6.8	14.2%	6.5	15.5%	38.1%
50-250	8.2	69	11.4%	8.1	8.7%	8.8	20.7%	21.7%
TOTAL	6.8	205	17.2%	7.0	14.4%	6.8	22.2%	35.1%

SELLER FINANCING/EARNOUT IMPACT — ALL DEALS (1H 2015)

TEV	All Transactions			No Seller Financing or Earnout		Seller Financing or Earnout		% of All Deals
	TEV/Adj. EBITDA	N =	Indem Cap	TEV/Adj. EBITDA	Indem Cap	TEV/Adj. EBITDA	Indem Cap	
10-25	5.9	55	14.9%	6.3	14.9%	5.3	15.0%	40.0%
25-50	7.5	21	12.3%	7.7	11.5%	7.1	13.4%	33.3%
50-250	7.9	33	6.5%	8.2	5.5%	6.6	9.5%	21.2%
TOTAL	6.8	109	12.0%	7.2	11.1%	5.9	13.7%	31.2%

NOTE: Valuation and "N =" data are for the entire sample, not just deals featuring indemnification caps.

The chart above brings to light some shifts from 2014 to 1H 2015 in the treatment of deals featuring seller financing or earnouts.

The incidence of seller financing/earnouts remained consistent across all categories: 40-45% for \$10-25M TEV businesses, 33-38% for \$25-50M TEV businesses, and 21% for \$50-250M TEV businesses.

The spread in indemnification cap between deals where seller financing/earnouts were included versus not has narrowed from ~8% in 2014 to ~2.5% in 1H 2015.

KEY DEAL TERM DEFINITIONS

Indemnification Cap refers to the general indemnification provided by the seller to the buyer against breaches of reps and warranties. This does not include carveouts for specific issues or items. For example, parties often agree that the general cap will not apply in the event of fraud.

Escrow/Holdback refers to transaction consideration either placed in escrow or retained by the seller subject to events or conditions expected to occur post-closing. For example, the parties may agree to a working capital adjustment based on financial statements that will not be available until after the end of the fiscal period. This does not include earnouts or other payments payable to Seller post-closing contingent on the selling company's performance for a certain period post-closing.

Escrow/Holdback Period refers to the time when the last of funds placed in escrow or held back are scheduled to be released.

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