"a firm belief in the entrepreneurial spirit"

CLEARY GULL

MARKET MONITOR

M&A AND FINANCING UPDATE □ 2nd QUARTER 2012

Interest Rates Likely to Remain Low into 2013

The seemingly never-ending European sovereign debt crisis and weaker-than-expected U.S. economic data have resulted in a pull-back in the stock market and the lowest U.S. interest rates ever.

The European fiscal situation is not expected to be resolved soon, as the recent election of François Hollande suggests that it will be more difficult for France and Germany to agree on a common policy response.

Growing concerns about a "fiscal cliff" in 2013 combined with uninspiring U.S. economic data and the European situation are likely to result in low interest rates for some time to come. Despite these headwinds, the U.S. credit markets have strengthened and the M&A environment remains favorable.

KEY INTEREST RATES

	6/12/2012	12/31/2011	12/31/2010
1-Month T Bill	0.04%	0.01%	0.12%
2-Year UST	0.28%	0.25%	0.61%
5-Year UST	0.71%	0.83%	2.06%
10-Year UST	1.65%	1.89%	3.38%
30-Year UST	2.77%	2.89%	4.43%
EUR/USD	$1.25	$1.30	$1.33
1-Month LIBOR	0.24%	0.30%	0.26%
Federal Funds	0.75%	0.75%	0.46%
Prime	3.25%	3.25%	3.25%

Source: Capital IQ, St. Louis Fed

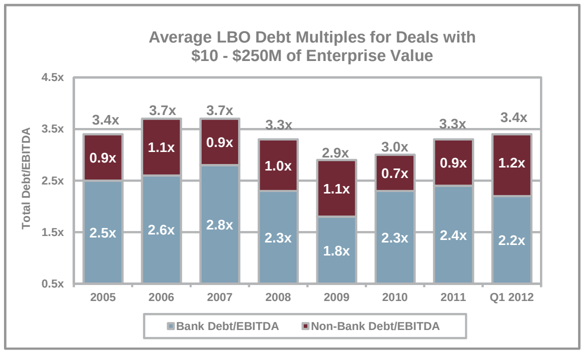
Potential Tax Increases Expected to Drive M&A Activity

It seems like the only question about taxes is, "How high will they go?"

With the expiration of the "Bush tax cuts" at the end of this year and the presidential election not until November, the question about tax rates is unlikely to be resolved anytime soon. If no action is taken, the capital gains rate is scheduled to increase from 15% to 20% in 2013 and the top marginal income tax rate will increase from 35% to 39.6%. The top estate tax rate would also increase from 35% to 60%.

Almost all market participants expect higher loan and M&A volume during the second half of 2012 as business owners try to take advantage of the current favorable tax environment and strong credit and M&A markets.

IMPROVING DEBT MARKET



Source: GF Data

Strong Financing Market

Debt market support for lower middle-market M&A transactions (enterprise values less than $250 million) improved slightly during the first quarter of 2012 compared to 2011. Average total debt/EBITDA multiples increased by 0.1x to 3.4x during the first quarter of 2012 compared to 2011. Average senior debt/ EBITDA declined to 2.2x from 2.4x during the same period.

Mezzanine debt has more than picked up the difference from the lower senior debt, increasing to 1.2x EBITDA during the first quarter of 2012 compared to 0.9x during 2011. Borrowers are comfortable using leverage, but seem to favor mezzanine debt that does not amortize.

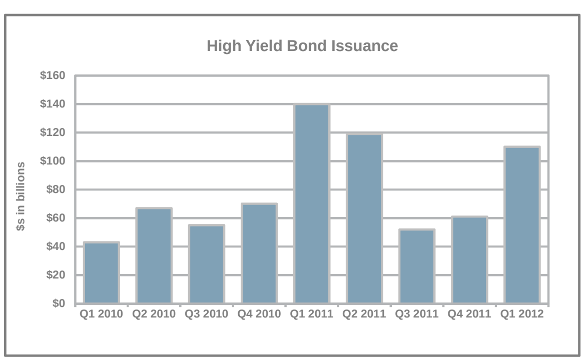
However, higher leverage is available for a "sponsored" M&A transaction. We are seeing senior debt leverage for companies with less than $10 million in EBITDA ranging from 2.25x to nearly 3.0x EBITDA and total debt leverage from 3.5x to nearly 4.0x.

Active Leveraged Loan Market

Low interest rates, low default rates, and reduced stock market volatility contributed to a strong quarter for leveraged loan issuances. New leveraged loans increased to $110 billion during the first quarter of 2012, an increase of 79% from $62 billion in the fourth quarter of 2012. However, corporate refinancings and dividend recaps drove volume, not M&A. M&A-related financings represented less than 25% of new issuance debt.

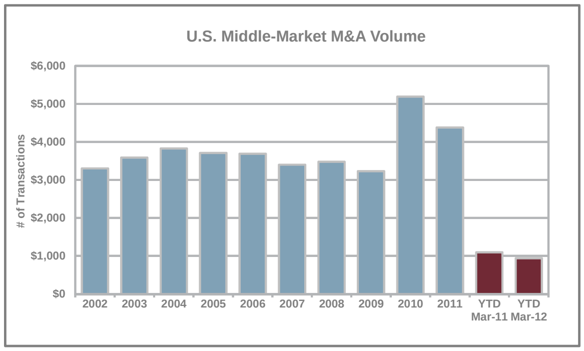
The default rate for U.S. speculative-grade issues has dropped dramatically during the last 30 months. Standard & Poor's reported a loan default rate of 0.21% in March 2012, just off the record low of 0.17% reported at year-end. The general consensus is that as loan structures get more aggressive, the default rate should trend toward the historic mean of 3.5% over the next 24 months.

STRONG FIRST QUARTER OF LEVERAGED LOAN ACTIVITY



Source: Standard & Poor's

Q1 2012 DEAL VOLUME DECLINED



Source: Robert W. Baird & Co.

SUPPLY/DEMAND IMBALANCE DRIVING M&A PRICING HIGHER

Favorable Market for Sellers

The first quarter of 2012 saw a modest decline in M&A volume compared to the same period in 2011. According to Robert W. Baird & Co., the number of middle-market transactions (enterprise values less than $500 billion) declined 14% for the quarter compared to the year earlier period.

Despite favorable deal making conditions, M&A volume has slowed. Global political uncertainties, a stalemate over U.S. deficit reduction efforts, and concerns about continued economic weakness dampened transaction volumes.

Today, there is approximately $432 billion of uninvested private equity capital and more than $1 trillion of corporate cash looking to be deployed into new investments. Given this dynamic, we believe it is an excellent time to sell a business despite the Q1 data.

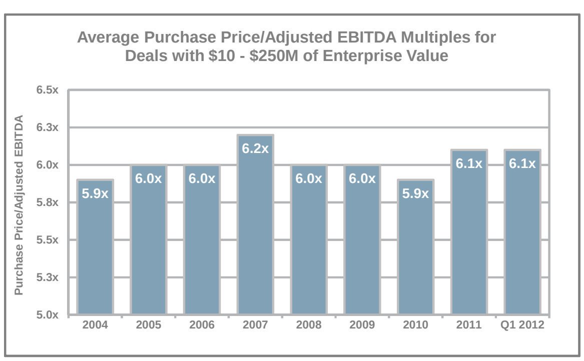
Larger Transactions Commanding Higher Multiples

Middle-market purchase price multiples remained at 6.1x EBITDA during the first quarter of 2012, the same as all of 2011.

However, larger transactions continue to garner significantly higher multiples. Average enterprise value/EBITDA multiples reported for transactions with enterprise values between $100 million and $250 million were 7.8x during the first quarter of 2012 compared to 5.6x EBITDA for transactions with $10 to $25 million enterprise values. The 2.2x EBITDA gap is reasonably consistent with historical averages.

The premium for larger deals is likely to continue, as lenders and buyers favor larger, more established companies.

PURCHASE PRICE MULTIPLES REMAIN STRONG



Source: GF Data Resources

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.

Cleary Gull's investment bankers help our clients throughout the U.S. achieve their financial and business goals with advice on exclusive sales, mergers, acquisitions, raising debt and equity in private capital markets and other transactions, working through complex financial, legal, tax, accounting and other technical issues.

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Cleary Gull is a member of the International Association of Investment Bankers. The IAIB *(www.iaib.org)* is an affiliation of investment banking firms from Europe and North America working together to broaden their reach and leverage their expertise.

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The Cleary Gull Investment Banking team has completed more than 120 transactions since 1995, representing over $6 billion in transaction value.

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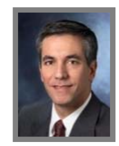

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