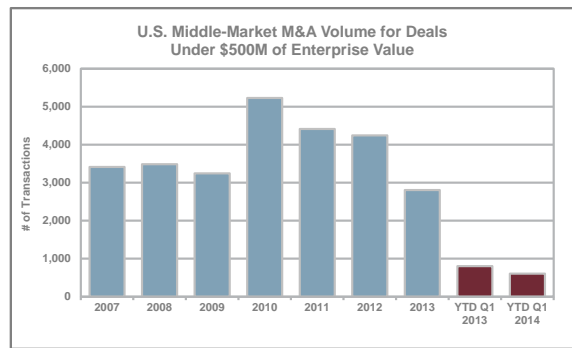


Q1 2014 DEAL VOLUME SLOWS



Source: Robert W. Baird & Co.

SUPPLY/DEMAND IMBALANCE DRIVING HIGH PURCHASE PRICES

Middle-Market Deal Volume Slow During Q1 2014

Despite headline grabbing mega-transactions like the Comcast Corporation acquisition of Time Warner Cable and Facebook's acquisition of WhatsApp, middle-market deal volume continued to show weakness during the first quarter of 2014.

According to Robert W. Baird & Co., the number of transactions with values greater than \$500 million increased 15.7% to 81 during the first quarter of 2014 compared to the year earlier period. Despite this strength, the number of middle-market transactions (enterprise values less than \$500 million) declined 24.5% to 607 compared to the year earlier period.

In April, these transaction volume trends reversed compared to April 2013, as middle-market transaction volume increased 40.1% to 311.

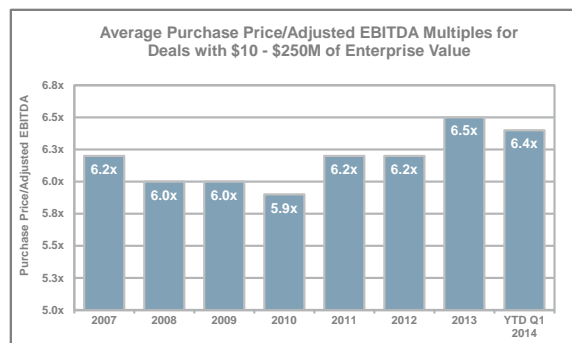
Purchase Price Multiples Remain Strong

The lack of sellers and continued favorable credit markets have resulted in high purchase prices.

Middle-market purchase price multiples for LBO transactions reported to GF Data remained near historic highs. The average purchase price for middle-market transactions (enterprise values less than \$500 million) was 6.4x EBITDA for the first quarter of 2014, consistent with the 6.5x average EBITDA multiple realized for all of 2013.

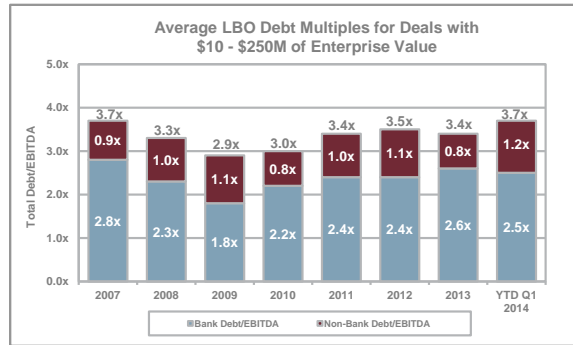
GF Data also reported that the gap in valuations between larger and smaller middle-market LBO continued to expand.

PURCHASE PRICES REMAIN AT HISTORIC HIGHS



Source: GF Data Resources

LEVERAGE MULTIPLES CONTINUE TO INCREASE



Source: GF Data Resources

AGGRESSIVE LENDING MARKET

Senior and Mezzanine Lending Markets are Aggressive

Senior debt market support for lower middle-market LBOs remained stable in the first quarter of 2014 compared to 2013. According to GF Data, average senior debt/EBITDA multiples were 2.5x during the first quarter of 2014 compared to 2.6x during 2013. Pressure to grow assets, combined with historically low interest rates, continue to result in a highly attractive market for borrowers.

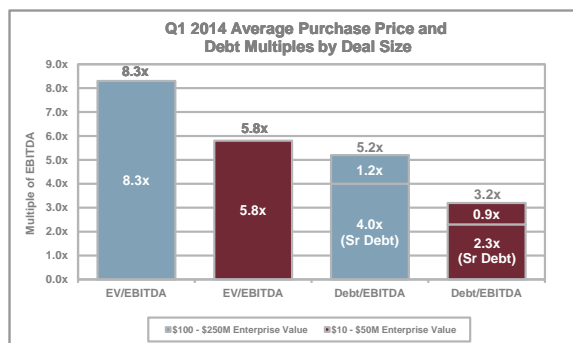
Total debt/EBITDA for lower middle-market LBOs increased modestly to 3.7x during the first quarter of 2014 compared to 3.4x during 2013. Mezzanine debt played a larger role in financing LBOs, increasing to 1.2x EBITDA from 0.8x EBITDA during 2013.

Higher Leverage Available for Larger Transactions

GF Data further analyzed purchase prices of “larger” (\$100 - \$200 million) and “smaller” (\$10 - \$50 million) transactions. During the first quarter of 2014, larger transactions realized an 8.3x EBITDA transaction multiple, 2.5x higher than the 5.8x EBITDA transaction multiple for smaller transactions.

The growing availability of credit for larger transactions, particularly from non-bank lenders, explained most of the increase in purchase price multiples. Larger transactions achieved 4.0x senior debt and 5.2x total debt compared to 2.3x senior debt and 3.2x total debt for smaller transactions. The total debt difference of 2.0x explains the majority of the price differential for larger transactions.

LARGER TRANSACTIONS ATTRACTING MORE LEVERAGE AND HIGHER PURCHASE PRICES



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.

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