



Third Quarter 2015

Middle Market Transaction Update

Quarton Partners, headquartered in Birmingham, Michigan, is a premier middle market investment banking firm. Its principals have successfully completed hundreds of engagements in a variety of industries across the U.S. and throughout the world. Quarton Partners provides a complete portfolio of investment banking services, including:

- Merger & Acquisition Advisory Services
- Private Capital Raising
- Restructuring & Recapitalizations
- Financial Advisory Services

QUARTON PARTNERS

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Favorable Environment for Sellers

Abundance of Capital for Middle Market Deals

Middle market transaction activity continued to improve in Q2 '15, contributing to a 16% increase in deal volume for the first half of 2015 compared to the first half of 2014. With a surplus of capital from financial and strategic buyers, the middle market continues to be highly attractive for sellers. Businesses with proprietary, differentiated product or service characteristics are garnering record valuations in today's marketplace.

Leverage multiples remain high as new sources of capital have entered the lower middle market, including business development companies. A greater amount of leverage available to buyers has led to an increase in competition from debt financing sources, ultimately supporting rising transaction multiples.

Strategic Buyers' Appetite for Deals Increases

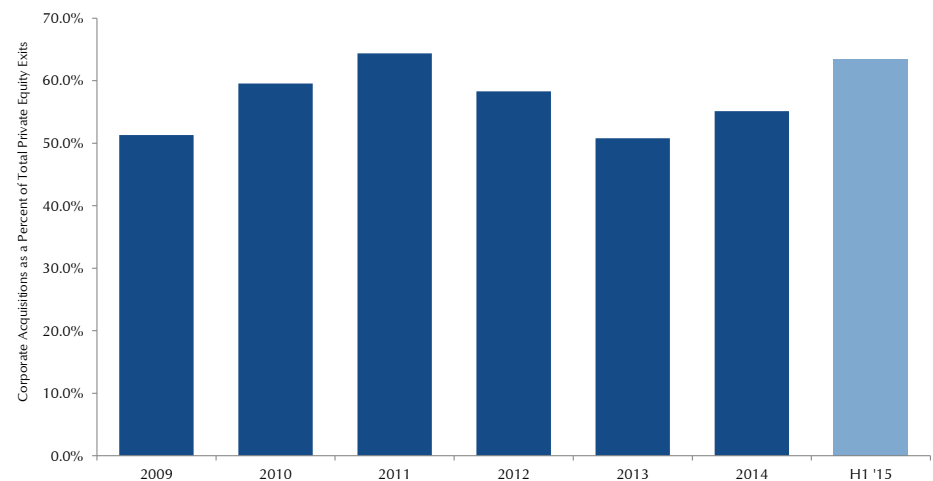
Corporate acquisitions have remained the primary source for private equity exits in the first half of 2015, increasing from 55% of private equity exits in 2014 to 63% of exits in the first half of 2015. Driven by optimal market conditions, private equity firms are benefiting from corporate mandates to grow via acquisition.

A surge in equity markets and healthy balance sheets has resulted in strategic buyers leading acquisition activity for the year. Acquisitions are being targeted by corporations to gain market share and supplement growth. In an increasingly competitive market, corporations are pressured to remain active, driven by the concern of lackluster organic growth. Positive stock reactions for acquirors following acquisitions are also supporting the desire for acquisitions to support future growth.

Firm Announcements



Corporations Remain a Dominant Source for Private Equity Exits



Source: PitchBook

Transaction Environment

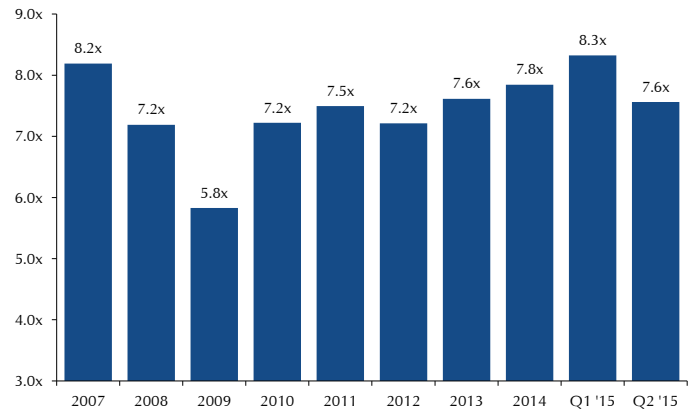
Deal Volume – Q2 '15 middle market disclosed transaction volume (enterprise value between \$10 million and \$500 million) increased 10% year-over-year and 12% compared to Q1 '15. Transaction volume in Q2 '15 continued its brisk pace after a strong start to the year, resulting in a 16% increase year-over-year in combined transaction volume in the first half of 2015. We expect M&A volume to be robust in the second half of the year as buyers seek to capitalize on the attractive lending market. Looking forward, buyers and lenders are paying close attention to a potential interest rate hike in the second half of 2015. While we do not anticipate a material impact in the market, leverage levels may moderate from the current peak levels.

Deal Value – Aggregate deal value of middle market transactions increased 3% year-over-year and 2% sequentially in Q2 '15. The average transaction size moderately decreased 6% in Q2 '15 compared to Q1 '15.

Transaction Multiples – Middle market enterprise value/EBITDA multiples decreased from 8.3x in Q1 '15 to 7.6x in Q2 '15. Although transaction multiples in Q2 '15 experienced a moderate decline, the average transaction multiples for the first half of 2015 remain attractive, averaging 8.0x. We anticipate transaction multiples to remain attractive as market conditions continue to be favorable in the second half of 2015.

Debt Financing Markets – Lending conditions continue to be attractive in Q2 '15 with total debt/EBITDA multiples in middle market LBO transactions near peak levels at 5.2x.

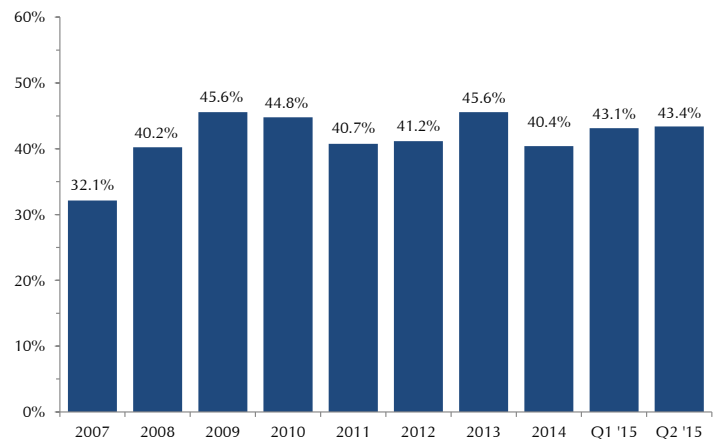
Middle Market Average TEV/EBITDA Transaction Multiples⁽¹⁾



(1) Transactions between \$10 and \$250 million with TEV/EBITDA multiples < 15x; excludes technology, media and telecom

Source: Quarton Partners Research and S&P Capital IQ

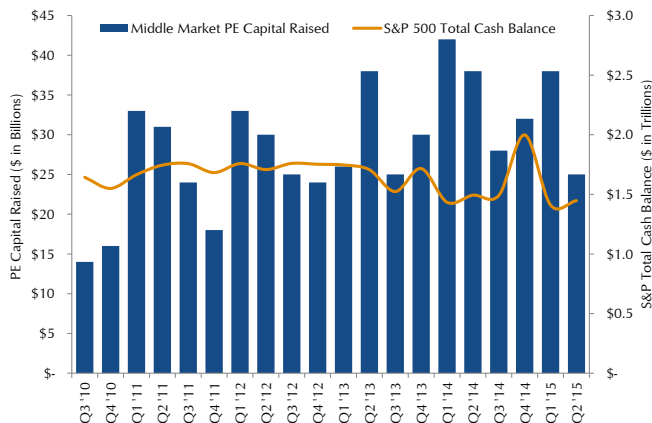
Average Equity Contribution of Middle Market LBO Transactions⁽¹⁾



(1) Transactions with EBITDA of \$50 million or less

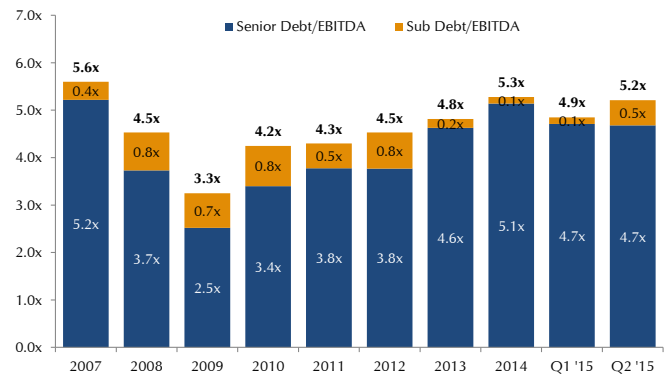
Source: S&P

Strategic and Financial Capital Availability



Source: PitchBook and S&P Capital IQ

Average Credit Statistics of Middle Market LBO Transactions⁽¹⁾



(1) Transactions with EBITDA of \$50 million or less

Source: S&P

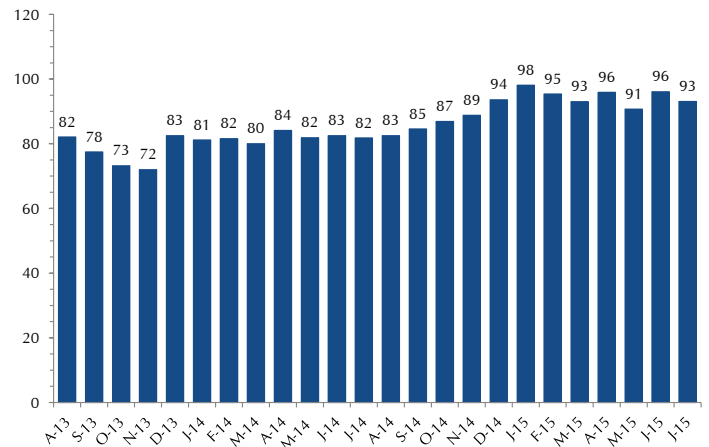
Economic Environment

Gross Domestic Product – Real gross domestic product grew at an annual rate of 3.7% in Q2 '15, according to Bureau of Economic Analysis (BEA) advanced estimates. The increase in GDP in Q2 '15 is an indication of firming fundamentals in the economy. The acceleration of GDP was primarily attributed to an increase in exports. GDP was also supplemented by an increase in consumer spending, partially driven by lower fuel prices. The progression of GDP was partially offset by a decrease in federal spending and a deceleration in residential fixed investments.

Consumer Confidence – The Thomson Reuters/University of Michigan Surveys of Consumers reported that consumer confidence decreased from 96.1 in June to 93.1 in July, although continuing to remain near peak levels. Consumer confidence over the past eight months has averaged 94.5, the highest eight-month average since 2004. These high levels are attributed to positive news on jobs and wages. Consumer confidence is expected to remain high as lower gas prices increase disposable income.

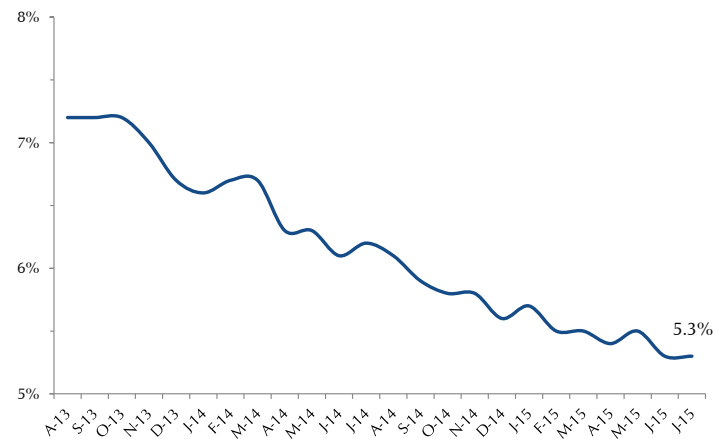
Employment – Nonfarm payroll employment rose by 215,000 jobs in July, and the unemployment rate remained unchanged at 5.3%. Job gains were primarily attributed to an expansion of the retail trade, professional and technical services, health care and financial sectors. The most significant increases in jobs came from the retail and health care sectors, adding 36,000 and 28,000 jobs in July, respectively. The month of July also saw average hourly earnings of employees on private nonfarm payrolls rise by five cents to \$24.99, contributing to an overall increase of 2.1% this year.

Consumer Confidence Index



Source: Thomson Reuters/University of Michigan Surveys of Consumers

Unemployment Rate



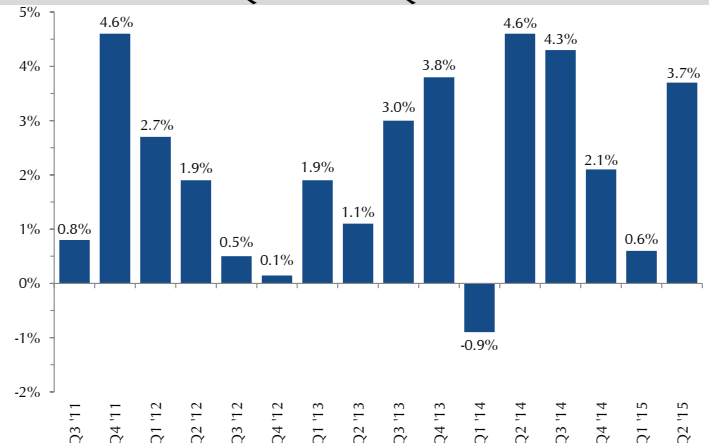
Source: Bureau of Labor Statistics

Gross Domestic Product Drivers Q2 '15 vs. Q1 '15

		Q2 '15	Q1 '15
Personal Consumption Expenditures	▲	3.1%	1.8%
Durable Goods	▲	8.2%	2.0%
Nondurable Goods	▲	4.1%	0.7%
Services	▲	2.0%	2.1%
Exports of Goods and Services	▲	5.2%	(6.0%)
Imports of Goods and Services	▲	2.8%	7.1%
Federal - National Defense	▲	0.3%	1.0%
Federal - Nondefense	▼	(0.4%)	1.2%
State and Local Government	▲	4.3%	(0.8%)
Real Gross Domestic Product	▲	3.7%	0.6%

Source: Bureau of Economic Analysis

Change in Real Gross Domestic Product Quarter over Quarter



Source: Bureau of Economic Analysis

Recent Quarton Announcements



has been acquired by



The undersigned acted as exclusive financial advisor to Delta Industrial Valves, Inc. in the above transaction.



QUARTON PARTNERS

July 2015

The Weir Group has acquired Delta Industrial Valves, Inc. (“Delta”). Quarton Partners acted as the exclusive financial advisor to Delta in this transaction.

Delta Industrial Valves, headquartered in Niles, Michigan, is a leading designer and manufacturer of severe service knife gate valves for the mining, oil sands and other industrial markets in North America, with a growing international presence. Delta’s products are capable of cutting, shearing and closing against solids while still producing a zero leakage tight shut-off, and include the world’s only Safety Integrity Level certified knife gate valve series.

The Weir Group, headquartered in Glasgow, Scotland, is one of the world’s leading engineering businesses, providing innovative product and service solutions for a customer base that includes the world’s largest mining houses, major oil services businesses and nuclear and conventional power generation companies. The business has a presence in more than 70 countries, with over 15,000 people in 200 manufacturing facilities and service centers around the world working in three divisions: Minerals, Oil & Gas, and Power & Industrial.



has been acquired by



Watermill Group

The undersigned acted as exclusive financial advisor to Quality Metalcraft, Inc. in the above transaction.



QUARTON PARTNERS

June 2015

The Watermill Group has acquired Quality Metalcraft, Inc. (“QMC”). Quarton Partners acted as the exclusive financial advisor to QMC in this transaction.

Quality Metalcraft, headquartered in Livonia, Michigan, is a leading producer of engineered structural metal components and assemblies, providing advanced prototype, low-to-medium volume production and factory assist services to automotive and other specialty vehicle industries. As a go-to source for the world’s major manufacturers when quick, quality solutions are needed, QMC offers a range of capabilities, technologies and services to provide the optimal production process for any project.

The Watermill Group, headquartered in Lexington, Massachusetts, is a strategy-driven private investment firm that revitalizes companies to reach their full potential. For more than three decades, Watermill has been acquiring, operating and improving companies. Watermill looks for businesses in which it can apply a unique combination of strategic insight and management expertise to re-imagine their future and drive growth.

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