



Quarter 1 2015 U.S. Market M&A Update

The U.S. economy had a weak start this year. The government reported an annual decline of 0.7% in economic output in the first quarter of 2015, which was revised down from the initial 0.2% advance that was reported by the Commerce Department. Businesses and consumers remain cautious as they concern about the recovery has lost momentum while the Fed is on its way to raise interest rate.

The global economy remained lackluster in Q1, but a broad-based move toward even greater monetary easing outside the U.S. suppressed the global bond yields and non-U.S. currencies, while boosting equity market. A stronger dollar, low oil price, and a harsh winter have contributed to the weak growth in the U.S. market in Q1. Additionally, the speculation of the timing of Fed increasing interest rate has created some turbulence in the market. The Dow Jones Industrial Average was down 0.3%, the S&P 500 gained 0.4%, while the NASDAQ increased 3.5 %.

M&A Activity Overview

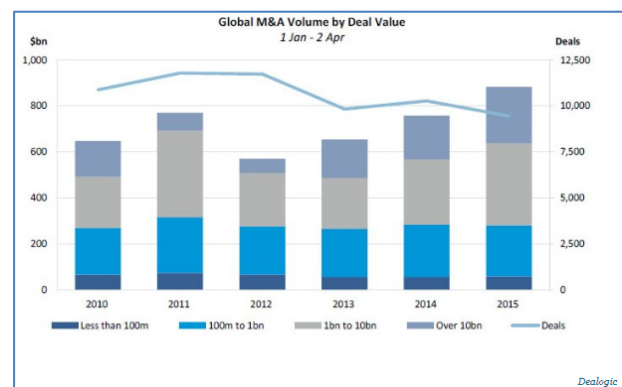
Global M&A deal volume was up 15.2% compared to Q1 2014, and 57.7% compared to the same quarter two years ago. America continued to dominate the M&A market as the deal activity increased approximately 13% this quarter compared to the same period last year. Even though the uncertainty of rate hike by the Fed this year, the dollar's strengthen against key currencies, and the contraction in Q1 have raised some concerns, U.S. M&A activity is expected to remain strong this year as the economy is heading toward the right direction.

The consumer, non-cyclical industry was the most targeted sector with the largest volume as well as the highest deal count with \$208.9 billion and 1,604 deals in the quarter. The most notable deal in this sector was Heinz's \$40 billion bid for Kraft.

Source: Bloomberg

Life science sector has continued to be very active. Valeant has successfully acquired Salix for \$11 billion, its first transaction since last year's thwarted bid. Following last year's failed bid for AstraZeneca, Pfizer came back to the game with a bid for Hospira for \$17 billion. Another mega deal was AbbVie's \$21 billion acquisition of Pharmacyclics. Also to note is CVS's purchase of Omnicare for \$12.7 billion.

The robust M&A market is led by the mega deals. According to S&P Capital IQ, seven of the 10 biggest M&A transactions in the wake of the financial crisis have all been announced within the last 16 months. Mega deals are spurred by the cheap capital and an all-time-high equity market. The big companies are taking advantages of the current market condition to buy in order to gain market share and to increase efficiency. As deals have surged, so have premiums. FedEx was going to buy TNT Express for \$4.8 billion, representing a 33% premium. Shell agreed to a \$70 billion buyout of British energy company, which was at 50% premium.

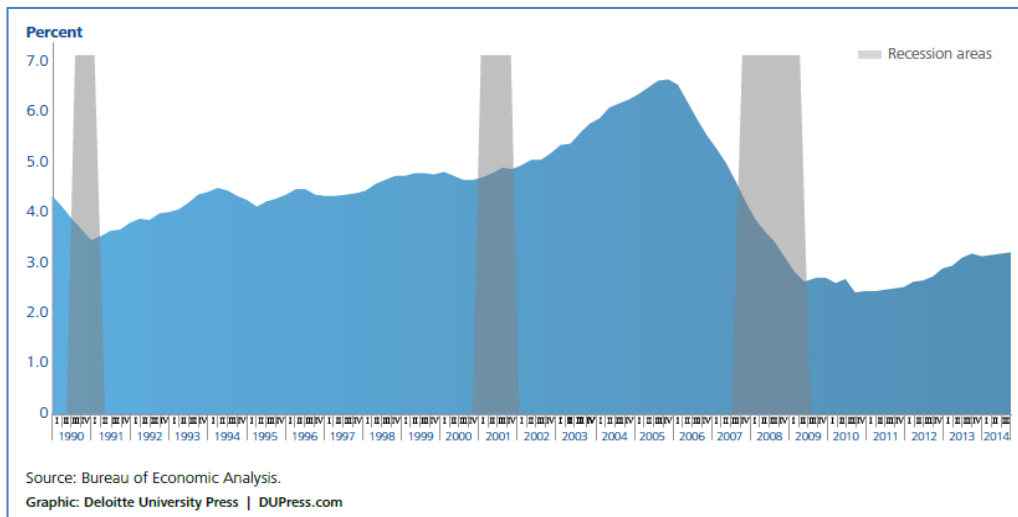




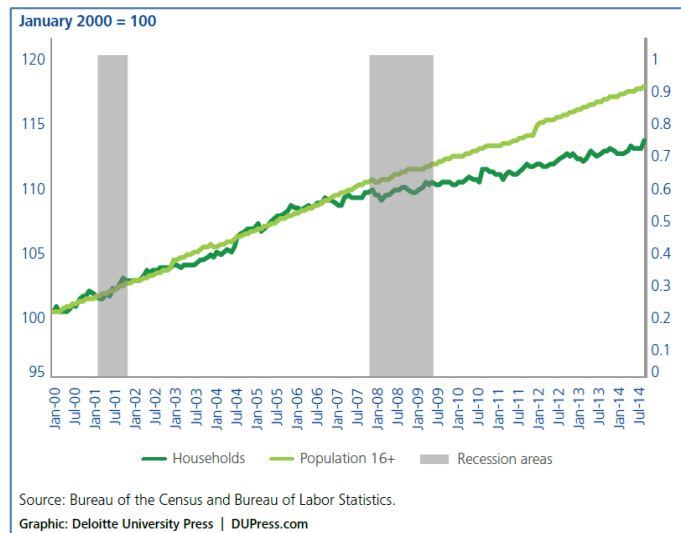
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Residential Investment Versus GDP

According to a reach by Deloitte, the outlook for one major component of GDP – residential investment, remains unclear and puzzling. Given the extent of over-building and the size of the pricing bubble prior to the recession, it was expected that the real estate market would take considerable time to recover. It has been more than five years since the recent recession and U.S. economy has showed significant improvement. However, the recovery of the housing market has fallen behind. As seen, the residential investment as a percentage of GDP is still well below the levels registered in the last several business cycles even five years after the end of the recent recession.



The majority of the demand of residential real estates is likely to be those who have put off purchasing their own houses or who had to move in with friends or relatives because of the poor job market, as well as future additions to the adult population. As shown in the figure on the right, prior to recession, the growth in the population of those 16 and over and the rate at which new households form were growing at similar rates. Nevertheless, during the recession, they began to diverge and continued to widen during the recovery. This trend is likely caused by the residual effects of the recession – people going back to school, unemployment, underemployment, lack of job security, or having debt or bad credit. As the economy and job market continue to improve, the two lines should be expected to converge.

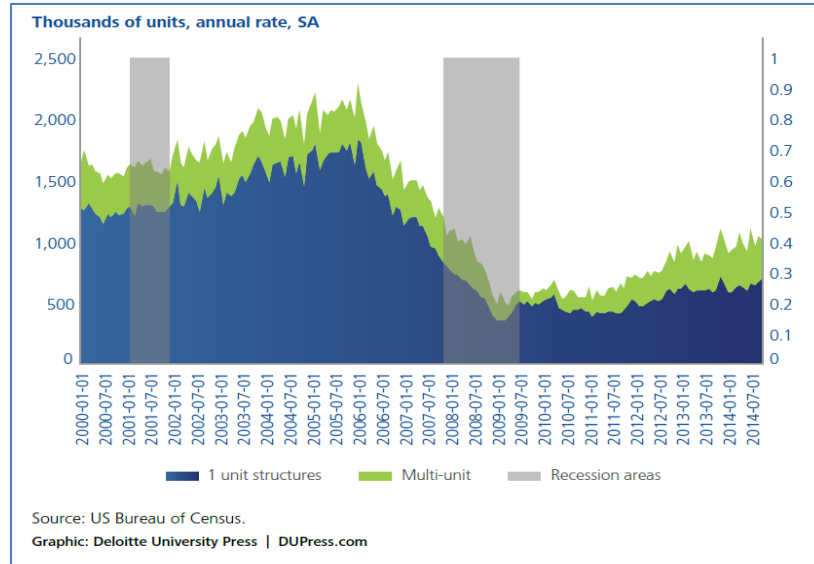




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On the supply side, the housing market has approached its pre-recession condition as home sales and inventories are back to levels that were reached before the recession. Further, foreclosure and short sales are down. Based on the National Association of realtors, distressed sales have declined significantly to single digits from 14% just a year ago.

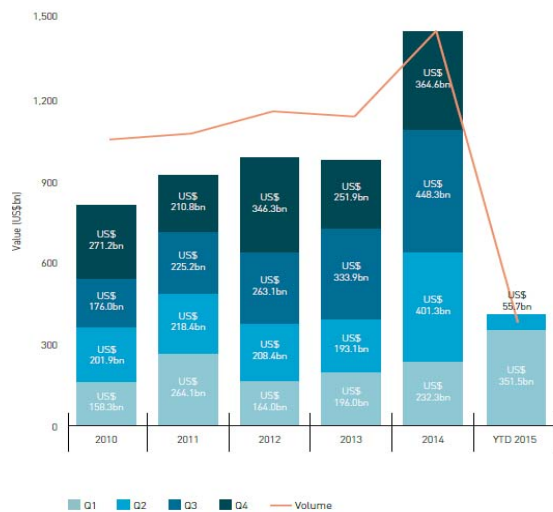
Another trend that can be seen was the increase in condominium and apartment construction relative to single-family home construction.



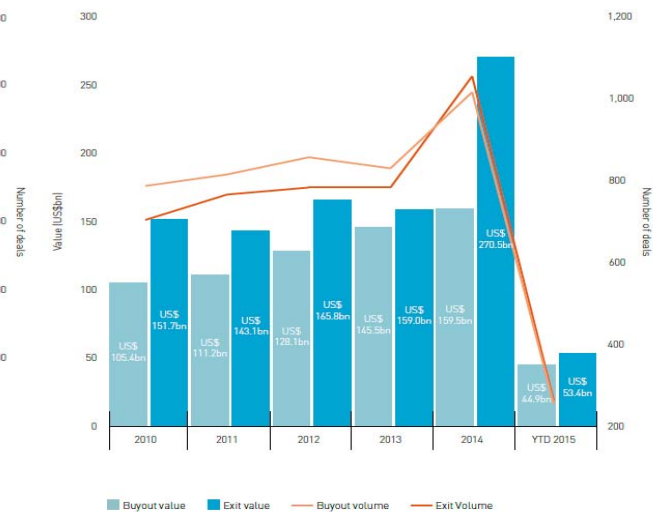
Source: Deloitte

M&A Trend Graphs*

M&A Trend



M&A PE Trend



*Source: Mergermarket



Lawrence, Evans & Co., LLC provides investment banking, finance, and consulting services for small and middle market healthcare, transportation, manufacturing, energy and service companies. We are very active on the buy-side, sell-side, capital raising and turnaround and restructuring.

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Turnaround & Restructuring	<ul style="list-style-type: none"> -Turnaround Management -Debt Restructuring/Refinancing -Orderly Liquidations 	<ul style="list-style-type: none"> - Chief Restructuring Officer (CRO) - Bankruptcy Planning/ 363 Sales - Receivership/Trustee
Consulting	<ul style="list-style-type: none"> -Strategic Options Analysis -Valuations & Financial Assessments -Interim CEO/CFO 	<ul style="list-style-type: none"> - Strategic Planning - Organizational Reviews - Expert Testimony & Opinions

REPRESENTED TRANSACTIONS

<p>Acute Care Hospital Texas</p> <p><i>Acquisition Capital Private Placement Senior and Sub-Note Working Capital Line</i></p> Acted as advisor	<p>Skilled Nursing Facility Michigan</p> <p>\$4,000,000 <i>Cashout Nonrecourse Refinancing Term Note and Revolver</i></p> Acted as advisor	<p>Robotic Integrator Midwest</p> <p>\$1,600,000 <i>Growth Capital Term Note</i></p> Acted as advisor
<p>Electronic Wholesaler Midwest</p> <p><i>Buy-side search for Geographic Expansion</i></p> Acted as advisor	<p><small>GLOBALNET SOLUTIONS</small> 2012</p> <p>Multi Specialty Medical Billing Company <i>Sale to a Strategic Buyer</i></p> Acted as advisor	<p>125 Acres Land California</p> <p>Real Estate \$10,000,000 <i>Bridge and Placement of Acquisition financing</i></p> Acted as advisor

Lawrence, Evans & Co., LLC

Contact: Neil L. Johnson
Managing Partner
614-448-1304
njohnson@lawrenceevans.com

Benjamin J MacDowell JD
Director and General Counsel
614-448-1304
bmacdowell@lawrenceevans.com

Weian Ye
Analyst
614-448-1304
wye@lawrenceevans.com