



Quarter 2 2015 U.S. Market M&A Update

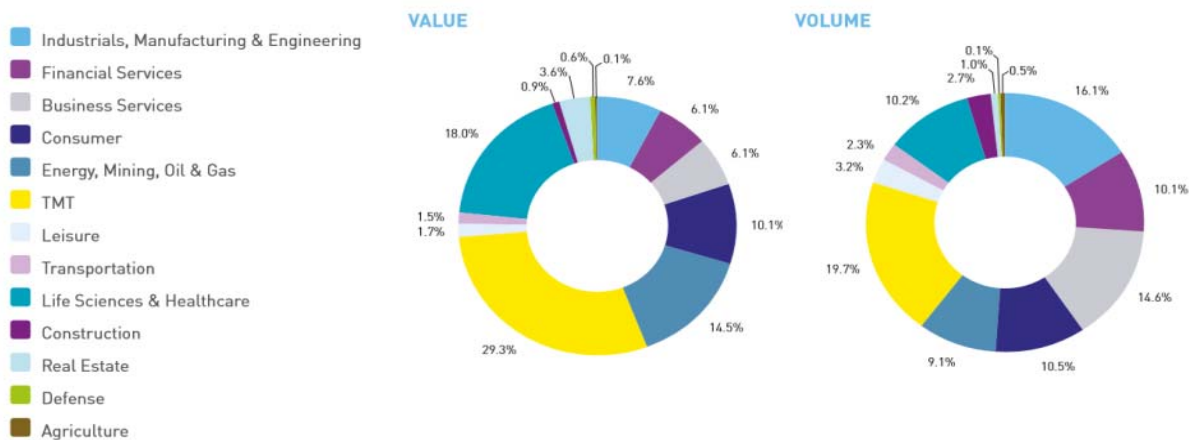
The U.S. economic growth accelerated in the second quarter as the increase in consumer spending offset the drag from soft capital investments of companies, suggesting a steady recovery that could lead to an expected rate hike later this year. GDP expanded at a 3.7% annual rate in the second quarter while the first quarter GDP growth was revised up to 0.6% from a contraction of 0.2%.

The global economy continued to show a modest improvement in Q2 2015, led by developed markets. Greece debt crisis and China’s slowdown took the central stage during this period and spurred a spike in volatility in the global market. Notably, China’s lackluster growth combining with oversupply have dragged down the commodity prices to their lowest levels in many years. Additionally, though the Chinese government has tried multiple measures to prevent its stock market from plunging, the major indices in China have lost 50% since their peak in June. The chaos in China has suppressed the market sentiment in the U.S., subsequently erased the gains for all three major indices.

M&A Activity Overview

Despite an increase in volatility and the impending increase in interest rates later this year, M&A activity continues to escalate, driven by large, strategic transactions. According to a report by Mergermarket, M&A transactions amounts to \$805 billion in the first half of the year, representing a 26% increase compared to the same period last year. Deal making was led by the technology, media and telecom sector at \$236 billion, which is about the same as the total value in this industry in 2014. This was followed by \$145 worth of deals in life science and healthcare and \$117 billion for energy, mining and oil and gas. With a strong capital market and an increasingly competitive business environment, companies find M&A to be probably the most efficient way to improve bottom-line performance and gain market share while creating economic of scale by realizing synergies. As seen, the market is rewarding the public buyers by bidding up their share prices. A recent example was the \$40.5 billion transaction between Teva Pharmaceutical Industries and Allergan’s generic drugs business. In spite of a rich premium, both companies’ share prices rose after the deal was made public.

MIX OF NORTH AMERICAN DEALS BY INDUSTRY SECTOR





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Additionally, the outlook for private equity remains bright, as they are holding \$500 billion in dry powder that is investable. However, the mega private equity transactions have fallen this year as valuations have continued to rise. The average multiple for buyout is about 10x, the highest on record, and the strategic buyers are competing to strike deals at higher multiples, causing private equity firms to hold back or shift focus to the smaller transactions. Two of the largest buyouts by private equity in the first half include the Canadian Pension Plan Investment Board and Permira Advisors' acquisition of Inmromatica for \$4.6 billion and the \$4 billion acquisition of Life Time Fitness by TPG Capital and Leonard Green & Partners.

Currently, the private equity firms own an aggregate \$1 trillion worth of companies. It is expected that the M&A market will pick up more steam as the private equity firms to take advantage of the current strong capital market and low interest rates to exit their portfolio companies. In addition, more divestitures are also expected in the second half, some of which can be characterized as demergers from bad deals that were done from 2005 to 2008.

Source: Mergermarket

U.S. Households Q2 Borrowing

Despite the artificially low interest rates, total U.S. household debt outstanding rose by just 0.2%, or \$2 billion, in the second quarter, according to New York Fed.

U.S. households barely increased borrowings in Q2

Total U.S. household debt outstanding rose by just 0.02%, or \$2 billion, in the second quarter, according to the New York Fed.



Source: Federal Reserve Bank of New York Quarterly Report on Household Debt and Credit

Increase in auto loan debt and credit card balances offset a decline in mortgage debt to leave total borrowings of U.S. households almost unchanged in the second quarter. Mortgage debt fell by 0.7%, or \$55 billion, compared to the first quarter. The amount of new mortgage debt was \$466 billion, the most since the third quarter of 2013. In the meantime, roughly 95,000 individuals had a new foreclosure notion added to their credit reports, marking a new low since 1999. Banks still remain cautious when they underwrite new mortgages. "The low rates of delinquency and new foreclosures reflect the high quality of outstanding mortgage debt and improved economic conditions," according to a New York Fed Senior Vice President. In contrast, the share of student debt at least 90 days delinquent in the second quarter rose to 11.5%, the highest since the final three months of 2013, suggesting the recent graduates are still struggling financially to pay back their student loans.

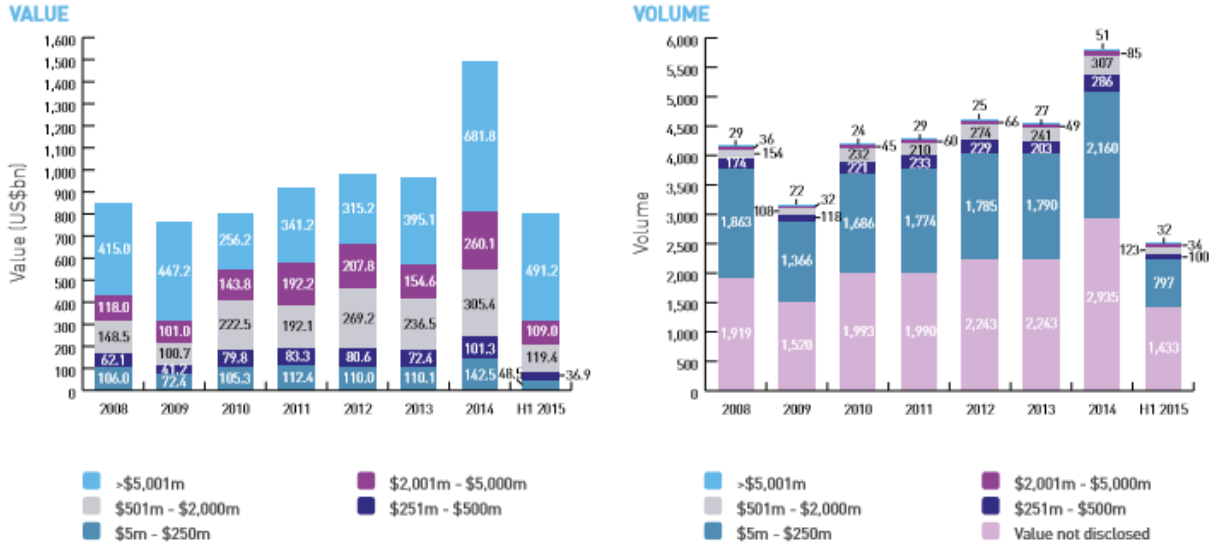
Source: Bloomberg



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M&A Trend Graphs*

North American M&A Split by Deal Size



North American Quarterly M&A Activity



*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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<p>▪ Turnaround & Restructuring</p>	<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
<p>▪ Consulting</p>	<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> <p> Acted as advisor</p>	<p>Skilled Nursing Facility Michigan</p> <p>\$4,000,000 <i>Cashout Nonrecourse Refinancing Term Note and Revolver</i></p> <p> Acted as advisor</p>	<p>Robotic Integrator Midwest</p> <p>\$1,600,000 <i>Growth Capital Term Note</i></p> <p> Acted as advisor</p>
<p>Electronic Wholsaler Midwest</p> <p><i>Buy-side search for Geographic Expansion</i></p> <p> Acted as advisor</p>	<p><small>GLOBALNET SOLUTIONS</small> 2012</p> <p>Multi Specialty Medical Billing Company <i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p>125 Acres Land California</p> <p>Real Estate \$10,000,000 <i>Bridge and Placement of Acquisition financing</i></p> <p> Acted as advisor</p>

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