

2013 Annual Arizona Deal Review

The Annual Arizona Deal Review is prepared as a courtesy to the Arizona business community based on our research and analysis of data from various sources on disclosed deals for Arizona-based companies.

Arizona M&A and private placement activity in 2013 saw a significant decrease in unit and dollar volume from 2012. Disclosed transactions for Arizona-based companies decreased from \$12.2 billion in 2012 to \$2.7 billion in 2013, a decrease of 78%. Transaction unit volume decreased by only 8% from 276 deals in 2012 to 253 deals in 2013, suggesting that 2012 dollar volume was driven in large part by only a few large deals.

In an effort to take advantage of lower capital gains tax rates, many business owners chose to accelerate the sale of their businesses in order to close during 2012, as evidenced by the unusually high volume of M&A deals closed in the last quarter of 2012. It can be assumed that many of the transactions that closed in late 2012 would have likely closed in 2013 had tax rates remained unchanged.

M&A activity was led by Arizona companies on the buy-side. More than half of Arizona's 40 disclosed M&A deals were with Arizona buyers including the \$225 million acquisition of Central Refrigerated Service, Inc. by Swift Transportation Company. Also of note was the \$145 million acquisition of Frontier Airlines by Phoenix-based private equity group Indigo Partners.

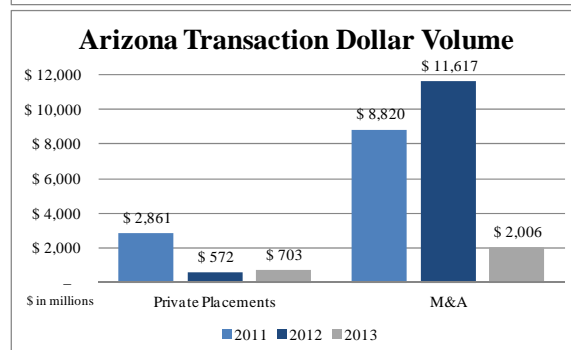
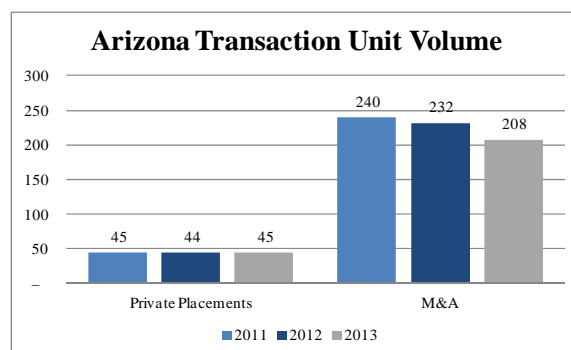
M&A deal sizes were unusually small in 2013. Disclosed transactions between \$5 million and \$1 billion had an average deal size of \$50 million across 40 deals, compared to the 2012 average size of \$106 million across 35 deals. Private placements, however, made up a larger overall percentage of transactions unit volume in 2013 (18%) when compared to 2012 (5%). Arizona companies raised a disclosed \$703 million in 2013, a 23% increase over the \$572 million raised in 2012. The average private placement size was \$19 million across 37 disclosed deals.

The Consumer/Retail sector led Arizona in M&A and capital raising transactions, making up 18% of total dollar volume. Several of Arizona's largest deals fell within the sector, including \$75 million private placement for electronic cigarette producer Sottera, Inc. dba NJOY and the \$178 million acquisition of catalog retailer SkyMall Inc. by Xhibit Corp.

Companies seeking growth capital or exit opportunities in 2014 will be pleased by the attention they get from potential investors. Columbia West Capital expects financial buyers will enthusiastically seek acquisitions in 2014 as many funds near the end of their fund cycle and as credit providers stay aggressive. These market dynamics along with growing P&Ls will contribute to an improving outlook for M&A and capital raising in Arizona and nationally, barring any dramatic escalation in interest rates or other macroeconomic shock.

If you would like more detail on our Annual Arizona Deal Review, please feel free to contact us:

14624 N. Scottsdale Road, Ste. 124, Scottsdale, Arizona 85254
Phone: (480) 664-3949 Fax: (480) 664-3952
www.columbiawestcap.com



* Excludes Real Estate, Mining, Energy Exploration, Project Finance, 144a placements and disclosed transactions smaller than \$5.0 million.

COLUMBIA WEST CAPITAL, LLC

INVESTMENT BANKING

ARIZONA DEAL SUMMARY BY INDUSTRY

(\$ in millions)

	2013			2012			Variance		% Growth	
	\$ ⁽¹⁾	%	#	\$ ⁽¹⁾	%	#	\$	#	\$	#
Medical / Healthcare / Biotech	\$ 323	11.9%	46	\$ 4,836	39.7%	41	\$ (4,513)	5	(93.3%)	12.2%
Consumer / Retail	493	18.2%	35	1,341	11.0%	39	(847)	(4)	(63.2%)	(10.3%)
Manufacturing	375	13.8%	14	1,054	8.6%	27	(679)	(13)	(64.5%)	(48.1%)
Business Services	137	5.1%	46	906	7.4%	55	(769)	(9)	(84.9%)	(16.4%)
Financial Services	103	3.8%	10	136	1.1%	14	(34)	(4)	(24.9%)	(28.6%)
Electronics / Semiconductors	202	7.5%	18	975	8.0%	11	(773)	7	(79.3%)	63.6%
Technology / Software / Services	263	9.7%	48	2,583	21.2%	45	(2,320)	3	(89.8%)	6.7%
Gaming / Leisure / Lodging	264	9.7%	5	188	1.5%	10	75	(5)	40.0%	(50.0%)
Construction Services / Homebuilding	132	4.9%	15	12	0.1%	16	120	(1)	1005.2%	(6.3%)
Energy	124	4.6%	4	34	0.3%	2	90	2	262.9%	100.0%
Telecom	15	0.6%	5	—	—	8	15	(3)	N/A	(37.5%)
Natural Resources	144	5.3%	4	99	0.8%	1	45	3	45.0%	300.0%
Real Estate Services	135	5.0%	3	23	0.2%	7	112	(4)	479.4%	(57.1%)
Totals	\$ 2,709	100.0%	253	\$ 12,189	100.0%	276	\$ (9,480)	(23)	(77.8%)	(8.3%)
% Growth										

*Excludes Real Estate, Mining, Energy Exploration, Project Finance, 144a placements and transactions smaller than \$5.0 million.

(1) Includes only disclosed transactions amounts.

TOP 10 2013 M&A DEALS:

(\$ in millions)

1: Central Refrigerated Service, Inc.	\$ 225
2: SkyMall, Inc.	178
3: Phoenix Coyotes Hockey Club	170
4: Frontier Airlines Holdings, Inc.	145
5: Paradigm Precision Holdings LLC	129
6: Partners Rx Management, LLC	100
7: Canary, LLC	100
8: Fleetwood Homes, Inc.	92
9: Cinram International North American and Europe	80
10: Quest Resource Management Group, LLC	77

TOP 10 2013 PRIVATE PLACEMENTS:

(\$ in millions)

1: AV Homes, Inc (NasdaqGS:AVHI)	\$ 135
2: Sottera, Inc.	75
3: Synergis Education, Inc.	41
4: Fluidic, Inc.	35
5: Medical Solutions	33
6: Heliae Development, LLC	28
7: Convoy Therapeutics, Inc.	27
8: Van Oak Capital, LLC	25
9: 5050BIZ, LLC	20
10: Level 4 Funding LLC	20

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