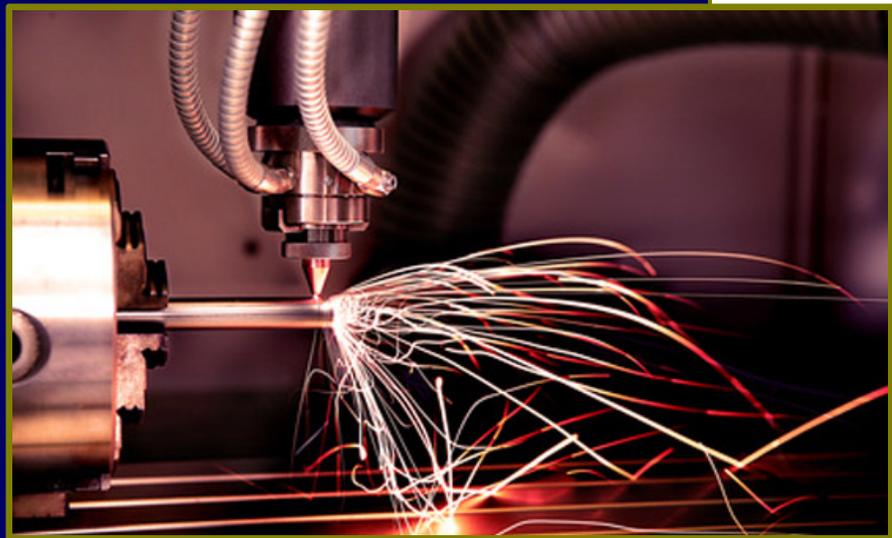


Precision Metal Manufacturing

M&A Update

“Market Intelligence for Business Owners”

Q4 2012



Capstone Partners
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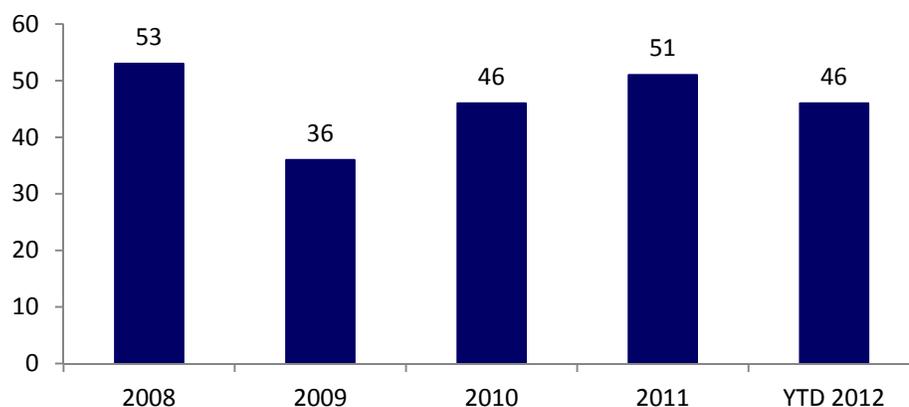
Precision Metal Manufacturing

M&A Update

MERGER & ACQUISITION ACTIVITY

Merger and acquisition activity in the precision metal manufacturing (“PMM”) industry has been steadily increasing in recent years. After dropping to a low of just 36 announced transactions during the recession in 2009, the industry began to recover in 2010. Activity continued at a good pace in 2011, with 51 announced transactions involving US targets. Thus far in 2012, M&A activity in the industry has been robust, with 46 transactions announced through the first three quarters of the year.

PMM Transactions



Note: Year-to-date 2012 is as of September 30

Sources: Capstone Partners LLC research, Capital IQ

Large PMM companies have been very active in the market since early 2010, employing mergers & acquisitions as a way to supplement organic growth. Acquirers are seeking targets that can bolster their competitive advantage with the addition of strong management, skilled labor, complementary or value-added products or services, additional production capacity and/or access to new technologies. Acquisitions can also offer geographic expansion and an entree to new vertical markets (such as aerospace, medical, oil and gas, or industrial machinery).

Private equity investors also have been active acquirers. These firms are attracted to the consolidation opportunity in this highly fragmented industry. These buyers see the potential to build substantial companies offering diverse services to customers in attractive end markets.

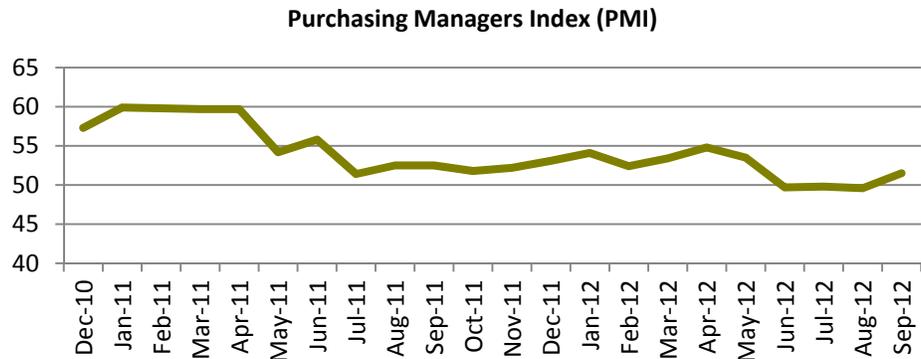
The current environment appears likely to continue to support healthy levels of M&A activity in the PMM industry. The market’s strength is underpinned by several factors including private equity firms with record levels of available capital, favorable borrowing markets with greater financing availability and significant cash on the balance sheets of many corporations.

A return to growth in the manufacturing economy and long-term expectations for growth in the metalworking markets will continue to support M&A activity in the sector.

CURRENT BUSINESS CONDITIONS

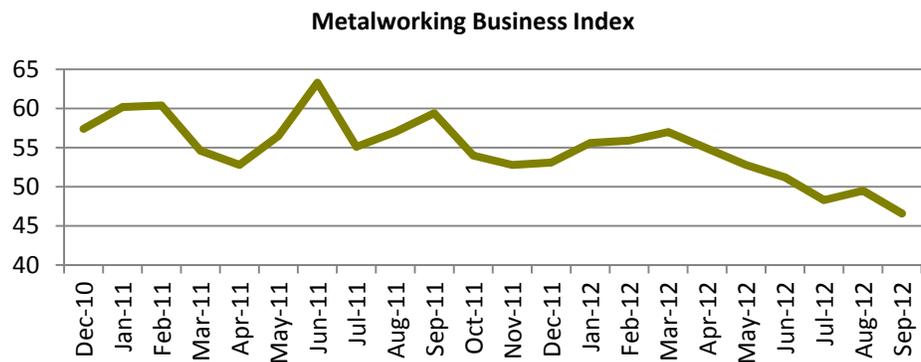
M&A activity within the precision metal manufacturing industry is influenced by the health of US manufacturing, which can vary significantly from year to year. For instance, during the recent recession, US industrial production fell about 15%, and machine shop production fell more than 25%.

The manufacturing sector began to improve in 2010. The Purchasing Managers Index (“PMI”), an indicator of manufacturing health issued by the Institute for Supply Management, remained above 50% for all of 2010 and 2011. A reading above 50% indicates that the manufacturing economy is generally expanding; below 50% indicates that it is generally contracting. The index remained healthy during the first half of 2012, but fell slightly below 50% in June, July and August. September’s reading of 51.5% marked a return to growth in the manufacturing sector.



Source: Institute for Supply Management

The Metalworking Business Index (MBI) issued by Modern Machine Shop showed a similar trend, dropping under 50% for July, August and September. The index has been on a steady decline since March, and the current outlook remains cloudy.



Source: Modern Machine Shop

It remains to be seen if recent months represent a temporary slowdown, or if this slowdown is the start of a longer trend. Industry analysts suspect the former, and the market research firm First Research is projecting the machining industry will grow 4%-5% annually through 2015. A return to growth in the manufacturing economy and long-term expectations for growth in the metalworking markets will continue to support M&A activity in the sector.

SELECTED PRECISION METAL MANUFACTURING M&A TRANSACTIONS

Date	Target	Buyer	Target Line of Business	Enterprise Value (\$mm)	EV / LTM Revenue	EBITDA
Sep-12	GH Metal Solutions, Inc.	Feralloy Corporation	Manufactures metal parts for transportation, heavy equipment and industrial machinery sectors.	-	-	-
Sep-12	Innovative Pressure Technologies, LLC	Swagelok Company	Manufactures precision machined products and finished assemblies.	-	-	-
Aug-12	Mack Hills, Inc.	Roger L. Payne Company	Manufactures metal fabricated and close tolerance machined metal parts.	-	-	-
Aug-12	Graphite Machining Services & Innovations	Ceradyne Inc. (NasdaqGS:CRDN)	Provides machining services that include milling, turning, light fabrication and grinding.	-	-	-
Aug-12	Leistriz Advanced Turbine Components	Ellwood Group, Inc.	Supplies precision forged and machined components to power generation and aerospace engine companies.	-	-	-
Jul-12	D&H Manufacturing Company	Celestica Inc. (TSX:CLS)	Manufactures precision machined/fabricated parts and assemblies for the capital equipment industry.	\$70.0	0.9x	-
Jul-12	Hi-Tech Manufacturing, LLC	May River Capital	Manufactures precision machined components and assemblies.	-	-	-
Jul-12	Klune Industries, Inc.	Precision Castparts Corp. (NYSE:PCP)	Offers metal forming, machining, casting, assembling, and processing and testing services.	-	-	-
Jun-12	Northstar Aerospace Inc.	Wynnchurch Capital, Ltd.	Manufactures and machines parts for military and commercial aircraft applications.	\$70.0	0.3x	2.7x
Jun-12	EBTEC Corporation	Edac Technologies Corp. (NasdaqCM:EDAC)	Machines components for the power generation, medical, aerospace, defense and industrial markets.	\$13.0	1.0x	6.4x
May-12	PRV Aerospace, LLC	Court Square Capital Partners	Manufactures components and subassemblies for aerospace and defense.	-	-	-
May-12	Absolute Manufacturing, Inc.	Roanwell Corp.	Provides CNC machining, assembly and program management for medical and industrial markets.	-	-	-
Apr-12	Paramount Industries, Inc.	3D Systems Corp. (NYSE:DDD)	Provides rapid product development, rapid manufacturing and rapid deployment services.	\$7.4	-	-
Apr-12	QCC, LLC	Promus Equity Partners	Manufactures precision-machined components for aerospace, automotive, medical and defense markets.	-	-	-
Apr-12	Advanced Forming Technology, Inc.	ARC Wireless Solutions Inc.	Manufactures metal injection molded and powder injection molded precision metal components.	\$17.2	-	-
Mar-12	Curtiss-Wright Corp., Heat Treatment Business	Bodycote Thermal Processing, Inc.	Provides thermal processing for metal components used in aerospace, automobile and oil/gas industries.	\$52.0	1.4x	-
Mar-12	Excaliber Precision Manufacturing LLC	Thunderbird, LLC	Engages in the precision machining and assembly of aerospace parts.	-	-	-
Mar-12	Hill AeroSystems Inc.	AGC Composites Group	Provides precision, close tolerance machining of parts and assemblies for military and commercial aircraft.	-	-	-
Mar-12	The Minster Machine Company	Nidec-Shimpo Corporation	Provides equipment & services for the metalforming industry and offers contract machining services.	\$92.7	0.8x	-
Mar-12	Polymer Technology Corporation	Capital For Business; First Capital Partners	Provides custom injection molding of precision metal components made to order.	-	-	-
Feb-12	Lake Country CNC Machining Inc.	Chandler Industries, Inc.	A precision contract machining company specializing in aluminum & other non-ferrous metals.	\$11.0	0.8x	-
Feb-12	Summit Aerospace USA Inc.	Plaintree Systems Inc. (OTCPK:PTEE.F)	Provides precision machining of nickel based super alloys and titanium.	-	-	-
Jan-12	Radian Precision, Inc.	TAG Holdings, LLC	Engineers & manufactures precision machined parts and assemblies for aerospace, defense and transportation.	-	-	-
Jan-12	J. Kittredge	Niagara Thermal Products, LLC	Operates as a one-stop custom precision metal fabrication shop.	-	-	-
Jan-12	Aviation Manufacturing Group, LLC	JLL Partners	Manufactures flight safety and flight-critical parts, components and assemblies for the aerospace industry.	-	-	-
			Mean		0.9x	4.6x
			Median		0.9x	4.6x

LTM = last twelve months; EV = enterprise value

Sources: Capstone Partners LLC research; Capital IQ; public filings and press releases

THE PRECISION METAL MANUFACTURING TEAM

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Kevin has over 20 years of investment banking, syndicated bank loan and corporate finance experience. His transaction experience includes managing complex engagements for clients in a variety of industries including industrial products, consumer products, medical devices, biotechnology, business services, software, and distribution. Prior to joining Capstone, Kevin served as a Vice President in the Investment Banking Group at Adams Harkness. Kevin also served as an Associate in the Debt Capital Markets Group of FleetBoston Robertson Stephens, Inc. Before Fleet, Kevin was at Textron Inc. where he worked in the Strategic Planning, Internal Audit and Mergers & Acquisitions departments. He also has four years of finance experience with Oracle Corporation. Kevin received his B.A. from Brown University and his M.B.A. from the University of Pennsylvania's Wharton School. He is registered with FINRA and is qualified as a General Securities Representative.



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Dan works closely with senior bankers and firm clients on mergers and acquisitions, private placements, divestitures and recapitalizations. Prior to joining Capstone, Dan was an Analyst at Headwaters MB, a middle market investment bank in Denver, where he focused on the business services industry. Dan also worked at Ernst & Young LLP in the Assurance and Advisory Business Services (AABS) practice in the Denver office. Prior to working in Denver, he worked in the Ernst & Young National Professional AABS Practice in New York. Dan received his BE in Biomedical Engineering with a Business Minor from Vanderbilt University, and a Master of Business Administration with a finance concentration and Master of Accountancy from the Daniels College of Business at the University of Denver.

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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a leading national investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including one in the Precision Metal Manufacturing industry. The firm also possesses merchant banking capabilities to actively co-invest in transactions.

Additional information about Capstone Partners can be found at www.capstonellc.com.

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