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About W Partners

W Partners is a boutique investment banking advisory firm that provides financial advisory services to middle-market companies in the Western United States.

Our services include mergers, acquisitions, financings, capital raising, and strategic transaction advice to business owners and family offices.

San Diego Middle Market M&A Update Fourth Quarter of 2017

M&A activity in North America and Europe totaled \$2.93 trillion across 19,510 deals in 2017—the fourth consecutive year of at least \$2.9 trillion in value. While M&A activity has remained strong on a historical basis, the number of completed transactions decreased by 16.8% year-over-year. Continually high cash on corporate balance sheets and ballooning PE fund sizes, combined with relatively easy access to affordable financing, has allowed buyers of all types to pursue larger deals, with the median deal size climbing by a third to \$40 million in 2017.

While investors maintain a sanguine global economic outlook, the pace of growth remains sluggish compared to other recoveries. With organic growth difficult to come by, acquisitions are still seen as an easier way to boost revenue and earnings, especially given the easy access to financing in today's market. But some buyers, especially strategics, are tapping the brakes as they incorporate recent acquisitions into existing operations.

Despite a pullback in strategic acquisitions, competitive pressures, especially from PE buyers, remain high. As a result, the median valuation/EBITDA multiple remains elevated at 10.4x and the median debt/EBITDA multiple has risen to a decade high of 5.6x. Competition has been stoked by increased crowding in the PE industry; US middle market PE firms have extended an impressive fundraising streak, raising over \$100 billion in capital commitments every year since 2013. These market dynamics have compressed aggregate return expectations with a clear downward trend in median returns since 2000.

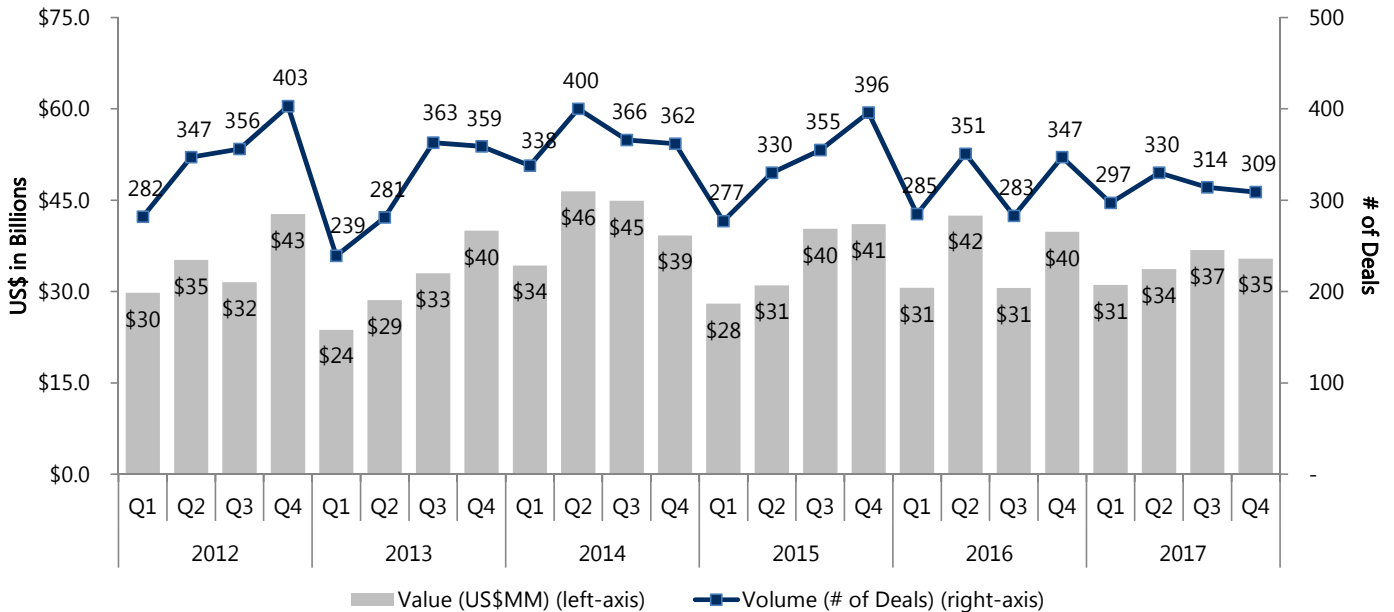
The lower US corporate tax rate of 21% is likely to result in a further increase in M&A activity that will likely put additional upward pressure on price multiples. One big positive for prospective sellers is the lower corporate tax rate will reduce the tax bill to companies that sell off business units. Another is the lower rate will give companies more cash to spend, especially at a time when share buybacks are less attractive because of high stock prices. Finally, companies with overseas cash will be able to bring it home to use for acquisitions.

Global IPO activity for 2017 was the most active year since 2007 with surging deal volumes and values resulting in 1,624 IPOs raising \$189 billion, compared with 1,093 deals raising \$135 billion in 2016. The outlook for 2018 is positive. Lower volatility across regions, equity indices hitting all-time highs and steady investor confidence are encouraging a healthy pipeline of market-ready companies to build up across sectors and markets. On the downside, geopolitical risks in many regions remain visible points on the radar and rising interest rates could put pressure on equity valuations and returns.

For venture-backed US startup firms, 2017 was the second biggest year of investments on record with total annual funding of \$72 billion invested across 5,052 deals. Both Q217 and Q417 saw 33 rounds of \$100 million or more. 2017 was the second year that saw dollar funding top \$70 billion, but deals declined for the third straight year, falling 4% from 2016 and reaching the lowest annual total since 2012.

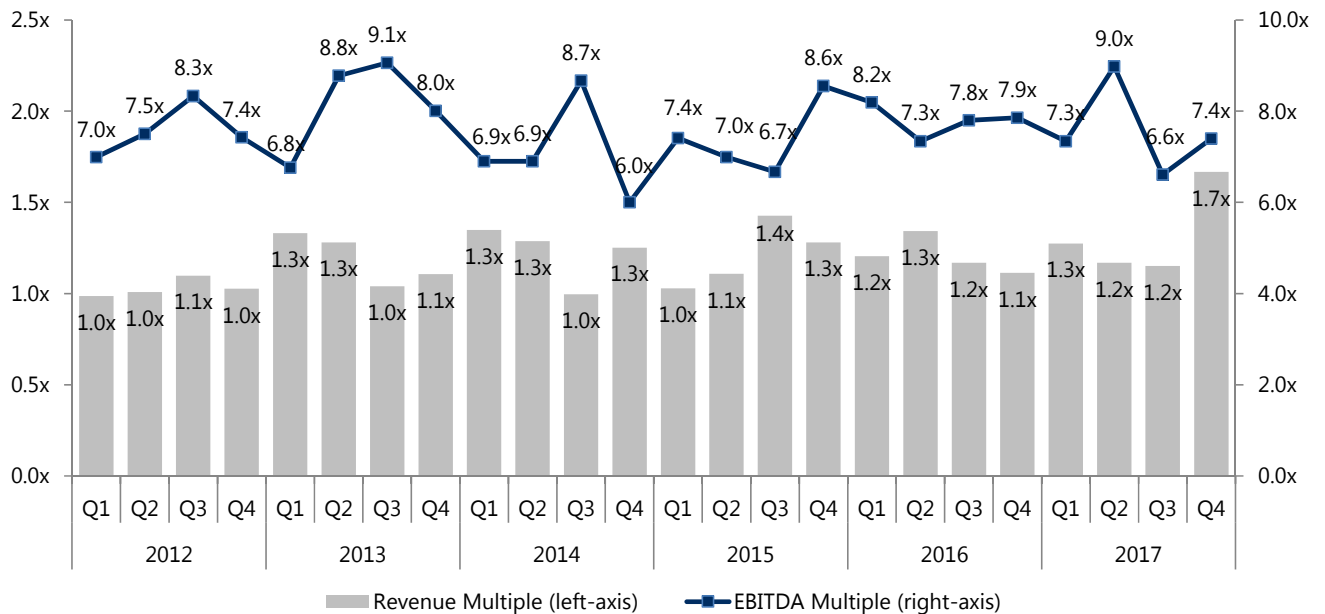
M&A Activity – Middle Market

U.S. middle market deal activity in the fourth quarter continued on pace with recent trends, with overall transaction value and volume essentially flat from 3Q17. However, compared to the prior year quarter and prior fourth quarters, both the volume and value of transactions were down significantly. The uncertainty surrounding tax legislation during the quarter led to a number of sellers pushing transactions into 2018 due to the potential of lower transaction taxes. Overall, U.S. middle market M&A activity continues unabated late into the cycle and high quality companies are finding it easy to transact with significant private capital available to be deployed.



Valuation Multiples – Middle Market M&A Transactions

Disclosed middle market M&A revenue multiples spiked up in 4Q17 to 1.7x breaking out of the historically tight range of 1.1x and 1.3x. The increase was driven by transaction mix during the quarter that included a higher volume of technology, healthcare and branded consumer product transactions. While the changes in transaction multiples quarter to quarter can be volatile, the overall trend is consistent with valuations remaining strong and business acquirers having to 'pay up' for well managed high margin private businesses as competition remains robust from both private equity firms and corporations searching for acquisition targets to drive growth.

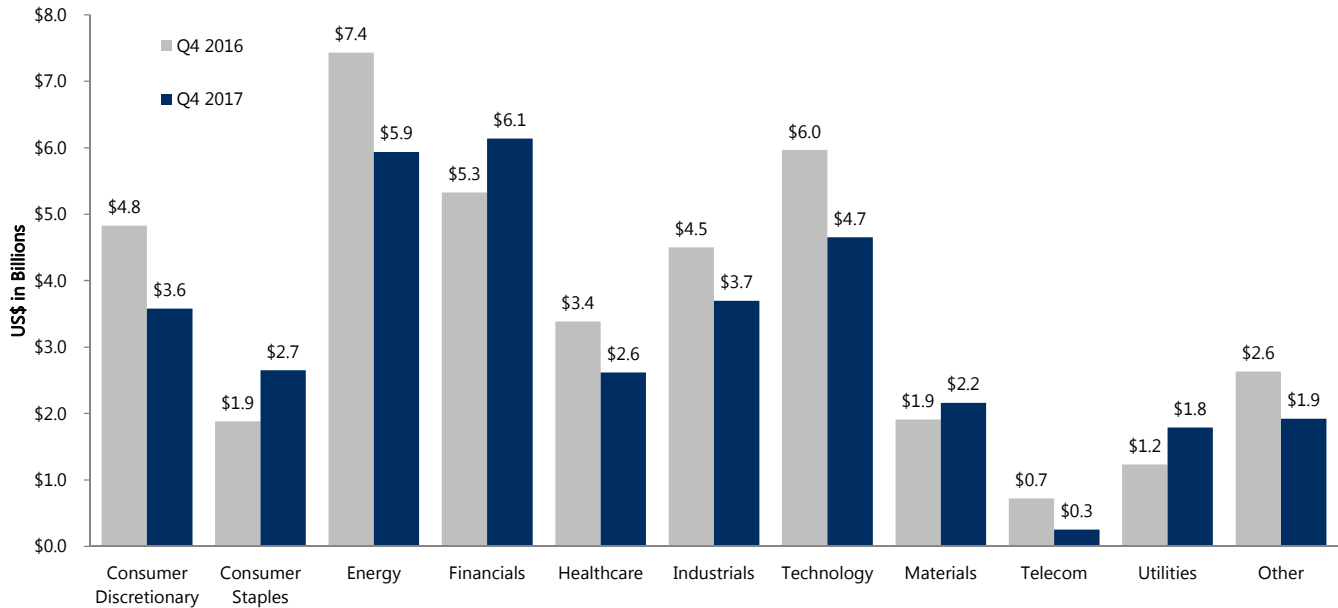


Note: Middle market defined as transactions between \$10 and \$500 million in the U.S., excluding transactions in real estate. EBITDA multiples disclosed in less than 10% of all transactions.

Source: S&P Capital IQ.

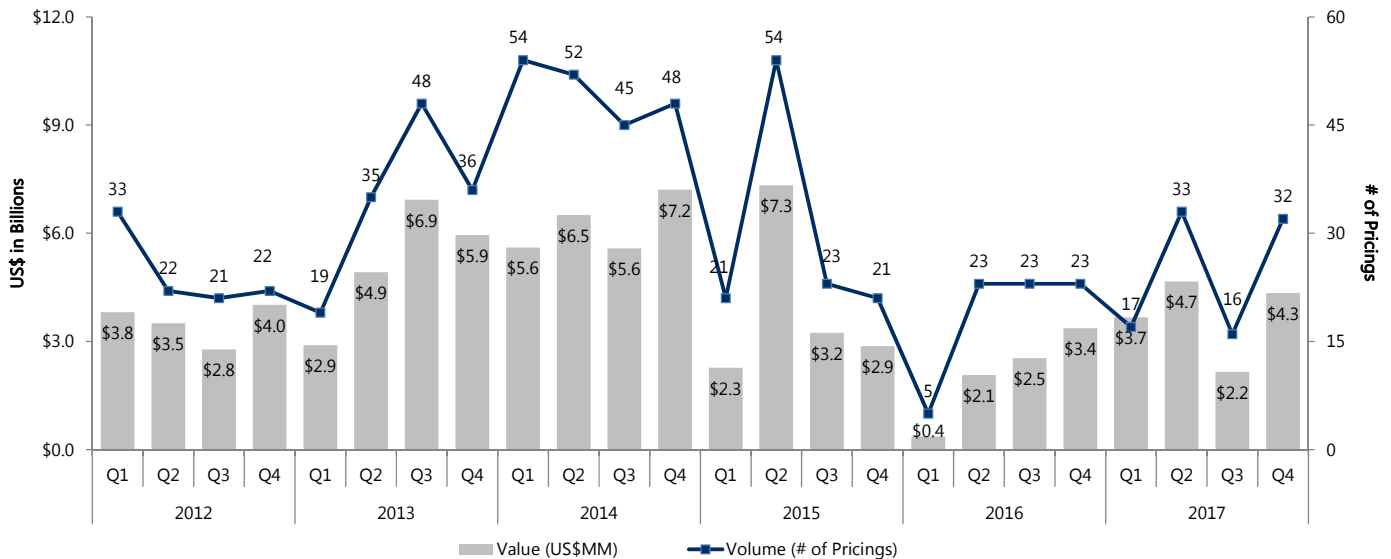
M&A Activity by Sector – Middle Market

The fourth quarter of 2017 brought lower deal activity across most industries as compared to 4Q16, with both volume and value of overall transactions down 11% over the prior year period. Both technology and healthcare transaction values and volume were down ~20% quarter over quarter as sellers remained on the sidelines to wait out tax uncertainty. Transaction values in the energy and industrial sectors were also down ~20% during the quarter but were driven by a lower average transaction size with transaction volumes decreasing by less than 10% in these sectors. The consumer staples sector continued to show significant strength driven by transactions in the packaged foods and meats sub-sector as larger industry players continue to use debt financing to gain market share through acquisitions.



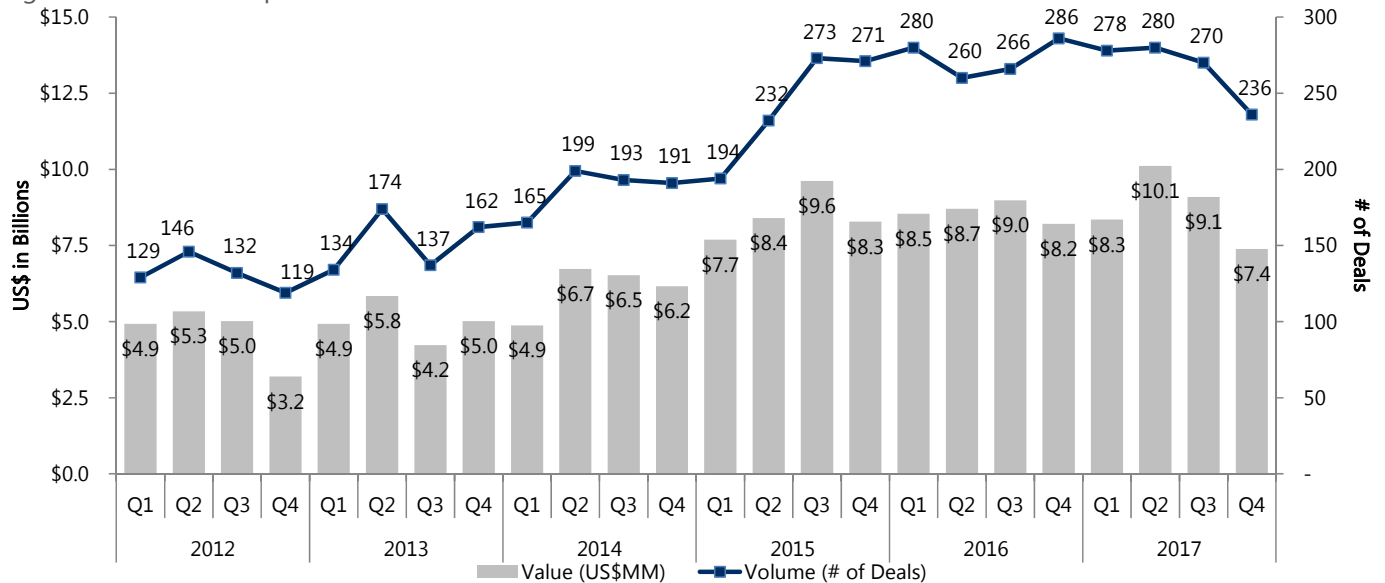
IPO Activity – Middle Market

Middle market IPO activity in the fourth quarter of 2017 bounced back from a lower 3Q17 to finish the year with strength. IPO activity in 2017 was up significantly over 2016 with a 32% increase in transaction volume but a 78% increase in transaction value driven by a 50% increase in the average initial offering size. Healthcare transactions continued to lead industry groups with 44% of all transactions during the quarter driven by eight biotechnology offerings. The technology sector comprised over 30% of IPO transactions during the quarter, the highest percentage since Q415. IPO activity in 2018 is expected to remain active but the weak stock performance of several highly anticipated 2017 IPOs, including Blue Apron and Snap, remain a drag on IPO offerings as momentum in IPOs generally follows periods of strong post-IPO stock performance.



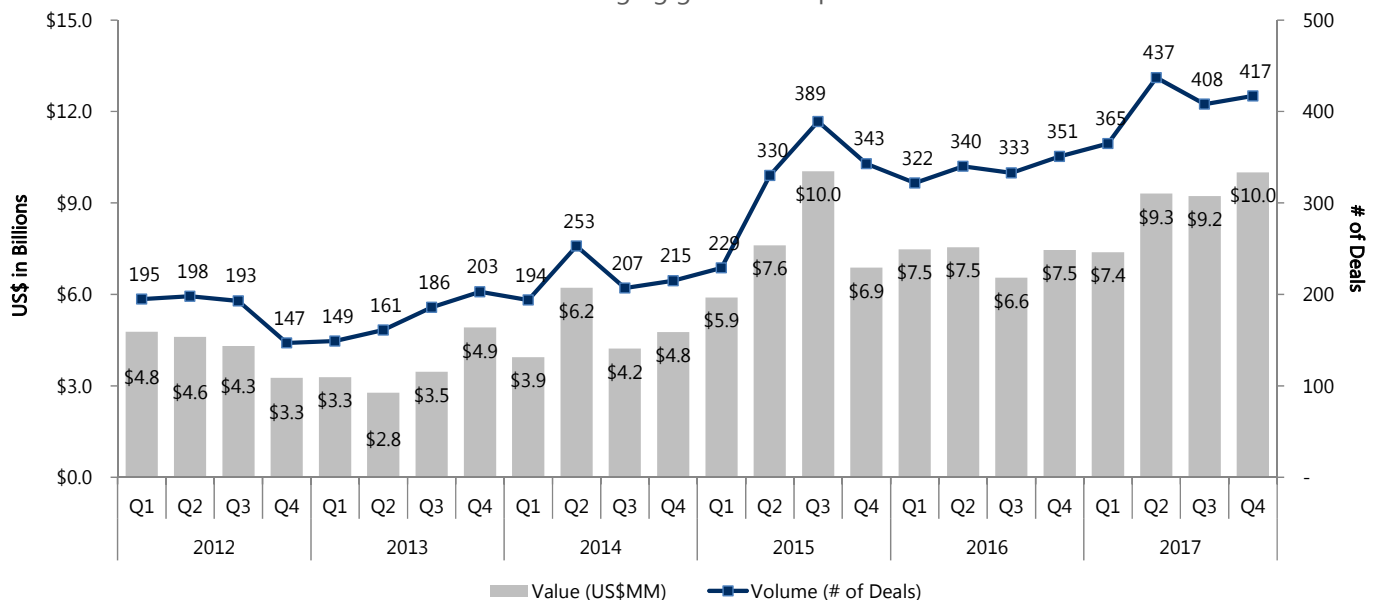
Private Placement Activity – Middle Market

Middle market private placement volume in 4Q17 decreased by 17.5% over the prior year quarter with transaction values lower by 10%. Activity for the full year of 2017 was essentially flat with 2016 as private companies continued to obtain financing from the private equity growth and income funds. The technology and healthcare sectors continued to attract the bulk of private placement funding during the quarter with 43% and 20% of total deal volume, respectively, consistent with historical activity. While 4Q17 was down over the prior year period and 3Q17, we expect private placement activity to remain robust going in 2018 as the amount of private equity capital available continues to grow and has to be 'put to work'.



Venture Capital Investment Activity – Middle Market

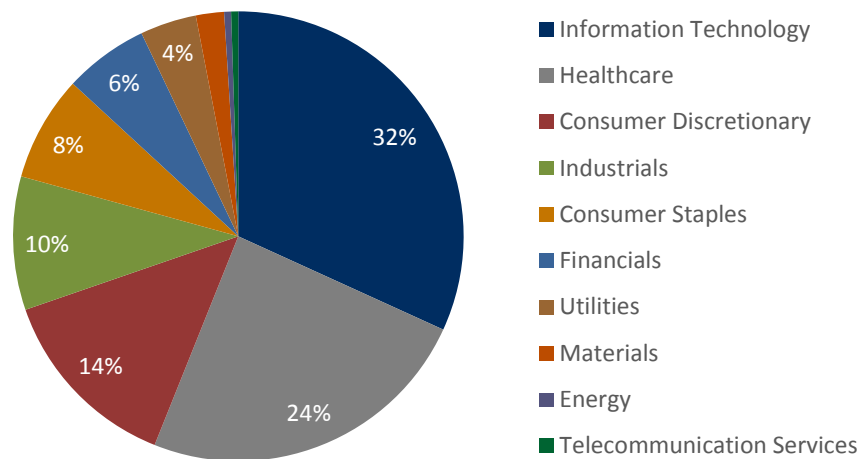
Venture capital activity ended the year on a high note with deal volume and values up over 20% over the prior year quarter. For the full year 2017, venture capital activity increased significantly with transaction values up nearly 35% over 2016 driven by a nearly 20% increase in transaction volume and a 13% increase in average transaction size. The increased activity and size of transactions have been driven by VC firms investing in larger 'club' transactions in expansion-stage and later-stage companies. Technology continued to lead venture capital investment with internet software and services and application software companies obtaining the bulk of VC capital, including a record number of investments in companies focused on artificial intelligence applications. We expect venture investing in 2018 to remain active as institutional investors focus on emerging growth companies to drive overall returns.



San Diego M&A Activity by Sector

There were 45 M&A transactions in the San Diego region during the fourth quarter of 2017, consisting of both buy and sell-side transactions. Technology and healthcare accounted for approximately 50% of deal volume with a near even split. Notable transactions include San Diego-based Jack in the Box selling its Denver-based Qdoba brand to New York-based Apollo Global for \$305 million. Apollo has expertise in the restaurant space having owned Carl's Jr. and Chuck E. Cheese restaurants and currently manages over \$200 billion in assets. The most notable transaction during the quarter was Broadcom's unsolicited offer to acquire San Diego-based Qualcomm for nearly \$150 billion. Qualcomm has thus far rejected the Broadcom offer and any transaction would face steep regulatory risks, however Broadcom continues to push for a transaction and has lined up over \$100 billion of debt financing to fund a potential transaction.

San Diego Transaction Mix (Last Twelve Months)



San Diego M&A Transaction Details for Q4 2017

Announced Date	Target	Acquiror	Target Industry	Target Business Description	Size (\$mm)	TEV ¹ /Revenue	TEV ¹ /EBITDA
Consumer Discretionary							
12/24/2017	PrepKitchen Restaurant, LLC	Individuals	Restaurants	Fine dining restaurant operator	-	-	-
12/19/2017	Qdoba Restaurant Corporation - Seller: Jack in the Box Inc. (NasdaqGS:JACK)	Apollo Global Management, LLC	Restaurants	Fast casual restaurant operator	\$305	-	-
12/18/2017	Broadcasting Stations of Midwest Television, Inc.	TEGNA Inc.	Broadcasting	Television broadcasting station	\$325	-	-
11/15/2017	PupBox, Inc.	Petco Holdings, Inc.	Internet and Direct Marketing Retail	Online pet supply distributor	-	-	-
11/2/2017	Main Path, Inc.	RelationEdge, LLC	Advertising	Digital marketing agency	-	-	-
11/1/2017	D'Style, Inc.	Kimball Hospitality, Inc.	Home Furnishings	Furniture manufacturer	\$20	1.0x	-
10/23/2017	hairbanglez	Maria Shireen®	Apparel, Accessories and Luxury Goods	Bracelet production company	-	-	-
10/12/2017	Competitor Group, Inc., Media Division	Pocket Outdoor Media LLC	Publishing	Sports marketing management company	-	-	-
10/2/2017	Grand Effects Inc.	Zodiac Pool Systems, Inc.	Leisure Products	Outdoor furnishings developer	-	-	-

1. Total enterprise value.

Note: Reflects all disclosed M&A transactions excluding real estate where the acquiror, target or seller headquarters are in the greater San Diego area. The San Diego-based company is denoted in bold. * indicates that the seller was one of a group of sellers.

Sources: S&P Capital IQ and W Partners research and estimates.

San Diego M&A Transactions (Cont'd)

Announced Date	Target	Acquiror	Target Industry	Target Business Description	Size (\$mm)	TEV ¹ /Revenue	TEV ¹ /EBITDA
Consumer Staples							
12/13/2017	Certain Beauticontrol Assets of Tupperware Brands Corporation	Youngevity International, Inc.	Personal Products	Skin care and cosmetics manufacturer	-	-	-
5/1/2017	Original Sprout LLC	Kahnalytics Inc.	Personal Products	Skin care and cosmetics manufacturer	\$3	-	-
Financials							
12/27/2017	Auto & Property Insurance Solutions	Jeff Arnold Companies Inc.	Insurance Brokers	Insurance and HR consulting services	-	-	-
12/20/2017	Fortis Advisors, LLC	PNC Bank, National Association	Investment Banking and Brokerage	Financial consulting firm	-	-	-
11/2/2017	Axella Insurance Services, Inc.	HUB International Limited	Insurance Brokers	Insurance brokerage company	-	-	-
10/30/2017	Atlas General Insurance Services, Western Trade Craftsman contractor business	Accredited Surety and Casualty Company, Inc.	Insurance Brokers	Insurance provider	-	-	-
Healthcare							
12/21/2017	Ignyta, Inc. - Seller: City Hill Ventures, LLC, Tang Capital Management, LLC*	Roche Holdings, Inc.	Biotechnology	Biomedical research lab	\$1,969	-	-
12/12/2017	SafePassage	NuVasive, Inc.	Healthcare Services	Healthcare Services provider	-	-	-
12/4/2017	One World Lab, Inc.	ProMab Biotechnologies, Inc.	Health Care Technology	Biotechnology research and distribution company	-	-	-
11/28/2017	American Indian Health Services, LLC	Tribal First	Healthcare Services	Healthcare Services provider	-	-	-
10/26/2017	Rosetta Genomics Ltd.	Genoptix, Inc.	Biotechnology	Biomedical research lab	\$10	3.2x	-
10/26/2017	MileStone Research Cro, Inc.	Factory-CRO bv	Life Sciences Tools and Services	Medical technology research company	-	-	-
10/18/2017	Stockell Healthcare Systems, Inc.	Medsphere Systems Corporation	Health Care Technology	Financial software developer for health care facilities	-	-	-
10/17/2017	Neothetics, Inc.	Evoform Biosciences, Inc.	Biotechnology	Pharmaceutical development company	-	-	-
10/10/2017	Consensus Imaging Service, Inc.	Merry X-Ray Corporation	Healthcare Services	Healthcare equipment services	-	-	-
10/6/2017	Certain Assets and Intellectual Property of Gamma Medica, Inc.	CMR Naviscan Corporation	Healthcare Equipment	Medical technology developer	-	-	-
10/4/2017	Crystal Bioscience Inc.	Ligand Pharmaceuticals Incorporated	Biotechnology	Pharmaceutical development company	\$36	-	-
9/30/2017	Biotix, Inc.	Mettler-Toledo International Inc.	Life Sciences Tools and Services	Medical laboratory supplies manufacturer	-	-	-

1. Total enterprise value.

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Sources: S&P Capital IQ and W Partners research and estimates.

San Diego M&A Transactions (Cont'd)

Announced Date	Target	Acquiror	Target Industry	Target Business Description	Size (\$mm)	TEV ¹ /Revenue	TEV ¹ /EBITDA
Industrials							
12/26/2017	Skyscene, LLC	NV5 Global, Inc.	Construction and Engineering	Aerial surveying and mapping services	-	-	-
11/22/2017	Aerodynamics, Inc.	Carlsbad-Palomar Airlines, Inc.	Airlines	Air charter and aviation support services	-	-	-
11/13/2017	Majority of The Assets of Surrey Satellite Technology US LLC	General Atomics Corp.	Aerospace and Defense	Satellite manufacturer/satellite facility integration services	-	-	-
11/6/2017	Interface Displays & Controls, Inc.	Radiant Power Corporation	Aerospace and Defense	Aerospace technology manufacturer	-	-	-
10/12/2017	Talent Function Group LLC	Jobvention Corp.	Research and Consulting Services	Staffing consulting services	-	-	-
Information Technology							
12/21/2017	Commercial Logic, Inc.	Abacus Data Systems, Inc.	Internet Software and Services	Accounting software development firm	-	-	-
12/18/2017	Certain Assets, Intellectual Property and Subsidiaries of DivX, LLC	Fortress Investment Group LLC	Application Software	Digital video broadcasting provider	\$42	2.0x	-
11/27/2017	Halo Business Intelligence, Inc.	Logility, Inc.	Internet Software and Services	Business information software developer	-	-	-
11/20/2017	Tech Vulcan, Inc.	Synapse Design Automation, Inc.	Semiconductors	Technology design services company	-	-	-
11/10/2017	HotDocs Limited	Abacus Data Systems, Inc.	Systems Software	Document automation software provider	-	-	-
11/6/2017	QUALCOMM Incorporated	Broadcom Limited	Semiconductors	Multinational semiconductor and telecommunications equipment company	\$147,105	5.0x	18.5x
11/3/2017	RVision, Inc.	Transform-X, Inc.	Electronic Equipment and Instruments	Surveillance and security equipment provider	-	-	-
10/16/2017	SeatAdvisor, Inc.	PatronManager, LLC	Application Software	Ticketing system provider	-	-	-
10/16/2017	Icar Vision Systems, S.L.	Mitek Systems, Inc.	Application Software	Customer identity validation services provider	\$13	-	-
10/10/2017	Rocket Code LLC	BVAccel	Internet Software and Services	E-commerce software developer	-	-	-
10/9/2017	OneRooftop	Digital Arbitrage Inc.	Internet Software and Services	Vacation rental software operator	-	-	-
Materials							
11/6/2017	Future Global Vision Inc.	Youngevity International, Inc.	Commodity Chemicals	Fuel additive producer	-	-	-
Utilities							
10/5/2017	Hillview Water Company, Inc.	California American Water Company	Water Utilities	Water supplier	-	-	-

1. Total enterprise value.

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Sources: S&P Capital IQ and W Partners research and estimates.

San Diego Private Placement and Venture Capital Activity

San Diego companies raised over \$425 million in private capital during the fourth quarter of 2017. Healthcare companies outpaced technology during the quarter as the largest driver of private placement activity, accounting for nearly 70% of total deal value. The largest transaction during the quarter was the \$90 million funding that San Diego-based Impact Biomedicines received from New York-based Oberland Capital Management. Interestingly, in January 2018 Impact Biomedicines announced that it would be acquired by publicly traded Celgene Corporation for \$7.0 billion. Also in healthcare, Del Mar-based small molecule drug discovery and development business Expansion Therapeutics raised \$50 million in a Series A funding round that included Kleiner Perkins and other marquee venture investors demonstrating that San Diego continues to draw significant VC capital for novel biotechnology companies. In the technology arena, San Diego-based Kneron received \$15 million in funding to continue its development of emotion and behavior recognition, smart surveillance, and navigation software, with Qualcomm participating as an investor.

San Diego-based Companies that Raised Capital

Announced Date	Issuer	Round/Investors (s)	Issuer Industry	Issuer Business Description	Amount Raised (\$mm)
Consumer Discretionary					
11/03/17	Guardion Health Sciences, Inc.	Lianluo Smart Limited (NasdaqCMLLIT); and Digital Grid (Hong Kong) Technology Co., Ltd	Personal Products	Specialty health science company	\$5
Healthcare					
12/22/17	Okogen, Inc.	Undisclosed investors	Biotechnology	Ocular infections therapeutics	\$6
12/18/17	Expansion Therapeutics, Inc.	Series A: Kleiner Perkins Caufield & Byers; Novartis Venture Funds; SAM Venture Management LLC; RA Capital Management, LLC; Alexandria Venture Investments, LLC; Sanofi Ventures	Biotechnology	Drug discovery and development company	\$55
12/01/17	12 Sigma Technologies	Series B: SB China Venture Capital (lead); Matrix Partners China; ZhenFund; Delian Capital; CDBI Partners	Health Care Technology	Healthcare technology developer	\$30
11/30/17	Metacrine, Inc.	Arch Venture Partners, L.P.; New Enterprise Associates; Polaris Partners; venBio LLC; Alexandria Venture Investments, LLC	Pharmaceuticals	Pharmaceutical developer	\$22
11/29/17	NanoCollect Biomedical, Inc.	Series B: illumina Ventures (lead); Agilent Technologies, Inc. (NYSE:A); Vertical Venture Partners; Genoa Ventures; Anzu Partners; FusionX Ventures	Biotechnology	Biotechnology development company	\$10
11/07/17	Tear Film Innovations Inc.	Series A: Visionary Ventures Fund, LLC; and Tigris Ventures, LLC	Healthcare Equipment	Healthcare technology developer	\$9
10/27/17	Progenity, Inc.	Series B: Athyrium Capital Management, LP	Healthcare Services	Healthcare technology services	\$50
10/26/17	Impact Biomedicines, Inc.	Oberland Capital Management LLC	Life Sciences Tools and Services	Medical technology development	\$90
10/13/17	Impact Biomedicines, Inc.	Series A: Medicxi Ventures	Life Sciences Tools and Services	Medical technology development	\$23
Industrials					
11/06/17	Aquam Corp	New World Capital Group, LLC; and a Credit Suisse advised fund.	Diversified Support Services	Pipe infrastructure repair company	\$26

Note: Reflects disclosed private placement and venture capital transactions greater than \$3.0 million where the issuer is headquartered in the greater San Diego area. San Diego-based companies and funds are denoted in bold. * indicates that the seller was one of a group of sellers. Sources: S&P Capital IQ and W Partners research.

San Diego Private Placement and Venture Capital Activity (Cont'd.)

San Diego-based Companies that Raised Capital (continued)

Announced Date	Issuer	Round/Investors (s)	Issuer Industry	Issuer Business Description	Amount Raised (\$mm)
Information Technology					
12/31/17	SmartDrive Systems, Inc.	Michelin North America	Electronic Equipment and Instruments	Fuel management and driver safety services	\$40
12/14/17	Guru, Inc.	Undisclosed investors	Application Software	Museum learning software developer	\$4
11/16/17	Pixelz Inc	Individuals	Application Software	Photography software developer	\$7
11/14/17	biolinq Inc.	Series A: Merck Ventures B.V. (lead); LifeSci Index Partners, LLC; Three Leaf Ventures; Hikma Ventures Limited; Grey Sky Venture Partners, LLC	Electronic Equipment and Instruments	Biotechnology development company	\$8
11/10/17	Kneron, Inc.	Alibaba Entrepreneurs Fund (lead); CDIB Capital Group (lead); Himax Technologies, Inc. (Nasdaq: HIMX); Qualcomm ; Thundersoft; Sequoia Capital; and CY ZONE	Application Software	Information technology developer	\$15
10/26/17	Uniz Technology LLC	Delian Capital	Electronic Equipment and Instruments	3D printing innovation company	\$7
10/10/17	Verve Wireless, Inc.	Series B: Draper Esprit plc (AIMGROW); Frontline Ventures; Kindred Capital; Backed VC	Application Software	Mobile advertising company	\$19
10/10/17	Packets led, Inc.	Undisclosed investors	Application Software	Network security company	\$4

San Diego-based Financial Sponsors that Sold a Portfolio Company

Announced Date	Target	Acquirer	Target Industry	Target Business Description	Size (\$mm)	TEV ¹ /Revenue	TEV ¹ /EBITDA
M&A Exits for Companies that have a financial investor in San Diego							
12/7/2017	Entellus Medical, Inc. - Seller: Correlation Ventures*	Stryker Corporation	Healthcare Equipment	Healthcare equipment developer	715	7.7x	-
10/31/2017	Datasield, LLC - Seller: HCAP Partners	The ADT Corporation	IT Consulting and Other Services	Cybersecurity services provider	-	-	-
10/19/2017	August Home Inc. - Seller: QUALCOMM Ventures*	ASSA ABLOY AB	Electronic Equipment and Instruments	Home security technology provider	-	-	-

1. Total enterprise value.

Note: Reflects disclosed private placement and venture capital transactions greater than \$3.0 million where the issuer is headquartered in the greater San Diego area. San Diego-based companies and funds are denoted in bold. * indicates that the seller was one of a group of sellers.

Sources: S&P Capital IQ and W Partners research.

Please contact the W Partners team for additional information regarding M&A transactions, private placements, venture capital investments or public market valuations in your particular industry or sector:

Todd Wilson
 Managing Director
 Phone: 858.333.8445
 twilson@wpartners.com

Joel Weinstein
 Managing Director
 Phone: 858.333.8447
 jweinstein@wpartners.com

San Diego Office
 11455 El Camino Real
 Suite 450
 San Diego, CA 92130
 Phone: 858.333.8445

Salt Lake City Office
 136 E. South Temple
 Suite 2440
 Salt Lake City, UT 84111
 Phone: 801.890.4175

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Financial Advisory



\$100 Million Private
 Placement



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