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M&A Monitor

Piper Jaffray Middle Market Mergers & Acquisitions
M&A Monitor: Analyzing M&A Activity—July 20, 2005

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Feature Article

Healthy Auctions Continue to Drive Up Middle Market Transaction Multiples
by Shane McDaniel, michael.s.mcdaniel@pjc.com, 312 920-3271

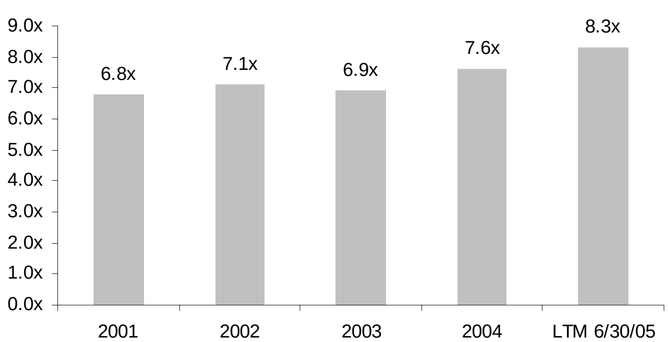
As a follow-up to the M&A Monitor feature article entitled "Second Quarter M&A Market Update," this issue will focus on the M&A transaction multiple trends we have seen in the market during the last several quarters. As we stated, the total value of announced transactions increased approximately $81.4 billion to $548.3 billion (17%) for the first six months of 2005, versus $466.9 billion for the same period in 2004. Fueling the continued strength in M&A activity, M&A multiples have continued to be attractive. There are a number of fundamental factors we will review that are playing a part in the current trends in M&A multiples.

Competitive Auctions—Strategic Buyers and Financial Sponsors

Strategic buyers continue to aggressively pursue deals that are core to their business strategy. Over the last 12 months and through June 2005, more than half of our middle market M&A activity has involved strategic buyers. There have also been several prospective buyers pushing to "pre-empt" the process. We have experienced a significant up-tick in the EBITDA multiples paid for our clients' companies.

While strategic buyers have been aggressive, they are experiencing increased competition from financial sponsors who have a large overhang of uninvested capital. Faced with the challenge of finding ways to put their large pools of capital to work, private equity firms have become more aggressive as well. LBO activity has increased to approximately $107 billion on an LTM basis through Q2 2005. Sponsors are using a variety of strategies to gain a competitive edge, but many funds continue to struggle to differentiate themselves (other than by price) in competitive situations. As a result of this incredibly competitive M&A environment, multiples have continued to remain strong, with the median EBITDA multiple for transactions between $25–250 million of 8.3x for the 6/30/05 LTM period.

LTM EBITDA M&A Multiples



Source: Thompson Financial

Feature Article, Cont.

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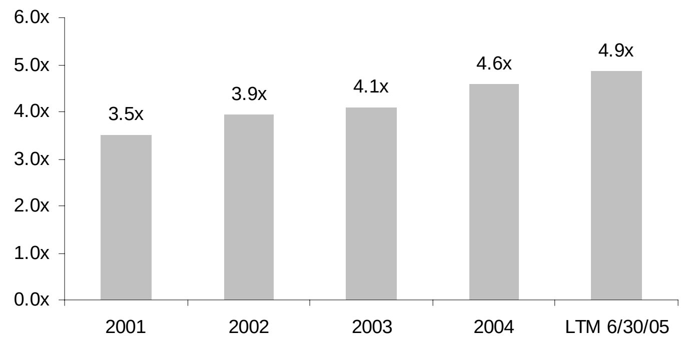
Leveraged Lending Multiples—Continued Elevated Levels

Continuing a trend started in 2001, cash flow lenders have increased lending multiples every year and have continued to be aggressive through the first half of 2005. Overall, financing markets have been strong with average total debt multiples of approximately 4.9x trailing 12 month's EBITDA. The strength in these markets has been primarily driven by the improved performance of private companies being acquired and the aggressive posture of the lending institutions. Furthermore, the high-yield market has also been receptive allowing for even more aggressive lending multiples for companies large enough to tap this market.

Given what we are hearing in the market, we anticipate a strong third and fourth quarter in 2005 for middle market M&A activity. With active strategic buyers, aggressive financial buyers and strong financing markets, it remains an extremely attractive seller's market.

Average Total Debt Multiples



Source: Standard & Poor's

Feature Transaction

Piper Jaffray Advises Norwesco, Inc.
by Michael Fineman, michael.s.fineman@pjc.com, 612 303-6882

On July 11, 2005, Norwesco, Inc. was acquired by Allied Capital Corporation in a leveraged buyout transaction for $162 million. Management re-invested a significant portion of its equity ownership in the transaction. Norwesco was a portfolio company of Norwest Equity Partners, a Minneapolis-based private equity firm, and Brockway Moran & Partners, a private equity firm based in Boca Raton, Florida. Piper Jaffray was hired to conduct a sale process in order to identify a new partner for Norwesco.

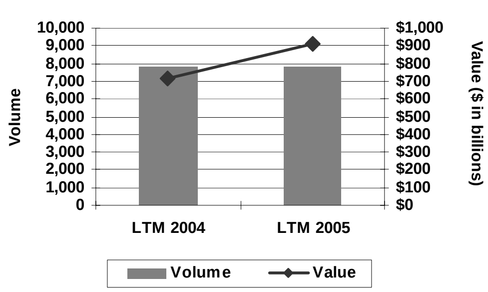
Norwesco, located in St. Bonifacius, Minnesota, is the largest manufacturer in the U.S. of polyethylene storage tanks for agricultural and industrial markets. Its tanks are primarily used to store and/or spray fertilizer solutions, pesticides, agricultural chemicals, water, liquid feed and plant food. Norwesco has 14 manufacturing locations in the United States and Canada.

Piper Jaffray served as exclusive financial advisor to Norwesco, Norwest Equity Partners and Brockway Moran & Partners.

Domestic Transactions

($ in billions)	Value*	Volume
LTM: 2004	$718.0	7,770
LTM: 2005	$912.8	7,829

LTM 2004 vs. LTM 2005



*Total value based on deals with reported values
Source: Thomson Financial Securities Data Corporation
LTM median deal value for 2005 is $28.3 million compared to $27.1 million for 2004.

LTM Transaction Multiples

By Size ($ in millions)	EBIT	EBITDA
Less than $25	11.6x	5.8x
$25 to $100	11.3x	9.1x
$100 to $250	13.5x	8.5x
$250 to $1,000	15.2x	9.5x
Over $1,000	15.0x	10.2x

Current data as of July 18, 2005
Source: Thomson Financial Securities Data Corporation
Based on multiples between 0x and 25x; excluding media and telecom.

Public Company Premiums

1 week prior to announcement	22.8%
4 weeks prior to announcement	27.2%

Current data as of July 18, 2005
Source: Thomson Financial Securities Data Corporation

Deal Financing

	Current	1 Year Ago
Leveraged Bank Loan	5.84%	4.80%
High Yield Bond Rate	7.52%	7.63%
Senior Debt/EBITDA*	4.7x	3.3x
Total Debt/EBITDA*	4.7x	4.3x

Current data as of July 18, 2005
Source: Portfolio Management Data, The Wall Street Journal and Gold Sheets Daily
*Represents leverage statistics for middle market LBOs (less than $50 million of EBITDA)

Buyout Fund Market

($ in billions)	2005	2004	2003
Funds Raised	$79.5	$42.2	$24.0
Deals Completed	$78.3	$136.5	$94.8

Data as of July 4, 2005
Source: Buyouts

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