Piper Jaffray M&A Monitor
Analyzing M&A Activity—October 18, 2006

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Feature Article

Piper Jaffray / CIT Group: A Strategic Relationship

by Bob Frost, 612 303-8248, robert.d.frost@pjc.com

In July 2006, Piper Jaffray announced a strategic relationship with CIT Group Inc. (NYSE: CIT), a leading global provider of commercial and consumer financial solutions, to offer middle market companies a comprehensive set of financing solutions. This article provides an introduction to the expanded capabilities Piper Jaffray can now provide under this relationship, with a specific focus on the impact for our M&A clients.

Relationship Overview

Under the terms of the agreement with CIT, Piper Jaffray will expand its existing investment-banking capabilities to include the complete range of debt solutions, including senior-secured and unsecured debt, second-lien facilities, subordinated financings and mezzanine loans. CIT, under this agreement, will be able to provide its clients a broader range of capital markets solutions such as high-yield, equity and equity-linked offerings. Piper Jaffray and CIT each bring unique expertise to the relationship. Piper Jaffray provides extensive capital markets expertise, and CIT provides comprehensive lending and syndication expertise. Both companies share a focus on middle market clients and have deep knowledge of growth sectors, including alternative energy, business services, consumer, health care, financial institutions, industrial growth and technology.

CIT, a leading commercial and consumer finance company, provides clients with financing and leasing products and advisory services. Founded in 1908, CIT has $68 billion in managed assets, is a Fortune 500 company and is a member of the S&P 500 Index. CIT holds leading positions in vendor financing, factoring, equipment and transportation financing, Small Business Administration loans and asset-based lending. With its global headquarters in New York, CIT has more than 7,000 employees in locations throughout North America, Europe, Latin America and the Pacific Rim.

Enhanced M&A Capabilities

One of the major reasons Piper Jaffray entered into the CIT relationship was to expand and enhance our capabilities in advising our clients in M&A transactions, in which we provide integrated advisory and financing solutions. In situations where we are advising our clients in an acquisition, we are excited to now be able to address aspects of our clients' capital structure needs to facilitate the acquisition. Prior to the CIT relationship, the underwriting capability of Piper Jaffray included private placements of equity, public equity securities, convertible securities and high-yield debt products. Today these capabilities have been supplemented with the ability to underwrite subordinated debt, second-lien instruments, senior-secured and unsecured debt, and provide bridge financing. Most important, the expanded capabilities are facilitated through our relationship with CIT but will include underwriting commitments from both CIT and Piper Jaffray, leveraging the combined balance sheets of both organizations.

In addition, our relationship with CIT provides Piper Jaffray the capability to directly underwrite "stapled" financing in situations where we are advising on the sell-side. Stapled financing can be an effective tool in marketing a business, and we have often coordinated with third-party banks to provide stapled financing in appropriate situations. Our relationship with CIT now provides Piper Jaffray the direct capability to provide stapled financing.

Relationship in Action

The recently announced acquisition of Laserscope by American Medical Systems (see Featured Transaction on page 2) highlights the power of the experience we provide our clients. The transaction was announced in June 2006, and Piper Jaffray served as exclusive financial advisor to American Medical Systems ("AMS"). The AMS bid for Laserscope was initially proposed as a cash/stock structure to balance the incremental financing required to support the transaction. As it became apparent that AMS would need to provide an all-cash structure, Piper Jaffray and CIT moved quickly to provide a fully underwritten commitment financing solution to support the AMS bid for Laserscope. The committed financing

Feature Article, Cont.

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structure included a $565 million senior credit facility and a $180 million subordinated bridge financing. Subsequent to announcing the transaction, Piper Jaffray led a $374 million convertible note offering that refined the bridge and reduced the borrowing under the senior credit facility.

The completed solution was executed within the two-week timeline necessary to support the AMS bid. The transaction serves as a powerful testament to the strength and capability of the Piper Jaffray/CIT relationship. Most important, our capabilities allowed our client to successfully execute an important strategic transaction.

Feature Transaction

Piper Jaffray Advises American Medical Systems
by Mark Holmquist, 612 303-6159, mark.r.holmquist@pjc.com

On June 5, 2006, American Medical Systems ("AMS") announced they entered into a definitive merger agreement for the acquisition of Laserscope. AMS acquired Laserscope for $31.00 per share in an all-cash transaction. The total acquisition price for Laserscope shares and options was approximately $715 million. At announcement, AMS had a committed financing structure including a $565 million senior credit facility and a $180 million subordinated bridge facility. The transaction was financed with a $374 million convertible offering and a $365 million senior credit facility.

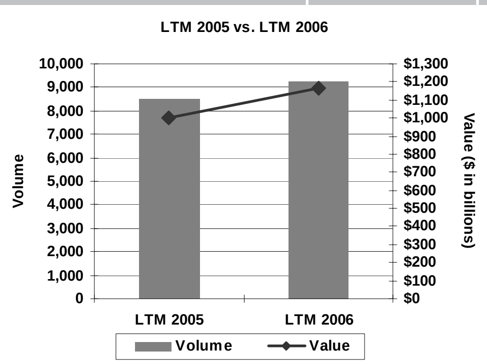
AMS, headquartered in Minnetonka, Minnesota, is a diversified supplier of medical devices and procedures to cure erectile dysfunction, benign prostatic hyperplasia, incontinence, menorrhagia, prolapse and other pelvic disorders in men and women. These disorders can significantly diminish one's quality of life and profoundly affect social relationships. In recent years, the number of people seeking treatment has increased markedly as a result of longer lives, higher quality-of-life expectations and greater awareness of new treatment alternatives. The Company's products reduce or eliminate the incapacitating effects of these diseases, often through minimally invasive therapies. The Company's products were used to provide approximately 170,000 patient cures in 56 countries during 2005.

Laserscope designs, manufactures, sells and services an advanced line of minimally invasive medical products worldwide including medical laser systems and related energy delivery devices for the office, outpatient surgical center and hospital markets.

Piper Jaffray served as financial advisor to AMS, provided a fairness opinion to the Company's Board of Directors, was the sole bookrunner on the convertible offering and provided a commitment for additional subordinated financing. CIT Healthcare LLC underwrote the senior financing.

Domestic Transactions

($ in billions)	Value*	Volume
LTM: 2005	$1,003.6	8,507
LTM: 2006	$1,168.7	9,241



*Total value based on deals with reported values
Source: Thomson Financial Securities Data Corporation
LTM median deal value for 2006 is $32.5 million compared to $28.9 million for 2005.

LTM Transaction Multiples

By Size ($ in millions)	EBIT	EBITDA
Less than $25	NM	NM
$25 to $100	10.8x	6.8x
$100 to $250	15.9x	11.3x
$250 to $1,000	15.6x	7.9x
Over $1,000	14.7x	9.3x

Current data as of October 15, 2006
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	23.7%
4 weeks prior to announcement	26.6%

Current data as of October 15, 2006
Source: Thomson Financial Securities Data Corporation

Deal Financing

	Current	1 Year Ago
Leveraged Bank Loan	8.25%	6.26%
High Yield Bond Rate	8.13%	7.90%
Senior Debt/EBITDA*	3.7x	3.9x
Total Debt/EBITDA*	4.7x	4.5x

Current data as of October 15, 2006
Source: Portfolio Management Data, The Wall Street Journal and LCD Comps
*Represents leverage statistics for middle market LBOs (less than $50 million of EBITDA)

Buyout Fund Market

($ in billions)	2005	2004	2003
Funds Raised	$173.5	$42.2	$24.0
Deals Completed	$198.0	$136.5	$94.8

Data as of October 15, 2006
Source: Buyouts

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