

M&A Monitor

Piper Jaffray M&A Monitor

Analyzing M&A Activity—October 18, 2007

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Feature Article**Year-to-date review of M&A and Debt Markets**

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M&A Market Review

Domestic M&A activity continued at a strong pace through the first nine months of 2007, according to data from Thomson Financial. Year-to-date through September, the total value of transactions closed increased by 19%, driven by transactions with values north of \$1 billion. Excluding such transactions, total deal value was down year-over-year by almost 6%. In terms of the total number of transactions, aggregate transaction volume declined. Through September, 6,654 transactions closed versus 7,487 for the same period in 2006, or an 11% year-over-year decrease.

Despite the 34% increase year-to-date activity in the number of transactions with reported deal values greater than \$1 billion, activity in this segment slowed in recent months largely from the recent dislocation in the leverage markets. The value of transactions with reported deal values greater than \$1 billion for the third quarter of 2007 decreased by 62% versus the second quarter of 2007 and decreased by 33% versus the average quarterly volume since January 1, 2006: \$151.1 billion for third quarter 2007 versus \$399.0 billion for the second quarter of 2007 and \$225.4 billion for the quarterly average over the past seven quarters. The number of transactions with reported transaction values greater than \$1 billion decreased by 48% from second quarter 2007 to third quarter 2007 and decreased 16% from the average number of deals completed on a quarterly basis from the beginning of 2006.

| Transaction Size Range (\$ in millions) | Total Number of Transactions | | | Total Values (\$ in billions) | | |
|---|------------------------------|--------------|------------------|-------------------------------|----------------|------------------|
| | YTD '07 | YTD '06 | % Change '06-'07 | YTD '07 | YTD '06 | % Change '06-'07 |
| \$0 - \$25 | 981 | 1,419 | -30.9% | 7,413 | 9,860 | -24.8% |
| \$25 - \$50 | 279 | 380 | -26.6% | 9,760 | 12,839 | -24.0% |
| \$50 - \$100 | 276 | 318 | -13.2% | 18,114 | 21,076 | -14.1% |
| \$100 - \$250 | 272 | 313 | -13.1% | 39,484 | 43,588 | -9.4% |
| \$250 - \$500 | 156 | 196 | -20.4% | 49,809 | 62,198 | -19.9% |
| \$500 - \$1,000 | 133 | 120 | 10.8% | 80,966 | 70,630 | 14.6% |
| \$1,000 + | 232 | 178 | 30.3% | 756,703 | 607,642 | 24.5% |
| Total Disclosed | 2,363 | 2,768 | -14.6% | 962,249 | 827,833 | 16.2% |
| Total Undisclosed | 4,670 | 4,719 | -1.0% | N/A | N/A | N/A |
| Total | 7,033 | 7,487 | -6.1% | 962,249 | 827,833 | 16.2% |

Source: Thomson Financial Securities Data Corporation, YTD as of October 15, 2007

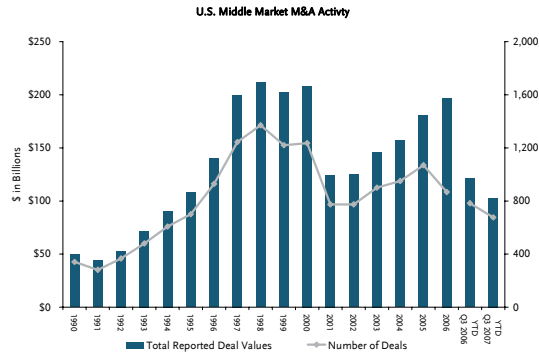
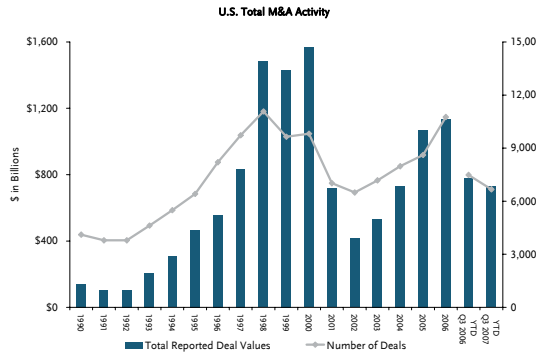
Activity in the middle market slowed year-over-year based on available data. Through September there were 679 reported transactions with values between \$50 and \$500 million, versus 783 for the comparable period in 2006 (a decrease of 13%). Total transaction value for closed deals with values between \$50 and \$500 million was also down year-over-year: \$103.2 billion for the year-to-date period ended September 2007 versus \$121.0 billion for the first nine months of 2006 (a decrease of 15%).

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Feature Article

Year-to-date review of M&A and Debt Markets, Cont.

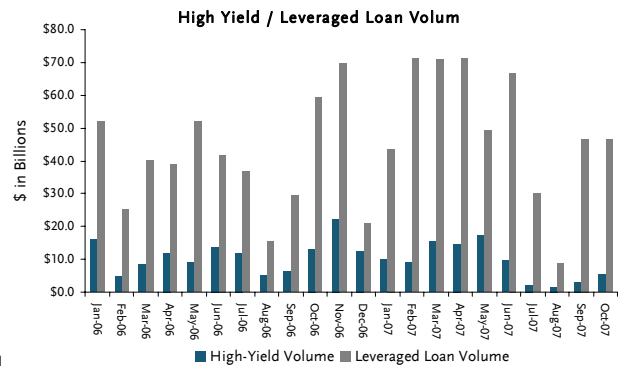
Despite the strong M&A activity in the first half of the year, the decrease in activity during the third quarter of this year may put 2007 annual M&A activity below that of recent years.



Source: Thomson Financial Securities Data Corporation

Debt Capital Markets Review

Leveraged finance activity has remained active for the year and high by historical standards with activity increasing in the leveraged loan market and down modestly in the high-yield market. Year-to-date through September, the total leveraged loan volume increased by 33% over the same period in the prior year. Volume increased to \$441.8 billion year-to-date through September 2007 versus \$331.8 billion during the same period in 2006. This increase was driven by transactions for companies with EBITDA greater than \$50 million. Despite this increase, activity fell sharply in the third quarter of the year with volume declining 63% over the previous quarter and 48% below the quarterly average volume since January 1, 2006: \$68.9 billion for the third quarter of 2007 versus \$187.1 billion for the second quarter of 2007 and \$131.9 billion for the quarterly average volume over the past seven quarters.

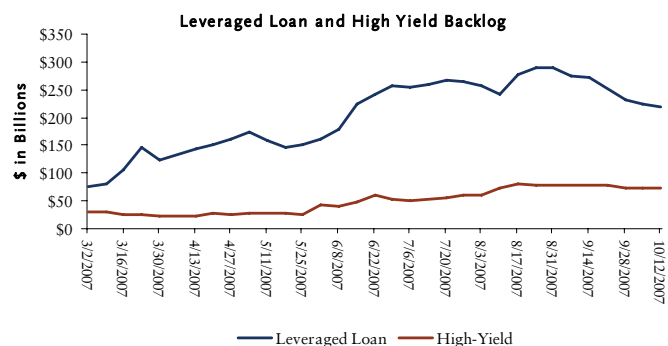
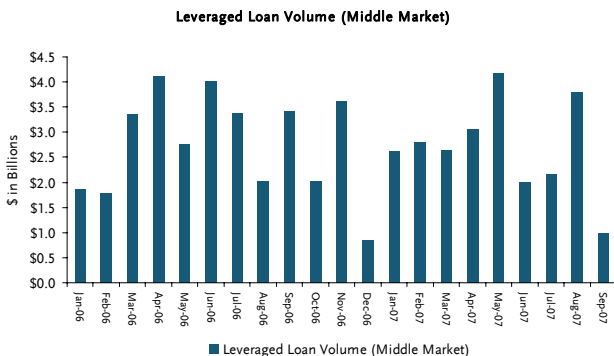


Source: Standard & Poor's LCD

Year-to-date through September, high-yield volume decreased by 4%, driven by lower activity in third quarter. Through September high-yield volume totaled \$83.0 billion versus \$86.7 billion during the same period in the prior year. High-yield volume in the third quarter of 2007 declined by 84% to \$6.7 billion over the prior quarter (\$41.8 billion) and 78% over the quarterly average volume (\$31.1 billion) since January 1, 2006.

The middle market (companies with EBITDA less than \$50 million) leveraged loan volume showed more stability than the decline in the larger leveraged loan volume. Middle market leverage loan volume decreased by 9% year-over-year through September. Year-to-date through September volume was \$24.3 billion versus \$26.7 billion in the same period in the prior year. Activity in the third quarter declined by 25% over the second quarter of 2007 and 15% over the quarterly average since January 1, 2006: \$7.0 billion for the third quarter of 2007 versus \$9.3 billion for the second quarter of 2007 and \$8.2 billion for quarterly average volume.

As of the end of September 30, 2007 leverage loan and high-yield backlog is beginning to decline although levels remain high by historical standards.



Source: Standard & Poor's LCD

Source: Fitch Ratings

Feature Transaction

Piper Jaffray Advises Engineered Materials Solutions

by Jason Roudabush, Associate, 312 920-3293, jason.m.roudabush@pjc.com

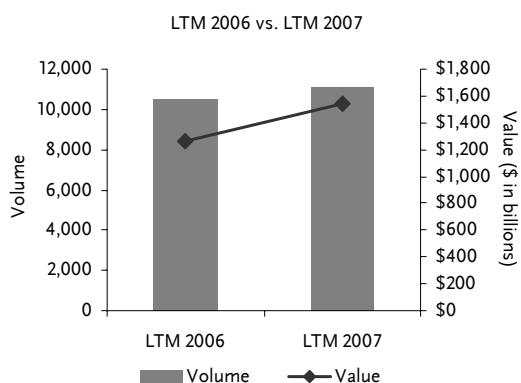
On October 16, 2007, Engineered Materials Solutions (“EMS”), a portfolio company of Blue Point Capital Partners, was acquired by Wickeder Westfalenstahl. Terms of the transaction were not disclosed.

EMS is one of the leading specialty clad metal manufacturers in the world, providing clad metal strips and bi-metal components to leading customers in diverse end markets. EMS’s products are engineered, designed and delivered to firms globally in the appliance, automotive and heavy truck, electrical distribution, home ventilation and air conditioning (“HVAC”), industrial control and telecommunications industries.

Piper Jaffray served as exclusive financial advisor to EMS and Blue Point Capital Partners.

Domestic Transactions

| (\$ in billions) | Value* | Volume |
|------------------|-----------|--------|
| LTM: 2006 | \$1,233.2 | 10,478 |
| LTM: 2007 | \$1,628.0 | 11,131 |



*Total value based on deals with reported values

Source: Thomson Financial Securities Data Corporation

LTM median deal value for 2007 is \$35.0 million compared to \$31.9 million for 2006.

LTM Transaction Multiples

| By Size (\$ in millions) | EBIT | EBITDA |
|--------------------------|-------|--------|
| Less than \$25 | 19.4x | 12.7x |
| \$25 to \$100 | 13.3x | 8.9x |
| \$100 to \$250 | 16.3x | 10.4x |
| \$250 to \$1,000 | 14.9x | 9.3x |
| Over \$1,000 | 16.0x | 11.0x |

Current data as of October 15, 2007

Source: Thomson Financial Securities Data Corporation

Based on multiples between 0x and 25x; excluding media and telecom.

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Public Company Premiums

| | |
|-------------------------------|-------|
| 1 week prior to announcement | 21.3% |
| 4 weeks prior to announcement | 22.2% |

Current data as of October 15, 2007

Source: Thomson Financial Securities Data Corporation

Deal Financing

| | Current | 1 Year Ago |
|----------------------|---------|------------|
| Leveraged Bank Loan | 8.36% | 6.26% |
| High Yield Bond Rate | 8.99% | 8.11% |
| Senior Debt/EBITDA* | 5.7x | 4.2x |
| Total Debt/EBITDA* | 6.0x | 5.0x |

Current data as of October 15, 2007

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) | YTD '07 | '06 |
|------------------|---------|---------|
| Funds Raised | \$187 | \$197.6 |
| Deals Completed | 245 | 319 |

Data as of October 15, 2007

Source: Buyouts

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