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M&A Monitor

Piper Jaffray Middle Market Mergers & Acquisitions
M&A Monitor: Analyzing M&A Activity—November 1, 2006

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Feature Article

M&A Market Update

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Domestic M&A activity has continued to grow at a strong pace and continues to grab headlines with ever-increasing deal sizes, especially among private equity firms. According to data released by Thomson Financial, year-to-date through October 10, in terms of volume, the total number of transactions is up a modest 3%, bringing the total number of transactions closed to 5,995 versus 5,818 for the same period in 2005. Deal values represent a different story, however. The total value of disclosed transactions increased by more than 21%, which is potentially understated by the 7% increase in the number of undisclosed transactions. Notwithstanding, the total transaction values were primarily driven by large transactions, greater than $1 billion, which were up roughly 33% period-over-period. The top 15 transactions represented a combined $276 billion of value in the current period, as compared to $233 billion through October 10, 2005.

Transaction Size Range	**Total Number of Transactions**			**Total Value *($ in billions)***		
($ in millions)	YTD '06	YTD '05	% Change '05-'06	YTD '06	YTD '05	% Change '05-'06
$0 - $25	982	1,075	*-8.7%*	$9.0	$9.5	*-5.3%*
$25 - $50	347	319	*8.8%*	$12.5	$11.6	*8.1%*
$50 - $100	301	302	*-0.3%*	$21.8	$21.6	*0.9%*
$100 - $250	290	313	*-7.3%*	$46.7	$52.1	*-10.5%*
$250 - $500	168	170	*-1.2%*	$60.1	$59.1	*1.6%*
$500 - $1000	94	96	*-2.1%*	$65.5	$67.3	*-2.7%*
$1000+	134	119	*12.6%*	$595.9	$448.1	*33.0%*
Total Disclosed	2,316	2,394	*-3.3%*	$811.4	$669.3	*21.2%*
Undisclosed	3,679	3,424	*7.4%*	NA	NA	NA
Total	**5,995**	**5,818**	***3.0%***	**$811.4**	**$669.3**	***21.2%***

Source: Thomson Financial Securities Data Corporation, YTD as of October 10, 2006

The middle market is not showing any signs of letting up in the near term. Through October 10, there were 759 reported transactions with values between $50 million and $500 million, versus 785 for the comparable period in 2005 (a decrease of 2.3%). Total transaction value for closed deals with values between $50 million and $500 million was also down slightly year-over-year, coming in at $128.6 billion for the year-to-date period ended October 10, 2006, versus $132.8 billion for the same period in 2005 (a decrease of 3.2%). The impact, however, of undisclosed transactions will be greater in the middle market as regulatory disclosure requirements are far less prevalent.

Purchase price multiples remain very attractive for sellers, and we do not see the significant interest from both strategic buyers and private equity investors letting up anytime soon. Continued signs of strength can be seen in the debt markets. As illustrated on the following page, debt is playing an even larger role in typical buyout transactions. Both senior and total debt leverage multiples have risen year-over-year. The notable rise in senior debt pricing and moderate rise in high-yield rates have not dissuaded buyers from pursuing transactions. At the same time, the number of leveraged loan issuers in default is down 50 basis points since December 31, 2005, to 1.8% as of September 30, 2006, according to Standard & Poor's. Overall, the underpinnings are strong for the M&A environment to remain very active through the end of 2006.

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Feature Transaction

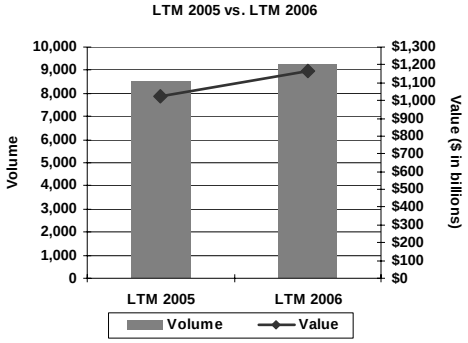
Piper Jaffray Advises Spectra Gases Inc.
by Neil Weinstein, 612 303-6493, neil.s.weinstein@pjc.com

On October 12, 2006, Spectra Gases Inc. ("Spectra" or the "Company") was acquired by The Linde Group, a multinational gas and engineering company based in Germany. Spectra, a privately held company, supplies advanced specialty gases and equipment to the life sciences, electronics and other high-growth industries. The Company's core business is specialty gases, though it has been investing heavily in recent years to develop a life sciences operation. Spectra's largest markets are laser vision correction and semiconductor lithography. The Company also supplies the lighting, window, homeland security, fiber optic, environmental monitoring and satellite propulsion markets.

Piper Jaffray served as exclusive financial advisor to Spectra Gases Inc. Terms of the transaction were not disclosed.

Domestic Transactions

($ in billions)	Value*	Volume
LTM: 2005	$1,021.9	8,514
LTM: 2006	$1,167.5	9,253



*Total value based on deals with reported values
Source: Thomson Financial Securities Data Corporation
LTM median deal value for 2006 is $32.3 million compared to $29.5 million for 2005.

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LTM Transaction Multiples

By Size ($ in millions)	EBIT	EBITDA
Less than $25	NM	NM
$25 to $100	11.3x	6.9x
$100 to $250	15.1x	13.1x
$250 to $1,000	16.1x	8.4x
Over $1,000	14.6x	9.5x

Current data as of October 30, 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	23.8%
4 weeks prior to announcement	27.2%

Current data as of October 30, 2006
Source: Thomson Financial Securities Data Corporation

Deal Financing

	Current	1 Year Ago
Leveraged Bank Loan	8.10%	6.27%
High Yield Bond Rate	8.10%	7.98%
Senior Debt/EBITDA*	3.7x	3.9x
Total Debt/EBITDA*	4.7x	4.5x

Current data as of October 30, 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 30, 2006
Source: Buyouts

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