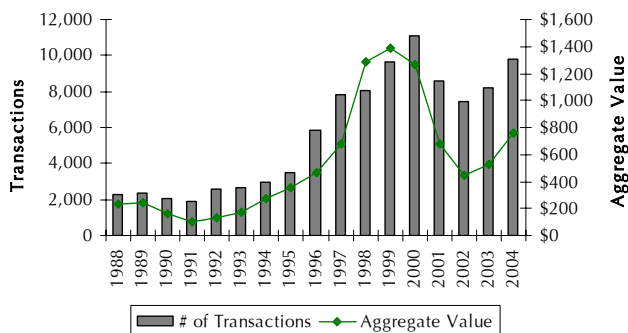


2004 Transaction Overview

The U.S. M&A market had its best year since 2000, both in terms of number and value of deals. 9,816 deals were announced in 2004, up 15% over 2003. Combined value of all deals topped \$760 billion, a 44% gain over 2003. The middle market (defined as deals valued between \$50 and \$500 million) led all segments in total number of deals reported. There were 950 middle market deals completed in 2004, a 17% increase over 2003.

All M&A Transactions



Source: Mergerstat (12/31/04)
Dollar amounts in billions

While 2004's strong results were driven by mega-deals, valuation multiples for deals of all sizes showed strong growth over 2003. Deals over \$1 billion numbered 135 in 2004, 53% greater than 2003's volume. Collectively, mega-deals totaled \$488 billion, or 64% of the total value of 2004's deals. However, 2004's enhanced aggregate deal value was a result of increased valuation multiples across all deal sizes; overall EBITDA multiples were up an average of 25% over 2003.

Average EBIT/EBITDA Multiples by Size of Transaction – LTM as of December 31, 2004

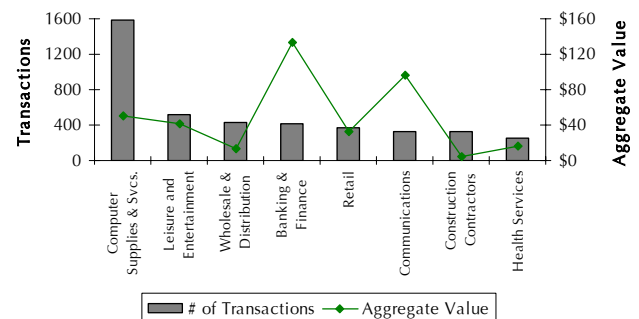
	\$25-100	\$100-250	\$250-1,000	>\$1,000
EBIT	12.4x	11.8x	14.4x	14.7x
EBITDA	7.2x	7.7x	10.3x	11.5x

Source: Thompson Financial Securities Data Corp.
Dollar amounts in millions

Collectively, the number of Arizona and Colorado deals completed in 2004 increased 23% over 2003. Activity involving companies in these regions was the highest in three years, with 293 announced deals in Colorado and

145 in Arizona. Total deal value in both regions fell off slightly, due primarily to fewer multi-billion dollar deals closing in 2004 than 2003. Colorado and Arizona M&A transactions mirrored nationwide activity by posting a gain in the number of deals closed in the computer supplies and services industry, with 30 announced in Q4 alone.

2004 U.S. M&A Activity By Industry



Source: Mergerstat (12/31/04)
Dollar amounts in billions

2004 Capital Markets Overview

Vast improvements in the lending markets were a driving force behind increased M&A activity. Leveraged multiples reached an average of 4.7x EBITDA, the highest level since 1999. Lenders were increasingly flexible in pricing and structure, given the low interest rate environment, as well as the improvement in bank earnings and economic conditions. Ultimately, acquirers used this lower cost of capital to offset the higher purchase prices they were paying for acquisitions.

The market for high yield debt was as strong as it was during the heyday of the 1980s. The demand for high yield debt was fueled by two factors in 2004. First, with interest rates at historical lows and the equity markets showing only moderate returns, investors sought higher-yield options to enhance their portfolios. Second, portfolio companies of private equity groups accessed the high yield debt markets to reap dividends for their investors; there were three times as many dividend recapitalizations in 2004 as in 2003. These two factors pushed high yield debt issuances to a record level of over \$140 billion in 2004.

Private equity groups took 52 companies public in 2004, close to triple the amount of IPOs they completed in either 2003 or 2002. After two challenging years for the IPO market, the last 15 months have shown a strong rebound. In addition, sponsor-backed companies taken public in 2004 were able to increase their share price an average of approximately 20% between the time of their IPO and December 2004.

Private equity groups collectively raised over \$42 billion in 2004, 175% more than in 2003. Private equity groups started 2004 with a large amount of capital to deploy. Active fundraising in 2004 caused the "capital overhang" to balloon to upwards of \$125 billion, according to year-end estimates. As a result, private equity groups showed a propensity to pay higher multiples, lower their IRR expectations and expand the realm of companies they considered as targets in order to facilitate getting money invested.

Leveraged Buyout Market

	2000	2001	2002	2003	2004
LBO Funds Raised	\$63.3	\$36.9	\$29.0	\$24.0	\$42.2
LBO Deals Completed	\$41.4	\$23.1	\$44.0	\$94.6	\$136.5

Source: Buyouts (1/3/05)
Dollar amounts in billions

2005 M&A Outlook

Strategic buyers are expected to aggressively pursue acquisitions in 2005. 23% of CFOs polled by Bank of America ("BofA") stated that their businesses would likely complete an acquisition in 2005. This is the highest reported percentage in the four years BofA has been conducting this survey. This is a very positive development for business owners; having more strategic buyers interested in their companies will make auction processes more competitive.

Strategic buyers have a greater ability to complete acquisitions in 2005 due to an improving economy. Recent economic growth, which is expected to continue in 2005, is fueling improved performance of many

publicly traded companies. This improved performance drives public valuations and therefore allows these companies to more aggressively pursue strategic acquisitions. Coupling this with favorable lending conditions and strong capital markets, sellers should see a continuation of the improving strategic M&A activity of 2004.

As the private equity industry becomes increasingly more competitive, funds are finding that one way they can distinguish themselves is through focusing on specific industries. Rather than chase a wide range of deals, many private equity groups are buying companies where they are confident they can leverage their operational knowledge and industry relationships to positively impact acquisitions. This trend is good news for business owners because it often results in being paid higher multiples and having a better partner going forward.

Technology companies are coming back in favor as acquisition targets. In 2004, over a fifth of all capital raised was by groups dedicated to the technology sector. With this much capital waiting to be deployed, it is expected that technology companies will see stronger interest and possibly higher valuations in the near future. In sharp contrast to the years leading up to the "tech bubble," buyout groups are now using more traditional metrics, such as strong cash flow and healthy buildup of customer contracts, to evaluate these companies.

"All indications are that 2005 will be an excellent year for M&A activity. Valuations continue to improve, fueled in large part by the tremendous capital deployment needs of private equity buyers, the re-entrance into the marketplace of strategic buyers, and the continued aggressiveness of the senior lenders. Over the last couple of years, business owners, wary of macroeconomic and geopolitical events, have stayed on the sidelines. Given the current valuation dynamics, however, we expect to see many companies with solid operations and prospects looking to capitalize on the high valuations in the short term."

-Alan Mayer, Managing Director

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