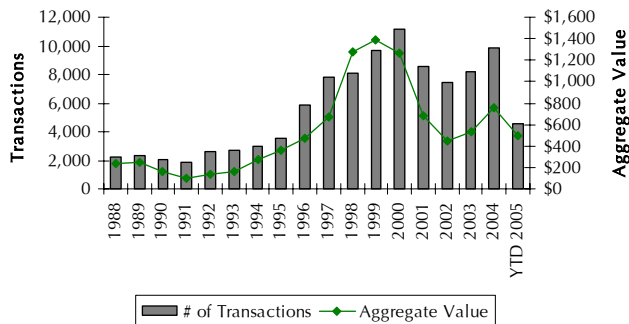


Q2 2005 Transaction Overview

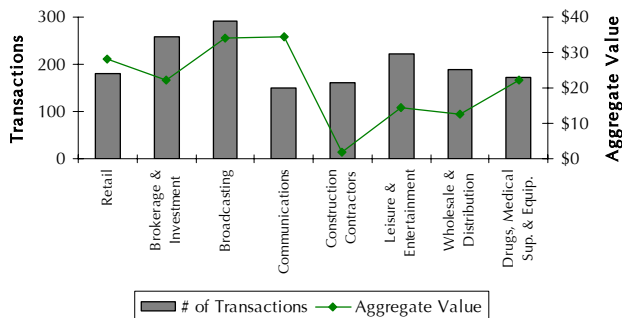
M&A deal volume was up in Q2 over Q1, although it still lagged behind the same period a year ago. Interestingly, deal values have increased significantly from Q2 2004, indicating buyers' ability and willingness to pay higher prices to close transactions. According to Mergerstat, M&A deal value totaled \$258.2 billion with 2,476 total deals in Q2 2005, versus Q2 2004's \$157.9 billion in deal value and 2,512 total deals. Q2 2005 total deals increased 21% and total M&A value increased 7% over Q1 2005. Two large transactions publicly announced, though not yet closed, drove deal value in Q2: Bank of America's \$34.4 billion purchase of MBNA Corp. and Cablevision's acquisition of Adelphia Communications Corp. for \$16.5 billion.

All M&A Transactions



Source: Mergerstat (July 2005)
Dollar amounts in billions

M&A Activity By Industry – YTD 2005



Source: Mergerstat (July 2005)
Dollar amounts in billions

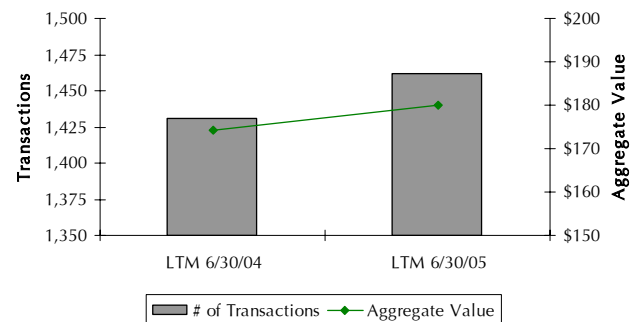
Average EBIT/EBITDA Multiples by Size of Transaction
LTM as of June 20, 2005

	<\$25	\$25-100	\$100-250	\$250-1,000
EBIT	11.6x	11.7x	13.5x	15.8x
EBITDA	5.8x	8.6x	8.5x	9.9x

LTM: Last twelve months
Source: Thompson Financial Securities Data Corp.
Dollar amounts in millions

Middle-market M&A activity (defined as transactions between \$25 and \$500 million in size) remained strong for the LTM ended June 30, 2005. According to Mergerstat, middle-market M&A deal value totaled \$179.9 billion, with 1,462 total deals for the LTM ended June 30, 2005 compared to \$174.3 billion in deal value and 1,431 total deals for the LTM ended June 30, 2004. There continues to be quarter over quarter growth in both deal value and volume. The middle market remains the most competitive sector amongst private equity investors, with new entrants and new funds continuing to enter the market.

LTM Ended 6/30 Growth in Middle-Market M&A Activity



LTM: Last twelve months
Source: Mergerstat (July 2005)
Dollar amounts in billions

Q2 Colorado M&A activity declined from the same period last year. The number of M&A deals in Colorado during Q2 2005 declined to 65 from 91 in Q2 2004. The first six months of 2005 produced 113 M&A deals compared to 176 deals in the first six months of 2004. Median deal value for Q2 2005 was \$7.5 million, down from \$14.7 million in Q2 2004.

Q2 2005 Capital Markets Overview

Q2 private equity fundraising and deal volume set up a potential record year for 2005. According to *Buyouts*, LBO groups raised over \$78.9 billion in capital in the first six months of 2005, already 87% above total funds raised in all of 2004. With \$77.9 billion in YTD LBO deal value in 2005, this year is shaping up to be even stronger than the record setting 2004. In disclosed deal value, 2005 is already \$20 billion ahead of where 2004 was at the same time. *Investment Dealers Digest* estimated that private equity funds currently have about \$120 billion in capital awaiting investment. This overhang of capital puts the seller in the driver's seat when looking for financing, as multiple private equity firms compete to invest their money in limited opportunities.

Leveraged Buyout Market

	2001	2002	2003	2004	YTD
LBO Funds Raised	\$36.9	\$29.0	\$24.0	\$42.2	\$79.0
LBO Deals Completed	\$23.1	\$44.0	\$94.6	\$136.5	\$77.9

Source: Buyouts July 4, 2005
Dollar amounts in billions

Financial firms are facing intense competition for the best use of capital. With private equity sitting on record amounts of capital, new mezzanine (“mezz”) lenders entering the market monthly, and the encroachment of hedge funds onto both playing fields, the eventual benefactor may be the borrower or seller.

While private equity continues to set fundraising records, mezz lending is also rapidly growing in prominence. From a market size of about \$3 billion in 2003 to \$12 billion in 2004 to an estimated \$20 billion by the end of 2005, the competition amongst mezz lenders is greater than ever. Both of these industries are reacting to the growth in the same manner: increasing competition results in more attractive packages to borrowers and sellers, while perhaps lowering the returns to investors.

The emergence of hedge funds ripe with capital into both of these markets has been met with lukewarm response from private equity and mezz firms. Hedge funds pose a challenge for private equity because their capital on hand allows them to move quicker in a transaction than a private equity firm that needs to secure financing. Two years ago a private equity firm may have won a quarter of the deals it looked at, and now with the increased competition from new firms and hedge funds it is more likely to win only a tenth of those deals. The mezz lenders tout their relationships with borrowers and their ability to be flexible, while they caution that the aggressive moves of hedge funds may result in the borrowers’ debt being sold in the public markets, effectively severing borrowers’ relationships with lenders.

The ultimate effect of hedge funds entering into markets previously dominated by private equity and mezz lenders is not yet known. Many dealmakers are proceeding with caution as they are not yet clear about long-term intentions of the hedge funds.

Lending markets are loosening as risk tolerance increases.

The increased competition in lending markets is forcing some aggressive lending tactics to attract borrowers. This is illustrated most clearly in the increase in debt-to-EBITDA multiples occurring in new transactions. Private equity groups previously could borrow up to three times a company’s EBITDA to finance an acquisition. Today they are sometimes able to reach five and six times EBITDA. This is allowing private equity groups to increase purchase prices while maintaining consistent levels of equity investment.

The IPO market for private equity-backed transactions has weakened.

While the IPO market as a whole is performing acceptably, IPOs for private equity backed companies have not fared well in 2005. 8 of the 14 IPOs that have priced below their filings were backed by private equity groups. The reason for this may lie in investors’ discontent over proceeds from an IPO going to the private equity sponsors rather than being funneled back into the company. As a result private equity backed IPOs raised 45% less equity in Q2 than in Q1.

2005 M&A Outlook

We believe middle-market M&A activity should continue to be strong for the remainder of 2005.

- The low cost of capital should continue to facilitate deal flow for at least the next six months.
- While private equity continues to look for ways to invest nearly \$120 billion in capital, mezz funds look to invest nearly \$20 billion in capital, and hedge funds are busy managing \$1 trillion in capital. This could create very attractive packages for sellers.
- If private equity-backed IPOs continue to struggle, LBO firms will focus on M&A exit strategies.

"It has been interesting talking to some of the larger financial sponsors lately who have been beaten down by deal pricing at the upper end of the market and are in a frenzy to move down-market. I'm just trying to guess how long this will last."

Thomas J. FencI, Managing Director, GMB

MANAGING DIRECTORS

Warren R. Henson, Jr.
Scott H. Maierhofer
Thomas J. FencI (AZ)
Alan L. Mayer
Aaron B. Bachik

VICE PRESIDENTS

Monica L. Liley
Barry T. Capoot

SENIOR ASSOCIATE

Gregory V. Anderson

SENIOR ANALYSTS

Mark B. Langer
Jeremy E. Barron

ANALYSTS

H. Anthony Holmes
W. Andrew Phipps
Peter A. Eklund

CO-PRESIDENTS

John R. Green
James T. Bunch

GREEN MANNING & BUNCH
INVESTMENT BANKING SERVICES