

Continuing the year's theme, third quarter M&A activity remained strong across all deal sizes and industries, driven by:

- Willing sellers incented by healthy purchase multiples,
- The abundance of capital available from both institutional investors and lenders, enabling financial buyers to pursue larger deals, and
- The continuing intensity of competition in the cash-flush private equity market.

Sentiment in the market is that leverage multiples and, as a result, purchase multiples may soon peak.

"Deal activity in the M&A market in general and in the middle-market in particular remains robust. Record levels of available equity and debt capital bode well for sellers' ability to continue to realize strong valuation multiples from both strategic and financial buyers."

Jason Munoz, Vice President
GMB Construction Industry Practice

Q3 2006 Capital Markets Overview

2006 is officially a record year for M&A on a global level. At \$2.7 trillion in announced deals in the first nine months of 2006, global M&A surpassed the previous nine month record of \$2.68 trillion set in 2000. Deal sizes continue to increase as private equity firms continue to raise record amounts of capital and strategic buyers use existing cash and credit facilities.

The largest deals announced in Q3 involved both financial and strategic buyers and spanned across industries.

has allowed buyout funds to complete \$181 billion in deals year to date. At the end of Q3, we are now only \$17 billion shy of surpassing last year's record volume of \$198 billion. One more "megadeal" could easily push financial buyers to a new global M&A record.

Strategic

Acquirer	Target	Industry	Deal Value (\$billion)
Banca Intesa	Sanpaolo IMI	Banking & Finance	\$37.7
Companhia Vale do Rio Doce	Inco Ltd.	Minerals & Mining	\$18.7

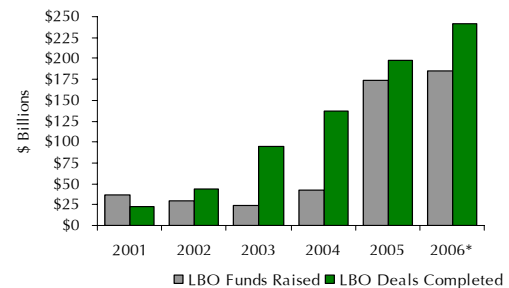
Financial

Acquirer	Target	Industry	Deal Value (\$billion)
Bain, KKR and Merrill Lynch	HCA Inc.	Healthcare	\$32.7
Blackstone, Carlyle, TPG and Permira	Freescale Semiconductor	Semiconductors	\$17.6

Deal multiples remain favorable, with sellers reaping the benefit of competitive sale processes. For the first half of 2006, the average deal multiple paid for companies with \$50 million or less in EBITDA was about 8.6x. This is higher than the average 2005 multiple of 8.2x.

That being said, market sentiment is that multiples may be at a peak. Accordingly, financial buyers are realizing that they may no longer be able to rely on multiple arbitrage to profit from a transaction. Rather, a greater emphasis will be placed on optimizing a portfolio company's operations in order to drive investment returns at exit.

US equity sponsors experienced another successful quarter of fundraising, having raised \$58 billion in the quarter, bringing the year to date total to \$139 billion as of October 9. This capital



Source: Buyouts (October 2006)
*2006 figures are annualized.

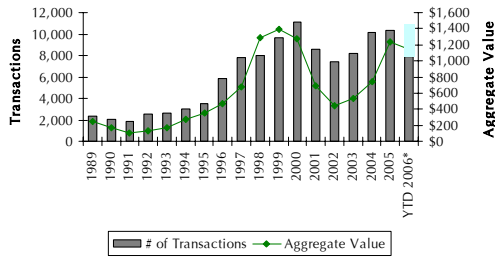
The M&A story has largely remained constant this quarter. The market continues to evolve with private equity establishing itself as an asset class and dramatically impacting the global business scene both by taking public companies private and bringing existing portfolio companies into the public markets. Not to be overshadowed, strategic buyers remain very active in the global M&A market, with acquisitions being an integral component of their growth strategies.

The abundance of capital available to complete transactions remains staggering, and the level of competition amongst buyers (both strategic and financial) remains intense. As long as this is the case, purchase multiples should remain attractive.

Q3 2006 Transaction Statistics

US Domestic and Cross-Border Transactions

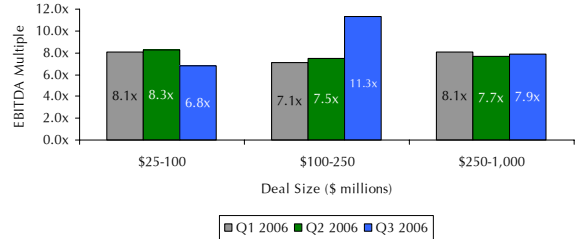
Overall Q3 US M&A deal value totaled \$231.8 billion, representing an 8.6% year-over-year increase. The average premium on completed public deals was 33.1%.



Source: Mergerstat (October 2006)
Dollar amounts in billions
*YTD 2006 aggregate value figures are annualized; # of transactions shows both YTD and annualized (light blue) figures.

LTM EBITDA Multiples as of October 18, 2006

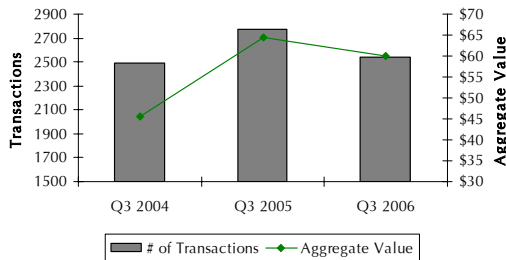
Other than the sharp increase in the \$100-\$250 million range, average purchase multiples remain similar to the last two quarters, still at historically high levels. In order to win in competitive sale processes, buyers must pay up to win the deal.



LTM: Last twelve months
Source: Thompson Financial Securities Data Corp.
Based on multiples between 0x and 25x; excluding media and telecom.

US Middle Market Aggregate Deal Growth

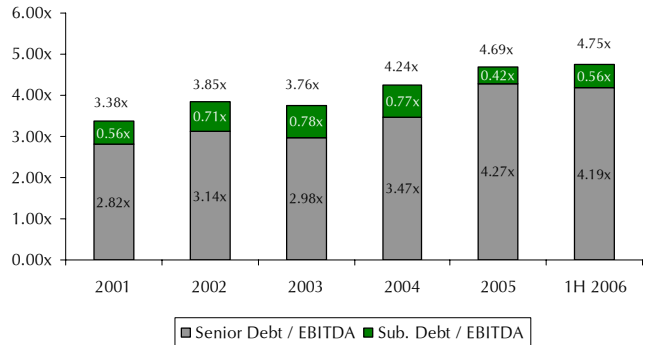
In Q3, 2,542 middle market M&A transactions valued at an aggregate amount of \$60.1 billion were closed, resulting in an average deal value of approximately \$23.6 million. While activity is down from Q3 2005, it compares favorably to Q1 and Q2 2006.



Source: Mergerstat (October 2006)
Dollar amounts in billions
Middle market defined as deals from \$1mm to \$500mm.

Q3 Leverage Multiples in M&A Transactions

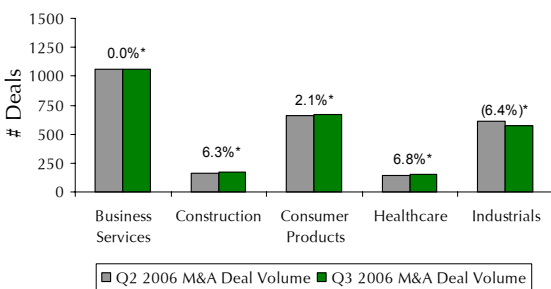
The loose credit market continues to be the driving factor of the current record M&A activity with buyers able to procure total debt levels of almost 5x EBITDA in M&A transactions.



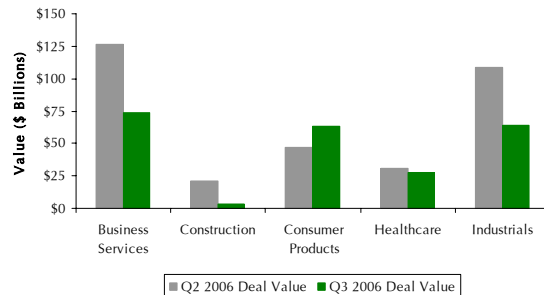
Source: S&P

Q3 M&A Activity by Industry

The graphs below show Q2 and Q3 M&A activity (by deal volume and deal value) in the industries for which GMB focuses on providing M&A advisory services.



Source: Mergerstat (October 2006)
*% change from Q2



Source: Mergerstat (October 2006)

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