Pacific Northwest Manufacturing Market Update

February 2009

Manufacturing Trends

Regional Manufacturing Acquisitions

Trends in Public Market Valuation

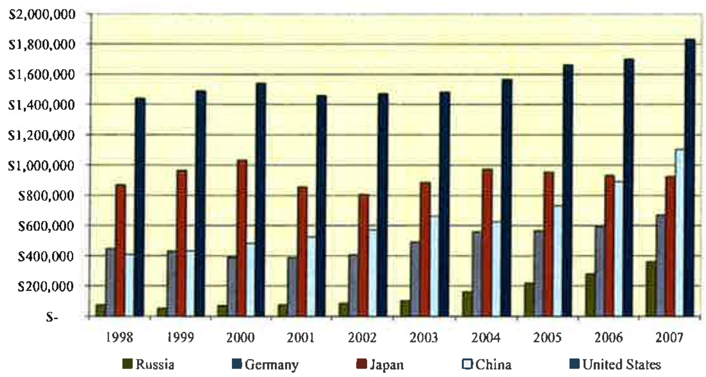
EXVERE inc.

Private Investment Banking

MANUFACTURING TRENDS - GLOBAL

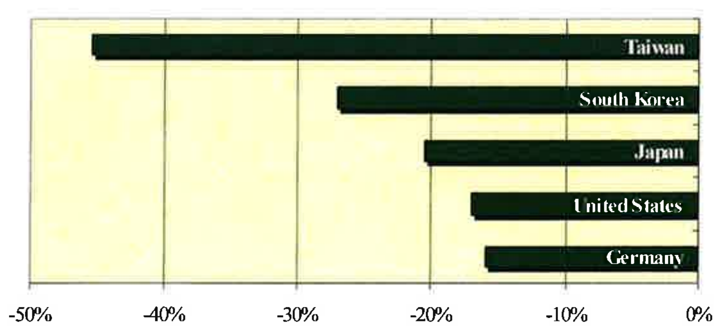
Although the U.S. still remains the top manufacturer in the world, China is now forecasted to become the manufacturing leader within the near future (most likely 2016-2017, according to research firm Global Insights). China's ascension in manufacturing is being driven by rapid growth in certain segments, including textiles, basic metals, computer equipment, appliances and mineral products.

Top 5 Global Manufacturing Leaders (Millions US$)
Source: UN Statistics Division



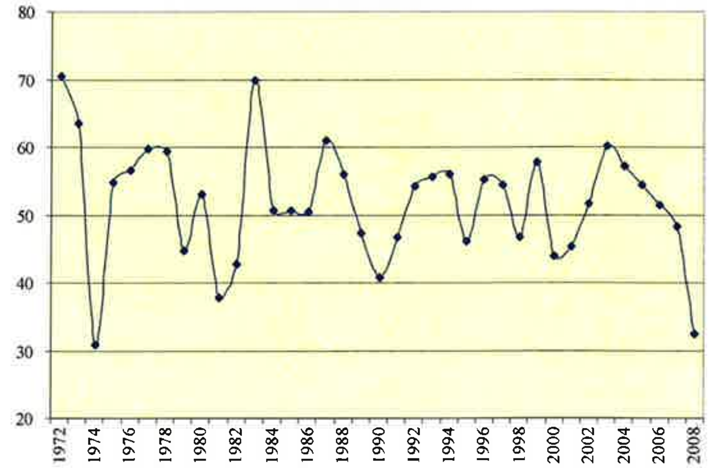
The graph below shows recent declines in industrial production for some of the larger economies. This sharp global drop in industrial production could compound itself, leading to more weakness as unemployment rises, resulting in a further drop in demand.

Industrial Production Change
Sept. - Nov. 2008 v. June - Aug. 2008



U.S. factory output fell to a 28-year low in December 2008, according to a report from the Institute for Supply Management, though rebounded somewhat in January to 35.6 percent. Economic activity in the manufacturing sector failed to grow for the fifth consecutive month, and the overall economy contracted for the third consecutive month. A reading above 50 percent indicates growth in manufacturing, while a reading below 50 percent generally indicates contraction. The PMI rating for December registered at 32.4 percent, which is the lowest reading since June 1980, when the PMI registered 30.3 percent. Of all the segments in manufacturing, only two industries reported no change in activity in December to November: Apparel, and Petroleum & Coal Products. All other segments reported decreases in output.

PMI Index
Source: ISM



Surveys of purchasing managers in Europe and Asia have reported similar declines and a general falloff in global trade. Within the U.S., the auto sector has been affected the most, with Ford Motor Co. expecting industry-wide U.S. auto sales to drop by some 35 percent compared to last year, with no sign of a turnaround in the first quarter.

The vast majority of manufacturing in the Pacific Northwest comes from Oregon and Washington, with Oregon slightly out-producing Washington in 2007. Oregon has substantial electronics manufacturing while Washington enjoys the benefits of transportation vehicles (Paccar, Boeing, etc.).

However, faint signs of a rebound have recently arisen. As the graph to the left suggests, the top U.S. companies are still generating significant cash flow, which will typically be spent on capital improvements.

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MANUFACTURING TRENDS - GLOBAL

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Most economists agree that it is only a matter of time before the economy recovers, and expect President Obama's $787 billion stimulus plan to aid in the economic recovery. The stimulus plan is an ambitious package of federal spending and tax cuts designed to revive the economy and save millions of jobs. Additionally, export-intense manufacturing industries have seen production grow 17 percent from the fourth quarter of 2005. A report released by the National Association of Manufacturers indicates that exports have increased 11 percent since 2007, and have added more to GDP growth since 2005 than residential investments have taken away. In fact, U.S. exports of manufactured goods have accounted for nearly 61 percent of America's economic growth over the past year, when exports grew by more than $270 billion for a total of $972 billion. Most remarkable, 97 percent of U.S. companies that export are small and mid-sized companies.

MANUFACTURING TRENDS - REGIONAL

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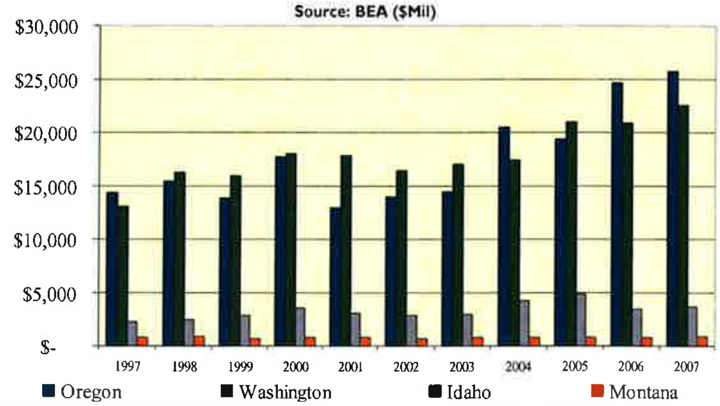
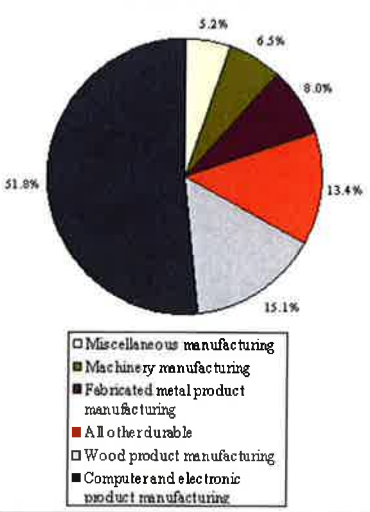
Pacific Northwest manufacturers have been somewhat insulated from the national economic crisis; the Northwest is less dependent on the struggling automotive industry, and other Northwest industries, such as aerospace and electronics, have not suffered the same economic losses. Additionally, the high export rate in the Northwest has helped ease economic hardship, and a weak dollar should continue to make U.S. goods more attractive. No state has created factory jobs at a faster pace than Washington State in the last twelve months, except for North Dakota.

Durable Goods Manufacturing GDP, 1997-2007

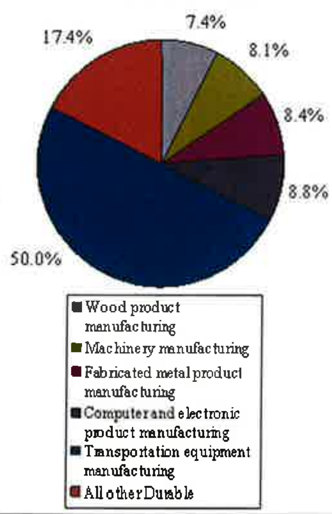
Source: BEA ($Mil)



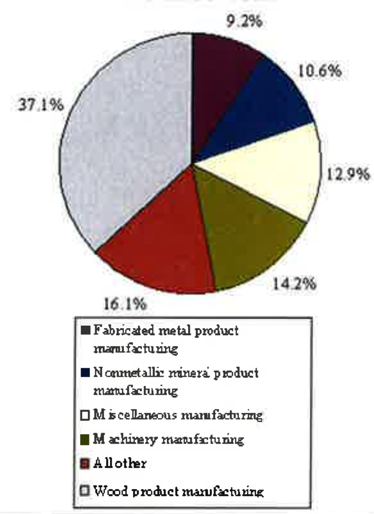
Idaho Durable Manufacturing Percent of Total



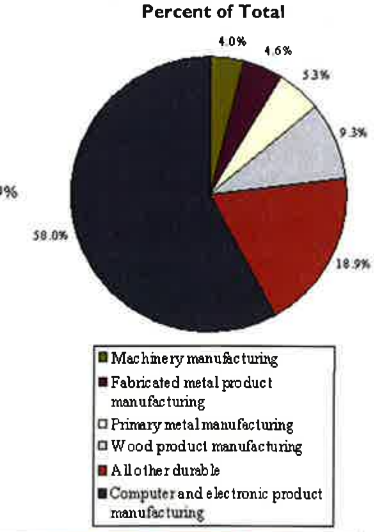
Washington Durable Manufacturing Percent of Total



Montana Durable Manufacturing Percent of Total



Oregon Durable Manufacturing Percent of Total



M&A TRENDS IN MANUFACTURING

Despite the recent credit crunch, middle-market transactions are still being completed. Though volume and value have dropped in 2008, deals are still getting done, albeit with less leverage due to tighter credit markets. Midmarket merger value for North America fell in 2008 compared to 2007. According to a recent Earnst & Young report, cash-rich, performing companies are in the minority, and only 44% of companies are performing at what would be considered "successful levels." For these companies, a strong market still remains for either leveraging their market positions by acquiring other companies, or selling into strength, where they can truly stand out due to the current lack of quality companies on the market.

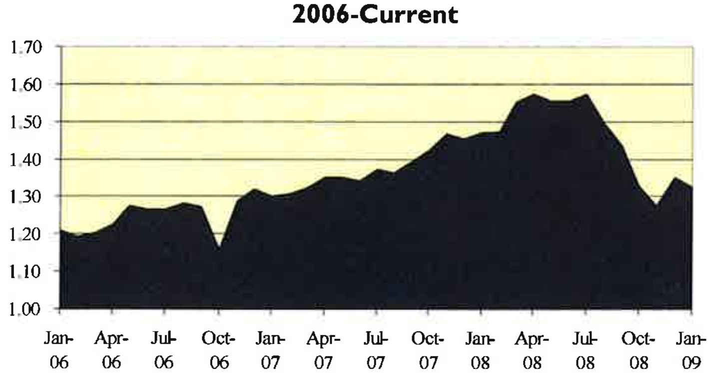
Although multiples have softened due to the financial headwinds, many sectors have remained at relatively high levels on a historic basis, including manufacturing. The drop in deal value follows a record year in 2007, where global M&A reached $4.3 trillion, a 21 percent increase. Also in 2007, the U.S. was a net target due to a weaker dollar – inbound M&A was $354 billion versus outbound M&A at $248 billion.

M&A TRENDS IN MANUFACTURING - FOREIGN BUYERS

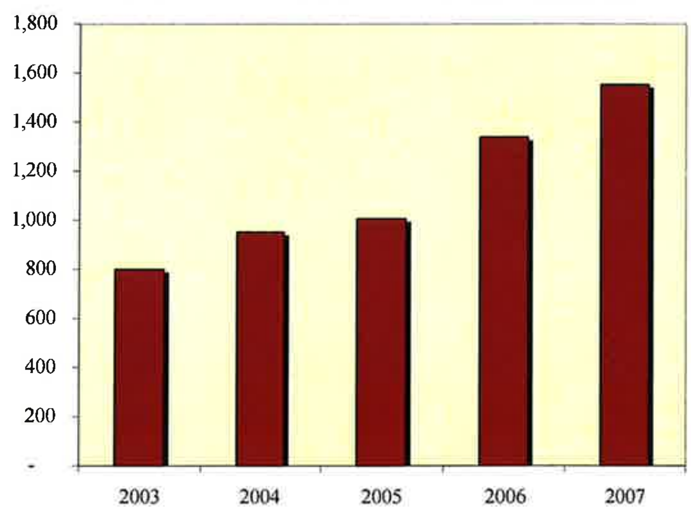
The relevance to mid-market sellers is clear; given the increasing desire of cash rich foreign buyers to establish a global presence, a seller desiring the optimal sale price must engage with foreign as well as local buyers whenever possible.

For example, valuations for Northwest aerospace and defense manufacturers remain firm due to the desire of foreign suppliers to establish a U.S. presence, and to supply prime customers with components using U.S.-dollar-denominated currency.

U.S. Dollar/Euro
2006-Current



Global M&A: Number of Foreign Acquirers



Exchange rate trends have played a large part in the increasing number of foreign buyers. Since 2006, the U.S. dollar has fallen steadily compared to major currencies. This trend makes U.S. assets relatively cheap and causes inbound M&A deals to increase. It is widely expected that in 2009 and beyond, cross-border M&A will be dominated by Chinese, Indian, Russian and Middle Eastern buyers.

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M&A TRENDS IN MANUFACTURING - FOREIGN BUYERS

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However, Europe has traditionally been the largest acquirer of U.S. companies, with manufacturing being a significant area of interest. The majority of deals (62%) involve companies with enterprise values in the range of $30 million to $100 million. Additionally, recent research indicates that foreign buyers are more likely to initiate smaller deals than most U.S. buyers, especially during a recessionary period.

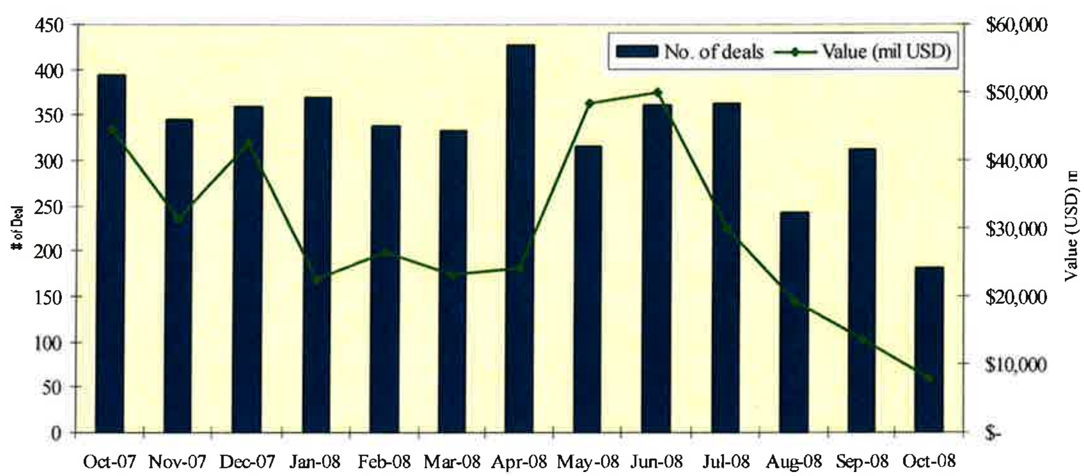
M&A TRENDS IN MANUFACTURING - PRIVATE EQUITY

Private equity ("PE") firms raised 36 percent more capital in 2008 than in 2007, and still remain well-positioned to take advantage of current and near-term market opportunities. The financial crisis, industry dislocation, and declining operating profits in the market should provide a large number of opportunities for PE firms to deploy capital over the next two years. Some have characterized this period as the optimal time for private equity to make substantial returns. Many of the best-performing PE firms in the last decade were savvy buyers during the 2001-2002 economic downturn.

With longer portfolio hold periods, PE firms have shifted some of their focus from capital deployment to managing risk and value creation in their investment portfolios. With less access to inexpensive debt as a result of the credit market upheaval, PE firms are looking at strategies to deploy capital. Increasingly, PE firms are looking for opportunities to support their current portfolio companies, acting as strategic acquirers in executing their growth strategies. They are also providing capital to take advantage of current market conditions in the sourcing of add-on acquisitions and to enter new markets. PE firms will continue to seek out innovative ways to deploy capital in 2009, and remain a strong consideration for sellers. Evidence supports our opinion that PE firms will accept greater risk and lower returns rather than return their unused capital to investors.

Private Equity Deals by Volume and Value

Source: ZEPHYR published by BvDEP

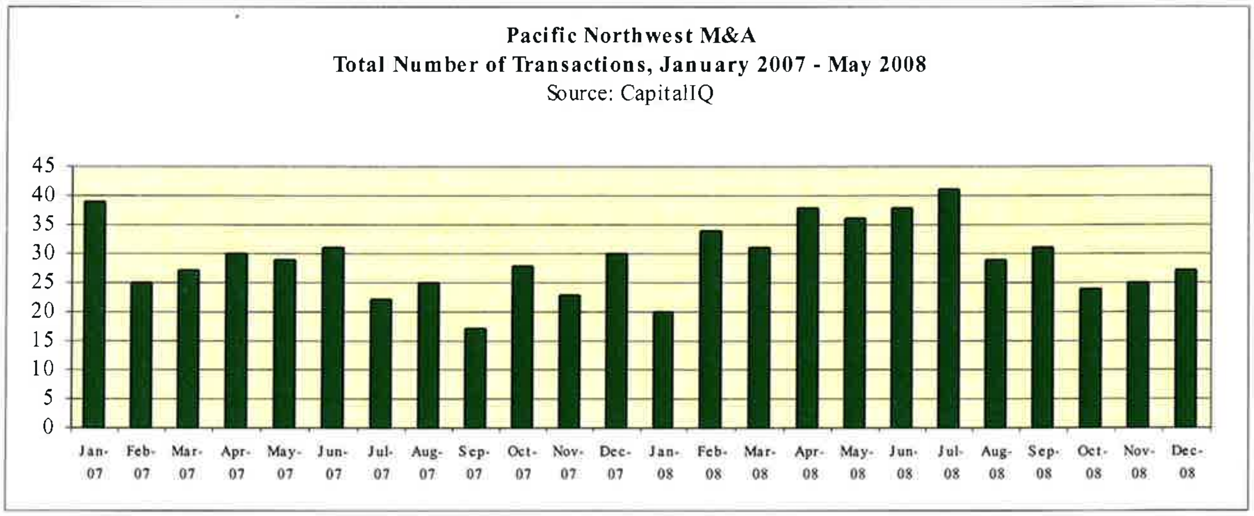


LOCAL MANUFACTURING ACQUISITIONS

Date	Target	Buyers	Primary Address
01/20/2009	Nu-Torque	Curtiss-Wright Flow Control Corp.	Redmond, Washington
01/12/2009	LED Power, Inc.	Drayton Harbor Resources Inc. (OTCBB:DYHB)	Renton, Washington
12/31/2008	**QPM Aerospace, Inc.**	**Key Principal Partners**	**Bellevue, Washington**
12/31/2008	**Amtech Corp.**	**Blackford Capital, LLC**	**Wapato, Washington**
11/12/2008	Million Air Moses Lake	Million Air Interlink, Inc.	Moses Lake, Washington
10/28/2008	**Lafarge & Egge**	**Graham Capital Group, LLC**	**Lynnwood, Washington**
10/06/2008	Fatigue Technology, Inc.	Precision Castparts Corp. (NYSE:PCP)	Seattle, Washington
09/09/2008	OMAX Corporation	Flow International Corp. (NasdaqGM:FLOW)	Kent, Washington
09/05/2008	International Aero Interiors, Inc.	Canadian Buyer	Burlington, Washington
07/22/2008	Insitu, Inc.	Boeing Integrated Defense Systems, Inc.	Bingen, Washington
06/09/2008	D-Stake Mill, Inc. & Manufacturing Country, Inc.	Universal Forest Products Western Division, Inc.	Oregon
06/02/2008	The Wind Turbine Company	Management	Bellevue, Washington
05/15/2008	CUI, Inc.	Waytronx, Inc. (OTCBB:WYNX)	Tualatin, Oregon
05/05/2008	Eutek Systems, Inc.	Hydro International plc (AIM:HYD)	Hillsboro, Oregon
05/02/2008	Carlton Company, Inc.	Blount, Inc.	Milwaukie, Oregon
04/01/2008	Nova Composites, Inc.	Park Electrochemical Corp. (NYSE:PKE)	Lynnwood, Washington
03/07/2008	Renewable NRG	Sun Edison LLC	Portland, Oregon
03/04/2008	**QPM Aerospace, Inc., Metallic Rod Business**	**SKF AB (OM:SKF B)**	**Monroe, Washington**
02/28/2008	Ankmar LLC, CladPanel™ Door Division	Overhead Door Corporation	Sweet Home, Oregon
02/01/2008	Sunriver Industries, Inc.	Conestoga Wood Specialties Corporation	Kent, Washington
01/28/2008	Nichols Brothers Boat Builders, Inc.	Treadstone Group/Drum Capital Management	Freeland, Washington
12/24/2007	Unitech Composites, Inc.	Peninsula Capital/Acorn Growth Companies	Hayden, Idaho
11/08/2007	ENTEK International LLC	Management	Lebanon, Oregon
11/05/2007	Blount International Inc., Forestry Division	Caterpillar Forest Products Inc.	Portland, Oregon
11/01/2007	Erickson Air-Crane Incorporated	Stonehouse Capital Partners	Central Point, Oregon
10/01/2007	Air Systems Engineering, Inc.	Comfort Systems USA Inc. (NYSE:FIX)	Tacoma, Washington
09/25/2007	Epic AIR, LLC	Management	Bend, Oregon
09/21/2007	Aviation Technical Services, Inc.	Macquarie Group, Ltd. (ASX:MQG)	Everett, Washington
09/21/2007	Columbia Aircraft Manufacturing Corp.	Cessna Aircraft Company	Bend, Oregon
08/21/2007	Op Technologies, Inc.	Aerosonic Corp. (AMEX:AIM)	Beaverton, Oregon
08/02/2007	George W. Warden Co., Inc.	SunSource Technology Services, Inc.	Seattle, Washington
07/25/2007	Louisiana-Pacific Corp., Composite Decking Plant	Fiber Composites, LLC	Meridian, Idaho
07/12/2007	AFM Incorporated	Trelleborg Sealing Solutions	Tigard, Oregon
06/25/2007	Columbia Forest Products, Inc., Wood Flooring	Mohawk Industries Inc. (NYSE:MHK)	Portland, Oregon
06/11/2007	Peterson Pacific Corp.	Astec Industries Inc. (NasdaqGS:ASTE)	Eugene, Oregon
05/08/2007	Scientech, LLC	Curtiss-Wright Flow Control Corp.	Idaho Falls, Idaho
03/16/2007	Clean Check, Inc.	The RectorSeal Corporation	Hayden, Idaho
03/09/2007	M & N Plastics, Inc.	Gibraltar Industries, Inc. (NasdaqGS:ROCK)	Portland, Oregon
02/28/2007	SelfCHARGE, Inc.	Micro Power Electronics, Inc.	Redmond, Washington

Denotes an Exvere-Advised Transaction

PACIFIC NORTHWEST M&A



Locally, transaction volume has remained consistent or has improved over the past 24 months (see graph above). Exvere believes that, based on the market forces described above, lower-middle-market transactions will remain relatively resilient despite negative economic news and a tighter lending environment.

EXVERE MANUFACTURING EXPERTISE

Recent Exvere Aerospace / Defense Engagements

Date	Client	Industry	Products/Services	Counterparty	Transaction
December, 2007	QPM Aerospace	Aerospace & Defense	Precision machining and sheet metal	Key Principal Partners	$15MM refinancing
January, 2008	QPM Aerospace	Aerospace & Defense	Manufacturing swaged tube	SKF/Aerospace France (Sarma)	Divestiture of swaged tube division
October, 2008	LaFarge & Egge	Aerospace & Defense	Precision sheet metal and tube bending	Graham Capital Group	N/A
December, 2008	Amtech Corp.	Composite	Composites manufacturing for OEMs & military	Blackford Capital LLC	N/A
Current	Project Chinstrap	Composite	Acquisition search for aerospace & military composite companies	TBD	Active acquisition search

PUBLIC COMPANY VALUATIONS

Fabricated Metal Manufacturing - Current Valuation Multiples

Company Name	Revenue Multiple	EBITDA Multiple	NTM Revenue Multiple
Alcoa, Inc. (NYSE:AA)	0.7x	6.0x	1.0x
Brush Engineered Materials Inc. (NYSE:BW)	0.3x	3.7x	0.5x
CA, Inc. (NasdaqGS:CA)	2.1x	6.4x	2.2x
Carlisle Companies Inc. (NYSE:CSL)	0.5x	4.8x	0.6x
Chicago Bridge & Iron Company N.V. (NYSE:CBI)	0.2x	25.9x	0.2x
Commercial Metals Co. (NYSE:CMC)	0.2x	4.9x	0.4x
Crown Holdings Inc. (NYSE:CCK)	0.8x	6.5x	0.7x
NCI Building Systems Inc. (NYSE:NCS)	0.4x	3.4x	0.4x
Precision Castparts Corp. (NYSE:PCP)	1.0x	4.3x	1.3x
High	2.1x	25.9x	2.2x
Low	0.2x	3.4x	0.2x
Mean	0.7x	7.3x	0.8x
Median	0.5x	4.9x	0.6x

Transportation & Equipment Manufacturing - Current Valuation Multiples

Company Name	Revenue Multiple	EBITDA Mulitple	NTM Revenue Multiple
Bucyrus International Inc. (NasdaqGS:BUCY)	0.8x	4.5x	0.6x
Caterpillar Inc. (NYSE:CAT)	1.1x	7.9x	1.4x
Cummins Inc. (NYSE:CMI)	0.4x	3.1x	0.5x
Deere & Co. (NYSE:DE)	1.3x	10.2x	1.4x
Joy Global, Inc. (NasdaqGS:JOYG)	0.8x	4.4x	0.7x
Manitowoc Co. Inc. (NYSE:MTW)	0.2x	1.1x	0.7x
Navistar International Corp. (NYSE:NAV)	0.5x	6.6x	0.6x
PACCAR Inc. (NasdaqGS:PCAR)	1.0x	7.4x	1.7x
Terex Corp. (NYSE:TEX)	0.2x	2.2x	0.3x
High	1.3x	10.2x	1.7x
Low	0.2x	1.1x	0.3x
Mean	0.7x	5.3x	0.9x
Median	0.8x	4.5x	0.7x

Building Product Manufacturing - Current Valuation Multiples

Company Name	Revenue Multiple	EBITDA Multiple	NTM Revenue Multiple
Armstrong World Industries, Inc. (NYSE:AWI)	0.3x	2.7x	0.4x
Griffon Corporation (NYSE:GFF)	0.3x	6.6x	NA
Lennox International Inc. (NYSE:LII)	0.5x	5.9x	0.6x
Owens Corning (NYSE:OC)	0.6x	6.1x	0.7x
Simpson Manufacturing Co., Inc. (NYSE:SSD)	1.0x	6.0x	1.0x
USG Corp. (NYSE:USG)	0.4x	NM	0.5x
High	1.0x	6.6x	1.0x
Low	0.3x	2.7x	0.4x
Mean	0.5x	5.5x	0.6x
Median	0.5x	6.0x	0.6x

Aerospace and Defense Manufacturing - Current Valuation Multiples

Company Name	Revenue Multiple	EBITDA Multiple	NTM Revenue Multiple
Boeing Co. (NYSE:BA)	0.5x	4.8x	0.5x
Honeywell International Inc. (NYSE:HON)	0.8x	6.1x	0.9x
Lockheed Martin Corporation (NYSE:LMT)	0.8x	5.9x	0.7x
Raytheon Co. (NYSE:RTN)	0.9x	7.2x	0.8x
United Technologies Corp. (NYSE:UTX)	1.0x	6.2x	0.9x
High	1.0x	7.2x	0.9x
Low	0.5x	4.8x	0.5x
Mean	0.8x	6.0x	0.8x
Median	0.8x	6.1x	0.8x

($ in millions, except per share data)

Financial and Estimates data provided by Capital IQ

Historical Equity Pricing Data supplied by FT.com

Note: When a mismatch exists between the currency of the equity listing and the reported financial results such results are translated into the currency of the listing at the exchange rate applicable on the pricing date.

About Exvere Inc.

Services

Exvere represents owners of companies in major capital transactions (see partial list of transaction types below). We work closely with our clients to develop targeted lists of strategic and financial counterparties who are qualified to complete the transaction. Exvere employs time-tested processes to maximize value for our clients, and we are active participants in the entire transaction process, from the first conversation through an efficient and timely closing.

Transaction Types

- Acquisitions
- Business Sales (Stock & Assets)
- Business Unit Divestures
- Management Buy-Outs
- Merger of Equals
- Private Equity Recapitalizations

Industries Served

- Aerospace & Defense
- Building Products
- Computer Hardware
- Construction
- Consumer Products
- Distribution
- Food & Agribusiness
- General Business Services
- Healthcare Services
- Manufacturing
- Telecommunications / Networking
- Wine & Beverage

History

Founded in Seattle in 1992, Exvere has advised on over 100 capital transactions. In 2006, Exvere formed Exvere Securities, LLC, a FINRA broker-dealer. The firm has established a significant reputation by representing Northwest business owners on mergers and acquisitions, recapitalizations, valuations, and financing. Exvere's success rate is over 90% for each contracted engagement.

The Exvere Edge

Strategic Assessments - Many owners have not yet developed comprehensive, long-range plans for their businesses. Exvere assists with producing near- and long-term strategies to maximize exit values utilizing our extensive research and analytical capabilities. We also help owners assess appropriate timing considerations and see the business through the eyes of a potential acquirer: normalizing earnings, determining strengths and weaknesses – all of which provides valuable insight and direction resulting in higher valuation at the chosen time of exit.

FINRA Member - Exvere, through its wholly owned subsidiary, Exvere Securities, LLC, is a FINRA broker-dealer. As such, we are subject to high regulatory and financial standards, setting us apart from most M&A firms. Importantly, this qualification allows us to provide a greater array of options to our clients, such as partnering with international investment banks, sharing these banks' extensive research resources, and providing fairness opinions.

Valuation Expertise - Exvere's staff includes an Accredited Valuation Analyst (AVA), ensuring quality and accuracy in valuations.

In-House Counsel - Exvere's staff also includes an attorney, resulting in better and more timely counsel on legal and contractual matters.

For more information please visit **www.exvere.com** or call us at (206) 728-1800.

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