

Industry Research Monitor

CONTENTS:

Manufacturing Industry Headlines	1
Current Environment	2
Industry News & Developments	3
Middle Market Debt/Loan Market Activity	5
Sector Focus: Measurement & Control	5
Access GE Engagement	6
Industry Financing Experience	7

Manufacturing Industry Headlines

Economic growth accelerated in 3Q07. The U.S. economy grew at an annual rate of 4.9% in the third quarter of 2007, up from 3.8% recorded in the second quarter of 2007. The 3Q07 growth was driven by higher levels of exports, corporate inventories, personal consumption expenditures and governmental spending (federal, state and local), offset by lower spending on residential construction.

U.S. machine tool consumption (USMTC) up in September. Year-to-date results higher than last year. USMTC in September 2007 totaled \$439 million, a 22% increase from August 2007 and a 3% increase from the September 2006 total. The 2007 year-to-date total of \$3,077 million is 7% higher than the year-to-date amount for September 2006. Solid increases in the Northeast (+11%), Midwest (+9%), Central (+9%), and South (+7%) more than offset a decrease in the West (-4%). (Source: AMT/AMTDA)

Capital goods orders decreased in October. New orders for U.S. manufactured durable goods decreased 0.4% in October, primarily driven by lower demand for Defense Aircraft and Parts, Non-Defense Aircraft and Parts, Machinery and Motor Vehicles and Parts.

Consumer confidence continued to deteriorate in November 2007. The Conference Board's Consumer Confidence Index decreased to 87.3 in November from 95.2 in October. The November figure represents the fourth consecutive monthly decline since the recent high in July (111.9). Concerns regarding



higher energy prices and volatile financial markets contributed to the deterioration in the level of consumer confidence. Expectations for weaker business conditions and a tougher labor market bode poorly for future consumer spending.

Pricing continues higher. U.S. manufacturers are paying higher prices. The BLS Producer Price Index (PPI) for the October Net Output of Total Manufacturing Industries was 164.4, a 0.3% increase from September 2007 and a 5.5% increase from last year's level (October 2006). Furthermore, the ISM Prices Index rose to 63% in October from 59.0% in September.

Year-to-date volume increases. Year-to-date (through October) syndicated loan volume in the manufacturing industry totaled \$62.5B, a 19% increase from \$52.5B recorded a year ago. Significant increases in Consumer Goods, Multi-Industry and Environmental Equipment and Services volume have more than offset a sharp decline in Textiles & Apparel activity. (Source: LPC)



Current Environment

Demand

Demand for manufacturing equipment and products continues to weaken. Slowing economic growth in the United States and concerns about what lies ahead are giving pause to American purchasers of industrial products. Recent declines in new durable goods orders and declining manufacturing production activity are testimony of this. Furthermore, manufacturers in the United States are generally dealing with higher raw material pricing, higher labor costs and increasing inventories. However, higher levels of exports and governmental spending are supporting manufacturing growth in the United States.

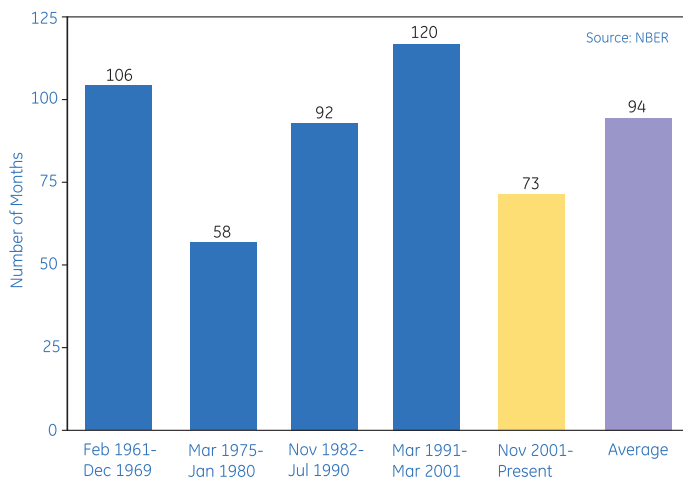
Consumer confidence is also trending downward. The most recent results reflect an ongoing deterioration in consumer confidence, with expectations for conditions not to improve significantly over the near term.

Where Are We in the Cycle?

The current economic expansion began in November 2001 and is 73 months old (as of November 2007). Using history as a guide, there are slightly less than two more years of economic growth remaining. This is based on average economic cycle statistics dating back to the 1960's. (Source: National Bureau of Economic Research)

Currently, we are in the "late cycle" stage of the economic cycle. Solid growth continues to be experienced in the following United States end markets: Aerospace, Oil & Gas and Measurement & Control. Exports continue to support sales growth in the Manufacturing sector, as evidenced by higher levels of year-to-date exports in the following subsectors: material handling equipment, measuring, testing and control instruments, finished metal shapes, generators and household appliances.

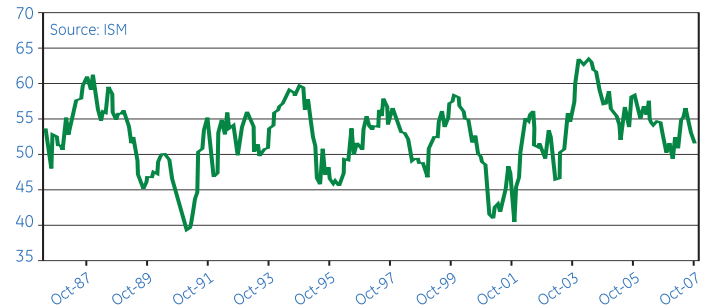
ISM PMI



According to recent ISM PMI data (Institute for Supply Management Purchasing Managers Index), Manufacturing growth slowed in the month of October. The October 2007 ISM

PMI decreased 1.1 percentage points to 50.9 from 52.0 recorded in September. The August, July and June figures were 52.9, 53.8 and 56.0, respectively. The average level for the previous twelve months is 52.4, while the aforementioned figure recorded in June (56.0) represents the 12-month high. Any level above 50.0 indicates an expansion in manufacturing activity. The October 2007 level represents the ninth month in a row of such expansion. However, as seen in the chart, the level of manufacturing growth continues to trend downward.

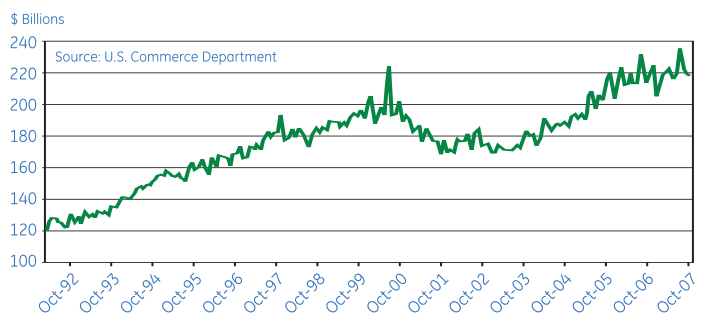
ISM Purchasing Manager's Index, SA



Durable Goods Orders

New orders for U.S. manufactured durable goods decreased 0.4% in October, the third consecutive monthly decrease recorded since the recent peak back in July 2007. Decreases in Defense Aircraft and Parts (-10.6%), Non-Defense Aircraft and Parts (-5.2%), Machinery (-1.7%) and Motor Vehicles and Parts (-1.4%) more than offset increases in Electrical Equipment, Appliances & Components (+4.1%) and Fabricated Metal Products (+2.3%). New orders for non-defense capital goods decreased 0.9% during the month.

Durable Goods New Orders, Current Prices

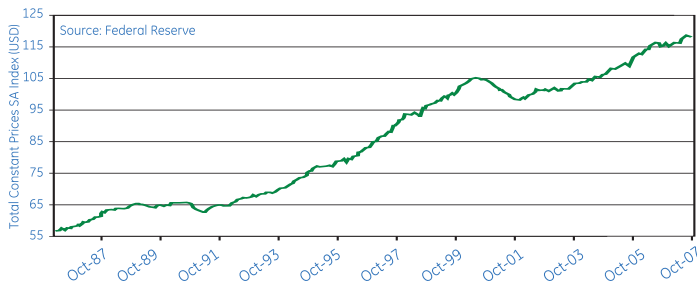


Supply

Manufacturing Production

The Manufacturing Production Index decreased to 115.8 in October, 0.5 lower than the 116.3 level in September. However, October's level was 2.1% higher than that recorded a year ago (October 2006). The September figure was a 0.2 increase from August 2007. In October 2007, decreases in fabricated metal products, machinery and electrical equipment, appliances and components more than offset an increase in the production of aerospace-related products. As illustrated in the chart, the recent trend in manufacturing production has been flat to mildly down.

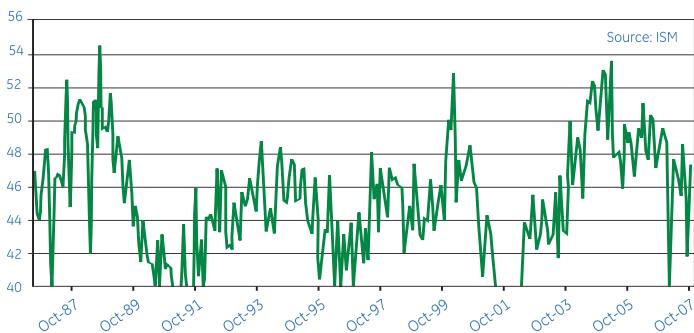
Manufacturing Production Index (NAICS) 2002=100; SA



Inventories

The ISM Inventories Index was 47.2 in October, a 5.6 point increase from 41.6 recorded in September. October's data represented the fifteenth consecutive month of inventory drawdown. However, during the month of October, a larger percentage of companies reported higher inventories, while a smaller percentage of companies reported lower inventories.

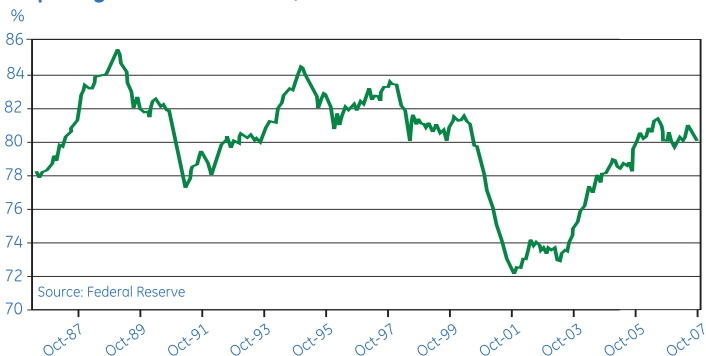
Inventories Diffusion Index, SA



Capacity Utilization

Manufacturing capacity utilization in October was 80.1%, 0.4% lower than the previous month and flat with the October 2006 level. In recent months, the capacity utilization rate has remained over 80.0%, but has eased downward from the 81.0% level reached back in July 2007. Outsourcing manufacturing production abroad and the implementation of productivity initiatives (e.g. Six Sigma, Lean, etc.) have enabled U.S. manufacturers to produce more without the need to invest in new equipment/capacity. The 80.0% level is the point at which manufacturers typically consider purchasing more equipment to add capacity. October's 80.1% level remains 0.3% higher than the 79.8% average level for the 1972-2006 time frame.

Capacity Utilization Index, SA

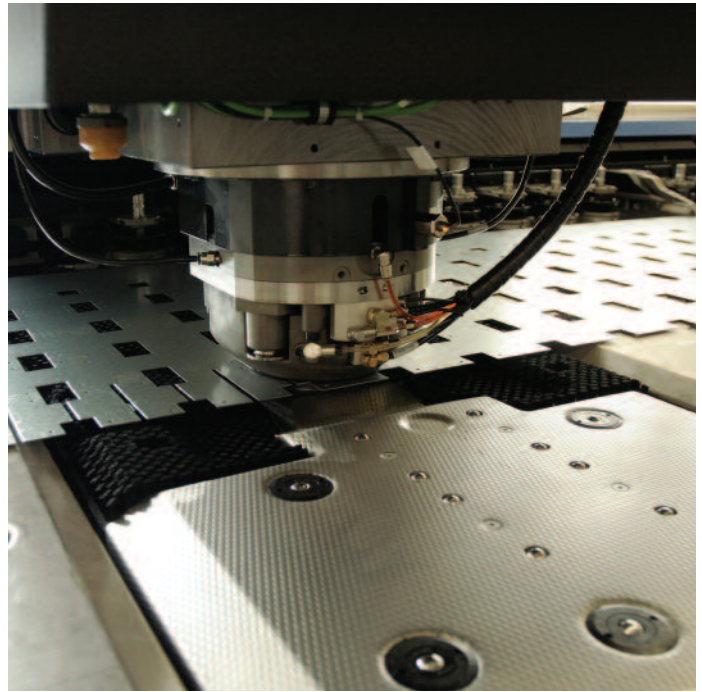


Industry News and Developments

M&A

- **Thomas & Betts Corporation**, completed its acquisition of **Lamson & Sessions Co.** for approximately \$450 million.
- **Watts Water Technologies** acquired **Topway Global**, a manufacturer of water softeners, point of entry filter units and point of use drinking water systems for residential, industrial and commercial applications.
- **Parker Hannifin** acquired **Kay Pneumatics**, a U.K.-based manufacturer of pneumatic valves, cylinders and precision electro-pneumatic control systems for transportation, semi-conductor, medical and general industrial markets.
- **Johnson Controls** acquired **Skymark International**, an indoor packaged HVAC products manufacturer headquartered in Ontario, Canada.
- **The Timken Co.** purchased **The Purdy Corp.** for \$200 million. Purdy manufactures products for and integrates systems in the aviation industry.
- **Regal Beloit Corp.** acquired **Jakel Inc.**, a manufacturer of motors and blower systems.
- **Actuant Corp.** acquired **Templeton, Kenly & Co. Inc.** for approximately \$48 million. Templeton, Kenly manufactures hydraulic pumps and tools.
- **Curtiss-Wright Corp.** acquired **IMC Magnetics Corp.** for approximately \$38 million. IMC manufactures fans, motors and specialized products for a number of industrial markets.
- **WCA Waste Corporation** completed the following "tuck-in" acquisitions: **Waste Pro Services**, **Big Red Containers, Inc.**, and **Roll-Off Rentals**. The acquisitions allow the company to improve route density and leverage existing landfill operations.
- **Riverside Partners** has partnered with management to acquire **GEMCITY Engineering & Manufacturing**, a manufacturer of products for the industrial machinery, semiconductor, healthcare and defense markets.
- **Thermo Fisher Scientific** acquired **NanoDrop Technologies, LLC**, a manufacturer of laboratory instruments.
- Private equity firm **Hellman & Friedman** acquired **Goodman Global**, an HVAC equipment manufacturer, for approximately \$1.8 billion.
- **Danaher Corp.** acquired **Tektronix Inc.**, a manufacturer of test and measuring equipment, for \$2.8 billion.

- **Waste Industries USA** acquired the assets and customers of three hauling operations: **Sanitech/AWD, LLC**, **Tyson Sanitation Services, Inc.**, and certain hauling operations and customers of **Saunders Superior Services**.
- **Kaydon Corporation** acquired **Avon Bearings Corporation** for \$55 million.
- Private equity firm **Pfingsten Partners** and co-investors **HarbourVest Partners** and **DuPont Capital Management Corporation** acquired **Tropitone Furniture**, a designer and manufacturer of high-end outdoor furniture.
- **Quiksilver, Inc.** sold **Cleveland Golf Company, Inc.** to **SRI Sports Limited**, based in Japan. The transaction value is approximately \$133 million.
- **Fender Musical Instruments Corp.** acquired **Kaman Music Corp.** for \$117 million. Kaman manufactures guitars and other instruments.
- Private equity firm **CVC Capital Partners** completed the acquisition of **Samsonite** for approximately \$1.7 billion.
- **Nike** acquired **Umbro**, the U.K. based supplier of soccer athletic apparel, for £285 million.



Expansion Activity

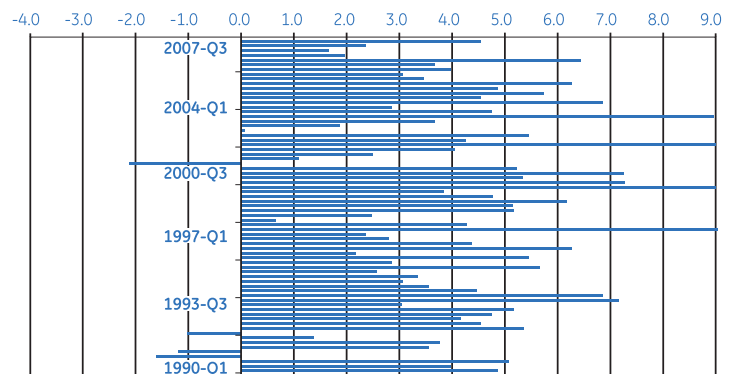
- **STIHL Incorporated**, a manufacturer of chain saws and handheld outdoor power equipment, broke ground on a \$20 million manufacturing facility in Virginia. The plant will produce chain saw guide bars.
- **Kennametal Inc.**, a leading machine tool manufacturer, is planning to invest \$70 million to build a machine tool plant in northern China. Products manufactured in the new facility will be used in the machinery, automotive, aerospace and mining industries.

Pricing

The BLS Producer Price Index (PPI) for the October Net Output of Total Manufacturing Industries was 164.4, a 0.3% increase from September 2007 and a 5.5% increase from last year's level (October 2006). The primary drivers behind the year-over-year increase (i.e. October 2007 versus October 2006) included electrical equipment and appliances (+3.9%), fabricated metal products (+2.7%), machinery manufacturing (+2.5%) and furniture (+1.7%).

The ISM Prices Index rose to 63.0% in October from 59.0% in September. This index reading indicates that manufacturers are paying higher prices for items such as primary metals, fabricated metal products and petroleum and coal products.

Manufacturing Productivity
(% change from preceding quarter)



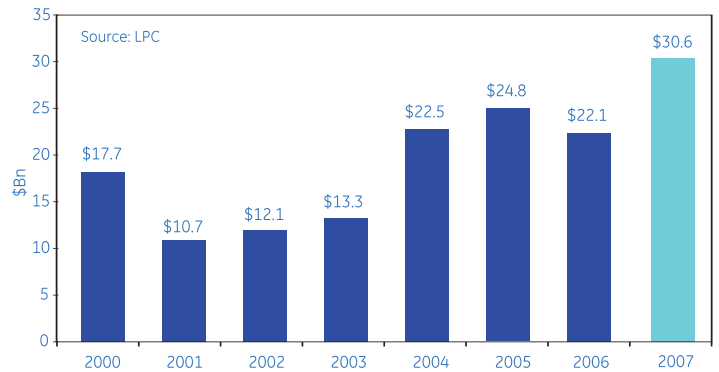
Source: Bureau of Labor Statistics

Regarding productivity, 3Q07 data released by the Bureau of Labor Statistics indicated that the level of manufacturing productivity increased to an annualized rate of 4.6%, up from the 2.4% increase in the second quarter of 2007. During the third quarter of 2007, output increased 4.3% and hours decreased 0.4%. The productivity improvement in the third quarter was driven by increases in both Durable Goods and Non-durable Goods, with the former increasing 5.7% (output up 6.6%, hours up 0.8%) and the latter increasing 4.1% (output up 1.6%, hours down 2.4%). Hourly compensation increased 2.3% in the quarter (seasonally adjusted annual rate), after increasing 3.7% in 2Q07 and 8.9% in 1Q07. Despite recently increasing at a lower rate, labor costs remain a concern within the manufacturing industry. For 3Q07, higher productivity outweighed the increase in hourly compensation, resulting in a 2.2% decrease in unit labor costs.

Middle Market Debt/Loan Market Activity

Year-to-date (through October) syndicated loan volume in the manufacturing industry totaled \$62.5B, a 19% increase from \$52.5B recorded a year ago. Significant increases in Consumer Goods (+53% to \$24.0B), Multi-Industry (+48% to \$30.6B) and Environmental Equipment and Services (+36% to \$5.8B) volume have more than offset a sharp decline in Textiles & Apparel (-82% to \$2.1B) activity. The increases in Consumer Goods and Multi-Industry volume were primarily driven by higher borrowing for refinancing and M&A activity. (Source: LPC)

Multi-Industry Syndicated Loan Volume



Sector Focus: Measurement & Control

The Measurement & Control sector is made up of manufacturers of equipment used to sense, monitor, measure, record and control processes, temperature levels and the flow of liquids and gases. Industry growth for the next three years is expected to be in the range of 3% to 7% per year depending on product specialization and end market demand. The end market is myriad, with the majority of demand coming from the Oil & Gas, Chemical, Power, Refining, Pulp & Paper, Food & Beverage, Pharmaceutical and Construction industries.

The Measurement & Control sector is comprised of three major segments: 1) General Purpose and Miscellaneous instruments (used to measure, display and control process variables) including electronic controllers, recorder and indicator systems, pneumatic controllers and annunciators; 2) Flow & Level instruments (used to measure the flow rates and levels of gas, fluids and chemicals) including mass flow, turbine and propeller, and differential-pressure instruments; and 3) Temperature Control Instruments, including resistance temperature detectors, thermistors and thermocouples. Growth is expected to be highest in the Temperature Control segment due to its exposure to the Food, Beverage & Agricultural industry, an area with significant quality control and regulatory considerations.

In general, the Measurement & Control sector represents an oligopolistic, yet fragmented marketplace. The sector structure is comprised of a small number of larger market leaders coupled with multiple, specialized participants. There are substantial opportunities for small to mid-sized companies to differentiate themselves with niche market offerings or value added services. Research and development is critical within this sector, due to evolving customer requirements and the ongoing need for new or improved products.

Environmental Controls continues to be a growing segment in the Measurement & Control sector. Environmental controls are used primarily in the Construction (residential and non-residential) and Consumer Appliance industries. Many environmental control instruments are created for use in HVAC products, the largest being thermostats, followed by computerized energy control systems. In an attempt to find environmentally friendly solutions, many organizations are going "green." Federal legislators have enacted several laws aimed at preserving and protecting the environment. These laws are administered and enforced by the Environmental Protection Agency, including the Pollution Prevention Act, the Clean Air Act and the Clean Water Act. All of the aforementioned legislation has created the need to more meticulously measure and control emissions and other waste.



Access GE/At the Customer For the Customer



Justrite, Inc. (Owned by The Riverside Company, a leading, middle-market private equity firm)

Industry-leading manufacturer of specialized products designed to help workers store, transfer, use and dispose of hazardous materials in a safe and convenient manner.

Background

GE Antares Capital has structured numerous financial transactions for The Riverside Company. As a GE customer, Riverside is able to tap into the Access GE initiative (also known as ACFC or At the Customer, For the Customer). Through Access GE, Riverside can leverage a dedicated team of GE professionals who share the GE toolkit to help Riverside improve operating efficiencies within its portfolio companies.

Value Added

Through the Access GE Program, GE helped Justrite cut six months off its learning curve on China by:

- Tapping into GE's internal network of experts to provide useful information regarding sourcing from and selling into China.
- Facilitating discussions with Access GE's Chinese-national, located in Shanghai, enabling Justrite to gain insights into cultural differences and economic development zones within China.

Customer Feedback

Access GE "really opened our eyes to the possibilities for selling into China and throughout Asia."

– Gary Marcus, Vice President of Marketing and Business Development, Justrite, Inc.

"The information we gathered from the contacts within GE, through Access GE, probably cut six months off our learning curve."

– Gary Marcus, Vice President of Marketing and Business Development, Justrite, Inc.

"What's unique about GE's ACFC program is having access to GE's Six Sigma improvement programs and other tools and resources. The toolkit is very powerful and can provide tremendous operating leverage to our portfolio companies after we have acquired them."

– David Gordon, Managing Partner, The Riverside Company

GE Commercial Finance Manufacturing Financings

\$35,000,000 Administrative Agent for Senior Revolving Credit Facility

Financing used to provide greater flexibility for future capital uses

A global designer and manufacturer of sensors and pressure transmitters

\$300,000,000 Sole Lead Arranger and Bookrunner for Revolver and Term Loan

Financing used to provide greater flexibility for future capital uses

A leading provider of equipment, accessories and replacement parts to the global forestry and construction industries

\$1,008,624 Single Investor Lease

Financing for machine tool equipment

A welding equipment company

\$1,250,000 Single Investor Loan

Financing for machine tool equipment

A women's apparel manufacturer

\$9,520,047 Single Investor Leases

Financing for measuring and machining equipment

A manufacturer of pumps and motors

\$1,141,100 Single Investor Loan

Financing for machine tool equipment

An injection molding and die casting equipment manufacturer

\$5,650,916 Single Investor Loans

Financing for machine tool equipment

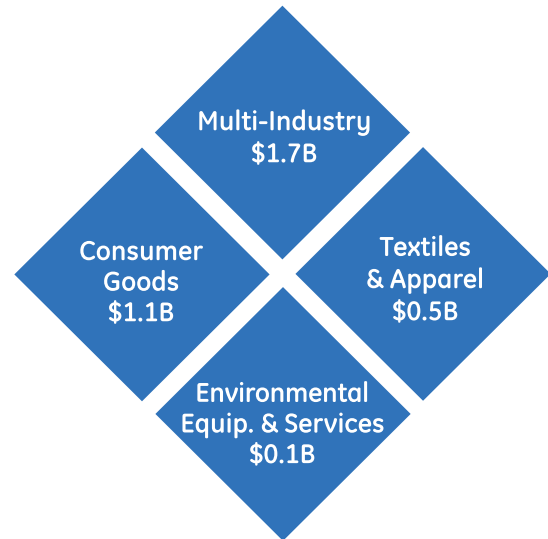
A fastening product company

Industry Financing Experience

GE is a long-term, experienced financier to the manufacturing industry, offering customized financing solutions to meet your business objectives.

- Extensive experience in investing in all sectors of manufacturing
- Current portfolio of over \$3.4 billion invested in this area
- Ability to improve balance sheets or enhance cashflow by refinancing existing debt with loans or leases
- Expertise in the following products: asset securitization, revolvers/lines of credit, project financing, equipment financing, fleet financing and sale leaseback agreements
- Best-in-class customer service and prompt turnaround time

Investments Across Many Sectors Within General Manufacturing



Access GE

Delivered at no cost to our key accounts through our sales representatives, Access GE shares GE's 114 years of experience and tools to address each client's specific business challenges and opportunities. Based on the client's new relationship with the world's most admired company, Access GE develops programs in four areas:

- Productivity Improvement
- Best Practices
- Business Solutions
- Sell To/Through GE

The Access GE program has improved the results of customers through cost reduction and revenue growth by **over \$100 million**, through partnerships formed to share GE's expertise and tools. If you have additional questions, please contact your local GE sales representative to discuss this exciting opportunity.

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