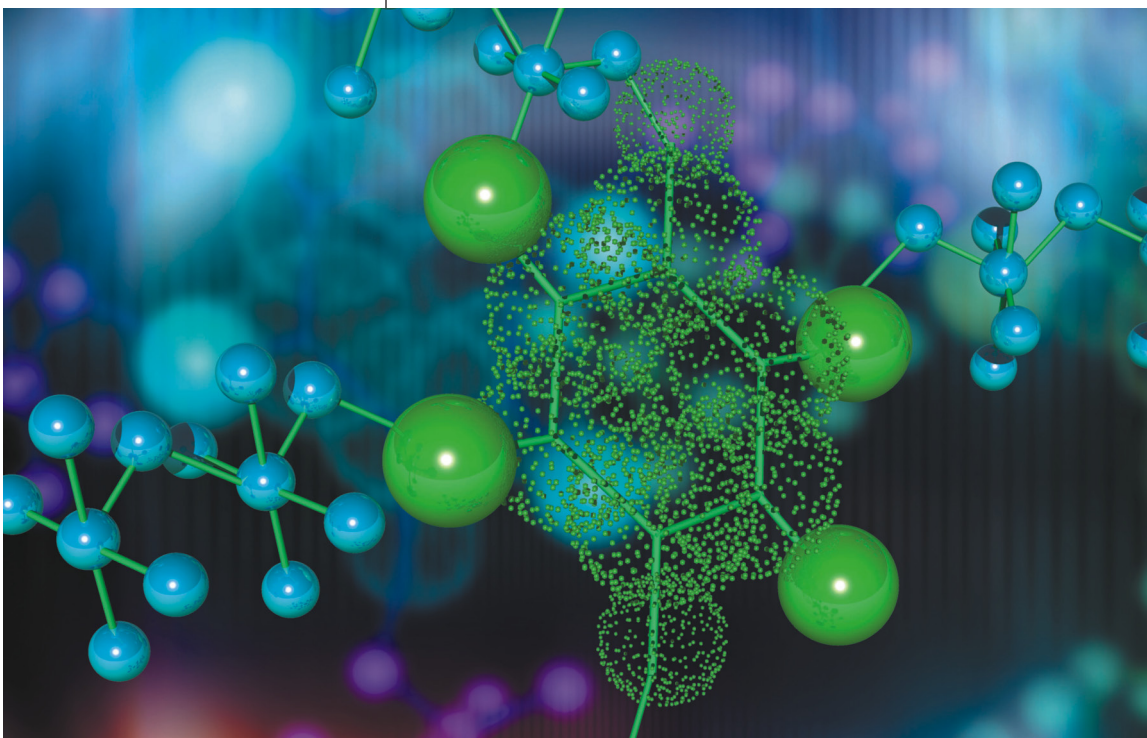


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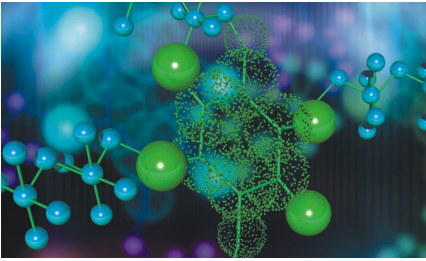


Industry Review and Analysis

April 2010

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CHEMICALS, PLASTICS AND ADVANCED MATERIALS

**Thoughts from the Group**

“Despite the pain of 2008 and 2009 fresh in everyone’s minds, we have been hearing (and witnessing) more stories of stabilizing top line and margins, as well as improved outlook. Chemical industry participants are starting to crawl back out of the cycle with leaner cost structures and renewed strategic focus. 2010 will be an exciting year as companies try to catch the tail end of depressed valuations and replace organic growth with acquisitions.”

Jay Kuo

Vice President

Chemicals, Plastics and
Advanced Materials Group**McGladrey
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Q&A with Kevin Moran

Founder and Managing Member of Anchor Capital

This quarter we had the pleasure of catching up with Kevin Moran, founder and managing member of Anchor Capital Partners, a lower to middle market private equity firm focused on the specialty chemicals, building materials and healthcare sectors.

Q

Can you briefly tell us about Anchor Capital Partners and how the firm was founded??

A

Anchor was founded in 2003 to focus on lower middle market transactions (up to \$100m) with an emphasis on chemical and related industries. We put together a board of advisors to help us evaluate investments and a group of operating affiliates to help us with due diligence and operating roles. Initially our advisors and affiliates all had chemical industry or investing backgrounds. We have since broadened our team, completing investments in building products and distribution companies for example.

Q

What made you decide to focus on the chemical industry and furthermore, why the lower to middle market?

A

We felt the chemical industry and the lower middle market were underserved in general. Also, given our chemical related background and network, we felt we could contribute to the growth of companies in that sector. Chemical companies are often difficult for financial buyers to understand without industry expertise, so it favors an industry-focused group.

Further, the lower middle market is attractive because often the growth opportunities for a company are obvious. However, that growth has been limited by the risk aversion of the previous owner, the level of talent within the company or capital constraints. We can address each of these issues.

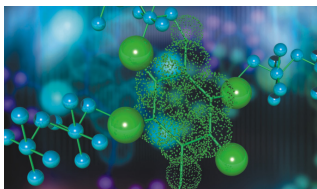
Q

What subsectors within the chemical industry do you favor over others and why? Are there any major trends that you are following which leads you to these subsectors?

A

If you have commodity inputs and sell commodity products, the factors that influence your success are often mostly outside your control. We prefer to have a much higher likelihood of success, and that means some level of specialty product or service.

To find subsectors that are attractive, it is important to examine the supply chain carefully. If there is commodity exposure, you have to examine how effective the company is at mitigating it. There are a minority of specialized companies spread across the chemical industry that have strong value propositions with limited competition. One example would be companies that perform specialized distribution, logistics and outsourced purchasing. Another example would be companies with customers that have very high service or performance requirements.



Q&A with Kevin Moran

continued...

Q **Coming from bulge bracket banks and large deals (ranging from hundreds to billions of dollars in transaction value) what were some key adjustments you've had to make as you shift focus to the lower and middle market?**

A The biggest adjustment is that with middle market companies, you are no longer dealing with a corporate board, but instead with a business owner who has often been running his family's business for many years and may continue to be very important to the business for quite a while. There are a lot of issues and feelings that person is dealing with in contemplating a transaction and partnering with a new party. Success depends on listening closely, being patient and ultimately being flexible in structuring the transaction around the unique financial and non-financial needs of the owner and the key people in the company.

Q **In a time when pure financial engineering is no longer competitive, what kind of expertise and synergies do you look to bring into your portfolio companies and how do you think they set Anchor apart from generalist private equity firms?**

A We have three chemical related investments that can help us look at certain competitors, customers or suppliers with synergies. Our companies also help us get a closer look at companies in adjacent or related sectors that could be new investments.

More generally our industry focus allows us to find the right board of directors, hire the right leaders, find acquisitions for a company and quickly grasp new markets and the dynamics that are affecting our existing companies.

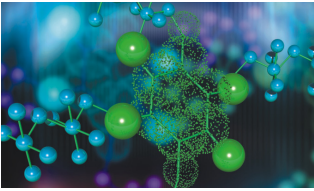
In addition to our industry focus, we also have to do the same things successful generalists do to support growth, including: building teams and forming healthy partnerships with management, providing financial and strategic support, working with lenders and helping companies take carefully calculated risks to continue to grow.

Q **What is an example of a successful investment you've made and what were some key decisions that helped to make it a success?**

A In 2005 we invested in Doe and Ingalls, a specialty chemical distributor focusing on the biotech and microelectronic markets based in North Carolina. The two owners were nearing retirement, didn't have family in the business, but did not want to sell to a strategic because they wanted to continue to grow the business for a few more years. The business had a remarkable growth record, proprietary relationships with its customers, and a fantastic management team.

We made two key decisions that have helped make it a success. The first was to compete aggressively to pay a full price in a process in which there were many financial buyers. We did so because it was clear after seeing many chemical distributors that this one was the best we had ever seen. We also had a chemical industry CEO on our board of advisors at the time who told us his chemical company could pay 30 percent more than what we were offering if they were allowed. Since the sale was restricted by the owners to financial buyers it created an obvious exit at some point in the future.

The second key decision we have made was to continue to invest in growth - new locations, products and acquisitions. That growth has required a number of capital investments and a lot of work but has resulted in a much larger, successful company. We expect to continue to help the company grow for a few more years.



Q&A with Kevin Moran

continued...

Q When Anchor set out to look for its first portfolio company, what were some key attributes you looked for and did it changed over time?

A When we set out to look for our first company, we were looking for a great company with a strong competitive advantage, great management, great margins, etc. We were actually able to find and buy a company that was truly great. However, in general when you find a truly great company, there are lots of other people that want to buy it too. Over time, we have learned to focus on finding decent or good companies with problems or opportunities that we can thoroughly investigate and develop confidence we can address. Most of our investments have been in this category. Waiting for the next perfect company can be a long wait.

Q Can you tell us about one of your less successful investments; what were the key problems and looking back, how could they have been avoided and how did you ultimately resolve it?

A Each of our investments was impacted in some way by the financial meltdown. One investment was hit the hardest. Product pricing and demand dropped dramatically. Customer and suppliers had credit problems. Manufacturing did not slow down fast enough which caused inventory buildup, cash flow problems and problems with lenders.

Many of the problems were unavoidable. However the company had a very difficult time reacting quickly and adjusting to the situation. It exposed weaknesses in the management and even the culture of the company that we should have paid more attention to before.

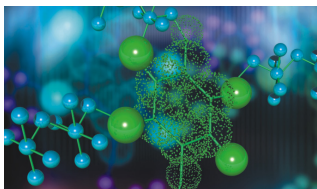
We ultimately resolved the situation by spending an enormous amount of time on the problems. We made changes in leadership, added capital, restructured our loans and restructured the entire organization.

The main lesson we learned is that you can't anticipate all the bad things that can happen, but you can create a company with strong leadership and a dynamic organization that is ready to act and react quickly.

Q Do you have any suggestions for privately held companies looking to strike a successful deal with a financial partner?

A For most private companies selling to financial partners there usually is continued ownership and exposure to the performance of the business. Thus, the term financial "partner."

Picking and investigating the partner up front is important, including trusting your own judgment about the party you are dealing with. Structuring a deal that is balanced and aligns the incentives of both parties is also important. Finally, having no illusions that things will be perfect, you might think about which party that you would feel most comfortable working on challenges and resolving differences with.



Q&A with Kevin Moran

continued...

Q What's your view on financing today and have you seen more receptivity in funding new deals or refinancing existing portfolio companies?

A In my experience with middle market companies, we have gone from a peak in 2006-2007 of 4x senior debt (no warrants type debt)-to-EBITDA to a low last year of zero. I think we are now back in the 2-2.5x senior debt-to-EBITDA but there are far fewer lenders participating in the cash flow debt markets. Asset based lending has not swung so wildly but was certainly hit as well. There is more receptivity now for refinancing or new funding but still on a much lesser scale than before the meltdown.

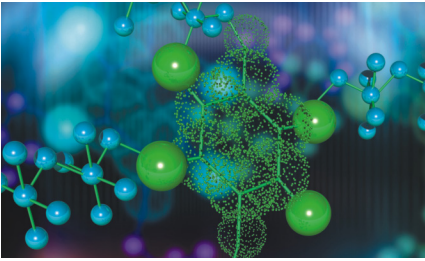


Kevin Moran
Founder and Managing Member
Anchor Capital



Kevin founded Anchor Capital in 2003. Prior to Anchor, Kevin was in the Mergers & Acquisitions Group at Bank of America Securities. Previously, he worked in the Chemicals Investment Banking Groups for Merrill Lynch and Bear Stearns. Kevin's experience in investment banking includes more than 50 M&A and corporate finance transactions in chemicals, pharmaceuticals, healthcare and building products. Prior to entering investment banking, Kevin worked for Shell Chemical Company. He received his MBA from Harvard University and a BA in Chemistry from Princeton University.

CHEMICALS, PLASTICS AND ADVANCED MATERIALS



McGladrey Capital Markets maintains an exclusive set of current mandates in the chemicals sector.

If you have any questions or would like additional information on the companies listed, please contact the appropriate Chemicals professional.

Current Mandates

Code Name	Description and Location	Contact
Project Venezuela	Our client is a Venezuela-based specialty and commodity chemical distributor. The Company is family-owned and operated, and offers several sales and warehouse locations throughout major manufacturing regions in Venezuela. The Company sources its chemical products primarily through imports and supplies Venezuela and other Andino Pact nations. Key product focuses for the Company are Solvents, Food & Nutrition Chemicals and Specialty Chemicals. Key end-markets include Paints & Coatings, Adhesives & Sealants, and Nutrition. In 2009, our client generated ~\$40 million in net sales.	Jay Kuo 714.327.8237 jkuo@mcgladreycm.com

To preserve client confidentiality, we do not provide a full list of current mandates in our quarterly newsletter. Please call to inquire about other current mandates.

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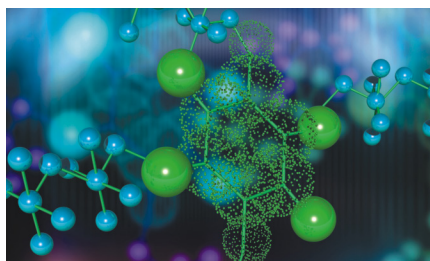
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To the right is a list of recent transactions within the chemicals sector, including valuation information where available.

To discuss these or other transactions in your industry, please contact us.

Recent Transactions

Recent Chemical Industry Transactions			
Closed	Target	Acquirer	Target Description
Mar 10	IEP	Cambrex	Customized biocatalytic process development and enzymes for the pharmaceutical industry
Mar 10	Genovique (Arsenal Capital)	Eastman Chemical	Specialty plasticizers, benzoic acid and sodium benzoate
Mar 10	Chemtec Chemicals	RPM International	Industrial cleaners and specialty coatings based in the Netherlands
Mar 10	Diagnostic Hybrids (Summit Partners)	Quidel	Fluorescent in vitro diagnostic assays for the diagnosis of diseases
Mar 10	DyStar (Platinum Equity)	Kiri Dyes and Chemicals	Dyes and auxiliaries for the textile and leather industries

Source: McGladrey Capital Markets Database

Transaction Spotlight

CF Industries and Terra Industries Agree to Combine, Creating a Global Industry Leader

[Click here to access the press release](#)

CF Industries to acquire Terra Industries				
Buyer / Seller Statistics			Deal Valuation Analysis	
Party	Buyer	Seller	Total Offer Per Share (as of 3/2/2010)	\$47.29
Name	CF	Terra	Implied Equity Value	\$4,729
2009 Financial Statistics (\$ in millions):			Implied Enterprise Value (EV)	4,830
Net Sales	\$2,608	\$1,577	Terra 2009 EBITDA	418
EBITDA	838	418	Est. Annual Synergy / Cost Savings	135
% margin	32.1%	26.5%	EV / EBITDA Multiple	11.6 x
Net Debt (Cash)	(692)	101	EV / EBITDA Multiple w/ Synergies	8.7 x

Source: Public company filings and press releases

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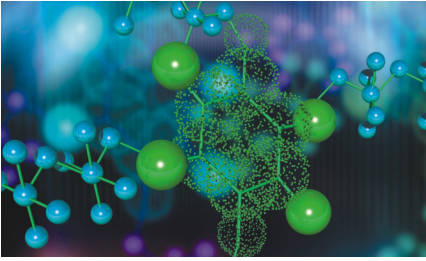
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*Interacting with industry leaders
on a daily basis enables our
Chemicals Group bankers to
stay in front of key trends and
market shifts.*

*Moreover, we enjoy solid, trust-
based relationships with top
players in the chemicals sector,
including decision makers at
major corporations, financial
institutions and private equity
groups.*

*For more information about
these or other McGladrey
Capital Markets transactions,
please contact us.*

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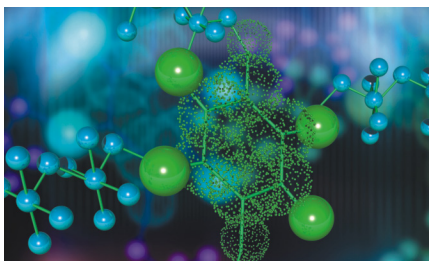
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Industry Experience

 WOLSTENHOLME INTERNATIONAL INC. a portfolio company of Rutland has been acquired by Emerald Performance Materials a portfolio company of SUN CAPITAL PARTNERS, INC.	 Saroni Sugar & Rice, Inc. Oakland, California has been acquired by ConAgra Foods ConAgra Foods Food Ingredients Company, Inc. Omaha, Nebraska	EXTRUSIONEERING, INC. has been acquired by INVERNESS CAPITAL PARTNERS and WEDBUSH CAPITAL PARTNERS
 SUMMIT RESEARCH LABS has been acquired by MVC CAPITAL	 HAMPSON has acquired COMPOSITES HORIZONS, INC.	 Aurora Special Effect Films Peekskill, New York a business of BASF The Chemical Company has been acquired by RMS Packaging Inc. New York, New York McGladrey Capital Markets acted as exclusive financial advisor to BASF Corporation.
 Halltech Inc. a subsidiary of Saiden Chemical Industry Co. Ltd. has been acquired through a Management Buyout	 LATTICE From crystal growth to finished blanks Bozeman, MT has been acquired by TUCKERMAN CAPITAL Hanover, NH and BHP Chicago, IL	 DOUGLAS-HANSON Hammond, WI has been acquired by LOPAREX Willowbrook, IL a company backed by ABN-AMRO Amsterdam, Netherlands
 AMPAC American Pacific Corporation \$120,500,000 Acquisition Financing Facilities to Purchase \$75,000,000 Secured Revolving and Term Loan Facility \$20,000,000 Second Lien Facility \$25,500,000 Seller Note	 Duraco, Inc. has been acquired by FILTRONA Filtrona plc	 NUDO Products, Inc. Springfield, Illinois has been acquired by RFE Investment Partners New Canaan, Connecticut
 INTERTECH InterTech Corporation has been acquired by Ciba Ciba Specialty Chemicals	 KING RESEARCH® has been acquired by BlueCo Brands® BlueCo Brands, Inc.	 MILSPRAY Military Technologies Lakewood, New Jersey has been acquired by RAF INDUSTRIES Jenkintown, Pennsylvania

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In this section, we list recent and upcoming industry events that might be of interest to you.

To find out more about these recent and upcoming events, click on the links.

Upcoming Events



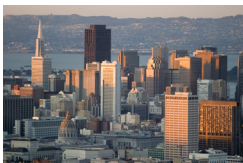
American Coatings Show

April 13-15
Charlotte, N.C.
www.american-coatings-show.com



JEC Composites Show

April 13-15
Paris
www.jeccomposites.com



ChemicalWeek 15th Annual CFO Conference

May 25
San Francisco
www.chemweek.net/cfo10



The 4th Asian Base Oils and Lubricants Conference

June 8-9
Seoul, South Korea
www.icisconference.com/asianbaseoils



2010 Chemical Sector Security Summit

July 7-8
Baltimore
www.dhs.gov

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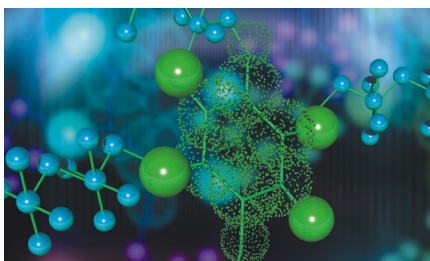
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Having experienced investment bankers help you navigate through the intricacies of a complex transaction can pay huge dividends.

Our clients and professionals in the M&A community know and trust us for our in-depth industry knowledge, global capabilities, seasoned leadership and middle-market focus.

Let experience be your guide. Contact McGladrey Capital Markets today.

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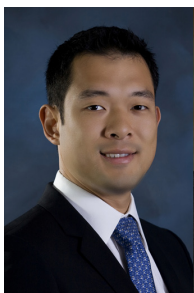
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Industry Professionals



Jay Kuo

Vice President

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jkuo@mcgladreycm.com

Prior to joining McGladrey Capital Markets, Mr. Kuo was an associate in the corporate development and merger and acquisition team at IDT Corporation, a publicly traded telecommunications and entertainment company. Before IDT, Mr. Kuo worked at Young & Partners, a boutique investment bank in New York City, where he was a part of the deal team providing M&A, valuation and strategic advisory services to clients in the global chemical industry, including Bayer, Celanese and Oxiteno.

Mr. Kuo received a bachelor's degree in economics from Dartmouth College. He holds FINRA Series 7, 63 and 79 securities licenses.



Brad S. Schreiber

Managing Director

714.327.8634

bschreiber@mcgladreycm.com

Mr. Schreiber has nearly 20 years of diversified financial experience in investment and commercial banking. He has participated in domestic and international mergers and acquisitions, leveraged recapitalizations, and management buyouts. He has completed transactions in a diverse array of industries, including consumer products, sporting goods, outdoor recreation and leisure, marine, specialty chemicals, information technology, fire protection, medical/pharmaceutical, plastics and textiles, and engineering and industrial services.

Prior to joining McGladrey Capital Markets, Mr. Schreiber was a vice president with Citigroup's middle-market investment banking division. Before that, he served as a vice president with Wells Fargo Bank in its commercial banking group.

Mr. Schreiber received a bachelor's degree in business administration with concentrations in marketing and finance from San Diego State University. He holds FINRA Series 7, 63 and 79 securities licenses.



Jean L. Stephan Cayanni

Senior Advisor

Mr. Cayanni has 30 years of experience as an investment banker and lender. Prior to joining McGladrey Capital Markets, Mr. Cayanni provided corporate finance and strategic advisory services to public and private companies and worked as a senior advisor for a leading M&A boutique focused on the chemical industry.

Mr. Cayanni also spent a significant portion of his career with Banc of America Securities, where he created and led the chemical group. Under his direction, the group closed a wide-range of M&A and corporate finance transactions with clients such as Arch Chemicals, Johnson & Johnson, Pfizer, Dow, Union Carbide and Warner Lambert.

Mr. Cayanni received a bachelor's degree in mathematics, a master's degree in business administration and a law degree from the University of Rennes, France. He also has a degree in German from Goethe Institute in Germany and a master's degree in business administration from Santa Clara University. Mr. Cayanni is a member of the American Chemical Society and is fluent in French and German. He holds FINRA Series 7, 24 and 63 securities licenses.