

the aftermarket analyst

A PUBLICATION FOCUSED ON MERGERS, ACQUISITIONS AND CORPORATE FINANCE IN THE AUTOMOTIVE AFTERMARKET INDUSTRY

The Plot Thickens on Gryphon/MSD Deal: Parker and Jennett File \$150 Million Lawsuit Against Gryphon Investors and MSD Ignition for Taking Superchips Deal

On April 6th, Larry Parker and Tom Jennett filed a \$150 million lawsuit against Gryphon Investors, MSD Ignition and others, including Gryphon's David Andrews and Jeffrey Ott, as well as MSD's Daniel Gresham, for allegedly taking their Superchips deal.

According to the lawsuit, in August 2004, Parker and Jennett negotiated the exclusive right to purchase Superchips and then partnered with Gryphon to jointly purchase the company, but Gryphon bought the company without them.

Quoting from the lawsuit:

"This lawsuit is about two men who had their company stolen out from under them. Between them, M. Lawrence ("Larry") Parker and Thomas R. ("Tom") Jennett have more than 60 years of experience in the automotive industry. Their impressive resumes include senior executive management positions at Ford, Chrysler, Delco and other large automotive companies. But after all those years helping to run some of the world's largest companies, they wanted to own their own business and grow it. Finally, after years of looking for the right company, in the fall of 2003 they found a company that was perfect. A mid-sized company called 'Superchips' that manufactured computer chips and software that 'suped-up' the engines of normal cars and trucks, adding horsepower and performance to standard GMs, Fords and Chryslers.

"Parker and Jennett negotiated a deal with the owners of Superchips to buy the company. On August 9, 2004, they signed an agreement with Superchips giving Parker and Jennett the exclusive right to buy the company for the next 120 days, allowing them that long to get their financing in place.

"Gryphon promised Parker and Jennett that they would co-own the holding company; along with Gryphon and equally with Dan Gresham, the CEO of MSD Ignition. Moreover, Gryphon promised that Parker & Jennett would be employed to manage

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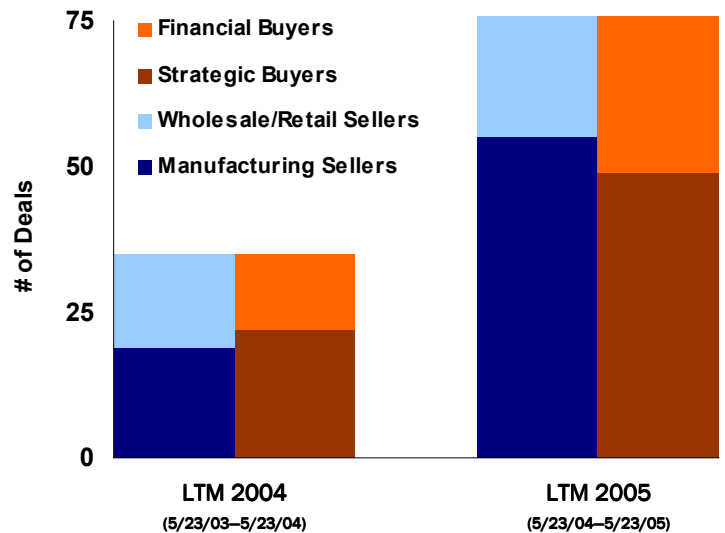
Aftermarket Transaction Volume Continues to Surge

Auto aftermarket transaction volume has increased significantly over the past year. In fact, the 76 mergers, acquisitions, and recapitalizations that have taken place over the last twelve months (LTM) are more than double the same period year-over-year.

Manufacturing deals have been especially hot lately. In the year ended May 23, 2005, there were 55 manufacturing transactions, nearly triple the same period year-over-year. Also, manufacturing transactions represented 72 percent of all deals done over the LTM 2005 period, up from 54 percent in the LTM 2004 period.

The ratio of deals done by strategic buyers to financial buyers has remained consistent over the last 12 months. In the LTM 2004 and LTM 2005 periods, strategic buyers accounted for 63 percent and 64 percent of all transactions, respectively. Meanwhile, financial buyers accounted for 37 percent and 36 percent of all deals consummated in LTM 2004 and LTM 2004, respectively.

Auto Aftermarket Transactions by Period and Type



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RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

Announce Date	Acquirer/Investor	Target	Target Description
5/14/2005	Fred Jones Enterprises	Global Parts Distribution	Distributor of automotive air conditioning parts to the aftermarket
5/4/2005	Valvoline, a division of Ashland Inc.	Car Brite	Distributor of interior and exterior cleaners, paint restorers and protectants and final detail dressings, paints and dyes
5/2/2005	O'Reilly Automotive, Inc.	Midwest Auto Parts Distributors, Inc.	Operates 71 auto parts stores
5/1/2005	Signal Ventures, Inc.	Flex-Trax, Inc.	Manufactures GoClaws(TM), a tire accessory product designed for both highway and off-road
4/26/2005	Allied Capital Corporation	Service Champ Inc.	Wholesale distributor of parts and equipment to the quick lube industry
4/24/2005	Wesmac LLC	QSP Automotive, Inc.	Manufacturer of chassis parts for the aftermarket
4/24/2005	Undisclosed	Four of Genuine Parts Company's Johnson Industries locations	Distributor of OEM and aftermarket parts, equipment, supplies, and facility services
4/20/2005	AirPro Mobile Air L.L.C. (Management team)	AirPro	Distributor of motor vehicle air conditioning parts and systems
4/18/2005	ValueAct Capital	MSD Ignition	Manufactures high-performance automotive ignition components
4/18/2005	Penda Corp's Glasstite manufacturing operation	Brand FX Body Company	Manufacturer of fiberglass truck caps and tonneau covers
4/12/2005	Hopkins Manufacturing Company (Friend Skoler & Co.)	Carrand Companies, Inc.	Designer and marketer of specialty cleaning tools and accessories for the automotive aftermarket
4/5/2005	Thule	Quick-load Bike Racks division of Sportworks	Manufacturer of bicycle racks
4/4/2005	LKQ Corporation	A&R Auto Parts, Inc.	Operates a recycled OEM automotive replacement parts facility
4/4/2005	American Capital Strategies, Ltd.	Edge Products LLC	Manufacturer of high-quality performance electronics
3/31/2005	Heritage Equity Group, Inc.	Beck/Arnley Worldparts Corp.	Manufacturer of replacement auto parts
3/18/2005	Midwest Truck and Auto Parts Inc.	TICUSA, LLC	Supplies midrange and heavy duty transmission, axle assemblies and components to the Latin American drivetrain aftermarket
3/4/2005	Hicklin Engineering, L.C.	SuperFlow Corp.	Manufactures wide range of engine and chassis dynamometers
2/28/2005	Remy International, Inc.	Unit Parts Company	Supplier of new and remanufactured starters and alternators
2/28/2005	Parts Depot	Tropical International Corp.	Auto parts distributor

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the combined Superchips and MSD Ignition entity equally with Gresham. In the meeting in San Francisco, Gryphon specifically promised: That the Superchips deal would be a "partnership between Parker, Jennett, Gresham (together the 'Executive Partners') and Gryphon . . . Performance Motorsports, LLC [the holding company to be formed from the Superchips acquisition and merger with MSD Ignition] will be managed like a partnership between the four key parties of Parker, Jennett, Gresham and Gryphon . . . The Executive Partners will form an Executive Committee where they will be jointly responsible for overall Performance Motorsports, LLC performance. . . Parker and Jennett to each receive stock options for 4.5 percent of the combined common equity consistent with Dan Gresham's package.

"According to Gryphon, each \$250,000 investment by Parker and Jennett would be worth from \$18,059,000 to \$20,739,000 to each of them in five years, assuming that the 'MSD/Superchips combination' made no further acquisitions. If further acquisitions occurred, Gryphon told Parker and Jennett that their \$250,000 investment would be worth between \$22,227,000 and \$25,543,000 to each of them in five years."

Parker and Jennett allege that they put their trust in the wrong people. The lawsuit further alleges:

"On December 21, 2004 at about 1 p.m., Ott telephoned Parker and told him that the Superchips deal was finally done - Superchips had signed the purchase agreement. Even during this call, there was no hint by Ott that Gryphon had betrayed Parker and Jennett. In fact, during the call, Parker and Ott discussed the future opportunities for Superchips and what steps Parker and Jennett should take to move the company forward over the next hundred days.

"Two hours later everything changed. Inexplicably, in a conference call with Parker and Jennett, Ott told them that Gryphon was not going to give them an ownership interest in the company and was not going to give them employment."

"After forming a joint venture and working together for nearly four months to close the Superchips deal, Ott told Parker and Jennett that it 'wasn't a good fit.' Moreover, after paying Parker and Jennett for four months of their six-month consulting agreement, Gryphon suddenly, without warning, stopped paying them and has refused to pay them for the remaining two months."

Parker and Jennett have alleged 14 causes of action including Breach of Fiduciary Duty, Fraud and Misappropriation of Trade Secrets. They each seek \$25 million in compensatory damages as well as punitive damages of at least two times the compensatory damages.

AFTERMARKET FINANCIAL SYMPOSIUM LEVERAGING FOR GROWTH



SEPT. 7 - 8, 2005
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General Sessions

- Perspectives on Key Financial Issues from the Operating Side
- Perspectives on Key Financial Issues from the Accounting Side
- Mergers & Acquisitions
- Benchmarking
- Financing for Growth Panel Discussion
- Risk Management
- View From Wall Street

Breakout Sessions

- The Financial Benefits of Standards-Based eBusiness in the Aftermarket
- Managing the Volatility of Employee Benefits
- Maximizing Business Values and Liquidity
- Tax Planning

Selected Public Company Capitalization and Operating Figures
 (\$ in millions, except per share data)

Company	Enterprise Value					Last Twelve Months (LTM)			
	Price as of 4/19/05	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
Manufacturers									
Tenneco Automotive Inc.	14.78	644.5	1,408.0	68.0	2,046.4	3/31/05	4,281.0	361.0	22.6
Standard Motor Products, Inc.	10.70	212.2	351.1	8.8	554.6	3/31/05	951.3	41.7	8.2
Aftermarket Technology Corp.	15.05	320.7	107.3	9.2	422.6	3/31/05	404.5	65.7	30.5
R&B, Inc.	13.45	241.1	34.8	5.6	273.7	3/26/05	254.8	34.5	17.2
Transpro, Inc.	6.70	47.6	37.9	0.4	86.6	3/31/05	267.0	14.5	4.4
Wholesalers & Distributors									
Genuine Parts Company	\$43.59	\$7,604.3	\$500.9	\$157.8	\$8,072.9	3/31/05	\$9,242.5	\$708.8	\$402.0
TBC Corporation	26.11	586.0	265.7	1.4	877.0	3/31/05	1,887.9	101.3	38.3
LKQ Corporation	24.65	511.0	59.1	4.2	618.2	3/31/05	458.5	46.8	23.3
Keystone Automotive Industries, Inc.	21.07	332.0	2.4	4.8	338.1	12/31/04	545.2	32.6	16.8
The Coast Distribution System, Inc.	4.48	21.0	33.6	0.3	55.0	3/31/05	173.0	8.7	3.9
Retailers									
Autozone, Inc.	\$87.00	\$6,927.0	\$1,901.5	\$80.1	\$9,121.1	2/12/05	\$5,686.0	\$1,069.7	\$544.8
Advance Auto Parts, Inc.	51.02	3,647.8	489.5	56.3	4,200.1	1/1/05	3,770.3	434.7	190.0
O'Reilly Automotive, Inc.	57.16	3,178.3	100.8	89.3	3,192.4	3/31/05	1,784.2	254.3	123.6
The Pep Boys - Manny, Moe & Jack	16.42	907.7	512.6	82.8	1,344.2	1/29/05	2,272.9	151.7	25.7
CSK Auto Corporation	17.39	785.1	505.3	37.2	1,266.9	1/30/05	1,577.5	135.6	38.8

Selected Public Company Multiples and Operating Statistics

Company	Enterprise Value /					P / E Ratio	Margins		
	Revenue	EBIT	EBITDA	Free Cash Flow (2)	Net Income		Gross Margins	EBITDA Margins	Net Margins
Manufacturers									
Tenneco Automotive Inc.	0.5x	11.2x	5.7x	9.1x	90.5x	28.5	15.7%	8.4%	0.5%
Standard Motor Products, Inc.	0.6x	25.8x	13.3x	17.3x	67.7x	25.9	23.6%	4.4%	0.9%
Aftermarket Technology Corp.	1.0x	8.1x	6.4x	7.5x	13.9x	10.5	25.7%	16.3%	7.5%
R&B, Inc.	1.1x	9.2x	7.9x	12.8x	15.9x	14.0	37.1%	13.6%	6.8%
Transpro, Inc.	0.3x	10.1x	6.0x	11.1x	19.5x	10.7	19.8%	5.4%	1.7%
Mean	0.7x	12.9x	7.9x	11.6x	41.5x	17.9x	24.4%	9.6%	3.5%
Median	0.6x	10.1x	6.4x	11.1x	19.5x	14.0x	23.6%	8.4%	1.7%
Wholesalers & Distributors									
Genuine Parts Company	0.9x	12.5x	11.4x	12.9x	20.1x	18.9	31.2%	7.7%	4.3%
TBC Corporation	0.5x	11.9x	8.7x	8.6x	22.9x	15.3	37.4%	5.4%	2.0%
LKQ Corporation	1.3x	15.7x	13.2x	24.8x	26.5x	21.9	44.9%	10.2%	5.1%
Keystone Automotive Industries, Inc.	0.6x	13.4x	10.4x	14.4x	20.1x	19.8	43.6%	6.0%	3.1%
The Coast Distribution System, Inc.	0.3x	7.1x	6.3x	6.8x	14.0x	5.3	18.9%	5.0%	2.3%
Mean	0.7x	12.1x	10.0x	13.5x	20.7x	16.2x	35.2%	6.8%	3.4%
Median	0.6x	12.5x	10.4x	12.9x	20.1x	18.9x	37.4%	6.0%	3.1%
Retailers									
Autozone, Inc.	1.6x	9.7x	8.5x	10.9x	16.7x	12.7	48.9%	18.8%	9.6%
Advance Auto Parts, Inc.	1.1x	12.8x	9.7x	16.5x	22.1x	19.2	46.5%	11.5%	5.0%
O'Reilly Automotive, Inc.	1.8x	16.0x	12.6x	42.4x	25.8x	25.7	43.1%	14.3%	6.9%
The Pep Boys - Manny, Moe & Jack	0.6x	17.9x	8.9x	21.1x	52.4x	35.4	27.4%	6.7%	1.1%
CSK Auto Corporation	0.8x	12.9x	9.3x	11.6x	32.6x	20.2	46.5%	8.6%	2.5%
Mean	1.2x	13.8x	9.8x	20.5x	29.9x	22.6x	42.5%	12.0%	5.0%
Median	1.1x	12.9x	9.3x	16.5x	25.8x	20.2x	46.5%	11.5%	5.0%

(1) Enterprise Value equals market cap, plus debt, minus cash

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful