

M&A QUARTERLY

NATIONAL EDITION

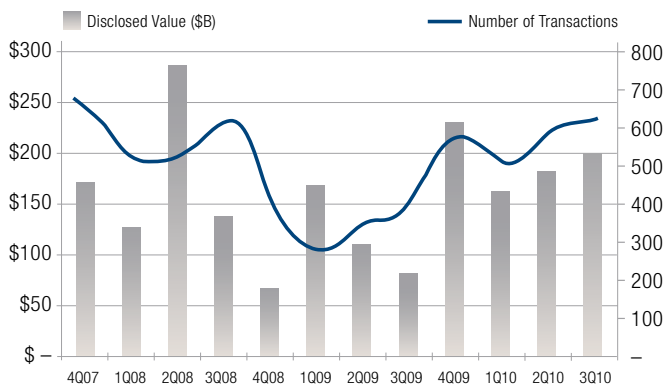
M E R G E R S | A C Q U I S I T I O N S | D I V E S T I T U R E S | V A L U A T I O N

M&A Market Commentary

National M&A activity continued to improve throughout 2010, increasing nearly 150% in total disclosed deal value from 3Q 2009 to 3Q 2010. Additionally, the number of announced M&A transactions has risen substantially, increasing 64% from 3Q 2009 to 3Q 2010. Total deal value for TTM 3Q 2010 remains below the peak levels of 2005 – 2007 but has experienced substantial improvement over the lows in 2008 – 2009. The number of transactions has also increased significantly, underlining the trend of smaller transactions for both strategic and financial buyers.

As economic conditions deteriorated throughout 2008, distressed M&A transactions became a larger part of the overall M&A marketplace. From 4Q 2007 to 3Q 2009, distressed M&A activity rose at a CAGR greater than 90%. However, after peaking at 171 transactions, distressed M&A began to decline, falling at a CAGR greater than 10% through 3Q 2010. This recent decline is likely due to easing credit markets and a rebounding economy, allowing more companies the possibility of avoiding bankruptcy.

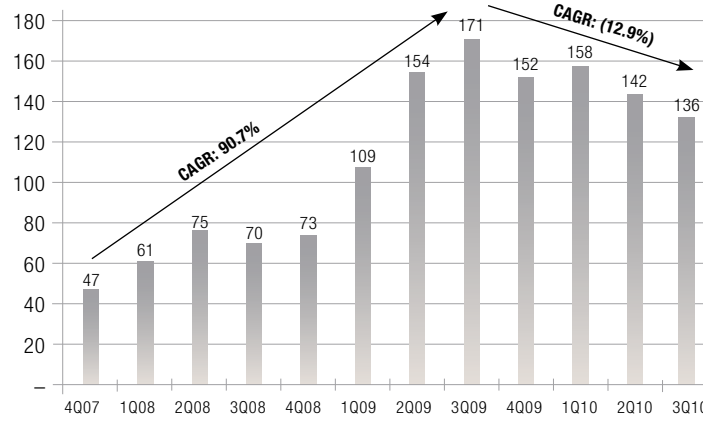
National Historical Quarterly M&A Activity^{1,2}



Notes: ¹ Source: Capital IQ.
² Includes transactions over \$10MM.

The third quarter of 2010 continued to show a significant rebound for all transaction values when compared to the same quarter in 2009. Total deal value increased more than 200% for transactions greater than \$1 billion in value, showing an increasing appetite for larger deals. The less than \$100 million in value range experienced the smallest increase of all transactions value ranges, growing 7.3% and 55.7% in number of transactions and total deal value, respectively.

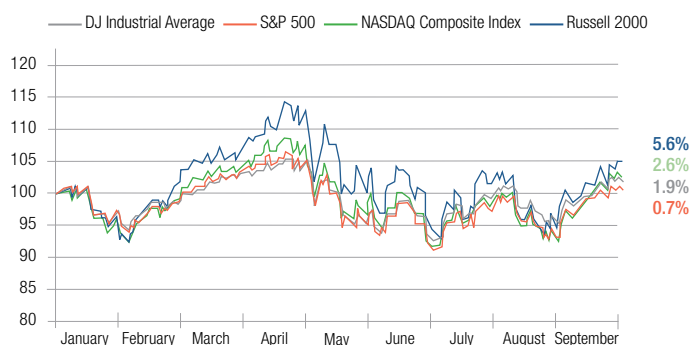
Distressed M&A Activity¹



Note: ¹ Source: Capital IQ.

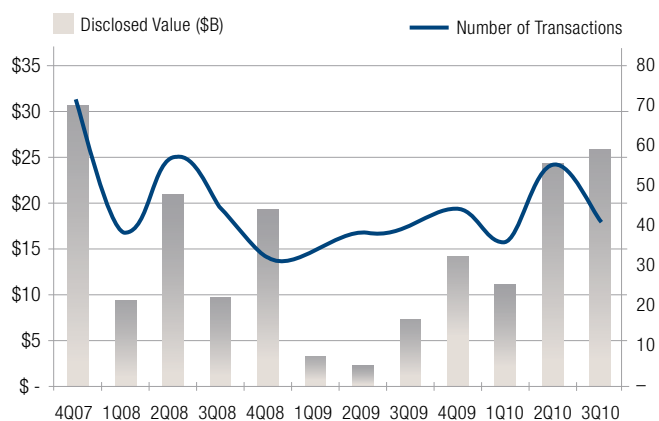
U.S. equity markets have experienced high levels of volatility throughout 2010 after rallying through most of 2009. Through 3Q 2010, all four of the major U.S. indices were up for the year with the Russell 2000 experiencing the greatest increase at 5.6%, and the S&P 500 posting a more modest 0.7% increase. Although equity markets were not very favorable in 2Q 2010, valuations improved during 3Q 2010. In 3Q 2010, the National Enterprise Value / EBITDA multiple climbed for the third consecutive quarter to 11.1x, increasing 34% from its 1Q 2009 low of 8.3x.

U.S. Market Indices: YTD 2010



In recent quarters, both the total deal value and the number of U.S. leveraged buyouts have increased significantly, reaching a level last seen in 4Q 2007. Total deal value increased more than 250% in 3Q 2010 as compared to 3Q 2009 while the number of announced transactions increased nearly 30% over the same period. When compared to 2Q 2010, LBO deal value showed more modest improvement, increasing 6.7% in disclosed deal value but falling more than 20% in the number of transactions. The recent surge in activity is encouraging; however, the mega deal activity seen in 2007 will likely not be achieved in the near future due to a lack of consumer confidence and a volatile market.

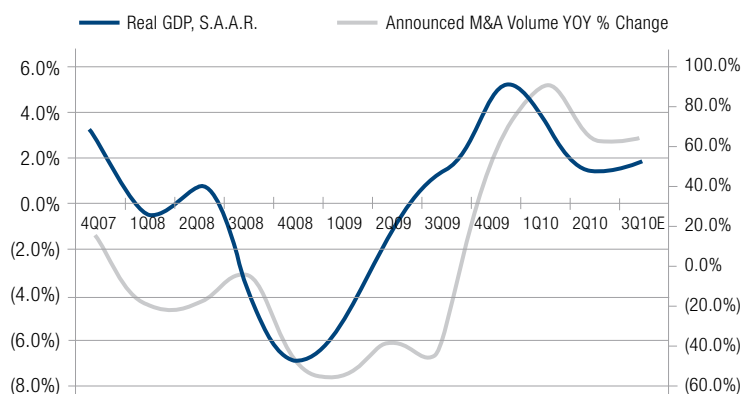
U.S. Leveraged Buyout Activity^{1,2}



Notes: ¹ Source: Capital IQ.
² Includes transactions over \$10MM.

The U.S. GDP growth rate and National M&A activity have experienced significant increases since bottoming in 1Q 2009. The GDP growth rate, historically an accurate predictor of M&A activity, is projected to post its fifth straight quarterly increase in 3Q 2010 after experiencing four consecutive quarters of negative growth. National M&A activity is experiencing similar year-over-year growth. After posting multiple quarterly year-over-year declines, National M&A activity started a rebound in 4Q 2009 that continued into its fourth straight quarterly increase of 64.3% YOY growth.

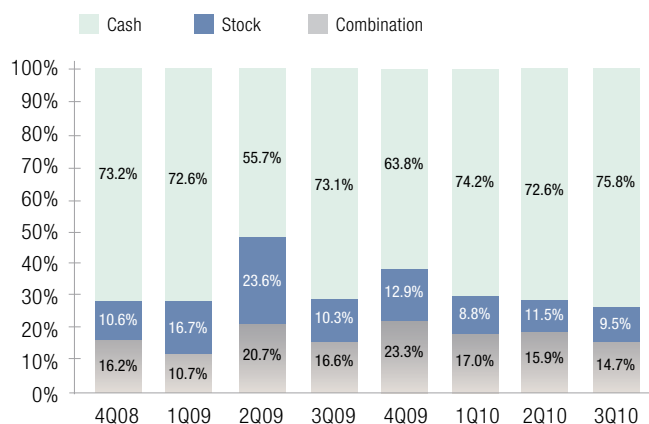
U.S. GDP Growth vs. M&A Activity^{1,2}



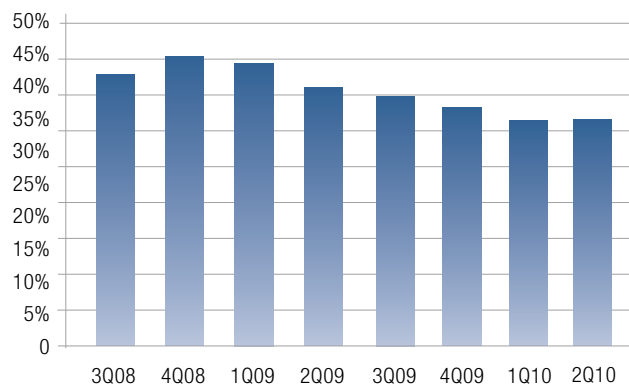
Notes: ¹ Source: Bureau of Economic Analysis, Capital IQ.
² GDP growth based on year 2000 dollars.

M&A Market Statistics as of September 30, 2010

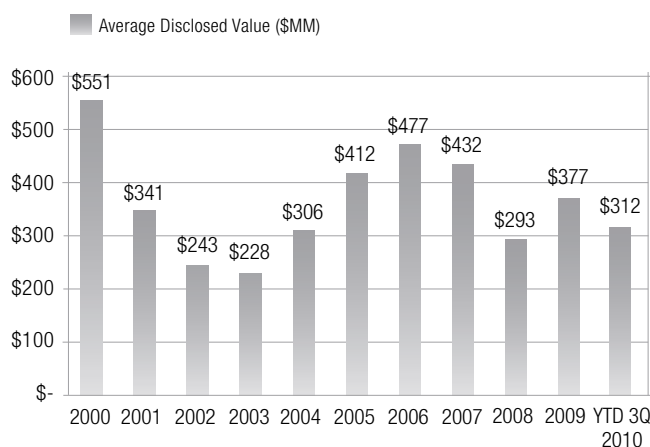
Consideration Offered for M&A Transactions²



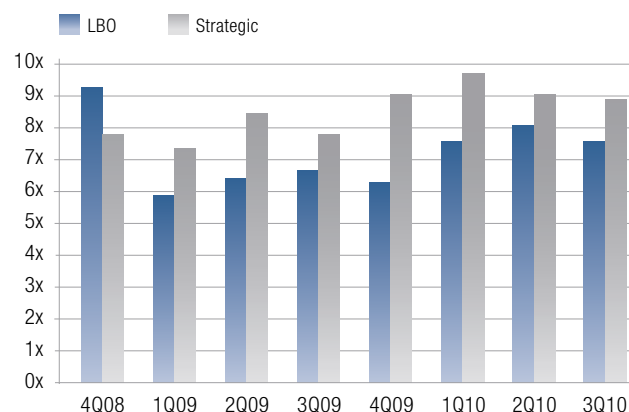
National Median Public Company Debt/Equity²



Average Size of Total M&A Transactions¹



Median National LBO vs. Strategic EBITDA Multiples^{2,3}



National M&A Deal Activity¹

Deal Size	3Q 2009		3Q 2010		% Change 3Q 2009–3Q 2010	
	Volume	Value (\$MM)	Volume	Value (\$MM)	Volume	Value
Under – \$100MM	712	\$10,021	764	\$15,601	7.3%	55.0%
\$100MM – \$250MM	49	7,541	104	17,123	112.2%	127.1%
\$250MM – \$500MM	26	9,161	49	16,785	88.5%	83.2%
\$500MM – \$1,000MM	21	14,111	38	26,214	81.0%	85.8%
\$1,000MM +	16	41,544	33	126,760	106.3%	205.1%
Total Disclosed	824	\$82,378	988	\$202,483	19.9%	145.8%
<i>Total Undisclosed</i>	<i>1,326</i>		<i>1,790</i>		<i>0.3%</i>	
Grand Total	2,150		2,778		0.3%	

Notes: ¹ Source: Capital IQ, 10/28/2010.

² Source: Fact Set, 10/28/2010.

³ Averages exclude multiples less than 0 and greater than 25.

ECONOMIC CORNER

Scott J. Brown, Ph.D.

October 14, 2010



More Fed Accommodation On The Way

- Recent data have continued to suggest positive but subpar economic growth in the near term
- In its September 21 policy statement, the Federal Open Market Committee indicated that growth, while likely to remain positive, was too slow and that inflation was too low
- Recent comments by senior Fed officials suggest that the FOMC is likely to announce plans for further purchases of long-term Treasury securities at the November 2-3 policy meeting

In its September policy statement, the FOMC indicated that “the pace of economic recovery is likely to be modest in the near term,” and “measures of underlying inflation are currently at levels somewhat below those the Committee judges most consistent, over the longer run, with its mandate to promote maximum employment and price stability.” The FOMC wrote that it was “prepared to provide additional accommodation if needed to support the economic recovery and to return inflation, over time, to levels consistent with its mandate.” At the time, Fed officials seemed unclear on whether the potential benefits of more “credit easing” would outweigh the potential costs. The Fed bought \$1.25 trillion in mortgage-backed securities and agency debt and \$300 billion in Treasuries during the financial crisis. Those efforts were very effective when the financial system and the economy were under severe duress, but might be less helpful now that the financial sector appears to be functioning in a “more normal” manner.

The Fed is still working out the mechanics and communication strategies of further accommodation. Unlike the first round, when the Fed announced large-scale purchases over many months, the Fed is expected to announce smaller purchases over shorter periods. Another option is for the Fed to announce a target for the 10-year Treasury note yield. The advantage of this strategy would be that the market would do most of the Fed’s heavy lifting, moving toward the target even before the Fed begins its purchases. The Fed could announce an inflation target or make a longer-term commitment to keep short-term rates at very low levels.

Unlike most other central banks, the Federal Reserve does not have an explicit inflation target. However, over the years, Fed officials have suggested an implicit comfort range of 1% to 2%. The path of inflation is seen as driven largely by two factors, a measure of the output gap (such as the difference between actual and potential GDP or the unemployment rate) and inflation expectations. Excess capacity (an economy operating well below its potential) puts downward pressure on inflation. If actual inflation trends below inflation expectations for a long enough period, inflation expectations will decline – and that appears to have been the case for most of this year. A decline in short-term inflation expectations boosts real interest rates, dampening aggregate demand. Conversely, an increase in inflation expectations lowers short-term real interest rates, stimulating the economy. The near-term goal of the Fed is therefore to boost inflation expectations, but not excessively.

Meanwhile, the economy appears likely to grow at a positive, but subpar, rate for the next few quarters, limited by a continuation of existing headwinds (lingering problems in residential and commercial real estate, tight credit, and strains in state and local government budgets). The Bush tax cuts are set to expire at the end of this year, and Congress will not act on taxes until after the November 2 elections. There is some chance that some or all of the Bush tax cuts could be extended, but the uncertainty is not helpful. Furthermore, the federal fiscal stimulus will ramp down next year, acting as a drag on overall economic growth. On the positive side, financial conditions are better than they were before the recession. Corporate profits have generally been strong, helping to fuel business spending on equipment and software.

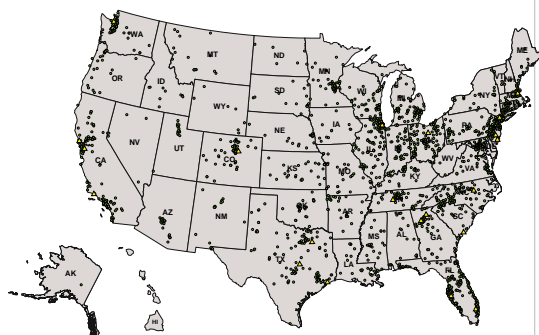
Economic recoveries often involve “chicken or egg” questions. Job growth leads to more consumer spending, more consumer spending leads to more job gains, and so on. There doesn’t need to be a single driver to propel overall growth. Rather, improvement typically comes in fits and starts, uneven across sectors, but broadly over time. In a typical recession, consumers delay purchases of new cars and homes and businesses put off capital expenditures. Once the economy starts to improve, the pent-up demand slingshots the recovery. However, given the damage to the financial sector, the boost to overall economic growth should be relatively limited.

The developing mortgage foreclosure crisis is likely to add to the economic headwinds in the near term. Home construction and sales activity are already low – so while the news isn’t helpful, the direct economic damage may be limited. However, we could see more significant financial sector difficulties as the crisis unfolds.

Raymond James & Associates

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Raymond James Recent Advisory Transactions

2010



Financial Advisory Services

September 2010



Has acquired



August 2010

Platinum Equity

&

THE GORES GROUP
Have acquired



August 2010

Life Quotes, Inc.

Has been acquired by

LQ Acquisition, Inc.

August 2010



Has been acquired by



August 2010



Has been acquired by

INGENIX
a wholly-owned subsidiary of



August 2010



Has been acquired by



August 2010

SKYWEST, INC.

Has announced its acquisition of



July 2010



Has been acquired by




July 2010




Has announced its acquisition by



July 2010



Sale of Card Services Division to



July 2010



Has been acquired by



June 2010



Financial Advisory Services

June 2010



Has been acquired by

Extant Component Group Holdings, Inc.
a portfolio company of



June 2010



Has been acquired by




June 2010




Has been acquired by




June 2010




Has been acquired by



June 2010



Has acquired natural gas assets from



May 2010

E-Payment Services
A COINSTAR COMPANY



Has been acquired by



May 2010



Has been acquired by



Raymond James Recent Capital Markets Transactions

September 2010



RHINO
RESOURCE PARTNERS LP

\$76,477,300
Initial Public Offering

Book-Running Manager

September 2010



Associated Estates
Great Living - It's What We Do

\$125,120,000
Follow-On Offering

Joint Book-Running Manager

September 2010



BMR

\$306,250,000
Follow-On Offering

Joint Book-Running Manager

September 2010



REALTY INCOME

\$207,029,900
Follow-On Offering

Co-Lead Manager

September 2010



HEALTHCARE REIT

\$420,900,000
Follow-On Offering

Senior Co-Manager

September 2010



StoneMor

\$41,400,000
Follow-On Offering

Sole Manager

September 2010



APOLLO
Commercial Real Estate Finance, Inc.

\$110,400,000
Follow-On Offering

Co-Manager

September 2010



Radiant
SYSTEMS

\$91,764,725
Follow-On Offering

Co-Lead Manager

September 2010



EXTERRAN
PARTNERS

\$114,264,000
Follow-On Offering

Co-Manager

September 2010



INERGY, L.P.

\$419,635,000
Follow-On Offering

Senior Co-Manager

September 2010



AIMCO
Apartment Investment and Management Company

\$99,436,000
Preferred Offering

Lead Manager

August 2010



TK

\$133,730,625
Follow-On Offering

Senior Co-Manager

August 2010



\$117,196,500
Follow-On Offering

Joint Book-Running Manager

August 2010



TARGA

\$185,380,000
Follow-On Offering

Co-Manager

August 2010



MetLife

\$3,622,500,000
Follow-On Offering

Co-Manager

July 2010



Chesapeake
MIDSTREAM PARTNERS

\$332,000,000
Initial Public Offering

Senior Co-Manager

July 2010



pebblebrook
HOTEL TRUST

\$332,000,000
Follow-On Offering

Joint Book-Running Manager

July 2010



Oxford
Resource Partners

\$161,875,000
Initial Public Offering

Co-Manager

July 2010




ECA

\$181,949,000
Initial Public Offering

Lead Book-Running Manager

June 2010



OASIS
PETROLEUM

\$676,200,000
Initial Public Offering

Co-Manager