

M&A QUARTERLY

NATIONAL EDITION

MERGERS | ACQUISITIONS | DIVESTITURES | VALUATION

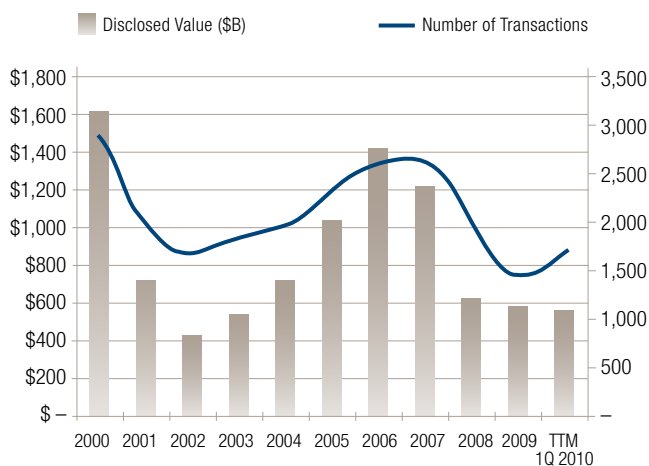
M&A Market Commentary

National M&A volume has continued to gain momentum in recent quarters, increasing nearly 50% from 1Q 2009 to 1Q 2010. Excluding Pfizer's (NYSE: PFE) acquisition of Wyeth and Merck's (NYSE: MRK) acquisition of Schering-Plough in 1Q 2009, disclosed deal value increased more than 150% in 1Q 2010 over 1Q 2009. These two blockbuster healthcare deals, totaling more than \$110 billion in size, accounted for over 70% of total deal value in 1Q 2009. In recent quarters, smaller M&A transactions have become an increasingly important component of both the strategic and financial buyer universe.

M&A transactions valued less than \$1 billion experienced a total dollar value increase of nearly 50% from 1Q 2009 to 1Q 2010 in addition to a 19% increase in the number of transactions. However, transactions valued above \$1 billion experienced a total dollar value decrease of 25% from 1Q 2009 to 1Q 2010, while the number of transactions this size increased more than 100% over the same period. This value decrease can be traced back to the two blockbuster healthcare deals that occurred in 1Q 2009.

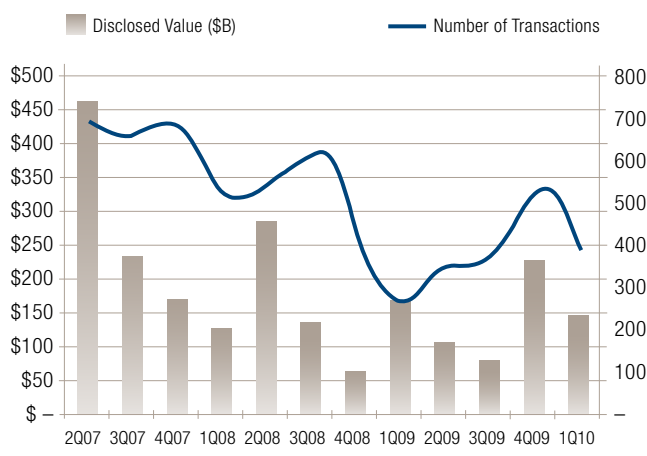
The quarterly analysis of M&A activity in the U.S. exhibited distinctive improvement in recent quarters. 1Q 2010 experienced increased deal value and number of transactions when compared to 1Q 2009, exclusive of the two large healthcare transactions. On a sequential basis, total disclosed deal value decreased more than 35% in 1Q 2010 versus 4Q 2009 while experiencing a near 30% decrease in the number of transactions over the same period.

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



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

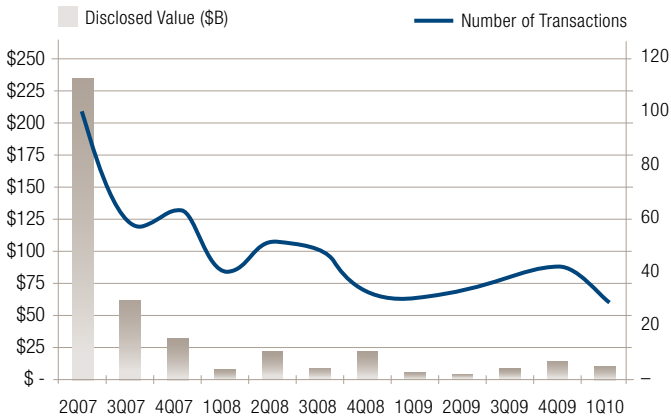
National Historical Quarterly M&A Activity^{1,2}



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

In recent quarters, U.S. leveraged buyouts have increased significantly. Total deal value increased nearly 185% in 1Q 2010 as compared to 1Q 2009, while the number of transactions increased 7% over the same period. Expect financial sponsor activity to continue to show gains in the near term as the credit markets and economy stabilize.

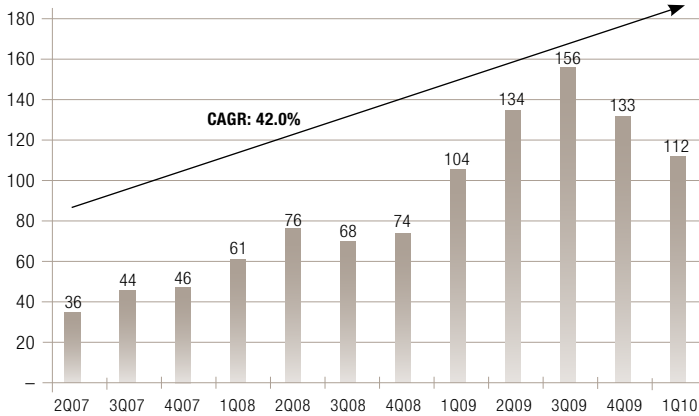
U.S. Leveraged Buyout Activity^{1,2}



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

As economic conditions deteriorated throughout 2008, distressed M&A transactions became a larger part of the overall M&A marketplace. Since 2Q 2007, distressed M&A activity has risen at a CAGR of 42%. After peaking at 156 transactions in 3Q 2009, distressed M&A began to decline, falling nearly 30% by 1Q 2010. This recent decline is likely due to easing credit markets and a rebounding economy.

Distressed M&A Activity¹

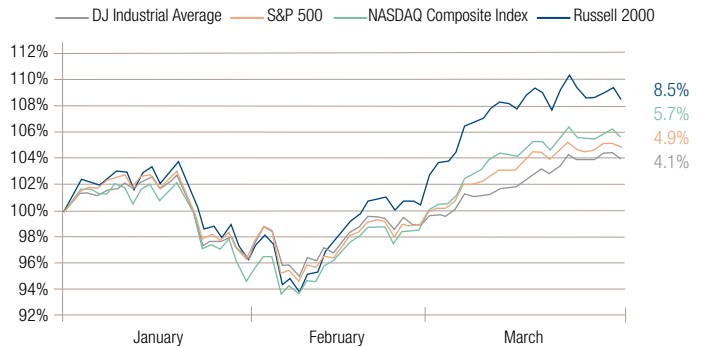


Note: ¹ Source: Capital IQ.

U.S. equity markets have experienced a historic bull market run, continuing the significant gains experienced in 2009 well into 2010. These gains have led to a rebound in the once-closed IPO market, as well as increased follow-on equity capital raises. Of the four major indices, the Russell 2000 performed the strongest YTD 2010, climbing 8.5%, while the Dow Jones Industrial Average posted

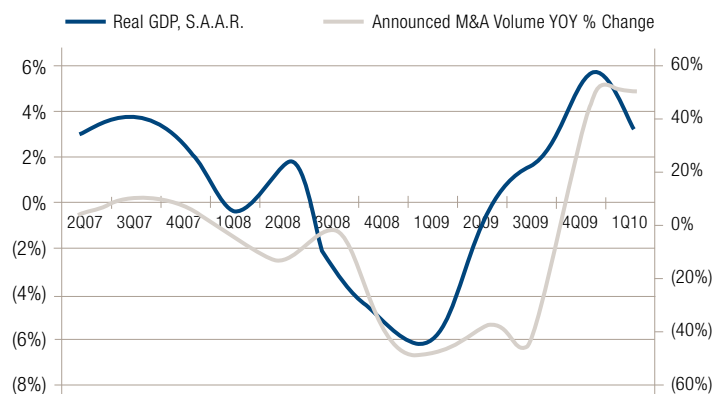
a respectable 4.1% increase. The recent upward trend in the equity markets, coupled with increased investor confidence, has driven valuations up from their previous lows. The National Enterprise Value/EBITDA multiple climbed for the second straight quarter to 10.5x.

U.S. Market Indices: YTD 2010



After bottoming out in 1Q 2009, both the U.S. GDP growth rate and national M&A activity experienced a rebound. The GDP growth rate, historically an accurate predictor of M&A activity posted its third straight quarterly increase in 1Q 2010 and is expected to increase throughout the remainder of 2010. 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 the second straight quarterly increase of 48.9% year-over-year growth. The continued GDP growth portends a favorable outlook for M&A activity throughout the remainder of 2010.

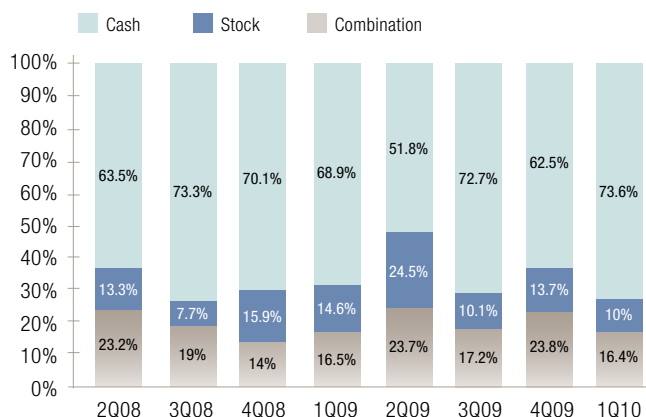
U.S. GDP Growth vs. M&A Activity^{1,2}



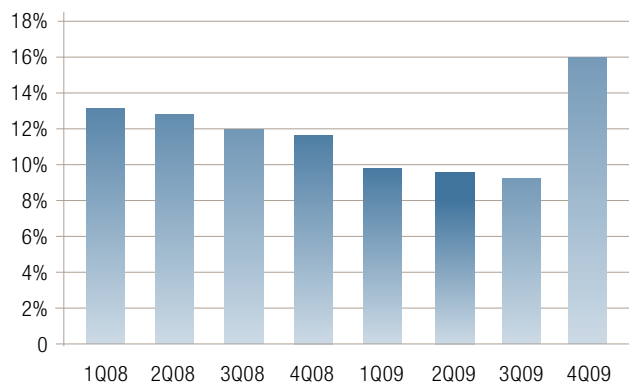
Notes: ¹ Source: Bureau of Economic Analysis, Capital IQ.
² GDP growth based on year 2000 dollars.

M&A MARKET STATISTICS AS OF MARCH 31, 2010

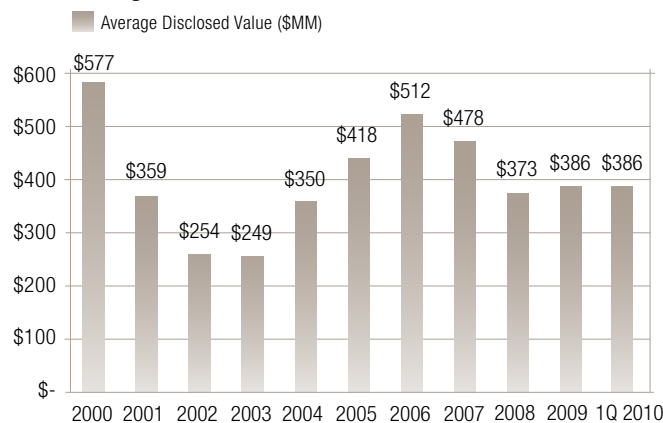
Consideration Offered for M&A Transactions¹



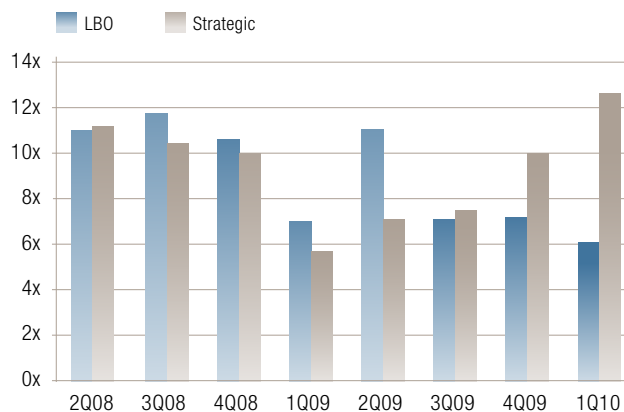
National Median Public Company Debt/Equity¹



Average Size of Total M&A Transactions²



Median National LBO vs. Strategic EBITDA Multiples³



National M&A Deal Activity⁴

Deal Size	1Q 2009		1Q 2010		% Change 1Q 2010-1Q 2009	
	Volume	Value (\$MM)	Volume	Value (\$MM)	Volume	Value
Less than \$100MM	535	\$6,981	618	\$9,112	15.5%	30.5%
\$100MM – \$250MM	35	5,236	51	7,733	45.7%	47.7%
\$250MM – \$500MM	16	5,560	24	8,944	50%	60.9%
\$500MM – \$1,000MM	9	6,488	14	10,256	55.6%	58.1%
\$1,000MM and Higher	11	144,573	23	108,436	109.1%	(25%)
Total Disclosed	606	\$168,838	730	\$144,481	20.5%	(14.4%)
<i>Undisclosed</i>	<i>8,505</i>		<i>7,318</i>		<i>(14%)</i>	
Grand Total	9,111		8,048		(11.7%)	

¹ Source: Fact Set, 4/5/2010.

² Includes transactions over \$10MM.

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

⁴ Source: Capital IQ, 4/5/2010.

Economic Research

Scott J. Brown, PhD

April 22, 2010



A Moderate Path with Continued Headwinds

- The U.S. economy continued to expand in the first quarter. The job market appears to have finally turned the corner. Still, the recovery will likely be relatively moderate.
- In contrast to fears of higher inflation, core inflation measures have actually been trending lower. The Federal Reserve is unlikely to raise the overnight lending rate this year.
- Long-term interest rates normally creep higher in an economic recovery. However, they should not rise so much that they threaten the recovery.

Real GDP rose at a 5.6% annual rate in the government's third estimate of 4Q09 growth. Two-thirds of that increase was due to a slower pace of inventory reduction. The inventory correction is nearly complete, but is expected to have contributed further to GDP growth in 1Q10. It looks likely that private demand will be strong enough to carry the expansion forward, but the pace is likely to remain disappointing given the magnitude of the economic downturn.

Labor market weakness has been a centerpiece of the economic downturn. Nonfarm payrolls are now down 8.2 million from when the recession began. The economy needs about 125,000 additional payroll jobs per month to keep the unemployment rate steady over time. If the economy were to add 250,000 jobs per month, it would take nearly three years to regain the jobs lost over the last two years. However, over that time, more than 7 million people would have been added to the workforce. If we continued to add 250,000 jobs per month, the unemployment rate would not return to its pre-recession level until 2017.

The large degree of slack in the labor market implies that wage pressures are unlikely to build anytime soon. Productivity growth has been extremely strong, pushing unit labor costs down. In contrast to the Great Inflation of the 1970s and early 1980s, higher oil prices have not fed through to the labor market. The labor market is the widest channel for inflation pressures and an elevated unemployment rate implies that overall inflation is likely to remain low. Manufacturing output has been increasing, but there is still a considerable amount of slack in production.

It takes a huge increase in commodity prices to have much of an impact by the time you get to the consumer. There are more important factors in inflation, such as labor costs, transportation, processing and advertising. The exception is the price of oil, which has a broad impact across the economy. However, the oil price increases of the last several years have been associated more with weaker economic growth than with a higher underlying trend in inflation.

More recently, measures of core inflation have been trending lower (e.g. food and energy). The Consumer Price Index rose just 1.1% over the 12 months ending in March – a 0.6% annual rate over the last six months. Much of the disinflation has been due to weakness in rents. However, the decline in the core inflation rate is more than just housing. Nearly half of the weighted components of the CPI exhibited flat or declining inflation over the last 12 months. Deflation, a decline in the general price level, is something that the Federal Reserve takes very seriously. Falling prices can paralyze consumer spending and business fixed investment activity, leading to lower prices and even weaker growth. Deflation appears to be much less of a threat than it did a year ago, and still is not likely, but the odds have increased.

The Fed has the tools to fight deflation. In fact, it employed these tools last year (buying \$1.25 trillion in mortgage-back securities and \$300 billion in long-term Treasury securities). The Fed's asset purchase programs have ended. However, officials reserve the right to resume purchases if conditions warrant. Most likely, the U.S. economy will avoid a prolonged deflationary episode, but it's not out of the realm of possibility. The Fed has continued to indicate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for "an extended period." That view is conditional on three things: low rates of resource utilization, subdued inflation trends and well-anchored inflation expectations. These conditions are unlikely to shift enough to force the Fed to raise short-term interest rates anytime soon. Credit is still generally contracting – so there's no need to tighten policy to cool the economy off.

Looking ahead, bank lending should become looser over time. However, credit is likely to remain tight for small businesses for some time, keeping the overall expansion at a moderate pace. The hangover from the residential housing collapse will continue, although problems should decrease gradually over time. Commercial real estate will be a problem for many small banks around the country. State and local government budgets remain under severe strain, leading to higher taxes and cuts in services, although tax revenues have begun to increase. The fiscal stimulus will ramp down into 2011 and the Bush tax cuts are set to sunset at the end of the year. However, while these negatives are expected to dampen growth into early 2011, they should not cause a double dip.

Raymond James & Associates

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RAYMOND JAMES RECENT ADVISORY TRANSACTIONS

2010



Financial Advisory Services

March 2010



Evergreen Energy Inc.

Restructuring Advisory Services
Sell-Side Advisor to Buckeye Industrial Mining

March 2010



Has announced its acquisition by



March 2010



Has been acquired by



March 2010



Has been acquired by



March 2010



Has acquired



March 2010



Has been acquired by




March 2010



Has entered into a definitive merger agreement with



February 2010



Provident Royalties

Restructuring Advisory Services
Financial Advisor to the Trustee

February 2010



Has been acquired by



January 2010



Has been acquired by



January 2010



Has been acquired by



December 2009



Has been acquired by



December 2009



Has acquired



November 2009



Has acquired



November 2009



Financial Advisory

November 2009



Has been acquired by



October 2009



Has merged with



October 2009



Announced its acquisition by



October 2009



Has sold the Insure.com domain, associated content, and certain other assets to



RAYMOND JAMES RECENT CAPITAL MARKETS TRANSACTIONS

March 2010



\$320,400,000
Initial Public Offering

Co-Manager

March 2010



\$160,875,000
Initial Public Offering

Co-Manager

March 2010



\$486,306,250
Follow-On Offering

Co-Manager

March 2010



\$431,250,000
Follow-On Offering

Senior Co-Manager

March 2010



\$117,300,000
Follow-On Offering

Joint Book-Running Manager

March 2010



\$98,568,800
Follow-On Offering

Senior Co-Manager

March 2010



\$91,712,500
Follow-On Offering

Co-Lead Manager

March 2010



\$139,437,500
Follow-On Offering

Co-Manager

March 2010



\$221,777,500
Follow-On Offering

Co-Manager

March 2010



\$344,952,704
Follow-On Offering

Co-Manager

March 2010



\$116,050,000
Follow-On Offering

Lead Book-Running Manager

February 2010



\$96,876,000
Follow-On Offering

Joint Book-Running Manager

February 2010



\$100,625,000
Follow-On Offering

Co-Manager


February 2010



\$49,500,000
Follow-On Offering

Joint Book-Running Manager

January 2010



\$96,473,851
Follow-On Offering

Co-Manager

January 2010



\$228,605,625
Follow-On Offering

Senior Co-Manager

January 2010



\$208,404,875
Follow-On Offering

Senior Co-Manager

January 2010



\$155,250,000
Follow-On Offering

Joint Book-Running Manager

January 2010



\$99,187,500
Follow-On Offering

Co-Manager

January 2010



\$146,360,500
Follow-On Offering

Co-Lead Manager