

M&A QUARTERLY

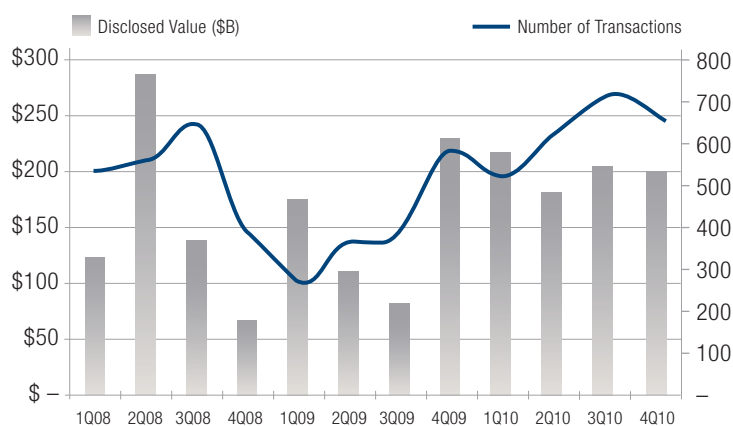
NATIONAL EDITION

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

Total deal value for 2010 was below the peak levels seen from 2005 – 2007 but experienced substantial improvement over the lows in 2008 – 2009. The increased number of transactions underlines the growing trend of smaller transactions for both strategic and financial buyers. National M&A activity slowed its strong recovery in Q4 2010, with the quarter down about 13% in total disclosed deal value from the same period in 2009. However, the number of announced M&A transactions rose, increasing 16% from 4Q 2009 to 4Q 2010.

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



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

In the fourth quarter of 2010, transactions greater than \$1 billion in value increased by almost 90% from Q4 2009, while disclosed deal value fell by nearly 30%. Transactions in the lower middle market (between \$100 million and \$250 million in deal value) declined in both number of transactions and total disclosed deal value (declines of 6% and 10%, respectively). Declines in the lower middle market were offset by impressive growth in the upper portion of the middle market (between \$250 and \$1 billion in deal value) with activity in this segment up nearly 60% in both total transactions and deal value. Transactions of less than \$100 million in value also experienced strong increases, growing 10% and 23% in number of transactions and total deal value, respectively.

Raymond James' Mergers & Acquisitions Group is the investment banking team dedicated to providing financial advisory services to middle-market private and public companies.

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ALSO IN THIS EDITION

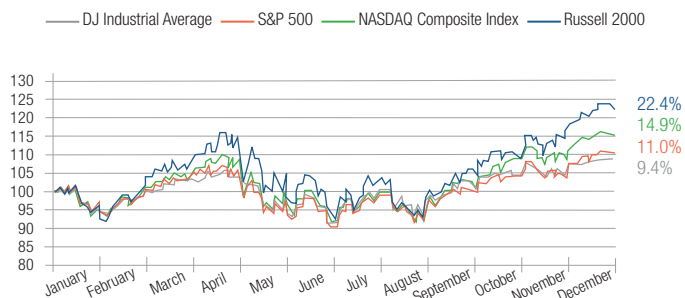
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ECONOMIC CALENDAR

- February 16**
 Producer Price Index (January)
 Housing Starts (January)
 FOMC Meeting Announcement
- February 17**
 Consumer Price Index (January)
- February 23**
 BOE Announcement
 Existing Home Sales (January)

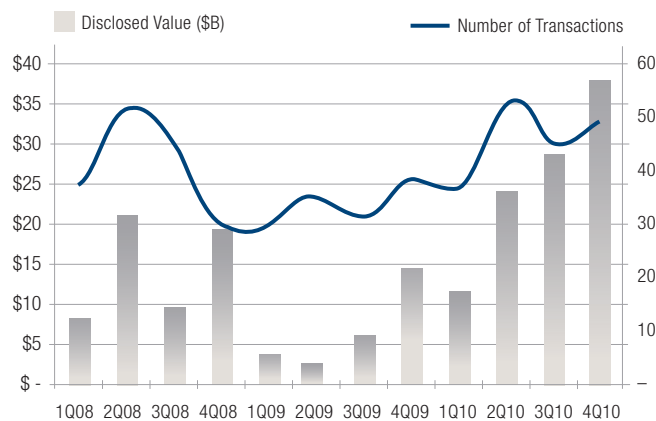
U.S. equity markets have experienced high levels of volatility throughout 2010 after rallying through most of 2009. All four of the major U.S. indices closed the year on a positive note with the Russell 2000 experiencing the greatest increase at 22%, and the three other indexes ending up for the year. In 4Q 2010, the National Enterprise Value / EBITDA multiple fell after climbing for the three consecutive quarters, to 10.4x, still up 25% 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 peaks last seen in 4Q 2007. Total deal value increased more than 180% in 4Q 2010 as compared to 4Q 2009 while the number of announced transactions increased nearly 30% over the same period. When compared to 3Q 2010, LBO deal value showed more modest performance, increasing 27% in disclosed deal value but increasing only 4% in the number of transactions. Despite the recent surge in activity, the mega deals of 2007 will likely remain at depressed levels due to credit market constraints.

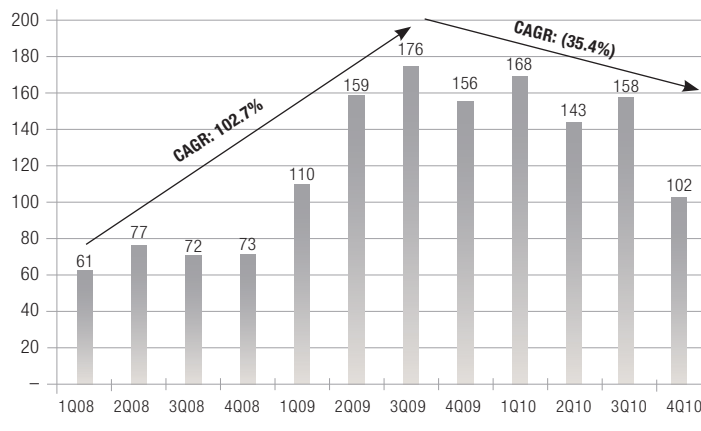
U.S. Leveraged Buyout Activity^{1,2}



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

As economic conditions deteriorated in 2008, distressed M&A transactions became a larger part of the overall M&A marketplace. Since 1Q 2008, distressed M&A activity rose at a CAGR greater than 100%. However, after peaking at 176 transactions in 3Q 2009, distressed M&A began to decline, falling at a CAGR greater than 35% since the peak. This decline is due to easing credit markets and a rebounding economy, allowing more companies the possibility of a non-bankruptcy sale.

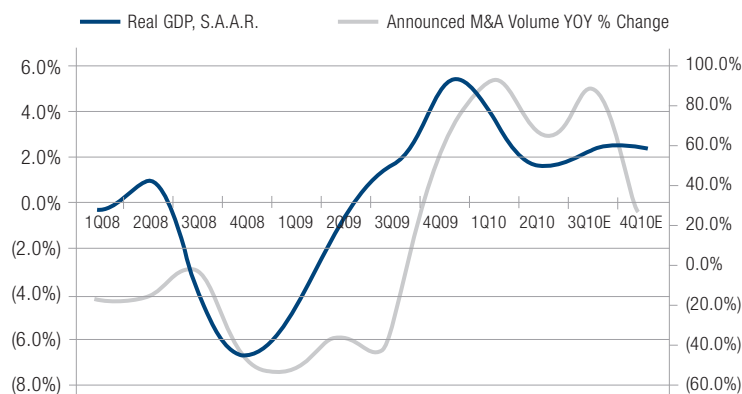
Distressed M&A Activity¹



Note: ¹ Source: Capital IQ.

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 sixth straight quarterly increase in 4Q 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 fifth straight quarterly increase of almost 14% YOY growth.

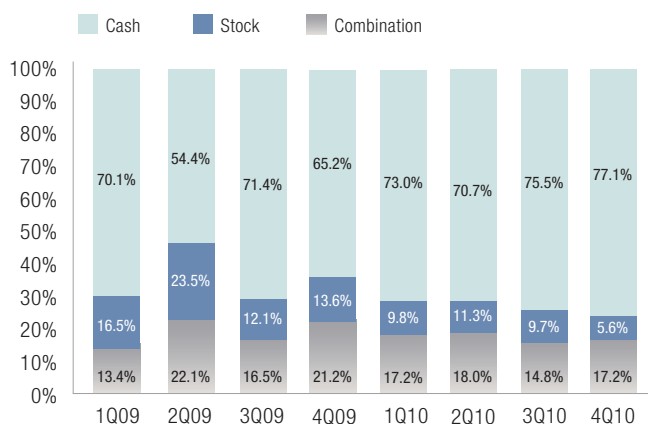
U.S. GDP Growth vs. M&A Activity^{1,2}



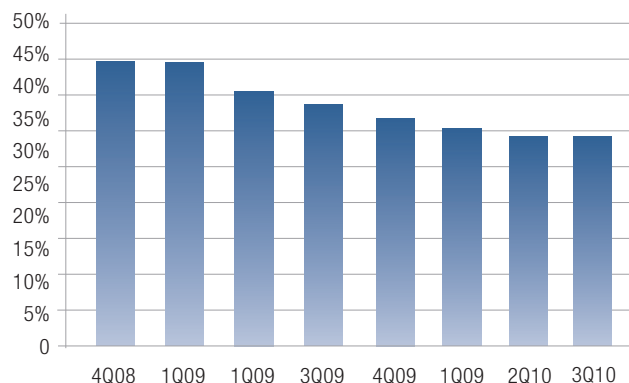
Notes: ¹ Source: Bureau of Economic Analysis, Capital IQ.
² GDP growth based on year 2000 dollars.

M&A Market Statistics as of December 31, 2010

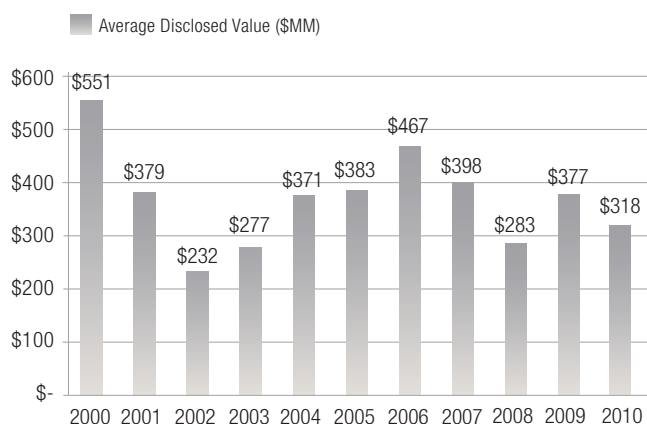
Consideration Offered for M&A Transactions²



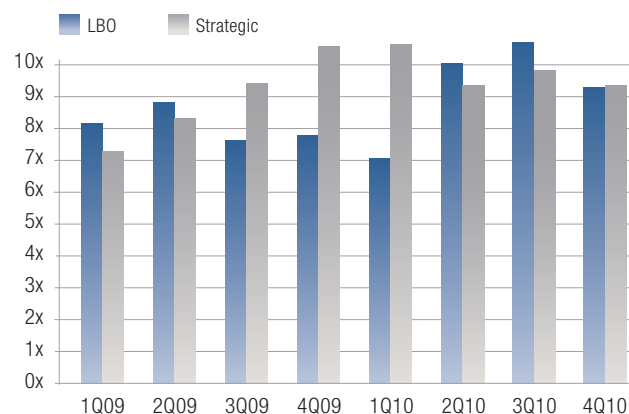
National Median Public Company Debt/Equity²



Average Size of Total M&A Transactions¹



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



National M&A Deal Activity¹

Deal Size	4Q 2009		4Q 2010		% Change 4Q 2009–4Q 2010	
	Volume	Value (\$MM)	Volume	Value (\$MM)	Volume	Value
\$10MM – \$100MM	399	\$13,533	440	\$16,704	10.3%	23.4%
\$100MM – \$250MM	90	14,456	85	13,018	(5.6%)	(9.9%)
\$250MM – \$500MM	37	13,084	58	19,172	56.8%	46.5%
\$500MM and Higher	46	188,705	81	151,102	76.1%	(19.9%)
Total Disclosed	572	\$229,778	664	\$199,996	16.1%	(13.0%)
Less than \$10MM	2,159		2,292		6.2%	
Grand Total	2,731		2,956		8.2%	

Notes: ¹ Source: Capital IQ, 1/13/2011.

² Source: Fact Set, 1/13/2011.

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

ECONOMIC CORNER

Scott J. Brown, Ph.D.

January 19, 2011



More Of The Same

- The economy ended 2010 on a strong note. Real consumer spending is likely to have grown at an annual rate of more than 4%. A slower pace of inventory accumulation will subtract from 4Q10 GDP growth, but a drop in imports will add to growth.
- The economy still faces a number of headwinds in early 2011, including lingering problems in residential real estate, strains in state and local government budgets, and higher gasoline prices. These headwinds aren't going to push us into a recession, but they will limit the pace of growth to some extent.

- The Federal Reserve is widely expected to complete its \$600 billion asset purchase program by the end of June. While there's some chance that the Fed could end up buying more later on, such action is not expected. Eventually, policymakers will take the foot off the gas pedal, but not anytime soon.

The holiday shopping season was strong, but mixed—a bit disappointing relative to lofty expectations, but consistent with solid growth in the overall economy. Inflation-adjusted consumer spending (70% of Gross Domestic Product) should post a strong gain for 4Q10 (the advance estimate of GDP growth will be released on January 28). Some of the improvement in spending appears to have been due to a drop in the savings rate. The December tax-cut agreement included a 2% reduction in the employee-paid portion of payroll taxes. For a household making \$70,000 per year in wages and salaries, this reduction will result in an extra \$117 per month in take-home pay, which should further support spending growth in the near term. However, higher gasoline prices will limit the impact to some extent, especially for lower-income households. Moreover, the reduction in payroll taxes only lasts a year. Unless extended, the corresponding rebound in payroll taxes will restrain consumer spending growth in early 2012.

The pace of job growth was moderate in 4Q10. Private-sector payrolls (which are subject to revision next month) averaged a 128,000 gain in 4Q10, roughly what's needed to absorb the growth in the working-age population (hence, keeping the unemployment rate roughly steady over time). Job destruction appears to be very low. Announcements of corporate layoff intentions in 2010 were the lowest since 1997. The problem in the labor market has been a lack of new hiring. We normally look to small and medium-size (generally newer) businesses to account for much of the job creation during an expansion. Bank credit remains very tight for small firms, but should loosen up over time. However, many small firms with good credit do not want to take on additional financial obligations until they're certain that demand will be strong.

Many investors are concerned about the municipal bond market. Strains in state and local government budgets led to a 250,000 drop in payrolls in 2010. Tax revenues are rebounding but generally remain far short of pre-recession levels. A third of the federal fiscal stimulus was aid to the states (and 70% of that was in healthcare and education—funds allocated with no future commitment to get budgets in order). This federal support will go away in 2011. The pace of job declines in state and local government (about 20,000 per month in 2010) may double in 2011. As a point of comparison, we'd normally be adding about 20,000 jobs per month, somewhat less than would be justified by population growth. That's not enough to push us into a recession, but it's not going to help the recovery.

Municipal securities and loans totaled \$2.857 trillion at the end of 3Q10, roughly a quarter of the size of the corporate bond market. About \$1.06 trillion in muni debt is held directly by the household sector, but there are also sizeable holdings in commercial banks (\$229 billion), insurance companies (\$448 billion), money market funds (\$332 billion) and mutual funds (\$532.8 billion). There are likely to be problems (delayed payments, etc.) in some areas. However, the threat of large-scale defaults is not credible. There is some possibility of a panic, but it's difficult to predict something like that. At some point, the government would likely step in to support the muni market, but we are a long way from that now.

The Consumer Price Index rose 1.5% in the 12 months ending in December, up just 0.8% ex-food & energy. One goal of the Fed's asset purchase program was to generate a little more inflation (the Fed's implicit target is around 2%). Growth is likely to be strong enough to keep inflation from trending lower in 2011, but a sharp rise in the underlying trend is unlikely. Labor cost increases are muted and productivity growth appears to have remained strong. Commodity prices are elevated, but there is still a limited ability for firms to pass higher costs along (moreover, 60.2% of the CPI is services).

Energy prices are always a wildcard in the economic outlook. Gasoline prices edged higher in early 2011, with the 13-week average now over \$3 per gallon—a level that appears to have been a more noticeable restraint on consumer spending growth in recent years. Some of the recent boost in oil prices may be short-term, a function of colder weather. Unlike the 1970s, when oil price shocks translated quickly into higher wage inflation, oil price increases over the last decade have been associated more with slower economic growth than with a higher trend in underlying inflation.

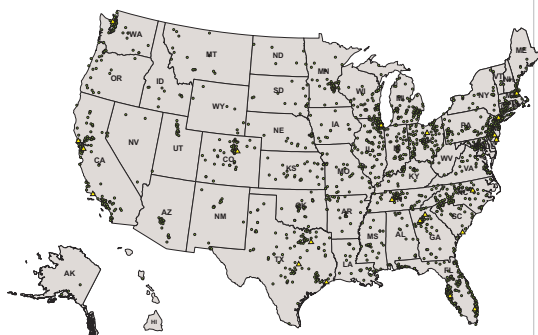
The Federal Reserve is widely expected to complete its current asset purchase program (\$600 billion from November 2010 to June 2011). One channel of both fiscal and monetary policy stimulus is the role of confidence building. While attitudes regarding policy efforts are always going to be mixed to some extent, criticism in recent years has been widespread and vocal—and counterproductive. The Fed has been more communicative. For example, Chairman Bernanke has made a number of efforts to explain technical issues and the Fed's rationale for its asset purchase program. However, that message has not been received clearly. Granted, the vast majority of Americans could not tell the difference between monetary and fiscal policy and there has been a general loss of confidence in policymakers during the downturn. Confidence in the Fed should improve as economic growth picks up.

The 4Q10 GDP growth forecast has been revised sharply higher from a month ago. Part of that improvement reflects continued strength in consumer spending, but much of the increase is due to higher exports and a drop in imports (which, although a sign of weakness, adds to GDP growth).

There is no assurance that any of the trends mentioned will continue in the future.

Raymond James is one of the largest full-service investment firms and New York Stock Exchange members headquartered in the Southeast. Founded in 1962, Raymond James Financial, together with its subsidiaries Raymond James Financial Services and Raymond James Ltd., has nearly 2,500 offices covering all 50 states. With more than 100 institutional sales professionals and more than 5,300 affiliated financial advisors in North America and Europe, Raymond James boasts one of the largest sales forces among all U.S. brokerage firms.

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Raymond James Recent Advisory Transactions

2010



Financial Advisory Services

January 2011



Has been acquired by



January 2011



Has announced its acquisition by



January 2011



a portfolio company of



Has been acquired by



a portfolio company of



December 2010



Has announced its acquisition of



December 2010



Has been acquired by



December 2010



Has been acquired by



December 2010



Has sold Eagle Ford assets to



December 2010



Has been acquired by



December 2010



Has announced its acquisition of three



December 2010



Has acquired its IDRs and converted its general partner interest

November 2010



Has acquired



November 2010



Has been acquired by



November 2010



Has been acquired by



November 2010



Has announced its acquisition by



October 2010



Has completed a restructuring agreement and going-private transaction with




October 2010



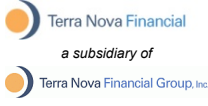
Has acquired



October 2010




Has acquired



Raymond James Recent Capital Markets Transactions

December 2010



QR Energy, LP

\$300,000,000
Initial Public Offering

Joint Book-Running Manager

December 2010

COGDELL SPENCER

\$65,000,000
Preferred Offering

Co-Lead Manager

December 2010



CLOUD PEAK ENERGY™

\$499,200,000
Follow-On Offering

Co-Manager

December 2010



GAIN CAPITAL

\$81,000,000
Initial Public Offering

Co-Manager

December 2010



FleetCor

\$291,525,000
Initial Public Offering

Co-Lead Manager

December 2010



LINN Energy

\$413,080,000
Follow-On Offering

Joint Book-Running Manager

December 2010



CONCHO

\$237,187,500
Follow-On Offering

Joint Book-Running Manager

December 2010



TARGA
Targa Resources Corp.

\$414,287,500
Initial Public Offering

Co-Lead Manager

December 2010



REALTY INCOME

\$248,032,000
Follow-On Offering

Co-Lead Manager

December 2010



ENTERPRISE

\$545,531,250
Follow-On Offering

Senior Co-Manager

December 2010



HEALTHCARE REIT

\$437,500,000
Follow-On Offering

Senior Co-Manager

November 2010



KITE REALTY GROUP

\$65,000,000
Preferred Offering

Joint Book-Running Manager

November 2010



LEGACY

\$87,492,000
Follow-On Offering

Co-Lead Manager

November 2010



Synchronoss Technologies Inc.

\$108,154,267
Follow-On Offering

Co-Manager

November 2010



ep El Paso Pipeline Partners

\$397,352,550
Follow-On Offering

Co-Manager

November 2010



PLAINS ALL AMERICAN PIPELINE, L.P.

\$299,228,000
Follow-On Offering

Senior Co-Manager

November 2010

Booz | Allen | Hamilton

\$274,000,000
Initial Public Offering

Co-Manager

November 2010



FIRST POTOMAC REALTY TRUST

\$178,250,000
Follow-On Offering

Co-Lead Manager

November 2010



BLACKROCK

\$8,325,348,554
Follow-On Offering

Co-Manager

October 2010



COPT
CORPORATE OFFICE PROPERTIES TRUST

\$256,018,750
Follow-On Offering

Co-Manager

October 2010




HERSHA

\$166,750,000
Follow-On Offering

Co-Lead Manager

October 2010



CAMPUS CREST COMMUNITIES

\$354,166,663
Initial Public Offering

Book-Running Manager

October 2010



DuPont Fabros Technology

\$185,000,000
Preferred Offering

Joint Book-Running Manager

October 2010



Public Storage

\$120,000,000
Preferred Offering

Co-Manager