



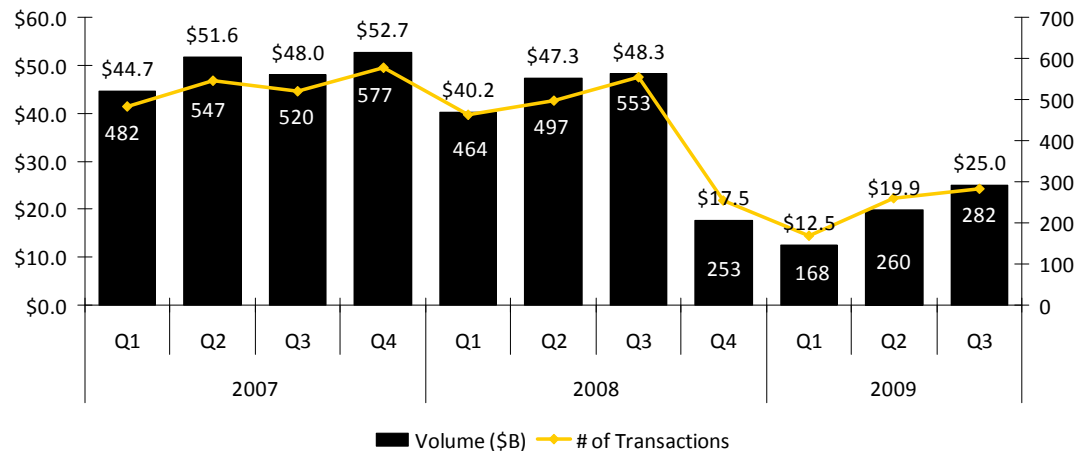
**D.A. Davidson's  
Review of Middle  
Market Mergers  
& Acquisitions,  
Public Offerings,  
and Private  
Placements**



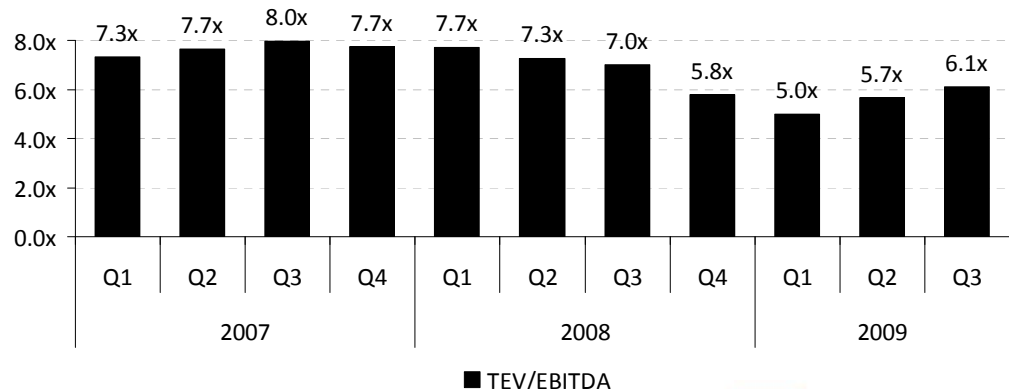
## This Issue:

M&A Market Update	P. 1-2
Public Offering Environment	P. 3
Private Placement Update	P. 4
Conclusions	P. 4
Recent D.A. Davidson Transactions	P. 5

**M&A Activity Continues its Recovery** – Middle market M&A transaction volume increased by \$5.1 billion in Q3 2009 versus the prior quarter and there were 22 more transactions reported during that same period. Transaction volume and deal totals are on the upswing, but are still significantly down compared to the prior two years.



**Valuation Multiples Trend Upwards** – After a steady decline in valuations since Q3 2007, middle market M&A multiples have demonstrated two consecutive quarters of multiple expansion, reaching 6.1x TEV/EBITDA in Q3 2009.



\*Middle-market defined as transactions between \$10 and \$500 million where pricing is disclosed  
 \*\* Deal multiples with high standard deviations were eliminated from the data pool  
 \*\*\*Deals in this report are for transactions completed and announced in the U.S.  
 Sources: Capital IQ, Company Filings, Equidesk, Sagient Research Systems, Inc., and D.A. Davidson research and estimates



### M&A Market Update

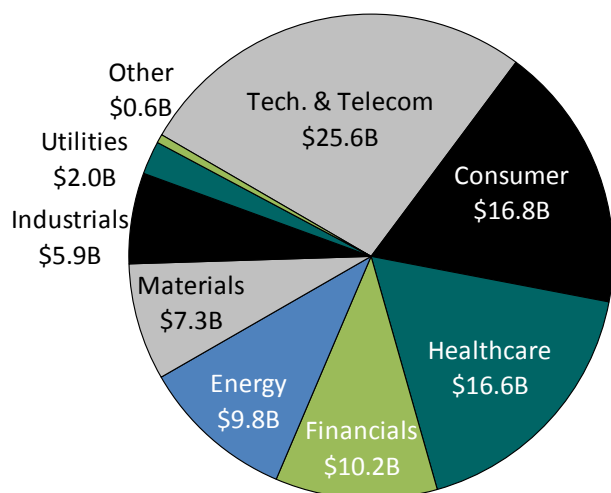
**Billion Dollar Deals a Sign of Recovery?** – Overall deal activity is down 24% compared to last year. Deal activity in the \$1.0 to \$5.0 billion range increased by 27%, driven by several public to public acquisitions. 95% of the deals over \$1 billion were strategic, as the ability for private equity groups to finance multi-billion dollar deals remains extremely difficult. For nearly two years, overall M&A volume has been subdued; large strategic deals are a positive sign that confidence in the economy may be returning.

Deal Size	Q3 2008		Q3 2009		Change In # of Transactions	Change In Volume (\$M)
	# of Transactions	Volume (\$M)	# of Transactions	Volume (\$M)		
Under \$10M	432	\$1,529	328	\$911	-24%	-40%
\$10M - \$25M	173	\$2,885	103	\$1,749	-40%	-39%
\$25M - \$50M	131	\$4,809	71	\$2,650	-46%	-45%
\$50M - \$100M	93	\$6,654	39	\$2,847	-58%	-57%
\$100M - \$500M	156	\$33,945	74	\$18,067	-53%	-47%
\$500M - \$1B	20	\$13,624	14	\$8,981	-30%	-34%
\$1B - \$5B	15	\$36,096	19	\$43,786	27%	21%
\$5B+	6	\$138,425	2	\$15,822	-67%	-89%
<b>Total Disclosed</b>	<b>1026</b>	<b>\$237,966</b>	<b>650</b>	<b>\$94,812</b>	<b>-37%</b>	<b>-60%</b>
Undisclosed	1,354		1,161		-14%	
<b>Grand Total</b>	<b>2,380</b>		<b>1,811</b>		<b>-24%</b>	

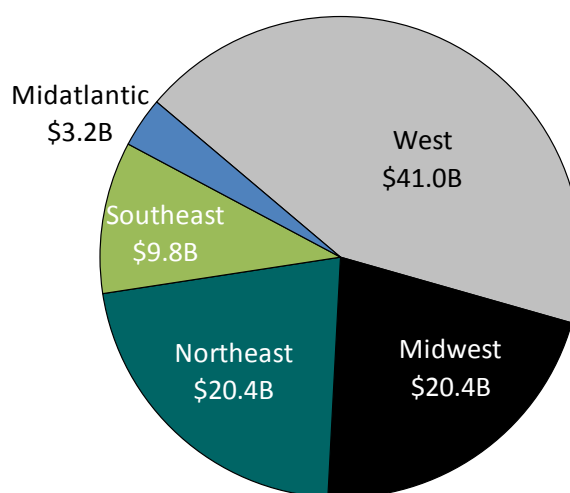
**Technology Taking the Lead** – The Technology & Telecom industry continues to be the most active M&A sector. In Q3 2009 Xerox announced its intent to acquire Affiliated Computer Services for \$10.0 billion. It's not surprising that technology has also led the recovery in the stock market, with the NASDAQ up 30% YTD 2009, outperforming the S&P which is up 13%. The healthcare sector continues to see robust M&A activity, driven by the Merial (a Merck & Co. subsidiary) and Sanofi-Aventis \$4.0 billion deal.

**West Still the Best** – The three largest deals in Q3 2009 occurred in the West Region, accounting for \$19.3 billion of total transaction volume. The Northeast saw a \$14.6 billion increase in deal volume partially due to the Marvel Entertainment and Walt Disney transaction which accounted for 20% of the deal volume in the region.

M&A Transaction Volume by Industry – Q3 2009\*



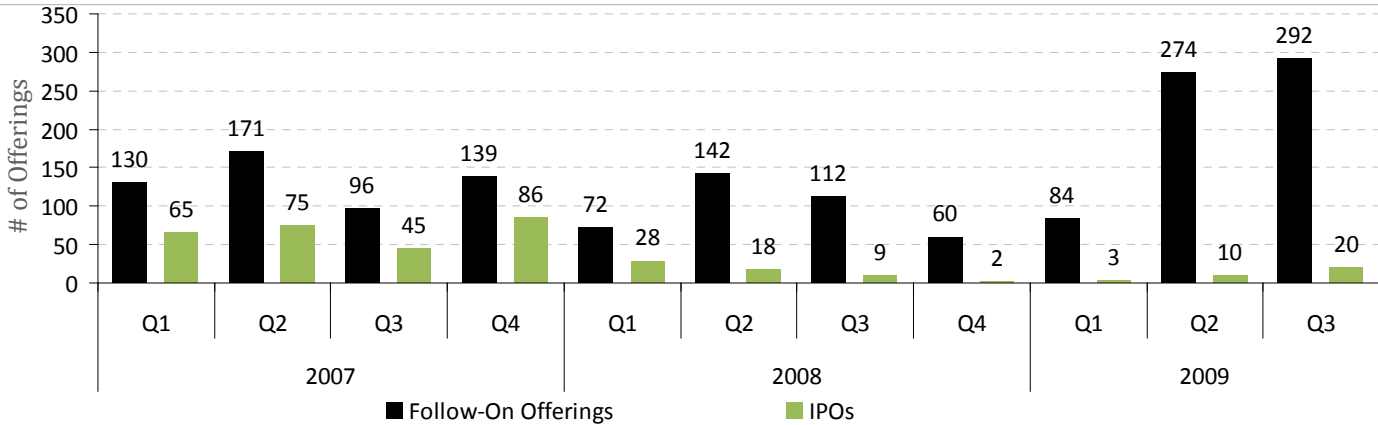
M&A Transaction Volume by Region – Q3 2009



\*Deals in this report are for transactions completed and announced in the U.S.

### Public Offering Environment

**Markets Open for Business** – Companies raised \$43.7 billion in follow-on offerings in Q2 and Q3 of 2009, representing an increase of 312 offerings. With the S&P and NASDAQ up 13% and 30% respectively in 2009 YTD, companies continue to explore public equity offerings as a way to strengthen their balance sheets, pay down debt and add dry powder for acquisitions and other growth opportunities. Average deal size in Q3 2009 was \$161.6 million, compared to \$481.0 million in the second quarter, as a result of fewer mega-deals like the \$13.5, \$12.9 and \$9.8 billion deals completed by Bank of America, HSBC, and Wells Fargo.

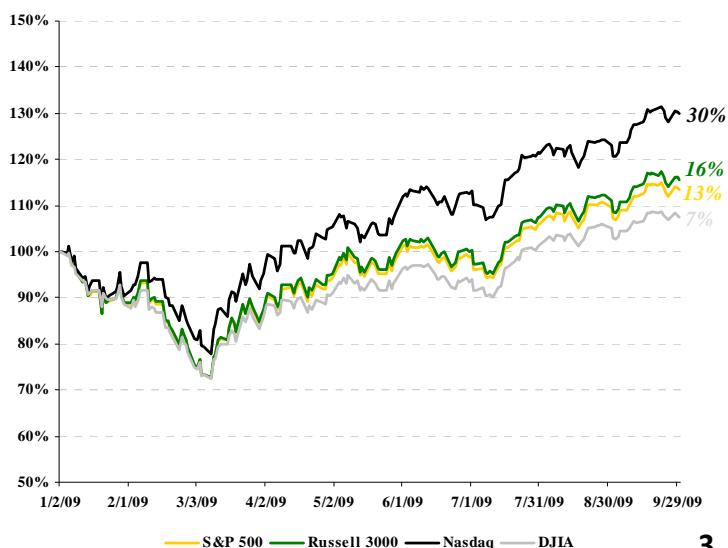


**Offering Volume More Diversified by Industry** – Public equity volume continues to be driven by banks raising capital to repay TARP money and bolster their balance sheets to be compliant under the stress tests conducted by the Federal Reserve. Offering volume, which was dominated by the financial sector in Q2 2009 at 74.2%, was more evenly distributed across industry sectors in the third quarter.

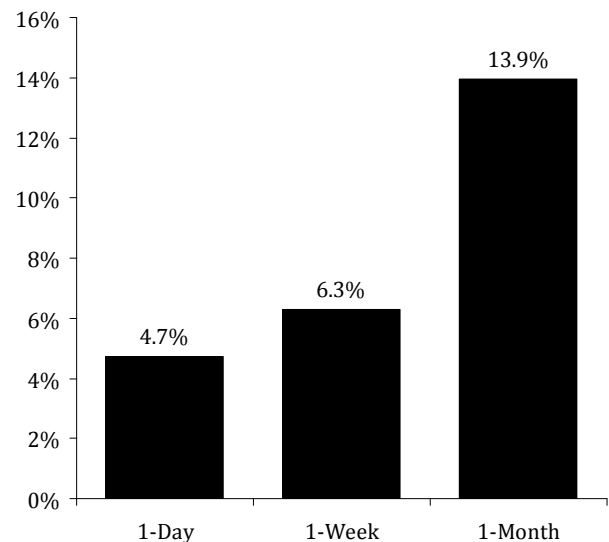
**Strong Performance for Equity Offerings** – The average equity offering returned 13.9% over a one-month period during Q3 2009. 70.5% of the public offerings priced in Q3 2009 have had positive returns since their offering date.

**Stock Market Continues its Rally** – Stocks made a significant mid-summer rally with the major U.S. equity indices up 11.7%, on average in Q3 2009; technology led the way as evidenced by the NASDAQ 30% gain YTD 2009.

#### Major Index Performance – Q3 2009 YTD

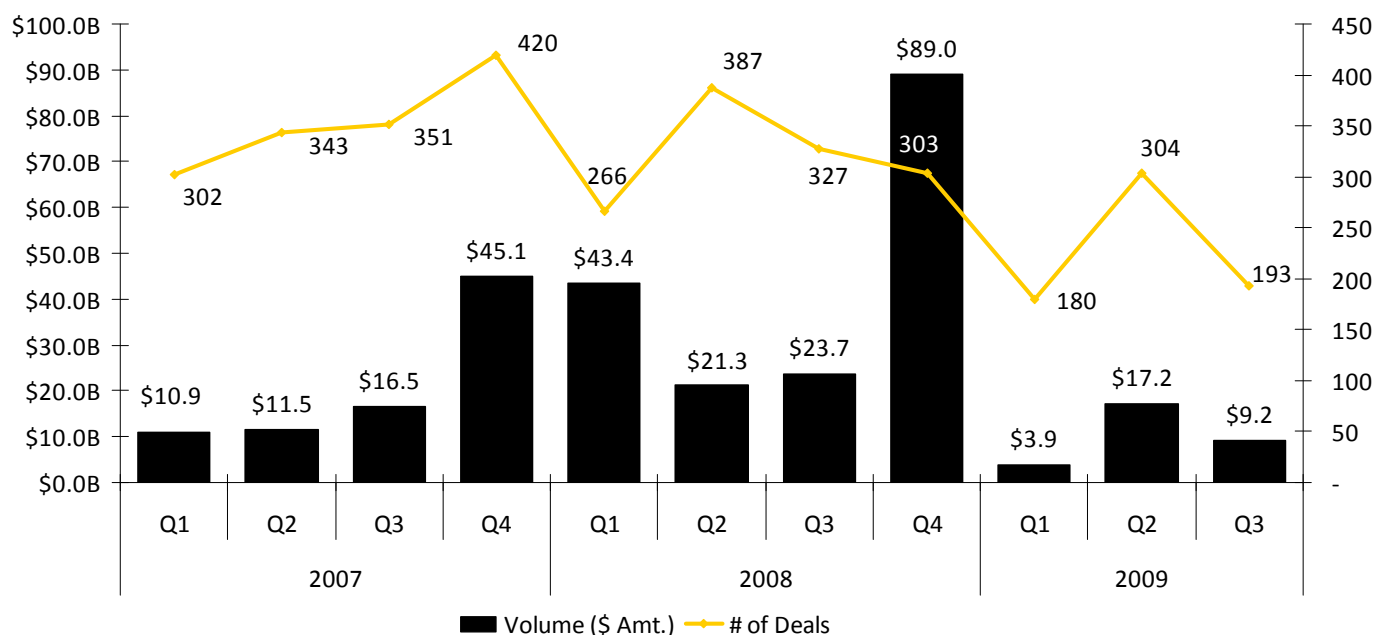


#### Average Stock Performance to Offering Price



## Private Placement / PIPE Update

**PIPES Take a Back Seat to Traditional Equity Offerings** – As the public offering markets continued to open up in the second and third quarters, companies that previously resorted to private placements to raise capital are now looking to follow-on offerings as a more efficient and cost-effective method.



## Conclusions

**M&A Activity Continue its Recovery** – Transaction volume and deal totals are on the upswing, although still significantly down compared to the prior years' activity. Middle market M&A multiples have demonstrated two consecutive quarters of expansion, reaching 6.1x TEV/EBITDA in Q3 2009. Several, multi-billion deals were announced in the third quarter, nearly all by strategic buyers in the technology and telecom and healthcare sectors.

**Follow-On Offerings Experienced Robust Activity** – With the S&P and NASDAQ up 13% and 30% in 2009 YTD, companies increasingly tapped the public equity markets with 292 deals priced in Q3 2009, 161% greater than 2008 comparable period levels. Follow-on offerings priced in the quarter rewarded investors with a median return of 7.2% as of September 30, 2009.

**Offering Activity Spreads to Other Industry Sectors** – Offerings by sector were much more diversified than the previous quarter, which was dominated by the financial sector, as companies raised equity capital to pay down debt and strengthen balance sheets to help ensure that they survive and thrive in these uncertain economic times.

**IPO Market May be Next to Thaw** – We saw signs that the market for initial public offerings has strengthened. In Q2 & Q3 of 2009, 30 IPOs were priced compared to only five IPOs priced in the prior two quarters.

## Recent D.A. Davidson Transactions

\$350 million

Washington Federal, Inc.

Secondary Offering  
Co-Manager

\$50 million

Heritage Financial Corporation

Secondary Offering  
Co-Manager

\$104 million

PHOTRONICS

Secondary Offering &  
Convertible Debt  
Co-Manager

LAN Engineering

has been acquired by

AECOM

F&A Cheese Corporation

has been acquired by

Saputo

VDIC

has been acquired by

IDEXX  
LABORATORIES

\$259 million

UMPOUA HOLDINGS  
CORPORATION

Secondary Offering  
Co-Manager

Sanipac

has been acquired by

WASTE CONNECTIONS INC.

\$26 million

IRET

Investors Real Estate Trust

Secondary Offering  
Co-Manager

\$201 million

WESTERN ALLIANCE<sup>™</sup>  
BANCORPORATION

Secondary Offering  
Co-Manager

TULLY'S  
COFFEE

has sold its wholesale  
operations to

GREEN MOUNTAIN  
COFFEE  
ROASTERS

Sorenson<sup>™</sup>  
BioScience, Inc.

has been acquired by

American  
Capital

## About D.A. Davidson & Co. Investment Banking

Founded in 1935, D.A. Davidson & Co. is one of the largest independent full-service investment firms in the U.S. D.A. Davidson's Investment Banking Group provides underwriting and advisory services for emerging growth and middle-market companies, including public offerings, mergers and acquisitions, private capital raises and balance sheet restructurings. Because D.A. Davidson is a full-service firm, investment banking clients also benefit from the firm's capital market capabilities, including research, corporate services, and institutional sales and trading.

D.A. Davidson & Co.'s Investment Banking Group is dedicated to helping its clients achieve their strategic and financial objectives, while maximizing stakeholder value. With highly experienced investment banking professionals, we bring world class skills and senior level attention to every transaction. For more information visit [www.davidsoncompanies.com/ecm](http://www.davidsoncompanies.com/ecm) or call any one of our five offices:

### Portland Office

Two Centerpointe, Suite 450  
Lake Oswego, Oregon 97035  
Phone: 503.603.3062

### Seattle Office

Bank of America Tower  
701 5<sup>th</sup> Ave. #4150  
Seattle, Washington 98104  
Phone: 206.903.8669

### Great Falls Office

8 3<sup>rd</sup> North  
Great Falls, Montana 59401  
Phone: 406.791.7421

### Salt Lake City Office

30 East 100 South #100  
Salt Lake City, Utah 84111  
Phone: 801.333.3123

### Los Angeles Office

9701 Wilshire Blvd, Suite 1000  
Beverly Hills, CA 90212  
Phone: 310.860.1139