WACHOVIA

A publication of
WACHOVIA CAPITAL MARKETS, LLC

Equity Research

Late Packet - 5/6/2009

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Summary

Earnings Estimate Revised Up

Company	Price	M.Cap (MMs)	Rating	FY2009 Old	FY2009 New	FY2010 Old	FY2010 New	FY2011 Old	FY2011 New	Valuation Range	Analyst /Industry
Ultra Petroleum Corp.(UPL)	$50.76	$7,943.9	1/V	$1.34	$1.55	$1.67	$1.82	NE	NE	$50-$55	Tameron/**Energy**

Earnings Estimate Revised Down

Company	Price	M.Cap (MMs)	Rating	FY2009 Old	FY2009 New	FY2010 Old	FY2010 New	FY2011 Old	FY2011 New	Valuation Range	Analyst /Industry
Brookfield Asset Management(BAM)	$16.45	$9,787.8	1/V	$1.72	$1.62	$1.89	$1.77	NE	NE	$18-$22	Maiorana/**Real Estate, Gaming, And Lodging**
Extra Space Storage Inc.(EXR)	$7.25	$655.4	2/V	$1.20	$1.15	$0.91	$0.86	NE	NE	$6.5-$7.5	Donnelly/**Real Estate, Gaming, And Lodging**

Company Research Notes

Company	Price	M.Cap (MMs)	Rating	Title	Valuation Range	Analyst /Industry
Aqua America(WTR)	$18.33	$2,485.6	2/V	WTR: Rate Relief Backlog Materializing Into EPS Growth	$17-$18	Kalton/**Energy**
Ultra Petroleum Corp.(UPL)	$50.76	$7,943.9	1/V	UPL: Positive: Conference Call Follow-Up; Raising Estimates	$50-$55	Tameron/**Energy**
Brookfield Asset Management(BAM)	$16.45	$9,787.8	1/V	BAM: Another Solid Qtr; Acquisition Pot'l Appears More In View	$18-$22	Maiorana/**Real Estate, Gaming, And Lodging**
Extra Space Storage Inc.(EXR)	$7.25	$655.4	2/V	EXR: SS NOI Guidance Conservative In Our View, Reducing Ests.	$6.5-$7.5	Donnelly/**Real Estate, Gaming, And Lodging**
Inland Real Estate Corp.(IRC)	$7.96	$527.0	3/V	IRC: Q1 FFO $0.01 Ahead Of Estimate--Cutting Dividend	$5-$6	Donnelly/**Real Estate, Gaming, And Lodging**

Synopsis

Industry Energy

	Analyst	Price	FY	FY09E	FY10E	Rating	M. Cap (MM$)
Aqua America(WTR)	Kalton	$18.33	DEC.	$0.83	$0.87	2/V	$2,485.6

Last Reporting Date: 05/05/2009 After Close

WTR: Rate Relief Backlog Materializing Into EPS Growth

- **Good Q1.** Reported 1Q09 EPS of $0.14 (includes roughly $0.015 of non-recurring items) vs. $0.11 in 1Q08. Drivers include rate relief, customer growth, and expense controls partially offset by higher D&A, lower customer usage, and share dilution. Mgmt stated that residential customers, the bulk of WTR's base, has yet to exhibit a meaningful deviation from its historical 50 bps decreasing annual usage trend.
- **EPS Growth Has Resumed** following the ~$60 mm of rate awards implemented in '08, including $34.4 mm in Pennsylvania (Aug '08). WTR has received $22.6 mm of rate relief thus far in '09, including $13.2 mm related to important Southern cases. WTR has multiple small cases pending, asking for $8.2 mm in increases, as well as plans to file ~$60 mm of rate requests during the remainder of '09 -- the lion's share will be Pennsylvania but also sizeable cases in New Jersey and Ohio.
- **EPS Outlook.** Our '09E & '10E EPS are $0.83 and $0.87. We believe the '08 rate increases, roughly $36 mm of which will be incremental to '09 results, combined with '09 received and pending rate awards will enable WTR to grow '09 EPS by roughly 14%. Other potential drivers include an improved efficiency ratio (mgmt targets a 100-150 bps improvement) as lower commodity prices alleviate the recent operating cost pressures partially offset by slower forecasted customer and sales growth due to the weak economy as well as higher D&A and interest expenses.
- **Strong Cash Flow and Balance Sheet.** We expect the '09 CapEx budget of $300 mm (vs. $267 mm in '08) for low risk infrastructure investments will require minimal external financing as internal cash generation continues to grow due to the expanding depreciable capital base. Other than DRIP equity, we believe WTR will utilize low interest state funds and its $74 mm of available credit facility capacity to fund investments. Minimal external financing needs offers WTR flexibility should an opportunity present itself. WTR's liquidity position and credit profile is one of the strongest in the industry with an A+ credit rating, a 44% equity ratio.
- **Reiterate Market Perform.** While EPS growth has been relatively flat over the past few years at WTR, we believe the company is poised to rebound significantly in 2009 as regulatory lag, particularly at some Southern properties, is resolved and we foresee longer-term EPS growth power in the mid-single digit range.

Valuation Range Basis & Risks

Our relative P/E multiple (applying a 5-10% premium to the '09 group mean of 18X to our '10 estimate) and DDM analyses indicate a 12-18 month valuation range of $17-$18 per share. Chief risks to our valuation range include regulatory risk, the potential undertaking of unprofitable growth ventures and deterioration in the water industry premium multiple relative to other utility sub-sectors.

Industry Energy

	Analyst	Price	FY	FY09E	FY10E	Rating	M. Cap (MM$)
Ultra Petroleum Corp.(UPL)	Tameron	$50.76	DEC.	$1.55	$1.82	1/V	$7,943.9

Last Reporting Date: 05/05/2009 After Close

UPL: Positive: Conference Call Follow-Up; Raising Estimates

- **Production Growth Visibility Can Underspend Cash Flow and Still Generate Double Digit Growth in 2010 and 2011**. Mike Watford, CEO, said that at $5.00/Mcfe Wyoming price, which implies a NYMEX price of $6.00-$6.50/Mcfe, the company could grow 10% in 2010 and 2010 while under spending cash flow. This may surprise the Street. Regarding the pricing, keep in mind UPL has 45% of its 2010 natural gas already locked in at $5.45/Mcfe swaps. And once REX starts up later this year, UPL will have access to what have been historically higher Northeast prices. For instance, 2010 Appalachia forward prices (Dominion South) have been running $1.25 - $1.75/Mcfe higher than Opal prices, which we cover the cost of REX transport and fuel. And we remind investors that UPL still has the best returns in the industry. Period.
- **2Q09 Expenses Down, Our Full Year 2009 and 2010 Estimates Move Up.** During the call, UPL provided 2nd quarter per unit expense guidance. The lower expense guidance addresses our and the Street's concern, after LOE increased 1Q vs. 4Q. Going forward, on a per unit basis 2Q09 total operating expenses is to be down $0.68/Mcfe to $2.39/Mcfe. Of the reduction, $0.46/Mcfe is related to lower DD&A related to ceiling test charge, but per unit LOE also down $0.10/Mcfe to $0.52/Mcfe from $0.62/Mcfe. Remainder of the reduction is related to lower production taxes reflecting lower 2Q09 forecasted commodity prices. For 2009/2010, our new EPS estimates are $1.55 and $1.82, respectively, versus $1.34 and $1.67 prior.
- **Solid Ops Update**. Company commented that 70% of the wells drilled during April were drilled in less than 20 days. Not sure the exact composition of those wells, but impressive. In addition, UPL is targeting wells costs of $5.0 MM or lower in 2H09. Delineation success continues with 13 wells completed in 1Q09 and results coming in well above pre-drill estimates. Appalachia/Pennsylvania encouraging thus far, but still early. Company has two 1Q09 new drills waiting on pipeline connection, in addition to 6 wells from last year also awaiting connection. Any success in Appalachia region would be upside to NAV and guidance.

Valuation Range Basis & Risks

Our NAV based valuation range on UPL is $50-$55, which assumes continued operational efficiencies in D&C operations. Our NAV for UPL is $51.10 Risks to our valuation range include material sustained oil and gas price weakness and failure of operational initiatives to live up to expectations.

Synopsis

Industry Real Estate, Gaming, And Lodging	Analyst	Price	FY	FY09E	FY10E	Rating	M. Cap (MM$)
Brookfield Asset Management(BAM)	Maiorana	$16.45	DEC.	$1.62	$1.77	1/V	$9,787.8

Last Reporting Date: 05/05/2009 Before Open

BAM: Another Solid Qtr; Acquisition Pot'l Appears More In View

- **ESTIMATES:** We're modestly reducing (~$0.10/sh per yr) our '09/'10 CF est's to reflect: 1) more conservative outlook for Timber and Residential homebuilding ops, 2) modestly reduced rate expectations for the Power business, and 3) reduced income from 'Other' investments (Norbord and Fraser Papers related). Results continue to be positively impacted by strong gains from BAM's hedging activities -- stripping these gains from Q1, and all other 'one-time' gains (net $38mm), we derive clean cash EPS of $0.30/sh for Q1'09. Seasonal improvement in Power and Residential should drive higher quarterly earnings for the remainder of '09.
- **NAV/NPV:** Our updated sum of the parts analysis is $18-24 per share, down ~$1/sh on each end from our prior range. Major assumptions remain largely unchanged -- cap rates for Office portfolio are ~8% (on avg, cash), while we use a 12% discount rate and 7.5% cash cap rate for our Power NPV analysis.
- **OUTLOOK:** Core operations continue to be steady driven by BAM's long held philosophy of certainty over upside. The lease rollover schedule remains among the lowest among major Office owners, and near-term debt maturities are low. We conservatively forecast $0.15-0.20/sh (~10%) of annual FFO/CF dilution by rolling all of BAM's maturing debt thru 2011 to market rates -- this compares to Office/Industrial REIT avg at ~15% FFO dilution. Mgmt commentary suggests that BAM is likely to complete major transactions during the next few years, which we believe could be a catalyst for the stock. Importantly, we suspect most deals likely would occur with partners, adding to the overall asset size potential.
- **LIQUIDITY:** Current capital sources remained unchanged from yr-end levels at ~$2.5bb, plus it secured an add'l $300mm of financing post qtr-end, yet BAM's debt maturities thru 2011 were reduced by ~$700mm leading to an improvement on net liquidity. We estimate the co's 3-yr liquidity at $4.9bb vs. total maturities of $6.8bb. Lenders appear more comfortable at lower re-fi levels, and BAM doesn't have many sizable maturities thru 2010 (Multiplex bridge loan is one exception), but the $1.2bb Trizec loan maturity (BAM's share at 50%) remains a challenge.
- **RATING:** We affirm our Outperform rating on BAM shares. We continue to believe BAM's core earnings will hold up comparatively well given its long-lease and debt durations. Shares now offer a ~25% discount to the mid-pt of our NAV/NPV range, which includes no upside pot'l for AUM growth or value creation on the development pipeline. Pot'l acquisitions could also be a plus for shares.

Valuation Range Basis & Risks

Low-end based on 'low' NAV estimate; high-end = 10% discount to 'high' NAV/NPVe sum of the parts. Risks: Significant income in recent yrs has been derived from monetization and trading gains, which could be reduced going forward.

Industry Real Estate, Gaming, And Lodging	Analyst	Price	FY	FY09E	FY10E	Rating	M. Cap (MM$)
Extra Space Storage Inc.(EXR)	Donnelly	$7.25	DEC.	$1.15	$0.86	2/V	$655.4

Last Reporting Date: 05/04/2009 After Close

EXR: SS NOI Guidance Conservative In Our View, Reducing Ests.

- OUTLOOK CONSERVATIVE IN OUR VIEW. Based upon our follow-up with EXR it is our sense that sequential deterioration in top-line revenue from January-April 2009 combined with a new level of conservatism injected by new CEO Spencer Kirk is the driver beyond the sharp downward revision to SS NOI growth guidance. Demand is weak; the volume of move-ins continues to decline but the rate of deterioration is no longer accelerating but move-outs nearly stopped in April after persistent losses for the past 4-6 months. Taken together it seems that revenue declines may reach their bottom by before summer (2-3% declines and not necessarily the 4%+ EXR sees in H2 2009) and expense growth guidance (2-3% growth) may be prove conservative vs. EXR's sub-1% growth in recent years.
- REPORTED 1Q FFO/sh of $0.47, $0.01 below our estimate and $0.02 below consensus. Excluding a one-time debt repurchase gain ($0.25), core FFO would have been $0.22 (incl. a $0.01 APB 14-1 charge). EXR now expects to earn $0.92-0.96 in 2009 (excl. the $0.25/sh gain in 1Q and $0.03 related to APB 14-1 charges), down from prior expectations of $0.96-1.01. SS NOI guidance has been revised down to a 5-6% decline on revenue decline of 3-4% and expense growth of 2-3%.
- LIQUIDITY. Including EXR's portion of JV debt, 2009-2011 maturities are $126MM, $200MM and $104MM, respectively, or $430MM. We expect EXR will use the remaining capacity on its credit facility plus cash on hand ($169MM together), retained oper. cash flow (~$100MM est. thru 2011), and new loans on currently unleveraged properties (~$254MM in capacity assuming a 7.5% cap rate and 70% LTV) to meet these obligations. In doing so, however, EXR would exhaust much of its excess capital capacity unless sales are executed or equity is raised.
- JV SALE / EQUITY ISSUANCE. EXR's announced it was close to finalizing the sale of a meaningful portfolio -- estimated $250-300MM -- to a JV. Details were not disclosed but implicitly if the sale is NAV accretive, excess proceeds could be utilized to reduce 2009-2011 maturities and enhance capital capacity. Based upon management's conf. call comments we suspect EXR may even explore an equity issuance to further address maturities and boost capital capacity.

Valuation Range Basis & Risks

Our 12 month valuation range is based upon an 8.5% nominal cap rate on 2009E NOI. Risks include rising interest rates; a failure to sustain operating margins; a deterioration in pricing power; a reduction in discretionary spending, or a prolonged economic and unemployment downturn.

Synopsis

Industry Real Estate, Gaming, And Lodging

	Analyst	Price	FY	FY09E	FY10E	Rating	M. Cap (MM$)
Inland Real Estate Corp.(IRC)	Donnelly	$7.96	DEC.	$1.21	$1.19	3/V	$527.0

Last Reporting Date: 05/06/2009 Before Open

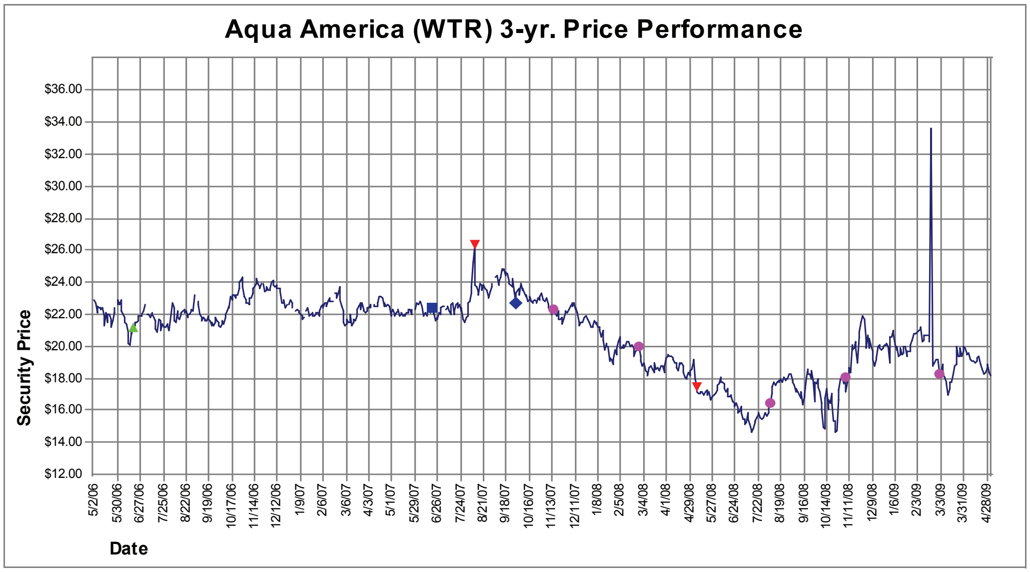
IRC: Q1 FFO $0.01 Ahead Of Estimate--Cutting Dividend

- REPORTED Q1 FFO per share of $0.31, which includes a $0.05 gain from debt extinguishment offset by $0.05 of noncash charges related to asset and marketable securities impairments. Results were nearly $0.01 ahead of our expectations largely because of lower-than-anticipated interest expense. A sharp increase in other property-related income was offset by higher-than-anticipated operating costs.
- SAME-STORE NOI DECLINED 3.0%, slightly weaker than we anticipated mainly due to sharper sequential occupancy deterioration. The total portfolio was 93.6% leased at Q1-end versus 94.1% at December 31, 2008, and 95.2% at March 31, 2008. The magnitude of the sequential and year/year decline is better than what we have observed among IRC's peers. Compared to the expiring rent, new and renewal leases in Q1 were signed at 8.9% and 2.7% increases, respectively.
- DEVELOPMENT FUNDING REMAINS A QUESTION. IRC is a 40-85% partner in nine development projects with an aggregate project cost of $360MM of which $170MM has been expended to date. Our concern is the collective pipeline is just 12.1% preleased (only three projects show leasing in the 45-70% range, the rest are 0%), construction maturities are coming due in March 2009 through 2010, and there is relatively little capacity on IRC's credit facility and it tripped a leverage covenant in Q4 2008. Accordingly it is not clear to us what next steps IRC and its lenders will take on these assets. Several March 2009 maturities on these projects were pushed one month, until April 2009, beyond the reporting period.
- DIVIDEND CUT. Inland indicated it would reduce its monthly dividend effective with the June 2009 payment to its minimum payout requirement. Excluding the possibility of future 2009 tax losses on asset sales, which may reduce the dividend obligation, we estimate the minimum dividend payment is around $0.80-0.85 per share per annum compared to the current rate of $0.98, or a roughly 15% reduction.
- GUIDANCE REITERATED at $1.20-1.35; this figure excludes any potential impairments in the marketable securities portfolio. We are reviewing our estimates, currently at $1.21 per share for 2009.

Valuation Range Basis & Risks

Our valuation range is based a 9.5-10.0%nominal cap rate on 2009E proforma NOI plus 5x fee income. We assume the IREX JV winds down in 2009. Risks include: failure to acquire suitable investments, lower realized fees from joint venture arrangements, tenant bankruptcies, failure to contain costs and maintain margins, rising vacancy, inability to achieve rent and tenant recovery estimates, or economic weakness in core markets.

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	5/2/2006		Winter			
	5/2/2006	NA	2	NE	NE	22.90
▲ ●	6/19/2006	NA	1	25.00	25.00	21.20
■	6/19/2007		Kalton			
▼	8/9/2007	NA	2	NE	NE	26.30
◆	9/28/2007	NA	NR	NE	NE	22.68
● ◆	11/14/2007	22.34	1	24.00	26.00	22.31
●	2/27/2008	19.57	1	22.00	23.00	19.95
▼ ●	5/7/2008	17.99	2	19.00	20.00	17.42
●	8/6/2008	16.42	2	17.00	18.00	16.48
●	11/5/2008	18.04	2	18.00	19.00	18.04
●	3/2/2009	18.40	2	17.00	18.00	18.27

Source: Wachovia Capital Markets, LLC estimates and Reuters data

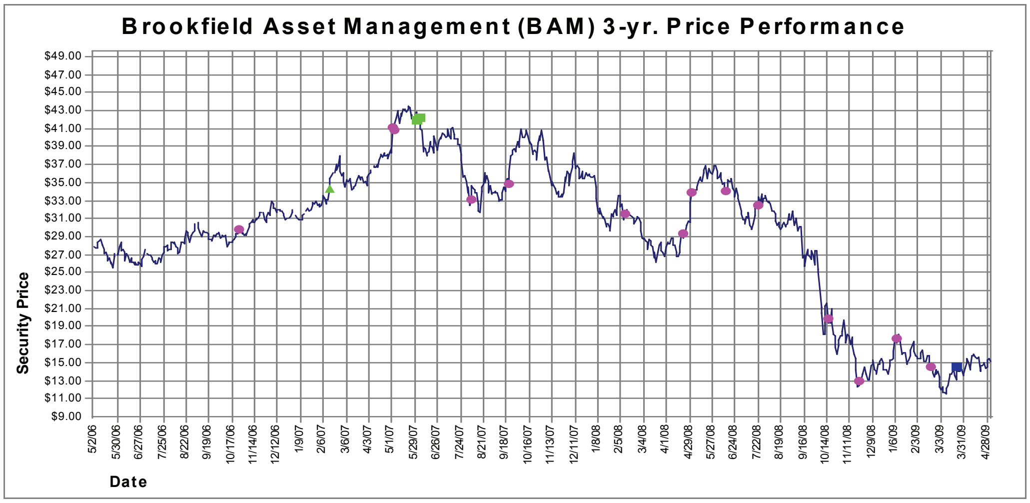
Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	□	Split Adjustment

Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	5/2/2006		Haley			
	5/2/2006	NA	2	25.33	28.00	27.94
●	10/26/2006	NA	2	27.33	32.67	29.75
▲ ●	2/13/2007	NA	1	32.00	38.00	34.32
●	5/2/2007	NA	1	38.67	44.00	41.09
●	5/3/2007	NA	1	40.00	44.67	40.80
❐	6/1/2007		3-for-2 stock split			
●	8/6/2007	NA	1	38.00	43.00	33.14
●	9/20/2007	36.00	1	38.00	42.00	34.86
●	2/11/2008	31.43	1	33.00	40.00	31.53
●	4/22/2008	29.57	1	30.00	37.00	29.31
●	5/1/2008	32.72	1	31.00	38.00	33.91
●	6/12/2008	34.00	1	35.00	38.00	33.98
●	7/22/2008	32.14	1	35.00	41.00	32.47
●	10/16/2008	19.51	1	29.00	36.00	19.93
●	11/24/2008	12.41	1	24.00	31.00	13.00
●	1/8/2009	17.69	1	19.00	22.00	17.69
●	2/18/2009	14.37	1	19.00	23.00	14.50
■	3/23/2009		Maiorana			

Source: Wachovia Capital Markets, LLC estimates and Reuters data

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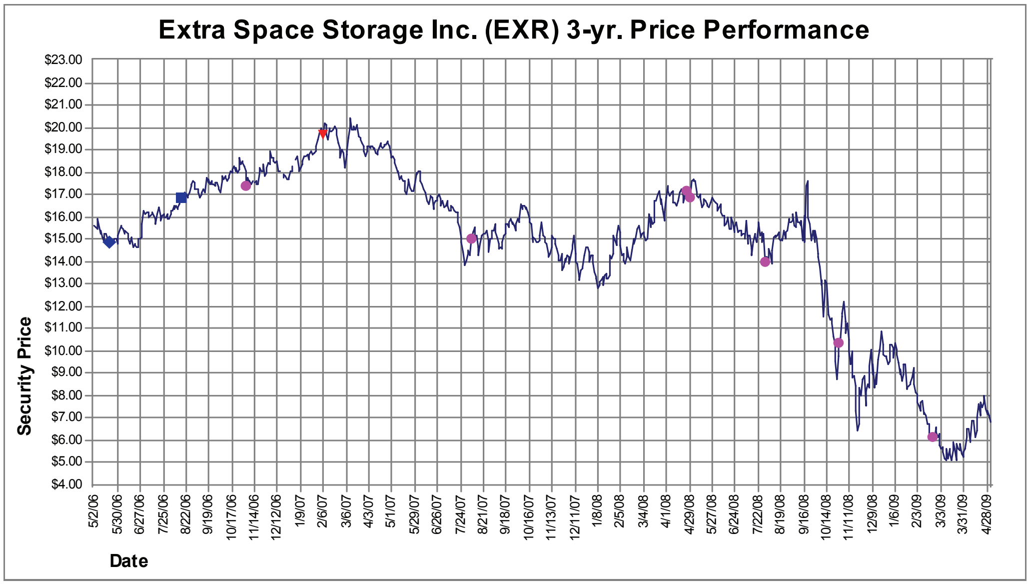

	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	5/19/2006		Rothman			
◆	5/19/2006	NA	1	16.50	18.50	14.89
■	8/15/2006		Donnelly			
●	11/3/2006	NA	1	18.50	19.75	17.37
▼ ●	2/5/2007	NA	2	19.00	19.50	19.66
●	8/6/2007	NA	2	13.25	15.00	15.00
●	4/24/2008	NA	2	12.50	14.50	17.14
●	4/30/2008	17.22	2	15.00	17.00	16.83
●	7/30/2008	15.27	2	15.00	16.00	14.00
●	10/29/2008	9.77	2	9.00	10.00	10.38
●	2/19/2009	6.28	2	5.50	6.50	6.13

Source: Wachovia Capital Markets, LLC estimates and Reuters data

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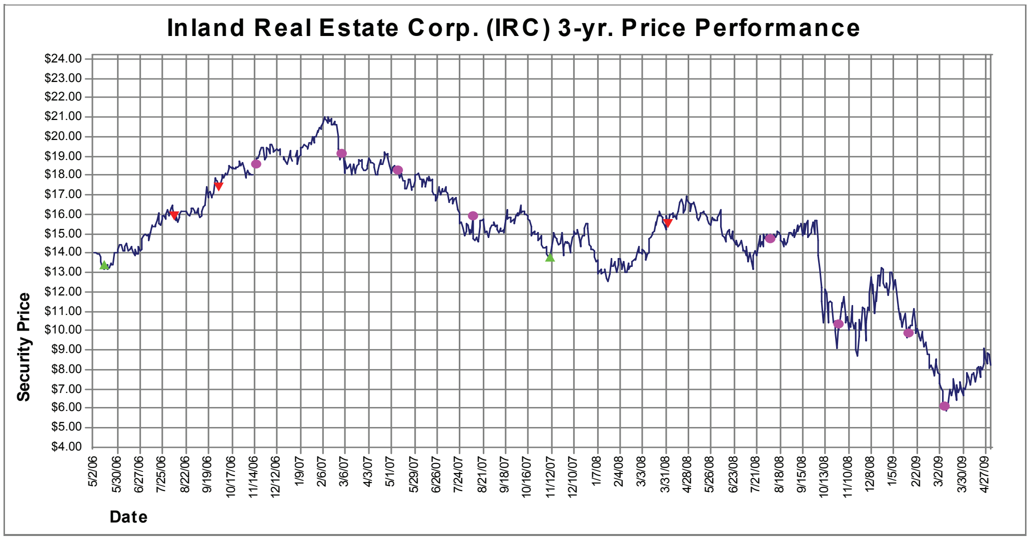

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	5/2/2006		Donnelly			
	5/2/2006	NA	3	14.50	16.00	14.05
▲ ●	5/15/2006	NA	1	14.00	15.00	13.43
▼ ●	8/8/2006	NA	2	15.00	16.00	15.89
▼	10/2/2006	NA	3	NE	NE	17.40
●	11/15/2006	NA	3	16.50	17.25	18.55
●	2/28/2007	NA	3	17.50	18.50	19.11
●	5/9/2007	NA	3	17.00	18.50	18.29
●	8/8/2007	NA	3	13.50	14.50	15.93
▲	11/11/2007	13.92	2	13.50	14.50	13.83
▼	4/2/2008	15.94	3	13.50	14.50	15.52
●	8/6/2008	14.78	3	13.00	14.00	14.78
●	10/28/2008	9.08	3	9.00	10.00	10.32
●	1/22/2009	9.51	3	8.00	9.00	9.86
●	3/6/2009	5.97	3	5.00	6.00	6.12

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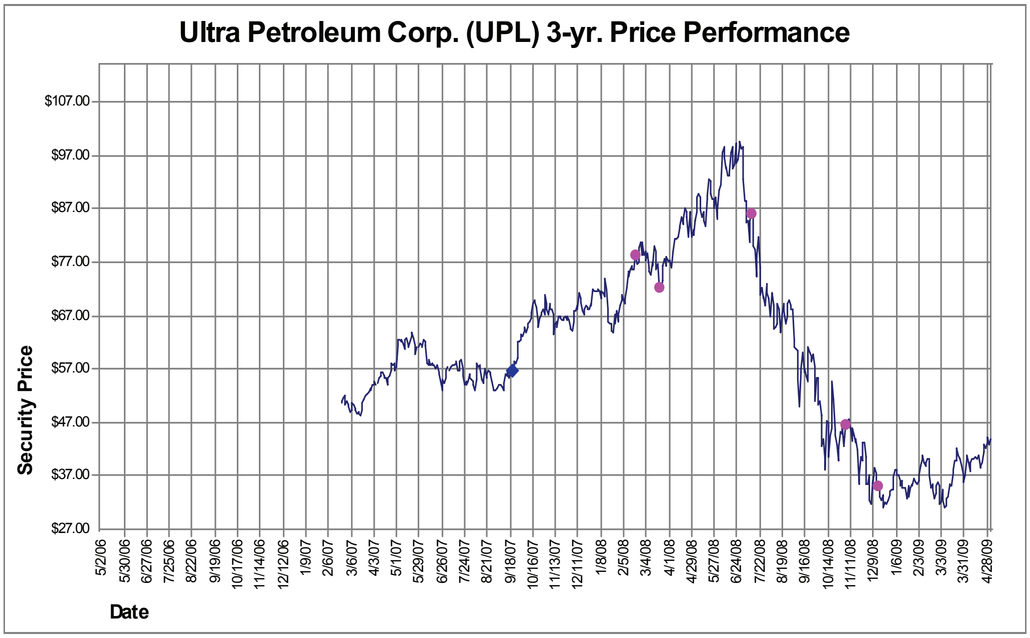

	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	9/19/2007		Tameron			
◆	9/20/2007	55.99	1	73.00	77.00	56.58
●	2/20/2008	78.00	1	88.00	91.00	78.34
●	3/19/2008	76.78	1	98.00	102.00	72.32
●	7/11/2008	84.87	1	105.00	115.00	86.12
●	11/4/2008	46.76	1	80.00	85.00	46.76
●	12/15/2008	35.90	1	50.00	55.00	35.02

Source: Wachovia Capital Markets, LLC estimates and Reuters data

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- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

Additional Information Available Upon Request

I certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

Wachovia Capital Markets, LLC does not compensate its research analysts based on specific investment banking transactions. WCM's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

Required Disclosures

STOCK RATING

1 = Outperform: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

2 = Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3 = Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O = Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M = Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U = Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: May 6, 2009

36% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Outperform.	Wachovia Capital Markets, LLC has provided investment banking services for 36% of its Equity Research Outperform-rated companies.
58% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Market Perform.	Wachovia Capital Markets, LLC has provided investment banking services for 30% of its Equity Research Market Perform-rated companies.
6% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Underperform.	Wachovia Capital Markets, LLC has provided investment banking services for 27% of its Equity Research Underperform-rated companies.

- Wachovia Capital Markets, LLC or its affiliates intends to seek or expects to receive compensation for investment banking services in the next three months from Extra Space Storage Inc., Inland Real Estate Corp..
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WACHOVIA CAPITAL MARKETS, LLC

Equity Research

Aqua America

WTR: Rate Relief Backlog Materializing Into EPS Growth

Market Perform / V

Sector: Water Utilities, Market Weight
May 6, 2009

Company Note

- **Good Q1.** Reported 1Q09 EPS of $0.14 (includes roughly $0.015 of non-recurring items) vs. $0.11 in 1Q08. Drivers include rate relief, customer growth, and expense controls partially offset by higher D&A, lower customer usage, and share dilution. Mgmt stated that residential customers, the bulk of WTR's base, has yet to exhibit a meaningful deviation from its historical 50 bps decreasing annual usage trend.
- **EPS Growth Has Resumed** following the ~$60 mm of rate awards implemented in '08, including $34.4 mm in Pennsylvania (Aug '08). WTR has received $22.6 mm of rate relief thus far in '09, including $13.2 mm related to important Southern cases. WTR has multiple small cases pending, asking for $8.2 mm in increases, as well as plans to file ~$60 mm of rate requests during the remainder of '09 -- the lion's share will be Pennsylvania but also sizeable cases in New Jersey and Ohio.
- **EPS Outlook.** Our '09E & '10E EPS are $0.83 and $0.87. We believe the '08 rate increases, roughly $36 mm of which will be incremental to '09 results, combined with '09 received and pending rate awards will enable WTR to grow '09 EPS by roughly 14%. Other potential drivers include an improved efficiency ratio (mgmt targets a 100-150 bps improvement) as lower commodity prices alleviate the recent operating cost pressures partially offset by slower forecasted customer and sales growth due to the weak economy as well as higher D&A and interest expenses.
- **Strong Cash Flow and Balance Sheet.** We expect the '09 CapEx budget of $300 mm (vs. $267 mm in '08) for low risk infrastructure investments will require minimal external financing as internal cash generation continues to grow due to the expanding depreciable capital base. Other than DRIP equity, we believe WTR will utilize low interest state funds and its $74 mm of available credit facility capacity to fund investments. Minimal external financing needs offers WTR flexibility should an opportunity present itself. WTR's liquidity position and credit profile is one of the strongest in the industry with an A+ credit rating, a 44% equity ratio.
- **Reiterate Market Perform.** While EPS growth has been relatively flat over the past few years at WTR, we believe the company is poised to rebound significantly in 2009 as regulatory lag, particularly at some Southern properties, is resolved and we foresee longer-term EPS growth power in the mid-single digit range.

	2008A	2009E		2010E	
EPS		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.11	**$0.14 A**	**0.14**	NE	
Q2 (June)	0.17	0.21	NC	NE	
Q3 (Sep.)	0.26	0.26	NC	NE	
Q4 (Dec.)	0.19	0.21	NC	NE	
FY	$0.73	$0.83	NC	$0.87	NC
CY	$0.73	$0.83		$0.87	
FY P/E	25.1x	22.1x		21.1x	
Rev.(MM)	$641.0	$694.0		$733.0	

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

Ticker	WTR
Price (05/06/2009)	$18.33
52-Week Range:	$12-22
Shares Outstanding: (MM)	135.6
Market Cap.: (MM)	$2,485.6
S&P 500:	909.32
Dividend/Yield:	$0.54/2.9%
LT Debt: (MM)	$1,226.2
LT Debt/Total Cap.:	51.0%
ROE:	10.0%
3-5 Yr. Est. Growth Rate:	6.0%
CY 2009 Est. P/E-to-Growth:	3.7x
Last Reporting Date:	05/05/2009 *After Close*

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters

Valuation Range: $17 to $18
Our relative P/E multiple (applying a 5-10% premium to the '09 group mean of 18X to our '10 estimate) and DDM analyses indicate a 12-18 month valuation range of $17-$18 per share. Chief risks to our valuation range include regulatory risk, the potential undertaking of unprofitable growth ventures and deterioration in the water industry premium multiple relative to other utility sub-sectors.

Investment Thesis:
We rate shares of WTR Market Perform. We consider WTR to be one of the highest quality, fastest growing U.S. water utilities. WTR's strong fundamentals include a growing rate base, largely constructive regulatory treatment, disciplined M&A strategy, relatively low risk EPS growth and a growing dividend. Our rating is reflective of WTR's premium valuation relative to peers.

Utilities

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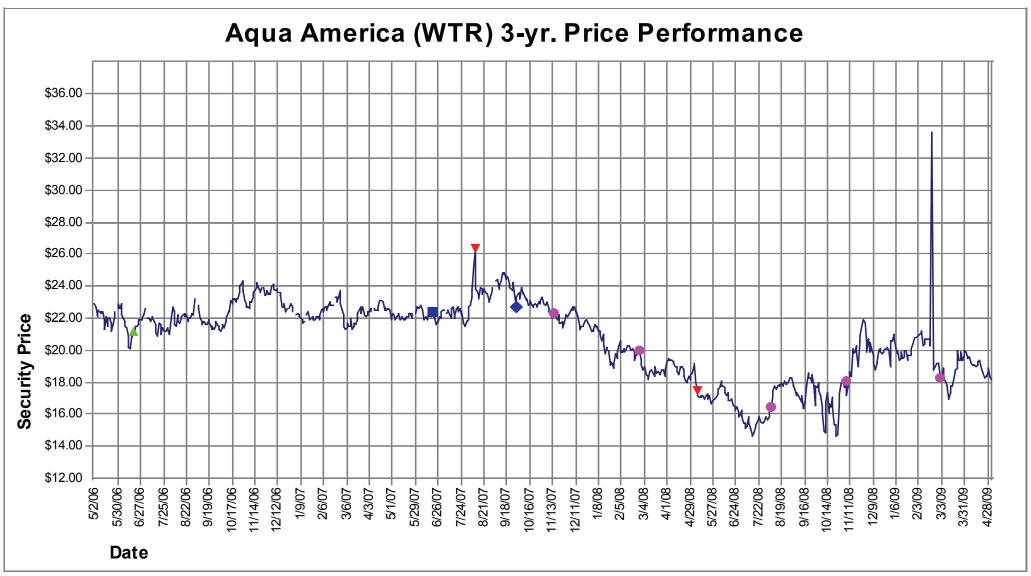
Please see page 2 for rating definitions, important disclosures and required analyst certifications.

Company Description:
Headquartered in Bryn Mawr, PA, Aqua America (WTR) is one of the largest U.S.-based investor-owned regulated water and wastewater utilities. Aqua America, formally Philadelphia Suburban Corporation (PSC), serves approximately 2.8 million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, New York, Indiana, Florida, Virginia, Maine, Missouri, and South Carolina. WTR's largest subsidiary, Aqua Pennsylvania, accounts for approximately half of the company's total customer base. The company's aggressive, yet disciplined, growth-through-acquisition strategy has resulted in more than 130 acquisitions and growth ventures adding roughly 250,000 customers over the last five years.

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	5/2/2006		Winter			
	5/2/2006	NA	2	NE	NE	22.90
▲●	6/19/2006	NA	1	25.00	25.00	21.20
■	6/19/2007		Kalton			
▼	8/9/2007	NA	2	NE	NE	26.30
◆	9/28/2007	NA	NR	NE	NE	22.68
●◆	11/14/2007	22.34	1	24.00	26.00	22.31
●	2/27/2008	19.57	1	22.00	23.00	19.95
▼●	5/7/2008	17.99	2	19.00	20.00	17.42
●	8/6/2008	16.42	2	17.00	18.00	16.48
●	11/5/2008	18.04	2	18.00	19.00	18.04
●	3/2/2009	18.40	2	17.00	18.00	18.27

Source: Wachovia Capital Markets, LLC estimates and Reuters data

Symbol Key
- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❐ Split Adjustment

Rating Code Key
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- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

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Chief risks to our valuation range include regulatory risk, the potential undertaking of unprofitable growth ventures and deterioration in the water industry premium multiple relative to other utility sub-sectors.

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1 = Outperform: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

2 = Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3 = Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O = Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M = Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U = Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: May 6, 2009

36% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Outperform.

58% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Market Perform.

6% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Underperform.

Wachovia Capital Markets, LLC has provided investment banking services for 35% of its Equity Research Outperform-rated companies.

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WACHOVIA CAPITAL MARKETS, LLC

Equity Research

Brookfield Asset Management

BAM: Another Solid Qtr; Acquisition Pot'l Appears More In View

Outperform / V
Sector: Diversified & Specialty, Overweight
May 6, 2009

- **ESTIMATES:** We're modestly reducing (~$0.10/sh per yr) our '09/'10 CF est's to reflect: 1) more conservative outlook for Timber and Residential homebuilding ops, 2) modestly reduced rate expectations for the Power business, and 3) reduced income from 'Other' investments (Norbord and Fraser Papers related). Results continue to be positively impacted by strong gains from BAM's hedging activities -- stripping these gains from Q1, and all other 'one-time' gains (net $38mm), we derive clean cash EPS of $0.30/sh for Q1'09. Seasonal improvement in Power and Residential should drive higher quarterly earnings for the remainder of '09.
- **NAV/NPV:** Our updated sum of the parts analysis is $18-24 per share, down ~$1/sh on each end from our prior range. Major assumptions remain largely unchanged -- cap rates for Office portfolio are ~8% (on avg, cash), while we use a 12% discount rate and 7.5% cash cap rate for our Power NPV analysis.
- **OUTLOOK:** Core operations continue to be steady driven by BAM's long held philosophy of certainty over upside. The lease rollover schedule remains among the lowest among major Office owners, and near-term debt maturities are low. We conservatively forecast $0.15-0.20/sh (~10%) of annual FFO/CF dilution by rolling all of BAM's maturing debt thru 2011 to market rates -- this compares to Office/Industrial REIT avg at ~15% FFO dilution. Mgmt commentary suggests that BAM is likely to complete major transactions during the next few years, which we believe could be a catalyst for the stock. Importantly, we suspect most deals likely would occur with partners, adding to the overall asset size potential.
- **LIQUIDITY:** Current capital sources remained unchanged from yr-end levels at ~$2.5bb, plus it secured an add'l $300mm of financing post qtr-end, yet BAM's debt maturities thru 2011 were reduced by ~$700mm leading to an improvement on net liquidity. We estimate the co's 3-yr liquidity at $4.9bb vs. total maturities of $6.8bb. Lenders appear more comfortable at lower re-fi levels, and BAM doesn't have many sizable maturities thru 2010 (Multiplex bridge loan is one exception), but the $1.2bb Trizec loan maturity (BAM's share at 50%) remains a challenge.
- **RATING:** We affirm our Outperform rating on BAM shares. We continue to believe BAM's core earnings will hold up comparatively well given its long-lease and debt durations. Shares now offer a ~25% discount to the mid-pt of our NAV/NPV range, which includes no upside pot'l for AUM growth or value creation on the development pipeline. Pot'l acquisitions could also be a plus for shares.

Earnings Estimate Revised Down

	2008A	2009E		2010E	
CASH EPS		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.65	**$0.39 A**	**0.37**	NE	
Q2 (June)	0.54	**0.42**	**0.46**	NE	
Q3 (Sep.)	0.46	**0.38**	**0.41**	NE	
Q4 (Dec.)	0.47	**0.43**	**0.47**	NE	
FY	$2.12	**$1.62**	**1.72**	**$1.77**	**1.89**
CY	$2.12	$1.62		$1.77	
FY P/CASH EPS	7.8x	10.2x		9.3x	
Rev.(MM)	$11,578.0	$5,379.0		$7,367.0	

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

Cash EPS is comparable to BAM's reported Cash Flow from Operations

Ticker	BAM
Price (05/06/2009)	$16.45
52-Week Range:	$11-38
Shares Outstanding: (MM)	595.0
Market Cap.: (MM)	$9,787.8
S&P 500:	912.04
Dividend/Yield:	$0.52/3.2%
LT Debt: (MM)	$17,747.0
LT Debt/Total Cap.:	60.2%
ROE:	21.0%
3-5 Yr. Est. Growth Rate:	13.0%
CY 2009 Est. P/CASH EPS-to-Growth:	0.8x
Last Reporting Date:	05/05/2009 *Before Open*

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters

Valuation Range: $18 to $22
Low-end based on 'low' NAV estimate; high-end = 10% discount to 'high' NAV/NPVe sum of the parts. Risks: Significant income in recent yrs has been derived from monetization and trading gains, which could be reduced going forward.

Investment Thesis:
BAM has narrowed its focus to property, power and infrastructure investments (primarily), and is migrating more towards an asset management platform. Sharpening its investment parameters and increasing management fees should enable continued robust cash flow growth, with less volatility.

Diversified & Specialty

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Company Description:
Brookfield Asset Management is an investment company with operations in North American, European and Australasian property, North American and Brazilian power generation (hydro), and global infrastructure asset management. The company has a long-standing history of operational performance and presence in each of its operating localities. Brookfield invests directly, and indirectly through its subsidiaries, in both public and private companies.

ESTIMATES: We're modestly reducing (~$0.10/sh lower, per yr) our '09/'10 CF est's to reflect 1) more conservative outlook for Timber and Residential homebuilding ops, 2) modestly reduced rate expectations for the Power business, and 3) reduced income from 'Other' investments (Norbord and Fraser Papers related). Results continue to be positively impacted by strong gains from BAM's hedging activities -- stripping these gains from Q1, and all other 'one-time' gains (net $38mm), we derive clean cash EPS of $0.30/sh for Q1'09. Seasonal improvement in Power and Residential should drive higher quarterly earnings for the remainder of '09.

NAV/NPV: Our updated sum of the parts analysis is $18-24 per share, down ~$1/sh on each end from our prior range. Major assumptions remain largely unchanged -- cap rates for Office portfolio are ~8% (on avg, cash), while we use a 12% discount rate and 7.5% cash cap rate for our Power NPV analysis. See our NAV/NPV breakdown at the end of this note.

OUTLOOK: Core operations continue to be steady driven by BAM's long held philosophy of certainty over upside. The lease rollover schedule remains among the lowest among major Office owners, and near-term debt maturities are low. We conservatively forecast $0.15-0.20/sh (~10%) of annual FFO/CF dilution by rolling all of BAM's maturing debt thru 2011 to market rates -- this compares to Office/Industrial REIT avg at ~15% FFO dilution. Mgmt commentary suggests that BAM is likely to complete major transactions during the next few years, which we believe could be a catalyst for the stock. Importantly, most of these deals likely would occur with partners, adding to the overall asset size BAM could take down.

Table 1.
Debt Rollover and Interest Expense Exposure Schedule

		2009	2010	2011
Corporate borrowings -- debt rollover		**$ -**	**$ 200**	**$ 65**
Stated avg rate / current interst exp.	6.0%	0.0	12.0	3.9
Assumed mrkt rate / est'd int. exp.	7.0%	0.0	14.0	4.6
Annual* interest exp change (cumulative)		**0.0**	**2.0**	**2.7**
Subsidiary borrowings -- debt rollover		**$ 731**	**$ 630**	**$ 510**
Stated avg rate / current interst exp.	7.0%	51.2	44.1	35.7
Assumed mrkt rate / est'd int. exp.	7.5%	54.8	47.3	38.3
Annual* interest exp change (cumulative)		**3.7**	**6.8**	**13.0**
Property specific debt -- rollover		**$ 1,144**	**$ 1,899**	**$ 1,652**
Stated avg rate / current interst exp.	5.0%	57.2	95.0	82.6
Assumed mrkt rate / est'd int. exp.	6.5%	74.4	123.4	107.4
Annual* interest exp change (cumulative)		**17.2**	**45.6**	**87.6**
Total debt rollover		**$ 1,875**	**$ 2,729**	**$ 2,227**
Avg rate / interest expense	5.6%	108.4	151.1	122.2
Avg rate / est'd interest expense	6.8%	129.2	184.7	150.2
Total annual* int. exp. exposure		**20.8**	**54.5**	**103.2**
Total annual int. exp. exposure per share*		*0.04*	*0.09*	*0.17*

* Assumes full yr impact to interest expense for debt that matures during the yr.
Source: Company reports, Wachoiva Capital Markets, LLC estimates

Note: $ in millions

LIQUIDITY: BAM's current capital sources remained unchanged at ~$2.5bb at 3/31, plus it secured an add'l $300mm of financing post qtr-end, but its debt maturities thru 2011 were reduced by ~$700mm. We estimate the co's 3-yr liquidity stands at $4.9bb vs. total maturities of $6.8bb. Lenders appear more comfortable at lower re-fi levels, and BAM doesn't have much of size maturing thru 2010 (Multiplex bridge loan is one exception), but the $1.2bb Trizec loan maturity (BAM's share at 50%) in 2011 could pose a challenge.

Table 2.
BAM Debt Maturities and Capital Position profile -- pro rata portion
(in $ millions)

Pro rata debt maturity schedule	2009	2010	2011	2012 and thereafter	Total
Corporate borrowings	-	200	65	2,027	2,292
Subsidiary debt level	731	630	510	1,787	3,658
Property specific mortgages	1,144	1,899	1,652	7,102	11,797
Total debt maturities	1,875	2,729	2,227	10,916	17,747

Short-term capital position		
Corporate level capital		
	Cash and equivalents	282
	Financial assets	669
Subsidiary level capital		
	Cash and equivalents	811
Estimated capacity on revolving credit facility		769
3 yr cash flow generation (1)		2,057
Add'l financing completed post 3/31/09		300
	Total short-term capital *	**4,888**

Total debt maturities thru 2011 = $6.8bb vs. total est'd liquidity $4.9bb (including post qtr new financings).

* Excludes ~$1BB of committed but undrawn capital from third party investors that can be drawn for specific purposes.
(1) Represents est'd Net CF generation less estimated maintenance cap-ex costs and dividend obligations thru 2011.
Source: Company reports, Wachovia Capital Markets, LLC estimates

RATING: We affirm our Outperform rating on BAM shares. We continue to believe BAM's core earnings will hold up comparatively well given its long-lease and debt durations. Shares now offer a ~25% discount to the mid-pt of our NAV/NPV range, which includes no upside pot'l for AUM growth or value creation on the development pipeline. Pot'l acquisitions could also be a plus for shares.

See the following commentary from our 5/5/09 brief on BAM's Q1 results:

BAM: Reports Q1 Results Generally In-Line With Expectations

Q1 RESULTS: Operating cash flow (aka cash EPS) was $0.46 per share. We believe there were a modest amount of gains in the qtr, but haven't yet determined the full range of 'one-timers' to derive clean results. *Of note, post this brief we derived 'clean' Cash EPS of $0.39 per our review of the Supplemental Package and discussions with management.* Results compare to our $0.37 per share estimate and Street consensus at $0.47 per share (we don't include monetization gains or other one-time gains/expenses in our results, but understand many peer analysts do include such items).

CORE OPERATIONS: Q1 performance appears decent upon first glance. Commercial Property and Power were modestly above our expectations, while Infrastructure fell a bit shy of our forecast (Timber related). Returns from BAM's excess liquidity very robust at $126MM versus our $45MM estimate, or $0.14 per share

of upside relative to our forecast. Less than 50% of the Q1 returns ($56mm) appear generated from hedge positions; BAM typically cash settles these gains on a quarterly basis.
Fees earned (Asset Mgmt) were modestly above our expectations, but results from Specialty Funds, Residential, and Other (Private Equity) Investments fell below our forecast.

OUTLOOK: CEO Bruce Flatt's quarterly shareholder letter focused on the commercial real estate industry - the reasons why it's an attractive asset class and the opportunities that may arise for new deals. We sense BAM is closer to pulling the trigger on larger transactions now than it has been for the past 18+ mos. Long-term, levered IRR's up to 20% appear possible per BAM's assumptions. We remain interested whether BAM will pursue such acquisitions on its own balance sheet, or if partners will be required.

NET: Solid core operating performance amid economic weakness, combined with a liquidity position that was modestly improved during the period is a clear plus in our opinion.

Tables for discussion section:

Table 3. Wachovia's NAV/NPV Sum of the Parts for BAM

Table 4. Wachovia's Earnings / CF Model for BAM

Brookfield Asset Management: NAV/NPV Estimate
Table 3.

(Figures in $ millions, except per share data)

	Low Valuation		High Valuation	
Property				
North American	1,276	(1)	3,979	(1)
UK	473		473	
Australasia	197		197	
Retail	433		433	
Power Generation	5,561		6,055	
Infrastructure	414		641	
Development				
Under development	335	(3)	770	(3)
Held for development	1,069	(3)	1,538	(3)
Residential	297	(2)	411	(2)
Opportunity Fund	167		167	
Specialty Funds	1,764		1,764	
Investments	707		707	
Asset management operations	1,087	(4)	1,280	(4)
Add: Cash and financial assets	951		951	
Add: Other assets	1,397	(6)	1,983	(6)
Less: Other Liabilities	(913)	(6)	(1,957)	(6)
Less: Debt not otherwise in valuation	(3,022)		(3,022)	
Less: Preferred Shares	(870)		(870)	
Less: Capital Securities	(526)	(5)	(1,385)	(5)
Equity Value	10,797		14,113	
Shares oustanding	590.0		590.0	
Per share valuation	**18.30**		**23.92**	

(1) The high valuation is based on income from BPO's office portfolio. The low-end is based on the public valuation of BPO shares held by BAM.

(2) The high end valuation is based off a multiple of income from BAM's residential operations, including BHS, Carma (sub of BPO), and Brascan Residential Properties, SA (BRP SA). The low end is based on the public valuation of BHS and BRP SA, we exclude BPO's residential ops, which are captured in the low-valuation under "Property, North American".

(3) The high-end valuation for "Development" is absed on book value for all BAM developments. The low-end excludes the equity book value for BPO, BHS, and Brascan Residential Properties related developments.

(4) The high-end of Asset Mgt is based off a multiple of '09e cash flow, and includes all BAM related fees. The low-end valuation is the same as the high-end, but excludes fees related to BPO operations.

(5) The high valuation for "Capital Securities" includes 50% int. in $859MM on BPO's bal. sheet consolidated on BAM's books. We exclude the full $859MM from the low valuation to avoid double counting (we assume this balance is reflected in the public market valuation of BPO).

(6) Differences stem from the BPO related asset and liabilities that are excluded from the "Low Valuation".

Source: Wachovia Capital Markets, LLC estimates, company reports

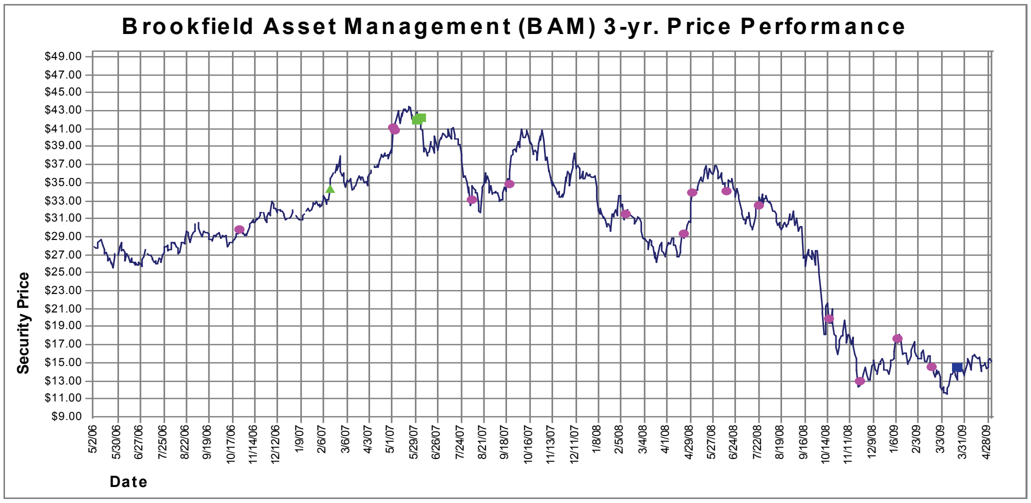
Brookfield Asset Management (BAM)
Consolidated Statement of Income
Table 4 (in $ millions, except per share data)

Brendan Maiorana (443) 263-6516
Young Ku (443) 263-6564
Philip Defelice (443) 263-6442

	Q1'08A	Q2'08A	Q3'08A	Q4'08A	Q1'09A	Q2'09E	Q3'09E	Q4'09E	Q1'09E	FY2007	FY2008	FY2009E	FY2010E
Revenue													
Commercial property	688	710	721	652	NA	682	678	673	$665	2,366	$2,771	$2,033	$2,356
Power	343	368	324	263	NA	340	278	301	291	988	1,298	920	1,235
Infrastructure	125	103	117	88	NA	103	112	108	126	631	433	324	519
Development and other	767	1,069	932	357	NA	271	321	428	198	1,713	3,125	1,020	1,413
Specialty funds	541	584	444	133	NA	239	239	239	173	1,035	1,702	716	1,257
Fees earned	202	113	183	122	NA	112	114	120	110	414	620	346	510
Other	544	489	495	33	NA	7	7	7	46	261	1,561	21	76
Total Revenues	**3,210**	**3,436**	**3,216**	**1,648**	**2,651**	**1,754**	**1,748**	**1,877**	1,608	**7,408**	**11,510**	**5,379**	**7,367**
Operating Cash Flows													
Commercial property	421	433	398	388	400	406	405	403	399	1,847	1,640	1,614	1,630
Power	251	264	213	158	210	256	210	225	203	611	886	901	922
Infrastructure	48	95	78	44	40	47	50	49	51	318	265	186	229
Development and residential	64	113	70	13	34	55	71	87	62	446	260	247	298
Specialty Funds	104	121	31	49	39	36	36	36	26	344	305	146	189
Fees earned	114	99	109	113	105	82	82	88	90	328	435	357	351
Other	121	95	25	33	1	7	7	7	46	261	274	22	76
Total Operating Cash Flows	**1,123**	**1,220**	**924**	**798**	**829**	**890**	**860**	**894**	**878**	**2,719**	**4,065**	**3,474**	**3,694**
Operating CF margin	*35.0%*	*35.5%*	*28.7%*	*48.4%*	*31.3%*	*50.7%*	*49.2%*	*47.6%*	*54.6%*	*36.7%*	*35.3%*	*64.6%*	*50.1%*
Net Operating Cash Flow													
Property	151	156	108	184	167	156	153	149	140	479	599	625	593
Power	148	143	102	73	102	147	106	119	118	261	466	474	486
Infrastructure	28	40	27	22	19	16	17	16	17	97	117	68	93
Development and residential	29	118	75	107	21	28	44	59	39	361	329	151	171
Specialty Funds	34	71	(9)	20	8	9	9	9	26	326	116	35	47
Fees earned	64	113	12	210	9	16	17	17	36	152	399	59	78
Other	94	(9)	3	27	(14)	3	3	3	26	151	115	(7)	56
Total Net Operating Cash Flows	**548**	**632**	**318**	**643**	**312**	**374**	**347**	**372**	**402**	**1,826**	**2,141**	**1,405**	**1,524**
Net Operating CF margin	*17.1%*	*18.4%*	*9.9%*	*39.0%*	*11.8%*	*21.3%*	*19.9%*	*19.8%*	*25.0%*	*67.2%*	*52.7%*	*40.5%*	*41.3%*
Other Non Operating Cash Flows													
Interest income	127	30	178	152		0	0	0	45	342	487	0	0
Other gains/losses	0	0	0	0	126	55	55	55	0	0	0	291	160
Total CFs	**675**	**662**	**496**	**795**	**438**	**429**	**402**	**427**	**447**	**2,168**	**2,628**	**1,696**	**1,684**
Other debt of subsidiaries	15	15	15	32	20	20	20	20	15	66	77	80	60
Corporate borrowings	63	69	67	52	34	33	33	33	68	146	251	133	152
Other Unallocated expenses	116	142	78	250	61	54	53	47	75	178	586	215	193
Other unallocated margin	*17.2%*	*21.5%*	*15.7%*	*31.5%*	*13.9%*	*12.6%*	*13.1%*	*11.0%*	*16.9%*	*8.2%*	*22.3%*	*12.7%*	*11.4%*
Capital securities	0	0	0	0	18	18	18	18	0	90	0	72	0
Minority Interest	79	102	54	171	70	56	52	55	58	353	406	234	227
CF Ops before Preferred Sh. Distributions	402	334	282	290	235	248	226	253	231	*16.3%*	1,308	963	1,052
Corporate preferred shares	12	12	11	9	0	0	0	0	9	44	44	0	0
Consolidated Cash Flows available to common	**390**	**322**	**271**	**281**	**235**	**248**	**226**	**253**	**222**	**$1,291**	**$1,264**	**$963**	**$1,052**
Consolidated CF per share	**$0.65**	**$0.54**	**$0.46**	**$0.47**	**$0.39**	**$0.42**	**$0.38**	**$0.43**	**$0.37**	**$2.15**	**$2.12**	**$1.62**	**$1.77**
Gains included in reported CF	41	(16)	69	(32)	38	0	0	0	0	588	63	38	0
Reported Consoidated CF	431	306	340	249	273	248	226	253	222	1,879	1,326	1,001	1,052
Reported Consolidated CF per share	$0.72	$0.51	$0.57	$0.41	$0.46	$0.42	$0.38	$0.43	$0.37	$3.14	$2.22	$1.68	$1.77
EBITDA	1,007	1,078	846	548	894	891	863	902	$803	3,977	3,054	3,550	3,661
EBITDA per share	$1.69	$1.81	$1.42	$0.91	$1.50	$1.50	$1.45	$1.52	$1.34	$6.64	$5.12	$5.97	$6.15

Source: Wachovia Capital Markets LLC estimates, company reports

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	5/2/2006		Haley			
	5/2/2006	NA	2	25.33	28.00	27.94
●	10/26/2006	NA	2	27.33	32.67	29.75
▲ ●	2/13/2007	NA	1	32.00	38.00	34.32
●	5/2/2007	NA	1	38.67	44.00	41.09
●	5/3/2007	NA	1	40.00	44.67	40.80
□	6/1/2007		3-for-2 stock split			
●	8/6/2007	NA	1	38.00	43.00	33.14
●	9/20/2007	36.00	1	38.00	42.00	34.86
●	2/11/2008	31.43	1	33.00	40.00	31.53
●	4/22/2008	29.57	1	30.00	37.00	29.31
●	5/1/2008	32.72	1	31.00	38.00	33.91
●	6/12/2008	34.00	1	35.00	38.00	33.98
●	7/22/2008	32.14	1	35.00	41.00	32.47
●	10/16/2008	19.51	1	29.00	36.00	19.93
●	11/24/2008	12.41	1	24.00	31.00	13.00
●	1/8/2009	17.69	1	19.00	22.00	17.69
●	2/18/2009	14.37	1	19.00	23.00	14.50
■	3/23/2009		Maiorana			

Source: Wachovia Capital Markets, LLC estimates and Reuters data

Symbol Key
▼ Rating Downgrade
▲ Rating Upgrade
● Valuation Range Change
◆ Initiation, Resumption, Drop or Suspend
■ Analyst Change
□ Split Adjustment

Rating Code Key
1 Outperform/Buy
2 Market Perform/Hold
3 Underperform/Sell
SR Suspended
NR Not Rated
NE No Estimate

Additional Information Available Upon Request

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V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: May 6, 2009

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Equity Research

Extra Space Storage Inc.

**EXR: SS NOI Guidance Conservative In Our View, Reducing Ests.
Significant JV Sale Could Meaningfully Improve Capital Capacity**

Market Perform / V

Sector: Self Storage, Overweight
May 6, 2009

Earnings Estimate Revised Down

	2008A	2009E		2010E	
FFO		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.25	**$0.47 A**	**0.48**	**$0.20**	**0.22**
Q2 (June)	0.26	**0.23**	**0.24**	**0.21**	**0.23**
Q3 (Sep.)	0.29	**0.23**	**0.25**	**0.22**	**0.23**
Q4 (Dec.)	0.37	**0.22**	**0.24**	**0.22**	**0.23**
FY	$1.18	**$1.15**	**1.20**	**$0.86**	**0.91**
CY	$1.18	$1.15		$0.86	
FY P/FFO	6.1x	6.3x		8.4x	
Rev.(MM)	$273.3	$270.0		$273.8	

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

- OUTLOOK CONSERVATIVE IN OUR VIEW. Based upon our follow-up with EXR it is our sense that sequential deterioration in top-line revenue from January-April 2009 combined with a new level of conservatism injected by new CEO Spencer Kirk is the driver beyond the sharp downward revision to SS NOI growth guidance. Demand is weak; the volume of move-ins continues to decline but the rate of deterioration is no longer accelerating but move-outs nearly stopped in April after persistent losses for the past 4-6 months. Taken together it seems that revenue declines may reach their bottom by before summer (2-3% declines and not necessarily the 4%+ EXR sees in H2 2009) and expense growth guidance (2-3% growth) may be prove conservative vs. EXR's sub-1% growth in recent years.
- REPORTED 1Q FFO/sh of $0.47, $0.01 below our estimate and $0.02 below consensus. Excluding a one-time debt repurchase gain ($0.25), core FFO would have been $0.22 (incl. a $0.01 APB 14-1 charge). EXR now expects to earn $0.92-0.96 in 2009 (excl. the $0.25/sh gain in 1Q and $0.03 related to APB 14-1 charges), down from prior expectations of $0.96-1.01. SS NOI guidance has been revised down to a 5-6% decline on revenue decline of 3-4% and expense growth of 2-3%.
- LIQUIDITY. Including EXR's portion of JV debt, 2009-2011 maturities are $126MM, $200MM and $104MM, respectively, or $430MM. We expect EXR will use the remaining capacity on its credit facility plus cash on hand ($169MM together), retained oper. cash flow (~$100MM est. thru 2011), and new loans on currently unleveraged properties (~$254MM in capacity assuming a 7.5% cap rate and 70% LTV) to meet these obligations. In doing so, however, EXR would exhaust much of its excess capital capacity unless sales are executed or equity is raised.
- JV SALE / EQUITY ISSUANCE. EXR's announced it was close to finalizing the sale of a meaningful portfolio -- estimated $250-300MM -- to a JV. Details were not disclosed but implicitly if the sale is NAV accretive, excess proceeds could be utilized to reduce 2009-2011 maturities and enhance capital capacity. Based upon management's conf. call comments we suspect EXR may even explore an equity issuance to further address maturities and boost capital capacity.

Ticker	EXR
Price (05/06/2009)	$7.25
52-Week Range:	$4-18
Shares Outstanding: (MM)	90.4
Market Cap.: (MM)	$655.4
S&P 500:	919.93
Dividend/Yield:	$0.85/11.7%
LT Debt: (MM)	$1,299.9
LT Debt/Total Cap.:	70.0%
ROE:	8.0%
3-5 Yr. Est. Growth Rate:	4.0%
CY 2009 Est. P/FFO-to-Growth:	1.6x
Last Reporting Date:	05/04/2009 *After Close*

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters

Valuation Range: $6.5 to $7.5
Our 12 month valuation range is based upon an 8.5% nominal cap rate on 2009E NOI. Risks include rising interest rates; a failure to sustain operating margins; a deterioration in pricing power; a reduction in discretionary spending, or a prolonged economic and unemployment downturn.

Investment Thesis:
Extra Space is a leader in a highly fragmented industry and long-term we think EXR will be a consolidator and its concentration in a handful of regional markets and technology platform provide an opportunity to maximize operating efficiencies. Near-term capital capacity pressures take precedence and in our view EXR must work through its debt maturities to reduce risk.

Multifamily/Self-Storage

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Please see page 5 for rating definitions, important disclosures and required analyst certifications.

Company Description:
Extra Space Storage Inc. is the second largest operator of self storage in the United States. It is organized as a real estate investment trust (REIT). Its portfolio contains over 630 self-storage facilities located in 34 states totaling more than 43MM square feet.

Capital Capacity
Over 2009-2012 Extra Space has ~$728MM of debt and exchangeable senior notes maturing on wholly-owned and joint venture properties and an additional $141MM of funding on 2009-2010 development completions for a total of ~$870MM of capital need. We believe retained cash flow from operations over 2009-2012 period will be approximately $125-150MM and today EXR has nearly $170MM of capacity on existing credit lines and cash on hand plus $250MM of borrowing capacity on unencumbered assets implying nearly $550MM of sources.

Asset Sales, Equity Issuance Could Be Used To Address Shortfall
We believe management may look to address the shortfall ($870MM - $550MM = $220MM) through a combination of asset sales and potentially an equity issuance. EXR indicated on its Q1 2009 conference call it is presently finalizing the sale of what is implicitly a meaningful portfolio of assets – we estimate $250-300MM. Details on the assets or structure were no provided but we believe it can be estimated as the impetus behind the transaction was the institutional partner was looking for high leveraged cash yields on assets with long-term debt.

If we assume a gross transaction size of $250-300MM and assumed debt at 75-80% LTV (transaction value, not EXR's book value) and EXR took a minority position in an 80%/20% JV, then we can calculate that the institutional partner would likely earn 11-13% leveraged cash yields on their position and EXR could potentially see $150-180MM of debt transferred off its balance sheet. This transaction could eliminate nearly 80% of the shortfall we see in the 2009-2012 sources/uses of funds.

The remaining $50-75MM 'hole' in our capital capacity estimate may well be ignored by management on the basis that a recovery in operating fundamentals and/or credit markets will fill the void. However, in the current environment we would not be surprised to see management explore a common equity issuance if the JV sale is finalized. Assuming, for instance, EXR management explored a $75MM capital raise and used proceeds to retire debt we estimate dilution would approximate ~$0.10/sh or ~10-11% on full year earnings but we believe the elimination of capital capacity risk could offset the dilution risk through slight expansion in the FFO multiple, to the extent it was explored. Larger issuances would have a more dilutive impact.

Estimate Revision. We are reducing our 2009-2010E FFO/sh to $1.15 and $0.86 from $1.20 and $0.91 respectively. Our 2009E FFO/sh *includes* a $0.25/sh gain on the repurchase of debt in Q1 2009 as well as the non-cash ABP 14-1 charge. Excluding only the Q1 2009 gain our full-year 2009 FFO/sh estimate is $0.90 which is comparable to EXR's 2009 FFO/sh guidance $0.89-0.92 *excluding* the gain but *including* the non-cash APB 14-1 charge. Though we believe management's guidance may prove overly cautious, we prefer to see more visibility around move-ins and expense controls before get more aggressive with out forecast.

Maintain Market Perform.

Extra Space Storage Inc.

Summary Financial Model 2008A to 2010E, amounts in 000s unless otherwise noted

Revenue	2008A	Q1'09A	Q2'09E	Q3'09E	Q4'09E	2009E	Q1'10E	Q2'10E	Q3'10E	Q4'10E	2010E
Rental Revenue	235,695	59,409	59,159	58,949	58,116	235,633	58,704	59,385	60,277	60,320	238,686
Management & Franchise Fees	20,945	5,219	5,100	5,100	5,100	20,519	5,200	5,200	5,200	5,200	20,800
Acquisition and Dev. Fees	0	0	0	0	0	0	0	0	0	0	0
Tenant Insurance Revenue	16,091	4,619	2,786	2,986	3,058	13,448	4,711	2,842	3,045	3,119	13,717
Other Income	520	7	125	125	125	382	150	150	150	150	600
Total Revenue	273,251	69,254	67,170	67,160	66,398	269,982	68,766	67,577	68,672	68,788	273,803
Expense											
Property Operating Expense	84,522	22,867	21,855	21,519	21,216	87,457	22,596	21,939	22,003	22,021	88,559
Tenant Insurance Expense	5,066	1,261	975	1,045	1,070	4,351	1,649	995	1,066	1,092	4,801
General and Administrative	40,427	11,246	10,372	10,629	10,155	42,401	11,583	10,683	10,947	10,459	43,673
Depreciation and Amoritization	49,566	12,523	12,800	13,021	13,482	51,826	13,568	13,819	14,194	14,409	55,989
Other Expenses	1,727	82	82	82	82	328	175	175	175	175	700
Total Expense	181,308	47,979	46,085	46,295	46,005	186,363	49,571	47,610	48,386	48,155	193,722
Interest Expense, Net	56,362	14,891	14,583	14,378	14,216	58,068	14,241	14,187	14,100	14,024	56,552
Minority Interest	(2,180)	(1,788)	(1,788)	(1,788)	(1,788)	(7,152)	(1,788)	(1,788)	(1,788)	(1,788)	(7,152)
Fair Value Adj./Impairments	6,555	22,483	0	0	0	22,483	0	0	0	0	0
Equity in Earnings of RE JVs	6,932	1,895	1,901	2,033	2,038	7,867	1,967	1,985	2,006	1,999	7,956
Net Income	46,888	28,974	6,615	6,732	6,427	48,749	5,133	5,976	6,404	6,820	24,333
Preferred OP Unit Distributions	0	0	0	0	0	0	0	0	0	0	0
Property-Level NOI	151,173	36,542	37,304	37,431	36,899	148,176	36,109	37,446	38,273	38,299	150,127
EBITDA	148,441	35,693	35,787	35,919	35,913	143,311	34,729	35,770	36,486	37,040	144,026
FFO Reconciliation											
Net Income	46,888	28,974	6,615	6,732	6,427	48,749	5,133	5,976	6,404	6,820	24,333
Depreciation	42,834	11,430	11,348	11,543	11,951	46,272	11,967	12,250	12,583	12,773	49,573
JV Depreciation	5,072	1,395	1,395	1,395	1,395	5,580	1,395	1,395	1,395	1,395	5,580
Amortization of Intangibles	4,494	523	1,280	1,302	1,348	4,453	1,357	1,382	1,419	1,441	5,599
Deprec. & Amort.	52,400	13,348	14,023	14,240	14,695	56,305	14,718	15,027	15,397	15,609	60,752
Loss Allocated to OP	3,056	2,037	1,788	1,788	1,788	7,401	1,788	1,788	1,788	1,788	7,152
Other Adj.	(5,750)	(1,438)	(1,438)	(1,438)	(1,438)	(5,752)	(1,438)	(1,438)	(1,438)	(1,438)	(5,752)
Funds From Operations	**96,594**	**42,921**	**20,988**	**21,322**	**21,472**	**106,703**	**20,201**	**21,353**	**22,151**	**22,779**	**86,485**
Recurring Cap. Ex. Reserve	(5,282)	(1,642)	(1,642)	(1,642)	(1,642)	(6,567)	(1,642)	(1,642)	(1,642)	(1,642)	(6,567)
Amortization of Financing	(1,000)	(250)	(250)	(250)	(250)	(1,000)	(250)	(250)	(250)	(250)	(1,000)
Funds Available For Distrib.	**90,312**	**41,029**	**19,096**	**19,430**	**19,580**	**99,136**	**18,309**	**19,462**	**20,259**	**20,887**	**78,918**
Dividends Paid (Cash)	82,028	22,806	0	0	2,297	25,103	12,365	12,459	12,553	12,646	50,023
Retained Cash Flow	8,283	18,224	19,096	19,430	17,283	74,033	5,944	7,003	7,707	8,241	28,895
Share Count											
Weigted Avg. Common Shares	76,531	85,940	85,940	86,190	90,436	87,127	93,639	94,389	95,139	95,889	94,764
OP Units	5,497	5,282	5,282	5,282	5,282	5,282	5,282	5,282	5,282	5,282	5,282
Contingent Shares/Units Converted	0	0	250	250	250	750	750	750	750	750	3,000
Fully Diluted Shares & Units	82,028	91,222	91,472	91,722	95,967	92,596	99,671	100,421	101,171	101,921	100,796
Per Share Information											
FFO Per Share	**$ 1.18**	**$ 0.47**	**$ 0.23**	**$ 0.23**	**$ 0.22**	**$ 1.15**	**$ 0.20**	**$ 0.21**	**$ 0.22**	**$ 0.22**	**$ 0.86**
FAD Per Share	$ 1.10	$ 0.45	$ 0.21	$ 0.21	$ 0.20	$ 1.07	$ 0.18	$ 0.19	$ 0.20	$ 0.20	$ 0.78
EBITDA Per Share	$ 1.94	$ 0.42	$ 0.42	$ 0.42	$ 0.40	$ 1.64	$ 0.37	$ 0.38	$ 0.38	$ 0.39	$ 1.52
Dividend Per Share	$ 1.00	$ 0.25	$ -	$ -	$ 0.24	$ 0.49	$ 0.13	$ 0.13	$ 0.13	$ 0.13	$ 0.50

Source: Company documents, Wachovia Capital Markets, LLC estimates

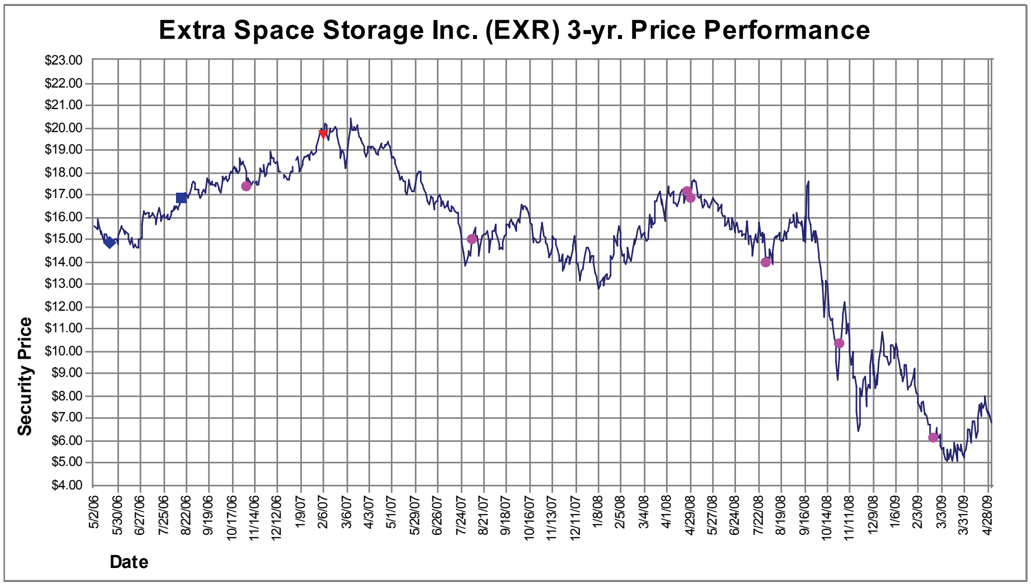
Extra Space Storage Net Asset Value Estimate

Implied Nominal Capitalization Rate	**8.1%**	**8.2%**	**8.4%**	**8.6%**	**8.7%**
Economic Capitalization Rate	**7.7%**	**7.8%**	**8.0%**	**8.2%**	**8.3%**
Annualized '09E Net Operating Income (NOI)	$147,073	$147,073	$147,073	$147,073	$147,073
Less: Recurring CapEx	(6,567)	(6,567)	(6,567)	(6,567)	(6,567)
Less G&A	(42,401)	(42,401)	(42,401)	(42,401)	(42,401)
Add Back Public Company Costs	6,360	6,360	6,360	6,360	6,360
Proforma Wholly-Owned Property Level NOI	104,465	104,465	104,465	104,465	104,465
Proforma Development Lease-Up Property NOI ('04-'07)	8,101	8,101	8,101	8,101	8,101
Proforma Prorata Share of JV Property NOI	17,696	17,696	17,696	17,696	17,696
Gross Proforma Property Level NOI	130,262	130,262	130,262	130,262	130,262
Economic Capitalization Rate	**7.7%**	**7.8%**	**8.0%**	**8.2%**	**8.3%**
Real Estate Value	**$1,694,056**	**$1,660,839**	**$1,628,274**	**$1,596,347**	**$1,565,046**
(Implied Nominal Cap Rate)	*8.1%*	*8.2%*	*8.4%*	*8.6%*	*8.7%*
Net Tenant Ins. Revenue + Net Fee Revenues	$ 29,670	$ 29,670	$ 29,670	$ 29,670	$ 29,670
Multiplier	7.8x	7.7x	7.5x	7.4x	7.2x
Net Tenant Insurance Value	**$ 231,514**	**$ 226,975**	**$ 222,524**	**$ 218,161**	**$ 213,883**
EXR Development/Redevelop Pipeline at Q1'09	274,561	274,561	274,561	274,561	274,561
Projected Stabilized Yield	9.0%	9.0%	9.0%	9.0%	9.0%
Projected Value on Completion	7.7%	7.8%	8.0%	8.2%	8.3%
Value Creation in Development Pipeline	**$82,906**	**$77,337**	**$71,886**	**$66,550**	**$61,328**
Gross Value Before B/S Items	**$2,008,477**	**$1,965,152**	**$1,922,684**	**$1,881,058**	**$1,840,258**
Plus: Cash & Short-Term Investments	89,355	89,355	89,355	89,355	89,355
Plus: Receivables & Other Assets	46,031	46,031	46,031	46,031	46,031
Debt on Wholly-Owned Assets at Q1'09	(1,213,041)	(1,213,041)	(1,213,041)	(1,213,041)	(1,213,041)
Prorata Share of Debt on JV Assets at Q1'09	(113,791)	(113,791)	(113,791)	(113,791)	(113,791)
Other Liabilities	(55,640)	(55,640)	(55,640)	(55,640)	(55,640)
Less: Legal	(3,388)	(3,322)	(3,257)	(3,193)	(3,130)
Less: Severance	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Less: Transaction Costs	(21,176)	(20,760)	(20,353)	(19,954)	(19,563)
Net Asset Value (NAV)	**$ 724,827**	**$ 681,983**	**$ 639,988**	**$ 598,825**	**$ 558,478**
Shares Outstanding	91,222	91,222	91,222	91,222	91,222
NAV Per Share	**$7.95**	**$7.48**	**$7.02**	**$6.56**	**$6.12**
Current Share Price	$7.13	$7.13	$7.13	$7.13	$7.13
Appreciation	11.4%	4.9%	(1.6%)	(7.9%)	(14.1%)
Current Yield	6.9%	6.9%	6.9%	6.9%	6.9%
Total Return Potential	**18.3%**	**11.7%**	**5.3%**	**(1.1%)**	**(7.3%)**

Source: Company documents, Wachovia Capital Markets, LLC estimates

Note: all amounts in $000s except per share amounts

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	5/19/2006		Rothman			
◆	5/19/2006	NA	1	16.50	18.50	14.89
■	8/15/2006		Donnelly			
●	11/3/2006	NA	1	18.50	19.75	17.37
▼●	2/5/2007	NA	2	19.00	19.50	19.66
●	8/6/2007	NA	2	13.25	15.00	15.00
●	4/24/2008	NA	2	12.50	14.50	17.14
●	4/30/2008	17.22	2	15.00	17.00	16.83
●	7/30/2008	15.27	2	15.00	16.00	14.00
●	10/29/2008	9.77	2	9.00	10.00	10.38
●	2/19/2009	6.28	2	5.50	6.50	6.13

Source: Wachovia Capital Markets, LLC estimates and Reuters data

Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	❐	Split Adjustment

Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

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2 = Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3 = Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

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O = Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M = Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U = Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: May 6, 2009

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Wachovia Capital Markets, LLC has provided investment banking services for 30% of its Equity Research Market Perform-rated companies.

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Equity Research

Inland Real Estate Corp.

IRC: Q1 FFO $0.01 Ahead Of Estimate--Cutting Dividend
Devel. Pipeline Maturities Remain A Concern--Reiterates Guidance

Underperform / V

Sector: Shopping Centers, Underweight
May 6, 2009

Earnings Reported - First Look

	2008A	2009E		2010E	
FFO		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.35	**$0.31 A**	**0.30**	$0.30	NC
Q2 (June)	0.36	0.30	NC	0.30	NC
Q3 (Sep.)	0.36	0.31	NC	0.30	NC
Q4 (Dec.)	0.26	0.30	NC	0.29	NC
FY	$1.33	$1.21	NC	$1.19	NC
CY	$1.33	$1.21		$1.19	
FY P/FFO	6.0x	6.6x		6.7x	
Rev.(MM)	$186.5	$174.2		$173.6	

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

- REPORTED Q1 FFO per share of $0.31, which includes a $0.05 gain from debt extinguishment offset by $0.05 of noncash charges related to asset and marketable securities impairments. Results were nearly $0.01 ahead of our expectations largely because of lower-than-anticipated interest expense. A sharp increase in other property-related income was offset by higher-than-anticipated operating costs.
- SAME-STORE NOI DECLINED 3.0%, slightly weaker than we anticipated mainly due to sharper sequential occupancy deterioration. The total portfolio was 93.6% leased at Q1-end versus 94.1% at December 31, 2008, and 95.2% at March 31, 2008. The magnitude of the sequential and year/year decline is better than what we have observed among IRC's peers. Compared to the expiring rent, new and renewal leases in Q1 were signed at 8.9% and 2.7% increases, respectively.
- DEVELOPMENT FUNDING REMAINS A QUESTION. IRC is a 40-85% partner in nine development projects with an aggregate project cost of $360MM of which $170MM has been expended to date. Our concern is the collective pipeline is just 12.1% preleased (only three projects show leasing in the 45-70% range, the rest are 0%), construction maturities are coming due in March 2009 through 2010, and there is relatively little capacity on IRC's credit facility and it tripped a leverage covenant in Q4 2008. Accordingly it is not clear to us what next steps IRC and its lenders will take on these assets. Several March 2009 maturities on these projects were pushed one month, until April 2009, beyond the reporting period.
- DIVIDEND CUT. Inland indicated it would reduce its monthly dividend effective with the June 2009 payment to its minimum payout requirement. Excluding the possibility of future 2009 tax losses on asset sales, which may reduce the dividend obligation, we estimate the minimum dividend payment is around $0.80-0.85 per share per annum compared to the current rate of $0.98, or a roughly 15% reduction.
- GUIDANCE REITERATED at $1.20-1.35; this figure excludes any potential impairments in the marketable securities portfolio. We are reviewing our estimates, currently at $1.21 per share for 2009.

Ticker	IRC
Price (05/06/2009)	$7.96
52-Week Range:	$5-17
Shares Outstanding: (MM)	66.2
Market Cap.: (MM)	$527.0
S&P 500:	907.26
Dividend/Yield:	$0.80/10.1%
LT Debt: (MM)	$836.4
LT Debt/Total Cap.:	58.3%
ROE:	8.0%
3-5 Yr. Est. Growth Rate:	0.0%
CY 2009 Est. P/FFO-to-Growth:	NM
Last Reporting Date:	05/06/2009 *Before Open*

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters

Valuation Range: $5 to $6
Our valuation range is based a 9.5-10.0%nominal cap rate on 2009E proforma NOI plus 5x fee income. We assume the IREX JV winds down in 2009. Risks include: failure to acquire suitable investments, lower realized fees from joint venture arrangements, tenant bankruptcies, failure to contain costs and maintain margins, rising vacancy, inability to achieve rent and tenant recovery estimates, or economic weakness in core markets.

Investment Thesis:
Grocery-anchored shopping centers in densely populated markets with high household incomes maintain better occupancies and deliver higher, more consistent rent growth. The demographics of IRC's portfolio are 15-25% above the peer average and yet we expect earnings growth will lag the peers due to growth in non-recoverable operating expenses that should restrain internal growth.

Retail/Net Lease

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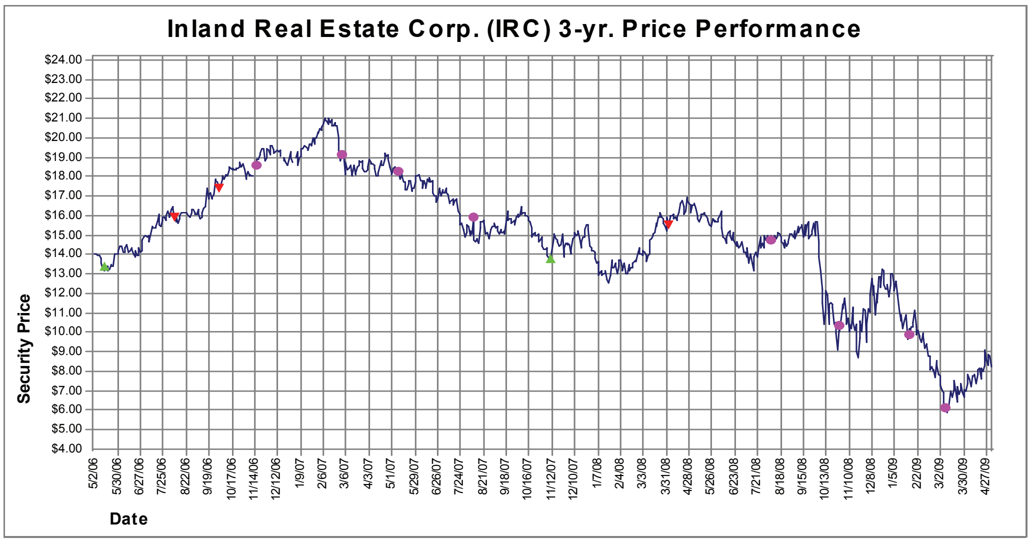
Please see page 2 for rating definitions, important disclosures and required analyst certifications.

Company Description:
Inland Real Estate Corporation is a self-administered and self-managed real estate investment trust (REIT) based in Oak Brook, Illinois, that owns, acquires, and manages neighborhood and community retail centers located primarily in the Midwest. Inland Real Estate Corporation owns and manages more than 12 million sq.ft. of retail space across in eight states, with major concentrations in Chicago and Minneapolis.

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	5/2/2006		Donnelly			
	5/2/2006	NA	3	14.50	16.00	14.05
▲ ●	5/15/2006	NA	1	14.00	15.00	13.43
▼ ●	8/8/2006	NA	2	15.00	16.00	15.89
▼	10/2/2006	NA	3	NE	NE	17.40
●	11/15/2006	NA	3	16.50	17.25	18.55
●	2/28/2007	NA	3	17.50	18.50	19.11
●	5/9/2007	NA	3	17.00	18.50	18.29
●	8/8/2007	NA	3	13.50	14.50	15.93
▲	11/11/2007	13.92	2	13.50	14.50	13.83
▼	4/2/2008	15.94	3	13.50	14.50	15.52
●	8/6/2008	14.78	3	13.00	14.00	14.78
●	10/28/2008	9.08	3	9.00	10.00	10.32
●	1/22/2009	9.51	3	8.00	9.00	9.86
●	3/6/2009	5.97	3	5.00	6.00	6.12

Source: Wachovia Capital Markets, LLC estimates and Reuters data

Symbol Key
- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- □ Split Adjustment

Rating Code Key
- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

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2 = Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

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SECTOR RATING

O = Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

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U = Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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As of: May 6, 2009

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58% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Market Perform.

Wachovia Capital Markets, LLC has provided investment banking services for 30% of its Equity Research Market Perform-rated companies.

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WACHOVIA

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Equity Research

Ultra Petroleum Corp.

UPL: Positive: Conference Call Follow-Up; Raising Estimates

Outperform / V
Sector: Exploration & Production, Market Weight
May 6, 2009

- **Production Growth Visibility – Can Underspend Cash Flow and Still Generate Double Digit Growth in 2010 and 2011**. Mike Watford, CEO, said that at $5.00/Mcfe Wyoming price, which implies a NYMEX price of $6.00-$6.50/Mcfe, the company could grow 10% in 2010 and 2010 while under spending cash flow. This may surprise the Street. Regarding the pricing, keep in mind UPL has 45% of its 2010 natural gas already locked in at $5.45/Mcfe swaps. And once REX starts up later this year, UPL will have access to what have been historically higher Northeast prices. For instance, 2010 Appalachia forward prices (Dominion South) have been running $1.25 - $1.75/Mcfe higher than Opal prices, which we cover the cost of REX transport and fuel. And we remind investors that UPL still has the best returns in the industry. Period.
- **2Q09 Expenses Down, Our Full Year 2009 and 2010 Estimates Move Up.** During the call, UPL provided 2nd quarter per unit expense guidance. The lower expense guidance addresses our and the Street's concern, after LOE increased 1Q vs. 4Q. Going forward, on a per unit basis 2Q09 total “operating expenses” is to be down $0.68/Mcfe to $2.39/Mcfe. Of the reduction, $0.46/Mcfe is related to lower DD&A related to ceiling test charge, but per unit LOE also down $0.10/Mcfe to $0.52/Mcfe from $0.62/Mcfe. Remainder of the reduction is related to lower production taxes reflecting lower 2Q09 forecasted commodity prices. For 2009/2010, our new EPS estimates are $1.55 and $1.82, respectively, versus $1.34 and $1.67 prior.
- **Solid Ops Update**. Company commented that 70% of the wells drilled during April were drilled in less than 20 days. Not sure the exact composition of those wells, but impressive. In addition, UPL is targeting wells costs of $5.0 MM or lower in 2H09. Delineation success continues with 13 wells completed in 1Q09 and results coming in well above pre-drill estimates. Appalachia/Pennsylvania encouraging thus far, but still early. Company has two 1Q09 new drills waiting on pipeline connection, in addition to 6 wells from last year also awaiting connection. Any success in Appalachia region would be upside to NAV and guidance.

Valuation Range: $50 to $55
Our NAV based valuation range on UPL is $50-$55, which assumes continued operational efficiencies in D&C operations. Our NAV for UPL is $51.10 Risks to our valuation range include material sustained oil and gas price weakness and failure of operational initiatives to live up to expectations.

Investment Thesis:
Ultra Petroleum has a core position in the highly prolific Pinedale/Jonah field, which we believe is undisputedly one of the best, if not the best, concentrated natural gas plays in the U.S. Backed by this asset, UPL should continue to deliver industry leading metrics in per unit costs, ROE, and ROCE. Finally, we believe in management's ability to execute and exploit the resource which provides significant upside potential to current reserve and GIP estimates.

Earnings Estimates Revised Up

	2008A	2009E			2010E	
EPS		**Curr.**		**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.64	$0.26	A	NC	**$0.46**	**0.42**
Q2 (June)	0.73	**0.45**		**0.39**	**0.42**	**0.39**
Q3 (Sep.)	0.78	**0.46**		**0.38**	**0.44**	**0.40**
Q4 (Dec.)	0.42	**0.39**		**0.31**	**0.50**	**0.46**
FY	$2.59	**$1.55**		**1.34**	**$1.82**	**1.67**
CY	$2.59	$1.55			$1.82	
FY P/E	19.6x	32.8x			27.9x	
Rev.(MM)	$1,103.4	$852.0			$1,051.0	

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

Ticker	UPL
Price (05/06/2009)	$50.76
52-Week Range:	$28-103
Shares Outstanding: (MM)	156.5
Market Cap.: (MM)	$7,943.9
S&P 500:	914.28
Dividend/Yield:	$0.00/0.0%
LT Debt: (MM)	$721.0
LT Debt/Total Cap.:	43.0%
ROE:	42.0%
3-5 Yr. Est. Growth Rate:	15.0%
CY 2009 Est. P/E-to-Growth:	2.2x
Last Reporting Date:	05/05/2009 *After Close*

Source: Company Data, Wachovia Capital Markets, LLC estimates, and Reuters

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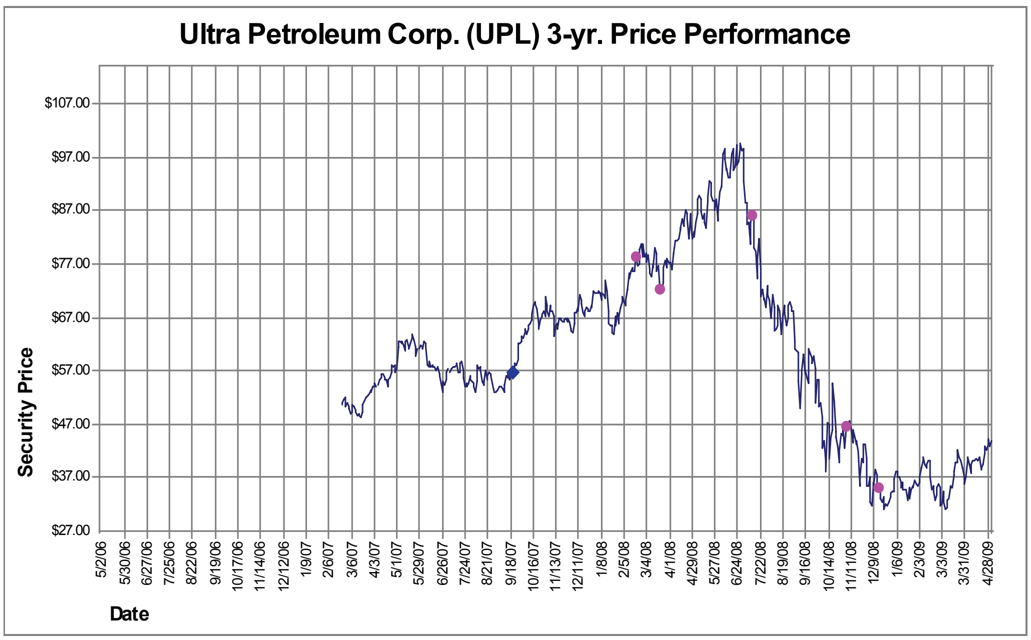
Please see page 2 for rating definitions, important disclosures and required analyst certifications.

Company Description:

Ultra Petroleum Corp. is an independent oil and gas company engaged in the exploration and development of oil and natural gas producing properties. The company's primary operations are in the Green River Basin of southwest Wyoming, focusing on a tight gas sand project located in the Pinedale Anticline. The Pinedale Anticline is currently the second-largest natural gas field in the United States, and is believed to hold nearly 50 Tcfe of gas in place. As of December 31, 2008, Ultra owns interests in approximately 147,917 gross (79,566 net) acres in Wyoming and had proved reserves of 3.52 Tcfe, 95% of which was natural gas.

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	9/19/2007		Tameron			
◆	9/20/2007	55.99	1	73.00	77.00	56.58
●	2/20/2008	78.00	1	88.00	91.00	78.34
●	3/19/2008	76.78	1	98.00	102.00	72.32
●	7/11/2008	84.87	1	105.00	115.00	86.12
●	11/4/2008	46.76	1	80.00	85.00	46.76
●	12/15/2008	35.90	1	50.00	55.00	35.02

Source: Wachovia Capital Markets, LLC estimates and Reuters data

Symbol Key

▼ Rating Downgrade
▲ Rating Upgrade
● Valuation Range Change
◆ Initiation, Resumption, Drop or Suspend
■ Analyst Change
□ Split Adjustment

Rating Code Key

1 Outperform/Buy
2 Market Perform/Hold
3 Underperform/Sell
SR Suspended
NR Not Rated
NE No Estimate

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I certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

Risks to our valuation range include material sustained oil and gas price weakness and failure of operational initiatives to live up to expectations.

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