BAIRD

M&A Market Analysis

Fall 2010

Clean Technology

Overview of M&A Activity and Energy Efficiency Trends




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The following report has been prepared by the Investment Banking Department of Robert W. Baird & Co. This report is an overview and analysis of industry and consolidation trends and is not intended to provide investment recommendations on any specific industry or company. A complete listing of all companies covered by Baird U.S. Equity Research and applicable research disclosures can be accessed at <http://www.rwbaird.com/researchdisclosure>. You can also call 1-800-792-2473 or write: Robert W. Baird & Co., Equity Research, 24th Floor, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

Robert W. Baird & Co. ("Baird") is a leading middle market focused investment bank serving the M&A and equity financing needs of our clients throughout the U.S., Europe and Asia. Since 2004, we have advised on more than 278 M&A transactions totaling more than $40 billion and have served as an underwriter on more than 277 equity offerings totaling more than $69 billion in raised capital.

Baird's balanced buy- and sell-side practice provides expertise for public and private companies, while our dedicated financial sponsor coverage further expands opportunities and financing resources for our clients. Through close coordination between our U.S., European and Asian bankers, we work to optimize opportunities and results for clients in the international marketplace. Approximately one-third of our M&A activity over the past six years has involved international transactions.

Please refer to Appendix – Disclaimers and Other Disclosures on page 24.

Executive Summary

Introduction

Clean technologies are a natural complement to Baird's strengths in the industrial sector, including vehicle supply, test & measurement, process controls, filtration, utilities, electrical products, infrastructure products and facility & industrial services. Recognizing the growing opportunity in cleantech, its global reach and cleantech's role in the future of the industrial sector, Baird has committed significant resources in the last eighteen months to grow our practice by adding investment banking, equity research and policy analysis capabilities.

In this report, we take a look at historical M&A activity in the nascent space and some of the more recent trends resulting from volatile capital markets, which have slowed IPO activity, as well as the tightening of the private capital markets, which has forced more financial discipline and a shake out of the less robust technologies and capital intensive business models.

Market Overview

In general, cleantech is "growing up" with more exits and later stage investments in the companies that have survived and thrived despite very difficult financial and end market conditions.

However, that isn't to say that there isn't still plenty of innovation, because there is – perhaps stronger than ever. As entrepreneurs and investors get smarter on market needs, viable technologies and sustainable (capital efficient) business models – more innovative ideas get funded. This fact is supported by the number of investments going to seed and Series A investments.

While the public markets are going to play an important role for select cleantech companies, we believe the vast majority of companies will find exits through acquisition. One of the areas that is actively consolidating is energy efficiency, in particular companies in and around the smart grid.

Sector Focus: Energy Efficiency

The venture community has played a significant role in funding new technology companies to upgrade the global energy infrastructure. The result? A number of leading point solutions which make up a piece of an end-to-end solution required by utilities. We expect the majority of these companies will be acquired and integrated into larger platforms of industrial and technology companies, and in some cases by other cleantech companies or utilities.

Cleantech M&A Analysis

Cleantech M&A Volume

It is no surprise to anyone following the cleantech space that both M&A transaction values and volume have reached record levels within the last few quarters. Recent M&A activity has been driven by numerous factors ranging from maturation of companies resulting from investment over the last five years, to venture funds seeking exits to provide returns to limited partners, to the unfortunate event when a company has difficulty, especially in the markets of the last two years, finding financial backers and turns to the M&A market to find a home rather than face closing its doors.

While transaction volume and velocity continue to increase, the cleantech M&A market is still at a nascent stage. We expect the level of M&A to continue growing modestly in 2011, favoring certain sectors such as energy efficiency and solar more than others.

As shown below, global cleantech M&A slowed slightly for the second straight quarter in Q3 2010 with 104 transactions completed totaling $3.4 billion compared to 115 transactions in Q2 2010 totaling $6.6 billion.

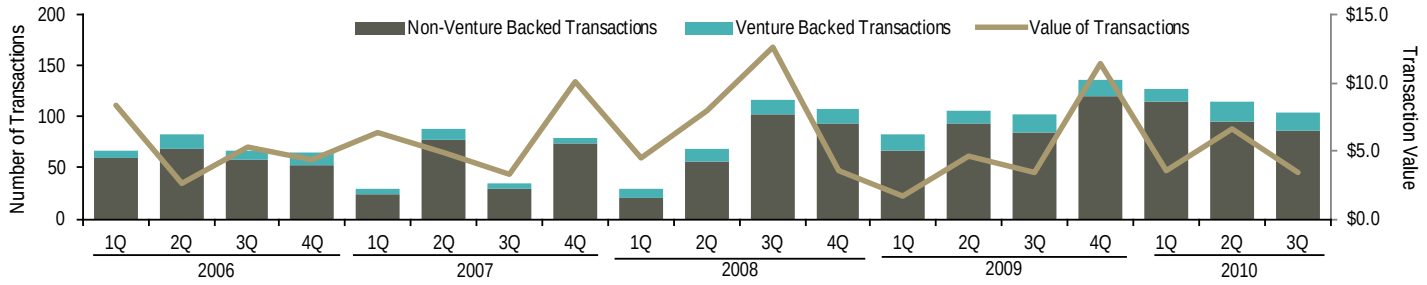
Also shown in the first chart below, the number of venture-backed company acquisitions has been gradually increasing, reaching 19 transactions in Q2 2010 and 18 transactions in Q3 2010. The second chart below shows cleantech M&A by sector; as would be expected based on invested capital, the largest portion of transactions (around 45% on average) has been in energy generation.

The pie charts show cleantech M&A from 2006 to Q3 2010 by target and acquiror country. While the U.S. continues to have the most activity, emerging economies such as China, India and Brazil have seen increasing levels of M&A, especially in recent years.

The majority of cleantech M&A transactions are acquisitions (81%) with divestitures (13%) a distant second.

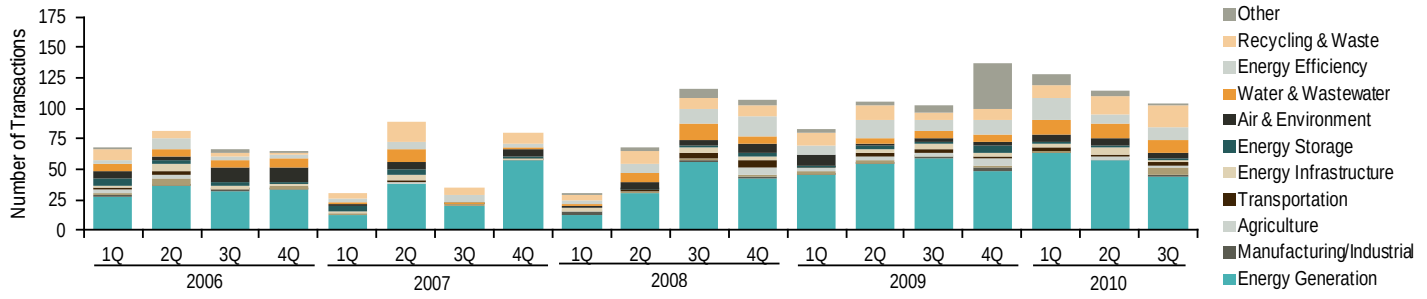
Global Cleantech M&A

($ in billions)



Source: Baird, Bloomberg NEF, Cleantech Group.

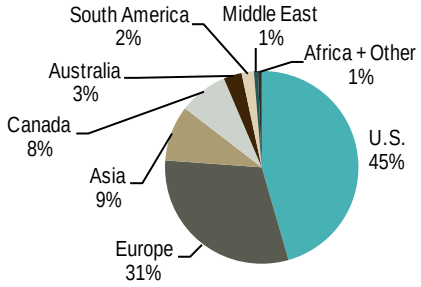
Cleantech M&A By Sector



Source: Baird, Bloomberg NEF, Cleantech Group.

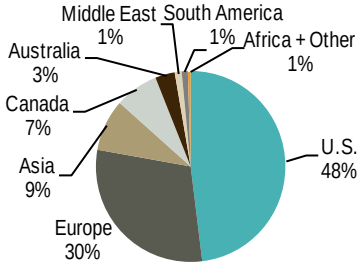
Cleantech M&A Analysis

Cleantech M&A By Target Region



Note: Includes transactions from 2006 to Q3 2010.
Source: Baird, Bloomberg NEF, Cleantech Group.

Cleantech M&A By Acquiror Region



Note: Includes transactions from 2006 to Q3 2010.
Source: Baird, Bloomberg NEF, Cleantech Group.

Venture Investment Continues

One of the primary drivers of M&A activity is continued capital investment in the sector. This consists primarily of venture investments but also includes private equity investments and corporate minority stake investments.

The stage of venture investment in cleantech companies trended to more early stage (Seed / Series A) companies in Q3 2010, with 39.5% of the total number of investments representing 9.8% of total investment dollars compared to 24.0% of the total number of investments representing 3.2% of total venture investment in Q2 2010.

The number and magnitude of later stage investments provides a signal that more companies are ripe for exit, which will lead to increased M&A levels.

As of June 2010, according to the Cleantech Group, there were over 900 venture-backed cleantech companies whose last round of follow-on funding was raised before the end of 2007 or whose last round of initial funding (with no additional follow-on rounds) was raised between 2002 and 2006. It is difficult to determine or track the percentage of these companies that will realize an exit, but the U.S. National Venture Capital Association estimates that approximately 53% of all venture-backed companies either go bankrupt or continue to operate in relative obscurity, "the walking dead." In these markets, and in a difficult and politically challenging cleantech environment, we believe the percentage of companies that fall in this category may be higher than the historical averages.

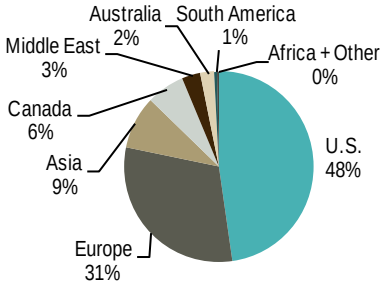
Investment in Cleantech Companies

($ in billions)

Note: Includes venture, private equity and corporate minority stake investments.
Source: Baird, Bloomberg NEF, Cleantech Group.

Cleantech M&A Analysis

Cleantech Venture Investment by Region



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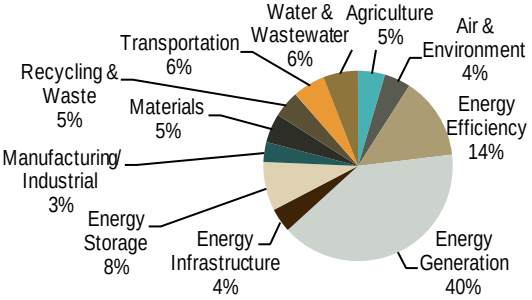
Cleantech Venture Investment by Sector



Note: Includes venture, private equity and corporate minority stake investments. Includes transactions from 2005 to Q3 2010.
Source: Baird, Bloomberg NEF, Cleantech Group.

More M&A Exits Expected Going Forward

Certainly during the early days of cleantech venture investing, firms hoped to see exits after their typical three to five year investment horizon. Venture firms were attracted by the emerging sector and the opportunity to make a positive impact as well as healthy venture returns. While there have been a few recent IPOs, such as A123, Tesla, Codexis, Ameresco, Jinko Solar, Elster and Amyris, most on-going investments have either morphed into longer-term holds requiring additional rounds of funding or have been realized through an M&A exit. And with the exception of a few M&A exits such as Ausra's sale to Areva, Recurrent Energy's sale to Sharp and CPower's sale to Constellation Energy, most M&A exits have been completed at rather sobering valuations.

As a result, some venture firms have found themselves questioning their on-going involvement and interest in cleantech or have considered reducing the focus of human and financial capital commitments. With longer holding periods and significant capital requirements for many cleantech companies, the investment proposal looks much different than the traditional VC power-alley of technology – software, internet, social media, etc. Yet other firms in the venture community have responded by shifting their focus to less capital-intensive opportunities within the sector – making solar technology companies less popular and energy efficiency the current industry darling.

What does this mean for the future? We believe there will likely be many venture-backed companies that will be unable to sustain their business models, deploy their technologies, or secure the necessary utility contracts / projects to be successful as standalone entities. These companies will either seek partners while still relatively well funded, close down or be sold via asset sales. There will likely be a few successful IPO exits, but the vast majority will come through M&A.

Skepticism runs high in the venture community related to IPOs as one VC put it below:

> *"I believe the percentage of exits through IPO could be as few as 1% of the total current VC-backed companies."*
> *– Corporate venture capitalist with several cleantech investments*

This skepticism has developed over time as companies have demonstrated the difficulty of proving new technologies and business models. In addition, the capital intensity of many cleantech businesses was not well understood by investors at the outset, and the expected appetite of public investors and potential acquirors has waned as global economic weakness brought gasoline and fossil fuel prices back down to more reasonable levels – weakening the economic cases for several cleantech sectors.

> *"During the dot-com era there was an appetite for $100-200 million IPOs, but with the increased costs of going (and being) public and the volatility in the markets, it is VERY hard for an unproven company to get out today."*
> *– Leading venture capitalist with several cleantech investments*

The Future of Cleantech M&A

Given the expectation of increasing levels of M&A, the next question that naturally comes to mind is who are the buyers? Eventually, there may be several large cleantech companies that consolidate within certain sectors, but this will only be likely once those companies have matured significantly in the public markets or organic growth begins to wane or new technologies begin to leapfrog their own. Therefore, in the near term, we believe the most likely acquirors for many cleantech businesses will be large

corporations looking to expand their current offerings with "cleaner" solutions or enter the cleantech space to access the enormous potential for large, growing end-markets.

According to an Ernst & Young survey of over 300 executives at global companies with at least $1 billion in annual revenue, Ernst & Young found that there was substantial appetite for cleantech acquisitions (see link to Ernst & Young survey in footnote):

- Almost 80% of respondents stated they had acquired or might consider acquiring cleantech companies
- 53% said they expect the rate of cleantech acquisitions to increase in the next three years

The survey also asked respondents to provide their rationale for making cleantech acquisitions:

- 42% said they would buy cleantech companies for access to innovation capabilities
- 32% were seeking cleantech acquisitions to complement existing products/services
- 30% hoped to source innovation through acquisition
- 28% were looking to reach new customers

Obviously, with such a wide variety of reasons for making acquisitions as well as the diversity of companies within the cleantech sector, the list of potential acquirors will look very different depending on the subsector. For instance, traditional energy companies will likely be on the short-list for alternative energy, energy services or next generation fuel companies, while technology and industrial companies will be the most likely acquiror for smart grid, energy efficiency and other efficiency technology companies. There may also be limited interest from private equity acquirors. We will discuss the likely acquirors for energy efficiency businesses in more detail later in this report.

Another trend that we expect to continue is increased interest from Asian buyers. So far in 2010, 10% of the acquisitions have involved an Asian buyer, which is about flat from 2009 levels (11%) but approximately double 2008 levels (5%).

Finally, as more M&A exits involve industrial buyers, another question that looms is what valuation will these transactions garner? Based on our conversations with traditional and corporate venture capitalists as well as likely corporate acquirors, we expect the following to occur: (i) venture firms will need to adjust valuation expectations as many of the acquirors will be traditional industrial companies trading and buying based on EBITDA multiples, (ii) investment in more capital efficient companies will have to be made in order to achieve required returns, (iii) longer hold period may be required to reach EBITDA levels for required returns, (iv) competitive auction processes will drive valuations closer to traditional venture return levels.

> *"We are going to have to adjust our valuation expectations going forward…the buyers are EBITDA buyers, not growth buyers. And it remains a buyer's market, with no forcing function. Most of the traditional industrial buyers are willing to wait until we have a proven business with real profits."*
>
> *– Corporate venture capitalist with several cleantech investments*

Ultimately, M&A valuations for many companies will depend on whether or not these traditional EBITDA buyers will be willing and able to pay well above their own valuation multiple for the growth and clean technologies many companies offer in order to expand the product offerings of more traditional industrial companies.

Ernst & Young, "Going big: the rising influence of corporations on cleantech growth"
http://www.ey.com/Publication/vwLUAssets/CM_Going_big_-_the_rising_influence/$FILE/Cleantech%20matters%20-%20going%20big.pdf

Sector Focus: Energy Efficiency

Energy Efficiency Overview

Numerous reports have been written on the topic of energy efficiency, so rather than redefine it here we aim to discuss the reason for the hype and what we've observed from an investment, partnership and M&A perspective. As depicted below, we view energy efficiency as beginning with generation and ending at the point of use – be it in the home, commercial building or industrial site. Intelligence in the infrastructure or a "smart grid" will take us from today's antiquated grid with little intelligence available to utilities related to outages, demand, or potential equipment failures, or to consumers: how much will this month's bill be?

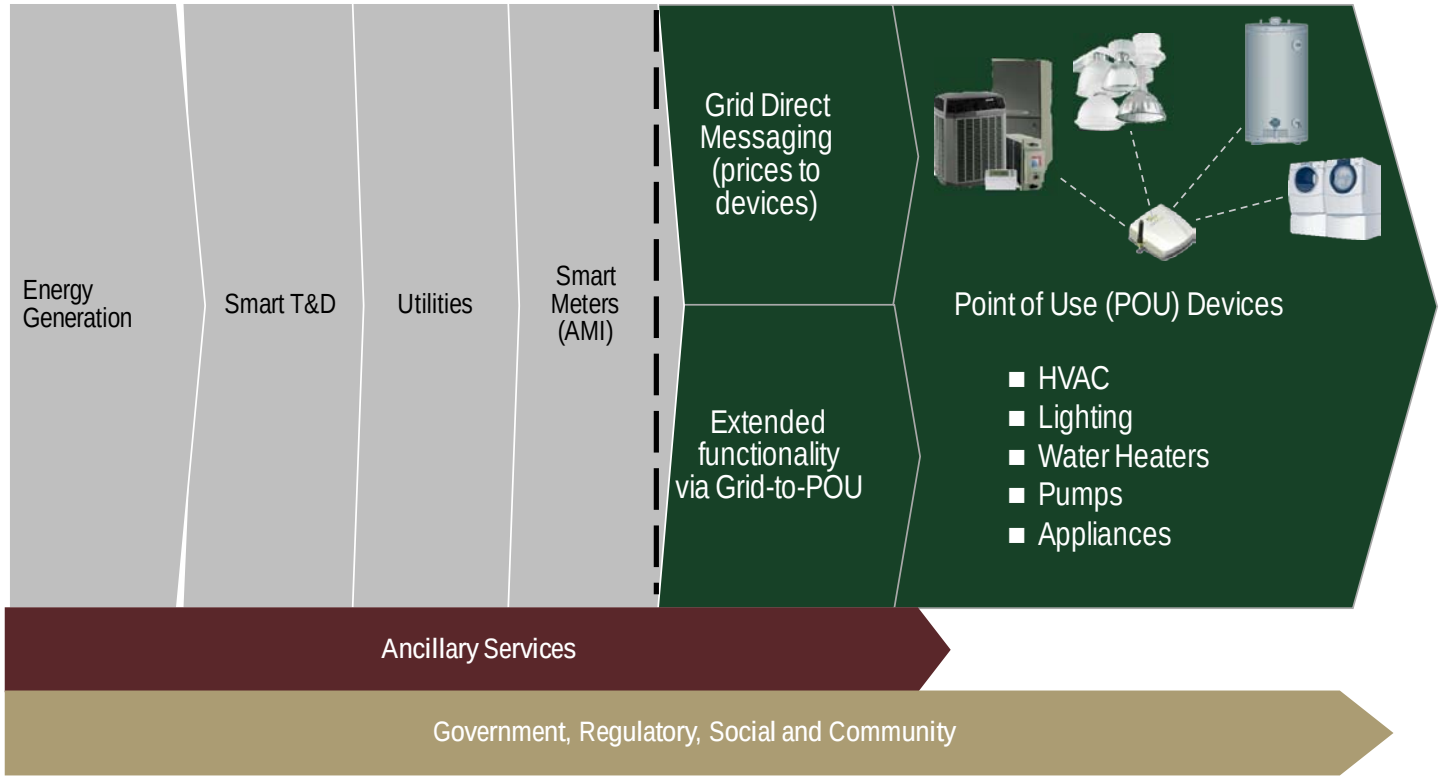
In order to go from "dumb" to "smart," significant investment is needed, and this is the reason energy efficiency and smart grid in particular is gaining so much attention. Any way you cut it, the size of the global market opportunity as estimated by market research groups, industry experts and governmental organizations, is expected to top tens of billions in the medium term (by 2015), which is enough to generate the interest of even the mega-cap players.

Market Data

Market Segment	Size
Global utility investment in Distribution Automation (DA)	$46.0B by 2015
Smart Meters (residential)	$5.7B by 2015
Managed Services Market (consultancy and implementation services)	$4.3B by 2015
Global Home Area Network (HAN) products and services	$3.0B by 2014
Residential Communication Modules (residential - smart thermostats, meter data management software)	$1.0B by 2015

Sources: ON World, Pike Research, McKinsey & Co.

Energy Efficiency – Generation to Point of Use



Source: Baird, Whirlpool.

Sector Focus: Energy Efficiency

While it is clear that the aging electricity grid needs to be updated, it is not so clear exactly how this will be achieved.

- Who will pay for the much needed update?

  Likely the rate payer
- Will regulatory or policy requirements dictate grid updates?

  Depends on the country (or state)
- What costs will utilities pass along to consumers and will consumers be willing to pay?

  As much as they can and probably not if they have a choice
- How will the traditionally conservative, slow-moving utilities work with the fast-paced, innovative smart grid companies?

  Outsource to larger players (one neck to choke) and have them integrate end-to-end solutions
- How will these small smart grid companies best serve the complex needs of the large utilities? (millions of end points, 20+ year support requirements)

  A challenge for any private company and the technology world, likely to be accomplished as part of a bigger platform

These questions will gradually be answered as the industry moves toward an updated grid. Throughout this process, we believe M&A will play a central role in the changing landscape of solution providers of smart grid technologies to the utilities.

The Role of Regulation

As with many sectors within cleantech, early adoption is likely to be driven by government regulation. Below are some of the regulatory initiatives by regions that are leading the way for a smarter, more efficient grid.

Regulatory and Policy Drivers By Region

Country	Description
Australia	• Council of Australian Governments committed to national mandated roll-out of electricity smart meters in 2007 • Developed National Smart Metering Project (2008) to establish minimum functionality for smart meters • National Energy Efficiency Initiative (2008): Committed to investing $100M to develop pilot smart grid projects • Expect to roll-out over seventeen million smart meters in Victoria and NSW by 2017 • Queensland and other states/territories are undergoing extensive piloting studies with a scheduled national review in 2012
Canada	• Energy Conservation Responsibility Act (2006): mandates installation of smart meters in all Ontario businesses and households by 2010 • Green Energy Act (2009): commitment to establishing a smart power grid to support development of renewable energy projects
China	• Joint U.S.-China Smart Grid Cooperative (2008) • China's 12th 5-Year Plan (2010): calls for the acceleration of the development of the national smart grid • China is expected to invest $60-$100B in smart grid investments over the next decade
EU	• Established SmartGrids: European Technology Platform (2005) to formulate and promote development of a smarter grid by 2020 • European Electricity Grid Initiative proposed an investment/development program with an estimated cost of €2B over the next nine years
U.S.	• American Recovery and Reinvestment Act (2009): $4.5B in investment set for the creation of a smarter grid • American Clean Energy & Security Act (2009): provides for modernization of electrical grid • Energy Improvement and Extension Act (2008): tax incentives for smart metering projects • Energy Independence & Security Act (2007): provides $100M/yr for 2008-2012 rollouts

Sector Focus: Energy Efficiency

Energy Efficiency Company Landscape

Energy Management Landscape

Energy Management Solutions	Demand-Side Management (DR, Efficiency S/W)	Building Efficiency	Efficiency Services
Ameresco	Advanced Telemetry	ABB	Advanced Energy
American Energy Assets	*Cannon Technologies (sub of Cooper Power)*	Advanced Power Control	Building Energy Experts
APX Inc.	Constellation Energy (CPower)	Agilewaves	*Chevron Energy Solutions*
Bergen Energi	Energy Curtailment Specialists	Aircuity	Consert Inc.
ConEd Solutions (a sub of ConEd)	Energy Response	Autani	Energy Industries
Dalkia	EnergyConnect Group	BuildingIQ	GoodCents
EliteEnergy Systems	Hara Software	Computime Group	Lockheed Martin
Elster Group (EnergyICT)	Hess Energy	Danfoss	Orion Energy Systems
Encorp (for distributed energy - sub of Primary Integration)	Innoventive Power	Eaton	Smartcool Systems
EnergyQuote JHA	JouleX	Genea Energy	
EPS Corp	North America Power Partners	*Hubbell Building Automation*	
M&C Energy Group	OPower	Johnson Controls	
Prenova	PowerSecure	Ouman	
Resource Energy Systems	REGEN Energy	PureChoice	
SourceOne Inc.	UISOL	Scientific Conservation	
Summit Energy	Viridity Energy		
U.S. Energy Services	Ziphany		
	Cimetrics		
	Echelon		
		BPL Global (EasyGreen, Serveron / Connected Energy)	
Comverge (EnerWise / PES Solutions)			Comverge
Corporate Systems Engineering			
EnerNOC		Lime Energy	
Honeywell (Novar, Akuacom, PLC)			
Powerit Solutions			
Schneider Electric (RETX Energy Services; Tour Andover Controls, Square D)			
Siemens (Energy4u, Site Controls, SureGrid)			
Cofely (sub of GDF SUEZ)			

Smart Grid / AMI

Smart T&D / Advanced Distribution Automation	Communications / Networking Infrastructure	Metering Solutions	Meter Data Management
ABB	Alcatel-Lucent	Badger Meter	Ecologic Analytics
Alstom	Ambient Corp	Diehl	eMeter
Cooper Power Systems	Arcadian Networks	GE Energy	ESCO Technologies (Aclara RF Systems)
CURRENT Group	BPL Global	Holley Metering	Goerlitz
Echelon	CalAmp	Inepro Metering (DM Metering)	Hansen Technologies
Emerson Electric	Carina Technologies	Iskraemeco	*NorthStar Utilities Solutions (a sub of Harris)*
GE Digital Energy	Cisco (Arch Rock)	Kamstrup	Olameter
ITC Holdings	Cooper Power Systems (Eka Systems)	LS Industrial Systems	Oracle (LODESTAR)
Itron	Deutsche Telekom	Metrima	OSI Soft
PCS UtiliData	Ericsson	Neptune Technology	Powel
REGEN Energy	ESCO Technologies	Osaki Meter	Telvent
S&C Electric	*Homerider Systems (sub Veolia Water)*	PRI Ltd	
Schneider	MainNet Communications	Qundis	
Schweitzer Engineering Labs	Metrum Technologies	Secure Meters	
Siemens	NURI Telecom	Sensus Metering Systems	
Telvent	Power Tagging	*Star Instruments (sub of Henan Star Hi-Tech)*	
	Ruggedcom	Techem	
	Silver Spring Networks	Triacta Power Technologies	
	SmartSynch		
	Tantalus Systems		
	Telepathx		
	Telkonet		
	Trilliant Networks		
	Tropos Networks		
	Utility.net		
	Echelon (PLC, Metering Technology Corporation)		
	Elster Group (Coronis, EnergyICT)		
	Landis & Gyr (CellNet & Hunt)		
	Itron (Silicon Energy / Actaris, PLC - Europe)		
	Roper Industries		

LEGEND
Bold = PUBLIC
italics = SUBSIDIARY
Normal = PRIVATE
(xxx) = ACQUISITION

Sector Focus: Energy Efficiency

Residential Energy Management Company Landscape

Residential Energy Management	Smart Thermostats	In-Home Displays	Energy Management Software	Consumer Electronics
Advanced Telemetry (brand EcoView)	Airbee	Ambient Devices	4Home	LG
Avante (Smartboxx)	Cadet	Blue Line Innovations	AgileWaves	Panasonic
ComEd (sub of Exelon)	ecobee	Current Cost	Google	Samsung
Echelon	EcoFactor	LS Research	GridPoint (V2Green)	Sharp
OPOWER	Emerson Electric	P3 International	iControl	Sony
Ouman (Finland)	Energate	Philips (Pronto)	Intamac	
Plug Smart	Honeywell	Power Cost Monitor	Microsoft	**Smart Appliances**
Powerhouse Dynamics	Johnson Controls	San Vision Energy Technology	PeoplePower	Bosch
Powerit Solutions	Lennox		Silver Spring Networks (GreenBox)	De'Longhi
Wirecom Technologies	Lux Products			Electrolux
	Residential Control Systems			GE
	Totaline			Whirlpool
	Viconics			
				EV Charging Management
		AlertMe		Aerovironment
	Computime Ltd			BetterPlace
Cisco		Cisco		Coulomb Technologies (ChargePoint)
	Comverge			GridPoint
	Control 4			Plug Smart
		EnergyHub		Sequentric
	Home Automation Inc (HAI)			Tendril Networks (interface)
	iControl			
		OpenPeak		
	PassivSystems			
Powermand (Zigbee / Gateway)				
	Sequentric			
Schneider Electric (Square D)				
	Tendril Networks			

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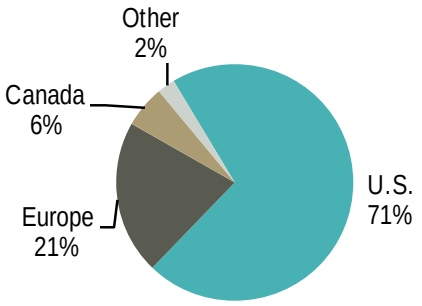
Sector Focus: Energy Efficiency

Venture Investment in Smart Grid

Positioned at the intersection of technology, communications and energy transmission & distribution, many smart grid companies have growth prospects and capital requirements similar to traditional venture-backed companies with end market dynamics and decision making processes dictated by the slower moving utility world. The growth prospects have fueled increased interest and investment over more capital-intensive cleantech sectors while also providing an education for executives and investors alike as to how to work with utilities.

As shown below, capital investment in smart grid companies totaled $305 million in Q2 2010 through 18 total investments and $224 million through 15 investments in Q3 2010.

Smart Grid Venture Investment by Region



Note: Includes venture, private equity and corporate minority stake investments. Includes investments from 2005 to Q3 2010.
Source: Baird, Bloomberg NEF, Cleantech Group.

Most Active Corporate Venture Capital

Name	Investments
Intel Capital	**Arch Rock**; **CPower**; GainSpan; Grid Net; iControl; Nexant; OpenPeak; Powervation; Zensys
GE	Consert; Current Group; Grid Net; iControl; SynapSense; Tendril; Trilliant
Siemens	Coulomb Technologies; eMeter; EnOcean; PowerIt; Prenova; **Serveron**; SmartSynch

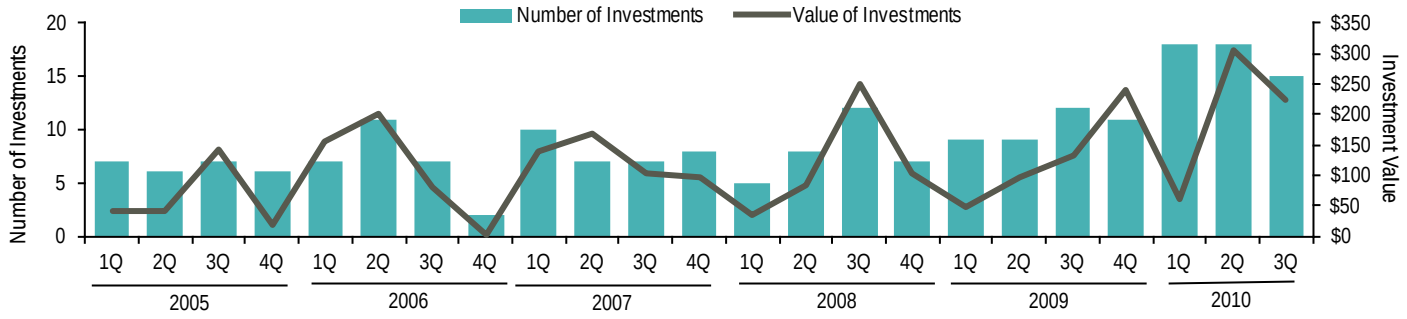
Most Active Venture Capital Firms

Name	Investments
Draper Fisher Jurvetson	**EnerNOC**; Miartech; Power Assure; Scientific Conservation; SynapSense
Foundation Capital	Control4; Dust Networks; eMeter; **EnerNOC**; Silver Spring Networks
Goldman Sachs Group	Arcadian Networks; Current Group; GridPoint; Optimal Technologies International
Nth Power	**Comverge**; Hara; **Serveron**; SmartSynch; SynapSense
EnerTech Capital	**Comverge**; Current Group; ENBALA (fka Sempa Power Systems); PCN Technology
NEA	**Arch Rock**; GridPoint; Positive Energy (now OPower); SmartDrive Systems
RockPort Capital Partners	**Comverge**; ECOFactor; **EKA Systems**; Recurve
Braemar Energy Ventures	**EnerNOC**; Grid Net; Powervation
El Dorado Ventures	BPL Global; **NxtPhase Corporation**; **Serveron**
Good Energies	AlertMe; Power Assure; Tendril
KPCB	Hara; iControl; Silver Spring Networks
Quercus Trust	Advanced Telemetry; GridPoint; Standard Renewable Energy
VantagePoint Venture Partners	AlertMe; Tendril; Trilliant

Bold Font denotes an exit.

Investment in Smart Grid Companies

($ in millions)



Note: Includes venture, private equity and corporate minority stake investments.
Source: Baird, Bloomberg NEF, Cleantech Group.

Sector Focus: Energy Efficiency

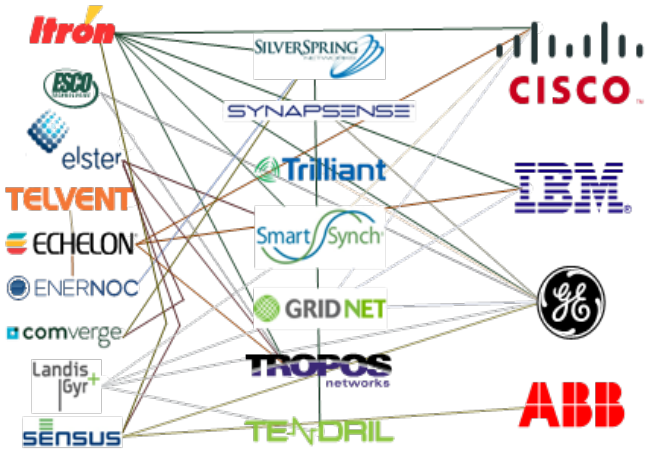
Partnerships

As shown in the landscape on the pages 8 and 9, individualized expertise and companies offering point solutions have created a highly fragmented market and driven the need for partnerships in order to provide utilities the solutions they require.

Partnerships have become commonplace in the smart grid due to the utilities requirement for end-to-end solutions. As part of the race to develop technologies for each element of the smart grid value chain (e.g. distribution automation, communication infrastructure, meter data management or demand management), private companies have developed specialized expertise in one specific area, so players – large and small - look to partner to remain competitive in the RFP process. Partnerships also benefit private companies by allowing them to leverage the global infrastructure and customer base of larger partners to accelerate time-to-market and top-line revenue growth.

The need for global standards and interoperability has become clear in part due to the many partnerships, and the fact that innovation has become to a large extent a joint effort focusing on interconnectivity and compatibility. We believe cooperation between companies, partnerships, joint ventures and strategic alliances will continue to emerge due to the complexities of the grid and solutions offered.

Selected Smart Grid Partnerships



Source: Baird.

Need for an End-to-End Solution

To address the need for end-to-end solutions, utilities and their consultants, the largest being Capgemini, IBM and Accenture, will either pull together individual point solutions to build their own end-to-end solution, or larger player, such as ABB, GE, Landis+Gyr, and others partner to provide a complete solution.

We believe partnerships will lead to M&A in the future as players seek to provide their own fully integrated end-to-end solution for utilities. However, the benefits of this strategy must be weighed against the fact that the combined companies are no longer able to remain technology-neutral; they become somewhat beholden to the acquired solutions rather than having the freedom to partner with the complementary provider offering the best solution to meet a customer's needs.

Examples of add-on acquisitions of partner companies include:

- Silver Spring Networks acquired GreenBox, a home energy management company, which it had previously partnered with through the *Silver Spring Networks Technology Alliance Partnership Program*
- Gridpoint acquired V2Green, a vehicle-to-grid *technology* provider, which it had previously partnered with in Xcel Energy's SmartGridCity in Boulder, Colorado

Sector Focus: Energy Efficiency

Notable Partnerships

Company	Date	Partnership Description
ABB	3/23/10	Partnership with **Sensus** to combine ABB's voltage distribution automation systems with Sensus' market-leading FlexNet™ advanced Smart Grid communication platform
	1/29/10	Partnership with **Elster** to develop a new revenue grade medium voltage metering node
Cisco	9/2/10	Partnership with **Itron** to develop the reference design for a smart grid standard and smart metering network
	9/17/09	Cisco created the Cisco Smart Grid Ecosystem consisting of over 25 companies, including **Accenture**, **AeroScout**, **Arcadian Networks**, **AREVA T&D**, **Cable&Wireless Worldwide**, **Capgemini**, **Coleman Technologies**, **EMC**, **Echelon**, **EnergyHub**, **GE**, **GridPoint**, **Infosys Technologies**, **Itron**, **Landis + Gyr**, **OATI**, **Oracle**, **OSIsoft**, **Pulse Energy**, **Proximetry**, **Science Applications International Corporation (SAIC)**, **SecureLogix**, **Schneider Electric**, **Siemens**, **Skyline-ATS**, **Telvent**, **Verizon**, **Watteco**, **Wipro**, and **World Wide Technology, Inc.**
	6/9/09	Partnership with **Duke Energy** to fast-track the development of Duke Energy's smart grid, through which Cisco will develop a highly refined, end-to-end, smart grid communications architecture
Deutsche Telekom	4/14/10	Deutsche Telekom's T-Systems to upgrade Friedrichshafen's communications infrastructure in the T-City pilot project, where **ABB** delivers electricity distribution hardware expertise
	4/23/09	Strategic alliance of **Echelon** and T-Mobile USA to use T-Mobile's wireless network to link "smart meters" to utilities
Elster	1/29/10	Partnership with **ABB** to develop a new revenue grade medium voltage metering node
	9/10/09	Partnership with **CalAmp** to provide a customized WiMAX-based version of CalAmp's Dataradio Sentry 4G™ Wireless IP Router
	1/24/08	Elster launched the Advanced Grid Infrastructure Initiative that now consists of over 51 companies, including **Comverge**, **Cooper Power Systems**, **Digi**, **IBM**, **Landis+Gyr**, **Oracle**, **OSIsoft**, **Sensus** and **SmartSynch**
GE	9/22/10	Partnership with **Better Place** to build compatibility between products, finance battery purchases and push for EV adoption
	7/28/10	Partnership with multiple companies for a $200 million open innovation challenge that seeks new ideas to create a smarter, cleaner and more efficient electric grid
Itron	9/30/10	**Iskraemeco**, **Landis+Gyr** and Itron announce IDIS, Interoperable Specifications According to Open Standards for Utilities, to promote AMM devices deployment
	9/1/10	Strategic alliance with **Cisco** aiming to create a definitive IP-based communications platform for the smart grid market
	7/1/10	Alliance with **Hager** to provide modular metering solutions (eHZ, communication modules)
	3/23/10	Partnered with **SmartSynch** to provide commercial availability of IP-enabled public wireless communications
Landis+Gyr	8/30/10	Partnership with **Grid Net** to be the reseller of Smart Grid/Home software platforms
	10/5/09	Partnership with **Siemens** in order to develop common standards for interoperability and security of their products (MDUS Interface, Meter Data Unification & Synchronisation)
Oracle	7/20/10	Oracle and **Grid Net** have partnered to deliver advanced distribution management systems and meter data management technology to support utilities' Smart Grid deployments
SAP	6/19/10	**Remote Energy Monitoring Ltd (REM)** and **Infotech Enterprises Ltd** have unveiled a new interface between SAP's AMI and REM's smart meter Operations Suite (SMOS)
Sensus	9/22/10	Partnership with Australia's **Fieldforce Services** to promote Smart Grid solutions that employ Sensus' FlexNet™ AMI communications system and advanced metering systems to the Australian market
	3/23/10	Partnership with **ABB** to combine ABB's voltage distribution automation systems with Sensus' market-leading FlexNet™ advanced Smart Grid communication platform
	7/16/09	Partnership with **Home Automation, Inc.(HAI)** to deliver advanced Home Area Network (HAN) devices for demand response, energy display, and comfort control to the utility marketplace
Siemens	6/15/10	Partnership of SIS and **Landis+Gyr** to combine SIS' Smart Meter Integration and Enablement (SMIE®) with Landis+Gyr's Gridstream meter data management software
	10/13/09	Partnership with **ElectraLink**, and with technology partners **Software AG** and **eMeter** on central communications gateway project

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Source: Company websites and press releases.

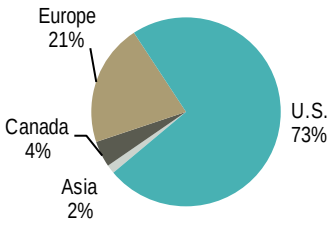
Sector Focus: Energy Efficiency

Energy Efficiency M&A

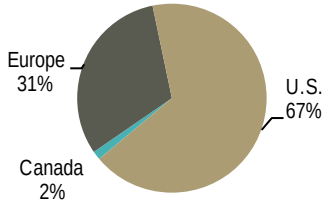
As with the broader cleantech sector, smart grid M&A continues to grow. As confidence returns to the public markets, more and more large industrial and technology companies are putting excess cash to work. In particular, there is a focus on acquiring energy efficiency companies, a number of which are focused on increasing the efficiency of electricity grids globally. In Q2 2010, there were nine smart grid M&A transactions totaling $4.1 billion, most of which was as result of ABB's $1.0 billion acquisition of Ventyx, and Alstom's and Schneider Electric's $2.7 billion acquisition of Areva T&D. In Q3 2010, there were six M&A transactions, none with disclosed values.

We expect M&A levels to continue to grow, fueled by both internal and external drivers as detailed below. Internal drivers represent trends pushing consolidation from within the industry, while the external drivers are related to acquisition drivers from players outside the industry and from market forces.

Acquisition Targets by Region



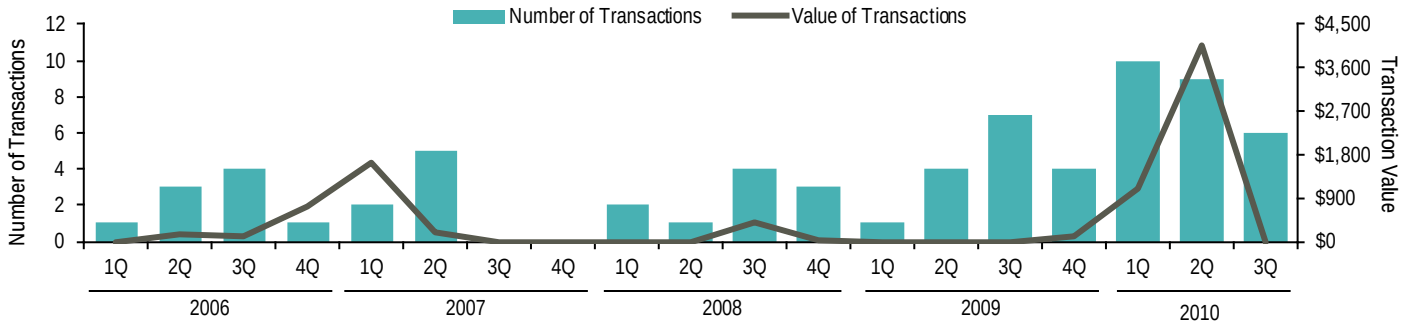
Acquirors by Region



Note: Includes transactions from 2006 to Q3 2010.
Source: Baird, Bloomberg NEF, Cleantech Group.

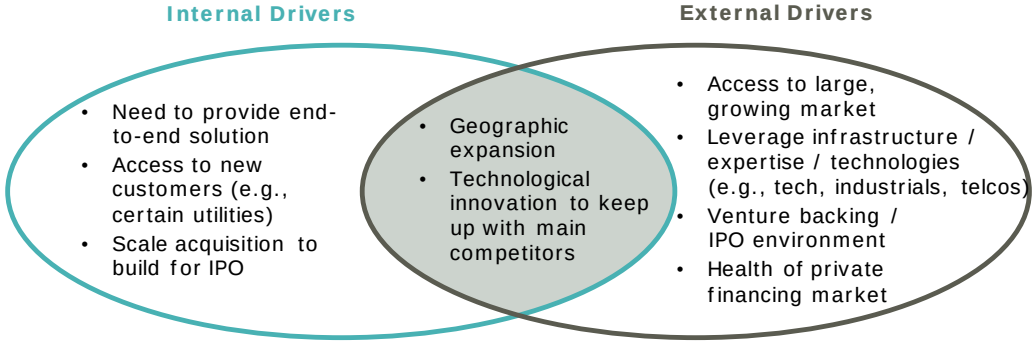
Smart Grid M&A

($ in millions)



Source: Baird, Bloomberg NEF, Cleantech Group.

Smart Grid M&A Drivers



Sector Focus: Energy Efficiency

Attractive Acquisition Characteristics

There are several attributes that would make a smart grid company an attractive target to potential acquirors. We have divided the key attributes into three categories as illustrated in the graphic below.

The ***Business Attributes*** are the key building blocks to a successful company, and therefore represent the base of the pyramid:

- **Committed long-term contracts.** Long-term contracts validate the business model and the committed nature of these contracts provides visibility of a future revenue stream.
- **Validation through partnerships.** Even though partnerships could potentially create conflicts for certain acquirors, partnerships with larger players provide valuable validation of technology.
- **Proven experience with utilities.** Working with utilities can at times be challenging and time consuming, so proven experience helps foster future success.
- **Development pipeline.** A clear vision of how the company will play in the evolving smart grid ecosystem illustrates the sustainability of the business.
- **Geographic diversity.** Deriving revenue from multiple regions or countries helps to mitigate specific regional or local disruptions or economic slow-downs.

The ***Technology Attributes*** provide additional validation and may be particularly attractive to certain technology-focused (or tech-challenged) acquirors:

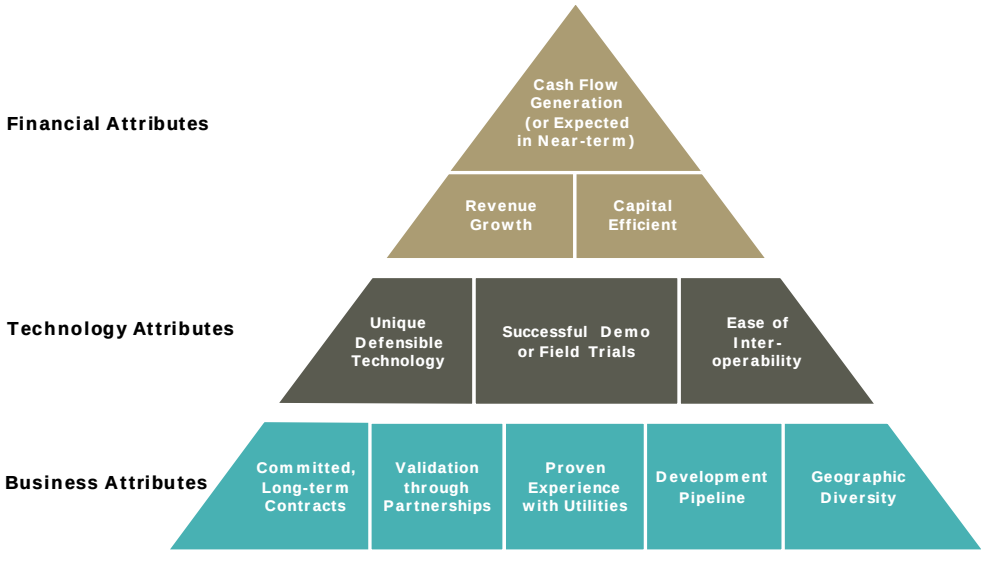
- **Unique, defensible technology.** New technologies often create a strong value proposition by offering better, more efficient or lower cost solutions. Uniqueness increases scarcity value; defensibility supports the longer-term viability of the business.
- **Successful demo or field trials.** Success in the marketplace validates the product / service offering and the promise (or hope) of customer adoption.
- **Ease of interoperability.** Ability to operate within diverse smart grid systems and networks is a key factor for technologies to be successful given the diverse nature of the future grid.

While the ***Financial Attributes*** are very attractive in their own right, they often result from strong Business and Technology Attributes. Therefore, they sit at the pinnacle of the pyramid:

- **Revenue growth.** Demonstrated revenue growth and well-supported (read contracts or commitments) growth projections prove market adoption and customer traction.
- **Cash flow generation.** Sustainable (or visibility towards) positive cash flow proves the overall business model is viable, but needed growth dictates reinvestment.

  Growth relative to invested capital. Companies that have demonstrated or show a clear path to revenue growth and cash flow generation through an efficient use of the capital invested will be particularly attractive to buyers.

Attractive Smart Grid Target Characteristics



Source: Baird.

Sector Focus: Energy Efficiency

Mega-caps

Several mega-cap companies, technology and industrial, have been active within the smart grid sector. In general, the mega-caps have entered the space in order to leverage existing product offerings, infrastructure, technology or expertise. For example, IBM has leveraged its IT infrastructure as well as its expertise in software and project management to become a leading integrator of smart grid solutions for utilities.

> *"The utilities contract with IBM to build smart infrastructure. Silver Spring would provide the router or switches, and we architect it into the network. EMeter provides the software. Itron or GE makes the meter. We, on behalf of the utility, pull the pieces together"*
>
> *- Drew Clark, IBM Venture Capital Group*

Technology and traditional industrial players have entered the space both by organic growth and through acquisition. Examples include the following (for full list, please see Appendix):

- Cisco acquired Arch Rock (September 2010), a wireless network smart grid player, and Richard Zeta (January 2009), a building automation technology provider; both of which have been added to its smart grid portfolio including Scientific Atlanta and Linksys
- Honeywell acquired Akuacom (May 2010), a leader in demand response, and E-Mon (July 2010), a leader in metering and submetering, to expand its smart grid solutions offering; adding to its portfolio which also includes Tridium (November 2005), an energy management and device-to-enterprise integration solutions software company
- ABB's acquired Ventyx (May 2010), a smart grid software provider, which it had previously partnered with in providing outage management systems, for approximately $1 billion to broaden its power/automation solutions offering
- Cooper Industries added the wireless mesh AMI (for metering and submetering) provider Eka Systems to its Energy Automation Solutions Group (April 2010)
- Siemens acquired Energy4U (August 2009) to expand its smart metering capabilities
- In February 2009, Google introduced its internally developed PowerMeter, an energy monitoring tool
- In June 2009, Microsoft launched its answer to Google through internally developed Hohm for energy monitoring

Mega-caps Active or Interested in Smart Grid

Technology / Telecom Companies

Alcatel-Lucent, Google, Motorola, Cisco, IBM, Nokia, Oracle, Comcast, Intel, Qualcomm, Ericsson, Microsoft, SAP

Building Automation / Power Solutions

ABB, Eaton, Rockwell Automation, Cooper, Emerson, Roper, Danaher, GE, Schneider Electric, Danfoss, Honeywell, Siemens, Diehl, Johnson Controls, United Technologies

We expect mega-caps to increase M&A activity in smart grid as they refine their strategies, the market matures, and technologies prove to be viable. One specific area to watch would be communications, telecom and cable companies looking to leverage their network infrastructures for grid communications. This is already underway through partnerships such as SmartSynch utilizing the wireless networks of AT&T, TMobile and Verizon to deliver real-time energy usage. We expect to see large telecoms and cable service providers moving beyond partnerships to enter the market through acquisitions in the future.

Sector Focus: Energy Efficiency

In addition, as Baird Research recently noted, another motivation for consolidation within the smart grid space for mega-caps will be driven by the fact that larger companies with complete end-to-end solutions are finding themselves splitting contracts with small best-of-breed vendors who specialize in a particular technological competency. Baird Research expects these larger companies to leverage their balance sheets and look to outside investments as a means of making their own product offerings more competitive across the value chain.

Given their size and financial strength, most of the mega-caps have the luxury of being able to wait until the much smaller targets prove their technologies and business models within the industry. However, we also expect to see mega-caps acquire more smaller-niche solution companies to fill gaps in their current offerings, establish an early lead in the market and hopefully (for them) benefit from today's difficult private capital market.

> *"We will wait to buy into a market once it's developed and the 'technology innovator' killers have emerged."*
>
> *– VP of Business Development at a mega-cap technology company*

While mega-cap technology companies might be able to afford to wait and pay up later, one question that remains is whether the industrial companies will pay lofty multiples for these high-growth niche players …or will they implement a strategy to make acquisitions now and trade higher risk of future success for lower valuation today?

Baird Credentials

We expect the most likely buyers of cleantech companies to be large corporate acquirors. And, given the diversity of the types of businesses that are interested in acquiring clean technologies as well as the complexity of the cleantech subsectors, it will be critical to have access to the right corporate acquirors as well as have a deep and thorough understanding of the complexities within each cleantech subsector.

Baird's expertise and M&A experience with particular strength in traditional industrial segments make us a strong partner for cleantech companies and their investors.

This is particularly true for the sub-sectors that overlap the traditional industrial verticals, such as smart grid, energy efficiency, and efficiency technologies (sensors and monitoring equipment) among others.

As evidenced by our insight throughout this report, we have an active dialogue with most major industrial companies, and we have been involved in numerous transactions with these companies over the years; we have sold companies to them, sold companies for them, acted as an advisor to help them buy companies, and raised equity to help them grow.

Selected Baird Transactions

Note: Transactions between 2000 and 2010.

Appendix A

Global Smart Grid Rollouts

Project Name	Owner	Location	Status	Units / Meters	Vendors
Endesa Spain Smart Grid Project	Endesa	Spain	Financing secured	13,000,000	Enel SpA
Pacific Gas & Electric California U.S. SmartMeter™ programme	Pacific Gas & Electric	United States	Financing secured	9,800,000	Aclara RF; Ecologic Analytics; eMeter; GE; IBM; Landis+Gyr; Oracle; Silver Spring Networks; SPL WorldGroup Inc; Wellington Power Corp
Electricite de France SA (EDF) France Smart Metering Project	EDF SA	France	Announced	5,000,000	Landis+Gyr
Elektroprivreda Srbije Serbia Smart Metering Project	Elektroprivreda Srbije	Serbia	Announced	3,500,000	N/A
Oncor Smart Texas Smart Metering Project	Oncor	United States	Financing secured	3,400,000	CURRENT; Ecologic Analytics; IBM; Intergraph; Landis+Gyr; Siemens
Florida Power & Light Energy Florida Smart Grid Program	Florida Power & Light Co	United States	Financing secured	2,600,000	Cisco; GE; Silver Spring Networks
San Diego Gas & Electric California U.S. Smart Metering Project	San Diego Gas & Electric Co	United States	Financing secured	2,300,000	Capgemini SA; Itron Inc
CenterPoint Energy Insight Houston Texas U.S. Smart Grid Project	CenterPoint Energy	United States	Financing secured	2,200,000	Adams Telecommunications; Compucom Systems Inc; eMeter; GE; Hutton Communications; IBM; Itron
Georgia Power Smart Metering Programme	Georgia Power Co	United States	Financing secured	2,160,000	GridSense
British Gas U.K. Smart Grid Project	British Gas	United Kingdom	Announced	2,000,000	AlertMe; Ember Technology; Landis+Gyr; OSIsoft; SAP; Trimble; Vodafone; Zigbee
Baltimore Gas And Electric Maryland U.S. Smart Grid Project	Baltimore Gas & Electric Co	United States	Financing secured	1,840,000	Accenture PLC; Oracle; Silver Spring Networks; VSI Meter Services Inc
BC Hydro Canada Smart Grid Project	BC Hydro	Canada	Announced	1,800,000	GE
Consumers Energy Michigan U.S. Smart Metering Project	Consumers Energy	United States	Announced	1,800,000	GE; IBM; SAP
PECO Energy Company Pennsylvania U.S. Smart Grid Project	PECO Energy	United States	Financing secured	1,600,000	Deloitte Consulting; Elster; Enspiria Solutions; Landis+Gyr; Sensus
NV Energy Nevada U.S. Smart Grid Project	NV Energy	United States	Financing secured	1,455,000	Data Power; IBM; Itron; Sensus; WebSphere
Acea Distribuzione Rome Italy Smart Grid Project	Acea Distribuzione	Italy	Commissioned	1,400,000	BTicino; Ericsson; Landis+Gyr; Oracle
Alliant Energy U.S. Smart Metering Project	Alliant Energy Corp	United States	Financing secured	1,400,000	eMeter; Sensus; VSI Meter Services
Ameren Union Electric Company Missouri AMR Project	Ameren Corp	United States	Commissioned	1,400,000	Cellnet Technology (nka: Landis+Gyr)
Hydro One Networks Inc Ontario Smart Metering Project	Hydro One Networks	Canada	Financing secured	1,300,000	Capgemini; GE; Motorola; Redline Communications Group; Trilliant
Abu Dhabi Distribution Co UAE Smart Metering Project	Abu Dhabi Distribution Co	United Arab Emirates	Financing secured	1,200,000	ABB; Amplex
CitiPower & Powercor Victoria U.S. Smart Metering Project	CitiPower; Powercor	Australia	Financing secured	1,200,000	Bilfinger Berger SE; Landis+Gyr; PRI Australasia; Silver Spring Networks; UXC Ltd; Ventyx Inc
Duke Energy Ohio Smart Metering Project	Duke Energy Corp	United States	Financing secured	1,150,000	Ambient; Cisco; Echelon
AEP Texas gridSMART U.S. Smart Metering Project	AEP	United States	Financing secured	1,100,000	IBM; Landis+Gyr
Ameren Illinois Utilities U.S. Smart Metering Project	Ameren Corp	United States	Commissioned	1,100,000	Landis+Gyr
CPS Energy San Antonio Texas Smart Grid Project	CPS Energy	United States	Announced	1,029,000	Landis+Gyr
Jemena United Energy Distribution Melbourne Smart Grid Project	Jemena Ltd; United Energy Distribution	Australia	Financing secured	1,000,000	Accenture; PRI Australasia; Service Stream Ltd; Silver Spring Networks

Source: Bloomberg NEF, company press releases.

Appendix B

Smart Grid Venture Capital Investment (2010)

($ in millions)

Date	Investors	Target	Target Business Description	Value
3Q10	Slater Technology Fund, Private	Alektrona	Offers hardware and software solutions for advanced metering infrastructure and demand side management	$0.5
3Q10	British Gas, Good Energies AG, Index Ventures, SET Venture Partners, VantagePoint Venture Partners	AlertMe	Provides tools to help you manage and save energy and automate your home	23.8
3Q10	IP Group plc, Undisclosed Investors	Amantys	Manufactures and sells power electronics equipment used to control the switching of power transistors	N/A
3Q10	Undisclosed Investors	Blue Pillar, Inc.	Provides digital energy asset management products and services that enable management of complicated, large-footprint energy assets	1.0
3Q10	Sequoia Capital, Foundation Capital, Northgate Capital	eMeter Corp.	Delivers energy information management solutions for the utility mass market, and commercial and industrial deployment	12.5
3Q10	EnerTech Capital, Chrysalix Energy Venture Capital, Export Development Canada, Walsingham Group, XPV Capital Corporation	ENBALA (F.k.a Sempa Power Sytems Ltd)	Smart Grid company providing ancillary services and energy solutions to utilities as well as commercial and industrial clients	8.0
3Q10	Rheinland Venture Capital, Schwetje Digital, KfW Bankengruppe	GreenPocket	Software company that uses solutions for the interpretation and visualization of smart meter consumption data	N/A
3Q10	Undisclosed Investors	Grid2Home	Develops smart energy and home automation software for OEM product manufacturers and semiconductor vendors	N/A
3Q10	Beacon Group, Intel Corporation, Oak Investment Partners, TeleSoft Partners, Symphony Technology Group	Nexant, Inc.	Provides electric power grid software, and alternative energy technologies and services	50.0
3Q10	ABB Technology Ventures	Power Assure	Develops power management software as a service solution that reduces energy use and carbon emissions in data centers	1.5
3Q10	Good Energies AG, Draper Fisher Jurvetson, Point Judith Capital	Power Assure	Develops power management software as a service solution that reduces energy use and carbon emissions in data centers	11.3
3Q10	Undisclosed Investors	Power Tagging Technologies Inc	Provides smart grid communications technologies for tagging power on the grid for utility companies	2.0
3Q10	GE Financial Services -:- Division of GE	SynapSense	Provides wireless instrumentation solutions that offer energy efficiency and carbon footprint reduction for data centers and enterprises	5.0
3Q10	VantagePoint Venture Partners, ABB, GE, Investor Growth Capital	Trilliant Inc.	Provides wireless network solutions and software for advanced metering, demand response, and grid management applications	106.0
3Q10	Banexi Ventures Partners, Sigma Capital Group, LLC	Webdyn	Designs and markets Internet gateways that connect industrial, home, and audiovisual automation equipment to the Internet	2.0
2Q10	Undisclosed Investors	4Home	Provides software and services for OEM networking hardware partners and broadband service providers	6.8
2Q10	GE Energy Financial Services, Qualcomm Ventures, Verizon Ventures	Consert	Designs and implements intelligent energy distribution and management networks	17.7
2Q10	Claremont Creek Ventures, RockPort Capital Partners	EcoFactor	Provides solutions for managing residential energy use for heating, ventilation, and air conditioning	5.9
2Q10	Pivotal Investments, Undisclosed Investors	EMME (fka Home Comfort Zones, Inc.)	Designs, manufactures, and markets temperature control and energy management systems	2.8
2Q10	Cycle Capital, Emerging Technology	Energate, Inc.	Develops home energy management controls and systems (thermostats, energy displays, load switches, and peripherals)	6.7
2Q10	Craton Equity Partners, Undisclosed Investors	GreenWave Reality	Designs, develops, and markets energy management and monitoring solutions	11.0
2Q10	Carbon Trust, Seraphim Capital, Chandos Fund	Intamac Systems	Internet platform and portal that networks various products, appliances, and devices to deliver monitoring and control services	6.0
2Q10	Undisclosed Investors	Intelagrid LLC	Design and manufacture of self-managing devices for unrestricted monitoring and control of metering and data for utilities	1.0
2Q10	Belkin	Juice Technologies	Manufactures products and technologies for home and business energy management and charging battery and plug-in HEV	N/A
2Q10	Credit Suisse	Landis+Gyr	Provides AMM/advanced metering infrastructure solutions, communication systems and software, meters, meter data management, and financing services	165.0
2Q10	Undisclosed Investors	On-Ramp Wireless Inc	Develops system that enables low-power monitoring and control applications within smart grid, industrial sensing, and location tracking	4.5

Appendix B

Date	Investors	Target	Target Business Description	Value
2Q10	Intel Capital, Existing Investors	OpenPeak	Manufacturers home energy management solution based on its OpenPeak Platform for the management of energy consumption	52.0
2Q10	Undisclosed Investors	OutSmart Power Systems	Develops a premise-wide network that transforms existing building electrical infrastructure into an network for improving energy efficiency	0.2
2Q10	Undisclosed Investors	Pervasive	Develops System-On-Chip (SoC) solutions for the Smart Grid market	6.0
2Q10	Undisclosed Investors	Powerhouse Dynamics	Web-based electric energy monitoring systems for home and office	1.3
2Q10	Undisclosed Investors	Recurve, Inc.	Specializes in home energy audits and green energy remodeling for existing homes	8.1
2Q10	Draper Fisher Jurvetson, The Westly Group	Scientific Conservation	Provides energy efficiency and system optimization solutions for the commercial building market	9.0
1Q10	NEL Capital, NorthStar Equity Investors Ltd	Applied Superconductor	Manufactures fault current limiters using high-temperature superconductors for applications in public distribution and industrial networks	0.9
1Q10	Undisclosed Investor	Carina Technology Inc	Develops and integrates wireless hardware and software products relating to metering technology	1.5
1Q10	Voyager Capital, Rho Ventures, Siemens Venture Capital GmbH, Hartford Ventures	Coulomb Technologies Inc.	Manufactures, sells, installs, and services networked charging stations	14.0
1Q10	High-Tech Gruenderfonds Management GmbH, KfW Bankengruppe, Yellow & Blue - Clean Energy Investments, SIEGMUND Beteiligungsgesellschaft and management	Cuculus GmbH	Supplier of platform solutions for smart metering and smart home in Germany	3.5
1Q10	JLA Ventures, Tech Capital Partners Inc., Ontario Emerging Technologies Fund	ecobee	Delivers energy conservation solutions including an Energy Management System and smart thermostat with WiFi	6.7
1Q10	Undisclosed Investors	EMME (fka Home Comfort Zones, Inc.)	Designs, manufactures, and markets temperature control and energy management systems	0.3
1Q10	Element Partners	Energex, Inc.	Manufactures in-room energy conservation solutions based on infrared technology controlling HVAC and lighting	1.0
1Q10	Cisco Systems, Inc.	Grid Net	Develops open, interoperable, and policy-based network management software	N/A
1Q10	Undisclosed Investors	GroundedPower	Provides energy efficiency and demand response products for residential, small business, and municipal consumers	0.9
1Q10	Direct Energie SA, I-Source Gestion, Bouygues Telecom Initiatives	Ijenko	Offers home eco-control, energy savings, comfort, and security services	2.9
1Q10	Seraphim Capital, Chandos Fund	Intamac Systems	Internet platform and portal that networks various products, appliances, and devices to deliver monitoring and control services	3.1
1Q10	Dry Creek Ventures, Undisclosed Investors	Lucid Design Group	Provides information feedback to teach, inspire behavior change, and save energy and water resources in buildings	1.5
1Q10	BEST Funds	N-Dimensions Solutions Inc	Provides effective Smart Grid cyber security solutions for the power & energy sector	N/A
1Q10	Private, WHEB Ventures Limited	PassivSystems Ltd	Online home energy management system that monitors and optimizes energy consumption in homes, including heating, hot water, and electrical appliances	N/A
1Q10	Undisclosed Investors	People Power	Provides energy consumption monitoring solutions, carbon emissions reduction and energy efficiency solutions	1.2
1Q10	Draper Fisher Jurvetson, Undisclosed Investors	Power Assure	Develops power management software as a service solution that reduces energy use and carbon emissions in data centers	5.5
1Q10	Dominion Power	Power Tagging	Provides smart grid communications technologies for tagging power on the grid for utility companies	3.0
1Q10	Redpoint Ventures, Undisclosed Investors	Tantalus Systems Corp.	Manufactures two-way data communications networks to monitor and control electric, gas, and water utilities	14.0

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Source: Baird, Bloomberg NEF, Cleantech Group.

Appendix C

Smart Grid M&A (2010)

($ in millions)

Date	Acquiror	Target	Target Business Description	Enterprise Value	Enterprise Value / Revenue	Enterprise Value / EBITDA
9/17/2010	Constellation Energy	CPower	Energy conservation and management consulting services	N/A	N/A	N/A
9/7/2010	ESCO Technologies	Xtensible Solutions	Provides semantic-based integration and information management solutions to the utility industry	N/A	N/A	N/A
9/2/2010	Cisco Systems, Inc.	Arch Rock	Builds products and technology for wireless sensor networks	N/A	N/A	N/A
8/2/2010	General Electric	SNC-Lavalin–Energy Control Systems	Designs network management and control software for the energy sector	N/A	N/A	N/A
7/22/2010	Honeywell	E-Mon	Manufactures and markets energy monitoring products including sub-meters and wireless metering systems	N/A	N/A	N/A
7/20/2010	Navigation Capital Partners	LEPService Inc.	Provides metering, SCADA, and communications services and products to electric utilities	N/A	N/A	N/A
6/8/2010	Gazprom Marketing & Trading	TruRead	Provides automated meter reading services for the collection and delivery of meter readings	N/A	N/A	N/A
6/7/2010	Alstom SA; Schneider Electric SA	Areva T&D SA	Provider of solutions for the transmission and distribution of energy	$2,736.0	0.6x	N/A
5/12/2010	Acorn Energy	GridSense Systems (remaining 69%)	Develops monitoring solutions for the power industry, including power-testing monitors and power quality analyzers	4.9	N/A	N/A
5/7/2010	Honeywell	Akuacom, Inc.	Designs and develops energy management and building control solutions	N/A	N/A	N/A
5/5/2010	ABB Ltd	Ventyx	Software provider to energy businesses, offering asset, energy trading and risk management, and energy operations and analytics	1,000.0	4.0	N/A
5/4/2010	Infrax Systems	Trimax Wireless	Designs and distributes broadband wireless equipment	10.0	N/A	N/A
4/21/2010	Belkin	Zensi	Develops technology which senses and monitors energy use	N/A	N/A	N/A
4/14/2010	Maxim Integrated Products, Inc	Teridian Semiconductor	Manufactures analog and mixed-signal integrated circuits for energy measurement, control, and communication markets	305.0	N/A	N/A
4/13/2010	Cooper Industries Inc.	Eka Systems, Inc.	Manufactures wireless smart network, smart grid networking, and advanced metering infrastructure solutions	N/A	N/A	N/A
3/29/2010	ABB Ltd	Polovodice	Manufacturers switching devices that control the flow of electrical power and convert electricity into the wave form and frequency needed	N/A	N/A	N/A
3/24/2010	EnerNOC	SmallFoot LLC	Developer of wireless demand control solutions and energy technologies for small commercial sites	N/A	N/A	N/A
3/18/2010	Black & Veatch	Enspiria Solutions	Provides consulting and systems integration services (meter installation) to the utility markets	N/A	N/A	N/A
3/15/2010	Elia / Industry Funds Management Pty Ltd	Vattenfall; transmission grid	380/220 kilovolt transmission grid located in Germany	1,115.0	N/A	N/A
3/11/2010	AEG Power Solutions	Skytron Energy	Develops and manufactures metering, monitoring, and supervision solutions for solar power plants	N/A	N/A	N/A
3/5/2010	Trimble	LET Systems	Deploys e-business based outage, network, and workforce management solutions for the utility sector	N/A	N/A	N/A
2/23/2010	Navigation Capital Partners	Specialized Technical Services Inc.	Provides metering, automatic meter reading, data management, and related project management services	N/A	N/A	N/A
2/19/2010	PassivSystems Ltd	Digital Living	Offers energy consulting services for smart metering and energy efficiency	N/A	N/A	N/A
2/4/2010	Dialog Semiconductor Plc.	Diodes Zetex GmbH; power management technology	Power management technology assets and intellectual property rights	N/A	N/A	N/A

Source: Baird, Bloomberg NEF, Cleantech Group.

Other Baird Industry Reports

Baird publishes a number of Investment Banking and Equity Research industry reports that we would be happy to provide if they would be of interest. Please contact Michael Cuneo (mcuneo@rwbaird.com) to request the most recent version of any of the reports listed below.

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- Filtration Industry M&A Report
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- Middle-Market M&A Outlook
- Process Controls Report
- Test & Measurement Industry Report
- Transportation & Logistics Services
- Utility Report

Equity Research Industry Reports

- Clean Technology: 2010: A Smart Grid Odyssey
- Clean Technology: 2010: Smart Grid Odyssey – The Journey Continues
- Cruisin': Global Auto & Truck Markets
- Movin' Metal: Diversified Industrial
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