

M&A Market Analysis

October 2011

Global M&A Monthly

A Middle-Market Perspective on U.S., Europe, and Asia
Mergers & Acquisitions



Global Mergers & Acquisitions

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The recent slowdown in global M&A activity has dampened year-to-date growth rates for transaction metrics. In the first nine months of 2011, the M&A deal total rose 5.2%. Reported dollar volume was up 1.4% during this period, with severe weakness in August and September offsetting strong volume growth earlier in the year.	
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In September, the U.S. M&A market witnessed the lowest monthly totals of the year for both deal count and announced dollar volume. The transaction total of 841, while up 4.5% on a year-over-year basis, was 16.5% under the average of the previous six months. Dollar volume dropped 59.0% to \$56.0 billion, which was lowest monthly figure since January 2010.	
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M&A metrics for September in Asia (ex. Japan) were among the weakest to date in 2011. The deal total of 431 (+3.1% year-over-year) was 17.8% below the average of the prior six months. Reported dollar volume of \$17.1 billion (+29.7%) was the lowest monthly figure since September 2010.	
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Through the first nine months of the year, M&A metrics in Japan were impressive. The deal count grew 7.4% to 1,633. Dollar volume soared 57.9% to \$97.2 billion, marking the highest level through the first three quarters since 2005.	
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Economic fundamentals remain bearish. The latest round of data suggests that the U.S. economy is not now in recession. Forward-looking indicators (like the ECRI Weekly Leading Index) point to a recession on the horizon, and data out of Europe suggests a recession there may have already started.	
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The Baird CDS Index rose for the fifth consecutive month in September, increasing by a whopping 334.9 points to 1,069.6 – up a staggering 45.6% from 734.7 on August 31.	
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Stromag Holding GmbH (“Stromag”), a privately held company whose principal shareholders include Equita GmbH & Co. Holding KGaA (“EQUITA”) and Stromag management, completed its sale to GKN plc (“GKN”) (LSE: GKN) at a transaction value of approximately €200 million.	
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Global M&A Commentary

The recent slowdown in global M&A activity has dampened year-to-date growth rates for transaction metrics. In the first nine months of 2011, the M&A deal total rose 5.2%. Reported dollar volume was up 1.4% during this period, with severe weakness in August and September offsetting strong volume growth earlier in the year. In the global middle market, the number of transactions decreased 3.6% in January-September, while dollar value advanced 15.4%.

In September, the transaction count declined 6.1% to 2,322, which was the least activity since last November. More importantly, dollar volume fell 44.8% to \$133.9 billion, the lowest level in nearly two years. In the middle market, the number of deals decreased 9.2%, and dollar value dipped 2.8%.

Stagnating economic trends have pressured the worldwide M&A market. The global all-industry purchasing managers index (PMI) for the third quarter showed the slowest expansion in two years, with the manufacturing reading falling to a 27-month low in September. The latest composite leading indicator of the Organisation of Economic Co-operation and Development declined for the fifth straight month while sinking to its lowest level in 20 months, pointing to softening among major economies. In late September, the International Monetary Fund (IMF) published its latest World Economic Outlook, which included significantly reduced estimates for global economic expansion in 2011-2012 due to weaker growth in many advanced economies along with slightly less robust expansion in most developing markets. A pickup in M&A activity likely requires a reversal of troubling patterns in the macroeconomic environment.

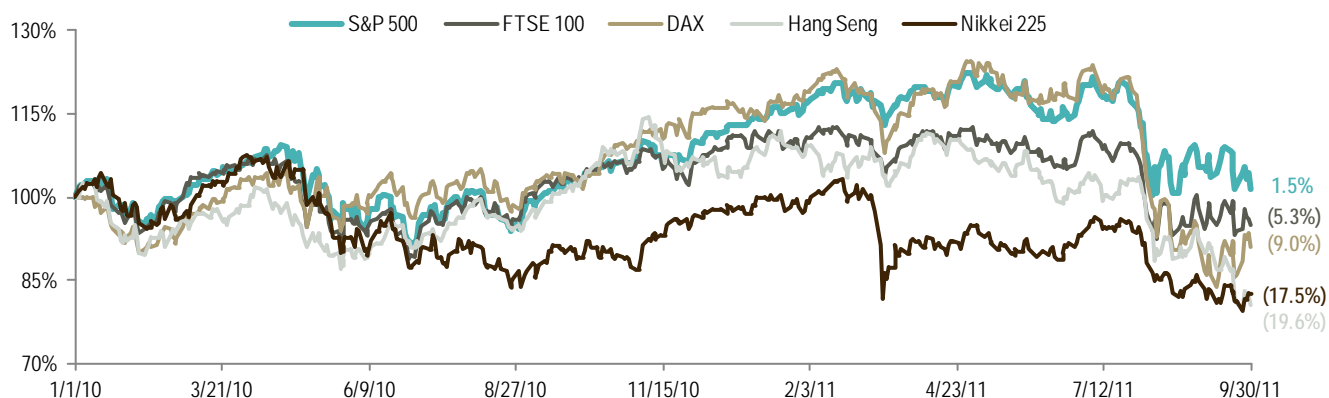
Third-quarter activity in global credit markets was restricted by concerns about economic weakness and Europe's debt crisis. Worldwide bond proceeds dropped 38% from the year-ago total and declined 41% relative to Q2. As investors shunned risk, high yield issuance plummeted 66% on a year-over-year basis and fell 72% from the Q2 level. The leveraged loan market also was hit hard in Q3, which included the three lowest-volume months of the year for new issue supply. Reduced risk appetites resulted in increased high yield spreads and raised leveraged loan yields as the quarter ended. Higher interest rates should draw capital back to these markets and improve the liquidity environment for deal financings.

Amid heightened anxiety, the global equity markets continued to slide in September. The five major indices depicted below declined 6.8% on average during the month, extending the year-to-date decrease to 16.4%. Due to numerous delayed, cancelled, and reduced offerings, Q3 IPO proceeds were the lowest in more than two years, thereby limiting capital available for future M&A activity.

The recent decline in global M&A was exacerbated by a lull in financial sponsor activity. In the third quarter, the number of deals with private equity buyers was 9% below the year-ago figure, while dollar volume dropped 37% to \$37.1 billion, the lowest total since Q1 2010. Relative to the first-half average, the Q3 transaction count decreased 14%, and dollar volume was down 36%. Although private equity firms must navigate choppy waters heading into late 2011, healthy growth in financial sponsor activity earlier in the year indicated strong impetus to achieve liquidity events as well as substantial capacity to write large equity checks to secure attractive platforms and valuable bolt-on businesses.

Note: See pages 5, 10, and 16 for specific U.S., Europe, and Asia commentary

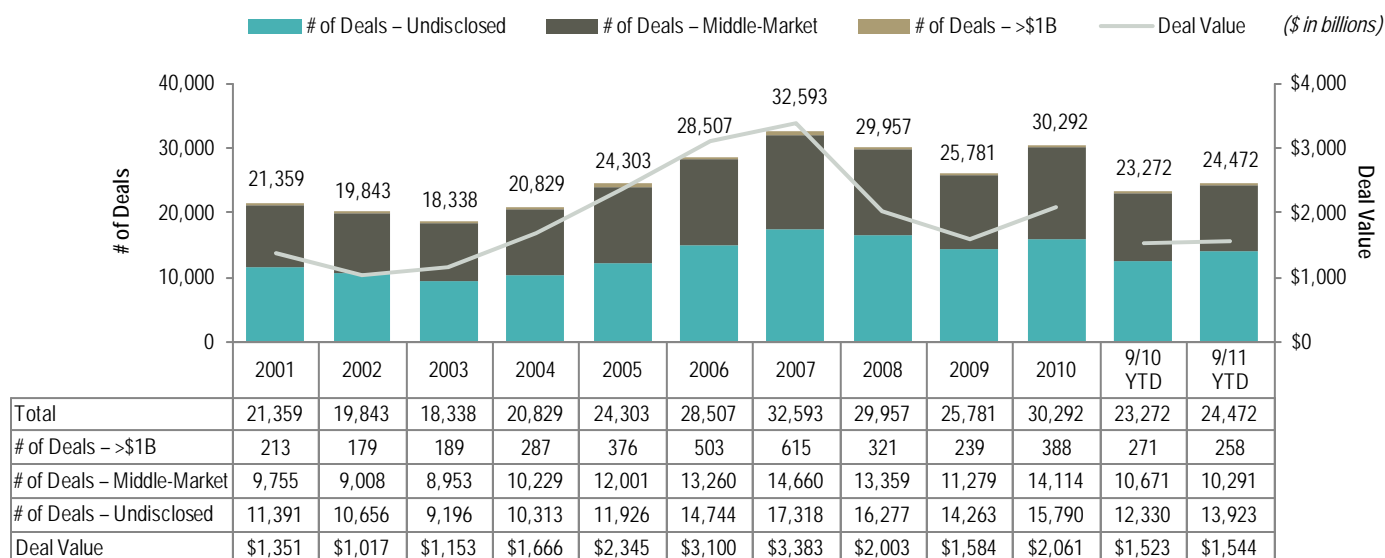
Relative Performance of Global Market Indices



Source: Capital IQ.

Global M&A Activity

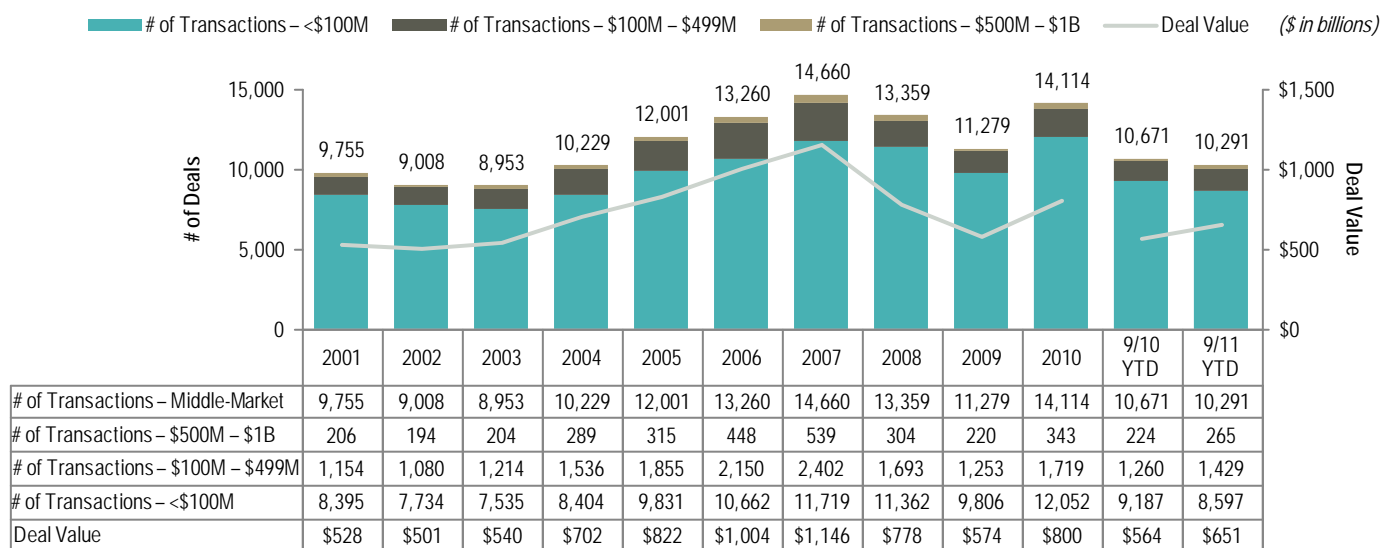
Global M&A Activity



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Middle-market transactions defined as those with a disclosed transaction value of less than \$1 billion. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Global Middle-Market M&A Activity



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Middle-market transactions defined as those with a disclosed transaction value of less than \$1 billion. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Global M&A Deal Statistics

(\$ in millions)

	Number of Deals – September			Deal Value – September		
	2010	2011	% Change	2010	2011	% Change
North America	950	964	1.5%	\$146,295	\$58,581	(60.0%)
– U.S.	805	841	4.5%	\$136,750	\$56,037	(59.0%)
Central / South America	79	94	19.0%	\$47,948	\$4,247	(91.1%)
Europe	985	830	(15.7%)	\$43,314	\$38,738	(10.6%)
– U.K.	222	191	(14.0%)	\$9,020	\$16,176	79.3%
– Germany	99	153	54.5%	\$1,754	\$3,122	78.1%
Africa / Middle East	76	74	(2.6%)	\$4,501	\$3,778	(16.1%)
Asia-Pacific (ex. Japan)	418	431	3.1%	\$13,204	\$17,124	29.7%
– China	216	236	9.3%	\$9,398	\$8,945	(4.8%)
– India	67	59	(11.9%)	\$938	\$1,873	99.8%
Japan	188	174	(7.4%)	\$14,969	\$28,678	91.6%
Global Total	2,473	2,322	(6.1%)	\$242,537	\$133,931	(44.8%)

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Global Total will not equal the sum of the individual regions listed above, as cross-border transactions are reflected in both the target's and acquiror's respective regions. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

(\$ in millions)

	Number of Deals – YTD			Deal Value – YTD		
	2010	2011	% Change	2010	2011	% Change
North America	9,919	10,150	2.3%	\$773,032	\$905,355	17.1%
– U.S.	8,622	8,719	1.1%	\$708,696	\$841,489	18.7%
Central / South America	746	868	16.4%	\$145,237	\$56,505	(61.1%)
Europe	8,409	9,030	7.4%	\$507,712	\$496,165	(2.3%)
– U.K.	2,156	2,213	2.6%	\$157,814	\$151,811	(3.8%)
– Germany	990	1,327	34.0%	\$53,479	\$54,294	1.5%
Africa / Middle East	573	622	8.6%	\$49,976	\$44,683	(10.6%)
Asia-Pacific (ex. Japan)	4,027	4,421	9.8%	\$215,947	\$209,488	(3.0%)
– China	2,025	2,166	7.0%	\$93,885	\$117,427	25.1%
– India	674	677	0.4%	\$50,587	\$18,934	(62.6%)
Japan	1,520	1,633	7.4%	\$61,526	\$97,156	57.9%
Global Total	23,272	24,472	5.2%	\$1,522,939	\$1,544,435	1.4%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD as of September 30.

Note: Global Total will not equal the sum of the individual regions listed above, as cross-border transactions are reflected in both the target's and acquiror's respective regions. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Global Middle-Market M&A Deal Statistics

(\$ in millions)

	Number of Deals – September			Deal Value – September		
	2010	2011	% Change	2010	2011	% Change
North America	442	369	(16.5%)	\$35,864	\$27,041	(24.6%)
– U.S.	362	298	(17.7%)	\$32,523	\$24,496	(24.7%)
Central / South America	30	28	(6.7%)	\$2,419	\$2,906	20.2%
Europe	278	255	(8.3%)	\$18,611	\$23,213	24.7%
– U.K.	86	87	1.2%	\$5,257	\$7,956	51.4%
– Germany	12	14	16.7%	\$1,754	\$3,123	78.1%
Africa / Middle East	28	36	28.6%	\$2,172	\$2,705	24.5%
Asia-Pacific (ex. Japan)	291	300	3.1%	\$12,199	\$13,107	7.4%
– China	169	193	14.2%	\$8,394	\$7,658	(8.8%)
– India	38	30	(21.1%)	\$938	\$613	(34.6%)
Japan	84	75	(10.7%)	\$3,487	\$5,061	45.2%
Global Total	1,082	982	(9.2%)	\$65,249	\$63,394	(2.8%)

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Global Total will not equal the sum of the individual regions listed above, as cross-border transactions are reflected in both the target's and acquiror's respective regions. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

(\$ in millions)

	Number of Deals – YTD			Deal Value – YTD		
	2010	2011	% Change	2010	2011	% Change
North America	4,981	4,308	(13.5%)	\$269,504	\$303,569	12.6%
– U.S.	4,199	3,510	(16.4%)	\$236,305	\$266,259	12.7%
Central / South America	324	339	4.6%	\$22,578	\$32,542	44.1%
Europe	2,321	2,472	6.5%	\$180,064	\$223,755	24.3%
– U.K.	835	872	4.4%	\$57,952	\$71,947	24.1%
– Germany	178	219	23.0%	\$17,813	\$23,672	32.9%
Africa / Middle East	263	262	(0.4%)	\$18,134	\$19,290	6.4%
Asia-Pacific (ex. Japan)	2,700	2,969	10.0%	\$119,517	\$132,996	11.3%
– China	1,597	1,725	8.0%	\$67,507	\$76,458	13.3%
– India	319	350	9.7%	\$17,339	\$13,228	(23.7%)
Japan	757	705	(6.9%)	\$27,666	\$40,670	47.0%
Global Total	10,671	10,291	(3.6%)	\$564,390	\$651,370	15.4%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD as of September 30.

Note: Global Total will not equal the sum of the individual regions listed above, as cross-border transactions are reflected in both the target's and acquiror's respective regions. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.S. M&A Commentary

LOWEST DOLLAR VOLUME SINCE EARLY 2010

In September, the U.S. M&A market witnessed the lowest monthly totals of the year for both deal count and announced dollar volume. The transaction total of 841, while up 4.5% on a year-over-year basis, was 16.5% under the average of the previous six months. Dollar volume dropped 59.0% to \$56.0 billion, which was lowest monthly figure since January 2010. In the middle market, the number of deals decreased 17.7% in September, and dollar value fell 24.7%.

With fears of another economic downturn in the U.S. weighing on the M&A market, the latest data points were mixed. Institute for Supply Management (ISM) reports for September exceeded estimates, as manufacturing expansion was slightly above August's 25-month low, while services growth was within the range of the past several months. Labor market news varied widely, with payroll editions above modest expectations, positive revisions to past data, and a five-month low in weekly jobless claims countered by the unemployment rate remaining at 9.1% and a spike in planned layoffs. Regarding the outlook, the quarterly Business Roundtable CEO survey released in late September indicated that companies still anticipate growth for sales, capital spending, and hiring over the next six months, albeit at greatly reduced levels relative to the prior quarter's plans. The U.S. economy must show further evidence of avoiding a recession in order to give corporate executives the confidence needed to invest aggressively in their businesses, including via M&A.

Conditions in the U.S. credit markets remained challenging in September despite modest improvement since August. In the leveraged loan market, the level of new issue supply was the second-lowest monthly total (trailing only August) in over a year, and arrangers were forced to sweeten terms significantly in order to clear deals. Diminished supply largely reflected leveraged loan funds experiencing outflows for nine consecutive weeks through late September, even as the pace of outflows moderated substantially relative to August. On the high yield side, spotty issuance in September represented an uptick from the dormant August. However, the sizable increase in yields required for new issuance has started to attract capital back to high yield funds, which enjoyed substantial inflows throughout September after seeing major outflows in August. Further increases in liquidity to support M&A financings likely depend on signs of progress for global economies and Europe's debt troubles.

The losing streak in the U.S. equity market reached five months in September, when the 7.2% decline in the S&P 500 marked the largest one-month drop since May 2010. Lower stock values have caused high levels of postponements and cancellations for IPOs, resulting in the biggest IPO backlog in the U.S. since 2006 and highlighting the importance of improved market conditions for capital-raising activity.

U.S. M&A Activity

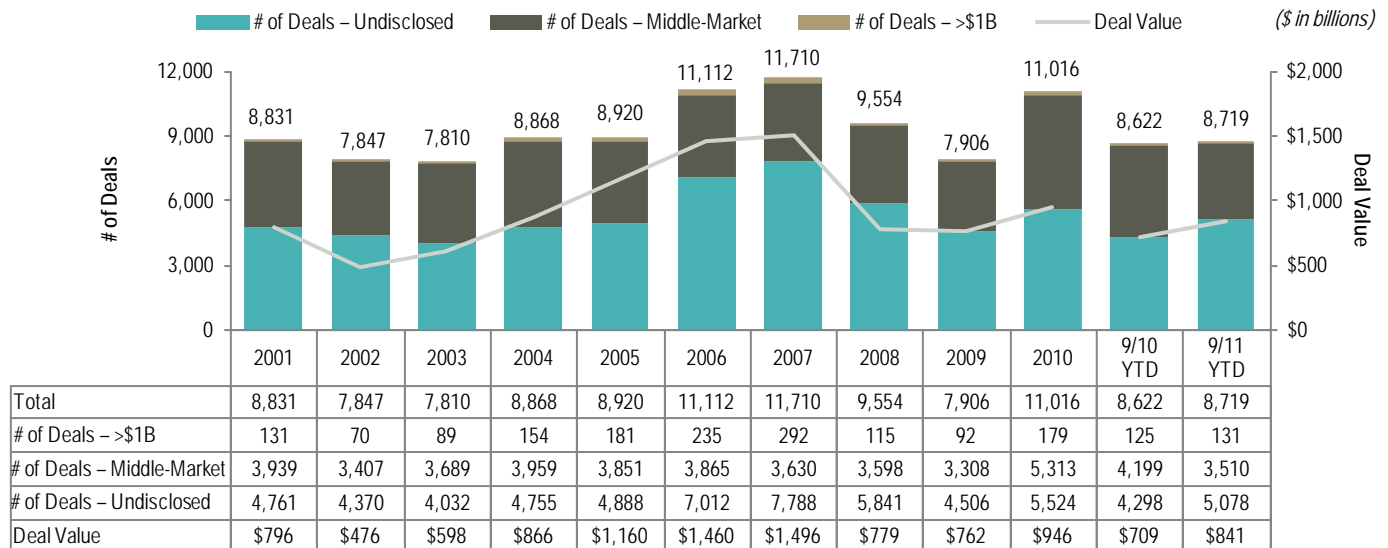
- The U.S. M&A market posted poor results in September. Although the deal count was up 4.5% year over year, the total of 841 was below the last 12 month (LTM) average of 926 and was the lowest figure this year. Dollar volume plunged 59.0% to \$56.0 billion, significantly below the LTM average of \$89.9 billion and the lowest total since January 2010.
- M&A metrics were positive through the first nine months of the year. The deal count increased 1.1% to 8,719, and dollar volume climbed 18.7% to \$841.5 billion. During Q3, a total of 3,015 transactions were announced, the highest quarterly level in 2011 and 14.7% above the Q3 2010 total. Dollar volume for the quarter was \$243.3 billion, down 18.7% from the average for Q1 and Q2.
- Over the LTM period, the deal count grew 3.0% to 11,113, and dollar volume was up 14.8% to \$1.1 trillion.

U.S. Middle-Market Activity

- The U.S. middle market was weak for the third consecutive month. The number of announced transactions declined 17.7% to 298, under the LTM average of 385 and the lowest figure since December 2010. Dollar volume contracted 24.7% to \$24.5 billion. Volume was at its lowest level since May 2010 and experienced the largest year-over-year decline since August 2009.
- For January through September, the deal count fell 16.4% to 3,510, with particular weakness in transactions valued under \$100 million. Dollar volume expanded 12.7% to \$266.3 billion. In Q3, the deal count declined 10.3% from the Q3 2010 figure, and dollar volume dropped 12.4% to \$84.5 billion.
- Transaction multiples for U.S. middle-market deals have risen substantially in 2011. The median EBITDA transactions multiple was 9.2x for the LTM period through September, above the 2010 figure of 8.6x.

U.S. M&A Activity

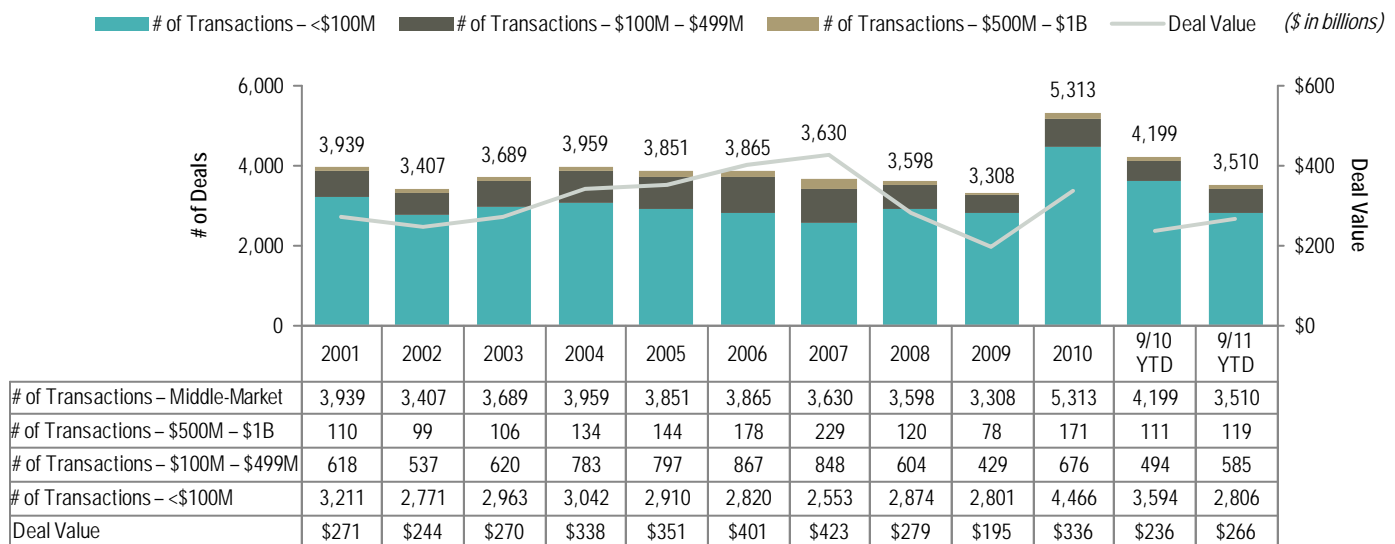
U.S. M&A Activity



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Middle-market transactions defined as those with a disclosed transaction value of less than \$1 billion. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.S. Middle-Market M&A Activity



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Middle-market transactions defined as those with a disclosed transaction value of less than \$1 billion. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.S. Middle-Market M&A Deal Statistics

Number of Deals			
	2010	2011	% Change
<u>September</u>			
<\$100M	282	231	(18.1%)
\$100M-\$499M	64	53	(17.2%)
\$500M-\$1B	16	14	(12.5%)
Total Middle-Market	362	298	(17.7%)
LTM Monthly Average	428	385	(10.0%)
>\$1B	20	8	(60.0%)
Undisclosed	423	535	26.5%
Total	805	841	4.5%
LTM Monthly Average	899	926	3.0%
<u>YTD</u>			
<\$100M	3,594	2,806	(21.9%)
\$100M-\$499M	494	585	18.4%
\$500M-\$1B	111	119	7.2%
Total Middle-Market	4,199	3,510	(16.4%)
>\$1B	125	131	4.8%
Undisclosed	4,298	5,078	18.1%
Total	8,622	8,719	1.1%
<u>LTM</u>			
<\$100M	4,357	3,678	(15.6%)
\$100M-\$499M	640	767	19.8%
\$500M-\$1B	138	179	29.7%
Total Middle-Market	5,135	4,624	(10.0%)
>\$1B	159	185	16.4%
Undisclosed	5,497	6,304	14.7%
Total	10,791	11,113	3.0%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of September 30.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Deal Value			
(\$ in millions)	2010	2011	% Change
<u>September</u>			
<\$100M	\$5,307	\$4,561	(14.0%)
\$100M-\$499M	\$15,703	\$11,330	(27.9%)
\$500M-\$1B	\$11,513	\$8,605	(25.3%)
Total Middle-Market	\$32,523	\$24,496	(24.7%)
LTM Monthly Average	\$25,113	\$30,528	21.6%
>\$1B	\$104,227	\$31,540	(69.7%)
Undisclosed	**	**	**
Total	\$136,750	\$56,037	(59.0%)
LTM Monthly Average	\$78,327	\$89,890	14.8%
<u>YTD</u>			
<\$100M	\$50,195	\$51,664	2.9%
\$100M-\$499M	\$110,440	\$133,822	21.2%
\$500M-\$1B	\$75,670	\$80,773	6.7%
Total Middle-Market	\$236,305	\$266,259	12.7%
>\$1B	\$472,391	\$575,230	21.8%
Undisclosed	**	**	**
Total	\$708,696	\$841,489	18.7%
<u>LTM</u>			
<\$100M	\$65,385	\$68,057	4.1%
\$100M-\$499M	\$142,340	\$174,630	22.7%
\$500M-\$1B	\$93,628	\$123,648	32.1%
Total Middle-Market	\$301,353	\$366,335	21.6%
>\$1B	\$638,576	\$712,342	11.6%
Undisclosed	**	**	**
Total	\$939,929	\$1,078,677	14.8%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of September 30.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.S. Middle-Market Enterprise Value to Median EBITDA, EBIT, and Revenue Multiples

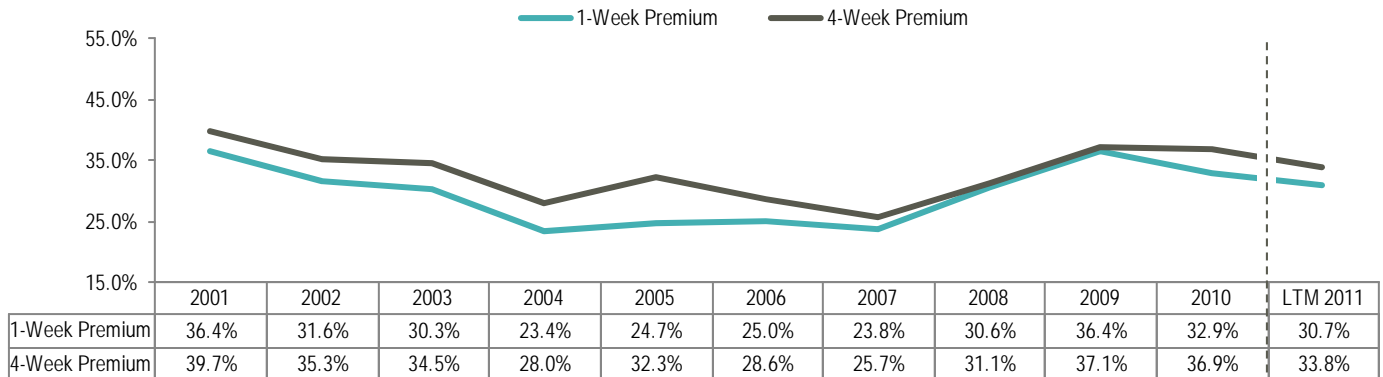
Transaction Size	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	LTM 2011
<u>EV/EBITDA</u>											
<\$100M	5.9x	7.0x	6.8x	7.6x	9.2x	8.1x	8.5x	7.8x	7.0x	7.0x	8.5x
\$100M-\$499M	8.3x	7.7x	8.2x	9.0x	9.9x	9.2x	11.2x	11.1x	8.1x	10.1x	9.8x
\$500M-\$1B	8.4x	8.4x	9.6x	10.3x	10.1x	12.0x	10.8x	10.6x	7.8x	9.0x	9.4x
Middle-Market	7.2x	7.3x	7.5x	8.6x	9.7x	9.2x	9.9x	9.5x	7.6x	8.6x	9.2x
<u>EV/EBIT</u>											
<\$100M	7.3x	9.5x	8.9x	9.6x	10.8x	10.0x	10.8x	10.1x	7.8x	10.3x	10.5x
\$100M-\$499M	11.7x	11.2x	11.0x	11.7x	13.5x	13.3x	14.5x	13.7x	11.0x	12.2x	12.7x
\$500M-\$1B	10.6x	12.2x	12.9x	14.0x	13.8x	17.0x	16.1x	13.7x	13.6x	13.4x	12.9x
Middle-Market	9.2x	10.7x	10.8x	11.2x	12.4x	12.5x	12.8x	11.6x	9.7x	11.3x	11.8x
<u>EV/Revenue</u>											
<\$100M	0.75x	0.69x	0.76x	0.95x	0.95x	0.96x	0.92x	0.91x	0.80x	0.94x	1.01x
\$100M-\$499M	1.19x	1.09x	1.06x	1.34x	1.31x	1.24x	1.27x	1.30x	1.22x	1.24x	1.34x
\$500M-\$1B	1.41x	1.27x	1.42x	1.33x	1.55x	1.69x	1.51x	1.42x	1.46x	1.56x	1.75x
Middle-Market	0.89x	0.80x	0.88x	1.11x	1.10x	1.08x	1.01x	1.00x	0.90x	1.07x	1.14x

Source: Capital IQ and Robert W. Baird & Co. Incorporated M&A Market Analysis. Median multiples are calculated using deals for which meaningful data is available. LTM as of September 30.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.S. Middle-Market M&A Deal Statistics

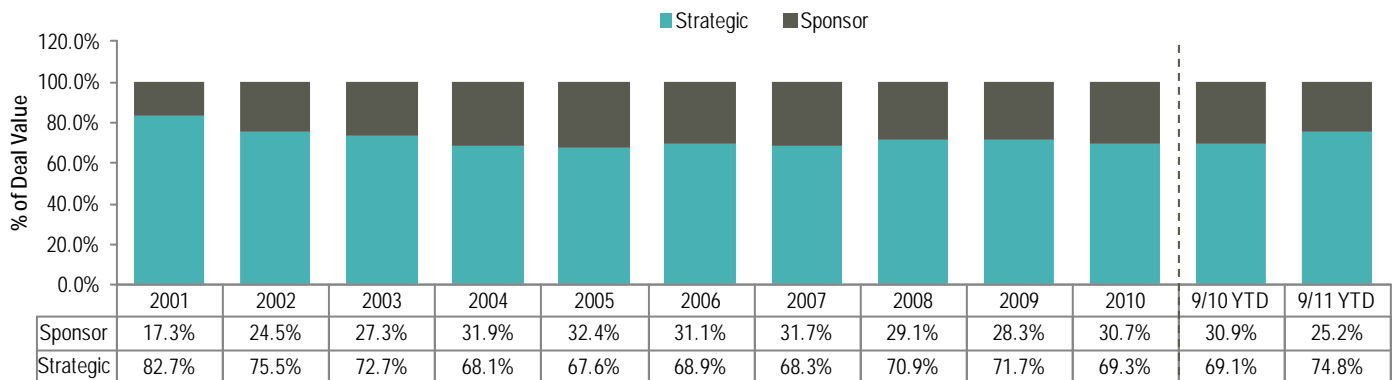
U.S. Middle-Market Median Acquisition Premiums



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. LTM as of September 30.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

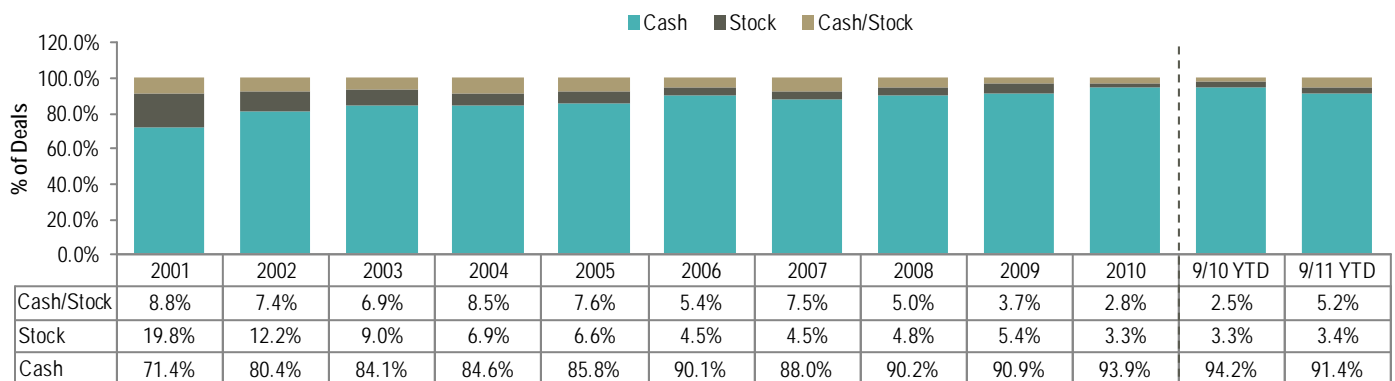
U.S. Middle-Market Transaction Composition – Strategic vs. Sponsor Deal Value



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.S. Middle-Market M&A Payment Method by Number of Deals

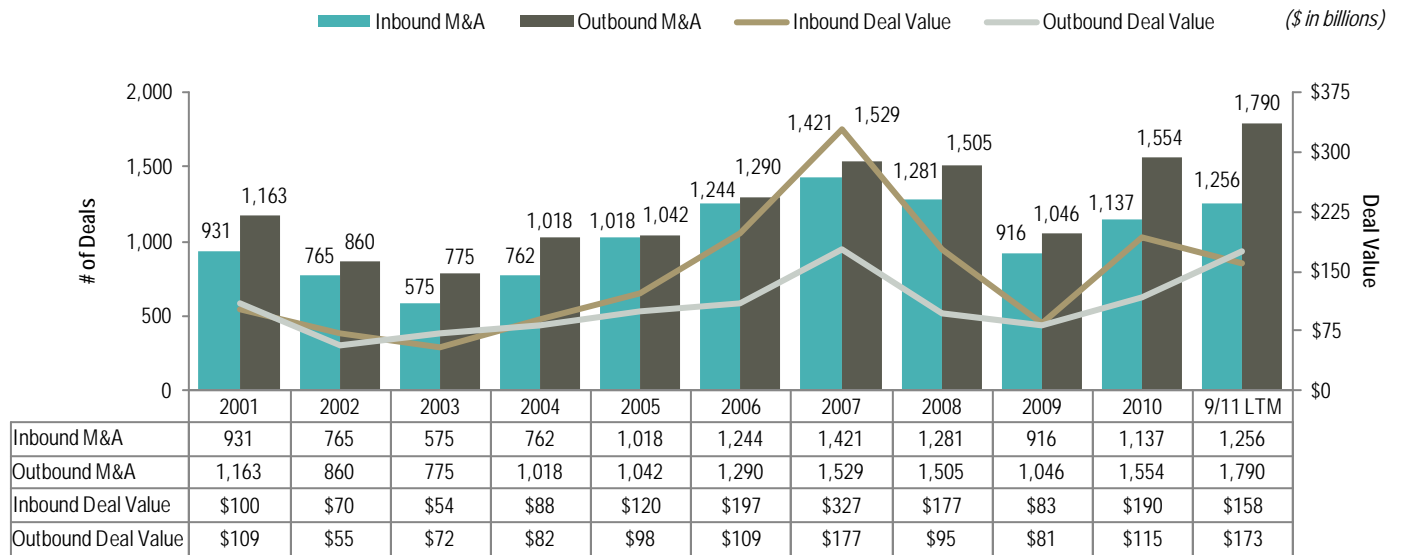


Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.S. Cross-Border M&A Activity

U.S. – Inbound and Outbound M&A Activity



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Inbound M&A represents U.S. target/non-U.S. acquiror; Outbound M&A represents non-U.S. target/U.S. acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Top 10 U.S. Target Industries Acquired by Non-U.S. Companies - YTD

Industry	# of Deals
1. Computers & Electronics	177
2. Professional Services	108
3. Mining	106
4. Healthcare	95
5. Oil & Gas	71
6. Real Estate/Property	51
7. Utility & Energy	36
8. Food & Beverage	27
9. Consumer Products	26
10. Chemicals	26

Top 10 Non-U.S. Acquirors of U.S. Targets - YTD

Country	# of Deals
1. Canada	348
2. United Kingdom	131
3. Japan	64
4. Germany	50
5. Australia	49
6. France	41
7. China	31
8. Switzerland	26
9. India	25
10. South Korea	18

Top 10 Non-U.S. Target Industries Acquired by U.S. Companies – YTD

Industry	# of Deals
1. Computers & Electronics	322
2. Professional Services	211
3. Healthcare	104
4. Mining	80
5. Finance	69
6. Machinery	53
7. Real Estate/Property	50
8. Construction/Building	47
9. Chemicals	47
10. Consumer Products	45

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD as of September 30, 2011.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Europe M&A Commentary

The recent downturn in Europe's M&A market continued in September. The number of deals declined 15.7% to 830, which was the lowest figure in nearly a year. Announced dollar volume fell for the third consecutive month, dropping 10.6% to \$38.7 billion. In Europe's middle market, the transaction count was down 8.3%, while dollar value climbed 24.7%.

Year to date, the number of deals rose 7.4%, whereas dollar volume dipped 2.3%. Relative to the averages of the first two quarters of 2011, the Q3 deal count was down 6.2%, and third-quarter dollar volume declined 20.3%. In the middle market, the deal total for the first nine months of the year was up 6.5%, and dollar value increased 24.3%.

Indications that Europe may be heading back into an economic recession have put stress on its M&A market. The composite PMI for euro zone activity in September contracted for the first time since July 2009, reflecting slight declines for both manufacturing and services. In addition, the Economic Sentiment Indicator of the European Union continued its steep decline in falling to its lowest point since November 2009 due to broad-based deterioration across member nations. Softening economic trends have reflected fiscal belt-tightening and the ongoing sovereign debt crisis. Importantly, implementation of an expanded bailout fund seems imminent, while European leaders appear ready to shore up the financial system and boost liquidity through a coordinated capital injection into the region's banks in conjunction with anticipated government debt restructuring. A comprehensive approach to confronting the debt overhang should have meaningful benefits for Europe's economy and M&A environment.

Middle-market valuation levels in Europe have steadily increased over the past two years. The median EBITDA transaction multiple rose to 7.9x for the LTM period through September, up from values of 7.4x in 2009 and 7.5x in 2010.

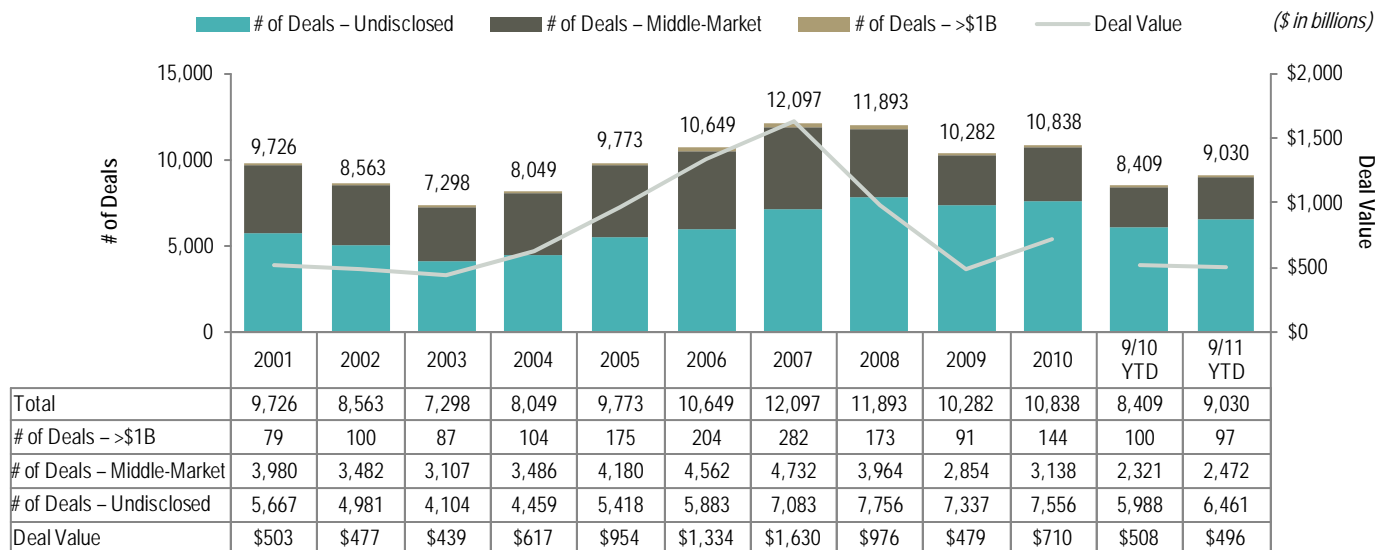
Year to date, the deal count in the U.K. was up 2.6% to 2,213, with contraction in domestic activity outweighed by growth for cross-border transactions. Dollar volume slipped 3.8% to \$151.8 billion, although inbound volume jumped 42.6% to \$63.7 billion.

Through the first nine months of the year, middle-market metrics were solid in the U.K. The deal count grew 4.4% to 872, and dollar volume expanded 24.1% to \$71.9 billion. Deal count and dollar volume in Q3 2011 experienced modest growth over Q3 2010 figures.

From January through September, the number of announced transactions in Germany surged 34.0% to 1,327. The deal count for domestic, inbound, and outbound transactions all experienced growth exceeding 25%. Dollar volume was up 1.5% to \$54.3 billion.

For the year-to-date period, M&A activity in Germany's middle market was robust. The deal count increased 23.0% to 219, and dollar volume jumped 32.9% to \$23.7 billion.

Europe M&A Activity



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Middle-market transactions defined as those with a disclosed transaction value of less than \$1 billion. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Europe Middle-Market M&A Deal Statistics

Number of Deals			
	2010	2011	% Change
<u>September</u>			
<\$100M	229	198	(13.5%)
\$100M-\$499M	44	47	6.8%
\$500M-\$1B	5	10	100.0%
Total Middle-Market	278	255	(8.3%)
LTM Monthly Average	261	274	5.1%
>\$1B	10	8	(20.0%)
Undisclosed	697	567	(18.7%)
Total	985	830	(15.7%)
LTM Monthly Average	916	955	4.2%
<u>YTD</u>			
<\$100M	1,829	1,903	4.0%
\$100M-\$499M	421	459	9.0%
\$500M-\$1B	71	110	54.9%
Total Middle-Market	2,321	2,472	6.5%
>\$1B	100	97	(3.0%)
Undisclosed	5,988	6,461	7.9%
Total	8,409	9,030	7.4%
<u>LTM</u>			
<\$100M	2,483	2,540	2.3%
\$100M-\$499M	550	599	8.9%
\$500M-\$1B	95	150	57.9%
Total Middle-Market	3,128	3,289	5.1%
>\$1B	130	141	8.5%
Undisclosed	7,739	8,029	3.7%
Total	10,997	11,459	4.2%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of September 30.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Deal Value			
(\$ in millions)	2010	2011	% Change
<u>September</u>			
<\$100M	\$5,041	\$4,367	(13.4%)
\$100M-\$499M	\$9,973	\$11,170	12.0%
\$500M-\$1B	\$3,597	\$7,676	113.4%
Total Middle-Market	\$18,611	\$23,213	24.7%
LTM Monthly Average	\$19,733	\$24,874	26.1%
>\$1B	\$24,703	\$15,526	(37.2%)
Undisclosed	**	**	**
Total	\$43,314	\$38,738	(10.6%)
LTM Monthly Average	\$53,840	\$58,237	8.2%
<u>YTD</u>			
<\$100M	\$37,053	\$40,449	9.2%
\$100M-\$499M	\$94,647	\$104,770	10.7%
\$500M-\$1B	\$48,364	\$78,537	62.4%
Total Middle-Market	\$180,064	\$223,755	24.3%
>\$1B	\$327,648	\$272,410	(16.9%)
Undisclosed	**	**	**
Total	\$507,712	\$496,165	(2.3%)
<u>LTM</u>			
<\$100M	\$50,069	\$54,393	8.6%
\$100M-\$499M	\$123,848	\$136,891	10.5%
\$500M-\$1B	\$62,880	\$107,206	70.5%
Total Middle-Market	\$236,796	\$298,491	26.1%
>\$1B	\$409,287	\$400,349	(2.2%)
Undisclosed	**	**	**
Total	\$646,083	\$698,840	8.2%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of September 30.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Europe Middle-Market Enterprise Value to Median EBITDA, EBIT, and Revenue Multiples

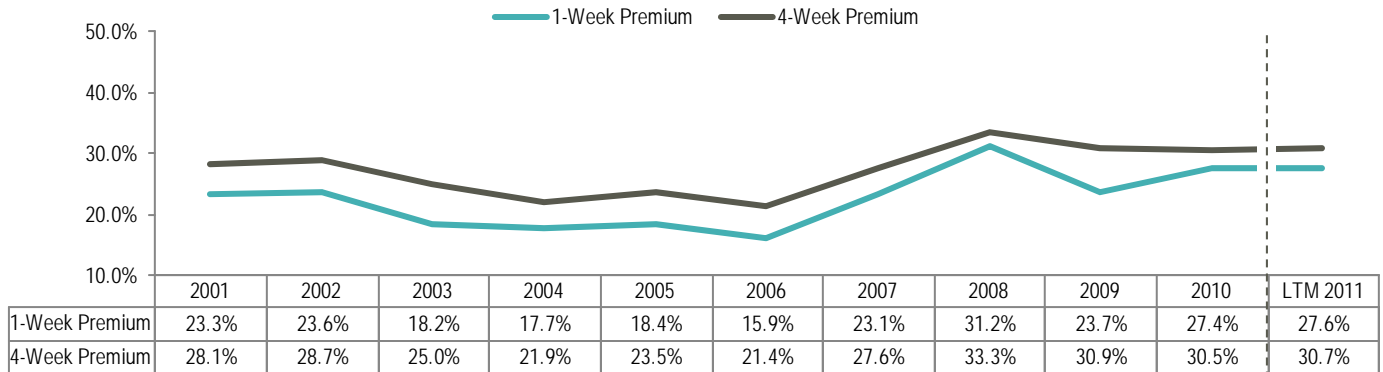
Transaction Size	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	LTM 2011
<u>EV/EBITDA</u>											
<\$100M	6.5x	5.7x	5.5x	7.0x	7.4x	7.4x	8.2x	6.8x	6.2x	6.6x	7.5x
\$100M-\$499M	7.7x	7.2x	6.3x	7.7x	10.0x	10.0x	11.0x	9.6x	7.7x	8.1x	8.0x
\$500M-\$1B	8.5x	7.9x	8.7x	9.7x	10.2x	10.2x	10.8x	9.6x	11.2x	8.9x	9.1x
Middle-Market	7.9x	6.8x	6.3x	7.6x	8.5x	8.8x	9.5x	7.8x	7.4x	7.5x	7.9x
<u>EV/EBIT</u>											
<\$100M	7.8x	9.1x	8.3x	9.4x	9.2x	8.5x	9.2x	8.1x	7.6x	7.4x	9.1x
\$100M-\$499M	11.1x	10.8x	9.7x	11.2x	13.4x	13.8x	13.5x	11.1x	10.2x	10.6x	10.9x
\$500M-\$1B	10.6x	13.0x	11.4x	12.2x	15.6x	15.1x	12.4x	12.4x	15.7x	12.8x	12.8x
Middle-Market	9.1x	10.3x	9.2x	10.4x	11.6x	10.7x	10.9x	9.3x	9.1x	8.6x	10.2x
<u>EV/Revenue</u>											
<\$100M	0.69x	0.59x	0.63x	0.84x	0.74x	0.81x	0.78x	0.78x	0.63x	0.71x	0.71x
\$100M-\$499M	1.14x	1.04x	0.95x	1.11x	1.18x	1.29x	1.32x	1.12x	0.92x	1.09x	1.15x
\$500M-\$1B	0.94x	0.57x	1.43x	1.44x	1.29x	1.74x	1.37x	1.63x	1.68x	1.43x	1.47x
Middle-Market	0.82x	0.66x	0.71x	0.89x	0.89x	0.92x	0.87x	0.86x	0.69x	0.82x	0.83x

Source: Capital IQ and Robert W. Baird & Co. Incorporated M&A Market Analysis. Median multiples are calculated using deals for which meaningful data is available. LTM as of September 30.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

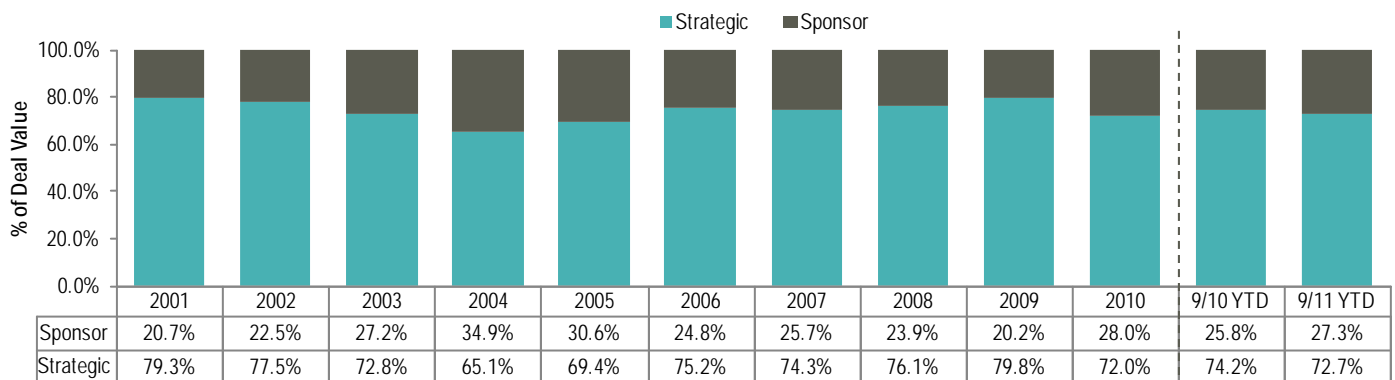
Europe Middle-Market M&A Deal Statistics

Europe Middle-Market Median Acquisition Premiums



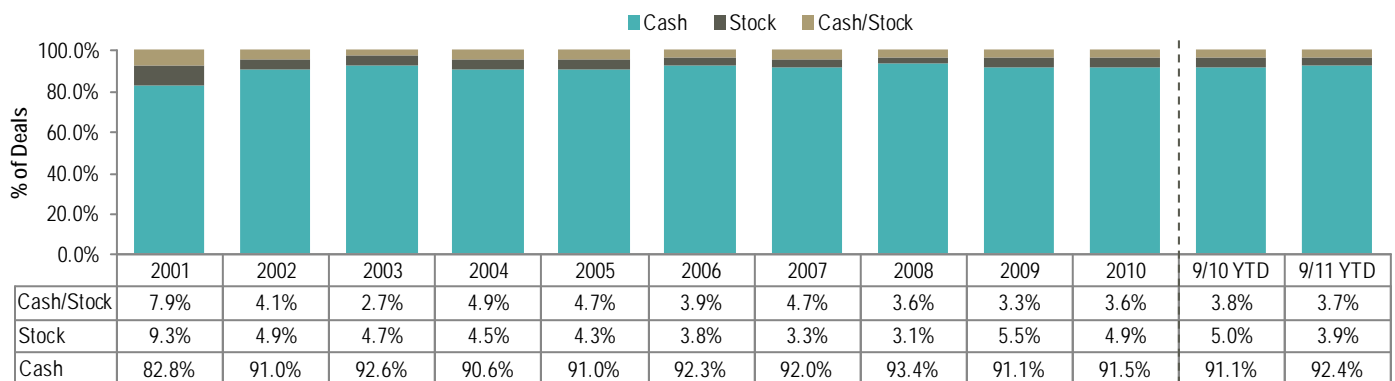
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. LTM as of September 30.
 Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Europe Middle-Market Transaction Composition – Strategic vs. Sponsor Deal Value



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
 Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

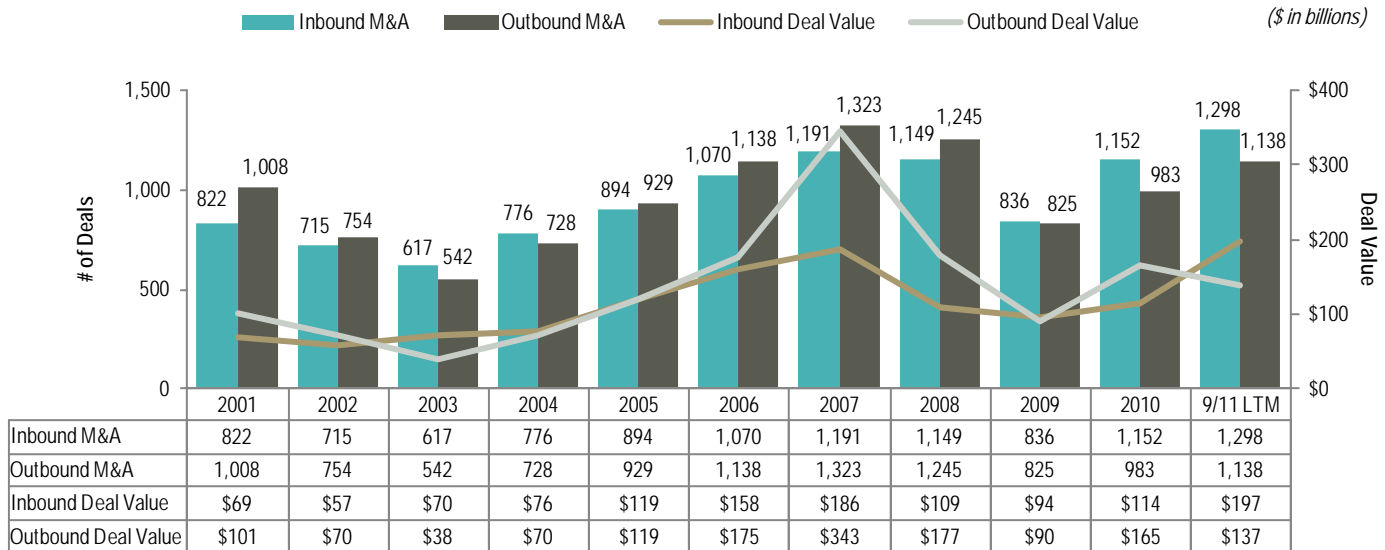
Europe Middle-Market M&A Payment Method by Number of Deals



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
 Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Europe Cross-Border M&A Activity

Europe – Inbound and Outbound M&A



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Inbound M&A represents European target/non-European acquirer; Outbound M&A represents non-European target/European acquirer. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Top 10 European Target Countries Acquired by Non-European Companies – YTD

Country	# of Deals
1. United Kingdom	310
2. Germany	161
3. France	82
4. Italy	50
5. Netherlands	48
6. Sweden	47
7. Spain	42
8. Turkey	29
9. Switzerland	28
10. Ireland	23

Top 10 European Target Industries Acquired by Non-European Companies – YTD

Industry	# of Deals
1. Computers & Electronics	206
2. Professional Services	124
3. Healthcare	70
4. Machinery	53
5. Finance	48
6. Consumer Products	47
7. Real Estate/Property	46
8. Chemicals	42
9. Mining	36
10. Oil & Gas	35

Top 10 Non-European Target Countries Acquired by European Companies – YTD

Country	# of Deals
1. United States	342
2. Brazil	67
3. Canada	65
4. Australia	57
5. China	46
6. India	39
7. South Africa	20
8. Singapore	18
9. Japan	14
10. Columbia	13

Top 10 Non-European Target Industries Acquired by European Companies – YTD

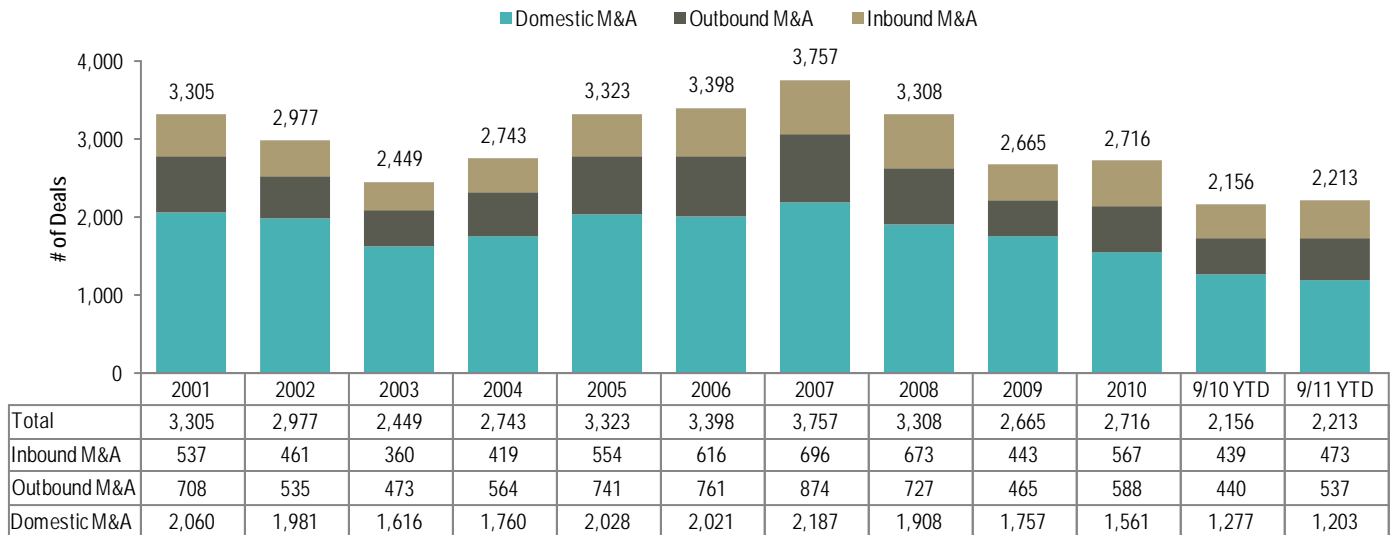
Industry	# of Deals
1. Professional Services	135
2. Computers & Electronics	126
3. Healthcare	67
4. Oil & Gas	59
5. Mining	49
6. Consumer Products	43
7. Machinery	36
8. Utility & Energy	33
9. Finance	32
10. Food & Beverage	28

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD as of September 30, 2011.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.K. Cross-Border M&A Activity

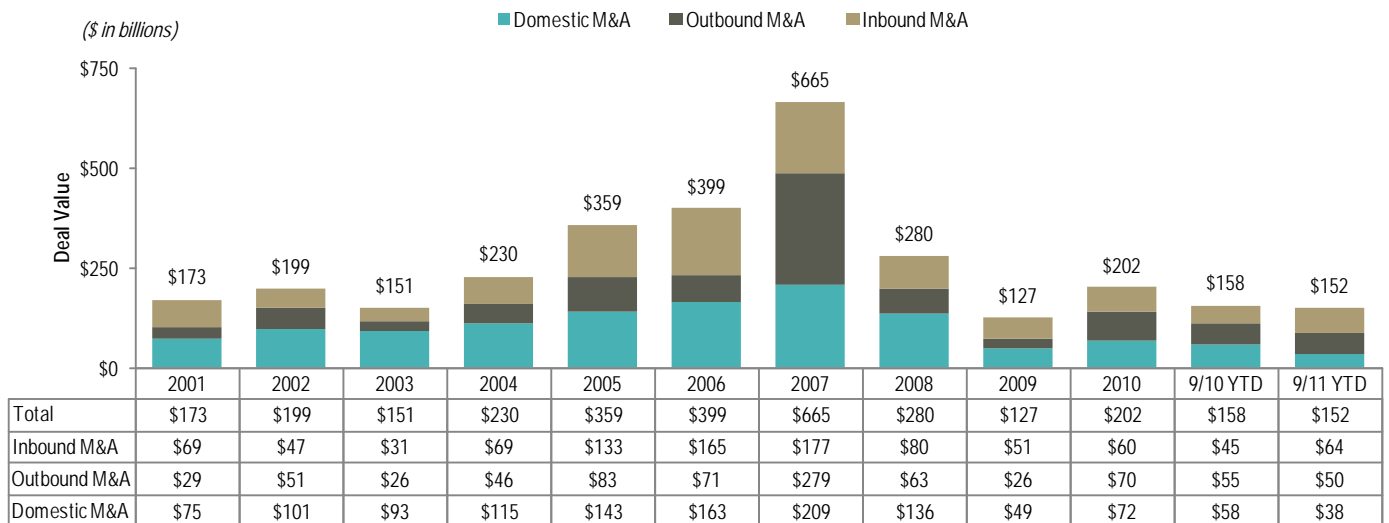
U.K. Number of Deals (Domestic/Outbound/Inbound)



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Domestic M&A represents U.K. target/U.K. acquiror; Outbound M&A represents non-U.K. target/U.K. acquiror; Inbound M&A represents U.K. target/non-U.K. acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.K. Deal Value (Domestic/Outbound/Inbound)

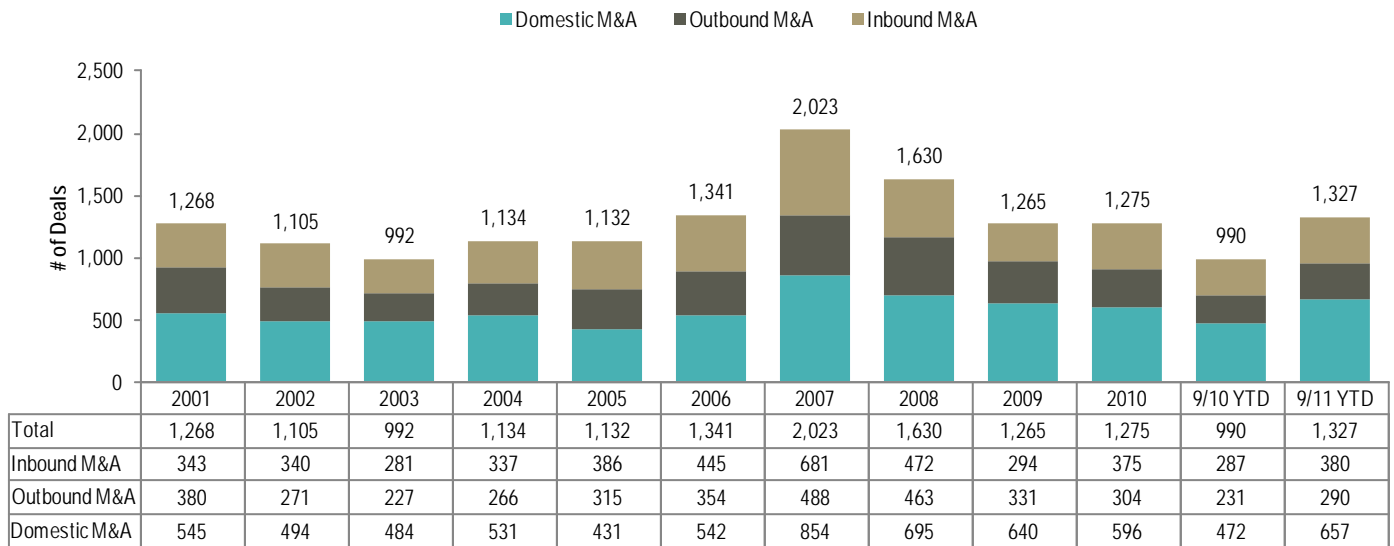


Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Domestic M&A represents U.K. target/U.K. acquiror; Outbound M&A represents non-U.K. target/U.K. acquiror; Inbound M&A represents U.K. target/non-U.K. acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Germany Cross-Border M&A Activity

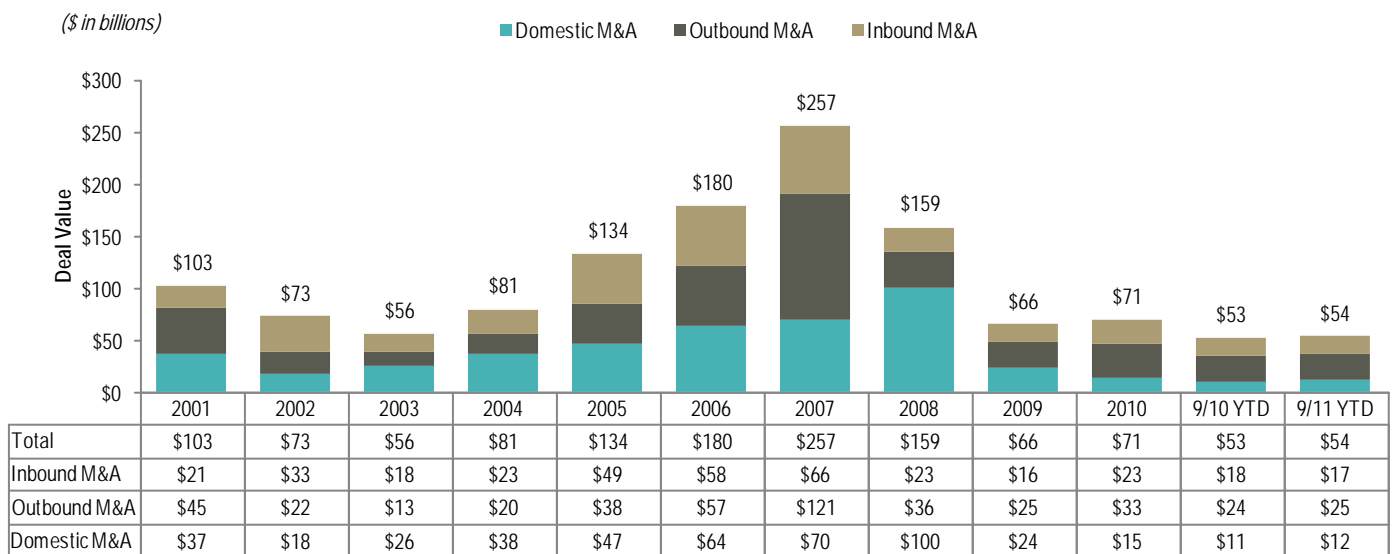
Germany Number of Deals (Domestic/Outbound/Inbound)



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Domestic M&A represents Germany target/Germany acquiror; Outbound M&A represents non-Germany target/Germany acquiror; Inbound M&A represents Germany target/non-Germany acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Germany Deal Value (Domestic/Outbound/Inbound)



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Domestic M&A represents Germany target/Germany acquiror; Outbound M&A represents non-Germany target/Germany acquiror; Inbound M&A represents Germany target/non-Germany acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Asia M&A Commentary

M&A metrics for September in Asia (ex. Japan) were among the weakest to date in 2011. The deal total of 431 (+3.1% year-over-year) was 17.8% below the average of the prior six months. Reported dollar volume of \$17.1 billion (+29.7%) was the lowest monthly figure since September 2010. The middle market also posted year-over-year growth for the number of transactions (+3.1%) and dollar value (up 7.4%) despite monthly totals that trailed the run rate of earlier in the year.

For the first nine months of 2011, the deal count in Asia (ex. Japan) increased 9.8%, whereas dollar volume declined 3.0%. Due to a strong July, third-quarter transaction metrics were slightly above the averages of Q1 and Q2. The middle market registered year-to-date growth of 10.0% in the number of deals and an 11.3% increase for dollar value.

The downturn in M&A dollar volume to date in 2011 has occurred amid economic deceleration in China, which typically accounts for nearly half of deal announcements in Asia (ex. Japan). China reported Q3 GDP growth of 9.1%, down from 9.5% in Q2 and 9.7% in Q1. China's official manufacturing PMI for the third quarter indicated the least expansion since 2009. Moderating trends also included export growth in September below the year-to-date pace, as the global economic slowdown has hindered external demand. The efforts of China's government to lower inflation via higher interest rates and bank reserve requirements appear to be gaining traction, with inflation dropping from a three-year high of 6.5% in July to 6.2% in August and 6.1% in September. Additional reductions in inflation would give the government more flexibility to adjust interest rates as desired to support economic growth.

In September, China M&A activity posted divergent results. The number of announced transactions rose 9.3% to 236, in line with the LTM average. Dollar volume contracted 4.8% to \$8.9 billion, below the LTM average of \$14.4 billion.

Year to date, the deal count in China rose 7.0% to 2,166, with notable growth for outbound transactions. Dollar volume increased 25.1% to \$117.4 billion, led by a surge in cross-border volume of nearly 60%. Volume was at an all-time high through the first three quarters of the year.

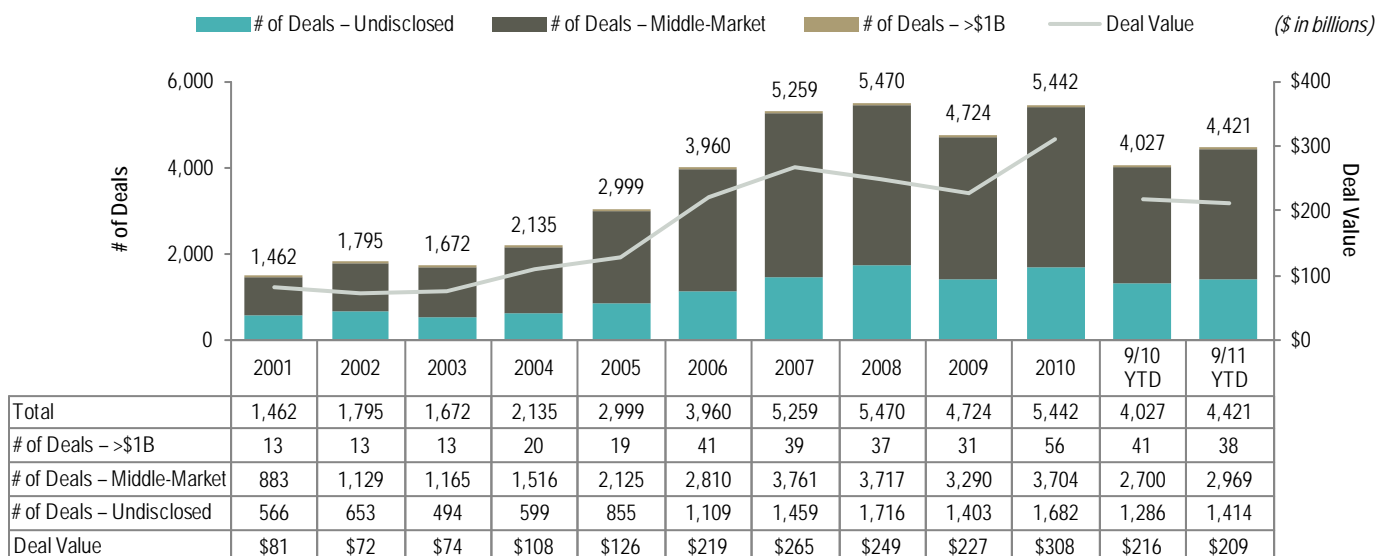
The deal count for China's middle market for September grew 14.2% to 193, in line with the LTM average. Dollar volume fell 8.8% to \$7.7 billion and was 12.9% below the LTM average.

From January through September, the deal count in India was up 0.4% to 677, registering the second-highest transaction total through the first three quarters of the year. Dollar volume fell 62.6% to \$18.9 billion, largely due to the decrease in billion-dollar-plus transactions from 13 to 4 during the first nine months of the year.

Year to date in India's middle market, the number of announced transactions rose 9.7% to 350. Dollar volume decreased 23.7% to \$13.2 billion.

Through the first nine months of the year, M&A metrics in Japan were impressive. The deal count grew 7.4% to 1,633. Outbound activity was particularly strong, as the number of transactions jumped nearly 30%. Dollar volume soared 57.9% to \$97.2 billion, marking the highest level through the first three quarters since 2005.

Asia (ex. Japan) M&A Activity

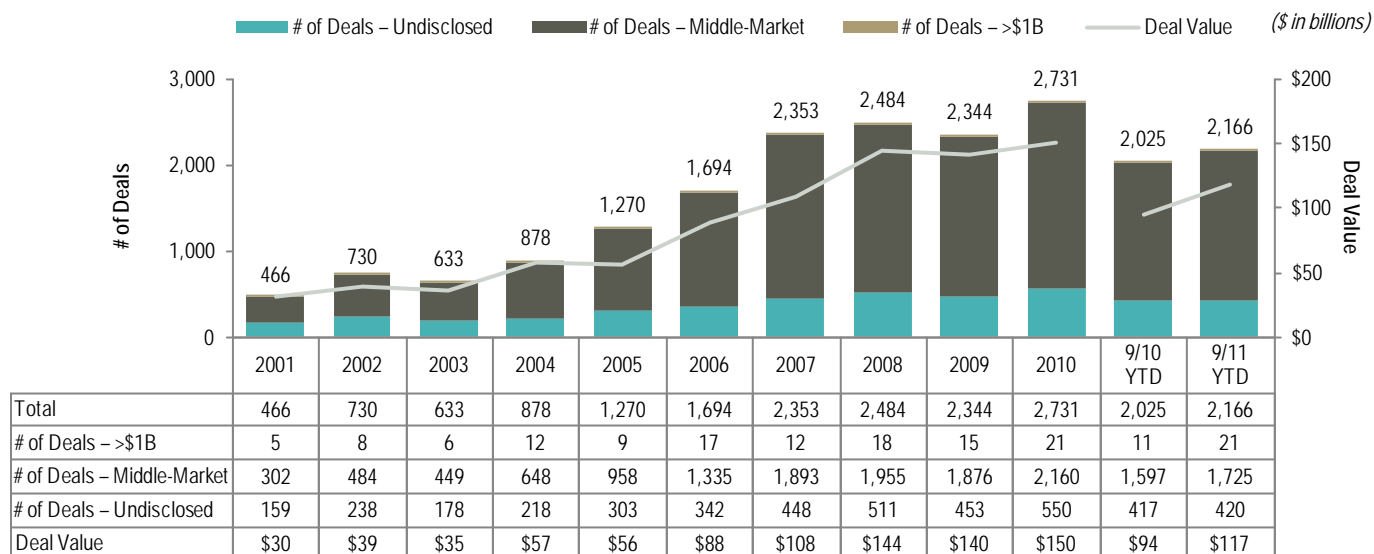


Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

China M&A Activity

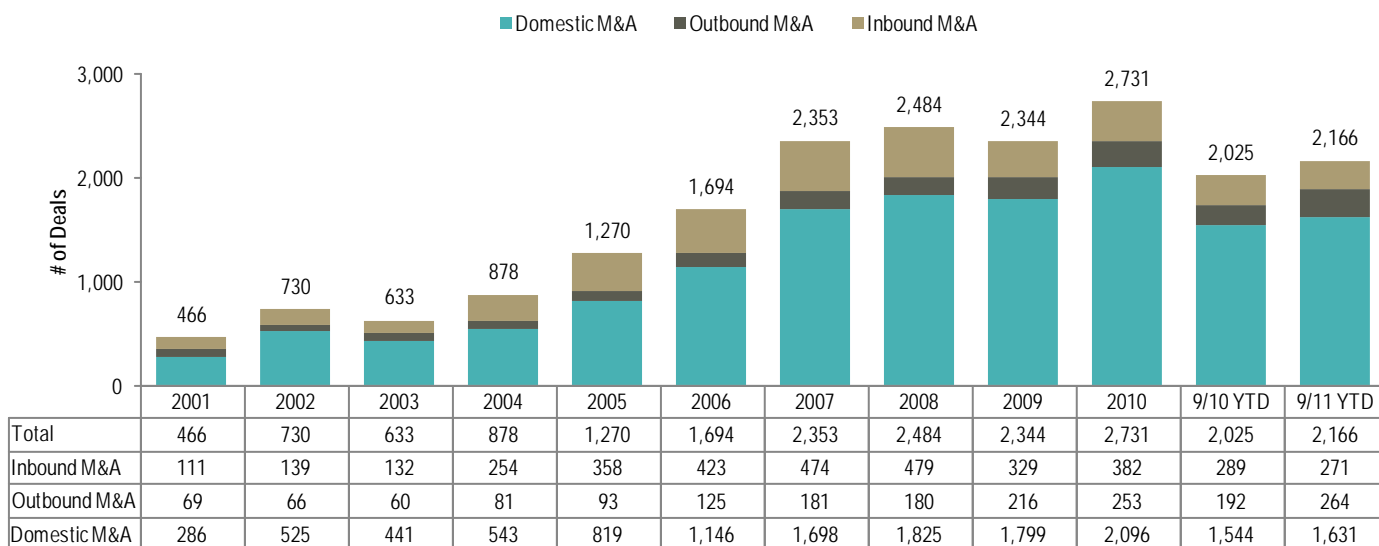
China M&A Activity



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

China Number of Deals (Domestic/Outbound/Inbound)



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Domestic M&A represents China target/China acquiror; Outbound M&A represents non-China target/China acquiror; Inbound M&A represents China target/non-China acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

China M&A Deal Statistics

China Number of Deals

	Domestic		Outbound		Inbound		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
September								
Middle-Market	136	165	19	12	14	16	169	193
>\$1B	1	0	0	1	0	0	1	1
Undisclosed	19	24	9	6	18	12	46	42
Total	156	189	28	19	32	28	216	236
YTD								
Middle-Market	1,311	1,412	117	166	169	147	1,597	1,725
>\$1B	6	9	4	9	1	3	11	21
Undisclosed	227	210	71	89	119	121	417	420
Total	1,544	1,631	192	264	289	271	2,025	2,166
LTM								
Middle-Market	1,883	1,889	156	206	219	193	2,258	2,288
>\$1B	9	14	4	13	1	4	14	31
Undisclosed	313	280	96	106	161	167	570	553
Total	2,205	2,183	256	325	381	364	2,842	2,872

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of September 30.

Note: Domestic M&A represents China target/China acquiror; Outbound M&A represents non-China target/China acquiror; Inbound M&A represents China target/non-China acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

China Deal Value

(\$ in millions)

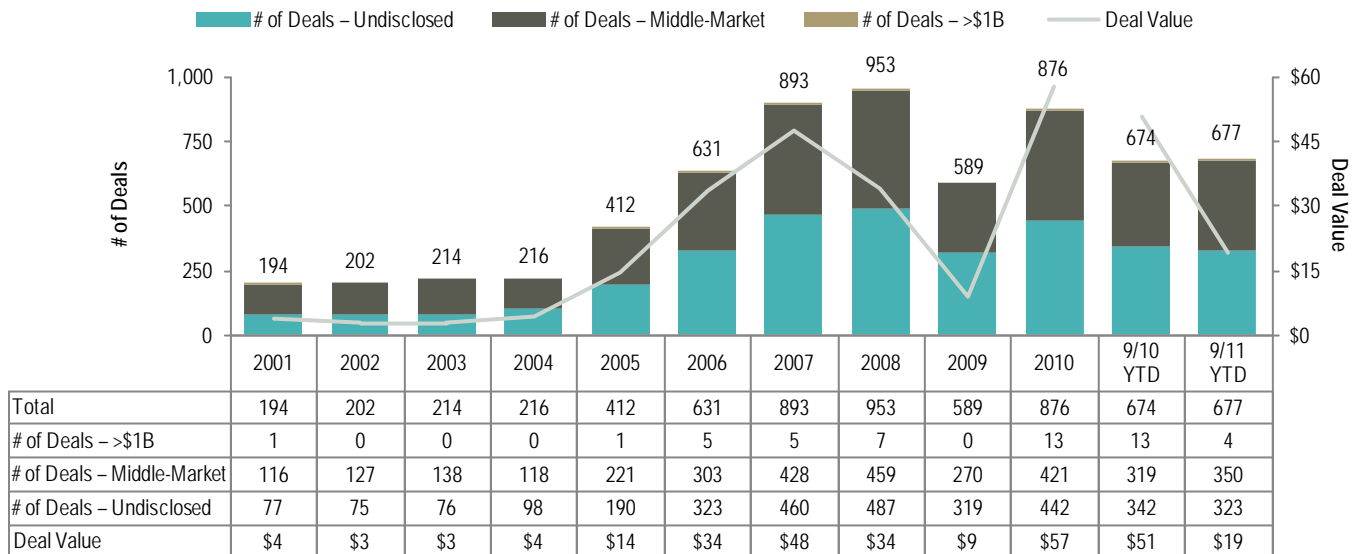
	Domestic		Outbound		Inbound		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
September								
Middle-Market	\$6,456	\$6,470	\$1,585	\$923	\$352	\$265	\$8,394	\$7,658
>\$1B	\$1,004	\$0	\$0	\$1,287	\$0	\$0	\$1,004	\$1,287
Total	\$7,461	\$6,470	\$1,585	\$2,210	\$352	\$265	\$9,398	\$8,945
YTD								
Middle-Market	\$53,071	\$57,133	\$6,420	\$12,637	\$8,016	\$6,687	\$67,507	\$76,458
>\$1B	\$11,436	\$13,630	\$12,741	\$19,377	\$2,200	\$7,963	\$26,378	\$40,969
Total	\$64,508	\$70,764	\$19,161	\$32,014	\$10,216	\$14,650	\$93,885	\$117,427
LTM								
Middle-Market	\$81,773	\$78,531	\$10,591	\$17,416	\$11,664	\$9,556	\$104,029	\$105,503
>\$1B	\$26,261	\$23,165	\$12,741	\$26,721	\$2,200	\$17,714	\$41,202	\$67,599
Total	\$108,034	\$101,696	\$23,332	\$44,137	\$13,864	\$27,270	\$145,231	\$173,103

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of September 30.

Note: Domestic M&A represents China target/China acquiror; Outbound M&A represents non-China target/China acquiror; Inbound M&A represents China target/non-China acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

India M&A Activity

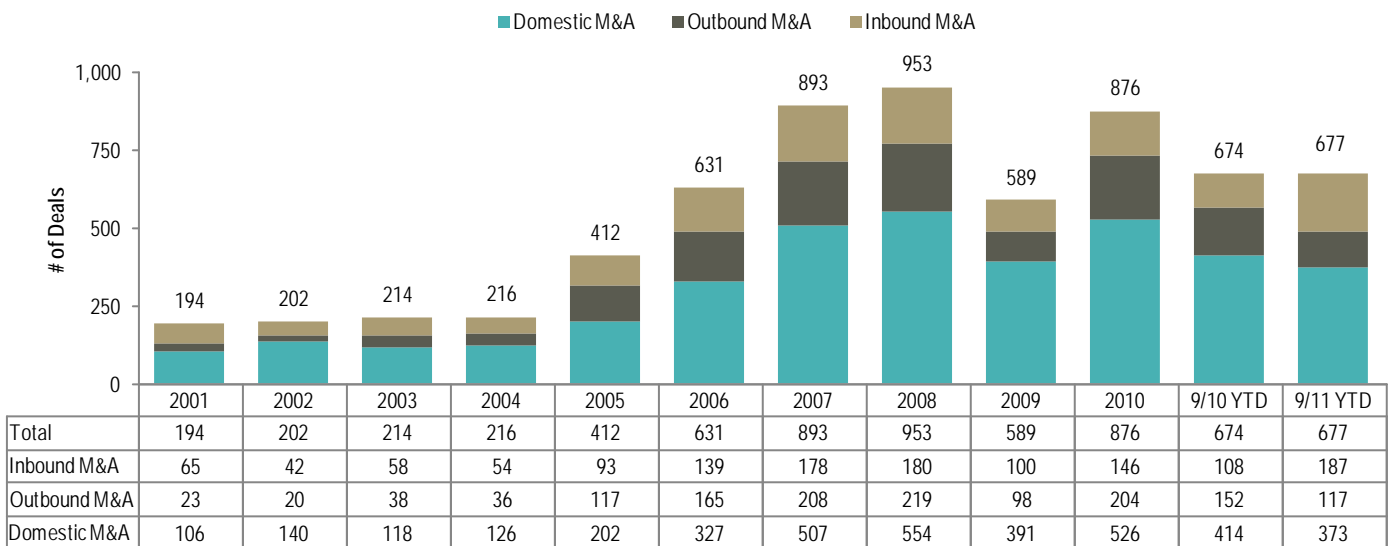
India M&A Activity



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

India Number of Deals (Domestic, Outbound, Inbound)



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Domestic M&A represents India target/India acquiror; Outbound M&A represents non-India target/India acquiror; Inbound M&A represents India target/non-India acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

India M&A Deal Statistics

India Number of Deals

	Domestic		Outbound		Inbound		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
September								
Middle-Market	29	20	6	2	3	8	38	30
>\$1B	0	0	0	1	0	0	0	1
Undisclosed	17	12	9	6	3	10	29	28
Total	46	32	15	9	6	18	67	59
YTD								
Middle-Market	198	194	62	37	59	119	319	350
>\$1B	9	0	2	3	2	1	13	4
Undisclosed	207	179	88	77	47	67	342	323
Total	414	373	152	117	108	187	674	677
LTM								
Middle-Market	245	247	82	63	81	142	408	452
>\$1B	9	0	2	3	2	1	13	4
Undisclosed	247	238	106	103	59	82	412	423
Total	501	485	190	169	142	225	833	879

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of September 30.

Note: Domestic M&A represents India target/India acquiror; Outbound M&A represents non-India target/India acquiror; Inbound M&A represents India target/non-India acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

India Deal Value

(\$ in millions)

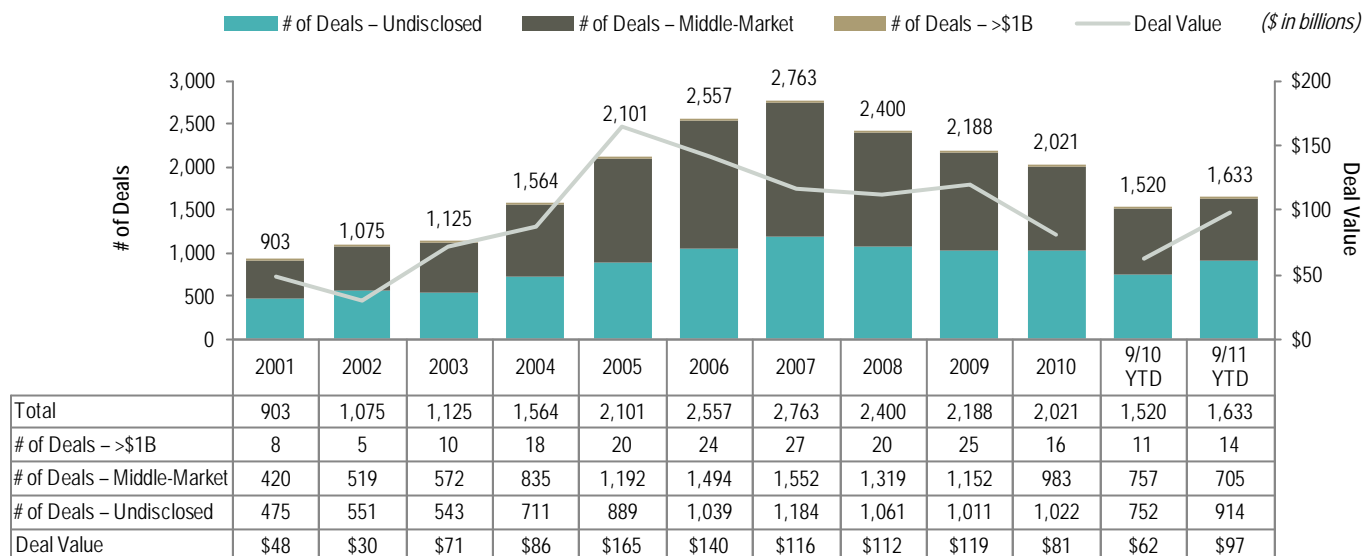
	Domestic		Outbound		Inbound		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
September								
Middle-Market	\$547	\$232	\$357	\$57	\$34	\$324	\$938	\$613
>\$1B	\$0	\$0	\$0	\$1,260	\$0	\$0	\$0	\$1,260
Total	\$547	\$232	\$357	\$1,317	\$34	\$324	\$938	\$1,873
YTD								
Middle-Market	\$8,867	\$4,118	\$6,496	\$4,111	\$1,976	\$4,998	\$17,339	\$13,228
>\$1B	\$16,631	\$0	\$11,769	\$4,498	\$4,847	\$1,208	\$33,247	\$5,706
Total	\$25,498	\$4,118	\$18,265	\$8,610	\$6,823	\$6,206	\$50,587	\$18,934
LTM								
Middle-Market	\$9,923	\$6,286	\$7,295	\$7,466	\$2,788	\$6,367	\$20,006	\$20,119
>\$1B	\$16,631	\$0	\$11,769	\$4,498	\$4,847	\$1,208	\$33,247	\$5,706
Total	\$26,554	\$6,286	\$19,064	\$11,965	\$7,635	\$7,575	\$53,254	\$25,826

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of September 30.

Note: Domestic M&A represents India target/India acquiror; Outbound M&A represents non-India target/India acquiror; Inbound M&A represents India target/non-India acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Japan M&A Activity

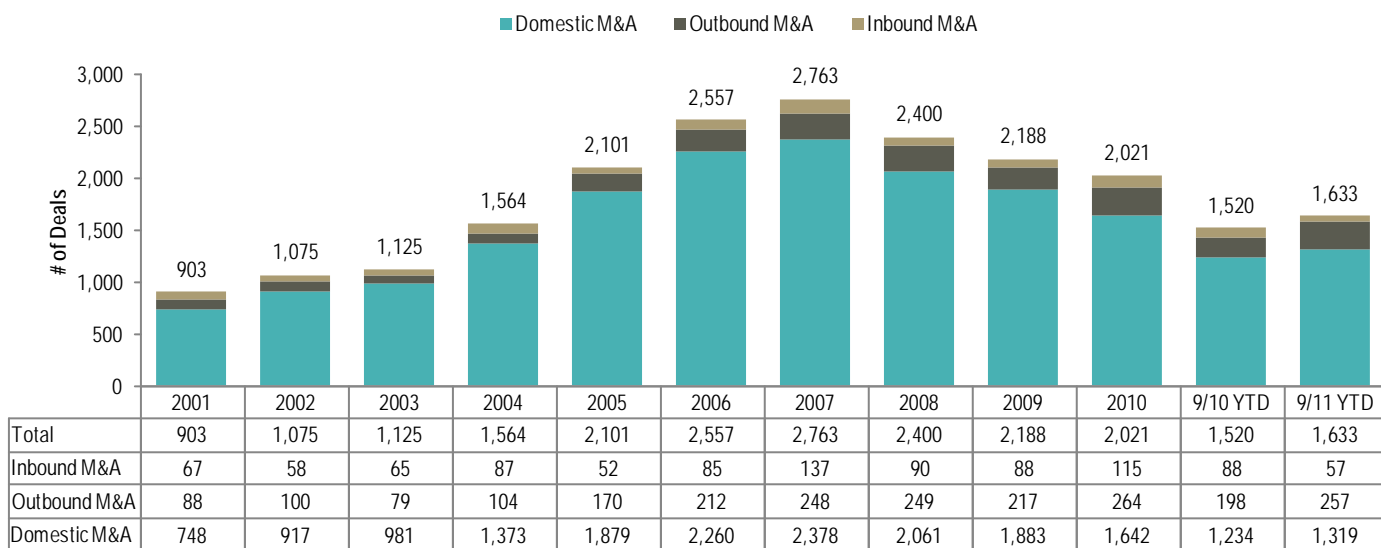
Japan M&A Activity



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Japan Number of Deals (Domestic/Outbound/Inbound)



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

Note: Domestic M&A represents Japan target/Japan acquirer; Outbound M&A represents non-Japan target/Japan acquirer; Inbound M&A represents Japan target/non-Japan acquirer. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Economic Commentary

Originally published in Baird's October 2011 Investment Strategy Outlook.

For a complete copy of this report, [click here](#).

ECONOMY:

Economic fundamentals remain bearish. The latest round of data suggests that the U.S. economy is not now in recession. Forward-looking indicators (like the ECRI Weekly Leading Index) point to a recession on the horizon, and data out of Europe suggests a recession there may have already started. There has been only one instance in the past 40 years that the U.S. and Europe have not been in recession around the same time. However, all of those occurrences saw the U.S. entering recession first (leading, not lagging Europe into recession). We do not know if the U.S. will enter recession in coming months, although turmoil in Europe and fiscal headwinds coming out of Washington D.C. increase the risk. The problem with a slow-growth, debt-laden economy (such as we have now) is that it is exceptionally vulnerable to external shocks and policy errors.

After all of the fiscal stimulus and two rounds of quantitative easing, we are left with an economy that grew at less than a one percent annual rate in the first half of the year. Moreover, indicators of aggregate activity have yet to surpass the peaks seen prior to the last recession. The coincident index (which combines employment, production, sales, and income) is still nearly 4% below the peak recorded in December 2007. Employment growth remains lackluster, with monthly payroll gains in the third quarter averaging less than 100,000 new jobs. This is in line with the gains seen in the second quarter and insufficient to push the unemployment rate (which remains above 9.0%) lower. Nominal wage growth has stagnated, and real earnings have fallen this year. More than one in every five dollars in real disposable income now comes as a transfer payment from government. The strengthening in the dollar (and slowing growth overseas) could reduce demand for exports, and housing market activity remains in the doldrums despite record-low mortgage rates. While recession may yet be avoided, robust growth is unlikely to appear on the horizon absent substantial reform in the federal tax code and budget process. Further efforts towards short-term stimulus are not what is needed.

STOCK MARKET:

Valuations are neutral, although becoming more favorable. Our preferred P/E ratio shows that the price weakness in recent months has left stocks less expensive than their long-term average, although with growth prospects for the economy less than average, this may be appropriate. We have been concerned that earnings growth expectations have been too high with margins already at record levels. Earnings growth of 10%+ with nominal economic growth that is less than 3.5% is unsustainable over the longer-term. Some moderation in earnings now appears to be priced into stocks. If a recession is indeed skirted, stocks could, in retrospect, appear inexpensive. Ultimately, valuations measure risk, and given the high-risk environment in which we remain, valuations would have to be significantly below their long-term norm to be compelling at this juncture.

Investor sentiment is bullish. Pessimism is rampant. Both the Investors Intelligence and AAI surveys show more bears than bulls. Our composite sentiment trend indicator based on these surveys shows that pessimism has exceeded the levels seen during last summer's correction and is now approaching the levels associated with the late-2008/early-2009 market turmoil. In much the same way as the question about valuations, sentiment comes down to whether or not the economy goes into recession. If a recession is avoided, current levels of pessimism will probably represent the extremes. If a recession does emerge, there is ample room for a further build in pessimism. The current level of bearishness was last seen in March 2009 (in retrospect a bullish signal for stocks), but it was also seen the preceding fall, producing an uncomfortably early buy signal. The best contrarian buy signals for sentiment come after peaks in pessimism, and so we would get more conviction in the ability of investor sentiment to support higher stock prices if pessimism ebbed and optimism slowly re-entered the system (as this would signal that investors had stopped accumulating cash and were beginning to move assets back into the stock market). Current levels of pessimism (seen not only in the weekly sentiment surveys, but also the monthly consumer confidence numbers and the daily options data) do seem sufficient to reduce the risk of a near-term significant drop in stock prices, although perhaps not a steady grind lower if the down-trend asserts itself.

Economic Commentary

INTEREST RATES:

Federal Reserve policy is bullish. While the Fed passed on the chance to aggressively pursue another round of quantitative easing at its most recent FOMC meeting, a further deterioration in the economy or the financial markets could spur it into action. The Federal Reserve did announce its intention to lengthen the maturity of its Treasury portfolio by selling shorter maturities and buying longer maturities in a process that is expected to last until mid-2012. It also significantly downgraded its assessment of the current economic situation, highlighting the risk to the U.S. economy of the ongoing financial crisis in Europe. Chairman Bernanke has since reiterated the Fed is "prepared to take further action" if economic conditions warrant. The Fed continues to argue for a more comprehensive approach towards economic support and stimulus, namely encouraging action on the fiscal front and relating to housing. In the end though, Bernanke's academic career focused a great deal on the effect of Federal Reserve passivity in extending the depth and duration of the Great Depression (with similar conclusions about the Bank of Japan and the Lost Decade in that country). In the absence of other action, the Fed will do what is necessary to spur nominal growth and so QE3, while less likely without further economic weakness, cannot be seen as totally off the table.

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Restructuring News

The Baird CDS Index

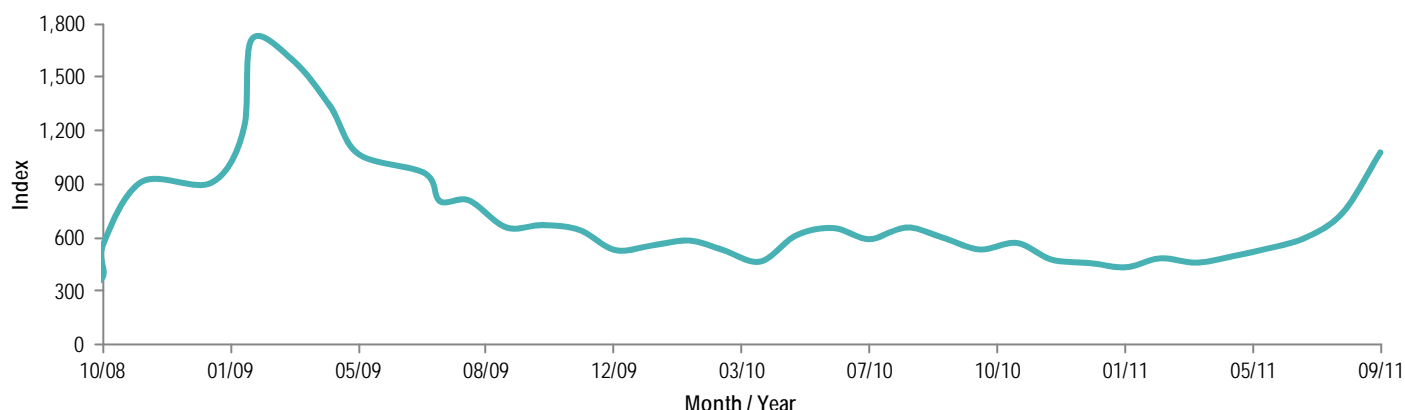
The graph below shows the Baird CDS Index for the three-year period ending September 30, 2011. This proprietary index of 36 credit default swap contracts references non-investment grade debt of non-financial U.S.-based companies using pricing information from Bloomberg.

The Baird CDS Index rose for the fifth consecutive month in September, increasing by a whopping 334.9 points to 1,069.6 – up a staggering 45.6% from 734.7 on August 31. This is the most dramatic monthly increase in the Index since the height of the credit crisis and the highest close since April 2009. With this increase the Index has become completely untethered from its trailing six-month moving average of 645.7, indicating that the cost of insuring against credit default by non-investment grade companies outside the financial sector has skyrocketed in recent months.

The significant rise in the Index reflects the exodus of funds from riskier assets in August and September as concerns over European sovereign debt and the perceived impact on financial institutions and the wider economy generally reverberated throughout the global capital markets. The withering demand for the CDS contracts in our Index was broad based – the cost to insure the debt of 34 of the 36 constituent companies increased in September, with 33 of the 34 increasing by more than 10%, led by Eastman Kodak and Clear Channel, which saw their CDS contracts rise by 222% and 122%, respectively. For these and several other Index companies, an elevated risk of credit default has been priced into their CDS contracts.

While the degree of stress shown by our CDS Index indicates a heightened risk of credit default by non-investment grade borrowers, and thus an increased likelihood of more restructuring work in the foreseeable future, given the extreme volatility in the pricing of riskier assets recently, the latest data could be signaling a false positive. At a minimum, however, non-investment grade borrowers have been facing more difficult credit conditions than they have seen in quite some time.

Baird Non-Investment Grade CDS* Index



Source: Bloomberg L.P.

*A credit default swap ("CDS") is a derivative whereby one party to a swap agreement transfers credit risk to the counterparty for a periodic fee. Under the swap agreement, the CDS buyer pays a fixed periodic fee in return for a contingent payment by the CDS seller in the event of a credit default, and thus is similar to an insurance policy on the reference debt. In its simplest form, if there is a default on the reference debt, the CDS buyer puts the debt to the CDS seller in exchange for a payment by the CDS seller of the outstanding principal and unpaid interest. In theory, the market's assessment of the likelihood of default for the reference debt should have a close positive correlation with the price of a CDS for that debt. Thus, the Baird CDS Index should increase as the perceived risk of credit default for the reference debt increases, and should decrease as the perceived risk of credit default for the reference debt decreases. Accordingly, the Baird CDS Index should be a leading indicator of the prospects for restructuring opportunities with respect to the reference debt and, by implication, the overall climate for restructuring opportunities with respect to the debt of financially weaker credits in the wider market. The Baird CDS Index is unmanaged and is not eligible for investment.

William G. Welnhof

Managing Director, Head of Financial Restructuring Group

Robert W. Baird & Co., Inc.

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Transaction Spotlight – Sale of Stromag Holding GmbH to GKN plc

Target Company <i>Headquarters</i>	Stromag Holding GmbH <i>Unna, Germany</i>
Financial Sponsor <i>Headquarters</i>	Equita GmbH & Co. Holding KGaA <i>Bad Homburg, Germany</i>
Acquiring Company <i>Headquarters</i>	GKN plc <i>Redditch, United Kingdom</i>
Industry Sector	Industrial
Transaction Overview	Stromag Holding GmbH (“Stromag”), a privately held company whose principal shareholders include Equita GmbH & Co. Holding KGaA (“EQUITA”) and Stromag management, completed its sale to GKN plc (“GKN”) (LSE: GKN) at a transaction value of approximately €200 million.
Target Company Description	Stromag is a market leading supplier of engineered industrial power management components. The Company’s core products include hydraulic clutches, electro-magnetic brakes, and flexible couplings. The business has manufacturing operations in Germany, France, U.S., Brazil, India, and China. Stromag has approximately 850 employees.
Financial Sponsor Description	EQUITA is an independent investment holding company which invests in medium-sized enterprises in German-speaking countries. EQUITA has no limitation on its investment period, enabling it to invest in companies for the long term. Since its founding in 1992, EQUITA has acquired 28 companies.
Acquiring Company Description	GKN is a global engineering group operating in four business sectors: Automotive, Powder Metallurgy, Land Systems, and Aerospace. With more than 130 sites in over 30 countries, GKN has a global presence and has market leading positions in a number of product areas.
Advisory Role	Baird served as the exclusive financial advisor to Stromag and EQUITA on the transaction. For additional information about this transaction, please contact Baird’s senior Industrial Investment Banking team:

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Recent Baird M&A Transactions

Date Announced	Baird Client	Client Description	Transaction Description	Deal Value (\$ in millions)	Industry
10/11/11	Robuschi S.p.A.	Manufacturer of blowers, pumps, and associated products	Sale to Gardner Denver, Inc.	\$207.4*	Industrial
10/10/11	The RightThing, LLC	Recruitment process outsourcing services	Sale to Automatic Data Processing, Inc.	**	Services
10/07/11	Clairvia, Inc.	Healthcare workforce management software	Sale to Cerner Corporation	***	Healthcare
10/06/11	WorldStrides, LLC	Educational student travel programs	Sale to The Carlyle Group	**	Services
10/03/11	Euro Car Parts Limited	Aftermarket distributor of car and light commercial vehicle parts	Sale to LKQ Corporation	\$347.1	Industrial
10/03/11	ColorMatrix Group, Inc.	Liquid colorants, additives, and fluoropolymers	Sale to PolyOne Corporation	\$486.0*	Industrial
09/28/11	Impulse Monitoring	Outsourced intraoperative neuromonitoring solutions	Sale to NuVasive, Inc.	\$80.0	Healthcare
09/07/11	Access Information Management	Information technology consultancy services	Sale to Summit Partners	**	Services
08/31/11	Fox Creek Coal Leases (Alter NRG Corp.)	Granted coal leases	Sale to Natasa Mining Limited	\$5.0	Technology
08/31/11	Drives, LLC	Highly engineered drive trains, roller-chains, and conveyor augers	Sale to The Timken Company	\$92.0	Industrial
08/31/11	Remedi SeniorCare	Institutional pharmacy services	Sale to Centerbridge Partners, L.P.	\$300.0	Healthcare
08/25/11	CamelBak Products, LLC	Personal hydration gear	Sale to Compass Diversified Holdings	\$257.5	Consumer
08/25/11	Telmar Network Technologies, LLC	Wireless and wireline communication services	Sale to Jabil Circuit, Inc.	***	Services
08/24/11	Medical Education Technologies	Medical emergency scenarios simulator	Sale to CAE, Inc.	**	Healthcare
08/22/11	Zenta, LLC	Residential mortgage fulfillment and loan services	Sale to Accenture plc	***	Services
08/22/11	European distribution business of Barnes Group	Distributor of industrial parts	Sale to Berner GmbH	***	Industrial
08/17/11	Woods Equipment Company	Agricultural equipment attachments and replacement parts	Sale to Blount International Inc.	\$185.0	Industrial
08/16/11	Emerson Heating Products (Emerson Electric Co.)	Heating products for the appliance manufacturing industries	Sale to NIBE Industrier AB	***	Industrial
08/02/11	Boyd Corporation	Custom fabricated sealing and energy management products	Sale to LTI Flexible Products (Sentinel Capital Partners)	**	Industrial
07/28/11	U.S. Security Associates Holdings, Inc.	Contract security guard services	Sale to Goldman Sachs Capital Partners	**	Services
07/25/11	VAG Holding GmbH	Valves for water applications	Sale to Rexnord Holdings, Inc.	\$251.7	Industrial
07/18/11	Stromag AG	Mechanical drive components and industrial machinery	Sale to GKN plc	\$281.0	Industrial
07/12/11	Tag Equity Co Limited	Media design and production agency	Sale to Williams Lee Limited	**	Services
07/12/11	ACTA B.V.	Inspection and testing services	Sale to NPM Capital N.V.	**	Services
07/01/11	BernzOmatic (Newell Rubbermaid)	Hand-held torches, solder, and accessories	Sale to Worthington Industries, Inc.	**	Industrial/Consumer
06/28/11	Medical Present Value, Inc.	Financial tools for physician groups	Sale to Experian plc	\$185.0	Healthcare
06/24/11	MarketLab, Inc.	Direct mail catalog supplier of healthcare products	Sale to Water Street Healthcare Partners	**	Healthcare
06/16/11	MW Industries, Inc.	Custom engineered mechanical components	Sale to Genstar Capital	**	Industrial
06/09/11	Rubicon Partners	Industrial holding company	Acquisition of ABL Technic, Metallwarenfabrik Gemmingen, and Swisshaus	**	Industrial
06/06/11	RMT, Inc. (Alliant Energy Corporation)	Environmental and engineering services firm	Sale to TRC Companies, Inc.	\$13.3	Services
05/27/11	Associated Hygienic Products LLC	Brand baby diapers and training pants	Acquisition of Arquest, Inc.	**	Consumer
05/20/11	Weasler Engineering, Inc.	Engineered drive train components for agricultural equipment	Sale to Actuant Corporation	\$155.0	Industrial
05/19/11	Protocol Global Solutions, Inc.	Single source provider of contact center services	Sale to NCO Group, Inc.	**	Services

Source: Robert W. Baird & Co. Incorporated M&A Market Analysis.

* Announced and pending transactions with disclosed value; **Closed transactions with undisclosed value; *** Announced and pending transactions with undisclosed value.

Recent Baird M&A Transactions

Date Announced	Baird Client	Client Description	Transaction Description	Deal Value (\$ in millions)	Industry
05/11/11	Equitrac Corporation	Print management and cost recovery software	Sale to Nuance Communications, Inc.	\$157.0	Technology
05/10/11	Idaho Pacific Holdings, Inc.	Dehydrated potato products	Sale to Novacap Investments, Inc.	\$87.0	Services
04/29/11	Rolled Products Division of Luvata Oy	Rolled products and brass copper	Sale to Aurubus AG	**	Industrial
04/27/11	TruGreen LandCare, L.L.C. (The ServiceMaster Company)	Landscape maintenance services	Sale to Aurora Resurgence	**	Services
04/26/11	Williams Partners L.P.	Natural gas transportation	Acquisition of 24.5% interest in Gulfstream Natural Gas System L.L.C.	\$596.0	Energy
04/18/11	Crosman Corporation	Airguns and airsoft guns	Sale to Wellspring Capital Management	**	Consumer
04/07/11	Ryan Herco Flow Solutions	Filtration and fluid handling products distributor	Sale to Greenbriar Equity Group	**	Industrial Distribution
04/01/11	Kentland Corporation	Housing communities developer	Sale to Sun Communities, Inc.	\$139.3	Real Estate
03/31/11	Speculative Design Products, Inc.	Consumer electronic accessories	Sale to VMG Partners, L.P.	**	Consumer
03/24/11	Summit Energy Services, Inc.	Energy management services	Sale to Schneider Electric SA	\$268.0	Services
03/23/11	Southern Pharmacy Services	Long-term care pharmacies operator	Sale to Guardian Pharmacy, LLC	**	Healthcare
03/14/11	Internormen Technology Group	Advanced filtration technologies	Sale to Eaton Corporation	**	Industrial
03/10/11	RC2 Corporation	Toys, collectibles, and toddler products	Sale to Tomy Company, Ltd.	\$626.8	Consumer
03/02/11	Heinrich Kopp GmbH (Actuant Corporation)	Developer of electrical products	Sale to Palero Capital GmbH	**	Industrial
02/21/11	Unamic/HCN B.V.	Outsourced customer contact services	Sale to Affiliated Computer Services (Xerox Company)	**	Services
02/21/11	Phoenix Equity Partners	Private equity firm	Acquisition of the engineering consulting business of ERA Technology	\$29.1	Services
02/03/11	NeuroTherm, Inc.	Consumable medical products	Sale to Linsalata Capital Partners	**	Healthcare
02/03/11	Allegis Group, Inc.	Staffing and recruitment services	Acquisition of Aston Carter Group Ltd.	**	Services
01/31/11	Commercial Vehicle Group	Automotive parts distribution	Acquisition of Bostrom Seating, Inc.	\$8.8	Industrial
01/18/11	PostRock Energy Corporation (Certain oil and gas properties)	Oil and gas properties	Sale to Magnum Hunter Resources Corporation	**	Energy
01/12/11	CareFusion (OnSite Services Instrument Management business)	Surgical instrument repair	Sale to Frazier Healthcare	**	Healthcare
01/05/11	Eliassen Group	Staffing services	Sale to Riverside Partners	**	Services
01/05/11	Aavid Thermalloy	Thermal management products	Sale to Nautic Partners	**	Industrial
01/05/11	Metro Door, Inc.	Facility maintenance services	Sale to Cintas Corporation	**	Services
01/04/11	Genesis Energy, LLC	Oil and gas transportation	Sale to Genesis Energy, LP	\$690.3	Energy
12/21/10	ACI Medical Devices, Inc.	Medical devices	Sale to The Pritzker Group	**	Healthcare
12/15/10	Apex Companies	Water resources and environmental services	Sale to Tailwind Capital Partners	**	Services
12/13/10	Phillips Plastics Corporation	Engineered component products	Sale to Kohlberg & Company	**	Industrial
12/09/10	Velosi Limited	Testing and inspection services	Sale to Applus+	\$138.1	Services
12/06/10	Modern Metal and Precision Holdings	Engineered aluminum products	Sale to EQT Partners	**	Industrial
12/02/10	Snapware Corporation	Household products	Sale to World Kitchen	**	Consumer
11/29/10	BHI Energy, Inc.	Industrial services	Sale to Harvest Partners	**	Services
11/17/10	Ladish Co., Inc.	Highly engineered components	Sale to Allegheny Technologies	\$836.0	Industrial
11/08/10	Sparex Holdings Limited	Agricultural products distributor	Sale to AGCO Corporation	\$85.5	Industrial

Source: Robert W. Baird & Co. Incorporated M&A Market Analysis.

* Announced and pending transactions with disclosed value; **Closed transactions with undisclosed value; *** Announced and pending transactions with undisclosed value.

Baird U.S. Equity Research Coverage

BAIRD U.S. EQUITY RESEARCH COVERAGE

In September, Baird added 5 companies to coverage and now covers 675 companies. These companies have a median and average market capitalization of \$2 billion and \$8 billion, respectively. In the past five years, Baird has increased the number of companies under coverage by more than 40%.

In September, there were 31 upward and 88 downward adjustments to current-year earnings estimates (generally calendar-year 2011). There were 42 upward and 116 downward revisions to forward-year (generally calendar-year 2012) earnings estimates.

MONTHLY REPORTS

Sector: Biotechnology

<http://www.rwbaird.com/docs/yourreports/Bio0911.pdf>

Sector: Consumer Products

Contact Kyle Borkowski at kborkowski@rwbaird.com

Sector: Education Services

<http://www.rwbaird.com/docs/yourreports/ES0911.pdf>

Sector: Facility, Industrial & Rental Services

Contact Danny Fox at drfox@rwbaird.com

Sector: Hardline & Broadline Retail

<http://www.rwbaird.com/docs/yourreports/Hardline0911.pdf>

Sector: Healthcare Distribution & Services

<http://www.rwbaird.com/docs/yourreports/HDS0911.pdf>

Sector: Machinery & Diversified Manufacturing

<http://www.rwbaird.com/docs/yourreports/MDM1011.pdf>

Sector: Retail, Restaurants, Apparel & Footwear

Contact Kyle Borkowski at kborkowski@rwbaird.com

Sector: Transportation & Logistics Services

Contact Robert Mlnarik at rmlnarik@rwbaird.com

Baird U.S. Equity Research Coverage

Business Services	
Business Process Outsourcing	
APAC Customer Services, Inc.	APAC
Convergys Corporation	CVG
DST Systems, Inc.	DST
ExlService Holdings, Inc.	EXLS
Fidelity National Information Services	FIS
Fiserv, Inc.	FISV
Genpact Limited	G
Global Payments, Inc.	GPN
Heartland Payment Systems, Inc.	HPY
Jack Henry & Associates	JKHY
MasterCard Incorporated	MA
Net 1 UEPS Technologies Inc.	UEPS
StarTek, Inc.	SRT
Sykes Enterprises, Inc.	SYKE
Visa Inc.	V
WNS (Holdings) Limited	WNS
Education Services	
Archipelago Learning Inc.	ARCL
American Public Education, Inc.	APEI
Apollo Group, Inc.	APOL
Blackboard, Inc.	BBBB
Capella Education Company	CPLA
Career Education Corporation	CECO
Corinthian Colleges, Inc.	COCO
DeVry, Inc.	DV
Education Management Corporation	EDMC
Grand Canyon Education, Inc.	LOPE
ITT Educational Services, Inc.	ESI
K12 Inc.	LRN
Lincoln Education Services Corp.	LINC
New Oriental Education & Technology Grp	EDU
Rosetta Stone Inc.	RST
Strayer Education, Inc.	STRA
Marketing & Professional Services	
Axciom Corporation	ACXM
Alliance Data Systems Corporation	ADS
The Corporate Executive Board Co.	EXBD
The Dun & Bradstreet Corp.	DNB
Equifax Inc.	EFX
Experian plc	EXPN.L
Forrester Research, Inc.	FORR
FTI Consulting, Inc.	FCN
Gartner Inc.	IT
Huron Consulting Group, Inc.	HURN
IHS Inc.	IHS
Journal Communications, Inc.	JRN
Navigant Consulting, Inc.	NCI
Quad/Graphics, Inc.	QUAD
RPX Corporation	RPXC
R.R. Donnelley & Sons Company	RRD
Valassis Communications, Inc.	VCI
Facility Services	
ABM Industries Inc.	ABM
Cintas Corporation	CTAS
Ecolab, Inc.	ECL
G&K Services, Inc.	GKSR
Iron Mountain Incorporated	IRM
UniFirst Corporation	UNF
Human Capital Services	
Administaff, Inc.	ASF
AMN Healthcare Service, Inc.	AHS
Automatic Data Processing	ADP
Heidrick & Struggles International	HSII
Hudson Highland Group, Inc.	HHGP
Kforce Inc.	KFRC
Korn/Ferry International	KFY
Manpower Inc.	MAN
Monster Worldwide, Inc.	MWW
On Assignment, Inc.	ASGN
Paychex Inc.	PAYX
Resources Connection, Inc.	RECN
SuccessFactors, Inc.	SFSF
Robert Half International	RHI
Taleo Corporation	TLEO
TrueBlue, Inc.	TBI
The Ultimate Software Group Inc.	ULTI
Towers Watson & Co.	TW

Industrial Services	
AECOM Technology Corporation	ACM
American Reprographics Co.	ARP
Clean Harbors, Inc.	CLHB
Fluor Corporation	FLR
Heritage Crystal Clean, Inc.	HCCI
Jacobs Engineering Group Inc.	JEC
Mobile Mini, Inc.	MINI
MYR Group Inc.	MYRG
Pike Electric Corporation	PEC
Quanta Services Inc.	PWR
RSC Holdings Inc.	RRR
Shaw Group Inc.	SHAW
Stericycle, Inc.	SRCL
Swisher Hygiene Inc.	SWSH
URS Corporation	URS

Communications	
Communications Services - Carriers	
AT&T, Inc.	T
Leap Wireless International, Inc.	LEAP
MetroPCS Communications, Inc.	PCS
Sprint Nextel Corporation	S
TeleNav, Inc.	TNAV
Verizon Communications, Inc.	VZ

Network Technology	
Cisco Systems, Inc.	CSCO
F5 Networks, Inc.	FFIV
Fortinet, Inc.	FTNT
Juniper Networks, Inc.	JNPR
Meru Networks, Inc.	MERU
LM Ericsson Telephone Co.	ERIC
PCTEL, Inc.	PCTI
Riverbed Technology, Inc.	RVBD

Communications Services – Software & Services	
Amdocs Limited	DOX
Apple, Inc.	AAPL
HTC Corp	2498.TW
Motorola Mobility Holdings, Inc.	MMI
Motricity, Inc.	MOTR
NeuStar, Inc.	NSR
Neutral Tandem Inc.	TNDM
Nokia Corporation	NOK
Research in Motion Limited	RIMM
Synchronoss Technologies, Inc.	SNCR

Consumer	
Automotive Services	
CarMax, Inc.	KMX
Copart, Inc.	CPRT
KAR Auction Services, Inc.	KAR
LKQ Corporation	LKQX
Ritchie Bros. Auctioneers, Inc.	RBA

Consumer Leisure	
Advance Auto Parts, Inc.	AAP
Arctic Cat, Inc.	ACAT
AutoZone, Inc.	AZO
Briggs & Stratton Corp.	BGG
Callaway Golf Company	ELY
Harley-Davidson, Inc.	HOG
O'Reilly Automotive, Inc.	ORLY
Polaris Industries, Inc.	PII
Thor Industries	THO
Winnebago Industries, Inc.	WGO

Footwear, Apparel & Accessories	
adidas AG	ADS GR
Columbia Sportswear	COLM
Crocs, Inc.	CROX
Deckers Outdoor	DECK
Genesco, Inc.	GCO
Nike Inc.	NKE
Rocky Brands, Inc.	RCKY
Quicksilver Inc.	2QK
Under Armour Inc.	UA
VF Corporation	VFC
Wolverine World Wide	WWW

Restaurant	
BJ's Restaurant, Inc.	BJRI
Buffalo Wild Wings, Inc.	BWLD
Caribou Coffee Company, Inc.	CBOU
The Cheesecake Factory Inc.	CAKE
Chipotle Mexican Grill, Inc.	CMG

Restaurants (cont'd)	
Dunkin' Brands Group, Inc.	DNKN
Jack in the Box Inc.	JACK
McDonald's Corporation	MCD
P.F. Chang's China Bistro, Inc.	PCFB
Panera Bread Company	PNRA
Peet's Coffee & Tea, Inc.	PEET
Starbucks Corporation	SBUX
Texas Roadhouse, Inc.	TXRH
YUM! Brands, Inc.	YUM

Retail	
Abercrombie & Fitch	ANF
Bed Bath & Beyond, Inc.	BBBY
BJ's Wholesale Club, Inc.	BJ
Body Central Corp.	BODY
Coach, Inc.	COH
Costco Wholesale Corp.	COST
Dick's Sporting Goods, Inc.	DKS
The Gap Inc.	GPS
Gordmans Stores, Inc.	GMAN
Hibbett Sports, Inc.	HIBB
The Home Depot, Inc.	HD
J.C. Penney Company, Inc.	JCP
Kohl's Corporation	KSS
Limited Brands, Inc.	LTD
Lowe's Companies, Inc.	LOW
Lululemon athletic inc.	LULU
Nordstrom, Inc.	JWN
Pacific Sunwear of California Inc.	PSUN
PetSmart, Inc.	PETM
Regis Corporation	RGS
Sally Beauty Holdings, Inc.	SBH
Target Corporation	TGT
Tractor Supply Company	TSCO
Vitamin Shoppe, Inc.	VSI
Ulta Salon, Cosmetics & Fragrance, Inc.	ULTA
Urban Outfitters, Inc.	URBN
Vera Bradley, Inc.	VRA
Wal-Mart Stores, Inc.	WMT
Williams-Sonoma, Inc.	WSM
Zumiez, Inc.	ZUMZ

Energy	
Exploration & Production	
Abraxas Petroleum Corporation	AXAS
Continental Resources, Inc.	CLR
Callon Petroleum Company	CPE
EOG Resources, Inc.	EOG
EQT Corporation	EQT
GeoResources, Inc.	GEOI
Kodiak Oil & Gas Corp.	KOG
Magnum Hunter Resources Corporation	MHR
QEP Resources, Inc.	QEP
Range Resources Corporation	RRC
Sandridge Energy, Inc.	SD
Southwestern Energy Company	SWN
Whiting Petroleum Corporation	WLL

Master Limited Partnerships	
Breitbart Energy Partners, LP	BBEP
ClearBridge Energy MLP Opportunity Fund Inc.	EMO
The Cushing Total Return Fund	SRV
ECA Marcellus Trust I	ECT
Energy and Income Growth Fund	FEN
EV Energy Partners LP	EVEP
Fiduciary/Claymore MLP Opportunity Fund	FMO
Genesis Energy, LP	GEL
Inergy, LP	NRGY
Kayne Anderson Midstream/Energy Fund	KMF
Kayne Anderson MLP Investment Company	KYN
Linn Energy, LLC	LINE
Legacy Reserves, LP	LGCY
Martin Midstream Partners, LP	MMLP
NGL Energy Partners, LP	NGL
Nuveen Energy MLP Total Return Fund	JMF
OR Energy, LP	QRE
Regency Energy Partners	RGNC
SandRidge Mississippi Trust I	SDT
SandRidge Permian Trust	PER
Salient MLP & Energy Infrastructure Fund	SMF
Tortoise Energy Capital Corp.	TYT
Tortoise Energy Infrastructure Corp.	TYG
Tortoise North American Energy Corp.	TYN
VOC Energy Trust	VOC

Baird U.S. Equity Research Coverage

Utilities	
ALLETE	ALE
Alliant Energy Corporation	LNT
American States Water Company	AWR
American Water Works Company, Inc.	AWK
Aqua America, Inc.	WTR
Artesian Resources Corp.	ARTNA
California Water Service Group	CWT
Chesapeake Utilities Corp.	CPK
Connecticut Water Service Inc.	CTWS
DPL Inc.	DPL
Hawaiian Electric Industries	HE
Integrus Energy Group	TEG
MDU Resources Group Inc.	MDU
Middlesex Water Company Inc.	MSEX
NextEra Energy, Inc.	NEE
Nicor Inc.	GAS
NorthWestern Corporation	NWE
Otter Tail Corporation	OTTR
Piedmont Natural Gas Company, Inc.	PNY
PNM Resources, Inc.	PNM
Progress Energy, Inc.	PGN
SJW Corporation	SJW
TECO Energy, Inc.	TE
UIL Holdings Corporation	UIL
Vectren Corporation	VVC
Wisconsin Energy Corporation	WEC
Xcel Energy Inc.	XEL
The York Water Company	YORW

Clean Technology	
American Superconductor Corp.	AMSC
Amrys Inc.	AMRS
Calgon Carbon Corp.	CCC
Codexis Inc.	CDXS
Comverge, Inc.	COMV
Covanta Holding Corp.	CVA
Echelon Corporation	ELON
Elster Group SA	ELT
Energy Recovery, Inc.	ERII
EnerNOC, Inc.	ENOC
First Solar, Inc.	FSLR
Gevo Inc.	GEVO
Itron, Inc.	ITRI
KIOR Inc. CI A	KIOR
Maxwell Technologies	MXWL
Ormat Technologies, Inc.	ORA
SunPower Corporation	SPWRA
Suntech Power Holdings Co. Ltd.	STP
Solazyme Inc.	SZYM
Tesla Motors Inc.	TSLA

Industrial	
Automotive and Truck Supplies	
AB Volvo	VOLV.B
ArvinMeritor, Inc.	ARM
Autoliv, Inc.	ALV
BorgWarner, Inc.	BWA
Commercial Vehicle Group	CVGI
Gentex Corporation	GNTX
Harman International Industries, Inc.	HAR
Johnson Controls, Inc.	JCI
Methode Electronics Inc.	MEI
Modine Manufacturing Co.	MODI
Navistar International Corporation	NAV
PACCAR, Inc.	PCAR
STRATTEC SECURITY CORP.	STRT
Tower International, Inc.	TOWR
WABCO Holdings Inc.	WBC

Consumer Building Products	
Acuity Brands, Inc.	AYI
American Woodmark Corporation	AMWD
Fortune Brands, Inc.	FO
HNI Corporation	HNI
Simpson Manufacturing	SSD
Quanex Building Products Corp.	NX

Containers & Packaging	
AptarGroup, Inc.	ATR
Avery Dennison Corporation	AVY
Ball Corporation	BLL
Bemis Company	BMS
Crown Holdings, Inc.	CCK
Graphic Packaging Holding Co.	GPK
Greif, Inc.	GEF
Owens-Illinois, Inc.	OI
Rexam PLC	REX.L

Containers & Packaging (cont'd)	
Sealed Air Corporation	SEE
Silgan Holdings Inc.	SLGN
Sonoco Products Co.	SON
Diversified Industrial & Machinery	
Actuant Corporation	ATU
Astec Industries, Inc.	ASTE
Brady Corporation	BRC
Caterpillar Inc.	CAT
Deere & Company	DE
Dover Corporation	DOV
Eaton Corporation	ETN
Illinois Tool Works Inc.	ITW
Ingersoll-Rand Company	IR
Joy Global Inc.	JOYG
Manitowoc Company Inc.	MTW
Oshkosh Corporation	OSK
Parker Hannifin Corporation	PH
Snap-on Incorporated	SNA
Sun Hydraulics Corporation	SNHY
Terex Corporation	TEX
Titan Machinery Inc.	TITN

General Industrial	
Barnes Group, Inc.	B
Carlisle Companies, Inc.	CLS
Gibraltar Industries, Inc.	ROCK
Douglas Dynamics, Inc.	PLOW
Kaydon Corporation	KDN
Masco Corporation	MAS
Middleby Corporation	MIDD
RBC Bearings Incorporated	ROLL
The Stanley Works	SWK
Thomas & Betts Corporation	TNB
Twin Disc, Inc.	TWIN
Woodward Governor Company	WGOV

Industrial Distribution	
Air Products and Chemicals, Inc.	APD
Airgas, Inc.	ARG
Anixter International, Inc.	AXE
Beacon Roofing Supply, Inc.	BECN
Fastenal Company	FAST
Grainger, W.W., Inc.	GWW
Houston Wire & Cable Company	HWCC
Interline Brands, Inc.	IBI
MSC Industrial Direct Co.	MSM
Pool Corporation	POOL
Praxair, Inc.	PX
Watco, Inc.	WSO
Wesco Aircraft Holdings, Inc.	WAIR
WESCO International, Inc.	WCC

Process Controls	
ABB Ltd.	ABB
Altra Holdings, Inc.	AIMC
A.O. Smith Corporation	AOS
Colfax Corporation	CFX
Emerson Electric Co.	EMR
Flowserve Corporation	FLS
Franklin Electric Co., Inc.	FELE
Gardner Denver, Inc.	GDI
Generac Holdings Inc.	GNRC
Graco Inc.	GGG
IDEX Corporation	IEX
ITT Industries, Inc.	ITT
Mueller Water Products, Inc.	MWA
Pentair, Inc.	PNR
Regal-Beloit Corporation	RBC
Robbins & Myers, Inc.	RBN
Roper Industries, Inc.	ROP
Watts Water Technologies, Inc.	WTS

Transportation/Logistics	
Arkansas Best Corp.	ABFS
CSX Corporation	CSX
C.H. Robinson Worldwide Inc.	CHRW
Con-way, Inc.	CNW
Expeditors International of Washington	EXPD
FedEx Corporation	FDX
Forward Air Corporation	FWRD
Heartland Express, Inc.	HTLD
Hub Group, Inc.	HUBG
JB Hunt Transport Services Inc.	JBHT
Knight Transportation, Inc.	KNX
Landstar Systems Inc.	LSTR
Norfolk Southern Corporation	NSC
Old Dominion Freight Line	ODFL

Transportation/Logistics (cont'd)	
UTi Worldwide, Inc.	UTIW
Werner Enterprises	WERN
Pacer International, Inc.	PACR
Roadrunner Transportation Systems	RRTS
Ryder System, Inc.	R
Swift Transportation Co. Inc.	SWFT
TAL International Group	TAL
UPS	UPS
Union Pacific Corporation	UNP

Technology	
Computer Hardware & Storage	
Brocade Communications	BRCD
Dell Inc.	DELL
EMC Corporation	EMC
Emulex Corporation	ELX
Hewlett-Packard Company	HPQ
NetApp Inc.	NTAP
QLogic Corporation	QLGC
Seagate Technology	STX
VMware	VMW
Western Digital Corporation	WDC

Software & Services	
Adobe Systems Inc.	ADB
ANSYS, Inc.	ANSS
Autodesk, Inc.	ADSK
Citrix Systems, Inc.	CTXS
Concur Technologies, Inc.	CNQR
Constant Contact, Inc.	CTCT
Olik Technologies, Inc.	OLIK
Red Hat, Inc.	RHT
RightNow Technologies, Inc.	RNOW
Salesforce.com, Inc.	CRM
Solar Winds, Inc.	SWI
Symantec Corp.	SYMC
VeriSign Inc.	VRSN
Vocus, Inc.	VRSN

EMS & Electronics	
Littelfuse Inc.	LFUS
Plexus Corp.	PLXS

Internet / Interactive Entertainment	
Amazon.com	AMZN
Digital River, Inc.	DRIV
eBay Inc.	EBAY
Google, Inc.	GOOG
Liquidity Services, Inc.	LQDT
Shutterstock, Inc.	SFLY
TechTarget, Inc.	TTGT
ValueClick, Inc.	VCLK

IT Services	
Accenture	ACN
CIBER, Inc.	CBR
Cognizant Technology Solutions	CTSH
Infosys Technology Ltd.	INFY
Syntel Inc.	SYNT

Process Technology	
Agilent Technologies, Inc.	A
AMETEK, Inc.	AME
Badger Meter, Inc.	BMI
CLARCOR, Inc.	CLC
Cognex Corporation	CGNX
Danaher Corporation	DHR
Donaldson Company, Inc.	DCI
ESCO Technologies Inc.	ESE
FARO Technologies, Inc.	FARO
Landauer, Inc.	LDR
Mettler-Toledo Int'l, Inc.	MTD
Mine Safety Appliances Company	MSA
Mistras Group, Inc.	MG
Nalco Holding Company	NLC
National Instruments Corp.	NATI
Pall Corporation	PLL
Polypore International, Inc.	PPO
Rockwell Automation Inc.	ROK
Tetra Tech, Inc.	TTEK

Semiconductor Components	
Altera Corp.	ALTR
Analog Devices, Inc.	ADI
BCD Semiconductor Manufacturing Ltd.	BCDS
Broadcom Corp.	BRCM
Diodes Incorporated	DIOD
Fairchild Semiconductor Int'l, Inc.	FCS
GSI Technology	GSIT
Intel Corporation	INTC

Robert W. Baird & Co.

Baird U.S. Equity Research Coverage

Semiconductor Components (cont'd)	
Lattice Semiconductor Corp.	LSCC
Micron Technology, Inc.	MU
NetLogic Microsystems, Inc.	NETL
OmniVision Technologies, Inc.	OVTI
ON Semiconductor	ONNN
SanDisk Corporation	SNDK
Sequans Communications S.A.	SQNS
STMicroelectronics NV	STM
Texas Instruments, Inc.	TXN
Xilinx Inc.	XLNX

Supply Chain Technology	
Checkpoint Systems, Inc.	CKP
Diebold, Inc.	DBD
Garmin Ltd.	GRMN
Intermec, Inc.	IN
NCR Corporation	NCR
Plantronics, Inc.	PLT
ScanSource, Inc.	SSSC
Zebra Technologies Corporation	ZBRA

Healthcare/Life Sciences	
Biotechnology	
Affymax, Inc.	AFFY
Alexion Pharmaceuticals, Inc.	ALXN
Allscripts Healthcare Solutions, Inc.	MDRX
AMAG Pharmaceuticals, Inc.	AMAG
Amgen, Inc.	AMGN
Amylin Pharmaceuticals, Inc.	AMLN
Array BioPharma Inc.	ARRY
Biogen Idec Inc.	BIIB
BioMarin Pharmaceutical, Inc.	BMRN
Celgene Corporation	CELG
Cerus Corporation	CERS
Cubist Pharmaceuticals, Inc.	CBST
Dendreon Corporation	DNDN
Endocyte, Inc.	ECYT
Gilead Sciences, Inc.	GILD
Human Genome Sciences, Inc.	HGSI
Incyte Corporation	INCY
Inhibitex Inc.	INHX
InterMune, Inc.	ITMN
MannKind Corporation	MNKD
Onyx Pharmaceuticals, Inc.	ONXX
Optimer Pharmaceuticals, Inc.	OPTR
Pharmasset, Inc.	VRUS
Regeneron Pharmaceuticals	REGN
Theravance, Inc.	THRX
Vertex Pharmaceuticals, Inc.	VRTX

Distribution & Services	
Accretive Health, Inc.	AH
AmerisourceBergen Corporation	ABC
Athenahealth Inc.	ATHN
Cardinal Health, Inc.	CAH
Cerner Corporation	CERN
Charles River Laboratories	CRL
Covance Inc.	CVD
ICON plc	ICLR
McKesson Corporation	MCK
MedAssets, Inc.	MDAS
Merge Healthcare Inc.	MRGE
Owens & Minor, Inc.	OMI
PAREXEL International Corp.	PRXL
Pharmaceutical Product Development	PPDI
PSS World Medical, Inc.	PSSI
Quality Systems, Inc.	QSII

Facilities & Services	
Addus HomeCare Corp.	ADUS
Alliance HealthCare Services	AIQ
Almost Family, Inc.	AFAM
Amedisys, Inc.	AMED
AmSurg Corporation	AMSG
Community Health Systems, Inc.	CYH
DaVita, Inc.	DVA
Gentiva Health Services, Inc.	GTIV
HCA Holdings, Inc.	HCA
Health Management Associates, Inc.	HMA
HealthSouth Corporation	HLS
LHC Group, Inc.	LHCG
LifePoint Hospitals, Inc.	LPNT
MedCath Corporation	MDTH
Select Medical Holdings Corporation	SEM
StoneMor Partners LP	STON
Tenet Healthcare Corp.	THC

Facilities & Services (cont'd)	
Triangle Capital Corp.	TCAP
Universal Health Services, Inc.	UHS
Vanguard Health Systems, Inc.	VHS

Life Sciences & Diagnostics	
Affymetrix, Inc.	AFFX
BG Medicine, Inc.	BGMD
Cepheid	CPHD
Clariant, Inc.	CLRT
Exact Sciences Corp.	EXAS
Gen-Probe Incorporated	GPPO
illumina, Inc.	ILMN
Life Technologies Corp.	LIFE
Meridian Bioscience, Inc.	VIVO
PerkinElmer, Inc.	PKI
QIAGEN N.V.	QGENF
Sigma-Aldrich Corporation	SIAL
TECHNE Corp.	TECH
Thermo Fisher Scientific	TMO
Waters Corporation	WAT

Medical Technology	
American Dental Partners, Inc.	ADPI
The Cooper Companies	COO
DENTSPLY International Inc.	XRAY
Exactech, Inc.	EXAC
Henry Schein, Inc.	HSIC
Patterson Companies, Inc.	PDCO
Sirona Dental Systems, Inc.	SIRO
Stryker Corporation	SYK
Varian Medical Systems, Inc.	VAR
Wright Medical Group, Inc.	WMGI
Young Innovations Inc.	YDNT
Zimmer Holdings, Inc.	ZMH

Specialty Pharmaceuticals	
Abiomed Inc.	ABMD
Acorda Therapeutics	ACOR
Alkermes Inc.	ALKS
Achillion Pharmaceuticals Inc.	ACHN
Boston Scientific Corp.	BSX
Cardiovascular Systems, Inc.	CSII
Cephalon Inc.	CEPH
C.R. Bard, Inc.	BCR
Cyberonics, Inc.	CYBX
Edwards Lifesciences Corp.	EW
Endologix, Inc.	ELGX
Forest Laboratories Inc.	FRX
HeartWare, Inc.	HTWR
Medtronic, Inc.	MDT
Obagi Medical Products, Inc.	OMPI
Shire plc	SHPGY
St. Jude Medical, Inc.	STJ
Thoratec Corp.	THOR
Volcano Corporation	VOLC

Financials	
Community Banks	
Associated Banc-Corp	ASBC
Bank of Hawaii Corporation	BOH
Bank of Kentucky Financial Corporation	BKYF
Cardinal Financial Corp.	CFNL
Fidus Investment Corp.	FDUS
First Financial Bancorp	FFBC
FirstMerit Corporation	FMER
First Midwest Bancorp, Inc.	FMBI
First PacTrust Bancorp, Inc.	FPTB
IBERIABANK Corporation	IBKC
Independent Bank Corp.	INDB
Main Street Capital Corporation	MAIN
MB Financial, Inc.	MBFI
New Mountain Finance Corporation	NMFC
Old National Bancorp	ONB
Pinnacle Financial Partners, Inc.	PNFP
PennantPark Investment Corp.	PNNT
PrivateBancorp, Inc.	PVTB
Prosperity Bancshares Inc.	PRSP
Regions Financial Corp.	RF
Sandy Spring Bancorp, Inc.	SASR
S.Y. Bancorp, Inc.	SYBT
Union First Market Bankshares	UBSH
Wintrust Financial Corporation	WTFC

Regional Banks	
Bank of America	BAC
BB&T Corp.	BBT
Comerica, Inc.	CMA
Fifth Third Bancorp	FITB

Regional Banks (cont'd)	
JP Morgan Chase & Co.	JPM
KeyCorp	KEY
M&T Bank Corp.	MTB
PNC Financial Services	PNC
SunTrust Banks Inc.	STI
Synovus Financial Corp.	SNV
U.S. Bancorp	USB
Wells Fargo & Company	WFC
Zions Bancorporation	ZION

Real Estate	
Real Estate	
Alexandria Real Estate	ARE
Ashford Hospitality Trust Inc.	AHT
BioMed Realty Trust, Inc.	BMR
Chesapeake Lodging Trust	CHSP
Choice Hotels International, Inc.	CHH
Cousins Properties, Inc.	CUZ
DiamondRock Hospitality Co.	DRH
Digital Realty Trust, Inc.	DLR
Douglass Emmett	DEI
Duke Realty Corp.	DRE
FelCor Lodging Trust, Inc.	FCH
Franklin Street Properties Corp.	FSP
HCP, Inc.	HCP
Health Care REIT Inc.	HCN
Healthcare Realty Trust Inc.	HR
Hersha Hospitality Trust	HT
Host Hotels & Resorts	HST
Hyatt Hotels Corporation	H
Intercontinental Hotels Group PLC	IHG
Kilroy Realty Corporation	KRC
LaSalle Hotel Properties	LHO
Liberty Property Trust	LRV
Marcus Corporation	MCS
Marriott International, Inc.	MAR
Parkway Properties, Inc.	PKY
Pebblebrook Hotel Trust	PEB
Red Lion Hotels Corporation	RLH
Senior Housing Properties Trust	SNH
Starwood Hotels & Resorts Worldwide	HOT
Strategic Hotels & Resorts, Inc.	BEE
Sunstone Hotel Investors, Inc.	SHO
Supertel Hospitality, Inc.	SPPR
Terreno Realty Corporation	TRNO
Thomas Properties Group, Inc.	TPGI
Ventas, Inc.	VTR

REITs	
American Campus Communities, Inc.	ACC
Associated Estates Realty Corp.	AEC
AvalonBay Communities, Inc.	AVB
Camden Property Trust	CPT
Corporate Office Properties Trust	OFC
DuPont Fabros Technology, Inc.	DFT
EastGroup Properties, Inc.	EGP
Education Realty Trust, Inc.	EDR
Essex Property Trust, Inc.	ESS
Extra Space Storage Inc.	EXR
Federal Realty Investment Trust	FRT
First Potomac Realty Trust	FPO
Gladstone Commercial Corporation	GOOD
Highwoods Properties, Inc.	HIW
Home Properties, Inc.	HME
Investor Real Estate Trust	IRET
Kimco Realty Corporation	KIM
Mid-America Apartment Communities	MAA
PS Business Parks Inc.	PSB
Public Storage, Inc.	PSA
Realty Income Corporation	O
Regency Centers Corporation	REG
Saul Centers, Inc.	BFS
Summit Hotel Properties, Inc.	INN
U-Store-It Trust	YSI
UDR, Inc.	UDR
Urstadt Biddle Properties Inc.	UBA
Washington Real Estate Invst. Trust	WRE
Weingarten Realty Investors	WRI

Note: Coverage list is as of September 30, 2011.

Robert W. Baird & Co.

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