

M&A Market Analysis

August 2011

Global M&A Monthly

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



Global Mergers & Acquisitions

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- **Global M&A Commentary and Deal Statistics..... 1**
 To date in 2011, global M&A dollar volume has steadily outpaced deal count figures. Through July, the global M&A transaction total was up 1.5% from the prior-year level. This contrasted with year-to-date dollar volume growth of 17.8%, reflecting a substantial increase for the number of deals valued above \$100 million.
- **U.S. M&A Commentary and Deal Statistics 5**
 In the U.S. M&A market, the trend of strong dollar volume gains amid minimal deal count growth continued in July. The number of transactions increased 3.2% to 972, which was slightly above the first-half 2011 average. In contrast, announced dollar volume nearly doubled to \$124.2 billion, the third-highest monthly total in the past three years.
- **Europe M&A Commentary and Deal Statistics..... 10**
 After solid growth in the first half of 2011, Europe's M&A market experienced a lull in July. The number of transactions fell 18.1%, which was the largest percentage decline since August 2009. Reported dollar volume dropped 36.1% to \$51.1 billion, the lowest value in six months.
- **U.K. Cross-Border M&A Activity..... 14**
 Year to date, the deal count in the U.K. dipped 1.0% to 1,701. Although cross-border activity displayed strong growth, the domestic transaction total fell 11.2%. However, year-to-date dollar volume increased 6.7%, led by outbound volume growth of 84.5%.
- **Germany Cross-Border M&A Activity 15**
 For the year-to-date period, the number of announced transactions in Germany climbed 16.7% to 930, as the count increased for both domestic and cross-border deals. Dollar volume decreased 5.0% to \$46.7 billion.
- **Asia Commentary and Deal Statistics 16**
 M&A metrics in Asia (ex. Japan) decreased on a year-over-year basis during July even as dollar volume reached the highest level to date in 2011. The deal count dropped 12.6%, the largest percentage decline in over two years. Dollar volume was down 8.5% to \$34.6 billion, which was 51% above the first-half average.
- **China M&A Activity and Deal Statistics..... 17**
 Year to date, a total of 1,594 M&A transactions were announced in China, 3.6% above the prior-year figure. Dollar volume jumped 32.2% to \$96.3 billion, aided by 52.6% growth for outbound volume.
- **India M&A Activity and Deal Statistics 19**
 India M&A metrics were down through the year-to-date period. The deal count slipped 0.4% to 531, despite a 60.0% increase in inbound transactions. Dollar volume plunged 66.0% to \$15.8 billion.
- **Japan M&A Activity 21**
 Through the first seven months of the year, Japan's M&A activity was impressive. The deal count grew 5.6% to 1,255, led by strength in the number of outbound transactions. Dollar volume climbed 68.1% to \$55.3 billion, with cross-border volume growth exceeding 130%.
- **Economic Commentary..... 22**
 Economic fundamentals remain bearish and the risk of recession is on the rise. We do not expect the economy will move into recession, but it is a much more discrete possibility now than it appeared to be at the start of the year.
- **Restructuring News..... 24**
 The Baird CDS Index rose for the third consecutive month in July, increasing 59.1 points to 593.7 – up 11.1% from 534.6 on June 30.
- **Transaction Spotlight – Sale of U.S. Security Associates Holdings, Inc. to Goldman Sachs Capital Partners..... 25**
 U.S. Security Associates Holdings, Inc. (“USA”), a portfolio company of Wind Point Partners (“Wind Point”), recently completed its sale to affiliates of Goldman Sachs Capital Partners. Terms of the transaction were not disclosed.
- **Recent Baird M&A Transactions 26**
 A summary of Baird's recently announced M&A Transactions.
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Global M&A Commentary

To date in 2011, global M&A dollar volume has steadily outpaced deal count figures. Through July, the global M&A transaction total was up 1.5% from the prior-year level. This contrasted with year-to-date dollar volume growth of 17.8%, reflecting a substantial increase for the number of deals valued above \$100 million. In the global middle market, the deal count decreased 5.9% on a year-to-date basis, whereas dollar value climbed 17.3%.

During July, the transaction total declined 6.5% to 2,554, which was slightly below the first-half average. Dollar volume increased 20.8% to \$209.0 billion, the second-highest monthly figure in three years. In the middle market, the number of deals fell 15.1%, and dollar volume was down 9.5%.

Signs of a global economic slowdown continued to mount in July. As in June, the global all-industry purchasing managers index (PMI) for July registered one of the three lowest values in the past two years, with the least manufacturing expansion since 2009. The composite measure reflected the weakest new order growth in nearly two years along with meager employment gains. The latest composite leading indicator of the Organisation of Economic Co-operation and Development sank to the lowest monthly level since last November, suggesting softening economic trends in major economies. Further deceleration is possible, as fiscal crises in the U.S. and Europe have damaged confidence and have led to austerity programs that should dampen near-term growth. In an environment of reduced expectations, progress toward avoiding a double-dip recession is necessary to keep M&A activity robust.

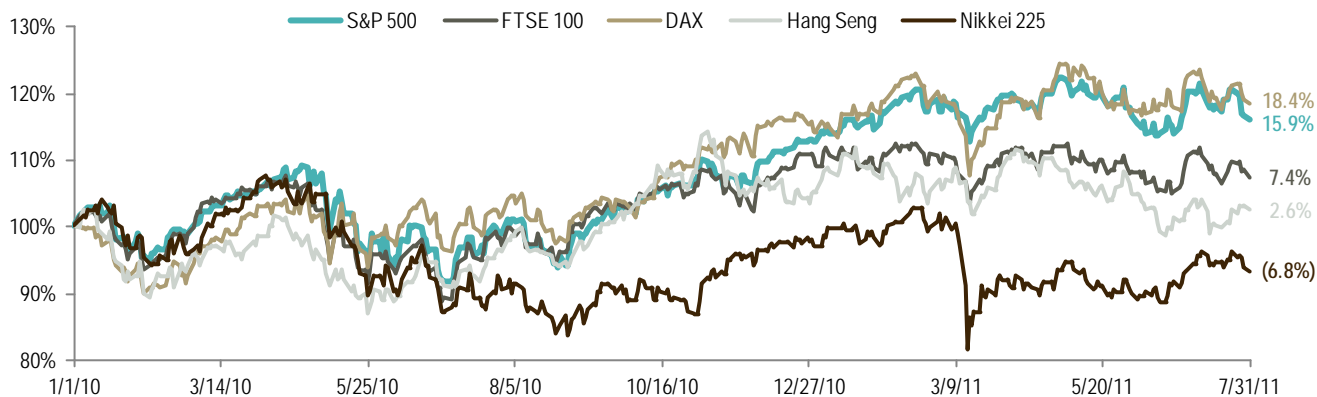
Through July and into August, the global credit markets were contending with the staggering combination of weakening economies, sinking equity values, escalating sovereign debt troubles in Europe, the looming U.S. government debt ceiling deadline, and downgrading of the U.S. credit rating by S&P. With investors seeking safe ground during the disarray, the high yield and leveraged loan markets were hit hardest, as issuance effectively dried up amid lower secondary pricing and significant fund outflows since late July. Indeed, after June and July registered the two lowest-volume months of the past year for high yield issuance, early August witnessed the first week with no issuance since April 2009. Given the importance of the high yield and leveraged loan markets to liquidity for deal financings, a healthy M&A market depends on lenders and issuers again seeing stability for global economic trends and fiscal issues.

Global equity markets declined for the third straight month in July, as the five major indices depicted in the chart below were down 1.4% on average, placing the group in slightly negative territory on a year-to-date basis. The recent contraction in equity valuations, which extended into August, has severely limited stock offering activity, thereby restricting a source of capital for potential M&A.

Regarding M&A trends over the balance of the year, many companies, financial sponsors, and lenders are in wait-and-see mode with respect to the economy and volatile capital markets. However, cash-rich corporate balance sheets and substantial committed capital for private equity firms are positioned to support M&A activity once the environment improves.

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

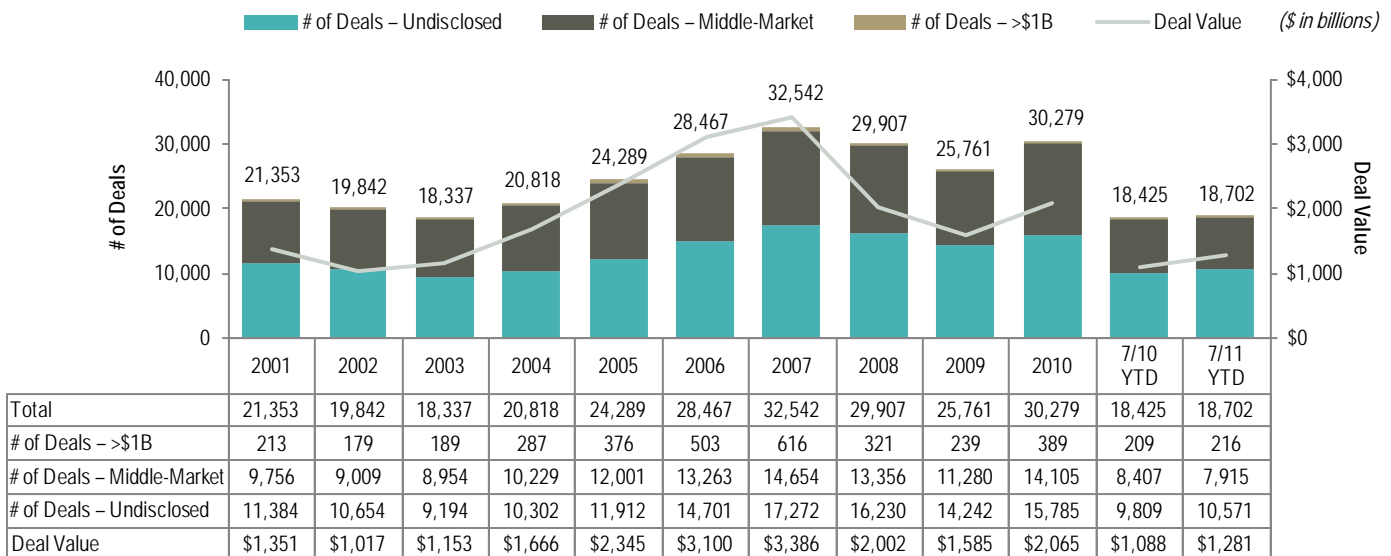
Relative Performance of Global Market Indices



Source: Capital IQ.

Global M&A Activity

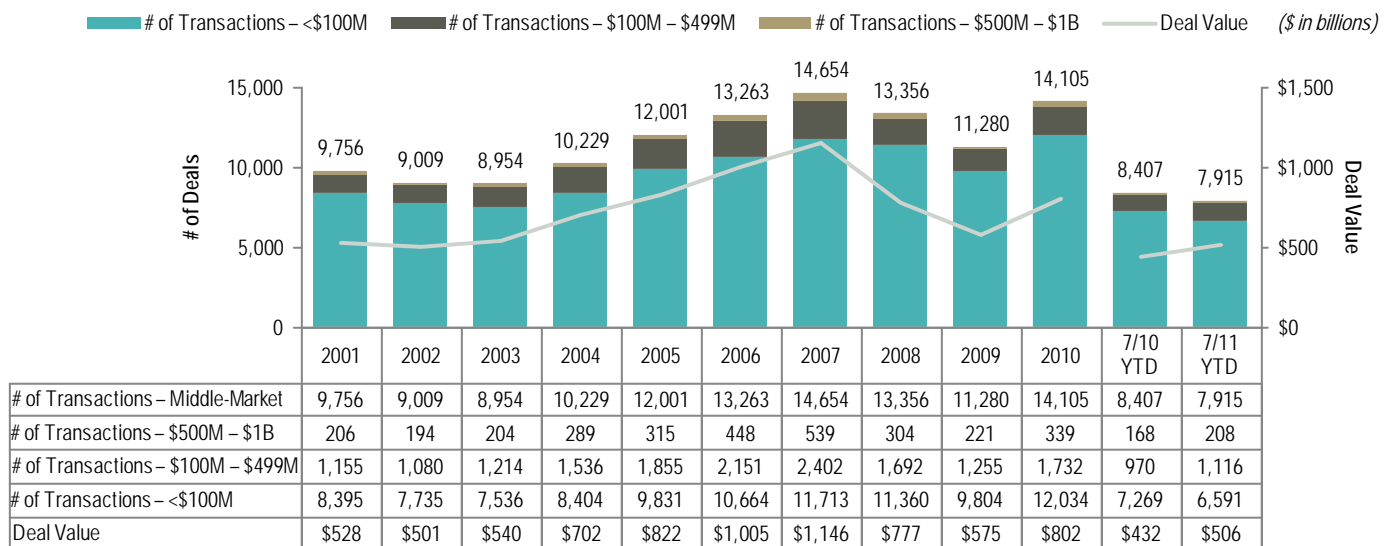
Global M&A Activity



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 – July			Deal Value – July		
	2010	2011	% Change	2010	2011	% Change
North America	1,069	1,113	4.1%	\$73,133	\$130,922	79.0%
– U.S.	942	972	3.2%	\$63,887	\$124,229	94.5%
Central / South America	81	95	17.3%	\$3,386	\$8,525	151.8%
Europe	1,110	909	(18.1%)	\$80,022	\$51,131	(36.1%)
– U.K.	240	209	(12.9%)	\$32,689	\$16,001	(51.1%)
– Germany	141	146	3.5%	\$3,244	\$7,069	117.9%
Africa / Middle East	51	51	0.0%	\$4,955	\$3,756	(24.2%)
Asia-Pacific (ex. Japan)	501	438	(12.6%)	\$37,838	\$34,638	(8.5%)
– China	239	194	(18.8%)	\$17,469	\$27,057	54.9%
– India	75	67	(10.7%)	\$2,125	\$1,553	(26.9%)
Japan	158	171	8.2%	\$5,663	\$4,471	(21.1%)
Global Total	2,733	2,554	(6.5%)	\$173,012	\$209,034	20.8%

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	7,958	7,804	(1.9%)	\$534,657	\$787,255	47.2%
– U.S.	6,938	6,640	(4.3%)	\$496,361	\$733,898	47.9%
Central / South America	587	653	11.2%	\$81,211	\$40,341	(50.3%)
Europe	6,667	6,891	3.4%	\$381,788	\$407,804	6.8%
– U.K.	1,719	1,701	(1.0%)	\$110,400	\$117,847	6.7%
– Germany	797	930	16.7%	\$49,144	\$46,663	(5.0%)
Africa / Middle East	437	474	8.5%	\$40,928	\$39,432	(3.7%)
Asia-Pacific (ex. Japan)	3,110	3,357	7.9%	\$178,003	\$172,595	(3.0%)
– China	1,538	1,594	3.6%	\$72,841	\$96,285	32.2%
– India	533	531	(0.4%)	\$46,567	\$15,849	(66.0%)
Japan	1,188	1,255	5.6%	\$32,902	\$55,322	68.1%
Global Total	18,425	18,702	1.5%	\$1,087,596	\$1,280,901	17.8%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD as of July 31.

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 – July			Deal Value – July		
	2010	2011	% Change	2010	2011	% Change
North America	551	442	(19.8%)	\$37,028	\$31,726	(14.3%)
– U.S.	482	384	(20.3%)	\$33,855	\$27,945	(17.5%)
Central / South America	38	37	(2.6%)	\$1,486	\$3,621	143.7%
Europe	308	277	(10.1%)	\$29,213	\$26,298	(10.0%)
– U.K.	99	103	4.0%	\$7,618	\$8,426	10.6%
– Germany	26	31	19.2%	\$3,244	\$4,047	24.8%
Africa / Middle East	25	28	12.0%	\$1,852	\$2,340	26.4%
Asia-Pacific (ex. Japan)	353	285	(19.3%)	\$16,606	\$12,584	(24.2%)
– China	196	152	(22.4%)	\$8,448	\$6,961	(17.6%)
– India	43	36	(16.3%)	\$2,125	\$1,553	(26.9%)
Japan	82	77	(6.1%)	\$2,560	\$4,471	74.6%
Global Total	1,263	1,072	(15.1%)	\$77,845	\$70,443	(9.5%)

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	4,006	3,371	(15.9%)	\$201,328	\$241,027	19.7%
– U.S.	3,387	2,718	(19.8%)	\$174,444	\$210,589	20.7%
Central / South America	256	268	4.7%	\$16,731	\$21,956	31.2%
Europe	1,814	1,896	4.5%	\$143,720	\$176,713	23.0%
– U.K.	654	678	3.7%	\$44,944	\$57,309	27.5%
– Germany	149	151	1.3%	\$14,878	\$18,100	21.7%
Africa / Middle East	204	199	(2.5%)	\$13,606	\$15,113	11.1%
Asia-Pacific (ex. Japan)	2,060	2,249	9.2%	\$90,836	\$103,105	13.5%
– China	1,211	1,267	4.6%	\$48,699	\$58,445	20.0%
– India	241	272	12.9%	\$13,320	\$11,403	(14.4%)
Japan	609	535	(12.2%)	\$21,152	\$28,878	36.5%
Global Total	8,407	7,915	(5.9%)	\$431,802	\$506,323	17.3%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD as of July 31.

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

THIRD-HIGHEST DOLLAR VALUE SINCE 2008

In the U.S. M&A market, the trend of strong dollar volume gains amid minimal deal count growth continued in July. The number of transactions increased 3.2% to 972, which was slightly above the first-half 2011 average. In contrast, announced dollar volume nearly doubled to \$124.2 billion, the third-highest monthly total in the past three years. In the middle market, the deal total dropped 20.3% as a result of ongoing weakness in the under \$100 million segment, while dollar value decreased 17.5%.

A moderate growth backdrop has supported deal-making over the past year, but the latest economic updates indicate the potential for rocky terrain ahead. Based on data released in late July, GDP increased just 0.8% in the first half of 2011, well below already reduced estimates. The second half seems to have started slowly, as Institute for Supply Management (ISM) reports for July showed minimal expansion, with the weakest manufacturing reading in two years and the lowest services measure since early 2010. In addition, the July jobs report was lackluster despite improvement from Q2's poor numbers. The Federal Reserve noted slowing economic activity in its latest beige book and when announcing plans to maintain extremely low interest rates until mid-2013. Although the Federal Reserve and consensus expectations continue to call for modest GDP growth in the second half of the year, the possibility of recessionary conditions has increased. As a result, evidence of economic stability is needed to encourage wary M&A participants to move forward with targeted activity.

Anxiety related to recent economic trends and fiscal crises has begun to impact deal financings. In the U.S. high yield market, June and July were the lowest volume months of the past year by a wide margin, while new issuance was shut down into the second week of August. Similarly, new issue supply in the leveraged loan market registered the lowest monthly volume of 2011 in July. The lack of activity has reflected a flight to safety among investors, as indicated by declining secondary pricing and hefty fund outflows in late July and early August, including the first week of outflows for leveraged loan funds in over a year. Leveraged M&A deals still getting done in this environment have seen pricing back up and total debt levels come in moderately. On a positive note, S&P's projection of further declines in the U.S. high yield default rate over the next year should boost demand once risk appetites normalize, which likely will require progress for the economy as well as fiscal challenges.

The U.S. equity market extended its recent retreat in July, when the 2.1% decline for the S&P 500 trimmed the year-to-date return to 2.8%. The 5.2% drop over the past three months through July, coupled with extreme volatility in August, translates to difficult market conditions for the backlog of stock offerings after strong activity in the first half of 2011.

U.S. M&A Activity

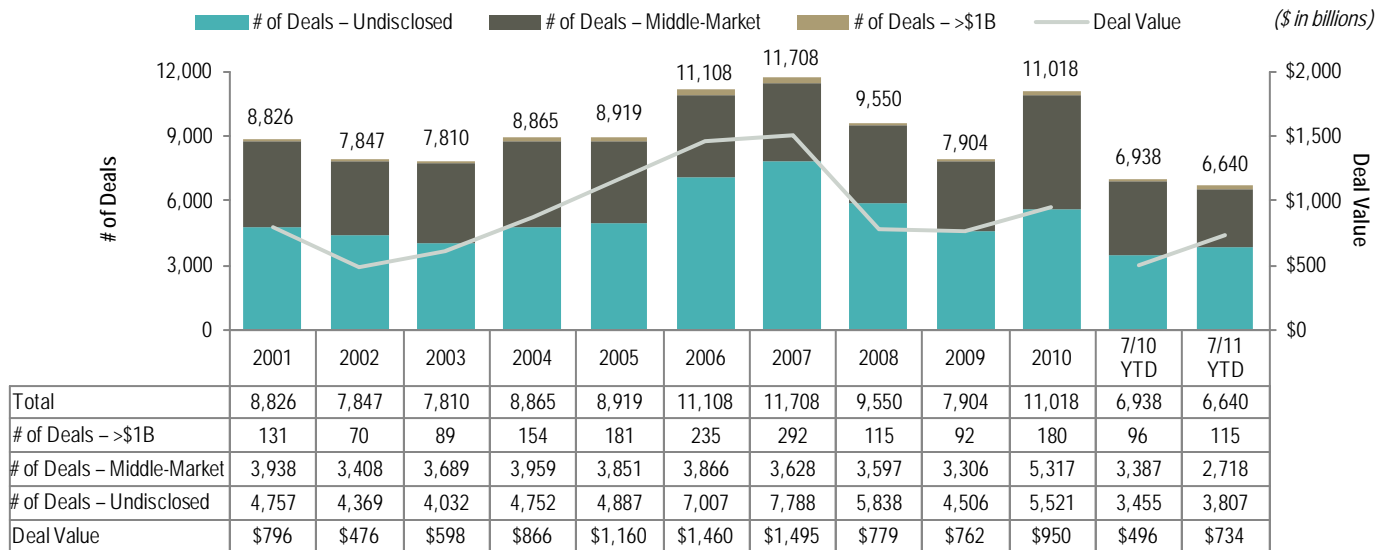
- The U.S. M&A market posted solid results in July, as the deal count and dollar volume both rose for the first time since January. A total of 972 transactions were announced, an uptick of 3.2% from last year's level and 8.8% above the last 12 month (LTM) average. Dollar volume soared 94.5% to \$124.2 billion, well above the LTM average of \$99.0 billion.
- Year to date, the number of announced transactions dropped 4.3% to 6,640. Powered by strong growth in larger deal categories, dollar volume jumped 47.9% to \$733.9 billion, the highest level through the first seven months of the year since 2007.
- M&A metrics remained positive over the LTM period. The deal count increased 4.4% to 10,720, and dollar volume grew 40.5% to \$1.2 trillion.

U.S. Middle-Market Activity

- The U.S. middle market was weak in July, as the deal count and dollar volume both fell for the first time since September 2009. Total announced transactions decreased 20.3% to 384, which was in line with the LTM average. Dollar volume snapped a 21-month streak of year-over-year growth, declining 17.5% to \$27.9 billion, which was 10.3% below the LTM average.
- Through the first seven months of the year, the deal count fell 19.8% to 2,718, primarily due to a 26.5% drop for the number of transactions valued under \$100 million. Dollar volume was up 20.7% to \$210.6 billion, led by 27.6% volume growth for deals valued from \$100 million to \$1 billion.
- U.S. middle-market valuation levels have experienced a meaningful uptick in 2011. The median EBITDA transaction multiple for the LTM period climbed to 9.0x through July from 8.6x in 2010.

U.S. M&A Activity

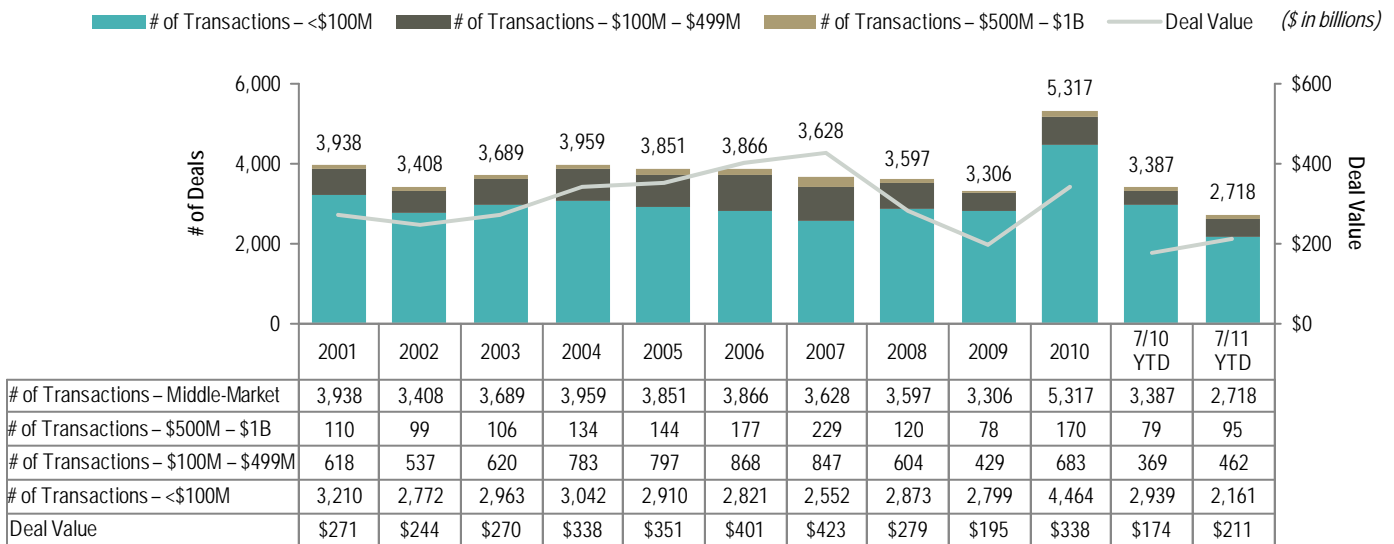
U.S. M&A Activity



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
July			
<\$100M	399	306	(23.3%)
\$100M-\$499M	64	68	6.3%
\$500M-\$1B	19	10	(47.4%)
Total Middle-Market	482	384	(20.3%)
LTM Monthly Average	402	387	(3.5%)
>\$1B	11	16	45.5%
Undisclosed	449	572	27.4%
Total	942	972	3.2%
LTM Monthly Average	856	893	4.4%
YTD			
<\$100M	2,939	2,161	(26.5%)
\$100M-\$499M	369	462	25.2%
\$500M-\$1B	79	95	20.3%
Total Middle-Market	3,387	2,718	(19.8%)
>\$1B	96	115	19.8%
Undisclosed	3,455	3,807	10.2%
Total	6,938	6,640	(4.3%)
LTM			
<\$100M	4,106	3,686	(10.2%)
\$100M-\$499M	592	776	31.1%
\$500M-\$1B	121	186	53.7%
Total Middle-Market	4,819	4,648	(3.5%)
>\$1B	146	199	36.3%
Undisclosed	5,304	5,873	10.7%
Total	10,269	10,720	4.4%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of July 31.

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

Deal Value			
(\$ in millions)	2010	2011	% Change
July			
<\$100M	\$6,066	\$4,867	(19.8%)
\$100M-\$499M	\$14,967	\$16,240	8.5%
\$500M-\$1B	\$12,823	\$6,838	(46.7%)
Total Middle-Market	\$33,855	\$27,945	(17.5%)
LTM Monthly Average	\$22,864	\$31,148	36.2%
>\$1B	\$30,032	\$96,284	220.6%
Undisclosed	**	**	**
Total	\$63,887	\$124,229	94.5%
LTM Monthly Average	\$70,467	\$98,978	40.5%
YTD			
<\$100M	\$40,134	\$39,184	(2.4%)
\$100M-\$499M	\$80,852	\$105,631	30.6%
\$500M-\$1B	\$53,458	\$65,774	23.0%
Total Middle-Market	\$174,444	\$210,589	20.7%
>\$1B	\$321,917	\$523,309	62.6%
Undisclosed	**	**	**
Total	\$496,361	\$733,898	47.9%
LTM			
<\$100M	\$63,336	\$65,588	3.6%
\$100M-\$499M	\$129,733	\$177,899	37.1%
\$500M-\$1B	\$81,301	\$130,285	60.3%
Total Middle-Market	\$274,370	\$373,772	36.2%
>\$1B	\$571,232	\$813,962	42.5%
Undisclosed	**	**	**
Total	\$845,602	\$1,187,734	40.5%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of July 31.

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

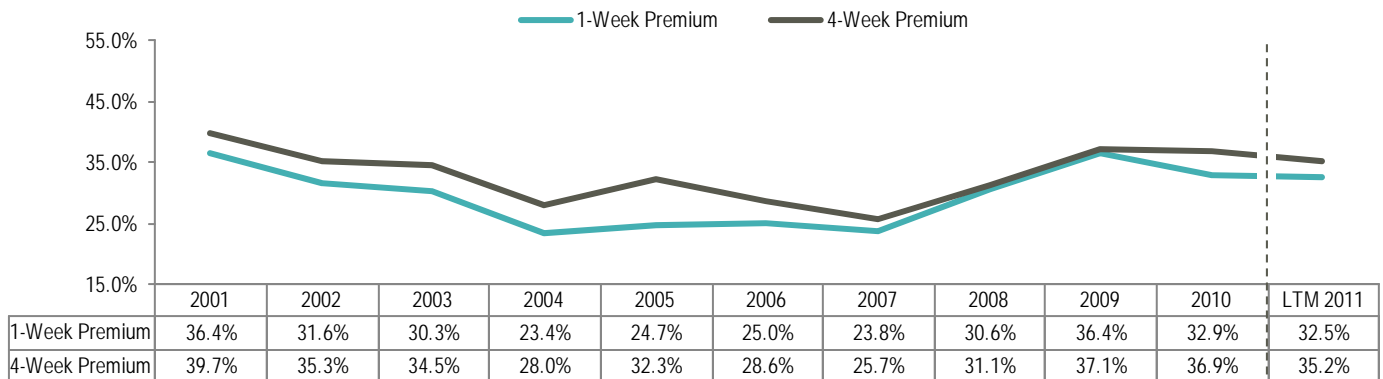
Transaction Size	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	LTM 2011
EV/EBITDA											
<\$100M	5.9x	7.0x	6.8x	7.6x	9.2x	8.1x	8.5x	7.8x	7.0x	7.0x	8.7x
\$100M-\$499M	8.3x	7.7x	8.2x	9.0x	9.9x	9.2x	11.2x	11.1x	8.1x	10.1x	9.2x
\$500M-\$1B	8.4x	8.4x	9.6x	10.3x	10.1x	12.0x	10.8x	10.6x	7.8x	9.0x	9.2x
Middle-Market	7.2x	7.3x	7.5x	8.6x	9.7x	9.2x	9.9x	9.5x	7.6x	8.6x	9.0x
EV/EBIT											
<\$100M	7.3x	9.5x	8.9x	9.6x	10.8x	10.0x	10.8x	10.1x	7.8x	10.3x	11.1x
\$100M-\$499M	11.7x	11.2x	11.0x	11.7x	13.5x	13.3x	14.5x	13.7x	11.0x	12.2x	11.8x
\$500M-\$1B	10.6x	12.2x	12.9x	14.0x	13.8x	17.0x	16.1x	13.7x	13.6x	13.4x	12.0x
Middle-Market	9.2x	10.7x	10.8x	11.2x	12.4x	12.5x	12.8x	11.6x	9.7x	11.3x	11.4x
EV/Revenue											
<\$100M	0.75x	0.69x	0.76x	0.95x	0.95x	0.96x	0.92x	0.91x	0.80x	0.94x	0.99x
\$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	1.56x
Middle-Market	0.89x	0.80x	0.88x	1.11x	1.10x	1.08x	1.01x	1.00x	0.90x	1.07x	1.13x

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 July 31.

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

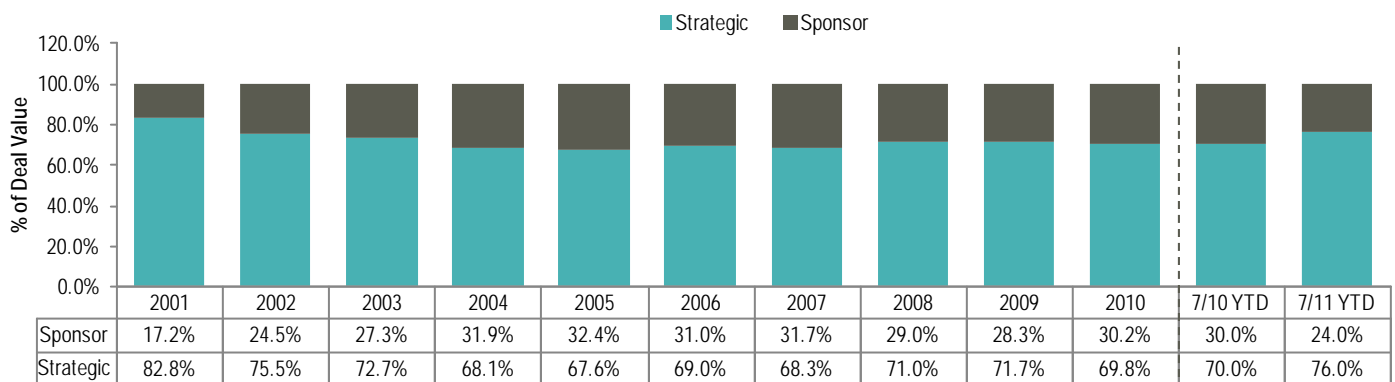
U.S. Middle-Market M&A Deal Statistics

U.S. Middle-Market Median Acquisition Premiums



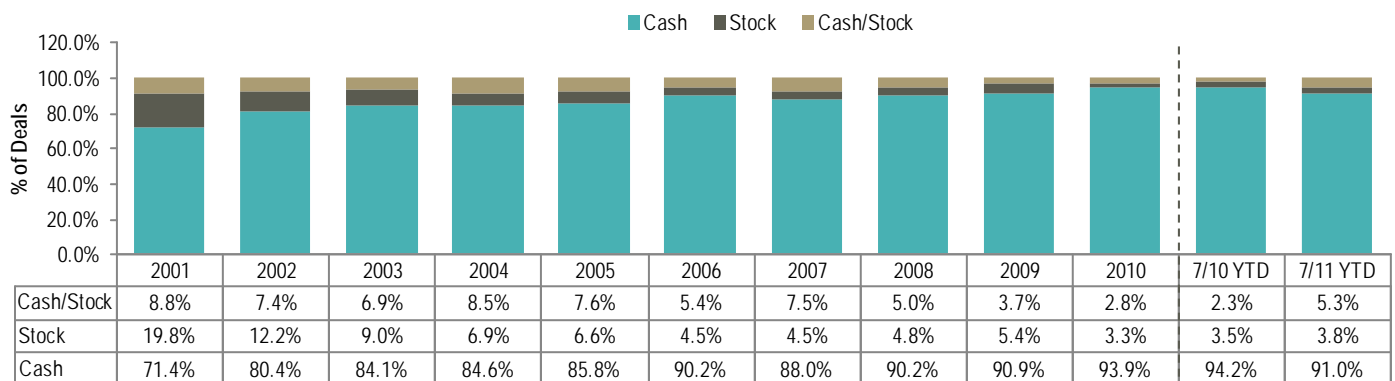
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. LTM as of July 31.
 Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

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



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
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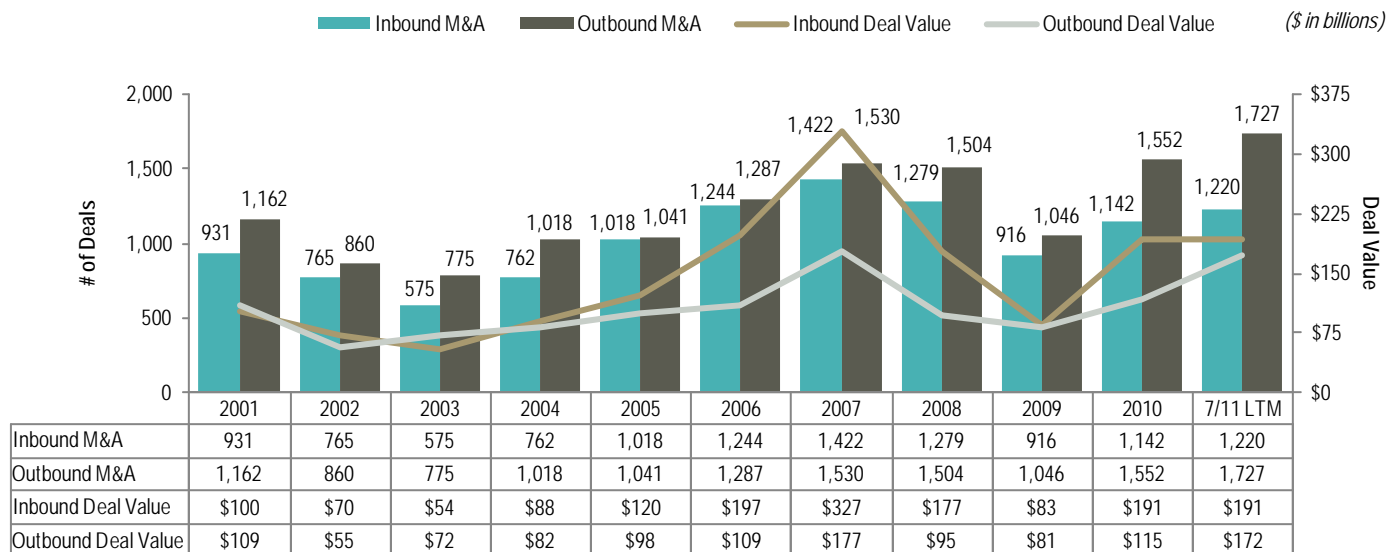
U.S. Middle-Market M&A Payment Method by Number of Deals



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	135
2. Professional Services	85
3. Mining	84
4. Healthcare	76
5. Oil & Gas	56
6. Real Estate/Property	39
7. Utility & Energy	28
8. Finance	24
9. Food & Beverage	23
10. Chemicals	21

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

Country	# of Deals
1. Canada	282
2. United Kingdom	100
3. Japan	49
4. Australia	37
5. France	32
6. Germany	31
7. China	27
8. India	20
9. Switzerland	19
10. Sweden	16

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

Industry	# of Deals
1. Computers & Electronics	250
2. Professional Services	151
3. Healthcare	80
4. Mining	69
5. Finance	56
6. Machinery	40
7. Real Estate/Property	38
8. Consumer Products	36
9. Construction/Building	35
10. Retail	35

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD as of July 31, 2011.

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

Europe M&A Commentary

After solid growth in the first half of 2011, Europe's M&A market experienced a lull in July. The number of transactions fell 18.1%, which was the largest percentage decline since August 2009. Reported dollar volume dropped 36.1% to \$51.1 billion, the lowest value in six months. Europe's middle market witnessed declines of 10.1% for the deal count and 10.0% for dollar volume.

Year-to-date metrics for M&A metrics remained positive despite weakness in July. The transaction total increased 3.4%, and announced dollar volume gained 6.8%. In the middle market, the deal count grew 4.5% during January-July, and dollar value expanded 23.0%.

Recent M&A activity has been hindered by the combination of softening economic trends and heightened fiscal turmoil. On the economic front, euro zone GDP increased 0.2% in Q2 (compared to Q1), trailing the 0.6% average of the prior four quarters. In July, the composite PMI for euro zone activity indicated the lowest growth rate in nearly two years due to a broad-based slowdown across countries and sectors. In addition, the Economic Sentiment Indicator of the European Union fell to a one-year low in July. Weakening economic conditions partly reflect chronic sovereign debt woes. Although euro zone leaders agreed in late July to steps intended to address recurring troubles, concerns remain about the adequacy of the bailout fund, particularly with government bond yields at record highs in Italy and Spain prior to open market purchases by the European Central Bank. Credible progress toward resolving the debt crisis is required for Europe's economy and M&A market to regain momentum.

Valuation levels for European middle-market deals have risen above figures from the prior two years. The median EBITDA transaction multiple increased to 8.0x for the LTM period through July, up from values of 7.4x in 2009 and 7.5x in 2010.

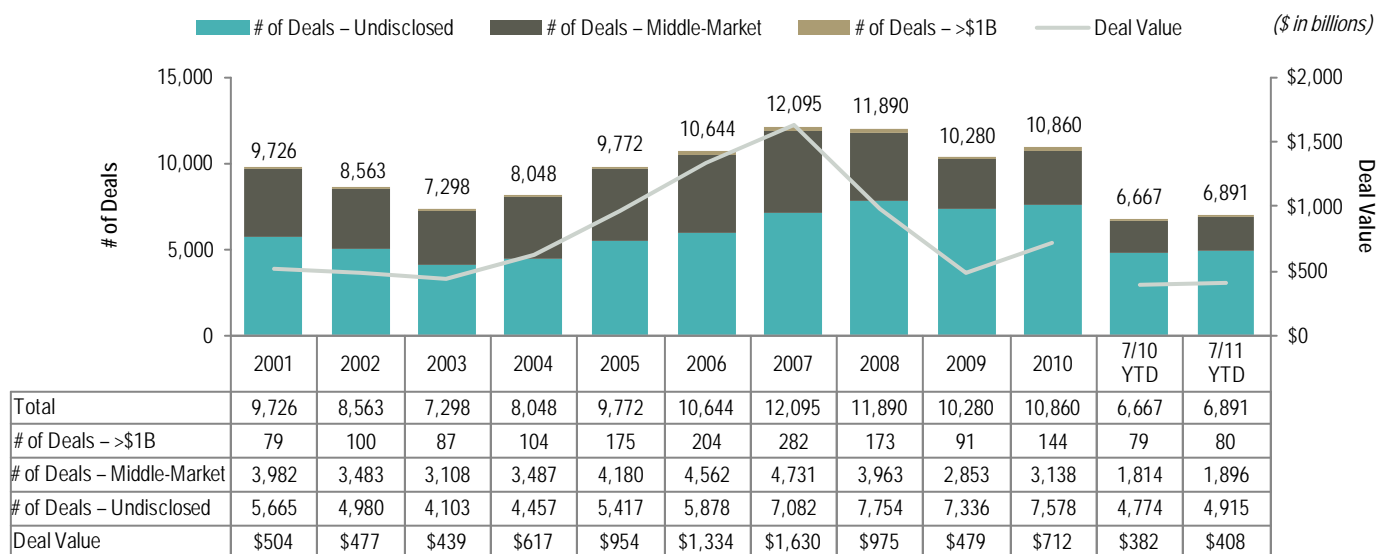
Year to date, the deal count in the U.K. dipped 1.0% to 1,701. Although cross-border activity displayed strong growth, the domestic transaction total fell 11.2%. However, year-to-date dollar volume increased 6.7%, led by outbound volume growth of 84.5%.

From January through July, middle-market M&A metrics were positive in the U.K. The deal count was up 3.7% to 678, while dollar volume rose 27.5% to \$57.3 billion, marking the highest level of year-to-date volume since 2008.

For the year-to-date period, the number of announced transactions in Germany climbed 16.7% to 930, as the count increased for both domestic and cross-border deals. Dollar volume decreased 5.0% to \$46.7 billion. Domestic volume grew 9.5% but was offset by an 8.7% drop in cross-border volume.

Through the first seven months of the year, the deal count in Germany's middle market saw an uptick of 1.3% to 151. Dollar volume jumped 21.7% to \$18.1 billion, as July recorded the highest volume month to date in 2011 at \$4.0 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
July			
<\$100M	224	200	(10.7%)
\$100M-\$499M	70	66	(5.7%)
\$500M-\$1B	14	11	(21.4%)
Total Middle-Market	308	277	(10.1%)
LTM Monthly Average	254	268	5.6%
>\$1B	16	9	(43.8%)
Undisclosed	786	623	(20.7%)
Total	1,110	909	(18.1%)
LTM Monthly Average	898	924	2.8%
YTD			
<\$100M	1,418	1,442	1.7%
\$100M-\$499M	337	365	8.3%
\$500M-\$1B	59	89	50.8%
Total Middle-Market	1,814	1,896	4.5%
>\$1B	79	80	1.3%
Undisclosed	4,774	4,915	3.0%
Total	6,667	6,891	3.4%
LTM			
<\$100M	2,425	2,486	2.5%
\$100M-\$499M	530	594	12.1%
\$500M-\$1B	94	140	48.9%
Total Middle-Market	3,049	3,220	5.6%
>\$1B	124	145	16.9%
Undisclosed	7,607	7,719	1.5%
Total	10,780	11,084	2.8%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of July 31.
Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Deal Value			
(\$ in millions)	2010	2011	% Change
July			
<\$100M	\$4,380	\$4,406	0.6%
\$100M-\$499M	\$15,718	\$14,743	(6.2%)
\$500M-\$1B	\$9,114	\$7,149	(21.6%)
Total Middle-Market	\$29,213	\$26,298	(10.0%)
LTM Monthly Average	\$19,165	\$24,076	25.6%
>\$1B	\$50,809	\$24,834	(51.1%)
Undisclosed	**	**	**
Total	\$80,022	\$51,131	(36.1%)
LTM Monthly Average	\$51,325	\$61,460	19.7%
YTD			
<\$100M	\$28,429	\$30,545	7.4%
\$100M-\$499M	\$75,150	\$83,627	11.3%
\$500M-\$1B	\$40,141	\$62,541	55.8%
Total Middle-Market	\$143,720	\$176,713	23.0%
>\$1B	\$238,068	\$231,091	(2.9%)
Undisclosed	**	**	**
Total	\$381,788	\$407,804	6.8%
LTM			
<\$100M	\$48,030	\$53,159	10.7%
\$100M-\$499M	\$119,210	\$136,847	14.8%
\$500M-\$1B	\$62,742	\$98,902	57.6%
Total Middle-Market	\$229,982	\$288,908	25.6%
>\$1B	\$385,923	\$448,610	16.2%
Undisclosed	**	**	**
Total	\$615,905	\$737,518	19.7%

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of July 31.
Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

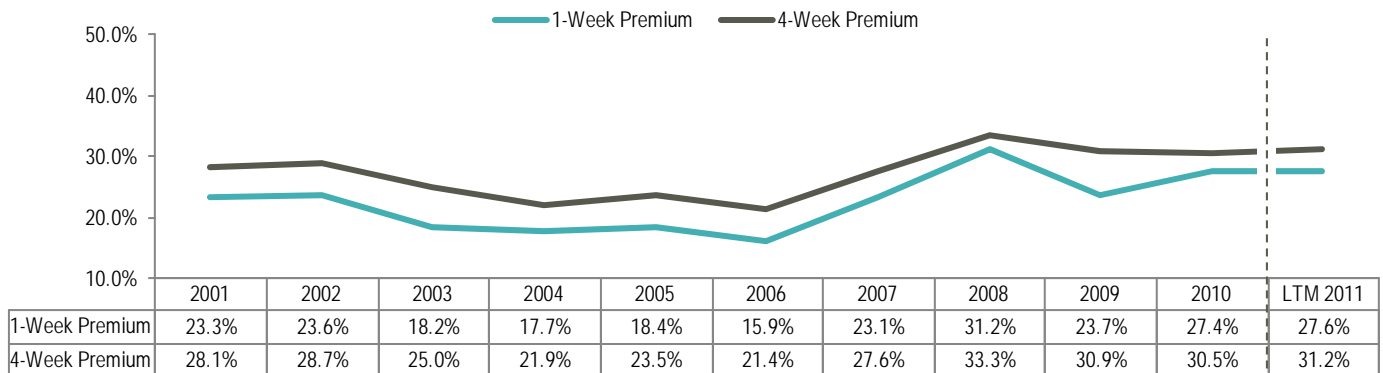
Europe Middle-Market Enterprise Value to Median EBITDA, EBIT, and Revenue Multiples

Transaction Size	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	LTM 2011
EV/EBITDA											
<\$100M	6.5x	5.7x	5.5x	7.0x	7.4x	7.4x	8.2x	6.8x	6.2x	6.6x	7.3x
\$100M-\$499M	7.7x	7.2x	6.3x	7.7x	10.0x	10.0x	11.0x	9.6x	7.7x	8.1x	8.5x
\$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	8.0x
EV/EBIT											
<\$100M	7.8x	9.1x	8.3x	9.4x	9.2x	8.5x	9.2x	8.1x	7.6x	7.4x	8.4x
\$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	12.3x
Middle-Market	9.1x	10.3x	9.2x	10.4x	11.6x	10.7x	10.9x	9.3x	9.1x	8.6x	9.6x
EV/Revenue											
<\$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	1.20x
\$500M-\$1B	0.94x	0.57x	1.43x	1.44x	1.29x	1.74x	1.37x	1.63x	1.68x	1.43x	1.43x
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 July 31.
Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

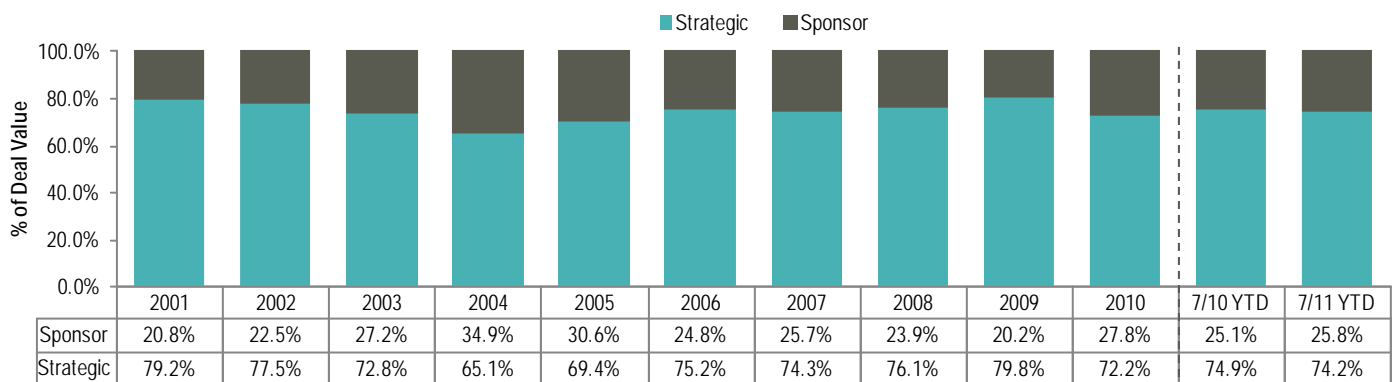
Europe Middle-Market M&A Deal Statistics

Europe Middle-Market Median Acquisition Premiums



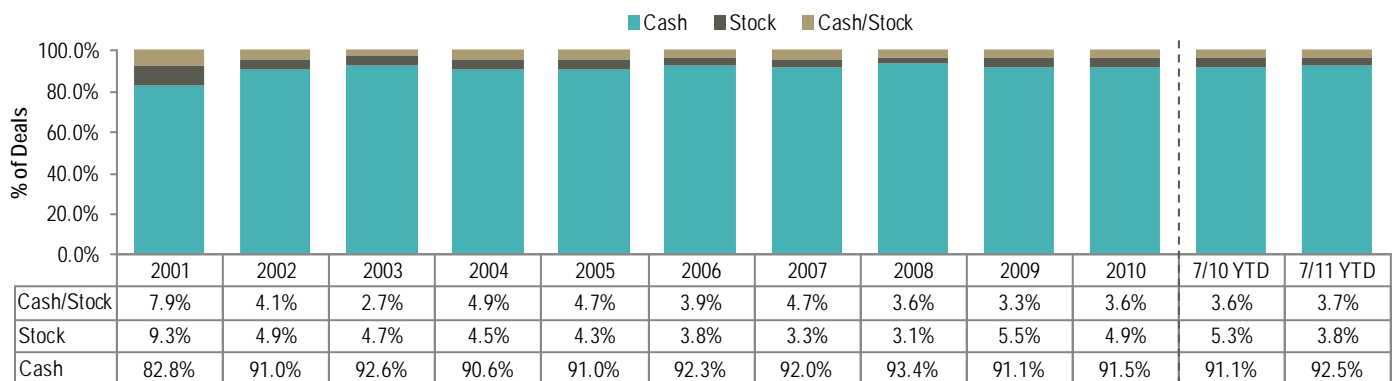
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. LTM as of July 31.
 Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

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



Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
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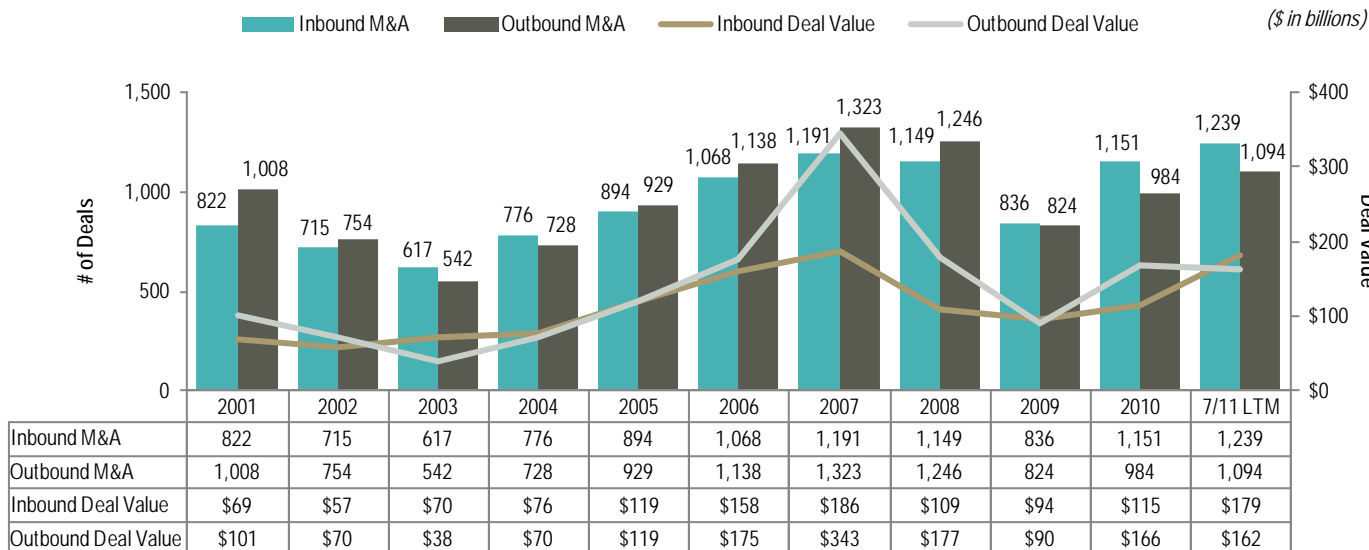
Europe Middle-Market M&A Payment Method by Number of Deals



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	229
2. Germany	115
3. France	63
4. Sweden	41
5. Netherlands	39
6. Italy	35
7. Spain	31
8. Switzerland	26
9. Turkey	24
10. Russia	19

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

Industry	# of Deals
1. Computers & Electronics	159
2. Professional Services	85
3. Healthcare	57
4. Machinery	42
5. Consumer Products	37
6. Finance	36
7. Real Estate/Property	33
8. Chemicals	29
9. Food & Beverage	26
10. Retail	26

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

Country	# of Deals
1. United States	252
2. Canada	53
3. Brazil	51
4. Australia	40
5. China	40
6. India	30
7. Singapore	15
8. South Africa	15
9. Japan	13
10. Columbia	10

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

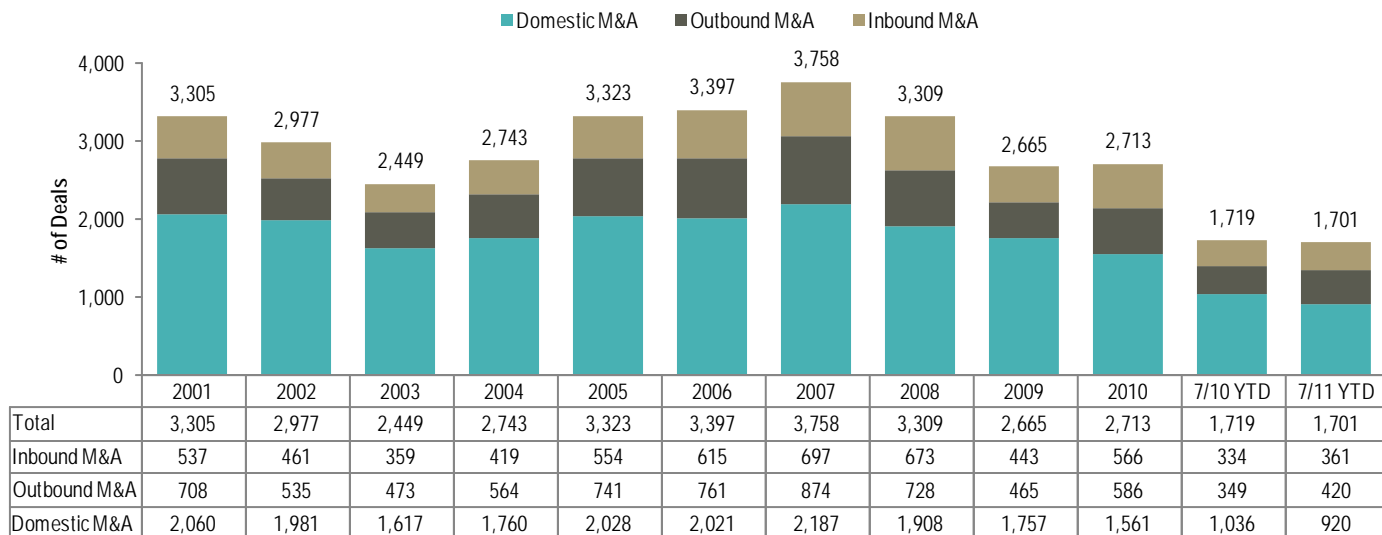
Industry	# of Deals
1. Professional Services	111
2. Computers & Electronics	97
3. Healthcare	47
4. Oil & Gas	42
5. Mining	37
6. Consumer Products	35
7. Finance	27
8. Utility & Energy	27
9. Transportation	22
10. Food & Beverage	22

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD as of July 31, 2011.

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

U.K. Cross-Border M&A Activity

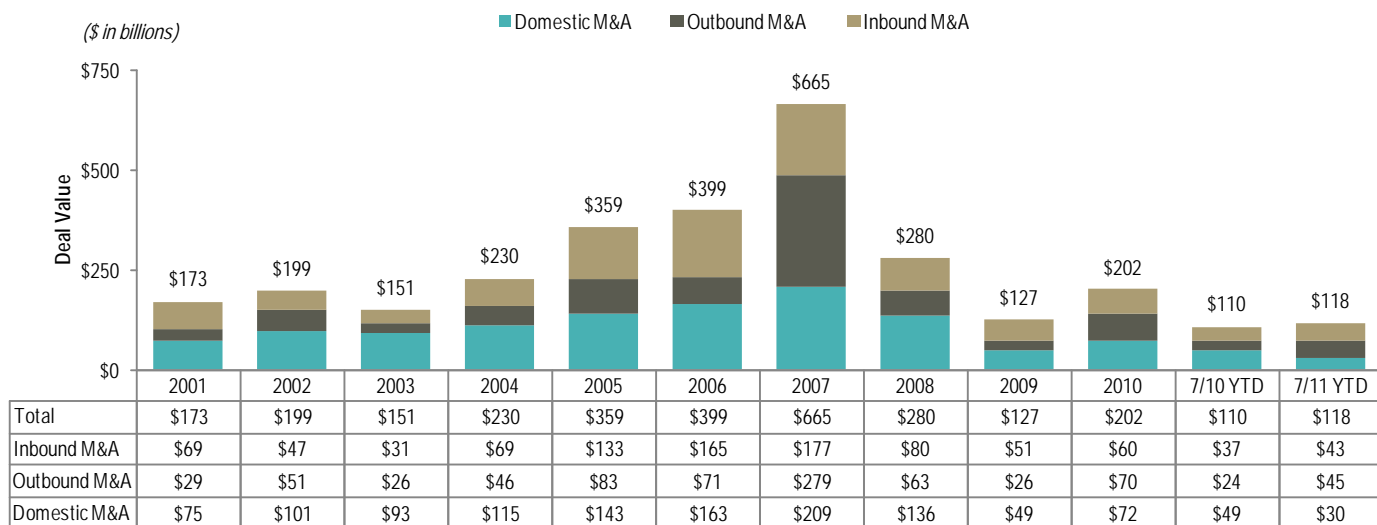
U.K. Number of Deals (Domestic/Outbound/Inbound)



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

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

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

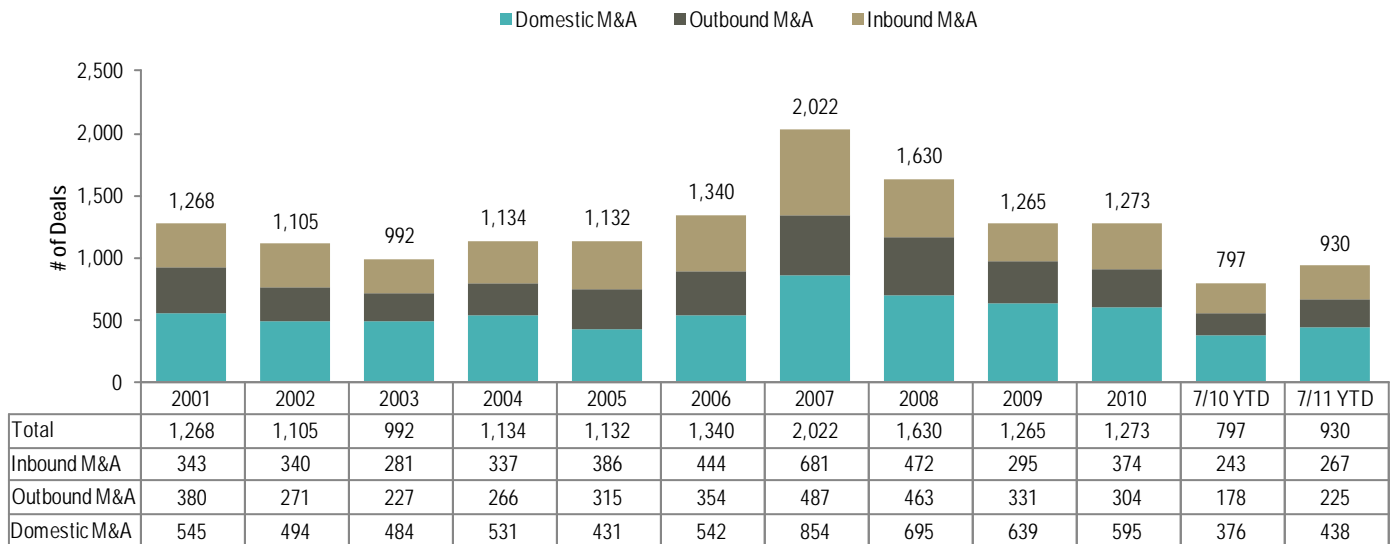


Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

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

Germany Cross-Border M&A Activity

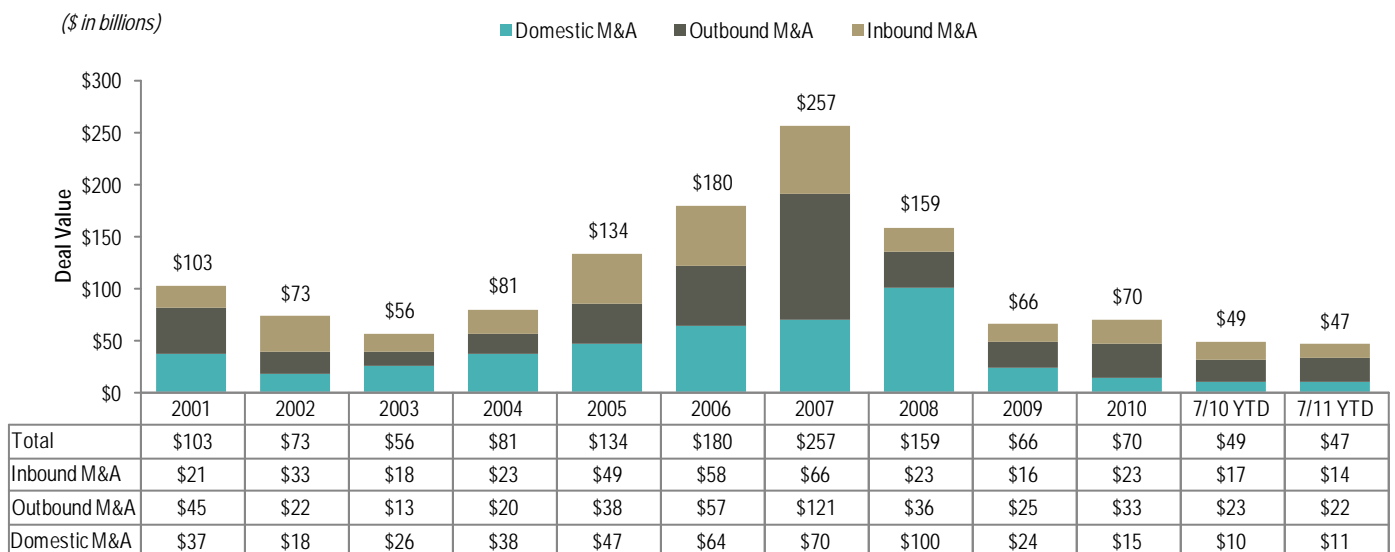
Germany Number of Deals (Domestic/Outbound/Inbound)



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 in Asia (ex. Japan) decreased on a year-over-year basis during July even as dollar volume reached the highest level to date in 2011. The deal count dropped 12.6%, the largest percentage decline in over two years. Dollar volume was down 8.5% to \$34.6 billion, which was 51% above the first-half average. The middle market experienced a substantial drop-off, with the number of transactions falling 19.3% and dollar value down 24.2%.

In the first seven months of 2011, the deal count increased 7.9%, whereas announced dollar volume decreased 3.0%. Year-to-date trends have been stronger in Asia's middle market, which posted growth rates of 9.2% for the transaction total and 13.5% for dollar value.

M&A metrics to date in 2011 may have been dampened by steady deceleration in economic trends for China, which typically accounts for nearly half of deal announcements in Asia (ex. Japan). Although still indicating modest expansion, China's official manufacturing PMI for July dropped to a 29-month low. Slightly reduced growth for fixed asset investment also signaled a moderating economic picture in China. In addition, exports growth in July slowed from the first-half pace. The downtrend for economic growth indicators has been a function of slackening global demand as well as tighter monetary policy, including another interest rate increase in July. The government is likely to continue to prioritize reducing inflation, which reached a three-year high of 6.5% in July. A pickup in Asia's M&A activity likely depends on the government succeeding in managing inflation while attaining a soft landing for China's economy.

M&A activity in China posted divergent results in July. The deal count dropped 18.8% to 194 and was 16.2% below the LTM average. Dollar volume soared 54.9% to \$27.1 billion, the highest level since June 2008. Seven billion-dollar-plus transactions, a monthly record, were announced during July.

Year to date, a total of 1,594 M&A transactions were announced in China, 3.6% above the prior-year figure. Dollar volume jumped 32.2% to \$96.3 billion, aided by 52.6% growth for outbound volume.

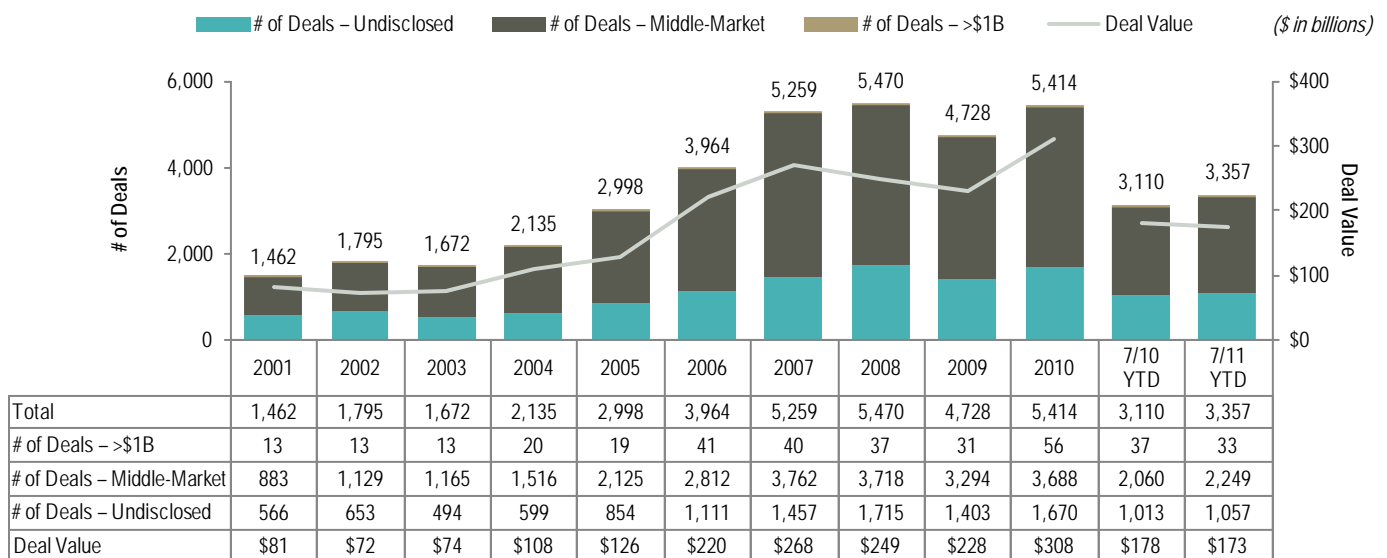
M&A activity in China's middle market was weak in July. The deal count contracted 22.4% to 152 and was below the LTM average of 184. Dollar volume fell 17.6% to \$7.0 billion, the second-lowest volume in 2011.

India M&A metrics were down through the year-to-date period. The deal count slipped 0.4% to 531, despite a 60.0% increase in inbound transactions. Dollar volume plunged 66.0% to \$15.8 billion. Billion-dollar-plus transactions fell substantially, from 13 through the first seven months of 2010 to 3 for year-to-date 2011.

From January through July, the number of announced transactions in India's middle market rose 12.9% to 272. Dollar volume decreased 14.4% to \$11.4 billion.

Through the first seven months of the year, Japan's M&A activity was impressive. The deal count grew 5.6% to 1,255, led by strength in the number of outbound transactions. Dollar volume climbed 68.1% to \$55.3 billion, with cross-border volume growth exceeding 130%.

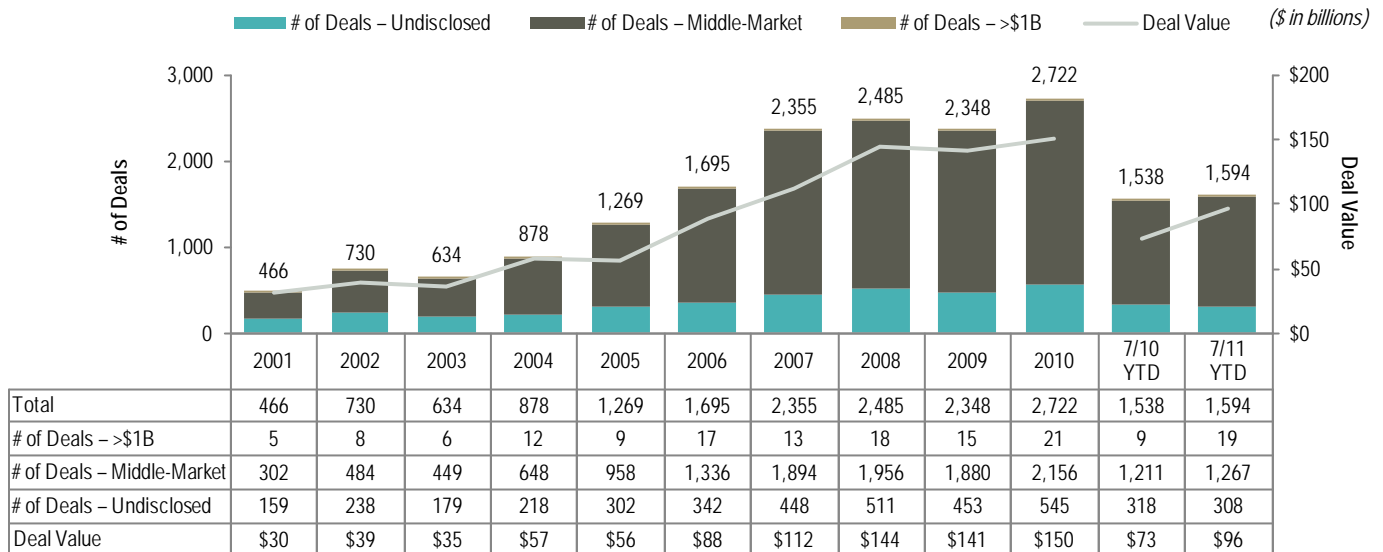
Asia (ex. Japan) M&A Activity



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

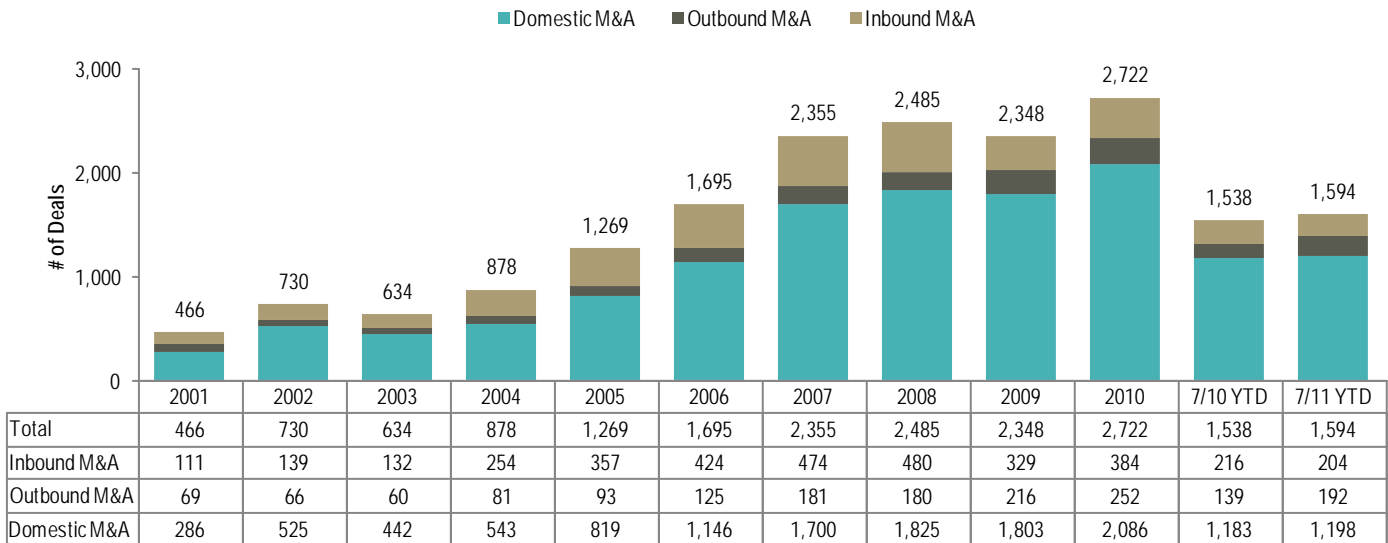
China M&A Activity

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
July								
Middle-Market	156	124	15	16	25	12	196	152
>\$1B	0	1	1	4	0	2	1	7
Undisclosed	24	13	7	13	11	9	42	35
Total	180	138	23	33	36	23	239	194
YTD								
Middle-Market	1,001	1,037	82	118	128	112	1,211	1,267
>\$1B	4	10	4	7	1	2	9	19
Undisclosed	178	151	53	67	87	90	318	308
Total	1,183	1,198	139	192	216	204	1,538	1,594
LTM								
Middle-Market	1,830	1,818	154	193	223	201	2,207	2,212
>\$1B	8	17	6	11	1	3	15	31
Undisclosed	301	266	87	101	154	168	542	535
Total	2,139	2,101	247	305	378	372	2,764	2,778

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of July 31.

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)

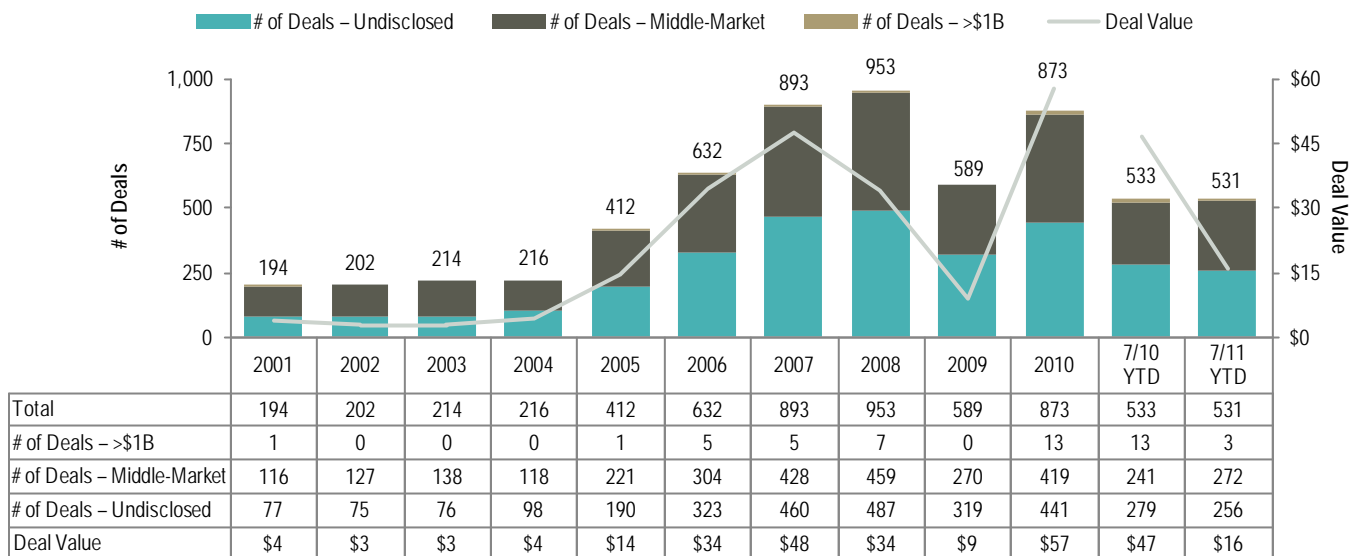
	Domestic		Outbound		Inbound		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
July								
Middle-Market	\$6,253	\$4,497	\$1,314	\$1,946	\$881	\$518	\$8,448	\$6,961
>\$1B	\$0	\$4,844	\$9,021	\$12,127	\$0	\$3,124	\$9,021	\$20,096
Total	\$6,253	\$9,341	\$10,336	\$14,073	\$881	\$3,642	\$17,469	\$27,057
YTD								
Middle-Market	\$38,447	\$44,389	\$3,878	\$8,509	\$6,374	\$5,546	\$48,699	\$58,445
>\$1B	\$9,200	\$17,869	\$12,741	\$16,847	\$2,200	\$3,124	\$24,142	\$37,840
Total	\$47,647	\$62,258	\$16,620	\$25,357	\$8,574	\$8,670	\$72,841	\$96,285
LTM								
Middle-Market	\$80,008	\$80,575	\$11,863	\$15,729	\$12,002	\$10,105	\$103,873	\$106,410
>\$1B	\$25,672	\$29,639	\$17,237	\$24,192	\$2,200	\$12,875	\$45,109	\$66,706
Total	\$105,680	\$110,215	\$29,100	\$39,921	\$14,202	\$22,980	\$148,983	\$173,116

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of July 31.

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.

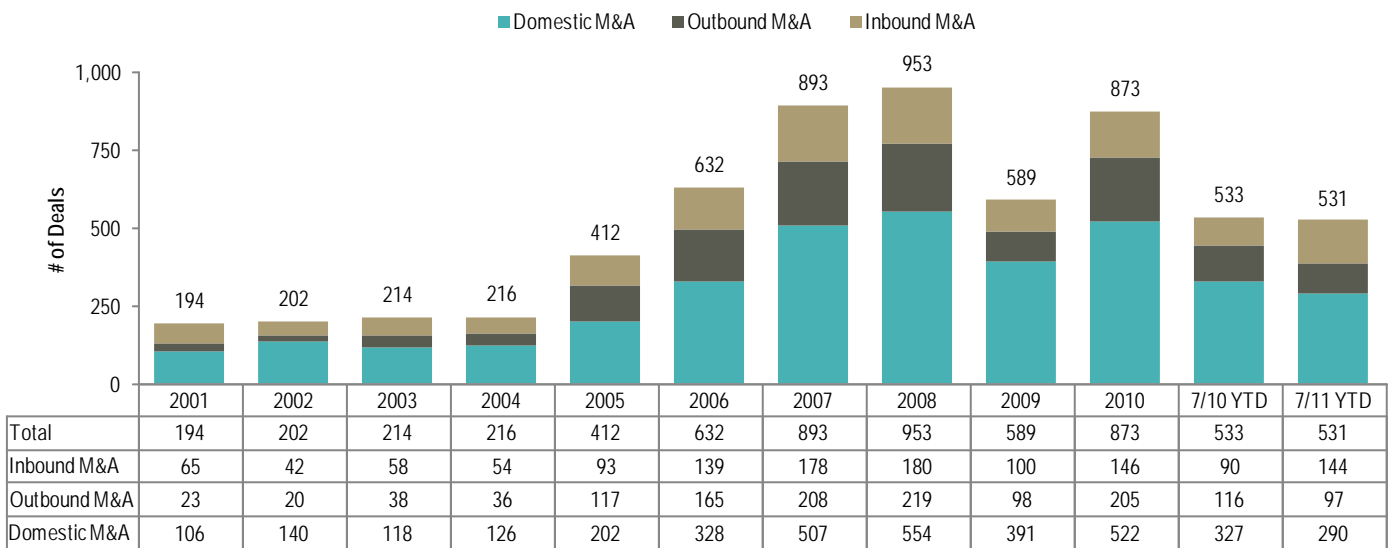
India M&A Activity

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
July								
Middle-Market	25	19	7	6	11	11	43	36
>\$1B	0	0	0	0	0	0	0	0
Undisclosed	19	20	6	8	7	3	32	31
Total	44	39	13	14	18	14	75	67
YTD								
Middle-Market	146	146	45	31	50	95	241	272
>\$1B	9	0	2	2	2	1	13	3
Undisclosed	172	144	69	64	38	48	279	256
Total	327	290	116	97	90	144	533	531
LTM								
Middle-Market	227	249	70	74	82	127	379	450
>\$1B	9	0	2	2	2	1	13	3
Undisclosed	241	236	93	110	57	72	391	418
Total	477	485	165	186	141	200	783	871

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of July 31.

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)

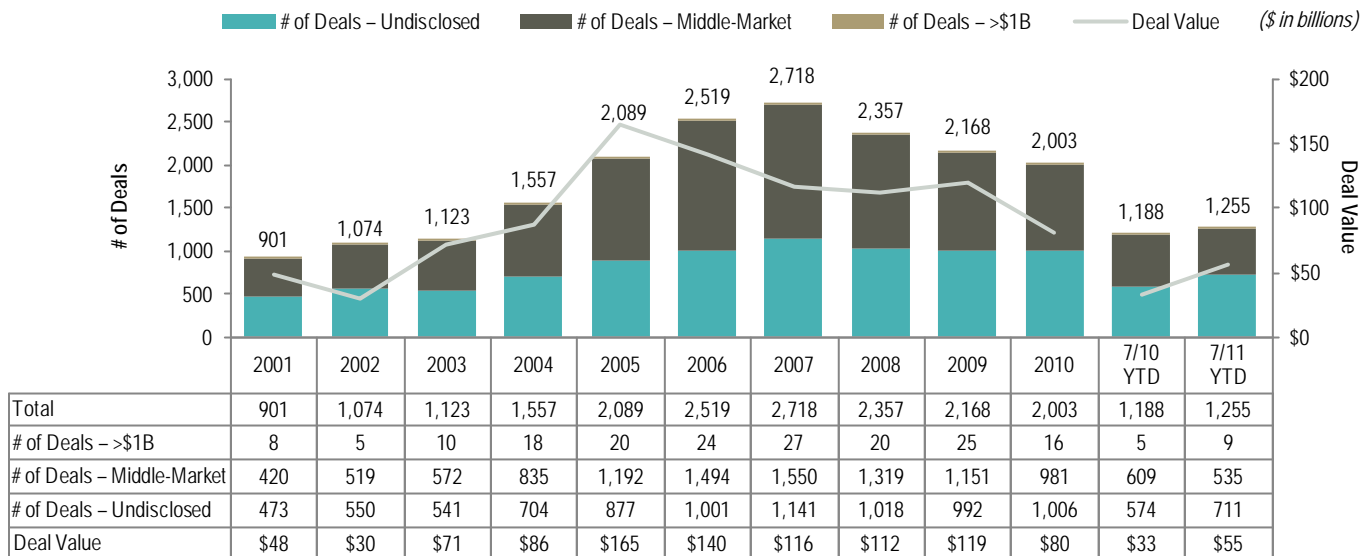
	Domestic		Outbound		Inbound		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
July								
Middle-Market	\$1,620	\$296	\$219	\$1,065	\$285	\$192	\$2,125	\$1,553
>\$1B	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,620	\$296	\$219	\$1,065	\$285	\$192	\$2,125	\$1,553
YTD								
Middle-Market	\$7,517	\$3,512	\$3,920	\$3,820	\$1,882	\$4,070	\$13,320	\$11,403
>\$1B	\$16,631	\$0	\$11,769	\$3,238	\$4,847	\$1,208	\$33,247	\$4,446
Total	\$24,149	\$3,512	\$15,689	\$7,059	\$6,729	\$5,278	\$46,567	\$15,849
LTM								
Middle-Market	\$9,617	\$7,024	\$4,821	\$9,752	\$3,118	\$5,533	\$17,555	\$22,309
>\$1B	\$16,631	\$0	\$11,769	\$3,238	\$4,847	\$1,208	\$33,247	\$4,446
Total	\$26,248	\$7,024	\$16,590	\$12,990	\$7,965	\$6,740	\$50,803	\$26,755

Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis. YTD and LTM as of July 31.

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.

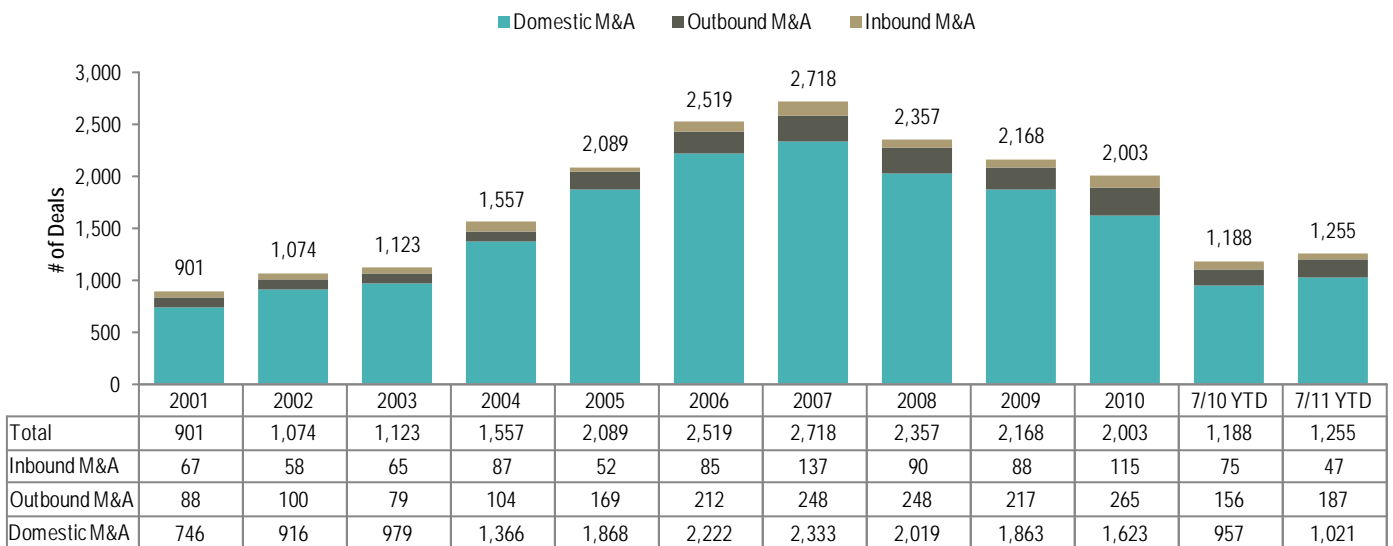
Japan M&A Activity

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 August 2011 Investment Strategy Outlook.

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

ECONOMY:

Economic fundamentals remain bearish and the risk of recession is on the rise. We do not expect the economy will move into recession, but it is a much more discrete possibility now than it appeared to be at the start of the year. Then, most economic forecasters projected growth of 3.5% in 2011 and beyond. While some have attributed the weaker-than-expected growth seen in the first half to a sequence of isolated events (the Arab spring uprisings, the Japanese earthquake/tsunami, flooding/tornadoes/drought in Midwest and South of the United States, and the debate around the raising of the debt ceiling), this misses the bigger picture that is now apparent in the recently revised GDP data. The recession was deeper than previously reported, and the recovery has been more lackluster. From peak to trough, GDP fell 5.1%, versus a previously reported decline of 4.1%. The 3.1% growth that had been reported in the fourth quarter of 2010 was revised down to 2.3%, and growth in the first half of 2011 appears to have been about half what had recently been expected. GDP growth as reported now in the first half of 2011 was 0.8% (annualized), versus the 1.7% that was expected ahead of the Q2 GDP report and the 3.5% anticipated at the start of the year.

What is missed by many, including those with lofty growth expectations at the start of the year, and those who have attributed the recent weakness to temporary factors, is the impact that debt bubble is having on the economy. The necessary unwinding of the debt bubble means a protracted period of sub-par growth, and increased vulnerability to outside shocks. The economy could get a modest boost from the recent decline in interest rates and the retreat in oil prices, but the household sector has begun the second half of the year with little momentum. Fiscal policy has moved from mildly stimulative to a headwind as austerity measures mean less government spending and a reduction in government payrolls. Business activity has moderated, the housing market remains in recession, job growth has been lackluster, and overseas demand is cooling as world growth has slowed.

We continue to expect an uneven growth path that is beset by risks. While we do not expect the economy to slip into recession, the risks associated with a recession are significant. The tools used to combat recession (lower interest rates, fiscal policy stimulus) are not available in a world of government austerity and zero interest rates. The economy itself has yet to fully recover from the last recession (witness the unemployment rate that remains near double digits), meaning the ability to absorb the shock of recession is reduced. While risks are elevated, a national discussion of tax and budget reform, as an outcome of the debt ceiling debate, offers concrete hope for the future.

STOCK MARKET:

Valuations continue to be rated neutral. The recent weakness in stock prices has pushed trailing P/E ratios lower. The median P/E for the S&P 500 was just above its long-term average at the end of July, and, absent a swift rebound in stocks prices, will likely fall below that level when updated at the end of this month. It remains to be seen whether earnings can continue to meaningfully expand given the current economic headwinds and the fact that much of the earnings growth seen in recent quarters has come from enhanced profitability and government-sponsored growth rather than due to an organic expansion in demand. Pressure on margins is building and earnings expectations have begun to move lower, even prior to the recent turmoil. This reveals the risk with using valuation measures that rely on forward earnings – there are two assumptions that must be correctly made – earnings for the coming year, and the multiple that the market will pay for such earnings (should they emerge). Rather than using valuations as a reason to buy or sell, we prefer to use them to help identify risk in the market. Right now, valuations are neutral from an intermediate-term basis, but trending toward expensive from a longer-term, normalized perspective.

Sentiment has become sufficiently pessimistic to, from a contrarian view-point, become bullish. Put/call ratios have soared on the recent selling and the VIX volatility index nearly reached 50. We will continue to watch the investor sentiment surveys for evidence that pessimism is lasting, which could help prolong any rally that emerges. A return to the level of investor concern seen this time last year could add fuel to stocks on the upside. Then, the AAIL survey showed 21% bulls and 57% bears, while now it is 33% bulls and 45% bears. The NAAIM survey of active money managers shows equity allocations have been reduced to just over 20% (down from a recent peak of 83%). Last summer money managers dropped their equity allocations from 84% to 13%. Finally, the Investors Intelligence data still shows more bulls than bears among advisory services. Last summer we saw 29% bulls and 38% bears, while now we see bulls at 47% and bears at 24%.

The composite seasonal cycle argues for weakness into the final weeks of the year, and the recent selling has broken important support levels on the S&P 500. Importantly, the cyclical uptrend appears to have been violated, and the moving averages for a number of domestic and global indexes have begun to roll over. While the deviations from the trends argue for a potential oversold bounce, oversold conditions within the context of a declining trend are not nearly as compelling as those that emerge while the trend is still rising.

Economic Commentary

INTEREST RATES:

Federal Reserve Policy remains bullish with the FOMC now saying that rates could remain abnormally low into 2013. The latest decision by the Fed, the first since the substantial revisions to GDP data that were released in late July, accompanies a much more subdued evaluation of the current economic situation as well as prospects for growth going forward. In light of these revisions, the economic effect of QE2 appears to have quite limited. Both the commitment to keep interest rates low into 2013 and the tone of the accompanying statement seem to reflect less certainty that the temporary factors cited for the slowdown in the first half of this year are the predominant restraints on growth. One effect of this decision has been to further flatten the short-end of the yield curve. This may drive yield-thirsty investors away from bonds and toward income-generating equities.

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Restructuring News

The Baird CDS Index

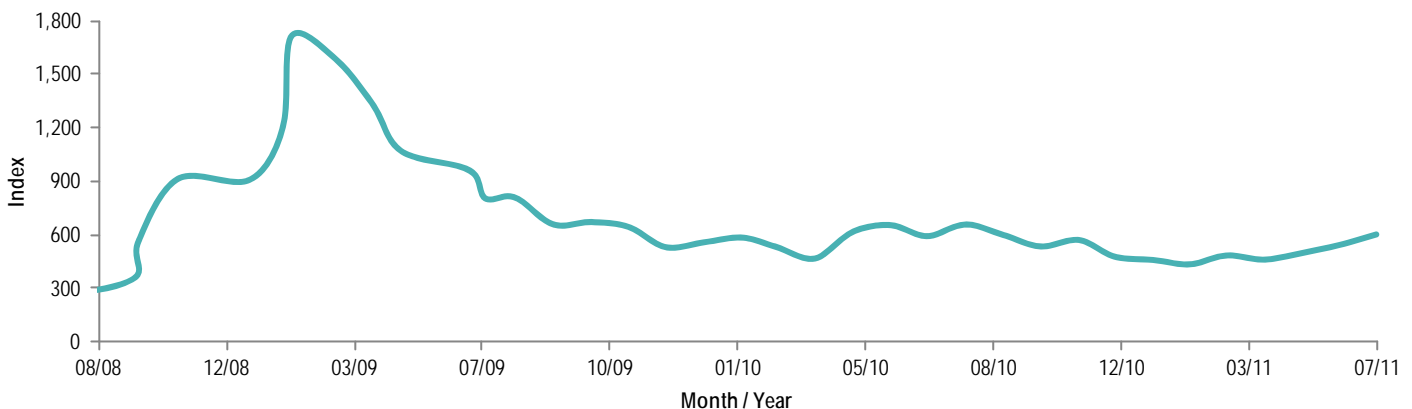
The graph below shows the Baird CDS Index for the three-year period ending July 31, 2011. This proprietary index of 36 credit default swap contracts references non-investment grade debt of non-financial U.S.-based companies using pricing information from Bloomberg.

The Baird CDS Index rose for the third consecutive month in July, increasing 59.1 points to 593.7 – up 11.1% from 534.6 on June 30. With the increases over the past three months, the index has broken out of the relatively tight trading range that it had been in during the six month period from December 2010 thru May 2011, and now stands 19.8% above its trailing six-month moving average. This indicates that the cost of insuring against credit default by non-investment grade companies outside the financial sector has become measurably more expensive in recent months.

Last month our view was that the uptick in the Index in May and June was relatively modest, most likely representing a benign correction in the almost uninterrupted decline in the Index since the height of the credit crisis levels in 2009. However, the continued and significant rise in the Index in July along with the stampede away from riskier assets across markets generally in early August are clear signals that non-investment grade credits now pose a much greater risk of default in the foreseeable future, especially if economic growth continues to weaken.

While our CDS Index is beginning to show signs of stress and thus possibly increased restructuring activity in the future, for the present, the volume of restructurings as shown by the number of bankruptcy filings remains anemic. According to Bankruptcy.com, only 5 public companies filed for bankruptcy in July 2011 compared to 13 in July 2010, and only 47 public companies filed for bankruptcy during the first seven months of 2011 compared to 66 filings in the same period in 2010. For now, the credit markets in the U.S. remain relatively calm, supported by aggressive actions from the Fed. But, this may be the calm before the storm if the economic slowdown causes an upheaval in the flow of cheap capital to leveraged companies.

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. Welhofer

Managing Director, Head of Financial Restructuring Group

Robert W. Baird & Co., Inc.

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Transaction Spotlight – Sale of U.S. Security Associates Holdings, Inc. to Goldman Sachs Capital Partners

Target Company <i>Headquarters</i>	U.S. Security Associates Holdings, Inc. <i>Roswell, GA</i>
Financial Sponsor <i>Headquarters</i>	Wind Point Partners <i>Chicago, IL</i>
Acquiring Company <i>Headquarters</i>	Goldman Sachs Capital Partners <i>New York, NY</i>
Industry Sector	Business Services
Transaction Overview	U.S. Security Associates Holdings, Inc. (“USA”), a portfolio company of Wind Point Partners (“Wind Point”), recently completed its sale to affiliates of Goldman Sachs Capital Partners. Terms of the transaction were not disclosed.
Target Company Description	Founded in 1993, USA has grown both organically and through acquisitions to become the fourth largest uniformed security guard service provider in the United States. With over 33,000 employees, USA provides high quality, customized security solutions, including unarmed and armed guarding, mobile patrols, special event security, loss prevention, emergency response services, risk analysis, and security consulting. USA serves a diverse base of more than 3,000 clients through its nationwide footprint of 146 branches covering 46 states and Puerto Rico.
Financial Sponsor Description	Wind Point is a private equity investment firm that focuses on partnering with top caliber CEOs to acquire middle market businesses. Wind Point manages approximately \$2.5 billion in commitments from pension funds, endowments, and individuals and has invested in more than 80 companies since 1984.
Advisory Role	Baird served as the exclusive financial advisor to U.S. Security Associates Holdings, Inc. and Wind Point Partners. For additional information about this transaction, please contact Baird’s senior Business Services 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
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
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 Aurubis 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

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
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
10/29/10	MailSouth, Inc.	Shared mail services	Sale to Court Square Capital Partners	**	Services
10/19/10	Lincoln Holdings Enterprises, Inc.	Engineered lubrication systems	Sale to AB SKF	\$1,005.0	Industrial
10/03/10	Jena-Optronik GmbH	Satellite components supplier	Sale to Astrium (EADS)	**	Industrial
09/21/10	A-Life Medical, Inc.	Healthcare software coding	Sale to Ingenix (UnitedHealth Group, Inc.)	**	Healthcare
09/07/10	Chamberlin Edmonds & Associates	Revenue cycle management	Sale to Emdeon, Inc.	\$260.0	Healthcare
09/02/10	Rawson LP	Distributor of flow control products	Sale to ERIKS	**	Industrial Distribution
08/31/10	Attenti Holdings SA	Monitoring devices	Sale to 3M Company	\$230.0	Industrial
08/20/10	The Baric Group	Engineered packaged systems	Sale to Colfax Corporation	**	Industrial
08/17/10	Ion Torrent Systems, Inc.	DNA sequencing system	Sale to Life Technologies Corp.	\$725.0	Healthcare
08/17/10	Motor and appliance controls business of Emerson Electric Co.	Process controls	Sale to Nidec Corporation	**	Industrial
08/16/10	Engineered Controls International, Inc.	Pressure regulators and valves	Sale to Sentinel Capital Partners	**	Industrial
08/09/10	Inergy, LP	Propane and natural gas storage	Acquisition of Inergy Holdings, LP	\$1,921.5	Energy
08/05/10	RHIAG Group Ltd	Automotive aftermarket components	Acquisition of AUTO KELLY	**	Consumer
08/04/10	RC2 Corporation	Toys and collectibles	Acquisition of assets of JJ Cole Collections	**	Consumer
08/03/10	PRC, LLC	Contact management solutions	Sale to Alorica, Inc.	**	Services
07/26/10	Renaissance Lighting, Inc.	Lighting fixtures	Sale to Acuity Brands, Inc.	**	Industrial
07/20/10	Global Employment Solutions	Human resource management	Sale to Madison Capital Partners	**	Services
07/19/10	ATC Technology Corp.	Supply chain logistics	Sale to GENCO Distribution Systems, Inc.	\$512.6	Industrial
07/19/10	Ames True Temper, Inc.	Non-powered landscaping products	Sale to Griffon Corp.	\$542.0	Consumer
07/15/10	SterilMed, Inc.	Medical device reprocessing	Sale to Great Hill Partners and Primus Venture Partners	**	Healthcare

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 July, Baird added 16 companies to coverage and now covers 669 companies. These companies have a median and average market capitalization of \$2.2 billion and \$9.6 billion, respectively. In the past five years, Baird has increased the number of companies under coverage by more than 40%.

In July, there were 177 upward and 128 downward adjustments to current-year earnings estimates (generally calendar-year 2011). There were 162 upward and 138 downward revisions to forward-year (generally calendar-year 2012) earnings estimates.

MONTHLY REPORTS

Sector: Automotive

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

Sector: Consumer Products

Contact Kyle Borkowski at kborkowski@rwbaird.com

Sector: Diversified Industrial and Machinery

<http://www.rwbaird.com/content/rpts/MovinMetal.pdf>

Sector: Education Services

<http://www.rwbaird.com/docs/yourreports/EDS0711.pdf>

Sector: Facility, Industrial & Rental Services

Contact Mike Vander Roest at vanderroest@rwbaird.com

Sector: Human Capital Services

<http://www.rwbaird.com/docs/yourreports/HCS0611.pdf>

Sector: Retail, Restaurants, Apparel & Footwear

Contact Kyle Borkowski at kborkowski@rwbaird.com

Sector: Transportation & Logistics Services

Contact Sarah Finneran at sfinneran@rwbaird.com

Sector: Utilities

<http://www.rwbaird.com/docs/yourreports/Utilities0511.pdf>

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	CLPA
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.	GKSRA
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
SFN Group	SFN
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
Tellabs	TLAB

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.	ZBK
Timberland Co.	TBL
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

Restaurants (cont'd)	
The Cheesecake Factory Inc.	CAKE
Chipotle Mexican Grill, Inc.	CMG
Darden Restaurants, Inc.	DRI
Jack in the Box Inc.	JACK
McDonald's Corporation	MCD
P.F. Chang's China Bistro, Inc.	PFCH
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
EOG Resources, Inc.	EOG
EQT Corporation	EQT
GeoResources, Inc.	GEOI
Kodiak Oil & Gas Corp.	KOG
Magnum Hunter Resources Corporation	MHR
OEP Resources, Inc.	OEP
Range Resources Corporation	RRC
Sandridge Energy, Inc.	SD
Southwestern Energy Company	SWN
Whiting Petroleum Corporation	WLL

Master Limited Partnerships	
Breitburn 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
QR Energy, LP	QRE
Regency Energy Partners	RGNC
SandRidge Mississippian Trust I	SDT
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
Amryis 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
Telvent GIT, S.A.	TLVT
Industrial	
Automotive and Truck Supplies	
AB Volvo	VOLV.B
ArvinMeritor, Inc.	ARM
Autoliv, Inc.	ALV
BorgWarner, Inc.	BWA
Commercial Vehicle Group	CVGI
Genex 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
Graham Packaging Company Inc.	GRM
Greif, Inc.	GEF
Owens-Illinois, Inc.	OI

Containers & Packaging (cont'd)	
Reexam PLC	REX.L
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.	GWV
Houston Wire & Cable Company	HWCC
Interline Brands, Inc.	IBI
MSC Industrial Direct Co.	MSM
Pool Corporation	POOL
Praxair, Inc.	PX
Watsco, Inc.	WSO
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
Liquidity Services, Inc.	LODT
Shutterstock, Inc.	SFLY
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
GS1 Technology	GSIT
Intel Corporation	INTC
Lattice Semiconductor Corp.	LSCC
Micron Technology, Inc.	MU
NetLogic Microsystems, Inc.	NETL

Baird U.S. Equity Research Coverage

Semiconductor Components (cont'd)		Life Sciences & Diagnostics		Regional Banks (cont'd)	
OmniVision Technologies, Inc.	OVTI	Affymetrix, Inc.	AFFX	M&T Bank Corp.	MTB
ON Semiconductor	ONNN	BG Medicine, Inc.	BGMD	PNC Financial Services	PNC
SanDisk Corporation	SNDK	Cepheid	CPHD	SunTrust Banks Inc.	STI
Sequans Communications S.A.	SQNS	Clariant, Inc.	CLRT	Synovus Financial Corp.	SNV
STMicroelectronics NV	STM	Exact Sciences Corp.	EXAS	U.S. Bancorp	USB
Texas Instruments, Inc.	TXN	Gen-Probe Incorporated	GPRO	Wells Fargo & Company	WFC
Xilinx Inc.	XLNX	Illumina, Inc.	ILMN	Zions Bancorporation	ZION
Supply Chain Technology		Medical Technology		Real Estate	
Checkpoint Systems, Inc.	CKP	American Dental Partners, Inc.	ADPI	Real Estate	
Diebold, Inc.	DBD	The Cooper Companies	COO	Alexandria Real Estate	ARE
Garmin Ltd.	GRMN	DENTSPLY International Inc.	XRAY	Ashford Hospitality Trust Inc.	AHT
Intermec, Inc.	IN	Exactech, Inc.	EXAC	BioMed Realty Trust, Inc.	BMR
NCR Corporation	NCR	Henry Schein, Inc.	HSIC	Chesapeake Lodging Trust	CHSP
Plantronics, Inc.	PLT	Patterson Companies, Inc.	PDCO	Choice Hotels International, Inc.	CHH
ScanSource, Inc.	SCSC	Sirona Dental Systems, Inc.	SIRO	Cousins Properties, Inc.	CUZ
Zebra Technologies Corporation	ZBRA	Stryker Corporation	SYK	DiamondRock Hospitality Co.	DRH
Healthcare/Life Sciences		Varian Medical Systems, Inc.	VAR	Digital Realty Trust, Inc.	DLR
Biotechnology		Wright Medical Group, Inc.	WMGI	Douglass Emmett	DEI
Affymax, Inc.	AFFY	Young Innovations Inc.	YDNT	Duke Realty Corp.	DRE
Alexion Pharmaceuticals, Inc.	ALXN	Zimmer Holdings, Inc.	ZMH	FelCor Lodging Trust, Inc.	FCH
Allscripts Healthcare Solutions, Inc.	MDRX	Specialty Pharmaceuticals		Franklin Street Properties Corp.	FSP
AMAG Pharmaceuticals, Inc.	AMAG	Abiomed Inc.	ABMD	HCP, Inc.	HCP
Amgen, Inc.	AMGN	Acorda Therapeutics	ACOR	Health Care REIT Inc.	HCN
Amylin Pharmaceuticals, Inc.	AMLN	Alkermes Inc.	ALKS	Healthcare Realty Trust Inc.	HR
Array BioPharma Inc.	ARRY	Boston Scientific Corp.	BSX	Hersha Hospitality Trust	HT
Biogen Idec Inc.	BIIB	Cardiovascular Systems, Inc.	CSII	Host Hotels & Resorts	HST
BioMarin Pharmaceutical, Inc.	BMRN	Cephalon Inc.	CEPH	Hyatt Hotels Corporation	H
Celgene Corporation	CELG	C.R. Bard, Inc.	BCR	Intercontinental Hotels Group PLC	IHG
Cerus Corporation	CERS	Cyberonics, Inc.	CYBX	Kilroy Realty Corporation	KRC
Cubist Pharmaceuticals, Inc.	CBST	Edwards Lifesciences Corp.	EW	LaSalle Hotel Properties	LHO
Dendreon Corporation	DNDN	Endologix, Inc.	ELGX	Liberty Property Trust	LYR
Endocyte, Inc.	ECYT	Forest Laboratories Inc.	FRX	Marcus Corporation	MCS
Gilead Sciences, Inc.	GILD	HeartWare, Inc.	HTWR	Marriott International, Inc.	MAR
Human Genome Sciences, Inc.	HGSI	Medtronic, Inc.	MDT	Parkway Properties, Inc.	PKY
Incyte Corporation	INCY	Obagi Medical Products, Inc.	OMPI	Pebblebrook Hotel Trust	PEB
InterMune, Inc.	ITMN	Shire plc	SHPGY	Red Lion Hotels Corporation	RLH
MannKind Corporation	MNKD	St. Jude Medical, Inc.	STJ	Senior Housing Properties Trust	SNH
Onyx Pharmaceuticals, Inc.	ONXX	Thoratec Corp.	THOR	Starwood Hotels & Resorts Worldwide	HOT
Optimer Pharmaceuticals, Inc.	OPTR	Volcano Corporation	VOLC	Strategic Hotels & Resorts, Inc.	BEE
Pharmasset, Inc.	VRUS	Financials		Sunstone Hotel Investors, Inc.	SHO
Regeneron Pharmaceuticals	REGN	Community Banks		Supertel Hospitality, Inc.	SPPR
Theravance, Inc.	THRX	Associated Banc-Corp	ASBC	Terreno Realty Corporation	TRNO
Vertex Pharmaceuticals, Inc.	VRTX	Bank of Hawaii Corporation	BOH	Thomas Properties Group, Inc.	TPGI
Distribution & Services		Bank of Kentucky Financial Corporation	BKYF	Ventas, Inc.	VTR
Accretive Health, Inc.	AH	Cardinal Financial Corp.	CFNL	REITs	
AmerisourceBergen Corporation	ABC	First Financial Bancorp	FFCB	American Campus Communities, Inc.	ACC
Athenahealth Inc.	ATHN	FirstMerit Corporation	FMER	Associated Estates Realty Corp.	AEC
Cardinal Health, Inc.	CAH	First Midwest Bancorp, Inc.	FMBI	AvalonBay Communities, Inc.	AVB
Cerner Corporation	CERN	First PacTrust Bancorp, Inc.	FPTB	Camden Property Trust	CPT
Charles River Laboratories	CRL	IBERIABANK Corporation	IBKC	Corporate Office Properties Trust	OFC
Covance Inc.	CVD	Independent Bank Corp.	INDB	DuPont Fabros Technology, Inc.	DFT
ICON plc	ICLR	Main Street Capital Corporation	MAIN	EastGroup Properties, Inc.	EGP
McKesson Corporation	MCK	MB Financial, Inc.	MBFI	Education Realty Trust, Inc.	EDR
MedAssets, Inc.	MDAS	New Mountain Finance Corporation	NMFC	Essex Property Trust, Inc.	ESS
Merge Healthcare Inc.	MRGE	Old National Bancorp	ONB	Extra Space Storage Inc.	EXR
Owens & Minor, Inc.	OMI	Pinnacle Financial Partners, Inc.	PNFP	Federal Realty Investment Trust	FRT
PAREXEL International Corp.	PRXL	PennantPark Investment Corp.	PNNT	First Potomac Realty Trust	FPO
Pharmaceutical Product Development	PPDI	PrivateBancorp, Inc.	PVTB	Gladstone Commercial Corporation	GOOD
PSS World Medical, Inc.	PSSI	Prosperity Bancshares Inc.	PRSP	Highwoods Properties, Inc.	HIW
Quality Systems, Inc.	OSII	Regions Financial Corp.	RF	Home Properties, Inc.	HME
Facilities & Services		Sandy Spring Bancorp, Inc.	SASR	Investor Real Estate Trust	IRET
Addus HomeCare Corp.	ADUS	S.Y. Bancorp, Inc.	SYBT	Kimco Realty Corporation	KIM
Alliance HealthCare Services	AIQ	Union First Market Bankshares	UBSH	Mid-America Apartment Communities	MAA
Almost Family, Inc.	AFAM	Wintrust Financial Corporation	WTFC	PS Business Parks Inc.	PSB
Amedisys, Inc.	AMED	Regional Banks		Public Storage, Inc.	PSA
AmSurg Corporation	AMSG	Bank of America	BAC	Realty Income Corporation	O
Community Health Systems, Inc.	CYH	BB&T Corp.	BBT	Regency Centers Corporation	REG
DaVita, Inc.	DVA	Comerica, Inc.	CMA	Saul Centers, Inc.	BFS
Gentiva Health Services, Inc.	GTIV	Fifth Third Bancorp	FITB	Summit Hotel Properties, Inc.	INN
HCA Holdings, Inc.	HCA	JP Morgan Chase & Co.	JPM	U-Store-It Trust	YSI
Health Management Associates, Inc.	HMA	KeyCorp	KEY	UDR, Inc.	UDR
HealthSouth Corporation	HLS			Urstadt Biddle Properties Inc.	UBA
LHC Group, Inc.	LHCG			Washington Real Estate Invst. Trust	WRE
LifePoint Hospitals, Inc.	LPNT			Weingarten Realty Investors	WRI
MedCath Corporation	MDTH				
Select Medical Holdings Corporation	SEM				
StoneMor Partners LP	STON				
Tenet Healthcare Corp.	THC				
Triangle Capital Corp.	TCAP				
Universal Health Services, Inc.	UHS				

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