

M&A Market Analysis

2010

2010 Middle-Market M&A Outlook

Hope Springs Eternal



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Overview of 2009 M&A Activity

We started 2009 against the backdrop of frozen capital markets and M&A activity hitting record levels of month-over-month declines. In short, nothing seemed to be working in Q1 except select deals in the pharma and tech sectors, which were the only sectors with stable balance sheets and earnings. After we trudged through the frozen tundra of Q1, a suddenly red-hot high yield market started to thaw the overall credit markets in Q2. By the second half of 2009, financing for large M&A deals reemerged, and the green shoots of a broad-based M&A recovery seemed in place; it was like springtime in M&A-land as household names such as Dell, Xerox, Disney, and Kraft announced game-changing deals weekly. Although M&A activity in 2009 declined substantially for the second consecutive year, this momentum in the second half of 2009 appears to be carrying into 2010, as M&A discussions are at the top of the agendas in most boardrooms. We are hopeful that this activity translates into a 2010 that feels like a blazing hot summer full of deals, but the economy and the credit markets will be the key factors in sustaining an M&A rebound.

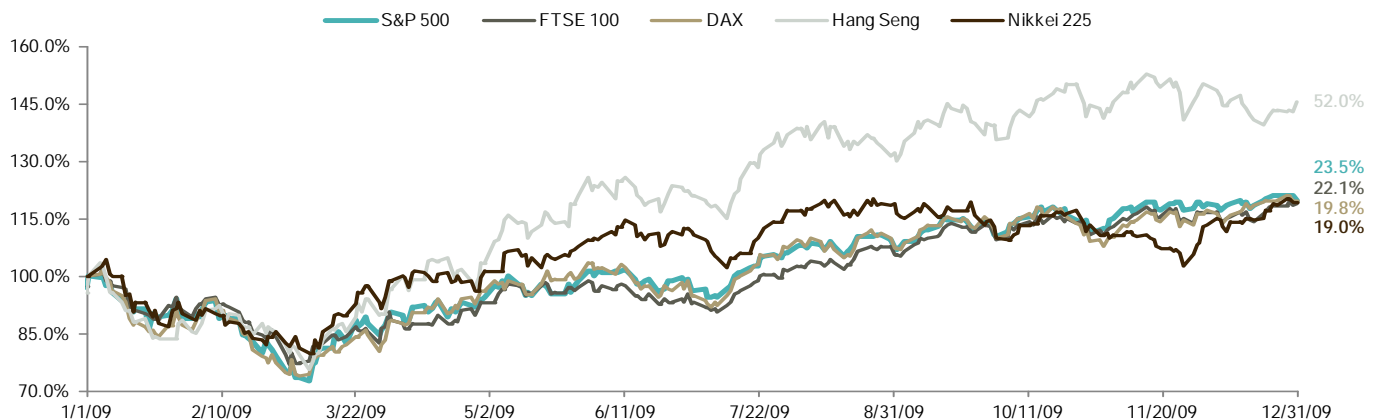
The following text reviews issues and trends relevant to M&A activity in 2009.

Economy Exiting Recession. In terms of real GDP growth, 2009 was the worst year for the global economy in decades. After severe recessionary conditions in the first half of 2009, economic conditions improved during the year, as most developed economies reported GDP expansion in Q3 (relative to Q2). The return to growth was largely driven by government intervention, including massive stimulus programs that lifted second-half manufacturing activity. Labor markets were weak, with unemployment in the U.S. and Europe at about 10% in late 2009. However, recent U.S. labor market data has been less negative, including minimal net job losses in Q4 and weekly jobless claims at 52-week lows in late December.

Thawing Credit Markets. Constraints on financing were a headwind for M&A activity in 2009. Although obtaining access to debt capital remains challenging for firms in certain sectors, the credit markets have largely normalized from the extreme conditions of Q1. Better fundamentals included hefty growth in corporate bond issuance (powered by robust inflows for high yield funds), dramatic reductions in LIBOR and the TED spread, and stronger secondary pricing. Furthermore, in the latter months of 2009, leveraged loans related to larger transactions were well received, as indicated by upsized deals, tighter spreads, and looser covenants. However, bank lending declined further amid rising delinquencies, with financing for smaller transactions continuing to be more difficult to secure.

Rallying Stock Market. Global equity markets advanced impressively last year even though 2008's brutal slide extended into 2009. The five major indices shown in the chart below gained 27.3% on average in 2009. Stocks remain well under their highs, as the group's mean return was -23.5% in 2008-2009. Nevertheless, the rebound from the bottom resulted in major growth in the number of follow-on equity offerings, with proceeds benefiting corporate balance sheets and providing capital for future M&A activity.

Relative Performance of Global Market Indices



Source: Capital IQ.

Overview of 2009 M&A Activity

We highlight the following data related to M&A activity in 2009.

- On a global basis, the **average deal size** for transactions with a reported value was \$145 million, down slightly from \$148 million in 2008 and far below the recent peak of \$229 million in 2006. The 2009 figure was above the average annual values of \$111 million to \$136 million seen during the last economic downturn (2001-2003). In the U.S., the average transaction size increased to \$228 million from \$211 million in 2008 while remaining well under the peak of \$387 million in 2007.
- In the global **middle market**, declines in deal count (-16.4%) and dollar volume (-25.0%) were sharper than experienced overall. The number of transactions in the U.S. middle market decreased 8.9%, reflecting a 30.4% drop in the \$100 million to \$1 billion range and a 3.4% dip for deals valued under \$100 million. With U.S. middle-market deals skewing smaller for most of the year, dollar volume fell 30.4% in 2009.
- The number of **deals valued above \$1 billion** was down 22.8% globally and off 20.0% in the U.S. The size of the average billion-dollar-plus deal in 2009 increased to \$4.3 billion on a global basis (vs. \$3.8 billion in 2008) and to \$6.2 billion in the U.S. (vs. \$4.3 billion).
- Metrics for **U.S. deals involving private equity firms** declined substantially in 2009, with deal count decreasing 28.8% and dollar volume 49.7% lower. Financial sponsor transactions accounted for 14.5% of U.S. M&A activity, below the figures for 2008 (16.8%) and 2007 (18.7%). Dollar volume of \$85.0 billion for financial sponsor deals represented 11.1% of total U.S. M&A dollar volume, down from 21.8% in 2008 and 35.5% in 2007, when volume crested at \$534.6 billion.
- The number of **U.S. take-private transactions** increased 4.5% to 162 but remained well below the recent peak of 241 in 2007. With financing difficult to obtain for private buyers, take-private deals were smaller on average; dollar volume for this group was down 52.0% to \$27.2 billion, well below the 2007 figure of \$339.6 billion.
- As expected, **bankruptcy-related M&A activity** increased significantly in 2009. The number of U.S. middle-market bankruptcy-related transactions rose 52.8% to 414. The 2009 total was nearly triple the level registered in 2007 and is the annual highest figure reported by our data provider, reflecting the severity of the recession and the extensive nature of balance-sheet distress following the credit boom.
- **Average debt multiples** declined further in 2009, as the credit crunch carried over from 2008. According to S&P LCD, average debt multiples for middle-market LBO loans dropped to 3.3x Total Debt/EBITDA in 2009 from 4.5x in 2008 and the 5.6x peak in 2007. With lenders requiring greater equity capital commitments for LBO transactions, the average equity contribution jumped to 45.5% in 2009, up from 38.9% in 2008 and the historical range of 27-37%.
- In the U.S. middle market, **valuation multiples** plummeted due to the impact of the global recession and the credit crisis on the deal appetite of buyers and sellers. Among announced U.S. middle-market deals with meaningful valuation data available, the median Enterprise Value/EBITDA multiple was 7.5x in 2009, compared to 9.5x in 2008 and 9.9x in 2007, the recent peak year. Last year's figure was the lowest since the 7.5x median EBITDA multiple in 2003. However, it is important to note that valuations appeared to bottom during 2009. On a last 12 month (LTM) basis, the median EBITDA multiple increased from 7.2x after Q3 to the year-end value of 7.5x. In addition to increasing availability for debt financing for M&A discussed previously, the sustained rally in the equity markets has supported valuations of prospective targets in recent months, as public-company comparables are a critical M&A valuation benchmark. Depressed EBITDA levels may have also played a role in the late-year uptick in multiples, as buyers may be giving more credit for future growth off a trough EBITDA number.

2010 Outlook

After two years of significant declines, M&A activity by the numbers appears poised to grow moderately in 2010 based on improved trends in late 2009 and the outlook for various drivers. In 2010, metrics matching the Q4 run rate would translate to a 7% increase in deal count and 36% growth in dollar volume. A recent survey of M&A professionals (detailed on page 5) revealed optimism regarding upcoming deal activity, supporting the notion that an M&A rebound in 2010 may be larger than the numbers would suggest. Although 2010 activity will still be far below peak levels, the chart below shows several key variables that seem to have shifted to a clear positive status. These factors, particularly the rapidly improving credit markets and an increase in CEO confidence, could be the catalysts needed for a robust M&A environment that could resemble 2004 – the last time we came out of a recession. However, the M&A market in 2010 will go the way the economy goes: any hint of a double-dip recession could roil the credit markets, and M&A activity would in turn dry up as fast it sprouted up.

Factors Affecting the M&A Environment					
	Mid 1990s – 2000	2000 – 2002	2002 – 2007	2008 – 2009	2010
Economic Environment	↑	↓	↑	↓	↔
Stock Market Performance	↑	↓	↑	↔	↑
Credit Market Strength	↑	↔	↑	↓	↑
Investor Confidence	↑	↓	↑	↓	↑
CEO Confidence	↑	↓	↑	↓	↑
Bankruptcies / Restructuring / Corporate Scandals	↔	↓	↑	↑	↔
Geopolitical Situation	↑	↓	↔	↔	↔
Political Landscape	↑	↑	↑	↔	↔
Shareholder Activism	↔	↔	↑	↑	↔
Valuation	↑	↓	↑	↓	↑

2010 Outlook

Key Drivers of M&A Activity for 2010

- **Strategics Stepping Up.** Backed by large cash hoards and access to capital, strategic acquirors should be increasingly active on the M&A front in 2010. Due to limited capacity to lift earnings through cost cutting and with organic sales growth likely remaining anemic, the operational leverage achievable through acquisition synergies should be appealing to corporate boards contemplating “build vs. buy” decisions. The liquidity readily available to finance the large, strategic transactions in the second half of 2009 should trickle down to a broader group of corporate buyers in 2010, underpinning growth for deals in the \$100 million to \$1 billion range. In addition, the recent uptick in valuations could drive divestiture activity, as corporates may view the healthier environment as an attractive opportunity to unload non-core assets.
- **Private Equity Activity Reemerging.** Following a couple of very slow years, private equity firms should contribute more to deal flow in 2010, both as sellers looking to exit long-term holdings and as buyers seeking to deploy large amounts of committed capital (estimated to exceed \$500 billion). In addition, the increase in credit liquidity should begin pushing LBO total debt levels higher. However, deal-making among financial sponsors could remain restricted by ongoing focus on struggling portfolio companies, reduced fund-raising capacity, and higher equity requirements to get LBOs completed despite increasing debt levels. In addition, although decreasing, the gap between public and private market valuations could push sponsors to view an IPO as the preferred liquidity event over M&A, which could dampen M&A activity from sponsors.
- **Credit Market Markets Will Lead the Way.** While banks continue to be selective in lending for M&A purposes, the renewed appetite for large leveraged loans in late 2009 demonstrated that liquidity is increasingly finding its way to high quality opportunities, including in the middle market. However, since lending conditions have not normalized for smaller companies, a decline in delinquency levels (as is projected in 2010) appears necessary for access to debt capital to broaden.
- **The Economy is the Wildcard.** Despite the return of GDP growth in the second half of 2009, concerns persist about the sustainability of better economic conditions. Corporate boardrooms may become risk averse again if they feel a W-shaped recovery is becoming likely amid high unemployment, household deleveraging, and continued dependence on transitory stimulus measures. Trends for M&A in the Industrial space should be a meaningful litmus test for the recovery; if the economic recovery has in fact taken hold, executives in this sector should have the confidence to pursue M&A strategies that would enable them to capitalize on the substantial consolidation opportunities available in most Industrial sub-sectors.

Global M&A Commentary

December capped off a solid final quarter of 2009 for M&A activity, as the recent trend of substantial increases in transaction sizes continued. In December, the global deal count increased 3.3% to the highest monthly total of the year. Due to the emergence of larger deals, reported dollar volume was up 55.2% to \$192.3 billion, the second-highest figure of 2009 (trailing only November). The middle market posted its strongest metrics of the year, with an 8.2% increase in the number of transactions and 50.5% growth in volume.

In 2009, the global transaction count dropped 15.2%, and announced dollar volume decreased 18.0%. On a quarterly basis, the number of deals bottomed in Q2, and dollar volume troughed in Q3. In Q4, the deal count was up 9.5% compared to the average of the prior three quarters, and dollar volume surged 55.3% relative to the pace of Q1-Q3 on strength for transactions in the \$100+ million category. On a full-year basis, the global middle market registered declines in deal count (-16.4%) and dollar volume (-25.0%). However, these figures improved on a sequential basis in each quarter after Q1.

A revitalized M&A market likely reflects cautious optimism in the global economic outlook among corporate executives. Industrial output consistently expanded in the U.S. and Europe for most of the second half of 2009, supporting improvement in confidence measures. A better tone for the economy (relative to 2008-2009) is evident in forecasts from the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development, and the United Nations, which estimate global economic growth of 2-3% in 2010. Projections incorporate the benefits of government-driven stimulus programs along with strong growth in developing countries such as China and India, offset by the negative impact of elevated unemployment and higher household savings rates on near-term consumer spending. Although economic expansion could be below historical averages in 2010, an extended period of moderate growth would be much more conducive to M&A activity than prior recessionary conditions.

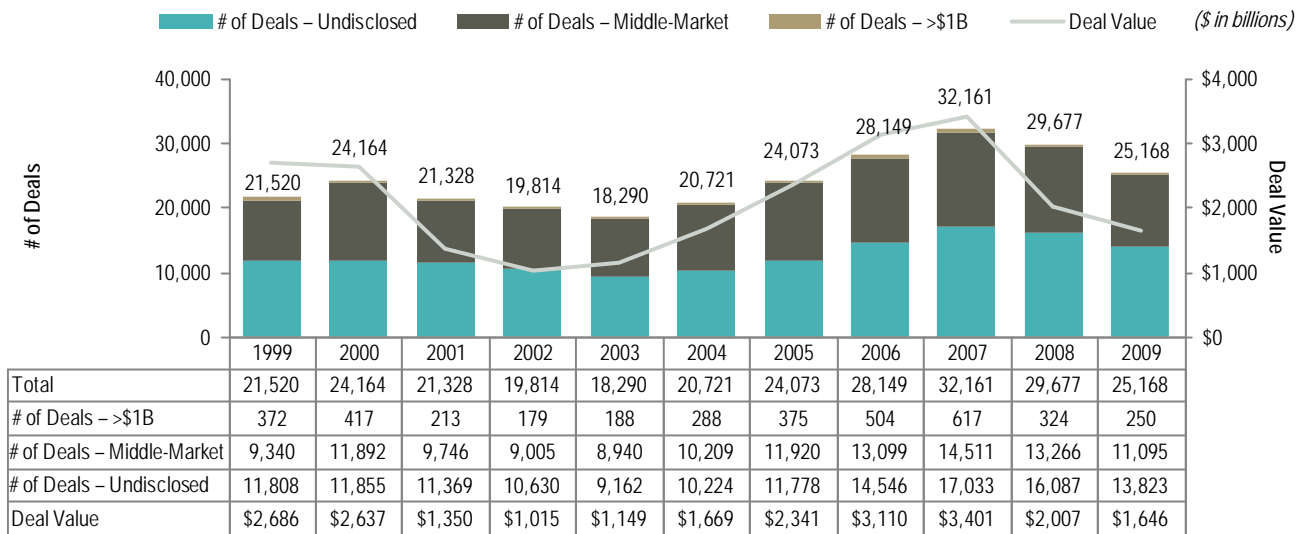
As with the economy, the credit markets seem to be gaining surer footing. Over the past few months, large leveraged loans related to announced acquisitions generally have met acceptance, as indicated by upsized deals and tightened spreads. Based on strong fund inflows through year-end as well as loose monetary policies among leading central banks across geographies, the market for leveraged loans and high yield debt should remain solid well into 2010. However, lenders have remained conservative with smaller borrowers, which credit committees typically view as higher-risk entities. Broader access to bank lending, including for M&A purposes, likely requires reduced default levels (as projected in 2010 by credit rating agencies) and multiple quarters of improved operating results among borrowers.

December was another positive month for the global equity markets. The five major indices shown in the chart on page 1 were up an average of 5.0% in December. The mean full-year return for this group was 27.3%. Higher equity valuations fueled a substantial increase in the number of follow-on offerings in 2009, enabling corporations to deleverage and raise funds for potential M&A activity.

The latest semi-annual survey of merger professionals conducted by the Association for Corporate Growth (ACG) and Thomson Reuters highlighted the ongoing challenges faced by M&A participants while indicating a brighter outlook for upcoming deal flow. Of the 900+ participants, 87% described the current environment for M&A as fair or poor, representing only slight improvement from the prior survey. The credit crunch and valuation differences (between prospective buyers and sellers) have been the two largest impediments to deal making for this group. Despite concerns about the recent backdrop, respondents predicted an upturn in M&A activity in the first half of 2010. Among participants, 82% expected an increase in the number of transactions over the next six months, up from 56% in the previous survey. Anticipated improvement in the debt markets over the next six months (projected by 74% of respondents) was seen as a key driver of better M&A trends.

Global M&A Activity

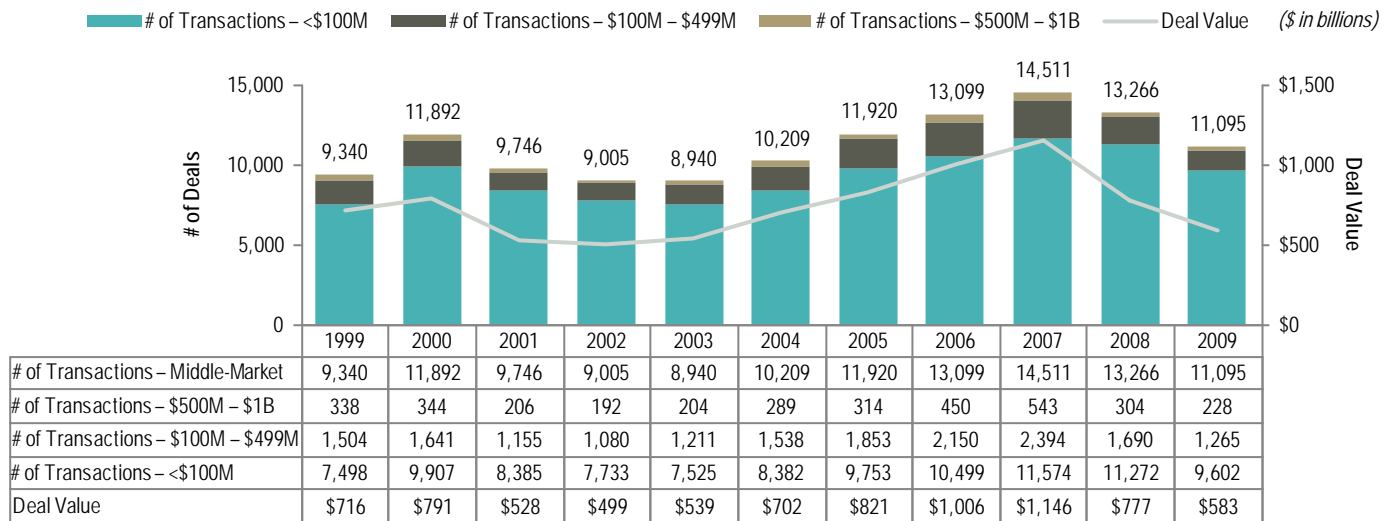
Global M&A Activity



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 – December			Deal Value – December		
	2008	2009	% Change	2008	2009	% Change
North America	824	901	9.3%	\$24,908	\$110,704	344.5%
– U.S.	708	780	10.2%	\$22,645	\$106,115	368.6%
Central / South America	63	83	31.7%	\$10,117	\$13,679	35.2%
Europe	817	715	(12.5%)	\$57,753	\$47,509	(17.7%)
– U.K.	176	194	10.2%	\$5,874	\$11,261	91.7%
– Germany	133	75	(43.6%)	\$5,631	\$4,111	(27.0%)
Africa / Middle East	48	68	41.7%	\$3,000	\$1,672	(44.3%)
Asia-Pacific (ex. Japan)	510	606	18.8%	\$30,806	\$29,023	(5.8%)
– China	251	341	35.9%	\$23,854	\$14,786	(38.0%)
– India	47	46	(2.1%)	\$722	\$840	16.3%
Japan	167	152	(9.0%)	\$10,922	\$7,537	(31.0%)
Global Total	2,275	2,350	3.3%	\$123,874	\$192,268	55.2%

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 – 2009			Deal Value – 2009		
	2008	2009	% Change	2008	2009	% Change
North America	11,124	8,985	(19.2%)	\$860,124	\$881,909	2.5%
– U.S.	9,497	7,826	(17.6%)	\$777,401	\$764,106	(1.7%)
Central / South America	861	633	(26.5%)	\$72,698	\$75,961	4.5%
Europe	11,850	9,926	(16.2%)	\$974,551	\$489,501	(49.8%)
– U.K.	3,290	2,601	(20.9%)	\$278,379	\$130,973	(53.0%)
– Germany	1,625	1,202	(26.0%)	\$158,648	\$61,748	(61.1%)
Africa / Middle East	762	626	(17.8%)	\$58,870	\$44,016	(25.2%)
Asia-Pacific (ex. Japan)	5,445	4,685	(14.0%)	\$249,659	\$253,505	1.5%
– China	2,474	2,362	(4.5%)	\$144,432	\$149,942	3.8%
– India	939	562	(40.1%)	\$34,175	\$19,817	(42.0%)
Japan	2,231	2,020	(9.5%)	\$111,395	\$119,342	7.1%
Global Total	29,677	25,168	(15.2%)	\$2,006,674	\$1,646,132	(18.0%)

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.

Global Middle-Market M&A Deal Statistics

(\$ in millions)

	Number of Deals – December			Deal Value – December		
	2008	2009	% Change	2008	2009	% Change
North America	367	409	11.4%	\$17,771	\$28,405	59.8%
– U.S.	297	339	14.1%	\$15,508	\$23,817	53.6%
Central / South America	35	38	8.6%	\$2,596	\$2,838	9.3%
Europe	277	263	(5.1%)	\$15,648	\$21,437	37.0%
– U.K.	81	100	23.5%	\$4,641	\$8,419	81.4%
– Germany	28	19	(32.1%)	\$2,615	\$724	(72.3%)
Africa / Middle East	28	32	14.3%	\$1,595	\$1,672	4.8%
Asia-Pacific (ex. Japan)	351	439	25.1%	\$10,318	\$22,180	115.0%
– China	190	264	38.9%	\$5,861	\$14,786	152.3%
– India	27	24	(11.1%)	\$722	\$840	16.3%
Japan	93	70	(24.7%)	\$3,812	\$3,482	(8.7%)
Global Total	1,090	1,179	8.2%	\$47,033	\$70,785	50.5%

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 – 2009			Deal Value – 2009		
	2008	2009	% Change	2008	2009	% Change
North America	4,539	3,946	(13.1%)	\$318,935	\$227,490	(28.7%)
– U.S.	3,572	3,254	(8.9%)	\$279,858	\$194,748	(30.4%)
Central / South America	426	292	(31.5%)	\$33,658	\$28,062	(16.6%)
Europe	3,942	2,778	(29.5%)	\$311,183	\$185,277	(40.5%)
– U.K.	1,459	941	(35.5%)	\$100,046	\$61,631	(38.4%)
– Germany	365	242	(33.7%)	\$36,887	\$23,494	(36.3%)
Africa / Middle East	399	309	(22.6%)	\$31,703	\$19,858	(37.4%)
Asia-Pacific (ex. Japan)	3,699	3,274	(11.5%)	\$141,213	\$149,616	6.0%
– China	1,944	1,894	(2.6%)	\$73,621	\$98,794	34.2%
– India	446	241	(46.0%)	\$17,501	\$7,837	(55.2%)
Japan	1,281	1,093	(14.7%)	\$55,057	\$43,164	(21.6%)
Global Total	13,266	11,095	(16.4%)	\$777,007	\$582,540	(25.0%)

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.

U.S. M&A Commentary

YEAR ENDED ON HIGH NOTE

M&A activity in the U.S. closed the year on an uptick in December. The number of deals was the largest since January, increasing 10.2% on a year-over-year basis. The theme of big, game-changing acquisitions was apparent again, as reported dollar value jumped 369% due to greater contribution from billion-dollar-plus deals. The middle market factored into higher numbers with 14.1% growth in transaction count and a 53.6% rise in dollar volume.

Gains in M&A metrics suggest improved economic conditions in the U.S. have enhanced sentiment among deal participants. The Institute for Supply Management's index of national factory activity reached its highest level since 2006 and pointed to growth in the manufacturing sector for the fifth successive month. Although the net payroll number for December was below expectations, recent promising signs in the labor market have included: hiring of temporary workers rising for five consecutive months, the number of initial jobless claims reaching a 17-month low in the final week of December, and planned layoffs dropping to the lowest level in two years in December. Furthermore, a survey of U.S. employers conducted by online jobs site CareerBuilder indicated an increase in targeted hiring and a decrease in planned headcount reductions in 2010 (relative to 2009). In December, economists in the Blue Chip Economics Indicators group projected 2010 GDP growth of 2.7%, in line with other recent forecasts. Coming out of the recession, a sustained stretch of economic expansion would inject additional confidence into the M&A market.

The credit markets ended the year strongly, with debt capital increasingly available, especially for high quality M&A opportunities. Positives seen in late 2009 included lower LIBOR floors for loans, LIBOR and the TED spread near multi-year lows, and credit default swap prices at the lowest level of the year. In addition, proceeds from high yield corporate bond issuance tripled in 2009, fueled by low interest rate alternatives and strong inflows into high yield funds since Q2. High yield bonds should remain a source of liquidity in the near term based on continuation of healthy fund inflows and the low interest rates available elsewhere. However, banks remain very selective in establishing new loans, particularly to smaller companies, due to concerns about increasing exposure to loan losses. On an encouraging note, the number of bonds in U.S. non-financial industries upgraded by Standard & Poor's exceeded downgrades in November and December, suggesting stability among corporate borrowers. The leading rating agencies project a significant decrease in delinquencies in 2010, which should result in banks becoming a more viable source of M&A capital later this year.

The U.S. equity market capped off a stellar year with a 1.8% increase in the S&P 500 in December, bringing the full-year gain to 23.5%. After a record-breaking bear market stretched into early 2009, the S&P 500 rose a remarkable 64.8% from March 9 (the lowest close of the year) through December. The increase in equity values has fueled robust follow-on offering activity for an extended period (including in December), with proceeds enhancing the M&A financing options for corporate issuers.

U.S. M&A Activity

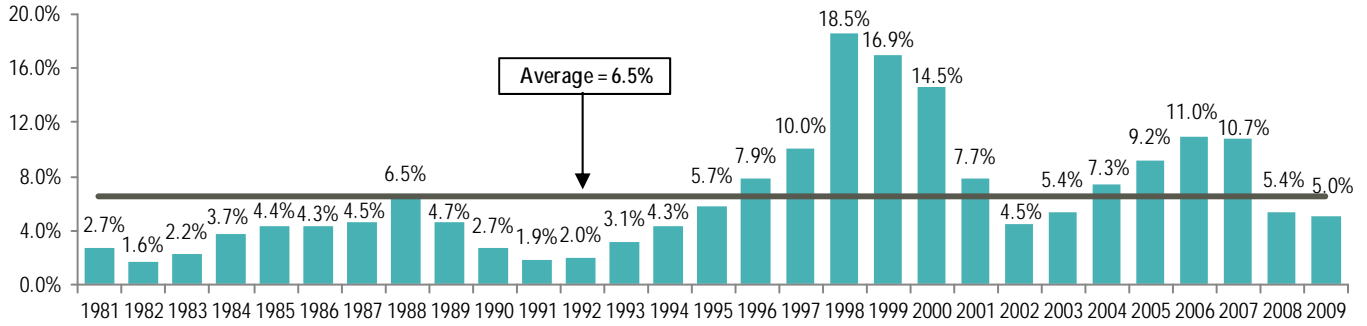
- There was a total of 780 deals announced in December, a 10.2% increase from the year-ago period and above the 2009 monthly average of 652 deals. Dollar volume of \$106.1 billion experienced a 369% increase, largely due to Exxon's \$44.1 billion bid for XTO Energy and Comcast's \$22.9 billion offer for NBC Universal.
- Q4 was the best quarter of the year for deal count and dollar volume. Relative to Q4 2008, the number of transactions dipped 1.9%, and dollar volume rose 163%.
- In 2009, there was a total of 7,826 announced M&A deals, off 17.6% from 2008. Dollar volume totaled \$764.1 billion, a 1.7% drop.

U.S. Middle-Market Activity

- December showed an uptick in middle-market M&A activity. There were 339 announced deals, which represented a 14.1% increase from December 2008. Dollar volume totaled \$23.8 billion, rising 53.6%. Of note, December marked the fourth consecutive month of increases in the number of deals for the \$100 million to \$500 million segment.
- The U.S. middle market posted its best metrics of the year in Q4. On a year-over-year basis, the Q4 deal count increased 7.7%, and reported dollar volume grew 70.8%.
- For the full year, the U.S. middle market registered 3,254 deals, an 8.9% decline from last year, while dollar volume of \$194.7 billion was down 30.4%.
- For U.S. middle-market transactions across all industry sectors in 2009, the median Enterprise Value/EBITDA multiple was 7.5x, down from 9.5x in 2008. Multiples seem to have stabilized: the median EV/EBITDA multiple was 7.7x for the second half of 2009, slightly higher than the 7.4x figure for the first half of the year.

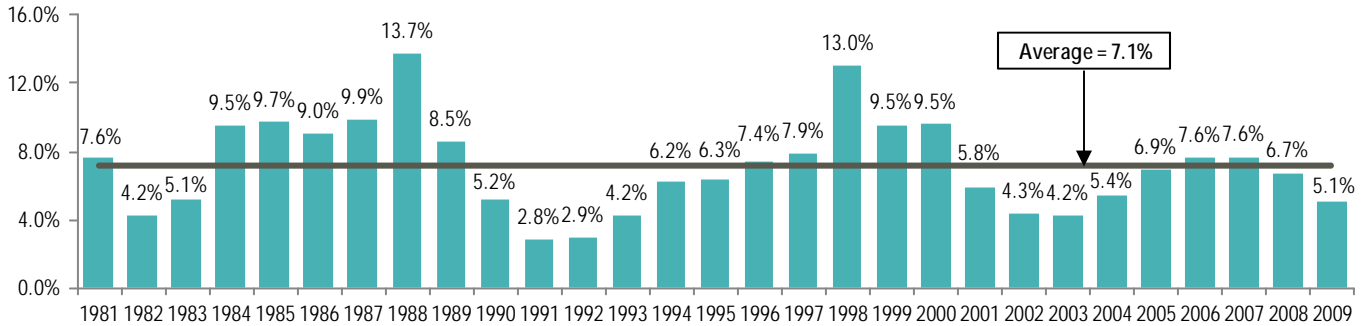
U.S. M&A Activity

U.S. M&A Activity as a Percent of U.S. GDP



Source: Robert W. Baird & Co. Incorporated M&A Market Analysis, Dealogic, Thomson Financial and U.S. Government sources.

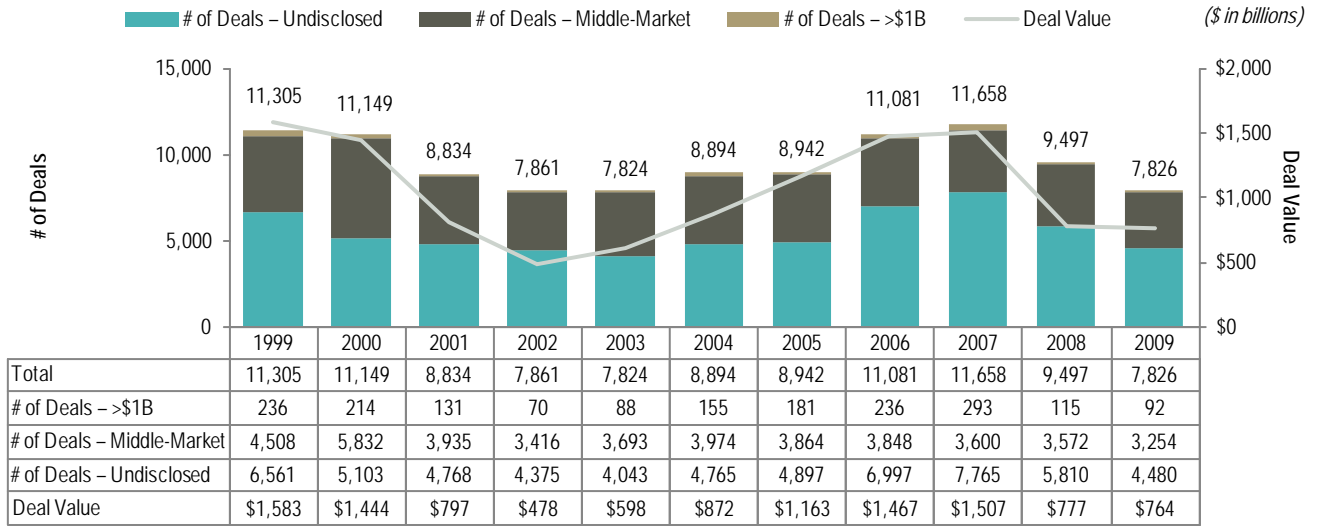
U.S. M&A Activity as a Percent of Equity Market Capitalization



Source: Robert W. Baird & Co. Incorporated M&A Market Analysis, Dealogic, Thomson Financial, NYSE and NASDAQ.

U.S. M&A Activity

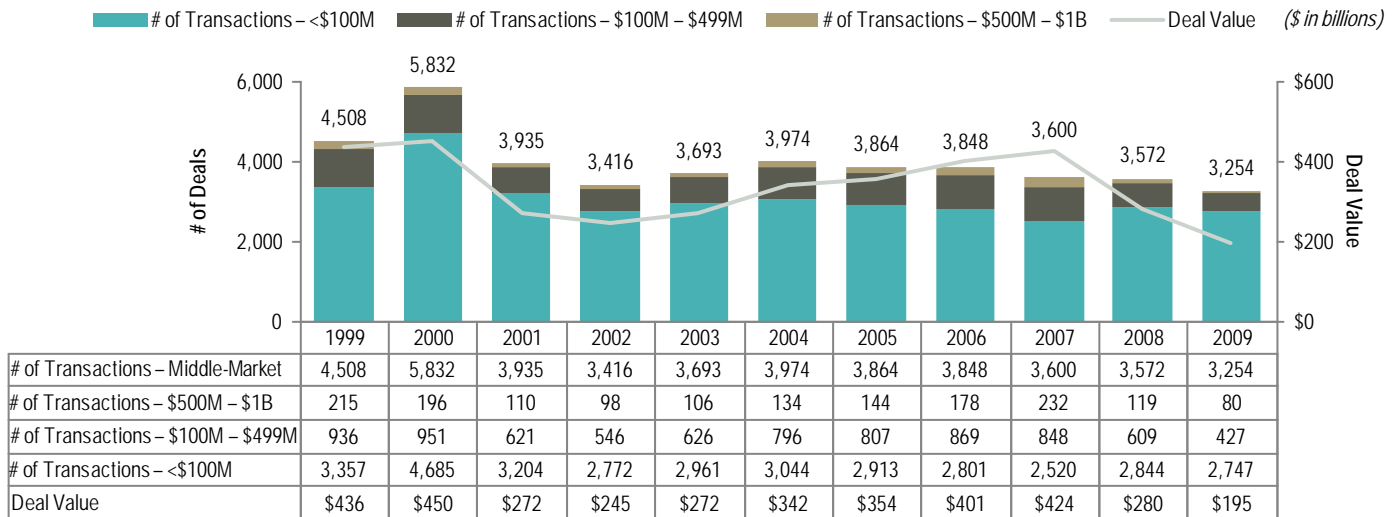
U.S. M&A Activity



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			
	2008	2009	% Change
December			
<\$100M	261	274	5.0%
\$100M-\$499M	32	54	68.8%
\$500M-\$1B	4	11	175.0%
Total Middle-Market	297	339	14.1%
>\$1B	4	12	200.0%
Undisclosed	407	429	5.4%
Total	708	780	10.2%
2009			
<\$100M	2,844	2,747	(3.4%)
\$100M-\$499M	609	427	(29.9%)
\$500M-\$1B	119	80	(32.8%)
Total Middle-Market	3,572	3,254	(8.9%)
>\$1B	115	92	(20.0%)
Undisclosed	5,810	4,480	(22.9%)
Total	9,497	7,826	(17.6%)

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

Deal Value			
(\$ in millions)	2008	2009	% Change
December			
<\$100M	\$5,399	\$5,075	(6.0%)
\$100M-\$499M	\$6,864	\$11,586	68.8%
\$500M-\$1B	\$3,245	\$7,156	120.5%
Total Middle-Market	\$15,508	\$23,817	53.6%
>\$1B	\$7,137	\$82,298	1053.1%
Undisclosed	**	**	**
Total	\$22,645	\$106,115	368.6%
2009			
<\$100M	\$65,981	\$48,370	(26.7%)
\$100M-\$499M	\$132,288	\$93,065	(29.6%)
\$500M-\$1B	\$81,588	\$53,313	(34.7%)
Total Middle-Market	\$279,858	\$194,748	(30.4%)
>\$1B	\$497,543	\$569,358	14.4%
Undisclosed	**	**	**
Total	\$777,401	\$764,106	(1.7%)

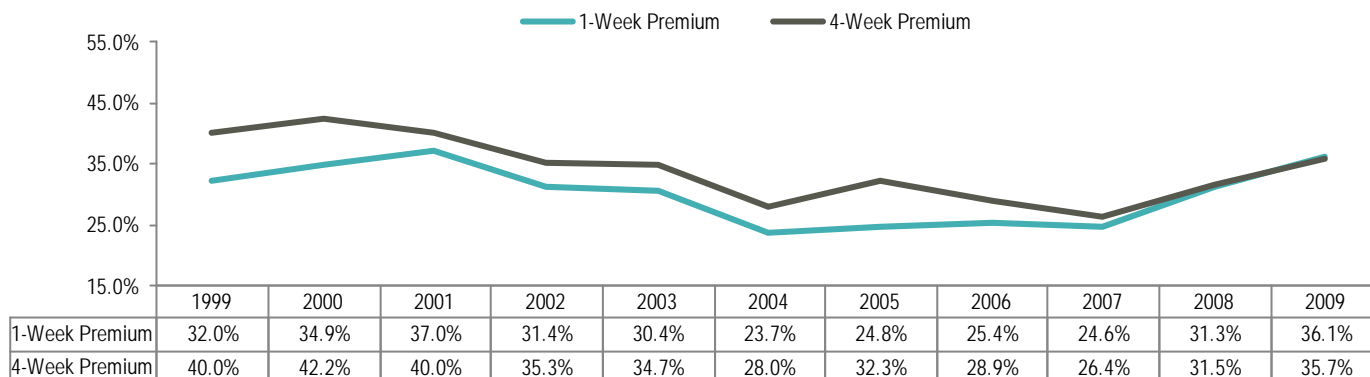
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.S. Middle-Market Enterprise Value to Median EBITDA, EBIT, and Revenue Multiples											
Transaction Size	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EV/EBITDA											
<\$100M	7.7x	7.4x	5.9x	7.0x	6.8x	7.6x	9.2x	8.1x	8.5x	7.8x	7.0x
\$100M-\$499M	9.2x	8.5x	8.3x	7.7x	8.2x	9.0x	9.9x	9.2x	11.2x	11.1x	7.4x
\$500M-\$1B	10.0x	8.7x	8.4x	8.4x	9.6x	10.3x	10.1x	12.0x	10.8x	10.6x	7.8x
Middle-Market	8.8x	8.2x	7.2x	7.3x	7.5x	8.6x	9.7x	9.2x	9.9x	9.5x	7.5x
EV/EBIT											
<\$100M	9.7x	9.0x	7.3x	9.5x	8.9x	9.6x	10.8x	10.0x	10.8x	10.1x	7.8x
\$100M-\$499M	12.5x	11.8x	11.7x	11.2x	11.0x	11.7x	13.5x	13.3x	14.5x	13.7x	11.0x
\$500M-\$1B	13.8x	11.4x	10.6x	12.2x	12.9x	14.0x	13.8x	17.0x	16.1x	13.7x	13.6x
Middle-Market	11.8x	10.7x	9.2x	10.7x	10.8x	11.2x	12.4x	12.5x	12.8x	11.6x	9.7x
EV/Revenue											
<\$100M	1.00x	0.92x	0.75x	0.69x	0.76x	0.95x	0.95x	0.96x	0.92x	0.91x	0.80x
\$100M-\$499M	1.28x	1.15x	1.19x	1.09x	1.06x	1.34x	1.31x	1.24x	1.27x	1.30x	1.22x
\$500M-\$1B	1.49x	1.45x	1.41x	1.27x	1.42x	1.33x	1.55x	1.69x	1.51x	1.42x	1.46x
Middle-Market	1.12x	1.00x	0.89x	0.80x	0.88x	1.11x	1.10x	1.08x	1.01x	1.00x	0.90x

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

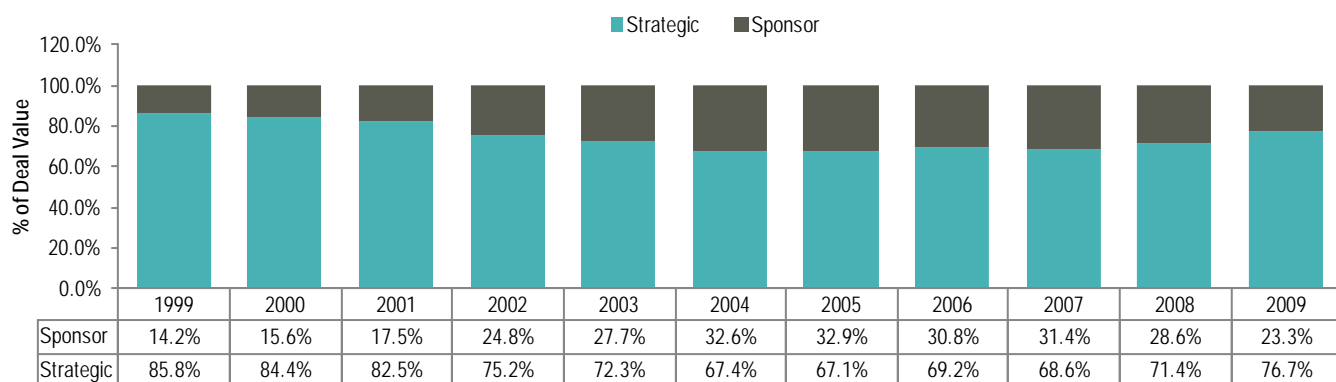
U.S. Middle-Market M&A Deal Statistics

U.S. Middle-Market Median Acquisition Premiums



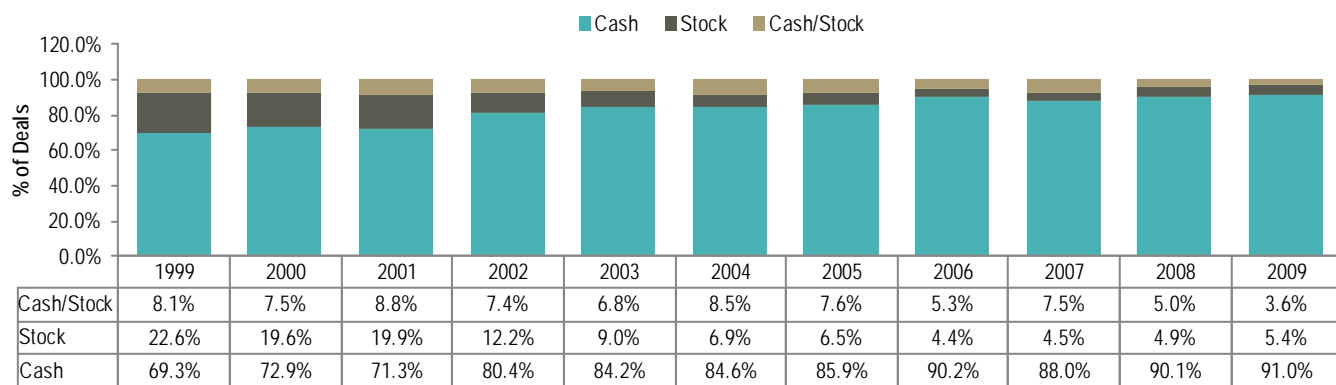
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
 Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

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.

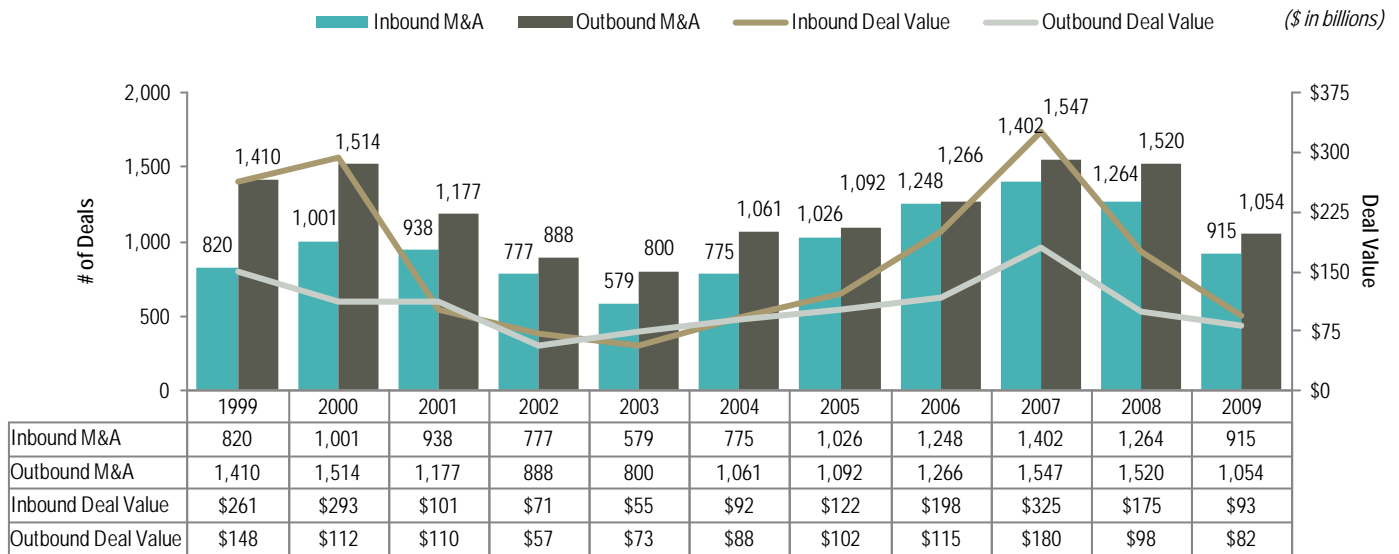
U.S. Middle-Market M&A Payment Method by Number of Deals



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 - 2009

Industry	# of Deals
1. Computers & Electronics	177
2. Healthcare	130
3. Professional Services	81
4. Mining	79
5. Oil & Gas	58
6. Finance	47
7. Telecommunications	36
8. Utility & Energy	34
9. Chemicals	28
10. Real Estate/Property	25

Top 10 Non-U.S. Acquirors of U.S. Targets - 2009

Country	# of Deals
1. Canada	269
2. United Kingdom	132
3. Japan	62
4. Australia	61
5. Switzerland	43
6. France	38
7. Germany	38
8. India	25
9. Israel	24
10. South Korea	20

Top 10 Non-U.S. Target Industries Acquired by U.S. Companies - 2009

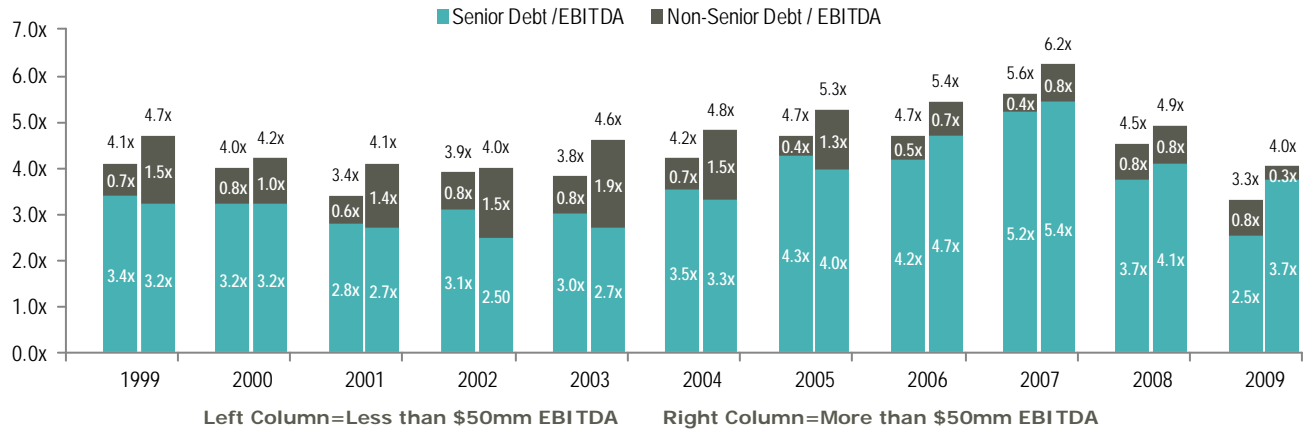
Industry	# of Deals
1. Computers & Electronics	228
2. Professional Services	153
3. Healthcare	102
4. Mining	49
5. Finance	46
6. Telecommunications	46
7. Machinery	44
8. Oil & Gas	40
9. Construction/Building	37
10. Food & Beverage	34

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

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

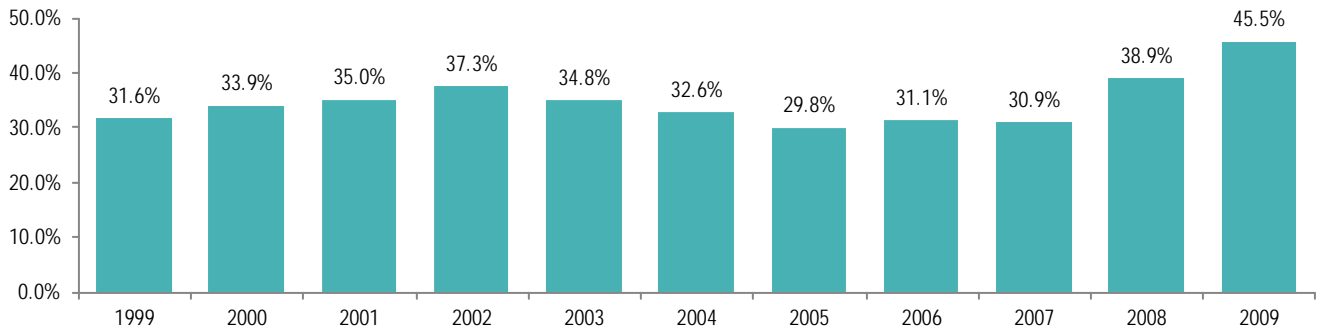
U.S. Financing Environment Statistics

Average Debt Multiples of Middle Market LBO Loans



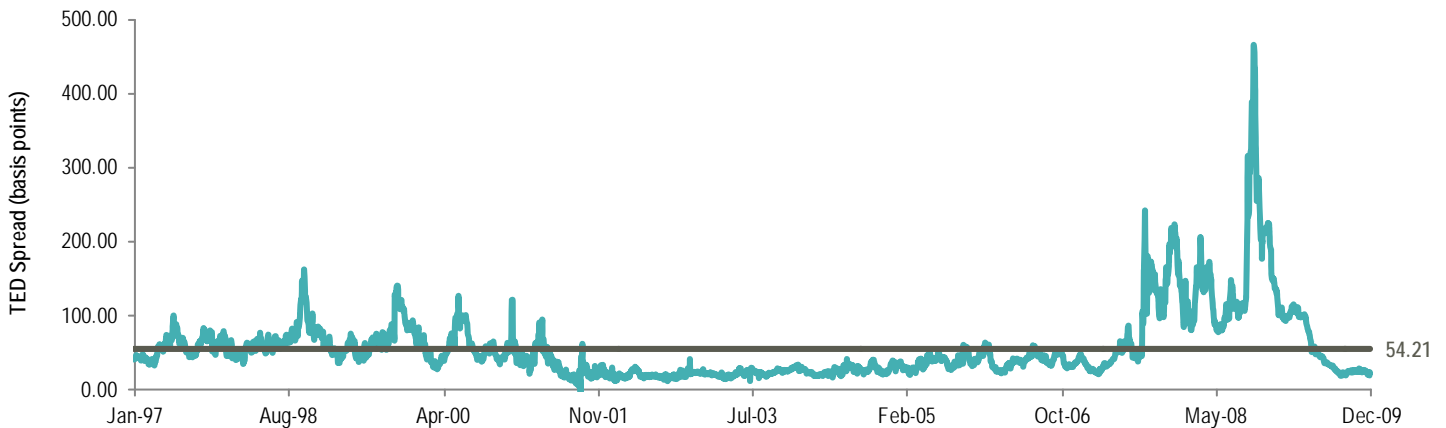
Source: Standard & Poor's Leveraged Commentary & Data.

Average Equity Contribution to LBOs



Source: Standard & Poor's Leveraged Commentary & Data.

3 Month LIBOR to 3 Month T-Bill Spread (TED Spread)



Source: Bloomberg.

Europe M&A Commentary

Europe did not participate in the improvement in M&A activity experienced elsewhere in December. The deal count (-12.5%) was the third-lowest monthly total of 2009. Announced dollar volume of \$47.5 billion (-17.7%) was comparable to the average for the prior six months. The middle market fared better, with the number of transactions down 5.1% and dollar volume up 37.0% on 2009's highest monthly figure.

For the full year, the number of transactions in Europe declined 16.2%, and reported dollar volume plunged 49.8% (significantly lagging the global drop-off). Q4 witnessed the lowest deal count of the year, whereas reported dollar volume was the highest quarterly total, reflecting the global shift toward larger transactions. In 2009, the middle market posted substantial decreases in deal count (-29.5%) and M&A dollar value (-40.5%).

Although sluggish M&A trends have persisted in Europe, recent economic updates generally suggest a more supportive backdrop for upcoming deal flow. The composite purchasing managers index for eurozone activity reached a 26-month high in December, helped by expansion in manufacturing output for the fifth straight month. The Economic Sentiment Indicator of the European Union rose for the ninth consecutive month in December. The labor market remains a concern, with European Union unemployment rising to 9.5% in November. Largely due to labor conditions and eventual stimulus withdrawal, economic expansion in Europe is projected to be gradual in 2010; for example, the European Commission forecasts GDP up 0.7% in the European Union. Nevertheless, compared to the past two years, a period of modest growth would be a favorable environment for M&A.

In 2009, the median EV/EBITDA multiple for European middle-market deals was 7.4x. Valuations increased significantly within 2009: the median EV/EBITDA multiple was 7.9x for transactions announced in the second half of the year, compared to 5.8x for first-half deals.

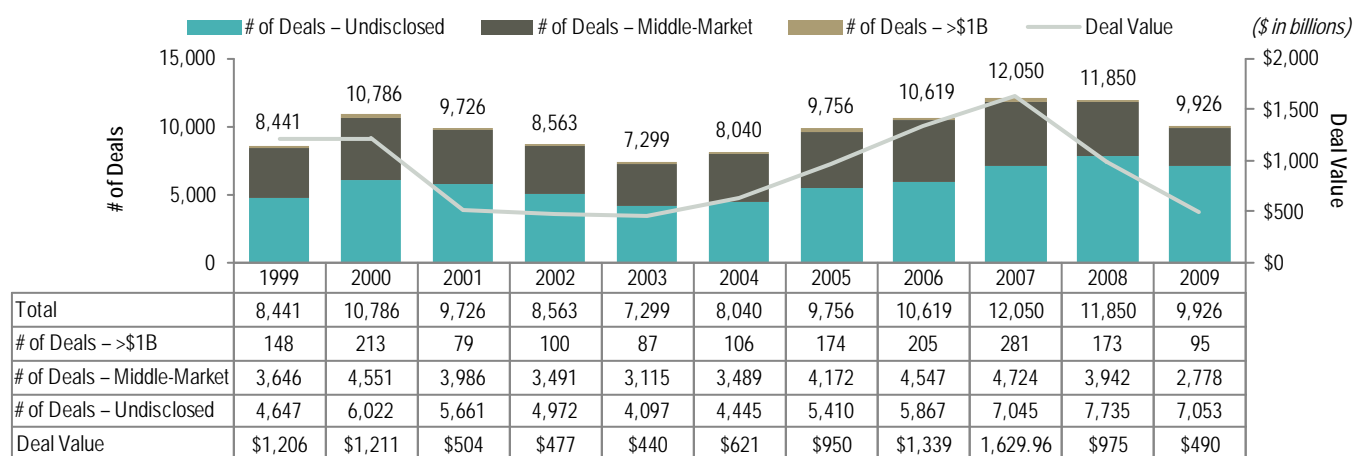
In 2009 there was a total of 2,601 announced U.K. M&A transactions, a 20.9% decrease from last year. Dollar volume declined 53.0% to \$131.0 billion. In 2009, domestic deals accounted for nearly 65% of deal activity.

There was a total of 941 announced U.K. middle-market deals in 2009, a 35.5% drop from 2008. Dollar volume of \$61.6 billion was down 38.4% for the year. The middle market accounted for 47% of the 2009 dollar volume.

A total of 1,202 German M&A transactions were announced in 2009, off 26.0% from 2008. Reported dollar volume totaled \$61.7 billion, a decline of 61.1% from 2008. Total dollar volume for 2009 was spread fairly evenly among domestic, outbound, and inbound deals.

Germany's middle market registered a 33.7% drop in the number of deals in 2009 and a 36.3% decline in dollar volume. In terms of the number of deals, the German middle market experienced larger decreases than the overall market.

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's M&A Deal Statistics

Number of Deals			
	2008	2009	% Change
December			
<\$100M	238	205	(13.9%)
\$100M-\$499M	33	46	39.4%
\$500M-\$1B	6	12	100.0%
Total Middle-Market	277	263	(5.1%)
>\$1B	13	11	(15.4%)
Undisclosed	527	441	(16.3%)
Total	817	715	(12.5%)
2009			
<\$100M	3,129	2,306	(26.3%)
\$100M-\$499M	676	390	(42.3%)
\$500M-\$1B	137	82	(40.1%)
Total Middle-Market	3,942	2,778	(29.5%)
>\$1B	173	95	(45.1%)
Undisclosed	7,735	7,053	(8.8%)
Total	11,850	9,926	(16.2%)

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

Deal Value			
(\$ in millions)	2008	2009	% Change
December			
<\$100M	\$4,413	\$4,226	(4.2%)
\$100M-\$499M	\$6,565	\$9,820	49.6%
\$500M-\$1B	\$4,670	\$7,391	58.3%
Total Middle-Market	\$15,648	\$21,437	37.0%
>\$1B	\$42,106	\$26,072	(38.1%)
Undisclosed	**	**	**
Total	\$57,753	\$47,509	(17.7%)
2009			
<\$100M	\$67,141	\$42,150	(37.2%)
\$100M-\$499M	\$147,069	\$89,070	(39.4%)
\$500M-\$1B	\$96,972	\$54,058	(44.3%)
Total Middle-Market	\$311,183	\$185,277	(40.5%)
>\$1B	\$663,368	\$304,224	(54.1%)
Undisclosed	**	**	**
Total	\$974,551	\$489,501	(49.8%)

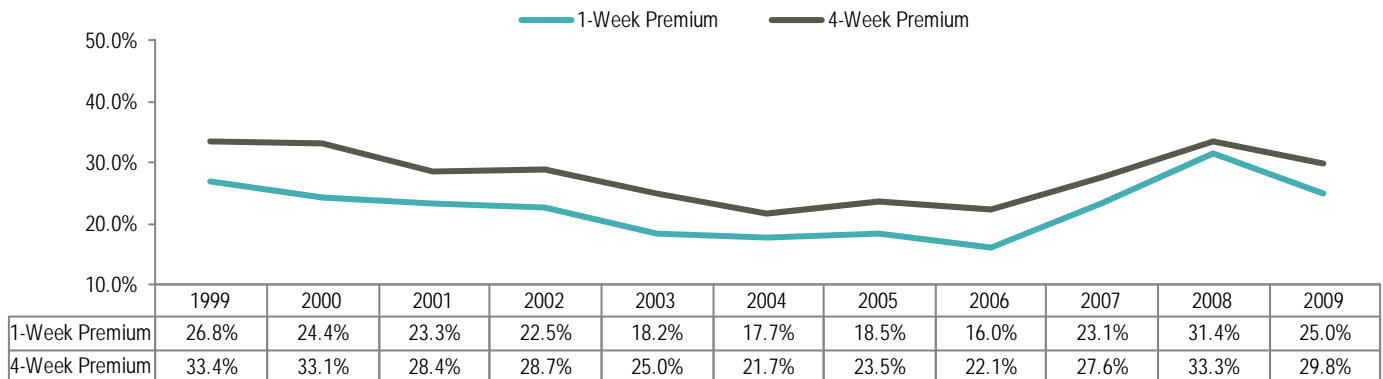
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Europe Middle-Market Enterprise Value to Median EBITDA, EBIT, and Revenue Multiples											
Transaction Size	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EV/EBITDA											
<\$100M	7.5x	7.0x	6.5x	5.7x	5.5x	7.0x	7.4x	7.4x	8.2x	6.8x	6.2x
\$100M-\$499M	10.0x	10.2x	7.7x	7.2x	6.3x	7.7x	10.0x	10.0x	11.0x	9.6x	7.7x
\$500M-\$1B	10.6x	8.7x	8.5x	7.9x	8.7x	9.7x	10.2x	10.2x	10.8x	9.6x	11.2x
Middle-Market	9.1x	8.7x	7.9x	6.8x	6.3x	7.6x	8.5x	8.8x	9.5x	7.8x	7.4x
EV/EBIT											
<\$100M	9.9x	10.6x	7.8x	9.1x	8.3x	9.4x	9.2x	8.5x	9.2x	8.1x	7.6x
\$100M-\$499M	13.1x	12.3x	11.1x	10.8x	9.7x	11.2x	13.4x	13.8x	13.5x	11.1x	10.2x
\$500M-\$1B	13.7x	10.2x	10.6x	13.0x	11.4x	12.2x	15.6x	15.1x	12.4x	12.4x	15.7x
Middle-Market	12.4x	11.3x	9.1x	10.3x	9.2x	10.4x	11.6x	10.7x	10.9x	9.3x	9.1x
EV/Revenue											
<\$100M	0.86x	0.95x	0.69x	0.59x	0.63x	0.84x	0.74x	0.81x	0.78x	0.78x	0.63x
\$100M-\$499M	1.43x	1.29x	1.14x	1.04x	0.95x	1.11x	1.18x	1.29x	1.32x	1.12x	0.92x
\$500M-\$1B	1.49x	1.01x	0.94x	0.57x	1.43x	1.44x	1.29x	1.74x	1.37x	1.63x	1.68x
Middle-Market	1.11x	1.03x	0.82x	0.66x	0.71x	0.89x	0.89x	0.92x	0.87x	0.86x	0.69x

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

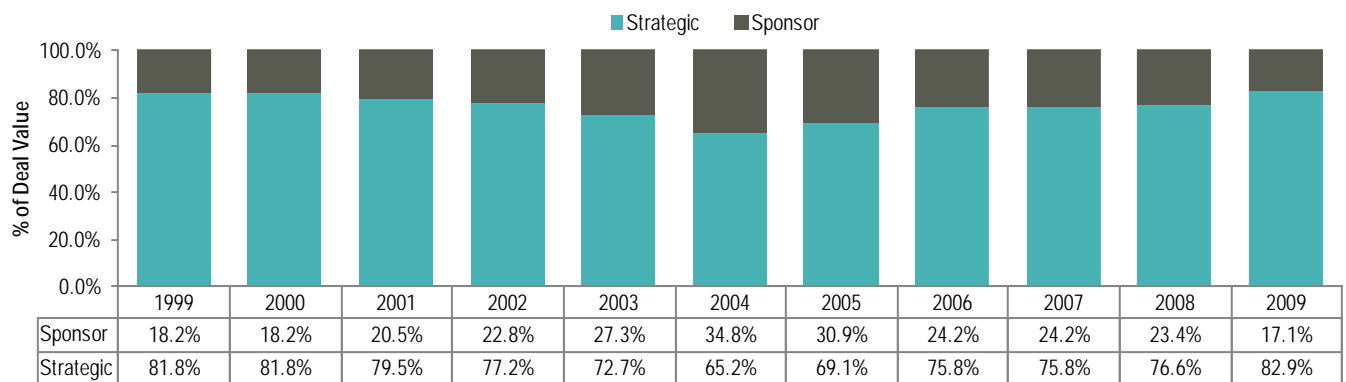
Europe's M&A Deal Statistics

Europe Middle-Market Median Acquisition Premiums



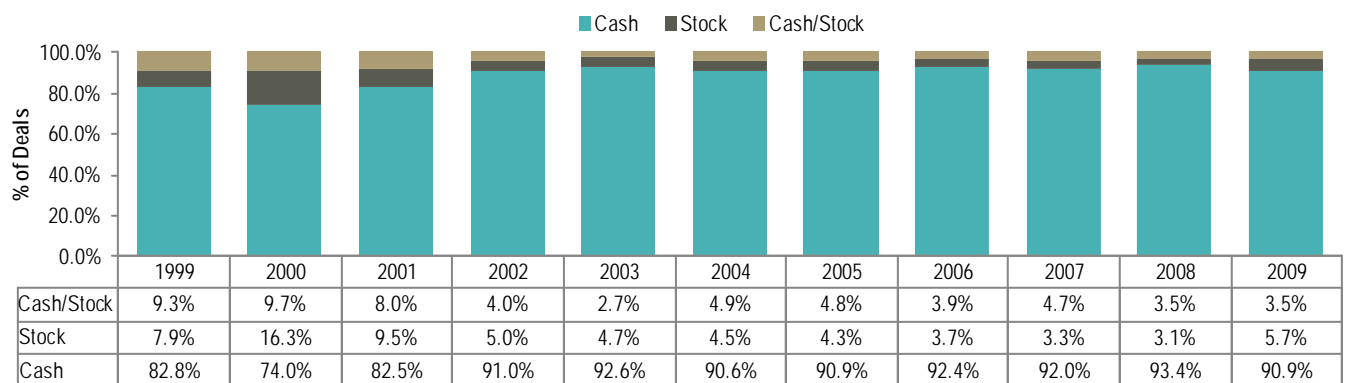
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
 Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Europe Middle-Market 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.

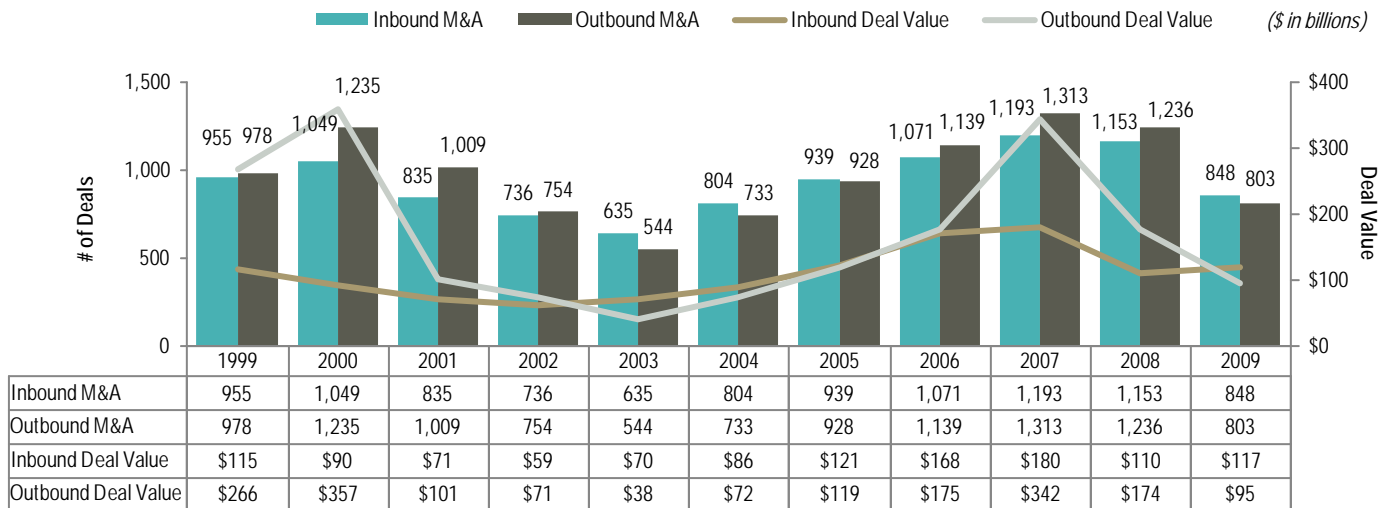
Europe Middle-Market M&A Payment Method by Number of Deals



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 Activity



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

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

Top 10 European Target Countries Acquired by Non-European Companies - 2009

Country	# of Deals
1. United Kingdom	275
2. Germany	107
3. France	72
4. Italy	43
5. Netherlands	42
6. Spain	32
7. Russian Federation	27
8. Switzerland	25
9. Ireland	23
10. Sweden	19

Top 10 European Target Industries Acquired by Non-European Companies - 2009

Country	# of Deals
1. Computers & Electronics	155
2. Professional Services	91
3. Healthcare	69
4. Finance	45
5. Machinery	45
6. Oil & Gas	40
7. Real Estate/Property	40
8. Consumer Products	37
9. Mining	33
10. Auto/Truck	31

Top 10 Non-European Target Countries Acquired by European Companies - 2009

Country	# of Deals
1. United States	368
2. Australia	63
3. Canada	52
4. China	43
5. India	33
6. Brazil	32
7. South Africa	17
8. Japan	13
9. Singapore	12
10. Mexico	11

Top 10 Non-European Target Industries Acquired by European Companies - 2009

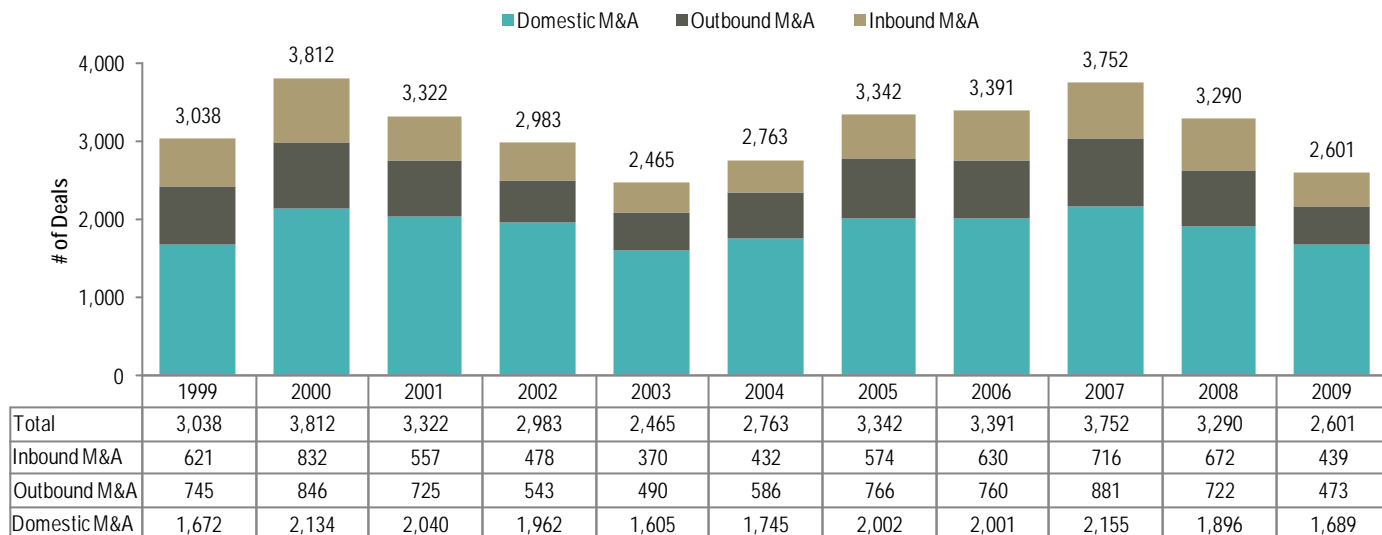
Country	# of Deals
1. Computers & Electronics	112
2. Healthcare	108
3. Professional Services	91
4. Construction/Building	47
5. Finance	44
6. Mining	40
7. Consumer Products	39
8. Oil & Gas	39
9. Chemicals	36
10. Telecommunications	29

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.K. Cross-Border M&A Activity

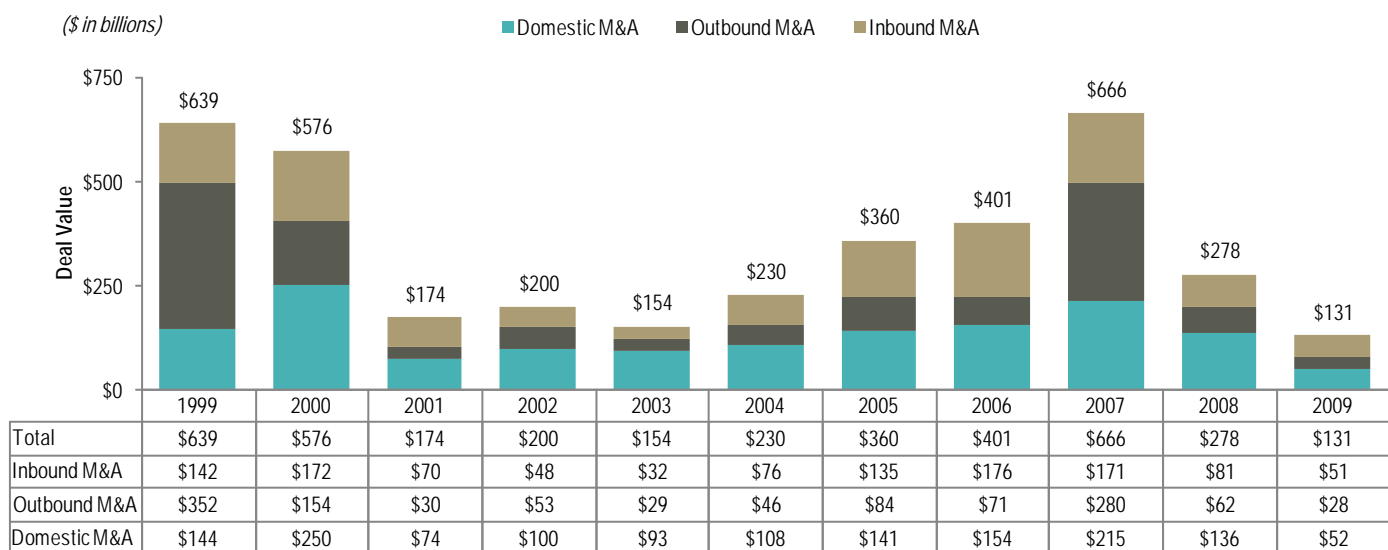
U.K. Number of Deals (Domestic/Outbound/Inbound)



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)

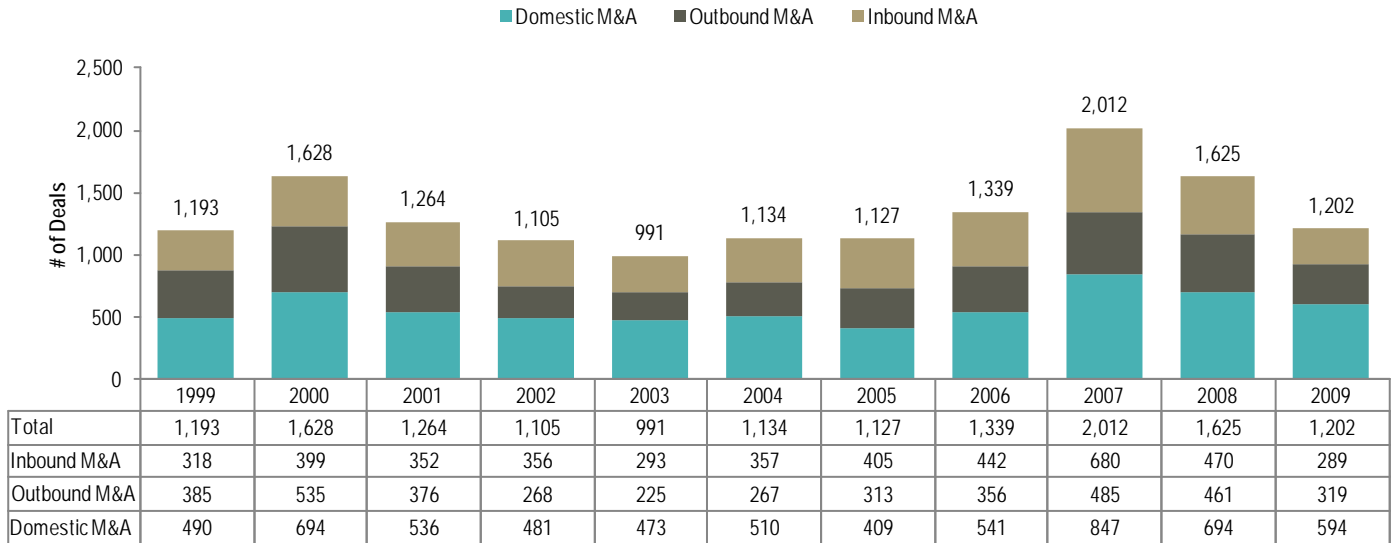


Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

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

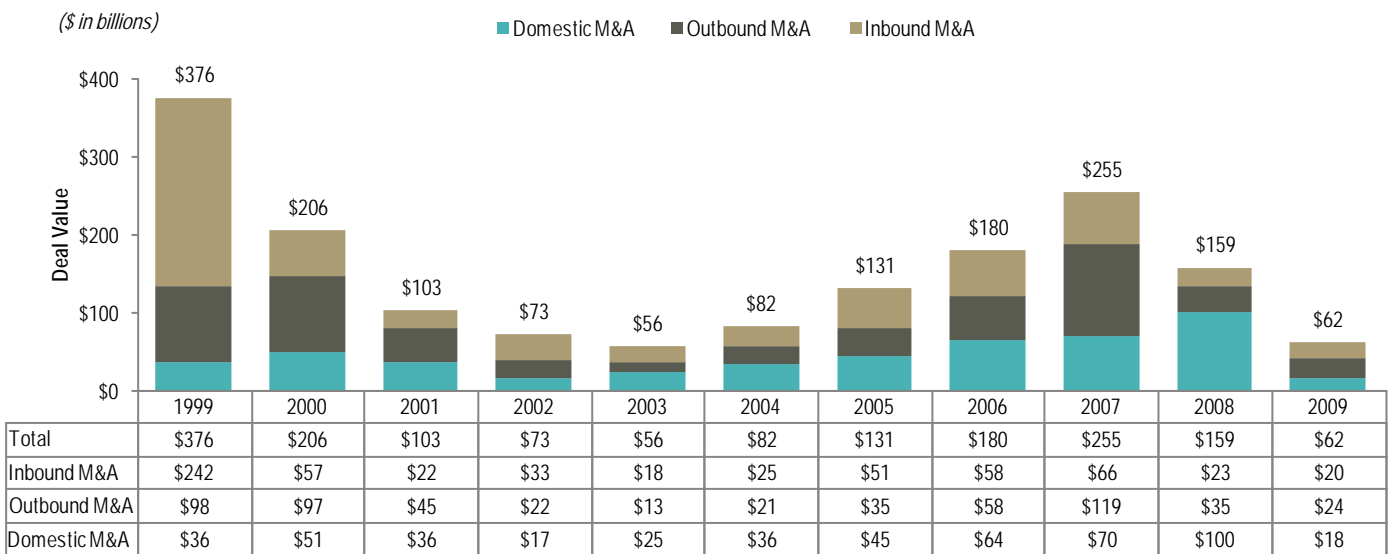
Germany Number of Deals (Domestic/Outbound/Inbound)



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

Solid trends for M&A in Asia (ex. Japan) carried into December. For the third consecutive month, the deal count (+18.8%) was the top figure of the year. Reported dollar volume of \$29.0 billion (-5.8% versus a tough comparison) was the third-highest monthly total of 2009, behind only October and November. Asia's middle market posted good numbers, with the transaction count up 25.1% and dollar volume (+115%) more than doubling.

In 2009, the number of deals in Asia fell 14.0%, while dollar volume increased 1.5%. Metrics were far stronger in the second half of the year (transactions +12.4%, volume +78.6%) than in the first half (deals -32.7%, volume -42.7%). The story was similar for Asia's middle market, as a second-half surge narrowed the decline in the full-year transaction count to 11.5% and resulted in dollar value growth of 6.0%.

Increased M&A in the latter part of 2009 coincided with economic gains in China, which is involved in about half of deal activity in Asia (ex. Japan). The large impact of the government's pro-growth measures was evident in a 20-month high in the purchasing managers index for the manufacturing sector in December. Foreign direct investment doubled in December, contrasting with the slight full-year decrease in this figure. A recent survey of U.S. businesses conducted by the American Chamber of Commerce revealed that nearly two-thirds of respondents planned to increase investments in China in 2010, suggesting an uptick for inbound M&A. The International Monetary Fund forecasts China's 2010 GDP growth of 9%, in line with median forecasts and expansion of 8.7% in 2009. China's central bank recently raised its benchmark interest rate, signaling its confidence that economic strength can be sustained in the new year even as monetary policy is tightened.

In December, the number of announced China M&A deals totaled 341, a 35.9% increase. Dollar volume totaled \$14.8 billion, a 38.0% decline from December 2008.

In 2009, there was a total of 2,362 announced China M&A deals, a decline of only 4.5% from 2008. Dollar volume increased 3.8% to \$149.9 billion during the year. InnoLux Display's \$12.0 billion bid for Chi Mei Optoelectronic and China Petrochemical's \$9.0 billion acquisition of Addax Petroleum contributed 14% of the 2009 dollar volume.

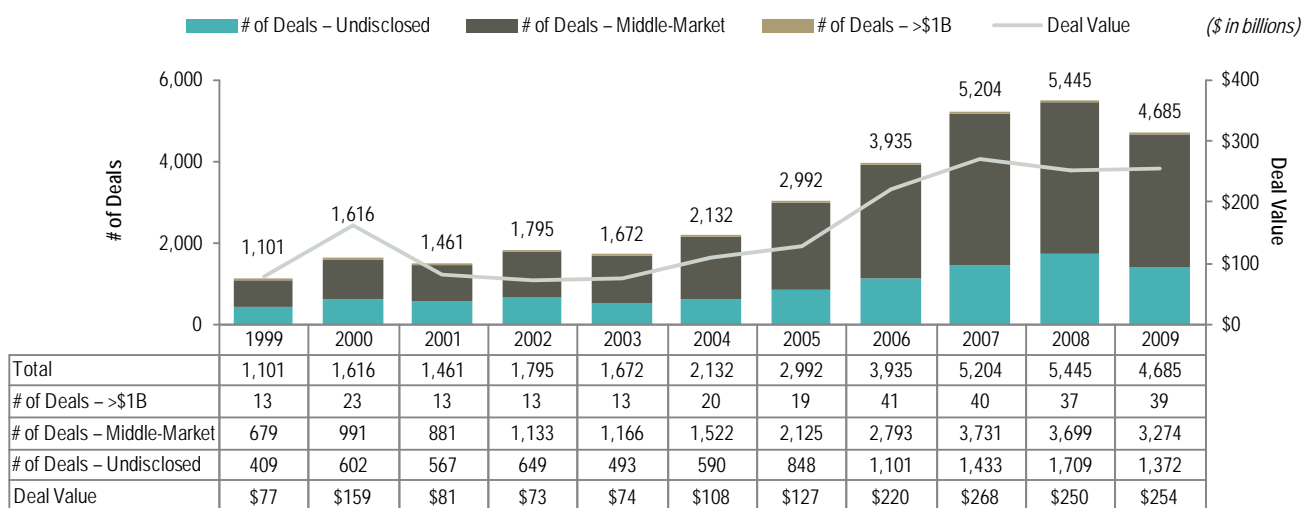
China's middle market fared better than the overall M&A market in 2009. The number of deals was down 2.6%, while dollar volume of \$98.8 billion was up 34.2%.

There was a total of 562 announced India M&A transactions in 2009, a 40.1% decrease from 2008. Dollar volume of \$19.8 billion registered a 42.0% decline. Domestic M&A activity represented about two thirds of transactions for the year.

The number of India middle-market transactions totaled 241, a 46.0% decline compared to last year. Middle-market dollar volume of \$7.8 billion (-55.2%) accounted for 39.5% of the 2009 dollar volume.

In 2009, there was a total of 2,020 announced Japan M&A transactions, a decline of 9.5% for the year. Dollar volume of \$119.3 billion represented a 7.1% increase. Of note, Japan's 26 billion-dollar-plus transactions contributed 63.8% of the 2009 dollar volume.

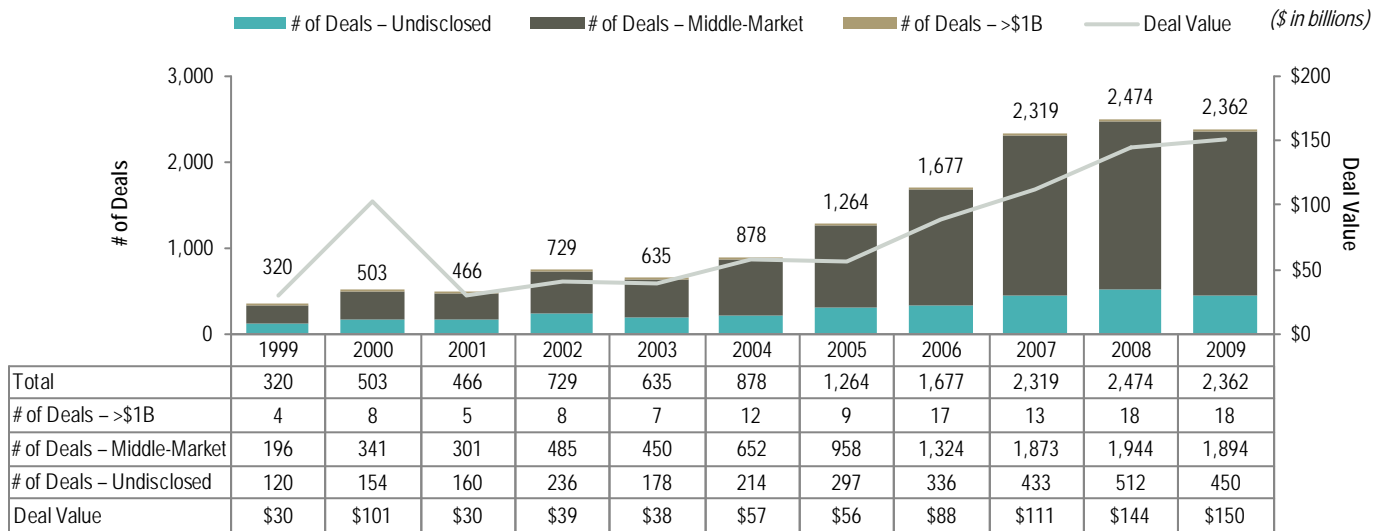
Asia (ex. Japan) M&A Activity



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

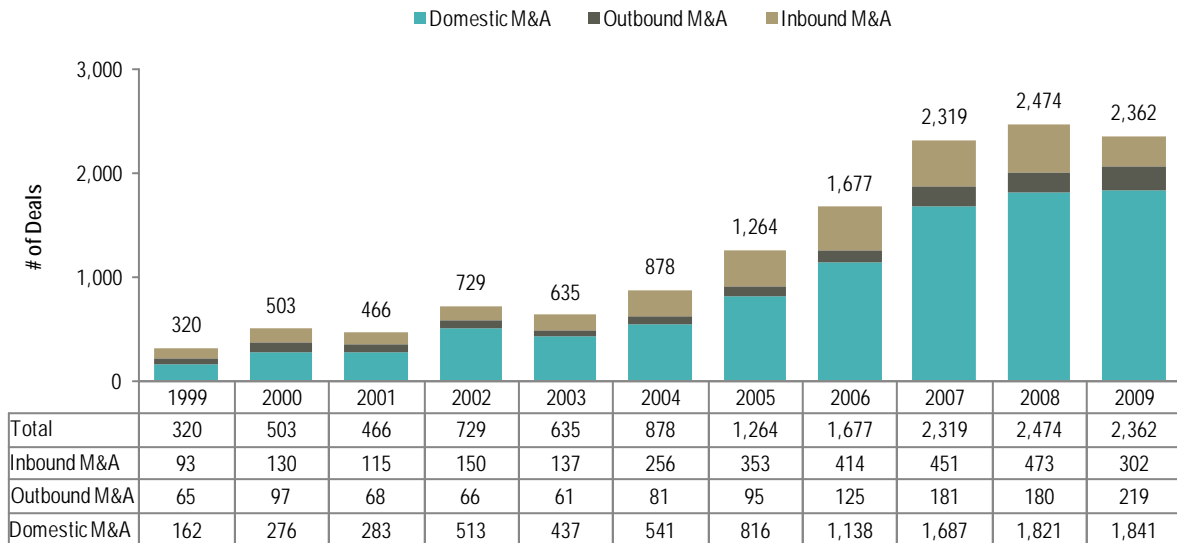
China M&A Activity



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	
	2008	2009	2008	2009	2008	2009	2008	2009
December								
Middle-Market	166	232	7	15	17	17	190	264
>\$1B	4	0	0	0	1	0	5	0
Undisclosed	37	56	7	11	12	10	56	77
Total	207	288	14	26	30	27	251	341
2009								
Middle-Market	1,550	1,575	125	151	269	168	1,944	1,894
>\$1B	12	12	4	6	2	0	18	18
Undisclosed	259	254	51	62	202	134	512	450
Total	1,821	1,841	180	219	473	302	2,474	2,362

Source: Thomson Financial 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.

China Deal Value

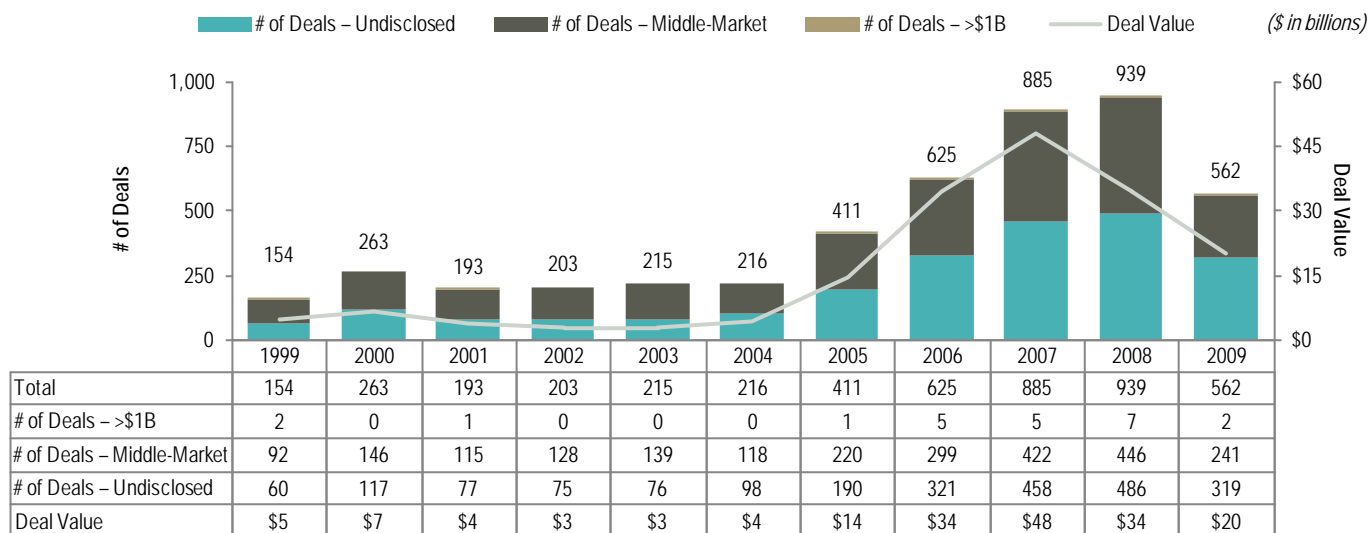
(\$ in millions)	Domestic		Outbound		Inbound		Total	
	2008	2009	2008	2009	2008	2009	2008	2009
December								
Middle-Market	\$4,682	\$12,193	\$232	\$1,808	\$948	\$785	\$5,861	\$14,786
>\$1B	\$16,693	\$0	\$0	\$0	\$1,300	\$0	\$17,993	\$0
Total	\$21,375	\$12,193	\$232	\$1,808	\$2,248	\$785	\$23,854	\$14,786
2009								
Middle-Market	\$53,155	\$78,067	\$10,028	\$12,967	\$10,438	\$7,760	\$73,621	\$98,794
>\$1B	\$56,857	\$30,903	\$10,654	\$20,245	\$3,300	\$0	\$70,811	\$51,148
Total	\$110,012	\$108,970	\$20,682	\$33,212	\$13,738	\$7,760	\$144,432	\$149,942

Source: Thomson Financial 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.

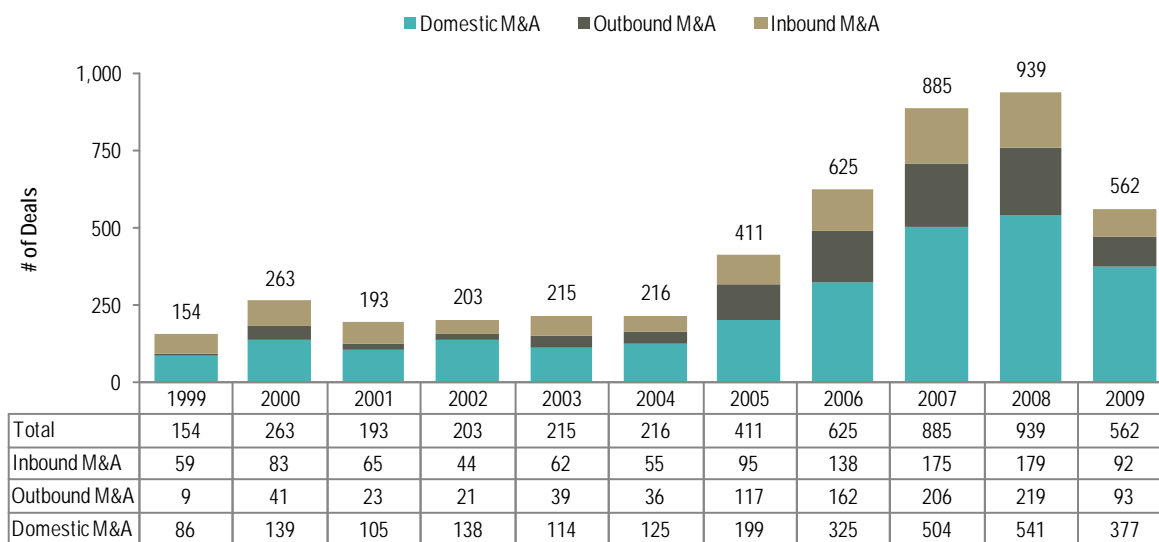
India M&A Activity

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	
	2008	2009	2008	2009	2008	2009	2008	2009
December								
Middle-Market	14	13	3	5	10	6	27	24
>\$1B	0	0	0	0	0	0	0	0
Undisclosed	12	14	3	8	5	0	20	22
Total	26	27	6	13	15	6	47	46
2009								
Middle-Market	245	146	98	45	103	50	446	241
>\$1B	2	1	4	1	1	0	7	2
Undisclosed	294	230	117	47	75	42	486	319
Total	541	377	219	93	179	92	939	562

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 Deal Value

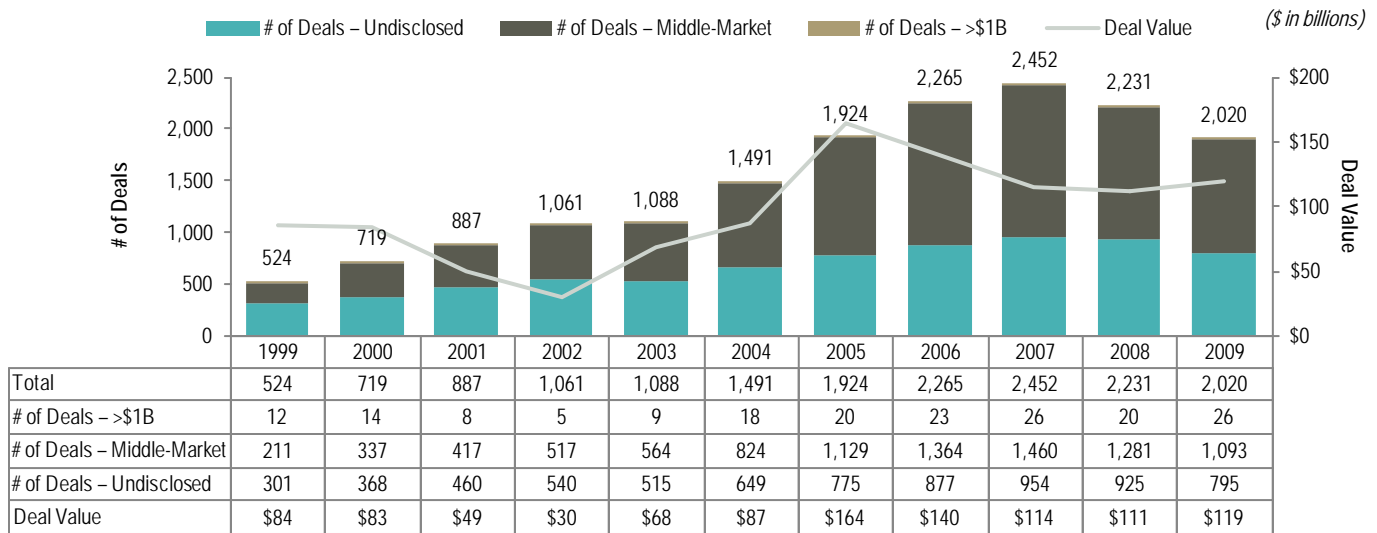
(\$ in millions)	Domestic		Outbound		Inbound		Total	
	2008	2009	2008	2009	2008	2009	2008	2009
December								
Middle-Market	\$463	\$149	\$77	\$120	\$182	\$571	\$722	\$840
>\$1B	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$463	\$149	\$77	\$120	\$182	\$571	\$722	\$840
2009								
Middle-Market	\$7,088	\$4,005	\$5,617	\$1,537	\$4,795	\$2,295	\$17,501	\$7,837
>\$1B	\$3,271	\$1,980	\$7,929	\$10,000	\$5,475	\$0	\$16,675	\$11,980
Total	\$10,360	\$5,985	\$13,546	\$11,537	\$10,269	\$2,295	\$34,175	\$19,817

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.

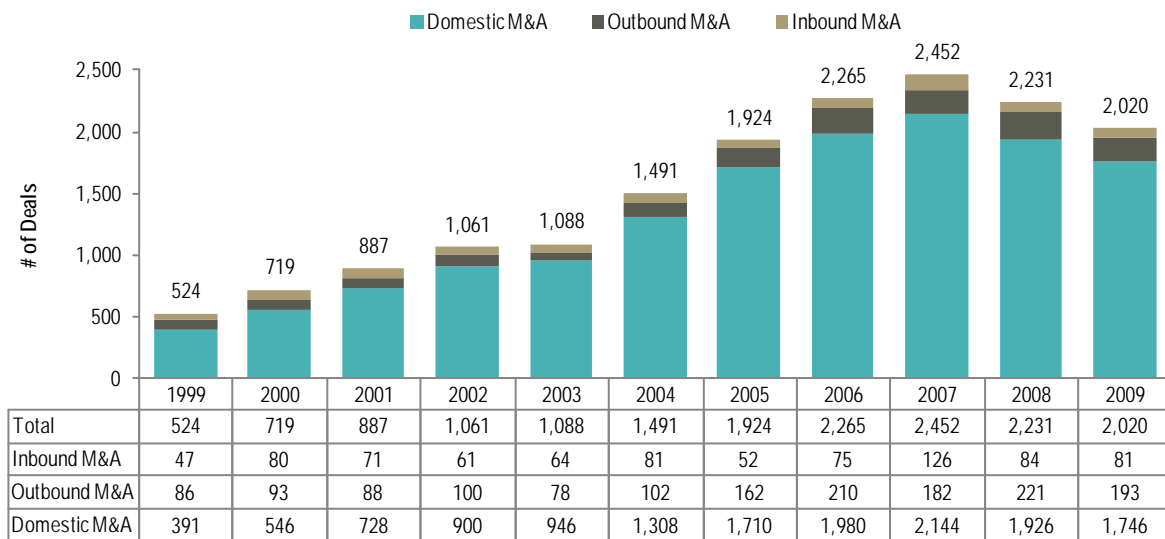
Japan M&A Activity

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)



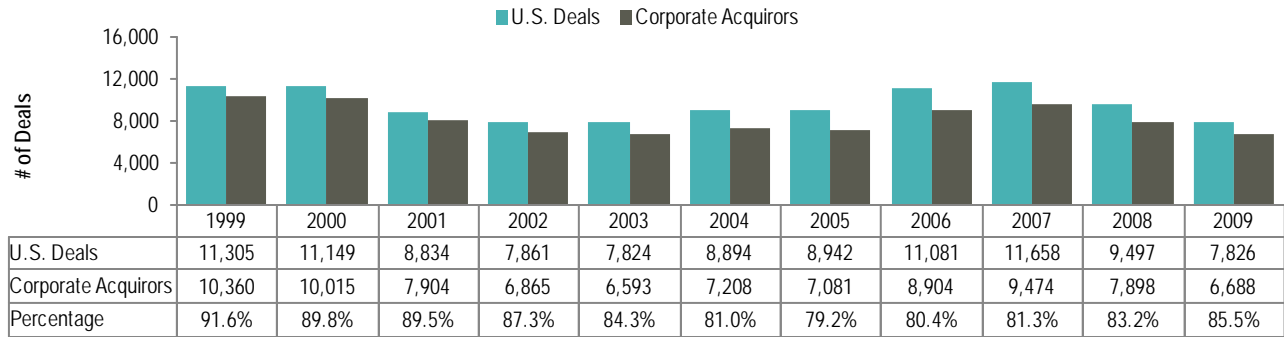
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
 Note: Domestic M&A represents Japan target/Japan acquiror; Outbound M&A represents non-Japan target/Japan acquiror; Inbound M&A represents Japan target/non-Japan acquiror. Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

Additional U.S. M&A Analyses

- **Corporate Activity** – The number of U.S. M&A deals involving corporate acquirors declined 15.3% to 6,688 in 2009. Of these deals, only 35.3% were made by a public-company acquiror, down from 44.7% in 2008 and the historical range of 44-64%. The decrease in the proportion of deals by public companies likely reflected the substantial downturn in equity values in 2008 and early 2009. Historical figures indicate that U.S. M&A activity, particularly for corporates, generally mirrors the performance of the equity markets. The equity markets influence M&A activity due to: (i) the ability of public-company acquirors to use stock as consideration, (ii) the ability of public-company acquirors to raise capital (i.e., cash) through stock offerings, (iii) the use of equity market valuation parameters as benchmarks in M&A valuations, and (iv) the view that the equity markets provide a forward-looking indicator of the economy as well as a reflection of the strength of individual sectors. As such, the extended rally in global equity markets in 2009 translates to greater confidence among investors in the direction of the economy and underlying corporate profits while also boding well for M&A in 2010.
- **Private Equity Activity** – Among U.S. deals involving private equity firms as acquirors, the transaction count dropped 31.6% in 2009. The pace of investment by financial sponsors was slowed by greater focus on portfolio companies, which often faced deteriorating financial performance and low visibility to results. Reduced leverage capacity was evident in the 37.7% decline in the dollar value of acquisitions made by private equity firms. Relative to strategic buyers, credit market restrictions have had a bigger impact on financial sponsors, which on average use leverage as over half of deal consideration. Technology and healthcare, which been stalwart sectors for M&A volume, were the leading target industries for private equity M&A.
- **Valuations** – As indicated on page 37, the average EBITDA multiple for LBOs contracted further in 2009, consistent with the trend for median middle-market multiples presented on page 12. For strategic acquisitions, we view the average multiple provided by S&P for 2009 as less relevant, as it is based on far fewer data points than averages for prior years.
- **Activity by Sector** – Of the 10 sectors for which U.S. M&A data is provided on pages 40-44, only Healthcare posted an increase in the number of transactions in 2009. Announced dollar volume more than doubled in Healthcare. Energy & Power and Telecom also managed increases in dollar value. Technology, which remained the largest sector at 23% of total activity, fared relatively well in experiencing single-digit percentage declines in deal count and volume. In percentage terms, Real Estate and Consumer registered the largest decreases in the number of transactions, while Real Estate and Services suffered the largest drop-offs in volume.

Corporate U.S. M&A Activity

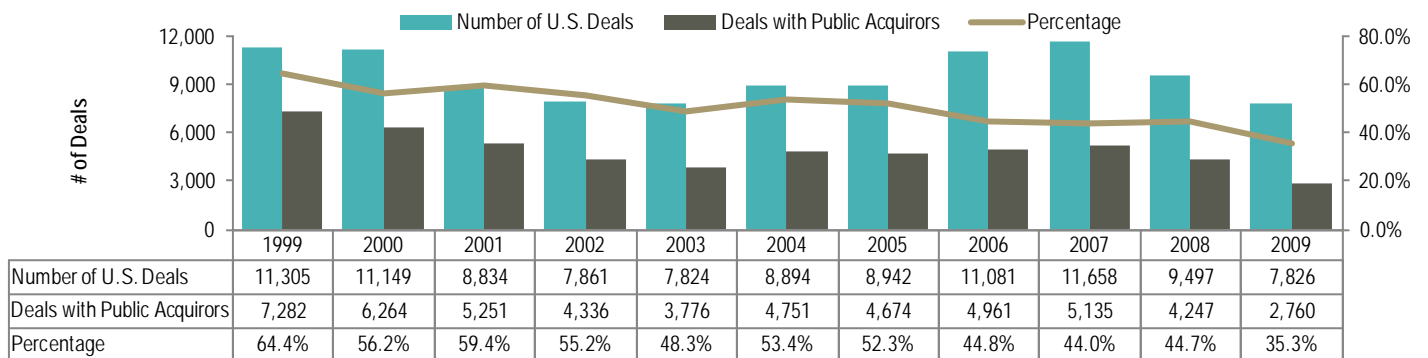
Corporate M&A Activity



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

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

Public Company M&A Activity

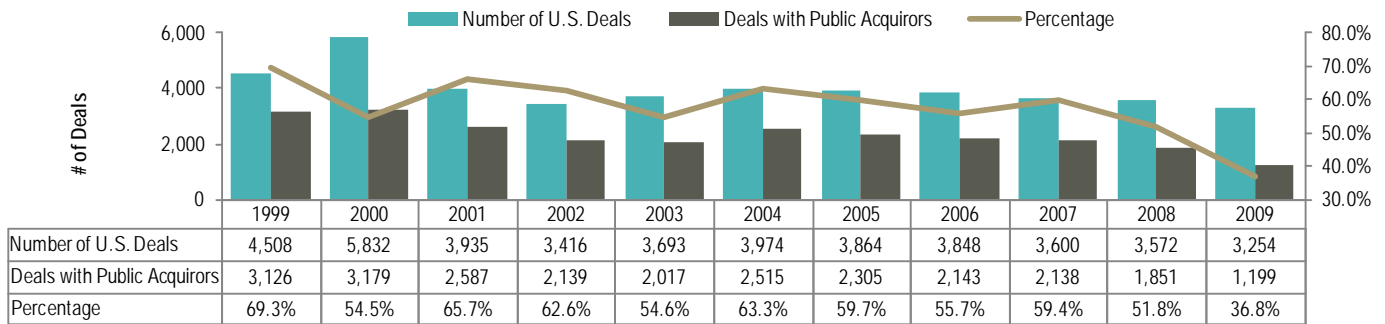


Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

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

Corporate U.S. M&A Activity

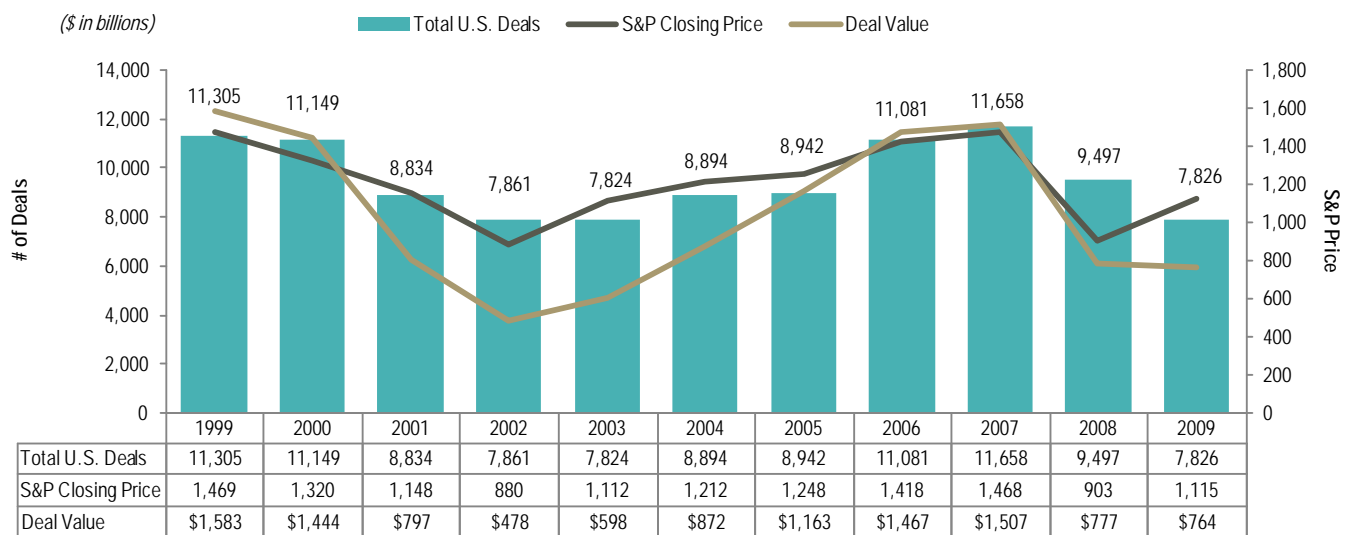
Middle-Market Public Company M&A Activity



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.

S&P 500 Index vs. M&A Activity

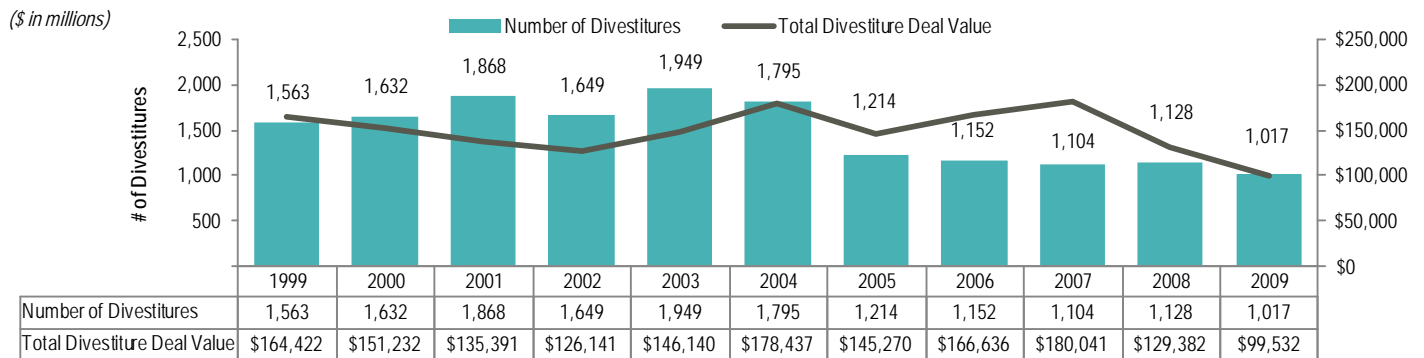


Source: Dealogic, Capital IQ and Robert W. Baird & Co. Incorporated M&A Market Analysis.

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

Corporate U.S. M&A Activity

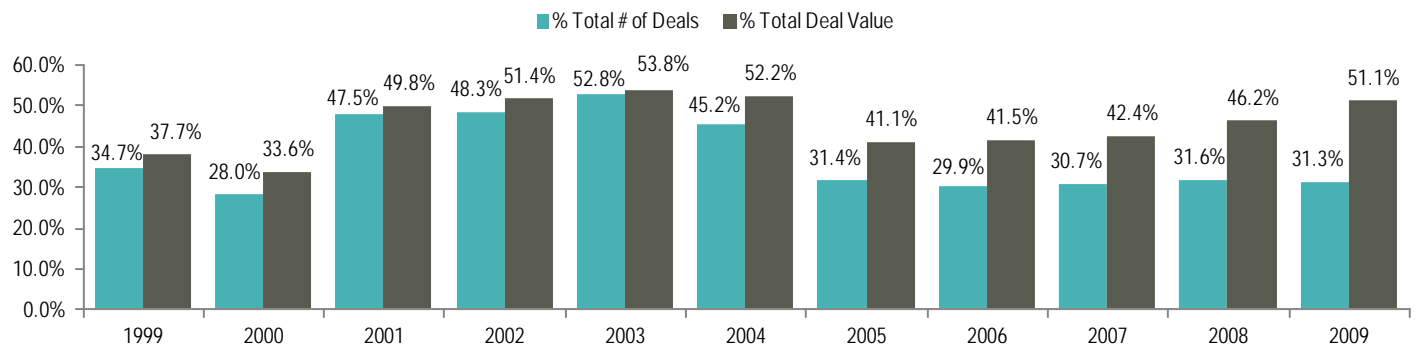
U.S. Middle-Market Divestitures



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.

Divestiture Contribution to U.S. Middle-Market Transactions



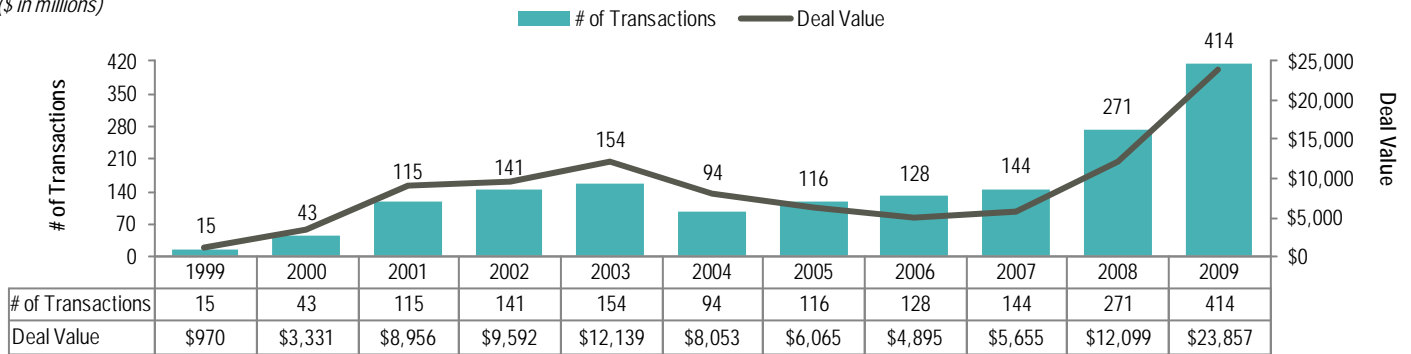
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

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.

Corporate U.S. M&A Activity

U.S. Middle-Market Bankruptcy Related Transactions

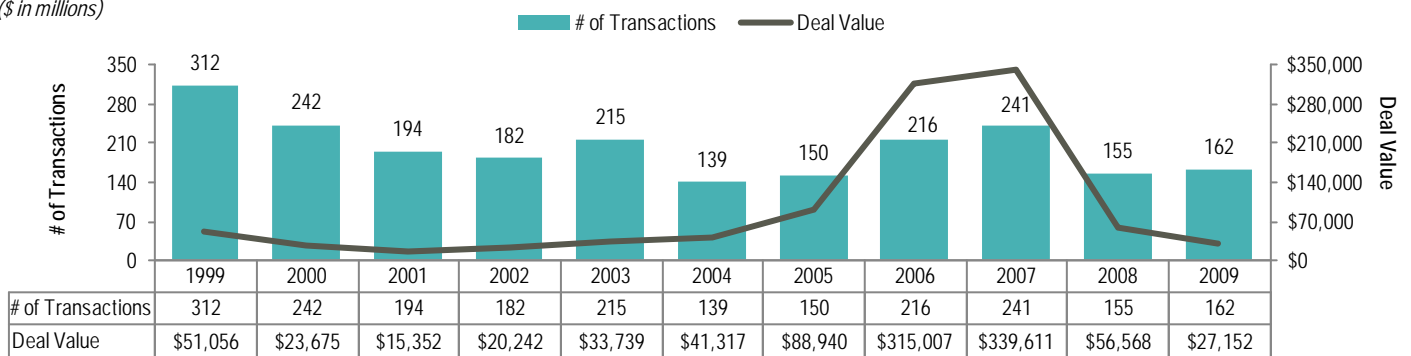
(\$ in millions)



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

U.S. Take-Private Transactions

(\$ in millions)

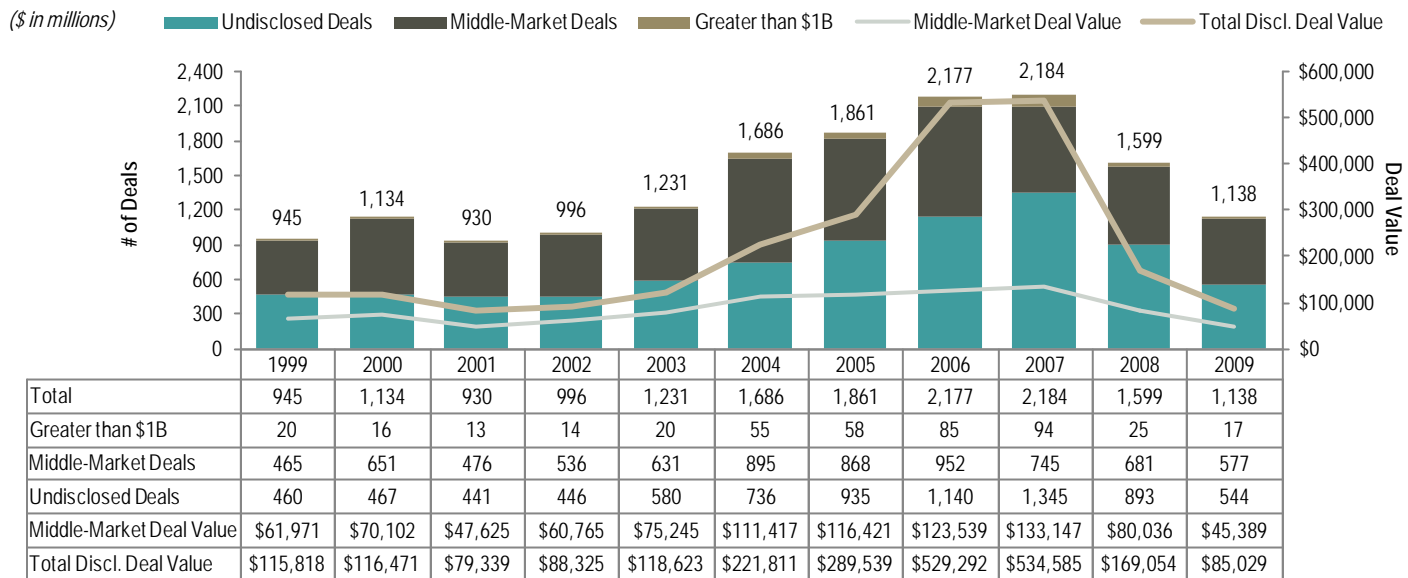


Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

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

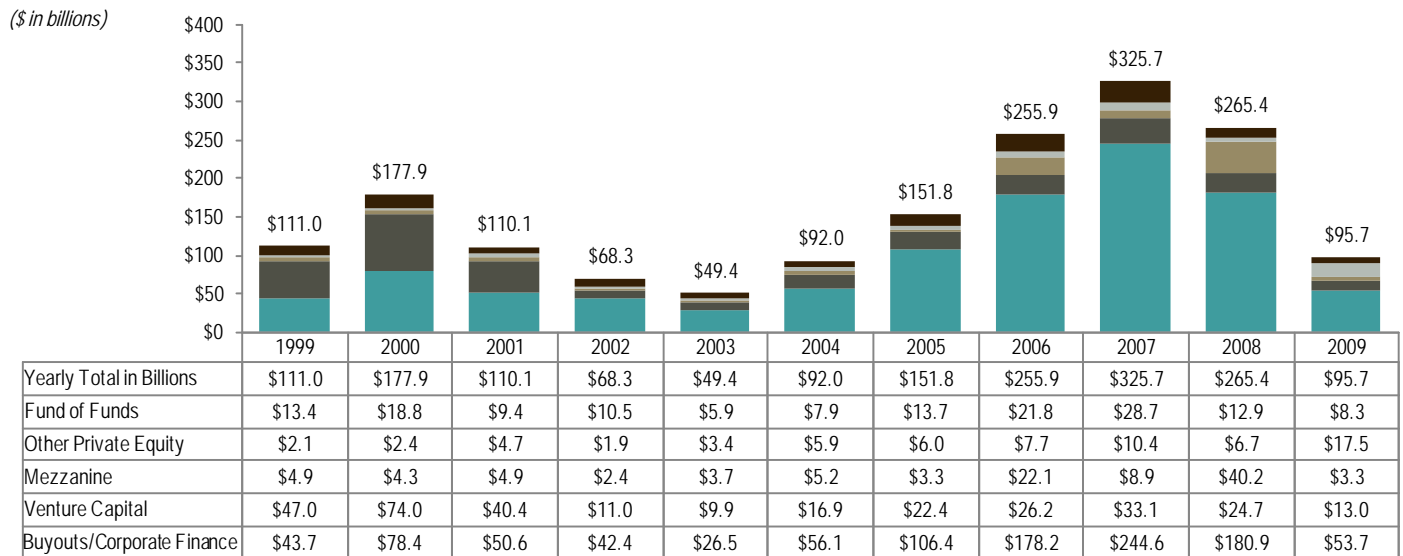
Private Equity U.S. M&A Activity

U.S. Private Equity Transactions



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

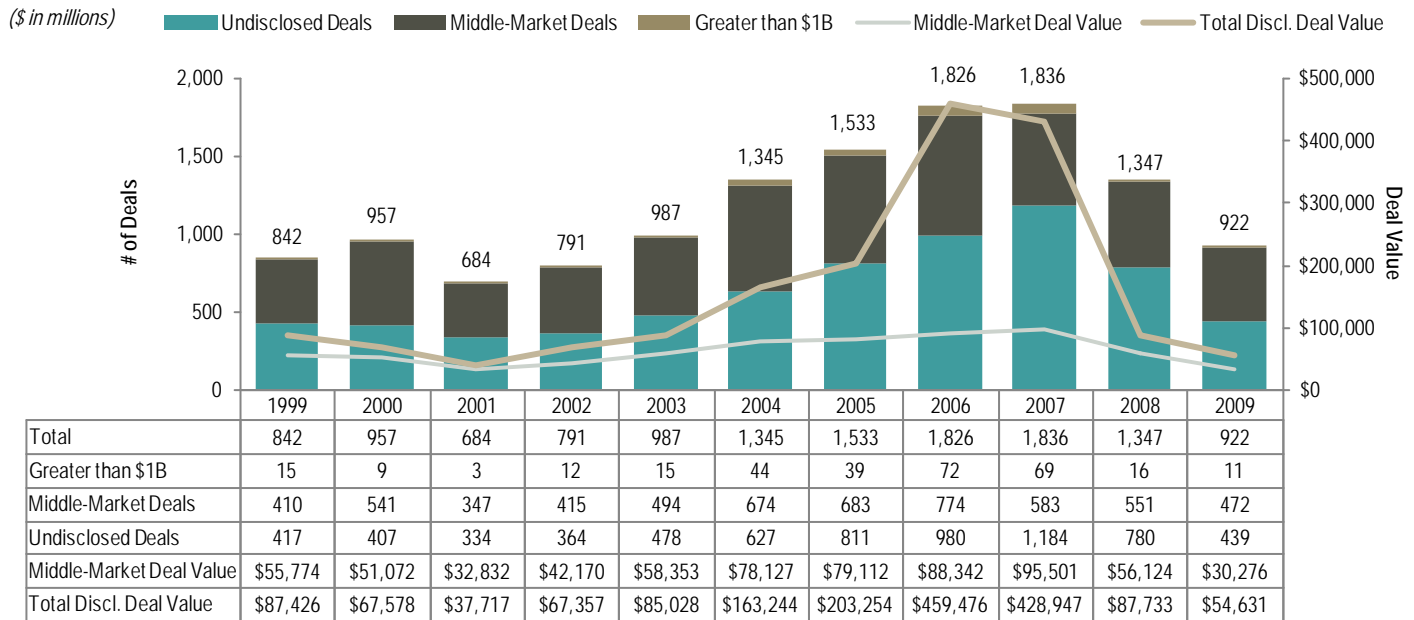
Funds Raised by Private Equity Firms



Source: Dow Jones Private Equity Analyst.

Private Equity U.S. M&A Activity

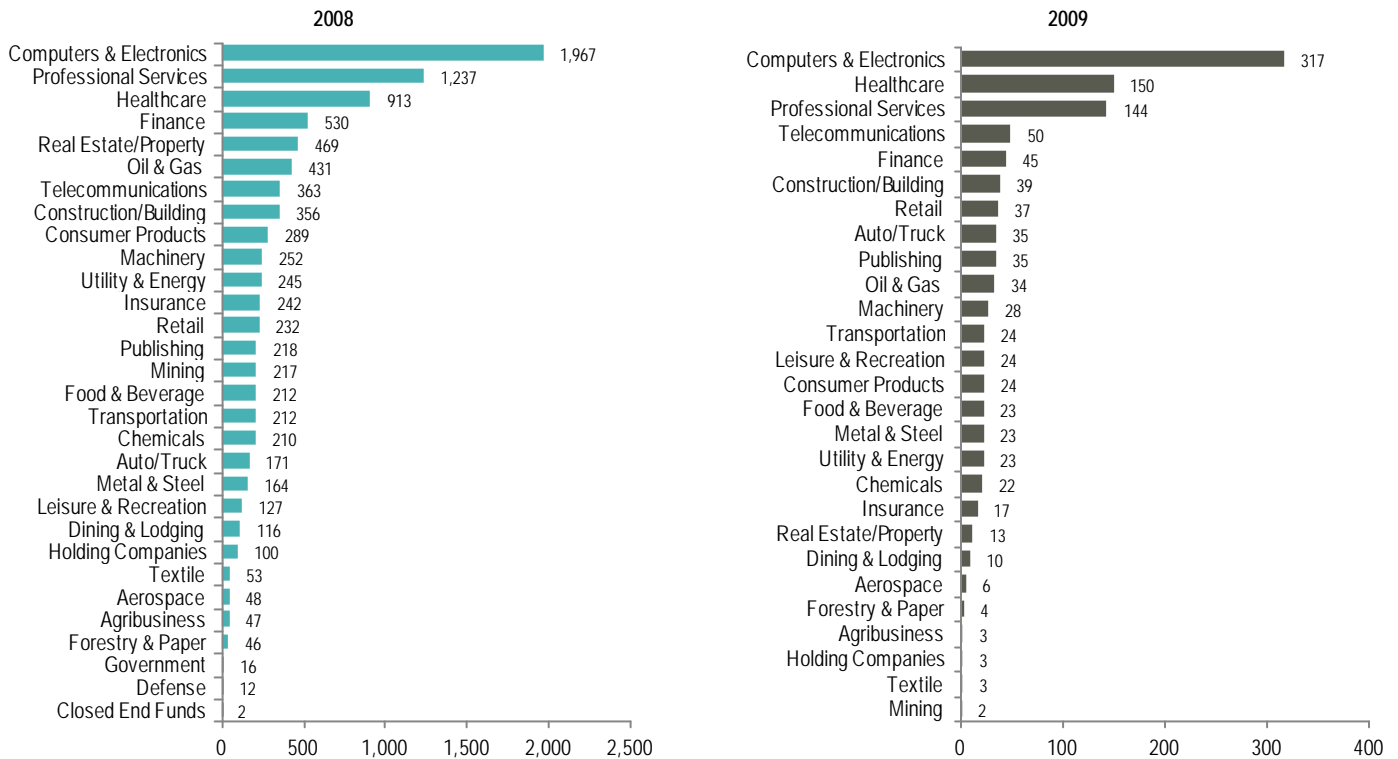
U.S. Private Equity Buy-Side Activity



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

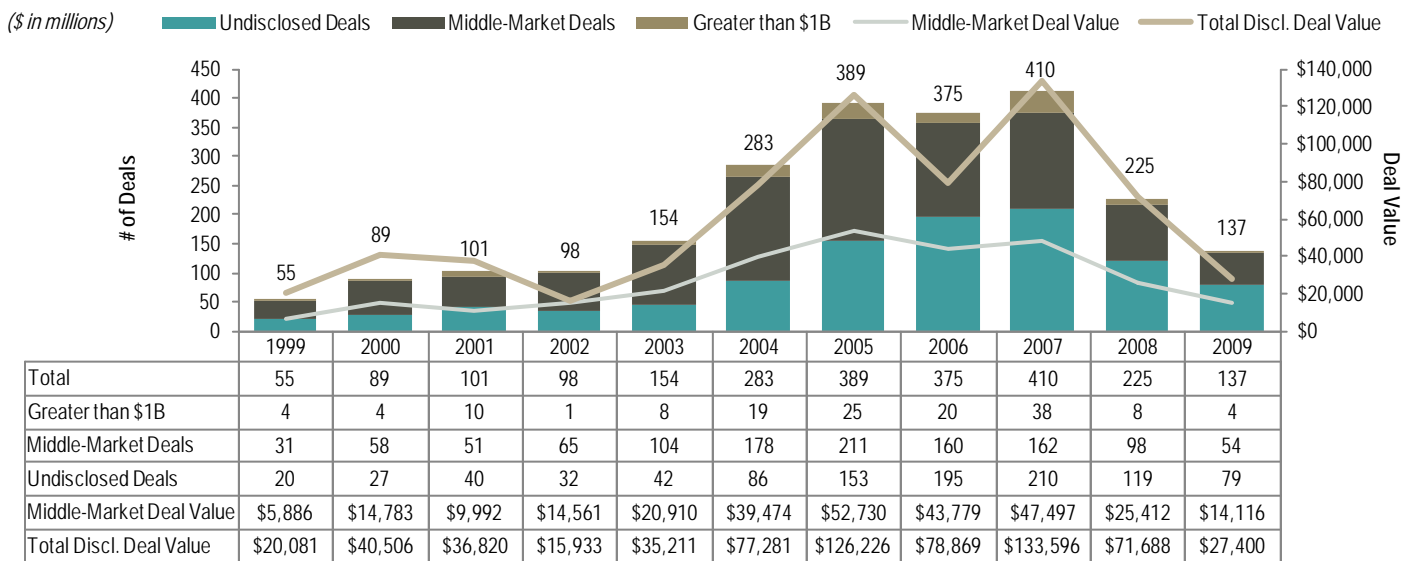
Private Equity U.S. M&A Activity

Private Equity Activity by Target Industry (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. Private Equity Exits



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

Private Equity Loan Volume

Sponsored Middle-Market Volume

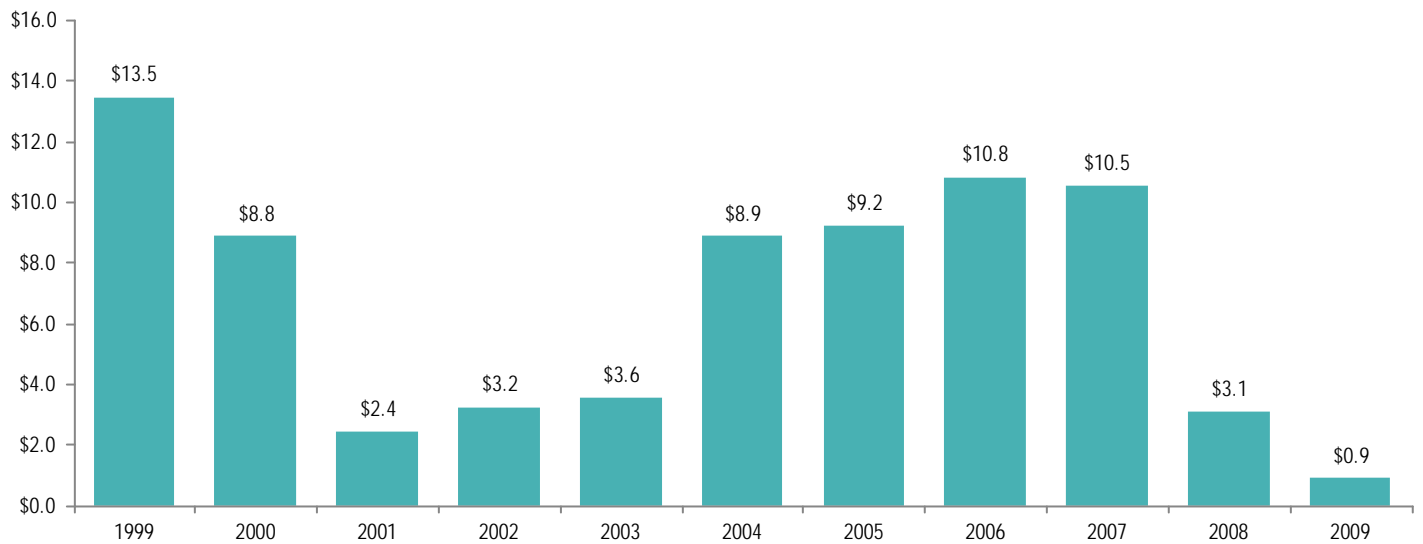
(\$ in billions)



Source: S&P M&A Stats. Middle-market defined as issuers with EBITDA of \$50 million or less.

Leveraged Buyout Middle-Market Volume

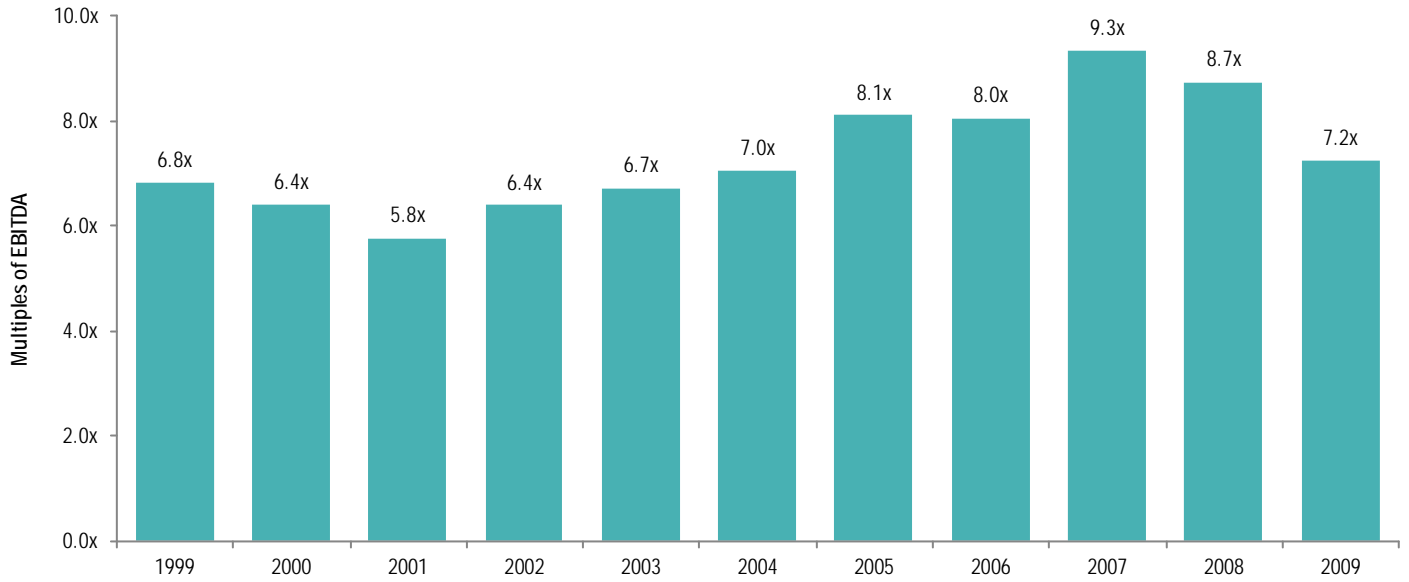
(\$ in billions)



Source: S&P M&A Stats. Middle-market defined as issuers with EBITDA of \$50 million or less.

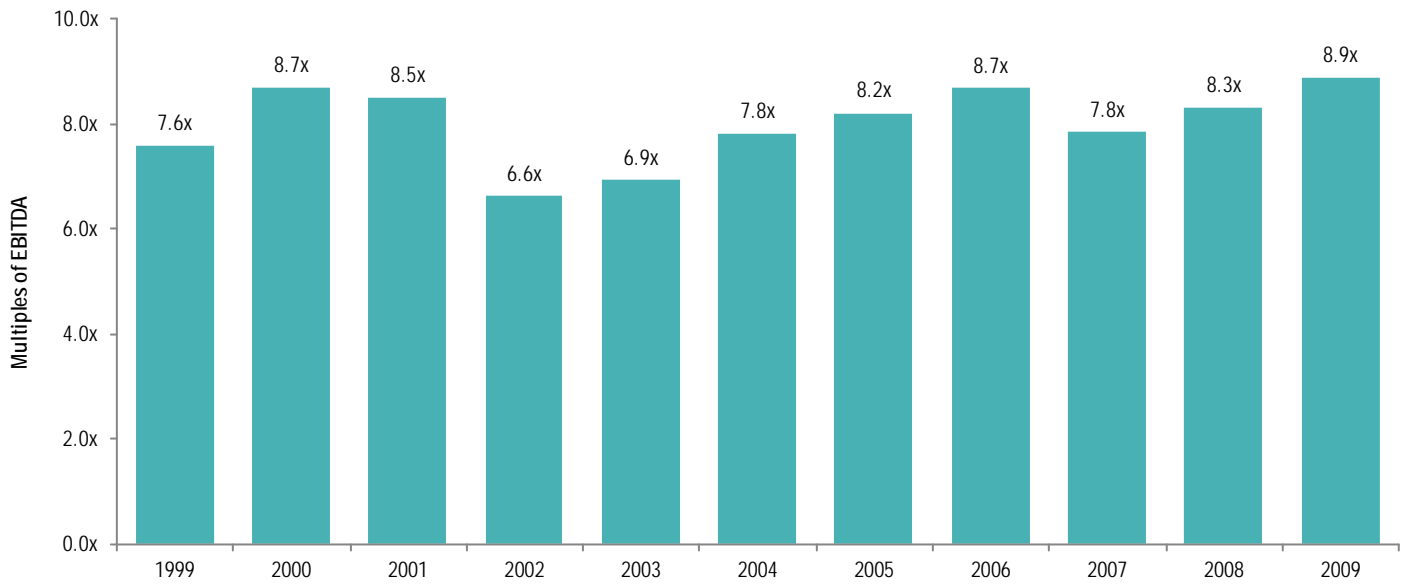
Valuations

Average Acquisition Price Multiples of LBOs



Source: S&P M&A Stats.

Average Acquisition Price Multiples of Strategic Acquisitions

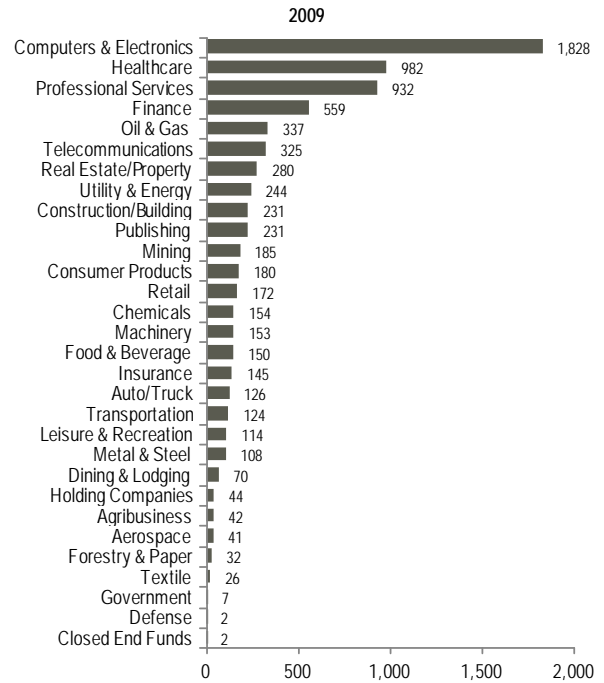
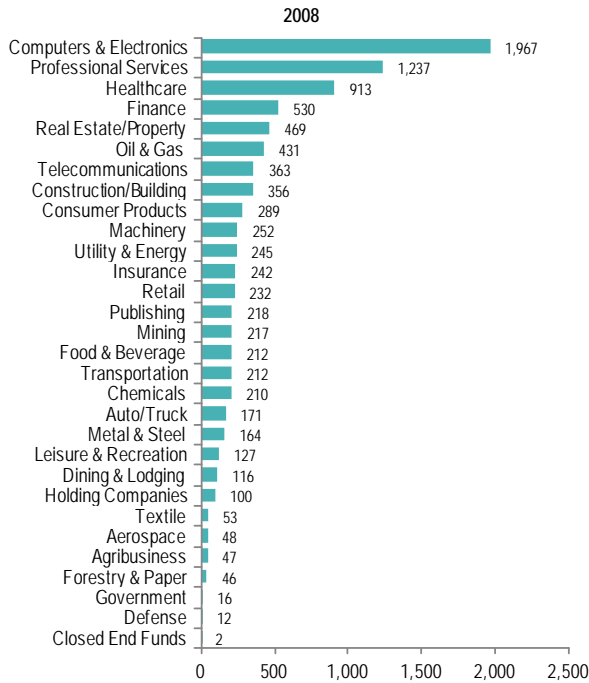


Source: S&P M&A Stats.

U.S. M&A Activity by Industry

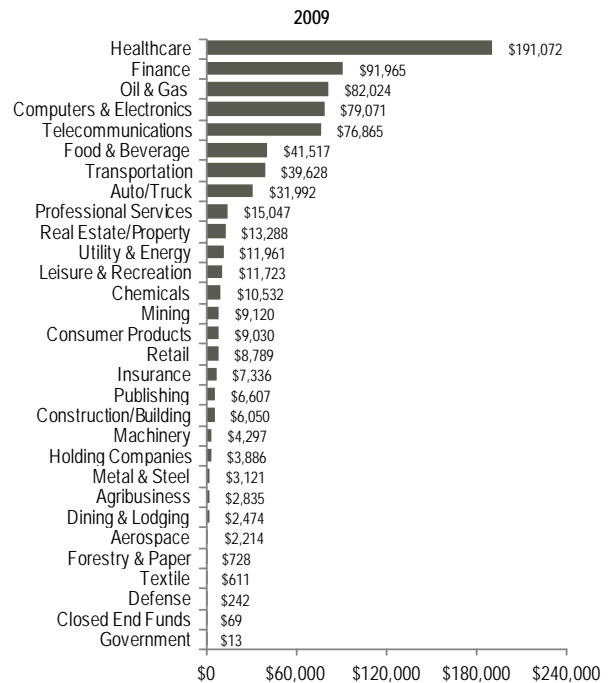
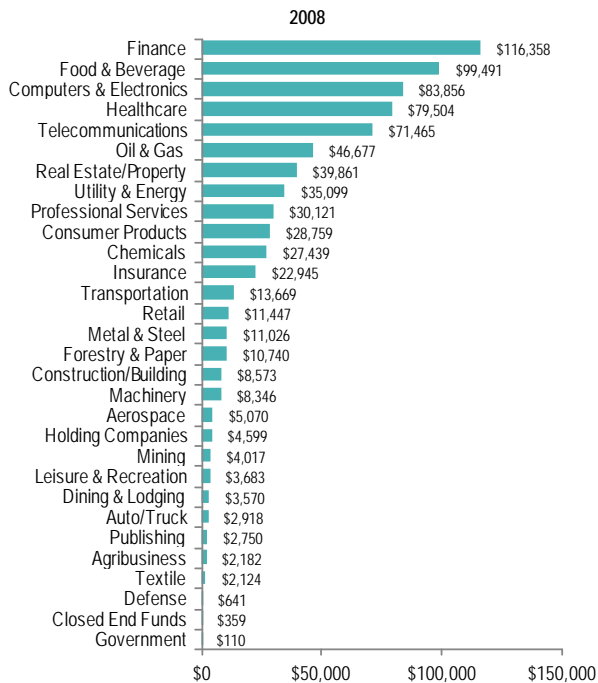
Total U.S. M&A Activity by Industry

Number of Deals



Dollar Volume

(\$ in millions)

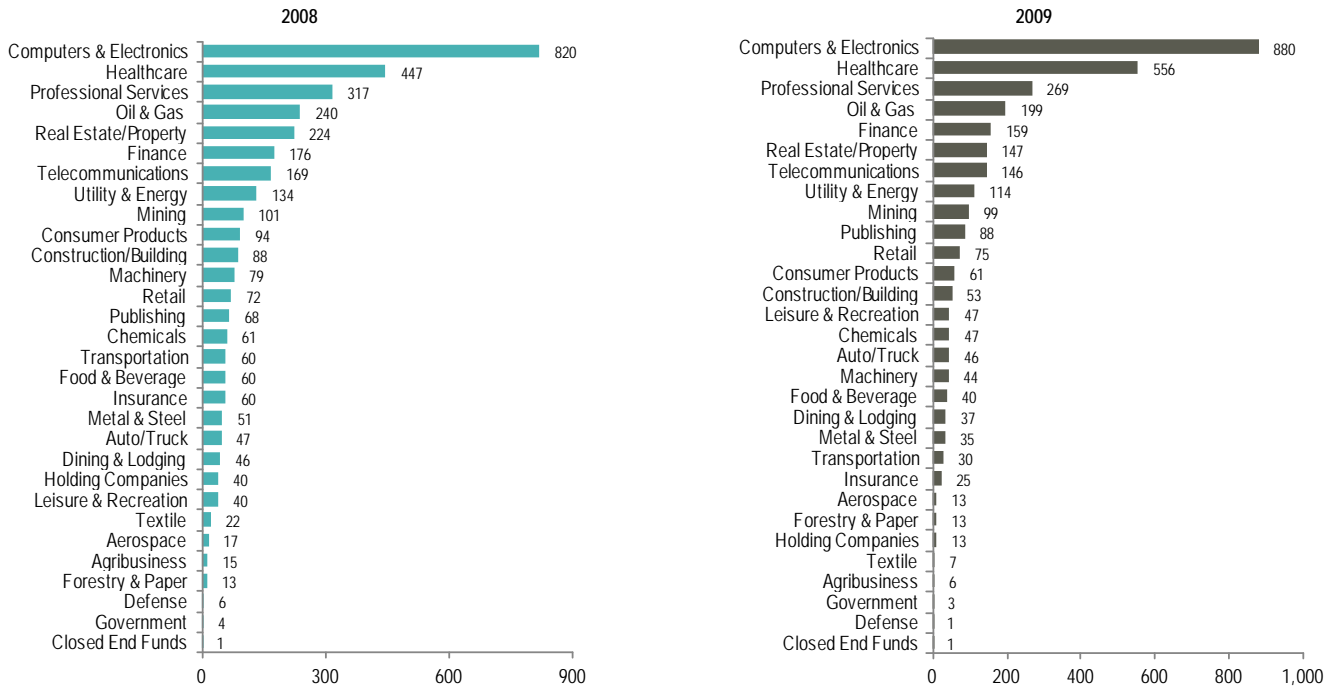


Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.
 Note: Figures exclude transactions involving minority stakes, stock repurchases, and spin-offs.

U.S. M&A Activity by Industry

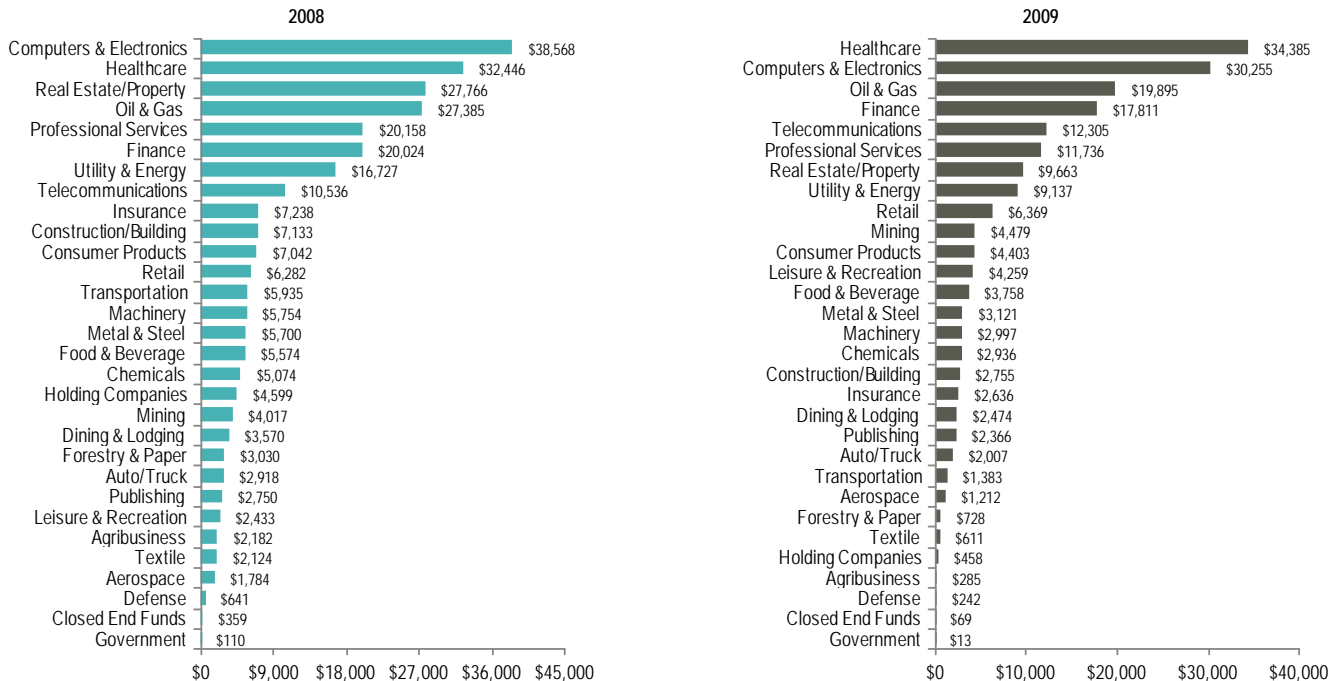
Middle-Market U.S. M&A Activity by Industry

Number of Deals



Dollar Volume

(\$ in millions)



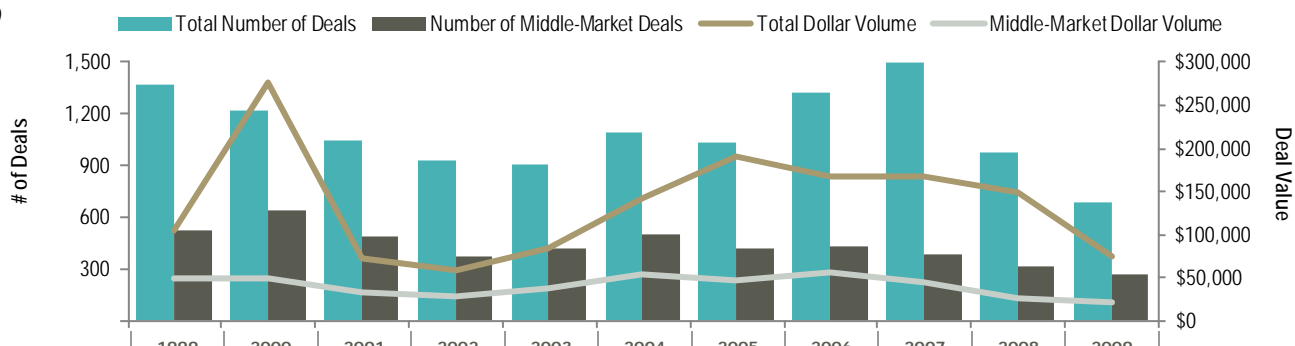
Source: Dealogic and Robert W. Baird & Co. Incorporated M&A Market Analysis.

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. M&A Activity by Industry

U.S. Consumer Sector M&A Activity

(\$ in millions)



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	1,370	1,220	1,042	922	900	1,087	1,035	1,316	1,488	976	686
Number of Middle-Market Deals	518	632	490	365	420	491	414	422	384	312	260
Total Dollar Volume	\$103,471	\$274,740	\$71,236	\$56,590	\$83,535	\$140,481	\$189,247	\$166,658	\$166,881	\$146,949	\$73,533
Middle-Market Dollar Volume	\$49,297	\$49,186	\$33,012	\$28,572	\$37,055	\$52,600	\$46,756	\$55,132	\$43,312	\$24,901	\$21,262

Multiples (All Deals)

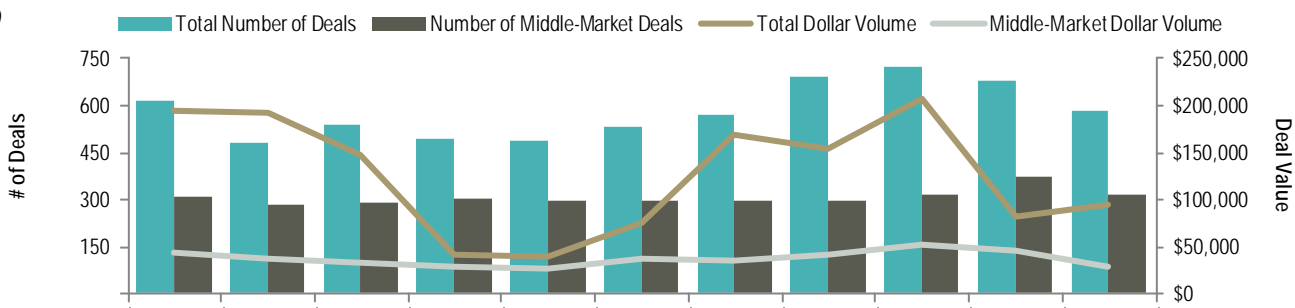
EV / EBITDA	8.1x	8.2x	8.4x	6.5x	7.4x	8.8x	9.3x	10.2x	9.9x	9.7x	8.4x
EV / EBIT	10.6x	10.8x	11.8x	10.5x	10.3x	11.3x	12.7x	14.3x	13.2x	12.7x	9.5x
EV / Revenue	0.85x	0.75x	0.56x	0.57x	0.70x	0.91x	0.72x	0.90x	0.75x	0.68x	0.67x

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. Energy & Power Sector M&A Activity

(\$ in millions)



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	610	478	538	493	487	529	571	687	724	676	581
Number of Middle-Market Deals	304	284	288	303	292	294	297	296	311	374	313
Total Dollar Volume	\$194,090	\$190,641	\$146,879	\$41,487	\$39,702	\$74,002	\$167,748	\$154,121	\$207,134	\$81,776	\$93,985
Middle-Market Dollar Volume	\$42,685	\$37,244	\$32,873	\$28,381	\$25,721	\$35,620	\$33,559	\$40,124	\$52,113	\$44,112	\$29,032

Multiples (All Deals)

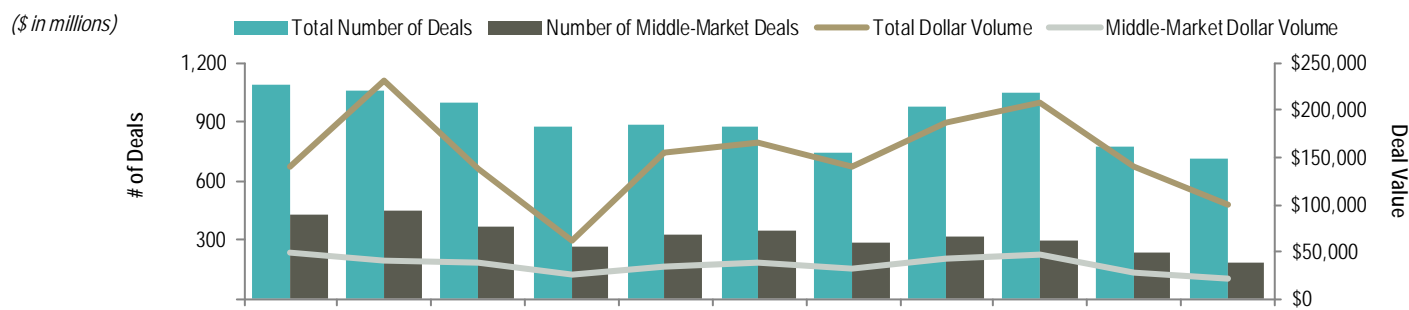
EV / EBITDA	9.1x	7.9x	4.6x	6.9x	8.5x	8.8x	8.6x	8.4x	9.5x	6.6x	6.5x
EV / EBIT	15.5x	11.3x	6.2x	10.7x	11.9x	13.3x	10.6x	13.2x	14.3x	10.6x	10.7x
EV / Revenue	1.91x	2.14x	1.62x	1.40x	1.58x	1.85x	1.87x	1.66x	1.82x	1.23x	1.31x

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. M&A Activity by Industry

U.S. Financial Sector M&A Activity



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	1,090	1,054	993	874	880	868	743	973	1,049	774	706
Number of Middle-Market Deals	429	450	362	263	327	341	279	310	296	237	185
Total Dollar Volume	\$139,509	\$230,902	\$137,437	\$60,875	\$154,550	\$164,819	\$139,557	\$186,752	\$207,405	\$139,662	\$99,369
Middle-Market Dollar Volume	\$49,223	\$39,647	\$37,656	\$24,381	\$34,074	\$38,676	\$30,648	\$41,273	\$46,661	\$27,621	\$20,515

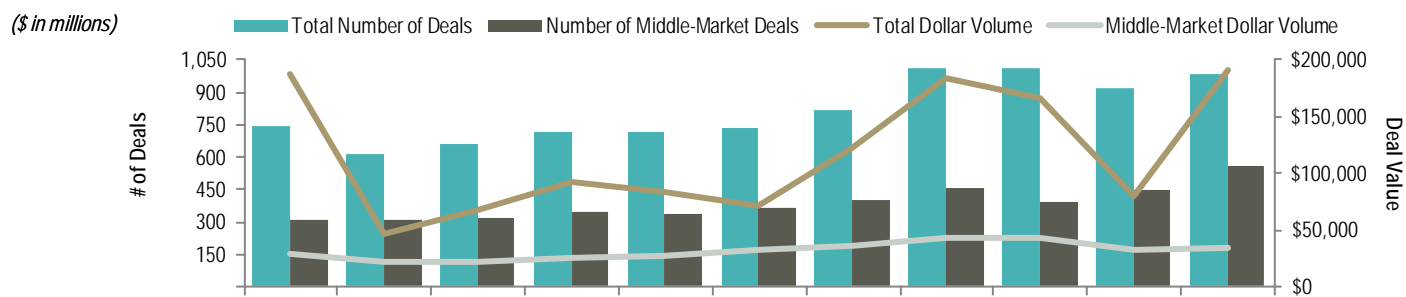
Multiples (All Deals)

EV / EBITDA	10.7x	10.7x	9.6x	7.3x	10.8x	10.6x	13.6x	14.1x	11.6x	12.4x	8.0x
EV / EBIT	12.6x	13.4x	11.5x	11.7x	12.2x	12.1x	NM	NM	16.0x	13.6x	9.3x
EV / Revenue	1.20x	0.89x	1.03x	0.87x	1.63x	1.01x	1.14x	1.26x	1.34x	1.21x	1.52x

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. Healthcare Services Sector M&A Activity



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	744	609	662	714	714	734	815	1,008	1,010	913	982
Number of Middle-Market Deals	303	309	313	340	335	360	397	456	390	447	556
Total Dollar Volume	\$186,990	\$46,495	\$67,928	\$91,796	\$83,434	\$70,357	\$121,431	\$183,377	\$165,577	\$79,504	\$191,072
Middle-Market Dollar Volume	\$27,841	\$21,512	\$21,245	\$24,860	\$27,657	\$32,047	\$35,413	\$41,748	\$42,286	\$32,446	\$34,385

Multiples (All Deals)

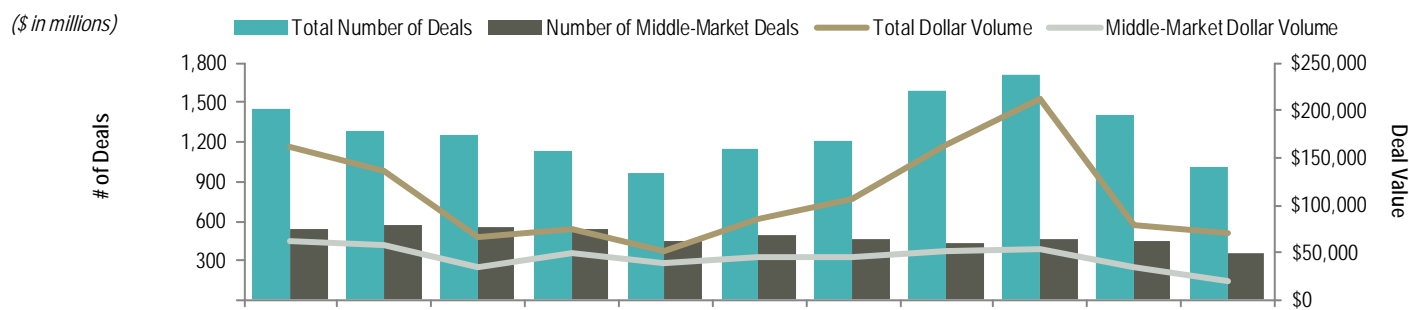
EV / EBITDA	9.9x	8.4x	8.6x	8.0x	11.3x	9.6x	11.2x	13.0x	12.9x	13.1x	8.3x
EV / EBIT	12.9x	11.6x	12.3x	9.9x	13.8x	12.7x	12.7x	15.6x	16.4x	14.9x	11.0x
EV / Revenue	1.66x	1.10x	1.22x	1.06x	1.56x	1.53x	1.43x	1.31x	1.48x	1.42x	1.21x

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. M&A Activity by Industry

U.S. Industrial Sector M&A Activity



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	1,444	1,284	1,246	1,124	958	1,136	1,207	1,576	1,711	1,392	1,008
Number of Middle-Market Deals	539	568	547	526	441	481	458	427	455	444	343
Total Dollar Volume	\$160,086	\$134,827	\$66,167	\$74,930	\$50,260	\$84,033	\$106,054	\$162,820	\$211,754	\$77,476	\$69,780
Middle-Market Dollar Volume	\$61,342	\$56,247	\$33,462	\$47,922	\$38,335	\$44,403	\$44,608	\$50,768	\$52,597	\$34,757	\$19,413

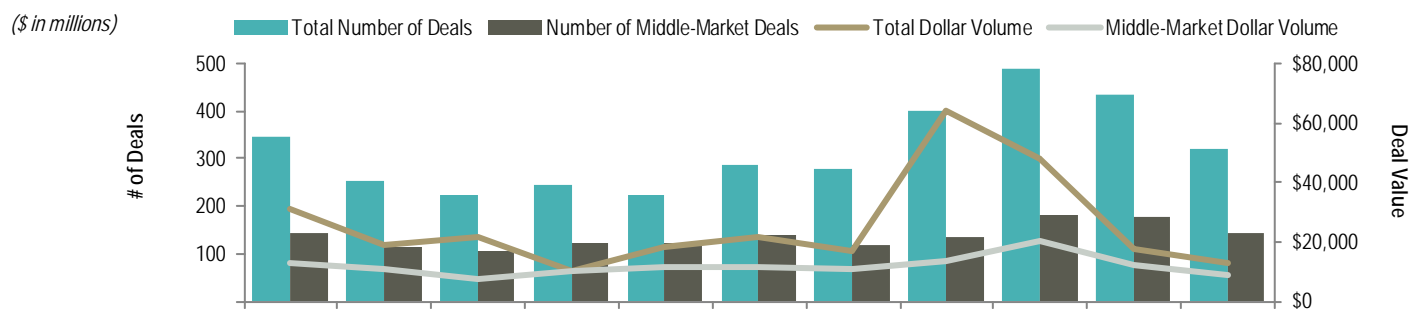
Multiples (All Deals)

EV / EBITDA	8.4x	7.9x	7.7x	7.6x	7.0x	9.1x	8.9x	7.7x	8.9x	9.0x	6.2x
EV / EBIT	11.4x	10.5x	9.4x	10.9x	10.9x	11.7x	11.5x	10.8x	11.8x	12.3x	6.7x
EV / Revenue	1.05x	0.97x	0.77x	0.80x	0.82x	0.96x	0.94x	0.98x	0.92x	0.89x	0.75x

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. Materials Sector M&A Activity



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	343	253	221	243	223	287	278	397	489	434	319
Number of Middle-Market Deals	142	113	105	121	120	139	116	132	179	174	141
Total Dollar Volume	\$30,696	\$18,361	\$21,623	\$10,065	\$18,105	\$21,325	\$16,857	\$64,111	\$47,772	\$17,167	\$12,852
Middle-Market Dollar Volume	\$12,434	\$10,808	\$6,828	\$10,065	\$11,355	\$11,415	\$10,765	\$13,135	\$19,720	\$11,841	\$8,211

Multiples (All Deals)

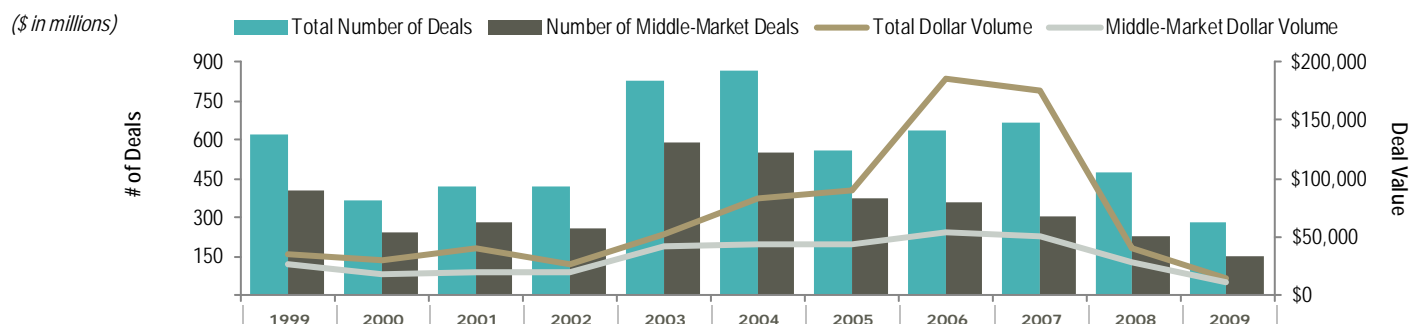
EV / EBITDA	8.6x	9.1x	8.2x	7.8x	7.0x	9.5x	8.4x	7.4x	8.5x	7.8x	6.9x
EV / EBIT	12.6x	14.2x	NM	11.3x	9.0x	10.2x	10.8x	9.4x	11.6x	12.1x	NM
EV / Revenue	0.96x	1.21x	0.94x	0.88x	0.82x	1.04x	0.76x	0.87x	0.84x	1.02x	0.80x

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. M&A Activity by Industry

U.S. Real Estate Sector M&A Activity



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	616	360	416	416	825	866	554	632	661	469	280
Number of Middle-Market Deals	400	242	281	254	588	548	371	352	304	224	147
Total Dollar Volume	\$33,539	\$29,967	\$40,263	\$26,370	\$51,295	\$83,118	\$88,951	\$185,036	\$175,248	\$39,861	\$13,288
Middle-Market Dollar Volume	\$26,345	\$17,862	\$18,083	\$19,464	\$40,938	\$42,691	\$43,233	\$53,886	\$50,416	\$27,766	\$9,663

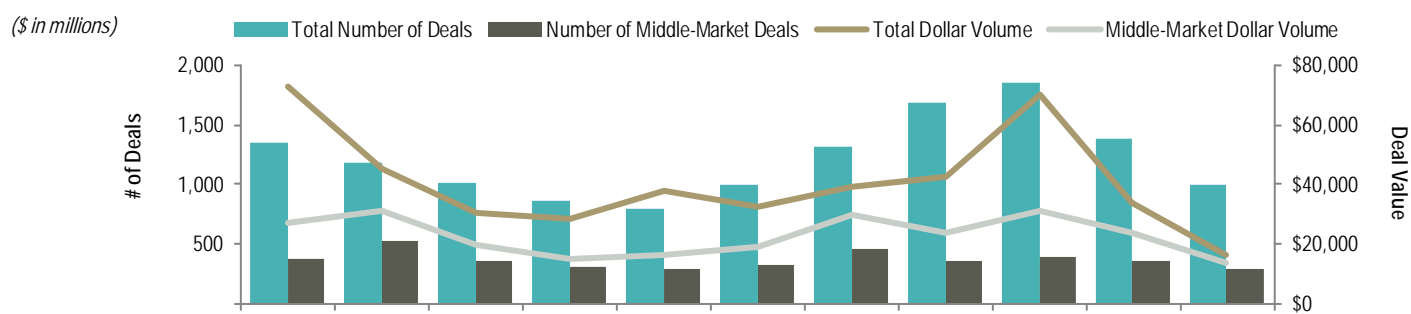
Multiples (All Deals)

EV / EBITDA	10.9x	11.6x	10.1x	9.6x	11.2x	11.1x	NM	15.4x	15.1x	NM	NM
EV / EBIT	14.7x	15.9x	12.7x	14.9x	16.0x	13.8x	NM	20.4x	18.7x	15.7x	NM
EV / Revenue	1.01x	0.87x	2.05x	1.44x	NM	0.56x	NM	1.91x	1.11x	1.78x	NM

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. Services Sector M&A Activity



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	1,347	1,180	1,010	863	794	988	1,308	1,673	1,850	1,368	998
Number of Middle-Market Deals	375	518	353	293	285	324	447	356	387	351	283
Total Dollar Volume	\$72,710	\$44,865	\$29,943	\$28,325	\$37,255	\$32,212	\$39,198	\$42,148	\$70,053	\$33,599	\$16,397
Middle-Market Dollar Volume	\$27,148	\$30,671	\$19,694	\$14,713	\$15,845	\$18,501	\$29,637	\$23,703	\$31,053	\$23,635	\$13,086

Multiples (All Deals)

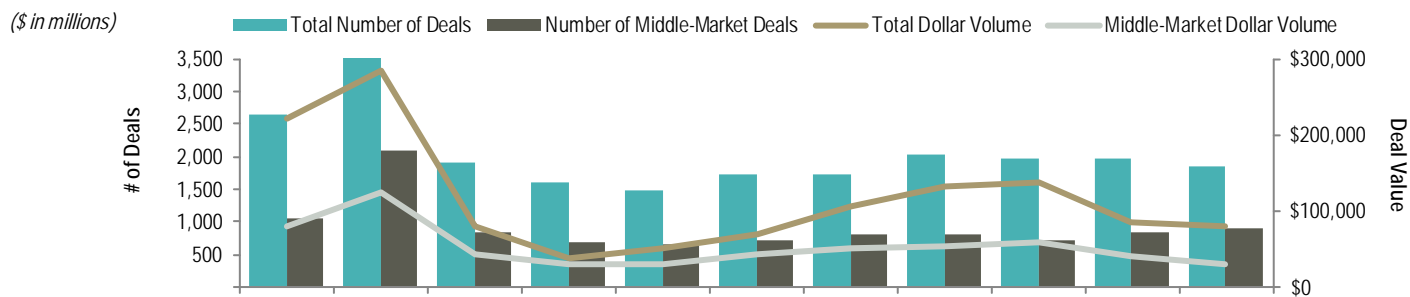
EV / EBITDA	9.0x	9.0x	7.6x	6.9x	7.3x	8.8x	10.0x	8.5x	11.3x	9.2x	7.7x
EV / EBIT	12.3x	9.7x	11.4x	9.5x	10.9x	11.5x	12.4x	12.4x	14.4x	13.3x	7.8x
EV / Revenue	1.09x	1.03x	0.90x	0.70x	0.77x	0.96x	1.17x	1.08x	1.02x	0.87x	0.71x

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. M&A Activity by Industry

U.S. Technology Sector M&A Activity



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	2,645	3,589	1,895	1,595	1,470	1,719	1,709	2,037	1,971	1,967	1,828
Number of Middle-Market Deals	1,054	2,087	833	691	639	716	809	801	716	820	880
Total Dollar Volume	\$220,472	\$284,313	\$79,514	\$37,623	\$51,560	\$69,195	\$104,637	\$131,330	\$136,455	\$83,856	\$79,071
Middle-Market Dollar Volume	\$79,311	\$123,994	\$41,338	\$28,068	\$29,786	\$43,291	\$50,891	\$53,361	\$57,893	\$38,568	\$30,255

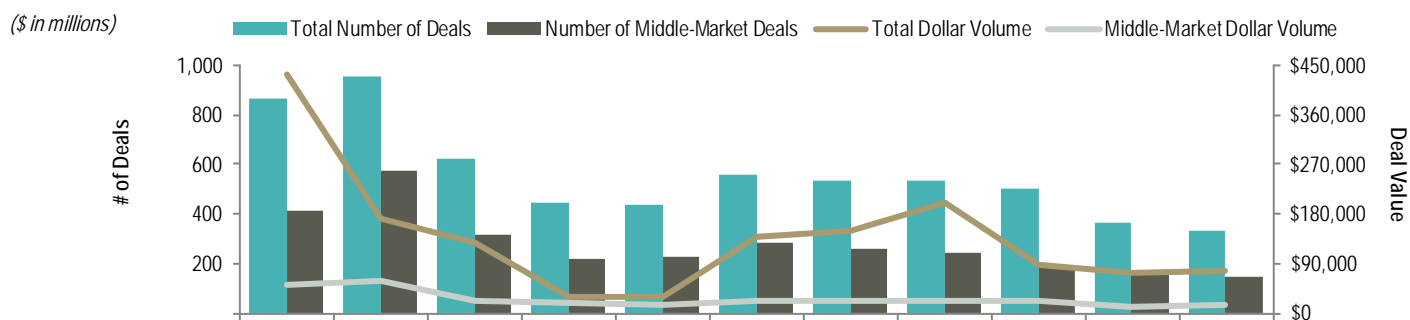
Multiples (All Deals)

EV / EBITDA	10.7x	9.1x	9.9x	9.7x	7.6x	8.2x	10.7x	10.5x	12.2x	10.0x	9.0x
EV / EBIT	13.4x	13.0x	13.3x	13.6x	11.2x	12.5x	15.1x	15.2x	15.5x	12.9x	13.6x
EV / Revenue	1.48x	1.25x	1.19x	0.99x	1.04x	1.34x	1.53x	1.47x	1.33x	1.29	1.08x

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. Telecom Sector M&A Activity



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Number of Deals	863	950	620	444	434	556	532	528	498	363	325
Number of Middle-Market Deals	407	572	310	219	226	282	259	236	180	169	146
Total Dollar Volume	\$431,061	\$168,808	\$126,216	\$26,907	\$27,386	\$136,144	\$147,996	\$197,159	\$84,752	\$71,465	\$76,865
Middle-Market Dollar Volume	\$51,014	\$56,138	\$21,134	\$15,440	\$12,934	\$19,972	\$18,978	\$21,415	\$21,000	\$10,536	\$12,305

Multiples (All Deals)

EV / EBITDA	11.8x	9.0x	9.1x	8.2x	9.2x	8.1x	10.0x	10.4x	12.5x	7.7x	8.1x
EV / EBIT	14.5x	NM	15.3x	NM	NM	12.5x	14.2x	13.4x	16.4x	13.6x	12.0x
EV / Revenue	1.22x	1.02x	1.27x	0.88x	1.15x	1.11x	1.18x	1.37x	1.31x	1.20x	1.14x

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.

Economic Commentary

ECONOMY:

Financial market gains over the past nine months have helped instill (and in many ways reflect) a rising level of confidence among investors. The concern here is that the economic reality does not justify and cannot support the expectations that come with increased confidence. Too many continue to adhere to the old paradigm: we are swinging from bust to boom within the context of an ongoing secular upswing. Too few recognize that the underlying issues of the recent recession (excessive debt in virtually all sectors of the economy) remain largely unresolved and that the basis for a secular expansion has not emerged. As the economy continues to deal with the impact of private sector de-leveraging and a generational shift in household behavior from spending to saving, investors should be wary of misinterpreting evidence of short-term surges in growth as evidence of a lasting upswing. Neither government stimulus nor inventory effects will be the engine of growth for the economy going forward, but both are expected to boost economic activity in the near term.

The period of economy-wide retrenchment does not preclude equity market opportunities (to which 2009 bore witness), but it does suggest that risks are still elevated. Investors need to be flexible and seek out opportunities where growth potential and valuations offer the best risk-reward trade-off.

The evidence now suggests that the cyclical up-trend off of the March 2009 lows remains intact, buoyed by the resolution of the various breadth divergences that emerged over the course of the fourth quarter. The recent surge in optimism and increasingly excessive valuation levels could shift the weight of the evidence from bullish to neutral.

STOCK MARKET: We retain a neutral scoring for valuations, although they are increasingly looking excessive by a number of accounts. When compared to the overall value of the economy, the total capitalization of the stock market looks elevated by most historical comparisons (with the exceptions being the bubble peaks of 2000 and 2007). From an earnings perspective, the median price/earnings ratio for the S&P 500 has climbed sharply as stocks have rallied, and at 22x is now on the cusp of moving into overvalued territory.

Valuation indicators, while useful gauges of risk, are poor timing devices, as the stocks can stay over (or under) valued for long periods of time. The more significant message from valuations indicators (whether looking at P/E ratios or the market capitalization to GDP ratio) is that there is little evidence to suggest that a secular low has been made.

INTEREST RATES: The Federal Reserve remains rightly concerned about the deflationary impacts of the systemic de-leveraging that has begun and is unlikely to begin to raise interest rates before definitive evidence emerges that a sustainable up-trend in growth has emerged. The return of more normal functioning of the financial markets, however, has allowed the Fed to step back its direct involvement in the markets. The Fed's balance sheet remains expanded, but it has been able to scale back, and substantially eliminate many of the liquidity facilities that it established as the period of financial instability unfolded. It has also wound down its direct purchases of Treasury and Agency securities. These steps back from the market by the Fed, and the lack of a transmission mechanism for the Fed (funds that have been directed to banks have largely stayed at the banks and have not been lent out), have lessened the Fed's accommodative posture, but an outright tightening in policy does not appear imminent. The political ramifications of raising interest rates in an election year when the unemployment rate is still elevated are not likely to prevent Fed action. More likely, excess capacity across the economy means that there is room for recovery without sparking inflation. Moreover, deflationary concerns linger and the Fed (with an astute student of the Great Depression at the helm) is unlikely to move preemptively.

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Restructuring News

The Baird CDS Index

The graph below shows the Baird CDS Index for the three-year period ending December 31, 2009. This proprietary index of 36 credit default swap contracts references non-investment grade debt of non-financial companies using pricing information from Bloomberg.

The Baird CDS Index continued to decline last month, falling 113.6 points to 522.8 on December 31, 2009. That was down from 636.4 on November 30 – a decrease of 17.9%. For the 2009 calendar year as a whole, the Index declined 376.7 points, a 41.9% drop from 899.5 on December 31, 2008. This decline in the Baird CDS Index indicates that the cost to insure against a default by non-investment grade companies outside of the financial sector was much less on December 31, 2009 than it was a year earlier. The movement is also consistent with news that investors embraced asset classes with more risk as the year unfolded, narrowing spreads and reducing borrowing costs for non-investment grade companies.

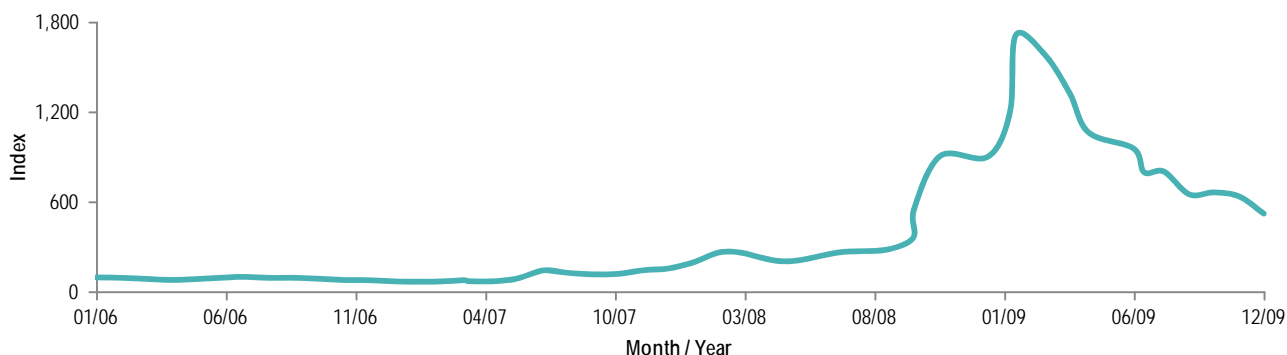
Despite the fall in our Index in 2009, it is still more than five times its base level on January 31, 2006 – during the days of easy credit. Thus, while credit market conditions have improved substantially for non-investment companies, a lot more healing remains before credit becomes accessible to these companies on terms that were generally available to them before the market seized up in September 2008, following the collapse of Lehman Brothers.

2009 was also a very strong year for restructuring activity with 207 public companies filing for bankruptcy protection, up from 138 in 2008 according to Bankruptcy.com. This is the third largest number since the bankruptcy code was rewritten in 1979. Measured by total assets, 2009 was the second highest on record – behind only 2008, which was inflated by the filings of banking giants Lehman Brothers and Washington Mutual, the two largest bankruptcies ever.

While we may be entering the later innings of this credit cycle, restructuring activity should remain brisk for the foreseeable future until the robust pipeline of companies still saddled with unsustainable levels of debt has been worked through.

If you are interested in additional information about the Baird CDS Index, specific companies on our watch list or our corporate restructuring capabilities, please contact a member of our team.

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.

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Recent Baird M&A Transactions

<u>Date Announced</u>	<u>Baird Client</u>	<u>Client Description</u>	<u>Transaction Description</u>	<u>Deal Value (\$ in millions)</u>	<u>Industry</u>
12/29/09	Nautilus, Inc.	Fitness equipment	Sale of select assets to Xiamen World Gear Sports Co.	\$12.3	Consumer
11/24/09	Kowa Pharmaceuticals	Developer of pharmaceutical products	Sale of select assets to Nautilus Neurosciences	**	Healthcare
11/15/09	Syntegra Capital	Private equity firm	Acquisition of Schülerhilfe	**	Education
11/9/09	Landauer, Inc.	Radiation dosimetry services	Acquisition of Global Physics Solutions, Inc.	\$22.0	Healthcare Services/ Test and Measurement
11/9/09	ATI Enterprises, Inc.	Operator of career training centers	Sale to BC Partners	**	Education
10/20/09	Sole Motors	Manufacturer of electric motors for household appliances	Sale to Nidec Techno Motor Holdings Corporation	***	Industrial
10/15/09	Primaeva Medical, Inc.	Medical devices	Sale to Syneron Medical Ltd.	\$30.0	Healthcare
10/2/09	SPX Filtran LLC	Manufacturer of automobile filters	Sale to Madison Capital Partners	**	Industrial
9/11/09	Transmark Fcx Group B.V.	Distributor of valves and flow control products	Sale to McJunkin Red Man Corporation, a portfolio company of Goldman Sachs Capital Partners	**	Industrial Distribution
6/08/09	PREMIUMcommunications Group (Barclays Private Equity)	Customer relationship management (CRM) services	Acquisition of adm Group	**	CRM Services
4/20/09	Chesapeake Utilities Corporation	Diversified utility company	Acquisition of Florida Public Utilities Company	\$133.1	Utilities
3/26/09	Orion Corporation	Manufacturer of hydrodynamic bearings	Sale to John Crane (Smiths Group plc)	**	Industrial
2/12/09	North American Scientific	Manufacturer of radioisotopic products for the treatment of cancer	Sale to Best Theratronics, Ltd.	**	Healthcare
1/29/09	Meade Europe (Meade Instruments)	Manufacturer of optical products	Sale to a management-led buyout group (Bresser GmbH)	\$12.4	Consumer
1/28/09	Appliances Components Companies Spain S.A.	Manufacturer of commercial refrigeration compressors	Sale to Compressor Acquisition Company Limited	**	Industrial
12/31/08	GSE Scale Systems (SPX Corporation)	Manufacturer of test and measurement products	Sale to Illinois Tool Works, Inc.	**	Industrial
12/31/08	Palombo's Med-Rite Pharmacy (Ricetta Rx)	Pharmaceutical services	Sale to Omnicare, Inc.	**	Healthcare
12/31/08	Revenue Cycle Solutions, Inc.	Revenue cycle management	Acquisition of Cash Retriever Systems, Inc.	**	Healthcare
11/26/08	McKechnie Vehicle Components USA, Inc.	Manufacturer of automotive products	Sale MVC Holdings LLC	**	Industrial
11/21/08	Coachmen Industries, Inc.	Manufacturer of recreational vehicles	Sale to Forest River, Inc.	**	Consumer
11/11/08	Independent Bank Corp.	Bank holding company	Acquisition of Benjamin Franklin Bancorp.	\$84.5	Financial Services
10/21/08	Integrated Device Technology, Inc.	Digital media	Acquisition of assets of Silicon Optix	**	Technology
10/13/08	TRUMPF International Beteiligungs-GmbH	Industrial lasers and laser systems	Acquisition of SPI Lasers plc	**	Industrial
10/7/08	FCX Performance, Inc.	Distributor of flow control products	Sale to Sterling Investment Partners	**	Industrial Distribution
10/1/08	Methode Electronics, Inc.	Manufactures electro-mechanical devices	Acquisition of assets of Hetronic Holding, LLC	\$53.6	Industrial
9/30/08	Norwesco, Inc.	Liquid containment solutions	Sale to Olympus Partners	**	Industrial
9/10/08	Richter Chemie-Technik GmbH	Industrial pumps and valves	Sale to IDEX Corporation	€71.0	Industrial
9/8/08	Gehl Company	Construction and agricultural equipment	Sale to Manitou BF, S.A.	\$449.9	Industrial
9/2/08	Avery Weigh-Tronix Holdings Limited	Industrial weighing products	Sale to Illinois Tool Works Inc.	**	Industrial
8/4/08	Unipac Business Unit (Illinois Tool Works)	Laminated liners for plastic containers	Sale to Selig Sealing Products, Inc.	**	Industrial
8/4/08	Amafilter Group Holding B.V.	Manufactures filtration products	Sale to MAHLE Group	**	Filtration
7/8/08	TopWorx, Inc.	Designer of valve control equipment	Sale to Emerson Electric	**	Industrial
7/2/08	GTI Diagnostics (Blood Center of Wisconsin Research Foundation)	Manufactures medical diagnostics assays	Sale to The Riverside Company	**	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 December 2009, Baird added 14 companies to coverage, bringing the total coverage to 616 companies. Covered companies have a median and average market capitalization of \$1.8 billion and \$8.0 billion, respectively. In the past three years, Baird has increased the number of companies under coverage by more than 28%.

In December 2009, there were 38 upward and 24 downward adjustments to current-year earnings estimates (generally calendar-year 2009). There were 63 upward and 39 downward revisions to forward-year (generally calendar-year 2010) earnings estimates.

MONTHLY REPORTS

Sector: Automotive

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

Sector: Consumer Products

Contact Thomas Gaul at tgaul@rwbaird.com

Sector: Diversified Industrial and Machinery

<https://baird.bluematrix.com/docs/pdf/990e4775-3c42-4514-8299-8b515a6f6eb3.pdf>

Sector: Education Services

<http://www.rwbaird.com/docs/CN1-10.pdf>

Sector: Human Capital Services

www.rwbaird.com/docs/yourreports/HCSMAP.pdf

Sector: Radio Frequency Identification (RFID)

<http://www.rwbaird.com/docs/RFIDJanuary2010.pdf>

Sector: Retail, Restaurants, Apparel & Footwear

Contact Thomas Gaul at tgaul@rwbaird.com

Sector: Utilities

[https://baird.bluematrix.com/docs/pdf/9c02f26b-476d-4ef4-84b5-](https://baird.bluematrix.com/docs/pdf/9c02f26b-476d-4ef4-84b5-a408dbfe9fb4.pdf?co=Baird&id=thellams@rwbaird.com)

[a408dbfe9fb4.pdf?co=Baird&id=thellams@rwbaird.com](https://baird.bluematrix.com/docs/pdf/9c02f26b-476d-4ef4-84b5-a408dbfe9fb4.pdf?co=Baird&id=thellams@rwbaird.com)
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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
ICT Group	ICTG
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
ITT Educational Services, Inc.	ESI
K12 Inc.	LRN
Lincoln Education Services Corp.	LINC
New Oriental Education & Technology Grp	EDU
Rosetta Stone Inc.	RST
School Specialty, Inc.	SCHS
Strayer Education, Inc.	STRA
Marketing & Professional Services	
Acxiom Corporation	ACXM
Alliance Data Systems Corporation	ADS
The Corporate Executive Board Co.	EXBD
The Dun & Bradstreet Corp.	DNB
Equifax Inc.	EFX
Experian plc	EXP.N.L
Forrester Research, Inc.	FORR
FTI Consulting, Inc.	FCN
Gartner Inc.	IT
Harte-Hanks, Inc.	HHS
Huron Consulting Group, Inc.	HURN
IHS Inc.	IHS
Journal Communications, Inc.	JRN
Navigant Consulting, Inc.	NCI
RiskMetrics Group, Inc.	RMG
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
Standard Parking Corp.	STAN
UniFirst Corporation	UNF
Human Capital Services	
Administaff, Inc.	ASF
AMN Healthcare Service, Inc.	AHS
Automatic Data Processing	ADP
COMSYS IT Partners	CITP
Heidrick & Struggles International	HSII
Hewitt Associates, Inc.	HEW
Hudson Highland Group, Inc.	HHGP
Kforce Inc.	KFRC
Korn/Ferry International	KFY
Manpower Inc.	MAN
Monster Worldwide, Inc.	MWW
MPS Group, Inc.	MPS
Paychex Inc.	PAYX
Resources Connection, Inc.	RECN
Spherion Corporation	SFN

Human Capital Services (cont'd)	
Robert Half International	RHI
Taleo Corporation	TLEO
TrueBlue, Inc.	TBI
The Ultimate Software Group Inc.	ULTI
Watson Wyatt Worldwide, Inc.	WW
Industrial Services	
AECOM Technology Corporation	ACM
American Reprographics Co.	ARP
Clean Harbors, Inc.	CLHB
Fluor Corporation	FLR
Jacobs Engineering Group Inc.	JEC
Mobile Mini, Inc.	MINI
Pike Electric Corporation	PEC
Quanta Services Inc.	PWR
RSC Holdings Inc.	RRR
Shaw Group Inc.	SHAW
Stericycle, Inc.	SRCL
URS Corporation	URS
Communications	
Communications Services - Carriers	
AT&T, Inc.	T
Leap Wireless International, Inc.	LEAP
MetroPCS Communications, Inc.	PCS
Sprint Nextel Corporation	S
Telephone and Data Systems, Inc.	TDS
United States Cellular Corp.	USM
Verizon Communications, Inc.	VZ
Network Technology	
ADC Telecommunications, Inc.	ADCT
ADTRAN, Inc.	ADTN
Alcatel-Lucent	ALU
Cisco Systems, Inc.	CSCO
CommScope, Inc.	CTV
F5 Networks, Inc.	FFIV
Fortinet, Inc.	FTNT
Juniper Networks, Inc.	JNPR
LM Ericsson Telephone Co.	ERIC
PCTEL, Inc.	PCTI
Powerwave Technologies, Inc.	PWAV
Riverbed Technology, Inc.	RVBD
SonicWALL, Inc.	SNWL
Sonus Networks Inc.	SONS
Tekelec	TKLC
Tellabs	TLAB
Communications Services – Software & Services	
Amdocs Limited	DOX
Comverse Technology, Inc.	CMVT
NeuStar, Inc.	NSR
Neutral Tandem Inc.	TNDM
Nokia Corporation	NOK
Research in Motion Limited	RIMM
Synchronoss Technologies, Inc.	SNCR
Syniverse Holdings, Inc.	SVR
Consumer	
Automotive Services	
ATC Technology Corporation	ATAC
CarMax, Inc.	KMX
Copart, Inc.	CPRT
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
Harley-Davidson, Inc.	HOG
O'Reilly Automotive, Inc.	ORLY
Polaris Industries, Inc.	PII
RC2 Corporation	RCRC
Thor Industries	THO
Winnebago Industries, Inc.	WGO
Footwear, Apparel & Accessories	
Columbia Sportswear	COLM
Crocs, Inc.	CROX

Footwear, Apparel & Accessories (cont'd)	
Deckers Outdoors	DECK
Genesco, Inc.	GCO
Nike Inc.	NKE
Rocky Brands, Inc.	RCKY
Quiksilver Inc.	2QK
Timberland Co.	TBL
Under Armour Inc.	UA
VF Corporation	VFC
Volcom Inc.	VLCM
Wolverine World Wide	WWW
Restaurants	
BJ's Restaurant, Inc.	BJRI
Burger King Holdings, Inc.	BKC
Buffalo Wild Wings, Inc.	BWLD
California Pizza Kitchen, Inc.	CPKI
Caribou Coffee Company, Inc.	CBOU
The Cheesecake Factory Inc.	CAKE
Chipotle Mexican Grill, Inc.	CMG
Darden Restaurants, Inc.	DRI
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
BJ's Wholesale Club, Inc.	BJ
Coach, Inc.	COH
Costco Wholesale Corp.	COST
Dick's Sporting Goods, Inc.	DKS
The Gap Inc.	GPS
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
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
Wal-Mart Stores, Inc.	WMT
Zumiez, Inc.	ZUMZ
Select Growth	
HNI Corporation	HNI
Schawk, Inc.	SGK
Energy	
Utilities	
Alliant Energy Corporation	LNT
Aqua America, Inc.	WTR
California Water Service Group	CWT
Chesapeake Utilities Corp.	CPK
DPL Inc.	DPL
FPL Group, Inc.	FPL
Hawaiian Electric Industries	HE
Integrus Energy Group	TEG
MDU Resources Group Inc.	MDU
Nicor Inc.	GAS
Otter Tail Corporation	OTTR
Piedmont Natural Gas Company, Inc.	PNY
PNM Resources, Inc.	PNM
Progress Energy, Inc.	PGN
TECO Energy, Inc.	TE
UIL Holdings Corporation	UIL
Vectren Corporation	VVC
Wisconsin Energy Corporation	WEC
Xcel Energy Inc.	XEL

Baird U.S. Equity Research Coverage

Energy (cont'd)	
Clean Technology	
American Superconductor Corp.	AMSC
Calgon Carbon Corp.	CCC
Comverge, Inc.	COMV
Covanta Holding Corp.	CVA
Energy Recovery, Inc.	ERII
EnerNOC, Inc.	ENOC
First Solar, Inc.	FSLR
Itron, Inc.	ITRI
Maxwell Technologies	MXWL
Ormat Technologies, Inc.	ORA
SunPower Corporation	SPWRA
Suntech Power Holdings Co. Ltd.	STP
Telvent GIT, S.A.	TLVT
Industrial	
Automotive and Truck Supplies	
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
Stoneridge, Inc.	SRI
STRATTEC SECURITY CORP.	STRT
Tenneco Inc.	TEN
WABCO Holdings Inc.	WBC
Consumer Building Products	
Acuity Brands, Inc.	AYI
American Woodmark Corporation	AMWD
The Black & Decker Corporation	BDK
Fortune Brands, Inc.	FO
Simpson Manufacturing	SSD
Quanex Building Products Corp.	NX
Containers & Packaging	
AptarGroup, Inc.	ATR
Avery Dennison Corporation	AVY
Ball Corporation	BLL
Bemis Company	BMS
BWAY Holding Company	BWY
Crown Holdings, Inc.	CCK
Owens-Illinois, Inc.	OI
Pactiv Corporation	PTV
Rexam PLC	REXYM
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
Bucyrus International, Inc.	BUCY
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
Kaydon Corporation	KDN
Masco Corporation	MAS
Middleby Corporation	MIDD

General Industrial (cont'd)	
RBC Bearings Incorporated	ROLL
The Stanley Works	SWK
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
Builders FirstSource, Inc.	BLDR
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
Baldor Electric Company	BEZ
CIRCOR International, Inc.	CIR
Colfax Corporation	CFX
Emerson Electric Co.	EMR
Flowserve Corporation	FLS
Franklin Electric Co., Inc.	FELE
Gardner Denver, Inc.	GDI
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
Burlington Northern Santa Fe	BNI
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
Pacer International, Inc.	PACR
Ryder System, Inc.	R
TAL International Group	TAL
UPS	UPS
Union Pacific Corporation	UNP
UTi Worldwide, Inc.	UTIW
Werner Enterprises	WERN
YRC Worldwide	YRCW
Technology	
Computer Hardware & Storage	
3PAR Inc.	PAR
Brocade Communications	BRCD
CommVault Systems, Inc.	CVLT
Compellent Technologies Inc.	CML
Dell Inc.	DELL
EMC Corporation	EMC
Emulex Corporation	ELX
Hewlett-Packard Company	HPQ
NetApp Inc.	NTAP

Computer Hardware & Storage (cont'd)	
Netezza Corporation	NZ
QLogic Corporation	QLGC
Seagate Technology	STX
VMware	VMW
Western Digital Corporation	WDC
Xyratex, Ltd.	XRTX
Software & Services	
Adobe Systems Inc.	ADB
ANSYS, Inc.	ANSS
Autodesk, Inc.	ADSK
Citrix Systems, Inc.	CTXS
Concur Technologies, Inc.	CNQR
Constant Contact, Inc.	CTCT
McAfee, Inc.	MFE
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
IT Services	
Accenture	ACN
CIBER, Inc.	CBR
Cognizant Technology Solutions	CTSH
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
Dionex Corporation	DNEX
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
Varian, Inc.	VARI
Semiconductor Components	
Altera Corp.	ALTR
Analog Devices, Inc.	ADI
Broadcom Corp.	BRCM
Diodes Incorporated	DIOD
Fairchild Semiconductor Int'l, Inc.	FCS
GSI Technology	GSIT
Intel Corporation	INTC
Lattice Semiconductor Corp.	LSCC
Micron Technology, Inc.	MU
Monolithic Power Systems, Inc.	MPWR
NetLogic Microsystems, Inc.	NETL
OmniVision Technologies, Inc.	OVTI
ON Semiconductor	ONNN
SanDisk Corporation	SNDK
Sigma Designs, Inc.	SIGM
STMicroelectronics NV	STM
Texas Instruments, Inc.	TXN
Xilinx Inc.	XLNX
Supply Chain Technology	
Avocent Corp.	AVCT
Checkpoint Systems, Inc.	CKP
Diebold, Inc.	DBD
Garmin Ltd.	GRMN

Baird U.S. Equity Research Coverage

Supply Chain Technology (cont'd)	
Intermec, Inc.	IN
NCR Corporation	NCR
Plantronics, Inc.	PLT
ScanSource, Inc.	SCSC
Zebra Technologies Corporation	ZBRA

Healthcare/Life Sciences	
Biotechnology	
Affymax, Inc.	AFFY
AMAG Pharmaceuticals, Inc.	AMAG
Amgen, Inc.	AMGN
Amylin Pharmaceuticals, Inc.	AMLN
Array BioPharma Inc.	ARRY
BioDelivery Sciences Int'l	BDSI
Biogen Idec Inc.	BIIB
BioMarin Pharmaceutical, Inc.	BMRN
Celgene Corporation	CELG
Cerus Corporation	CERS
Cubist Pharmaceuticals, Inc.	CBST
Genzyme Corporation	GENZ
Gilead Sciences, Inc.	GILD
Human Genome Sciences, Inc.	HGSI
Incyte Corporation	INCY
Infinity Pharmaceuticals, Inc.	INFI
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	
AmerisourceBergen Corporation	ABC
Athenahealth Inc.	ATHN
Cardinal Health, Inc.	CAH
Cerner Corporation	CERN
Charles River Laboratories	CRL
Covance Inc.	CVD
ICON plc	ICLR
Kendle International Inc.	KNDL
McKesson Corporation	MCK
MedAssets, Inc.	MDAS
Owens & Minor, Inc.	OMI
PAREXEL International Corp.	PRXL
Pharmaceutical Product Development	PPDI
PSS World Medical, Inc.	PSSI

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
Gentiva Health Services, Inc.	GTIV
Health Management Associates, Inc.	HMA
HealthSouth Corporation	HLS
LHC Group, Inc.	LHCG
LifePoint Hospitals, Inc.	LPNT
MedCath Corporation	MDTH
Psychiatric Solutions, Inc.	PSYS
Tenet Healthcare Corp.	THC
Universal Health Services, Inc.	UHS

Life Sciences & Diagnostics	
Affymetrix, Inc.	AFFX
Beckman Coulter, Inc.	BEC
Cepheid	CPHD
Clariant, Inc.	CLRT
Exact Sciences Corp.	EXAS
Gen-Probe Incorporated	GPRO
Illumina, Inc.	ILMN
Immucor, Inc.	BLUD
Life Technologies Corp.	LIFE
Meridian Bioscience, Inc.	VIVO

Life Sciences & Diagnostics (cont'd)	
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
Animal Health International	AHII
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
TomoTherapy Incorporated	TOMO
Varian Medical Systems, Inc.	VAR
Wright Medical Group, Inc.	WMGI
Young Innovations Inc.	YDNT
Zimmer Holdings, Inc.	ZMH

Specialty Pharmaceuticals	
Acorda Therapeutics	ACOR
Alkermes Inc.	ALKS
Boston Scientific Corp.	BSX
Cardiovascular Systems, Inc.	CSII
Cephalon Inc.	CEPH
C.R. Bard, Inc.	BCR
Cyberonics, Inc.	CYBX
Edwards Lifesciences Corp.	EW
Ev3 Inc.	EVVV
Forest Laboratories Inc.	FRX
Medtronic, Inc.	MDT
Micrus Endovascular Corp.	MEND
Obagi Medical Products, Inc.	OMPI
Shire plc	SHPGY
St. Jude Medical, Inc.	STJ
Thoratec Corp.	THOR
Volcano Corporation	VOLC
Xenoport, Inc.	XNPT

Financials	
Community Banks	

Associated Banc-Corp	ASBC
Bank of Kentucky Financial Corporation	BKYF
Cardinal Financial Corp.	CFNL
First Midwest Bancorp, Inc.	FMBI
IBERIABANK Corporation	IBKC
Independent Bank Corp.	INDB
MB Financial, Inc.	MBFI
Metrocorp Bancshares, Inc.	MCBI
Pinnacle Financial Partners, Inc.	PNFP
PennantPark Investment Corp.	PNNT
PrivateBancorp, Inc.	PVTB
Sandy Spring Bancorp, Inc.	SASR
StellarOne Corporation	STEL
Sterling Bancshares, Inc.	SBIB
S.Y. Bancorp, Inc.	SYBT
Union Bancshares Corp.	UBSH
Virginia Commerce Bancorp, Inc.	VCBI
Wintrust Financial Corporation	WTFC

Regional Banks	
Bank of America	BAC
BB&T Corp.	BBT
Comerica, Inc.	CMA
Fifth Third Bancorp	FITB
JP Morgan Chase & Co.	JPM
KeyCorp	KEY
M&T Bank Corp.	MTB
Marshall & Ilsley Corporation	MI
PNC Financial Services	PNC
SunTrust Banks Inc.	STI

Regional Banks (cont'd)	
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
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
Interstate Hotels & Resorts, Inc.	IHR
Kilroy Realty Corporation	KRC
LaSalle Hotel Properties	LHO
Liberty Property Trust	LRY
Maguire Properties, Inc.	MPG
Marcus Corporation	MCS
Marriott International, Inc.	MAR
Nationwide Health Properties, Inc.	NHP
Parkway Properties, Inc.	PKY
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
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
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 December 31, 2009.

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