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Business Services Research
July 2011

In Partnership With

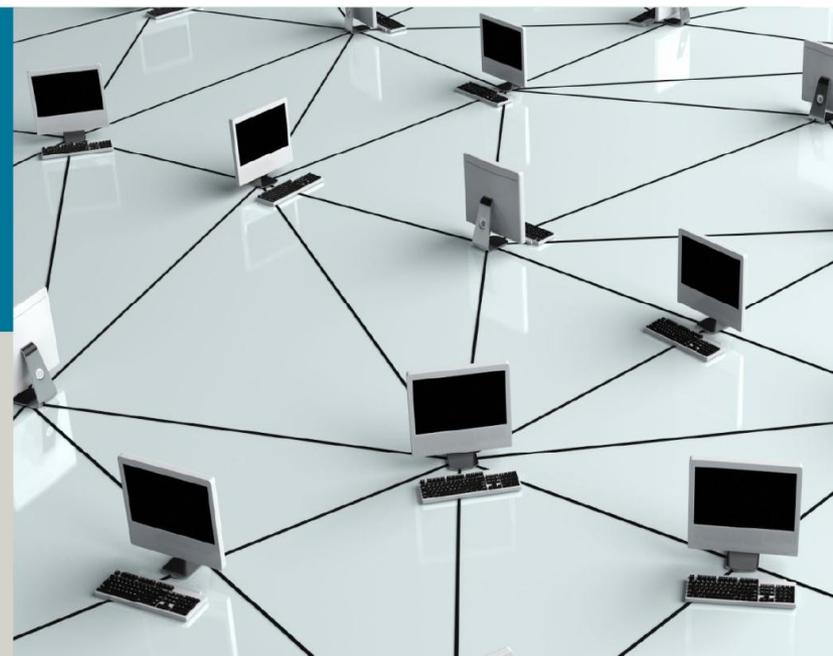


Marketing & Information Services

2Q11 Marketing & Advertising Survey

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Overview

- Robert W. Baird & Co. is pleased to present our quarterly Marketing & Advertising Survey.
- Thank you to the 225 marketing and advertising professionals who participated in this survey. The color and depth of the additional commentary adds to the overall quality of the survey and our ability to interpret the results. Of note, the AgencyFinder.com partnership contributed 46 responses to the overall pool.
- This quarter we had over 20 follow-up conversations with participants in our attempt to better understand their responses and dig deeper into some of the underlying dynamics of the industry. We would like to thank all of the participants that indicated they were interested in having a conversation.
- If you have any questions, comments or would like to participate in future surveys, please email Senior Analyst Dan Leben (dleben@rwbaird.com) or Research Associate Mircea (Mig) Dobre (modobre@rwbaird.com).
- *This survey is meant to give investors and participants a general indication of current market trends. Individual responses have been edited to protect participants' anonymity.*

Please refer to “Appendix – Important Disclosures and Analyst Certification” on page 15.

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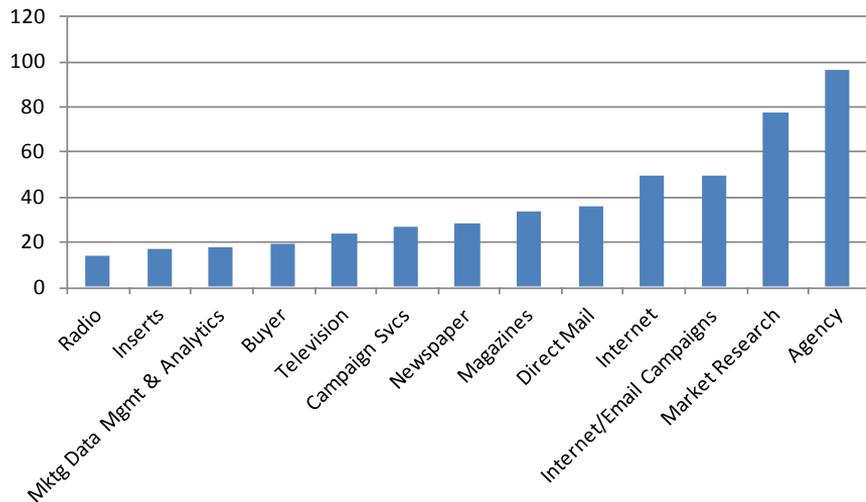
Executive Summary

- **2011 expectations softened in a repeat of last summer's slowdown.** Growth was below initial expectations as macroeconomic uncertainties and higher commodity prices impacted marketer spend, particularly in the traditional marketing space.
- **Newspaper, Direct Mail and Inserts respondents registered the sharpest shortfall** vs. prior expectations, as pricing remained relatively soft, with several national retailers and telecom providers pulling back on spend in the above mentioned channels .
- **Broadcasting was impacted by the Japan earthquake and lower for-profit education spend.** Television was also soft, in spite of solid fall Broadcasting up fronts. The softness in this category is driven by the composition of our survey respondents (local TV re-broadcasting). Many of our TV respondents noted the importance of the automotive vertical (dealers in particular). The Japan-related supply chain disruptions have dampened dealer demand for air time, which is viewed as a temporary item, likely to be corrected in 4Q11.
- **Impact of Daily Deal sites.** Our question of the quarter attempted to collect marketing professionals' views on the impact and future of daily deal sites. Opinions varied greatly as the business model's rapid development and overall ROI remains unclear to participants. One of the more interesting finds was that the Newspaper and Insert respondents, while reporting to be heavily impacted by deal sites, were also the ones who were most positive on the space, with many reporting that their companies have started clones operating within their local markets and offering better deals to merchants than Groupon and its peers currently offer.

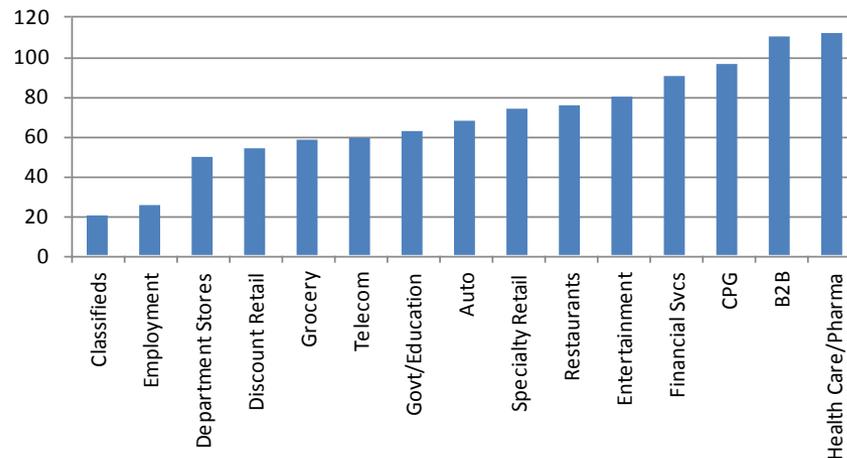
Survey Participants

- We surveyed 225 marketing and advertising professionals across a broad array of areas and industries. Since most professionals have multiple areas of expertise, the average participant noted 2+ areas and 5 industry verticals where they participate.
- Common areas included: Agency (43%), Market Research (34%), Internet (22%), Direct Mail (16%), and Magazines (15%).
- Industries with the most responses include: Health Care/Pharma (50%), B2B (49%), and CPG (43%).
- In terms of scope, 49% work exclusively with national advertisers and 27% exclusively with local advertisers.

Expertise Mix



Industry Mix



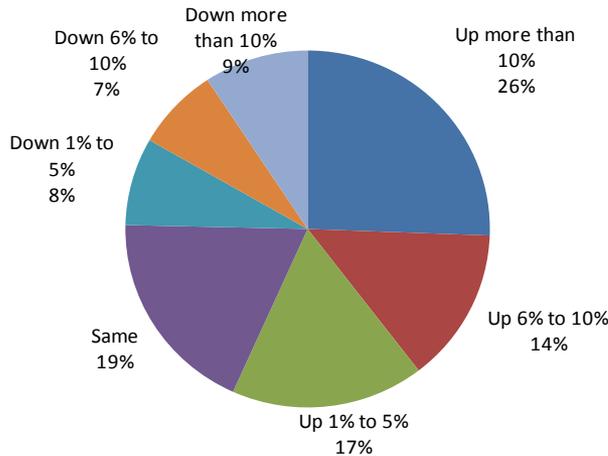
Source: Robert W. Baird & Company analysis

2Q11 Business vs. 2Q10



The second quarter of 2011, relative to the second quarter of 2010 was:

Respondent's Own Business

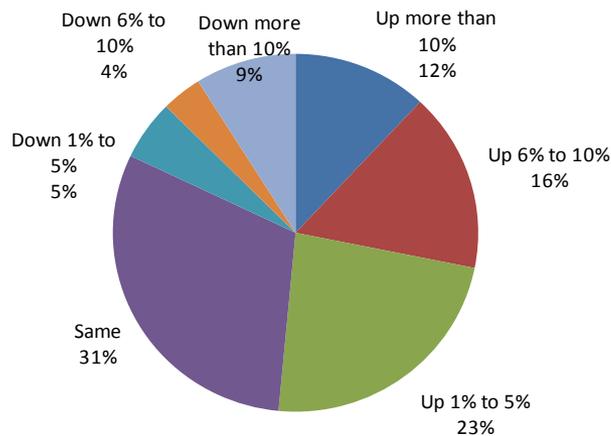


Areas – Own Business

	2Q11	Q/Q
Total	2.9%	-1.4%
Television	4.3%	-0.7%
Agency	3.9%	-0.8%
Buyer	3.8%	-3.2%
Radio	3.4%	-1.5%
Market Research	2.3%	-1.7%
Campaign Svcs	2.1%	-3.8%
Internet/Email Campaigns	2.1%	-3.1%
Internet	2.0%	-2.4%
Mktg Data Mgmt & Analytics	1.7%	-4.6%
Magazines	1.5%	-2.8%
Direct Mail	0.2%	-5.8%
Inserts	-1.4%	-6.1%
Newspaper	-2.0%	-4.9%

- 2Q11 growth was below initial expectations as macroeconomic uncertainties and higher commodity prices impacted marketer spend, particularly in the traditional marketing space.
- Our Newspaper, Direct Mail and Inserts respondents registered the sharpest shortfall vs. prior expectations, as pricing remained relatively soft and several national retailers and telecom providers have pulled back on spend in the above mentioned channels.

Respondent's View of the Industry



Industries – Rank Order

	Rank	Rank Change
Telecom	1	+6
Health Care/Pharma	2	+4
Specialty Retail	3	+2
CPG	4	-1
B2B	5	-4
Auto	6	+6
Discount Retail	7	+4
Financial Svcs	8	-6
Grocery	9	-1
Govt/Education	10	-6
Department Stores	11	+2
Restaurants	12	-3
Employment	13	+1
Entertainment	14	-4
Classifieds	15	-

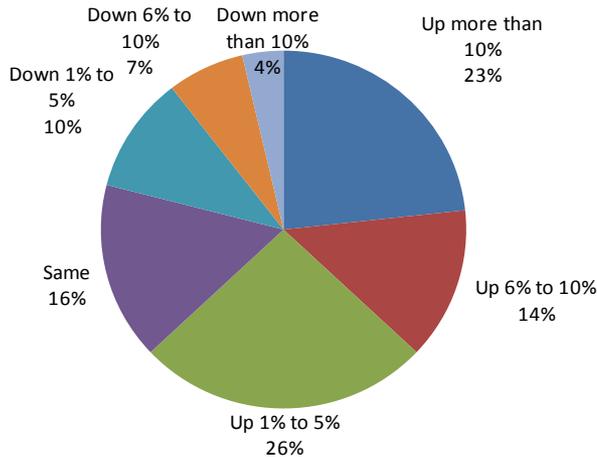
- The dip in expectations experienced in 2Q11 is similar to the environment observed in 2Q10 (survey pointed to growth in 2Q10 of 3.5%, 1.1% below expectations set during the previous quarter). While slightly lower, 2Q11 performance is more than respectable considering the unique circumstance of the quarter, related to Japan earthquake disruptions.

3Q11 Expectations



I expect the third quarter of 2011 relative to the third quarter of 2010 to be:

Respondent's Own Business

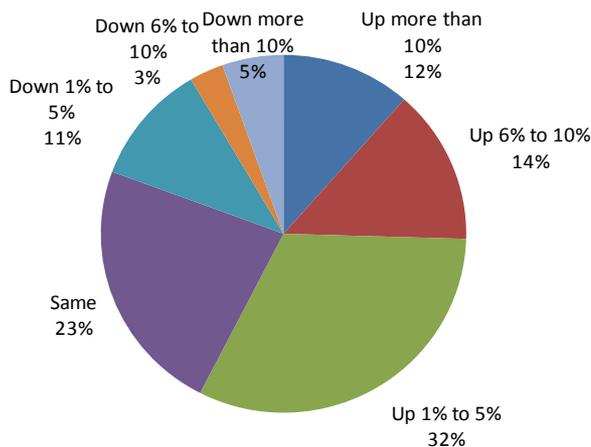


Areas – Own Business

	3Q11	Q/Q
Total	3.6%	-0.8%
Buyer	5.1%	-1.9%
Agency	4.4%	-0.2%
Internet/Email Campaigns	4.2%	-1.0%
Radio	4.0%	-0.8%
Mktg Data Mgmt & Analytics	3.8%	-2.4%
Market Research	3.1%	-1.0%
Internet	3.1%	-1.4%
Campaign Svcs	2.8%	-3.1%
Direct Mail	2.5%	-3.5%
Magazines	1.8%	-2.5%
Television	1.4%	-3.6%
Newspaper	1.3%	-1.6%
Inserts	0.4%	-4.2%

- Participants expect 3Q11 to be slightly higher than 2Q11's 2.9%, in spite of slightly tougher comparisons.
- Traditional marketing is expected to remain challenged, with Direct Mail, Magazines and Inserts registering significant dips in expectations.
- Television was also soft, in spite of solid fall Broadcasting up fronts. The softness in this category is driven by the composition of our survey respondents (local TV re-broadcasting). Many of our TV respondents noted the importance of the automotive vertical (dealers in particular). The Japan-related supply chain disruptions has dampened dealer demand for air time, which is viewed as a temporary item, likely to be corrected in 4Q11.

Respondent's View of the Industry



Industries – Rank Order

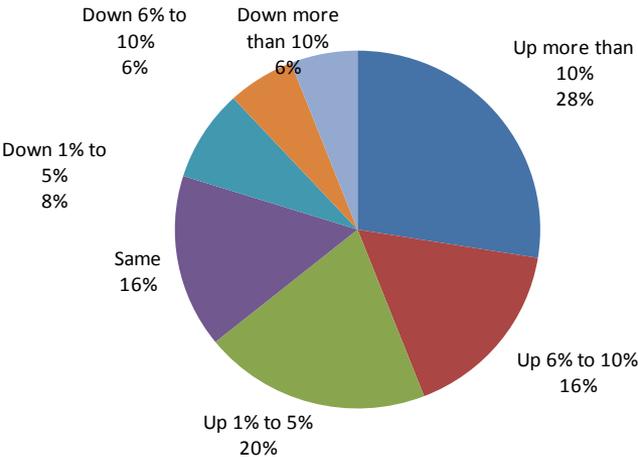
	Rank	Rank Change
B2B	1	-
Specialty Retail	2	-
CPG	3	-
Health Care/Pharma	4	-
Govt/Education	5	+4
Discount Retail	6	+1
Telecom	7	-1
Financial Svcs	8	+5
Auto	9	+3
Classifieds	10	+5
Employment	11	+3
Grocery	12	-1
Department Stores	13	-3
Restaurants	14	-6
Entertainment	15	-10

2011 Expectations

I expect 2011 relative to 2010 to be:



Respondent's Own Business

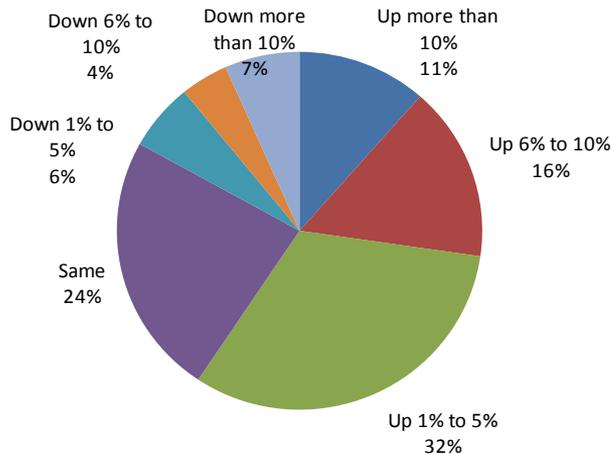


Areas – Own Business

	2011	Q/Q
Total	4.0%	-1.7%
Buyer	5.6%	-1.6%
Agency	4.5%	-2.5%
Radio	4.2%	-2.2%
Internet/Email Campaigns	4.1%	-2.3%
Market Research	3.6%	-1.8%
Mktg Data Mgmt & Analytics	3.4%	-3.9%
Television	3.3%	-2.8%
Internet	2.5%	-3.1%
Campaign Svcs	2.1%	-4.9%
Direct Mail	1.8%	-5.0%
Magazines	1.0%	-4.0%
Newspaper	0.1%	-3.3%
Inserts	-0.3%	-6.3%

- Expectations for 2011 growth have softened compared to last quarter and compared to the base expectation established during 3Q10.
- When asked specifically about the above mentioned decline in growth expectations, the vast majority of respondents pointed to decline in confidence in the economic recovery, a soft labor market and earthquake related factors contributing to hesitancy on the part of advertisers.

Respondent's View of the Industry



Industries – Rank Order

	Rank	Rank Change
CPG	1	+2
Specialty Retail	2	-
Telecom	3	+2
Health Care/Pharma	4	-
B2B	5	-4
Financial Svcs	6	-
Auto	7	+6
Discount Retail	8	+3
Govt/Education	9	-2
Grocery	10	-2
Department Stores	11	+1
Employment	12	+2
Entertainment	13	-4
Restaurants	14	-4
Classifieds	15	-

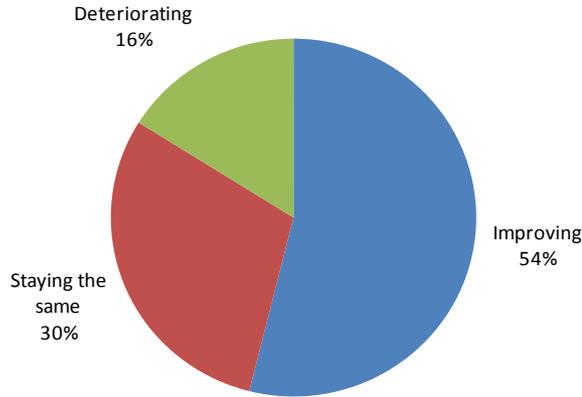
- While hesitancy and delays appear to be factors, it is worth noting that most participants did not mention significant changes in budgets, which leads us to believe that the slowdown could be temporary, thus mirroring 2010.

Business Trends



Excluding seasonal factors, the overall trend is:

Respondent's Own Business



Areas – Own Business

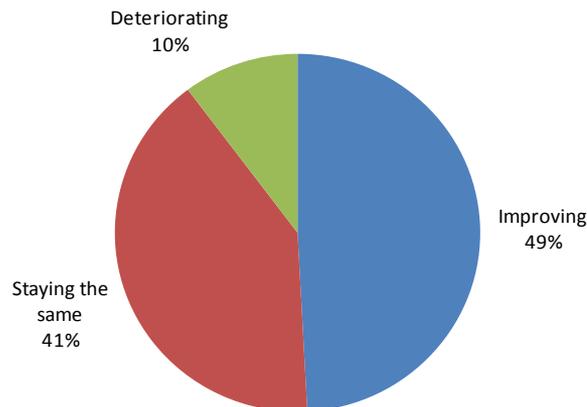
	Trend	Q/Q
Total	68.9	-10.7
Radio	76.9	-7.3
Agency	74.2	-10.3
Campaign Svcs	74.0	-3.8
Television	72.7	-21.2
Buyer	71.1	-15.3
Mktg Data Mgmt & Analytics	70.6	-11.9
Internet/Email Campaigns	69.1	-7.3
Market Research	68.2	-7.1
Internet	66.7	-11.7
Direct Mail	64.7	-15.7
Magazines	62.1	-22.9
Inserts	59.4	-21.6
Newspaper	51.9	-21.8

- We calculated the average response for each area by weighting the responses as follow: Improving (100), Staying the Same (50) and Deteriorating (0).

- The environment remains healthy; however, the improvement has moderated considerably due to previously discussed macro uncertainties as well as tougher comparisons.

- While participants still view trends as positive, some of the strong momentum participants were experiencing in the first quarter has been lost.

Respondent's View of the Industry



Industries – Rank Order

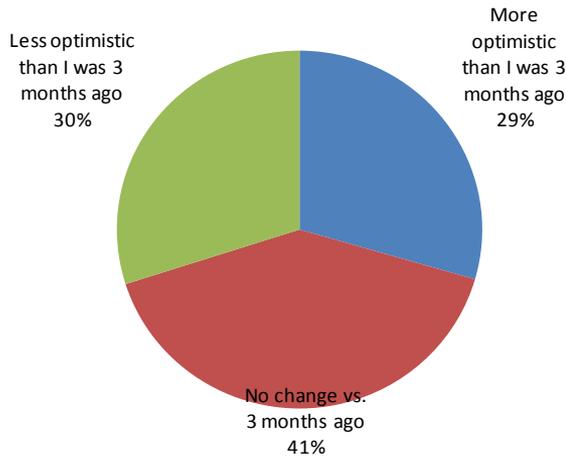
	Rank	Rank Change
CPG	1	+9
B2B	2	+6
Auto	3	+2
Specialty Retail	4	+3
Telecom	5	-3
Health Care/Pharma	6	+7
Employment	7	+7
Financial Svcs	8	-7
Govt/Education	9	-6
Discount Retail	10	+2
Department Stores	11	-2
Grocery	12	-1
Entertainment	13	-9
Classifieds	14	+1
Restaurants	15	-9

Economic Environment



When thinking of the next 12 months' economic environment:

Respondent's Own View

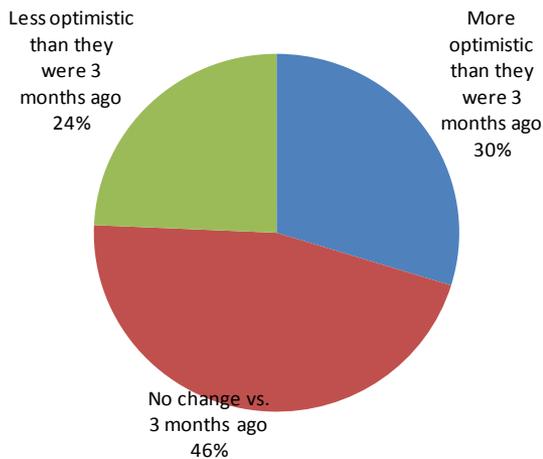


Areas – Own Business

	Economy	Q/Q
Total	49.8	-15.3
Mktg Data Mgmt & Analytics	61.8	4.3
Buyer	57.9	-5.7
Internet/Email Campaigns	57.1	-4.6
Agency	55.2	-18.8
Internet	54.1	-13.3
Campaign Svcs	53.8	-20.2
Magazines	50.0	-20.7
Television	50.0	-16.2
Inserts	50.0	-21.4
Direct Mail	48.6	-14.5
Market Research	46.7	-10.2
Radio	46.2	-23.8
Newspaper	42.9	-20.3

- Participants' perception of the economic environment has deteriorated. The "Less Optimistic" category increased 13% q/q to 30%, while "More Optimistic" decreased by 18% sequentially, following a 10% sequential decline in 1Q11.
- The categories that appear to be impacted the most are once again in the traditional marketing space. Overall, respondents with exposure to Employment, discretionary spend items (Entertainment) and Restaurants appear to have been a driving factor behind the lowered overall expectations, with CPG rebounding solidly as companies in that segment appear to be stepping up their level of activity.

Respondent's View of their clients' perspective



Industries – Rank Order

	Rank	Rank Change
Specialty Retail	1	+8
B2B	2	+4
CPG	3	+11
Classifieds	4	-2
Employment	5	-4
Auto	6	+5
Financial Svcs	7	-2
Telecom	8	-1
Discount Retail	9	-1
Health Care/Pharma	10	-
Govt/Education	11	-8
Grocery	12	+1
Entertainment	13	-9
Restaurants	14	-2
Department Stores	15	-

Pricing Environment

On a per unit basis, pricing for your business has been/is expected to be:

Respondents were given the following 7 choices: Up more than 5%, Up 4-5%, Up 1-3%, Flat, Down 1-3%, Down 4-5%, Down more than 5%. Responses were weighted by the mid-point of the range to derive the levels represented below (listed by the average pricing increase in 2010).

	2Q11 - Pricing	Q/Q Change	2011 - Pricing	3Q11 - Pricing
Total	0.4%	-0.4%	0.6%	0.4%
Buyer	2.3%	NM	2.6%	2.6%
Radio	1.1%	0.2%	2.2%	1.2%
Television	1.1%	-1.3%	1.7%	-0.2%
Agency	1.0%	0.0%	1.2%	1.2%
Internet	0.4%	-0.9%	0.5%	0.9%
Internet/Email Campaigns	0.4%	-0.5%	0.3%	1.0%
Direct Mail	0.2%	-1.5%	0.3%	0.4%
Market Research	-0.1%	-1.1%	0.1%	-0.2%
Campaign Svcs	-0.1%	-1.0%	-0.1%	0.3%
Magazines	0.0%	-0.3%	-0.1%	0.1%
Newspaper	-0.1%	0.1%	-0.1%	0.5%
Mktg Data Mgmt & Analytics	-0.2%	-1.7%	-0.4%	0.7%
Inserts	-0.8%	-1.7%	-1.2%	-0.4%

- Television pricing softened as the automotive (dealers) and education verticals softened. Going forward, we expect pricing to rebound as Japanese dealer inventories recover and the political races (primaries and the run up to the 2012 Presidential election) heat up.
- Non broadcasting traditional media remains relatively soft given digital migration (conversations with newspaper participants indicate that customers continue to push on pricing, with some participants mentioning that they are holding the line on price even if faced with a decline in volume).

Area of Business Rankings



- While overall sentiment turned lower, the relatively strong performance by Agencies and Buyer groups propelled these two areas of marketing and advertising to the top of the rankings. As mentioned earlier, we believe that television softness was largely driven by exogenous shocks likely to diminish into the fourth quarter.
- Internet and digital providers have continued to perform well, as the additional buzz surrounding deal sites underscored the importance of digital strategies for many small businesses, with digital and email campaigns remaining a relatively inexpensive tool to use in spite of rising macroeconomic uncertainty.

	2Q11 - Own Business	2011 - Own Business	3Q11 - Own Business	Trend - Business	Environment - Self	Environment - Clients	2Q11 - Pricing	2011 - Pricing	3Q11 - Pricing	Average Rank	Q/Q Average Rank Change
Buyer	3	1	1	5	2	4	1	1	1	1	·
Agency	2	2	2	2	4	3	4	4	3	2	+6
Internet/Email Campaigns	7	4	3	7	3	2	5	6	4	3	+9
Radio	4	3	4	1	12	11	3	2	2	4	+3
Television	1	7	11	4	7	9	2	3	12	5	-2
Mktg Data Mgmt & Analytics	9	6	5	6	1	1	12	12	6	6	-2
Internet	8	8	7	9	5	10	6	5	5	7	+2
Campaign Svcs	6	9	8	3	6	5	10	9	9	8	-2
Market Research	5	5	6	8	11	6	11	8	11	9	+4
Direct Mail	11	10	9	10	10	6	7	7	8	10	-5
Magazines	10	11	10	11	7	12	8	10	10	11	·
Inserts	12	13	13	12	7	6	13	13	13	12	-2
Newspaper	13	12	12	13	13	13	9	11	7	13	+1

AgencyFinder.com Vs. Entire Survey



- When comparing the results from the AgencyFinder.com sample to the entire population of the survey, we find that the AgencyFinder.com group had a slightly stronger first quarter with expectations for the remainder of 2011 similarly higher. We believe this is a direct result of the more optimistic view on the economy as well as stronger current trends in their businesses.
- Relative to last quarter when the AgencyFinder.com group was experiencing significantly stronger trends than the broader agency group across the board, the relative strength moderated in 2Q11 and in the underlying trend. However, we do note that expectations for the remainder of the year and the outlook on the economy both remain materially higher.
- The group is also benefitting from the integrated approach with exposure to multiple areas of marketing. Relative to the overall average of 2-3 practice areas, the AgencyFinder.com group participates in nearly 4 on average.

	AgencyFinder.com	Total Survey	Delta
2Q11	3.8%	2.9%	0.9%
3Q11	5.0%	3.6%	1.4%
2011	4.9%	4.0%	0.9%
Trend	73.9	68.9	5.0
Economy	58.9	49.8	9.1

	AgencyFinder.com	Agency	Delta
2Q11	3.8%	3.9%	-0.1%
3Q11	5.0%	4.4%	0.6%
2011	4.9%	4.5%	0.4%
Trend	73.9	74.2	-0.3
Economy	58.9	55.2	3.7

Impact of Daily Deal Sites

Our question of the quarter attempted to collect marketing professionals' views on the impact and future of daily deal sites. Opinions varied to such an extent that no appropriate graphical representation could be constructed. One of the more interesting finds was that the Newspaper and Insert respondents, while reporting to be heavily impacted by deal sites, were also the ones who were most positive on the space, with many reporting that their companies have started clones operating in their local markets and offering better deals to merchants than Groupon and its peers currently offer.

Agency Participant Commentary:

- Currently national advertisers cannot take advantage of Daily Deal opportunities. I expect that to change as the offerings evolve.
- I am not seeing those doing Daily Deal offers, including Groupon, interested in repeating after first usage. A percentage will...but for those who've done it through our agency, the new customer acquisition just wasn't there.
- The deal industry is red hot, but it will not sustain the current growth rates. It will jump the shark (peak) by 1Q12, flatten, then slowly decline in the next few years.
- Daily Deal sites are a double edged sword that may backfire. Too much about the deals and not enough about the value proposition.
- Brands will continue to be challenged to move quickly and adapt to immediate consumer demands and market needs. Brands will also need to think about how some of these "quick deals" and "discounted deals" affect their brand essence.
- Expect the economic model to evolve to incorporate an element of "frequency" to recognize/reward consumers for ongoing participation.
- Daily Deal sites are just the beginning, I as many of my peers see eMarketing dominating the market space in less than five years.
- We experimented with Groupon offers for some clients. It is an intriguing idea but the cost to implement is too high, many of our clients were not willing to do it, the ones who tried it had a bump in sales but are still struggling with getting long-term customers from that initiative.

Impact of Daily Deal Sites



Media Participant Commentary:

- Media (Television): I see them as less relevant in the future. Advertisers must be smart when using them or they can break a small business.
- Media (Television): It requires no cash output for our clients. It will certainly impact our business. I anticipate our company will join in a partnership with a company like this to package it with our television and internet offers.
- Media (Television): The relevance of the two Daily Deal national sites will depend on their offers. I see high opt-out right now because the offers are not compelling (myself included). What will happen when Gannett launches their Deal Chicken? Also I hear of several local versions. How much room is there in this discount space?
- Media (Newspaper): Our company has grown to participate in this new daily deal offering by providing our own daily deal site. We plan to budget a significant amount of revenue in this new product in 2012.
- Media (Newspaper): I expect them to lose grip on the local market. My company is launching a local version with better incentives for the local advertisers.
- Media (Newspaper): Groupon has created a market for us. They don't have too much negative impact on our business since we operate in small markets, but the awareness they created directed traffic to our daily deal site.
- Media (Magazines): I am unsure when Daily Deal offers will plateau, that depends on how quickly market oversaturation occurs and if no other methods of offer delivery are created. Perhaps it will take longer since others who have not be as involved with social media are getting on board and thus are new customer targets.

Market Research Participant Commentary:

- I expect continued market penetration by Daily Deal sites. I suspect that they will re-set the advertising landscape and have a dramatic affect on all other media outlets as well as how consumers perceive everyday pricing.
- The concept has merit. Ultimate success will depend on the perceived value of the deals offered. I do see a danger in the consumer being bombarded with too many offers and possibly being turned off by the volume. At that point it becomes junk mail - or perhaps junk email would be a more appropriate term.

Appendix – Important Disclosures and Analyst Certification

Robert W. Baird & Co. Incorporated and/or its affiliates expect to receive or intend to seek investment-banking related compensation from the company or companies mentioned in this report within the next three months.

Investment Ratings: Outperform (O) - Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months. **Neutral (N)** - Expected to perform in line with the broader U.S. equity market over the next 12 months. **Underperform (U)** - Expected to underperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

Risk Ratings: L - Lower Risk - Higher-quality companies for investors seeking capital appreciation or income with an emphasis on safety. Company characteristics may include: stable earnings, conservative balance sheets, and an established history of revenue and earnings. **A - Average Risk** - Growth situations for investors seeking capital appreciation with an emphasis on safety. Company characteristics may include: moderate volatility, modest balance-sheet leverage, and stable patterns of revenue and earnings. **H - Higher Risk** - Higher-growth situations appropriate for investors seeking capital appreciation with the acceptance of risk. Company characteristics may include: higher balance-sheet leverage, dynamic business environments, and higher levels of earnings and price volatility. **S - Speculative Risk** - High-growth situations appropriate only for investors willing to accept a high degree of volatility and risk. Company characteristics may include: unpredictable earnings, small capitalization, aggressive growth strategies, rapidly changing market dynamics, high leverage, extreme price volatility and unknown competitive challenges.

Valuation, Ratings and Risks. The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, peer group comparisons, and sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text of our most recent research report.

Distribution of Investment Ratings. As of June 30, 2011, Baird U.S. Equity Research covered 660 companies, with 54% rated Outperform/Buy, 45% rated Neutral/Hold and 1% rated Underperform/Sell. Within these rating categories, 15% of Outperform/Buy-rated, and 5% of Neutral/Hold-rated companies have compensated Baird for investment banking services in the past 12 months and/or Baird managed or co-managed a public offering of securities for these companies in the past 12 months.

Analyst Compensation. Analyst compensation is based on: 1) The correlation between the analyst's recommendations and stock price performance; 2) Ratings and direct feedback from our investing clients, our sales force and from independent rating services; and 3) The analyst's productivity, including the quality of the analyst's research and the analyst's contribution to the growth and development of our overall research effort. This compensation criteria and actual compensation is reviewed and approved on an annual basis by Baird's Research Oversight Committee.

Analyst compensation is derived from all revenue sources of the firm, including revenues from investment banking. Baird does not compensate research analysts based on specific investment banking transactions.

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