

# Professional Services

## 4Q09 Consulting Survey

Business Services Research

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# Overview

- Robert W. Baird & Co. is pleased to present our quarterly Consulting Survey.
- Thank you to the over 500 consultants who participated in this survey. The quality and depth of the additional commentary remains impressive (300+ provided additional commentary) and adds to the overall quality of the survey and our ability to interpret the results.
- This quarter we worked with the Pittsburgh Consulting Community and are providing an analysis of how that group's responses varied from the overall survey. Please contact us if you are interested in developing a similar partnership with your organization.
- If you have any questions or comments, 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 19.

## Table of Contents

| <b><u>Page(s)</u></b> | <b><u>Section/Material Covered</u></b>                     |
|-----------------------|--|
| 3                     | Executive Summary  |
| 4                     | Survey Participants  |
| 5                     | Baird Consulting Index                                     |
| 6                     | 4Q09 New Engagements                                       |
| 7                     | 1Q10 Expectations for New Engagements                      |
| 8                     | 2009 New Engagements                                       |
| 9                     | 2010 Outlook for New Engagements                           |
| 10                    | Bill Rate Trend  |
| 11                    | Client Delays  |
| 12                    | BCI by Practice  |
| 13                    | BCI by Industry  |
| 14                    | Economic Viewpoint – Consultants                           |
| 15                    | Economic Viewpoint – Clients                               |
| 15                    | Trends and Opportunities                                   |
| 17                    | Comments on Impact of Accounting Restatements              |
| 18                    | Comments on the Restructuring Cycle                        |
| 19                    | Appendix – Important Disclosures and Analyst Certification |

# Executive Summary

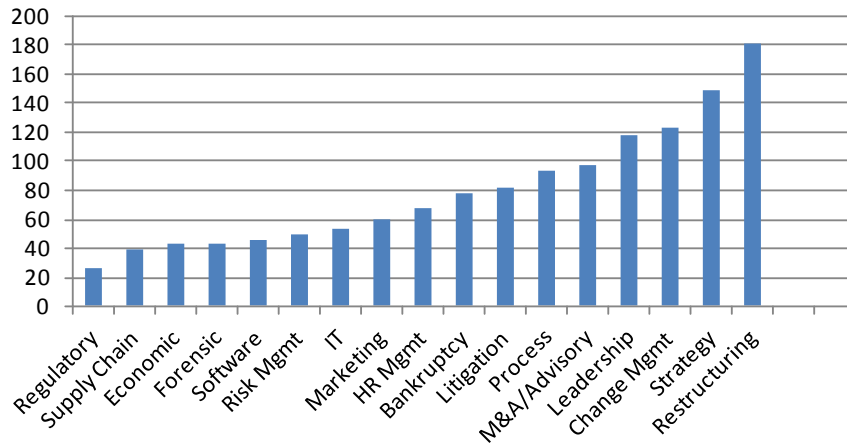
The logo for BAIRD, consisting of the word "BAIRD" in white, uppercase, sans-serif font, set against a blue, parallelogram-shaped background.

- **4Q09 disappointing end to a challenging year.** Relative to 4Q09 expectations in the last survey, 4Q09 performance was below expectations essentially across the board, although many of the more discretionary and cyclical areas of consulting did not fare as poorly against low expectations.
- **2010 expectations very strong but down from last quarter.** Not surprisingly, given a depressed environment in 2009, expectations remain in place for a rebound in 2010. However, similar to the trend demonstrated throughout 2009 where expectations continued to fall as we progressed through the year, expectations for 2010 already started moderating as we progressed through 4Q09. However, relative to 2009, the expectations for the more discretionary and cyclical practices are higher against very easy comparisons.
- **Restructuring expected to grow at lower rates.** While restructuring-related work was the star of 2009, expectations for 2010 are much more modest. Most respondents expect positive growth; however, the growth is tempered by a combination of: 1) difficult comparisons, 2) large engagements working through, 3) access to capital at the higher levels, and 4) banks' continued unwillingness to recognize losses and enter into restructuring agreements.
- **Budgets remain tight.** While many consultants noted that their clients' public commentary has been more positive, they are not seeing follow-through into increased budgets or engagement activity. Although it may occur in 2010, there are no indications yet that it will happen.
- **"Cash Remains King."** Just like last quarter's survey, respondents continue to believe that conditions will not materially improve until some combination of: 1) banks start lending again, 2) companies see real improvement in their businesses and the resulting cash flow, and 3) there is more clarity from Washington about the operating environment going forward.

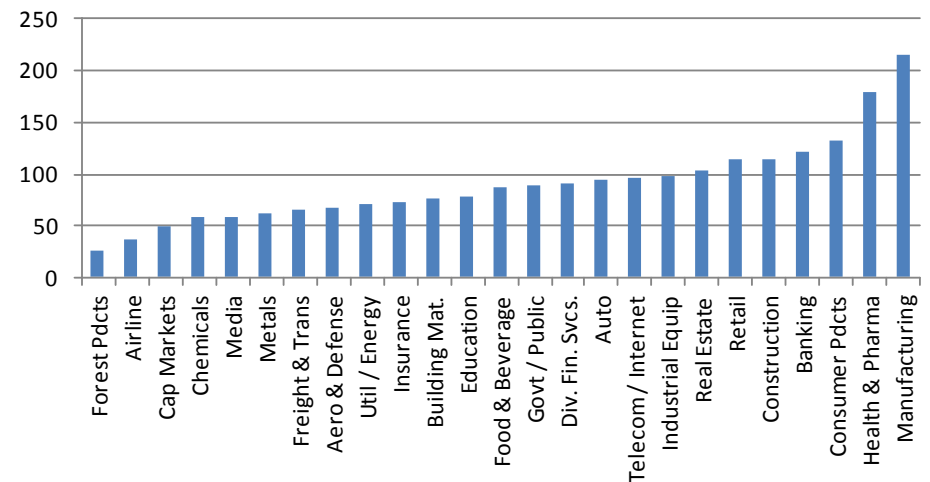
# Survey Participants

- We surveyed over 500 consultants across a broad array of practice areas and industries. Since most consultants have multiple areas of expertise, the average participant noted 2+ practices and 4+ industry verticals where they participate.
- Common practice areas included: Restructuring/Turnaround (36% of respondents), Strategy (29%), Change Management (24%), Leadership (23%) and M&A/Advisory (19%).
- Industries with the most responses include: Manufacturing (42%), Healthcare & Pharma (35%), Consumer Products (26%), Banking (24%) and Construction (22%).

**Practice Mix**



**Industry Mix**



Source: Robert W. Baird & Company analysis



# Baird Consulting Index (BCI) Introduction

- Q: What is the Baird Consulting Index (BCI)?
- A: The BCI is a diffusion index similar to the ISM indexes where the responses to a particular question are weighted such that a level of 50 indicates the market is flat. At the same time a 100 would indicate ALL survey respondents thought the business was materially better with a 0 rating indicating ALL survey respondents think the business is materially worse.
- Given our experience with other diffusion indexes, ratings of 55-60 can be considered signs of meaningful strength while ratings in excess of 60 are indicative of extraordinary strength. The reverse would also prove true with ratings of 40-45 signs of meaningful weakness with ratings below 40 are indicative of extraordinary weakness.

- BCI Ratings
  - 60+ = extraordinary strength
  - 55-60 = Meaningful strength
  - 50-55 = Modestly positive
  - 50 = Flat
  - 45-50 = Modestly negative
  - 40-45 = Meaningful weakness
  - Below 40 = Extraordinary weakness

|                        | Q/Q New Engagements | Next Quarter New Engagements | This Year New Engagements | Next Year New Engagements | Client Delays | Next 2 Quarters Bill Rate | BCI Average | BCI Average Q/Q Change |
|------------------------|---------------------|------------------------------|---------------------------|---------------------------|---------------|---------------------------|-------------|------------------------|
| Total                  | 53.8                | 67.6                         | 46.8                      | 74.9                      | 44.5          | 58.8                      | 57.7        | 4.8                    |
| Total Restructuring    | 55.5                | 69.8                         | 58.5                      | 74.6                      | 52.7          | 61.4                      | 62.1        | 3.0                    |
| Total ex Restructuring | 52.7                | 66.2                         | 39.7                      | 75.0                      | 39.5          | 57.2                      | 55.1        | 5.8                    |

Source: Robert W. Baird & Company analysis

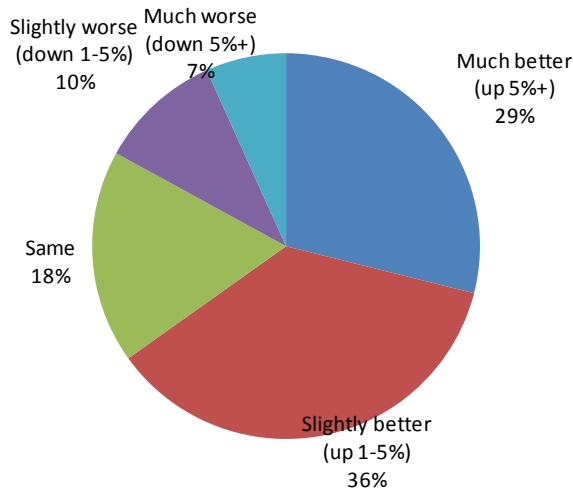


# 1Q10 Expectations for New Engagements

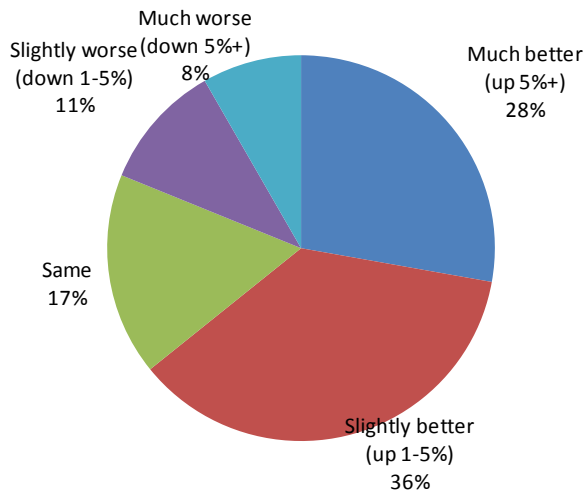


With regard to obtaining new engagements, I expect the first quarter of 2010 when compared to the first quarter of 2009, to be:

## All Consultants



## Excluding Restructuring



## All Consultants Excluding Restructuring

| Practice           | BCI        | Q/Q        | Practice           | BCI        | Q/Q        |
|--------------------|------------|------------|--------------------|------------|------------|
| Strategy           | 73.8       | 12.0       | M&A/Advisory       | 77.3       | 14.3       |
| M&A/Advisory       | 73.2       | 5.8        | Supply Chain       | 76.2       | 20.5       |
| Risk Mgmt          | 71.4       | 7.9        | Strategy           | 74.2       | 11.9       |
| Marketing          | 71.3       | 7.6        | Change Mgmt        | 73.9       | 17.1       |
| Process            | 71.2       | 10.7       | Process            | 73.6       | 14.9       |
| Leadership         | 71.2       | 13.7       | Leadership         | 70.0       | 13.8       |
| Economic           | 70.2       | 15.4       | Marketing          | 69.7       | 4.2        |
| Change Mgmt        | 69.9       | 10.3       | Economic           | 69.4       | 16.9       |
| Supply Chain       | 69.9       | 12.9       | IT                 | 68.5       | 8.3        |
| Restructuring      | 69.3       | -0.5       | Risk Mgmt          | 67.7       | 4.4        |
| Bankruptcy         | 68.2       | -7.3       | HR Mgmt            | 67.3       | 2.8        |
| HR Mgmt            | 66.0       | 0.6        | Software           | 60.5       | 7.3        |
| IT                 | 66.0       | 7.4        | Litigation         | 59.4       | 4.4        |
| Litigation         | 63.8       | 6.4        | Forensic           | 54.0       | 4.0        |
| Regulatory         | 61.5       | 2.7        |                    |            |            |
| Software           | 61.1       | 9.1        |                    |            |            |
| Forensic           | 59.5       | 1.7        |                    |            |            |
|                    |            |            |                    |            |            |
| <b>Practice</b>    | <b>BCI</b> | <b>Q/Q</b> | <b>Practice</b>    | <b>BCI</b> | <b>Q/Q</b> |
| Industrial Equip   | 75.3       | 6.2        | Industrial Equip   | 76.1       | 18.3       |
| Freight & Trans    | 73.5       | 10.2       | Freight & Trans    | 75.7       | 23.5       |
| Real Estate        | 72.3       | 7.4        | Cap Markets        | 75.0       | 1.9        |
| Construction       | 72.1       | 9.8        | Div. Fin. Svcs.    | 72.7       | 10.7       |
| Div. Fin. Svcs.    | 71.9       | 4.6        | Auto               | 72.6       | 6.8        |
| Food & Beverage    | 71.8       | 1.2        | Food & Beverage    | 72.2       | 3.8        |
| Auto               | 71.5       | -1.6       | Banking            | 71.7       | 9.9        |
| Building Mat.      | 71.3       | 2.4        | Airline            | 71.3       | NM         |
| Forest Pdcts       | 71.2       | 5.7        | Manufacturing      | 71.1       | 11.7       |
| Banking            | 71.0       | 7.8        | Telecom / Internet | 70.5       | 11.7       |
| Metals             | 70.9       | -0.3       | Aero & Defense     | 70.5       | 5.3        |
| Manufacturing      | 70.8       | 4.0        | Media              | 70.5       | 8.5        |
| Cap Markets        | 70.3       | -1.1       | Education          | 69.9       | 5.4        |
| Telecom / Internet | 69.7       | 3.9        | Util / Energy      | 69.4       | 11.1       |
| Education          | 69.5       | 0.6        | Consumer Pdcts     | 69.2       | 7.9        |
| Consumer Pdcts     | 68.7       | 2.8        | Health & Pharma    | 68.4       | 7.3        |
| Aero & Defense     | 68.7       | 0.6        | Metals             | 68.3       | 2.4        |
| Health & Pharma    | 68.6       | 2.3        | Chemicals          | 68.2       | 17.2       |
| Airline            | 68.2       | NM         | Building Mat.      | 67.8       | 7.8        |
| Util / Energy      | 68.2       | 2.1        | Govt / Public      | 67.6       | 8.5        |
| Media              | 68.1       | -3.2       | Insurance          | 66.7       | 4.2        |
| Retail             | 67.7       | 2.0        | Construction       | 66.5       | 9.8        |
| Chemicals          | 67.5       | 11.0       | Real Estate        | 65.9       | 11.3       |
| Insurance          | 65.3       | 2.5        | Retail             | 65.2       | 5.8        |
| Govt / Public      | 64.8       | 5.3        |                    |            |            |

- Bankruptcy work is seeing the biggest decline in expectations, as the improved economic environment allows borrowers more flexibility in renegotiating loan terms.
- Turnaround and restructuring-related work is expected to see additional growth, although expectations continue to temper from the previously observed red hot levels. Unlike 2009, much of 2010 restructuring will likely occur outside of the bankruptcy process.
- Expectations for 1Q10 have improved; however, many respondents explain such improvement through a combination of easier comparisons and business bouncing off a much smaller base, with cyclical industries showing most q/q improvement.

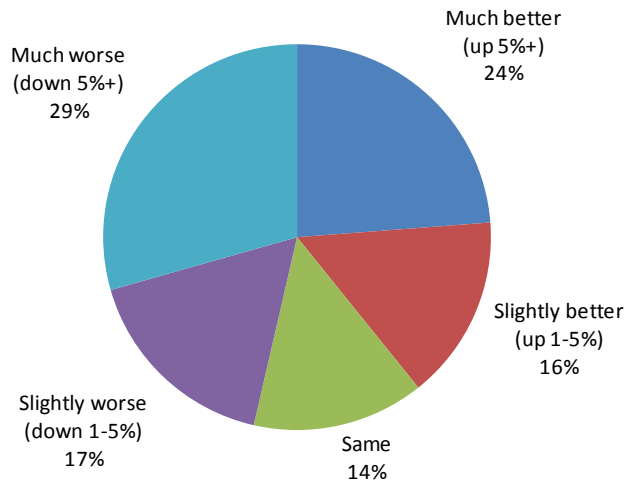
Source: Robert W. Baird & Company analysis

# 2009 New Engagements

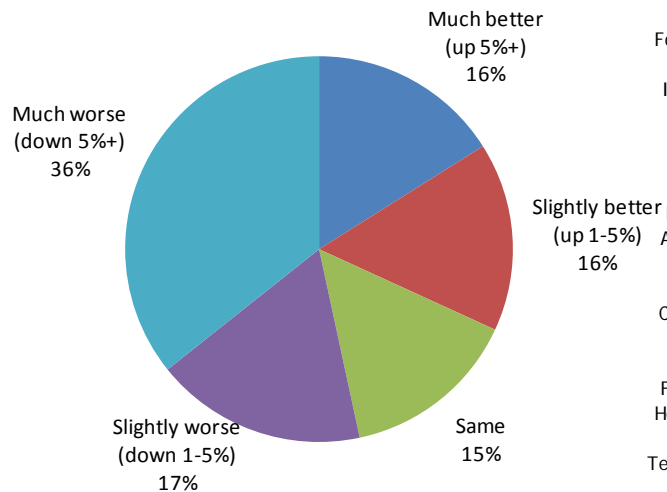


With regard to obtaining new engagements, 2009 when compared to 2008, was:

**All Consultants**



**Excluding Restructuring**



**All Consultants Excluding Restructuring**

| Practice           | BCI        | Q/Q        | Practice           | BCI        | Q/Q        |
|--------------------|------------|------------|--------------------|------------|------------|
| Bankruptcy         | 69.7       | -6.3       | Process            | 44.0       | 5.6        |
| Restructuring      | 57.9       | -10.7      | Leadership         | 41.9       | -4.3       |
| Risk Mgmt          | 51.6       | -5.5       | Economic           | 41.7       | -2.5       |
| Supply Chain       | 48.7       | -1.3       | IT                 | 41.7       | 1.9        |
| Economic           | 48.2       | -1.2       | Risk Mgmt          | 41.7       | -12.5      |
| Forensic           | 45.9       | -4.9       | Forensic           | 41.4       | 0.9        |
| Process            | 45.9       | -1.6       | Strategy           | 41.4       | -7.1       |
| M&A/Advisory       | 45.8       | -14.4      | HR Mgmt            | 39.1       | -5.1       |
| Strategy           | 45.6       | -6.5       | Change Mgmt        | 38.6       | -6.3       |
| Marketing          | 44.1       | -8.1       | Software           | 38.2       | -6.2       |
| Change Mgmt        | 43.9       | -7.9       | Marketing          | 37.0       | -13.0      |
| Leadership         | 43.8       | -6.2       | Supply Chain       | 36.9       | -4.0       |
| Litigation         | 42.4       | -11.7      | M&A/Advisory       | 35.9       | -18.1      |
| Software           | 41.1       | -4.3       | Litigation         | 31.6       | -15.9      |
| HR Mgmt            | 40.7       | -10.1      |                    |            |            |
| IT                 | 40.4       | 1.0        |                    |            |            |
| Regulatory         | 32.7       | -10.4      |                    |            |            |
|                    |            |            |                    |            |            |
| <b>Practice</b>    | <b>BCI</b> | <b>Q/Q</b> | <b>Practice</b>    | <b>BCI</b> | <b>Q/Q</b> |
| Real Estate        | 58.3       | -4.0       | Banking            | 46.3       | 1.0        |
| Auto               | 56.0       | -10.3      | Govt / Public      | 46.3       | -0.8       |
| Airline            | 54.9       | NM         | Aero & Defense     | 44.2       | 4.9        |
| Building Mat.      | 54.1       | -6.4       | Div. Fin. Svcs.    | 41.4       | 8.0        |
| Retail             | 53.1       | -3.3       | Food & Beverage    | 40.4       | -11.1      |
| Food & Beverage    | 52.6       | -7.6       | Health & Pharma    | 40.3       | -2.3       |
| Media              | 52.6       | -8.5       | Industrial Equip   | 39.8       | -1.7       |
| Industrial Equip   | 52.3       | -6.3       | Media              | 39.1       | -1.4       |
| Metals             | 51.3       | -9.0       | Insurance          | 38.6       | -4.4       |
| Banking            | 51.1       | -1.2       | Construction       | 38.1       | -5.7       |
| Forest Pdcts       | 51.0       | -7.8       | Education          | 37.3       | -17.5      |
| Construction       | 50.7       | -5.5       | Retail             | 37.3       | -4.0       |
| Manufacturing      | 48.5       | -6.9       | Real Estate        | 36.9       | -10.3      |
| Aero & Defense     | 48.1       | -1.3       | Manufacturing      | 36.3       | -3.7       |
| Div. Fin. Svcs.    | 47.4       | 4.0        | Telecom / Internet | 35.8       | -5.4       |
| Cap Markets        | 47.3       | -13.4      | Metals             | 35.3       | 5.8        |
| Consumer Pdcts     | 46.7       | -9.3       | Util / Energy      | 35.2       | -5.6       |
| Govt / Public      | 46.2       | -3.0       | Building Mat.      | 33.8       | -6.2       |
| Chemicals          | 44.6       | -5.4       | Consumer Pdcts     | 33.2       | -12.2      |
| Freight & Trans    | 44.5       | -9.9       | Chemicals          | 31.9       | -4.5       |
| Health & Pharma    | 44.1       | -7.8       | Auto               | 31.9       | -8.9       |
| Insurance          | 43.8       | -4.0       | Cap Markets        | 31.7       | -16.3      |
| Telecom / Internet | 43.5       | -11.8      | Freight & Trans    | 30.6       | -7.5       |
| Util / Energy      | 42.4       | -11.8      |                    |            |            |
| Education          | 39.8       | -18.1      |                    |            |            |

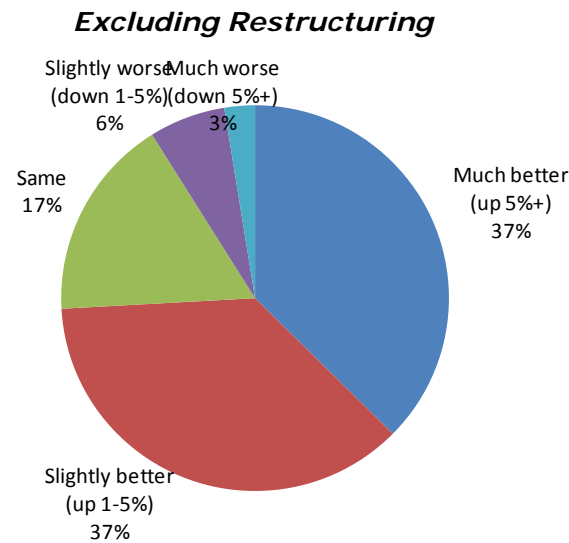
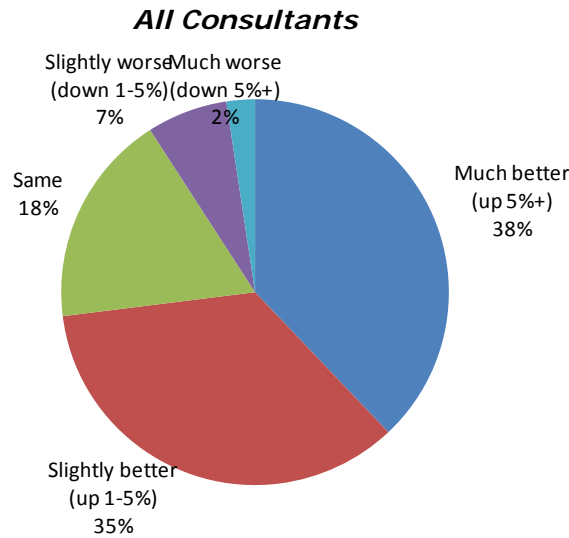
- When asked to review 2009, responders have provided a much bleaker view of the year when compared to previous quarters' responses. This implies a 4Q09 that fell below most consultants' expectations, confirming the softness mentioned in Slide 7.
- Particularly interesting, were the answers concerning the Litigation and Regulatory practices, as both appear to have seen significant 4Q09 softness (vs. higher expectations in the previous survey), bringing into question a potential surge in regulatory and litigation activity brought forth by a larger and more active Federal administration.

Source: Robert W. Baird & Company analysis

# 2010 Outlook for New Engagements



With regard to obtaining new engagements, I expect 2010, when compared to 2009, to be:



**All Consultants Excluding Restructuring**

| Practice           | BCI        | Q/Q        | Practice           | BCI        | Q/Q        |
|--------------------|------------|------------|--------------------|------------|------------|
| Marketing          | 81.4       | -0.2       | M&A/Advisory       | 82.8       | 0.8        |
| Leadership         | 80.0       | 4.4        | Supply Chain       | 82.1       | 8.3        |
| Strategy           | 79.6       | -0.5       | Marketing          | 80.9       | -1.5       |
| Process            | 78.6       | 1.5        | Change Mgmt        | 80.3       | 3.6        |
| Supply Chain       | 77.6       | 1.9        | Process            | 79.5       | 4.5        |
| HR Mgmt            | 77.3       | 0.8        | Leadership         | 79.4       | 4.9        |
| Change Mgmt        | 77.1       | -1.8       | Strategy           | 79.2       | -2.0       |
| M&A/Advisory       | 75.8       | -4.7       | HR Mgmt            | 77.7       | 3.7        |
| Restructuring      | 74.3       | -4.9       | IT                 | 75.0       | 0.0        |
| IT                 | 74.0       | -1.0       | Software           | 73.0       | 0.4        |
| Economic           | 73.8       | -4.3       | Economic           | 72.2       | -5.4       |
| Risk Mgmt          | 72.9       | -6.3       | Risk Mgmt          | 71.7       | -6.6       |
| Software           | 72.7       | 0.4        | Litigation         | 71.3       | -4.3       |
| Litigation         | 71.9       | -4.8       | Forensic           | 68.8       | -11.0      |
| Bankruptcy         | 71.7       | -5.6       |                    |            |            |
| Forensic           | 69.6       | -13.2      |                    |            |            |
| Regulatory         | 67.0       | -9.5       |                    |            |            |
|                    |            |            |                    |            |            |
| <b>Practice</b>    | <b>BCI</b> | <b>Q/Q</b> | <b>Practice</b>    | <b>BCI</b> | <b>Q/Q</b> |
| Freight & Trans    | 80.2       | -2.2       | Freight & Trans    | 84.0       | 3.6        |
| Industrial Equip   | 79.8       | -4.3       | Cap Markets        | 83.3       | 12.5       |
| Metals             | 79.5       | 1.4        | Media              | 83.3       | 3.6        |
| Telecom / Internet | 78.5       | -5.9       | Industrial Equip   | 82.2       | 2.2        |
| Media              | 78.5       | -4.5       | Airline            | 81.3       | NM         |
| Food & Beverage    | 78.5       | 0.6        | Manufacturing      | 80.3       | 2.2        |
| Construction       | 78.1       | -0.9       | Telecom / Internet | 80.3       | 0.2        |
| Forest Pdcts       | 77.9       | -1.9       | Food & Beverage    | 79.3       | 5.1        |
| Education          | 77.7       | -6.5       | Education          | 79.0       | -3.3       |
| Manufacturing      | 77.1       | -2.3       | Banking            | 77.9       | 2.5        |
| Building Mat.      | 77.0       | -4.0       | Aero & Defense     | 77.8       | -1.6       |
| Aero & Defense     | 76.9       | -4.5       | Div. Fin. Svcs.    | 77.7       | 0.7        |
| Banking            | 76.9       | -0.9       | Metals             | 77.5       | -2.0       |
| Health & Pharma    | 76.8       | -4.3       | Auto               | 77.4       | -6.8       |
| Div. Fin. Svcs.    | 76.7       | -3.3       | Chemicals          | 77.0       | 5.2        |
| Chemicals          | 76.3       | 4.6        | Building Mat.      | 77.0       | -3.0       |
| Auto               | 75.8       | -6.4       | Health & Pharma    | 76.9       | -3.1       |
| Real Estate        | 75.7       | -2.1       | Consumer Pdcts     | 76.6       | 1.6        |
| Consumer Pdcts     | 75.2       | -2.9       | Construction       | 76.1       | -2.0       |
| Cap Markets        | 75.0       | -2.2       | Insurance          | 75.4       | -2.0       |
| Airline            | 73.6       | NM         | Util / Energy      | 75.0       | -9.2       |
| Retail             | 73.4       | -7.3       | Real Estate        | 74.4       | -1.5       |
| Util / Energy      | 72.8       | -13.6      | Retail             | 73.6       | -5.7       |
| Govt / Public      | 72.7       | -2.7       | Govt / Public      | 73.5       | -0.5       |
| Insurance          | 72.2       | -7.9       |                    |            |            |

- Not surprisingly, the consultants in the survey expect a better year in 2010.
- The baseline for this question established last quarter seems to point toward a moderation in expectations as the environment in 4Q09 did not improve as many expected.
- Nonetheless, just about every practice and industry appears to see an expansion of a low base, with the counter cyclical bankruptcy/restructuring seeing positive, though moderating growth.
- With 1Q10 expectations below overall 2010 expectations, improvements are expected throughout the year.

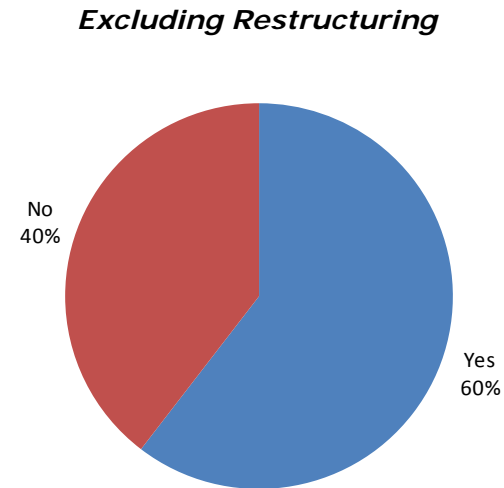
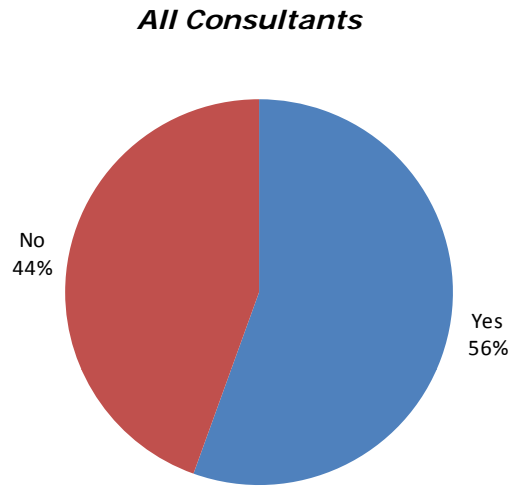
Source: Robert W. Baird & Company analysis



# Client Delays



A considerable amount of my work is experiencing client-driven engagement delays:



| All Consultants    |            |            | Excluding Restructuring |            |            |
|--------------------|------------|------------|-------------------------|------------|------------|
| Practice           | BCI        | Q/Q        | Practice                | BCI        | Q/Q        |
| Bankruptcy         | 61.8       | 11.8       | Risk Mgmt               | 47.8       | 21.2       |
| Risk Mgmt          | 52.1       | 21.9       | Leadership              | 45.6       | 6.4        |
| Restructuring      | 50.3       | 9.8        | Strategy                | 44.3       | 10.6       |
| Software           | 44.4       | 18.1       | Change Mgmt             | 42.3       | 12.7       |
| Change Mgmt        | 43.9       | 8.2        | Software                | 42.1       | 19.5       |
| Economic           | 43.9       | 0.0        | HR Mgmt                 | 40.7       | 6.1        |
| Strategy           | 43.2       | 9.7        | Process                 | 38.9       | 6.3        |
| Leadership         | 43.1       | 2.9        | Marketing               | 37.0       | -7.2       |
| Marketing          | 42.4       | -5.5       | IT                      | 35.6       | 12.8       |
| M&A/Advisory       | 40.6       | -3.2       | Forensic                | 31.3       | -16.4      |
| Litigation         | 38.3       | NM         | M&A/Advisory            | 31.3       | NM         |
| Process            | 38.0       | 1.9        | Economic                | 30.8       | -15.9      |
| HR Mgmt            | 37.9       | 2.6        | Litigation              | 29.6       | -8.8       |
| Forensic           | 37.2       | -9.7       | Supply Chain            | 28.6       | -3.2       |
| Supply Chain       | 35.9       | 5.3        |                         |            |            |
| IT                 | 34.6       | 11.5       |                         |            |            |
| Regulatory         | 26.9       | -17.5      |                         |            |            |
|                    |            |            |                         |            |            |
| <b>Practice</b>    | <b>BCI</b> | <b>Q/Q</b> | <b>Practice</b>         | <b>BCI</b> | <b>Q/Q</b> |
| Auto               | 53.3       | 8.2        | Aero & Defense          | 52.3       | 20.1       |
| Cap Markets        | 51.0       | 33.4       | Airline                 | 50.0       | NM         |
| Div. Fin. Svcs.    | 48.9       | 26.9       | Div. Fin. Svcs.         | 50.0       | 19.2       |
| Util / Energy      | 47.1       | 13.1       | Media                   | 48.5       | 0.9        |
| Banking            | 46.6       | 14.4       | Freight & Trans         | 45.9       | 23.2       |
| Media              | 46.6       | 8.3        | Insurance               | 45.6       | 23.0       |
| Airline            | 45.9       | NM         | Govt / Public           | 45.6       | 5.2        |
| Insurance          | 45.8       | 25.4       | Industrial Equip        | 45.5       | 16.9       |
| Retail             | 45.5       | 9.0        | Cap Markets             | 44.4       | 27.8       |
| Consumer Pdcts     | 45.0       | 12.3       | Util / Energy           | 44.4       | 13.4       |
| Education          | 44.7       | 3.3        | Telecom / Internet      | 43.9       | 14.5       |
| Aero & Defense     | 43.9       | 18.4       | Education               | 43.8       | 1.8        |
| Freight & Trans    | 43.8       | 17.8       | Metals                  | 43.3       | 34.2       |
| Industrial Equip   | 43.8       | 12.3       | Consumer Pdcts          | 42.9       | 8.2        |
| Telecom / Internet | 43.5       | 14.0       | Retail                  | 42.9       | 12.9       |
| Real Estate        | 43.1       | 10.4       | Banking                 | 42.6       | 10.6       |
| Chemicals          | 42.9       | 13.9       | Health & Pharma         | 42.1       | 12.5       |
| Manufacturing      | 42.7       | 7.0        | Auto                    | 41.5       | 13.7       |
| Govt / Public      | 42.0       | 4.7        | Manufacturing           | 37.9       | 10.1       |
| Food & Beverage    | 41.9       | 9.5        | Food & Beverage         | 37.7       | 2.4        |
| Construction       | 41.6       | 5.7        | Construction            | 36.4       | 4.4        |
| Building Mat.      | 40.5       | 7.2        | Chemicals               | 35.1       | 1.8        |
| Metals             | 40.0       | 14.4       | Real Estate             | 33.3       | 0.0        |
| Health & Pharma    | 39.5       | 5.4        | Building Mat.           | 26.3       | -1.7       |
| Forest Pdcts       | 38.5       | 8.5        |                         |            |            |

- Most consultants are still experiencing delays; however, there is a clear improvement in activity on a Q/Q basis (56% experiencing delays compared to 62% during our 3Q09 survey).
- However, we note that the improvement only takes us back to levels seen during 1Q09 and 2Q09, not necessarily amounting to an early "all clear" indication.
- Of note is that Economic and Litigation delays appear to have gotten worse, with consultants commenting on the need for creativity in structuring fees (which in our view is related to law firms being cash strapped, delaying consulting work and cash payments).

Source: Robert W. Baird & Company analysis

# BCI by Practice



- Restructuring and bankruptcy continue to expand, although growth is softening. We do note in the comments that some of the comparisons are so difficult (+150% in 2009 in one instance) that growth would be a challenge regardless of the environment. Most other practices are seeing an uptick, with most expecting a rebound in business, in part due to very easy comps in 2010.
- Excluding restructuring, most practices showed improvement from the previous survey. However, given the tone of the 300+ consultants that provided additional commentary, clients are taking a very cautious approach to budgeting, without major improvements expected in 2010.

## All Consultants

|               | O/Q New Engagements | Next Quarter New Engagements | This Year New Engagements | Next Year New Engagements |
|---------------|---------------------|------------------------------|---------------------------|---------------------------|
| Bankruptcy    | 51.6                | 68.2                         | 69.7                      | 71.7                      |
| Restructuring | 54.8                | 69.3                         | 57.9                      | 74.3                      |
| Marketing     | 62.9                | 71.3                         | 44.1                      | 81.4                      |
| Risk Mgmt     | 57.1                | 71.4                         | 51.6                      | 72.9                      |
| Strategy      | 57.6                | 73.8                         | 45.6                      | 79.6                      |
| Economic      | 56.9                | 70.2                         | 48.2                      | 73.8                      |
| Leadership    | 56.4                | 71.2                         | 43.8                      | 80.0                      |
| M&A/Advisory  | 56.7                | 73.2                         | 45.8                      | 75.8                      |
| Change Mgmt   | 55.1                | 69.9                         | 43.9                      | 77.1                      |
| Process       | 53.8                | 71.2                         | 45.9                      | 78.6                      |
| Supply Chain  | 52.6                | 69.9                         | 48.7                      | 77.6                      |
| HR Mgmt       | 51.9                | 66.0                         | 40.7                      | 77.3                      |
| IT            | 55.7                | 66.0                         | 40.4                      | 74.0                      |
| Software      | 52.2                | 61.1                         | 41.1                      | 72.7                      |
| Litigation    | 47.5                | 63.8                         | 42.4                      | 71.9                      |
| Forensic      | 44.6                | 59.5                         | 45.9                      | 69.6                      |
| Regulatory    | 52.9                | 61.5                         | 32.7                      | 67.0                      |

## Excluding Restructuring

|              | O/Q New Engagements | Next Quarter New Engagements | This Year New Engagements | Next Year New Engagements | Client Delays | Next 2 Quarters Bill Rate | BCI Average | BCI Average O/Q Change |
|--------------|---------------------|------------------------------|---------------------------|---------------------------|---------------|---------------------------|-------------|------------------------|
| Strategy     | 57.7                | 74.2                         | 41.4                      | 79.2                      | 44.3          | 60.6                      | 59.6        | 2.8                    |
| Leadership   | 54.7                | 70.0                         | 41.9                      | 79.4                      | 45.6          | 60.3                      | 58.6        | 4.2                    |
| Change Mgmt  | 54.9                | 73.9                         | 38.6                      | 80.3                      | 42.3          | 59.9                      | 58.3        | 5.5                    |
| M&A/Advisory | 60.2                | 77.3                         | 35.9                      | 82.8                      | 31.3          | 61.7                      | 58.2        | -1.9                   |
| Process      | 53.6                | 73.6                         | 44.0                      | 79.5                      | 38.9          | 59.1                      | 58.1        | 6.4                    |
| Marketing    | 60.1                | 69.7                         | 37.0                      | 80.9                      | 37.0          | 60.1                      | 57.4        | -2.8                   |
| Risk Mgmt    | 56.3                | 67.7                         | 41.7                      | 71.7                      | 47.8          | 54.2                      | 56.6        | -0.4                   |
| Supply Chain | 57.1                | 76.2                         | 36.9                      | 82.1                      | 28.6          | 58.3                      | 56.5        | 6.2                    |
| IT           | 57.6                | 68.5                         | 41.7                      | 75.0                      | 35.6          | 59.8                      | 56.3        | 6.2                    |
| HR Mgmt      | 50.5                | 67.3                         | 39.1                      | 77.7                      | 40.7          | 60.0                      | 55.9        | 1.4                    |
| Economic     | 56.5                | 69.4                         | 41.7                      | 72.2                      | 30.8          | 63.9                      | 55.7        | -0.7                   |
| Software     | 51.3                | 60.5                         | 38.2                      | 73.0                      | 42.1          | 56.6                      | 53.6        | NM                     |
| Litigation   | 42.1                | 59.4                         | 31.6                      | 71.3                      | 29.6          | 55.6                      | 48.3        | -5.2                   |
| Forensic     | 40.6                | 54.0                         | 41.4                      | 68.8                      | 31.3          | 50.8                      | 47.8        | -6.2                   |

Source: Robert W. Baird & Company analysis

# BCI by Industry



- The restructuring business has fueled demand in challenged industries such as auto, media and building materials, although a recent slowdown in large-size engagements can be seen in the industries' recent relative softening.
- We also note that anecdotal responses indicate the BCI by Industry metrics are not always indicative of overall conditions as many niche and targeted practices continue to perform well in industries that are showing indications of overall weakness.

## All Consultants

## Excluding Restructuring

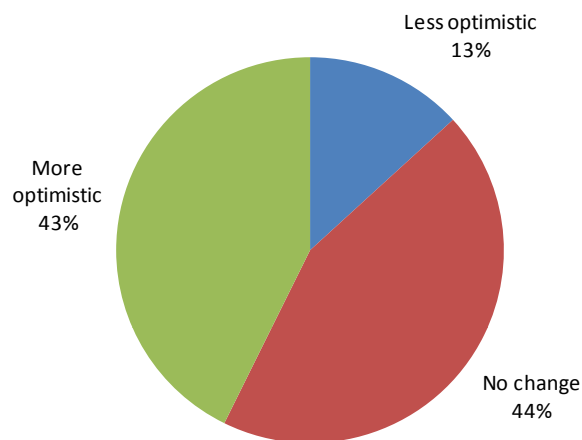
|                    | All Consultants     |                              |                           |                           | Client Delays |                           | BCI Average |                        |                    | Excluding Restructuring |                              |                           |                           | Client Delays |                           | BCI Average |                        |
|--------------------|---------------------|------------------------------|---------------------------|---------------------------|---------------|---------------------------|-------------|------------------------|--------------------|-------------------------|------------------------------|---------------------------|---------------------------|---------------|---------------------------|-------------|------------------------|
|                    | O/Q New Engagements | Next Quarter New Engagements | This Year New Engagements | Next Year New Engagements | Client Delays | Next 2 Quarters Bill Rate | BCI Average | BCI Average Q/Q Change |                    | O/Q New Engagements     | Next Quarter New Engagements | This Year New Engagements | Next Year New Engagements | Client Delays | Next 2 Quarters Bill Rate | BCI Average | BCI Average Q/Q Change |
| Industrial Equip   | 57.7                | 75.3                         | 52.3                      | 79.8                      | 43.8          | 60.5                      | 61.5        | 1.9                    | Industrial Equip   | 62.2                    | 76.1                         | 39.8                      | 82.2                      | 45.5          | 61.1                      | 61.1        | 9.2                    |
| Auto               | 51.9                | 71.5                         | 56.0                      | 75.8                      | 53.3          | 59.9                      | 61.4        | -2.4                   | Media              | 63.6                    | 70.5                         | 39.1                      | 83.3                      | 48.5          | 59.8                      | 60.8        | 4.3                    |
| Div. Fin. Svcs.    | 60.3                | 71.9                         | 47.4                      | 76.7                      | 48.9          | 61.9                      | 61.2        | 6.6                    | Div. Fin. Svcs.    | 61.6                    | 72.7                         | 41.4                      | 77.7                      | 50.0          | 61.2                      | 60.8        | 8.5                    |
| Banking            | 57.0                | 71.0                         | 51.1                      | 76.9                      | 46.6          | 63.4                      | 61.0        | 4.3                    | Aero & Defense     | 54.0                    | 70.5                         | 44.2                      | 77.8                      | 52.3          | 60.2                      | 59.8        | 5.7                    |
| Food & Beverage    | 60.6                | 71.8                         | 52.6                      | 78.5                      | 41.9          | 59.8                      | 60.9        | 1.7                    | Banking            | 59.1                    | 71.7                         | 46.3                      | 77.9                      | 42.6          | 61.2                      | 59.8        | 4.9                    |
| Real Estate        | 54.2                | 72.3                         | 58.3                      | 75.7                      | 43.1          | 61.2                      | 60.8        | 2.1                    | Food & Beverage    | 63.7                    | 72.2                         | 40.4                      | 79.3                      | 37.7          | 60.4                      | 58.9        | 1.1                    |
| Media              | 56.5                | 68.1                         | 52.6                      | 78.5                      | 46.6          | 60.8                      | 60.5        | -1.1                   | Cap Markets        | 56.5                    | 75.0                         | 31.7                      | 83.3                      | 44.4          | 62.0                      | 58.8        | 4.8                    |
| Cap Markets        | 54.1                | 70.3                         | 47.3                      | 75.0                      | 51.0          | 62.8                      | 60.1        | 3.2                    | Freight & Trans    | 58.8                    | 75.7                         | 30.6                      | 84.0                      | 45.9          | 56.8                      | 58.6        | 9.7                    |
| Building Mat.      | 57.7                | 71.3                         | 54.1                      | 77.0                      | 40.5          | 58.7                      | 59.9        | 0.1                    | Telecom / Internet | 62.3                    | 70.5                         | 35.8                      | 80.3                      | 43.9          | 57.5                      | 58.4        | 5.0                    |
| Metals             | 57.8                | 70.9                         | 51.3                      | 79.5                      | 40.0          | 58.6                      | 59.7        | 1.1                    | Education          | 56.3                    | 69.9                         | 37.3                      | 79.0                      | 43.8          | 61.7                      | 58.0        | 0.2                    |
| Freight & Trans    | 56.2                | 73.5                         | 44.5                      | 80.2                      | 43.8          | 58.5                      | 59.4        | 3.2                    | Govt / Public      | 55.1                    | 67.6                         | 46.3                      | 73.5                      | 45.6          | 58.5                      | 57.8        | 3.4                    |
| Construction       | 54.4                | 72.1                         | 50.7                      | 78.1                      | 41.6          | 58.8                      | 59.3        | 2.1                    | Util / Energy      | 57.2                    | 69.4                         | 35.2                      | 75.0                      | 44.4          | 61.1                      | 57.1        | 3.3                    |
| Manufacturing      | 55.8                | 70.8                         | 48.5                      | 77.1                      | 42.7          | 59.1                      | 59.0        | 0.7                    | Manufacturing      | 58.0                    | 71.1                         | 36.3                      | 80.3                      | 37.9          | 58.7                      | 57.1        | 4.8                    |
| Forest Pdcts       | 57.7                | 71.2                         | 51.0                      | 77.9                      | 38.5          | 57.7                      | 59.0        | 0.9                    | Health & Pharma    | 55.4                    | 68.4                         | 40.3                      | 76.9                      | 42.1          | 58.1                      | 56.9        | 2.9                    |
| Telecom / Internet | 59.3                | 69.7                         | 43.5                      | 78.5                      | 43.5          | 58.2                      | 58.8        | -0.2                   | Metals             | 56.7                    | 68.3                         | 35.3                      | 77.5                      | 43.3          | 58.3                      | 56.6        | 7.0                    |
| Retail             | 54.6                | 67.7                         | 53.1                      | 73.4                      | 45.5          | 58.0                      | 58.7        | 0.0                    | Insurance          | 55.6                    | 66.7                         | 38.6                      | 75.4                      | 45.6          | 56.9                      | 56.5        | 5.3                    |
| Consumer Pdcts     | 56.9                | 68.7                         | 46.7                      | 75.2                      | 45.0          | 57.8                      | 58.4        | 1.1                    | Consumer Pdcts     | 58.1                    | 69.2                         | 33.2                      | 76.6                      | 42.9          | 57.8                      | 56.3        | 1.6                    |
| Education          | 56.5                | 69.5                         | 39.8                      | 77.7                      | 44.7          | 61.7                      | 58.3        | -2.7                   | Auto               | 55.5                    | 72.6                         | 31.9                      | 77.4                      | 41.5          | 55.5                      | 55.7        | 1.1                    |
| Chemicals          | 54.4                | 67.5                         | 44.6                      | 76.3                      | 42.9          | 63.2                      | 58.2        | 6.0                    | Retail             | 57.6                    | 65.2                         | 37.3                      | 73.6                      | 42.9          | 54.5                      | 55.2        | 1.9                    |
| Aero & Defense     | 51.5                | 68.7                         | 48.1                      | 76.9                      | 43.9          | 59.3                      | 58.1        | 1.7                    | Chemicals          | 57.4                    | 68.2                         | 31.9                      | 77.0                      | 35.1          | 60.8                      | 55.1        | 6.1                    |
| Util / Energy      | 54.6                | 68.2                         | 42.4                      | 72.8                      | 47.1          | 61.1                      | 57.7        | -1.9                   | Construction       | 52.3                    | 66.5                         | 38.1                      | 76.1                      | 36.4          | 56.1                      | 54.2        | 1.9                    |
| Health & Pharma    | 55.2                | 68.6                         | 44.1                      | 76.8                      | 39.5          | 58.0                      | 57.0        | -1.0                   | Building Mat.      | 59.2                    | 67.8                         | 33.8                      | 77.0                      | 26.3          | 57.2                      | 53.5        | 0.5                    |
| Insurance          | 54.8                | 65.3                         | 43.8                      | 72.2                      | 45.8          | 56.2                      | 56.3        | 3.4                    | Real Estate        | 48.9                    | 65.9                         | 36.9                      | 74.4                      | 33.3          | 57.8                      | 52.9        | -0.1                   |
| Govt / Public      | 53.4                | 64.8                         | 46.2                      | 72.7                      | 42.0          | 56.8                      | 56.0        | 1.1                    |                    |                         |                              |                           |                           |               |                           |             |                        |

Source: Robert W. Baird & Company analysis

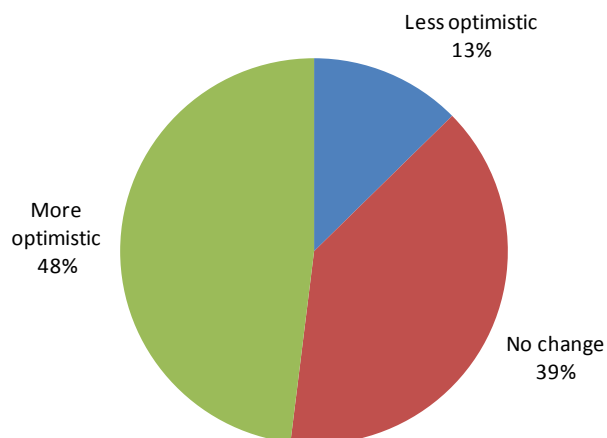
# Economic Viewpoint – Consultants

With regards to the economic environment relative to three months ago, I would describe myself as being:

**All Consultants**



**Excluding Restructuring**



**All Consultants**

| Practice      | BCI  |
|---------------|------|
| Economic      | 76.4 |
| Strategy      | 73.5 |
| Marketing     | 72.3 |
| Restructuring | 71.1 |
| HR Mgmt       | 67.9 |
| Bankruptcy    | 67.8 |
| Leadership    | 66.1 |
| Change Mgmt   | 65.1 |
| Supply Chain  | 64.6 |
| Process       | 64.6 |
| M&A/Advisory  | 61.7 |
| IT            | 59.5 |
| Risk Mgmt     | 58.6 |
| Litigation    | 58.3 |
| Software      | 57.8 |
| Forensic      | 56.0 |
| Regulatory    | 48.8 |

| Practice           | BCI  |
|--------------------|------|
| Banking            | 72.3 |
| Chemicals          | 70.5 |
| Airline            | 69.3 |
| Cap Markets        | 68.3 |
| Div. Fin. Svcs.    | 68.2 |
| Education          | 67.6 |
| Real Estate        | 67.4 |
| Util / Energy      | 67.4 |
| Media              | 66.7 |
| Industrial Equip   | 66.7 |
| Auto               | 66.7 |
| Food & Beverage    | 66.4 |
| Aero & Defense     | 65.3 |
| Manufacturing      | 63.0 |
| Construction       | 63.0 |
| Building Mat.      | 62.9 |
| Metals             | 62.7 |
| Freight & Trans    | 62.4 |
| Telecom / Internet | 61.9 |
| Retail             | 60.8 |
| Health & Pharma    | 60.8 |
| Consumer Pdcts     | 60.0 |
| Forest Pdcts       | 59.5 |
| Govt / Public      | 58.9 |
| Insurance          | 58.3 |

**Excluding Restructuring**

| Practice     | BCI  |
|--------------|------|
| Economic     | 78.2 |
| M&A/Advisory | 77.2 |
| Strategy     | 76.4 |
| Leadership   | 76.2 |
| Marketing    | 72.6 |
| HR Mgmt      | 71.1 |
| Change Mgmt  | 70.1 |
| IT           | 69.4 |
| Process      | 68.2 |
| Supply Chain | 67.4 |
| Software     | 65.4 |
| Litigation   | 63.8 |
| Risk Mgmt    | 60.0 |
| Forensic     | 48.3 |

| Practice           | BCI  |
|--------------------|------|
| Cap Markets        | 75.0 |
| Education          | 74.2 |
| Airline            | 73.6 |
| Banking            | 73.1 |
| Div. Fin. Svcs.    | 71.9 |
| Industrial Equip   | 71.6 |
| Util / Energy      | 70.5 |
| Chemicals          | 70.0 |
| Food & Beverage    | 69.8 |
| Aero & Defense     | 69.7 |
| Media              | 69.7 |
| Manufacturing      | 69.3 |
| Govt / Public      | 69.2 |
| Metals             | 67.6 |
| Health & Pharma    | 67.2 |
| Consumer Pdcts     | 66.9 |
| Real Estate        | 66.7 |
| Telecom / Internet | 65.7 |
| Building Mat.      | 64.6 |
| Insurance          | 64.5 |
| Freight & Trans    | 64.0 |
| Construction       | 62.7 |
| Auto               | 57.1 |

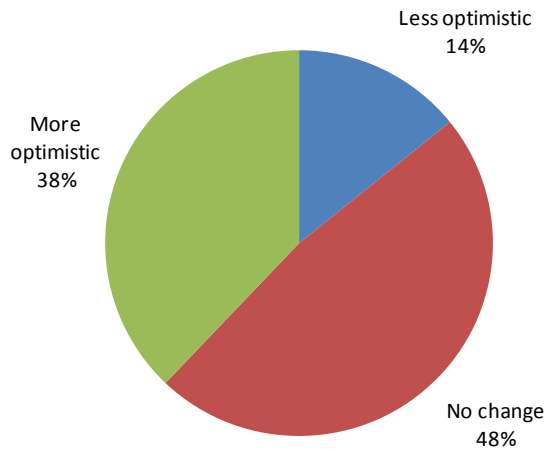
- Sentiment regarding the economy among respondents has reached a plateau over the past three months, following a significant improvement during 3Q09.
- Commentary is highly skeptical and significantly more intense than seen in previous surveys regarding the long-term impact of government action, with uncertainties surrounding taxes, healthcare and regulation seen as a major obstacle in generating new business.

# Economic Viewpoint – Clients

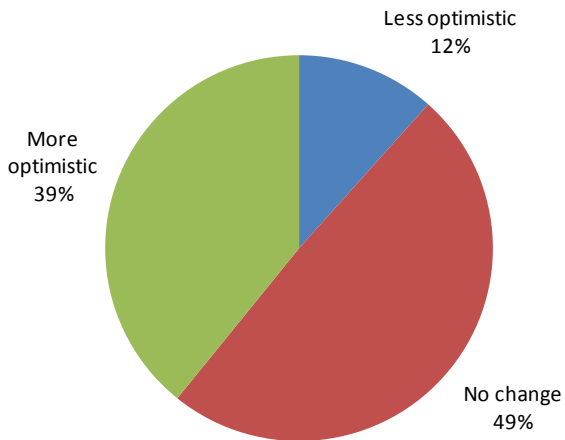


With regards to the economic environment relative to three months ago, most of my clients are:

**All Consultants**



**Excluding Restructuring**



**All Consultants**

| Practice      | BCI  |
|---------------|------|
| Economic      | 73.1 |
| Strategy      | 68.3 |
| Marketing     | 67.1 |
| Restructuring | 66.7 |
| HR Mgmt       | 66.7 |
| Bankruptcy    | 66.0 |
| Leadership    | 66.0 |
| Change Mgmt   | 65.3 |
| Supply Chain  | 64.1 |
| Process       | 63.6 |
| M&A/Advisory  | 61.3 |
| IT            | 60.2 |
| Risk Mgmt     | 59.6 |
| Litigation    | 57.8 |
| Software      | 54.5 |
| Forensic      | 51.9 |
| Regulatory    | 47.7 |

| Practice           | BCI  |
|--------------------|------|
| Banking            | 73.2 |
| Chemicals          | 71.3 |
| Airline            | 70.3 |
| Cap Markets        | 69.2 |
| Div. Fin. Svcs.    | 68.9 |
| Education          | 68.8 |
| Real Estate        | 68.4 |
| Util / Energy      | 68.1 |
| Media              | 67.2 |
| Industrial Equip   | 67.2 |
| Auto               | 66.9 |
| Food & Beverage    | 66.7 |
| Aero & Defense     | 66.4 |
| Manufacturing      | 66.4 |
| Construction       | 66.1 |
| Building Mat.      | 65.8 |
| Metals             | 64.2 |
| Freight & Trans    | 63.9 |
| Telecom / Internet | 63.6 |
| Retail             | 63.6 |
| Health & Pharma    | 61.3 |
| Consumer Pdcts     | 60.6 |
| Forest Pdcts       | 59.7 |
| Govt / Public      | 58.5 |
| Insurance          | 57.4 |

**Excluding Restructuring**

| Practice     | BCI  |
|--------------|------|
| Economic     | 73.8 |
| M&A/Advisory | 72.9 |
| Strategy     | 71.2 |
| Leadership   | 68.2 |
| Marketing    | 67.4 |
| HR Mgmt      | 67.2 |
| Change Mgmt  | 64.8 |
| IT           | 63.9 |
| Process      | 63.2 |
| Supply Chain | 62.0 |
| Software     | 60.4 |
| Litigation   | 60.0 |
| Risk Mgmt    | 54.7 |
| Forensic     | 51.6 |

| Practice           | BCI  |
|--------------------|------|
| Cap Markets        | 76.4 |
| Education          | 75.0 |
| Airline            | 74.4 |
| Banking            | 73.3 |
| Div. Fin. Svcs.    | 71.8 |
| Industrial Equip   | 71.2 |
| Util / Energy      | 70.9 |
| Chemicals          | 70.8 |
| Food & Beverage    | 69.3 |
| Aero & Defense     | 67.9 |
| Media              | 67.6 |
| Manufacturing      | 67.5 |
| Govt / Public      | 67.3 |
| Metals             | 66.3 |
| Health & Pharma    | 66.2 |
| Consumer Pdcts     | 66.2 |
| Real Estate        | 65.3 |
| Telecom / Internet | 64.7 |
| Building Mat.      | 63.2 |
| Insurance          | 62.5 |
| Freight & Trans    | 60.0 |
| Construction       | 58.9 |
| Auto               | 58.1 |
| Retail             | 57.7 |

- Non restructuring clients appear to be more optimistic over the last three months (39% vs. 33% declared as “More Optimistic”), with five of the six-point increase coming from the “Less Optimistic” group.
- The regulatory softness can be seen here also, as the only industry where clients are not more optimistic.

Source: Robert W. Baird & Company analysis

# Trends and Opportunities

## Highlights from commentary provided by participants:

- **Access to capital** – In what is becoming a recurring theme, access to capital remains a primary concern across practices ranging from the ability to complete restructurings, to potential clients playing it close to the vest to preserve capital, to law firms being constrained with poor balance sheets resulting in weak collections for consultants.
- **Commercial real estate opportunities** – Several consultants mentioned that commercial real estate was an expanding area of opportunity both from a restructuring standpoint as well as private equity interest in investments as current owners attempt to raise capital.
- **Non-discretionary spending** – Several consultants mentioned that non-discretionary projects were often the only projects being approved and that a key to unlocking consulting dollars was to package more discretionary expenditures as non-discretionary.
- **Consultants a better option than hiring** – Many respondents noted that clients are more willing to use consultants for work rather than hiring full-time employees, partially due to a expectations of a challenging economy as well as no understanding of what the implications of a Health Care Bill would mean for employee costs. This was most apparent in technology-related practices.
- **Smaller projects remain key** – Smaller projects with tighter scopes, less capital required and shorter timelines seem to be more resilient. Some consultants noted that while scopes are starting to expand, projects are only moving forward if they can be broken into smaller, more manageable steps.

# Client 2010 Budget Expectations

**We asked the consultants' views on where clients were setting budgets for 2010.**

**Highlights from commentary provided by participants:**

- **Nearly every consultant noted flat budgets** – While there were some consultants that expected increases or decreases, the vast majority expect budgets in 2010 to remain flat from 2009. In instances where 1H09 was significantly below 2H09, the expectation was maintaining the same pace as 2H09.
- **2009 budgets often not spent** – Although budgets are expected to remain flat, many of the consultants noted that 2009 budgets were not entirely used and they hoped that flat 2010 budgets would actually translate into increases.
- **Hope that budgets open up as we move through the year** – While the early take on 2010 was generally flat, many were “cautiously optimistic” or “hopeful” that trends would improve throughout the year.
- **Disconnect between public comments and budget dollars flowing** – There seems to be a disconnect between how executives are talking about the current tone of their business improving and being optimistic for 2010 from the reality that the optimism has not translated into spending with consultants or higher budgets for 2010.

# Appendix – Important Disclosures and Analyst Certification

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**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.

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