



KEY THEMES

- > **July Macau gaming revenues** came in at the MOP24.2B mark, slightly above our estimated growth rate and in-line with our call that it would be the second largest month for gaming revenue.
- > **Operators Market Share in July vs. Average Trailing Six Months:**
 - LVS: 14.0% vs. 16.7%
 - Galaxy: 19.1% vs. 10.7%
 - MPEL: 15.4% vs. 14.9%
 - WYNN: 15.1% vs. 15.1%
 - SJM: 28.5% vs. 31.4%
 - MGM: 7.9% vs. 11.2%
- > **August is on track to decelerate from July.** We are adjusting our August gaming revenue estimate to increase 34.3% YoY.
- > **For total 2011**, we estimate gaming revenues to increase 39.2%.

AUGUST 2011

MACAU GAMING MONTHLY

- > **July 2011 gaming revenue in Macau increased 48.4%** from the prior year period to MOP24.2B (US \$3.0B). This compares to June's revenue of MOP20.8B (US \$2.6B) and 52.4% growth year-over-year. On a sequential basis, only Galaxy Entertainment and Melco Entertainment increased share in July. Not surprisingly, Cotai continued to see gains, with July VIP revenues capturing 26% of the market share and 33% of mass (table game) revenues. Clearly the impact of Galaxy Macau is helping, as this is the best performance ever out of Cotai. For the month, overall VIP hold rates drove gaming revenues, besting the rates in 1Q11 and 2Q11. Given the volatile nature of hold rates, we would not expect the trend to be maintained, however. Further, more normalized hold rates could have led to lower VIP gaming revenues. We say "could" as higher hold rates tend to drive lower volumes.
- > **VIP Gaming:** Galaxy Entertainment and Melco Crown Entertainment saw sequential share gains of 3.9% and 2.1%, respectively, in the month. We believe above-average VIP hold rates for both operators drove these gains. MGM, (3.1%), and Sand's China, (1.9%), posted sequential share declines, with softer VIP hold rates.
- > **Mass Market:** SJM and Sands China maintained dominant mass market positions at 36.1% and 22.8%, respectively. Wynn Macau ceded mass market share to Galaxy sequentially: 11.3% to 9.9% at Wynn, 10.9% to 12.5% at Galaxy.
- > **Electronic Gaming:** Sands China dominated electronic gaming, posting a strong 26.8% share, with Wynn and SJM continuing to lose ground.
- > We believe that overall market shares for the month by operator are as follows: SJM 28.5%; Wynn Macau 15.1%; Sands China 14.0%; Melco Crown 15.4%; MGM 7.9% and Galaxy at 19.1%.
- > **Revised Outlook for 2011: For August 2011**, we are modeling Macau gaming revenues of MOP21.2B, up 34.3% on a year-over-year basis. For 3Q11, we are modeling a 36%-38% increase, and we estimate a 39.2% gain for FY11.
- > We believe there are two preferable ways to play the Macau names today: Galaxy Entertainment and Sands China.
- > 2Q11 Earnings Preview. Please see our thoughts on SJM below.

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THIS MONTH'S MACAU MARKET TRENDS:

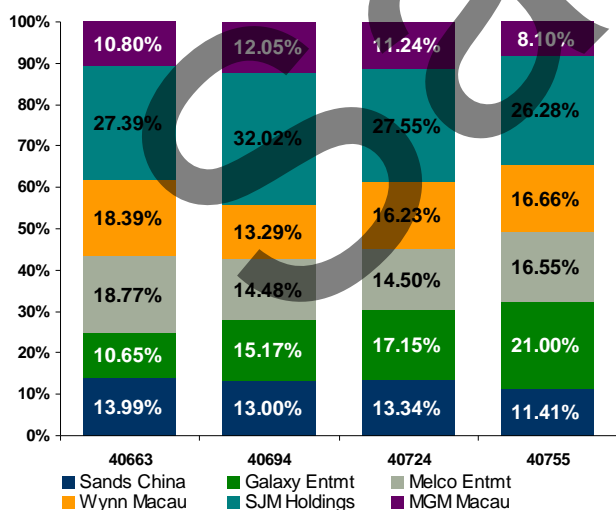
GLOBAL GAMING VALUATION STATISTICS

Company	Ticker	08/04/11 Current Price	52 Week		YTD Stk Price % Chg	Market Cap	Enterprise Value	Price Target	TAG CASH EBITDA			EV / EBITDA Multiples		
			Low	High					2010A	2011E	2012E	2010A	2011E	2012E
CASINO OPERATORS														
Destination Gaming Operators														
Las Vegas Sands Corp.	LVS	\$43.25	\$26.77	\$55.47	1.8%	\$37,958	\$46,268	\$54 - \$56	\$2,086	\$3,159	\$3,745	22.2x	14.6x	12.4x
Melco Crown Entertainment	MPEL	\$12.94	\$3.75	\$16.15	134.3%	\$7,988	\$9,233	\$14 - \$15	\$430	\$582	\$615	21.5x	15.9x	15.0x
MGM Mirage	MGM	\$12.66	\$8.92	\$16.94	(4.4%)	\$6,932	\$18,582	\$18 - \$19	\$1,133	\$1,453	\$1,638	16.4x	12.8x	11.3x
Wynn Resorts Ltd	WYNN	\$141.07	\$79.89	\$172.58	46.1%	\$19,025	\$20,940	\$179 - \$181	\$1,093	\$1,556	\$1,641	19.2x	13.5x	12.8x
Average					44.4%							19.8x	14.2x	12.9x
Hong-Kong Listed Gaming Operators														
Galaxy Entertainment (HK \$)	27-HK	\$20.45	\$5.08	\$22.15	140.3%	\$87,424	\$94,028	\$18 - \$20	\$2,231	\$3,775	\$5,634	42.1x	24.9x	16.7x
Sands China Ltd. (HK \$)	1928-HK	\$23.90	\$11.12	\$25.50	38.5%	\$190,337	\$205,377	\$23 - \$25	\$9,223	\$11,590	\$14,568	22.3x	17.7x	14.1x
SJM Holdings Ltd. (HK \$)	880-HK	\$19.66	\$6.74	\$21.00	64.5%	\$110,664	\$106,792	\$19 - \$20	\$4,638	\$6,727	\$7,151	22.1x	15.9x	14.9x
Wynn Macau Ltd. (HK \$)	1128-HK	\$26.75	\$12.98	\$29.10	56.0%	\$140,841	\$141,314	\$23 - \$25	\$5,967	\$7,831	\$8,278	23.7x	18.0x	17.1x
Average					74.8%							27.5x	19.1x	15.7x
Total Average					14.4%							16.2x	12.4x	10.9x
Market	SPX	1,200.07	1,039.70	1,370.58	0.2%									

Source: Company reports; TAG estimates. USD in millions except as noted and except per share data.

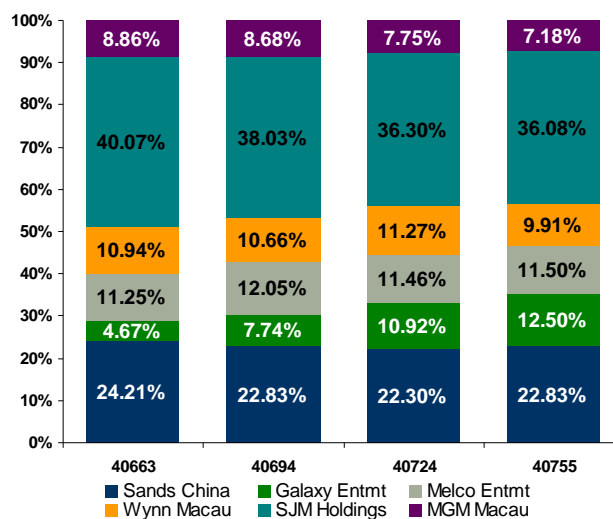
Below, we provide greater detail for each of the six Macau concessionaries. The big story for the month, however, remains to be Galaxy Entertainment, though not in the manner that we – and likely others – expected. Remarkably, Galaxy's older StarWorld property on the Peninsula had its single greatest month in its history in July. This was helped by the property posting its highest ever hold rate. Sands China's Four Seasons property bounced back from a disappointing 2Q11 with stronger VIP direct gaming revenues, posting one of its best months ever that was also aided by strong hold. On the weaker side, MGM posted the largest decline in share, losing 2.4% sequentially. The decline came at the hand of VIP gaming and was largely driven by a weak hold rate in the month. Sands China followed similar trends, seeing its sequential share decline 1.4%, which was almost entirely driven by a drop in VIP gaming revenues – though less related to hold rates.

VIP GAMING REVENUE MARKET SHARE



Source: DIJC; TAG.

MASS MARKET GAMING REVENUE MARKET SHARE

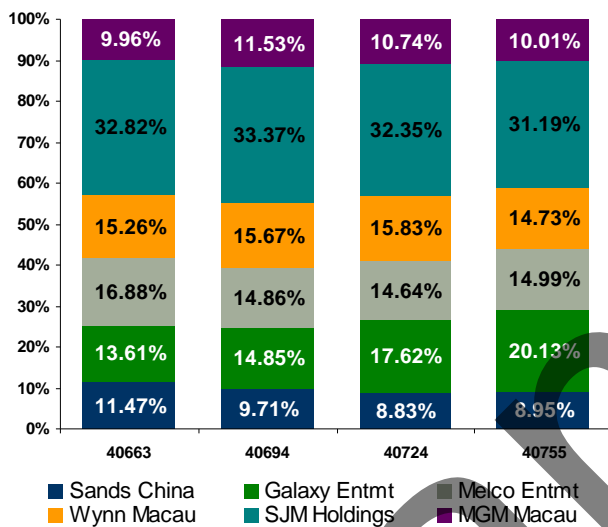


Source: DIJC; TAG.

The strength of July following a seasonally weaker June gives us confidence that gaming revenues for August and September should not drop below the new baseline level of MOP20B. We estimate that 3Q11 will

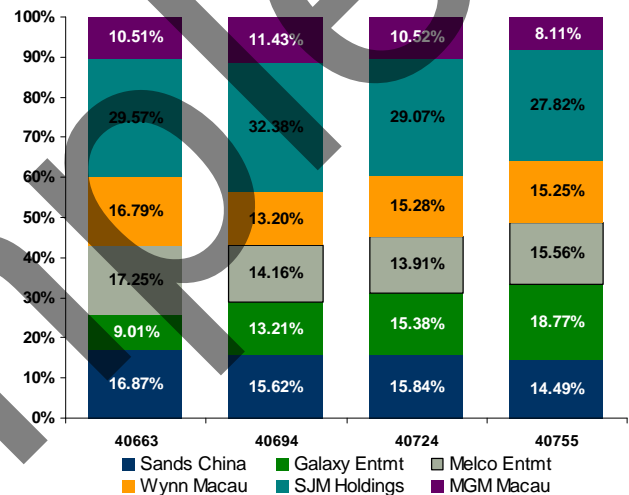
come in similar to 2Q11 in terms of overall revenues. Assuming we are correct, that would put 3Q11 Macau gaming revenue growth at 39.1%, a slight slowdown from 2Q11's 46.1% gain, but still strong enough to warrant high valuation multiples. We would also note that 3Q11 could show the first sequential slowdown in gaming revenues since 2Q09. The big moves are in the fourth quarter which include October and December, certainly the next opportunity for Macau gaming revenues to break records. Given the momentum we are seeing in the marketplace and the seasonally strong periods that October and December typically represent, it is difficult to imagine a scenario where those two months do not break records (outside of a larger Chinese macro slowdown). We are currently modeling October and December to slightly exceed May's record level. This assumes a year-over-year moderation in growth for 4Q11 to 30.9%, down from a projected 39.1% increase in 3Q11 and the actual 46.1% gain in 2Q11. Despite these slower growth rates, 3Q11 and 4Q11 are expected to be the second highest and highest grossing quarters, respectfully, in Macau's history.

VIP ROLLING CHIP MARKET SHARE



Source: DIJC; TAG.

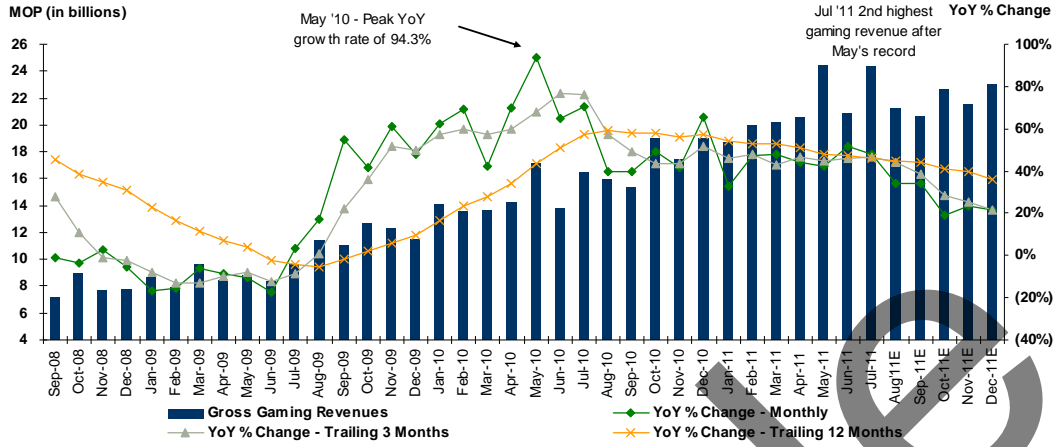
TOTAL GAMING REVENUE MARKET SHARE



Source: DIJC; TAG.

- > **We see only two preferable ways to play the Macau names today: Galaxy Entertainment and Sands China.** Both should benefit over the coming twelve to eighteen months as the newest operators in Macau. Galaxy will continue to ramp over the coming quarters, while Sands China should begin to see its VIP gaming business improve in early 2012 following a \$125MM capital commitment to rededicated itself to junkets. At the same time, sites 5 & 6 are set to open by the end of 1Q12. Either way, Sands China and Galaxy Macau are likely the only concessionaires to see significant share growth in Macau in 2012.

MACAU GAMING REVENUE



Source: DIJC; TAG.

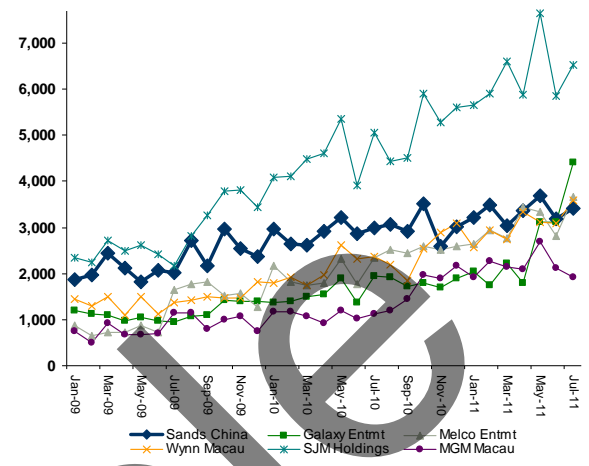
Sample

Sands China

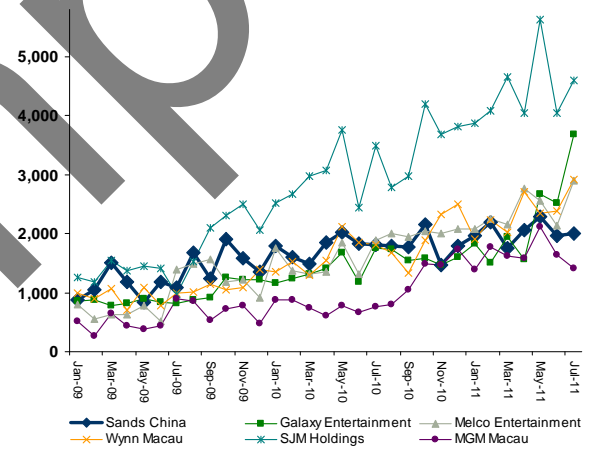
1928.HK - HK\$23.90

- Market Share:** Overall market share at Sands China dipped sequentially to 14.5% from 15.8% in July. The decline was due primarily to a drop in VIP gaming revenue share. This is not a new trend and does not come as a surprise. The positives, however, remain that: 1) the Venetian Macau continues to be the single largest mass property in Macau; and 2) mass market share was up and the Four Seasons casino bounced back from June's low.
- VIP Gaming Revenues:** Sands China continues to feel the pressure in VIP gaming. Without new capacity or facility development over the last year, Sands China has been at a competitive disadvantage that was exacerbated by the policies of former CEO Steve Jacobs. Overall, VIP market share declined 1.9% sequentially. We would expect these trends to continue through the end of year, though at a more modest pace. Look for a rebound in early 2012.
- Mass Gaming Revenues:** Mass market share increased 0.5%, reflecting the strength of the Venetian mass market business. This comes as the Venetian Macau faces new and maturing mass market competition on either side of its property from MPEL's City of Dreams and Galaxy's newly-minted Galaxy Macau facility. MOST important is that we understand the Venetian has resisted engaging in heavy marketing to maintain its market share.
- Total Gaming Revenue at Sands China** increased 14% YoY to HK\$3,406MM (US \$437MM) in July. This gain comes after Sands China saw total gaming revenues grow 13.6% in 2Q11. While current trends for Sands China appear modest, we view this as the calm before the storm as in 2012 we expect big things from Sands China. First, we expect the phased opening of sites 5 & 6, the only opening slated between now and 2015-2016. Furthermore, we expect Sands China to claw back some VIP market share, as it looks to invest \$125MM in its VIP gaming facilities throughout Macau.

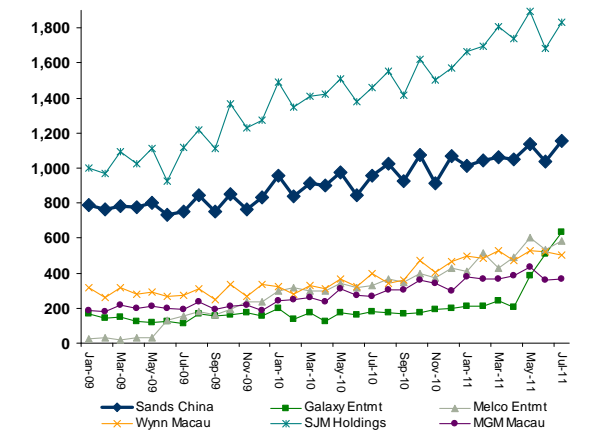
TOTAL GAMING REVENUES



VIP GAMING REVENUES



MASS GAMING REVENUES



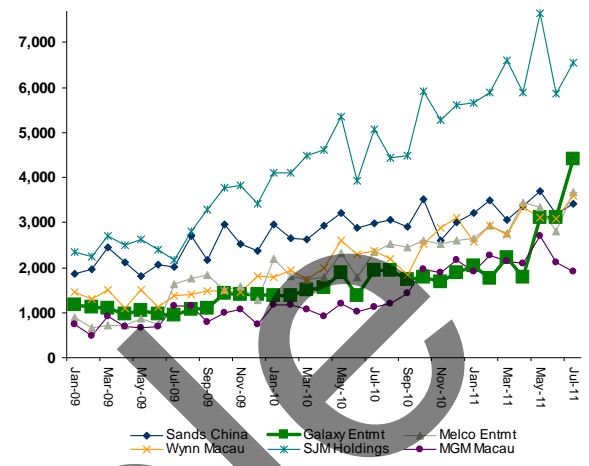
Source: DJIC, TAG. Revenues in \$HK

Galaxy Entertainment

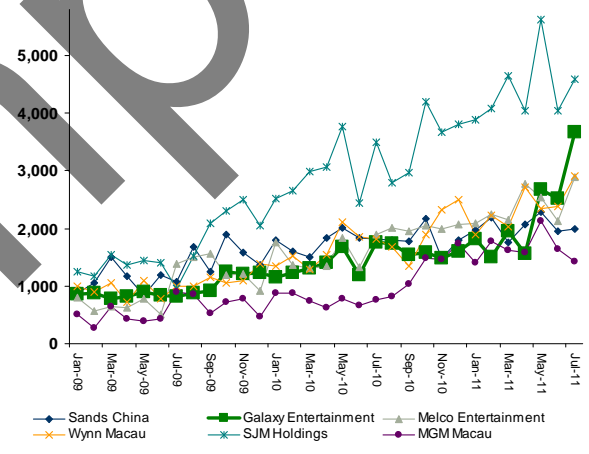
0027.HK – HK\$20.45

- Market Share:** Galaxy, in the second full month following its opening on Galaxy Macau on Cotai, is the clear winner in the share tables again for July. On the back of its VIP strength, Galaxy became the second largest revenue operator in Macau in June behind SJM. Total market share improved 390 bps to 21.0% in July from 17.1% in June. The biggest surprise has been Galaxy's ability to maintain strong growth at its existing StarWorld property while ramping up the new Galaxy Macau. StarWorld's VIP gaming revenue growth significantly outpaced the market sequentially, increasing a remarkable (and hold-aided) 40.0% in July from June compared to the market's overall 19.2% gain. It is clear that the company has successfully opened Galaxy Macau with new junket relationships without cannibalizing its existing operations on the Peninsula.
- VIP Gaming Revenues:** As we noted above, with the strong ramp at Galaxy Macau, Galaxy now generates the second largest share of rolling chip volume in Macau at 20.1%, lagging only SJM's 31.2% take. Rolling chip share overall increased from 17.6% in June. Luck also had a hand in the company's strong results as it improved in July from June. While the total rolling chip volume improved 23.6%, total VIP win increased 46.0%, outpacing the market's 19.2% gain month-to-month. StarWorld appears to have benefitted from a very strong hold, while Galaxy Macau was more hold-neutral.
- Mass Gaming Revenues:** Total mass revenue share increased 260 bps to 12.5% from 10.9% previously, and Galaxy moved into the third position in the channel, behind SJM and Sands China. Galaxy Macau is still trailing its Cotai peers in mass play as the database of customers in this market takes longer to build. Slot play is also lagging as the company builds out its VIP-slot business. While mass market share is taking longer to grow at Galaxy Macau, it should be noted that in its second full month of operations, the property has achieved a mass share that took six months to achieve at City of Dreams.
- We expect Galaxy to report 2Q11 earnings results over the next two weeks.**

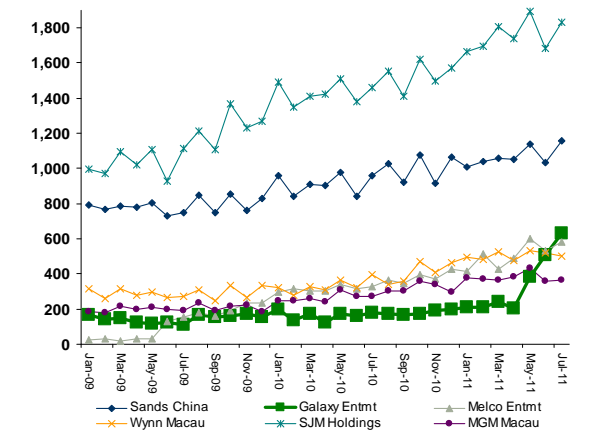
TOTAL GAMING REVENUES



VIP GAMING REVENUES



MASS GAMING REVENUES



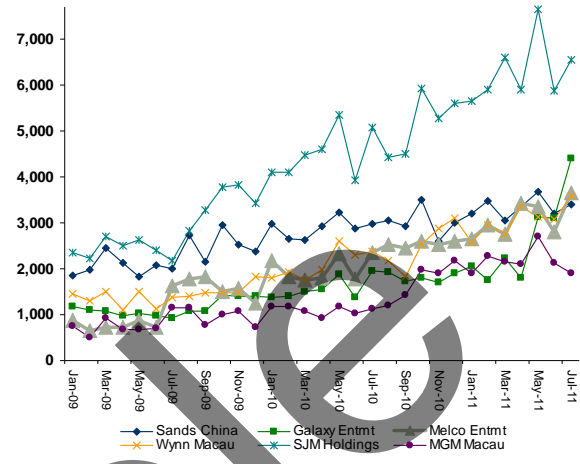
Source: DJIC, TAG. Revenues in \$HK

Melco Crown Entertainment

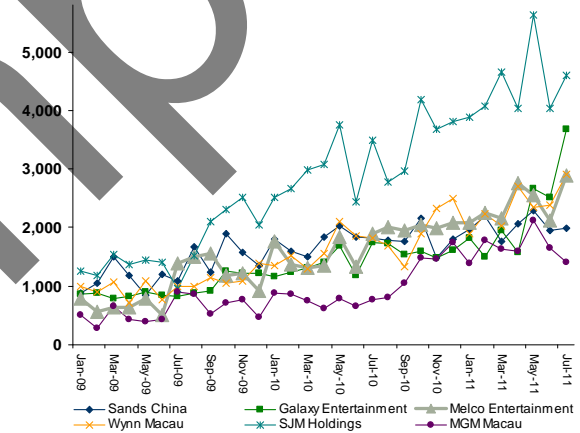
MPEL – US\$12.94

- Market Share:** As we expected, total market share at MPEL improved in July after dipping down to a low 13.9% in June, its lowest overall share in a year. In July, market share increased to 15.6%, slightly above the operator’s year-to-date average of 15.0% and 2010’s 14.6% average share. Since May, when Galaxy Macau entered the market, MPEL has seen its market share increase 140 bps. VIP revenue market share has shown sequential improvement since declining in May, though still not at April’s 18.8% high. In July, VIP market share was 16.6%, 210 bps above June’s level and five points ahead of May. On the mass side, market share has maintained its roughly 11.0% share month-over-month YTD. In July, market share was 11.5%, flat to June and 50 bps below May
- VIP Gaming Revenues:** VIP gaming revenues increased 36.1% in July from June at MPEL following two months of declines: June’s 16.5% monthly decline and May’s 7.9% drop. VIP revenue had a large increase in April, however, gaining 28.5% from March. July’s VIP revenue beat the previous record in April by 6.8%. YoY, VIP revenues were up 53.3% in July vs. the overall market’s 51.5% growth, causing us to believe that MPEL is stealing share from Sands China and SJM. In terms of VIP rolling chip, July saw a 10.9% month-over-month gain, well below the 53.3% revenue gain indicating a stronger-than-average hold rate in July vs. June. Hold rates in July across MPEL’s properties were the highest they have been since November 2010.
- Mass Gaming Revenues:** July mass gaming revenue gained 9.7% from June’s 11.3% decline. Both months followed a 22.9% mass monthly gain in May. July marks the second highest mass gaming revenue month for the operator after May’s standout performance. In July, mass revenue was 78.9% over the previous year and has been approximately 62.0% over last year YTD, growing at twice the pace of the overall market. In our view, MPEL has been doing what it can to battle Galaxy on the mass side, and we believe this will be reflected in the margin performance for the operator.
- Total gaming revenue** gained 56.3% year-over-year and 30.3% month-over-month compared to the overall market’s 48.4% YoY growth and 16.4% increase from June. **The company has not yet announced when it will report 2Q11 earnings.**

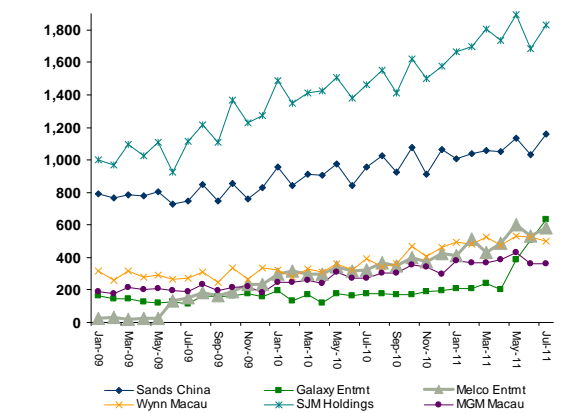
TOTAL GAMING REVENUES



VIP GAMING REVENUES



MASS GAMING REVENUES



Source: DJIC, TAG. Revenues in \$K

MPEL – Management Contemplating Dual Share Structure between NASD and SEHK

- > On August 4, MPEL filed with the SEHK for a dual listing of its shares for both local and international investors. The company noted that given the extensive preparatory work that accompanies this filing, including approval from the exchange and final decision from the company's board of directors, it is unable to provide a clear timetable for when it will complete the listing, if at all. We expect management to field some questions on this on their earnings call, the timing of which has yet to be announced.

Sample

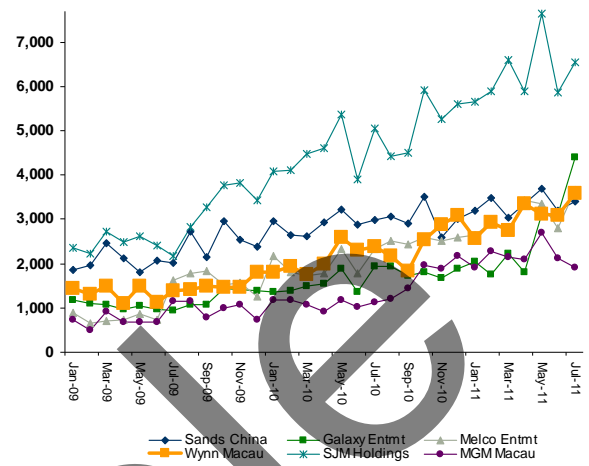
Wynn Macau

1128.HK – HK\$26.75

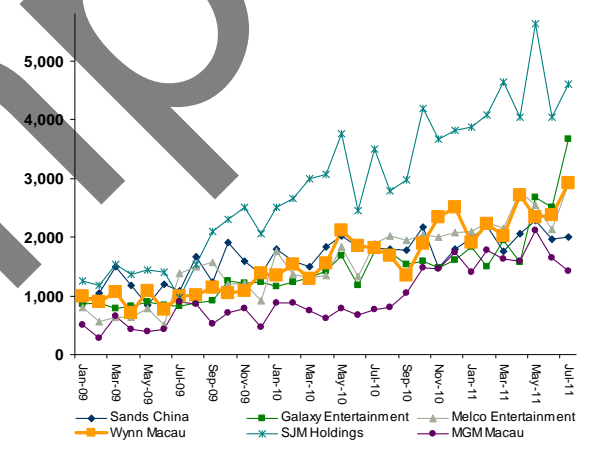
- Market Share:** Wynn Macau was the only “Peninsula-centric” operator to maintain share in July, but it was aided by a high hold. Total market share in July was nearly identical to June at 15.2% vs. 15.3% in the prior month. We believe that Wynn is effectively defending its turf through its strong junket relationships and superior product offering.
- VIP Gaming Revenues:** VIP gaming revenue increased 22.4% sequentially in July, slightly outpacing the overall market growth of 19.2%. However, hold had a hand in the growth, as rolling chip volume only gained 0.7% compared to the total month-to-month gain of 8.2% market-wide in roll.
- Mass Gaming Revenues:** WYNN’s mass gaming revenues declined for the second consecutive month on a sequential basis (by 3.8% in July and 1.4% in June) as the opening of Galaxy Macau pulls the weight of the gaming supply in Macau more in Cotai’s direction at the expense of the Peninsula.

Sample

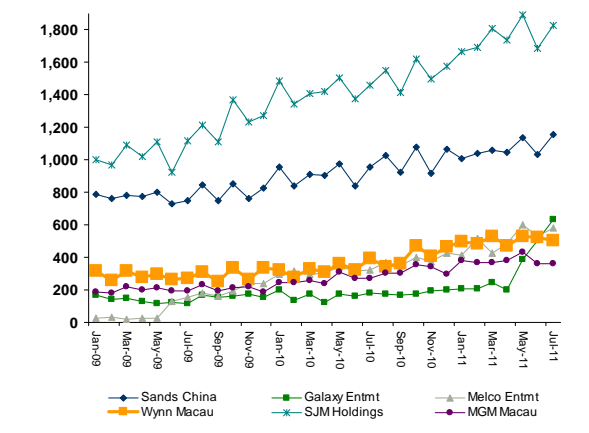
TOTAL GAMING REVENUES



VIP GAMING REVENUES



MASS GAMING REVENUES



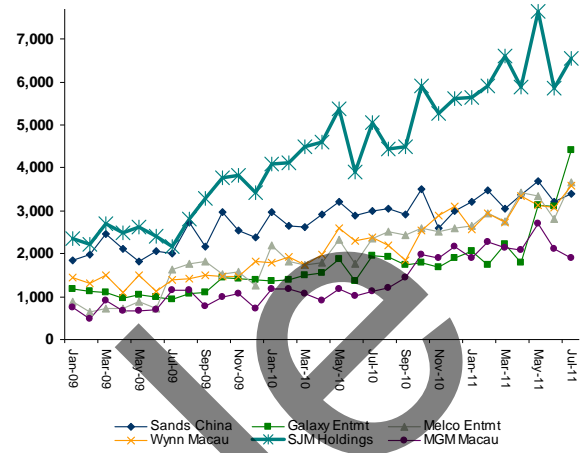
Source: DJIC, TAG. Revenues in \$HK

SJM Holdings

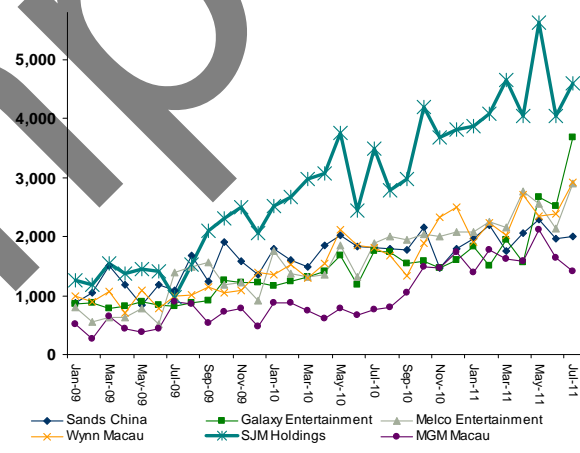
880.HK – HK\$19.66

- Market Share.** Although still the leader in terms of overall market share, SJM continues to feel the impact from the opening of Galaxy Macau on both the VIP and mass gaming fronts. Overall market share for the operator has declined sequentially from 32.4% in May to 29.1% in June and another 120 bps further in July to 27.8%. VIP gaming revenues have seen the largest share of erosion since May, losing 570 bps in share since then to 26.3%. Mass gaming revenue market share has remained more resilient, but has also declined since May, losing 200 bps to 36.1%. SJM's 27.8% overall market share in July compares to the operator's average 30.7% share year-to-date and 31.4% average share during 2010.
- VIP Gaming Revenues.** In July, VIP gaming revenues at SJM increased 13.7% month-over-month on the heels of a 28.2% monthly decline in June. SJM continues to be the market leader in VIP gaming revenue with 27.5% of the VIP market and 32.4% of rolling chip market share, but both rolling chip and revenue share have declined since the opening of Galaxy Macau in May. In July, VIP rolling chip increased 4.3% from June, less than the revenue increase and signifying a more favorable hold percentage. SJM's hold percentage in July was below the average of all Macau concessionaires but improved from the prior month and in-line with its YTD average and overall hold for 2010.
- Mass Gaming Revenues.** Mass gaming revenue increased 8.6% at SJM in July month-over-month following an 11.0% decline in June, but more in-line with May's 8.9% month-over-month gain. For the past six months, mass gaming revenue has shown consistent growth in excess of 22.0% year-over-year, gaining 25.3% in July. Mass market share has shown greater resistance to competitive incursions in the market than has VIP gaming revenue. In July, SJM's mass market share was 36.1%, 200 bps below its share in May and compared to the YTD average share of 38.6%.
- Total gaming revenue gained 29.2% year-over-year and 11.5% month-over-month at SJM, less than the overall market's 48.4% YoY growth rate and 16.4% monthly gain due to market share attrition.

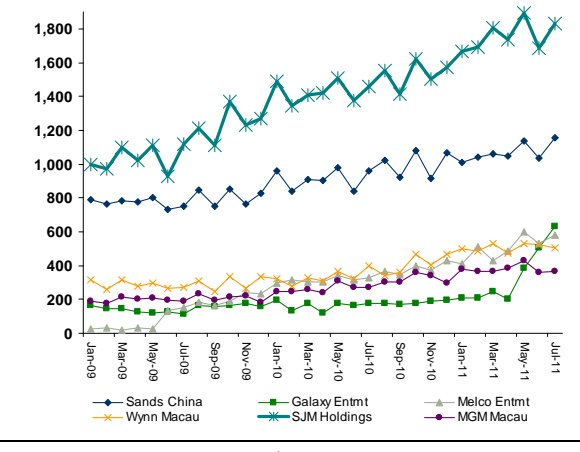
TOTAL GAMING REVENUES



VIP GAMING REVENUES



MASS GAMING REVENUES



Source: DJIC, TAG. Revenues in \$HK

- > In our view, the opening of Galaxy Macau in mid-May, along with improving operations at City of Dreams and MGM, could challenge SJM's ability to grow market share from current levels. Already, SJM has seen a fairly steady decline in its respective mass market shares. July share came in at 36.1%, with the trailing twelve-month average at SJM running at 39.6%. We believe it is still a little early to see any share pressures on SJM's VIP gaming business, as SJM is still benefiting from the new VIP facilities on the top floors of the Grand Lisboa. We estimate 1H11 and FY11 EBITDA of \$3,473MM and \$6,727MM respectively, and maintain our price target of HK\$19-HK\$20, the upper end of which represents a 14.7x multiple on our 2012 estimate. As of 1Q11's earnings review, SJM's Cotai aspirations for an integrated resort focused on the mass business had made little, if any progress since 4Q10. Government approval is still required before any real development can begin and the company stated that there has been a "hiatus in dialogue" between themselves and regulators. Aside from the uncertain timeline for Cotai development, the opening of the Grand Lotus premium gaming space and the continued ramp of Oceanus remain SJM's main incremental growth drivers relative to market share. SJM used excess supply from the Oceanus to expand tables in the Grand Lisboa, so we would expect to see an incremental lift in gaming revenues from the property. Recall Grand Lisboa gaming revenues expanded sequentially by only 4.4% in 1Q11 driven by hold-related weakness. We believe table optimization represents some of the low hanging fruit in terms of improving overall profitability, as operators will need to make due with their existing assets for years to come, but SJM faces a 5% headwind in labor costs throughout the remainder of the year.
- > **SJM reports 2Q11 earnings on Wednesday, August 10. The conference call is at 6:00 AM EDT. Dial in number is available by management request.**

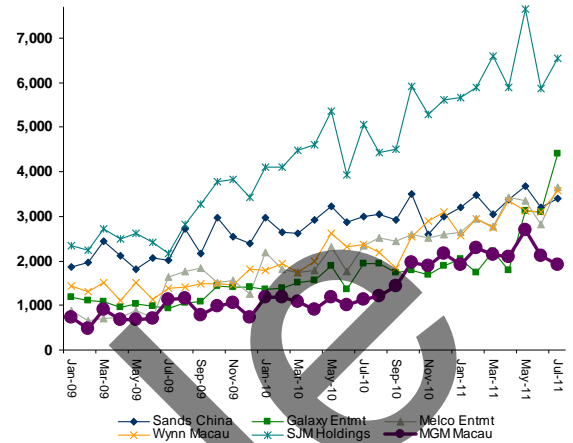
Sample

MGM Macau

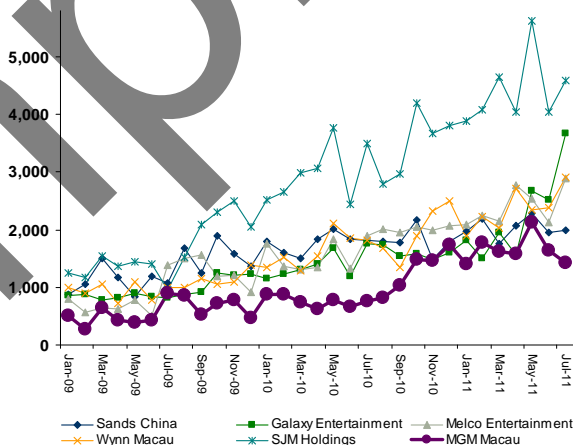
2282.HK – HK\$16.36

- Market Share.** For the second consecutive month following the opening of Galaxy Macau, MGM's share fell in both mass and VIP gaming as it remained in the last-place position. The steady-step down over the period in both revenue and volume suggests to us an overall moderation in traffic. For July, the property's total market share fell a somewhat steep 240 bps to 8.1% from 10.5% in the prior month, as it played unlucky during the month in VIP. Electronic gaming revenues were more of a bright spot, as MGM regained 30 bps of market share to 13.4% in the month. Electronic gaming revenue grew 9.9% vs. the overall market growth of 7.8%.
- VIP Gaming Revenues.** VIP gaming revenue was the largest culprit of MGM's overall market share decline for the month, dropping 310 bps sequentially to 8.1% from 11.2%. However, poor hold played a large factor as rolling chip volume share fell only 70 bps from June to 10.0%. In fact, MGM maintained its market share lead in roll over Sands China, which saw an 8.9% share in July. Despite a 0.9% increase in VIP rolling chip volume sequentially (which lagged the overall market growth by 8.2%), VIP gaming revenues fell 14.1% compared to the prior month, in stark contrast to the 19.2% overall market gain in July from June. MGM was clearly unlucky for the month.
- Mass Gaming Revenues.** In the mass channel, the property's revenues gained 1.1% sequentially, again lagging the overall market growth of 9.3%. Total market share fell to 7.2% in July from 7.8% in June. MGM lagged the second-to-last operator, Wynn Macau, by 270 bps in the July mass league tables.
- MGM reports 2Q11 earnings on Monday, August 8 after the New York market close. We believe ongoing strength from its now fully-consolidated Macau operations can contribute to upside for the quarter.

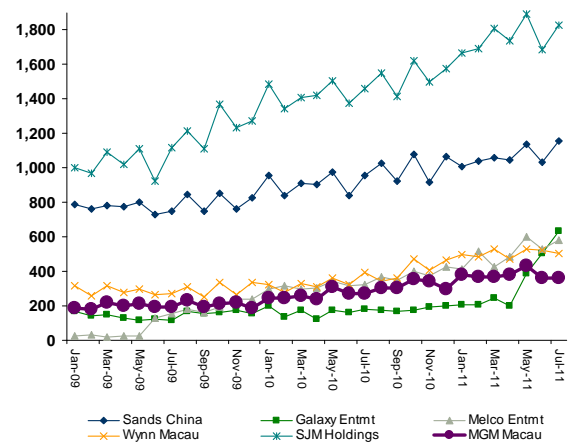
TOTAL GAMING REVENUES



VIP GAMING REVENUES



MASS GAMING REVENUES



Source: DJIC, TAG. Revenues in \$HK

ADDENDUM

Important Disclosures:

Valuation Method for Target Price: Price-to-Earnings, price-to-EBITDA, P/E to growth, price to free cash flow, and discounted cash flow analysis.

Investment Risks: Slower consumer spending, rising interest rates, weaker consumer confidence, rising unemployment, supply chain disruptions, fashion misses, and excessive markdowns.

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Christopher E. Jones

Historical Price Targets

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