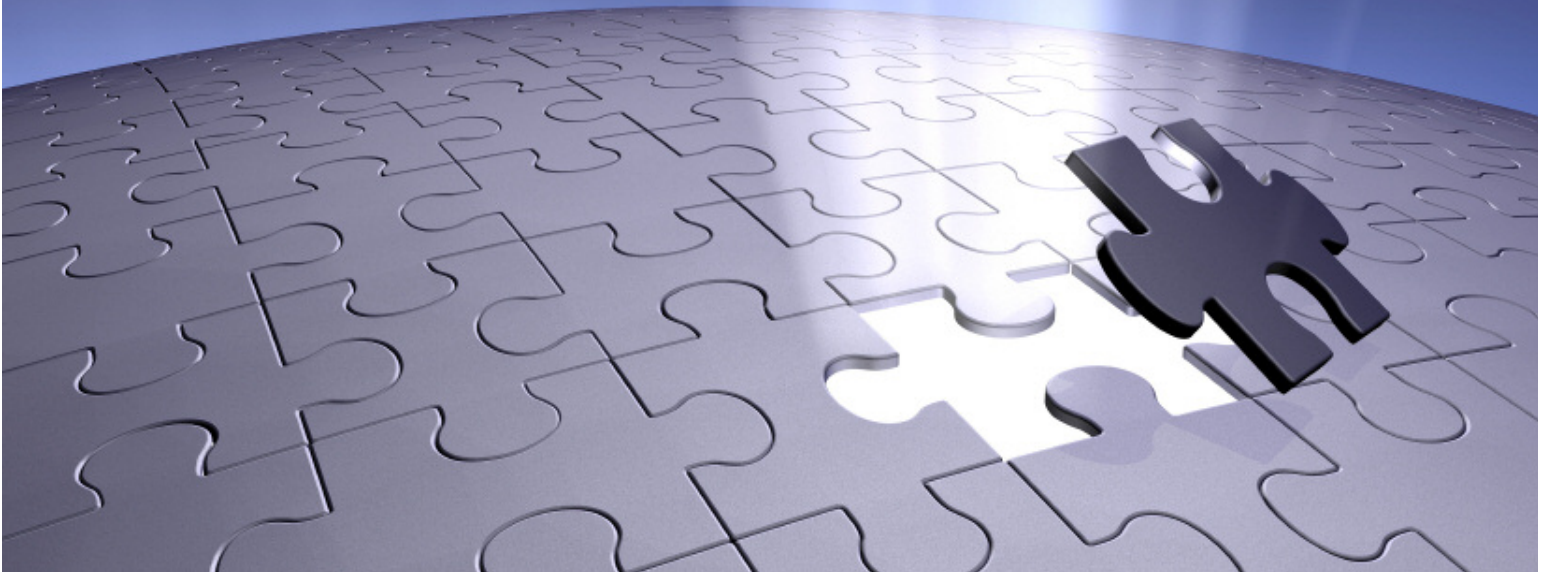


DyKEMA

5th Annual Mergers & Acquisitions Outlook Survey



October 28, 2009

California | Illinois | Michigan | Texas | Washington, D.C.

www.dykema.com

Executive Summary

As you know, the coming months represent a critical period for U.S. and international businesses in the M&A market. We are still in the midst of a difficult and unprecedented global financial crisis, and our President and Congress must address the economic climate, as well as numerous domestic and foreign policy issues.

The 5th Annual Dykema Mergers & Acquisitions Outlook Survey was designed to measure the perspectives of leading company executives and outside advisors on the direction of the M&A market in the coming year. Almost half of the survey's respondents have recently been involved in a transaction that did not close, so they have good reason to keep a close watch on the M&A market.

The conclusions of the survey show increased optimism in both the U.S. economy and the M&A market. Corporate executives, who have in the past few years expressed serious concerns about the strength of the U.S. economy and mergers and acquisitions market, have new confidence in the coming year. However, they do not expect a quick and complete turnaround in 2010. Industry leaders told us that they believe:

- Distressed transactions will increase in the coming year.
- Buyers with access to cash and financing have a lot of opportunities available in the M&A market.
- General U.S. economic conditions continue to be an important factor in the M&A arena, but the financial markets are not as much of an issue as they were a year ago.
- China will continue to be a principal source for investors in U.S. companies, but India and the UAE have lost ground to Europe.

A more detailed report of our findings is contained in the following pages. We hope you find this information insightful and informative. We plan to periodically re-examine these issues to continue in our effort to remain focused on the challenges that are of critical importance to our clients and the U.S. business community at large.

Best regards,




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2009 Mergers & Acquisitions Survey Results

Respondents were asked to complete a short questionnaire designed to measure their thoughts and perspectives on the direction of the M&A market in 2010. The following charts represent the collective input of all respondents to the survey. A full overview of the survey methodology can be found at the end of this report.




1. How strong will the overall U.S. M&A market be during the next 12 months?				
Responses	%	Percentage of total respondents		
Strong	27.62%			
Neutral	53.33%			
Weak	19.05%			
Total Responses		20%	40%	60%
		80%	100%	

- Confidence in the U.S. M&A market is starting to increase after sliding for several years.
 - In 2006, 63 percent of respondents thought the overall M&A market would be strong.
 - In 2007, 36 percent thought it would be strong.
 - In 2008, only 16 percent believed it would be strong, and 46 percent thought it would be weak in the coming year.
- This increase in confidence is likely due to improving U.S. economic conditions, as well as stabilizing financing markets and greater access to credit.
- Of respondents who think the M&A market will be weak in the next 12 months, only five percent have a positive outlook on the U.S. economy. Of respondents who think the M&A market will be strong in the next 12 months, 72 percent have a positive outlook on the economy.
- Some respondents said:
 - *Credit markets look like they may be easing a bit to help fuel better deal flow.*
 - *Good deals abound for people who want to move to niches not heeded heretofore.*
 - *There is a current opportunity to acquire value at depressed prices.*
 - *There is a significant supply of capital that needs to be put to use.*
 - *Weakened companies will represent buying opportunities.*

2. Which of the following is most responsible for fueling current U.S. M&A activity?						
Responses	%	Percentage of total respondents				
General U.S. Economic Conditions	31.43%					
Strategic Buyers	41.90%					
Private Equity Buyers	7.62%					
Foreign Buyers	5.71%					
Financial Markets	10.48%					
Other (please specify)	2.86%					
Total Responses		20%	40%	60%	80%	100%




- Strategic buyers are playing a more significant role in the current M&A market than in past years, likely resulting from the distressed opportunities available to these buyers who have access to financing and cash. General U.S. economic conditions continue to be an important factor, but the financial markets are not as much of an issue as they were a year ago.
 - Last year, respondents said general economic conditions (32 percent), financial buyers (24 percent) and strategic buyers (23 percent) were most responsible for fueling current market activity.

- Private equity buyers, which were once seen as leading drivers, have again reduced their presence in the U.S. M&A market.
 - In 2006, 47 percent of respondents thought PE buyers were most responsible for fueling current M&A activity.
 - In 2007, 48 percent of respondents thought PE buyers were most responsible for fueling current M&A activity.
 - In 2008, only 13 percent of respondents thought PE buyers were most responsible for fueling current M&A activity, and for the first time PE buyers were not viewed as the leading driver, dropping to 4th place.


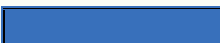

3. What is your outlook for the U.S. economy, generally, over the next 12 months?				
Responses	%	Percentage of total respondents		
Positive	34.62%			
Neutral	49.04%			
Negative	16.35%			
Total Responses		20%	40%	60%
		80%	100%	

- Almost half of the respondents are neutral about the outlook for the U.S. economy, but approximately one-third are positive and only 16 percent are negative. While not overly enthusiastic, responses are encouraging. Like the U.S. M&A market, confidence in the domestic economy is starting to improve.
 - In 2005, 51 percent had a positive outlook on the economy.
 - In 2006, that number dropped to 37 percent.
 - In 2007, it dropped again to 28 percent.
 - In 2008, only eight percent had a positive outlook.

4. Which of the following buyers will INCREASE their presence the most in the U.S. M&A Market over the next 12 months (as a percentage of total transactions)?

Responses	%	Percentage of total respondents					
Strategic Buyers	51.46%						
Financial Buyers	21.36%						
Foreign Buyers	27.18%						
Total Responses		<table border="1"> <tr> <td>20%</td> <td>40%</td> <td>60%</td> <td>80%</td> <td>100%</td> </tr> </table>	20%	40%	60%	80%	100%
20%	40%	60%	80%	100%			

5. Which of the following buyers will DECREASE their presence the most in the U.S. M&A Market over the next 12 months (as a percentage of total transactions)?

Responses	%	Percentage of total respondents					
Strategic Buyers	17.65%						
Financial Buyers	53.92%						
Foreign Buyers	28.43%						
Total Responses		<table border="1"> <tr> <td>20%</td> <td>40%</td> <td>60%</td> <td>80%</td> <td>100%</td> </tr> </table>	20%	40%	60%	80%	100%
20%	40%	60%	80%	100%			





- There is a continued expectation that financial buyers will again decrease their presence in the market. With credit markets still tight over the past year, buyers have been more selective about underlying company economics before making investments.
 - In 2006, 36 percent of respondents believed that financial buyers were most likely to decrease their presence the most.
 - In 2007, 77 percent agreed.
 - In 2008, 63 percent predicted financial buyers would further decrease their role.

- Strategic buyers are again expected to increase their presence in the market.
 - In 2008, 51 percent of respondents believed that strategic buyers would most increase their presence in the market, up from 34 percent in 2007.
 - Many respondents see buying opportunities for strategics with strong balance sheets.

- Foreign buyers are expected to continue their strong role in the U.S. M&A market as many have cash and access to deal financing.

- In 2008, 36 percent of respondents thought foreign buyers would most increase their presence in the market.
 - Respondents believe foreign buyers will continue to increase their activity as many have cash and easier access to deal financing.
- In an open-ended question asking respondents to explain why they thought a buyer was likely to increase or decrease market share, comments included:
 - *Strategic buyers have the motivation to buy in this kind of market.*
 - *There appears to be a lot of money on the sidelines right now, particularly in the distressed market.*
 - *The U.S. has huge excess production capacity right now. Strategic foreign buyers from the outside will see this as an opportunity to produce within the U.S. Much of the money will come from the outside.*
 - *With improving financial markets, strong strategic buyers will continue to pursue opportunities. For the next 12-18 months, I am less sanguine about the ability of pure financial buyers to obtain funding.*
 - *Strategic consolidation among industry participants will offer incentive beyond pure financial motivations to complete transactions.*
 - *Companies with access to capital will take advantage of the M&A market conditions to acquire good assets/business at discounted valuation, facing less competition. As conditions in the general economy and specific industries become stabilized, the strategic buyers will feel more confident in doing a deal.*
 - *Strategic buyers are able to buy/fold in deeply distressed assets on an accretive basis as they can rationalize overhead and fixed costs in a manner that financial buyers looking at an opportunity as a stand-alone investment cannot. They also are not constrained by financing for smaller tuck in deals.*
 - *Financial buyers have been almost non-existent in the market, so they will be the first to benefit from any upturn in the economy and credit markets.*
 - *I believe we're on the cusp of a shift from strategic buyers, who sense opportunity in the down economy, to financial buyers, who will enter the market when they fear it is leaving the bottom. It may take more than a one-year window to become clear, but I believe signs will be evident in the coming 12 months.*
 - *Values have declined and foreign buyers are more likely to be cash buyers.*
 - *Due to the shortage of funds from banks and other lenders, financial buyers are less likely to be able to complete transactions and deliver the returns to which they are accustomed.*
 - *Many strategic buyers sat on the sidelines during the private equity buying frenzy. These same companies built up cash and cleaned up their balance sheets over the past few years. Now, they find themselves with less bidding competition for acquisition targets. The survivors are also able to consolidate their markets by scooping up weaker players who have been further weakened by the recession.*
 - *Given low percentage of PE activity over the last twelve months, financial buyers have nowhere to go but up.*
 - *Fundraising will be difficult; credit markets remain tight and problems with portfolio companies will slow PEG buyers.*
 - *Foreign buyers seem susceptible to the U.S. market and most of them are unfamiliar with our short process timelines in an environment that requires greater diligence.*
 - *Sovereign wealth funds are reeling from bad U.S. investments made at the peak. China is focusing on investments in its home market, and the dollar should appreciate as the U.S. leads the world out of recession.*
 - *The strength of the dollar may decrease the presence of foreign buyers in the next 12 months.*



6. Which of the following types of buyers have most influenced deal valuations over the past 12 months?




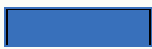



Responses	%	Percentage of total respondents					
Strategic Buyers	39.81%						
Financial Buyers	35.92%						
Foreign Buyers	8.74%						
None of the Above	15.53%						
Total Responses		<table border="1"> <tr> <td>20%</td> <td>40%</td> <td>60%</td> <td>80%</td> <td>100%</td> </tr> </table>	20%	40%	60%	80%	100%
20%	40%	60%	80%	100%			

- For the first time in the survey’s history, strategic buyers were seen as the group most influencing deal valuations over the previous year, slightly edging out financial buyers.
 - In 2007, 75 percent of respondents said financial buyers have most influenced deal valuations over the past 12 months.
 - In 2008, financial buyers were still the leading choice (41 percent), but strategic buyers were closing the gap (27 percent compared to 13 percent in 2007).
- Responses indicate that financial buyers are still viewed as having an impact on the valuations but to a lesser degree than they have in the past.











7. Which of the following types of buyers are most affected by uncertainty in the broader credit and bond markets that has led to tightened financing? (rank 1 is most affected, 3 is least affected)				
Responses	Rank 1	Rank 2	Rank 3	Weighted Rank (Score)
Financial Buyers	86	10	7	1 (285)
Strategic Buyers	15	48	40	2 (181)
Foreign Buyers	2	45	56	3 (152)

- 2009 survey respondents ranked the three types of buyers in the same order as last year, indicating that disruption in the credit market is still impacting the influence of the financial buyers on the M&A market. Strategic and foreign buyers don’t need to depend on the financial markets to the same degree as PE buyers to finance their deals allowing strategic and foreign buyers to be more competitive in the current deal environment.

8. Have you been involved in an M&A transaction the last 12 months that has been adversely impacted by availability of financing?				
Responses	%	Percentage of total respondents		
Yes	44.23%			
No	55.77%			
Total Responses		20%	40%	60%
		80%	100%	











9. What was the impact? (check all that apply)				
Responses	%	Percentage of total respondents		
Delayed closing	56.25%			
Higher financing costs (interest rate, fees, etc.)	45.83%			
More restrictive loan covenants	31.25%			
Fewer bidders	35.42%			
Lower sale price	33.33%			
Financing unavailable	35.42%			
Other (please specify)	6.25%			
Total Responses		20%	40%	60%
		80%	100%	

- As last year, more than 40 percent of respondents said they had at least one M&A transaction in the last year that was adversely impacted by the availability of financing.
 - In 2008, the principal impacts of these financing issues were higher financing costs (66 percent), more restrictive loan covenants (59 percent), lower sale prices (56 percent) and delayed closings (47 percent).
 - The number of respondents citing lower sale price resulting from a transaction adversely impacted by the availability of financing may have dropped due to more “meeting of the minds” between buyers and sellers when it comes to pricing.

10. What sector will see the most M&A activity, nationally, in the next 12 months?						
Responses	%	Percentage of total respondents				
Automotive	3.92%					
Biotechnology and Life Sciences	14.71%					
Energy	11.76%					
Financial Services	20.59%					
Healthcare	19.61%					
Manufacturing (non-automotive)	8.82%					
Technology	16.67%					
Telecommunications	0%					
Transportation	0%					
Other (please specify)	3.92%					
Total Responses		20%	40%	60%	80%	100%

- Given the months of turmoil on Wall Street, it is not surprising that 21 percent of respondents believe the financial services industry will see the most M&A activity in the coming year.
 - This is a decrease from the 32 percent of respondents in 2008 who believed financial services would see the most activity, despite the significant collapses in industry institutions.
 - Financial service entities continue to pick up distressed organizations. Ongoing FDIC organized takeovers ultimately result in a sale of the entire institution or pieces of it.

11. What sector will see the most M&A activity, globally, in the next 12 months?

Responses	%	Percentage of total respondents					
Automotive	9.90%						
Biotechnology and Life Sciences	11.88%						
Energy	17.82%						
Financial Services	18.81%						
Healthcare	5.94%						
Manufacturing (non-automotive)	10.89%						
Technology	17.82%						
Telecommunications	4.95%						
Transportation	0%						
Other (please specify)	1.98%						
Total Responses		<table border="1"> <tr> <td>20%</td> <td>40%</td> <td>60%</td> <td>80%</td> <td>100%</td> </tr> </table>	20%	40%	60%	80%	100%
20%	40%	60%	80%	100%			

- Globally, respondents think the financial services, energy and technology sectors will see the most M&A activity in the coming year.
 - While many companies are trying to crack into the U.S. renewable energy market, that arena is much more developed internationally in areas such as Europe, Asia and Africa where local government regulations encourage the development of wind, solar and other new power technologies.
 - No healthcare M&A market exists in countries with government-run health systems, which is likely the reason that healthcare is not anticipated to be as active globally as domestically.

12. Will there be a change in the number of distressed transactions in the coming year?				
Responses	%	Percentage of total respondents		
Significant Increase	19.05%			
Some Increase	60.95%			
No Significant Change	9.52%			
Some Decrease	9.52%			
Significant Decrease	0.95%			
Total Responses		20%	40%	60%
		80%	100%	

13. What industry will see the most distressed transactions in the next 12 months?				
Responses	%	Percentage of total respondents		
Automotive	44.55%			
Biotechnology and Life Sciences	0.99%			
Consumer Products	11.88%			
Energy	0%			
Financial Services	16.83%			
Healthcare	0.99%			
Housing/Construction	5.94%			
Manufacturing (non-automotive)	16.83%			
Technology	0%			
Telecommunications	0.99%			
Transportation	0%			
Other (please specify)	0.99%			
Total Responses		20%	40%	60%
		80%	100%	

- Despite increased confidence in the economy, respondents believe a number of distressed transactions remain in the pipeline for the coming year. Eighty percent of respondents think there will be an increase in distressed transactions in the coming year and 19 percent say it will be a significant increase. For those buyers with cash and financing, respondents predict there will be good opportunities available in 2010.
- In 2008, 87 percent of respondents thought there would be an increase in distressed transactions in the coming year and more than a third said it would be a significant increase.
- Respondents pointed to the automotive (45 percent), manufacturing (17 percent) and financial services (17 percent) industries as the sectors most likely to have an increase in distressed transactions. Because of the pressures the auto industry is under, there is likely to be continued cost cutting and reduced volume, resulting in more stress for the auto supplier community.

14. How have the federal government's actions within the past 12 months impacted the U.S. M&A market?					
Responses	%	Percentage of total respondents			
Positive impact/ Increased activity	26.92%				
Little to no impact	50.00%				
Negative impact/ Decreased activity	22.12%				
Other (please specify)	0%				
Total Responses		20%	40%	60%	80% 100%















- Respondents were split about whether stimulus spending, efforts to stabilize the financial markets, industry bailouts and other government initiatives of the past year have impacted the domestic M&A market. Half believe that the actions taken by the U.S. government have made little to no difference in the arena.

- In addition to rating the past actions of the federal government, survey respondents were given an opportunity to recommend what action the government should take to improve the U.S. M&A market. Suggestions included:
 - *Need to require TARP recipients to put some percentage of the money to work in C&I and transactional lending.*
 - *Clearly outline plans for new regulation.*
 - *Let the markets take care of themselves and more readily adopt laissez-faire practices.*
 - *Make capital gains tax rates permanent.*
 - *Lower taxes.*
 - *Better interest rates and accessibility to capital.*
 - *Continue to work to improve the lending environment.*
 - *Incentivize banks for taking risks.*
 - *Let the market forces decide the activities. In other words, leave it alone.*
 - *Force low cost loans to flow to the industrial companies and away from the financials.*
 - *Resolve health care reform and provide more visibility to future changes in the tax code.*
 - *Back out of the market with little fed involvement.*
 - *Get back to basics of common sense and ethics. Don't overreact. Think long range instead of short range politics. Every action has a reaction. Providing everything for all for free is no answer. There is always a payback.*
 - *None. Credit/capital markets have to free up, government intervention cannot free up risk tolerance, it comes down to risk and there is still plenty of it, with little view into when economy will turn.*

15. Where will the most foreign buyers in the U.S. M&A market come from in the next 12 months?						
Responses	%	Percentage of total respondents				
Australia	0%					
Brazil	1.03%					
Canada	2.06%					
China	44.33%					
Europe	38.14%					
India	5.15%					
Japan	3.09%					
Mexico	1.03%					
Russia	1.03%					
South Korea	0%					
United Arab Emirates (UAE)	4.12%					
Other (please specify)	0%					
Total Responses		20%	40%	60%	80%	100%










- Respondents continue to look at China as a principal source for investors in U.S. companies, but India and the UAE have lost ground to Europe.
 - In 2007, respondents said China will be the leading country for foreign buyers in the U.S. M&A market (39 percent), followed by the UK (17 percent), India (14 percent) and the UAE (9 percent).
 - In 2008, respondents thought foreign buyers would come from China (28 percent), the UAE (23 percent) and India (12 percent).

Note: In previous surveys, European countries were listed separately. Added together, European nations were selected by 12 percent of respondents in 2008 and 21 percent of respondents in 2007.



16. What country will see the most outbound U.S. mergers and acquisitions?						
Responses	%	Percentage of total respondents				
Australia	0%					
Brazil	1.10%					
Canada	8.79%					
China	32.97%					
Europe	41.76%					
India	6.59%					
Japan	1.10%					
Mexico	6.59%					
Poland	0%					
Romania	0%					
Russia	0%					
South Korea	0%					
Vietnam	0%					
Other (please specify)	0%					
Total Responses		20%	40%	60%	80%	100%



- For the first time, respondents say Europe will be the leading region for U.S. buyers making foreign acquisitions.
- China, the second choice of respondents, has been losing ground for several years. 40 percent of respondents in 2008 thought that nation would see the most outbound M&A, and 53 percent had that view in 2007.

Note: In previous surveys, European countries were listed separately. Added together, European nations were selected by 16 percent of respondents in 2008 and 17 percent of respondents in 2007.

17. In today's economy, are you seeing more deals structured differently than in the past? (check all that apply)							
Responses	%	Percentage of total respondents					
No	21.78%						
Yes, seeing more earnouts	48.51%						
Yes, seeing more rollups	5.94%						
Yes, seeing more joint ventures	14.85%						
Yes, seeing more ESOPs	4.95%						
Yes, seeing more seller financing	47.52%						
Yes, seeing more subordinated debt financing	28.71%						
Yes, seeing more asset swaps	3.96%						
Other (please specify)	0.99%						
Total Responses		<table border="1"> <tr> <td>20%</td> <td>40%</td> <td>60%</td> <td>80%</td> <td>100%</td> </tr> </table>	20%	40%	60%	80%	100%
20%	40%	60%	80%	100%			

- Reflective of the turmoil in the M&A market stemming from continued disruption in the credit markets, almost three-quarters of respondents say they are seeing deals structured differently than in the past.
- Earnouts are likely becoming more prevalent because buyers want more certainty as to the value of the target.
- The increase in seller financing indicates the continued weakness in the M&A financing market.

18. In the next 12 months, do you believe your company will be involved in an acquisition?				
Responses	Count	%	Percentage of total respondents	
Yes	42	40.38%		
No	62	59.62%		
Total Responses	104		20%	40% 60% 80% 100%

19. In the next 12 months, do you believe your company will be sold, downsized, or involved in a spinoff?				
Responses	Count	%	Percentage of total respondents	
Yes	8	7.69%		
No	96	92.31%		
Total Responses	104		20%	40% 60% 80% 100%

- In 2007, 52 percent of respondents thought they would be involved in an acquisition and 16 percent thought they would be sold, downsized or involved in a spinoff.
- In 2008, 45 percent thought their company would be involved in an acquisition in the next year. Twelve percent thought they would be sold, downsized or involved in a spinoff.

20. Have you been involved in one or more M&A transactions in the last 12 months that did not close?				
Responses	Count	%	Percentage of total respondents	
Yes, terminated by buyer	34	33.01%		
Yes, terminated by seller	16	15.53%		
No	53	51.46%		
Total Responses	103		20%	40% 60% 80% 100%

21. Why did the transaction(s) not close? (check all that apply)				
Responses	Count	%	Percentage of total respondents	
Financing issues	26	52.00%		
Breach of representation/warranty	2	4.00%		
Material adverse change in business	24	48.00%		
Regulatory restrictions	1	2.00%		
Higher offer received from third party	1	2.00%		
No reason provided by terminating party	7	14.00%		
Other (please specify)	4	8.00%		
Total Responses	65		20%	40% 60% 80% 100%

- Almost half of respondents say they have been involved in a deal that did not close in the past year.
 - For deals terminated by the seller, the reasons most commonly cited are financing issues (31 percent), material adverse change in business (31 percent) and no reason provided by terminating party (31 percent).
 - For deals terminated by the buyer, the reasons most commonly cited are financing issues (62 percent) and material adverse change in business (56 percent).
- Last year, 40 percent of respondents were involved in a deal that did not close, and on the buy side that was primarily due to financing (47 percent). On the sell side, the primary reason given for the sale falling through was an adverse change in business (27 percent), suggesting the seller pulled the deal off the market.

Methodology

In September 2009, national law firm Dykema distributed its Mergers & Acquisitions Survey via e-mail to a group of senior executives and advisors in the industry including CEOs, CFOs and other company officers. 38 percent of respondents identified themselves as a company officer or executive and 36 percent identified themselves as an investment or commercial banker.

The 2009 survey is the fifth annual M&A market analysis developed by Dykema, and results are being released in conjunction with the firm's annual [M&A Seminar](#) in Detroit.

Respondents were only asked question 9 if they answered "yes" to the previous question: *Have you been involved in an M&A transaction the last 12 months that has been adversely impacted by availability of financing?* Similarly, they were only asked question 19 if they answered "yes" to question 20: *Have you been involved in one or more M&A transactions in the last 12 months that did not close?*

Percentages in questions 9, 17 and 21 exceed 100 percent because respondents were asked to check all that apply.

Due to rounding, all percentages used in all questions may not add up to 100 percent. A few minor edits were made to verbatim responses to correct spelling and verb tense.