



EVERYTHING MATTERS

GOVERNMENT AFFAIRS AND ECONOMIC OUTLOOK SURVEY

A REPORT PRESENTED BY DLA PIPER
MAY 15, 2008

Dear friends:

As you know, the coming months represent a critical period for US businesses and foreign entities with a strong interest in the US economy. In eight short months, we will have a new President and a new Congress, as well as a better grasp of the economic challenges that currently face us and numerous domestic and foreign policy issues to address.

In DLA Piper's ongoing effort to keep a finger on the pulse of the issues that are important to our clients and the business community at large, we surveyed more than 100 of our corporate clients to assess their priorities for the second half of 2008 and gauge their predictions on the future climate for business in the US. We were especially pleased that 43 percent of our respondents hold top executive management positions.

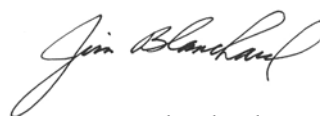
Some of the results were in line with our hypotheses and expectations. Others surprised us. Consider the following:

- As expected, the majority of our respondents (53 percent) had a negative outlook on the economy for the second half of 2008. Those who were positive or neutral attributed their optimism to new initiatives or products that address the economic challenges we expect will persist throughout 2008.
- Surprisingly, respondents did not see the credit crunch or the fluctuation of the US dollar as having had a significant impact on their business. Respondents were much more concerned with the fluctuations in the price of oil, and a majority (59 percent) predicted this would have a negative impact on their business over the next year.

- Respondents told us that the looming recession (31 percent) and inflation/value of the dollar (24 percent) were the two issues that posed the biggest threat to the US economy. Surprisingly, a rather large number of respondents (18 percent) viewed federal budget deficits as the biggest threat.
- Respondents thought that the most important issues for the next President and Congress were economic policy, energy policy and tax policy. Foreign investment policy was not cited as a priority for our respondents.
- Finally, labor costs were cited by a large portion of respondents (50 percent) as the single biggest challenge foreign competition would pose to US companies.

A more detailed report of our findings is contained in the following pages of this report. We hope you find this information insightful and informative. We plan to periodically re-examine these subjects as we maintain our focus on the issues of critical importance to our clients and the US business community.

Best regards,

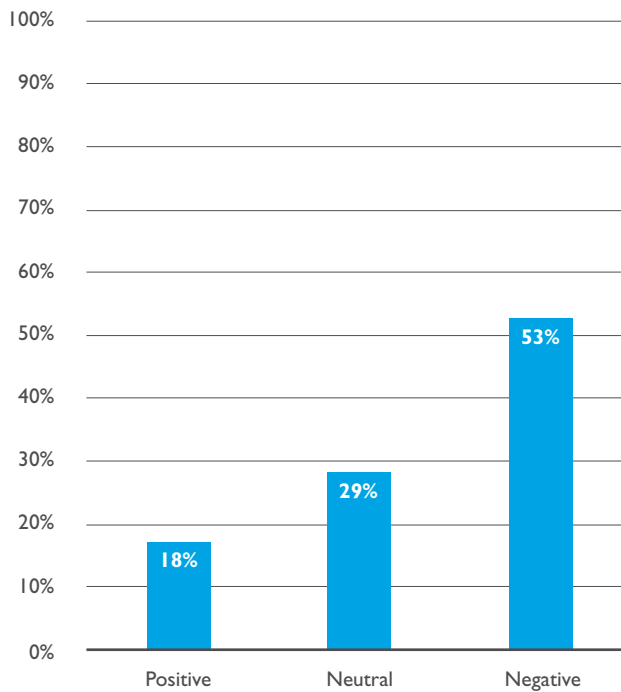


James J. Blanchard



Thomas M. Boyd

What is your outlook on the US economy in the second half of 2008?



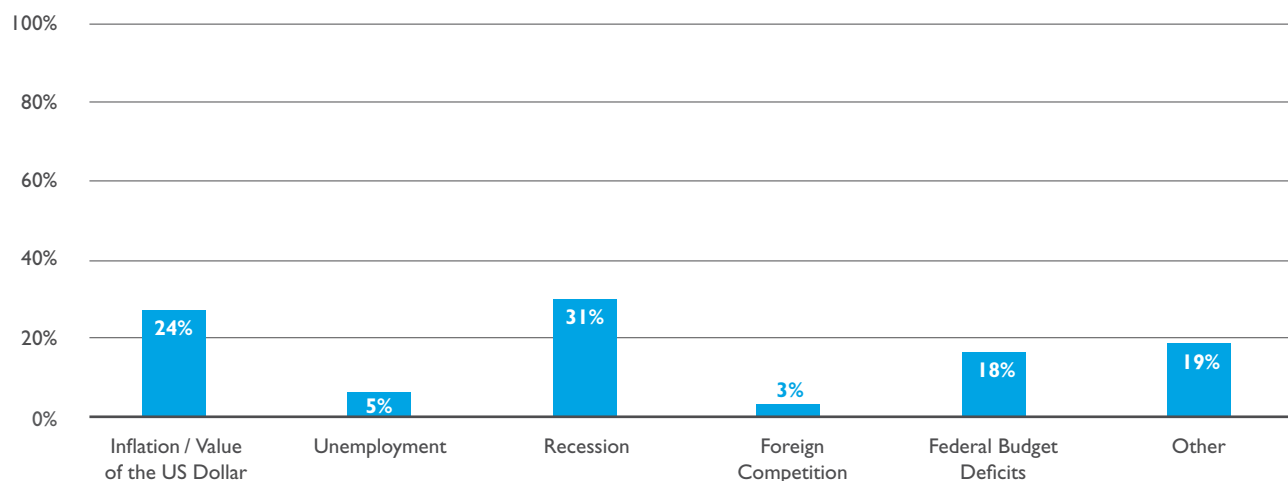
The majority of respondents (53 percent) expressed a negative outlook on the US economy for the second half of 2008. Furthermore, 29 percent of respondents expressed a neutral outlook, indicating that they felt the economy would not get better or worse in the second half of 2008.

The survey findings were fairly consistent when respondents were segmented based on their location, job title and industry. For instance, responses from C-level executives were consistent with the overall data: 53 percent chose negative, 24 percent chose neutral and 22 percent chose positive.

We believe that respondents who demonstrated a positive or neutral outlook are fueled by focusing on new initiatives or products and the desire to move beyond uncertainty. These feelings are reflected in some of the verbatim responses we received to the survey:

- “The uncertainty of the financial crisis is behind us.”
- “We are developing a new initiative that will produce revenues in 2008.”
- “Credit crunch pretty well defined and policy responses should improve the outlook by year end. Balance of payments driven by federal deficit and continued high oil prices remain a concern, but they were a problem in 2007 as well.”
- “We have a new product in the market.”

What do you consider the biggest threat to the US economy?



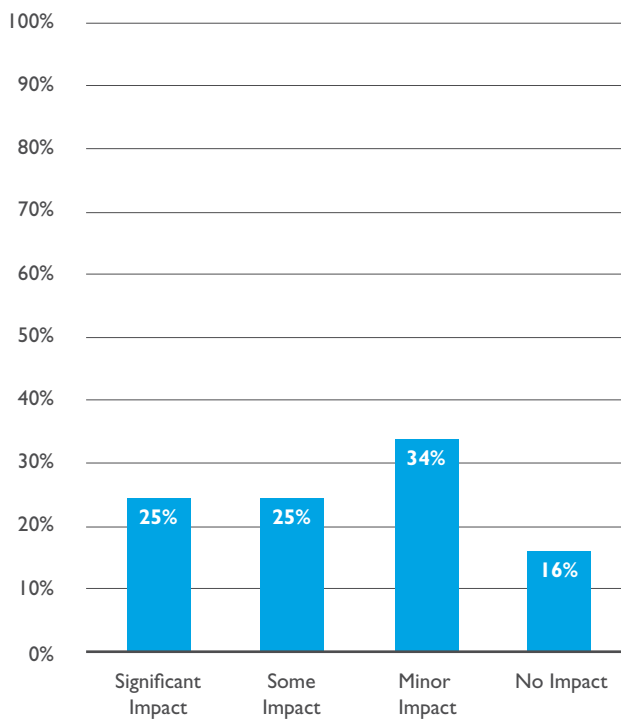
Respondents identified a possible recession (31 percent) and inflation/value of the US dollar (24 percent) as the biggest threats to the US economy.

Only 3 percent of respondents chose foreign competition as the biggest threat to the US economy. We believe this is due to the overwhelming focus on issues related to a possible recession, inflation and fluctuation of the US dollar. With lack of financing a major concern for US businesses, foreign investment may be seen as a good business opportunity, rather than a threat. This point is illustrated by comments from individuals predicting that the business outcome for 2008 would be worse than the outcome of 2007:

- “Money for investment in the US is drying up and it is more difficult to get US banks to lend money to investors for real estate transactions. There is some foreign money coming in to invest, which is helpful.”
- “Capital is scarce and expensive.”
- “Capital is very difficult to obtain.”

The fact that 18 percent of respondents chose “federal budget deficits” as a bigger threat to the US economy than unemployment (5 percent) or foreign competition (3 percent) was surprising given the amount of political attention paid during the campaign to unemployment and foreign competition. We believe this result further demonstrates the caliber of the respondents and that they are in tune with federal issues.

How severely has your business been impacted by the “credit crunch?”



Surprisingly, only 25 percent of respondents indicated that the credit crunch has had a significant impact on their business. The majority of respondents felt it has had some impact (25 percent) or a minor impact (34 percent).

Not surprisingly, those in the financial institution/banking and real estate industries were more likely to indicate their business has been impacted by the credit crunch. Forty-four percent percent of respondents in the financial institution/banking industry chose “significant impact” and 40 percent chose “some impact.” Similarly, 45 percent of respondents in the real estate industry indicated a significant impact and 36 percent indicated some impact.

- We believe this is evidence that senior business executives, particularly in these sectors, are now feeling the impact of the credit crunch and that responses by the Federal Reserve and Congress to mitigate its effects are well received.

Some respondents reported a positive impact from the credit crunch on their business in verbatim responses:

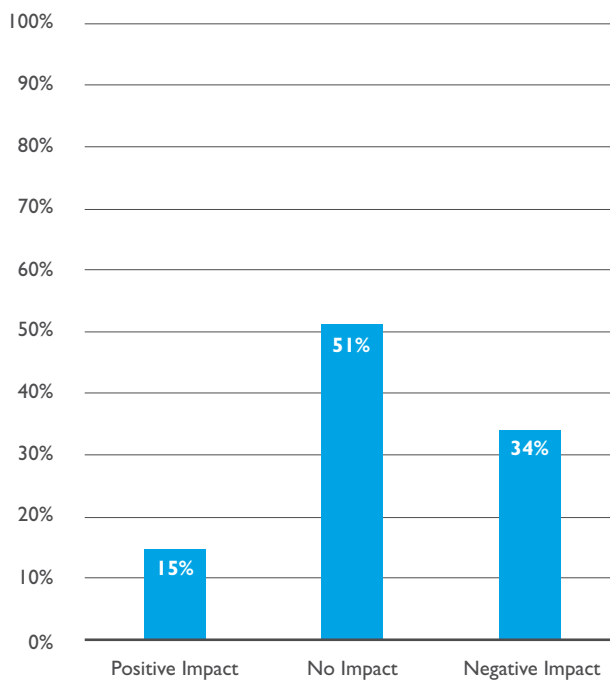
- “When the market goes through major changes, the need for corporate restructuring (our business) skyrockets.”

“The demands in the credit markets have put more focus on investment property operations. This has led to more opportunities for us to gain new business.”

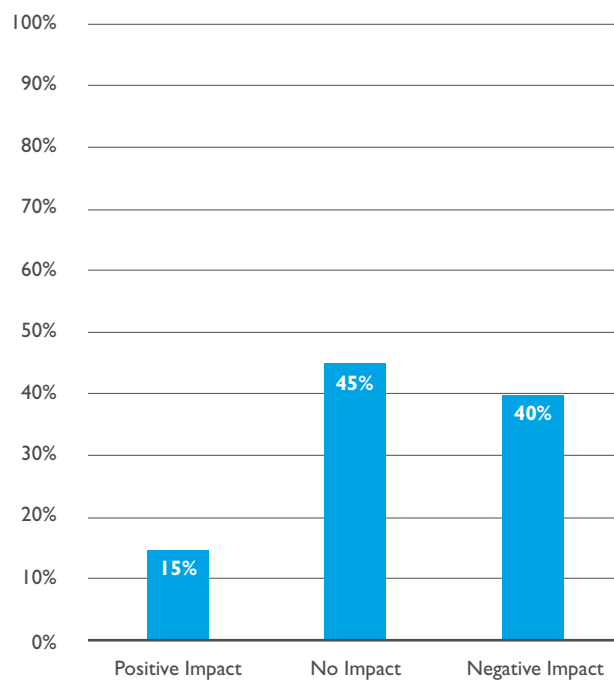
Verbatim responses also indicated a negative impact from the credit crunch on their business, particularly due to a decrease in consumer spending and lack of financing:

- “My clients in consumer-focused businesses will be impacted, therefore affecting my business.”
- “In a consumer driven economy, consumer confidence is a lead factor in generating growth throughout various sectors.”
- “Concerns re: creditworthiness and risks of borrowing short to lend long are taking their toll despite central banks lowering interest rates and pumping cash into their economies.”

What impact, if any, has the dollar's fluctuation had on your business over the past year?



How do you anticipate your business will be impacted by fluctuations in the value of the US dollar over the next year?



The majority of respondents (51 percent) felt the dollar's fluctuation had no impact on their business over the past year and would have no impact over the next year (45 percent).

However, it is worth noting that respondents suggested such fluctuations would have a greater negative impact over the next year (40 percent thought so) than in the previous year (34 percent).

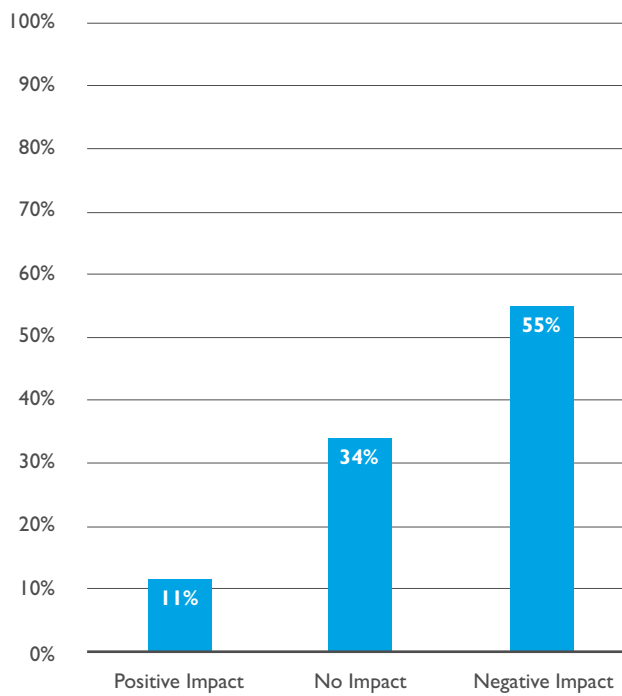
Respondents in the financial institution/banking industry were even more likely to feel that the dollar's fluctuation has not had an impact on their business over the past year (60 percent) or will not have an impact over the next year (56 percent).

- Also, only 20 percent of respondents in this industry felt it had a negative impact over the past year, but 32 percent expected it to have a negative impact over the next year.

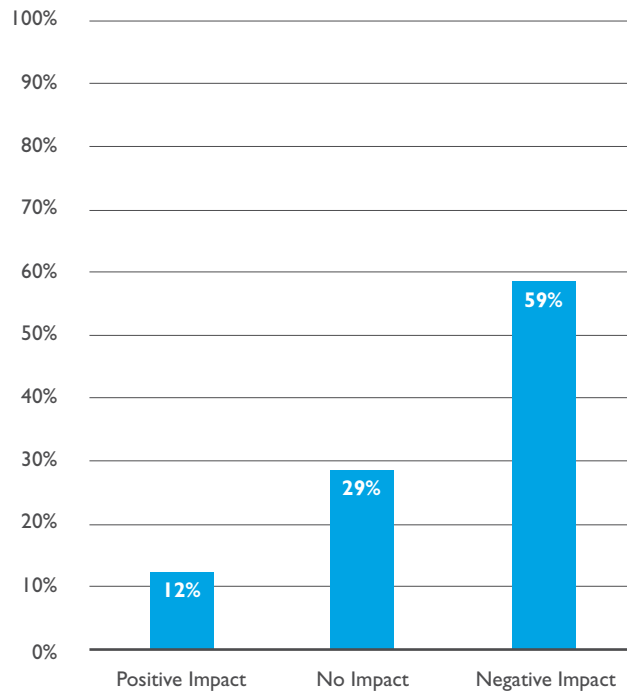
We believe the large percentage of responses in the “no impact” category is partially due to the fact that a weak dollar helps pricing offshore, which benefits companies that focus on exports. The following verbatim comments from respondents demonstrate this point:

- “Since this is a global industry, a weaker dollar may actually result in an increase in the purchase price by a foreign company.”
- “We export 50 percent of our sales and a weak dollar helps pricing offshore.”

How has your business been impacted by fluctuations in the price of oil over the past year?



How do you anticipate your business will be impacted by fluctuations in the price of oil over the next year?

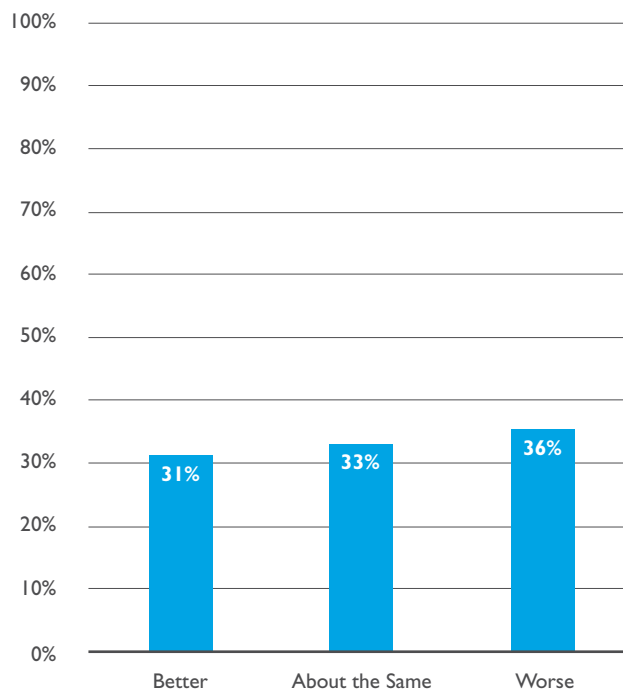


The majority of respondents felt that fluctuations in the price of oil have had a negative impact on their business over the past year (55 percent) and will continue to have a negative impact over the next year (59 percent).

It is interesting to note that the price of oil is seen as more of a threat to businesses than the credit crunch or the dollar's fluctuation. We believe this is due to a variety of reasons.

- First, everyone can measure the impact of increased energy costs through such everyday factors as higher utility bills and greater transportation costs.
- A second possible reason is that the high price of oil has received a great deal of attention in the media and on the campaign trail putting the issue at the forefront for many Americans.
- Also, the impact of the dollar's fluctuation and the credit crunch is harder to measure on an individual basis.

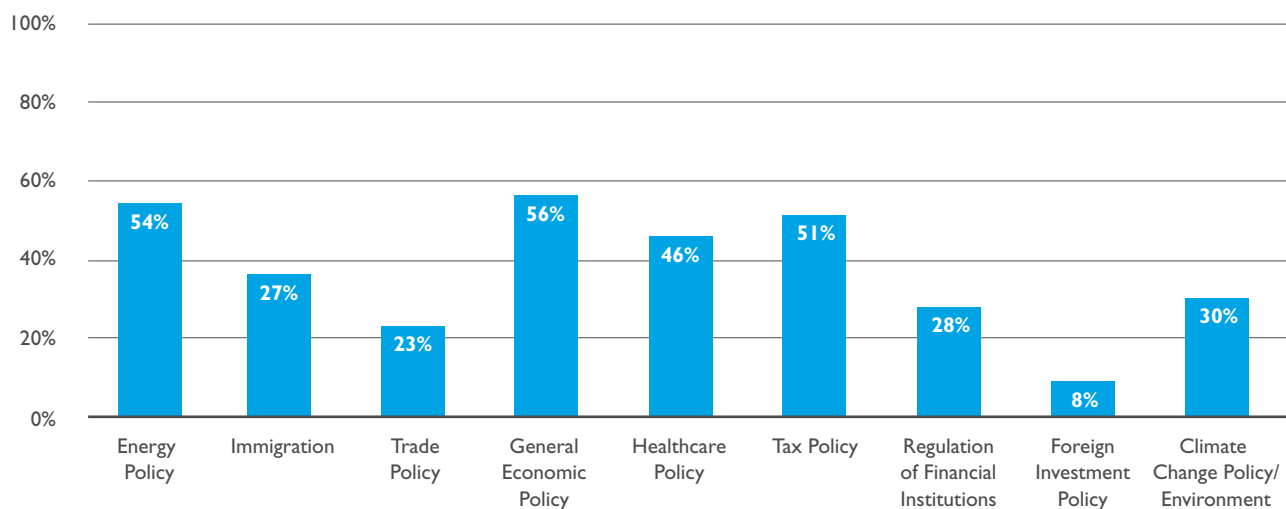
How would you compare the 2008 business outlook for your company with 2007?



Overall, respondents were evenly divided on how their 2008 business outlook for their companies compares with 2007.

The majority of respondents in the financial institution/banking industry predicted a worse outlook for 2008, with 56 percent choosing this option compared to the 16 percent who chose “better” and the 33 percent who chose “about the same.”

Which of the following legislative issues do you most want the next President and Congress to focus on in 2008 and 2009? (Select all that apply)



(Note that the respondent percentages will exceed 100 percent for this question, because participants could choose more than one answer.)

In identifying the legislative issues they'd most want the next president and Congress to focus on in 2008 and 2009, respondents cited general economic policy (56 percent), energy policy (54 percent), tax policy (51 percent) and health care policy (46 percent) as the major areas.

Respondents expressed less concern about foreign investment policy (8 percent), trade policy (23 percent), immigration (26 percent), regulation of financial institutions (27 percent) and climate change policy/environment (29 percent).

The results were largely consistent when segmented by the respondents' demographic characteristics, including location, job title and industry.

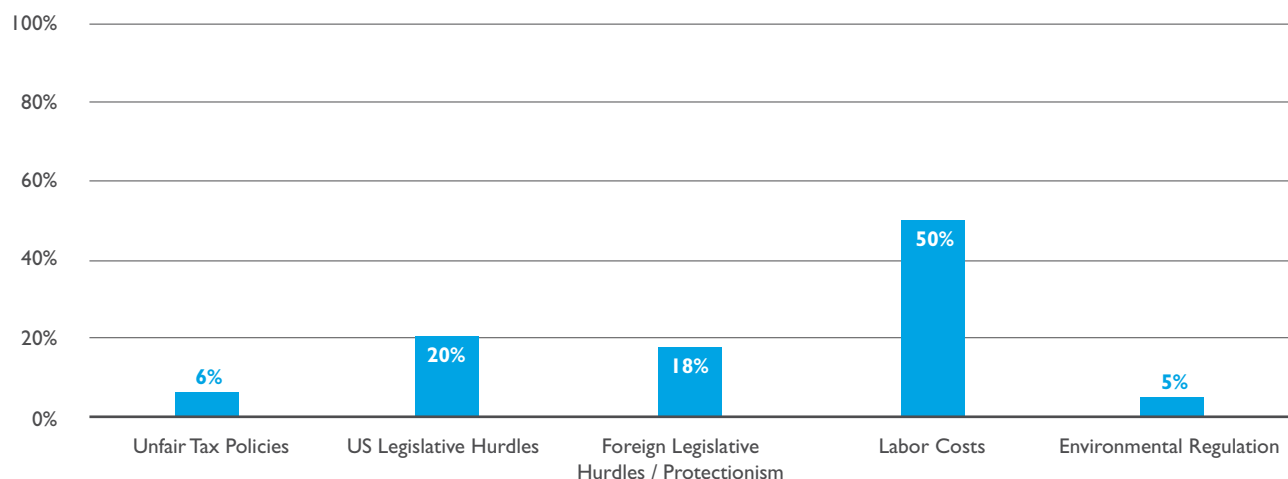
A large percentage of respondents cited energy policy as an area legislators should address. This is consistent with the concern respondents expressed over fluctuations in the price of oil.

In connection with the lack of concern respondents expressed for foreign competition as a threat to the US economy, very few respondents wanted the next president and Congress to focus on foreign investment policy. As previously stated, we believe corporate America is not concerned about this issue because American corporations do not regard foreign competitors as a threat. Members of the US

government are likely to be very concerned about foreign investment in the US due to national security concerns, whereas business executives are concerned with maintaining an open investment policy.

Given the amount of attention during the campaign to immigration and trade policy, it was surprising that so few respondents considered these to be important legislative matters. These issues do not appear to be high on the list of concerns of business executives.

What is the one biggest challenge for US companies from foreign competition?



Among the few who ranked foreign competition as a threat to the US economy, respondents overwhelmingly felt that labor costs were the biggest challenge for US companies (50 percent).

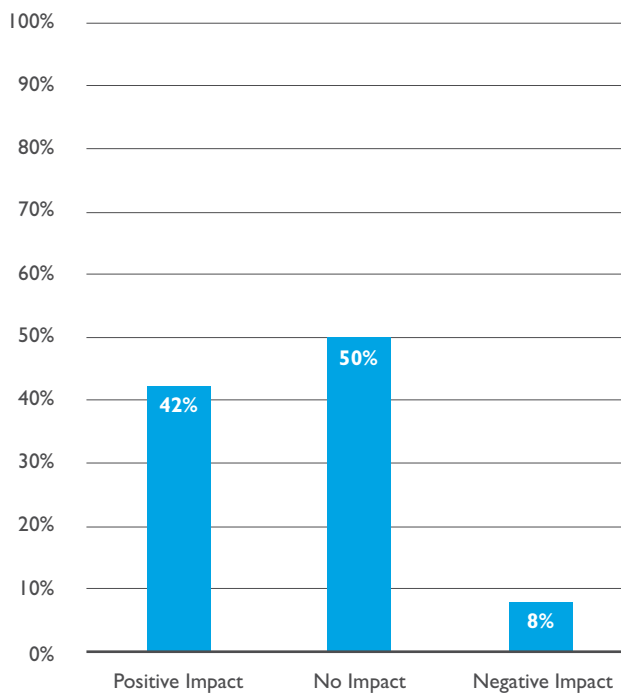
Very few respondents felt that unfair tax policies (6 percent) or environmental regulation (5 percent) were the biggest challenges facing US companies from foreign competition.

Respondents in the consulting and health care sectors expressed greater concern about foreign legislative hurdles/protectionism, with 36 percent in the consulting industry and 38 percent in the health care industry choosing this option. Compared to overall data, they were slightly less concerned about labor costs, with 27 percent in the consulting industry and 38 percent in the health care industry choosing this option.

Responses from the financial institutions/banking industry were consistent with the overall data. Surprisingly, respondents in the real estate industry expressed even greater concern about labor costs, with 73 percent choosing this option.

We believe US companies view labor costs as the biggest challenge from foreign competition because some companies are competing directly against foreign companies that can manufacture products or provide services for less cost.

What impact do you envision increased foreign direct investment will have on your business?



The majority of respondents felt that foreign direct investment would have a positive impact (42 percent) or no impact (50 percent). Very few (8 percent) felt that such investment would have a negative impact on their business.

Respondents in the financial services industry reported a more optimistic view of foreign investment, with 56 percent indicating that it would have a positive impact on their business, 36 percent indicating that it would have no impact and 8 percent indicating a negative impact. Respondents in the real estate industry demonstrated a similar sentiment, with 64 percent choosing positive, 28 percent choosing no impact and 9 percent choosing negative impact.

We believe this result provides further evidence for the observation that senior business executives do not see foreign investment as a threat or regard it as an opportunity to raise capital.

Methodology

In April 2008, DLA Piper US LLP distributed a survey via e-mail to a group of senior business executives. The survey was completed by 110 respondents. The demographic makeup of respondents includes:

- CEO, CFO, COO or President (43 percent)
- In-House Counsel (19 percent)
- VP, Director or Manager of Finance (12 percent)
- VP, Director or Manager of Government Affairs (5 percent)
- Other (21 percent)

The other category included such titles as Partner, Managing Director, and General Manager.

Respondents were from a variety of industries. However, the top five reported industries were:

- Financial Institution/Banking (23 percent)
- Consulting (11 percent)
- Real Estate (10 percent)
- Health Care (7 percent)
- IT/Software Provider (6 percent)

The survey is being released in conjunction with DLA Piper's election analysis event held in Washington, DC on May 15, 2008.

Due to rounding, all percentages used in all questions may not add up to 100 percent.

