



2010 CFO Outlook

A Survey of Manufacturing Company CFOs

Message to Readers

Bank of America Business Capital is pleased to present the results of the 12th annual CFO Outlook. Each year we provide the market with valuable insights from manufacturing company CFOs concerning their outlook for the U.S. economy and the manufacturing sector.

It will probably not surprise you to read that the CFOs interviewed for this year's survey have a pessimistic view of the U.S. economy. Despite giving the current economy low marks, financial executives at U.S. manufacturers are more optimistic than in recent years about the nation's economic outlook. Sixty-six percent believe the national economy will expand in 2010, more than double the 31% who cited expansion in last year's survey.

This cautious optimism is aided by the fact that 61% of respondents expect revenue growth in 2010 and 88% cite the actions taken by the Federal Reserve Board over the past year as having helped the U.S. economy, a significant increase since last year's 64%. Consistent with this optimistic view, 59% of manufacturing company CFOs forecast expansion in the manufacturing sector in 2010; more than double the 25% who predicted expansion last year.

Cautious tones are reflected in their business practices, as the survey reveals a majority of CFOs, about six in ten (56%), say that the current state of the U.S. economy will cause them to delay or cancel their plans for growth or expansion. In contrast, 69% of CFOs are still considering financing in 2010.

Although manufacturing company CFOs are clearly concerned about the future of the U.S. economy, the 2010 CFO Outlook shows that they continue to believe in the ability of the marketplace to weather the storm.

We thank survey participants for sharing their insights and for helping us to better understand the unique needs of mid-size and large manufacturing companies.



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About the Survey

This is the 12th annual survey of manufacturing company CFOs commissioned by Bank of America Business Capital. The purpose of this proprietary research is to better understand how CFOs view the U.S. and world economy, and gauge the outlook for revenue, financing, M&A activity and involvement in foreign markets. From August 11, 2009 through October 21, 2009, an independent market research firm completed phone interviews with 601 top financial decision-makers drawn from a random sampling of U.S. manufacturing companies (NAICS Codes 31-33) with annual revenues between \$25 million and \$2 billion. The titles of these individuals varied from company to company (e.g., Chief Financial Officer, V.P. Finance, Director of Finance, Controller, etc.). For convenience, all participants are referred to as CFOs throughout the report. The statistical range of error for the total sample is plus or minus 4%.

The survey results and interpretations in this report are not intended, nor implied, to be a substitute for the professional advice you would receive from a qualified accountant, attorney or financial advisor. Always seek the advice of an accountant, attorney or financial advisor with any questions you may have regarding the decisions you undertake as a result of reviewing the information contained herein. Nothing in this report should be construed as either advice or legal opinion.

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The Major Findings

Economy

- Not surprisingly, manufacturing company CFOs still have a negative view of the U.S. economy at this time, giving it an average score of “44” on a scale ranging from 0 (extremely weak) to 100 (extremely strong). This represents a decline compared to last year’s score of “46” and is the lowest score recorded for this measure in the history of the CFO Outlook.
- Despite the gloominess of the current economic state, CFOs are more optimistic about the outlook of the U.S. economy than they have been in five years. Sixty-six percent of CFOs believe the U.S. economy will expand in 2010, more than double the 31% who cited expansion in the 2009 CFO Outlook.
- Consistent with this optimistic view, 59% of CFOs are forecasting expansion in the manufacturing sector in 2010, more than double the 25% who predicted expansion in 2009. This marks a return to 2004 levels when manufacturers held positive views about their industry.
- Three-quarters (76%) of manufacturing company CFOs surveyed believe that the United States is still in the midst of an economic recession. Most CFOs predict that U.S. economic recovery will begin in 2010 (48% in the first and second quarters, 25% in the last two quarters). As for when the U.S. economy will “return to normal,” some think that will happen sometime in 2010 (29%), but most don’t expect normalcy until 2011 (47%).
- The following three measures further suggest that manufacturing company CFOs seem to be looking ahead to 2010 with optimism:
 - 61% are expecting revenue growth in 2010, up significantly from 50% in 2009;
 - 46% are expecting 2010 profit margins to increase; and
 - 26% are reporting an increase in capital expenditures for 2010, up significantly from the 20% reported in 2009.
- For the second consecutive year, manufacturing company CFOs remain concerned about the impact credit will have on the economy (49%). Within just one year, however, the budget deficit (49%) and healthcare reform (46%) have become sizable economic concerns as well.
- Confidence in the actions of the Federal Reserve Board is at a four-year high. Eighty-eight percent of manufacturing company CFOs believe the actions taken by the Fed over the past year have helped the U.S. economy, a significant increase since last year’s survey (64%).
- The current state of the economy has caused more than half of all U.S. manufacturing company CFOs to delay or cancel their plans for growth or expansion (46% delay, 10% cancel). This represents a significant jump from 38% in the 2009 CFO Outlook and is the highest percentage ever recorded for this measure. Eighty-eight percent of manufacturing company CFOs are altering their growth plans because of financial market conditions (66% of which is due to poor sales performance) and credit market conditions (26%).

The Major Findings (continued)

Financing

- For the first time in many years, the cost of materials and energy costs are not the primary financial concerns of manufacturing company CFOs. In this year's survey, CFOs report that revenue growth (49%), cash flow (45%) and healthcare costs (41%) are their biggest financial concerns.
- The borrowing needs of U.S. manufacturers will remain basically the same in 2010 as 2009. Twenty-four percent will borrow more, 20% will borrow less and 54% will borrow the same amount.
- Sixty-nine percent of manufacturing company CFOs are considering financing in 2010, up significantly from the 59% reported in the 2009 CFO Outlook. The top two reasons for financing are working capital (44%) and capital expenditures (39%).
- Three-quarters of manufacturing company CFOs plan to use internal sources as a means of financing in 2010. Other types of commonly-used financing include asset-based financing (49%), cash flow financing (45%) and leasing (39%).
- Of the various financial products and services offered by lenders, cash management (70%) and letters of credit (65%) continue to be the most widely used by manufacturing company CFOs.
- The two most important factors that manufacturing company CFOs consider for senior financing are the lender's willingness to work with them during good times and bad (59%) and a competitive interest rate (48%).

Labor Costs and Product Pricing

- Thirty-seven percent of CFOs predict their labor costs will increase in 2010, significantly lower than the 56% reported last year. Likewise, 36% of CFOs think their product pricing will increase in 2010 (down significantly from the 69% reported in last year's survey).
- Two-thirds of U.S. manufacturing company CFOs report that rising energy costs will impact their pricing levels in 2010 (56% moderately and 10% significantly). The fact that 33% say energy costs will have no impact on pricing, almost double that reported in the 2009 CFO Outlook, suggests that energy costs are becoming less of a financial concern to some manufacturing company CFOs.

The Major Findings (continued)

Mergers and Acquisitions (M&A)

- Twenty-five percent of manufacturing company CFOs expect to participate in a merger or acquisition in 2010, similar to the 23% reported in the 2009 CFO Outlook.
- Among those manufacturing company CFOs expecting M&A activity in 2010, the overwhelming majority (95%) report that they will be making the acquisition, while only 1% say they will be acquired by another company.
- Seven in ten CFOs (71%) believe there are more businesses available at lower prices, up significantly from 49% in 2009 and 29% in 2008.
- Two-thirds of all manufacturing company CFOs expect the purchase price for companies in their industry as a multiple of earnings before interest, taxes, depreciation and amortization (EBITDA) to either stay the same (43%) or decrease (24%) in 2010.

International Outlook

- Significantly more U.S. manufacturing company CFOs surveyed currently have some form of foreign market involvement than they did in the 2009 CFO Outlook (88% vs. 83%). Seventy-eight percent buy from foreign suppliers, 71% sell to foreign markets and 45% have operations outside the United States.
- Looking ahead, projections for international sales growth in 2010 will remain steady. Fifty-eight percent of all companies selling to foreign markets expect international sales to increase in 2010, up marginally from the 56% reported in last year's survey.
- Manufacturing company CFOs predict the top four international markets in 2010 will be Asia (65%), Latin America (62%), Europe (53%) and Canada (49%). Year-over-year there has been significant growth in Asia, Latin America and Canada. The growth in the Asian market is mostly coming from China (81%), followed by Japan (27%), Korea (22%) and India (20%).

Other

- Most manufacturing company CFOs surveyed (62%) have no plans to change the size of their labor force in 2010. Twenty-eight percent will be making additions to staff and 9% will be laying off employees.
- CFOs' opinions are mixed about the effectiveness of the U.S. stimulus package. Twenty-four percent think the package has been helpful, 33% say it has not been at all helpful, and 42% report it is too early to tell whether the stimulus package will spur an economic recovery.
- In order to spur economic recovery, U.S. manufacturing company CFOs surveyed offered these three suggestions to the government: reduce taxes for both corporations and individuals (25%), keep government out of the private sector (21%) and reduce spending/cut the budget deficit (17%).

Current State of the Economy

On a scale ranging from 0 (extremely weak) to 100 (extremely strong), how would you rate the current state of the U.S. economy, the world economy and the manufacturing sector?

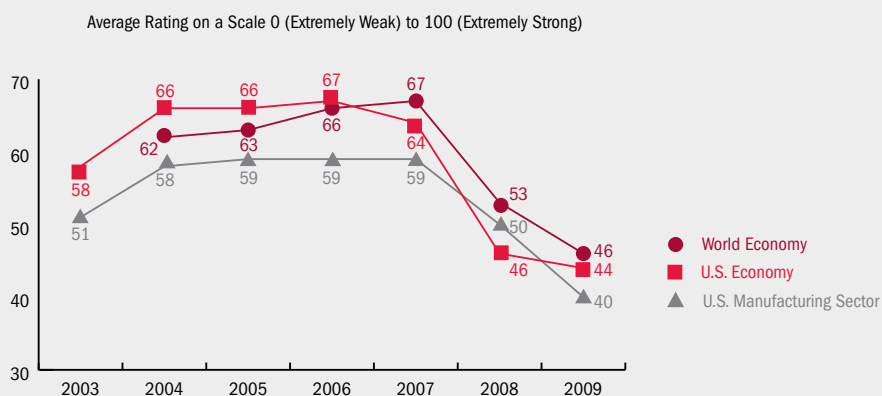
For the second consecutive year, manufacturing company CFOs have a negative view of the U.S. economy, giving it an average score of “44” on a scale ranging from 0 (extremely weak) to 100 (extremely strong). This represents a decline compared to last year’s score of “46” and is the lowest score recorded for this measure since the survey began.

Only 29% of CFOs rate the current state of the U.S. economy above the “50” midpoint, significantly lower than the 35% rating reported in the 2009 CFO Outlook. This negative view is consistent across all companies regardless of census region, revenue size and whether the company is publicly- or privately-owned.

CFOs are equally critical of the world economy giving it an average score of “46”. This represents a significant decline from last year’s score of “53” and marks the first time ever in the history of the survey that U.S. manufacturers have a negative view of the world’s economic affairs.

Manufacturing company CFOs are the most critical of their own industry at this point in time. They give the manufacturing sector an average score of “40,” which is a 10-point drop from 2008 and the lowest level ever in the history of the CFO Outlook.

Current State of the Economy



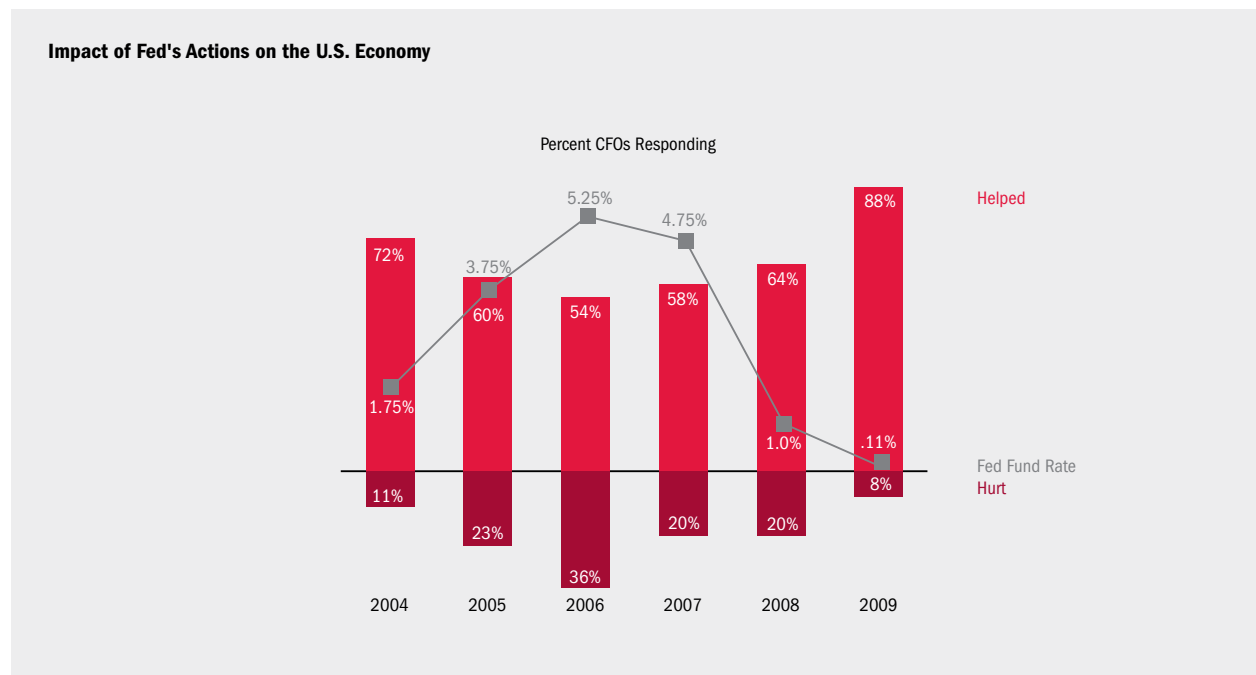
*CFOs were asked about the current state of the manufacturing sector beginning in 2003 and the world economy beginning in 2004.

Fed Actions

Do you think the actions taken by the Federal Reserve Board over the past year regarding interest rates have helped or hurt the U.S. economy?

In December 2008, the Federal Reserve Board lowered the overnight federal funds rate to near zero and has kept it there since. Given that interest rates have remained unusually low for this extended period of time, it is not surprising that 88% of manufacturing company CFOs believe the actions taken by the Fed over the past year have helped the U.S. economy. This represents a significant increase for this measure since last year's survey (64%).

Large manufacturing companies with revenues between \$500 million and \$2 billion are more likely to say that the Fed's actions hurt the economy than small manufacturers with revenues between \$25 million and \$74 million (17% and 7% respectively).



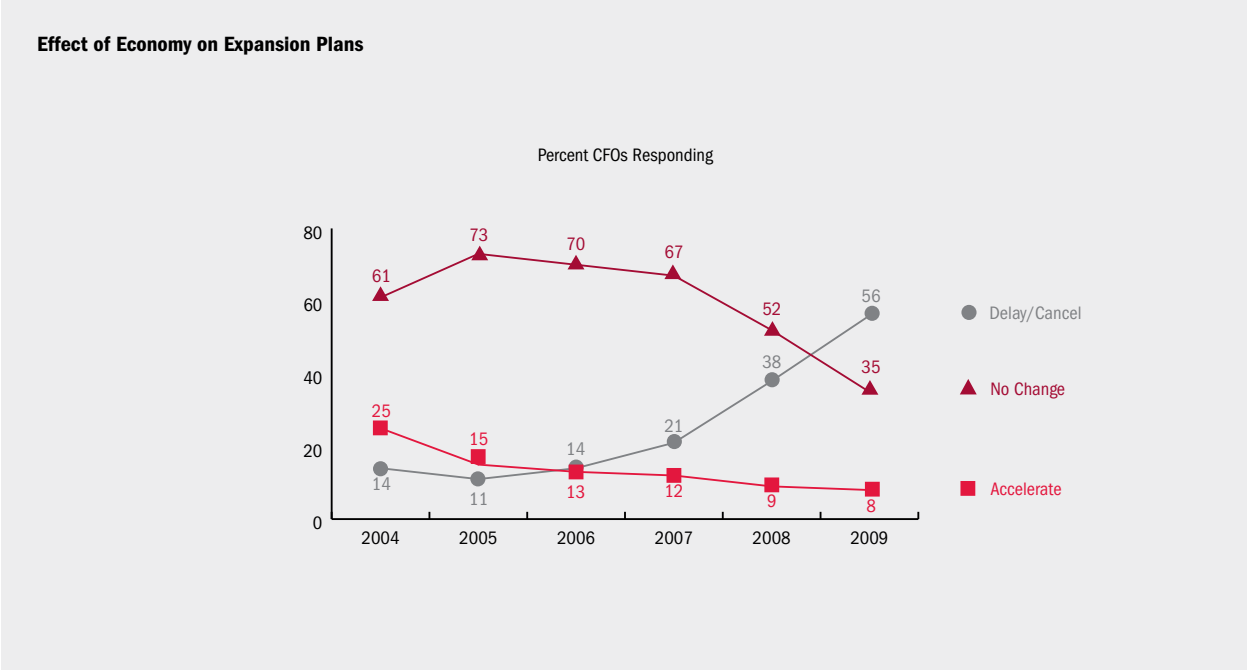
Economy's Effect on Growth Plans

Has the current state of the economy caused you to alter your plans for growth or expansion?

Unlike last year when more than half (52%) of all manufacturing company CFOs reported that the economy had no impact on their growth plans, the length and severity of the recession have certainly changed all that. Currently, more than half of all CFOs surveyed report that current economic conditions have caused them to delay or cancel their plans for growth or expansion (46% delay, 10% cancel). This represents a significant jump from 38% in the 2009 CFO Outlook and is the highest ever recorded for this measure.

The percentage of CFOs who intend to accelerate their growth plans as a result of economic conditions dropped again this year and is currently only 8%. The only subgroup reporting above-average growth plans (16%) are those that are expecting M&A activity in 2010.

Among those CFOs who are delaying their expansion plans, the primary reason is financial market conditions (88%), a category which includes factors such as poor sales performance (66%), uncertainty of future (19%) and the weak economy (17%). The credit market (26%) is a secondary reason for altering growth plans.

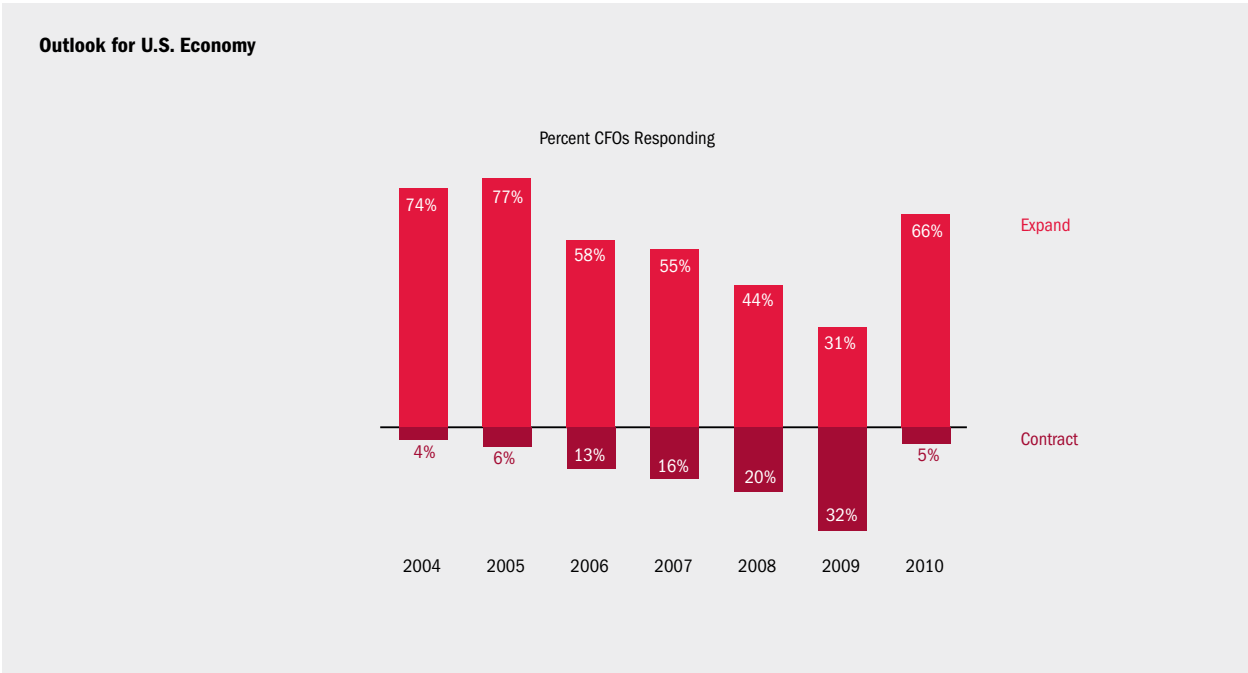


U.S. Economic Outlook

Looking ahead, do you think the economy will expand, contract or stay the same?

Manufacturing company CFOs are more optimistic about the outlook of the U.S. economy than they have been in five years. Sixty-six percent of CFOs believe the national economy will expand in 2010, more than double (31%) who cited expansion in last year's survey.

There are no significant differences in the economic outlook by region or type of company. In terms of sales size, manufacturing companies with revenues between \$200 million and \$499 million are significantly more likely (76%) to predict economic expansion than smaller manufacturers with revenues between \$25 million and \$74 million (64%).

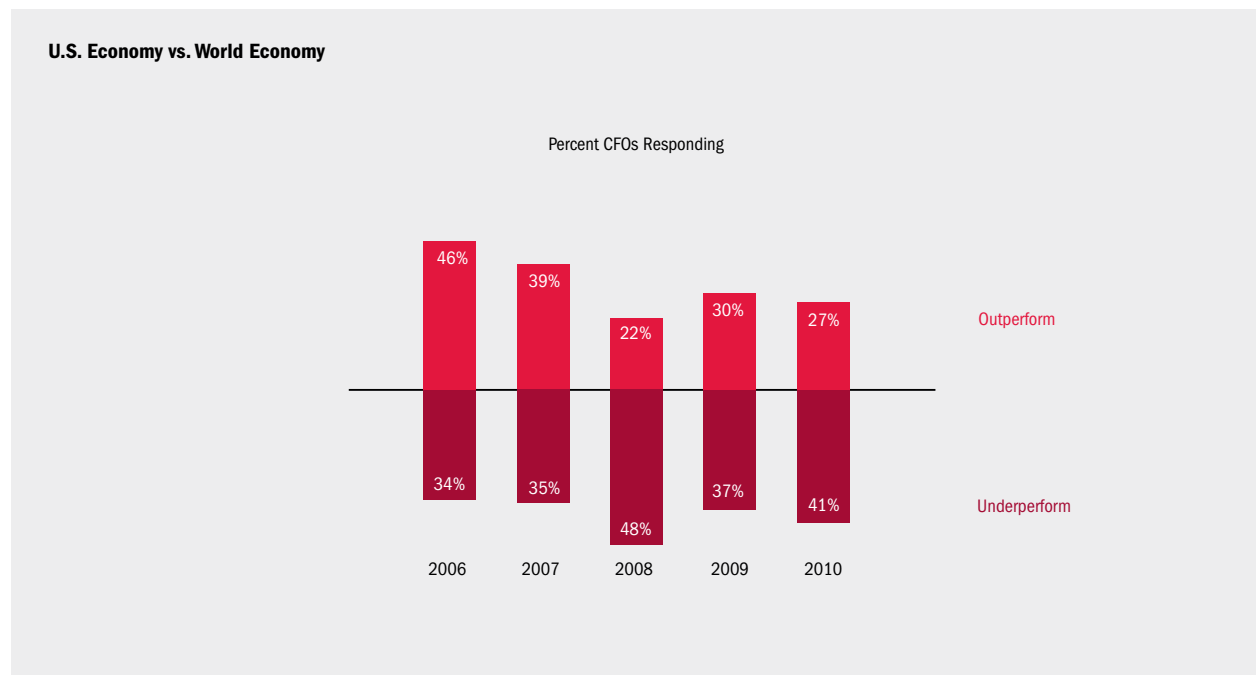


U.S. Economy vs. World Economy

Comparing the U.S. economy to the world economy, do you feel the U.S. economy will underperform, perform equally or outperform the world economy in 2010?

As CFOs look ahead to 2010, their opinions about the U.S. and world economies are mixed. Forty-one percent predict that the U.S. economy will underperform the world economy. Among the balance, 32% believe the two economies will perform equally and 27% believe the United States will outperform the world economy.

CFOs of public companies are more optimistic about the performance of the U.S. economy relative to the world economy than private companies (34% and 25% respectively).

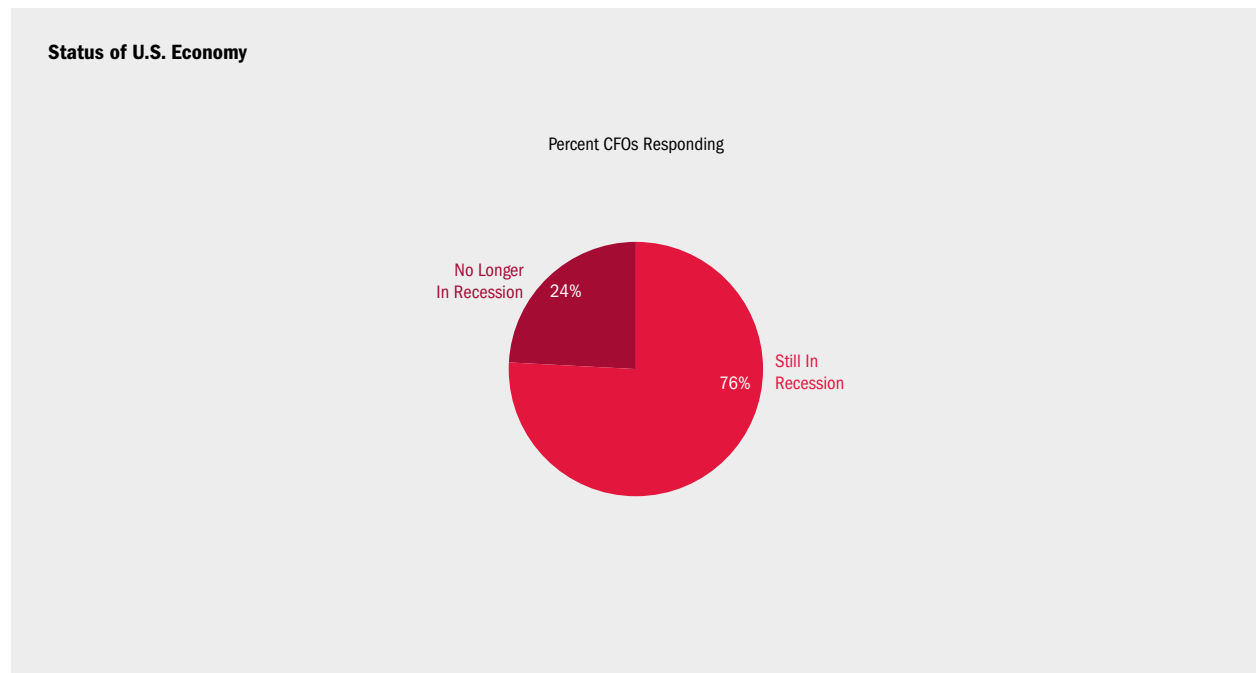


U.S. Recession and Recovery

Do you think the U.S. economy is still in a recession? If so, in which quarter and year do you think the U.S. economic recovery will begin?

Three-quarters (76%) of manufacturing company CFOs surveyed believe that the United States is still in the midst of an economic recession. The two segments of companies that are more likely than the average to think the recession is over are public companies (29%) and companies that manufacturer goods primarily for businesses (28%).

More than 70% think the U.S. economic recovery will begin in 2010 (48% in the first and second quarters, 25% in the last two quarters). Twenty-nine percent of CFOs think the U.S. economy will return to normal sometime in 2010, but most (47%) don't expect normalcy until 2011.



Concerns about the U.S. Economy

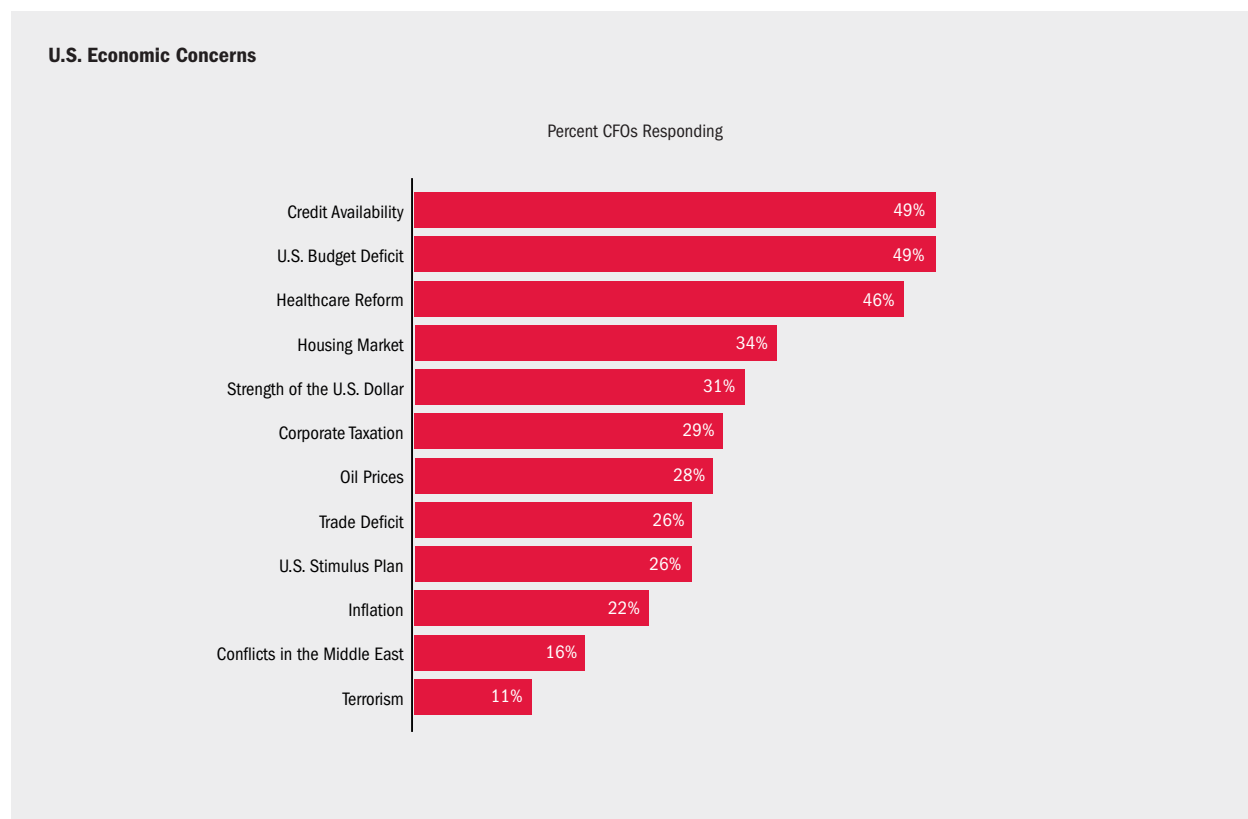
Which of the following factors concern you most with respect to their potential impact on the U.S. economy in 2010?

The top three factors that manufacturing company CFOs feel will most impact the U.S. economy in 2010 are credit availability (49%), the U.S. budget deficit (49%) and healthcare reform (46%).

Regionally, healthcare reform is of significantly greater concern to manufacturers in the Midwest (54%) and South (50%) than companies in the Northeast (42%) and West (35%). The housing market and oil prices are of greatest concern to companies in the South (39% and 33% respectively).

Private companies are much more concerned about credit availability (51%), healthcare reform (48%) and the U.S. stimulus plan (28%) than public companies (41%, 41% and 19% respectively).

For the second consecutive year, manufacturing company CFOs remain concerned about the impact credit will have on the economy. Within just one year, however, the budget deficit and healthcare reform have become sizable economic concerns to manufacturers.

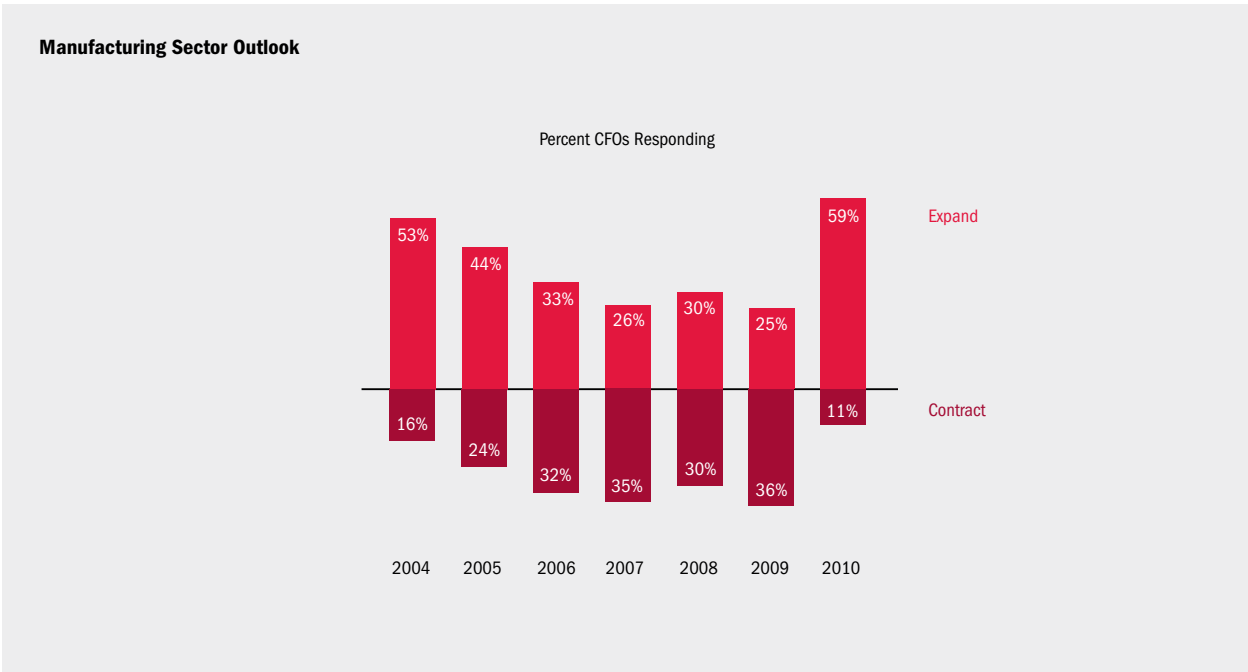


U.S. Manufacturing Sector Outlook

Looking ahead, do you think the manufacturing sector will expand, contract or stay the same?

About six in ten CFOs (59%) are forecasting expansion in the manufacturing sector in 2010, more than double the 25% who predicted expansion last year. After six years of waning optimism, this marks a return to 2004 levels when manufacturers held positive views about their industry. Of the remaining companies, 30% believe the industry will remain the same in 2010 and 11% think it will contract.

Companies in the Midwest are more optimistic (63%) about industry expansion than manufacturers in all other regions.



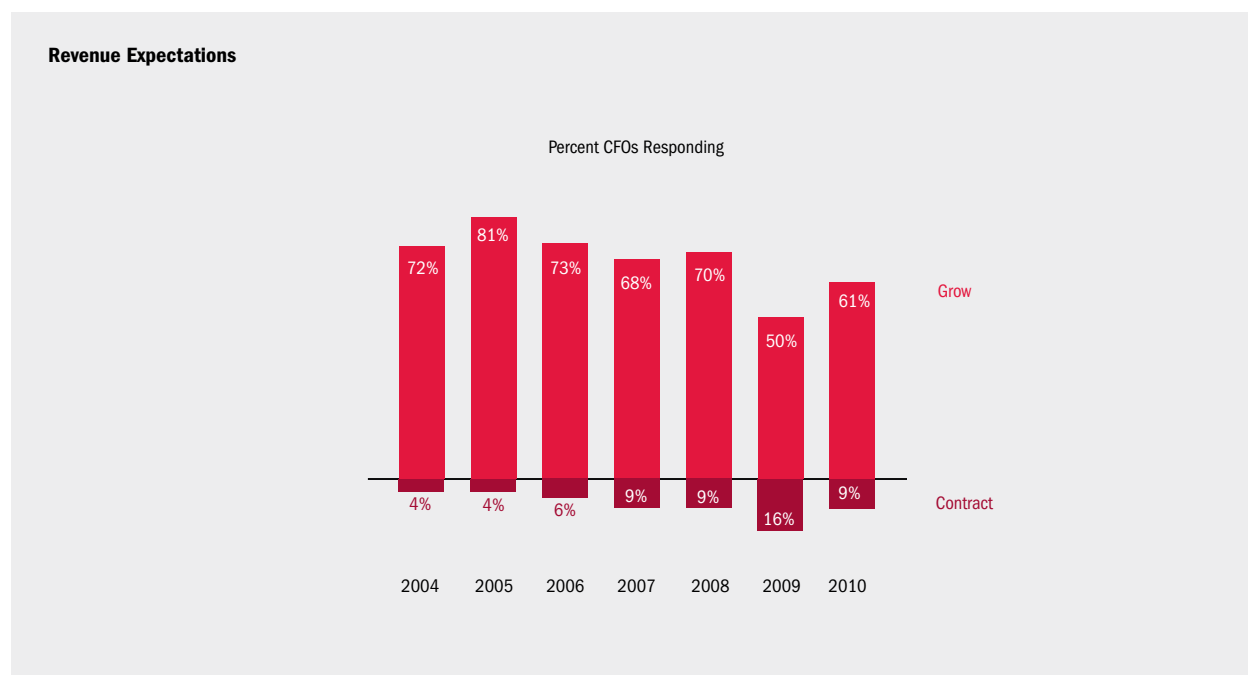
Revenue Expectations

Do you expect your company's revenues to grow, contract or stay the same in 2010?

Manufacturing company CFOs seem to be looking ahead to 2010 with optimism. Sixty-one percent of those surveyed are expecting revenue growth next year, up significantly from 50% in 2009.

Regionally, CFOs in the Northeast (64%) and Midwest (63%) are directionally more likely than those in the South and West (57%) to be projecting revenue growth. Likewise, revenue expectations are the most optimistic among large companies (66% for companies with revenues between \$200 million and \$499 million and 69% for companies with revenues between \$500 million and \$2 billion).

Finally, companies expecting sales to foreign markets to increase (72%) and businesses expecting M&A activity (68%) are both expecting above-average revenue growth in 2010.



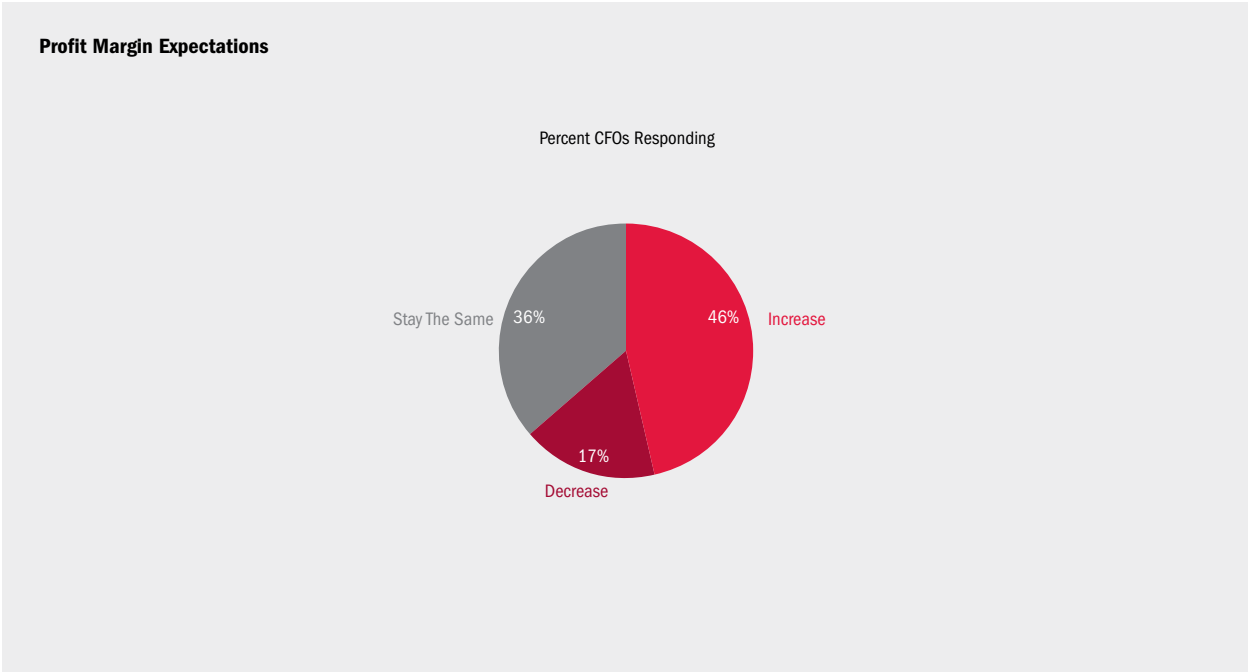
Profit Margin Expectations

Do you expect your company's profit margin to increase, decrease or stay the same in 2010?

As they look ahead to 2010, manufacturing company CFOs are expecting profit margin growth to return to pre-recession levels (46% are expecting margins to increase, comparable to the 45% predicted in last year's survey). Only 17% are expecting margin declines, while the remaining 36% expect profit margins to remain the same.

Subgroups expecting above-average increases in profit margins next year include:

- Manufacturers expecting their labor costs to decrease in 2010 (68%)
- Manufacturers expecting their sales to foreign markets to increase in 2010 (57%)
- Companies expecting to participate in M&A activity in 2010 (56%)
- Businesses expecting their 2010 cost of capital to decrease (53%)
- Companies in the Midwest (50%)



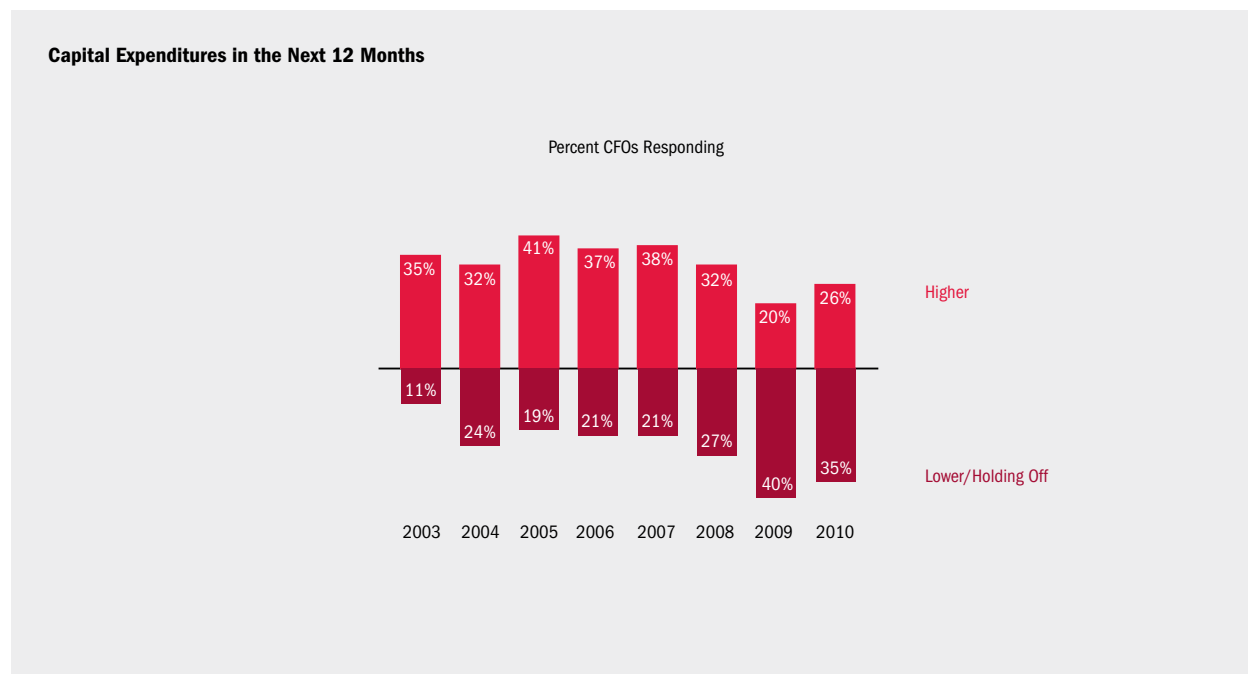
Capital Expenditures Outlook

Do you expect your company's level of capital expenditures over the next 12 months to be higher, lower or about the same as the past 12 months?

The 2010 outlook for capital expenditures is improving with 26% of CFOs indicating that their capital expenditures will be higher. Although this represents a significant increase over the 20% reported in 2009, it is well below the levels reported for this measure between 2003 and 2008.

Despite this promising indication that the economy may soon be improving, most manufacturers are taking a more conservative approach by keeping their capital expenditures steady (39%), spending less (22%) or refraining from making capital expenditures altogether (13%) in 2010.

Not surprisingly, manufacturing company CFOs expecting M&A activity in 2010 are reporting the highest levels of capital expenditures over the next 12 months (32%).



Financial Concerns

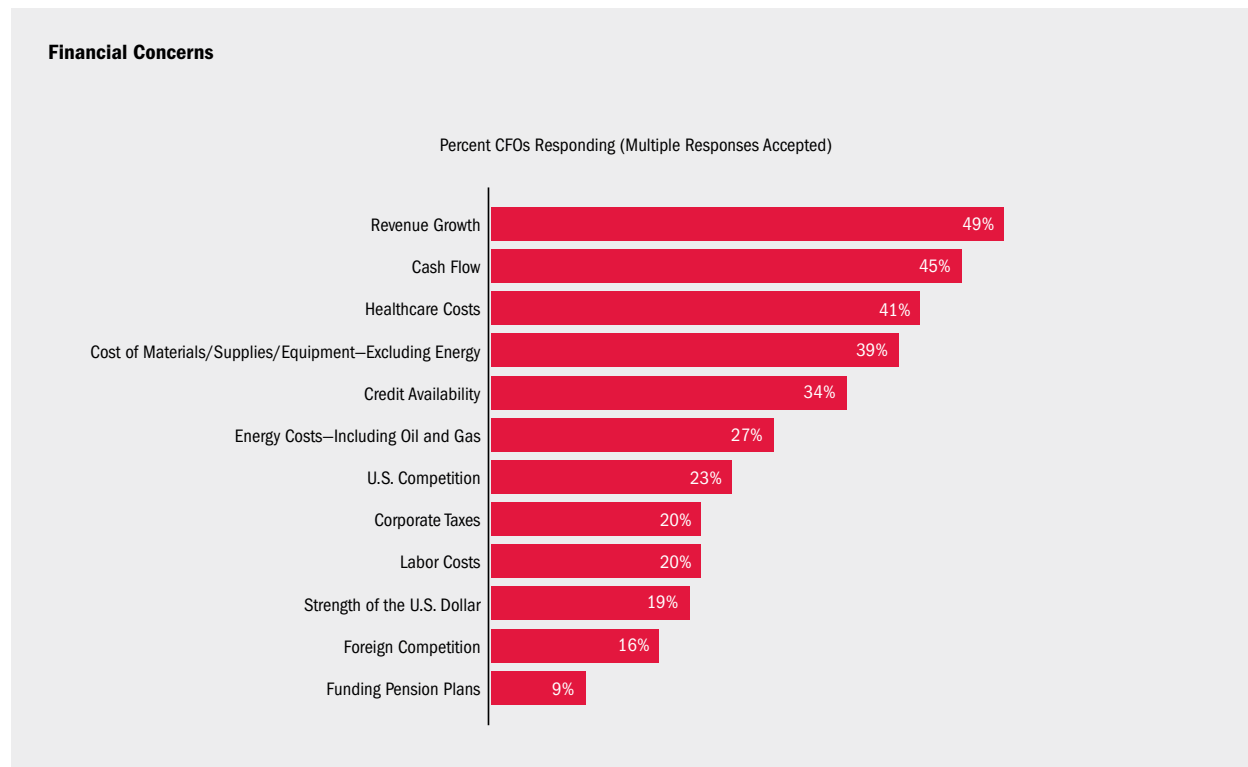
What are your most significant financial concerns?

For the first time in many years, the cost of materials and energy costs are not the primary financial concerns of manufacturing company CFOs. Instead, CFOs report that revenue growth (49%), cash flow (45%) and healthcare costs (41%) are their biggest financial concerns in 2010.

The financial concerns of U.S. manufacturing company CFOs do vary by geographic region. For instance, companies in the South are significantly more concerned about the cost of materials (43%) and energy costs (33%) than businesses in the West (30% and 20% respectively). Healthcare costs are a significantly greater concern to CFOs in the Midwest (46%) than in the West (32%). Finally, credit availability concerns companies in the Midwest (38%) significantly more than those in the Northeast (27%).

Small companies with revenues between \$25 million and \$74 million report much higher levels of concern over revenue growth (55%) than all other companies. In addition, these small companies are significantly more concerned about cash flow (49%) and healthcare costs (46%) than large companies with revenues between \$500 million and \$2 billion (31% and 28% respectively).

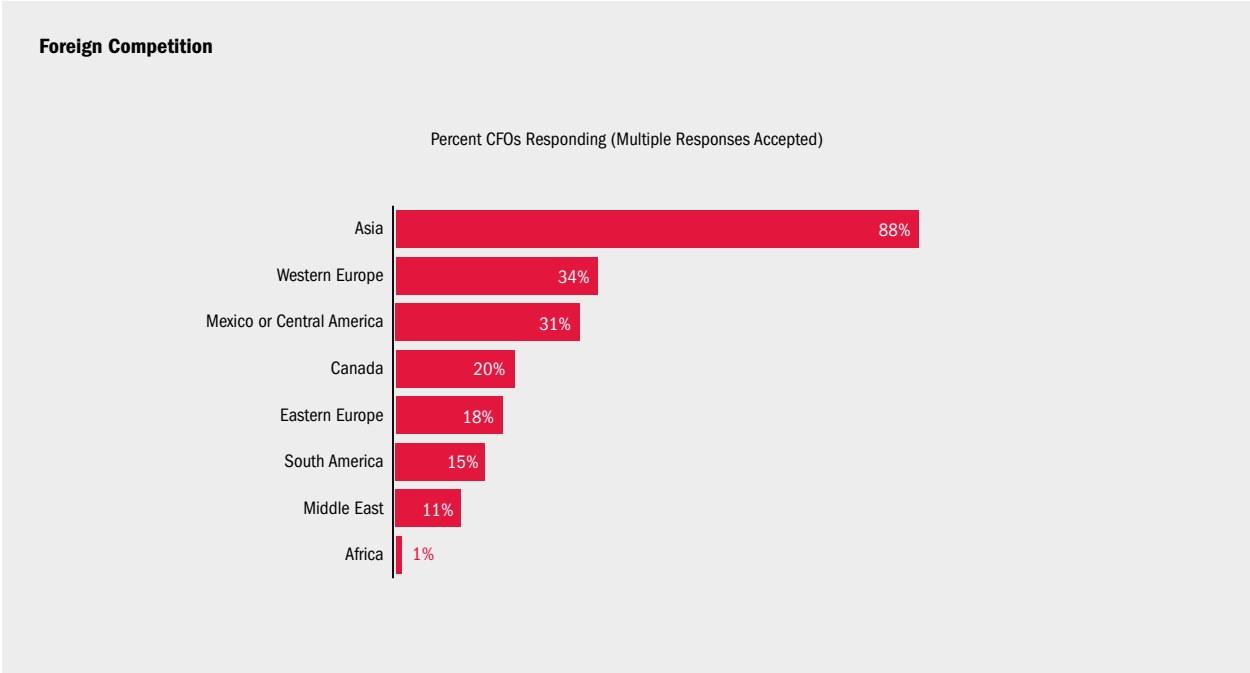
Finally, private companies are significantly more likely than public companies to be concerned about healthcare costs (46% vs. 27%), equipment costs (41% vs. 30%), credit availability (37% vs. 25%) and corporate taxes (22% vs. 14%).



Financial Concerns (continued)

Your rating on foreign competition indicates this is a concern for your company. From which of the following geographic regions do you expect that foreign competition to come?

Sixteen percent of U.S. manufacturing company CFOs surveyed reported that foreign competition is a financial concern. Among this group, 88% say that competition is coming from Asia (predominantly China).



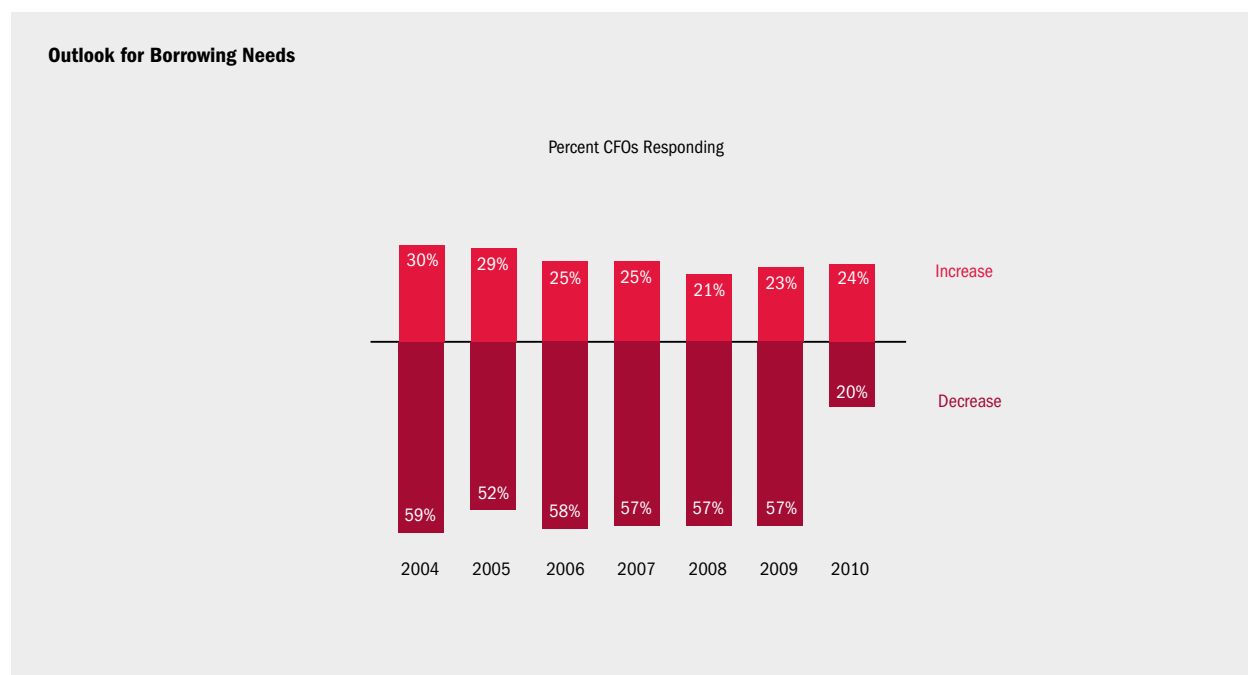
Financing Needs

Will your company's borrowing needs increase, decrease or stay the same in 2010 as compared to 2009?

Looking ahead to 2010, the borrowing needs of U.S. manufacturers will remain basically the same. Twenty-four percent of CFOs surveyed expect their company's financing requirements to increase in 2010, 54% expect their financing requirements to remain the same and 20% plan to borrow less.

Companies with revenues between \$500 million and \$2 billion are significantly less likely than all other manufacturers to expect an increase in borrowing needs in 2010 (11%). Not surprisingly, the borrowing needs of companies planning M&A activity next year are higher than the borrowing needs of other companies (37% vs. 20%).

More private company CFOs expect their borrowing needs to increase in 2010 than public company CFOs (27% vs. 14%).



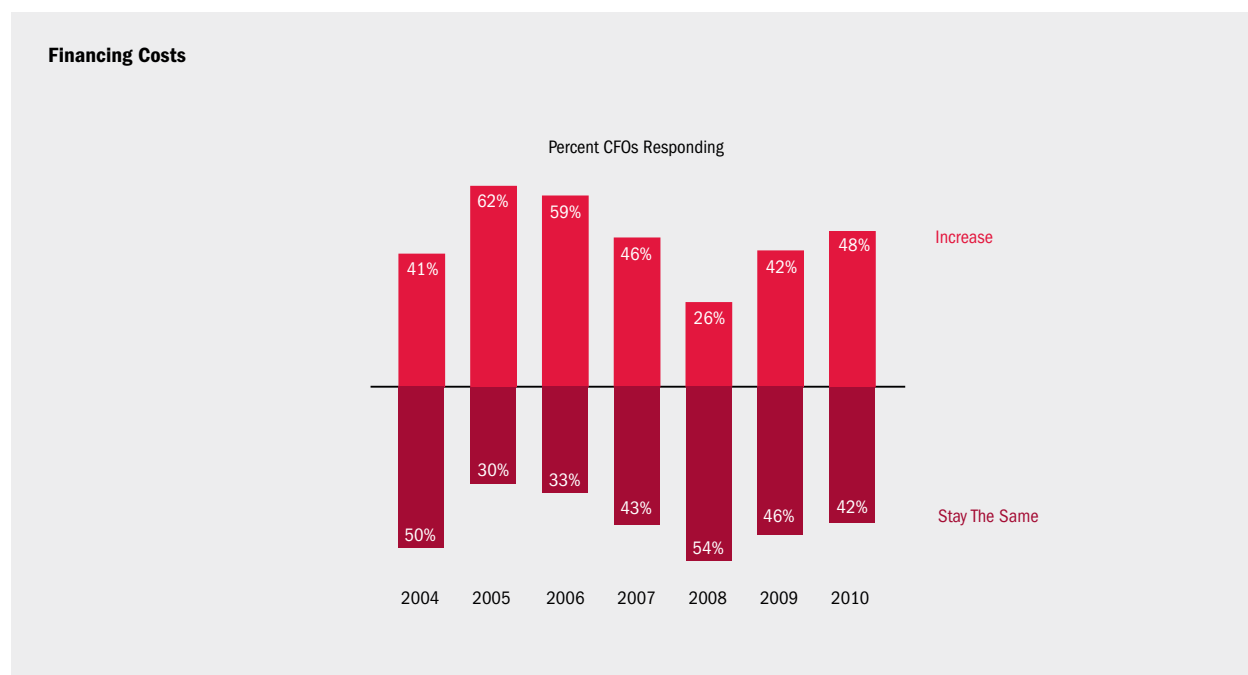
Financing Costs

Do you expect your financing cost of capital to increase, decrease or stay the same in 2010 compared to 2009?

Given the ongoing financial crisis and the tightening of global credit markets, it is not surprising that 48% of manufacturing company CFOs expect their cost of capital to increase in 2010, up significantly from 42% last year and 26% in 2008. Of the remaining respondents, 42% project that their financing costs will remain the same, while just 8% believe their cost of capital will decrease in 2010.

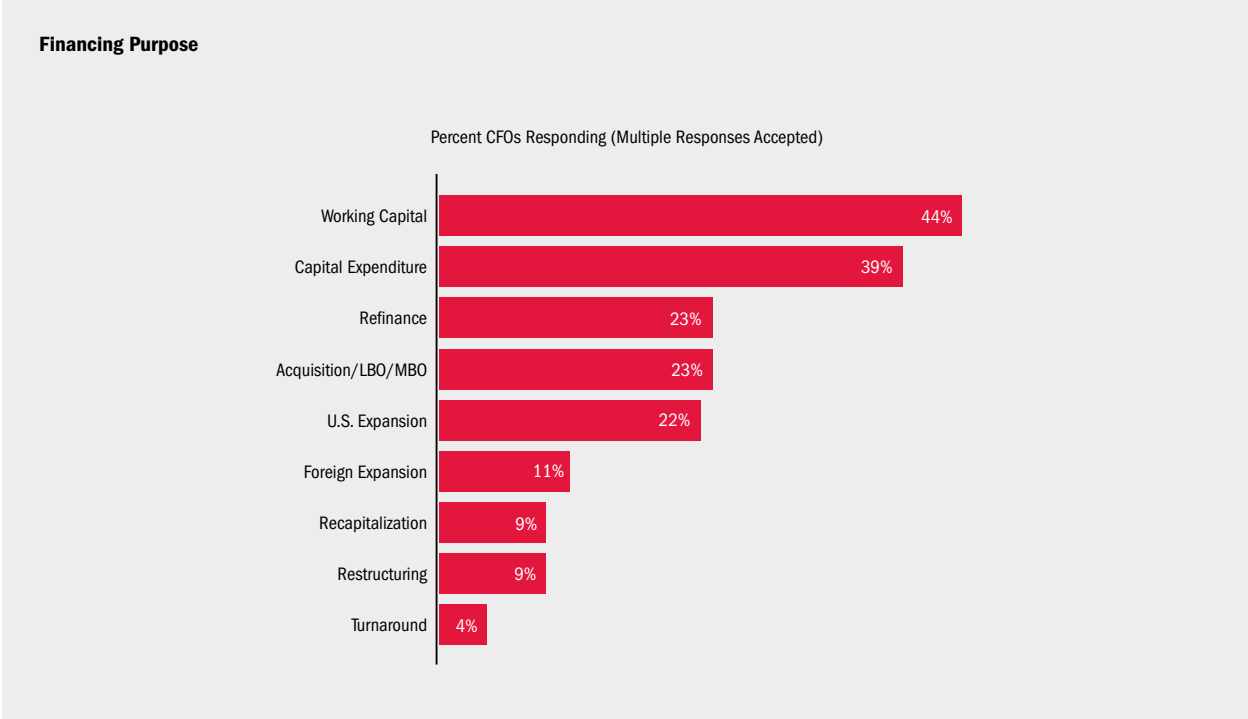
Subgroups that are expecting their financing cost of capital to increase over the next 12 months are:

- Manufacturers expecting their labor costs to increase in 2010 (56%)
- Businesses in the Midwest (55%)
- Companies with revenues between \$75 million and \$199 million (53%)
- Private companies (52%)



Financing Purpose

Are you currently considering financing for any of the following?

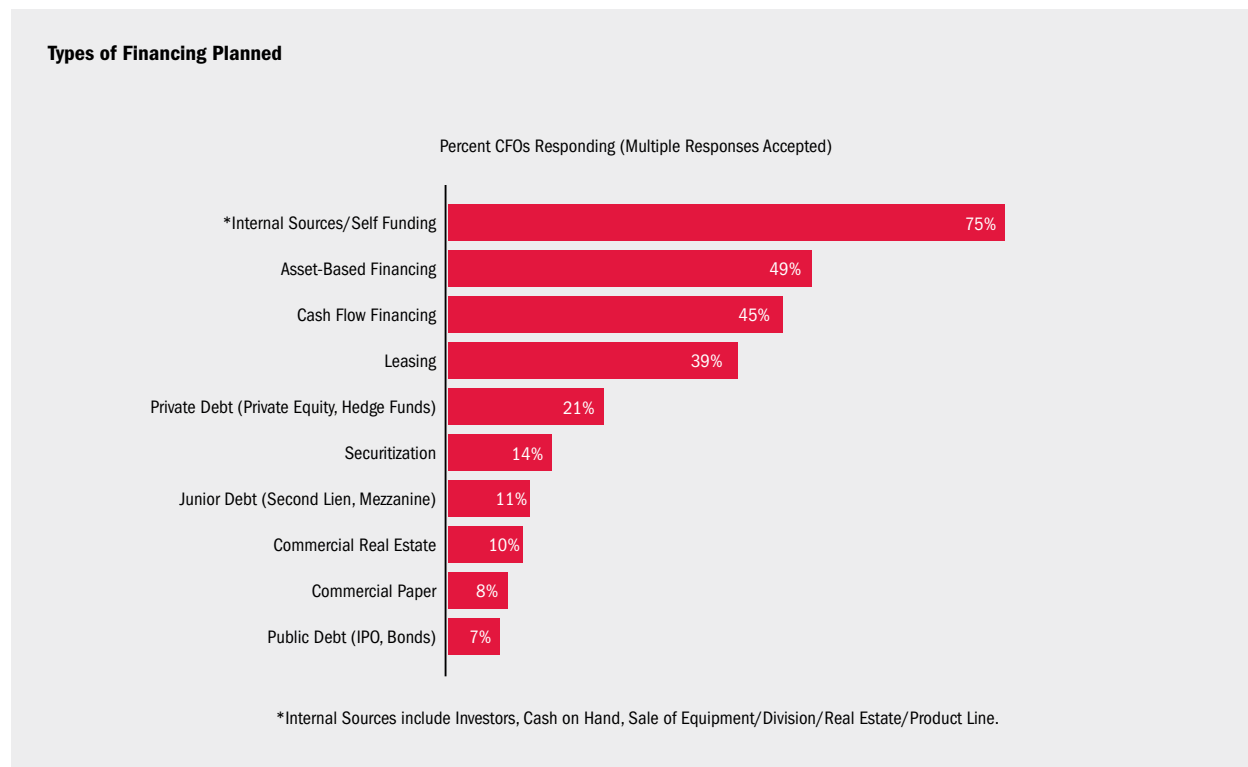


Sixty-nine percent of manufacturing company CFOs are currently considering financing for at least one of these purposes, up significantly from the 59% reported in last year's survey. The top two needs manufacturers have for financing are working capital (44%) and capital expenditure (39%).

Private companies are significantly more likely than public companies to be considering financing for working capital (48% vs. 25%) and capital expenditure (41% vs. 28%). In contrast, public companies are significantly more likely than private companies to not be considering financing at this time (47% vs. 27%).

Financing Types

Which of the following types of financing does your company plan to use in 2010?



Three-quarters of manufacturing company CFOs plan to use internal sources as a means of financing in 2010, up significantly from 54% in 2009. Other types of financing that will be used often are asset-based financing (49%), cash flow financing (45%) and leasing (39%). Only 5% of manufacturing companies will not require financing.

The following observations are noteworthy:

- Companies in the Midwest (57%) are significantly more likely than businesses in the Northeast (45%) and South (41%) to rely on asset-based financing in 2010.
- Private companies are significantly more likely than public companies to use asset-based financing (53% vs. 32%), cash flow financing (48% vs. 31%) and commercial real estate (11% vs. 3%).
- Companies with revenues between \$500 million and \$2 billion are significantly more likely than small manufacturers with revenues between \$25 million and \$74 million to rely on internal sources/self funding (85% vs. 71%) or public debt/equity (20% vs. 2%).

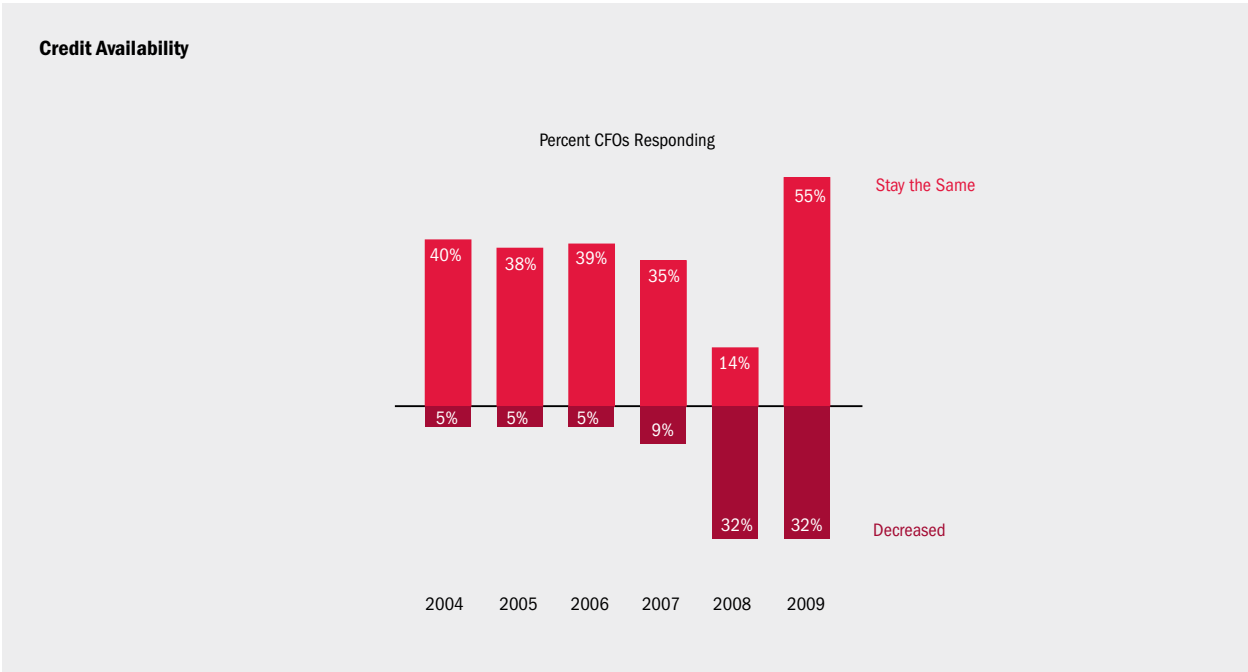
Financing Availability

Thinking about credit availability from your current lenders over the past year, would you say the credit available to your company has increased, stayed the same or decreased?

More than half (55%) of the manufacturing company CFOs surveyed think that credit availability today is comparable to what was available over the past year. Almost one-third, however, think their current lenders have decreased the credit available to their company (21% somewhat decreased and 11% significantly decreased).

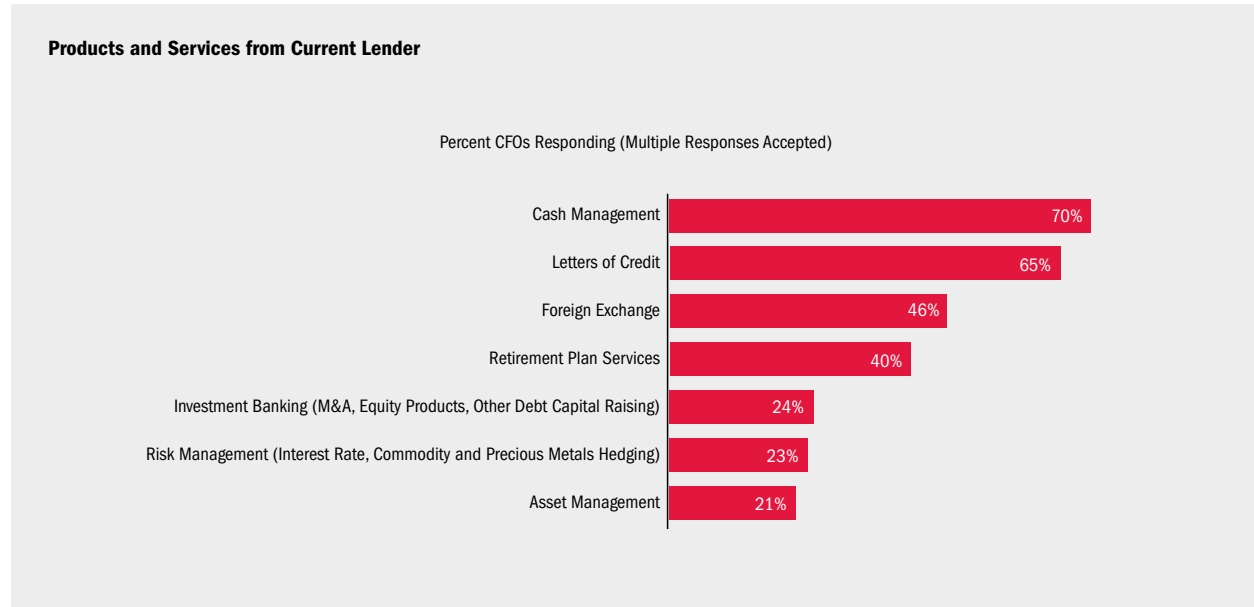
The subgroups reporting the highest levels of decreased credit availability are:

- Companies expecting sales to foreign markets to decrease in 2010 (48%)
- Manufacturers expecting their 2010 labor costs to decrease (42%)
- Manufacturers who produce goods primarily for consumers (37%)
- Companies with revenues between \$200 million and \$499 million (36%)



Financing Products and Services

Which of the following products and services do you currently utilize from your lender?

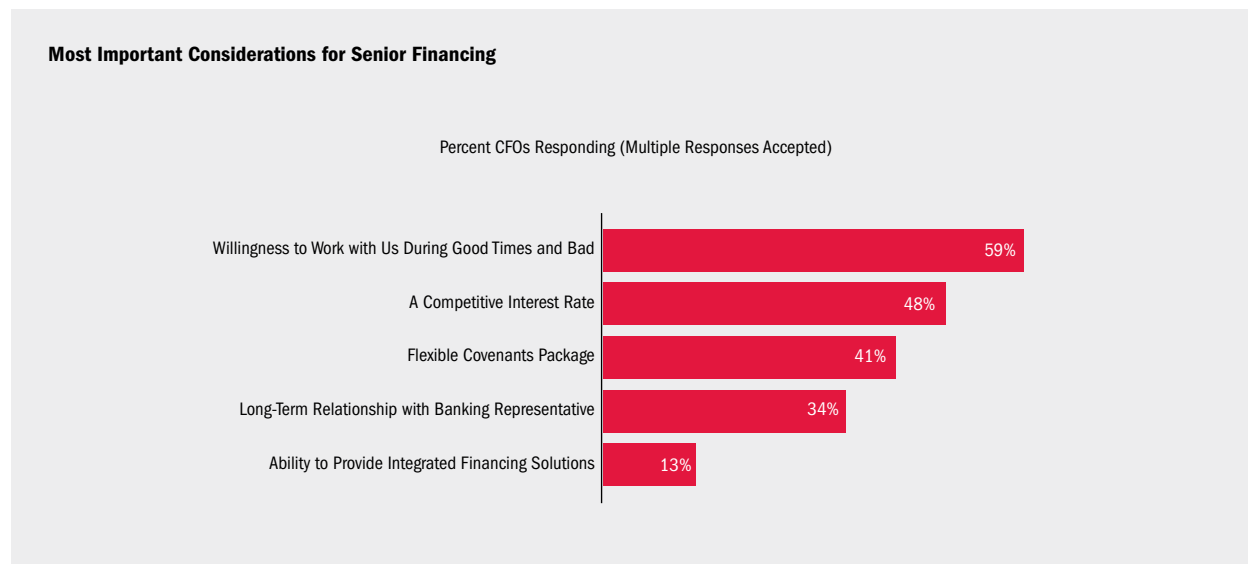


Cash management and letters of credit (70% and 65% respectively) are the financial products/services most widely used by manufacturing companies. Private companies are much more likely than public companies to use cash management (75% vs. 50%), letters of credit (66% vs. 58%) and asset management (23% vs. 15%).

Large manufacturing companies seem to use different financial products than smaller companies. For instance, companies with revenues between \$500 million and \$2 billion are significantly more likely than small companies (\$25 million to \$74 million and \$75 million to \$199 million) to use foreign exchange and retirement plan services.

Senior Financing Considerations

Which of the following is most important to your company when considering senior financing?



Manufacturing company CFOs regard many factors important when considering senior financing. Overall, the top two most important factors are the lender's willingness to work with them during good times and bad (59%) and a competitive interest rate (48%).

Private companies are significantly more likely than public companies to report that the lenders willingness to work with them during good times and bad is a key factor in their decision-making (63% vs. 42%). In contrast, a competitive interest rate is significantly more important to public companies (61%) than private companies (44%).

Interestingly, the importance of these two factors varies by manufacturer's sales size. For instance, 47% of small companies with revenues between \$25 million and \$74 million rank a competitive interest rate as their first or second most important factor. As sales sizes grow larger, so too does the importance of interest rates with 63% of large companies with revenues between \$500 million and \$2 billion ranking this factor as first or second most important.

The lender's willingness to work with you during good times and bad is relatively more important to small companies with revenues between \$25 million and \$74 million (64%). As manufacturers' sales increase, however, this factor becomes less and less important (only 46% of large manufacturers with revenues between \$500 million and \$2 billion rank this factor as first or second most important).

When CFOs were asked if there was anything else that was important to their company when considering senior financing, a small percentage mentioned the strength/stability of the financial institution, an understanding of their business and competitive products/services/fees.

Labor Costs and Product Pricing

Do you expect your labor cost per unit to increase, decrease or stay the same in 2010 as compared to 2009? What about product pricing?

For the first time in three years, most U.S. manufacturing company CFOs are predicting that their labor costs and product pricing will remain constant in 2010 (45% and 51% respectively). Only 37% of CFOs predict their labor costs will increase in 2010, significantly lower than the 56% reported last year. Likewise, only 36% of manufacturers think prices for their products will increase in 2010 (down significantly from the 69% reported in the 2009 CFO Outlook).

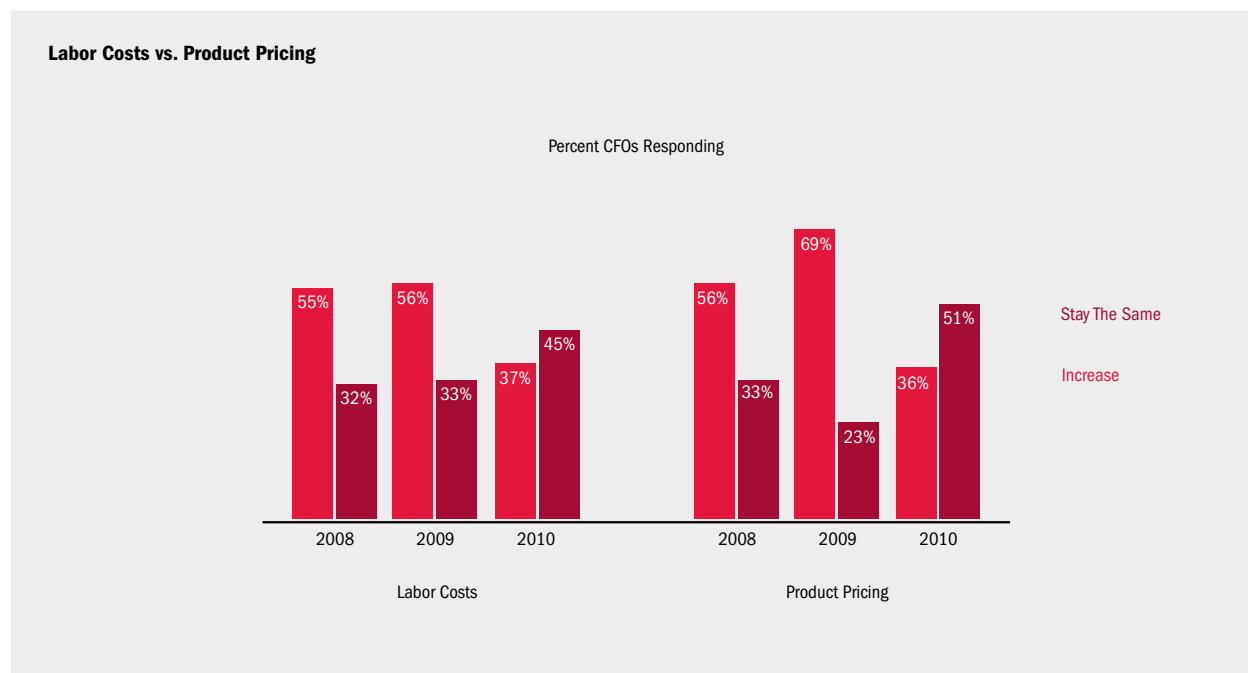
The subgroups expecting above-average increases in labor costs or product pricing next year are:

Labor Costs

- Companies in the West (43%) and Northeast (42%)
- Manufacturers expecting their sales to foreign markets to increase in 2010 (40%)

Product Pricing

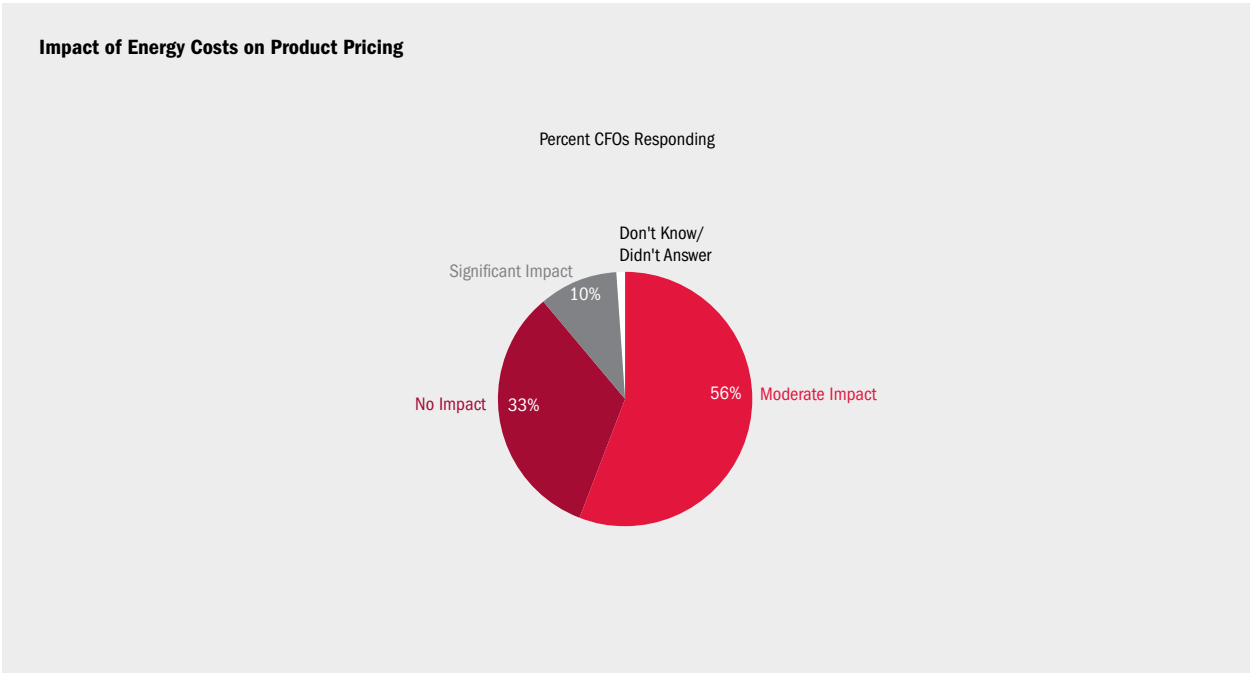
- Companies expecting to participate in M&A activity in 2010 (48%)
- Manufacturing companies in the South (41%)
- Companies with revenues between \$500 million and \$2 billion (41%)



Labor Costs and Product Pricing

What impact will increasing energy costs have on your 2010 product pricing?

Almost two-thirds of U.S. manufacturing company CFOs report that rising energy costs will impact their pricing levels in 2010 (56% moderately and 10% significantly). The fact that 33% say energy costs will have no impact on pricing, almost double the 17% reported in the 2009 CFO Outlook, suggests that energy costs are becoming less of a financial concern to some manufacturing company CFOs.



Mergers and Acquisitions (M&A) Activity

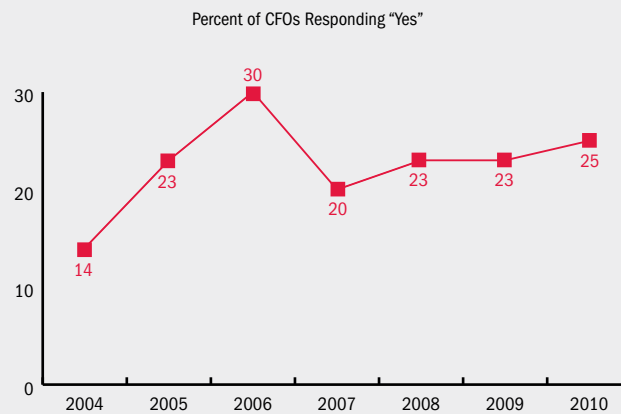
Will your company participate in any mergers or acquisitions in 2010? If so, will your company be making the acquisition or be acquired?

Twenty-five percent of manufacturing company CFOs expect to participate in a merger or acquisition in 2010, similar to the 23% reported in the 2009 CFO Outlook. Public companies continue to have significantly higher expectations of being involved in M&A activity than private companies (37% vs. 22%).

Small manufacturers are less likely to be involved in M&A activity with only 19% of companies with revenues between \$25 million and \$74 million expecting to participate. In comparison, 43% of companies with revenues between \$500 million and \$2 billion anticipate M&A activity in 2010.

Among those companies expecting M&A activity in 2010, the overwhelming majority (95%) report that they will be making the acquisition, while only 1% say they will be acquired by another company.

Anticipated M&A Activity

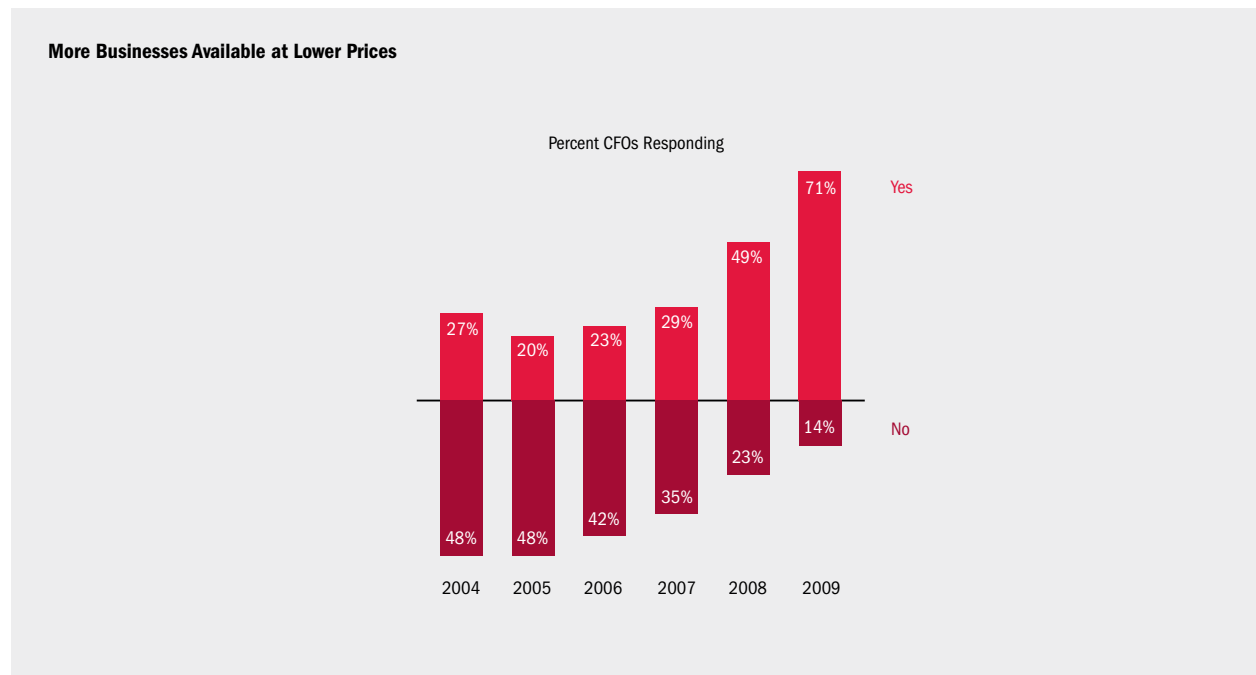


M&A Targets

Are there more businesses available at lower prices and attractive multiples compared to a year ago?

Although the level of M&A activity will remain steady in 2010, the attractiveness of purchase price multiples is up significantly since last year. Seventy-one percent of manufacturing company CFOs believe there are more businesses available at lower prices, up significantly from 49% in 2008 and 29% in 2007. A minority of CFOs (14%) do not think there are more businesses available at lower purchase prices than in 2008.

Compared to the Northeast at 58%, companies in the Midwest, South and West (77%, 74% and 71% respectively) are significantly more likely to report that there are more businesses available at lower prices now than in 2008.



M&A Purchase Price Multiples

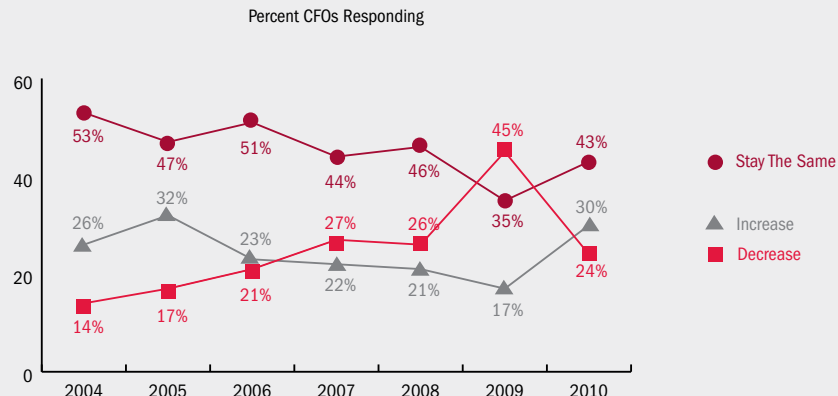
Do you think that the purchase price for companies in your industry as a multiple of EBITDA will increase, decrease or stay the same in 2010 compared to 2009?

Two-thirds of all manufacturing company CFOs expect the purchase price for companies in their industry as a multiple of earnings before interest, taxes, depreciation and amortization (EBITDA) to either stay the same (43%) or decrease (24%) in 2010. Although this is down significantly from the 80% that predicted 2009 purchase prices would stay the same or decrease, it suggests the market for M&A activity is still attractive.

The following subgroups are expecting above-average increases in M&A purchase prices in 2010:

- Companies expecting to participate in M&A activity in 2010 (48%)
- Manufacturing companies in the South (41%)
- Companies with revenues between \$500 million and \$2 billion (41%)

Outlook for Purchase Price Multiples

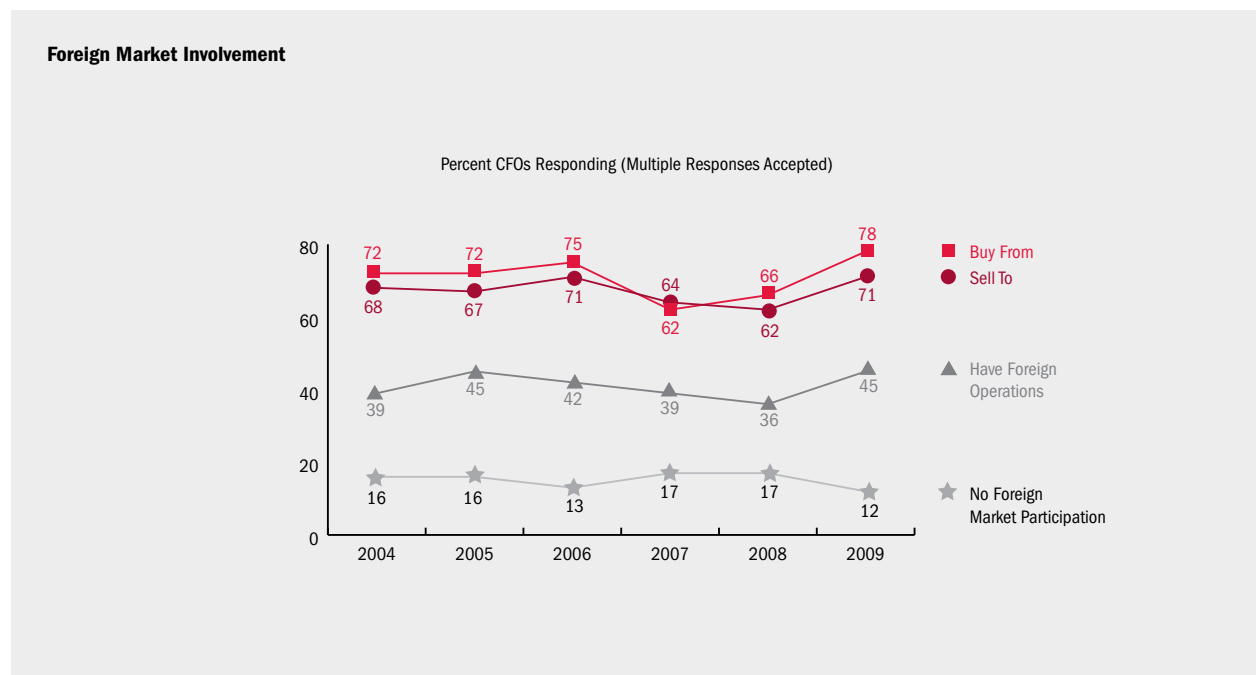


International Trade Participation

Regarding foreign markets, do you buy from, sell to or have operations in foreign countries?

Compared to last year, significantly more U.S. manufacturers have some form of foreign market involvement (88% vs. 83%). Seventy-eight percent buy from foreign suppliers, 71% sell to foreign markets and 45% have foreign operations (all up significantly from the 66%, 62% and 36% respectively reported in the 2009 CFO Outlook).

Public companies are significantly more likely than private companies to sell to foreign markets (80% vs. 68%) and have foreign operations (69% vs. 39%). As expected, large manufacturing companies with revenues between \$500 million and \$2 billion are significantly more likely than smaller manufacturers (those with less than \$200 million in revenue) to buy from foreign suppliers (89%) and have operations in foreign countries (65%).



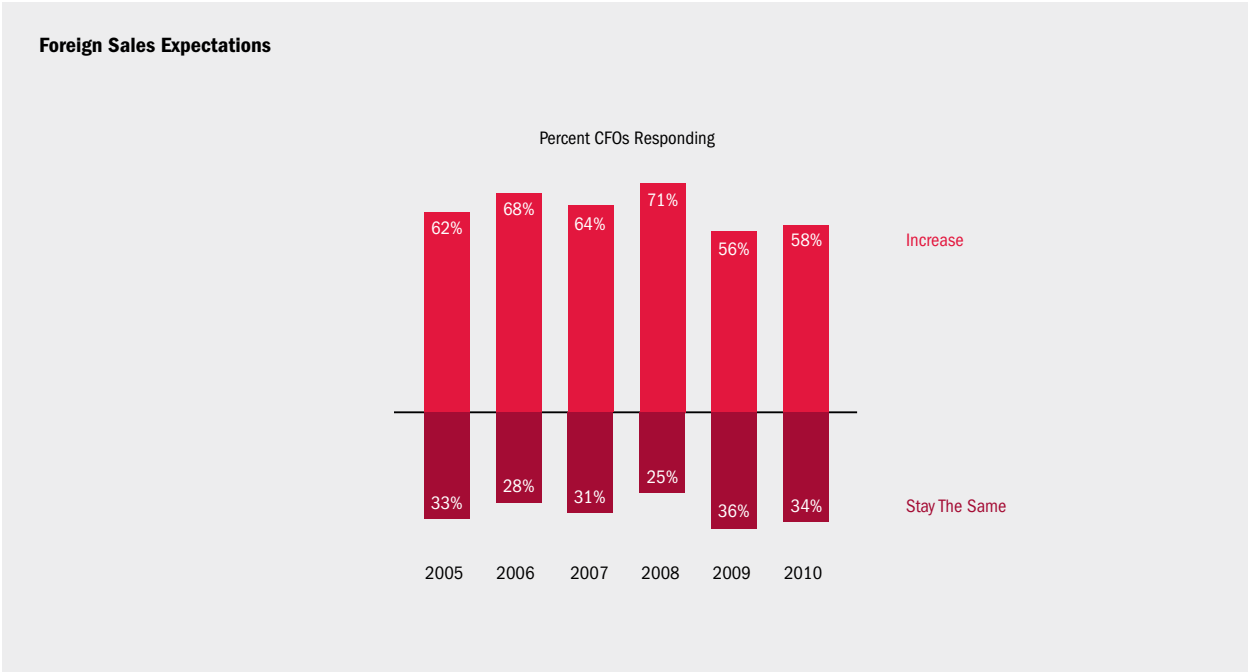
International Trade Outlook

Will your company's sales to foreign markets increase, decrease or stay the same in 2010 as compared to 2009?

Year-over-year, international sales growth is expected to remain steady. Fifty-eight percent of all companies selling to foreign markets expect international sales to increase in 2010, up marginally from the 56% reported in the 2009 CFO Outlook. One-third (34%) expect foreign sales to remain the same and 7% expect a decrease.

The segments that are expecting above-average international sales in 2010 are:

- Companies expecting M&A activity in 2010 (67%)
- Manufacturers expecting an increase in 2010 product pricing (64%)
- Manufacturers expecting an increase in labor costs in 2010 (62%)
- Companies with foreign operations (62%)

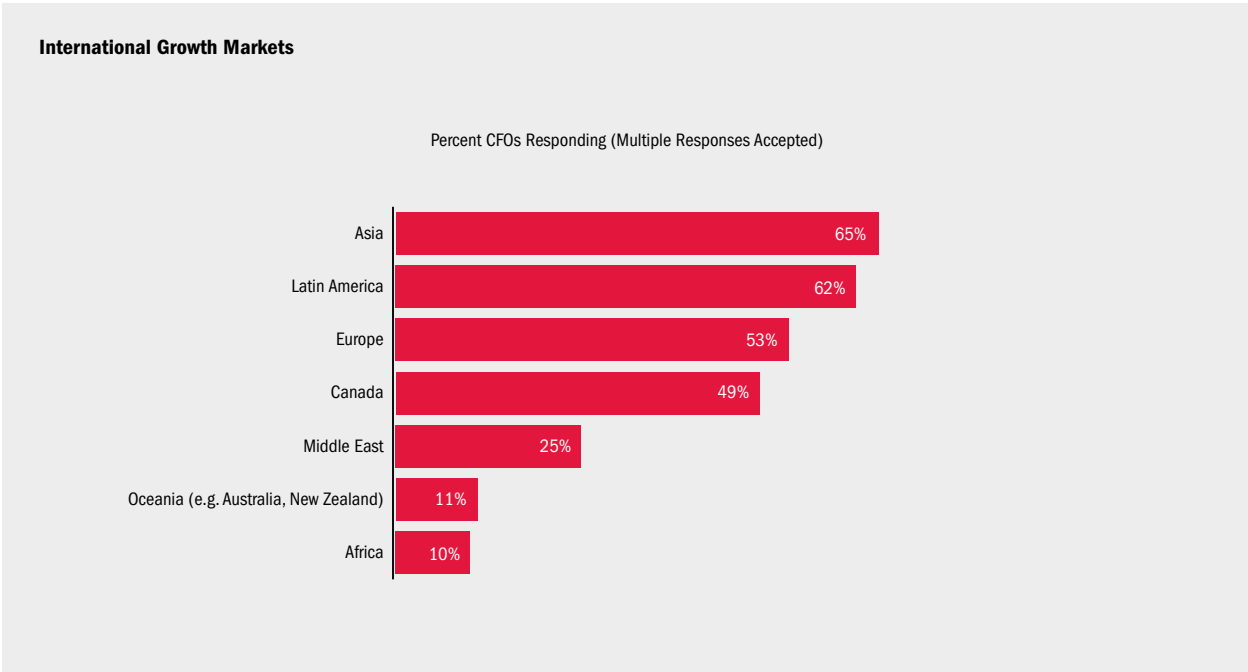


International Growth Markets

Geographically, where do you expect that international growth to occur?

Among those companies predicting foreign sales to increase in 2010, the top four international markets are Asia (65%), Latin America (62%), Europe (53%) and Canada (49%). The year-over-year increases in Asia, Latin America and Canada are all significant and noteworthy.

The vast majority of growth in the Asian market can be attributed to China (81%), followed by Japan (27%), Korea (22%) and India (20%).



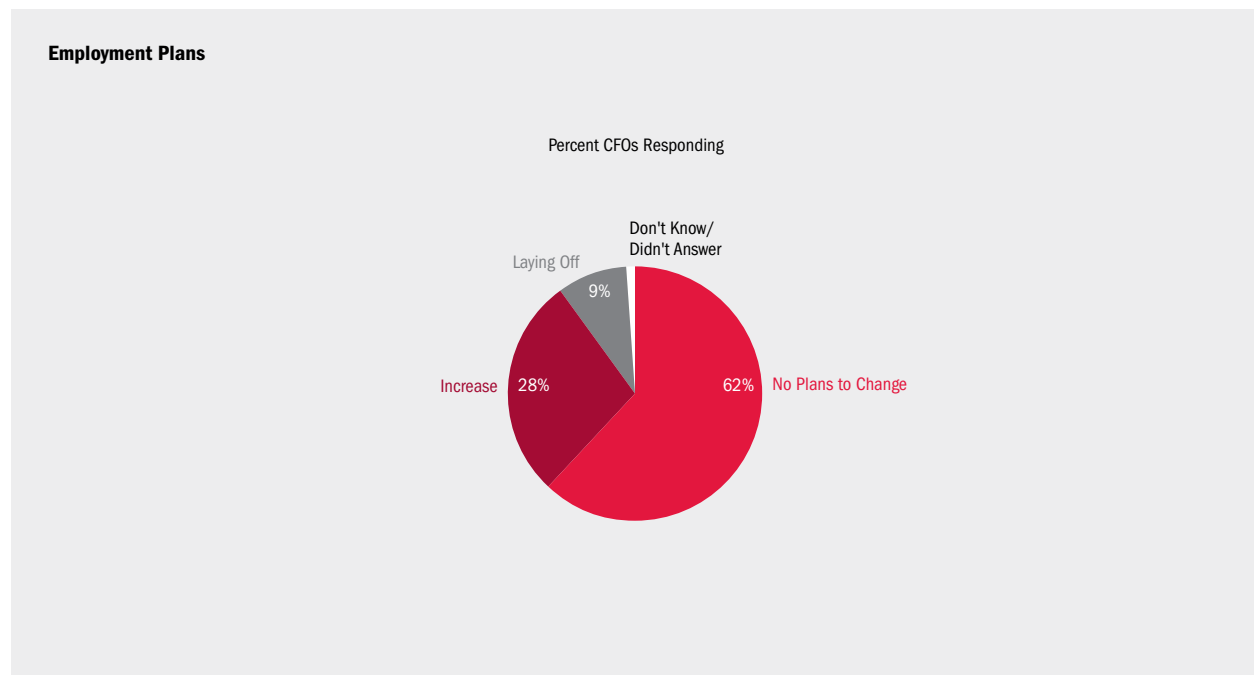
Employment Plans

Which best describes your company's employment plans for 2010?

The majority of manufacturing company CFOs surveyed (62%) report that they have no plans to change the size of their labor force in 2010. Of the remaining CFOs surveyed, 28% will be making additions to staff and 9% will be laying off employees.

The following segments are the most likely to be hiring additional employees in 2010:

- Businesses expecting M&A activity in 2010 (41%)
- Companies expecting sales to foreign markets to increase in 2010 (38%)
- Manufacturers in the West (37%)
- Companies with revenues between \$500 million and \$2 billion (37%)
- Manufacturers expecting increases in 2010 product pricing (35%)
- Companies expecting expansion in the manufacturing sector (34%)

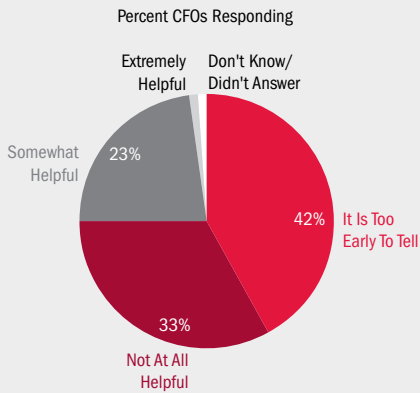


Stimulus Package

Thinking about the stimulus package that was signed into law in February of 2009 to improve the U.S. economy, how helpful has this package been in fostering an economic recovery?

CFOs' opinions are mixed about the effectiveness of the U.S. stimulus package. Twenty-four percent think the package has been helpful in stimulating an economic recovery, while 33% report the effort has been not at all helpful. A sizable percentage (42%) say it is too early to tell whether the stimulus package will have its intended result and spur an economic recovery.

Impact of the U.S. Stimulus Package on the Economy



Economic Recovery

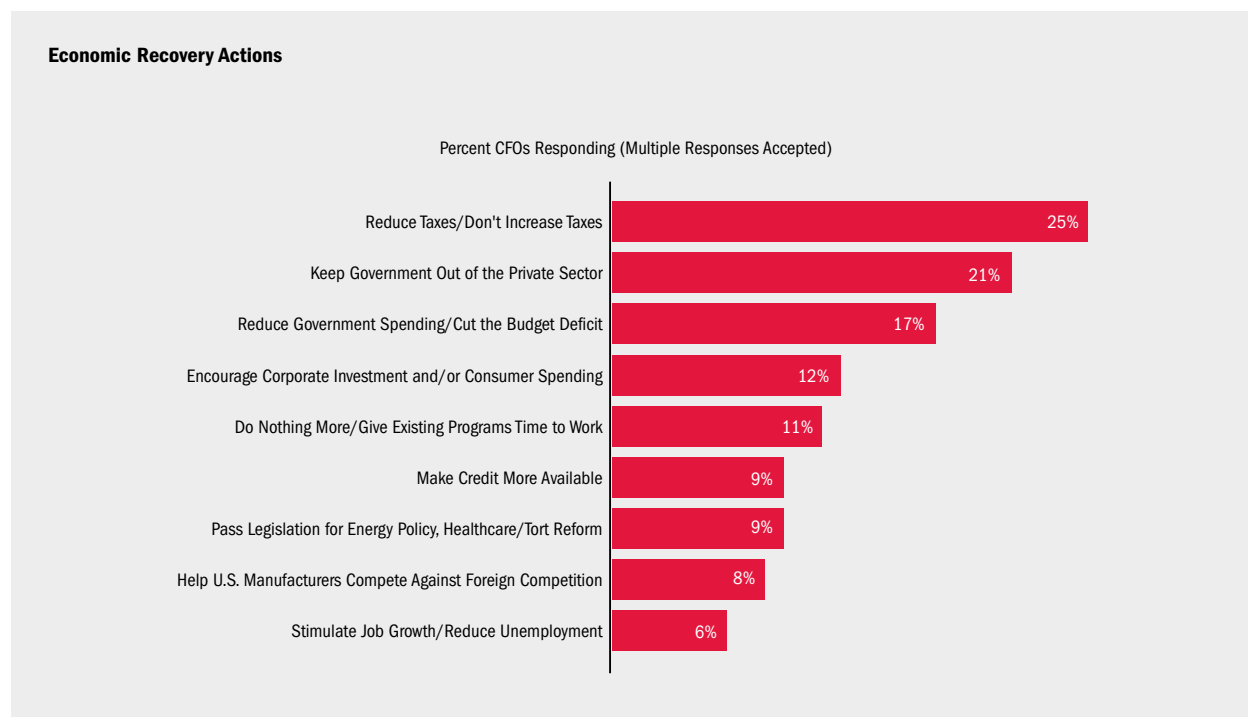
What else should the U.S. government or the private sector do, if anything, to further promote an economic turnaround?

Manufacturing company CFOs offered a variety of suggestions when asked what the government or private sector should do to spur economic recovery. Interestingly, all of the responses mentioned what the U.S. government should do (or not do); there were no private sector suggestions offered.

The three most frequently mentioned suggestions were:

- Reduce taxes
- Keep government out of the private sector
- Reduce government spending/cut the budget deficit

One-quarter suggested that the government reduce taxes (or at the very least prevent future tax increases) for both corporations and individuals. Twenty-one percent recommended that the U.S. government stay out of the private sector and let the free market system work. This included everything from staying out of the bailout business to not getting involved in healthcare reform. Finally, 17% suggested that the government needs to get its spending under control and balance the federal budget.



Survey Demographics

Is your company public or private?

- 78% Privately owned
- 20% Publicly owned
- 1% Majority privately owned with some public debt

Sales

- 40% \$25 million to \$74,999,999
- 36% \$75 million to \$199,999,999
- 15% \$200 million to \$499,999,999
- 9% \$500 million to \$2 billion

What type or types of product does your company manufacture?

- 27% Consumer goods
- 67% Business goods
- 6% Both consumer and business goods

U.S. Region

- 22% South (Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)
- 35% Midwest (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin)
- 24% Northeast (Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Pennsylvania, Vermont)
- 19% West (Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming)

Gender

- 88% Male
- 12% Female

* Percent less than 0.5

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