



AUTOMOTIVE GROUP

MILLER
CANFIELD

Acceleration



What every automotive executive needs to address over the next 12 months:

- Industry Realignment and Consolidation
- Financially Distressed Customers/Suppliers
- Environmental Sustainability
- Plant Closings and Cost-Cutting
- Globalization
- Intellectual Property Protection
- Product Safety/Regulatory Compliance

The Law Firm for the Automotive Industry

Headquartered in the heart of the global automotive industry, Miller Canfield, with **400 lawyers**, has specialized in representing companies in the **automotive industry for decades**.

We're in the midst of one of the largest restructurings in automotive history. And we view this time as opportunity – to make new business partners, or to pursue new markets and industries.

MILLER CANFIELD OFFICES
UNITED STATES • CANADA • MEXICO • POLAND • CHINA



Industry Realignment and Consolidation

WE'RE BEING ASKED:

"Which companies want to sell?"

"How should my company structure its add-on acquisitions?"

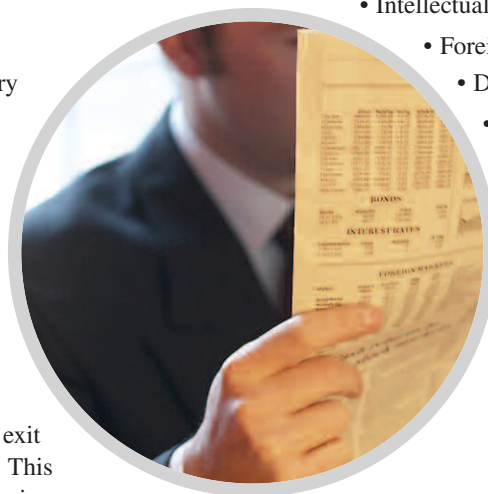
"How is private equity changing the way business is being done?"

Merger and acquisition opportunity will continue to climb as the U.S. auto industry restructures and consolidates.

The Original Equipment Suppliers Association (OESA) expects that the industry will shrink from 10,000 suppliers in 2000 to just 5,000 by 2010 as the result of industry consolidations and exits.

In this fluid market, many companies are assessing whether to pursue an attractive exit strategy or reinvest in acquisitive growth. This is a time of opportunity – to make new business partners or to pursue new markets and industries.

Taking advantage of these opportunities are new players: foreign strategic buyers and qualified buyers, such as hedge funds and private equity funds.



HOW WE CAN HELP:

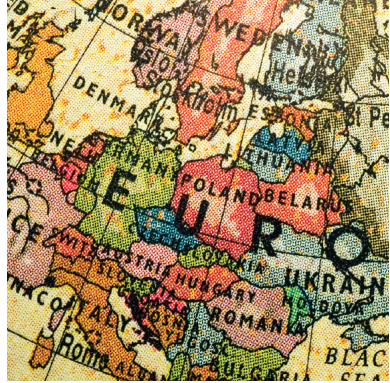
- Mergers and Acquisitions
- LBOs and Recaps
- International Arbitration
- Joint Ventures and Strategic Alliances
- Greenfield Development Projects
- Collective Bargaining – Unions
 - Intellectual Property Protection and Licensing
- Foreign Business Operations
- Dealership Consolidation
- Supplier and Customer Disputes
- Supplier Issues (LTAs and Ts & Cs)
- Workouts and Bankruptcy
- Public and Private Financing

This is a time of opportunity – to make new business partners or to pursue new markets and industries.

Leadership

OUR SOLUTIONS AT WORK:

- We acted as co-counsel in an historic \$18.5 billion secured financing package for a major OEM. The secured financing consisted of a \$7 billion term loan and a revolving credit line of about \$11.5 billion.
- We led a creative \$50 million LBO sale of a Tier 1 supplier to a private equity fund, which included a roll-over of equity.
- We acted as lead counsel in a \$300 million divestiture by a Tier 1 supplier to a private equity firm. The sale included business and assets covering 18 different countries.
- We have led the implementation of hundreds of internal restructuring transactions worldwide for a Tier 1 supplier and OEM.



Product Safety/Regulatory Compliance

New regulations over the past few years have created challenges for the automotive industry.

The National Highway Traffic Safety Administration (NHTSA) is increasingly imposing regulations on motor vehicle and equipment manufacturers, including requirements under the Transportation Recall Enhancement, Accountability and Documentation (TREAD) Act.

HOW WE CAN HELP:

Our team includes former NHTSA officials who can help you tackle the most challenging regulatory matters. Coupled with Miller Canfield's national automotive product liability litigation experience, we provide you with the best opportunity for a favorable outcome in regulatory and litigation matters.

We learn your business and provide proactive advice on minimizing risks. And our knowledge in this area maximizes your chances of cost recovery against other responsible entities in the product design, development and distribution chain. We can:

- Respond to regulatory investigations conducted by NHTSA's Office of Defect Investigations
- Assist with the process of administering a recall
- Help comply with Federal Motor Vehicle Safety Standards
- Report requirements under the TREAD Act

Sarbanes-Oxley (SOX) passed in 2002. Proponents have credited it with improving corporate governance while critics view it as stressing already stressed companies by forcing them to evaluate accounting practices and restate earnings.

Section 404 has been the most widely criticized aspect of SOX. The SEC is taking steps to relieve reporting burdens. Proposed changes and extension of compliance dates will relieve those public and private companies that are poised for entry into public markets but have been reluctant to do so because of Section 404.

New regulations are reshaping the global auto industry. Do you have the legal support to make the transition?

- E-Discovery Management
- Sarbanes-Oxley
- Section 404
- TREAD
- CO2 Emissions
- End-of-Life Vehicle Regulation (ELV)
- CAFE
- OPEB/FASB
- ITAR
- E.U. Accession
- International Financial Reporting Standards
- FIN 48

SOX's key components are being imitated around the world. France and Mexico have rules requiring that management assess internal controls, similar to 404. Japanese rules are even called "J-Sox." The E.U., Canada, Mexico, Australia, Hong Kong and Brazil now mandate that public companies have audit committees or equivalent bodies as part of their corporate structure. And foreign governments have established independent auditor oversight bodies like the U.S. Public Company Accounting Oversight Board. Notably, the UK created the Financial Reporting Council in 2004.

HOW WE CAN HELP:

In an ever-changing regulatory environment, we can help provide your company with the assurance that it has in place the appropriate internal controls, policies and procedures expected by governmental enforcement agencies, shareholders and third parties. We can:

- Perform an objective analysis of compliance efforts
- Recommend what steps to take if criminal activity is suspected, and advise and defend those under investigation or indictment

Insight

DISCOVERY MANAGEMENT:

We are national discovery counsel for a major automotive manufacturer, handling discovery in product liability, product warranty, patent and class action litigation.

We've guided clients through significant white-collar crime investigations in the areas of environmental matters, corporate governance, criminal antitrust, and health care fraud.

Competitive Tax Incentives

We obtained over \$35 million in incentives for a leading foreign-based automotive supplier for the relocation of a new North American headquarters to be located in Southeast Michigan.

We helped a client reduce project costs by 25% through the receipt of investment incentives for the development of a new manufacturing facility in Southeast Iowa.

Looking to enter the automotive industry or gain a North American presence? Now is the time to take advantage of the opportunities that in better economic times were too expensive or unavailable.

We speak your language when it comes to tax matters, whether it is the resolution of an IRS audit issue, guidance on section 199 reductions or R&D credits, advice on loss utilization, guidance on the implementation of FIN 48 or Sarbanes-Oxley controls, or the issuance of an opinion letter.

We can support the most complicated transactions with the least amount of interruption to the process and assist in structuring the transaction for a tax-free finding, obtaining tax clearance certificates, drafting tax sharing agreements and making sure that potential tax liabilities are figured into the final transaction price.

It is important to match your business needs with the appropriate package of tax credits, abatements, exemptions, subsidies and other opportunities, as well as incorporate your business exit strategy into the plans so that you are not left holding the bag should economic conditions change.

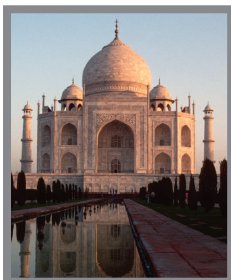
Our tax practice is multistate in nature, allowing us to provide you complex multistate tax modeling and planning guidance, up-to-date knowledge of changes in business taxes, and resolution of same issue multistate tax audits on an administratively simple engagement basis.

We are licensed to practice before the U.S. Tax Court, in addition to federal and many state courts. And we have numerous contacts at the regulatory and multistate revenue agencies, allowing us to obtain informal guidance on an expedited basis.



WE CAN HELP WITH:

- Business Acquisitions, Divisions, Restructurings, Liquidations and Dispositions
- General Corporate Taxation
- International Taxation
- Partnership Taxation
- Representation of Taxpayers before the IRS
 - Subchapter S Corporations
- Tax Litigation
- Federal Audits
- Federal Tax Controversies
- IRS Examinations and Administrative Appeals




INDIA

India has more than 1.1 billion people and is rapidly growing. India's auto sector, which has more than tripled in seven years to some \$8.7 billion in sales, grew 15% in 2005 and is likely to outpace the country's general economic growth for many years.

Factors driving India's growth include its democratic government, western-style legal structure, large English-speaking population, tax breaks for smaller companies, established intellectual property protection laws and, since 2002, automatic approval on up to 100% foreign investment in virtually every portion of its auto industry. The U.S. is one of the largest foreign direct investors in India.

Negative factors facing foreign investors include a lagging infrastructure, strong pro-employee labor laws, regional variability in practices and a slow-moving legal system where dispute resolution is costly and cumbersome.



Canada: Realignment and consolidation in the automotive sector accelerates. Financial system remains stronger than most. Fifth Protocol changes to trade agreements impact most U.S. companies with operations in Canada.

Michigan: Remains the nerve, engineering, R&D and technology transfer center of the auto industry. Is home to largest inventory of suppliers available for JVs or global acquisition. Status of retiree benefits, health care obligations and union representation changes daily.

Our offices in Windsor and Toronto offer clients NAFTA-wide, seamless representation.

Western Europe: Weak economy forces industry consolidation as well as increased government intervention and greater reliance on non-E.U. sources of investment capital.

Our office in Monterrey, Mexico counsels companies doing business in and from Mexican plants, as well as with Mexican-based suppliers and customers.

Mexico and Brazil: Both countries continue to expand and benefit from global retraction and relocation as OEMs and suppliers take advantage of low labor costs, government incentives, and NAFTA advantages – and remain the region's strategic geographic location for exports to China, the U.S., Canada and Europe.

Global Reach

Central and Eastern Europe: Inexpensive, skilled labor and engineering costs continue to attract new investors. Per capita income and the education levels of employees continue to rise steadily in this gateway to Russia. It is estimated that \$6 billion worth of auto production will be transferred here by 2012.

Russia: It is still very risky to establish operations here until you review the realities that suppliers face with Russia's legal system, law enforcement and socio-economic environment. Do keep Russia on your radar as its consumer base expands, demands and can afford more consumer products.

Japan: Japan will continue to be a major center of the auto industry.

China: New policies regulating foreign direct investment continue to impact direct foreign investment in the real estate and M&A sectors. Government led consolidation and Chinese auto suppliers flush with cash are resulting in greater JVs and acquisitions of foreign firms, especially in the U.S., Canada and Mexico.

Our office in Shanghai is in the financial center of global transactions.

India: Pro-foreign investment policies, an educated workforce and growing consumer base continue to accelerate economic growth in India at a rate expected to be 5-9% for the next two decades – second only to China. Auto suppliers from India will continue to seek acquisitions in North America.

From our offices in the United States, Canada, Poland, China and Mexico, we represent clients in transactions, acquisitions and litigation throughout the world.

Global consumption of auto parts was approximately \$900 billion in 2004 and is likely increase to \$1.1 trillion by 2010.

Environmental Sustainability

We assisted a Texas manufacturer of engineered materials and components for the vehicular and building products markets with sales of over \$1 billion in implementing an Administrative Order issued by the Michigan Department of Environmental Quality on a site the client ceased operating in 1979 and sold in 1985. The cost to implement the MDEQ's interim response action was estimated at over \$1.5 million. By developing a proactive, holistic approach with the MDEQ, the cost to the client was about \$160,000. We secured an amendment to the AO (an action that is rarely permitted) that led to less ground-water monitoring and decreased costs for the client.

With the ever-increasing world-wide political and business focus on the environment, the impact of environmental law is growing in importance and complexity. The automotive industry is a mature industry which tends to have its share of legacy issues.

Recently there have been a number of global alliances – combinations that force manufacturers and parts suppliers to merge information and manage environmental risks.

Whether it's dealing with contamination from 60 years of manufacturing operations or getting a new chemical registered with the EPA under the Toxic Substances Control Act, we have the knowledge to guide you.

HOW WE CAN HELP:

Corporations, business owners and operators turn to us to assess and manage environmental liabilities when purchasing, selling or leasing assets.

Our vast network of environmental consultants helps identify technicians to best meet particular needs, and our relationships with lenders familiar with the unique needs of auto industry clients streamline decision making.

Ask Us About:

- Brownfield Legislation
- Michigan's Baseline Environmental Assessment
- CERCLA
- RCRA
- UST Issues
- Michigan's Natural Resources and Environmental Protection Act (NREPA)

Environmental laws and regulations are changing rapidly. Are you in compliance?

We can help anticipate changes and assist you with cost-effective compliance strategies to avoid litigation. Our established relationships with USEPA and MDEQ officials facilitate access and cut through red tape.

Ask Us About:

- End-of-Life Vehicle Directive
- Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation
- CAA, CWA, RCRA and Michigan's NREPA
- 10-K and 10-Q Environmental Disclosures
- FIN 47 Reporting

In addition, Miller Canfield's environmental litigation team has experience in federal, state and regulatory disputes including environmental cleanups, civil and criminal enforcement, permit issues, cost-recovery actions, asbestos claims and insurance litigation.



The Ontario BioAuto Council is working to link agriculture and forestry with the chemical and plastics industry to produce materials and chemicals from biological feedstocks. The bio-based materials, such as flexible foams and rigid plastics, would be supplied to the auto-parts manufacturers and auto assemblers for incorporation into Ontario-made cars and trucks.

Opportunities also exist in fine chemical manufacturing using lignin and hemicellulose from trees and enhanced biofibre production – from agriculture or forestry sources – for use in composite materials and as a replacement to fiberglass.

Innovation



Technology

Intellectual Property and Protection Software and Information Technology

Advocates for intellectual property rights have identified 60 countries that are lagging in IP protection. The Business Software Alliance and the International Intellectual Property Alliance report that China and Russia are two countries that are of greatest concern in patent protection.

HOW WE CAN HELP:

We regularly assist clients in combating the proliferation of counterfeit goods. In addition to obtaining injunctions and seizure orders in Federal Civil actions, we also work as liaisons to the Department of Justice and the U.S. Customs and Border Protection to ensure that counterfeit goods, whether manufactured here or abroad, are seized and that the manufacturers of such goods are prosecuted to the fullest extent of the law. Through these efforts, we have protected some of the most famous and valuable trademarks in the world.

- Patent, Trademark and Trade Secret Protection or Infringement
- Brand Management
- Counterfeiting Prevention and Prosecution
- Litigation
- IP Mining

Advanced Technology

Michigan is the intellectual capital and global automotive R&D center, investing over \$10 billion annually, employing more than 65,000 R&D professionals statewide and home to over 215 R&D facilities. The industry in Michigan focuses on engineered products, processes and technologies with applications in the automotive industry that:

- Improve Safety, Comfort, Vehicle Performance and Efficiency, Product Quality and Durability
- Promote Advanced Power Train and Alternative Energy Technologies and Environmentally Conscious Solutions
- Reduce Costs
- Improve Manufacturing Productivity

Research and Development Strengths

Michigan's advanced automotive technology strengths include:

- #1 State for Automotive R&D
- #2 State for Overall R&D Expenditures
- #3 University in the Nation for R&D
- #3 in the Nation for Engineering Graduates
- 4th Largest High Tech Workforce in the Nation
- Home to over 50% of the North American Automotive Supplier Base

– Source: Michigan Economic Development Corporation

We have protected some of the most famous and valuable trademarks in the world.

Automotive firms from China, India and the E.U. are accelerating expansion plans into North America and taking advantage of NAFTA, abundant acquisition opportunities, real estate financial incentives and the industry's top engineering/R&D talent.

Information Technology Transfer

U.S. exporters, including engineering and design firms, manufacturers and distributors, are paying close attention to the recent changes in export control regulations and policies under the International Traffic in Arms Regulations (ITAR).

This area of export controls is complicated and ever-changing, while the government has increased enforcement when it suspects non-compliance. Even an innocent e-mail sent in haste to meet a deadline could create exposure for a company. Stiff fines, criminal penalties or loss of export privileges can inflict long-term damage to any organization.

A Recent Example:

ITT Corporation, the leading manufacturer of military night vision equipment for the U.S. Armed Forces, has admitted sending classified materials overseas and will pay a \$100 million penalty, one of the largest penalties ever paid in a criminal case, said the National Security Division and the Defense Criminal Investigative Service and U.S. Immigration and Customs Enforcement. ITT Corporation will also be the first major defense contractor convicted of a criminal violation of the Arms Export Control Act.

Ask Us About:

- What Constitutes an Export
- The Deemed Export Rule
- Transactions Prohibited by the Office of Foreign Assets Control
- Anti-boycott Laws
- An Export Compliance Program

Retiree Health, Pension Benefits and Cost Obligations



Rising health care and pension costs are global problems, hitting the U.S. industry especially hard as the number of retirees increases. In short, legacy costs are costing automotive manufacturers billions and billions of dollars. New Financial Accounting Standards Board (FASB) reporting requirements and an increase in Employee Retirement Income Security Act (ERISA) class action lawsuits, are driving negotiations and major evaluations of health and retirement benefits. Some manufacturers are shifting health care responsibility for retirees to unions.

We know first-hand how to execute and enhance a company's health care strategy to improve health and worker productivity while maintaining business objectives and realities. We're uniquely positioned to offer pension strategies and assist with this major business concern.

Legacy costs are costing automotive manufacturers billions of dollars.



ACMA – Automotive Component Manufacturers Association of India
AIAG – Automotive Industry Action Group
APMA – Automotive Parts Manufacturers' Association
AUTO21 – Canada's R&D for the 21st Century
AWA – Automotive Women's Alliance
MICHBIO

MEDC – Michigan Economic Development Corporation
MMA – Michigan Manufacturers Association
MVCA – Michigan Venture Capital Association
NHTSA – National Highway Traffic Safety Administration
OESA – Original Equipment Suppliers Association
SAE International – Society of Automotive Engineers

Connected

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