



**Testimony of the**  
**Motor & Equipment Manufacturers Association**  
**Before the**  
**U.S. House of Representatives Financial Services**  
**Oversight and Investigation Subcommittee**  
**Michigan Field Hearing on Small Business Lending**  
**Monday, November 30, 2009**



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The Motor & Equipment Manufacturers Association (MEMA) represents nearly 700 companies that manufacture motor vehicle parts for use in the light vehicle and heavy-duty original equipment and aftermarket industries. MEMA represents its members through three affiliate associations: Automotive Aftermarket Suppliers Association (AASA), Heavy Duty Manufacturers Association (HDMA), and Original Equipment Suppliers Association (OESA). *(See Attachment 1)*

Motor vehicle parts suppliers are the nation's largest manufacturing sector, directly employing over 685,000 U.S. workers and contributing to over 3.2 million jobs across the country. In fact, automotive suppliers are the largest manufacturing employer in eight states: Indiana, Kentucky, Michigan, Missouri, Ohio, Oklahoma, South Carolina and Tennessee. *(See Attachment 2)*

Furthermore, suppliers are responsible for two-thirds of the value of today's vehicles and nearly 30 percent of the total \$16.6 billion automotive research and development investment and are providing much of the intellectual capital required for the design, testing, and engineering of new parts and systems.

Without a healthy automotive supplier industry, the United States will lose a significant portion of this country's manufacturing innovation and employment base. The financial health of families and communities nationwide and the promise of a 21<sup>st</sup> century motor vehicle industry depend on a strong supplier sector.

Over the past eleven months, significant and unprecedented government and industry actions have prevented a collapse of the automotive industry, the largest manufacturing sector in the United States. The industry is positioning itself for a recovery. Forecasters generally estimate 2010 North American vehicle production will increase by two million units or 25 percent in 2010 to approximately 10.5 million units. However, the future expansion, employment, economic contributions and structural viability of the supply base are dependent on continued access to credit. Only through continued coordinated action by industry, the financial community and the government will industry ramp-up and retooling costs be minimized.

MEMA and OESA urge Congress and the Administration to:

- Assure sufficient capital for restructuring, consolidating and diversifying the industry;
- Address the specific needs of small suppliers for sufficient capital for ongoing operations; and

- Create technology-funding programs that support suppliers' long-term product and manufacturing technology innovation.

### **The Current Situation**

OESA has identified 48 U.S. suppliers (*See Attachment 3*) that have filed for bankruptcy in 2009. Throughout the year, MEMA, OESA and other industry analysts warned about an impending implosion of the supply base. The risk was real. However, industry, government and the financial communities contributed significantly to prevent this implosion. The following events were critical in preventing such an implosion:

- The U.S. Government provided debtor-in-position (DIP) funding for GM and Chrysler bankruptcies preventing these companies from liquidating
- The U.S. Treasury Auto Supplier Support Program assisted several hundred suppliers
- Virtually all GM and Chrysler production suppliers were granted essential supplier status in bankruptcy and were paid 100 percent of their cure amounts
- GM paid its June 2<sup>nd</sup> payables on May 28<sup>th</sup>, supporting the cash flow of many suppliers

- The industry production volume ramp-up was delayed until the Car Allowance Rebate System (cash for clunkers) took effect in July and August
- Major suppliers filing for Chapter 11 obtained DIP financing from traditional and non-traditional sources preventing liquidation of major component suppliers

OESA has no definitive number of suppliers who have closed facilities.

However, Plante & Moran estimates that up to 200 suppliers may have liquidated. According to Grant Thornton (*See Attachment 4*), there have not been significantly more bankruptcies because:

- Many suppliers have liquidated without filing for bankruptcy protection
- OEMs have announced plans to source only 50-75 percent of their current supply base on future programs, yet these shifts have not fully occurred
- Many other companies are undergoing out-of-court restructurings with drastic cost-cutting measures

To survive through this period, suppliers have dramatically reduced their cost structures. Surveys of OESA member companies indicate that just between the beginning of 2009 and present suppliers have reduced their estimated North American production break-even point (the level of industry production where they begin profitability) by 1 million units or almost 10 percent. Such dramatic

reductions in a short time period are significant. In fact, a recent survey by Watson Wyatt (*See Attachment 5*) shows that automotive suppliers took significantly more radical actions to control human resource costs than the broader, national industries. A few of Watson Wyatt's findings include:

- *Salary Reductions*: 71 percent of OESA member companies implemented versus 16 percent of the national sample
- *Increased Health Care Premiums*: 43 percent of OESA member companies implemented versus 25 percent of the national sample
- *Reduced Employer 401(k) Match*: 57 percent of OESA member companies implemented versus 22 percent of the national sample
- *Mandatory Shutdowns*: 69 percent of OESA member companies implemented versus 18 percent of the national sample
- *Reduced Workweek*: 74 percent of OESA member companies implemented versus 19 percent of the national sample

The transition costs have been significant to these families and communities, as the industry has restructured. For the industry, the restructuring will eventually pay off as, suppliers, on average, should be above their financial breakeven point in 2010. However, currently there is significant pressure on the entire system to access adequate working capital to bring the manufacturing system back up.

Lending continues to be restricted as significant risks – particularly surrounding GM and Chrysler - remain with the industry and lenders alike. While GM and Chrysler have exited bankruptcy, their old businesses continue to be liquidated and significant issues surround the success of the new entities. Grant Thornton (*See Attachment 4*) identifies these major risks to include:

- The full impact of new equity ownership structures
- The success of new product launches, must-have products, competitive pricing, brand repositioning and improved quality rankings
- The ability to create momentum while industry conditions improve
- Government influence related to new-vehicle development and vehicle emission regulation
- The success of new board seat composition

Overall, lending continues to be constrained because there remains excess capacity based on suppressed demand levels and historically low levels automotive asset valuations. There must be increased access to capital through the entire supply chain – from the largest tier one suppliers to the smallest family-owned firm so that the supply base can:

- Rehire workers and purchase raw materials for production increases
- Retool for new programs
- Restructure internal operations and consolidate external capacities

From being completely frozen in the first quarter, capital availability into automotive has improved through the third quarter of 2009. Examples include the fact that a few suppliers have been able to raise capital in secondary market, additional suppliers have secured DIP and exit financing to facilitate bankruptcy reorganizations and implied interest rates have fallen on automotive paper. While quarter-over-quarter lending improvements have been recorded through 2009, GE Capital in their Fourth Quarter 2009 Industry Research Monitor: Auto & Auto Parts (*See Attachment 6*) reports that North American syndicated loan volume in the auto and auto parts sector is still down 60 percent year-to-date in September 2009. This, of course, reflects a combination of credit availability as well as company demand.

So, while the situation is improving, is it improving fast enough to support the industry's required new model launches and technology development projects? It is very typical to have a \$100 million supplier to support \$5 to 10 million in customer tooling costs. Access to capital is the cushion that keeps our supply base liquid. As one of our members said, "I pay my employees weekly, my leases every four weeks, my vendors every six weeks, and my customers pay me every eight weeks." The need for additional capital is evident.

While there has not been a widespread failure of the automotive industrial system as suppliers have restructured or liquidated, issues regarding access to



capital are showing up and an inordinate amount of attention is required to keep the supply base running. These are just a few examples from our membership:

- A minority owned supplier which just was announced being added to an OEM joint research development program can only obtain a one-year line of credit
- A smaller metal fabricating business could not get a loan to purchase equipment for a new line to deepen his capital base and keep his Midwest workforce competitive
- A small metal fabricator could not raise additional capital to invest in his Michigan operations and lost the business to Mexico
- A supplier looking for tooling capital for “one of the most secure” OEMs was turned down by traditional lenders and nearly 100 alternative sources of funds
- A very large international resin supplier needs to have daily phone calls with a domestic OEM to review production schedules as the resin supplier has supply issues with a sub-tier supplier in Chapter 11
- A large international supplier could not get an additional loans to purchase specialized equipment to diversify into the aerospace industry as they are up against tight loan covenant terms

These are not examples of supplier capacity in need of rationalization. These are examples of suppliers that are on forward OEM vehicle programs looking to

invest in the U.S., compete against global competition and support a profitable, productive domestic auto industry.

According to the OESA Automotive Supplier Barometer September survey (*See Attachment 7*); the majority of all respondents have not seen any significant change in lending practices as judged by metrics from the cost of credit lines to commercial loan interest rates, covenants or collateral requirements. In fact, 23 to 46 percent of the respondents actually saw tightening across these various terms between July and September. When OESA examined the responses by size of company (above or below \$500 million in revenue), it is clear that smaller suppliers face the possibility of even tighter terms. This is an industry worth investing in. However, industry production volumes (driven by weak consumer spending) and low levels of asset valuations restrict credit availability even to suppliers that will be needed on the other side of this crisis.

Banks are forming their lists of which suppliers they will work with and those they will not. The OESA Automotive Supplier Barometer survey from July noted that 23 percent of suppliers characterized their banker as actively engaged with them while 19 percent described their banker as actively exiting the industry. We are worried about the 60 percent of the supply base in between that may be indiscriminately cut off from necessary access to capital. In fact, in a recent review of supplier financial distress monitoring systems, a group of OESA chief purchasing officers concluded that predicting the failure of a supplier has more to

do with their banking relationships than it does with their operational efficiency or revenue outlook.

Given the parts sector is operating just above 50 percent capacity utilization, we believe that there will be a continued stream of bankruptcies and closures through the rest of 2009. In 2010, we expect ongoing closures as the industry continues to operate at low – albeit increasing – production volumes. Although much of this is to be expected in an industry in transition, adequate capital is necessary to consolidate the industry in a rational, effective manner. Otherwise, production disruptions and failure of companies with critical capabilities may ensue.

**MEMA and OESA believe Congress and the Administration should focus on two areas to lower the risk of potential production disruptions and unintended employment loss as well as to establish longer-term programs to enhance product and manufacturing technology advancement.**

### **Focus on Smaller Suppliers**

Given the industry's significant capital requirements and the general mismatch of funding, a steady access to lines of credit and asset-backed loans is essential for the survival of the supply base. For example, many small suppliers invest \$2 to \$4 million for the design, engineering and tooling for a component on a new vehicle program. However, typically suppliers receive payment for this

investment after the launch of production through the piece price of the component. The supplier might not begin receiving any cash flow on their investment for 12 to 24 months and will not completely be reimbursed until the product ends production in another 36 to 60 months. There is a need to provide capital for tooling progress payments. As such, there is an opportunity to create a private-public capital partnership to lower the risk of lending into the industry, particularly in the current period of systemic risk.

Small Business Administration (SBA) programs have been at the foundation of small supplier support for decades. However, the SBA programs are not scaled to assist small automotive component suppliers – particularly suppliers not in a start-up phase. Since suppliers are expected to fund a great deal of the R&D and tooling for new vehicle launches, the net worth and loan amounts have limited utility to our industry. Given the scale the auto industry operates on, this limit is too low to help many suppliers. A recent OESA survey indicated that a \$3.5 - \$10 million level would be far more helpful to small and medium automotive suppliers. Although small manufacturers should be able to turn to the SBA for loan programs, the current system is simply not designed to meet the needs of manufacturers with substantial raw material, research and development costs. The announced revisions to the SBA program are certainly a step in the right direction.

Given low production volumes and temporary low valuations of industry assets, many loans to long-term viable suppliers are, in the short-term, “out of formula” for banks to consider. One idea the industry– along with several bankers we have spoken to – believes has merit is the Michigan Supplier Diversification Fund. The \$12 million program, currently in a “pilot” stage, is being funded by the State of Michigan and addresses three critical impediments to lending:

- *Cash flow* – by purchasing a portion of a commercial credit facility and offering preferred terms for up to 36 months to borrowers.
- *Collateral value* – by supplementing the collateral value on loan requests and depositing cash pledged to the bank.
- *Transitional risk* – by creating a mezzanine (bank of banks) model that can spread risk among several lenders and make both debt and equity investments.

It is important to investigate scaling this type of program up to a national level in all states to support a broad range of manufacturing entities.

## **Focus on Technology Funding**

The supplier industry has worked with its customers and developed a wide range of new technologies that promote increased safety and improved fuel efficiency. This work includes:

- Batteries and engines for hybrid vehicles
- Clean diesel engines
- Direct fuel injection systems
- Fuel cell technology
- Lightweight materials
- Innovative glass
- Advanced safety technology

Suppliers are constantly called upon to innovate new products and processes. The industry works daily with vehicle manufacturers to make vehicles safer, stronger, lighter, more fuel efficient, more economical and more environmentally friendly. This innovation takes investment in people, capital equipment engineering and research and development. Governmental R&D programs aimed at the supplier industry are needed.

MEMA and OESA support S. 1617, the IMPACT Act, currently under consideration, and H.R. 3246, the Advanced Vehicle Technology Act, which has passed the House. These bills will provide greater access to funding for the

supply base. The technology needs of the auto industry will require suppliers to invest in additional research and development, retool existing facilities and compete with sophisticated technology from overseas.

## **Conclusion**

We understand and support the need to consolidate the industry. However, we believe that without sufficient capital to provide a stable environment in which to restructure, the industry and its employees will witness unnecessary disruptions. Without assistance, this country will needlessly lose manufacturing capacity, technology development and jobs.

In conclusion, automotive suppliers remain in a period of significant industry-wide transformation. Smaller firms at the foundation of the supply chain pyramid have shown continued difficulty accessing capital. Given the supply base's significance to the economy and innovation it is imperative that the government, industry and financial communities work together to provide access to credit at reasonable terms. In parallel, given the number of technology options the industry needs to develop and commercialize, all parties must work together to clarify these technology paths and reduce the investment risk for the development and manufacture of these advanced technologies so as to encourage capital back into the auto industry. We welcome an opportunity to work with the Committee.

# **Attachment 1**

**MEMA Description**



## About MEMA, OESA, AASA and HDMA



### **Motor & Equipment Manufacturers Association (MEMA):**

<http://www.mema.org>

Since 1904, MEMA has exclusively represented and served manufacturers of motor vehicle components and systems for the original equipment (OE) and aftermarket segments of the light vehicle and heavy-duty industries. The experience of being a valued partner helps MEMA anticipate the needs of its members and strengthens its ability to predict industry trends accurately and consistently.

MEMA is comprised of three market segment associations: Original Equipment Suppliers Association, Automotive Aftermarket Suppliers Association and Heavy Duty Manufacturers Association.

### **Original Equipment Suppliers Association (OESA):**

OESA, the OE market segment association of MEMA, serves members focused on the light vehicle original equipment market.

<http://www.oesa.org>



Original equipment suppliers manufacture the many parts that are equipped on a new vehicle. In North America alone, the new vehicle parts market is worth approximately \$300 billion a year. Original equipment suppliers are among the nation's most competitive and high-tech manufacturers and operate on a global basis, responding to the needs and requirements of their customers across the globe. Moreover, the role these suppliers occupy continues to increase. Suppliers now shoulder the overwhelming majority of the engineering, design and manufacturing of the vehicle. The percentage of content from suppliers is expected to increase to a resounding 70 percent by 2010.

**Automotive Aftermarket Suppliers Association (AASA):**

AASA, a market segment association of MEMA, was created to help MEMA focus on key industry issues that affect its aftermarket member companies.



<http://www.aftermarketsuppliers.org>

The automotive aftermarket, which consists of companies that produce, distribute, sell and install replacement products, employs approximately 3.7 million Americans. The industry continues to benefit from a larger vehicle population and more miles driven. Sales of products in this industry exceed \$250 billion and continue to increase year after year. Consumers have come to depend on the aftermarket for its high level of customer service. People expect their vehicles to be repaired fast and at an affordable price — something the aftermarket excels in. Indeed, the aftermarket industry keeps Americans productive and on the road.

**Heavy Duty Manufacturers Association (HDMA):**

HDMA, MEMA's heavy-duty market segment association, serves member companies in the Class 4 to Class 8 heavy-truck market.



<http://www.hdma.org>

Heavy-duty trucks keep America's economy rolling. The trucking industry hauls 9.3 billion tons of goods or close to 70 percent of total U.S. freight. About 70 percent of U.S. communities depend solely on trucking for the delivery of goods. The trucking industry also employs more than 9 million Americans nationwide. Moreover, as important as the trucking industry is, trucking component manufacturers are making sure these vehicles are safe. Although there are more than 2.3 million large trucks on the road in the United States today, highway fatalities and injuries involving heavy trucks have steadily decreased over the years even though the number of trucks and miles logged has increased. Trucks also play major roles in exporting and importing goods across borders and helps ensure that the supplier industry's highly effective just-in-time delivery strategies are seamlessly executed.



# **Attachment 2**

**MEMA Economic Significance Study**





Moving America. Part by Part.

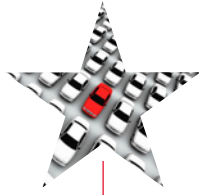
MOTOR VEHICLE PARTS SUPPLIERS



WWW.MEMA.ORG







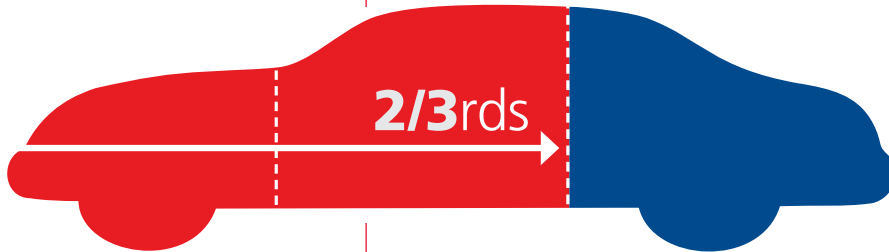
## Building the Foundation for Transportation. Part by Part.

Transportation is essential to our way of life in this country. We drive to work, take our children to school, and run errands. We take buses across city streets

parts and accessories. Safe, efficient transportation is essential to keeping our economy moving.

It is the parts in a vehicle that make it safe and economical to use. The next time you sit in your car, think for a minute about what is inside – the instrument panel, audio system, overhead consoles, climate control system, seats and other components. Think about what makes your car safer and more fuel-efficient – airbags, seatbelts, headlights, brakes, catalytic converters, tires. You begin to understand that the car is really the sum of its parts. In fact, more than two-thirds of the value in today's vehicles and the

sector in the United States, directly employing nearly 686,000 individuals across the country and contributing to more than 3.29 million jobs. Without the contributions of the nation's parts suppliers, domestic vehicle manufacturing and maintenance would almost certainly grind to a halt, adversely affecting the way we drive and go about our daily lives.



Parts suppliers manufacture over two-thirds of the value in today's vehicles.

and time zones. We buy groceries that were delivered to our neighborhood store by commercial trucks. We maintain our vehicles with a broad range of services,

majority of parts used to service your vehicle over its lifespan are produced by parts suppliers.

Parts suppliers are the backbone of the vehicle manufacturing industry and the country's manufacturing base. The industry constitutes the largest manufacturing



# 686,000

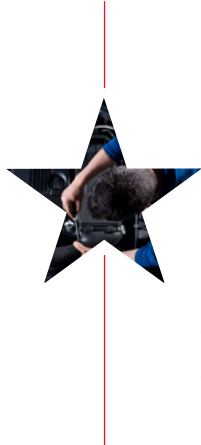
Direct workers in the United States

# x 4.8

Additional indirect jobs contributed

# 3.29 Million

Total number of jobs the industry impacts



## Building a 686,000 Person Industry. Part by Part.

Collectively, U.S. motor vehicle parts suppliers are a \$388-billion industry, comprising three distinct segments: original equipment, heavy duty and aftermarket.

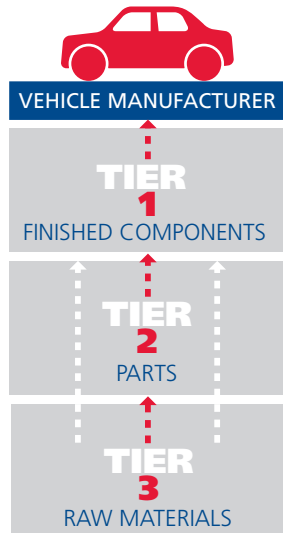
and sell finished components, such as transmissions, seats and instrument panels directly to the vehicle manufacturer. Tier 2 suppliers sell parts like transmission gears, electronics,

suppliers. Each tier depends on the financial health of the other tiers for its survival. Ultimately, all suppliers depend on the financial health of the domestic and foreign vehicle manufacturers at the top of the supply chain pyramid. Given this illustration, it is easy to see the interdependency of the entire vehicle manufacturing industry.



# \$388-Billion Industry

Collectively, the motor vehicle parts supplier industry is a \$388-billion industry in the U.S.



### LIGHT VEHICLE ORIGINAL EQUIPMENT (OE)

Original equipment suppliers design, engineer and manufacture parts required for the assembly of passenger cars and light trucks. OE suppliers interact directly with vehicle manufacturers, and their success is tied directly to the number of domestically produced vehicles. Each year, more than 300 new light vehicle models are sold in

the U.S. – and each model contains 8,000 to 12,000 parts or components.

The OE sector is often divided into levels or tiers. Tier 1 suppliers provide full design and engineering support

speedometers and seat covers to the Tier 1 suppliers. Tier 3 suppliers provide raw materials to either of the other



### HEAVY DUTY

Passenger cars share the road with commercial vehicles like medium- and heavy-duty trucks, which are used to move the vast majority of goods in the United States. Additionally, we depend on school and transit buses and emergency vehicles to operate in a safe and efficient manner. Heavy-duty suppliers provide the original equipment parts used to manufacture commercial vehicles and aftermarket replacement parts needed to maintain the vehicles in service and on the road. Heavy-duty suppliers are also responsible for developing most of the technologies that keep these vehicles safe.

Due to shipping costs and vehicle size and weight, most heavy-duty vehicle

The Original Equipment sector is often divided into levels or tiers. Given this illustration, it is easy to see the interdependency of the entire vehicle manufacturing industry.





MODE	TONS (MILLIONS)	VALUE (BILLIONS)	TONS	VALUE
<b>ALL MODES, TOTAL</b>	<b>19, 487</b>	<b>\$13,052</b>	<b>100%</b>	<b>100%</b>
Truck	11,712	9,075	60%	70%
Rail	1,979	392	10%	3%
Water	1,668	673	9%	5%
Air (including truck and air)	6	563	0%	4%
Pipeline	3,529	896	18%	7%
Parcel, U.S. Postal Service, or courier	27	1,022	0%	8%
Other multiple and unknown modes	567	430	3%	3%

Trucks are responsible for 70% of the value and 60% of the tonnage of commercial freight in the United States.

part manufacturing remains in the United States. As with the light-vehicle OE market, suppliers are generally divided into three tiers. This industry is dependent on a healthy economy

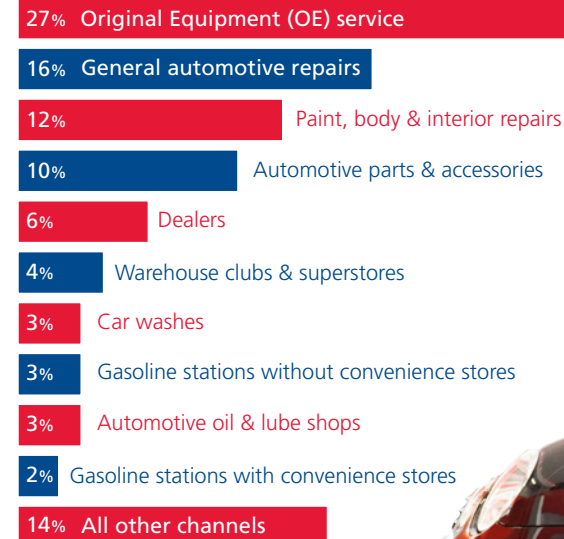
generating freight ton-miles demand. Supplier success is impacted by economic cycles, changing manufacturer demands, production schedules, tight credit markets, and new diesel emission-reduction requirements that have caused both spikes and steep drops in demand.

#### AUTOMOTIVE AFTERMARKET

U.S. aftermarket suppliers support the light-, medium- and heavy-duty vehicle markets. The aftermarket segment includes the manufacturing, remanufacturing, distribution, retailing and installation of all vehicle parts, chemicals, tools, equipment and accessories necessary to keep the vehicles on our roads operating safely and efficiently.

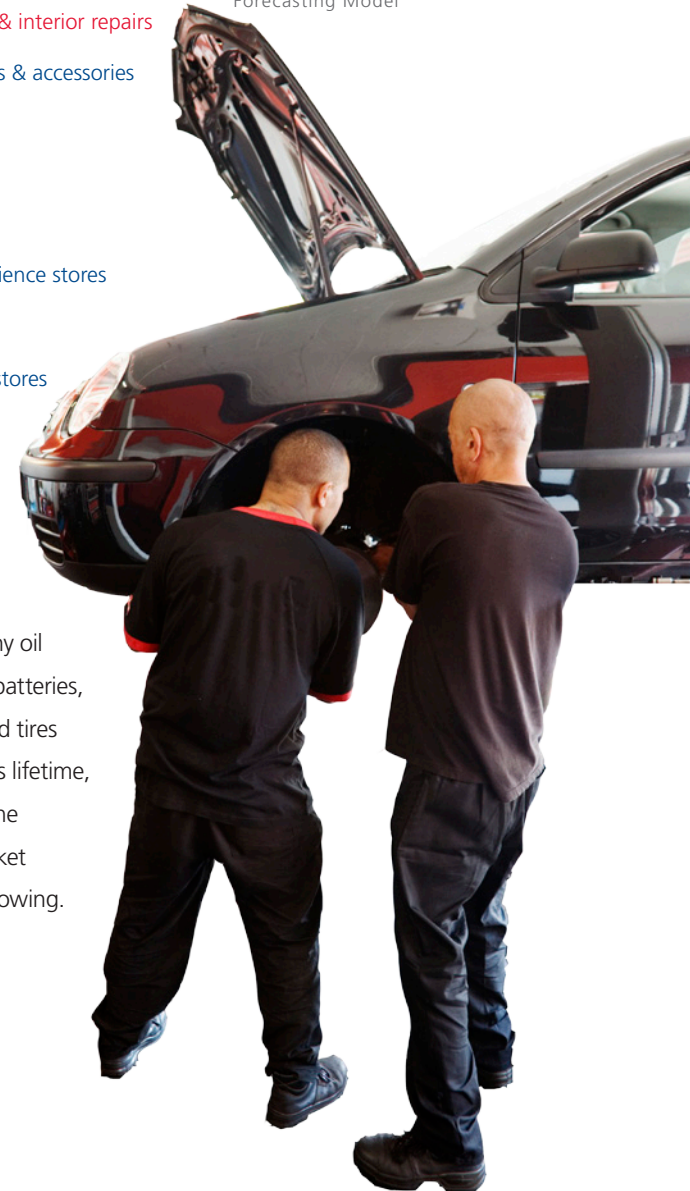
Most aftermarket repair work takes place in a vehicle manufacturer’s dealership service facility or an independent repair shop. There is also a strong “do-it-yourself” market – individuals who

#### AFTERMARKET SALES BY CHANNEL



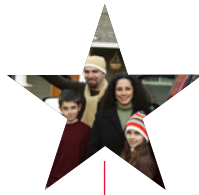
*Aftermarket Sales by Channel; Joint Motor Vehicle Aftermarket Channel Forecasting Model*

perform their own vehicle maintenance. Considering how many oil changes, brake jobs, batteries, filters, hoses, belts and tires a vehicle requires in its lifetime, it is easy to see why the \$244-billion aftermarket segment is steadily growing.



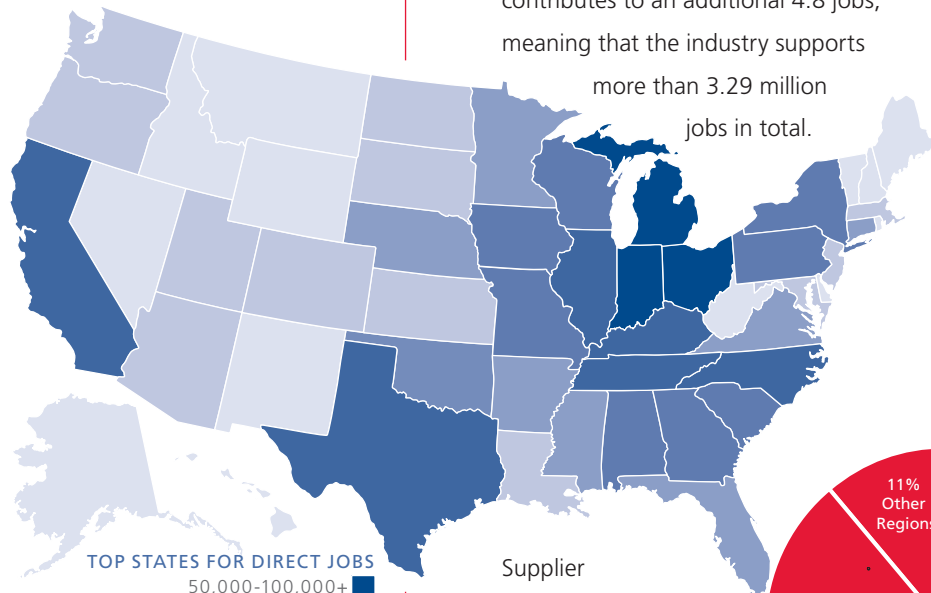


# Supporting Jobs in Our Communities. Part by Part.



The motor vehicle parts supplier industry is the U.S.'s largest manufacturing sector, employing 686,000 workers. In turn, every direct job with a parts supplier contributes to an additional 4.8 jobs, meaning that the industry supports

more than 3.29 million jobs in total.



**TOP STATES FOR DIRECT JOBS**

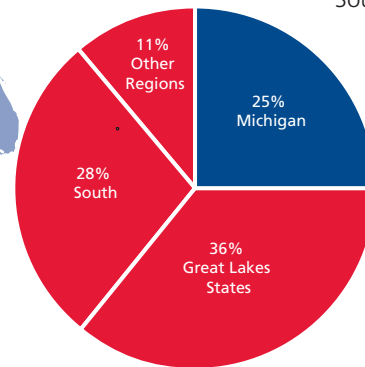
- 50,000-100,000+
- 25,000-50,000
- 10,000-25,000
- 5,000-10,000
- 1,000-5,000
- 0-1,000

*Importance of Parts Suppliers to Local Manufacturing.*  
Counting only direct employment, parts suppliers are the largest manufacturing sector in eight states: Indiana, Kentucky, Michigan, Missouri, Ohio, Oklahoma, South Carolina and Tennessee.

Supplier operations are often one of the largest employers in small communities, making parts suppliers the foundation of hundreds of communities across the country. Suppliers support a vast network of operations that stretches from coast to coast. While 25 percent of supplier facilities are in Michigan, 36 percent

are located in other Great Lakes states, 28 percent are in the South, and the remaining 11 percent are in other regions (see chart below).

Most of the supplier industry's growth in recent years has taken place in the South. As foreign-owned vehicle manufacturers established plants in states like Kentucky, Tennessee, Alabama, Mississippi and South Carolina, their suppliers followed. Sixty-seven percent of the parts plants located in the South opened between 1980 and 2006, now constituting a significant part of the economy of Southern states.



Of the 3.29 million jobs supported by motor vehicle suppliers, close to one-third are related to manufacturing. In addition, the complexity of the motor vehicle itself requires a large range of raw materials – including steel, plastics, non-ferrous metals and rubber. Over 290,000 people in these and other industries depend upon a competitive U.S. motor vehicle supplier industry.

EMPLOYMENT	INTERMEDIATE	EXPENDITURE-INDUCED
<b>Manufacturing</b>	<b>145,100</b>	<b>235,200</b>
Metals, Minerals, Machinery	35,200	65,300
Fabricated Metal Prod. Mfg.	44,700	43,600
Motor Vehicle Mfg.	14,500	7,100
Plastics, Rubber Prod. Mfg.	16,200	15,100
Electrical or Computer Products	3,200	20,700
Other Manufacturing	31,300	83,400
<b>Non-Manufacturing</b>	<b>753,000</b>	<b>1,466,600</b>
Professional, Tech Services	141,200	86,300
Mgmt. of Companies, Enterprises	35,800	18,200
Admin., Waste Services	145,500	34,900
Wholesale Trade	83,000	60,400
Retail Trade	75,900	220,000
Transp., Warehousing	52,600	83,100
Finance, Insurance	54,000	72,000
Other Services (excl. Govt)	142,600	618,600
Other Non-Manufacturing	22,800	273,100
<b>TOTAL</b>	<b>898,500</b>	<b>1,701,800</b>

*Intermediate and Expenditure-Induced Employment*



## Sustaining Our Environment. Part by Part

Suppliers have consistently demonstrated a commitment to advancing technologies and practices that will secure a sustainable environment through product innovation and more environmentally friendly manufacturing operations.

### VEHICLE AND ENGINE TECHNOLOGIES



The industry has worked with its customers and developed a wide range of new technologies that promote fuel efficiency. Most of these technologies, with a few exceptions, are available for both passenger vehicles

and heavy-duty vehicles, including:

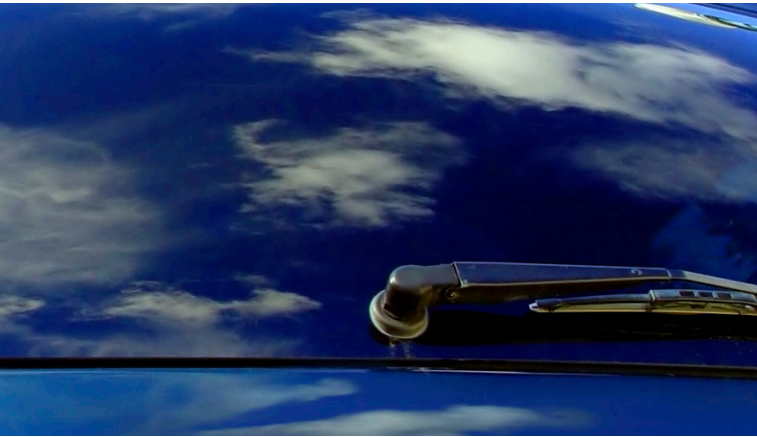
- **Batteries and Engines for Hybrid Vehicles.** Hybrid vehicles convert the energy normally wasted during coasting and braking into electricity. This energy is stored in a battery until needed by the electric motor. Some hybrids also automatically shut off the engine when the vehicle comes to a stop and restart it when the accelerator is pressed, preventing wasted energy from idling.

- **Clean Diesel Engines.** Clean diesel can provide 30 to 35 percent better fuel economy and generally emits 25 percent less greenhouse gas than gasoline. Additionally, diesel engines offer more power and greater acceleration than gasoline engines.
- **Direct Fuel Injection Systems.** Direct fuel injection systems work by first reducing fuel to a fine spray, then injecting it directly into an engine's cylinders without first mixing with incoming air. Greater fuel economy is achieved as the technology allows fuel to burn more efficiently.
- **Fuel Cell Technology.** Fuel cell vehicles create their own electricity and are propelled by an electric motor, resulting in low or no emissions. Though not likely to be widely available in the near term, fuel cells represent an enormous opportunity and an important technological advance.
- **Lightweight Materials.** By using lightweight materials such as aluminum, plastic and other composite materials, manufacturers can build more fuel-efficient vehicles without sacrificing

safety, durability or comfort. For every 10 percent eliminated from a vehicle's total weight, fuel economy improves by seven percent.



- Innovative Glass. Advances in glass technology allow for cooler vehicle interiors, which reduce the demand for air conditioning, resulting in increased fuel economy and reduced greenhouse gas emissions.



- Anti-Idling Technology. Aimed specifically at commercial vehicles, anti-idling technology reduces the need for drivers to idle their engines on long-haul trips. Anti-idling

technology can reduce idling fuel consumption by 60 percent and greatly reduce idling emissions.

#### VEHICLE MAINTENANCE

One simple key to conserving fuel and reducing emissions is regular vehicle maintenance. According to the U.S. Department of Energy, vehicle maintenance and repair can improve mileage by an average of 4 percent,

while fixing a serious maintenance problem can improve your mileage by as much as 40 percent. These repairs can take a variety of forms.

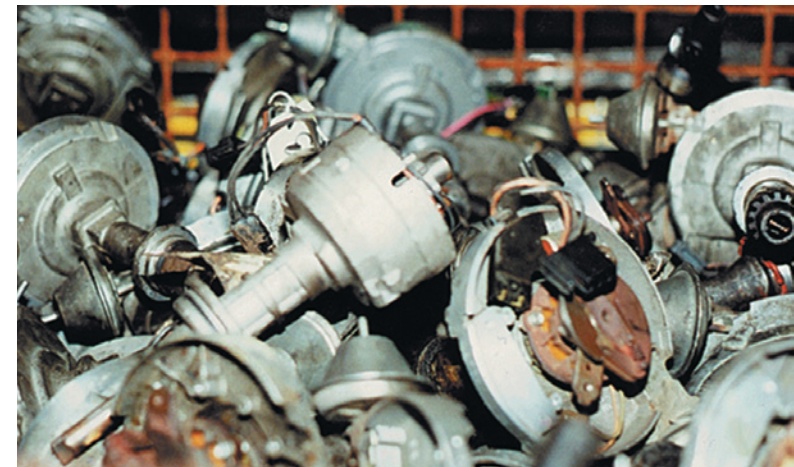
- Replacing clogged air filters protects the engine and can improve mileage in older vehicles by as much as 14 percent.
- Performing regular engine tune-ups and vehicle maintenance checks improves efficiency because worn spark plugs, dragging brakes, low transmission fluid and transmission problems can all hinder fuel economy.
- Keeping tires properly inflated and aligned can improve mileage by more than three percent.

#### RECYCLING VEHICLE PARTS AND MATERIALS

Recycling is critical for suppliers. The lead and plastic casings in vehicle batteries are recycled to make new batteries. Used oil filters are recyclable because they are made of steel and can be reprocessed into new steel products, such as cans, appliances,

vehicles and construction materials.

Additionally, suppliers who remanufacture vehicle parts and components have cut down on energy use, waste disposal and capital and labor inputs. Through remanufacturing, products that are worn, imperfect or discarded are brought to a manufacturing environment where they are cleaned and checked. Reusable product parts are brought up to factory or performance specifications; parts that cannot be reused are replaced. Remanufacturing preserves the value of the original manufacturing – including energy costs and waste

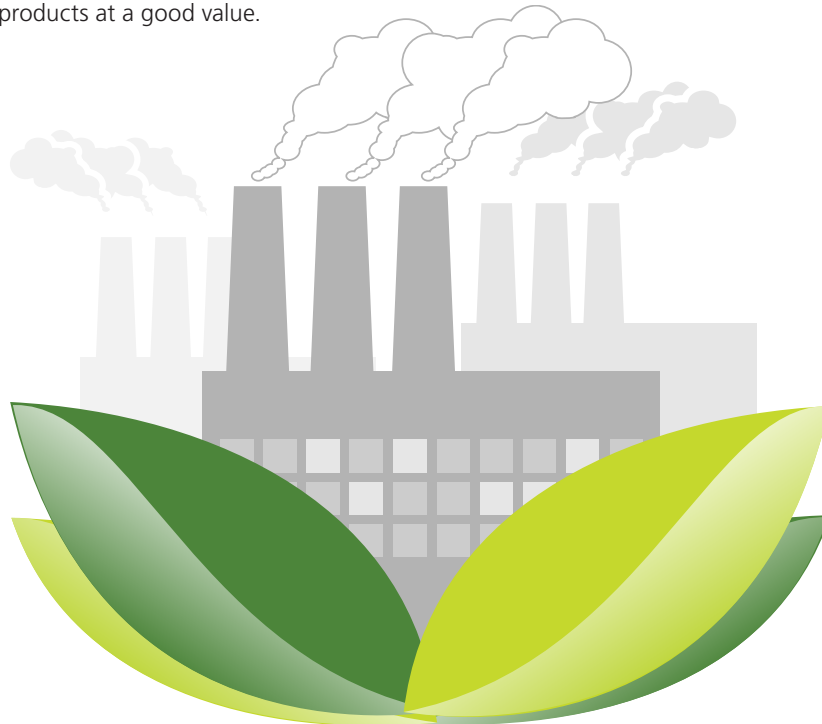






**ACCOUNTING FOR THE CARBON FOOTPRINT**  
Many suppliers adhere to strict product stewardship guidelines. Stewardship involves thinking about a product's lifecycle – from the raw materials that go into a product to how a product, at the end of its service life, can be reused or recycled. Companies are also increasing the use of renewable raw materials, such as natural rubber and plant-based oils and biofuels. Other innovations include conserving basic resources at manufacturing facilities. For example,

disposal – which recycling alone cannot do. Remanufacturing also provides a number of benefits to the economic and environmental well-being of this country, including domestic job creation and extending the useful life of consumer products at a good value.



a supplier company in upstate New York recycles approximately 100,000 gallons of rainwater annually. The rainwater is collected from its 10,000-square-foot roof and stored in cooling towers used to transfer heat generated from the plant's air compressors.





## Supplying Safety Innovation. Part by Part.

Motor vehicle parts suppliers are responsible for more than two-thirds of the value of a new vehicle. In 2006, suppliers were responsible for nearly 30 percent of the total \$16.6-billion automotive research and development investment and are providing much of the intellectual capital required for the design, testing and engineering of new parts and systems.



### ADVANCED SAFETY TECHNOLOGIES

Suppliers play a critical role in the advancement of vehicle technologies and will continue to drive initiatives that reduce critical safety problems on America's roads. Two of the most well-known safety innovations are seatbelts and airbags,

which combine to save countless lives every day. Suppliers work very closely with the National Highway Traffic Safety Administration (NHTSA) and the Federal Motor Carrier Safety Administration (FMCSA), the government agencies that regulate vehicle safety.

One of the newest safety advances is electronic

stability control (ESC), mandated by NHTSA for all passenger cars and light trucks beginning with the 2009 model year. ESC is a system that uses sophisticated sensors to detect and prevent skids or loss of control by automatically adjusting individual brakes to safely reposition the vehicle on its intended course. Suppliers are also responsible for safety advancements like adaptive cruise control, advanced all-wheel drive systems, blind zone management systems, collision detection systems, mirror displays and side alert detectors. All these systems are designed to respond to consumer demand and make vehicles safer.

### HEAVY TRUCK SAFETY TECHNOLOGIES

Suppliers are also developing the technology that keeps heavy-duty trucks and other commercial vehicles safe – a tremendously important task given the volume of trucks on the roads. According to the U.S. Department of Transportation, there were more than 4,800 fatalities and nearly 84,000 injuries resulting from accidents involving heavy-duty vehicles in 2007. FMCSA and NHTSA have identified rear-end collisions, sideswipe



accidents, or running off the road or out of the lane as the critical event that caused more than 60 percent of these accidents. Brake problems were a factor in 30 percent of these crashes.

Continually challenged to provide innovation that will reduce accidents, suppliers play a key role in developing technology to address these "critical event" concerns. New technologies include brake stroke monitoring, collision warning, lane departure warning, and stability control. The industry is working with Congress to develop a tax incentive for the purchase of these technologies to spur their use.

### PROTECTING INNOVATION

Additionally, it is very important for suppliers to protect their innovation. According to private-sector estimates, parts suppliers lose an estimated \$12 billion worldwide and \$3 billion domestically in sales annually to product counterfeiting. Counterfeit parts also present a potential safety concern. The supplier

industry is working with Congress and Administration officials to promote legislation that would improve anti-counterfeiting efforts.



## Trillions of Miles Driven, and Still Moving.

Americans drive an astonishing three trillion vehicle miles per year. There is little that we can accomplish without driving. From our daily commute to our weekend getaways, from safely moving commerce to safely driving our children to school; we depend on reliable, safe and efficient transportation.

Motor vehicle suppliers design, engineer and manufacture the quality parts that fulfill our need for efficient transportation, and they are helping improve new vehicle safety, fuel efficiency and emission reductions. Suppliers also provide quality jobs that support our communities. With a constant focus on the future and what will best meet public need, automotive and heavy-duty suppliers continue to keep the country moving, part by part.



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"Moving America. Part by Part." Based on research undertaken by the Center for Automotive Research on behalf of the Motor & Equipment Manufacturers Association (MEMA); Who Really Made Your Car?, Thomas Klier and James Rubenstein, Upjohn Institute; and information compiled by MEMA, April 2009.

# **Attachment 3**

**OESA Supplier Bankruptcy List**





## Supplier Bankruptcy Filings for 2009

No.	Company	Date	Assets (Millions)	Debt (Millions)	Revenue* (Millions)	Ownership	DIP Financing (Millions)	Components Produced	Bankruptcy Case Number
1	Fuba Printed Circuits GMBH	1/15/2009			\$84			Printed circuit boards for automotive, industrial, and telecommunications.	Filed in Germany
2	Checker Motors Corp	1/16/2009	\$24.5	\$21.8	\$9.4			Stamping and welding for hood assemblies, rear panels and other parts	U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-42392.
3	Von Weise Inc.	1/16/2009				Sun Capital Partners Inc.			U.S. Bankruptcy Court, District of Delaware, No. 09-10186
4	Smurfit-Stone Container Corp	1/26/2009	\$7,450	\$5,580	\$7,500		\$750	Corrugated packaging maker (paperboard and paper-based packaging)	U.S. Bankruptcy Court, District of Delaware, No. 09-10235
5	Contech LLC	1/30/2009	> \$100	> \$100	\$222.8	Marathon Automotive Group, LLC Marathon Asset Management		Light-weight cast components for cars and trucks It also produces forged steel automotive components, and fabricates tubular steel components.	Contech U.S., LLC - U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-42392 Contech, LLC - U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-42405 MAG Contech, LLC - U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-42409
6	Edscha AG	2/2/2009			\$1,080 (Euros)	The Carlyle Group		Door hinges and door checks in the Hinge Systems Division; Convertible Roof Systems; Driver Controls - foot controls and parking brakes	Filed in Germany
7	Mathson Industries	2/4/2009	\$2	\$8				Powder injection molded, plastic and ceramic components	U.S. Bankruptcy Court, No. 09-42894-TJT
8	Fluid Routing Solutions Inc	2/6/2009	\$10 - \$50	\$10 - \$50	\$211.5	Sun Capital	\$12	Hoses and other parts	U.S. Bankruptcy Court, District of Delaware, No. 09-10384
9	Court Valve	2/6/2009				Court Holdings Ltd. of Beamsville		Manufactures power train transmission components	Filed in Canada
10	Aleris International	2/12/2009	\$4,900	\$4,200	\$5.91	TPG	\$1,075	Producer and recycler of aluminum products	U.S. Bankruptcy Court, District of Delaware, No. 09-10478
11	Foamex International Inc	2/18/2009	\$363.8	\$379.7	\$980		\$95	Polyurethane foam for bedding and cushions	U.S. Bankruptcy Court, District of Delaware, No.09-10560
12	Wiltex Industries	2/25/2009						Precision machined parts	U.S. Bankruptcy Court, District of Minnesota
13	Plastal Group AB	3/5/2009						Injection-molded and surface-treated plastic to the automotive industry	Filed in Sweden
14	Fabtech Industries, Inc	3/9/2009						Suspension systems and accessories for off-road	U.S. Bankruptcy Court, Central District of California, No. 09-14185
15	Milacron Inc	3/10/2009	\$523.3	\$752	\$175	Avenue Capital Group and DDJ Capital Management LLC	\$135	Largest U.S. maker of plastics machinery — also makes industrial fluids used in metal cutting.	U.S. Bankruptcy Court in Cincinnati, Ohio & Canada Filing did not affect DME
16	Pelican Metal Products	3/27/2009						Manufacturer of Welded and Painted Shipping Racks and Containers, and Custom Formed Products for Automotive and Related Industries	U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-49428
17	Silicon Graphics Inc	4/1/2009	\$390.5	\$526.5	\$354			Servers and data storage products	U.S. Bankruptcy Court, Southern District of New York, No. 09-11701
18	AE Group AG	4/3/2009			\$200			Automotive aluminum die castings	Filed in Germany
19	Lindenmaier AG	4/6/2009			\$113			Machining and Assembly - Powertrain components	Filed in Germany
20	Karmann	4/8/2009						Convertible tops	Filed in Germany
21	LKI Enterprises, Inc. d/b/a Superlift Suspension Systems	4/8/2009						Manufactures and supplies suspension systems	U.S. Bankruptcy Court, Western District of Louisiana, No. 09-30674
22	B & C Corporation d/b/a JR Engineering	4/10/2009	\$42	\$25				Specializing in high-volume production of difficult precision components for both OEM and aftermarket applications	U.S. Bankruptcy Court, Northern District of Ohio, No. 09-51455



## Supplier Bankruptcy Filings for 2009

No.	Company	Date	Assets (Millions)	Debt (Millions)	Revenue* (Millions)	Ownership	DIP Financing (Millions)	Components Produced	Bankruptcy Case Number
23	Noble International Ltd.	4/15/2009	\$190.8	\$38.7				Laser-welded tubes, roll-formed products and other steel components	Noble International - U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-51720 Tailor Steel America LLC - U.S. bankruptcy Court, Eastern Michigan, No. 09-51752
24	LyondellBasel	4/24/2009	\$33,800	\$30,300		Access Industries	\$8,000	Fuels, chemicals and plastics	U.S. Bankruptcy Court, Southern District of New York, No. 09-10021 & 09-10023
25	Mark IV Dayco Products	4/30/2009	\$500	\$1,000	\$1,200	Sun Capital Partners Inc	\$90	Power transmission, air intake and cooling, and information display systems	Mark IV Industries, Inc. - U.S. Bankruptcy Court, Southern District of New York, No. 09-12795 Dayco Products, LLC - U.S. Bankruptcy Court, Southern District of New York, No. 09-12803 F-P Technologies Holding Corp. - U.S. Bankruptcy Court, Southern District of New York, No. 09-12805
26	Hayes Lemmerz	5/11/2009	\$1,300	\$1,400	\$1,900		\$200	Steel & aluminum wheels	U.S. Bankruptcy Code, District of Delaware, No. 09-11655
27	Sanderson Industries	5/11/2009	\$12.9	\$16.5				Metal stampings and welded components to Tier 1 and Tier 2	U.S. Bankruptcy Court, Northern District of Georgia, No. 09-72311
28	Visteon Corp	5/27/2009	\$4,580	\$5,320	\$9,544			Climate systems, interior parts, lighting and electronic systems	U.S. Bankruptcy Court, District of Delaware, Lead Case No. 09-11786
29	Metaldyne	5/27/2009		\$929	\$1,570	Asahi Tec Corporation	\$18.5	Components, assemblies and modules for transportation-related powertrain and chassis applications	U.S. Bankruptcy Court, Southern District of New York, Lead Case No. 09-13412
30	Fort Wayne Foundry Corporation	6/3/2009	\$1 - \$10	\$10 - \$50		Cole Pattern and Engineering Co. (who also filed for bankruptcy)		Aluminum Sand Castings	U.S. Bankruptcy Court, Northern District of Indiana, No. 09-12423
31	Tricon Industries	6/8/2009			\$19			Injection molding	Shutdown and auctioned. No filing found.
32	Advanced Nitriding Solutions, LLC	6/15/2009						Ion Nitriding for Surface hardening on Crank Shafts & Die Casting Molds	U.S. Bankruptcy Court, Southern District of Indiana, No. 09-92060
33	Kiekert & Nieland	6/25/2009			\$11			Automotive stampings	Filed in Germany
34	Advanced Accessory Holdings Corporation	6/26/2009	\$0	\$72		Castle Harlan		Manufactures roof racks, towing hitches and pickup truck rails	U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-60110
35	Grede Foundries, Inc	6/30/2009	\$144	\$148				Ductile/gray iron and specialty metal parts. One of the largest US cast-iron foundries.	US Bankruptcy Court, Western District of Wisconsin, No. 09-14337
36	Global Safety Textiles Holdings LLC	6/30/2009	\$100 - \$500	\$100 - \$500		International Textile Group Inc		Automotive airbag fabric	U.S. Bankruptcy Court, District of Delaware, No. 09-12234
37	Proliance International Inc.	7/2/2009	\$50 - \$100	\$133.5	\$350			Radiators	Proliance - U.S. Bankruptcy Court, District of Delaware, No. 09-12278 Aftermarket LLC - U.S. Bankruptcy Court, Southern District of New York, No. 09-12281
38	Advanced Materials Group	7/2/2009						Advanced metals manufacturing & processing	Advanced Materials Group - U.S. Bankruptcy Court, Central District of California, No. 09-16529 Advanced Materials, Inc. - U.S. Bankruptcy Court, Central District of California, No. 09-16548
39	Lear	7/7/2009	\$1,300	\$4,500	\$13,570		\$500	Automotive seating systems, electrical distribution systems and electronics	U.S. Bankruptcy Court, Southern District of New York, No. 09-14326
40	e International Metals & Chemicals Gro	7/7/2009						Manufactures and markets non-ferrous metals and chemicals	U.S. Bankruptcy Court, Eastern District of Pennsylvania



## Supplier Bankruptcy Filings for 2009

No.	Company	Date	Assets (Millions)	Debt (Millions)	Revenue* (Millions)	Ownership	DIP Financing (Millions)	Components Produced	Bankruptcy Case Number
41	J.L. French	7/13/2009	\$100 - \$500	\$100 - \$500			\$15	Aluminum die-cast auto parts	U.S. District Court, District of Delaware, No. 09-12445
42	RathGibson Inc.	7/13/2009	> \$305	\$319		DLJ Merchant Banking Partners		Global manufacturer of stainless steel and high-alloy tubing products	U.S. Bankruptcy Court, District of Delaware, No. 09-12452
43	Stant Corp.	7/27/2009	\$50 - \$100	\$50 - \$100			\$11	111-year-old maker of automotive fuel systems, fuel and radiator caps and thermostats	U.S. Bankruptcy Court, District of Delaware, No. 09-12647 (Stant Parent Corp.)
44	B&C Machine Co., LLC	7/27/2009				96% owned by Bilinovich family rest - B&C Partners LLC		Manufacture, heat treatment, finishing and assembly of precision-machined components	U.S. Bankruptcy Court, Northern District of Ohio, No. 09-53294
45	Vincent Industrial	7/29/2009						Plastic injection molded components used on virtually every vehicle made in North America	
46	Cooper-Standard Holdings Inc.	8/3/2009	\$1,700	\$1,800	\$2,600	Goldman Sachs and Cypress Group LLC each own 49.2 percent	\$175	Sealing and fluid systems as well as parts to cut down on noise and vibration in cars and trucks	U.S. Bankruptcy Court, District of Delaware, No. 09-12743
47	Meridian Automotive	8/7/2009						Bumpers and lighting parts	U.S. Bankruptcy Court, District of Delaware, No. 09- 12806
48	FormTech Industries LLC	8/26/2009	\$100 - \$500	\$50 - \$100				Provider of forged metal components to the automotive light vehicle, heavy truck and industrial markets in North America.	FormTech Industries, LLC - U.S. Bankruptcy Court, District of Delaware, No. 09-12964 FormTech Industries Holdings LLC - U.S. Bankruptcy Court, District of Delaware, No. 09-12965
49	Auto Cast Inc.	8/24/2009	\$1-\$10	\$1-\$10			\$4	Aluminum and zinc die cast	U.S. Bankruptcy Court, Western District of Michigan, No. 09-9958
50	Alternative Distribution Systems, Inc. (ADS Logistics)	9/2/2009	\$0-\$05	\$10-\$50				A metals targeted logistics company that facilitates supply chain management of metals products	U.S. Bankruptcy Court, District of Delaware, No. 09-13099
51	Gertz Schiele Holding GmbH	9/11/2009						Automotive forgings	U.S. Bankruptcy Court, Eastern District of Michigan
52	Accuride Corporation	10/8/2009	\$682	\$847				Steel & aluminum wheels	U.S. Bankruptcy Court, District of Delaware, No. 09-13449
53	Recticel Interiors North America LLC Recticel North America Inc.	10/30/2009	\$10 - \$50	\$100 - \$500	\$28			Coatings for interior components including dashboards and door panels	Recticel Interiors North America LLC: U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-73419 Recticel NA: U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-73411

### Other known failures:

May & Scofield did not file Chapter 11, but were foreclosed by Bank of America January, 2009  
 Player Wire Wheels Ltd., filed chapter 11 on March 21, 2009

Updated Nov. 11, 2009

Note: This listing and details are as complete as currently known by OESA .

\* At the end of the last fiscal year

# **Attachment 4**

**Grant Thornton Automotive Industry Review**



# Automotive Industry Review

Corporate Advisory Services 2009 Volume 3

## 3<sup>rd</sup> Quarter U.S. Automotive Highlights

### Impact from CARS Program

The Car Allowance Rebate System (aka “CARS” or “Cash for Clunkers”) was a temporary program under which the government provided up to \$4,500 for the purchase of a new, more fuel-efficient passenger vehicle or pickup truck from a participating dealer when an older, less fuel-efficient vehicle was traded in.

The original program began on July 24, 2009 and was expected to end at the earlier of 1) Nov. 1, 2009 or 2) when the first \$1 billion in funds appropriated by the National Highway Traffic Safety Administration (NHTSA) was exhausted. Given the popularity of the program, the original \$1 billion ran out in one week. On July 31, another \$2 billion in funds was approved with the expectation that the program would last until Labor Day. These funds were exhausted early as well, causing the program to conclude on Aug. 24, 2009.



Despite various criticisms about the program, it proved to be generally successful. The U.S. Department of Transportation reported that nearly 700,000 so-called clunkers were taken off the roads and were replaced by somewhat more fuel-efficient vehicles. Rebate applications totaled about \$2.9 billion by the program’s deadline, just under the \$3 billion provided by Congress to run the program.

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continued>

## 3<sup>rd</sup> Quarter U.S. Automotive Highlights (continued)

According to government reports, the program had the following impact:

### Macroeconomic Impact

- Boosted economic growth in the third quarter by 0.3–0.4 percentage points on an annualized basis, thanks to increased auto sales in July and August.
- Will sustain the increase in GDP in the fourth quarter because of increased auto production to replace depleted inventories.
- Created or saved 42,000 jobs in the second half of 2009, with those jobs expected to remain available after the program's close.
- Each U.S. state reported more than \$2 million in voucher amounts, and nine states exceeded \$100 million; these amounts equate to millions of dollars generated in state and local sales tax revenue, much of it in states that perhaps needed it most.

### Environmental and OEM Impact

- 84 percent of consumers traded in trucks, and 59 percent purchased passenger cars.
- New vehicles purchased through the program had an average of a 58 percent (or 9.2 mpg) fuel economy improvement compared with the average fuel economy of the vehicles traded in (trade-in average: 15.8 mpg; purchased average: 24.9 mpg).
- More than half of the top 10 new vehicles purchased under the program were manufactured in the United States.

### CARS program share vs. YTD share

	CARS program	2009 YTD	Diff.
Asian	58.6%	48.3%	10.3%
Domestic	38.6%	44.6%	-6.0%
European	2.7%	7.2%	-4.5%

Note: Figures may not add up to 100% due to rounding  
Source: U.S. Department of Transportation (August 26, 2009)

- Significant U.S. light-duty vehicle inventory drawdown: a drop in days supply levels from 48 days in August to 30 days in September — the lowest inventory level the industry has seen in years.
- Asian OEMs captured nearly three out of five vehicles purchased under the program, with Toyota, Honda and Nissan leading the growth of Asian share.
- Hybrid vehicles accounted for 4.5 percent of new vehicles purchased under the program, compared with 3 percent of all new-vehicle sales in June 2009.
- Of those who purchased a hybrid vehicle, 77 percent traded in an SUV or a truck.

continued>

### CARS program mix by automaker

● Toyota	19.4%
● GM	17.6%
● Ford	14.4%
● Honda	13.0%
● Nissan	8.7%
● Hyundai	7.2%
● Chrysler	6.6%
● Kia	4.3%
● Subaru	2.5%
● Mazda	2.4%
● Volkswagen	2.0%
● Other*	1.9%



\*Other includes Suzuki, Mitsubishi, Mini, Smart and Volvo  
Source: U.S. Department of Transportation (August 26, 2009)

## 3<sup>rd</sup> Quarter U.S. Automotive Highlights (continued)

### CARS purchases vs. trade-ins

Top 10 vehicles purchased	
1	Toyota Corolla
2	Honda Civic
3	Toyota Camry
4	Ford Focus FWD
5	Hyundai Elantra
6	Nissan Versa
7	Toyota Prius
8	Honda Accord
9	Honda Fit
10	Ford Escape FWD

Top 10 vehicles traded-in	
1	Ford Explorer 4WD
2	Ford F150 Pickup 2WD
3	Jeep Grand Cherokee 4WD
4	Ford Explorer 2WD
5	Dodge Caravan/G. Caravan 2WD
6	Jeep Cherokee 4WD
7	Chevrolet Blazer 4WD
8	Chevrolet C1500 Pickup 2WD
9	Ford F150 Pickup 4WD
10	Ford Windstar FWD

Source: U.S. Department of Transportation (August 26, 2009)

Note: See text for ranking methodology

- All of the top 10 vehicle models traded in were domestic models, whereas eight of the top 10 vehicle models purchased were foreign models.
- The government reported the top vehicles purchased under the program by drive configuration — just as the Environmental Protection Agency (EPA) does — to rate fuel economy. Edmunds.com indicated that this type of reporting misrepresented actual sales results. For instance, the Ford Escape comes as a front-wheel drive (FWD), an all-wheel drive (AWD) and a hybrid version. The government reported statistics for those versions individually, whereas Edmunds.com counted all versions of the Ford Escape as one and the same. Further, Edmunds.com reported that the Ford Focus, Ford Escape, Honda Civic, Ford F-150 and Toyota Camry were the top five program buys. In contrast, the government reported that the Toyota Corolla and Honda Civic earned the top spots.

### GM and Chrysler Post-Bankruptcy Fallout: New Stakeholder Implications

Prior to the bankruptcies of Chrysler and GM, the implosion of the supply base and the significant reduction in vehicle sales were feared as the most significant risks to each company's sales outlook and/or future viability.

Now that GM and Chrysler have emerged from bankruptcy, it is evident that both processes were well-planned and well-executed.

- Protections were in place to allow cure payments to flow to the suppliers.
- While a reduction in sales was observed, consumers did not completely abandon the automakers' products.
- Government oversight, financing and warranty backstop helped these companies through the process.

At the same time, questions surrounding new implications for stakeholders remain. Key issues include:

- The full impact of new equity ownership structures.
- Government influence related to new-vehicle development and vehicle emission regulations.
- The success of new board seat composition.
- The government's exit strategy.
- Taxpayer recovery.

continued>

### Shareholder implications

Item	2009 Chrysler	2009 GM
U.S. gov't ownership/equity	8.0% equity	60.8% equity
Debt pre-filing	\$9B	\$54B
Debt post-filing	\$7B	\$26B
UST debt (post-filing)	\$6B	\$12B
Board of directors (UST appointees)	4 of 9	4 of 13

Source: Grant Thornton





## 3<sup>rd</sup> Quarter U.S. Automotive Highlights (continued)

### Supply Base Consolidation — Not Exactly

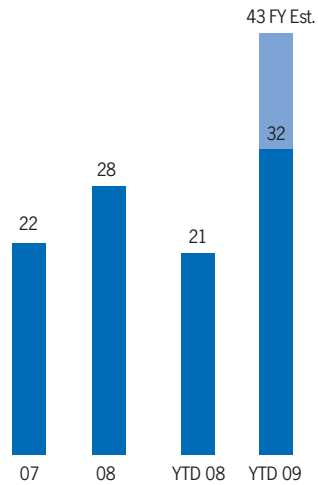
Given that pre-recession sales levels are not expected to be regained until the 2013 timeframe — and given that foreign-headquartered suppliers are capturing a larger portion of the market — a significant reduction of North American (N.A.) production capacity must be achieved.

Over the course of the year, GM has announced a number of plant closures and the termination of its Saturn and Pontiac brands, as well as more than 2,000 of its dealerships, by 2010. Throughout its bankruptcy process, Chrysler cut many assembly, stamping and powertrain facilities and shed almost 800 dealerships. As facilities and dealerships close their doors, so too will suppliers, although not to the same extent.

Through the first half of 2009, the number of significant automotive bankruptcy filings increased by more than 50 percent compared with last year. A number of big-name suppliers have recently filed for bankruptcy, including Visteon, Lear, J.L. French, Stant Corp., Cooper-Standard and Meridian Automotive Systems. Given the current environment, why have there been so few Chapter 7 and Chapter 11 bankruptcy filings? There are a number of key reasons:

1. Many suppliers have liquidated without filing for bankruptcy protection.
2. OEMs have announced plans to source only 50–75 percent of their current supply base on future programs, yet these shifts have not fully occurred.

**Select major auto bankruptcy filings**  
(Number of U.S. bankruptcy filings, YTD through September)



Sources: Grant Thornton and Capital IQ

3. Many other companies are undergoing out-of-court restructurings with drastic cost-cutting measures, including but not limited to: a) forced use of vacation (paid and unpaid); b) 32 hour work week (i.e., 20 percent pay cut); c) benefit reductions; and d) reduced research and development spending.
4. Some suppliers will migrate down the chain to the Tier 2 level.

Certainly, the adaptability of the supply base was largely unanticipated. To what extent this will create issues later for OEMs remains to be seen.

### Domestic OEMs Receive In Excess of \$400 Million in New Battery Grants

On Aug. 5, 2009, grants totaling \$2.4 billion were awarded to 48 new advanced battery and electric drive projects under the American Recovery and Reinvestment Act. Selected by the Department of Energy, these projects will accelerate the development of U.S. manufacturing capacity for advanced batteries as well as electric drive components and vehicles. Ford, General Motors and Chrysler were among the largest beneficiaries of the grants, collectively receiving more than \$400 million for research and development work.

The Department of Energy reported that the new awards cover the following areas:

- \$1.5 billion in grants to U.S.-based manufacturers to produce batteries and their components and to expand battery recycling capacity;
- \$500 million in grants to U.S.-based manufacturers to produce electric drive components for vehicles, including electric motors, power electronics and other drive train components; and
- \$400 million in grants to purchase thousands of plug-in hybrid and all-electric vehicles for test demonstrations in several dozen locations; to deploy such vehicles and evaluate their performance; to install electric charging infrastructure; and to provide education and workforce training to support the transition to advanced electric transportation systems.

continued >



## 3<sup>rd</sup> Quarter U.S. Automotive Highlights (continued)

### Renewed Focus: Segmentation Gaps

Throughout the past year, the automotive industry has undergone some extremely challenging times caused by a sequence of unprecedented events. A new way of managing the business has emerged, causing a much sharper focus on achieving results while reducing costs under a condensed timeframe. The ability to compete in today's market starts with a product portfolio (as shown below) and a market share assessment. See page 19 for a market share analysis.

The table below outlines each major U.S. automaker's product portfolio by segment and can be used to identify potential opportunities by segmentation gap, as highlighted in orange.

Consumer preferences and regulatory requirements point to increased demand for smaller, more fuel-efficient vehicles, namely compact vehicles, CUVs and select premium model offerings. These segments tend to be areas where the Asian OEMs dominate. As the industry

moves in this direction, we expect these segments will lead future growth. As competition enters into these segments, Asian OEMs may see minor market share adjustments.

At the same time, sales of larger vehicles, including SUVs and pickups, have declined, yet these products are clearly not dead. Indeed, the domestic automakers continue to perform well in these segments; however, their product portfolios are still too highly reliant on these offerings. Going forward, the ability to maintain and/or grow share will come down to product placement in areas where brand and segmentation expansion makes sense. For non-premium companies such as Chrysler, it may not make sense to launch vehicles under the Chrysler brand name into certain compact premium segments. In contrast, for premium automakers such as BMW, whose marketing slogan is "The Ultimate Driving Machine," it may not make sense for the BMW brand

to cross over into certain non-premium compact vehicle segments. Therefore, this transition applies to all OEMs — not just the domestics.

Not every new-product launch into a new segment has proven successful. The Asian OEMs have launched various "loss leaders," which include the Honda Ridgeline, Toyota Tundra, Nissan Titan, Toyota FJ Cruiser, Honda Element and Scion xD. Despite the limited success of these products, these automakers have still managed to maintain or grow market share as a result of their expansion into segments where coverage did not exist before.

Certainly filling segmentation gaps is easier said than done. However, as competition becomes more fierce, all major U.S. OEMs will be forced to address these gaps. In the next few years, we expect segmentation results to look significantly different, due in part to increased contract manufacturing, global platform sharing, alliances and brand extensions. •

### Product portfolio segmentation

	Compact					Compact premium			Midsize					Midsize premium				Large				Large premium				
	Basic	Conv.	Sporty	CUV	SUV	Conv.	Sporty	CUV	Conv.	Sporty	CUV	SUV	Pickup	Van	Conv.	Sporty	CUV	SUV	Conv.	SUV	Pickup	Van	Conv.	Sporty	Pickup	SUV
GM	x	x		x		x			x	x	x		x		x	x	x		x	x	x	x			x	x
Ford		x		x		x			x	x	x	x	x		x		x		x	x	x	x			x	x
Chrysler		x		x	x				x	x	x	x	x	x					x		x	x				x
Toyota	x	x	x	x	x	x			x	x	x	x	x	x	x	x	x	x	x	x	x					x
Honda	x	x		x		x	x	x	x			x	x	x	x		x									
Renault-Nissan	x	x		x	x	x	x	x	x		x	x	x	x	x	x	x		x	x	x					x
Hyundai	x	x	x	x					x		x	x		x	x				x							
VW-Porsche		x	x	x		x	x	x	x					x											x	x
Daimler	x					x	x	x							x	x	x							x	x	x
BMW		x				x	x	x							x		x							x	x	

Sources: Grant Thornton and J.D. Power and Associates

Note: Orange highlight denotes potential opportunities by segmentation gap

# Financial/Economic Snapshot

## Economic Metrics

In the third quarter, various national economic indicators have pointed to the beginnings of an economic recovery. Still, a number of economists have reported that consumers were not as optimistic about their own finances, and employment conditions remain problematic. Although various economic data sources offer mixed interpretations, the directional outlook across economists is largely the same.

- The recession is over, according to the Bureau of Economic Analysis Q3 2009 gross domestic product (GDP) advance estimate which shows that the economy grew at a rate of 3.5 percent. By some estimates, more than 90 percent of the growth was driven largely by one-time government stimulant measures, including the “Cash for Clunkers” program and tax credits for first time home buyers.
- To weather the recessionary environment, businesses have taken creative approaches to cost cutting. Companies have significantly reduced capital expenditures and research and development investment, which has helped boost margins. Given this positive momentum and low inventory levels, we expect GDP levels to continue to show growth in the fourth quarter of this year.

Economic metrics	Period	Value	Chg.
<b>GDP growth rate</b>			
Current period (advance quarterly estimate)	Q3-09	-3.5%	2.8%
Prior period (quarterly final)	Q2-09	-0.7%	
<b>Inflation (CPI - unadjusted)</b>			
Current period (YoY)	Sep-09	0.1%	-0.1%
Prior period (YoY)	Aug-09	0.2%	
<b>Inflation (PCE, 1 mo. annualized)</b>			
Current period (monthly)	Sep-09	1.4%	-2.8%
Prior period (monthly)	Aug-09	4.2%	
<b>U of M consumer confidence</b>			
Current period (monthly)	Sep-09	73.5	7.8
Prior period (monthly)	Aug-09	65.7	
Prior period (prior year)	Sep-08	70.3	
<b>ISM - PMI index</b>			
Current period (monthly)	Sep-09	52.6	-0.3
Prior period (monthly)	Aug-09	52.9	
<b>Unemployment rate (seasonally adjusted)</b>			
Current period (monthly)	Sep-09	9.8%	0.1%
Prior period (monthly)	Aug-09	9.7%	
Prior period (prior year)	Sep-08	6.2%	
<b>Leading indicators index</b>			
Current period (monthly)	Sep-09	1.0%	0.4%
Prior period (monthly)	Aug-09	0.6%	
<b>Lagging indicators index</b>			
Current period (monthly)	Sep-09	-0.3%	-0.1%
Prior period (monthly)	Aug-09	-0.2%	

Source: Grant Thornton

- In September, the **PMI** — an indicator generally viewed as a key measure of economic health in the manufacturing environment — registered 52.6 percent, indicating that economic activity in the manufacturing sector expanded (although at a slow pace) for the second consecutive month, according to the latest Manufacturing *ISM Report on Business*.

continued>

## Financial/Economic Snapshot (continued)

- **Overall unemployment levels** spiked to 9.8 percent, an increase of 3.6 percentage points over the prior year, with the total number of people unemployed now at 15.1 million.

Since the start of the recession in December 2007, the number of unemployed has increased by 7.6 million and the unemployment rate has risen by 4.9 percentage points. The sectors most affected by the recession — manufacturing and construction — continued to lose jobs in September.

- Manufacturing employment declined by 51,000 jobs over the month and has declined by 2.1 million jobs, or 27.6 percent of the total number of unemployed, since the start of the recession.
- Construction employment dropped by 64,000 jobs in September and has decreased by 1.5 million jobs, or 19.7 percent, since December 2007.
- Other sectors incurring steep September job losses include: retail trade — lost 39,000 jobs and government — lost 53,000 jobs.
- Employment in the health care sector increased by 19,000 jobs in September; the industry has gained 559,000 jobs since the beginning of the recession.

- **Unemployment levels** increased across the majority of U.S. states in August 2009. As of the publication date, September 2009 results by state had not been reported.

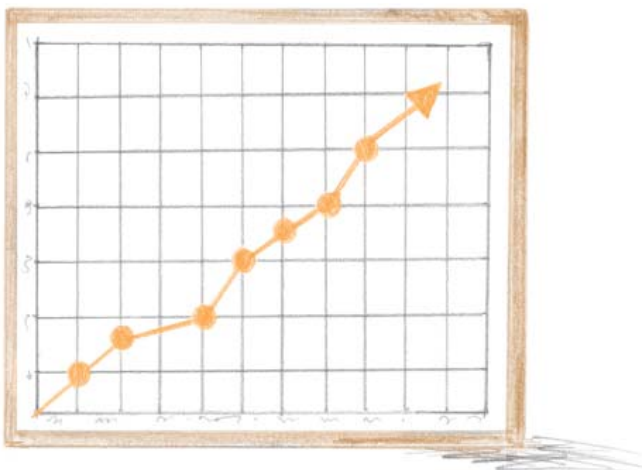
- Twenty-seven states and the District of Columbia posted month-over-month (MoM) unemployment rate increases, 16 states registered rate decreases, and seven states reported no change. So far this year, the unemployment rate has increased in all 50 states and the District of Columbia.
- Fourteen states and the District of Columbia reported jobless rates at or higher than 10.0 percent:

1. Michigan	15.2
2. Nevada	13.2
3. Rhode Island	12.8
4. California	12.2
5. Oregon	12.2
6. South Carolina	11.5
7. District of Columbia	11.1
8. Kentucky	11.1
9. North Carolina	10.8
10. Ohio	10.8
11. Tennessee	10.8
12. Florida	10.7
13. Alabama	10.4
14. Georgia	10.2
15. Illinois	10.0

- Michigan's unemployment rate, which is more than five points higher than the national average, is the highest unemployment rate of any state in 25 years. (The last state to post an unemployment rate of 15.0 percent or higher was West Virginia in March 1984.)
- Nine states posted unemployment rates of at least 9.0 percent but less than 10.0 percent.
- Nine states reported unemployment rates above 8.0 percent but less than 9.0 percent, bringing the total number of states with an unemployment rate above 8.0 percent to 33 states.
- North Dakota had the lowest unemployment rate, at 4.3 percent for the month. •

### Advisory Services Viewpoint

For the remainder of 2009, the economic environment will remain challenging. We continue to expect that any further increase in unemployment, especially in the most highly populated U.S. states, will offset any modest decline in jobless claims or growth in job postings elsewhere. Therefore, we do not expect a significant improvement in the jobless rate in the near term. This, along with other pressures, including oil price volatility and stricter credit standards, will continue to weigh heavily on personal spending. Looking forward, seasonal holiday sales may indicate the strength of consumer spending heading into the winter.



# On the Radar for Next Quarter

## Fuel Economy Standards – Will the Auto Shows Enhance Clarity of Product Focus?

Rising fuel prices, environmental regulations and changes in government policy over the last several years have prompted automakers to make significant changes to the powertrain systems that propel their vehicles. These challenges are not limited to the U.S., but are growing issues in foreign countries as well.

For the past few decades, gasoline has dominated most markets as the primary automotive fuel. However, Europe has experienced a large-scale transition to diesel and Brazil has migrated to various gasoline and alcohol blends. The move towards alternative fuels and enhancement of engine and transmission systems with more advanced technologies here in the United States is old news, although numerous recent public announcements by OEMs surrounding production readiness are giving the transition a new sense of tangibility.

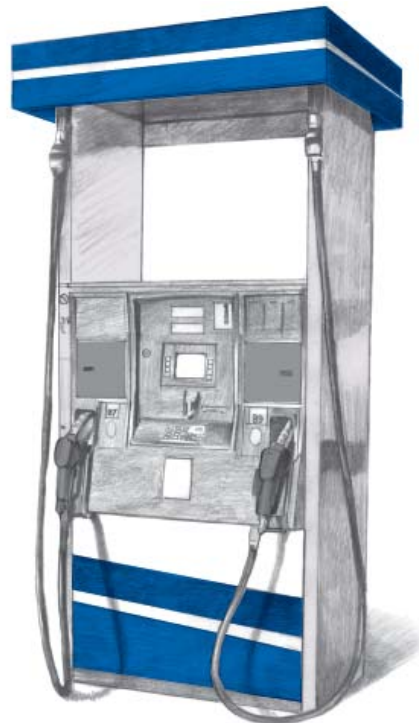
The industry is becoming significantly more global, with many of these technologies now expected to be produced and sold on a global scale. As observed from the news coming out of the 2009 Tokyo Motor Show, the main theme of the show was fuel efficiency. Japanese OEMs are taking fuel economy and emissions regulations seriously and illustrated their commitment to these future technologies.

With the four major North American auto shows — Detroit, Chicago, New York and Los Angeles — scheduled to occur over the next six months, the big questions remain will domestic OEMs

also be able to establish themselves as leaders in advanced technology production readiness and will the products displayed at these events capture the purchasing interest of the average consumer? Since cost is the most-cited reason among buyers for not purchasing a hybrid vehicle, will new technologies be priced within the reach of the average consumer?

As we enter into the auto show season, this certainly could be the start of the most powertrain-focused period the industry has ever experienced.

*continued>*



## On the Radar for Next Quarter (continued)

### OEMs – Will They Meet Future Government Regulations?

The Environmental Protection Agency (EPA) drafted its version of fuel economy rules setting a 35.5 mpg standard for vehicles by 2016. In effect, the proposed rules would identify the requirements for automakers, and the role of state governments and the Obama administration to regulate vehicle emissions.

Under the plan, the EPA is developing a strategy to limit vehicle emissions as well as balance environmental concerns against certain regulations that negatively impact struggling sectors of the U.S. economy. In fact, the proposed strategy prevented California and more than a dozen other states from setting their own standards, a move many warned could create unnecessary challenges for automakers and consumers.

The rules will provide automakers a clear direction about how the new standards can be met, starting in 2012. The plan also allows the industry and the public an opportunity to comment on the proposal for at least 90 days after the release date. However, the administration is expected to set final rules by next spring.

- Each manufacturer has a unique CAFE target based on the composition of its vehicle fleet.
- Average U.S. additional cost to meet regulations is estimated at \$1,300 per vehicle (volume weighted).

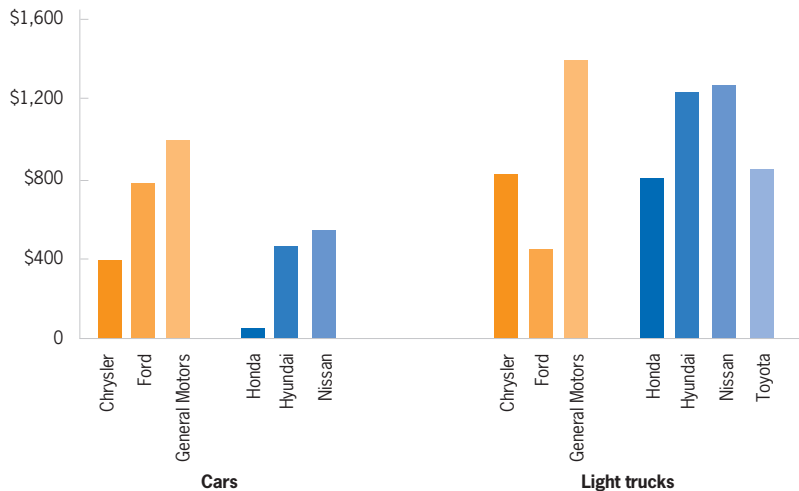
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### Comparison of government regulatory programs

	NHTSA (35.5mpg)	EPA (155gm/km)
<b>Organization</b>	National Highway Traffic Safety Administration	Environmental Protection Agency
<b>Regulation</b>	Corporate Average Fuel Economy (CAFE) 35.5 mpg U.S. fleet average by 2016 MY	Greenhouse Gas Standard (CO <sub>2</sub> ) 250 gm/mile (155.4 gm/km) of CO <sub>2</sub> in MY2016 (35 mpg)
<b>Standard</b>	Targets for each vehicle based on footprint (track x wheelbase)	Targets for each vehicle based on footprint (track x wheelbase)
<b>Measure</b>	Individual targets for each OEM based on OEM fleet average calculated by vehicle fuel economy x sales volume	Individual targets for each OEM based on OEM fleet average calculated by vehicle fuel economy x sales volume
<b>Credits1</b>	Trading allowed between cars and trucks	Trading allowed between cars and trucks
<b>Credits2</b>	Not allowed	Credits allowed for "Eco-Innovations" (HVAC improvements, tires, solar roofs, super credits for EVs, active aerodynamics, adaptive cruise, etc)

Source: CSM Worldwide

### Per vehicle compliance cost by OEM (\$)



Source: CSM Worldwide

## On the Radar for Next Quarter (continued)

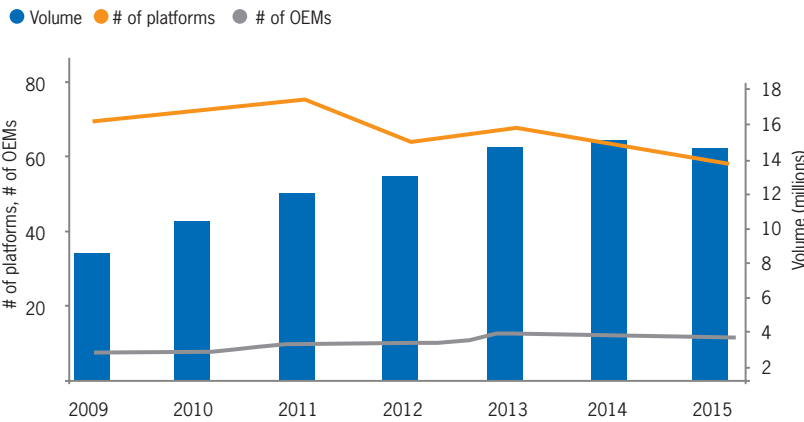
### Common Platforms – The New Industry Focus

The number of OEMs producing vehicles in North America is expected to reach 16 by 2015, as new competition enters the domestic market. At the same time, production levels are expected to trend upward, reaching more than 15.0 million units by 2014.

As automakers restructure for the industry rebound, a number of existing brands, facilities, employees

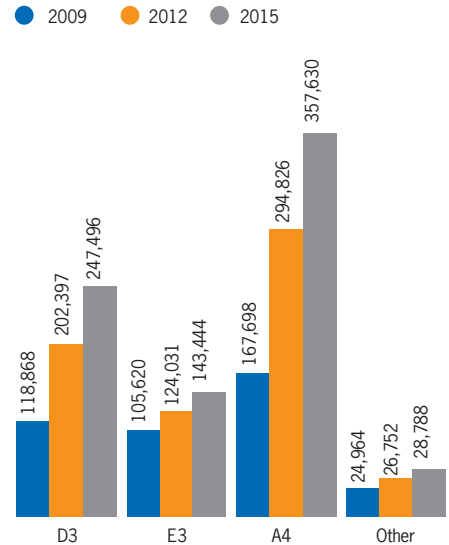
and dealerships face the chopping block. Now, the new announced area of focus is platforms and product portfolios: a move to increasingly share common platforms globally. Many automakers have announced that such a move will significantly reduce engineering, machinery, assembly and other capital expenses, as well as provide economies of scale and increase manufacturing flexibility.

**North America production** Volume (in units, millions)



Source: CSM Worldwide

**North America production**  
Volume per platform by origin (units produced)

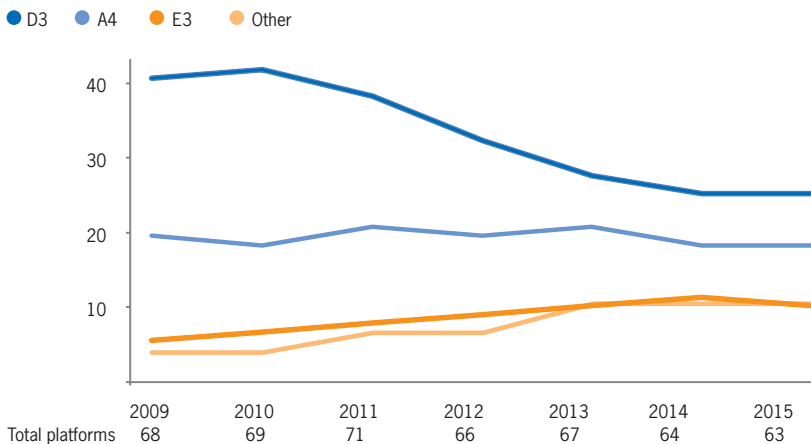


Source: CSM Worldwide

As automakers migrate toward a more global model, the number of platform offerings in North America will remain relatively flat over the next several years. Despite the significant uplift in production levels that are expected by 2015, the number of platforms is expected to decline sharply, dropping from 68 to 63 over this timeframe.

Certainly, as OEMs migrate toward a more global platform structure, suppliers who are not sourced on these new global platforms will face more severe business risk. For instance, automakers are moving quickly to launch these new platforms and therefore the “sourcing window” for key U.S. market platforms is closing as many supplier contracts have already been determined. The quality of a supplier’s booked business will hinge on these new platforms. The need to be on GM and Ford’s future high volume platforms, as well as the new A4/E3 platforms will be increasingly important to the long term success of many suppliers.

**North America production** # of platforms by origin



Source: CSM Worldwide  
“Other” includes: FAW, Fisker, Fuji, Geely, Proton/Tesla, Mitsubishi, Suzuki and V-Vehicle

continued>

## On the Radar for Next Quarter (continued)

### 4th Quarter Production Levels Spike Upward: Much to Do About Nothing?

After more than a one year-long period of disappointing production results, the news of an increase in Q4 2009 production levels is certainly uplifting news. The CARS program exceeded expectations, bringing a wave of buyers into the market in unparalleled fashion, as noted by the 15.6 percent lift in sales between Q2 2009 to Q3 2009.

Since the CARS program only applied to in-stock vehicles, this rather immediate surge in demand caused inventory levels to reach historic lows, bottoming out at 30 days' supply as of September 1, 2009.

In response, automakers increased production output, the lights were turned back on at certain assembly facilities and some idled workers were even called back to work. This increase in demand translates to nearly a 16.0 percent increase in Q4 2009 production levels, or an uptick of more than 375,000 units from Q3 2009. Chrysler and Ford are each ramping up production by more than 20.0 percent, the most among all North American OEMs.

Despite this positive news, inventory levels returned to more normal levels by the end of September following the conclusion of the CARS program, and are now averaging about 55 days' supply.

At the same time, production schedules remain on track which could cause challenges if the full-year sales results come in around the low 10 million unit range. This decline in sales volume would equate to more than a 20 percent drop in sales levels from Q4 2009 from Q3 2009. If actual sales results disappoint to this level, most automakers will enter next year with higher than ideal inventory levels, causing a necessary correction in the first quarter of 2010. •

### North America production by OEM

	Q3 2009	Q4 2009	% Chg.
BMW	31,056	28,684	-7.6%
Chrysler	281,744	338,230	20.0%
Daimler	30,622	32,537	6.3%
Ford	502,380	608,658	21.2%
Fuji Heavy	25,625	28,080	9.6%
General Motors	526,671	619,506	17.6%
Honda	274,966	314,392	14.3%
Hyundai	58,754	61,558	4.8%
Mitsubishi	6,406	7,326	14.4%
Tesla/Proton	290	274	-5.5%
Renault/Nissan	194,957	227,873	16.9%
Toyota	350,676	378,662	8.0%
Volkswagen	74,472	88,914	19.4%
<b>Grand total</b>	<b>2,358,619</b>	<b>2,734,694</b>	<b>15.9%</b>

Source: CSM Worldwide



# Financial Indexes and Other Key Trading Metrics

	Value		% Chg. YTD	52-week range		% of 52-week quartile
	09/30/2009	12/31/2008		Low	High	
<b>Indexes – U.S. stock<sup>1</sup></b>						
DJ Industrial Average	9,712.28	8,776.39	10.7	6,547.05	10,831.07	73.9
NASDAQ Composite	2,122.42	1,577.03	34.6	1,268.64	2,146.30	97.3
S&P 500	1,057.08	903.25	17.0	676.53	1,161.06	78.5
DJ Wilshire 5000	10,911.69	9,087.17	20.1	6,858.43	11,808.80	81.9
Russell 2000	604.28	499.45	21.0	343.26	671.59	79.5
<b>Indexes – global stock<sup>1</sup></b>						
DJ World Index	217.80	171.95	26.7	130.29	222.28	95.1
MSCI EAFE <sup>2</sup>	1,552.84	1,237.42	25.5	911.39	1,580.58	95.9
CAC 40	3,795.41	3,217.97	17.9	2,519.29	4,080.75	81.7
DAX	5,675.16	4,810.20	18.0	3,666.41	5,806.33	93.9
FTSE 100	5,133.90	4,434.17	15.8	3,512.10	5,172.90	97.7
Hang Seng	20,955.25	14,387.48	45.6	11,015.84	21,768.51	92.4
Bombay Sensex	17,126.84	9,647.31	77.5	8,160.40	17,126.84	100.0
Nikkei	10,133.23	8,859.56	14.4	7,054.98	11,368.26	71.4
<b>Indexes – commodity &amp; currency<sup>1</sup></b>						
DJ-AIG Commodity	127.68	117.24	8.9	101.99	167.48	39.2
JPMorgan US Dollar Index	83.90	88.60	-5.3	83.70	96.00	1.6

	Value %			% Chg. Quarterly	% Chg. YTD
	9/30/2009	6/30/2009	12/31/2008		
<b>Financial metrics<sup>1</sup></b>					
Fed funds target rate	0-0.25	0-0.25	0.25	0.0	0.0
Prime rate	3.25	3.25	3.25	0.0	0.0
LIBOR, 3-month	0.29	0.60	1.43	-51.7	-79.7
LIBOR, 6-month	0.63	1.11	1.75	-43.3	-64.0
5-Yr. CD, fixed, annual yield	2.71	2.64	3.19	2.7	-15.0
30-Yr. mortgage, fixed	5.29	5.48	5.37	-3.5	-1.5
New car loan, 48-month	7.36	7.30	6.78	0.8	8.6
Home-equity loan, \$30,000	5.74	5.86	5.30	-2.0	8.3
2-Yr. Treasury, yield	0.95	1.12	0.76	-15.0	25.7
10-Yr. Treasury, yield	3.31	3.53	2.22	-6.3	49.3

<sup>1</sup> Sources: Reuters, WSJ Market Data Group

<sup>2</sup> Europe, Australia, Far East; figures in U.S. dollars

- The major stock indexes continue to rally, as all indexes posted double digit YTD percentage increases. With nearly nine months of steady improvement, will this rally cause consumer outlook to turn more optimistic? Much will depend on how Q4 finishes.
- The government's \$8,000 first-time home buyer tax credit and low mortgage rates helped stabilize the housing market; however, the pull-forward effect could cause further weakness in the near-term as we enter into what is historically a low-growth, seasonally weak housing period (September through March).

continued>



## Financial Indexes and Other Key Trading Metrics (continued)

Other key data <sup>1</sup>	Value			% Chg. Quarterly	% Chg. YTD
	9/30/2009	6/30/2009	12/31/2008		
<b>Petroleum derived</b>					
Resin, \$ per metric tonne	1,187.50	1,137.50	587.50	4.4%	102.1%
Crude oil, \$ per barrel	70.61	69.89	44.60	1.0%	58.3%
Natural gas, \$/MM Btu	3.28	3.70	5.63	-11.4%	-41.7%
Heating oil, \$ per gallon	1.79	1.72	1.45	4.1%	23.4%
Retail gasoline, \$ per gallon	2.50	2.64	1.61	-5.4%	55.0%
<b>Metals</b>					
Aluminum, \$ per metric tonne	1,856.00	1,596.75	1,507.75	16.2%	23.1%
Magnesium, \$ per metric tonne	2,750.00	2,650.00	2,850.00	3.8%	-3.5%
Zinc, \$ per metric tonne	1,943.25	1,522.50	1,180.25	27.6%	64.6%
Nickel Plating, \$ per pound	8.60	7.70	5.54	11.7%	55.2%
Nickel Melting, \$ per pound	850.45	755.23	533.86	12.6%	59.3%
Copper, \$ per pound	2.83	2.37	1.38	19.4%	105.1%
Silver, \$ per troy ounce	16.65	13.61	11.39	22.4%	46.2%
Gold, \$ per troy ounce	1,007.70	926.60	882.05	8.8%	14.2%
Platinum, \$ per troy ounce	1,298.00	1,177.25	934.50	10.3%	38.9%
Palladium, \$ per troy ounce	296.00	250.75	187.00	18.0%	58.3%
Ferromolybdenum, \$ per pound	16.75	9.75	16.50	71.8%	1.5%
Hot-rolled steel, \$ per net ton	580.00	440.00	560.00	31.8%	3.6%
Steel scrap, No. 2 Heavy, gross ton	258.00	182.00	180.00	41.8%	43.3%
Stainless steel, \$ per ton	2,334.00	2,045.00	3,141.00	14.1%	-25.7%
<b>Other commodities</b>					
Rubber, \$ per kg	2.18	1.67	1.40	30.5%	55.7%
<b>Currencies</b>					
Euro, US \$ per €	1.464	1.403	1.397	4.3%	4.8%
British Pound, U.S. \$ per £	1.598	1.646	1.459	-2.9%	9.5%
Yen, ¥ per U.S. \$	89.700	96.360	90.640	-6.9%	-1.0%

Note: Last business day of quarterly results

<sup>1</sup> Sources: Reuters, WSJ Market Data Group, Bloomberg, American Metal Market

- Volatile price fluctuations result in increased risk exposure to many companies whose operating/business models are not typically structured for rapid swings in commodity prices and changes in consumer buying habits.
  - Commodity prices are on the rise, with steady increases observed in the price of aluminum (16.2 percent), zinc (27.6 percent), copper (19.4 percent), and rubber (30.5 percent).
  - Despite a slight increase in the price of crude oil (1.0 percent), the price of retail gasoline fell by 5.4 percent in the third quarter. •

# 2009 Light-Duty Vehicle Sales Outlook as of 3<sup>rd</sup> Quarter

2009 Full-year U.S. sales outlook – estimate (figures in millions)

Company	Q4 2008		Q1 2009		Q2 2009		Q3 2009	
	Date	Sales	Date	Sales	Date	Sales	Date	Sales
<b>Bank</b>								
Citigroup Global Markets	–	–	1/12/2009	10.8	–	–	–	–
Goldman Sachs	11/26/2008	11.0	1/12/2009	11.0	4/23/2009	11.0	8/31/2009	10.5
JP Morgan	–	–	2/4/2009	10.0	–	–	9/30/2009	10.0
Credit Suisse	–	–	1/14/2009	12.0	7/1/2009	9.9	–	–
Merrill Lynch	–	–	1/16/2009	11.5	–	–	9/30/2009	10.8
Deutsche Bank	–	–	1/13/2009	11.5	–	–	–	–
Barclays	–	–	1/30/2009	10.2	4/3/2009	11.0	8/31/2009	10.5
<b>Average</b>		<b>11.0</b>		<b>11.1</b>		<b>10.6</b>		<b>10.5</b>
<b>OEM</b>								
Chrysler	12/20/2008	11.1	1/12/2009	11.0	4/1/2009	10.5	7/23/2009	10.0
Ford Motor Company	12/20/2008	12–12.5	1/12/2009	12.2	7/1/2009	10.8	8/19/2009	10.8
General Motors	12/1/2008	11.7	1/15/2009	10.5	–	–	8/31/2009	10.5
<b>Average</b>		<b>11.7</b>		<b>11.2</b>		<b>10.7</b>		<b>10.4</b>
<b>Other</b>								
J.D. Power and Associates	12/31/2008	11.4	1/13/2009	10.4	6/30/2009	10.0	8/19/2009	10.3
Standard and Poor's	12/1/2008	12.3	–	–	–	–	–	–
Global Insight	10/8/2008	13.4	1/7/2009	10.3	–	–	8/19/2009	10.3
NADA	–	–	1/26/2009	12.7	6/3/2009	11.0	–	–
CSM Worldwide	1/1/2009	11.5	3/20/2009	9.7	6/25/2009	9.7	7/1/2009	9.9
IRN	–	–	2/25/2009	11.0	5/12/2009	10.0	–	–
Edmunds.com	10/8/2008	13.7	–	–	–	–	–	–
<b>Average</b>		<b>12.5</b>		<b>11.1</b>		<b>10.2</b>		<b>10.2</b>
<b>Total average</b>		<b>12.0</b>		<b>11.1</b>		<b>10.4</b>		<b>10.4</b>

Source: Publicly available documents

Note: "–" denotes information that has not been publicly reported.

The above table presents a publicly available list of 2009 U.S. vehicle sales estimates.

Despite the July and August sales lift observed from the Cash for Clunkers (CARS) program, a steep decline in consumer demand after the program ended pulled sales levels back in line

with the historic lows seen earlier in the year. This decline caused most analysts to maintain their 2009 outlook, with consensus estimates for 2009 U.S. sales adjusted downward to below 10.5 million units, a decline of more than 2.5 million units compared with the prior year. •

#### Advisory Services Viewpoint

Despite some sporadic indications of economic stabilization, we expect consumer spending during the holiday season to be dampened by declines in consumer wealth among most Americans. Further, we expect ongoing consumer turmoil and a continued pullback in disposable income to weigh heavily on sales. As a result, our FY 2009 view remains cautious, and we maintain our 2009 U.S. sales estimate of 10.2 million units.

For 2010, the wildcard remains economic stability, which we think will likely present more downside risk to an 11.0 million-unit forecast for 2010.

# Quarterly Spotlight: U.S. Sales Analysis

## U.S. Sales Review

- In the **third quarter of 2009**, demand levels pointed upward compared with the first two quarters of the year mainly due to the “Cash for Clunkers” program. However, sales results in September, after the program ended, were disappointing, dragging down quarterly results by more than 10 percent compared with the same period a year ago and causing increased uncertainty of future consumer expenditures on autos.
- The CARS program caused a quick surge in consumer demand and helped increase consumer awareness surrounding fuel efficiency. As observed during and immediately following the program, various automakers announced more aggressive strategies to develop more fuel-efficient vehicles and advanced technologies. Certainly the CARS program helped establish the appearance of future growth potential to the auto market, and we expect more related announcements throughout the auto show timeframe. In fact, the most fuel-efficient vehicles (small and midsize passenger vehicles) generally posted the largest sales gains during the program. See page 3 for more model-level analysis.

## U.S. sales

	Q3 2008	Q3 2009	QoQ % Chg.	YTD 08	YTD 09	Unit diff.	% Chg.
Cars	1,784,419	1,695,147	-5.0%	5,755,448	4,206,926	(1,548,522)	-26.9
Light trucks	1,559,547	1,304,699	-16.3%	4,985,310	3,593,745	(1,391,565)	-27.9
<b>Total sales</b>	<b>3,343,966</b>	<b>2,999,846</b>	<b>-10.3%</b>	<b>10,740,758</b>	<b>7,800,671</b>	<b>(2,940,087)</b>	<b>-27.4</b>

Source: J.D. Power and Associates

- Trucks accounted for the majority of the quarterly sales volume decline, or about 254,000 units (70.1 percent).
- In contrast, for the first nine months of 2009, cars accounted for 52.7 percent of the volume drop, or 1.5 million units.
- In August, demand for cars reached the highest level so far this year, capturing 58.2 percent of the market. See page 19 for more analysis on segment shifts.

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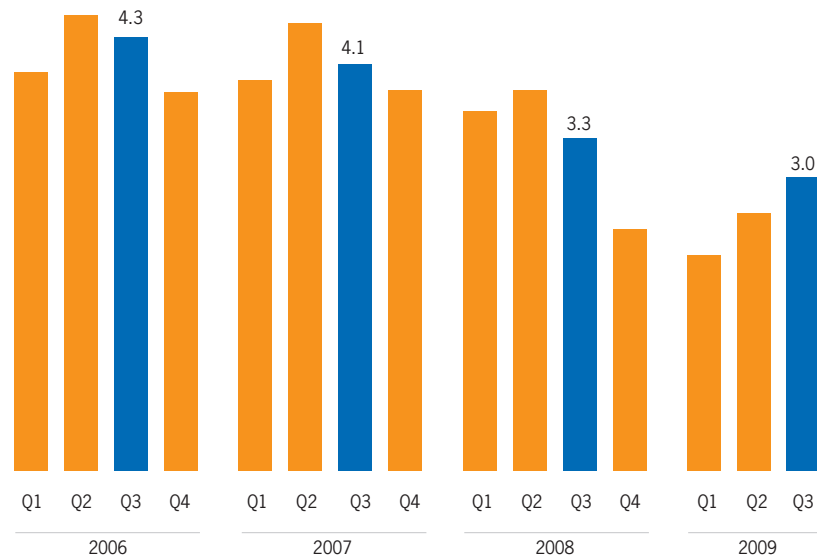
## Quarterly Spotlight: U.S. Sales Analysis (continued)

Since the start of the year, the sales trend line by quarter has been pointing upward. The low point of 2.2 million vehicles sold (Q1 2009) marks the worst sales quarter of the recession.

- The relatively steady uptick in sales observed in the third quarter of 2009 is a result of the CARS program, ongoing incentive offerings and a slight increase in consumer confidence levels.

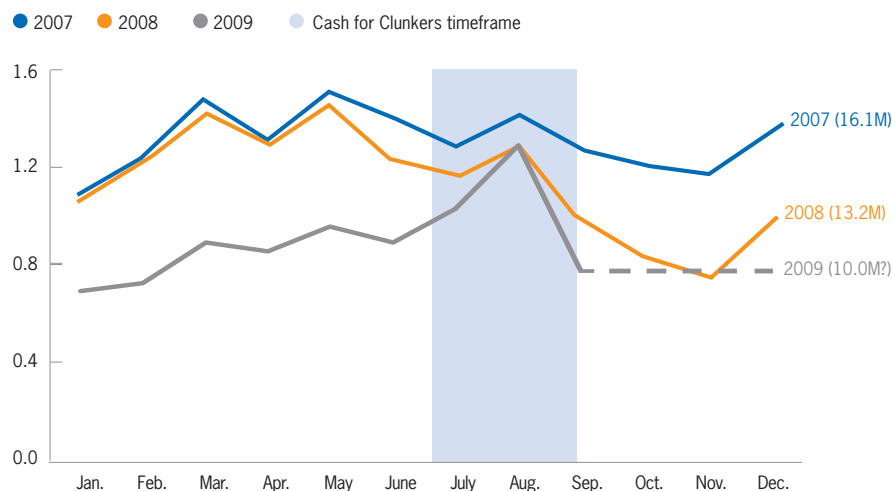
As shown, the 2009 sales trend remains significantly depressed compared with 2007 (16.1 million units) and 2008 (13.2 million units) results for the same time period. To articulate the magnitude of the decline, as stated previously, the current depressed level even incorporates the fact that the trend line surged upward in July and August due to the CARS program. Just as Q1 2009 was the worst single quarter, the low point of 655,000 vehicles sold in January 2009 was the worst sales month of the recession.

**U.S. sales by quarter** (sales volume, units in millions)



Source: J.D. Power and Associates

**U.S. sales results by month** (sales volume, units in millions)



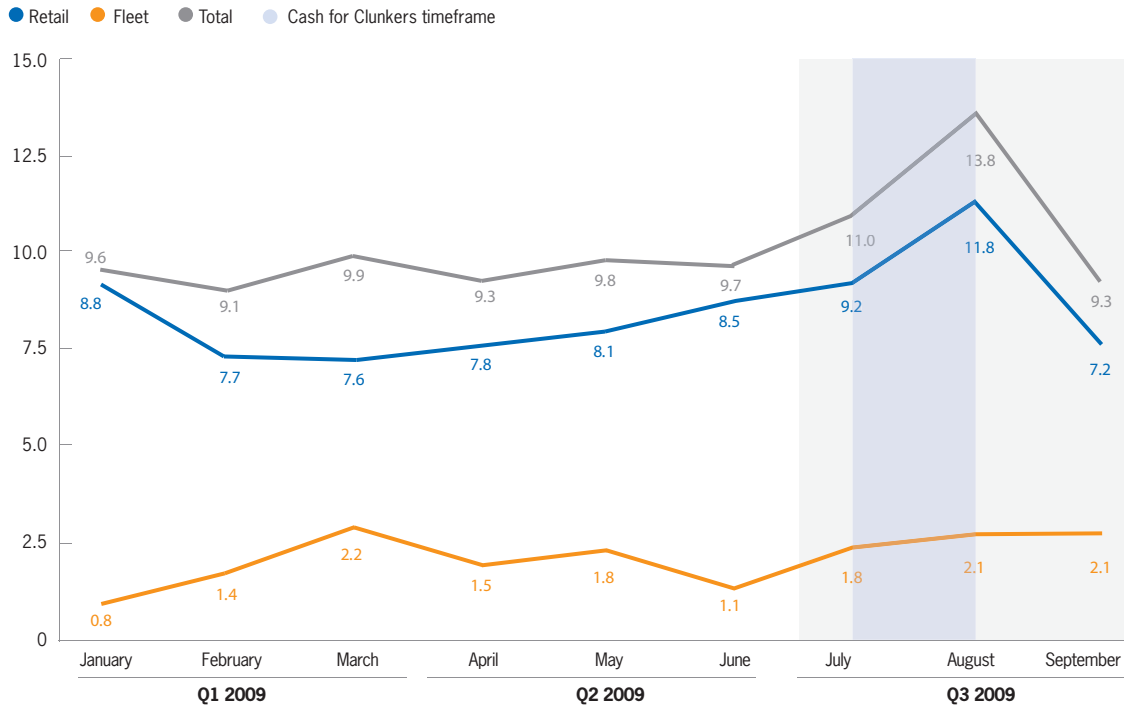
Sources: Grant Thornton LLP and J.D. Power and Associates

- To achieve above 10.0 million unit sales, activity in the remainder of the year would need to average about 750,000 units per month, which may be challenging given that sales in the second half of the year are historically lower than first-half sales.
- In the third quarter, three new models reached dealer showrooms, including the Ford Transit Connect (July), Lexus HS 250H (August) and Lincoln MKT (September). Collectively, these new models provided only a modest sales lift, totaling only 6,404 incremental sales to the quarterly top-line results.
- Monthly top-line sales decreased in two of the three months in the third quarter, with posted year-over-year results in July, August and September of -12.2 percent, +0.9 percent, and -23.0 percent, respectively.

continued >

## Quarterly Spotlight: U.S. Sales Analysis (continued)

U.S. seasonally adjusted annual rate (SAAR) by month (sales volume, units in millions)



Retail and fleet figures may not equal total due to rounding.  
Sources: Grant Thornton LLP and J.D. Power and Associates

### SAAR Results

- The seasonally adjusted annual selling rate (SAAR) in the third quarter averaged 11.4 million units, up 1.8 million units from the Q2 2009 SAAR, which averaged 9.6 million units and was 1.5 million units lower than the same period during 2008.
- Retail sales (non-fleet) on a quarterly SAAR basis have been on an upward trajectory for the year, averaging 8.0 million, 8.1 million and 9.4 million units for Q1, Q2 and Q3, respectively. However, September's retail sales were weaker due to the pull-forward demand from the CARS program thus affecting sales due to inventory shortages stemming from the program's success.
- The industry's fleet SAAR averaged 2.0 million units in Q3, up 0.5 million units from the pace in Q2, as OEMs have noticeably returned to deliveries of fleet sales.

continued>

Retail sales (non-fleet) on a quarterly SAAR basis have been on an upward trajectory for the year, averaging 8.0 million, 8.1 million and 9.4 million units for Q1, Q2 and Q3, respectively.

## Quarterly Spotlight: U.S. Sales Analysis (continued)

### Vehicle Incentives

Average incentive (\$)

	YTD 2009	YTD 2008	Diff.
D3	\$3,849	\$3,564	\$285
A3	\$1,827	\$1,490	\$337
<b>Total</b>	<b>\$2,832</b>	<b>\$2,551</b>	<b>\$281</b>

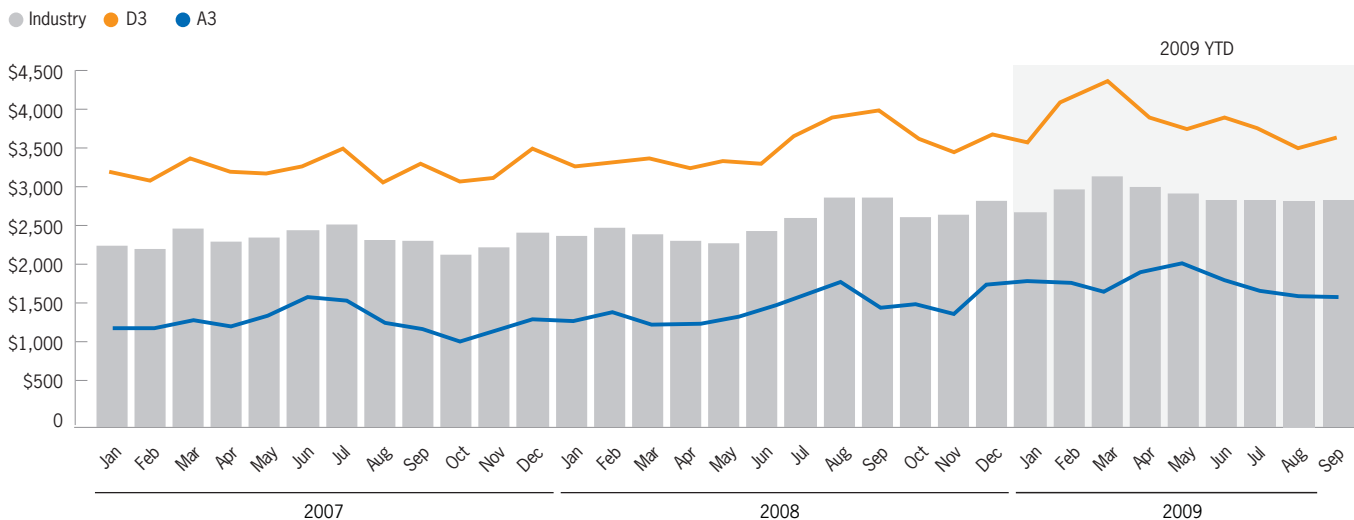
- **For the first nine months of 2009**, the average incentive across the industry increased by almost \$300 compared with the same period in the prior year.
- In **September**, after the government’s CARS program ended, the average incentive per vehicle increased by about \$100 — still hovering in the \$2,500-per-vehicle range, although several hundred dollars less than the high point of \$3,200 per vehicle reached in March 2009.

- **OEM results:** Toyota, Ford and Hyundai reduced incentive spending in September after receiving an extra sales gain during the CARS program. Chrysler’s incentives ranked the highest in the industry, averaging more than \$3,800 per vehicle.
- **More OEM results :** As shown below, the average incentive offered by the domestic OEMs remains about \$1,800 more than the Asian 3 OEMs. However, these automakers are increasingly using incentives to drive sales and retain/grow market share. Worth noting here, Hyundai’s average incentive totaled about \$3,000 so far this year, up about \$1,000 per vehicle compared with less than \$2,000 last year.

- **Segment results:** According to Edmunds.com, premium sports cars had the highest average incentives — \$10,128 per vehicle sold — followed by premium luxury cars at \$6,551. Subcompact cars had the lowest average incentives per vehicle sold at \$1,309, behind compact cars at \$1,477.

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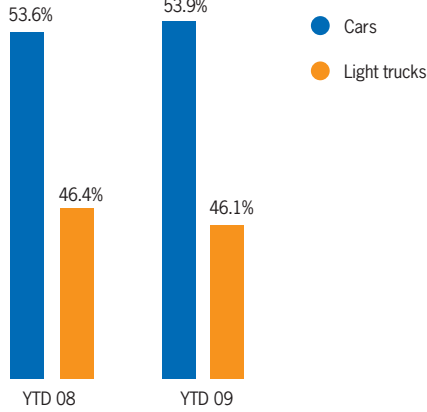
U.S. new vehicle incentives (average incentive, \$)



Sources: Grant Thornton LLP and Edmunds.com

## Quarterly Spotlight: U.S. Sales Analysis (continued)

**U.S. market share mix car vs. truck**  
(market share, % of total)



### Car/Truck Mix Changes

For the first nine months of the year, consumers preferred cars by only a small margin, as car sales made up 53.9 percent of industry sales during this period.

- In the third quarter, both car and truck segments declined at a significant rate over the prior year, with volumes declining by 89,272 and 254,848 units, respectively.

- The recent CARS program, which was designed to promote fuel efficiency, helped cars gain a larger mix of total vehicle sales. In fact, the car share reached 58.2 percent of industry sales in August — the highest level so far this year.
- A closer look at the car/truck mix trend line over the last 19 months suggests that consumer buying preferences correlate with the monthly change in the average retail price of gasoline.

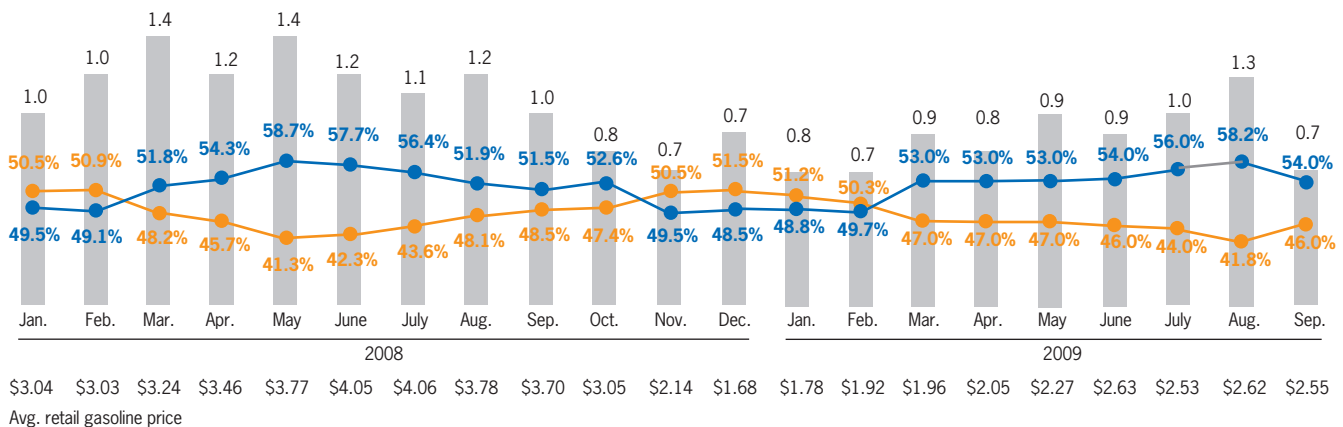
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Source: J.D. Power and Associates

The recent CARS program, which was designed to promote fuel efficiency, helped cars gain a larger mix of total vehicle sales.

**U.S. sales by month** (sales volume, units in millions)  
Car vs. truck share (market share, % of total)

● Cars ● Light trucks ● Monthly sales



Sources: J.D. Power and Associates and Energy Information Administration

## Quarterly Spotlight: U.S. Sales Analysis (continued)

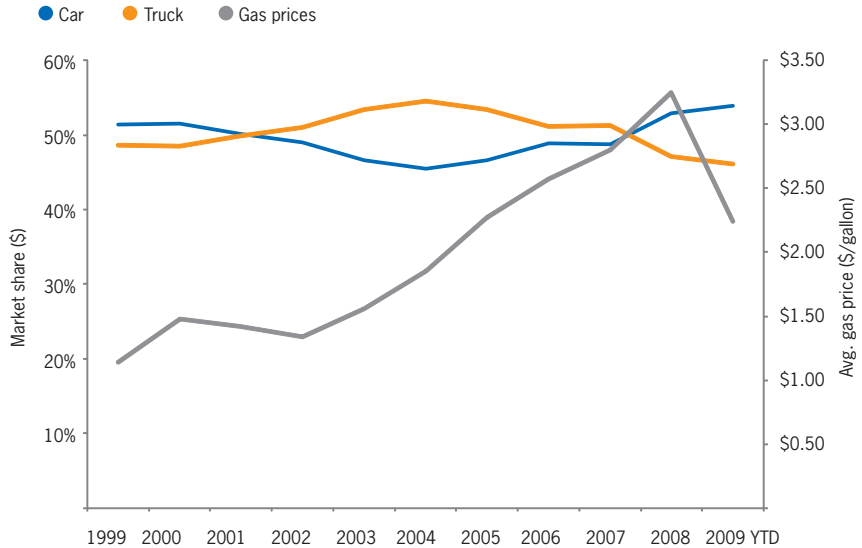
- Trucks have maintained about 46 percent of the market — which may be attributed to reduced gasoline prices, increased sales promotions and incentives for many high-volume truck models, as well as new model offerings and vehicle redesigns.

### Advisory Services Viewpoint

In our view, the probability is low that a meaningful rebound in fourth-quarter sales volumes will be enough to offset the slow first nine months of 2009. We expect 2009 U.S. vehicle sales to come in around 10.2 million units.

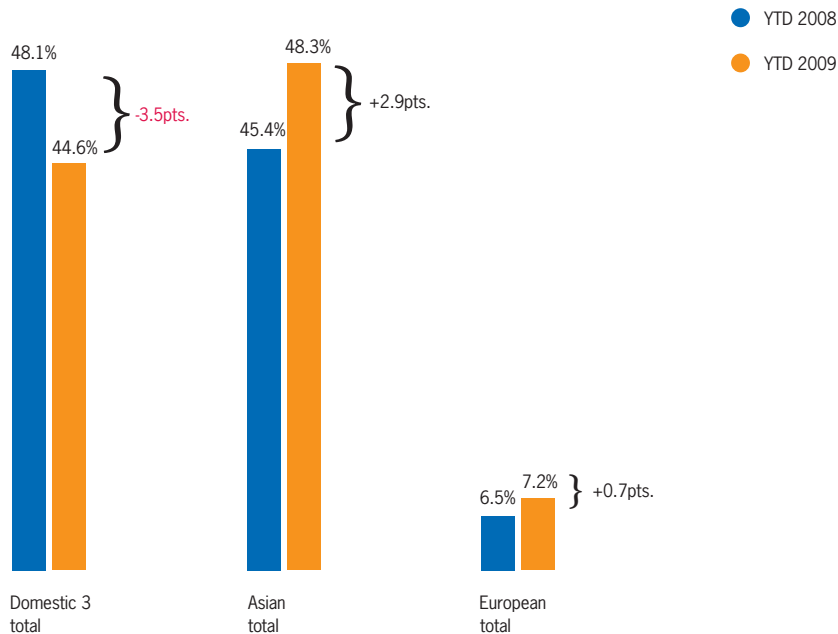
### Car/truck segments

U.S. sales market share performance (% of total) vs. avg. retail gasoline price (\$ per gallon)



Sources: Bloomberg and J.D. Power and Associates

### U.S. market share by origin



### GM Remains Sales Leader Post-Bankruptcy, Despite Domestic Market Share Loss

The adjacent chart is a snapshot of U.S. market share by OEM origin during the first three quarters of 2009.

As presented, the Asian automakers continue to gain market share against their domestic rivals, stretching closer to 50 percent of the U.S. market due to an increase of 2.9 points. Despite posting double-digit sales declines, both the Asian and European automakers collectively performed better than the industry's overall decline of 27.4 percent, with Asian volume dropping by 22.8 percent and European volume declining by 19.2 percent.

continued>

Source: J.D. Power and Associates  
Figures rounded.



## Quarterly Spotlight: U.S. Sales Analysis (continued)

Meanwhile, the Domestic 3 continue to lose market share, dropping to less than 45 percent of total U.S. vehicle sales — a decline of 3.5 points year-over-year.

- On a volume basis, the Domestic 3 experienced a sales decline of 1.7 million units year-to-date (down 32.7 percent).
- At the same time, the Asian automakers experienced a sales decline of 1.1 million units (down 22.8 percent), and the European OEMs posted a decline of less than 150,000 units (a drop of 19.2 percent).

To the credit of the domestic OEMs, 2009 has been an extremely challenging recessionary year, with two of the three automakers having entered and exited highly complex bankruptcies. Although they continue to lose share on a collective basis, these OEMs remain significant players in the U.S. market; in fact, Ford has gained share.

- GM remains the top-selling U.S. automaker, maintaining a more than 240,000 unit lead YTD over Toyota, the second-largest automaker, based on 2009 YTD U.S. sales results.
- Chrysler, the fifth-largest automaker by U.S. market share, maintains a nearly 135,000 unit lead over sixth-place Hyundai. Despite going through the bankruptcy process and navigating through a challenging environment, Chrysler still captures a larger share of the market than BMW, Mazda, Volkswagen and the manufacturers listed in the “other” group, combined.

continued>

### U.S. sales overview (YTD 2009 vs. YTD 2008)

	YTD 2009	YTD 2008	Diff.	% Chg.
General Motors Group	1,536,903	2,412,649	(875,746)	-36.3
Ford Group	1,223,453	1,572,333	(348,880)	-22.2
Chrysler Group	715,516	1,183,519	(468,003)	-39.5
<b>Domestic 3 (“D3”)</b>	<b>3,475,872</b>	<b>5,168,501</b>	<b>(1,692,629)</b>	<b>-32.7</b>
Honda Group	884,137	1,180,583	(296,446)	-25.1
Hyundai Group	580,787	565,752	15,035	2.7
Isuzu Motors	642	4,189	(3,547)	-84.7
Mazda Motors	160,189	215,408	(55,219)	-25.6
Mitsubishi Motors	42,839	80,105	(37,266)	-46.5
Renault-Nissan Group	580,296	785,698	(205,402)	-26.1
Fuji Heavy	158,421	143,789	14,632	10.2
Suzuki Group	33,525	74,443	(40,918)	-55.0
Tata	26,881	34,736	(7,855)	-22.6
Toyota Group	1,296,422	1,793,302	(496,880)	-27.7
<b>Asian (“A10”)</b>	<b>3,764,139</b>	<b>4,878,005</b>	<b>(1,113,866)</b>	<b>-22.8</b>
BMW Group	179,219	236,327	(57,108)	-24.2
Daimler Group	147,834	195,454	(47,620)	-24.4
Porsche-VW	233,607	262,471	(28,864)	-11.0
<b>European (“E3”)</b>	<b>560,660</b>	<b>694,252</b>	<b>(133,592)</b>	<b>-19.2</b>
Passenger car total	4,206,926	5,755,448	(1,548,522)	-26.9
Light truck total	3,593,745	4,985,310	(1,391,565)	-27.9
<b>Total light vehicle sales</b>	<b>7,800,671</b>	<b>10,740,758</b>	<b>(2,940,087)</b>	<b>-27.4</b>

Source: J.D. Power and Associates

Note: Tata figures are estimated and include Jaguar and Land Rover

### U.S. market share overview

Rank	OEM	Market share %		Diff.
		YTD 2009	YTD 2008	
1	GM	19.7	22.5	-2.8
2	Toyota	16.6	16.7	-0.1
3	Ford	15.7	14.6	1.0
4	Honda	11.3	11.0	0.3
5	Chrysler	9.2	11.0	-1.8
6	Hyundai	7.4	5.3	2.2
7	R/N	7.4	7.3	0.1
8	VW	3.0	2.4	0.6
9	BMW	2.3	2.2	0.1
10	Mazda	2.1	2.0	0.0
11	Fuji Heavy	2.0	1.3	0.7
12	Daimler Group	1.9	1.8	0.1
	Other	1.4	1.9	-0.5
	<b>Total light vehicle sales</b>	<b>100.0</b>	<b>100.0</b>	<b>—</b>

Source: J.D. Power and Associates

Note: “Other” includes Mitsubishi, Suzuki, Tata and Isuzu; red denotes market share declines for the period.

## Quarterly Spotlight: U.S. Sales Analysis (continued)

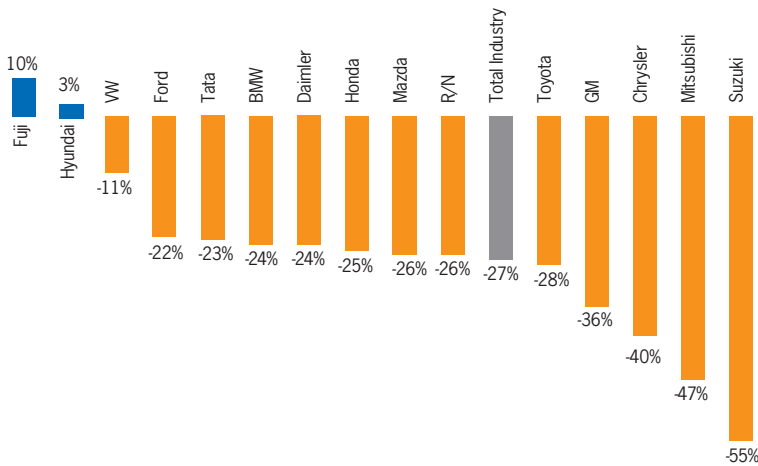
- Ford Motor Company, which continues to make progress on its restructuring plan, managed to avoid government financial assistance and has launched several redesigned products which have helped the company perform better than its domestic counterparts and the industry as a whole. Through the first nine months of 2009, the company's market share increased to 15.7 percent, an increase of approximately 1.0 percent, which represents the largest market share increase after Hyundai for the year to date.

The chart below illustrates sales volume performance by OEM (excluding Isuzu) for the first nine months of 2009. Eight of the 15 OEMs performed better than the industry's average decline this year vs. last year. Among the 15 OEMs, only two automakers — Fuji (+10.2 percent) and Hyundai (+2.7 percent) — posted year-over-year gains compared with the prior year.

Despite having sold the most vehicles under the government's "Cash for Clunkers" program, Toyota's sales declined 27.7 percent (more than the industry average) for the year, led by deteriorating sales performance of its Scion brand (down 51.7 percent).

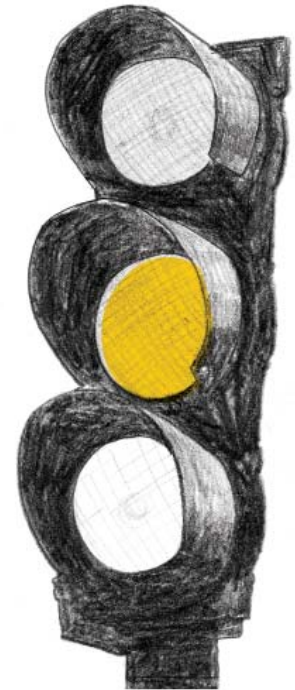
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U.S. sales % change by OEM (2009 YTD vs. 2008 YTD)



Source: J.D. Power and Associates

Note: Tata figures include Jaguar and Land Rover; Isuzu was excluded.



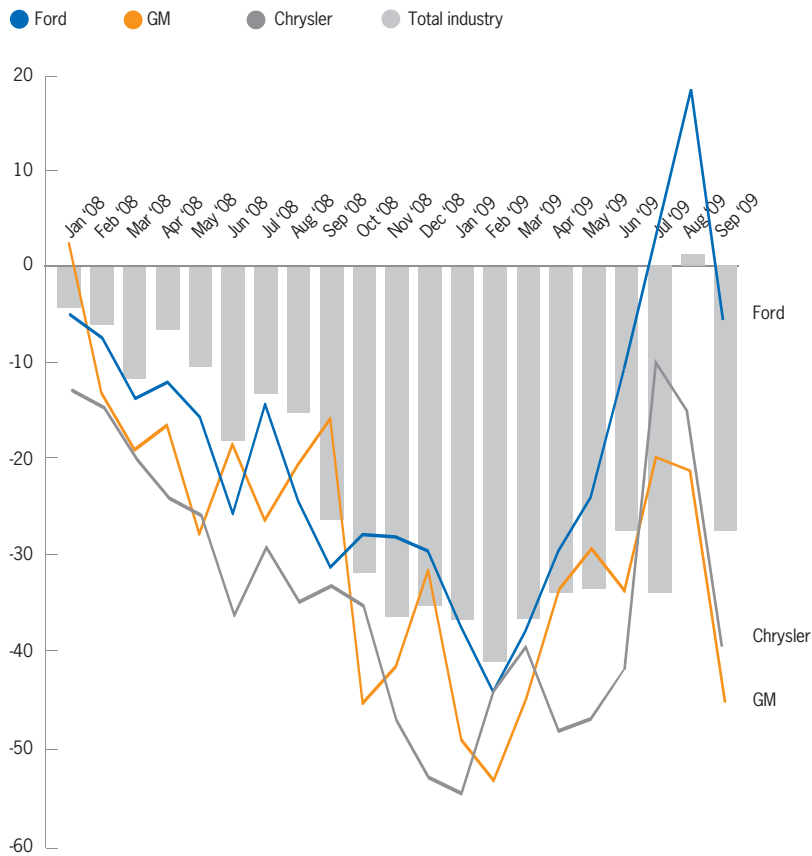
## Quarterly Spotlight: U.S. Sales Analysis (continued)

On April 30, 2009, Chrysler LLC filed for Chapter 11 bankruptcy protection and announced a plan for a partnership with Fiat. Less than two months later, the sale of Chrysler's "good assets" to a newly formed company, Chrysler Group LLC, or "New Chrysler," was completed. Fortunately for Chrysler, only one full month of sales results (May 2009) was affected while the company was going through bankruptcy. As shown, the process dampened Chrysler's results in May, with an observed decline of 47.9 percent compared with the prior period. However, when analyzing the company's sales decline relative to the industry average, "New Chrysler" posted even worse results in August, as well as in September following the end of the CARS program.

During the same Spring timeframe, GM's sales performance remained much closer to the industry average until the company filed for bankruptcy on June 1, 2009. In June, GM's sales declined by 33.4 percent. On July 10, 2009, GM emerged from Chapter 11 bankruptcy reorganization, yet relative to the industry's decline, the company performed worse in both August and September of this year, as compared with June results.

- During their respective bankruptcy processes, Chrysler's sales were more severely affected by the bankruptcy filing compared with GM.
- Following the bankruptcy process, Chrysler's sales results outperformed GM's in both August and September 2009 on a percentage change year-over-year as compared with total industry sales per month.

**U.S. light vehicle sales (2008 vs. 2009 YoY % Chg.)**



Source: J.D. Power and Associates

Ford, a company that managed to weather the industry downturn without government financial support, has remarkably outperformed the overall industry over the past six months. To date, Ford's market share stands at 15.7 percent, up approximately 1.0 point over its 2008 level. •

### Advisory Services Viewpoint

In the near term, given disappointing macroeconomic indicators, we believe that the fourth quarter will not represent a period of return to growth. Now that the CARS program has concluded, we expect that the fourth quarter could be the most challenging sales quarter we've seen in years. As automakers announce their new product lineups during the upcoming auto show season, we continue to look for positive signs of economic stability, improved employment levels and a return to steady growth in GDP.

# Grant Thornton Viewpoint: What lies ahead for GM and Chrysler?

One year ago, both GM and Chrysler faced concerns surrounding their financial and operational viability as demand for new vehicles plummeted. At that time, some industry observers raised the notion that bankruptcy, government involvement and/or outright failure seemed imminent, although the executive ranks dismissed such speculation. One year later, through the support of the federal government and a speedy bankruptcy process, these companies have managed to avert collapse and have maintained a significant share of the overall market (although their share is somewhat reduced in the domestic market).

Having exited from bankruptcy, a new debate has emerged as familiar concerns about their companies' viability have again been raised – what is to prevent the same thing from happening again? At the same time, others see these companies becoming stronger and more competitive than ever with the likelihood of initial public offerings (IPOs) not that far off. Either way, in this round, the stakes are much higher. What does it all mean, now that the government has a hand in the automakers' affairs? Will the new management teams at GM and Chrysler succeed? Will taxpayers receive a return on their investment and, if so, when? Will the automakers' products meet the increasingly changing needs of the consumer? Will their products prove to be segment-leading performers?

## Near-term priorities

General Motors	Chrysler
<ul style="list-style-type: none"> <li>• Growth in Global Markets &amp; Reintegrate Opel</li> <li>• Ability to Raise Capital - Focus on Structural Costs</li> <li>• Management's Ability to Execute</li> <li>• Follow Customer vs. Covering Cost</li> <li>• Brand Image &amp; New Product Rollout</li> </ul>	<ul style="list-style-type: none"> <li>• Integrate with Fiat</li> <li>• Ability to Raise Capital - Fund New Product Rollout</li> <li>• Fiat's (Management) Ability to Execute</li> <li>• Improved Transaction Prices vs. Incentives</li> <li>• Company Image &amp; Brand Performance</li> </ul>

Source: Grant Thornton

After ridding themselves of massive debt burdens, underperforming operations and uncompetitive work rule and benefit obligations, these companies should now be able to focus on their core operations. Without question, both companies are now better structured financially than in recent history, so it now comes down to product execution. Both companies must work to rebuild their reputation with consumers in terms of product, brand and company image and their message must translate into improved sales performance.

GM and Chrysler face unique, and yet different, sets of challenges. The road to returning to public ownership will be challenging. In broad terms, these companies will be required to:

- 1) Increase financial transparency, set new target milestones (i.e., profitability, earnings, cash flow, debt, etc.) and deliver results.
- 2) Stop market share losses through successful new product launches, must-have products, competitive pricing, brand repositioning/strengthening and improved quality rankings.

- 3) Maintain a more diversified regional mix with a growing presence in foreign/emerging markets.
- 4) Convince investors, their boards of directors and government oversight bodies that their plans are achievable.
- 5) Maintain their forward momentum while market and industry conditions improve to more healthy levels (e.g., consumer demand, capacity utilization).

Certainly, the next several months will be telling. Chrysler recently unveiled its long-awaited five-year business plan; GM is expected to unveil its business plan and budget in early December. Although these actions are signs of significant progress in the works, the debut of Chrysler and GM as new and improved public companies depends on their ability to execute, even if the nation still faces economic turmoil and a delayed economic recovery. •

# Key Developments

## Automotive Industry – Select Merger & Acquisition Activity (Announced Date)

- September 30, 2009 – Penske Automotive Group, Inc. (NYSE:PAG) cancelled the acquisition of **Saturn Corp.** from Onstar Corporation on September 30, 2009. The deal has been cancelled due to concerns directly related to the future supply of vehicles beyond the supply period already negotiated and as a result Saturn and its dealership network will be phased out.
- September 30, 2009 – American Securities and its funds American Securities Partners V, L.P., American Securities Partners V(B), L.P., American Securities Partners V(C), L.P. signed a definitive agreement to acquire **GenTek Inc.** (NasdaqGS: GETI) for approximately \$410 million in cash.
- September 24, 2009 – Akebono Brake Industry Co. Ltd. (TSE: 7238) acquired **North American brakes operations from Robert Bosch GMBH** for \$10 million. As reported under the terms of the agreement, Akebono acquired Clarksville, Tennessee and Columbia, South Carolina production sites, as well as certain assets and administrative functions at six other locations in United States for producing basic parts such as disc brakes and drum brakes.
- September 23, 2009 – Monro Muffler Brake Inc. (NasdaqGS: MNRO) acquired the assets of **Midwest Tire, Inc.** for \$2 million.
- September 23, 2009 – Belron US, Inc. entered into an agreement to acquire all of the **vehicle glass repair and replacement assets of IGD Industries.**
- September 21, 2009 – Iochpe-Maxion S.A. (BOVESPA: MYPK3) signed an agreement to acquire **steel wheel business from Arvin Innovation, Inc.** for approximately \$180 million.
- September 4, 2009 – Alamo Group Inc. (NYSE: ALG) signed an agreement to acquire majority of the assets and assume certain liabilities of **Bush Hog, L.L.C.** from C.C. Industries Ltd. for \$23.7 million in stock.
- September 3, 2009 – Worthington Cylinder Corporation acquired **Structural Composites Industries, Inc.** from Harsco Corp. (NYSE: HSC).
- September 1, 2009 – Eaton Corporation (NYSE: ETN) acquired the remaining 50% stake in **Micro Innovation Holding AG.**
- August 31, 2009 – North River Capital LLC acquired the assets and business of **Wayne Manufacturing Corporation** from Wayne Tool & Design Inc.
- August 31, 2009 – The Chrysler Group acquired the remaining stake in **Global Engine Manufacturing Alliance** from Hyundai Motor Co. (KOSE: A005380) and Mitsubishi Motors Corp. (TSE: 7211).
- August 31, 2009 – iSi Automotive GmbH acquired **European Airbag Activities** from **Delphi Corp.**
- August 26, 2009 – Hephaestus Holdings, Inc. signed an agreement to acquire **FormTech Industries, LLC** for \$40 million in a credit bid.
- August 24, 2009 – Systems Evolution Inc. (OTCPK: SSEV) acquired **Highline Hydrogen Hybrids, Inc. and Hoss Motor Sports, Inc.** from Steven Humphries. Under the terms of the transaction, the shareholders of Highline Hydrogen and Hoss Motor will take a combined 30% interest in Systems Evolution.
- August 19, 2009 – Motorcar Parts of America, Inc. (Nasdaq:MPAA) acquired certain assets of **Reliance Automotive, Inc.**
- August 19, 2009 – Robert Bosch North America, Inc. agreed to acquire **Akustica, Inc.**
- August 17, 2009 – UAP, Inc. entered into an agreement to acquire **18 Palmar truck parts stores from Palmar, Inc.**
- July 31, 2009 – Katcon, S.A. De C.V. made a stalking horse bid to acquire **global exhaust business of Delphi Corp.** (OTCPK: DPHI.Q) for approximately \$17 million.
- July 31, 2009 – Halla Climate Control Corp. (KOSE: A018880) entered into a purchase and sale agreement to acquire 80% interest in **Halla Climate Systems Alabama Corp.** from Visteon Corp. (OTCPK: VSTN) for KRW 46.9 billion in cash.
- July 29, 2009 – JTEKT Corporation (TSE: 6473) signed definitive sale and purchase agreement to acquire the assets of **Needle Roller Bearings business from Timken Co.** (NYSE: TKR) for approximately \$330 million in cash.
- July 28, 2009 – H.I.G. Capital, LLC agreed to acquire remaining stake in **Stant Corporation** for \$81 million.
- July 27, 2009 – Hephaestus Holdings, Inc. (HHI) agreed to acquire the **Powertrain operations from Metaldyne Corporation.**
- July 27, 2009 – Revstone Industries, LLC agreed to acquire the **Chassis operations from Metaldyne Corporation.**
- July 27, 2009 – JPMorgan Chase Bank, National Association, Elliott Management Corporation, Silver Point Capital L.P., Monarch Alternative Capital LP and other creditors of Delphi Corp. agreed to acquire substantially all assets of **Delphi Corp.** (OTCPK: DPHI.Q) for \$3.5 billion.
- July 19, 2009 – Fuel Systems Solutions, Inc. (NasdaqGS: FSYS) signed a purchase agreement to acquire power systems business of **Teleflex Inc.** (NYSE: TFX) for \$15 million in cash.



## Key Developments (continued)

- July 17, 2009 – American Industrial Partners IV, L.P. (AIP) signed an asset purchase agreement to acquire substantially all assets of **motorized recreational vehicle business of Fleetwood Enterprises Inc.** (OTCBB: FLTW.Q) for \$53 million.
- July 17, 2009 – Nebraska Industries Corporation and D&D Industries acquired **Key Products, Inc.**
- July 17, 2009 – Ford Motor Co. (NYSE: F) made a tender offer to acquire the remaining 3.27% stake in **Automobile Craiova SA Craiova** (NASDAQ: AUCS) for RON 10.9 million.
- July 16, 2009 – Snap-on Inc. (NYSE: SNA) acquired the remaining 50% stake of **Snap-on Credit LLC** from CIT Group, Inc. (NYSE: CIT) for \$8.2 million.
- July 14, 2009 – Revstone Industries, LLC agreed to acquire the **assets of INTERMET Corporation** for \$13 million.
- July 13, 2009 – Aabar Investments PJSC (ADX: AABAR) acquired 4% stake in **Tesla Motors, Inc.** from Daimler AG (XTRA: DCX).
- July 10, 2009 – Vehicle Acquisition Holdings LLC entered into a master sale and purchase agreement to acquire substantially all assets of **General Motors Corporation** (OTCPK: GMGM.Q). The acquired assets included 11.4 million shares of Hydrogenics Corporation. Under the terms of agreement, consideration will include the assumption of certain debt, including a credit bid in an aggregate amount equal to \$55 billion plus accrued interest, issuance of 50 million shares of Vehicle Acquisition Holdings, issuance of warrants to acquire 90.91 million shares of Vehicle Acquisition, and warrants originally issued by General Motors Corporation to U.S. Treasury.
- July 9, 2009 – Deuer Manufacturing Inc. (a subsidiary of Flex-N-Gate) acquired operating units of **Bumper Systems business** from Meridian Automotive Systems, Inc.

## Automotive Industry – Significant Bankruptcy Filings (Filing Date)

- September 28, 2009 – **Holley Performance Products Inc.**, along with its affiliates, filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware on September 28, 2009. The affiliates include Holley Performance Systems, Inc., Nitrous Oxide Systems, Inc., and Weiland Automotive Industries, Inc. The company listed both assets and liabilities ranging between \$100 million to \$500 million.
- August 26, 2009 – **FormTech Industries, LLC** filed a voluntary petition for reorganization under Chapter 11 for the US Bankruptcy Court for the District of Delaware. The company listed assets of \$100 million to \$500 million and debts of \$50 million to \$100 million.
- August 7, 2009 – **Meridian Automotive Systems, Inc.** filed a voluntary petition for liquidation under Chapter 7 in the U.S. Bankruptcy Court for the District of Delaware. The company listed assets of \$25.59 million and liabilities of \$204.47 million.
- August 3, 2009 – **Cooper-Standard Holdings Inc.**, along with Cooper-Standard Automotive Inc., Cooper-Standard Automotive FHS Inc., Cooper-Standard Automotive Fluid Systems Mexico Holding, North American Rubber, Inc., Sterling Investments Company, Nisco Holding Company, Cooper-Standard Automotive NC L.L.C, Csa Services Inc., and Cooper-Standard Automotive OH filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware. The company listed assets at \$1.73 billion and liabilities at \$1.78 billion.
- July 27, 2009 – **Stant Corporation**, along with its affiliates, filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware. The company listed both assets and liabilities ranging between \$50 million to \$100 million.
- July 13, 2009 – **JL French Automotive Castings, Inc.** along with its affiliates including J.L. French Corporation, Nelson Metal Products Corporation, and Allotech International Inc. jointly filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the District of Delaware. The company listed assets and debts of \$100 million to \$500 million.
- July 7, 2009 – **Lear Corporation**, along with its affiliates, filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the Southern District of New York. The company listed assets of \$1.27 billion and liabilities of \$4.54 billion.
- July 2, 2009 – **Advanced Materials Group, Inc.** filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Central District Of California. The company listed assets and debts of \$1 million to \$10 million.
- July 2, 2009 – **Proliance International Inc.** and its affiliate Aftermarket LLC filed a voluntary petition for reorganization under Chapter 11 in the U.S Bankruptcy Court for the District of Delaware. The company listed assets of \$160.3 million and liabilities of \$133.5 million.

# Financial Statistics

## Automotive industry – public market multiples

As of 9/30/2009 (monetary figures in U.S. \$)

Company	Ticker	Stock price			Equity market cap (M)	Enterprise value (EV) (M)	Net debt/ LTM <sup>2</sup> EBITDA	EPS		Price earnings		EV/ LTM <sup>2</sup> EBITDA
		Current	% of 52-week high	Quartile <sup>1</sup>				LTM <sup>2</sup>	NTM <sup>3</sup>	LTM <sup>2</sup>	NTM <sup>3</sup>	
<b>OEM</b>												
Daimler AG	DCX	\$50.31	96%	93%	\$51,511	\$127,603	36.0x	NM	\$1.06	NM	47.3x	62.2x
Ford Motor	F	\$7.21	81%	79%	\$23,225	\$123,903	61.5x	NM	\$0.58	NM	12.5x	76.8x
General Motors	MTLQ.Q	\$0.71	7%	5%	\$431	\$43,875	NM	NM	NM	NM	NM	NM
Honda Motor	TSE:7267	\$30.90	86%	71%	\$56,076	\$96,822	5.7x	NM	\$1.52	NM	20.3x	14.1x
Nissan Motor	TSE:7201	\$6.78	83%	73%	\$27,633	\$68,534	7.4x	NM	NM	NM	N/A	13.6x
Toyota Motor	TSE:7203	\$39.90	79%	51%	\$125,122	\$225,273	32.5x	NM	\$0.85	NM	47.0x	77.6x
Volkswagen AG	DB:VOW	\$164.95	11%	1%	\$66,018	\$147,742	12.0x	\$6.18	NM	26.7x	N/A	22.6x
Mean										26.7x	31.8x	44.5x
Median										26.7x	33.7x	42.4x
<b>Supplier</b>												
American Axle	AXL	\$7.08	80%	79%	\$392	\$1,390	87.4x	NM	\$0.61	NM	11.7x	121.9x
ArvinMeritor	ARM	\$7.82	59%	58%	\$578	\$1,689	11.5x	NM	\$0.31	NM	25.6x	18.0x
Autoliv	ALV	\$33.60	90%	86%	\$2,859	\$3,809	2.3x	NM	\$1.86	NM	18.0x	9.7x
BorgWarner	BWA	\$30.26	82%	71%	\$3,530	\$4,152	2.4x	NM	\$1.28	NM	23.7x	17.2x
Cooper Tire	CTB	\$17.58	93%	92%	\$1,037	\$1,310	0.8x	NM	\$1.85	NM	9.5x	6.2x
Cummins	CMI	\$44.81	92%	87%	\$9,043	\$9,130	(0.3)x	\$1.02	\$1.76	44.0x	25.4x	15.4x
Dana Holding	DAN	\$6.81	92%	91%	\$914	\$1,966	2.3x	NM	NM	NM	N/A	24.9x
Delphi	DPHI.Q	\$0.06	39%	32%	\$36	\$6,034	NM	\$7.09	NM	0.0x	NM	NM
Eaton Corporation	ETN	\$56.59	93%	87%	\$9,371	\$12,535	3.0x	\$2.00	\$4.02	28.4x	14.1x	12.1x
Federal-Mogul	FDML	\$12.07	81%	77%	\$1,200	\$3,340	6.5x	NM	\$0.87	NM	13.9x	10.4x
Gentex	GNTX	\$14.15	91%	85%	\$1,949	\$1,599	(3.6)x	\$0.18	\$0.66	80.3x	21.5x	16.2x
Goodyear Tire	GT	\$17.03	90%	88%	\$4,119	\$8,308	5.9x	NM	\$0.53	NM	32.3x	14.9x
Hayes Lemmerz	HAYZ	\$0.05	2%	1%	\$5	\$682	7.6x	NM	NM	NM	N/A	8.4x
Johnson Controls	JCI	\$25.56	85%	79%	\$15,220	\$18,626	3.0x	NM	\$1.53	NM	16.7x	17.2x
Lear	LEA	\$0.36	3%	2%	\$28	\$2,448	8.4x	NM	NM	NM	NM	8.6x
Linamar	TSX:LNR	\$13.27	100%	100%	\$859	\$1,134	1.8x	NM	\$0.67	NM	19.9x	8.2x
Magna Intl.	TSX:MG.A	\$42.50	83%	68%	\$4,788	\$3,923	(3.2)x	NM	\$2.97	NM	14.3x	14.4x
Navistar Intl.	NAVZ	\$37.42	69%	56%	\$2,643	\$7,161	8.4x	NM	\$4.28	NM	8.7x	13.5x
Tenneco	TEN	\$13.04	72%	71%	\$617	\$1,979	5.3x	NM	\$0.61	NM	21.3x	7.9x
TRW Automotive	TRW	\$16.75	80%	79%	\$1,934	\$4,542	4.5x	NM	\$1.95	NM	8.6x	8.3x
Visteon	VC	\$0.18	8%	7%	\$23	\$2,242	13.4x	NM	NM	NM	NM	15.6x
Mean										38.2x	17.8x	18.4x
Median										36.2x	17.3x	13.9x
<b>Dealer</b>												
AutoNation	AN	\$18.08	85%	81%	\$3,219	\$5,188	4.1x	\$1.30	\$1.26	13.9x	14.4x	10.9x
Asbury Automotive	ABG	\$12.68	85%	83%	\$409	\$1,224	6.9x	NM	\$0.98	NM	12.9x	10.4x
CarMax	KMX	\$20.90	97%	95%	\$4,604	\$4,861	0.9x	\$0.67	\$0.88	31.4x	23.8x	16.1x
Group 1 Automotive	GPI	\$26.85	80%	77%	\$649	\$1,519	6.0x	NM	\$2.15	NM	12.5x	10.4x
Lithia Motors	LAD	\$15.59	95%	94%	\$330	\$743	6.3x	\$0.51	\$0.83	30.6x	18.8x	11.4x
Penske Automotive	PAG	\$19.18	90%	87%	\$1,755	\$3,813	8.6x	NM	\$1.05	NM	18.3x	16.0x
Sonic Automotive	SAH	\$10.50	69%	68%	\$547	\$1,814	8.1x	NM	\$0.90	NM	11.7x	11.6x
Mean										25.3x	16.1x	12.4x
Median										30.6x	14.4x	11.4x

<sup>1</sup> Quartile is calculated as (current stock price minus 52-week low) divided by (52-week high stock price minus 52-week low)

<sup>2</sup> Latest 12 months (LTM) diluted earnings per share before extraordinary items

<sup>3</sup> Next 12 months (NTM) estimated diluted earnings per share

NM = Not meaningful

Sources: Capital IQ and Grant Thornton Automotive Analytics

## Financial Statistics (continued)

## Automotive industry – comparative quarterly metrics

As of 9/30/2009 (monetary figures in U.S. \$)

Company	Ticker	Stock price				LTM <sup>1</sup> revenues				LTM <sup>1</sup> EBITDA						
		Current	1 Month		1 Year		Current	1 Quarter		1 Year		Current	1 Quarter		1 Year	
			Prior	% Δ	Prior	% Δ		Prior	% Δ	Prior	% Δ		Prior	% Δ	Prior	% Δ
<b>OEM</b>																
Daimler A.G.	DCX	\$50.31	\$45.21	↓11%	\$53.20	↑5%	\$115,524	\$117,980	↑2%	\$142,111	↑19%	\$2,052	\$2,550	↑20%	\$10,310	↑80%
Ford Motor	F	\$7.21	\$7.60	↑5%	\$4.17	↓73%	\$112,996	\$113,850	↑1%	\$160,256	↑29%	\$1,613	\$2,949	↑45%	\$13,216	↑88%
General Motors	MTLQ.Q	\$0.71	\$0.81	↑13%	\$8.51	↑92%	\$129,027	\$148,979	↑13%	\$178,980	↑28%	\$(8,822)	\$(4,653)	↑90%	\$5,610	↑257%
Honda Motor	TSE:7267	\$30.90	\$31.62	↑2%	\$30.58	↑1%	\$94,952	\$101,180	↑6%	\$112,467	↑16%	\$6,872	\$8,361	↑18%	\$13,997	↑51%
Nissan Motor	TSE:7201	\$6.78	\$7.00	↑3%	\$6.92	↓2%	\$77,687	\$78,947	↑2%	\$100,284	↑23%	\$5,046	\$5,276	↑4%	\$11,659	↑57%
Toyota Motor	TSE:7203	\$39.90	\$42.99	↑7%	\$43.72	↑9%	\$186,832	\$188,430	↑1%	\$240,281	↑22%	\$2,905	\$4,233	↑31%	\$28,860	↑90%
Volkswagen	DB:VOW	\$164.95	\$194.74	↑15%	\$392.40	↑58%	\$154,323	\$152,113	↓1%	\$159,554	↑3%	\$6,529	\$7,287	↑10%	\$15,121	↑57%
<b>Supplier</b>																
American Axle	AXL	\$7.08	\$6.18	↓15%	\$5.65	↓25%	\$1,561	\$1,679	↑7%	\$2,361	↑34%	\$11	\$(8)	↓246%	\$154	↑93%
ArvinMeritor	ARM	\$7.82	\$7.31	↓7%	\$12.39	↑37%	\$4,108	\$5,346	↑23%	\$7,167	↑43%	\$94	\$178	↑47%	\$354	↑73%
Autoliv	ALV	\$33.60	\$32.07	↓5%	\$33.98	↑1%	\$4,639	\$4,858	↑5%	\$7,064	↑34%	\$392	\$383	↓2%	\$893	↑56%
BorgWarner	BWA	\$30.26	\$29.67	↓2%	\$31.55	↑4%	\$3,695	\$3,984	↑7%	\$5,705	↑35%	\$242	\$328	↑26%	\$732	↑67%
Cooper Tire	CTB	\$17.58	\$14.28	↓23%	\$9.29	↓89%	\$2,642	\$2,633	↓0%	\$3,011	↑12%	\$211	\$86	↓146%	\$133	↑59%
Cummins	CMI	\$44.81	\$45.32	↑1%	\$41.69	↓7%	\$10,688	\$11,851	↑10%	\$14,570	↑27%	\$592	\$790	↑25%	\$1,478	↑60%
Dana Holding	DAN	\$6.81	\$5.23	↓30%	\$4.83	↓41%	\$5,256	\$5,856	↑10%	\$8,731	↑40%	\$79	\$75	↓5%	\$402	↑80%
Delphi	DPHIQ	\$0.06	\$0.04	↓49%	\$0.08	↑18%	\$13,621	\$15,333	↑11%	\$20,224	↑33%	\$(585)	\$(403)	↑45%	\$55	↑1164%
Eaton	ETN	\$56.59	\$53.95	↓5%	\$53.77	↓5%	\$12,229	\$13,315	↑8%	\$15,263	↑20%	\$1,034	\$1,212	↑15%	\$2,004	↑48%
FederalMogul	FDML	\$12.07	\$12.58	↑4%	\$12.66	↑5%	\$5,241	\$5,553	↑6%	\$7,295	↑28%	\$320	\$371	↑14%	\$767	↑58%
Gentex	GNTX	\$14.15	\$14.59	↑3%	\$15.19	↑7%	\$489	\$487	↓1%	\$672	↑27%	\$99	\$89	↓11%	\$171	↑43%
Goodyear Tire	GT	\$17.03	\$16.49	↓3%	\$14.86	↓15%	\$15,999	\$16,786	↑5%	\$20,513	↑22%	\$559	\$555	↓1%	\$1,832	↑69%
Hayes Lemmerz	HAYZ	\$0.05	\$0.05	↑2%	\$2.73	↑98%	\$1,589	\$1,904	↑17%	\$2,202	↑28%	\$81	\$148	↑45%	\$175	↑53%
Johnson Controls	JCI	\$25.56	\$24.77	↓3%	\$29.32	↑13%	\$28,497	\$29,937	↑5%	\$38,062	↑25%	\$1,084	\$1,294	↑16%	\$2,744	↑60%
Lear	LEA	\$0.36	\$0.29	↓24%	\$10.55	↑97%	\$10,183	\$11,881	↑14%	\$15,270	↑33%	\$283	\$473	↑40%	\$967	↑71%
Linamar	TSX:LNR	\$13.27	\$11.54	↓15%	\$9.94	↓33%	\$1,565	\$1,646	↑5%	\$2,304	↑32%	\$139	\$183	↑24%	\$340	↑59%
Magna Intl.	TSX:MG.A	\$42.50	\$45.07	↑6%	\$52.76	↑19%	\$16,784	\$17,648	↑5%	\$25,704	↑35%	\$273	\$368	↑26%	\$1,858	↑85%
Navistar Intl.	NAVZ	\$37.42	\$43.24	↑13%	\$51.26	↑27%	\$12,154	\$13,599	↑11%	\$14,055	↑14%	\$531	\$937	↑43%	\$891	↑40%
Tenneco	TEN	\$13.04	\$15.70	↑17%	\$10.62	↓23%	\$4,535	\$4,778	↑5%	\$6,273	↑28%	\$250	\$247	↓1%	\$419	↑40%
TRW Automotive	TRW	\$16.75	\$17.65	↑5%	\$16.04	↓4%	\$11,527	\$13,241	↑13%	\$15,971	↑28%	\$549	\$744	↑26%	\$1,335	↑59%
Visteon	VC	\$0.18	\$0.12	↓46%	\$2.13	↑92%	\$6,307	\$6,694	↑6%	\$10,758	↑41%	\$144	\$43	↓235%	\$511	↑72%
<b>Dealer</b>																
AutoNation	AN	\$18.08	\$18.98	↑5%	\$10.75	↓68%	\$11,295	\$11,739	↑4%	\$14,899	↑24%	\$475	\$471	↓1%	\$629	↑25%
Asbury Automotive	ABG	\$12.68	\$12.50	↓1%	\$11.30	↓12%	\$3,829	\$3,965	↑3%	\$4,623	↑17%	\$118	\$119	↑1%	\$152	↑23%
CarMax	KMX	\$20.90	\$17.31	↓21%	\$14.09	↓48%	\$6,900	\$6,583	↓5%	\$7,996	↑14%	\$302	\$156	↓93%	\$210	↑43%
Group 1 Automotive	GPI	\$26.85	\$28.17	↑5%	\$20.85	↓29%	\$4,509	\$4,696	↑4%	\$6,020	↑25%	\$146	\$137	↓7%	\$198	↑26%
Lithia Motors	LAD	\$15.59	\$12.81	↓22%	\$4.50	↓246%	\$1,809	\$1,858	↑3%	\$2,131	↑15%	\$65	\$59	↓11%	\$54	↓21%
Penske Automotive	PAG	\$19.18	\$17.69	↓8%	\$11.66	↓64%	\$9,239	\$9,621	↑4%	\$12,441	↑26%	\$238	\$240	↑1%	\$356	↑33%
Sonic Automotive	SAH	\$10.50	\$12.82	↑18%	\$8.68	↓21%	\$5,098	\$5,193	↑2%	\$5,881	↑13%	\$156	\$142	↓10%	\$211	↑26%

<sup>1</sup>Latest 12 months figures before extraordinary items (\$, in millions)

↑Up ↓Down —Same

NM = Not meaningful

Source: Capital IQ and Grant Thornton Automotive Analytics



# About the *Automotive Industry Review*

## About the publication

The *Automotive Industry Review* is published quarterly by the automotive analytics team of Grant Thornton LLP's Advisory Services practice. The automotive analytics team, along with other financial and operationally focused professionals in our organization, holds extensive experience in the manufacturing industry, including supply chain advisory.

## About the team

Our breadth of experience includes a unique blend of financial and operational manufacturing understanding coupled with a deep knowledge of issues and events affecting the manufacturing industry. Our diversely skilled team provides unparalleled services in a variety of areas including due diligence, performance improvement, supply chain advisory and crisis management.



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- A dedicated, experienced team of over 50 advisory professionals working exclusively within the manufacturing industry to provide creative, tailored solutions to our clients' needs.
- A unique mix of financial and operational professionals with industry certifications including professional engineering (PE), inventory management (CPIM), operations (CIRM), Six Sigma and lean (Black Belt and Green Belt), purchasing (CPM), quality (CQA), program management (PMP), supply chain management (CSCP), manufacturing engineering (CMfgE), accounting (CPA), restructuring (CIRA), finance (CFA), and fraud (CFE).
- Extensive experience providing supply chain advisory services to a variety of manufacturing entities — from proactive monitoring and strategic analysis assignments to on-site supplier intervention (financial and operational).
- An innovative technology team that has developed a world-class, Web-based Vontik system allowing customers to collect critical data directly from their supply chain and generate performance scorecards and benchmarks to proactively identify risk/exposure and strengthen their supply base.
- Worldwide manufacturing experience, knowledge and resources to serve clients on a global basis through Grant Thornton International Ltd member firms. •

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# **Attachment 5**

**Watson Wyatt HR Program Survey**

watsonwyatt.com



## **SPEAKERS**

**Michael Hawkins**  
Watson Wyatt Worldwide  
248.936.7542

**Susan Russell**  
Watson Wyatt Worldwide  
248.936.7522

## **The Effect of the Economy on HR Programs – OESA HR Council Update**

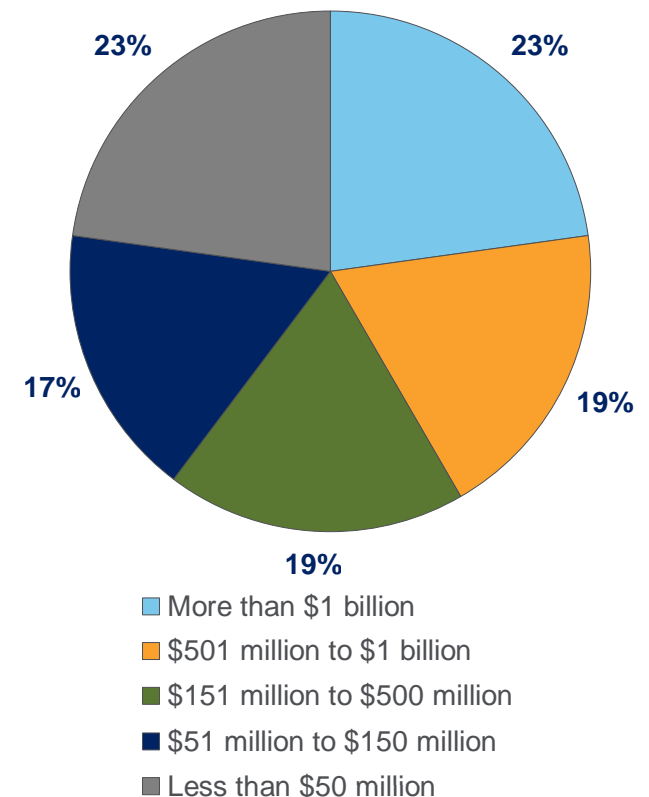
October 22, 2009



# About the Survey

- Part of our series of ongoing research on the economic crisis
- Purpose is to understand what adjustments companies are making to their HR programs (e.g., staffing, pay, benefits) in response to the economic downturn
- National Results
  - Fielded from August 3 – August 7, 2009
  - 175 participants from large, U.S.-based companies
- OESA Results
  - Fielded October 2009
  - 49 participants

**OESA Survey Participant Size  
Global Automotive Revenue**



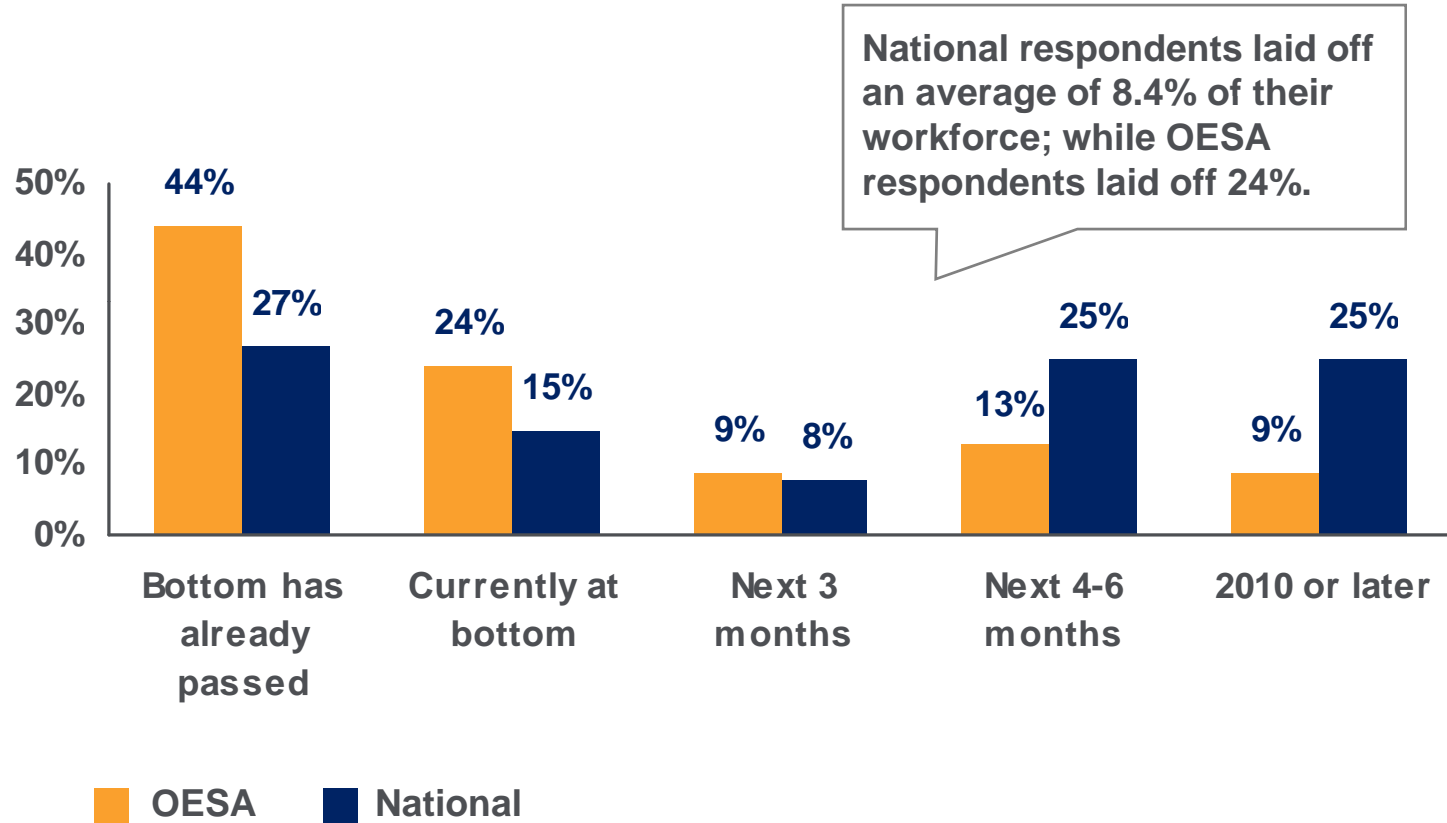
# OESA Participating Companies

- ADAC Automotive
- Anchor Danly
- AWA/ATC-A
- Behr-Hella Thermocontrol, Inc.
- Brose North America
- Camcraft Inc
- Cascade
- Charter Automotive
- Continental Automotive
- Cooper-Standard Automotive Inc.
- CRH North America Inc.
- CSM Worldwide Inc
- Faurecia
- Freudenberg-NOK General Partnership
- GHSP
- Gibbs Die Casting
- Grand Rapids Controls Co., LLC
- GST AutoLeather, Inc
- Hella
- HUSCO Automotive, LLC
- IAV Automotive Engineering Inc.
- Inergy Automotive Systems
- MANN+HUMMEL USA, INC
- MEMA
- Metaldyne
- Michigan Spring and Stamping
- MPC
- Mubea
- NGK Spark Plugs
- NTN
- Peterson American Corporation
- Phillips Industries
- Plastomer Corporation
- PPG Industries
- Remy Inc
- Robert Bosch, LLC.
- Schuler Inc.
- Sellner-Behr Corporation
- SKF USA Inc. Sealing Solutions
- Spartan Light Metal Products
- Stoneridge, Inc.
- TAG Holdings, LLC
- TI Automotive
- Toyoda Gosei North America Corporation
- TWB Company LLC
- Van-Rob
- Viking Plastics
- Yazaki North America
- ZF

# How Will the Automotive Industry be Positioned When the Economic Recovery Begins?



Figure 1: With regard to the recession, when do you think your company's results will "bottom out" and begin to improve?

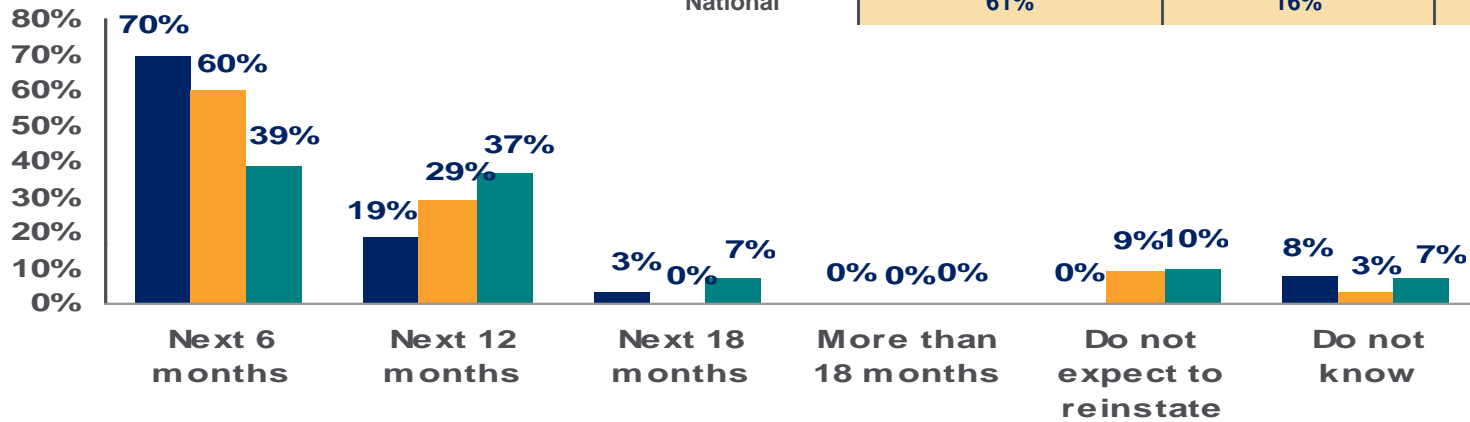




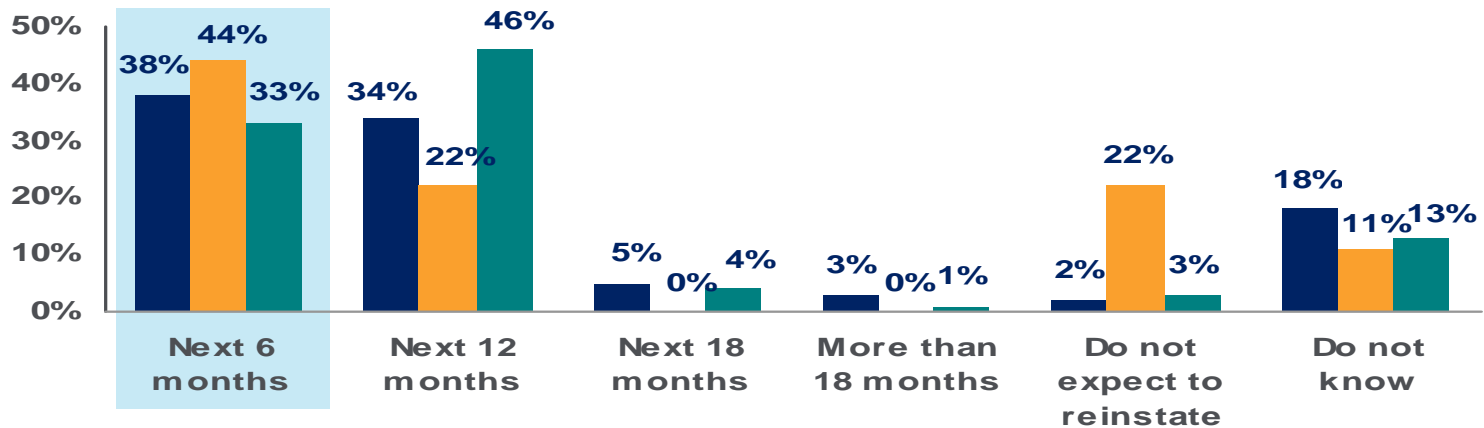
**Figure 2: If you have made changes to your hiring and pay practices, when do you expect to reverse/reinstate the changes?**

Percent that made change	Hiring freeze	Salary reduction	Salary freeze
OESA	79%	71%	90%
National	61%	16%	61%

**OESA**



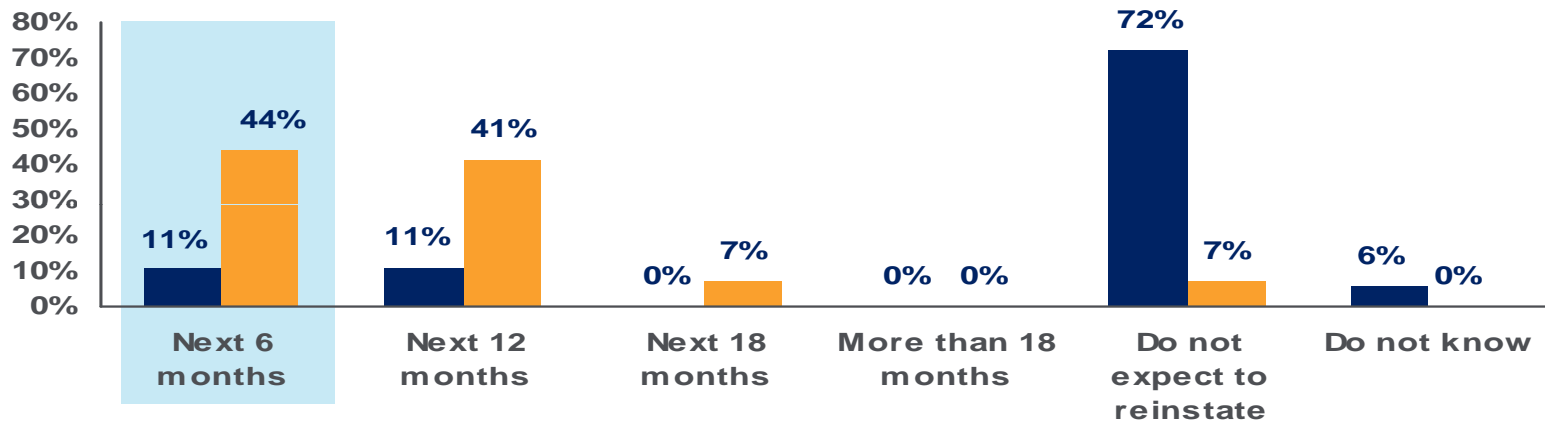
**NAT'L**



**Figure 3: If you have made changes to your benefits programs, when do you expect to reverse/reinstate the changes?**

Percent that made change	Raise percentage employees pay for health care premiums	Reduce employer 401(k)/403(b) match
OESA	43%	57%
National	25%	22%

**OESA**



**NAT'L**

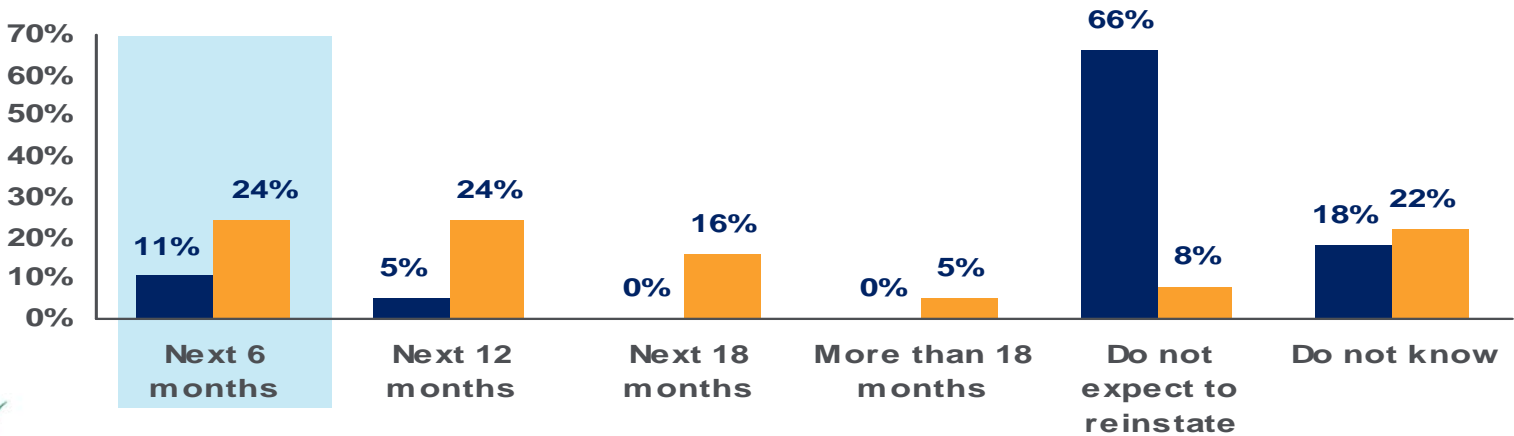
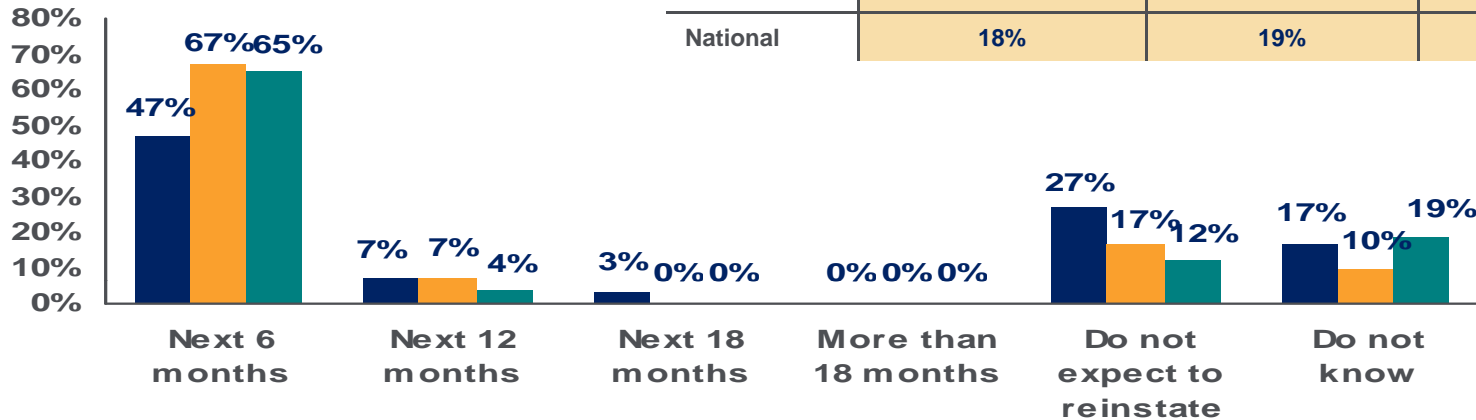


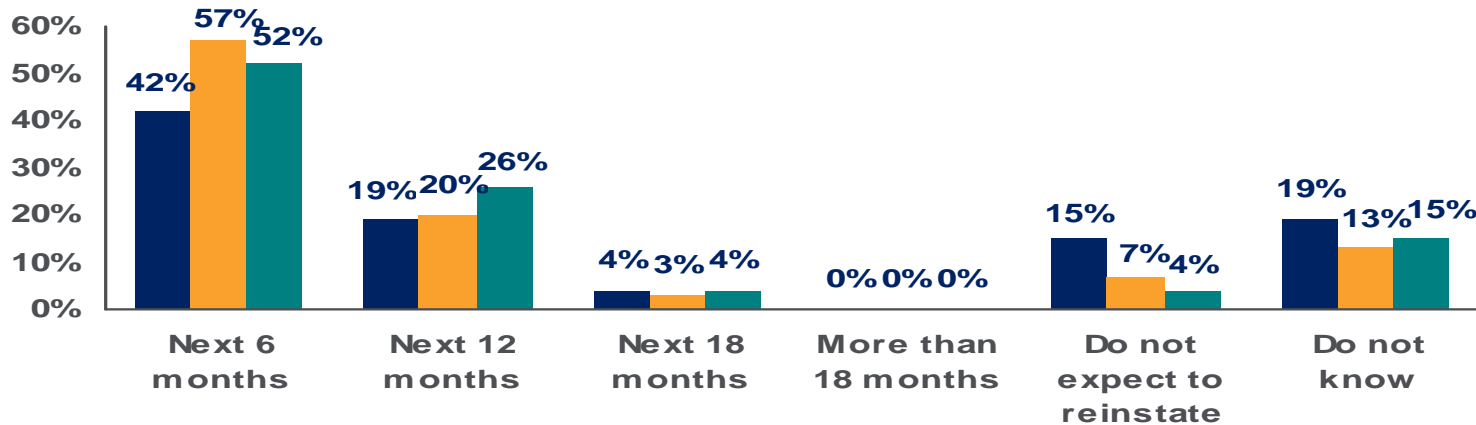
Figure 4: If you have made changes to worker hours, when do you expect to reverse/reinstate the changes?

Percent that made change	Mandatory shutdown	Reduced workweek	Mandatory furlough
OESA	69%	74%	62%
National	18%	19%	17%

**OESA**



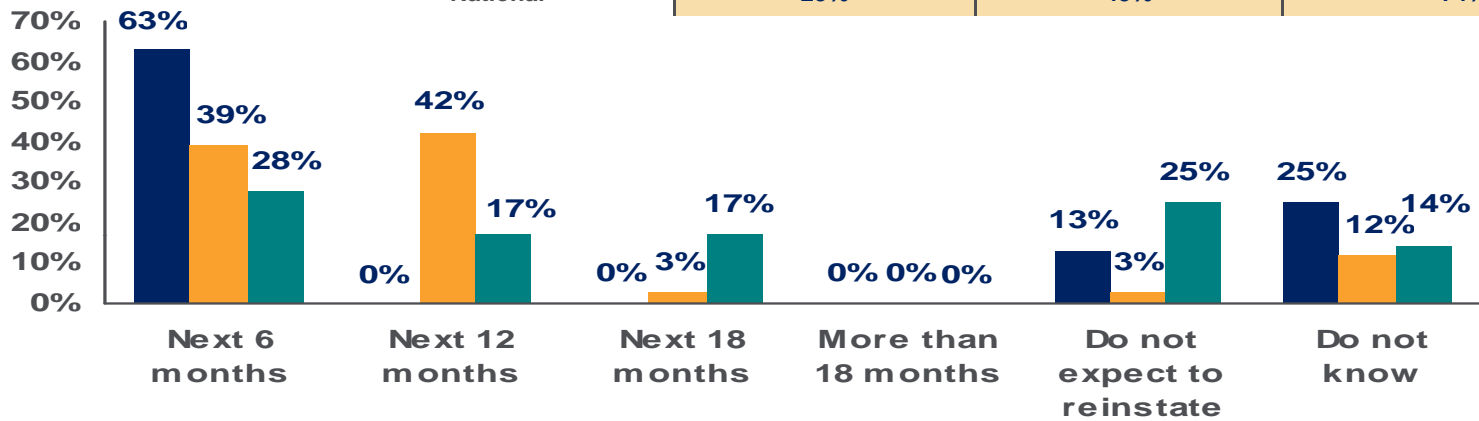
**NAT'L**



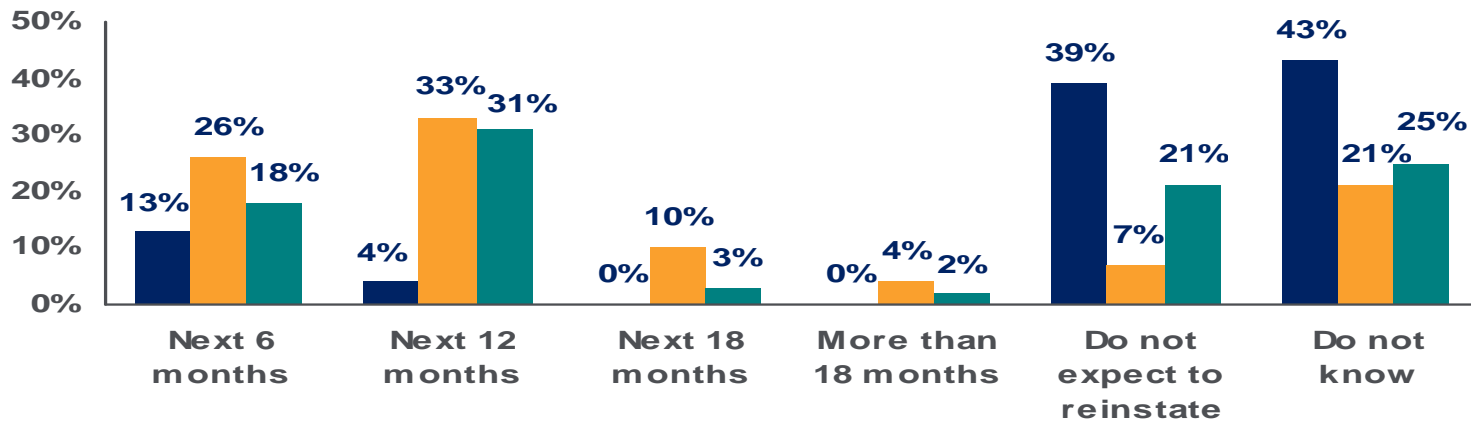
**Figure 5: If you have made changes to other programs, when do you expect to reverse/reinstate the changes?**

Percent that made change	Increase use of recognition plans	Eliminate or reduce training programs	Add/increase restrictions to company travel policy
OESA	26%	73%	83%
National	23%	45%	74%

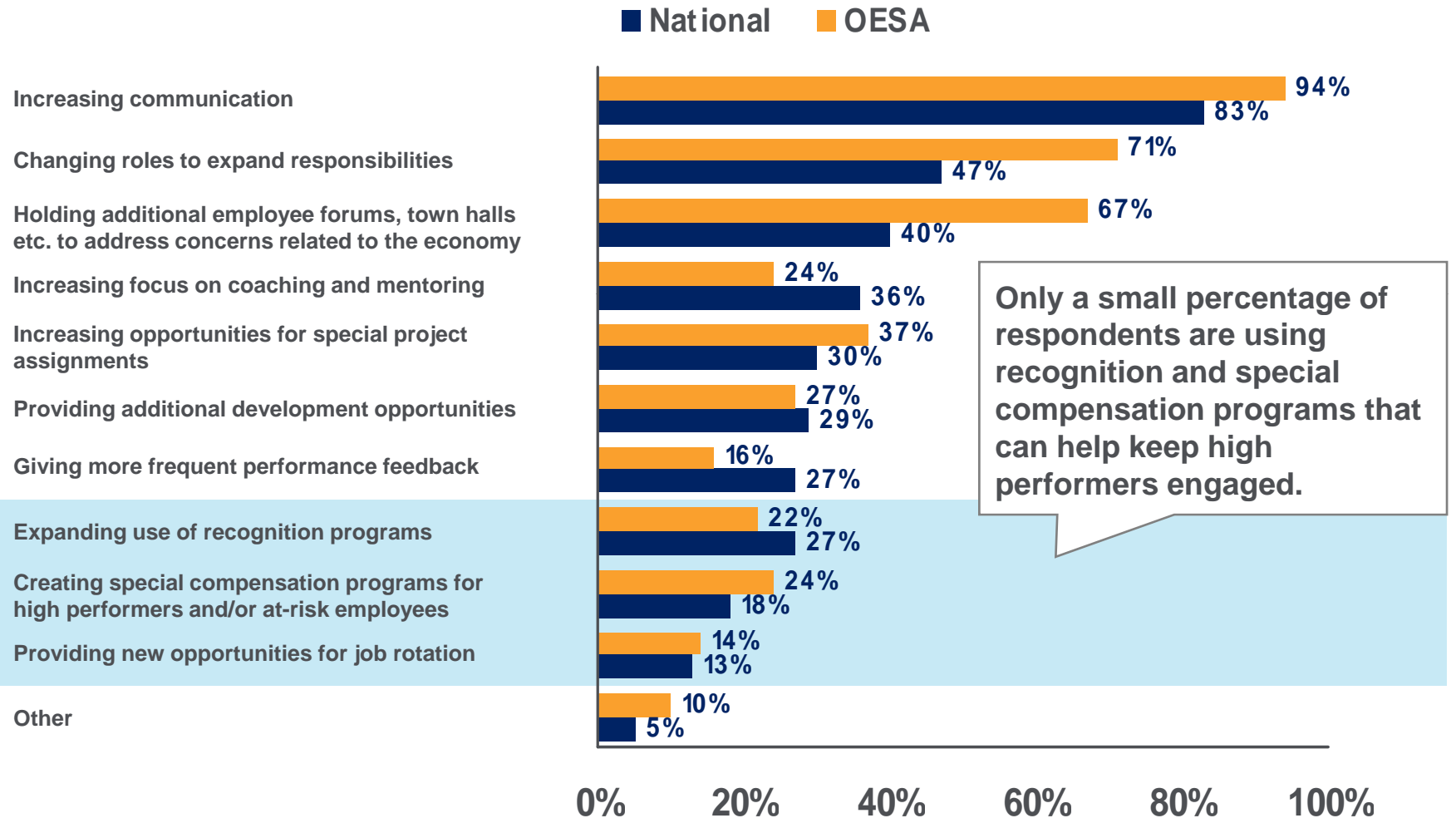
**OESA**



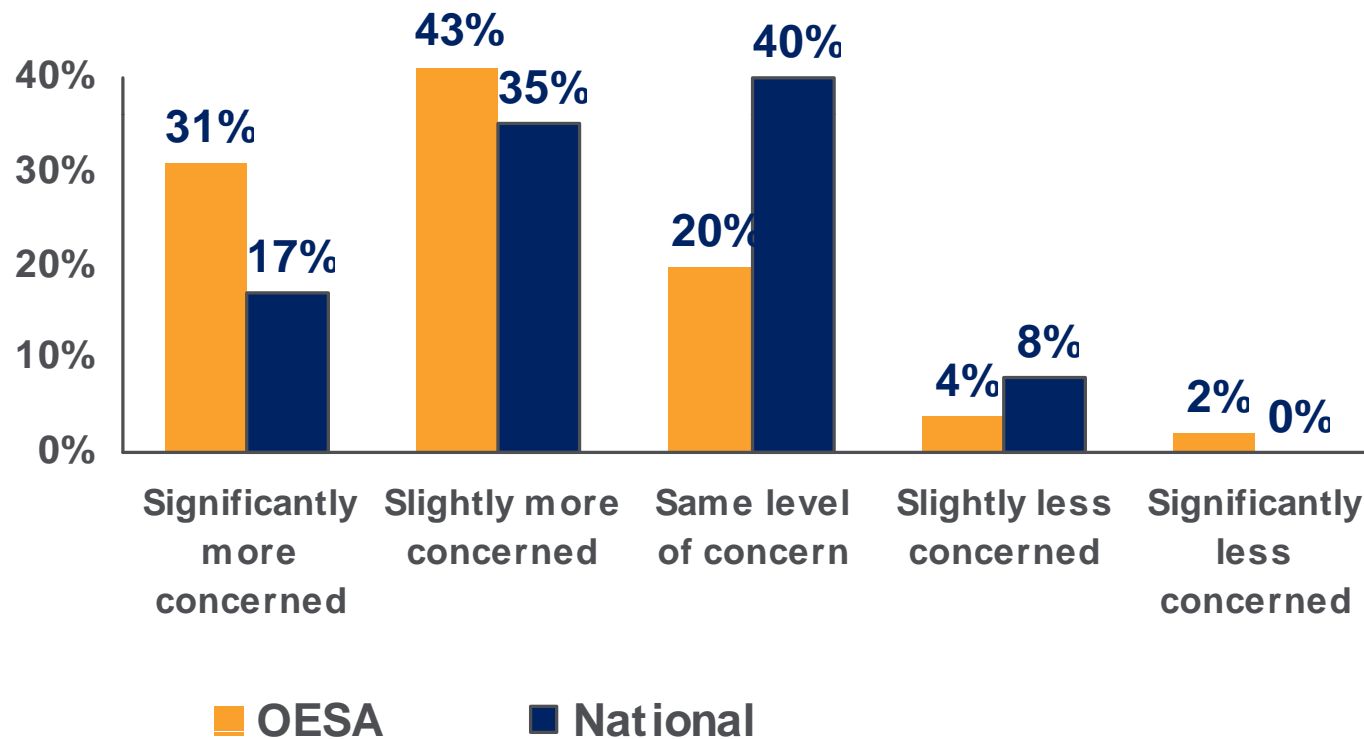
**NAT'L**



**Figure 6: In light of changes/cuts you have made to HR programs, what are you doing to try to keep employees engaged?**



**Figure 7: Compared to your level of concern about retention before the economic crisis hit, to what extent are you concerned about losing critical-skill or top-performing employees when the economy begins a recovery?**

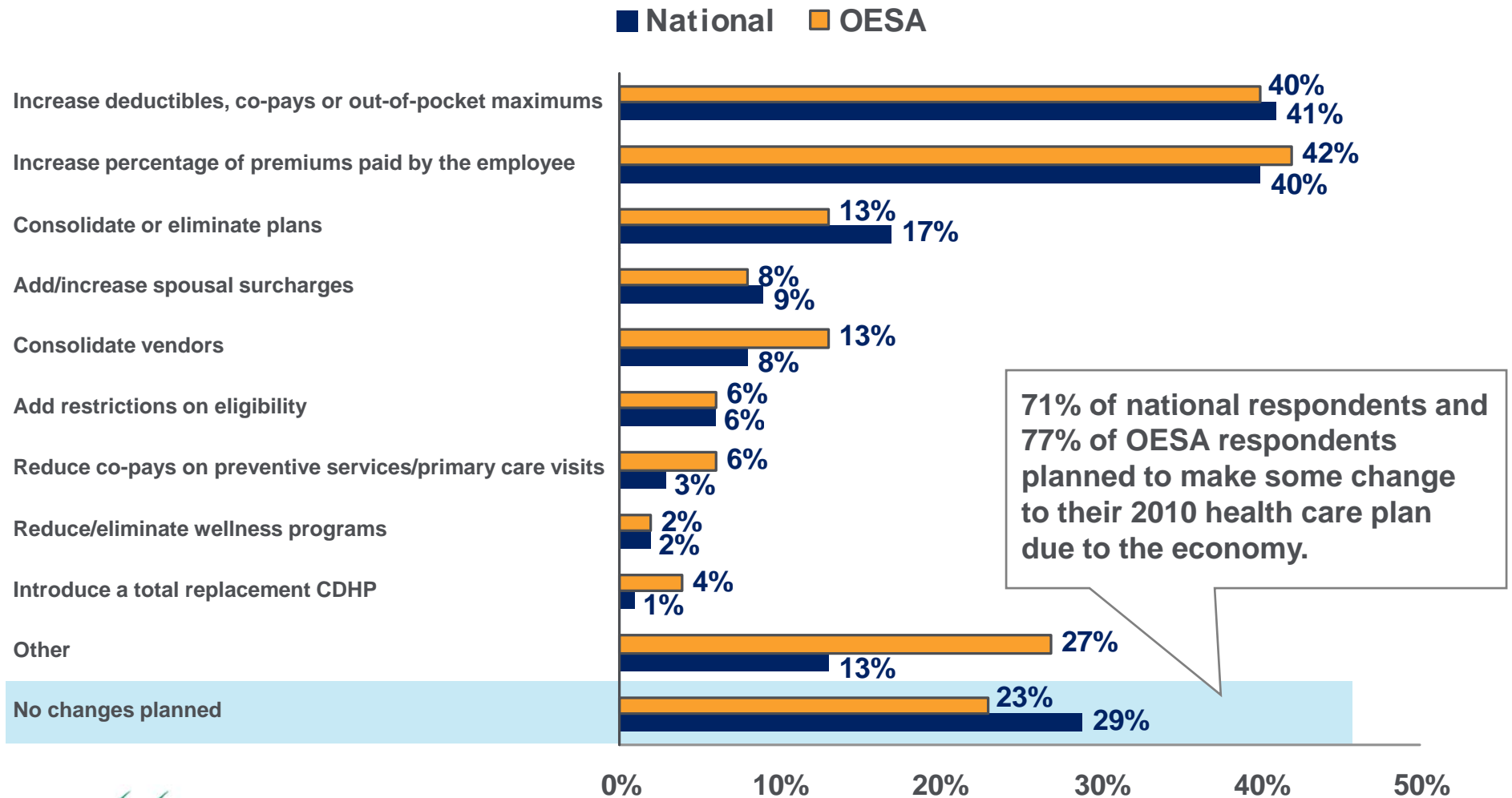


**Figure 8: Looking ahead 3-5 years at your company, do you expect any of the following to permanently change compared to pre-economic crisis levels (September 2008)?**

	Increase		No change		Decrease	
	OESA	National	OESA	National	OESA	National
Employees working past their desired retirement age	81%	83%	16%	17%	2%	0%
Percentage of health care costs paid by employee	69%	68%	27%	31%	4%	2%
Development programs for employees	70%	52%	23%	44%	6%	4%
Difficulty retaining critical-skill employees	63%	49%	31%	46%	6%	4%
Difficulty attracting critical-skill employees	48%	46%	35%	48%	17%	7%
Salary increase levels	39%	37%	33%	42%	28%	21%
Staff sizes	35%	29%	10%	28%	55%	43%
Employer contributions for defined contribution plan (e.g., 401k)	16%	14%	69%	75%	14%	11%
Employer contributions for pension plan	0%	13%	77%	64%	22%	23%



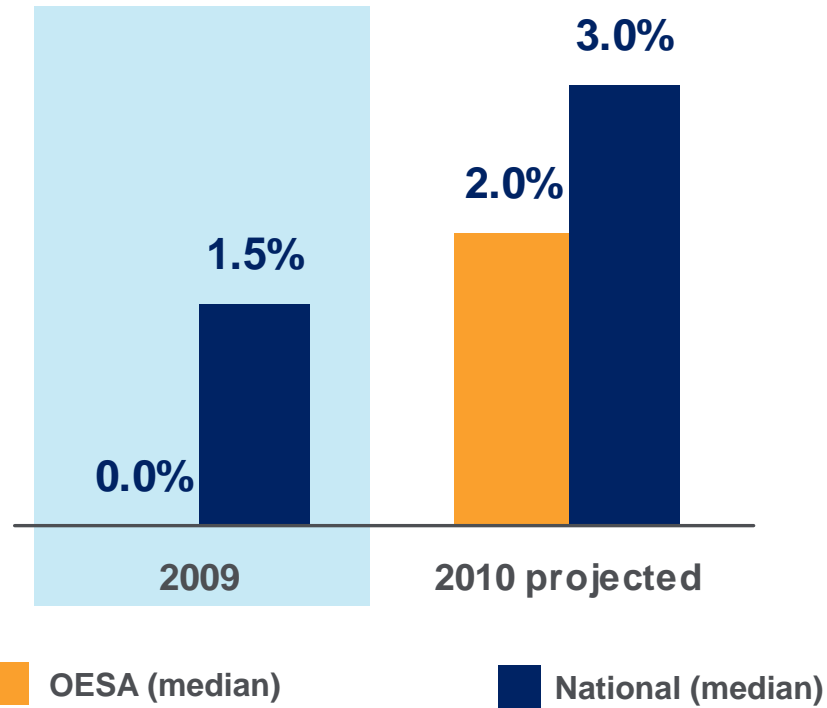
**Figure 9: What changes have you made or will you make to your 2010 health care plan as a result of the economic downturn?**



**Figure 10: In the last two months, what changes have you noticed in participant activity in 401(k) or 403(b) plans?**

	Increased		Stayed the same		Decreased	
	OESA	National	OESA	National	OESA	National
Rate of lending to participants	51%	37%	49%	63%	0%	1%
Rate of hardship withdrawals	54%	36%	41%	63%	5%	1%
Percent of assets invested in equities	0%	5%	61%	56%	39%	39%
Percent of pay contributed by participants	5%	2%	46%	68%	49%	30%

Figure 11: Indicate your organization's merit increase budget for 2009 and projection for 2010 (as a percentage of your total payroll).



**Figure 12: If your organization offers a short-term incentive plan, how was it funded in the most recently completed year, and what is the projected funding for the current year?**

	Funded last year		Expect to fund this year	
	OESA	National	OESA	National
<b>Median STI funding</b>	<b>20%</b>	<b>81%</b>	<b>10%</b>	<b>76%</b>

# The Changing Employment Deal



How must the employment deal change in the coming years for an automotive company to remain competitive both within the industry as well as with non-automotive companies?

**What should HR be thinking about – both strategically and tactically?**

# **Attachment 6**

**GE Capital Autos Industry Research Monitor**

# Industry Research Monitor

To sign up to receive an electronic copy of this Industry Research Monitor, please visit: [www.gelending.com/IRM](http://www.gelending.com/IRM)

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## Industry Headlines

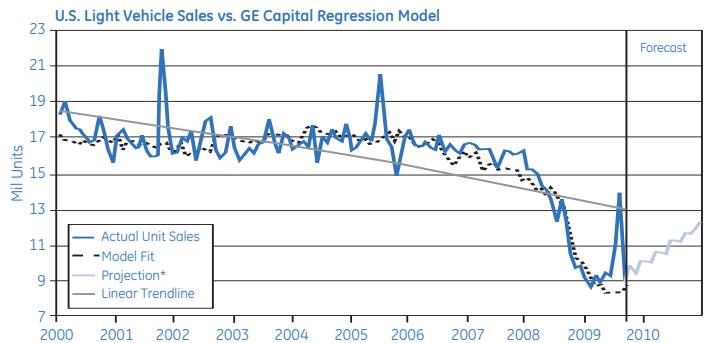
- Global light vehicle sales have continued to recover with sales up 3% YoY in September to a 64 million unit annualized rate (albeit down 9% YT-Sept). Most of this recovery has been driven by China which – having doubled its sales in recent months from trough December 2008 levels – has now surpassed the U.S. and Western Europe to become the largest light vehicle market in the world so far this year.
- U.S. light vehicle sales dropped back to 9.2 million units on a SAAR basis in September following the end of the U.S. “cash for clunkers” program, which had lifted sales as high as 14 million SAAR units in August. Our regression model suggests sales should recover 12% in 2010 to a level somewhat below a consensus forecast range of 11.5-12.0 million units.
- North American light vehicle production is down 42% YT-September, but rose 34% sequentially in 3Q 2009 vs. 2Q. Inventories have consequently risen off their August lows, but remain relatively low at 56 days supply in September – 9% below the trailing 5-year September average.
- New and used vehicle pricing continues to firm, with Manheim’s used vehicle pricing index up 7% YoY in September. Meanwhile, average auto manufacturer incentives dropped 9% YoY in September in the U.S. according to Edmunds.com.
- North American Auto & Auto Parts syndicated loan volume is down 60% in YT-September 2009 based on LPC data for BB+ and lower or unrated credits (largely reflecting absence of \$13.4 billion U.S. Treasury loan to GM). Global volume, however, is up 10% over this period (largely reflecting a \$14.6 billion Porsche loan).

## Current Environment

### Demand:

Global light vehicle sales have continued to rebound from their January lows, with sales up 3% YoY in September (albeit down from a “cash for clunkers” induced spike in August). Developing world demand continues to be the main driver, with September Chinese, Indian and Brazilian passenger car unit sales up 78%, 21% and 25% YoY, respectively. Russia remained the outlier “BRIC” country with unit sales down 52% YoY in September (though up 11% MoM). This booming recovery abroad has helped lift otherwise beleaguered Detroit-3 sales, with GM for example seeing its YT-September sales in China rise 56% and Ford seeing record September sales in Brazil.

### GE Capital’s U.S. Light Vehicle Sales Model Points to Recovery in 2010



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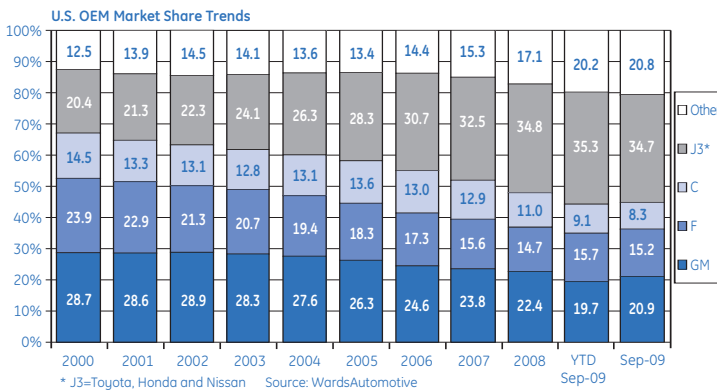


In the developed world, demand has seen improvement, but primarily reflecting various auto scrappage incentive programs.

In Western Europe, light vehicle sales rose 5% in September. In 2009, scrappage incentives are estimated to lift Western European car sales by perhaps 2 million units according to JD Power (Note: Western European YTD-September light vehicle annualized sales rate has been about 14.6 million units vs. 15.4 in all of 2008.) In Japan, light vehicle sales were down 15% YTD-September but flat YoY in the month of September.

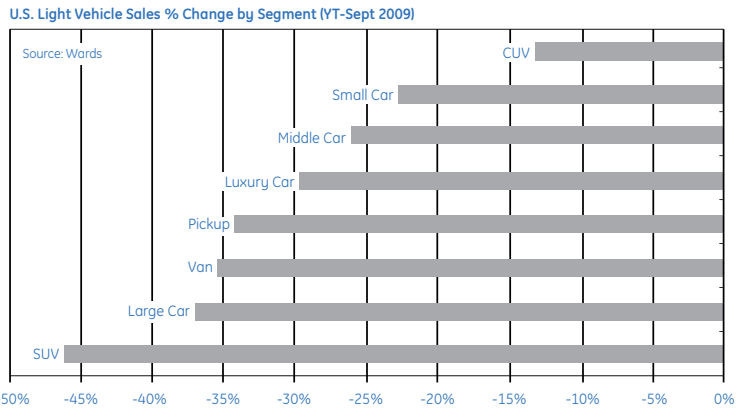
Turning to North America, U.S. light vehicle sales fell back to 9.2 million units on a SAAR basis in September after the “cash for clunkers” program expired in August (with sales in August having spiked to over a 14 million SAAR – see chart p1). Looking forward, GE Capital Research’s U.S. light vehicle sales regression model suggests modest improvement vs. September through the balance of 2009 and then a more marked recovery over the course of 2010. Our model’s forecast of 11.3 million units in 2010 (vs. an estimate of 10.2 in 2009) is on the low end of the range of consensus expectations, with stubbornly high unemployment a significant drag in our model. However, our model could prove too conservative since it does not really take into account building pent up demand reflective of a sales rate that has been well below the scrappage rate for most of the past year.

**D3 Collective Share Still Falling Despite Ford Lift**



On the U.S. market share front, as shown in the graph above, the Detroit 3’s collective share has continued in its downward trend, falling 3.6 percentage points YTD-September 2009 to 44.5% vs. full year 2008 share of 48.1%. Ford has been the exception, bucking the trend with a gain of 1.0 percentage point of share YTD-September 2009 vs. full year 2008. GM has seen some recent improvement in share from bankruptcy induced lows early this year, but Chrysler continues to shrink. Meanwhile the Asian brands continue to enjoy gains, with the Japanese 3 up 0.5 points and Hyundai up a notable 1.4 points YTD-September vs. full year 2008.

**Weakness Spread Across Mix; CUV Sales Less Bad**

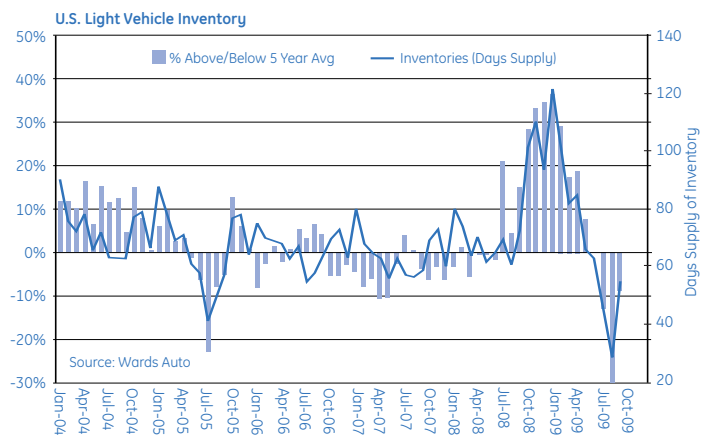


Part of the shift in market share performance continues to reflect shift in share among the product segments, with larger vehicles such as SUVs, vans and pickup trucks continuing to suffer share loss compared to CUVs and smaller cars, YTD-September.

**Supply:**

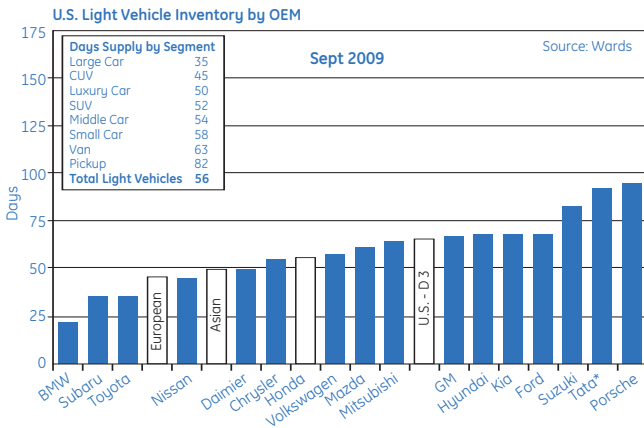
**North American light vehicle production has fallen 42% YTD-September**, but has risen 34% sequentially in 3Q 2009 vs. 2Q as GM and Chrysler have restarted shuttered idled plants. Inventories have consequently risen off their August lows of only 29 days supply to 56 days supply in September. However, this figure is still relatively low, trailing 9% below the last 5-year average for the month of September.

**Inventories Starting to Rise Back to “Normal”**



Note however that “normal” days supply, which used to be in the mid 60’s, may be in the process of shifting down toward the mid 50’s as the D3 close dealers and move toward more efficient Japanese 3 (J3) dealer throughput levels. As can be seen in the following graph, D3 inventory levels still remain above their European and Asian rivals.

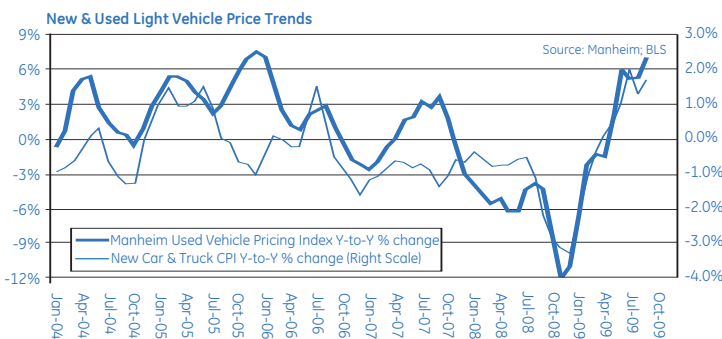
### D3 Inventories Still Modestly Higher Than Average



### Pricing & Raw Material Cost Trends:

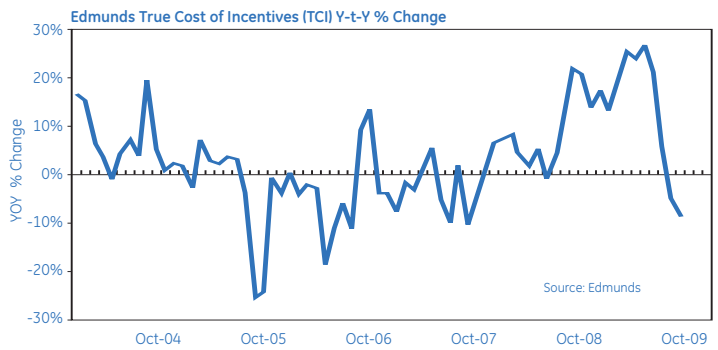
Light vehicle pricing has generally been firming in recent months, despite weak sales, reflecting sharp production cuts and low inventories previously discussed. As can be seen in the following graph, both new and used vehicle pricing have risen sequentially since bottoming in December 2008. Manheim’s widely followed index of used vehicle pricing has now risen at over a 5% YoY pace over the past four months, with the September figure up 7% YoY. The rise in used car pricing is a particularly favourable omen for the auto industry because: 1) rising used car pricing lifts equity values on trade-ins which helps lift new car sales; 2) a narrower discount for used car pricing supports more new car sales; and 3) leasing offers can be made more attractive based on higher residual value assumptions. New car and truck consumer price index (CPI) has also been rising, up 1-2% YoY in each of the past few months.

#### New and Used Car & Truck Pricing Firming



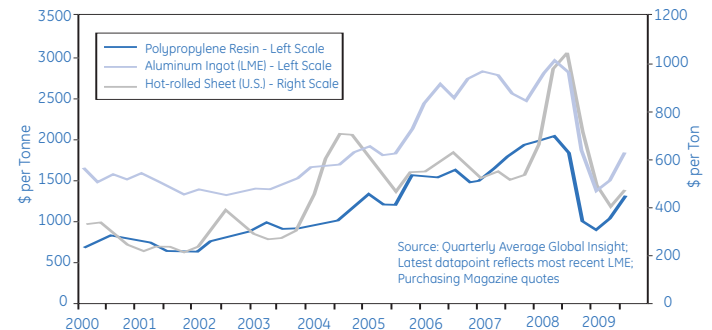
Relatedly, incentive spending by manufacturers in the U.S. declined 5% in August and 9% in September, YoY according to Edmunds.com. On an absolute dollar basis, Edmund’s measure of U.S. manufacturing incentives have been dropping from a peak of \$3,169 in March 2009 to \$2,557 in September. The September figure however did rise \$83 from the recent August low.

### U.S. Light Vehicle Incentives Down YoY



On the raw material input side, pricing has been on the rebound. Average spot London Metals Exchange base metals pricing (as measured by the GSFM index) and polypropylene pricing have surged 80% and 160% from their monthly average lows in January 2009. Flat-rolled steel pricing has also rallied sharply, with spot U.S. hot-rolled sheet up 40% since early June 2009 lows (though there have been signs of spot price weakness very recently). Automotive raw material cost trends tend to trail actual spot commodity price movements due to contract pricing that can lag by up to one year in some cases. Consequently, raw material related margin pressures could return in 2010, if present commodity price appreciation trends continue.

#### Raw Material Pricing Rising off Early 2009 Bottom



### Other Recent Developments

- In early August, the White House senior advisor to the task force on the Auto industry, Ron Bloom, said he believed General Motors could have an initial public offering (IPO) in 2010 and that the company had lowered its breakeven cost sufficiently to be able to break even at a U.S. industry light vehicle SAAR of 10 million units. GM has received about \$50 billion for the U.S. government, entitling it to about a 61% ownership position.

- In early October, GM decided to abandon its Saturn brand following a breakdown of negotiations with Penske Automotive. Penske was considering buying Saturn, but failed to strike a deal with another auto manufacturer to take over GM's manufacturing role. Consequently, more than 350 Saturn dealerships are now planned to shut.
- In early October, Ford's CEO Alan Mullaly reaffirmed the company's commitment to be back in the black by 2011 (with some speculating this could come as soon as 3Q 2009 results to be released Nov. 2nd). Somewhat dampening the good news of Ford's market share gains and financial progress was an announcement on October 13th of Ford's largest recall in its history. The National Highway Traffic Safety Administration said the recall involved a total of 16 million Ford Motor vehicles, and was related to a faulty cruise control deactivation switch manufactured by Texas Instruments.
- Chrysler's management team has scheduled the unveiling of its new 2010-2014 plan for November 4th, 2009. The event will be held at the Chrysler Technology Center in Auburn Hills, Michigan.
- Delphi finally exited bankruptcy on October 6th, four years after filing for Ch. 11 on October 8th, 2005. The company emerged following the sale of most of its "core" assets to Delphi LLC, owned by GM and a group led by two hedge funds – Elliot Management and Silver Point Capital. The group agreed to forgive \$3.4 billion in loans and invest \$900 million in capital. Precise details of the company's plans have not been disclosed. GM, which is dependent on Delphi for about 10% of its parts, put up \$1.7 billion to ensure Delphi could emerge. The company, which once had 40 plants in the U.S and over 50,000 employees, now has just 14,000 employees and just 4 plants with one slated to close.
- Lear, which filed for Chapter 11 on July 7th, refinanced its \$500 million DIP loan from prepetition lenders with a new \$400 million exit loan in early October. Pricing on the \$400 million, five-year TLB was flexed down to LIB+550 from LIB+575, and the OID offering narrowed and with subsequent pricing in secondary trade moving above par.
- Visteon, which filed for bankruptcy in May 2009, is in the process of shrinking its non core and unprofitable business, with the Detroit 3, and Nissan is discontinuing certain component parts purchases from Visteon's U.S. plants through a combination of re-sourcing supply agreements to other suppliers or through the sale of some of Visteon's U.S. plants, according to a bankruptcy court filing in early October.

## Supplier Pressures/Consolidation Continues; Competitive Landscape Shifting.

- There has been a surge "into the hundreds" of liquidations of smaller U.S. auto suppliers of late with industrial auctions of auto supplier assets such as stamping presses, CNC machines, assembly line equipment and robotics at their highest level in years (source: Crain's Detroit Business).
- Many auto suppliers are facing liquidity pressures as OEM's ramp up production following plant closures earlier this year. Suppliers can struggle to obtain cash to bridge a typical 45-60 day gap between the start-up of parts production and the receipt of sales revenue. In an effort to alleviate some of this stress while damping the volatility of its own cash outflows, GM announced that beginning December 22nd, it will begin to pay all parts & logistics suppliers to their North American plants on a weekly basis rather than monthly with an intent to eventually expand the program globally.



## Canada Watch

### Light Vehicle Sales Continue to Slide

Canadian light vehicle sales dropped 7.5% YoY in September and 14% YTD-September according to Wards Automotive Group data on a daily selling rate (DSR) basis. September sales also declined 4.5% on a DSR basis vs. August, despite several OEM’s marketing campaigns in September that were similar to the “cash for clunkers” program in the U.S. but not funded by the Canadian government (Note: the Canadian government recently rejected OEM pleas to fund such a program). Light vehicle production was also down 13% in September and down 38% YTD-September.

#### Canadian Light Vehicle Sales Slip in September



GM & Chrysler together have lost 6.5% market share YTD September 2009 vs. a year ago, although Chrysler did see some recovery in the month of September. Meanwhile Hyundai and Ford continue to stand out with share gains of 2.4% and 2.9% YTD-September, respectively.

#### Canadian Light Vehicle Market Share Trends

	YTD Sept 09 %	YTD Sept 08 %	Share Change
<b>GM</b>	17.8	21.8	-4.0
<b>Ford</b>	15.7	12.8	2.9
<b>Toyota</b>	13.5	14.2	-0.7
<b>Chrysler</b>	11.0	13.5	-2.5
<b>Honda</b>	9.6	10.7	-1.1
<b>Hyundai</b>	7.4	5.0	2.4
<b>Nissan</b>	5.5	5.1	0.4
<b>Mazda</b>	5.2	5.3	-0.1
<b>VW</b>	3.5	2.8	0.7
<b>BMW</b>	1.9	1.6	0.3
<b>Other</b>	8.9	7.2	1.7

Source: Wards Automotive

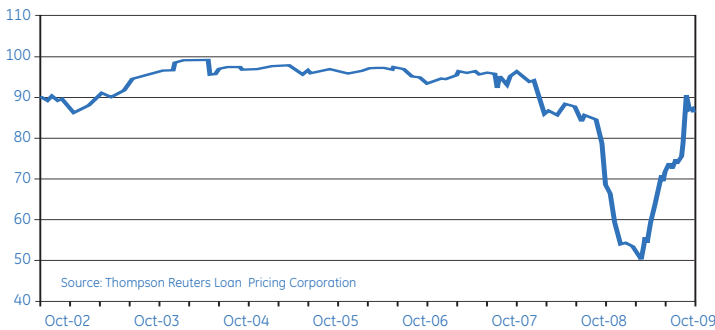
### Key Developments:

- Contract talks resumed between Ford and the Canadian Auto Workers (CAW) on October 26th. Ford is looking to garner the same concessions the CAW gave GM and Chrysler earlier this year. The CAW continue to look for a guarantee that Ford will maintain its footprint in Canada. Ford thus far refused and says it has no new products planned for its assembly plant in St. Thomas and an engine plant in Windsor, Ontario beyond 2011.
- The purchase of Opel by Canadian auto parts maker Magna International came into question after the EU challenged the agreement over concerns that Germany influenced the deal with 4.5 billion euros in loans and guarantees. The German government called the EU’s concerns a misunderstanding and wrote to GM and Opel making clear aid would be available “irrespective of the choice of investor.”
- The Nissan-Renault Alliance has signed a MoU with Vancouver and BC Hydro to bring Nissan’s LEAF EV into fleet use a year before it goes on sale worldwide. Vancouver already has a plug-in hybrid electric version of the Toyota Prius in its fleet with a conversion module that allows for charging on the grid. It also has an agreement with Nissan competitor Mitsubishi to test two of the Japanese automaker’s i-MiEV models, scheduled to arrive later this year. Vancouver now has a bylaw requiring all new single-family homes and off-street bicycle storage rooms to have dedicated electric plug-in outlets.
- Used car pricing has risen steadily in Canada since the summer. Supply has dried up as new car sales have slowed and due to less off lease supply. Also rental agencies are tending to keep cars for a year or more vs. a few months previously.
- The Business Development Bank of Canada (BDC) announced that it has introduced a new temporary Purchase Order Financing initiative to help auto parts manufacturers resume production as demand improves. To be eligible for the financing, suppliers have to be commercially-viable and have a minimum of 40% of sales in auto parts manufacturing. The minimum individual purchase order is CA\$125,000 and there must be a confirmed purchase order from a qualified buyer. Individual loans are repayable through regular, short-term financing facilities, and the loan must be secured mainly by financed goods. Other guarantee requirements may apply.

## Loan Market Trends

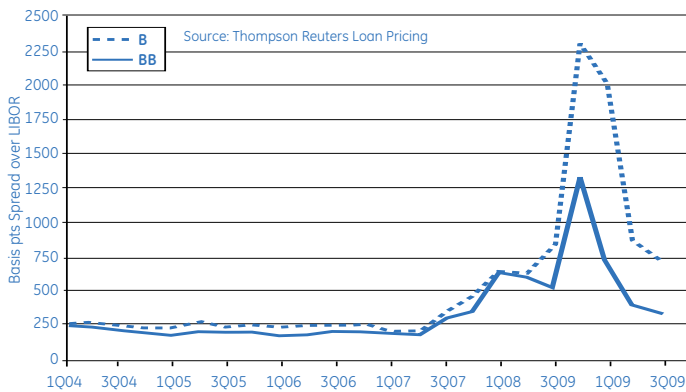
U.S. loan markets saw continued improvement in 3Q 2009 driven by a dramatic rally in the secondary loan market. As of mid October, the automotive sub component of the SMi100 had rallied to near 90 (see chart). The rally has been driven by a lack of new issuance, enhanced liquidity from loan paydowns and improving macroeconomic indicators.

### SMi100 Secondary Auto Loan Price Index (Avg. Bid)



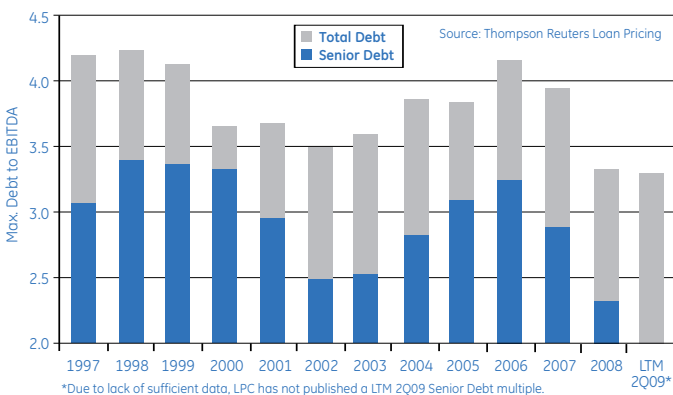
In the primary market, investors are continuing to favor higher quality credits as evidenced by a still wide spread between BB and B rated credits, though both have seen spreads narrow from peak end 2008 levels.

### Drawn Margins on Leveraged Institutional Term Loans



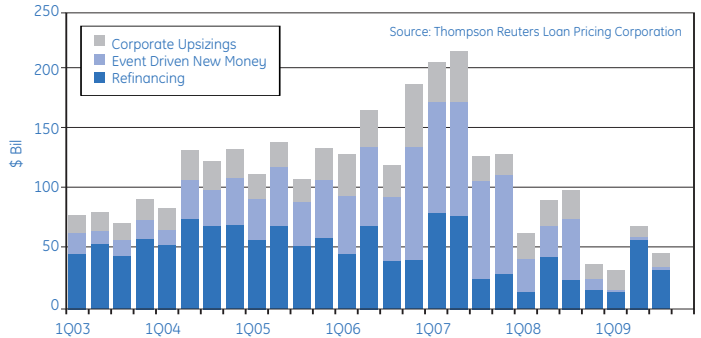
Middle market covenant levels continued to tighten in H1 2009.

### Avg Middle Market Max. Debt to EBITDA Covenants



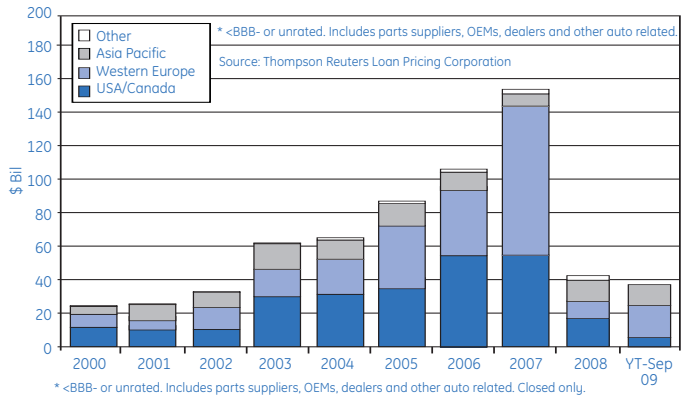
Leverage loan issuance dropped 53% in 3Q 2009 YoY to \$47 billion, with most of the volume continuing to be driven by refinancings. "Event driven new money" issuance was down 95%.

### North American Quarterly Leveraged Issuance



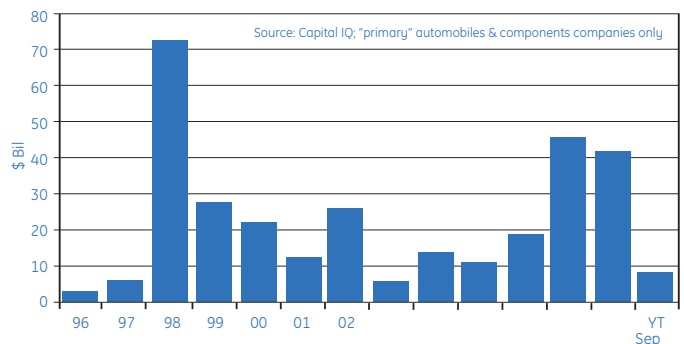
Auto & Auto Parts sector total global syndicated loan volume for BB+ and lower or unrated credits is actually up 10% YT-September 2009, but this reflects the outlier impact of a \$14.6 billion loan to Porsche. North American loan volume is down 60% YT-September.

### Global Auto & Auto Parts Syndicated Loan Volume



Global Auto & Auto Parts M&A activity has slowed considerably vs. the elevated levels seen in the 2004-2008 period, but is expected to pick up in the quarters ahead.

### Global Auto & Auto Parts M&A Deal Volume by Region





## Spotlight Transaction

On September 8th 2009, GE Capital, Corporate Finance announced it was administrative agent for a \$151 million asset-based credit facility to Kumho Tire U.S.A., Inc., the U.S. distributor of South Korea-based Kumho Tire Co., Inc. GE Capital Markets served as co-lead arranger. The loan will be used for working capital needs.

Founded in 1975 and headquartered in Rancho Cucamonga, CA, Kumho Tire U.S.A. is the U.S. distribution arm of Kumho Tire Co., the Seoul, South Korea manufacturer and distributor of tires for passenger cars, trucks and other vehicles.

**“GE Capital has served Kumho since 2006 and they are extremely knowledgeable about our business and the automotive marketplace at large,” said J. B. Kim, president and CEO of Kumho Tire U.S.A. “GE’s significant financial commitment helps us meet our day-to-day working capital needs.”**

“We specialize in working with clients to understand the challenges and opportunities in key sectors such as automotive,” added Tom Quindlen, president and CEO, GE Capital, Corporate Finance. “This knowledge helps us provide clients with smarter liquidity to support their business plans.”

Administrative Agent  
Co-Lead Arranger

\$151,000,000  
Asset-Based Credit Facility

Provided to:

  
**KUMHO TIRES**

Auto & Auto Parts



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# **Attachment 7**

**September 2009 OESA Supplier Barometer**





# **OESA**

## **Automotive Supplier Barometer**

**September 2009**

OESA

1301 W. Long Lake Road, Suite 225

Troy, MI 48098

248-952-6401

[www.oesa.org](http://www.oesa.org)



## September 2009 OESA Supplier Barometer Summary

- “Cautiously optimistic” is the best description of the North American supply base. Cash for clunkers - from the suppliers’ perspective - was a great success, triggering an increase in production orders, general business confidence and capital expenditure programs. The OESA Automotive Supplier Barometer Sentiment index rose a full 10 points to 72 in September. However, the respondents sprinkled their comments with phrases such as “a blip” and “too early to celebrate” such that it is easy to see there is a great amount of reserve that the spike in production schedules is far from permanent.
- A positive thread through the commentary relates to the level of cost reduction and restructuring that has taken place. Here, suppliers are optimistic that even if production schedules do fall off in the later part of the fourth quarter and into 2010 they still will remain profitable.
- The result of this painful cost cutting and restructuring is a much lower breakeven point for the supply base. The median breakeven unit level for this group of respondents is 9.5 million units. The respondents, in turn, estimate 2010 North American production volume will be 10.1 million units. This means that even with a modest increase in production, suppliers, on average, should be above their breakeven point next year.
- While there are indications that bank credit is easing and opening up for the suppliers, the respondents to this survey indicate that not a significant amount has changed over the past three months. In fact, when the sample is divided between companies larger and smaller than \$500 million in revenue, it is clear that the borrowing conditions for smaller suppliers has not improved. Across all the dimensions describing lines of credit and commercial lending - including terms, costs and maturities - smaller suppliers report a greater variation of lending conditions that leans towards tighter conditions.

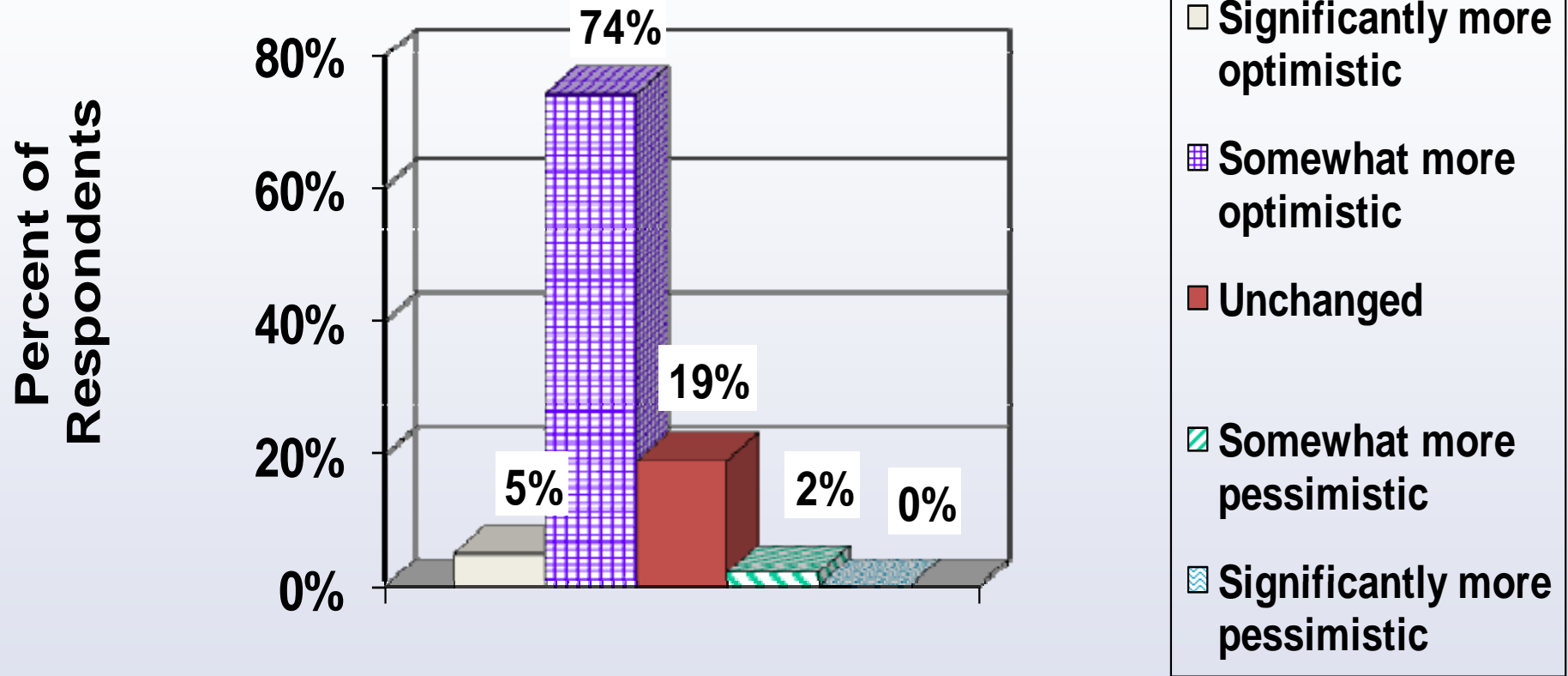


## September 2009 OESA Supplier Barometer Summary (continued)

- The sample base is generally confident that they will have access over the short-term to capital in the amounts and costs necessary to fund their businesses. However, smaller firms are less confident they will have adequate access to necessary capital for plant and equipment acquisitions, M&A opportunities and program consolidation leads.
- Suppliers are looking at all strategies - including in-sourcing - to manage fixed costs, minimize supply chain risk and control critical capabilities. Thirty-seven percent of the suppliers responding to this survey noted their companies had increased the level of vertical integration over the last 6 months.
- One issue that has been contentious between vehicle manufacturers and suppliers is the issue of progress payments for tooling programs. This is also an issue for bankers as program cancellations, payment delays and volume volatility introduces significant risk into the lending equation. The respondents indicate costs can be reduced and working relationships improved if tooling progress payments were introduced. Interestingly, it appears a customer might get a competitive advantage with better access to technology, greatly improving costing accuracy and a quicker response time from its suppliers.
- While the supplier comments indicate caution regarding further government assistance for the industry, there clearly is a desire to make the R&D tax credit permanent and to expand direct grants for R&D. Other governmental assistance, such as loan guarantees, account receivable guarantees and direct loan programs are more attractive to smaller suppliers than larger suppliers. This is consistent with the previous commercial lending questions where smaller suppliers indicated lending was constrained in their sector.
- Short-term risk to the suppliers' business plans are centered around production volumes, energy and material price and availability and the viability of the OEMs.



**Question 1:** Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:



Responses = 112



**Question 1 Comments:** Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

### **Significantly More Optimistic**

- “Liquidity appears to be easing. Consumer confidence is rising and industrial purchasing managers’ data strengthening. However, the “significantly more optimistic” outlook still reflects a 2010 business level that is more than 20 percent lower than 2008. The cost structure of our business is now radically different from what it was in 2008.”
- “NA sales and production have hit bottom. Even though sales are at dismal levels, inventory is down and fleet demand should improve boosting production above breakeven points, at least for the balance of the year.”
- “While competitors were cutting back, we became much more aggressive. Increased effort resulted in two business awards.”

### **Somewhat More Optimistic**

- “Some personnel who were laid-off are back on payroll due to increasing sales.”
- “Very modest vehicle production recovery forecasted, with a whole bunch of caution around 1st quarter 2010 and potential “W” recovery cycle.”
- “New program awards have provided our company with some optimism, but the overall over-capacity in our industry coupled with uncertain future sales demand keeps our optimism in check.”



**Question 1 Comments (continued):** Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

**Somewhat More Optimistic (Continued)**

- “August and September releases have been much stronger than prior periods. There is concern that this may be a temporary reaction to the vehicle inventory depletion spurred by the cash for clunkers program and that the higher level releases will not be sustained through the 4th quarter and into the 1st quarter 2010.”
- “We see an up-tick in sales and our cost cutting activities now have full traction.”
- “We have gained some new business opportunities.”
- “We are about 5 percent above our forecast for August and September.”
- “Customer demand for product has increased slightly but consistently over the last couple of forecasts.”
- “Customer programs, which were delayed, are being implemented/launched in early 2010.”
- “OEM releases steadily increased in each of the last two months for our 2nd half (October to March) across all OEMs, Detroit Three and Asian Four.”



**Question 1 Comments (continued):** Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

**Somewhat More Optimistic (continued)**

- “Trend for incoming orders is up, but there is caution given the end of the “clunker program.”
- “Only increased in 2009 due to cash for clunkers becoming a reality.”
- “Although Q3 and Q4 shows improvement in North and South America, we are realistic that production recovery in the auto sector is going to continue at a slow pace into 2010 in North America and Europe. Scrapage sales rates do not equate to sustainable demand, so we expect the forecasts by CSM and PWC Auto Institute will be closer to reality. Fiat-Chrysler impact on the U.S. market remains a question mark in the near-term. Following restructuring actions in the past year, we are positioned to make money at lower volume levels in North America, but continue to pursue restructuring actions in Europe, where overcapacity reigns and the pace of recovery is slack.”
- “Forecasts from customers beyond 60 days are still cloudy.”
- “Build schedules have gone up significantly but I worry that the increase will only be temporary.”
- “Somewhat cautious as we are hopeful the increased volumes will be more predictable.”
- “Recession has formally ended. However, employment will remain weak until 3Q09 from what I can see.”
- “Appear to have reached the bottom. Indications of a slight up-tick in activity.”
- “Slight recovery in NA.”





**Question 1 Comments (continued):** Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

**Somewhat More Optimistic (continued)**

- “Great deal of uncertainty about the consumer's willingness to buy. Would like to believe the volume increases OEMs are ordering will be taken up by the market.”
- “Volumes have stabilized somewhat, long way to go but trend is upward rather than downward.”
- “We are seeing customer demand/pulls increase for the rest of 2009. However, this may be just a short-term increase do to pipeline fill and replacement of short stock at the dealer level. In 2010 we still believe that there is significant weakness in the market.”
- “There are still many unknown issues. GM, Ford, and Chrysler are coming after givebacks for 2009. How can the supply base survive after this economic disaster?”
- “Releases are up.”
- “Depends on aftermath from the clunkers deal.”
- “July through October have been/will be decent months for us in terms of sales. We have gained market share within the last 12 months.”
- “More optimistic, but the question is how long will the optimism last. One month, two months, three months . . .”
- “Too early to get too excited. Things can go right back in the tank very quickly.”
- “We have seen a definite increase in releases from customers and in CSM's forecast for 2010.”
- “Slow recovery.”



**Question 1 Comments (continued):** Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

## Unchanged

- “We are expecting 2010 volumes to be only slightly better than 2009.”
- “Economic recovery forecasted to be slow. Orders will pick-up due to cash for clunkers then subside in November and December as car sales remain weak.”
- “Cash for clunkers is only a blip.”
- We continue to take a somewhat pessimistic view of the next year based on a weaker European vehicle market in 2010.”
- “Concerned that the commercial real estate bubble will burst and lingering unemployment will suppress a quick recovery.”
- “Still concerned with a fall off in November and December as a result of cash for clunkers.”
- “We see a slow and protracted market recovery - unchanged.”
- “Very guarded. While some indicators seem positive, production schedules remain volatile and customers continue to string out receivables.”
- “Although currently optimistic, concerned that the cash for clunkers program stole a good Q3 and ramp into 2010 and pushed it into Q3 leaving us another decline we need to experience before things get better.”
- “Other than short-term volume improvements, I do not see any significant up-tick in expected volumes for 2010 versus what we knew last quarter.”



**Question 1 Comments (continued):** Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

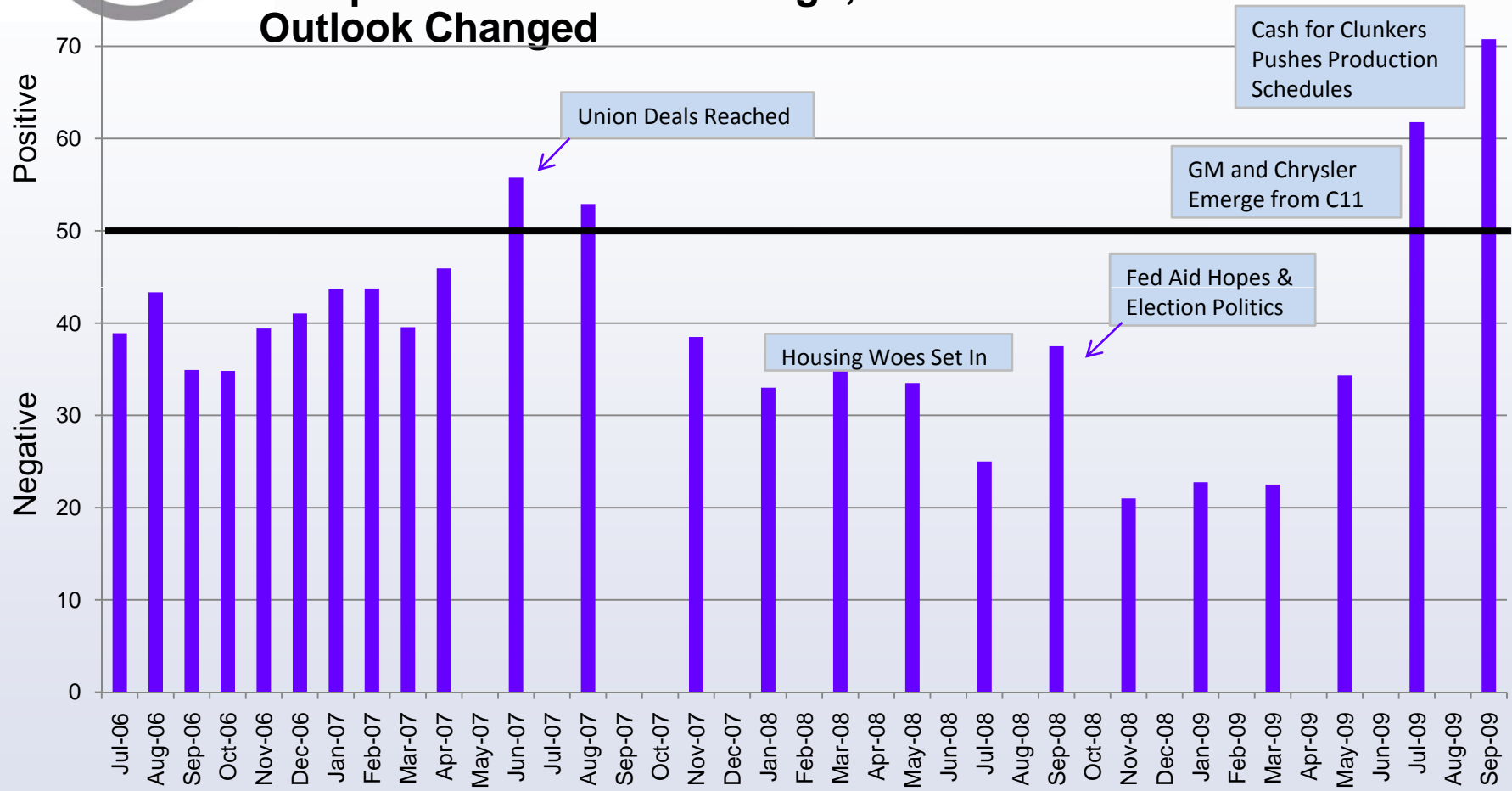
**Somewhat More Pessimistic**

- “Things have stabilized as far as sales, but still extremely slow.”
- “Orders seemed to up-tick in July and August, now customers are pulling orders in anticipation of weak 4th quarter.”



# Supplier Sentiment Index

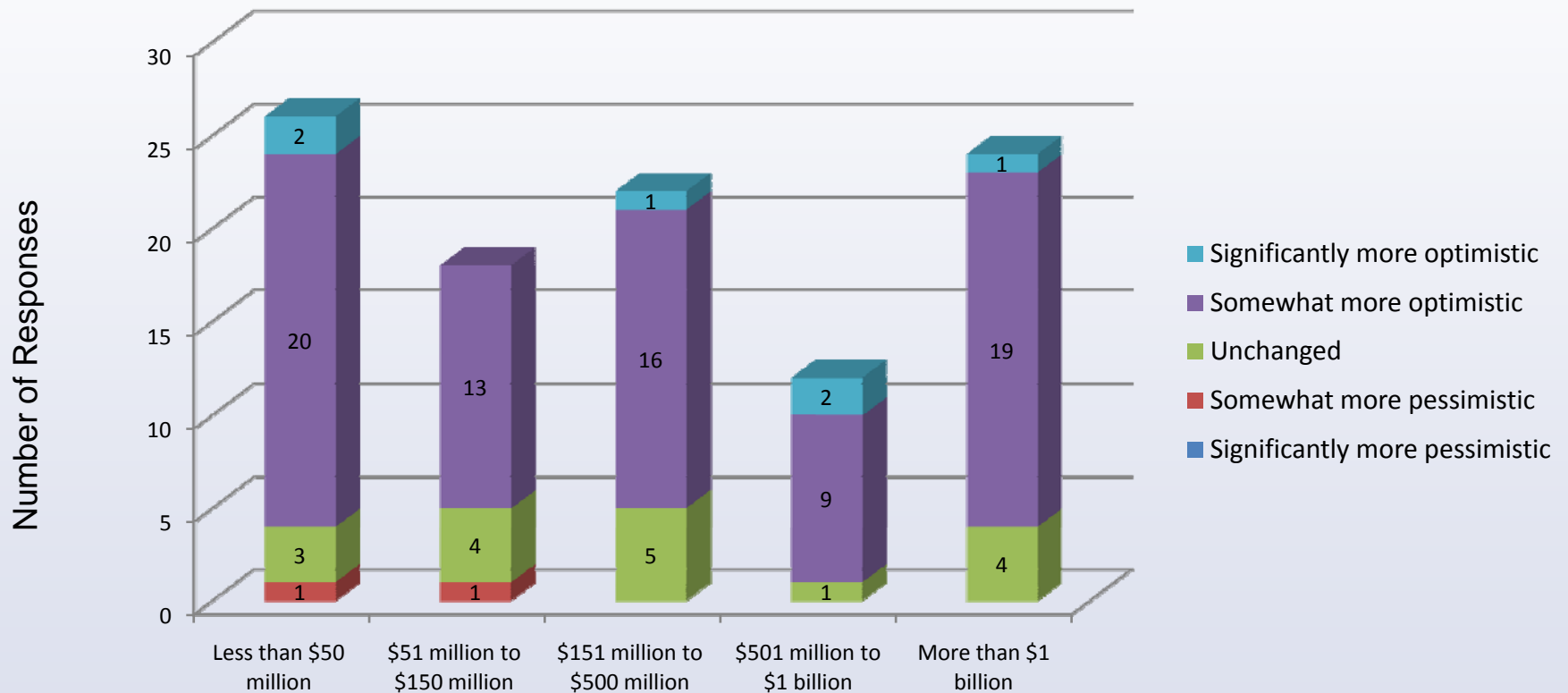
Compared to Two Months Ago, How has Your 12 Month Outlook Changed





# September 2009 Barometer Results By Company Revenue

September 2009 Barometer Results By Company Revenue





**Question 2:** Considering your lead commercial bank, over the past three months how have the terms of your commercial and industrial loan or credit line applications changed? (Number of Respondents)

	1	2	3	4	5
<b>Cost of credit lines</b>	15	25	46	3	0
<b>Maximum maturity of credit lines</b>	8	13	63	2	0
<b>Maximum size of commercial loans</b>	15	10	61	2	0
<b>Commercial loan interest rates</b>	13	24	47	3	0
<b>Commercial loan covenants</b>	14	23	48	2	0
<b>Commercial loan collateralization requirements</b>	12	11	60	3	0
<b>Maximum maturity of commercial loans</b>	11	8	63	2	0

*Rated 1-5 using the following guidelines: 1=Tightened Considerably; 2=Tightened Somewhat; 3=Remained Basically Unchanged; 4= Eased Somewhat; 5=Eased Considerably*

Responses = 89



**Question 2:** Considering your lead commercial bank, over the past three months how have the terms of your commercial and industrial loan or credit line applications changed?  
(Number of Respondents by Company Revenue)

Cost of credit lines	1	2	3	4	5
> \$500 Million	4	6	17	0	0
\$500 Million or less	10	18	26	2	0

Maximum maturity of credit lines	1	2	3	4	5
> \$500 Million	3	6	18	0	0
\$500 Million or less	4	6	41	2	0

Maximum size of commercial loans	1	2	3	4	5
> \$500 Million	5	3	18	1	0
\$500 Million or less	8	7	39	1	0

*Rated 1-5 using the following guidelines: 1=Tightened Considerably; 2=Tightened Somewhat; 3=Remained Basically Unchanged; 4= Eased Somewhat; 5=Eased Considerably*





**Question 2:** Considering your lead commercial bank, over the past three months how have the terms of your commercial and industrial loan or credit line applications changed?  
(Number of Respondents by Company Revenue)

<b>Commercial loan interest rates</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	5	5	17	0	0
\$500 Million or less	8	17	27	2	0
<b>Commercial loan covenants</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	4	6	16	1	0
\$500 Million or less	8	17	28	1	0
<b>Commercial loan collateralization requirements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	4	3	19	0	0
\$500 Million or less	7	8	37	2	0
<b>Maximum maturity of commercial loans</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	4	3	19	0	0
\$500 Million or less	6	4	40	2	0



**Question 3:** Over the next 4 to 6 months, do you have confidence that you will be able to access required levels of capital at appropriate costs for the following uses?  
(Number of Respondents)

	1	2	3	4	5
<b>Inventory financing</b>	42	41	18	4	1
<b>Accounts payable financing</b>	39	39	23	3	1
<b>Plant and equipment investment</b>	25	40	20	15	5
<b>Other working capital needs</b>	29	38	26	10	2
<b>Merger &amp; acquisition opportunities</b>	17	22	26	17	19
<b>Program consolidation opportunities</b>	15	32	38	9	6

*Rated 1-5 using the following guidelines: 1= Significant confidence; 2= Moderate confidence; 3= Neither confident or unconfident; 4= Moderately unconfident; 5= Significant low confidence*

Responses = 106



**Question 3:** Over the next 4 to 6 months, do you have confidence that you will be able to access required levels of capital at appropriate costs for the following uses?  
(Number of Respondents by Company Revenue)

<b>Inventory financing</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	14	9	8	1	1
\$500 Million or less	26	28	8	3	0

<b>Accounts payable financing</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	14	10	7	1	1
\$500 Million or less	24	24	15	2	0

<b>Plant and equipment investment</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	10	12	5	4	2
\$500 Million or less	15	23	14	10	3

*Rated 1-5 using the following guidelines: 1= Significant confidence; 2= Moderate confidence; 3= Neither confident or unconfident; 4= Moderately unconfident; 5= Significant low confidence*



**Question 3:** Over the next 4 to 6 months, do you have confidence that you will be able to access required levels of capital at appropriate costs for the following uses?  
(Number of Respondents by Company Revenue)

Other working capital needs	1	2	3	4	5
> \$500 Million	10	11	8	2	1
\$500 Million or less	18	23	17	7	1

Merger & acquisition opportunities	1	2	3	4	5
> \$500 Million	7	9	10	4	3
\$500 Million or less	10	11	15	12	14

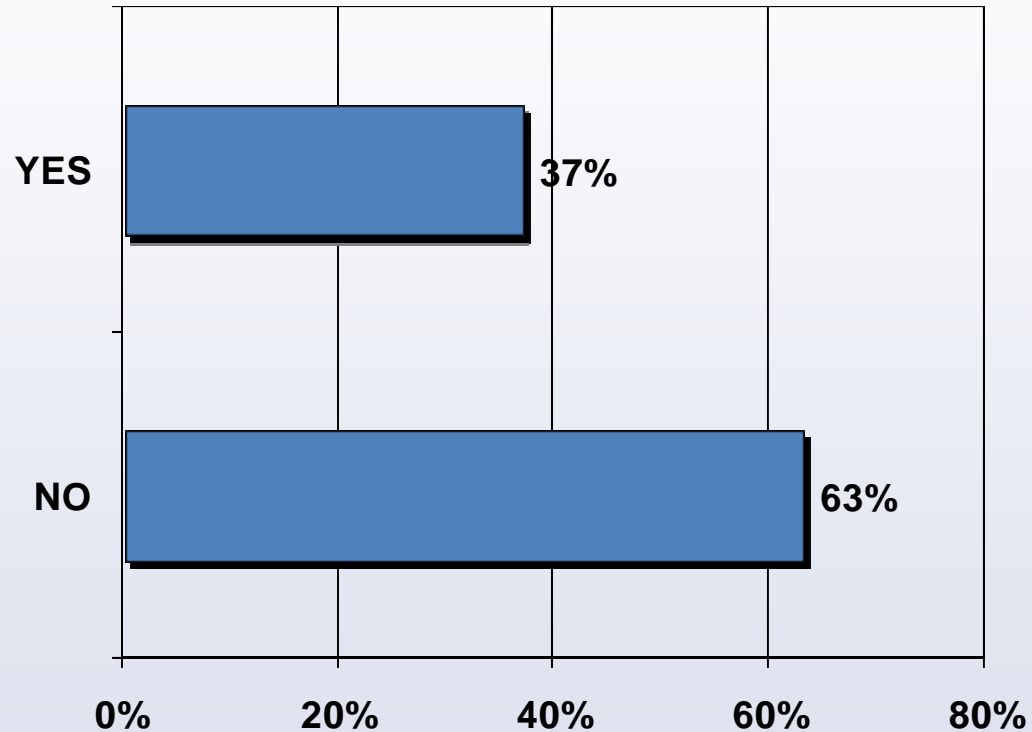
  

Program consolidation opportunities	1	2	3	4	5
> \$500 Million	7	8	13	2	2
\$500 Million or less	8	21	23	7	3

*Rated 1-5 using the following guidelines: 1= Significant confidence; 2= Moderate confidence; 3= Neither confident or unconfident; 4= Moderately unconfident; 5= Significant low confidence*



**Question 4:** Over the past six months, has your company in-sourced material fabricating or component manufacturing that was previously produced by an outside supplier?



Responses = 109



**Question 5:** Considering North American light duty vehicle production, what is your 2010 planning volume and estimated breakeven volume? (in millions of units)

	2010 NA Light Duty Vehicle Production Planning Volume	2010 Estimated NA Light Duty Breakeven Point
<b>Mean</b>	10.37	9.51
<b>Median</b>	10.10	9.50
<b>Upper Quartile</b>	11.00	10.00
<b>Lower Quartile</b>	9.90	8.93

Responses = 95



**Question 6a:** How would your calculated tooling cost of capital and overall tooling costs change if the customer provided tooling progress payments? (number of similar responses and representative comments)

**Slight Reduction (no or under 5% cost reductions) (33 responses)**

- “Straight mathematical offset to price.”
- “Yes we would build less hedge in it.”
- “They would decrease 3% - 5%.”
- “Not significantly. We have shifted burden to suppliers and are using EDC financing. Maybe a few percent pick-up.”
- “We expect progress payments. Add interest + risk premium if they do not pay in progress payments.”
- “This would likely reduce our cost of tooling by 5% as it would help the tool shops operate and survive and reduce financing costs. It would also increase the number of shops quoting.”

**Significant Change (greater than 10% identified) (3 responses)**

- “The cost would be reduced by at least 30%.”

**NO CHANGE or Not an Issue (25 responses)**

- “They would clearly improve, but tooling costs are what they are and we would not discount for progress payments.”
- “Assuming a 9 month tooling lead time to PPAP very little to zero. Its so competitive right now that for standard lead time tooling there is very little cost of capital allowed in the tooling bid.”





**Question 6a (continued):** How would your calculated tooling cost of capital and overall tooling costs change if the customer provided tooling progress payments? (number of similar responses and representative comments)

**Cash flow improvement (5 responses)**

- “Of course, it will help on cash flow for tooling. Other than that we don't see much change.”
- “Since we currently fund \$5-\$10 million in customer tooling costs at any point in time, our cash flow would be significantly improved (note: our annual sales are just over \$100 million).”
- “Positive improvement to cash required, now demanding their payments to mirror our supply base.”

**Already Receiving Progress Payments (5 responses)**

- “Currently we are asking most customer to make tool progress payments. This not change much for our corporation.”
- “Customers already give us 40/30/30 progress payments in most sectors.”

**Not Applicable (9 responses)**



**Question 6a (continued):** How would your calculated tooling cost of capital and overall tooling costs change if the customer provided tooling progress payments?

**General Comments:**

- “We have a very disciplined formula which would comprehend that benefit.”
- “It would improve our confidence on being paid. No other significant impact.”
- “We are pushing hard for progress payments on every tool. Nearly 50% of new tool launches come with some sort of progress payment.”
- “Would time sequence the payments into our discounted cash flow model to calculate program NPV and IRR.”
- “With the tight credit market we may not be able to secure financing for new cap expense. We do need help from the OEM or Tier 1's to support new capital investment. Progress payment for tooling is needed from customers, we can no longer support the up front investment.”
- “Tooling progress payments in this environment are almost necessary. Currently no major tooling programs in process, but conditions would not be viable without some form of financing.”
- “This is almost a mandatory requirement going forward in this industry unless the financial situation changes.”
- “We're more focused on the cash flow side: can the program's cash flow be positive while paying for tooling. “
- “Would free up working capital to be invested in other areas”
- “We would be more aggressive in purchasing capital for future programs.”



**Question 6b:** How would your customer working relationships change if the customer provided progress payments? (number of similar responses and representative comments)

**It would Improve Working Relationships (50 responses)**

- “The relationship would see major gains. A HUGE portion of the customer relationship is burdened by conversations about program risk, volumes, investment recovery, etc.”
- “Upper management would definitely be more willing to do business with automotive customers.”
- “There would be more of a partnership relationship and we would be more willing to assist the OEM when they were in trouble.”
- “Relationship would improve and we would be less conservative on pricing due to the customer sharing some of the volume risk. We are hedging our bets now.”
- “It would improve and it would increase our companies response time for basic part quotations.”
- “It would help our relationships and we would be more inclined to investment in advanced development activities.”
- “As we need to look at the total cost of supporting a project, from Design & Developmet to tooling to manufacturing cost, any chance we have to lower our cost by receiving progress payments allow for us to lower our piece price to the customer.”
- “It would reduce the stress from payment delaying activities.”
- “Progress payments on tooling would improve cash flow and reduce risk and exposure on tooling. This would relieve some of the pressure to final approvals for billing. Other critical factors include getting accurate and timely PO's from the customer.”
- “It would improve greatly. Their cost of capital is less then ours and they have more availability. The environment is changing and suppliers can no longer fund major capital or tooling expense with advances or progress payment.”



**Question 6b (continued):** How would your customer working relationships change if the customer provided progress payments? (number of similar responses and representative comments)

**No significant change seen (22)**

- “We work well with our customers and have an open dialogue regarding business issues
- Eliminating the financing burden could potentially increase our flexibility in negotiating, however it's unclear whether the OE tooling audits would become increasingly invasive and increase the frequency of disputes.

➤ **Currently Operating with Progress Payments (7)**

- Some of our customers (Tier 1) provide progress payments, such as 1/3 down, 1/3 initial samples, and 1/3 at PPAP. We typically quote more aggressively with these types of payment terms.
- Not much because already in place to some extent.

- More difficult (3)

- **Not Applicable (8)**



**Question 7:** As you look at your capital requirements and your access to capital over the next 3 to 6 months, how valuable would the following governmental actions be to improve your business situation? (Number of Respondents)

	1	2	3	4	5
<b>Guarantees to support account receivables borrowing</b>	12	20	20	10	29
<b>Revolving loans for retooling and re-equipping supplier facilities</b>	14	22	19	14	22
<b>Loan guarantees to support commercial lending</b>	28	12	24	7	20
<b>Direct grants for R&amp;D and product development</b>	23	24	19	12	15
<b>DIP lending fund for restructuring in bankruptcy</b>	6	6	11	15	50
<b>Permanent R&amp;D tax credit</b>	30	25	19	10	10
<b>Consumer tax credits for purchasing advanced technology products</b>	18	16	20	17	18

*Rated 1-5 where: 1 = most valuable and 5 = least valuable*

Responses = 93



**Question 7:** As you look at your capital requirements and your access to capital over the next 3 to 6 months, how valuable would the following governmental actions be to improve your business situation? (Number of Respondents by Company Revenue)

<b>Guarantees to support account receivables borrowing</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	5	2	7	1	13
\$500 Million or less	7	17	13	7	15
<b>Revolving loans for retooling and re-equipping supplier facilities</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	6	3	8	3	8
\$500 Million or less	7	19	10	10	13
<b>Loan guarantees to support commercial lending</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	6	1	9	2	10
\$500 Million or less	20	11	15	4	9

*Rated 1-5 where: 1 = most valuable and 5 = least valuable*



**Question 7:** As you look at your capital requirements and your access to capital over the next 3 to 6 months, how valuable would the following governmental actions be to improve your business situation? (Number of Respondents by Company Revenue)

<b>Direct grants for R&amp;D and product development</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	11	5	4	3	6
\$500 Million or less	11	17	14	9	8
<b>DIP lending fund for restructuring in bankruptcy</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	3	2	5	2	15
\$500 Million or less	3	4	6	12	33
<b>Permanent R&amp;D tax credit</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	14	5	3	2	5
\$500 Million or less	16	17	15	8	4
<b>Consumer tax credits for purchasing advanced technology products</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
> \$500 Million	8	2	11	2	5
\$500 Million or less	10	13	8	14	12





**Question 8:** Identify the top three perceived risks to your 2010 North American business plan. Top 8 mentions ranked by total number of mentions (number of first, second and third place mentions provided).

1. Production volumes and schedule accuracy risk (63, 18, 7 responses)
2. Energy and raw material availability and pricing (4, 12, 16 responses)
3. OEM/customer financial viability (4, 15, 11 responses)
4. Sustained economic recovery (19, 4, 6 responses)
5. Lack of commercial and consumer credit (2, 15, 10 responses)
6. Supply base financial viability (1, 9, 9 responses)
7. Inflation (3, 2, 4 responses)
8. Program cancellations, delays (0, 5, 3 responses)

**Other issues receiving multiple mentions:**

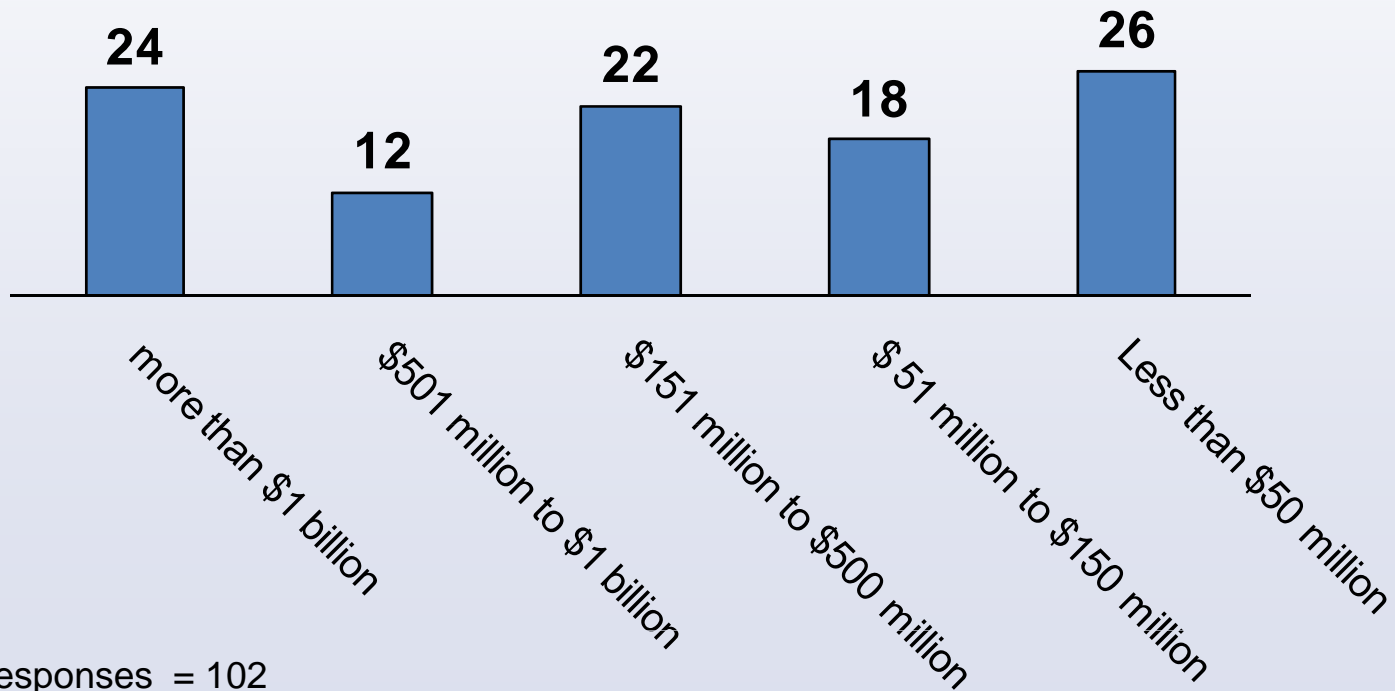
- Workforce - retention and engagement
- Production mix changes
- Exchange rates
- Negative pricing
- Cash flow
- Offshore sourcing



## Respondent Profile

There were 112 individual respondents from 100 OESA member companies. The September 2009 OESA Automotive Supplier Barometer was conducted between September 21 – 23, 2009.

### Global Automotive Revenue Number of Respondents





**THANK YOU FOR YOUR PARTICIPATION**

***The OESA Automotive Supplier Barometer survey is published every-other month. The next survey will be launched on Monday, November 2, 2009 and will be released, Friday, November 6, 2009.***

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