



Statement
of the
Motor & Equipment Manufacturers Association

ABOUT: Oversight of Implementation of the
Emergency Economic Stabilization Act of
2008 and of Government Lending and
Insurance Facilities; Impact on Economy
and Credit Availability

TO: United States House of Representatives
Committee on Financial Services

BY: James McElya, Executive Chairman
Cooper Standard Automotive

DATE: November 19, 2008



BEFORE THE UNITED STATES OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES

“OVERSIGHT OF IMPLEMENTATION OF THE EMERGENCY ECONOMIC
STABILIZATION ACT OF 2008 AND OF GOVERNMENT
LENDING AND INSURANCE FACILITIES;
IMPACT ON ECONOMY AND CREDIT AVAILABILITY”

TESTIMONY OF JAMES McELYA
EXECUTIVE CHAIRMAN, COOPER STANDARD AUTOMOTIVE
REPRESENTING
MOTOR & EQUIPMENT MANUFACTURERS ASSOCIATION

NOVEMBER 19, 2008

The Motor & Equipment Manufacturers Association (MEMA) represents almost 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 market segment associations: Automotive Aftermarket Suppliers Association (AASA), Heavy Duty Manufacturers Association (HDMA), and Original Equipment Suppliers Association (OESA).

Today’s auto industry is interdependent such that it is economically impossible to separate the economic success of the suppliers from their manufacturer customers. Congress must include suppliers in any auto industry financial assistance package or the country will be faced with massive job losses and the eventual breakdown of this vital sector of our economy.

A recent study by the Center for Automotive Research (CAR) shows that the collapse of any single vehicle manufacturer will cause over 2 million jobs lost and will have an impact over \$100 billion on the nation’s economy.¹ When faced with those facts, Congress may be tempted to deal only with the challenges of the vehicle manufacturers. However, the automotive industry is so interdependent that we must address the needs of the automobile manufacturers *and* suppliers to forestall an immediate crisis and future shut-downs of the entire auto industry. A potential bankruptcy by a major vehicle manufacturer will cause serious disruptions and will directly impact the ability of the entire industry to function. At the same time, suppliers must have an infusion of working capital to continue to operate.

¹ CAR Research Memorandum: *The Impact on the U.S. Economy of a Major Contraction of the Detroit Three Automakers*, by David Cole, Ph.D, et al., Center for Automotive Research. November 2008.

MEMA urges Congress to immediately pass legislation providing direct financial assistance to the automotive industry, including suppliers. This could be accomplished through the establishment of a loan program for the auto industry through the Troubled Asset Relief Program (TARP) or other funding. Use of the TARP is appropriate since it was designed and structured to assist the economy and improve both credit and economic measures. It will also provide a back-stop from further employment reductions and future bankruptcies.

Quite simply –

- Motor vehicle suppliers are leaders in innovation in the auto industry.
- Motor vehicle suppliers are the nation's largest manufacturing employer. Our high wage, high skill jobs are critical to the industrial base of the country, and are located throughout the United States. Suppliers are the largest manufacturing sector in seven states: Ohio, Indiana, Kentucky, Michigan, Missouri, South Carolina, and Tennessee.
- Motor vehicle suppliers are restructuring to meet the demands of the 21st century.
- Motor vehicle suppliers account for 40 percent of total automotive investment in research and development.
- Motor vehicle suppliers provide a growing amount of content of all vehicles manufactured in the U.S.
- The current economic challenges, particularly the virtual elimination of banking credit, have developed into a crisis for the entire automotive industry.

Industry Overview

The motor vehicle manufacturer and supplier industry are leaders in the development of safety and energy technology critical to creating today's vehicles and those of the next generation. The members of MEMA have long worked with their customers to develop technologies that improve vehicle performance, safety, and fuel economy through a variety of components. A recent study found that suppliers now account for as much as 70 percent of the value-added in the manufacture of motor vehicles². Suppliers account for over 40 percent of total automotive investment in research and development and continue to take on a greater role in the design, testing, and engineering of new vehicle parts and systems – a role that is expected to grow significantly over the next five years. Supplier companies are not only becoming increasingly responsible for producing significant segments of motor vehicles but also are more likely to solely design and engineer those parts.

The employment base of the supplier industry reaches far beyond Michigan across all 50 states. (See *Appendix I*) In fact, the collective direct employment in the other six states where suppliers are the largest manufacturing sector far exceeds the employment in Michigan: Ohio (97,323); Indiana (86,934); Kentucky (35,102); Missouri (18,888); South Carolina (20,943); and, Tennessee (45,749). Every supplier job contributes an

² *Who Really Made Your Car? Restructuring and Geographic Change in the Auto Industry* by Thomas Klier and James Rubenstein; Published by W.E. Upjohn Institute for Employment Research, 2008.

additional 5.7 jobs to the local economy with a total of 4.5 million private industry jobs dependent on the motor vehicle supplier industry.

While supplier employment is contracting, it remains the largest manufacturing sector in the United States. The 2007 CAR study found that suppliers to the automotive industry directly employed 722,600 U.S. workers. As of June 2008, that domestic industry employment fell to 590,000 workers. That is a loss of more than 130,000 good paying American jobs in less than two years. These figures do not take into account recent workforce reductions or impact of job losses in the aftermarket and heavy duty sectors.

Some analysts have indicated that as much as half of the supply base is in distress. The U.S. light vehicles sales dropped 14.6 percent year-to-date by October 2008 with a projection of 13.2 million sales this year, far below the 16.15 million in 2007. North American light vehicle production – including all manufacturers – has fallen 16 percent year-to-date and production schedules remain tenuous through the remainder of the year. These are levels we have not seen since 1980 and the additional pressure of unprecedented frozen consumer and commercial credit exacerbates the financial distress. It is critical to resolve the financial crisis and return credit availability to consumers to turn vehicle sales and production around.

Role of Suppliers in Light Vehicle Market

Original equipment suppliers to the passenger car market interact directly with motor vehicle manufacturers. Each of the more than 300 different new light vehicle models sold every year in the U.S. has 8,000 to 10,000 components. Original equipment suppliers design and manufacture the parts needed by the automakers to assemble motor vehicles.

Although most vehicle purchasers recognize only the nameplate on a car, in reality the industry is composed of two types of manufacturers: car manufacturers and parts manufacturers. More and more responsibility for new technology innovation and development derives from the parts manufacturers or suppliers. (See *Appendix 2*)

“The supply base of today’s carmakers is structured like a pyramid. On top of the pyramid is the carmaker. Below the carmakers are ... Tier 1 suppliers that sell parts directly to carmakers. Tier 1 suppliers in turn purchase materials from Tier 2 suppliers, who purchase from Tier 3 suppliers, and so on down the supply chain.” *Who Really Made Your Car at 109.*

Until the last decade, U.S. carmakers generally produced a majority of their own parts. This role has changed dramatically with the responsibility for the manufacture of most parts falling to suppliers. These suppliers, in turn, depend less on any single car manufacturer as a customer. Ford, General Motors, and Chrysler controlled 84 percent of the North American production in 1992 versus an estimated 59 percent in 2008. The suppliers are also completely engaged on the logistics side providing the car manufacturers with just-in-time (JIT) delivery of parts with neither party having a

significant stock pile of unused supplier inventory. Less vertical integration and customer concentration, along with greater JIT deliveries, makes the industry completely interdependent.

According to the authors of *Who Really Made Your Car*, "... carmakers are offering large contracts to only a handful of suppliers, which are consolidating into fewer larger firms ..." *Who Really Made Your Car at 19*. The authors go on to note:

"Productivity improvements and the declining market share of domestic OEMs have led to considerable consolidation among motor vehicle parts suppliers" (Hill, Menk, and Szakaly 2007, p.10). "Since the early 1990s ... the largest 20-30 suppliers in the industry have taken on a much larger role in the areas of design, production, and foreign investment, shifting the balance of power in some small measure away from lead firm towards suppliers" (Sturgeon, Van Biesebroech, and Gereffi 2007, p. 3). As a result, "(w)hile the total number of vehicles produced in North America grew by 40 percent between 1991 and 2005 ... the combined sales of the largest 150 suppliers in North America almost tripled over the same period ..." (Hill, Menk, and Szakaly 2007, p. 24).

The dramatic and sudden contraction of the auto industry will directly impact the supply base but the failure of any single, critical supplier will impact a wide range of car manufacturers. The collapse of a relatively small number of suppliers will directly and negatively impact vehicle production and sales beyond General Motors, Ford, and Chrysler. Other vehicle manufacturers including Toyota, Honda, and Nissan will likely have to close or limit production for months while waiting for new sources of supply to be developed.

Innovation and Change in the Industry

Suppliers are working daily on a wide variety of fuel efficiency and safety technologies. The new corporate average fuel economy (CAFE) requirements provide both opportunities and challenges for the supplier industry. In March 2006, the National Highway Traffic Safety Administration (NHTSA) announced the Final Rule on Light Truck Average Fuel Economy standards, increasing the miles-per-gallon (mpg) truck target to an average of 24 mpg in model year (MY) 2011. This was the first change to the CAFE program in over two and a half decades. The Energy Independence and Security Act of 2007 (EISA) mandated changing fuel economy standards for all U.S. cars, light trucks and SUVs raising CAFE to an average of 35 mpg – a 40 percent increase over current levels – for MYs 2011 and 2020. By year's end, it is expected that NHTSA will publish the new CAFE Standards Final Rule for MYs 2011-2015.

Many suppliers are ready for these new challenges. The fuel efficiency initiatives give an overview of the scope of tasks undertaken by the supply industry. These include key enablers for hybrids, plug-in hybrids, electric, and fuel cell vehicles and to the development of components required for and compatible with the use of cellulosic and

non-carbon fuel sources. The attached technology roadmap (See *Appendix 3*) provides a visual overview of the new technologies on which suppliers are currently working to bring to market on a wide scale.

MEMA supported the passage of EISA and the appropriations of \$25 billion in funding for the Advanced Technology Vehicle Manufacturing Incentive (Section 136) loan program. The industry believes this funding will provide a necessary infusion of capital to bring many of the new and important technologies to market. This funding should not be repositioned to address the broader financial needs of the automotive industry.

The industry is reorganizing at a rapid pace while at the same time developing new initiatives to meet the demands of the 21st century. According to Grant Thornton (See *Appendix 4*) a significant amount of restructuring through merger, acquisition, and bankruptcy has taken place in 2008. Grant Thornton cites 20 major mergers and acquisitions in 2008, while AlixPartners (See *Appendix 5*) cites 22 major bankruptcy filings since 2001 equaling sales of almost \$75 billion³. Despite the stresses of restructuring, this industry continues to reinvent itself and to be innovative.

A Crisis of Liquidity

The U.S. auto industry is facing significant issues including –

- Plummeting consumer confidence in the overall economy
- A continued nationwide and systematic lack of credit availability
- Decrease in volume of vehicles built and sold

It is the inability to get credit that has pushed these seemingly unrelated factors into a crisis. According to Fitch Ratings in an October 27, 2008 report on the Liquidity of U.S. Auto Suppliers:

“The primary risk for the Detroit Three and the auto supply base is the widening effect of the credit crisis further restricts the ability and willingness to extend credit to and within the industry, leading to the withdrawal of trade credit. Trade credit is a critical part of the industry’s financial structure and, as is the case in the retail segment, the curtailment of trade credit is typically the catalyst for a bankruptcy filing. The risk of this occurring in the auto sector remains high repercussions.” *Fitch at p.7*

There have been recent and serious repercussions. On November 13, 2008, Standard & Poor’s Rating Service took an unprecedented step of placing 15 North American auto suppliers on Credit Watch based on their significant exposure to General Motors, Ford, and Chrysler. The report stated in part, “The suppliers placed on Credit Watch span a wide range of credit quality and have varying degrees of exposure to the Michigan-based

³ Based on reports from Summer 2008.

automakers. We believe certain companies would be able to withstand the liquidity shock of a sudden bankruptcy filing by one or more of the manufacturers, but they may not be able to do so and remain at current rating levels.” (See *Appendix 6*)

The automotive industry requires capital to manufacture the innovative products required by consumers. The U.S. industry is now placed in the position of competing with manufacturers from other countries who have been provided with a wide range of financial support. Support has been provided in countries as far-flung as France and China. In order for our industry to stabilize and to continue to innovate, assistance must be provided within our borders.

Conclusion

The future of U.S. economy is directly tied to the success of the automobile industry. According to Dr. David Cole, Chairman of the Center for Automotive Research, success of the industry will require improvements in cost, revenue, agility and innovation. MEMA is not advocating for a blank check against these forces. The proposed \$25 billion bridge loan through the TARP will permit the automotive industry sufficient time to right size without further damaging other portions of the industry in current distress but not in crisis.

The country is faced with two interwoven and dire conditions in the auto industry. First, a potential bankruptcy of a major automobile manufacturer will cause a chain reaction of unpaid payables with subsequent additional bankruptcies that will severely and negatively impact the entire sector. Secondly, on a parallel course, is the inability of the automotive supplier industry to get sufficient working capital from its traditional sources to function. Congress must pass legislation that addresses both of these challenges. Due to the indubitable interdependency in the auto industry, any funding made available to the carmakers must also be made available to automotive suppliers.

Addressing these issues with funding is not a bail-out; rather it provides companies the urgently needed access to capital so that they can reinvest in our nation’s communities. We are faced with a difficult time, but suppliers will continue to provide good jobs for American families, build cutting-edge technologies for tomorrow’s vehicles, and support a strong manufacturing sector. We look forward to working with you on these urgent matters. The health of the U.S. automotive and supplier industry and the jobs they create for millions of Americans depend on the success of our efforts.

#



APPENDIX 1

Automotive Supplier Industry Employment Data

Source:
Center for Automotive Research
(2007 Study)

| State | Direct Employment |
|----------------------|------------------------------|
| TOTAL | 783,061 |
| Michigan | 145,818 |
| Ohio | 97,323 |
| Indiana | 86,934 |
| Tennessee | 45,749 |
| Illinois | 40,063 |
| Kentucky | 35,102 |
| New York | 31,017 |
| California | 28,596 |
| North Carolina | 27,589 |
| Pennsylvania | 22,917 |
| Georgia | 22,701 |
| Wisconsin | 21,502 |
| South Carolina | 20,943 |
| Texas | 20,175 |
| Missouri | 18,888 |
| Alabama | 15,965 |
| Mississippi | 13,179 |
| Florida | 9,273 |
| Arkansas | 7,922 |
| Virginia | 7,796 |
| Kansas | 7,508 |
| Oklahoma | 6,986 |
| Iowa | 6,680 |
| Minnesota | 6,671 |
| Connecticut | 4,109 |
| Utah | 4,047 |
| Nebraska | 4,041 |
| Arizona | 3,369 |
| New Jersey | 3,356 |
| Maryland | 2,413 |
| Washington | 1,918 |
| Louisiana | 1,868 |
| Oregon | 1,783 |
| Colorado | 1,756 |
| Massachusetts | 1,589 |
| West Virginia | 912 |
| Rhode Island | 822 |
| Nevada | 747 |
| New Hampshire | 747 |
| South Dakota | 378 |
| Vermont | 370 |
| North Dakota | 363 |
| Delaware | 313 |
| Maine | 290 |
| Wyoming | 150 |
| Hawaii | 125 |
| New Mexico | 100 |
| District of Columbia | 70 |
| Idaho | 68 |
| Montana | 50 |
| Alaska | 9 |

| State | State Total Impact | State Total Labor Force April 2005 | All Impact as % Labor Force |
|-------|--------------------|------------------------------------|-----------------------------|
| AL | 88,885 | 2,146.30 | 4.1% |
| AK | 4,593 | 337.7 | 1.4% |
| AZ | 31,976 | 2,830.50 | 1.1% |
| AR | 42,955 | 1,354.10 | 3.2% |
| CA | 223,412 | 17,640.30 | 1.3% |
| CO | 34,967 | 2,544.60 | 1.4% |
| CT | 38,486 | 1,814.20 | 2.1% |
| DE | 8,265 | 435.4 | 1.9% |
| DC | 9,467 | 297.6 | 3.2% |
| FL | 108,870 | 8,611.70 | 1.3% |
| GA | 142,201 | 4,561.50 | 3.1% |
| HI | 5,000 | 630.1 | 0.8% |
| ID | 8,376 | 735.1 | 1.1% |
| IL | 267,612 | 6,463.70 | 4.1% |
| IN | 321,051 | 3,196.10 | 10.0% |
| IA | 44,032 | 1,657.30 | 2.7% |
| KS | 50,668 | 1,473.30 | 3.4% |
| KY | 131,148 | 1,993.10 | 6.6% |
| LA | 42,269 | 2,108.20 | 2.0% |
| ME | 11,522 | 708.4 | 1.6% |
| MD | 45,875 | 2,920.90 | 1.6% |
| MA | 58,933 | 3,362.90 | 1.8% |
| MI | 523,715 | 5,105.90 | 10.3% |
| MN | 69,441 | 2,962.60 | 2.3% |
| MS | 49,349 | 1,348.10 | 3.7% |
| MO | 99,283 | 3,021.50 | 3.3% |
| MT | 5,892 | 491.1 | 1.2% |
| NE | 23,499 | 985.9 | 2.4% |
| NV | 17,715 | 1,210.50 | 1.5% |
| NH | 12,325 | 730.4 | 1.7% |
| NJ | 79,029 | 4,408.70 | 1.8% |
| NM | 10,102 | 933.4 | 1.1% |
| NY | 205,335 | 9,397.20 | 2.2% |
| NC | 148,635 | 4,311.80 | 3.4% |
| ND | 4,613 | 357.9 | 1.3% |
| OH | 440,543 | 5,892.20 | 7.5% |
| OK | 41,299 | 1,735.30 | 2.4% |
| OR | 21,929 | 1,857.30 | 1.2% |
| PA | 172,797 | 6,295.80 | 2.7% |
| RI | 8,122 | 567.5 | 1.4% |
| SC | 92,592 | 2,067.40 | 4.5% |
| SD | 6,176 | 431.1 | 1.4% |
| TN | 182,677 | 2,912.70 | 6.3% |
| TX | 229,142 | 11,176.30 | 2.1% |
| UT | 26,387 | 1,261.40 | 2.1% |
| VT | 6,558 | 354.1 | 1.9% |
| VA | 86,391 | 3,919.90 | 2.2% |
| WA | 25,850 | 3,275.50 | 0.8% |
| WV | 23,189 | 796.5 | 2.9% |
| WI | 121,915 | 3,036.70 | 4.0% |
| WY | 4,627 | 282.8 | 1.6% |

| JOBS | INDUSTRY DESCRIPTION |
|----------------|--|
| 783,100 | Motor Vehicle Parts Manufacturing |
| 649,500 | Printing and Related Support Activities |
| 550,500 | Plastics Product Manufacturing |
| 461,400 | Aerospace Product and Parts Manufacturing |
| 450,800 | Semiconductor and Other Electronic Component Manufacturing |
| 433,400 | Navigational, Measuring, Electromedical, and Control Instruments Manufacturing |
| 348,800 | Other Miscellaneous Manufacturing |
| 344,100 | Converted Paper Product Manufacturing |
| 343,900 | Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing |
| 313,900 | Other Wood Product Manufacturing |
| 309,600 | Medical Equipment and Supplies Manufacturing |
| 292,400 | Pharmaceutical and Medicine Manufacturing |
| 285,300 | Other Fabricated Metal Product Manufacturing |
| 264,700 | Other General Purpose Machinery Manufacturing |
| 248,200 | Cement and Concrete Product Manufacturing |
| 223,700 | Motor Vehicle Manufacturing |
| 211,700 | Agriculture, Construction, and Mining Machinery Manufacturing |
| 208,800 | Computer and Peripheral Equipment Manufacturing |
| 201,900 | Metalworking Machinery Manufacturing |
| 171,000 | Motor Vehicle Body and Trailer Manufacturing |

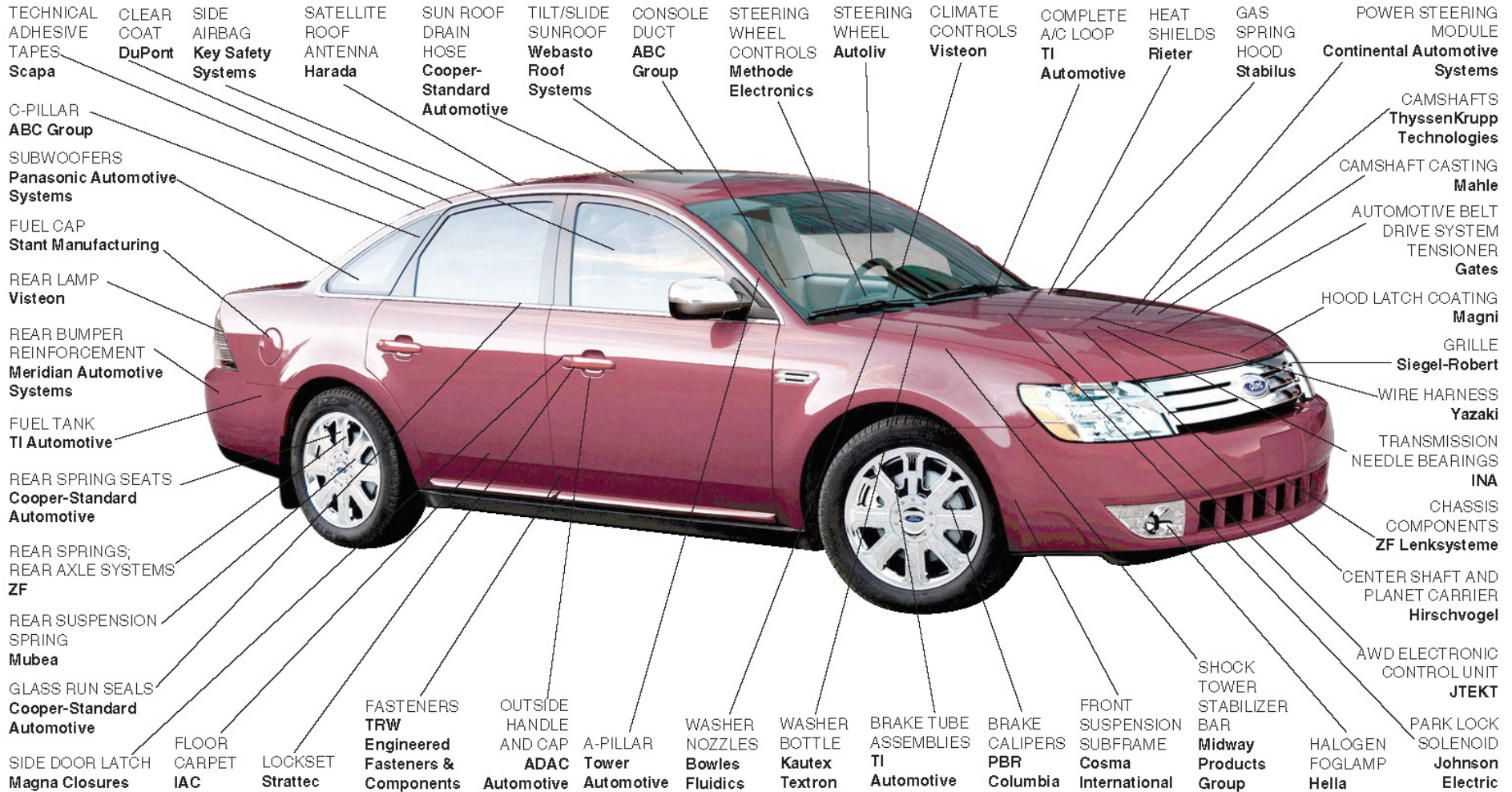


APPENDIX 2

Diagrams Illustrating a Vehicle's Component Part Framework

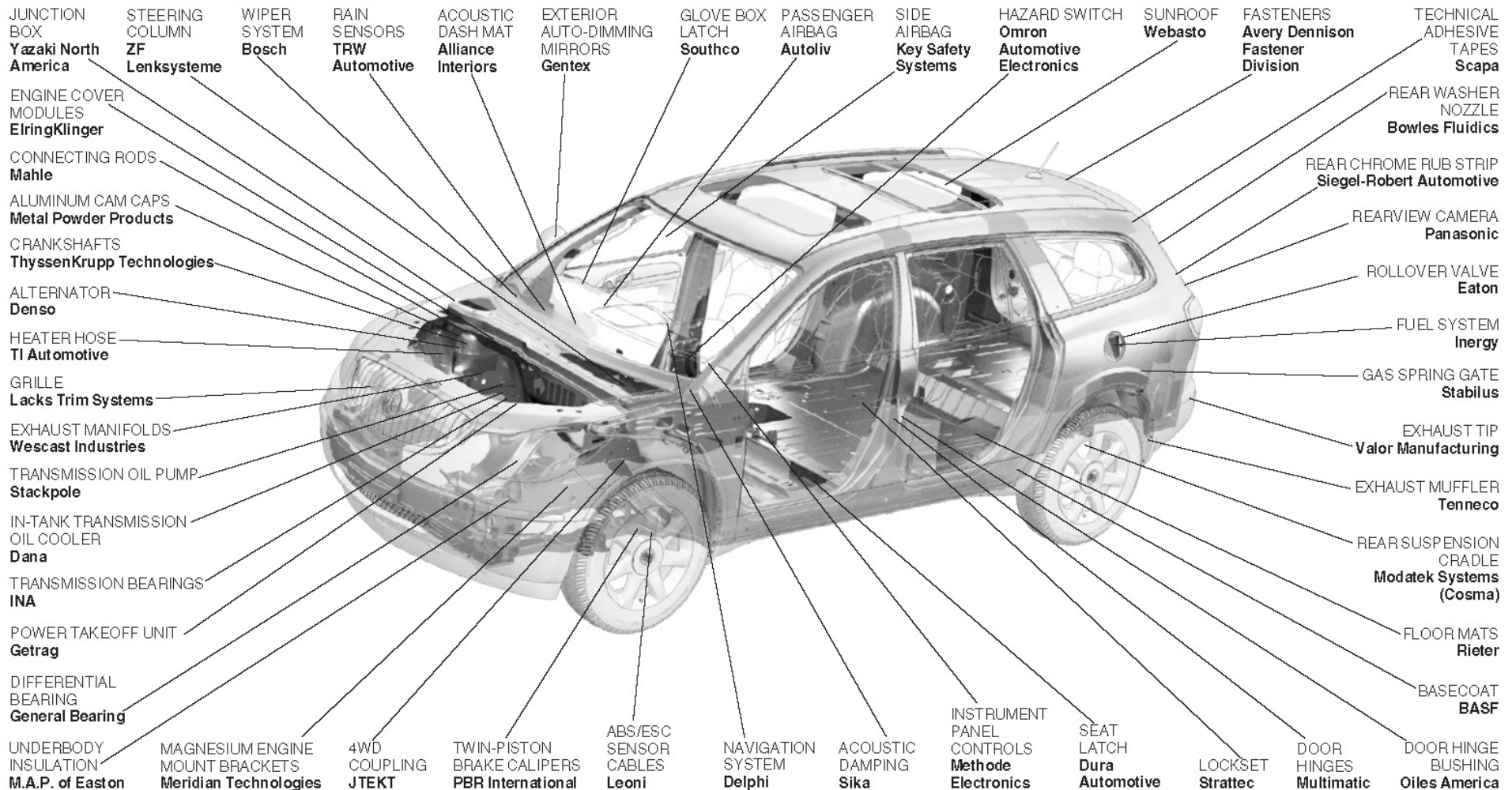
Source: Automotive News

Suppliers to the 2008 Ford Taurus



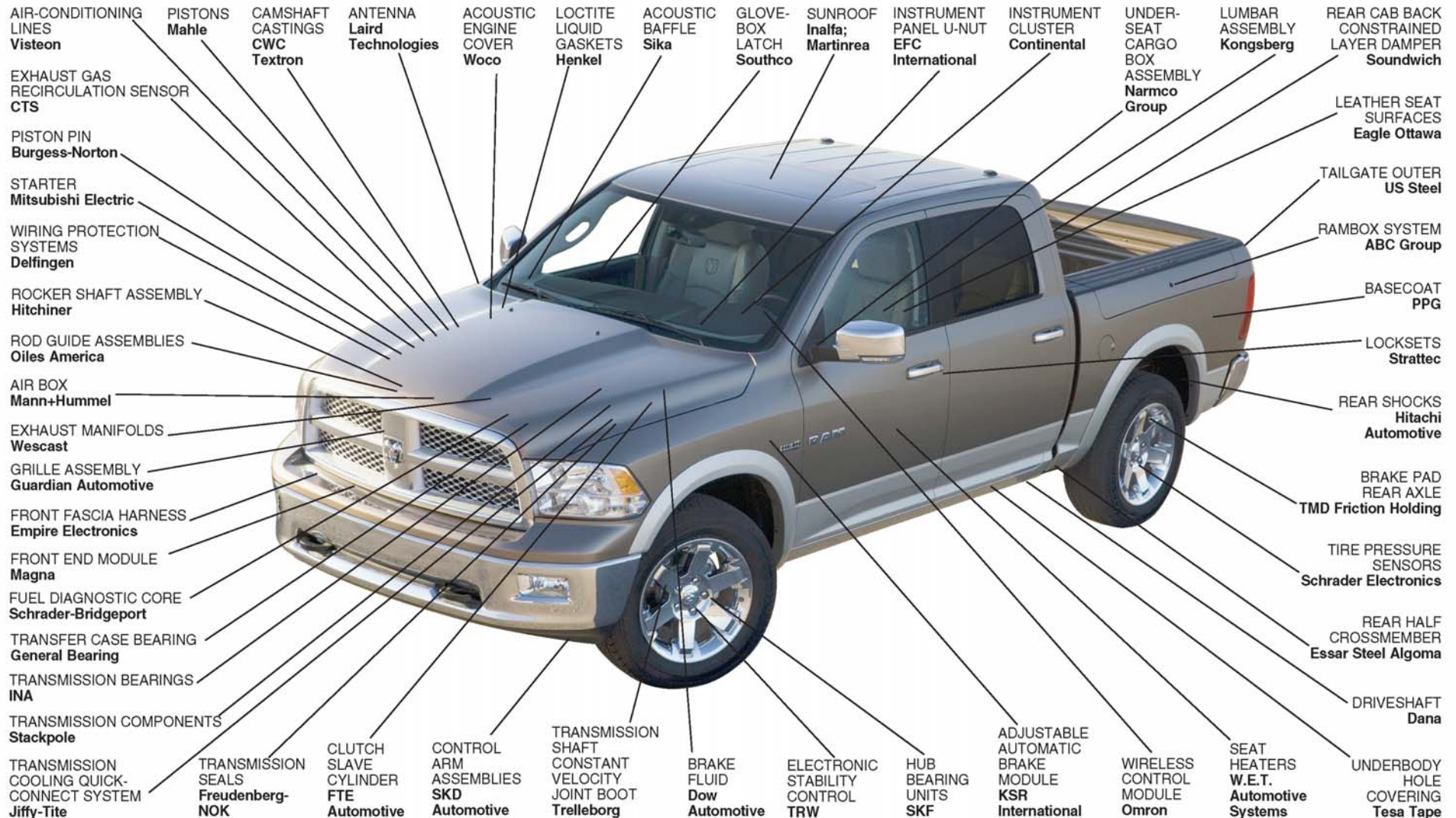
Suppliers wanted: If you are a supplier and have questions or want your information considered for our car cutaways, contact Steven Wingett at: automotivenews@supplierbusiness.com

Suppliers to the 2008 Buick Enclave



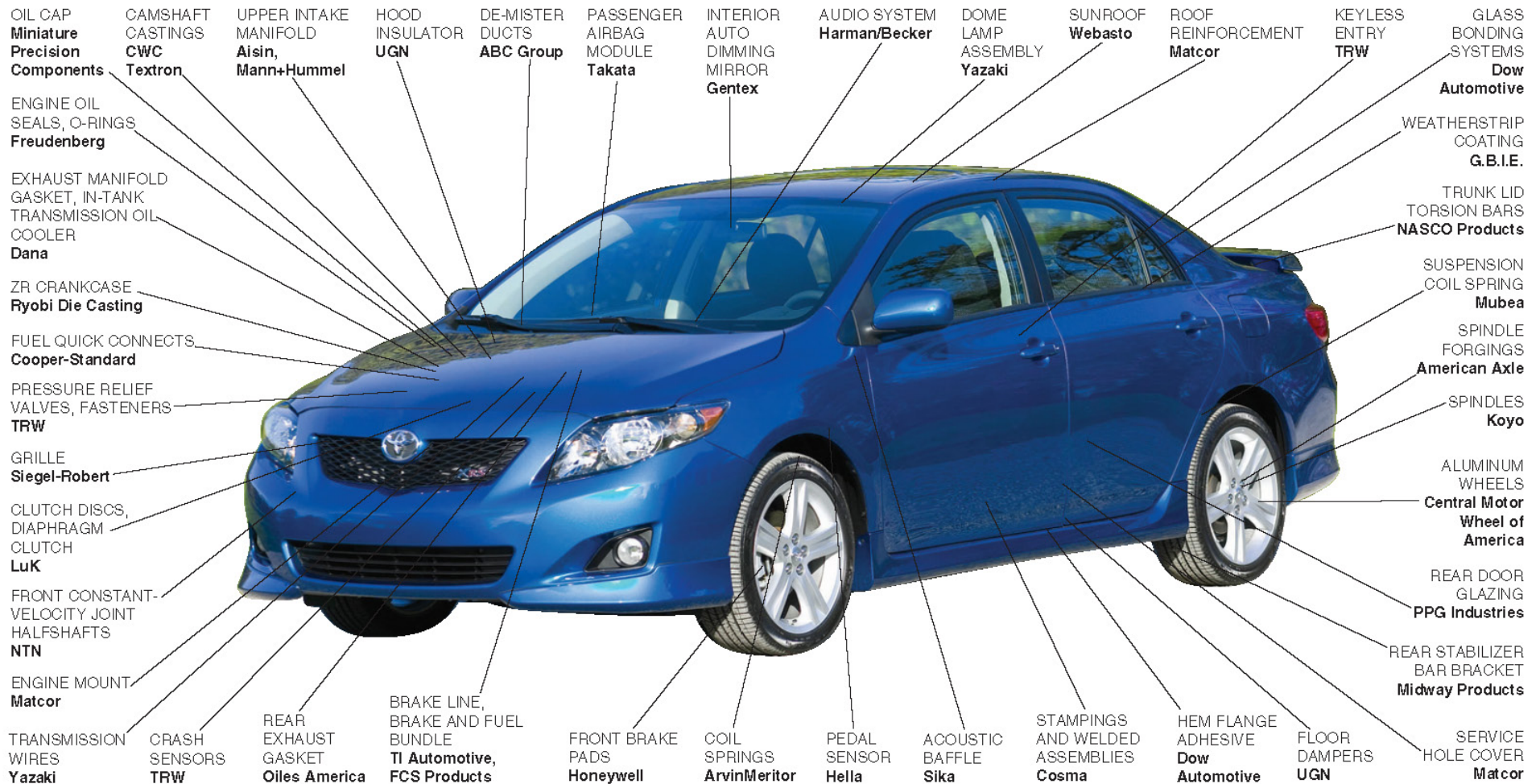
Suppliers wanted: If you are a supplier and have questions or want your information considered for our car cutaways, contact Steven Wingett at: automotivenews@supplierbusiness.com

Suppliers to the 2009 Dodge Ram



Suppliers wanted If you are a supplier and have questions or want your information considered for our car cutaways, contact Steven Wingett at automotivenews@supplierbusiness.com

Suppliers to the 2009 Toyota Corolla



Suppliers wanted: If you are a supplier and have questions or want your information considered for our car cutaways, contact Steven Wingett at: automotivenews@supplierbusiness.com

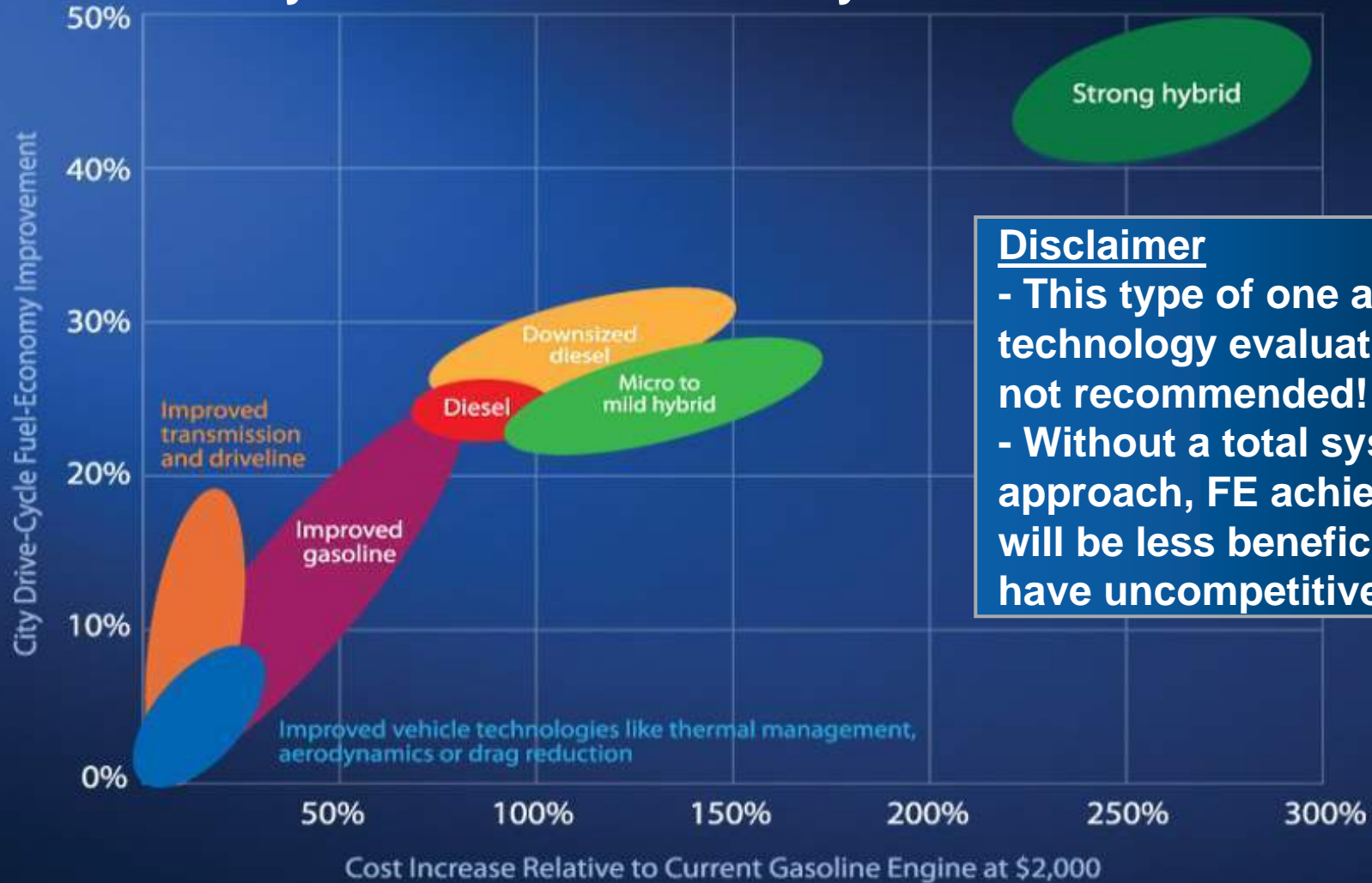


APPENDIX 3

Vehicle Technology Roadmap

Source: Ricardo, Inc.

Cost / benefit analysis for fuel economy actions – shows a combination of improved efficiency vehicle system and powertrain actions followed by advanced diesels and hybridization

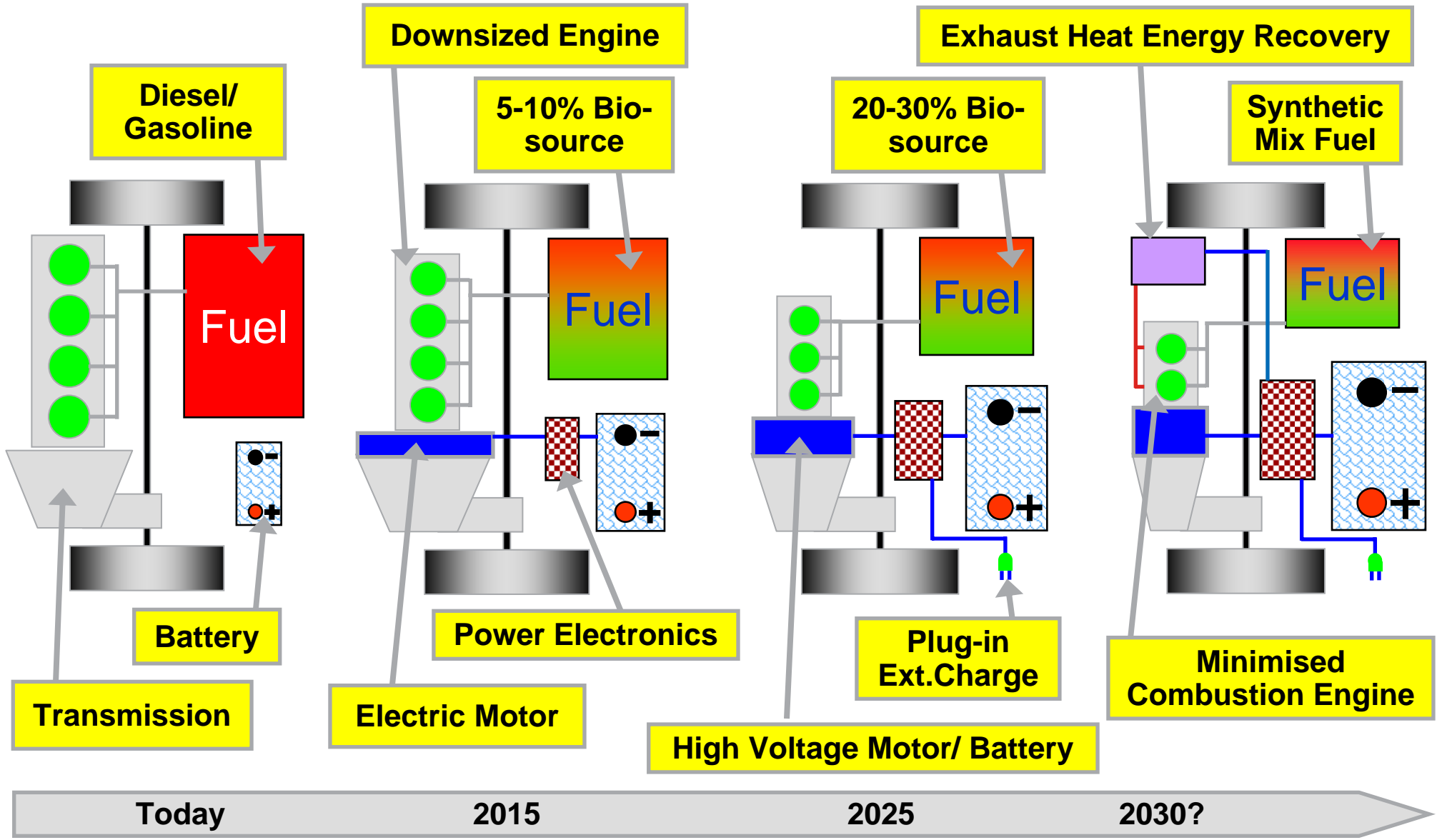


Disclaimer

- This type of one at a time technology evaluation is not recommended!
- Without a total systems approach, FE achievements will be less beneficial and have uncompetitive costs

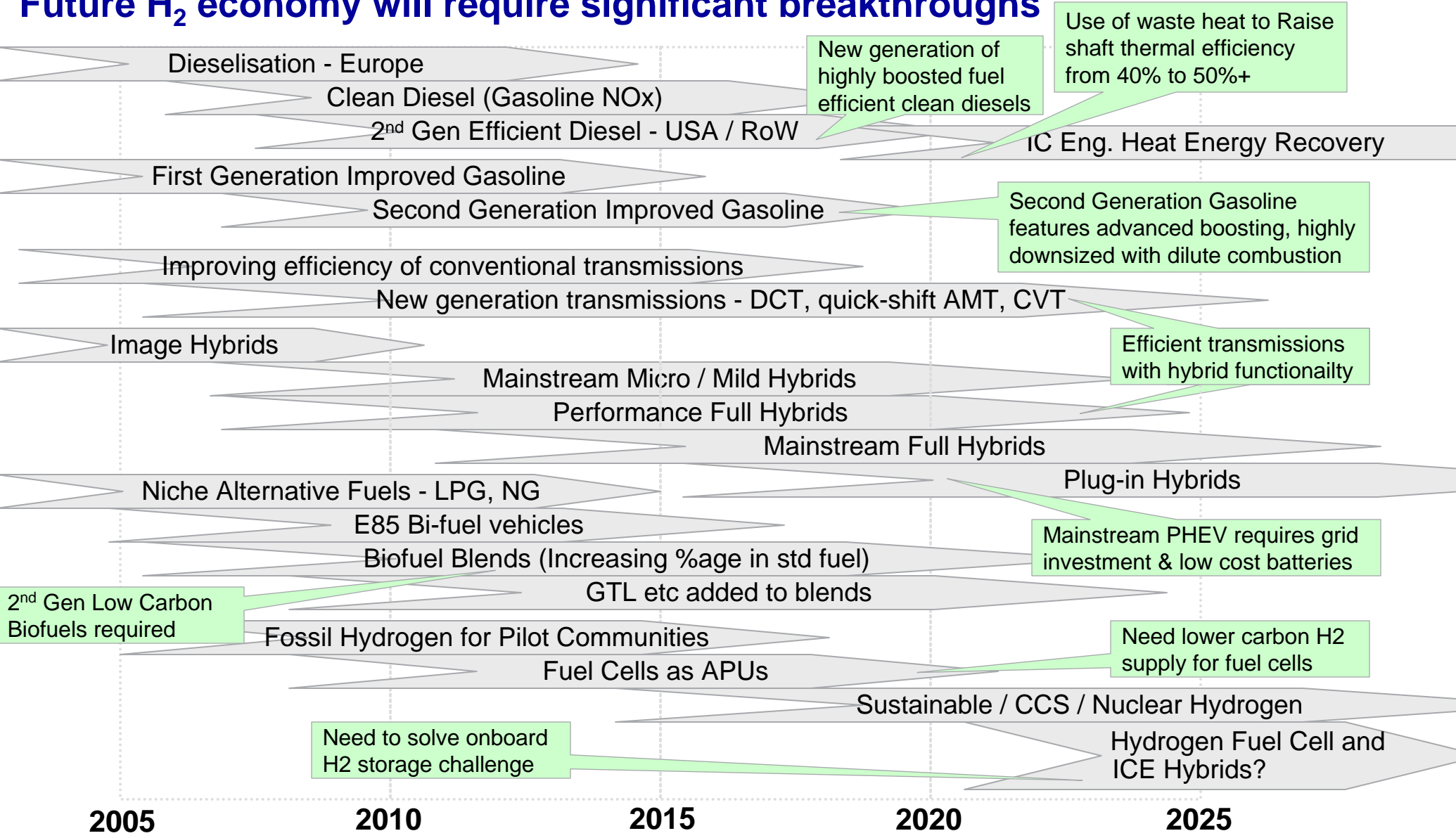
Roadmap - Road Transport Powertrains

Powertrains will evolve through downsizing of combustion engine, electrification and use lower carbon liquid fuels



Roadmap - Road Transport Powertrains

The Powertrain roadmap shows improved conventional technologies supplemented by Hybridization & blended Biofuels -- Future H₂ economy will require significant breakthroughs



2nd Gen Low Carbon Biofuels required

New generation of highly boosted fuel efficient clean diesels

Use of waste heat to Raise shaft thermal efficiency from 40% to 50%+

Second Generation Gasoline features advanced boosting, highly downsized with dilute combustion

Efficient transmissions with hybrid functionality

Mainstream PHEV requires grid investment & low cost batteries

Need lower carbon H₂ supply for fuel cells

Need to solve onboard H₂ storage challenge

2005

2010

2015

2020

2025



APPENDIX 4

Excerpt from
Grant Thornton Report
“Automotive Industry Review”
Summer 2008



Automotive Industry Review

Corporate Advisory Services Summer 2008

2nd Quarter U.S. Automotive Highlights

OEMs Back Away From Profitability Pledges / Speak Out Against BK Concerns

As news of continued poor sales results at GM, Ford and Chrysler spread across the industry, the current restructuring and profitability plans of the "Detroit 3" continued to be called into question. Although sales have recently plummeted, this is not the first time critics have raised concerns about the future of the D3.

Merrill Lynch & Co. analyst John Murphy, announced bankruptcy "is not impossible" if the U.S. auto market worsens. GM's CEO, Rick Wagoner said that GM has "no thoughts whatsoever" of bankruptcy and has "robust" cash reserves with options for raising more money in the future. Chrysler's executive Jim Press, in a letter to dealers, stated that such reports suggesting Chrysler might file for bankruptcy are "without merit" and encouraged dealers to "hang in there and fight for every sale."

As it stands, the D3 have cash to operate (in the near-term), appear to be making steps to get through 2009 until the economy rebounds and will attempt everything in their playbook before resorting to bankruptcy. Two questions remain: How many plays are left in their playbook and how fast can they implement these necessary changes?

Commodity Price Increases Pinching Supply Base Margins

In the first six months of the year, increasing commodity prices continued to afflict upward cost pressure on automakers. Decreasing supply, higher raw material costs, and increasing energy prices have caused the relentless rise in prices. >

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Financial Statistics

Automotive Industry – Public Markets Multiples
As of 6/30/2008 (Figures in US\$)

| Company | Ticker | Stock price | | | Equity Market Cap | Enterprise Value (EV) | Net Debt/ LTM ² EBITDA | EPS | | Price earnings | | EV/ LTM ² EBITDA |
|--------------------|----------|-------------|-------------------|-----------------------|-------------------|-----------------------|---|------------------|------------------|------------------|------------------|-----------------------------------|
| | | Current | % of 52 week high | Quartile ¹ | | | | LTM ² | NTM ³ | LTM ² | NTM ³ | |
| OEM | | | | | | | | | | | | |
| Daimler AG | DAI | \$61.67 | 55% | 0% | \$59,474 | \$127,168 | 2.7x | \$4.71 | \$10.06 | 13.1x | 6.1x | 6.8x |
| Ford Motor Co. | F | \$4.81 | 50% | 7% | \$10,784 | \$156,190 | 9.8x | NM | NM | NM | NM | 10.7x |
| General Motors | GM | \$11.50 | 27% | 3% | \$6,511 | \$28,702 | 3.7x | NM | NM | NM | NM | 5.1x |
| Honda Motor Co. | TSE:7267 | \$34.03 | 90% | 65% | \$61,749 | \$96,708 | 2.3x | \$2.89 | \$2.73 | 11.8x | 12.5x | 2.4x |
| Nissan Motor Co. | TSE:7201 | \$8.26 | 76% | 13% | \$33,646 | \$78,764 | 3.3x | \$1.03 | \$0.83 | 8.0x | 10.0x | 3.6x |
| Toyota Motor Corp. | TSE:7203 | \$47.00 | 73% | 0% | \$148,016 | \$255,671 | 2.7x | \$4.73 | \$4.09 | 9.9x | 11.5x | 2.9x |
| Volkswagen AG | DB:VOW | \$288.00 | 100% | 99% | \$114,226 | \$182,351 | 3.4x | \$15.33 | \$19.68 | 18.8x | 14.6x | 12.3x |
| Mean | | | | | | | | | | 12.3x | 10.9x | 6.3x |
| Median | | | | | | | | | | 11.8x | 11.5x | 5.1x |
| Supplier | | | | | | | | | | | | |
| American Axle | AXL | \$7.99 | 26% | 0% | \$433 | \$982 | 1.7x | NM | NM | NM | NM | 3.0x |
| ArvinMeritor | ARM | \$12.48 | 53% | 23% | \$921 | \$1,915 | 3.4x | NM | \$2.07 | NM | 6.0x | 7.1x |
| Autoliv | ALV | \$46.62 | 72% | 12% | \$3,387 | \$4,679 | 1.4x | \$3.86 | \$5.19 | 12.1x | 9.0x | 5.3x |
| BorgWarner | BWA | \$44.38 | 79% | 36% | \$5,153 | \$5,789 | 0.7x | \$2.70 | \$3.02 | 16.4x | 14.7x | 7.9x |
| Cooper Tire | CTB | \$7.84 | 28% | 0% | \$462 | \$714 | 0.6x | \$1.18 | \$0.07 | 6.7x | NM | 2.7x |
| Cummins | CMI | \$65.52 | 87% | 74% | \$13,308 | \$13,488 | (0.1)x | \$3.96 | \$5.23 | 16.6x | 12.5x | 10.4x |
| Dana Holding | DAN | \$5.35 | 40% | 3% | \$530 | \$1,581 | 0.4x | \$1.91 | \$0.65 | 2.8x | 8.2x | 3.6x |
| Delphi | DPHI.Q | \$0.07 | 3% | 1% | \$41 | \$5,544 | NM | NM | NM | NM | NM | NM |
| Eaton | ETN | \$84.97 | 82% | 49% | \$13,986 | \$17,568 | 2.0x | \$6.47 | \$7.84 | 13.1x | 10.8x | 10.0x |
| FederalMogul | FDML | \$16.13 | 55% | 8% | \$1,621 | \$3,889 | 3.3x | \$14.72 | \$1.32 | 1.1x | 12.2x | 5.9x |
| Gentex | GNTX | \$14.44 | 64% | 11% | \$2,062 | \$1,662 | (2.2)x | \$0.85 | \$0.90 | 16.9x | 16.1x | 9.0x |
| Goodyear Tire | GT | \$17.83 | 48% | 2% | \$4,289 | \$7,236 | 1.0x | \$1.65 | \$2.50 | 10.8x | 7.1x | 3.9x |
| Hayes Lemmerz | HAYZ | \$2.84 | 46% | 4% | \$287 | \$898 | 3.0x | NM | NM | NM | NM | 5.1x |
| Johnson Controls | JCI | \$28.68 | 65% | 1% | \$17,019 | \$21,254 | 1.5x | \$2.31 | \$2.64 | 12.4x | 10.9x | 7.8x |
| Lear | LEA | \$14.18 | 34% | 0% | \$1,096 | \$2,871 | 1.6x | \$3.44 | \$2.78 | 4.1x | 5.1x | 2.7x |
| Linamar | TSX:LNR | \$12.24 | 46% | 1% | \$822 | \$1,237 | 1.1x | \$1.55 | \$1.74 | 7.9x | 7.0x | 3.6x |
| Magna Intl. | TSX:MG.A | \$59.40 | 61% | 0% | \$6,803 | \$4,759 | (1.1)x | \$5.51 | \$6.48 | 10.8x | 9.2x | 2.4x |
| Navistar Intl. | NAVZ | \$65.82 | 83% | 63% | \$4,623 | \$10,798 | 11.5x | \$0.77 | \$8.00 | 85.7x | 8.2x | 20.1x |
| Tenneco Inc. | TEN | \$13.53 | 36% | 0% | \$631 | \$1,952 | 2.7x | NM | \$1.76 | NM | 7.7x | 4.0x |
| TRW Automotive | TRW | \$18.47 | 47% | 1% | \$1,866 | \$4,609 | 2.1x | \$2.60 | \$2.25 | 7.1x | 8.2x | 3.6x |
| Visteon | VC | \$2.63 | 32% | 0% | \$344 | \$1,832 | 2.4x | NM | NM | NM | NM | 3.6x |
| Mean | | | | | | | | | | 15.0x | 9.6x | 9.7x |
| Median | | | | | | | | | | 10.8x | 8.6x | 5.1x |
| Dealer | | | | | | | | | | | | |
| AutoNation | AN | \$10.02 | 44% | 0% | \$1,789 | \$5,653 | 5.1x | \$1.36 | \$1.34 | 7.4x | 7.5x | 7.4x |
| Asbury Automotive | ABG | \$12.85 | 51% | 8% | \$410 | \$1,550 | 5.5x | \$1.92 | \$1.72 | 6.7x | 7.5x | 7.5x |
| CarMax | KMX | \$14.19 | 52% | 0% | \$3,103 | \$3,407 | 1.0x | \$0.66 | \$0.71 | 21.4x | 20.1x | 11.7x |
| Group 1 Automotive | GPI | \$19.87 | 46% | 0% | \$461 | \$2,047 | 7.2x | \$2.91 | \$3.00 | 6.8x | 6.6x | 9.2x |
| Lithia Motors | LAD | \$4.92 | 19% | 0% | \$99 | \$1,042 | 9.2x | \$0.85 | \$0.62 | 5.8x | 8.0x | 10.2x |
| Penske Automotive | PAG | \$14.74 | 64% | 13% | \$1,406 | \$3,931 | 6.4x | \$1.53 | \$1.64 | 9.6x | 9.0x | 9.9x |
| Sonic Automotive | SAH | \$12.89 | 42% | 0% | \$521 | \$2,490 | 6.1x | \$2.51 | \$1.81 | 5.1x | 7.1x | 7.7x |
| Mean | | | | | | | | | | 9.0x | 9.4x | 9.1x |
| Median | | | | | | | | | | 6.8x | 7.5x | 9.2x |

¹Quartile is calculated as (stock price current minus 52 week low)/(stock price 52 week high minus 52 week low).

²Latest 12 months diluted earnings per share before extraordinary items.

³Next 12 months estimated diluted earnings per share, based on today's date.

Source: Capital IQ

Appendix 4

Excerpt from Grant Thornton "Automotive Industry Review" Summer 2008

Financial Statistics (continued)

Automotive Industry – Comparative Quarterly Metrics As of 6/30/2008 (Figures in US\$)

| Company | Ticker | Stock price | | | | LTM ¹ Revenues | | | | LTM ¹ EBITDA | | | | | | |
|----------------------|----------|-------------|------------------|-------|------------------|---------------------------|------------------|-----------|------------------|-------------------------|------------------|----------|------------------|-------|----------|-------|
| | | Current | 1 month Prior | % Δ | 1 Year% Prior | Current | 1 month Prior | % Δ | 1 Year% Prior | Current | 1 month Prior | % Δ | 1 Year% Prior | | | |
| OEM | | | | | | | | | | | | | | | | |
| Daimler AG | DAI | \$61.67 | \$76.03 | ↓-19% | \$91.95 | ↓-33% | \$144,574 | \$138,747 | ↑4% | \$128,997 | ↑12% | \$21,802 | \$22,224 | ↓-2% | \$25,911 | ↓-16% |
| Ford Motor Co. | F | \$4.81 | \$6.80 | ↓-29% | \$9.42 | ↓-49% | \$172,963 | \$172,455 | ↑0% | \$162,281 | ↑7% | \$14,664 | \$13,841 | ↑6% | \$10,015 | ↑46% |
| General Motors Corp. | GM | \$11.50 | \$17.10 | ↓-33% | \$37.80 | ↓-70% | \$180,405 | \$181,122 | ↓0% | \$197,145 | ↓-8% | \$5,584 | \$6,320 | ↓-12% | \$28,205 | ↓-80% |
| Honda Motor Co. | TSE:7267 | \$34.03 | \$33.23 | ↑2% | \$36.29 | ↓-6% | \$105,021 | \$102,184 | ↑3% | \$94,794 | ↑11% | \$12,875 | \$12,953 | ↓-1% | \$10,460 | ↑23% |
| Nissan Motor Co. | TSE:7201 | \$8.26 | \$9.40 | ↓-12% | \$10.72 | ↓-23% | \$94,709 | \$97,012 | ↓-2% | \$89,506 | ↑6% | \$10,977 | \$11,022 | ↓0% | \$10,419 | ↑5% |
| Toyota Motor Corp. | TSE:7203 | \$47.00 | \$51.03 | ↓-8% | \$62.94 | ↓-25% | \$230,022 | \$221,190 | ↑4% | \$204,755 | ↑12% | \$32,912 | \$33,583 | ↓-2% | \$30,962 | ↑6% |
| Volkswagen AG | DB:VOW | \$288.00 | \$279.45 | ↑3% | \$159.34 | ↑81% | \$154,923 | \$149,287 | ↑4% | \$136,279 | ↑14% | \$18,074 | \$17,691 | ↑2% | \$15,315 | ↑18% |
| Supplier | | | | | | | | | | | | | | | | |
| American Axle | AXL | \$7.99 | \$18.59 | ↓-57% | \$29.62 | ↓-73% | \$3,034 | \$3,248 | ↓-7% | \$3,159 | ↓-4% | \$324 | \$393 | ↓-18% | \$257 | ↑26% |
| ArvinMeritor | ARM | \$12.48 | \$14.97 | ↓-17% | \$22.20 | ↓-44% | \$6,698 | \$6,544 | ↑2% | \$6,517 | ↑3% | \$271 | \$251 | ↑8% | \$269 | ↑1% |
| Autoliv | ALV | \$46.62 | \$54.67 | ↓-15% | \$56.87 | ↓-18% | \$6,898 | \$6,769 | ↑2% | \$6,319 | ↑9% | \$883 | \$877 | ↑1% | \$823 | ↑7% |
| BorgWarner | BWA | \$44.38 | \$51.71 | ↓-14% | \$43.02 | ↑3% | \$5,550 | \$5,329 | ↑4% | \$4,708 | ↑18% | \$729 | \$683 | ↑7% | \$607 | ↑20% |
| Cooper Tire | CTB | \$7.84 | \$10.98 | ↓-29% | \$27.62 | ↓-72% | \$2,942 | \$2,933 | ↑0% | \$2,648 | ↑11% | \$261 | \$280 | ↓-7% | \$175 | ↑49% |
| Cummins | CMI | \$65.52 | \$70.42 | ↓-7% | \$50.61 | ↑29% | \$13,705 | \$13,048 | ↑5% | \$11,501 | ↑19% | \$1,291 | \$1,221 | ↑6% | \$1,254 | ↑3% |
| Dana Holding | DAN | \$5.35 | \$10.60 | ↓-50% | N/A | ■N/A | \$8,888 | \$8,721 | ↑2% | \$8,452 | ↑5% | \$440 | \$404 | ↑9% | \$220 | ↑100% |
| Delphi | DPHLQ | \$0.07 | \$0.11 | ↓-30% | \$2.37 | ↓-97% | \$21,853 | \$22,283 | ↓-2% | \$21,446 | ↑2% | \$(157) | \$(139) | ↑13% | \$(658) | ↓-76% |
| Eaton | ETN | \$84.97 | \$96.68 | ↓-12% | \$93.00 | ↓-9% | \$13,416 | \$13,033 | ↑3% | \$12,389 | ↑8% | \$1,751 | \$1,710 | ↑2% | \$1,627 | ↑8% |
| FederalMogul | FDML | \$16.13 | \$19.96 | ↓-19% | N/A | ■N/A | \$7,057 | \$6,914 | ↑2% | \$6,443 | ↑10% | \$660 | \$710 | ↓-7% | \$630 | ↑5% |
| Gentex | GNTX | \$14.44 | \$17.56 | ↓-18% | \$19.69 | ↓-27% | \$675 | \$654 | ↑3% | \$590 | ↑14% | \$184 | \$179 | ↑3% | \$161 | ↑14% |
| Goodyear Tire | GT | \$17.83 | \$25.41 | ↓-30% | \$34.76 | ↓-49% | \$20,087 | \$19,644 | ↑2% | \$18,788 | ↑7% | \$1,848 | \$1,613 | ↑15% | \$1,070 | ↑73% |
| Hayes Lemmerz | HAYZ | \$2.84 | \$3.92 | ↓-28% | \$5.35 | ↓-47% | \$2,202 | \$2,127 | ↑4% | \$1,826 | ↑21% | \$177 | \$172 | ↑3% | \$159 | ↑11% |
| Johnson Controls | JCI | \$28.68 | \$34.06 | ↓-16% | \$38.59 | ↓-26% | \$36,812 | \$35,898 | ↑3% | \$33,242 | ↑11% | \$2,714 | \$2,618 | ↑4% | \$2,327 | ↑17% |
| Lear | LEA | \$14.18 | \$25.75 | ↓-45% | \$35.61 | ↓-60% | \$15,447 | \$15,995 | ↓-3% | \$17,567 | ↓-12% | \$1,065 | \$1,088 | ↓-2% | \$920 | ↑16% |
| Linamar | TSX:LNR | \$12.24 | \$17.02 | ↓-28% | \$18.12 | ↓-32% | \$2,276 | \$2,154 | ↑6% | \$1,983 | ↑15% | \$339 | \$317 | ↑7% | \$272 | ↑25% |
| Magna Intl. | TSX:MG.A | \$59.40 | \$70.50 | ↓-16% | \$91.51 | ↓-35% | \$25,452 | \$24,271 | ↑5% | \$21,584 | ↑18% | \$1,931 | \$1,869 | ↑3% | \$1,410 | ↑37% |
| Navistar Intl. | NAVZ | \$65.82 | \$75.95 | ↓-13% | \$66.00 | ↓0% | \$13,060 | \$12,101 | ↑8% | \$12,124 | ↑8% | \$536 | \$286 | ↑87% | \$544 | ↓-1% |
| Tenneco Inc. | TEN | \$13.53 | \$23.98 | ↓-44% | \$35.04 | ↓-61% | \$6,344 | \$6,184 | ↑3% | \$4,951 | ↑28% | \$484 | \$486 | ↓0% | \$424 | ↑14% |
| TRW Automotive | TRW | \$18.47 | \$24.95 | ↓-26% | \$36.83 | ↓-50% | \$15,279 | \$14,702 | ↑4% | \$13,315 | ↑15% | \$1,266 | \$1,229 | ↑3% | \$1,136 | ↑11% |
| Visteon | VC | \$2.63 | \$4.04 | ↓-35% | \$8.10 | ↓-68% | \$11,238 | \$11,266 | ↓0% | \$11,230 | ↑0% | \$502 | \$409 | ↑23% | \$356 | ↑41% |
| Dealer | | | | | | | | | | | | | | | | |
| AutoNation | AN | \$10.02 | \$15.79 | ↓-37% | \$22.44 | ↓-55% | \$17,391 | \$17,692 | ↓-2% | \$18,377 | ↓-5% | \$761 | \$797 | ↓-5% | \$859 | ↓-11% |
| Asbury Automotive | ABG | \$12.85 | \$16.47 | ↓-22% | \$24.95 | ↓-48% | \$5,598 | \$5,713 | ↓-2% | \$5,729 | ↓-2% | \$206 | \$215 | ↓-4% | \$219 | ↓-6% |
| CarMax | KMX | \$14.19 | \$19.66 | ↓-28% | \$25.50 | ↓-44% | \$8,320 | \$8,285 | ↑0% | \$7,865 | ↑6% | \$291 | \$347 | ↓-16% | \$384 | ↓-24% |
| Group 1 Automotive | GPI | \$19.87 | \$26.04 | ↓-24% | \$40.34 | ↓-51% | \$6,400 | \$6,393 | ↑0% | \$6,189 | ↑3% | \$222 | \$218 | ↑2% | \$219 | ↑1% |
| Lithia Motors | LAD | \$4.92 | \$6.83 | ↓-28% | \$25.34 | ↓-81% | \$3,144 | \$3,219 | ↓-2% | \$3,120 | ↑1% | \$103 | \$116 | ↓-12% | \$127 | ↓-20% |
| Penske Automotive | PAG | \$14.74 | \$20.89 | ↓-29% | \$21.29 | ↓-31% | \$13,082 | \$12,958 | ↑1% | \$11,652 | ↑12% | \$396 | \$394 | ↑1% | \$363 | ↑9% |
| Sonic Automotive | SAH | \$12.89 | \$18.65 | ↓-31% | \$28.97 | ↓-56% | \$8,355 | \$8,337 | ↑0% | \$7,982 | ↑5% | \$322 | \$326 | ↓-1% | \$295 | ↑9% |

¹Latest 12 months diluted earnings per share before extraordinary items.

↑Up ↓Down ■Same

Source: Capital IQ

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APPENDIX 5

2008 AlixPartners Global
Automotive ReviewTM - Excerpt

“Recent North American Supplier Bankruptcies”

2008 AlixPartners Global Automotive Review™ - Excerpt

Chicago Dallas Detroit Düsseldorf London Los Angeles Milan Munich New York Paris San Francisco Shanghai Tokyo



AlixPartners

Recent North American Supplier Bankruptcies

Assets >\$100 million

| Company – Sales \$M (Year) | Year Ch. 11 | Current Status |
|--|----------------|--|
| Federal-Mogul - \$6,914 (2007) | 2001 | Emerged from bankruptcy in Dec 2007 |
| ANC Rental - \$3,163 (2001) | 2001 | Alamo and National acquired by Cerberus in October 2003 for \$2.4 billion |
| Hayes Lemmerz - \$2,130 (2007) | 2001 | Emerged in June 2003 with 37% owned by Joseph Littlejohn Levy |
| Harvard Industries - \$330 (2000) | 2002 | Liquidated in 2002 after four bankruptcies in 25 years |
| Exide Technologies - \$2,939 (2007) | 2002 | Emerged in May 2004; reduced debt by 70% |
| Daewoo Motors - \$3,500 (2002E) | 2002 | Majority of global operations acquired by GM |
| Budget Group - \$2,161 (2001) | 2002 | Acquired by Cendant in November 2002 for over \$500 million |
| Venture Holdings - \$1,700 (2002E) | 2003 | Acquired by creditors and renamed New Venture Holdings |
| Intermet - \$731 (2003) | 2004 | Emerged from Chapter 11 November 2005, reorganized into five business groups |
| Oxford Automotive - \$1,000 (2004E) | 2004 | Emerged March 2005 to focus on European operations |
| Amcast - \$424 (2003) | 2004 | Filed Chapter 11 November 2004, emerged August 2005 |
| Tower Automotive - \$2,816 (2003) | 2005 | Filed Feb 2005, finalized emergence July 2007 by selling assets to affiliate of Cerberus for ~\$1B |
| EaglePicher - \$685 (2003) | 2005 | High commodity prices & insufficient cash – Filed CH 11 on April 11th |
| Meridian Automotive - \$1,000 (2003E) | 2005 | First day motions approved - Chapter 11 on April 26th |
| Collins & Aikman - \$3,784 (2003) | 2005 | Filed Chapter 11 May 2005, obtained confirmation of a liquidating chapter 11 plan in July 2007 |
| Delphi – \$27,000 (2005E) | 2005 | Seeking relief from high labor costs + union prohibition on closing/selling plants |
| Dana – \$8,700 (2007) | 2006 | Filed Chapter 11 March 2006, emerged February 2008 |
| Dura - \$2,350 (2005) | 2006 | Received approval to emerge from Chapter 11 in May 2008 |
| Citation Corp. - \$714 (2007E) | 2007 | 2 Filings in 3 years, previously emerged from Chapter 11 May 2005 |
| Remy - \$1,129 (2007) | 2007 | Filed and emerged from Chapter 11 in late 2007 |
| American LaFrance - \$166 (2007E) | 2008 | Filed Chapter 11 January 2008 |
| Plastech - \$1,400 (2007E) | 2008 | Filed Chapter 11 February 2008 |
| Total - \$74.7 billion | | |



APPENDIX 6

Standard & Poor's Ratings Services November 15, 2008 Report:

“Ratings On 15 North American Auto Suppliers Placed On Watch
Neg On Exposure To U.S.-Based Automakers; Two Are Also Downgraded”

Ratings On 15 North American Auto Suppliers Placed On Watch Neg On Exposure To U.S.-Based Automakers; Two Are Also Downgraded

Publication date: 13-Nov-2008

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On Nov. 13, 2008, Standard & Poor's Ratings Services placed the ratings on 15 North American auto suppliers on CreditWatch with negative implications as a result of their significant exposure to **General Motors Corp.** (CCC+/Negative/--), **Ford Motor Co.** (B-/Watch Neg/--), and **Chrysler LLC** (CCC+/Negative/--). Other auto suppliers were already on CreditWatch, in part because of their exposure to the three automakers. (See table 1 for all affected companies and their ratings.)

At the same time, we also lowered the long-term corporate credit ratings on Dana Holding Corp. (to 'B+' from 'BB-') and Magna International Inc. (to 'A-' from 'A'); these ratings are among the 15 that we placed on CreditWatch negative. (For the complete corporate credit rating rationale, please see the research updates on **Dana** and **Magna International**, both published Nov. 13, 2008, on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis.)

Table 1

U.S. Auto Suppliers On CreditWatch With Negative Implications

| As of Nov. 13, 2008 | | |
|---|------------------|-----------------|
| | To | From |
| Ratings lowered and placed on CreditWatch with negative implications | | |
| Dana Holding Corp. | B+/Watch Neg/-- | BB-/Negative/-- |
| Magna International Inc. | A-/Watch Neg/-- | A/Negative/-- |
| Ratings placed on CreditWatch with negative implications | | |
| ArvinMeritor Inc. | B+/Watch Neg/-- | B+/Negative/-- |
| BorgWarner Inc. | A-/Watch Neg/-- | A-/Stable/-- |
| Cooper-Standard Automotive Inc. | B/Watch Neg/-- | B/Stable/-- |
| Federal-Mogul Corp. | BB-/Watch Neg/-- | BB-/Negative/-- |
| Goodyear Tire & Rubber Co. (The) | BB-/Watch Neg/-- | BB-/Stable/-- |
| Hayes Lemmerz International Inc. | B/Watch Neg/-- | B/Stable/-- |
| Johnson Controls Inc.* | A-/Watch Neg/A-2 | A-/Stable/A-2 |
| Lear Corp. | B/Watch Neg/-- | B/Negative/-- |
| MetoKote Corp. | B+/Watch Neg/-- | B+/Negative/-- |
| Shiloh Industries Inc. | BB-/Watch Neg/-- | BB-/Stable/-- |
| Stoneridge Inc. | B+/Watch Neg/-- | B+/Stable/-- |
| Tenneco Inc. | BB-/Watch Neg/-- | BB-/Stable/-- |
| Visteon Corp. | B-/Watch Neg/-- | B-/Negative/-- |
| Existing ratings on CreditWatch with negative implications | | |
| American Axle & Manufacturing Holdings Inc. | B/Watch Neg/-- | -- |
| TRW Automotive Inc. | BB+/Watch Neg/-- | -- |

*The short-term rating is not on CreditWatch.

The CreditWatch listings reflect the increasingly beleaguered state of the Michigan-based automakers and the multiple scenarios--almost all of them negative--that could play out over the next few weeks or months. We expect the result to adversely affect the business and financial risk profiles of the rated North American auto suppliers enough in some cases to result in downgrades.

GM has stated that, in the absence of substantial federal government support, it may run out of cash to operate its business beyond the end of 2008. Chrysler does not report financial results to the public, but we believe its cash balances are well below the \$11 billion reported as of June 30, 2008, given that the company relies almost exclusively on the North American auto market. Ford used \$7.7 billion in cash in its global automotive operations in the third quarter. Although it has \$10.7 billion available under its revolving credit facility, the company could face significant liquidity challenges late in 2009, given its increased cash outflows.

The automakers may receive increased or expedited U.S. government assistance, although the form, timing, and magnitude of such assistance are difficult to predict. Financial restructurings or bankruptcy filings are also possible, with or without government aid. Also, given the very weak credit markets and grim economic outlook, we cannot rule out the possibility, however remote, that one or more of the automakers might be forced to cease operations. Even with sufficient financial support to avoid a financial restructuring, some or all of the U.S. automakers are unlikely to avoid further sweeping changes to their product lines, market focus, or possibly their status as independent entities. Accordingly, we are likely to reevaluate the business risk profiles of many rated suppliers, in addition to our financial analysis, in connection with determining a supplier's rating.

The suppliers placed on CreditWatch on Nov. 13 span a wide range of credit quality and have varying degrees of exposure to the Michigan-based automakers (see table 2). We believe certain companies would be able to withstand the liquidity shock of a sudden bankruptcy filing by one or more of the manufacturers, but they may not be able to do so and remain at current rating levels. We have taken numerous rating actions in the supplier sector this year; however, the looming potential for changes in the structure and fundamental composition of the domestic automaker customer base will be more sharply reflected in the resolution of today's CreditWatch actions.

Table 2

U.S. Auto Suppliers' Credit Quality And Exposure To Michigan-Based Automakers In North America

| Rating category* | --Estimated total sales to GM, Ford, and Chrysler in North America-- | | |
|------------------|--|----------------------------|--|
| | < 15% | 15%-30% | >30% |
| Investment grade | BorgWarner Inc. | | Magna International Inc. |
| | Johnson Controls Inc. | | |
| 'BB' category | Goodyear Tire & Rubber Co. (The) | Federal-Mogul Corp. | TRW Automotive Inc. |
| | | Tenneco Inc. | Shiloh Industries Inc. |
| 'B' category | Hayes Lemmerz International Inc. | Dana Holding Corp. | Stoneridge Inc. |
| | ArvinMeritor Inc. | MetoKote Corp. | Cooper-Standard Automotive Inc. |
| | | Visteon Corp. | Lear Corp. |
| | | | American Axle & Manufacturing Holdings Inc. |

*Credit rating as of Nov. 13, 2008.

Several other rated companies have not been placed on CreditWatch, including those with a relatively minor percentage of sales to the Michigan-based automakers, and certain aftermarket parts producers, truck suppliers, and auto retailers. Still, we believe many of these companies face business and financial challenges that, although not directly related to the domestic automakers' production schedules, reflect the broader challenges affecting vehicle demand in the U.S. and Europe. Accordingly, their respective

ratings could be placed on CreditWatch or lowered as a result of our ongoing surveillance process.

We expect to resolve the CreditWatch listings within the next 90 days. Given the potential for immense structural and near-term changes to the industry, we would likely resolve the CreditWatch listings as we receive more information on potential U.S. government assistance to the automakers, or lack thereof. Our reviews will include assessments of any potential effect on the suppliers' liquidity, including their ability to remain in compliance with financial covenants, and prospects for the viability of their businesses more broadly, including future incremental revenue and profitability declines. We may resolve the reviews for certain less-affected suppliers more quickly than for others.