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March 20, 2001

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“Why We Wouldn’t Buy Automotive Stocks Just Yet.” Part 1

**HISTORICALLY AUTOMOTIVE PARTS SUPPLIER STOCKS HAVE PERFORMED WELL WHEN
INTEREST RATES HAVE DECLINED AND HAVE PERFORMED POORLY WHEN INTEREST
RATES HAVE RISEN...**

**...HOWEVER, AUTOMOTIVE PART SUPPLIER STOCKS HAVE ALWAYS BOTTOMED DURING A
SIGNIFICANT AUTOMOTIVE SALES DOWNTURN...**

...WHICH COULD BE THE CASE LATER THIS YEAR OR NEXT...

...CREATING AN EXCELLENT BUYING OPPORTUNITY FOR INVESTORS.

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March 20, 2001

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“Why We Wouldn’t Buy Automotive Stocks Just Yet.”

Part 1

March 20, 2001
Industry Update

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INVESTMENT SUMMARY

Historically automotive parts supplier stocks have performed well when interest rates have declined and have performed poorly when interest rates have risen. Since May 29, 1980, the annualized return for our North American Automotive Supplier Comparative Analysis Report (NAASCAR) Index during periods of easing averaged 23%, which is 4% better than the S&P 500 return of 19%. During periods of tightening the annualized return averaged -12%, which is 15% worse than the S&P 500 return of 3%. In other words, if investors consistently bought the NAASCAR group as the Federal Reserve initially lowered the U.S. Discount rate, then sold the group when the Federal Reserve began to increase the rate each time starting in May 1980, their annualized return while owning the group would have been 23%. In fact, during those periods they would have outperformed the S&P 500 by roughly 4%.

So if interest rates, or rather their increases and decreases, have such a dramatic impact on the performance of automotive parts supplier stocks, do automotive sales even matter? Yes, in our opinion, especially when automotive sales decline significantly. In the past 20 some years, automotive parts supplier valuations reached their lowest points during the last two significant declines in automotive sales in the early 1980s and again in the early 1990s. This determination is based on two measures — price-to-book value and enterprise value-to-sales.

- **Price-to-Book Value.** Our analysis reveals that on a price-to-book value basis, the group’s valuations reached their lowest levels in 1982 at 0.88x and 1991 at 1.34x book value, coinciding with the two most recent downturns in automotive sales. In 2000 the group’s valuations dipped as low as 1.48x, or within 10% of their 1991 bottom. Having rebounded with the recent interest rate cuts, the group is currently trading at 2.09x book value.
- **Enterprise Value-to-Sales.** Our analysis reveals that on an enterprise value-to-sales basis, the group’s valuations reached their lowest levels in 1982 at 0.42x and 1990 at 0.60x sales, again closely coinciding with the two most recent downturns in automotive sales. In 2000 the group’s valuations dipped as low as 0.65x, or within 8% of their 1990 bottom. Having rebounded with the recent interest rate cuts, the group is currently trading at 0.87x sales.

The next obvious question is, “What direction were interest rates heading during the early 1980s and 1990s?” The answer is both up and down at different points in time. However, from analyzing both the U.S. Discount rate and the Federal Funds Target rate, there is ample evidence that these stocks “bottomed out” from a valuation standpoint during the last two significant automotive downturns, often despite easing by the Federal Reserve.

So what does this mean for investors today? The Federal Reserve is clearly in an easing mode, which is good news for automotive parts supplier stocks. If we considered interest rates only, we would strongly suggest that investors seriously consider buying automotive parts supplier stocks. However, the second issue is whether or not we will see a significant decline in automotive sales. If not, investors should be invested in automotive parts suppliers stocks. If so, the stock prices for automotive parts suppliers will decline despite their already “low” valuations.

What do we think? We believe that automotive sales will decline significantly in the future. Why? Because of the six leading economic indicators that we have found to be reasonably accurate predictors of a significant decline in automotive sales dating back to January 1962, five are negative and the remaining positive will most likely turn negative by the end of March 2001.

So how can an investor profit from this information? In our opinion, the answer first depends on the investor’s individual outlook for the economy. In other words, if an investor believes the economy will have a “soft landing” and automotive sales will continue to be strong, then this is an excellent time to buy and own automotive parts supplier stocks. However, if the investor believes, as we do, that automotive sales will decline significantly, this is not a good time to own automotive parts supplier stocks. In the near term the stocks may continue to rise for as long as automotive sales remain strong. However, historically these stocks have declined very rapidly as automotive sales have fallen. In other words, waiting for an indication of declining automotive sales will be too late.

So what should the “hard landing” investor do? Despite what appear to be low valuations, many of these stocks still have significant downside risk. In fact, based on our price-to-book value and enterprise value-to-sales analysis the average downside for the group could be as much as 30-40%. Hence, if we owned automotive supplier stocks today, we would take a hard look at selling many of them. For investors considering buying automotive parts supplier stocks, we would suggest waiting. For longer-term investors, the purchase decision could be based solely on valuation. For investors hoping to “pick the bottom” our best advice is to use a combination of 1) valuations, 2) economic data and 3) automotive sales. In other words, we would first establish a reasonable “bottom” price for a stock. Second, we would monitor the aforementioned six leading indicators, which have generally improved prior to a recovery in automotive sales. Finally, we would monitor automotive sales, not for a recovery, as waiting for sales to begin to improve is too late, but rather to look for a bottom. We discuss each of these in greater detail within the report.

SECTION 1.

**HISTORICALLY AUTOMOTIVE PARTS
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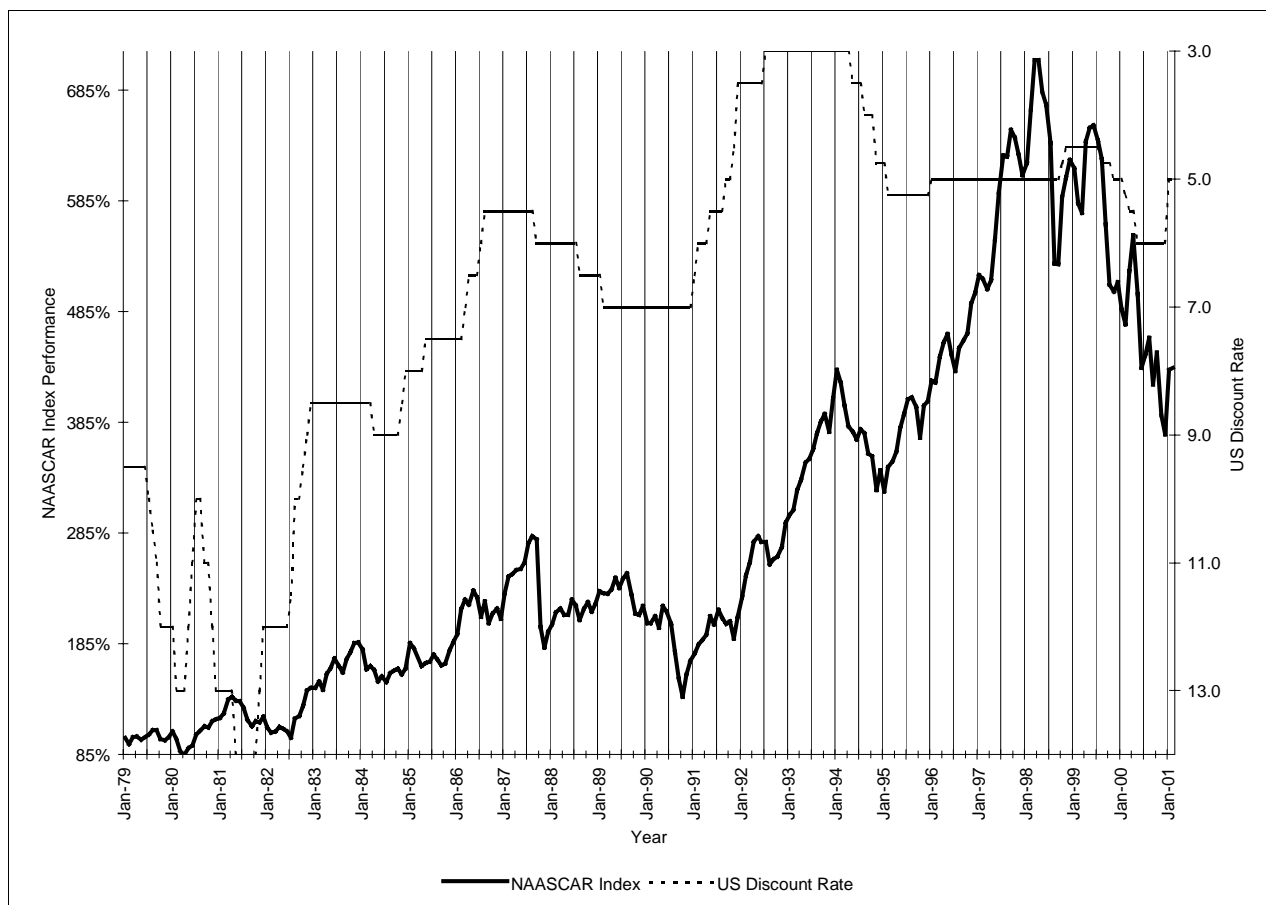
Historically Automotive Parts Supplier Stocks Have Performed Well When Interest Rates Have Declined and Performed Poorly When Interest Rates Have Risen...In our opinion, one of the primary determinants of automotive parts supplier stock performance is interest rates. Specifically, automotive parts suppliers stocks tend to perform well when interest rates are declining and perform poorly when interest rates are rising. In order to demonstrate this relationship we have detailed the performance of our NAASCAR Index during periods of both interest rate easing and tightening. The results, we believe, are compelling. Since May 29, 1980, there have been six easing periods during which the Federal Reserve has lowered the U.S. Discount rate and five tightening periods during which the rate has been increased. The annualized return for the NAASCAR Index during periods of easing averaged 23%, or 4% better than the S&P 500 return of 19%. During periods of tightening the annualized return averaged -12%, or 15% worse than the S&P 500 return of 3%. In other words, if investors consistently bought the NAASCAR group as the Federal Reserve initially lowered the U.S. Discount rate, then sold the group when the Federal Reserve began to increase the rate each time starting in May 1980, their annualized return while owning the group would have been 23%. In fact, during those periods they would have outperformed the S&P 500 by roughly 4%.

Table 1. NAASCAR INDEX PERFORMANCE VS. U.S. DISCOUNT RATE, MAY 1980-PRESENT

Period	Direction	U.S. Discount Rate			NAASCAR Index		S&P 500 Index		NAASCAR Over/ (Under) S&P500
		Start	End	Chg.	Total % Chg.	Annual-ized Return	Total % Chg.	Annual-ized Return	
May 29, 1980 - Sep 25, 1980	Easing	13.00	10.00	(3.00)	22%	82%	17%	62%	19%
Sep 26, 1980 - Nov 1, 1981	Tightening	10.00	14.00	4.00	4%	4%	-5%	-5%	9%
Nov 2, 1981 - Apr 8, 1984	Easing	14.00	8.50	(5.50)	43%	16%	31%	12%	4%
Apr 9, 1984 - Nov 20, 1984	Tightening	8.50	9.00	0.50	-5%	-7%	6%	9%	-15%
Nov 21, 1984 - Sep 7, 1987	Easing	9.00	5.50	(3.50)	79%	24%	98%	28%	-5%
Sep 8, 1987 - Dec 18, 1990	Tightening	5.50	7.00	1.50	-44%	-16%	-4%	-1%	-15%
Dec 19, 1990 - May 16, 1994	Easing	7.00	3.00	(4.00)	142%	30%	42%	11%	19%
May 17, 1994 - Jan 30, 1996	Tightening	3.00	5.25	2.25	11%	6%	37%	20%	-14%
Jan 31, 1996 - Aug 24, 1999	Easing	5.25	4.50	(0.75)	51%	13%	116%	25%	-12%
Aug 25, 1999 - Jan 3, 2001	Tightening	4.50	6.00	1.50	-42%	-32%	-1%	0%	-31%
Jan 4, 2001 - present	Easing	6.00	5.00	(1.00)	16%	146%	-6%	-31%	178%
Average Annualized Return During Periods Of:									
Easing						23%		19%	4%
Tightening						-12%		3%	-15%

Source: Factset; Board of Governors of the Federal Reserve

Chart 1. NAASCAR INDEX PERFORMANCE VS. U.S. DISCOUNT RATE, 1979-PRESENT



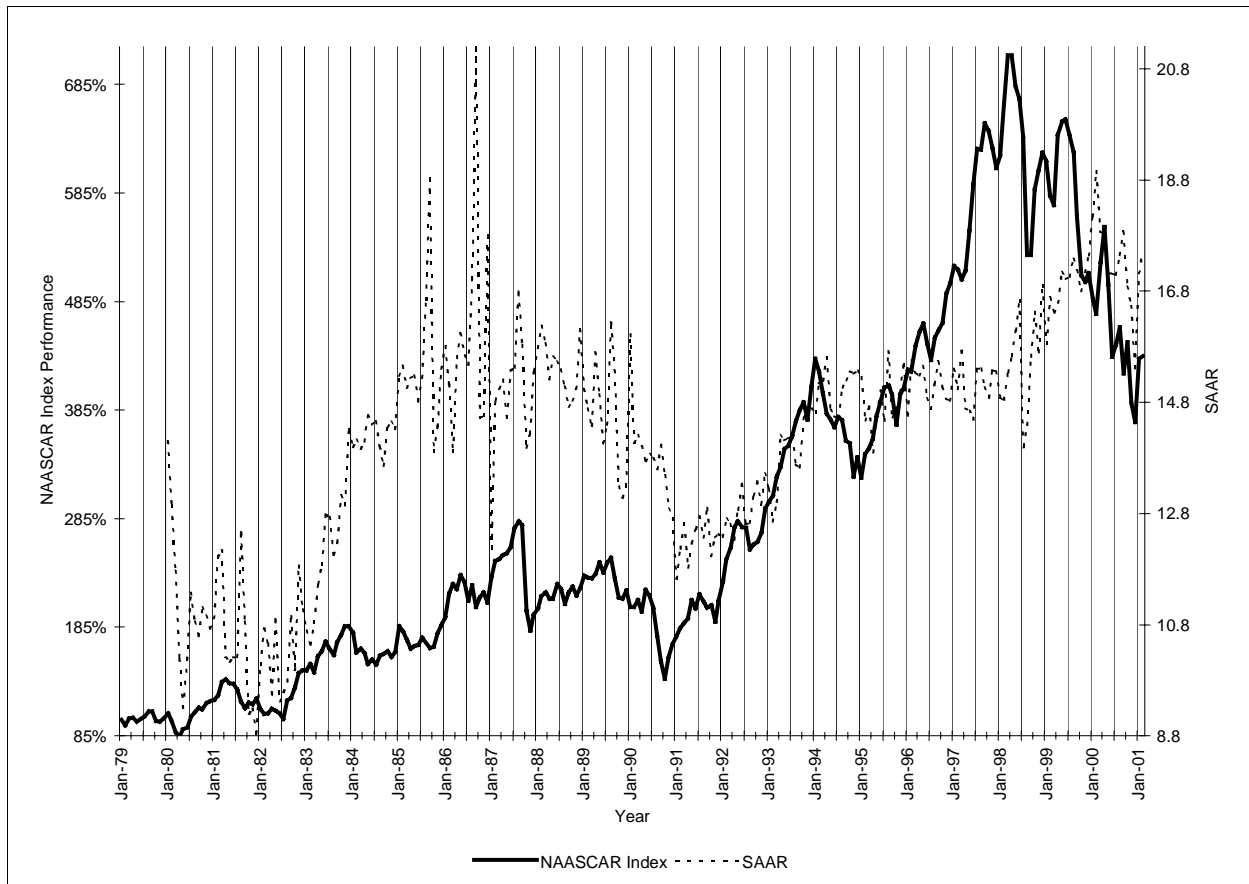
Source: Ward's Automotive; McDonald Investments Inc. estimates; Board of Governors of the Federal Reserve

...Often Despite the General Trend in Automotive Sales. Interestingly, the relationship between automotive parts supplier stock performance and interest rates often holds true even despite any apparent trend in automotive sales. For example, during the period from May 1994 to February 1995 the Federal Reserve increased the U.S. Discount Rate 225 basis points from 3% to 5.25%, during which time the NAASCAR Index declined 15%, or 30% on an annualized basis. However, automotive sales, represented by monthly seasonally adjusted annual rate (SAAR) of retail sales, actually increased from 14.7 million units in May 1994 to as high as 15.4 million units in December 1994 before declining slightly to 14.5 million units in February 1995.

A more recent example would be the period from July 1999 until December 2000. During this period the Federal Reserve increased the U.S. Discount rate 150 basis points from 4.5% to 6% and the NAASCAR Index declined 42%, or 32% on an annualized basis. However, automotive sales actually increased from 17.1 million units in July 1999 to as high as 19.0 million in February 2000 before declining to 16.5 million units in November 2000.

The point is that often times interest rates, or more specifically the easing or tightening of them, have a greater impact on automotive parts supplier stock performance than does the trend in automotive sales.

Chart 2. NAASCAR INDEX PERFORMANCE VS. NEW VEHICLE SAAR, 1979-PRESENT



Source: Ward's Automotive; McDonald Investments Inc. estimates; Board of Governors of the Federal Reserve

SECTION 2.

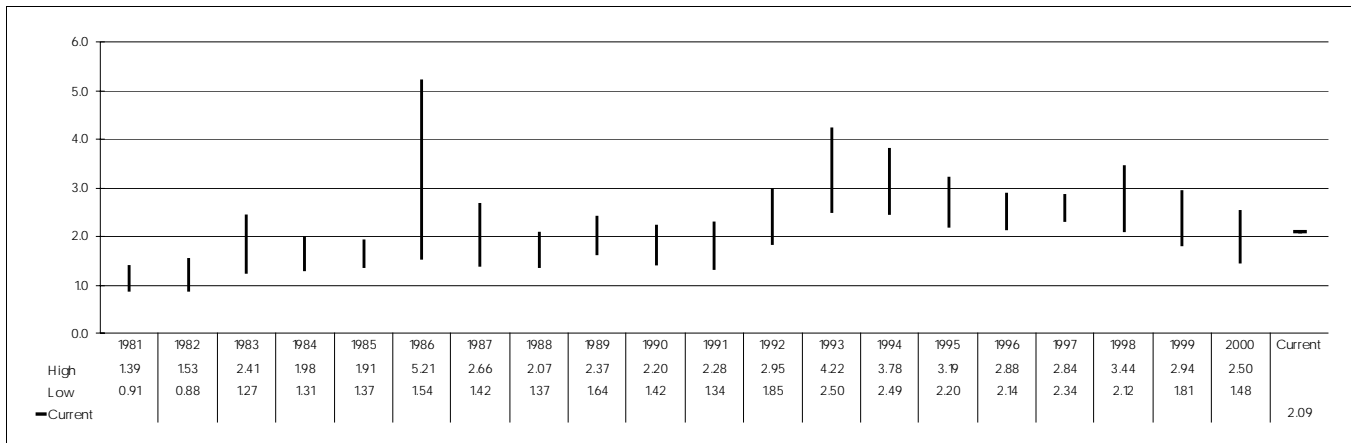
**...HOWEVER, AUTOMOTIVE PART
SUPPLIER STOCKS HAVE ALWAYS
BOTTOMED DURING A SIGNIFICANT
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However, Automotive Part Supplier Stocks Have Always Bottomed During a Significant Automotive Sales Downturn... So if interest rates, or rather the increase or decrease in them, have such a dramatic impact on automotive parts supplier stock performance, do automotive sales even matter? Yes, in our opinion, especially when automotive sales decline significantly. In the past 20 some years, automotive parts supplier valuations reached their lowest points during the last two significant declines in automotive sales in the early 1980s and again in the early 1990s.

In order to determine this we looked at two measures — price-to-book value and enterprise value-to-sales. Why use these measures? Because the cyclical nature of automotive sales, combined with the high fixed costs within the industry, wreaks havoc with earnings-based measures during the serious downturns in automotive sales. For example, in 1991 Dana Corporation’s (DCN-NYSE) stock traded as low as \$12.31 and as high as \$18.25. However, the Company earned \$0.17, implying a price-to-earnings ratio range of 72-107x. Given that from 1994-1999 the Company’s stock traded at an average price-to-book value multiple of 11.4x, the higher price-to-earnings ratio of 1991 would imply that investors ought to have shorted the stock...dumb idea.

- Price-to-Book Value.** Our price-to-book value calculation is straightforward. We have simply taken a given company’s low price for the year and divided it by the average of the prior year-end book value and the current year-end book value. Because many of the companies in the NAASCAR Index were not publicly traded in 1980, for historical comparison purposes our analysis utilizes six companies — Clarcor, Inc. (CLC-NYSE), Dana Corporation (DCN-NYSE), Eaton Corporation (ETN-NYSE), Johnson Controls, Inc. (JCI-NYSE), Superior Industries International, Inc. (SUP-NSYE) and TRW, Inc. (TRW-NYSE) — as a proxy for the group. Our analysis reveals that on a price-to-book value basis, the group’s valuations reached their lowest levels in 1982 at 0.88x and 1991 at 1.34x book value, coinciding with the two most recent downturns in automotive sales. In 2000 the group’s valuations dipped as low as 1.48x, or within 10% of their 1991 bottom. Having rebounded with the recent interest rate cuts, the proxy group is currently trading at 2.09x book value.

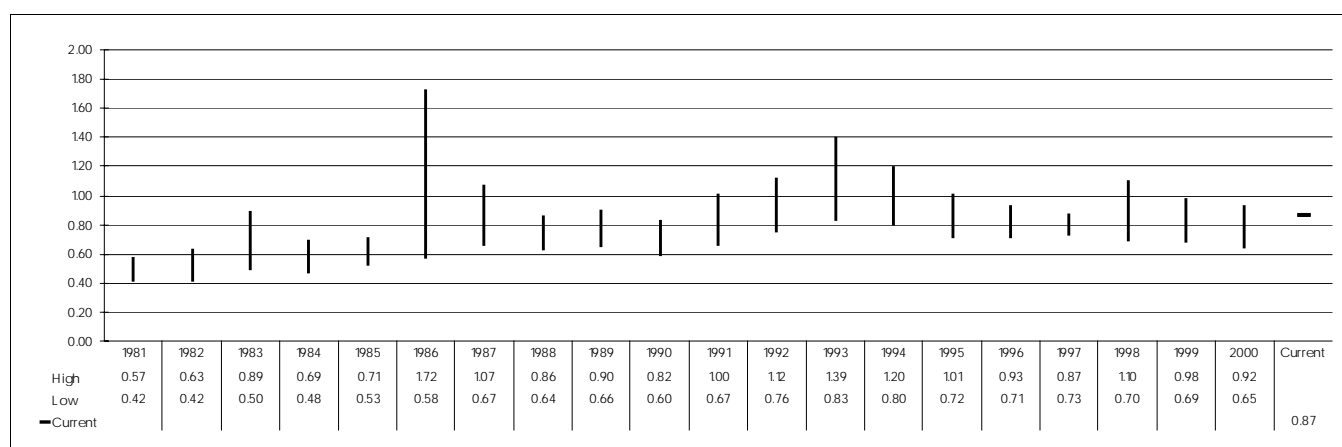
Chart 3. NAASCAR* PRICE/BOOK VALUE RATIO



* NAASCAR group represented by a proxy group consisting of CLC, DCN, ETN, JCI, SUP & TRW
Source: Company data; Factset; Baseline; McDonald Investments Inc. estimates

- Enterprise Value-to-Sales.** Our enterprise value-to-sales calculation is also relatively straightforward. Here again we have taken a given company's low price for the year to calculate the market capitalization, to which we have added the average of the prior year-end debt and current year-end debt. We have also calculated the average preferred securities and cash, which we have added and subtracted respectively. We then divided the entire amount by sales. As with our price-to-book value calculation, we utilized six companies — Clarcor, Inc. (CLC-NYSE), Dana Corporation (DCN-NYSE), Eaton Corporation (ETN-NYSE), Johnson Controls, Inc. (JCI-NYSE), Superior Industries International, Inc. (SUP-NYSE) and TRW, Inc. (TRW-NYSE) — as a proxy for the group. Our analysis reveals that on an enterprise value-to-sales basis, the group's valuations reached their lowest levels in 1982 at 0.42x and 1990 at 0.60x sales, again closely coinciding with the two most recent downturns in automotive sales. In 2000 the group's valuations dipped as low as 0.65x, or within 8% of their 1990 bottom. Having rebounded with the recent interest rate cuts, the proxy group is currently trading at 0.87x sales.

Chart 4. NAASCAR* EV/SALES RATIO



* NAASCAR group represented by a proxy group consisting of CLC, DCN, ETN, JCI, SUP & TRW
Source: Company data; Factset; Baseline; McDonald Investments Inc. estimates

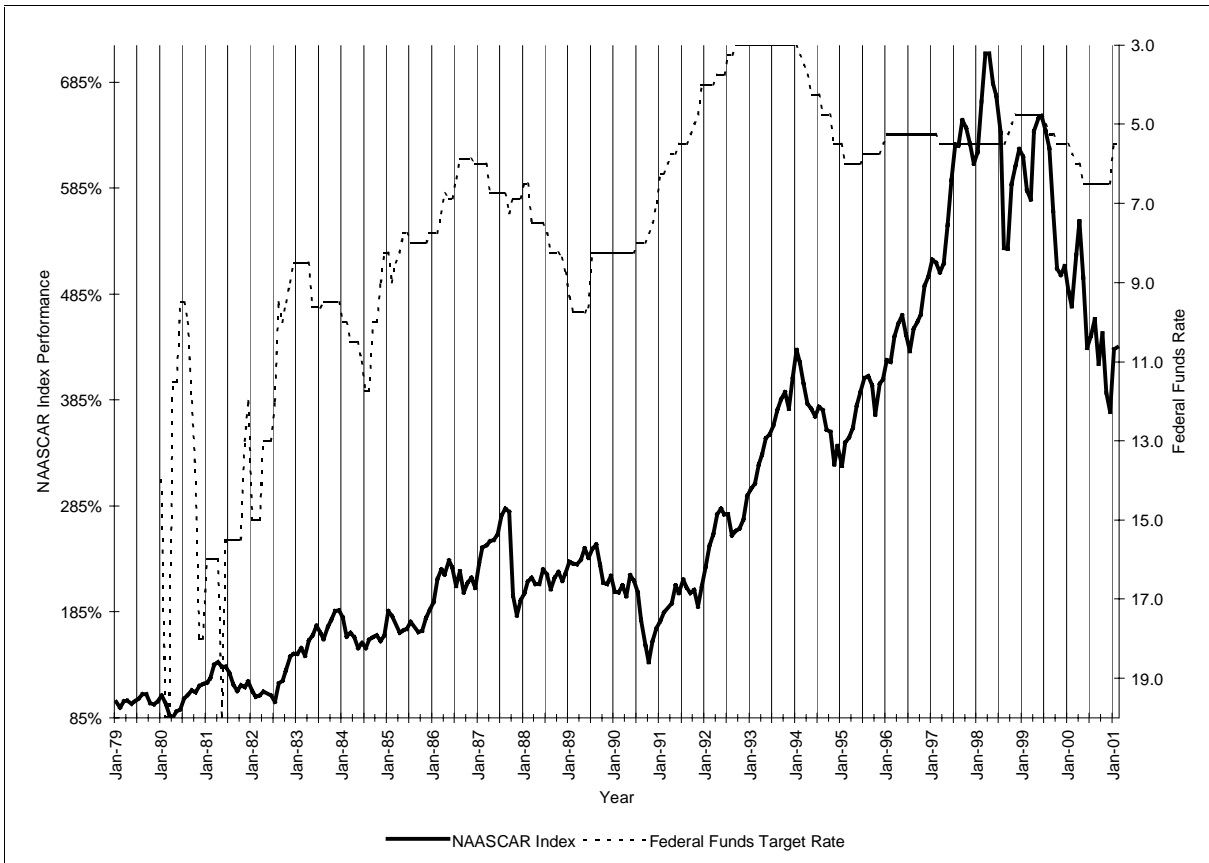
...Despite Declining Interest Rates. Given the apparent relationship between interest rates and automotive parts supplier stock prices, the next logical question is, “What direction were interest rates heading during the early 1980s and 1990s?” Here it is useful to examine both the U.S. Discount rate and the Federal Funds Target rate.

- U.S. Discount Rate.** In the early 1980s, sales (as measured by the SAAR) bottomed twice — once in May 1980 at 9.3 million units and again in December 1981 at 8.8 million units. The NAASCAR Index itself also took a “double bounce,” initially rising simultaneously with the Federal Reserve’s reduction of the U.S. Discount rate from 13% to 12% in May 1980. However, the Federal Reserve resumed tightening shortly thereafter before easing again in November 1981. Upon easing the second time, however, automotive sales remained sluggish and the NAASCAR Index continued to decline, despite interest rate reductions, falling 13% over the next eight months until automotive sales began to recover. The NAASCAR Index began to rise in November 1990, roughly a month prior to the Federal Reserve’s initial reduction of the U.S. Discount rate from 7% to 6.5%, and automotive sales began to improve shortly thereafter.
- Federal Funds Target Rate.** In the early 1980s, the Federal Funds Target rate jumped around like a pogo stick. Initially the Federal Reserve began easing in April 1980, dropping the rate from 20% to 11.5%. The NAASCAR Index reacted positively. However, as with the U.S. Discount rate, the Federal Reserve began tightening again shortly thereafter only to begin easing again in June 1981. However, the NAASCAR Index declined 25% over the next 14 months, despite easing, as automotive sales continued

to flounder. In 1990, the disconnect is even more apparent, with the Federal Reserve lowering rates beginning in June 1989 and the NAASCAR Index falling 42% for the next 17 months as automotive sales fell, bottoming out at 11.9 million units in January 1991.

The point is that despite the evidence that the easing of interest rates should have a positive impact on automotive parts supplier stock performance, these stocks bottomed out from a valuation standpoint during the last two significant automotive downturns, often despite easing by the Federal Reserve.

Chart 5. NAASCAR INDEX PERFORMANCE VS. FEDERAL FUNDS TARGET RATE, 1979-PRESENT



Source: Ward's Automotive; McDonald Investments Inc. estimates; Board of Governors of the Federal Reserve

SECTION 3.

**...WHICH COULD BE THE CASE LATER
THIS YEAR OR NEXT...**

...Which Could Be the Case Later This Year or Next... At this point we hope to have established two principles: 1) that automotive part supplier stocks tend to perform well when interest rates are declining and poorly when interest rates are on the rise; and 2) that automotive parts supplier stocks bottom out during automotive downturns.

So what does this mean for investors today? The Federal Reserve is clearly in an easing mode, which is good news for automotive parts supplier stocks. In fact, since the Federal reserve began easing in January 2001 the NAASCAR Index has risen 16%, or 146% on an annualized basis, vs. the S&P 500, which has declined 6% over the same period. If we considered interest rates only, we would strongly suggest that investors seriously consider buying automotive parts supplier stocks.

However, the second issue is whether or not we will see a significant decline in automotive sales. If not, investors should be invested in automotive parts supplier stocks. If so, the stock prices for automotive parts suppliers will decline despite their already "low" valuations.

What do we think? We believe that automotive sales will decline significantly in the future. Why? Because of the six leading economic indicators that we have found to be reasonably accurate predictors of a significant decline in automotive sales dating back to January 1962, five are negative and the remaining positive will most likely turn negative by the end of March 2001.

Table 2. ECONOMIC INDICATORS — CURRENT CONDITION

Economic Indicator	Current	Condition Was Or Is Expected To Be Met	Average Months After Criteria Met Until Downturn	Downturn Predicted By
Yield Curve Inversion	Negative	November 2000	10	September 2001
Consumer Price Index	Negative	August 2000	15	October 2001
Initial Unempl. Claims	Negative	August 2000	5	January 2001
Federal Funds Eff. Rate	Negative	July 2000	10	May 2001
Stock Market	Turning Negative	March 2001	11	February 2002
Consumer Sentiment	Negative	February 2001	7	September 2001
			10	August 2001

Source: McDonald Investments, Inc. estimates.

Table 3. ECONOMIC INDICATORS — PREDICTIVE ACCURACY

Economic Indicator	# of Times Negative Since Jan 1962	Negative Indications				Indication Prior To The Following Automotive Downturns				
		Accurate		Inaccurate		Dec 66- Jul 67	Nov 69- Sep 70	Apr 74- Jun 75	Nov 79- Feb 82	Jan 90- Apr 91
		#	%	#	%					
Yield Curve Inversion	5	5	100%	0	0%	NEG	NEG	NEG	NEG	NEG
Consumer Price Index	7	5	71%	1	14%	NEG	NEG	NEG	NEG	NEG
Initial Unempl. Claims	7	4	57%	1	14%	NEG	—	NEG	NEG	NEG
Federal Funds Eff. Rate	8	5	63%	2	25%	NEG	NEG	NEG	NEG	NEG
Stock Market	8	5	63%	1	13%	NEG	NEG	NEG	NEG	NEG
Consumer Sentiment	10	5	50%	0	0%	NEG	NEG	NEG	NEG	NEG

Source: McDonald Investments, Inc. estimates.

- Yield Curve Inversion.** One of the most accurate leading indicators of a downturn in automotive sales is the inversion of the yield curve, or specifically when the 10-year U.S. Treasury Note rate minus the one-year U.S. Treasury rate turns negative for a period of at least four consecutive months. Since January 1962 the treasury yield curve has inverted for at least four months only five times. In each case, the inversion was followed by a downturn in automotive sales within the next eight to 17 months. In 2000 the yield curve was inverted for four months from August 2000 through November 2000, suggesting that a downturn in automotive sales could follow as early as April 2001.

Table 4. ECONOMIC INDICATORS — YIELD CURVE INVERSION

Condition for Downturn: When the yield curve inverts for period of at least 4 consecutive months.

Current Condition: Negative. Yield curve was inverted for 4 months from August 2000 to November 2000.

Predictive Accuracy:

Total	Number of Times Indicator Turned Negative Between January 1962 - Present				False (See Comments)	
	Prior To Downturn		During Downturn		Times	%
	Times	%	Times	%		
5	5	100%	0	0%	0	0%

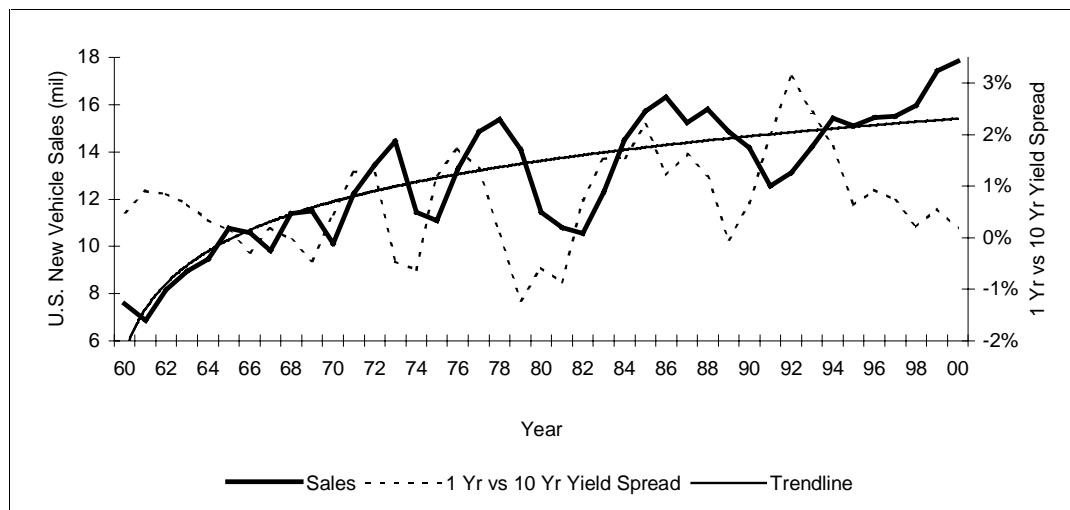
Past Auto Downturns:

Year	Months After Criteria Met Until Downturn
66-67	8
69-70	16
74-75	9
79-82	10
90-91	7
Average	10

Comments: Solid leading indicator.

Source: McDonald Investments, Inc. estimates.

Chart 6. U.S. NEW VEHICLE RETAIL SALES VS. 1-YEAR VS. 10-YEAR TREASURY YIELD SPREAD



Source: Ward's Automotive; McDonald Investments Inc. estimates; Board of Governors of the Federal Reserve

2. **Consumer Price Index.** Another leading indicator of a downturn in automotive sales is the consumer price index. Specifically, when the year-over-year percentage change in the consumer price index was greater than 2.5% *and* the year-over-year percentage change increased by more than 100 basis points for a period of at least four consecutive months, these conditions were generally followed by a significant downturn in automotive sales. Since January 1962 these conditions have been met seven times, five of which were followed by a significant downturn in automotive sales within the next six to 29 months. Of the other two times the condition was met, once was during a downturn and the other, a false indication, took place between June 1984 and October 1984. In 2000 the conditions for this indicator were met between May 2000 and August 2000, suggesting a downturn as early as February 2001.

Table 5. ECONOMIC INDICATORS — CONSUMER PRICE INDEX

Condition for Downturn: When the Yr./Yr. % change in CPI >2.5% plus the Yr./Yr. increase in the % change is >100 basis points for at least 4 consecutive months.

Current Condition: Negative. Conditions are currently negative and were negative for 4 consecutive months from May 2000 - August 2000.

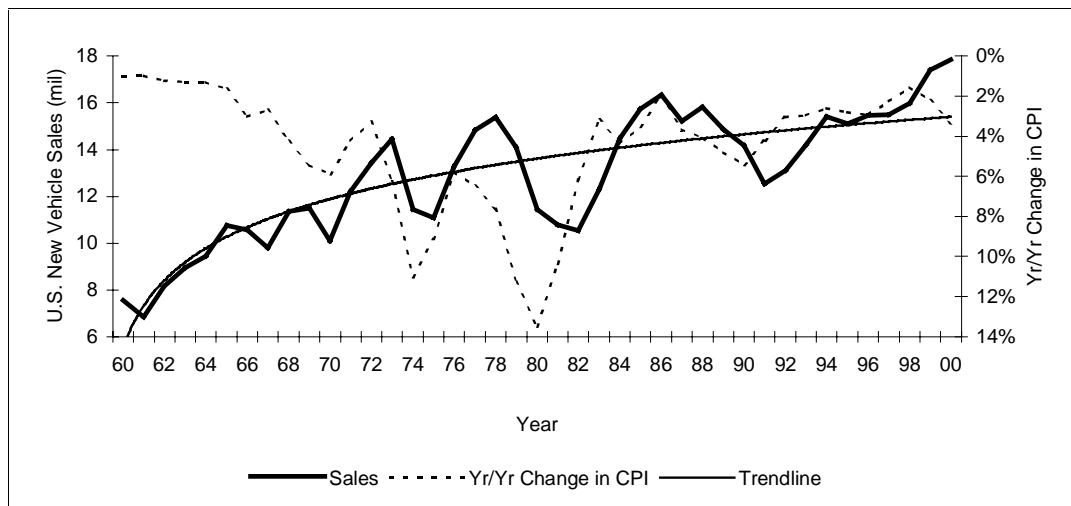
Predictive Accuracy:	Number of Times Indicator Turned Negative Between January 1962 - Present						
	Total	Prior To Downturn		During Downturn		False (See Comments)	
		Times	%	Times	%	Times	%
	7	5	71%	1	14%	1	14%

Past Auto Downturns:	Months After Criteria Met Until Downturn	
	Year	Months
	66-67	6
	69-70	17
	74-75	9
	79-82	12
	90-91	29
	Average	15

Comments: One false indication from June 1984 - October 1984.

Source: McDonald Investments, Inc. estimates.

Chart 7. U.S. NEW VEHICLE RETAIL SALES VS. YEAR/YEAR CHANGE IN CPI



Source: Ward's Automotive; McDonald Investments Inc. estimates; Department of Labor, Bureau of Labor Statistics

3. **Initial Unemployment Claims.** A third leading indicator of a significant downturn in automotive sales is the initial unemployment claims figure. Specifically, when the three-month rolling average of the average weekly initial claims for unemployment increased sequentially for at least five consecutive months, it was generally followed by a downturn in automotive sales. Since January 1962 these conditions have been met seven times, four of which have been followed by a significant downturn in automotive sales in the next one to seven months. In 1969, the only downturn the indicator “missed,” the average weekly initial claims for unemployment increased for four consecutive months from June through September, then declined slightly (i.e. 2,000 initial claims) in October, before continuing to rise. Of the other two indications, once was during a downturn and the other, a false indication, took place between February 1995 and July 1995. The average weekly initial claims for unemployment met the condition for a downturn in October 2000, suggesting a downturn could take place at any time.

Table 6. ECONOMIC INDICATORS — INITIAL UNEMPLOYMENT CLAIMS

Condition for Downturn: When the three-month rolling average of the initial unemployment claims increases sequentially each month for at least 5 consecutive months.

Current Condition: Negative. Initial unemployment claims have increased for eight consecutive months dating back to May 2000.

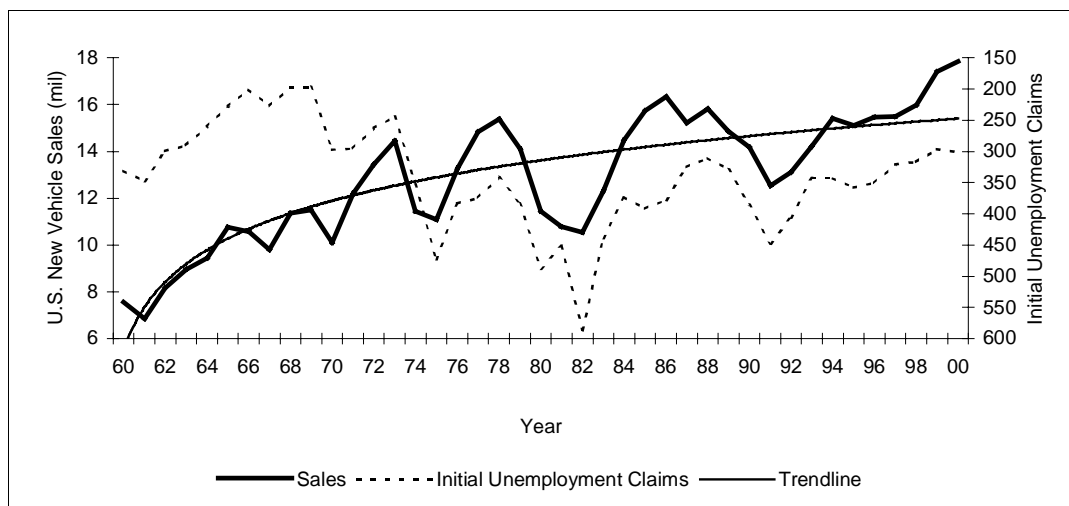
Predictive Accuracy:	Number of Times Indicator Turned Negative Between January 1962 - Present						
	Total	Prior To Downturn		During Downturn		False (See Comments)	
		Times	%	Times	%	Times	%
	7	4	57%	2	29%	1	14%

Past Auto Downturns:	Months After Criteria Met Until Downturn
Year	
66-67	1
69-70	NA
74-75	7
79-82	6
90-91	6
Average	5

Comments: One false indication from February 1995 - July 1995.

Source: McDonald Investments, Inc. estimates.

Chart 8. U.S. NEW VEHICLE RETAIL SALES VS. INITIAL UNEMPLOYMENT CLAIMS



Source: Ward's Automotive; McDonald Investments Inc. estimates; Department of Labor, Bureau of Labor Statistics

4. **Federal Funds Effective Rate.** Another good leading indicator of a significant downturn in automotive sales is the federal funds effective rate. Specifically, when the federal funds effective rate increased by over 100 basis points year-over-year for at least six consecutive months, a significant downturn in automotive sales followed. Since January 1992 this indicator has turned negative eight times. Five of the eight times were followed by a significant downturn in automotive sales within one to 19 months. There have been two false indications, February 1984 to September 1984 as well as May 1994 to October 1995, and once the indicator was negative during a downturn. In 2000 the year-over-year change in the federal funds effective rate exceeded 100 basis point for 11 months from January 2000 to November 2000, meeting the criteria in July 2000, suggesting a downturn could take place at any time.

Table 7. ECONOMIC INDICATORS — FEDERAL FUNDS EFFECTIVE RATE

Condition for Downturn: When the Yr./Yr. increase in the federal funds effective rate >100 basis points for at least 6 consecutive months.

Current Condition: Negative. The Yr./Yr. increase in the federal funds rate exceeded 100 basis points for 11 months from January 2000 - November 2000.

Predictive Accuracy:

Total	Number of Times Indicator Turned Negative Between January 1962 - Present					
	Prior To Downturn		During Downturn		False (See Comments)	
	Times	%	Times	%	Times	%
8	5	63%	1	13%	2	25%

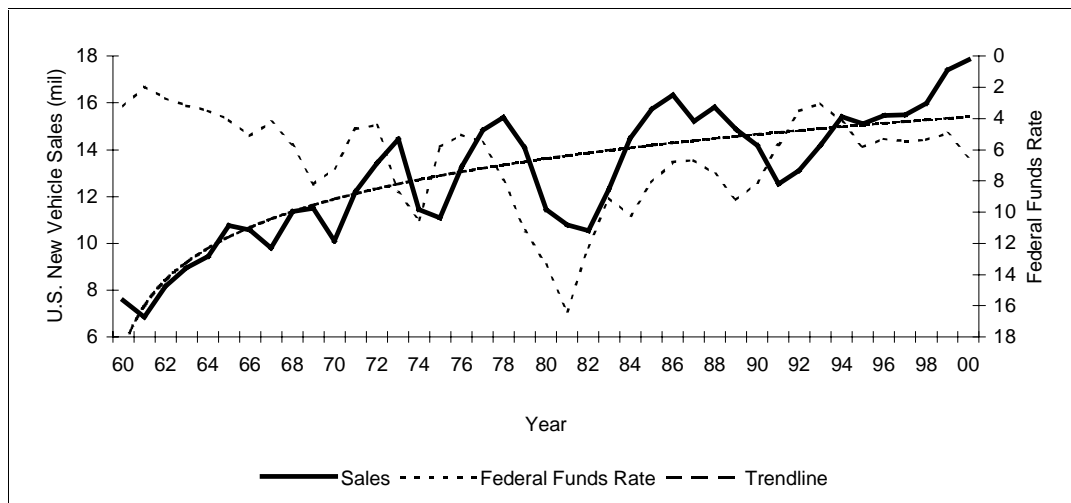
Past Auto Downturns:

Year	Months After Criteria Met Until Downturn
66-67	0
69-70	14
74-75	10
79-82	19
90-91	9
Average	10

Comments: Two false indications from February 1984-September 1984 and May 1994-October 1995.

Source: McDonald Investments, Inc. estimates.

Chart 9. U.S. NEW VEHICLE RETAIL SALES VS. EFFECTIVE FEDERAL FUNDS RATE



Source: Ward's Automotive; McDonald Investments Inc. estimates; Board of Governors of the Federal Reserve

5. **Stock Market.** With all of the talk about the wealth effect and its potential impact on the economy, we felt it prudent to see if there is a relationship between stock market returns and automotive sales. We found that when the year-over-year change in the S&P 500 is negative for at least six months it is detrimental to automotive sales. Since January 1962 this indicator has turned negative eight times. Five times it was prior to a downturn in automotive sale, but two of those times it was well in advance of an automotive downturn (i.e. 21-27 months). Two other times it was coincident with a downturn and one time it was a false indicator from May 1962 to March 1963. The year-over-year change has been negative for the past four months (i.e. November 2000 to February 2000) and, barring a significant recovery in the stock market, will meet the condition for being negative in March.

Table 8. ECONOMIC INDICATORS — STOCK MARKET

Condition for Downturn: When the Yr./Yr. change in the S&P 500 declines for at least 5 consecutive months.

Current Condition: Turning negative. Has declined for the past 4 months.

Predictive Accuracy:

Total	Number of Times Indicator Turned Negative Between January 1962 - Present					
	Prior To Downturn		During Downturn		False (See Comments)	
	Times	%	Times	%	Times	%
8	5	63%	2	25%	1	13%

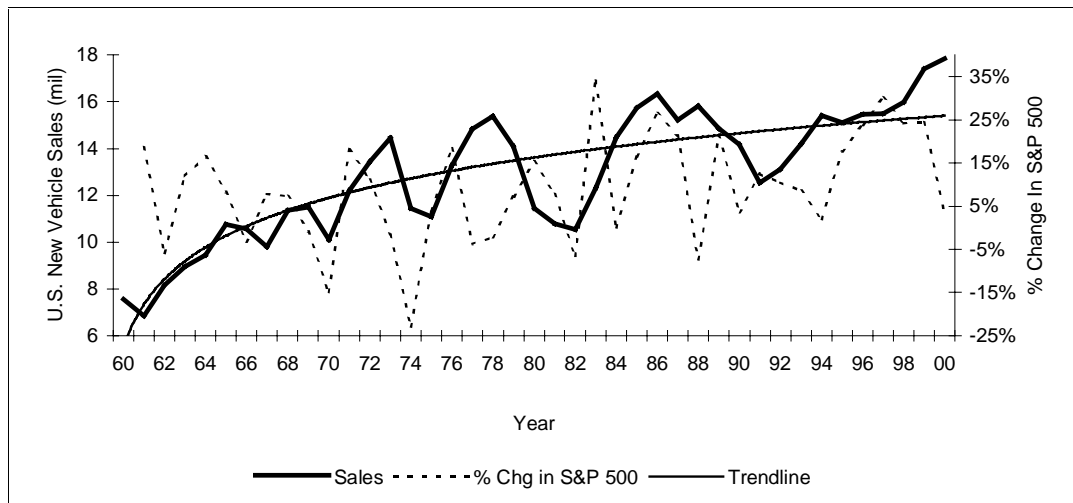
Past Auto Downturns:

Year	Months After Criteria Met Until Downturn
66-67	0
69-70	1
74-75	6
79-82	27
90-91	21
Average	11

Comments: One false indication from May 1962 - March 1963.

Source: McDonald Investments, Inc. estimates.

Chart 10. U.S. NEW VEHICLE RETAIL SALES VS. % CHANGE IN THE S&P 500



Source: Ward's Automotive; McDonald Investment Inc. estimates

6. **Consumer Sentiment.** A sixth leading indicator of a downturn in automotive sales is consumer sentiment. Specifically, when the month-over-month change in consumer sentiment declined by more than one point and fell below 100 for at least three consecutive months, a significant downturn in automotive sales followed. The indicator has turned negative 10 times since January 1962. Six of the 10 times were prior to a slowdown in automotive sales (in 1988-1989 the indicator met the criteria twice prior to the automotive downturn). Four times the indicator was negative during a downturn, and it has never given a false indication. This indicator turned negative in February 2001, suggesting a downturn could take place at any time.

Table 9. ECONOMIC INDICATORS — CONSUMER SENTIMENT

Condition for Downturn: When the Mo./Mo. change in Consumer Sentiment declines by >1 point and falls below 100 for at least 3 consecutive months.

Current Condition: Turning negative. Has declined by more than 1 point and has been below 100 for the past 2 months.

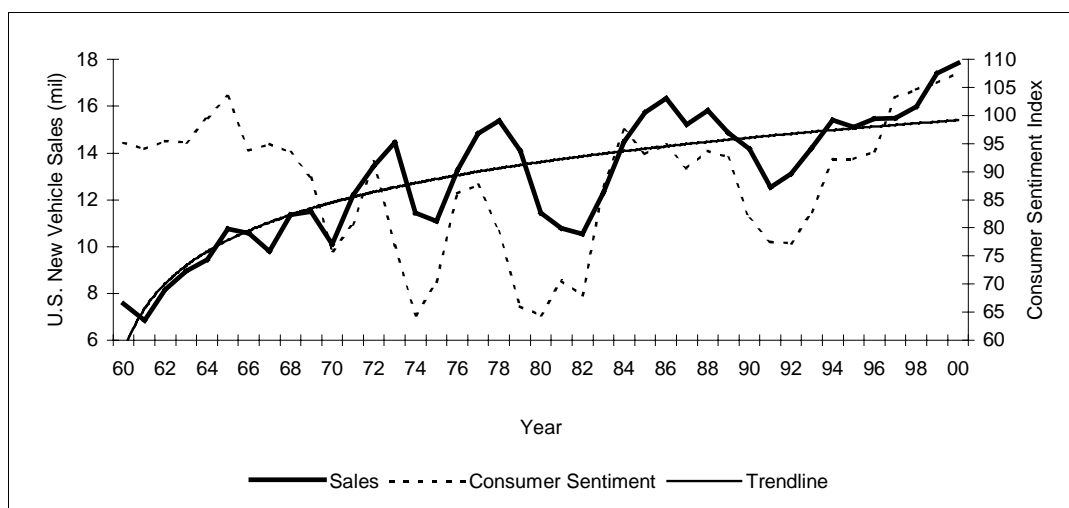
Predictive Accuracy:	Number of Times Indicator Turned Negative Between January 1962 - Present						
	Prior To Downturn		During Downturn		False (See Comments)		
	Total	Times	%	Times	%	Times	%
	10	6	60%	4	40%	0	0%

Past Auto Downturns:	Months After Criteria Met Until Downturn	
	Year	Months
	66-67	7
	69-70	4
	74-75	1
	79-82	10
	90-91	11
	Average	7

Comments: Often negative during downturn.

Source: McDonald Investments, Inc. estimates.

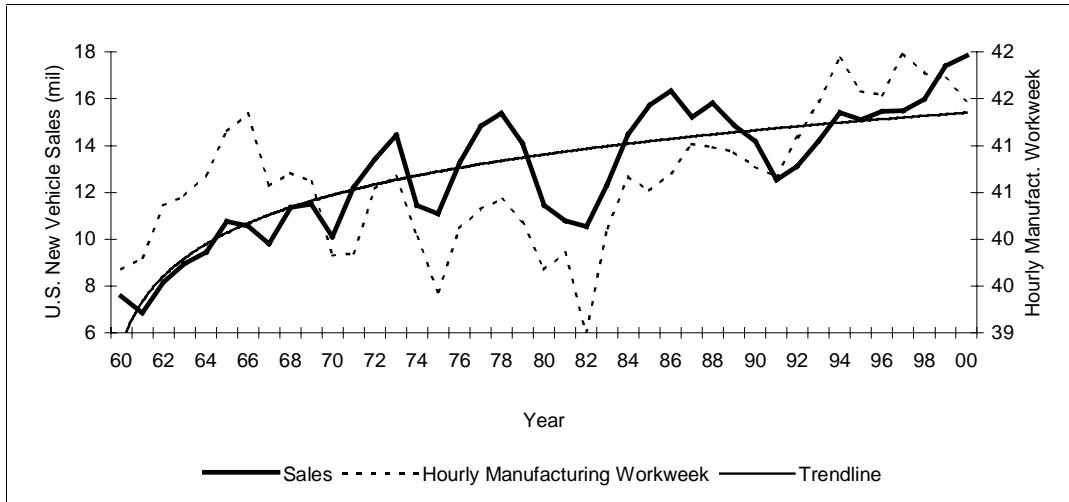
Chart 11. U.S. NEW VEHICLE RETAIL SALES VS. CONSUMER SENTIMENT INDEX



Source: Ward's Automotive; McDonald Investments Inc. estimates; Survey of Consumers, University of Michigan

7. **Manufacturing Average Weekly Hours.** While there may be an intuitive relationship between average weekly hours and auto sales, as well as a compelling relationship when graphed side by side on an annual basis, we were unable to find a reliable means of using this indicator as a predictor of future automotive sales. After numerous tries, the most accurate predictor of a decline in automotive sales appeared to be when the rolling three-month average or the average weekly hours declined for at least four consecutive months. Unfortunately, this criterion only predicted two of the five downturns. There were also four instances of false indications. Hence, we do not consider this indicator to be a very reliable predictor of a significant decline in automotive sales.

Chart 12. U.S. NEW VEHICLE RETAIL SALES VS. HOURLY MANUFACTURING WORKWEEK



Source: Ward's Automotive; McDonald Investments Inc. estimates; Department of Labor, Bureau of Labor Statistics

The bottom line is that these six leading economic indicators have individually proven to be good predictors of automotive downturns. Currently five are negative and one more (the stock market) is one month away from being negative. We believe this is compelling evidence that we will experience a significant downturn in automotive sales. When the downturn will occur is obviously difficult to predict. However, based on history, the six indicators turned negative an average of five to 15 months prior to a downturn. When taken as a whole, considering when each indicator turned negative and the average lead-time before a downturn, these indicators suggest that a downturn will like occur sometime this summer.

SECTION 4.

**...CREATING AN EXCELLENT BUYING
OPPORTUNITY FOR INVESTORS.**

...Creating an Excellent Buying Opportunity for Investors. So how can an investor profit from this information? In our opinion, the answer first depends on the investor's individual outlook on the economy. In other words, if an investor believes the economy will have a "soft landing" and automotive sales will continue to be strong, then this is an excellent time to buy and own automotive parts supplier stocks. However, if the investor believes, as we do, that automotive sales will decline significantly (i.e. greater than 20%), this is not a good time to own automotive parts supplier stocks. In the near term the stocks may continue to rise for as long as automotive sales remain strong. However, historically these stocks have declined very rapidly as automotive sales have fallen. In other words, waiting for an indication of declining automotive sales will be too late. So what should the "hard landing" investor do?

- **Investors Who Currently Own Automotive Stocks.** Despite what appear to be low valuations, many of these stocks still have significant downside risk. In fact, based on our price-to-book value and enterprise value-to-sales analysis, the average downside for the group could be as much as 30-40%. Hence, if we owned automotive supplier stocks today, we would take a hard look at selling many of them. At best these stocks will be dead money, at worst returns will suffer. If you have to own the group, own the best quality company with the least downside risk as measured by our "Lowest Stock Price Analysis."

Table 10. ESTIMATED LOWEST STOCK PRICE ANALYSIS

Company	Ticker	Average Lowest Price			3/06/01 Price	% Chg. Current To Low Price
		P/BV	EV/Sales	Avg.		
American Axle	AXL	\$6.18	\$7.52	\$6.85	\$10.00	-31%
ArvinMeritor	ARM	\$14.92	\$14.96	\$14.94	\$16.00	-7%
Autoliv	ALV	\$13.70	\$12.03	\$12.87	\$17.83	-28%
BorgWarner	BWA	\$27.82	\$28.13	\$27.97	\$45.06	-38%
Clarcor	CLC	\$17.10	\$16.06	\$16.58	\$25.60	-35%
Collins & Aikman	CKC	—	—	—	\$4.70	—
Dana	DCN	\$12.17	\$11.18	\$11.68	\$18.63	-37%
Decoma Int'l.	DECAF	\$6.00	\$4.59	\$5.30	\$6.44	-18%
Delco Remy	RMY	—	—	—	\$9.50	—
Delphi	DPH	\$10.51	\$8.21	\$9.36	\$14.88	-37%
Dura Automotive	DRRA	\$4.31	\$2.32	\$3.31	\$9.25	-64%
Eaton	ETN	\$49.24	\$41.25	\$45.25	\$72.54	-38%
Federal-Mogul	FMO	\$1.72	NM	\$1.72	\$2.92	-41%
Gentex	GNTX	\$12.67	\$11.27	\$11.97	\$27.50	-56%
Hayes Lemmerz Int'l.	HAZ	\$5.58	NM	\$5.58	\$5.98	-7%
Intermet	INMT	\$3.13	\$1.27	\$2.20	\$3.13	-30%
Johnson Controls	JCI	\$34.77	\$41.79	\$38.28	\$68.30	-44%
Lear	LEA	\$19.13	\$20.78	\$19.96	\$33.80	-41%
Littelfuse	LFUS	\$20.48	\$21.29	\$20.89	\$27.88	-25%
Magna Int'l.	MGA	\$27.51	\$38.98	\$33.24	\$45.07	-26%
Shiloh Ind.	SHLO	\$4.66	\$3.04	\$3.85	\$5.00	-23%
Stoneridge, Inc.	SRI	\$6.03	\$6.37	\$6.20	\$7.43	-17%
Superior Ind. Int'l.	SUP	\$24.42	\$20.39	\$22.41	\$36.82	-39%
Tenneco Auto.	TEN	\$1.94	\$2.40	\$2.17	\$3.60	-40%
Tower Auto.	TWR	\$7.32	\$1.81	\$4.56	\$11.65	-61%
TRW	TRW	\$25.85	\$21.68	\$23.77	\$39.95	-41%
Visteon	VC	\$13.41	\$13.92	\$13.67	\$14.38	-5%
Average						-33%
Average**						-39%

** Average = Average of CLC, DCN, ETN, JCI, SUP & TRW
Source: McDonald Investments, Inc. estimates.

- **Investors Who are Considering the Purchase of Automotive Supplier Stocks.** For investors considering buying automotive parts supplier stocks, we would suggest waiting. For longer-term investors, the purchase decision could be based solely on valuation. In other words, after choosing the stock(s) they wish to own, investors could wait for the valuation to near its "lowest stock" price. For example, the analysis suggests that Lear Corporation's (LEA-NYSE) stock should bottom out at roughly \$20. The investor could wait to see if the stock reached \$20 before buying or could buy the stock above \$20 at a point where the downside risk appears acceptable (i.e. \$22). For investors wishing to "pick the

bottom,” we would first point out that this would be very difficult to do. While in the early 1990s sales rebounded nicely from a clear bottom, in the early 1980s sales “bottomed out” twice — in 1980 and again 1981. That said, our best advice is to use a combination of 1) valuations, 2) economic data and 3) automotive sales. In other words, we would first take the above Lear Corporation example and establish a reasonable price. Second, we would monitor the aforementioned six leading indicators, which have generally improved prior to a recovery in automotive sales. Finally, we would monitor automotive sales, not for a recovery, as waiting for sales to begin to improve is too late, but rather to look for a bottom. In the past five automotive downturns sales bottomed at approximately 16% below the automotive sales trendline. Given that the trendline is currently around 15.5 million units (some would argue higher), history would suggest that automotive sales could decline to around 13 million units. Combining all three elements to complete our example, we would like to buy Lear Corporation stock for close to \$20 when 1) the six economic indicators are beginning to improve and 2) automotive sales have fallen below about 14 million units.

Table 11. PAST AUTOMOTIVE SALES DOWNTURNS VS. TRENDLINE

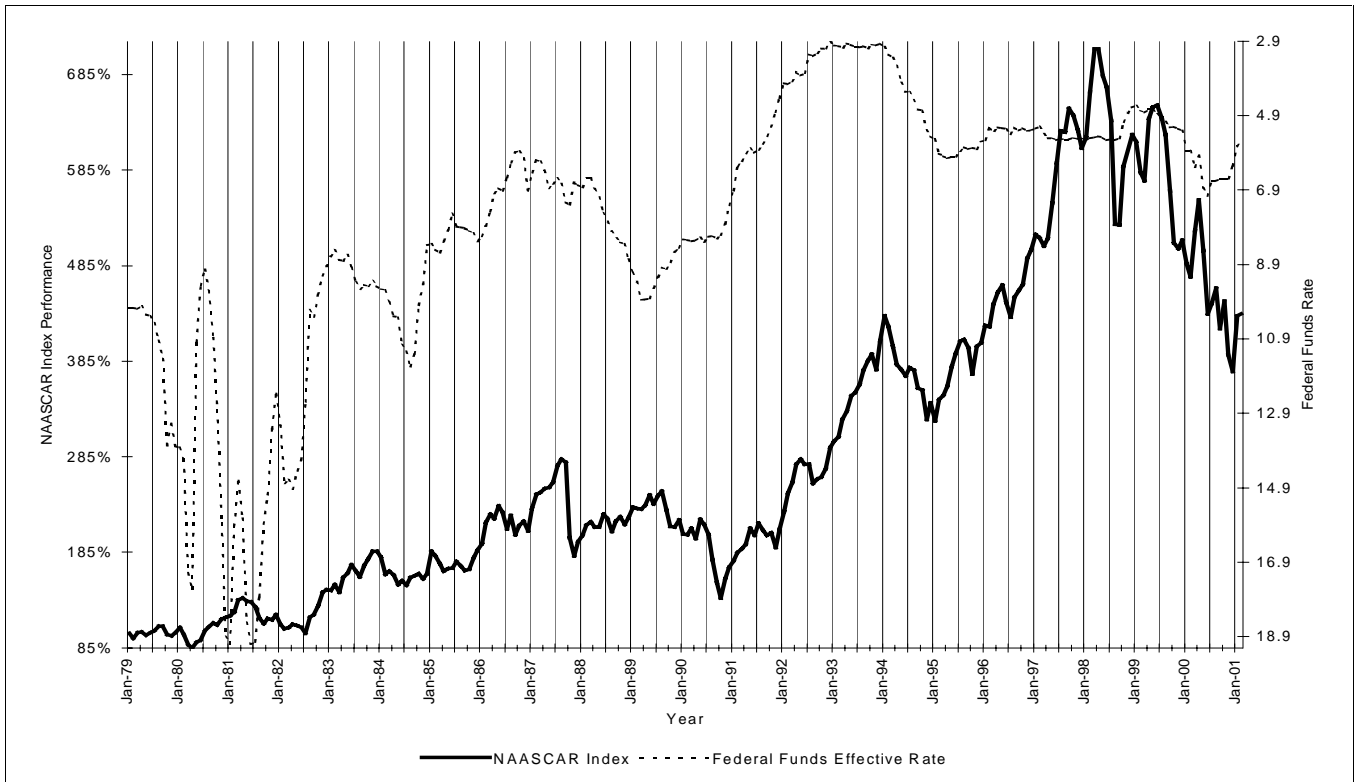
Year	Vehicles (millions)		% Actual Below Trendline
	Actual Sales	Trendline	
1967	9.8	11.1	-12%
1970	10.1	11.9	-15%
1975	11.1	12.9	-14%
1982	10.5	13.9	-24%
1991	12.6	14.8	-15%
Average			-16%
Current	13.0	15.5	-16%

Source: McDonald Investments, Inc. estimates.

SECTION 5.

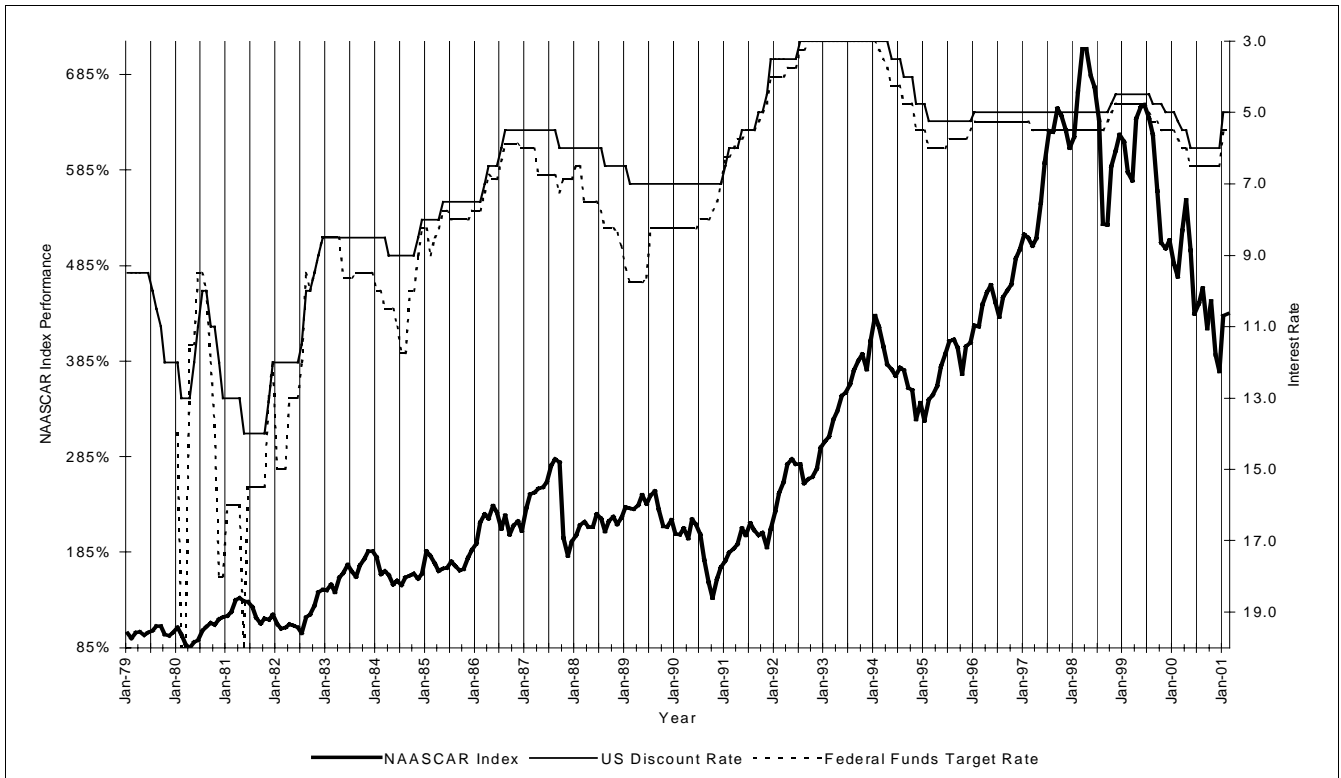
APPENDIX

Chart 13. NAASCAR INDEX PERFORMANCE VS. FEDERAL FUNDS EFFECTIVE RATE, 1979-PRESENT



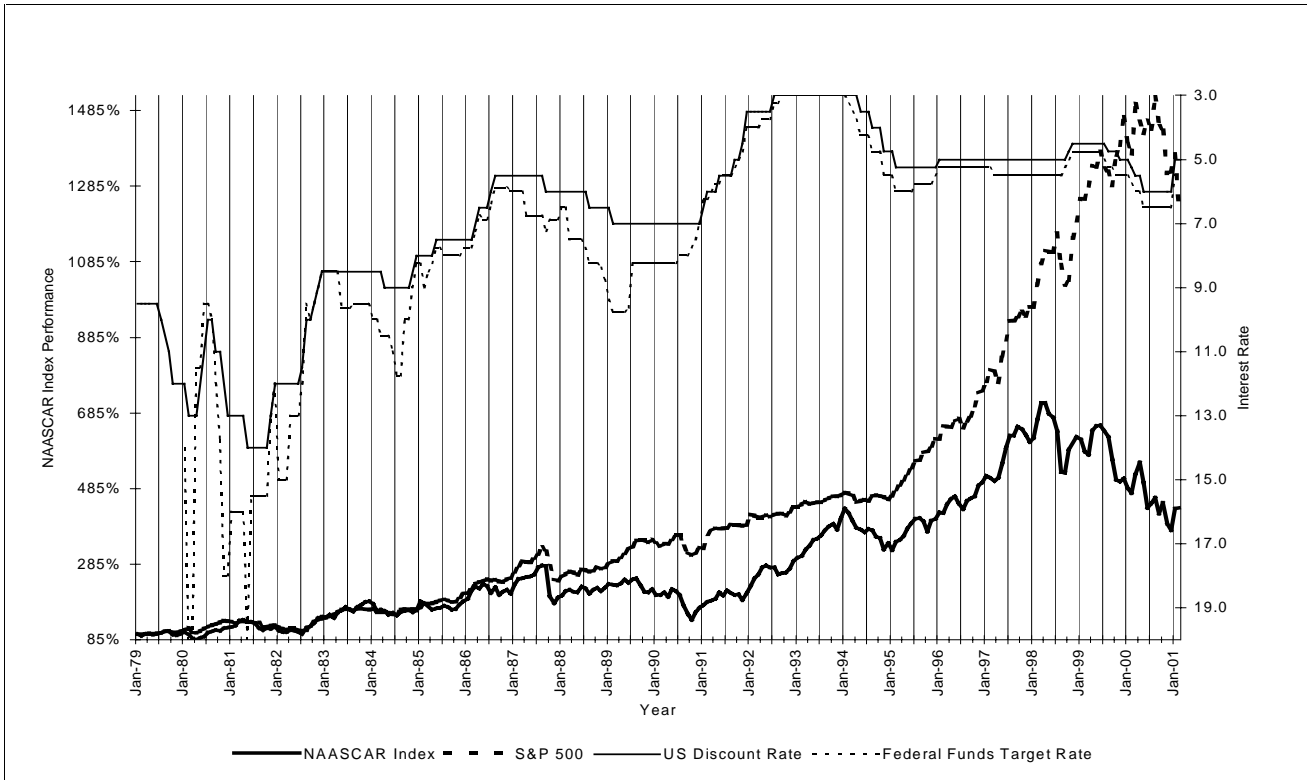
Source: Ward's Automotive; McDonald Investments Inc. Estimates; Board of Governors of the Federal Reserve

Chart 14. NAASCAR INDEX PERFORMANCE VS. U.S. DISCOUNT & FEDERAL FUNDS TARGET RATE, 1979-PRESENT



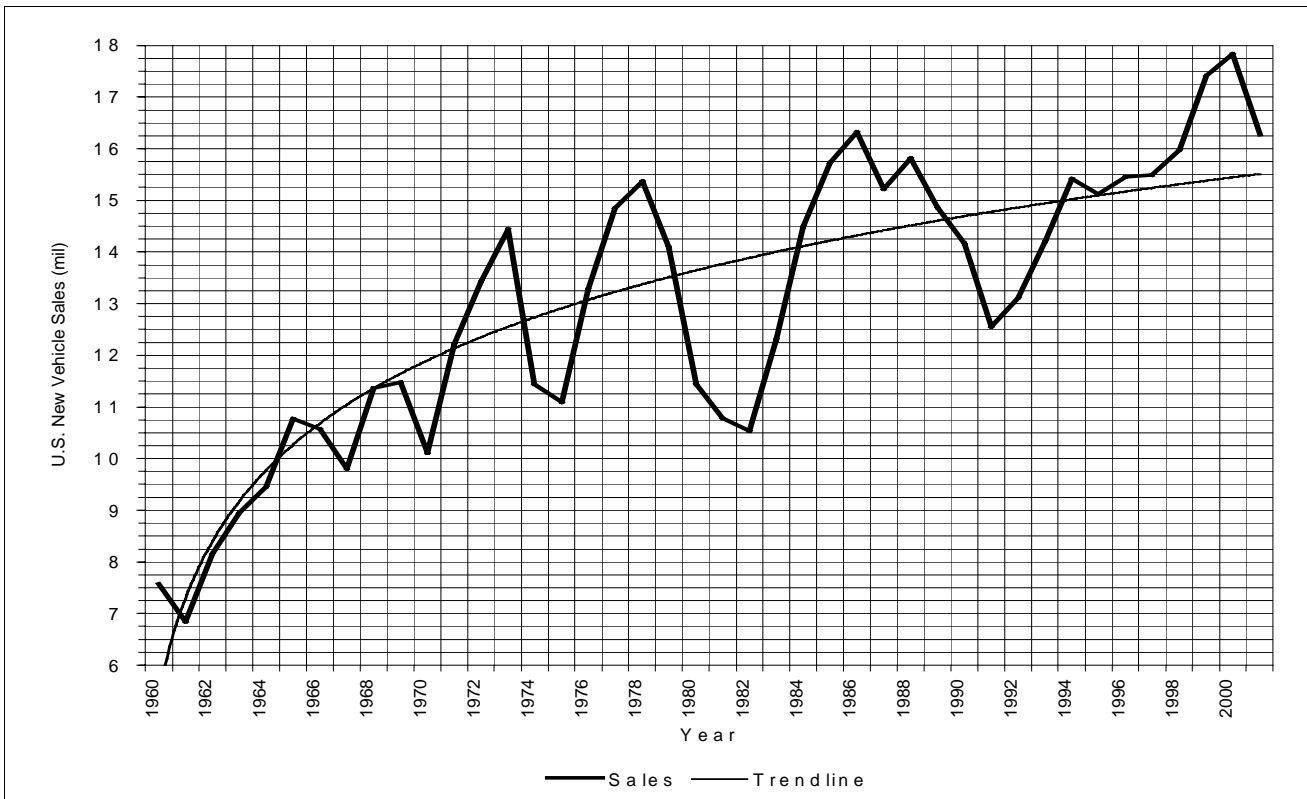
Source: Ward's Automotive; McDonald Investments Inc. Estimates; Board of Governors of the Federal Reserve

Chart 15. NAASCAR & S&P 500 INDEX PERFORMANCE VS. U.S. DISCOUNT & FEDERAL FUNDS TARGET RATES, 1979-PRESENT



Source: Ward's Automotive; McDonald Investments Inc. Estimates; Board of Governors of the Federal Reserve

Chart 16. U.S. NEW VEHICLE RETAIL SALES & TRENDLINE



Source: Ward's Automotive; McDonald Investments Inc. Estimates

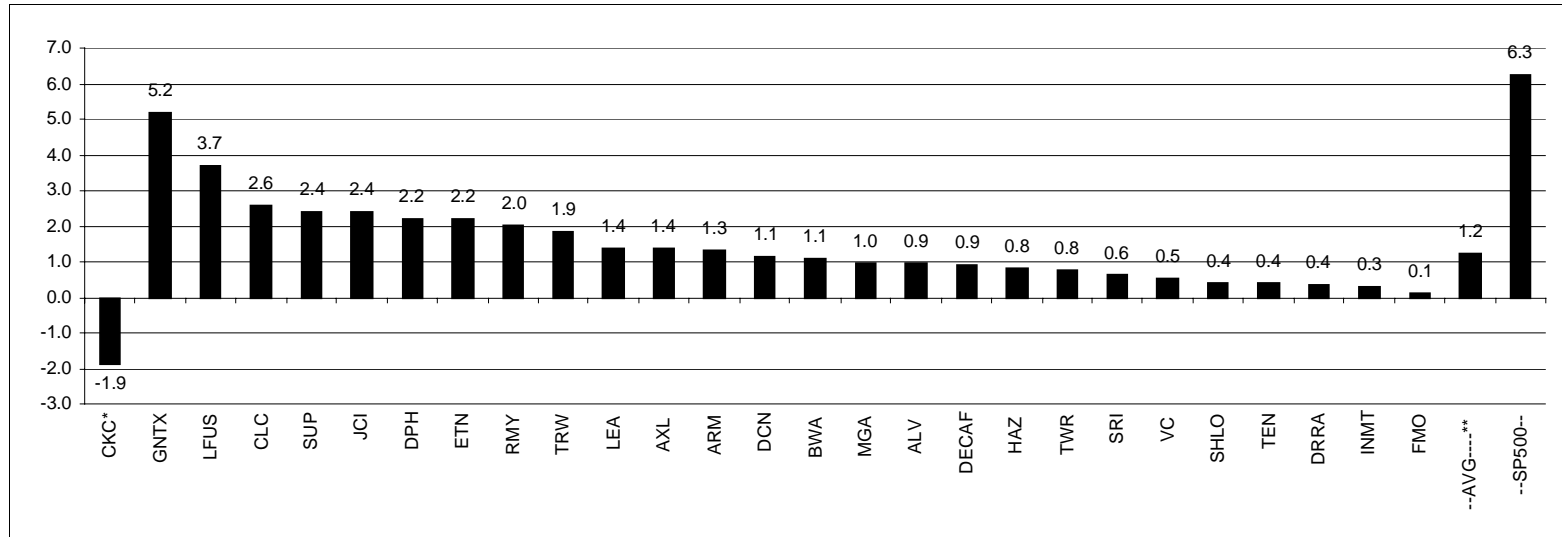
Table 12. ESTIMATED LOWEST STOCK PRICE BASED ON PRICE/BOOK VALUE ANALYSIS

Company	Ticker	Low Price/Book Value				Resulting Lowest Price				3/06/01 Price	% Change To Lowest Price			
		00-Cur	89-Cur	Est.*	Avg.	00-Cur	89-Cur	Est.*	Avg.		00-Cur	89-Cur	Est.*	Avg.
American Axle	AXL	0.90	0.90	0.72	0.84	\$6.62	\$6.62	\$5.29	\$6.18	\$10.00	-34%	-34%	-47%	-38%
ArvinMeritor	ARM	1.35	1.35	1.07	1.25	\$16.00	\$16.00	\$12.77	\$14.92	\$16.00	0%	0%	-20%	-7%
Autoliv	ALV	0.77	0.77	0.61	0.72	\$14.69	\$14.69	\$11.73	\$13.70	\$17.83	-18%	-18%	-34%	-23%
BorgWarner	BWA	0.73	0.73	0.58	0.68	\$29.83	\$29.83	\$23.81	\$27.82	\$45.06	-34%	-34%	-47%	-38%
Clarcor	CLC	1.73	1.73	—	1.73	\$17.10	\$17.10	—	\$17.10	\$25.60	-33%	-33%	—	-33%
Collins & Aikman	CKC	—	—	—	—	—	—	—	—	\$4.70	—	—	—	—
Dana	DCN	0.73	0.73	—	0.73	\$12.17	\$12.17	—	\$12.17	\$18.63	-35%	-35%	—	-35%
Decoma Int'l.	DECAF	0.91	0.91	0.73	0.85	\$6.44	\$6.44	\$5.14	\$6.00	\$6.44	0%	0%	-20%	-7%
Delco Remy	RMY	—	—	—	—	—	—	—	—	\$9.50	—	—	—	—
Delphi	DPH	1.69	1.69	1.35	1.57	\$11.27	\$11.27	\$9.00	\$10.51	\$14.88	-24%	-24%	-40%	-29%
Dura Automotive	DRRA	0.18	0.18	0.14	0.17	\$4.62	\$4.62	\$3.69	\$4.31	\$9.25	-50%	-50%	-60%	-53%
Eaton	ETN	1.67	1.30	—	1.48	\$55.44	\$43.04	—	\$49.24	\$72.54	-24%	-41%	—	-32%
Federal-Mogul	FMO	0.07	0.07	—	0.07	\$1.72	\$1.72	—	\$1.72	\$2.92	-41%	-41%	—	-41%
Gentex	GNTX	3.38	1.39	—	2.39	\$17.97	\$7.38	—	\$12.67	\$27.50	-35%	-73%	—	-54%
Hayes Lemmerz Int'l.	HAZ	0.80	0.80	0.64	0.75	\$5.98	\$5.98	\$4.77	\$5.58	\$5.98	0%	0%	-20%	-7%
Intermet	INMT	0.28	0.28	—	0.28	\$3.13	\$3.13	—	\$3.13	\$3.13	0%	0%	—	0%
Johnson Controls	JCI	1.74	0.71	—	1.22	\$49.44	\$20.10	—	\$34.77	\$68.30	-28%	-71%	—	-49%
Lear	LEA	0.84	0.84	0.67	0.78	\$20.51	\$20.51	\$16.37	\$19.13	\$33.80	-39%	-39%	-52%	-43%
Littelfuse	LFUS	3.11	2.53	2.48	2.71	\$23.51	\$19.14	\$18.77	\$20.48	\$27.88	-16%	-31%	-33%	-27%
Magna Int'l.	MGA	0.85	0.24	0.68	0.59	\$39.60	\$11.33	\$31.61	\$27.51	\$45.07	-12%	-75%	-30%	-39%
Shiloh Ind.	SHLO	0.39	0.39	0.31	0.37	\$5.00	\$5.00	\$3.99	\$4.66	\$5.00	0%	0%	-20%	-7%
Stoneridge, Inc.	SRI	0.54	0.54	0.43	0.51	\$6.47	\$6.47	\$5.16	\$6.03	\$7.43	-13%	-13%	-30%	-19%
Superior Ind. Int'l.	SUP	1.63	1.56	—	1.59	\$24.91	\$23.93	—	\$24.42	\$36.82	-32%	-35%	—	-34%
Tenneco Auto.	TEN	0.22	0.22	0.18	0.21	\$2.08	\$2.08	\$1.66	\$1.94	\$3.60	-42%	-42%	-54%	-46%
Tower Auto.	TWR	0.53	0.53	0.42	0.50	\$7.84	\$7.84	\$6.26	\$7.32	\$11.65	-33%	-33%	-46%	-37%
TRW	TRW	1.36	1.04	—	1.20	\$29.28	\$22.43	—	\$25.85	\$39.95	-27%	-44%	—	-35%
Visteon	VC	0.54	0.54	0.43	0.50	\$14.38	\$14.38	\$11.48	\$13.41	\$14.38	0%	0%	-20%	-7%
Average		1.08	0.88		0.95						-23%	-31%	-36%	-30%
Average**		1.48	1.18		1.33						-30%	-43%		-36%

* Represents estimated low P/BV during downturn based on recent relationship to peer group.

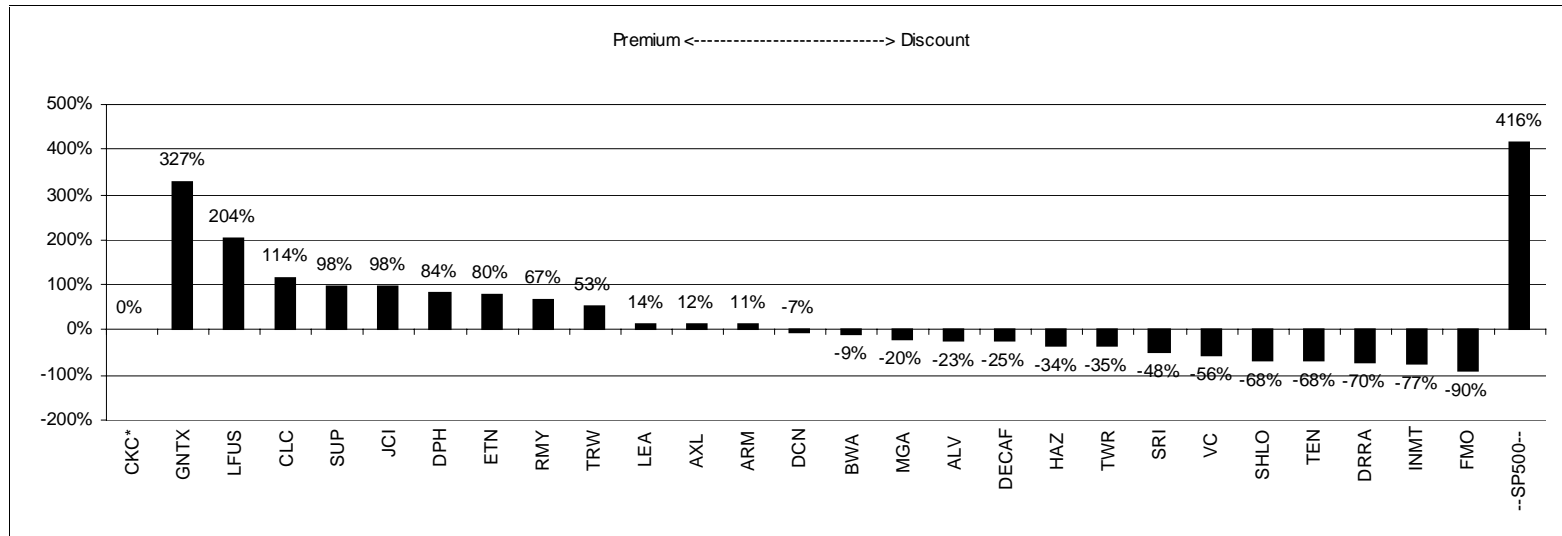
** Average = Average of CLC, DCN, ETN, JCI, SUP & TRW
Source: McDonald Investments, Inc. Estimates.

Chart 17. CURRENT PRICE/BOOK VALUE



* CKC - Negative Shareholders Equity
 ** Average excludes CKC, GNTX and LFUS.
 Source: Company data; Baseline; FactSet.

Chart 18. % PREMIUM/DISCOUNT — CURRENT PRICE/BOOK VALUE VS. CURRENT PEER AVERAGE PRICE/BOOK VALUE



* CKC - Negative Shareholders Equity
 ** Average excludes CKC, GNTX and LFUS.
 Source: Company data; Baseline; FactSet.

Chart 19. CURRENT P/BV VS. HISTORIC COMPANY AVERAGE P/BV

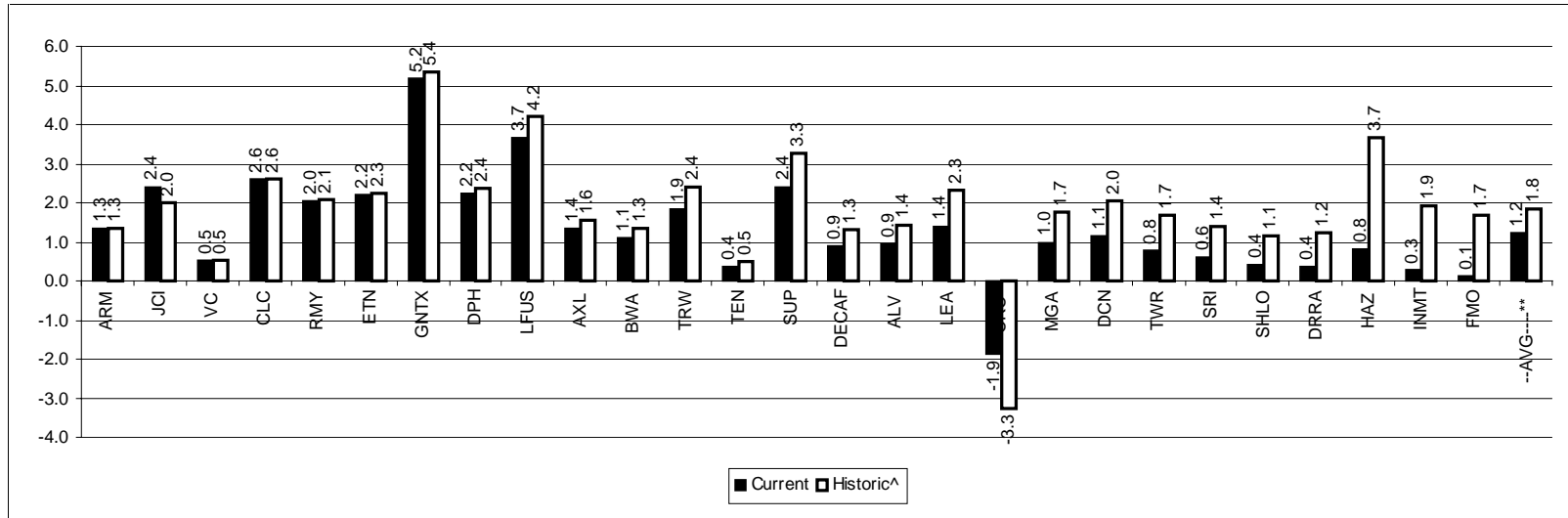
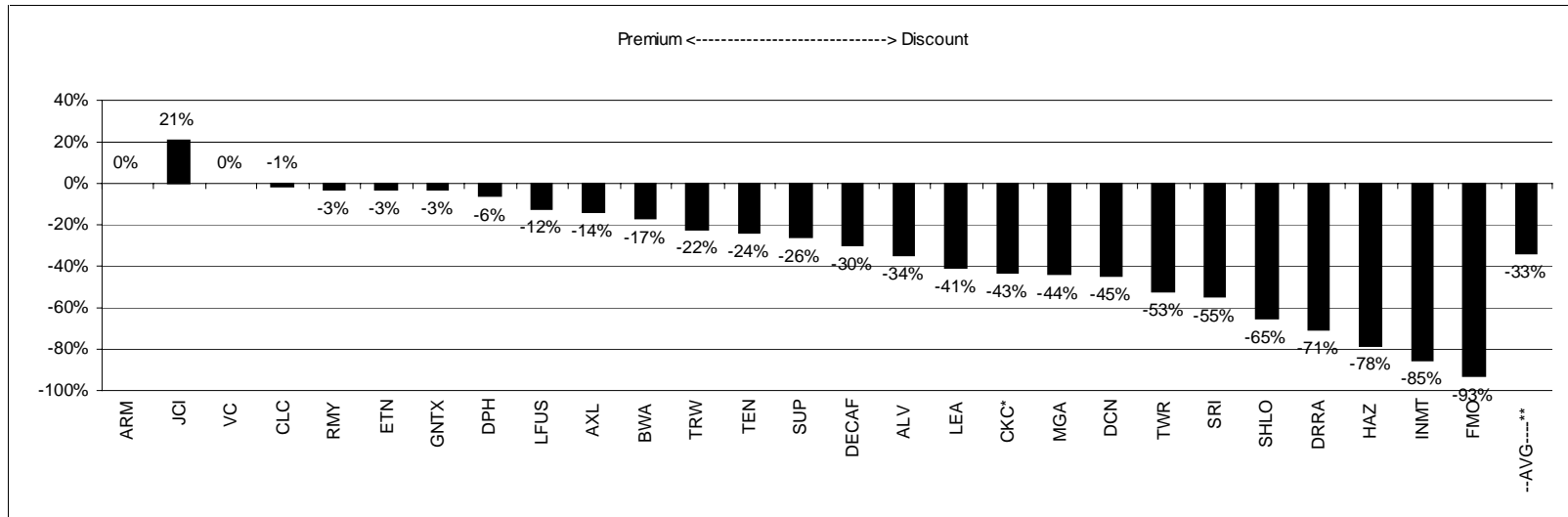


Chart 20. % PREMIUM/DISCOUNT — CURRENT P/BV VS. HISTORIC COMPANY AVERAGE P/BV



* CKC - Negative Shareholders Equity

** Average excludes CKC, GNTX and LFUS.

^ Historic = 1989-2000 Except: INMT 1990-2000; LFUS 1993-2000; BWA, HAZ & SHLO 1994-2000; TWR 1995-2000; CKC & LEA 1996-2000; DRRA 1997-2000; ALV & SRI 1998-2000; DECAF & RMY 1999-2000; and AXL, ARM, DPH, TEN, & VC 2000 Only.

Source: Company data; Baseline; FactSet.

Chart 21. % PREMIUM/DISCOUNT — CURRENT P/BV VS. CURRENT PEER AVERAGE P/BV & HISTORIC COMPANY AVERAGE P/BV VS. HISTORIC PEER AVERAGE P/BV

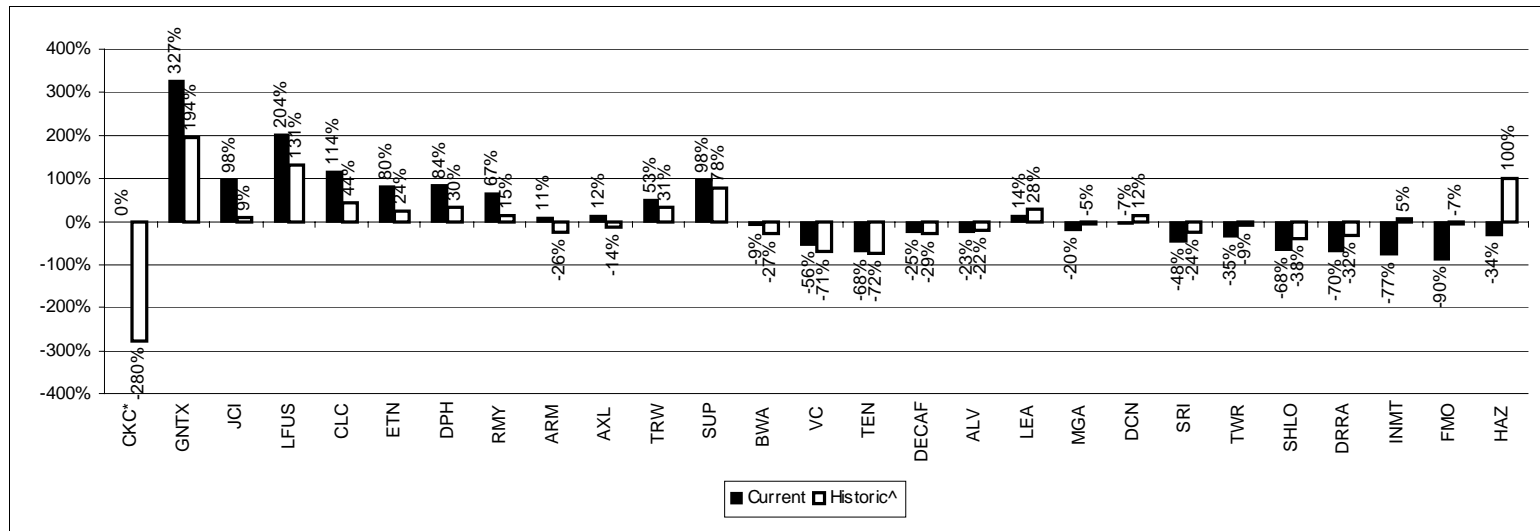
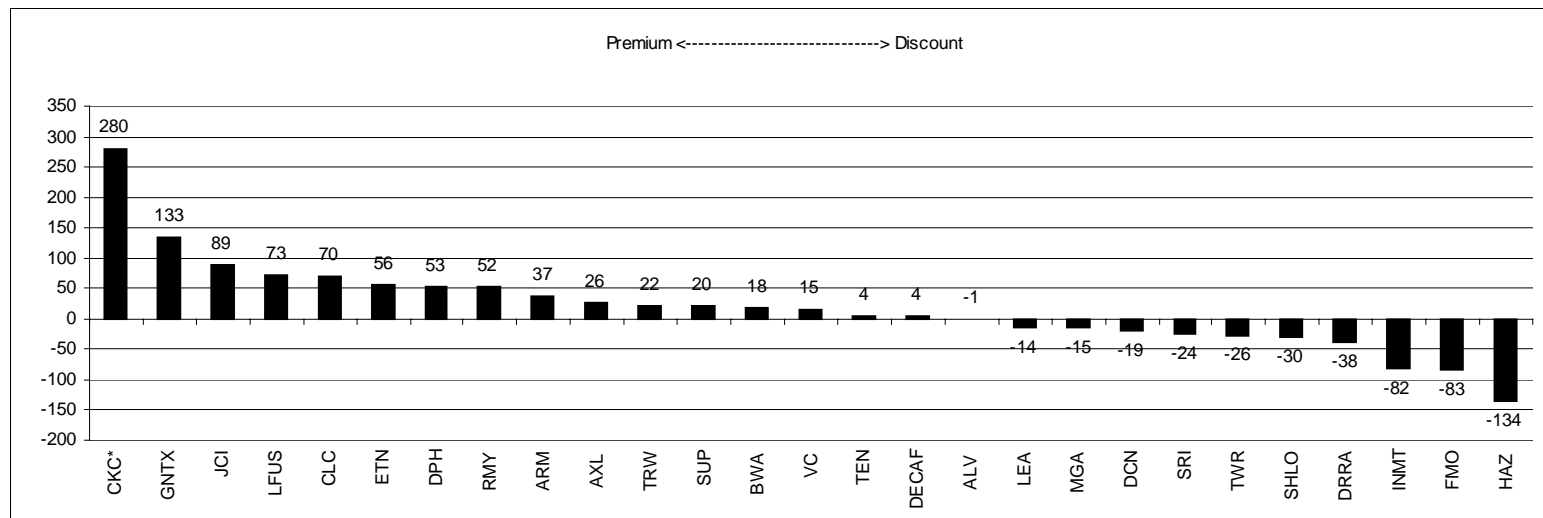


Chart 22. BASIS POINT DIFFERENCE OF % PREMIUM/DISCOUNT — CURRENT P/BV VS. CURRENT PEER AVERAGE P/BV & HISTORIC COMPANY AVERAGE P/BV VS. HISTORIC PEER AVERAGE P/BV



* CKC - Negative Shareholders Equity

** Average excludes CKC, GNTX and LFUS

^ Historic = 1989-2000 Except: INMT 1990-2000; LFUS 1993-2000; BWA, HAZ & SHLO 1994-2000; TWR 1995-2000; CKC & LEA 1996-2000; DRRA 1997-2000; ALV & SRI 1998-2000; DECAF & RMY 1999-2000; and AXL, ARM, DPH, TEN, & VC 2000 Only.

Source: Company data; Baseline; FactSet.

Chart 23. % INCREASE TO HIGH P/AVERAGE BV

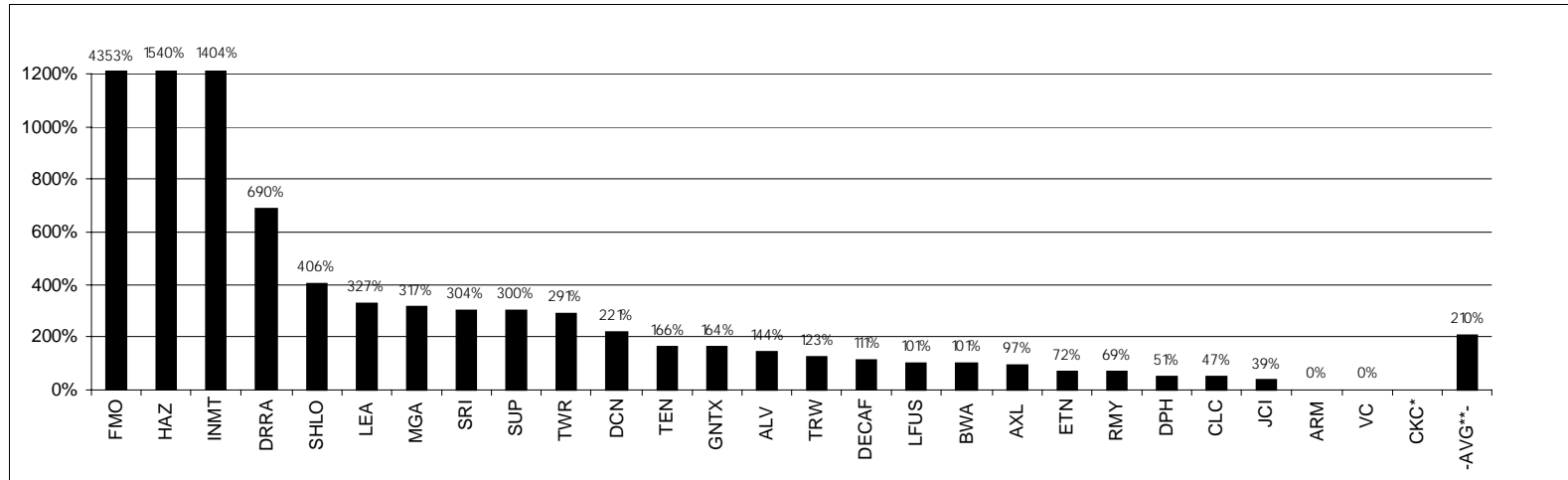
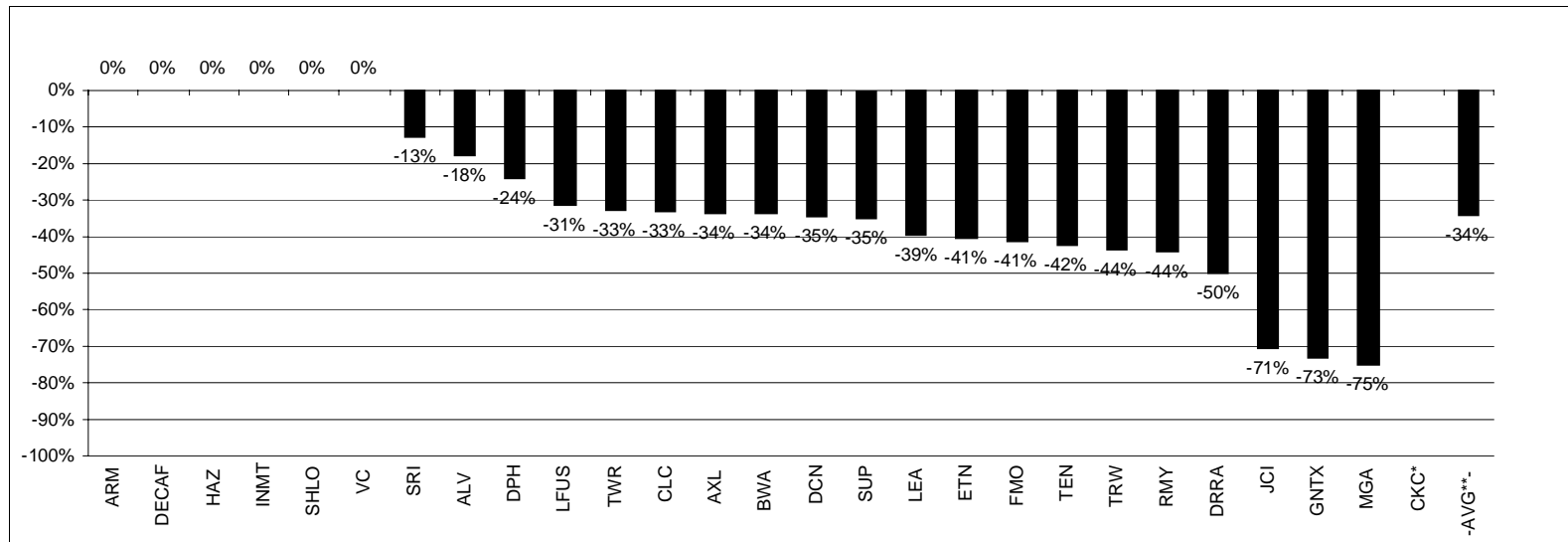


Chart 24. % DECREASE TO HISTORIC LOW P/AVERAGE BV



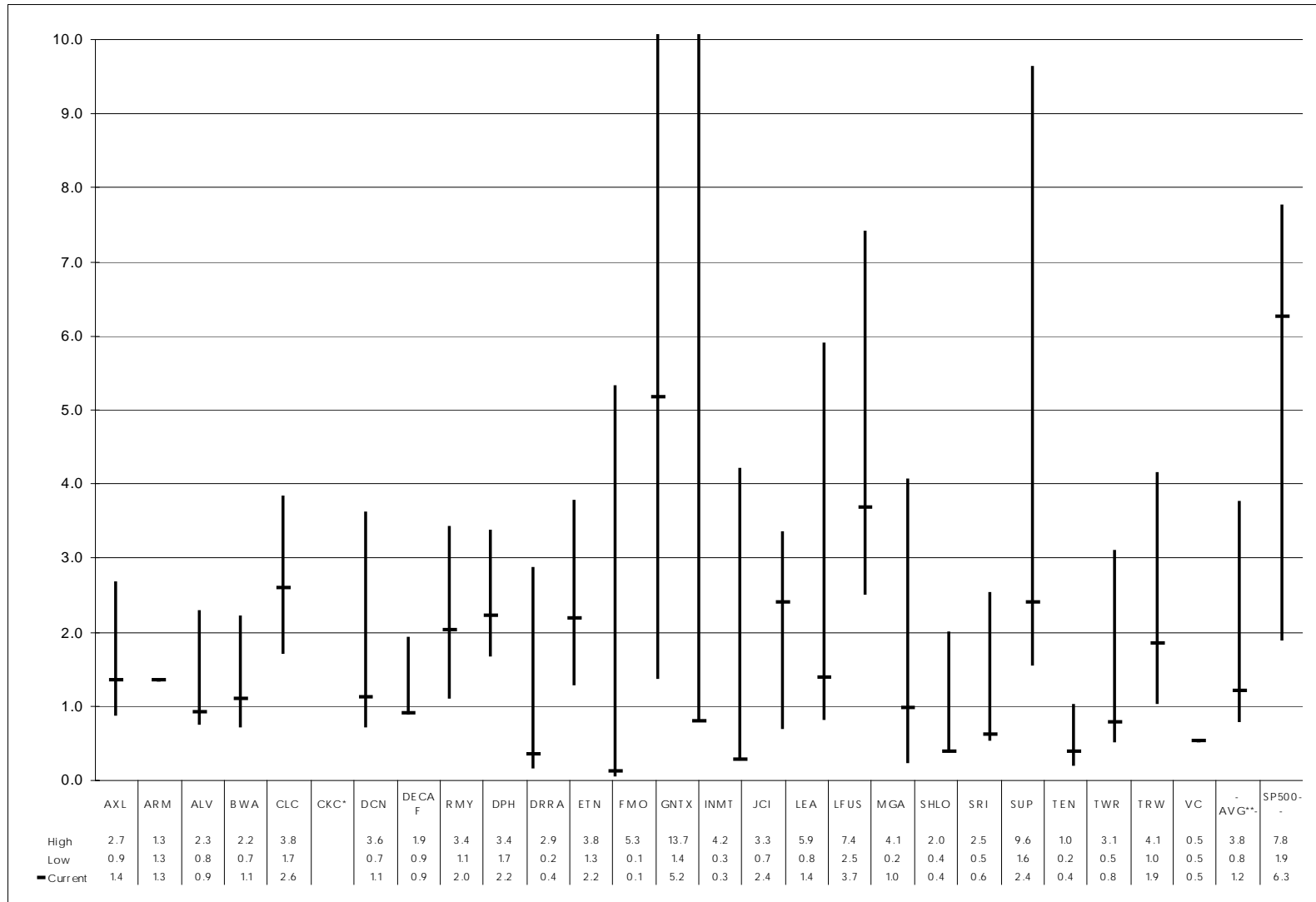
* CKC - Negative Shareholders Equity

** Average excludes CKC, GNTX and LFUS.

^ Historic = 1989-2000 Except: INMT 1990-2000; LFUS 1993-2000; BWA, HAZ & SHLO 1994-2000; TWR 1995-2000; CKC & LEA 1996-2000; DRRR 1997-2000; ALV & SRI 1998-2000; DECAF & RMY 1999-2000; and AXL, ARM, DPH, TEN, & VC 2000 Only.

Source: Company data; Baseline; FactSet.

Chart 25. AUTO PARTS SUPPLIERS CURRENT AND HISTORIC HIGH/LOW PRICE/AVERAGE BOOK VALUE RATIOS



* CKC - Negative Shareholders Equity

** Average excludes CKC, GNTX and LFUS.

^ Historic = 1989-2000 Except: INMT 1990-2000; LFUS 1993-2000; BWA, HAZ & SHLO 1994-2000; TWR 1995-2000; CKC & LEA 1996-2000; DRRA 1997-2000; ALV & SRI 1998-2000; DECAF & RMY 1999-2000; and AXL, ARM, DPH, TEN, & VC 2000 Only.

Source: Company data; Baseline; FactSet.

Table 13. ESTIMATED LOWEST STOCK PRICE BASED ON EV/SALES ANALYSIS

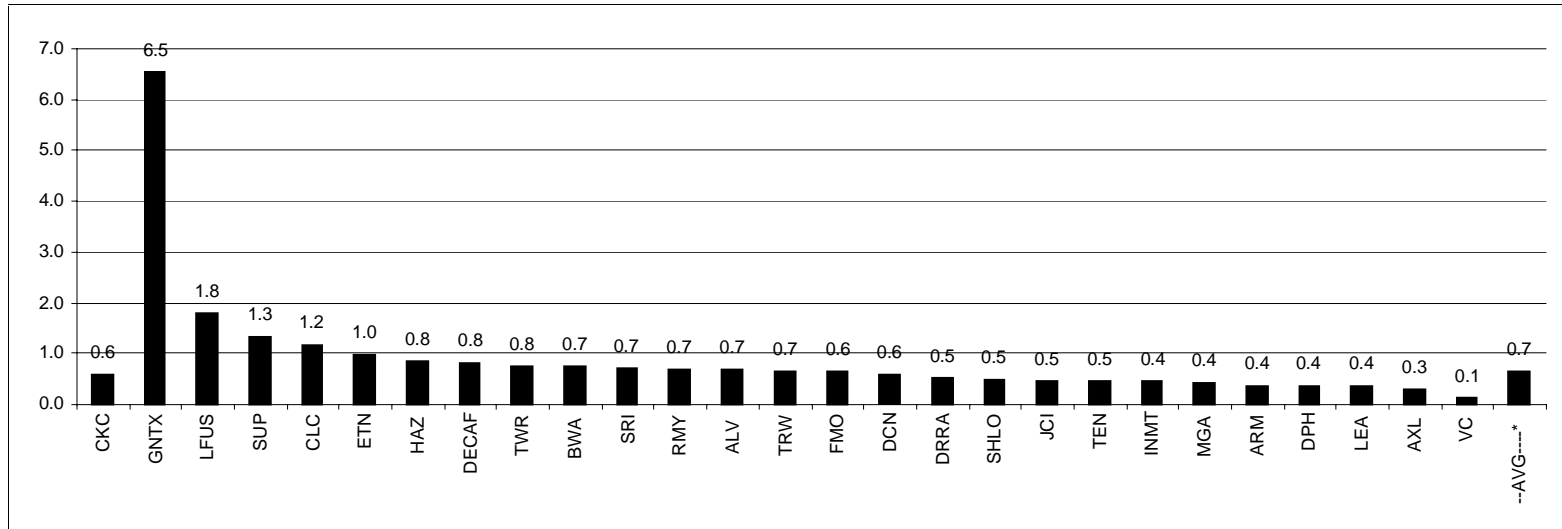
Company	Ticker	Low EV/Sales				Resulting Lowest Price				3/6/01 Price	% Change To Lowest Price			
		00-Cur	89-Cur	Est.*	Avg.	00-Cur	89-Cur	Est.*	Avg.		00-Cur	89-Cur	Est.*	Avg.
American Axle	AXL	0.26	0.26	0.24	0.26	\$7.92	\$7.92	\$6.73	\$7.52	\$10.00	-21%	-21%	-33%	-25%
ArvinMeritor	ARM	0.37	0.37	0.34	0.36	\$16.00	\$16.00	\$12.88	\$14.96	\$16.00	0%	0%	-19%	-6%
Autoliv	ALV	0.55	0.55	0.51	0.54	\$12.60	\$12.60	\$10.90	\$12.03	\$17.83	-29%	-29%	-39%	-33%
BorgWarner	BWA	0.62	0.51	0.58	0.57	\$33.37	\$22.29	\$28.72	\$28.13	\$45.06	-26%	-51%	-36%	-38%
Clarcor	CLC	0.81	0.81	—	0.81	\$16.06	\$16.06	—	\$16.06	\$25.60	-37%	-37%	—	-37%
Collins & Aikman	CKC	—	—	—	—	—	—	—	—	\$4.70	—	—	—	—
Dana	DCN	0.49	0.49	—	0.49	\$11.18	\$11.18	—	\$11.18	\$18.63	-40%	-40%	—	-40%
Decoma Int'l.	DECAF	0.68	0.68	0.63	0.66	\$4.81	\$4.81	\$4.16	\$4.59	\$6.44	-25%	-25%	-35%	-29%
Delco Remy	RMY	—	—	—	—	—	—	—	—	\$9.50	—	—	—	—
Delphi	DPH	0.25	0.25	0.23	0.24	\$8.53	\$8.53	\$7.57	\$8.21	\$14.88	-43%	-43%	-49%	-45%
Dura Automotive	DRRA	0.51	0.49	0.47	0.49	\$4.99	\$2.61	(\$0.63)	\$2.32	\$9.25	-46%	-72%	NM	-75%
Eaton	ETN	0.84	0.57	—	0.71	\$56.37	\$26.13	—	\$41.25	\$72.54	-22%	-64%	—	-43%
Federal-Mogul	FMO	0.64	0.54	—	0.59	\$2.68	(\$5.48)	—	NM	\$2.92	-8%	NM	—	NM
Gentex	GNTX	3.71	1.11	—	2.41	\$16.37	\$6.17	—	\$11.27	\$27.50	-40%	-78%	—	-59%
Hayes Lemmerz Int'l.	HAZ	0.73	0.56	0.68	0.66	(\$1.78)	(\$14.95)	(\$6.07)	NM	\$5.98	NM	NM	NM	NM
Intermet	INMT	0.44	0.35	—	0.40	\$3.13	(\$0.58)	—	\$1.27	\$3.13	0%	NM	—	-59%
Johnson Controls	JCI	0.34	0.31	—	0.33	\$44.06	\$39.51	—	\$41.79	\$68.30	-35%	-42%	—	-39%
Lear	LEA	0.32	0.32	0.29	0.31	\$22.48	\$22.48	\$17.40	\$20.78	\$33.80	-34%	-34%	-49%	-39%
Littelfuse	LFUS	1.45	1.42	1.34	1.40	\$22.08	\$21.55	\$20.25	\$21.29	\$27.88	-21%	-23%	-27%	-24%
Magna Int'l.	MGA	0.37	0.37	0.35	0.37	\$40.06	\$40.06	\$36.82	\$38.98	\$45.07	-11%	-11%	-18%	-14%
Shiloh Ind.	SHLO	0.46	0.46	0.42	0.45	\$3.57	\$3.57	\$1.98	\$3.04	\$5.00	-29%	-29%	-60%	-39%
Stoneridge, Inc.	SRI	0.70	0.70	0.65	0.69	\$6.90	\$6.90	\$5.31	\$6.37	\$7.43	-7%	-7%	-29%	-14%
Superior Ind. Int'l.	SUP	0.78	0.58	—	0.68	\$22.87	\$17.92	—	\$20.39	\$36.82	-38%	-51%	—	-45%
Tenneco Auto.	TEN	0.45	0.45	0.42	0.44	\$3.53	\$3.53	\$0.14	\$2.40	\$3.60	-2%	-2%	-96%	-33%
Tower Auto.	TWR	0.58	0.58	0.54	0.57	\$2.58	\$2.58	\$0.28	\$1.81	\$11.65	-78%	-78%	-98%	-84%
TRW	TRW	0.64	0.42	—	0.53	\$37.51	\$5.86	—	\$21.68	\$39.95	-6%	-85%	—	-46%
Visteon	VC	0.12	0.12	0.12	0.12	\$14.38	\$14.38	\$13.00	\$13.92	\$14.38	0%	0%	-10%	-3%
Average		0.68	0.53		0.60						-25%	-37%	-43%	-38%
Average**		0.65	0.53		0.59						-30%	-53%		-42%

* Represents estimated low EV/Sales during downturn based on recent relationship to peer group.

** Average = Average of CLC, DCN, ETN, JCI, SUP & TRW

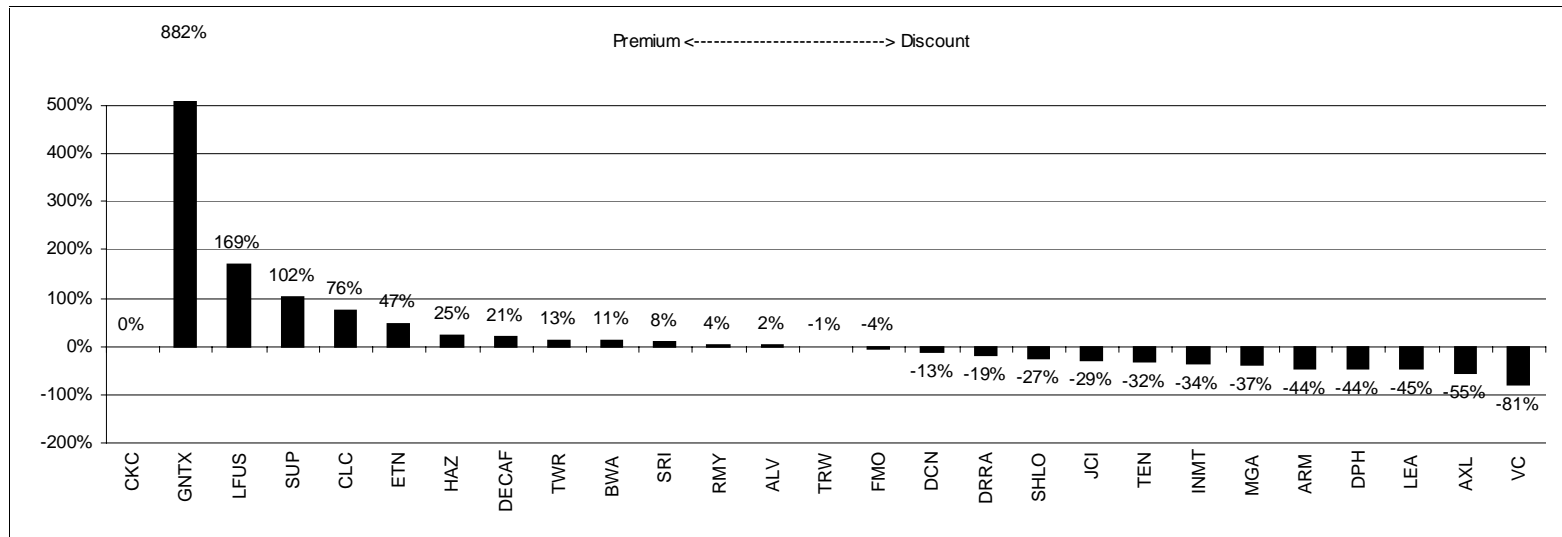
Source: McDonald Investments, Inc. estimates.

Chart 26. CURRENT ENTERPRISE VALUE/SALES RATIO



* Average excludes GNTX.
Source: Company data; Baseline; FactSet; McDonald Investments Estimates.

Chart 27. % PREMIUM/DISCOUNT — ENTERPRISE VALUE/SALES VS. CURRENT PEER AVERAGE ENTERPRISE VALUE/SALES



* Average excludes GNTX.
Source: Company data; Baseline; FactSet; McDonald Investments Estimates.

Chart 28. CURRENT EV/SALES VS. HISTORIC COMPANY AVERAGE EV/S

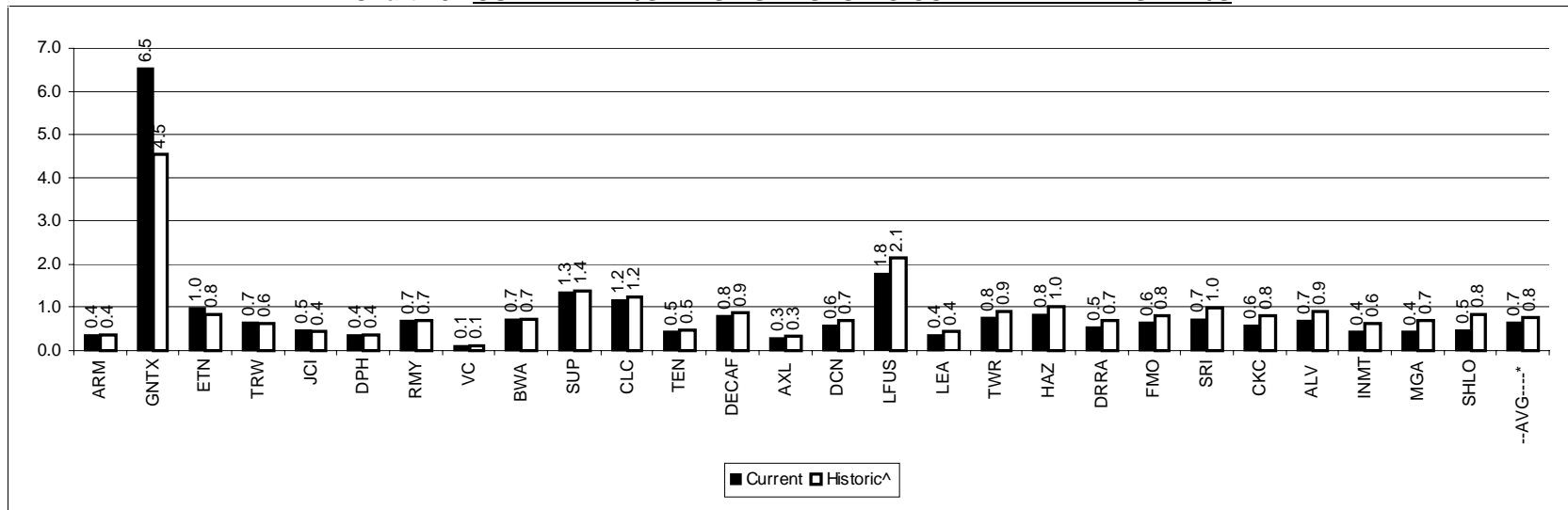
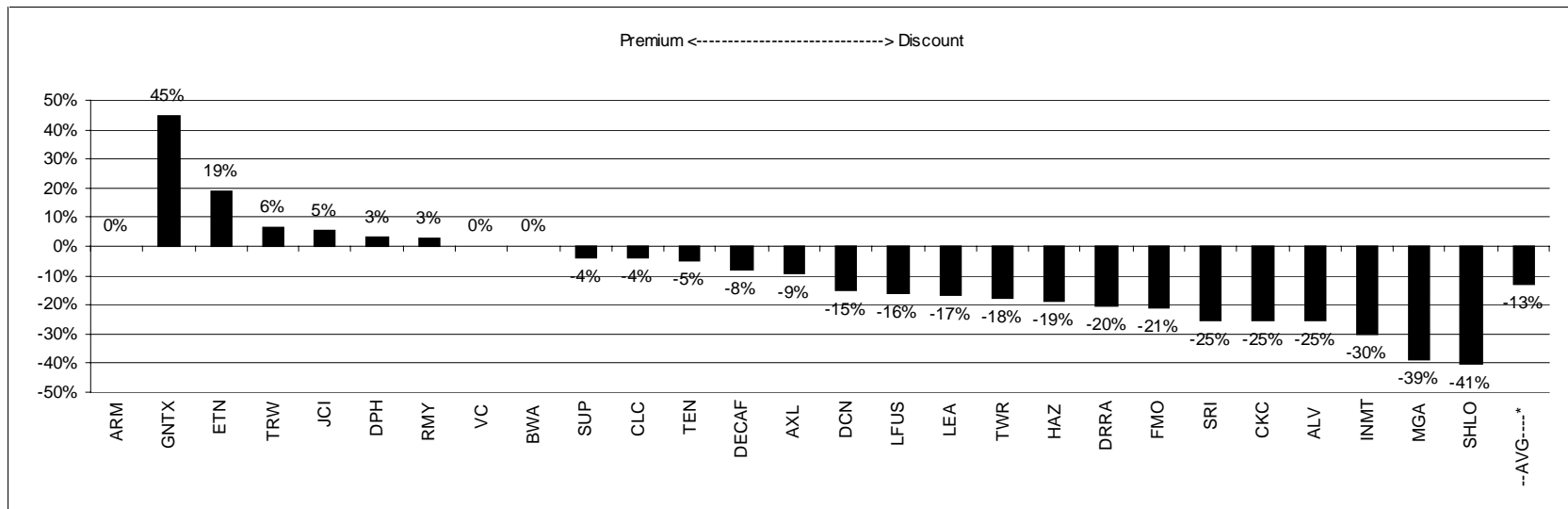


Chart 29. % PREMIUM/DISCOUNT—CURRENT EV/S VS. HISTORIC COMPANY AVERAGE EV/S



* Average excludes GNTX.
 ^ Historic = 1989-2000 Except: INMT 1990-2000; LFUS 1993-2000; BWA, HAZ & SHLO 1994-2000; TWR 1995-2000; CKC & LEA 1996-2000; DRRA 1997-2000; ALV & SRI 1998-2000; DECAF & RMY 1999-2000; and AXL, ARM, DPH, TEN, & VC 2000 Only.
 Source: Company data; Baseline; FactSet; McDonald Investments Estimates.

Chart 30. % PREMIUM/DISCOUNT—CURRENT EV/S VS. CURRENT PEER AVERAGE EV/S & HISTORIC COMPANY AVERAGE EV/S VS. HISTORIC PEER AVERAGE EV/S

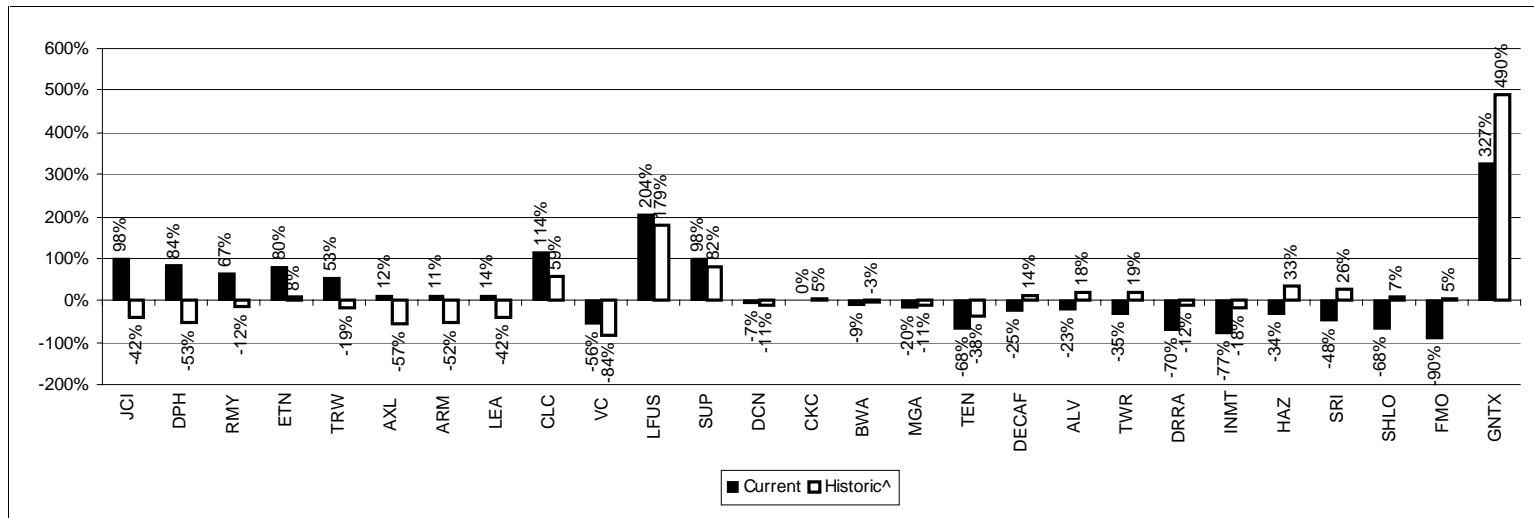
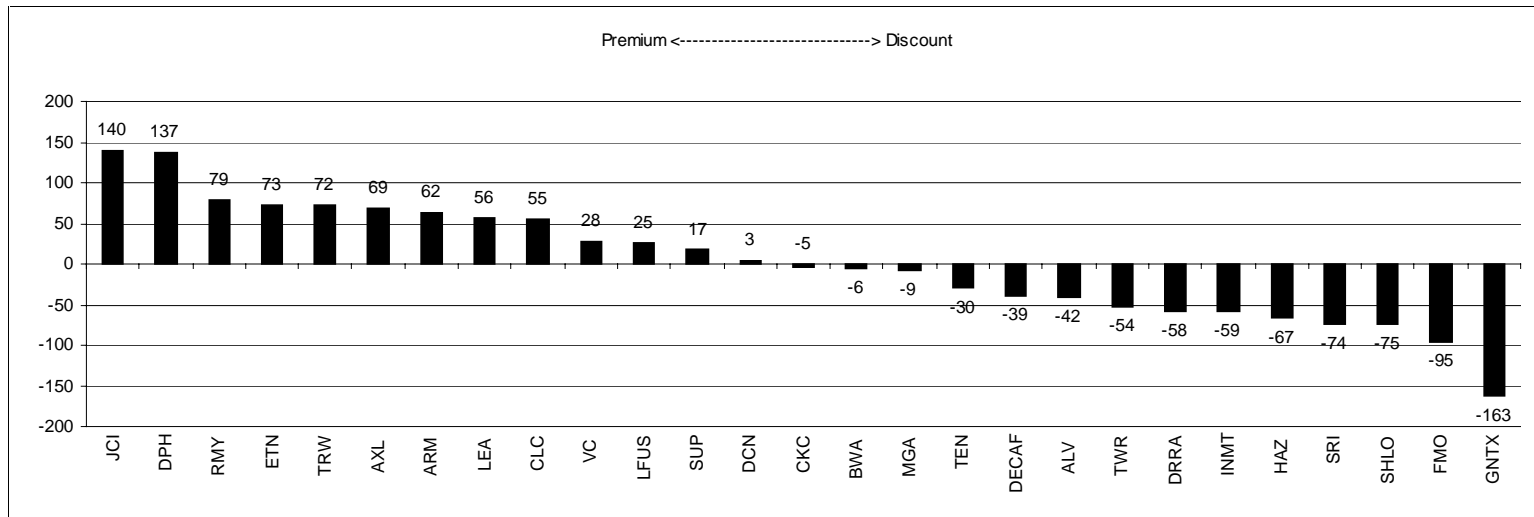


Chart 31. BASIS POINT DIFFERENCE OF % PREMIUM/DISCOUNT — CURRENT EV/S VS. CURRENT PEER AVERAGE EV/S & HISTORIC COMPANY AVERAGE EV/S VS. HISTORIC PEER AVERAGE EV/S

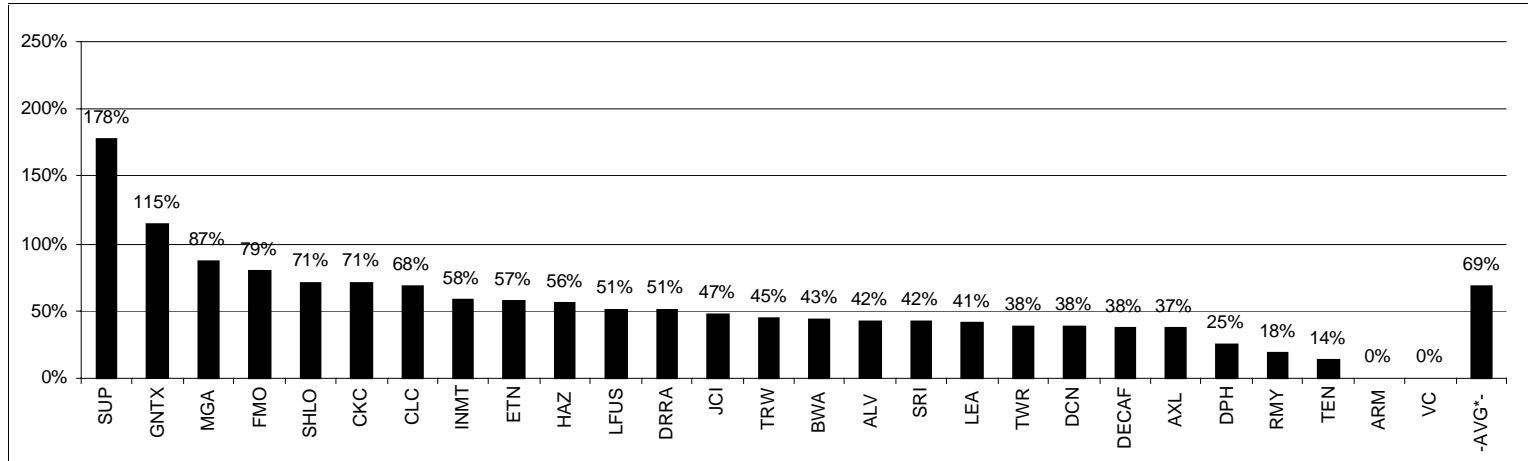


* Average excludes GNTX.

^ Historic = 1989-2000 Except: INMT 1990-2000; LFUS 1993-2000; BWA, HAZ & SHLO 1994-2000; TWR 1995-2000; CKC & LEA 1996-2000; DRRA 1997-2000; ALV & SRI 1998-2000; DECAF & RMY 1999-2000; and AXL, ARM, DPH, TEN, & VC 2000 Only.

Source: Company data; Baseline; FactSet; McDonald Investments Estimates

Chart 32. % INCREASE TO HISTORIC HIGH EV/S RATIO

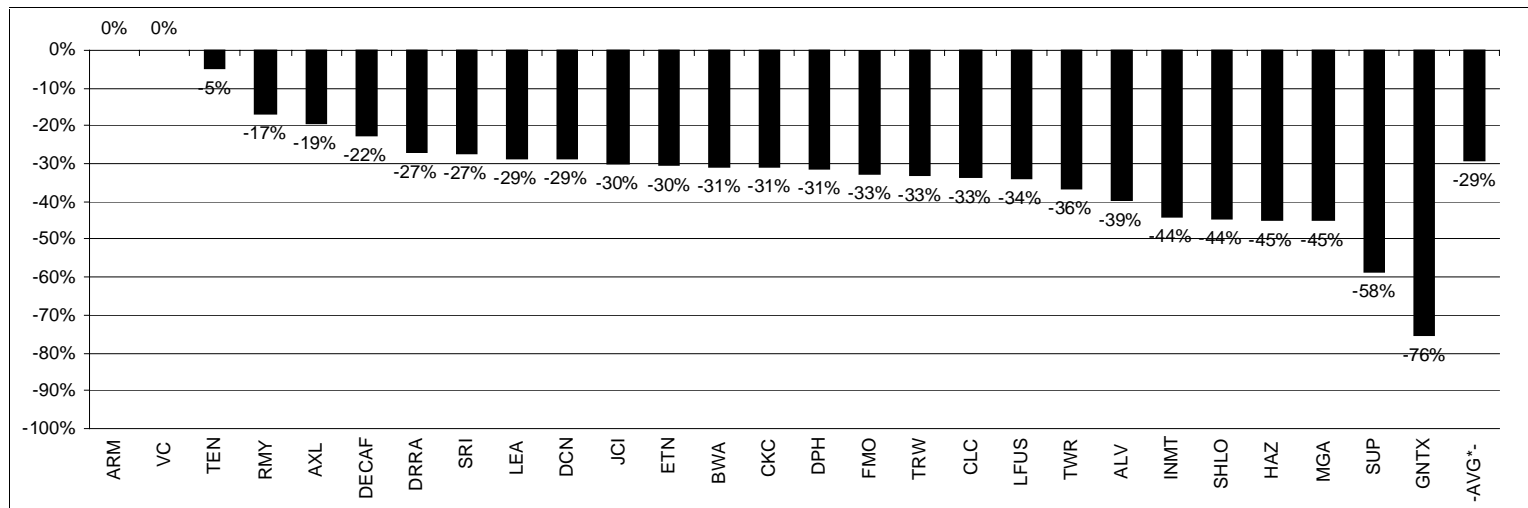


* Average excludes GNTX.

^ Historic = 1989-2000 Except: INMT 1990-2000; LFUS 1993-2000; BWA, HAZ & SHLO 1994-2000; TWR 1995-2000; CKC & LEA 1996-2000; DRRA 1997-2000; ALV & SRI 1998-2000; DECAF & RMY 1999-2000; and AXL, ARM, DPH, TEN, & VC 2000 Only.

Source: Company data; Baseline; FactSet; McDonald Investments Estimates.

Chart 33. % DECREASE TO HISTORIC LOW EV/S RATIO

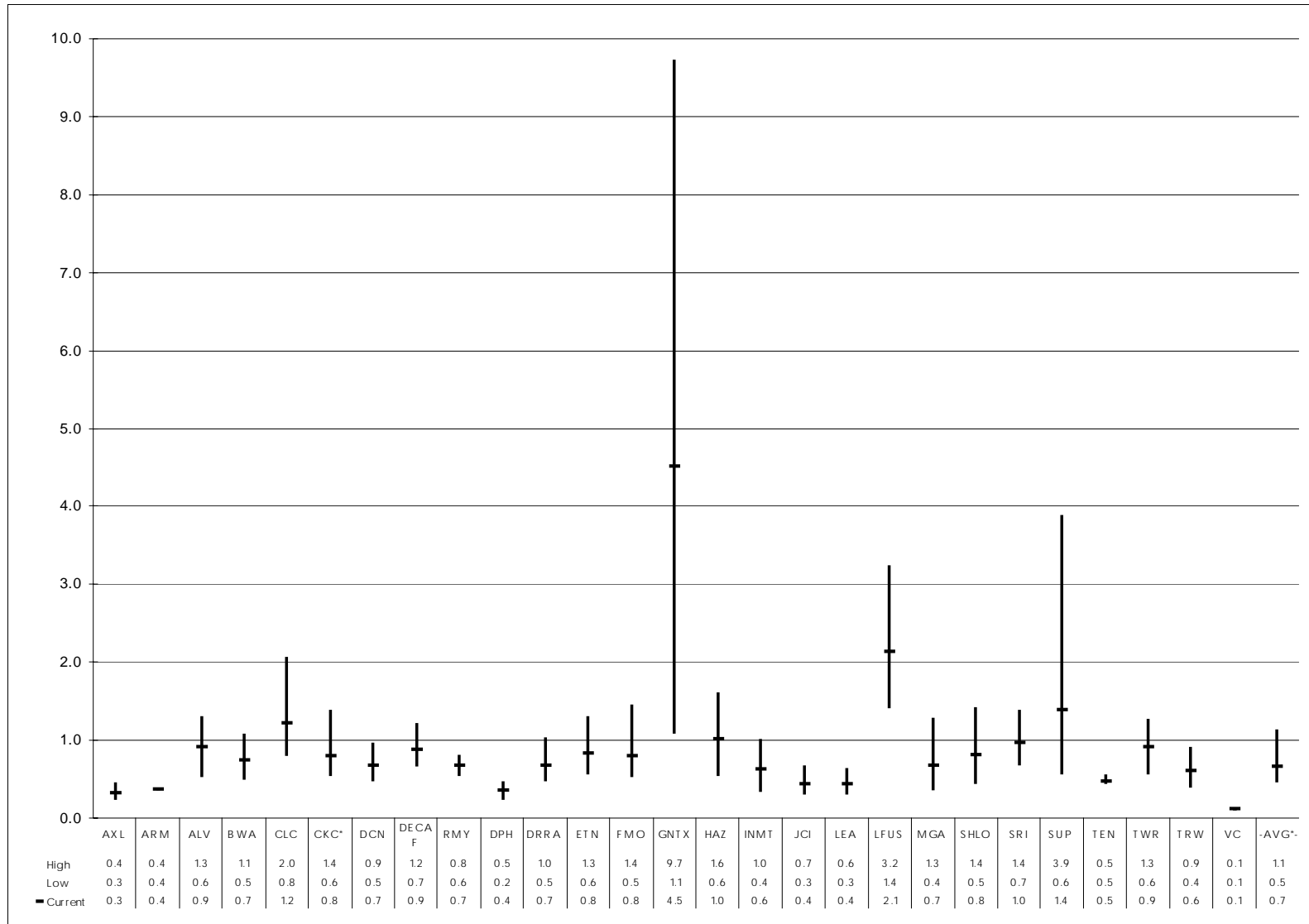


* Average excludes GNTX.

^ Historic = 1989-2000 Except: INMT 1990-2000; LFUS 1993-2000; BWA, HAZ & SHLO 1994-2000; TWR 1995-2000; CKC & LEA 1996-2000; DRRA 1997-2000; ALV & SRI 1998-2000; DECAF & RMY 1999-2000; and AXL, ARM, DPH, TEN, & VC 2000 Only.

Source: Company data; Baseline; FactSet; McDonald Investments Estimates.

Chart 34. AUTO PARTS SUPPLIERS CURRENT AND HISTORIC HIGH/LOW EV/S RATIO



* Average excludes GNTX.

^ Historic = 1989-2000 Except: INMT 1990-2000; LFUS 1993-2000; BWA, HAZ & SHLO 1994-2000; TWR 1995-2000; CKC & LEA 1996-2000; DRRA 1997-2000; ALV & SRI 1998-2000; DECAF & RMY 1999-2000; and AXL, ARM, DPH, TEN, & VC 2000 Only.

Source: Company data; Baseline; FactSet; McDonald Investments Estimates.