

The automotive industry in the triad markets (U.S., Japan, and Europe) has been severely impacted with the global recession. At Stellar we share the widely-held notion that the macro-economic landscape has begun to stabilize, and even improve in some areas. However some OEM's and many automotive suppliers are still weakened from the crisis, and the immediate need is to now develop successful strategies going forward in a 'changed' economic and automotive business environment. Due to the still fragile health of many companies, there is little room for guess work and speculation when establishing strategic objectives going forward.

Stellar believes a key predictor of future trends and opportunities starts with understanding the dynamics of recent changes and future growth opportunities. In general, the markets in the BRIC countries were less impacted from the recent economic crisis. More specifically – India, China and Brazil outperformed the mature North American, Japanese and European markets and have shown some resistance to the recent economic crisis. Going forward:

- China has been and will continue to be a primary source for low-cost sourcing. Internally, their massive (and escalating) domestic market creates an ideal base for both sales and manufacturing and will continue to grow dramatically in the near future. Whereas China has traditionally been dependent on the West for technology, the present high level of engineering graduates each year (estimated at almost 2 million annually) represents future opportunities for R & D centers, engineering and technology development. China's capital accumulation also offers opportunities for funding global project with Chinese capital.
- India has traditionally consisted of mostly domestically produced vehicles with European technology. After deregulation which opened markets to foreign companies to establish a presence, as well as the aggressive growth in domestics like Tata, India's growth has accelerated at a significantly high rate each year. Even though India has a high level of engineers and low wages, it has not achieved its potential as an R & D hub for western and Asian countries, but we expect that to change significantly in the near future. We see its growth and domestic demand for vehicles challenging - and perhaps exceeding - China, as well as India become a much more developed export base for low cost – high technology products and services. Increased localization requirements and need to meet new emission and fuel economy standards will create need for foreign auto component manufacturers to establish expanded footprint in India.

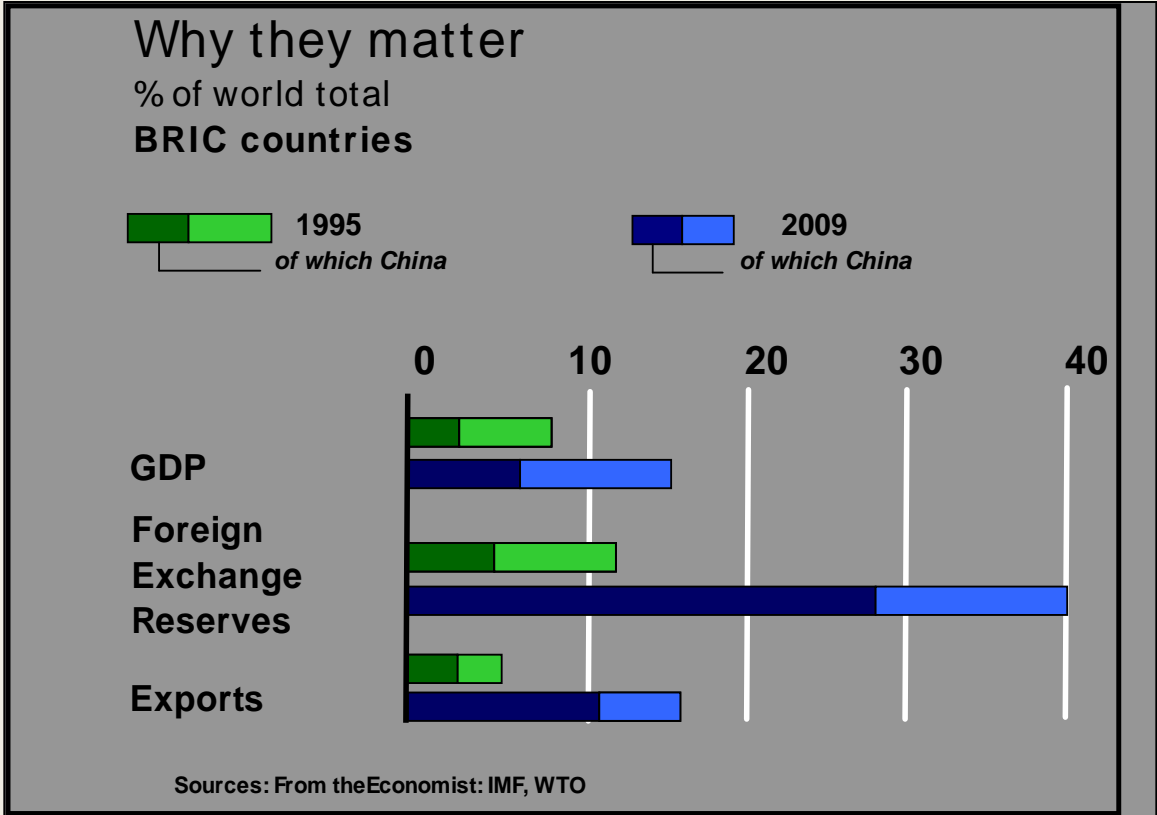
- **Brazil** has to be viewed as the dominant member of Mercosur - a large market union of South American countries. This Economic Block has developed a very sophisticated automotive regime legislation providing incentives for those companies with some manufacturing presence. Brazil did not block foreign OEMs from establishing a local presence; so today the Brazilian auto market is controlled mostly by foreign OEM's with a local supplier base. This has created a network of top quality and low-priced suppliers due to advanced localization programs initiated by the OEM's. Brazil is one of the top ten automobile manufacturing countries in the world by volume, with a relatively large consumer base. Brazil must also be viewed as part of the Mercosur common market (Brazil, Argentina, Paraguay and Uruguay) where import/export tariffs have been limited to promote trade. This market with 4.1 million vehicles projected for this year is too big to ignore.

Foreign companies can benefit from Brazil's experienced engineers and a growing market and also opportunities for export of products and technology, as well as opportunities to establish in-country R & D and manufacturing centers. Mercosur manufacturing can be leveraged further by importing automotive components and CKD's from other BRIC countries such as China and India. Our close connections in the area (Government and Business) and understanding the intricacies of the Automotive Regime can facilitate this strategy.

- **Russia** has traditionally been viewed as the most 'high risk but high return' market among the BRIC countries. With the deregulation of the Russian market in the 1990's, imports to Russia and localization by foreign companies grew rapidly. Russia's foreign exchange reserves were close to zero when it began market reform; now they approximate over \$400 billion. However it was hit hardest by the recent recession losing almost 50% of sales while some of the other BRIC countries grew. On the upside, when things stabilize we see the Russian market returning very quickly to recover lost ground, and then continue to grow at a rate which will be more conservative. Due to the large and growing presence of foreign OEMs, Russia's engineering talent and the developing supplier infrastructure, there will be significant opportunities going forward for companies to do business in Russia.

When looking at the size, financial resources and profile of the rapidly expanding BRIC economies, the high growth in domestic demand; large pool of engineering and technical resources; low cost advantages and support from governments – we see significant opportunities in the next 5 years.

Stellar has assembled a talented and experienced team with hands-on experience in the BRIC countries to assist companies in evaluating their strategies to capitalize on this segment of the global automotive market which will achieve the most aggressive growth and offer the most opportunity. Successfully competing in these markets requires more than just a desire to do so; it requires an understanding of the market, local customs, regulations, and culture, in-country relationships and a firm understanding of the automotive industry and dynamics .



The vision for Stellar Alliance was to establish a ‘boutique’ sized entity (to allow for personal attention and ability to move quickly) supported by a talented team that would provide clients throughout the world with the highest quality project management and advisory services, but in a very discrete manner. Since its launch in 2007, Stellar Alliance has successfully completed cross border projects and completed advisory services engagements for clients headquartered in China and Asia, Europe, South America, Mexico, and the U.S.

'The Stellar BRIC Team'

With hands-on practical experience in the fastest growing economies of the BRIC countries, its members have diverse professional experience (Finance, M&A, Engineering, Marketing and Manufacturing) and diverse global relationships and experiences. This multi-talent approach provides clients with the highest quality project management and advisory services;

- **Cross Border Transaction Advisory Services**
- **Structuring Joint Ventures and Strategic Alliances**
- **Identifying Potential Partners and Investors**
- **Due diligence Support Services**
- **Assistance in Valuation and Developing Business Plans**
- **Cost Reduction and Restructuring Analysis/Support**

Sanjeev Varma, Managing Partnerwith more than 25 years experience with major U.S. and Indian OEMs, suppliers, and consulting firms, Mr. Varma is well known and connected in the industry, especially as it relates to India. He has degrees in Mechanical Engineering from the Indian Institute of Technology, and Syracuse University, as well as completing advanced programs at MIT and the Wharton Business School. He holds six U.S. patents and has several publications to his credit. His previous corporate experience included key positions within Magna International, Chrysler, and also technical advisor to Mahindra India. For the past seven years Mr. Varma has focused his attention on consulting and business development opportunities representing successful Indian and U.S. entities. He has established several businesses within India, and represented a group of 40 Indian suppliers to the Industrial Investment Council of the German Government. Mr. Varma was a project leader and advisor on cross border engagements that Stellar-LLC successfully completed in 2009. He is a frequent visitor to India has excellent relationships with the automotive OEMs and suppliers.

Daron Gifford - Managing Partner..... has over 35 years of experience in the automotive and manufacturing industries in both operating management and management consulting. Over 25 years have been spent in leadership roles with large, global consulting practices including A.T. Kearney, KPMG, Deloitte Consulting, and ABeam Consulting (formerly Deloitte Tohmatsu Consulting), where he was responsible for building industry and regional practices from small localized businesses into

large consulting services organizations. Daron holds an M.B.A. – General Management, University of Virginia, Darden Graduate School of Business Administration and a Bachelor of Industrial Administration – Production Management, General Motors Institute. Daron has worked extensively throughout the automotive and manufacturing industry with OEMs, suppliers, and retailer and service channels in roles ranging from executive management to consultant to investors. Over the past 2+ years, he has worked primarily as a senior advisor to the U.S. Department of Energy assessing the commercial capabilities of advanced technologies to support alternative energy creation, storage, distribution and mobility (especially in vehicles).

Dario Verdugo, Affiliate Partnerhas extensive automotive experience and success in representing entities in Brazil and throughout the *Mercosur* region (Brazil, Argentina, Paraguay, Uruguay and associate member Chile) where they share special cross border relationships to limit import tariffs and duties. He has a degree University of Chile and an MBA from University of California at Berkley and was a visiting fellow at the University of Cambridge, England. He has co-authored and published a book on Knowledge Management for Banking. His experience includes serving as Treasurer of Ford Venezuela; establishing manufacturing and distribution operations in Brazil and Argentina for Chrysler; and launched in Brazil a digital marketing support network for a U.S. based automotive supplier. Mr. Verdugo headed up the successful cross border project for Stellar-LLC that resulted in the sale and export of railcar components from China to South America. He has over 20 years of corporate strategy and M & A experience within the global automotive industry.

Philip Cunningham, Managing Partner.....has over 25 years in the automotive industry at European and US suppliers, and consulting firms. Mr. Cunningham has advised and managed strategic planning initiatives which have included developing growth strategies for entry into the emerging markets, M&A transactions, divestitures, joint ventures, strategic alliances, and technology licensing. He has worked extensively in the US, Europe, India, South America and Asia. He has an MBA from the University of Wales, Cardiff Business School and holds an HNC in Mechanical Engineering from the University of Wales Institute. Mr. Cunningham was the Vice President of Business Development at TRW Automotive in Livonia, Michigan, where he led M&A activities across TRW's global businesses. The role included establishing joint venture and strategic alliances with partners in Japan, Korea, China, Russia and India. Mr. Cunningham was a member of the Board of Directors for several TRW joint venture companies in Europe, US, China and India. Today he sits on the advisory board of The Townsend Company.

John Stellman, Chairman founded Stellar Alliance in 2007 after he retired from DaimlerChrysler as Corporate Vice President for Mergers and Acquisitions after the sale of the

company to Cerberus. During his corporate career he led the company's effort in structuring numerous acquisitions, joint ventures, restructuring programs and sell-side transactions related to vehicles, automotive components, commercial trucks, financial services and aerospace and defense operations in the Nafta region as well as successfully completing projects in Europe, Asia, Russia, and South America. He has personally worked with and has extensive relationships with global automotive OEMs and automotive suppliers throughout the world. He holds a degree in Industrial Management and MBA from Wayne State University and has completed post graduate management programs at University of Michigan. He was a director of Daimler's Venture Capital Investment fund and served on several operating and advisory boards.

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