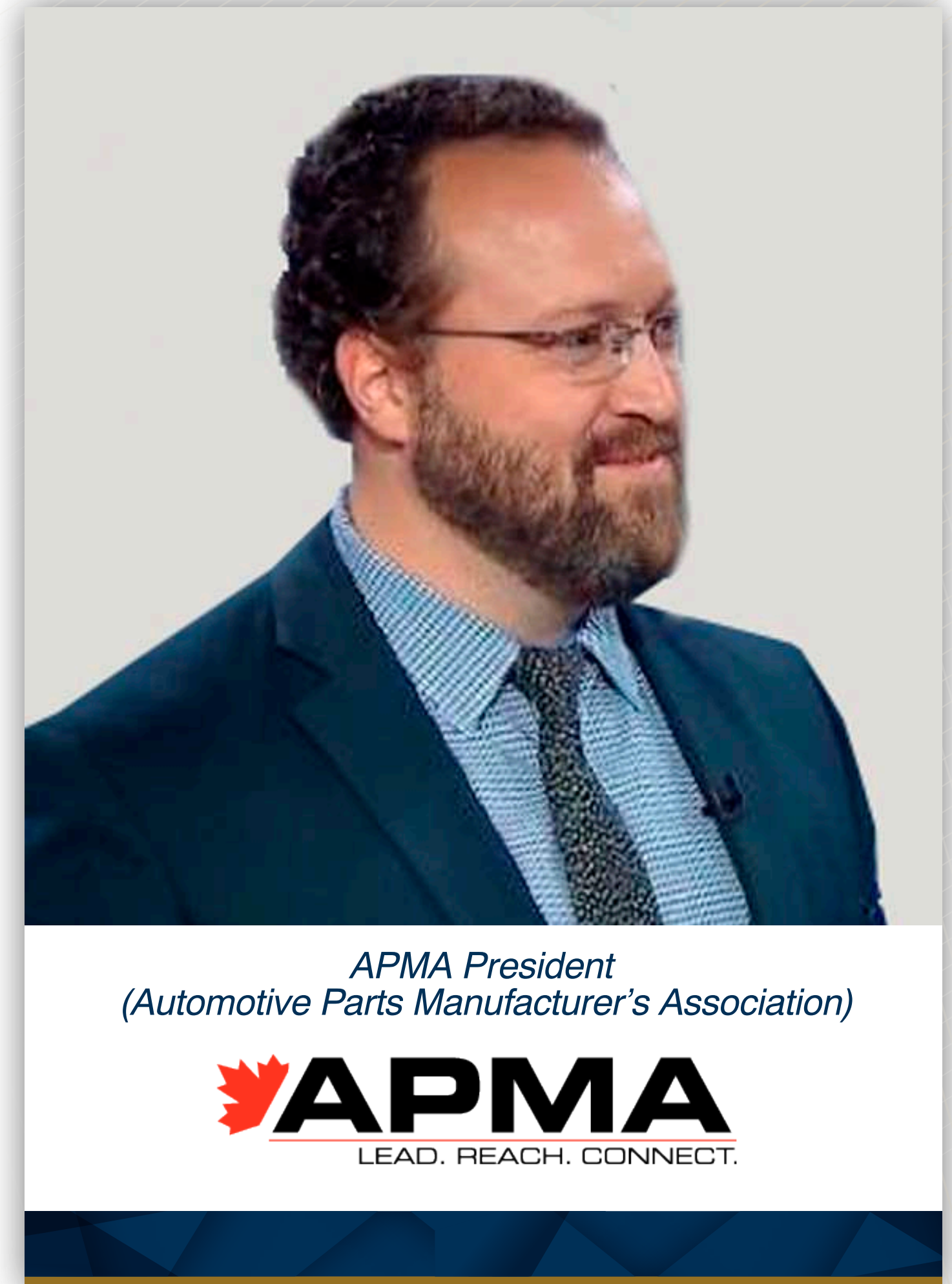


Flavio Volpe

Flavio Volpe is an internationally recognized champion of Canada's automotive industry. He proudly leads the Automotive Parts Manufacturer's Association (APMA) Canada's national association representing original equipment suppliers to the worldwide automotive industry.

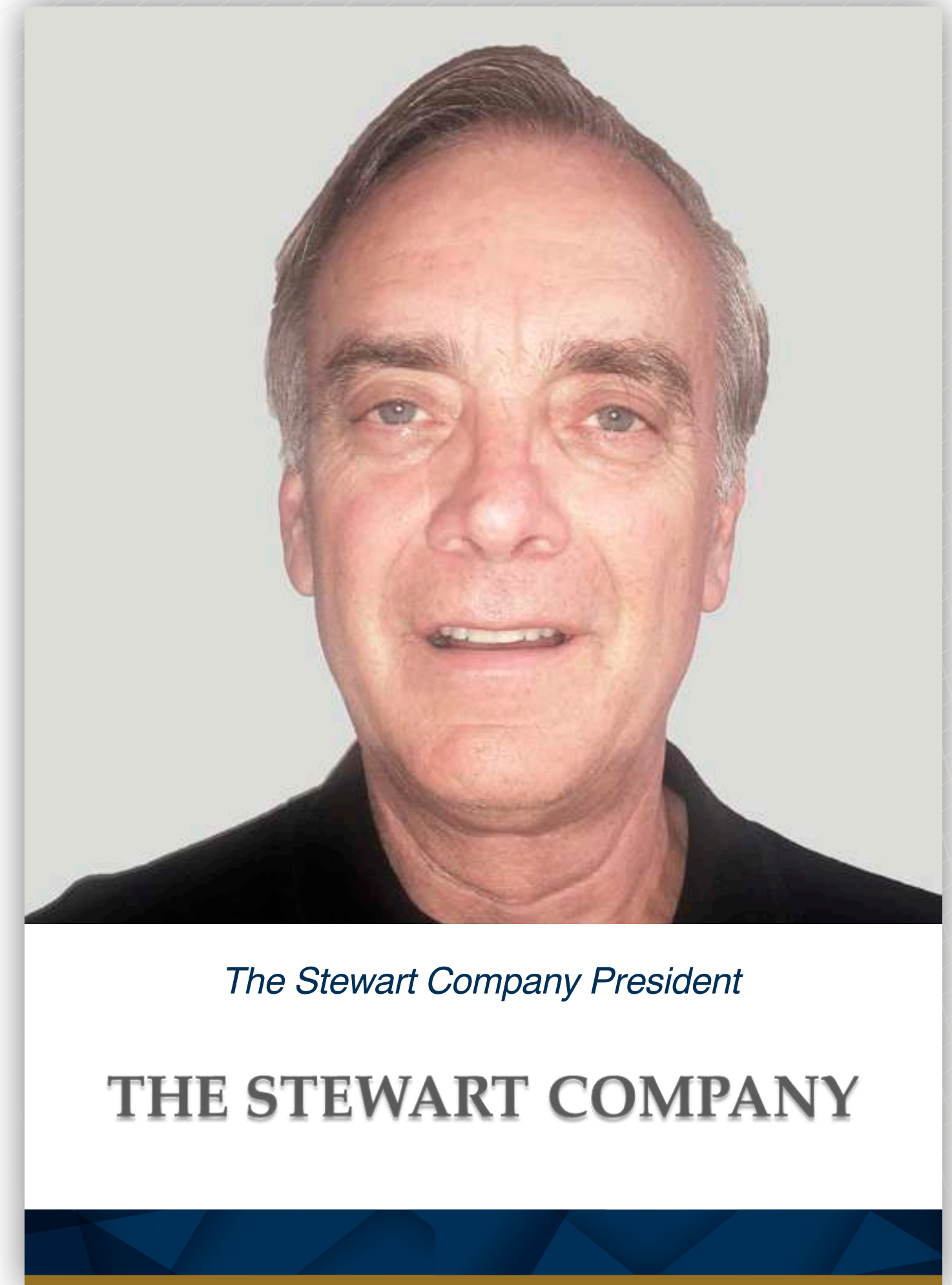
Working closely with officials in Ottawa, Washington and Mexico City during the 2017-19 NAFTA renegotiations

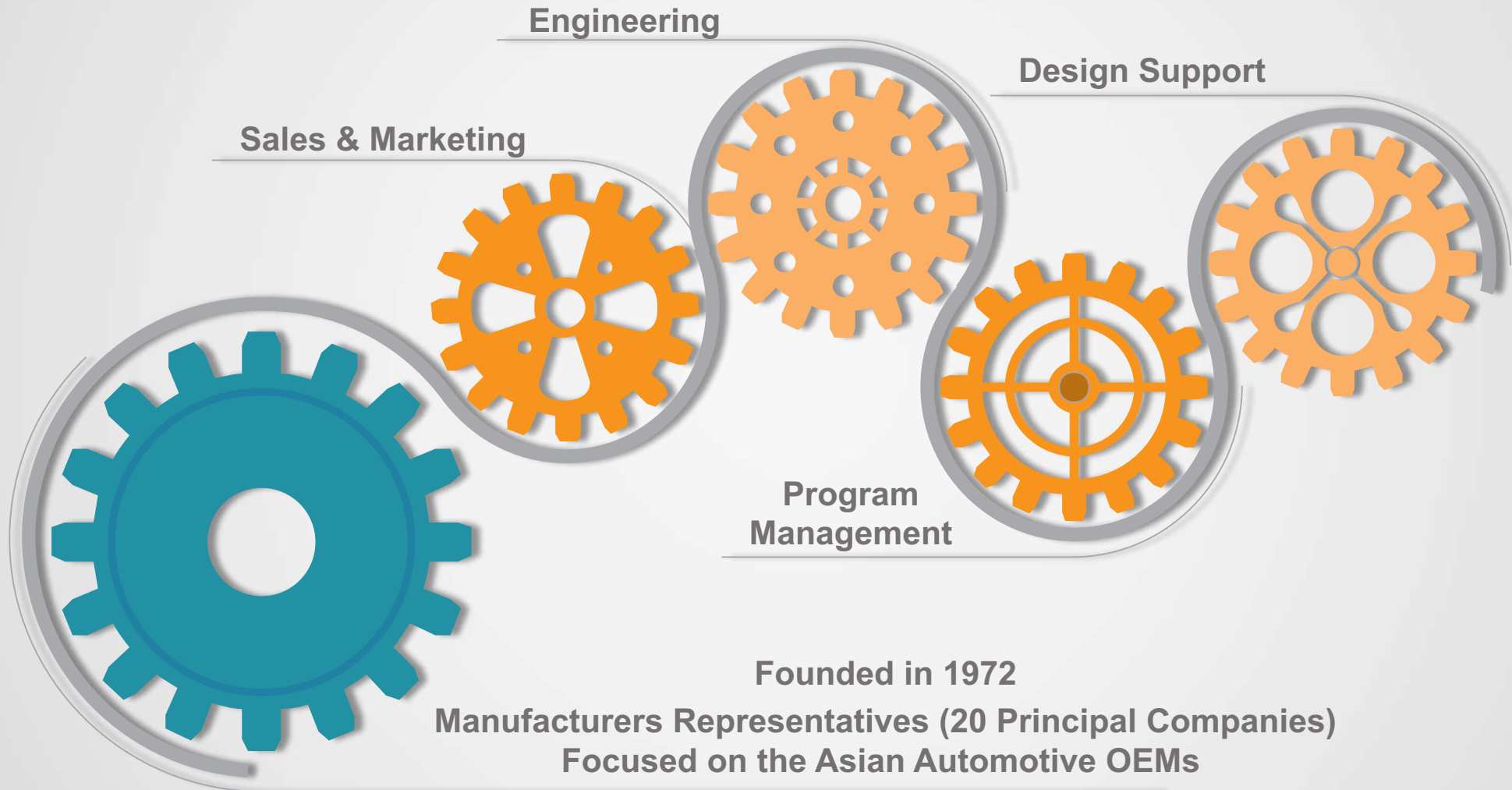


Jim Swanson

Jim Swanson has been working in the automotive industry for 43 years, first at 3M Company, where he worked for 11 years in technical, sales and marketing areas.

He has now served as President of The Stewart Company for 32 years.



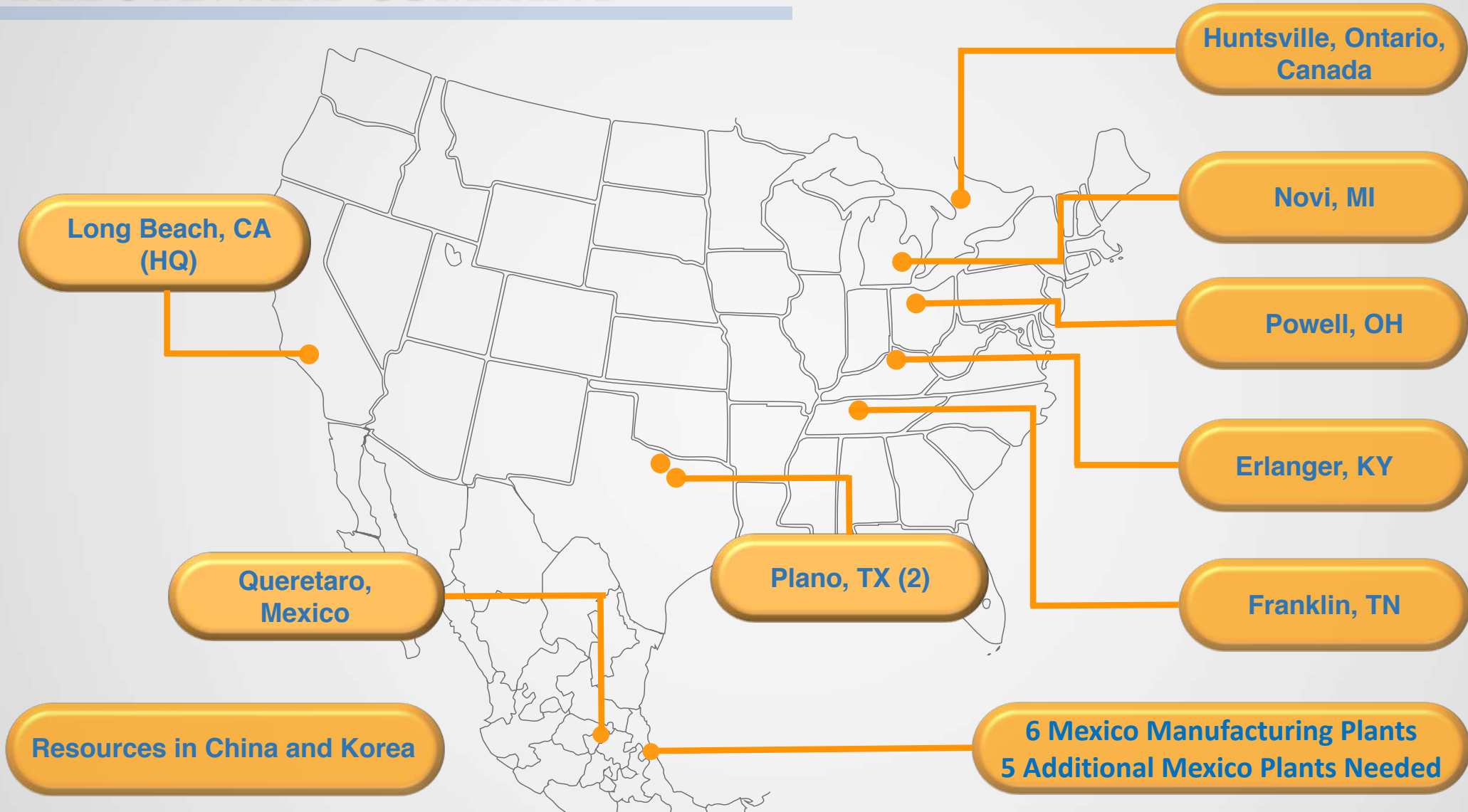


Founded in 1972

Manufacturers Representatives (20 Principal Companies)
Focused on the Asian Automotive OEMs

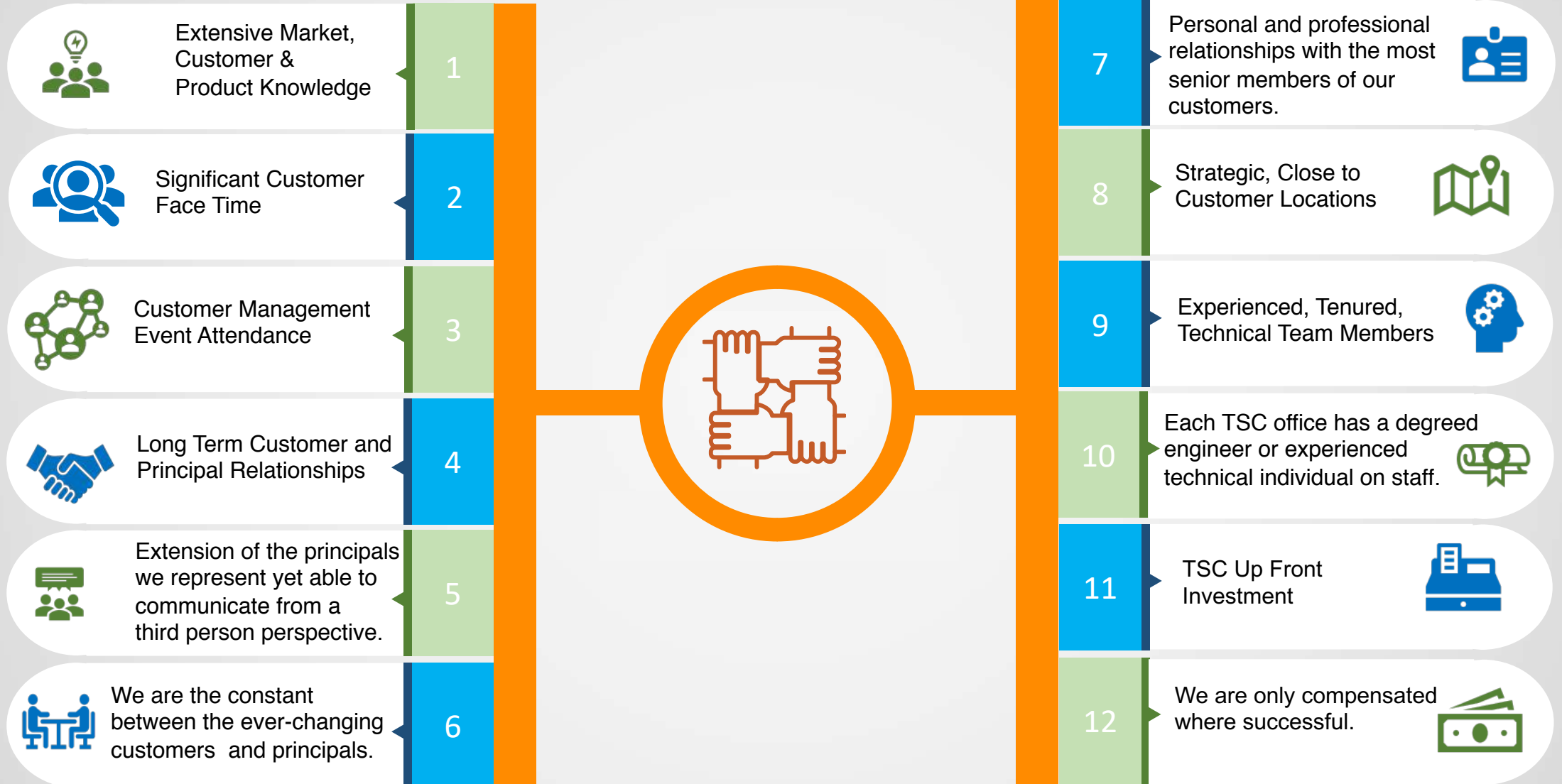
THE STEWART COMPANY

Overview

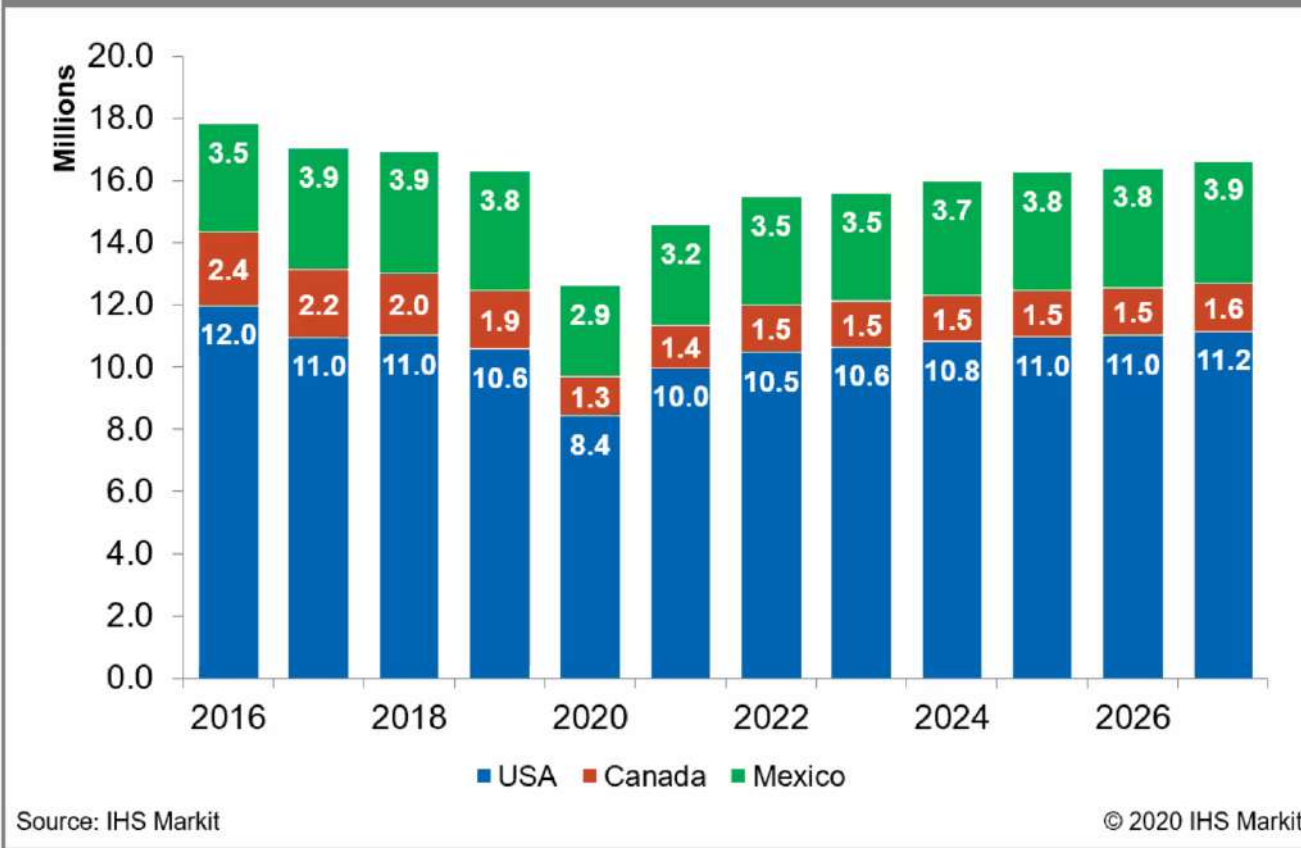


THE STEWART COMPANY

Strategic Value



North America light vehicle production



- Truck / SUV / Van Share > 75%
- Vehicle Future Considerations
 - Electrification
 - Materials and Process Direction
 - Automation
- New NA Vehicle Manufacturers
 - Rivian
 - Lordstown
 - Lucid
 - Nikola
- Excess Capacity (Parts and Vehicle)
- Supplier and OE Financial Health
- Political Issues
- Personal Safety Issues
- Economy Direction / COVID Recovery

Manufacturing in Mexico Benefits

- Reduced Labor Costs (Including Benefits)

USA - +\$22 / Hr.

China - \$4.79 / Hr.

Mexico – \$3.73 / Hr.

- Open Trade Agreements

Mexico has more Free Trade Agreements (FTA's) than any other country in the world (13 free trade agreements with 52 countries) encouraging the transit of goods and services worldwide. With 13 FTA's, Mexico has access to over 60% of the world's gross domestic product and boasts agreements with countries in Europe, South America, and Africa, among others.

- Existing Industry Clusters

Mexico has access to a vast pool of customers within various industries. As the fifth-largest exporter of computers, the sixth-largest aerospace supplier, and the eighth-largest automotive manufacturer, companies have the opportunity to do business with a growing base of OEM's (14 light vehicle and 9 heavy duty vehicle manufacturers) and Tier 1 (600) companies all desiring local supply.

Given the high concentration of manufacturing operations in several industries, companies looking to do business in Mexico can also make use of established infrastructure and robust supply chain networks.

- Skilled / Educated Workforce
- Diversified Operations
- Logistics Considerations / Supply Chain Optimization
- Time zone similarity to customers in the America's.
- Reduced travel time to site compared to Asian LCC.

Mexico Localization - Consideration Items / Drivers

1. Understand your customer's needs, directions and sourcing strategies.
 - Product supply options
 - Localization Commitments / Activity / Timing
 - Peso Policy
 - Tariffs
 - Local Content Calculations and Requirements
2. Understand your competition's direction.
 - Current Competition
 - Possible Mexico / Other Competition
3. Carefully and clearly define your objectives.
 - Mexico Consumption
 - North American Consumption
 - Export
4. Establish your Mexico team of advisors.
 - Partner (AI)
 - INA (Join this organization.)
 - Attorneys
 - Accountants
 - Bank
 - State & Local Government
5. Determine your Mexico company structure and future direction.
 - Mexican Entity
 - Shelter
 - Maquiladora

Mexico Localization - Consideration Items / Drivers

6. Carefully choose your intended location and meet with the state / local government.
 - Customer, supplier and competitor locations
 - Logistics costs and complexities
 - Utilities (Availability, Cost and Quality)
7. Understand the safety issues and protocols.
 - Benchmark practices with local companies
 - Establish Company policies and procedures
 - Form a Company Safety Committee
8. Determine your complete costs and pricing in Mexico.
 - Land/Building/Buildout
 - Equipment
 - Labor (Availability and Cost)
 - Utilities
 - Raw Materials (Availability and Cost)
 - Critical / Purchased Components
9. Determine how you will finance your Mexico operation.
10. Understand and plan your employment strategy.
 - Understand the Mexican laws
 - Embrace the local culture
 - Management and Commercial Activity Structure
 - Facility Startup
 - Team Member On-boarding
11. Understand all tax issues and model your income tax strategy.
12. Be prepared for changes.
13. Determine / plan your exit strategy. (In the event you need it.)

Tier I Components

- High Pressure Die Castings
- Cold and Hot Forgings (Other than fasteners)
- Mold-in-Color Resin Parts
- Plated + Painted Resin Parts
- High Strength Steel

Sub Tier Components that need expansion / additional resources in Mexico

- Small Injection Molding Parts (Design and Engineering Expertise)
- Stampings
- Stainless Steel
- Misc. Tier II Components - Experienced / good local automotive suppliers.



THE STEWART COMPANY

Thank you

THE STEWART COMPANY

James A. Swanson

President

The Stewart Company

3780 Kilroy Airport Way Suite 550

Long Beach, California 90806 USA

jim@stewco.com

Office: 562.599.0006

Direct: 310.947.3735

Cell: 310.351.5073

<https://www.thestewartcompany.com>

Kenneth Smith

Kenneth Smith Ramos has extensive experience in working for the Government of Mexico, specializing in international trade negotiations.

He has formed a key part of Mexico's negotiating teams, working with a variety of institutions.

He recently served as Mexico's Chief Technical Negotiator for the modernization of NAFTA, now known as the United States-Mexico-Canada Agreement (USMCA).



NAFTA Modernization and USMCA Automotive Rules of Origin

Kenneth Smith Ramos

Former USMCA Chief Negotiator for the Government of Mexico and Partner at Agon--Economía | Derecho | Estrategia

September 2020

Specific Objectives in Rules of Origin

Objectives

Chapter on Rules of Origin. Defining a clear and transparent framework that defines under what conditions an exported good qualifies as originating and obtains preferential access.

Specific Rules of Origin. The main objective is for rules of origin to clearly establish the productive process that needs to be carried out in the North American region, so a product can be considered originating and obtains preferential access.

Modifications to rules of origin aim to promote value chain integration in North America and encourage productive linkages between regional industries. It takes into consideration technological advances in each industry.

Automotive Rules of Origin (USA initial position)



Rules of Origin in NAFTA

I. Regional Value Content

Light Vehicles: 62.5%

Heavy Vehicles: 60%

II. Tracing lists for auto parts

USA Proposal

I. Regional Value Content: 85% - 1 year to transition

II. Domestic Content Requirement of 50% - No transition period

III. Tracing List Expansion

Expanding the tracing system to all auto parts and materials used to produce a vehicle or auto parts, including steel, textiles, aluminum, plastic, and other metals used in the production of a vehicle or that are used in any material used in the production of a vehicle.

RULES OF ORIGIN FOR AUTOMOTIVE GOODS

Light Vehicles and Pick-Up Trucks

Average salary \geq \$16/hour

Materials and manufacturing costs
 $\geq 25\%$ cars / $\geq 30\%$ pickups

Technical content and assembly operations^{1/}
 $\leq 15\%$ cars and pickups

Labor Value Content (LVC)

40% cars (4 increases) / 45% pick-ups (immediate^{2/})

Steel and Aluminum

$\geq 70\%$ based on purchases of OEMs



Regional Value Content (RVC)

75% / Net Cost / 4 increments

RVC Auto parts / Net Cost / 4 increments

| Essential* | Principal | Complementary |
|------------|-----------|---------------|
| 75% | 70% | 65% |

* 7/7 must be originated in North America

Heavy Vehicles

Average salary \geq \$16/hour

Materials and manufacturing costs
 $\geq 30\%$

Technical content and assembly operations^{1/}
 $\leq 15\%$

Labor Value Content (LVC)

45% (immediate^{2/})

Steel and Aluminum

$\geq 70\%$ based on purchases of OEMs



Regional Value Content (RVC)

70% / Net Cost / 7 increments

RVC Auto parts / Net Cost / 7 increments

| Essential | Principal ^{3/} | Complementary ^{3/} |
|-----------|-------------------------|-----------------------------|
| 70% | 70% | 65% |

1/ Technical criteria includes I&D and TI services. Assembling operations comprise a motor and transmission plant or batteries with a minimum capacity of 20,000 goods.
 2/ Entry into force by January 1, 2020.
 3/ Goods with an RVC 50% under Net Cost will be 60%. Other parts keep TLCAN 1.0.

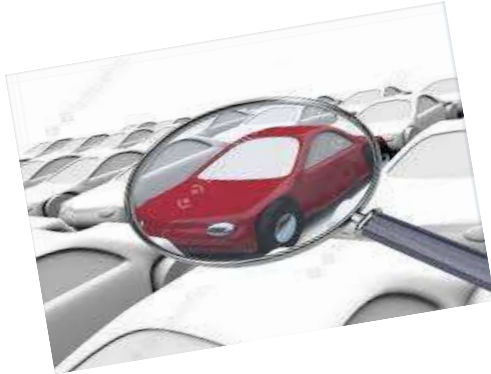
1/ Technical criteria includes I&D and TI services. Assembling operations comprise a motor and transmission plant or batteries with a minimum capacity of 100,000 goods for motors and transmissions and 25,000 for batteries.
 2/ Entry into force by January 1, 2020.

AUTOMOTIVE TRADE (LIGHT VEHICLES AND AUTO PARTS)

1. Free trade and unlimited access

Originating

- ✓ Comply with ROO
- ✓ 0% tariff



Non-Originating

- ✗ Don't comply with ROO
- ✓ Pay MFN tariff

2. Increase in MFN tariff

Originating

- ❖ Tariff free



Non-Originating

Light vehicles

- ❖ 2.5% tariff, when complying with ROO NAFTA 1994
- ❖ 1.6 million units



If the amount exceeds 1.6 million units, they pay current tariff



- ❖ Tariff free

- ❖ MFN tariff, when complying with ROO NAFTA 1994
- ❖ 108 B USD

Auto parts

3. Extraordinary Measures (Sect. 232)

- ✓ Access for current export capacity is guaranteed for auto parts industry for...

2.6 million vehicles

Originating

- ✓ 0% tariff

Non-Originating

- ✓ 2.5% tariff
- ✓ ROO NAFTA 1994

108 billion USD in auto parts

Originating

- ✓ 0% tariff

Non-Originating

- ✓ MFN tariff
- ✓ ROO NAFTA 1994

Automotive Rules of Origin (Transitions)

¿Is there a transition period to comply with the new Rules of Origin?

Yes, there will be 4 increments. Transition: 3 to 7 years, depending on vehicle category

For heavy vehicles, a 7-year transition period

For light vehicles and pickups, a 3-year transition period

Transition Periods Timeline

| Element | Entry into force (EIF) | 1 year after EIF | 2 years after EIF | 3 years after EIF |
|---------------------------------|------------------------|------------------|-------------------|-------------------|
| RVC | 66% | 69% | 72% | 75% |
| LVC | 30% | 33% | 36% | 40% |
| Essential auto parts | 66% NC* | 69% NC | 72% NC | 75% NC |
| Principal auto parts | 62.5% NC | 65% NC | 67.5% NC | 70% NC |
| Complementary auto parts | 62% NC | 63% NC | 64% NC | 65% NC |

*NC: Net Cost



Automotive Rules of Origin (Results)

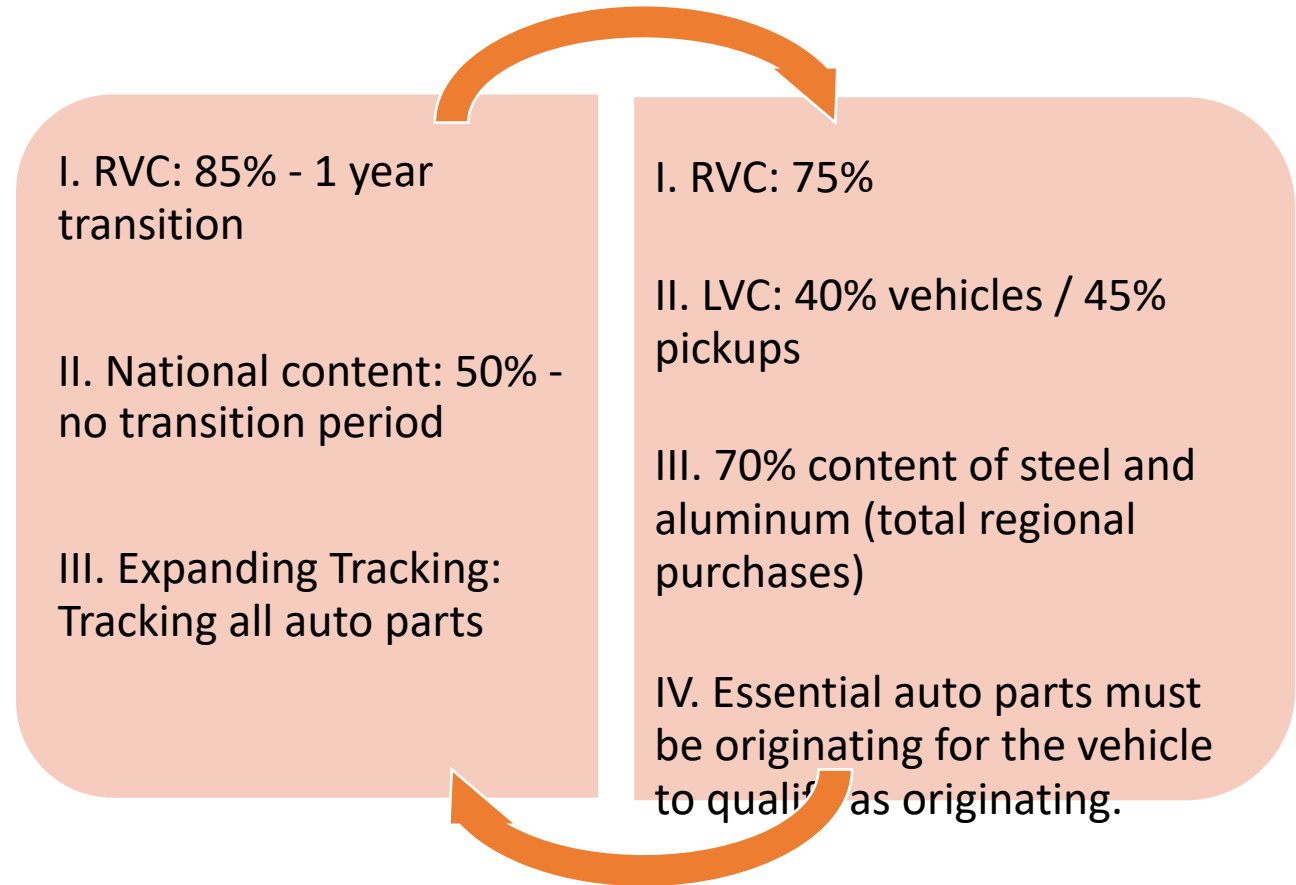
Verification: Auditing of labor value content by the US Department of Labor was avoided.

Tracking: The administrative burden was reduced by not requiring tracking of every auto part and material in the supply chain.

Transition periods: Periods are expanded so firms can make the needed adjustments to reach the highest levels of content.

Roll up will be allowed (cumulation): The calculation method for RVC is simplified by eliminating the tracking system in the actual rule.

Auto parts: The use of averages for essential auto parts and alternative tariff shift rule for principal and complementary auto parts.



Special Transitions

Was a special regime or any flexibility included for firms that are in no condition to comply with the new Rules of Origin when the USMCA enters into force?

Yes, a clause that allows case by case reviews for companies that need longer transition periods

Possibility of discussing modifications to the new requirements

Negotiating the Uniform Regulations

Uniform Regulations (UR)

- They detail how USMCA Parties must **interpret, apply and administrate** the obligations related to customs procedures and Rules of Origin.
- The three Governments need to interpret together the chapters on Rules of Origin and Customs Procedures.
- They are designed to guarantee a **consistent and uniform treatment**, to provide certainty to importers, exporters and producers in the three countries.
- Clarity is essential for the innovative concepts in the automotive rules of origin.

Sectors with great potential for attracting investment

- Automotive
- Aerospace
- Machinery & equipment



- Medical equipment
- Pharmaceutical
- Digital economy



- Logistics & Transportation
- Agriculture/
- Agribusiness



Key Factors

- Stricter Rules of Origin
- Nearshoring & National Security
- “The New Normal”

Structural changes in world economy and trade war between US & China

Nearshoring Opportunity

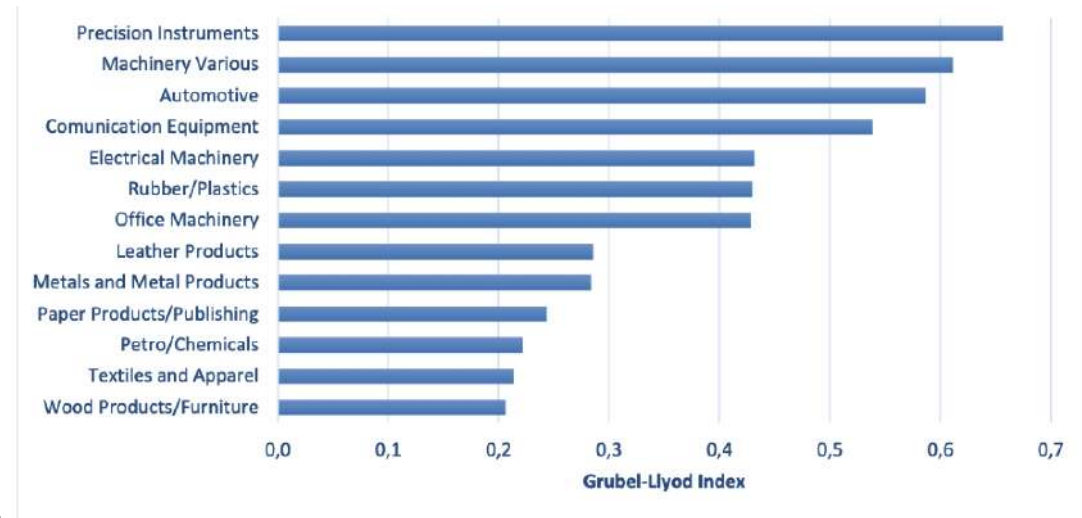
Mexico more attractive for foreign investment

Impact by Sector:

- Automotive US\$7,020M
- Textiles & Apparel US\$1,526M
- Telecoms Equipment US\$5,311M
- Furniture US\$2,050M
- Electrical Machinery US\$4,837M
- Leather Goods US\$686M
- Machinery US\$9,485M
- Metals and Metal Products US\$3,064M
- Office Equipment US\$1,921M
- Paper Products US\$538M
- Chemicals US\$5,417M
- Precision Instruments US\$4,389M
- Plastic & Rubber US\$1,557M

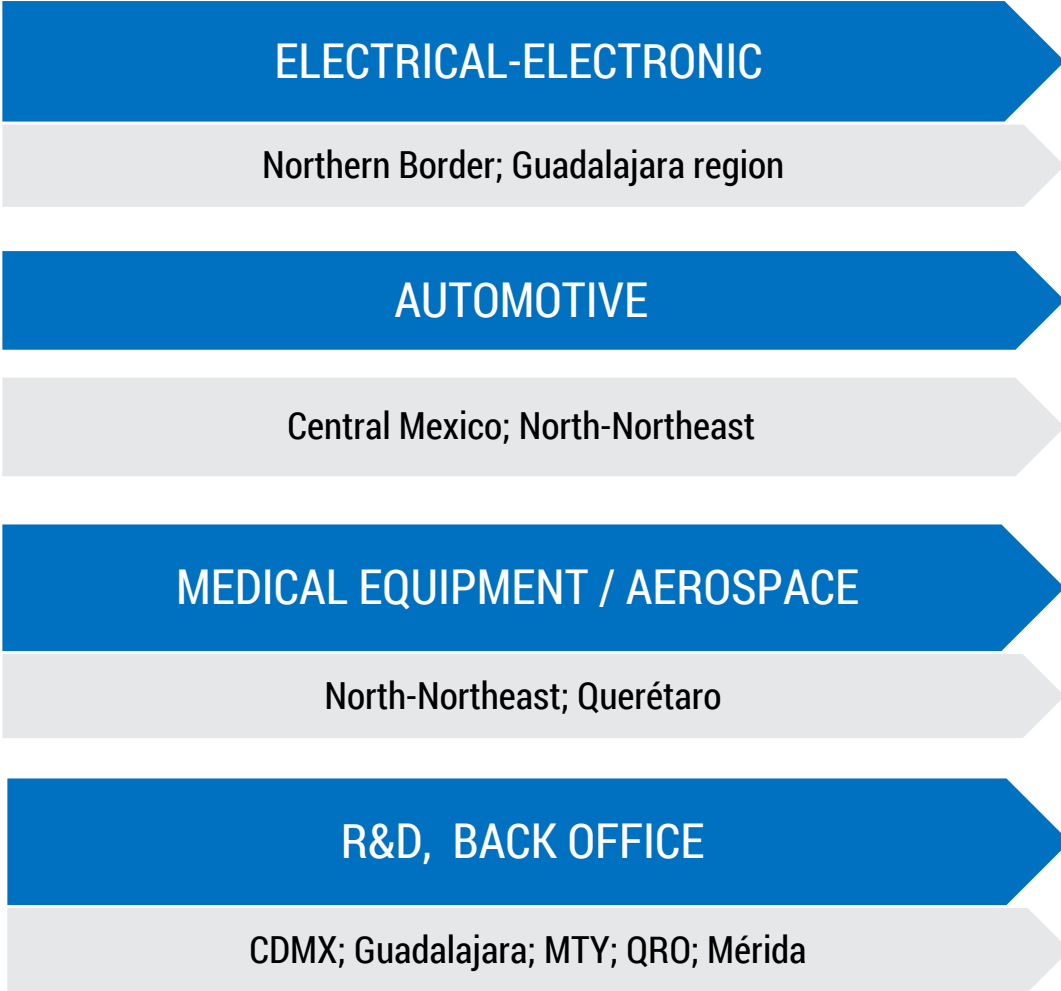
Integration of Chinese Products by Industrial Sector, UNCTAD

Using the Grubel-Lloyd Index, products with an index close to 1 show a higher level of integration of chinese components.



A 2% reduction in exports of intermediate Chinese inputs would lead to great opportunities for other countries across numerous sectors.

Investment Clusters





Kenneth Smith Ramos

Partner

kenneth.smith@agon.mx

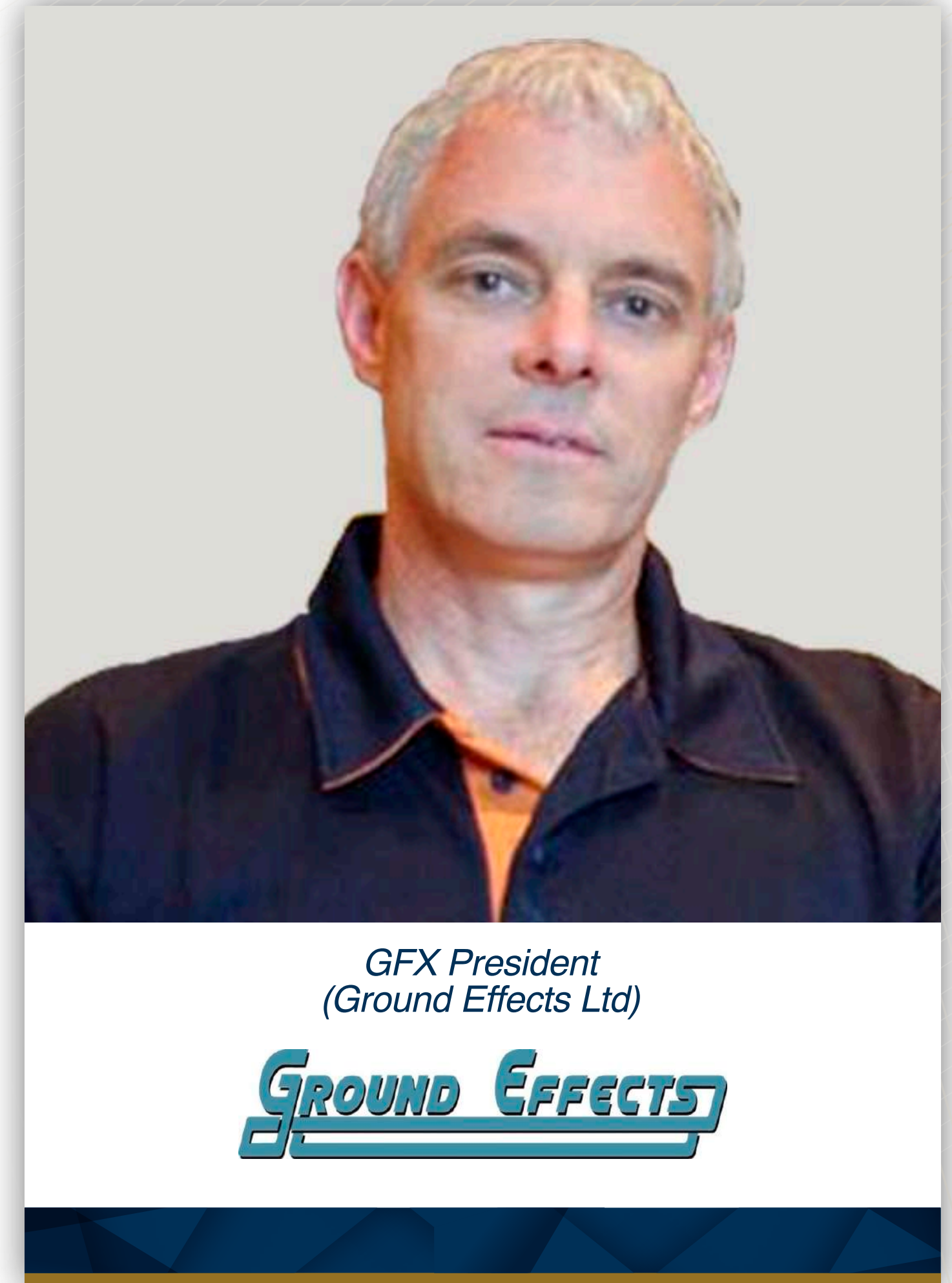
 KenSmithramos

Jim Scott

Jim Scott was hired as General Manager of Ground Effects Ltd. in 1989 and was named President in early 1991.

Under his management, GFX has grown from a 5-facility operation into a 30-facility operation expanding operations into the US, Mexico, South Africa and China in the past 7 years.

GFX now employs over 3,400 associates.



GROUND EFFECTS



USA / CANADA

31 Operations that Focus on Manufactured Products
Up-fitting
Spray-On Bed Liners

CHINA

Project Management
Various Manufacturing
Up-fitting (2021)
New Joint Venture

THAILAND

Spray-On Bed Liners

MEXICO

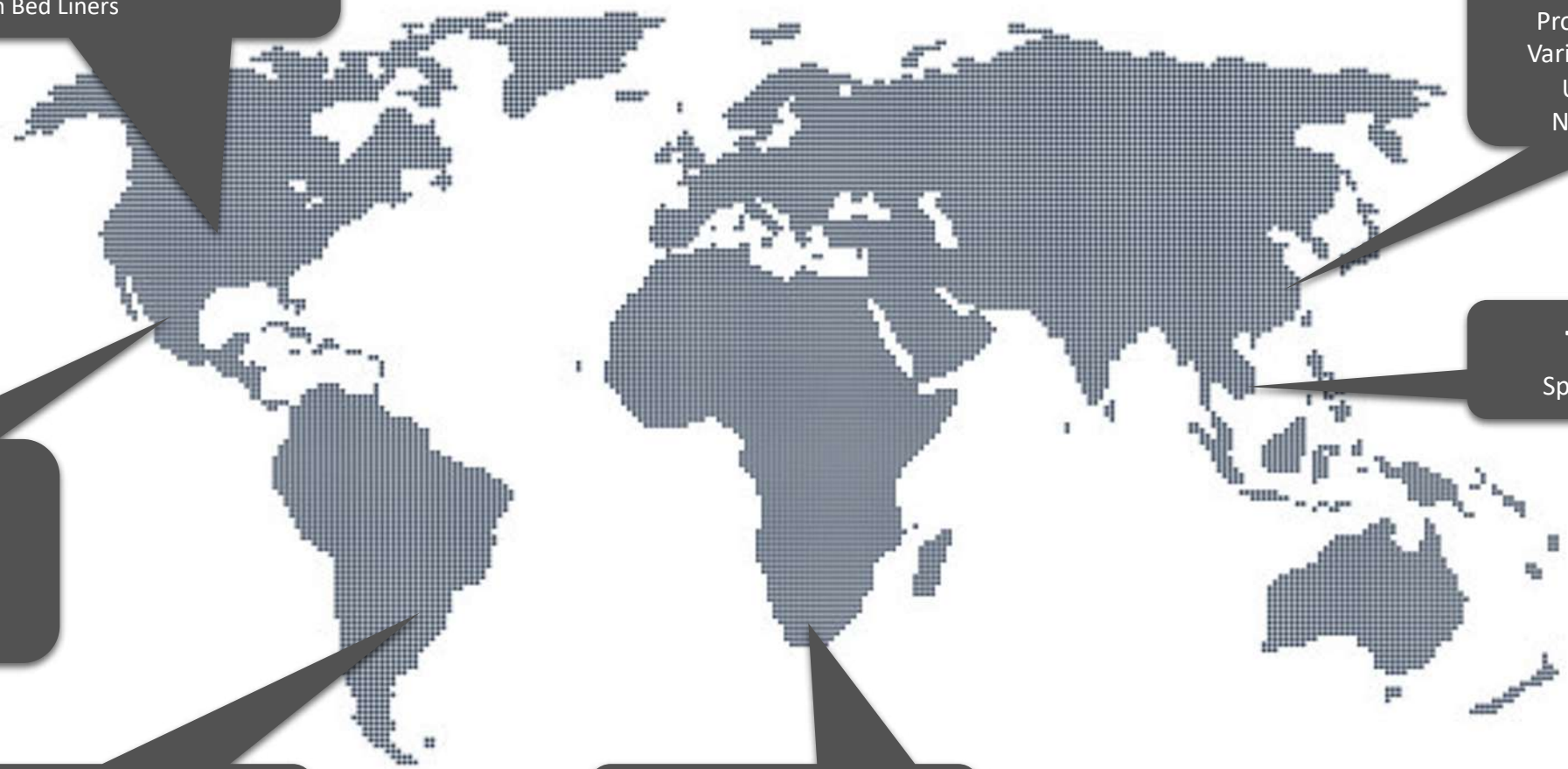
Spray-On Bed Liners
Specialty Vehicles
Various Up-fitting
Manufactured Products

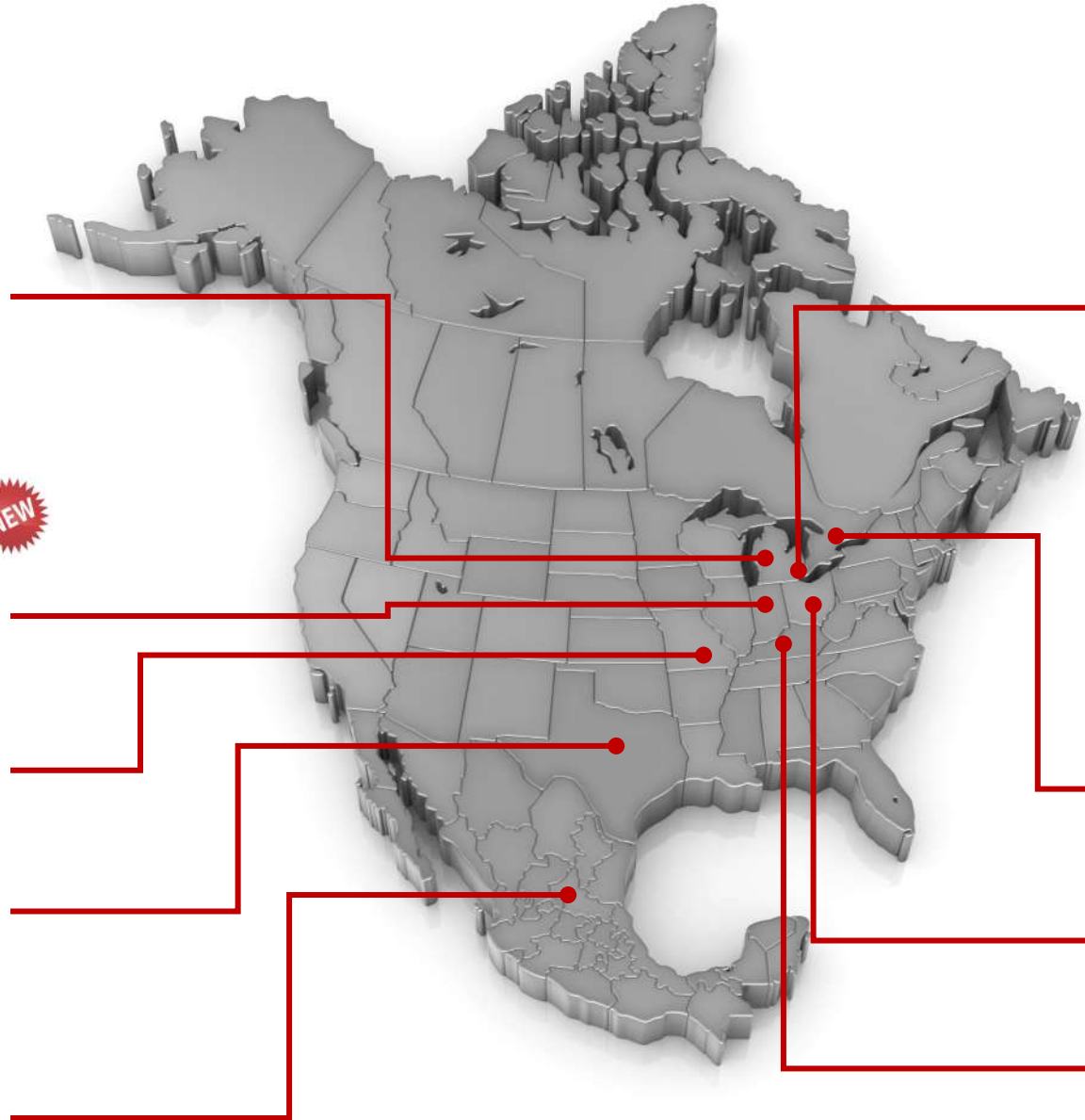
Brazil / South America

Spray-On Bed Liners (2021)

SOUTH AFRICA

Spray-On Bed Liners





MICHIGAN OPERATIONS

- 08 Warren Custom Shop (1990)
- 09 Warren Custom Shop (1919)
- 10 Dearborn VP Center
- 12 Flint SSM Facility
- 24 Sterling Heights Custom Shop
- 26 Wayne VP Center
- 29 19 Mile Custom Shop **NEW**
- 30 Warren Custom Shop (1950) **NEW**

INDIANA OPERATIONS

- 16 Fort Wayne SSM Facility

MISSOURI OPERATIONS

- 11 Kansas City VP Center
- 18 Wentzville SSM Facility

TEXAS OPERATIONS

- 20 San Antonio SSM Facility

MEXICAN OPERATIONS

- 14 Toluca Custom Shop
- 17 Silao SSM Facility
- 31 Hermosillo VP Center **NEW**

HEADQUARTERS – WINDSOR

- 01 Tube Bending & Machining
- 02 Assembly & Packaging
- 03 E-Coat & Powder-Coat
- 04 Hydragraphics & Painting
- 05 Minivan / L-Car Custom Shop
- 06 IS&D Furniture Division
- 07 ANM Coatings
- 22 Special Vehicle Center
- 25 Warehouse
- 27 Injection Molding **NEW**
- 28 Coating Operations

ONTARIO OPERATIONS

- 13 Bolton Custom Shop

OHIO OPERATIONS

- 21 Westlake Coating Facility

KENTUCKY OPERATIONS

- 19 Louisville VP Center

OEM-DIRECT SECOND STAGE MANUFACTURING



GMC Sierra / Chevy Silverado HD
Flint, Michigan and Whitby, Ontario



FCA Ram LD
Warren, Michigan



Ford Ranger
Wayne, Michigan



Toyota Tundra
San Antonio, Texas



Ford F-150
Dearborn, Michigan



GMC Sierra / Chevy Silverado LD/HD
Fort Wayne, Indiana and Whitby, Ontario



Dodge Charger
Chrysler Pacifica
Ontario



Chevy Corvette
Bowling Green, Kentucky



Ford SuperDuty
Louisville, Kentucky



GMC Canyon / Chevy Colorado
Wentzville, Missouri



GFX 2019 PRODUCTION

OVER 1,100,000 VEHICLES & 1.5 MILLION FINISHED ASSEMBLIES



Ford Medium Duty Truck
Westlake, Ohio



GMC Sierra / Chevy Silverado LD
Silao, GTO, Mexico



Ford F-150 and Transit Van
Kansas City, MO



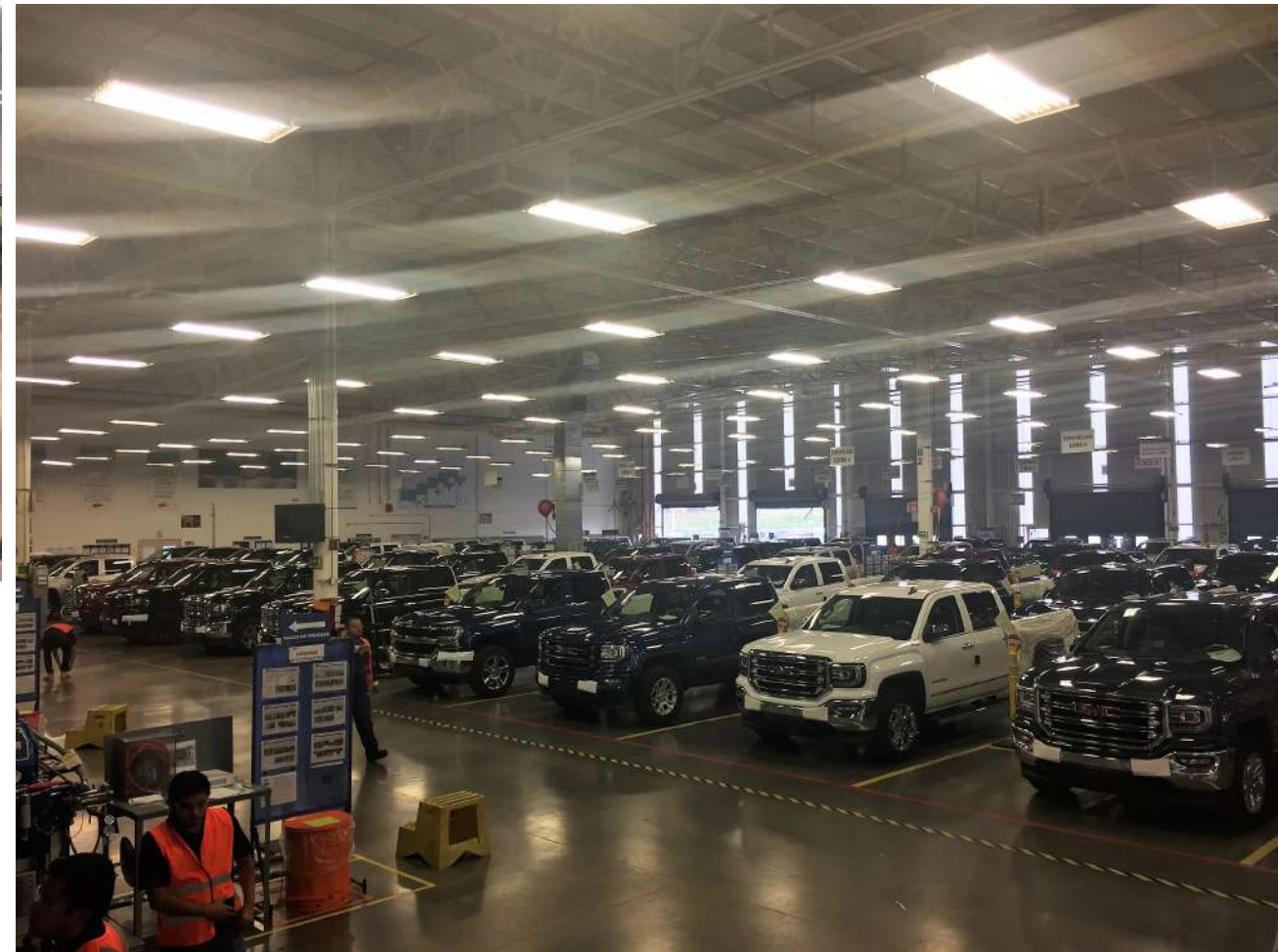
CURRENT PROGRAMS:

- Spray-On Bed Liners
- Body Side Moldings
- Bed Steps
- TRX Program (12 products)
- Off-Road Program (3 products)
- Rebel Graphics
- Built-to-Serve / Hero Edition
- Tonneau Covers
- Adjustable Tie-Down Rails



Employee retention rates and seniority are amongst the best in the organization. The site management's commitment to safety, maintenance, and cleanliness is world class and the model of other GFX locations.

Starting in 2012 as a modest operation with 2 production cells and a plan to complete 25,000 units per year, Silao has grown into GFX's flagship site with the highest quality and best overall productivity. The facility now handles over 210,000 units annually.



MANUFACTURED PRODUCTS



FCA Ram Truck Extruded Aluminum Side Step
Available in Bright Chrome and Powder-Coated Black Finish



RAM



FCA Ram Truck Stainless Steel Side Step
Available in Flash Chrome and Powder-Coated Black Finishes



**GMC Canyon / Chevy
Colorado Rock Rail**

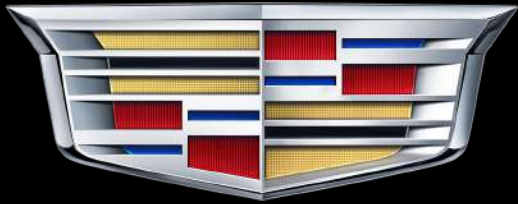


**GMC Sierra / Chevy
Silverado Tubular Side Step**



**GMC Canyon / Chevy
Colorado Sport Bar**

GFX intends to be a leading developer and manufacturer of roof rack systems to the North American light vehicle market. With the assistance of a global supply base for raw materials and equipment providers, the goal is to continuously improve this product to sustain dedicated operations through the use of world-class engineering and quality-driven manufacturing techniques.



Factory-Installed Side Rails;
Dealer Installed Cross Rails

Chevrolet Traverse Roof Rail System:

- Innovative modular 5-piece design that allows for uniform or multiple finishes without the need for several product designs or additional tooling
- Robust design capable of class-leading payload capabilities
- Designed for safety to meet stringent city crash test performance
- Integrated fastener and seal design that reduces build complexity and bill-of-materials content
- Design optimized for automated manufacturing



GFX is a back-to-back-to-back recipient of GM Supplier-of-the-Year Award

- 
- A black and white photograph of industrial machinery, likely a conveyor belt system, with various rollers and metal components. The image is slightly blurred, creating a sense of depth and focus on the foreground elements.
- ❖ Outstanding knowledge and experience in conducting business in Mexico
 - ❖ Valuable advisory services including matters related to IMMEX and VAT issues
 - ❖ High quality employment services that includes a complete spectrum of management staff and direct laborers
 - ❖ Logistics, immigration, and customs expertise including warehousing services in Laredo and other border locations
 - ❖ Reliable management, administration, and other back office expertise that aligns well for a foreign-owned organization

Gerardo González

Since 2014, Gerardo González has served as General Director for the Guanajuato Region (located in Central Mexico) at ***American Industries***[®].

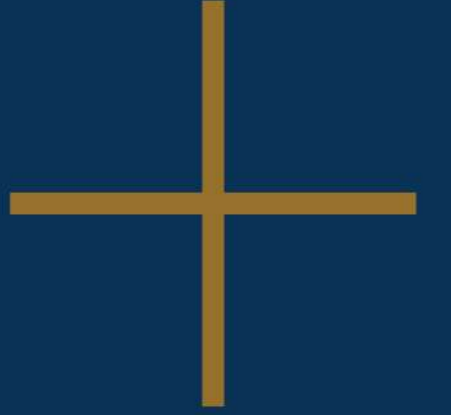
In 2012, he worked as an Economic adviser for the Governor of the State of Guanajuato and has worked since 2005 providing consulting services on strategic planning for entrepreneurs.



Softlanding in Mexico

Nearshoring or Offshoring

in Mexico?



*Did you know you can establish
a manufacturing or distribution facility in Mexico*

without the need to:

- Establish a mexican legal entity
- Pay VAT on imports / VAT on local purchases
- Worrying about administrative activities

Why Mexico?

Think strategically about where to invest in new manufacturing capacity



Competitive Peso Currency

The peso tends to remain undervalued / export-invest friendly



Competitive Labor Cost / highly skilled labor force

High Productivity / 1.3 million new jobseekers per year / 110,000 engineers



Consider nearshore production to the largest economic bloc

to improve market response and reduce inventory



Industry Clusters

Government - Academy - Suppliers

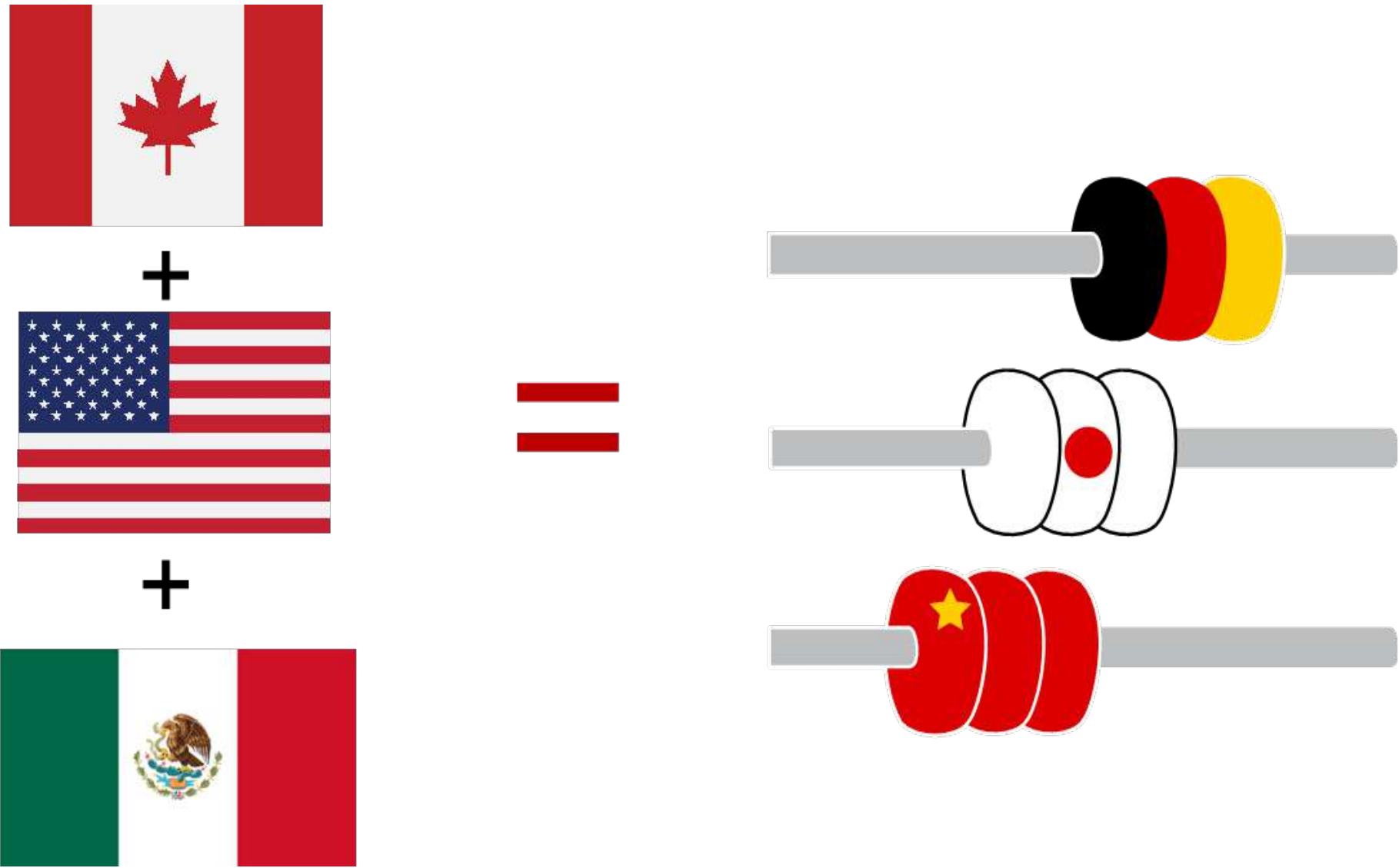


Certainty in trade policies / Commercial Agreements

New USMCA / 11 FTA's (46 countries) / 32 IPPA's (33 countries) / 9 ECA's

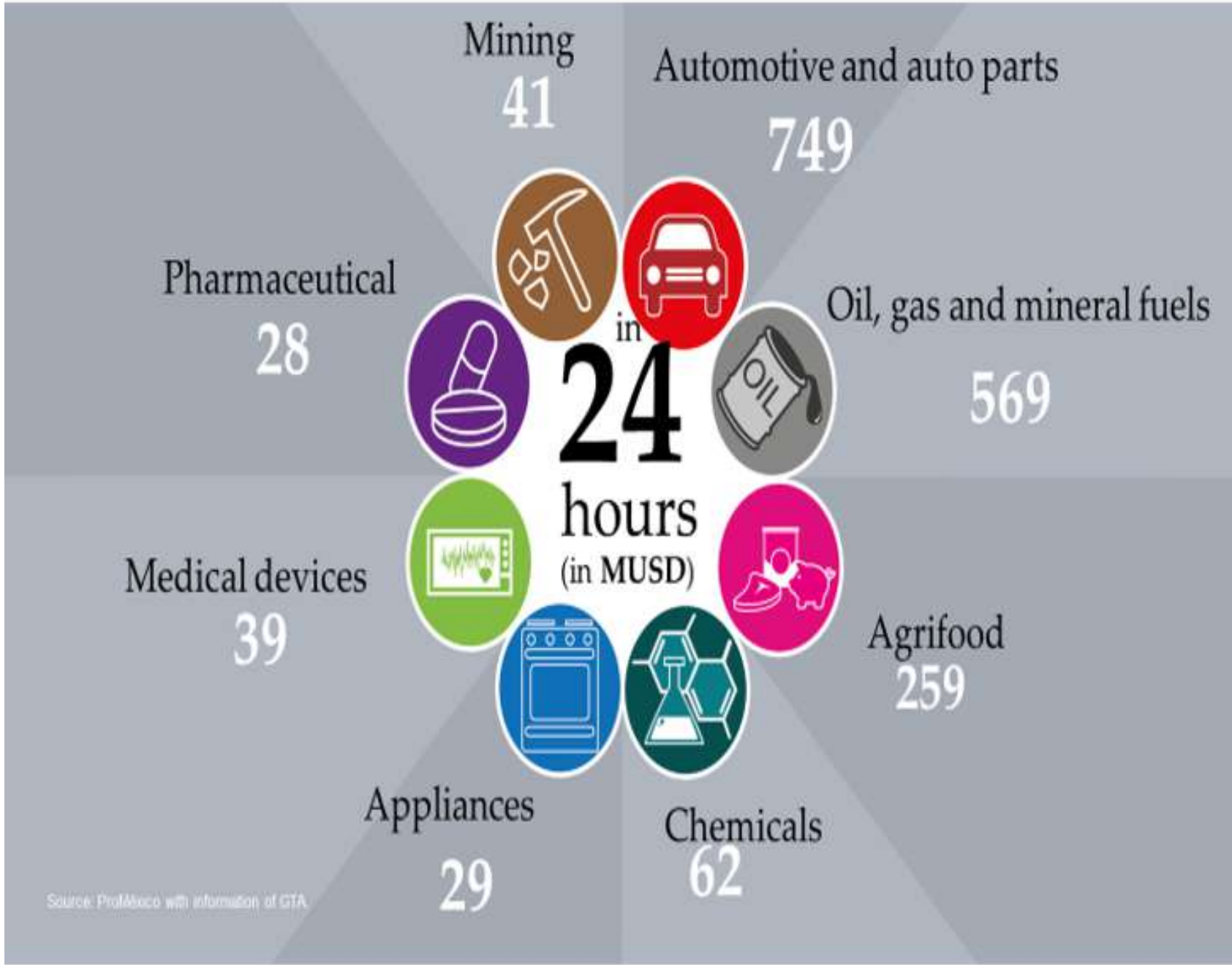
Mexico is North America

Regional sourcing integration



COMBINED GDP:
25 trillion

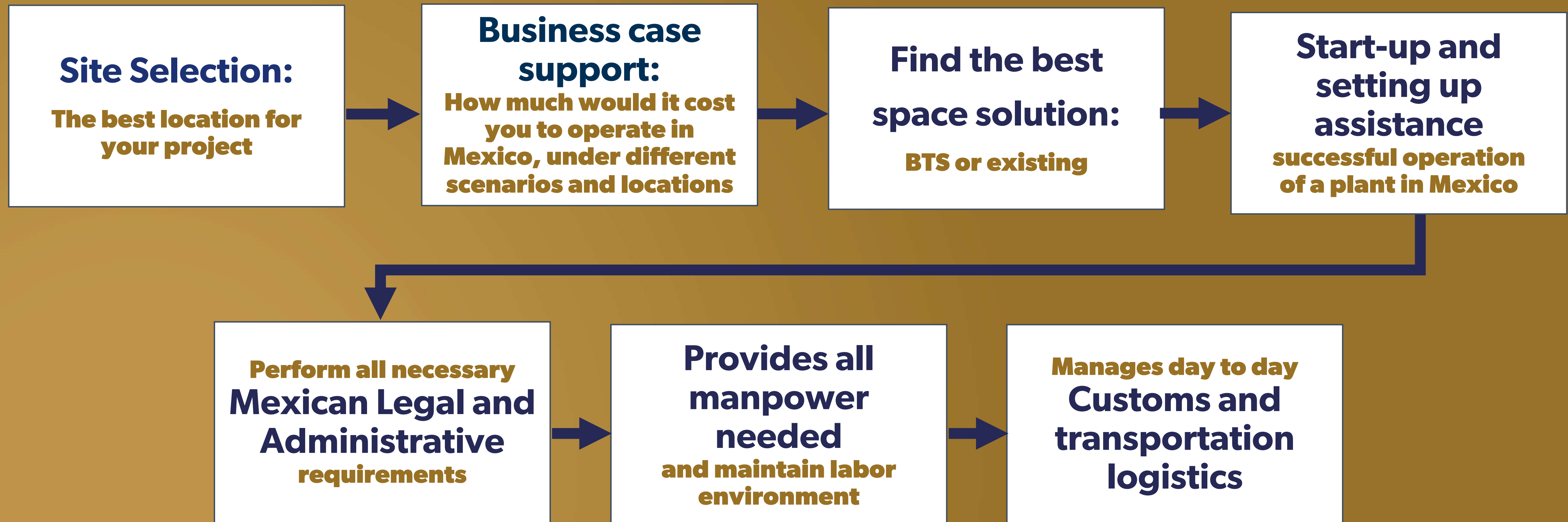
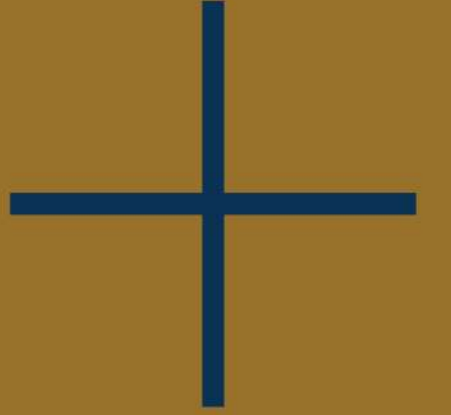
North America intra-regional trade



- North America countries move about half of its exports intra-regionally.
- 1 in 4 exports we trade intra-regionally come from the automotive and auto parts sector

Setting up operations in Mexico:

Facilitation process



Our Mission

To provide high quality, value added products and services that facilitate the successful establishment and operation of international companies in Mexico

Shelter Concept

“You bring your manufacturing expertise, we provide you with a comprehensive package of administrative functions required for your business to succeed in Mexico.”

Focus on your core business,
We'll take care of everything else!

Services Covered

Under AI Shelter Program



- **All size of projects**
- **All industrial sectors**

A.I. Shelter Program Benefits



FOCUS

- **Full control of operation**
- **Focus on productivity, quality, customer, on time delivery**



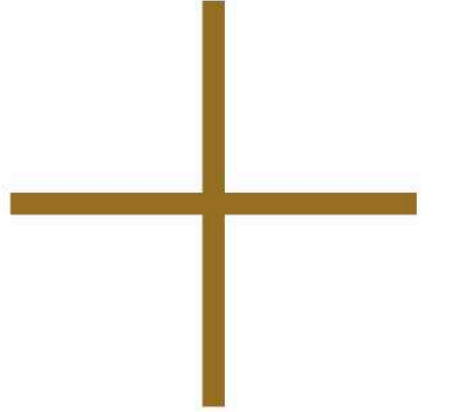
TIME AND SAVINGS

- **Established entity.**
- **Certifications and licenses in place**
- **Immediate access to AI team**
- **Lower learning curve**
- **NO VAT PAYMENT on imports of Raw material and equipment**
- **NO VAT PAYMENT on local purchases**
- **No extra or hidden fees**
- **No mark-ups**



LESS RISK AND LIABILITIES

- **Full compliance with laws and regulations**
- **Less supervision from HQ**
- **Option to operate under an incorporated or non-incorporated scenario**



Industrial

Real Estate Solutions

Services & Products

- Services: Site Selection, PM
- Industrial Parks
- Inventory Buildings
- Multi-Tenant Facilities
- Modular Warehousing
- Built-To-Suit Lease
- Sale and Leaseback

About

American Industries®

American Industries® is a private Mexican company that has helped over 200 international companies to successfully start up and grow their distribution and manufacturing operations throughout Mexico since 1976 through our 2 Business Units:



Shelter Services

Administrative support
for your operation



Industrial Real Estate

Ideal space solutions



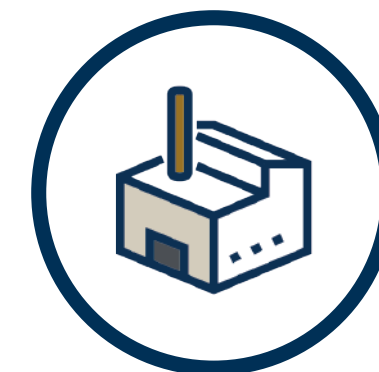
CLIENTS: + 50



HC: +16,000 employees



Industrial Parks: 15



Buildings: +125 / 14 M ft²
Tenants: 149



Trade transactions (yr):
+30,000 trouble-free

Our Clients



[Aerospace]

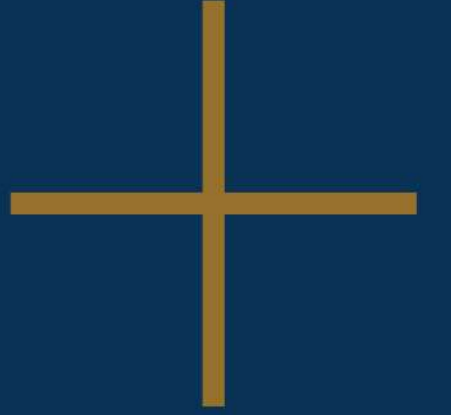


[Automotive]



[Other Industries]





Thank You

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CAN toll-free: +1 (844) 422 4922

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aiwebinars@americanindustriesgroup.com

Participants



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