



**2008 SEMA and AAPEX Shows
Las Vegas, Nevada, USA
November 3 to 7, 2008**

CTMA member companies Prothane Ltd. and Micrometric Ltd., along with association representative CTMA Director and Past-President Horst Schmidt, attended both the SEMA and AAPEX shows that were held in Las Vegas, Nevada, USA from November 3 to 7, 2008.

The SEMA and AAPEX shows are both dedicated to the aftermarket of the automotive industry and each show addresses a different sector of this market. SEMA focus is on the new car aftermarket which includes dealer installed options along with post purchase installed options. The AAPEX show is directed at the automotive replacement parts, repair and maintenance market. Due to the different market sectors of each show the forecasts for the coming year are considerably different. SEMA is forecasting a reduced market and the education portion of the show was directed at this change in the economy. AAPEX on the other hand is forecasting a substantial market upswing due to the fact that owners will be holding onto their cars much longer thus requiring more repair and maintenance on them.

The SEMA Show

The power train emphasis was on smaller engines and lower cost upgrades including modified computer systems, bolt on induction systems, high performance exhaust systems, and numerous other add-on features. Gone were the big displays for: the large displacement block engines; wholesale power plant replacements; and the expense of the nitrous oxide systems. In the power plant areas the theme seems to be to produce more power from the existing original equipment engines in the vehicles. Further there seemed to be greater attention on smaller block and smaller displacement with high RPM engines in the four-cylinder and six-cylinder classes.

On the customizing side of the show the slogan has gone from customize to personalize the customers vehicle. The market is shifting to a customer that is personalizing his vehicle through a series of purchases and modifications as opposed to the former customer that was doing a complete makeover of a new vehicle. Even ground effects packages and body modifications have been redesigned to accommodate these incremental steps in personalizing the vehicle. These designs appear as a completed package at every stage of installation and do not give a partially finished look to a vehicle.

In the electronics area, the in-vehicle entertainment system still forms a major feature for the original OEMs, however inroads are being made to provide aftermarket installed products. The areas of stereo systems, satellite radio, navigation systems, in car video systems, sport seating packages, window tinting, and others have developed substantially to the point that they are very difficult to distinguish from OEM installed equipment. New entries into this market now include aftermarket ABS braking, electronic traction control, add on dynamic stability, electronic engine management, blind spot detection, and a host of other drive and control systems regarded in the past to be the domain of the OEM auto companies. It seems that virtually any option that can be ordered with the vehicle can now be purchased as an aftermarket installed option.

All the OEMs have now entered the aftermarket to some extent initially servicing the aftermarket developers and providing data models of their vehicles to permit them to develop design and

build aftermarket products. This has grown to the point that some OEMs now have their own aftermarket design studios where they concurrently design the aftermarket products for these vehicles along with a license to build a market through their dealerships which are then sold to the highest bidders in the aftermarket industries.

To accelerate and assist in the development of after market products the associations for the aftermarket developers have on the behalf of their members purchased the design and data of new vehicles from several OEMs. This data is then distributed to the members to assist them in the design and development of their aftermarket products. To further assist the members the associations are carrying out a very focused educational program to assist their members in coping with the downturn in the market. These programs focus on: lean Manufacturing, modular designs, business and financing, cash flow management, increase productivity, inventory controls, and a host of other business and management tools required for a sound business in this economic climate.

There were a number of new products introduced at the SEMA show and most of these have moved away from the flashy products of the past. It seems be a new direction of adding value, along with personalization, rather than customization for the sake of style. There is also a very strong trend to improve the leading products of yesterday with better appearance, fit and function. Further, the trend is to make these aftermarket products integrate seamlessly into the new vehicles and appear as being OEM installed. Many of these products are relying on Bluetooth technology to facilitate this place-and-play integration functionality. Bluetooth technology has also facilitated more functions on any given device and better integration into the automotive systems.

The AAPEX Show

We understand that this show which was held in the Sands Convention Center was slightly larger than last year's show and the exhibits more elaborate. The aftermarket replacement parts sector is trending up despite the slow down in the economy and it is forecasting growth for 2009 in the area of 8 to 10%. Today's vehicles have more electronic controls and management systems including diagnostic systems that report failures through onboard computers, all of which require vehicle service centres to have the capability of reading these codes to facilitate repairs.

Until recently, the ability to read high-level codes in these systems was restricted by the OEMs to their authorized dealerships, but associations representing the automotive service industries have lobbied hard over the last several years to get legislation changed to force the OEMs to provide all automotive service facilities access to these code reading devices. In addition, they have obtained access to specialty tools and instruments required to carry out some of these specialized repairs for their membership and the automotive service industry in general. These recent achievements and legislative changes have allowed the automotive service industry to expand into new vehicle service and repair which has become very important in today's economic times.

Government regulations and performance standards placed on the OEMs has resulted in an attempt to use any and all methods possible to reduce the weight of vehicles to meet these regulations and standards. Some of the easiest areas for them to address was to reduce wear surfaces on wear components, which resulted in shorter service life of these components. Examples of this are reduced tread on tires, reduced wear surfaces on brake pads, and reduced wear surfaces on brake discs, just to mention a few. All of these parts meet new vehicle requirements and regulations and dramatically reduce the weight of the vehicle allowing it to

meet the government's standards. Overtime this practice has resulted vehicle owners having the opinion that many aftermarket parts are of superior quality to OEM parts since the replacement parts perform as good as, or better than, original parts and seem to last longer. The result has been a stronger shift to aftermarket repair facilities rather than OEM dealer repair facilities. All of these factors encourage the general public to keep their vehicles longer and as a result they are investing more into repair and maintenance which is adding to the projected growth of this market.

Conclusion:

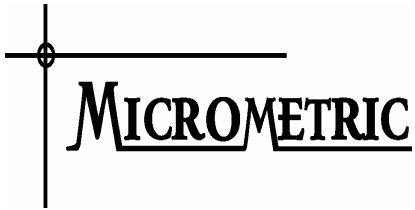
Although the North American aftermarket is in decline, the maintenance and repair sector will be up. This is still a market in excess of \$200 billion annually and will provide growth opportunities in certain market sectors. These sectors will require additional machinery and tooling to meet this demand.

The long-range horizon for vehicle customization market will have considerable pent-up demand through this recession which could provide an excellent opportunity for the launch of new businesses or products. In this regard the automotive industry is also changing considerably with better fuel economies, more efficient engines, electric vehicles, greener technologies, etc., which should provide the basis of new products and new market areas leading us out of this recession and creating new opportunities for companies in the tool, die, mould and machining industry.

Please also see the attached testimonials from MicroMetric Ltd. and Prothane Ltd.

Respectfully submitted,

*Horst Schmidt, Past-President
Canadian Tooling & Machining Association
December 8th, 2008*



1210 Markham Rd., #5
Scarborough, ON M1H 3B3
Tel: 416-291-1974
Fax.: 416-291-5011
e-mail:micrometric@on.aibn.com

December 11, 2008

Re: Sema and AApex show, Las Vegas, Nevada

Dear Sir/Madam:

On November 3 – 6, 2008, I had the opportunity to attend the Sema & Aapex shows in Las Vegas, Nevada, on behalf of the Canadian Tooling and Machining Association, as well as Micrometric Ltd.

It was quite an eye opener to see all of the aftermarket parts that are manufactured to support this segment of the industry. Two years ago my partner, Robert Cattle, met two gentlemen from a Chicago based company at this same show & Micrometric is now producing tools & assembly equipment for them.

I truly believe that it is very important for Canadian companies to look at all opportunities that could make them grow and prosper in today's global marketplace. PEMD funding allows smaller sized companies, like ourselves, to visit trade shows & gather information that they would otherwise miss. This information is also relayed to our other member companies through our newsletter, web-site and networking opportunities.

Thank you very much for this opportunity to voice my thoughts.

Sincerely,

Vince Docimo
Vice-President, Micrometric Ltd.

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MILL SHAPES

November 27th 2008

Canadian Tooling and Manufacturing Association
Julie McFarlane
140 McGovern Drive, Unit #3
Cambridge, ON N3H 4R7

Dear CTMA,

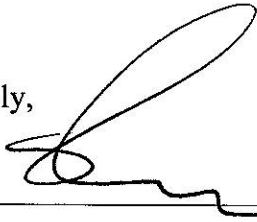
RE: SEMA SHOW

Thank you for giving myself the opportunity to visit the SEMA Trade show., November 3 –, November 5, 2008 LAS VEGAS CONVENTION CENTER, LAS VEGAS, NEVADA, USA

This event was a great success. I was able to meet with some potential new customers that I am currently working with on some new projects. This show was able to show my company on other business opportunities that can further our business which in turn benefit's all Canadians.

I had the opportunity to meet with other companies that are in similar product lines, introducing ourselves and discussing some opportunities that can benefit both.

Sincerely,



Prothane

SEAN McTEAR
VICE PRESIDENT



WWW.PROTHANE.CA