OVERVIEW

This section summarizes selected key current laws and regulations in the United States, Poland, PRC and Mexico that are relevant to our business and operations.

LAWS AND REGULATIONS OF THE UNITED STATES

Automobile and automotive parts manufacturing companies are subject to or otherwise affected by a wide range of U.S. federal, state and local laws and regulations. These include requirements relating to air emissions, water discharge, hazardous materials, waste management and environmental remediation, some of which are discussed below. These laws and regulations may also require the acquisition and maintenance of permits or other governmental authorizations.

Automobile Safety

The U.S. National Traffic and Motor Vehicle Safety Act of 1966 (the "Safety Act") regulates automobiles and automobile equipment in two primary ways. First, the Safety Act prohibits the sale in the U.S. of any new automobile or equipment that does not conform to applicable automobile safety standards established by the National Highway Traffic Safety Administration. Meeting or exceeding many safety standards is costly, in part because the standards tend to conflict with the need to reduce automobile weight in order to meet emissions and corporate average fuel economy standards. Second, the Safety Act requires that defects related to automobile safety be remedied through safety recall campaigns. A manufacturer is obligated to recall automobiles if it determines the automobiles or their components do not comply with a safety standard. Finally, a manufacturer is also required to notify owners and provide a remedy if an automobile defect creates an unreasonable safety risk.

Automobile Emissions Standards

The U.S. Clean Air Act imposes stringent limits on the amount of regulated pollutants that may be emitted by new automobiles and engines produced for sale in the U.S. The current ("Tier 2") emissions regulations promulgated by the U.S. Environmental Protection Agency ("EPA") set fuel emissions standards for cars and light trucks. The EPA also has stringent emissions standards and requirements for heavy duty automobiles and engines. In March 2013, the EPA proposed "Tier 3" vehicle emission and fuel standards to reduce further air pollution from cars and trucks, as well as some heavy-duty vehicles. The program, if finalized, would set new vehicle emissions standards and lower the sulfur content of gasoline beginning in 2017.

The California Air Resources Board's low-emission automobile emissions standards require light-duty trucks and passenger cars to meet stringent new emissions requirements, the most recent of which (known as LEV III) were adopted in 2012 and include updated smog rules that apply to automobiles starting in model year 2015. California law also requires that a certain percentage of cars and certain light duty trucks sold in the state must be zero emission vehicles such as electric automobiles or hydrogen fuel cell automobiles. The California Air Resources Board has proposed requirements for increasing volumes of zero emission vehicles over the next several years in order to achieve greenhouse gas ("GHG") and pollution emission reductions.

Automobile manufacturers must obtain certification that their automobiles will meet emissions requirements from the EPA and from the California Air Resources Board before they can sell automobiles in the U.S. or in California (and other states that have adopted the California emissions requirements) respectively. Suppliers of automobile parts to such manufacturers may be indirectly subject to such requirements.

Contamination and Permitting

Under the U.S. Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the U.S. Resource Conservation and Recovery Act, the U.S. Clean Water Act, the U.S. Safe Drinking Water Act and similar state laws, among others, strict, joint, several and retroactive liability may be imposed for the costs of removing or remediating releases of hazardous substances including at currently or formerly owned or operated property or facilities, facilities to which hazardous substances have been sent for disposal, or into or upon waters of the U.S. Under certain of these laws, liability for remediation costs may be imposed regardless of whether the release or disposal of hazardous substances was in compliance with law at the time it occurred, and regardless of whether the facility was owned or operated by the current owner or operator at the time of the release. Liability may also be imposed for damages to natural resources.

The U.S. Resource Conservation and Recovery Act and similar state programs impose requirements on the management, treatment, storage and disposal of both hazardous and nonhazardous solid wastes. The U.S. Clean Air Act and similar state laws require certain sources of air pollutants to obtain permits prior to commencing construction or major modification of facilities. Major sources of air pollutants are subject to more stringent, federally imposed requirements including operating permits and the installation of additional controls. The U.S. Clean Water Act and similar state laws require permits for certain discharges of water and effluents, such as the discharge of wastewater and storm water from facilities.

In early 2013, the EPA published final amendments to its National Emissions Standards for Hazardous Air Pollutants for Major Sources: Industrial, Commercial and Institutional Boilers and Process Heaters. The rule, known as the Boiler MACT rule, governs emissions of air toxins from boilers and process heaters at industrial facilities. Boilers subject to the new rule may be required to have emissions limited and/or to have additional pollution controls installed.

GHG Regulations

Under 2010 EPA regulations known as the Tailoring Rule, the EPA is regulating GHG emissions from certain stationary sources. The regulations are being implemented pursuant to two federal Clean Air Act programs imposing federal prevention of significant deterioration and Title V operating permit requirements for new sources and modifications to existing facilities with the potential to emit specific quantities of GHGs. Obligations relating to Title V permits include recordkeeping and monitoring requirements. With respect to prevention of significant deterioration permits, projects that cause a significant increase in GHG emissions (defined to be 75,000 tons or more per year of carbon dioxide equivalents or 100,000 tons or more per year, depending on various factors), are required to implement best available control technology. The EPA has issued guidance on what best available control technology entails for the control of GHGs and individual states are now required to determine what controls are required for

facilities within their jurisdiction on a case-by-case basis. In October 2009, the EPA also published a rule establishing GHG reporting, monitoring and recordkeeping requirements associated with certain GHG emissions sources that emit 25,000 metric tons or more per year of carbon dioxide equivalents.

Employee Health and Safety

U.S. companies are subject to various health and safety laws and regulations, including the U.S. Occupational Safety and Health Act, and similar state statutes, which laws and regulations govern employee health and safety matters. In addition, the U.S. Occupational Safety and Health Act hazard communication standard, the EPA community right-to-know regulations under Title III of CERCLA and similar state statutes require that information be maintained concerning hazardous materials used or produced and that this information be provided to employees and certain government authorities, among others. Environmental, health and safety regulations, including ones promulgated pursuant to the U.S. Occupational Safety and Health Act, are also designed to prevent or minimize the consequences of catastrophic releases of toxic, reactive, flammable or explosive chemicals.

Export Control

Certain of our operations and transactions are subject to U.S. export control laws and regulations, including those administered by the U.S. Departments of Commerce and Treasury.

LAWS AND REGULATIONS OF POLAND

The Company has one indirect subsidiary in Poland, Nexteer Automotive Poland sp. z o.o. ("Nexteer Automotive Poland"), headquartered in Tychy and with a branch in Gliwice. Nexteer Automotive Poland is mainly engaged in the manufacture of automotive steering and driveline products. With respect to its current business operations, Nexteer Automotive Poland is mainly subject to the following laws, regulations and rules:

Overview of the Polish Legal System

The Polish legal system is based on the Constitution of Poland of April 2, 1997 and is in general made up of acts, ratified international agreements and ordinances. Acts are passed by a bicameral parliament consisting of a 460-member lower house and a 100-member senate. Acts must be signed by the president and promulgated in an official gazette. Ordinances are passed by, *inter alia*, the government and ministers, and are based on specific authorization contained in an act and aimed at the proper implementation of such act.

Although court rulings do not constitute binding precedents, the judicial system plays an important role in the Polish legal system. Its major institutions include the Supreme Court of Poland, the Supreme Administrative Court of Poland and the Constitutional Tribunal of Poland.

Foreign Investments

Running business operations in Poland is in general regulated by the Act of July 2, 2004 on the Freedom of Business Activity ("Act on the Freedom of Business Activity"). Business activity in Poland may be undertaken in one of the following forms: (i) joint-stock company, (ii) limited liability company, (iii) registered partnership, (iv) limited partnership, (v) professional partnership, (vi) partnership limited by shares, (vii) general partnership, (viii) branch, (ix) representative office, and (x) sole entrepreneurship.

Foreign persons from EU Member States, Member States of the European Free Trade Agreement, parties to the Agreement on the European Economic Area, and foreign persons from countries which are not contracting parties to the Agreement in the European Economic Area, but who may enjoy freedom of establishment under agreements concluded by these countries with the European Community and its Member States, may undertake and carry out economic activities on the same terms as Polish citizens.

Moreover, the following persons, who are citizens of states other than those mentioned above, may undertake and pursue economic activities on the territory of Poland on the same terms as Polish citizens:

- Persons residing in Poland who: (a) hold a permit to settle; (b) hold a long-term resident of the European Communities stay permit; (c) hold a permit to reside for a specified period of time granted as a result of a circumstance referred to in the relevant provisions of the Act of June 13, 2003 on Foreigners ("Act on Foreigners"); (d) hold a permit to reside for a specified period of time - granted to a family member of the persons referred to in letters a), b), e) and f), and the family member arriving in the territory of Poland or staying in the territory in order to reunite with his/her family; (e) hold refugee status; (f) enjoy supplementary protection; (g) hold consent for a tolerated stay; (h) hold a permit to reside for a specified period of time and are married to a Polish citizen residing in the territory of Poland;
- persons who enjoy temporary protection on the territory of Poland;
- persons who hold a valid Polish ID document; and
- persons who are family members joining the citizens of the states referred to in the first paragraph above or staying with them.

Moreover, citizens of states other than those mentioned above, who are staying in the territory of Poland on the basis of the Act on Foreigners, and who, directly before filling in the application for: (i) the granting of a permit to reside for a specified period of time, or (ii) a permit to settle, or (iii) the status of a long-term resident of the European Communities and are entitled to undertake and pursue economic activities on the basis of a permit to reside for a specified period of time granted under the Act on Foreigners, may undertake and pursue economic activities on the territory of Poland on the same terms as Polish citizens.

Foreigners other than those listed above may operate businesses in Poland only in the form of joint-stock companies, limited liability companies, limited partnerships, or partnerships limited by shares, and may only invest in such companies and partnerships, unless otherwise provided for in international agreements. Restrictions on foreign ownership have generally been lifted except for certain types of telecommunications and broadcasting activities.

In principle, any person is allowed, on equal terms, to freely undertake and conduct business activity subject to the fulfillment of the conditions defined by the provisions of law. The undertaking of economic activities by legal entities is not subject to any regulatory notification, though the entities themselves must be registered in the relevant registers. Registration is required in order for a natural person to undertake business activity as a sole entrepreneur.

Undertaking and conducting economic activity may additionally involve the duty to obtain a license or to be entered in a register of regulated activity. The conducting of certain activities may require a permit. The Act on the Freedom of Business Activity distinguishes between licenses, regulated activities and permits. Activities for which a license is required must be listed in the Act on the Freedom of Business Activity, whereas regulated activities may be listed in any act. The introduction of a new license requirement may be implemented only by a change to the Act on the Freedom of Business Activity and is only possible for fields with special importance for national security or other important matters of public interest. Any refusal to grant a license is subject to appeal.

Under the Act on the Freedom of Business Activity, a license is required for the following seven fields of business activity: (i) certain activities within the mining sector; (ii) production of and trading in explosives, arms and ammunition, and products and technologies for military or police use; (iii) production, processing, storage, delivery, distribution of and trading in fuel and energy; (iv) services for the protection of individuals and their property; (v) air transport; (vi) broadcasting of radio and television programs; and (vii) running of a casino. Licenses are issued for a specified period of time of between five and 50 years, unless the entrepreneur applies for a shorter period. The licensing authority may refuse to grant a license in any of the following cases: (i) the business entity does not meet the conditions specified in the law or the specific requirements imposed by the competent authority prior to the commencement of the licensing procedure; (ii) the national safety or security of the state or its citizens is endangered; (iii) the license has been granted to other entrepreneurs in a public tender; or (iv) special provisions laid down in the law prevent it from doing so.

The rules and procedures concerning permits are laid down in the specific provisions of the acts that regulate them. The Act on the Freedom of Business Activity specifies approximately 30 types of business activity that require permits.

Nexteer Automotive Poland does not require a license or a permit under the Act on the Freedom of Business Activity to conduct its business.

If a provision of law specifies that a certain type of business activity is a regulated activity, then an entrepreneur may conduct that business activity if he satisfies the special conditions specified in the provisions and upon being entered into the register of regulated activity. Regulated activities include the production of tobacco products, organization of professional sports competitions and detective services.

Industry

As of the Latest Practicable Date, there were no applicable Polish laws and regulations directly regulating the industry in which Nexteer Automotive Poland operates.

Product Quality

According to Polish laws and regulations currently in force, no compulsory sector-specific laws with respect to product quality apply to the products manufactured by Nexteer Automotive Poland.

Production Permits

The activities of Nexteer Automotive Poland are undertaken based on the principle of "freedom of business activity," and therefore there is no requirement to obtain production or similar permits.

However, Nexteer Automotive Poland is located in one of the special economic zones; namely, in the Katowice Special Economic Zone ("KSEZ"). Pursuant to the Act of October 20, 1994 on Special Economic Zones, a permit must be obtained in order to operate in the special economic zone. Nexteer Automotive Poland has obtained all the required permits in order to operate in the KSEZ, namely:

- permit dated July 8, 1997 (valid until July 2016), amended on February 29, 2008, with respect to the scope of business activities that may be operated within the KSEZ; and
- permit dated December 13, 2006 (valid until July 2016) granting consent to conduct a steering business within the KSEZ, subject to the following conditions: (i) employing at least 200 employees from December 31, 2009 until December 31, 2014; and (ii) a minimum investment of Polish Zloty 168,484,000 (approximately EUR42,121,000) until December 31, 2009.

As of the Latest Practicable Date, the aforementioned conditions had been met.

Environmental Protection

The regulation of environmental matters in Poland is split into a number of acts and ordinances. Acts which are crucial to the environmental aspects of the activities carried out by Nexteer Automotive Poland include: (i) the Environmental Protection Act of April 27, 2001 ("Environmental Protection Act"); (ii) the Act of December 14, 2012 on Waste ("Act on Waste"); and (iii) the Water Act of July 18, 2001 ("Water Act").

In the event an installation may affect the environment (by emission of air, water, soil pollutants or waste production), usually an environmental permit is required to be issued prior to the first use of such an installation. Depending on the type of installation used, the permits may be issued as integrated permits (under the EU Integrated Pollution Prevention and Control Directive Scheme), sector-related permits (relating to the emission of gas and dust into the air, the discharge of sewage into water or soil, waste production) and specific permits (relating to introducing highly polluting substances). Types of installations subject to particular environmental requirements are described in extensive secondary environmental legislation. Certain installations may be excluded from permit obligations but still subject to notification prior to first use.

Environmental permits are issued by local *voivodeship* (province) marshals, the directors of local water management authorities, local environmental protection directors and

mayors. Permit applications are subject to fees. Issuance of a permit should take up to six months (for integrated permits) or one to two months (for other permits). However, the deadlines may be extended by the *voivodeship* (province) marshals for technical reasons. Permits are issued for a specified period of time and for a maximum period of 10 years. The Environmental Protection Act provides for circumstances under which permits may be limited or revoked.

Business entities operating in Poland, as well as certain other entities, are obligated to pay environmental fees. The fees relate in particular to emitting gas and dust into the air, collection of water from surface sources and groundwater sources, discharging sewage into water or soil, and storing waste. Other, sector-related fees also exist. In addition, certain entities may be obligated to join recycling schemes.

In addition to the Environmental Protection Act, which is the primary regulation setting up the framework of environmental protection in Poland (including pollution prevention, protection of air, water, soil, minerals, animals and plants, as well as protection against noise and electromagnetic fields), a series of primary and secondary legislation has been introduced.

Water protection is governed mainly by the Water Act and extensive secondary legislation. The Water Act distinguishes the general disposal of surface and underground water for personal use, which is free, from other types of disposal (e.g. disposal of rainwater or wastewater) which are subject to a water permit. For pollution to be discharged into water or land, a water permit is also required. The water permit is granted by a municipal or regional authority. The Water Act is based on the ''polluter pays'' principle.

Production of waste is mainly governed by the Act on Waste, together with extensive secondary legislation. The Act on Waste respects the notions and definitions contained in the respective EU Directives. The Act on Waste regulates all aspects of waste management, i.e. production, collection, transport, storage, transfer and disposal. Pursuant to the Act on Waste, a waste permit must be obtained to produce more than 1 Mg of hazardous waste or more than 5,000 Mg of non-hazardous waste per year.

Emission of gases and dust into the atmosphere is subject to a permit to emit such gases and dust. Failure to obtain a permit may result in the relevant installation being reported to the environmental protection authorities. Additionally, the entity creating emissions is obliged to pay charges for polluting the environment.

As of the Latest Practicable Date, Nexteer Automotive Poland had all the required environmental permits, namely:

- Decision of the President of City Tychy dated February 4, 2010 regarding the change of the decision of the President of City Tychy no. 99/2006 on the permit to produce waste in the process of exploitation of the installation.
- Decision of the President of City Tychy dated December 10, 2012 on introduction of gas and dust to the air from the installation.
- Decision of the President of City Gliwice (ŚR 187/2010) dated March 31, 2010 on introduction of gas and dust to the air from the installation.
- Decision of the President of City Gliwice (ŚR 687/2012) dated September 25, 2012 on introduction of gas and dust to the air from the installation.

- Decision of the President of City Tychy (no. 66/2010) dated December 10, 2010 on the change of the permit for production of the waste.
- Decision of the President of City Tychy (no. 99/2006) dated December 14, 2006 on the permit to produce waste in the process of exploitation of the installation.
- Decision of the President of City Gliwice (no. ŚR 536/2012) dated August 10, 2012 on the permit to produce waste in the process of exploitation of the installation.
- Decision of the President of City Gliwice (no. ŚR/95/10) dated February 23, 2010 on the permit to produce waste in the process of exploitation of the installation.
- Decision of the President of City Gliwice (no. ŚR/710/10) dated October 22, 2010 on the permit to produce waste in the process of exploitation of the installation.
- Decision of the President of City Tychy dated July 18, 2012 on the water-legal permit.

Intellectual Property

Polish intellectual property law is governed by several legal acts, the most important being the Industrial Property Law of June 30, 2000 (the "IPL") and the Act of February 4, 1994 on Copyright and Neighboring Rights. Additionally, there are various civil, penal and administrative provisions, particularly customs procedures, which are relevant for the protection of intellectual property rights in Poland.

Protection under the IPL relates primarily to trademarks (including renowned and well-known trademarks), patents, utility models, industrial designs, topographic circuits and geographical indications. The IPL also regulates protection against civil and penal infringement by third parties of all the aforesaid rights. Other commercial designations of origin, such as unregistered trade marks, company names, as well as unfair competition acts, data exclusivity etc. are governed by separate regulations.

Some of the aforementioned rights, i.e. trademarks and designs, may also be protected as community trademarks and community designs on the territory of the whole EU, including Poland, by virtue of registrations with the Office for Harmonization in the Internal Market in Alicante.

Taxation

Corporate Income Tax

Corporate income tax is currently levied at the rate of 19% on net profit. As a rule, net profit is calculated as the difference between revenues and tax-deductible costs. Polish tax residents (e.g. companies, including limited liability companies and joint stock companies in organization) are subject to corporate income tax on their worldwide income. Non-tax residents are subject to taxation in Poland on the revenues earned on the territory of Poland (tax is either settled by such non-residents in the case of permanent establishments in Poland, or withheld at source by a Polish withholding agent (for example, in the case of dividends, interest or royalties)).

Companies with legal personalities and their respective shareholders are treated separately for taxation purposes. Dividends are subject to a withholding tax at the rate of 19% or are tax exempt (where the conditions described below are met). The amount of withholding tax is often reduced to a rate of 5% under bilateral agreements for the avoidance of double taxation. Poland has implemented the regulations of the Council Directive on a common system of taxation, which is applicable in cases where the parent companies and subsidiaries are of different Member States. Income from dividends is exempt from withholding tax if the following conditions are fulfilled:

- the entity paying the dividend is a company that pays income tax with its seat or management in Poland;
- the entire income of the company receiving the dividend, regardless of where it is earned, is subject to taxation in one of the EU states or European Economic Area member countries;
- the company receiving dividends directly owns at least 10% of the Polish company's shares during an uninterrupted period of at least 2 years; and
- the company receiving dividends does not benefit from exemption from taxation of all its income, regardless of where it is earned.

Organization for Economic Co-operation and Development ("OECD")

Polish tax law provides for transfer pricing regulations in accordance with the general OECD provisions. It is possible to conclude an advanced pricing agreement with the tax administration in order to secure the correctness of the transfer pricing method being applied. There are also thin capitalization restrictions applying to intra-group financing. Polish tax residents can form tax capital groups.

Some tax incentives are provided by Poland tax law. For example, exemption of income earned due to business activity being carried out in special economic zones, or partial double deduction of expenses borne for the acquisition of new technologies. As Nexteer Automotive Poland is operating in the KSEZ, which is a special economic zone, it is exempted from corporate income tax on income earned due to business activity carried out in the KSEZ. The exemption is valid until 2020 and is available up to the amount of maximum public aid level available for Nexteer Automotive Poland (which will primarily depend on the value of investments made until the end of 2018.

Value-Added Tax

Currently, the following activities are subject to Value-Added Tax ("VAT"): (i) supply of goods; (ii) supply of services; (iii) intra-community supply of goods; (iv) intra-community acquisition of goods; (v) export of goods; and (vi) import of goods.

The VAT rate is currently 23%, with reduced rates of 0%, 5% or 8% for certain types of goods and services. As a rule, Polish VAT law is based on the EU Directive on the common system of value-added tax 2006/112 and other EU regulations. Until 2018, the VAT rates may vary between 22% with reduced rate of 7% for certain types of goods and services and 25% with reduced rate of 10% for certain types of goods and services, depending on the condition of certain macroeconomic factors set out in applicable laws.

Other Taxes

Tax on civil law transactions is levied in the case of several kinds of civil law actions, e.g. raising share capital of a company (0.5%), sale of goods and property rights (1% or 2%), loans (2%) etc. As a rule, tax is not levied where VAT applies. Several exemptions are applicable to loans. There is also real estate tax and some other minor local taxes.

Foreign Exchange

Under the Act of July 27, 2002 on the Foreign Exchange Law ("Foreign Exchange Law"), foreign entities from countries which are members of the EU, the European Economic Area, or the OECD, are allowed to enter into most foreign exchange transactions without any restrictions. The same applies to foreign entities from countries with which Poland has concluded agreements for investment protection, as well as from certain countries with which European Communities and EU member states have concluded cooperation agreements, partnership agreements, association agreements and other agreements with provisions ensuring the freedom of capital flows in respect to direct investments. On the other hand, entities from countries not mentioned above are obliged to obtain an individual foreign exchange permit from the president of the National Bank of Poland for most foreign exchange transactions.

There are no restrictions on the opening of bank accounts by foreign entities. The Polish Zloty is externally convertible into foreign currency and all transactions may be concluded and settled in Polish Zloty. Any transfer of funds abroad may be performed through "eligible banks," which means Polish banks, Polish branches of credit institutions or Polish branches of foreign banks licensed to conduct foreign exchange transactions. With regard to payments exceeding the Polish Zloty equivalent of EUR15,000, bank accounts must be used.

The government of Poland may introduce foreign exchange restrictions for the purposes of: (i) executing decisions of international organizations of which Poland is a member; (ii) protecting public order and safety; (iii) protecting Poland's balance of payments in the case of actual or threatened general instability or sudden disruption; and (iv) protecting the Polish Zloty's stability in the event of actual or threatened sudden fluctuation. In the two latter events, the government may introduce extraordinary restrictions for a period of up to six months, by way of an ordinance issued upon consultations with the council of monetary policy, which is independent from the government. No such extraordinary restrictions were in effect as of the Latest Practicable Date.

Labor Protection

The Polish laws and regulations provide for certain labor protection mechanisms in cases of, among others, mass lay-offs. Mass lay-offs are regulated by the Act of March 13, 2003 on Mass Redundancies ("Mass Redundancy Act"). The Mass Redundancy Act, however, does not apply to employment establishments which employ fewer than 20 employees.

Mass redundancies are deemed to have taken place when an employer who employs at least 20 persons within a period of not longer than 30 days terminates the employment relationships by notice with: (i) at least 10 employees, if the employer employs fewer than 100 persons; or (ii) 10% of employees, if the employer employs at least 100 but fewer than 300 persons; or (iii) 30 employees, if the employer employs 300 or more persons. Terminations by mutual agreement of the parties are included in the above threshold if there are at least five employees terminated this way.

If mass redundancies are taking place the employer must introduce and observe certain detailed procedures prescribed in the Mass Redundancy Act.

LAWS AND REGULATIONS OF THE PRC

We have three subsidiaries in the PRC, namely, Nexteer Suzhou, Nexteer Zhuozhou and Nexteer Wuhu, which are mainly engaged in the manufacture of automotive steering and driveline products. These three companies are subject to all industry policies, relevant laws, regulations, rules and extensive government regulatory policies in the PRC which are presently valid and effective. With respect to their current business operations, these three companies are mainly subject to the following laws, regulations and rules.

Overview of the PRC Legal System

The PRC legal system is based on the *PRC Constitution* (中國憲法) and is made up of laws, rules and regulations. Decided court cases do not constitute binding precedents.

At the national level, the legislative branch consists principally of the National People's Congress (the "NPC") and the Standing Committee of the NPC, which are empowered by the *PRC Constitution* to exercise the legislative powers. The NPC has the power to amend the *PRC Constitution*, supervise the implementation of the *PRC Constitution*, and promulgate specific laws governing government institutions, civil matters and criminal matters. The Standing Committee of the NPC is empowered to interpret laws promulgated by the NPC and to promulgate laws other than those specifically required to be promulgated by the NPC.

The State Council is the highest institution in the administrative branch and has the power to promulgate administrative rules.

Ministries and commissions under the direct control of the State Council have the delegated powers to promulgate regulations for matters within their respective jurisdictions. Any regulations promulgated by such ministries and commissions, however, must not conflict with the *PRC Constitution,* national laws, or any administrative rules promulgated by the State Council. In the event of a conflict, the Standing Committee of the NPC and the State Council have the power to nullify the relevant regulations.

At the provincial and municipal level, each province and municipality consists principally of a People's Congress and its standing committee (which constitute the legislative division) and a local government and its agencies (which constitute the administrative division). The People's Congress and its standing committee have the power to promulgate local rules, while the local government has the power to promulgate administrative rules applicable to its administrative area. These local rules and regulations must not conflict with the *PRC Constitution*, national laws, or any administrative rules promulgated by the State Council.

Foreign Investment Access

According to the *Interim Provisions on the Promotion of Industrial Restructuring* (促進產業結構調整暫行規定) promulgated by the State Council and effective on December 2, 2005, the PRC government directs the investment orientation of all types of enterprises in different

industries within the territory of the PRC, manages investment programs, and formulates and implements financial, taxation, credit, land, import, export and other policies by means of formulating the *Catalog for Guiding Industrial Restructuring* (產業結構調整指導目錄) (the "IR Catalog") and the *Catalog of Industries for Guiding Foreign Investment*, (外商投資產業指導目錄) (the "FI Catalog").

The *IR Catalog (Version 2011*) was promulgated by the NDRC together with the relevant authorities of the State Council on March 27, 2011 and amended on February 16, 2013. The *IR Catalog* classifies industries into three categories: encouraged, restricted and prohibited. Any industries not falling under any of the three aforementioned categories and conforming to relevant laws, regulations and policies as stipulated by the PRC government will be classified as belonging to the permitted category. Principally, a foreign investor must comply with the regulations of the *FI Catalog*. The *FI Catalog* was promulgated on June 28, 1995, and has been amended several times since then. The *Catalog of Industries for Guiding Foreign Investment (2011 Amendment)* (外商投資產業指導目錄(2011年修訂)) was promulgated by the NDRC together with the MOFCOM on December 24, 2011. The *FI Catalog* divides industries into three categories: encouraged, restricted and prohibited. Unless otherwise stipulated by laws or regulations, a foreign investor may invest in industries that are not classified as prohibited. In the case of restricted industries, a foreign investor must apply to establish a Sino-foreign equity joint venture, Sino-foreign contractual joint venture or other agreement in which the Chinese party should be the controlling shareholder. No foreign investor is allowed to invest in a prohibited industry under the *FI Catalog*. Any content excluded from the encouraged, restricted and prohibited categories under the *FI Catalog*, and conforming to relevant laws, regulations and policies stipulated by the PRC government, will be regarded as falling within the permitted category. The industries under the permitted category are not listed within the *FI Catalog*.

According to the regulations mentioned above, the automobile drive shaft, the drive system and the automobile electronic power steering system industries are all classified as industries in which foreign investment is permitted. Among the above, energy absorption type steering systems are classified as encouraged while the other steering systems are classified as permitted.

Incorporation of Foreign-invested Enterprises

Foreign-invested enterprises within the PRC are divided into wholly foreign-owned enterprises, Sino-foreign equity joint ventures and Sino-foreign contractual joint ventures, and are regulated by

- the *Wholly Foreign-Owned Enterprise Law of the People's Republic of China* (中華人民共和國外資企業法), promulgated on April 12, 1986 and amended on October 31, 2000;
- the *Detailed Implementing Rules for the Wholly Foreign-Owned Enterprise Law of the People's Republic China* (中華人民共和國外資企業法實施細則), promulgated on December 12, 1990 and amended on April 12, 2001;
- the *Sino-Foreign Equity Joint Venture Enterprise Law of the People's Republic of China* (中華人民共和國中外合資經營企業法), promulgated on July 8, 1979 and amended on March 15, 2001;
- the *Implementing Regulations for the Sino-Foreign Equity Joint Venture Enterprise Law of the People's Republic of China* (中華人民共和國中外合資經營企業法實施條例), promulgated on September 20, 1983 and amended on July 22, 2001;

- the *Sino-Foreign Contractual Joint Venture Enterprise Law of the People's Republic of China* (中華人民共和國中外合作經營企業法), promulgated on April 13, 1988 and amended on October 31, 2000; and
- the *Detailed Rules of Implementation of the Law of the People's Republic of China on Sino-Foreign Contractual Joint Ventures* (中華人民共和國中外合作經營企業法實施細則), promulgated on September 4, 1995.

Pursuant to the regulations mentioned above, the MOFCOM or its relevant local counterparts will examine and approve a foreign-invested enterprise's joint venture contract, articles of association and any significant changes such as changes in registered capital and transfers of equity. All wholly foreign-owned enterprises, Sino-foreign equity joint ventures and Sino-foreign contractual joint ventures must obtain a business license from the industrial and commercial administrative department of MOFCOM before commencing business operations.

According to the *Certain Provisions on Change of the Equity Interests of the Investors of A Foreign-Invested Enterprise* ([1997]外經貿法發第267號) (the "Provisions"), promulgated by the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry and Commerce and effective on May 28, 1997, a "change of the equity interests held by the investors in a foreign-invested enterprise" refers to a change in the investors of a Sino-foreign equity joint venture, Sino-foreign cooperative joint venture, or wholly foreign-owned enterprise established in the PRC under the laws of the PRC ("Enterprise") or a change in the share of the investors' capital contribution (including the cooperation conditions provided by them) in the Enterprise ("Equity Interests"). A change of the Equity Interests held by the investors in an Enterprise must conform to the relevant laws and regulations of the PRC, and will be subject to approval by the relevant examination and approval authority as well as registration of changes with the relevant registration authority pursuant to the Provisions. Any change of Equity Interests without the approval of the examination and approval authority will be considered invalid.

We have been advised by our PRC Legal Advisors that, except for approval from AVIC, the Listing does not require any pre-approval from the SASAC, the CSRC or other PRC government authorities.

Pursuant to (*Interim Administration Measures for Overseas State-owned Property Rights of State-owned Enterprises*) (中央企業境外國有產權管理暫行辦法), AVIC, a state-owned company as referred to therein, has issued its approval for the Listing. Following such approval, AVIC is required to report to the SASAC on the approval for Listing. Our PRC Legal Advisors are of the opinion that such reporting on the approval for Listing can be made after the Listing.

Pursuant to *Notice of the State Council on Further Strengthening Administration of Share Issuing Stock and Listing Overseas* (〈關於進一步加强在境外發行股票和上市管理通知〉(國發[1997]21號)) (the "Listing Notice"), any PRC company in our Group which is owned by a foreign investor for less than three years will be required to obtain approval from the CSRC or the Securities Commission of the State Council prior to the Listing. Our indirectly owned PRC subsidiaries, namely Nexteer Zhuozhou, Nexteer Wuhu and Nexteer Suzhou, have become foreign-invested entities since each of their incorporation before the Acquisition of our Group

by PCM China from GM in November 2010. Therefore, these entities have been owned by foreign investors for more than three years. Accordingly, our PRC Legal Advisors are of the opinion that our PRC subsidiaries do not constitute "domestic assets owned by foreign investors for less than three years" under the Listing Notice and therefore this approval is not necessary.

Approval and Recording of Production Projects

The *Decision of the State Council on Investment System Reform* (《國務院關於投資體制改革的決定》(國發[2004]20號)) promulgated by the State Council and effective on July 16, 2004, requires that the PRC government would: (i) reform project examination and approval systems, (ii) transform PRC government's administrative functions and (iii) confirm an enterprise's status as an investor. The examination and approval system does not apply to projects that are not invested in by the PRC government; instead, they are subject to either the ratification system or the recording system, as the case may be.

According to the *Catalog of Investment Projects Ratified by Governments (Version 2004)* (政府核准的投資項目目錄(2004年本)) ratified by the State Council, projects listed in the catalog refer to significant fixed-assets projects in restricted industries that have not been invested in by the PRC government. Except where prohibited to invest according to laws, regulations or other specific provisions promulgated by the State Council, projects not listed in the catalog and not invested in by the PRC government are subject to the recording system.

Pursuant to the provisions of the *Interim Administrative Measures for the Verification and Approval of Foreign Investment Projects* (《外商投資項目核准暫行管理辦法》(國家發改委令第22號)), promulgated by the NDRC and effective on October 9, 2004, and in accordance with the categorizations of the *FI Catalog*, the project application reports for projects in the encouraged or permitted categories with a total investment (including the investment increase) of no less than US$100 million and for projects in the restricted category with a total investment of no less than US$50 million must be verified and approved by the NDRC. The project application reports for projects in the encouraged or permitted categories with a total investment of no less than US$500 million and for projects in the restricted category with a total investment of no less than US$100 million must, after being examined and verified by the NDRC, be submitted to the State Council for verification and approval. Projects in the encouraged or permitted categories with total investment of no more than US$100 million and projects in the restricted category with total investment of no more than US$50 million must be verified and approved by the local development and reform departments. Restricted projects must be verified and approved by provincial development and reform departments. The verification and approval authority for such types of projects must not be delegated to a lower level. If a local government has otherwise formulated, in accordance with the relevant regulations, any provisions on the verification and approval of projects referred to in the preceding paragraph, such provisions will apply.

The *Interim Administrative Measures of Hebei Province for the Verification and Approval of Foreign Investment Projects* (《河北省外商投資項目核准暫行管理辦法》(冀發改外資[2004]1508號)), promulgated by the Hebei Province Development and Reform Department on November 19, 2004 and effective on November 22, 2004, requires that projects classified as encouraged or permitted with total investment of no more than US$50 million must be verified and approved by city-level development and reform departments and provincial-level or provincial-level development zone investment authorities.

The *Interim Administrative Measures of Anhui Province for the Verification and Approval of Foreign Investment Projects* (《安徽省外商投資項目核准暫行管理辦法》(皖發改外資[2005]1274號)), promulgated by the Anhui Province Development and Reform Department and effective on January 1, 2005, requires that projects classified as encouraged or permitted with total investment of no more than US$30 million must be verified and approved by city-level development and reform departments. The national-level development zones in Anhui Province have equal authority to city-level development and reform departments. The projects must be recorded by the city-level development and reform departments after examination and approval.

According to the *Interim Administrative Measures of Wuhu City for the Verification and Approval of Foreign Investment Projects* (《蕪湖市外商投資項目核准管理辦法》(蕪政[2006]65號)), promulgated by the People's Government of Wuhu City on July 27, 2006 and effective on July 1, 2006, projects classified as encouraged or permitted with total investment of no more than US$30 million must be verified and approved by city-level development and reform departments. Foreign investment projects within the Wuhu Economic and Technological Development Zone must be verified and approved by the authorities of the zone, and then be recorded by the Wuhu development and reform department.

According to the *Several Opinions of Jiangsu Province Development and Reform Department on Management for the Industrial Fixed Assets Projects of Foreign Investment in the Transition Period* (《江蘇省發改委關於過渡時期外商投資工業固定資產投資項目管理的若干意見》(蘇發改工業發[2005]188號)), promulgated by the Jiangsu Province Development and Reform Department and effective on March 14, 2005, projects classified as encouraged or permitted with total investment between US$30 million and US$50 million must be verified and approved by city-level investment authorities.

According to the *Several Opinions of Jiangsu Province Development and Reform Department on Further Improving Management for the Verification and Approval of Foreign Investment Projects* (《江蘇省發展改革委關於進一步做好外商投資項目核准管理工作的若干意見》(蘇發改規發[2010]1號)), promulgated by the Jiangsu Province Development and Reform Department and effective on May 26, 2010, projects classified as encouraged or permitted with total investment of no more than US$100 million must be verified and approved by city-level or district-level development and reform departments.

The automobile drive shaft, drive system and automobile electronic power steering system production projects of the three PRC subsidiaries of our Group have obtained the necessary verification and approvals of the relevant competent authorities.

PRC Laws and Regulations Relating to the Industry

The competent department of industry for the production of automobile components and parts is the MIIT.

In 1994, the State Council issued the *Industrial Policies for the Automobile Industry* (汽車工業產業政策) (the "1994 Automobile Policy") as an overall policy guideline for the automotive industry (including the automotive components and parts industry) in the PRC. Although the *1994 Automobile Policy* does not have the force of law, it is the cornerstone of the

overall regulatory regime of the PRC automotive industry. In 2004, the NDRC issued the *Automotive Industry Development Policy* (汽車產業發展政策) (which was amended in 2009 according to the Circular 10 promulgated by the NDRC and the MIIT) to replace the *1994 Automobile Policy*.

In addition to the *Automotive Industry Development Policy*, the General Office of the State Council issued the *Restructuring and Rejuvenation Program of the Automobile Industry* (汽車產業調整和振興規劃) in March 2009 (the "Program"), as a guiding policy for the automotive industry from 2009 to 2011. The Program affects the development of the automobile and automotive components and parts industries by:

- promoting the restructuring of the automotive industry by encouraging the primary manufacturers of automotive components and parts to expand their scale through mergers, acquisitions and reorganization, and to increase their market share in the domestic and overseas markets;
- encouraging the achievement of technological independence in the production of key automotive components and parts such as the engine, transmission, steering system, braking system, drivetrain system, suspension system and automobile bus control system; to encourage the development of key automotives components and parts that can improve the performance of the whole automobile;
- implementing automotive product export strategies; and
- accelerating the construction of national export bases for automobiles and automotive components and parts.

There are no other related industrial policies issued by the State Council, the General Office of the State Council, NDRC or the MIIT currently in force.

Production Permits, Work Safety and Product Quality

Current PRC laws and regulations do not have compulsory standards or orders with respect to production permits and product quality apply to automotive components and parts such as automobile drive shafts and steering systems. However, certain production laws may affect the manufacture of such automotive components.

According to the *Regulations of the People's Republic of China on the Administration of Industrial Product Production Licenses* (工業產品生產許可證管理條例), promulgated by the State Council on July 9, 2005 and effective on September 1, 2005, and the *Implementing Measures for the Regulations of the People's Republic of China on the Administration of Industrial Product Production Licenses* (工業產品生產許可證管理條例實施辦法) amended by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (the "GAQSIQ") (國家品質監督檢驗檢疫總局) promulgated on April 21, 2010 and effective on June 1, 2010, the PRC government has adopted a production licensing administration system for important industrial products. According to the *Announcement of GAQSIQ on Releasing the Catalog of Products Subject to the Administration of the Production Permit System (Order of GAQSIQ [2012] No.181)*, ((關於公佈實行生產許可證制度管理的產品目錄的公告)(總局2012年181號公告)) automobile components and parts such as automobile drive shafts and steering systems do not belong to the category of products listed in the catalog that requires a production license.

According to the *Provisions on the Administration of Compulsory Product Certification (Decree No.117 of GAQSIQ)* (《強制性產品認證管理規定》(國家質檢總局令第117號)) promulgated by GAQSIQ on July 3, 2009 and effective on September 1, 2009, the PRC government implements a policy whereby the relevant products must pass a certification process ("Compulsory Product Certification") and be affixed with a mark of certification before they can be delivered from factories, marketed, imported or used in any commercial activities. According to Compulsory Product Certification, automobile components and parts such as automobile drive shafts and steering systems do not belong to the category of products listed in the catalog that requires Compulsory Product Certification.

Current PRC laws and regulations do not have compulsory standards or orders with respect to work safety apply to automotive components and parts such as automobile drive shafts and steering systems.

The *Law of the People's Republic of China on Work Safety* (the "Work Safety Law") (安全生產法), effective on November 1, 2002, is the principal law governing the supervision of work safety, and requires manufacturing entities to abide by certain laws and regulations concerning work safety. The Work Safety Law establishes a responsibility system for work safety and improving conditions to promote work safety. No special orders with respect to work safety apply to the production of automotive components and parts such as automobile drive shafts and steering systems.

The *Regulations on Work Safety Permits* (安全生產許可證條例), promulgated by the State Council and amended on July 18, 2013, adopts a licensing system for work safety in mining enterprises, construction enterprises and enterprises manufacturing hazardous chemicals, fireworks, firecrackers or demolition apparatus for civil use. Enterprises without a work safety permit must not conduct manufacturing activities. No work safety permit is necessary for the production of automotive components and parts such as automobile drive shafts and steering systems.

Environmental Protection

According to the *Environmental Protection Law of the People's Republic of China* (環境保護法) (the "EPL"), promulgated by the Standing Committee of the NPC and effective on December 26, 1989, the competent department of environmental protection administration under the State Council will conduct the unified supervision and management of environmental protection matters in the PRC. The relevant local departments of environmental protection administration at or above the county level must conduct the unified supervision and management of environmental protection work within areas under their jurisdiction.

According to the EPL, enterprises that cause environmental pollution must adopt effective measures to prevent and control the pollution as well as any damage to the environment. Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of a project. No permission will be given for a construction project to be commissioned or used until its installations for the prevention and control of pollution are examined and considered to be in accordance with standards by the competent department of environmental protection administration that examined and approved the project's environmental impact statement.

Installations for the prevention and control of pollution must not be dismantled or left idle without authorization. If it is necessary to dismantle such installations or leave them idle, prior approval must be obtained from the competent local department of environmental protection administration.

Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council.

Enterprises and institutions discharging pollutants in excess of the prescribed national or local discharge standards must pay a fee for excessive discharge in accordance with state provisions and must assume responsibility for eliminating and controlling the pollution. The provisions of the *Law on Prevention and Control of Water Pollution* (水污染防治法) must be complied with to the extent applicable.

For the technological transformation of newly-constructed industrial enterprises and existing industrial enterprises, facilities and processes that result in a high rate of resource utilization and a low rate of pollutant discharge must be used, along with economical and rational technology for the comprehensive utilization of waste and the treatment of pollutants.

The *Law of the People's Republic of China on Evaluation of Environmental Effects* (環境影響評價法), promulgated on October 28, 2002 and effective on September 1, 2003, requires entities to prepare a written report setting forth the environmental impact of the proposed project and the proposed protective and mitigating measures, as well as obtain the approval of the environmental authorities to construct the relevant project. Operations are prohibited until the installations are inspected and confirmed to have satisfied environmental standards by the relevant environment protection authorities.

According to the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (中華人民共和國固體廢物污染環境防治法), promulgated on December 29, 2004 and effective on April 1, 2005 (as amended by the Standing Committee of the NPC and effective on June 29, 2013), units generating industrial solid waste must establish and enhance a responsibility system for the prevention and control of environmental pollution as well as adopt measures for the prevention and control of environmental pollution by industrial solid waste. The PRC government institutes a system of reporting and registration of industrial solid waste. Units generating industrial solid waste must, in accordance with the regulations of the department of environmental protection administration under the State Council, provide information about the types, quantity, flow, storage and treatment (among other things) of industrial solid waste to the local departments of environmental protection administration at or above the county level in the areas where they are located.

According to the *Law of the People's Republic of China on the Prevention and Control of Water Pollution* (水污染防治法) amended by the Standing Committee of the NPC on February 28, 2008 and effective on June 1, 2008, new construction projects, reconstruction or expansion projects and all other installations that directly or indirectly discharge pollutants into waters will be subject to an environmental impact assessment in accordance with the law. Facilities for the prevention and control of water pollution must be designed, constructed and put into

operation or use simultaneously with the main part of a construction project. Such facilities will be inspected by the department of environmental protection administration. If they do not pass the inspection, the project must not be put into operation or use. The PRC government implements the pollutant discharge permit rules. Any enterprise or institution that directly or indirectly discharges industrial sewage, medical sewage or any other types of sewage, the discharge of which is subject to a pollutant discharge permit, must obtain the relevant pollutant discharge permit. Any entity that operates facilities for the centralized treatment of urban sewage is required to obtain a pollutant discharge permit. The specific measures and procedures for implementation of pollutant discharge permit will be stipulated by the State Council. No enterprise or institution is allowed to discharge the aforementioned sewage into waters without the requisite pollutant discharge permit or in violation of the provisions set forth on the pollutant discharge permit.

According to the aforementioned provisions and other relevant laws and regulations on environmental protection, environmental protection authorities may levy charges on enterprises that discharge waste. If a manufacturer fails to obtain the necessary approvals through the relevant procedures, or discharges waste illegally, a fine and a penalty will be imposed by the PRC environmental authorities, including but not limited to the suspension of its operations.

Intellectual Property Laws

Copyright Law

According to the *Copyright Law of the People's Republic of China* (著作權法), promulgated on June 1, 1991 and amended on February 26, 2010, and the *Copyright Law Implementing Regulations of the People's Republic of China* (著作權法實施條例) promulgated on August 2, 2002 and amended on March 1, 2013 (collectively, the "PRC Copyright Law and Regulations"), PRC citizens, legal persons, or other organizations will enjoy copyright in their works, whether published or not. Where a foreigner or stateless person enjoys copyright in his or her work under an agreement concluded between the PRC and the author's country of origin or country of habitual residence, or an international treaty to which both that country and the PRC have acceded, such copyright will be protected. In addition, a foreigner or stateless person will enjoy copyright in his or her work where the work is first published in the PRC. Furthermore, where an author is a person whose country has not concluded an agreement with the PRC or is not a party to an international treaty to which the PRC has acceded, or a is stateless person, his or her work will be protected under the PRC Copyright Law and Regulations if the work is first published in a member country to an international treaty to which the PRC has acceded, or is simultaneously in a member and non-member country.

According to the PRC Copyright Law and Regulations, "Work(s)" include work(s) of literature, art, natural science, social science, engineering technology, etc., existing in any of the following forms: (1) written works; (2) oral works; (3) musical, dramatic, quyi, choreographic, and acrobatic works; (4) fine art and architectural works; (5) photographic works; (6) cinematographic works and works created by means similar to cinematography; (7) graphic works including engineering design drawings, product design drawings, maps, schematic drawings, etc., as well as model works; (8) computer software; and (9) other works specified in laws and administrative regulations.

The PRC joined the *Berne Convention for the Protection of Literary and Artistic Works* on October 5, 1992. The *Berne Convention for the Protection of Literary and Artistic Works* is

relevant to authors of cinematographic works whose headquarters or habitual residences are in one of the countries of the EU. These authors will, in respect of works for which they are protected under this Convention, in countries of the EU other than the country of origin, enjoy the rights granted to nationals by the current and future laws of the respective country, as well as the rights specially granted by this Convention.

According to the *Agreement of the World Trade Organization on Trade-Related Aspects of Intellectual Property Rights*, which the PRC signed on January 1, 1994, computer programs, whether in source or object code, will be protected as literary works under the *Berne Convention (1971)*. Compilations of data or other material, whether in machine readable form or other form, as long as the selection or arrangement of their contents constitute intellectual creations, it will be protected. Such protection, which will not extend to the data or material itself, is without prejudice to any copyright subsisting in the data or material itself.

Patent Law

According to the *Patent Law of the People's Republic of China* (專利法), promulgated on March 12, 1984 and amended on December 27, 2008 (the "Patent Law"), and the *Rules for the Implementation of the Patent Law of the People's Republic of China* (專利法實施細則), promulgated on June 15, 2001 and amended on January 9, 2010, patents are divided into three categories: invention patents, utility model patents and design patents.

The duration of an invention patent right is 20 years from the date of application and the duration of a utility model patent right and a design patent right is 10 years from the date of application. After an invention, utility model or design patent right is granted, unless otherwise specified in the Patent Law, no organization or individual may exploit the patent without licensing from the patentee. Entities may not, for the purposes of production and business operation, produce, use, offer to sell, sell, or import the patented products, nor use the patented method or use, offer to sell, sell or import products that are acquired directly through the patented method.

Trademark Law

According to the *Trademark Law of the People's Republic of China* (商標法), amended on October 27, 2001, the Trademark Office of the State Council's administrative department for industry and commerce will oversee trademark registration and administration in the PRC. Any of the following acts will be deemed infringement of the exclusive right to use a registered trademark:

- use of a trademark that is the same as or similar to a registered trademark for identical or similar goods without the permission of the trademark registrant;
- sale of any goods that have infringed the exclusive right to use any registered trademark;
- counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization;
- change of any trademark of a registrant without the registrant's consent, and selling goods bearing such replaced trademark on the market; or

- other acts that have caused any other damage to another's exclusive right to use a registered trademark.

Taxation

Enterprise Income Tax

According to the EIT Law, effective on January 1, 2008, enterprises are classified as either resident enterprises or non-resident enterprises for tax purpose. Resident enterprises are enterprises which have been formed in the PRC in accordance with domestic law, or which have been formed in accordance with the law of a foreign country but which are actually under the control of institutions in the PRC. A resident enterprise must pay enterprise tax on its worldwide income a rate of 25%.

A non-resident enterprise with institutions or establishments in the PRC must pay enterprise tax at a rate of 25% on income of its institutions or establishments within the PRC as well as its income generated from outside the PRC that is derived by its PRC institutions or establishments.

With respect to a high and new technology enterprise, the tax levied on its income will be at a rate of 15% after obtaining the High-tech Certificate and the filing with the competent tax authorities. According to the *Administrative Measures for the Determination of High and New Technology Enterprises* (《高新技術企業認定管理辦法》(國科發火[2008]172號)), promulgated by the Ministry of Science and Technology, Ministry of Finance and SAT and effective on January 1, 2008, high and new technology enterprise qualification is determined by the relevant governmental authorities with the *Catalog of the High and New Technology Sector under the Key Support of the State* ("國家重點支持的高新技術領域"目錄) and other relevant standards of judgment. The new key automotive components and parts with independent intellectual property rights, such as the drivetrain system, the steering system, new models of hybrid drivetrain system, new models of pure electric drivetrain system and the hub motor, are included in the catalog mentioned above.

The *Circular of the State Council on the Implementation of Transitional Preferential Policies with Regard to the Enterprise Income Tax* (《國務院關於實施企業所得税過渡優惠政策的通知》(國發 [2007] 39號)), promulgated by the State Council and effective on December 26, 2007, states that effective from January 1, 2008, such preferential tax policies and the enterprise entitled to that will undergo the following transition:

(1) those enterprises formerly entitled to preferential policies of lower taxation will undergo a gradual transition to statutory tax rates within five years of the EIT entering into effect. For enterprises formerly entitled to an enterprise income tax rate of 15%, new tax rates will be 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively; for enterprises formerly entitled to a tax rate of 24%, the new tax rate will be 25% as of 2008.

(2) enterprises formerly entitled to preferential income tax reductions such as "two-years exempt and three-years halved" and "five-years exempt and five-years halved" will continue to enjoy such preferential policies as stipulated in the former taxation laws, administrative regulations and relevant documents until expiry of

such the preferential treatment thereunder. For those enterprises not making any profit and was therefore not entitled to said tax preferences, the period of the preferential treatment will commence in 2008.

Enterprises entitled to the aforementioned transitional preferential policies are those duly established via registration with the relevant registration administration authorities such as bureaus of industry and commerce prior to March 16, 2007. The implementation of transitional preferential policies will be applied to the items and to the scope laid out in the *Table of the Implementation of Transitional Preferential Policies with Regard to the Enterprise Income Tax* (實施企業所得税過渡優惠政策表).

On August 6, 2012, Nexteer Suzhou obtained the High-tech Certificate with the validity period of three years, which will expire on August 5, 2015. Pursuant to the relevant PRC tax laws, Nexteer Suzhou is currently entitled to a preferential tax rate of 15% for the period from 2013 to 2015.

On May 28, 2010, Nexteer Wuhu obtained the High-tech Certificate with the validity period of three years, which expired on May 27, 2013. On March 20, 2013, Nexteer Wuhu filed an application to the Administrative Authority for Determination of High and New Technology Enterprises of Anhui Province to renew the High-tech Certificate, in order to maintain the high technology enterprise status. Nexteer Wuhu has passed the High-tech Certificate renewal review and is expected to receive the renewed High-tech Certificate by the end of 2013.

On November 10, 2010, Nexteer Zhuozhou obtained the High-tech Certificate with the validity period of three years, which will expire on November 9, 2013. Pursuant to the relevant PRC tax laws, Nexteer Zhuozhou is currently entitled to a preferential tax rate of 15% for the period from 2010 to 2012. Nexteer Zhuozhou has filed an application to the Administrative Authority for Determination of High and New Technology Enterprises of Hebei Province to renew the High-tech Certificate and has passed the renewal review. It is expected to receive the renewed High-tech Certificate by the end of 2013.

Business Tax

According to the *Interim Regulations of the People's Republic of China on Business Tax* (營業税暫行條例), promulgated by the State Council on November 10, 2008 and effective on January 1, 2009, and the *Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Business Tax* (營業税暫行條例實施細則) promulgated by the MOF, effective on January 1, 2009 and amended on October 28, 2011, entities and individuals engaged in the provision of services as prescribed in these Regulations, or the transfer of intangible assets or the sale of real estate within the territory of the PRC, will be subject to the business tax, and must pay the business tax in accordance with the Regulations. The items and rates of the business tax will be subject to the *Schedule of Items and Rates of the Business Tax* (營業税税目税率表) to the Regulations. Any adjustment to the tax items and tax rates will be subject to the decision of the State Council.

Value-added Tax

According to the *Tentative Regulations on the Value-added Tax of the PRC* (增值税暫行條例) ("Value-added Tax Regulations"), promulgated by the State Council on November 10,

2008 and effective on January 1, 2009, and the *Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC* (增值税暫行條例實施細則), promulgated by the MOF, effective on January 1, 2009 and amended on October 28, 2011, organizations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the territory of the PRC are subject to the Value-added Tax, and must pay the Value-added Tax pursuant to the Value-added Tax Regulations. The rate of the Value-added Tax is either 17% or 13%, depending on the goods being sold. For taxpayers exporting goods, the tax rate is zero percent.

At present, Nexteer Zhuozhou, Nexteer Suzhou and Nexteer Wuhu are subject to Value-added Tax rates of 17%, 17% and 17%, respectively.

Tentative Regulations on the Urban Maintenance and Construction Tax and the Surcharge for Education

According to the *Tentative Regulations on the Urban Maintenance and Construction Tax of the PRC* (城市維護建設税暫行條例) (the "Urban Maintenance and Construction Tax Regulations"), promulgated by the State Council on February 8, 1985 and effective on January 1, 1985, all organizations and individuals who pay the consumption tax, Value-added Tax and business tax ("taxpayers") are subject to the urban maintenance and construction tax and must pay the urban maintenance and construction tax pursuant to the provisions the Urban Maintenance and Construction Tax Regulations. The tax rates of the urban maintenance and construction tax vary with the regions where taxpayers are located. Taxpayers in cities are levied at a rate of 7%; in counties or towns at a rate of 5%; and outside cities, counties or towns at a rate of 1%.

At present, Nexteer Zhuozhou, Nexteer Suzhou and Nexteer Wuhu are subject to urban maintenance and construction tax rates of 5%, 7% and 7%, respectively.

According to the *Decision of the State Council on Amending the Interim Provisions on Collecting the Surcharge for Education* (國務院關於修改"徵收教育費附加的暫行規定"的決定), promulgated by the State Council on August 20, 2005 and effective on October 1, 2005, all organizations and individuals who pay the product tax, Value-added Tax and business tax are subject to the education surcharge, apart from organizations that pay the rural education surcharge pursuant to the *Circular of the State Council Concerning Financing Rural School Operation (Guo Fa [1984] No.174)* (〈國務院關於籌措農村學校辦學經費的通知〉(國發(1984)174號文)). The amount of tax payment of the Value-added Tax, business tax and consumption tax will form the base of the education surcharge levy on organizations and individuals. The tax rate of the education surcharge is 3%, and must be paid at the same time as the payment of the Value-added Tax, business tax and consumption tax.

At present, Nexteer Zhuozhou, Nexteer Suzhou and Nexteer Wuhu are subject to surcharge for education tax rate of 3%, 3% and 3%, respectively.

According to the *Notice of the Ministry of Finance on Issues Concerning the Uniformity of Local Education Surcharge Policies* (〈關於統一地方教育附加政策有關問題的通知〉(財綜[2010] No.98)) issued by the MOF on November 7, 2010, the rates for local education surcharges must be standardized and set at 2% of the actual payment of the Value-Added tax,

business tax and consumption tax by an enterprise or an individual (including foreign-invested enterprises, foreign enterprises and foreign individuals). The provinces in which the rate is lower than 2% (having previously received approval from the MOF) must raise the rate to 2%, and the scheme for raising the rate must be submitted by the People's governments at the provincial level to the MOF before December 31, 2010 for approval.

At present, Nexteer Zhuozhou, Nexteer Suzhou and Nexteer Wuhu are subject to local education surcharge rate of 2%, 2% and 2% respectively.

Tax on Dividends from Foreign-invested PRC Enterprises

According to the *Notice of the Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to the Enterprise Income Tax* (《財政部、國家税務總局關於企業所得税若干優惠政策的通知》(財税 [2008]1號)), the undistributed profits earned by foreign-invested enterprises prior to January 1, 2008 and subsequently distributed to foreign investors will be exempt from the PRC income tax, whereas the profits earned and distributed after January 1, 2008, will be subject to the PRC income tax.

According to the *EIT Law and its Implementation Measures*, where a non-resident enterprise does not have any institutions or establishments in the PRC, or the income it earns is not derived by such institutions or establishments, it must pay enterprise income tax on the portion of its income derived in the PRC at the tax rate of 10%.

According to the *Arrangement between the Government of the People's Republic of China and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income* signed by the PRC and Singapore on July 11, 2007, no more than a 5% income tax rate applies to dividends, provided that the beneficial owner is a company that holds at least 25% of the capital of the PRC company.

According to the *Notice of the State Administration of Taxation Concerning the Meaning and Determination of the Identity of "Beneficial Owner" in Tax Treaties* (《國家税務總局關於如何理解和認定税收協定中"受益所有人"的通知》(國税函[2009]601號)), issued by the SAT on October 27, 2009 (the "Tax Treaties Notice"), a "beneficial owner" refers to a person having the ownership and right of control over the income or the right or property derived from the income. In general, a "beneficial owner" is engaged in actual operating activities and may be an individual, a company or any other group. An agent or a conduit company does not belong to a "beneficial owner." A "conduit company" refers to a company normally established for the purpose of the evasion, reduction or transfer of tax or the accumulation of profit. This type of company only registers in the country where it is located, so as to exist in an organizational form required by the law, and is not engaged in actual operating activities, such as manufacturing, distribution or management.

According to the *Administrative Measures for the Application of Tax Treaties to Non-residents (for Trial Implementation* (非居民享受税收協定待遇管理辦法(試行)), promulgated by the SAT on August 24, 2009 and effective on October 1, 2009 (the "Measures"), non-residents who are entitled to preferential tax rates under applicable tax treaties must undertake the examination and approval process or record-filing formalities in accordance with

the Measures. Those failing to do so will not enjoy the treatments of relevant tax treaties. A non-resident who seeks the treatments of dividend clauses of the applicable tax treaties must apply to the competent tax authority, or obtain approval of the tax authority with the right to examine and approve its application for enjoying the treatments of Tax Treaties.

At present, Steering Holding Pte. Limited neither operates substantial activities nor has filed an application to the competent tax authority. The rate of the withholding income tax applicable to Steering Holding Pte. Limited is 10%.

Foreign Exchange

Foreign exchange administration is principally governed by two pieces of legislation, namely, the *PRC Foreign Exchange Control Regulations* (外匯管理條例), promulgated by the State Council on January 29, 1996 and amended on August 5, 2008, and the *Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment* (結匯、售匯及付匯管理規定), promulgated by the PBOC on June 20, 1996. Under these regulations, upon payment of the applicable taxes, foreign-invested enterprises may convert the dividends they receive in Renminbi into foreign currencies and remit such amounts outside the PRC through their foreign exchange bank accounts.

In general, the PRC government does not set a limit on the regular exchange international payment and transfer accounts. Foreign-invested enterprises are allowed to convert Renminbi into foreign currencies and remit abroad without the prior approval of the SAFE or its local branches: (i) when settling current account items in foreign currencies (in such case, payments must be made from their foreign exchange accounts and valid receipts and other related documents must be provided); and (ii) when distributing dividends to foreign investors (in such case, payments must be made from their foreign exchange accounts and the written resolutions of the board of directors on divided distribution and other related documents must be provided).

In other cases, including the settlement of foreign exchange under capital accounts (such as direct investment and increases in registered capital), foreign-invested enterprises may not convert Renminbi into foreign currencies or convert foreign currencies into Renminbi without the prior approval of SAFE or its local branches.

Labor and Social Insurance

Enterprises within the PRC are subject to the following PRC labor laws and regulations: the *PRC Labor Law* (勞動法), the *PRC Labor Contract Law* (勞動合同法), the *Regulations on Work-Related Injury Insurance* (工傷保險條例), the *Regulations on Unemployment Insurance* (失業保險條例), the *Provisional Measures on Employee Maternity Insurance* (企業職工生育保險試行辦法), the *PRC Social Insurance Law* (社會保險法) and related regulations, rules and provisions on enterprises promulgated from time to time by related governmental departments.

The *PRC Labor Law* and the *PRC Labor Contract Law* stipulates that labor contracts in written form must be executed in order to establish a labor relationship between employers and employees. Salaries must not be lower than the minimum wage in the place where the enterprises are located. The enterprises must establish a system for labor safety and sanitation,

strictly abide by state standards, and provide relevant education to their employees. Employees are also required to work in safe and sanitary conditions meeting PRC rules and standards.

The *PRC Social Insurance Law*, *Regulations on Work-Related Injury Insurance*, the *Provisional Measures on Employee Maternity Insurance* and the *Interim Regulation on the Collection and Payment of Social Insurance Premiums*, require that enterprises pay the related social insurance for PRC employees, which include elderly pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. A fine or other penalty will be imposed if an enterprise fails to pay the related social insurance premiums for its workers in accordance with law.

According to the *Regulations on Management of Housing Provident Fund* (住房公積金管理條例), amended on March 24, 2002, enterprises must register with the housing provident fund management center as well as pay and deposit an amount equal to a certain proportion of their employees' wages to the housing provident fund.

LAWS AND REGULATIONS OF MEXICO

The Company has one subsidiary in Mexico, Steeringmex, S. de R.L. de C.V. ("Steeringmex"), which is mainly engaged in the manufacture of automotive steering products. Steeringmex is subject to all relevant laws, regulations, and Mexican official standards ("NOMS") applicable in Mexico which are presently valid and effective. With respect to its current business operations, Steeringmex is mainly subject to the following laws, regulations and rules.

Foreign Investment

The general legal framework applicable in Mexico to foreign investment is contained in the Foreign Investment Law of 1993 and the Regulations to the Foreign Investment Law and the National Registry of Foreign Investments of 1998. Pursuant to such legislation, with relatively few exceptions, the participation of foreign private investment in most areas of Mexican economic activity is permitted. The Foreign Investment Law prohibits private investment in areas reserved exclusively for the Mexican state, but those areas are limited and of generally decreasing significance as a proportion of the overall economy. However, some foreign investment restrictions remain, including specific investment categories that are reserved for Mexican nationals, and others where quantitative or qualitative limits or administrative requirements apply. There are no restrictions or limitations on the participation of foreign private investment in the activities carried out by Steeringmex.

The Foreign Investment Law defines "foreign investment" as: (i) participation of foreign investors, in any proportion, in the capital stock of Mexican companies; (ii) participation by Mexican companies with a majority of foreign capital; and (iii) participation of foreign investors in activities and acts specified in the Foreign Investment Law. The Foreign Investment Law specifies that, except as otherwise provided, foreign investors may participate in any proportion in the capital stock of Mexican companies, acquire fixed assets, participate in new economic activities or the manufacture of new product lines, open and operate facilities, and expand or relocate those facilities that are already existing.

On transactions that exceed the assets threshold provided by the Foreign Investments Law (currently 3,493,603,960.10 Mexican pesos, or approximately US$280 million, an amount

which is adjusted annually), irrespective of the economic activity, the prior authorization of the National Commission of Foreign Investments must be obtained if the foreign investor plans to participate, directly or indirectly, in more than 49% of the capital stock of a Mexican company.

Industry

The Decree for the Support of the Competitiveness of the Terminal Automotive Industry and the Promotion of the Development of the Internal Automobile Market of 2003 issued by the Mexican Federal Government provides certain benefits for supporting the competitiveness of the terminal automotive industry. However, this decree does not provide benefits for the activities related to the manufacture of automotive parts and components.

Two of the states of Mexico in which Steeringmex has facilities (the states of Nuevo León and Chihuahua) have issued the Decree No. 028 for the promotion of employment for the tax year 2013 in the state of Nuevo León, granting tax benefits for employment promotion. Pursuant to this decree, new legal entities that generate new direct employments during the tax year 2013 are entitled to a reduction of 100% of payment of payroll tax (but only with respect to the new employments) during a four year period. The deductions corresponding to new employees who are disabled or senior citizens over 60 years of age (the monthly income of whom may not exceed the equivalent of 187 times the minimum wage) are also subject to a reduction of 100% of payment of payroll tax, during the tax year 2013.

In addition, the Decree No. 57/2010 that establishes the basic rules governing the granting of tax benefits in the State of Chihuahua enables taxpayers that carry out activities that are considered strategic for the economic development of the state of Chihuahua, that invest in high value-added or high technological level processes that develop local suppliers and that generate new employments, among others, may receive a remittance of up to 100% of the payroll tax paid by them, and of certain duties paid to the Public Registry of Property and Notaries. The effective term and other terms and conditions of these benefits are determined on a case-by-case basis by the relevant authorities.

Taxpayers whose employees obtain certain basic education certification in programs developed by the State Institute for Adult Education may obtain a discount in payroll tax equivalent to the amount of one month of the minimum wage of each certified employee, provided that the certification is issued by the education centers sponsored by the taxpayer, or by the education centers that are part of the institutional support of the State Institute for Adult Education.

Taxpayers that hire individuals suffering from certain levels of disability are entitled to a remittance of up to 100% the amount of the payroll tax as long as the employment relationship continues. Likewise, taxpayers subject to payroll tax that hire individuals who are older than 40 years of age and/or retired (and whose monthly payment does not exceed five times the monthly general minimum wage), are entitled to a remittance of up to 100% of payroll tax for a maximum of two years, provided that they evidence an increase in their workforce.

Production and Licenses

Public Registry of Commerce

Pursuant to the Mexican Code of Commerce of 1889, all business entities are required to register their incorporation, among other acts, before the Public Registry of Commerce.

In addition, the General Law on Business Organizations of 1934 provides that in order for a company to be considered as "regular," it must be registered before the Public Registry of Commerce.

Importation of Goods into Mexico

Pursuant to the Customs Law of 1995 and the related regulations, individuals or entities that intend to import goods into Mexico need to be registered with the Importers Registry administered by the Tax Administration Service. For such purposes, it is necessary to be registered with the Federal Taxpayers Registry and to be currently paying taxes.

In accordance with the Customs Law and the related regulations, depending on the classification of the goods that will be imported pursuant to the Harmonized System, it may also be necessary to obtain an additional registration with the Importers Registry of Specific Sectors. In general terms, such secondary registrations apply to the importation of sensitive products, such as chemical products, radioactive and nuclear goods, chemical precursors and basic chemicals, as well as firearms and explosives.

On January 14, 2011, the Mexican Federal Government issued the Decree that Establishes the Mexican Digital Office of Foreign Trade. The purpose of the Mexican Digital Office of Foreign Trade (the "Digital Office") is to simplify foreign trade procedures, allowing foreign trade agents to carry out all the filings related with the import, export and transit of merchandise through a single electronic point, to review information on the import, export and transit of merchandise, and to carry out electronic payment of taxes and contributions corresponding to foreign trade transactions, among other things. As of June 1, 2012, the use of the Digital Office to carry out foreign trade transactions is mandatory.

Foreign Trade Instruments

The Mexican Federal Government has issued several decrees establishing policies for the promotion and operation of the manufacturing industry through the granting of certain incentives. We understand that Steeringmex is a beneficiary under the Decree for the Promotion of the Manufacturing, Maquila and Export Service Industry of 2006 ("IMMEX").

The IMMEX program allows its authorized beneficiaries to temporarily import assets without paying general import tax or value-added tax and, if applicable, countervailing duties, provided that the assets will be used (i) in industrial or services processes destined to the manufacture, transformation or repair of foreign merchandise processes, and that will be subsequently exported, or (ii) in the rendering of export services. In order to be entitled to receive the aforementioned benefits, the terms provided in the IMMEX decree must be met by the applicant. IMMEX programs are granted subject to the commitment of carrying out yearly foreign sales of an amount greater than US$500,000, or of invoicing exports at least in the amount of 10% of the total invoicing of the applicant.

An IMMEX program will be in effect as long as its authorized beneficiary continues complying the requirements established for in the authorization of the program, as well as the obligations set forth in the decree.

The assets covered by the IMMEX decree are the following:

- Raw materials, parts and components destined entirely to integrate export merchandise; fuels, lubricants and other materials to be consumed during the production process of the export merchandise; containers and packaging; labels and brochures.
- Shipping containers and boxes.
- Machinery, equipment, tools, instruments, molds and spare parts destined to the production process; equipment and devices for the control of contamination; equipment and devices used for research or training, industrial security, telecommunications and computing, laboratory work, measurement, product testing and quality control; equipment and devices used in the handling of materials directly related with the export assets and other related with the production process; and equipment for administrative development.

Authorized beneficiaries of IMMEX programs must submit a yearly report on the total sales and exports corresponding to the previous tax year, as well as on certain information for statistical purposes.

Steeringmex is also a beneficiary under the Decree Establishing Different Sector Promotion Programs of 2002 ("PROSEC"). The PROSEC program allows entities that manufacture certain merchandise (including those in the automotive parts industry) to import several assets that will be used in the manufacture of specific products with a preferential import tax, regardless of whether such manufactured products are destined for export or to the domestic market.

In order to be entitled to receive these benefits, the terms provided in the PROSEC decree and in the official writ authorizing the program must be met. Beneficiaries of PROSEC programs must submit a yearly report on the foreign trade transactions of the previous tax year, covered by the PROSEC program.

Finally, importers may request their registration with the Registry of Certified Companies, in order to be entitled to certain administrative facilities, including facilities related to customs clearance (e.g., celerity and election of customs office) and reduction of fines, provided that they comply with certain requirements set forth under the applicable laws.

Consumer Protection

The purpose of the Federal Consumer Protection Law of 1992 is to promote and protect the rights of consumers and to promote fairness, certainty and legal security in the relationships among suppliers and consumers. Pursuant to the Federal Consumer Protection Law, "consumers" are those individuals or entities that either: (i) acquire or enjoy goods, products or services as the final user, or (ii) acquire, store, use or consume goods or services for their integration in the production, transformation, commercialization or services processes, provided that the amount of the relevant transaction does not exceed the amount of 428,811.21 Mexican pesos (which amount is updated on a yearly basis).

Pursuant to the Federal Consumer Protection Law, when products are offered with a guarantee, such guarantee will be subject to the agreement thereon among the supplier and consumer, and to the provisions of the Federal Consumer Protection Law, including the provision that guarantees cannot be for less than 60 days counted as from the date of delivery of the goods.

Compliance with the terms and conditions of guarantees is enforceable against the producer, the importer or the distributor of the corresponding goods, unless one of them or a third party assumes the obligation in writing. Consumers may elect among the restitution of the goods or services, the rescission of the agreement, or a reduction of the price when the goods have defects that make them improper for the uses to which they are normally destined, that diminish the possibility of their use, or when the products or services do not offer the security that, due to their nature and with a reasonable use, is normally expected from them. In any of the foregoing events, the consumer will be entitled to a compensation of not less than 20% of the price paid, in addition to an indemnification for damages and losses, if applicable.

Federal Firearms and Explosives Law of 1972

Pursuant to the Federal Firearms and Explosives Law, the industrial and commercial activities related to explosive materials require a permit issued by the Ministry of National Defense. The foregoing is relevant to Steeringmex as it uses explosive materials in its production processes, and imports such explosive materials from the United States.

In general terms, in order to carry out such industrial and commercial activities on an ongoing basis, it is necessary to obtain a general permit, which remains in force during the year in which it is issued. In addition, an ordinary permit is necessary in order for holders of a general permit to carry out commercial transactions among them, or with foreign merchants. Ordinary permits are issued on a case-by-case basis, and remain in force for the time specified in each individual case. Both kinds of permits must specify the use to which the goods covered by them will be destined.

The Federal Firearms and Explosives Law provides that the industrial plants that carry out the aforementioned activities must comply with the safety, technical functioning, location and production conditions provided in the related regulations. Holders of a general permit must provide to the Ministry of National Defense, within the first five days of each month, a detailed report on its activities, specifying the movements occurred in the prior month.

The acquisition, transportation, transformation or storage of explosive materials without having the corresponding permits are sanctioned with the imprisonment of the company's officers for a period of two months to three years and a fine of between two to 200 penalty days (e.g. the daily net perception of the person committing the crime, at the moment of its consummation, considering all its income). The administration of industrial plants in which the aforementioned activities are carried out without complying with the corresponding safety conditions will be sanctioned with imprisonment of the company's officers for a period of one month to two years and a fine of between two to 100 penalty days.

Sanitary Authorizations

Pursuant to the General Health Law of 1984 (the "General Health Law"), which is a federal law, the Ministry of Health determines which establishments dedicated to certain activities (apart from those related to medicines, vaccines, fertilizers and other activities that require sanitary authorizations) are required to provide a notice on the commencement of their operations.

On July 29, 1997, the Ministry of Health issued the Agreement No. 141 that Determines the Establishments that are Subject to a Notice on the Commencement of Operations, pursuant to which the establishments that carry out foundry of iron and steel, foundry and molding of metallic pieces, or that manufacture steel products, among others, have to give a notice on the commencement of activities.

The General Health Law also provides that any change in the ownership of an establishment or its corporate name, or any assignment of rights over products, must be notified to the corresponding health authority.

In addition, pursuant to the General Health Law, the states of Mexico have jurisdiction over prevention and control of harmful effects of environmental factors, occupational health, and accident prevention, among other things. In this regard, the Chihuahua State Health Law of 2012 provides that industrial establishments require a sanitary license.

Municipal Functioning License (El Marqués, Querétaro)

The Public Finance Law of the Municipalities of Querétaro of 2008 provides that a Municipal Functioning License is required for the functioning of all kinds of mercantile, industrial or services establishments, and establishments of any other nature that must be established and operated in the different municipalities of the State of Querétaro. Pursuant to the aforementioned law, these functioning licenses are in effect during the calendar year in which they are issued.

In order to obtain a Municipal Functioning License, it is also necessary to have (i) an Ecology Authorization, and (ii) a Civil Protection Authorization.

Activity Feasibility Authorization (El Marqués, Querétaro)

Pursuant to the Construction Regulations for the Municipality of El Marqués, Querétaro of 2009, the Activity Feasibility Authorization is the administrative document authorizing or revalidating on a yearly basis, the specific activity to which a building is destined, to guarantee the optimal conditions of a services or exploitation establishment. These regulations also provide that this authorization is mandatory for purposes of obtaining the functioning license.

Billboard Authorization (El Marqués, Querétaro)

The Billboard Regulations for the Municipality of El Marqués, Querétaro of 2009 provide that the placement of billboards in the Municipality of El Marqués, Querétaro, and their revalidation, require a license or authorization issued by such Municipality.

Municipal Functioning License (Ciudad Juárez, Chihuahua)

The Sustainable Urban Development Law of the State of Chihuahua of 2011 provides that any entity that intends to carry out urban development works, actions, services or investments must obtain the corresponding licenses and authorizations in advance of carrying out such activities, which include the Municipal Functioning License.

Safety and Risks Contingency Plan (Ciudad Juárez, Chihuahua)

The Civil Protection Law of the State of Chihuahua of 1996 provides that real estate or establishments that receive a massive influx of people, due to their nature or to the use to which they are destined, need to have an internal civil protection program, that must be authorized and supervised by the corresponding civil protection authorities.

Civil Protection and Contingencies Plan (Sabinas Hidalgo, Nuevo León)

The Civil Protection Regulations of the Municipality of Sabinas Hidalgo, Nuevo León of 2000 provide that the factories, industries and establishments in which there exist the danger or contingency of the occurrence of a disaster are obliged to have, on a permanent basis, a specific civil protection program and a contingencies plan, the latter of which must be authorized and supervised by the Municipal Direction of Civil Protection.

Environmental Protection

In Mexico, the preservation and restoration of ecological balance, as well as environmental protection, is regulated by certain federal, state and municipal laws and regulations, including NOMS (collectively, the "Environmental Regulations"), depending on the specific matter.

Environmental Regulations applicable to the establishment and operation of automotive parts industrial facilities (the "Relevant Activities") in the jurisdictions in which Steeringmex has facilities (the states of Nuevo León, Chihuahua and Querétaro) require Steeringmex to obtain and maintain the following environmental permits:

Permit	Description and Jurisdiction
Environmental Impact Authorization	Pursuant to the General Law on Ecological Balance and Environmental Protection of 1988 (the "General Environmental Law") and its regulations, this permit is required for activities that may have an impact in the environment, or that may exceed the maximum contamination levels provided by the applicable NOMS. In all the jurisdictions in which Steeringmex has facilities, in order to carry out the Relevant Activities, it is required to have the corresponding environmental impact authorization from the state environmental agency.

Permit	Description and Jurisdiction
Risky Activities	If risky activities as provided in the General Environmental Law and in the Lists of Risky Activities of 1990 and 1992 are to be carried out in the facilities, the federal environmental agency has to be informed by the company through the filing of a preventive report. Likewise, approval of accident prevention programs for the relevant risky activities must be obtained from the federal environmental agency.
Water Supply	In general terms, water supply sources are either federal or local (municipal). If the supply source is a national water body (e.g. river or stream), a federal water concession title must be obtained from the federal water agency in order to be able to exploit, use or obtain the benefit of national waters, pursuant to the National Waters Law of 1992 (the "Water Law"). If the supply source is the municipal network, then a supply agreement must be entered into with the municipal authorized water supplier. Regardless of whether the water supply source is of federal or municipal jurisdiction, its use must be annually reported using the official form approved by the relevant environmental agency.
Wastewater Discharge	Wastewater discharge may be of federal or local jurisdiction. If wastewaters are discharged into a national water body, a federal wastewater discharge concession title must be obtained from the federal water agency, pursuant to the Water Law. If wastewaters are discharged into the municipal sewerage network, a municipal wastewater discharge permit is required. Regardless of whether the authorization is of federal or municipal jurisdiction, wastewater must not be discharged unless the applicable quality standards are met, and annual reports are filed using the official form approved by the relevant environmental agency.

Permit	Description and Jurisdiction
Air Pollutant Emissions	Air pollutant emissions may be of federal or local jurisdiction. Pursuant to the General Environmental Law, a federal air pollutant emission permit is required for facilities that emit smells, gases or solid or liquid particles to the atmosphere. A state air pollutant emission permit is required for emissions different to those aforementioned. Regardless of whether the permit is of federal or state jurisdiction, emissions must not exceed the allowed maximum contamination levels under the applicable standards and annually reported using the official form (annual report of emissions).
Hazardous Wastes Management (including collection, transportation, recycling, storage and final disposal)	Pursuant to the General Law for the Prevention and Integral Management of Wastes of 2003, the management of hazardous wastes in the corresponding facilities entail the following obligations: ● To obtain and maintain a hazardous wastes registry as a generator of hazardous wastes; ● Depending on the kind and amount of hazardous wastes, the approval of a management plan must be obtained from the federal environmental agency; ● To keep record of hazardous wastes movements with a log book; ● Not to store hazardous wastes longer than six months, unless a special permit is obtained from the federal environmental agency; ● If any of the management activities is carried out through a third party, the third party must hold the corresponding federal permit to perform such activity; ● All stages of wastes management must be documented in the official form approved by the federal environmental agency; and ● Hazardous wastes generated must be annually reported using the official form approved by the federal competent environmental agency.

Permit	Description and Jurisdiction
Special and Non-hazardous Wastes Management	The applicable laws for the management of special or non-hazardous wastes are of local jurisdiction. Pursuant to such local laws, facilities that manage these kinds of wastes must carry out such management in compliance with obligations similar to those applicable to the management of hazardous wastes mentioned above.
Soil Contamination	Pursuant to the General Environmental Law, soil contamination by hazardous wastes is an environmental liability and must be remediated with the prior approval of the federal environmental agency. Title transfer of a contaminated site must be pre-approved by the federal environmental agency, which will rule on the responsible party for the future remediation thereof. However, the parties to the title transfer transaction may freely agree on which of them will be responsible thereof.
Sanctions	In general terms, any violation of the Environmental Regulations may be sanctioned with any of the following penalties: ● Warning; ● Fine in an amount of eight to 50,000 times the general minimum wage in Mexico City (also applicable in Ciudad Juárez, Chihuahua); ● Temporary or permanent closure of the facilities; ● Administrative arrest for up to 36 hours; ● Suspension or revocation of permits; and ● Community service order.

Intellectual Property

The Industrial Property Law of 1991 protects the trademarks, service marks, collective marks, advertising slogans, trade names and trade secrets in Mexico. Trademarks and service marks are visible signs that distinguish products or services from others of the same type or category on the market. A word, slogan, design, three-dimensional shape, the name of a person, or any combination thereof may be registered as a mark.

Mexican law recognizes four types of marks: (i) nominative (a word or series of words); (ii) non-nominative (designs, logos or other distinctive visual elements); (iii) three-dimensional forms (containers, packaging, or product configurations); and (iv) composite (combinations of any of the above, such as a word together with a design).

A trademark registration is valid for 10 years as from the filing date of the trademark application, and is renewable indefinitely for successive periods of 10 years.

Pursuant to the Industrial Property Law of 1991, there are four types of protection for inventions: patents, utility model registrations, registrations for industrial designs and models, and registrations of layout designs for integrated circuits.

Inventions that are novel, the result of an inventive process and susceptible of industrial application are patentable. Mexican law defines an "invention" as "any human creation that allows matter or energy existing in nature to be transformed for utilization by man in the satisfaction of his specific needs." A patent is valid for 20 years from the application filing date and is not renewable.

Inventions which are not patentable may nonetheless be protected as utility models (for 10 years as from the application filing date, non-renewable), industrial designs and models (referred to collectively as "industrial designs," for 15 years as from the application filing date, non-renewable), or integrated circuit layouts (for 10 years as from the application filing date, non-renewable).

Trade secrets in Mexico are regulated by the mentioned Industrial Property Law of 1991, which establishes that a trade secret is any information kept by a natural or legal person that: (i) is confidential in character, (ii) relates to the nature, characteristics or purposes of products, to production methods or processes, or to ways or means of distributing or marketing products or rendering services, (iii) is associated with securing or maintaining a competitive advantage, (iv) is subject to sufficient systems or means for preserving confidentiality, and (v) is maintained in documents, electronic or magnetic media, optical discs, microfilm, film or other similar material. Trade secrets are protected for as long as the legal requirements for protection are met.

Copyright is the legal protection given to the creators of literary and artistic works and their creations, pursuant to the Federal Copyright Law of 1997. The statute extends "author's rights" to original intellectual creations. In addition, the law extends "neighboring rights" to performers, book publishers, producers, and manufacturers of audio and video recordings. The right has two separate elements: (i) Moral rights — perpetual, inalienable, irrevocable rights that are personal to the author and, following the author's death, his or her heirs; and (ii) Economic rights — the authority to use, authorize others to use and to exploit the work without prejudice to the author's moral rights.

Generally, the term of protection of a copyright is the life of the author plus 100 years. For works with multiple creators, protection extends to 100 years after the death of the last surviving author. Non-original works such as databases, where the protection does not extend to the data or material contained therein, are protected for five years. Neighboring rights are protected for a term of 50 years from the date of first publication or fixation, except for broadcasts, which are protected for a term of 25 years.

Taxation

Federal Taxpayer's Registry

The Federal Fiscal Code of 1981 provides that the legal entities that are required to file monthly tax returns, or to issue tax receipts for the acts or activities carried out by them, are required to, among other things, apply for registration with the Federal Taxpayer's Registry.

The Federal Fiscal Code of 1981 also provides that the shareholders or partners of such legal entities which reside abroad are also required to, among other things, apply for registration with the Federal Taxpayer's Registry, unless the aforementioned legal entities file, within the first quarter of each year, a notice including the name, tax identification number and country of residence of their foreign shareholders or partners.

Income Tax

Pursuant to the Income Tax Law of 2002, Mexican residents are obliged to pay income tax on their worldwide income, regardless of its source, at a rate of 30%.

As mentioned above, Steeringmex has an IMMEX program that allows it to obtain certain preferential tax treatment. Further, the main business of Steeringmex is to provide assembly and manufacturing services to a foreign related party, mainly using machinery, equipment, materials, spare parts, supplies and components owned by such related party.

The Income Tax Law of 2002 provides that companies with an IMMEX program that are doing business with a foreign resident have to comply with a minimum taxable income in order to avoid creating a permanent establishment in Mexico for such foreign resident. IMMEX companies may elect any of the following options to calculate their taxable income:

- Option 1: Arm's length consideration plus fixed yield on assets. The IMMEX company must keep transfer pricing records evidencing that the value of its income and deductions arising from transactions with related parties are the result of: (i) transfer prices determined according to the Income Tax Law of 2002 and the principles contained in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of the Organization for Economic Co-operation and Development (excluding the assets not owned by the company), plus (ii) an amount equal to 1% of the net book value of the machinery and equipment owned by the foreign resident that allows the use thereof to a Mexican resident, under conditions other than market leasing.
- Option 2: Safe harbor. The IMMEX company obtains a tax allowance representing at least the higher between: (i) 6.9% return on assets (total value of assets used in the IMMEX activities, including assets owned by (a) the company residing in Mexico, (b) foreign residents or (c) by any of their related parties, even if such assets are covered under the IMMEX program) and; (ii) 6.5% return on operating costs (total costs and expenses) incurred by the IMMEX company pursuant to generally accepted accounting principles, including those incurred by foreign residents, and subject to certain exclusions.
- Option 3: Transactional net margin method with certain adjustments. The IMMEX company must keep transfer pricing records evidencing that the value of the income and deductions arising from transactions with related parties is determined by applying the transactional net margin method, considering the profitability of the machinery and equipment owned by the foreign resident and used in the IMMEX company's operation, but excluding profitability related to financing risks in connection with the machinery and equipment owned by the foreign resident.

Flat Tax

Pursuant to the Flat Tax Law of 2007, Mexican entities are subject to a flat tax on income obtained from the sale of goods, the rendering of independent services and the granting of the temporary use or enjoyment of goods. Flat tax is an alternative minimum tax that is payable only if its amount is greater than the income tax payable by the same taxpayer.

Flat tax is accounted on a cash basis and is calculated by applying a 17.5% rate to the tax basis, which is determined by subtracting from taxable revenues effectively collected, the authorized deductions effectively paid. If allowable deductions exceed revenues, the result is a loss for flat tax purposes that may be credited against the flat tax corresponding to subsequent years.

With respect to items of income and deduction for flat tax purposes, the following issues have to be considered:

- Certain royalties between related parties are excluded from the flat tax base and therefore, they are not taxable for the recipient or deductible to the payer.
- Interests from loan financing are not deductible for taxpayers that are legal entities.
- Payroll expenses are subject to certain rules limiting their deduction.

Flat tax is paid in monthly advanced payments, based on the total accumulated gross income as from the beginning of the taxable year and until the month for which the payment is being calculated, subtracting the authorized deductions.

In the same manner as income tax, flat tax is calculated on a yearly calendar basis; and companies are required to file their annual flat tax return by March 31 of the following year.

Value-Added Tax

The Value-Added Tax Law of 1978 levies the transfer of goods, the rendering of services, the granting of temporary rights to use goods and the import of both goods and services at rates of 0% (for the sale of patent medicine, exportations and food, subject to certain exceptions), 11% (for activities conducted in the border region) and 16% (for all other taxable activities, this being the general rate). In principle, value-added tax ("VAT") is paid by the final consumer of goods or services, having only a temporary financial effect on businesses. VAT is accounted on a cash basis.

Tax on Cash Deposits

The Tax on Cash Deposits Law of 2007 sets forth a tax that is applicable to bank deposits made in cash, exceeding the amount of 15,000 Mexican pesos per month at a 3% tax rate.

Employee Profit Sharing

Profit sharing is mandatory for most employers, who have to set aside 10% of the business entity's taxable profit and distribute it among their employees.

Payroll Tax

The payroll tax is a state tax applicable to individuals or legal entities that, within the jurisdiction of a state, pays salaries either in cash or in kind. In the states of Querétaro, Nuevo León and Chihuahua, where Steeringmex has facilities, the tax is imposed on the sum of all items of remuneration paid to an employee with respect to an employment, excluding certain fringe benefits, social security contributions, travel expenses and other items.

Payroll tax is determined by applying the corresponding tax rate to the taxable payroll. The tax rates are as follows: 1.6% for Querétaro; 3% for Nuevo León; and between 1% and 2.6% for Chihuahua.

Real Property Tax

Municipalities impose a yearly tax which is levied on the ownership of real property located within their jurisdiction. The base of this tax is the cadastral value of the real property. Steeringmex owns real property in Ciudad Juárez, Chihuahua, where the tax rate depends on different value ranges of the real property, and goes from 0.2% to 0.6%, and in Sabinas Hidalgo, Nuevo León, where the real property tax rate is 0.3%.

Labor and Social Security

Employment relationships in Mexico are mainly subject to the following legislation: the Federal Labor Law of 1970 (the "Federal Labor Law"), the Social Security Law of 1995 (the "Social Security Law"), the Law of the National Housing Fund Institute of 1972, and their corresponding regulations. Likewise, employers must observe the provisions of the NOMS, as well as the Federal Regulations on Safety, Hygiene and Work Environment issued by the Ministry of Labor and Social Welfare.

Pursuant to the Federal Labor Law, employment relationships have to be documented through written employment agreements that must establish, among other things, the work terms and conditions, and general information of both the employer and employee. There are currently two different general minimum wages in Mexico that are applicable depending on the geographic area of the country in which the services are being performed. The general minimum wage applicable in the locations where Steeringmex has operations are of 64.76 Mexican pesos (approximately US$5.18) for Ciudad Juárez, Chihuahua, and of 61.38 Mexican pesos (approximately US$4.91) for El Marqués, Querétaro and for Sabinas Hidalgo, Nuevo León. In addition, for certain crafts or occupations, there are also different professional minimum wages.

In the event that an employer intends to terminate the employment relationship with an employee, it must provide to the employee, whether directly or through the relevant Conciliation and Arbitration Board, a written termination notice stating the reasons and circumstances for the termination of the employee with cause. Causes for a justified termination are established in the Federal Labor Law, and include dishonesty, acts of violence, threats, insults or mistreatments by the employee during working hours against the employer, its relatives, the executive or administrative personnel of the company or establishment, or against clients and suppliers of the employer (unless acting due to instigation or in self-defense), as well as intentional material damages to buildings, constructions, machinery, instruments, raw materials and other work-related objects which are caused by the employee during the performance of the work, or as a result thereof.

Under the Federal Labor Law, an employee who is terminated without a justified cause, is entitled to the following: (i) three months' integrated salary; (ii) a seniority premium, equal to 12 days' salary for each year of work, including periods of less than one year (for purposes of calculation, the salary is capped to twice the general minimum wage in force in the geographic area where the employee rendered services); and (iii) accrued benefits (e.g., vacations, vacation premium and Christmas bonus). Additionally, even though it is not mandatory, the payment of 20 days' integrated salary for each full year worked has also become customary whenever an employer assumes a conservative position and wishes to avoid any conflicts that may arise from the termination.

Employers are obliged to establish the necessary safety and hygiene measures in accordance with the Federal Regulations on Safety, Hygiene and Work Environment, as well as to implement programs to prevent accidents, perform medical examinations of employees, both upon hiring and at periodic intervals, and conduct special examinations of those workers who are exposed to physical, chemical, biological, and psychosocial risks that may affect their health.

In accordance with the Social Security Law, employers must register their employees with the Mexican Social Security Institute and pay social security dues and contributions. Federal Labor Law imposes liability on employers for any work-related illness or accident incurred by employees; however, employers are released from such liability by registering their employees with the Mexican Social Security Institute and paying the corresponding contributions. Such contributions are divided in order to constitute an old-age pension and a housing fund for employees.

Registration before the National Workers' Housing Fund Institute

The Federal Labor Law provides that any agricultural, industrial or mining company or any company of any other kind of work, is obliged to provide to their workers with hygienic and comfortable housing. The Federal Labor Law further provides that this obligation is complied with through contributions to the National Workers' Housing Fund Institute.

The National Workers' Housing Fund Institute Law of 1972, which created the National Workers' Housing Fund Institute, provides that, among other things, its purpose is to establish and operate a financing system that allows workers to obtain affordable and sufficient credit to (i) acquire title to hygienic and comfortable housing, (ii) construct, repair, expand or improve their housing, and (iii) pay credits obtained in connection with the foregoing.

Registration before the National Workers' Consumption Fund Institute

Pursuant to the aforementioned Federal Labor Law, employers are required to ensure that the workplace is affiliated with the National Workers' Consumption Fund Institute, in order for the employees to be beneficiaries of the credits granted by such institution.

The National Workers' Consumption Fund Institute Law of 2006, which created the National Workers' Consumption Fund Institute, provides that its purpose is to promote savings among workers, to grant them financing and to guarantee their access to credits for the acquisition of goods and the payment of services.

Recipients Subject to Pressure

Pursuant to the Work Safety, Hygiene and Environment Federal Regulations of 1997 and the Mexican Official Standard NOM-020-STPS-2011, the operation in the workplace of certain recipients subject to pressure requires that the employers:

(i) provide written notice to the Ministry of Labor and Social Welfare, prior to the commencement of operations of the corresponding recipient subject to pressure, together with a report issued by an authorized verification unit, on the compliance of security conditions and regulatory requirements by such recipient; or

(ii) apply to the Ministry of Labor and Social Welfare for an authorization for the operation of the corresponding recipient subject to pressure, prior to which inspection is carried out by the Ministry of Labor and Social Welfare to determine if the recipient complies with the applicable regulatory requirements.

Illumination

Pursuant to the Mexican Official Standard NOM-025-STPS-2008 (the "NOM-25"), work centers are required to have the needed illumination for each activity in order to ensure a safe and healthy work environment.

The NOM-25 imposes on employers the obligation to carry out assessments, control tests and maintenance tasks related to the level of illumination at each particular area of the work center, as well as the obligation of complying at all times with certain minimum amounts of lux units established therein, depending on specific work areas and the visual tasks carried out in such areas.

Real Estate

Land Use License (El Marqués, Querétaro)

The Urban Code of the State of Querétaro of 2012 provides that a Land Use License is required for any construction, reconstruction, adaptation and amendment of buildings to be carried out in the State of Querétaro.

Pursuant to such Code, the Land Use License is the document that establishes the terms and conditions set forth by the urban development programs with respect to a plot of land, among other things, on roads or in parking, open areas, maneuver areas and areas of high population density.

Land Use License (Sabinas Hidalgo, Nuevo León)

The Urban Development Law of the State of Nuevo León of 2009 provides that the parties interested in using plots of land for any activity, including the development of construction works and the change in the use of buildings, must request, among other things, a Land Use License.

The purpose of Land Use Licenses is to (i) set forth the use of a plot of land, pursuant to such established in the municipal urban development plans or programs, and (ii) establish the urban order restrictions or the planning, natural preservation and environment protection rules.

Land Use License (Ciudad Juárez, Chihuahua)

The Sustainable Urban Development Law of the State of Chihuahua of 2011 provides that any entity that intends to carry out urban development works, actions, services or investments must obtain the corresponding licenses and authorizations prior to the execution thereof, which include the Land Use License.

Pursuant to such law, the Land Use License indicates the specific rules for urban use and exploitation of an activity or project in relation to certain real estate, pursuant to its zoning, and to the provisions of the applicable territorial order and sustainable urban development plans and programs.

Construction License (El Marqués, Querétaro)

The Urban Code of the State of Querétaro of 2012 provides that the construction license is the document that authorizes owners to build, expand, amend, repair or demolish a building or the premises located in their plots of land.

Construction Works Termination Notice (El Marqués, Querétaro)

The Construction Regulations of the Municipality of El Marqués, Querétaro of 2009 provide that the owners or possessors of a plot of land are required to inform the competent municipal authority of the termination of the works carried out in such plot of land, in order for such authority to carry out an inspection visit and thereafter, if applicable, grant the occupation authorization of the construction works.

Construction License (Sabinas Hidalgo, Nuevo León)

The Urban Development Law of the State of Nuevo León of 2009 provides that the parties interested in using plots of land for any activity, including the development of construction works and the change in the use of buildings, must request, among other things, a construction license.

The purpose of this license is to authorize: (i) the alignment in public roads and the official number, (ii) the execution of a new construction, as well as the extension, amendment or repair of those existing, (iii) demolitions and excavations, and (iv) any other construction work different than the aforementioned.

Building Use License (Sabinas Hidalgo, Nuevo León)

The Urban Development Law of the State of Nuevo León of 2009 provides that the parties interested in using plots of land for any activity, including the development of construction works and the change in the use of buildings, must request, among other things, a building use license.

The purpose of this license is to (i) set forth the land use of the plot of land on which the building is located, pursuant to the provisions of the urban development plans and programs, (ii) determine the maximum construction occupancy, (iii) establish the planning rules or the urban order restrictions, as well as the rules for natural preservation and environment protection, (iv) set forth the specific function or particular use of the building, and (v) set forth the distribution of the corresponding areas.

Construction License (Ciudad Juárez, Chihuahua)

The Sustainable Urban Development Law of the State of Chihuahua of 2011 provides that any entity that intends to carry out urban development works, actions, services or investments must obtain the corresponding licenses and authorizations prior to the execution thereof, which include the Construction License.

Pursuant to the Construction Regulations of the Municipality of Juárez of 2013, all construction works to build, extend, modify or demolishing constructions (except for sidewalks, painting, upholstery, impermeabilization and thermal isolation works) require a construction permit or license.

Occupation Certificate (Ciudad Juárez, Chihuahua)

The aforementioned Construction Regulations of the Municipality of Juárez of 2013 provide that, upon termination of construction, a notice in this regard must be filed with the General Direction of Urban Development, which may authorize the occupation and use of the constructed works after having inspected the corresponding construction. No building or structure may be occupied before an occupation certificate is obtained (except for certain family housing).