December 16, 2004

Gabelli & Company, Inc.

www.gabelli.com

Diesel

Source: http://www.dvd-forum.at/screenshots

Fast and Furious…!

COMPANY	EXCHANGE	TICKER
Filter/Emissions		
ArvinMeritor Inc.	NYSE	ARM
Donaldson Company, Inc.	"	DCI
Tenneco Automotive, Inc.	"	TEN
Turbochargers		
BorgWarner Inc.	NYSE	BWA
Honeywell International Inc.	"	HON
Engines		
Cummins Inc.	NYSE	CMI
Navistar International Corp.	"	NAV
Other Companies		
Delphi Corp. (Fuel Injection)	NYSE	DPH
Modine Manufacturing Company (EGR cooler)	"	MOD

David Siino
Research Analyst
914-921-5216

- Please Refer to Important Disclosures on the Last Page of this Report -

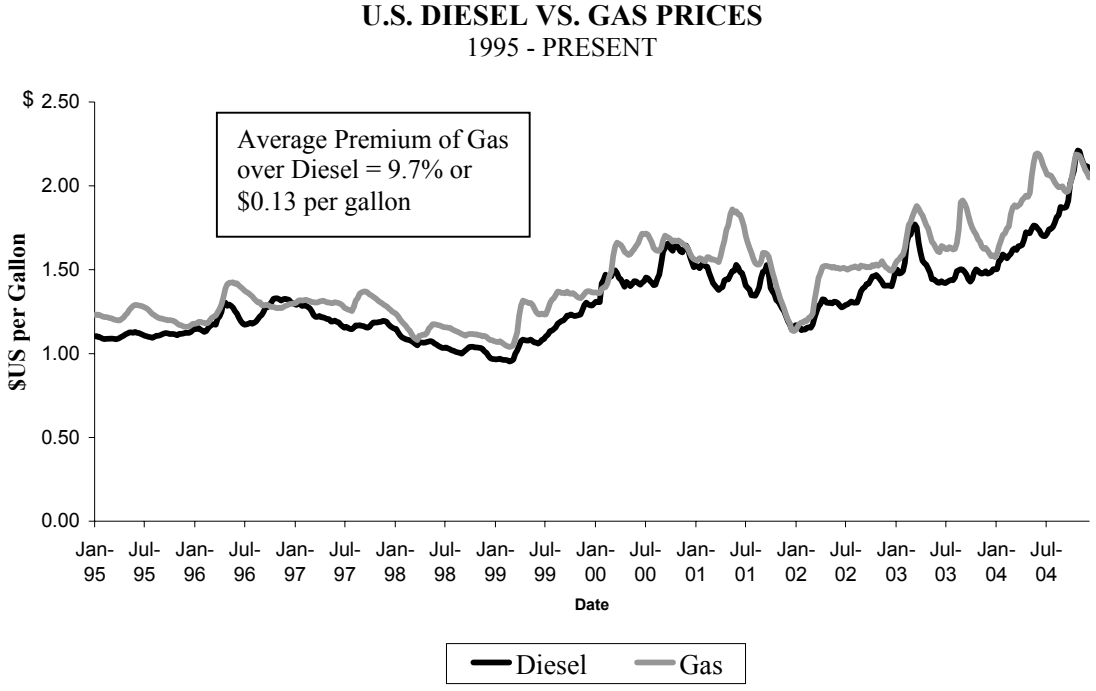
Is it dejà-vu all over again?

In responding to consumer concerns over rising gas prices, environmental regulations and uncertainty in the Middle East, automotive manufacturers have started to more aggressively introduce alternatives to the traditional gasoline-powered combustion engine. These alternatives take two forms – hybrid gas-electric engines and diesel engines. While the hybrid has received more press in North America because of its appeal as a new technology, diesels have quietly made great strides, piggybacking rising heavy-duty truck orders, increasing penetration in Europe of diesel-powered new car registrations and the significant evolution of diesels to a cleaner, more fuel efficient engine. We believe that these initial steps for diesel foretell the rise of diesel engines in North America and represent a large opportunity for BorgWarner (BWA – $49.63 – NYSE).

THE BASICS

With the negative perceptions of diesel engines as more expensive, dirtier and noisier than gas engines, why do we believe there is a large opportunity in North America? Our belief rests in consumers increasingly valuing diesel's fuel economy. Over the last decade, on average gasoline has been 10% more expensive at the pump than diesel. With high gas prices, this discount becomes more significant.

Chart 1



Source: Department of Energy

Furthermore, diesel engines have always been an attractive alternative to gasoline engines because diesel's design enables greater fuel efficiency. The higher fuel economy is largely due to the higher potential energy of a gallon of diesel fuel (147,000 BTUs) than a gallon of gasoline (125,000 BTUs). Additionally, that air in a diesel engine can be compressed to as much as two times the space as in a gasoline engine, with a range of 14:1 on the low end to 25:1 on the high end, versus a range of 8:1 and 12:1 for a gasoline engine. The diesel's main drawback is that historically it generates more pollutants. We summarize the main differences between a diesel engine and a gasoline engine on the following page.

Diesel Engine vs. Gasoline Engine: The Basics

Diesel Engine Cost Premium / Car	$1,100 - $2,500
Diesel Engine Cost Premium / Truck	$5,000 - $7,500
Diesel Engine Miles Per Gallon	25-40% Greater
NOx Emissions	Higher
Particulate Emissions	Higher
Hydrocarbon Emissions	Lower
Additional Equipment	Turbocharger
	Direct Fuel Injection
	Charge Air Cooler

In addition, relative to gasoline powered engines, diesels

- are heavier and initially pricier
- require more expensive and complex fuel injection systems
- have high low-end torque rather than high horsepower = slower acceleration
- in the past were noisier
- are perceived as being more difficult to start in cold weather
- consume diesel fuel, which is not offered at as many gas stations in the U.S.

However, the considerable technological strides diesel engine manufacturers have made in lowering particle emissions, reducing noise and starting engines in cold weather should allay many of the prior concerns about diesels. Diesels in trucks and buses produce one-eighth the emissions compared to those built a dozen years ago. Clean diesel engine systems emit 20-40% fewer greenhouse gases (hydrocarbons) than gasoline engines. With the introduction of low-sulfur fuel in 2006 in the U.S., diesel will become even more competitive.

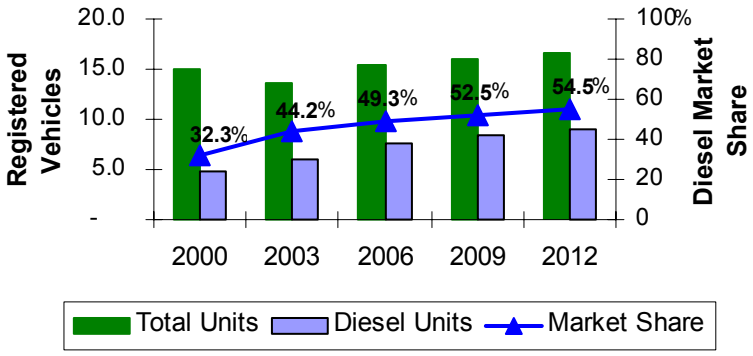
THE WORLDWIDE GROWTH OF DIESEL

Growth in Europe

Driven by its lower price at the pump relative to gasoline and increasingly cleaner emissions, diesel's penetration of new car registrations in Europe has soared over the last few years. According to J.D. Power – LMC Automotive Forecasting Services, in 2000 diesel engines represented 32% Western Europe's registered new cars. By 2003, diesel's market share reached 44%. During that three year period, Western Europe witnessed a –3% CAGR in new car registrations for its personal vehicles, while diesel engine unit growth grew at a 7.8% CAGR from 4.8 million units to 6.0 million. Diesel's market strength is projected to progress to where it will be in the majority of personal vehicles by 2007 and 55% of cars by 2012. All told, from 2000 – 2012, while Western Europe's new vehicle registrations are expected to grow at a CAGR of 0.9%, diesel's CAGR is 5.4%. This growth translates into over 9 million diesel engines sold in passenger vehicles in 2012. We display this graphically in Chart 2 on the next page.

Chart 2

WESTERN EUROPE
ANNUAL PERSONAL VEHICLES REGISTERED
% DIESEL



Registered vehicles in millions
Source: JD Power – LMC Automotive Forecasting Services

North American Demand

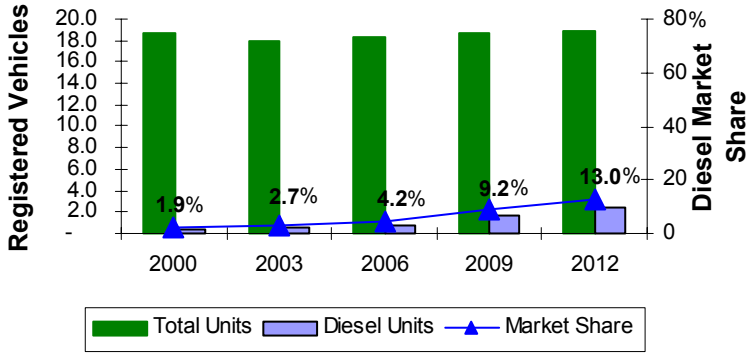
To meet North American consumer desires for more fuel efficient and environmentally friendly cars, European and Japanese OEMs have taken two different paths. European OEMs have focused on introducing diesels whereas Japanese have concentrated on hybrids. According to Ward's Automotive Reports, Toyota had sold more than 41,000 of its hybrid, the Prius, through the end of October 2004, a 180% increase year over year. Toyota has announced plans to produce at least 100,000 Priuses in 2005.

To date, European OEMs' plans to reintroduce diesel engines have underestimated the market's desire for diesel passenger vehicles. Mercedes' E-320 diesel model sold out of its 3,000 units at a $1,000 price premium to its gasoline-powered counterpart. Volkswagen has also sold out of its limited quantity diesel Touaregs at $60,000 each. BMW has declared that it will introduce its diesel-powered $76,000 740d, already available and popular in Europe. But the introduction of diesels is not restricted to the luxury market. DaimlerChrysler will offer a diesel option on 5,000 of its 2005 Jeep Liberty (approximately $25,000 MSRP) to test the market. Initial inquiries for the diesel Liberty are said to be greater than 40,000.

The OEMs interest reflects what the JD Powers – LMC Automotive Forecast sees as a soon-to-be exploding North American market. While North American personal vehicle units are expected to barely increase from 2000 – 2012, diesel engine units are projected to grow at a 17.7% CAGR, from approximately 350,000 units to 2,468,000. This would translate into 13% of the North American market in 2012 vs. 2% in 2000. We show this graphically in Chart 3.

Chart 3

NORTH AMERICA
ANNUAL PERSONAL VEHICLES REGISTERED
% DIESEL



Registered vehicles in millions
Source: JD Power – LMC Automotive Forecasting Services

Table 1

DIESEL VEHICLES MODELS SOLD IN THE U.S.

VEHICLE	HORSE-POWER	TORQUE
Chevrolet Silverado 2500HD	300	520 lb.-ft @ 1800 RPM
Chevrolet Silverado 3500	300	520 lb.-ft @ 1800 RPM
Dodge Ram 2500 Regular /Quad Cab	325	610 lb.-ft.
Dodge Ram 3500 Regular /Quad Cab	325	610 lb.-ft.
Ford F-250 XL, XLT, Lariat	325	560 lb.-ft.
Ford F-350 XL, XLT, Lariat	325	560 lb.-ft.
Ford E-Series XLT Wagon	215	425 lb.-ft @ 1800 RPM
Hummer H1	205	430 lb.-ft @ 1800 RPM
2005 Jeep Liberty CRD (Coming Soon)	160	295 ft-pounds of torque
Mercedes-Benz E320 CDI	201	369 lb-ft @ 1800 – 2600 RPM
Mercedes-Benz Sprinter passenger van	154	243-lb. ft. @ 1600 – 2400 RPM
Volkswagen Beetle	100	177 lb.-ft
Volkswagen Golf	100	177 lb.-ft
Volkswagen Jetta	100	177 lb.-ft
Volkswagen Jetta Wagon	100	177 lb.-ft
Volkswagen Touareg	310	553 lb.-ft. @ 2000 RPM
Volkswagen Passat TDi Sedan	134	247 lb.-ft. @ 1900 RPM
Volkswagen Passat Wagon GL TDI	134	247 lb.-ft. @ 1900 RPM

Source: Diesel Technology Forum

GROWTH DRIVERS

- ***Improved Performance***. During the oil crises of the 1970s, diesel engines were an attractive alternative to gasoline-fueled engines due to their inherently higher fuel economy. Unfortunately, diesels were also noisy, smelly and environmentally unfriendly; but they were more fuel efficient, so consumers bought them. However, once oil prices started to decline in the 1980s, the advantages of diesel were dwarfed by the disadvantages. In the early 1980s, GM offered a diesel that consumers received poorly due to disappointing performance and technical problems. At the same time, state legislatures created emissions standards that restricted the markets in which diesel could be sold.

So what has changed? Over the last decade, diesel engine manufacturers have developed cleaner and more efficient systems capitalizing on the evolution of cleaner-burning fuels and new technologies in emissions control, such as combustion-optimizing fuel injection systems, refinement of turbo-chargers and electronic engine controls. Emissions control technologies – particulate traps, catalytic converters – can reduce pollutants by 90% when retrofitting older diesel engines (*source: Diesel Technology Forum*).

- ***Clean diesel***. The introduction of low-sulfur fuel (defined as diesel fuel with under 15 sulfur parts per million) in 2006 will enable personal vehicles equipped with diesel engines to be sold throughout the U.S. Currently, California, New York, Massachusetts, Maine and Vermont prohibit the registration and sales of diesel engine cars because of their historically high dirty emissions levels. As shown in Table 2 on the following page, these states represent nearly 22% of the U.S. population. Traditionally, they are also more environmentally conscious and could be more likely to adopt higher fuel efficiency technologies, provided negative perceptions about diesel can be overcome.

Table 2

U.S. POPULATION – 2003

in millions	2003	% US population	
California	35.5	12.2	%
New York	19.2	6.6	
Massachusetts	6.4	2.2	
Maine	1.3	0.4	
Vermont	0.6	0.2	
Total	63.0	21.7	%
US Population	290.8		

Source: U.S. Census Bureau

- ***Legislation***. The recently passed American Jobs Act of 2004 provides tax incentives on the supply side for production of clean diesel. Small refiners receive an annual tax credit of up to 25% of the capital costs incurred for converting to produce the low-sulfur fuel. Historically, refiners had viewed these transition costs as an impediment to producing low-sulfur fuel. Low-sulfur diesel fuel enables diesel engines to meet the EPA's 2007, as well as the 5 aforementioned states', emissions requirements.

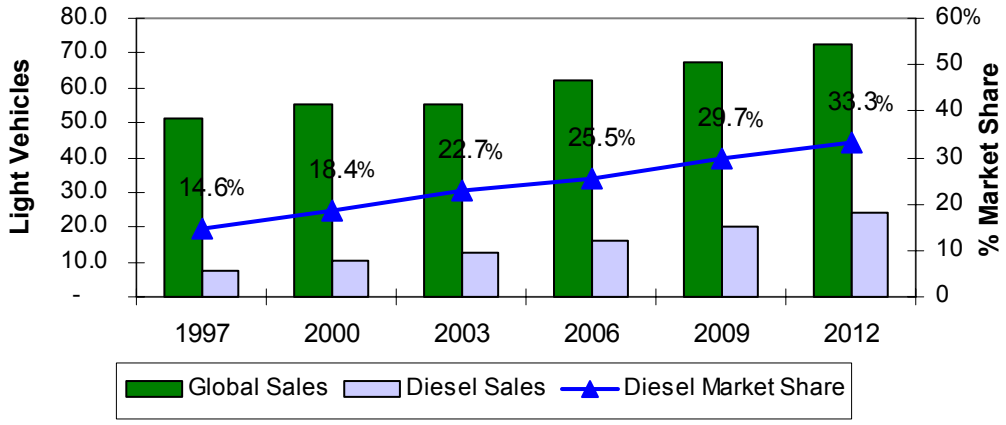
In summary, diesel engines in North America are expected to grow from 2000's 350,000 units to 2,468,000 by 2012, a CAGR of 17.7%. The rapid growth is driven by a diesel engine that is more fuel-efficient (diesel-powered cars get between 25% - 40% better fuel economy than gas) and environmentally friendly (NOx down 83% since 1988). According to several competitive tests of diesel and gas powered engines conducted by Ward's, current diesel models are faster, quieter and more powerful than their gasoline counterparts – contrary to the prior generations of diesel-powered cars (*source: Ward's AutoWorld*).

Diesel's Global Growth

Diesel's price, fuel efficiency and emissions advantages are not confined to North America. From 1997 to 2012, total global sales of light vehicles are expected to grow from 51.2 million units to 72.8 million, a CAGR of 2.4%. At the same time, diesel's global market share as a percentage of total personal and commercial light vehicle sales is forecast to more than double from 14.6% to 33.3%. This translates into a unit growth from 7.5 million units in 1997 to 24.3 million in 2012, an 8.2% CAGR. Personal vehicles rise even faster at a 9.8% rate. The strong growth is driven by diesel sales in North America (18.7% CAGR), Central & Eastern Europe (15.2% CAGR) and Asia (15.3%).

Chart 4

GLOBAL
TOTAL LIGHT VEHICLES REGISTERED
% DIESEL



Registered vehicles in millions
Source: JD Power – LMC Automotive Forecasting Services

THE BENEFICIARIES OF THE RISE OF DIESEL

Because diesel engines require additional content, there are several beneficiaries of diesel's market share growth. We believe these suppliers fall into three primary areas – emissions control, power management and temperature management. In Table 3, we highlight the companies and products that should benefit.

Table 3

Company	Ticker	Specialty	Product
Navistar International Corp.	NAV	Engine	Light vehicle diesel engine
Cummins Inc.	CMI	Engine, Emissions	Light vehicle diesel engine, Particulate filter, Turbocharger
BorgWarner Inc.	BWA	Power, Thermal Management	Turbocharger, Cold start technology
Honeywell International, Inc.	HON	Power	Turbocharger
Donaldson Company Inc.	DCI	Emissions	Particulate filter, Diesel Oxidation Catalyst (DOC) muffler
ArvinMeritor Inc.	ARM	Emissions	Particulate trap, Active NOx Control
Tenneco Automotive, Inc.	TEN	Emissions	Particulate trap, Muffler
Modine Manufacturing Company	MOD	Thermal Management	Exhaust Gas Recirculation (EGR) cooler
Delphi Corp.	DPH	Fuel Injection	Common rail fuel injection system

Source: Company reports, Dieselnet.com

THE BIG WINNER: BORGWARNER (BWA – NYSE – BUY)

BorgWarner Inc., based in Chicago, was founded in 1928. The company went private in 1987 and in 1988 sold its chemical business to GE Plastics. In 1993 BorgWarner went public again via Merrill Lynch. Under its retired Chairman and CEO John Fiedler, BorgWarner re-shaped its product line, selling off non-core and commodity type businesses like fuel tanks and acquiring faster growing product lines like turbochargers. The result: annual double-digit revenue growth between 1993 and 2004. In February of 2003, Tim Manganello assumed CEO duties and was elected Chairman of the Board in June of 2003.

In our view, BorgWarner is the big winner in the re-emergence of diesel. Our October 9, 2003 BorgWarner report lays out the case that BorgWarner is uniquely positioned with its strong franchise of turbochargers, engine and transmissions for diesel. At the 2004 Gabelli Automotive Aftermarket Symposium, the company announced that it had a $1.4 billion incremental backlog, 66% of which is in its Engines Division, where the majority of its diesel technology resides. Seventy-five percent of that backlog is non-Big Three OEMs.

BorgWarner continues to excite us with the steps the company has taken since our report last year. On November 1, 2004 the company announced the acquisition of Beru AG for $795 million (assuming all shares are tendered at the offered price). Beru supplies diesel cold start technologies (43% of revenue), ignitions technologies, electronics and sensors.

- BorgWarner agreed to purchase the 63% of Beru AG owned by Carlyle Group and founding family shareholders for Euro 59 per share, or ~$U.S. 476 million

- BorgWarner will also launch a public tender offer for the remaining 37% of shares for Euro 67.50, or ~$U.S. 319 million

- The deal values Beru at $795 million, or as shown in Table 4 below, 5.5X projected EBITDA for Beru's FYE 3/31/06, and 13.8X net income

- The 63% piece is expected to close by year end 2004, while the tender is expected to be closed by the end of 1Q 2005

If we assume that the deal could close by the end of FY 2004, BorgWarner would generate EPS of $4.75 in 2005 rising to $5.80 in 2006.

Table 4

BORGWARNER – BERU ACQUISITION PRO FORMA

	2005E Borg Warner	FYE 3/31/06 Beru	Transaction	2005 BWA PF	2006 BWA PF
Shares o/s	56.2			56.2	56.2
Price	$ 49.63			$ 49.63	$ 49.63
Equity Cap	2,789.2	794.9		2,789.2	2,789.2
Debt	603.3	32.0	795.0	1,430.3	1,094.0
Cash	(189.0)	(133.9)		(322.9)	
TEV	3,203.5	693.0		3,896.6	3,883.2
Revenue	3,960.0	563.2		4,523.2	5,002.7
EBITDA	548.0	126.1		674.1	766.7
DA	(181.0)	(39.2)		(220.2)	(224.2)
EBIT	367.0	87.0		454.0	542.5
Interest	(21.7)	4.0	(39.8)	(57.5)	(56.5)
Equity Income	25.0			25.0	25.0
Pre-Tax	370.3	90.9		421.5	511.0
Tax	(111.1)	(33.4)		(144.5)	(175.2)
Minority Interest	(10.0)			(10.0)	(10.0)
Net Income	249.2	57.5		267.0	325.8
Shares o/s	56.2			56.2	56.2
EPS	$ 4.43			$ 4.75	$ 5.80
X EBITDA	5.8	5.5		5.8	5.1
X EPS	11.2	13.8		10.4	8.6

Source: Gabelli & Company estimates

For BorgWarner, the acquisition broadens the company's diesel product offering by adding glow plugs, instantaneous starting systems and cabin heaters. One of the diesel's long-time disadvantages is the difficulty starting the engine in cold weather. Beru's glow plugs and instantaneous starting systems overcome this concern, which should help accelerate diesel's North American market penetration. Additionally, the Beru acquisition adds emission-controlling technologies that will further ensure that diesel meets 2007 EPA guidelines.

The Beru acquisition should yield immediate benefits for BorgWarner from added diesel products, which should translate into greater content per vehicle. Furthermore, the acquisition results in a more diversified revenue base across customer and geographic footprints, leading to 50% of the company's revenues to come from outside North America. This should help protect BorgWarner's margins against pricing pressures levied by North America's Big 3 OEMs.

BORGWARNER'S BIG OPPORTUNITY – TURBOCHARGERS

Turbochargers increase the efficiency and performance of diesel engines by extracting more power out of a given engine (compared to a non-turbocharged engine). Recycling energy from exhaust gases, turbochargers use that gas to turn a turbine, which in turn spins an air pump, which subsequently forces compressed air into the engine's cylinders. By itself, a diesel engine does not accelerate as well as a gasoline engine. However, a turbocharger overcomes this by forcing more air into the engine. Honeywell (HON – $35.59 – NYSE) estimates the "turbo effect" of adding a turbocharger to a regular diesel engine to be 70% additional fuel economy. The global turbocharger market is approximately 15 million units, of which, Honeywell's Garret subsidiary has about a 40% share and BorgWarner has 25%. Turbochargers are sold, on average, for about $200 each, and are particularly useful on diesel engines.

Turbochargers in the personal vehicle market represent a significant opportunity for BorgWarner. Based on diesel's market penetration estimates in North America and Europe, we believe BorgWarner has $450 million in additional revenue potential in 2006, growing to $620 million in 2012. This does not assume any market share increase above the company's current 25% position in turbochargers.

Table 5

BORGWARNER'S TURBOCHARGER REVENUE OPPORTUNITY

	Personal Vehicles - North America					
	1997	**2000**	**2003**	**2006**	**2009**	**2012**
Total Units	15,512	18,611	17,853	18,361	18,698	18,942
Diesel Penetration	1.2%	1.9%	2.7%	4.2%	9.2%	13.0%
Diesel Units	188	350	487	764	1,728	2,468
BWA @ 25% share	47	88	122	191	432	617
Revenue @ $200 per unit	$ 9,400	$ 17,500	$ 24,350	$ 38,200	$ 86,400	$ 123,400
	Personal Vehicles - Western Europe					
	1997	**2000**	**2003**	**2006**	**2009**	**2012**
Total Units	13,462	14,940	13,686	15,493	15,936	16,633
Diesel Penetration	22.6%	32.3%	44.2%	49.3%	52.5%	54.5%
Diesel Units	3,046	4,824	6,044	7,643	8,373	9,058
BWA @ 25% share	762	1,206	1,511	1,911	2,093	2,265
Revenue @ $200 per unit	$ 152,300	$ 241,200	$ 302,200	$ 382,150	$ 418,650	$ 452,900
	Personal Vehicles - Central & Eastern Europe					
	1997	**2000**	**2003**	**2006**	**2009**	**2012**
Total Units	2,294	2,402	2,194	3,228	3,923	4,424
Diesel Penetration	4.7%	7.1%	10.4%	12.9%	15.9%	20.3%
Diesel Units	108	172	228	417	622	897
BWA @ 25% share	27	43	57	104	156	224
Revenue @ $200 per unit	$ 5,400	$ 8,600	$ 11,400	$ 20,850	$ 31,100	$ 44,850
Total BWA Revenue	**$ 167,100**	**$ 267,300**	**$ 337,950**	**$ 441,200**	**$ 536,150**	**$ 621,150**

revenue and units are in thousands

Source: JD Power – LMC Automotive Forecasting Services, BorgWarner, Gabelli & Company estimates

SUMMARY

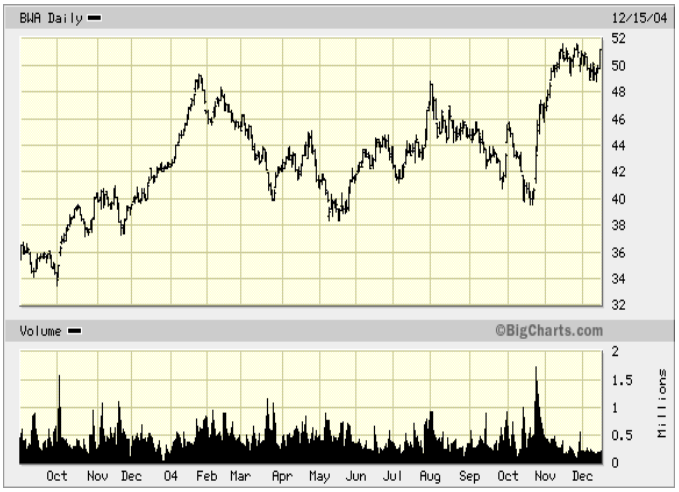
At its December 8th closing price of $49.63, BorgWarner is trading at just 10.4X 2005 PF and 8.6X 2006 PF EPS. Additionally, it is valued at a 44% discount to its 2006 Private Market Value of $74/share. Given the growth in the diesel market and the company's strength in turbochargers, we believe BorgWarner can grow EBITDA 10% and EPS 15% per year through 2008. As a result, at its current price, we believe BorgWarner is a BUY.

Table 6

BORGWARNER'S PRVIATE MARKET VALUE

PMV ANALYSIS	2002	2003	2004P	2005P	2006P	2007P	2008P
Revenue	$ 2,731.1	$ 2,972.2	$ 3,510.1	$ 4,515.1	$ 5,002.7	$ 5,398.0	$ 5,776.9
EBITDA (from segments)	426.7	471.7	531.0	715.8	809.7	877.7	933.8
Valuation Multiple	6.5	6.5	6.5	6.5	6.5	6.5	6.5
BUSINESS VALUE	2,773.6	3,066.1	3,451.6	4,652.5	5,263.3	5,704.8	6,069.6
- Net Debt	(710.3)	(594.0)	(423.9)	(1,211.1)	(1,094.0)	(939.1)	(763.9)
- Net Option Payments	(18.5)	(31.5)	(49.3)	(62.5)	(85.8)	(104.9)	(122.1)
PRIVATE MARKET VALUE	2,063.3	2,472.1	3,027.7	3,441.4	4,169.3	4,765.7	5,305.7
/ F.D. Shares Outstanding	56.2	56.2	56.2	56.2	56.2	56.2	56.2
PMV / SHARE	**$ 37**	**$ 44**	**$ 54**	**$ 61**	**$ 74**	**$ 85**	**$ 94**

Source: Gabelli & Company estimates



BorgWarner Inc.
Price Performance Since Last Reports
"Focus on Diesel" – On 10-17-03, we recommended to Buy BWA at $78.89 per share

"Aftermarket Outlook & Reflections 2003" – On 12-19-03, we recommended to buy BWA at $81.09 per share.

Company Reports
"Aftermarket Outlook & Reflections" 2002, 2001

Source: Public Data

Company Reports
Modine Manufacturing(MOD - $31.78 - NYSE)
"*Update" On 01-07-03, we recommended to buy MOD at $18.60 per share.*
"Aftermarket Outlook & Reflections 2003, - On 12-19-03, we recommended to Hold MOD at $26.46 per share.
"Aftermarket Outlook & Reflections" 2002, 2001
Tenneco Automotive (TEN - $16.27 - NYSE)
"Aftermarket Outlook & Reflections 2003" – On 12-19-03, we recommended to Buy TEN at $6.17 per share.
"Classic Undercapitalization" – On 02-01-02, we recommended to buy TEN at $2.45 per share.
"Aftermarket Outlook & Reflections" 2003, 2001
Navistar International (NAV - $42.00 - NYSE)
"Aftermarket Outlook & Reflections 2003" – On 12-19-03, we recommended to Hold NAV at $43.16 per share.
"Aftermarket Outlook & Reflections" 2003, 2001
"Purchase Recommendation" 07-16-01
Delphi Corporations (DPH - $8.38 - NYSE)
"Aftermarket Outlook & Reflections 2003" – On 12-19-03, we recommended to Sell DPH at $9.21 per share.
"Aftermarket Outlook & Reflections" 2003, 2001

Arvin Meritor (ARM - $21.56 - NYSE)
"Aftermarket Outlook & Reflections 2003" – On 12-19-03, we recommended to Buy ARM at $21.25 per share.
"Aftermarket Outlook & Reflections" 2003, 2001
Donaldson Company (DCI - $31.62 - NYSE)
"Aftermarket Outlook & Reflections 2003" – On 12-19-03, we recommended to Buy Sell DCI at $61.05 per share.
"Aftermarket Outlook & Reflections" 2003, 2001

Companies Mentioned

Honeywell International Inc.	(HON – 36.01 – NYSE)
Cummins Inc.	(CMI - $82.08 – NYSE)
Toyota Motor Corp.	(TM - $76.81 – NYSE)
DaimlerChrysler AG	(DCX - $46.83 – NYSE)
General Motors	(GM - $38.78 – NYSE)
Bayerische Moterenwerke AG	(BAMXF - $43.75 – OTC)

I**, David Siino,** the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

David Siino 914-921-5216

Important Disclosures

ONE CORPORATE CENTER RYE, NY 10580 GABELLI & COMPANY, INC. TEL (914) 921-3700 FAX (914) 921-5098

"Gabelli & Company, Inc. ("we or "us") attempts to provide timely, value-added insights into companies or industry dynamics for institutional investors. Our research reports generally contain a recommendation of "buy," "hold," "sell" or "non-rated. We do not undertake to "upgrade" or "downgrade" ratings after publishing a report. We currently have reports on 821 companies, of which 33%, 34%, 3% and 29% have a recommendation of buy, hold, sell or non-rated, respectively. The percentage of companies so rated for which we provided investment banking services within the past 12 months is 0%, 0%, 0% and 0%.

We prepared this report as a matter of general information. We do not intend for this report to be a complete description of any security or company and it is not an offer or solicitation to buy or sell any security. All facts and statistics are from sources we believe to be reliable, but we do not guarantee their accuracy. We do not undertake to advise you of changes in our opinion or information. Unless otherwise noted, all stock prices reflect the closing price on the business day immediately prior to the date of this report. We do not use "price targets" predicting future stock performance. We do refer to "private market value" or PMV, which is the price that we believe an informed buyer would pay to acquire 100% of a company. There is no assurance that there are any willing buyers of a company at this price and we do not intend to suggest that any acquisition is likely. Additional information is available on request.

Our affiliates beneficially own on behalf of their investment advisory clients or otherwise approximately 2.51% of BorgWarner Inc., 2.67% of Donaldson Company, 2.77% of Tenneco Automotive, 4.73% of Navistar International Corp., 15.73% of Modine Manufacturing Company; less than 1% of Arvin Meritor Inc., Honeywell International Inc., General Motors and 0% of Cummins Inc., Delphi Corporation, DaimlerChrysler AG, Toyota Motor Corp, and Bayerische Motoren-Werke AG. Because the portfolio managers at our affiliates make individual investment decisions with respect to the client accounts they manage, these accounts may have transactions inconsistent with the recommendations in this report. These portfolio managers may know the substance of our research reports prior to their publication as a result of joint participation in research meetings or otherwise. The analyst who wrote this report may receive commissions from our customers' transactions in the securities mentioned in this report. Our affiliates may receive compensation from the companies referred to in this report for non-investment banking securities-related services, or may be soliciting these companies as clients for non-investment banking securities-related services. [The analyst who wrote this report or members of his household own 0 shares of the above companies mentioned.