INDUSTRY BENCHMARK REPORT

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Jim Spoonhower

Zack Krelle

-FAST LANE RESEARCH-

Industry Sales Trends

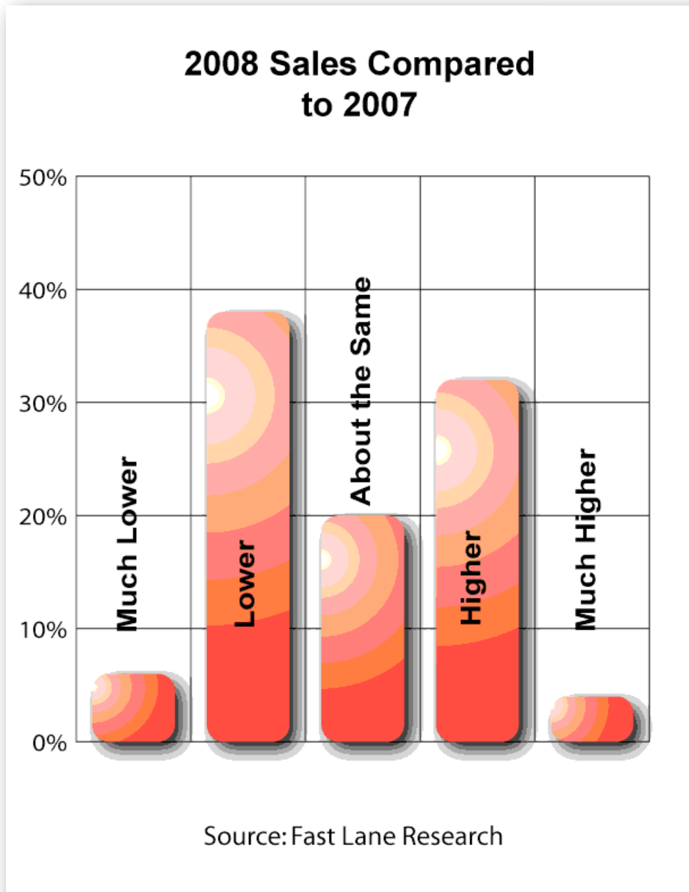
Much like in a race, when running a business we need to know where we are in relation to everyone else in the industry. The term used a lot today is benchmarking. Benchmarking can be about comparing a business to other businesses or comparing a business to some fixed standard. In this report we provide data that can be used to compare a company to other firms in the industry.

As the year progresses, we will do regular updates so that companies can see how they are doing compared to others in the industry.

A business performance element has been included within the 2010 Industry Benchmark Report to compare how members of the automotive performance parts and accessories industry have performed over the course of the past few years. Like most of the information within the report, these items lump together the information from participants to paint a broad picture.

The four elements within this metric compare the yearly sales performance for 2008, 2009 and the beginning of 2010 in a year-over-year format. Simply, we asked how business in one year compared to the previous year (ex. 2008 compared to 2007).

The first yearly comparison (2008 vs. 2007) was the most uniform and almost symmetric with the same amount of business reporting either stronger or weaker sales in 2008 than in 2007. At the middle of the group, 20% of business reported having the same sales while the remaining 80% was split.



2008 Sales Compared to 2007

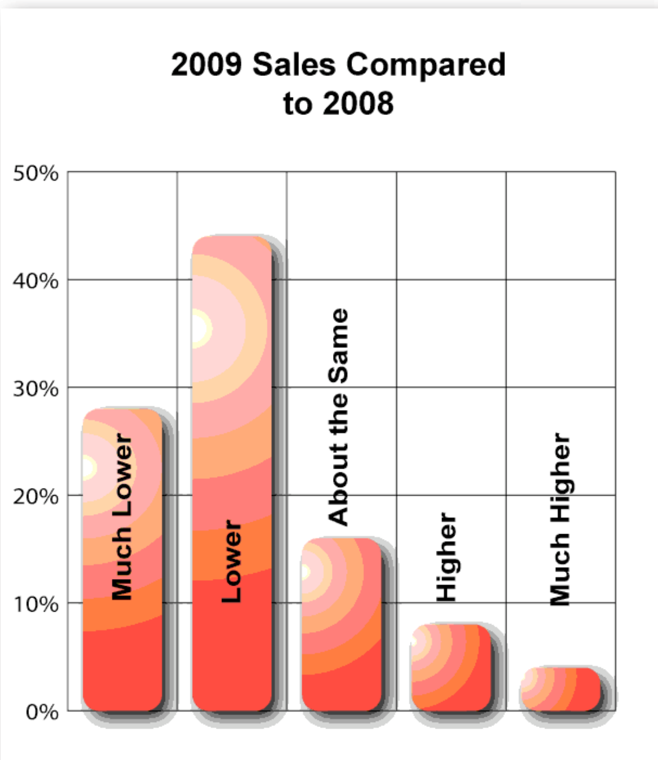
Response	Percent
Much Lower	6%
Lower	38%
About the Same	20%
Higher	32%
Much Higher	4%

For context, new-vehicle sales in 2008 declined 18% going from 16.1 million units in 2007 to 13.2 million units in 2008. The US Gross Domestic Product (GDP) was up 2.6% compared to 2007. Significantly, 2008 was on its way to even better growth until the fourth quarter when the bottom fell out and the economy dropped 5.4%. The overall Consumer Price Index (CPI) in 2008 was 3.8% higher than in 2007, and the CPI for automotive parts and equipment was up 5.9% over 2007.

During 2009 sales were heavily impacted by the struggling economy with 72% of businesses having reduced sales; 44% were lower and 28% were much lower. Only 12% of automotive performance parts and accessories businesses surveyed had a positive outcome for the year.

2009 Sales Compared to 2008

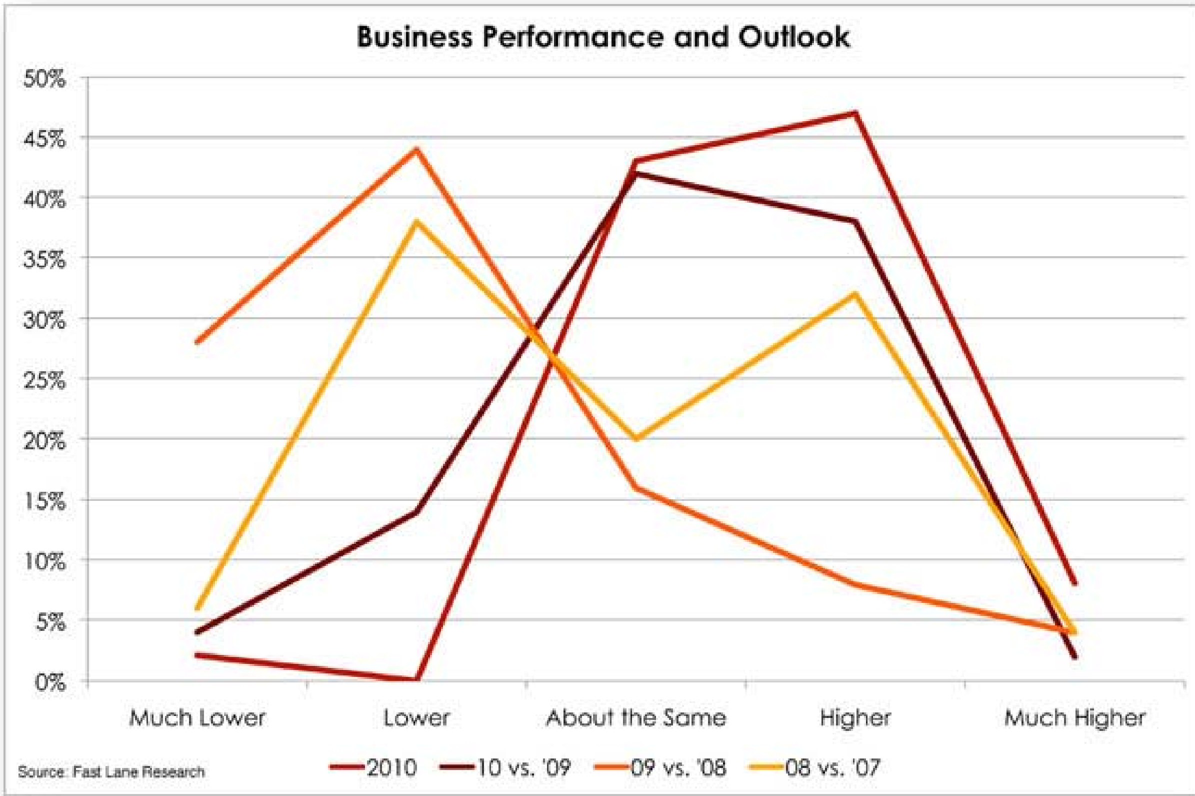
Response	Percent
Much Lower	28%
Lower	44%
About the Same	16%
Higher	8%
Much Higher	4%



Source: Fast Lane Research

For context, new-vehicle sales in 2009 declined 21% going from 13.2 million units in 2008 to 10.4 million units in 2009. The US Gross Domestic Product (GDP) was down 1.3% compared to 2008. This was the first time there had been negative growth in US annual GDP since 1949. Significantly, 2009 was on its way to even worse showing but the third quarter was up 2.6% and the fourth quarter jumped 6.3%. The overall Consumer Price Index (CPI) in 2009 was 0.4% lower than in 2008, and the CPI for automotive parts and equipment was up 4.1% over 2008.

Interestingly, the CPI for automotive parts and equipment continued rising in both 2008 and 2009 even though the economy was obviously tanking. It makes one wonder about the cost structures that are causing the price index to continue climbing while sales are dropping so significantly.



Looking at the chart above it is easy to see the transitions the industry has gone through during the past few years.

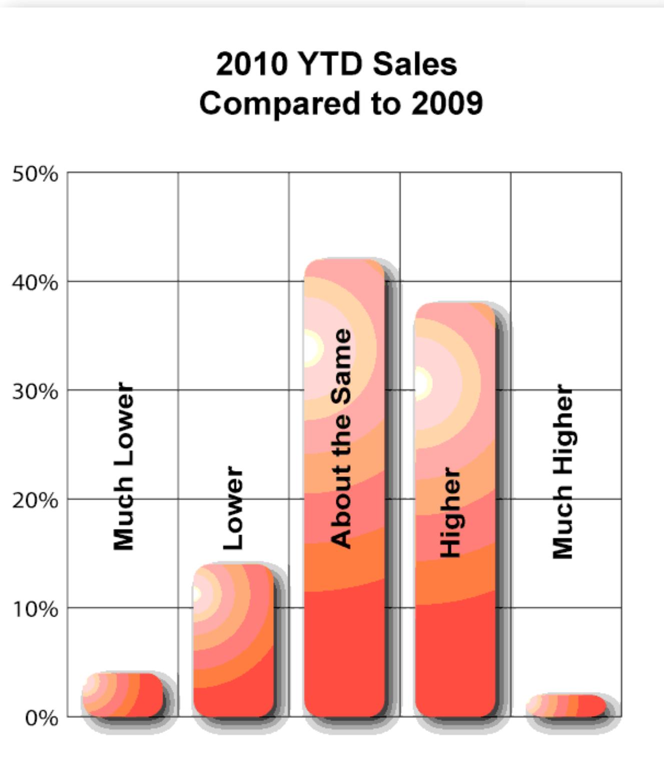
In 2008 business began softening for a number of companies that make up the automotive performance parts and accessories industry. At the same time there were still enough firms that were either holding their own or growing to counter-balance a lot of the losses.

Then in 2009 there was a major shift to the down side. Many of the companies that were counteracting the industry's slide into deeper negative growth began to lose business as well. Then an unbelievable thing happened—the slide seemed to slow noticeably.

Regardless of your position on the "cash for clunkers" program, it did have a positive impact on new-vehicle dealer traffic and car sales. The net effect for the automotive industry was a ray of hope in the midst of the gloomiest sales year in memory.

According to the Department of Transportation (DOT), the program generated a total of 690,114 applications valued at $2.88 million. That was obviously a shot in the arm for new vehicle sales in the month of August 2009. So much so that JD Power and Associates revised its sales forecast for 2009 from 10.0 million units to 10.3 million—an increase of 300,000 units due to the CARS program.

During the tail end of 2009 and the beginning of 2010 companies began to see a shift in market conditions and have reported a much more compliant business environment with 40% experiencing a growth in sales compared to the previous



Source: Fast Lane Research

2010 Business Compared to 2009

Response	Percent
Much Lower	4%
Lower	14%
About the Same	42%
Higher	38%
Much Higher	2%

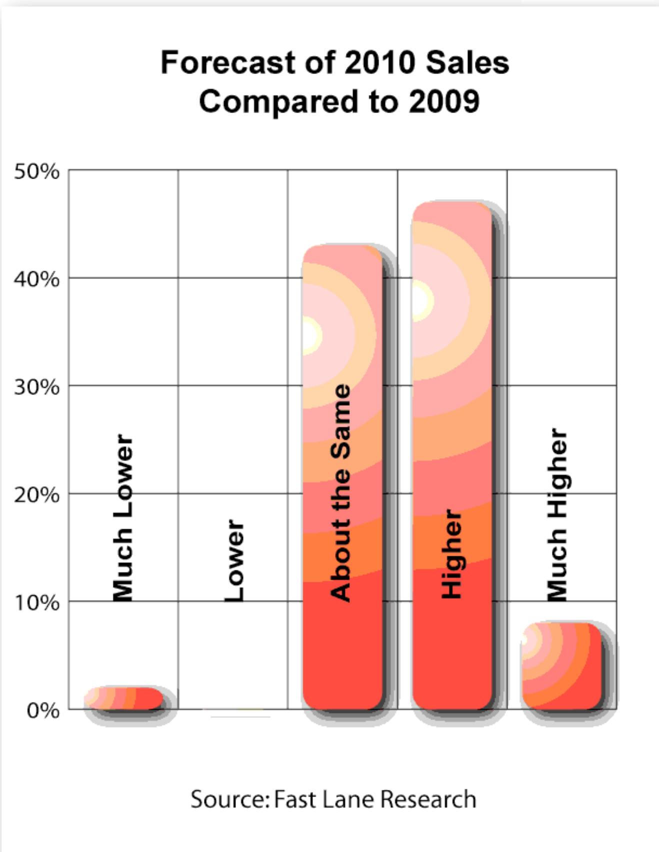
year; 38% higher and 2% much higher. The negative side of the chart has dropped to just 18% and 42% see sales remaining flat during this period.

For context, new-vehicle sales in January 2010 increased 6.3% going from 656,976 units in January 2009 to 698,346 units this year. The shift from light trucks to passenger cars continued with car sales being up 15% and light truck sales being down 2%. The really big winners in January 2010 were the domestics. In both passenger car and light trucks, sales were up—30.7% for passenger cars and 4.5% for light trucks.

As we begin 2010, many economic forecasters are projecting that the US Gross Domestic Product (GDP) will be flat the first quarter and then begin a growth pattern in April.

At the core of most the recessions the US has experienced in modern times was something that negatively impacted consumer confidence and therefore spending. It makes sense considering that consumer spending accounts for about 60% of the country's GDP. According to the Conference Board consumer confidence showed increases three months in a row beginning in November 2009. For January 2010 the index increased 6.8% reaching 56.5.

Looking forward the majority of businesses expect a strong rebound from 2009 for the remainder of 2010. When asked how they think the year will end 55% believe it will result in a positive swing forward. 43% of businesses think the year will be as bad as 2009 and a small group (2%) anticipate an even worse year.



Forecast of 2010
Sales Compared to 2009

Response	Percent
Much Worse	2%
Worse	0%
About the Same	43%
Better	47%
Much Better	8%

Target Markets

The responses from our readers were generous and have helped to establish a current snapshot of market behavior. Most of the participants were manufacturers (66%), followed by warehouse/distributors (10%) and jobbers (8%). The remaining participants were a nearly even mix of retailers, installers and representatives from industry publications.

Each business was asked to highlight the markets they would target during 2010 and despite the reduced sales of consumer pickups and SUVs the largest segment selected was Light Trucks (69%). The next popular markets were Modern Domestic Muscle Cars (47%), Classic Muscle Cars (43%), Hot Rods/Street Rods (43%), Off Road (41%) and Restoration/ RestoMods (39%).

Modern muscle cars and the revived “pony war” mentality of OEMs, vehicle owners and fans are providing the specialty equipment industry with a vital shot in the arm. All of the new contemporary muscle platforms are capable in and of themselves, but they also enable enthusiasts the opportunity to continue the automotive love-affair and performance manufacturers to squeeze even more out of them. It should be no surprise then that nearly half (47%) of industry businesses will be targeting these models and their communities in the current year. Moreover, the convergence of automotive lifestyles of young and old enthusiasts paired with the overwhelming acceptance of these vehicle designs has broadened the market. In other words, more consumers are interested and the “pie” has grown.

When asked what markets industry companies are targeting this year the number one niche indicated was the street light trucks.

Markets Targeted in 2010

Market	Percent
Light Trucks	69%
Street Performance - Modern Domestics	47%
Classic Muscle Cars	43%
Hot Rods/Street Rods	43%
Off Road	41%
Restoration/RestoMods	39%
Drag Racing	31%
Street Performance - Modern Asian Imports	24%
Boats/Marine	24%
Stock Cars	22%
Other, please specify	22%
Street Performance - Modern European Imports	20%
Motorcycles	18%
Classic Imports	16%
Open Wheel	14%
Other Off-Highway; Snowmobiles, ATVs	14%
Drifting	8%
Karting	6%
Rally	6%
Time Attack/Autocross	4%

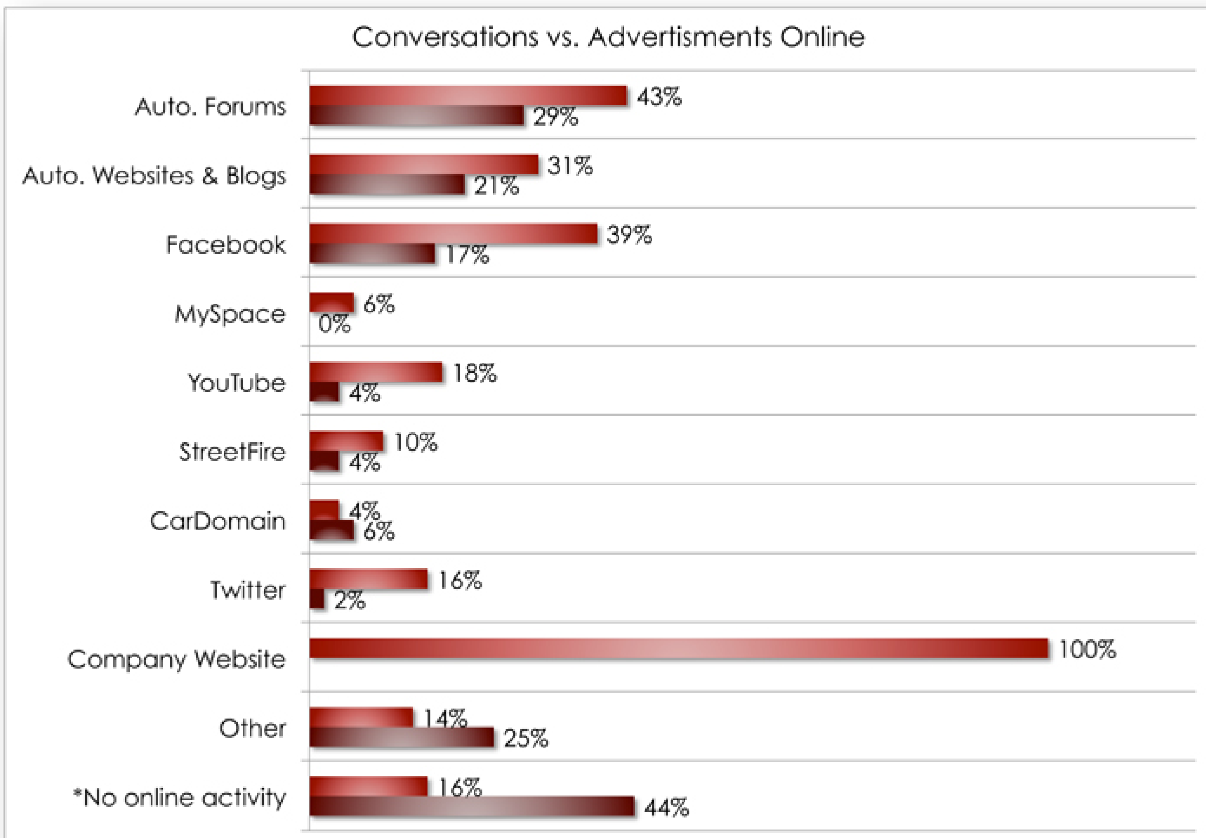
Since respondents could mark multiple markets the percentages will not total 100%.

Industry Online Interactions

Two of the topics covered in the benchmark focus on interactions between companies within the industry and their end consumers, both measuring the levels of involvement at popular online venues. Together the questions aim to illustrate the relationship between conversations between both groups and the targeting of marketing across different platforms. We asked "Where do you engage with consumers online?" and "Where do you advertise?" Both questions allowed for multiple selections so the answers will exceed 100%.

Every company within the study interacts with consumers through their own website and there is little evidence to assume that the same circumstance should be different for the rest of the industry. Some exceptions may exist, but the reality is that consumers expect companies to have an online presence with a dedicated website as a minimum.

Consumers are also expecting more than a basic website with simple information; they want to see companies developing tutorials, media content and product and company insight. They also encourage



Source: Fast Lane Research

companies to become involved in other avenues of their hobby. Automotive forums, websites and content-specific blogs welcome a minimal and less-invasive approach while social networks allow consumers to establish a line of sight with companies on their own terms.

The most common online venues used to issue and address conversations with enthusiasts include automotive forums (43%), Facebook (39%) and automotive websites and blogs (31%). On the other end of the spectrum 16% of companies claimed not having any interaction online outside of their company website.

Conversely, 44% of companies currently issue no online advertising. Some of these stated that rely on traditional print media while others focus on events and television advertising.

Frequency of Consumer Online Engagement

Frequency	Percent
Multiple times a day	39%
Multiple times a week	18%
Very rarely	14%
Never	14%
Once a week	6%
Only if it is necessary	6%
Once a day	4%

Online Locations For Consumer Engagement

Location	Percent
Website	75%
Automotive Forums	43%
Facebook	39%
Company	33%
Automotive Websites & Blogs	31%
YouTube	18%
Twitter	16%
We do not engage with consumers online	16%
Other, please specify	14%
StreetFire	10%
MySpace	6%
CarDomain	4%

The “other” category included 38% by email, 25% on eBay and the remainder scatter across other means of contact.

It is interesting that 44% of responding companies do not advertise on the very sites that they use to connect with consumers.

Advertising Frequency on Consumer Engagement Sites

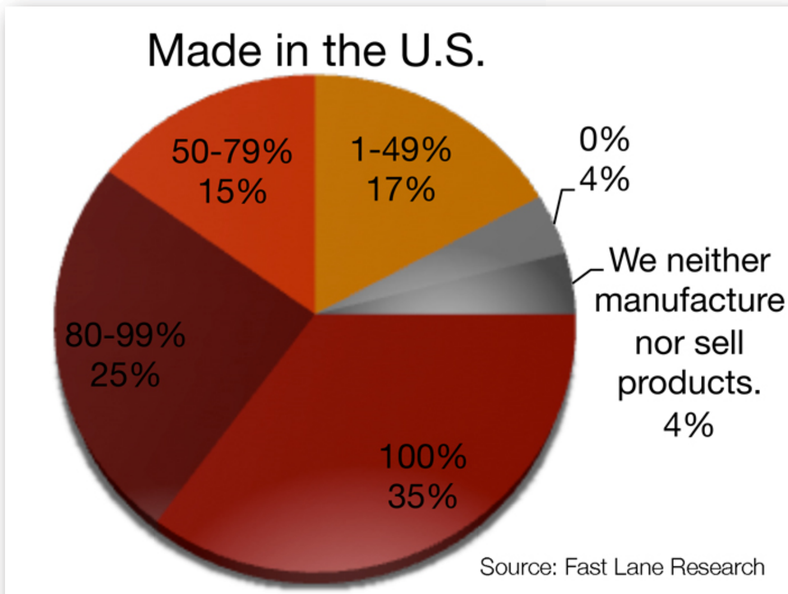
Response	Percent
We do not advertise online	44%
Automotive Forums	29%
Other, please specify	25%
Automotive Websites & Blogs	21%
Facebook	17%
CarDomain	6%
YouTube	4%
StreetFire	4%
Twitter	2%
MySpace	0%

Product Manufacturing & International Sales

The subject of product manufacturing has always been a secondary concern for enthusiasts and manufacturers, but during the economic downturn many people on both sides of the isle became much more cognizant of the situation. Furthermore, from our research enthusiasts have become irritated with substandard product quality and excessive outsourcing. The topic of manufacturing location has moved from the backburner to the forefront.

When asked about the location of product manufacturing, 35% of companies claimed to produce all of their products in the U.S., 25% produced the majority of their products here (80-99%), 15% made more than half to three-quarters (50-79%), 17% made less than half (1-49%) and just 4% rely entirely on manufacturing in other countries.

Even as the automotive hobby extends throughout the world sales of products to U.S. -based consumers are significant to businesses. Nearly all (98%) of companies rely on more than half of their sales to come from domestic clients, with 12% staying within the country completely. The next largest market is Canada where almost quarter (22%) of company's place 11-25% of their sales there.

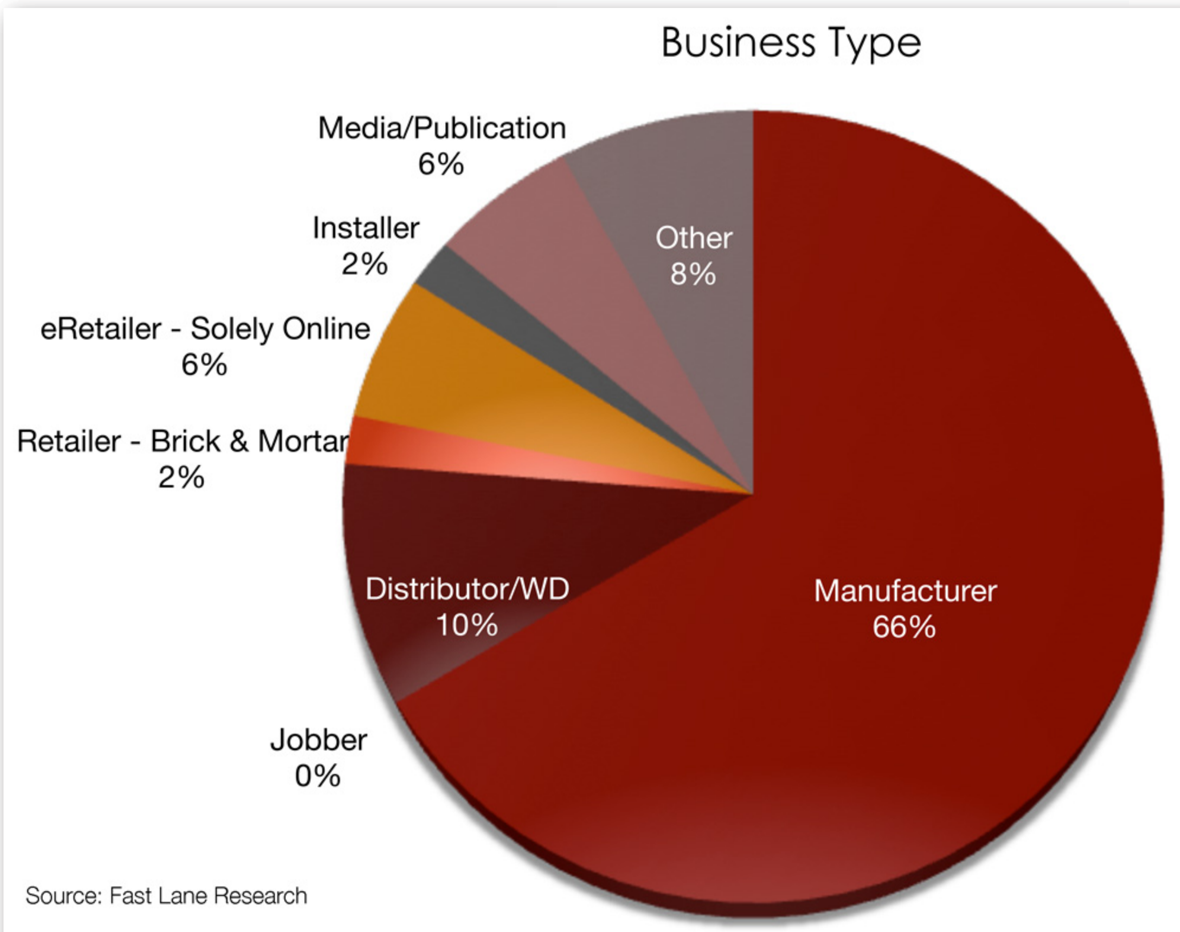


International Sales

Area	0%	1-10%	11-25%	26-50%	51-75%	76-99%	100%
United States	0%	2%	0%	0%	29%	56%	12%
Canada	7%	71%	22%	0%	0%	0%	0%
Mexico	53%	44%	3%	0%	0%	0%	0%
Europe	19%	72%	9%	0%	0%	0%	0%
Asia	77%	19%	0%	4%	0%	0%	0%
Australia & New Zealand	29%	65%	6%	0%	0%	0%	0%
Other	36%	59%	5%	0%	0%	0%	0%

Methodology

The January & February Fast Lane Research Industry Benchmark Report (IBR) is a composite report of business performance and behavior of companies within the specialty equipment industry. Participants are comprised of Fast Lane Research News subscribers and others invited to contribute from third-party sources. Results are anonymous and were collected during the February of 2010.



Jim **Spoonhower**

Zack **Krelle**

Fast Lane Research * 4095 Terracina Dr. * Riverside, CA * USA * 92506

Phone: (951) 961-9853 Fax: (951) 788-5227

info@fastlaneresearch.com