GREAT AMERICAN GROUP

GREAT AMERICAN GROUP ADVISORY & VALUATION SERVICES

Auto Parts/Oil and Gas Monitor

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Introduction

Welcome to the third issue of the *Auto Parts/Oil and Gas Monitor* from Great American Group Advisory & Valuation Services ("GA"). This publication will provide you with market value and industry trends for a variety of products within the automotive and oil and gas sectors. The enclosed information represents a composite of GA's industry expertise, well-respected industry publications, liquidation and appraisal experience, and contact with industry personnel. GA strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole.

The *Auto Parts/Oil and Gas Monitor* relates information covering most major product categories within these sectors, including industry trends, market pricing, and their relation to our valuation process. GA provides our customer base with a concise document highlighting the automotive and oil and gas sectors. Please feel free to utilize our contact information shown in this and all *Auto Parts/Oil and Gas Monitor* issues. GA welcomes the opportunity to make our expertise available to you in every possible way.

Trends in Recovery Values

In general, recovery values in the second quarter of 2011 have increased up to three points for manufacturers of OEM parts and up to two points for producers of aftermarket replacement parts as compared to the second quarter of 2010. Gains were driven by higher sales and improved gross margins.

As aftermarket accessories tend to be discretionary in nature, year over year recovery values have remained fairly flat. Recovery values for lubricants have increased up to five percentage points, based primarily on a company's ability to effectively pass fluctuating market prices along to customers.

Trend Tracker

AUTOMOTIVE	OIL/FUEL
NOLVs: Mixed	NOLVs: Increasing
Sales Trends: Increasing	Sales Trends: Consistent
Gross Margin: Mixed	Gross Margin: Mixed
Inventory: Increasing	Inventory: Consistent
Pricing: Consistent	Pricing: Increasing

GA internally tracks recovery ranges for parts, lubricants, and gasoline, but we are mindful to adhere to your request for a simple reference document. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer.

ABOUT GREAT AMERICAN GROUP

Great American Group is a leading provider of asset disposition solutions and valuation and appraisal services to a wide range of retail, wholesale, and industrial clients, as well as lenders, capital providers, private equity investors, and professional services firms. In addition to the *Auto Parts/Oil and Gas Monitor*, GA also provides clients with industry expertise in the form of monitors for the chemical, metals, food, and building products sectors, among many others.

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EXPERIENCE

GA has worked with and appraised numerous companies within the automotive and oil and gas industries. While our clients remain confidential, they include companies throughout the automotive supply chain including manufacturers, importers, distributors, and retailers of aftermarket, performance, replacement, and OEM parts and accessories. Our oil and gas industry clients include operators of refineries, distributors of lubricants and oil, and specialty lubricants manufacturers.

GA's extensive list of appraisal experience includes:

- Nationwide aftermarket parts and accessories distributors with five to 25 major distribution centers and multiple cross-dock locations with over $100 million in inventory.
- Performance parts manufacturers and distributors of engine, fuel, electrical, and exhaust components for muscle cars and recent-model high-performance cars.
- OEM parts suppliers to the "big three" U.S. automakers including manufacturers of transmission, interior, wheel, and accessory products.
- Distributors of passenger car and light truck tires, both replacement and high-performance tire distributors, ranging in size from a single location to over $150 million in inventory and $600 million in sales.
- Operators of multiple refineries and producers of specialty lubricants with over $150 million in inventory and $2 billion in annual sales.
- Local distributors of fuel and lubricants servicing quick-change oil locations, garages, construction, agriculture, and trucking companies ranging in size from a single location to companies operating five to seven major subsidiaries across the United States.
- Companies engaged in the distribution, as well as transportation and storage, of commodity lubricants and fuel.
- A producer and recycler of lead acid batteries used in transportation, power, and network applications.

GA has also liquidated a number of manufacturers and distributors of OEM and aftermarket parts, including Midas Corporation, Trak Auto, Smittybilt Outland Automotive Group, Inc., and American Products Company, Inc. In addition to our vast liquidation and appraisal experience, GA maintains contacts within the automotive industry that we utilize for insight and perspective on recovery values.

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OVERVIEW

NEW CAR SALES

After posting a strong showing in the first three months of 2011, the U.S. automotive industry entered something of a holding pattern. Sales of new cars totaled 1,052,757 units in June, a 7% increase from the same month in 2010. At the same time, the June rate represented a 1.0% decrease from May 2011. The June sales rates marked a seasonally adjusted annual rate ("SAAR") of 11.4 million units, the lowest SAAR since early 2010.

New car sales in July improved slightly on a year-over-year basis, but did not reach the high expectations that many analysts had predicted earlier in the year. The SAAR climbed to 12.2 million units, a considerable increase from the previous month.

On a manufacturer level, domestic car producers continued to outshine Japanese rivals. In July, GM, Ford, and Chrysler experienced year-over-year sales gains of 8%, 6%, and 20%, respectively. Toyota and Honda, on the other hand, saw sales fall 23% and 28%, respectively. Of the big six, Nissan was the only Japanese manufacturer to increase sales, with a 3% gain from July 2010.

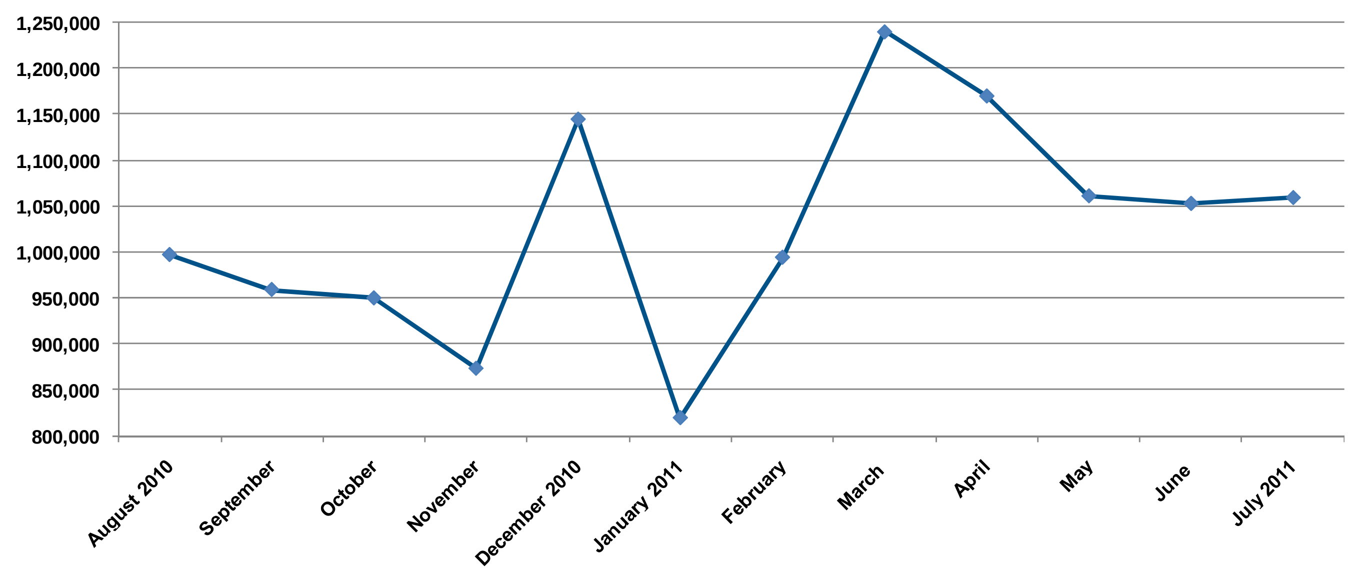
Overall, the industry has had a strong first half of the year. Despite supply problems from Japan, skyrocketing prices at the fuel pump, and continuing consumer concern regarding the state of the economy, industry sales have improved from 2010 levels. However, with the recent downgrading of the United States' credit rating and growing market uncertainty, experts agree that the industry bears watching through the second half of 2011.

TIRES

In general, domestic tire demand is dependent upon new vehicle production, the number of cars on the road, and miles driven. According to a recent report by the Yokahama tire company, there remains high demand for OE tires, both in the consumer and commercial segments. The replacement market began 2011 strongly before leveling off in the wake of rising gas prices and increased raw material costs. Nevertheless, demand continues to grow, particularly in the commercial segment. This growth is expected to continue over the next three years, fueled by demand from emerging economies, including China, India, and Brazil.

Due to a continued increase in agricultural produce demand, crop production, and income from farm sources, agricultural tire shipments are expected to increase at a rate of 7.8% annually from 2011 to 2013.

U.S. Auto Sales
August 2010 through July 2011
(in Units Sold)



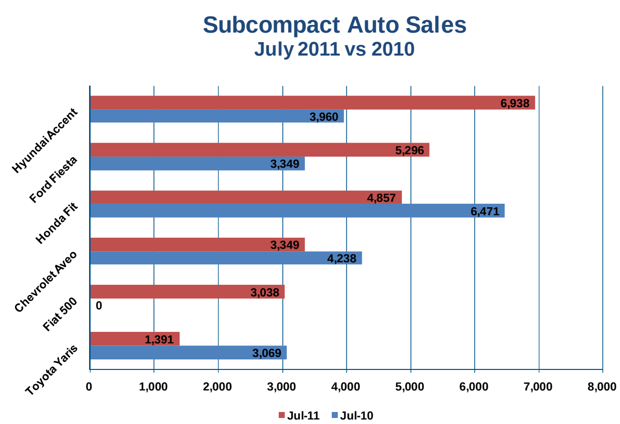
OVERVIEW

AFTERMARKET PARTS

The number of miles driven by Americans is a key indicator of the overall state of the aftermarket industry, as an increase in miles driven indicates increased need for maintenance and parts. According to the latest Traffic Volume Trends report by the U.S. Department of Transportation ("DOT") and the Federal Highway Administration, miles driven in May 2011 decreased 1.9%, or five billion vehicle miles, from May 2010. The DOT estimates that miles driven for the month totaled 254.0 billion miles. The decrease is attributed to higher prices at the pump.

SMALL CARS IN LIMITED SUPPLY

Industry experts had mixed feelings regarding auto sales in July. On one hand, sales continue to remain positive, despite difficult global economic conditions. On the other hand, the large growth witnessed in the first quarter of the year has stagnated, resulting in modest gains that fell short of many expectations.



Consumer purchasing trends continue to be driven by tight budgets and the high cost of gasoline. Retail regular-grade gas prices across the U.S. averaged $3.71 per gallon as of August 1, with prices much higher in certain regions. Prices are roughly $1 more per gallon than consumers were paying in August 2010. As a result, demand for small, fuel-efficient vehicles remains high.

In the compact segment, Edmunds reports that the Chevy Cruze won July in terms of unit sales. The Toyota Corolla, typically the class leader, was second. In the subcompact segment, the Hyundai accent far outsold the Ford Fiesta and Honda Fit.

Traditionally, Japanese manufacturers, and particularly Toyota and Honda, have dominated sales of compact and subcompact cars; the Corolla and Civic have long been two of the industry's top-selling vehicles. However, supply shortages from Japan have limited availability of these models, which has impacted overall industry sales. Consumers are willing to wait for the car of their choice to arrive in stock, rather than settle for an alternative.

COMMODITIES IMPACT COSTS

As commodity prices rose in early 2011, many upstream parts manufacturers felt a squeeze on margins. Prices for steel and aluminum increased rapidly in the last quarter of 2010 and the first quarter of 2011. Although prices have dropped somewhat in recent months, they remain above historic levels, driving up costs for manufacturers producing the myriad metal parts used in autos. At the same time, crude oil costs have driven up the cost of plastics and synthetic fibers utilized to produce many automotive parts, interiors, and accessories.

RECENT APPRAISAL TRENDS

ORIGINAL EQUIPMENT MANUFACTURER PARTS

This sector, which manufactures parts and components utilized by carmakers, also referred to as original equipment manufacturers ("OEMs"), has continued to report an increase in overall year-over-year sales. However, auto production levels have slowed in recent months; as OEM parts are dependent upon new car production, sales may be impacted in coming months. Inventories have increased over 2010 levels in order to meet demand, particularly in regards to raw materials and work-in-process, as finished goods tend to ship upon completion.

As production rates decrease, manufacturers will have to diligently monitor slow-moving inventory levels and work to prevent over-production.

In general, gross margins have been positively impacted by higher production volumes, which have increased efficiencies and lowered the average cost per unit. In some instances, rising raw material costs have tempered gains in gross margins; however, a majority of these increased costs can be passed along to customers.

Consistent with previous months, finished goods continue to maintain high recovery values. Values for OEM manufacturers are positively impacted by low on-hand inventories and the made-to-order nature of the finished goods, as well as the tendency for downstream manufacturers to utilize a small number of suppliers.

In the second quarter of 2011, finished goods recovery values increased one to three percentage points as compared to the same period in 2010, driven by improved sales and gross margin; values remained stable from the first quarter of 2011. Raw materials and work-in-process continue to achieve much lower recoveries due to the specialized nature of the products and limited distribution channels. These goods are typically sold to a competitor that will take the place of the liquidated company or as scrap.

AFTERMARKET ACCESSORIES

Aftermarket accessories predominantly consist of discretionary or luxury goods meant to enhance the appearance or performance of vehicles. Examples include tonneau covers, aftermarket wheels, side step bars, and grill guards, to name a few. As these goods are discretionary in nature, they are subject to consumer sentiments and overall economic conditions.

Sales increased in 2010, following very poor performance in 2009. In 2011, sales have remained relatively flat. Consumers have been fairly budget-conscious, which has prevented or tempered growth for many discretionary products. Gross margins have also been stable.

Inventory levels have been fairly stable in the second quarter of 2011 versus 2010, reflecting stable sales and gross margin. In general, inventory levels tend to increase during the spring to prepare for the spring and summer selling seasons. Companies are introducing few new SKUs and are trying to keep inventory in-line with demand.

Overall, recovery values in the aftermarket accessories segment for the second quarter of 2011 remained stable as compared to the second quarter of 2010. Changes in recovery values of plus or minus two points can be attributed to inventory mix, and particularly slow-moving inventory levels.

RECENT APPRAISAL TRENDS

AFTERMARKET REPLACEMENT PARTS

Over the past several years, consumers have consistently been holding onto their cars longer, which has resulted in increased demand for aftermarket parts. Year-over-year sales have increased, driven by this trend. Gross margins have remained fairly steady, while inventory levels have increased to meet higher demand.

In general, recovery values for aftermarket replacement parts in the second quarter of 2011 increased one to two points as compared to the second quarter of 2010, driven by increased sales, as well as higher inventory levels that reduce liquidation costs. Recovery values remained flat or increased slightly from the first quarter of 2011.

LUBRICANTS

Manufacturers and distributors of lubricants sell products to mechanics and auto service centers, trucking fleets, and industrial/manufacturing companies. Although dollar sales have increased for some manufacturers due to higher market prices, unit sales have been fairly consistent throughout 2011 as compared to 2010; as a result, inventory levels have also remained relatively static.

The price of lubricants is tied directly to downstream crude oil costs; to maintain a consistent gross margin, industry participants need to adjust prices accordingly. A distributor of lubricants typically adjusts prices two to three times per year; however, in years with significant market price fluctuations, companies tend to change prices more often to prevent gross margin erosion. Lubricant manufacturers are typically able to pass price increases along to customers. In some cases, the price increases can even increase gross margins.

Due to the commodity nature of lubricants, they tend to maintain broad distribution channels during an Orderly Liquidation, which has a positive impact on overall recovery values. Goods also tend to be branded, which positively impacts recovery values. Liquidation values in the second quarter of 2011 ranged from flat to up five points as compared to the same period in 2010. In general, liquidation values have been tied to gross margin and a company's ability to effectively pass market price fluctuations along to customers.

MONITORING POINTS

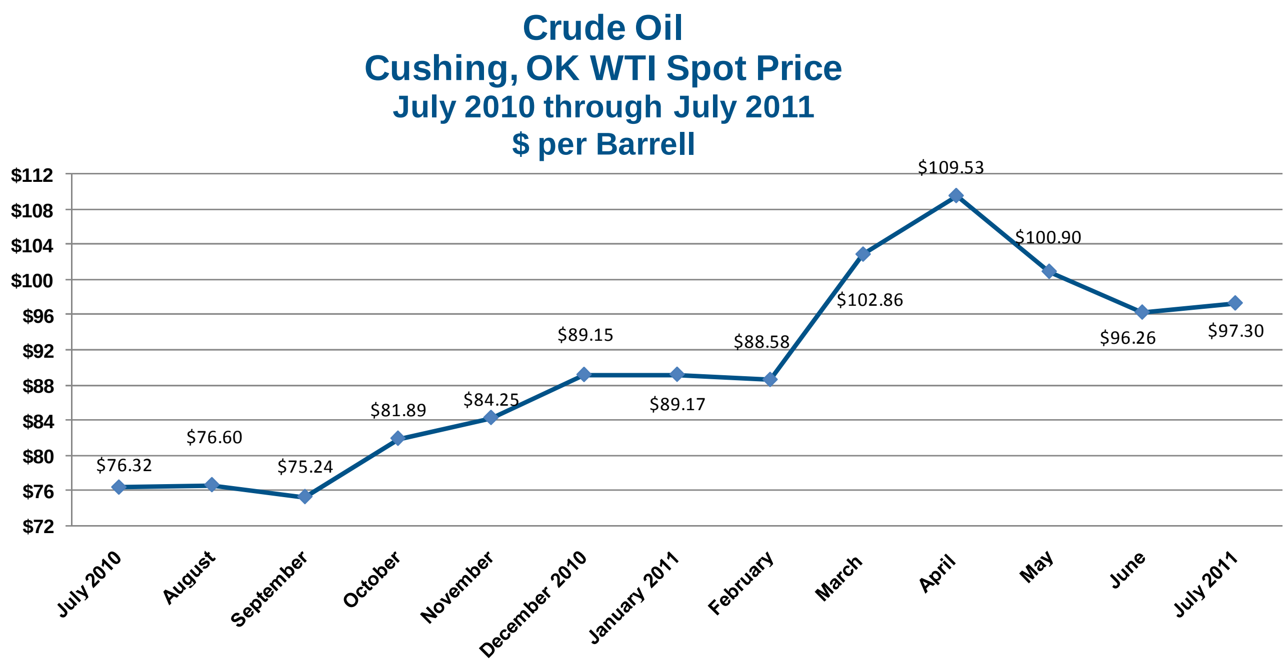
Monitoring Point	Impact
Monitor levels of slow-moving and aged inventory.	As many companies have boosted inventory levels to align with rebounding demand, they may experience increased levels of lower-recovery slow-moving and aged inventory should sales fail to meet their projections. Slow-moving and aged goods are more difficult to sell through during a liquidation and frequently are sold for scrap value at a loss.
Monitor company relationships with OEMs.	The majority of finished goods supplied to OEMs are custom and manufactured according to anticipated production runs. Should these customers cancel their orders or transition to a new vendor, the companies may retain a large quantity of unsaleable inventory, which would negatively impact recovery values.
Monitor oil and fuel prices versus their cost basis.	Oil and fuel prices impact consumer habits regarding vehicle purchases and maintenance. In addition, oil and fuel are critical raw materials utilized in the production of many automotive parts. Should oil and fuel prices increase dramatically, sales within the automotive industry would decrease, as well as gross margins.
OEM production volumes.	Inventories for OEM manufacturers have increased over 2010 levels in order to meet demand. As production rates decrease, manufacturers will have to diligently monitor slow-moving inventory levels and work to prevent overproduction, as an increase in slow-moving would negatively impact recovery values.

PRICING TRENDS

CRUDE OIL

After holding steady for three months at around $89 per barrel, West Texas Intermediate ("WTI") crude oil spot prices jumped to $103 per barrel in March 2011. According to data from the Energy Information Administration ("EIA"), West Texas Intermediate crude oil prices averaged nearly $110 per barrel in April. Since then, prices have fallen, with May averaging just over $100 per barrel and June averaging $96.26 per barrel. July stayed fairly consistent with June, averaging $97.30 per barrel.

On August 5, 2011, Standard & Poor's downgraded the United States' credit rating from AAA to AA+, citing concerns over large amounts of debt and the recently-raised debt ceiling. In reaction, crude oil prices plummeted on Monday, August 8. According to a report by the *Wall Street Journal*, light, sweet crude for September delivery fell as low as $82.65 per barrel; in the period of one week, oil prices fell more than 10%. Although a decrease in oil costs bodes well for downstream manufacturers, the falling prices highlight deeper troubles in the U.S. economy.



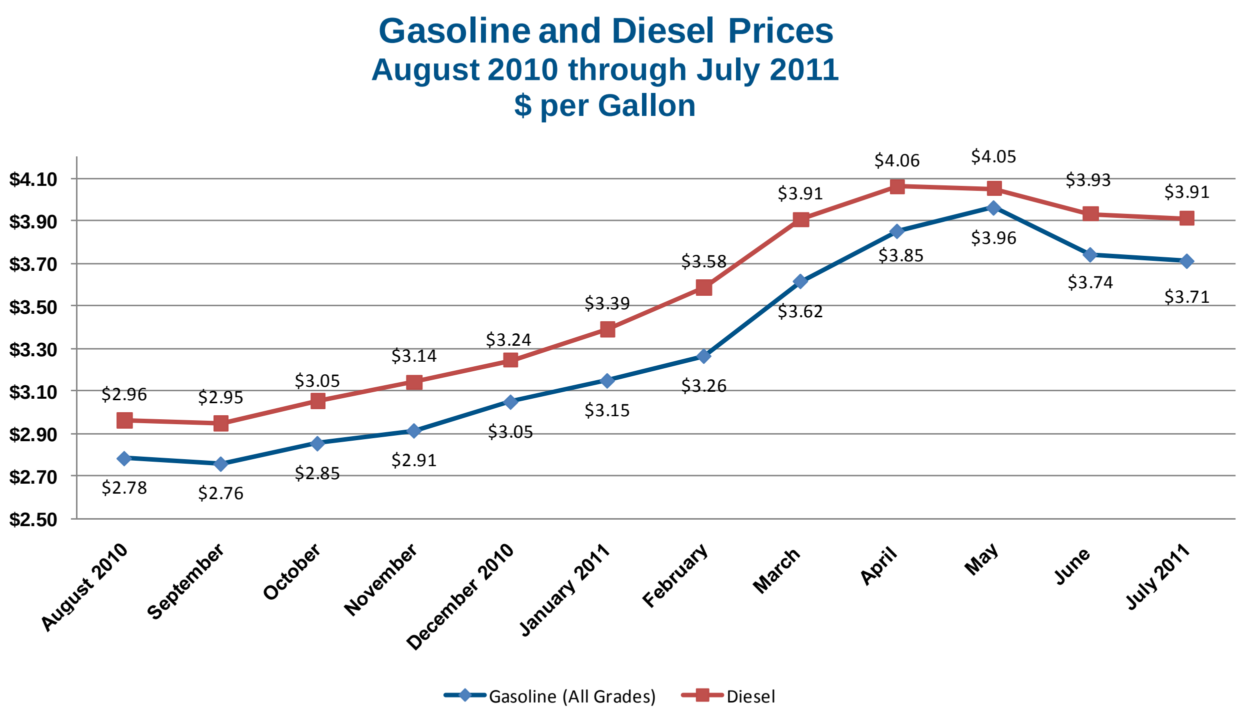
PRICING TRENDS

GASOLINE AND DIESEL

Gasoline and diesel prices seem to have peaked in recent months. U.S. retail gasoline prices reached a high of $3.96 per gallon in May, while diesel prices topped out at $4.06 per gallon in April. Since that point, prices have fallen slightly. Gasoline averaged $3.71 per gallon in July 2011, a $0.92 per gallon increase from July 2010. Diesel prices averaged $3.91 per gallon in July, a $1.00 increase from the previous year.

Consistent with previous quarters, the high prices of gasoline and diesel can be attributed to the upstream cost of crude oil. As crude oil costs have decreased recently, gas and diesel prices may also fall in coming weeks.

In its short-term energy outlook, the EIA predicts that regular grade gasoline will average $3.56 per gallon for full-year 2011, an increase from $2.78 per gallon in 2010, but a decrease from recent estimates. The EIA believes regular grade gasoline will cost an average of $3.65 per gallon in 2012.



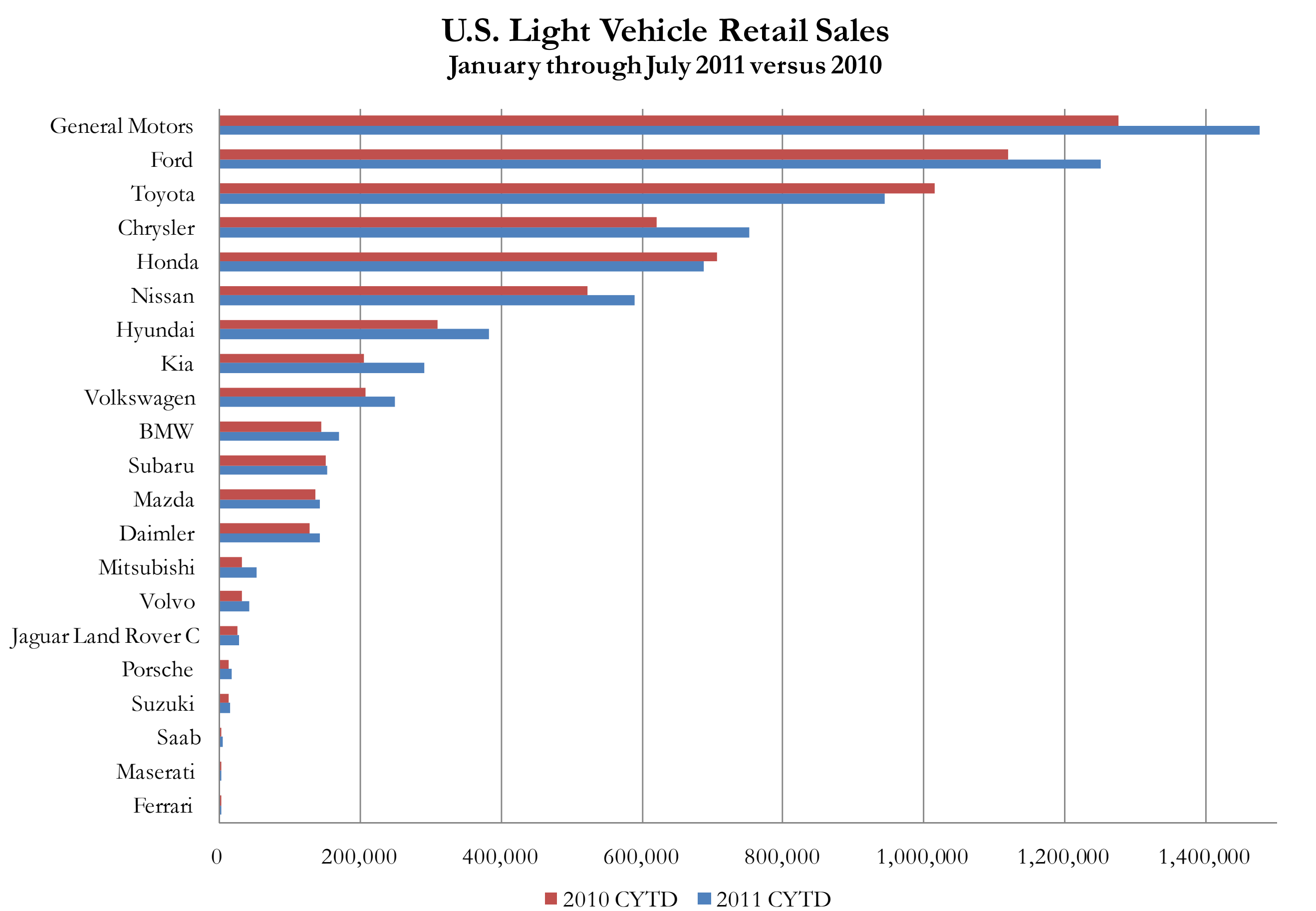
OIL AND GASOLINE REFERENCE SHEET

U.S. crude oil pricing trends

Crude Oil (dollars per barrel)	Q3 2010	Q4 2010	Q1 2011	Q2 2011
West Texas Intermediate Spot Average	$76.12	$85.10	$93.50	$102.22
Imported Average	$73.32	$80.70	$95.45	$106.97
Refiner Average Acquisition Cost	$74.05	$81.70	$95.51	$106.84

Gasoline pricing trends

Retail Prices (including taxes, dollars per gallon)	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Gasoline Regular Grade (average self-service cash price)	$2.72	$2.88	$3.29	$3.80
Gasoline All Grades (average self-service cash price)	$2.77	$2.94	$3.35	$3.85
On-Highway Diesel Fuel	$2.94	$3.15	$3.63	$4.02



Source: Autodata Corporation