



MEMA Financial Services Group, Inc.

2010 Bad Debt Survey

June 14, 2011

The information contained in this report is the tabulated and comparative results of the 2010 Bad Debt Survey completed by more than 50% of MEMA Financial Services Group, Inc. (MFSG) subscribers.

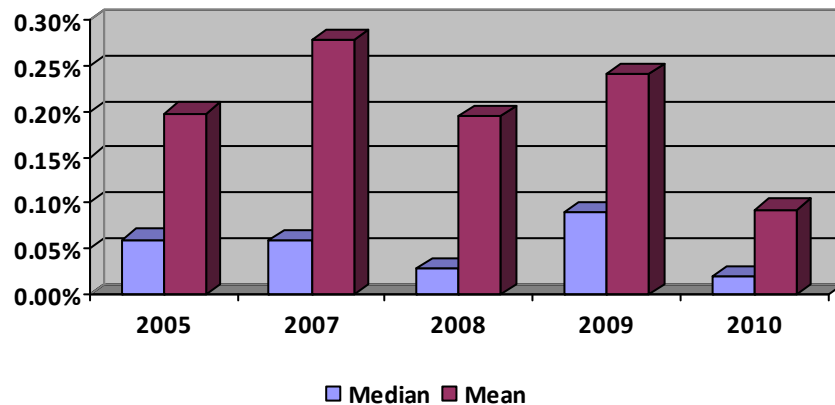
Bad Debt Write Off as a Percentage of Sales

<u>YEAR</u>	<u>MEDIAN</u>	<u>MEAN</u>
2010	.0190%	.0926%
2009	.0894%	.2413%
2008	.0275%	.1955%
2007	.0583%	.2788%
2006	.0400%	.3400%

Bad Debt Write Off

In 2010, many motor vehicle aftermarket parts and accessories manufacturers experienced healthy growth in sales and earnings that is partially due to a moderately improved economy and stronger customers. The number of medium to large business failures and bankruptcy filings were reduced in 2010 and several respondents reported their already small bad debt was offset significantly by distributions from previous bankruptcy cases. One survey participant stated their bad debt was negative as they received more in distributions than they wrote off in 2010.

According to Automotive Aftermarket Suppliers Association (AASA) market research the size of the aftermarket declined for the third year in a row. In 2010 it decreased an estimated 1.8% as compared to fiscal 2009. The decline is mainly due to labor sales being down as parts sales increased. The projection for 2011 is 1.7% growth for the aftermarket. Hopefully 2011 will not be like the previous three years where small growth has been projected only to have contraction realized.



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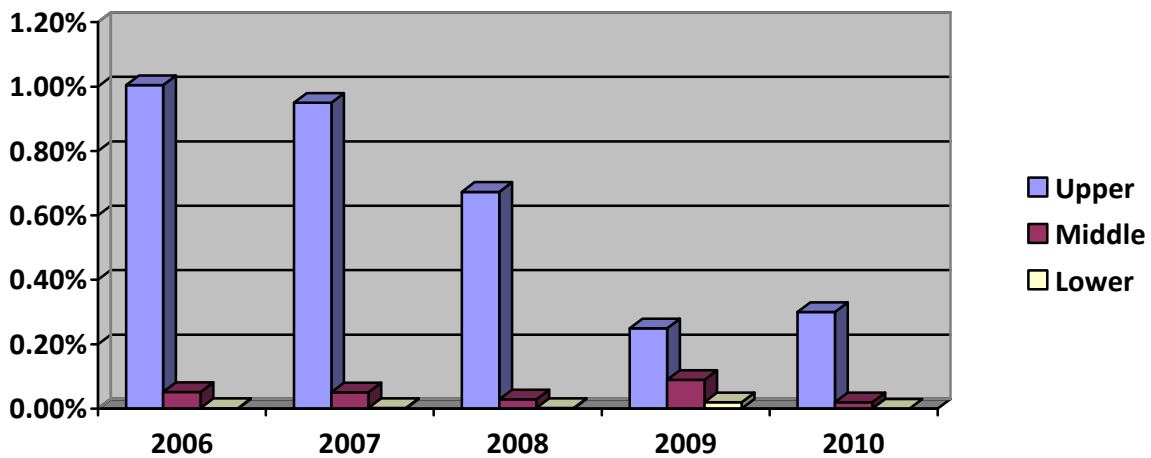
Bad Debt Write Off (continued)

The 2010 mean (average) bad debt write off was reduced by 61.1% to .093% of sales as compared to .241% in fiscal 2009. Throughout the years under review, average bad debt write off has steadily declined with the exception of 2009 where an uptick was reported. As compared to fiscal 2006 where average bad debt write off was .340% of sales, the fiscal 2010 results have improved 72.6%. The combination of a healthier aftermarket customer and excellent work from our member's credit executives is the driving force in the reduction in bad debt write off. To a lesser degree one wonders if companies are taking fewer or maybe more calculated risks with customers.

Average Bad Debt Write Off By Quartile

<u>YEAR</u>	<u>LOWER</u>	<u>MIDDLE</u>	<u>UPPER</u>
2010	.0003%	.0189%	.3048%
2009	.0200%	.0894%	.2490%
2008	.0020%	.0286%	.6731%
2007	.0015%	.0502%	.9500%
2006	.0013%	.0517%	1.004%

Average Bad Debt Write Off By Quartile



In fiscal 2010 both the lower quartile (lowest 25% of respondents) and middle quartile (middle 25% of respondents) dropped significantly as compared to fiscal 2009. This is primarily due to the high number of respondents with 0% write off in 2010 as well as a general reduction in bad debt. The upper quartile (highest 25% of respondents) grew from .2490% in 2009 to .3048% in 2010, which is the first increase seen in this segment since fiscal 2006. Even though the upper quartile increased, only one respondent reported a bad debt of 1% of sales or higher and an average of .3048% of sales is still commendable.

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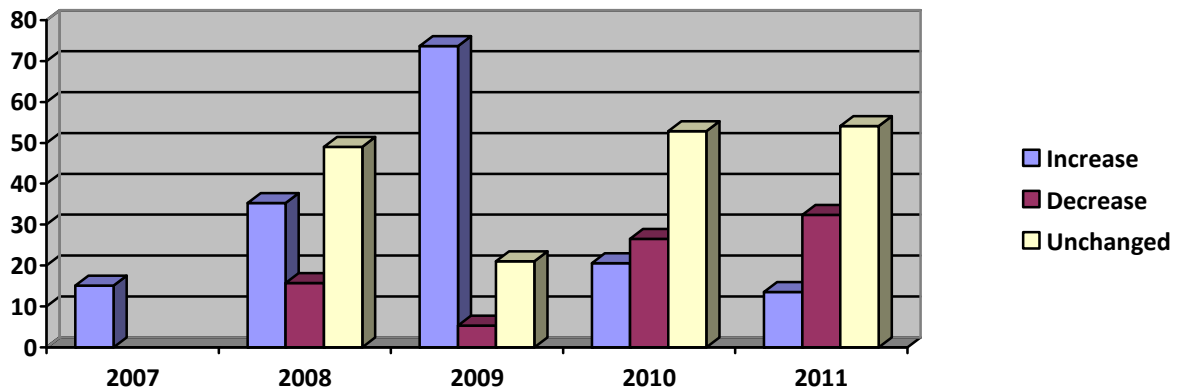
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Companies Reporting Changes in Bad Debt Reserve

<u>YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>UNCHANGED</u>
2011	13.5%	32.4%	54.1%
2010	20.6%	26.5%	52.9%
2009	73.7%	5.3%	21.0%
2008	35.3%	15.7%	49.0%
2007	15.1%		

Changes in Bad Debt Reserve



Once again a majority (54.1%) of respondents reported their bad debt reserve in 2011 was unchanged from that in 2010. Only 13.5% have increased their reserve while 32.4% have decreased their bad debt reserve. This large reduction in bad debt reserve for 2011 either shows a high level of optimism for the industry or companies are taking a less aggressive approach with their customers. Unfortunately we won't know the answer to that question until this time next year. However, if the trend holds true average bad debt write off will be lower for 2011 as our members financial and credit executives have historically been very accurate predicting this component.

The staff of MEMA Financial Services Group, Inc. is always prepared and ready to assist our members with credit and financial information they need on their prospective and existing customers. Our credit discussion groups enable members to stay on top of the trends and conditions in the industry. With support from MFSG, they can many times make decisions that will keep their company from experiencing a bad debt.

MFSG has been providing credit and financial executives with the information they need to make an educated credit decision since 1916. Visit our Web site www.memafsg.com for more information on the services MFSG provides its subscribers or contact Dan Pike at 919-406-8821 or dpike@memafsg.com.