



2008 a year of connection

AAIA ANNUAL REPORT

AAIA[®] **Automotive Aftermarket**
Industry Association

Leadership. Connection. Empowerment.

association segments



Auto International Association



Automotive Electric Association



Automotive Warehouse Distributors Association



Car Care Professionals Network



Engine Repower Council



Heavy Duty Distribution Association



Manufacturers' Representatives



National Catalog Managers Association



Paint, Body & Equipment Specialists



Retail



Tool & Equipment



Trim

about the association

The Automotive Aftermarket Industry Association (AAIA) is a not-for-profit trade association based in the Washington, D.C.-metropolitan area. Its more than 24,000 member companies manufacture, distribute, sell and install motor vehicle parts, accessories, tools, equipment, materials, supplies and services. The association's broad-based membership represents all major product segments of the aftermarket industry including automotive, heavy duty, engine rebuilding, trim, paint and body, electrical, tools and equipment and other specialized sectors. Structurally, AAIA operates as an umbrella organization representing each of these product segments, while additionally representing and providing forums for groups by business function.

AAIA empowers its members by providing the highest-quality programs and services in the areas of government affairs, education and training, information resources, technology, international services, market research and business development, while providing leadership as the respected voice of the automotive aftermarket industry. AAIA connects members to one another, the industry and consumers, as well as with the right products, programs and resources to help their businesses thrive in the automotive aftermarket.

a message from the president



The year 2008 will not soon be forgotten: record fuel prices, damaging hurricanes, the meltdown of the financial markets and an historic presidential election. These factors and more presented challenges to our members — both in their businesses and in their personal lives.

It's during times like these when businesses are forced to dig deeper to identify and adopt strategies to improve efficiencies and to remain competitive. Everyone strives to protect and expand market share.

It's during times like these when members look to their trade association for help — direction, guidance, intelligence, information and resources to deal with added pressures and demands.

By virtue of AAIA's vertically integrated membership structure, all members throughout the aftermarket — large and small — are interdependent and need to be connected to be empowered. I believe that 2008 was a year that showcased just how AAIA connects its members not only to each other but to the tools, programs and resources they needed to succeed.

We are proud to present in this annual report how we delivered value to our members and to the industry at large. 2008 — a year of connection. It's what we do.

A handwritten signature in black ink, appearing to read "Kathleen Schmatz".

Kathleen Schmatz
AAIA President & CEO

a message from the chairman



Being a businessperson in the aftermarket industry, I know first-hand the value of a great trade association. I was a member of AAIA long before becoming chairman, so I understand the needs and expectations of member companies and firms.

It's been said that, "Associations are like the mortar that holds the bricks of a building in place, holding the entire structure together." Well, AAIA is the association that holds together the structure of the motor vehicle aftermarket industry.

Representing our industry demands a strong commitment to members through leadership, connection and empowerment. A professional staff creating and executing high-quality and innovative programs and bold initiatives, combined with impassioned volunteer leaders, make it all happen.

While every year is challenging for most businesses in our industry, 2008 really put us to the test. I hope this annual report is viewed as a value report on how AAIA delivered on its promise to meeting the needs of its members in 2008.

A handwritten signature in black ink, appearing to read "Jerry O'Pry".

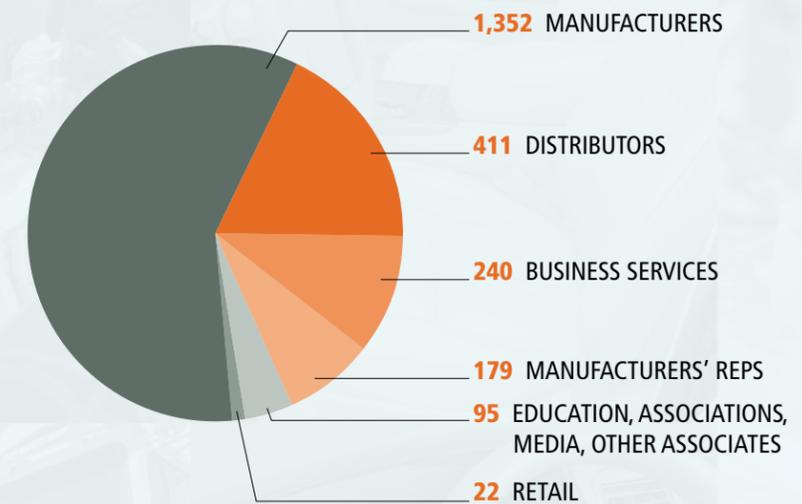
Jerry O'Pry
AAIA Chairman

membership profile

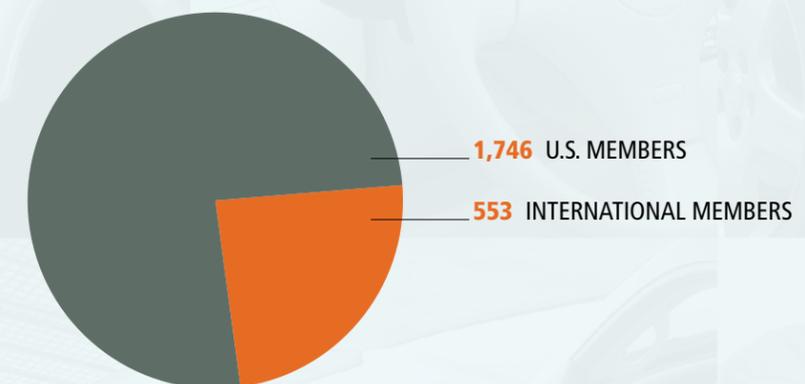
AAIA is the \$295 billion motor vehicle aftermarket industry's only vertically integrated trade association. With over 24,000 dues-paying members, AAIA is the only aftermarket trade association in the United States that represents the shared interests of manufacturers, distributors, jobbers, retailers, service and repair shops, program groups, manufacturers' representatives, educators, publishers and specialized membership organizations.

While AAIA's membership consists primarily of domestic companies, it also includes many businesses that operate overseas divisions, sell to the overseas market or operate as domestic branches of overseas firms. AAIA members represent 35 countries around the world. Included in AAIA's total membership are the thousands of independent repair shop members of AAIA's Car Care Professionals Network (CCPN), rounding out a truly diverse representation of all segments of the aftermarket supply chain.

AAIA MEMBERSHIP PROFILE



The Car Care Professionals Network (CCPN) segment is comprised of an additional 22,000 independent repair shop members.



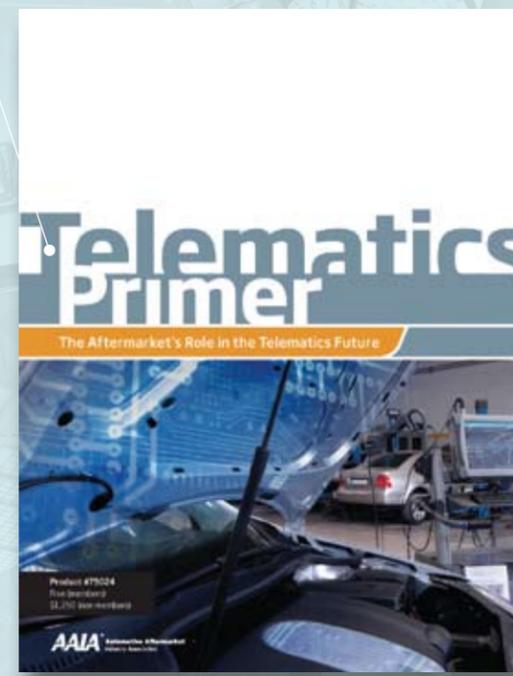
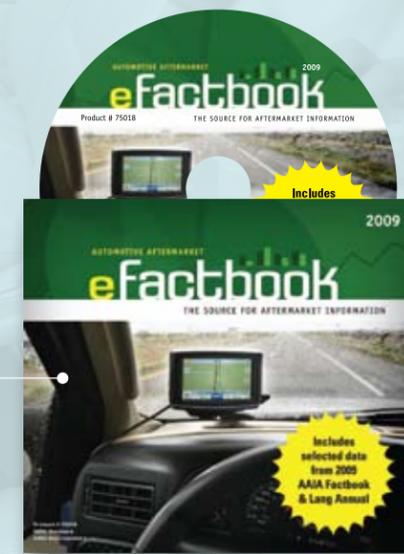
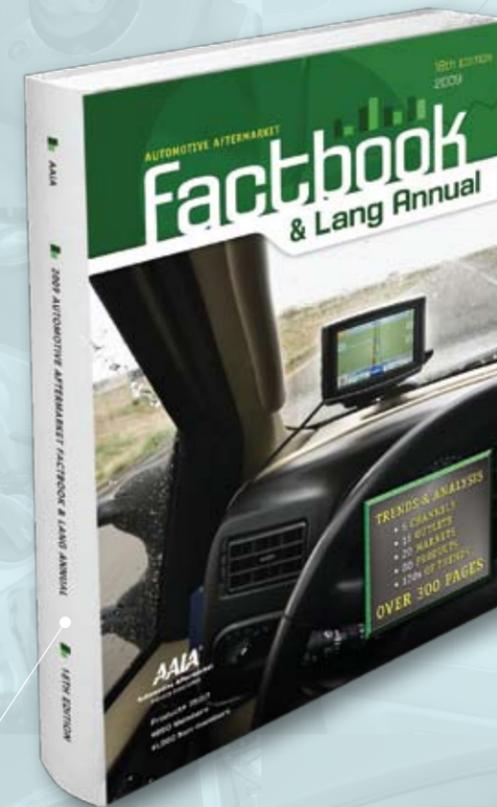
connecting to market intelligence

Responding to member demand for more in-depth market research, a number of new studies and reports were created in 2008. The 300-page *Automotive Aftermarket Factbook & Lang Annual* is a one-of-a-kind resource featuring hundreds of trends covering six distribution channels, 16 outlets, 20 markets and 80 products. Also, the newly-expanded *eFactbook* boasts the ability to copy and paste data to PowerPoint presentations and offers interactive presentations.

AAIA market research has plans to expand its on-going business intelligence gathering service to the motor vehicle aftermarket with online access to a keyword, knowledge-based library.

The rising use of telematics and its potential impact on the automotive aftermarket inspired AAIA to commission a study of the telematics market. The result is a report titled *Telematics Primer — The Aftermarket's Role in the Telematics Future*. Vehicle telematics is a concern to many aftermarket companies based on their assumption that original equipment manufacturers will use the technology to freeze aftermarket players out of the market.

This 100-page study is the first step toward establishing AAIA as the “go-to” resource for telematics planning and aftermarket applications.



connecting to strategies and solutions

AAIA expanded its leadership role in driving out costs and increasing business efficiency through the use of standards-based technology. The Technology Standards & Solutions Committee has empowered the aftermarket with data standards such as the Aftermarket Catalog Enhanced Standard (ACES) for electronic catalogs and the Product Information Exchange Standard (PIES) for product information. Business partners are connected with modern technologies such as Internet Parts Ordering (IPO), PARTnerShip Network, Sales Information Standard (SIS) and i•SHOP.

2008 represents a tipping point for standards adoption in the aftermarket as the number of formats that suppliers have to support has actually gone down for the first time in decades. Adoption of the major data and communications standards has accelerated in recent years, helping drive increased ROI from investments in standards-based technology.



DEVELOPED BY AAIA



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connecting to consumers

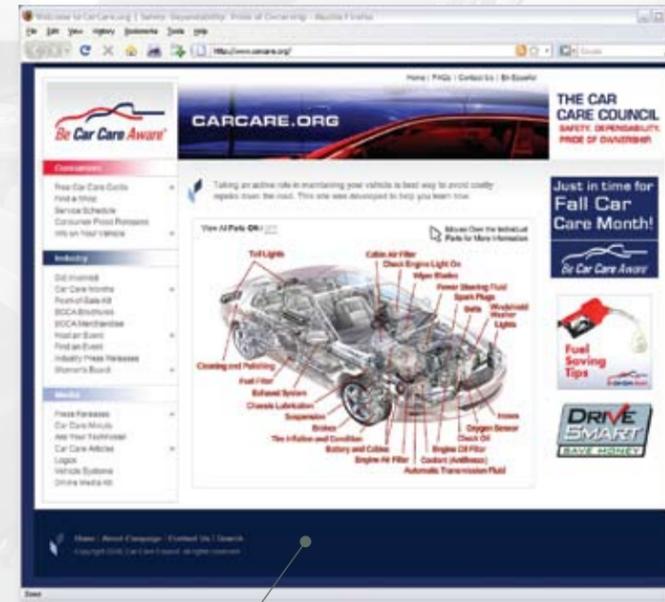
Be Car Care Aware

The "Be Car Care Aware" consumer education campaign celebrated its fifth year in 2008 with unprecedented media coverage – a result of a steady flow of information and gas savings tips, and consumer behavior data and trends in response to record gas prices. Among the major media using material from the Car Care Council was USA Today, NBC Today Show, CNN, CNBC, Fox News, Wall Street Journal and hundreds of other newspapers, magazines, radio networks and stations, news Web sites and blogs.

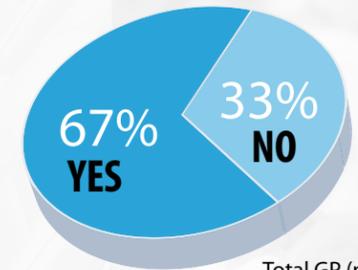
In 2008, the Car Care Council launched its redesigned Web site, www.carcare.org. Featuring practical vehicle maintenance and repair information for consumers, the aftermarket industry and the media. Enhanced graphics and advanced media capabilities helped keep the Car Care Council site ranked top among car care Web sites on all major search engines including AOL, Ask.com, Google, MSN and Yahoo!.

Also in 2008, new sections on Fuel Economy and Environmental Awareness were added to the ever-popular Car Care Guide to show consumers how to get better gas mileage and make their vehicle environmentally friendly. More than two million copies of the popular guide have been printed in three languages.

The "Be Car Care Aware" campaign is a non-profit organization directed by the Car Care Council, which operates within AAIA. Its purpose is to educate consumers about the benefits of regular vehicle care, maintenance and repair.

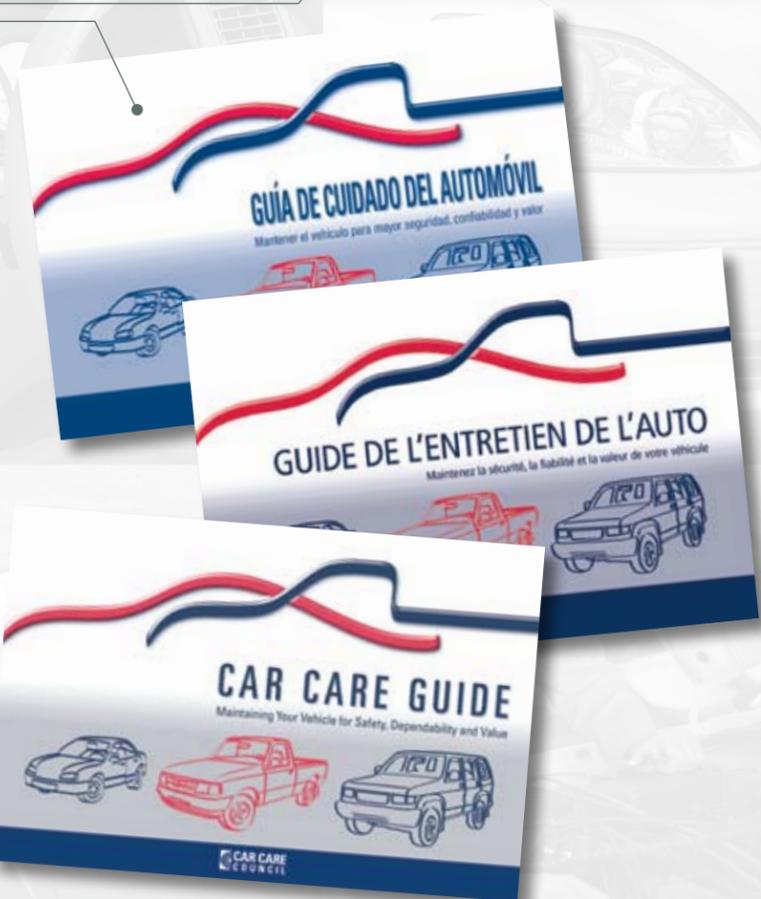


Aware of Vehicle Maintenance Benefits



Two thirds (67 percent) of the general population report being more aware of the benefits of vehicle maintenance now than they were five years ago.

Source: AAIA-commissioned Consumer Research Study: Analysis of Consumer Maintenance Motivations and Behavior, performed by Opinion Research Corporation



connecting to elected officials

The AAIA government affairs department continued its aggressive agenda aimed at protecting the independent vehicle aftermarket. Two main initiatives were front and center, the Motor Vehicle Owners' Right to Repair Act and efforts by the state of California to enact extended "lifetime" emissions warranties.

Enactment of the Motor Vehicle Owners' Right to Repair Act

AAIA continued to press for passage in Congress of the Motor Vehicle Owners' Right to Repair Act (H.R. 2694), directed at ensuring that the independent aftermarket has the same access to tools and service information as the new car dealer.

Right to Repair legislation did gain major momentum in Massachusetts. Buoyed by a strong wave of grassroots support from industry, a Right to Repair bill was passed by the Joint Consumer Protection and Professional Licensure Committee in May. The bill continued to gain support in the Massachusetts legislature and was poised for consideration on the House floor, until the body became bogged down in the closing days of the session with budget and social issues.

Similarly, Right to Repair legislation was introduced in both the New Jersey Assembly and the Senate.

Defeat of State Efforts to Extend Emissions Warranties

AAIA and its coalition filed a lawsuit in California seeking to overturn a regulation by the California Air Resources Board (CARB) to extend vehicle emissions warranties to 10 years/120,000 miles for parts that are found to have systematic defects. AAIA, working with a coalition of other state and national aftermarket groups, insists that CARB lacks the statutory authority to extend warranties beyond the three years/50,000 miles for all emissions-related parts and seven years/70,000 miles for higher priced repairs that are required under state law to be offered by car companies.

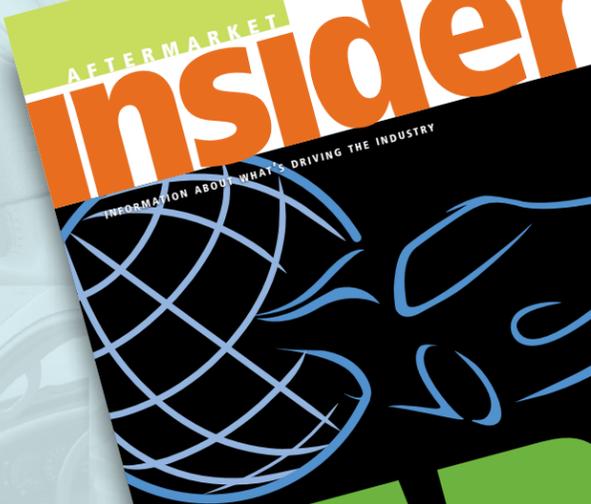
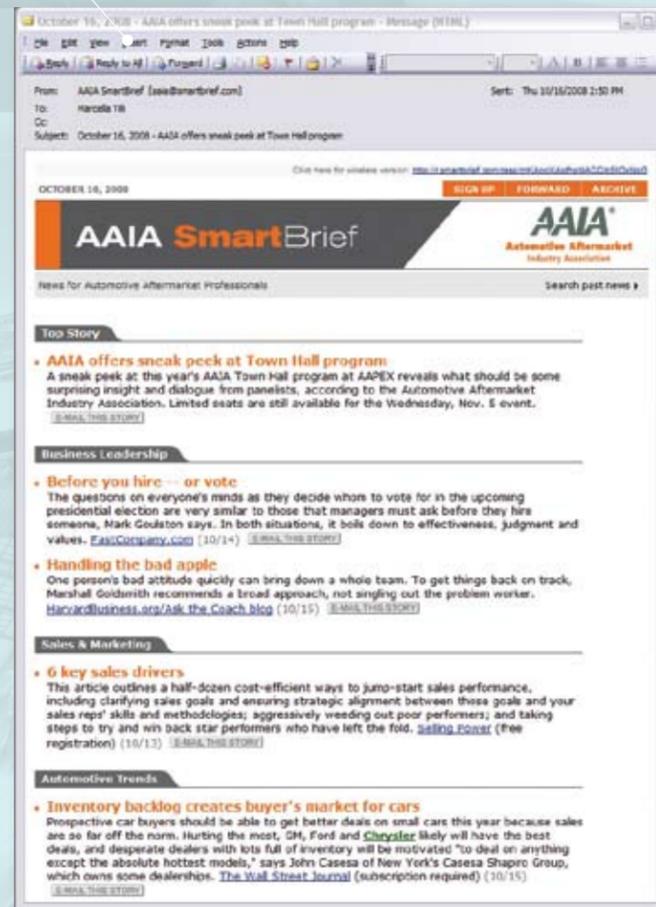


connecting to news and information

Newly created in 2008, the *AAIA SmartBrief* is a bi-weekly electronic newsletter that focuses on stories not only affecting the aftermarket and the association, but leading national and international news stories, business leadership, sales and marketing and automotive trends and legislative and regulatory news, with links to individual online segment news pages.

This year, AAIA launched a new and improved version of the AAIA Web site, www.aftermarket.org. With an updated look and layout, more multi-media capabilities, a comprehensive commerce center and a more user-friendly format, the Web site provides meeting information and online registration, and allows for easy online publication purchases. Also new is the ability for members to review and update their membership information, and even renew online. A wealth of association information, the site also hosts *SmartBrief* and *Aftermarket Insider* archives, all segment Web sites, the Legislative Action Center and more.

Aftermarket Insider, AAIA's bi-monthly magazine, won numerous awards for design and content in 2008. The member publication provides in-depth articles on association and industry trends, and a hands-on *Toolbox* section features work-life balance information filled with career tips and advice.



connecting with the global aftermarket

Automotive Aftermarket Products Expo (AAPEX)

Despite the economic challenges facing businesses this past year, our industry demonstrated strong support for the Automotive Aftermarket Products Expo (AAPEX) held in Las Vegas in November. AAPEX is co-owned by AAIA and the Motor & Equipment Manufacturers Association and held in conjunction with the SEMA Show. AAPEX is the largest automotive aftermarket trade-only event in North America with exhibitors and buyers from 124 countries around the world.

AAIA member companies represented the majority of exhibitors and buyers at AAPEX. Buyers included all the major automotive parts retail chains, big box stores, automotive wholesale distributors and program groups.

In response to requests from attendees, the schedule of education sessions was greatly expanded. These information briefings and professional development seminars complemented the nearly 2,000 exhibits showcased on one million square feet in the Sands Expo Center adjacent to the Venetian Hotel.

China International Auto Parts Expo (CIAPE)

Building on its Asian Initiative, and to meet the growing needs of members to learn more about doing business in China, AAIA recently established a formal partnership with the China International Auto Parts Expo (CIAPE), a division of the China Ministry of Commerce (MOFCOM). Key to the partnership is an opportunity for AAIA member companies interested in selling in Asia to establish contacts and gain knowledge. CIAPE was held in November in Beijing.



connecting to professional development

With rapidly changing global and economic factors, social values and demographics, science and technology, legislative and regulatory environment, and industry competition and structure, AAIA members have a great need for up-to-date information and education and training programs and tools. AAIA rises to this challenge as an advocate for industry education and training, and serves as a resource portal by providing the industry with programs, opportunities and events to enhance continuous learning.

Global Automotive Aftermarket Symposium (GAAS)

A record crowd of 435 attended this year's Global Automotive Aftermarket Symposium (GAAS), held in Chicago, Ill. in May. More than 30 speakers and panelists shared information, insight, trends, analysis and solutions during this premier industry educational annual event for senior-level aftermarket executives. Each year, the net proceeds of GAAS go toward scholarships to benefit students preparing for automotive aftermarket careers. In the past 10 years, more than \$1.4 million in scholarships has been given to 1,400 students.

Aftermarket eForum™

The 2008 Aftermarket eForum™ was attended by 250 aftermarket professionals and featured 38 expert speakers and presenters who covered all aspects of e-commerce and supply chain technology solutions in the motor vehicle aftermarket. The annual two-day summer event, held in Chicago, Ill. in July, is industry sponsored and produced with 100 percent of the net proceeds invested in industry programs and services.

Heavy Duty Aftermarket Week (HDAW)

Heavy Duty Aftermarket Week, the industry's premier conference for heavy duty distributors and manufacturers, was held in Las Vegas this year and will be in Orlando, Fla. in February 2009. It provides a comprehensive distributor education program, addressing leading issues facing the industry such as technology standards, access to technical information and employee training and recruitment. As the all-industry, senior-level event — organized by the Commercial Vehicle Solutions Network (CVSN), the Heavy Duty Distribution Association (HDDA) and the Heavy Duty Manufacturers Association (HDMA) — HDAW attracts the industry's top executives and speakers. HDAW also includes one-on-one business meetings, networking opportunities and an aftermarket-focused trade show.



connecting to the right people

Town Hall

AAIA's Town Hall breakfast is held annually during AAPEX in Las Vegas. More than 1,000 industry professionals attended this year's event where a VIP panel of industry experts analyzed how rising energy costs are fueling changes in the aftermarket from the perspective of the motorist, service and repair, manufacturing and distribution. The AAIA Town Hall is sponsored by NASCAR Performance.

Segment Conferences

In addition to their committee meetings at Spring and Fall Leadership Days, many of AAIA's 12 unique segments connected through meetings, seminars, annual conferences and conference calls. Through this individualized membership approach, each segment is assured autonomy while being an integral part of the larger association and enjoying its extensive benefits, resources, programs and influence.

Leadership Days

More than 400 volunteer leaders and industry guests gather twice annually during AAIA Fall and Spring Leadership Days, a forum for networking, strategic thinking and face-to-face problem solving. All standing and segment committees meet during the three-day event, for a total of 25 meetings, which always includes a meeting of AAIA's Board of Directors. Highlights from Leadership Days can be found at www.aftermarket.org.



board of directors

AAIA announced the election results of the 2008-2009 officers and board of directors on April 11 at its Spring Leadership Days in Bonita Springs, Fla.

EXECUTIVE COMMITTEE

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JERRY O'PRY
BLUE MAGIC, INC.

VICE CHAIRMAN

GARY PERMAN
RPS MARKETING, LLC

VICE PRESIDENT

LARRY EASTERLIN
TCC (TECHNICAL CHEMICAL CO.)

JON OWENS, AAP

AUTO 7, INC.

KENNETH D. WALKER, MAAP, AAP

MEINEKE CAR CARE CENTERS

JOHN WASHBISH, AAP

SECRETARY

DAVID W. SCHEER
INLAND TRUCK PARTS CO.

TREASURER

TIM LEE, AAP
LANG DISTRIBUTING, INC.

PAST CHAIRMAN

RICHARD MORGAN, AAP
AFTERMARKET AUTO PARTS ALLIANCE, INC.

PRESIDENT

KATHLEEN SCHMATZ
AUTOMOTIVE AFTERMARKET INDUSTRY ASSOCIATION

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DELPHI CORPORATION

J. DAVID BELL
ERIE DRIVETRAIN, INC.

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A. D'ANGELO & SONS/ANGEL WAREHOUSE

CURTIS DRAPER
UNITED COMPONENTS INC.

ROBERT F. EGAN, AAP
FEDERAL-MOGUL CORPORATION

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S-G IMPORTED CAR PARTS, INC.

MANNY GRIJALVA
GOLD EAGLE CO.

GREG HENSLEE
O'REILLY AUTOMOTIVE, INC.

RICHARD J. JAGO
OLD WORLD INDUSTRIES, INC.

KEVIN JUDGE
THE BELLWETHER GROUP

LISA R. KRANC
AUTOZONE, INC.

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MICHAEL LAMBERT
AUTOMOTIVE DISTRIBUTION NETWORK

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NASCAR

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CUSTOM ACCESSORIES, INC.

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BILL MURRAY & ASSOCIATES

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CALIFORNIA/ARIZONA/NEVADA AUTOMOTIVE WHOLESALERS ASSOCIATION

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MARKETING & PROMOTION, INC.

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SEAN STANIC
IPC GLOBAL SOLUTIONS

CHARLES WALKER, AAP

DOUGLAS R. WASHBISH, AAP
MOOG LOUISVILLE WAREHOUSE INC.

TONY ZANDERS
HERITAGE AUTO REPAIR



BOARD OF DIRECTORS

BACK ROW L-R:

Martin T. Gold; Pamela A. Krebs; Douglas R. Washbish; Malcolm Sissmore; Charles Walker; J. David Bell; Robert F. Egan; Rodney K. Pierini; George Keeley; Michael Lambert

MIDDLE ROW, L-R

Tony Zanders; Odis Lloyd; Manny Grijalva; Todd D'Angelo; Curtis Draper; Lisa R. Kranc; F. Scott Pletz; Richard J. Jago; Bill Murray, Jr.; Sean Stanic; Kevin Judge

FRONT ROW, L-R

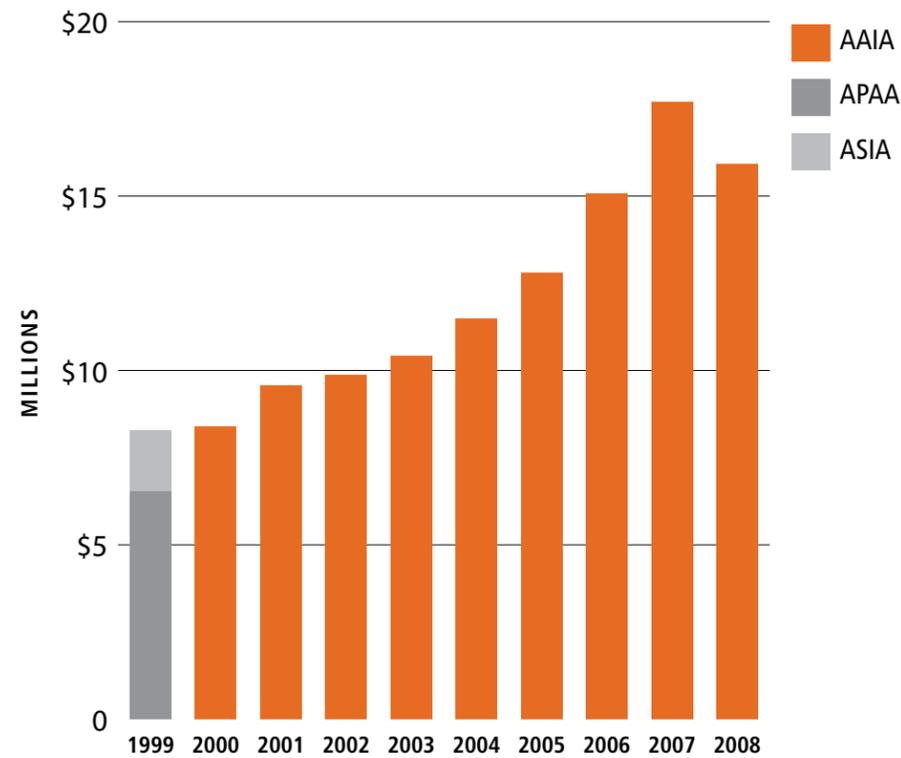
Jon Owens; Gary Perman; Kenneth D. Walker; Richard Morgan; Jerry O'Pry; Kathleen Schmatz; Tim Lee; Larry Easterlin; John Washbish

NOT PICTURED:

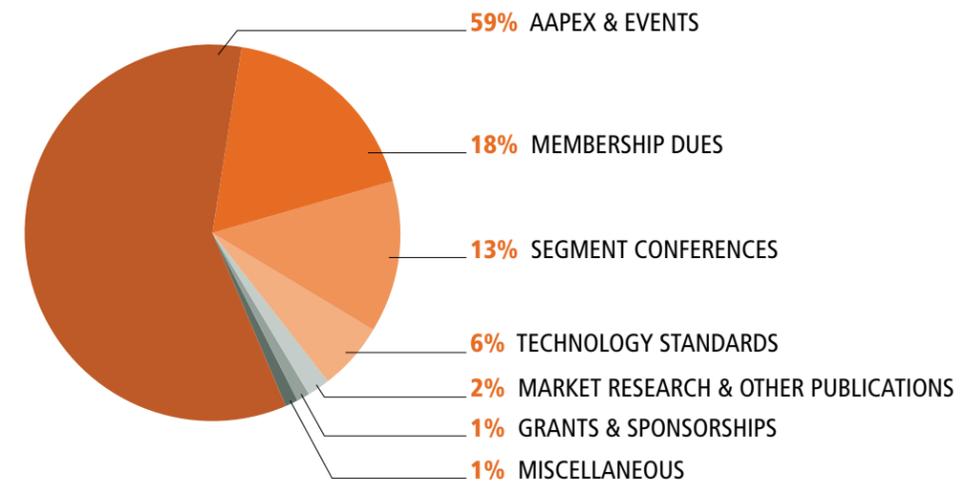
David W. Scheer; David Barbeau; Greg Henslee; Norman Matthew

financials

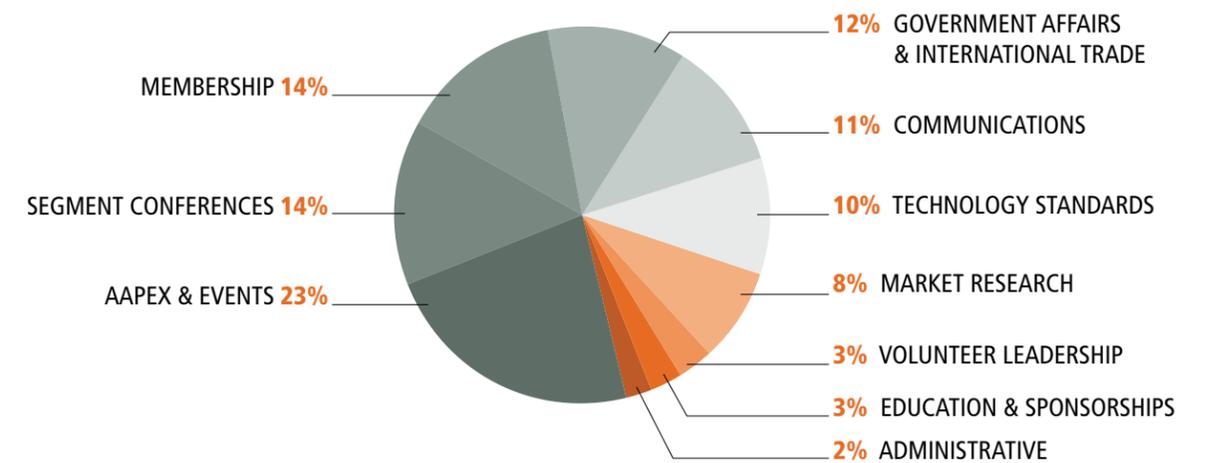
AAIA'S NET ASSET GROWTH



REVENUE FROM OPERATIONS



EXPENSES



The financial information presented is derived from statements audited by LarsonAllen.



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