

TABLE OF CONTENTS

	<u>Page</u>
Parts Accrual Allowance Terms and Conditions	1
Background	1
SSO Purchases Defined	1
KPI - Stock Order Utilization	1
KPI - Stock off the Shelf Fill Rate (SOSF)	1
KPI - 12 Month Idle Capital Ratio	2
KPI – Data Input	2
Accrual Allowance Periods	2
Accrual Allowance Percent Matrix	2
Return Accrual Allowance Schedule	3
Accrual Rollovers	4
Accrual Cash Out	4
KPI Performance Verification	5
Parts Upgrade Report Dashboard	5
Remote Managed Inventory (RMI) Terms and Conditions	5
Dealer Non-Compliance	5
Dealer Responsibilities	6
RMI Installation Schedule	7
Important Program Dates	8
Contact Information	8
Frequently Asked Questions about New Terms and Conditions and RMI	9

PARTS UPGRADE POLICIES AND PROCEDURES

Parts Accrual Allowance Terms and Conditions

1.1. Background

- 1.1.1 A new set of Terms and Conditions have been developed that create a performance-based part accrual allowance system. Dealers will receive up to 6% of their stock order purchases as a part accrual allowance that can be used to return obsolete or surplus parts. The allowance is based on three key performance indicators (K.P.I.s). Each K.P.I. is worth up to 2%.

1.2. SSO Purchases Defined

- 1.2.1. Dealers will receive up to 6% of their stock order purchases as a part accrual allowance that can be used to return obsolete or surplus parts. Exclusions to SSO purchase qualification are necessary as some parts are subject to a separate return policy. Exclusions to SSO purchase qualification for accrual earnings are as follows:

- Subject to specific core return policies
- Recall & SSP parts
- All MRAs (parts ordered in error, etc)
- Tires purchased outside of Mazda Tire Center program
- All other parts subject to separate parts return policies

1.3. KPI - Stock Order Utilization

- 1.3.1. Stock Order Utilization will be measured and provided by MNAO on a monthly basis. Stock Order Utilization will be measured in two ways:
- 1.3.2. As a percent of total dollars purchased.
- 1.3.3. As a percent of total lines purchased.
- 1.3.4. The higher percent of dollars or lines will be used to determine the percent payout.
- 1.3.5. Stock Order Utilization will be measured as a six month average.
- 1.3.6. Recall items placed on CSO by MNAO are excluded from the stock order utilization calculation.

1.4. KPI - Stock off the Shelf Fill Rate (SOSF)

- 1.4.1. SOSF will be measured and supplied by the dealer on a monthly basis. The dealer will enter the measurement into the Full Circle Gateway by the 10th of each month.
- 1.4.2. Stock off the Shelf Fill Rate is defined as “stock status parts available off the shelf at the time of the sale.”
- 1.4.3. The SOSF calculation is the number of stock status parts filled directly from stock at the time of demand divided by the total number of stock status parts requested.

PARTS UPGRADE POLICIES AND PROCEDURES

- 1.4.4. Special ordered parts and non-stocking status parts are not included in the calculation.
- 1.4.5. There must be sufficient quantity on the shelf (not “on order”) for each sale.
- 1.4.6. Stock off the Shelf Fill Rate will be measured as a six month average.

1.5. KPI - 12 Month Idle Capital Ratio

- 1.5.1. Parts Idle Capital Ratio will be measured and supplied by the dealer’s DMS on a monthly basis. The dealer will enter the measurement into the Full Circle Gateway by the 10th of each month.
- 1.5.2. 12 Month Idle Capital is defined as Mazda parts with no sale for 12 or more months.
- 1.5.3. The average of 12 Month Idle Capital performance for the 6 month period will be used to determine the accrual allowance KPI percentage for each respective period.

1.6. KPI Data Input

- 1.6.1. Dealers will be required to input these KPI’s into the Full Circle Gateway each month (See Important Dates for monthly deadlines). Since Stock off the Shelf Fill rate is a dealer supplied number and it is a 6 month average, failure to input this KPI into each month will result in a 0 for any missed month(s) and thus lower the average for the period.

1.7. Accrual Allowance Periods

- 1.7.1. The KPI performance begins with the January through June 2008 period. The percent matrix is shown below.

Stock Order Accrual Allowance Percent Matrix

	Stock Order Utilization (Dealers with 5 Stock Orders per week)
less than 70%	0.00%
equal to 70% or less than 75%	0.50%
equal to 75% or less than 80%	1.00%
equal to 80% or less than 85%	1.50%
greater than or equal to 85%	2.00%

	Stock Order Utilization (Dealers with 3 Stock Orders per week)
less than 65%	0.00%
equal to 65% or less than 70%	0.50%
equal to 70% or less than 75%	1.00%
equal to 75% or less than 80%	1.50%
greater than or equal to 80%	2.00%

	Stock off the Shelf Fill Rate
less than 80%	0.00%
equal to 80% or less than 85%	0.25%
equal to 85% or less than 90%	0.50%
equal to 90% or less than 95%	1.00%
greater than or equal to 95%	2.00%

	% of Inventory that is 12 Months Idle Capital
greater than or equal to 22%	0.00%
equal to 18% or less than 22%	0.25%
equal to 14% or less than 18%	0.50%
equal to 10% or less than 14%	1.00%
less than 10%	2.00%

PARTS UPGRADE POLICIES AND PROCEDURES

1.7.2. *Example of Stock Order Accrual Allowance Calculation*

Dealer A has 5 stock orders per week (Dedicated and/or LTL). For the period January 2007 through June 2007, Dealer A has:

- Six month average of 75% on stock orders
- Six month average of 90% on stock off the shelf fill rate
- Six month average of 13% on inventory that is 12 months or higher idle capital.
- Based on the matrix chart above, Dealer A has earned a stock order accrual allowance of 3.0%.

1.8. Return Accrual Allowance Schedule

1.8.1. Accrual allowance returns are based on the following schedule:

2007		2008	
1 st Half	2 nd Half	1 st Half	2 nd Half
Earning Period ^a	Evaluation Period ^b	Return Period ^c	
	Earning Period a	Evaluation Period b	Return Period c
^a Stock order purchases are tracked during this period to determine basis for return calculation. ^b KPI metrics achieved during this period will determine the percentage of returnable 1 st half purchases ^c Parts return (1 st half 2007) stock order purchases times 2 nd half KPI earned accrual percentage.			

1.8.2. For the returns period January through June 2008, the returns are based on Stock Order purchases from the first half of 2007 (Earning Period) multiplied by the KPI's (0% - 6%) performance of the second half of 2007 (Evaluation Period).

1.8.3. For the returns period July through December 2008, return accrual amounts will be based on Stock Order purchases from the second half of 2007 (Earning Period) multiplied by the KPI's (0% - 6%) performance of the first half of 2008 (Evaluation Period).

1.8.4. For example, Dealer B has \$180,000 in total stock order purchases from January through June, 2007. The dealer's KPI's for evaluation period of July through December 2007 period is 4%. Therefore this dealer earned an accrual allowance of \$7,200 for the first half of 2008, or \$1,200 per month.

PARTS UPGRADE POLICIES AND PROCEDURES

2007		2008	
1 st Half	2 nd Half	1 st Half	2 nd Half
\$180,000 a	4% b	\$7,200 c	
<p>a Stock order purchases for 1st half of 2007.</p> <p>b KPI metrics achieved during 2nd half 2007.</p> <p>c Parts return allowance for 1st half of 2008.</p>			

1.9. Accrual Rollovers

- 1.9.1. Rollovers can occur within each six month period, but cannot occur from one six month period to another (January – June and July – December).
- 1.9.2. For example, Dealer A earns \$6,000 in accrual allowance for the period January through June which gives him \$1,000 to return every month for that period. Dealer A uses all of his allowance until May when he uses only \$600 of the \$1,000 available. The remaining \$400 is rolled over to June giving him \$1,400 to use in June. In June he returns \$1,000 in parts leaving a balance of \$400. This \$400 cannot be carried over into July because this is the start of a new period.

2007		2008	
1 st Half	2 nd Half	1 st Half	2 nd Half
\$180,000 a	6% b	\$10,800 c	$\xrightarrow{\text{X}}$ d
<p>a Stock order purchases for 1st half of 2008.</p> <p>b KPI metrics achieved during 2nd half 2007.</p> <p>c Parts return allowance for 1st half of 2008.</p> <p>d Return allowance cannot be rolled over to the next period.</p>			

1.10. Accrual Cash Out

- 1.10.1. Dealers have the option to receive unused accrual allowance at the end of a period in the form of a credit to their parts account if the dealer's parts idle inventory (12 month no sale) is less than 4%

PARTS UPGRADE POLICIES AND PROCEDURES

of his Mazda parts inventory. Dealers with idle inventory of 4% or more are not eligible.

- 1.10.2. Cash Out eligibility is restricted to dealers that have been active for 12 months. New dealers and Buy / Sell dealers with less than 12 months in operation are not eligible to receive the cash out option.

1.11. KPI Performance Verification

- 1.11.1. All Dealers must provide verification of DMS inventory KPI performance reporting. Dealers will be required to fax or mail their DMS reporting data to ADMI at the end of the Period (twice a year). Dealers that qualify for accrual cash outs will be subject to loss of eligibility in the event they fail to comply with the KPI reporting verification at end of the subject Period.

2.1. Parts Upgrade Report Dashboard

- 2.1.1. Dealers will be able to track their KPIs (Stock Order Utilization, Stock off the Shelf Fill Rate, Idle Capital) on a monthly basis through the Parts Upgrade Dashboard located on the Full Circle Gateway in the Parts and Accessories tab of MXConnect. The dashboard provides dealers with their performance on Stock Order Utilization, Stock off the Shelf Fill Rate and Idle Capital as well as financial statement data. The report will be available five business days after the close of the Full Circle Gateway (See Important Dates for monthly deadlines on Full Circle Gateway).

3.1. Remote Managed Inventory (RMI) Terms and Conditions

- 3.1.1 Dealers enrolled in RMI will be guaranteed the full 6% parts accrual allowance as long as they remain on RMI.
- 3.1.2 **Dealer Non-Compliance** Failure to reasonably comply with the RMI requirements set forth in the Remote Managed Inventory Agreement may (at MNAO's discretion) result in the following steps from MNAO:
 - Step 1: A meeting (or teleconference) with MNAO Region and the Dealer Principal explaining the area(s) of non-compliance and outlining steps for corrective action.
 - If no dealer action is taken within a reasonable period as noted by the Region, then:
 - Step 2: A letter from the Region will be sent to Dealer Principal again reviewing the area(s) of non-compliance and outlining

PARTS UPGRADE POLICIES AND PROCEDURES

steps for corrective action.

- If no dealer action is taken within a reasonable period as noted to by the Region, then:
- Step 3: A final meeting (or teleconference) with MNAO Corporate and Region with Dealer Principal to provide:
 - A last opportunity for corrective action(s).
 - Written notice that failure to comply with corrective action(s) will cause termination of RMI program and its benefits and protections without further notice.

3.1.3 If a dealer fails to comply with these steps for corrective action, MNAO may terminate the RMI program along with the following Parts Terms and Conditions benefits and protections:

- Discontinue RMI 6% parts return accrual protection.
- Discontinue automatic allowance on A and B moving parts not sold in 12 months (unless dealer has reached the 6% accrual allowance by meeting the performance metrics).
- Discontinue any remaining RMI parts returns that have not yet occurred.

3.1. Dealer Responsibilities

- 3.1.1. Communications - Dealer agrees to communicate with ADMI and their assigned Area Parts Manager (APM) as necessary for program sustainability.
- 3.1.2. Business Plan - Dealer agrees to adhere to the RMI Program Business Plan as agreed to by all parties during the launch of each program phase.
- 3.1.3. RMI Processes - Dealer agrees to perform all reasonable tasks as scheduled, including communications, maintenance and report generation/transmission as tasked by their Area Parts Manager (APM).
- 3.1.4. Lost Sales - Dealer agrees that all lost sales will be recorded in the dealer management system (DMS).
- 3.1.5. Parts Upgrade Reporting - Dealer agrees to submit the six Parts Upgrade data points into the Full Circle Gateway by the 10th of each month.
- 3.1.6. Idle Capital Control - Dealer must not contribute to increased parts Idle Capital.

PARTS UPGRADE POLICIES AND PROCEDURES

3.2. RMI Installation Schedule

3.2.1. Installation of RMI occurs in a four step process:

- Phase 1
 - ✓ APM assigned to the dealership to assume stock parts responsibility.
 - ✓ DMS ordering parameters updated to maximize parts availability and prevent idle capital.
 - ✓ Business plan customized and implemented with objectives for inventory performance.
 - ✓ Daily communication processes with APM instituted to free up Parts Manager's time to sell more parts.
 - ✓ Daily/Weekly/Monthly checklists to aid Parts Manager with prescriptive RMI processes and communication.

- Phase 2 (Approximately 60 days after commencement)
 - ✓ Graduation to Phase 2 upon dealership attaining key performance objectives.
 - ✓ Special order policies customized for dealership.
 - ✓ Special order parts controls implemented dealership-wide.
 - ✓ Monthly performance reports reviewed with dealership management team.
 - ✓ Performance objectives updated as needed.

- Phase 3 (Approximately 90 days after commencement)
 - ✓ Graduation to Phase 3 upon dealership achieving key performance objectives.
 - ✓ Idle capital reduction plan implemented.
 - ✓ OE Connection D2D Link and D2D Plus implemented.

- Phase 4 (Approximately 120 days after commencement)
 - ✓ Graduation to Phase 4 upon dealership achieving key performance objectives.
 - ✓ Part sales growth methods discussed and implemented.
 - ✓ Parts profitability reviewed.
 - ✓ Methods to increase profitability discussed and implemented.

PARTS UPGRADE POLICIES AND PROCEDURES

4.1. Important Program Dates

- 4.1.1. Deadlines for data input of month-end Stock off the Shelf Fill Rate and Idle Capital into the Full Circle Gateway. The Parts Upgrade Performance Report will be available five business days after the close of the Full Circle Gateway.
- July 15, 2008 – For June month-end data
 - August 15, 2008 – For July month-end data
 - September 15, 2008 – For August month-end data
 - October 15, 2008 – For September month-end data
 - November 17, 2008 – For October month-end data
 - December 15, 2008 – For November month-end data

5.1. Contact Information

5.2. General Information

Michael Jennings
Manager, Service and Parts Retail Strategy
949-727-6241
mjenning@mazdausa.com

5.3. Remote Managed Inventory

ADMI
Program Hotline
1-888-231-6689

5.4. ADP – Stock off the Shelf Fill Rate Report

Eric Lund
Central Install / Remote Implementation
ADP Dealer Services - Hoffman Estates, IL
Tel: 847-485-4343
Fax: 847-620-0618
Eric_Lund@adp.com

5.5. R&R – Stock off the Shelf Fill Rate Report

Will Farley
Reynolds Certified Interface (RCI)
Business Development Manager
Direct Line: 937-485-9475
Cell Phone: 937-684-3578
Office Fax: 937-485-9952
will_farley@reyrey.com

PARTS UPGRADE POLICIES AND PROCEDURES

6.1. Frequently Asked Questions about New Terms and Conditions and RMI

6.1.1. Cash Payout on Accrual Allowance

- Q. *If dealers receive cash for their accrual one period, does that amount get subtracted from the next period?*
- A. No, cash payouts do not affect a dealer's future payouts.
- Q. *Can I still receive a credit to my Parts account on unused accrual if I miss the top payouts for Stock Order and Fill Rate but hit the Idle Capital metric?*
- A. Yes. The credit to unused accrual is strictly based on keeping your idle capital under 4 percent of your Mazda parts inventory.

6.2. Stock Order Utilization

- Q. *How will my incremental stock orders ship?*
- A. Each order will be reviewed (Rated) based on its weight and size to determine the best carrier. Increment Stock Orders will ship FedEx, UPS and/or Less-than-Truckload.
- Q. *Can I change my stock order entry day(s)?*
- A. No. The days assigned to you are fixed.
- Q. *Are lines or dollars used to calculate stock order utilization?*
- A. Both lines and dollars are calculated. The higher of the two is used to determine the stock order utilization accrual allowance percent.

6.3. Off The Shelf Fill Rate

- Q. *How will Mazda define "Off-The-Shelf Fill Rate?"*
- A. Off-The-Shelf Fill is officially defined as "Stock status parts available off the shelf at the time of the sale."

PARTS UPGRADE POLICIES AND PROCEDURES

1. Special Ordered parts and non- stocking status parts are not included in the calculation.
2. There must be sufficient quantity on the shelf (not “on order”) for each sale.
3. The parts must be on the shelf when the initial order is made.
4. Parts “picked up” from other sources after the order is made do not qualify.

Q. *How does the DMS determine whether a part should be on the shelf?*

A. The DMS determines based on the parameters set by the parts manager.

Q. *What is the formula that is used to calculate Off-The-Shelf Fill?*

A. An example would be:

1. Stock Status Parts Required = 10
2. Stock Status Parts Available = 8
3. Stock off the Shelf Fill = 80%

Q. *How will dealers get the report to calculate Off-The-Shelf Fill?*

A. ADP and R&R dealers need to contact their respective vendor (if they have not already done this) for a report upgrade to their DMS that will allow their systems to calculate Stock off the Shelf Fill. The dealer will not have to pay for this upgrade.

Q. *What about the other systems?*

A. UCS dealers already have this reporting capability. There is no need for an additional software upgrade. Instructions on how to run Stock off the Shelf Fill for other DMS vendors (including UCS) is available on the Full Circle Gateway homepage thru MXConnect on

PARTS UPGRADE POLICIES AND PROCEDURES

the Parts and Accessories tab.

Q. *Will all of these systems calculate Off-The-Shelf Fill the same way?*

A. Yes, Stock off the-Shelf Fill reports were developed by ADAMI in conjunction with each of the DMS vendors, so the reports will be the same.

Q. *Do MAPP dealers have this software already?*

A. Yes, all MAPP dealers currently use Stock off the Shelf Fill as part of the training program.

6.4. Remote Managed Inventory

Q. *When can I enroll for RMI?*

A. Enrollment is now open.

Q. *How much does RMI cost?*

A. RMI costs \$668 per month (or \$8,016 per year) and requires a one year commitment.

Q. *How quickly will the RMI installation begin after I enroll my dealership?*

A. RMI implementation is flexible, and is normally installed within 2 to 4 weeks of enrollment. Billing commences the month of installation.

Q. *Who will initially contact me after I fax in the dealer enrollment form to ADAMI?*

A. An RMI program manager will initially contact you within 24-48 hours of the enrollment being received by ADAMI and will set up the installation date. Installation begins with a conference call between the Dealer Principal, Parts Manager, Service Manager and your assigned RMI Parts Professional.

PARTS UPGRADE POLICIES AND PROCEDURES

Q. *Does the RMI Parts Professional travel to my dealership in person?*

A. No, the RMI Parts Professional communicates with your dealership via phone, webex, email and fax.

Q. *When will we know what RMI Parts Professional has been assigned to my dealer?*

A. The RMI program manager will notify you of your RMI Parts Professional during the initial contact.

Q. *If I have a question, who can I contact?*

A. You can call the RMI support center at 888-231-6689.

Q. *What will the billing be?*

A. Billing is monthly at \$668 per month (\$8,016 per year).

Q. *What are the daily requirements of the parts manager?*

- A.
- 1) Enter data monthly on the Parts Upgrade Gateway (Full Circle Gateway).
 - 2) Record Lost Sales.
 - 3) Submit DMS reports to Area Parts Manager as requested.