

PARTICIPATING ADDENDUM
[Cooperative Purchase Agreement 500645]

This **PARTICIPATING ADDENDUM** (this “Participating Addendum”) is entered into by **GENUINE PARTS COMPANY**, a Georgia corporation d/b/a NAPA (“Supplier”) and **LAKE HAVASU CITY** (the “Participating Entity”) as of _____, 2025 (the “Effective Date”).

WHEREAS, pursuant to a competitive solicitation and cooperative procurement process offered by Sourcewell (hereinafter, “Sourcewell”), a Minnesota service cooperative created by Minnesota Statutes Section 123a.21, Sourcewell and Supplier executed contract #090624-GPC on December 26, 2024 (hereinafter, “Sourcewell Contract”) to establish a source of supply for certain auto, truck and bus parts as well as to provide integrated business solutions services; and

WHEREAS, Participating Entity desires to utilize the pricing and incentives available under the Sourcewell Contract on the terms and conditions set forth herein in order to receive integrated business solutions services from Supplier.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

1. **Scope**. Supplier shall provide to the Participating Entity the products and services described in the Sourcewell Contract, which is incorporated by reference. Supplier and Participating Entity agree that the terms set forth in the Sourcewell Contract shall apply, and the parties specifically agree to be bound by such terms unless amended by Participating Addendum.

Notwithstanding the foregoing, the parties agree that any administrative fees described in the Sourcewell Contract are payable only to Sourcewell.

2. **Term of Agreement**. This Participating Addendum shall begin on the Effective Date and shall end when the Sourcewell Contract terminates or expires or when terminated earlier in accordance with the applicable terms and conditions stated herein. As the Sourcewell Contract is renewed or extended, this Participating Addendum may be renewed or extended for a period of time equal to or shorter than the period of time the Sourcewell Contract is renewed or extended upon the mutual written agreement of the parties. Notwithstanding the foregoing, should the parties desire to extend this Participating Addendum past the termination or expiration date of the Sourcewell Contract, the parties may do so by entering into a mutually agreed upon written amendment to this Participating Addendum. (“Term”)
3. **On-Site Location**. In connection with such services described in the Sourcewell Contract, Supplier shall operate the space provided by the Participating Entity for the storage and provision of inventory (such space, the “On-Site Store(s)”) and provide inventory to Participating Entity’s locations and provide all personnel required to operate the On-Site Store(s). Supplier will establish On-Site Store(s) at the Participating Entity’s following location(s):

Lake Havasu City
Public Works Department
900 London Bridge Road
Lake Havasu City, AZ 86404

Additional locations of the Participating Entity may be added to this Participating Addendum but only by a written amendment executed and agreed to by both the Participating Entity and Supplier.

4. Payment Terms and Pricing.

- (a) Supplier shall invoice the Participating Entity monthly for all inventory purchased pursuant to this Participating Addendum in accordance with the pricing plan described below. Participating Entity agrees to make payment in full by the 25th day of the month following the month in which the invoice is received. If the Participating Entity has not paid the entire amount of all statements received from Supplier within 10 days of the 25th day of the month as described above, the Participating Entity shall be put on COD until such amount is paid in full. No prompt pay discount is available under this Participating Addendum.
- (b) Participating Entity elects to utilize Pricing Option 2 under Exhibit A attached hereto. A sample statement reflecting Supplier's operational expenses is attached hereto as Exhibit B, but Participating Entity acknowledges and agrees that the costs and expenses reflected on the profit and loss statement set forth on Exhibit B are subject to change based on actual monthly costs, expenses or Corporate Allocation Expenses incurred relative to the operation of the On-Site Store(s).

5. **Audit Rights.** The Participating Entity reserves the right to audit, inspect, and verify all documentation related to all operational and acquisition costs at any time during the Term and for a period of three (3) years thereafter termination of the Participating Addendum. All such operational and acquisition costs must be supported by jobber or supplier direct acquisition cost from legible invoices, receipts, or other verifiable documentation. Contractor-generated cost sheets for non-NAPA parts will not be accepted. Any amounts invoiced in excess of verified acquisition cost shall be subject to adjustment or reimbursement to the Participating Entity.

Supplier shall maintain and make available detailed cost and pricing data including but not limited to Supplier invoices and delivery receipts, price lists, catalogs or contracts, rebate and/or discount schedules, purchase order history, and inventory validation.

6. Additional Terms.

- (a) **Primary Supplier.** Participating Entity agrees that, unless otherwise set forth in mutually agreed transaction documents, the Participating Entity shall use Supplier as its "Primary Supplier" of the inventory, parts, and equipment covered by this. Participating Entities may purchase items outside of the Participating Addendum where it is determined to be more economical or timely so long as the purchase of aforesaid part or parts does not result in Supplier no longer being the Participating Entity's Primary Supplier. "Primary Supplier" means the supplier that provides a minimum of 80% of the inventory needs of the Participating Entity.
- (b) **Provision of On-Site Store.** Participating Entity shall provide usable space for Supplier's On-Site Store and inventory, which shall include access to restroom facilities, all utilities for the On-Site Store(s) (including water, sanitation, sewer, light, telephone, heat, gas, electricity, power, fuel, janitorial and all other utilities and services rendered or delivered to the On-Site Store(s)) and a safe work environment to Supplier that is free from hostility, violence, or discrimination of Supplier's employees or agents. Supplier may terminate this Participating Addendum immediately should Supplier encounter a hostile, violent, discriminatory, or unsafe work environment. Participating Entity shall maintain in good condition and repair (so as to prevent any damage or injury to Supplier's employees, the inventory or other personal property located in the On-Site Store(s)) the roof, exterior walls, foundation, and structural portions of the On-Site Store(s) and all portions of the electrical and plumbing systems lying outside of the On-Site Store(s) but serving the On-Site Store(s).
- (c) **Exclusive Access to Parts Room; Risk of Loss.** Each On-Site Store location shall be appropriately secured or otherwise maintained separate and apart from the business of the Participating Entity, and there shall be no intermingling of the Participating Entity's parts or other inventory with Supplier's parts or inventory. Access to the secured portions of the On-Site Store location(s) shall be restricted to Supplier employees and authorized Supplier representatives only. Participating Entity's employees, contractors or agents shall

not be permitted to enter the secured On-Site Store area unless accompanied by a Supplier employee or other authorized Supplier representative unless otherwise agreed upon in writing. The City shall bear the risk of loss or damage to inventory only for causes outside the Participating Entity's control (e.g., casualty, fire, or natural disaster) or where caused by the negligence or willful or intentional acts. The Supplier shall be fully responsible for, and shall not invoice the City for, any inventory shortages, losses, or damages that result from the Supplier's mismanagement of the inventory system, accounting or recordkeeping errors, failure to follow agreed inventory procedures, or other acts or omissions within the Supplier's control. . Supplier shall invoice the Participating Entity for any such loss of or damage to the inventory and/or other personal property located in the On-Site Store(s), and the Participating Entity shall pay such invoiced amount to Supplier in accordance with the payment terms set forth herein.

- (d) Personnel. Supplier shall provide all personnel necessary to provide the Solutions. With respect to such personnel, Supplier agrees to discuss with and/or discipline an employee for violations of law or policy. In the case that Participating Entity is concerned about the detrimental effects of an employee's actions, Supplier will work in good faith with the Participating Entity to resolve the problem. Supplier and Participating Entity shall attempt in good faith to mutually agree upon the persons that will be selected to staff the On-Site Store(s). In the event that Participating Entity for any reason wishes to remove or replace any of the Supplier's personnel for the On-Site Store(s), the parties will attempt to resolve Client's request by mutual agreement.
- (e) Fleet Changes. Participating Entity shall provide information regarding fleet changes to Supplier as soon as possible. Fleet changes include but are not limited to the removal of types of vehicles from the fleet and the addition of new vehicles to the fleet.

7. Termination

- (a) Either Supplier or Participating Entity may terminate this Participating Addendum (i) in the event that the other party fails or refuses to pay any amounts due under such agreement; (ii) in the event that the other party fails or refuses to perform any other obligation required under such agreement, and such failure or refusal continues for thirty (30) days after written notice thereof; or (iii) in the event that the other party files any bankruptcy petition, has any bankruptcy petition filed against it, makes any assignment of its assets for the benefit of creditors, or admits in writing its inability to pay its debts as they become due.
- (b) In addition to the rights set forth in Section 6(a) above, Participating Entity may terminate this Participating Addendum for its convenience on thirty (30) days' written notice. Likewise, Supplier may terminate this Participating Addendum for its convenience on sixty (60) days' written notice.
- (c) Supplier may terminate this Participating Addendum immediately in the event that the Participating Entity's premises are damaged by any casualty, or such portion of the premises is condemned by any legally constituted authority, such as will make the Participating Entity's premises unusable for the On-Site Store(s) in the reasonable judgment of Supplier.
- (d) Upon termination, expiration, or non-renewal of this Participating Addendum, Supplier shall have the option to require the Participating Entity to purchase all non-NAPA branded inventory owned by Supplier and located in the On-Site Store(s) at Supplier's On-Site Store's current product acquisition cost, and the Participating Entity shall have the option to purchase all NAPA branded inventory, owned by Supplier and located in the On-Site Store(s) at Current NAPA Jobber Acquisition Cost. Upon Participating Entity's request, Supplier shall provide the Participating Entity with a listing of all NAPA and non-NAPA branded inventory owned by Supplier and located in the On-Site Store(s).
- (e) Upon any termination, expiration or non-renewal of this Participating Addendum, all duties, responsibilities and other obligations of each party shall terminate, except for the payment of any amounts due and owing to Supplier at the time of termination, expiration, or non-renewal. Each party shall immediately return to the other party all equipment, software, books, records, tools and any other personal property or information owned by the other party that are in such party's possession. The Participating Entity shall allow Supplier to access and enter into the On-Site Store location(s) to remove all equipment and other items of personal property owned by Supplier without being deemed guilty of trespass or any other violation of the law.

8. **Notices.** Whenever any notice, demand or request is required or permitted hereunder, such notice, demand or request shall be hand-delivered in person or sent by overnight mail through a reputable service, or by certified mail, return receipt requested, to the addresses set forth below:

As to Supplier: Genuine Parts Company
2999 Wildwood Parkway
Atlanta, GA 30339
Attn: Corporate Counsel

As to Participating Entity: Lake Havasu City
2330 McCulloch Boulevard North
Lake Havasu City, Arizona 86403
Attn: Procurement Official

With copy to: Attn: City Attorney
2330 McCulloch Boulevard North
Lake Havasu City, Arizona 86403

Each such notice shall be deemed delivered (i) on the date of receipt if delivered by hand or overnight courier service or (ii) on the date three (3) business days after depositing with the United States Postal Service if mailed by registered or certified mail. Either party may change its address specified for this notice by giving the other party at least ten (10) days' written notice in accordance with this Section 5.

9. **Insurance.**

Supplier shall maintain during the term of this Agreement workers' compensation insurance coverage for its employees located at the On-Site Store(s) in amounts required by law. In addition, NAPA shall maintain personal property insurance during the term of this Agreement in an amount sufficient to cover any loss or damage to the Inventory and any other personal property owned by NAPA that is located at the On Site Store(s).

10. **Indemnification.**

Supplier shall be responsible for and shall indemnify and hold Client harmless from and against all damages, claims or demands that may, during the term of this Agreement, arise or be occasioned by the negligent or intentional acts of Supplier or Supplier's employees provided that in no event will Supplier have any responsibility for any damages, claims or demands that arise or are occasioned by the negligent or intentional acts of the Participating Entity.

11. **Miscellaneous.**

- (a) The provisions of this Participating Addendum shall be binding upon and shall inure to the benefit of the parties hereto and their respective officers, directors, employees, successors and assigns. Notwithstanding the foregoing, the rights and obligations of either party to this Participating Addendum may not be assigned without the prior written consent of the other party hereto, which consent shall not be unreasonably withheld.
- (b) No amendment to this Participating Addendum shall be binding on either party hereto unless such amendment is in writing and executed by both parties with the same formality as this Participating Addendum is executed.
- (c) No failure of either party hereto to exercise any power given such party hereunder or to insist upon strict compliance by the other party to its obligations hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. Notwithstanding the same, only waivers made in writing shall be valid and

enforceable.

- (d) All obligations of a party under this Participating Addendum are imposed solely and exclusively for the benefit of the parties, and no other person shall, under any circumstances, be deemed to be a beneficiary of such obligations.
- (e) WHILE NOT APPLICABLE TO BREACHES OF CONFIDENTIALITY PROVISIONS, THE PARTIES HEREBY DISCLAIM ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY, PUNITIVE, OR SPECIAL DAMAGES IN ANY WAY RELATED TO THIS PARTICIPATING ADDENDUM, THEIR OTHER BUSINESS RELATIONSHIPS, OR THE TRANSACTIONS CONTEMPLATED HEREIN.
- (f) The parties hereto are independent contractors. Nothing in this Participating Addendum shall create or shall be deemed to create any fiduciary relationship or the relationship of principal and agent, partnership, joint venturers or any other similar or representative relationship between the parties hereto.
- (g) This Participating Addendum shall be construed and interpreted under the laws of the State of Arizona.
- (h) This Participating Addendum may be executed in one or more counterparts and each counterpart shall, for all purposes, be deemed an original, but all such counterparts shall together constitute but one and the same instrument.
- (i) In the event any part of this Participating Addendum shall be finally determined by a court of law to be illegal or unenforceable for any reason, then that illegal or unenforceable part shall be severed from the Participating Addendum, and the remaining terms shall continue in full force and effect.
- (j) In the event of a conflict between the Sourcwell Contract and this Participating Addendum, this Participating Addendum shall control.
- (k) Whenever performance by Participating Entity or Supplier of any of their respective obligations (other than the obligation to make payment of money due hereunder) is substantially prevented by reason of any act of God, other industrial or transportation disturbance, fire, floods, riots, acts of enemies, national emergencies, pandemics, or by any other cause not within the reasonable control of such party and not occasioned by its negligence, then such performance shall be excused and the performance of such obligations shall be suspended for the duration of such prevention and for a reasonable time thereafter; provided that the foregoing shall not apply to obligations relating to the payment of money.
- (l) This Participating Addendum and the Sourcwell Contract constitutes the entire agreement of the parties hereto and no prior representation, inducement, promise or agreement, oral or written, between the parties not embodied herein shall be of any force and effect; however, the rights and remedies set out in this Participating Addendum are cumulative and in addition to (and not in lieu of) any similar rights or remedies available to parties in other contracts, agreements, or through law or equity.
- (m) Israel: If applicable, Supplier certifies that it is not currently engaged in, and agrees for the duration of this Agreement that it will not engage in, a boycott of goods and services from Israel, as defined in A.R.S. § 35-393.
- (n) Forced Labor of Ethnic Uyghurs Certification: Supplier certifies that it does not currently, and agrees for the duration of the Agreement that it will not use: (1) the forced labor of ethnic Uyghurs in the People's Republic of China; (2) any goods or services produced by the forced labor of ethnic Uyghurs in the People's Republic of China; or (3) any contractors, subcontractors, or suppliers that use the forced labor of ethnic Uyghurs in the People's Republic of China. If Supplier becomes aware it is not in compliance with this certification, it shall notify the City within five business days after becoming aware. This Agreement will terminate upon failure to remedy the noncompliance within 180 days of the notification. (A.R.S. § 35-394)
- (o) Conflict of Interest: This Agreement may be cancelled in accordance with Arizona Revised Statutes § 38-511.
- (p) Immigration Laws. Supplier certifies and warrants that it is in compliance with A.R.S. § 41-4401 and further acknowledges that any contractor or subcontractor who is contracted by Supplier to perform work related to this Agreement shall warrant its compliance with all federal immigration laws and regulations that relate to its employees and its compliance with A.R.S. § 23-214(A). Any breach of this warranty shall be deemed a material breach of this Agreement that is subject to

penalties up to and including termination of this Agreement. The City retains the legal right to inspect the employment records of any employee of any contractor or subcontractor who performs work related to this Agreement to ensure that the contractor or subcontractor is complying with the warranty in this paragraph and that the contractor agrees to make all employment records of said employee available during normal working hours to facilitate such an inspection.

- (q) Non-Discrimination. Supplier certifies and warrants that it shall comply with the provisions of State Executive Order 2009-9. In performing this Agreement, Supplier shall not, and shall ensure that any and all contractors, subcontractors, employees, agents, volunteers, officers, officials, directors, volunteers, and affiliates, also shall not discriminate, harass, or allow harassment against any person on the basis of sex, race, color, ancestry, religious cred, national origin, physical disability, mental disability, medical condition, age, marital status, or any other basis prohibited under law. Supplier shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this Agreement.

IN WITNESS WHEREOF, the parties have executed this Participating Addendum as of the Effective Date.

GENUINE PARTS COMPANY

By: _____
Name: _____
Title: _____

LAKE HAVASU CITY

By: _____
Name: Jess Knudson
Title: Lake Havasu City Manager

EXHIBIT A
Pricing Options

Sourcewell Pricing for NAPA IBS Contract #090624-GPC

Sourcewell members that elect to use the Sourcewell NAPA IBS #090624-GPC Contract have four options for pricing models based on our on-site vendor managed inventory model.

1. Sourcewell Member Pricing Option 1: No Markup Goods Pricing/Management Fee

- Goods are sold to Participating Entity at no markup over NAPA's acquisition cost
- Operating expenses are billed to Participating Entity
- Separate management fee charged to attain a 10% return for NAPA on the sale price of goods

2. Sourcewell Member Pricing Option 2: Not-to-Exceed 10% Margin Model

- Goods are sold to Participating Entity at a 10% gross margin over NAPA's acquisition cost
- Operating expenses are billed to Participating Entity
- NAPA's return is built into the price of the part so no separate management fee is billed

3. Sourcewell Member Pricing Option 3: Not-to-Exceed Pricing Profile 9074 / 25% Margin Model

- NAPA branded goods are sold to Participating Entity on NAPA Pricing Profile 9074 (details available upon request)
- Non-NAPA sourced goods are sold to Participating Entity at a 25% gross margin over NAPA's acquisition cost
- All Operating Expenses are paid by NAPA and not billed to Participating Entity
- All cost and return are included in the price of the part, so Participating Entity only receives one consolidated statement

4. Sourcewell Member Pricing Option 4: Not-to-Exceed 11% Markup Model

- Similar to pricing option 2a, but goods are sold to Participating Entity at an 11% markup over NAPA's acquisition cost (as opposed to gross margin)
- Operating expenses are billed to Participating Entity
- NAPA's return is built into the price of the part so no separate management fee is billed

PRICING OPTION #1 (No Markup Goods Pricing/Management Fee). Genuine Parts Company (“NAPA”) shall bill Participating Entity for the following categories: (a) products (the “Products”), (b) Third Party Services, (c) Operational Expenses (as defined below), and (d) the Management Fee (as defined below). These categories and the pricing for such categories are further defined as follows and in the Pricing Plan Summary below:

- (a) **Product Price.** The pricing of NAPA Products shall be Current NAPA Jobber Acquisition Cost, which means NAPA’s current gold price as set forth on NAPA’s Confidential Jobber Cost and Suggested Resales price list. The pricing of Non-NAPA Products shall be NAPA’s current product acquisition cost.
- (b) **Third Party Services Price.** Third Party Services are those services not traditionally performed by NAPA but requested by Participating Entity, such as windshield repair, towing etc., and Participating Entity shall pay NAPA’s cost for any Third-Party Services.
- (c) **Operational Expenses.** Participating Entity shall reimburse NAPA for any and all costs and expenses associated with the operation of the On-Site Store(s), including, but not limited to, vehicle gas and maintenance costs, salary and benefits payable to NAPA employees at the On-Site Store(s), worker’s compensation benefits and insurance, unemployment insurance, personal property insurance for the On-Site Store(s) and Inventory, any deductible for losses covered under the personal property, automobile liability, or general liability insurance policies of NAPA, all equipment supplied by NAPA, Corporate Allocation Expenses (as defined below), inventory investment expense, obsolescence expense, pension funding costs, accounting fees, general office expenses, and shared service expenses. NAPA shall provide an operational expense statement of the parts operations to the Participating Entity on approximately the _____ of each month for each On-Site Store. An example of an expense statement reflecting such costs and expenses is attached hereto as Exhibit. Participating Entity acknowledges and agrees that the costs and expenses reflected on the expense statement set forth on Exhibit are subject to change based on actual monthly costs, expenses or Corporate Allocation Expenses incurred relative to the operation of the On-Site Store(s). Participating Entity acknowledges that in order to achieve economies of scale, NAPA utilizes certain headquarter and corporate personnel to assist in the performance of this Agreement in order to have fewer employees performing routine general administrative tasks such as paper work and filing at the On-Site Store(s), allowing NAPA counter personnel to focus more attention on serving the On-Site Store operations, and maximizing on-site cost efficiency. As a result, each On-Site Store location is charged certain corporate allocation expenses for various line items shown on Exhibit (“Corporate Allocation Expenses”) which are calculated as a percentage of total Product sales for each month. As such, there is not a supportive invoice for such expenses other than a monthly allocation rate statement.
- (d) **Management Fee.** Participating Entity shall pay a Management Fee equal to ten percent (10%) of the Total Monthly Net Sales (as defined below) during the preceding month. For purposes hereof, “Total Monthly Net Sales” means the total dollar amount of all Products (both NAPA and Non-NAPA) and Third-Party Services sold to the Participating Entity during the preceding month, less purchase returns.

PRICING PLAN SUMMARY

NAPA Product Price	Billed to Participating Entity at the Current NAPA Jobber Acquisition Cost
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Non-NAPA Product Price	Billed to Participating Entity at NAPA's current product acquisition cost
Third Party Services Price	Billed to Participating Entity at NAPA's cost
Operational Expenses	Billed to Participating Entity in accordance with Section (c) above.
Management Fee	Ten percent (10%) of Total Monthly Net Sales, billed in accordance with Section (d) above.

PRICING OPTION # 2 (Not-to-Exceed 10% Margin Model). NAPA shall bill Participating Entity for the following categories: (a) Products, (b) Third Party Services, and (c) Operational Expenses (as defined below). These categories and the pricing for such categories are further defined as follows and in the Pricing Plan Summary below:

- (a) ***Product Price.*** The pricing of NAPA Products shall be Current NAPA Jobber Acquisition Cost, which means NAPA's current gold price as set forth on NAPA's Confidential Jobber Cost and Suggested Resales price list, plus a ten percent (10%) gross profit, which shall be calculated pursuant to the formula set forth in the Pricing Plan Summary set forth below. The pricing of Non-NAPA Products shall be NAPA's current product acquisition cost plus a ten percent (10%) gross profit, which shall be calculated pursuant to the formula set forth in the Pricing Plan Summary set forth below.
- (b) ***Third Party Services Price.*** Third Party Services are those services not traditionally performed by NAPA but requested by Participating Entity, such as windshield repair, towing etc., and Participating Entity shall pay NAPA's cost plus a ten percent (10%) gross profit, which shall be calculated pursuant to the formula set forth in the Pricing Plan Summary set forth below, for any Third Party Services.
- (c) ***Operational Expenses.*** Participating Entity shall reimburse NAPA for any and all costs and expenses associated with the operation of the On-Site Store(s), including, but not limited to, vehicle gas and maintenance costs, salary and benefits payable to NAPA employees at the On-Site Store(s), worker's compensation benefits and insurance, unemployment insurance, personal property insurance for the On-Site Store(s) and Inventory, any deductible for losses covered under the personal property, automobile liability, or general liability insurance policies of NAPA, all equipment supplied by NAPA, Corporate Allocation Expenses (as defined below), inventory investment expense, obsolescence expense, pension funding costs, accounting fees, general office expenses, and shared service expenses. NAPA shall provide an expense statement of the parts operations to the Participating Entity on approximately the 20th of each month for each On-Site Store. An example of an expense statement reflecting such costs and expenses is attached hereto as Exhibit B. Participating Entity acknowledges and agrees that the costs and expenses reflected on the expense statement set forth on Exhibit B are subject to change based on actual monthly costs, expenses or Corporate Allocation Expenses incurred relative to the operation of the On-Site Store(s). Participating Entity acknowledges that in order to achieve economies of scale, NAPA utilizes certain headquarter and corporate personnel to assist in the performance of this Agreement in order to have fewer employees performing routine general administrative tasks such as paper work and filing at the On-Site Store(s), allowing NAPA counter personnel to focus more attention on serving the On-Site Store

operations, and maximizing on-site cost efficiency. As a result, each On-Site Store location is charged certain corporate allocation expenses for various line items shown on Exhibit B (“Corporate Allocation Expenses”) which are calculated as a percentage of total Product sales for each month. As such, there is not a supportive invoice for such expenses other than a monthly allocation rate statement.

PRICING PLAN SUMMARY

NAPA Product Price	Billed to Participating Entity at the Current NAPA Jobber Acquisition Cost plus a ten percent (10%) gross profit. The formula for NAPA Product Price for Participating Entity is the Current NAPA Jobber Acquisition Cost divided by .90. This formula will achieve the gross profit rate set forth above. Example: Current NAPA Jobber Acquisition Cost is \$1.00. Participating Entity’s price would be $\\$1.00/.90=\\1.11
Non-NAPA Product Price	Billed to Participating Entity at NAPA’s current product acquisition cost plus a ten percent (10%) gross profit. The formula for Non-NAPA Product Price for Participating Entity is NAPA’s current product acquisition cost divided by .90. This formula will achieve the gross profit rate set forth above. Example: NAPA’s current product acquisition cost is \$1.00. Participating Entity’s price would be $\\$1.00/.90=\\1.11
Third Party Services Price	Billed to Participating Entity at NAPA’s cost plus a ten percent (10%) gross profit. The formula for Third Party Services for Participating Entity is NAPA’s cost divided by .90. This formula will achieve the gross profit rate set forth above. Example: NAPA’s cost is \$1.00. Participating Entity’s price would be $\\$1.00/.90=\\1.11
Operational Expenses	Billed to Participating Entity in accordance with Section (c) above.

PRICING OPTION # 3 (Not-to-Exceed Pricing Profile 9074/25% Margin Model). NAPA shall bill Participating Entity for the following categories: (a) Products and (b) Third Party Services. NAPA shall pay the Operational Expenses (as defined below) associated with the operation of the on-site store. NAPA shall thereafter invoice or refund to Participating Entity such amount as is required for NAPA to achieve a ten percent (10%) Net Profit Guarantee as set forth in section (d) below. These categories and the pricing for such categories are further defined as follows and in the Pricing Plan Summary below:

- (a) ***Product Price.*** The pricing of NAPA Products shall be based on NAPA’s 9074 NAPA Pricing Profile. The pricing of Non-NAPA Products shall be NAPA’s current product acquisition cost plus a twenty-five percent (25%) gross profit, which shall be calculated pursuant to the formula set forth in the Pricing Plan Summary set forth below.

- (b) **Third Party Services Price.** Third Party Services are those services not traditionally performed by NAPA but requested by Participating Entity, such as windshield repair, towing etc., and Participating Entity shall pay NAPA's cost plus a twenty-five percent (25%) gross profit, which shall be calculated pursuant to the formula set forth in the Pricing Plan Summary set forth below, for any Third Party Services.
- (c) **Operational Expenses.** NAPA shall pay any and all costs and expenses associated with the operation of the On-Site Store(s), including, but not limited to, vehicle gas and maintenance costs, salary and benefits payable to NAPA employees at the On-Site Store(s), worker's compensation benefits and insurance, unemployment insurance, personal property insurance for the On-Site Store(s) and Inventory, any deductible for losses covered under the personal property, automobile liability, or general liability insurance policies of NAPA, all equipment supplied by NAPA, Corporate Allocation Expenses (as defined below), inventory investment expense, obsolescence expense, pension funding costs, accounting fees, general office expenses, and shared service expenses. NAPA shall provide an expense statement of the parts operations to the Participating Entity on approximately the _____ of each month for each On-Site Store. An example of an expense statement reflecting such costs and expenses is attached hereto as Exhibit . Participating Entity acknowledges and agrees that the costs and expenses reflected on the expense statement set forth on Exhibit are subject to change based on actual monthly costs, expenses or Corporate Allocation Expenses incurred relative to the operation of the On-Site Store(s). Participating Entity acknowledges that in order to achieve economies of scale, NAPA utilizes certain headquarter and corporate personnel to assist in the performance of this Agreement in order to have fewer employees performing routine general administrative tasks such as paper work and filing at the On-Site Store(s), allowing NAPA counter personnel to focus more attention on serving the On-Site Store operations, and maximizing on-site cost efficiency. As a result, each On-Site Store location is charged certain corporate allocation expenses for various line items shown on Exhibit ("Corporate Allocation Expenses") which are calculated as a percentage of total Product sales for each month. As such, there is not a supportive invoice for such expenses other than a monthly allocation rate statement.
- (d) **Net Profit Guarantee.** Sales of Products at each On-Site Store location will be reviewed after the first ninety (90) days of operation and on a month-by-month basis thereafter to ensure a ten percent (10%) net profit for NAPA. If monthly sales at each On-Site Store, independently as opposed to in the aggregate, are producing more than a ten percent (10%) net profit for NAPA, NAPA will pay to Participating Entity, via a refund check, the overage. Conversely, if NAPA's net profit for the preceding month is less than ten percent (10%), NAPA will bill Participating Entity for the deficiency.

PRICING PLAN SUMMARY

NAPA Product Price	Billed to Participating Entity based upon NAPA's 9074 NAPA Pricing Profile
Non-NAPA Product Price	Billed to Participating Entity at NAPA's current product acquisition cost plus a twenty-five percent (25%) gross profit. The formula for Non-NAPA Product Price for Participating Entity is NAPA's current product acquisition cost divided by .75. This formula will achieve the gross profit rate set forth above.

Third Party Services Price	Example: NAPA's current product acquisition cost is \$1.00. Participating Entity's price would be $\\$1.00/.75=\\1.33 Billed to Participating Entity at NAPA's cost plus a twenty-five percent (25%) gross profit. The formula for Third Party Services for Participating Entity is NAPA's cost divided by .75. This formula will achieve the gross profit rate set forth above. Example: NAPA's cost is \$1.00. Participating Entity's price would be $\\$1.00/.75=\\1.33
Operational Expenses	Paid by NAPA in accordance with Section (c) above.
Net Profit Guarantee	Amounts will be refunded or charged based on the failure or achievement of an overall ten percent (10%) net profit for the previous month as detailed above.

PRICING OPTION # 4 (Not-to-Exceed 11% Markup Model). NAPA shall bill Participating Entity for the following categories: (a) Products, (b) Third Party Services, and (c) Operational Expenses (as defined below). These categories and the pricing for such categories are further defined as follows and in the Pricing Plan Summary below:

- (a) **Product Price.** The pricing of NAPA Products shall be Current NAPA Jobber Acquisition Cost, which means NAPA's current gold price as set forth on NAPA's Confidential Jobber Cost and Suggested Resales price list, plus an eleven percent (11%) markup. The pricing of Non-NAPA Products shall be NAPA's current product acquisition cost plus an eleven percent (11%) markup.
- (b) **Third Party Services Price.** Third Party Services are those services not traditionally performed by NAPA but requested by Participating Entity, such as windshield repair, towing etc., and Participating Entity shall pay NAPA's cost plus an eleven percent (11%) markup for any Third-Party Services.
- (c) **Operational Expenses.** Participating Entity shall reimburse NAPA for any and all costs and expenses associated with the operation of the On-Site Store(s), including, but not limited to, vehicle gas and maintenance costs, salary and benefits payable to NAPA employees at the On-Site Store(s), worker's compensation benefits and insurance, unemployment insurance, personal property insurance for the On-Site Store(s) and Inventory, any deductible for losses covered under the personal property, automobile liability, or general liability insurance policies of NAPA, all equipment supplied by NAPA, Corporate Allocation Expenses (as defined below), inventory investment expense, obsolescence expense, pension funding costs, accounting fees, general office expenses, and shared service expenses. NAPA shall provide an expense statement of the parts operations to the Participating Entity on approximately the _____ of each month for each On-Site Store. An example of an expense statement reflecting such costs and expenses is attached hereto as Exhibit. Participating Entity acknowledges and agrees that the costs and expenses reflected on the expense statement set forth on Exhibit are subject to change based on actual monthly costs, expenses or Corporate Allocation Expenses incurred relative to the operation of the On-Site Store(s). Participating Entity acknowledges that in order to achieve economies of scale, NAPA utilizes certain headquarter and corporate

personnel to assist in the performance of this Agreement in order to have fewer employees performing routine general administrative tasks such as paper work and filing at the On-Site Store(s), allowing NAPA counter personnel to focus more attention on serving the On-Site Store operations, and maximizing on-site cost efficiency. As a result, each On-Site Store location is charged certain corporate allocation expenses for various line items shown on Exhibit (“Corporate Allocation Expenses”) which are calculated as a percentage of total Product sales for each month. As such, there is not a supportive invoice for such expenses other than a monthly allocation rate statement.

PRICING PLAN SUMMARY

NAPA Product Price	Billed to Participating Entity at the Current NAPA Jobber Acquisition Cost plus an eleven percent (11%) markup. The formula for NAPA Product Price for Participating Entity is the Current NAPA Jobber Acquisition Cost multiplied by 1.11. Example: Current NAPA Jobber Acquisition Cost is \$1.00. Participating Entity’s price would be $\\$1.00 \times 1.11 = \\1.11
Non-NAPA Product Price	Billed to Participating Entity at NAPA’s current product acquisition cost plus an eleven percent (11%) markup. The formula for Non-NAPA Product Price for Participating Entity is NAPA’s current product acquisition cost multiplied by 1.11. Example: NAPA’s current product acquisition cost is \$1.00. Participating Entity’s price would be $\\$1.00 \times 1.11 = \\1.11
Third Party Services Price	Billed to Participating Entity at NAPA’s cost plus an eleven percent (11%) markup. The formula for Third Party Services for Participating Entity is NAPA’s cost multiplied by 1.11. Example: NAPA’s cost is \$1.00. Participating Entity’s price would be $\\$1.00 \times 1.11 = \\1.11
Operational Expenses	Billed to Participating Entity in accordance with Section (c) above.

EXHIBIT B
Sample Operational Cost Statement

[To be attached.]