

**IMPORTANT INFORMATION. ACTION MAY BE REQUIRED.**

READ AND KEEP WITH YOUR ELECTROMOTIVE DEALER AGREEMENT.

TO: ALL ELECTROMOTIVE, INC. DEALERS  
RE: DEALER POLICY AND AGREEMENT UPDATES  
DATE: EFFECTIVE AUGUST 31, 2015

The following policy updates are driven by Electromotive efforts to grow the prominence and reputation of the Electromotive brand as a means of increasing the quantity of product inquiry and increased sales for our loyal dealers.

These changes give Electromotive the ability to more aggressively and effectively market the brand, attract interest and drive product trial through the new electromotive.com, the online dealer directory and the accompanying web store.

**Dealer Discounts and MAP Policy Updates:**

Background:

We will be increasing the number of product SKUs on the website in order to effectively position Electromotive.com as a one-stop-shop for the products, tools and accessories needed by engine builders, race shop owners and tuners. Through purchase of these lower cost and more common items from Electromotive, we will introduce more people to our core ignition and ECU products and the shopping experience on electromotive.com. You have to get customers in the store before they can buy.

To do this we will be adding more “pass-through” products to our online catalog. “Pass-through products” are those that Electromotive acquires from other manufacturers and offers for sale versus those we design and manufacture. This includes products like crimping tools, wire, connectors, fuel rail, clips, grommets, etc.

We will also, selectively promote “Low-Volume Specialized Accessories” including items that are of Electromotive design and manufacture that currently have a narrow specialized purpose and are typically very low volume products. This includes products like the Tach Amplifier, Remote Retard Dial, and Trigger Simulator.

**Policy Update: Dealer Discounts:**

The product categories, as defined above, may be offered to authorized dealers and installers with less than the discount level the dealer currently enjoys on Electromotive mainstay products, such as XDi ignition and TEC engine management products. Since we are purchasing and reselling these products, our margins will be very low to begin with. However, all such products will be offered to official dealers (who have a current VAR or AI/T agreement in place with Electromotive) at a minimum of 10% off.

Policy Update: MAP (Minimum Advertised Price):

We plan to use these products as lower-priced promotional fodder to increase traffic on the Electromotive website. We may use short-term deep discount promotions on these products as a means of attracting increased visitation and engagement with the Electromotive website. These promotions will largely be targeted via social media and email promotion channels. At least initially, these special promotions will be valid only via the electromotive.com store. Note that this exception to the MAP policy does not release dealers from following the existing MAP policy on other Electromotive products.

Note that authorized dealers and installers will be able to buy these products at the same short-term promotional discount as others online. As such, due to their deep discounts, product availability at promotional prices will be for a short period of time and limited to stock-on-hand.

Policy Update: Electromotive General Sales Policy, Online Sales:

This policy is Exhibit 4 in your Dealer Agreement with Electromotive. The change relates to the last section "Online Sales to Direct Customers". We are changing this policy to allow sales of our TEC and XDi units online to non-dealers. Non-dealers will pay retail/racer net prices for these units.

The rationale is simple. We invested heavily to build and now to market electromotive.com as a means of raising the brand awareness and to influence a new generation of users to ask for and buy the Electromotive brand. This is a good thing for Electromotive and its dealers. We are already seeing a significant growth in qualified traffic to the new website. Over time, as more dealers are able to create a more positive and seamless buying experience for customers visiting their website, we will revisit this policy change.

## Dealer Agreement Amendment: Listing in Electromotive online Dealer Directory

In order to improve the online customer experience, we are adding stipulations to one of the reciprocal commitments in the VAR and AI/T agreement. Currently, the agreement provides that Electromotive dealers, who have completed the current dealer agreement, will be listed in the Dealer Directory at [electromotive.com](http://electromotive.com).

This will continue, but the use of a live link to the dealer website will be dependent on conditions. Today, we give the online user a direct link to the dealer website from the Electromotive website. Going forward, we will only do this if the dealer website has certain baseline functionality as well as proper content related to being a dealer and Electromotive products.

Customers, especially online customers, expect a seamless experience when clicking on these links. They have little patience for spending time hunting information that should be obvious. We all lose if customers click on a dealer link and cannot find what they are looking for.

As a result, the use of dealer website links in the Dealer Directory will now include the following stipulations. The dealer website must:

1. Link to an active, fully-functioning website, clearly branded and owned by the dealer.
2. Clearly displays the correct Electromotive logo (applied within brand standards) and use factory-provided/approved product photography, product descriptions & specifications. The site should not display descriptions, visuals or references to outdated products.
3. Have links (if any) back to the Electromotive website that are appropriate and current links for the products or product categories described.
4. Provide an obvious path, actively monitored by the dealer, to contact the dealer and buy Electromotive products

We are examining ways to create a more informative dealer listing on [electromotive.com](http://electromotive.com) to better inform customers on how to contact and buy from individual dealers so, for some dealers, there is less dependence on the website.

We are committed to working with each dealer individually to improve the handoff from [electromotive.com](http://electromotive.com) to the dealer website.