

SALES POLICY FOR PARTS AND SERVICES, LLC

I Types of Distributors

- A. Discounted Invoice – We ship according to the Distributor’s instructions and invoice the Distributor at a discount of 25%. Our terms are ½% 10 days, net 30 days **firm**. A 1% Finance Charge will be applied to all open balances more than 30 days.
- B. Commission – We ship according to the Distributor’s instructions, invoice the customer and pay the Distributor a commission of 20% upon receipt of payment from the customer.

II Basis for Rates

The basis for commission and discounts is 10% for selling, 10% for technical services associated with an order and 5% for invoicing and collection cost.

- A. The 10% for selling will apply when we receive an order:
 - 1. From the Distributor, or
 - 2. From a customer directed to the attention of the Distributor, or
 - 3. For items quoted in behalf of the Distributor, or
 - 4. For items quoted by the Distributor, provided we have a copy of or knowledge of the quotation.

A-1 Explanations:

- 1. “quoted in behalf of the Distributor” – When a Distributor provides us with specifications we will quote items to the customer in the Distributor’s behalf. Our quotations are specified as good for 60 days; however, we will respect a Distributor’s participation for a 6 month period. He can renew his interest in a particular quote by notifying us in writing.
- 2. “copy of or knowledge of the quotation” – When a Distributor quotes directly to the customer, he should send a copy of the quotation, or notice thereof, to us. The quote, or notice, will be filed under the customer’s name. The Distributor will receive credit for the sale up to the extent of the quotation plus renewals.
- 3. “originated by” – An account shall be considered to be originated by a Distributor when that Distributor makes the first sale of one of our products to said account. An account can only be originated once, however, a Distributor can earn commissions or discounts on sales to any account by complying with III, A, 1 through 4 of this policy.
- 4. “credited to” – An account may be credited to a Distributor when that Distributor is actively servicing an account that may have been originated by someone else. This may come about due to frequent orders by, or in behalf, a Distributor or by specific agreement with us.

A-2 Limitations: The “originated by” and “credited to” status is not automatically permanent. The status can be lost or relinquished by one or more of the following reasons:

1. A long period of inactivity of service and/or sales to an account.
2. Changes in physical location of an account.
3. Notice of dissatisfaction from an account.

B. The 10% for technical services applies if the Distributor has:

1. submitted specifications, measurements, etc. that can be easily understood and processed into a shop order, and
2. made selections of model, type or design with a reasonable expectation that it will fit and be suitable to the machine and operations to which it will be applied.

B-1 Limitations: Any and all limitations, herein, are intended to protect the customer

1. No Discount or Commission for Technical Service

A Distributor may decide to forego the 10% for technical service if:

- a. He would rather do just the selling, or
- b. He is not yet confident enough to counsel, recommend and measure for our products.

In both instances the Distributor may ask us to visit the customer’s plant for him to provide the technical service. This arrangement will be subject to special agreement due to the scheduling and travel expenses involved.

2. Limited Discount or Commission for Technical Service

A Distributor’s discount or commission may be reduced to 5% for technical service if his specifications are consistently submitted in a form we cannot understand and requires repeated phone calls to acquire the information necessary to process, build and ship our products. This limitation must be temporary. Every Distributor is obligated to become familiar enough with our products to be able to apply them properly.

C. The 5% for invoicing and collecting applies to all sales by a Distributor with a Discounted Invoice arrangement. Invoice arrangement. The Discounted Invoice Distributor must:

1. bill and collect from his customer, and
2. meet our terms of ½% 10 days, net 30 days, firm, regardless of how or when his customer pays him.

Note: Distributors unable to meet our terms will be asked to change to a commission arrangement.

III Discounts and Commissions for Parts Sales

The following discounts or commissions will apply to all parts orders unless special arrangements have been made.

A. Discounted Invoice Distributor

1. A discount of 25% will apply to all orders that come directly from the Distributor.
2. A commission of 10% will apply to orders that come directly from the customer when:
 - a. the order is to the attention of the Distributor, or
 - b. the customer is "credited to" the Distributor.

IV Prices

A. General

1. The prices are set by the company
2. The published prices are uniform and firm. The same price will apply whether the sale is direct to a customer or through a Distributor.
3. The company reserves the right to change prices without notice. Distributors will be notified of price changes well in advance of the effective date whenever possible.

B. Quantity Discounts

1. There is no provision for quantity discounts. The basic reason for disallowing additional quantity discounts are as follows:
 - a. Many of our Distributors are located in or near the same major city or they service areas that overlap. It would be unfair to offer additional discounts through one Distributor while another, unknown to us, may be quoting the same items at the full price.
 - b. We have held the price increases down as much as possible to stay competitive so that there is less margin to be used for discounts of any kind.

C. Quoting

1. Quotations by Distributors – Distributors are encouraged to quote directly to their customers. When a distributor prepares a quotation we suggest he consider the following:

- a. Be certain of the prices quoted.
- b. A copy of the quotation, or notice thereof, should be sent to us to protect his interest.
- c. Measurements, specifications and feasibility of application should be carefully considered before quoting.

D. Special Fees

If a customer and Distributor agree on an additional charge for engineering, relative to an order published price of our products should never be increased to cover such charges.

V **Return of Merchandise**

There can be no hard, fast rules pertaining to "Returns of Merchandise" because "Good Will" of the customer is always paramount. Circumstances may dictate special arrangements and agreements. This section should be used only as a guide.

A. General

1. A Distributor may not authorize the return of merchandise without prior arrangements with the Company.
2. Merchandise ordered on "trial" or on a "money back if not satisfied" basis can be returned according to the agreement made at the time of purchase.
3. Defective merchandise may be exchanged or returned for full credit without consideration of other paragraphs in this section.

B. Acceptable Reasons for Returning Merchandise

1. Poor application or measurement – When the product does not meet the expectations of the customer the Distributor should:
 - a. visit the customer's plant and determine the reason for the dissatisfaction.
 - b. attempt to solve the problem without returning the product by altering or obtaining additional parts.
 - c. consult the Company for assistance.
2. Overselling – If a Distributor oversells the product the excess merchandise may be returned; however, appropriate restocking charges will apply.
3. Customers Change of Mind – If the customer, after receiving the merchandise, decides he does not want it we expect him to pay any appropriate restocking charges upon return of the goods. Furthermore, we expect the Distributor to make an effort to convince the customer to keep the merchandise.

C. Credits or Refunds

The following credits or refunds are based on the merchandise being returned in its original condition. If the invoice has not been paid the restocking charges, due us, will be the reciprocal of the credit or refund allowed.

1. A credit or refund of 90% of the net price will apply. There will be no credit or refund on brackets.

VI Territories

We do not offer exclusive or protected territories. A Distributor can earn and maintain a preferred status simply by doing a good job. The best way for a Distributor to keep a preferred status is to learn the application, use and maintenance of our products and use this knowledge for the benefit of the customer and himself.

A. Assignment of Leads

1. Most leads will be assigned, by zip code, to the Distributor that has historically made the most sales in that zip code area.
2. Repeat leads will be assigned to the same Distributor that received the earlier lead.
3. In areas where the previous sales have been nil, or inconclusive, we will use the geographic location to assign leads.
4. If a Distributor indicates a reluctance to handle one or more of our product lines, whether by expression or performance, leads in his territory may be assigned to another Distributor.

B. Direct Sales Territory

The territory in which we will continue direct sales is our local area that can be easily reached and returned from in the same day. The exceptions to this general statement are as follows:

1. We will continue to maintain and seek O.E.M. accounts with machine tool builders.
2. We may arrange direct sales or service calls in conjunction with trips for other business.
3. We may handle leads directly, by mail, when in outlying areas not covered by a Distributor.
4. We will continue to sell directly to customers that are not serviced by a Distributor.

VII Disputed Sales Credit

We will use Section III of this policy to establish sales credits to Distributors. If there is a duplication of the quotations we will call it to the attention of both Distributors when it occurs. If only one Distributor filed a quotation, he will get the credit. If Distributors are disputing over a sales credit, we will provide them with whatever pertinent information we can, but the settlement is entirely up to them.

VIII Distributor Training

The greatest assistance we can offer a Distributor is to provide him with technical training on our products. Although we recommend this training we do not consider it mandatory or a prerequisite to becoming a Distributor. Section III of this policy has provisions to control discounts or commissions according to the knowledge and capabilities of the Distributor. A new Distributor will be given special consideration and help, for a reasonable period of time, without sacrificing discount or commission.

A. Training at our Plant

The advantages at our plant are:

1. The Distributor's attention can be devoted 100% to the training.
2. The inner workings and operation of our products can be demonstrated as well as described.
3. The inventory, assembly and shipping procedures can be witnessed for a better understanding of delivery requirements.
4. All Company officials and employees will be available to answer specific questions.
5. A visiting Distributor will be our guest while here for training. The cost of getting here and back will be his.

B. Training at the Distributor's Facility

If a Distributor desires training at this facility he should consider the following guidelines:

1. The training visit must be arranged at our convenience and discretion.
2. The duration of a training visit should be no longer than the time the Distributor can afford to devote most of his attention to our business.
3. If a group of people are to be trained, it is advisable to hold the training session in a conference room or office where there will be a minimum of interruptions.
4. Additional free time should be made available to discuss things that do not come up during the sales calls.

C. Training through Correspondence

Although it is the least desirable method, training through correspondence is the most economical way to learn about our products. To enhance his success with our products the prospective Distributor should:

1. Be mechanically oriented.
2. Become familiar with ANSI, OSHA, and his own State regulations on guards and devices.
3. Study the sales literature so he can make recommendations and answer questions about our products.
4. Learn all he can about selecting and measuring for a guard or device.
5. Become familiar with the use and maintenance of our products so he can better serve his customer.
6. Call us with questions or comments.

NOTE: FOR ALL NEW DISTRIBUTORS AND O.E.M. DISTRIBUTORS, WHEN PLACING YOUR FIRST ORDER, A DEPOSIT OF ½ THE TOTAL PRICE IS REQUIRED BEFORE THAT ORDER CAN BE SHIPPED.