



Sterling Fluid Systems (USA), Inc.

2005 Dr. M.L. King Jr. St.
Indianapolis, IN 46202



(317) 925-9661

MARKET PRICING/CONCESSION POLICY

“There is hardly anything in the world that someone cannot make a little worse and sell a little cheaper and the people who consider price alone are this man’s lawful prey”

John Ruskin (1819 – 1900)

Peerless Pump offers high value products and services to its customers. Peerless relies upon its sales team and business partners to represent these products to our customers in a way that enables our customers to place added value upon the many advantages of our products. It is the policy of Peerless Pump to offer high levels of value. In return for this value, we expect to receive prices that allow sufficient margins to enable our business to be successful, to innovate and develop new products for our customers and to survive into the future. The margin should also be sufficient to fairly compensate the distributor for the value added services that he provides for our customer.

It is expected that sales people will be skilled enough to represent our products in a way, which allows the customer to understand that he is purchasing a superior product. Accordingly, initial price should be a minor concern when compared to long life; reliability and trouble free operation, as well as the backing of Peerless’s highly skilled applications, engineering and service experts. However, our policy is to sell our products at the prevailing market price (including the premiums we are able to charge for our superior products). Our distributor net price is set after research of the market place at a level that allows the business partner to sell the product to our customer and reserve a reasonable margin to compensate for the services he has provided.

Exceptionally, it may be necessary to request a “concession” for pricing below D/N. Reasons for this may include:

- Strategic account pricing for special arrangements to increase business
- To ward off a competitor using predatory pricing levels
- To break into a new account
- To offer new products and services to an existing account

In the ongoing effort to improve our processes we are making the following change in how concessions are to be requested and approved. **What is not changing is the requirement that concessions are to be obtained prior to quoting a customer.**

The distributor should go through his local Sales Office to request a concession **before** they submit a price to a customer. When a concession is given to the distributor they will also get an approval number that is to be provided to the factory with the order.



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Please be aware that it will be necessary to have the following information available to enable us to make a decision on whether or not to grant a concession.

- Product being bid
- D/N price and price being bid to the customer
- Note - the detailed RAPID Quote with concession request as the last line item may replace the two items above
- Competitors and an idea of their price and value proposition
- Reliability of market intelligence source
- Explanation of relationship with customer (new account, old account etc.)
- Reasons why customer wishes to buy Peerless, what are our Unique Selling Points?
- Likely follow up orders if this order is won
- Proposed sales approach to justify the concession (why did we drop our price)
- What we will be asking for in return for the concession.
- Explanation of spares and service potential for the future
- Likely time frame for the order
- Delivery expectation
- Likely competitor reaction to the concession.
- Other items which can be sold with the order
- Any other pertinent information to help us make the decision on the concession.

It is our policy that whenever a concession is given, the factory is to receive a copy of the PO to the distributor showing the selling price of the equipment. The following table will be used as a guide for determining maximum distributor mark-ups following concessions. This recognizes the fact that we are offering a concession to the customer to win their business for our valuable equipment. We expect that our distribution partner will use their normal mark-up to achieve the market price before coming to Peerless to request a concession. When we offer a concession we will help the business partner to secure the business for us both, but our margin will be reduced and so we expect to share in this with our business partner.

<u>Concession Level below D/N</u>	<u>Maximum mark-up by distributor</u>
0-5%	20%
5-10%	15%
>10%	10%



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The Sales Offices will contact the following for concessions:

- Business Unit Managers for all Peerless pump orders
- QRC Manager for shop repair jobs originating from the QRC
- Plant Manager Selma for LaBour/Taber orders (except LVB)
- General Manager of the Systems Group for package orders [Quantum]
- Parts & Service Manager for parts and service orders

The Product Manager will be the back up when a Business Unit Manager is unavailable, with the Director of Engineering as the next back up. The Executive VP-Operations is the back up to the Plant Manager Selma and the Director of Engineering. The VP-Service will back up the Parts & Service Manager and the QRC Managers. The Director of Engineering will back up the VP-Service.

The phone numbers and e-mail address for these people are attached:

In the case of a concession on a large (>\$150K) order we reserve the right, as allowed in our distributor contracts, to take the order direct and pay a commission to the distributor.

This policy will be in effect immediately.

Any orders received after December 14, 2001 that do NOT have a pre-approved concession number will be entered with standard pricing, and no concession will be allowed.

Orders with concessions sent to the factory must also include the customers PO to the distributor. While many of the orders will be submitted to the factory electronically, the copy of the PO to the distributor from their customer must be faxed to the appropriate Business Unit Manager if it can't be sent electronically.

Robert L. Parrin	Andrew Warrington	John P. Kahren
Robert L. Parrin	Andrew Warrington	John P. Kahren
Exec. VP - Operations	VP - Service	VP - Sales & Marketing

November 21, 2001



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CONCESSION CONTACT LIST					
<u>Name</u>	<u>Position</u>	<u>Office</u>	<u>Cell</u>		<u>E-Mail</u>
Bob Uhrick	Horizontal B.U.M.	317/924-7373	317/294-9865		ruhrick@peerlesspump.com
Leroy Williams	Vertical B.U.M.	317/924-7211	317/332-0026		lwilliams@peerlesspump.com
Mike Coussens	Process B.U.M.	317/924-7395	317/294-9860		mcoussens@peerlesspump.com
Todd Taylor	Standard B.U.M.	317/924-7353	317/435-8203		ttaylor@peerlesspump.com
Michael Grant	Product Mgr. Vertical	317/924-7317	317/294-9861		mgrant@ peerlesspump.com
Dick Sheets	Product Mgr. Standard	317/924-7266	317/294-9862		rsheets@ peerlesspump.com
Randy Smeltzer	Product Mgr. Horizontal	317/924-7284	317/294-9864		rsmeltzer@ peerlesspump.com
Jerry Kroemer	Plant Mgr. Selma	334/875-4100	334/412-1452		jkroemer@peerlesspump.com
Ed Allis	Dir. Of Engineering	317/924-7385	317/698-4828		eallis@peerlesspump.com
Bob Parrin	Exec. VP - Operations	317/924-7398	317/654-6774		rparrin@peerlesspump.com
Kip Robinson	Part & Service Mgr./Indy QRC	317/924-7254	317/709-2776		krobinson@peerlesspump.com
Andrew Warrington	VP - Service	317/924-7225	317/701-0622	317/701-0622	awarrington@peerlesspump.com
David Stuart	Plainview QRC Manager	806/296-5581	806/773-8354		dstuart@peerlesspump.com
Dick Meno	Fresno QRC Manager	559/233-1241	559/259-8849		rmeno@peerlesspump.com
Drue Page	Houston QRC Manager	832/243-0505	832/721-7260		jpage@peerlesspump.com
Ron Browning	GM Systems Business	713/896-0220	832/545-8850		rbrowning@peerlesspump.com