



Maximum Value Program Highlights for Resellers

EFFECTIVE AS OF SEPTEMBER 1ST, 2018

This Explanation is intended to help answer questions in connection with the Brand Protection (BP) Policies for Resellers, but is not part of such policies.

Why has Demco implemented the Program?

Demco has unilaterally adopted the policies to maintain a the premium image earned through extensive product and market development activities and superior customer service.

What does it do?

The program establishes policies for Minimum Resale Price (MRP), Minimum Installation Charge (MIC), as well as multiple Advertising & Marketing (A&M) considerations.

Is Demco setting the price charged by resellers?

No. The program allows for any sales price at or above the minimum Net Adjusted Price (NAP), which takes into consideration the sales price, installation charge (if applicable), and any discounts or promotional items.

Is Demco setting the installation fee charged by resellers?

No. The program allows for any installation fee to be charged. Installation fees below the MIC will be counted as a reduction of the Net Adjusted Price (NAP). So long as the NAP is at or above the specified amount the reseller is in compliance with the policy.

How does it work?

Resellers that wish to purchase Demco products apply to become an Approved Reseller. So long as the reseller complies with the unilaterally adopted Policies, the reseller shall be retained on the Approved Reseller list. Failure to comply will result in placement on the Do-Not-Sell list. Suppliers of Demco products (including distributors and factory-direct accounts) will reference the Approved Reseller list and the Do-Not-Sell list prior to processing each order.

Will a Dealer violating the Policy be warned first?

Demco cannot provide any advance warning.

Is the Policy legal?

Yes. At least four U.S. Supreme Court cases taken together—U.S. v. Colgate (1919), Monsanto v. Spray-Rite (1984), Business Electronics v. Sharp (1988) and Leegin v. PSKS (2007)—have recognized that a supplier may establish the terms and conditions under which it will sell its products, including the terms and conditions affecting resale price. Particularly in the resale pricing area, such terms and conditions must be determined by the supplier unilaterally, i.e., without agreeing with any of its customers. **For this reason, Demco cannot and will not discuss the conditions of acceptance of the Policies nor solicit or accept any assurances of compliance.**

Under a 2009 amendment to the Competition Act, the Policy is treated as lawful in Canada until it can be proven on balance to be unreasonably anticompetitive.

Does this mean that Demco cannot explain the Policy?

No. Demco will answer questions about the Policy, but it will not do anything that may change the nature of the Policies into something other than unilateral. As a result, Demco cannot give any warning to any Reseller violating the Policies, nor can it ask for or accept pledges of compliance from Resellers.

All questions or requests for additional information regarding the Policies and all information regarding potential violations of the Policies must be in writing and are to be addressed to the following person at Demco responsible for the Policies (“**Policy Administrator**”):

Doug Northcutt

Policy Administrator

Dethmers Manufacturing Company

4010 320th Street, Boyden, IA 51234 800-543-3626

www.demco-products.com

policyadmin@demco-products.com

Only the Policy Administrator or the Policy Administrator’s designated representative(s) is or are authorized by Demco to answer questions regarding the Policies, to comment on the Policies or to accept information regarding potential violations.

Will Dealers that follow the Policy violate the antitrust laws?

No. But, particularly in the U.S., they should avoid communicating to Demco their acceptance of the Policies or their compliance with them. Honoring the Policies by offering or selling any