

Direct Sales Policy

Our first preference for accepting orders has always been and continues to be through our distributor network. In today's competitive environment, however, it is understood by manufacturers and distributors alike that sometimes there is insufficient margin to include the Distributor in the sales transaction.

The following course of action represents our Direct Sales Policy and describes our intended process for obtaining business at target OEMs within a Schroeder Distributor's APR. This process may also be followed when Schroeder is confronted with significant strategic challenges at an existing multi-national account where global pricing and terms must be coordinated.

- A list of target OEMs will be compiled by the Distributor salesman with assistance from a representative of Schroeder's sales force. These targets will be OEMs where we have lost the business or have never had filter sales.
- Each account will be visited by the Distributor salesman and SI representative to determine the selling opportunity and competitive pricing levels. If the competitive situation requires extraordinary pricing (beyond our typical special pricing), SI will offer the Distributor the product at direct pricing levels, allowing the Distributor to mark up and sell at levels of their choosing.
- If the above pricing is rejected by the OEM (or it is agreed that it would not be accepted), Schroeder will sell directly to the OEM with the Distributor acting as our Agent. The Agent's selling responsibility will be to service the account as he would under normal Distributor conditions. SI will be responsible for all transactional functions (i.e., order entry, shipping, and receivables). In consideration for the Agent's supporting efforts (monthly call reports and/or frequent telephone updates), Agent will be compensated with either a commission or some other form that Schroeder Industries and the Distributor mutually agree upon. This compensation will be dependent on the competitive pricing levels and will be negotiated on a case by case basis. Multi-national account coordination margins will be negotiated in a different fashion based on the margin available once consistent standard pricing exist among all facilities.

This policy is a result of collective input received from authorized Schroeder distributors as well as the Schroeder DAC (Distributor Advisory Council). Current member of the Schroeder DAC are provided on our web site. Schroeder remains committed to providing our distribution channels the opportunity to be directly involved in the selling process.



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