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Monday, July 31, 2000

To: All Brand Hydraulics Distributors

Subject: Price Change

**Notice of price change**

Please accept this document, as advance notice of our planned price change that will take effect on December 23<sup>rd</sup>, 2000. Along with this price change will also come changes in pricing policy for multiple release orders (MRO's), with discount based on total order quantity.

The amount of the price increase for any one product group will vary between 0 and 8 percent, with the majority of groups going up somewhere in the 4 to 6 percent range. Further correspondence with actual prices will be forthcoming in a future mailing. Should you have a question on a price for a specific item, please contact our sales department and we will be happy to check on it for you.

**Notice of policy change on MRO's**

As many of you are aware it has been our policy in the past that when a price increase goes into effect during the term of an MRO, we have held the old price for shipments made within 6 months of the effective date of the new price list. Under this old policy, items delivered off an MRO after this 6-month grace period would be invoiced at the new price. Due to changes in the current business climate, in which we all must operate, Brand will no longer be able to offer this policy on MRO's.

Effective immediately the new general policy for pricing on MRO's will be "price in effect at time of acknowledged ship date, unless other terms are agreed to by Brand in advance of order, verifiable by a written, numbered quote". Brand may, at its discretion, offer a grace period as described above on future price changes, the duration of said grace period will be determined at the time of each price change. For the December 23, 2000 price change Brand has elected to give a two-month grace period for orders placed prior to October 1, 2000. For all orders placed on or after October 1, 2000, the cost will be price in effect at time of acknowledged ship date. Please note that all orders placed on or after October 1, 2000 that are acknowledged to ship prior to December 24, 2000, will ship at the current price.

**Reasons for upcoming price change**

During the past year, several key suppliers have raised prices considerably. In mid-August we will receive a price increase from our foundry which pours 100% of all our cast iron bodies. The price increase from the foundry will be in effect on all orders shipped after August 15, 2000, regardless of when they were ordered. In order to try and meet customer demand for product Brand has taken on additional vendors for a multitude of products and services. While we have tried diligently to negotiate the best prices possible with these new vendors, without compromising quality, we have been unable to match the prices and terms that we were accustomed to. We will continuously pursue ways to improve these relationships, as well as trying to improve our in house efficiency and costs. We have also purchased new machinery for various operations, at substantial cost.

The unemployment rate in Omaha has been running approximately 2%, which is virtually one half of the national average. In light of this fact, Brand has had to pay substantial increases in labor costs and benefits, in order to acquire and retain a labor force of adequate size and quality.

As always, our relationships with you, our distributors, and your continued patronage are very important to each and every Brand employee, we look forward to serving you in the upcoming months. Please remember, if you should have any questions or should you require additional copies of this notice, please feel free to call our sales department.

Respectfully,

Brand Hydraulics Co.