



9/27/2004

To: NCE dealers and distributors

We have been asked by many of our dealers for an effective way to compete with other dealers who are advertising prices on NCE product near cost, in two cases at dealer cost or in one extreme case actually *below* cost.

Enclosed with this cover letter you will find a copy of our new Minimum Advertised Pricing (MAP) policy.

Initially our deep discounting dealers may believe this plan will hurt their sales but in reality it will likely help.

You will find MAP plans in many markets. Auto parts, cameras, TVs, stereos, aviation & boating products, brand name computers and printers are a some of the most familiar markets with MAP policies. In the model railroading arena Aristocraft has recently put a similar plan in effect to protect their retailers.

If you have Internet access we have provided link below to a document on Hewlett Packard's web site that explains their customers' experiences with MAP. It is 12 pages of pretty dry reading but if you skip to the end there is a graph that shows an average improvement in dealer margins of 16-20 percent (figure 2) when MAP was strictly enforced.

www.hpl.hp.com/personal/Kay-Yut_Chen/paper/Minimum%20Advertised-.pdf

If the above link doesn't work with your browser replace the %20 with a space

Do not return the signed policy document . It is your copy.

Best Regards,

James F. Scorse
President,
NCE Corporation

NCE Corporation

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