

Exporter Questionnaire
Public Record

Section A
Company Structure and Operations

A-1 Identity and communication

Head office and factory contacts are the same:

Dan Morris
President/CEO
PO Box 1472, Muskogee, OK USA 74402
T - (918) 686 6211
F - (918) 686 6212
dan@advantagecontrols.com

A-2 Representative

Melanie Grayson
PO Box 1472, Muskogee, OK USA 74402
T - (918) 686 6211
F - (918) 686 6212
melanie.grayson@advantagecontrols.com

A-3 Company Information

1. Our legal name is Advantage Controls, LLC, a limited liability company.
2. Owner percentages, Dan Morris, 67.5%, Richard JC Morris, 20%, Richard Morris, 12.5%
3. Not a subsidiary
4. N/A (not applicable)
5. N/A
6. N/A
7. Manufacturer
8. All functions are performed by Advantage Controls LLC.
9. We are a small company with no formal organization chart
10. We do not produce an annual report beyond the year end closing financial documents.
XX
XX {Referring to exhibits not attached to
public record }

A-4 General accounting/administration information

1. Our accounting period (fiscal Year) is 5/1-4/30
2. 4700 Harold Abitz Dr. Muskogee, OK 74402
3. XXX.
4. XXXXXXXXXXXXXXXXXXXXXXX. {Referring to Exhibits not attached to public record }

- 5. - FIFO
 - Costing methods, not used
 - Valuation methods, damaged goods, not used
 - Valuation methods, scrap, actual value
 - Valuation method, fixed assets, ,book and appraisal
 - Average useful, determined by asset class
 - All transactions done in US Dollars
 - All transactions done in US Dollars
 - See income statement line items
 - See income statement line item
 - Not calculated
 - None
 - None
 - Not recorded
 - None

7 No changes have been made to our accounting system in the past two years.

A-5 Income Statement

XXXXXXXXXXXXXXXXXXXXX {Referring to exhibits not attached to public record}

A-6 XXXXXXXXXXXXXXXXXXXX {Referring to exhibits not attached to public record}

Section B Sales to Australia (Export Price)

B-1 Waterdos
 23/31 Keysborough Close
 Keysborough VIC 3173 Australia
 Dave Venemore
 P 3 9701 5088
 F 3 9769 1603
 Trade level, exclusive master distributor

B-2

- (a) Mostly via ocean freight, and occasional air shipment
- (b) Distribution chain is direct to my distributor. (Waterdos)
- (c) In most cases, pick up of goods and shipment is arranged by Waterdos. They pay all costs and assume all responsibility when picked up at our facility. EXW
- (d) We have an exclusive verbal agreement to supply our products to Waterdos for the Australian market
- (e) Prices and discounts were negotiated at the time of the agreement. We receive orders and shipping instructions via email. Invoices are sent via email and paid through Electronic Funds Transfer. Export prices are based on list prices. See Exhibit 1.

- (f) There is no relation between our firm and our Australian customer.
 - (g) Products are ordered on an as needed basis. There are no currently scheduled orders in our system.
- B-3 Our export prices do vary per the distribution channel. Non-USA sales receive a higher level of discount. This is due to the distributor having responsibility for much of the cost that we bare ourselves in the US. Our US sales are through our direct sales force. Our cost of sales in the US is much higher due to this fact. Our international distributors must maintain the cost burden of sales, service, inventory and other.
 - B-4 XXXXXXXXXXXXXXXXXXXXXXXX{Referring to Exhibits not attached to public record}
 - B-5 Once a year stipend provided for travel to the US for our sales meeting. Approximate value XXXXXX {dollar amount}
 - B-6 As explained in B-3, international distributors receive higher discounts due to the shifting of responsibilities from the Manufacturer, (Advantage Controls), to a distributor. A second factor in discounting is volume of purchase potential.
 - B-7 A list of credits issued can be found as a part XXXXXXXXXXXXXXXX. Credits are almost exclusively the result of a product defect. {Referring to exhibits not attached to public record}
 - B-8 See B-2 (c)
 - B-9 XXXXX, Export and Import documentation. {Referring to exhibits not attached to public record.}

Section C Exported Goods and Like Goods

- C-1 Cooling tower controllers and related accessory items. See data sheet and instruction manual, Exhibit 1.
- C-2 Various models of the controller series known as the Model XS. This system is configurable in many ways. The two most popular versions sold to Waterdos are both equipped with conductivity control feed timers and various other functions. The second version is typically outfitted with both pH and ORP control.
- C-3 All versions sold on the Australian market are available throughout the world. The only option specific to the Australian market is the addition of Australian style plugs for the electrical connection. This option is available to all customers through a product selection guide found on the data sheet. See Exhibit 1
- C-4 Refer to data sheet, Exhibit 1.

Section D
Domestic Sales

XX
XX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX {Referring to exhibits not attached to public record. }

- D-1 -Our main distribution channel for cooling tower controllers is through water treatment service companies. This is the same target group of customer that is serviced by Waterdos in Australia.
-The above mentioned water treatment service companies in turn sell or otherwise provide our cooling tower control units to their end user customer.
-No contract or agency agreements exist.
- D-2 Our domestic selling prices are reflective of the annual volume expectation from any given customer. The more you purchase, the better the price. Keep in mind that our discount structure accounts for the overall volume of purchases and not specifically any particular product or product line.
- D-3 Prices and discounts were negotiated at the time of the agreement. We receive orders and shipping instructions via email. Invoices are sent via email and paid through Electronic Funds Transfer. Domestic prices are based on list prices.
- D-4 XXXXXXXXXXXXXXXXXXXXXXXX. {Referring to exhibits not attached to public record}
- D-5 All costs can be determined through the information provided.
- D-6 The only term that is applicable is discount. We have a discount of the list price based on total anticipated sales potential, and an additional discount for quantity releases. Only net prices are shown on the invoice as the discount is predetermined and applied as part of the order entry process.
- D-7 XXXXXXXXXX

Section E
Fair Comparison

- E-1
 - 1. No adjustment claimed. Shipments EXW
 - 2. No adjustment claimed
 - 3. No adjustment claimed

- 4 Packaging of the cooling tower controllers sent to Australia differs from our normal methods. These units are packed in bulk as opposed to individual cartons and over packs. The estimated cost savings per unit is approximately \$2.00 US
- 5. No commissions are paid
- E-1 6. Warranties and after sale service account for much of the preferential pricing to non -US Distributors, Waterdos in particular. This number is extremely difficult to pinpoint using general ledger line items. We are offering three different methods through which the price differences can be quantified.

Method 1 Gross margin. As can be determined from our financial statements, our overall gross margin is around 50%. The gross margin represents all costs associated with making the product except labor.

Using the two models in question here is the Gross Margin Calculation. See
XXXXXXXXXXXXXXXXXX

Model	XSCF3E8-A7Y	XSCPRF4E8-A7Y
{Waterdos cost}		XXXXXXXXXXXXXXXXXXXXXX
less		
{BOM cost}	XXXXXXXXXXXXXXXXXX	
{Weighted labor cost}		XXXXXXXXXXXXXXXXXXXXXX
{Gross Margin}		XXXXXXXXXXXXXXXXXXXXXX

Method 2 {Comparable sales costs.} XXXXXXXXXXXXXXXXXXXXXXXX.

These are the actual field costs that we pay domestically as part of the cost of sales of our products. From a size perspective, our sales territory designated Territory 20, closely resembles the sales volume represented in Australia. I think it is fair to say that the amount spent to achieve that level of sales is comparable to the amount we would spend as a company in Australia. Instead, these costs are now being absorbed by Waterdos

This does not represent the other costs we would incur should we chose to sell our products directly in Australia and not through a distributor, such as office rent, inventory, shipping, bad debt advertising, printing, etc.

Method 3 Actual Australian sales cost. We do not have access to this information but it is available from Waterdos. That would be their actual costs for sales, service, warranty, warehousing, bad debt, inventory cost and all of the other items Advantage Controls would be paying for were we to establish our own sales office in Australia.

- E-2 1. No physical differences exist
- 2. No additional charges are incurred.

