

Merchants Distributors, Inc.

TO: ALL SUPPLIERS FROM: Don Garvey
Bob McTeir

SUBJECT: M.D.I. PALLET POLICY DATE: August 8, 2011

This letter is to update all suppliers who ship product to Merchants Distributors Inc. distribution center. On April 1, 2005 MDI implemented a new policy for all suppliers who ship product to Merchants Distributors Inc. distribution center. The following is an overview of this policy:

- M.D.I. supports iGPS, CHEP and PECO pallet rental programs. These companies supply quality pallets, which meets industry standards. We encourage all suppliers to participate in these pallet rental programs. M.D.I. will carefully handle, account for and promptly return these pallets to iGPS, CHEP and PECO to streamline the logistic process.
- M.D.I. will no longer participate in "pallet exchange" programs. If product is delivered on white wood, we will accept these pallets, but will not exchange pallets. The cost of handling, sorting, repairing and exchanging these pallets exceeds their value.
- If product is delivered on substandard pallets and the product has to be restacked on a good pallet, there will be a restack charge of \$25.00 per pallet.
- M.D.I. will no longer pay for pallets that are invoiced with goods.

This policy is intended to eliminate inefficiencies for our carriers and fleet, reduce product damage and provide a safer environment for our associates. Participating in a pallet rental program with iGPS, CHEP and/or PECO will increase the quality of the pallets in our industry and streamline the logistics process including the unloading time. Here is the contact for iGPS, CHEP and PECO pallets:

Garry Yuen (704)-953-1853, email Garry.Yuen@chep.com

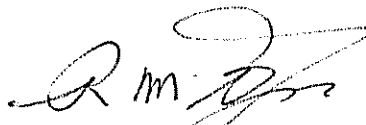
Marc Kennedy (914) 562-8847, email mkennedy@pecopallet.com

Anthony (Tony) Minardo(407) 367-5617 x 9328, email AMinardo@igps.net

Thank you for assisting M.D.I. in making the supply chain more efficient.



Don Garvey
Sr. Vice President of Distribution



Bob McTeir
Sr. Vice President of Sales & Merchandising