

Grow Local VAR Program

Benefits

- Highly ethical business relations
- A simple revenue program with generous margins
- Access to desirable, easy to use, habit-forming, and expandable premium products
- Competitive pricing
- Subscription plans for recurring revenue
- No inventory stocking requirements
- Fully supported support structure
- Rapid product delivery and simple returns

Purpose

Grow Local, LLC is interested in establishing long-term, mutually beneficial relationships with qualified Value Added Resellers of our products. Grow Local, LLC is actively growing its network of Independent Sales Representatives providing the tools, training, and support to grow and serve our customers with OEM products. The aim of the VAR program is to responsibly expand the reach of the Grow Local, LLC brand and its merchandise using a highly controlled methodology that minimizes risk to all parties.

Mechanism

Value-added reseller (VAR) and, under specific circumstances and product offerings, original equipment manufacturer (OEM) agreements.

Differences Between VAR and OEM Dealer

Whereas a VAR packages a product with others that complement it to make the item more enticing, an OEM Dealer takes components from one or more sources to build items sold under its brand name -often directly or through a certified dealer model. Some companies — particularly those in the hardware and electronics markets — provide parts to the OEM market and act as OEMs themselves.

Partner Selection

When selecting a potential partner, it is important to recognize that both companies must complement each other in a way that not only creates revenue opportunities but also presents other compelling reasons to do business together.

At the beginning of a VAR or OEM collaborative effort, each partner usually has some advantages over the other. The goal is to strike a balance so each involved entity gets gains that would have likely not been possible otherwise. Some advantages include higher sales or improved market share, for example.

VARs offer flexible pricing, customizable contracts and after-sale services. They can extend the life of existing placed product by offering maintenance, education, and other services. The supplier usually provides limited marketing resources to the reseller, which means the VAR must have channels in place to spread the word about the product or service in its respective territories and service area.

Counterfeiting

If an OEM model is deployed, the OEM must take great care to avoid contaminating their supply chains with counterfeit parts. If they cannot succeed in doing so, the associated problems span from consumer injuries to reputational damage. Even if a product with a counterfeit part does not harm

someone, it could still frustrate the consumer and lead to returns. When return rates are too high, failure is inevitable.

Moreover, if a reseller knowingly offers items with counterfeit parts, they face substantial fines and prison time. Therefore, all **Contracts and Agreements contain verbiage as to how fake goods associated with the reseller or supplier constitute grounds for termination of the contract and translate to strict fines and penalties.** Such Contracts and Agreements protect everyone involved by emphasizing how crucial it is to carefully monitor supply chains and only work with trusted suppliers.

Differentiating the Distributor and Retailer from VARs

Generally, the roles of the Distributor, Retailer, and VAR are quite distinct. As a general rule, the Distributor and Retailer can work hand in glove and are often part of a traditional product distribution model. The VAR, as defined here, upsets traditional product distribution models, and, though similar to a retailer, can also act in the capacity of a distributor AND can package OEM product with others as part of a programmatic offering or independently as a means to add value to the customer or itself. Instead of reselling an OEM product as a standalone product, a VAR typically markets the OEM product with certain other complementary products.

To more clearly define the Distributor, Retailer, and VAR, consider the following:

Distributor

The actions of most distributors are aimed at bridging the manufacturer and the retailer, or the manufacturer and businesses that want the product for their own use. Like any broker, they view their downlines as proprietary. To achieve acceptable margins, they consider ease of handling, liability, and sales volume.

Retailer

The actions of most retailers are aimed at maximizing the margin on shelf space. In a traditional supply chain model, the retailer is the last shackle in the distribution chain and has the best information on what sales price is still acceptable. To achieve acceptable margins, the retailer multiplies the volume of a product with the retailer's predetermined margin (a figure developed by the retailer) to see how much they can earn when considering their market and established MSRP. This is then compared with other products that they could have on their shelves. Because of this approach, the retailer often holds leverage against the manufacturer when it deals in significant volumes and holds market share.

VAR

The actions of most VARs are typically aimed at a nearly exclusive relationship and allegiance to the manufacturer. The VAR gets discounts on the MSRP in exchange for selling products on behalf of the Manufacturer. VARs do not require vast amounts of support, except for basic technology infrastructure, such as a Market Place, to handle sales and supply chain, training and notifications of new product and promotions, and price strategies and movements. Legally, VARs are contracted under a franchise-like agreement; obligating them to purchase most of their goods for certified OEM products from the manufacturer. VARs have their own trade names, but profile themselves as representatives of the manufacturer; but not OEM Distributors. Formally the VAR will have the freedom to determine its own prices, but the manufacturer can give recommendations and require pricing and promotions to conform with schedules, events, programs, and manufacturer programs. The price that the VAR pays for OEM product is often a fixed percentage of the recommended price.

Considerations for Calculating Reasonable VAR Margins

In considering VAR Margins, Grow Local, LLC considered margins for Distributor a Retailer sale apparatuses. As a general rule, distributor compensation typically ranges from 3% to 30% of the sales price, the margin for the retailer may range from 20% to 60%. Factors that determine compensation depend on:

- Brand Equity
- Target Market
- Product Category (staple vs luxury)
- Type of product
- Who pays for the marketing activities
- Transportation
- Packaging and unpackaging
- Storage
- Financing
- Marketing
- Advertising
- Sales, either in personal sales or by putting the product in brick-and-mortar shops

Industry Examples of Compensation/Margin

For fast moving consumer goods or “lite touch” marketing, such as influencer affiliate marketing, 3 to 10% is standard, but more involved efforts are connected with volumetric thresholds, and have overhead, and competitive SKU requirements necessitating a higher margin percentage.

Average retail and distribution margins

Product category	Distributor	Retailer
Fast moving consumer goods	3-10%	8-40%
Clothing and apparel	15-30%	20-50%
Electronics like mobile phones	3-7%	3-7%
Cars	--	5-15%
Furniture	--	30-50%
Jewelry	--	30-60%
Electrical equipment and lights	5-7%	15-25%
Aggrotech	10-20%	20-50%

VAR Compensation Margins by Volume

Volumetric Tiers must be maintained as agreed and in accordance with the chart below (Qualification for Volumetric Tiers). Return rates must be deemed acceptable to Grow Local, LLC (less than 10% of sales).

In consideration of this, industry standard indicates that 30% of all traditionally ordered online products are returned and that 9% of brick-and-mortar store purchased are returned for damaged product (20%), expectations not met (22%), received wrong item (23%), or other reasons (35%). Of this, on average, 92% of consumers will buy again if product return process is easy and most often, at least 39% of sales impacts by a return can be saved. Industry data suggest VAR programs possess a much lower return rate (7%) given the highly interactive nature of the sale.

Qualification for Volumetric Tiers

Tier 5	40% MSRP	\$3M+
Tier 4	30% MSRP	\$1M+

Tier 3	20% MSRP	\$500K+
Tier 2	15% MSSRP	\$200K+
Tier 1	10% MSRP	\$100K+
Affiliate 2	5% MSRP	As per agreed volume
Affiliate 1	3% MSRP	As per agreed volume
Affiliate X	2% MSRP	As per override requirements

Fixed Value: \$X/UNIT -determined on a case-by-case basis.

Consumables and Third Party Product Margins

Margins are determined monthly according to supply availability and market sensitivities.

Qualifications

In order to attract the highest quality reseller partners, Grow Local, LLC requires its VARs to meet the following criteria:

- Forecast and sell a minimum of 100 products per year.
- Demonstrate a positive disposition and customer centric demeanor.
- Promptly respond to Grow Local, LLC correspondence.
- Maintain a product return rate below 10%.
- Maintain a **Quarterly Aquatree OEM Satisfaction Rating** above 90%

Review and Acceptance

Grow Local, LLC accepts a limited number of program participants each year. Participation in Grow Local's VAR program is completely at the discretion of Grow Local, LLC. An employee of Grow Local, LLC will review your VAR application and if an opening in the VAR program exists and your application is accepted for consideration, you will contact you for an interview. Applications will be kept on file for a period of at least 5 years. Accordingly, Grow Local, LLC will maintain a waiting list of qualified applicants for future openings.

Application

VAR Application Form

VAR Application

About this application: Grow Local, LLC supplies OEM stand-alone, integrated and scalable water-based agricultural solutions for a range of residential and commercial applications along with a growing catalogue of third party products through its marketplace. GROW LOCAL, LLC distributes its solutions worldwide through carefully selected Value Added Resellers (VARs). As part of the qualification process, we require all potential VARs to submit this form. Please note that this is not a contract, and that there is no guarantee that your company will or will not be selected - we merely evaluate the potential of a partnership between our companies. Also please rest assured that all information is held in strict confidence.

Fields tagged with a red asterisk (*) are required.

Application date *

Submitters Name *

GROW LOCAL, LLC Contact Person (if known)

Primary reason for wanting to become a GROW LOCAL, LLC VAR *

- Sales, service and/or maintenance of an existing GROW LOCAL, LLC end user
- Long-term partnership

- Other
-

Company Information:

Business/Organization legal name *

Web Site

CEO/President Name *

Primary contact name *

Primary contact e-mail *

Position *

Headquarters street address *

Address line 2

City *

County/State *

Zip code *

Country *

Phone number *

Main areas of interest

- Residential Unit Sales and Service
 - Commercial Unit Sales and Service
 - Other
-

Business Overview:

Corporate profile *

Drop a file here or click to upload

Maximum upload size: 20MB

Please provide us with an overview of your organization. Max File Size 20MB. Supported file types are BMP, JPG, JPEG, TIFF, DOC, DOCX, PDF, PPT, PPTX, XLS, XLSX, ZIP

Other attachments

Drop a file here or click to upload

Maximum upload size: 20MB

Please supply any other information that you believe may assist with your application. Max File Size 20MB. Supported file types are BMP, JPG, JPEG, TIFF, DOC, DOCX, PDF, PPT, PPTX, XLS, XLSX, ZIP

Company Type *

Public

Private

List all office locations

Total number of employees *

Number of sales staff: *

Number of technical staff: *

Total sales last year *

Total (security) product sales last year *

Vertical Markets*

Not a Focus

Minor Focus

Strong Focus

Retail

Healthcare

Education

Commercial

Government

Managed Services

Other (Define)

Geographical Territory Focus *

- Local
- Statewide

- Multi-state region
- National
- International

Would your organization be willing to participate and invest in a GROW LOCAL, LLC sales conference or user group in your region? *

- Yes
- No

Please provide us with an insight into your organization's experience and expertise with other similar products. Indicate areas in which you have experience and also provide the details of the specific products.

Are you affiliated with other water-based gardening products or services?

- Yes (If "Yes," please explain)
- No