Item (c) above has caused questions of rebuilders since time started, I guess. It is a more complicated subject, but one I feel can be and should be explained. The principle which we follow on cores, Jim, is strictly that of the law of supply and demand. In other words, if we are selling out cores of a certain item more than we are receiving back in, then we of course, have to supplement our core supply by purchasing new items or going on the open core market and filling in. Logic would indicate that if we are short of these particular items, other rebuilders are probably short as well. Therefore, the price normally would be higher than otherwise would be the case --- we price accordingly. On the other hand, if we are receiving more cores back in of a certain number that we are selling, this creates a surplus, and, were we to continue maintaining a high core value, this would create a loss which we would have to replace some other way, presumably with a higher exchange value. This we would prefer not to do because we would soon find ourselves out of line in our exchange prices relative to new items. In other words, what I am saying, Jim, is that core prices and exchange prices can never really comingled successfully without something getting out of kilter.

We know that some companies have a flat charge on cores. Those who do, also, have with this a "core bank" on an item by item basis. Perhaps we will need to come to this some day, but as of this writing we have felt that all the extra work involved in this is not beneficial to us or to our customers --- certainly not to the extent which would be required to make it worthwhile. You will find with rebuilders who have this flat core policy that there will be a considerable number of cores on which there will never be any credit issued because of the excessive return on certain items over the purchases of that same item. I am not sure whether these competitors inter-mix their exchange prices with their core prices, but it is not unusual we find for those with a flat core charge to have a "slightly higher" exchange price. This might be worth checking related to the competitor which you mentioned on the phone.

Presuming that everyone has gotten this far and has given us the benefit of the doubt as they have proceeded, the question is surely bound to arise as to what effect all of this has on me? Recognizing Jim, that our core prices are not necessarily made to coincide with anyone else's prices because of our philosophy, we recognize that we also have a responsibility in a prudent fashion.

Let me give you an example of what all our price changes did last year, at least as far as the major lines are concerned. You will find this comparison attached. You will note that in each case, not only have the exchange prices gone up, but the core valuation of the jobber inventory, regardless of his size, has gone up also. This, of course, is a combination of the items which have gone down in value as well as the items which have gone up. Some lines go up and some go down more than others.