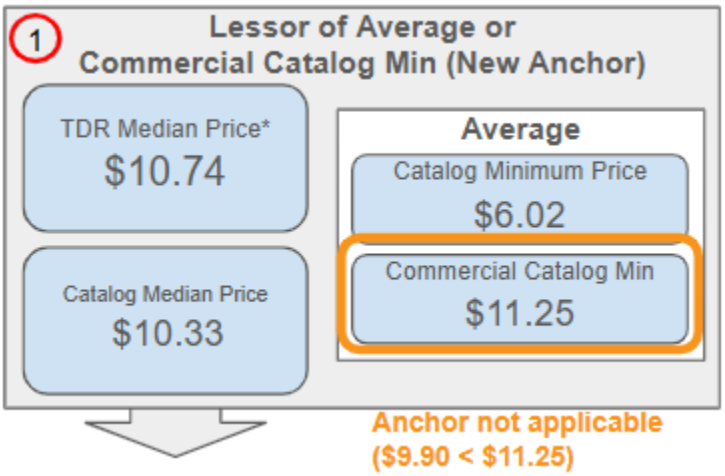
Market Threshold Price Calculation Example

Step 1 and 2: Determine the Market Benchmark Value

- **Minimum Observed Commercial Price: $11.25**
- **Model C Market Baseline: $9.90**
    - Catalog Median Price:
        - Median of Government Contract Prices: $10.33
    - TDR Median Price:
        - Median of Government Order Prices: $10.74
    - Average of Catalog Minimum Price and Commercial Catalog Minimum Price:
        - Government Contract Minimum Price: $6.02
        - Commercial Catalog Minimum Price: $11.25
        - Average: ($6.02 + $11.25) / 2 = $8.64
    - Model C Market Benchmark Value:
        - Average of $10.33 (Catalog Median Price), $10.74 (MAS Median Price), and $8.64 (Average Minimum Prices)
        - ($10.33 + $10.74 + $8.64) / 3 ≈ $9.90
- Choose the lesser between the Model C Market Baseline and the Minimum Observed Commercial Price
    - The Market Benchmark Value is the lesser of the two values at $9.90.

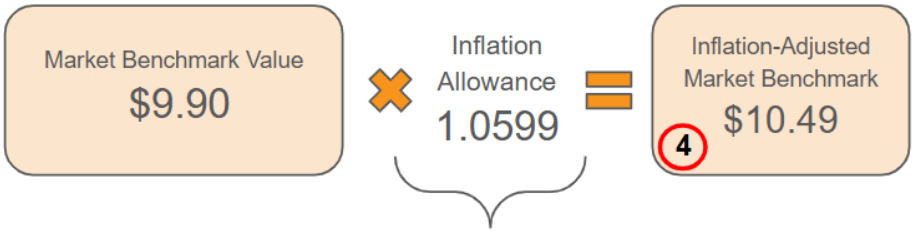


Step 3: Calculate Inflation

- Calculate CPI-U adjustment factor: Current CPI-U / the sum of the previous 18 months' indexes CPI-U = 336.785 / 5453.149 = 5.99%

Step 4: Calculate Inflation-Adjusted Market Benchmark Price:

- Market Benchmark Value multiplied by CPI-U Adjustment Factor: $9.90 x $1.0599 = $10.49



CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U)
(not seasonally adjusted)

ALL ITEMS (1982-84=100)	U.S. City Average											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Consumer Price Index												
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974
2020	257.971	258.678	258.115	256.389	256.394	257.797	259.101	259.918	260.280	260.388	260.229	260.474
2021	261.582	263.014	264.877	267.054	269.195	271.696	273.003	273.567	274.310	276.589	277.948	278.802
2022	281.148	283.716	287.504	289.109	292.296	296.311	296.276	296.171	296.808	298.012	297.711	296.797
2023	299.170	300.840	301.836	303.363	304.127	305.109	305.691	307.026	307.789	307.671	307.051	306.746
2024	308.417	310.326	312.332	313.548	314.069	314.175	314.540	314.796	315.301	315.664	315.493	315.605
2025	317.671	319.082	319.799	320.795	321.465	322.561	323.048	323.976	324.800	(1) -	324.122	324.054
2026	325.252	326.785										

Inflation Allowance
Calculated by dividing the **current index value** by the **sum of the previous 18 months' indexes (Oct '25 missing data = average of adjacent 2 months)**.

326.785 / 5453.149 = 5.99%

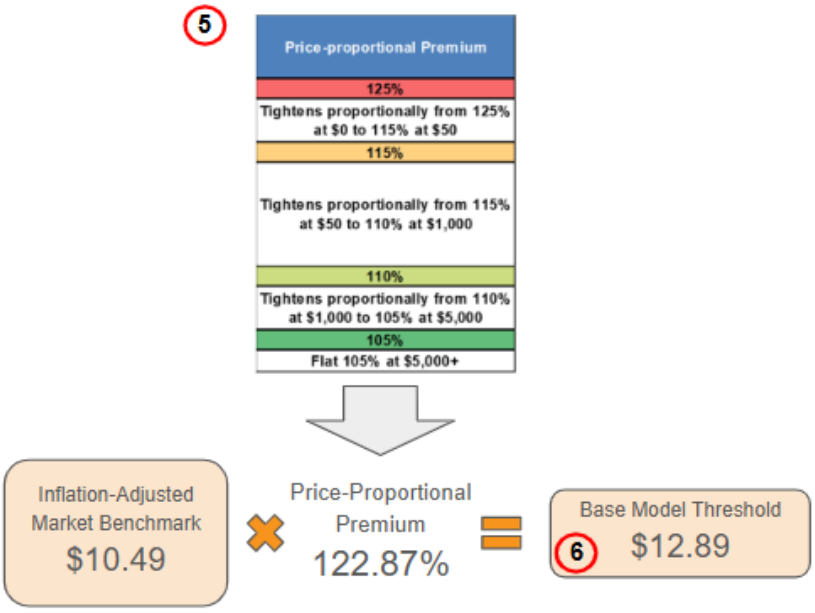
3

Step 5: Determine the Price-Proportional Premium

- The 122.87% represents the premium calculated using a linear formula based on the Inflation-Adjusted Market Benchmark's distance between $0 and $50

Step 6: Calculate the Base Model Threshold

- Apply the price-proportional premium of 122.87% (from the chart below) to the Inflation-Adjusted Market Benchmark:
    - $10.49 * 1.2287 ≈ $12.89



Step 7: Calculate the Estimated Annual Sales

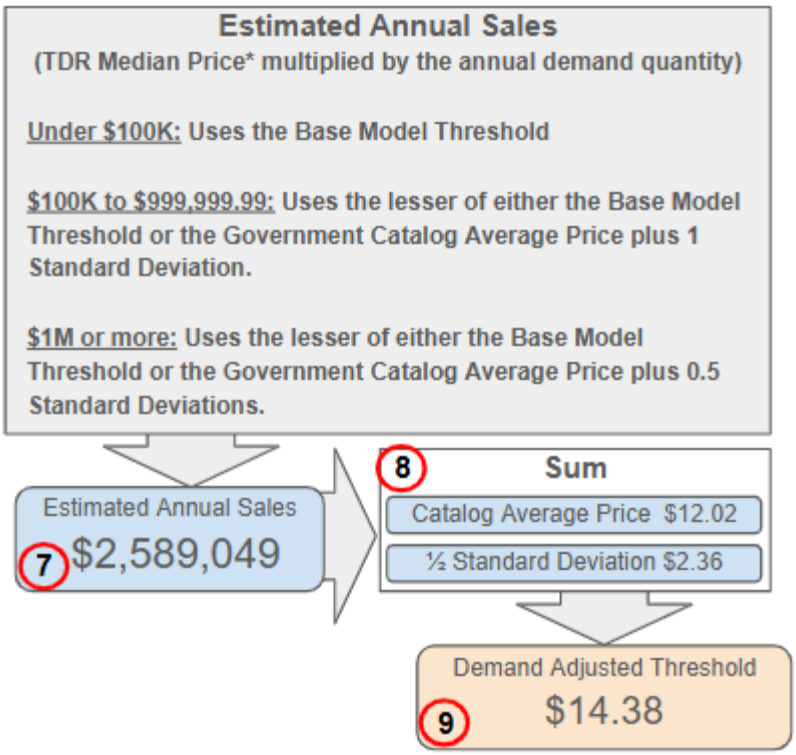
- TDR Median Price multiplied by the annual demand quantity
    - MAS TDR Median Price: $10.74
    - Annual Demand Quantity: 241,066 units
    - Estimated Annual Sales: $10.74 * 241,066 = $2,589,049
- When TDR Median Price is not available, Transaction Median price is used.

Step 8: Determine the Standard Deviation

- Since Estimated Annual Sales is greater than $1M
    - Base Market Threshold Model Price: $12.89
    - Catalog Average Price: $12.02
    - ½ Standard Deviation: $4.72 / 2 = $2.36

Step 9: Determine Demand Adjusted Threshold Price

- Catalog Average Price + ½ Standard Deviation: $12.02 + $2.36 = $14.38



Step 10: Determine the Market Threshold Price

- Base Model Threshold: $12.89
- Demand Adjusted Threshold: $14.38
- **The market threshold is the lesser of the two thresholds, which is $12.89 the Base Model.**