

BTD

Partner Supplier Guide



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BTD Mission, Vision and Values

Mission – We are a customer focused, growth oriented manufacturing partner providing innovative, customer specific solutions to world class brands. We succeed by investing in our people, processes and technology while enhancing our profitability.

Vision – Be our customers' first choice by doing "it" **right** and **fast**, while making "it" **easier** and **better**.

- Integrity
- Safety
- People
- Performance
- Community

Quality Policy Statement

BTD is committed to continually improving all products and services to achieve our customer's expectations.

We do this by:

1. Living our values.
2. Providing opportunities for employee involvement, motivation and training.
3. Developing, documenting and following processes.

Quality Objectives

BTD's quality management system objectives are to enable BTD to be our customers' first choice by:

1. Achieving satisfactory ratings on quality, delivery and other key metrics tracked and reported by our customers through their formal supplier evaluation and performance systems.

2. Achieving a level of 1000 ppm as tracked through BTD's RA system for customers without a formal supplier evaluation system for quality.
3. Achieving a 95% on-time delivery to the BTD warehouse for customers without a formal supplier evaluation system for delivery.
4. Reacting to the twice yearly BTD customer satisfaction survey results to improve customer relationships.

General Guidelines for doing Business with BTD

BTD prides itself on being open and honest with all business associates. As such, we feel it is important our Suppliers have a full understanding of how we conduct business. Please be mindful of the following general guidelines.

Scheduled Appointments

In an effort to ensure the value of the sales call for both the caller and the buyer, it is necessary for the salesperson to schedule appointments in advance of his/her arrival. If prior notice is not given, a meeting is not guaranteed.

Conflict of Interest/Gift and Entertainment Policy

It is our intent that the friendly spirit of the business relationship be based on genuine business merit and not influenced by personal or social considerations. In this respect, your attention is called to our long-standing policy which prohibits our people from accepting or soliciting gifts or favors not considered as being of a promotional nature and of nominal monetary value from our Suppliers for personal gain. We ask that our Suppliers not jeopardize the business relationship by offering gifts or favors outside of this policy.

Requests for Quotation

BTD will solicit quotations for products and services from Approved Suppliers. The Supplier is expected to respond to the quotation within the timeframe requested. In most cases, 24 hour turnaround on a request for quote is expected. BTD relies on its Suppliers in their areas of expertise. Any potential quality issues should be addressed prior to quoting and any changes agreed upon by all parties need to be documented on a marked up, signed and dated print submitted to BTD by the Supplier. Only upon approval from BTD is the marked up print valid. This includes, but is not limited to, packaging parts to protect from shipping damage. Submitted quotations are reviewed by the Buyer to determine which

Supplier offers the best cost, delivery, quality performance and service. The Supplier's assessment grade will be taken into consideration in an attempt to account for the total cost of procurement.

Critical Supplier

In order to ensure limited supply chain issues, BTD requests suppliers to have a planned usage of operating capacity no greater than 90%. If supplier is operating at a level greater than 90% at the time the Supplier Assessment form is completed, a risk assessment and/or audit will be performed before partnering with supplier. If supplier is accepted that exceeds operating capacity of 90%, supplier will be deemed as a critical supplier within BTD's ERP system, AX. Going forward, it is the supplier's responsibility to inform the buyer during their Supplier Assessment if they are exceeding the 90% capacity at any given time and the buyer with update Vendor as "Critical" in AX.

Newly Awarded Parts

Newly awarded produced parts may require proof of ability to manufacture or produce an acceptable and conforming part. BTD performs initial First Article Inspections on a minimal run quantity. *It is suggested these parts are provided at no charge.* These initial orders are seen as an effort by the Supplier to ensure conforming parts are provided for production purposes long term and therefore will not be counted against PPM if parts are nonconforming upon initial submissions.

Competitive Pricing

Suppliers are subject to ongoing quote requests as projects arise throughout the production year and also participate in periodic Requirements Contract Quotations. Suppliers must provide competitive pricing in order to maintain a strong business relationship with BTD. Any price increases on existing and active business will not be accepted prior to a 60 day written notice of such price increase, excluding contracted items. Active business is defined as product procured within the past 60 days. This allows BTD time to communicate the necessary price changes to its customers and re-price its product appropriately.

Purchase Order Acknowledgement

After the Buyer has determined which Supplier will be offered the product or service quoted, the Buyer or Scheduler will provide to the Supplier a Purchase Order containing the following information:

- Item Number/Product Ordered
- Desired Quantity
- Desired Due Date (All dates indicate either our will-call date or in-house date.)
- Quoted Price
- Purchase Order Payment and Shipping Terms
- Additional Specification as Needed

Upon receiving this information, the Supplier must acknowledge acceptance of the purchase order to the Buyer or Scheduler via email or fax noting any discrepancies (24 hour response is requested). This confirmation is attached to the purchase order for future reference. Note: the only exception to this rule is in regard to outside services. Acceptance of our purchase order is given at the point the Supplier signs the bill of lading when the parts are delivered to the Supplier. Any exceptions to the purchase orders need to be emailed to the Buyer or Scheduler

Purchase Order Changes

Changes to the Purchase Order, such as changes in price and design or configuration, or other contractual requirements, will be authorized only by the Buyer through a mutual agreement between BTD and the Supplier prior to shipment of the product or service. Changes to the Purchase Order, such as scheduled deliveries, can be authorized by Buyer or Scheduler through a mutual agreement between BTD and the Supplier prior to shipment of the product or service. Both BTD and the Supplier must confirm such changes in writing.

Production Process Changes

It is suggested Suppliers advise BTD of any process changes to ensure product produced with unproven sources and processes can be addressed appropriately. Examples of these changes are, batch booth vs. line production for outside services, and utilizing different work centers or equipment. BTD does not intend to limit the Supplier from alternative means to produce the product, but simply needs this to be communicated prior to production. The Supplier is liable to BTD and/or its Customers for any damages incurred by changing a process from that which have been historically proven without prior notice – especially in the case of safety critical items such as seat belts, clutches, brake disc, etc.

Shipping Instructions

Shipment of products or services shall be per the specific Purchase Order instructions as well as the standard Packaging and Labeling Guidelines in this manual. If clarification is required or shipping methods must be changed, please contact the Buyer responsible for approving the order. (See Packaging and Labeling Guidelines)

Invoicing

The Supplier shall provide an invoice within a reasonable time (seven days) after the shipment of products or services to BTM. The invoice shall provide at a minimum the following information:

- An invoice number and date of invoice.
- Purchase Order and Line number for the product or service invoiced.
- BTM Item Number of the product/service.
- Payment terms.
- Quantity ordered/shipped/invoiced.
- Unit price of the product or service invoiced.
- Extended price of the product or service invoiced.
- Freight Charges (if applicable) of the product or service invoiced.
- Taxes (if applicable).
- Remit-to Address.

Invoices must be uploaded to the Basware portal. Any questions should be directed to BTM AP.

Invoices are normally processed on a daily basis, ACH payments for processed invoices are made on a weekly basis, and if you require a check they are processed once per month. Any questions regarding payment of an invoice can be discussed with the Buyer or with the Accounts Payable Specialists at the Detroit Lakes location.

Bar-coding

BTM requires Approved Suppliers of raw materials to use the Code 39-barcode format on all products shipped to BTM. Note: Specific information regarding barcode labels can be found in our Standard Packaging and Labeling Guidelines in this manual.

BTM Raw Material Forecasting

BTM may provide its Suppliers with MRP detail for contracted items on a weekly basis upon request. This information may be available via e-mail and via Ecommerce. Please contact your buyer regarding our preferred communication of this forecast information. The Supplier may use this MRP detail as a forecast, considering four weeks firm for planning purposes. Quantities should be delivered with a goal of no under-shipment and up to 5% over shipment.

Ecommerce

In order for your company to participate in ECOMMERCE trading with BTM you must first have approval from your appropriate BTM Buyer. If the Buyer approves, in

Minnesota, your buyer will set up contact with trevor.johnson@btdmfg.com, who will then follow through on the technical side.

Past Due Orders/Follow-up

BTD expects 100% on-time delivery from its Suppliers. We ask that every purchase order and material release be confirmed and all discrepancies (e.g. inability to meet requested due date, inconsistent revision, and price discrepancies) be addressed at the time of confirmation. Should unforeseen circumstances arise which affect the availability of the item on its due date, the Supplier must contact BTD at least 72 hours prior to the due date. In the event BTD does not provide 72 hours for order fulfillment, the Supplier must contact BTD as soon as possible. If BTD is not contacted within these timeframes, this can be deemed as a “late shipment” and will count against the supplier’s on-time delivery rating. Additional charges may be levied in accordance with BTD’s Recovery Fees Policy.

Recovery Fees

Policy Statement – BTD Buyers negotiate all charges made to Suppliers for costs associated with the receipt of non-conforming material and late deliveries. The fees listed below are guidelines only and meant to ensure justifiable expenses incurred by BTD are recovered.

Late Delivery – A \$50 charge may apply to situations where BTD arrives at the Suppliers shipping dock to pick up material/parts and they are not available on the confirmed due date. All shipments for which the Supplier is responsible (regardless of whether the Supplier is shipping directly or using a third party shipper) that incur additional costs or downtime due to the late shipment are susceptible to reimbursement to BTD by the Supplier.

Non-Conformance – In the situation of a non-conformance a Supplier may be issued a debit for all or some of the items listed below:

- Value of the parts/material provided to BTD.
- Logistic costs associated with the non-conformance.
- Cost for expedited deliveries to our customer.
- Machine down and set-up for non-conformances where the quality issue is discovered after the die and/or machine set-up.
- “Line-Down” charges incurred from our customers.
- Administrative costs for paperwork incurred with the rejection.
- Sorting charges for parts where the Supplier was not able to sort the parts themselves. (\$200 per hour charge).
- Containment costs.
- Rework Costs.
- Scrap.
- Missed Opportunity.

A worksheet with the breakdown of the costs incurred will be supplied along with a copy of the debit memo.

Rejected Parts/Material: Vendor Corrective Action

Any product or service not conforming to BTB's quality requirements will be addressed as follows:

- BTB may rework the parts/materials at the Supplier's expense for a cost mutually agreed upon between BTB and the Supplier.
- If it is mutually agreed the parts/material are to be returned to the Supplier, the parts/material will be returned and the Supplier will receive a debit with all or some of the above mentioned charges that apply to the non-conformance. OR
- The Supplier will rework the parts at no charge and will receive a debit for any miscellaneous costs incurred.
- If it is mutually agreed the parts/material should be scrapped, BTB will scrap the parts/material at our facility and will debit the Supplier for the purchase value of the parts/material minus any agreed upon scrap allowance.
- Additional charges may be levied in accordance with BTB's Recovery Fees policy.

All rejections may be subject to Vendor Corrective Action Request (VCR). BTB request the Supplier respond to the VCR within 10 working days of the date of issue. If the Supplier needs additional time to develop an effective corrective action, arrangements can be made with the person who initiated the VCR (in MN the Supplier Quality Engineer and in IL the Buyer). Each Corrective Action received from the Supplier is reviewed by the Supplier Quality Engineer and Buyer. If the Corrective Action is not approved, it may be returned to the Supplier for further resolution. Corrective Actions may be subject to a Verification of Effectiveness. The Supplier must include in the Verification of Effectiveness, the method and proof of verification.

Other Requirements

Each new Supplier must complete a Supplier Self-Assessment and may also be subject to an on-site audit/assessment.

Confidentiality Agreement

It is our intent that all interactions and business conducted between the Supplier and BTB be kept confidential. In some circumstances you may be asked to sign a written confidentiality agreement, which is defined below.

BTD Manufacturing, Inc. (BTD) and the Supplier desire to examine or evaluate a subject of mutual interest relating to a possible business relationship between the parties. Accordingly, BTD may find it desirable or necessary to disclose non-public information, which is considered proprietary and confidential by BTD (hereafter "Information"). Such information may include, but is not limited to, design engineering, financing, marketing, customers, dealers, personnel, and business plan information. All information will be disclosed for the stated purpose and for no other purpose and the parties and their agents, attorneys, accountants or advisors may review, examine, inspect, have access to or obtain such Information only for the stated purpose and to otherwise hold such disclosed information confidential and in trust in accordance with the following understanding.

1. The Supplier shall maintain in confidence Information obtained from BTD and use such information for the contemplated purpose stated, and shall not be used for any other purpose nor disclosed to any third party without written consent of BTD. The Information shall be disclosed within the Suppliers Company only on a need to know basis. This information shall be used only within the confines of the Suppliers Company and every person viewing such Information shall be made aware of and acknowledge the existence of this confidentiality agreement. No one outside of the Suppliers Company shall be given any confidential information without the express written consent of BTD, unless said party agrees to execute and be bound by the terms of this agreement.
2. The restrictions and obligations of nondisclosure and nonuse shall not apply to Information which: (a) is in public domain at the time of disclosure by BTD or which later enters the public domain through no-fault of the Supplier, (b) is in possession of the Undersigned at the time of disclosure.
3. Upon request by BTD, all Information including but not limited to, written printed photographs, drawings, samples, and materials submitted by BTD to the Supplier shall be returned by the Supplier to BTD.
4. This information will be held in confidence by the Supplier until BTD amends or releases the information from confidentiality.
5. Without the prior written consent of BTD, the Supplier shall not make any public announcement or any release to trade publications or the press, or to any third party, with respect to such business relationship, except as may be necessary in the opinion of the respective counsel(s), to comply with the requirements of any law, governmental order, or regulation.

This agreement constitutes the entire agreement and understanding between BTD and the Supplier relating to the subject matter thereof. No modification, amendment, or waiver of any provisions of this

Agreement shall be valid unless in writing and signed by a duly authorized officer or representatives of each of the parties hereto. This agreement shall be binding on both parties, their agents, representatives, subsidiaries, assignees, or understanding of how we conduct business.

How do you fit into BTD's procurement model?

There are two types of suppliers working with BTD, Direct and Indirect, defined as follows:

Direct Suppliers – Direct Suppliers supply product or services that go into the parts we sell to our customers. These are items that can affect the quality of the finished part we provide to our customers. The performance of Direct Suppliers is monitored through our Supplier Program.

Indirect Suppliers – Indirect Suppliers supply services or parts that do not go into the finished goods we provide to our Customers. Examples of Indirect Suppliers are: Transportation, Tooling, Safety, Maintenance/MRO and professional services. We do not have a specific program to monitor the performance of this supplier group.

This portion of the Supplier Guide is applicable to the Direct Suppliers only.

Performance Assessment Criteria for the top 60 (BTD MN and IL) of BTD direct spend:

These suppliers will be assessed on an annual basis at a minimum. The assessment will be based upon the performance criteria listed below.

Quality

BTD has recognized the importance of the quality of a product we provide to our customers. It is our expectation that each Supplier should have a goal of and strive for full points in the PPM category. BTD calculates each Suppliers quality rating in terms of a rolling annual PPM. BTD specifies that each Supplier has a formal quality system that addresses corrective actions including determination of root cause and verification of effectiveness. The quality score is made up of the elements below:

1. PPM Score – 15% of overall score, a rolling annual number. The total quantity of nonconforming parts divided by the total parts received multiplied by 1,000,000.

- a . 1500 or Less 100%
- b . 1501-4500 66%
- c . 4501-9000 33%
- d . < 9000 0%

2. Reactivity to Rejections – 5% of overall score. Does the supplier always react to quality issues appropriately and in a timely manner?

3. Timely Corrective Actions – 5% of overall score. The number of corrective actions and verifications returned in a timely manner divided by the total opportunities.

- a . 96-100%..... 100%
- b . 90-95%..... 60%
- c . 85-89%..... 40%
- d . 80-84%..... 20%
- e . <80% 0%

4. ISO Certification – 5% of overall score. Is the Supplier ISO certified?

Delivery

In this day and age, delivery performance is key to a successful relationship with both our Customers and Suppliers. As a result, BTD reviews on time delivery performance and compiles a Delivery Performance rating. The delivery score is made up of the elements below:

1. On-Time Delivery 25% of overall score, a rolling annual number. The total PO lines delivered on time divided by total PO lines delivered.

- a . 99-100%..... 100%
- b . 98-98.9%..... 80%
- c . 97-97.9%..... 60%
- d . 96-96.9%..... 40%
- e . <96%..... 0%

2. Packaging and Labeling Requirements – 5% of overall score. Compliance to BTD's packaging and labeling guidelines.

Cost Assessment

Over the years, BTD has grown to appreciate the mutual benefits of partnering with both Customers and Suppliers. Many of our Customers require cost decreases on an annual basis. We've been able to provide these decreases by thinking creatively and improving processes, not just cutting margins. The cost assessment score is made up of the element below:

1. Cost Savings – 15% of overall score, a rolling annual number. The total amount of quantifiable process improvements, improved responsiveness, value added, and cost savings totaled and divided by the last 12 month spend. Each Supplier is responsible for pursuing and submitting these savings suggestions to their respective buyer.
 - a . >3%..... 100%
 - b . 2-3%..... 66%
 - c . 1-2%..... 33%
 - d . <1%..... 0%

Safety

5% of overall score. A safe work environment is very important to BTD. On occasion we receive material or parts from our suppliers packaged with a safety risk to employees. When this occurs, the supplier will not receive the Safety points on the assessment.

Business Practices

As a company that prides itself on being at the forefront of business technology, BTD seeks suppliers with the same cultural perspective. This section rates the Supplier's ability to meet BTD's expectations in terms of packaging requirements, business support and participation in electronic commerce (E-commerce). The business practice score is made up of the elements below:

- Quote responsiveness – 10% of overall score. Does the Supplier respond to quotes within the requested time?
- Business Process – 5% of overall score. Does the Supplier effectively support BTD's staff in terms of prompt acknowledgements, accurate invoicing, etc.?
- New Part Process – 5% of overall score. Does the supplier provide initial FAIR parts and material certifications as needed?

What does your grade mean to you?

The assessment score is very important to BTD and performance in all of these areas is taken into consideration when comparing quotations for all awarded business. Suppliers with a performance at a grade “A” will have an advantage over a Supplier assessed at a level “C” or “D”.

In Addition, when a Supplier scores a grade “D” on their assessment for two consecutive months without showing any improvement in the score, the Supplier is placed on Probation. The terms of Probation are listed below:

Probation

1. “SUPPLIER ON PROBATION” will be printed out on each Purchase Order, while the Supplier is on Probation.
2. A written action plan to correct the “D” related deficiencies is required within 14 days from the date the Supplier is notified they’ve been placed on Probation.
3. Monthly probation update meetings will be held with the Supplier and Buyer to review progress. Quality and Sales personnel will be invited when applicable.
4. The probationary Supplier is removed from Probation Status once they have shown two consecutive months of improved performance on their deficiency(ies).

Performance Assessment Criteria for Suppliers below the top 60(BTD MN and IL) and with a Direct spend larger than \$50,000 for the year.

These suppliers will be assessed on an annual basis. The assessment will be based upon PPM and On Time Delivery Performance.

Quality

BTD has recognized the importance of the quality of a product we provide to our customers. It is our expectation that each Supplier should have a goal of and strive for full points in the PPM category. BTD calculates each Suppliers quality rating in terms of a rolling annual PPM. BTD specifies that each Supplier has a formal quality system that addresses corrective actions including determination of root cause and verification of effectiveness. The quality score is made up of the elements below:

1. PPM Score – 35% of the overall score, a rolling annual number. The total quantity of nonconforming parts divided by the total parts received multiplied by 1,000,000.
 - a . 1500 or less ...100%
 - b . 1501-4500 ..66%
 - c . 4501-9000 ..33%
 - d . >9000 0%

2. Reactivity to Issues – 5% of overall score. Does the Supplier always react to quality issues appropriately and in a timely manner?

3. Timely Corrective Actions – 5% of overall score. The number of corrective actions and verifications returned in a timely manner divided by the total opportunities.
 - a . >96%..... 100%
 - b . 90-95%..... 60%
 - c . 85-89%..... 40%
 - d . <80%..... 0%

4. ISO Certification – 5% of overall score. Is the Supplier ISO certified?

Delivery

BTD reviews the on time delivery, packaging and labeling performance of each Supplier. The delivery score is made up of the two elements below:

1. On-time Delivery – 45% of overall score, a rolling annual number. The total PO lines delivered on time divided by total PO lines delivered.

- a . 95-100%..... 100%
- b . 90-94.9%..... 78%
- c . 85-89.9%..... 56%
- d . 80-84.9%..... 33%
- e . <80%..... 0%

2. Packaging and Labeling Requirements – 5% of overall score. Is the Supplier compliant to BTD’s packaging and labeling requirements?

Packaging and Labeling Guidelines

Minnesota Raw Material Packaging

Coil Specifications:

- 18-20” ID (the only exception is the 800 ton Press which requires 24-26” ID).
- 72” Maximum OD
- Width: +/-0.005” unless specified
- 6500# Maximum weight (call for exceptions)
- Eye to the Sky, unless coil is over 15” wide in which case it should be non-skidded and eye to the side (call for exceptions). When shipping stand up/eye to the side coils, there must be three inches of space between coils.
- If multiple coils are on the skid, there must be 1.5” or greater spacers between the coils. *Note:*

In situations where these rules cannot be followed, arrangements must be made with your Buyer.

Sheet Stock/Blank Specifications:

- 4,400 pound maximum weight (80” or less in length),
- Sheet Stock Packaging Requirements:

- 14 Gage (.075) and lighter sheet stock should be on pallets as we currently require. Over 14 Gage (.075) 48"x96" and 60"x120" Sheet Stock.
- 4"x4" runners covered for rust protection. Length of the runners should be 60" or 48" respectively placed with the width of the pallet. Three runners per bundle. The runners should be placed 16" from each end and in the center, so that they support each other when stacked. Runners should be banded to the steel, so that when the banding is cut, the runners are no longer attached to the material.

Bar/Strip/Tube Specifications:

- Bar and Strip – 3,000 pound maximum weight per skid (120" or less).
- Bar and Tube Full Length bundles – 4,000 pound maximum weight with maximum dimension for the bundle of 15"x30".
- Must be blocked or palletized – if blocked, load must be supported safely and without damage due to shifting in transit.

Subassembly Parts/Fasteners:

Boxed as necessary to protect parts as needed.

Pallet Specifications:

- Runners not more than 42" apart
- 48"x120" 2 Runners, 120" Long
- 48"x144" 2 Runners, 144" Long
- 48"x60" 3 Runners, 48" Long
- Pallets must effectively support product through shipment without damage.
- Pallets must allow forklift entry from all sides unless previously approved in writing.
- Parts with a service performed on them not in a raw state must be packaged so the parts do not hang off the pallet or over the side of the container.

Note: All items must be packaged one item number per skid, do not mix.

Illinois Raw Material Packaging

Plate/Torch Dock:

Maximum lift is 15,000 pounds. Material must be palletized with perpendicular runners.

Sheet/Plate/Sheer Dock:

Maximum lift is 5,000 pounds. Do not mix width and lengths. One size per pallet.

Sheet Stock Packaging Requirements:

- 14 Gage (.075) and lighter sheet stock should be on pallets as we currently require. Over 14 Gage (.075) 48"x96" and 60"x120" Sheet Stock.
- 4"x4" runners covered for rust protection. Length of the runners should be 60" or 48" respectively placed with the width of the pallet. Three runners per bundle. The runners should be placed 16" from each end and in the center, so that they support each other when stacked. Runners should be banded to the steel, so that when the banding is cut, the runners are no longer attached to the material.

Bar/Pipe/Tube Dock:

Maximum lift is 15,000 pounds and must be bundled.

Raw Material Labeling

Each raw material unit (pallet or box) must be labeled with a barcode label that measures 4"x6" or an agreed upon size (must be approved by the buyer). Barcode format is code 39. Labels must be wired to the banding on coil items, attached with an adhesive back on boxes, and stapled on the length side of pallets for sheet stock (e.g.: if the sheet size is 48"x120", label will be attached on the 120" side). In all cases, the label must be placed on the visible side of the box or pallet.

Required Fields are:

- Purchase Order Number..... Need not be scannable field.
- BTD Item Number Must be a scannable field (required identifier "P").
- Quantity Must be a scannable field (required identifier "Q").
- Unit of Measure Must be a scannable field.

- Lot Number Need not be a scannable field.
- Production/Ship Date Need not be a scannable field.

Outside Service Packaging

Parts are to be re-packaged in the containers sent by BTM with the same quantity as received or packaged as deemed necessary by the Supplier to protect the quality of the part. Quantities on the labels should reflect the accurate count in the container.

(Containers marked as “Return to BTM” must be returned to BTM). All additional packaging costs must be accounted for at the point of quotation. Part specific special packaging will be noted on individual purchase orders.

Outside Service Labeling

It is our expectation that all of our suppliers strive to use Bar Code Labels.

Returning shipments to BTM will require labels on each container/pallet/carton, etc. with the following information:

1. BTM Part Number,
2. Part Revision Number/Letter (if applies),
3. Quantity of parts in the container,
4. The Suppliers name,
5. And BTM purchase order and line item number.

List of Definitions

ASTM: American Society for Testing and Materials

Approved Supplier: A supplier who has been approved to supply products or services to BTM for production purposes.

Audit: A formal check of a Supplier's quality systems against BTD quality standards as specified in our Supplier Systems Audit.

Due Date: Refers to the date on which purchased parts, materials, etc. are due to be picked up by BTD or if BTD Truck is not the ship method the date on which purchased parts, material etc. are due on BTD's dock. (Note: Product to be available by 8:00 am on its due date when the ship method is will call by BTD.)

MRP: Material Requirements Planning

Nonconformance: Report of quality failure. A part or service that does not meet print, application or PO description.

Outside Services: Services that add value to work in process – for example plating, painting, welding, machining, cleaning.

PPM: Parts per Million. PPM is measured by dividing the total units rejected (within the rating period) by the total parts received (within the same period) and multiplying by 1,000,000. PPM is calculated on a cumulative basis.

Receiving Inspection: Process by which the quality of material(s) is verified upon receipt.

Supplier: Vendor/Provider of goods or services, including sub-contractors.

Verification: To confirm or prove by evidence to be true.

VCR Vendor Corrective Action Request

Vendor: Term used interchangeably with Supplier

VOE: Verification of Effectiveness

BTD Purchase Order Terms and Conditions

1. **Acceptance** - A purchase order constitutes an offer made by Purchaser referred to in Purchaser block on front of a purchase order. Return of the acknowledgement copy of a purchase order, signed by Vendor, delivery of part or all of the goods specified, or rendering of part of all of the services specified, will signify Vendor's unconditional acceptance of Purchaser's offer. If Vendor desires any modification whatsoever in Purchaser's offer, Vendor shall notify Purchaser in writing. Any acceptance of this Purchase Order is limited to acceptance of the express terms contained herein, the terms contained on the Purchase Order and any terms specifically incorporated by reference by Purchaser. The terms and conditions set forth in order constitute the entire agreement between the parties, hereto, and no modification hereof shall be binding unless mutually agreed to in writing. The receipt by Purchaser of any quotation form, sales confirmation or other proposal shall not, in the absence of a written acknowledgement by Purchaser expressly agreeing to same, have the effect of changing in any manner or adding to the terms and conditions hereof. The terms of this Purchase Order are the sole and exclusive terms on which the Purchaser agrees to be bound.

2. **Changes in Order as Accepted** - Purchaser reserves the right at any time to make changes in time of delivery, drawings and specification, and material used or work covered by an order. If any such change causes an increase or decrease in Vendor's performance, then an equitable adjustment in price and time for Vendor's performance can be made, either for the benefit of Vendor or Purchaser, as the case may be, and this order modified accordingly, in writing.

3. **Prices** - The prices on an order are in effect and may be altered only through agreement evidenced by written revision of an order before the material is delivered.

4. **Defective Goods** - If drawing and specifications are furnished by Purchaser, approval of any sample, receipt of goods, or materials, or payment for any goods or materials, by Purchaser, shall not constitute a waiver of such inspection or an acceptance of such goods or materials, or relieve Vendor of any of its obligations and warranties under a purchase order nor relieve Vendor from strict and full compliance with such drawing and specifications. Articles or goods not conforming to such drawing and specifications may be rejected and returned by Purchaser for credit or refund of purchase price. The risk of loss with respect to all non-conforming goods and materials shall be borne by Vendor. Transportation charges for shipment to Purchaser and all expenses of unpacking, examining, repacking, storing, and transportation cost to reship such non-conforming goods and materials shall be paid by Vendor. Vendor agrees to permit access to its facilities at all reasonable times for inspection of goods by Purchaser's agents or employees, and will produce all tools, facilities and assistance necessary for such inspection at no additional cost to Purchaser.

5. **Material Furnished** - Title to all material furnished by Purchaser on other than a charge

basis shall at all times be and remain in Purchaser. Vendor agrees to account for all such materials to the sole satisfaction of Purchaser or pay Purchaser for all costs to replace such materials. Material furnished by Purchaser shall be kept separate from other materials and shall be clearly identified as property of Purchaser. Vendor assumes all liability for loss or damage and agrees to supply detailed statements of inventory as requested. Vendor agrees to notify Purchaser of each receipt of material furnished, either directly or through a third party, by the Purchaser. Delivery shall be F.O.B. destination (UCC terms) unless otherwise agreed to in writing.

6. Additional Parts - Purchaser shall have the right to purchase from Vendor additional parts for service requirements at a negotiated price until such time as Purchaser has authorized tool disposition.

7. Patent Indemnity Clause - Vendor hereby warrants that the goods purchased hereunder and the sale or use of them will not infringe any United States Letters Patent and foreign Letters Patents or Trademarks. Vendor agrees to indemnify and hold harmless Purchaser, its successors, assigns customers, and users of its products against any loss, damage, liability, costs, and expenses which may be incurred as a result of, and/or in defending or settling any suit, claim, judgment or demand involving infringement or alleged infringement of any United States Letters Patent and foreign Letters Patents or Trademarks by the sale or use of the goods purchased hereunder. Vendor agrees that it will, when so requested, provided it is given reasonable notice of the pendency of any such suit, claim, or demand, assume the defense of Purchaser, and/or its successors, assigns, and customers, and users of its products against any such aforementioned suits, claims, or demands.

8. Vendor's Warranty - Vendor warrants that all products, goods, and services, delivered or furnished pursuant to an order will conform strictly to specifications, models, drawings, samples, and descriptions furnished or designated by Purchaser, and will be merchantable, of good material and workmanship, and products of goods of Vendor's design will be fit in every respect for the purposes intended. Vendor's warranty is for Purchaser, its successors, assigns and users of its products, and shall be construed as a condition as well as a warranty. Purchaser shall have all remedies at law and equity for the breach of any warranty.

9. Compliance with Laws - Vendor agrees to comply with all applicable State, Federal, and Local laws, orders, and regulations. This Agreement shall be construed under and governed by the laws of the state of Minnesota. The exclusive venue for any actions

brought under this Agreement shall be in Becker County, in the State of Minnesota.

10. Contravening Law - Should any term or provision contained in the contract contravene or be invalid under applicable law, the contract shall not fail by reason thereof, but shall be construed in the same manner as if such term or provision had not appeared therein.

11. Delays and Terminations - Vendor agrees to notify Purchaser immediately of any matters or events that may delay delivery of the goods or services herein ordered. Neither party shall be liable for failure of performance due to strikes, fires, accidents, acts of the government including any preference, priority, or allocation order or other causes beyond its control. Purchaser shall have the right to cancel the Purchase Order due to any Force Majeure event. Vendor understands and agrees that time is of the essence of a purchase order and further agrees that deliveries will be made in such quantities at such times and at such places as Purchaser may from time to time direct and Purchaser has the right to reject any shipment which does not conform to such directions and terminate all or part of the Purchase Order returning such goods or materials to Vendor, at Vendor's risk and expense. The happening of any of the following events shall be grounds for immediate termination by Purchaser, insolvency of Vendor, the filing of a voluntary petition in bankruptcy by vendor; the filing of an involuntary petition to have Vendor declared bankrupt, provided it is not vacated within thirty (30) days from date of filing; the appointment of a Receiver or Trustee for Vendor provided such appointment is not vacated within thirty (30) days from the date of such appointment; the execution by Vendor of an assignment for the benefit of creditors, or in the default by Vendor under any of the General Conditions or other terms of a purchase order.

12. Dies, Tools, and Patterns - If a purchase is for special dies, jigs, tools, and patterns for use in the manufacture of goods for Purchaser, or if the price is to be paid for the goods on the face of an order includes the cost of dies, jigs, tools, and patterns for use in the manufacture of goods for Purchaser, then such dies, etc. shall be and become the property of Purchaser, and shall be clearly identified as the property of Purchaser, at any time without further charges of any nature. Such dies, jigs, tools, and patterns shall be kept in good condition by Vendor, without expense to Purchaser, excepting the actual cost of changes due to Purchaser's change of design or specifications, which shall be paid by Purchaser. Such tools, dies, jigs, and patterns shall not be used to fill purchase orders other than those of Purchaser or be disposed of, except with the written consent of Purchaser. Upon cancellation or termination of a purchase order for any reason

whatsoever, Vendor shall prepare such tools, dies, jigs, and patterns for shipment and dispose of them as Purchaser shall direct. Vendor agrees to insure against the loss, damage, or destruction of such dies, jigs, tools, and patterns, and will hold Purchaser harmless from any loss, damage, or the like to such dies, etc., and further agrees, at Vendor's expense, to replace or pay Purchaser the cost thereof in the event of such occurrence which is not caused by the fault of Purchaser.

13. Title to Drawings and Specifications - Purchaser shall at all times have title to all drawings and specifications furnished by Purchaser to Vendor and intended for use in connection with a purchase. Vendor shall use such drawings and specifications only in connection with a purchase order and shall not disclose such drawings and specifications to any person, firm or corporation other than to necessary Vendor's employees, subcontractors or government inspectors. Vendor shall upon Purchaser's request, promptly return all drawings and specifications to Purchaser.

14. Cancellation by Purchase - Purchaser reserves the right to cancel an order, or any part thereof, at any time, though the Vendor is not in default hereunder, on 60 days written notice to Vendor in the event of such cancellation. Purchaser shall pay for all goods and services delivered, completed, and acceptable to Purchaser. Purchaser shall not be liable for any cancellation charges, penalties, costs, damages or other liabilities. Exercise by Purchaser of the rights to cancellation reserved in this Paragraph (14) and Paragraph 11 hereof shall give rise to not liability on the part of Purchaser, and shall not have the effect of waiving damages to which Purchaser might otherwise be entitled.

15. Cancellation by Vendor - In the event that Vendor desires and requests, in writing and receives permission for, cancellation of an order prior to the completion of the services or delivery of the total goods specified herein, Purchaser shall not be obligated to pay Vendor the goods and materials in process, but shall only be obligated to pay Vendor for those finished goods delivered, or services rendered, which are acceptable to Purchaser, as of an effective date of such cancellation, which date shall be the date of acknowledgement and agreement by Purchaser to Vendor's desire to cancel an order, provided, however, that Purchaser shall be obligated to pay for the tools, dies, jigs, and patterns included under an order only to the extent that such tools, etc., have been completed to the specifications therefore, or to the specifications of the goods for which such tools, etc., are being built, as of the effective date of such cancellation; and provided, further, that such tools, etc., regardless of the percent of completion, are readily adaptable for use by Purchaser in its own or another vendor's manufacturing facilities. Nothing in this paragraph is intended, nor should such be implied, to be a

waiver of Purchaser's legal or equitable rights or remedies for breach of the terms of a purchaser order.

16. Indemnification - Vendor shall take all necessary precautions to prevent the occurrence of any injury to person or property during the progress of the work contemplated hereunder and, except to the extent that any such injury is due solely and directly to Purchaser's or its Customer's negligence, as the case may be, shall indemnify and hold harmless Purchaser against all claims, liability, costs, expenses or loss which may result in any way from any act or omission of Vendor, its agents, employees or sub-contractors, and Vendor shall maintain such General Commercial Liability, Property Damage, Employee's Liability, and Compensation Insurance as will protect Purchaser from said risks and from any claims under any applicable Workmen's Compensation and Occupational Disease Acts.

17. Assignment and Subcontracting - An order may not be assigned or subcontracted in whole or in part, nor may any assignment of any money due or to become due hereunder be made by Vendor without the prior written consent of Purchaser.

18. Use of Purchaser's Names - Vendor agrees not to use Purchaser's name, trademarks of the like in Vendor's advertising, or to show parts made for Purchaser in Vendor's advertising with Purchaser's name, or otherwise use Purchaser's name, trademarks or the like to promote Vendor's sales without prior written permission of Purchaser.

19. Nondisclosure and Confidential Information - Vendor agrees that for a period of three (3) years from the date of each receipt of written information marked Proprietary or Confidential, or information disclosed orally and identified orally as Confidential or Proprietary at the time of disclosure and reduced to writing and delivered to the Vendor within ten (10) days after disclosure, the Vendor shall not disseminate or publish such information to any other person, firm or corporation, and shall use the same degree of care to avoid publication or dissemination of such information as the Vendor employs with respect to its own information which it does not desire to have published or disseminated. Nothing contained in this nondisclosure agreement, or other paragraphs of this document, shall be construed as granting or conferring any rights by license or otherwise, expressly impliedly, or otherwise, for any invention discovery or improvement made, conceived, or acquired prior to or after the date of an agreement.

20. Vendor is liable for all taxes on all Material furnished by Vendor including, but not limited to, sales, use and excise taxes not agreed to in the Purchase Order. Purchaser is liable for all sales and use taxes related only to Purchaser-furnished material, if any.

20. Purchaser shall not be liable for anticipated profits or for incidental or consequential damages or for any penalties. Any action against Purchaser must be commenced within one year after the event from which the cause of action arose. Purchaser's liability to Vendor shall not exceed the Agreement price.

21. Vendor agrees that the prevention of accidents involving workers engaged in the work is Vendor's responsibility. Vendor shall promptly take all reasonable and prudent actions to prevent and/or mitigate any damage, injury, and/or loss, regardless of the source of fault, particularly in the event of an emergency.

