



SUPPLIER REQUIREMENTS MANUAL

This handbook outlines the expectations of suppliers to N-K Manufacturing Technologies, LLC and N-K Sealing Technologies, LLC (dba Caldwell Gasket Company). Suppliers must ensure that their employees and contractors understand the requirements of this handbook. For additional information or help, contact the Purchasing or Quality representatives at N-K Manufacturing Technologies, LLC.

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I. Introduction

A. Objective

The objective of this manual is to provide our suppliers with an understanding of the requirements to supply N-K Manufacturing Technologies, LLC or N-K Sealing Technologies, LLC (dba Caldwell Gasket Co).

B. Sourcing Strategy

N-K intends to establish and maintain long-term relationships with suppliers who are committed to continuous improvement in cost, quality, delivery, and service in order to excel in industry. N-K believes evidence of this commitment to a continuous improvement philosophy includes, but is not limited to; 3rd party registration to ISO9001:2015, ISO/TS16949:2009 or IATF 16949:2016, proactive supply-chain management, daily or multi-day Just-in-Time deliveries, productivity improvements and participation in APQP processes (both internally and externally), and proactive problem solving activities. In turn, N-K will deal with our suppliers honestly and with integrity, strive to listen to our suppliers concerns, communicate our requirements and provide our suppliers with the appropriate tools to perform at world-class levels.

C. N-K's Quality Policy

N-K's Quality Policy is:

- To provide world class quality products backed by personal service which exceeds customer's expectation
- To operate in compliance with requirements (including governmental regulations)
- To consider prevention of pollution in our operations
- To continually improve our operations and activities to protect our environment and improve the effectiveness of our system
- To set objectives and targets and review them on a regular basis

We recognize the critical role quality plays in our success. We depend on receiving quality materials from our entire supply chain. Quality is a prime consideration for supplier selection. Your dedication to quality and strict adherence to the N-K Supplier Requirements Manual, part drawings specifications, purchase orders and releases will clearly document your value as a N-K supplier.

D. Monitoring Supplier Performance

Compliance to the N-K requirements will be monitored, through the Supplier Performance Report as it is considered an important part of our supplier development strategy. Through a process of positive interaction, we want to assist in our suppliers' continuous improvement efforts. Our approach is to prevent problems before they become obstacles to success. If problems arise, we strive to resolve them by working with our suppliers to find the appropriate solutions.

II. Purchase Process

A. Quotations

All quotations must include all costs that the supplier expects N-K to reimburse the supplier for; such as deliver, packaging, fuel surcharges. It is expected that a breakdown of all costs including raw material, purchased parts, direct labor, indirect labor, overhead, total manufacturing cost, end of line scrap, SG&A, profit allowance will be provided for all parts. All new parts and engineering quotes should be submitted with a Team Feasibility Commitment form. (See Attachment A)

B. Terms and Conditions

The purchase of a product or service between N-K and a supplier can only be initiated by issuance of a purchase order. The purchase contract constitutes an offer of purchase, which is subject to N-K's standard terms and conditions (See Attachment B). Any expression of acceptance from the supplier, including shipment of product will constitute acceptance of these terms and conditions. Any different or additional terms contained in any response issued by the supplier shall be of no effect whatsoever, unless specifically agreed to in writing on the purchase order. N-K specifically objects to any attempt by any supplier to limit warranties or N-K's remedies. For production components, the payment terms shall be 45 days unless otherwise specified on the purchase contract. Freight terms shall be FOB destination – freight prepaid unless otherwise specified on the purchase order.

C. Prices

N-K requires all supplier invoice prices to match N-K purchase contract prices exactly, to ensure timely processing. To achieve this, any price change must be submitted in writing 30 days prior to the effectivity date and must be documented by the issuance of a modified purchase order. Invoices that do not match will be returned to the supplier. Payment terms will apply when N-K receives a conforming invoice. Repeated invoice errors may result in a

\$150.00 process charge that will be deducted against your invoice. The supplier will be notified by N-K prior to deductions being taken.

D. Continuity of Supply

Every supplier is faced with the possibility of production being interrupted by unforeseen circumstances, such as power loss, adverse weather, or machine breakdown. Because any interruption in supply may result in substantial damages if N-K is not able to meet customer demands; therefore, we require each of our raw material suppliers to develop a plan for continuity of supply. This plan must be immediately available upon request. Failure to have a plan may result in supplier being de-sourced. Cost resulting from failure to maintain a continuity of supply will be the responsibility of the supplier.

Supplier shall notify N-K of any mergers, acquisitions or affiliations entered into. Supplier shall notify N-K of any relocation of their manufacturing operations.

Supplier shall not subcontract any activities related to the product provided to N-K without N-K's prior knowledge and written approval.

If Supplier or N-K's customer has design responsibility for product being supplied to N-K, no changes to that product will be made without N-K's prior notification and written approval. This includes any actions that may be approved by the supplier or by N-K's customer that result in product that does not conform to drawings or specifications.

E. Service Part Requirements

By accepting a production contract from N-K, the supplier agrees to maintain the tooling, facilities, gauges, fixtures, and equipment required to manufacture the contracted component(s) for at least 10 years following the end of production. Service order pricing shall remain fixed at the production price for the first 3 years of service, unless otherwise agreed upon during the production launch process. Any other agreements must be in writing and must be contained in the purchase order.

F. Tool Identification and Maintenance Costs

All tools must be permanently identified showing ownership and a unique tool number.

Tool maintenance costs are the responsibility of the supplier unless other arrangements have been made and are documented in the purchase order. Suppliers must have preventative maintenance frequency established and track tool maintenance. Records of tool maintenance and repair must include the tool number and will be made available to N-K upon request. Supplier is

responsible for ensuring product supply is not interrupted due to tool repair or maintenance.

Any gauges provided by N-K to be used for product acceptance may require routine calibration/verification. The supplier is responsible for ensuring that no gage that has exceeded its approved calibration date is utilized for product acceptance. Supplier is responsible for coordinating with N-K purchasing to ensure gauge can be calibrated without affecting product deliveries.

III. Quality

A. Incoming Inspection

All materials furnished must conform to contractual requirements and specifications and are subject to inspection and approval of N-K and its customers.

In some circumstances, product acceptance may be completed at supplier's facility. When required, N-K or N-K's customers shall be afforded the right to verify at the supplier's premises that the product or service supplied to N-K conforms to specified requirements. The purchase order shall specify who and how the product will be accepted.

In the event non-conforming material is found at N-K or N-K's customer, N-K will immediately contact the supplier and communicate the issue and work with the supplier to define the assistance that is required from the supplier to resolve the non-conformance. In the event that the supplier cannot provide the assistance required in the timeframe needed to prevent downtime at N-K or N-K's customer; the supplier will be debited for costs incurred performing these activities. These costs may include, but are not limited to:

- Reject fees from N-K's customer
- Warranty claims or recall costs
- Downtime at N-K or N-K's customer
- Premium freight to N-K's customer
- Sort/rework charges
- Administrative fees

During the launch phase of a new product, the supplier will have in place a containment process, similar to GP-12, for the first 90-days of production or until a demonstrated level of quality performance has been achieved. The level of quality performance to be attained will be agreed upon by supplier and N-K prior to the launch phase.

B. Dock to Stock Program

The dock-to-stock program establishes a quality partnership and reduces repetitive inspection when the history of supplier product has shown acceptable levels of quality. A product goes to dock-to-stock when these criteria are met:

- A history of acceptable product has been established with documented sample plan methodology
- No customer complaints
- No quality issues related to similar product, such as color

C. Supplier Requests for Temporary Deviation

In the event product produced by the supplier does not comply with all requirements, N-K may grant a temporary specification change. Requests for such changes must be submitted in writing, to N-K's Quality and Purchasing, detailing the reason for the deviation and must be approved prior to shipping any product to N-K. The purchase order must be amended to state the maximum quantity or period for which the deviation shall apply. All product shipped under a deviation must be clearly identified with a description for the deviation. The supplier will be fully exposed to all warranty claims and rework for reject costs for shipments of product which do not conform to specification.

D. Non-Conforming Product Disposition

Non-conforming material will be dispositioned as follows:

- Return to supplier: Supplier to provide N-K with return authorization documentation and freight carrier to return material on a collect basis. N-K will debit the supplier for the cost of product being returned. N-K may assess a \$200.00 processing fee.
- Scrap at N-K: Supplier to provide N-K with written authorization to scrap material at N-K. N-K will debit the supplier for the cost of product being scrapped and the cost of disposition. N-K may assess a \$200.00 processing fee.
- Rework/Sort: Supplier will provide personnel, equipment and work instructions necessary to sort or rework product at N-K or at N-K's customer. N-K may assess a \$200.00 processing fee.

Suppliers that continue to ship product with non-conformances may be placed on internal and/or external 3rd party containment at the supplier's expense. N-K requires our supplier to implement quality systems to provide N-K with 100% conforming product; thus eliminating the need to manage Corrective Action Reports and provide our customer with the highest quality products.

E. Corrective Actions

Suppliers will be required to provide N-K with Corrective Action Reports (CAR's) for any defective product supplied and other circumstances, as requested.

- Containment: within 24 hours of notification
- Root Cause: within 5 working days of notification
- Corrective Action: within 20 days of notification
- Closure: as defined in verification stage; in agreement with N-K Quality

Supplier will be required to provide material that has been independently inspected by persons other than those producing the product, until such time as CAR has been accepted by N-K. All product supplied must be clearly identified as "100% Inspected" with a description of the defect or CAR number, if utilized by the supplier.

F. Quality Documentation

The supplier shall have the ability to communicate necessary information, including data in customer specified language and format.

When requested, Certificate of Compliance, **Safety Data Sheet**, Certificate of Analysis, SPC data, IMDS submittals and PPAP submittals may be required. The preferred format for these documents would be electronic. Certifications and SPC data are usually requested as the result of a quality concern or audit and your timeliness in producing these documents is critical. Other requests are generally driven by end customer demand and it is essential to meet this timing or notify N-K immediately if timing is in jeopardy so N-K can assist in minimizing any delays, failure to fulfill requests within the timeframe needed may result in delay of payment.

G. Supplier's Quality Standards

Unless otherwise specified by N-K, suppliers; **at minimum**, shall be third-party registered to ISO9001:2015 by an accredited third-party certification body. It is a N-K requirement that our suppliers establish, document and maintain a quality system as a means of ensuring product conforms to specified requirements.

All suppliers are expected to utilize an Advanced Product Quality Planning process to assure smooth launch and uninterrupted production of supplied product to N-K.

H. Supplier Performance Report

All Suppliers must strive to be at 100% performance based on the following:

- % on time delivery – calculated by # of shipments due and # received on time. Both early and late shipments are considered “not on time”.
 - 100%-90.01% = 30 points
 - 90.0%-70.01% = 20 points
 - 70.0%-50.1% = 10 points
 - 50.0%-0% = 0 points
- PPM – calculated by dividing the number of defective parts received by the total number parts received and multiplied by 1,000,000.
 - 0-75ppm = 20 points
 - 75.01-250ppm = 15 points
 - 250.01-500ppm = 10 points
 - 500.01-1,000,000 = 0 points
- Corrective Actions – based on the number of corrective actions open
 - 0 problems = 40 points
 - 1 problem = 20 points
 - 2-3 problems = 10 points
 - 4+ problems = 0 points
- Required Shipping Documents – determined if required shipping documents (reference N-K purchase orders) have been provided at the time of shipment receipt.
 - Pass – all required documents provided at the time shipment is received = 10 points
 - Fail – required documents not provided at the time shipment is received = 0 points

Suppliers which fall below 60 points for a 3 month period may be required to submit a documented improvement plan to N-K Quality and Purchasing.

IV. Delivery Requirements

A. Packaging and Shipping Requirements

It is the suppliers' responsibility to develop packaging design for their products. N-K is interested in obtaining the most economical packaging, transportation, and handling costs, while ensuring part protection and quality.

Maximum unit load size, including pallet, is 48”L x 40”W x 46”H. Pallets must provide 4-way fork entry. To minimize manual handling, all containers must be palletized unless part volumes to individual shipments are insufficient to complete one full-palletized layer.

Cartons are to be palletized in full layers to allow tiered unit loads in transit and storage. Suppliers must size all cartons to best utilize the length and width of the pallet. Corrugated material used in shipping containers must have adequate strength to protect parts during shipment. Cartons must be adequately sealed to assure they do not open during shipment or handling.

All packages must have sufficient strength and stability to withstand double stacking. If not, a label must be placed on skid stating "DO NOT STACK".

Mixed loads must be identified with a label stating "MIXED LOAD".

The use of returnable containers is encouraged when feasible. Unless stated on the purchase order, responsibility for transportation costs to move empty containers will be the suppliers.

B. Delivery Schedules

It is the supplier's responsibility to ensure goods are received at N-K on the date/time required by N-K. Dates shown on the purchase order are N-K's in-house delivery dates. Supplier is responsible for any adjustments necessary due to planning or transportation needed to ensure product arrives on time.

N-K expects 100% on time delivery performance; which is defined as not more than 1 day earlier than the due date on the purchase order and not after that date. Suppliers may be required to provide corrective action whenever this requirement is not met. Costs resulting from late deliveries will be charged back to the supplier accordingly. Early shipments may be rejected and subject the conditions defined in the Non-Conforming Product Disposition section of this manual.

It is the supplier's responsibility to inform N-K purchasing department immediately of any potential difficulties in meeting delivery requirements. Alternative plans may be available which would avoid downtime and charges to the supplier.

Continued late deliveries may result in supplier resourcing.

C. Delivery Times

N-K facilities have **specific times** when deliveries are allowed. Please contact N-K to confirm these times and location. If unable to deliver during these times, then you must contact N-K Purchasing Department to make alternative arrangements.

D. Adherence to release quantities or minimum/maximum inventory levels

In most cases, N-K purchasing will issue blanket purchase orders. Material releases will be issued against the blanket purchase order. Material authorizations for blanket orders are 2 weeks' worth of fabrication requirements and 4 weeks' worth of requirements.

The internal planning method for the blanket purchase orders may be by Kanban. When utilized, stock levels are established based on N-K's desired inventory position, the supplier's lead time and minimum order quantities. Any raw or fabrication authorizations beyond these must be provided in writing via the purchase order. N-K cannot be responsible for any costs incurred by suppliers in excess of these authorizations.

Product is to be shipped in the quantities defined on the purchase order. Over and short shipments are not acceptable. Any standard over or under quantities/percentages must be stated in writing on the purchase order.

N-K will provide the supplier in writing with notification of a balance out for the product being supplied, when known. Upon notification, supplier will contact and obtain approval from N-K for any expenditure made by supplier in excess of the releases provided.

E. Documentation

Supplier must ensure that packing slip and invoice must contain the following:

- Packing list and/or invoice number
- Supplier name and address
- Ship to address
- N-K's purchase order number
- N-K's part number
- Part description
- Quantity/container and # of container(s)
- Lot number, date of manufacture, or traceability number

Packing slip should be accompanied by a BOL, commercial invoice and certificate of origin, if required, a copy of the current MSDS documentation, Certificate of Analysis, and/or Certificate of Conformance.

All products must be labeled with an AIAG B-3 barcode or similar format label that contains, the following information, at a minimum:

- N-K part number
- Quantity
- Lot number, date of manufacture or product traceability number
- Purchase order number

Labels should be placed on 2 adjacent corners of each box and must be visible when palletized.

Product received without proper paperwork or labeling may result in a corrective action request being requested and/or a processing fee of \$200.00 per shipment. Repeated occurrences of incorrect paperwork or labeling may result in product being rejected and subject to disposition and charges as defined in the non-conforming section may result in resourcing of supplier product.

F. Hazardous Material

Suppliers must follow relevant Health, Safety and Environmental regulations; all hazardous materials are to be packaged and identified in conformance with government regulations. Safety Data Sheets (SDS) labels and/or proper markings must be on containers/labels and proper paperwork including SDS sheets supplied to N-K prior to or upon delivery.

G. Regulatory Requirements

All products or materials supplied to N-K shall conform to all applicable regulatory requirements

V. Visitors and Delivery Personnel

Visitors and delivery personnel display a visitor badge upon entering N-K's building if proceeding beyond the receiving area or lobby.

All delivery persons must immediately inform dock personnel they are on the premises.

Visitors and delivery personnel upon entering N-K's property must be familiar and compliant with N-K's environmental policies.

Our employees are one of our most valuable assets. Visitors and delivery persons are required to follow all safety rules and regulations and treat our employees professionally and respectfully.

VI. Attachments

- A. Team Feasibility Commitment Form
- B. Purchase Order General Terms and Conditions

ATTACHMENT A

Team Feasibility Commitment

Date:		Part Number:	
Customer Name:		Part Name:	
Duns #:		Drawing Revision:	
Program Name:		Contact Name:	

Feasibility Considerations:

Our PQP has considered the following questions, not intended to be all-inclusive in performing a feasibility evaluation. The drawings and/or specifications provided have been used as a basis for analyzing our ability to meet all specified requirements. **The supplier understands that the purpose of this commitment is to document the supplier's capability to meet the design and the Customer Specific Requirements provided to the supplier.**
 For any "NO" answers, the applicable line item # on the Remarks/Concerns sheet must be completed, including proposed changes that would enable the specified requirement(s) to be met.

Yes	No	N/A	Manufacturing Feasibility Consideration	
			1.	Is product adequately defined (application requirement, etc.) to enable feasibility evaluation?
			2.	Can Engineering Performance Specifications be met as written?
			3.	Is the GD&T on the drawing understood and agreed upon?
			4.	Does the design allow the use of efficient material handling techniques?
			5.	Can the product be manufactured without incurring any unusual costs for capital equipment / investment?
			5a.	Can the product be manufactured without incurring any unusual cost for tooling?
			6.	Can the product be manufactured without rework or offline processing?
			7.	Do the capacity analysis projections indicate adequate tooling capacity, equipment capacity, and machine capacity available to meet production requirements?
			8.	Does the drawing require SPC on the product?
			8a.	If no, are "internal" SC's identified and added to the control plan?
			9.	Can product be manufactured to the tolerances specified on the drawing?
			10.	Can Key Characteristics for the product be manufactured to meet the Initial Process Capability requirement: Cpk >= 1.67?
			10a.	Can Key Characteristics for the product be manufactured to meet the long term Process Capability requirement: Cpk >= 1.33?
			10b.	For similar products currently produced that require statistical control, are the Key Characteristics normally distributed, is the process in statistical control and are the Cpk's >= 1.33?
			11.	Does the product require gaging or a check fixture?
			12.	Is it understood how/where the part will be used in the end customer application?
			13.	Is the end customer, Customer Specific Requirements understood for the program this part will used?
			14.	Is adherence to the "Supplier Requirements Manual" agreed?

Enter X	Feasibility Conclusion	Actions
	Feasible Product can be produced as specified with no revisions. Customer Requirements can be met.	Actions are optional, not mandatory
	Feasible with Exceptions The current designed product, capacity and customer requirements are feasible but recommended changes, exceptions or need additional information	A documented reason(s) needed for a conclusion with recommended changes, additional information, etc. on the Remarks/Concerns Sheet.
	Not Feasible Design revision required to produce product within the specified requirements or critical information is not available to enable a capability feasibility determination.	A documented reason for a "Not Feasible" conclusion on the Remarks/Concerns Sheet

Sign-Off Approvals	Title	Date

Item #	Remarks/Concerns from Team Feasibility Commitment	Actions (Describe suggested actions that it will take to correct the concern) <ul style="list-style-type: none"> • Person Responsible/Title • Target Completion Date 	Customer Comments / Actions (Describe actions that can be taken to correct the concern) <ul style="list-style-type: none"> • Person Responsible/Title • Target Completion Date 	Correction Status (R/Y/G/W) O-Open (red) IP – In-process (yellow) C-Closed (green) NR-Not Required (white)
1				
2				
3				
4				
5				
6				
7				
8				

Note: Completing the section below is only required if Feasibility Conclusion is: “Feasibility with Exceptions” or “Not Feasible”, OR when actions are required.

Key Contact Signature & Title:		Date:	
Sales Manager:		Date:	
Engineering Manager:		Date:	
Quality Manager:		Date:	

ATTACHMENT B

N-K MANUFACTURING TECHNOLOGIES LLC
N-K SEALING TECHNOLOGIES, LLC (dba CALDWELL GASKET COMPANY)
PURCHASE ORDER GENERAL TERMS AND CONDITIONS

1. **OFFER AND ACCEPTANCE.** This Purchase Order ("Order") is an offer to Seller by Buyer to enter into a purchase/supply agreement, and this, together with any documents, specifically referenced herein, represents the entire agreement between the parties. The terms and conditions set forth herein and on the face side of the Order constitute the parties' contractual agreement and supersede any previous oral or written representations, including but not limited to provisions in Seller's quotations, proposals, acknowledgements or other documents. No course of dealing or usage of trade shall be applicable unless expressly incorporated by this Order. The terms of this Order may not be varied or modified in any manner unless in a subsequent writing signed by an authorized representative of Buyer. Any clerical errors contained on the face side are subject to correction by Buyer. Seller's written acknowledgement within 10 days of the date of this Order, commencement of work on the goods or performance of the services subject to this Order, or shipment of such goods, whichever occurs first, shall be deemed an effective mode of acceptance of this Order. Any acceptance of this Order is limited to acceptance of the express terms set forth herein. Any proposal for additional or different terms or any attempt by Seller to vary in any degree any of the terms of this offer in Seller's acceptance or other documents are deemed material and are hereby objected to and rejected, but such proposals shall not operate as a rejection of this offer, unless such variances are in the terms of the description, quantity, price or delivery schedule of the goods or services, and this offer shall be deemed an acceptance of a prior offer by Seller, such acceptance is limited to the express terms set for herein.

Buyer objects to any additional or contrary terms in Seller's quotation, acknowledgement, or invoice, and the terms herein shall be binding upon the parties. **AN ATTEMPTED ACKNOWLEDGEMENT OF THE ORDER CONTAINING TERMS INCONSISTENT WITH OR IN ADDITION TO THOSE STATED HEREIN IS NOT BINDING UPON BUYER UNLESS SPECIFICALLY ACCEPTED BY BUYER IN WRITING.**

2. **LOSS AND TITLE.** All shipments are at the risk of Seller regardless of the F.O.B point, unless otherwise agreed to in writing signed by an authorized representative of Buyer. If risk of loss is assumed by Buyer in writing, all risk casualty insurance must be provided by Seller for the benefit of Buyer. Title shall remain with Seller until the earliest of payment for or receipt of the goods or products by Buyer at its plant. Risk of loss shall not be governed by transfer of title.
3. **WARRANTY.** Seller warrants that the material or articles covered by this order, together with all related packaging and labeling and other material furnished by Seller, (a) will conform to all of the specifications or samples furnished by Buyer and will be fit and sufficient for their intended purpose, (b) will function properly and be free of any defects in design, material and workmanship, (c) will conform in all respects with all applicable federal, state, and local laws, orders and regulations, including, without limitation, those regarding occupational health, and (d) will not infringe or encroach upon Buyer's or any third party's personal, contractual or proprietary rights, including, without limitation, patents, trademarks, copyrights, rights of privacy, or trade secrets. Such warranty shall be in addition to those available at law and shall survive any acceptance by Buyer of all or a part of the material or articles covered by this order.

This warranty shall run to Buyer, its dealers, customers and users of its products. Seller agrees to promptly replace or correct defects of any goods or services not conforming to the foregoing warranty, without expense to Buyer, when notified of such nonconformity by Buyer. In the event Seller fails to promptly correct defects in or replace nonconforming goods. Buyer may make such corrections or replace such goods and services and charge Seller for costs of materials, labor, transportation or other costs incurred by Buyer. In addition to any other remedies it may have,

Buyer may reject nonconforming goods and return them to Seller at Seller's expense; nonconforming goods may not be replaced without Buyer's written authorization.

ANY ATTEMPT BY SELLER TO LIMIT, DISCLAIM OR RESTRICT ANY OF THE WARRANTIES HEREIN, BY ACKNOWLEDGEMENT OR OTHERWISE, IN ACCEPTING OR PERFORMING THE ORDER SHALL BE NULL AND VOID WITHOUT THE PRIOR WRITTEN CONSENT OF BUYER'S VICE PRESIDENT OF PURCHASING.

4. **TOOLING.** Unless agreed in writing, all tooling, dies, special dies, patterns, patents, jigs, gages, fixtures, drawings, designs, samples, tooling aids, molds and/or any other property that is paid for by Buyer and/or furnished to Seller by Buyer and/or made available to Seller by Buyer for use by Seller in producing any goods or parts covered by any Order (the "tooling") is the property of Buyer or its customer and shall (i) be used exclusively for the benefit of Buyer; (ii) be used only in filling Orders; (iii) remain and be conspicuously identified as Buyer's property; (iv) be segregated from the property of Seller and others; (v) be removed only upon Buyer's instructions; (vi) be held at Seller's risk and insured at its expense in a replacement cost amount with loss payable to Buyer (evidence of insurance to be furnished upon request); (vii) be subject to inspection and removal by Buyer at any time and for any reason whatsoever; and (viii) be maintained in good conditions, at Seller's expense, and not be modified without Buyer's prior written consent. Seller shall bear the risk of loss of, and damage to, the tooling, normal wear and tear excepted. Seller grants to Buyer a purchase money security interest in the tooling, and any portion thereof, work in progress, raw materials, drawings and other items dedicated to constructing the tooling and agrees to perform any act and execute any document reasonably necessary to perfect the Buyer's security interest in the tooling. Seller agrees to immediately return the Tooling to Buyer as Buyer may direct and acknowledge it has no title in the Tooling and will not encumber it in any manner whatsoever, and hereby waives any lien claims it may have in the Tooling. The Tooling shall be delivered to Buyer promptly and in accordance with Buyer's instructions, free and clear of any liens and without payment of any amount by Buyer. Seller acknowledges that its failure to return the Tooling on demand will cause Buyer to sustain irreparable harm warranting immediate and injunctive relief, and further agrees that in the event of such failure, Seller will pay liquidated damages to Buyer in the amount of Five Hundred Thousand Dollars (\$ 500,000) per day, plus all legal fees and costs associated with Buyer's enforcement of this section and the recovery of the Tooling.
5. **PRICE TERMS.** The goods and services will be furnished at the price set forth on the face side of the Order in U.S. dollars. Seller warrants that the price for the goods and services is no less favorable than those currently extended to any other customer for the same or similar goods in similar quantities. Seller agrees to participate in and to provide goods and services in compliance with the requirements of any cost reduction program in which Buyer is obligated by its customer(s) to participate. Buyer shall also receive the full benefit of all discounts, premiums, and other favorable terms of payment customarily offered by Seller to its customers. In the event Seller reduces its price for the goods and services during the term of this Order, Seller agrees to reduce the prices to Buyer correspondingly. Seller warrants that the prices in this order shall be complete, and no additional charges of any type shall be added without Buyer's express written consent.
6. **INSPECTION.** All goods shall be received subject to Buyer's right of inspection and rejection. Buyer shall have a reasonable time, but not less than 14 business days after delivery, to inspect delivered goods or products prior to inspecting the same. Defective goods or products not in conformity with Buyer's specifications or the Order will be returned to Seller at Seller's expense. Payment for the goods prior to inspection shall not constitute an acceptance thereof. Acceptance shall not release Seller's responsibility for latent defects or non-conformities nor for warranty claims.

7. **PERFORMANCE DELAYS.** (a) Seller agrees not to give any other customer of Seller any priority over Buyer, in the allocation of Seller's production. (b) Timely delivery is essential; however, neither party shall be liable to the other for any delay or failure to perform where such delay or failure is caused by events beyond the control of the affected party. The foregoing shall be subject to the affected party giving reasonable notice to the other party. In the event of delay or failure to perform by Seller, Buyer may, without waiving its right to seek damages caused by the delay, either terminate this Order or reject any partial or future performance, without further liability of Buyer upon written notice to Seller.

Whenever seller has knowledge of any actual or potential cause or event which delays or threatens to delay the timely performance of any Order, Seller shall immediately give Buyer written notice thereof, including all relevant information. Seller shall notify Buyer in writing of any actual or potential labor dispute delaying or threatening to delay timely performance of this Order. Seller shall notify Buyer in writing 6 months in advance of the expiration of any current labor contracts. Seller shall deliver a supply of finished goods at least 30 days prior to the expiration of any such labor contract, in quantities and for storage at sites designated by Buyer.

8. **CONFIDENTIALITY.** Seller agrees not to disclose to third parties any information regarding Buyer or its business or its customers, including the existence and terms of any Order, or use such information itself for any purpose other than performing this order, without Buyer's written prior approval. This paragraph shall apply to drawings, specifications, and any other documents prepared by Seller for Buyer in connection with any Order.
9. **TRANSPORTATION & PAYMENT.** Time is of the essence. Delivery must be affected within the time specified in Buyer's Order. If delivery is not made within the time specified in Buyer's Order, Buyer may direct Seller to expedite delivery at Seller's expense.

Shipments shall be routed in accordance with Buyer's instructions, and Seller agrees to reimburse Buyer for all expense incurred by Buyer as a result of improper packing, marking, or routing. Buyer's Order number, part number and Seller's shipment identification (SID) number will appear on each package and bill of lading. Goods for two or more of Buyer's locations will be shipped in separate packages for the different locations. Shipments in excess of those authorized may be returned to Seller, and Seller shall pay the transportation charges both ways for such shipments. Buyer may from time to time change shipping schedules previously furnished Seller, or direct temporary suspension of scheduled shipments. Buyer's count will be accepted as final on all shipments. Unless otherwise expressly agreed to in writing by Buyer, no charge shall be made by Seller for containers, crating, boxing, bundling, dunnage, drayage, or storage.

10. **CHANGES.** Buyer may at any time and from time to time, make changes in the drawings, designs, or specifications, method of shipping or packing, and the place of delivery of any goods and/or work covered hereby. Buyer may make changes in quantities, drawings, specifications, delivery schedules, method of shipment and packaging, and may terminate work on this Order for its own convenience, in whole written or telegraphic notice at any time. In order to assure the timely delivery of materials purchased hereunder, Seller will upon request by Buyer manufacture materials in excess of Buyer's current orders to serve as a reserve for shipment, at such inventory reserve level as may be set by Buyer from time to time, to meet Buyer's requirements and to meet any unforeseen delays due to any reason whatsoever. Until such item is purchased by Buyer from Seller, the same shall remain the property of Seller, and shall be held by Seller at its sole risk and expense. The quantity shipped pursuant to this order or any release issued hereunder shall not exceed the specified quantity without the prior written consent of Buyer.
11. **DOCUMENTATION.** Packing slips (which shall accompany the goods), shipping documents and memos, ASN documents, and bill of lading shall show the Order number, vendor, and item reference numbers. Shipping documents shall be mailed on shipment date and must include the SID, Bill of Lading, or Packing Slip numbers relating to each shipment. Value of the goods shall be declared on shipments F.O.B. point of origin. For each international shipment, Seller shall

include customs valuation invoice with a master packing slip and shall furnish all other required export documents. Export and trade credits shall belong to Buyer. Seller shall furnish (I) all documents required to obtain export credits and customs drawbacks; (ii) certificates of origin of the material goods supplied and the value added in each country; (iii) all NAFTA, AALA and other related documents; (iv) all required export licenses or authorizations; and (v) any other documents requested by Buyer of any of its customers. Seller warrants that the content of such documents shall be true and accurate. Seller shall indemnify Buyer for any damages, including but not limited to duties, interest, and penalties, arising from a false or inaccurate statement

12. INDEMNITY. Seller warrants that the goods sold hereunder will not infringe any U.S. or foreign patent and/or any third party intellectual property right.

Seller agrees to reimburse, indemnify, hold harmless, and defend at its expense (or to pay attorneys' fees incurred by Buyer) Buyer and its affiliates from and against any and all loss, discharge or expense or claim which Buyer may suffer or sustain or be in any way subjected to on account of (a) any claim of infringement of patents, copyrights, trademarks or unfair competition by reason of the loss of goods by Buyer, or its sub Buyers, provided the material or articles are used for their intended purpose and are not made to Buyer's own specifications, and (b) injury to , or death of, any persons or any loss of property arising out of any use, possession or sale of the material or articles or performance of this Contract by Seller, its servants, employees, agents or representatives. Should any of the goods furnished to Buyer hereunder become the subject of an alleged infringement of a U.S. and/or foreign patent and/or any other party intellectual property right, Seller shall, at its expense, either procure for Buyer the right to continue using the goods; replace or modify the same so that they become non-infringing; or refund to Buyer the full purchase price of the alleged infringing goods.

13. TERMINATION AND CHANGES.

- A. Buyer may terminate this Order, or any term or condition under the Order for cause in the event of any breach by the Seller of this Order. The following constitute "for cause" termination of this Order; (i) late deliveries; (ii) deliveries of goods and services that are defective or that do not conform to this Order; (iii) breach by Seller of the terms and conditions of this Order; (iv) failure upon request to provide Buyer with reasonable assurances of future performance; (v) insolvency of Seller; (vi) the filing of an involuntary petition of bankruptcy against Seller or a voluntary petition by Seller; (vii) the execution by Seller of an assignment for the benefit of creditors; (viii) the commencement of any receivership or like proceedings relating to Seller's assets; or (xi) if the seller is a party to a merger, consolidation or other extraordinary corporate transaction in which it is not the surviving entity. In the event of termination of this Order by Buyer for cause, Buyer shall not be liable for Seller for any amount, and Seller shall be liable to Buyer for all damages, direct or indirect, consequential and incidental, sustained by reason of the default which gave rise to the termination, including, but not limited to, excess costs incurred by Buyer as a result of obtaining the goods and services from another source.
- B. Buyer reserves the right to terminate this Order or any term or condition under this Order, in whole or in part, at any time or from time to time, for its sole convenience. In the event of such termination, Seller shall immediately stop all work and cause all of its suppliers and subcontractors to cease work on the portion of this Order so terminated. Upon approval by Buyer, as Seller's sole compensation for the Buyer's termination of this Order or portions thereof, Seller shall be paid a reasonable termination charge consisting solely of an amount equal to the purchase price of the finished goods and services accepted by Buyer, as set forth in this Order, and documented costs to Seller of work in process and raw material allocable to the work to be performed pursuant to this Order, previously authorized by Seller, but in no event shall the amount payable hereunder exceed the purchase price of the finished goods and services which would have resulted from the completion of such work in process and raw

materials. Seller will have no obligation to Buyer upon such termination to pay for goods, work in process or raw material which is in Seller's standard stock or inventory or which are readily marketable. Within 30 days after receipt of a termination notice, Seller shall submit its claim. Buyer reserves the right to verify the claim by auditing all relevant records. Seller shall not be paid for any work performed after receipt of the notice of termination, nor for any costs incurred by Seller's suppliers or sub-contractors. In no event shall Buyer be liable for loss of profits, overhead, general and administrative charges, product development and engineering costs, interest, finance or hedging costs, unamortized depreciation costs, or any other direct or indirect cancellation charges. Seller shall transfer title and deliver to Buyer, if so requested by Buyer, all undelivered goods, work in process or raw materials paid for by Buyer as provided above.

- C. Buyer shall have the right to make any changes, additions or alterations in the items, quantities, destinations, specifications, drawings, designs or delivery schedules. The parties will undertake to negotiate an appropriate adjustment in price and terms where the Seller's direct costs are materially affected by such changes. Any request by Seller for an adjustment in price or terms must be made within 30 days of any such change. All Changes and adjustments, if any, must be in writing and signed by a duly authorized representative of Buyer.
14. **INSURANCE.** Seller shall maintain insurance in amounts acceptable to Buyer, naming Buyer as an Additional insured, and covering general liability, public liability, product liability, product recall, completed operations, contractor's liability, automobile liability insurance, Worker's Compensation, and employer's liability insurance as will adequately protect Buyer against such damages, liabilities, claims losses and expenses (including attorney's fees). Seller agrees to submit certificates of insurance, evidencing its insurance coverage when requested by Buyer.
15. **RIGHTS, REMEDIES AND CONSTRUCTION.** Buyer's rights and remedies shall be cumulative and in addition to any other rights or remedies provided by law or equity. A waiver by Buyer of any right or remedy shall not affect any rights or remedies subsequently arising under the same or similar causes. Any attempt on the part of Seller to limit Buyer's remedies or the amount and types of damages it may seek shall be null and void. The failure of the Buyer to insist upon the performance of any term or conditions of this Buyer Order, or to exercise any right hereunder shall not be construed as a waiver of the future performance of any such term or condition or the exercise in the future of any such right. If any term of this Order is invalid or unenforceable under any statute, regulation, ordinance, executive order or other rule of law, such term shall be deemed reformed or deleted, but only to the extent necessary to comply with such statute, regulation, ordinance order or rule and the remaining provisions of this Order shall remain in full force and effect.
16. **TAXES.** Unless prohibited by law, the Seller shall pay all federal, state, or local tax, transportation or other tax, including but not limited to customs duties and tariffs, which is required to be imposed on the goods and services ordered, or by reason of their sale or delivery. All order prices shall be deemed to have included all such taxes.
- Seller agrees to pay any and all personal property and/or ad valorem taxes assessed or otherwise levied against any property placed in the hands of Seller by Buyer for the purpose of fulfilling this Order.
17. **LIMITATIONS ON BUYER'S LIABILITY.** In no event shall Buyer be liable to Seller for anticipated profits or for incidental or consequential damages. Buyer's liability for a claim of any kind for any loss or damage arising out of or in connection with or resulting from this Order, or from any performance or breach, shall in no case exceed the price allocable to the goods or services, which directly gives rise to the claim.

18. **ASSIGNMENT.** This Order is issued to the Seller in reliance upon the Seller's personal performance of the duties imposed. The seller agrees not to, in whole or in part, assign this Order or delegate the performance of its duties without the written consent of the Buyer. Any such assignment or delegation without the prior written consent of the Buyer, at the option of the Buyer, shall effect a cancellation of this Order. Any consent by the Buyer to an assignment shall not be deemed to waive Buyer's right to recoupment from Seller and/or its assigns for any claim arising out of this Order.
19. **COMPLIANCE WITH LAW.** Seller shall comply with all applicable industry, federal, state and local laws, rules, regulations or ordinances, and standards as to the goods or products covered by the Order and otherwise in its performance of the Order, including but not limited to laws address Equal Employment Opportunity, Employment of Veterans, Employment of the Handicapped, Age Discrimination, Fair Labor Standards Act, Wages and Fringe Benefits and related Acts and Executive Orders as now or hereafter amended or codifies.
20. **LAW/FORUM.** As permitted by Article 6 of the Convention on Contracts for the International & Sale of Goods, Buyer and Seller agree that this Order is not governed by the Convention on Contracts for the International Sale of Goods. This Order is to be governed by and construed under the laws of the state of Michigan, including without limitation the Uniform Commercial Code as it has been enacted and interpreted in the state of Michigan.
21. **ARBITRATION.** In the event a dispute arises between the parties regarding their business relationship where the amount in controversy as determined by the parties in good faith is less than Seventy Five Thousand Dollars (\$75,000.00) exclusive of cost, interests, or attorney fees, the parties agree to submit such dispute to binding arbitration on the following terms and conditions:
- (a) **Demand for Arbitration:** Either party may submit a written demand for arbitration in letter format to commence the arbitration process. The demand for arbitration shall include the specific amount claimed as damages specifically why the party is entitled to damages and include a copy of any documents that support said claims.
 - (b) **Response to Demand For Arbitration:** The party that receives a demand for arbitration shall forward a response in letter format acknowledging receipt of the demand for arbitration, setting forth its position regarding said dispute, making any counter-demand for damages (specific amount must be specified) including why the party is entitled to damages, attaching any documents in support of said positions and/or claims within 30 days of receipt of the demand for arbitration.
 - (c) **Selection of Arbitrator:** The matter will be submitted to a single arbitrator selected from a list of facilitative mediators maintained by the United States District Court for the Western District of Michigan. In the event the parties are unable to agree on a single arbitrator, the ADR clerk of the Western District of Michigan shall select one.
 - (d) **No Discovery:** No discovery of any kind or nature whatsoever will be allowed.
 - (e) **Arbitration Costs:** Each party will be responsible for their own attorneys' fees regardless of the outcome of the dispute. The parties shall be equally responsible for the costs of the arbitrator.
 - (f) **Location of Arbitration:** The arbitration shall take place in Grand Rapids, Michigan.
 - (g) **Arbitration Hearing:** The arbitration hearing shall be scheduled no later than ninety (90) days from receipt of a demand for arbitration. No extensions shall

be allowed by the arbitrator unless mutually agreed to by the parties. The demand for arbitration and response shall serve as the only pre-hearing information submitted to the arbitrator prior to the hearing. The arbitration hearing shall commence promptly at 9:00 a.m. and conclude no later than 12:30 p.m. The arbitration proceeding will proceed as follows:

- (1) 9:00 a.m. to 10:30 a.m.: Presentation by the party who demanded arbitration.
- (2) 10:30 a.m. to 10:45 a.m.: Break.
- (3) 10:45 a.m. to 12:15 p.m.: Other party's time to present its position and information.
- (4) 12:15 p.m. to 12:25 p.m.: The party who demanded arbitration's response.
- (5) 12:25 p.m. to 12:30 p.m.: The other party's reply.

The Rules of Evidence shall not apply though the arbitrator may take into account the Rules of the Evidence in terms of the weight that is to be given to any information submitted.

- (h) Arbitrator's Decision: The parties will break for lunch from 12:30 p.m. to 1:30 p.m. and the arbitrator will render his or her final oral decision at 1:30 p.m. The arbitrator shall produce the results only of the decision in a written opinion of the arbitrator no later than the close of business on the day following arbitration. The arbitrator's opinion shall be a final decision. Either party may seek enforcement of the arbitrator's final decision by court of competent jurisdiction.