

Dear Potential Supplier:

The purpose of this letter is to communicate to you some of our expectations regarding our overseas suppliers. We ask that you carefully review this letter. Should you be in agreement with our expectations of you as a potential supplier, please sign and return the letter.

The following guidelines are in *addition to* what would be considered normal business practices.

- (1) We will often ask for smaller quantity pricing brackets such as 25 or 100 pieces. While we have parts that have much higher volumes, our product line is such that we offer our customers a wide range of products, many of which are for very special applications, and as such, are low volume. Thus, sometimes a part on which we want a 25 or a 100 piece price may *not* grow in future years. In other cases, the part may become very popular. We often just do not know.
- (2) We expect you to honor all quoted brackets. More specifically, if we ask you for a quote on 100, 1000 and 5000 pieces of an item, and we then order only 100 pieces, we expect you to accept the order.
- (3) Communication is *extremely* critical to us and is necessary for us to have a long term relationship with you. We will try very hard to give you plenty of lead time, visibility, stability, and prompt payments to make sure we are a desirable customer for you. In turn, we *must* have orders acknowledged, promised ship dates met, and questions answered in a *timely* basis. More specifically, we need questions answered within *one working day* from the time we ask them. If you cannot commit to that level of communication with us, please 'no quote' our inquiries. We cannot stress to you enough that we will quickly move business away from suppliers who do not communicate. It is our most common reason for moving business away from a supplier.
- (4) While we ask for acknowledgments for our orders within one working day, if we do not hear back from you within five working days, we will begin looking for a new supplier. We purchase tens of thousands of items and cannot afford to not know the status of an order.
- (5) We require that your acknowledged ship dates be met. If you cannot meet your acknowledged ship date, we will require you to pay the airfreight charges to us (door-to-door delivery).
- (6) We understand that from time-to-time there will be problems in the manufacturing of a product. 70% of what we sell to our customers is made *by us* in our own factories (we have two factories in the USA and one factory in Mexico). If at any time you feel you are in jeopardy of *not* meeting a ship date promise that you have made to us, you need to notify us immediately of your problem. You will find that we are very understanding if you *communicate* your problems with us. We do not expect you to be perfect, but we do expect your communications to be accurate, honest, and prompt.
- (7) Containers, cartons, etc. that you ship to us must *not* have your company name or any other company name on them. Shipping containers that are labeled in violation of our

requirements will be returned to you at *your* expense, and you will be expected to airfreight replacement parts to us *immediately* at your expense.

- (8) Shipping containers must clearly show (a) the Midwest Control Products *Part Number*, (b) the Midwest Control Products *Purchase Order Number*, and the *Quantity* in the box.
- (9) Individual box weights cannot exceed 50 pounds.
- (10) Male threads must be individually protected (threads only) with plastic thread protectors.
- (11) Individual parts must *not* be individually packaged (except for the thread protectors on male threads).
- (12) Each box should have *one* plastic bag within it containing all the parts.
- (13) We will inspect a certain percentage of every order you supply to us. During our inspection process, or at a later date thru discovery of quality problems by either us *or* our customer, we will issue a rejection notice to you. At that time, we will provide you with information on the details of the quality problem. In the event of such a rejection notice, we will expect a timely response from you (within five working days), that indicates (a) your plan for preventing the problem in the future, (b) how you would like us to *disposition* the rejected goods. In the event of (a) product failure at our customers due to your failure to meet our design specifications, or (b) sorting time and tools incurred at our facility or our customers facility, you will be required to reimburse us for time and material costs. In most cases, we will be able to estimate for you in advance what these costs will be. You will also be required to airfreight to us (door-to-door) at your expense, conforming replacement parts.

If you can reliably and consistently meet all of the above requirements, you will find that we are a reliable customer with whom you can grow your business.

Regards,

Mrs. Shawna Yocum,
Purchasing Manger
Midwest Control Products Corp

Agreed to (Your Company Name):

By (Your Name and Signature):

On (Today's Date):