



Stainless Steel Fab Division

1) Introduction

I would like to take this time to thank you for your assistance in supporting Marchant Schmidt. We strive to develop long term partnerships with all our suppliers. As part of our continuous improvement we have developed a Supplier Information Packet. While you read through the packet you will find the Terms and Condition, Mutual Confidentiality and Non-Disclosure Agreement and a Visitor Policy Agreement. We require an authorized representative from your company to sign all documents and mail a copy back to Marchant Schmidt, Attn: David King. These documents and the rest of the information should be shared with all members of your company who will have any contact with any representative of Marchant Schmidt.

2) Quality Management Program

a) Marchant Schmidt is ISO 9001:2000 Certificated and good manufacturing procedures are the main sources of our quality control program.

b) This Information Packet addresses the requirements in Clause 7.4 of ISO 9001:2000, and Section 7.4 in the company's QMS Manual.

3) Purchase Orders, Supplier Selection and Assessment

a) Purpose:

i) The purpose of this procedure to define Marchant Schmidt's approach for:

ii) Vendor evaluation, selection, and performance assessment in order to ensure that materials and services are purchased from vendors on the basis of their ability to meet requirements on quality, delivery, and cost, as well as quality system and other quality assurance requirements.

iii) The generation, review, approval and issue of quality-related purchase orders.

b) Purchase Order Generation:

i) A Purchase Order or Credit Card Number is required for all purchases. Suppliers should not ship any material or item to Marchant Schmidt or one of its customers unless a PO or Credit Card Number is issued. The lack of a PO or Credit Card Number will delay the payment of invoices or result in the non-payment of the invoice.

ii) All specifications for acceptance of the material or item need to be included in the part number text, detailed on the drawing or other appropriate document to ensure a quality material or service is ordered. Where Marchant Schmidt or its customers propose to perform inspection of the purchased product or service at the vendor's premises, the intended verification arrangements and method of product release are also included in the part number specifications, the drawing, or other appropriate document. A written specification will take precedence over any verbal specifications.



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iii) Suppliers will provide Marchant Schmidt with a high quality product and confirmed delivery dates. Each supplier will possess an internal tracking system to monitor orders to ensure delivery dates are met and an inspection program to ensure the correct quantity and correct material is delivered.

iv) Inspection reports are required for all manufactured parts. To keep this simple and not overburden our process we require the drawing itself as the inspection document. On the drawings there is a block titled Outsource. Within this block are fields the inspector needs to complete. By completing the fields the inspector is verifying the part is manufactured per all the requirements on the drawing, purchase order or other quality assurance documents provided by Marchant Schmidt. Attach the inspection report to the pack slip and return to Marchant Schmidt with the parts.

v) After the release of a PO, if there is any change in specifications or requirements a revised PO or drawing should be sent to the supplier. Do not ship any item or material that does not conform to the specifications on the PO, drawing or other appropriate documents. All changes to specifications need to be in writing and accompany the material or item upon delivery to Marchant Schmidt.

c) Vendor Performance Assessment:

i) The Material Control Manager (or Designee) will assess at a minimum 25% of the vendors on the Critical Vendor List (CVL) quarterly. Assessment of vendors on the CVL will consist of a review of the vendors on time performance, quality performance, and if deemed necessary, a visit to the vendor's facility.

ii) If a performance assessment is negative, the Material Control Manager (or designee) informs the vendor that their performance is unacceptable, places the vendor in a probationary status until the corrective action is completed or places the vendor on the Do Not Use List.

iii) When necessary the Material Control Manager will initiate a Supplier Corrective Action Request QSF 7.4-3.1.

iv) The Material Control Manager (or Designee) documents all decisions made and follow-up actions taken as a result of the vendor assessment, and maintains the Vendor Assessment Report QSF 7.4-1.1.

v) Any supplier receiving two (2) Supplier Corrective Action Requests QSF 7.4-3.1 in a month will receive a full assessment. Suppliers in a probationary status will receive an assessment monthly until removed from probation.



4) Supplier Corrective Action and Late Delivery

a) Purpose:

i) The purpose of this procedure is to define the steps followed to initiate, execute, and document corrective action taken by suppliers in response to purchased product or service nonconformance.

ii) Corrective action by suppliers is taken and required to eliminate future discrepancies and nonconformances with purchased goods and / or services.

b) Scope:

i) This procedure applies to all suppliers who supply materials and/or services that affect Marchant Schmidt, Inc. product quality or quality system, and the company personnel who interact with them and determine when a Supplier Corrective Action Request (SCAR) Form: QSF 7.4-3.1 is required.

ii) For each answer ask: Why did it occur? Keeping asking “why” until the true cause of the non-conformance or late delivery is discovered. At a minimum you should ask “why” 5 times. You may need to ask “why” more than 5 times to determine the true cause of the non-conformance or late delivery.

iii) After the cause of the non-conformance or late delivery is discovered the next step is to implement a plan that will prevent it from reoccurring in the future.

Example 1:

Part late due to shipping. **Why?** Part late from manufacture. **Why?**

Part did not pass QC. **Why?** Shaft was not stainless steel. **Why?**

Manufacturing used the wrong material. **Why?**

There is no procedure to QC parts when they transfer from one operation to the next.

Corrective action: Implement QC of parts during production prior to transferring from one operation to the next.

Example 2:

Part took longer to ship? **Why?** Need to transfer part from other distribution center. **Why?**

Was it not transferred sooner?

Distribution center behind in order picking due to volume of orders. **Why? Was the backlog not calculated into delivery date?** Inside sales was unaware of backlog at distribution center. **Why?** Inside sales did not confirm ship date with distribution center prior to confirming delivery date to customer.

Corrective action: Inside sales need to confirm ship date with both manufactures and internal distribution centers prior to confirming date to customer.



Marchant Schmidt Inc.

Supplier Corrective Action Response (SCAR)

SCAR # _____

Supplier Name:	SCAR Date:	Due Date:
Reply To: Phone:	Part No:	PO #
Problem:		
<i>Please provide Cause and Corrective Action on this form or equivalent. Your response must address all of the following items</i>		
1. Action taken to correct the specific nonconformance.		
2. Root cause of the nonconformance.		
Ask the 5 Why's? For each answer ask why it occurred until the true cause is determined.		
3. Action taken to correct the root cause of the nonconformance.		
4. Action being taken to assure that other parts are not affected by the same or similar discrepancies.		
5. How did the discrepant parts escape your inspection/quality system?		
6. Target dates for implementation of corrective action. _____		
Supplier Quality Rep. _____		Date : _____
C/A Approved ___ Not Approved ___	C/A Follow-up Date: _____	
Marchant Schmidt, Inc. Quality Manager Approval: _____		
Marchant Schmidt, Inc. Quality Approval Date _____		



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c) Supplier Late Delivery Report/Log:

As part of Marchant Schmidt's Continuous Improvement and ISO 9001 Certification below is a copy of the Late Delivery Report. Columns C, L, and M are to be completed by the supplier.

		C										L	M	
Report Date	Line Due Date	New Ship Date	PO#	PO Date	Vendor Name	Part Number	Description	Order Qty.	QTY RCVD	Open Qty.	Reason Why Late	Corrective Action To Prevent Future Late Deliveries	Reason Why Late Code	

d) Quality: The Goal is 100% pass rate:

i) The correct quantities along with all components including operator manuals are delivered undamaged. The pack slip needs to include Marchant Schmidt's part number and purchase order number.

ii) For commodities such as gearmotors, cylinders, bearings, drives, etc... the supplier will ensure the part conforms to all specifications to include brand and brand part as listed on MSI PO or appropriate documentation.

iii) Regardless of finish all sheet steel must have PVC on both sides.

iv) Polished tubing is protected to prevent scratching or damage to finish.

v) Manufactured parts flat patterns must have PVC on both sides, plastic parts are wrapped individual or by part number and stainless steel parts are boxed or wrapped to prevent damage.

vi) Marchant Schmidt's inspection report is included with all manufactured parts. Marchant Schmidt uses the individual drawing as the inspection report. On each drawing there is a block titled: Outsource. The inspector needs to complete all fields in this block, which signifies the part was inspected and conforms to all requirements on the drawing.

vii) Suppliers of Laser or Waterjet services are only required to verify material thickness, overall outside dimensions and visually inspect the part for any cosmetic deficiencies.

e) On-time Delivery: The Goal is 100% (+/- one day of confirmed delivery date):

i) Supplier confirms all orders via fax or e-mail. If no confirmation is received the date on the PO is used as the date to track On Time Performance. If an order has multiple delivery dates, notify Marchant Schmidt of the different dates and Marchant Schmidt will advise when to deliver the material.



ii) Late delivery is anything delivered 2 days or more days past the original confirmation date.

iii) Supplier updates Marchant Schmidt's Purchasing Department of any changes to order delivery status and reasons for the delay.

iv) Shipments arrive prepaid and added to invoice, no collect shipments for truck shipments. Parcel packages are billed to Marchant Schmidt's UPS Account 54372X and Marchant Schmidt's PO Number is listed in the reference fields. Marchant Schmidt will not accept any shipment charges for parcel deliveries that are charged to a different UPS Account.

5) Part Identification Procedure

a) Marchant Schmidt will provide "Reserved" Tags to Suppliers who requests them to be used in identifying material. Other stickers may be used after approval is obtained from Marchant Schmidt's Material Control Department.

b) The tag will indicate Marchant Schmidt's Part Number, Quantity being delivered, the Work Order or Sales Order Number or the word Stock and the Purchase Order Number. All this information is located on the Purchase Order.

c) Parts will be tagged and segregated based on the final disposition of the parts, i.e. Work Order, Sales Order or Stock. Parts can ship together in the same package, if they are segregated. If the same part ordered has multiple end uses, the appropriate quantity for each end use must be separated and tagged.

Example PO 1234567:

Line Item 1 has a quantity of 20, Part Number: MS597122, Description: Return Shoe.

- A) Is indicating a BIN Location where the part is physically stored at Marchant Schmidt.
- B) Is indicating a GL of 180010 (GL 180010 is used for all stocked items).
- C) REQ: states the word STOCK.

Line Items 2 through 4 are for the same Part Number MS597121 with a total quantity of 4. Each line item indicates a different end use and required quantity. Therefore three different tags will be completed for this part.

Line Item 2 – 4 requires Part Number MS597121, Description: Shaft, Drive.

- A) Is indicating a Work Order Number or Sales Order Number



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Late Delivery

Accounts Receivable

Your Invoice _____ for Purchase Order _____ is being paid less than the amount invoiced. Per written agreement with your company late deliveries will result in a 5% deduction off the invoice. This order was acknowledged with a delivery of _____. The order did not arrive until _____. As a result of the late delivery we are deducting _____ from the invoice.

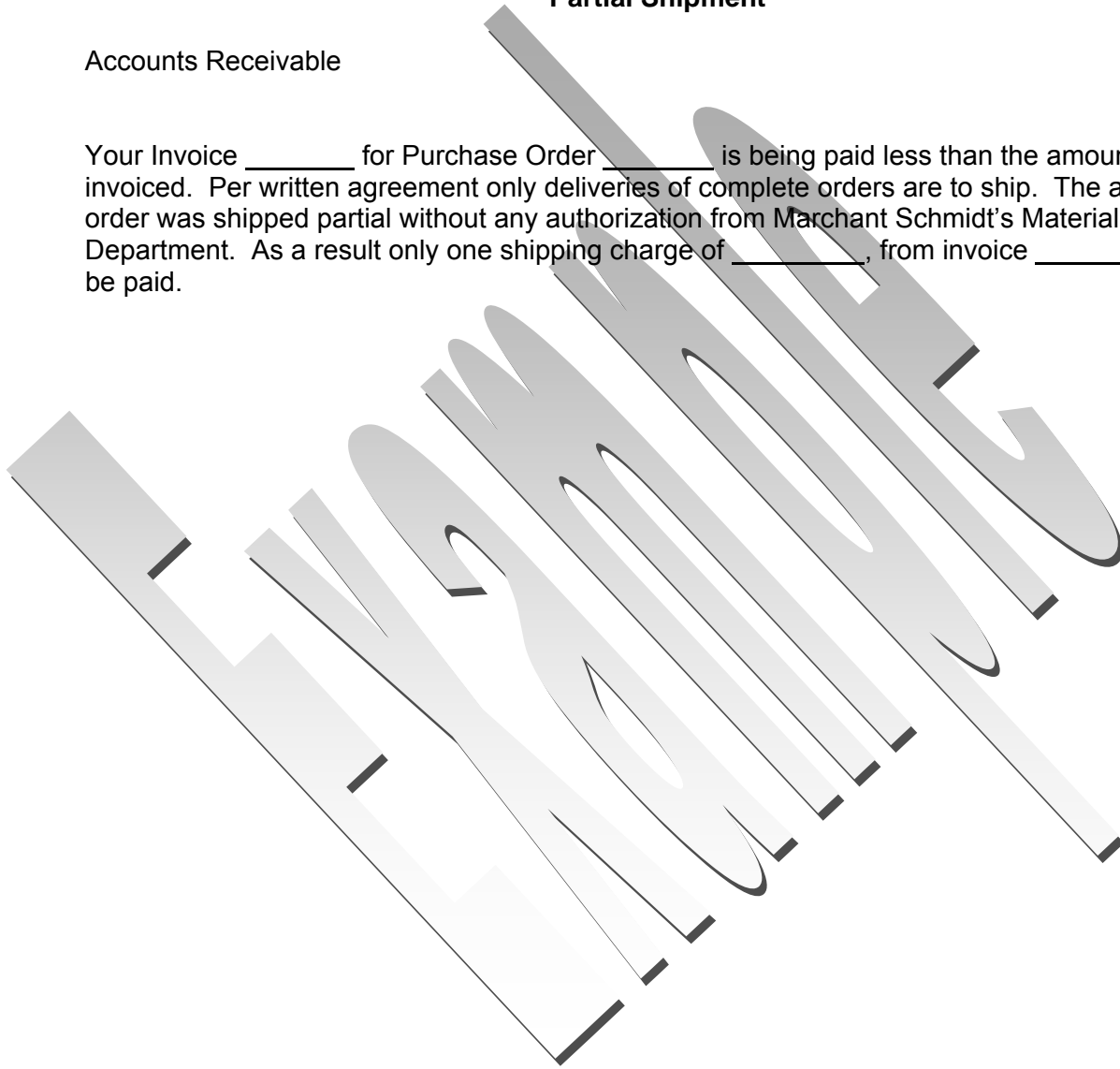


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Partial Shipment

Accounts Receivable

Your Invoice _____ for Purchase Order _____ is being paid less than the amount invoiced. Per written agreement only deliveries of complete orders are to ship. The above order was shipped partial without any authorization from Marchant Schmidt's Material Control Department. As a result only one shipping charge of _____, from invoice _____, will be paid.



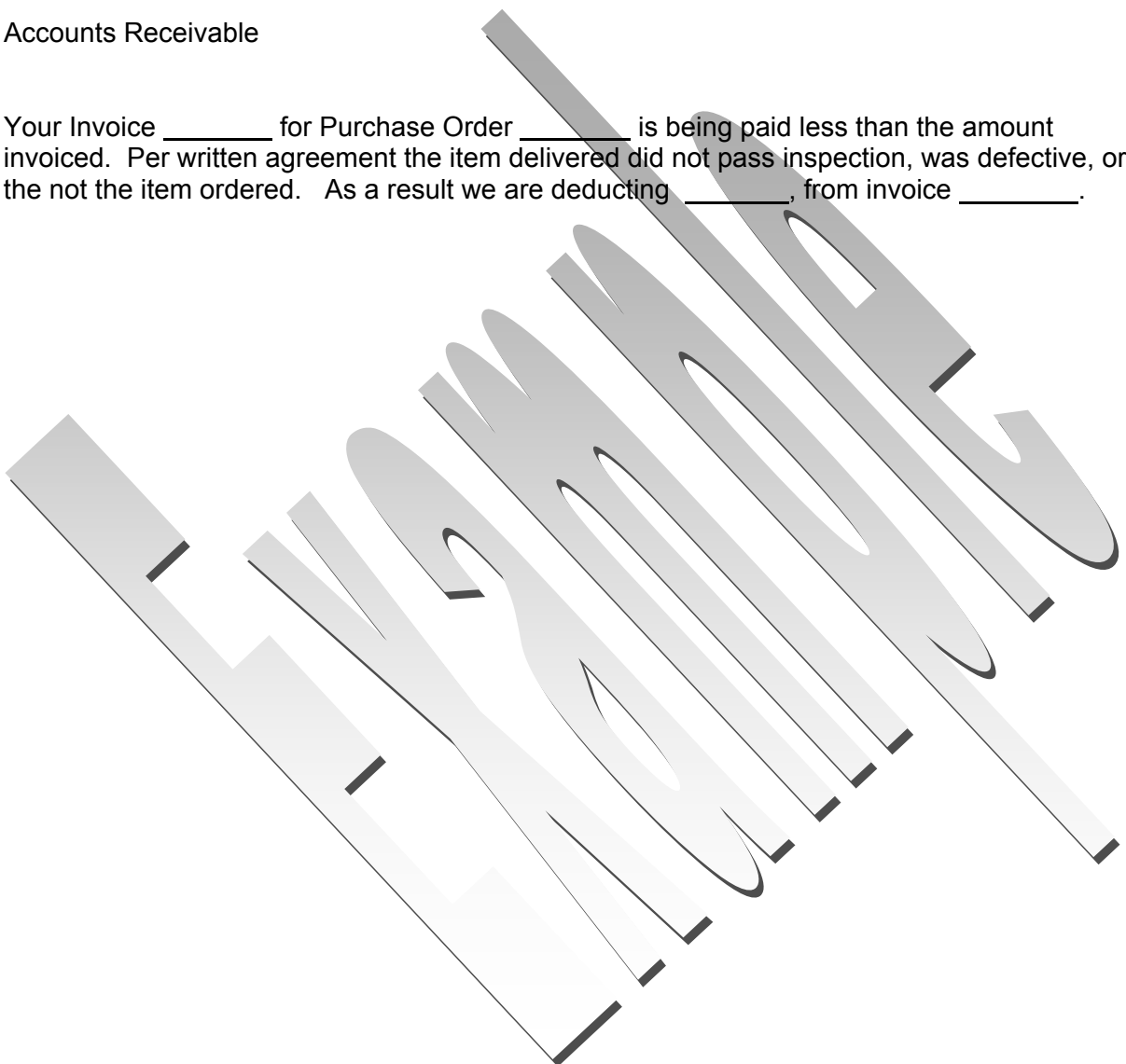


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Non-Conforming Material

Accounts Receivable

Your Invoice _____ for Purchase Order _____ is being paid less than the amount invoiced. Per written agreement the item delivered did not pass inspection, was defective, or the not the item ordered. As a result we are deducting _____, from invoice _____.





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SMOKE/TOBACCO-FREE WORKPLACE

March 2006

PURPOSE

The purpose of this policy is to provide a safe, healthy, comfortable, and productive work environment for all Marchant Schmidt, Inc. employees. With growing concern for our employees, the increase in smoking legislation, and continued medical studies regarding the impact of smoking, second-hand smoke, and the use of any tobacco product, this policy recognizes that the use of tobacco products adversely affects the health of smokers and non-smokers alike.

Therefore, Marchant Schmidt, Inc. will be entirely smoke/tobacco free effective January 1, 2007.

This includes - cigarettes, cigars, pipes, chewing tobacco and the like.

GUIDELINES

- There will be no smoking/tobacco use permitted at Marchant Schmidt, Inc. This includes:
 - ▶ All facilities.
 - ▶ All grounds including employee owned vehicles when on company property.
 - ▶ All company owned vehicles.
- Visitors will be informed of this policy through signs.



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BUSINESS GIFTS/GRATUITIES

The intent of this policy is to prevent the appearance of favoritism by an MSI Employee toward a specific supplier. The giving or accepting of anything of value by MSI employees from any of its suppliers, or other business associates in any form whatsoever is prohibited. MSI employees and family members should not benefit personally from his or her position.

Cash, loans, stocks, or savings bonds may not be accepted under any circumstances.

The policy is not intended to eliminate participation in business-related functions and activities that occur in conjunction with seminars, exhibits, meetings, and presentations, which incorporate lunches, dinners, and entertainment or the occasional nominal value gift to an MSI employee. These can be, under the proper circumstances, in the best interests of both companies.

Suppliers should not try to influence the decision of a MSI employee by offering gifts of an exuberant value. Any supplier who tries to influence a business decision by offering to provide a personal benefit to an MSI employee will be removed from the Approved Supplier List.



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MERCHANT SCHMIDT POLICY
VISITORS AND SUPPLIERS
August 2007

The intent of this policy is to ensure that our facility is a safe and secure workplace for all employees, visitors and suppliers. It is important for visitors and suppliers to be aware of MSI's policies, procedures, and safety hazards. This policy is also meant to protect the confidentiality of projects that MSI is working on for our valued customers. It is because of these reasons that we have put into effect the following procedures and sign off:

- ◆ At Plant 1 visitors must register with the receptionist and sign the guest log with their time of arrival, the name of the MSI employee the visitor is seeing and the visitor's company or the company they are representing. The receptionist will issue them a Visitor Badge with their name on it. Suppliers may sign in at the West Entrance by shipping/receiving and get their visitor badge.
- ◆ At Plant 2 visitors/suppliers will register at the entrance and sign the guest log with their time of arrival, the name of the MSI employee the visitor is seeing and the visitor's company or the company they are representing. They must attach a visitor badge, which can be found by the register book.
- ◆ All visitors must be accompanied by an MSI employee unless otherwise specified.
- ◆ This is a manufacturing/production environment. Therefore you must be aware of the hazards in this type of environment which include, but are not limited to; trip hazards, sharp objects, overhead hazards, equipment under operation, and material handling.
- ◆ If you are injured while on MSI property report the injury immediately to the General Manager or the Human Resources Manager and an accident report will be completed.
- ◆ All visitors and suppliers will be issued safety glasses with side shields to be worn while they are in the shop at both Plant 1 and Plant 2.
- ◆ MSI is a smoke/tobacco free environment. Smoking and tobacco use is prohibited at all facilities and on all grounds.
- ◆ MSI is a drug/alcohol free environment.
- ◆ Harassment and discrimination are prohibited. All claims of misconduct are taken seriously and investigated.
- ◆ Without prior written authorization videotaping and photography is prohibited.
- ◆ Visitors or suppliers may be subject to signing a Confidentiality Agreement.
- ◆ Upon departure the visitor(s) must sign out on the guest log and return their Visitor Badge to the receptionist or the employee they are visiting.

Visitor Signature

MSI Signature

Visitor Name (Printed)

Date

Company Name



Stainless Steel Fab Division

Company Name: _____

Pay to Address: _____

Ship from/to Address: _____

Contacts:

Sales Normal Business Hours:

Name: _____ Title: _____ Phone: _____

E-mail: _____ Cell Phone: _____ Fax: _____

Name: _____ Title: _____ Phone: _____

E-mail: _____ Cell Phone: _____

Accounting Normal Business Hours:

Name: _____ Phone: _____ E-mail: _____

Name: _____ Phone: _____ E-mail: _____

Engineering Support Normal Business Hours:

Name: _____ Title: _____ Phone: _____

E-mail: _____ Cell Phone: _____

Name: _____ Title: _____ Phone: _____

E-mail: _____ Cell Phone: _____



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Company Name: _____

After Hours Emergency Sales:

Name: _____ Title: _____ Phone: _____

E-mail: _____ Cell Phone: _____

Name: _____ Title: _____ Phone: _____

E-mail: _____ Cell Phone: _____

After Hours Emergency Engineering Support:

Name: _____ Title: _____ Phone: _____

E-mail: _____ Cell Phone: _____

Name: _____ Title: _____ Phone: _____

E-mail: _____ Cell Phone: _____