

## **Precoat Metals Terms & Conditions of Processing**

- 1. General:** All Sales and/or processing services provided by Precoat Metals and/or Precoat Metals Corp.(hereafter referred to as PCM), in conjunction with the PCM Price Quotation, and the PCM Order Acknowledgement, are subject to these terms and conditions. Any variation from these terms must be negotiated and formally accepted, in writing, by a corporate officer of PCM. No other terms and conditions shall apply, including the terms of any purchase order submitted to PCM by customer.
- 2. Material (Coil) Receipt:** All material is to be delivered to PCM locations, freight prepaid, charged to the material owner. PCM assumes no responsibility for freight charges for material not purchased by PCM, unless approved prior to material receipt, i.e. claimed and returned material.  
Incoming material will be inspected for visual damage upon receipt. Any visual damage will be documented and retained as part of the coil record. To maintain optimum material quality, coils will not be unpackaged until time of processing. Any hidden damage and material nonconformance will be recorded and addressed at time of processing. PCM assumes inbound substrate is suitable for the intended application which includes, but is not limited to characteristics such as camber, edge quality, surface quality, shape, and temper.
- 3. Storage:** PCM bears risk of loss of and damage to all customer material located at a PCM facility or one of its processors. All reasonable precautions are taken against hazards of damage or loss and insurance coverage is maintained by PCM. Materials received and subsequently released as prime bare shipment are subject to a \$75 per coil in/out handling charge. This charge will be waived for any shipments resulting from unexcused delays in processing or PCM's negligence. Risk of loss or damage to customer material will pass to customer upon shipment, FOB PCM's facility, unless PCM expressly otherwise agrees in writing.  
**Inventory Management:** All customers inventories are maintained and monitored via the PCM real-time coil inventory system. All such inventory and associated activity is available on a 24/7 basis through CoilZone @ <https://coilzone.precoat.com>. The PCM Inventory system is formatted to record and transmit all transactions and material status electronically via A.I.S.I. X12. PCM does support other various means of E-Commerce B2B links.
- 4. Processing Lead Times:** PCM will undertake commercially reasonable efforts to comply with the Customer Order request date. Availability of substrate and materials to be applied will impact PCM's ability to comply with such request. As a general guideline, Customer should allow two weeks for the processing of standard items. Non-standard items may take from two to six weeks for processing, depending on the materials system/supplier. Customer should allow an additional week for any secondary operations that may be required (e.g. slitting, embossing, Cut-to-Length).
- 5. Unused Materials (Coatings & Laminates):** Upon acceptance of an order, PCM will purchase materials necessary to fulfill the order. Additionally PCM, in conjunction with the customer, may engage in the stocking of materials as part of a formal "Stocking Program". The customer is responsible to pay and/or reimburse PCM for all materials purchased as described above. All materials are to be consumed prior to any change in the supply chain, i.e. coating supplier, coating system, or processor. PCM reserves the right to be reimbursed for the cost of all unused materials, plus disposal costs. PCM will undertake commercially reasonable efforts to meet an alternate application for the material prior to invoicing Customer.
- 6. Pricing:** All invoiced material is subject to the pricing schedule in effect at the time of material shipment. Price discrepancies are to be communicated immediately to Precoat Customer Service for resolution. Price quotations are subject to change, but only with appropriate advance notice and explanation. PCM expressly reserves the right to assert any liens for actual processing and storage of customer material.
- 7. Payment Terms:** All invoices for services provided by PCM shall be paid in accordance with standard payment terms "net 30 days" from invoice date. Customer will not delay payment and will not offset or make deductions for warranty claims or other quality issues. All shipments are subject to the approval of the PCM Credit Department.

**8. Order Management, Variance Policy:** Below is the allowable shipping variance from ordered quantity.

<b>250 tons or more</b>	+/- 3%
<b>100 tons-249 tons</b>	+/- 10%
<b>10 tons- 99 tons</b>	+/- 20%
<b>Less than 10 tons</b>	+/- 30%

For non-repeat, one time orders, PCM will not comply with the variance policy described above and will process the minimum lineal footage required by the Customer. However, the Customer must specifically identify such orders and state the minimum lineal footage requirement. The overrun variance will apply to such orders, but the requested minimum lineal footage quantities will be met.

**9. Processing of Mill/Transit Reject Material:** PCM reserves the right to be remunerated for costs associated with the processing of Metal related rejections. If a defect is found, PCM will charge for finished portions of mill defective material, but will bear the cost of processing unfinished portions.

Accordingly, customer will not be invoiced for unfinished portions of such metal related rejections.

**10. Internal Yield Allowance:** Although PCM is continually striving to optimize yields, current coil processing technology does not allow for 100% yield attainment. PCM guarantees a specified internal prime yield based on the following parameters:

- Market and application
- Throughput quantity
- Average weight per lineal foot processed
- Average order size
- Average Incoming coil size

The established yield allowance will be applied to the total throughput weight (finished goods, WIP, RTS, reject, & scrap) for the reconciliation period.

Average weight per Lineal foot	Average Quarterly Volume	
	More than 150 tons	Between 75 Tons and 150 Tons
Less than 1.00 LBS.	99%	98%
1.00 lbs.-1.25 lbs.	98%	96%
1.25 lbs.-2.49 lbs.	97%	94%
2.50 lbs.-3.99 lbs.	96%	92%
4.00 lbs. & Greater	95%	90%

- For Appliance and Critical Surface applications the stated yield guarantee will be reduced by 2%.
- The above stated yield guarantee will be reduced by an additional 1% should the average order size for the reconciliation period not meet 7.5 tons.
- PCM requires an additional .5% yield allowance for each secondary operations process provided (slitting, embossing, application of strippable/protective film, cut-to-length). All off-fall losses, unless caused by PCM, are to be considered engineered losses and customer responsibility.
- If Average Quarterly Volume does not meet the 75 tons quarterly requirement for the reconciliation period, all losses will be considered allowable and credited at appropriate scrap value.

**Reconciliation Terms:**

PCM will reimburse Customer monthly for all PCM scrap, with reconciliations processed and provided quarterly summarizing the aggregated production across all PCM facilities. PCM rejects retained by PCM, & Mill scrap at scrap value as stated below for each geographic market, less \$35 per ton handling charge.

- ❖ St Louis, Northgate, Armorel, Hawesville, Portage, Greenfield, Kingsbury & MMC- AMM #2 Chicago Dealer Bundles.

- ❖ Weirton- AMM Pittsburgh #2 Dealer Bundles
- ❖ Birmingham, Houston, & Jackson- Iron Age Birmingham #2 Heavy Melt less \$8
- ❖ Baltimore- AMM Philadelphia #2 Dealer Bundles
- ❖ Columbia SC- AMM Chicago #2 Bundle less \$20 less PCM Handling
- Scrap values for alternative substrates to be established based on prevailing regional markets for said commodities

**PCM to reimburse Customer at Average Prime Value for all losses determined to be caused by PCM that exceed Internal Yield Allowance. PCM to retain ownership of all scrap and PCM fault rejects.**

- **Non-Allowable Rejection-** If during coil processing, difficulties are encountered which result in an individual coil loss, defined as a “Non-allowable PCM reject”, PCM will reimburse Customer at average Prime Value for substrate involved regardless of overall yield performance. PCM is to retain material ownership.
  - Precoat fault coil reject exceeding 5,500 lineal feet for material with a weight per lineal foot of less than .99 lbs.
  - Precoat fault coil reject exceeding 5,000 lineal feet for material with a weight per lineal foot .99 lbs. - 1.25 lbs.
  - Precoat fault coil reject exceeding 4,000 lineal feet for material with a weight per lineal foot 1.25 lbs. - 2.50 lbs.
  - Precoat fault coil reject exceeding 2,500 lineal feet for material with a weight per lineal foot of 2.50 lbs - 4.00 lbs.
  - Precoat fault coil reject exceeding 1,750 lineal feet for material with a weight per lineal foot of 4.00 lbs. or greater.
- **For Aluminum products, please proceed to the next threshold level for Non-allowable rejects. Example, for a weight per lineal foot of 2.30 lbs. any PCM fault reject 2,500 lineal feet or greater will be considered Non-allowable and be reimbursed accordingly.**

**11. External Claims Policy:** The application of materials to metal surface in the continuous coil coating process will result in intermittent variations and imperfections that prevent the realization of absolute conformity to a 100% standard of quality. PCM will undertake it’s best commercially reasonable efforts to minimize and remove non-conforming material. The nature of the continuous coil coating process, however, makes it impossible to remove all such flaws, in either metal or applied materials. This is taken into consideration in the pricing process. Thus, the customer waives any claims for such intermittent defects. If an imperfection is detected, the customer is requested to run 300 lineal feet beyond the initial appearance of the defect to see whether the imperfection runs out. If the imperfection runs out within 300 lineal feet, the customer is to continue processing and will consider the defect an allowable loss, and will not submit any claim. If the defect continues after 300 lineal feet, the balance of the coil is to be set aside, along with the 300 lineal feet previously run, and a claim may be submitted by the customer.

Customer will notify PCM Technical Services of suspect material, when deficiency of applied materials or substandard product performance exceeds allowable defect, as stated above. Customer is to provide pertinent information as noted below:

- Sample of material defect prior to any further processing provided to PCM
- Customer Order Number
- PCM coil number(s) and invoice weight
- Invoice Number
- Quantity suspect or reject
- Description of defect

For building complaint the following is also required:

- Quality photograph(s)
- Job number & job name
- Date material was shipped to job site
- Date building was erected, location of building, and building dimensions (including roof pitch)
- Name of builder/contractor and contact information

PCM will respond, in writing, within 30 calendar days from the date complete claims information is provided to PCM Technical Services. The response will include one of the following:

- I. Acceptance of claim and instructions for material disposition.
- II. Denial of responsibility, with complete explanation for denying claim.
- III. Recommendation for further processing at customer facility, with purpose of working through defective material.
- IV. Instructions for return to PCM of suspect material. Material may be salvageable with additional processing. Once salvage is complete, material is to be returned to customer on next available shipment.
- V. Request for extension if fault cannot be determined within the 30 day period. A request for extension must state, specific additional time needed for final resolution, along with reason for request

Failure by PCM to respond to the customer within the 30 day period or a mutually agreeable extension date will be deemed acceptance of the claim by PCM. The Customer may appeal any denied claim within 14 calendar days after receipt of formal denial from PCM. Any appeal must be in writing and state in detail the basis for the appeal.

The Customer must provide a complete detailed breakdown of all charges for any claims accepted by PCM. All correspondence regarding claim resolution is to be directed to PCM Technical Services. All accounting transactions are to wait until formal claims resolution. Further, it is assumed that the customer will use all finished material within 180 days of coating. Aging varies with the substrate, pretreatment, and coatings, but in all cases will affect the coatings flexibility and subsequent performance. Storage conditions of material shipped to you or your subsequent processor should be controlled to avoid potential forming and performance problems. Extreme changes in temperature, humidity levels, and exposure to moisture can all have an adverse effect on material performance. Claims submitted on material beyond this 180 day timeframe may not be valid and such long storage times may further affect your warranty. The slow changes in properties over time are not a concern once the material is formed.

- 12. General Warranty Information:** PCM certifies that all materials will be applied in a good, workmanlike manner, in accordance with Manufacturer's specifications. Requests for applications outside of specified parameters will be considered, but such applications will void any future claims for non-compliant performance. PCM MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ITS SERVICES HEREUNDER. The foregoing warranty supersedes any warranty appearing on any sales contract, purchase order form or the like, which may be used in connection with PCM's providing its services.

PCM's liability for breach of the foregoing warranty shall be limited to the cost of the metal, applied materials and freight.

IN NO EVENT SHALL PCM BE LIABLE FOR AND PCM SPECIFICALLY DISCLAIMS ANY RESPONSIBILITY FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, EXEMPLARY, INCIDENTAL OR PUNITIVE DAMAGES OF ANY KIND, INCLUDING WITHOUT LIMITATION, LOSS OF PROFITS, LOSS OF BUSINESS OPPORTUNITY, COST OF SUBSTITUTE PRODUCTS, LOSS OF REVENUE, LOSS OF USE OR LOSS OF CAPITAL, NO MATTER HOW ARISING EVEN IF THE POSSIBILITY OF SUCH DAMAGES WAS DISCLOSED IN ADVANCE OR COULD HAVE BEEN REASONABLY FORESEEN.

THE EXCLUSION OF INCIDENTAL AND CONSEQUENTIAL DAMAGES AS SET FORTH HEREIN SHALL BE DEEMED INDEPENDENT OF AND SHALL SURVIVE ANY FAILURE OF THE ESSENTIAL PURPOSE OF ANY REMEDY HEREUNDER.

- 13. Excusable Delay.** PCM shall in no event be responsible for failure to fill any order or orders when due to fire, flood, explosion, riot, strike or other difference with workmen, shortage of utility, facility, material or labor at current prices, delay in transportation, breakdown or accident; acts of God or of the public enemy, compliance with or other action taken to carry out the intent or purpose of any existing or future law or regulation, or any other cause beyond PCM's reasonable control. In the event of any such delay cause as aforesaid, PCM shall have such additional time within which to perform as may be reasonably necessary under the circumstances and shall have the right to apportion its services among its customers in such manner as it may consider to be equitable.