



## **Terms and Conditions of Prepaint Processing**

### **General:**

The terms and conditions for prepainted products contained in this document, along with specific information stated on our order acknowledgement and/or price quotation issued to our customer will be the terms in which a sale is made.

**This document is not reflective of Chemcoaters terms and conditions for Reclamation, Clean & Brush, Chemtreat (Pretreatment, InterCoat™ ChemGuard<sup>®</sup> and/or Dry Film Lubrication (DFL) Processing.**

Any deviation from these terms must be negotiated and formally accepted by both parties.

### **Delivery and Receipt:**

Chemcoaters will not accept "Collect" shipments for customer metal, unless approved prior to receipt of material (i.e. authorized claimed or returned material).

General receiving hours are 6:00 AM to 1:00 PM, Monday through Friday, except on legal holidays. Variance from this schedule must be communicated in advance with your Customer Service Representative.

To provide orderly receipt of inbound shipments, Chemcoaters requires receiving appointments.

Upon receipt of material, the load will be visually inspected for damage. Any visible damage or abnormalities will be noted on the receiving paperwork and documentation. Imported coils requiring "Decanning" will be assessed a nominal fee of \$60.00/coil<sup>®</sup> for extensive unwrapping handling and disposing of waste.

The packaging of incoming coils will not be unwrapped at time of receipt so to maintain maximum mill protection. For this reason, hidden damage and non-conformances such as: width and thickness, rust, staining, dents and shape problems will be addressed at time of processing. Damaged coil portions will be documented and confined as Mill or Transit related rejections. Cropping losses resulting from hidden damages will be scrapped and credited during a periodic reconciliation process as described in this document in Section titled "Internal Processing Allowance".

### **Storage:**

Chemcoaters will accept responsibility and accountability of customer's material while located within Chemcoaters facility. Chemcoaters takes all reasonable precautions

against hazards of damage or loss and Chemcoaters maintains proper insurance coverage with a commercial underwriter.

Material received and subsequently released without processing will be assessed a \$100.00/coil In/Out Handling Charge. The handling charge will be waived for non-processed shipments resulting from any delay in processing or negligence caused by Chemcoaters.

Chemcoaters will inventory customer's material at no charge providing material status changes or material ships within the following schedule:

Bare Coils: 60 calendar days

Finished Coils: 60 calendar days

Hold (HFI)/Rejected: 30 calendar days

Material that exceeds the above stated time allowance will be assessed the following warehouse storage charges:

Bare/Finished/Rejected Coils Exceeding the terms noted above - \$5.00/ton

Coils Exceeding 30 days beyond the terms noted above - \$7.50/ton

Coils Exceeding 60 days beyond the terms noted above - \$10.00/ton/per month

For coils exceeding 180 days of storage, Chemcoaters reserves the right to move said coils to an outside storage location of our choice, with the customer being responsible for all transportation, storage and In/Out charges associated with that move.

### **Order Management:**

When placing a processing order the following customer information, at minimum, is required, along with any special requirements:

- ω Sold-to name, address, and Duns Number
- ω Ship-to name, address and Duns Number
- ω Complete substrate description
- ω Quantity to be processed (tons or lbs.)
- ω Date wanted
- ω Order Reference Number or Quote Number (PO number)
- ω End use
- ω Part number (if applicable)
- ω Coating system and specifications
- ω Specific/Special requirements (if applicable)
- ω Packaging requirements Page

- Min.-Max. coil weight
  - ID/OD Min.-Max.
  - Direction of wind
  - Cores • Eye vertical or horizontal
  - Special skid requirements
  - Plastic wrap standard, other available upon request
- ω Price and Chemcoaters quote number
  - ω Secondary processing (slitting, oiling, etc...)
    - Specifications/Requirements (i.e. slitting tolerances)
  - ω Shipping, delivery and unloading instructions
  - ω End-use, product application

Upon acceptance of order, Chemcoaters will order raw materials (where applicable). Should raw materials become aged or obsolete through no fault of Chemcoaters, the customer would be responsible for the disposal and cost of these materials. Should purchase order changes in coatings, such as order quantity, etc. result in residual raw materials such as paint, treatments and/or special coatings, the customer will be responsible for the consumption, disposal and/or costs for these materials.

Customers may request Chemcoaters to stock or maintain certain inventory quantities for anticipated or future orders. Chemcoaters has limited warehousing storage, customers requiring inventory stocking programs must submit a written request outlining monthly quantity of metal to be processed.

Due the type of large volume processing associated with coil coating, Order Quantity versus Actual Run Quantity may vary based on size of order. The following is Chemcoaters allowable shipping variance based on size of order:

#### **Allowable Variance from Order Quantity**

<b>Less than or equal to 5 tons:</b>	<b>+/- 50%</b>
<b>Less than or equal to 10 tons:</b>	<b>+/- 30%</b>
<b>Less than or equal to 50 tons:</b>	<b>+/- 20%</b>
<b>Less than or equal to 200 tons:</b>	<b>+/- 10%</b>
<b>Less than or equal to 400 tons:</b>	<b>+/- 6%</b>
<b>More than 400 tons:</b>	<b>+/- 4%</b>

#### **Order Acknowledgment:**

Chemcoaters, upon order acceptance and entry, will mail, fax or email an acknowledgement of the order to the customer. The acknowledgement will contain all

pertinent order information and should be reviewed by the customer to ensure proper customer order compliance.

**Processing Time:**

Chemcoaters will make every reasonable attempt to accommodate customer request dates. As a general guideline, Chemcoaters requires two weeks to process standard items. Non-standard items may take from two to six weeks depending on coating system, supplier or scheduling of non-standard run minimums.

**Payment Terms:**

All invoices for services rendered by Chemcoaters shall be paid by the customer in accordance with established payment terms. Standard payment terms are net thirty (30) days from date of invoice issuance and payable upon completion of production date. Customer will not delay payment or make deductions for claims or related problems until issues are resolved to the mutual satisfaction of all parties.

All shipments and deliveries shall, at times, be subject to the approval of the credit department.

**Specifications for Incoming Metal:**

It is the customer's responsibility to supply coils that are suitable for processing on a continuous coating line. Reclamation, Excess Prime and Secondary type metals will be processed to the best of our abilities, but base metal related defects, or defects caused by the base metal supplied, are the responsibility of the customers, including any excess yield losses associated because of this.

For customers who do not run wish to run under the "**Process/Document/Hold**" guidelines, and would like Chemcoaters to stop processing their questionable material where ever reasonably possible, Chemcoaters reserves the right to be compensated for our appropriate costs by assessing a Back Out Charge.

**Definition of the Process/Document/Hold practice:**

Chemcoaters standard operating practice is to process your coil(s) in their entirety while documenting the incoming base metal defects. The coil(s) will be placed on hold after fully being processed, and a hold notification will be communicated back to you for your disposition.

**Shape**

All metal shall be free of center buckles, edge wave, or any other visual shape defects and must be within commonly recognized limits for the end use application and must be suitable for processing on a continuous coil coating line.

**Camber**

Must not exceed 3/8" in twenty (20) linear feet.

**Edges**

Edges must be free of cross breaks, cracks, delaminations, saw tooth, slivers, excessive burrs, edge strain, laps, slugs, folds, and/or tears.

**Surface**

Metal surface must be free of surface defects such as: dents, pits, holes, rolled scale, stringers, stains and any other surface defect that could cause coating imperfections. Zinc or zinc aluminum coated coil and aluminum coil must have uniform surface profile, relatively free of staining, grease, wax or oil (except for approved cold rolled material). Zinc or zinc aluminum coated coil must be free of dross, steam blisters, voids, bands, craters, stripes and curtains.

All substrate must be free of oxidation.

All substrate must be free of edge sealers and any mill applied chemical treatment must be suitable for coating. All substrate with a mill applied chemical treatment must be identified on incoming paperwork and coil tags.

Substrate cannot have ink markings or stencil markings, except on inner or outer wrap.

Substrate should only be lightly oiled. Oil used must be free of paraffin, lanolin, and sulphonates. Oil must be capable of removal in an alkaline spray cleaner.

Supplied substrate must be capable of accepting the specified treatment and/or coating in order to provide corrosion protection and paint adhesion.

Coils must be wound flush and suitable for stacking. Coils which collapse while in storage will be the responsibility of customer. Chemcoaters will not be responsible for balance of coil that is uncoatable. The uncoatable portion will be held for inspection under mill responsibility.

**Nonconforming Material:**

Any material found unsuitable for coating or the intended end use will be rejected with written notification to the appropriate customer representative with the appropriate

information such as: coil identification, quantity, metal specification and reason for the rejection.

Final disposition will be made within 45 days whenever reasonably possible. Customer rejected coils dispositioned for rework will be reprocessed on a commercially reasonable best effort basis. Subsequently, claims for the original defect on reworked/salvaged material will not be accepted.

When coils are put on-line and customer defects are identified, Chemcoaters will cease production where ever reasonably possible. In cases where Chemcoaters incurs productivity losses due to Customer related metal defects, Chemcoaters reserves the right to be reimbursed for appropriate costs associated with processing of customer substrate related to rejections.

**Internal Yield Allowances:**

In order to maximize finished yields, Customers must provide 100% prime, coat-able substrate to Chemcoaters. Substrate that complies with our **Specifications for Incoming Metal** as described in this policy, Chemcoaters guarantees the following performance for throughput during the periodic reconciliation period.

Average Weight (lbs.) per Linear Foot	Average Order Volume (tons)③		
	> or = 100 tons	50 tons to < 100 tons	7.5 tons to < 50 tons
< or = 1.25	99%	98%	97%
> 1.25 but < or = 2.50	98%	96%	95%
> 2.50 but < or = 5.00	97%	95%	93%
> 5.00 but < or = 8.00	96%	94%	90%
> 8.00 but < or = 12.00	95%	92%	B/E
> 12.00 but < or = 16.00	94%	90%	B/E
> 16.00 but < or = 21.00	92%	B/E	B/E

Notes: B/E signifies Best Effort, no yield guarantee for prepaint

Master coil size has a major impact on production yields, therefore, master coils less than 7.5 tons (each on average) will reduce the above yield by an additional one (1) percent.

In the event that the average order size is less than 7.5 tons, the above yield will be reduced by an additional one (1) percent.

For yield allowances and reconciliation purposes, an order is defined as coils having the same gauge and same coating system.

**Reconciliation Terms:**

Chemcoaters will provide a periodic reconciliation for any cropping losses and rejects determined to be caused by Chemcoaters that fall under the yield allowance. Scrap credit will be based on the first issue American Metal Market current month, Chicago #1 bundle less \$35.00/Gross Ton<sup>④</sup> handling fee. The reconciliation will be based on actual weight processed over the reconciliation period, reconciliations will not be provided for individual orders or coils.

The customer will be reimbursed at an average prime metal value for said commodity (CRS, Galvanized steel, Aluminum, zinc aluminum steel and TMBP) for all losses determined to be caused by Chemcoaters that exceed the stated yield allowance.

Chemcoaters retains ownership of all scrap losses (regardless of cause), and all rejects determined to be caused by Chemcoaters.

All losses incurred during development trials will be considered allowable and no scrap credit will be allocated.

**External Yield:**

Chemcoaters makes every reasonable effort to remove non-conforming material at the time of processing. Imperfections encountered within a coil at time of processing may be flagged or marked, and wrapped in a main coil so as not to create a large number of small coils. However, as a result of the continuous coil coating process, it is impractical to remove all intermittent imperfections that may be present in either the metal or coating. This is taken into consideration in the pricing process at time of quotation, hence it is expected that the Customer will accept the following without claim to Chemcoaters:

- Manufacturing set-up blanks and normal heads and tails losses
- A minimal quantity of unusable metal
- Small (4" to 12") double coat segments, due to the start and stop process of Chemcoaters processing line.

**Field Rejects:**

When the Customer has processed material that has been deemed non-prime, the following information is required for Chemcoaters to research and process a claim:

- Representative samples of the defect
- Chemcoaters coil number(s)
- Coil invoice number(s)
- Quantity rejected (lbs.)
- Description of the problem

Chemcoaters may request to inspect the processed material at the point of manufacture, prior to disposition and removal of claimed material. Reasonable opportunity to inspect the material Page 8 of 8 should be made available to Chemcoaters. Chemcoaters will not be responsible for handling damage, transit damage, manufacturing set-up blanks, normal head or tail losses (outer or inner wraps of coil) and double coat segments (due to start and stop nature of Chemcoaters Process line). These defects are inherent to coil-supplied products produced in a continuous process, and as such are excluded from prime products claims. Losses arising from materials visibly defective at time of fabrication or installation will be subject and limited to the claim for the original material cost only. Under no circumstances will Chemcoaters accept any liability for compensatory damages.

In the event that defective material is encountered, the customer is requested to run off 250 lineal feet or 10% of the coil portion, whichever is smaller, beyond the initial appearance of the defect. If the defect terminates, the defective material should be considered under prime yield percentage allowance. In the event the defect persists through the 250 lineal feet, the balance of the coil should be set aside for separate consideration along with the 250 feet already run. For those Customers who perform secondary processing to coils must manage their own quality assurance system. Chemcoaters will not accept claims for defective material that has been further processed beyond the 250 lineal feet or 10% of the original coil.

All correspondence including, claims submission and/or appeal is to be directed to the Chemcoaters Quality Assurance Manager.



**Revisions March 4, 2014**

**Note ①: Added InterCoat™ChemGuard**

**Note ②: Decanning Fee was increased \$50.00/Coil.**

**Note ③: Average Yields for Chemcoaters were improved to show better yields due to Continuous Improvement Initiatives.**

**Note ④: The Handling Fee for Scrap Credit has been increased to \$50.00/Gross Ton due to significant yield improvements that Chemcoaters has attained over the past several years.**

**Note: Storage Section was rewritten - November 2015**

**Note: Specifications for Incoming Metal was rewritten - November 2015**

**Note: Definition of "Process/Document/Hold" was added – November 2015**