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**Precoat Metals**

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

### **I. GENERAL**

The terms and conditions contained within this document, along with specific information stated on an Order Acknowledgment or Price Quotation issued to the customer by Precoat Metals will be the terms by which a sale is made.

All terms contained will govern all business activities between Customer and Precoat Metals. Any deviation from these terms must be negotiated and formally accepted by both parties.

The guidelines in this document are intended to clarify policies and protect all parties in the daily course of business activity. Any questions or concerns should be directed to your respective Precoat Metals Outside Sales representative.



**II. DELIVERY, RECEIPT AND STORAGE OF MATERIALS**

**DELIVERY**

The customer will order the material to be delivered, freight prepaid to:

Customer  
C/O Precoat Metals  
3900 Bingham  
St. Louis, MO 63116

Customer  
C/O Precoat Metals  
25 Northgate Industrial Drive  
Granite City, IL 62040

Customer  
C/O Precoat Metals  
16402 Jacintoport  
Houston, TX 77015

Customer  
C/O Precoat Metals  
1095 Mendell David Rd.  
Jackson, MS 39212

Customer  
C/O Precoat Metals  
US Highway 12 @ State Road 249  
Portage, IN 46368

Customer  
C/O Precoat Metals  
3399 Davey Allison Blvd  
Hueytown, AL 35023

Customer  
C/O Precoat Metals  
6754 Santa Barbara Ct.  
Elkridge, MD 21075-5886

Incoming freight charges are to be prepaid and charged to the Metal owner. Precoat Metals assumes no responsibility for “Collect” shipments for metal not purchased by Precoat, unless approved prior to receipt of material i.e. claimed and returned material.

General receiving hours are twenty-four hours daily, Monday through Friday, commencing 11:00 p.m. Sunday and ending 11:00 p.m. Friday, Legal Holidays excluded. Variance from this schedule, except in case of emergency shut down, will be communicated in advance through normal communication channels. Requests for weekend and/or holiday receiving will be considered and granted whenever feasible. Please contact your Customer Service representative with any such requests.



**RECEIPT**

At the time of arrival, the load will be inspected for obvious damage. Any detected damage or discrepancies will be noted on the shippers manifest and receiving paperwork and, when applicable, signed by the delivering truck driver.

The packaging on incoming material varies significantly, and as such coils will not routinely be unwrapped at the time of receipt. There will be incidents when damage will go undetected during the receiving inspection, these types of defects could include but are not limited to, rust, staining, dents, shape problems, off width, off gage, etc. Hidden damage undetected upon receipt will be addressed at the time of processing. Damaged coil portions will be formally rejected and be handled as Mill or Transit responsibility rejections. Cropping losses resulting from hidden damage will be scrapped and credited as Mill or Transit related losses during the periodic reconciliation process. (See section XII)

Upon receipt, each coil will be tagged indicating material ownership along with all pertinent coil data (i.e. weight, gauge, width, substrate, grade/temper). Each master coil will be assigned a Precoat identification number that through subsequent processing and final shipment will ensure traceability. Portions of the master coil will also be assigned a unique suffix identification at the time of processing to ensure traceability of each portion and total material accountability.

Precoat Metals will accept coils having “export packaging” i.e. wraps of paper, cloth, wood, and/or metal. There is no charge for wrap removal and waste disposal.

**STORAGE**

Precoat Metals will assume responsibility for and accountability of all customers’ material physically located in one of its facilities. All reasonable precautions are taken against hazards of damage or loss and insurance coverage is maintained with commercial underwriters.

Material received and subsequently released, as a prime bare shipment will be subject to a \$75.00 per coil in and out handling charge. The handling charge will be waived for bare shipments resulting from any delay in processing or negligence caused by Precoat Metals.



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Precoat Metals will inventory the customer's material at no charge providing material status changes or material ships within the following time frame:

Bare:	180 Calendar Days
Finished:	150 Calendar Days
Hold/Reject:	120 Calendar Days

The time constraints for material storage are established to insure proper inventory management, and maximization of prime yields. The timely conversion and shipment of material will facilitate optimum service levels and prime yields.

Extensions will be considered upon request. In the event the material age exceeds the stated time allowance, material may be subject to the following warehouse charges:

Bare/Unprocessed:	Exceeding 180 Days - \$	5.00/Ton
	Exceeding 210 Days - \$	7.50/Ton
	Exceeding 240 Days - \$	10.00/Ton
Finished Goods:	Exceeding 150 Days - \$	5.00/Ton
	Exceeding 180 Days - \$	10.00/Ton
Hold/Reject:	Exceeding 120 Days - \$	5.00/Ton
	Exceeding 160 Days -	\$ 10.00/Ton

All billing of warehousing charges will be calculated and rendered on actual weight. Charges are to be invoiced monthly for material which exceeds the time limitations and on the floor on the 15<sup>th</sup> of that month.

Warehousing charges will be waived if material ages as a result of poor inventory management practices caused by Precoat.



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### **III. INVENTORY MANAGEMENT**

All customer owned material will be maintained and monitored via Precoat Metals automated real-time coil inventory system.

Customized software-utilizing IBM AS 400 Mainframe hardware allows for current and historical coil activity and accountability.

Precoat Metals coil system is formatted to record and transmit electronically all inventory transactions and material status in accordance with the X12 Standard and A.I.S.I. Compord Standard.

Customer order information, inventory data, and other pertinent detail can also be accessed via the Precoat Metals "Coil Zone" program via internet site at [customers.precoat.com](http://customers.precoat.com), please contact your Precoat Metals Outside Sales or Customer Service Representative for details and access.

Other than the capability to communicate electronically, Precoat will, when necessary, provide inventory in stock and activity data through a variety of customized reporting formats.

Your information needs should be communicated to your Customer Service representative, Inventory Control personnel, or Outside Sales personnel at the appropriate Precoat facility.



## **IV. PROCESSING ORDERS**

### **ORDER PLACEMENT**

When submitting a processing order the customer shall provide complete information along with any non-standard applications and/or special requirements. The order shall include at minimum:

1. Sold to Name/Address/Duns Number
2. Ship to Name/Address/Duns Number
3. Metal Specifications
4. Packaging Requirements e.g. cores, export, inner diameter specification, paper wrap if required, eye vertical or horizontal, etc.
5. Coating/Laminating System
  - a) Topside Finish Paint/Laminate Number
  - b) Topside Color
  - c) Topside Primer (if applicable)
  - d) Reverse Side Coating
  - e) Reverse Primer (if applicable)
6. Unique specifications e.g., government contract, pretreatment, thick film system, reverse adhesion (if applicable):
7. End use, product application
8. Price, Quote number, and billing unit e.g. Actual weight, TMW, Base Box.
9. Subsequent Processing (when applicable) e.g., slitting, embossing, cut-to-length
10. Unloading Instructions
11. Wax Required (when applicable)
12. Maximum Coil Size To Be Delivered
13. Date Requested
14. Purchase Order Number
15. Order Quantity

### **ORDER ACKNOWLEDGMENT**

Precoat Metals, upon order acceptance and entry, can provide an acknowledgment of the order to the customer. The acknowledgment can be provided via mail or e-mail, please provide your preferred means of communication, should you require an acknowledgement. The acknowledgement will contain all pertinent order information and should be reviewed by the customer to ensure order compliance. Alternative means of monitoring orders are available electronically or through various reports.



**PROCESSING TIME**

Precoat Metals will make every reasonable attempt to comply with the customers order request date. Availability of materials to be applied and/or metal will impact Precoat's ability to comply with such request date. Each order acknowledgment will list both the customer request date (CRD) and Precoat's estimated coating date (ECD). The ECD is based on substrate availability, coatings/materials availability, the current order load, and any previous scheduling commitments.

As a general guideline, two weeks should be allotted for the processing of standard items. Non-standard items may take from two to six weeks to process depending on the coating system/supplier.

**CANCELLED OR REDUCED QUANTITY ORDERS**

Upon acceptance of an order Precoat Metals will order materials necessary to fulfill the order requirement. In the event the order quantity is either reduced or cancelled, Precoat Metals reserves the right to invoice the customer for the value of any unused materials and disposal costs. Precoat Metals will make every attempt to divert the materials to an alternative application prior to invoicing the customer for unused materials.

**VARIANCE POLICY**

**ORDERED QUANTITY VS. ACTUAL PRODUCTION QUANTITY OVER RUN/UNDER RUN TOLERANCE**

Variation from Ordered Quantity				
Order Size	≤	10 tons	+/-	30%
Order Size	≤	50 tons	+/-	20%
Order Size	≤	250 tons	+/-	10%
Order Size	≥	250 tons	+/-	3%

The customer should state when placing a processing order the absolute minimum requirement if applicable. If an absolute minimum quantity is stated on the order, Precoat will deviate from the standard policy and when feasible, meet the absolute minimum requested quantity (lineal feet).



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### **V. PRICING**

All prices including add ON's and/or deductions are subject to the pricing schedule in effect at the time of shipment. Pricing changes to a specific order will be communicated via a change order when applicable, to the customer.

All pricing discrepancies should be communicated immediately to Precoat sales for either correction or detailed explanation.

Price quotations are subject to change, but only with an appropriate explanation.

Invoicing will be rendered on the billing unit as specified on the price quotation and subsequent order acknowledgment.

Actual weight pricing will be rendered on the finished material weight and shall include the weight of applied coatings. The finished weight (actual) would in fact include cores, yet no other miscellaneous packaging materials.

All shipments are made F.O.B. Precoat's plant. Precoat is not responsible for transportation charges such as but not limited to spotting, switching drayage, demurrage or additional charges for LTL shipments unless arrangements have been mutually agreed to in writing prior to material shipment.



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**VI. PAYMENT TERMS**

All invoices for services rendered by Precoat Metals shall be paid by the customer in accordance with established payment terms. Standard payment terms are net thirty days from the invoice date. The 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 Precoat's credit department.



## **VII. SPECIFICATIONS FOR INCOMING METAL COATING**

### **SHAPE**

(Critical) - All metal shall be free of center buckle and edge wave within commonly recognized limits for the commodity and must generally be suitable for processing on a continuous coil coating line as well as end use fabrication.

### **CAMBER**

Must not exceed 1/2" in 20 lineal feet.

### **EDGES**

(Critical) - Substantially free of edge strain, minute cross-breaks, cracks, saw-tooth, slivers, excessive burr, laps, slugs, or folds and tears.

### **SURFACE**

- a) Shall be substantially free of irregularities. Dents, pits, pipe, rolled in scale, stringers and are objectionable. Zinc or zinc aluminum coated sheet, and aluminum sheet shall have uniform surface profile, relatively free of stain, grease, wax or oil (except for approved cold rolling material). Zinc or zinc aluminum coated sheet should be reasonably free of dross, steam blisters, voids, craters, bands, stripes and curtains. All substrate must be free of oxidation.
- b) All metal must be free of edge sealers and any mill applied chemical treatment must be suitable for coating. All material with a mill applied chemical treatment must be so identified on incoming paperwork and coil tags.
- c) No mill trade or other ink marking or stenciling is to be used. Identifying marks should be confined to inner and outer wraps.
- d) Lightly oiled metal is preferred. Oil should be applied very lightly. Oils used must be free of paraffin, lanolin, and sulphonates, and must be readily removable in an alkaline spray cleaner.
- e) Metal as supplied must be capable of accepting the specified type of conversion or deposited coatings in order to provide corrosion protection and paint adhesion. These coatings shall include, but not be limited to, iron phosphate, zinc phosphate, amorphous oxide or acidic chromate. The surface of the metal must be capable of accepting such metal treatments at the proper coating weights without voids in the metal treatment coating when the chemical baths are operating in the temperature and concentration ranges as specified by the chemical manufacturer.



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### **TEMPER**

The temper and physical characteristics of the metal must withstand heating to 500 degrees F. peak metal temperature and quick cooling without significant change.

Precoat will be accountable to meet and produce to standards as stated above. All requirements for material in variance to established standards must be communicated in advance to Precoat for any such order.

Coils must be wound flush and suitable for stacking three high. Coils which collapse while in storage will, when possible be opened at no expense to the customer, providing Precoat is not held responsible for the balance of uncoatable portions, and the frequency of collapsed coils is limited. The uncoatable portions will be dispositioned as mill responsibility.



**VIII. NONCONFORMING SUBSTRATE**

**DISPOSITION OF DEFECTIVE (REJECTED) METAL**

1. Material found unsuitable for either coating or intended end use will be rejected with written notification to the proper representatives of metal owner providing coil identification, quantity, metal specifications, and reasons for rejection.
2. Forty-five days from date of rejection is allotted for final disposition. Ninety days from notification will be allowed for material shipment.
3. Accumulations and coil portions weighing less than 1,000 lbs. will be scrapped and scrap credit given during periodic inventory reconciliation as stated in section XII.
4. Repeat defects from a continuous rolling lot constituting major quantities will be reviewed with customers and mills to determine immediate options and action to be taken.
5. Expedient handling of rejected material is essential to ensure proper inventory flow to our customers.

**PROCESSING OF MILL/TRANSIT REJECT MATERIAL**

Precoat Metals reserves the right to be remunerated for the costs associated with the processing of metal related rejections. The customer will be invoiced for the coated portions, at the coating charge for the order the material was processed against.

The customer will not be invoiced for the uncoated portions of metal related rejections. Precoat Metals will absorb the costs associated with the processing of uncoated portions.



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### **IX. CUSTOMER INSTRUCTIONS FOR HANDLING FINISHED MATERIAL**

The customer/processor shall receive and unload material delivered from Precoat Metals, inspect for visible damage and imperfections (including moisture) and store coils in an enclosed space, protected against inclement weather, water damage, and condensation.

Before unloading any coils showing visible damage, the customer shall inform the carrier's representative of the damage and note an exception on the delivery receipt.

If the coils received do not conform to information listed on packing list (e.g. quantity, color, or coil identification), the customer shall promptly notify Precoat Metals Customer Service personnel so that the problem can be investigated and a recommendation/resolution can be made.

Should the customer fail to notify and confirm non-conformance, the coils will be deemed to have been received in good order and condition and of the quality and quantities specified on the shipping documents, except for any hidden imperfections which can only become evident during the processing of the coils.

Finished material should be used 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 affect on material performance. Long storage times before forming may affect your warranty. The slow changes in properties over time are not a concern once the material is formed.



**X. EXTERNAL PRIME YIELD OF PRECOATED STEEL COIL**

The processing of metal and the application of organic coatings on metal in a continuous coil mode involves intermittent variations and imperfections that prevent the realization of absolute conformity to an established standard of quality. Precoat Metals will make every reasonable attempt to remove non-conforming material. The continuous coil aspect however, makes it impossible to remove all such intermittent flaws as may be present in both metal and coating, therefore and in consideration of the pricing method; it is expected that the customer will accept without claim:

- 1) Inside and outside coil wraps
- 2) Welds and cut-outs
- 3) A minimal quantity of unusable metal.

Due to the unavoidable inclusion of flaws in metal and/or coating, the customer should exercise all opportunities for inspection in order to assure that substandard coil portions are identified and isolated during the initial fabrication stage thus preventing further distribution or in-service installation of the defective portions. Losses arising from materials visibly defective at time of fabrication or installation will be subject to claim for the original material cost.

In the event defective material is encountered, the customer is requested to run off 300 lineal feet or 10% of the coil portion whichever is smaller beyond the initial appearance of the defect. If the defect terminates, the defective coil portion should be considered under the prime yield percentage allowance. In the event the defect persists through the 300 lineal feet, the balance of the coil should be set aside for separate consideration along with the 300 foot quantity already run.



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### **XI. CLAIMS POLICY**

The customer will notify Precoat Metals Technical Services Manager of problem coils and/or sheets, when a deficiency of the applied materials or substandard product performance is suspected. The customer is to provide pertinent information as listed below:

- Sample of material defect
- Customer Purchase Order Number
- Precoat Metals coil number(s) and invoice weight
- Invoice number
- Quantity rejected
- Description of problem

For building complaints the following is also required:

- Quality photographs
- Job number and job name
- Date material was shipped to job site
- Date building was erected, location of building, and building size
- Name of builder/contractor and phone number

Precoat Metals will respond, in writing, within 30 calendar days from the date complete claims information is provided by the customer to the Precoat Technical Services representative. Only claims that exceed the external yield loss guidelines outlined in the previous section will be considered. The response will include the following:

1. Acceptance of rejection and instructions for material disposition.
2. Denial of responsibility for rejection with adequate explanation for denial.
3. Recommendations for further processing at customers' facility for purpose of working through defective material.
4. Instructions for the return to Precoat of material in question. Material may be salvageable with additional processing, once material has been reprocessed and made good it will be returned to the customer on the next outbound shipment.
5. Request for extension if acceptance or denial cannot be determined within the 30-day period. A request for extension must include a reason and the specific amount of time needed before a final response can be provided. Request for extensions will be faxed and mailed to all parties.

Should Precoat Metals fail to respond to the customer within the 30-day calendar period, an implied acceptance of the claim will exist. Also, should Precoat fail to respond within the time frame of a requested extension, an implied acceptance will exist.



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The customer will have the opportunity to appeal any denied claim for 14 calendar days after written denial is provided.

Precoat Metals' liability for all claims will be limited to metal, applied materials, and freight. In no case will Precoat Metals accept any liability for compensatory damages. Debits submitted must include a detailed breakdown of all charges.

All correspondence including, claims submission and/or appeal is to be directed to the Precoat Metals Technical Services Manager.

All accounting transactions are to wait until final disposition of claim has been made and agreed to by both parties.



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### **XII. INTERNAL PROCESSING ALLOWANCE**

Precoat Metals will guarantee a specified in house prime yield based on the amount of throughput, average weight per lineal foot processed, and average master coil size processed.

Although Precoat is continually striving to provide a 100% prime yield, current coil processing technology does not allow for such yield attainment.

This yield policy will accommodate a Precoat performance allowance, which will be used as a guideline in the reconciliation and subsequent remuneration of scrap losses, which are inherent to the coil processing industry. The yield allowance will be applied to the total throughput/charge weight, which includes finished goods, work in process, return to stock, reject and scrap losses.

Losses included in the reconciliation process are:

- Croppings of coil heads and tails
- Splices
- Line stops
- Miscellaneous croppings
- Allowable PCM fault rejects- See definition below
- Non-allowable PCM fault rejections (see definition below) may be considered and included when the incoming coil weight is less than 15,000#.

AVERAGE WEIGHT PER LINEAL FOOT			AVERAGE MONTHLY VOLUME	
			$x \geq 50$ Tons	25 Tons $\leq x < 50$
	$x \leq$	.99 lbs.	99%	98%
.99 lbs.	$< x \leq$	1.25 lbs.	98%	96%
1.25 lbs.	$< x \leq$	2.50 lbs.	97%	94%
2.50 lbs.	$< x \leq$	4.00 lbs.	96%	92%
4.00 lbs.	$< x$		95%	90%

1. Master Coil Size: Coil size like production volumes also has a direct impact on prime yield. The larger the master coil is, the better able Precoat is to maximize in house prime yields. The above stated prime yield guarantee will be reduced by one percent if the average master coil size processed during the given quarter is less than 7.5 tons steel, 4 tons aluminum.
2. Order Size: In the event average order size for the reconciliation period does not meet 7.5 tons the prime yield guarantee will be reduced by an additional one percent.



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In the event the total throughput does not meet the 25 ton minimum requirement for the reconciliation period, all losses will be considered allowable and credited at the appropriate scrap value.

### **SECONDARY OPERATIONS PROCESS ALLOWANCE**

Precoat yield allowance for Secondary Operations Process unit (Slitting, Cut-to-Length, Embossing) will be .5% for each individual Process.

These stated allowances will accommodate PCM losses, for set-up, and a minimal quantity of other miscellaneous losses.

NOTE: All off fall losses, unless caused by PCM, will be considered engineered losses and credited at the stated scrap value for each individual PCM geographic area.

### **NON-ALLOWABLE REJECTION**

Precoat fault coil reject exceeding 2,500 lineal feet for material with a weight per lineal foot of less than 3.95 lbs.

Precoat fault coil reject exceeding 1750 lineal feet for material with a weight per lineal foot of 3.95 lbs or greater.

All mill and/or transit related losses. (See section VIII)

If during the processing of material, difficulties are encountered which result in an individual coil loss outside the normal operating allowance, Precoat will be responsible for the reimbursement of the average prime metal market value for that commodity involved, regardless of through put quantity. Precoat will retain ownership of the material and credit the customers' account for the material involved regardless of yield performance. The remuneration of non-allowable rejections will take place monthly.

### **RECONCILIATION TERMS**

A performance reconciliation will take place periodically whereby any cropping losses and rejects determined to be caused by Precoat Metals that fall under the yield allowance will be credited in accordance with the below stated market scrap values, less a \$25 per ton handling charge:

**Mill Fault Scrap Cost: See Below published values less \$25 per G.T. Handling**

- ❖ PCM St. Louis, MO/Granite City, IL-American Metal Market 1<sup>st</sup> effective issue each month "Mixed Clips #1 Bundles" less \$66.00 G.T.
- ALUMINUM- American Metal Market "Specialty Consumers Low Copper Clips" less \$.23 per lb.



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PCM Portage, IN-American Metal Market Chicago 2nd Monday of the month No. 1 Dealer Bundles (High Side) less \$22.00 GT.

- ❖ PCM Houston, TX-American Metal Market 1<sup>st</sup> effective issue each month, Birmingham District, #1 Busheling per gross ton
- ❖ PCM Jackson, MS-American Metal Market 1<sup>st</sup> effective issue each month, Birmingham District, #1 Busheling per gross ton
- ❖ Midwest Metal Coatings-Steel-American Metal Market, 1<sup>st</sup> issue of the month “Scrap Iron & Steel Prices” mixed slips #1 Bundles, low side less \$26.50 per gross ton
- ❖ PCM Birmingham, AL–American Metal Market, 1<sup>st</sup> effective issue each month, #1 Bundles, less \$41.00 G.T.
- ❖ PCM Baltimore, MD-American Metal market, 1<sup>st</sup> effective issue each month, Philadelphia Market, #1 Bundles, High Side, less \$40.00 G.T.

The customer will be reimbursed at an average prime metal value for said commodity (cold roll steel, galvanize steel, aluminum, zinc aluminum steel, TFS) for all losses determined to be caused by Precoat Metals that exceed the stated yield allowance.

Precoat retains ownership of all scrap losses (regardless of cause), and all rejects (unless other formal arrangements have been agreed to by both parties) determined to be caused by Precoat Metals.

All losses incurred during no charge developmental trials will be considered allowable and credited at the appropriate scrap value for said commodity and geographic market.



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### **XIII. GENERAL WARRANTY INFORMATION**

Precoat Metals certifies that all coatings will be applied in accordance with paint manufacturer's specifications.

Request for applications outside of specification parameters will be considered, but such applications will void any future claims for non-compliant performance.

All materials processed by Precoat Metals are processed under a continuing quality control program.

Representative production samples are subjected to various on line tests, which verify application/coating integrity.