



Paint & Varnish Company, Inc.
The Science of Coatings Begins with Red Spot



REQUIREMENTS FOR SUPPLIERS OF RAW MATERIALS

"100% On Time - On Quality"

Date: June 7, 2017

Revision: 031

INDEX

Page 3	Red Spot's Quality & Environmental Policy
Page 4	Red Spot's Commitment to Suppliers
Page 5	Supplier Selection, Evaluation and Development
Page 7	Regulations Applicable to Suppliers
Page 8	Supplier Code of Conduct
Page 11	General Information and Quality Management
Page 11	Material Availability & Delivery Requirements
Page 13	Receiving Hours
Page 13	COA & Red Spot's Specs
Page 14	Documentation
Page 15	Pre-ship and Co-ship
Page 15	Non-conforming Materials
Page 16	Incoming Purchased Material Control
Page 19	Environmental, Safety and Health
Page 20	Terms and Conditions
Page 23	Contact Information

Red Spot's Quality Policy

Satisfy the Customer

We are committed to:

- 1. Understanding customer needs, both current and future.*
- 2. Listening to our customers to keep pace with changing markets.*
- 3. Providing our customers with product that satisfies all their requirements at the right time.*

Red Spot's Environmental Policy

Red Spot Paint & Varnish Co, Inc. and its affiliates are committed to going over and beyond compliance so that we lead our industry in minimizing the impact of our activities on the environment.

Our employee commitments to environmental integrity include:

- ◉ Preservation of Natural Resources and the Prevention of Pollution related to the design (research and development, formulation) and manufacture of coatings;
- ◉ Energy Conservation by reduction of utilities;
- ◉ Continual improvement through a system of setting and reviewing environmental objectives and targets;
- ◉ Compliance with all relevant environmental legislation, regulations, and corporate standards.

Environmental integrity is and must be an integral part of every Red Spot business practice, operation, job, and task. It is incumbent on each of us to assess our own roles and responsibilities and to help fulfill, to the utmost of our abilities, the commitments set forth in this statement.

Scope

This Requirements for Suppliers of Raw Materials Document defines minimum quality assurance, environmental, and governance requirements for all suppliers of raw materials to RED SPOT PAINT & VARNISH CO., INC., RED SPOT WESTLAND INC. and RED SPOT DE MEXICO, S.A. DE C.V. (Hereafter referred to as Red Spot), whether the products being furnished are provided by the supplier directly or indirectly through a distributor.

The requirements covered by this document are provided as a supplement to, and do not replace or alter, other terms and conditions covered by purchase documents, requirements of specifications or other regulatory requirements.

Red Spot's Commitment to Suppliers

Red Spot's Responsibilities

Red Spot is committed to continuous quality, environmental, and governance improvement and recognizes the importance of supplier involvement in achieving quality, environmental and safety leadership. For this reason, it is Red Spot's responsibility to communicate its needs to the supplier and to exchange basic technical information.

Red Spot will:

- ⦿ Establish a clear line of communication with a formal notification of any changes.
- ⦿ Commit to continuous improvement in all areas of operations and in supplier interactions.
- ⦿ Assist in acquiring any information, training, etc. concerning the requirements of this document.

Policy & Philosophy

Red Spot will work closely with its suppliers to assist them in producing and delivering materials and services that conform to specifications and requirements that have been mutually agreed upon by Red Spot and the supplier.

Red Spot will assign business preferentially to suppliers whose materials and services consistently conform to Red Spot's requirements. Suppliers will benefit from quality performance because Red Spot will have the option of offering a larger share of business and longer-term purchasing contracts to them.

Ultimately, Red Spot will conduct business with fewer suppliers. Long-term relationships will be established with these quality suppliers in an atmosphere of openness and trust.

Supplier Quality & Environmental Audit

Red Spot periodically audits suppliers as needed to evaluate their Quality Systems, which may also include Environmental Systems. Audits are to verify that adequate quality assurance and governance systems exist in a supplier's operations and are functioning satisfactorily. The survey is conducted by a Red Spot Audit Team which may consist of Quality Assurance, Purchasing, Environmental, and other interested Red Spot parties. Arrangements for the survey are made by Red Spot's Quality Department which will be at least 30 days in advance of a proposed date.

Red Spot and our customers have the option of verifying that products conform to specified requirements at the plant site, following the above guidelines.

After the survey is completed, the results will be reviewed verbally with the supplier. A written report will be sent within two weeks of the completion of the audit. The supplier is expected to respond to all non-conformances.

Supplier Selection, Evaluation and Development

Selection

Red Spot maintains and publishes a list of composite ratings for all Red Spot raw material suppliers. These ratings are an average of the ratings given by Research, INQC and Purchasing (Strategic Supplier Team). Each supplier's rating is reviewed at least bi-annually.

Research uses the list of supplier composite ratings as the basis for selecting suppliers both in support of current technology as well as for new product development. New, unrated, suppliers are evaluated and enter the process with an initial rating of "Acceptable".

Evaluation

Red Spot's supplier evaluation has several purposes:

- ⊙ Provides Red Spot with data on the performance of suppliers for the purpose of basing purchasing decisions.
- ⊙ Provides prompt and timely information to suppliers regarding their success in delivering materials that consistently meet Red Spot's requirements on service and product quality. As a result, the supplier can target improvement efforts and strengthen its position as a key supplier to Red Spot.

Each department rates suppliers on their performance in various areas.

The ratings given are:

Preferred	3	A supplier with a demonstrated ability to consistently meet or exceed Red Spot's requirements or a new unrated supplier.
Acceptable	2.5	A supplier that normally meets Red Spot's requirements, with 1 minor deficiency in a target area.
Marginal	2	A supplier that normally meets Red Spot's requirements, with two or more minor deficiencies in target areas.
Unsatisfactory	1.5	A supplier with a significant deficiency(ies) in one or more target areas.
Not recommended	1	A supplier which has failed to show ability to improve deficiencies. This supplier is not recommended for consideration.

Remedial Development

Remedial action or development is initiated with any supplier having a composite rating of 2.33 or less.

- ⊙ The exact nature of the supplier's deficiency(ies) determine(s) the type of remedial action plan and may be documented with a Supplier Corrective Action Report.

Progress of the remedial action effort is tracked by the appropriate department and reported at the Strategic Supplier Team meeting.

Certification Development

The Process Engineering & INQC Manager is responsible for developing the raw material suppliers' level of quality. Information concerning certification and other detailed information is sent to suppliers via this handbook, the Red Spot Requirements for Suppliers of Raw Materials.

The Process Engineering & INQC Manager tracks the quality program development of raw material suppliers in several ways, including:

- ⊙ Audits
- ⊙ Vendor Rating
- ⊙ Reports

Regulations Applicable to Suppliers

We expect our suppliers, whether within the United States or internationally, to comply with applicable regulations. The following regulations are specifically emphasized for our suppliers to adhere when applicable.

Conflict Minerals

If applicable, suppliers must adhere to U.S. federal laws and regulations requiring reporting companies to make specialized disclosure and conduct due diligence concerning their use of conflict minerals that may have originated in the Democratic Republic of the Congo or an adjoining country, as required by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a reporting company, under the Securities Exchange Act of 1934, Red Spot must conduct due diligence of its suppliers concerning the source and chain of custody of conflict minerals contained its products, and must file a report with the SEC annually by May 31. We expect our suppliers to develop due diligence processes to support our reporting obligations and to cooperate fully in responding to our information requests.

Security

Red Spot suppliers must protect their workers and products purchased by Red Spot with appropriate security measures, which include Customs-Trade Partnership Against Terrorism (C-TPAT) led by U.S. Customs and Border Protection (CBP) where applicable.

Purchasing & Trade Compliance

We expect our suppliers to comply with all applicable laws, directives, and regulations governing both the import and export of parts, materials, technical data, and services. We expect suppliers to create and maintain complete and accurate business transaction records, in accordance with applicable laws and contract terms, and to prevent alteration, concealment, or misrepresentation of those records. All records, regardless of format, made or received as evidence of a business transaction must fully and accurately represent the transaction or event being documented. Upon request, all records of Red Spot transactions must be made available to Red Spot for review and audit.

Supplier Code of Conduct

Our suppliers are expected to conform to the principles of the Supplier Code of Conduct. While we recognize differences in cultures and legal requirements, we expect those producing raw materials or products for us to do so in a manner that exhibits the same high standards and values representative of Red Spot and our brands.

Laws and Regulations

We expect our suppliers, whether within the United States or internationally, to maintain full compliance with all applicable country, state, and local laws and regulations applicable to their business.

Human Rights, Human Trafficking, Child Labor and Forced Labor Principles

Red Spot expects our suppliers to treat people with respect and dignity, encourage diversity in their workforce, remain receptive to diverse opinions, promote equal opportunity for all, and foster a safe workplace. We expect our suppliers to practice mutual trust and respect inside their company and to provide a workplace free of forced labor, child labor, and human trafficking.

Our suppliers are prohibited from the use of child labor and forced labor in the performance of work for Red Spot. The term “child” refers to any person under the age of 15 or under the age for completing compulsory education, whichever is greater. Any hazardous work performed for Red Spot must be done by individuals over the age of 18. Please note that country regulations that have defined “child” differently where an age greater than 15 is required shall supersede this requirement.

The term “forced” labor is any and all work or service which is exacted from any person under the menace of any penalty for its non-performance and for which the worker does not offer himself/herself voluntarily. We expect our suppliers to meet local minimum wage and overtime pay requirements. Working hours must not exceed legal limits.

We expect our suppliers to provide equal employment opportunity to employees and applicants for employment, without regard to race, ethnicity, religion, color, sex, national origin, age, military veteran status, ancestry, sexual orientation, gender identity or expression, marital status, family structure, genetic information, or mental or physical disability, so long as employees are able to competently perform the essential functions of their job, with or without reasonable accommodation.

Anti-Corruption

We expect our suppliers to conduct appropriate levels of due diligence to prevent and detect corruption in all business arrangements, including their own supply-chain relationships, partnerships, joint ventures, offset agreements, and the hiring of consultants.

Conflicts of Interest, Competitive Behavior, & Anti-Trust

We expect our suppliers to avoid all conflicts of interest or situations giving the appearance of a potential conflict of interest in their dealings with Red Spot. We expect our suppliers to provide notification to all affected parties in the event that an actual or potential conflict of interest arises. This includes a conflict between the interests of our company and a supplier's personal interests or those of close relative, friends or other associate. In addition, we expect our suppliers to deal fairly with their customers, suppliers, competitors and employees, avoiding taking unfair advantage of such parties through manipulation, concealment or misuse of information or misrepresenting material facts.

Anti-Trust

Our suppliers must not fix prices or coordinate market conduct with competitors or their own suppliers in a way that improperly restricts competition. They must not exchange current, recent, or future pricing information with competitors. Our suppliers must refrain from participating in a cartel or any kind of association or arrangement that affects competition in a manner not allowed by the applicable laws and regulations.

Insider Trading

Our suppliers and their personnel must not use material, non-public information obtained in the course of their work with Red Spot as the basis for stock trading or to enable others to trade on inside information.

Information & Intellectual Property Protection

Suppliers must protect the confidential and proprietary information of others, including personal information, from unauthorized access, use, modification, disclosure, or destruction through appropriate physical and electronic security procedures. Suppliers must comply with all applicable data privacy laws. Suppliers shall ensure extension of this requirement to their own supply chain.

We expect our suppliers to respect and comply with all the laws governing intellectual property rights, including intellectual property designated as a trade secret, as confidential, or that is subject to patents, copyrights, or trademarks restrictions. *Applicable Non-Disclosure Agreements (NDAs) and Confidentiality Agreements (CAs) between Red Spot and the supplier shall govern any potential discrepancies noted in this document.*

Supplier Quality Requirements

General

The success of Red Spot depends upon the continuous improvement of the value and consistency of its products and services at a competitive cost.

To meet these goals, Red Spot has adopted a Supplier Performance Standard of "100% On Time - On Quality". Red Spot expects its suppliers to be committed to a philosophy of continuous improvement. Thus, reducing variability becomes a normal practice.

Red Spot's policy is to purchase from suppliers who can assure supply and deliver materials on time, which are within controls and specifications.

A sound relationship between Red Spot and its suppliers begins with communication with Red Spot Research and continues to the establishment and maintenance of the Certification Program.

Quality Management

All Red Spot suppliers must be:

- ⦿ Able to prove an effective Quality System exists through ISO9001 Certification, Supplier Audits, and/or the Supplier Audit Checklist provided by Red Spot.

Verification will be in the form of the Supplier Survey Audit, the approved Supplier Audit Checklist or copies of the ISO9001 Certificates.

Material Availability

Red Spot's ability to effectively control material inventory is dependent upon the Supplier's assurance that the material is available within a specified time period. This specified time period, lead time, is critical to Red Spot's operations and must be a mutual agreement between Red Spot and the supplier.

Prior to Delivery Requirements

Prior to delivery, the following items must be supplied and/or agreed upon:

- ⦿ Price quotation via e-mail.
- ⦿ Order Confirmation via e-mail.
- ⦿ Safety Data Sheets (SDS)
- ⦿ Completed Material Certification Form EMD-MCF, which includes disclosing ingredients that are included on Red Spot's Banned and Controlled Substances List
- ⦿ Specification Sheet

- ⊙ Color Standard (Tints, Pigments and Aluminums)
- ⊙ Weight per container
- ⊙ Shipping Location
- ⊙ Freight Terms
- ⊙ Lead Time for orders to ship
- ⊙ Shelf life of product
- ⊙ Handling instructions for product (freezable, hazardous, etc.)
- ⊙ Notify Purchasing if raw material is within six months of expiration date. **Material should be First In-First Out.**

Delivery Requirements

Quality requirements include those characteristics which allow Red Spot to receive, approve and process materials in a timely and efficient manner. Red Spot will indicate verbally or by purchase order any special requirements for delivery.

Requirements include:

- ⊙ **First In-First Out basis**
- ⊙ Certificate of Analysis
- ⊙ Packing Slip
- ⊙ Co-ship or Pre-ship (if required)
- ⊙ Pallet Size 45 x 48 for Evansville; 48 x 48 for Westland; 48 x 48 for Mexico (unless deviation approved prior to shipment)
- ⊙ Nylon Pressure relieving bungs in all drums
- ⊙ Supplier product description and lot numbers on all pack sizes
- ⊙ Red Spot code number on all containers or all 4 sides of a palletized product
- ⊙ Gross, Tare and Net Wt. on all containers
- ⊙ Product should not have an expiration date within 6 months of time of delivery
- ⊙ HMIS/GHS information should be on all containers
- ⊙ Shipment of a single lot where feasible
- ⊙ 100% On-Time Delivery

Bulk Delivery Requirements:

- ⊙ Center unload tankers with at least 25 ft. of hose

- ⦿ Clean, Dry, Contaminant Free Pump
- ⦿ Packing Slip/Destination of Bulk Solvent Deliveries

Receiving Hours

Unless prearranged in advance:

- ⦿ Evansville receiving hours are 7:30 AM to 1:00 PM CST
- ⦿ Westland receiving hours are 7:30 AM to 1:00 PM EST
- ⦿ Mexico receiving hours are 9:00 AM to 5:00 PM CDT

The supplier is encouraged to establish a Quality Assurance program for their carriers and shipping containers. This program is to ensure that materials are not contaminated or damaged during loading, shipment or unloading.

The supplier must notify Red Spot's Purchasing Department before shipment if unable to comply with any special delivery requirements.

Certificates of Analysis

Certificates of Analysis (COA's) with the following information must be received before or with each shipment:

1. Lot number
2. Red Spot Code Number
3. Supplier name & item description
4. Date shipped and date manufactured
5. Manufacturing location
6. Test results for all agreed to properties
7. Red Spot purchase order number
8. Specifications with ranges
9. Use By Date (if indefinite, please state)

Specifications

Red Spot specifications and requirements form the basis for quality agreements with suppliers. These specifications list all critical properties, upper and/or lower limits and test methods. The supplier is responsible to ensure that Red Spot has received Quality Specifications before any new raw material is received by Red Spot. Raw material received without a Specification will be rejected.

The supplier is responsible to furnish materials to current specifications and to provide copies of all applicable specifications that are available to and fully understood by those persons in the supplier's organization directly responsible for assuring compliance with the stated requirements.

If any "gray" areas appear to exist, the supplier is to contact the Process Engineering & INQC Manager for clarification. If specification clarifications are going to delay the receiving of raw materials by Red Spot, Purchasing should be contacted.

Specification/Process Change

The supplier must notify Purchasing via our Product/Process Change Form (PURF 28) of any changes in the manufacturing location, process, storage, raw material(s) used or raw material source. Such changes may affect the quality of the finished coating; therefore, Red Spot reserves the right to prior notification, so that we can judge the impact on our use of the material. Shipment of material incorporating any such change not so identified to Red Spot will be segregated and officially rejected. Red Spot may require the supplier to submit representative samples of these changes or additional application testing before changes are made.

PURF 28 form can be found at www.redspot.com under Supplier Information

Test Methods

Test methods must be available to Red Spot INQC per request on all critical parameters.

Standards

Color standards, wet standards and/or physical standards must be made available to Red Spot INQC before receiving a new raw material.

Documentation

The supplier shall maintain sufficient quality system records, quality manuals and documentation relevant to quality system requirements.

The supplier shall also maintain process capability records, SPC (Statistical Process Control)/SQC (Statistical Quality Control) charts or other statistical process control records, and quality test results to demonstrate continued capability conformance to specifications in order to achieve certified status.

Record Retention

Quality performance records shall be maintained for the most recent twelve (12) months and for one (1) year after last shipment. Quality system records should be maintained per company policy and said policy communicated to Red Spot INQC.

Availability of Records

All Quality results and SQC charts shall be available for review by Red Spot INQC representatives and copies of individual records shall be furnished upon request. Quality manuals may be requested.

Retains

Retains of all production batches shall be maintained per shelf life and said company policy communicated to Red Spot INQC.

Pre-ship / Co-ship Samples

Pre-ship

Pre-ship samples must be available upon request by Red Spot and will be required on any raw material that requires lot picking due to a history of excessive rejections or time consuming analysis by INQC.

Co-ship

Co-shipment samples may be requested on any raw material that opening of the container may result in degradation to the raw material.

NON-CONFORMING MATERIALS

Detected at Red Spot

Non-conforming material detected at Red Spot will be reported to the supplier by means of a Manufacture/Supplier Corrective Action Report (MSCAR).

The MSCAR form is notification to the supplier that non-conforming material has been detected, rejected, and will be returned to the supplier.

The supplier is required to complete the MSCAR form in the time frame indicated. Evidence of analysis of a root cause and indication of a corrective action must be shown. The form may contain a schedule of activities to be conducted. MSCAR should then be updated as these activities are completed.

All rejections are reported in the quarterly Business Meeting to Red Spot management.

Detected at the suppliers

When non-conforming material is detected, the supplier must:

- ① Determine immediately the extent of the problem

- ⦿ Take effective corrective action to prevent reoccurrence
- ⦿ Identify and segregate the non-conforming materials
- ⦿ Exercise extreme care to prevent shipment of that material

Return of this material to normal flow channels shall not be made until the material is formally deviated, sorted, or reworked. Reworked material must be reinspected before it is returned to normal flow. Supplier communications of non-conforming conditions, or requesting disposition or deviation approval, shall be directed to the Process Engineering & INQC Manager.

Red Spot Purchasing must be immediately notified of any nonconformity that is discovered after the products have already been shipped.

Verification of Material at Suppliers Plant

If product must be verified at the supplier's premises, appropriate arrangements and the method of product release will be specified verbally by Purchasing.

Red Spot Customer Verification of Raw Materials

Red Spot is committed to affording our customers the right to verify raw materials at the supplier source where specified in an order, contract or verbally by Purchasing. This customer verification does not absolve the supplier from the responsibility to supply acceptable product.

Employee Development

A supplier is encouraged to have a documented program for the systematic development of its employees at all levels of its organization with special attention to effective training in each person's individual job. This should include such items as:

- ⦿ Detailed job descriptions and standard operating procedures
- ⦿ Informing personnel when procedures change
- ⦿ Special emphasis on quality improvement techniques and statistical method

Incoming Purchased Material Control

Red Spot expects its suppliers to have written specifications for procured materials used in the manufacturing process and to have in place an assurance program to verify that all such procurements are made in accordance with these specifications. The supplier must assure that nonconforming materials are not used in the manufacturing of products supplied to Red Spot.

The suppliers control method shall provide assurance that the material meets physical, chemical, visual, functional and other requirements specified by contractual agreements, including the purchase order.

The supplier's control methods shall include one or more in combination of the following:

- ⦿ Verification of adherence to specification by using statistical techniques
- ⦿ A tabulation of actual inspection and/or test results performed on material provided and verification at a stipulated interval resulting in acceptance testing
- ⦿ Supplier surveys conducted on a specified periodic basis to determine conformance to the requirements in this policy

In-Process Control

The supplier shall have a system to assure that critical process parameters have been identified and are in statistical control. When material does not meet requirements, systematic techniques must be used to find the problem and appropriate corrective action taken and documented.

Process control charts and Failure Mode Effects Analysis are recommended means of accomplishing the above. For information, order "Advanced Product Quality Planning and Control Plan" and "Potential Failure Mode and Effects Analysis" from the AIAG www.aiag.org or via phone (248) 358-3003.

Corrective Action

Each supplier is expected to have a written procedure to respond to customer complaints. This procedure must assure a prompt response to a Red Spot complaint concerning deviation from specified requirements and an explanation of the corrective action taken to avoid future incidents.

Product Quality Planning

A Red Spot supplier, as part of its quality improvement efforts, is expected to have a documented and systematic plan for the introduction of new products. This plan should assign responsibility and accountability to ensure that new products are introduced "right the first time".

Each supplier is also expected to have a plan for systematically altering existing processes or products, with clearly assigned responsibilities, so changes do not occur without prior notification to Red Spot.

For more information on quality planning, see "Advanced Product Quality Planning and Control Plan" from the AIAG at www.aiag.org or via phone (248) 358-3003.

New Material Qualification and Evaluation

Many new materials are evaluated by Red Spot as part of product developments and process improvements. Materials submitted by a supplier must be representative of the supplier's

normal process and of the same quality and characteristics that Red Spot will receive in the future.

The establishment of effective and clear requirements is the foundation for a continuing relationship between Red Spot and a supplier. After these requirements are mutually agreed upon, they will be issued as Red Spot Raw Material Specifications.

Environmental, Safety and Health

We expect our suppliers to operate in a manner that actively manages risk, conserves natural resources, and protects the environment. We expect our suppliers to apply environmental management system principles in order to establish a systematic approach to the management of risks/hazards and opportunities associated with the environment, including potential loss from regulatory non-compliance, reputational loss, and opportunities for business growth through operational and product stewardship.

We expect our suppliers to comply with all applicable environmental, health and safety laws, regulations, and directives. Suppliers should protect the health, safety, and welfare of their employees, visitors, and others who may be affected by their activities.

Product Governance

Red Spot expects our Suppliers to adhere to all applicable product governance regulations and directives. This shall be accomplished by providing the following documentation, where applicable during the raw material approval process:

- ⦿ Completed Manufacturer Certification Form or equivalent
- ⦿ Safety Data Sheets (SDSs)
- ⦿ Technical Data Sheets, if applicable
- ⦿ Certificate of Ingredients (COIs) / 100-percent chemical disclosure
- ⦿ Statement of adherence to Red Spot's Banned and Controlled Substances List, which is part of the Red Spot Green Initiative Program.

PURCHASE ORDER TERMS AND CONDITIONS

1. **REVOCABLE OFFER:** Buyer reserves the right to revoke this offer at any time prior to acceptance by Seller.

2. **ACCEPTANCE:** This offer shall become a binding contract upon the terms set forth herein when accepted either by Seller's acknowledgment of this Purchase Order or by Seller's shipment to Buyer of all or any part of the goods covered by this Purchase Order (hereafter sometimes called the goods). Acceptance of this offer is limited to its terms. Acceptances which state additional or differing terms from this offer shall be operative as acceptance but all such additional or differing terms shall be deemed material alterations and notice of objection to them is hereby given. No such additional or differing terms will be binding on Buyer unless agreed to in writing by an authorized representative of Buyer.

3. **REJECTION AND RETURN OF GOODS.** All goods received by Buyer pursuant to this Purchase Order shall be subject to inspection and approval by Buyer. All goods tendered by Seller hereunder which are not fully up to standard and not in compliance with the specifications (or in the absence of such specifications in recognized standard containers), or allegedly violating any statute, ordinance or administrative order, rule, regulation or standard, or not in conformance with the representation or warranties of Seller contained or incorporated by reference herein may be rejected by Buyer at Seller's expense and risk or returned to Seller either at the time of delivery or within a reasonable time after Buyer had knowledge of any objectionable or non-conforming features of the goods in the event of rejection by Buyer of all or a portion of the goods. Buyer may charge to Seller all expense of unpacking, examining, repacking, storing and reshipping any good rejected as aforesaid. Such goods are not to be replaced except upon issuance of a replacement Purchase Order by Buyer covering such goods. Action taken by Buyer pursuant to this Section 3 shall not constitute a waiver for damage incurred by it resulting from any objectionable or nonconforming features of the goods.

4. **DELIVERY:** Goods are sold F.O.B. to the Buyer's place of business set forth on the face hereof and Seller will accordingly arrange and incur the cost of transactions of, and bear the risk of loss for, the goods to Buyer, unless notified to the contrary by Buyer on the face hereof or otherwise. Any documents necessary to enable Buyer to obtain the goods from the carrier when tendered will be delivered to Buyer prior to tender.

5. **SELLER'S WARRANTIES:** Seller warrants as follows:
 - (A) It has title to the goods and they are not subject to security interests lien or other encumbrance. The goods shall be delivered free of the rightful claim of any third person by way of infringement of any patent trademark, trade secret, copyright, or the unauthorized or improper use of proprietary or technical information.

 - (B) The goods are merchantable and fit for the purpose for which they are intended to be used by Buyer, are free from defects, and are safe and suitable for use by Buyer and by users of Buyer's products. The goods contained in each shipment are not adulterated or misbranded within the meaning of the Federal Food, Drug, and Cosmetic Act, as amended, and are not goods which, under the provision of Sections 404 and 505 of said Act, and any rules, regulations or orders issued thereunder may not be introduced into interstate commerce.

(C) All goods furnished hereunder have been or will be produced in compliance with the requirements of the Fair Labor Standards Act of 1938, as amended, and any rules, regulations and orders issued thereunder.

(D) All work, materials and goods furnished hereunder will conform to the specifications, drawings, formulas, samples or descriptions, if any, applicable thereto, whether furnished by Seller or Buyer, or expressed on the face hereof.

(E) It is an Equal Opportunity Employer and is in compliance with Executive Orders 11246, 11758 and 13201, as amended, and any and all rules, regulations and orders promulgated by any Federal, State or local government body to promote equal opportunity, including the requirements to post any applicable notices.

(F) The work, materials and goods furnished hereunder shall meet all requirements of the Williams-Steiger Occupational Safety and Health Act of 1970, as amended, and of any and all similar Federal, State, or local laws and of all the standards, rules, regulations or orders issued to promote occupational safety.

(G) The goods furnished hereunder shall not have a limited shelf life unless Seller notifies Buyer thereof in writing, specifying the date on which such shelf life will expire, and Buyer agrees in writing to accept delivery prior to said expiration date.

(H) If Seller is supplying to Buyer hazardous materials as defined in the Transportation Safety Act of 1974 (the "Act") as amended, such hazardous materials have been labeled, held and shipped in compliance with the Act and any and all Federal, State or local laws and any and all standards, rules and regulations to promote and protect the public from environmental substances, risk and hazards.

(I) (Applicable to purchase of equipment only) Any equipment covered by this purchase order shall be warranted against defects in material and workmanship for a minimum period of one year unless a longer period is specified by Buyer (such one year or longer period as herein below referred to as the "warranty period"). This warranty period will begin to run at the same time the equipment is placed in complete and full-time operation - prior testing periods will not start the running of the warranty period if a defect covered by the warranty occurs during the warranty period. Seller shall repair the equipment or replace any defective parts at no charge to Buyer, whether for labor, materials, transportation or otherwise. Should repairs be required during the warranty period, the warranty period will be interrupted (tolled) during the entire period of repair. The warranty period will be resumed at the completion of repairs when the equipment is again in complete and full-time operation. This warranty shall be in addition to and not in limitation of any rights or remedies at law or in equity to which buyer may be entitled.

6. INDEMNIFICATION: SELLER SHALL PROTECT, DEFEND, HOLD HARM-LESS AND INDEMNITY BUYER FROM AND AGAINST ANY AND ALL DAMAGE, LIABILITY AND EXPENSE, INCLUDING THE COST OF DEFENSE ARISING OUT OF ANY BREACH OF SELLER OF THIS PURCHASE ORDER BUT NOT LIMITED TO:

(A) THE ACTUAL OR ALLEGED INFRINGEMENT OF ANY PATENT, TRADEMARK, TRADE SECRET, COPYRIGHT OR OTHER PROPERTY RIGHT.

(B) CLAIMS BY THIRD PARTIES INVOLVING THE UNAUTHORIZED OR IMPROPER USE OF PROPRIETARY OR TECHNICAL INFORMATION.

(C) DEATH OR INJURY TO PERSONS OR DAMAGE TO PROPERTY, BY WHOMSOEVER SUFFERED, CLAIMED TO HAVE RESULTED FROM ANY ALLEGED DEFECT IN THE GOODS, OR THE PERFORMANCE BY SELLER OF WORK OR SERVICES PURSUANT TO THE PURCHASE ORDER, OR FROM THE FAILURE OF THE GOODS TO COMPLY WITH ANY APPLICABLE SPECIFICATIONS OR WITH THE EXPRESS OR IMPLIED WARRANTIES OF SELLER HEREUNDER.

(D) CLAIMS ARISING OUT OF THE ALLEGED VIOLATION BY SELLER IN THE MANUFACTURE, PROCESSING, STORAGE OR SALE OF THE GOODS OR IN THE PERFORMANCE BY SELLER OF ANY WORK OR SERVICES PURSUANT TO THEIR PURCHASE ORDER OR ANY FEDERAL, STATE, OR LOCAL STATUTE, ORDINANCE OR ADMINISTRATIVE ORDER, RULE, REGULATION OR STANDARD.

(E) BREACH BY SELLER OF ANY OF ITS WARRANTIES SET FORTH IN SECTION 5 ABOVE.

7. ORDERS FOR MACHINERY AND EQUIPMENT: If the order is for machinery, tools, dies, molds or equipment, special or otherwise, and without limitation of the warranties set forth in Section 5 hereinabove.

(A) Initial resting of such items will be at Seller's factory and if requested by Buyer, in the presence of Buyer's engineers, Seller will then supervise, at its expense, the installation and initial operation of such items at Buyer's plant. Such items will be accepted only after all necessary corrective adjustments relating to mechanical operation, capacity, or any other matter have been made by Seller at its expense and such items have been in satisfactory production use for at least 30 days and Buyer will not be requested to make payment prior to such date.

(B) Buyer specifically warrants that for a reasonable period of time after being placed into regular production use by Buyer, such items will, when operating under Buyer's production conditions, perform the purposes intended to be performed by such items in a manner consistent with Buyer's production and quality requirements.

(C) Approval by Buyer of construction drawings or any other matter relating to design or construction of such items is merely advisory on Buyer's part and shall in no way relieve Seller of its warranties.

(D) Tools, dies, jigs, molds engravings, plates and other similar devices paid for by the Buyer, but held by Seller for Buyer's convenience, are to remain Buyer's property and are to be surrendered to Buyer on demand. Seller will keep and maintain said items in good productive condition and repair. Where a material is made according to blueprints furnished by Buyer, the proprietary rights in such design and blueprints shall be considered as Buyer's, and Seller shall not make available to anyone else the same blueprints or any materials made therefrom or parts thereof, without Buyer's written permission, and shall keep and hold all such blueprints and/or materials furnished by Buyer strictly confidential.

8. **INSURANCE REQUIREMENTS AND OTHER OBLIGATIONS OF SELLER:** If this Purchase Order covers or contemplates work or services to be performed by Seller on the premises of Buyer including, but not limited to, work or services performed as an accommodation to Buyer:
- (A) Seller shall carry in its own name Workmen's Compensation and Occupational Disease coverage and Employer's Liability Insurance of \$100,000 to protect itself against liability under the Workmen's Compensation and Occupations Disease, laws of the state or states in which the work under the Purchase Order is being or is to be performed. Unless higher limits are specified by Buyer, Seller shall also carry in its own name Public Liability Insurance (including Automotive Liability Insurance coverage) with limits of liability for bodily injury of not less than \$300,000 for each person and \$1,000,000 for each occurrence, and not less than \$1,000,000 for property damage; such Public Liability Insurance shall include coverage for Contractual Liability Insurance with an endorsement covering the liability assumed by Seller under the Purchase Order, Products Liability Insurance and Completed Operations Liability Insurance. All policies of insurance must be in companies reasonably acceptable to Buyer, and Seller shall furnish Buyer with certificates evidencing that the above described insurance is in force. All such certificates shall indicate the names of the insurance companies and that the above mentioned coverage shall not be altered or cancelled without at least thirty (30) days prior notice in writing to Buyer. If aggregate limits of liability are carried, Seller shall provide evidence of excess liability coverage.
- (B) All work performed by Seller hereunder, shall be performed in a first class workmanlike manner and in accordance with all applicable plans, drawings, formulas, and specifications whether or not provided by Buyer. Seller agrees at its own expense to apply for and obtain permits and give required notices, arrange for required inspections and make-tests all to the extent required by the applicable statutes, regulations, and authorities having jurisdiction over the work, and Seller agrees that, if required by Buyer, only licensed and bonded contractors and/or subcontractors will be used, and that , if used, all such contractors and subcontractors shall be bound by Seller to all of the applicable terms and conditions of this Purchase Order.
- (C) Seller agrees to keep the real property of Buyer upon which the work or services are being or are to be performed by Seller, free and clear of all claims and encumbrances arising from the performance of this Purchase Order by Seller, its contractors or subcontractors.
- (D) Seller shall furnish Buyer with written proof of payment of all costs of labor, materials and other charges that entered into the cost of the work or services performed, by Seller, which proof shall be in the form of waivers of lien or rights of lien prepared in accordance with the laws of the state where the work or services are performed.
- (E) Seller shall at all times be an Independent Contractor in performing the work or services under this Purchase Order, and shall furnish all supervision and direction required for performance of all its covenants and obligations hereunder.
9. **BANKRUPTCY:** In the event of any proceedings, voluntary or involuntary in bankruptcy or insolvency by or against Seller, or in the event of the appointment, with or without Seller's consent, of assignee for the benefit of creditors or of a receiver, then the Buyer shall be entitled to cancel any unfulfilled part of the Purchase Order without any liability whatsoever.

10. **QUALITY:** By accepting this order, the Seller agrees to provide material which conforms to specifications, and in addition, to notify Buyer of any changes in raw materials, manufacturing process or facilities, test methods or other changes which may affect the material's fitness for use.

11. **MISCELLANEOUS:**

(A) The failure of Buyer to reasonably specify any defects in rejecting goods shall not prevent Buyer from relying on such defects to establish a breach of this Purchase Order even though Seller cured such defect on proper notification. Payment by Buyer, in whole or in part, for goods, work or services furnished shall not constitute a waiver of any of Buyer's rights hereunder nor shall such payment terminate any of Seller's obligations hereunder. Failure of Buyer to insist upon strict performance of any of the terms herein shall not constitute a waiver of any of the terms of this order. The waiver of Buyer of any condition or the breach thereof shall not be deemed to waiver that condition or breach in the future.

(B) If any manufacturer's excise or other similar or different tax is included in or added to the price paid to Seller hereunder, and if such tax, or any part thereof, is hereafter refunded to Seller, then Seller shall immediately pay buyer the amount of such refund.

(C) Any goods furnished by Buyer to Seller in connection with this Purchase Order which have not been charged to Seller hereunder, shall be deemed as held by the Seller upon consignment and Seller agrees to pay Buyer for all such goods spoiled, damaged, loss or otherwise not satisfactorily accounted for. Such goods are to remain Buyer's property and shall be surrendered to Buyer on demand. Seller shall keep and maintain said goods in good productive condition and repair.

(D) Buyer reserves the right to suspend shipments of the goods covered by this Purchase Order in the event of strikes, differences with workmen, accidents, storms, fires, wars, riots, embargoes, government regulations or restrictions, acts of God or other contingencies that are beyond Buyer's control.

(E) Seller shall carry adequate insurance against all insurable risks undertaken by Seller hereunder which are not otherwise specifically covered by another provision of this Purchase Order. Certificates evidencing such insurance shall be furnished to buyer upon request by Buyer.

(F) Reference in this Purchase Order to Seller's quotation does not constitute acceptance of any terms, conditions, or warranties contained in such quotations. In the event of a conflict between the terms contained in this Purchase Order and the terms contained in Seller's quotation form or in any other document submitted to Buyer by Seller in connection with this Order, the terms and conditions of this Purchase Order shall govern.

(G) This Purchase Order constitutes the entire contract between Buyer and Seller and exclusively determines the rights and obligations of said parties. Any oral undertakings, prior course of dealing, custom, usage of trade or course of performance between Buyer and Seller shall not be binding on the parties.

(H) The validity, construction, and performance of this Purchase Order shall be determined by reference to the laws of the State of Indiana.

(I) In addition to all other remedies provided to Buyer upon Seller's default hereunder, including, but not limited to the right to consequential, special, incidental and punitive damages, Buyer receives the right to cancel and terminate any portion of this Purchase Order and/or any of the obligations hereunder, without further liability to Seller hereunder, if the goods or any part thereof described herein, shall not conform to applicable specifications or to Seller's representations or warranties, expressed or implied, or if the goods, or any part thereof, are not delivered at the times, to the places in the manner and in the quantities set forth on the face of the Purchase Order, or if Seller otherwise breaches the Order in any respect.

(J) Seller shall perform its obligations hereunder even though performance is made impracticable by the occurrence of a contingency, the non-occurrence of which was a basic assumption on which Seller agreed to perform, and Seller will not allocate production and deliveries contrary to the terms hereof.

(K) Seller may not assign its rights or obligations hereunder without the prior written consent of Buyer. The provisions of this Purchase Order are severable. If a tiny part of this Order shall for any reason be invalid or unenforceable, such invalidity or unenforceability shall not effect any other provision hereof.

(L) Buyer reserves the right to cancel and terminate this Purchase Order at any time in its sole discretion by the giving of written notice to Seller effective upon receipt by Seller except that goods in process of manufacture on such effective date shall be completed and shipped to Buyer in accordance with the terms and conditions of this Purchase Order. In the event of any such termination by Buyer, Buyer shall be liable to Seller for only: (1) any unpaid amount for goods either shipped to Buyer or in process of manufacture or for work or services performed on or before the effective date of termination as set forth above; and (2) other costs reasonably incurred by Seller as a result of performance of this Purchase Order prior to the receipt of said notice, and not otherwise recovered by Seller.

(M) In the event that any of the goods covered by this Purchase Order are to be manufactured by Seller in accordance with any inventions, proprietary drawings, formulas or specifications, the essential, confidential or novel features of which were developed by Buyer and/or owned or controlled by Buyer, regardless of whether any of the foregoing are patentable, Seller will (a) not disclose any such essential, confidential, or novel features to anyone (b) not file or attempt to file any application for a United States or foreign patent or confidential copyright registration, and (c) upon Buyer's request, execute any document necessary or desirable to acknowledge title thereto in Buyer.

(N) In the event that any of the goods covered by this Purchase Order are to be manufactured by Seller in accordance with any inventions, proprietary drawings, formulas, designs or specifications, the essential confidential or novel features of which were created or developed especially for the express purposes or account of Buyer, the Seller (a) will file and prosecute or cause to be filed and prosecuted application(s) for Letters Patent of the United States and foreign countries or (b) will assign or cause to be assigned the entire right, title and interest in and to any such applications to Buyer, in which case Buyer will be responsible to any costs of perfecting such patent rights.

(O) Seller waives all trade secret rights and embodied in goods sold to Buyer hereunder and hereby permits Buyer to disassemble or otherwise analyze the goods including copying and photographing same, subject, however, to Seller's rights under the patent, trademark and copyright laws.

(P) Unless prohibited by statute, Seller agrees to pay any federal, state or local sales tax, use tax, income tax, transportation tax, property tax, transaction tax or other excise tax, customs duty or levy, including foreign provincial, local or other jurisdictional taxes which may be imposed upon the articles supplies and services ordered hereunder or by reason of their sale on delivery.

(Q) In the event of any default by the Seller under this Purchase Order, the Seller shall pay to the Buyer, reasonable attorney fees, costs and expenses incurred by the Buyer in pursuing its legal rights and remedies hereunder.

(R) This instrument contains the entire agreement between the parties and supersedes all prior oral or written understandings, agreement or contracts, formal or informal between the parties hereto. **THIS PROVISION AND EACH AND EVERY OTHER PROVISION OF THIS INSTRUMENT MAY NOT UNDER ANY CIRCUMSTANCES BE MODIFIED, CHANGED, AMENDED OR PROVISIONS HEREUNDER WAIVED VERBALLY BUT MAY ONLY BE MODIFIED, CHANGED, AMENDED OR PROVISIONS HEREUNDER WAIVED BY AN AGREEMENT IN WRITING EXECUTED BY ALL PARTIES HERETO.**

CONTACT INFORMATION:

RED SPOT PAINT & VARNISH CO., INC.
PO BOX 418
EVANSVILLE, IN 47703-0418
812-428-9100
PURCHASINGEV@REDSPOT.COM

WWW.REDSPOT.COM