



# ANCHOR BAY PACKAGING CORPORATION SUPPLIER REQUIREMENTS MANUAL

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# ANCHOR BAY PACKAGING CORPORATION SUPPLIER REQUIREMENTS MANUAL

## INTRODUCTION

Anchor Bay Packaging Corporation is fully committed to meeting and exceeding all customer expectations in terms of the quality of our products and our services. To be successful, Anchor Bay Packaging Corporation continuously strives for quality excellence through a focused process of customer/supplier partnerships and continuous quality improvements. As an Anchor Bay Packaging Corporation supplier, you are a key participant in the Anchor Bay Packaging Corporation quality system. The quality we provide to our customers is greatly dependent upon the quality, products and services provided by you.

Anchor Bay Packaging Corporation is pleased to present you with our Supplier Requirements Manual. We believe that sharing our quality expectations and requirements with you, helps us work together more effectively. This manual is intended as a guide to the Anchor Bay Packaging Corporation procurement and supplier process and is part of your contractual obligation as an Anchor Bay Packaging Corporation supplier.

Anchor Bay Packaging Corporations' procurement process is based on the total cost of procurement, not just Purchase Order price alone. When calculating the total cost of procurement, Anchor Bay Packaging Corporation may include one or more of the following as costs:

- X Administrative processing cost.
- X Purchase price.
- X Receiving (incoming) inspection cost.
- X Review, disposition and corrective action to resolve freight cost of non-conforming material.
- X Extra handling and rework resulting from non-conforming material in production.
- X Investigation and corrective action costs resulting from MATERIAL related customer complaints.
- X Costs due to delivery timing late or order quantity issues, such as, short deliveries.
- X Conformance to Purchase Order requirements.

Collectively each of the above costs set the total cost of products and services purchased by Anchor Bay Packaging Corporation.

Suppliers are placed on an Approved Supplier List based on proven past performance or when they exhibit a joint commitment with Anchor Bay Packaging Corporation to quality and maintain the commitment over time. (see APPENDIX -C) When more than one approved supplier exists for a particular item, the supplier who achieves the lowest total cost of procurement, becomes the preferred supplier. Periodic supplier performance reviews are conducted for the purpose of verifying the appropriateness of each suppliers, approved status.

Anchor Bay Packaging Corporations' Purchase Orders are clearly identified and either state specifications and requirements explicitly, or make clear unequivocal reference to associated specifications, requirements, or standards.

A chart indicating acceptable allowable tolerances for items supplied to Anchor Bay Packaging Corporation has been included, as part of this manual, for your reference. (see APPENDIX - H)

## • TERMS AND DEFINITIONS

- X SUPPLIER/SUBCONTRACTOR = A source supplying items intended for use in Anchor Bay Packaging Corporations' saleable products.
- X THE SUPPLIER-CHAIN IS MADE UP OF = 1. Supplier = Subcontractor, 2. Organization = Anchor Bay Packaging Corporation and 3. Customer = the receiver of the resultant product and/or service.
- X APPROVED SUPPLIER/SUBCONTRACTOR = A supplier of long standing proven performance or one that exhibits the ability to maintain a joint commitment to quality with Anchor Bay Packaging Corporation as defined in the Anchor Bay Packaging Corporation/Supplier Quality Compliance Agreement. (see APPENDIX -C)
- X PREFERRED SUPPLIER/SUBCONTRACTOR = An approved supplier of choice when choice exists.
- X PRODUCT = The result of a process; hardware, software, services and/or processed materials or any combination as described by it's dominate element.
- X CONTINUAL IMPROVEMENT = The process of enhancing the quality management system to achieve improvement in overall performance in line with the organizations' Quality Policy. Note; the process need not take place in all areas of activity simultaneously.

# ANCHOR BAY PACKAGING CORPORATION SUPPLIER REQUIREMENTS MANUAL

- **CUSTOMER SUPPLIED PRODUCT**

Customer supplied product and tooling in your possession are to be treated as if they were owned by you and carefully protected. They are to be subject to verification upon receipt. Non-conformance(s) is/are to be identified, reported to Anchor Bay Packaging Corporation, and held for review prior to use. The same quality measures are to be applied to customer supplied product as you apply to your own purchased materials and tooling.

- **TOOLING**

Subcontractors, who use Anchor Bay Packaging Corporation tooling or tooling owned by one of our customers are not to alter in any way, shape or form, such tooling, from its original tool design, without the subcontractor first having obtained express written permission from an appropriate Anchor Bay Packaging Corporation staff member. However, the subcontractor is responsible and is expected to bear the full cost to recondition and/or repair any damage, (without altering the tool from its original design) to such tooling, as it becomes necessary. It is expected, that the subcontractor keep Anchor Bay Packaging Corporation owned tooling or tooling owned by one of our customers in a state of maintenance, so as it will always be capable of producing its intended level of quality product(s) (zero defects) and so it will always remain in a constant state of readiness. Subcontractors, with tooling found to be non-conforming under this Policy, by Anchor Bay Packaging Corporation, a customer of Anchor Bay Packaging Corporation or one of our contracted tooling suppliers, will be ordered to immediately bring the tooling up to specification and the subcontractor will be held responsible to bear all related costs.

Subcontractors, using Anchor Bay Packaging Corporation tooling or tooling owned by one of our customers are not to begin processing, even though they possess a Purchase Order, until they have evidence in their possession, that the tool has been approved by Anchor Bay Packaging Corporations' Design Engineering department. This evidence is in the form of a design specification, that among all other details indicates "D/C PROOF APPROVAL" with the Design Engineer's identification mark and date of approval in the space as provided on the form. The subcontractor is held responsible for all related costs involved, should they choose to process Purchase Orders without evidence of this approval.

- **SUPPLIER QUALITY MANAGEMENT SYSTEM PRINCIPLES AND REQUIREMENTS**

Our suppliers **must** possess a clear understanding and actively support these basic principles of quality management:

- X Quality management means conformance to requirements.
- X Quality management is obtained through planned prevention of defects, not detection.
- X The quality management goal is 100% conformance to requirements, 100% of the time.
- X Quality management improvement is achieved through reduction of variability and waste.

Quality compliance is most effective when the suppliers quality process:

- X Flows down from top management and is understood and endorsed by the entire workforce.
- X Clearly states quality objectives and targets.
- X Effectively communicates quality objectives and targets to all levels of the organization.
- X Acknowledges that quality is the responsibility of all functions within the company, not just the Quality department.

The suppliers' quality management system should:

- X Be focused on customer requirements.
- X Be appropriately implemented and documented.
- X Provide for system maintenance, continuous improvement and monitoring.
- X Define authority and responsibility for quality in every function.
- X Be comprehensive and well defined to achieve stated quality objectives and targets.
- X Provide for quality control of subcontracted parts and materials.
- X Provide for periodic system reviews by top level management.

Anchor Bay Packaging Corporation encourages its suppliers to base their Quality Management Systems on an internationally recognized standard and to consider registration of their system under, either the ISO-9000:2000 or TS-16949:2002, quality standard, which ever is appropriate. In the absence of registration under a recognized standard, Anchor Bay Packaging Corporation evaluates your organization based on ISO-9000:2000 requirements. (APPENDIX- A)

- **MATERIAL SAFETY DATA SHEETS**

If applicable, a properly descriptive "MATERIAL SAFETY DATA SHEET" shall accompany (attached to packing slip) initial shipments and also at the time of shipment, a copy shall be sent to Anchor Bay Packaging Corporations' Purchasing department. Updates or revisions shall be forwarded no later than the delivery of the respective material.

# ANCHOR BAY PACKAGING CORPORATION SUPPLIER REQUIREMENTS MANUAL

- **QUALITY MANAGEMENT SYSTEM SURVEY and ON-SITE AUDITS FORM, SOP-7-18**

As an Anchor Bay Packaging Corporation supplier, you are required to complete our Supplier Quality System Survey. The survey is a self-assessment which requests general information and rates your Quality Management System. **Return of the completed survey is a prerequisite for becoming an approved Anchor Bay Packaging Corporation supplier.** (APPENDIX- B)

Anchor Bay Packaging Corporation may choose to conduct prescheduled on-site audits of suppliers/subcontractors. Your cooperation during on-site audits is appreciated.

- **ANCHOR BAY PACKAGING CORPORATION/SUPPLIER QUALITY COMPLIANCE AGREEMENT FORM, SOP - 7-17**

Recognizing that a mutual commitment to quality excellence is crucial to business success, Anchor Bay Packaging Corporation asks that you enter into a written Quality Agreement. Both you and Anchor Bay Packaging Corporation sign this agreement as evidence of our mutual quality commitment. (APPENDIX- C)

- **STANDARD PURCHASING POLICIES**

In order to establish guidelines for our business relationship, Anchor Bay Packaging Corporation provides each supplier with a list of Purchasing Policies. (APPENDIX- D)

- **SOURCE INSPECTION**

Anchor Bay Packaging Corporation reserves the right to perform source inspection of product at your facility. Our customers may also exercise the same right. If source inspection is required, the Purchase Order will reflect this requirement. A minimum notification lead time is specified and Anchor Bay Packaging Corporation makes special arrangements with you for each source inspection performed by Anchor Bay Packaging Corporation or our customer. This does not relieve you of your responsibility to provide product that meets specifications, nor does it preclude rejection of product found to be non-conforming after shipment.

- **DEFECTIVE MATERIAL REPORT**

**If Anchor Bay Packaging Corporation experiences a serious or repetitive problem with material or services that you supply, a Defective Material Report SOP-8-6 is issued and you are requested to provide formal corrective action. You are given specific deadlines for reply to the corrective action request. Your responsibility is to respond by fax or by "E" mail within 24 hours to acknowledge receipt of this report and inform issuer of actions taken to react to this report. If no response is received in this time and Anchor Bay Packaging Corporation personnel have to sort/rework material to maintain production, then the supplier will be charged at the rate of \$40.00 per hour.** Your responsibility also includes, disposal of the nonconforming material. You are required to inform us about your intentions and to and authorize us as to scrap, rework, return or other within a reasonable time after issuance of the Defective Material Report. Each corrective action should be answered within seven (7) business days from issue and returned to Anchor Bay Packaging Corporation. Late responses or the failure to respond all together are recorded and used in the determination of overall supplier performance. (APPENDIX- E)

- **REQUEST FOR DEVIATION/WAIVER**

**If it becomes necessary for you to deviate from purchase contract specifications for either materials or process, it is necessary that you request and receive approval from Anchor Bay Packaging Corporation.** You must notify Anchor Bay Packaging Corporation, as soon as, you know that a waiver may be required and request approval in writing. Anchor Bay Packaging Corporation Request for Deviation/Waiver Form, SOP - 7-14 is to be used for this purpose. (APPENDIX- F)

**If Anchor Bay Packaging Corporation is in concurrence with your waiver request you will receive a copy of the approved waiver.** You must have this approved waiver prior to shipping wavered product. The effect of a waiver is stated in terms of dates, number of units, or some other parameter that identifies the start and end point of the deviating product flow. **All shipments of wavered material must have the Waiver reference number marked on the Packing Slip, and conspicuously on each carton.**

# PACKAGING CORPORATION

## SUPPLIER REQUIREMENTS MANUAL

- **ANCHOR BAY PACKAGING CORPORATION/SUPPLIER COMMUNICATIONS**

### **Communication Channels**

Achieving and maintaining high quality depends on effective two way communication between Anchor Bay Packaging Corporation and its suppliers. When accepting a Purchase Order, you should make sure that you know how to contact your Anchor Bay Packaging Corporation Purchasing and Quality Assurance representatives. Anchor Bay Packaging Corporation pledges to provide you with any information, that you may need to assure compliance, with Purchase Order requirements. Anchor Bay Packaging Corporation personnel are formally accessible to you via the Supplier Request for Review Action Form, SOP-7-35. (APPENDIX- G)

### **Settlement of Quality Disputes**

If you believe that Anchor Bay Packaging Corporation has wrongfully cited a non-conformance, rated your performance incorrectly, or unjustly treated you in anyway, you may contact Anchor Bay Packaging Corporation Purchasing and provide additional information supporting your position. Anchor Bay Packaging Corporation Purchasing will review your input with our Top Level Management and report their decision back to you.

- **ANCHOR BAY PACKAGING CORPORATION/TOLERANCES**

### **Tolerance Chart**

Included in this Supplier Requirements Manual is a Tolerance Chart, WI-ENG-7-001 as developed by Design and Test Engineering. The chart indicates acceptable limits for specific materials and/or products supplied to Anchor Bay Packaging Corporation. The Tolerances shown on the chart are specific to each dimension shown on engineering drawings and shall not accumulate. All tolerances shown on the chart are applied unless otherwise specified on the engineering drawings. (APPENDIX- H).

**PACKAGING CORPORATION  
SUPPLIER REQUIREMENTS MANUAL**

**APPENDIX- A**

**Anchor Bay Packaging Corporation  
Quality Management System  
Requirements for Suppliers**

# PACKAGING CORPORATION

## SUPPLIER REQUIREMENTS MANUAL

### Quality Management System Requirements for Suppliers

#### 1.0 Introduction

1.1 Anchor Bay Packaging Corporation recognizes that its' ability to provide customers with 100% quality products and services, on time at a globally competitive price, greatly depends upon the selection of suppliers who demonstrate consistent quality and price performance. Anchor Bay Packaging Corporation, therefore, urges its suppliers to establish and maintain a strong Quality Management System, based on an internationally recognized quality system, such as, ISO-9001:2000/TS-16949:2002. Anchor Bay Packaging Corporations' confidence in its suppliers is directly related to their willingness to implement such a system. To assure that our suppliers are capable and can provide consistent quality products, Anchor Bay Packaging Corporation may choose to perform supplier quality audits based upon a minimum requirement as described in this document.

#### 2.0 Reference

2.1 ANSI/ISO/ASQ Q9001-2000.

#### 3.0 Definitions

3.1 (See Terms and Definitions in Introduction section.)

#### 4.0 Preferences/Requirements

##### 4.1 Management of Quality

Anchor Bay Packaging Corporation prefers its suppliers have an organizational structure that clearly defines the responsibility and authority for quality product verification and audit functions. Person(s) responsible for these functions should have clear access to upper management for the allocation of needed resources, resolution of quality problems, and be provided formal training to complete their respective quality tasks. A current organizational chart should be maintained and provided to Anchor Bay Packaging Corporation upon request. The suppliers' management should have an established procedure for periodically reviewing quality system performance items in line with their stated quality policy and their objectives and targets.

##### 4.2 Quality Compliance Systems

Anchor Bay Packaging Corporation prefers its suppliers maintain a document or set of documents, which fully describe their Quality Management System. These documents should include objectives and targets used for measuring Quality Management System performance. A copy of this document is to be provided to Anchor Bay Packaging Corporation upon request.

##### 4.3 Contract Review

Anchor Bay Packaging Corporation prefers its suppliers have a system for reviewing customer orders. This review process is expected to be a two-stage process.

- During the inquire/quote stage: Prior to receipt of a Purchase Order, the review **must** assure that the person(s) responsible for providing the ordered product or service has all the information required, that any questions or problems are promptly resolved, and that the necessary capability exists to meet all requirements. This review of the processes is meant to determine if the standard processes can be used or if new or special processes will need to be developed.
- During the purchase stage: Upon receipt of a Purchase Order, the review **must** assure that the person(s) responsible for providing the ordered product or service has the most up-to-date information (i.e. the Purchase Order, "Released for Production" Specifications, etc.) and that the documents are correct, complete, clearly understood, and compatible. **Caution:** Specifications issued for "quote purposes, (do not bare the words "Released for Production") yet can have the same revision level, and can differ in geographic form and content from Specifications that bare the words "Released for Production" and accompany the Purchase Order. Therefore, it is of the utmost importance that a complete review of the "Released for Production" Specifications is performed and that only Specifications that bare the words "Released for Production" and are compatible with the accompanying Purchase Order be used for the purpose of fulfilling the requirements of the order. **Caution:** When tooling is involved (e.g. cutting dies, printing dies, etc.) even though a Purchase Order and "Released for Production" Specifications have been received and reviewed with successful results, **production shall not commence** without the tool(s) (i.e. die knock-offs, etc.) having first been approved by Anchor Bay Packaging Corporations' Design Engineering Department. This approval must be in the form of a "Released for Production" Specification that indicates "D/C PROOF APPROVAL" with the Design Engineers' identification mark and date of approval in the space provided on the Specification form. Suppliers/Subcontractors are held responsible for all related costs involved should they not follow this review process precisely.

# PACKAGING CORPORATION

## SUPPLIER REQUIREMENTS MANUAL

#### 4.4 Document Control

Anchor Bay Packaging Corporation prefers its suppliers have a formalized system for controlling all documentation used in processing Anchor Bay Packaging Corporation orders. The system should include all pertinent quality requirements received from Anchor Bay Packaging Corporation, generated by the supplier, or obtained from any other source. The system should assure that only the most current revisions of documents are in use and that obsolete documents are promptly removed from the system.

#### 4.5 Control of Sub-Suppliers

Anchor Bay Packaging Corporation prefers its suppliers have a system for assuring that purchased products and services used in filling orders conform to all Purchase Order requirements. This system should include review of Purchase Orders, criteria for selection of sub-suppliers, verification of incoming material, and feedback of quality information to sub-suppliers. Anchor Bay Packaging Corporation suppliers are responsible for the quality of all products and services provided by their sub-suppliers that are used to fill Anchor Bay Packaging Corporation Purchase Orders.

#### 4.6 Source Inspection

Anchor Bay Packaging Corporation or its customers, may request to perform surveillance or source inspection at your facility or at one of your sub-suppliers facilities. Anchor Bay Packaging Corporation suppliers are expected to cooperate with source inspection requests and are given adequate prior notification.

#### 4.7 Process Control

Anchor Bay Packaging Corporation prefers its suppliers assure that all processes used to complete Purchase Orders are performed under controlled conditions. Controlled conditions include documented work instructions, suitable working environment, and adequate workmanship standards. Special attention should be given to processes where quality cannot be adequately assured through product inspection and testing (special processes). The supplier should establish a system of control that assures each item, batch, or lot has completed each step of the process in the specific order planned (e.g. process routers, travel tickets, inspection stamps, etc.). In addition the supplier should maintain a documented training program to assure employee conformance to process.

#### 4.8 Inspection and Testing

As part of quality planning, suppliers should identify and document the various inspections, tests and other quality control steps that may be utilized on Anchor Bay Packaging Corporation orders. The supplier's system should provide a positive method of identifying the status (accept or reject) of product relative to each in-process quality inspection step. Verification that all product shipped to Anchor Bay Packaging Corporation meets all Purchase Order requirements is a primary supplier responsibility.

#### 4.9 Inspection, Measuring and Test Equipment

Anchor Bay Packaging Corporation prefers its suppliers control, calibrate, and maintain all equipment used to verify quality characteristics. The calibration system should meet the basic intent of ISO- 9001:2000, section 7.6. Each piece of equipment should be uniquely identified and the next calibration due date clearly shown. Calibration records should be readily available for review and verification. Calibration standards should be traceable to the National Institute of Standards and Technology and should be documented in a formal system of calibration and control.

#### 4.10 Control of Non-Conforming and Hazardous Material

Anchor Bay Packaging Corporation prefers its suppliers maintain a documented system for control of non-conforming material that ensures products failing to meet quality requirements are immediately stopped from future processing and use. This system should provide positive identification and segregation of non-conforming material and should also provide for review and disposition of same material. If the supplier believes that non-conforming product may be acceptable for use and desires to ship it as is, a Request for Deviation/Waiver SOP - 7-14 must be submitted and approved by Anchor Bay Packaging Corporation Quality Assurance Department before the product can be shipped. Suppliers who knowingly ship product that does not conform to Contract and/or Purchase Order requirements without an approved waiver are subject to immediate removal from Anchor Bay Packaging Corporations' Approved Supplier List.

Suppliers are required to meet all requirements of the Michigan Occupational Safety and Health Act (MIOSHA) for communication information about their products when they contain hazardous chemicals.

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## 4.11 Corrective/Preventive Action

Anchor Bay Packaging Corporation prefers its suppliers provide immediate and effective response to any request for corrective action. The response should provide an immediate short term corrective action that focuses on resuming shipment of conforming material. Following this, a documented investigation of the problem's root cause and corrective action necessary to prevent reoccurrence should be made. Anchor Bay Packaging Corporation expects suppliers to review the results of corrective actions taken, to assure that those actions were effective and permanent. Suppliers must provide a written response to each request for corrective action detailing the cause of the non-conformance and the corrective action taken to prevent reoccurrence. Suppliers are expected to implement and maintain a formal corrective action process that addresses internal non-conformance, as well as, those associated with sub-suppliers.

## 4.12 Handling, Storage, Packaging, Preservation , and Delivery

Anchor Bay Packaging Corporation prefers its suppliers provide adequate methods for handling, packaging and storage to prevent product damage or deterioration. Suppliers are responsible for any product damage due to packaging. All materials should be suitably packed, marked, and shipped in accordance with the requirements of common carriers and in a manner to secure the lowest transportation costs while still assuring the integrity of the product shipped. Packaging should conform to all, government and transportation rules and regulations. Packaging materials, which cannot be recycled, are discouraged and require written prior approval from Anchor Bay Packaging Corporation. Packaging and packaging residues shall not contain hazardous materials. For materials shipped to Anchor Bay Packaging Corporation locations, it is preferred that Identification labels be consistent with standard AIAG Bar Code Labels, however labels used should include:

- \* Supplier's name and shipping Address.
- \* P. O. Number.
- \* Part Number w/Engineering Change Level.
- \* Size and/or Description of Product
- \* Quantity of Product.
- \* Date of Manufacture.
- \* OK to Ship By.

NOTE: When hazardous chemicals are involved, labels meeting the requirements of the Michigan Occupational Safety and Health Act must also be present.

For materials shipped directly to Anchor Bay Packaging Corporation customer locations, it is mandatory only to use identification labels as provided by Anchor Bay Packaging Corporation with the following information:

- \* Anchor Bay Packaging Corporation's Part Number.
- \* Customer P. O. Number.
- \* Part Number w/Engineering Change Level.
- \* Size and/or Description of Product
- \* Quantity of Product.
- \* Date of Manufacture.
- \* OK to Ship By.

NOTE: When hazardous chemicals are involved, labels meeting the requirements of the Michigan Occupational Safety and Health Act must also be present.

## 4.13 Quality Records

Anchor Bay Packaging Corporation prefers its suppliers keep records of all product verification, non-conformance, corrective action, internal audits, and other quality related documents. These documents should be legible and available for review by Anchor Bay Packaging Corporation for a period of not less than three (3) years following shipment of the order.

## 4.14 Training

Anchor Bay Packaging Corporations' suppliers are expected to identify and train employees, when their work effects product quality. Suppliers should assure that personnel are selected and assigned on the basis of appropriate education, experience and/or training.

## 4.15 Internal Audits

Anchor Bay Packaging Corporations' suppliers are encouraged to establish and train personnel to perform internal quality system audits. A system of planned and documented quality audits verifying that the quality system is in place and working as planned provides management with reassurance that costs are being controlled and customers are being satisfied.

# **SUPPLIER REQUIREMENTS MANUAL**

## **APPENDIX- B**

### **Anchor Bay Packaging Corporation Supplier Quality Management System Survey and On-Site Audits**

# SUPPLIER REQUIREMENTS MANUAL

## Supplier Quality Management System Survey and On-Site Audits

### General

Appendix- B is Anchor Bay Packaging Corporations’ Supplier Quality Management System Survey. The first part covers scoring criteria, Section (0.0) are general questions about your company, Sections (1.0 thru 5.0) are questions about your system, Section (6.0) is for suppliers not yet registered under ISO-9001-2000, Standard, and the last part is a score sheet.

### Scoring Criteria

Each question is given a score of (0 to 5) points based on the following criteria. If an individual question does not apply to your operation enter N/A where the score would normally go and reduce the number of questions for that section on the score sheet. To assist you when answering the survey questions we have included the following chart.

Score	Score Definition	Approach Employed	Extent of Deployment	Demonstrated Results
0	Non-existent	* Element not evident in management system	* None	* None
1	Poor	* Rhetorical system * In planning stage * Activities are undefined and people dependent	* Developed informally	* Anecdotal (unverified stories)
2	Fair	* Beginnings of a sound system are defined * Defined system is systematic, prevention-based	* Deployment has begun and appears to follow defined system	* Some examples of “success stories” exist but mostly in data gathering and analyzing modes
3	Good	* Sound systematic prevention based approach * A fair amount of standardization is evident	* Partially deployed	* Positive trends beginning with evidence that results are caused by system approach * Internal audit process under development
4	Excellent	* Sound systematic prevention based approach * Approach is well standardized in its application	* Fully deployed	* Long term trends have been established * Evidence of stable and predictable results * Internal audit process in operation w/effective corrective action and follow-up
5	Outstanding	* Sound systematic prevention based approach * Approach has been improved by use of quality improvements * Innovative applications * Full standardization and full integration	* Fully and uniformly deployed	* World class results in major product areas * Sustained results are clearly caused by system approach

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## Supplier Quality Management System Survey and On-Site Audits

### Section 0 General

0.1 Company Name \_\_\_\_\_

0.2 Company \_\_\_\_\_  
Address \_\_\_\_\_

0.3 City, State/zip \_\_\_\_\_

0.4 Telephone/Fax \_\_\_\_\_

0.5 Key Personnel \_\_\_\_\_  
Name, Title \_\_\_\_\_  
Phone/Ext. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

0.6 Type of Company            Distributor            Manufacturer            Other specify \_\_\_\_\_

0.7 Primary type of product/service to be supplied \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

0.8 If your company is ISO-9001:2000 and or TS-16949:2002 REGISTERED, please provide the following information and return only this page and your current certificate of registration to:  
**FAX -** (586) 949-9998.  
**MAIL -** ANCHOR BAY PACKAGING CORPORATION  
Purchasing Department  
30905 23-Mile Road  
New Baltimore, Michigan 48047.

0.8.1 Registration number \_\_\_\_\_ Registrar \_\_\_\_\_  
Specification \_\_\_\_\_ Period of validity \_\_\_\_\_

0.8.2 Type of audit (last audit)            Self audit \_\_\_\_\_            Customer audit \_\_\_\_\_            Third party \_\_\_\_\_  
Completed by \_\_\_\_\_            Date \_\_\_\_\_

0.8.3 Registration number \_\_\_\_\_ Registrar \_\_\_\_\_  
Specification \_\_\_\_\_ Period of validity \_\_\_\_\_

0.8.4 Type of audit (last audit)            Self audit \_\_\_\_\_            Customer audit \_\_\_\_\_            Third party \_\_\_\_\_  
Completed by \_\_\_\_\_            Date \_\_\_\_\_

0.9 If your company is **NOT REGISTERED** to ISO-9001 and/or TS-16949, please complete the following survey questions and together with this page remit to the fax number or mailing address shown above.

FORM SOP-7-18 REV-B, PAGE 2

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## Supplier Quality Management System Survey and On-Site Audit

		<b>Score (0 to 5)</b>
Section 1	<b>Management System</b>	
1.1	Does a Quality Policy Manual exist?	_____
1.2.	Do Procedures and Instructions exist to support each element of the quality system and are records maintained?	_____
1.3.	Prior to issue, are system documents and data reviewed and approved by authorized personnel?	_____
1.4	Is there a master list (or equivalent) identifying document revision status, readily available?	_____
1.5	When required by contract, is there a system that makes quality records available to the customer for evaluation for an agreed period of time?	_____
	<b>TOTAL SECTION 1.0 SCORE</b>	_____
Section 2	<b>Management Responsibility</b>	
2.1	Is the Corporate Quality Policy Statement communicated, understood and maintained throughout the organization?	_____
2.2	Is there a focus on customer requirements?	_____
2.3	Are responsibilities and authorities clearly defined?	_____
2.4	Are all quality system elements periodically reviewed and documented by the management representative?	_____
	<b>TOTAL SECTION 2.0 SCORE</b>	_____
<b>Section 3</b>	<b>Resource Management</b>	
3.1	Are there adequate resources, including human resources, to support an effective quality management system?	_____
3.2	Is there appropriate plant work space and qualified equipment including hardware software and utilities provided and maintained to support the design and manufacturing processes, achieve product conformity and meet delivery requirements?	_____
3.3	Is there a documented system for workforce training?	_____
3.4	Are personnel qualified based upon appropriate education, training requirements, and/or experience as required?	_____
	<b>TOTAL SECTION 3.0 SCORE</b>	_____
<b>Section 4</b>	<b>Product Realization</b>	
4.1	Is there a plan for orderly establishment, maintenance and improvement of the sequence of processes and sub-processes that are required to meet customer needs and expectations that are required to produce your products?	_____
4.2	Are there procedures for determination and review of requirements related to the product and do they include communication with the customer?	_____
4.3	Are records maintained of formal design reviews?	_____
4.4	Is your design process customer focused?	_____
4.5	Are sub-contractors evaluated and selected based on their ability to meet quality system and quality assurance requirements?	_____
4.6	Is the type and extent of control over sub-contractors appropriately defined?	_____
4.7	Are quality records of acceptable sub-contractors established and maintained?	_____
4.8	Do operators perform operations according to a planned system?	_____
4.9	Is there a planned preventive maintenance system established?	_____
4.10	Are all work areas environmentally clean and well organized?	_____
4.11	Is traceability maintained and recorded when required by the customer?	_____
4.12	Are there documented procedures for the control of verification, storage, and maintenance of customer supplied product?	_____
4.13	Is there a system of control that ensures incoming product is not used until it is inspected in accordance with a quality plan?	_____
4.14	Is there a system of positive identification provided and recorded when material is used in production but not verified?	_____
4.15	Is there a system for holding product until all required inspections and tests are complete?	_____
4.16	Is there a system for performing final inspection and testing in accordance with the quality and environmental plan?	_____
4.17	Is there a system that assures no product is shipped until all required inspections and tests are complete?	_____
4.18	Is the inspection and test status of product identified by suitable means, recognizable and understood?	_____
4.19	Have methods for the handling of product to prevent damage or deterioration been provided?	_____
4.20	Is inspection, measuring and test equipment calibrated at prescribed intervals?	_____
4.21	Has inspection, measuring and test equipment been provided that is capable of the required accuracy and precision?	_____
4.22	Is there a system for handling, preservation and storage of inspection, measuring and test equipment, that ensures its accuracy and fitness for use?	_____
	<b>TOTAL SECTION 3.0 SCORE</b>	_____

# SUPPLIER REQUIREMENTS MANUAL

## Supplier Quality and Environmental Management System Survey and On-Site Audit

<b>Section 5</b>	<b>Measurement Analysis and Improvement</b>	<b>Score</b> (0 to 5)
5.1	Is there a system to monitor and measure customer satisfaction?	_____
5.2	Are internal quality system audits carried out as planned?	_____
5.3	Are audits scheduled on the basis of the status and importance of the activity?	_____
5.4	Is there a system of control of non-conforming product?	_____
5.5	Are repaired and/or reworked products re-inspected and/or tested in accordance with the quality plan (Control Plan) and/or documented procedures?	_____
5.6	Is there a system that provides for continual improvement?	_____
5.7	Do documented procedures for corrective and preventive actions include effective handling of customer complaints and reports of non-conformance?	_____
TOTAL SECTION 3.0 SCORE		_____

**Section 6 External Audits**

If you are not registered under ISO-9000:2000 and/or TS-16949:2002, PLEASE ANSWER THESE QUESTIONS FOR INFORMATION PURPOSES ONLY (no score):

6.1 Has your quality system been audited by any of your customers or by a third party auditing firm?  
 YES \_\_\_\_\_ NO \_\_\_\_\_

If yes, list up to the last three (3) most recent audits:

Customer/Agency _____	Date _____	Results _____
Customer/Agency _____	Date _____	Results _____
Customer/Agency _____	Date _____	Results _____

6.2 Do you have plans to become registered to either/or ISO-9000:2000 and/or TS-16949:2002 standards? YES \_\_\_\_\_ NO \_\_\_\_\_  
 If yes, which standard are you pursuing? \_\_\_\_\_

6.3 Are you contracting a consultant? YES \_\_\_\_\_ NO \_\_\_\_\_ Which one? \_\_\_\_\_

6.4 Have you selected a registrar? YES \_\_\_\_\_ NO \_\_\_\_\_ Which one? \_\_\_\_\_

6.5 What is your registration target date? \_\_\_\_\_

**DO NOT WRITE BELOW LINE FOR ANCHOR BAY PACKAGING USE ONLY.**

### Survey Scoring Sheet

Section	Section Description	Total Points Scored	Number of Questions	Maximum Possible
1	Management System		5	25
2	Management Responsibility		4	20
3	Resource Management		4	20
4	Product Realization		22	110
5	Measurement Analysis and Improvement		7	35
<b>Totals</b>			<b>42</b>	<b>210</b>

Date complete: \_\_\_\_\_

Survey reviewed by: \_\_\_\_\_

Supplier Name: \_\_\_\_\_

Supplier Code: \_\_\_\_\_

Status: \_\_\_\_\_ APPROVED \_\_\_\_\_ UNAPPROVED \_\_\_\_\_ OTHER (SEE REMARKS)

Remarks (explanation of conditions): \_\_\_\_\_

**APPENDIX- C**

**Anchor Bay Packaging Corporation  
Supplier Quality Compliance Agreement**

# SUPPLIER REQUIREMENTS MANUAL

## Anchor Bay Packaging Corporation/Supplier Quality Compliance Agreement

This agreement establishes guidelines for a joint commitment to Quality between Anchor Bay Packaging Corporation and its suppliers.

### Our quality commitment is stated as follows:

Anchor Bay Packaging Corporation is committed to satisfying the expectations and needs of their customers and serving the community long into the future. We are committed to a system that produces quality, promotes pride of workmanship and holds those who supply us responsible for maintaining a commitment to quality, that is equal to ours.

### To support this joint commitment, you agree that:

1. All products/services supplied by you conform fully to Anchor Bay Packaging Corporations' contractual requirements.
2. No material/item substitution, process revision, or deviation from specification will be made without Anchor Bay Packaging Corporations' written approval.
3. You are maintaining a documented quality management system and will allow Anchor Bay Packaging Corporation to conduct on-site audits of your system, if requested by Anchor Bay Packaging Corporation to do so.
4. Deliveries of your products will be made on time per the Purchase Order schedule.
5. You will maintain the flexibility to adjust your delivery schedules as Anchor Bay Packaging Corporation requires within our contractual agreement.
6. Competitive pricing will be maintained throughout the full term of the Purchase Order.
7. You will promptly notify Anchor Bay Packaging Corporation of any changes in your business environment that could possibly affect your ability to perform as previously agreed.
8. You will be responsive to Anchor Bay Packaging Corporations requests for corrective action.

### To support this partnership, Anchor Bay Packaging Corporation agrees to provide:

1. All documentation necessary to provide a clear, common understanding of quality requirements.
2. A prompt response to any questions you have while performing work on Anchor Bay Packaging Corporation Purchase Orders.
3. A mechanism for resolving quality disputes as they may arise.

Anchor Bay Packaging Corporations'

Supplier

\_\_\_\_\_  
Customer Service/ Purchasing Manager

\_\_\_\_\_  
President, /Chief Operating Officer or General Manager

\_\_\_\_\_  
Director of Quality Assurance

\_\_\_\_\_  
Corporate Customer Service Manager

\_\_\_\_\_  
Corporate Quality Assurance Manager

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **APPENDIX- D**

# **Anchor Bay Packaging Corporation Purchasing Policies**

## **Purchasing Policies BUSINESS VISITS**

Suppliers wishing to visit Anchor Bay Packaging Corporation are expected to arrange their arrivals by appointment only.

### **VERIFICATION OF PURCHASED PRODUCT**

Anchor Bay Packaging Corporation states, that a decision not to inspect incoming material or the failure to detect a supplier-generated nonconformity before receipt, does not relieve the supplier of responsibility for quality of supplied goods.

### **PURCHASE AGREEMENT**

Anchor Bay Packaging Corporation, hereby agrees to purchase and receive and Seller agrees to sell and deliver the goods or service specified herein, in accordance with the terms and conditions contained herein, contained in any subsequent Purchase Orders and to signed attachments hereto or to subsequent Purchase Orders, and further, in accordance with the provisions of Anchor Bay Packaging Corporations' Supplier Requirements Manual, all of which constitute the entire and final agreement of the parties and cancels and supersedes any prior and contemporaneous negotiation or agreements. Seller by accepting a Purchase Order acknowledges receipt and acceptance of the Anchor Bay Packaging Corporation Supplier Requirements Manual and these terms and conditions. Such clauses may be modified, amended or have additions made thereto and when such modifications are written and signed they will be attached hereto. Any Purchase Order is expressly limited to acceptance of the terms of the Purchase Order and these terms and conditions and any proposal for additional or different terms or any attempt by Seller to vary in any degree any of the terms of this offer in Seller's acceptance is hereby objected to and rejected but such proposal shall not operate as a rejection of an offer unless such variances are in the terms of the description, quantity, price, or delivery schedule of the goods but shall be deemed a material alteration thereof, and this offer shall be deemed accepted by the Seller without said additional or different terms. Sellers' commencement of work on such goods or shipment of such goods, whichever occurs first, shall be deemed acceptance of purchaser's offer to purchase the product contained in a Purchase Order.

### **COMPLIANCE WITH THE TOXIC SUBSTANCE CONTROL ACT**

Seller warrants that each and every chemical substance constituting or contained in the products sold or otherwise transferred to the company under a Purchase Order is on the list of chemical substances compiled and published by the Administrator of the Environmental Protection Agency pursuant to the Toxic Substances Control Act and is otherwise in compliance with said act.

### **INVOICE PAYMENT**

**"DELAY IN PAYMENT OF INVOICES CAN RESULT IF THE REQUIREMENTS INCLUDED AS PART OF THESE TERMS AND CONDITIONS ARE NOT FOLLOWED"**. Invoices must bear the Anchor Bay Packaging Corporation supplier number, complete Purchase Order number, ship-to address, product part number, shipment mode, invoice number, invoice date/ship date, unit price, quantity and unit of measure, proper extension of all items and invoice grand total.

### **TERMS AND CONDITIONS**

- 1. STANDARDS OF PRODUCTS SUPPLIED:** All Products supplied pursuant to a Purchase Order shall meet Anchor Bay Corporation standards. Any charges, charge backs, claims, damages, set-offs, costs, lawsuits, actions, attorney fees and other expenses which result from the failure of a product to perform in accordance with the standards set forth by Anchor Bay Packaging Corporation Supplier Requirements, Anchor Bay product specifications, a Purchase Order, these terms and conditions or otherwise, shall be in the Seller's sole obligation and responsibility. Seller agrees to hold Anchor Bay Packaging Corporation harmless from all charges, charge backs, claims, damages, set-offs, costs, lawsuits, actions, attorney fees and other expenses which may result from any such failure.
- 2. SUBSTITUTIONS:** Any substitution of material other than that which is specifically specified or described within a Purchase Order without prior purchasing approval will be considered a violation of the Purchase Order and subject to a debit of the Seller's account and removal as an approved Anchor Bay Packaging Corporation supplier.
- 3. TAXES:** The Seller agrees to assume exclusive liability under all laws that impose taxes or other exactions on the manufacture or sale of the items to be furnished hereunder, or any component part thereto, or on any process or labor involved therein, or any services to be rendered by Seller, and to pay any and all such taxes except those that Buyer specifically agrees that it is required by law to pay.
- 4. ASSIGNMENT AND DELEGATION:** Seller shall not assign a Purchase Order nor delegate in any manner to any other person the performance of any work or the supplying of any services under a Purchase Order without the written consent of Buyer. Seller may assign monies due and to become due under a Purchase Order, provided, however, that the Buyer shall be entitled to assert against the assignee thereof all rights, claims and other defenses of every type (without limitations, rights of set off, recoupment, and counterclaim), which Buyer could assert against Seller, whether acquired prior to or subsequent to such assignment.
- 5. SEVERABILITY:** If any term of these terms and conditions or a Purchase Order is invalid or unenforceable under any statute, regulation, ordinance, executed Purchase Order or other rule of law, such term shall be deemed reformed or deleted, but only to the extent necessary to comply with such statute, regulation, ordinance, order or rule, and the remaining provisions of these terms and conditions and a Purchase Order shall remain in full force and effect.

## Purchasing Policies

### TERMS AND CONDITIONS CONTINUED

6. **CHANGES:** Buyer shall have the right, without liability at any time, by written change order to make reasonable changes to (1) the drawings, designs, and/or specifications applicable to the supplies or services covered by a Purchase Order, (2) the method of shipment and/or packing and (3) the place and time of delivery. If such changes affect the time for performance, the cost of manufacturing goods, or the cost of furnishing such services, Buyer shall at its discretion make an equitable adjustment in the purchase price or the delivery schedule or both.

7. **SHIPPING RELEASES:** Unless specific delivery dates or warehousing time limits are provided in this Purchase Order, Seller shall not fabricate any of the supplies covered by a Purchase Order, or procure any of the materials required in their fabrication, or ship any of such supplies to Buyer, except to the extent authorized in written instructions furnished to Seller by Buyer, Buyer shall have no responsibility for supplies for which delivery dates or written instructions have not been provided. Shipments in excess of those authorized may be returned to Seller and Seller shall pay Buyer for all packaging, handling, sorting, and transportation expenses incurred in connections with such shipments. Buyer may from time-to-time change shipping schedules specified in a Purchase Order or contained in such written instructions or direct temporary suspension of such scheduled shipments.

8. **PREMIUM SHIPMENTS:** If Seller's acts or omissions result in Seller's failure to meet Buyer's delivery requirements and Buyer requires a more expeditious method of transportation for the goods than the transportation method originally specified by Buyer, Seller shall at Buyer's option, (1) promptly reimburse the Buyer the difference in cost between the more expeditious method and the original method, (2) allow Buyer to reduce its payments or Seller's invoices by such difference, or (3) ship the goods as expeditiously as possible at Seller's expense and invoice Buyer for the amount which Buyer would have paid for normal shipment.

9. **INSPECTION:** Seller agrees that Buyer shall have the right to enter Seller's facility at reasonable times to inspect the facility, goods, materials and any property of Buyer covered by a Purchase Order. Buyer's inspection of the goods, whether during manufacture, prior to delivery or within a reasonable time after delivery, shall not constitute acceptance of any work-in-process or finished goods.

10. **NON-CONFORMING GOODS:** To the extent Buyer rejects goods as non-conforming, the quantities under a Purchase Order will automatically be reduced unless Buyer otherwise notifies the Seller. Seller will not replace quantities to reduced without a new Purchase Order or schedule from Buyer. Non-conforming goods will be held by Buyer for disposition in accordance with Seller's instructions at Seller's risk. Seller's failure to provide written instructions within ten (10) days or such shorter period as may be commercially reasonable under the circumstances, after notice of nonconformity, shall entitle Buyer, at Buyer's option, to charge Seller for storage and handling, or to dispose of the goods, without liability to Seller. Payment for non-conforming goods shall, not constitute an acceptance thereof, limit or impair Buyer's right to assert any legal or equitable remedy, or relieve Seller's responsibility for latent defects.

11. **WARRANTY:** Seller expressly warrants that all goods or services covered by a Purchase Order will conform to the specifications, drawings, samples or descriptions furnished to or by Buyer, and will be merchantable, of good material and workmanship and free from defect. In addition, Seller acknowledges that Seller knows of Buyer's intended use and expressly warrants that all goods covered by a Purchase Order which have been selected, designed, manufactured, or assembled by Seller, based upon Buyer's stated use, will be fit and sufficient for the particular purpose intended by the Buyer.

12. **INGREDIENTS DISCLOSURE AND SPECIAL WARNINGS AND INSTRUCTIONS:** If requested by Buyer, Seller shall promptly furnish to Buyer in such form and detail as Buyer may direct; (1) a list of all ingredients in the goods purchased hereunder, (2) the amount of one or more ingredients; and (3) information concerning any changes in or additions to such ingredients. Prior to and with the shipment of the goods purchased hereunder, Seller agrees to furnish the Buyer sufficient warning and notice in writing (including appropriate labels on goods, containers and packing) of any hazardous material which is an ingredient or a part of any of the goods, together with such handling instructions as may be necessary to advise carriers, Buyer, and their respective employees of how to exercise that measure of care and precaution which will best prevent bodily injury or property damage in the handling, transportation, processing, use or disposal of the goods, containers and packing shipped to Buyer.

13. **INSOLVENCY:** Buyer may immediately cancel a Purchase Order without liability to Seller in the event of the happening of any of the following or any other comparable event; (1) insolvency of the Seller, (2) filing of a voluntary petition in bankruptcy by the Seller, (3) filing of any involuntary petition in bankruptcy against Seller, (4) appointment of a receiver or trustee for Seller, (5) or execution of an assignment for the benefit of creditors by Seller, provided that such petition, appointment, or assignment is not vacated or nullified within ten (10) days of such event.

14. **CANCELLATION FOR BREACH:** Buyer reserves the right to cancel all or part of a Purchase Order, without liability to Seller, if Seller; (1) repudiates or breaches any of the terms of a Purchase Order or these terms and conditions, including Seller's warranties, (2) fails to perform services or deliver goods as specified by Buyer, (3) fails to make progress as to endanger timely and proper completion of services or delivery of goods, and does not correct such failure or breach within ten (10) days (or such shorter period of time if commercially reasonable under the circumstances) after receipt of written notice from Buyer specifying such failure.

## **Purchasing Policies**

### **TERMS AND CONDITIONS CONTINUED**

**15. FORCE MAJEURE:** Any delay or failure of either party to perform its obligations hereunder shall be excused if, and to the extent that it is caused by an event or occurrence beyond the reasonable control of the party and without its fault or negligence, such as, by way of example and not by the way of limitation, acts of God, action by any governmental authority (whether valid or invalid), fires, floods, windstorms, explosions, riots, natural disasters, wars, sabotage, labor problems (including lockouts, strikes and slowdowns), inability to obtain power, material, labor, equipment or transportation, or court injunction or order, provided that written notice of such delay (including the anticipated duration of the delay) shall be given by the affected party to the other party within ten (10) days. During the period of such delay or failure to perform by Seller, Buyer, at its option, may purchase goods from other sources and reduce its schedules to Seller by such quantities, without liability to Seller, or have Seller provide the goods from other sources in quantities and at times requested by Buyer and at the price set forth in a Purchase Order. If requested by the Buyer, Seller shall, within ten (10) days of such request, provide adequate assurances that the delay shall not exceed ten (10) days. If the delay lasts more than ten (10) days or Seller does not provide adequate assurance that the delay will cease within ten (10) days, Buyer may immediately cancel the Purchase Order without liability.

**16. TERMINATION:** In addition of any other rights of Buyer to cancel or terminate a Purchase Order, Buyer may at its option immediately terminate any part of a Purchase Order, at any time and for any reason, by giving written notice to Seller. Upon each termination, Buyer shall pay to Seller the following amounts without duplication; (1) the Purchase Order price for all goods or services which have been completed in accordance with a Purchase Order and not previously paid for, and (2) the actual cost of work-in-progress and raw materials incurred by Seller in furnishing the goods under a Purchase Order to the extent such costs are reasonable in amount and are properly allocable under generally accepted accounting principles to the terminated portion of a Purchase Order, less, however, the reasonable value or cost (whichever is higher) of any goods or materials used or sold by Seller with Buyer's written consent, and the cost of any damaged or destroyed materials. Buyer will make no payments for finished goods, work-in-progress or raw materials fabricated or procured by Seller in amounts in excess of those authorized in delivery releases nor for any undelivered goods which are in Seller's standard stock or which are readily marketable. Payments made under this paragraph shall not exceed the aggregate price payable by Buyer for finished goods which would be produced by Seller under delivery or release schedules outstanding at the date of termination. Except as provided in this paragraph, Buyer shall not be liable for and shall not be required to make payments to Seller, directly or on account of claims by Seller's Subcontractors, for loss of anticipated profit, unabsorbed overhead, interest on claims, product development and engineering costs, facilities and equipment rearrangement costs or rental, unamortized depreciation costs, and general and administration burden charges from termination of a Purchase Order. Within ten (10) days from the effective date of termination, Seller shall submit a comprehensive termination claim to Buyer with sufficient supporting data to permit Buyer's audit, and shall thereafter promptly furnish such supplemental and supporting information as Buyer shall request. Buyer, or its agents, shall have the right to audit and examine all books, records, facilities, work, material, inventories and other items relating to any termination claim of Seller.

**17. INTELLECTUAL PROPERTY:** Seller agrees; (1) to defend, hold harmless and indemnify Buyer, its successors and customers against all claims, demands, losses, suits, damages, liability and expenses (including reasonable attorney fees) arising out of any suit, claim or action for actual or direct or contributory infringement of, or inducement to infringe, any United States or foreign patent, trademark, copyright or mask work right by reason of the manufacture, use or sale of goods or services ordered including infringement arising out of compliance with specifications furnished by Buyer or for actual alleged misuse-or-misappropriation of a trade secret resulting directly or indirectly from Seller's actions, (2) to waive any claim against Buyer arising out of compliance with specifications furnished by Buyer, and (3) to grant to Buyer a worldwide, non-exclusive, royalty-free, irrevocable license to repair and have repaired, to reconstruct and have reconstructed the goods ordered hereunder. Seller assigns to Buyer all right, title and interest in and to all trademarks, copyrights and mask work rights in any material created for Buyer under a Purchase Order.

**18. TECHNICAL INFORMATION DISCLOSED TO Buyer:** Seller agrees not to assert any claim (other than a claim for patent infringement) with respect to any technical information which Seller shall have disclosed or may hereafter disclose to Buyer in connection with the goods or services covered by a Purchase Order.

**19. INDEMNIFICATION:** The Seller shall indemnify and hold the Buyer harmless against all expense, claims, damages, demands or liabilities arising out of Seller's breach in the performance of a Purchase Order or these terms and conditions. In furtherance of the foregoing indemnity and not in limitation thereof, Seller agrees that: (1) Buyer shall be entitled to all incidental damages resulting from a breach by Seller, including, but not limited to, all expenses reasonably incurred in inspection, receipt, transportation, and care and custody of goods rightfully rejected, any commercially reasonable charges, expenses, or commissions incurred in effecting cover, and any other reasonable expense incident to a delay or breach by Seller; (2) Buyer shall also be entitled to consequential damages resulting from breach by Seller for any loss resulting from general or particular requirements and needs of Buyer of which Seller is aware at the time of executing a Purchase Order, and which reasonably cannot be prevented by cover or otherwise, and damages sustained by Buyer from any injury to person or property proximately resulting from any breach of warranty by Seller. If Seller performs any work on Buyer's premises or utilizes the property of Buyer, whether on or off Buyer's premises, Seller shall indemnify and hold Buyer harmless from and against any liability, claims demands or expenses (including reasonable attorney's fees) for damages to the property of or injuries (including death) to Buyer, its employees or any other person arising from or in connection with Seller's performance of work or use of Buyer's property except for such liability, claim or demand arising out of the sole negligence of Buyer.

# **ANCHOR BAY PACKAGING CORPORATION SUPPLIER REQUIREMENTS MANUAL**

## **Purchasing Policies**

## TERMS AND CONDITIONS CONTINUED

**20. TOOLS:** Unless otherwise agreed to by Buyer, Seller at its own expense shall furnish, keep in good condition, and replace when necessary all tools, jigs, dies, gages, molds and patterns ("tools") necessary for the production of the goods. The cost of changes to the Tools necessary to make design and specification changes authorized by Buyer shall be borne by the Seller. Seller shall insure the Tools with full fire and extended coverage insurance for the replacement value thereof. Seller grants Buyer the irrevocable option to take possession of and title to the Tools that are special for the production of the goods upon payment to the Seller of the book value thereof less any amount which Buyer has previously paid to Seller for the cost of such tools; provided, however, that this option shall not apply if such Tools are used to produce goods that are the standard stock of Seller or if a substantial quantity of like goods are being sold by Seller to others.

**21. BAILED PROPERTY:** All supplies, materials, tools, jigs, dies, gages, fixtures, molds, patterns equipment and other items furnished by the Buyer, either directly or indirectly to Seller to perform a Purchase Order, or for which Seller has been reimbursed by Buyer, shall remain the property of Buyer. Seller shall bear the risk of loss of and damage to Buyer's property. Buyer's property shall at all times be properly housed and maintained by Seller, shall not be used by Seller for any purpose other than the performance of Anchor Bay Packaging Corporation Purchase Orders; shall be deemed to be personalty; shall be conspicuously marked "Property of Anchor Bay Packaging Corporation" by Seller; shall not be commingled with property of Seller or with that of a third person and shall not be moved from Seller's premises without Buyer's prior written approval. Upon the request of Buyer, such property shall be immediately released to Buyer, or delivered to Buyer by Seller, either (1) F.O.B. transport equipment at Seller's plant, properly packed and marked in accordance with the requirements of the carrier selected by the Buyer to transport such property, or (2) to any location designated by Buyer, in which event Buyer shall pay to Seller the reasonable cost of delivering such property to such location. Buyer shall have the right to enter onto Seller's premises at all reasonable times to inspect such property and Seller's records with respect thereto.

**22. REMEDIES:** The rights and remedies Reserved to Buyer in these terms and conditions shall be cumulative, and additional to all other or further remedies provided in law or equity.

**23. GOVERNMENT COMPLIANCE:** Seller agrees to comply with all federal, state and local laws, executive orders, rules, regulations and ordinances which may be applicable to Seller's performance of its obligations under a Purchase Order.

**24. NO IMPLIED WAIVER:** The failure of either party at any time to require performance by the other party of any provision of a Purchase Order shall in no way affect the right to require such performance at any time thereafter, nor shall the waiver of either party of a breach of any provision of a Purchase Order constitute a waiver of any succeeding breach of the same or any other provision.

**25. RELATIONSHIP OF PARTIES:** Seller and Buyer are independent contracting parties and nothing in the Purchase Order shall make either party the agent or legal representative of the other for any purpose whatsoever, nor does it grant either party authority to assume or to create any obligation on behalf or in the name of the other.

**26. INSURANCE:** Seller shall maintain insurance coverage in amounts not less than the following; (1) Worker's Compensation - Statutory Limits for the state or states in which a Purchase Order is to be performed (or evidence of authority to self-insure), (2) Employer's Liability - \$250,000, (3) Comprehensive General Liability (including Products/Completed Operations and Blanket Contractual Liability) - \$1,000,000 per person, \$1,000,000 per occurrence Property Damage, or \$1,000,000 per occurrence Personal Injury and Property Damage combined single limit, and (4) Automobile Liability (including owned, non-owned and hired vehicles) - \$1,000,000 per person, \$1,000,000 per occurrence Personal Injury and \$1,000,000 per occurrence Property Damage, or \$1,000,000 per occurrence Personal Injury and Property Damage combined single limit. At Buyer's request, Seller shall furnish to Buyer certificates of insurance setting forth the amount(s) of coverage, policy number(s) and date(s) of expiration for insurance maintained by Seller and, if further requested by Buyer, such certificates will provide that Buyer shall receive ten (10) days prior written notifications from the insurer of any termination or reduction in the amount or scope of coverage. Seller's purchase of appropriate insurance coverage or the furnishing of certificates of insurance shall not release Seller of its obligations or liability under a Purchase Order or these terms and conditions. In the event of Seller's breach of this provision, Buyer shall have the right to cancel the undelivered portion of any goods or services covered by a Purchase Order and shall not be required to make further payments except for conforming goods delivered or services rendered prior to cancellation.

**27. DUTY DRAWBACK RIGHTS:** A Purchase Order includes all related customs duty and import drawback rights, if any, (including rights developed by substitution and rights which may be acquired from Seller's suppliers) which Seller can transfer to Buyer. Seller agrees to inform Buyer of the existence of any such rights and upon request to supply such documents as may be required to obtain such drawback.

**28. SETOFF:** In addition to any right to set off provided by law, all amounts due Seller shall be considered net of indebtedness of Seller to Buyer, Anchor Bay Packaging Corporation, Inc., and its subsidiaries; and Buyer may deduct any amounts due or to become due from Seller to Buyer and its subsidiaries from any sums due or to become due to Seller. Buyer shall be entitled at all times to set off any amount owing at any time from Seller, or any affiliated company of Seller, to Buyer, or any of its affiliated companies, against any amount payable at any time by Buyer in connection with a Purchase Order. By "affiliated company" is meant any corporation, firm or association which controls, is controlled by or is under common control with Seller or Buyer, as the case may be.

**29. ADVERTISING:** Seller shall not, without first obtaining the written consent of Buyer, in any manner advertise or publish the fact that Seller has contracted to furnish Buyer the goods or services herein ordered, or use any trademarks or trade names of Buyer in Seller's advertising or promotional materials. In the event of Seller's breach of this provision Buyer shall have the right to cancel the undelivered portion of any goods or services covered by a Purchase Order and shall not be required to make further payments except for conforming goods delivered or services rendered prior to cancellation.

## **Purchasing Policies**

### **TERMS AND CONDITIONS CONTINUED**

**30. EQUAL OPPORTUNITY AND AFFIRMATIVE ACTION:** These terms and conditions incorporate by reference; (1) all provisions of 41 C.F.R. 60-1.4, as amended, pertaining to the equal opportunity clause in government contracts; (2) all provisions of 41 C.F.R. 60-250, as amended pertaining to affirmative action for disabled veterans of the Vietnam era; and (3) all provisions of 41 C.F.R. 60-741, as amended, pertaining to affirmative action for handicapped workers. Seller certifies that it is in compliance with all applicable provisions of 41 C.F.R. 60-1, including but not limited to; (1) developing and presently having in full force and effect a written affirmative action compliance program for each of its establishments as required by 41 C.F.R. 60-1.40, as amended, (2) filing EEO-1 Reports as required by 41 C.F.R. 60-1.7, as amended, and (3) neither maintaining segregated facilities nor permitting its employees to perform services at segregated facilities as prohibited by 41 C.F.R. 60-1.8, as amended. Buyer requests that Seller adopt and implement a policy to extend employment opportunities to qualified applicants and employees on an equal basis regardless of an individuals age, race, color, sex, religion or national origin. Seller agrees to comply with the requirements of the Title VII Civil Rights Act of 1964 (42 USC 2000(e) et seq.) and the state of Michigan's Elliott-Larson Civil Rights Act (MCL § 37.2000(e) et seq.).

**31. CERTIFICATE OF CANADIAN VALUE ADDED:** Upon request, Seller shall furnish promptly "Certificate of Canadian Value Added" and other required documentation in accordance with government regulations. Seller agrees to indemnify Buyer and/or its customers against all loss resulting directly or indirectly from Seller's delay in completing and returning such certificate to Buyer, and from incorrect information therein furnished by Seller.

**32. STATEMENTS:** Separate monthly statements shall be rendered promptly to each accounting location.

**33. PACKING, MARKING AND SHIPPING:** (1) All supplies shall be packed, marked and shipped in accordance with the requirements of the common carrier transporting such supplies and with a Purchase Order and classified by weight and density which will permit the securing of the lowest possible transportation rates. Seller shall use transportation mode and carrier designated by Buyer. (2) Any transportation charges paid by Seller with respect to which Seller is entitled to reimbursement shall be added to Seller's invoice as a separate item and the receipted freight bill shall be attached hereto. (3) Unless otherwise provided in a Purchase Order, no charge shall be made by Seller for containers, crating, boxing, bundling, dunnage, or storage. (4) Unless otherwise provided in a Purchase Order, all shipments shall be at risk of Seller until delivered F.O.B. to Buyer's destination point indicated on the reverse side hereof. Seller shall be liable for any damages arising during shipment, whether discernible on delivery and inspection or latent in nature. Title and risk of loss in all cases pass from Seller at Buyer's plant.

**34. ATTORNEYS' FEES:** In the event it shall become necessary for Buyer to retain the services of an attorney for the purpose of enforcing any of the provisions of this agreement, Seller shall pay all costs and all reasonable attorneys' fees of the Buyer.

**35. TITLE AND RISK OF LOSS:** unless otherwise provided in a Purchase Order, Seller shall have title to and bare the risk of any loss or damage to the items purchased hereunder until they are delivered in conformity with a Purchase Order at the F.O.B. point specified on the face hereof and upon such delivery, title shall pass from Seller and Seller's responsibility for loss or damage shall cease, except for loss or damage resulting from Seller's negligence. Passing of title upon such delivery shall not constitute acceptance of the item by Buyer.

**36. LIMITATION OF BUYER'S LIABILITY, STATUTE OF LIMITATIONS:** In no event shall Buyer be liable for anticipated profits or for incidental or consequential damages. Buyer's liability on any claim of any kind for any loss for damage arising out of or connected with or resulting from this agreement or from the performance or breach thereof shall, in no case exceed the price allocatable to the goods or services or unit thereof which gives rise to the claim. Buyer shall not be liable for penalties of any description. Any action resulting from any breach on the part of Buyer as to the goods or services delivered pursuant to a Purchase Order must be commenced within one (1) year after the cause of action has accrued. All rights of Seller to commence any court action or proceeding with respect to a Purchase Order shall terminate one (1) year after the cause of action has accrued.

**37. ASSURANCE OF ADEQUATE PERFORMANCE:** Buyer's obligation of payment or acceptance of delivery shall be suspended if at any time Buyer has a reasonable doubt that the Seller's performance will not be in accord with the provisions of a Purchase Order or these terms and conditions. Upon notice to this effect, Seller shall provide satisfactory assurance to Buyer of its intent and ability to perform according to these terms and conditions. If such assurances are not received within a reasonable time after notice and demand, Buyer may, at its option, treat this contract as breached by Seller, or as canceled.

**38. IMPLAIDER;** Seller agrees that it will not plead or bring any action against Buyer or Buyer's customers or to employees of either based on any claim by any person for personal injury or death that occurs in the course or scope of employment of such person by Buyer or Buyer's customers and that arise out of material/services furnished under a Purchase Order.

**39. DELIVERY:** The terms of delivery are as stated on the reverse side hereof. The obligations of seller to meet the delivery dates, specifications, and quantities set forth herein is of the essence of a Purchase Order. Deliveries are to be made both in quantities and at times specified herein or if not, such quantities and times as are specified pursuant to Buyer's written instruction. Shipments of greater or lessor quantity than ordered may be returned at Seller's expense. If Seller's deliveries fail to meet schedule, Buyer, without limiting its other rights or remedies, may either direct expedited routing or charge excess cost incurred to Seller or cancel all or part of a Purchase Order in accordance with the default provisions hereof.

**40. ARBITRATION:** At the sole option of Buyer, any dispute or controversy arising under, out of, in connection with, or in relation with a Purchase Order, any amendment hereof, or the breach hereof, shall be determined and settled in the Metropolitan Detroit area by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Any award rendered therein shall be final and binding on the parties, and judgement may be entered thereon in any court having jurisdiction thereof.

# **ANCHOR BAY PACKAGING CORPORATION SUPPLIER REQUIREMENTS MANUAL**

- 41. NON-ASSIGNMENT:** Seller may not assign or delegate its obligation under a Purchase Order without Buyer's written consent.
- 42. GOVERNING LAW:** All Purchase Orders are to be construed according to the laws of the state of Michigan.
- 43. ENTIRE AGREEMENT:** A Purchase Order together with exhibits, or supplements, specifically referenced in a Purchase Order and these terms and conditions, constitutes the entire agreement between Seller and Buyer with respect to the matter contained herein and supersedes all prior oral or written representations and agreements. Purchase Orders may only be modified by a Purchase Order amendment/alteration issued by Buyer.

**ANCHOR BAY  
PACKAGING CORPORATION  
SUPPLIER REQUIREMENTS MANUAL**

# APPENDIX- E

## Anchor Bay Packaging Corporation Defective Material Report

**ANCHOR BAY  
PACKAGING CORPORATION  
SUPPLIER REQUIREMENTS MANUAL  
DEFECTIVE MATERIAL REPORT**

Appendix – E Page 1

**DMR No.** \_\_\_\_\_  
**DATE:** \_\_\_\_\_

Using \_\_\_\_\_  
Facility: \_\_\_\_\_  
Supplier: \_\_\_\_\_

Part Number: \_\_\_\_\_  
Part Description: \_\_\_\_\_  
Lot Number: \_\_\_\_\_

\_\_\_\_\_ Date Received: \_\_\_\_\_  
\_\_\_\_\_ Qty. Received: \_\_\_\_\_  
Sample Size: \_\_\_\_\_  
Qty. Defective: \_\_\_\_\_

**N/C MATERIAL INFORMATION**

Shipment Rejected: \_\_\_\_\_ Accumulation: \_\_\_\_\_ Using facility can use N/C Material as is - Correct Future Lots: \_\_\_\_\_

Immediate Response Required: \_\_\_\_\_ Repeat Problem: \_\_\_\_\_ Samples Available: \_\_\_\_\_ Sent: \_\_\_\_\_

Description of Problem: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Issuer: \_\_\_\_\_

**SUPPLIERS' RESPONSIBILITY**

Respond by fax within 24 hours to acknowledge receipt of this report and inform issuer of actions taken to react to this report. If no response is received in this time and ABPC personnel have to Sort/Rework material to maintain production, then the supplier will be charged at the rate of \$40.00 per hour.

**N/C MATERIAL DISPOSITION**

Scrap: \_\_\_\_\_ Rework: \_\_\_\_\_ Return: \_\_\_\_\_ Other: \_\_\_\_\_ Disposition Date: \_\_\_\_\_

Suppliers' Return Authorization No.: \_\_\_\_\_

**CORRECTIVE ACTION SHOULD BE ANSWERED WITHIN SEVEN (7) BUSINESS DAYS FROM ISSUE AND RETURNED TO ANCHOR BAY PACKAGING CORPORATION**

Description of Concern: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Root Cause: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Corrective Action: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signed By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Follow-up \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

CC: Purchasing  
Manufacturing  
FORM # SOP-8-6 REV-B

**DMR ACCOUNTING REPORT**



**ANCHOR BAY  
PACKAGING CORPORATION  
SUPPLIER REQUIREMENTS MANUAL**

**APPENDIX- F**

**Anchor Bay Packaging Corporation  
Request for Deviation/Waiver**



**ANCHOR BAY  
PACKAGING CORPORATION  
SUPPLIER REQUIREMENTS MANUAL**

**APPENDIX- G**

**Anchor Bay Packaging Corporation  
Supplier Request for Review Action**

**ANCHOR BAY  
PACKAGING CORPORATION  
SUPPLIER REQUIREMENTS MANUAL**

**Supplier Request for Review Action  
Supplier Section**

Supplier \_\_\_\_\_  
Address \_\_\_\_\_  
Part No. \_\_\_\_\_ Qty. On Order \_\_\_\_\_ Qty. Affected \_\_\_\_\_  
Requested: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Actual/Suspected Cause:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Corrective Action:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Requested By: \_\_\_\_\_ Title: \_\_\_\_\_  
Phone No. \_\_\_\_\_ Fax No. \_\_\_\_\_

**Anchor Bay Packaging Corporation Section**

Disposition:  
Rework material before shipping to Anchor Bay Packaging Corporation location: \_\_\_\_\_ Use as is: \_\_\_\_\_  
Material not usable, replace: \_\_\_\_\_ Other \_\_\_\_\_ (Described below)

Comments:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_

**ANCHOR BAY  
PACKAGING CORPORATION  
SUPPLIER REQUIREMENTS MANUAL**

**APPENDIX- H**

**Anchor Bay Packaging Corporation  
Tolerance Chart**

**THE FOLLOWING TOLERANCES ARE APPLIED TO THE DESIGN AND MANUFACTURE OF ALL PACKAGING PRODUCTS.**

TYPE OF PRODUCT	MATERIALS SPECIFIED			
	CHIPBOARD	CORRUGATED	FOAM	PLASTIC CORRUGATED
DIE-CUT ITEMS	+/- 1/16 INCH	+/- 1/8 INCH	+/- 1/16 INCH	+/- 1/8 INCH
CONTOUR CUT ITEMS	N-A	+/- 1/16 INCH	+/- 1/16 INCH	N-A
PRESS-RUN ITEMS	+/- 1/16 INCH	+/- 1/8 INCH	+/- 1/4 INCH	+/- 1/8 INCH
SAW-CUT ITEMS	+/- 1/16 INCH	+/- 1/8 INCH	+/- 1/8 INCH	N-A
BUILT-UP BLOCK (BUILT-UP DIMENSION)	N-A	NT OF CORRUGATED +/- 1/8 INCH	N-A	N-A

TYPE OF PRODUCT	CUT TO LENGTH	HOLE LOCATION	ASSEMBLED FRAMES
PVC EXTRUSIONS	+/- 0.06 INCH	+/- 1/16 INCH	+/- 1/8 INCH
ALUMINUM EXTRUSIONS	+/- 1/16 INCH	+/- 1/16 INCH	+/- 1/8 INCH
VAC-FORMED ITEMS	AS PER SPECIFICATION		

TYPE OF PRODUCT	PERFORATED	SLIT	THICKNESS
FOAM ROLL-STOCK (NO BACKING)	PERFORATION DIRECTION +/- 5% OF SPECIFIED LENGTH DIA.	SLIT DIRECTION +/- 1/4 INCH (MIN. 3 INCH)	+1/16 INCH / -1/32 INCH

TYPE OF PRODUCT	LENGTH AND WIDTH	THICKNESS
FOAM SHEET-STOCK	+/- 1/4 INCH	+1/16 INCH / -1/32 INCH

**NOTE: ALL TOLERANCES ARE SPECIFIC TO EACH DIMENSION SHOWN ON THE ENGINEERING DRAWING AND SHALL NOT ACCUMULATE.**

**NOTE: ALL OF THE ABOVE TOLERANCES ARE APPLIED UNLESS OTHERWISE SPECIFIED ON THE ENGINEERING DRAWINGS.**

PREPARED BY:	APPROVED BY:	DATE:
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