

# IN-PROCESS YIELD LOSS ALLOWANCE

JACKSON, MS



Metal Coaters intends to supply prepainted coil that is defect-free and suitable for the intended application. However, there are some inherent conditions to the process that create yield loss. In addition, substrate quality issues can significantly affect overall product quality and yield. Therefore, to address the yield losses that can potentially occur in the coil coating process, Metal Coaters has established the following policy for reconciliation of process yield losses.

## COATER FAULT YIELD LOSSES

Coater fault yield losses include head and tail cropping, splices, line stops, miscellaneous cropping and other coater-induced, rejected lineal footage or coil material.

Metal Coaters will credit the customer for scrap metal value (bucket scrap) of all coater fault yield losses, up to a Coater Fault Allowance (described below). The payment of scrap metal value will be based on an agreed upon monthly index. The amount paid by Metal Coaters will include a handling fee of \$30 per gross ton that will be deducted from the payment.

Yield losses that exceed predefined coater fault allowances will be handled by Metal Coaters by reimbursing full metal value, in the following manner:

## COATER FAULT YIELD LOSS ALLOWANCE

Yield losses that exceed the following allowances will be reconciled within a mutually agreed upon reconciliation period:

For all material (thickness) 0.0285" and less, the yield loss allowance will be 2.0%.

For all material (thickness) from 0.0286" thru 0.0396", the yield loss allowance will be 3.0%.

For all material (thickness) 0.0397" and greater, the yield loss allowance will be 4.0%.

The yield loss allowances described above are applicable for all customer orders that meet the following criteria:

- The order/production size is 40,000 lbs or greater.
- The incoming coil size is 20,000 lbs or greater.
- The minimum total amount processed during the reconciliation period is 200,000 lbs or greater.

Since incoming coil size and order/production run size can negatively impact prime yield within the coil coating process, Metal Coaters must adjust the yield loss allowance when either of these two operating parameters fail to meet the above criteria.

### **Therefore, when the incoming coil size is:**

- 15,000 lbs or greater, but less than 20,000 lbs - The yield loss allowance will increase by 1%.
- 5,000 lbs or greater, but less than 15,000 lbs - The yield loss allowance will increase by 2%.
- Less than 5,000 lbs – There is no yield loss allowance guarantee.

### **When the order/production run size is:**

- 20,000 lbs or greater, but less than 40,000 lbs - The yield loss allowance will increase by 1%.
- 10,000 lbs or greater, but less than 20,000 lbs - The yield loss allowance will increase by 2%.
- Less than 10,000 lbs - There is no yield loss allowance guarantee.

- For orders requiring two passes through the coil coating process, the coater fault yield loss allowance will double.

**Please Note:** In the event that the total weight processed during a reconciliation period does not exceed 200,000 lbs (minimum), all yield losses will be considered allowable and no yield loss reconciliation will occur.

### COATER FAULT COIL REJECTIONS

Individual coils weighing 7,000 lbs or greater and are rejected due to coater fault cause will be reconciled immediately. Metal Coaters will reimburse the customer for prime metal value of such coils. Metal Coaters will assume ownership of such coils and will credit the customer's account outside of the yield loss reconciliation process. The subject material will not be included in the yield loss reconciliation for the period in question.

### SLITTING

Add 2% to the Coater Fault Yield Allowance applied during paint line processing for orders with normal engineered scrap (i.e. nominal head and tail loss, plus side trim of 1/2" or less). When side trim is greater than 1/2", the coater fault yield allowance will increase to include 100% of the side trim that is greater than 1/2". Slitter production run orders that do not meet the minimum order size criteria as described previously (for the coil coating process) will not have a yield loss guarantee applied to them.

### EMBOSSING

Add 1% to the Coater Fault Yield Loss Allowance. Embosser production run orders that do not meet the minimum order size criteria as described previously (for the coil coating process) will not have a yield loss guarantee applied to them.

### INCOMING COIL SPECIFICATIONS

Customer-owned paint line quality coils should be protected from corrosion by the customers' supplier. Metal Coaters is not responsible for corrosion occurring to coils prior Metal Coaters production or for damage to coils that have been in Metal Coaters' inventory for more than 60 days. Paint Line Quality material is defined as free of center buckle and pinch marks and edge wave must fall within ASTM limits. Edge condition must be free of edge stain, edge strain, minute cross breaks, cracks, saw tooth,

slivers, excessive burr, laps, slugs, folds, tears or galvanized build up. Camber should not exceed 1/2" in 20 lineal feet. Substrate surfaces must be free from excessive surface irregularities including, but not limited to, dents, dings, pits, scale, stringers, voids, bare spots, craters, air knife marks and dross.

### NON CONFORMING SUBSTRATE

Metal Coaters will make every reasonable attempt to process customer-owned material. If material is found unsuitable for coil coating or for the intended use, Metal Coaters will run a minimum of 10% of the coil before pulling off and it will be rejected with written notification to the customer. If requested by the customer, Metal Coaters will process non-conforming substrate only with a written deviation from the customer accepting the coil to be processed with no yield guarantee and exclusion from Metal Coaters' In-Process Yield Allowance policy.

### CUSTOMER DISPOSITION OF MATERIAL

All coils rejected due to a mill fault cause are the responsibility of the customer. They will be held for mill inspection and/or customer disposition. Metal Coaters requests that customers ship all rejected material from the Metal Coaters facility within 30 days of notification.

### RECONCILIATION TERMS

Metal Coaters will reconcile all yield losses on an actual weight basis, within 30 days following the end of the reconciliation period. Detail will be provided to the customer that will allow for settlement of any mill fault claims that may have arisen during the period. The financial reconciliation will be based on the total weight processed and the size of individual master coils. When the reconciliation is completed, a yield loss reconciliation report will be sent to the customer for verification of weights and submission of metal value.

### LIMITATION

Upon receipt of a yield loss reconciliation report, the customer must respond to verify agreement with the reconciliation weights. The customer must also provide Metal Coaters with proof of metal value for the reconciliation period. The customer must provide the required information to Metal Coaters within 180 days of receiving a yield loss reconciliation report. Otherwise, Metal Coaters will be unable to reconcile the yield loss for the reconciliation period in question.

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