

## **Supplier Manual** GHSP - Version 02.2005 \_\_\_\_\_

### Introduction

This manual is provided to communicate the expectations of GHSP, Inc. ("GHSP") to its supplier base and to outline the terms and conditions for doing business. A positive working relationship between GHSP and its suppliers (individually a "Supplier") is essential for success. We would appreciate Supplier responses to this manual; constructive ideas will be considered on an on going basis.

This manual provides insight into the following:

- Alignment of goals and objectives.
- A clear understanding of Supplier's responsibilities.
- A framework for clear communication.
- A framework for evaluation of Suppliers.
- A method to meet the highest quality standards. Regardless of GHSP's end customer QS9000 standards must be met for automotive and ISO9000 for non-automotive.

Periodically, Supplier will be required to review the current form of this Manual and sign an acknowledgment in the form attached hereto as Exhibit A to indicate that Supplier understands and agrees with the terms and conditions contained herein.

### II. Supplier Audits

GHSP may perform selected on-site supplier audits for any reason, including but not limited to, the following:

- Initial Supplier evaluations
- Review of plant relocations
- Significant plant renovations or process changes
- Changes in ownership of Supplier
- Quality problems
- On an as needed basis

The Supplier Development representative and a cross-functional team consisting of purchasing and engineering representatives will usually perform the audits. Suppliers that do not pass the on-site audit may not be considered for inclusion on, and may be removed from, the GHSP "Approved Supplier List".

### III. Purchase Orders

GHSP will issue a blanket purchase order ("PO") and/or enter into a long term agreement with Supplier ("LTA") for each individual part which PO or LTA together with this Supplier Manual will constitute the Contract between GHSP and Supplier. The LTA and/or PO will establish price, part revision levels and other terms not covered in this document. GHSP may at any time, by written order, make changes to any one or more of the following: (1) drawings, designs or specifications, (2) method of shipment or packing, or (3) time and place of delivery. If any such change causes an increase or decrease in the cost of, or the time required for performance of, any part or service under the Contract, the parties will consult regarding whether any adjustment should be made in the price and/or delivery schedule for the Contract. Any changes in the price and/or delivery schedule must be mutually agreed upon and documented in writing.

IV. Expectations

A. Quality

Monthly evaluations of Supplier's quality help ensure that GHSP's product expectations are being met. Standard measures and guidelines are used to evaluate PPM's, quality spills, delivery and service performance. These measures include and document GHSP's expectations for corrective actions for non-conformance to the standards. GHSP Suppliers must demonstrate continuous improvement toward zero defects.

Quality standards include, but are not limited to, successful completion of applicable QS9000, ISO 14001 and ISO9000 certifications.

All goods and services are subject to test and inspection by GHSP at all reasonable times and places, including the places of manufacture, fabrication or distribution and GHSP has the right to inspect the goods at its plant before final acceptance. Payment will be required only after GHSP's inspection and acceptance of parts. Notwithstanding the foregoing, GHSP's payment does not constitute acceptance of the parts.

If product defects occur, Supplier will be required to provide appropriate manpower as necessary for sorting and/or repair of its products. This may, at times, require travel to GHSP and/or GHSP's customer's facilities to do such work with immediate response. Costs resulting from defects incurred by GHSP, GHSP's customers and/or Supplier will be the responsibility of Supplier. The cost of and responsibility for resolving any quality issues will remain at all times with Supplier.

Corrective actions to quality issues are measured in an 8-D format. Timing for responses to quality issues is 24 hours for short term/containment measures, and 15 days for long term/permanent corrective action.

In addition, Supplier will be responsible for warranty costs incurred by GHSP or its customers or any other claims by GHSP's customers if GHSP determines the defect is caused by a Supplier's specific part or service.

Seller will be responsible and liable for the above described costs or claims regardless of whether the defect or problem arises or is caused in whole or in part by any defect in any part or service supplied by any third party to Supplier and incorporated in Supplier's part or service, and Supplier's responsibility and liability shall not be limited or reduced by any claim that a defect or problem is the responsibility of any such third party, regardless of whether GHSP approved or recommended such third party or otherwise or directed Supplier to obtain any parts, components, materials or services from such third party.

GHSP requires its suppliers to adhere to quality standards that eliminate the need for inspection of their parts by GHSP and its customers.

GHSP requires its supplier to perform an annual layout of functional dimensions as detailed in the supplier control plan and approved by GHSP. The default requirement is a complete layout of all dimensions and performance requirements as detailed on the print.

B. Delivery

Material releases are generated via manufacturing resource planning ("MRP") systems, which clearly detail delivery requirements, along with the authorized material and fabrication quantities. These releases will be communicated to Supplier electronically through our "supplier visualization" system or via fax. Suppliers are required to adhere to timing and quantities as detailed on their supplier releases. GHSP will not consider any exception unless it is communicated to GHSP by email or fax within 24 hours of receipt of the schedule. Regardless of whether an exception is communicated within such time, it is not effective until accepted by GHSP in its sole discretion. Supplier will be responsible for down time expenses and /or premium freight charges incurred due to late deliveries.

All minimum ship or production quantities must be specifically documented on a LTA and/or the PO.

GHSP expects delivery quantities and packaging that optimizes throughput, and floor space utilization. This will require the use of a standard bar code label designed to GHSP standards. It may also require the use of returnable totes that are designed to integrate into the GHSP manufacturing and distribution program. GHSP will specify packaging for each part and Supplier must meet these specifications.

Title to the goods shall not pass until goods are delivered at the location specified in the applicable release, LTA and/or PO. In the event goods are delivered to a location other than Supplier's facility, Supplier shall be responsible for preparing and filing claims against the freight carriers for loss or damage to goods in transit to the location for delivery specified in the relevant PO or release. Supplier will be responsible for the cost, expenses and other losses or damages incurred by GHSP or its customers caused by Supplier's failure to ship or perform as required by the due dates and times, if any, specified on a PO, release or other communication to Supplier.

C. Pricing

GHSP is interested in lowest total cost, including but not limited to:

- Piece Price
- Tooling
- Pre Production Parts
- Prototype Parts
- Logistics
- Packaging

Annual cost downs based on productivity are common in GHSP's industry; specific requirements may vary with each Supplier. Annual cost downs for design and non-design should be a consideration with each quotation to GHSP.

Cost breakdown analysis may be required prior to orders being placed for parts supplied to GHSP. This data is to be included in Supplier's quotation per GHSP's request.

Service pricing is to remain at production price levels, as indicated on the GHSP request for quote ("RFQ") form, in accordance with GHSP customer requirements, which vary up to seven years after production phase out.

D. Communications

GHSP will rely heavily on timely communication from Supplier via telephones, both land line and cellular, voicemail, answering machine, fax machines and e-mail. GHSP will require Supplier to be pro active in letting it know when problems arise or when schedules cannot be met. The earlier this information is known to GHSP, the sooner we can take steps to help avoid problems, and to communicate with our customers, which can help to avoid premium and excess costs.

Supplier will communicate in the most efficient and rapid manner available with current technology. This may include Supplier Visualization ("SV"). Supplier must also be able to communicate via e-mail and supply off-shift contacts.

E. Technical Support

Supplier must have the following:

- Personnel that understand tooling processes and manufacturing.
- A program leader responsible for timing milestones, finance and internal resources.

Supplier will supply:

- Verification of internal run at quoted production rate for four hours (excluding scrap). At the request of GHSP, Supplier will perform onsite "Run at Rate" at Supplier's facility.
- Timing (Gantt) chart from start to PPAP provided upon program award.
- Supplier open issues list to be generated and maintained until full PPAP approval is achieved.

#### F. Tooling and Equipment

While in Supplier's custody or control, all GHSP or GHSP customer owned tooling and equipment, including service tooling and equipment, shall be maintained in good condition at Supplier's expense and shall be held at Supplier's risk. Supplier shall attach an identifying label showing GHSP's (or GHSP's customer's) ownership in a prominent place on each unit of tooling or equipment. Any tooling or equipment either furnished or paid for by GHSP, either expressly or by amortization in the price of the goods, and any replacements or additions to these items, shall be and remain the property of GHSP and be delivered to GHSP or its designee upon demand. Such items shall only be used to process goods of GHSP. Supplier shall pay all insurance and other costs associated with using and maintaining these items.

Unless otherwise stated on the face of the relevant Contract or release, Supplier shall furnish all materials, equipment and facilities required to perform under any given Contract or release.

#### V. Quoting Guidelines

- Supplier must conform all quotations to the print and RFQ provided, if any. If the requirements cannot be met, the changes needed for the quote must be clearly identified, or the opportunity should be "no quoted".
- Quotes will be for the life of GHSP's customer's program plus up to seven years of service requirements. Any and all detail regarding run size, pack size and ship frequency must be documented in Supplier's quotation.
- Terms are to be Net 45 days unless otherwise noted in a LTA and/or PO.
- Supplier will supply 500 PPAP samples at no cost to GHSP. Any tooling change will require Supplier to supply 500 PPAP samples at no cost to GHSP.

#### VI. Production Part Approval Process (PPAP) and Sample Submission

The Automotive Industry Action Group (AIAG) Production Part Approval Process (PPAP) is required by GHSP for all production parts and services.

The purpose of PPAP is to determine if all GHSP customer engineering design records and specification requirements are properly understood and met. PPAP also ascertains whether the production process has the potential to consistently produce product meeting these requirements at the quoted production rate. Supplier is required to follow PPAP as set forth in the most recent AIAG Manual. Supplier shall secure written full or interim PPAP approval from GHSP prior to shipment of production parts.

#### VII. Balance-Out Policy

Sound inventory management programs at GHSP and at Supplier's facilities should result in minimal costs for the balance out of programs relating to obsolescence. These inventory management programs should be supplemented with clear and accurate communication regarding expectations, commitments and requirements. Although there are occasional surprises from our customers, most balance-outs are known with adequate lead-time to minimize exposure and premium costs. Our goal is to balance-out programs with

no cost to GHSP, our customer, or our supply base.

#### VIII. Balance-out Process

GHSP will notify Supplier following GHSP's receipt of preliminary information regarding a change in the balance-out status of a component or raw material. GHSP typically is able to provide such notice 2 months before the phase-out or last purchases date. This notification will be in the form of a comment on the weekly supplier schedule detailing "Watch schedules carefully, part is phasing-out". This notification will be supplemented by the issuance of a balance-out memo from the GHSP plant.

Supplier is required to strictly monitor GHSP's schedules as provided to Supplier, particularly after receiving notification of phase-out status, to minimize any potential obsolescence. GHSP authorizes Supplier to have on hand, at any time, up to **3 weeks of scheduled finished goods and purchased material and parts for production of an additional 2 weeks of scheduled finished goods** as detailed on GHSP's supplier schedules. If Supplier needs to produce/purchase finished goods, material or parts in excess of authorizations, it must first receive written approval from its GHSP Commodity Buyer. This is unlikely to be approved unless the PO or LTA with Supplier notes special conditions requiring minimum purchases or abnormal lead-times.

Final shipments of balance-out components may require partial containers, smaller than normal lot sizes, and/or shorter lead-times with no increased cost.

Supplier is encouraged to request information regarding the potential of future service/replacement orders for its components from its GHSP Commodity Buyer. GHSP is required to supply to its customers service requirements at production prices for up to seven years after phase-out and Supplier must meet these same terms.

#### IX. Claim Process

In the event that obsolescence occurs due to the discontinuation of a part, the following procedure applies:

1. Supplier should submit any claim regarding obsolescence costs to the GHSP Commodity Buyer within three weeks of Supplier's final ship date, including cost breakdowns for component material.
2. The GHSP Commodity Buyer will review the claim and advise Supplier as to the validity of the claim within thirty days of receipt.
3. All material claimed to be obsolete must be segregated and stored at Supplier's facility pending a possible GHSP audit.
4. The relevant GHSP customer may require an audit of the material.
5. No material may be disposed of until after final settlement is achieved.
6. The GHSP Commodity Buyer will issue a purchase order for all valid claims to trigger the payment process.

#### X. Other Legal

**Warranties.** All specifications, drawings and other data submitted by GHSP, including performance data, are incorporated by this reference into each PO or release. Supplier expressly warrants that the goods delivered shall conform to such data. Goods delivered are expressly warranted by Supplier to be of good material and workmanship, free from any defects in material, labor or fabrication, and fit for the particular purposes of GHSP. These warranties are in addition to any warranties implied by law which are hereby incorporated by reference. All warranties shall extend to future performance of the goods and shall apply to GHSP, its employees, successors, assigns, and customers and other users.

If GHSP's customer returns parts for warranty claims against GHSP, and GHSP finds that the warranty defect was caused by Supplier's goods or services, these costs and claims will be charged to and be the responsibility of Supplier. These claims will include the amount charged to GHSP and may include the cost of the part as well as the cost for repair or damages to the vehicle in which the part is installed.

THE WARRANTIES AND REMEDIES CONTAINED IN THIS AGREEMENT SUPPLEMENT THE WARRANTIES AND REMEDIES PROVIDED BY THE UNIFORM COMMERCIAL CODE AND SHALL NOT BE DISCLAIMED OR LIMITED IN ANY WAY.

**GHSP's Remedies.** In the event of Supplier's breach of any warranty provided for herein, GHSP may, at its option cancel any Contract with Supplier in whole or in part, without liability, except as to conforming goods delivered and accepted by GHSP prior to such cancellation. If Supplier's breach goes to part or all of the goods covered by any PO or LTA, GHSP at its option may return such goods at Supplier's risk and expense for full credit or GHSP may correct or replace such goods and charge Supplier with the expense. Items may be replaced or corrected by Supplier only as specified by GHSP, and any replacement or correction by Supplier shall be subject to the terms and conditions of the original PO or release. In addition to the rights and remedies provided by the terms of this agreement, GHSP shall also have all the rights and remedies provided by law.

**Termination.** GHSP may terminate any contract in whole or in part at any time with written notice stating the effective date of such termination. Upon receipt of notice, Supplier will, unless otherwise directed by GHSP, (a) stop work and acquisition of materials under such contract, and (b) protect property in Supplier's possession in which GHSP has or may acquire an interest.

Supplier must submit any termination claim to GHSP within thirty (30) days of the later of the last shipment of product or the termination date, or forfeit its claim. Supplier gives GHSP the right to audit and inspect its books, records and other documents relating to any termination claim. Notwithstanding Supplier's claim, GHSP's liability to Supplier arising out of any termination will be limited to (i) the applicable price for any finished goods produced by Supplier as of the termination date which are then scheduled by GHSP for delivery at any time within the first three weeks following the termination date, and (ii) Supplier's actual cost for material and parts purchased by Supplier as of the termination date for inclusion in finished goods which are then scheduled by GHSP for delivery at any time within the first five weeks following the termination date. Without limitation of the foregoing, GHSP shall not be liable for any of Supplier's work in process inventory on hand on the termination date. For purposes of this paragraph, the termination date shall be the date of delivery of the notice of termination, unless otherwise specified in such notice. GHSP will advise Supplier as to the validity of any termination claim submitted by Supplier within 30 days of receipt of the claim.

**Confidentiality and Non-Use.** Supplier shall not sell or offer to sell or otherwise provide to anyone other than GHSP any goods made in accordance with any drawings, designs or specifications that GHSP furnishes to Supplier or that incorporate, embody or are made in accordance with any of GHSP's intellectual property. Supplier shall maintain the confidentiality of, and shall not disclose or use or permit to be disclosed or used or to be viewed by any third party (including any of Supplier's suppliers), the goods, any designs of or specifications for the goods, any GHSP property or any information concerning GHSP's business, operations or activities, including, without limitation, information concerning GHSP's present or proposed products, product developments, plans, strategies, finances, know-how, sales, customers and marketing or sales techniques ("Confidential Information"), except that Supplier may disclose Confidential Information to a third party (other than a competitor of GHSP or a subsidiary or affiliate of a competitor) to the extent disclosure is necessary in order for Supplier to perform its obligations under the Contract. If Supplier breaches or threatens to breach this paragraph, GHSP's remedies at law will be inadequate. Therefore GHSP shall have the right of specific performance or injunctive relief, or both, in addition to any and all other remedies and rights at law or in equity, and GHSP's rights and remedies shall be cumulative.

**Insurance.** Supplier will maintain and carry comprehensive general public liability insurance, including, without limitation, public liability, property damage liability, product liability, contractual liability, umbrella coverage, employees' liability and all coverage required by law. Supplier will provide certificates of insurance to evidence coverage, as required by GHSP. Supplier must carry \$5,000,000 of coverage for each occurrence, single limit coverage for bodily injury and property damage. The insurance policies required shall name GHSP as an additional insured under such policy. Supplier shall provide GHSP with a certificate of insurance showing compliance to this provision and stating that the coverage cannot be cancelled or reduced without providing GHSP with at least thirty (30) days prior written notice.

**Compliance with Laws.** Supplier warrants, certifies and agrees that the goods or services purchased under the terms of any LTA and/or PO will be manufactured, fabricated, distributed, shipped, packaged, and performed in compliance with and governed by all federal, state, local and applicable foreign laws, ordinances and regulations.

**Cancellation on Account of Insolvency.** Either party may cancel this contract without liability in the event of the institution of proceedings relating to insolvency, bankruptcy, reorganization, arrangement of liquidation by or against the other party or if either party makes an assignment for the benefit of creditors.

**Clerical Errors.** Any clerical errors contained in any PO, LTA or release may be corrected at any time.

**Assignment-Delegation.** No right or interest in any contract formed as related to this agreement shall be assigned or delegated by Supplier without GHSP's written consent, which consent may be withheld in GHSP's sole discretion.

**Remedies.** Supplier recognizes and acknowledges that in the event of any default in, or breach of, any of the terms, conditions, and provisions of a Contract with GHSP (either actual or threatened) by Supplier, GHSP's remedies at law shall be inadequate. Accordingly, Supplier agrees that in such event, GHSP shall be entitled to the remedies of specific performance and injunctive relief in addition to any and all other remedies and rights at law or in equity, and such rights and remedies shall be cumulative.

**Statute of Limitations.** Any claim or cause of action arising from any issue related to any PO, LTA or release must be commenced in a court of competent jurisdiction within four (4) years from the date the facts giving rise to the claim or cause of action are first discovered by the claiming party, or the other party shall have no liability with respect to such claim or cause of action. Nothing in this paragraph shall extend the time limitations for Supplier making a termination claim following GHSP's termination of a contract as permitted hereunder.

**Applicable Law; Dispute Resolution.** This agreement shall be construed and interpreted in accordance with the laws of the State of Michigan, excluding the United Nations Convention on Contracts for the International Sale of Goods. The parties shall attempt in good faith to resolve any dispute relating to this Agreement promptly by negotiations between executives who have authority to settle prior to the commencement of any legal proceeding.

118446-3

Supplier Manual Acknowledgement

**SUPPLIER MANUAL ACKNOWLEDGMENT**

The undersigned hereby acknowledges that it has read, understands and agrees to be bound by GHSP, Inc.'s Supplier Manual with a version date of \_\_\_\_\_ (the "Current Manual"). The undersigned further acknowledges and agrees that the terms of the Current Manual supercede the terms of any previous Supplier Manual or similar document GHSP may have had in place, or been party to, prior to the Current Manual.

\_\_\_\_\_  
(Type or Print Supplier Name)

By: \_\_\_\_\_

Its: \_\_\_\_\_